

Weekly Economics and Markets Review

- The Minutes of the RBA's July policy meeting highlighted the decision not to increase rates was taken to reassess the situation in August.
- Domestic labour market conditions remained solid with employment growth increasing and the unemployment rate falling.
- In terms of the global economy, activity data out of China were mostly on the softer side, while headline consumer inflation in the UK and New Zealand eased.

Week in review

Domestic

- The Labour Force Survey was stronger than expected for a second consecutive month in June. Total employment rose by 32,600 (consensus was for +15,000), with strong full-time employment growth (+39,300), offsetting a slight decline in part-time work (-6,700). The boost in employment and a one-tenth decline in the participation rate (to 66.8 per cent) saw the unemployment rate fall one-tenth to 3.5 per cent (though unrounded it was 3.46 per cent, just above the October 2022 cycle low of 3.4 per cent). Hours worked lifted 0.3 per cent on the month to be 4.7 per cent higher year-on-year.
 - Following the employment outcome market pricing for the RBA shifted slightly, with Cash Rate Futures pricing around a 45 per cent probability of a 25-basis point increase at the RBA's next meeting on 1 August (up from around 30 per cent priced prior to it).
- The *SEEK* measure of job advertisements fell 2.3 per cent in June, with ads now having declined for 12 of the last 13 months. Though, while job ads have fallen around 24 per cent from the May 2022 peak, they remain almost 30 per cent above pre-pandemic levels. Interestingly, the distribution of job ads is not uniform, with ads in some industries and states notably higher than others.
- The Minutes to the RBA's July policy meeting provided limited new information on the Bank's decision to hold rates unchanged at 4.1 per cent. The Minutes highlighted that there was a debate by members on the merits of hiking versus pausing, but ultimately the Board elected to keep rates steady so members could 'reassess the situation at the August meeting' given 'both the uncertainty around the outlook and the significant increase in interest rates to date'.
- Meanwhile in other RBA news, it was announced late last week that current RBA Deputy Governor Michele Bullock will become the Bank's next Governor when Philip Lowe's term ends on 17 September.

Offshore

- In central bank commentary this week:
 - Fed officials suggested that the softer CPI inflation report indicates that it was making progress on getting inflation under control, but that more work needed to be done (that is, further rate increases were required).
 - ECB policymakers were consistent in suggesting that euro area inflation remains too high and that the Bank needs to do more. Deutsche Bundesbank President (Joachim Nagel) stated that 'virtually everyone' expects a 25-basis point rate hike at the Bank's meeting next week.
 - Speaking after the softer UK inflation report, Bank of England policymaker Ramsden stressed that inflation remains too high and that further tightening would be needed if inflation remained persistent.

Markets

While the US was an exception, bond yields generally fell across the globe on softer inflation prints, while most currencies and major commodities were little changed.

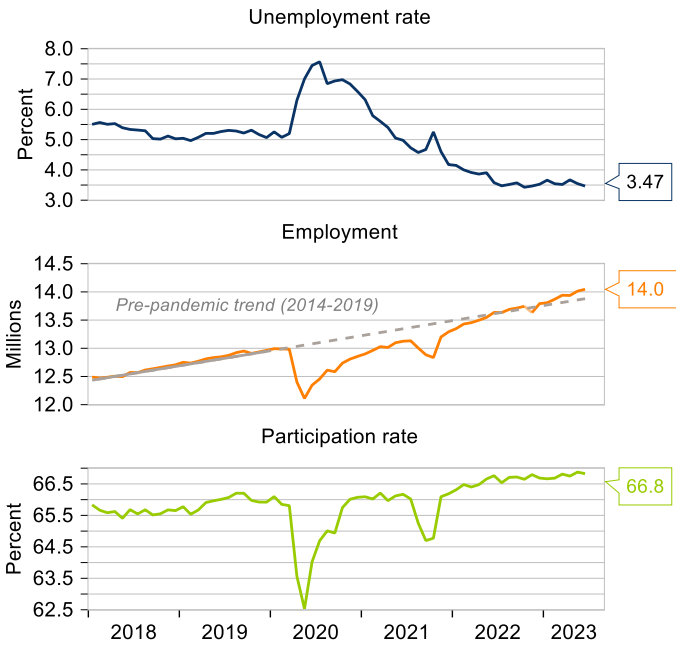
Economic & Market Calendar

DATE	DETAILS
Domestic	Wednesday: CPI Inflation (Q2 and Jun) Friday: PPI Inflation (Q2) and Retail Sales (Jun)
Offshore	Global: S&P PMI Activity Data (Jul) US: FOMC Policy Decision, GDP (Q2), Employment Cost Index (Q2), PCE Deflator (Jun), Consumer Sentiment (Jul), Various Housing Data (May/Jun) UK: ECB Policy Decision JPN: BoJ Policy Decision GER: CPI (Jul), Consumer and Investor Confidence (Aug/Jul)

