

Weekly Economics and Markets Review

- Momentum in the domestic economy remains weak, with dwelling approvals trending to a decade low and job vacancies continuing to move lower.
- China's manufacturing sector has been more resilient than expected in recent months, with the manufacturing PMI increasing to its highest level in over a year.
- US Treasury yields moved higher over the past week in response to a stronger-than-expected US manufacturing PMI and ADP employment.

Week in review

Domestic

- The **RBA's March Board Minutes** noted that the Australian economy is tracking 'broadly as expected' and that the risks to the outlook have become more balanced. In contrast to previous meetings, the Minutes did not outline the case for a cash rate hike.
- **Job vacancies** continue to suggest that momentum in the labour market is slowing. The number of vacancies fell 6.1 per cent in the three months to February and are now 23.5 per cent below their peak in May 2022. This decline in vacancies was broad-based across the private and public sector.
- **Retail sales** have been volatile in recent months, though the underlying momentum remains weak. Nominal retail sales increased 0.3 per cent in February and are now 1.6 per cent higher over the year. However, this includes a temporary boost to clothing and accessories sales in the month due to sales of 'Taylor Swift inspired outfits and related do-it-yourself accessories'.
- **Dwelling approvals** were weaker than expected in February, declining by 1.9 per cent against expectations for a 3 per cent rise. While dwelling approvals can be volatile, the recent data have been soft. February marks their third consecutive monthly fall, with the annual rate of approvals falling to its lowest level since March 2013.
- In contrast to other key data releases over the past week, housing price growth remains strong. **CoreLogic capital-city dwelling prices** rose by 0.6 per cent in March, with increases across all capital cities except Darwin. Dwelling prices are now 11.4 per cent higher than their most recent trough in January 2023 and 2.4 per cent above the previous record high in April 2022.
- **Private sector credit growth** increased 5.0 per cent over the year to February. On a month-to-month basis, both housing and business credit increased in line with recent momentum, while personal credit growth saw its largest increase since September 2023.
- **Cleveland Fed President Mester** also expects there will be further progress on inflation, though this progress will be a bit slower than what we have seen to date. Both Mester and San Francisco Fed President Daly suggested it was still reasonable to expect three rate cuts in 2024. This view isn't shared by all Fed officials though, with Atlanta Fed President Bostic expecting there will only be one rate cut in 2024.
- **US economic data** were mixed over the past week.
 - The US PCE data came as a mild relief, with the 'core services ex-housing' measure increasing by just 0.2 per cent on a month-on-month basis (following a 0.7 per cent increase in January). Core PCE inflation was 0.3 per cent in the month, consistent with consensus expectations.
 - ADP private payrolls rose 184k in March, stronger than consensus expectations for a 150k increase. Job openings showed more modest gains, lifting by only 8k to 8,756k in February from a downwardly revised 8,748k in January. The openings and quits rates were steady in the month.
 - The manufacturing ISM was stronger than expected in March, with large increases in both new orders and prices paid. In contrast, the services ISM decreased in March, against expectations for a modest rise.
- **Euro area** inflation eased in February, with the annual rate of core inflation falling to 3.0 per cent (from 3.1 per cent) and headline inflation easing to 2.4 per cent (from 2.6 per cent).
- **China's** manufacturing sector has been more resilient than expected in recent months. The official manufacturing PMI increased by more than expected in March and is now at its highest level in a year. The Caixin manufacturing PMI also increased in the month, while industrial output and exports data were stronger than expected in January-February.
- President Xi ordered the People Bank of China's (PBOC's) to inject liquidity into the economy by buying central government bonds. The statement following the PBOC's Q1 meeting also highlighted that it would continue to support targeted areas of the economy (e.g. agriculture and SMEs). It also reiterated its support for property developers and pledged to maintain a broadly stable exchange rate.

Offshore

- **US Federal Reserve** Chair Powell said that recent data do not materially alter the Fed's outlook for inflation and that it is too early to say if recent inflation outcomes are more than just a temporary blip. He does not expect rate cuts until there is more confidence inflation is easing sustainably towards its target. Powell also said that he sees monetary policy as being tight and that it is working largely as intended.

