

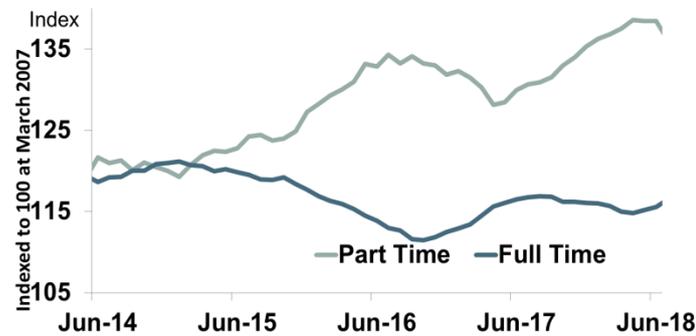


CURRENT CONDITIONS

Headline indicators show a slight improvement in Western Australia's labour market during the June quarter 2018. However, the recovery in the State's job market is still patchy, with some industries still not experiencing any jobs growth. Significant spare labour capacity also remains, as evidenced by the sizable numbers of people who are either unemployed, or employed but seeking extra hours of work.

Employment levels in Western Australia increased by 7,300 people during the June quarter. Employment levels were bolstered by an increase of 4,200 persons in **full time employment** over the quarter (but where full time job levels decreased by 7,200 workers over the year). **Part time employment** grew by 3,100 persons (up 27,200 persons over the year).

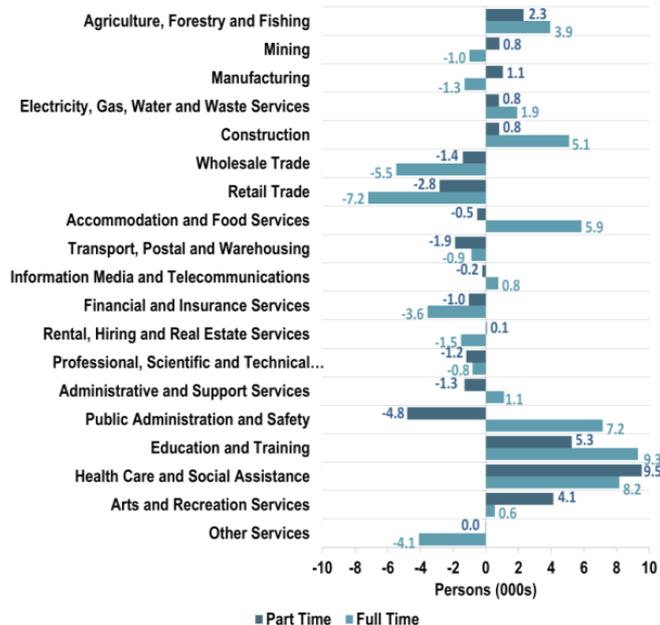
Full time and part time employment growth - WA



Source: ABS 6202.0, Seasonal data, 4 quarter moving average.

Jobs growth on an industry basis over the year to May 2018 was mixed. Out of the 19 statistically defined industries, nine reported increases in employment while the remaining 10 experienced decreases. Some sizable gains were experienced in the industries of Health Care and Social Assistance; Education and Training; and Agriculture, Forestry and Fishing. However, Retail Trade; Wholesale Trade; and Financial and Insurance Services saw notable declines in persons employed.

WA employment change by industry – May 2018

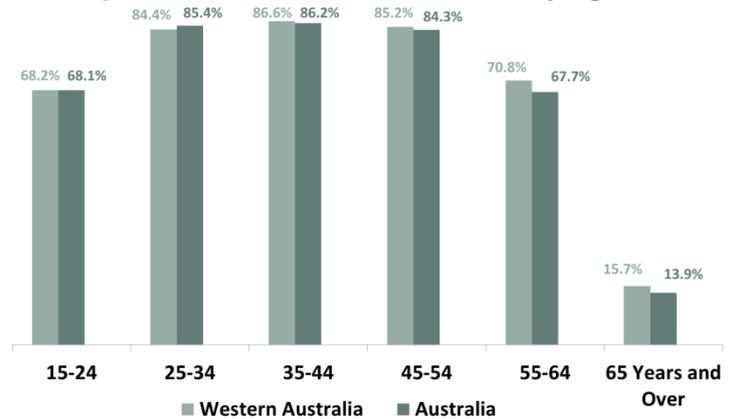


Source: ABS, 6291.0.55.003, Table 5, 12 month averages of original data.

The **participation rate** increased over the June quarter by 0.3 percentage points and has been on an upward trend since October 2016. At a quarterly average of 68.6% Western Australia had the highest participation rate of all states (not including territories) with the State recording a rate considerably higher than the national participation rate of 65.6%.

The State's much higher labour market participation is in part due to older age cohorts remaining in the workforce longer. As shown by the chart below, the age-specific percentage point differences in Western Australia's participation rates compared to the equivalent rates nationally is particularly pronounced for those above the age of 55.

Participation rate – WA and Australia by age



Source: ABS, 6291.0.55.001, Cube LM1, 12 month averages of original data.

Over the June quarter 2018, Western Australia averaged around 89,800 unemployed persons (of all working ages), which translated to an average **unemployment rate** of 6.3% for the State. In particular, the State's annual average **unemployment rate for youth** (those aged 15 to 24 years) of 14.5% over the year to the June quarter 2018 was its highest level in 20 years. It was also 2.2 percentage points higher than the equivalent rate for Australia of 12.3%.

A further issue for the youth unemployment is the strong increase in those youth who are unemployed for more than six months. This level has risen sharply since mid-2016 and is consistent with soft employer demand for entry level positions and / or new entrants into the workforce with limited experience.

