

# Weekly Economics and Markets Review

- The labour force survey confirmed that conditions remained robust in August, with strong employment growth being accompanied by a record participation rate.
- The US Federal Reserve cut interest rates by 50 basis points, with Fed Chair Powell noting that the decision was made to help maintain the strength in the labour market.
- China's economic activity indicators continued to disappoint in August, with industrial production growth slowing to a five-month low and retail sales remaining sluggish alongside weaker property prices.

## Week in review

### Domestic

- The August **labour force survey** confirmed that conditions remain solid.
  - The unemployment rate remained steady at 4.2 per cent, while the participation rate remained at a record high of 67.1 per cent.
  - Employment rose by 47.5k, above consensus expectations for 25k increase. Part-time employment drove the increase in August, rising by 50.6k. This was partly offset by a 3.1k fall in full-time employment.
  - Employment slightly outpaced working-age population growth in August, with the employment-to-population ratio remaining close to its record high.
- **SEEK job ads** rose 0.3 per cent in August, marking a second consecutive monthly increase. However, the number of applicants has also increased, with applications per job ad now at its highest level on record (outside of the COVID-related spike in May 2020).

### Offshore

- The **US Federal Reserve (Fed)** cut interest rates by 50 basis points. The post-meeting statement noted that the FOMC was 'strongly committed to supporting maximum employment' and that it judged the risks to its dual-mandate goals were 'roughly in balance.'
- Fed Chair Powell said that the 'recalibration' of policy was made to help maintain the strength in the labour market. He stressed that he did not think the Fed was behind the curve on rate cuts, but that the 50-basis point cut signalled a commitment not to get behind the curve.
- The Fed also provided an updated outlook for its policy rate and the US economy.
  - The FOMC projects another 50 basis points of cuts by December 2024, 100 basis points of cuts in 2025, and then a final 50 basis points in 2026. This would see the fed funds rate reach 2.875 per cent by the end of this period.
  - The updated economic projections showed a higher path for the unemployment rate, with it expected to be 4.4 per cent in 2024 and 2025.
  - The GDP growth projection for 2024 was revised slightly lower to 2 per cent, implying a deceleration of growth in the second half of the year.
- The **Bank of England (BOE)** left its policy rate unchanged at 5.0 per cent, with the post meeting commentary signalling its concerns around the trajectory of inflation. BOE Governor Bailey stressed that it is 'vital that inflation stays low, so we need to be careful not to cut too fast or by too much'.
- Norway's **Norges Bank** also decided to keep its policy rate on hold at 4.5 per cent, noting that rates are likely to remain unchanged until the end of the year.
- **US economic data** were generally stronger-than-expected over the past week, with positive surprises for retail sales, consumer sentiment, industrial production and initial jobless claims.
  - Retail sales rose 0.1 per cent in August, well above economists' expectations for a 0.2 per cent decline. Online purchases were robust in the month, while sales for bricks-and-mortar store were mixed.
  - The University of Michigan consumer sentiment index rose for a second consecutive month in September, underpinned by an improvement in both current and expected economic conditions.
  - One year ahead inflation expectations eased to 2.7 per cent, marking its fourth consecutive monthly downgrade. In contrast, long-run inflation expectations edged slightly higher to 3.1 per cent.
  - Industrial production rebounded in August, with output recovering from the effects of Hurricane Beryl in July.
- In **China**, indicators for economic activity continued to disappoint in August.
  - Annual industrial production growth slowed to a five-month low of 4.5 per cent (from 5.1 per cent in July).
  - Retail sales growth eased to 2.1 per cent (from 2.7 per cent), with consumer spending continuing to be weighed down by lower property prices.
  - Fixed asset investment growth also eased two-tenths to 3.4 per cent, weighed down by a 10.2 per cent decline in real estate investment.
- In **Canada**, headline inflation eased to two percent year-on-year in August, marking its slowest rate since February 2021 and a return to the Bank of Canada's inflation target.
- in contrast to Canada, the **UK** inflation data remain stubbornly strong. Core CPI inflation rose to 3.6 per cent year-on-year in August (from 3.3 per cent in July), while services inflation increased to 5.6 per cent (up from 5.2 per cent).

