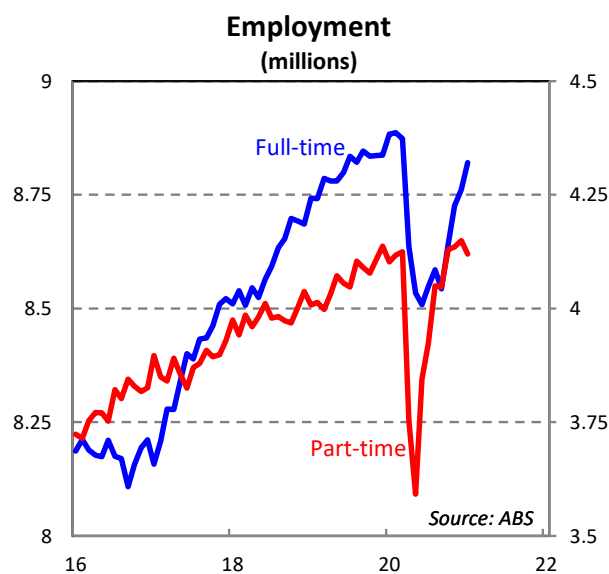
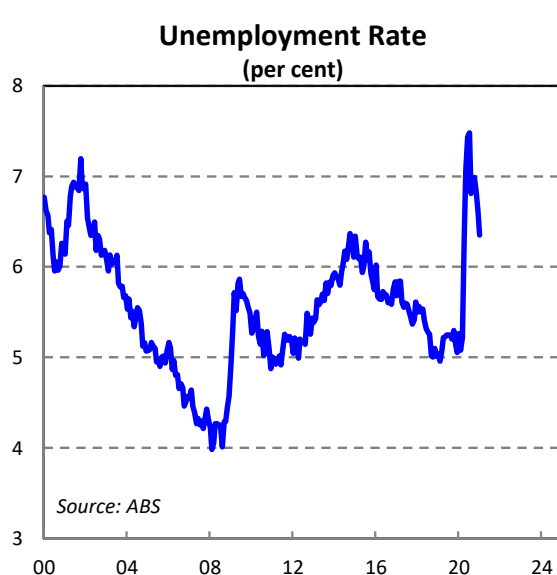


Thursday, 18 February 2021

Labour Force

The Recovery Continues

- The labour market continued its recovery in January with the creation of a further 29.1k jobs. For a fourth month in a row, the job numbers have been very encouraging and suggest that the momentum seen at the end of 2020 is carrying through into 2021.
- The unemployment rate fell from 6.6% in December to 6.4% in January. The decline in the unemployment rate was assisted by a small decline in the participation rate from 66.2% to 66.1%.
- The level of employment in Australia is just 0.5% below its pre-COVID-19 level in February, representing the loss of 64k jobs. The number of people in part-time jobs has returned to its pre-COVID level while the number of people employed full-time has not fully recovered.
- The number of hours worked declined 4.9% in the month to be down 5.7% on a year earlier. This perhaps reflects the Northern Beaches lockdown which would have been felt most strongly in January.
- The results were mixed across states. Victoria reported solid jobs growth, while employment was largely unchanged in NSW and Queensland. The number of jobs declined in South Australia and Western Australia.
- We expect the unemployment rate to stand at 6.0% in December 2021 and 5.2% in December 2022. A key uncertainty is how the labour market will weather the tapering of fiscal support, most notably the conclusion of JobKeeper at the end of March.



The labour market continued its recovery in January with the creation of a further 29.1k jobs. This came after the creation of 90.0k jobs in November and 50.0k jobs in December. While 59.0k full-time jobs were created in January, 29.8k part-time jobs were lost. For a fourth month in a row, the job numbers have been very encouraging and suggest that the momentum seen at the end of 2020 is carrying through into 2021.

The level of employment in January is now just 64.0k lower than in February 2020, the month before the pandemic was declared. The number of people in part-time jobs has returned to its pre-COVID level while the number of people employed full-time has only partly recovered. The fall and recovery in part-time jobs was large compared to previous slowdowns in the labour market. This reflects that the industries most affected by activity restrictions had a high share of part-time workers. Provided job growth can be maintained, employment should reach its pre-pandemic level in the next few months.

The unemployment rate fell from 6.6% in December to 6.4% in January. The decline in unemployment rate was assisted by a small decline in the participation rate from 66.2% to 66.1%.

Despite the improvement in the labour market, 877.6k people remain unemployed. Youth unemployment is still elevated, unchanged from December at 13.9%.

The number of hours worked declined 4.9% in the month to be down 5.7% on a year earlier. This perhaps reflects the Northern Beaches lockdown, which would have been felt most strongly in January. It suggests that firms responded by reducing hours rather than cutting jobs. Hours worked is volatile month-to-month, so we are not reading much into this fall at this stage.

States

The results were mixed across the states. In NSW and Queensland, the number of jobs were largely unchanged. For NSW, this is encouraging coming off the back of the Northern Beaches lockdown. In Queensland, this follows a strong December, where 36.6k jobs were added.

Victoria recorded 43.6k new jobs in January, as the state continues to recover from its extended lockdown in early November. This marks the fourth consecutive month of jobs growth in Victoria, adding over 200k jobs in total over the period. These data reinforce our view that Victoria is rapidly turning the corner after a difficult 2020.

Also a positive sign, Tasmania added 3.0k jobs in the month.

In contrast, South Australia and Western Australia lost 12.2k and 13.4k jobs respectively. However, the number of jobs in both states remain around their pre-COVID level.

Across the states, the unemployment rate is well down from its peaks although there is some variation between states. It was highest in South Australia at 7.1% followed by Queensland at 7%. In the rest of the country, the unemployment rate hovered around 6%.

Outlook

On balance, the January labour force survey points to the ongoing recovery of the Australian economy and has not changed our view of the labour market. We expect the unemployment rate to stand at 6.0% in December 2021 and 5.2% in December 2022. We believe the peak in the unemployment rate is now behind us.

The broad outlook for the labour market is positive. Significant fiscal and monetary stimulus will continue to support jobs growth. In addition, the vaccine rollout and scope for subsequent relaxation of social distancing restrictions are also good signs.

However, the Reserve Bank has stressed that the recovery will be bumpy and uneven. A key uncertainty is how the labour market will weather the tapering of fiscal support, most notably the conclusion of JobKeeper at the end of March.

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