

# Australian Labour Market Update

KPMG Australia

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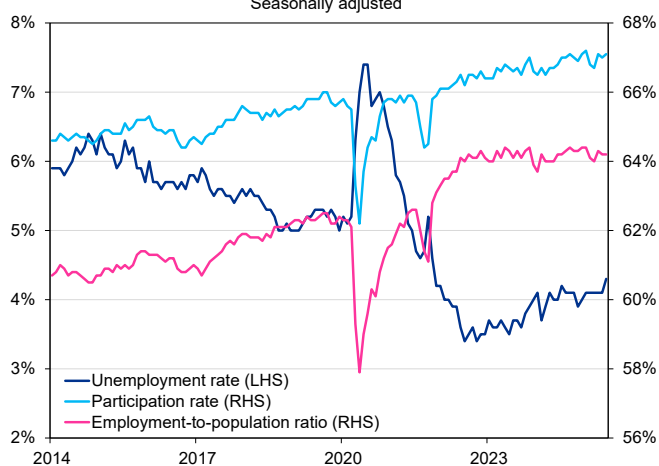
August 2025

# Executive summary

The gradual moderation in labour market pressures has now resumed, following a pause earlier in the year. This strength is not causing excessive inflationary pressures, although it remains robust by historical standards.

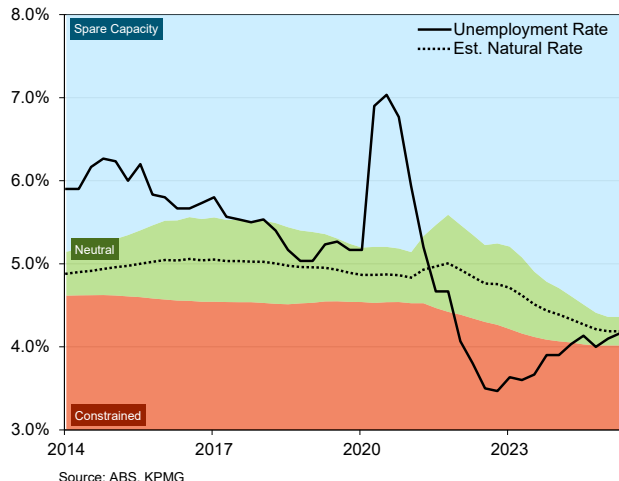
The labour market defied expectations of a further easing for the first five months of the year, with the unemployment rate holding steady at 4.1%. By June, it appears that the gradual normalisation of conditions has resumed with unemployment ticking up to 4.3%. Other indicators continue to be resilient, with participation sitting just 0.1ppt shy of its peak, currently at 67.1%.

**FIGURE A**  
**Unemployment and Participation Rates**  
Seasonally adjusted



Nevertheless, this ongoing softening has seen the labour market return to the neutral zone, based on KPMG's Labour Market Pressure analysis<sup>a</sup> for the June quarter 2025. This coincides with unemployment averaging 4.2% over the quarter, in line with KPMG's latest estimate of NAIRU<sup>b</sup>, suggesting that the labour market is no longer a major threat to inflation. Over the past decade, Australia has rarely experienced its unemployment rate in the neutral zone, placing the country in a fortunate position.

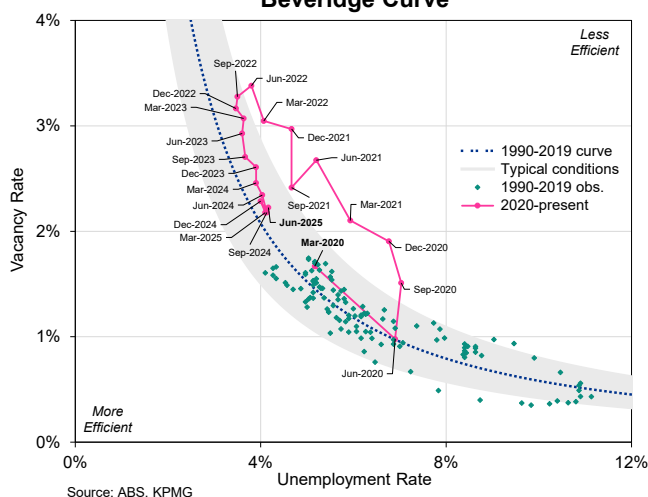
**FIGURE B**  
**Labour Market Pressure**



Higher interest rates have successfully tackled the post-Covid inflation challenge, while the labour market gains made during this period have largely been preserved. This resilience benefited households in the cost-of-living crisis and supported government balance sheets via sustained tax receipts and minimised welfare outlays.

The Beveridge Curve confirms that employers' recruitment challenges have improved compared to two years ago but are still more difficult than the pre-Covid period. However, the economy still faces headwinds which could weaken the labour market outlook. Adding to increasing geopolitical uncertainty and the threat of tariffs, the domestic economy is also fragile, reporting disappointing growth figures in the March quarter.

**FIGURE C**  
**Beveridge Curve**



Given this context, alongside the broad picture the data paints for the local economy, it is appropriate for further rate cuts to support growth and maintain the position of the labour market at a strong, but sustainable, position. KPMG expects the unemployment rate to end the year at 4.3%, with employment growth easing to 1.0%, under the assumption of a further three cuts this year.

While interest rate cuts will provide short-term support, a focus on long-term, productivity-enhancing measures is critical to ensure the labour market remains resilient in the long-term. When considering this broader outlook, AI is a potentially transformative force, although its impact on labour market data remains yet to be seen. Future editions of this report will continue to monitor any effects AI may have on the labour market.

<sup>a</sup> The Labour Market Pressure Index can be constrained (exerting inflationary pressures), neutral, or having spare capacity (exerting downward inflationary pressures).

<sup>b</sup> NAIRU (the non-accelerating inflation rate of unemployment) describes the lowest rate of unemployment without fuelling excessive increases in wages and inflation.

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**01**

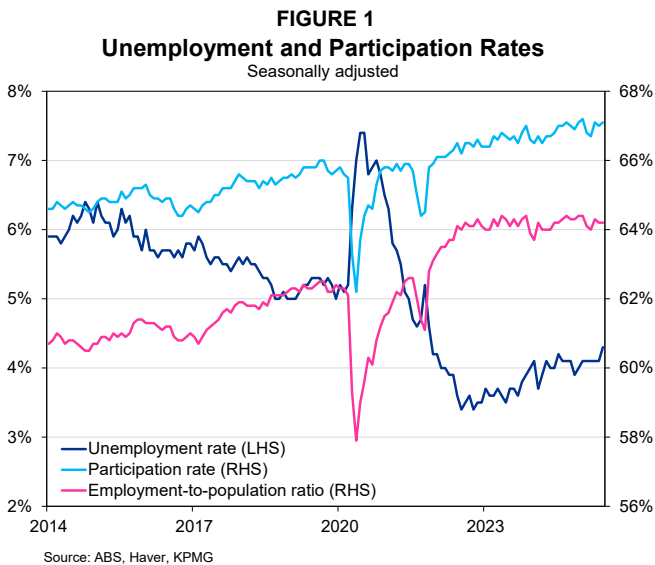
# **Labour market conditions**

# Australian labour market conditions

There has been remarkable stability in the labour market, especially given the increasingly complex geopolitical climate. However, the recent uptick in the unemployment rate reaffirms that conditions will gradually ease.

After holding steady at 4.1% for the first five months of the year, the seasonally adjusted unemployment rate ticked upwards to 4.3% in June 2025. While this was the highest reading since late-2021, unemployment is still very low by historical standards, displaying remarkable resilience despite some underlying fragility in the economy. Through the year, unemployment has lifted by just 0.3ppt, consistent with a gradual easing of labour market tightness.

This ongoing strength is also evident in labour force participation, with the participation rate currently sitting at 67.1%, only 0.1ppt shy of its peak seen earlier this year in January. Over the past year, the participation rate has lifted by 0.3ppt. Similarly, the employment-to-population ratio continues to hold steady, remaining near historical highs. By June, this ratio was sitting at 64.2%, unchanged from a year ago.

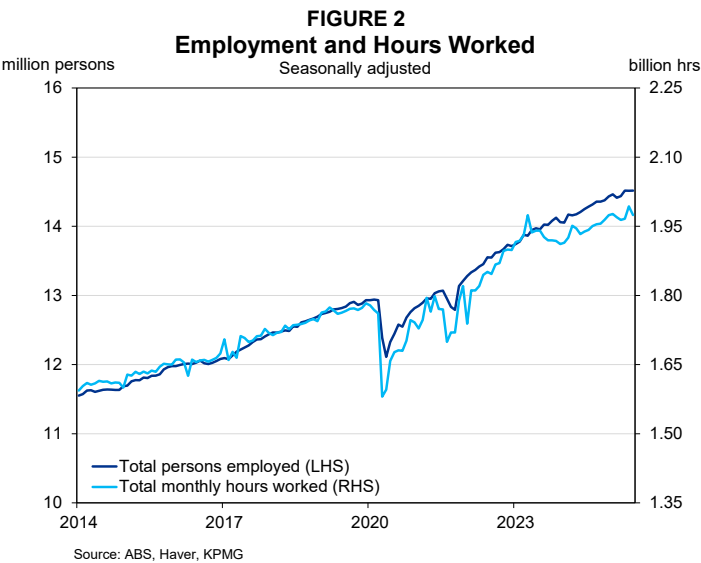


Monthly hours worked lifted by 1.8% through the year to June, falling shy of the 2.0% increase in employment during that period. Looking at broader trends, growth in hours worked has failed to keep pace with the number of employees. Since June 2023, employment has grown by a total of 4.1%, while hours worked has increased by only 1.7%.

In part, this reflects a recovery in the part-time share of employment, which slumped following the disruption of the pandemic. It has since climbed from 29.9% in June 2023 to 31.1% by the same period of 2025.

More broadly, the pandemic has triggered broader shifts in labour market norms which have supported flexibility for firms and workers.

