

# Glimpse of sunshine... jobs up yet again

## Labour force

- Employment rose for the 10<sup>th</sup> time in 11 months, lifting by 2,200 in September. Full-time jobs fell by 15,400 while part-time jobs rose by 17,700.
- The unemployment rate rose from 4.1 per cent to 4.3 per cent.
- CommSec expects the Reserve Bank to continue slashing rates with the cash rate expected to be at 5 per cent early next year.

## Unemployed Rates

*Latest data, %*

Switzerland	2.5
Japan	4.2
<b>Australia</b>	<b>4.3</b>
Britain	5.5
US	6.1
Canada	6.1
Italy	6.8
Germany	7.3
France	8.0
Spain	11.3

*Source: CommSec, The Economist*

## What does it all mean?

- It's a good result on the jobs front, with unemployment literally creeping away from generational lows set earlier in the year. However it's important to realise that the strength in employment reflects decisions made earlier in the year. It takes employers around five months to hire new staff – from advertising for positions, to interviews, and then to the first day of a new job.
- The global economic slowdown has seen a sharp fall in demand for global commodities resulting in a significant fall in commodity prices. Profitability and viability of resources companies are likely to come into question if prices continue to be depressed, especially if the Australian dollar lifts of these oversold lows. Resource companies will be focused on controlling the cost base which means existing employees may be required to work longer hours.
- The job market is likely to soften in coming months. The national jobless rate is only marginally above 33 year lows yet the outlook is decidedly less rosy than a few months ago. The uncertainty in the economic environment and volatility in equity markets has made employers much more comfortable hiring part time staff, having the benefit of added flexibility.
- It is not all gloom and doom, with the job market likely to be supported by demographics - the fact that younger workers are few and far between. The share of young people in the job market is at record lows and businesses won't be willing to let people go in this environment, worried that they won't be able to get good staff back again. While employers are less likely to hire new staff labour hoarding is still likely to occur.
- The strength and growth in the Asian region has largely helped to shield the local labour market from any significant weakness in recent times. And the growth in Australia's largest trading partner China will be crucial in ensuring that the labour market remains well supported.

- As long as people have got jobs and are confident of holding on to them, then they will continue to spend and borrow. However as the turmoil in global markets continues confidence is likely to be eroded and already we are seeing a drop off in the amount of workers leaving current jobs voluntarily.
- The Reserve Bank will want to ensure that the weakness on the global front does not significantly affect the domestic economy. In an attempt to front load and insulate the local economy it is likely that interest rates will fall a further 1 per cent by early next year.

### What do the figures show?

- Employment rose for the 10<sup>th</sup> time in 11 months in September, with staffing numbers up by 2,200 people. Full-time jobs fell by 15,400 and part-time positions rose by 17,700. Over the past year employment grew by 1.9 per cent, below the decade average of 2.2 per cent.
- While employment rose, the participation rate remained steady at 65.1 per cent.
- In September the unemployment rate rose from 4.1 per cent to 4.3 per cent – moving away from the 33-year low of 3.9 per cent set in February.
- The jobless rate for those looking for full-time work rose from 4.0 per cent to 4.1 per cent.
- NSW led the job gains in September (up 9,100), followed by South Australia (up 4,200), and the Northern Territory (up 200 in trend terms). Employment fell in Queensland (down 11,000), Victoria (down 6,500), Western Australia (down 5,700), followed by Tasmania (down 1,600) and ACT (down 100 in trend terms).
- Across the States and Territories, unemployment rates in September were NSW 4.8 per cent (4.9 per cent in August), Victoria 4.4 per cent (4.3 per cent), Queensland 3.7 per cent (3.3 per cent), South Australia 5.7 per cent (4.4 per cent), Western Australia 3.0 per cent (2.7 per cent), Tasmania 3.8 per cent (3.9 per cent). The trend unemployment rate in the Northern Territory fell to 2.6 per cent from 2.8 per cent, and remained steady in the ACT at 2.9 per cent.
- The working age population rose by 26,300 in September with annual growth at 1.87 per cent – the fastest growth in 19 years.

### What is the importance of the economic data?

- The **Labour Force** estimates are derived from a monthly survey conducted by the Bureau of Statistics. The population survey is based on a multi-stage area sample of private dwellings (currently about 30,000 houses, flats, etc.) and a sample of non-private dwellings (hotels, motels, etc.). The survey covers about 0.45 per cent of the population of Australia and includes all people over 15 years of age, except defence personnel.
- Changes in employment reflect business decisions made as far back as 5-6 months ago. For that reason, employment is seen as a lagging variable. But more people in jobs serves to boost spending power in the economy, lifting growth in retail sales and demand for houses.

### What are the implications for interest rates and investors?

- The job market is strong however it's likely to soften slightly in coming months. Not only will labour supply rise with new migration but demand is likely to weaken following the global slowdown.
- The Reserve Bank will need to cut rates substantially to insulate the economy from the global economic slowdown.
- We expect the Reserve Bank to cut rates in November by a half of a percent.