



# TRANSCRIPT

## **ACCI ECONOMICS AND INDUSTRY POLICY DIRECTOR GREG EVANS ON ABC RADIO NEWS - 10 SEPTEMBER 2009 - UNEMPLOYMENT AND INTEREST RATES Jobless Figures Weaken Rate Rise Case**

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A big fall in full-time employment has reduced the likelihood of an imminent interest rate rise, economists say.

The number of people in jobs last month plunged by 27,000, although the unemployment rate remained at 5.8 per cent for the third month in a row.

The Reserve Bank wants to lift interest rates from record lows and its boss, Glenn Stevens, has said a rising unemployment rate would not stop a rate hike.

But economists had not been expecting such a large fall in employment.

TD Securities senior strategist Annette Becher says after yesterday's weak retail and home lending figures, there is now no justification for an imminent interest rate rise.

"There were a few out there looking for an interest rate increase as soon as next month; I think almost all of those analysts have now changed their mind," she said.

"There's still a few out there looking for November - that is realistic if we start to get some better-than-expected numbers over the next month.

"But we're of the view that interest rate increases are not required until next year. I think the RBA has plenty of time to digest these mixed numbers and make a firmer decision in 2010."

The Australian Chamber of Commerce and Industry (ACCI) has also used the figures to back its case for interest rates to stay on hold.

The ACCI's Greg Evans says the economic situation remains fragile and unemployment will get worse.

"We believe that the Reserve Bank needs to consider the evident weakness in the labour market," he said.

"It also needs to consider the fragile state of retail trade and we believe that in terms of interest rate increases, they should be firmly off the agenda in 2009."

Signs of weakness

Although the overall jobless rate for August stayed at 5.8 per cent, there was a significant jump in the number of full-time jobs that were lost.

And it is not just that there was a big fall in full-time jobs - this time it was not offset by a corresponding rise in part-time work.

There were only 3,800 part-time jobs added and, according to the official estimate, more than 27,000 jobs lost overall.

An economist at Macquarie Group, Rory Robertson, says that shows the economy is fragile.

"In particular full-time employment fell 31,000 in August and that's I think the 10th fall in 13 months," he said.

"So, for me, when full-time jobs are being added, the economy's strong, and when full-time jobs are being cut, the economy's particularly weak.

"We've seen, I think, a 2.9 per cent drop in full-time employment over the past 13 months, so the economy is still weak.

"There's some kind of recovery underway but the recovery for me barely has legs until it stops full-time employment shrinking at least."

Mr Robertson says the jobs figures are not the only sign of weakness.

"We've seen now back-to-back falls in retail sales, we've seen some softer vehicle sales, we've also seen yesterday a small drop in housing finance," he said.

"All this is not very important at this stage but the Reserve Bank, I think, is waiting to see a sustained uptrend in private demand before it wants to pull the trigger on its first interest rate hike."

#### Stimulus debate

The chief economist at Westpac, Bill Evans, says the jobs figures were bound to happen.

"If we look at the contraction in all the lead indicators that we've seen for the jobs markets - job ads, confidence in jobs etcetera - we had to see a point at which we were going to see some serious job losses and we're now starting to see that," he said.

He says tens of thousands of jobs were lost but the unemployment rate did not go up because people gave up looking for work.

"The participation rate came down this time; that's the number of people that are offering themselves for work," he said.

"You typically find that when labour markets weaken, people feel a bit discouraged so they don't actually decide to join the labour force and that tends to moderate the rise in the unemployment rate."

No-one likes to see people losing their jobs, but for a Government defending more spending on borrowed money, the figures are timely.

ACTU president Sharan Burrow says today's unemployment figures show why the Government should not wind back its economic stimulus measures.

"This is a disaster and the tragedy is too many working families will take decades to see a turnaround in their circumstances," she said.

"So we sit here appalled watching the debate from the Opposition that says wind back the stimulus - in other words, throw more people out of work.

“We need to know that an exit strategy will absolutely put employment at the centre and the Government, clearly we congratulate them for standing their ground against the employment vandalism that the Opposition would foist on working Australians.”

But Opposition Treasury spokesman Joe Hockey says the unemployment result shows the Government’s forecasts are wrong.

“The Government’s growth forecasts underestimated how this Australian economy would perform,” he said.

“Overall the trend data indicates that Australia has seen the worst of the economic downturn yet Mr Rudd and Mr Swan are spending the same record level of money.”