

Australia Watch

Labour review: noise over signal

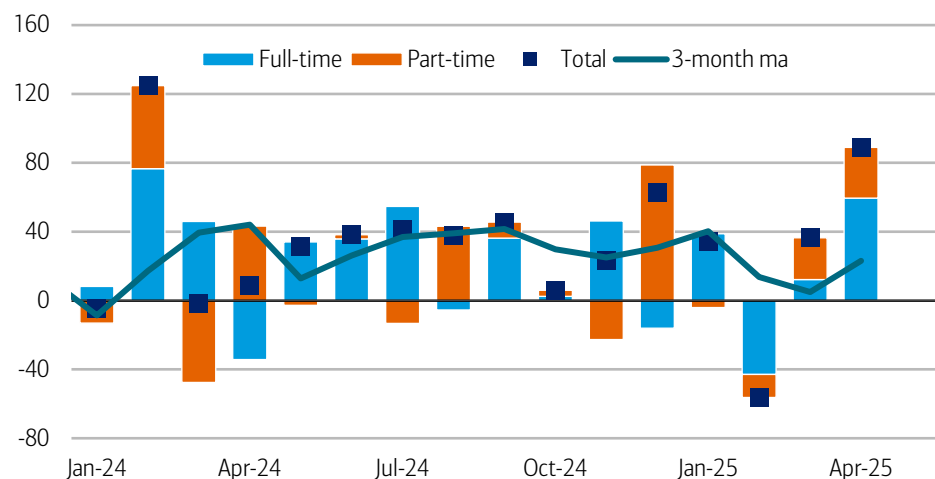
Employment surges, unemployment rate flat

Labour market data was stronger-than-expected in April, but this appears to be more noise than signal of a shift in momentum. Looking through the monthly volatility, the labour market remains tight, but momentum has softened slightly in early 2025.

Employment rose 89k in April against consensus expectations for a 22.5k increase (Exhibit 1). The unemployment rate remained flat at 4.1%, in line with our expectations and consensus, helped by a surprise rise in the participation rate to 67.1% (close to a record high of 67.3%, Exhibit 2).

Exhibit 1: Employment growth (persons, thousands)

Employment rose sharply in April, but the 3-month ma has declined since 2H24



Source: ABS

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Trends suggest tight, but slightly softer, labour market

While the April data was surprisingly strong, monthly labour data are volatile, and focusing on trends provides the best read of underlying labour market dynamics. In trend terms, the unemployment rate has remained around 4.0% since early 2024, while the participation rate is slightly below its record high. Trend employment growth has slowed slightly since its 2H24 peak. Forward-looking indicators suggest the labour market will remain tight, with vacancies elevated across a range of industries (Exhibit 5).

Data supports a cautious RBA easing cycle

We expect the RBA will cut by 25bps in May, but labour market resilience suggests cautious guidance and a shallow easing cycle (see report: [RBA Preview: 25bps cut with cautious guidance](#)). The RBA will look through the monthly volatility and focus on the underlying trends, which suggests momentum in the labour market has softened slightly in early 2025 but remains tight with unemployment below the NAIRU.

15 May 2025

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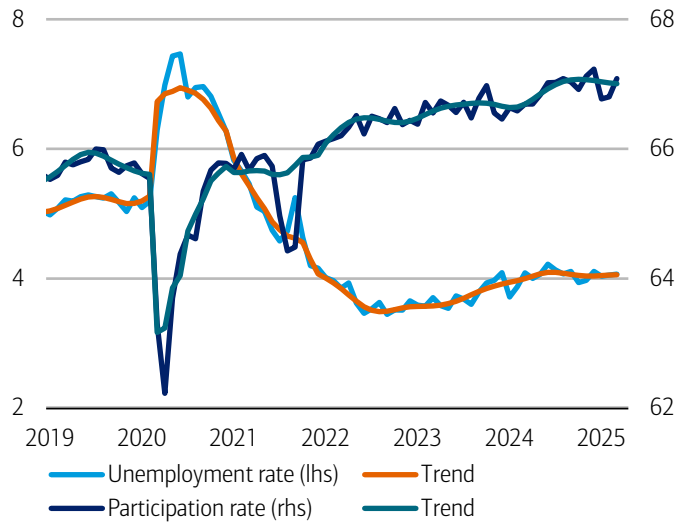
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Exhibit 2: Unemployment and participation rates (%)

The unemployment rate trend remains around 4%

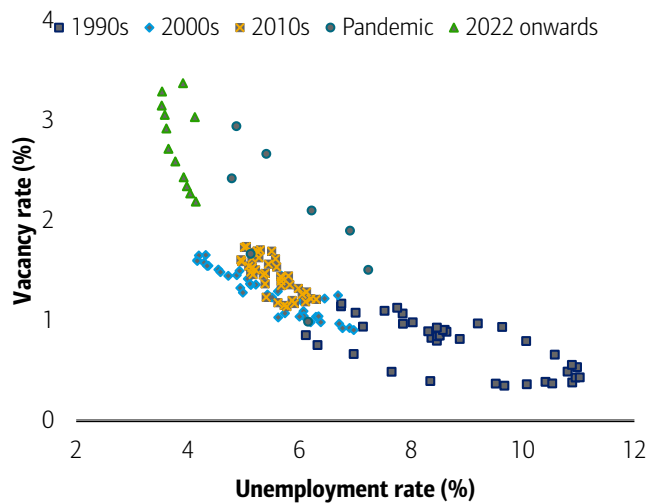


Source: ABS

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Exhibit 4: Unemployment vs vacancies (%)

