

Labour Force February 2025

Employment and Hours Worked

Employment unexpectedly dropped by a seasonally adjusted 52.8k in February, which followed a downwardly revised gain of 30.5k in the previous month (originally: 44.0k). The February decline in employment was the first one in 11 months.

The annual rate of employment growth slowed 1.3ppts to 1.9%, which is the lowest since October 2021.

The February drop in employment was driven by both full-time and part-time jobs (-35.7k and -17.0k, respectively).

Aggregate hours worked fell by 0.4%, the first decline in over a year, taking the annual growth rate to a four-month low of 2.4%.

Australia (Seasonally Adjusted)	Feb ('000)	Jan ('000)	YoY (%)
Total	-52.8	30.5	1.9
Full Time	-35.7	37.0	2.0
Part Time	-17.0	-6.5	1.6
Aggregate Hours Worked (%)	-0.4	0.2	2.4
Participation Rate (%)	66.8	67.2	-
Unemployment Rate (%)	4.1	4.1	-

Unemployment, Underutilisation and Participation

The seasonally adjusted unemployment rate was steady at 4.1%, in line with market expectations. This came as the number of unemployed declined by 11.2k, but was up by 11.1% YoY (compared to 3.8% in January).

The combined fall in employment and unemployment was reflected in a 0.4ppts decline in the participation rate to 66.8%, the lowest since mid-2024.

The underemployment rate ebbed by another 0.1ppts in February to a two-year low of 5.9%.

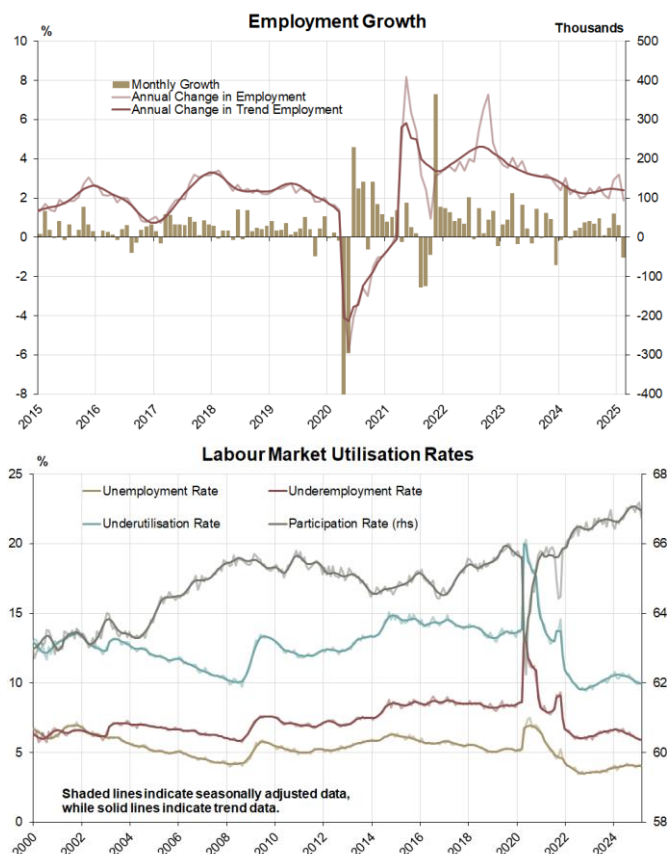
The States

Employment declined in all states, except for Western Australia. New South Wales and Queensland saw the strongest absolute declines of 22.9k in both cases, while Tasmania registered the largest percentage fall of 3.0%.

The unemployment rate was steady in New South Wales and Victoria, picked up in Queensland and Tasmania, and declined in South Australia and Western Australia. Victoria continued to register the highest unemployment rate of all the states (4.6%).

Western Australian employment rose by 5.1k or 0.3% in February, to be up by 2.9% YoY, by far the most of all the states. The unemployment rate declined 0.2ppts to 3.4%, which is the lowest of all states. The participation rate of 69.1% and employment-to-population ratio of 66.7% remain by far the highest of all the states.

States (Seasonally Adjusted)	MoM ('000)	YoY (%)	Unemployment Rate (%)
Western Australia	5.1	2.9	3.4
New South Wales	-22.9	1.8	4.0
Victoria	-9.8	1.7	4.6
Queensland	-22.9	1.6	4.1
South Australia	-11.6	1.4	3.7
Tasmania	-8.6	-0.9	4.0



Comment

The February drop in employment resulted from fewer workers from senior age cohorts returning to work than in the previous year. This followed a rise in employment within this age group bracket in previous years, particularly in 2024. The disengagement of this cohort was also reflected in a decline in the participation rate.

Looking through the month-to-month volatility, the labour market remains healthy, but there are some signs of easing. Trend employment growth slowed to 15.2k in February, which was the least since the heights of the pandemic in May 2020. However, the annual growth rate was a healthy 2.4%, the same as in the previous month. The trend unemployment rate was steady at 4.0%, which is 0.5ppts above the 2022 trough of 3.5%. Trend underemployment rate was unchanged at a 5.9%, however, which is the lowest level since August 2008.

The RBA continues to consider excess demand in the labour market as the major source of risk to the inflation outlook. While the RBA is unlikely to change this assessment based on one labour force report, traders have nevertheless increased their pricing for a 25bps interest rate cut in May, from 55% prior to the release to 66% currently. 67bps of cuts are priced in for 2025.

With the outlook uncertain, and the RBA heavily data dependent, the next major data point will be the release of the monthly CPI indicator on 26 March.

20 March 2025