

# Weekly Economics and Markets Review

- Australia's Q3 GDP results were weaker than expected with annual growth in real GDP the slowest in 32 years (outside of COVID-19). Moreover, in per capita terms, real GDP fell for a seventh straight quarter to now be back around 2021 levels.
- Global politics was also key area of focus this week, with major developments in France and South Korea.

## Week in review

### Domestic

- **GDP** increased by 0.3 per cent in Q3, to be 0.8 per cent higher over the year. This outcome was below both trend GDP growth and consensus expectations. Overall, the data indicate that economic growth remains subdued, with little change in momentum over the past year. Regarding the drivers of growth:
  - Public demand continues to significantly outpace private demand, supported by ongoing public infrastructure projects. For the second straight quarter, the private sector made zero contribution to GDP growth with the public sector instead driving virtually all the growth (though part of this reflects state and federal government electricity rebates shifting expenditure from the household sector to the public sector).
  - Real household disposable income growth improved due to Stage 3 income tax cuts. However, the response of consumers was muted, with household consumption remaining flat in the quarter. On a per capita basis, consumption has now declined for seven consecutive quarters.
  - Business investment decreased in Q3, while dwelling investment and net exports contributed positively to GDP growth
- **Retail trade** rose by 0.6 per cent in October, which saw a noticeable pickup in annual growth from 2.4 to 3.4 per cent. Retail trade was boosted by extensions to Black Friday discounting, while the Stage 3 tax cuts and rising consumer sentiment also likely contributed.
- **Building approvals** continued to trend up but are tracking well below the government's 240k annual target.
- **CoreLogic home prices** rose by 0.1 per cent in November, the smallest gain since January 2023. Price growth has slowed noticeably over the past six months, alongside a decline in sales volumes and an increase in listings. There has been a moderation of growth across all capital cities, with outright falls in Melbourne (-0.4 per cent), Sydney (-0.2 per cent) and Hobart (-0.1 per cent). Prices have now fallen for eight consecutive months in Melbourne.

### Offshore

- **ECB** President Lagarde stated that while the central bank is likely to continue to ease rates, it is not committed to a specific path. She expects inflation to reach the target next year and emphasized a shift to a more forward-looking approach when setting monetary policy.

- Several **US Federal Reserve** officials continued to express support for a slower pace of interest rate cuts in the period ahead. Notably, Fed Chair Powell said that the central bank can afford to be cautious in returning interest rates to a more neutral setting. This sentiment was echoed in commentary from St. Louis Fed President Musalem and Richmond Fed President Barkin.
- **Global politics** was also key area of focus this week, with major developments in France and South Korea.
  - In France, Prime Minister Barnier's government has been toppled after just three months in power. Marine Le Pen's far-right party and the left-wing coalition teamed up in a no-confidence vote, triggered by Barnier using a special measure of the French Constitution to pass a social security bill. France's government is now in caretaker mode until President Macron appoints a new prime minister.
  - South Korea's President Yoon Suk Yeol invoked martial law on 3 December. Yoon said that the decision was in response to 'anti-state forces', with the aim being to halt political activities, ban strikes by labour groups, and control media content. The declaration was voted down by Yoon's own party and the opposition, with a vote being held to impeach the President.
- Recent **US economic data** suggests that services sector activity and private-sector hiring has slowed.
  - The ISM services index fell from 56 in October to 52.1 in November, which was well below market expectations. The decline was underpinned by weaker outcomes for new orders and employment.
  - In contrast to services, the ISM manufacturing index increased to a five-month high, supported by a pickup in new orders and employment.
  - ADP employment rose by 146,000 in November, broadly in line with consensus expectations and down from 233,000 in October.
  - JOLTS job openings rose 372,000 to 7.74 million in October, with the increase seeming to partly reflect a rebound from hurricane-related weakness in October. Stripping out the month-to-month volatility, job openings still appear to be trending lower.
- In **China**, the Caixin manufacturing PMI rose to 51.5 in November from 50.3, with a broad-based improvement across new orders, output and employment.

## Markets

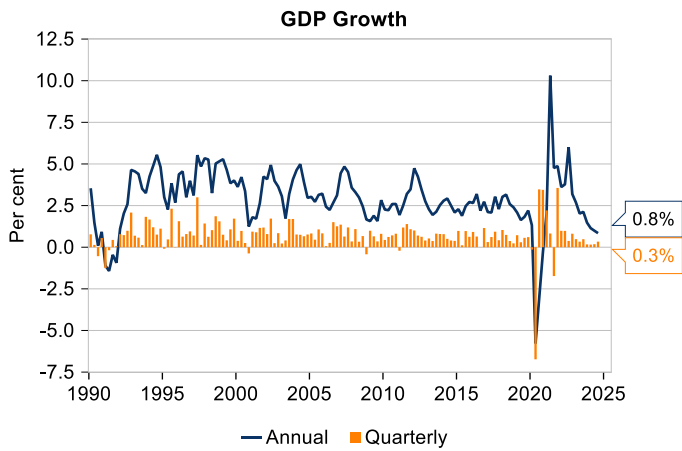
Australian Government bond yields fell steadily over the week, though outside a softer than expected reading on service sector conditions in the US, there were no obvious catalysts for the moves.

