



RESERVE BANK OF AUSTRALIA

Understanding the NAIRU

Natasha Cassidy (Economic Analysis)

Education

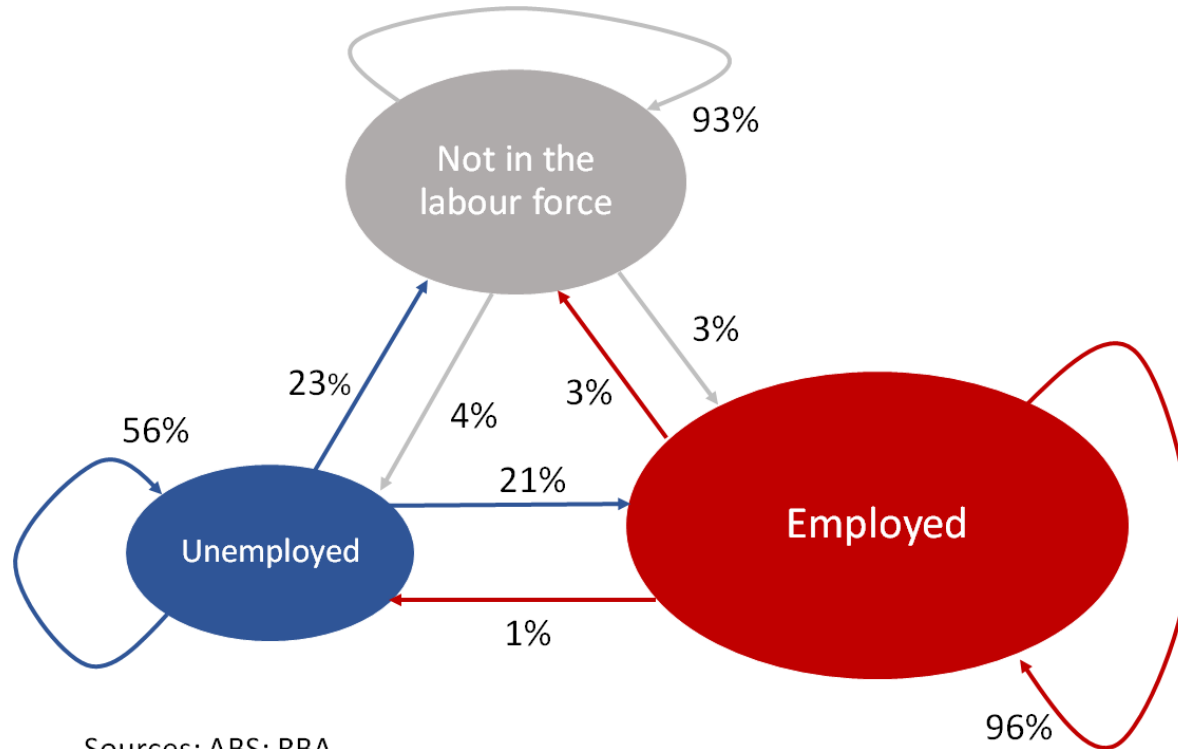


Outline

- Spare capacity in the labour market
 - Why is it important?
- How can we measure spare capacity?
 - Unemployment
 - Underemployment
 - NAIRU



