

Weekly Economics and Markets Review

- The RBA left its cash rate unchanged at 4.35 per cent at its December meeting, following last week's weaker-than-expected monthly CPI outcome.
- GDP growth was noticeably slower than expected in Q3 and the household savings rate fell to its lowest level since 2007.
- US data suggests that economic activity continues to improve, though there were mixed signals on the pace of this improvement.

Week in review

Domestic

- The RBA left the cash rate unchanged at 4.35 per cent at its December meeting, as was widely expected. The RBA noted that the data released on the domestic economy since its previous meeting broadly met its expectations. However, the Board was still concerned about the outlook for services inflation. It noted that the October CPI report did not offer much insight into services inflation and that the experience overseas highlights the risk that it could be more persistent than expected.
- GDP increased by a modest 0.2 per cent in Q3, to be 2.1 per cent higher over the year. This was well below consensus expectations and marks the third consecutive quarter that Australian GDP growth has slowed.
- The GDP components provided insights into the drivers of growth in Q3.
 - Household consumption was flat in the quarter and is only 0.4 per cent higher over the year. This is well below population growth, with per capita household consumption now having fallen by 2.0 per cent year-on-year.
 - Net exports subtracted 0.6 percentage points from GDP growth, reflecting both a fall in commodities exports and a surge in travel imports (eg, spending from Australian residents while travelling abroad).
 - Dwelling investment remains at a low level, rising only 0.2 per cent in the quarter. Non-dwelling construction increased by 3.3 per cent, while property transfer activity accelerated to 2.0 per cent (on a quarter-on-quarter basis).
 - The largest contributors to GDP growth in Q3 were public sector spending (0.3 percentage points) and changes in inventories (0.4 percentage points).
- The National Accounts wage and labour cost measures continued to strengthen, though this was not enough to offset the drag from sustained cost of living pressures, higher interest expenses, and higher income taxes.
 - Measures of wages and labour cost growth continued to strengthen. Total wage income per employee (AENA) increased by 1.9 per cent in Q3 to be 5.2 per cent higher over the year.
 - Nominal household disposable slowed to 0.1 per cent in Q3, due to rising interest expenses and the end of the Low- and Middle-Income Tax Offset. Strong price growth also saw real household disposable income fall by 1.3 per cent in the quarter.
 - The household savings rate fell to 1.1 per cent, its lowest level since 2007.

- ANZ-Indeed Job Ads fell 4.6 per cent in November and are now almost 17 per cent lower than the November 2022 peak. Despite these falls, job ads remain elevated relative to their pre-pandemic levels.

Offshore

- US Federal Reserve Chair Powell pushed back slightly against the view that rate cuts could occur earlier expected. However, he also noted that the FOMC is moving more carefully, with policy now 'well into restrictive territory' and the risks to inflation being more balanced.
- The Bank of Canada kept its policy rate steady unchanged at 5.0 per cent, noting that slower economic activity has seen a broad easing of inflationary pressures across goods and services.
- US data suggests that economic activity continues to improve, though there were mixed signals on the pace of this improvement over the past week.
 - The ISM manufacturing index remained unchanged in November, while the services index increased by slightly more than expected. Both measures remain well below their most recent peaks in 2021.
 - Construction spending increased by a stronger-than-expected 0.6 per cent in October, driven by increases in residential construction spending.
 - US initial jobless claims rose to 220,000 last week, as expected. ADP private sector employment rose 103k in November, which was lower than consensus expectations for a 130k increase.
- Euro area economic activity remains subdued.
 - The final release of euro area GDP confirmed that the economy contracted by 0.1 per cent in the September quarter.
 - Euro area retail sales rose by a modest 0.1 per cent in October.
 - German factory orders fell 3.7 per cent in October, while industrial production fell by 0.4 per cent.
- China's recent economic data showed an improvement in activity.
 - The Caixin manufacturing and services PMIs both increased by more than expected in November. However, the services PMI remains well below its most recent peak in March this year.
 - Exports rose 0.5 per cent over the year to November, which is a noticeable improvement on the 6.4 per cent decline in October. This improvement has been supported by Chinese exporters pricing more competitively.

