Job market in good shape ahead of virus crisis

Labour Force

- Employment rose by 26,700 jobs in February – after increasing by 12,900 in January (previously estimated at +13,500). Full-time jobs rose by 6,700 with part-time jobs up by 20,000. Economists had tipped an increase in total jobs of around 8,000 and a jobless rate near 5.3 per cent.

- The unemployment rate fell from 5.29 per cent (to two decimal places) in January to 5.10 per cent in February in seasonally adjusted terms. In trend terms, the jobless rate was steady at 5.1 per cent in February.

- Hours worked fell by 3.0 per cent in February, but were up by 0.5 per cent over the year. In trend terms, hours worked were up by 0.8 per cent on the year.

- Participation rate: The participation rate eased from 66.1 per cent to 66.0 per cent in seasonally adjusted terms. In trend terms the participation rate was steady at 66.0 per cent.

- Unemployment across states in February: NSW 4.6 per cent (January 4.5 per cent); Victoria 5.3 per cent (5.4 per cent); Queensland 5.6 per cent (6.2 per cent); South Australia 5.8 per cent (5.7 per cent); Western Australia 5.2 per cent (5.7 per cent); Tasmania 5.0 per cent (5.7 per cent). In trend terms, Northern Territory 5.5 per cent (5.5 per cent); ACT 2.9 per cent (3.0 per cent).

A raft of companies is affected by the employment data but especially those dependent on consumer spending.

What does it all mean?

- To some extent today's data is ancient history. The COVID-19 coronavirus crisis really started to impact the broader economy in March. The impact of the virus in February was largely on tourism-dependent businesses and regions, and on the education sector. However the February jobs data would have also incorporated the effects of the bushfires that impacted so many of the country’s regions.

- That said, there was a positive lead for today’s jobs figures from the January Department of Employment skilled vacancies series. And while a lot has happened over March, the jobs data for February – just like the retail trade figures – were indeed encouraging. And especially of encouragement was data showing the female jobless rate equaling the lowest rate in 11 years. And while monthly job figures at a state level are volatile, Tasmania’s jobless rate is the lowest for over 8 years with Western Australia’s jobless rate the lowest rate in over 5 years. The ACT’s trend jobless rate is the lowest in 11 years.

- The Bureau of Statistics “confirmed that the disruption from the bushfires did not have a notable impact on key headline statistics”.

- The outlook for the job market is challenging. While supermarkets, grocery wholesalers and transport groups are looking to hire staff, airlines, hospitality, sporting and cultural sectors will struggle to retain workers. So the next Federal Government support package will be super-important. It will be important for the Government to do all that it takes to keep Aussies in jobs.

Craig James, Chief Economist
Twitter: @CommSec

Economists | March 19, 2020

IMPORTANT INFORMATION AND DISCLAIMER FOR RETAIL CLIENTS

The Economic Insights Series provides general market-related commentary on Australian macroeconomic themes that have been selected for coverage by the Commonwealth Securities Limited (CommSec) Chief Economist. Economic Insights are not intended to be investment research reports. This report has been prepared without taking into account your objectives, financial situation or needs. It is not to be construed as a solicitation or an offer to buy or sell any securities or financial instruments, or as a recommendation and/or investment advice. Before acting on the information in this report, you should consider the appropriateness and suitability of the information, having regard to your own objectives, financial situation and needs and, if necessary, seek appropriate professional financial advice. CommSec believes that the information in this report is correct and any opinions, conclusions or recommendations are reasonably held or made based on information available at the time of its compilation, but no representation or warranty is made as to the accuracy, reliability or completeness of any statements made in this report. Any opinions, conclusions or recommendations set forth in this report are subject to change without notice and may differ or be contrary to the opinions, conclusions or recommendations expressed by any other member of the Commonwealth Bank of Australia group of companies. CommSec is under no obligation to, and does not, update or keep current the information contained in this report. Neither Commonwealth Bank of Australia nor any of its affiliates or subsidiaries accepts liability for loss or damage arising out of the use of all or any part of this report. All material presented in this report, unless specifically indicated otherwise, is under copyright of CommSec.

