

Weekly Economics and Markets Review

- The domestic data were mostly firm this week, with solid increases in retail sales, dwelling prices, and private-sector credit growth.
- Measures of US inflation and labour market conditions were stronger-than-expected. In contrast, euro area GDP fell and inflation eased sharply.
- The US Federal Open Market Committee (FOMC) and Bank of England kept policy settings unchanged, while the Bank of Japan tweaked its Yield Curve Control.

Week in review

Domestic

- Nominal retail sales rose by a stronger-than-expected 0.9 per cent in September, with warmer than-usual-weather seeing broad-base strength across department store and household goods sales.
- The *CoreLogic* measure of capital-city dwelling prices rose 0.9 per cent in October, marking the ninth consecutive monthly increase. Prices are 6.8 per cent higher year-on-year and now around the prior peak reached in April 2022.
- Private sector credit growth lifted 0.5 per cent in September, with solid monthly growth across business, personal and housing credit. New housing loan commitments rose by 0.6 per cent in September, with a 2.0 per cent rise in investor loans offsetting a 0.1 per cent decline for owner-occupiers.
- Dwelling approvals fell 4.6 per cent in September, with falls for both detached and higher-density approvals. This fall partially retraces the 8.1 per cent increase in August.
- The trade surplus eased by A\$3.4 billion to A\$6.8 billion in September. Exports fell by 1.4 per cent, driven by a large drop in the volatile non-monetary gold exports (-39.2 per cent). Imports rose 7.5 per cent due to a sharp rebound in capital goods (23.3 per cent).
- Producer prices rose 1.8 per cent in Q3, which was a notable acceleration from the 0.5 per cent increase in Q2. The Q3 increase was broad-based, driven by a rise in construction inputs (including energy prices) and a lift in wages.

Offshore

- The US FOMC left the target range for the Federal Funds Rate unchanged at 5.25 to 5.5 per cent at its November meeting, as was widely expected. The accompanying statement also maintained a tightening bias. The Committee tweaked its post-meeting statement to acknowledge the strength in Q3 GDP. Fed Chair Powell said he thought the policy rate was restrictive, but suggested more hikes were possible to get inflation back to target. Powell also suggested rate cuts are not being discussed.
- The Bank of England kept the Bank Rate at 5.25 per cent at its November policy meeting, as was expected. The Monetary Policy Committee voted 6-3 to keep the rate unchanged, with the three dissenters favouring a 25-basis point hike. The post-meeting statement retained the language that policy would need to be 'sufficiently restrictive for sufficiently long to return inflation to the 2% target sustainably in the medium term'.
- The Bank of Japan (BOJ) kept its policy rate unchanged but tweaked its Yield Curve Control (YCC) policy. The BOJ announced it would no longer conduct daily purchases of the ten-year Japanese Government Bond (the target of its YCC) at a yield of 1.0 per cent, with it now regarding 1.0 per cent as the upper-bound reference for its purchases. The BOJ also revised up its forecasts for inflation.

- Meanwhile the central bank of Norway (the Norges Bank) kept its policy rate at 4.25 per cent, as was expected. The post-meeting statement again noted that 'the policy rate will likely be raised in December' but added that 'if the Committee becomes more assured that underlying inflation is on the decline, the policy rate may be kept on hold'.
- It was another busy week for **US** data releases. Measures of inflation and labour market conditions were generally stronger-than-expected, while consumer sentiment fell.
 - Headline PCE inflation was slightly stronger-than-expected in September, increasing by 0.4 per cent in the month and 3.4 per cent over the year. Core PCE inflation (which is the Fed's preferred measure of inflation) rose 0.3 per cent in the month, with year-on-year inflation easing one-tenth to 3.7 per cent.
 - The *University of Michigan's* gauge of one-year ahead consumer inflation expectations was revised up to 4.2 per cent in October, marking its highest rate since May. The measure of five-to-ten-year inflation expectations was 3.0 per cent, two-tenths higher than in September.
 - The Employment Cost Index rose 1.1 per cent in Q3, slightly higher than the 1.0 per cent increase in Q2. The pickup in employment cost growth was supported by higher private sector wages.
 - Job openings increased by more than expected in September, rising 56k to 9,553 million.
 - The *Conference Board* measure of consumer confidence fell to its lowest level since May, with a large drop in consumers' assessment of their present situation and a modest fall in future expectations.
 - The *ISM Manufacturing PMI* suggests that manufacturing activity contracted in October, reversing improvements over the past few months. The decline was broad-based, with weakness across new orders, production, and employment.
- In the **euro area**:
 - GDP contracted by 0.1 per cent in Q3, with most nations across the bloc recording negative or flat growth.
 - Headline inflation eased by 1.4 percentage points to 2.9 per cent on a year-on-year basis, with the large increase in energy prices recorded last October no longer contributing to annual price growth. There was a more modest decline in core CPI inflation, with it easing from 4.5 to 4.2 per cent.
- **New Zealand's** labour market was weaker than expected in Q3, with employment declining by 0.2 per cent and the unemployment rate increasing from 3.6 to 3.9 per cent.
- **Chinese** business activity (as measured by the *National Bureau of Statistics's* PMIs) eased in October, with manufacturing falling to contractionary territory and services and construction expanding at a slower pace.

