

Weekly Economics and Markets Review

- Domestically, there was mixed news on the labour market, as there was from surveys of consumers and businesses.
- Overseas, the mixed news continued with labour market, activity and inflation data in the UK throwing up different messages while inflation was higher but inflation expectations lower in the US. Japan and the UK were revealed to be in 'technical recessions' (two consecutive quarters of negative economic growth).

Week in review

Domestic

- Employment failed to rebound in January after falling by 62,700 in December. The 500-job increase was much less than the 25,000 expected and could reflect changing seasonal patterns with a larger number of people waiting to start work in January than is typically the case. This saw around 110,000 people classified as unemployed or not in the labour force rather than as employed. With so few jobs added, a steady participation rate and firm growth in the working age population (+49,000), the unemployment rate rose to 4.1 per cent from 3.9 per cent. In the absence of the potential issues around seasonality, the unemployment rate would likely have remained unchanged.
- In other news on the labour market, SEEK jobs ads lifted 1.3 per cent in January. This marked the first back-to-back increases since May 2022 and follows a period where ads declined in 16 of the previous 18 months. According to the *Westpac-MI Consumer Sentiment Survey*, unemployment expectations declined 2.9 per cent in February to a nine-month low. This suggests that consumers are less concerned about their job security. The series is now around long-run average levels.
- The *Westpac-MI Consumer Sentiment Survey* also highlighted that consumer confidence bounced 6.2 per cent in February but remains well below the long-run average. The rebound reflected solid gains in perceptions around economic conditions, family finances and time to buy major items.
- The *NAB Business Survey* pointed to a softening of business conditions in January and a rise in business confidence. The trading conditions, profitability and employment components of the business conditions measure all fell. However, other news from the report were more encouraging. This included a rise in forward orders and capacity utilisation. The survey pointed to a modest rebound in labour and purchase costs as well as selling prices over the three months to February following a notable slowing in the previous report.
- RBA Governor Bullock testified before Parliament and mostly reiterated previous comments, though did note that rate cuts could occur before inflation got back to target and that services inflation need not be at the mid-point of the target range for the RBA to be able to meet its inflation target.

Offshore

- In the **US**:
 - Monthly core CPI inflation was slightly higher (+0.4 per cent) than expected (+0.3 per cent), though resilience in sticky services inflation categories were interpreted by investors as a sign the Federal Reserve may not need to cut interest rates as early or by as much as previously anticipated. At least part of the strength appears to reflect challenges with seasonal adjustment in the post-COVID period and could be reversed in the months ahead.
 - According to the New York Federal Reserve's Survey of Consumer Expectations, one-year ahead inflation expectations were steady at three per cent while those three-years ahead dipped to 2.35 per cent (an 11-year low). The same survey indicated that perceptions of how easy it is to find a job eased. This is at odds with the recent sharp increase in the Conference Board's 'labour differential' measure.
- In the **UK**:
 - The unemployment rate (3.8 per cent vs consensus of 4.0 per cent) and annual growth in wages (for example, 6.2 per cent vs 6.0 per cent for average weekly earnings for regular pay) both offered better than expected results over the three months to December.
 - GDP declined 0.3 per cent in Q4 with the UK entering a 'technical recession' for the first time in 2.5 years.
 - Inflation was softer than expected in January with the headline index declining 0.6 per cent, twice the decline anticipated. UK economist estimates suggest that the monthly rates of services and core inflation softened from the prior month. This helped the annual rates of inflation for these to be lower than expected at 6.5 per cent for services and 5.0 per cent for core inflation.
- In **China**, aggregate financing rose by more than expected on a bigger than anticipated jump in new loans. This could be a tentative sign that credit is belatedly starting to flow to the economy following recent easing measures.
- In **Japan**, according to the first release, GDP dipped 0.4% in Q4 (annualised). This was a material surprise to expectations of a 1.1 per cent increase and reflected declines in major categories of domestic demand. That output fell for the second straight quarter (-3.3 per cent annualised in Q3, which as revised from the 2.9 per cent fall previously reported) suggests that Japan is in a 'technical recession'.

Markets

Australian Government bond yields were up and down over the week given the mixed data, though ended the week slightly higher on account of the rise seen after the US CPI report which highlighted the stickiness of services inflation. The Australian Dollar was marginally higher across the board.

