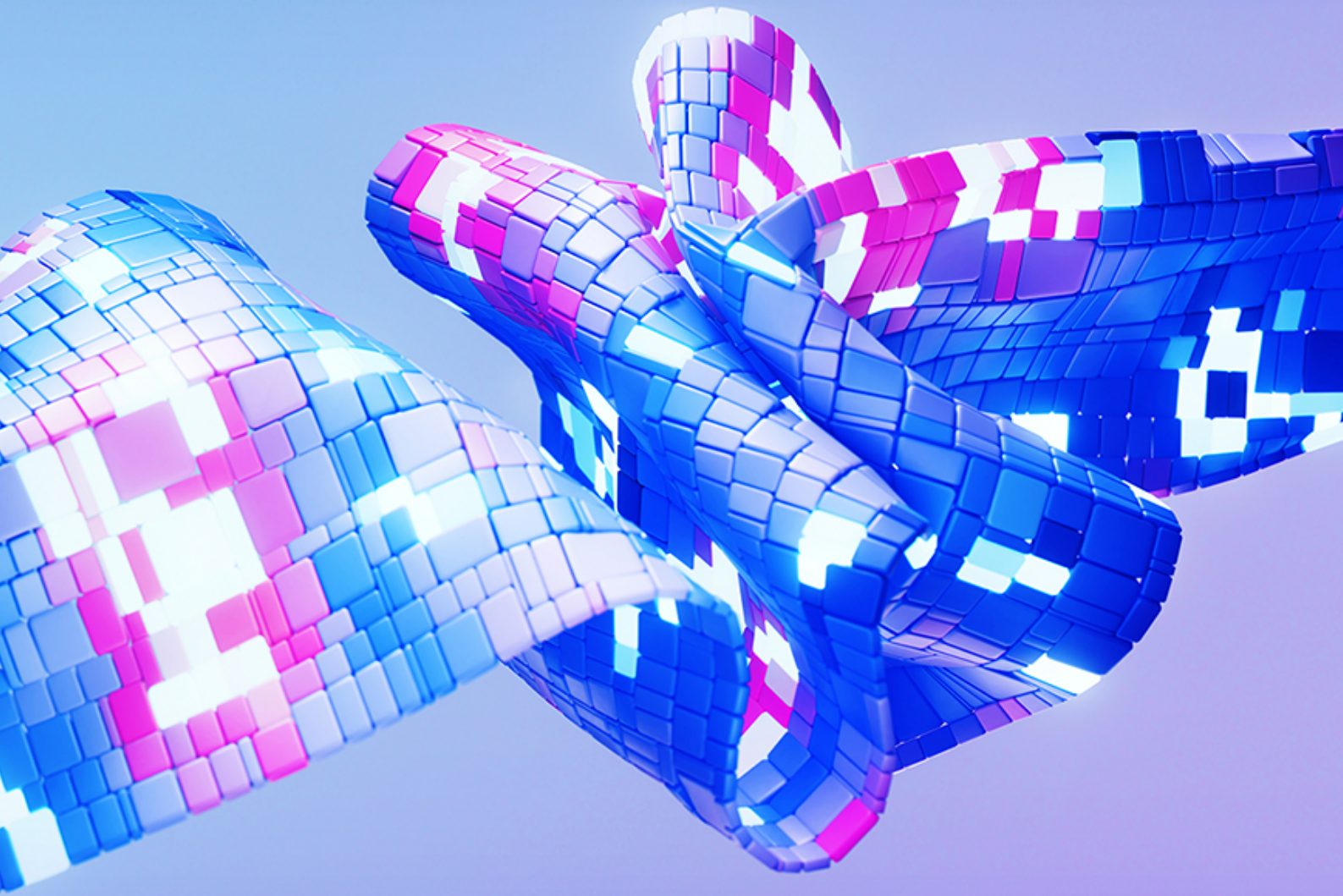




Australian Labour Market Update



KPMG Australia

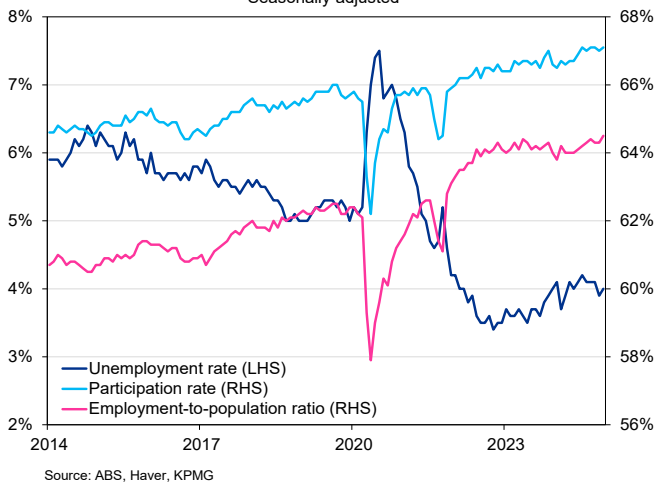
February 2025

Executive summary

According to the KPMG Labour Market Pressure Index, the unemployment rate trended towards a neutral position in 2024. However, inflationary pressures from the labour market remain.

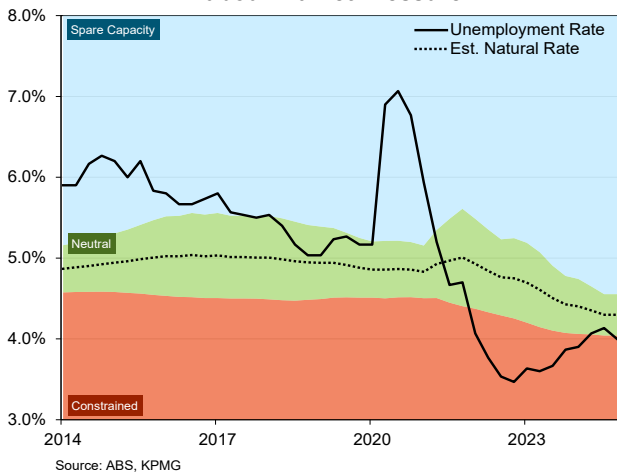
During 2024, the unemployment rate remained around the 4% level, while other labour market indicators continued to strengthen. The employment-to-population ratio climbed to a record high of 64.5%, as did the participation rate at 67.1%. This strength can be attributed to both favourable conditions for jobseekers and the pressures of rising living costs, which have encouraged more workers to enter the labour force.

FIGURE A
Unemployment and Participation Rates
Seasonally adjusted



The labour market experienced a period of significant constraint commencing in early 2022, adding to inflationary pressures, according to KPMG's Labour Market Pressure analysis.* After reaching a peak in early 2023, these restrictive conditions have gradually eased, with the unemployment rate approaching neutral levels by mid 2024.

FIGURE B
Labour Market Pressure

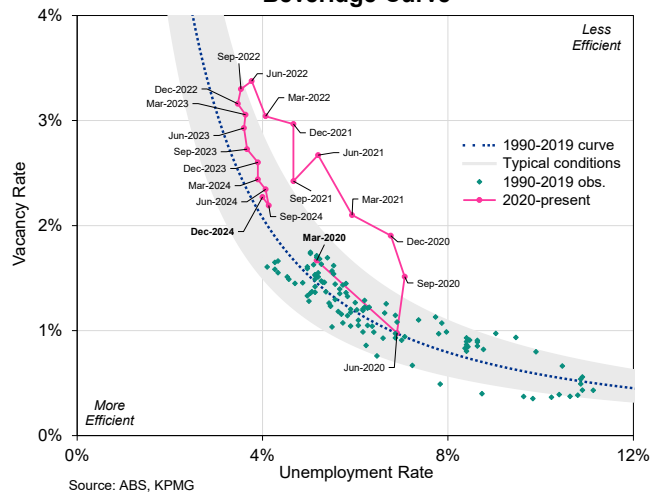


* The Labour Market Pressure Index can be constrained (exerting inflationary pressures), neutral, or having spare capacity (exerting downward inflationary pressures).

However, these signs of improvement reversed in the December quarter, and the labour market again returned, marginally, to the constrained zone. This is reflected by the KPMG Labour Market Pressure Index, which climbed to 0.3 ppt in the December quarter 2024, deteriorating for the first time in two years. These findings indicate that there is continuing tightness in the market, although KPMG still expects a gradual softening of conditions to resume during 2025.

Furthermore, the efficiency of the labour market in matching workers to jobs, as measured by the Beveridge Curve, has also returned to more typical levels during 2024. This has been supported by improved access to workers via international migration, which has helped Australian businesses more efficiently match workers to their vacancies, thereby alleviating pressures in the labour market.

FIGURE C
Beveridge Curve



Looking ahead, the unemployment rate is expected to rise modestly to 4.2% by the end of 2025, supported by historically high levels of job vacancies. This will lead to an easing of nominal wage growth and a further moderation of inflationary pressures within the economy.

Despite the low unemployment rate, the productivity of the labour force remains a key concern, with real output per worker declining by 0.8% over the past year. This deterioration is also reflected in real unit labour costs, which have increased by 1.6% over the year.

A lack of labour productivity growth presents risks to future real wage growth and the broader economy.

Contents

01	Labour market conditions	04
02	Labour demand	11
03	Labour supply	16
04	Labour market performance	20

01

Labour market conditions

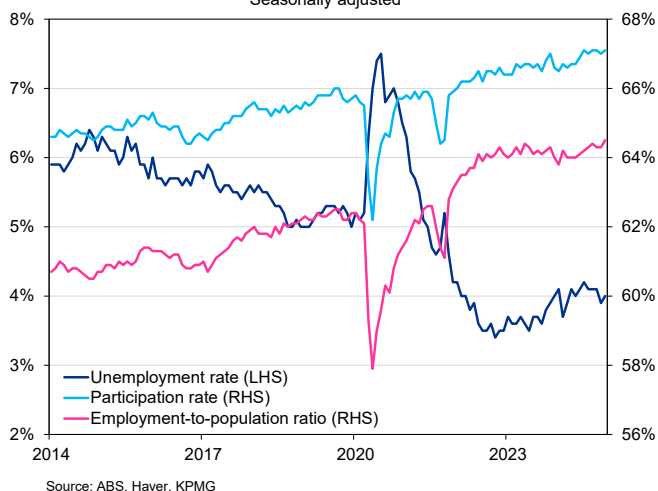
National conditions

Labour market conditions have remained resilient, with the unemployment rate holding relatively steady during 2024. However, labour market pressures are expected to continue to ease throughout 2025.

At 4.0% in December 2024, the unemployment rate continues to display resilience despite low Gross Domestic Product (GDP) growth. This was slightly higher than the 3.9% figure recorded in the previous month, and unchanged from the same period in 2023. Employment rose by 56,000 people, while the number of unemployed people increased by 10,000.

