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Australian Jobs Slump Sparks Interest Rate Cut Bets as Dollar Slides

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Australia's economic warning lights are flashing after the latest jobs report showed a sharp rise in unemployment, triggering a market-wide selloff of the Australian Dollar and reigniting expectations of imminent interest rate cuts. The shock data has rattled confidence in what had appeared to be a resilient labour market, casting fresh doubts on the nation's economic stability under current fiscal policy.

On Thursday (July 17), the *Australian Bureau of Statistics (ABS)* released employment figures for June, revealing a mere 2,000 increase in job numbers well below market

expectations of 20,000. More striking was the rise in the unemployment rate from 4.1% to 4.3%, the highest in three years. This data has effectively shattered the illusion of labour market stability that persisted even as economic growth weakened. The Reserve Bank of Australia (RBA) had previously signalled a wait-and-see approach to interest rates, but the deteriorating job market may now force its hand.

Financial markets wasted no time reacting. The Australian Dollar dropped 0.7% to a two-month low of USD 0.6474. Interest rate futures surged, with traders pricing in a 90% chance of a 25-basis point cut by the RBA as early as August. Some, including Capital Economics' Abhishek Suliya, warned that if upcoming inflation data remains weak, the central bank could even consider a more aggressive 50-basis point cut. With the second-quarter *Consumer Price Index (CPI)* due on July 30, this data will likely serve as the final trigger for a shift in monetary policy.



The turbulence has already begun to spill over into neighbouring markets. The New Zealand Dollar fell 0.54% amid rising concern over soaring food inflation, which climbed 4.6% year-on-year. Analysts like Satish Ranchhod of Westpac Bank suggest that the Reserve Bank of New Zealand could be next in line to pivot toward policy easing. These developments underscore how fragile the economic outlook remains across the region especially as high interest rates clash with weakening growth.

The Labor government's economic stewardship now faces serious scrutiny. While Canberra has boasted of low unemployment and controlled inflation, today's data exposes a far more fragile foundation. With inflation data looming and job markets buckling, the RBA may have little choice but to abandon caution. For investors, July 30 could be the day that defines the next chapter in Australia's monetary policy and perhaps its broader economic trajectory. The storm, it seems, is only just gathering strength.