Markets

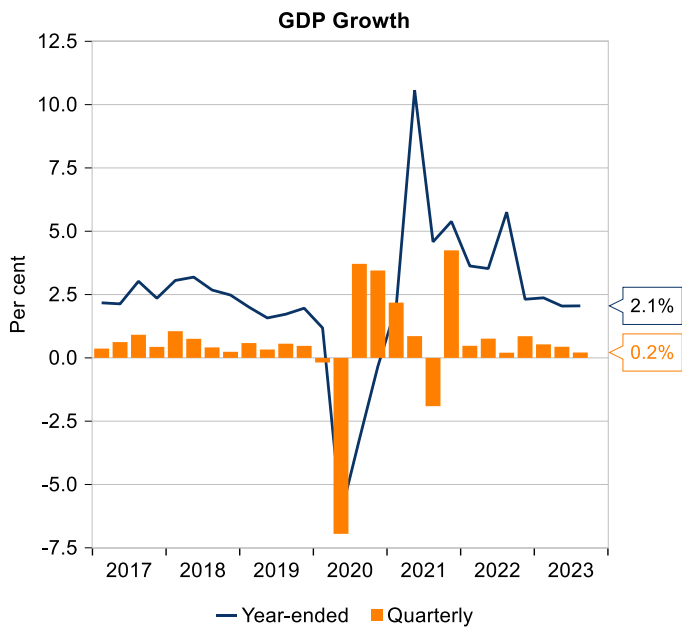
Bond yields were lower this week as economic data generally came in weaker than expected and commentary from Fed Chair Powell was interpreted to be slightly more dovish.

Economic and Market Calendar

DATE	DETAILS
Domestic	Tuesday: NAB Business Survey (Nov), Westpac Consumer Confidence (Dec) Wednesday: CBA household spending (Nov) Thursday: Labour force survey (Nov), Melbourne Institute Consumer Inflation Expectations (Nov)
Offshore	US: FOMC meeting, CPI (Nov), Non-farm payrolls (Nov), unemployment rate (Nov), Average hourly earnings (Nov), University of Michigan consumer sentiment (Dec), initial jobless claims (9 Dec) Euro area: ECB policy meeting, Industrial production (Oct) UK: BOE policy meeting, Monthly GDP (Oct), Average weekly earnings (Oct), Jobless claims (Nov) China: Industrial production (Nov), Fixed asset investment (Nov), Residential property sales (Nov)

