

Weekly Economics and Markets Review

- The People's Bank of China (PBoC) released a statement calling on banks to increase lending and cut interest rates, though not by as much as expected.
- According to the Purchasing Manager Indices (PMIs) from S&P Global, manufacturing and service sector conditions were generally softer in August in large economies such as the US, UK and euro area (as well as in Australia), though were a little better in Japan.

Week in review

Domestic

- The *S&P Global/Judo Bank PMIs* for August softened with the Composite reading easing to 47.1 (from 48.2) as the Services PMI fell to 46.7 (from 47.9) and the Manufacturing PMI eased slightly to 49.4 (from 49.6); note a reading below 50 indicates contraction from the month prior.

Offshore

- The PBoC released a statement over the weekend calling on Chinese banks to lift corporate lending to boost economic growth and promote consumption. The Bank also called for adjustments to home lending, though did not elaborate further on any policy incentives. In the days following, the PBoC cut the one-year Loan Prime Rate (LPR) by 10-basis points to 3.45 per cent and left the five-year LPR unchanged at 4.20 per cent. These outcomes were below market expectations for a 15-basis point cut to both rates following the 15-basis point reduction to the Medium-term Lending Facility rate last week.
- The *S&P Global PMI* measures of business activity were generally softer than expected in August, particularly across the US and Europe.
 - In the **US**, activity was softer than expected as the Services PMI fell to 51.0 (from 52.3), while the Manufacturing PMI weakened sharply, falling to 47.0 (from 49.0). Overall, this saw the Composite PMI drop to 50.4 (from 52.0).
 - In the **euro area**, while there was a slight improvement in the Manufacturing PMI to 43.7 (from 42.7), the Services PMI dropped considerably to 48.3 (from 50.9). This pulled the Composite PMI down to a 33-month low of 47.0 (from 48.6).
 - Activity was broadly weaker in the **UK** also as the Services PMI fell to 48.7 (from 51.5) and the Manufacturing PMI dropped to 42.5 (from 45.3). The Composite PMI fell to at 47.9 (from 50.8). This was the first time it has been below 50.0 since January where this is the dividing point between conditions improving or getting worse.
 - Meanwhile in **Japan**, the Composite PMI edged up to 52.6 (from 52.2) as the Services PMI rose to 54.3 (from 53.8) with the Manufacturing PMI little changed at 49.7 (from 49.6).

- As for other data out of the **US**:
 - Each year the US Bureau of Labor Statistics benchmarks its non-farm payroll employment estimates to the employment data from unemployment insurance records. This year employment is set to be marked lower by 306,000 which translates to a roughly 25,000 per month reduction in employment over the 12 months to March 2023. Last year's benchmarking exercise saw a 506,000 upward revision.
 - Housing sales data were mixed in July, with existing home sales declining while new home sales lifted. Outside of the month-to-month volatility, US home sales have declined notably from the 2022 recent highs on declining demand due to a weaker economic outlook and higher interest rates.
 - Core capital goods orders and shipments were weaker than expected in July.
- **German** producer price inflation fell further, driven by base effects and declining energy prices. Headline producer inflation is down 6.0 per cent over the year to July (was +45.8 per cent in August 2022). Core producer price inflation (which excludes energy prices) is only 2.1 per cent higher over the year (was +16.1 per cent in May 2022).
- **UK** retail sales declining expectations in July following three consecutive increases. The weakness was relatively broad-based. Retail sales volumes (excluding inflation) in **New Zealand** fell in Q2, with broad-based weakness across categories as higher prices and interest rates appear to be driving slowing consumption.
- In **Japan**, the July national CPI report was mixed. The Headline CPI (which includes all items) was unchanged at +3.3 per cent year-on-year. As for the underlying measures, the annual pace of the Core CPI (which excludes fresh food) eased two-tenths to +3.1 per cent, while the New Core CPI (which excludes fresh food and energy) and the Core Core CPI (which excludes all food and energy) rose one-tenth to +4.3 per cent and +2.7 per cent respectively.

Markets

Markets traded cautiously over the week ahead of the Jackson Hole Economic Symposium of global central bankers, with Fed Chair set to speak tonight. Bond yields across the globe fell notably following the softer business activity indicators from the US and Europe. With the broad strength in the US Dollar continuing, the Australian Dollar was able to outperform other major currencies by rising over the week after having reached a nine-month low last week.

