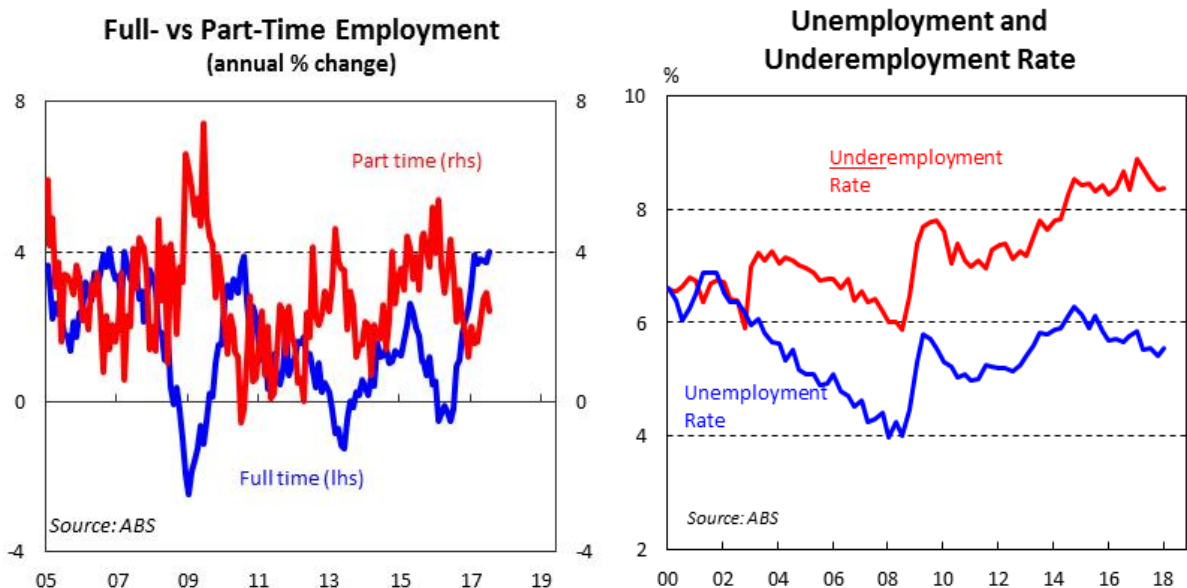


Labour Force Full-time Work Sets a New Record

- The strength in the labour market continued in February. Jobs grew a healthy 17.5k in the month. Although growth remains solid, the pace of job gains is easing from the extremely strong pace over last year.
- The unemployment rate edged up from 5.5% in January to 5.6% in February. This rise mostly reflected an increase in the participation rate, which rose from 65.6% to 65.7%, equalling its highest on record. The improvement in the labour market is continuing to entice potential workers back into the workforce.
- Another positive aspect of today's report was ongoing strength in full-time work. Full-time jobs surged 64.9k in February, more than offsetting a 53.2k decline in the previous month. The annual gain in full-time jobs of 327.6k was a new record high.
- NSW led job gains across States in February. South Australia was the only other State where net jobs increased. There were job declines across all other States in the month.
- The rising participation rate and still high underemployment still point to spare capacity persisting within the labour market. These factors are stemming a larger drop in the unemployment rate, despite consistently strong job gains. A further decline in the unemployment rate will be necessary before we would expect a meaningful pickup in wage growth.



The strength in the labour market is continuing. In February, jobs grew 17.5k, just a tad under consensus and our forecast of 20k.