Economic and Market Calendar

DATE	DETAILS
Domestic	Tuesday: RBA Minutes (Feb) Wednesday: Wage Price Index (Q4)
Offshore	US: Housing starts, existing homes sales, building permits (Jan); PPI (Jan); Consumer sentiment & inflation expectations (Feb); FOMC Minutes (Jan) UK: Retail sales (Jan) Global: S&P Global PMIs (Feb)

Economic and Financial Market Charts

CHART 1: AFTER A STEEP FALL IN DECEMBER EMPLOYMENT WAS FLAT IN JANUARY, THOUGH SEASONAL ISSUES MAY HAVE PLAYED A ROLE

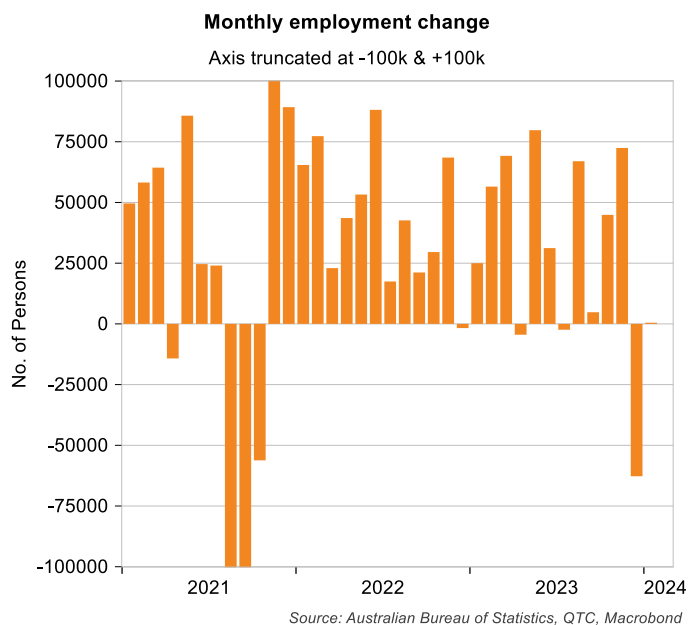


CHART 2: AFTER DECLINING IN 16 OF THE PAST 18 MONTHS, SEEK JOB ADS ROSE IN JANUARY IN WHAT WAS THE SECOND STRAIGHT RISE

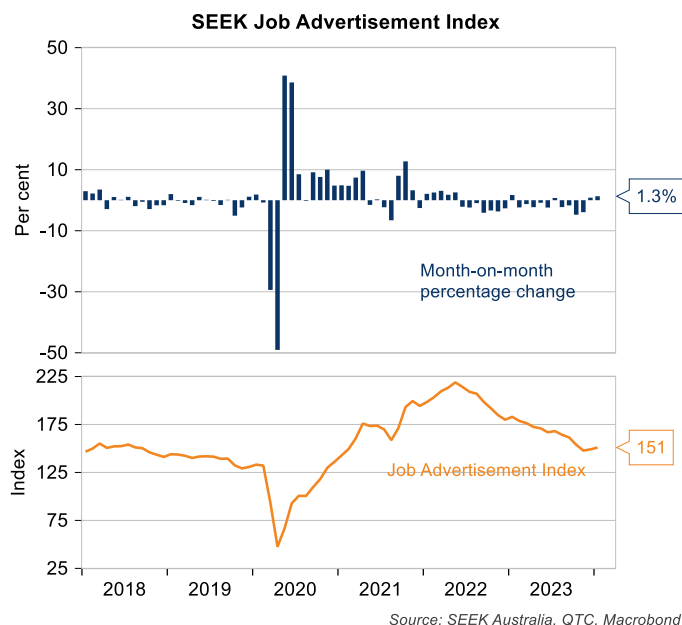


CHART 3: AUSTRALIAN CONSUMER SENTIMENT JUMPED IN FEBRUARY BUT REMAINS WELL BELOW AVERAGE

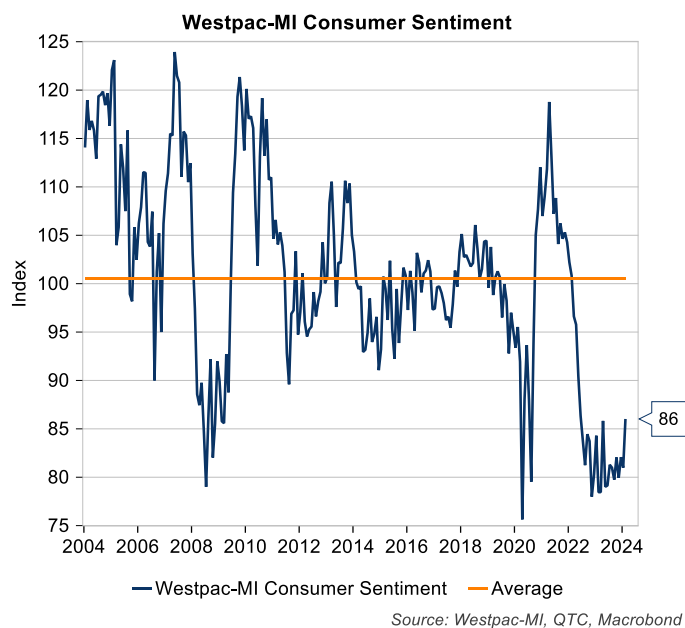


CHART 4: NAB BUSINESS SURVEY PRICE MEASURES TICKED UP IN JANUARY AFTER A PRIOR FALL. THE TREND REMAINS DOWN.