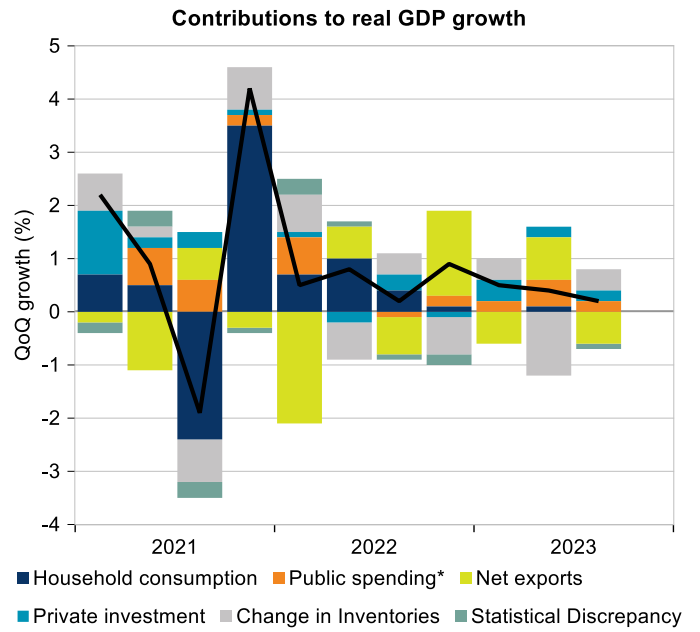
Economic and Financial Market Charts

CHART 1: AUSTRALIA'S GDP GROWTH SLOWED FOR A THIRD CONSECUTIVE QUARTER IN Q3



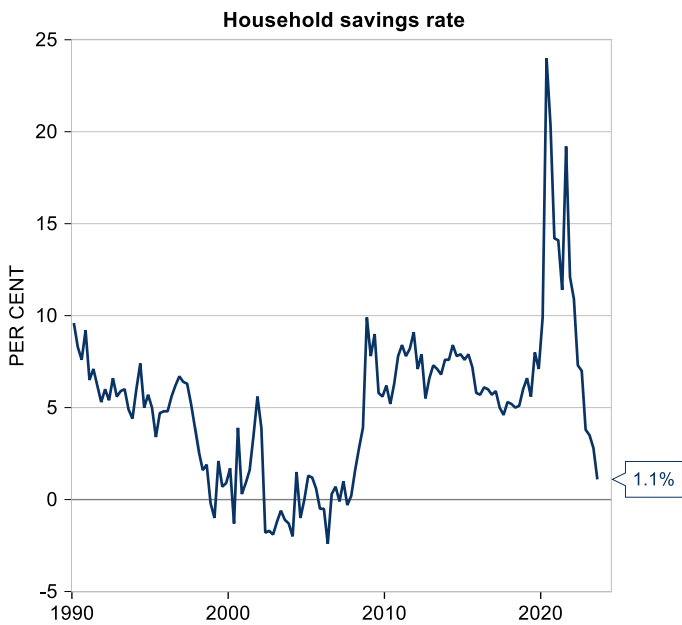
Source: Australian Bureau of Statistics, Reserve Bank of Australia, QTC, Macrobond

CHART 2: THE LARGEST CONTRIBUTORS TO GDP GROWTH WERE PUBLIC SECTOR SPENDING, CHANGES IN INVENTORIES AND BUSINESS INVESTMENT



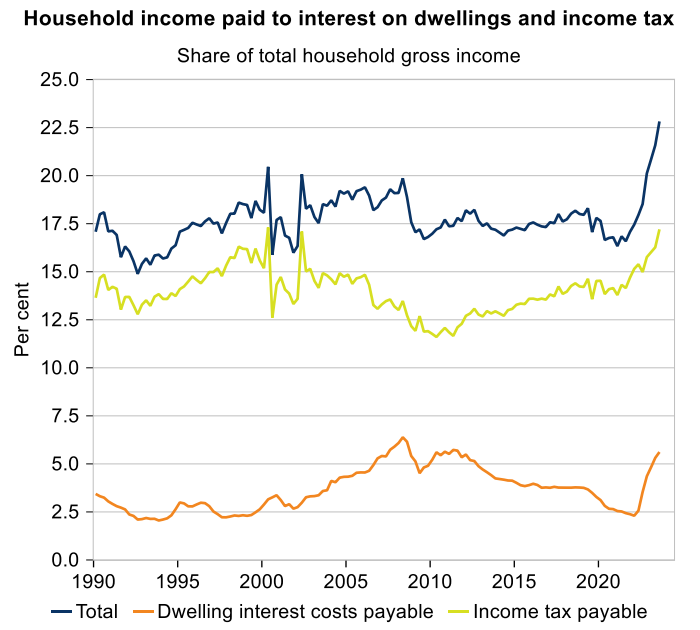
*Includes General Government consumption and public sector investment
Source: Australian Bureau of Statistics, QTC, Macrobond

CHART 3: THE HOUSEHOLD SAVING RATE HAS FALLEN TO ITS LOWEST LEVEL SINCE 2007



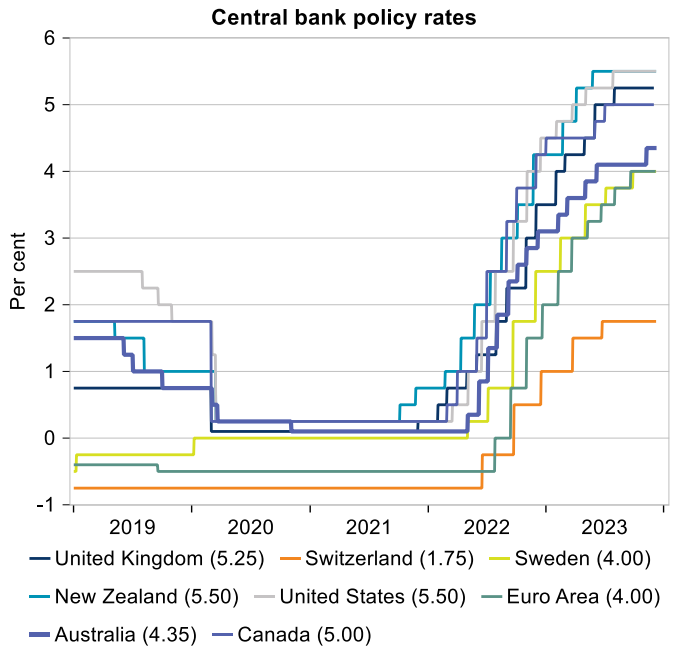
Source: Australian Bureau of Statistics, QTC, Macrobond