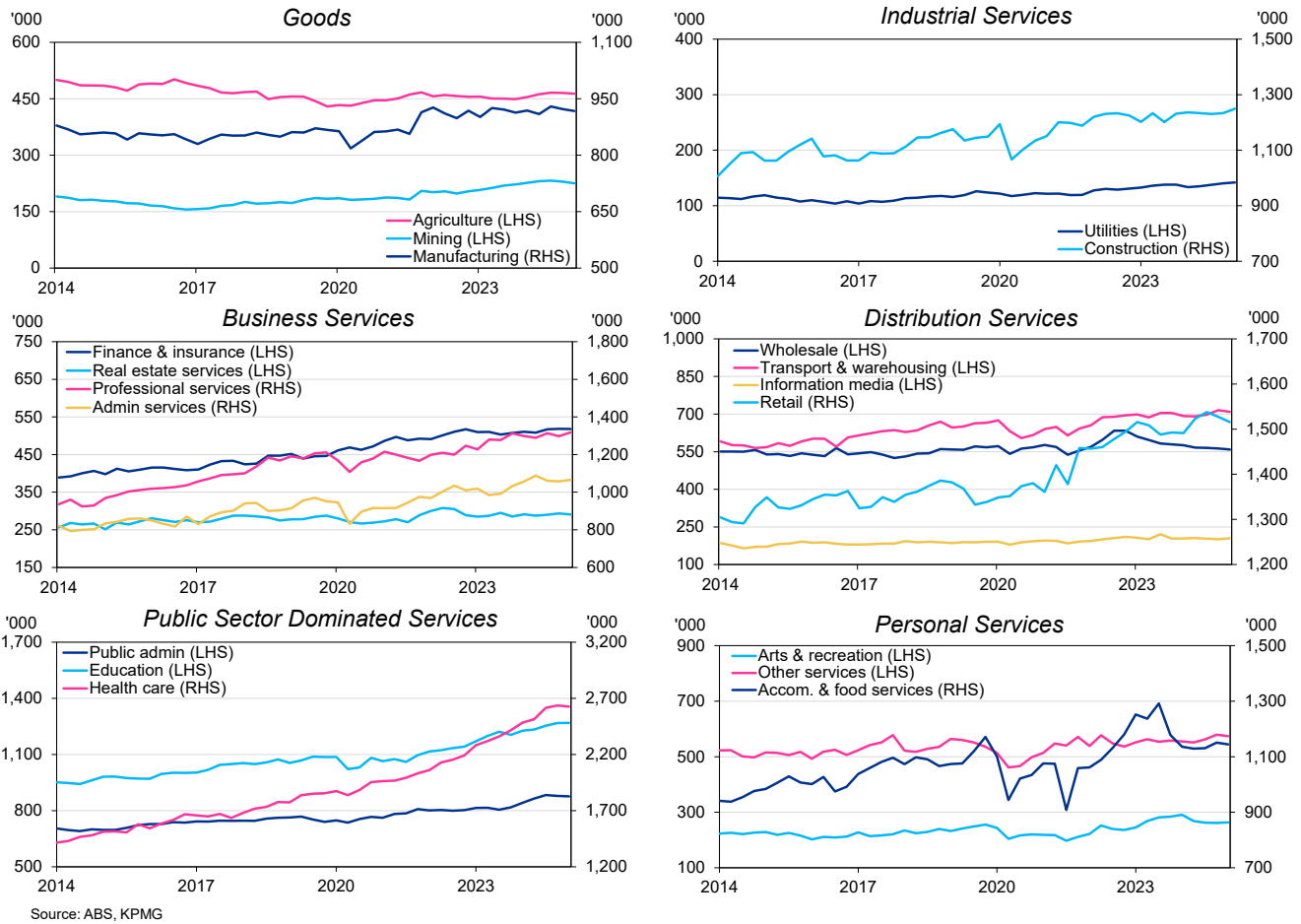
Increased acceptance of remote and part-time work has supported participation, allowing new parents to return to the workforce earlier, and older workers remain engaged in work for longer. Likewise, the stability in the unemployment may reflect firms responding to workforce needs by adjusting workers' hours. In particular, the difficulty experienced over the past few years hiring staff in a tight labour market maybe encouraging firms to maintain attachment to workers.



Regarding these difficulties, the upward trajectory in the number of unemployed persons per job vacancy seen throughout 2023 and 2024 appears to have stalled. This ratio, which acts as an indicator of labour market tightness, held steady at 1.9 in the June quarter 2025 and is now 0.1 persons higher than a year ago.



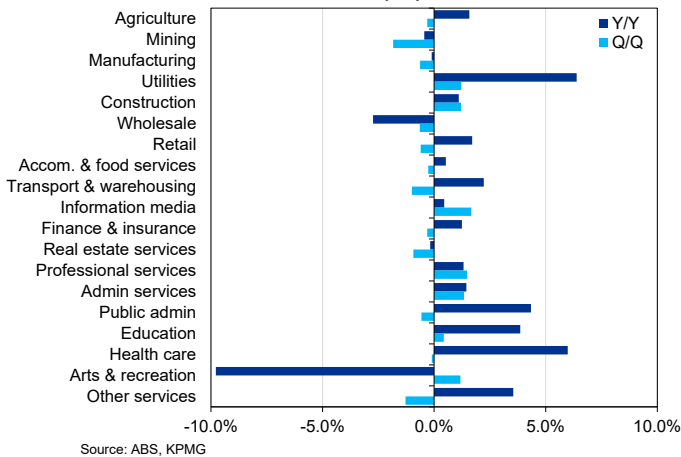
**FIGURE 4**  
**Filled Jobs by Industry**  
Seasonally adjusted



Source: ABS, KPMG

The number of people working multiple jobs fell 1.1% in the year to the March quarter, bringing the multiple job holding rate to 6.5%, falling from its peak of 6.7%. During this time, the number of filled jobs (a measure of employment that captures multiple job holders) increased on an annual basis in 14 out of the 19 industries<sup>1</sup>. The strongest rises through the year were seen in *Health care & social assistance* (+142,400 jobs), followed by *Education & training* (+42,200 jobs).

**FIGURE 5**  
**Growth in Persons Employed, Mar 2025**  
Seasonally adjusted



Source: ABS, KPMG

<sup>1</sup> Note that industry names in the figures have been edited for clarity.

Meanwhile, the largest fall was seen in *Arts & recreation* (-27,400 jobs). This sector has cooled off from its peak a year ago, which was boosted by several major events all landing in the March quarter 2024, including sold out concerts from Taylor Swift and Pink, as well as the F1 Grand Prix in Melbourne.

Looking ahead, KPMG expects unemployment to end the year at 4.3%. Focusing on the longer-term trend in unemployment, as well as ongoing robustness in other key measures, we believe that this is consistent with a gradual path towards some labour market easing. While this remains a very low unemployment rate by historical standards, we do not expect this limited spare capacity to generate excessive inflationary pressures.

**TABLE 1**  
**Labour Market Forecasts**  
Values at end of period

	2024*	2025	2026
Employment growth	2.4%	1.0%	0.6%
Unemployment rate	4.0%	4.3%	4.4%

Source: KPMG

\* actual

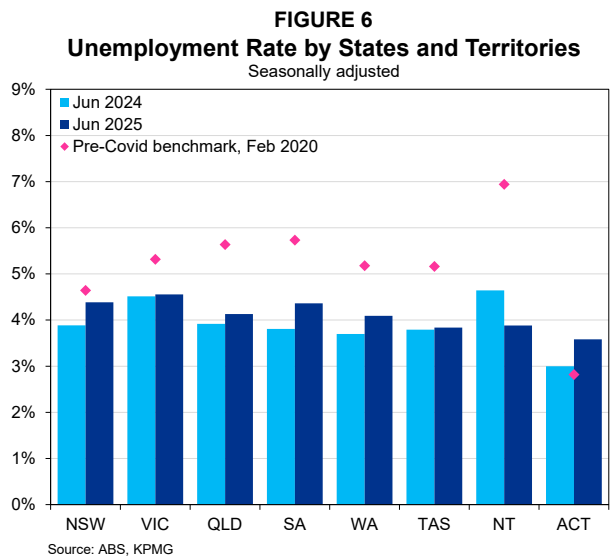
Turning to employment growth, it is also forecast to moderate, slowing to 1.0% through the year, reflecting the fragility in recent GDP numbers which confirm that economic growth remains below trend. This will continue into 2026, where we project employment to rise by a more modest 0.6%.

# State labour market conditions

The easing in labour market pressures has seen the unemployment rate rise through the year across most states and territories.

Throughout the states and territories, the unemployment rate remained at levels considered low by historical standards in June 2025, mirroring the national trend. Nevertheless, the easing in labour market pressures has seen the unemployment rate rise through the year in every state and territory except the Northern Territory.

The unemployment rate continues to be lowest in the Australian Capital Territory, despite rising to 3.6% in June from a trough of 2.7% in February 2024. Victoria recorded the highest unemployment rate, at 4.6%, though it has managed to remain relatively steady compared to other jurisdictions.



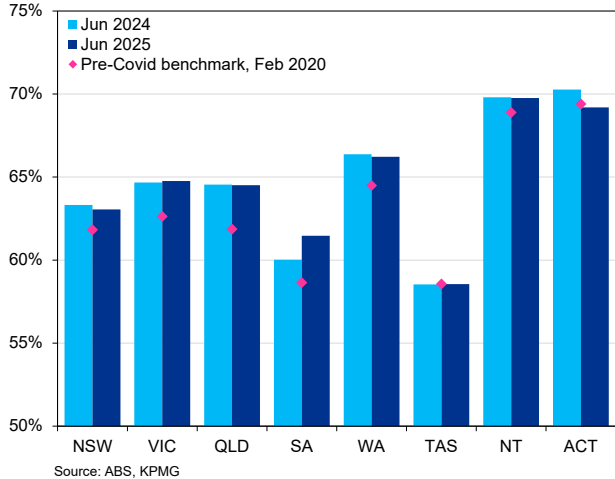
The largest annual rises in the unemployment rate were seen in the Australian Capital Territory (+0.6ppt) and South Australia (+0.6ppt), followed by New South Wales (+0.5ppt). Only the Northern Territory (-0.8ppt) saw a fall in unemployment through the year.

Overall, the employment-to-population ratio has held steady through the year in most states and territories and is currently highest in the Northern Territory at 69.8%. Meanwhile, Tasmania continued to have the lowest ratio of 58.6%.

In terms of significant movements over the year to June, South Australia experienced a 1.4ppt rise to the state’s employment-to-population ratio, while the Australian Capital Territory saw a 1.1ppt fall.

All jurisdictions continued to see employment-to-population ratios that were at or above pre-pandemic levels, in part, reflecting strength in labour force participation.