The employment-to-population ratio reached a record high of 64.5% in December, rising by 0.1 ppt (percentage points) to be 0.5 ppt higher than a year ago, and 2.3 ppt higher than before the pandemic.

FIGURE 1
Unemployment and Participation Rates
Seasonally adjusted



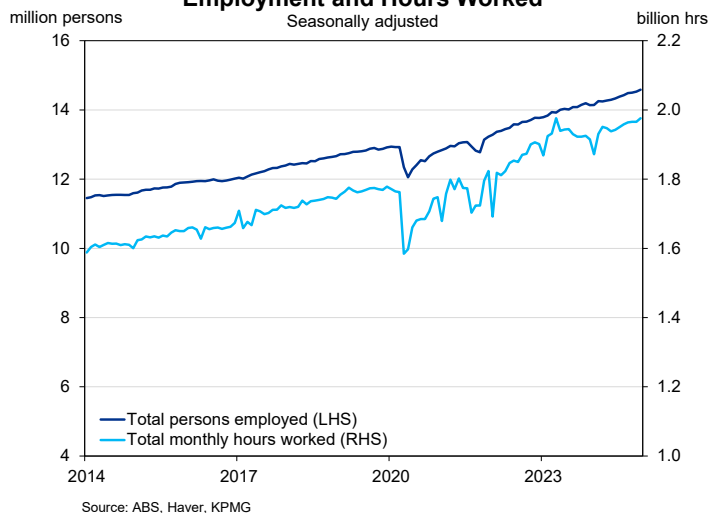
A higher participation rate (which reflects both the number of employed and unemployed people) rose by 0.2 ppt to reach a new record high of 67.1% in December. This is 0.5 ppt higher than the same period last year, and 1.6 ppt more than the figure recorded just before the pandemic.

This increase in the participation rate could be due to a range of factors such as higher wages and access to affordable childcare, or it could be indicative of financial pressures within households seeking to boost income by taking on jobs.

Existing workers taking on second jobs could also be a sign of financial pressure. In the most recent data for the September quarter 2024, the multiple-job holding rate rose by 0.1 ppt to 6.6%, with the number of multiple-job holders rising by 27,000. During this quarter, the number of secondary jobs increased by 4.1%, whereas the number of main jobs rose by only 1.5%.

This trend was also reflected in the growth of part-time employment. In the three months to December 2024, employment increased by 97,000 people, with 34,000 being full-time and the remaining 63,000 part-time.

FIGURE 2
Employment and Hours Worked
Seasonally adjusted



Monthly hours worked lifted by 0.5 ppt in December, resulting in an annual growth rate of 3.2%. This was consistent with the growth in the number of people employed, which increased by 3.1% during this period.

The ratio of unemployed persons to job vacancies has continued to climb gradually, reaching 1.8 in the December quarter 2024. This is 0.7 persons higher than the trough of 1.1 recorded in September 2022 but remains low compared to historical standards.

FIGURE 3
Number of Unemployed Persons per Job Vacancy
Seasonally adjusted

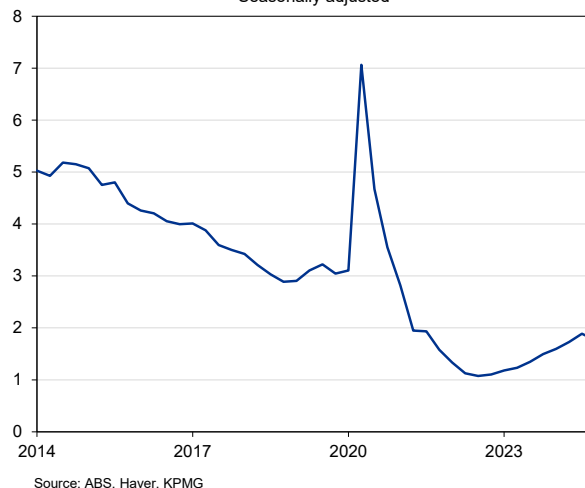
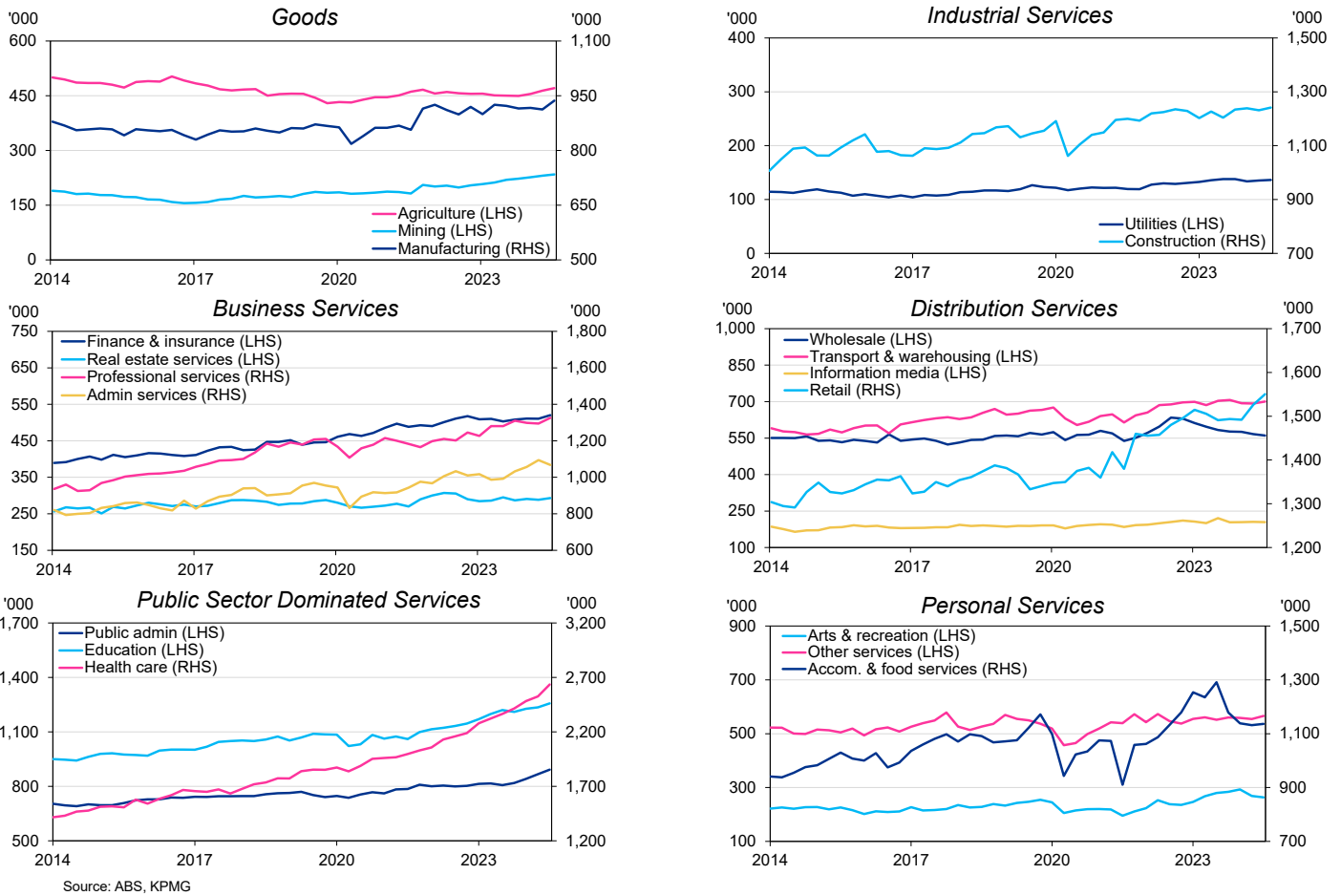


FIGURE 4
Filled Jobs by Industry
Seasonally adjusted



During the September quarter 2024, the number of filled jobs – a measure of employment that captures multiple-job holders – increased in 15 out of 19 industries.¹ The strongest increase was seen in *Health care* (+109,700), followed by *Professional services* (+30,600). On the other hand, the largest fall was recorded in *Admin services* (-26,100).

Currently, one in six filled jobs is in the *Health care* industry, translating into a quarterly growth rate of 4.3%, or 11.4% annually. This strength has been supported by demand for childcare services, which has been a focus of government investment over the past couple of years, as well as residential and home-based care services due to the ongoing ageing of the population.

Ten industries saw growth in the number of hours worked, while the remaining nine saw a decrease. The industry with the largest rise during the September quarter 2024 was *Manufacturing* (+3.1%), while the largest fall was seen in *Arts & recreation* (-2.5%).

FIGURE 5
Growth in Persons Employed, Sep 2024
Seasonally adjusted

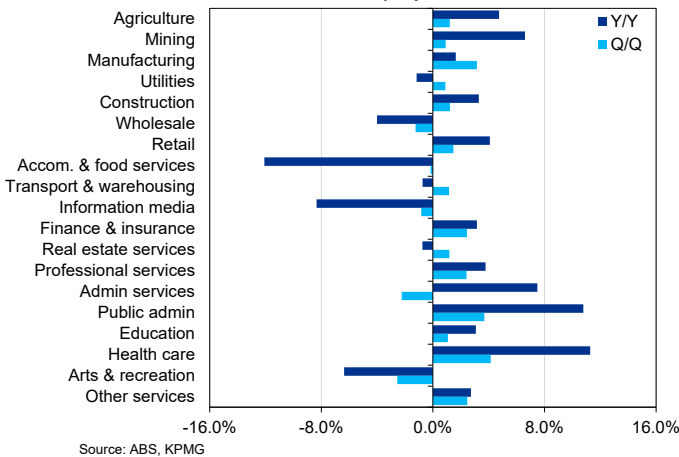


TABLE 1
Labour Market Forecasts
Values at end of period

	2023*	2024	2025	2026
Employment growth	3.0%	1.3%	1.4%	1.0%
Unemployment rate	3.9%	4.1%	4.2%	3.9%

Source: KPMG

* actual

Looking ahead, the performance of the labour market in 2025 is unlikely to differ substantially from 2024. The unemployment rate is expected to lift marginally in 2025, reaching 4.2% by the end of the year, while employment growth is expected to be 1.4%.

¹ Note that industry names have been edited for clarity.

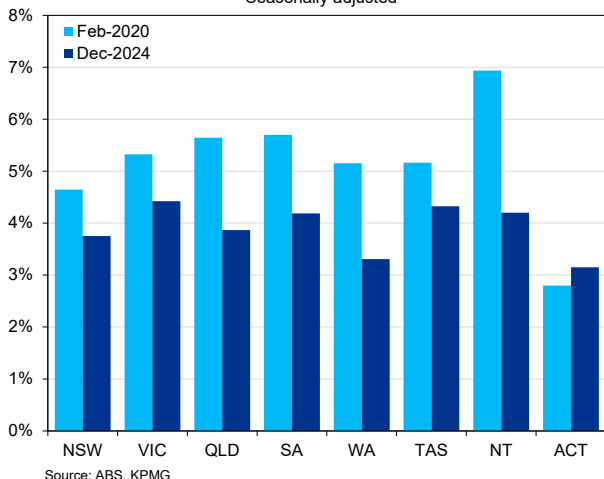
Regional conditions

The unemployment rate remains low across all states and territories but is expected to gradually rise throughout 2025.