Labour Market Flows Each Month

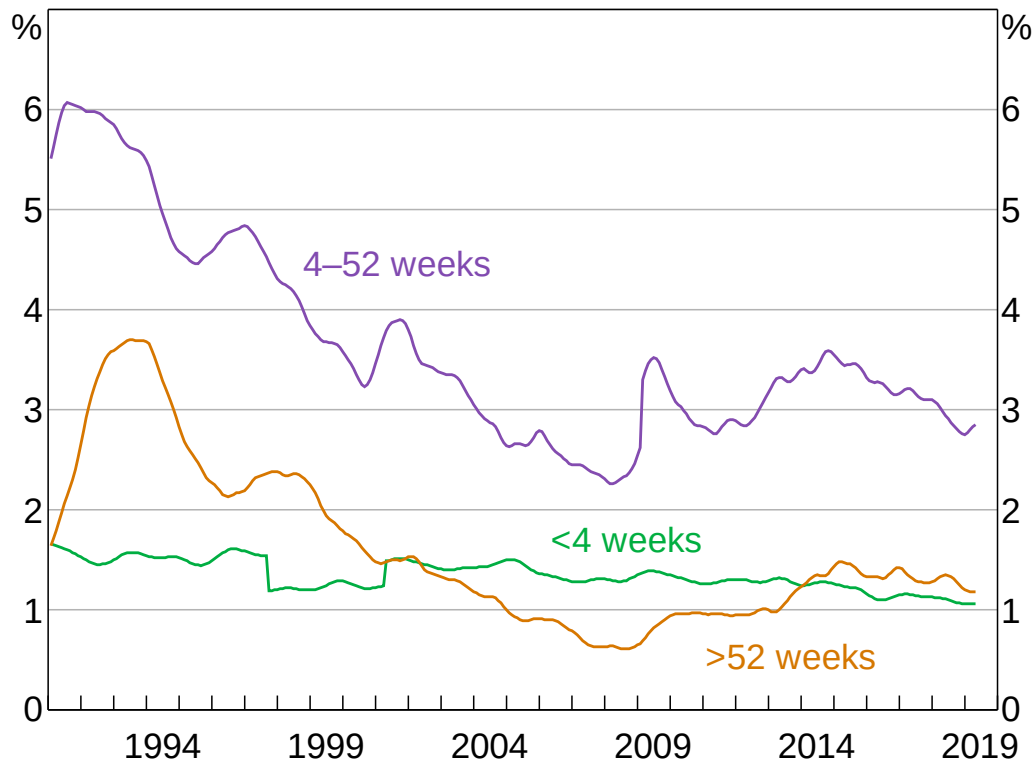


Sources: ABS; RBA



Unemployment Rates

Smoothed

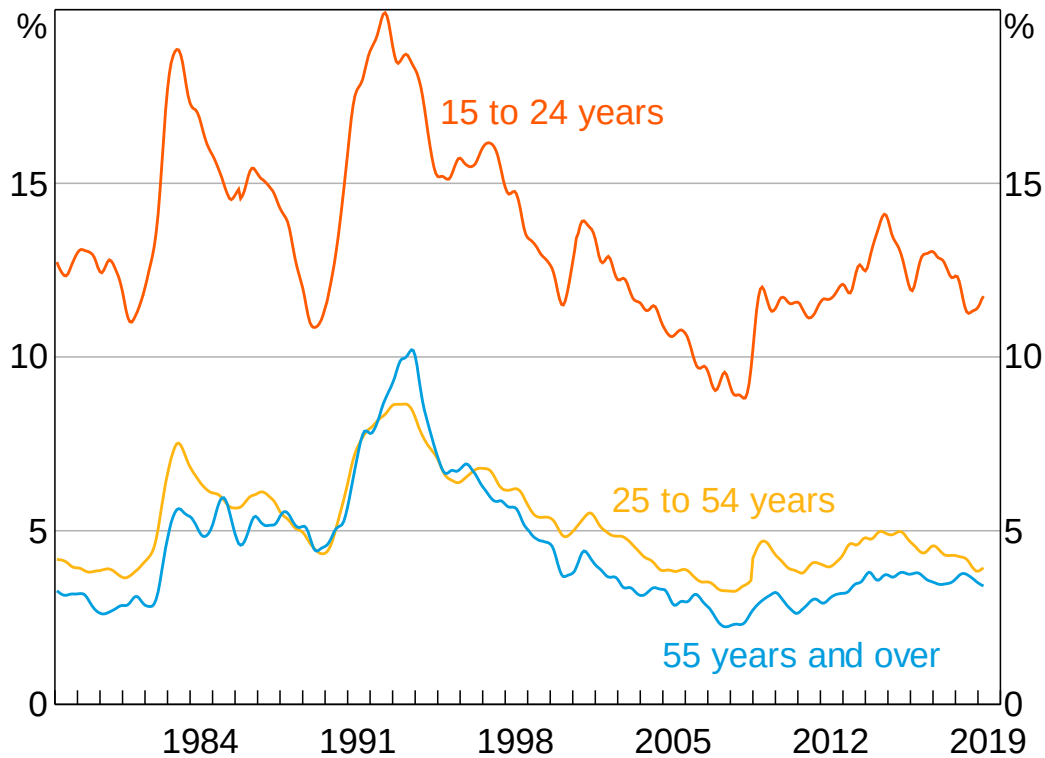


Sources: ABS; RBA