Markets

Bond yields fell over the week as central banks kept policy rates unchanged and international data provided mixed signals. The fall in yields saw equities rise, while oil prices moderated further on expectations that the tensions in the Middle East will not disrupt global oil supplies.

Economic & Market Calendar

DATE	DETAILS
Domestic	Tuesday: RBA Policy Decision (Nov); Friday: RBA Statement on Monetary Policy (Nov)
Offshore	US: University of Michigan Consumer Sentiment (Nov), Trade Balance (Sep) UK: GDP (Q3), Monthly Activity Data (Sep) China: Consumer and Producer Inflation (Oct), Aggregated Financing (Oct), Trade Balance (Oct)

Economic and Financial Market Charts

CHART 1: NOMINAL RETAIL SALES GROWTH HAS BEEN LIMITED OVER 2023, RISING JUST 2.2 PER CENT DESPITE NOTABLY HIGHER PRICES

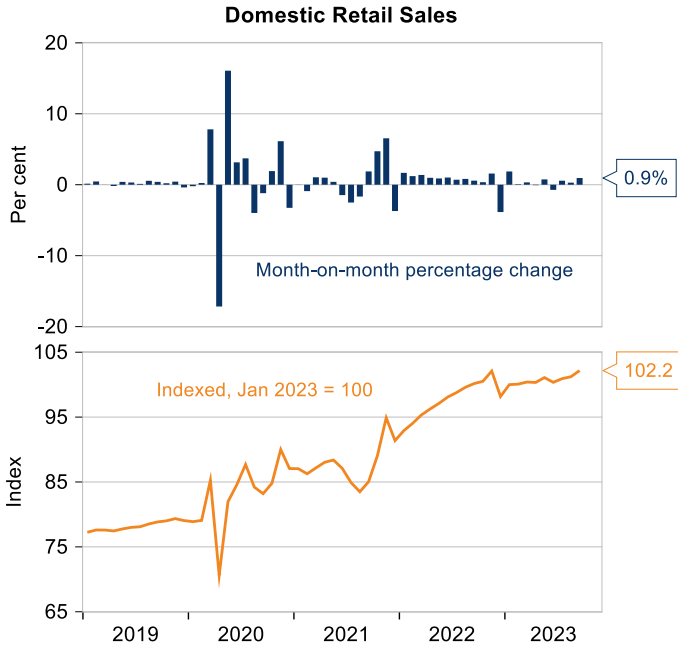


CHART 2: AUSTRALIA'S TRADE SURPLUS NARROWED AS EXPORTS FELL AND IMPORTS ROSE

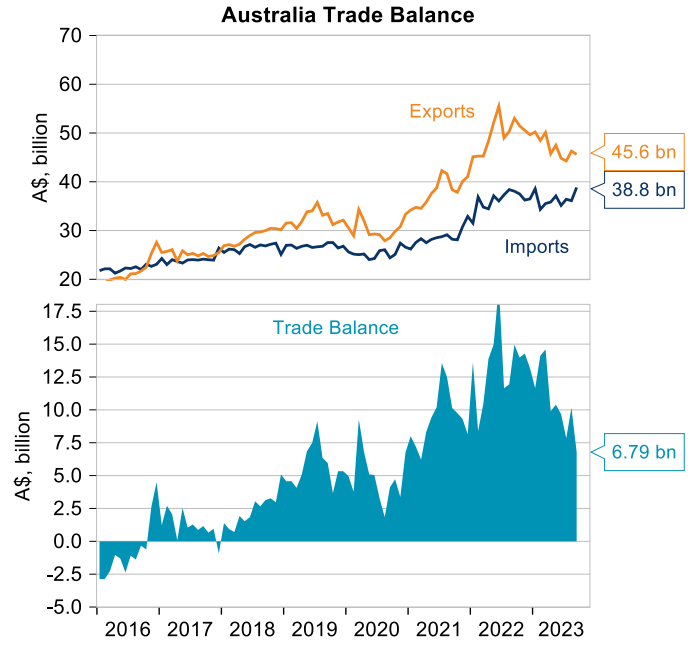


CHART 3: DWELLING PRICES ROSE FOR A NINTH CONSECUTIVE MONTH IN OCTOBER, WITH INCREASES IN BOTH HOUSE AND UNIT PRICES

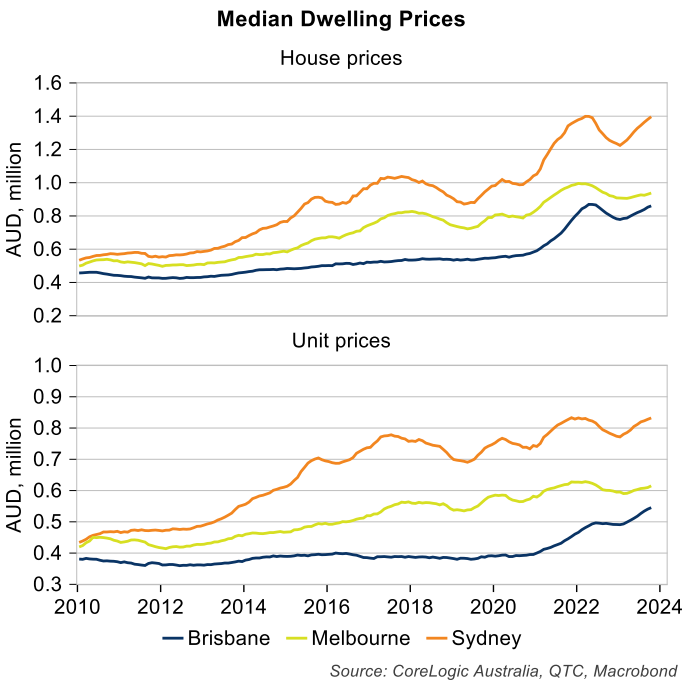
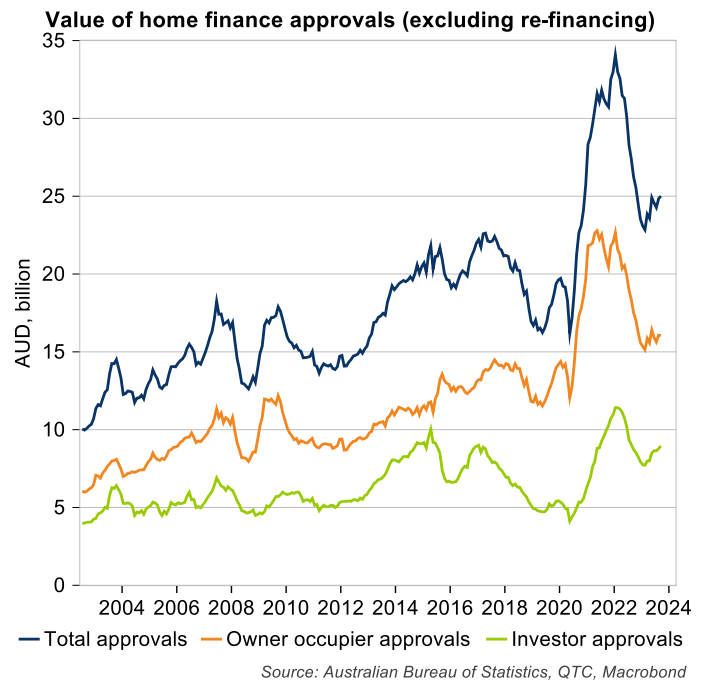


CHART 4: WHILE DOWN FROM THE EARLY 2022 PEAK, HOME LOAN VALUES REMAIN NOTABLY ABOVE PRE-PANDEMIC LEVELS



Economic and Financial Market Charts

CHART 5: US EMPLOYMENT COST GROWTH REMAINS WELL ABOVE ITS PRE-PANDEMIC PACE...