CHART 4: THE SHARE OF HOUSEHOLD INCOME PAID TO HOUSING INTEREST COSTS AND INCOME TAX HAS INCREASED TO A RECORD HIGH



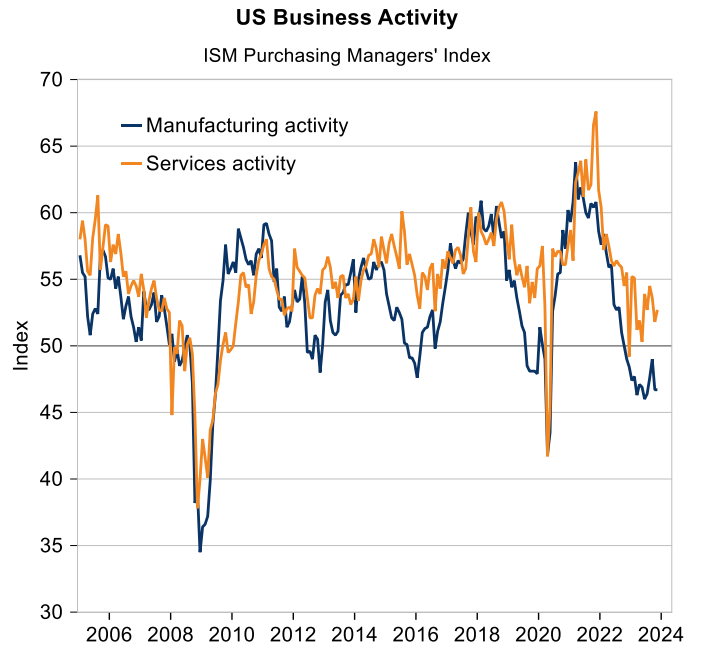
Source: Australian Bureau of Statistics, QTC, Macrobond

