Economics and Markets Research

Data Preview

national australia bank

Surprise surge in employment, but met by labour supply

Key Points

- Employment surged +76k in June, well above our and consensus expectations for +15k
- But it was alongside a jump in the participation rate. The unemployment rate remained at 4.4%, as expected.
- The rise in participation and underemployment could suggest a labour supply response to recent cost of living challenges.
- The unemployment rate averaged 4.4% in Q2, above the RBA's May SoMP forecast of 4.2%. But stronger employment growth in the quarter muddies the signal for their assessment of labour market tightness.

Labour Force Summary Table

	Jun-2026	May-2026	12m average
Employed people (change)	76,343	43,994	21,003
Employment to population	64.0%	63.8%	63.9%
Unemployed people (change)	12,734	-17,167	2,514
Unemployment rate	4.43%	4.37%	4.31%
Underemployed rate	6.5%	6.3%	6.0%
Participation rate	67.0%	66.7%	66.8%

Source: ABS

Assessment

Today's labour market outcome stopped short of clarifying the underlying trend. Unemployment and (especially) underemployment have trended a little higher, but the surge in employment growth means the employment to population ratio is no longer trending lower.

A theme of the past couple of years has been a labour supply response to cost of living pressures. People joined or stayed in the workforce, and those working part time sought more hours, when real income pressure was most acute. It is too early to be conclusive, but there are signs those themes could be re-emerging. Participation rose, and most but not all labour market entrants found work. People who would prefer to work more hours rose, but the rise in underemployment shows this was not always matched by additional shifts.

The June data completes Q2 and shows the unemployment rate averaged 4.4% over the quarter, above the RBA's May forecast of 4.2%. Both the unemployment rate and underemployment rate have broken above their recent ranges this quarter. Combined with signs of easing labour constraints and capacity utilisation in the NAB Business Survey, that leans towards a marginal easing in the RBA's assessment of labour market tightness. That said, the surprising strength in employment growth will appropriately limit how much signal they can take from those developments.

Detail

Employment growth of 76k was sharply higher than our and the consensus forecast for +15k. Even so, the unemployment rate remained at 4.4% (4.43% unrounded). That tension is reconciled by the 3 tenth rise in the participation rate to 67.0%.

The ordinary rotation of the survey does not look to have been a driver of volatility. The incoming eighth of the sample this month did have modestly higher participation than the full sample average, but it is marginal.

The ABS did note that employment growth in the month was supported by a larger number of people waiting to start a job in May, and that the number of people leaving employment (quits and involuntary separations) remained unusually low this month.

We had noted that revisions to the April and May data would show underemployment had risen (see Macro Monday). That trend continued in June. The underemployment rate rose 2 tenths to 6.5%, up 0.5ppts over the past 3 months and the highest since mid 2024.

By state, the Victorian unemployment rate has continued to trend higher and now sits at 5.0%. All other states except Tasmania are clustered nearer between 4.1 and 4.3%.

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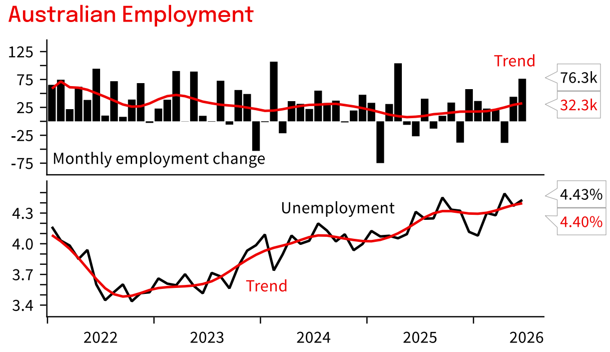
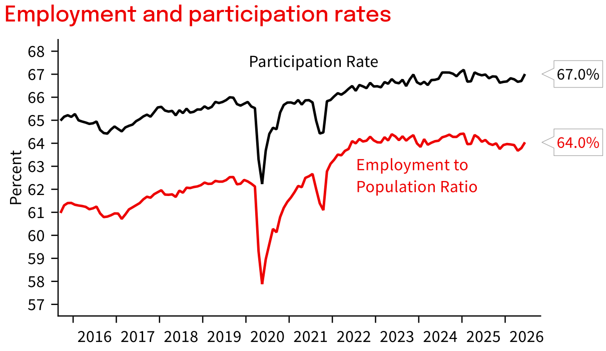
Charts