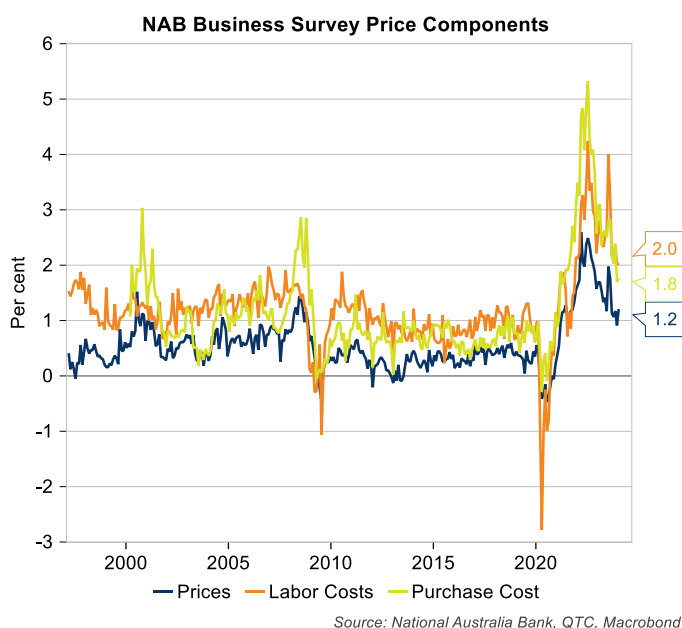


CHART 5: STICKY SERVICES INFLATION (SHELTER & OTHER) ARE DRIVING US INFLATION AT PRESENT

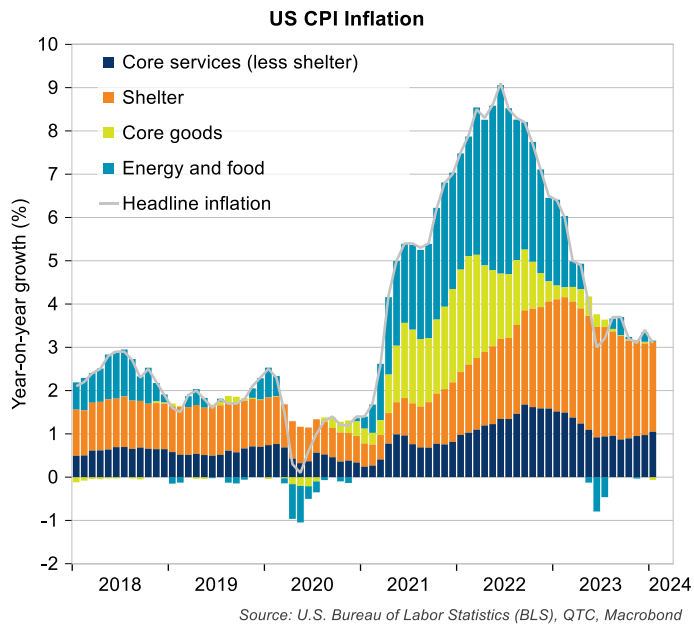


CHART 6: INFLATION EXPECTATIONS OF US CONSUMERS CONTINUE TO EDGE LOWER IN WHAT WOULD BE PLEASING FOR THE FED

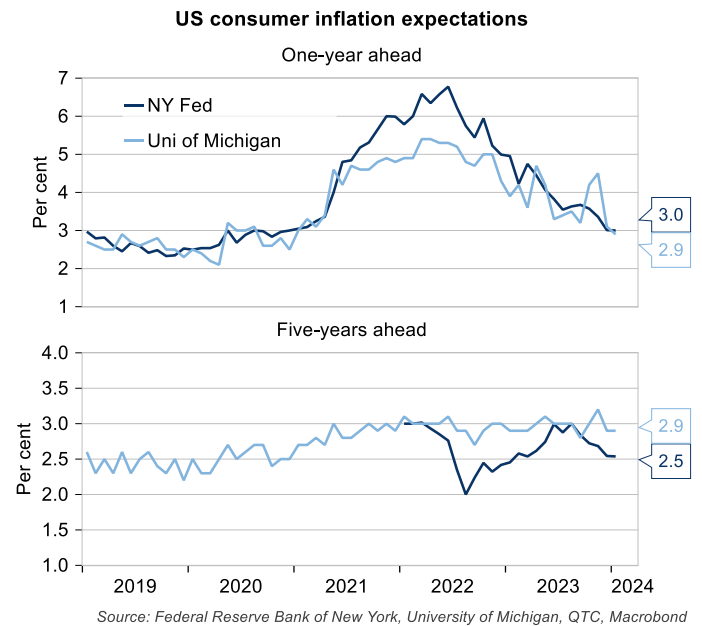


CHART 7: THE ANNUAL RATE OF UK CORE INFLATION CONTINUES TO MODERATE, THOUGH THE PACE AT WHICH IT IS DOING SO IS SLOWING

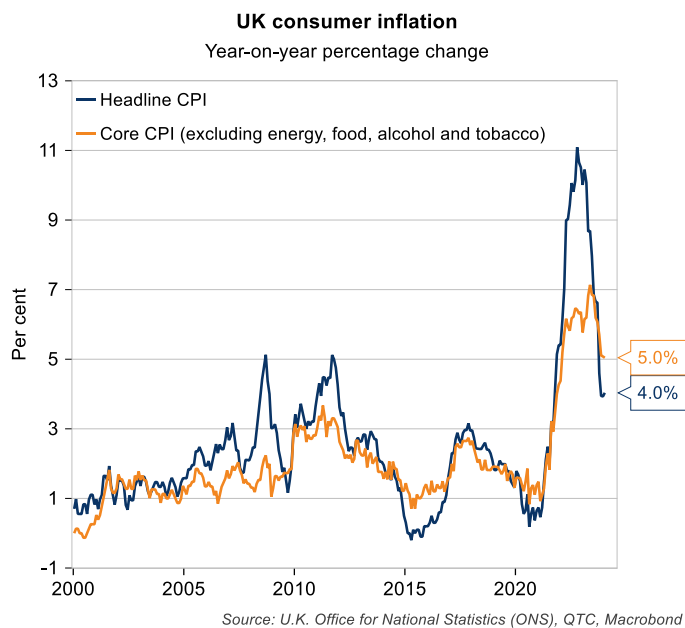


CHART 8: THE FIRST RELEASE OF Q4 GDP POINTED TO JAPAN BEING IN A 'TECHNICAL RECESSION' FOR THE FIRST TIME IN FIVE YEARS



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)		
			1 WEEK	1 MONTH	1 YEAR
3 Year	QTC	4.01	6	8	19
	NSWTC	4.01	6	7	21
	TCV	4.08	5	6	25
	WATC	3.99	5	7	18
	Australian Government	3.73	7	7	28
	US Government	4.36	12	35	-1
5 Year	QTC	4.10	6	6	20
	NSWTC	4.13	5	4	20
	TCV	4.20	6	5	25
	WATC	4.09	6	6	19
	Australian Government	3.78	5	6	25
	US Government	4.22	10	37	15
7 Year	QTC	4.32	6	4	26
	NSWTC	4.38	5	2	27
	TCV	4.45	5	2	34
	WATC	4.29	5	3	23