### Economic and Market Calendar

DATE	DETAILS
Domestic	<b>Tuesday:</b> NAB Business Survey (Nov), RBA meeting (Dec) <b>Thursday:</b> Labour Force (Nov)
Offshore	<b>US:</b> CPI & PPI (both Nov), <b>CN:</b> CPI & PPI, credit (all Nov) <b>Central Banks:</b> European Central Bank, Bank of Canada (both Dec)

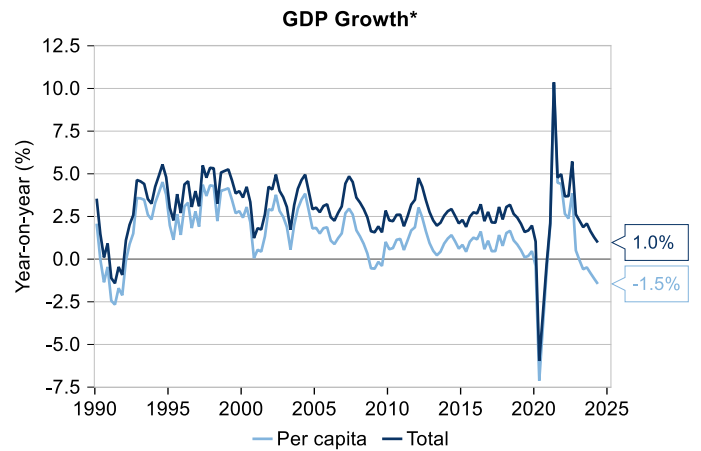
## Economic and Financial Market Charts

**CHART 1: ANNUAL GDP GROWTH SLOWED TO 0.8%, WHICH (OUTSIDE OF THE PANDEMIC) IS ITS SLOWEST PACE SINCE THE 1990S RECESSION**



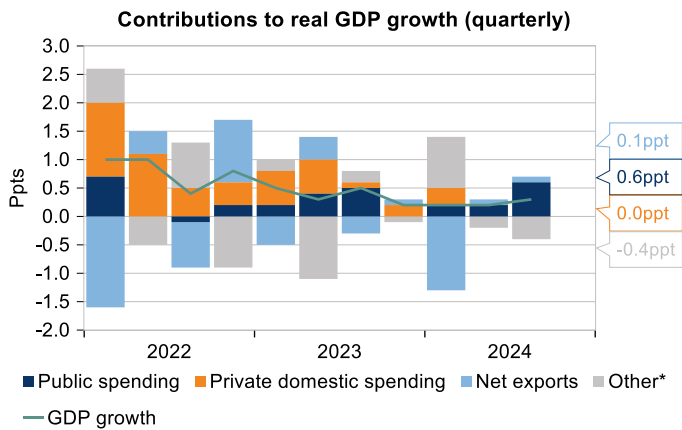
Source: Australian Bureau of Statistics, Reserve Bank of Australia, QTC, Macrobond

**CHART 2: ON A PER CAPITA BASIS, GDP HAS NOW FALLEN FOR SEVEN CONSECUTIVE QUARTERS**



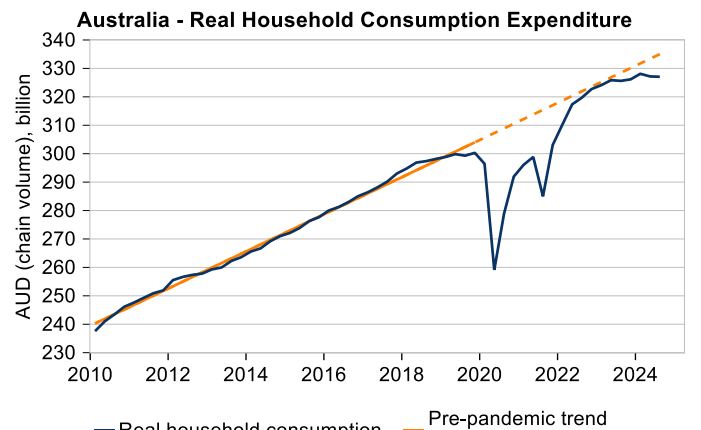
Source: Australian Bureau of Statistics, QTC, Macrobond

**CHART 3: GROWTH CONTINUED TO BE SUPPORTED BY STRONG PUBLIC SPENDING, WITH PRIVATE DEMAND REMAINING FLAT IN THE QUARTER**