Duration of unemployment for youth in WA



Source: ABS, Customised data request, 12 month moving average (June 2018).

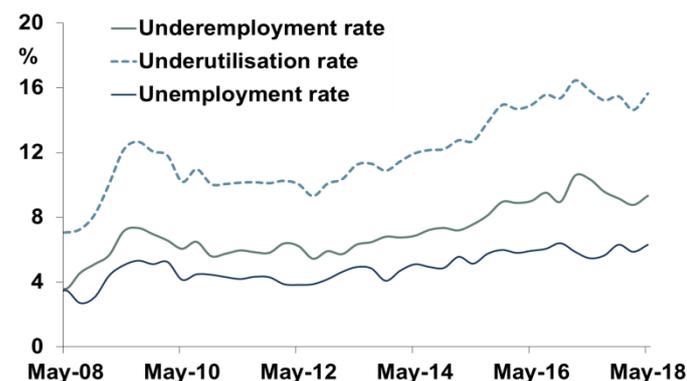


As of June 2018 the number of Western Australians of all ages who have been unemployed for more than a year was 20,700 (24.0% of the total number of unemployed persons in the State), a level of long term unemployment not seen since early 1994. The current level also significantly contrasts with those seen around the peak of the resources boom in 2008, where only 2,800 persons (7.1% of the total number of unemployed) in the State were in this category.

Unemployment is only one key part of the State's current labour market picture. The proportion of those already employed, but who want (and are available) to work more hours than they currently have (relative to the total workforce) is referred to as the **under-employment rate**. The May quarter 2018 under-employment rate for Western Australia stood at 9.3% of the State's labour force, above the equivalent national rate of 8.5%. The State's rate increased by 0.5 percentage points over the quarter but decreased by 1.1 percentage points (from 10.4%) over the course of the year. Both Western Australia's and national under-employment rates remain at near historical highs.

The State's **underutilisation rate** (the combined rates for both unemployment and under-employment) for the May quarter stood at 15.6%. This equates to over one in six Western Australians in the State's labour force who are either unemployed or working below their desired number of hours. This result compares to around one in fourteen at the peak of the resources boom (mid-2008), and indicates considerable latent capacity in the State's labour force to take on additional work.

Unemployment, underemployment and underutilisation rates – WA



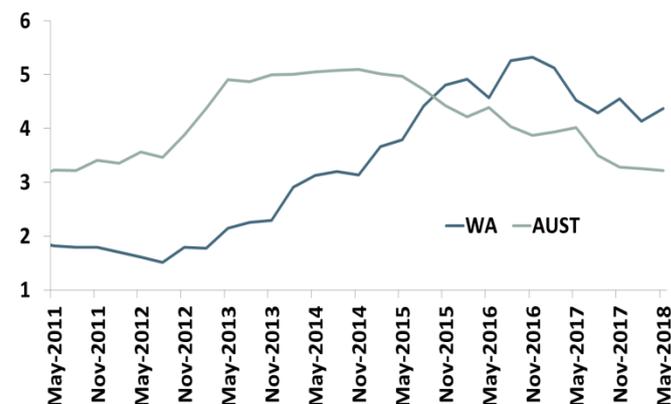
Source: ABS 6202.0, Seasonal data, updated quarterly.

In part labour market softness is being driven by subdued **employer demand for workers** in the State. The ABS Job Vacancy survey shows there was an average of around 21,350 vacancies at any given time across Western Australia in the four quarters to May 2018. This is around one third less than the average of 33,200 vacancies that were recorded as recently as 2012 when job vacancy numbers in the State peaked.

Job vacancies relative to the number of unemployed provide an indication on the availability of opportunities for those seeking employment. The State currently is recording about one vacancy for every four

unemployed persons at this time. This compares to the tail end of the resource boom years, when there were around two unemployed persons for each vacancy. It is important to note that this measure does not account for the degree to which employed persons also compete for these vacancies.

Unemployed persons per job vacancy



Source: ABS 6202.0 and 6354.0.

WA LABOUR MARKET OUTLOOK

In the May 2018 State budget **WA Treasury** revised up its employment forecasts. While the previous forecast estimated 2.0% growth in job levels from 2020–21, the revised forecast is for this growth to start a year earlier, from 2019–20. WA Treasury also expects employment to grow by 2.25% for each year from 2020–21 through to 2021–22. The Budget forecasts also have the State's unemployment rate going from an annual average of around 5.75% in 2018–19, down to 5.0% by 2021–22.

In contrast to this, forecasts from **Deloitte Access Economics** (DAE) in their *June quarter 2018 Business Outlook* publication show DAE expects the State to initially record a high rise in job levels, with jobs growth of 2.1% in 2017–18, but then slowing to growth of just 0.7% in 2018–19 and 0.9% in 2019–20. DAE also expects the State's unemployment rate to average around 6.1% over the next couple of years.

In the June 2018 Outlook publication from the **Chamber of Commerce and Industry Western Australia** (CCI), the CCI expects an average unemployment rate for the State of 6.0% in 2018–19 and then easing slightly to 5.8% in 2019–20 (the CCI do not forecast employment growth).

While the CCI in its previous Outlook publication noted there was "substantial spare capacity" in the State's labour market, the current Outlook now notes "...there is perhaps more spare capacity in the labour market than we previously thought".

In its June 2018 Outlook publication the CCI is forecasting **wages growth** of 1.9% for the State in 2018–19, lifting to 2.3% in 2019–20. DAE are broadly similar in forecasting wages growth of 1.7% in 2018–19, lifting to 2.3% in 2019–20, while WA Treasury's forecasts show slightly stronger wages growth of 1.75% and 2.75% respectively.