Economic & Market Calendar

DATE	DETAILS
Domestic	Monday: Retail Sales (Jul) Tuesday: RBA's Bullock Speaks Wednesday: CPI (Jul), Building Approvals (Jul), Construction Work Done (Q2) Thursday: Private Sector Credit (Jul), CAPEX (Q2) Friday: Home Loan Values (Jul), CoreLogic House Price Index (Aug)
Offshore	US: Jackson Hole Economic Symposium, Non-farm Payrolls (Aug), ISM Manufacturing PMI (Aug), Job Openings (Jul), Consumer Confidence (Aug), GDP (Q2 S), House Price Data (Jun) EMU: ECB Policy Minutes (Jul), CPI (Aug), Various ECB Speakers CHN: Caixin Manufacturing PMI (Aug), Industrial Profits (Jul)

Economic and Financial Market Charts

CHART 1: CONDITIONS IN THE DOMESTIC SERVICE AND MANUFACTURING SECTORS ARE NOW GETTING WORSE AT AN INCREASING PACE...

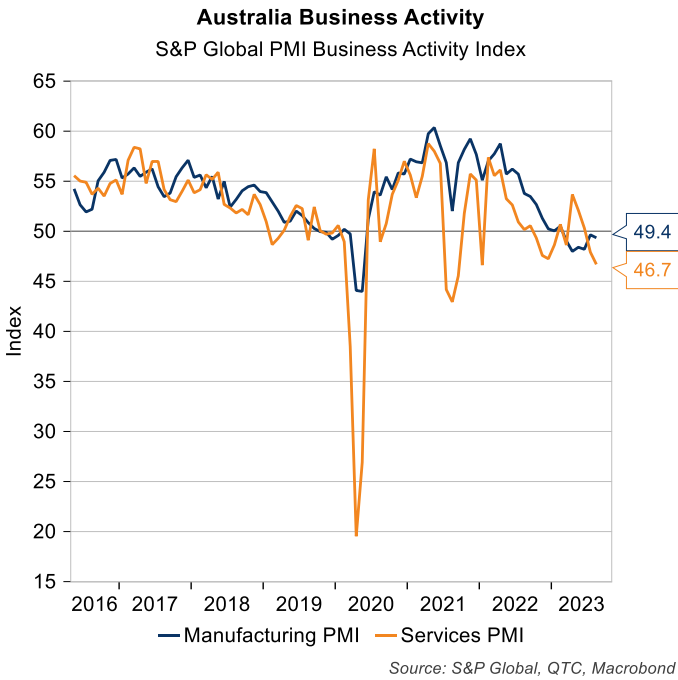


CHART 2: ...WITH THE TREND OF WEAKENING CONDITIONS ALSO APPARENT IN THESE SECTORS ACROSS KEY ADVANCED ECONOMIES

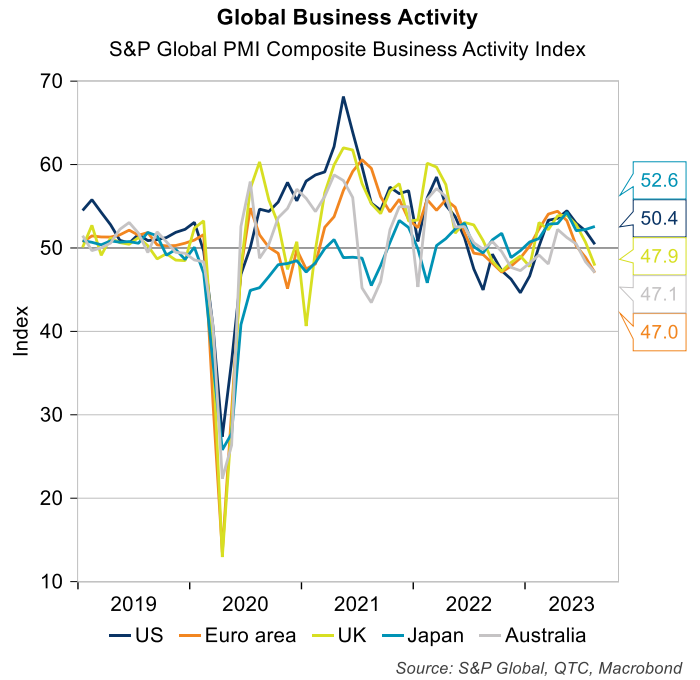


CHART 3: US CORE CAPITAL GOODS ORDERS AND SHIPMENTS WERE WEAKER THAN EXPECTED IN JULY IN A CONTINUATION OF A TREND

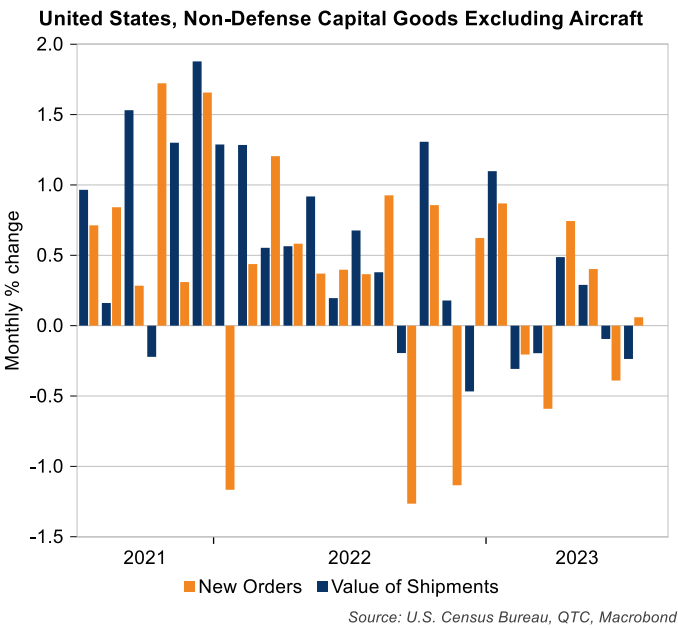
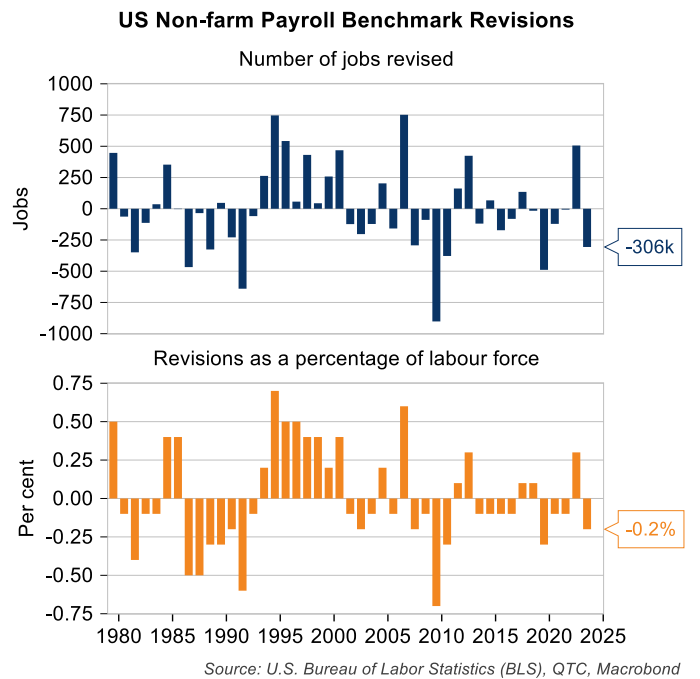


CHART 4: THE 2023 ADJUSTMENTS TO US NON-FARM PAYROLLS ARE IN-LINE WITH OTHER REDUCTIONS THROUGH HISTORY



Economic and Financial Market Charts

CHART 5: JAPAN'S JULY CPI REPORT WAS MIXED WITH THE ANNUAL INFLATION RATE PICKING UP FOR SOME MEASURES BUT MODERATING FOR OTHERS. HEADLINE INFLATION WAS STEADY.

