



# Australian Labour Market Update 2025 H2

KPMG Australia

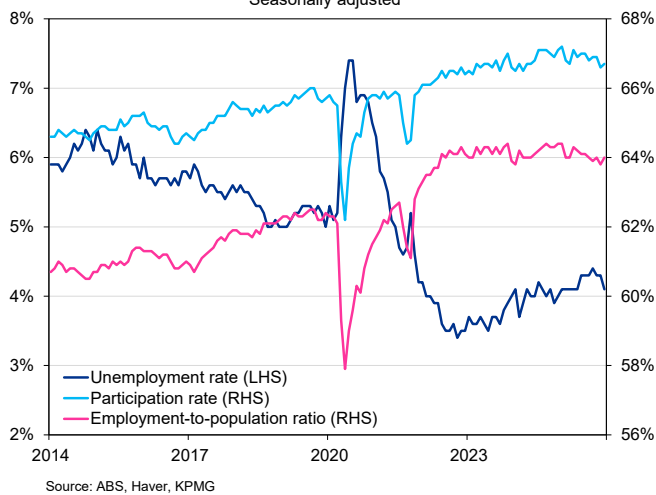
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February 2026

# Executive summary

Although the unemployment rate saw an unexpectedly strong end to 2025, other labour market indicators paint a more benign picture. During 2025, employment growth has been weakening, and labour market tightness was exerting less excessive inflationary pressure than in 2024.

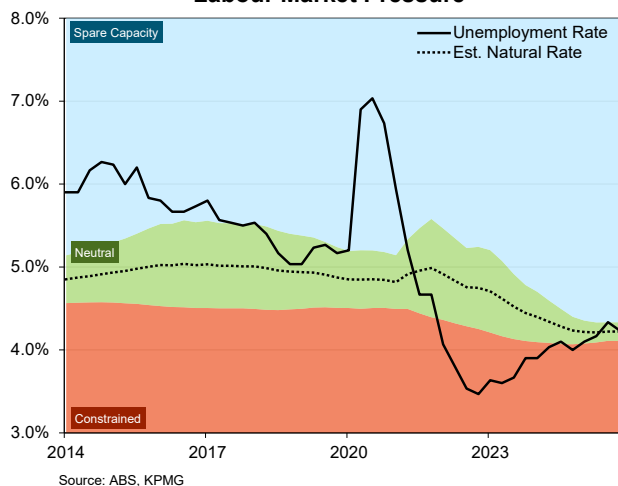
After lifting to a peak of 4.4% in September 2025, the unemployment rate ended the year at a seven-month low, dropping back to 4.1% according to the latest data for December. This was a sharp contrast against market expectations, which expected this figure to come in at 4.4%. Meanwhile, the participation rate also reflected this strength and currently sits at 66.7%.

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



While low by historical standards, this level of unemployment is consistent with the labour market operating within the neutral zone, based on KPMG’s Labour Market Pressure analysis\* for the December quarter 2025. This coincides with unemployment averaging 4.2% over the quarter, in line with KPMG’s latest estimate of NAIUR.\*\* While this reaffirms that space capacity in the labour market is limited, it is not exerting significant inflationary pressures on the economy.

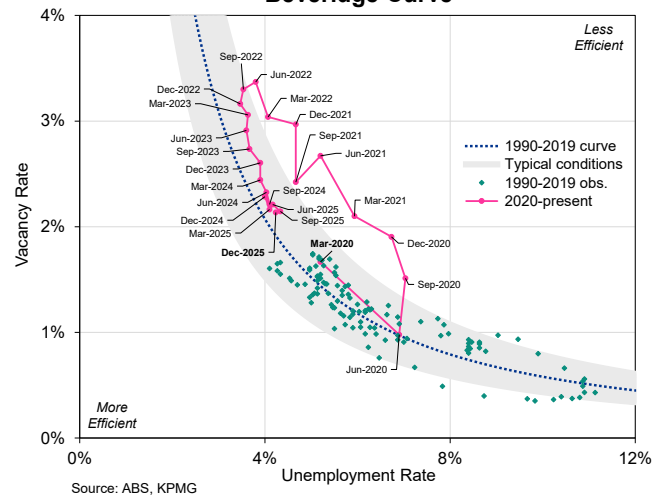
**FIGURE B**  
Labour Market Pressure



Further weakening in the pace of employment growth also implies that conditions are moderating by more than what the unemployment rate alone indicates. Annual growth in employment slowed to 1.1% by December 2025 and is now below the average of 2.3% observed through 2019, prior to the pandemic.

The key factor is that the pace of growth in the non-market sector has slowed significantly. The number of filled jobs in the market sector rose by 1.6% during the year to the September quarter. While this still outpaced the 1.0% growth of the market sector, it is well below the 6.8% seen in the corresponding period of 2024.

**FIGURE C**  
Beveridge Curve



The Beveridge Curve indicates that labour market efficiency is holding steady, despite the labour market operating at a tighter point on the curve. Hiring is harder than in the pre-Covid era, yet job matching remains broadly in line with typical range.

Aside from weak productivity and below trend growth in the domestic economy, employment growth will also face headwinds from global uncertainty, as well as an upward shift in expectations for the cash rate as the path of disinflation hits turbulence.

KPMG expects the recent strength in the unemployment rate to be a temporary, with unemployment trending towards 4.4% by the end of 2026. We also anticipate employment growth to further weaken to 0.8%, as sector demand cools.

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

\*\* NAIUR (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**

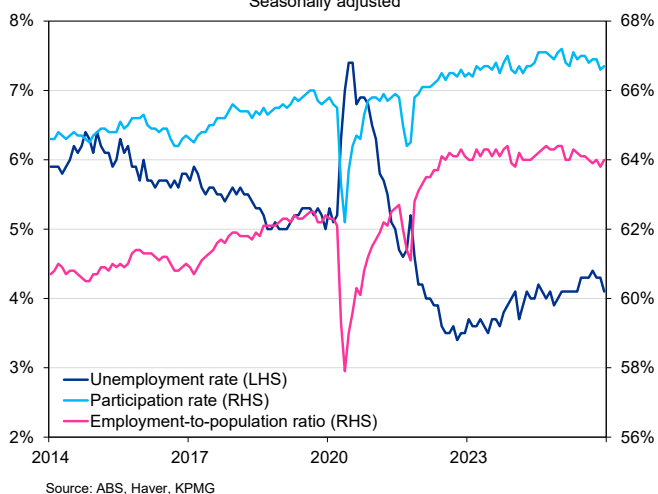
# Australian labour market conditions

Conditions in the labour market did not ease materially over 2025, as was widely expected. Instead, the unemployment rate ended the year more or less where it started, despite weakening employment growth.

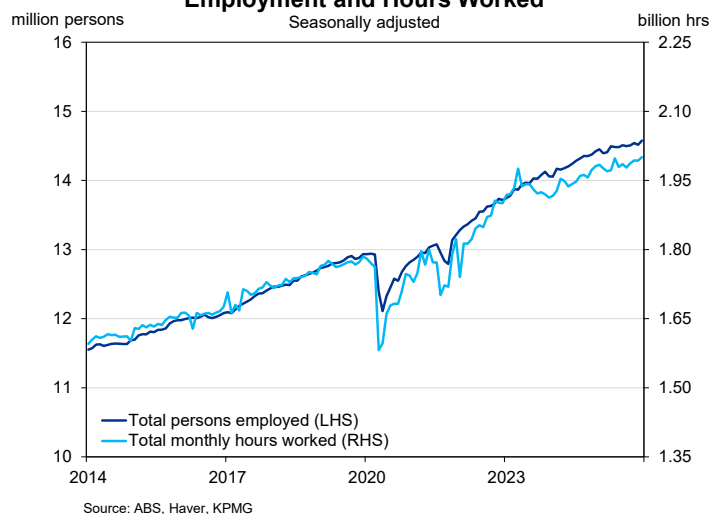
The seasonally adjusted unemployment rate defied expectations of a modest rise in December 2025, instead dropping to 4.1% from 4.3% in November. The unemployment rate ended the year unchanged compared to January, at a seven-month low. Over the past three months, the unemployment rate averaged 4.2%, just 0.2ppt higher than the corresponding period of 2024.

This strength also extended to labour force participation, with the seasonally adjusted participation rate sitting at 66.7% in December, only 0.4ppt lower than a year ago. This continues to be above pre-pandemic levels.

**FIGURE 1**  
Unemployment and Participation Rates  
Seasonally adjusted



**FIGURE 2**  
Employment and Hours Worked  
Seasonally adjusted



Similarly, the employment-to-population ratio also remains elevated, with the latest read of 64.0% in December only 0.5ppt lower than the corresponding period of 2024. This was in line with the level seen since the second half of 2022.

Monthly hours worked lifted by 1.0% through the year, which was broadly consistent with 1.1% rise in total employment. Both measures have continued to ease, falling 2.6ppt and 1.6ppt respectively compared to the corresponding period of 2024. This highlights an increasing weakness in the labour market despite the stability of the headline unemployment rate.

**After a strong performance following the pandemic, employment growth has been gradually weakening and is now below pre-pandemic levels.**

Since 2022, where annual employment growth averaged a remarkable 4.5%, the pace of growth has displayed a clear downward trend, reaching just 1.1% by December 2025. This is now below pre-Covid levels, with annual employment rising by an average of 2.3% in 2019.

Meanwhile, through late 2023 and 2024, growth in employment outpaced hours worked, offsetting a surge in hours which built over the peak of labour market tightness. By 2025, growth in hours worked has also mirrored the slowdown in employment growth.

Overall, these indicators suggest a slowdown in labour demand, reflecting an easing in conditions not reflected by the stability of the unemployment rate.

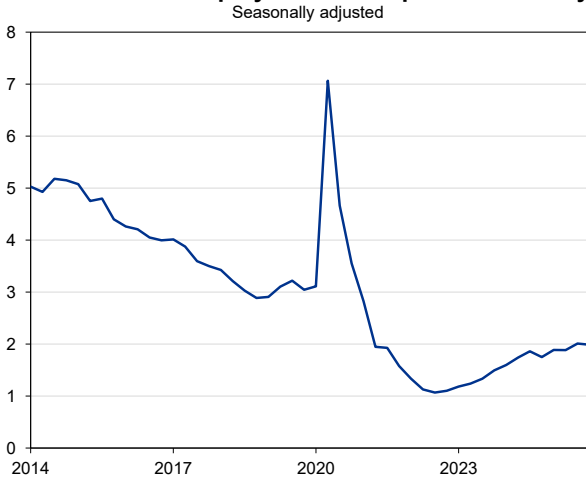
**FIGURE X1**  
Employment and Hours Worked  
Year-ended growth, seasonally adjusted



Additionally, the number of unemployed persons per job vacancy has ticked up marginally through the year, rising to 2.0 by the December quarter 2025. This was 0.2ppt higher than a year ago, and 0.9ppt higher than its trough of 1.1 seen in the September quarter 2022. Nevertheless, this is well below pre-pandemic levels, but consistent with the broader long-term decline.