Unemployment Rate by Age

Smoothed

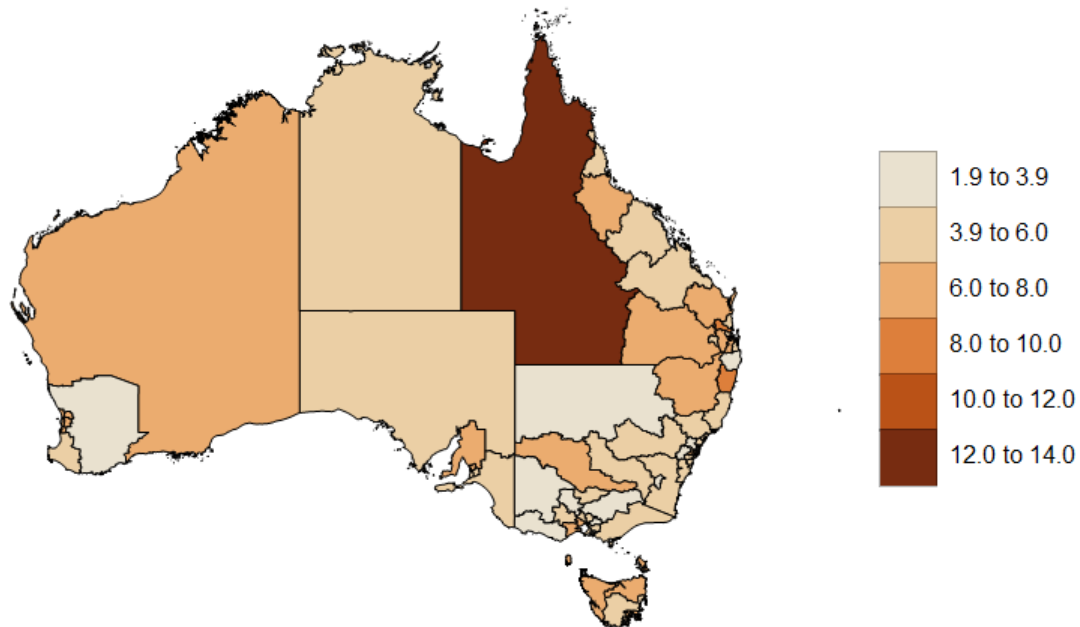


Sources: ABS; RBA



Unemployment Rates by Region

Per cent, SA4 regions, April 2019



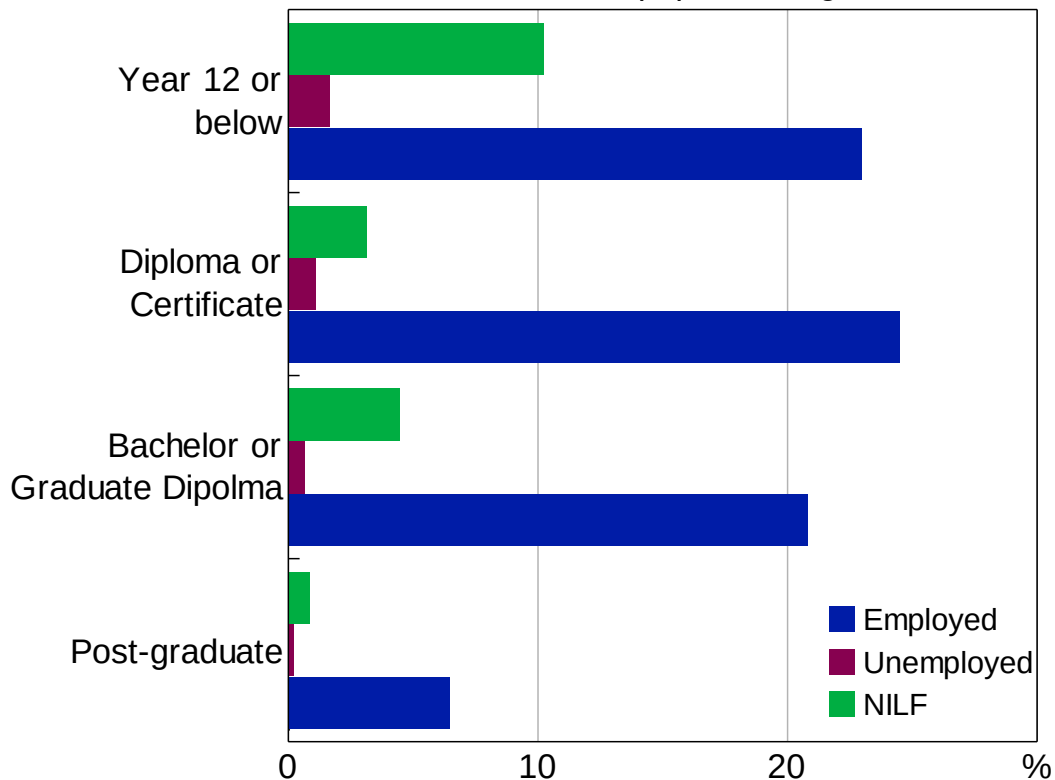