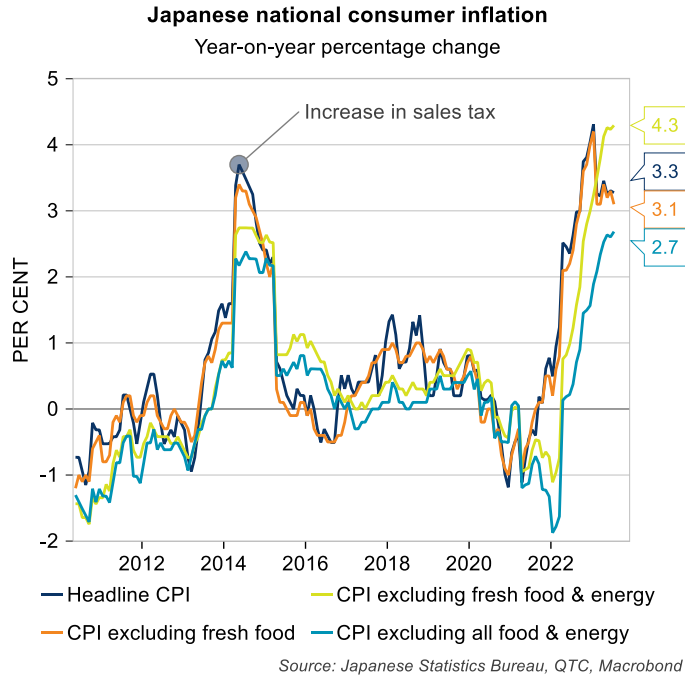


CHART 6: THOUGH THE LEVEL OF PRICES IS WELL ABOVE MID-2021 LEVELS, BASE EFFECTS COUPLED WITH A SLUMP IN ENERGY PRICES HAS SEEN A SHARP REDUCTION IN GROWTH IN GERMAN PRODUCER PRICES

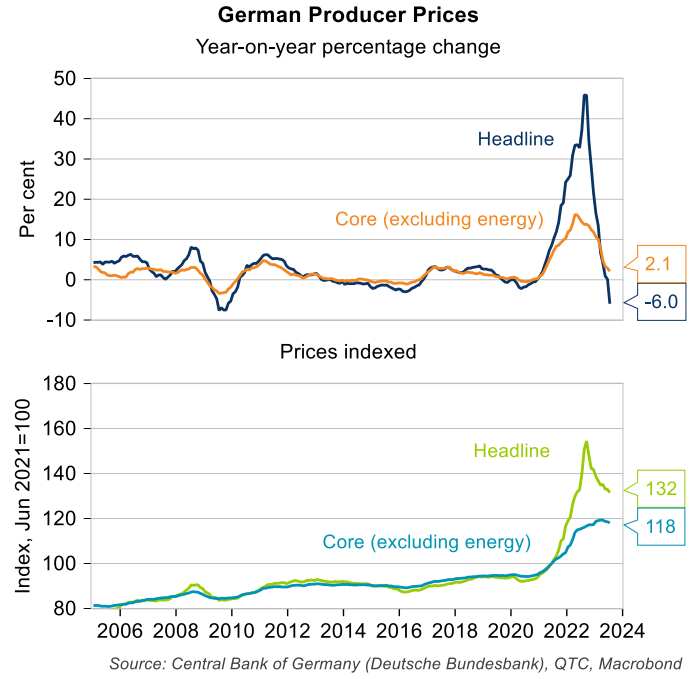


CHART 7: UK RETAIL SALES HAVE STALLED OVER THE PAST 18-MONTHS OR SO AMID HIGHER PRICES AND A COST-OF-LIVING CRISIS...