FIGURE 3

Number of Unemployed Persons per Job Vacancy



Source: ABS, Haver, KPMG

Multiple-job holding eased in the September quarter 2025, dropping 0.8% through the year and bringing the rate down to 6.5%. The increase in second job holders during 2023 and 2024 was partly linked to cost-of-living pressures, pushing some households into second jobs to manage financially. This trend appears to have eased as the growth in the cost of living has slowed and interest rate reductions have lowered housing costs.

However, during the September quarter, the number of multiple job holders rose 2.2%, yet the average hours worked in secondary jobs fell 4.2% to 8.7 hours.

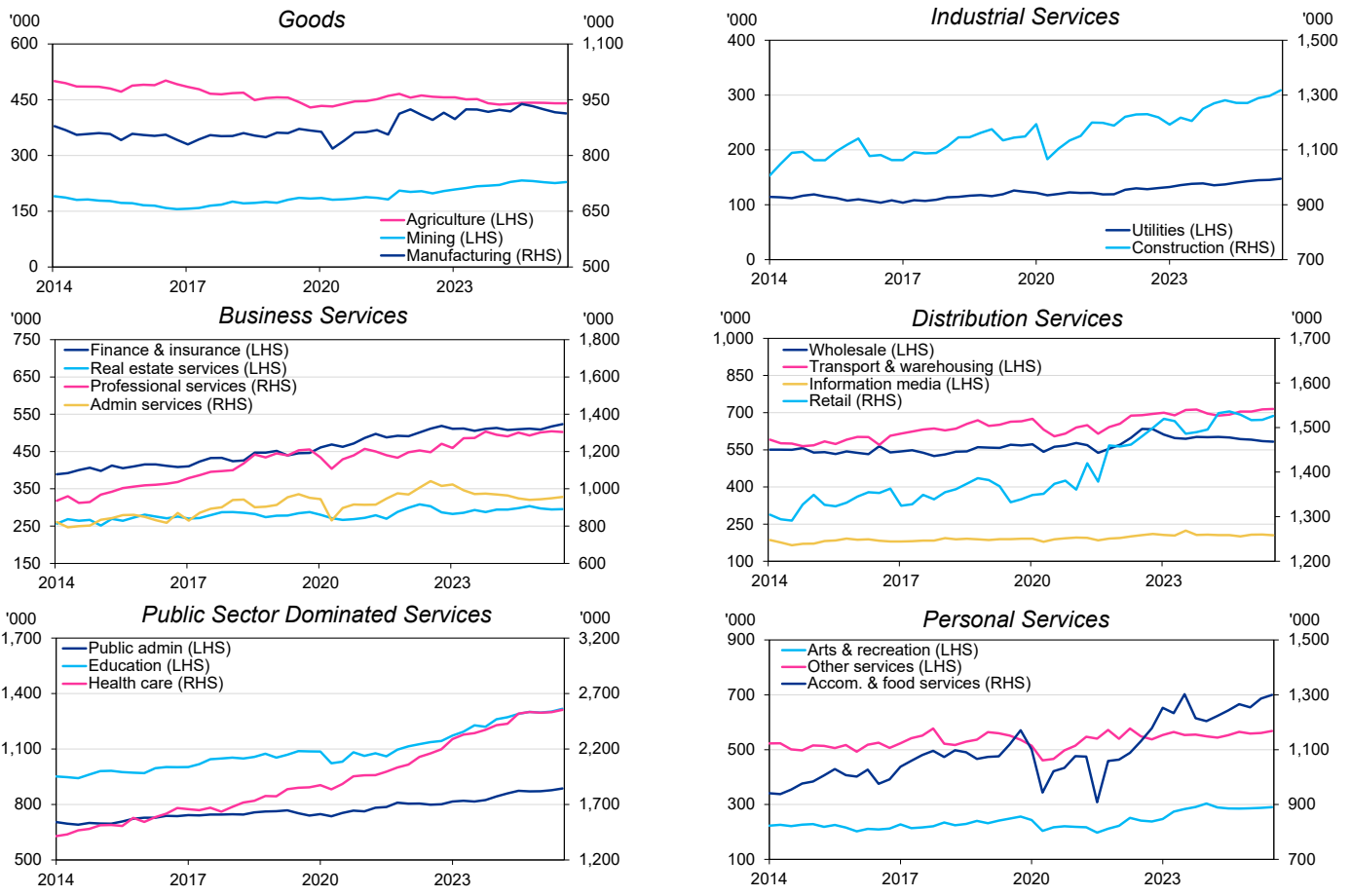
During this time, the number of filled jobs (a measure of employment that captures multiple job holders) increased on an annual basis in 12 out of the 19 industries.<sup>1</sup>

- The strongest rises through the year were seen in *Accommodation and food services* (+56,300 jobs), followed by *Construction* (+45,700 jobs) and *Health care and social assistance* (+34,200 jobs).
- Meanwhile, the most significant falls were seen in *Manufacturing* (-25,400 jobs), followed by *Wholesale trade* (-17,100 jobs).

FIGURE 4

Filled Jobs by Industry

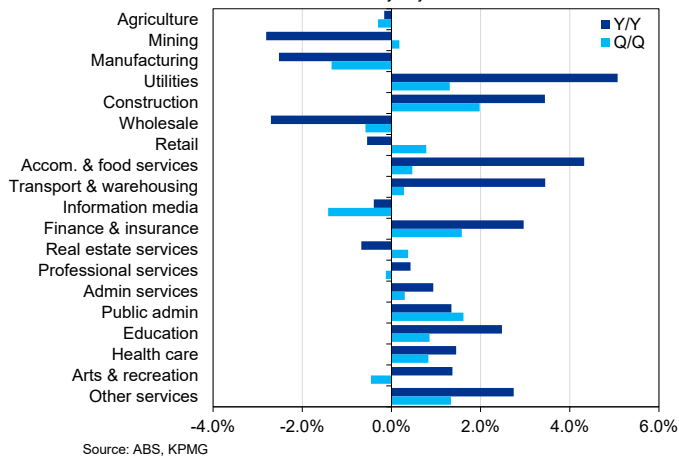
Seasonally adjusted



Source: ABS, KPMG

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

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



Moving forward, KPMG anticipates employment growth the weaken slightly further in 2026, ending the year with an annual rise of 0.8%. Meanwhile, the unemployment rate is expected to rebound quickly from its December 2025 low, returning towards its average over the second half of 2025, which was 4.3%. It is projected to end 2026 at 4.4%, a level which remains remarkably strong compared to historical standards.

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

	2024	2025	2026	2027
Employment growth	2.2%	1.1%	0.8%	0.9%
Unemployment rate	4.0%	4.1%	4.4%	4.4%

Source: KPMG

Shaded cells are actual values.

**Growth in the sector slows further, although it still outpaces the market sector.**

Looking at the sectors, growth in filled jobs (a measure of employment that captures multiple job holders) continued to be faster in the sector, a trend which has persisted since the December quarter 2022. Nevertheless, through the year to the September quarter, annual growth in filled jobs within the sector eased to 1.6%, from 3.3% in the June quarter. This was its lowest level in five years.

Meanwhile, filled jobs for the market sector increased by 1.0% through the year. This was in line with the previous June quarter result and compares to a 0.6% annual rise during the corresponding period a year ago.

**FIGURE X2**  
Filled Jobs by Sector  
Year-ended growth

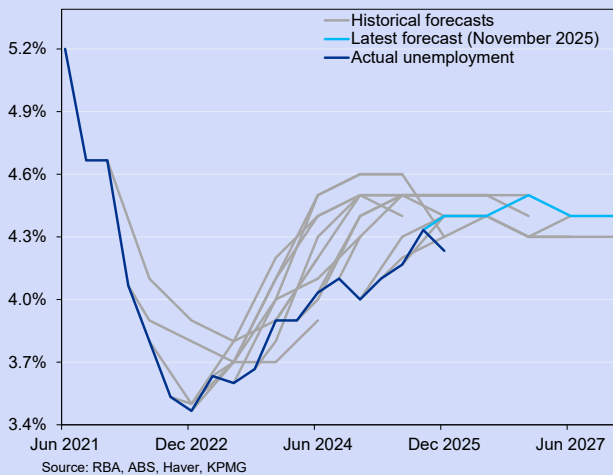


**Notwithstanding some weakness in employment growth, the overall strength of the Australian labour market has continued to defy expectations.**

Unemployment averaged just 4.2% in the December quarter 2025, only 0.2ppt higher than a year ago. This continues the broader trend of labour market weakening occurring more slowly than anticipated.

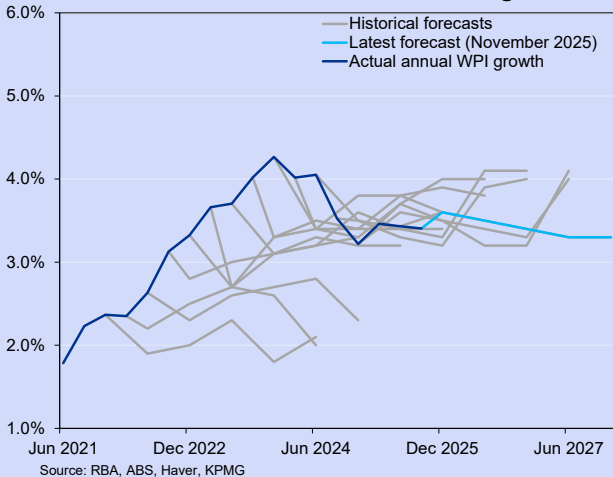
The upward trend in unemployment observed since 2023 has consistently fallen below forecasts, including the median response from surveyed market economists, depicted. Despite below trend GDP growth, elevated global uncertainty, and cash rate increases in 2023 to cool inflationary pressure – all of which would have contributed to these more pessimistic forecasts – the jobless rate has held onto most of its pandemic-era gains.

**FIGURE X3  
Median Market Economists' Forecast**

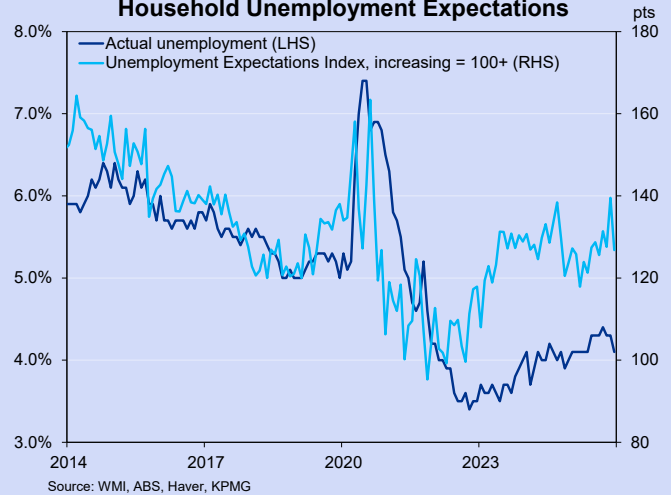


This also coincided with wages growth outpacing forecasts, although recent trends in wages growth have been evolving with expectations. This could suggest that wage growth dynamics are also closer to pre-pandemic behaviours.