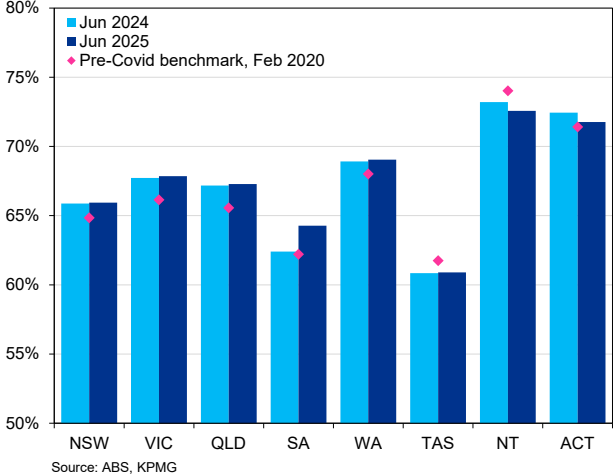
**FIGURE 7**  
Employment to Population Ratio by States and Territories  
Seasonally adjusted



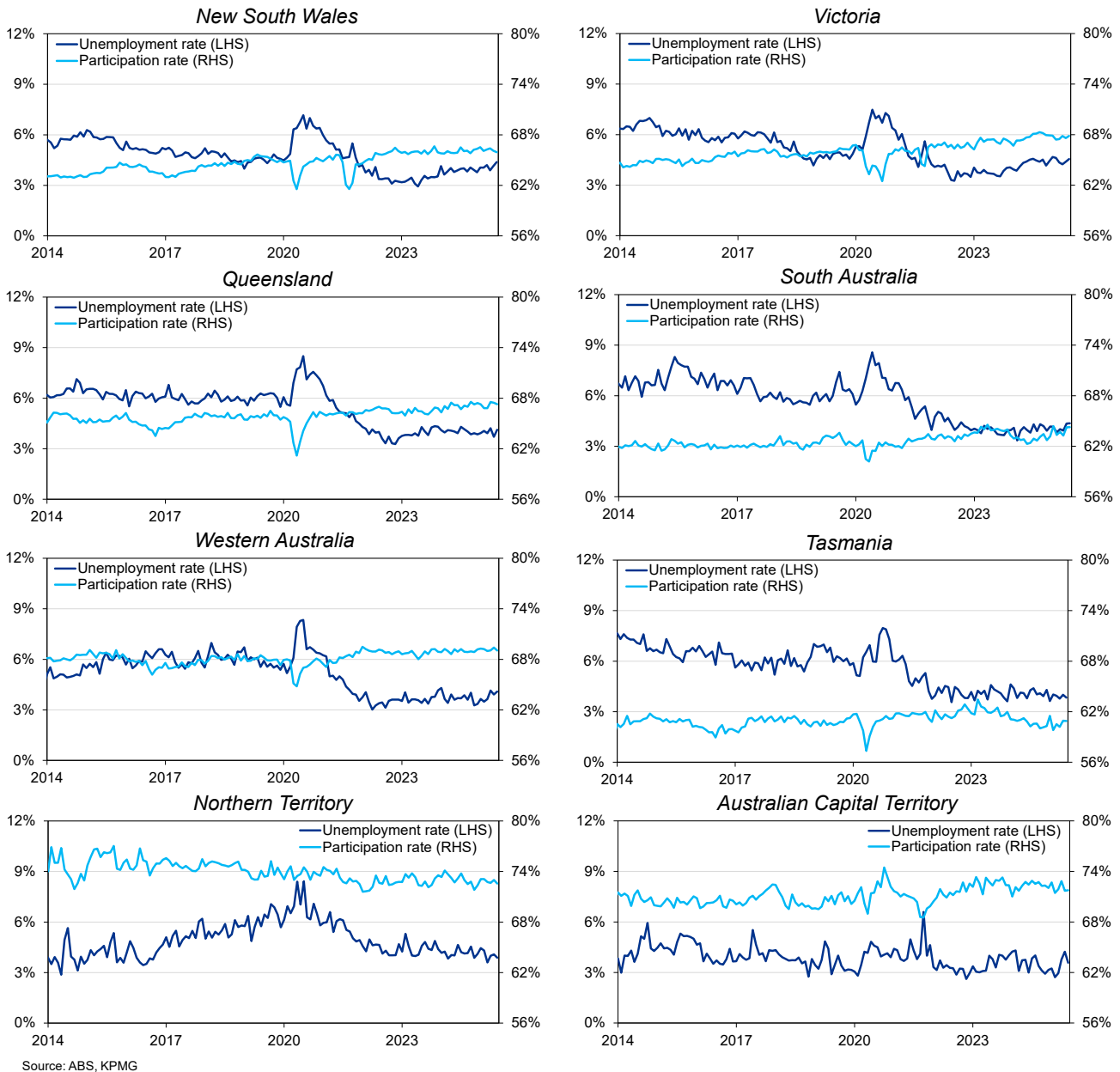
In keeping with these trends in the employment-to-participation ratio, the participation rate was highest in the Northern Territory (72.6%), followed by the Australian Capital Territory (71.8%). The lowest rate of participation was seen in Tasmania (60.9%).

Only the Australian Capital Territory (-0.7ppt) and the Northern Territory (-0.6ppt) have seen a fall in participation over the year to June, albeit from an elevated starting point. South Australia saw a notable jump in participation (+1.9ppt), while all other states and territories saw steady participation through the year. This broad strength in labour force participation is again reflective of the overall national trend.

**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

Looking across the states and territories, as of June 2025:

- New South Wales has seen unemployment climb to 4.4%, continuing the gradual normalisation of labour market conditions which has been taking place over the past few years.
- Unemployment has held steady in Victoria over the past year and is currently at 4.6%. This period of follows two years of modest weakening, which stabilised in mid-2024.
- Queensland has seen unemployment remain settled during the past two years, sitting at 4.1% in June.
- South Australia's unemployment rate has also held onto most of its post-pandemic gains and now sits at 4.4%, despite a bounce back in participation.
- Looking through some volatility, Western Australia has seen unemployment trend upwards from an extremely low trough of 3.0% in April 2022 to 4.1% by June, although this is still well below the pre-pandemic norm.
- Tasmania's unemployment rate has been generally flat since early-2022, at 3.8% in June, despite a fall in participation from its peak in March 2023.
- Unemployment in the Northern Territory continues to trend downwards at a marginal pace, sitting at 3.9% in June.
- Although there is some substantial month-to-month variation, unemployment in the Australian Capital Territory appears to be trending broadly sideways. The latest reading for June shows an unemployment rate of 3.6%.

# Wages growth

Although the pace of wages growth has cooled from its peak, it remains robust, reflecting the ongoing strength in the labour market. However, disappointing productivity threatens the sustainability of this trend.

Wages growth rebounded in the March quarter 2025, with the seasonally adjusted Wage Price Index rising 0.9% through the quarter, to record annual growth of 3.4%. Although a substantial moderation from the 4.0% annual growth rate seen a year ago, this is a 0.2ppt uplift compared to last quarter and remains well above the typical growth rates seen prior to the pandemic.

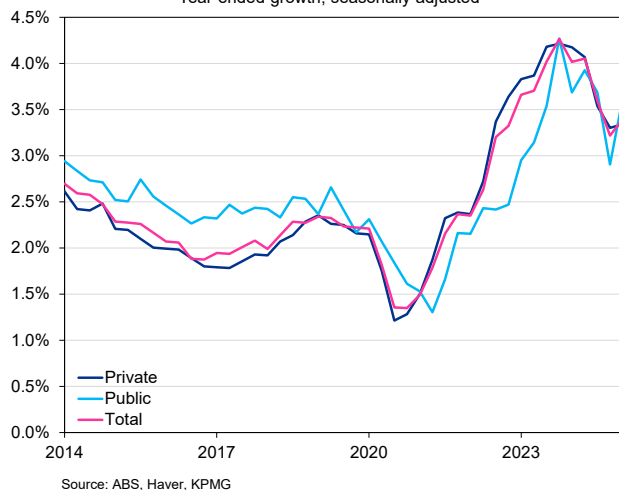
This strong growth, alongside easing inflation, has seen households benefit from accelerating real wages growth. Consequently, this has helped to ease some cost-of-living pressures, particularly given the erosion of real purchasing power during the post-pandemic inflation spike, although household budgetary pressures remain.

However, serious concerns remain about the sustainability of this wage growth, given the lacklustre productivity performance of the nation. Without improvements to productivity, households will be unable to enjoy further increases to real wages, and businesses will be placed under increasing pressure.

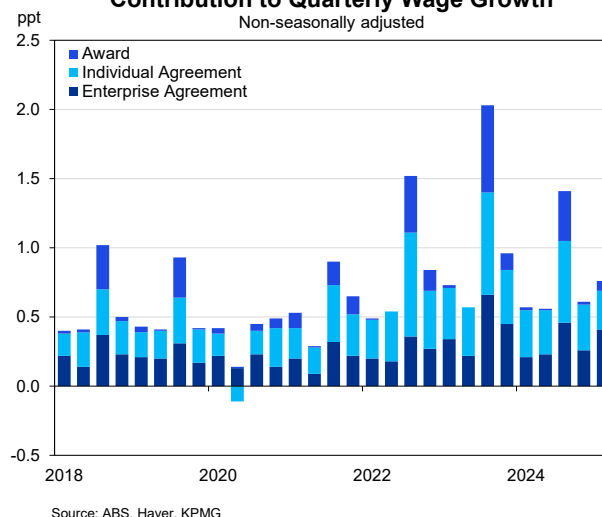
In the context of the current productivity discussion, it is important to clarify that 'returns to labour' does not just refer to the growth of individual wages or salaries. Rather, this term also includes overall employment, making it more reflective of how much employees as a whole are compensated across the economy. This distinction is sometimes overlooked in public discussions about wages growth.

The reality is that over the long-term, wages rising faster than productivity growth is not sustainable. It would either lead to fewer jobs or higher inflation, both of which would negatively impact households and businesses.

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



**FIGURE 11**  
**Contribution to Quarterly Wage Growth**  
Non-seasonally adjusted



While it is encouraging to see the government's renewed focus on the productivity challenge and its role in driving the nation's shared prosperity, translating discussions from ongoing roundtables into timely and practical policy changes will be critical to delivering real solutions.