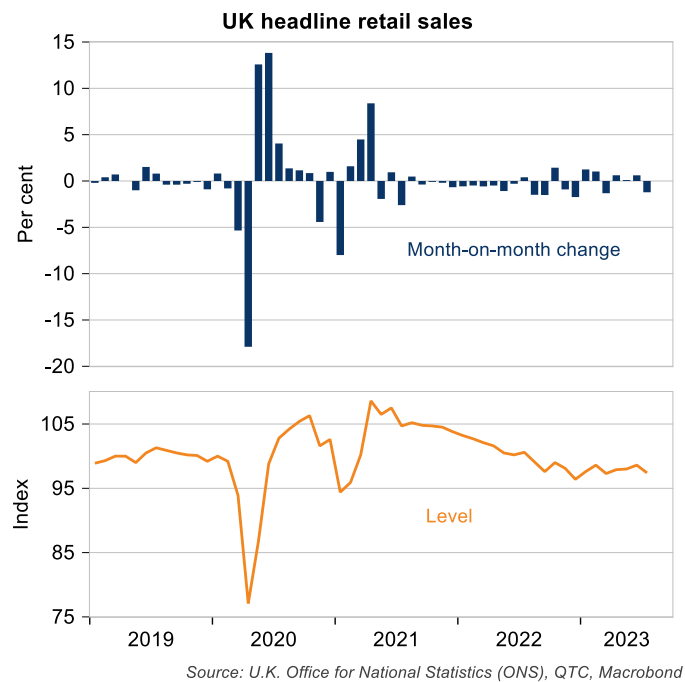
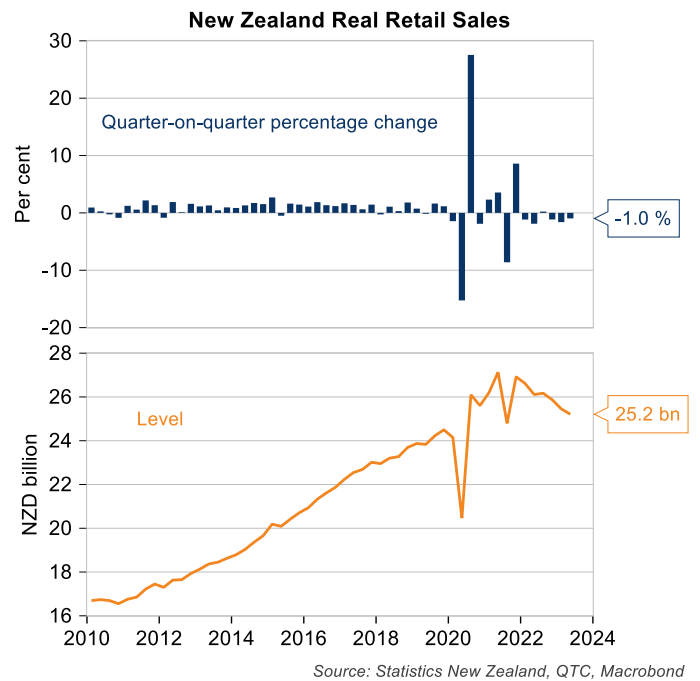


CHART 8: ... MEANWHILE, REAL RETAIL SALES IN NEW ZEALAND HAVE DECLINED FOR THREE CONSECUTIVE QUARTERS



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)		
			1 WEEK	1 MONTH	1 YEAR			1 WEEK	1 MONTH	1 YEAR
3 Year	QTC	4.09	-13	-14	45	AUD/USD	0.6425	0.08	-5.26	-7.82
	NSWTC	4.11	-12	-13	51	AUD/EUR	0.5939	0.64	-3.31	-15.12
	TCV	4.14	-13	-15	55	AUD/GBP	0.5090	1.16	-3.35	-13.67
	WATC	4.07	-13	-15	42	AUD/JPY	93.746	-0.08	-2.01	-1.56
	Australian Government	3.81	-16	-11	55	AUD/CAD	0.8715	0.40	-2.56	-3.38
	US Government	4.70	5	17	134	AUD/NZD	1.0846	0.30	-0.58	-3.24
5 Year	QTC	4.16	-14	-5	39	AUD/SGD	0.8712	-0.07	-3.28	-10.08
	NSWTC	4.20	-14	-5	41	AUD/HKD	5.0392	0.25	-4.90	-7.86
	TCV	4.22	-13	-6	44	AUD/KRW	849.53	-1.35	-1.78	-8.71
	WATC	4.13	-14	-5	38	AUD/CNY	4.6756	0.32	-3.44	-1.98
	Australian Government	3.85	-17	-1	47	AUD/INR	53.230	-0.18	-3.90	-4.53
	US Government	4.41	-0	24	126	MAJOR CURRENCIES				
7 Year	QTC	4.35	-17	-1	41	EUR/USD	1.0809	-0.58	-2.23	8.36
	NSWTC	4.43	-17	1	45	GBP/USD	1.2598	-1.17	-2.36	6.47
	TCV	4.43	-16	-1	45	USD/JPY	145.85	0.01	3.51	6.85
	WATC	4.32	-17	-2	38	USD/CHF	0.8848	0.72	2.44	-8.18
	Australian Government	3.97	-20	5	47	USD/CNY	7.2799	0.01	2.01	6.33
	US Government	4.35	-1	32	124	MAJOR COMMODITIES				
10 Year	QTC	4.68	-18	5	52	Brent Crude Oil	83.21	-1.08	-0.51	-16.24
	NSWTC	4.77	-18	5	53	Gold	1,918.37	1.59	-2.25	9.11
	TCV	4.79	-19	3	56	Copper	8,452.00	2.63	-2.55	3.97
	WATC	4.59	-19	3	45	Iron Ore	111.90	5.92	-1.09	12.68
	Australian Government	4.10	-21	12	49					
	US Government	4.24	-4	35	121					

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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