

# Weekly Economics and Markets Review

- Unusual factors distorted the signals from the October Labour Force Survey and Q3 Wage Price Index report. Meanwhile, late last week, the RBA revised up its forecasts for inflation and GDP growth and its forecast of the unemployment rate lower.
- Overseas, both US and UK inflation came in below expectations while Chinese monthly activity data were mixed.

## Week in review

### Domestic

- The RBA's quarterly *Statement on Monetary Policy* reiterated the Bank's softer tightening bias from last Tuesday's post-meeting statement following its 25-basis point increase to the cash rate. The Statement noted the decision to raise rates 'was warranted to be more assured that inflation would return to target in a reasonable timeframe'. The RBA also revised many of its key forecasts:
  - Real GDP growth was revised up reflecting firmer forecasts for investment and exports (though consumption was revised marginally lower).
  - The unemployment rate is set to rise to 4.3 per cent by end-2025 (from 4.5 per cent) on employment growth that is firmer than previously thought.
  - Inflation forecasts were also revised higher with the annual rate of growth in the RBA's preferred inflation gauge, the trimmed-mean, revised up five-tenths to 4.5 per cent by end-2023, 0.25 per cent to 3.25 per cent by end-2024 and 0.25 per cent to 3.0 per cent by end-2025.
- The October Labour Force Survey was mostly stronger than expected. Total employment rose by 55,000 (consensus was for +20,000) driven by a lift in both full-time (+17,000) and part-time (+37,900) employment. The unemployment rate still rose by two-tenths to 3.7 per cent however given a similar move in the participation rate to the record high 67.0 per cent. And finally, hours worked rose 0.5 per cent over the month following two consecutive monthly declines. These changes were considered to have been influenced by the Voice Referendum, though the ABS wasn't able to determine its precise impact. These changes should reverse in the November report.
- The Wage Price Index rose 1.3 per cent over Q3 in what was the strongest quarterly outcome in the 26-year history of the series. The ABS cited the increases in minimum and award wages, a pay rise for aged care workers, the removal of state wage caps and new enterprise agreements in the public sector for the increase. The strong quarterly outcome pushed annual wages growth up four-tenths to a 14-year high of +4.0 per cent. The increase was also broad-based with 12 of 18 industries seeing an acceleration in the pace of annual wage growth, as well as increases in both the public and private sectors.
- The October *NAB Business Survey* showed an improvement in business conditions (which remain above their long-run average), but a fall in business confidence (which is now in negative territory for the first time since June).
- The *Westpac-Melbourne Institute Consumer Sentiment Index* fell in November, with much of the decline driven by respondents surveyed after the RBA's November rate rise. The key components of the survey were mixed, with family finances compared to a year ago improving slightly, but expectations for family financing over the next 12-months falling notably.

### Offshore

- The US Congress passed a bill to extend government funding at current levels into early 2024 and therefore avoid a government shutdown. The bill now moves to President Biden for signing ahead of this weekend's deadline.

## Markets

It was a volatile week for markets, with bond yields and the US dollar falling sharply as investors factored in a steeper rate cut profile for the Federal Reserve following the softer-than-expected US CPI outcome. Movements in Australian and State Government bond yields were more muted.

### Economic & Market Calendar

DATE	DETAILS
Domestic	<b>Tuesday:</b> RBA Meeting Minutes (Nov)
Offshore	<b>Global:</b> S&P PMIs (Nov) <b>US:</b> FOMC Meeting Minutes (Nov), Durable Goods Orders (Oct), Various Fed Activity Indexes (Oct & Nov), Existing Home Sales (Oct) <b>JPN:</b> Consumer Inflation (Oct)

## Economic and Financial Market Charts

CHART 1: THE RBA UPGRADED ITS FORECASTS FOR GDP GROWTH, THE UNEMPLOYMENT RATE AND INFLATION

### Overview of RBA's November Statement on Monetary Policy forecasts

	Dec-22	Jun-23	Dec-23	Jun-24	Dec-24	Jun-25
Year-on-year real GDP growth rate	2.1	1%	1%	2	2%	2%
Prior forecast	1½	1	1½	1½	2	2½
Quarterly average unemployment rate	3.6	3%	4	4%	4%	4%
Prior forecast		4	4%	4½	4½	4½
Year-on-year headline inflation rate	6.0	4½	4	3½	3%	3
Prior forecast		4%	3½	3%	3	2%
Year-on-year trimmed-mean inflation rate	5.9	4½	4	3%	3	3
Prior forecast		4	3%	3	3	2%

