

## Australia economic update

### November employment

Australia added a massive 52,600 jobs in November (JPMorgan 25,000, consensus 20,000), after a small 5,400 gain in October (revised down from 12,900). The jobs gain in November is the 13th straight monthly rise, for a total accumulation of 313,000 since October 2006. The jobless rate ticked up unexpectedly, rising for the second consecutive month to 4.5% from 4.4% (revised up from 4.3%). It now is at its highest level since January 2007, although still within reach of the 33-year low rate of 4.2% set in September. The participation rate also rose significantly from 65.0% to a record high of 65.3%, indicating that a large pool of workers entered the labour force last month.

November saw a 44,400 surge in the number of part time workers, and a comparatively mild 8,200 full time workers. While there appears to be no unusual circumstances driving the data, there may be some additional noise in the November labour force survey. The ABS has selected a new sample for the survey based on the 2006 census data. The new sample will be introduced progressively and will be phased in from now until June 2008, with one eighth of the new sample to be introduced each month. Importantly, it is unlikely that the federal election, which took place in November, had a significant impact on the employment data.

Despite the uptick in the unemployment rate, labour market conditions are still tight. Skill shortages remain widespread and will continue to put upward pressure on wages going forward. Rising labour costs, when combined with healthy corporate pricing power, firm domestic demand, and rising prices for food, energy and housing, mean that inflation is almost certain to rise above the RBA's 2-3% target range in coming quarters.

As such, JPMorgan forecasts that the RBA will raise the cash rate by another 25bp in February 2008, taking the key rate to 7.0%.

#### The details:

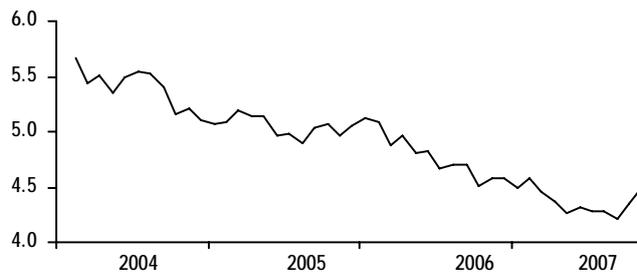
- Employment increased by 52,600 in November, due to rises in both full-time (8,200) and part-time employment (44,400).
- The unemployment rate rose from 4.3% to 4.5%.
- The participation rate rose from 65.0% to 65.3%.

### Labour Force - Australia

	Sep	Oct	Nov
Change in employment (000s)	11.9	5.4	<b>52.6</b>
Unemployment rate (%)	4.2	4.4	<b>4.5</b>
Participation rate (%)	65.0	65.0	<b>65.3</b>

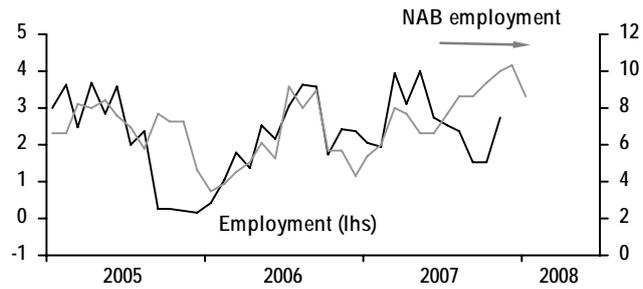
Unemployment rate, sa - Australia

percent



Australia: NAB survey and employment growth

Employment (6mth ann) NAB employment survey (5 mth lead, 3mma)



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