Chart 1: Employment and unemployment



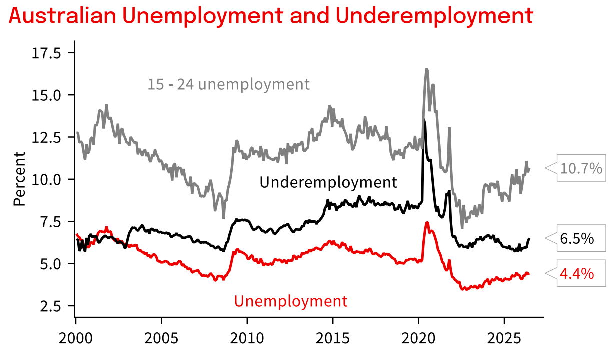
Source: National Australia Bank, ABS

Chart 4: Participation and employment rates rose



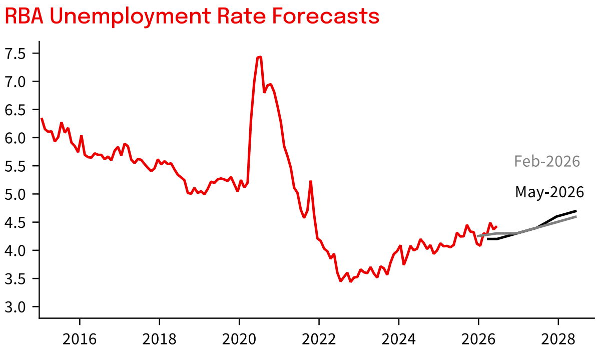
Source: National Australia Bank, Australian Bureau of Statistics, Macrobond

Chart 2: The unemployment rate remained at 4.4%



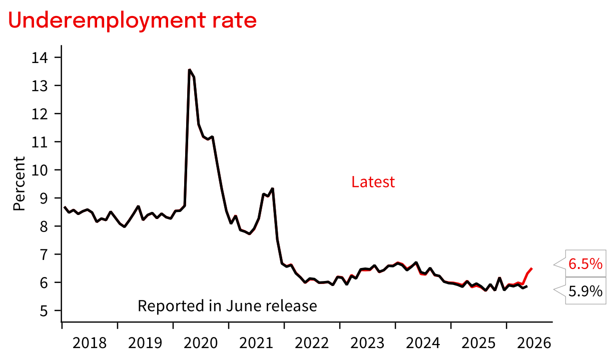
Source: National Australia Bank, ABS

Chart 5: RBA unemployment forecasts



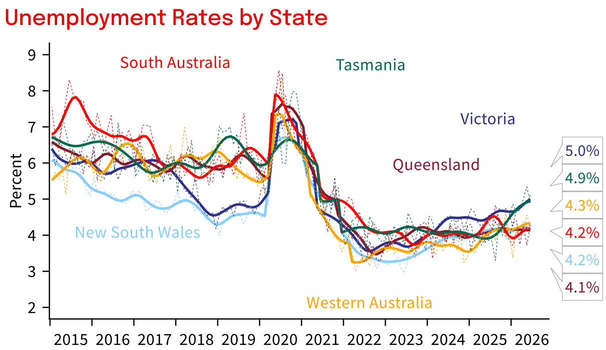
Source: National Australia Bank, RBA

Chart 3: Underemployment has risen



Source: National Australia Bank, Australian Bureau of Statistics, Macrobond

Chart 6: Trend unemployment by state



Source: National Australia Bank, ABS

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