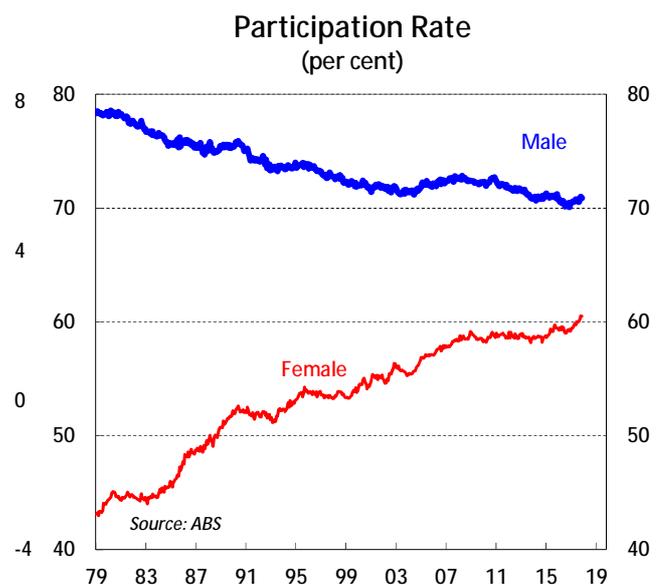
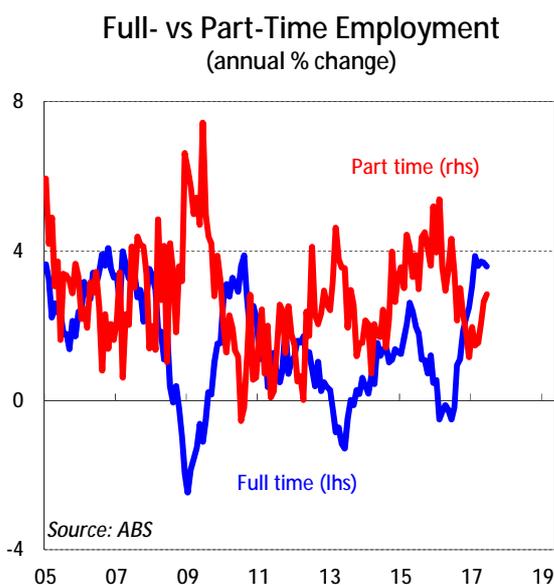


Labour Force Slowly Progressing to Full-Employment

- Employment grew close to market expectations in January, lifting 16.0k. Some moderation was expected after the phenomenal job strength witnessed last year. Job gains averaged a solid 33.6k per month over 2017.
- This year, we would expect gains to average between 17-20k jobs per month, a softer pace growth than in 2017, but sufficient to bring down the unemployment rate over time. Business conditions remain elevated, and other leading indicators such as job ads point to ongoing strength in job growth.
- The unemployment rate edged down from a revised 5.6% in December to 5.5% in January. The participation rate ticked 0.1 percentage point lower to 65.6% in January, but it was still near the highest since early 2011, and close to a record high.
- NSW, Queensland, and Victoria all had annual job gains in excess of 100k. There were more modest annual gains in Western Australia, South Australia, and Tasmania.
- There continues to be progress in reducing spare capacity. However, until the labour market is closer to full-employment, (currently estimated by the RBA at 5.0%), we do not expect wage growth will pick up substantially. The range of commentary from the RBA in recent weeks suggests that a rate hike does not seem likely in the near-term, while spare capacity still persists.



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The annual pace of employment growth remained steady at 3.3% from December to January, the strongest since early 2008.

