

Weekly Economics and Markets Review

- Comments from RBA Governor Lowe and the Minutes to the August policy meeting indicated the Bank was in a phase of assessing the impact of prior policy hikes.
- The Labour Force Survey for July was weaker than expected with the unemployment rate lifting to 3.7 per cent. Seasonal issues may have played a role in this according to the ABS. Meanwhile, wages growth for Q2 was little changed from the March quarter.
- It was a particularly busy week for data offshore, with US retail sales and industrial production solid in July, UK consumer and wages inflation remaining elevated, and Chinese activity data disappointing.

Week in review

Domestic

- In news out of the RBA this week:
 - Governor Lowe gave his final testimony before Parliament his term ends in mid-September. Lowe reiterated the RBA's tightening bias but suggested the Bank was in a 'calibration phase' as it assesses the impact of prior tightening on spending and inflation. The Governor suggested that the Bank could return inflation to its two-to-three per cent target by 2024 if it delivered an additional 100-basis points of tightening, but that it was comfortable being more patient and having inflation return to target by 2025.
 - The Minutes of the RBA's August meeting suggested the decision to hold rates at 4.1 per cent reflected signals inflation was 'heading in the right direction' and the labour market 'might be at a turning point.' The Minutes suggested policymakers again debated keeping rates unchanged or hiking by 25-basis point, ultimately concluding the argument for holding steady rates 'was the stronger one'. However, the Minutes again suggested 'it was possible that some further tightening of monetary policy might be required.'
- The ABS' Labour Force Survey in July was softer than expected.
 - Employment fell by 14,600 as a drop in full-time work (-24,600) more than offset a rise in part-time (+9,600). This is the second decline in the last four months, though the ABS suggested that seasonal volatility may have impacted as 'July includes the school holidays, and we [the ABS] continue to see some changes around when people take their leave and start or leave a job. It's important to consider this when looking at month-to-month changes, compared with the usual seasonal pattern'.
 - Lower employment saw the unemployment rate rise two-tenths to 3.7 per cent, despite the participation rate easing one-tenth to 66.7 per cent.
 - Hours worked lifted over the month, even with the fall in employment, as hours worked per employee continued to rise.
- The Wage Price Index (excluding bonuses) rose +0.8 per cent in Q2, with the annual growth rate easing one-tenth to 3.6 per cent (against expectations it would be unchanged). The details showed private-sector wage growth increased +0.8 per cent (+3.8 per cent year-on-year), while public-sector wage growth rose +0.7 per cent (+3.1 per cent year-on-year). By industry, 11 of 18 industries saw a rise in the pace of annual wage growth. Fewer workers than normal received a pay rise this quarter, but for those that did, the size of the increase was higher than previously.

Offshore

- The Minutes from the FOMC's July meeting provided limited new insight on the outlook for policy, though they did note that two Fed officials favoured holding rates steady in July (when the Committee hiked rates by 25-basis points).

Markets

Ongoing producer price pressures pushed yields higher on Friday night with local yields also rising yesterday despite a weaker than expected Labour Force Survey for July. There is little to explain the rise in yields this week and now both Australian and US 10-year Government bond yields have now broken through the top of the range seen since June last year.

Economic & Market Calendar

DATE	DETAILS
Domestic	Wednesday: Retail Sales Excluding Inflation (Q2).
Offshore	Global: S&P PMIs (Aug). US: Existing and New Home Sales (Jul), Benchmark Revisions to US Employment, Durable Goods Orders (Jul). EMU: Consumer Confidence (Aug).