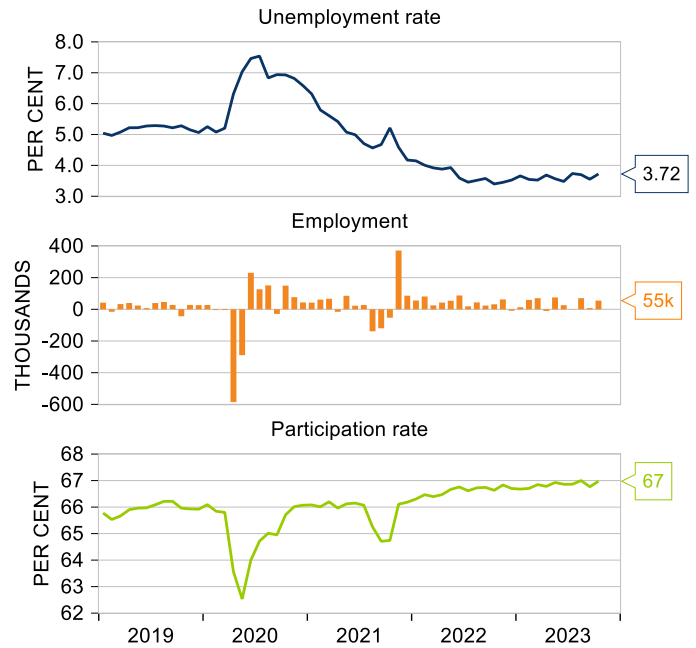
Blue shading denotes observed outcomes

Green denote upward revision, red denote downward revisions

Note, RBA forecasts were finalised on 7 November

Source: RBA & QTC

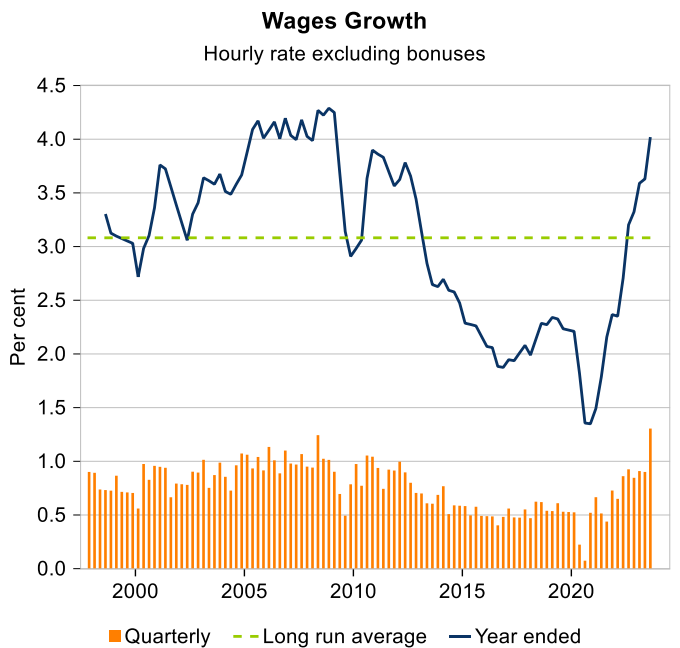
CHART 2: HIRING RELATED TO THE VOICE REFERENDUM IMPACTED THE OCTOBER LABOUR FORCE SURVEY...



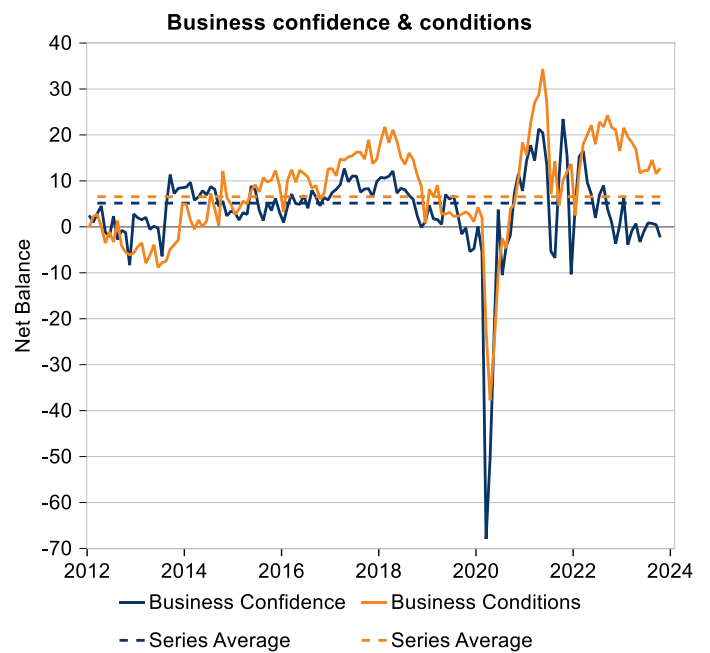
Source: Australian Bureau of Statistics, QTC, Macrobond

CHART 3: ...WHILE A RANGE OF OTHER FACTORS DID LIKEWISE FOR THE Q3 WAGE PRICE INDEX REPORT

CHART 4: THE NAB BUSINESS SURVEY SHOWED A GROWING GAP BETWEEN SURVEYED BUSINESS CONDITIONS AND CONFIDENCE...



