APAC Market Briefing

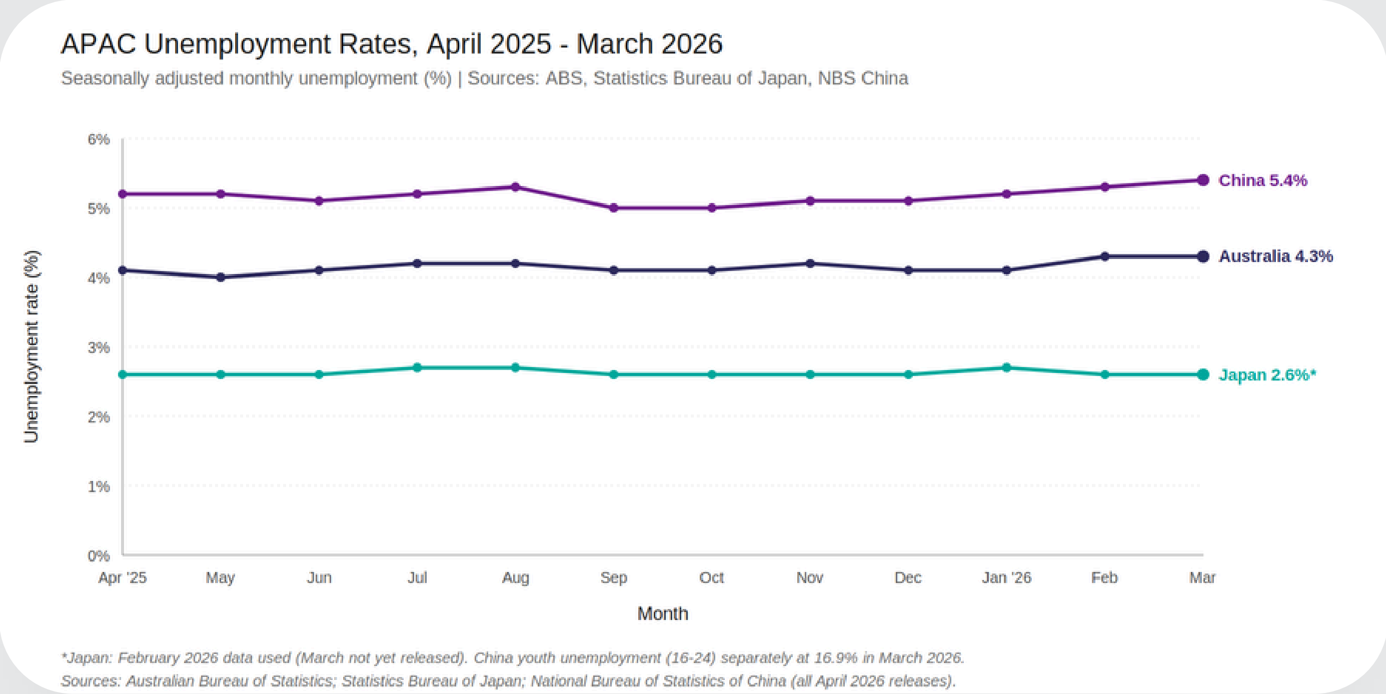
April 2026

Energy shocks test resilience as labour markets diverge across the region

- **Australia:** Unemployment 4.3% (unchanged); participation 66.8% (-0.1pp); employment +18,000.
- **Japan:** Unemployment 2.6% (February); jobs-to-applicants 1.19; participation 63.5%.
- **China:** Urban unemployment 5.4%; youth (16–24) 16.9%; migrant labour 5.3%.
- **Energy risk:** Brent ~$95/barrel with upside risk threatens inflation targets region-wide.

APAC labour markets held steady through March 2026 despite headwinds from the Iran conflict and rising energy prices. Australia's unemployment remained at **4.3%**, Japan's improved to **2.6%** in February (from **2.7%**), and China's urban rate rose to **5.4%** — a 13-month high.

Participation diverged: Australia fell **0.1**pp to **66.8%**, Japan held at **63.5%**. Australia's full-time employment surged **53,000** while part-time roles fell **35,000**, signalling employer preference for committed headcount.