**FIGURE X4  
Median Market Economists' Forecast, Wages Growth**



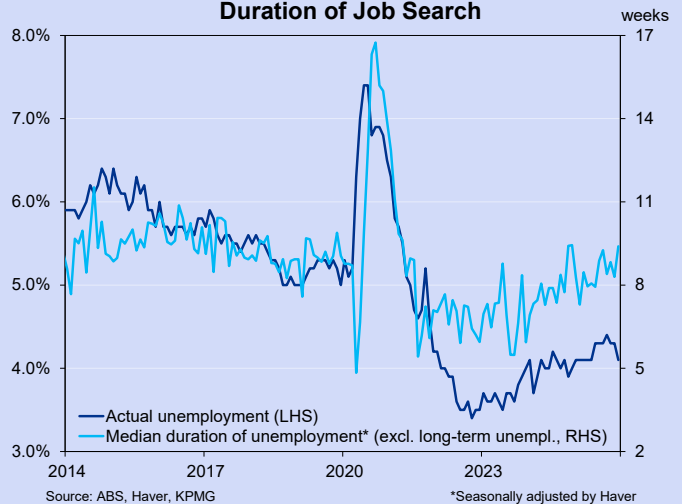
**FIGURE X5  
Household Unemployment Expectations**



Meanwhile, survey measures of household unemployment expectations show that sentiment has deteriorated back to pre-pandemic levels, despite the unemployment rate being 1.0ppt lower in the December quarter compared to the average over 2019.

This may partly reflect that households did not fully appreciate the unprecedented strength of the post-Covid labour market (particularly during the second half of 2022), which could have contributed to a rebasing of expectations. Additionally, a series of high-profile restructures resulting in redundancies, along with the ongoing adoption of AI, may also have contributed to the deterioration in sentiment relative to the statistics.

**FIGURE X6  
Duration of Job Search**



However, other aspects of households' experiences in the labour market do reflect conditions closer to pre-pandemic levels. The median duration of unemployment (excluding long-term unemployed, seasonally adjusted from Haver) appeared to hit a floor in 2022. The underlying trend suggest the time spent searching for a job trended sideways despite unemployment continuing to fall through the year. This duration has since climbed upwards and is already approaching pre-Covid levels.

# State labour market conditions

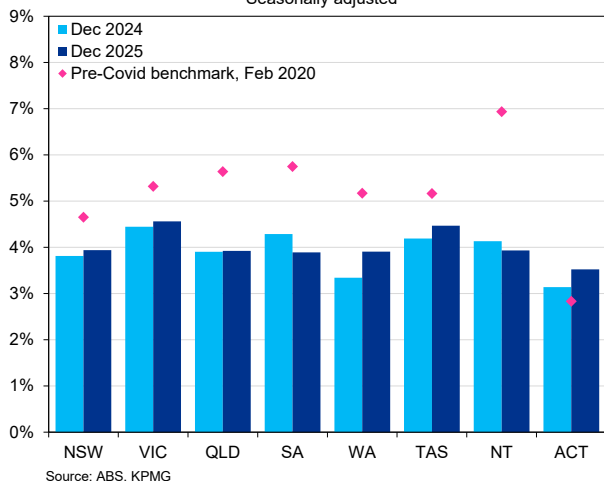
Overall, the strength in the labour market remains broad based across the nation. However, performances through the year have been more mixed.

As of December 2025, the unemployment rate across all states and territories remained low by historical standards. However, movements through the year have seen some divergence between the regions.

The unemployment rate continues to be the lowest in the Australian Capital Territory, despite rising 0.4ppt through the year to 3.5% in December. The Australian Capital Territory is the only region with an unemployment rate above pre-pandemic levels.

Victoria recorded the highest unemployment rate of 4.6%, though it has only risen by 0.1ppt compared to the corresponding period of 2024.

**FIGURE 6**  
Unemployment Rate by States and Territories  
Seasonally adjusted

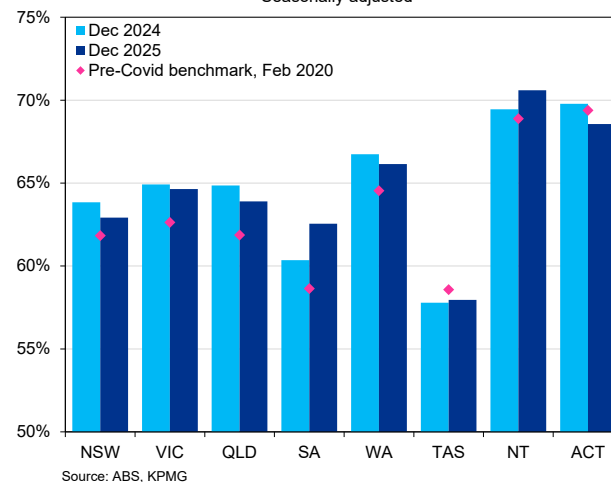


The most significant annual rise in the unemployment rate was seen in Western Australia (+0.6ppt), followed by the Australian Capital Territory (+0.4ppt). The unemployment rate has fallen in South Australia (-0.4ppt) and the Northern Territory (-0.2ppt) compared to December 2024.

Similarly, movements in the employment-to-population ratio were mixed across the nation. South Australia saw the largest annual rise (+2.2ppt) while the Australian Capital Territory recorded the largest fall (-1.2ppt).

The employment-to-population was highest in the Northern Territory (70.6%) and lowest in Tasmania (58.0%). Relatedly, the Northern Territory recorded the highest participation rate (73.5%), while participation was lowest in Tasmania (60.7%).

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

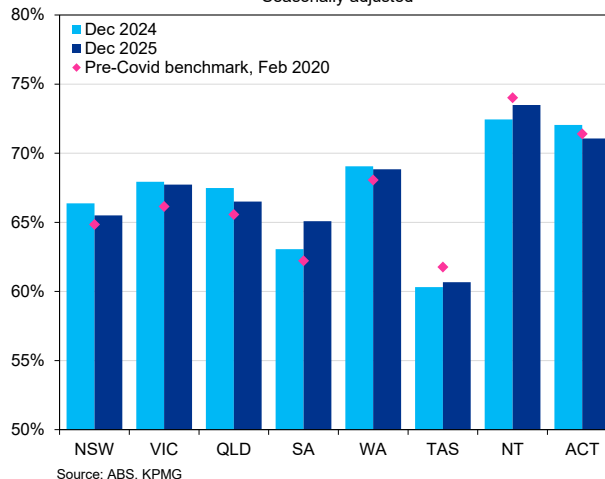


The participation rate fell through the year in five of the states and territories. The most significant falls were seen in the Australian Capital Territory (-1.0ppt) and Queensland (-1.0ppt). Participation increased in South Australia (+2.0ppt), the Northern Territory (+1.0ppt) and Tasmania (+0.3ppt).

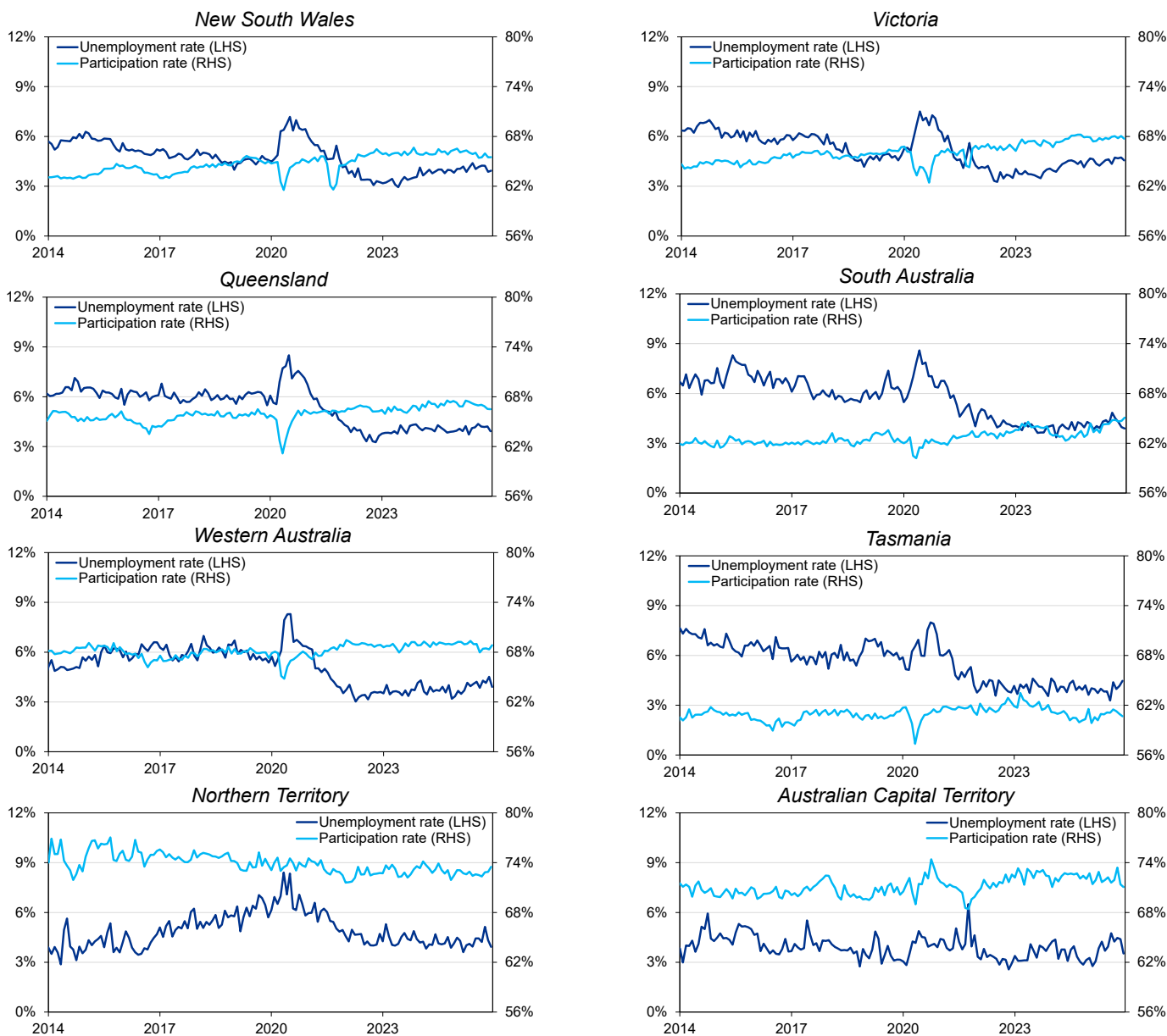
Looking across the states and territories, as of December 2025:

- Unemployment in New South Wales trended sideways through the year. Despite picking up to 4.4% in June, the unemployment rate returned to 3.9% by December, only 0.1ppt higher than a year ago.