Markets

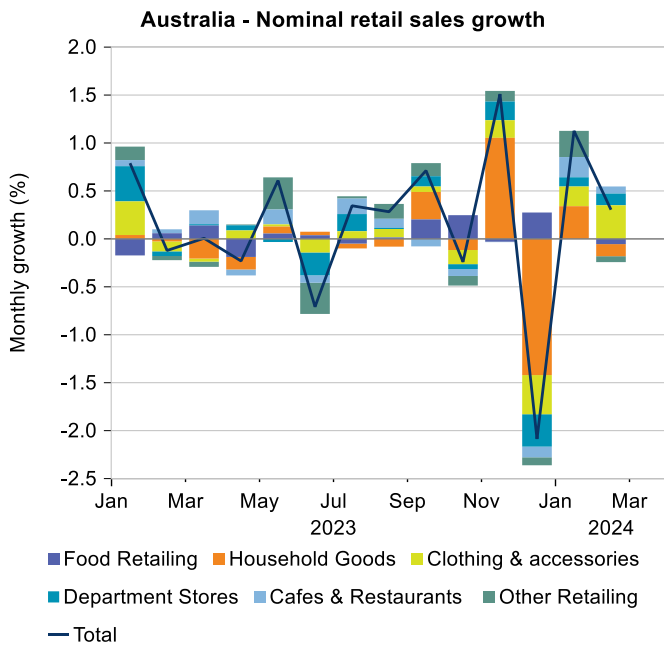
US Treasury yields moved higher over the past week in response to a stronger-than-expected US manufacturing PMI and ADP employment. Oil prices increased in response to increased tension in the Middle East.

Economic and Market Calendar

DATE	DETAILS
Domestic	Monday: Housing Loans (Feb) Tuesday: NAB Business Survey (Mar), Westpac Consumer Sentiment (Apr) Thursday: CBA Household Spending (Mar)
Offshore	US: CPI (Mar), PPI (Mar), Non-farm payrolls (Mar), Unemployment rate (Mar), FOMC Minutes (Mar), Average Hourly Earnings (Mar), Initial Jobless Claims (6 Apr), NY Fed 1-year Inflation Expectations (Mar) Euro area: Retail Sales (Feb), ECB Meeting (11 Apr) Japan: Industrial Production (Feb), PPI (Mar) China: Aggregate Financing (Mar), PPI (Mar), CPI (Mar), International trade (Mar)