	Australian Government	3.95	4	6	33
	US Government	4.25	10	37	26
10 Year	QTC	4.66	5	5	31
	NSWTC	4.72	3	2	28
	TCV	4.80	4	-0	37
	WATC	4.57	5	5	25
	Australian Government	4.13	3	6	40
	US Government	4.24	8	36	38

EQUITIES	RATE	CHANGE (PER CENT)		
		1 WEEK	1 MONTH	1 YEAR
AUD/USD	0.65	0.31	-1.09	-5.64
AUD/EUR	0.60	0.42	-0.18	-6.26
AUD/GBP	0.52	0.56	-0.79	-9.90
AUD/JPY	97.71	0.80	0.81	5.77
AUD/CAD	0.88	0.49	-1.10	-5.23
AUD/NZD	1.07	0.14	-0.61	-2.96
AUD/SGD	0.88	0.23	-0.86	-4.82
AUD/HKD	5.09	0.29	-1.18	-5.99
AUD/KRW	868.33	0.74	-0.94	-2.03
AUD/CNY	4.69	0.35	-0.88	-0.92
AUD/INR	53.94	-0.11	-1.68	-5.76
MAJOR CURRENCIES				
EUR/USD	1.08	-0.06	-0.96	0.91
GBP/USD	1.26	-0.15	-0.32	5.04
USD/JPY	149.96	0.43	1.88	11.95
USD/CHF	0.88	0.72	2.14	-4.93
USD/CNY	7.19	-0.11	0.03	4.73

MAJOR COMMODITIES	PRICE (USD)	1 WEEK	1 MONTH	1 YEAR
Brent Crude Oil	82.89	1.54	5.88	-2.64
Gold	2,003.72	-1.38	-1.07	8.75
Copper	8,197.00	0.04	-1.89	-9.15
Iron Ore	129.45	0.74	1.28	13.43

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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