

Weekly Economics and Markets Review

- NAB's Monthly Business Survey suggested that business conditions improved slightly in February, while labour and purchase cost growth remained resilient.
- US CPI inflation was slightly higher than expected, though labour market conditions appear to be gradually easing.
- ECB officials continued to suggest that interest rate cuts could occur around the middle of the year.

Week in review

Domestic

- NAB business conditions increased slightly in February, driven by improved trading conditions and profitability. However, this improvement was not evident across all the measures in the survey. Forward orders were slightly weaker, with orders for the retail sector remaining deeply negative. Capacity utilisation and the more forward-looking business confidence index were little changed in February.
- NAB's measures of price pressures were mixed. Labour and purchase cost growth both remained steady on a quarterly basis, at 2.0 and 1.8 per cent respectively. In contrast, there was a pickup in both final product and retail price inflation.
- CBA's Household Spending Insights index declined by 0.3 per cent in February. There were declines in just over half of the spending categories, with the largest declines in household goods and transport.

Offshore

- **Bank of Japan (BoJ)** Governor Ueda said that while there continues to be weakness in Japan's economy, conditions are gradually recovering. Ueda provided little guidance on when the BoJ might exit negative rates, though Nikkei News indicated that the BoJ will discuss this issue at next week's meeting.
- **Bank of England (BoE)** commentary remained relatively hawkish, with Governor Bailey noting that it needs to remain cautious of any second-round effects on inflation given long-run inflation expectations have not moved much.
- **European Central Bank (ECB)** officials continued to suggest that interest rate cuts could occur around the middle of the year. Bundesbank President Nagel said that the possibility of a rate reduction prior to the summer break is increasing (which includes the April, June and July meetings), while the ECB's Holzmann said that the ECB is more likely to cut rates in June than April.

- **US inflation** measures were slightly higher than expected in February.
 - Both headline and core CPI inflation increased by 0.4 per cent on a monthly basis. Annual core inflation was 3.8 per cent, slightly lower than in January. Annual headline inflation was 3.2 per cent, with around two-thirds of this reflecting rents growth.
 - Headline PPI inflation increased 0.6 per cent in the month, double consensus expectations for a 0.3 per cent increase in February. Core PPI inflation was also slightly stronger than expected at 0.3 per cent.
 - The NY Fed's measure of long-term inflation expectations increased in February, with the 3- and 5-year measures increasing to 2.7 and 2.9 per cent respectively. Short-term (1-year ahead) inflation expectations were unchanged at 3.0 per cent.
- **US labour market** data continue to suggest that conditions are gradually easing.
 - Payrolls increased by 275k in February, higher than consensus expectations for a 200k increase. However, January growth was revised down sharply from 353k to 229k.
 - The unemployment rate increased by a larger-than-expected 0.2 ppts to 3.9 per cent in February, while monthly wage growth eased to 0.1 per cent (compared to 0.5 per cent in January).
- Other US data were generally weaker than expected.
 - Retail sales rose 0.6 per cent in February, below consensus expectations for a 0.8 per cent increase.
 - NFIB small business optimism index edged lower in February, with a decline in expectations for future capex, employment, inventories and the economic outlook.
- In the **UK**, the three-month average unemployment rate increased by 0.1 ppts to 3.9 per cent in January. Employment edged slightly higher, while the annualised pace of regular pay growth rose to 3.3 per cent (from 2.3 per cent).
- In the **euro area**, industrial production (excluding construction) fell 3.2 per cent in January, well below consensus expectations for a 1.8 per cent fall. There was also a large 1 ppt downward revision to monthly growth for December.

Markets

US Treasury yields increased over the past week in response to stronger than expected CPI and PPI inflation data. Crude oil prices increased as Ukrainian drones attacked Russian refineries, US inventories reported the first drawdown in two months and an IEA report warned of a potential supply shortage throughout the year.

Economic and Market Calendar

DATE	DETAILS
Domestic	Monday/Tuesday: RBA Board Meeting Thursday: Labour force survey (Feb)
Offshore	US: FOMC Meeting (20 Mar), Industrial production (Feb), University of Michigan consumer sentiment and inflation expectations (Mar), S&P Global PMIs (Mar), Housing starts (Feb), Existing home sales (Feb), NY Fed Services Activity Index (Mar), Initial jobless claims (week ending 16 Mar) Euro area: CPI (Feb F), Labour costs (Q4), Consumer confidence (Mar), HCOB PMIs (Mar), Construction output (Jan), Trade balance (Jan) UK: BOE Meeting (21 Mar), CPI (Feb), PPI (Feb), Retail sales (Feb) Japan: BOJ Meeting (19 Mar), CPI (Feb), Industrial production (Jan)

Economic and Financial Market Charts

CHART 1: BUSINESS CONDITIONS REMAINED RESILIENT IN FEBRUARY AND ARE NOW SLIGHTLY ABOVE THEIR LONG-RUN AVERAGE...