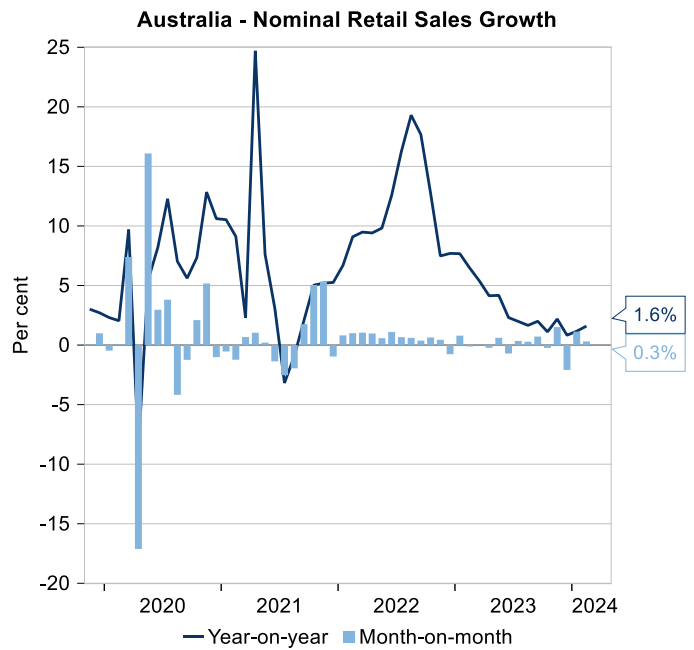
Economic and Financial Market Charts

CHART 1: STRONGER CLOTHING & ACCESSORIES SPENDING WAS SUPPORTED BY SALES OF 'TAYLOR SWIFT INSPIRED OUTFITS' IN FEB



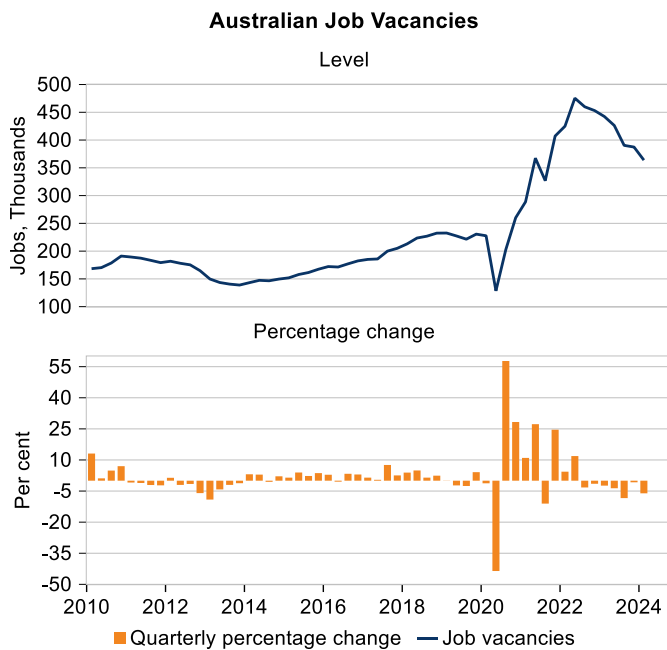
Source: Australian Bureau of Statistics, QTC, Macrobond

CHART 2: LOOKING THROUGH THE VOLATILITY IN RECENT MONTHS, NOMINAL RETAIL SALES GROWTH REMAINS SOFT



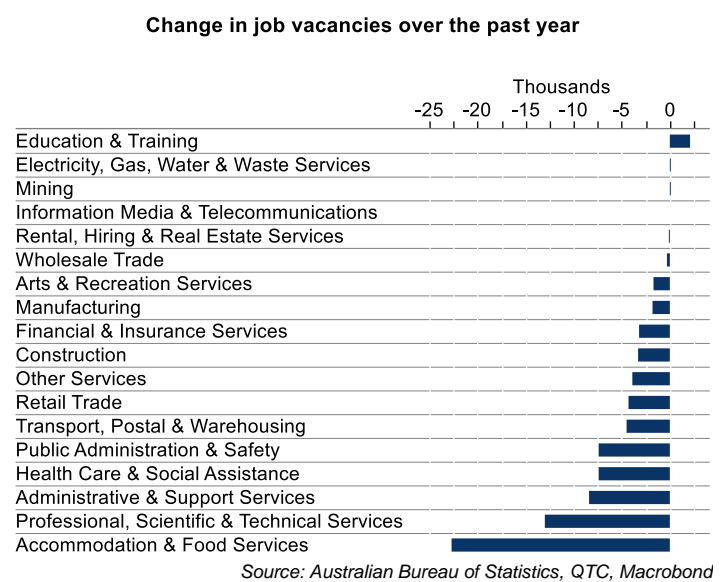
Source: Australian Bureau of Statistics, QTC, Macrobond

CHART 3: THE NUMBER OF VACANT JOBS HAS CONTINUED TO TREND LOWER...



Source: Australian Bureau of Statistics, QTC, Macrobond

CHART 4: ... WITH DECLINES SEEN ACROSS MOST INDUSTRIES OVER THE PAST YEAR



Source: Australian Bureau of Statistics, QTC, Macrobond

CHART 5: THE NEAR-TERM OUTLOOK FOR HOUSING CONSTRUCTION IS WEAK, WITH THE TREND IN DWELLING APPROVALS AT ITS LOWEST LEVEL SINCE 2012