Across all states and territories, the unemployment rate remains at historically low levels, reflecting that labour market pressures are consistent nationwide. In the year to December 2024, half of the states and territories experienced an increase in their seasonally adjusted unemployment rates, whereas the remainder experienced a decrease.

Unemployment in the Australian Capital Territory remains close to pre-pandemic levels, while the other jurisdictions have seen clear declines. However, this was still the lowest unemployment rate across the nation at 3.1%. The highest unemployment rate was in Victoria, which was recorded at 4.4% in December 2024.

FIGURE 6
Unemployment Rate by States and Territories
Seasonally adjusted

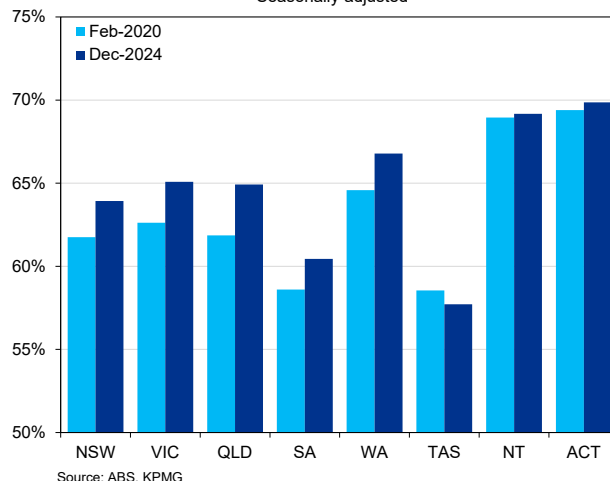


All states and territories except New South Wales and Queensland experienced a monthly rise in the unemployment rate during December 2024. Tasmania experienced the largest increase (+0.4 ppt), whereas New South Wales saw the largest decrease (-0.1 ppt).

As of December 2024, only South Australia, Tasmania and the Northern Territory have seen a fall in their employment-to-population ratios compared to the same period one year prior. In addition, Tasmania was the only region to record an employment-to-population ratio that was lower than pre-pandemic levels.

Tasmania recorded the lowest employment-to-population ratio (57.7%), while the Australian Capital Territory had the highest figure (69.9%). In the month to December 2024, the Northern Territory experienced the largest rise (+0.4 ppt) while the Australian Capital Territory faced the greatest decline (-0.4 ppt).

FIGURE 7
Employment to Population Ratio by States and Territories
Seasonally adjusted



In the month to December 2024, the seasonally adjusted participation rate climbed higher in most states and territories, with the largest rises seen in the Northern Territory (+0.6 ppt) and South Australia (+0.4 ppt). Participation in Victoria held steady, and the Australian Capital Territory experienced the only monthly decline (-0.3 ppt).

The Northern Territory recorded the highest participation rate (72.2%), closely followed by the Australian Capital Territory (72.1%). Meanwhile, Tasmania continued to record the lowest level of participation (60.3%), with South Australia recording the second lowest level (63.1%).

FIGURE 8
Participation Rate by States and Territories
Seasonally adjusted

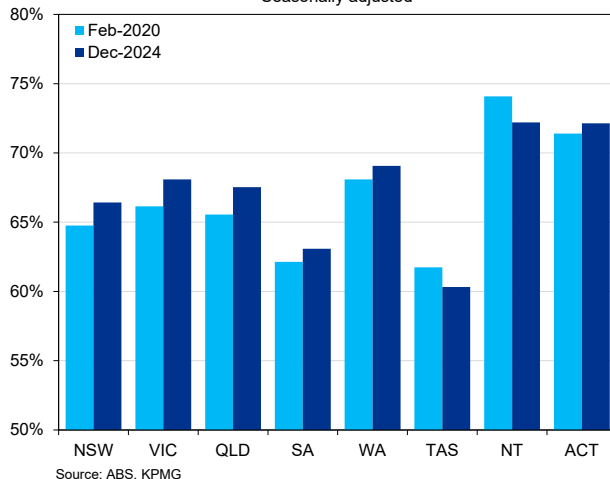
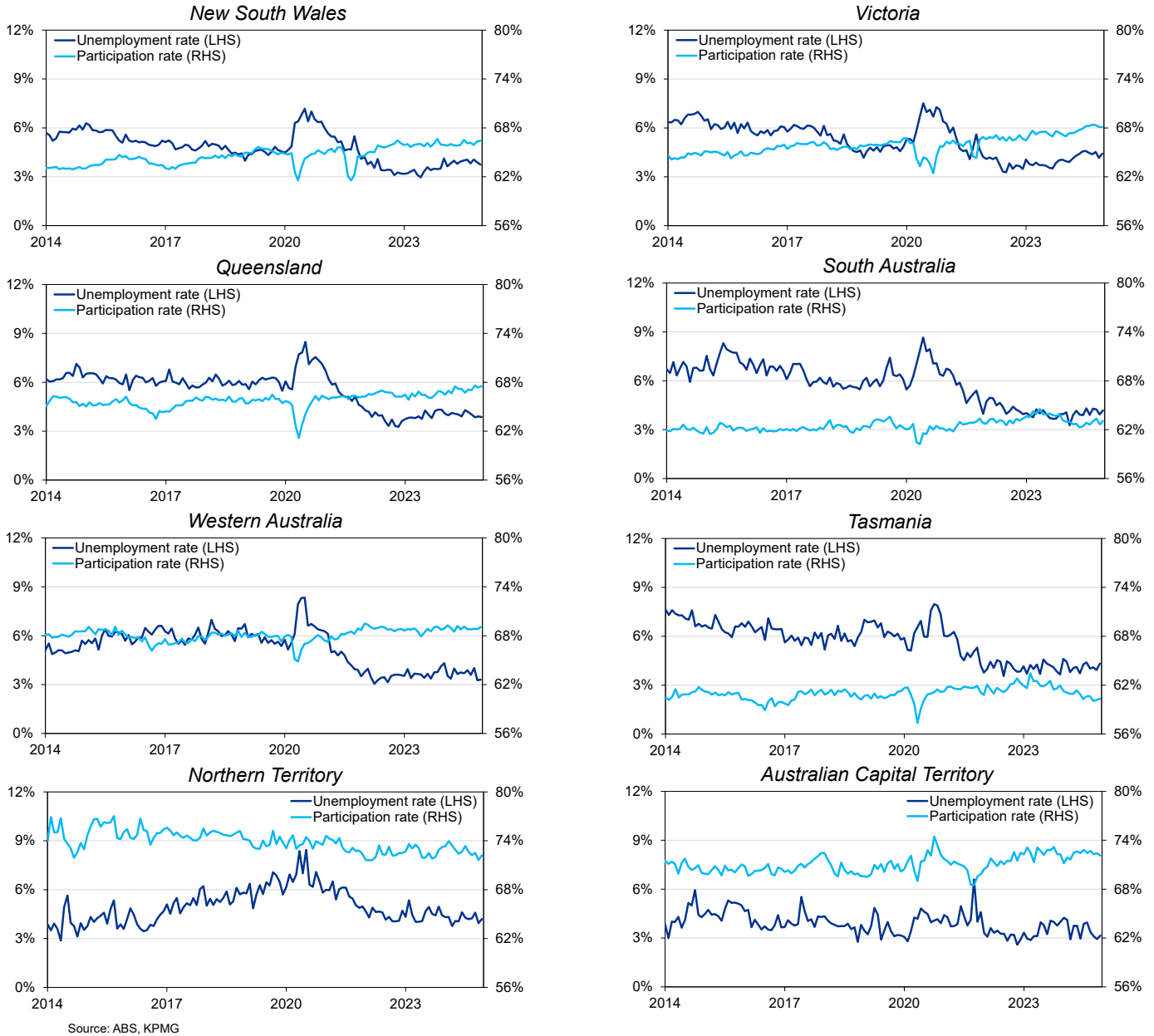


FIGURE 9
Historical Unemployment and Participation Rates by States and Territories
 Seasonally adjusted



Source: ABS, KPMG

In terms of jurisdictional trends, as of December 2024:

- New South Wales saw a monthly fall in unemployment rate to 3.8%, from 3.9% the month prior. However, this is still 0.2 ppt higher than the corresponding period of 2023.
- The unemployment rate climbed to 4.4% in Victoria, up from 4.2% in November. This is 0.4 ppt higher than one year prior and is the highest rate across all jurisdictions.
- No monthly change in the unemployment rate was recorded in Queensland, with the rate holding steady at 3.9%. This is 0.4 ppt lower than the same period last year.
- South Australia experienced a monthly rise to 4.2%, from 3.9% the month prior. The unemployment rate is 0.2 ppt higher compared to December 2023.
- The unemployment rate held steady over the month in Western Australia at 3.3%. Reflecting ongoing strength in the region, this is 0.8 ppt lower than one year prior.
- Tasmania saw the unemployment rate climb sharply to 4.3% from 3.9% the month prior and is now 0.7 ppt higher than the same period of 2023.
- The Northern Territory saw a rise to 4.2% compared to 3.9% in November, 0.2 ppt lower than a year ago.
- The unemployment rate climbed in the Australian Capital Territory to 3.1%, up from 2.9% in the previous month, though this is still the lowest rate across all jurisdictions. Compared to December 2023, this reflects a decline of 0.9 ppt.

Wage growth

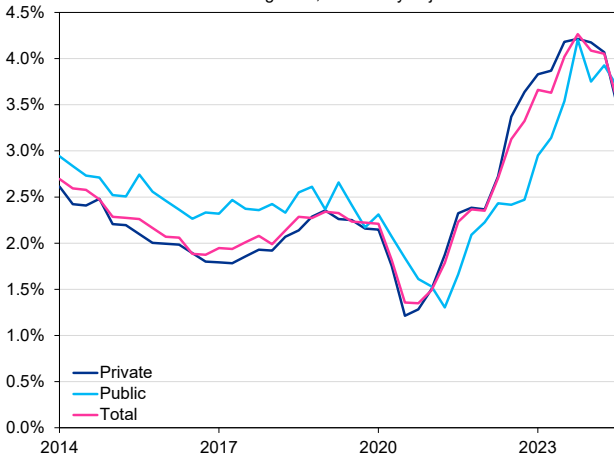
Wage growth eased over the year, reflecting the recovery of labour market conditions towards more typical levels. This is likely to continue over 2025, with subdued growth forecast in the near term.