Source: Australian Bureau of Statistics, QTC, Macrobond



Source: National Australia Bank, QTC, Macrobond

## Economic and Financial Market Charts

CHART 5: DOMESTIC CONSUMER CONFIDENCE FELL...

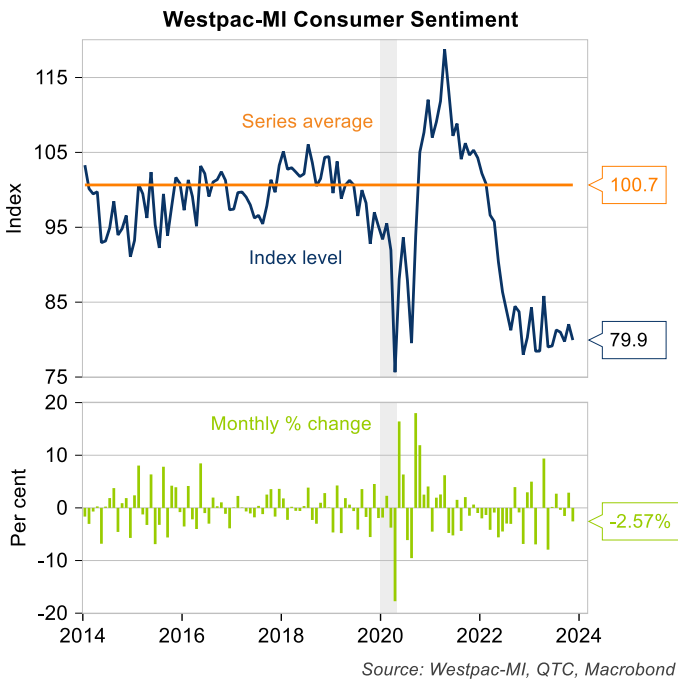


CHART 6: ...WITH US CONSUMER SENTIMENT ALSO LOWER

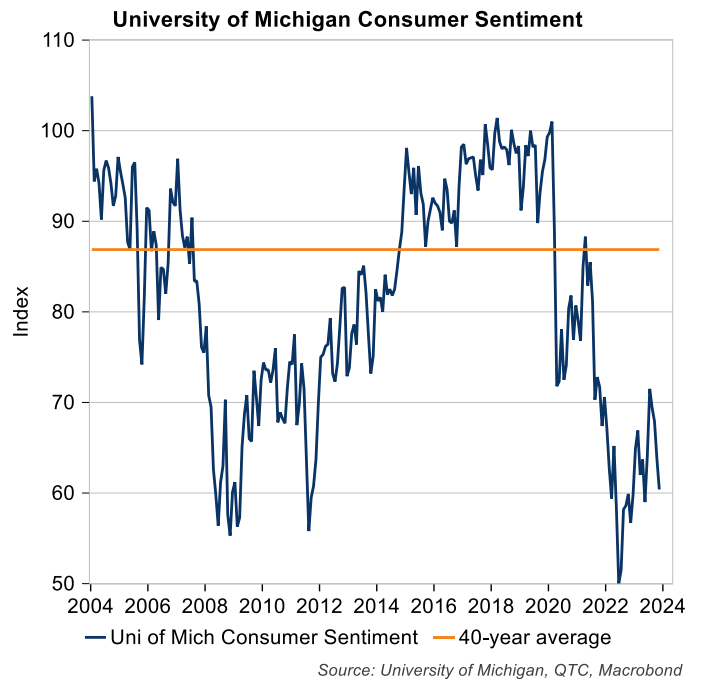


CHART 7: US INFLATION WAS LOWER IN OCTOBER AND OVER THE PAST 12 MONTHS WITH SOFTNESS EVIDENT ACROSS MOST CATEGORIES

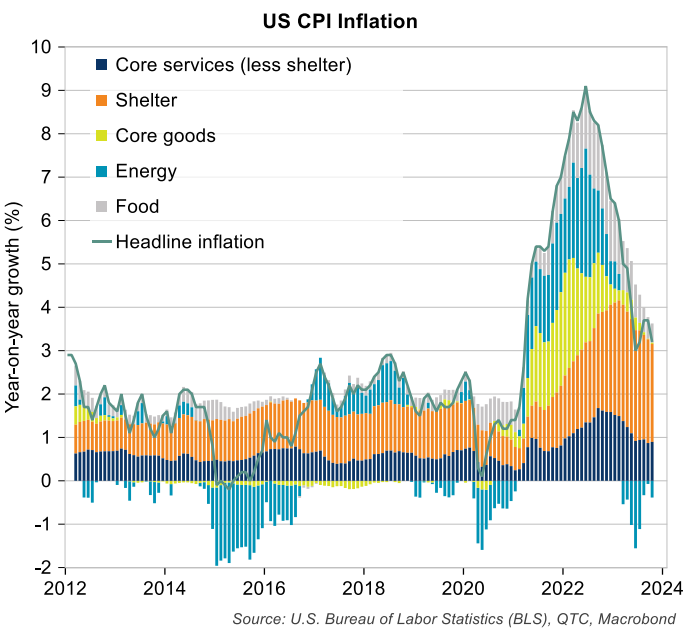
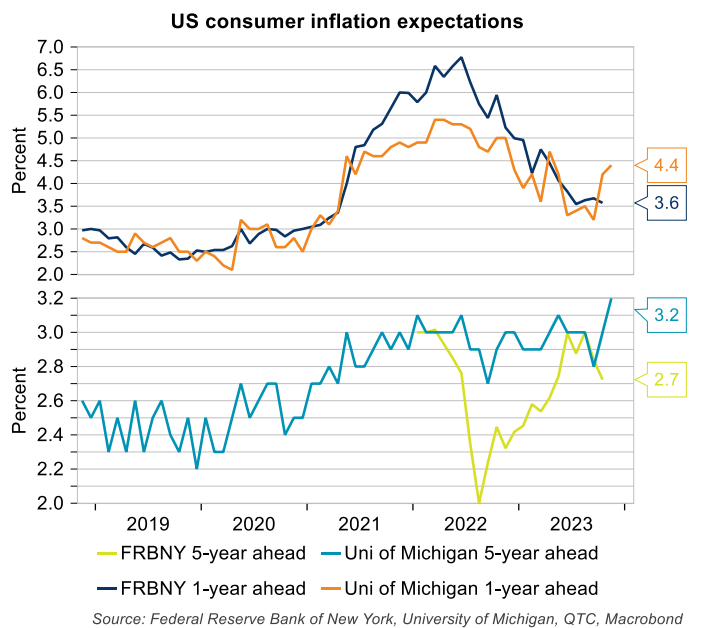


CHART 8: INFLATION EPXECTATIONS WERE MIXED ACCORDING TO THE LATEST US SURVEYS



## 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)			AUD CROSSES	RATE	CHANGE (PER CENT)		
			1WEEK	1MONTH	1YEAR			1WEEK	1MONTH	1YEAR
3 Year	QTC	4.41	-0	20	69	AUD/USD	0.6475	0.97	1.63	-3.08
	NSWTC	4.43	-0	20	74	AUD/EUR	0.5961	-0.48	-1.01	-7.64
	TCV	4.47	-0	20	78	AUD/GBP	0.5211	-0.32	-0.29	-7.68
	WATC	4.38	0	20	67	AUD/JPY	97.449	0.59	2.13	3.97
	Australian Government	4.17	1	22	93	AUD/CAD	0.8909	0.89	2.51	0.03
	US Government	4.59	-20	-42	37	AUD/NZD	1.0817	0.19	0.18	-0.98