This report is approved and distributed in Australia by Commonwealth Securities Limited ABN 60 067 254 396, a wholly owned but not guaranteed subsidiary of Commonwealth Bank of Australia ABN 48 123 123 124. This report is not directed to, nor intended for distribution to or use by, any person or entity who is a citizen or resident of, or located in, any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or that would subject any entity within the Commonwealth Bank group of companies to any registration or licensing requirement within such jurisdiction.
Economic Insights. Job market in good shape ahead of virus crisis

- It serves no value – and indeed it may be misleading – to try and forecast in the current environment. Much will depend on how quickly active coronavirus cases peak in Australia, how aggressive State and Federal governments are in supporting businesses, and how quickly vaccines and treatments are developed to deal with COVID-19.
- There is one thing no Australian should do – underestimate the resilience of the economy. Australia hasn’t posted a recession in 28 years, despite all manner of shocks, including the global financial crisis. And while it will be more difficult to avoid a downturn this time, our economy should also bounce back quickly.

What do the figures show?

Labour force - February

- **Employment** rose by 26,700 jobs in February - after increasing by 12,900 in January (previously estimated at +13,500). Full-time jobs rose by 6,700 with part-time jobs up by 20,000. Economists had tipped an increase in total jobs of around 8,000 and a jobless rate near 5.3 per cent.
- **The unemployment rate** fell from 5.29 per cent (to two decimal places) in January to 5.10 per cent in February in seasonally adjusted terms. In trend terms, the jobless rate was steady at 5.1 per cent in February.
- **Hours worked** fell by 3.0 per cent in February, but were up by 0.5 per cent over the year. In trend terms, hours worked were up by 0.8 per cent on the year.
- **The participation rate** eased from 66.1 per cent to 66.0 per cent in seasonally adjusted terms. In trend terms the participation rate was steady at 66.0 per cent.
- **Unemployment** across states in February: NSW 4.6 per cent (January 4.5 per cent); Victoria 5.3 per cent (5.4 per cent); Queensland 5.6 per cent (6.2 per cent); South Australia 5.8 per cent (5.7 per cent); Western Australia 5.2 per cent (5.7 per cent); Tasmania 5.0 per cent (5.7 per cent). In trend terms, Northern Territory 5.5 per cent (5.5 per cent); ACT 2.9 per cent (3.0 per cent).
- **State/Territory jobs**: In February 2020, the largest increases in employment were recorded in Queensland (up 14,300 people), Western Australia (up 10,900 people), and Tasmania (up 4,000). Victoria was the only state or territory recording a decrease in employment (down 8,800).
- **The working age population** rose by 37,200 in February to 20.78 million. Over the year, the working age population rose by 316,700 or 1.55 per cent (record 2.36 per cent annual growth in December 2008).
- **Trend terms**: The monthly trend underemployment rate remained steady at 8.6 per cent. The monthly underutilisation rate remained steady at 13.7 per cent.
- **Seasonally adjusted**: The monthly seasonally adjusted underemployment rate remained steady at 8.6 per cent. The monthly underutilisation rate decreased 0.2 pts to 13.7 per cent.

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 22,800 houses, flats, etc.) and a sample of non-private dwellings (hotels, motels, etc.). The survey covers about 0.24 per cent of the population of Australia and includes all people over 15 years of age, except defence personnel.

What are the implications for investors?

- The job market entered the virus crisis in reasonable shape. Still, the Reserve Bank would no doubt still conclude that a 5.1 per cent jobless rate is good, but not great. The focus has been on driving the jobless rate to 4.5 per cent. The ACT and NSW are largely already there, but there were encouraging figures from Tasmania, Western Australia and even Queensland in the February numbers.

Craig James, Chief Economist, CommSec
Twitter: @CommSec