Labour market appears to be easing along the steep portion of the Beveridge curve

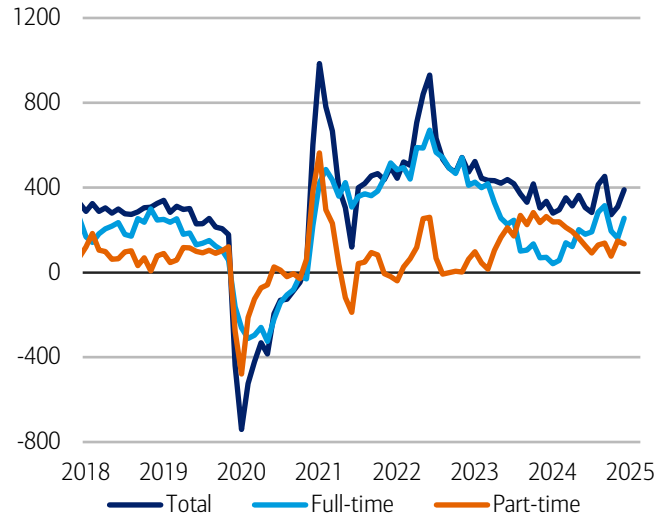


Source: ABS

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Exhibit 3: Employment growth (annual, thousand persons)

Employment growth over recent months driven by full-time jobs

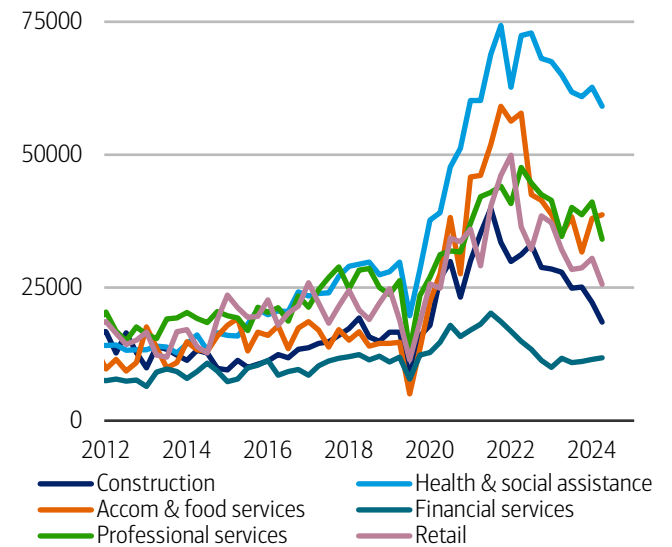


Source: ABS

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Exhibit 5: Job vacancies across industries (nsa)

Job vacancies remain elevated across a range of industries

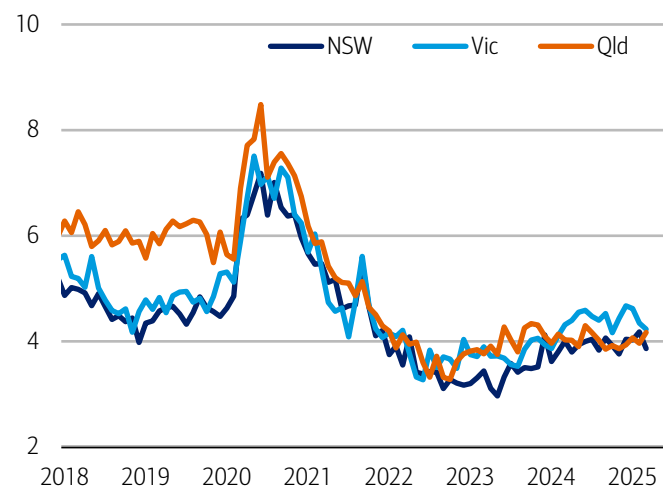


Source: ABS

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Exhibit 6: Unemployment rate by state (%)

Labour market conditions in Victoria have eased by more than NSW and QLD

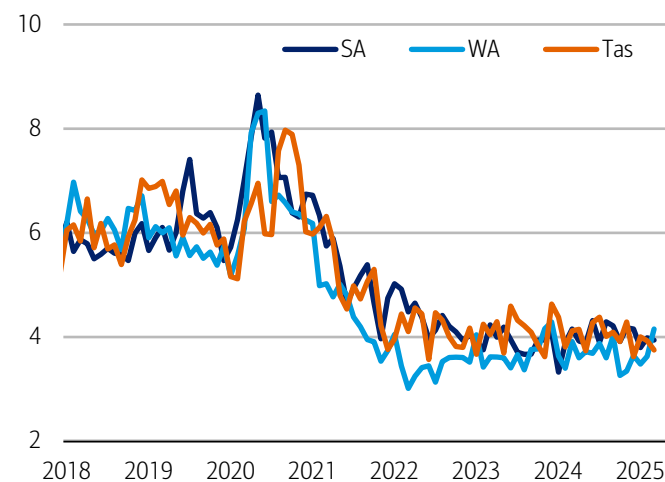


Source: ABS

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Exhibit 7: Unemployment rate by state (%)

WA unemployment rate ticks up from 3.6% to 4.2% in April



Source: ABS

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