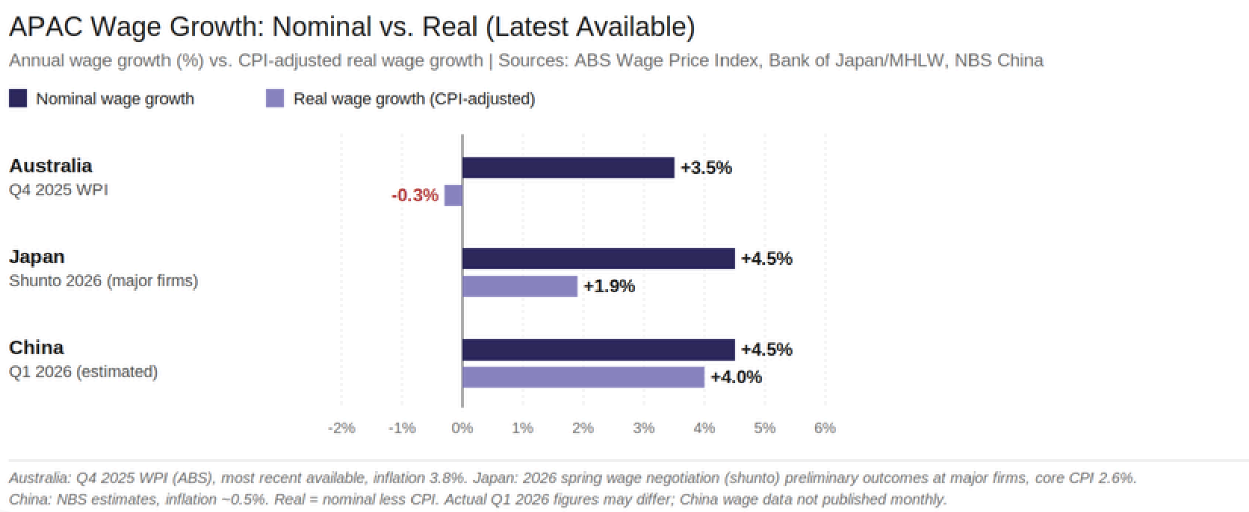


With Brent near $95 and analysts warning of $100 if Hormuz tensions escalate, the region faces a key test of whether stability holds as energy-driven inflation strains consumers and central banks.

Wage Growth and Cost Pressures

Real Wages Squeezed as Oil Reignites Inflation

Wage growth remained moderate but complicated by renewed energy costs. Australia's Q4 2025 Wage Price Index rose 3.5% year-on-year, with CPI at 3.8% leaving real wages marginally negative. Japan's 2026 spring wage negotiations (shunto) point to base pay increases of 4–5% at major firms — the highest in three decades — though core CPI at 2.6% keeps real wages under pressure.



January CPI rose 1.5% (a two-year low), but food prices jumped 6.2% with rice up 27.9%. Brent crude has surged from roughly $75 to $95 per barrel amid US–Iran tensions, with analysts warning of a move toward $100 if Strait of Hormuz disruptions persist.

Transport and logistics costs have spiked accordingly, creating a policy bind for regional central banks: easing risks fuelling inflation, while tightening risks accelerating job losses.

Sectoral and Regional Variation

Sectoral performance varied sharply. Australia's healthcare and education drove employment growth, while construction and retail softened under high interest rates. Hours worked rose 0.5% in March to 2,015 million. Japan's January data showed manufacturing job openings up 1.6% year-on-year and education up 4.0%, but overall new openings fell 2.4%, indicating slowing momentum.

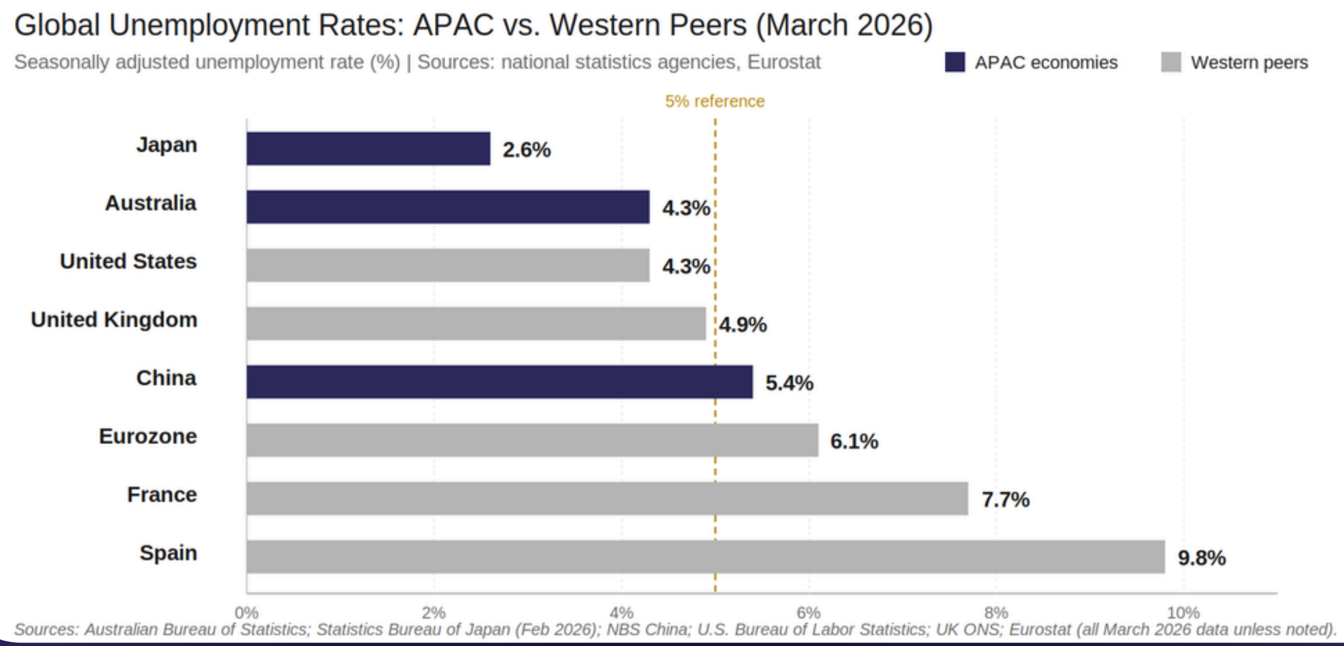
The regular-employee job availability ratio held at 0.99 in February — permanent positions remain hard to secure despite overall tightness.
China's Q1 GDP grew 5.0%, 0.5pp faster than Q4 2025, yet labour market stress persisted.