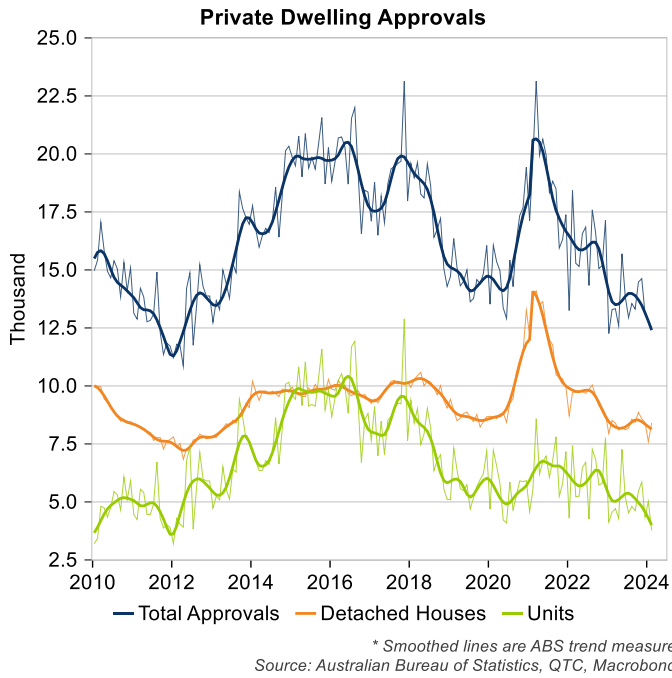


CHART 6: IN CONTRAST TO HOUSING CONSTRUCTION, DWELLING PRICES ARE AT A RECORD HIGH

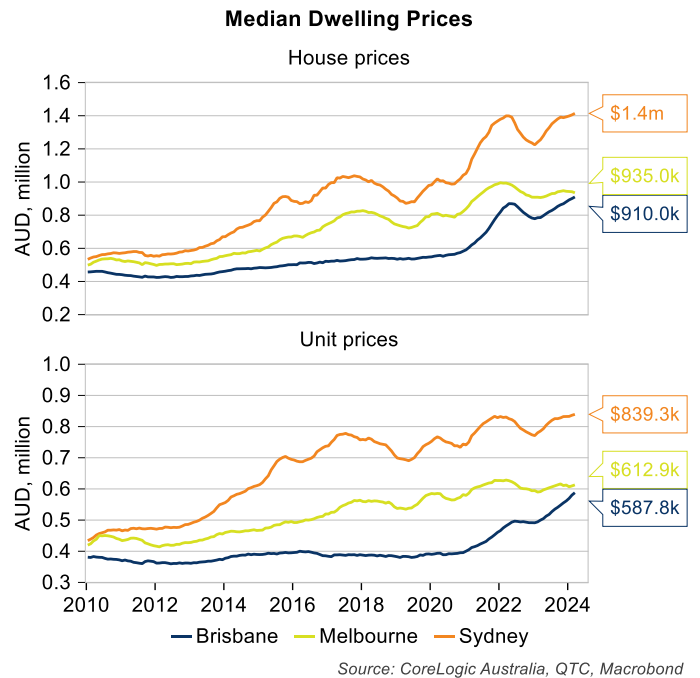


CHART 7: INFLATION CONTINUES TO IMPROVE ACROSS MOST ADVANCED ECONOMIES, THOUGH THE PACE OF THE IMPROVEMENT HAS SLOWED NOTICEABLY IN THE US

