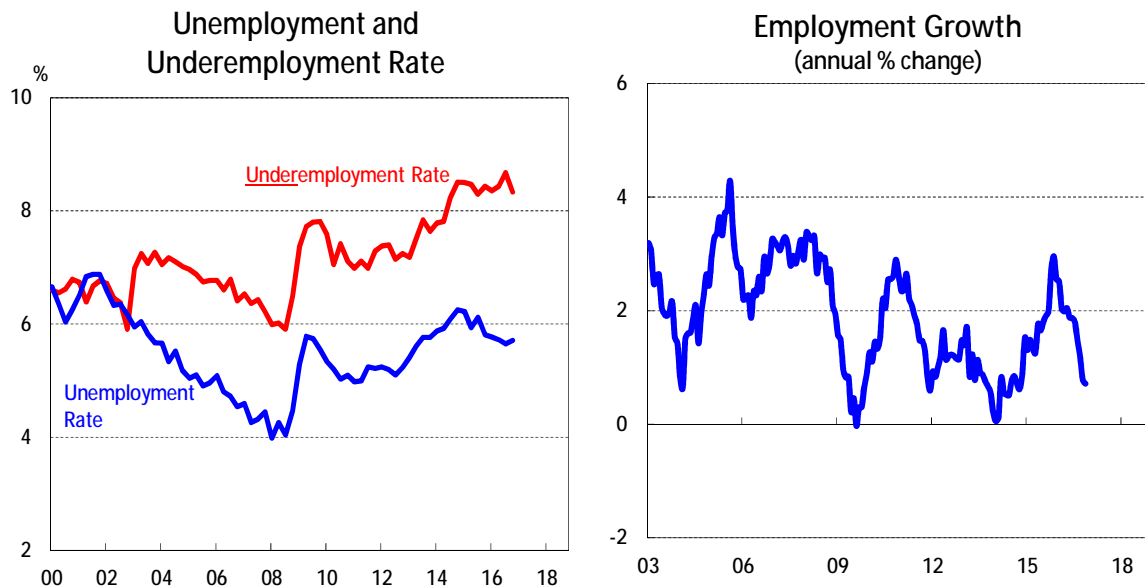


## Labour Force

### Are Full-Time Jobs Making a Come Back?

- Employment rebounded 39.1k in November, the strongest monthly gain in a year. The stronger-than-expected increase in November however, followed a string of relatively weak outcomes in previous months.
- When assessing the broader trend, employment growth remains quite weak. Employment grew 0.7% in the year to November, the weakest annual pace in over two years.
- Full-time jobs had their largest back-to-back gain since March 2011, regaining some of the job losses occurring earlier in the year. That said, full-time jobs were still down 0.3% in the year to November. Encouragingly and consistent with the swing back to full-time from part-time work, the underemployment rate edged down from 8.7% in August to 8.3% in November. It however, remains elevated.
- The unemployment rate edged higher from 5.6% in October to 5.7% in November, which was largely reflective of more people looking for work.
- Job growth was seen in every state in November. Gains were largely driven by Queensland after job losses in previous months.
- The pickup in job gains, particularly in full-time, and the fall in underemployment is encouraging. However, signs that the economy has lost some momentum present some doubt that job gains will be strong enough to bring down the unemployment rate, and lead to a pickup in wages and inflation over the medium-term. We continue to see a heightened risk that the RBA is not done cutting rates in this cycle.



Employment rebounded 39.1k in November, the strongest monthly gain in a year. The stronger-than-expected increase in November however, followed a string of relatively weak outcomes in previous months although October's 9.8k gain was revised upwards to 15.2k.