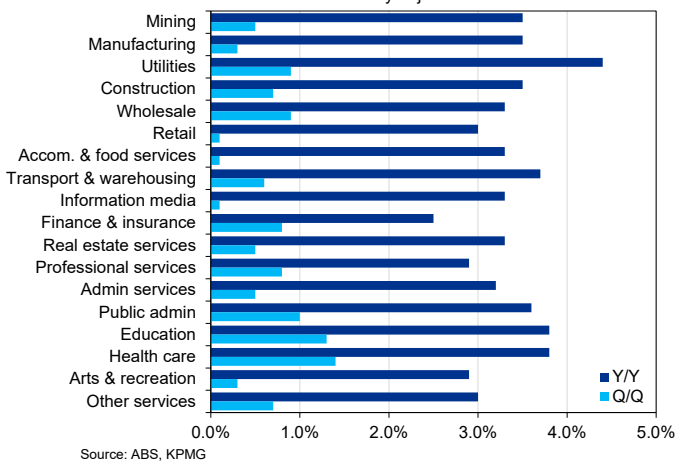
Nevertheless, there are significant opportunities ahead to enhance Australia's productivity potential. This includes accelerating the adoption of AI, which is poised to deliver productivity gains that can benefit broad areas of the economy, if used appropriately.

Looking at the recent wage data in more detail, private sector wages lifted by 0.9% through the March quarter, corresponding to the annual growth rate holding steady at 3.3%. This movement was also influenced by administrative adjustments associated with the Stage 3 Aged Care Work Value Case, and the Early Childhood Education and Care Worker Retention Payment.

Public sector wages lifted by 1.0% in the quarter, delivering an annual rise of 3.6%. This represents a sharp rebound from the dip to 2.9% in the December quarter, reflecting base effects due to weak quarterly growth in March quarter 2024. Public sector wages were affected by new state-based enterprise agreements, alongside increases paid to aged care workers.

Consequently, jobs covered by enterprise agreements accounted for 0.41ppt of quarterly wage growth (in non-seasonally adjusted terms). This was followed by individual arrangements, contributing 0.28ppt, and award rates (+0.07ppt).

**FIGURE 12**  
**Wage Price Index Growth by Industry, Mar 2025**  
Non-seasonally adjusted



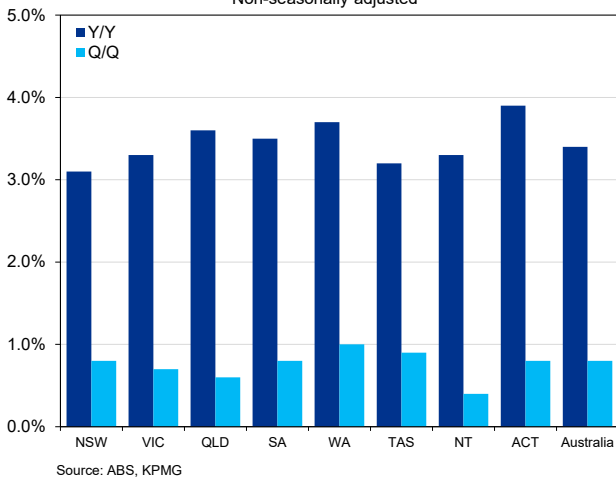
Overall, 21% of all jobs recorded a wage change in the March quarter, compared to 14% for the same period a year ago. Again, this was driven by public sector agreements, with 39% of public sector jobs recording a wage change, compared to 18% a year ago.

Quarterly wages growth was strongest in the *Health care and social assistance* sector (+1.4%), while growth was slowest in *Retail trade; Accommodation & food services*; and *Information media & telecommunications*, which each recorded a 0.1% rise. On an annual basis, *Electricity, gas, water & waste services* recorded the largest rise (+4.4%), while growth was weakest in *Financial & insurance services* (+2.5%).

When factoring in the relative size of industries, *Health care & social assistance* made the strongest contribution to quarterly growth (+0.20ppt), reflecting the ongoing workforce challenges in the industry. This was followed by *Education & training* (+0.12ppt) and *Professional, scientific & technical services* (+0.09ppt).

Regionally, Western Australia recorded the highest quarterly growth (+1.0%), driven by public sector agreements, followed by Tasmania (+0.9%). The weakest growth in the March quarter was seen in the Northern Territory (+0.4%) and Queensland (+0.6%).

**FIGURE 13**  
**Wage Price Index Growth by State and Territory, Mar 2025**  
Non-seasonally adjusted

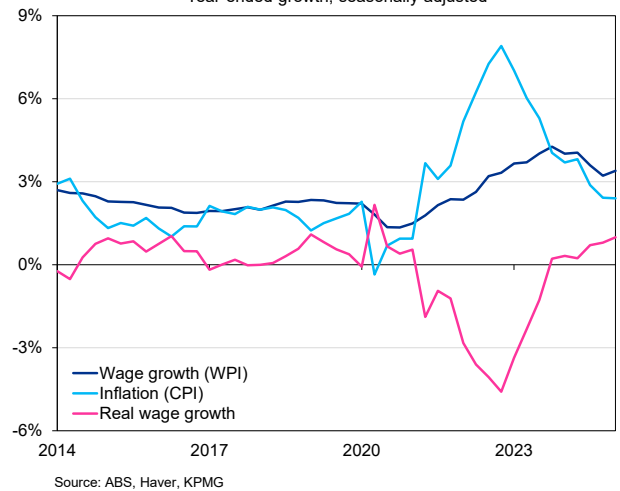


<sup>2</sup> Further details are available from the Fair Work Commission. <https://www.fairwork.gov.au/sites/default/files/migration/723/Modern-awards.pdf>

Through the year, the fastest pace of wage increases was measured in the Australian Capital Territory (+3.9%), followed by Western Australia (+3.7%) and Queensland (+3.6%). Meanwhile, the weakest rises were seen in New South Wales (+3.1%), Victoria (+3.3%) and the Northern Territory (+3.3%).

Growth in real wages continued to accelerate, with annual headline inflation holding steady at 2.4%, while nominal wages accelerated from 3.2% to 3.4% in the March quarter. This was the sixth consecutive quarter with growth in real wages and represents the highest growth rate since the June quarter 2020.

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



Looking ahead, the Fair Work Commission has announced the decision from the 2024-25 Annual Wage Review, which sees all modern award<sup>2</sup> minimum wage rates increase by 3.5%, effective from 1 July. This will be reflected from the September quarter WPI data. Additionally, from 1 July, the superannuation guarantee will also increase to 12%. While this is not reflected in the WPI, it represents an increased employee expense for firms and is captured by Compensation of Employees in the National Accounts.

KPMG forecasts nominal wage growth to ease marginally, ending the year at 3.1%. This reflects a labour market which remains tight by historical standards, as well as ongoing strength in recent wage rises. Underpinning this forecast is an expectation that economic growth and productivity will continue to improve at a modest pace, though remain below trend, although recent data reminds us that this is by no means guaranteed, especially with elevated global uncertainty.

**TABLE 2**  
**Wage Growth Forecasts**  
Year-ended growth

	2024*	2025	2026
Nominal wage (WPI)	3.2%	3.1%	3.0%
Inflation (CPI)	2.4%	2.6%	2.5%
Real wage	0.8%	0.5%	0.5%

Source: KPMG

\* actual

**02**

# **Labour demand**

# Economic growth

The latest growth figures for the March quarter show that the recovery of the Australian economy remains fragile, although this weakness has yet to pass through to the labour market.

After positive signs in the December quarter 2024, economic growth disappointed expectations according to the latest data for the March quarter 2025. Real GDP only increased by 0.2% in the March quarter, a result which was substantially weaker than the 0.6% recorded in the December quarter, slumping from what was a two-year high. This was also short of the consensus forecast of 0.4% growth through the quarter.

Generally, GDP growth acts as a leading indicator of employment growth, as elevated economic growth can spur job creation. Looking at the contributors to these quarterly GDP figures:

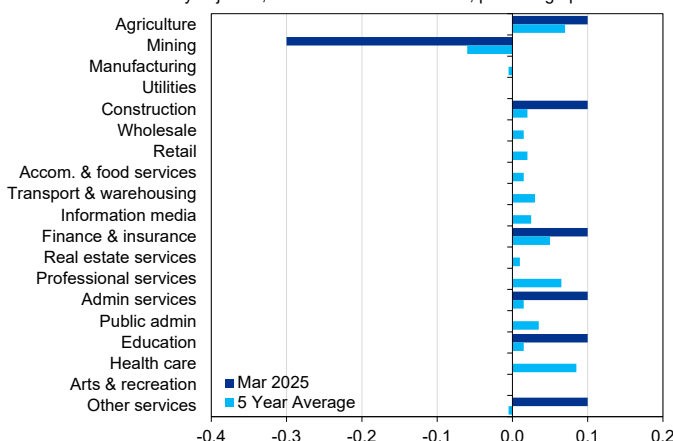
- Private demand was the primary driver of growth, through both household consumption (+0.2 ppt) and private investment (+0.1 ppt).
- By contrast, the overall contribution of public demand was negative, with government consumption making zero contribution, and public investment subtracting 0.1 ppt from quarterly activity.
- Net trade detracted from growth (-0.1 ppt), as exports (-0.8%) decreased more than imports (-0.4%), offset by changes in inventories (+0.1 ppt).
- The recent decline in public demand underscores a deeper vulnerability in the Australian economy. This was the first negative contribution to growth by public demand since the June quarter 2018, although public sector spending remains at elevated levels.

This contraction highlights the outsized role that government spending has played in propping up demand in recent quarters; a role that many economists, including KPMG, have previously highlighted as being increasingly unsustainable. This includes the labour market, where employment in the public sector threatens to 'crowd out' hiring in the private sector, as well as exacerbate existing skills and wage pressures.

Looking ahead, it is important for the private sector to sustain the momentum of job growth and reclaim its role as the primary driver of the economy. Additional support through further rate cuts by the RBA will help sustain demand, although risks from overseas – including tariffs and emerging conflicts – could generate additional headwinds.

Nevertheless, KPMG expects economic activity to accelerate modestly, ending the year with a growth rate of 1.8%. While representing an improvement, this below trend forecast reflects ongoing fragilities, including weak productivity growth and an uncertain global outlook.

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



Source: ABS, KPMG

From an industry level perspective, 13 out of the 19 sectors recorded growth in the March quarter.

- The most notable rise was in *Agriculture, forestry & fishing* (+4.3%), which continued to benefit from strong export demand.
- The largest detraction was seen in *Mining* (-2.0%), which was negatively impacted by adverse weather. This disrupted activity in Queensland and Western Australia, with production of commodities including coal, iron ore, as well as oil and gas falling.

