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AUSTRALIA: Labor Market Less Soft?

by Chang Liu*

Labor Market Less Soft?

Exceeding expectations once again, the level of overall employment rose last month by 18 100, adding to the (slightly upwardly revised) 48 200 gain seen in the previous month and actually the sixth gain in the past seven months. The latest bounce was the result of a bounce of part-time work (40 200), more than offsetting the correction seen in full-time jobs (-22 100, albeit only after an 80 000 surge in February that was the largest since 1991). Even more encouragingly, *the seasonally adjusted unemployment rate actually fell clearly and to 5.8% in March, swinging from a cycle-high to a joint six-month low, as the participation rate declined to 64.7% from 64.9%.*

DE View: Notably, while the clear drop in the unemployment rate is likely to be exaggerated by the fall in labor participation, there were actually *no special factors cited* for the broadly upbeat messages seen in the latest survey. Indeed, the latest improvement may be a signal that the economy is successfully rebalancing away from the resources sectors (i.e. that enough jobs are being created in other, non-mining, sectors)-with some even speculating that the RBA's recent calmness regarding the still-strong AUD is a reflection of the improved labor market outlook. *On the other hand, these upbeat numbers have pushed the currency to a 4-and-a-half month high, leaving one to wonder when the Bank may feel the need to jawbone markets afresh in order to stem any premature hiking speculation in the near future.*

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