## Markets

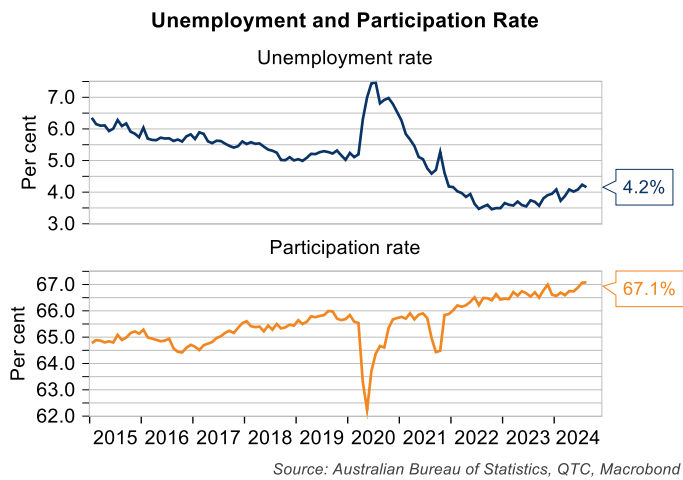
The US Treasury curve steepened following the FOMC's 50 basis point interest rate cut. Two-year Treasury yields eased by 6 basis points over the past week, while 10-year yields rose 4 basis points. Australian government bond yields edged slightly higher following the stronger-than-expected employment outcome.

### Economic and Market Calendar

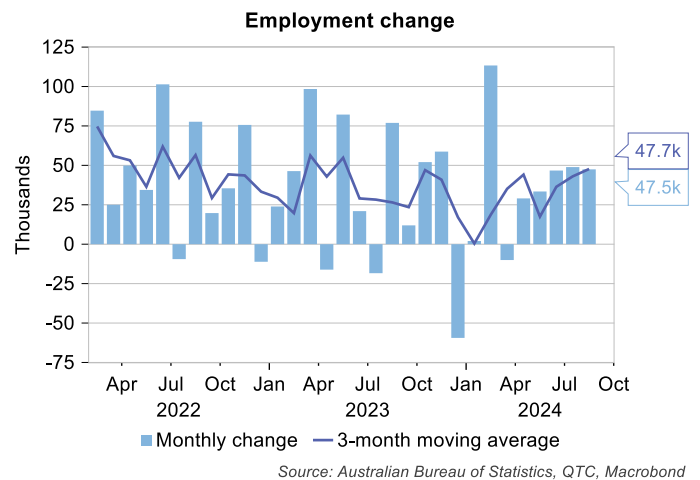
DATE	DETAILS
Domestic	<b>Tuesday:</b> RBA cash rate <b>Wednesday:</b> Monthly CPI (Aug) <b>Thursday:</b> Job vacancies (Aug)
Offshore	<b>US:</b> S&P Global PMI (Sep), Durable goods orders (Aug), PCE inflation (Aug), Conference Board consumer sentiment (Sep), GDP (Q2, 3 <sup>rd</sup> release) <b>Japan:</b> Tokyo CPI (Sep), PMIs (Sep) <b>Euro area:</b> PMIs (Sep), Consumer confidence (Sep) <b>China:</b> Medium-term lending rates, Industrial profits (Aug)

## Economic and Financial Market Charts

**CHART 1: THE UNEMPLOYMENT RATE WAS STEADY IN AUGUST, WHILE THE PARTICIPATION RATE REMAINED AT A RECORD HIGH**



**CHART 2: EMPLOYMENT GROWTH REMAINED STRONG, SUPPORTED BY ROBUST POPULATION GROWTH AND THE STOCK OF JOB VACANCIES**



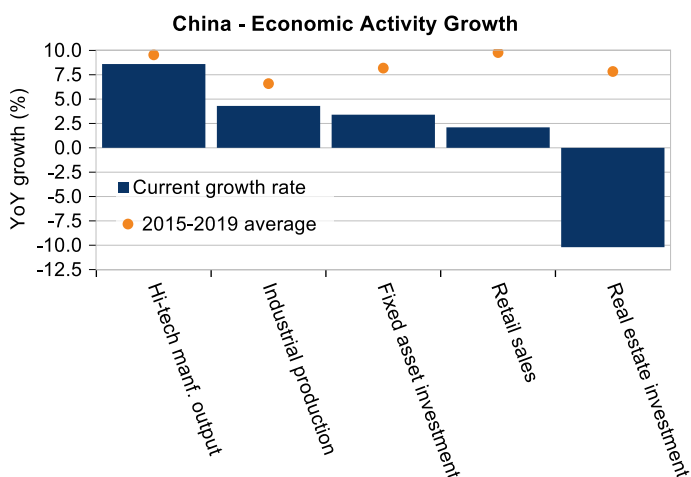
**CHART 3: THE FLOW OF SEEK JOB ADS HAS STARTED TO LEVEL OUT, FOLLOWING A SUSTAINED DECLINE SINCE MID 2022...**