When factoring in the size of each industry, the positive contributions to growth were broad based. *Agriculture, forestry & fishing*; *Construction*; *Financial & insurance services*; *Administrative & support services*; *Education & training*; as well as *Other services* each contributed 0.1ppt (rounded) to GDP growth. This was offset by *Mining*, which detracted 0.3ppt.

Overall, this points to a picture of broad economic foundation from which growth can accelerate, most of which are market sector industries. This provides a positive sign that the private sector has the capability to contribute more substantially to growth moving forward.

**TABLE 3**  
**Selected Growth Forecasts**  
Year-ended growth

	2024*	2025	2026
Real GDP	1.3%	1.8%	2.0%
Household consumption	0.9%	1.9%	2.1%
Business investment	0.0%	1.6%	1.6%
Government expenditure	5.3%	1.6%	2.8%

Source: KPMG

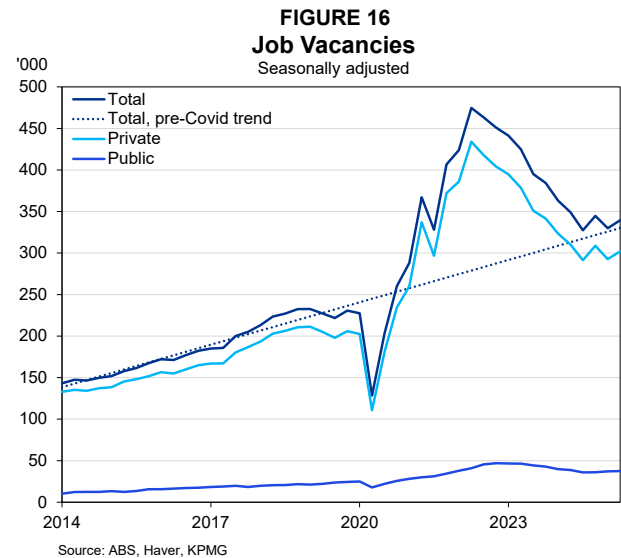
\* actual

# Job vacancies

Despite some shakiness in Australia’s recent economic performance, demand for workers has normalised back to its pre-Covid trend.

Since late-2024, the number of job vacancies has stabilised, having cooled down from the post-pandemic surge. Although there is some shakiness in Australia’s recent economic performance, demand for labour remains surprisingly robust, with job vacancies now at a level which would be consistent with the pre-Covid trend. The number of job vacancies acts as another leading indicator of employment in the economy, reflecting current demand by employers for workers.

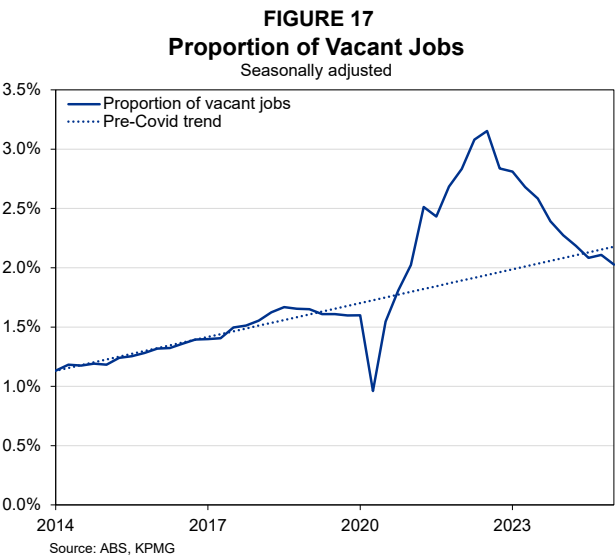
During May 2025, job vacancies lifted by 2.9% through the quarter in seasonally adjusted terms, to be 2.8% lower than a year ago. This was strongest annual result since February 2023. The rise in vacancies was driven by a 3.2% quarterly rebound in private sector vacancies, which are down 2.7% through the year. There was a small uplift in the public sector, where vacancies rose by 0.6%, leading to an annual decline of 3.3%.



Through the quarter, the largest rise in vacancies (in non-seasonally adjusted terms) was in the Australian Capital Territory (+11.6%), although this follows a period of volatility in February 2025 (-16.8%) and November 2024 (+13.7%). This was followed by South Australia (+9.0%) and Victoria (+7.9%). The only declines were seen in the Northern Territory (-12.2%), Western Australia (-6.3%), and New South Wales (-3.4%).

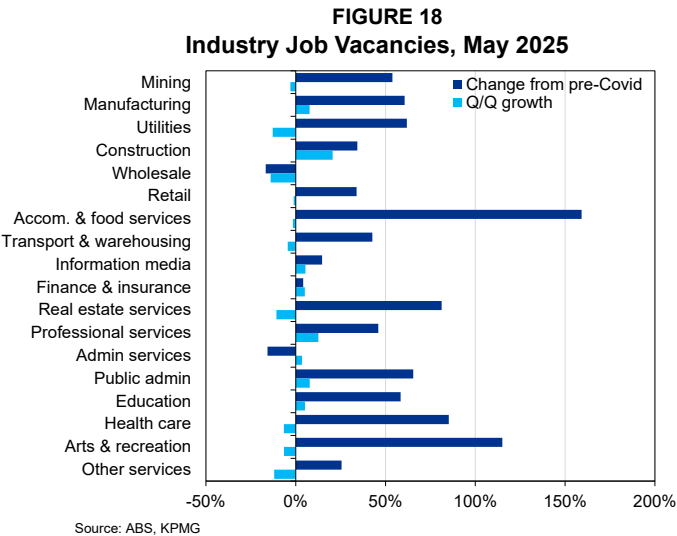
In part, the long term upward trend in vacancies is reflective of increased hiring difficulty, with businesses in some sectors struggling to fill roles. This leads to vacancies being open for longer, increasing the stock of roles which are counted on the reference date by the ABS when collecting vacancies data.

<sup>3</sup> The ABS does not measure vacancies for the *Agriculture* sector.



This is also reflected in the proportion of vacant jobs, where the normalisation from the post-pandemic peak has started to stall. In the March quarter 2025, 2.0% of jobs were vacant, implying that 2.0 out of every 100 jobs remained unfilled. This reflects a 0.1ppt fall, after this measure held steady at 2.1% in both the September and December quarters of 2024. Although elevated when compared to the quarter immediately prior to the pandemic, where only 1.6% of jobs were vacant, the current level is consistent with the longer term upward trend which has been observed.

From an industry perspective, the trend in vacancies was mixed in May. Overall, 8 out of the 18 non-farm<sup>3</sup> industries recorded a quarterly rise in vacancies:



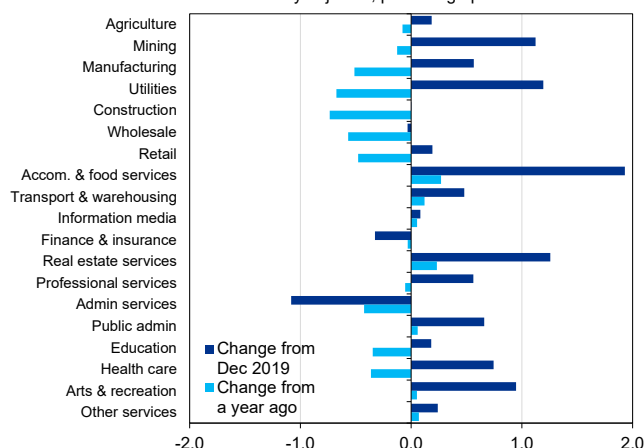
- The sharpest quarterly rises (in non-seasonally adjusted terms) were seen in *Construction* (+20.6%) and *Professional, scientific & technical services* (+12.6%).
- Meanwhile, the most significant falls were seen in *Wholesale trade* (-13.3%) and *Electricity, gas, water & waste services* (-12.6%).

When compared to pre-Covid levels, all industries except *Wholesale trade* and *Administrative & support services* recorded higher levels of vacancies in May.

On an industry basis, 12 out of the 19 industries saw a decrease in the proportion of vacant jobs in the year to the March quarter 2025. This reflects that the gradual improvement in hiring difficulty has been relatively broad based, although some industries continue to face challenges.

- The most significant annual decreases were seen in *Construction* (-0.7ppt to 1.5%) and *Electricity, gas, water & waste services* (-0.7ppt to 2.7%).
- On the other hand, the largest rises were seen in *Accommodation & food services* (+0.3ppt to 3.1%) and *Rental, hiring & real estate services* (+0.2ppt to 2.2%).

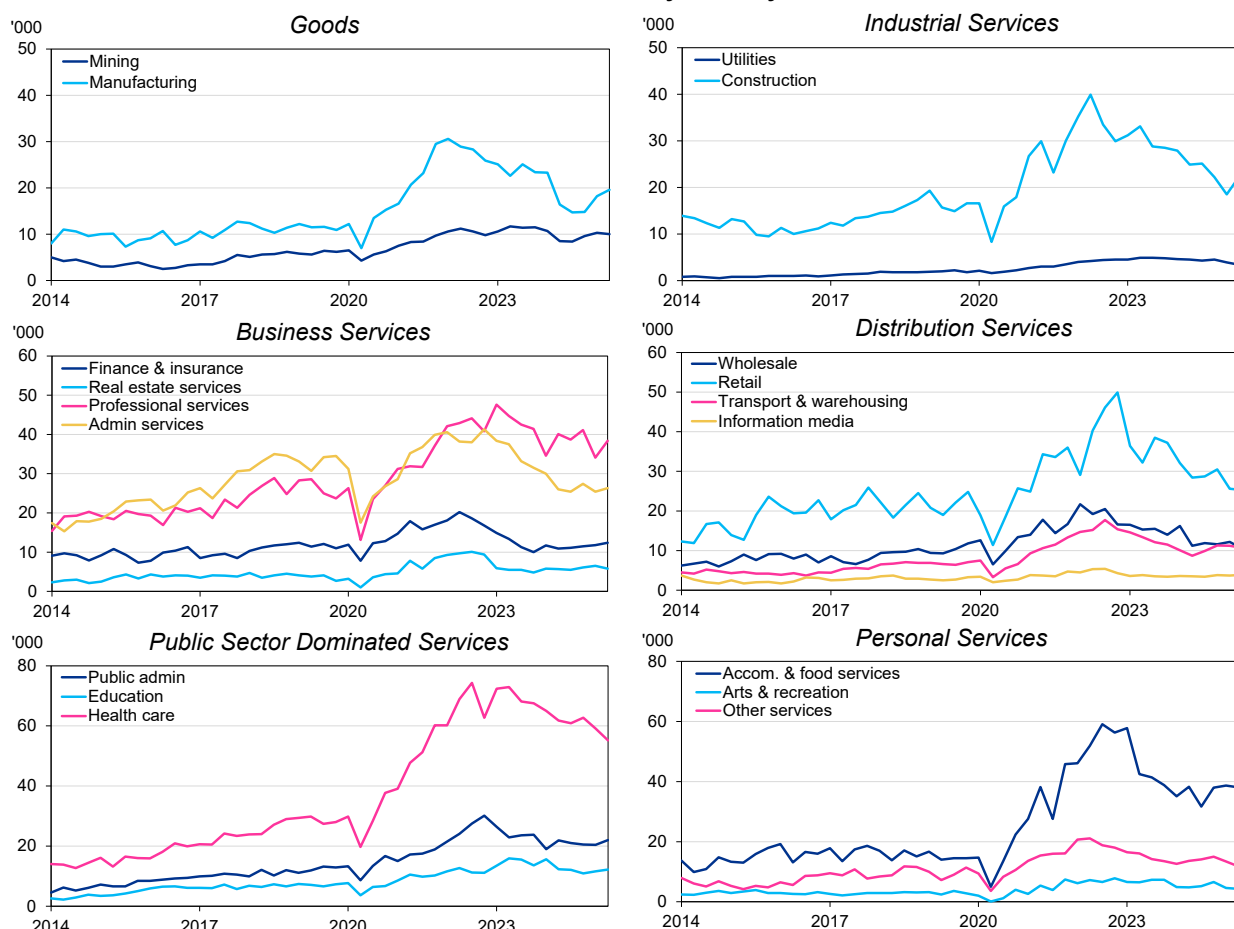
**FIGURE 19**  
**Proportion of Vacant Jobs by Industry, Mar 2025**  
Seasonally adjusted, percentage points