Wage growth continued to slow in the second half of 2024, extending the moderation that began earlier in the year. The Wage Price Index rose 0.8% in the September quarter of 2024. This translated into a historically high annual wage growth of 3.5%, but this was the lowest recorded figure since the December quarter of 2022.

This was also the first time since the December quarter of 2020 that annual public sector wage growth exceeded private sector growth. Public sector wages increased by 3.7% in the year to September. Although moderating somewhat from the growth rate recorded in the previous quarter (3.9%), this was still higher than the corresponding period of 2023 (3.5%).

By contrast, private sector wage growth slowed substantially, falling to 3.5% over the year from 4.1% in the previous quarter. This was the lowest growth rate since the September quarter of 2022. Despite some signs of weakness, the private sector was still the main contributor to wage growth over the quarter due to its larger size.

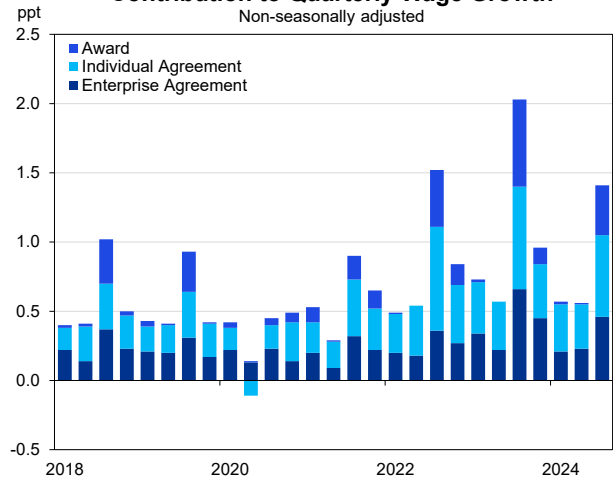
FIGURE 10
Wage Price Index by Sector
Year-ended growth, seasonally adjusted



Source: ABS, Haver, KPMG

Overall, 45% of jobs recorded a wage change in the September quarter 2024, on par with the 46% of jobs recorded during the same quarter of 2023. Between sectors, 49% of private sector jobs experienced a wage change compared to 30% of public sector jobs. This is comparable to one year prior, where 49% of private sector and 34% of public sector jobs recorded an hourly wage change. Monitoring wage growth in the private and public sectors will continue to be a focus for policymakers during 2025.

FIGURE 11
Contribution to Quarterly Wage Growth
Non-seasonally adjusted



Source: ABS, Haver, KPMG

When considering the method of setting pay, individual agreements made the largest contribution to quarterly growth in the Wage Price Index (+0.59 ppt), followed by enterprise agreements (+0.46 ppt) and award rates (+0.36 ppt). One year earlier, during the September quarter 2023, individual agreements remained the largest contributor, adding 0.74 ppt to wage growth. Enterprise agreements contributed 0.66 ppt, while award rates contributed 0.63 ppt.

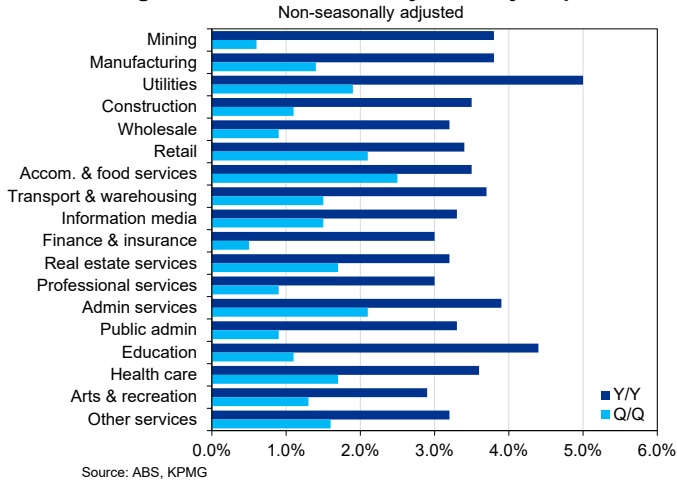
Importantly, these contributions should be viewed in the context of the Fair Work Commission Annual Wage Review, which took effect at the beginning of the September quarter. This increased wages for those covered by the modern award² by 3.75%, which was lower than the 5.75% decision made for 2022/23, as well as the decision made for 2021/22 which provided increases between 4.6% and 5.2%.

This decision directly influences the sizes of wage increases for jobs covered under the modern award, as well as other linked enterprise agreements. However, it also indirectly affects the size and timing of increases paid to those under individual agreements as employers undertake wage and salary reviews.

For jobs in the private sector which recorded a wage movement in the September 2024 quarter, the average hourly wage increased by 3.9%. This was slightly higher than the Fair Work Commission's decision, reflecting that there is still some tightness in the labour market.

² Further details are available from the Fair Work Commission. <https://www.fairwork.gov.au/sites/default/files/migration/723/Modern-awards.pdf>

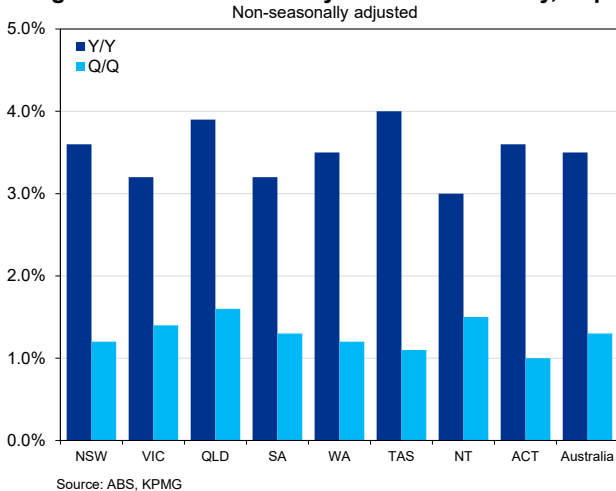
FIGURE 12
Wage Price Index Growth by Industry, Sep 2024
Non-seasonally adjusted



Annual wages growth was strongest in *Utilities* (+5.0%), whereas *Arts & recreation* reported the weakest annual growth (+2.9%). From a quarterly perspective, *Accom. & food services* experienced the largest rise (+2.5%), while *Financial services* recorded the slowest quarterly increase (+0.5%).

When factoring the relative size of industries, *Health care* was the main contributor to wages growth in the September quarter (+0.24 ppt). This reflects the ongoing strength in demand for workers in the industry, and the difficulty in hiring sufficient suitably qualified workers. These challenges are also reflected in the number of job vacancies, detailed in the following section, which are still 110.4% higher than pre-pandemic levels. Outside of this, *Retail trade* (+0.12 ppt) and *Admin services* (+0.11 ppt) were the next two most significant industries in terms of contributions to wage growth.

FIGURE 13
Wage Price Index Growth by State and Territory, Sep 2024
Non-seasonally adjusted

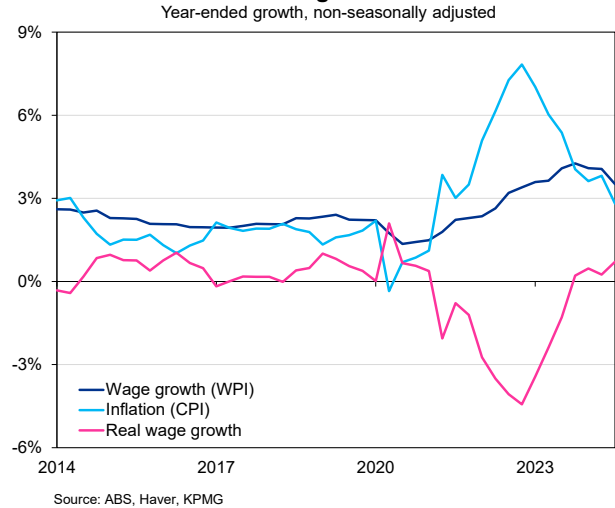


Across the states and territories, Tasmania recorded the highest annual growth rate of 4.0%, followed closely by Queensland at 3.9%. By contrast, the weakest growth in wages was seen in the Northern Territory, with a rise of 3.0% over the year.

Over the December quarter, Queensland recorded the fastest wage increase (+1.6%), followed by the Northern Territory (+1.5%). Meanwhile, the weakest quarterly growth was seen in the Australian Capital Territory (+1.0%) and then Tasmania (+1.1%).

Growth in real wages has stayed positive, even though nominal wage increases have slowed down, thanks to lower inflation. Headline inflation dropped to 2.8% in the September quarter of 2024, leading to a 0.7% rise in real wages. This marks the fourth straight quarter of real wage growth, following 10 quarters of decline, and it is the fastest rate of growth since the June quarter of 2020.

FIGURE 14
Real Wage Growth
Year-ended growth, non-seasonally adjusted



Looking ahead, KPMG anticipates that wage growth will continue to moderate throughout 2025. Although the easing of nominal wage growth, alongside a slowing of CPI growth, provide signs that inflationary pressures in the economy are moderating, there remains some cause for concern.

Growth in real wages continues to outstrip labour productivity growth. Labour productivity, as measured by GDP per hour worked, declined for the second consecutive quarter in September 2024, falling 0.5%, contributing to a 0.8% decline over the year. This deterioration is also reflected by real unit labour costs, which climbed by 0.5% over the quarter, or 1.6% over the year.

If this trend is sustained in the near term, it has the potential to create structural challenges for the Australian economy.

TABLE 2
Wage Growth Forecasts
Year-ended growth

	2023*	2024	2025	2026
Nominal wage (WPI)	4.3%	3.0%	2.6%	4.1%
Inflation (CPI)	4.1%	2.3%	3.3%	3.3%
Real wage	0.2%	0.7%	-0.8%	0.8%

Source: KPMG

* actual

02

Labour demand

Economic conditions

Despite slow economic growth, particularly outside the public sector, labour market conditions have remained resilient.

The Australian economy has continued to show signs of weakness, with real GDP growing by just 0.8% in the year to the September quarter 2024. This was the worst performance in 33 years outside of the pandemic.

GDP per capita also continued its downward slump, declining by 0.3% in the September quarter, marking seven consecutive quarters where this indicator of living standards has declined.

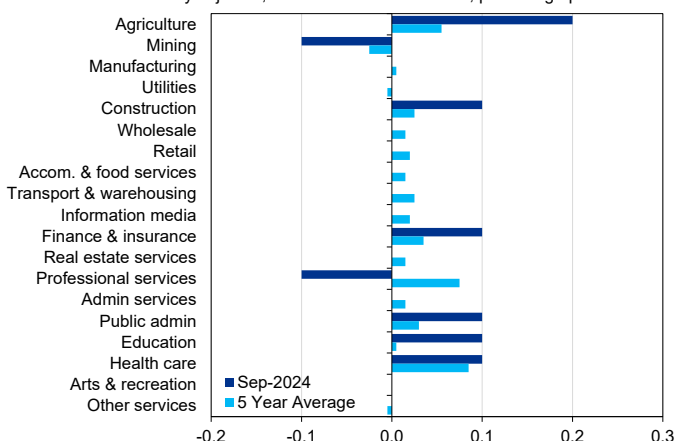
Despite this evidence of economic headwinds, the labour market has displayed remarkable resilience, supported by the public sector.