Industrial production rose 6.3% in January–February, but retail sales growth moderated to 2.8%. The government maintained its 2026 target of ~5.5% urban unemployment and 12 million new urban jobs, though youth unemployment trends suggest graduate employment quality will be the harder challenge.

Comparative Analysis: APAC vs. US and Europe

APAC labour markets continue to outperform Western peers on headline unemployment. Australia's 4.3%, Japan's 2.6%, and China's 5.4% compare favourably to the Eurozone's 6.1%, France's 7.7%, and Spain's 9.8%.

The US matched Australia at 4.3% in March, though US payrolls were far more volatile (+178,000 after -133,000 in February). Australia's 66.8% participation exceeds the US (62.0%, falling). Japan's chronic shortages (1.19 jobs-to-applicants) contrast sharply with rising UK candidate oversupply (37 consecutive months of expanding labour supply per REC/KPMG). APAC's tightness is demographic, not cyclical.



Energy-importing Japan and China face acute inflation pressures; Australia gains partial offsets via LNG, though domestic energy costs still threaten consumer spending.

Strategic Implications for HR and Talent Acquisition

- Prepare for energy cost volatility; rising transport and commuting expenses may require flexible work arrangements or transport subsidies to retain staff in margin-sensitive sectors.
- Leverage employer preference for full-time roles in Australia; part-time hiring fell sharply in March, signalling commitment to permanent headcount over flexible arrangements.
- Address youth unemployment challenges in China; graduate employment absorption remains difficult, creating opportunities for firms offering clear career pathways and skills development.
- Monitor Japan's wage pressures; 4–5% base pay increases at major firms may cascade to SMEs, requiring proactive compensation reviews to retain talent.
- Strengthen retention strategies as participation rates soften; discouraged worker withdrawal in Australia mirrors trends in UK/US, suggesting labour supply cannot be taken for granted.

Forecast for the Remainder of 2026

- Energy shocks remain the immediate risk; sustained Brent above $100/barrel would threaten consumer spending and inflation targets across APAC.
- Australia's unemployment likely to drift toward 4.5–4.7% through H2 2026; Commonwealth Bank forecasts peak in late 2027, depending on energy crisis duration.
- Japan's structural shortages persist; demographics and wage pressures keep the jobs-to-applicants ratio above 1.15.
- China's youth unemployment stays elevated; the 5.5% urban target is achievable, but graduate absorption remains the harder challenge.
- Regional divergence widens; energy importers face inflation/growth trade-offs while exporters see partial offsets.

Sources & Assumptions

- *Australia: ABS Labour Force Survey (March 2026), Wage Price Index and CPI (Q4 2025); Commonwealth Bank of Australia research (April 2026).*
- *Japan: Statistics Bureau of Japan Labour Force Survey (Feb 2026) and CPI (Jan 2026); MHLW employment placement data; Rengo 2026 shunto preliminary outcomes; Bank of Japan Tankan; JILAF reports (Jan–Mar 2026).*
- *China: National Bureau of Statistics — macroeconomic releases (March and Q1 2026); China Government Work Report 2026 for unemployment and job creation targets.*
- *Comparative: US Bureau of Labor Statistics Employment Situation (March 2026); UK ONS Labour Market Overview (April 2026); KPMG/REC UK Report on Jobs (April 2026); Eurostat (March 2026).*
- *Energy: Brent spot prices and Iran timeline from Reuters, Bloomberg, NBC News, and Fortune (20–21 April 2026); $100/barrel risk scenarios from major investment bank research.*
- *Assumptions: China Q1 wage figures are NBS-derived estimates; Japan shunto reflects major-firm outcomes; real wage calculations use CPI as deflator.*

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