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Unemployment at four-year high heaps pressure on RBA to ‘not make same mistake twice’

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Only an unexpected surge in inflation is likely to prevent the Reserve Bank from delivering borrowers and businesses interest rate relief in August after unemployment rose to its highest level since the end of the pandemic.

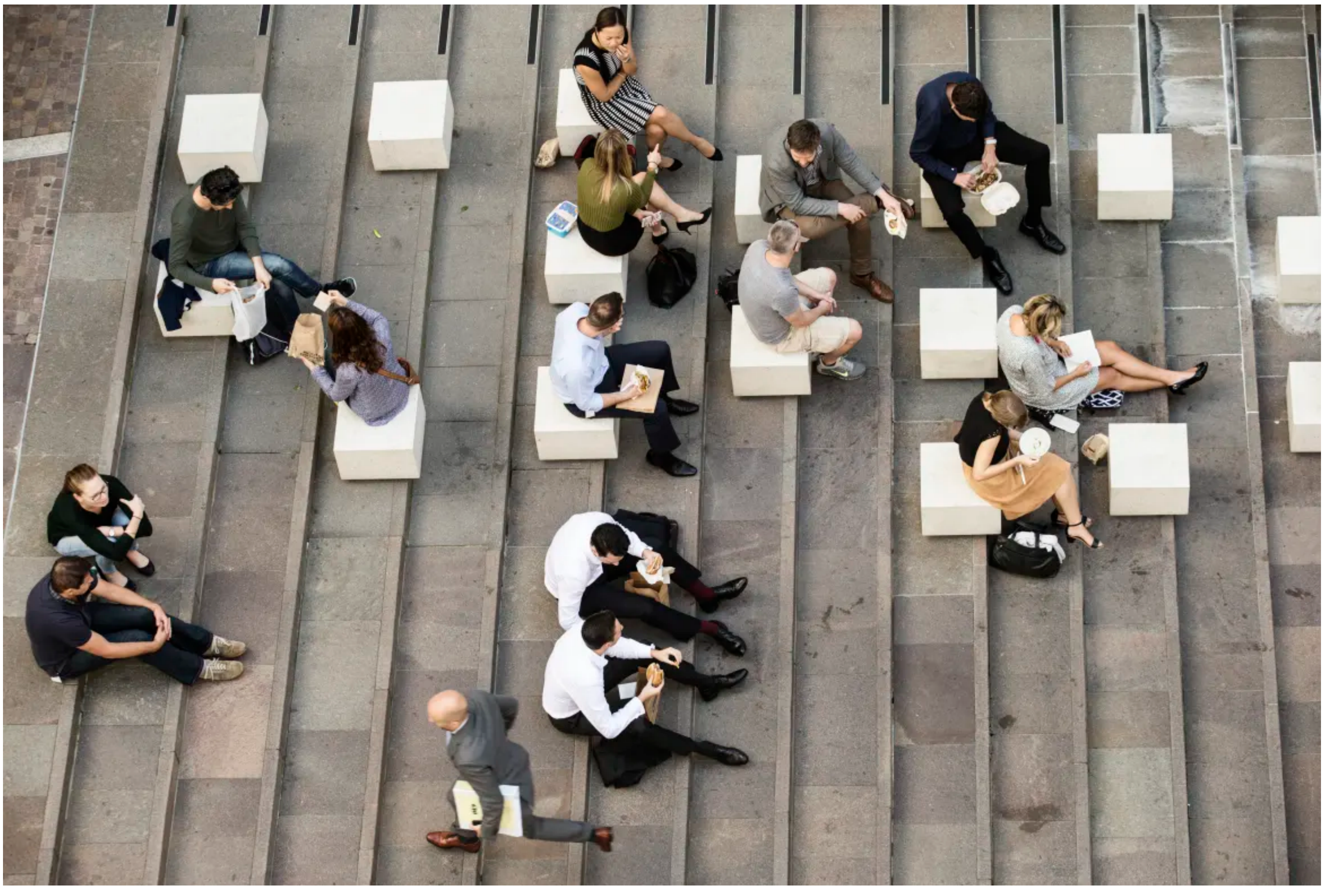
In a shock to markets and the RBA, the Australian Bureau of Statistics on Thursday reported the nation’s jobless rate rose by 0.2 percentage points in June to 4.3 per cent.