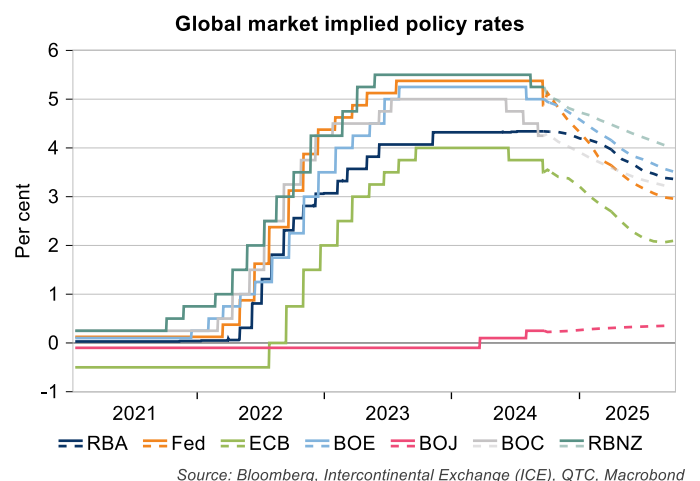
**CHART 4: ... WHILE THE NUMBER OF APPLICANTS PER JOB AD HAS INCREASED TO ITS SECOND HIGHEST LEVEL ON RECORD**



**CHART 5: CHINA'S SLOWDOWN HAS SEEN CONDITIONS DIVERGE NOTICEABLY ACROSS DIFFERENT SEGMENTS OF THE ECONOMY**



**CHART 6: MOST CENTRAL BANKS HAVE STARTED EASING MONETARY POLICY, WITH THE RBA AND BOJ BEING NOTABLE EXCEPTIONS**



## 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	3.77	-0	-11	-37
	NSWTC	3.77	-0	-11	-39
	TCV	3.82	-0	-10	-36
	WATC	3.74	0	-11	-38
	Australian Government	3.52	3	-3	-37
	US Government	3.47	-1	-32	-139
5 Year	QTC	3.94	1	-12	-25
	NSWTC	3.95	2	-11	-28
	TCV	4.00	1	-10	-25
	WATC	3.89	2	-11	-28
	Australian Government	3.58	4	-2	-33
	US Government	3.48	2	-21	-114
7 Year	QTC	4.23	3	-9	-16
	NSWTC	4.24	3	-9	-21
	TCV	4.30	2	-8	-15
	WATC	4.14	3	-10	-22
	Australian Government	3.76	6	0	-27
	US Government	3.59	3	-13	-99
10 Year	QTC	4.64	4	-8	-8
	NSWTC	4.65	5	-5	-13
	TCV	4.72	4	-5	-8
	WATC	4.47	3	-7	-16
	Australian Government	3.94	8	2	-22
	US Government	3.71	4	-9	-78

EQUITIES	RATE	CHANGE (PER CENT)		
		1 WEEK	1 MONTH	1 YEAR
AUD/USD	0.68	1.72	0.93	5.99
AUD/EUR	0.61	0.85	0.75	1.49
AUD/GBP	0.51	0.36	-0.79	-1.74
AUD/JPY	97.28	2.02	-0.95	2.72
AUD/CAD	0.92	1.56	0.52	6.65
AUD/NZD	1.09	0.29	-0.50	0.80
AUD/SGD	0.88	0.85	-0.03	0.28
AUD/HKD	5.31	1.61	0.99	5.63
AUD/KRW	905.43	0.87	0.79	5.06
AUD/CNY	4.81	1.03	-0.26	2.51
AUD/INR	56.93	1.36	0.81	6.63
MAJOR CURRENCIES				
EUR/USD	1.11	0.41	-0.10	4.30
GBP/USD	1.32	0.69	1.38	7.45
USD/JPY	142.29	0.33	-2.04	-3.59
USD/CHF	0.85	-0.58	-0.90	-6.44
USD/CNY	7.10	-0.24	-0.45	-2.91

MAJOR COMMODITIES	PRICE (USD)	1 WEEK	1 MONTH	1 YEAR
Brent Crude Oil	74.84	3.99	-3.06	-19.79
Gold	2,586.74	1.13	2.89	34.72
Copper	9,400.50	2.01	2.13	14.72
Iron Ore	92.67	-2.21	-2.96	-8.76

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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