Government expenditure and public investment each contributed 0.3 ppt to quarterly economic growth in the September quarter. Outside of the public sector, only net trade made a positive contribution (0.1 ppt) to growth. Both household consumption and business investment made zero contribution to growth during this period, while a run-down in inventories subtracted 0.4 ppt.

Other key observations during the September quarter include:

- Household consumption recorded zero growth after a 0.3% decrease in the previous quarter. However, this partly reflects the introduction of government energy subsidies, which has shifted some household consumption to government expenditure.
- The household saving ratio was 3.2%, rising from 2.4% in the June quarter. Gross disposable income grew faster than nominal spending, suggesting that households are choosing to save the proceeds from Stage 3 tax cuts.
- Public investment rose strongly (+6.3%), but this is in the context of three consecutive declines in the preceding quarters. Imports of defence equipment, alongside investment in road and hospital projects, drove general government investment. Meanwhile, private investment only recorded a modest increase of 0.1%, mainly due to increased work on dwelling construction as labour and materials shortages eased.
- Business profitability has weakened, with the gross operating surplus falling by 1.5%, led by private non-financial corporations (-3.9%). In particular, the mining sector has faced lower commodity prices due to softer global demand, particularly from China.

FIGURE 15
Industry Contribution to Quarterly GDP Growth
Seasonally adjusted, chained volume measures, percentage points



Source: ABS, KPMG

From an industry-level perspective, 11 out of 19 sectors recorded a quarterly increase in Gross Value Added (GVA). In terms of significant movements:

- Agriculture** (+6.6%) recorded the largest gain, predominantly due to good results for the grains and livestock sectors.
- Arts & recreation** also performed well (+2.4%), although this was in the context of a 0.8% decline in the previous quarter. Major sporting events were the main driver of this gain.
- The most significant fall was shared across three sectors, with **Admin services**, **Professional services**, as well as **Other services** each experiencing a 1.0% decline.

When factoring in the size of each industry, **Agriculture**, made the largest contribution to economic growth (+0.2 ppt), while both **Mining** and **Professional services** detracted the most (-0.1 ppt each).

Given the weak economic activity running into the end of 2024, particularly within the private sector, demand for labour will continue to soften into 2025.

TABLE 3
Selected Growth Forecasts
Year-ended growth

	2023*	2024	2025	2026
Real GDP	1.5%	1.4%	2.4%	2.3%
Household consumption	1.1%	0.7%	2.3%	2.2%
Business investment	8.9%	0.0%	4.2%	4.8%
Government expenditure	4.1%	5.0%	2.8%	2.4%

Source: KPMG

* actual

Job vacancies

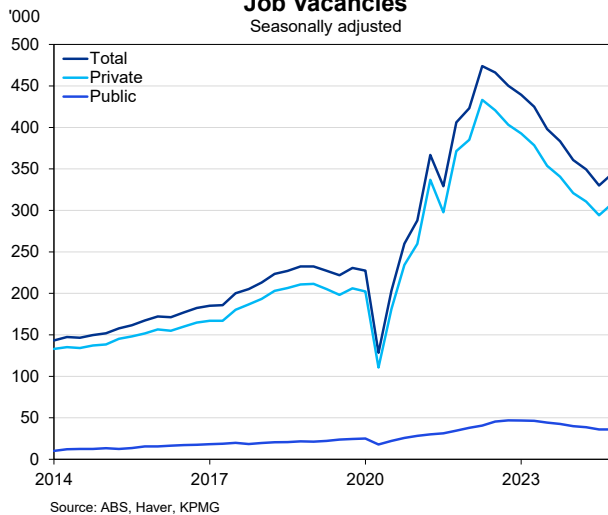
The strength in demand for workers has passed its peak amidst a weaker economic outlook, particularly within the private sector. Nevertheless, vacancies remain at elevated levels.

During the November quarter of 2024, the number of job vacancies rose by 4.2%. This marked the first increase since the May quarter of 2022, when vacancies reached a record high.

However, vacancies were still 10.3% lower than the same period in 2023 and 27.4% less compared to their historical peak.

Despite the decline in vacancies, the figures show that vacancies are still 51.3% higher than before the pandemic, as measured in the February quarter of 2020. This corresponds to an additional 117,000 vacant jobs.

FIGURE 16
Job Vacancies
Seasonally adjusted

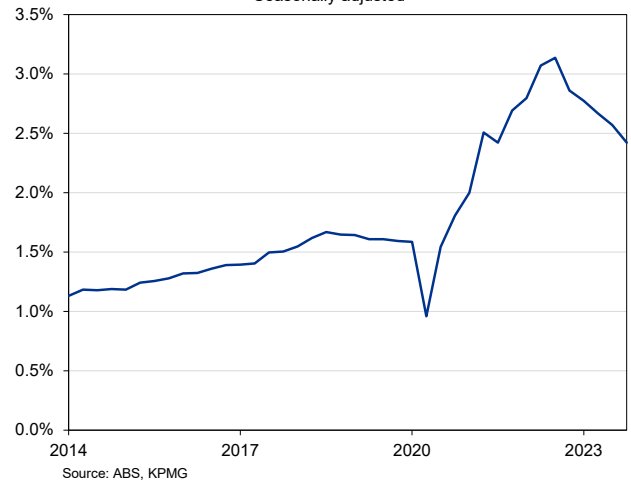


The quarterly change in vacancies was more pronounced in the private sector, growing by 4.7% compared to the August quarter. This compared to a modest 0.4% rise in the public sector. Through the year, the private sector experienced a decline of 9.6%, while public sector vacancies dropped by 15.6%.

During the November quarter, the strongest rise in vacancies was recorded in South Australia (+17.7%), followed by Queensland (+13.8%) and the Australian Capital Territory (+13.7%). Only Victoria (-2.2%) and Western Australia (-0.1%) experienced a decrease in vacancies.

Over the year, all states and territories saw a fall in job vacancies, except for the Northern Territory (+8.6%) and the Australian Capital Territory (+3.8%). The largest decreases were in Western Australia (-16.1%), Victoria (-14.7%) and New South Wales (-12.2%).

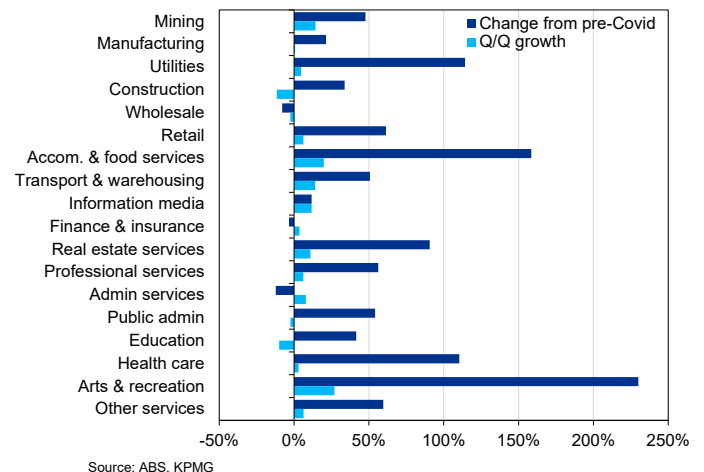
FIGURE 17
Proportion of Vacant Jobs
Seasonally adjusted



The proportion of vacant jobs has maintained its downward trend, falling for the eighth consecutive period to 2.1% in the September quarter 2024, implying that 2.1 out of every 100 jobs remains unfilled. Although this is 1.1 ppt less than the peak recorded in September 2022, it is still indicative of strong demand for workers. Immediately prior to the pandemic, only 1.6% of jobs were vacant, a difference of 0.5 ppt.

From an industry perspective, only 3 out of the 18 non-farm³ industries recorded fewer vacancies in November compared to before the pandemic. These were *Admin services* (-12.2%), *Wholesale* (-7.9%) and *Financial services* (-3.4%). All other industries continue to experience growth in job vacancies.

FIGURE 18
Industry Job Vacancies, Nov 2024



³ The ABS does not measure vacancies for the *Agriculture* sector.

Some industries continued to experience more than double their pre-pandemic level of job vacancies. These industries were *Arts & recreation* (+230.0%), *Accom. & food services* (+158.5%), *Utilities* (+144.3%), as well as *Health care* (+110.4%).

On a quarterly basis, the number of vacancies grew in 14 out of the 18 non-farm industries:

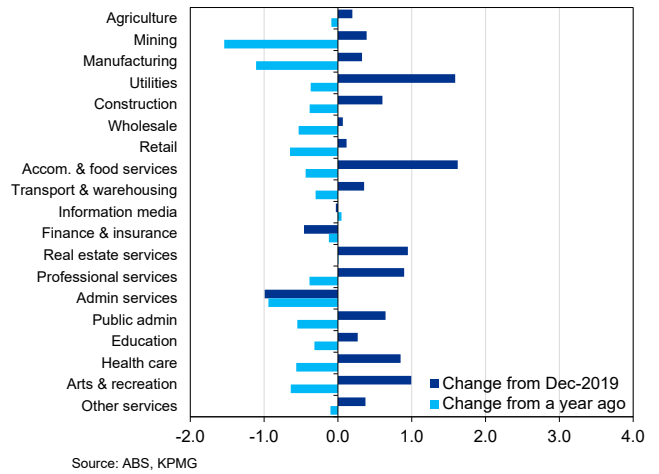
- The sharpest increases were seen in *Arts & recreation* (+28.5%) and *Accom. & food services* (+20.1%), both of which are customer-facing industries.
- On the other hand, the most significant quarterly declines were observed in *Construction* (-11.5%), followed by *Education* (-9.5%).

Over the year to November, the largest fall in vacancies was measured in *Manufacturing* (-36.9%), while the most significant rise was in *Real estate services* (+27.1%).

In terms of the proportion of vacant jobs, every industry recorded a decline over the year to September 2024, apart from *Information media* and *Real estate services* which both remained unchanged.