Economic and Financial Market Charts

CHART 1: EMPLOYMENT IN JULY FELL THE MOST SINCE SEPTEMBER 2020, THOUGH SEASONAL ISSUES MAY HAVE DISTORTED THE RESULT

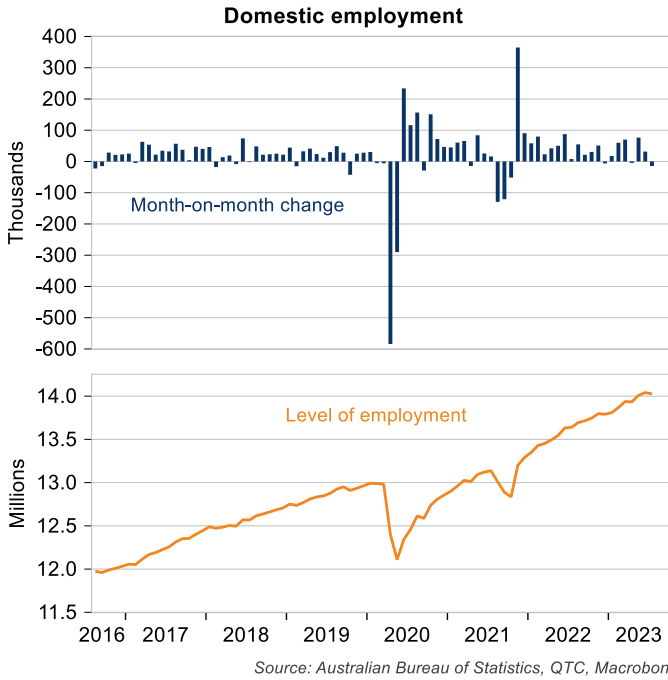


CHART 2: THE UNEMPLOYMENT RATE LIFTED BY TWO-TENTHS TO A STILL HISTORICALLY LOW 3.7 PER CENT