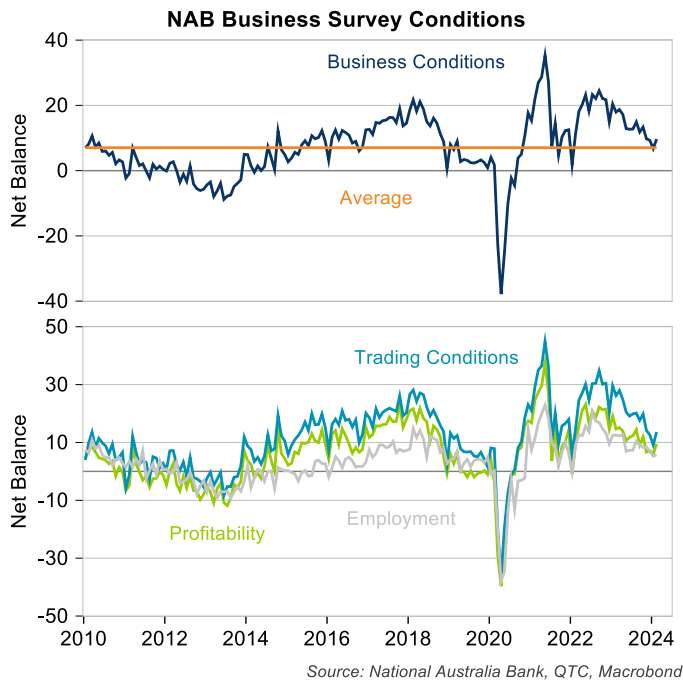


CHART 2: THOUGH BUSINESSES WERE LESS CONFIDENT ABOUT CONDITIONS IN THEIR INDUSTRY OVER THE NEXT THREE MONTHS

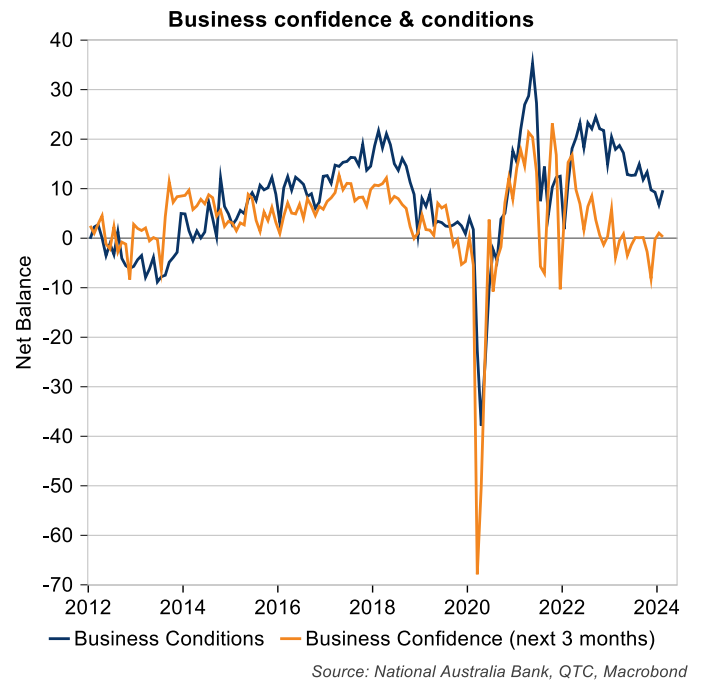