CHART 5: MOST ADVANCED ECONOMY CENTRAL BANKS HAVE HELD POLICY RATES STEADY IN RECENT MONTHS



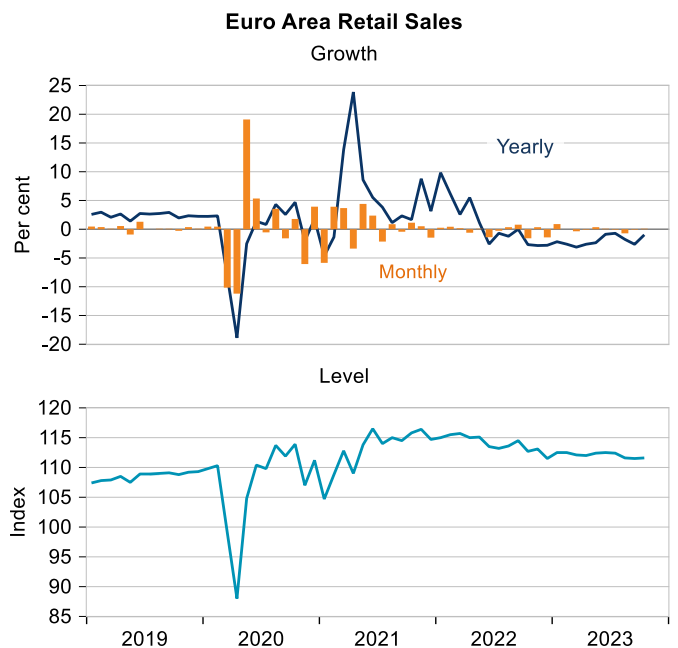
Source: QTC, Macrobond

CHART 6: THE ISM MEASURES OF US MANUFACTURING AND SERVICES ACTIVITY REMAIN WELL BELOW THEIR 2021 PEAKS



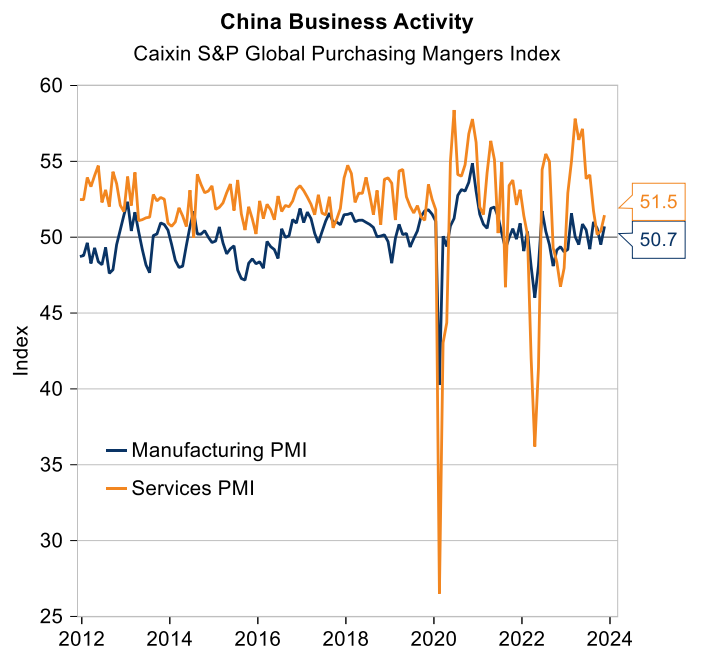
Source: Institute for Supply Management (ISM), QTC, Macrobond

CHART 5: EURO AREA RETAIL SALES HAVE TRENDED LOWER OVER THE PAST 18 MONTHS



Source: Eurostat, QTC, Macrobond

CHART 6: CHINA'S SERVICES ACTIVITY IMPROVED IN NOVEMBER, THOUGH IT REMAINS WELL BELOW ITS MARCH PEAK



Source: S&P Global, 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)		
			1 WEEK	1 MONTH	1 YEAR			1 WEEK	1 MONTH	1 YEAR
3 Year	QTC	4.17	-10	-32	66	AUD/USD	0.66	-0.44	2.68	-2.47
	NSWTC	4.18	-11	-35	70	AUD/EUR	0.61	0.72	1.72	-4.67
	TCV	4.23	-10	-32	72	AUD/GBP	0.52	0.18	0.45	-5.27
	WATC	4.15	-10	-31	64	AUD/JPY	94.97	-3.06	-1.76	2.86
	Australian Government	3.93	-9	-32	86	AUD/CAD	0.90	-0.26	1.51	-2.44
	US Government	4.34	-10	-35	29	AUD/NZD	1.07	-0.31	-1.24	0.77
5 Year	QTC	4.26	-12	-39	63	AUD/SGD	0.88	-0.16	1.48	-3.50
	NSWTC	4.29	-13	-40	66	AUD/HKD	5.15	-0.39	2.60	-2.09
	TCV	4.34	-12	-39	68	AUD/KRW	867.33	0.79	3.50	-2.58
	WATC	4.24	-13	-39	62	AUD/CNY	4.71	0.16	0.63	-0.16
	Australian Government	3.97	-10	-36	81	AUD/INR	54.98	-0.48	2.82	-1.21
	US Government	4.13	-13	-40	43	MAJOR CURRENCIES				
7 Year	QTC	4.48	-13	-40	73	EUR/USD	1.08	-1.14	0.95	2.31
	NSWTC	4.55	-13	-41	77	GBP/USD	1.26	-0.62	2.23	2.96
	TCV	4.59	-12	-38	77	USD/JPY	143.98	2.63	4.33	-5.47
	WATC	4.46	-12	-39	71	USD/CHF	1.14	-0.60	2.67	6.42
	Australian Government	4.14	-9	-36	89	USD/CNY	7.13	-0.60	2.01	-2.37
	US Government	4.18	-16	-40	56	MAJOR COMMODITIES				
10 Year	QTC	4.81	-13	-42	81	Brent Crude Oil	74.05	-10.60	-9.26	-2.76
	NSWTC	4.90	-13	-43	82	Gold	2029.90	-0.40	3.21	13.48
	TCV	4.97	-12	-41	86	Copper	378.45	-1.16	3.12	-2.47
	WATC	4.73	-12	-42	75	Iron Ore	134.87	3.38	7.67	23.48
	Australian Government	4.32	-7	-35	98					
	US Government	4.15	-18	-42	67					

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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