Source: ABS, KPMG

Only *Administrative & support services*, *Financial & insurance services*, and *Wholesale trade* have seen a fall in the proportion of vacant jobs compared to pre-Covid levels. Again, this is reflective of the ongoing strength in the labour market, with labour demand remaining robust despite an easing of post-Covid pressures.

**FIGURE 20**  
**Job Vacancies by Industry**



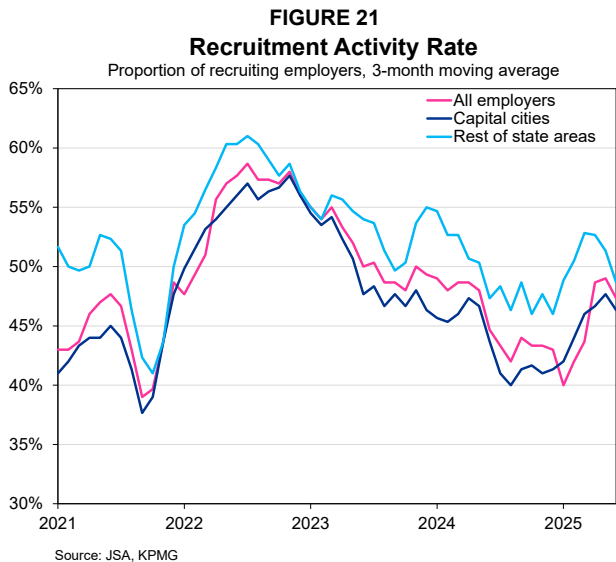
Source: ABS, KPMG

# Recruitment trends

Recruitment activity has rebounded in the first half of 2025, following a gradual easing throughout 2023 and 2024. This reflects the resilience of labour demand, despite economic headwinds.

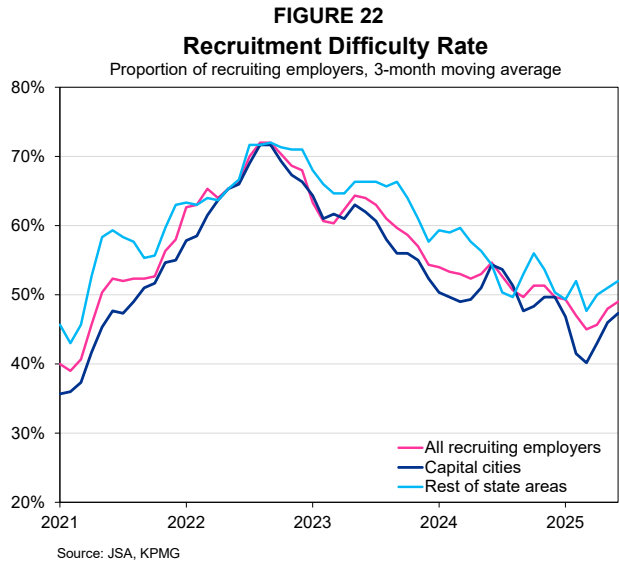
The Jobs and Skills Australia Recruitment Experiences and Outlook Survey showed a rebound in recruitment activity throughout 2025, reflecting the resilience of the labour demand. The proportion of surveyed employers who were actively recruiting in June 2025 has climbed to 47% on a three-month moving average basis, to be 7ppt higher than the trough seen in January. It is now 2ppt higher than a year ago.

This movement has predominantly been driven by employers in capital cities, which saw a more significant decline in recruitment activity over 2024. The proportion of recruiting employers in capital cities averaged 46% in the three months to June, which is 6ppt higher than the trough recorded in August 2024.



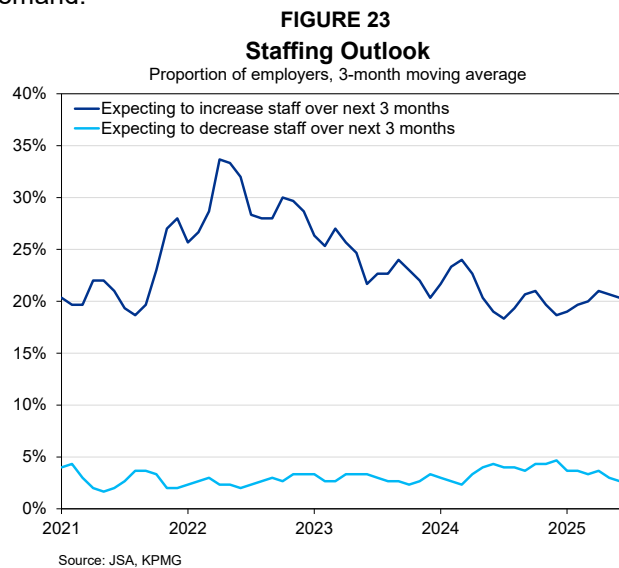
Meanwhile, recruitment activity outside of the capital cities continues to ease moderately, after a brief resurgence in March. Overall, activity outside the metropolitan centres has proven to be more robust, with an average of 49% of employers actively recruiting in the three months to June, 2ppt higher than the corresponding period a year ago.

Despite this resurgence in activity, the rebound in recruitment difficulty has been more modest. The proportion of surveyed employers who reported recruitment difficulty in June 2025 has climbed to 49% on a three-month moving average basis, to be 4ppt higher than the trough seen in March. Nevertheless, it remains 6ppt lower than the same time a year ago, reflecting the broader trend of easing which has been seen since mid-2022.



The pick-up in recruitment difficulty was more pronounced in capital cities, in line with the stronger recovery in activity. Across the capital cities, 47% reported difficulty in the three months to June, 7ppt higher than the March trough. While difficulty was higher in the rest of state areas, at 52%, this reflects a smaller 4ppt rise compared to March. While still presenting challenges for businesses, this broader improvement in recruitment difficulty has supported the rebound in activity, with firms facing fewer barriers to hiring a suitable worker.

Looking ahead, the proportion of employers expecting to increase staffing levels remains broadly stable at 20%, while the proportion expecting to reduce staff has eased slightly to 3%, in line with ongoing robustness in labour demand.



**03**

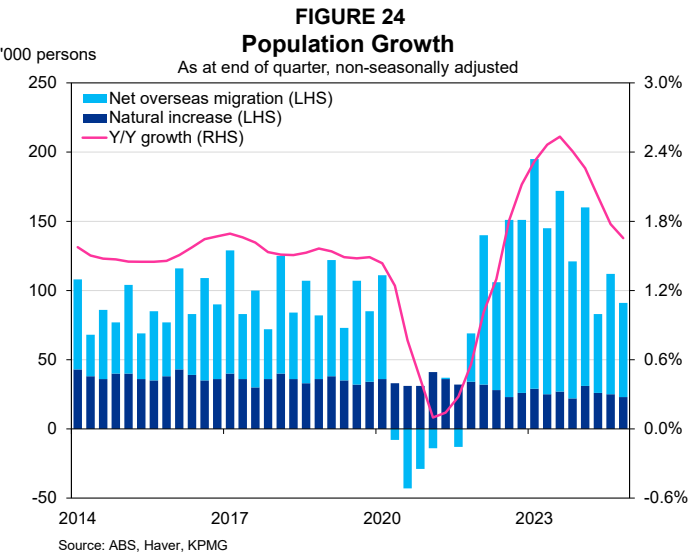
# **Labour supply**

# Population growth

Australia’s population growth rate has returned to more typical levels, driven by the ongoing slowdown of net overseas migration.

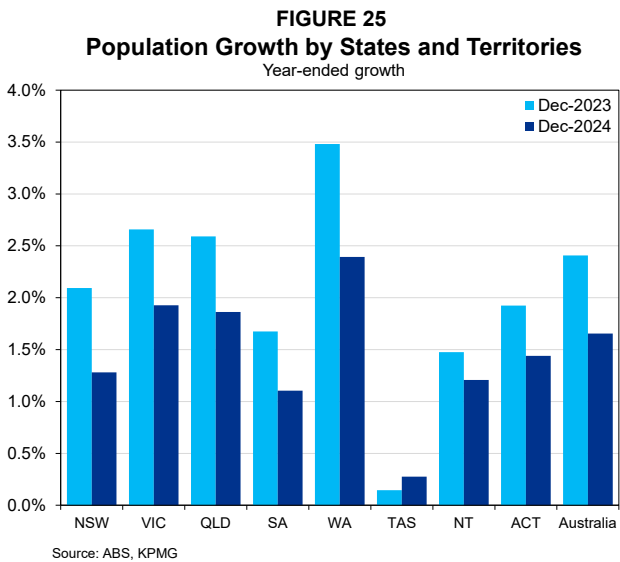
The pace of population growth has continued to moderate, with Australia’s population increasing by 1.7% in the year to December 2024. This slowdown was due to a 35.8% fall in net overseas migration to 340,800 people through the year. Overall, net overseas migration was responsible for 76.4% of the total population increase, compared to 83.7% a year ago.