Notes: average unemployment rate over previous 12 months

Sources: ABS; RBA



Education Attainment and Labour Status

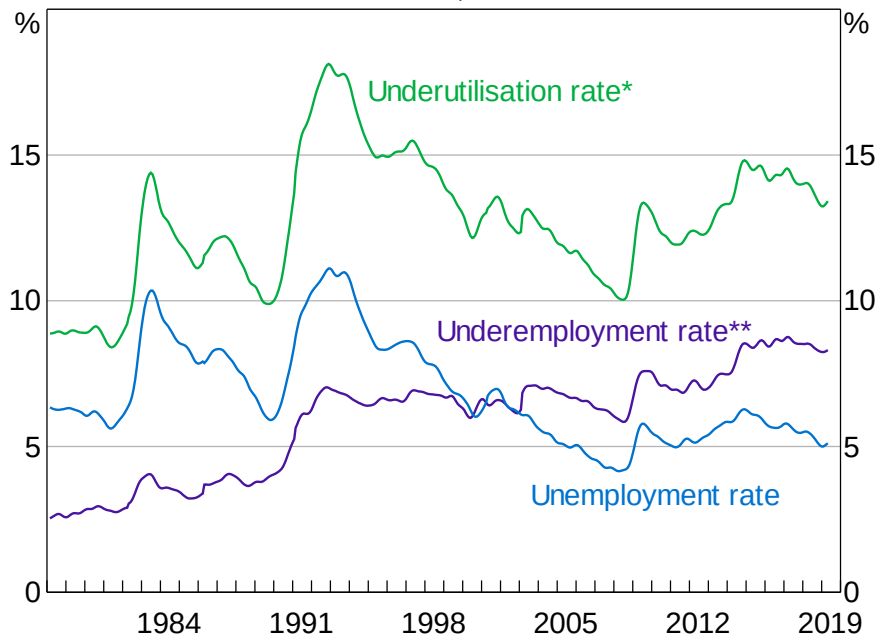
Per cent of civilian population aged 20-64