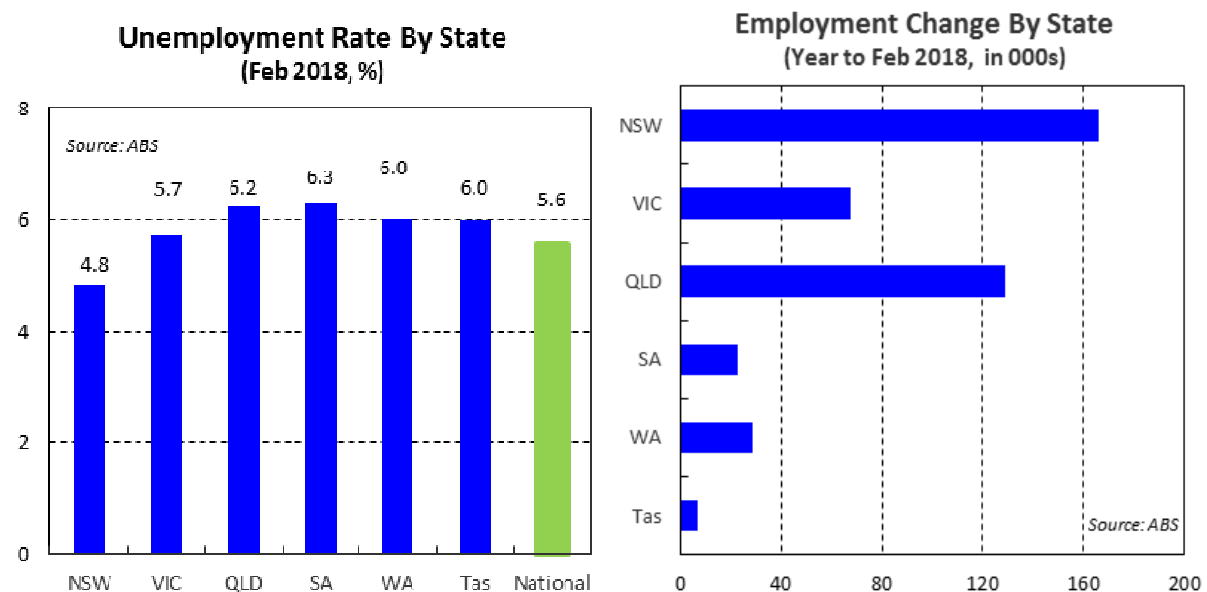
The average over the last six months remains a solid 26.9k, although this was down from an average of over 30k throughout the second half of 2017. Some easing in job growth was expected from the extremely strong pace over last year. However, we continue to expect that job growth will be sufficient to bring the unemployment rate down over time.

The unemployment rate edged up from 5.5% in January to 5.6% in February. This mostly reflected an increase in the participation rate, which rose from 65.6% to 65.7%, equalling its highest on record. The improvement in the labour market is continuing to entice potential workers back into the workforce. This is a positive development, but it also suggests that there further to go in reducing spare capacity in the labour market.

Another positive aspect of today's report was ongoing strength in full-time work. Full-time jobs surged 64.9k in February, more than offsetting a 53.2k decline in the previous month. The annual gain in full-time jobs of 327.6k was a new record high.

Meanwhile, part-time jobs declined 47.4k, for a 93.1k annual gain. Annual growth in part-time work continues to lag well behind full-time jobs.

Persistently high underemployment suggests that there is further scope for part-time work to shift to full-time work, and also points to persisting spare capacity in the labour market. The underemployment rate, which is based on part-time workers who wish to work more hours, lifted to 8.4% in February from 8.3% in November.



States and Territories

In February, NSW (28.4k) led job gains across States. It more than reversed a 20.4k decline in January. South Australia (7.5k) was the only other State where net jobs increased. There has been a consistent improvement in South Australia's labour market, where jobs have increased for four consecutive months. There were job declines across all other States, including Victoria (-11.3k), Queensland (-1.0k), Western Australia (-1.3k) and Tasmania (-0.4k).

On an annual basis, NSW has had the strongest growth of all States for four consecutive months. In February, jobs increased 166.2k in the year, the largest annual gain in just over three years. This

was followed by Queensland (128.7k) and Victoria (67.8k), then Western Australia (28.3k), South Australia (22.6k) and Tasmania (6.4k).

The recent strength in the NSW labour market saw the unemployment rate fall to 4.8% from 5.1% previously. Unemployment rates, however, rose in Victoria (5.6% to 5.7%), Queensland (6.1% to 6.2%), South Australia (6.1% to 6.3%), Western Australia (5.8% to 6.0%) and Tasmania (5.3% to 6.0%). In trend terms, the ACT unemployment rate also edged higher (4.0% to 4.1%) while the unemployment rate in Northern Territory fell from 4.5% to 4.4%.

Outlook

There remains a great deal of strength in the labour market, although job gains appear to have slowed from the heady pace in 2017. This easing does not come as a surprise; over 30k job gains per month would be hard to sustain given the current pace of economic growth.

A solid pace of job growth is however, expected to continue. Businesses are still reporting conditions at their highest on record, and job ads also point to ongoing strength in job growth. We would expect that the economy will add sufficient job gains to further bring down the unemployment rate over time.

Nonetheless, the rising participation rate and still high underemployment still points to spare capacity persisting within the labour market. These factors are stemming a larger drop in the unemployment rate, despite consistently strong job gains. A further decline in the unemployment rate will be necessary before we would expect a meaningful pickup in wage growth.

The RBA has noted that progress has been made in achieving one of the RBA's goals of full-employment, but today's data suggest that this progress remains gradual. It further suggests that a rate hike does not seem likely any time soon.

Janu Chan, Senior Economist
Ph: 02-8253-0898

Contact Listing

Chief Economist

Besa Deda

dedab@bankofmelbourne.com.au

(02) 8254 3251

Senior Economist

Josephine Horton

hortonj@bankofmelbourne.com.au

(02) 8253 6696

Senior Economist

Janu Chan

chanj@bankofmelbourne.com.au

(02) 8253 0898

The Detail

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