



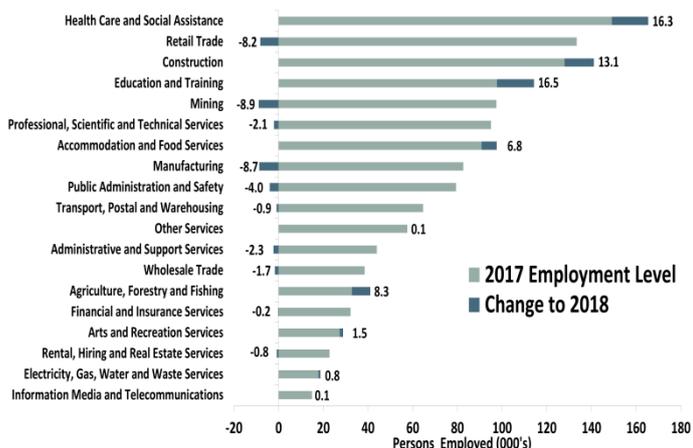
CURRENT CONDITIONS

Headline indicators show Western Australia's labour market improved somewhat during the March 2018 quarter. However, the emerging 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 number of people who are either unemployed, or employed but seeking extra hours of work.

Employment in the State fell by 1,200 people during the March 2018 quarter. While **part time employment** grew by 7,400 persons (up 23,300 persons over the year) this was offset by a fall of 8,600 persons in **full time employment** over the quarter (full time jobs grew by 4,700 workers over the year).

Jobs growth on an industry basis over the year to February 2018 was mixed, with some sizable gains seen in industries such as Education and Training; Health Care and Social Assistance; and Construction. However, as shown by the chart below, ten of the State's nineteen industries saw falls in job levels over the year to February 2018, with some particularly sizable falls in Mining; Manufacturing; Retail Trade; and Public Administration and Safety.

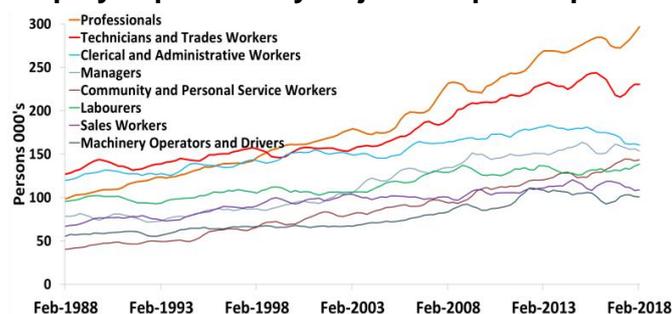
Employed by industry and change to 2018 –WA



Source: ABS 6291.0.55.003, 4 Quarter Moving Average

Looking at the same job level changes but split by occupational group also highlights the mixed recent performance of the State's labour market. The skilled occupational groups of Professionals; and Technicians and Trade Workers saw reasonable growth over the last year, and continue to be proportionately the largest employers. While Community and Personal Service Workers and Labourers have also seen some moderate growth over the past year or two, most other occupational groups have seen flat or falling job levels.

Employed persons by Major Group Occupation

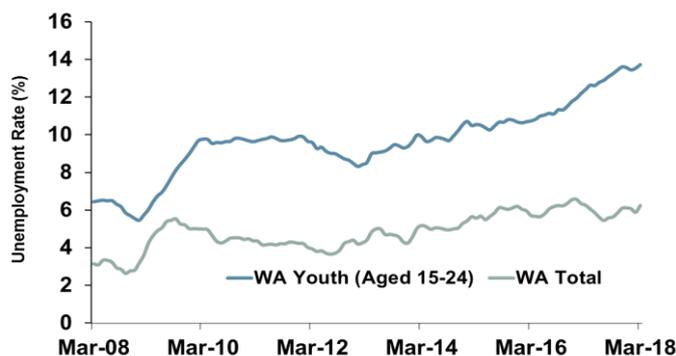


Source: ABS 6291.0.55.003, EQ08, 4 Quarter Moving Average

Overall, the State's total jobs growth rate of 2.1% for the year to the March 2018 quarter was a considerable turnaround relative to the 0.7% contraction in job levels recorded in 2017.