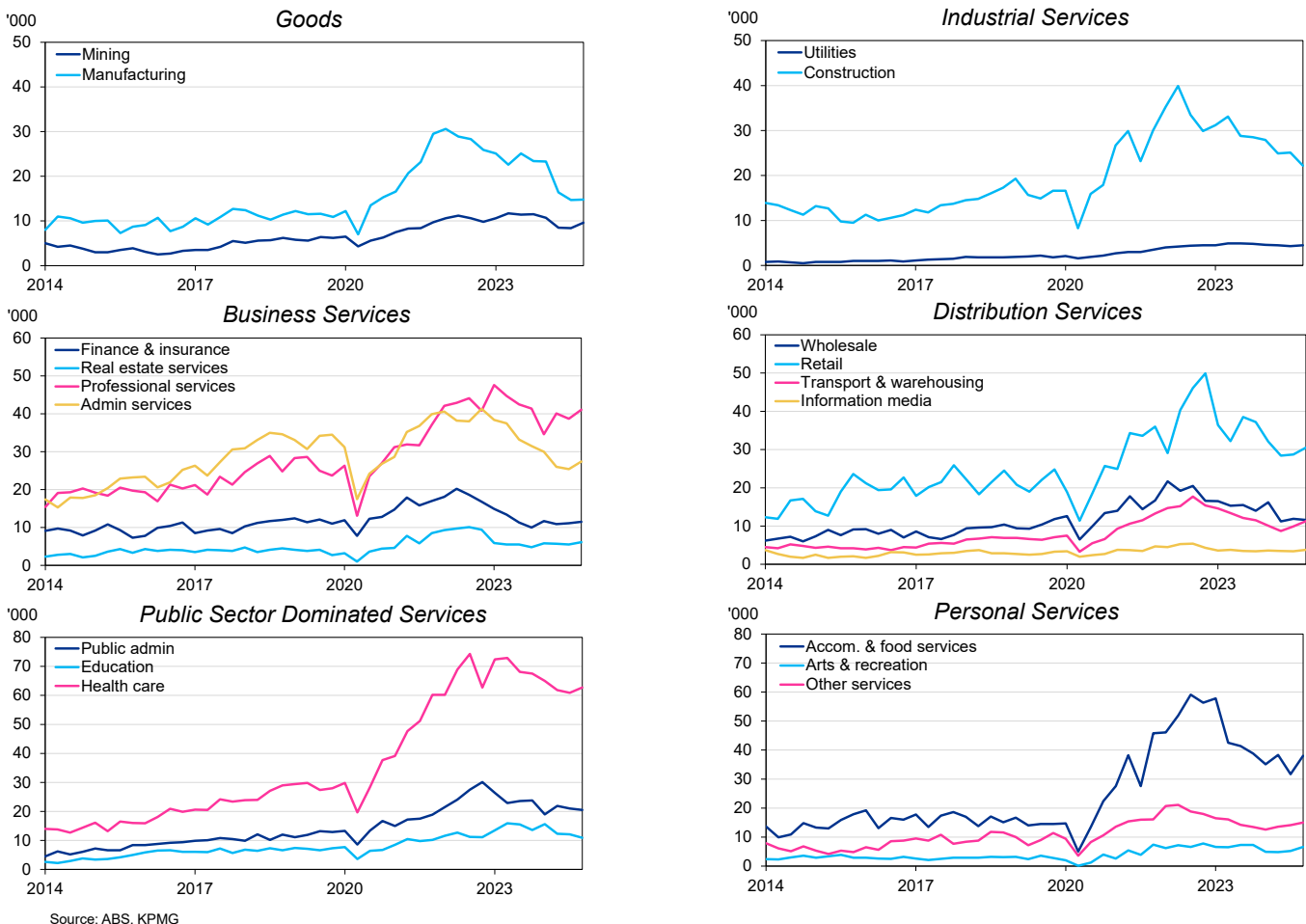
While this provides further evidence that labour demand has softened over the year, all but 3 out of the 19 industries still face a higher proportion of vacant jobs compared to the quarter immediately prior to the pandemic.

FIGURE 19
Proportion of Vacant Jobs by Industry, Sep 2024
Seasonally adjusted, percentage points



There is a significant difference between the level of job vacancies in 2024 and the level before the pandemic, particularly in some industries. This highlights that there is ongoing demand for labour despite relatively weaker economic conditions, and there have been some structural changes in industry demand for labour between 2019 and 2024.

FIGURE 20
Job Vacancies by Industry



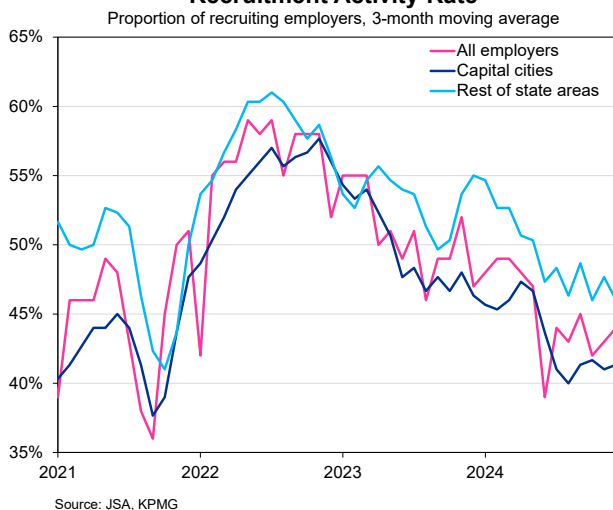
Recruitment trends

Both recruitment activity and recruitment difficulty have moderated. Although labour demand has been resilient, KPMG expects a further slowdown across 2025.

The Jobs and Skills Australia (JSA) recruitment survey showed a softening of recruitment conditions during 2024. The proportion of employers who were actively recruiting in December 2024 held steady for the third consecutive month at 43%, on a three-month moving average basis. This is 6 ppt lower than a year ago.

Recruitment activity outside of capital cities fell by 9 ppt over the year to reach 46% in December. This compares to a 5 ppt decline to 41% across the capital cities.

FIGURE 21
Recruitment Activity Rate



Recruitment difficulty moderated somewhat over the year. The average proportion of employers who reported recruitment difficulty in the three months to December 2024 was 50%, a 4 ppt decline compared to the same period one year ago.

Across the capital cities, 50% of all surveyed employers reported recruitment difficulty, up from 48% in the previous month. Nevertheless, this was still a 2 ppt improvement over the year. Outside of the capital cities, recruitment difficulty recovered to 50% after rebounding back up to 60% in March, translating into an 8 ppt annual decline.

In the three months leading up to December, an average of 19% of employers anticipated an increase in their staffing numbers in the next three months. This was 2 ppt lower than the previous month, and broadly in line with the same period in 2023.

Additionally, the proportion of employers expecting a decrease in staffing numbers in the next three months climbed to 5%. This represented a 1 ppt increase compared to November and a 2 ppt rise over the year.

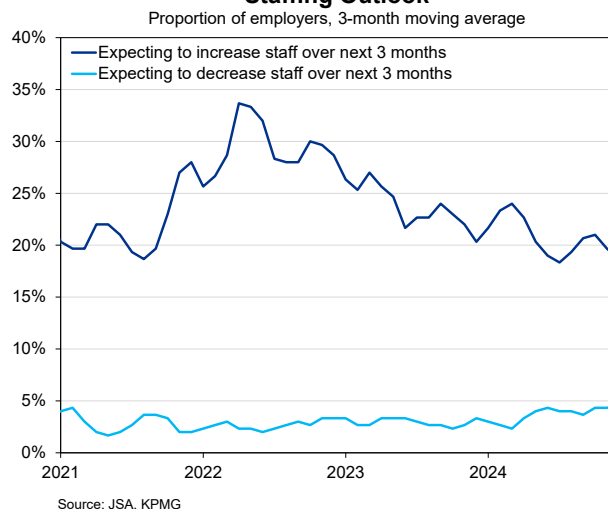
FIGURE 22
Recruitment Difficulty Rate



At the industry level, in the December quarter 2024:

- Recruitment activity was strongest in the *Accom. & food services* (63%), *Health care* (51%) and *Construction* (42%) industries.
- In terms of staffing outlook, *Accom. & food services* businesses were most likely to report an expected increase in staffing numbers (32%). This was followed by *Construction* (19%) and *Professional services* (18%).
- All three of the *Manufacturing*, *Construction*, as well as the *Accom. & food* industries were equally most likely to anticipate a decrease in staffing numbers (6%).

FIGURE 23
Staffing Outlook



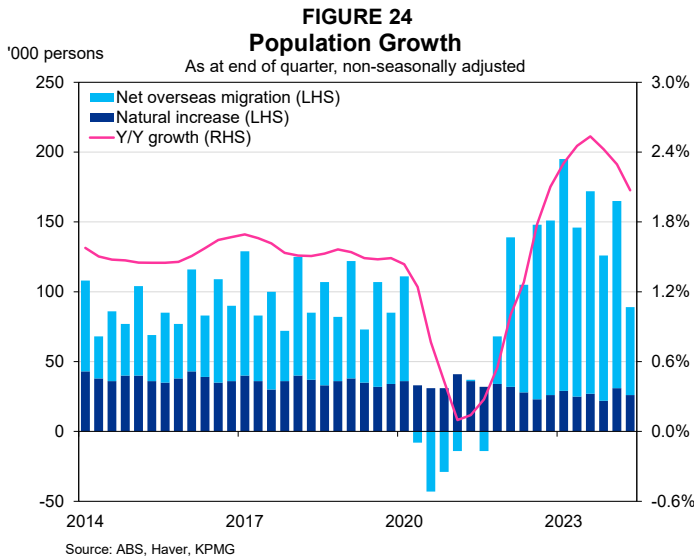
03

Labour supply

Population growth

While net overseas migration has slowed, it remains at elevated levels. This has assisted in relieving some labour shortages, but difficulties remain in some specialised industries.

Australia's population increased by 2.1% in the year leading up to June 2024, marking the smallest annual growth rate recorded since September 2022. Net overseas migration accounted for 80.7% of this overall increase, compared to 83.9% one year prior.



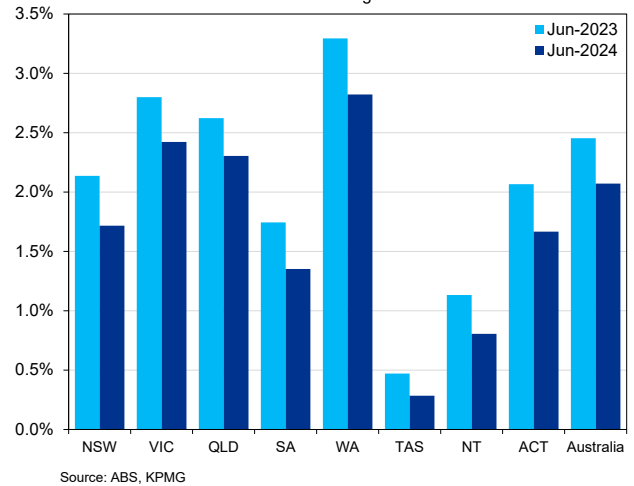
There were 666,800 overseas migration arrivals, representing a 9.8% annual decline, and 221,200 departures, an 8.5% increase. This resulted in a 16.8% decline in net overseas migration compared to the year ending in June 2023.

A significant part of this decrease occurred during the June quarter of 2024, when net overseas arrivals fell by 52.7% to 63,200 persons. This was the smallest figure since the December quarter of 2021.

