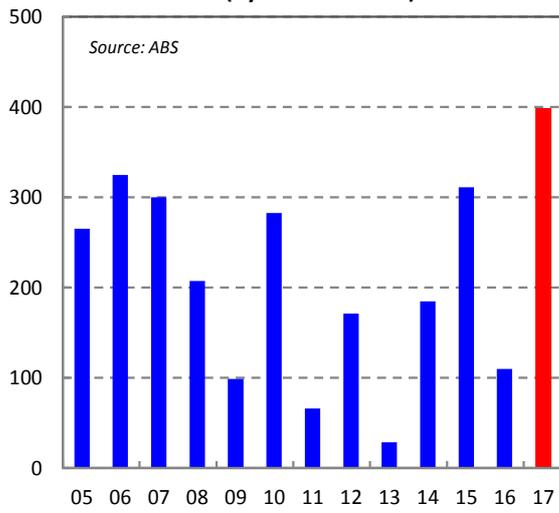


Labour Force 2017 – The Year of Jobs

- Once again, the labour market has surprised with its strength adding 37.8k in December, coming off the back of a 61.6k gain in November.
- The year 2017 was a phenomenal year of job growth. Indeed, a whopping 398.4k net jobs were added in the 2017 calendar year, more than any other calendar year since these records began in 1978.
- Despite the strong job gain, the unemployment rate edged higher from 5.4% in November to 5.5% in December. This mostly reflected a rise in the workforce participation rate from 65.5% in November to 65.7% in December, to the highest in seven years and just shy of its highest on record. The booming conditions in the labour market is clearly encouraging more potential workers to search for jobs.
- In December, job growth was concentrated in NSW (14.3k), followed by Western Australia (6.1k). There were small increases in South Australia (1.3k) and Tasmania (0.6k), but there were declines in Victoria (-3.9k) and Queensland (-3.6k).
- We have some doubts of the economy maintaining the current pace of job growth witnessed over the course of last year, at an average of above 30k per month. However, we expect that job growth will be sufficient to bring the unemployment rate down over time.
- In the November SOMP, the RBA forecast for unemployment rate stood at 5.5% for end December 2018. There is a growing likelihood that the downward trend in unemployment rate over the past year will continue, and undershoot the RBA's forecast.

**Net Job Gains
(by Calendar Year)**



**Unemployment Rate
(per cent)**



Once again, the labour market has surprised with its strength adding 37.8k in December, coming off the back of a 61.6k gain in November. It was a phenomenal year of job growth. Indeed, a whopping 398.4k net jobs were added in the 2017 calendar year, more than any other calendar year since these records began in 1978.

In percentage terms, annual job growth stood at 3.3%, the strongest since April 2008.

When assessing the breakdown between full-time and part-time, the story gets even brighter. The bulk of jobs over 2017 have been in full-time, which added 300.5k, while the remaining 97.9k was in part-time work.

In December, the breakdown was more evenly split. Full-time work rose 17.1k while part-time work lifted 20.7k.

Despite the strong job gain in the month, the unemployment rate edged higher from 5.4% in November to 5.5% in December. This mostly reflected a rise in the workforce participation rate from 65.5% in November to 65.7% in December, to the highest in seven years and just shy of its highest on record. The booming conditions in the labour market is clearly encouraging more potential workers to search for jobs.