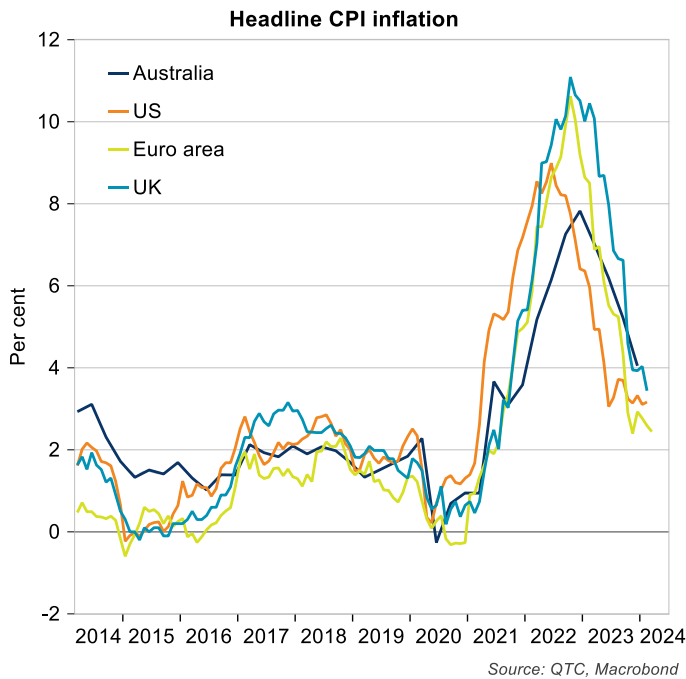
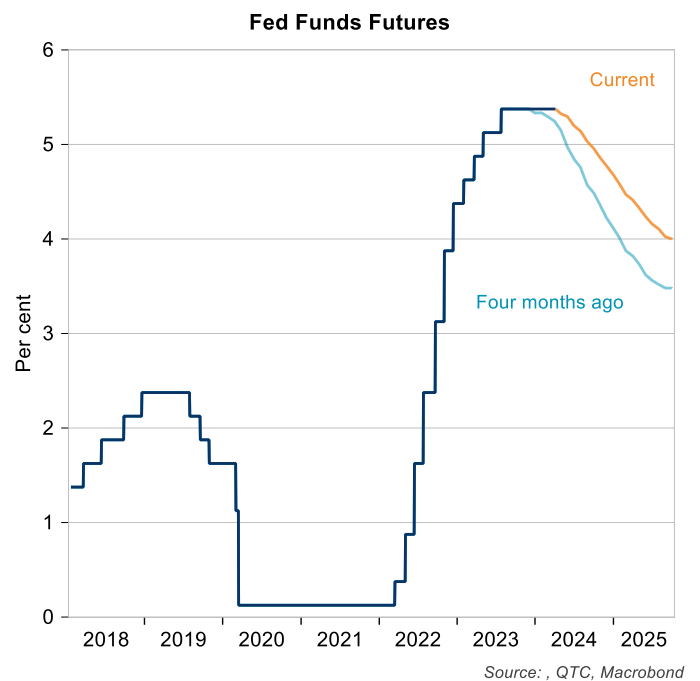


CHART 8: STRONGER-THAN-EXPECTED US INFLATION AND ECONOMIC CONDITIONS HAS SEEN FINANCIAL MARKETS WIND BACK FED RATE CUT EXPECTATIONS IN RECENT MONTHS



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	4.04	14	3	71	AUD/USD	0.66	1.46	1.61	-0.72
	NSWTC	4.04	14	3	71	AUD/EUR	0.61	0.81	1.59	-0.22
	TCV	4.10	14	2	76	AUD/GBP	0.52	1.17	2.04	-2.56
	WATC	4.03	14	3	70	AUD/JPY	100.39	1.69	2.69	14.32
	Australian Government	3.74	15	6	85	AUD/CAD	0.89	1.10	0.99	-0.61
	US Government	4.46	5	12	86	AUD/NZD	1.10	0.45	2.54	2.65
5 Year	QTC	4.14	15	3	75	AUD/SGD	0.89	1.22	1.93	0.50
	NSWTC	4.16	16	3	75	AUD/HKD	5.18	1.49	1.68	-0.99
	TCV	4.22	16	2	79	AUD/KRW	890.58	1.20	2.45	1.35
	WATC	4.13	17	3	74	AUD/CNY	4.79	1.57	2.16	4.46
	Australian Government	3.80	17	5	82	AUD/INR	55.19	1.46	2.22	1.10
	US Government	4.30	8	15	92	MAJOR CURRENCIES				
7 Year	QTC	4.36	17	3	76	EUR/USD	1.09	0.65	0.02	-0.50
	NSWTC	4.42	18	3	76	GBP/USD	1.27	0.29	-0.42	1.89
	TCV	4.49	17	2	85	USD/JPY	151.68	-0.23	-1.06	-15.15
	WATC	4.33	17	3	73	USD/CHF	1.11	-0.41	-2.46	-0.06
	Australian Government	3.97	18	6	85	USD/CNY	7.24	-0.11	-0.53	-5.22
	US Government	4.31	10	15	97	MAJOR COMMODITIES				
10 Year	QTC	4.73	19	5	81	Brent Crude Oil	90.65	3.62	10.49	6.50
	NSWTC	4.78	19	4	78	Gold	2,290.94	2.74	7.65	14.10
	TCV	4.86	19	3	86	Copper	9,359.00	5.55	10.22	6.35
	WATC	4.64	19	5	76	Iron Ore	97.74	-3.27	-13.57	-6.66
	Australian Government	4.16	20	7	91					
	US Government	4.31	11	16	100					

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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