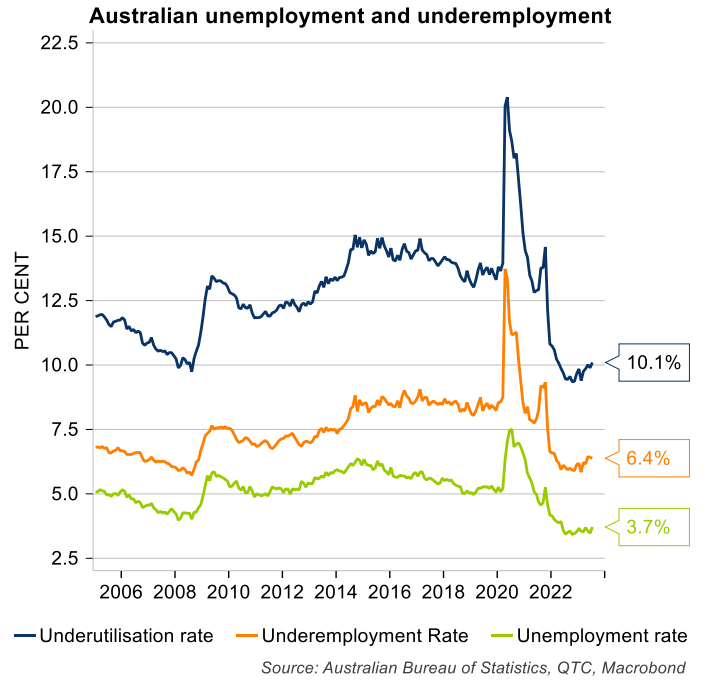


CHART 3: THE ANNUAL PACE OF WAGES GROWTH EASED A LITTLE IN Q2, BUT REMAINS NOTABLY ABOVE AVERAGE

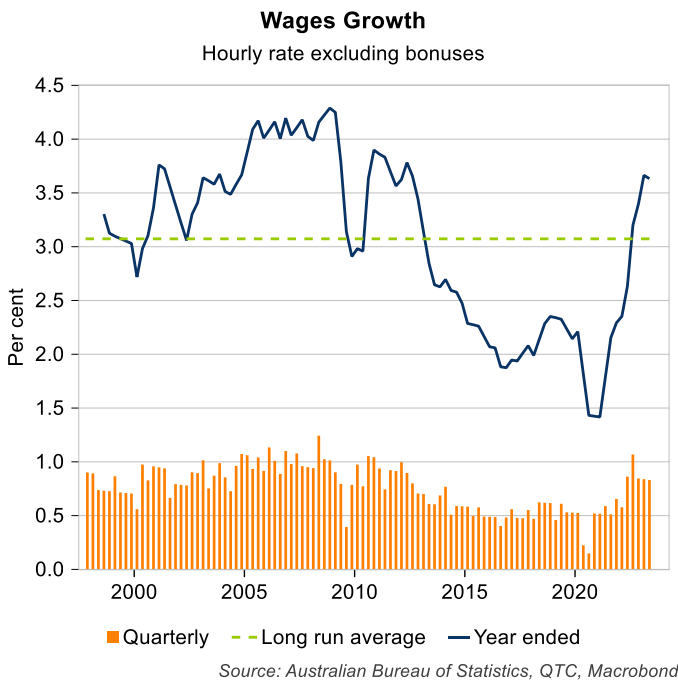
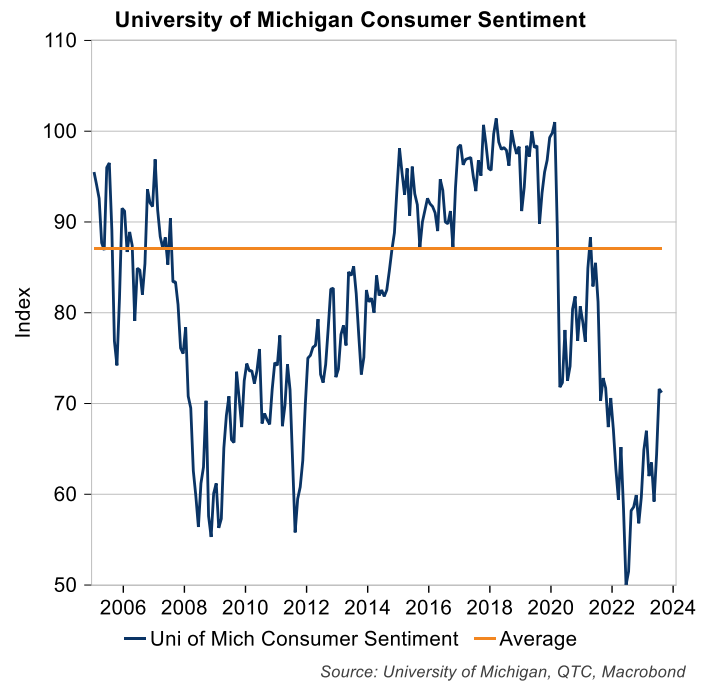
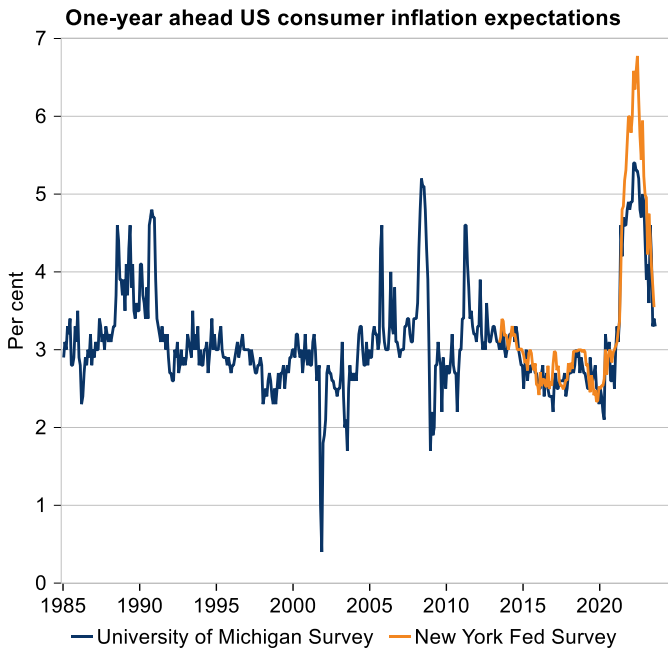