This slowdown in population growth was felt across all states and territories, although all continued to record positive population growth.

- In the year to June 2024, Western Australia recorded the fastest growth rate (+2.8%), followed by Victoria (+2.4%).
- The weakest population growth was measured in Tasmania (+0.3%) and the Northern Territory (+0.8%).
- Net overseas migration was the most significant contributor to the annual population change in all states and territories except for the Northern Territory.

FIGURE 25
Population Growth by States and Territories
Year-ended growth

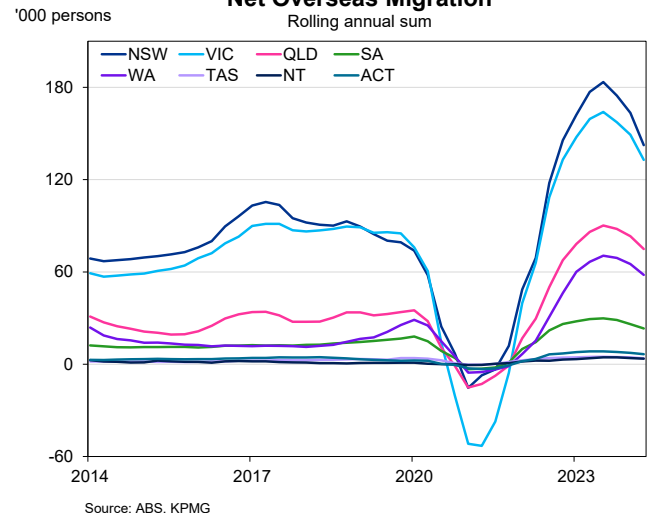


All states and territories experienced positive net overseas migration, albeit at lower levels compared to both the previous quarter and the same period in 2023. In the year to the June quarter 2024, New South Wales recorded the largest level (+142,500 persons), followed by Victoria (+132,800 persons).

The slowdown in annual net overseas migration was sharpest in Tasmania, declining by 15.2% on a quarterly basis to June, followed by New South Wales (-12.8%) and the Australian Capital Territory (-12.1%).

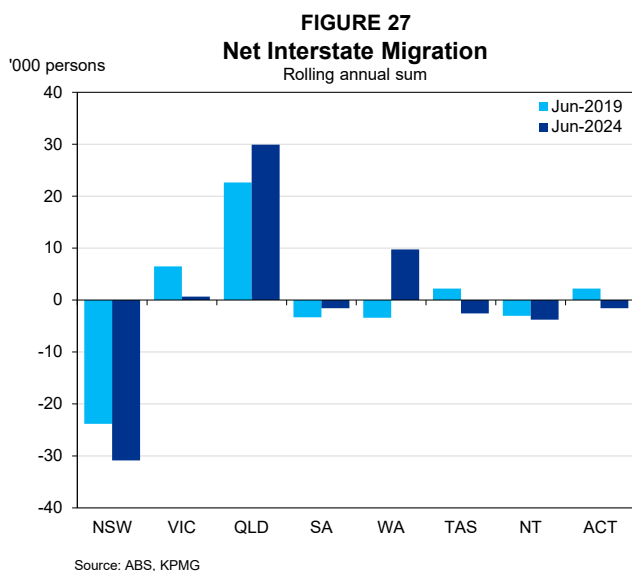
When compared to the year ended June 2023, the Australian Capital Territory (-22.3%) and South Australia (-20.6%) experienced the most significant declines.

FIGURE 26
Net Overseas Migration
Rolling annual sum



Only Queensland and Western Australia recorded notable positive levels of net interstate migration in the year leading up to June 2024. From a regional perspective:

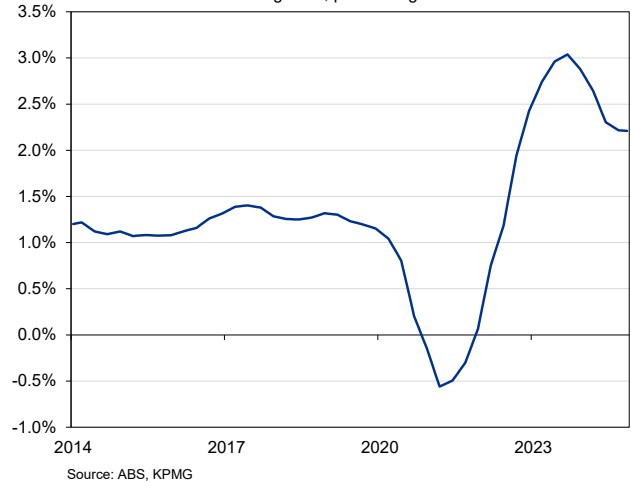
- Queensland remained the most popular destination for net interstate migration, with 29,900 persons. Western Australia followed, with net interstate migration of 9,700 persons.
- The only other state to record a net increase was Victoria, with 700 persons in the year to June 2024. This marked only the second period of net gains, following 15 consecutive quarters of net annual decreases that began in June 2020.
- All other states and territories recorded net negative levels of interstate migration. New South Wales experienced the most substantial fall (-30,900 persons), although this result was 9.6% smaller in magnitude compared to the same period in 2023, as it is typical for New South Wales to record net outflows.
- The next most significant outflows were measured in the Northern Territory (-3,800 persons), followed by Tasmania (-2,600 persons).



After peaking at 3.0% in September 2023, growth in the working-age population slowed significantly. As of November 2024, the annual growth rate for people aged 15-64 remained steady at 2.2% for the second consecutive month, following 13 straight periods of decline.

This short-term boost to the working population, which was led by a surge in net overseas migration, helped to boost labour supply and alleviate the shortage of workers. This surge should be seen in a historical context, as the recent influx of workers followed a period of closed borders, so there is a degree of catch-up.

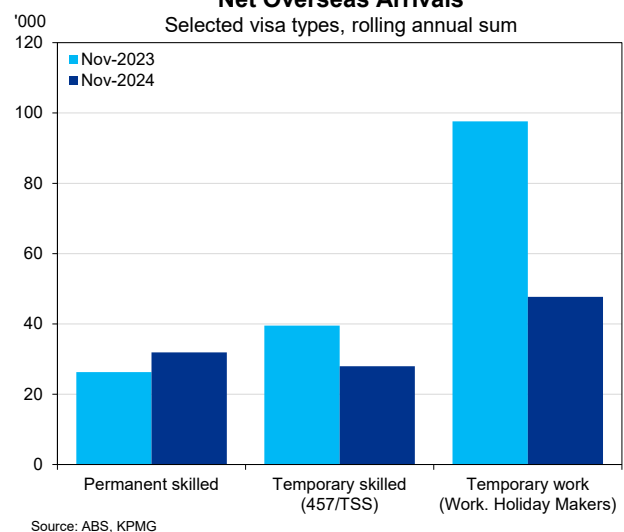
FIGURE 28
Working Age Population
Year-ended growth, persons aged 15 to 64



Although not directly comparable to the number of visas granted, net overseas arrivals⁴ can provide a timelier indicator of trends in key migration channels. In the year to November 2024:

- Net overseas arrivals of temporary skilled visa holders fell to 28,000 movements, representing a 29.3% decline compared to the same period one year prior. This is comparable to the 27,500 movements recorded in the year to November 2022.
- For holders of Working Holiday Maker visas, net arrivals fell sharply to 47,700 movements, compared to 97,600 movements reported over the same period in 2023, and 80,300 movements in 2022.
- Meanwhile, net arrivals of permanent skilled visa holders climbed to 31,900 movements, a 21.3% uplift when compared to the year to November 2023.

FIGURE 29
Net Overseas Arrivals
Selected visa types, rolling annual sum



⁴ These statistics may include multiple arrivals/departures for the same traveller. This includes visa holders who have departed temporarily on a short-term trip but are yet to return.

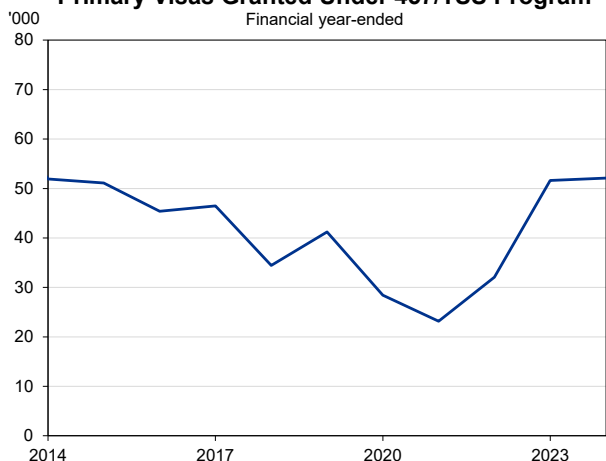
Temporary skilled visas

With ongoing labour shortages in some industries, targeted overseas migration is critical to Australia's competitiveness and improving the nation's productivity.

There were 52,000 primary visas granted for skilled visas (457/Temporary Skill Shortage) in 2023–24, the highest level recorded since 2012–13, representing a 0.9% increase from the previous financial year. This followed a 61.0% surge in visas during 2022–23.

FIGURE 30

Primary Visas Granted Under 457/TSS Program



Source: Department of Home Affairs, KPMG

New South Wales continued to be the most common nominated position location, with 19,600 primary visas granted in 2023–24. This was followed by Victoria (12,000 visas granted) and Western Australia (9,200 visas granted).

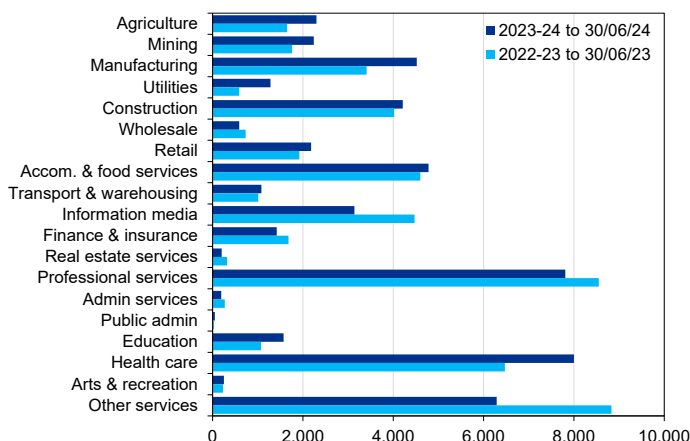
Across the jurisdictions, over 2023–24:

- Both the Northern Territory and Western Australia experienced a substantial increase in primary applications granted, rising by 51.6% and 45.2% respectively in 2023–24 compared to the previous financial year. Queensland also recorded notable growth, with a 21.7% uplift.
- Only three regions saw a decline in primary applications granted, led by Victoria (-16.3%). This was followed by New South Wales (-8.4%) and Tasmania (-1.4%).