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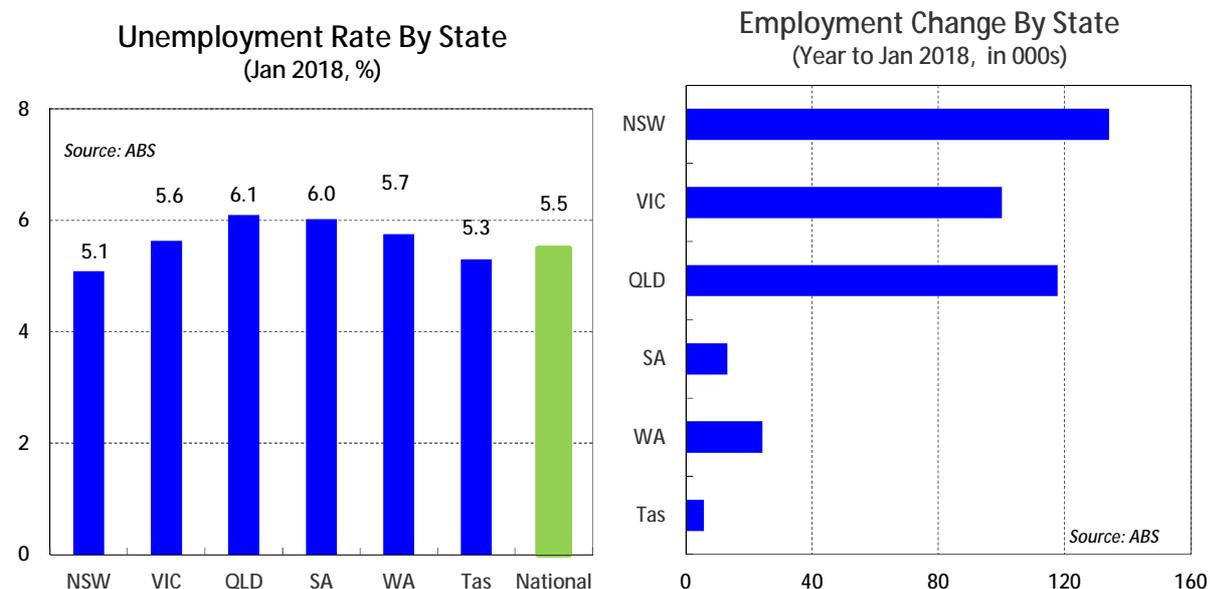
The breakdown revealed a 49.8k decline in full-time work in January, but still saw the annual gain at a strong 293.2k or annual percentage growth at 3.6%. In January, part-time work increased 65.9k, for annual growth of 110.1k or 2.8%

States and Territories

NSW saw a pronounced unwinding of jobs, declining 21.2k in January, after 18.7k job growth in December. Victoria also saw some easing in job growth, lifting 2.1k in January after a 4.0k contraction in December. Queensland had the strongest job growth in the month, lifting 19.7k. There was modest growth in South Australia (5.3k), but jobs contracted in Western Australia (-8.9k) and Tasmania (-0.4k).

On an annual basis, NSW had the strongest job gain (134.1k) despite the decline in the month. Queensland (117.9k) and Victoria (100.2k) also had annual job gains in excess of 100k. There were more modest annual gains in Western Australia (24.3k), South Australia (13.2k), and Tasmania (5.7k).

The unemployment rate edged higher in NSW (from 4.8% to 5.1%), but remained the lowest among all States. Victoria's edged down from 6.1% to 5.6% in January. Unemployment rates in Queensland (from 6.0% to 6.1%), and South Australia (from 5.9% to 6.0%) also edged higher. It was steady at 5.7% in Western Australia, and fell in Tasmania (from 6.1% to 5.3%). In trend terms, unemployment rates remained low in the ACT (4.0%), and the Northern Territory (4.6%).



Outlook

The strength of the labour market over 2017 was not likely to be sustainable, so some easing in job growth in early 2018 will not come as a surprise.

Nonetheless, on average, a solid pace of job growth is continuing. We expect that the labour market will continue to add jobs at a pace that will bring down the unemployment rate over the course of this year. Business conditions remain elevated, and other leading indicators such as job ads point to ongoing strength in job growth.

For the RBA, this will point to progress in reducing spare capacity. However, until the labour market is closer to full-employment, (currently estimated by the RBA at 5.0%), we do not expect wage growth will pick up substantially.

In a range of commentary over the last few weeks, the RBA has highlighted uncertainty over the degree of spare capacity within the economy and when and if wage pressures and inflation would build. This sentiment from the Reserve Bank suggests that a rate hike does not seem likely in the near-term, while spare capacity still persists.

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The Detail

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