Despite this turnaround the pace of jobs growth has not yet been strong enough to meet the increasing number of people in the State seeking work. Over the March 2018 quarter, Western Australia averaged around 89,000 unemployed persons (of all working ages), with an average **unemployment rate** of 6.2% for the State. In particular, the State's annual average **unemployment rate for youth** (those aged 15 to 24 years) of 13.7% over the year to the March 2018 quarter was its highest level in 20 years. It was also 1.2 percentage points higher than the equivalent youth unemployment rate for Australia of 12.5%.

Quarterly average unemployment rates – WA

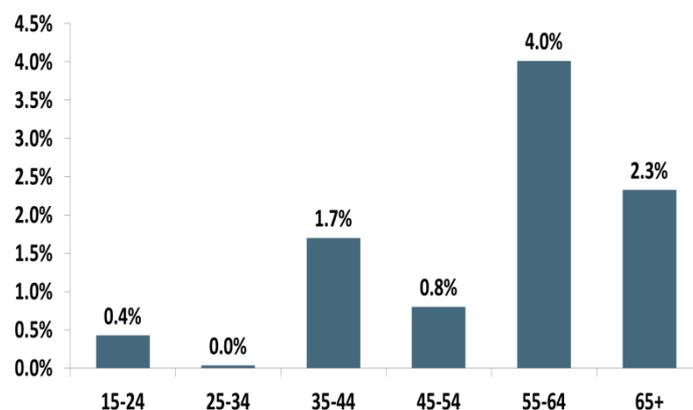


Source: ABS, 6202.0, 12 month average of original data

Rising unemployment in the State is partly being driven by increased **participation in the labour market**. While the State's labour market participation rate fell slightly over the March 2018 quarter (by 0.1 percentage points), it has been on an upward trend over the last year and a half. At a quarterly average of 68.3% Western Australia had the highest participation rate of all states (not including territories), and considerably higher than the national participation rate of 65.5%.

The State's higher participation is currently due to higher participation among older age cohorts in the State. As shown by the chart below, the age-specific percentage point differences in Western Australia's participation rates compared to the equivalent rates for Australia is pronounced for those aged 55+.

Participation rate % point differences WA vs Aust



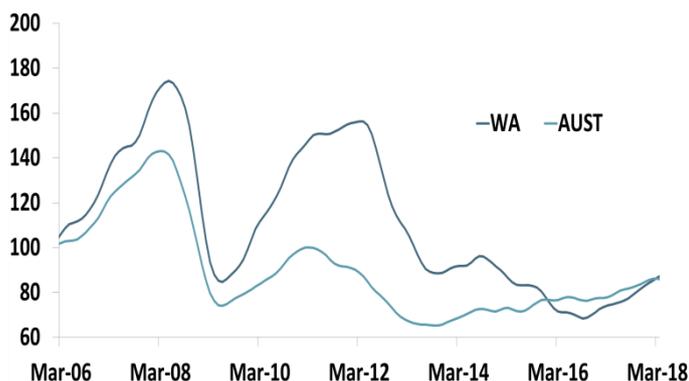
Source: ABS 6291.0.55.003, LM1, 4 Quarter Moving Average



A key factor limiting any sizable pick up in employment growth in the State is that rises in demand are still not strong enough to satisfy the latent labour supply workers across WA currently have. This is best evidenced by the very high numbers of **underemployed workers** – those persons already employed, but who are actively seeking (and available) to work more hours than they currently have. In February 2018, there were around 125,300 underemployed persons in WA. This means that in many cases, employers in the State looking for additional labour effort have the option of increasing the hours worked by the staff they already have, rather than having to employ new workers.

Subdued demand for workers from employers is expected to continue over the short term. The **Internet Vacancy Index (IVI)** from the Commonwealth Department of Jobs and Small Business shows Western Australia has recorded an overall decline in job vacancies from early 2012 to 2017. Although vacancies advertised in the State have recovered slightly over the past 12 months, they are still at similar levels to those of the post-GFC low around 2009.