CHART 3: FORWARD ORDERS SUGGEST THAT CAPACITY UTILISATION MAY CONTINUE TO EASE OVER THE COMING YEAR

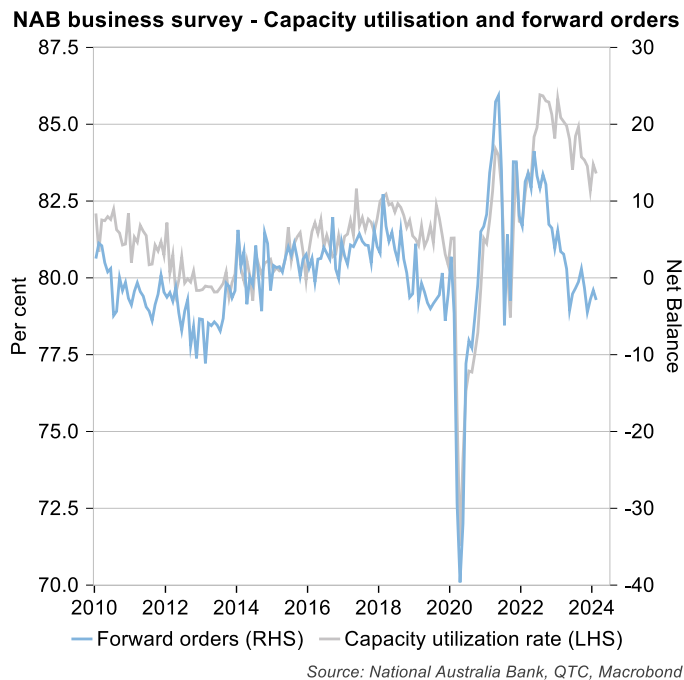


CHART 4: PRICE PRESSURES HAVE EASED NOTICEABLY FROM THEIR PEAKS, BUT STILL REMAIN WELL ABOVE AVERAGE