5 Year	QTC	4.52	-0	19	62	AUD/SGD	0.8721	0.18	0.03	-5.14
	NSWTC	4.56	-1	18	64	AUD/HKD	5.0511	0.86	1.32	-3.41
	TCV	4.61	0	20	69	AUD/KRW	839.78	-0.02	-2.62	-6.14
	WATC	4.51	-0	19	62	AUD/CNY	4.6915	0.68	0.86	-1.71
	Australian Government	4.23	1	17	82	AUD/INR	54.076	1.35	2.22	-1.09
	US Government	4.43	-21	-44	49	<b>MAJOR CURRENCIES</b>				
7 Year	QTC	4.74	-1	14	66	EUR/USD	1.0846	1.67	2.54	4.67
	NSWTC	4.81	-1	14	70	GBP/USD	1.2409	1.52	1.86	4.59
	TCV	4.83	-0	15	71	USD/JPY	150.76	-0.39	0.63	7.52
	WATC	4.71	-1	15	63	USD/CHF	0.8891	-1.53	-1.23	-6.58
	Australian Government	4.38	1	13	81	USD/CNY	7.2433	-0.58	-0.95	1.19
	US Government	4.47	-20	-42	61	<b>MAJOR COMMODITIES</b>				
10 Year	QTC	5.07	0	10	70	Brent Crude Oil	77.46	-3.19	-13.84	-13.72
	NSWTC	5.16	0	11	72	Gold	1,983.42	1.09	3.08	12.68
	TCV	5.22	0	12	76	Copper	8,265.50	1.45	3.70	1.92
	WATC	4.98	0	11	65	Iron Ore	130.96	4.63	13.67	46.57
	Australian Government	4.53	2	10	84					
	US Government	4.45	-18	-39	68					

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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