

# Unemployment rises to 4.6% as RBA weighs rates

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## Key points

- Unemployment rose from 4.5% to 4.6% in August.
- Employment increased by 39,000 as more people entered the labour force.
- CommBank expects the RBA to raise the cash rate by 0.25 percentage points next week.

Australia's unemployment rate has risen to 4.6%, but the increase came alongside stronger employment as more people entered the jobs market.

Employment increased by 39,000 people in August, while the number of unemployed people rose by 28,000, according to the latest Australian Bureau of Statistics figures.

The result takes the unemployment rate up from 4.5% in July to 4.6% in August. July's rate had itself risen from 4.4% in June.

"This month there was 39,000 more people in employment, and 28,000 more people in unemployment," ABS head of labour statistics Sean Crick said:

## Why did unemployment rise when employment also increased?

The participation rate, which measures the share of working-age Australians who are either employed or actively looking for a job, increased by 0.2 percentage points to 67.1% in August, indicating the labour force grew.

While many of those additional people found work, others were counted as unemployed because they were looking for a job but had not yet found one.

"This August we recorded a higher proportion of people who were previously not in the labour force moving to being unemployed, compared to recent years," Crick said.

The composition of employment has also shifted. Part-time employment increased by 46,000 people, while full-time employment fell by 6,000, the ABS reported. The underemployment rate, which captures people who have a job but want and are available for more hours, fell from 6.3% to 6.2%.

Hours worked rose 0.7% in August and were 1.7% higher over the year, broadly in line with annual employment growth of 1.6%.

## What does it mean for the RBA?

The figures come just days before the Reserve Bank of Australia's Monetary Policy Board meets on 28 and 29 September, with its decision due on Tuesday afternoon.

The RBA will examine whether demand across the economy is running ahead of the economy's capacity to supply goods, services and workers, adding to inflation pressure.

RBA Governor Michele Bullock said this week that unemployment somewhere between 4.5% and 5% would probably be enough to reduce some of that pressure.

"I think between 4.5 and 5 will probably take enough heat out of the labour market that it'll ease pressure on inflation," Bullock told a Committee for Economic Development of Australia event on Tuesday.

Bullock stressed there was no single unemployment rate the RBA was targeting. Instead, the bank was looking for a balance that would ease inflation pressure while supporting employment.

Last week she told a parliamentary committee that labour market conditions had been close to full employment, while the unemployment rate of 4.5% at the time remained low by historical standards.

## CommBank expects a September rate rise

CommBank's Australian Economics team this week brought forward its forecast timeframe for the next RBA rate increase from November to September.

Head of Australian Economics Belinda Allen said higher oil prices, stronger economic data and recent signals from the RBA had shifted the balance towards an earlier increase.

"We now expect the RBA to hike the cash rate by 25 basis points to 4.60% at its 28-29 September meeting," Allen said.

Recent CommBank Wage and Labour Insights data also pointed to employment continuing to grow while conditions became more competitive for jobseekers.

"The unemployment rate is now tracking slightly higher than both we and the RBA expected. But this is unlikely to materially change the discussion at the Monetary Policy Board meeting next," CommBank Senior Economist Ashwin Clarke said in analysis of the latest ABS data.

"Employment growth and other labour market indicators remain solid and there are no signs of a sharp deterioration," Clarke said

## ABS urges caution with August data

The ABS has also cautioned against reading too much into a single month's figures following changes to the way its Labour Force Survey is collected.

It said testing indicated any impact from the changes should be smaller than normal sampling variability and that the August figures remained fit for purpose.

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