It is the highest unemployment rate since November 2021. To two decimal points, it was the fourth successive month that the jobless rate increased.

Across almost all measures, the figures suggest the jobs market is weakening. The number of people with a full-time job fell by 38,000, while there was a jump of 34,000 in the number of people out of work.

Total hours worked through June fell by 0.9 per cent, or 19 million hours, while the underemployment rate drifted up by 0.1 per cent.

Unemployment among men increased by 0.2 percentage points to 4.5 per cent, its highest rate since late 2021, while it also increased by a similar level among women to 4.1 per cent.



The unemployment rate rose to 4.3 per cent in June, the fourth month in a row the rate has risen. LOUIE DOUVIS

Unemployment rose in both NSW and Victoria by 0.2 percentage points, to reach 4.4 per cent and 4.6 per cent respectively. It also rose in Queensland (to 4.1 per cent), South Australia (to 4.4 per cent) and Western Australia (4.1 per cent).

But the situation in NSW appears to be deteriorating further than the rest of the country. Total employment in the state has fallen to where it was in November last year, while full-time jobs across the state have dropped by 15,000 over the same period.

If not for a fall in the number of people actively searching for work, NSW's unemployment rate would be above that of Victoria, which has a much higher workforce participation level.

Treasurer Jim Chalmers, who is in South Africa for this week's G20 meeting of finance ministers, blamed the increase in unemployment on global factors.

"Today's tick-up in the unemployment rate is the inevitable consequence of economic uncertainty and volatility around the world and the ongoing impact of higher interest rates," he said.

But shadow treasurer Ted O'Brien said the government's policies were contributing to higher unemployment.

"Labor promised to create secure jobs and strengthen the economy, but the reality is rising unemployment, falling hours worked and weak full-time job creation," he said.

The jobs report follows the surprise decision this month by the Reserve Bank to hold the official cash rate steady at 3.85 per cent. It cited tight labour market conditions as one of the reasons for the decision.

The Australian dollar lost half a cent against the US dollar on expectations that the RBA will use its August 11-12 meeting to cut the cash rate.

KPMG chief economist Brendan Rynne said the Reserve Bank had not expected unemployment to get to this level until the end of the year.

"While quarterly inflation data is still a week or so away, today's data will reinforce the weakness that is continuing within the private side of the Australian economy, and even by itself should be enough for the RBA to drop the cash rate at its next meeting," he said.

Asia-Pacific economist for jobs website Indeed, Callam Pickering, said the figures confirmed the Reserve Bank had been wrong to hold interest rates steady this month.

"The RBA surprised almost everyone by leaving rates unchanged in July. It was the wrong decision at the time and they surely won't make the same mistake twice," he said.

The jobs report is the last measure of employment before the RBA's August meeting. The June quarter consumer price index, which is expected to show underlying inflation growing around 0.7 per cent, is due for release on July 30.

Oxford Economics Australia head of economic research, Harry Murphy Cruise, said the June job report was another good reason for the Reserve Bank to "get a wriggle on" with rate cuts.

"Looking ahead, the labour market has a number of challenges nipping at its heels. First and foremost, President Trump's tariffs are weighing on business investment and prompting some firms to rethink hiring plans," he said.

AMP economist My Bui said that given the disappointing numbers and signs that the job market was softening, the RBA was likely to deliver four more rate cuts this year and into 2026.

The jobs report followed the release of National Australia Bank's closely watched quarterly measure of business conditions, which fell to its lowest level since the second half of 2020.

"Falls in the trading and employment components were the drivers, while the profitability component remained weak," NAB's head of Australian economics Gareth Spence said.

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