This was driven by both decreased arrivals, as well as increased departures. There were 595,900 people immigrating to Australia in the year to December, representing a 19.5% annual decrease in arrivals. Meanwhile, this was partially offset by 254,200 people who emigrated away from Australia, reflecting a 22.0% annual increase in departures.



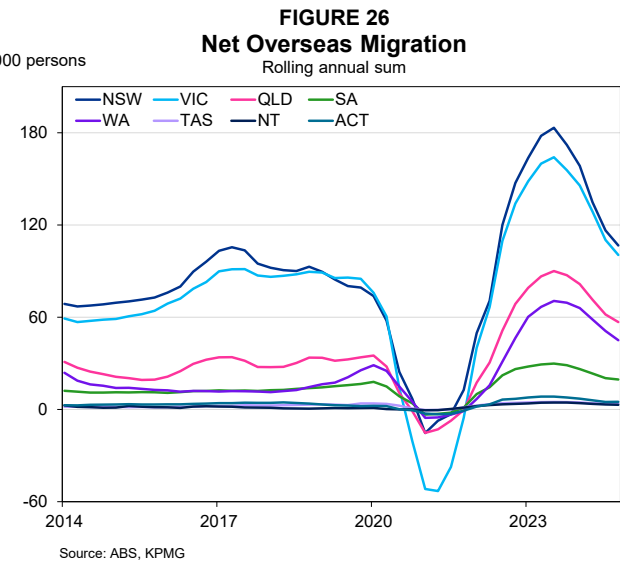
While this normalisation may help to ease some pressures which have proved to be especially challenging in recent years, such as housing affordability, migration has been crucial to Australia’s economic prosperity. With the lacklustre trend in productivity growth over recent years, population increases have been an important driver of economic growth, albeit an unsustainable one to rely on over the long run.

Nevertheless, many sectors are still reliant on skilled workers from overseas to fill gaps in the local workforce. This is especially as the participation rate and employment-to-population ratio are already at near-record highs, reflecting the ongoing importance of targeted skilled migration.



All states and territories recorded a slowdown in annual population growth, except for Tasmania. During the year to December 2024:

- Western Australia had the fastest growth rate (+2.4%), followed by Victoria (+1.9%) and Queensland (+1.9%).
- Tasmania had the slowest growth rate (+1.3%), followed by South Australia (+1.1%) and the Northern Territory (+1.2%).
- Net overseas migration was the primary driver of population growth across all states and territories.

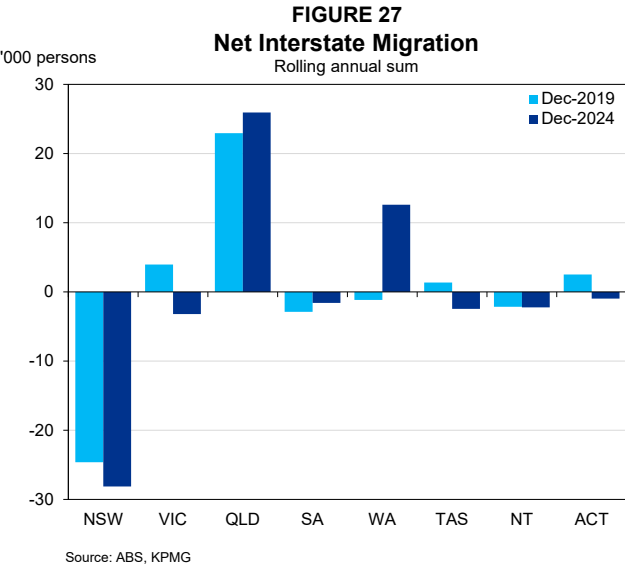


The slowdown in net overseas migration was also broad based. In the year to December 2024:

- The slowdown in net overseas migration was sharpest in New South Wales (-38.0%), followed by the Australian Capital Territory (-36.4%) and Victoria (-35.4%).
- New South Wales continued to be the region with the highest net arrivals (106,730 people), closely followed by Victoria (100,500 people).

In terms of net interstate migration, Queensland and Western Australia continue to be the only regions recording net inflows. Through the year to December 2024:

- Queensland remained the most popular destination, with net interstate migration of 25,940 persons. This is in line with broader long-term trends, as better weather, increasing economic opportunities, and relatively more affordable housing attract people to the sunshine state.
- Western Australia also saw net interstate arrivals of 12,600 people. While tied to the fortunes of the resources sector, this is also reflecting Perth's increasing global connection and liveability.
- New South Wales continues to see large net outflows, with the net departure of 28,100 people. This is in line with historical trends, reflecting the state's position as the main point of arrival for overseas migration.

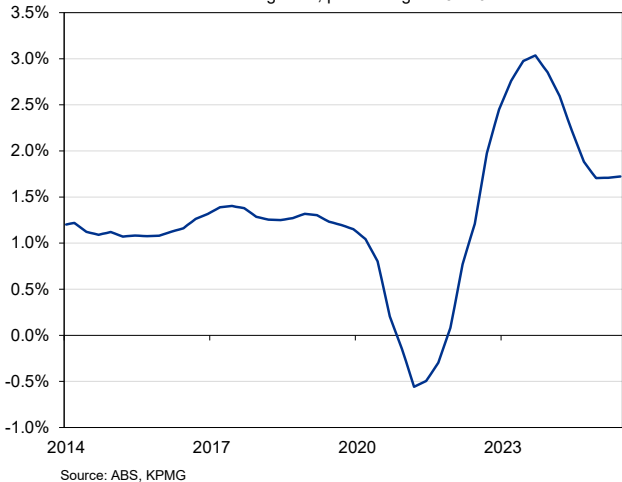


More timely data from the Labour Force Survey shows that the working age population has grown by 1.7% in the year to June 2025, having maintained this pace of growth for the past 7 months. Overall, this remains higher than the typical growth rate seen in the years prior to the pandemic, with the working age population growing by 1.2% in 2019.

<sup>4</sup> 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.

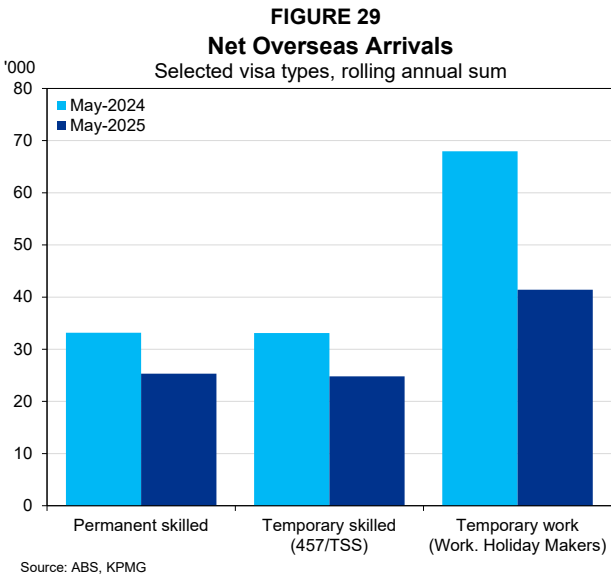


**FIGURE 28**  
**Working Age Population**  
Year-ended growth, persons aged 15 to 64



While not directly comparable to the number of visas granted, net overseas arrivals<sup>4</sup> can provide a more responsive indicator of trends in key migration channels. Over the year through to May 2025:

- Net overseas arrivals of permanent skilled visa holders slowed to 25,320 movements, representing a 23.6% fall from the corresponding period a year ago.
- For temporary skilled visa holders, net arrivals dropped to 24,900 movements, reflecting a 25.1% annual decrease.
- There was a substantial drop in net arrivals for Working Holiday Maker visa holders, falling 39.1% to 41,400 movements, although this is still well above the pre-pandemic norm. This movement was driven by a rise in departures, which outpaced the increase in arrivals. This is consistent with departures continuing to 'catch up' with arrivals, following the opening of borders and the resumption of international travel which accelerated in 2022.

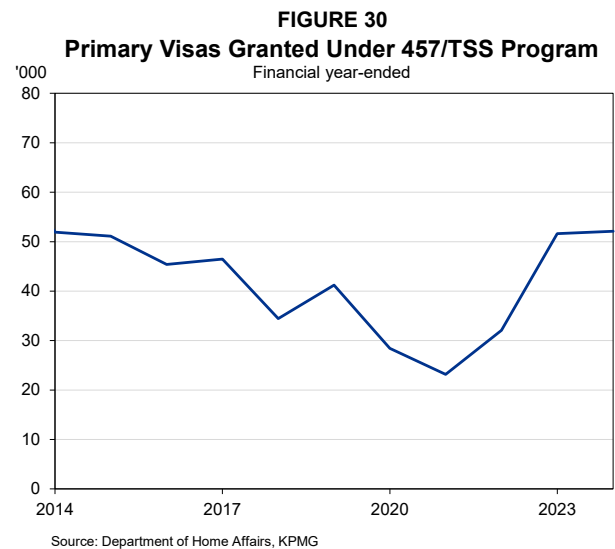


# Temporary skilled visas

A significant overhaul of Australia’s temporary skilled visa program came into effect during December 2024, reflecting the ongoing changes required for migration to respond to the needs of the nation.

