

## Australia economic update

### July labour force survey

Australia added 21,800 jobs in July (JPMorgan and consensus 25,000) following a 9,000 increase in June (revised up from 2,500). The growth in total employment was attributed to a 21,700 increase in full-time jobs, while the number of part-time jobs held largely steady. The unemployment rate held steady at 4.3% for the second consecutive month, and the participation rate remained at 65% (the June rate was revised up 0.1% from 64.9%).

As anticipated, the introduction of the government's Welfare to Work initiative (effective July 1) had only a muted impact on the employment situation last month. The government initiative was introduced to assist some 220,000 people to move off welfare and into the work force, but only those without work, available to start work, or actively seeking work, were included in the labour force in July. The remainder will gradually enter the labour force in the months ahead as Centrelink conducts the hundreds of thousands of interviews required to facilitate the return of these job seekers to employment. Furthermore, a number of these new job seekers may already have joined the labour force prior to July 1 in an attempt to beat the rush of people looking for work; this may partly explain the sharp upward revision to total employment in June.

Such tight labour market conditions clearly support the RBA's decision to lift interest rates yesterday. Moreover, while broad-based inflation pressures are building, strong jobs growth, coupled with widespread skills shortages, means that upward pressure on wages persists. The labour cost index (scheduled for release August 15) will likely show a further acceleration in wage growth from the 4.1% oya rate logged in the March quarter, thus reinforcing the RBA's firm tightening bias.

- Employment increased by 21,800, driven by a 21,700 rise in full-time jobs. Only 100 part-time jobs were created in July.
- The number of unemployed fell 3,900, and the unemployment rate held steady at 4.3%.
- The participation rate remained at 65% in July. The participation rate in June was revised up from 64.9% to 65%.
- Original estimates show the unemployment rate falling in NSW (4.4%), South Australia (+4.6%), and Tasmania (4.8%), but rising in Victoria (4.0%), Queensland (3.3%), Western Australia (3.0%), the Northern Territory (3.9%), and the ACT (2.4%)

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### Unemployment rate, sa - Australia

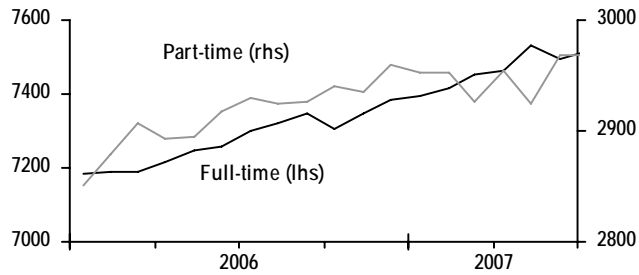
percent



### Australia: employment

Thousands

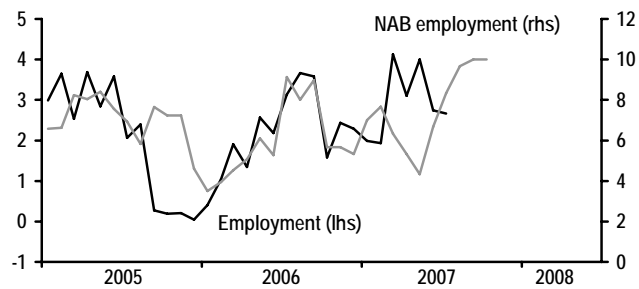
Thousands



### Australia: NAB survey and employment growth

Employment (6mth ann)

NAB survey (employment) - 5 month lead, 3mma



### Labour Force - Australia

	May	Jun	Jul
Change in employment (000s)	37.6	9.0	<b>21.8</b>
Unemployment rate (%)	4.3	4.3	<b>4.3</b>
Participation rate (%)	65.0	65.0	65.0

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