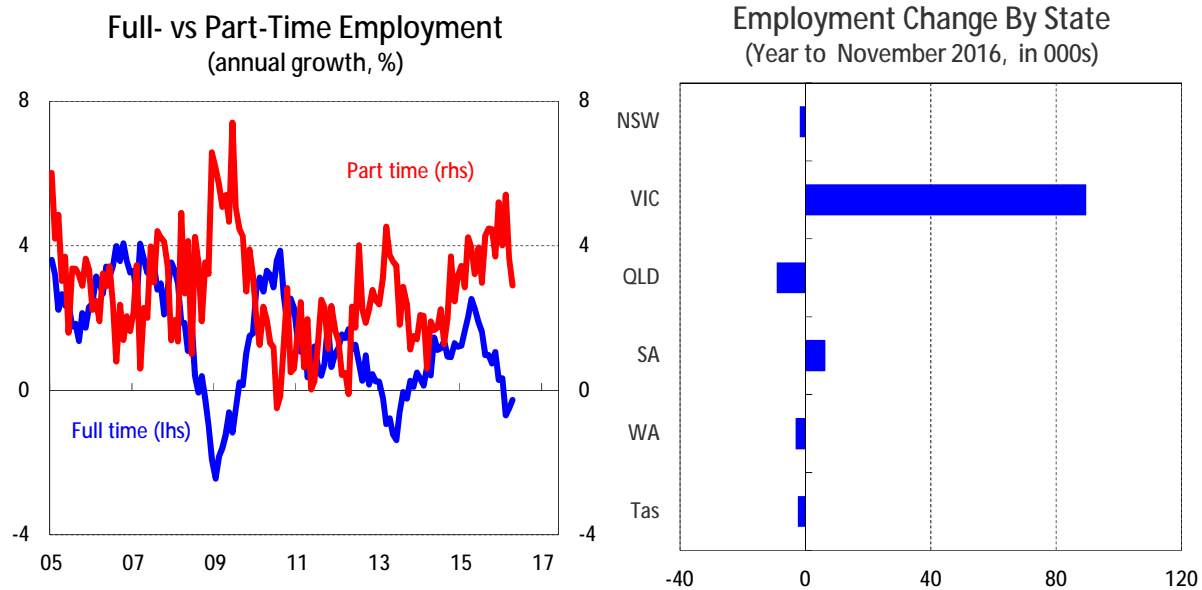
When assessing the broader trend, employment growth remains quite weak. On an annual basis, employment grew 0.7% in the year to November, the weakest annual pace in over two years. It was well down on the 3.0% annual growth recorded a year ago in November 2015. Over the last six months, employment gains have averaged a very modest 8.3k per month.

The unemployment rate edged higher from 5.6% in October to 5.7% in November, which was largely reflective of more people looking for work. The participation rate edged back up from 64.4% in October to 64.6% November.

There was some further good news in the job category breakdown. Full-time jobs gained 39.3k in November, regaining some of the job losses occurring earlier in the year. After a 45.7k gain in full-time jobs in October, the job gain over October and November of 85.0k was the largest back-to-back gain in full-time jobs since March 2011.

Part-time jobs took a backseat, slipping -0.2k in November, following a 30.5k drop in October. However, part-time job growth continues to well exceed full-time jobs, despite this trend partially reversing in recent months. Annual growth in part-time work grew 2.9% in the year to November, while full-time jobs weakened 0.3% over the same period.

Encouragingly and consistent with the swing back to full-time from part-time work, the underemployment rate edged down from 8.7% in August to 8.3% in November. It however, remains elevated and still indicates that there is a higher level of underutilisation in the labour market than suggested by the unemployment rate.



### State Analysis

Job growth was seen in every state in November, particularly in Queensland (38.6k), following three consecutive months of decreases. Growth was further behind but still positive in Western Australia (7.4k), NSW (5.6k), Victoria (1.2k), South Australia (0.3k) and Tasmania (2.0k).

On an annual basis, Victoria is still far exceeding the rest of the nation in terms of employment growth, adding 89.5k jobs in the year to November. The only other state with job gains over the course of the past year is South Australia, at 6.3k. Job growth in the year to November lags behind in NSW (-1.9k), Queensland (-9.1k), Western Australia (-3.1k) and Tasmania (-2.4k). It was the first decline in annual job growth for NSW since May 2014 and reflects a significant slowdown in employment gains.

Unemployment rates rose for the majority of states, increasing in South Australia by half a percentage point to 7%, and by nearly the same margin in Western Australia to 6.9%. Unemployment rates edged higher in Victoria (6.0%), Queensland (6.0%) and Tasmania (6.4%). NSW maintained the lowest unemployment rate at 4.9%, despite a modest fall in employment in the year to November.

### Outlook and Implications for Monetary Policy

The rebound in jobs over recent months, particularly in the full-time category, is a positive sign. The RBA will also be encouraged by the fall in the underemployment rate, which it has been watching closely, according to recent commentary. However, the recent pickup in job gains follows a very soft patch earlier in the year. As a trend, employment growth has slowed considerably from a year ago.

The current level of the unemployment rate, still high underemployment and weak growth in wages also continue to suggest a fair degree of labour market slack.

We continue to expect sufficient job gains to keep the unemployment rate broadly steady over the coming year. Leading indicators continue to point to a moderate pace of employment growth. However, there are also signs that the Australian economy has lost some momentum, which dampens the prospect of further strength in job gains. Ongoing strength in jobs would likely be necessary for the unemployment rate to fall and for wages and inflation to pick up over the

medium-term.

We continue to be less optimistic than the RBA that growth and inflation will pick up. Unless the economy can create ongoing strength in jobs, we expect the RBA will not be done cutting rates in this cycle.

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