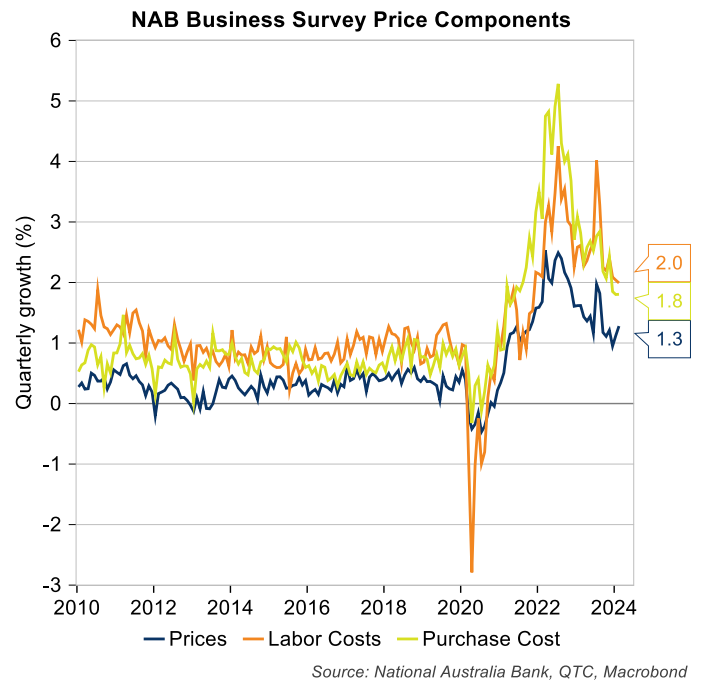
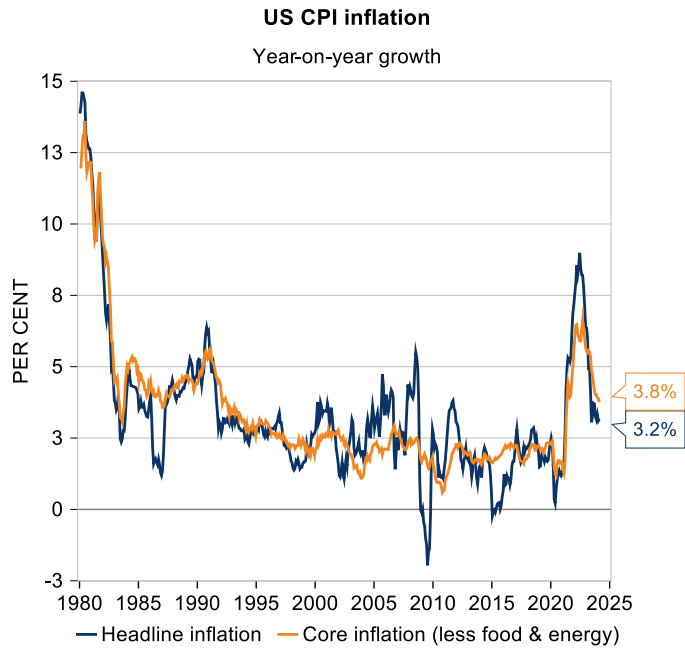
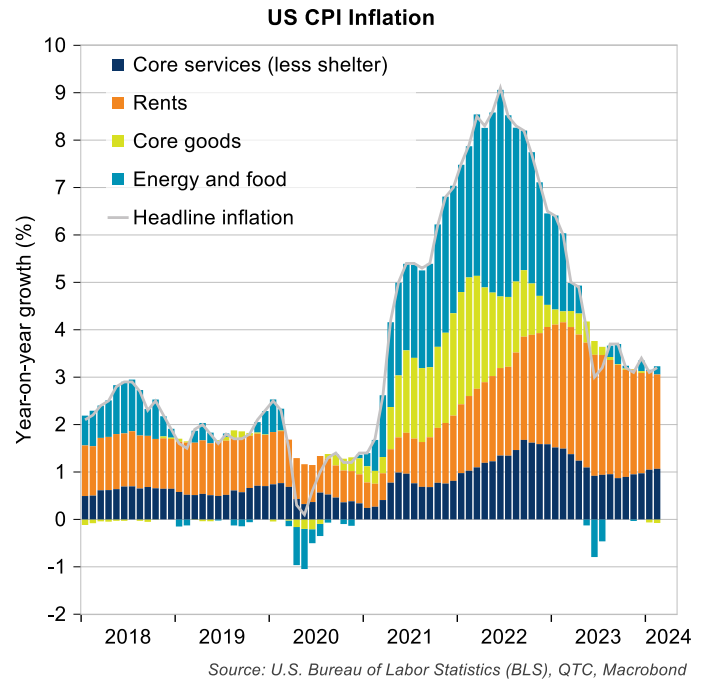
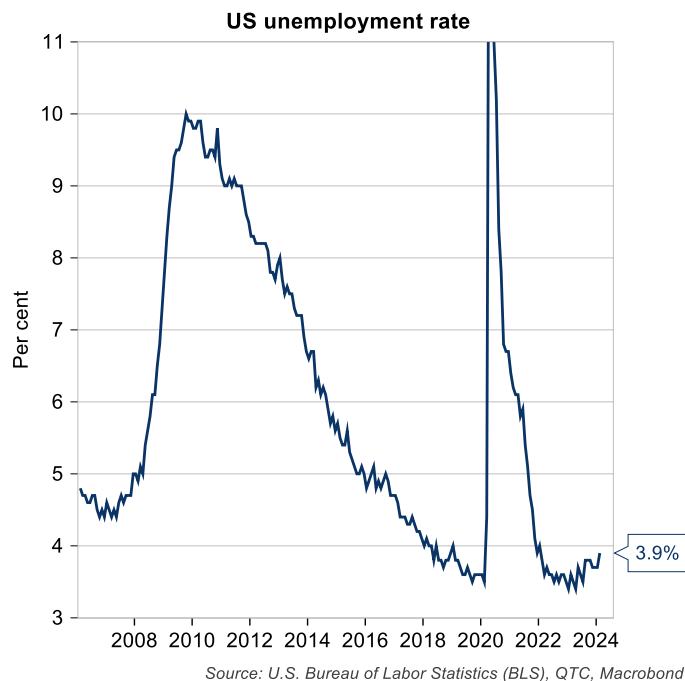
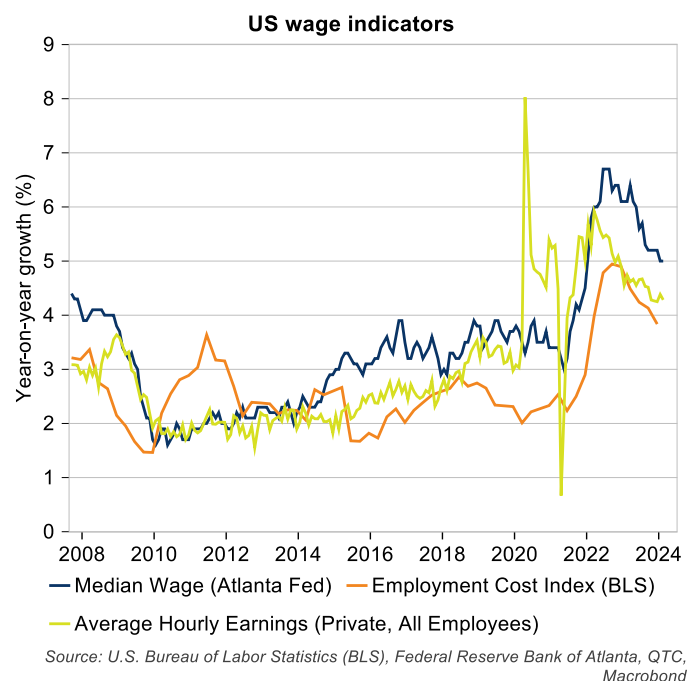