**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

- The unemployment rate in Victoria was also little changed through the year, rising by 0.1ppt to 4.6% by December.
- Despite spending most of the year above 4.0%, the unemployment rate in Queensland has dipped back to 3.9%, in line with its position a year ago.
- In South Australia, the unemployment rate climbed over the first eight months of the year from 4.3% in December to 4.8% by August. This trend reversed course towards the end of the year, with unemployment falling back to 3.9% by December, 0.4ppt lower than the corresponding period of 2024.
- Unemployment in Western Australia trended upwards through the year, lifting from 3.3% in December to a peak of 4.5% by November. However, the latest read for December shows unemployment at 3.9%.
- Tasmania saw its unemployment rate broadly steady over the year, with November's figure of 4.2% in line with December 2024. The latest update in December 2025 saw unemployment tick up to 4.5%.
- Although more volatile, unemployment in the Northern Territory also remained little changed through the year. December's figure of 3.9% was the same as six months earlier, and 0.2ppt lower than the corresponding month of 2024.
- Unemployment in the Australian Capital Territory climbed through the year, rising from 3.1% in December 2024 to 4.4% by November. More recently, the data (which also tends to be volatile) showed the latest figure for unemployment to be 3.5% in December.

# Wages growth

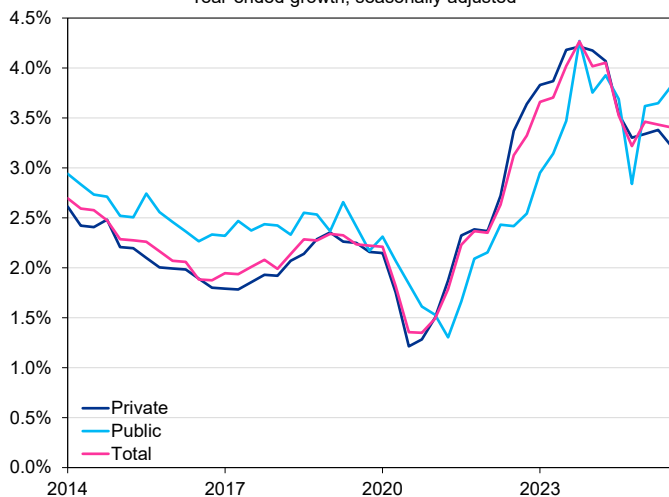
During 2025, the pace of wages growth has steadied, but remains elevated compared to pre-pandemic levels.

Wages growth held firm in the September quarter, rising by 3.4% through the year, unchanged from the June quarter result. This was also only 0.1ppt lower than the corresponding period of 2024. On a quarterly basis, the Wage Price Index (WPI) increased by 0.8%, also in line with the previous quarter, and the same time a year ago.

Public sector wages rose 0.9% over the quarter and 3.8% through the year. This annual growth rate was 0.1ppt higher than a year ago and represents the third consecutive quarter where public sector wages grew faster than the private sector (at both a quarterly and annual basis).

Meanwhile, private sector wages grew by 0.7% for the quarter, to be up 3.2% through the year. This was 0.3ppt lower than the annual growth seen in the September quarter 2024. Private sector wages remained the predominant driver of overall wage growth, in line with its larger share of employment and total wage expenditure.

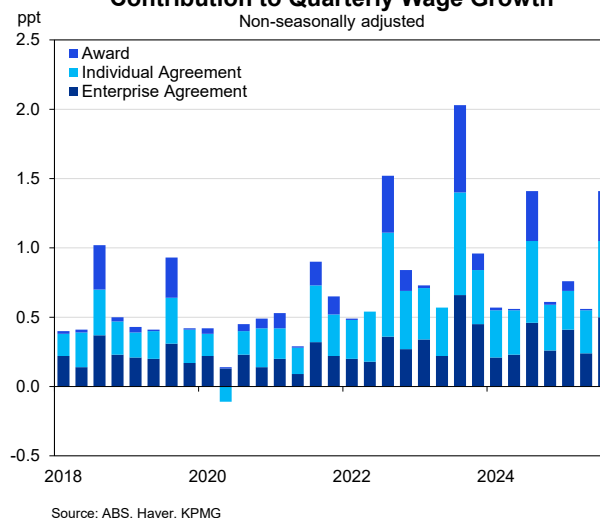
**FIGURE 10**  
Wage Price Index by Sector  
Year-ended growth, seasonally adjusted



Overall, 44% of jobs recorded a wage change in the September quarter, in line with the 45% seen during the same quarter of 2024. During this time, the proportion of private sector jobs which recorded a wage change in the quarter decreased from 49% to 47%. Meanwhile, public sector jobs saw an increase from 30% to 33%.

Wages growth in the September quarter also included the impact of the Fair Work Commission Annual Wage Review, which was paid from the start of July.

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



The seasonally adjusted 0.8% growth figure this quarter was the same as corresponding period of 2024. This is despite this year’s decision seeing the modern award<sup>2</sup> wage rate increase by 3.5% (effective from 1 July), compared to 3.75% last year.

This decision directly influences the sizes of wage increases for jobs covered under the modern award, as well as other linked enterprise agreements. Approximately one-fifth of the Australian workforce receive a wage linked to this decision. However, it can also indirectly affect the size and timing of increases paid to those under individual agreements as employers undertake wage and salary negotiations.

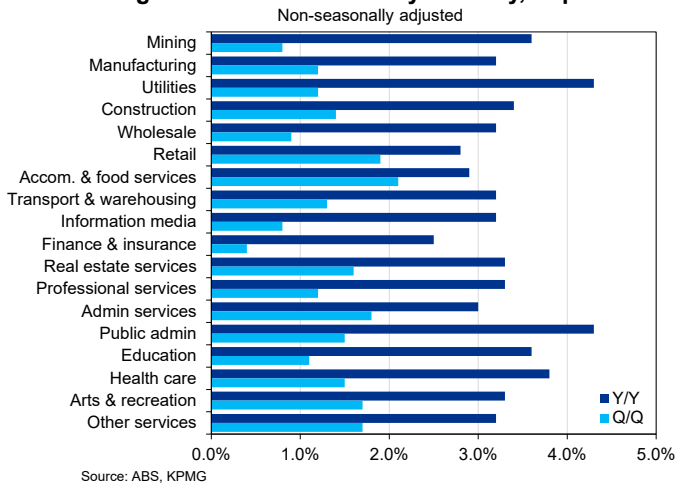
Furthermore, the new financial year saw the superannuation guarantee increase to 12%. While this is not reflected in the WPI, it represents an increased employee expense for firms and is captured by ‘compensation of employees’ in the National Accounts.

When considering the method of setting pay, individual agreements made the largest contribution to quarterly growth in the WPI (+0.55 ppt), followed by enterprise agreements (+0.50 ppt) and award rates (+0.36 ppt).

This compares to the September quarter 2023, where individual agreements contributed 0.59ppt, while enterprise agreements contributed 0.46 ppt, and award rates contributed 0.36 ppt.

<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>

**FIGURE 12**  
Wage Price Index Growth by Industry, Sep 2025

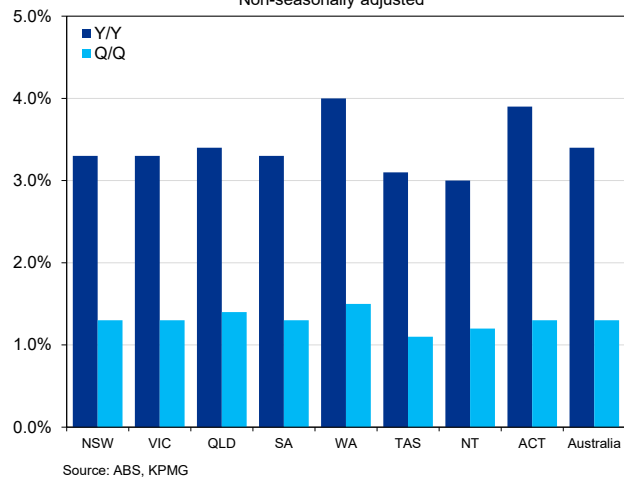


Looking across the industries in the September quarter:

- Quarterly wages growth was strongest in *Accommodation and food services* (+2.1%), followed by *Retail trade* (+1.9%) and *Administrative and support services* (+1.8%).
- The weakest quarterly growth was seen in *Financial and insurance services* (+0.4%), followed by *Information media and telecommunications* (+0.8%) and *Mining* (+0.8%).
- Annual growth was strongest in both *Electricity, gas, water and waste services* (+4.3%) and *Public administration and safety* (+4.3%). This was followed by *Health care and social assistance* (+3.8%)
- Meanwhile, *Financial and insurance services* (+2.5%) also saw the weakest annual growth.

When factoring in the relative size of industries, *Health care and social assistance* made the strongest contribution to the quarterly growth rate (+0.22ppt), followed by *Professional, scientific and technical services* (+0.13ppt).

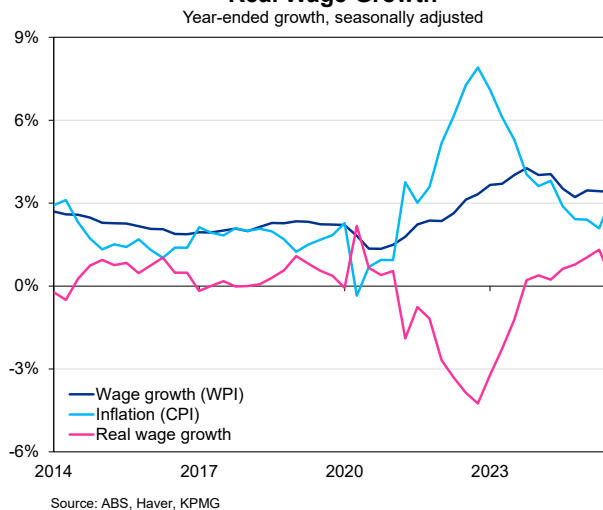
**FIGURE 13**  
Wage Price Index Growth by State and Territory, Sep 2025



Across the states and territories:

- Western Australia saw the highest growth in the quarter (+1.5%), while Tasmania recorded the lowest growth (+1.1%).
- On an annual basis, growth was still fastest in Western Australia (+1.5%) and was slowest in the Northern Territory (+3.0%).

**FIGURE 14**  
Real Wage Growth



Growth in real wages accelerated to its highest level in five years during the June quarter 2025, rising by 1.3% through the year. However, the rebound in headline inflation recorded during the September quarter saw this pace of growth reverse sharply to 0.2%, its first decline in five quarters.

Looking ahead, KPMG anticipates nominal wage growth of 3.5% in the December quarter, broadly in line with the data earlier this year. However, with headline inflation for the quarter coming in at 3.7%, this would result in the first decline in real wages since the September quarter 2023. Over the longer horizon, we forecast nominal wage growth to ease modestly, ending 2026 with an annual growth rate of 3.2%.

Ultimately, ongoing weakness in productivity growth will constrain the sustainable level of real wages growth which can be achieved. While there have not yet been any significant policy announcements to support a recovery in the nation’s productivity performance, we remain hopeful that such policies will be enacted to help drive improved productivity

**TABLE 2**  
Wage Growth Forecasts

	2024	2025	2026	2027
Nominal wage (WPI)	3.2%	3.5%	3.2%	3.1%
Inflation (CPI)	2.4%	3.7%	3.4%	2.6%
Real wage	0.8%	-0.2%	-0.2%	0.5%

Source: KPMG

Shaded cells are actual values.