CHART 4: US CONSUMER SENTIMENT DIPPED IN AUGUST AND REMAINS AT BELOW AVERAGE LEVELS



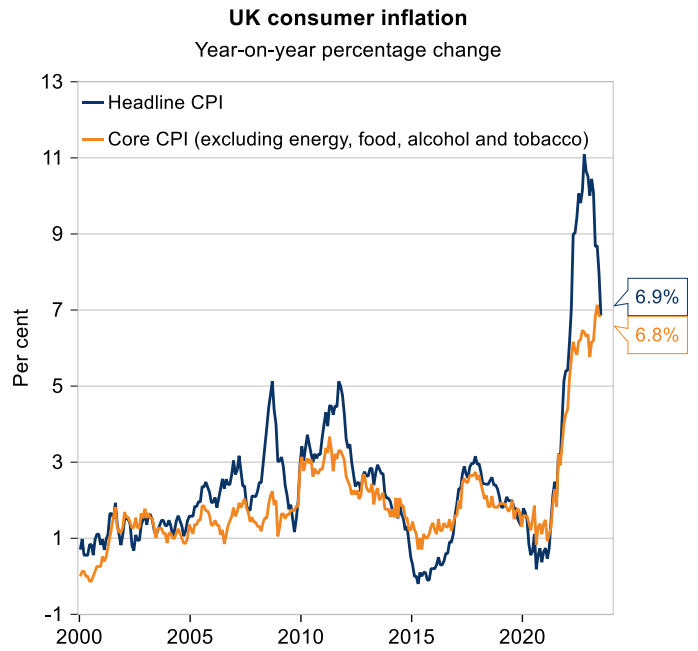
Economic and Financial Market Charts

CHART 5: US CONSUMERS' NEAR-TERM INFLATION EXPECTATIONS HAVE EASED SHARPLY OF LATE IN-LINE WITH A FALL IN INFLATION



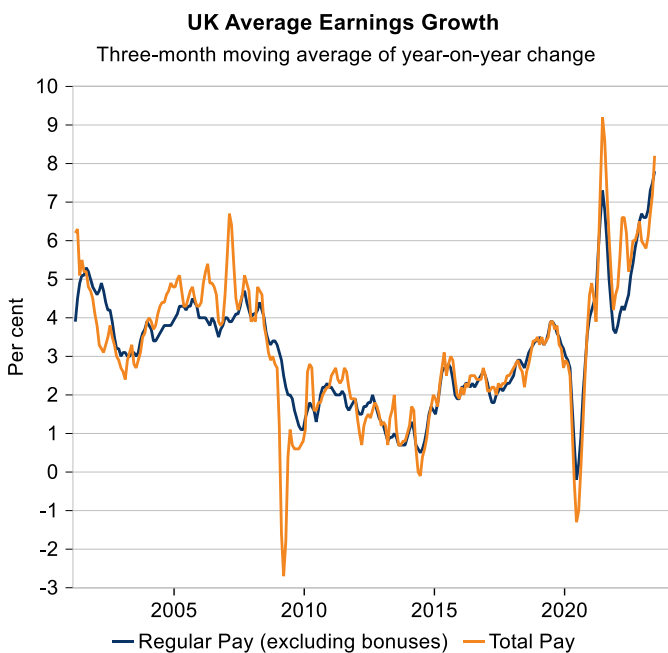
Source: University of Michigan, Federal Reserve Bank of New York, QTC, Macrobond

CHART 6: MEANWHILE, UK INFLATION WAS MIXED IN JULY, WITH HEADLINE PRICES EASING AS CORE INFLATION REMAINS STICKY...



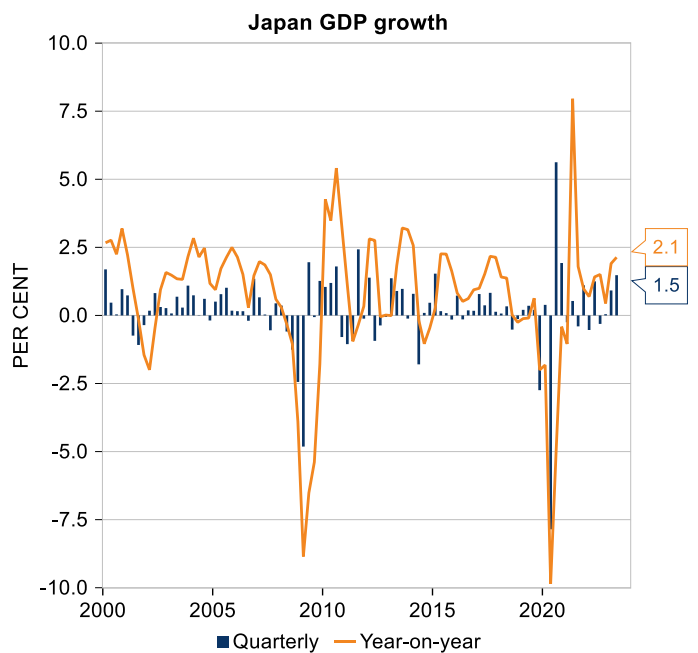
Source: U.K. Office for National Statistics (ONS), QTC, Macrobond