- It was a busy week for news out of China:
 - GDP growth slowed meaningfully to +0.8 per cent in Q2 from +2.2 per cent in Q1. Favourable base effects due to the Shanghai lockdowns in June 2022 saw the annual rate of GDP growth rise from +4.5 per cent to +6.3 per cent. However, the more moderate rate of growth in the quarter meant that this was far less than the consensus expectation of +7.1 per cent.
 - This softer GDP outcome came amid mixed activity data in June. Industrial production and fixed asset investment growth both picked up, while retail sales and property investment growth both slowed. The unemployment rate was stable at 5.2 per cent, while youth unemployment (those aged 16 to 24) rose five-tenths to a new high of 21.3 per cent (series back to 2018).
 - Speaking in the days prior to the activity data, officials from the People's Bank of China (PBoC) pledged to utilise policy to support the economy and suggested there was room for a further reduction in bank lending rates. However, despite this, the PBoC held the one-year Medium-Term Lending Facility Rate unchanged at 2.62 per cent and the one and five-year Loan Prime Rates at 3.55 and 4.2 per cent respectively. The Bank did announce it would increase cross-border funding for companies and financial institutions.
- Meanwhile on the data front elsewhere:
 - US consumer sentiment (as measured by the *University of Michigan*) rose by more than expected in July, with strength across most sub-components. However, it was not all positive news, with consumer inflation expectations rising. Retail sales lifted by more than expected in June, with core sales (those excluding autos, gasoline and building materials) also rising. Meanwhile, industrial production for June disappointed, marking a second consecutive monthly decline as manufacturing production sagged. US housing starts and building permits fell in June, with this partially unwinding the strong increases from the month prior.
 - UK inflation surprised to the downside for the first time since January. The annual rate of headline CPI inflation eased eight-tenths to +7.9 per cent in June, while core inflation moderated two-tenths to +6.9 per cent. The details showed headline inflation was pulled lower by a seventh consecutive fall in petrol prices, as well as a slowing in core goods and a slight moderation in services inflation (though it remains elevated).
 - New Zealand inflation for Q2 was more mixed. As expected, headline CPI inflation eased seven-tenths to +6.0 per cent year-on-year. Measures of core inflation remained elevated with the weighted median measure accelerating one percentage point to +6.0 per cent year-on-year, while the 30 per cent trimmed-mean measure only eased one-tenth to +6.0 per cent year-on-year.

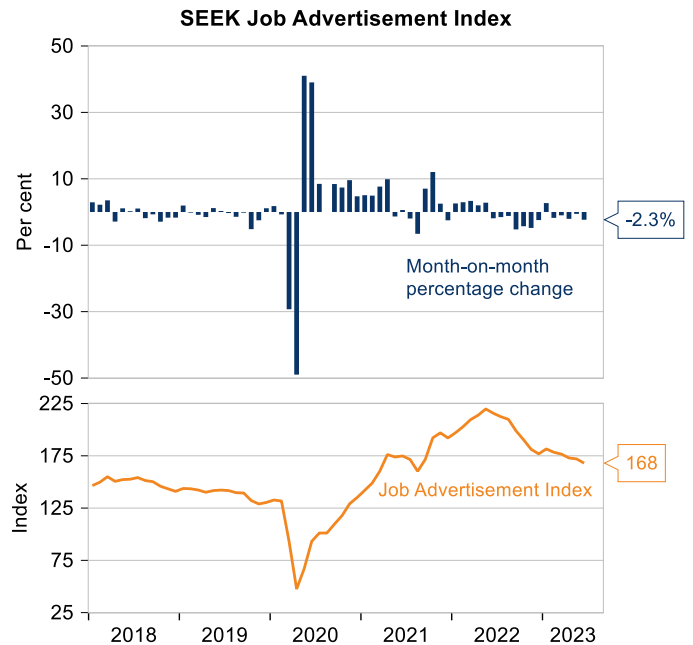
Economic and Financial Market Charts

CHART 1: THE DOMESTIC LABOUR MARKET REMAINS RESILIENT, WITH EMPLOYMENT AT A NEW RECORD, THE UNEMPLOYMENT RATE NEAR ITS CYCLE LOW AND THE PARTICIPATION RATE HISTORICALLY ELEVATED...