**02**

# **Labour demand**

# Economic growth

Although falling short of expectations, the annual pace of economic growth accelerated for the fourth consecutive quarter in September. However, faster growth may be constrained by limited spare capacity.

The Australian economy grew by 0.4% in the September quarter, below the consensus expectation of 0.7%. This follows a 0.7% rise in the June quarter (revised up from 0.6%). Nevertheless, this saw seasonally adjusted real GDP lift by 2.1% through the year, the fourth consecutive quarter where annual growth accelerated.

Crucially, the private sector remained the main driver of growth during the quarter. Looking at the contributors to these quarterly GDP figures:

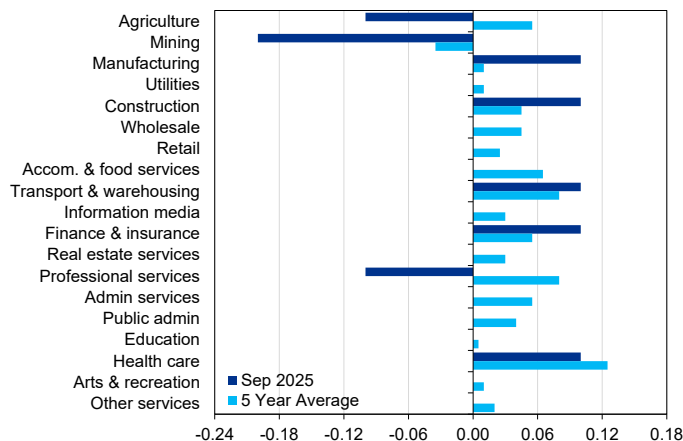
- Household spending rose by 0.5%, adding 0.3ppt to GDP growth. Meanwhile, private investment grew by 2.9%, its fastest quarterly growth since the March quarter 2021. This resulted in a contribution of 0.5ppt to GDP growth.
- Government consumption lifted by 0.8%, which contributed 0.2ppt to GDP growth. Additionally, public investment rebounded, rising by 3.0%, following a 3.5% fall last quarter. It contributed 0.2ppt to GDP growth.
- Net trade subtracted 0.1ppt from GDP growth. The 1.0% rise in exports was more than offset by a 1.5% rise in imports.
- Changes in inventories subtracted 0.5ppt from GDP growth. Mining inventories fell, with strong export demand for coal and a more subdued quarter for production.

Although momentum in the private side of the economy appears to be gradually building, activity is still leaning heavily on government expenditure. Public spending as a share of GDP rebounded to 28.5% and remains close to the record high of 28.7% achieved in second half of 2024.

Looking ahead, KPMG’s latest forecasts anticipate annual growth to stabilise, ending 2025 at 2.0%, before maintaining this below-trend pace for the following two years. Ultimately, Australia’s potential pace of growth remains constrained by persistently weak productivity outcomes, as well as limited spare capacity in the supply side of the economy.

This includes the labour market, which remains tight by historical standards. Annual growth in non-farm nominal unit labour costs accelerated to 5.4% in the September quarter, its fastest pace since mid-2024. Meanwhile, labour productivity per hour worked rose by only 0.4% over the year, well below the long-run average.

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



Source: ABS, KPMG

From an industry level perspective, 15 out of the 19 sectors recorded growth in the September quarter.

- The fastest pace of growth was seen in *Construction* (+1.8%), which was boosted by more residential construction work.
- Meanwhile, the largest detraction was seen in *Agriculture, forestry and fishing* (-2.6%).

When factoring the size of each industry, the positive contributions to growth in the quarter were broad based. *Manufacturing; Construction; Transport, postal and warehousing; Financial and insurance services*; as well as *Health care and social assistance* each contributed 0.1ppt (rounded) to growth. This was partially offset by *Mining* (-0.2ppt), *Agriculture, forestry and fishing* (-0.1ppt), as well as *Professional, scientific and technical services* (-0.1ppt).

KPMG is expecting year-ended real GDP growth of 2.0% in 2026, while the latest RBA Statement of Monetary Policy suggests a more pessimistic outcome, with growth at 1.8% – in part, due to market expectations of a higher cash rate.

Despite variations in forecasts, the outlook is clearly for an economy that is still experiencing relatively weak growth while grappling with higher than desired inflation. Consequently, it remains critical for the nation to improve productivity growth, which would help to alleviate capacity constraints and ease inflation. Otherwise, if economic growth stalls at its current below-trend pace, this weakness will likely extend to employment growth and the broader labour market.

# Job vacancies

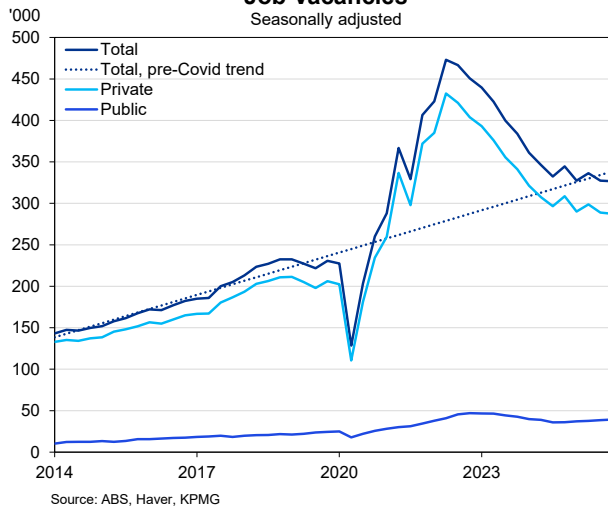
The number of job vacancies edged downwards in 2025, despite the pace of economic growth in the Australian economy ticking upwards.

The number of job vacancies acts as another leading indicator of employment in the economy, reflecting current demand by employers for workers. During November 2025, there were 326,700 job vacancies, 5.2% lower than the corresponding period of 2024. However, this was broadly in line with the 327,400 vacancies recorded in February 2025 (the first survey of the year). Overall, job vacancies are 31.0% lower than their peak recorded in May 2022.

There was a clear divergence between vacancies in the public and private sectors. During November, there were 287,400 vacancies in the private sector, a decrease of 6.8% through the year. This was the lowest level of private sector vacancies since March 2021.

By contrast, vacancies in the public sector increased by 8.9% to 39,300. This was its highest level since March 2024 and represents its fifth consecutive rise.

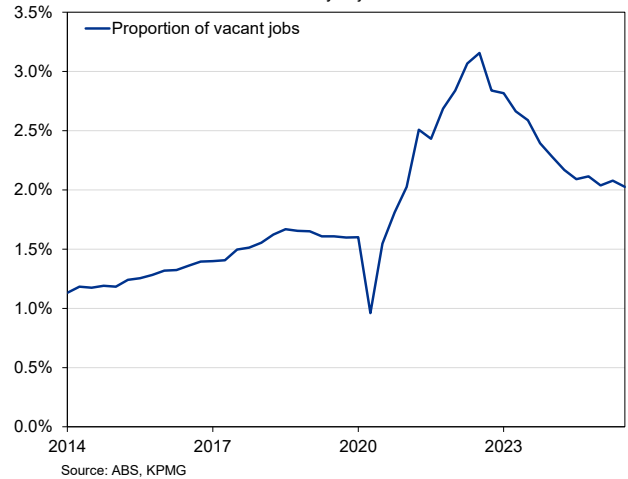
**FIGURE 16**  
**Job Vacancies**  
Seasonally adjusted



Looking at the states and territories through the year to November 2025:

- Only Western Australia saw a rise in job vacancies, increasing by 4.1% to 43,200.
- The largest fall occurred in Tasmania (-14.9%), where vacancies dropped to 5,400. South Australia saw the second largest decline (-10.6% to 20,500 vacancies), followed by the Australian Capital Territory (-9.9% to 8,100 vacancies).

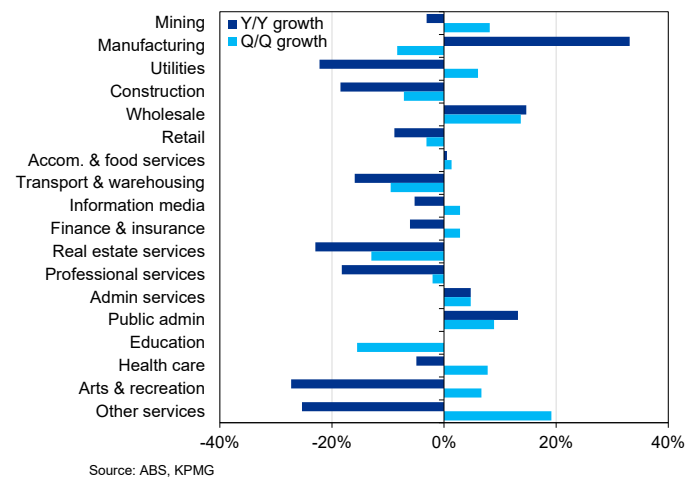
**FIGURE 17**  
**Proportion of Vacant Jobs**  
Seasonally adjusted



This trend in vacancies was also mirrored in the proportion of vacant jobs, as reported by the ABS in the Labour Account. During the September quarter 2025, 2.0% of jobs were vacant, implying that 2.0 out of every 100 available positions remained unfilled. This is 0.1ppt lower than the corresponding period of 2024, but remains much higher than pre-pandemic levels.

From an industry perspective, the trend in vacancies was mixed in November 2025. Overall, only 5 out of the 18 non-farm<sup>3</sup> industries recorded an annual rise in vacancies:

**FIGURE 18**  
**Industry Job Vacancies, Nov 2025**



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

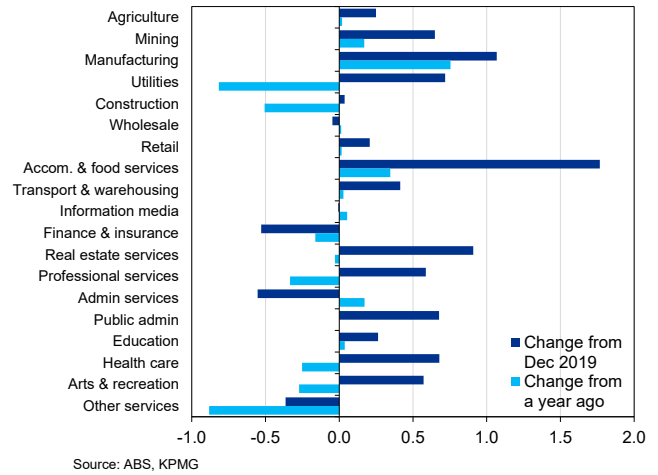
- The sharpest annual rise (in non-seasonally adjusted terms) was seen in *Manufacturing*, where vacancies soared by 33.1% to 19,700. This was followed by *Wholesale trade* (+14.7% to a total of 13,300 vacancies) and *Public administration and safety* (+13.2% to 23,200 vacancies).
- Meanwhile, the most significant falls were seen in *Arts and recreation services* (-27.3% to 4,800 vacancies), followed by *Other services* (-25.3% to 11,200 vacancies) and *Electricity, gas, water and waste services* (-22.2% to 3,500 vacancies).