Labour Underutilisation

Heads-based, smoothed



* Sum of the unemployment and underemployment rates

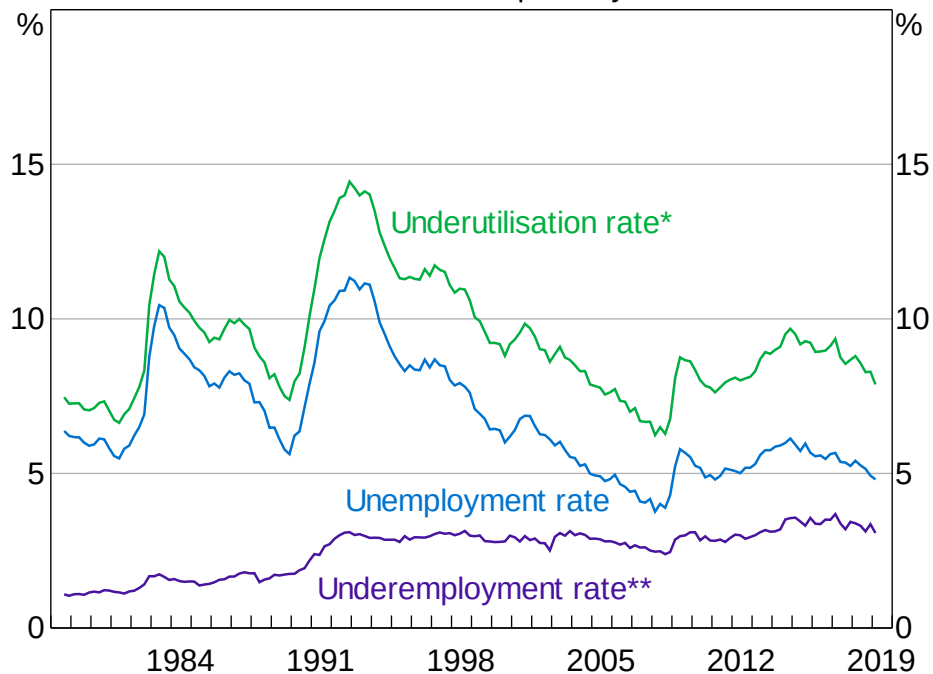
** Full-time workers on reduced hours for economic reasons and part-time workers who would like, and are available, to work more hours

Source: ABS



Labour Underutilisation

Hours-based, quarterly



* Sum of the unemployment and underemployment rates

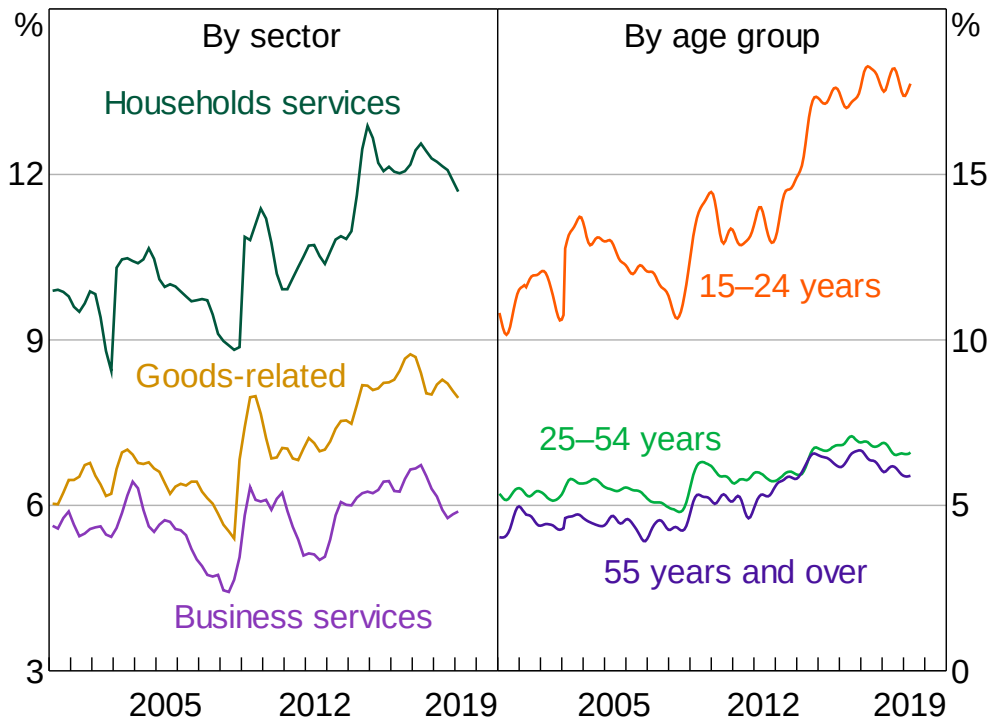
** Full-time workers on reduced hours for economic reasons and part-time workers who would like, and are available, to work more hours