Source: Australian Bureau of Statistics, QTC, Macrobond

CHART 2: ... AND WHILE THE NUMBER OF JOB ADS IS NOTABLY DOWN FROM THE MAY 2022 PEAK, THERE ARE STILL NEARLY 30 PER CENT MORE ADS THAN IN DECEMBER 2019 BEFORE THE PANDEMIC STRUCK



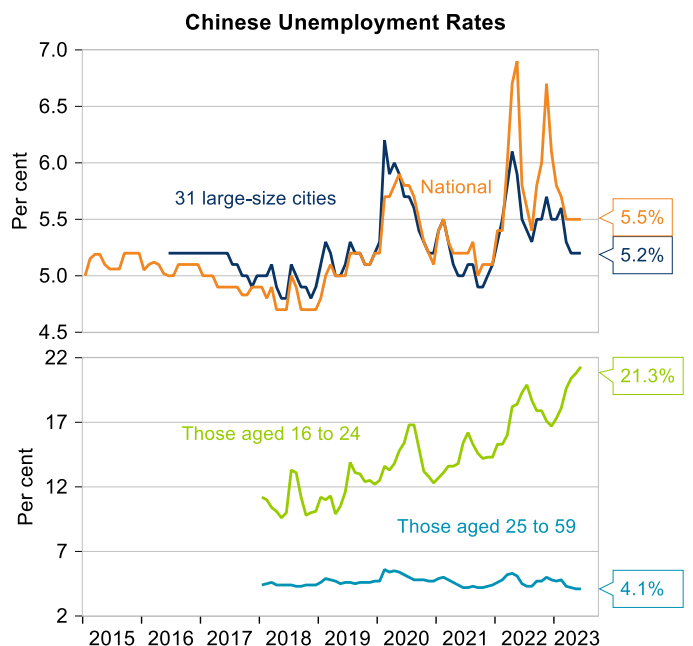
Source: SEEK Australia, QTC, Macrobond

CHART 3: GDP GROWTH SLOWED IN CHINA OVER THE JUNE QUARTER AS INTERNAL AND EXTERNAL DEMAND REMAINED TEPID...



Source: China National Bureau of Statistics (NBS), QTC, Macrobond

CHART 4: ... AND WHILE THE NATIONAL UNEMPLOYMENT RATE WAS UNCHANGED, YOUTH UNEMPLOYMENT JUMPED TO A NEW HIGH



Source: China National Bureau of Statistics (NBS), QTC, Macrobond

Economic and Financial Market Charts

CHART 5: US CONSUMER SENTIMENT ROSE NOTABLY IN JULY, THOUGH STILL REMAINS WELL BELOW HISTORIC LEVELS...