On an industry basis, 8 out of the 19 industries saw a decrease in the proportion of vacant jobs in the year to the September quarter 2025.

- The most significant annual decreases were seen in *Other services* (-0.9ppt to 1.7%) and *Electricity, gas, water and waste services* (-0.8ppt to 2.2%).
- On the other hand, the largest rises were recorded in *Manufacturing* (+0.8ppt to 2.3%) and *Accommodation and food services* (+0.3ppt to 2.9%).
- *Mining* continued to have the highest proportion of vacant jobs (3.8%), followed by *Accommodation and food services* (2.9%).

- Meanwhile, *Agriculture, forestry and fishing* had the lowest proportion of vacant jobs (0.6%). This was followed by *Education and training* (1.0%) and *Transport, postal and warehousing* (1.5%).

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



**FIGURE 20**  
Job Vacancies by Industry



Source: ABS, KPMG

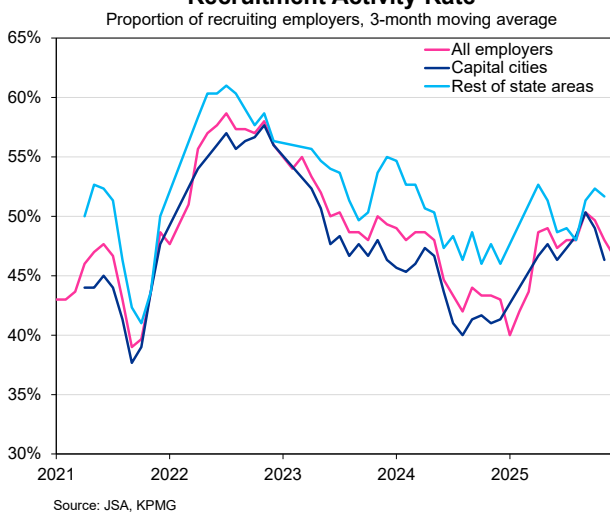
# Recruitment trends

After rebounding sharply earlier in the year, recruitment activity cooled towards the end of 2025. Meanwhile, recruitment difficulty continues to improve.

The Jobs and Skills Australia Recruitment Experiences and Outlook Survey (REOS) showed a cooling in recruitment activity in the final months of the year. The proportion of surveyed employers who were actively recruiting in December 2025 fell to 46.7% on a three-month moving average basis. This was 3.7ppts lower than the recent high of 50.3% in September, but still 3.7ppts higher than the corresponding period of 2024.

This movement looks to be driven by capital city employers, which saw a sharp rebound in activity earlier in the year, despite expectations of a cooling labour market. This saw recruitment activity climb from a trough of 41.0% in November 2024 (three-month moving average) to a peak of 50.3% by September 2025. However, it has since dropped 4.0ppts to 46.3% by November, according to the most recent data.

**FIGURE 21**  
**Recruitment Activity Rate**



Additionally, data at the state and territory level is published every quarter, though these figures should be treated with caution due to their smaller sample size. December quarter 2025 figures showed that the recruitment rate was lowest in Victoria (41%) and New South Wales (42%). Meanwhile, the Northern Territory (72%) and Queensland (58%) saw the highest recruitment rates.

After an uptick earlier in the year, recruitment difficulty has resumed its downward trend. The proportion of surveyed employers who reported recruitment difficulty in the three months to December 2025 was 42.6%, having stabilised near this range for the past five months. Furthermore, this figure was 7.0ppts lower than the corresponding period of 2024.

**FIGURE 22**  
**Recruitment Difficulty Rate**

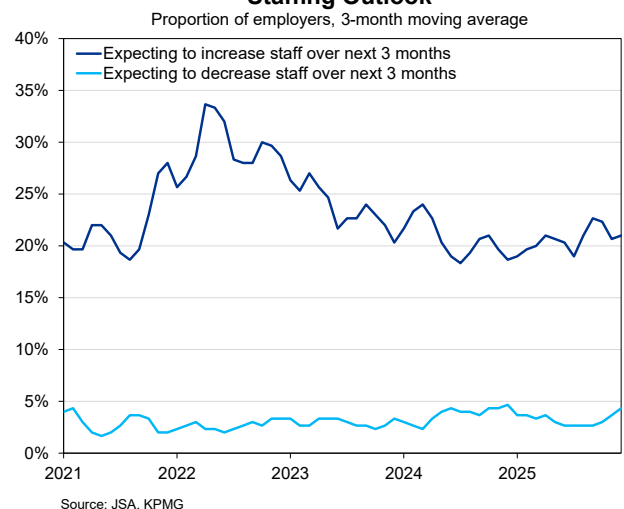


Recruitment difficulty in capital cities has continued to decline, from 40.0% in August 2025 to 38.0% in November. However, during this period, difficulty in rest of state areas rebounded from 43.3% to 46.0%.

Looking ahead, the proportion of employers expecting to increase staffing levels was broadly stable through the year, averaging 21.0% in the three months to December 2025, 2.3ppts higher than a year ago. After dipping in the middle of the year, the proportion of employers expecting to decrease staffing levels returned to 4.3%, 0.3ppts lower than the same period of 2024.

Meanwhile, the employment sub-index from the NAB Business Survey continues to trend sideways. On a seasonally adjusted, three-month moving average basis, the index was at 4.0 in December 2025, 0.1pts higher than the start of the year in January.

**FIGURE 23**  
**Staffing Outlook**



**03**

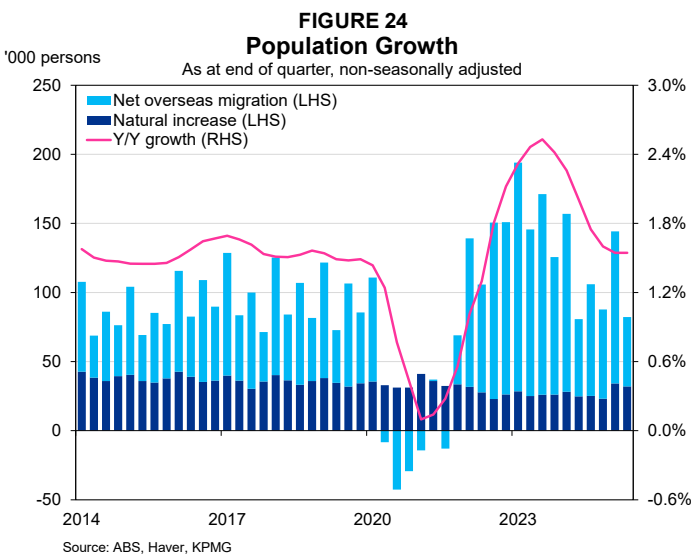
# **Labour supply**

# Population growth

Australia’s pace of population growth stabilised in the first half of 2025 and is now within the typical range seen in the decade prior to the pandemic.

Over the year to June 2025, Australia’s population grew by 1.5%. This was the equal lowest growth rate (alongside the previous March quarter) since June 2022. Through the year, net overseas migration decreased by 28.8% to 305,600 people. Meanwhile, the natural increase was 114,600 people, 8.9% higher than the previous year.

Consequently, net overseas migration was responsible for 72.7% of population growth. This compares to 80.3% of total growth a year ago and was the lowest proportion since June 2022. Over the year, there were 568,300 overseas arrivals, exceeding the 262,800 overseas departures.

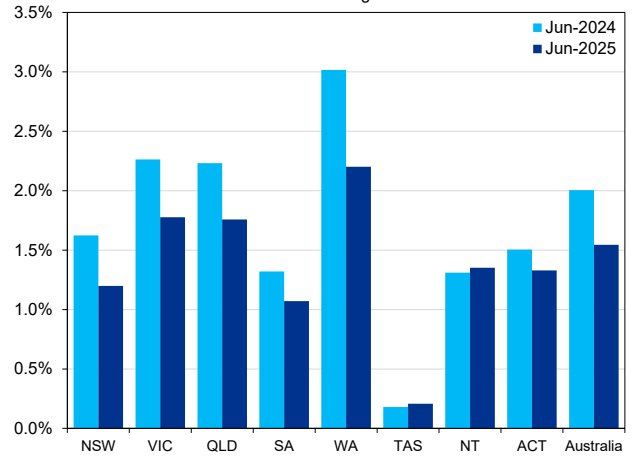


Looking at the most recent quarterly movements, net overseas migration was 50,120 persons in the three months to June 2025. This was the lowest level since the December quarter 2021, when migration was still recovering from pandemic era restrictions.

The pace of annual population growth in most states and territories was slower than a year ago, except the Northern Territory and Tasmania.

- Over the year, Western Australia saw the fastest growth rate (+2.2%), followed by Queensland (+1.8%) and Victoria (+1.8%).
- The weakest growth rates were seen in Tasmania (+0.2%), followed by South Australia (+1.1%).

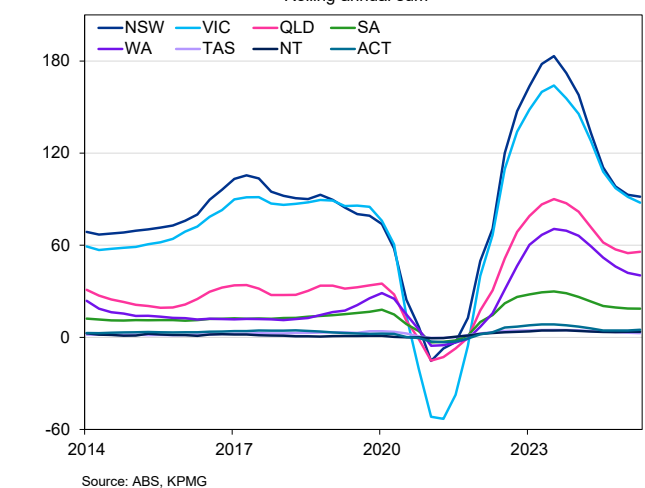
**FIGURE 25**  
**Population Growth by States and Territories**  
Year-ended growth

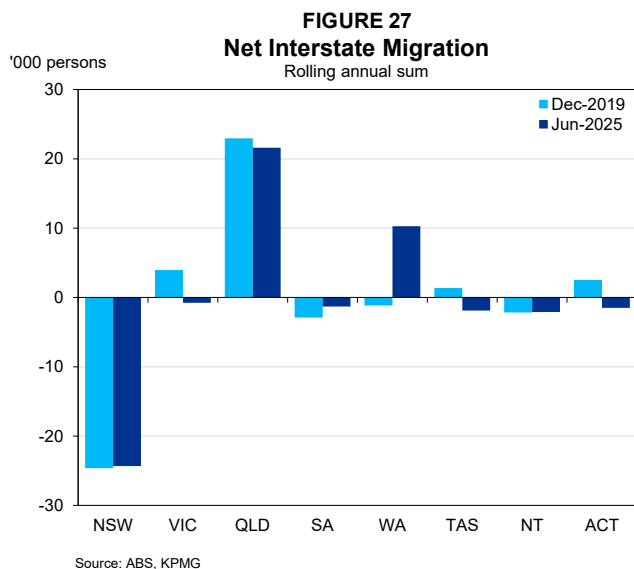


Net overseas migration was the primary source of population growth in all states and territories.

