

Jobs fell in September, but CBA still expects rates on hold in November

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Key points

- Employment fell by 39,300 in September, a weaker result than expected
- The unemployment rate edged up but stayed at 4.7%
- CBA expects the RBA to hold interest rates steady in November
- CBA says the risk of another rate hike hasn't gone away

Australia's jobs market weakened in September, with employment falling by 39,300 over the month, according to the Australian Bureau of Statistics. The result came in well below market expectations for a 20,000 increase.

CommBank Senior Economist Ashwin Clarke described the result as “weaker than both we and the market expected”, but said it remained consistent with CBA’s view that the labour market is “gradually loosening in response to earlier interest rate hikes and higher fuel prices”.

Where the jobs went

The fall in employment was driven by part-time work, which dropped by 73,700 jobs in September, while full-time employment rose by 34,400.

The unemployment rate edged higher but remained at 4.7% when rounded, while the participation rate, which measures the share of people working or looking for work, slipped from 67.0% to 66.8%. Clarke noted the participation rate remains close to historical highs.

Across the states and territories, Tasmania and Victoria recorded the highest unemployment rates in trend terms, at 5.2% and 5.1% respectively, while the ACT had the lowest at 4.2%.

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What it means for interest rates

For borrowers, the bigger question is what the Reserve Bank of Australia (RBA) does next.

Clarke said the data lends support to CBA's expectation that interest rates will be on hold in November.

The RBA has raised rates four times, and CBA says it is now weighing up whether that will be enough.

Clarke said the RBA was likely to place less weight than usual on this month's jobs figures, after the ABS flagged possible data issues following changes to its survey. Other indicators monitored by the Reserve Bank have also continued to point to a solid labour market.

Clarke noted, in September, the RBA still viewed the jobs market as a little too strong to bring inflation back to target. The Reserve Bank has also indicated unemployment may need to rise further to ease inflationary pressures, particularly given the risk of repeated supply shocks.

"The risks remain firmly tilted to the upside and another hike is plausible," Clarke said.

What to watch before the November meeting

Attention will now turn to two key events ahead of the RBA's next board meeting. Deputy Governor Hauser speaks on 21 October, which Clarke said will provide an opportunity to clarify the RBA's response to the latest data, followed by the release of quarterly inflation figures on 28 October.

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