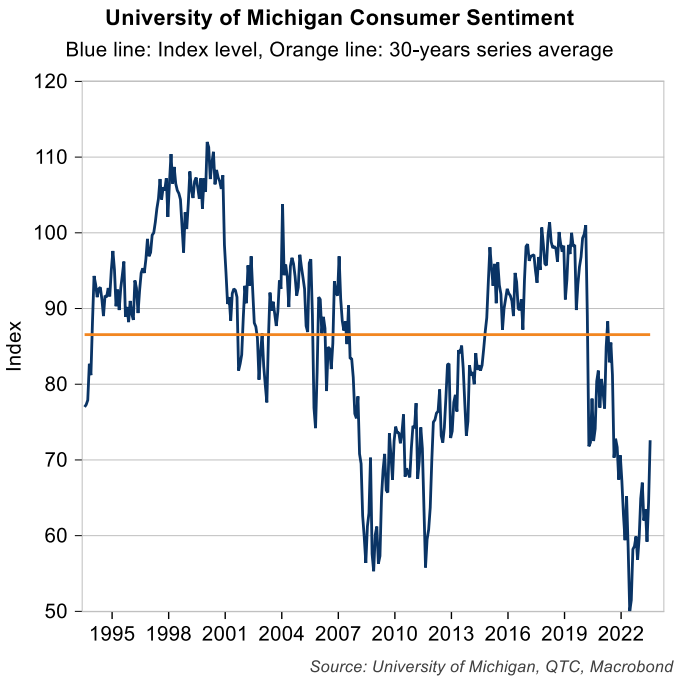


CHART 6: MEDIUM TO LONG-TERM US CONSUMER INFLATION EXPECTATIONS TICKED HIGHER BUT REMAIN WITHIN RECENT RANGES

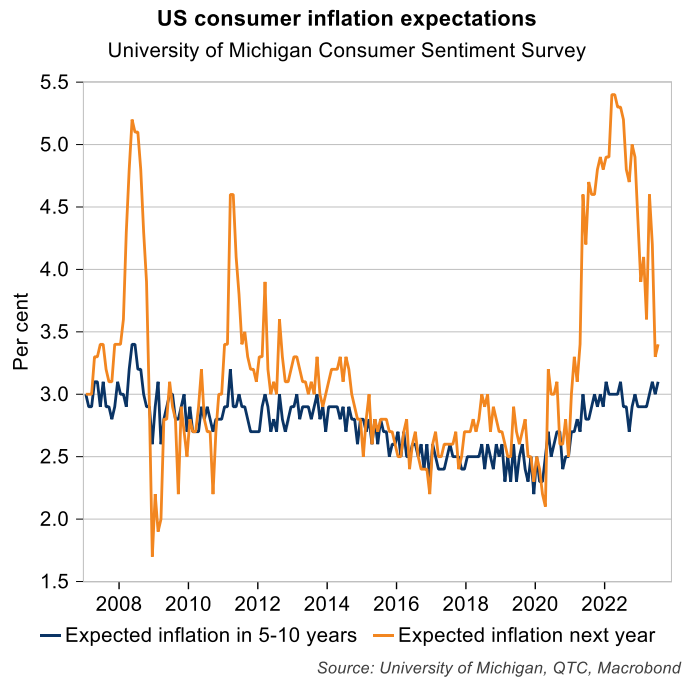


CHART 7: HEADLINE AND CORE INFLATION MODERATED IN THE UK, THOUGH THE LATTER IS PROVING MORE PERSISTENT...

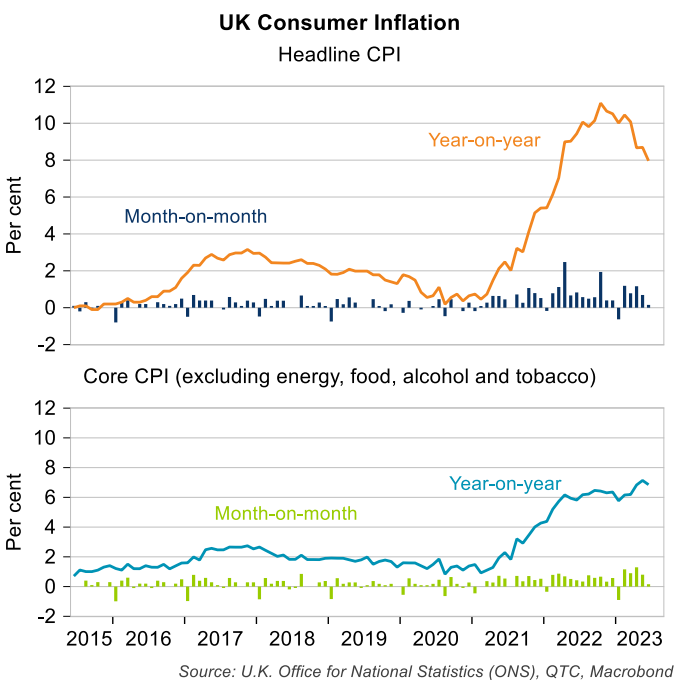
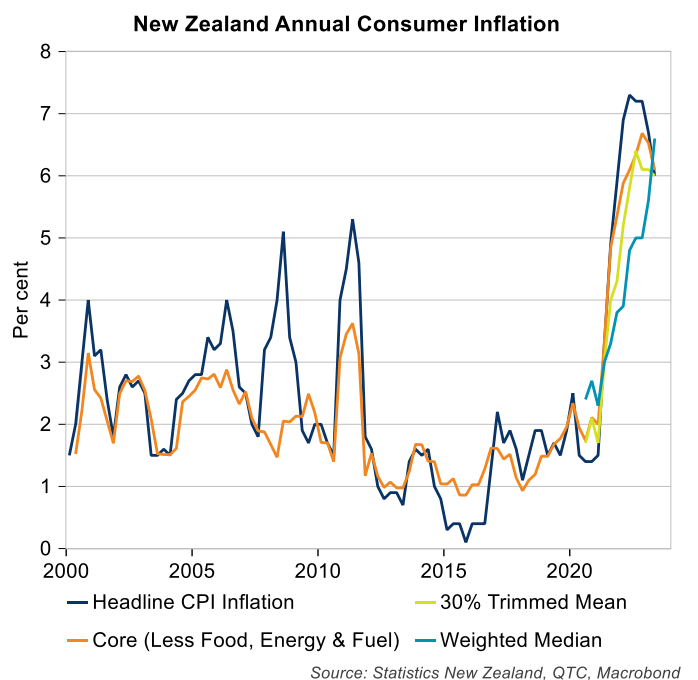