- New South Wales saw the highest level of net overseas migration (91,600 people), followed by Victoria (87,800 people) and Queensland (55,700 people).
- The annual slowdown in net overseas migration was sharpest in Tasmania (-34.2%), followed by Victoria (-31.4%) and New South Wales (-31.2%).

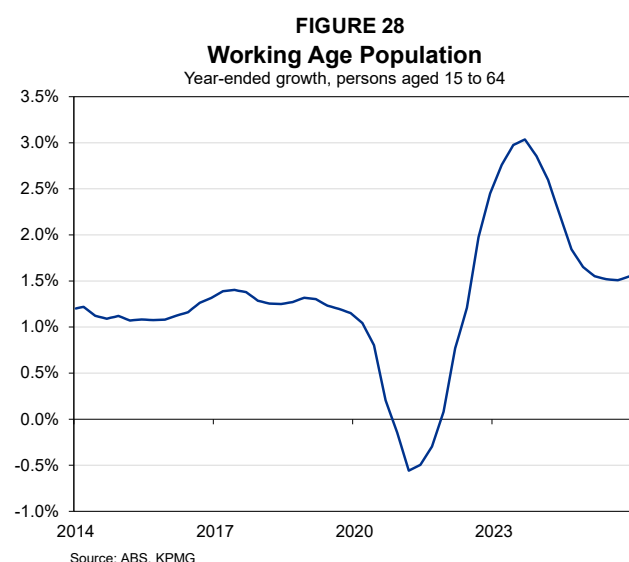
**FIGURE 26**  
**Net Overseas Migration**  
Rolling annual sum



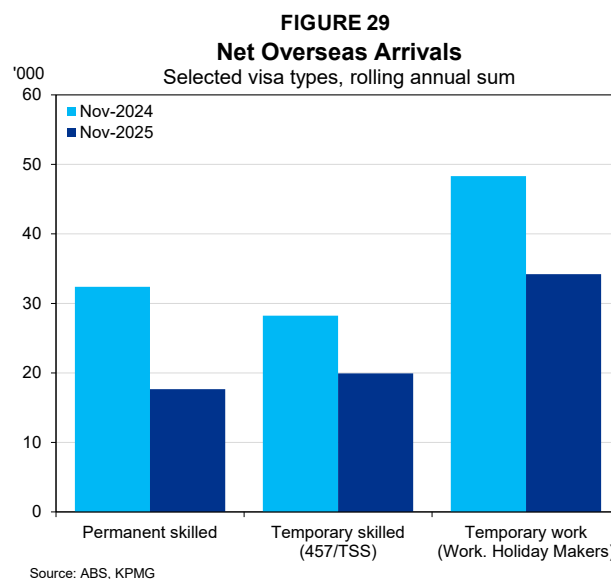


Looking at net interstate migration, only Queensland and Western Australia recorded net inflows. Through the year to June 2025:

- Queensland remained the most popular destination, with net interstate migration of 21,600 people. Meanwhile, Western Australia recorded net arrivals of 10,300 people.
- New South Wales recorded the highest net outflow, seeing the net interstate departure of 24,300 people. This is in line with historical trends, reflecting the state’s position as the main point of arrival for overseas migration.
- Net interstate migration approached zero in Victoria, with only 800 net departures in the year to June 2025. This continues an upward trend, reflecting a normalisation towards typical patterns. Prior to the pandemic, Victoria was recording net interstate arrivals, though this turned negative since June 2020.



More timely data from the Labour Force Survey suggests that the working age population grew by 1.6% in the year to December 2025. This reflects a small uptick from the 1.5% seen over the prior eight months. Overall, the current pace of growth is above the typical rate seen in the years prior to the pandemic, with the working age population growing by 1.2% on average during 2019.



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, though they must be interpreted with more caution. Over the year through to November 2025:

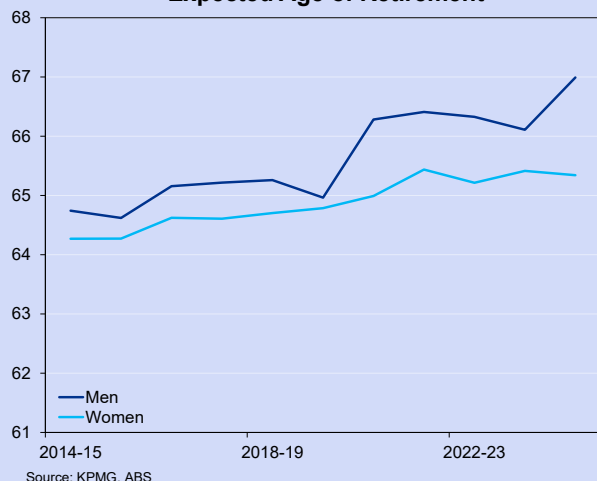
- Net arrivals of temporary skilled visa holders fell to 19,900 movements, reflecting a 29.4% decline compared to the same period one year prior.
- Similarly, net arrivals for holders of Working Holiday Maker visas fell 29.2% to 34,200 movements. This represents a significant decline from the peak of 104,500 movements seen over the year to March 2023, which was temporarily boosted by the re-opening of borders following the pandemic.
- Meanwhile, net arrivals of permanent skilled visa holders fell 45.5% to 17,700 movements.

<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.

**The expected age of retirement has continued to rise, as older Australians work for longer.**

KPMG analysis of ABS Labour Force data (accessed via TableBuilder) revealed that the expected retirement age for men was 67.0 years in FY2024-25, while the expected retirement age for women was 65.3 years. This reflects a rise of 2.2 years and 1.1 years respectively since FY2014-15.

**FIGURE X7**  
**Expected Age of Retirement**

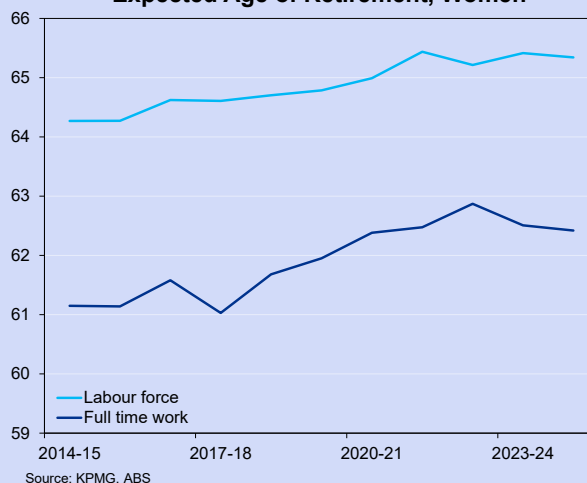


While increases to eligibility for the aged pension have contributed to this trend, a key long-term driver has been a growing cohort of workers who are working beyond this traditional retirement age.

For example, the participation rate for women aged in their 70s was 9% in FY2024-25, up from 5% in FY2014-15. Meanwhile, for men aged in their 70s, the participation rate is now 14%, up from 11%.

This has been supported by the rise in white-collar work, and particularly more recently, increased flexibility in working arrangements. This includes greater scope to work remotely, with flexible hours, or part time. The expected age of retirement from full time work is 64.2 years for men, compared to 62.1 years in FY2014-15.

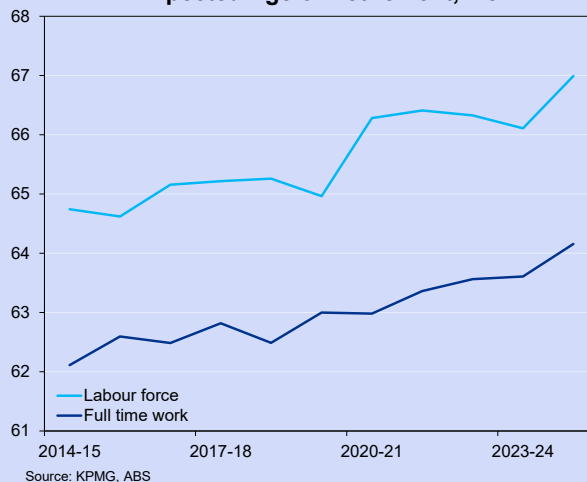
**FIGURE X8**  
**Expected Age of Retirement, Women**



Meanwhile, women are now expected to retire from full time work at 62.4 years, up from 61.1 years in FY2014-15.

This rise reflects a broader structural change taking place in the labour market, which will support higher participation rates and labour supply, even as Australia's population ages.

**FIGURE X9**  
**Expected Age of Retirement, Men**



**The pace of population growth is expected to slow slightly further in coming years.**

The Centre for Population's 2025 Population Statement was released in early January. It projects that the pace of annual population growth is expected to slow from the 1.5% recorded in FY2024-25 to 1.3% in FY2025-26, and 1.2% in FY2026-27.

This is predominantly driven by a slowdown in net overseas migration, falling from 305,600 in FY2024-25 to 225,000 by FY2026-27. This was associated with a modest decrease in migrant arrivals, alongside a sharper increase in migrant departures.

**TABLE X1**  
**Population Outcomes and Projections**  
Thousands of persons

	FY2024-25	FY2025-26	FY2026-27
Population (as of 30 June)	26,614	28,000	28,300
Population growth	420 (+1.5%)	362 (+1.3%)	332 (+1.2%)
Natural increase	115	99	105
Births	300	286	295
Deaths	186	186	190
Net overseas migration	306	260	225
Migrant arrivals	568	565	560
Migrant departures	263	305	330

Source: ABS, Centre for Population. Shaded cells are actual values.

# Temporary skilled visas

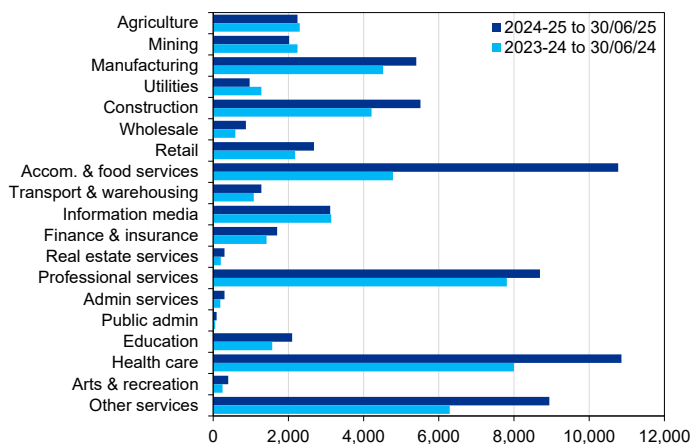
The number of applications granted under Australia’s temporary skilled visa program climbed in FY2024-25. During this time, there was also a significant overhaul of the structure of the program.

There were 68,200 primary visas granted for skilled temporary resident visas in FY2024-25, representing a 30.9% increase compared to FY2023-24. This was the largest number of applications granted in a financial year since FY2012-13 but remains equivalent to only 0.5% of total employment.

During this period, the temporary skilled migration program saw significant reform. 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. These changes reflected the need for the program to evolve, to keep pace with needs of the nation.