CHART 7: ...THIS AS THE ANNUAL PACE OF REGULAR WAGES GROWTH ACCELERATED TO A RECORD HIGH



Source: U.K. Office for National Statistics (ONS), QTC, Macrobond

CHART 8: JAPANESE GDP GROWTH WAS SOLID IN Q2, THOUGH MUCH OF THIS WAS DRIVEN BY NET EXPORTS



Source: Japanese Cabinet Office (CAO), QTC, Macrobond

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	4.21	18	-1	87	AUD/USD	0.642	-2.00	-5.64	-7.10
	NSWTC	4.23	18	-0	92	AUD/EUR	0.5901	-0.77	-2.72	-13.83
	TCV	4.27	17	-2	95	AUD/GBP	0.5031	-2.33	-3.61	-13.09
	WATC	4.20	17	-1	86	AUD/JPY	93.817	-0.86	-0.88	0.08
	Australian Government	3.97	19	5	97	AUD/CAD	0.868	-1.24	-3.27	-3.10
	US Government	4.65	14	30	143	AUD/NZD	1.0814	-0.04	-0.26	-2.20
5 Year	QTC	4.29	22	8	85	AUD/SGD	0.8718	-1.22	-3.18	-8.98
	NSWTC	4.34	23	9	87	AUD/HKD	5.0267	-1.85	-5.44	-7.28
	TCV	4.35	22	7	89	AUD/KRW	861.16	-0.06	0.41	-5.62
	WATC	4.27	22	8	83	AUD/CNY	4.6605	-1.26	-4.81	-1.18
	Australian Government	4.02	23	16	93	AUD/INR	53.327	-1.68	-4.67	-3.80
	US Government	4.41	18	40	138	MAJOR CURRENCIES				
7 Year	QTC	4.52	24	17	94	EUR/USD	1.0886	-1.16	-2.93	7.88
	NSWTC	4.60	24	18	98	GBP/USD	1.2733	0.13	-2.32	6.67
	TCV	4.59	23	16	96	USD/JPY	145.92	1.01	4.90	7.58
	WATC	4.49	23	16	90	USD/CHF	0.8794	0.63	2.32	-8.08
	Australian Government	4.17	26	25	100	USD/CNY	7.2988	1.11	1.57	7.41
	US Government	4.36	18	46	139	MAJOR COMMODITIES				
10 Year	QTC	4.86	25	24	108	Brent Crude Oil	83.90	-2.89	5.36	-13.14
	NSWTC	4.95	25	22	109	Gold	1,888.41	-1.68	-4.53	7.46
	TCV	4.97	25	22	113	Copper	8,167.00	-2.61	-3.61	1.69
	WATC	4.77	25	22	101	Iron Ore	105.65	4.88	-5.34	7.14
	Australian Government	4.30	27	33	104					
	US Government	4.27	17	49	139					

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

CLICK HERE TO SUBSCRIBE

QTC'S ECONOMIC RESEARCH

Topical issues important to global and Australian economies, and financial markets.

DISCLAIMER

The information within this document is intended for general information purposes only and does not constitute financial or other advice. Specific professional advice should be obtained before acting on the basis of any matter covered in this document. This information has been prepared in part by data sourced from third parties which has not been independently verified. The opinions, forecasts and data contained in this document is based on research as at the date of publication and is subject to change without notice. Queensland Treasury Corporation (QTC) issues no invitation to anyone to rely on the information and expressly excludes any warranties or representations as to its accuracy, adequacy, currency or completeness. All opinions expressed are the views of the QTC Economic Research Team and may differ from the views of QTC or other QTC servants or agents. To the extent permitted by law, QTC, its servants and agents (QTC Parties) disclaim all responsibility and liability for any loss or damage of any nature whatsoever which may be suffered by any person directly or indirectly through relying on the information contained in this document, whether that loss or damage is caused by any fault or negligence of the QTC Parties or otherwise. No part of this document may be reproduced, copied or published in any form or by any means without QTC's prior written consent. This document may contain statements about future events and expectations that are forward looking statements. None of the future projections, expectations, estimates or prospects in this document should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of assumptions, fully stated in the document.