Health care was the most common sponsor industry in 2023–24, responsible for 8,000 primary application grants. This was a 23.7% increase compared to the previous financial year. The next most significant industries were *Professional services* (7,800 grants) and *Other services* (6,300 grants). However, both industries experienced a decline compared to the prior financial year, with falls of 8.6% and 28.8%, respectively.

FIGURE 31

Number of Primary Applications Granted by Sponsor Industry



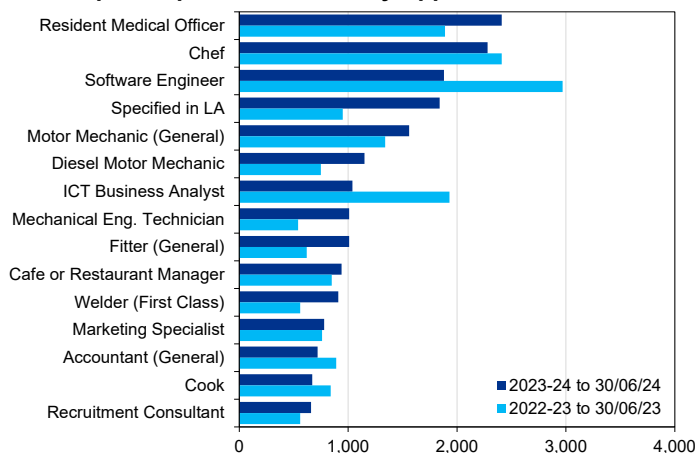
Source: Department of Home Affairs, KPMG

In terms of top nominated occupations, for 2023–24:

- The most common role was Resident Medical Officer, responsible for 4.6% of all primary visa grants. The most common destination for these visa holders was Queensland (780 grants).
- Chef remained the second most frequent position, representing 4.4% of all grants. These visa holders were most likely to be bound for New South Wales (850 grants).
- Although falling sharply, Software Engineer was still responsible for 3.6% of the total. New South Wales accounted for 58.5% of these visa holders (1,100 grants).

FIGURE 32

Top Occupations for Primary Applications Granted



Source: Department of Home Affairs, KPMG

04

Labour market performance

Labour market pressure

Challenges within the labour market have continued to ease throughout 2024, with the KPMG Labour Market Pressure Index improving to reach near-neutral levels. However, this progress has stalled.

About the KPMG Labour Market Pressure Index

Economists strive to measure the natural unemployment rate because it serves a dual purpose:

- Firstly, it acts as a benchmark for sustainable economic growth, and aids in balancing the need to maintain low unemployment without creating excessive inflationary pressures.
- Secondly, it guides policymakers in crafting solutions for situations where the unemployment rate experiences deviations from this natural point, indicating excess labour demand or supply.

The natural unemployment rate can be estimated using many different models. KPMG has focused on the following two models for the Labour Market Pressure Index:

- Model 1: The lowest rate of unemployment without fuelling excessive increases in wages and inflation, commonly known as the non-accelerating inflation rate of unemployment (NAIRU).
- Model 2: The unemployment rate which is consistent with a healthy economy where labour supply and demand are in equilibrium.

We take a simple average across the two models to derive an estimate of the natural unemployment rate. The KPMG Labour Market Pressure Index is the difference between this estimated natural rate and actual unemployment rate. The confidence bands cover the range of the estimates from the two models, allowing the labour market to be classified into three zones:

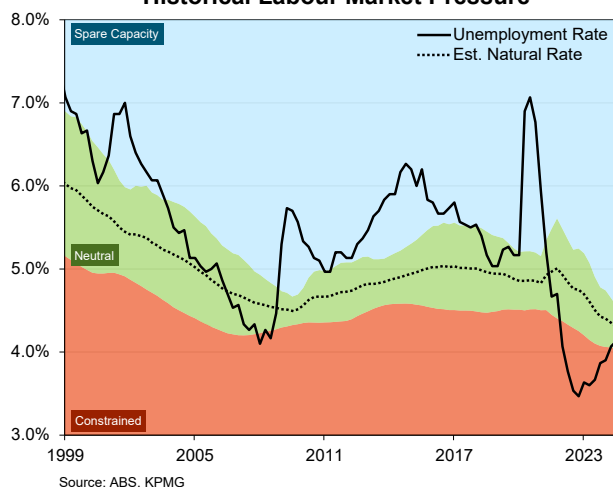
- Red – the labour market is constrained and exerting excessive inflationary pressures,
- Green – the labour market is in a neutral position, or
- Blue – the labour market has spare capacity and has downward inflationary pressures.

In considering this concept, it is important to recognise:

- The natural unemployment rate is not observable and there is no perfect way to measure it.
- The natural unemployment rate can change over time due to demographics, technological advancements, and government policies.
- The actual unemployment rate can be higher or lower than the natural rate depending on the economic cycle.

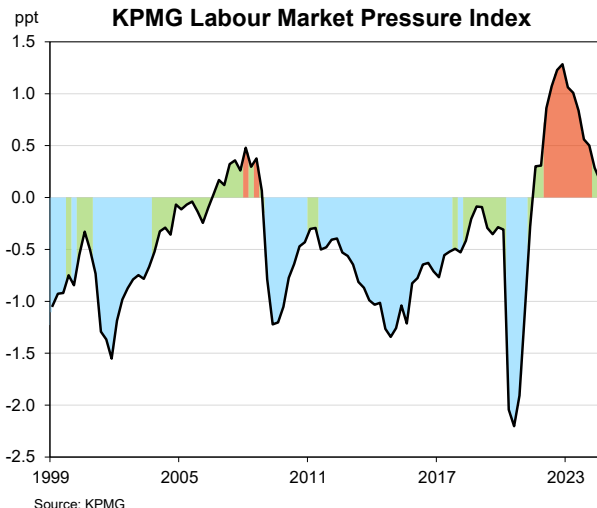
After more than two years in the constrained zone, the labour market has almost returned to the neutral zone by the end of 2024. In a positive sign, during both the June and September quarters, the unemployment rate climbed above KPMG’s lower bound estimate of the natural rate, placing the labour market in the neutral zone.

FIGURE 33
Historical Labour Market Pressure



However, this easing of conditions reversed in the December quarter, with the unemployment rate falling into marginally constrained zone. Consequently, the KPMG Labour Market Pressure Index climbed to 0.3 ppt in the December quarter 2024, rising for the first time following seven consecutive declines. While this emphasises the need for ongoing caution to ensure the recovery of the labour market is sustained, KPMG still anticipates labour conditions to further ease throughout 2025.

FIGURE 34
KPMG Labour Market Pressure Index

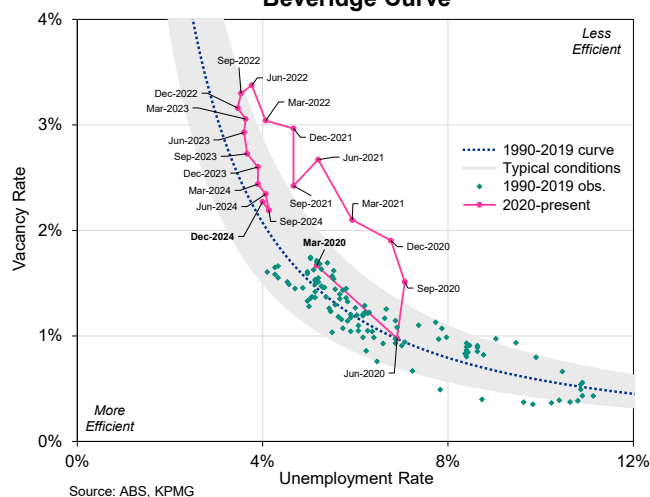


Labour market efficiency

Although some tightness remains, the Australian labour market has continued with its return towards historically typical conditions.

The return of the labour market to a more efficient functioning, as measured by the Beveridge Curve, has broadly continued throughout 2024. Labour market efficiency, represented by the position of the curve, has remained comfortably within the zone representing typical conditions since 2022. This is consistent with an easing of skills shortages, particularly given strong net overseas migration, improving the ability of the labour market to match prospective jobseekers with suitable employers.

FIGURE 35
Beveridge Curve



The ongoing movement downwards along the curve is also indicative of moderating of labour market tightness, in line with other measures. Weaker labour demand – seen through a substantial decline in the vacancy rate – alongside a modest climb in unemployment has helped to relieve these pressures.

Another key measure of labour market efficiency, the matching rate, has also improved during 2024. This measure, proxied by gross inflows into employment over vacancies in the previous quarter, indicates that it has been easier for firms to find suitable workers.

As of November 2024, the matching rate has climbed 2.2% compared to the previous month and is now 10.8% higher than the same period in 2023. Despite this climb, the matching rate remains well below historical levels, indicating that there is still some mismatch between the demands of employers and the skills of available jobseekers.

Nevertheless, these improvements in labour market efficiency should have a positive impact on labour productivity, as businesses are able to hire workers whose capabilities better match their requirements.

Interpreting the Beveridge Curve

The Beveridge Curve is a graphical representation of the relationship between the unemployment rate and the job vacancy rate (that is, the number of vacancies expressed as a proportion of the labour force).

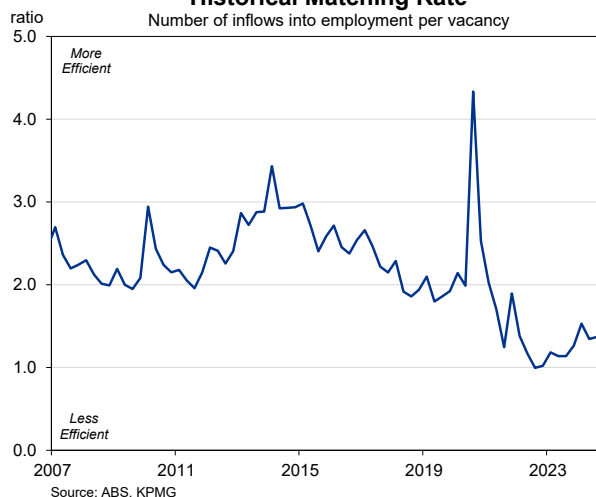
Movements *along* the curve can demonstrate the position of the economy in the business cycle, reflecting the demand and supply of labour:

- During an economic downturn, the job destruction process is more prominent than the job creation. Hence there tends to be both higher unemployment and fewer vacancies. This corresponds to a downward movement *along* the curve.
- By contrast, in a period of economic recovery, an upward movement along the curve is usually observed as the labour market becomes tighter.

Additionally, *shifts* in the curve reflect the efficiency of the labour market. This describes the ability of the labour market to match employers with suitably skilled employees:

- If the market becomes more inefficient, the curve *shifts* outwards, as there are more unemployed workers for the same number of vacancies. In other words, employers need to post more vacancies to fill a given number of roles due to a mismatch between applicants' skills and employers' needs.
- On the other hand, a *shift* inwards suggests that the labour market has become more efficient.

FIGURE 36
Historical Matching Rate



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