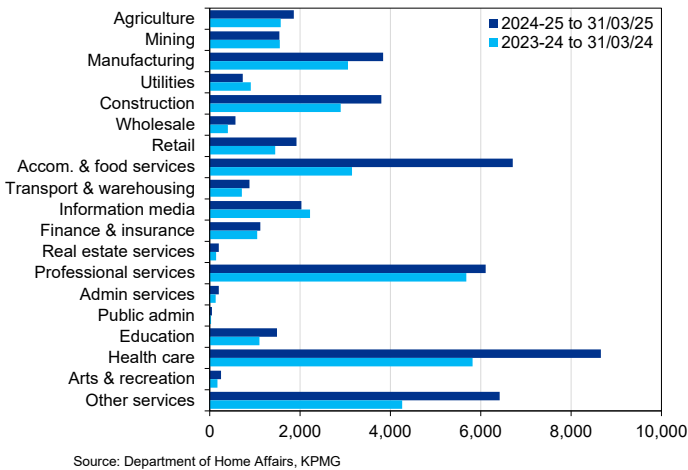
There were 52,100 primary visas granted for temporary resident skilled visas in FY2023-24, reflecting a 0.9% increase from the previous financial year. From December 2024, the Subclass 482 – Temporary Skill Shortage (TSS) visa program was discontinued and replaced by the new Subclass 482 – Skills in Demand (SID) visa program. This delivers much needed reform to simplify the program and ensure it is fit for purpose. The SID visa will have three streams:

- The Core Skills stream is most comparable to the Medium- and Short-Term streams under the previous TSS program. A key change is the introduction of the new Core Skills Occupation List (CSOL), which replaces the multiple skilled occupation lists previously used by the TSS visa, which struggled to keep up with the changing needs of the economy. The CSOL is determined based on analysis by Jobs and Skills Australia.
- A new Specialist Skills stream has been introduced, which can be applied to any occupation (except trades workers, machinery operators and drivers, and labourers), provided they meet a higher income threshold of \$135,000.
- The previous Labour Agreement stream has carried forward to the SID program, although plans are underway to replace this with an Essential Skills stream for lower paid workers with essential skills.



Over the financial year to March 2025, there were 48,350 applications granted under the Subclass 482 visa programs (both TSS and SID), reflecting a 33.2% uplift compared to the corresponding period during the previous financial year.

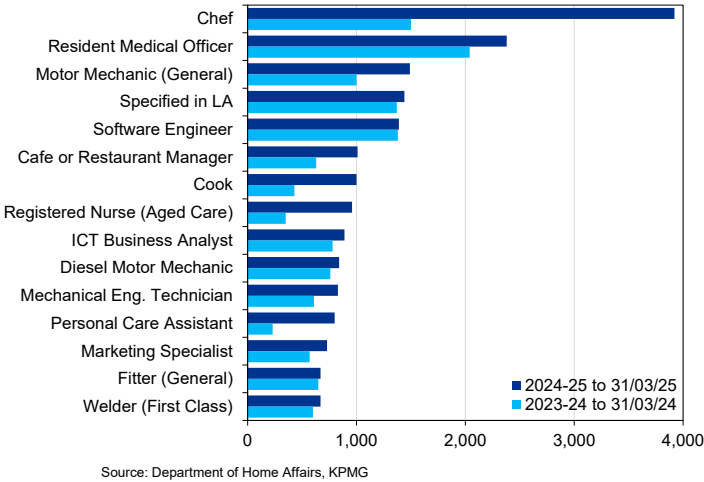
**FIGURE 31**  
**Number of Primary Applications Granted by Sponsor Industry**



Over the financial year to March 2025:

- *Health care and social assistance* was the largest sponsor industry, with 8,660 visas granted, reflecting a 48.7% increase compared to the same period in FY2023-24. This was followed by *Accommodation and food services* with 6,710 visas, a 112.8% rise.
- The most common occupation was Chef, with 3,920 visas granted, representing a 160.5% uplift compared to the corresponding period last financial year. This was followed by Resident Medical Officer, which saw a 17.1% increase in visa grants to 2,380.
- The most common destination was New South Wales (17,430 visas), followed by Victoria (10,640 visas) and Western Australia (6,050 visas).

**FIGURE 32**  
**Top Occupations for Primary Applications Granted**



**04**

# **Labour market performance**

# Labour market pressure

Pressures from the labour market have gradually returned to a sustainable position, with the unemployment rate reaching KPMG's central estimate of NAIRU by the June quarter.

## 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 these 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:

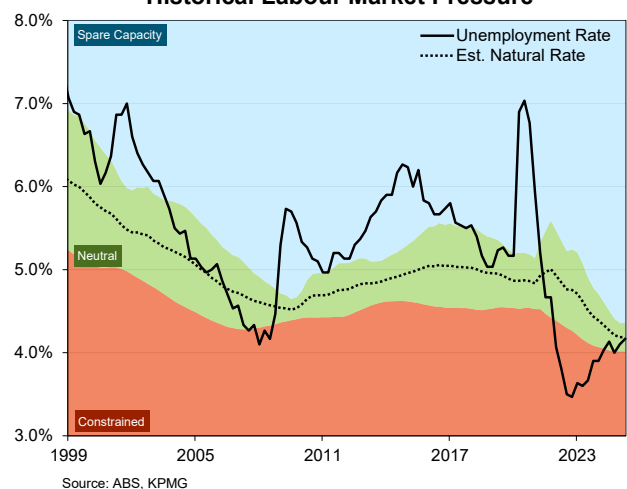
- Red – the labour market is constrained and exerting excessive inflationary pressures,
- Green – the labour market is in a neutral position, or
- Blue – the labour market has spare capacity and has downward inflationary pressures.

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.

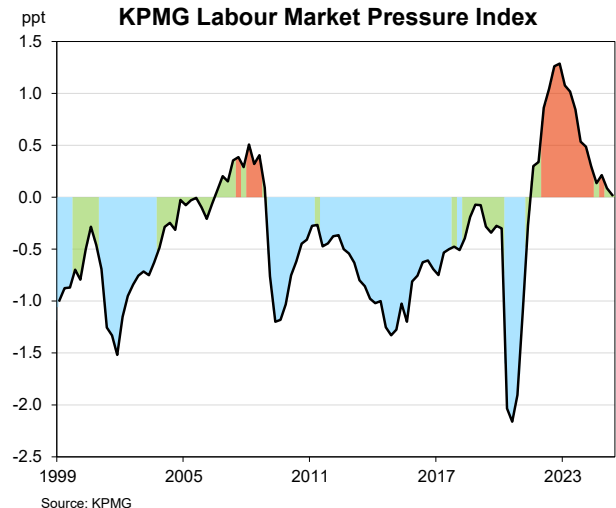
The Australian labour market has now comfortably settled within the neutral zone, normalising after a period of excessive constraint, according to the KPMG Labour Market Pressure Index. During the June quarter 2024, the index eased to 0.0pts, reaching this point for the first time since mid-2021. With the recent uptick in unemployment, this coincides with the unemployment rate averaging 4.2% over the quarter, in line with KPMG's latest estimate of NAIRU.

**FIGURE 33**  
**Historical Labour Market Pressure**



Overall, this places the labour market in a comfortable, albeit fragile, balance. Pleasingly, the economy is now recording full employment, while avoiding accelerating inflationary pressures. However, this could be unsettled by weak domestic growth prospects and elevated international uncertainty, which could negatively impact labour demand. A proactive approach to policy will be required to preserve these labour market gains achieved over recent years.

**FIGURE 34**  
**KPMG Labour Market Pressure Index**

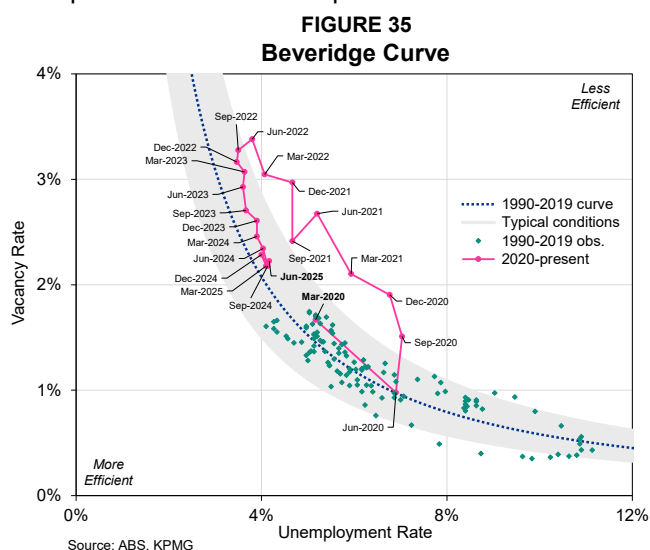


# Labour market efficiency

After recovering from the pandemic induced disruption, efficiency in the labour market has returned to be consistent with long term trends.

Labour market efficiency, as measured by the Beveridge Curve, continues to operate in line with typical pre-Covid conditions. However, the downward movement along the curve seen throughout 2023 and 2024 has not continued, with market conditions stabilising at a point which is tighter than historical data points. This is reflective of an unemployment rate which remains near record lows, alongside an elevated vacancy rate.

Overall, these observations are consistent with an economy that is operating near full employment, implying limited spare capacity in the labour market. However, this does not appear to have compromised labour market efficiency, in contrast to the excessive pressure recorded during 2021 and 2022. This has likely been supported by increased flexibility in the workforce, including work-from-home and part time arrangements, as well as increased adoption of AI to help workers complete tasks and develop new skills.



The stabilisation of conditions was also evident in the matching rate, which was unchanged through the year to May 2025. This indicator, proxied by gross flows into employment over vacancies in the previous quarter, provides a gauge as to how difficult it is for firms to find suitable workers. While there was a modest improvement to this measure of efficiency following the post-Covid trough, the latest estimates are in line with a longer-term decline which has been seen since 2014, coinciding with rising vacancies across the economy.

Nevertheless, this is reflective of ongoing skills shortages in some parts of the economy, for example in aged care. Ensuring that there is the correct skills mix in the economy can ensure that employment gains are targeted towards those sectors which are most in need.

## Interpreting the Beveridge Curve

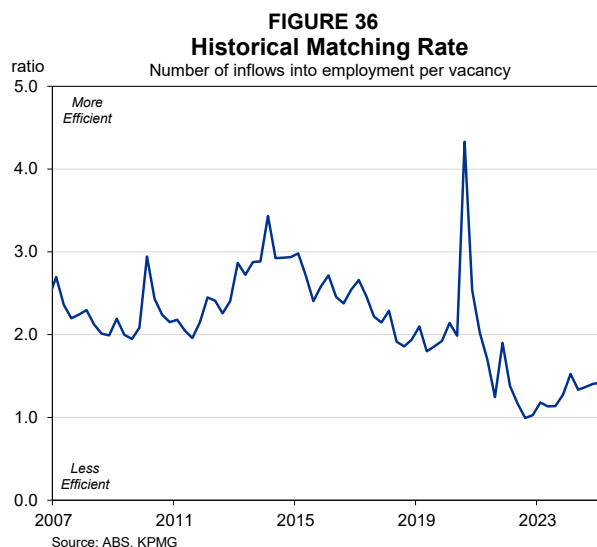
The Beveridge Curve is a graphical representation of the relationship between the unemployment rate and the job vacancy rate (that is, the number of vacancies expressed as a proportion of the labour force).

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.



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