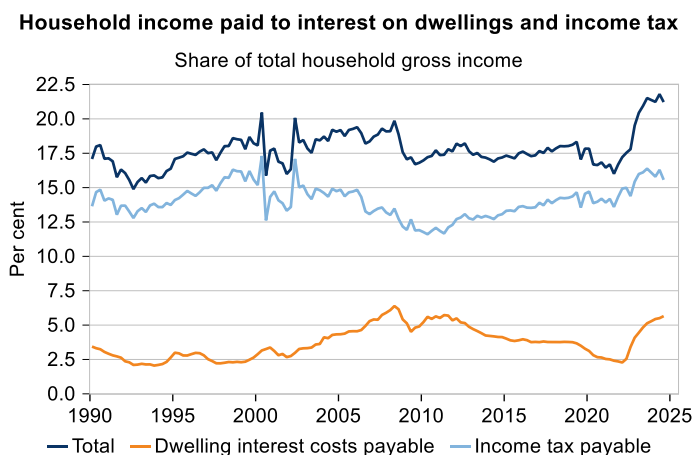
\* Includes inventories and the statistical discrepancy  
Source: Australian Bureau of Statistics, QTC, Macrobond

**CHART 4: HOUSEHOLD CONSUMPTION HAS BEEN PARTICULARLY WEAK AND REMAINS WELL BELOW ITS PRE-COVID TREND**



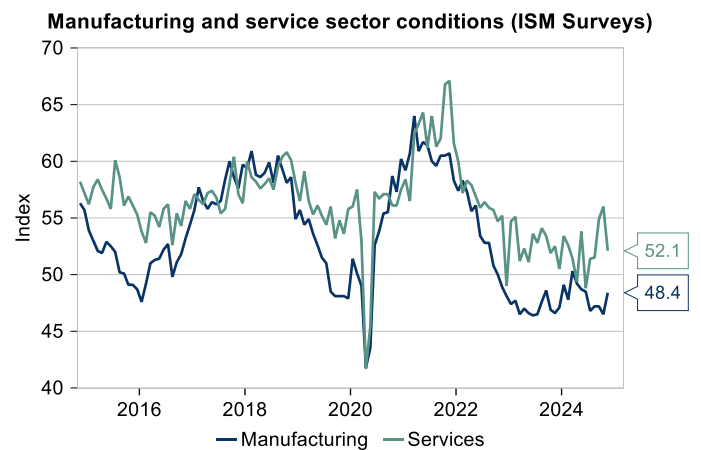
Source: Australian Bureau of Statistics, QTC, Macrobond

**CHART 5: THE SHARE OF HOUSEHOLD INCOME GOING TO MORTGAGE PAYMENTS AND INCOME TAX REMAINS HIGH, THOUGH THE LATTER FELL SLIGHTLY IN Q3 DUE TO THE STAGE 3 TAX CUTS**



Source: Australian Bureau of Statistics, QTC, Macrobond

**CHART 6: THE GAP BETWEEN CONDITIONS IN THE SERVICE AND MANUFACTURING SECTORS IN THE US CLOSED IN NOVEMBER**



Source: Institute for Supply Management (ISM), 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	4.07	-12	-25	-17	AUD/USD	0.64	-0.98	-2.95	-2.59
	NSWTC	4.06	-12	-26	-19	AUD/EUR	0.61	-1.12	0.40	-0.31
	TCV	4.13	-11	-22	-18	AUD/GBP	0.51	-1.45	-0.77	-3.68
	WATC	4.02	-11	-25	-20	AUD/JPY	96.66	-1.88	-3.95	2.08
	Australian Government	4.05	-12	-25	-19	AUD/CAD	0.90	-0.67	-1.51	0.72
	US Government	4.11	-11	-26	-22	AUD/NZD	1.10	-0.66	-0.84	2.57
5 Year	QTC	3.81	-10	-27	-18	AUD/SGD	0.86	-1.21	-1.13	-2.39
	NSWTC	4.10	-8	-4	-24	AUD/HKD	5.01	-1.01	-2.81	-2.96
	TCV	4.26	-12	-29	-8	AUD/KRW	911.66	0.45	-0.45	4.08
	WATC	4.26	-12	-28	-13	AUD/CNY	4.68	-0.74	-0.80	-0.98
	Australian Government	4.33	-12	-27	-10	AUD/INR	54.55	-0.63	-1.99	-0.41
	US Government	4.21	-12	-29	-12	<b>MAJOR CURRENCIES</b>				
7 Year	QTC	4.25	-13	-29	-15	EUR/USD	1.06	0.14	-3.32	-2.27
	NSWTC	4.33	-12	-29	-11	GBP/USD	1.27	0.47	-2.20	1.13
	TCV	3.88	-10	-30	-17	USD/JPY	150.14	-0.90	-1.02	4.79
	WATC	4.07	-6	-8	-6	USD/CHF	0.88	-0.39	1.94	0.66
	Australian Government	4.55	-12	-30	-3	USD/CNY	7.26	0.20	2.17	1.54
	US Government	4.54	-13	-30	-11	<b>MAJOR COMMODITIES</b>				
10 Year	QTC	4.64	-12	-28	-5	Brent Crude Oil	72.24	-1.42	-4.36	-2.44
	NSWTC	4.46	-13	-30	-9	Gold	2,628.10	-0.49	-4.16	29.53
	TCV	4.55	-12	-30	-9	Copper	9,083.00	0.90	-6.73	8.88
	WATC	4.62	-12	-29	-5	Iron Ore	103.79	0.75	-1.36	-10.88
	Australian Government	4.05	-11	-31	-16					
	US Government	4.12	-7	-9	-6					

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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