CHART 5: THE PACE OF IMPROVEMENT IN US CPI INFLATION HAS SLOWED NOTICEABLY OVER THE PAST FEW MONTHS**CHART 6: RENTS ACCOUNTS FOR AROUND TWO THIRDS OF US INFLATION OVER THE PAST YEAR****CHART 7: THE US UNEMPLOYMENT RATE HAS TRENDED HIGHER OVER THE PAST SIX MONTHS****CHART 8: THE EASING OF US LABOUR MARKET CONDITIONS HAS ALSO SEEN WAGE GROWTH TREND LOWER**

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	3	-12	48
	NSWTC	4.01	3	-13	49
	TCV	4.07	3	-14	54
	WATC	4.00	3	-12	48
	Australian Government	3.68	5	-17	64
	US Government	4.46	19	-0	46
5 Year	QTC	4.11	5	-11	48
	NSWTC	4.14	5	-12	48
	TCV	4.19	3	-13	54
	WATC	4.10	5	-12	49
	Australian Government	3.74	5	-17	60
	US Government	4.29	22	-3	55
7 Year	QTC	4.31	5	-13	46
	NSWTC	4.37	5	-13	47
	TCV	4.44	4	-13	56
	WATC	4.28	4	-13	44
	Australian Government	3.88	5	-19	59
	US Government	4.30	22	-3	61
10 Year	QTC	4.65	5	-12	45
	NSWTC	4.70	5	-14	42
	TCV	4.79	4	-13	51
	WATC	4.56	5	-12	41
	Australian Government	4.05	5	-20	61
	US Government	4.29	21	-2	71

EQUITIES	RATE	CHANGE (PER CENT)		
		1 WEEK	1 MONTH	1 YEAR
AUD/USD	0.66	-0.59	1.98	-1.13
AUD/EUR	0.60	0.02	0.35	-3.57
AUD/GBP	0.52	-0.16	0.69	-6.13
AUD/JPY	97.61	-0.41	0.30	9.64
AUD/CAD	0.89	-0.06	1.74	-2.50
AUD/NZD	1.07	0.12	0.82	-0.07
AUD/SGD	0.88	-0.39	0.84	-1.92
AUD/HKD	5.15	-0.56	2.02	-1.47
AUD/KRW	867.25	-1.56	1.19	-0.75
AUD/CNY	4.74	-0.56	2.02	3.25
AUD/INR	54.87	0.47	1.43	-0.21
MAJOR CURRENCIES				
EUR/USD	1.09	-0.01	2.22	3.17
GBP/USD	1.28	-0.09	1.62	5.68
USD/JPY	147.76	-0.20	-2.02	10.48
USD/CHF	0.88	0.14	-0.92	-5.43
USD/CNY	7.19	-0.03	-0.11	4.27

MAJOR COMMODITIES	PRICE (USD)	1 WEEK	1 MONTH	1 YEAR
Brent Crude Oil	85.42	2.97	3.20	14.35
Gold	2,162.19	0.10	8.48	12.64
Copper	8,927.00	3.32	8.08	4.80
Iron Ore	103.23	-11.56	-18.83	-12.04

Note: The Australian yield data (national and state) is sourced from QTC while the exchange rate and US yield data is from *Macrobond*.

CLICK HERE TO SUBSCRIBE

QTC'S ECONOMIC RESEARCH

Topical issues important to global and Australian economies, and financial markets.

DISCLAIMER

The information within this document is intended for general information purposes only and does not constitute financial or other advice. Specific professional advice should be obtained before acting on the basis of any matter covered in this document. This information has been prepared in part by data sourced from third parties which has not been independently verified. The opinions, forecasts and data contained in this document is based on research as at the date of publication and is subject to change without notice. Queensland Treasury Corporation (QTC) issues no invitation to anyone to rely on the information and expressly excludes any warranties or representations as to its accuracy, adequacy, currency or completeness. All opinions expressed are the views of the QTC Economics and Research Team and may differ from the views of QTC or other QTC servants or agents. To the extent permitted by law, QTC, its servants and agents (QTC Parties) disclaim all responsibility and liability for any loss or damage of any nature whatsoever which may be suffered by any person directly or indirectly through relying on the information contained in this document, whether that loss for damage is caused by any fault or negligence of the QTC Parties or otherwise. No part of this document may be reproduced, copied or published in any form or by any means without QTC's prior written consent. This document may contain statements about future events and expectations that are forward looking statements. None of the future projections, expectations, estimates or prospects in this document should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of assumptions, fully stated in the document.