Sources: ABS; RBA



Underemployment Rates

Smoothed

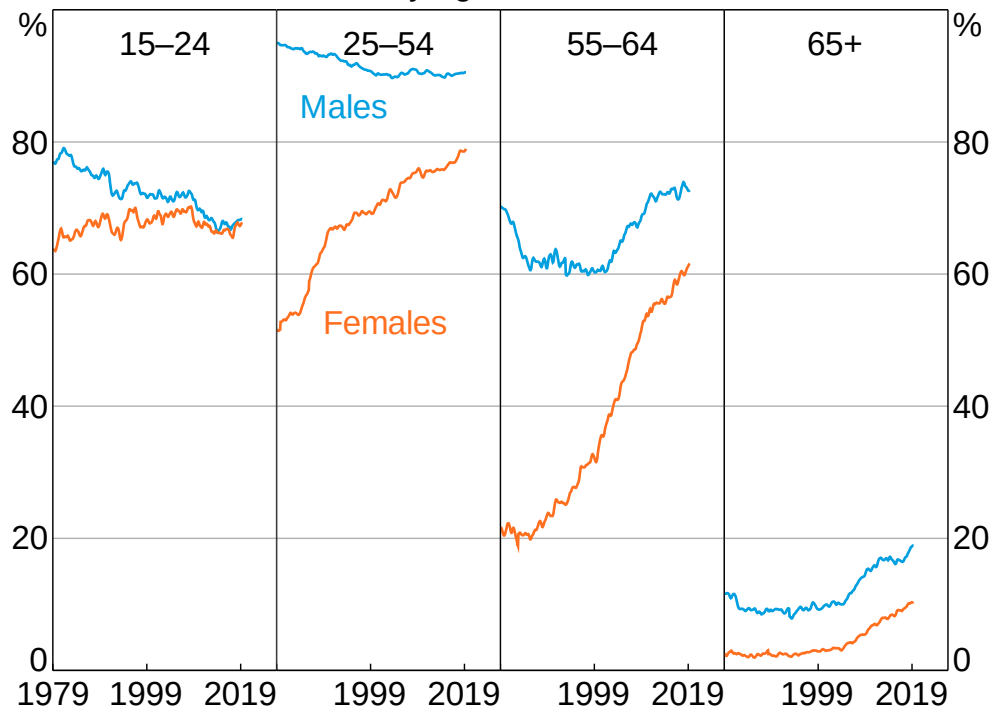


Sources: ABS; RBA



Participation Rate

By age and sex

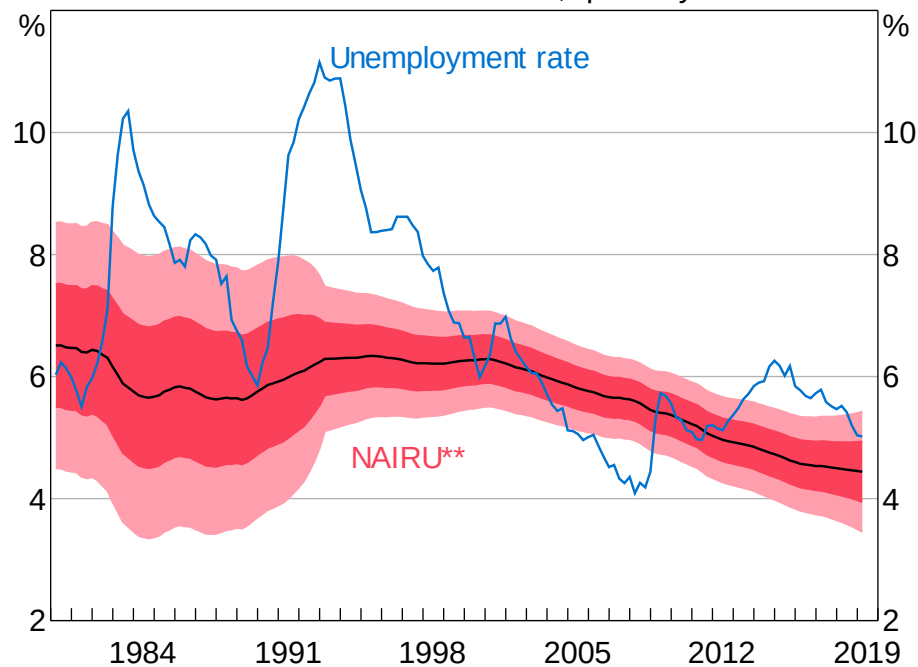


Sources: ABS; RBA



NAIRU Estimates*