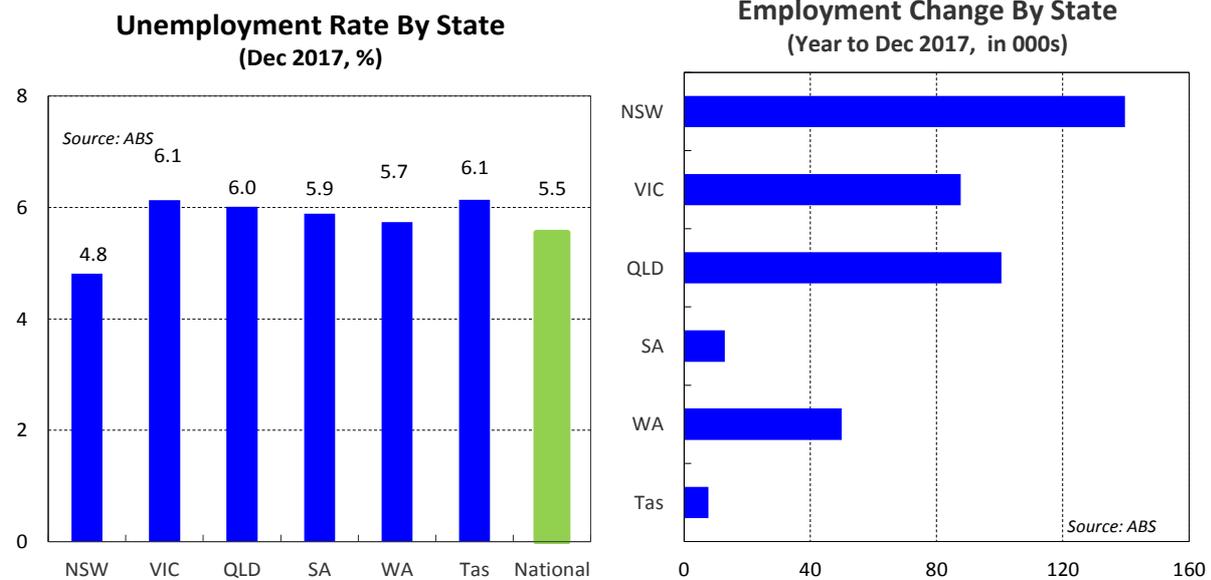
Although the unemployment rate rose in the month, there has been a downward trend in the unemployment rate. A year ago, the unemployment rate was 0.3 percentage points higher at 5.8%.

States and Territories

In December, job growth was concentrated in NSW (14.3k), followed by Western Australia (6.1k). There were small increases in South Australia (1.3k) and Tasmania (0.6k), but there were declines in Victoria (-3.9k) and Queensland (-3.6k).

In the year to December, NSW held first place for the most jobs were created (139.7k). There were still strong annual job gains in Queensland (100.6k) and Victoria (87.7k) despite witnessing declines in the month. In Western Australia, jobs rose 49.9k in the year, the strongest since 2012. It is encouraging to see a recovery in the Western Australian labour market after suffering through the downturn in mining investment. South Australia (12.9k) and Tasmania (7.7k) also had moderate job gains over the year.

Unemployment rates in NSW (from 4.6% to 4.8%) and Victoria (from 5.5% to 6.1%) edged higher, reflecting rising participation rates. Queensland (from 5.9% to 6.0%) and Tasmania (from 5.7% to 6.1%) also saw their unemployment rates head higher. Western Australia (from 6.6% to 5.7%) and South Australia (6.1% to 5.9%) were the only States where unemployment rates declined. In trend terms, ACT's unemployment rate edged down from 3.9% to 3.7%, the lowest in ten months, while the Northern Territory's unemployment rate rose from 4.9% to 5.2%.



Outlook

The current unemployment rate at 5.5% is continuing to suggest that spare capacity remains and that we are not yet at full-employment (estimated by the RBA at 5.0%). Consequently, we do not expect wage growth to pick up substantially.

Despite booming job growth, wage pressures will take time to build. From the experience overseas, other advanced economies including the US, Japan and parts of Europe, have yet not witnessed a meaningful acceleration in wages, despite very tight labour markets.

Nonetheless, we are moving in the right direction. The strength of the labour market continues to be one of the key positives in the domestic economy. While business conditions remain buoyant and the momentum in the global economy continues, prospects for ongoing solid job growth are promising. Leading indicators also point to further strength in the labour market.

We have some doubts of the economy maintaining the current pace of job growth witnessed over the course of last year, at an average of above 30k per month. However, we expect that job growth will be sufficient to bring the unemployment rate down over time.

In the November Statement on Monetary Policy, the RBA forecast for unemployment rate stood at 5.5% for end December 2018. There is a growing likelihood that the downward trend in unemployment rate over the past year will continue, and undershoot the RBA's forecast.

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The Detail

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