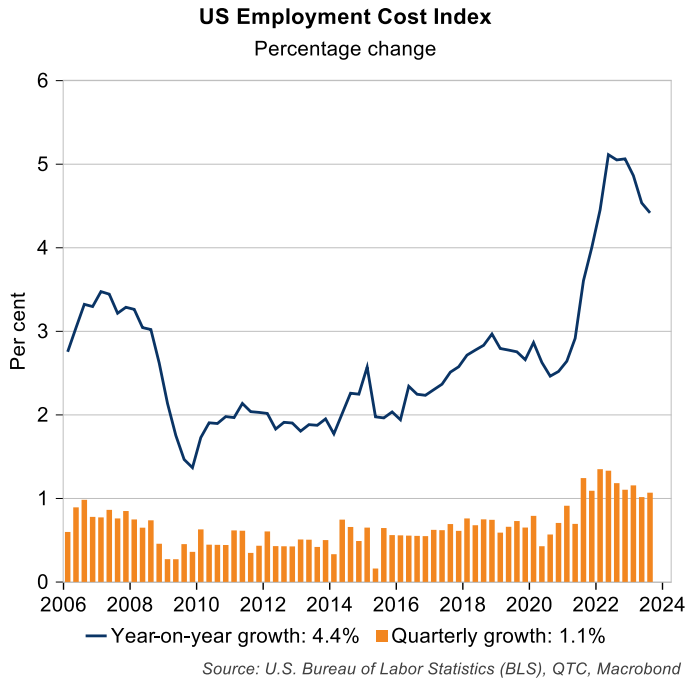


CHART 6: WHILE THE US LABOUR MARKET HAS MODERATED OF LATE IT REMAINS HISTORICALLY TIGHT

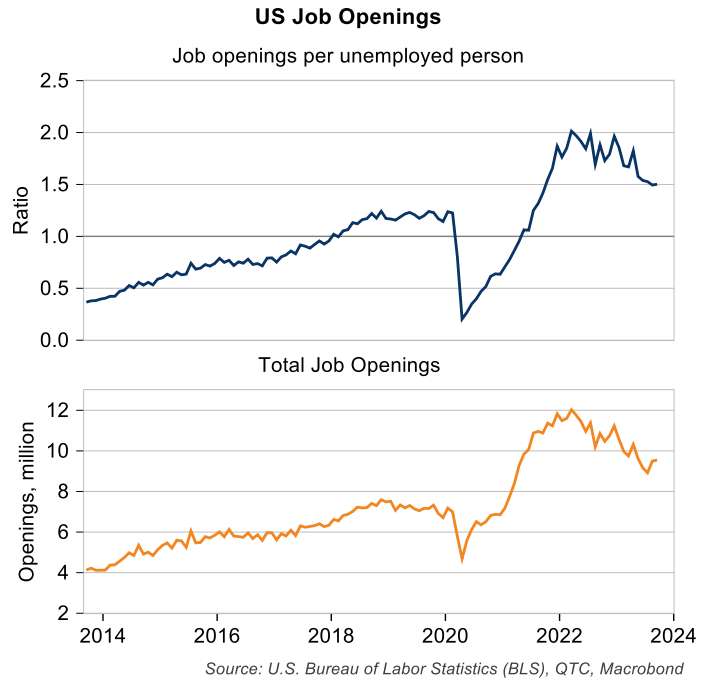


CHART 7: THE SHARP FALL IN EURO AREA HEADLINE INFLATION WAS DRIVEN BY SLOWER ENERGY PRICE GROWTH OVER THE PAST YEAR

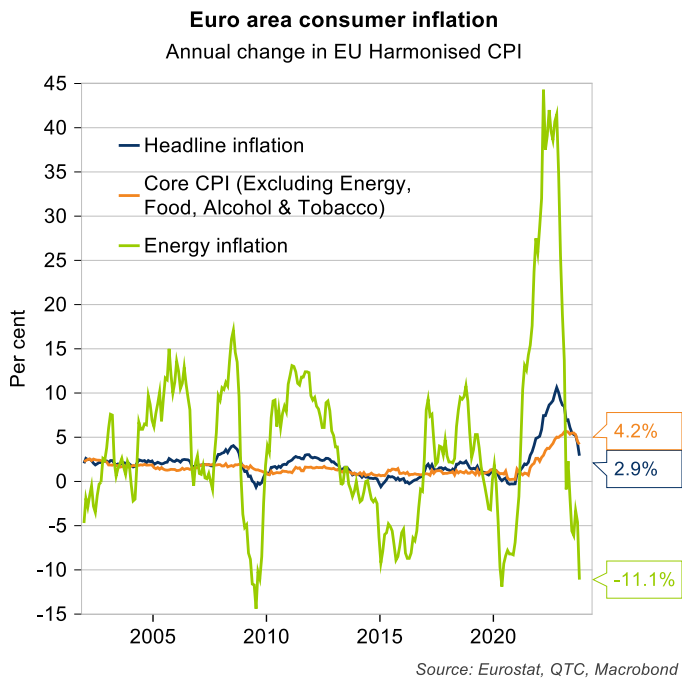
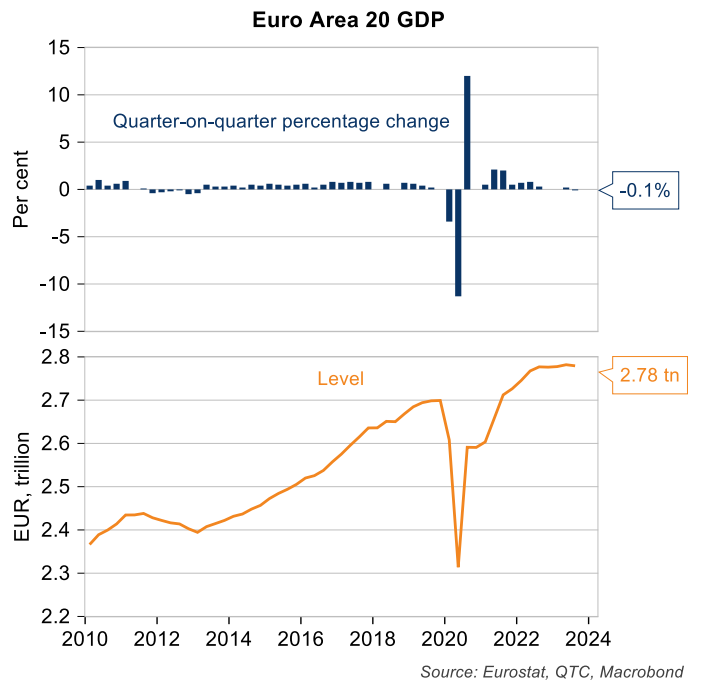


CHART 8: EURO AREA GDP DECLINED SLIGHTLY IN Q3 2023 FOLLOWING STAGNANT GROWTH SINCE LATE 2022



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	4.57	-4	25	64	AUD/USD	0.6434	1.77	2.09	2.31
	NSWTC	4.60	-3	28	72	AUD/EUR	0.6057	1.20	0.60	-6.11
	TCV	4.64	-1	28	75	AUD/GBP	0.5273	1.15	1.04	-6.44
	WATC	4.54	-3	25	62	AUD/JPY	96.811	1.83	3.09	3.82
	Australian Government	4.31	-3	23	97	AUD/CAD	0.8839	1.10	2.32	2.24
	US Government	4.78	-9	-17	14	AUD/NZD	1.0909	0.44	2.28	0.14
						AUD/SGD	0.8781	1.42	1.47	-1.81
5 Year	QTC	4.72	-4	34	61	AUD/HKD	5.0344	1.83	2.00	1.97
	NSWTC	4.78	-4	35	66	AUD/KRW	863.99	0.52	0.74	-3.53