Consistent with this rise in applications granted, the number of primary visa holders in Australia rose 30.8% to 119,440 in FY2024-25. The Department of Home Affairs also reported that during the financial year, 32,130 temporary skilled resident visa holders were granted permanent residence or a provisional visa. This represents an increase of 7.7% compared to the previous year.

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

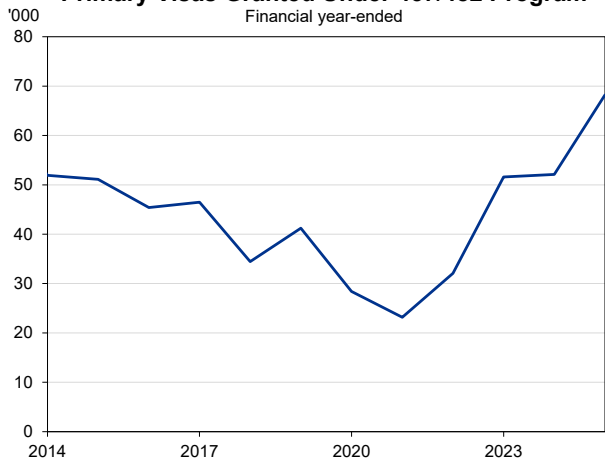


Source: Department of Home Affairs, KPMG

During FY2024-25:

- *Health care and social assistance* remained the largest sponsor industry, with 10,860 visas granted, a 35.8% increase compared to FY2023-24. *Accommodation and food services* is now the second largest sponsor industry, with 10,770 visas. This reflects a 125.2% rise compared to the previous financial year.
- The most common occupation was Chef, with 6,360 visas granted, 179.2% higher than FY2023-24. This was followed by Resident Medical Officer (+13.3%, resulting in a total of 2,730 visas granted) and Motor Mechanic – General (+44.1% to 2,250 visas).

**FIGURE 30**  
Primary Visas Granted Under 457/482 Program

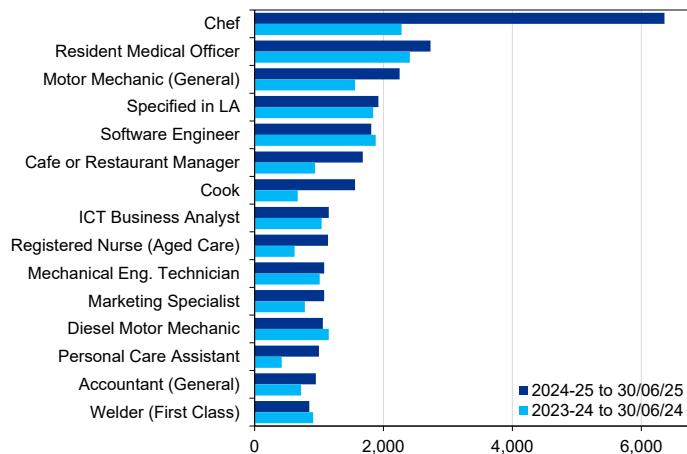


Source: Department of Home Affairs, KPMG

New South Wales remained the most common nominated position location, with 25,680 primary applications granted in FY2024-25. This was followed by Victoria (15,890 visas) and Queensland (11,210 visas).

The most significant rise in primary applications granted was in South Australia (+68.3%, resulting in a total of 2,350 visas), followed by the Australian Capital Territory (+66.1% to 830 visas) and Queensland (+37.3% to 11,210 visas).

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



Source: Department of Home Affairs, KPMG

**04**

# **Labour market performance**

# Labour market pressure

According to KPMG’s latest estimates, the labour market had a neutral impact on inflation during 2025. That is, it did not exert excessive inflationary pressures, without holding more spare capacity than necessary.

## 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.

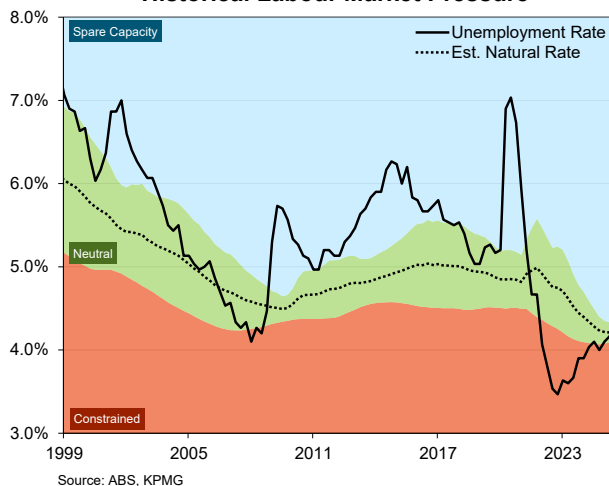
In considering this concept, it is important to recognise:

- 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 spent 2025 within the neutral zone, according to the KPMG Labour Market Pressure Index. During the December quarter, the index returned to +0.0pts, in line with it’s June quarter result, after dipping to -0.1pts in the September quarter.

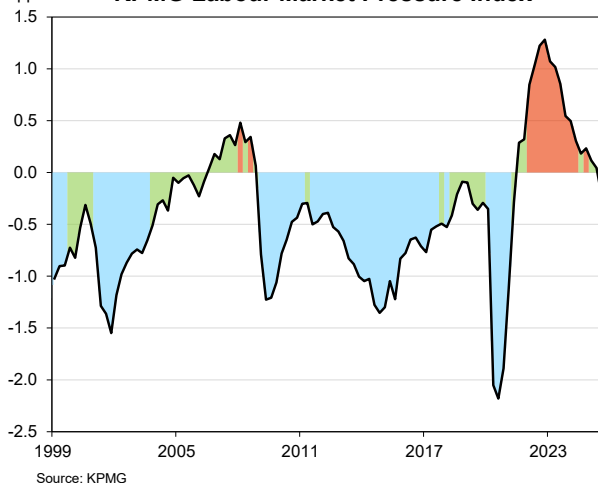
This coincides with unemployment averaging 4.2% during the December quarter. KPMG’s latest estimate of NAIRU was also 4.2%, reflective of a labour market with a minimal level of spare capacity.

**FIGURE 33**  
Historical Labour Market Pressure



This places the labour market at a rare, but fortunate, position, having settled at a point close to full employment for several quarters. However, this is also a fragile position which complicates policy making. When operating this close to the margin, it becomes more challenging to separate trends in space capacity (i.e. whether it is building, or if it is too constrained) from the volatility which is always present in economic data.

**FIGURE 34**  
KPMG Labour Market Pressure Index



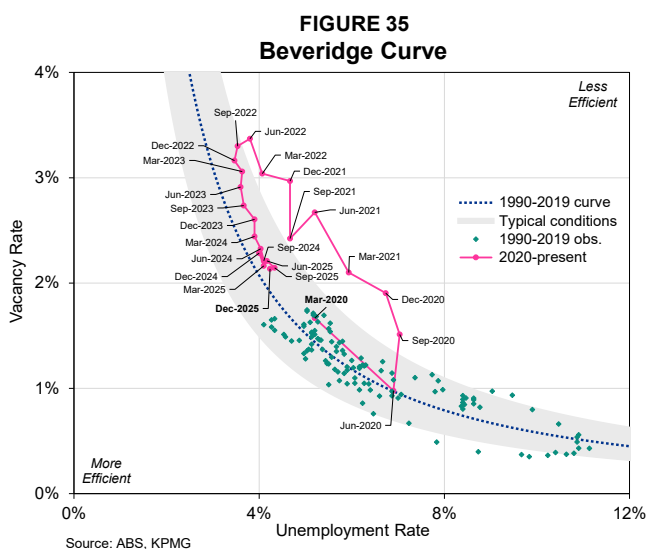
# Labour market efficiency

Efficiency in the labour market remains settled within the historical range, despite overall conditions being tighter than pre-pandemic levels.

The position of the labour market on the Beveridge Curve settled into a stable position throughout 2025. The latest read for the December quarter shows that market efficiency – the ability for the market to match job seekers with employers – remained within the range of typical conditions, illustrated by the grey shaded region.

This is despite the market stabilising at a more constrained point compared to pre-pandemic levels. During 2025, the market steadied at a point higher along the Beveridge Curve, depicted by the blue dotted line. This is reflective of an unemployment rate which remains close to record lows, alongside an elevated vacancy rate.

Overall, this is consistent with the Australian economy operating near full employment, with limited spare capacity in the labour market. However, there is no reason to conclude from this data that these pressures are excessive, as efficiency continues to be within a normal range. This contrasts against the environment seen during 2021 and 2022, where a labour shortage was a crucial driver of inflationary pressures.



This stability also extended to the matching rate, which continued to trend sideways. This indicator, proxied by gross flows into employment over vacancies in the previous quarter, provides another gauge as to how difficult it is for firms to find suitable workers. Although the matching rate is below the level seen immediately prior to the pandemic, the latest estimates remain in line with a longer-term decline which has been seen since 2014, which coincided against rising vacancies across the economy.

## Interpreting the Beveridge Curve

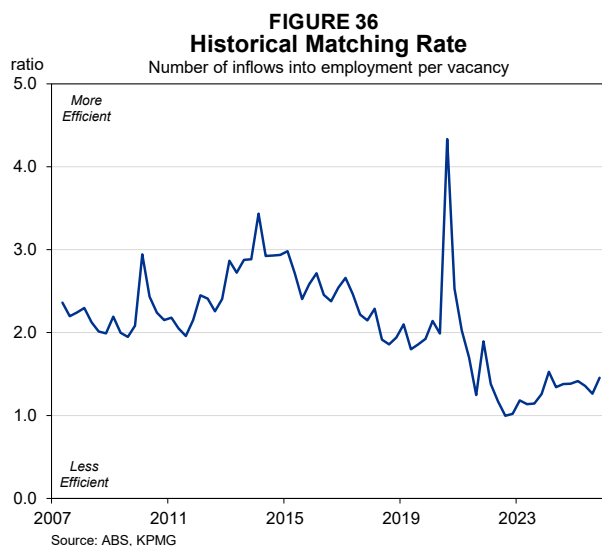
The Beveridge Curve is a graphical representation of the relationship between the unemployment rate and the job vacancy rate (that is, the number of vacancies expressed as a proportion of the labour force).

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.





# Key contacts



**Dr Brendan Rynne**  
**Chief Economist & Partner**  
T: +61 3 9288 5780  
E: [bjryrne@kpmg.com.au](mailto:bjryrne@kpmg.com.au)



**Dr Michael Malakellis**  
**Senior Economist**  
T: +61 7 3233 9592  
E: [mmalakellis@kpmg.com.au](mailto:mmalakellis@kpmg.com.au)



**Dr Brian Tran**  
**Senior Economist**  
T: +61 3 8614 5625  
E: [btran7@kpmg.com.au](mailto:btran7@kpmg.com.au)



**Terry Rawnsley**  
**Senior Economist**  
T: +61 3 9288 5455  
E: [trawnsley@kpmg.com.au](mailto:trawnsley@kpmg.com.au)

[KPMG.com.au](https://www.kpmg.com.au)



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