Per cent of labour force, quarterly



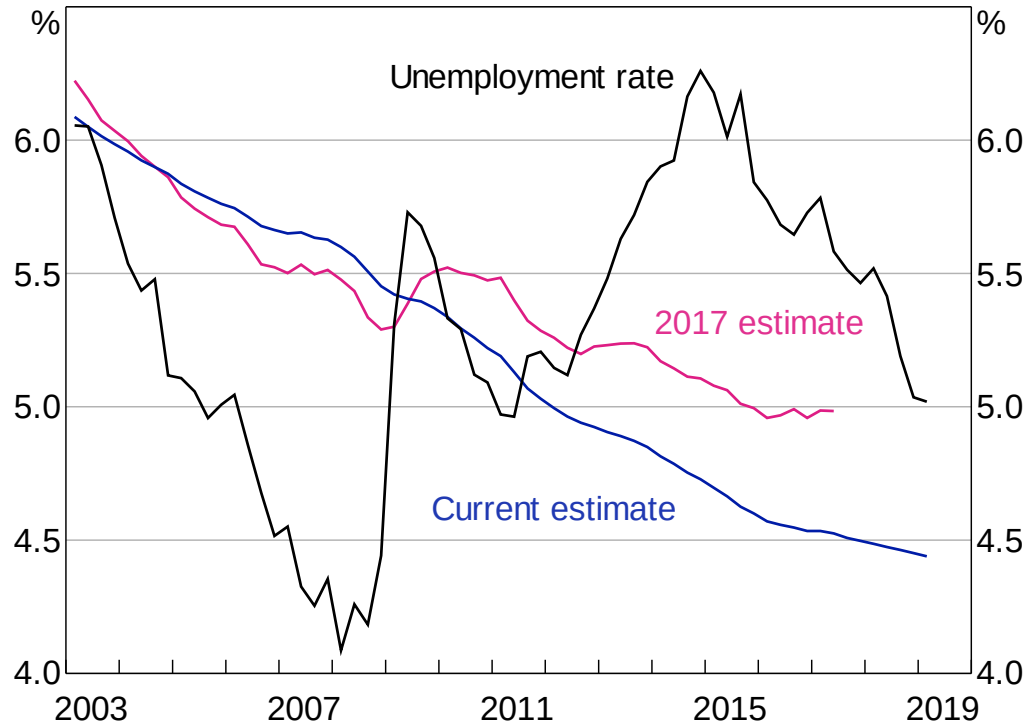
* Two-sided smoothed estimates

** Shaded areas represent one and two standard error bands around central estimates

Sources: ABS; RBA



NAIRU Estimates



Sources: ABS; Cusbert (2017); RBA