	TCV	4.82	-4	37	70	AUD/CNY	4.7035	1.58	2.23	2.20
	WATC	4.70	-4	34	61	AUD/INR	53.630	2.08	2.11	2.86
	Australian Government	4.41	-6	28	92	MAJOR CURRENCIES				
	US Government	4.63	-16	-17	27	EUR/USD	1.0570	0.07	0.98	8.42
						GBP/USD	1.2152	0.19	0.62	8.89
7 Year	QTC	4.98	-6	36	69	USD/JPY	150.96	0.37	1.30	1.82
	NSWTC	5.07	-6	38	74	USD/CHF	0.9078	1.00	-1.43	-10.41
	TCV	5.08	-6	40	76	USD/CNY	7.3145	-0.05	-0.05	0.13
	WATC	4.96	-5	37	66	MAJOR COMMODITIES				
	Australian Government	4.58	-8	29	93	Brent Crude Oil	86.85	-1.23	-4.48	-8.26
	US Government	4.68	-19	-15	41	Gold	1,985.78	0.05	8.93	21.87
						Copper	8,109.50	1.55	1.29	7.25
10 Year	QTC	5.35	-6	39	78	Iron Ore	122.59	6.92	7.17	63.17
	NSWTC	5.44	-6	40	80					
	TCV	5.50	-7	44	85					
	WATC	5.26	-7	39	71					
	Australian Government	4.77	-8	30	99					
	US Government	4.66	-19	-14	51					

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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