CHART 8: ... THIS IS ALSO OCCURRING IN NZ AS HEADLINE INFLATION EASED, WHILE CORE INFLATION REMAINS STICKY



Financial markets data table

The table below shows yields for bonds issued by the central financing authorities of various state governments in Australia as well as those on bonds issued by the Australian and US Governments. Further, there are values for the Australian Dollar against a range of currencies, and major exchange rates against the US Dollar. The change in these yields and rates over different time periods is also included.

MATURITY	ISSUER	YIELD	CHANGE (BASIS POINTS)			EQUITIES	RATE	CHANGE (PER CENT)		
			1WEEK	1MONTH	1YEAR			1WEEK	1MONTH	1YEAR
3 Year	QTC	4.22	-4	-2	63	AUD/USD	0.6773	-1.53	-0.07	-1.78
	NSWTC	4.24	-4	-2	67	AUD/EUR	0.609	-0.77	-1.92	-10.08
	TCV	4.29	-5	-3	76	AUD/GBP	0.5270	0.48	-0.82	-8.67
	WATC	4.21	-4	-3	63	AUD/JPY	95.143	0.19	-0.63	0.01
	Australian Government	3.92	-5	-5	73	AUD/CAD	0.8928	-1.06	-0.49	0.51
	US Government	4.45	20	16	139	AUD/NZD	1.0893	1.08	-1.01	-1.86
5 Year	QTC	4.20	-8	-4	46	AUD/SGD	0.8991	-1.18	-1.24	-6.38
	NSWTC	4.23	-8	-5	46	AUD/HKD	5.292	-1.64	-0.23	-2.24
	TCV	4.27	-8	-4	49	AUD/KRW	859.91	-1.88	-0.90	-4.65
	WATC	4.17	-8	-4	44	AUD/CNY	4.8682	-1.20	-0.12	4.35
	Australian Government	3.84	-8	-7	51	AUD/INR	56.028	-0.36	0.58	1.98
	US Government	4.10	15	15	112	MAJOR CURRENCIES				
7 Year	QTC	4.33	-9	-4	48	EUR/USD	1.1201	-0.22	2.59	9.49
	NSWTC	4.39	-9	-5	47	GBP/USD	1.2940	-1.49	1.37	7.88
	TCV	4.41	-8	-5	48	USD/JPY	139.65	1.16	-1.29	1.66
	WATC	4.31	-8	-4	45	USD/CHF	0.8587	-0.01	-4.37	-11.17
	Australian Government	3.89	-9	-7	47	USD/CNY	7.2237	1.02	0.60	6.97
	US Government	3.98	12	15	102	MAJOR COMMODITIES				
10 Year	QTC	4.58	-10	-5	51	Brent Crude Oil	79.70	-2.04	5.01	-23.26
	NSWTC	4.68	-10	-7	53	Gold	1,967.99	0.46	1.57	14.97
	TCV	4.72	-10	-5	57	Copper	8,429.00	-3.05	-1.39	15.12
	WATC	4.52	-9	-4	47	Iron Ore	114.74	4.39	3.22	18.96
	Australian Government	3.94	-10	-8	41					
	US Government	3.85	9	13	98					

Note: The Australian yield data (national and state) is sourced from QTC while the exchange rate and US yield data is from *Macrobond*.

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