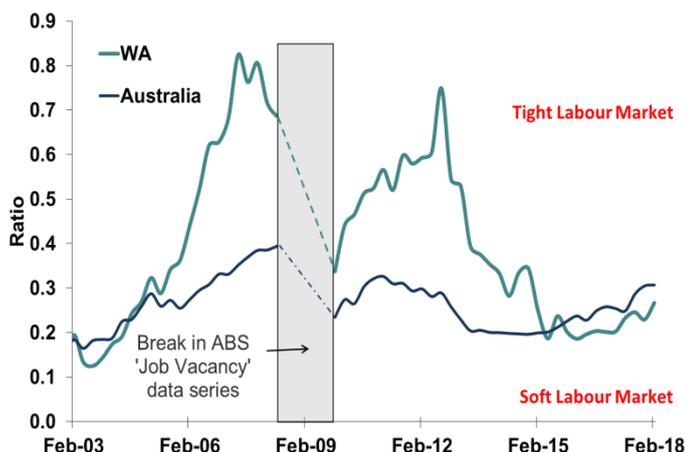
Internet Vacancy Index – Indexed at January 2006



Source: Department of Jobs and Small Business, Internet Vacancy Index, Trend, Indexed at January 2006.

Other evidence of the State's subdued labour demand is the ratio of job vacancies to unemployment, which for the last few years has been at levels much lower than its previous resource boom peaks (albeit with some evidence of slightly tighter labour market conditions starting to return in the State just over the past year so – see chart below).

Ratio of job vacancies to unemployed

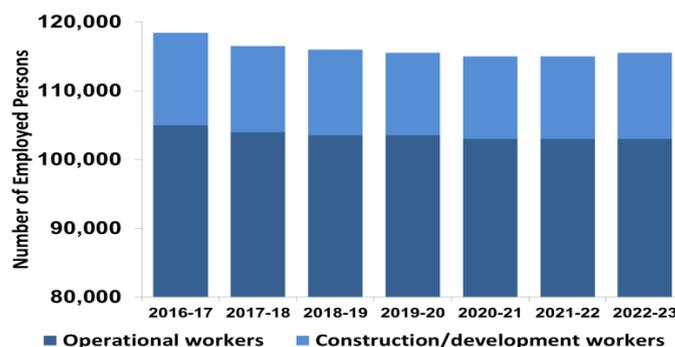


Source: ABS, 6202.0 and 6354.0

WA LABOUR MARKET OUTLOOK

The WA Chamber of Minerals and Energy in April 2018 released its latest *WA Resources Sector Outlook* publication, which contains forecast job levels for the State's resource sector over the next few years, based in a large part on resource company survey responses (and where it is noted that "most respondents were unable to provide estimates of the projected construction / development workforce beyond 2021"). Operation and construction worker levels are expected to be more or less stable over the next few years.

Forecast levels of workers in resource sector WA



Source: KPMG estimates based on data from DMIRS, KPMG's Resource Sector Outlook Survey; ABS, Office of the Chief Economist, IBIS

In respect to total WA employment, 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 now 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.

Forecasts from **Deloitte Access Economics (DAE)** in their March 2018 quarter Business Outlook publication show that DAE expects the State to initially record a high rise in job levels, with jobs growth of 2.2% in 2017-18, but then slowing to growth of just 0.8% in 2018-19 and 1.0% in 2019-20. DAE also expects the State's unemployment rate to average around 6.1% to 6.2% over the same period.

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* 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". Flowing from this the CCI also notes that "weaker wages growth" was now expected, with it forecasting **wages growth** of 1.9% in 2018-19, lifting to 2.3% in 2019-20. DAE are broadly similar in their expectations, with forecast wages growth of 1.7% in 2018-19, lifting to 2.3% in 2019-20. WA Treasury's Budget forecasts show slightly stronger wages growth of 1.75% in 2018-19 lifting to 2.75% in 2019-20.