

# Weekly Economics and Markets Review

- The unemployment rate remained steady at 4.2 per cent in August, though other indicators continue to point to a gradual slowdown in labour market conditions.
- China's economic activity data broadly weakened in August, with industrial production growth easing on the back of weaker-than-expected exports, fixed asset investment growth falling further, and retail sales growth moderating.
- US Treasury yields increased over the past week in response to stronger-than-expected economic data.

## Week in review

### Domestic

- The unemployment rate held steady at 4.2 per cent in August, though signs of a broader slowdown in the labour market persist. Employment declined by 5,400 during the month, falling short of market expectations for a 21,000 increase. Excluding the pandemic period, this marks the slowest pace of employment growth since early 2017.
- The unemployment rate is now close to the RBA's projected peak of 4.3 per cent, suggesting limited scope for further increases or unexpected upward movements.
- Australia's population grew by 1.6 per cent over the year to Q1 2025, reaching 27.5 million people. Quarterly growth accelerated to 0.5 per cent, driven by a natural increase of 34,200 and a net overseas migration gain of 110,100. On an annual basis, population growth continues to normalise, reflecting a moderation in net overseas migration and subdued natural increase.

### Offshore

- The US Federal Open Market Committee (FOMC) delivered a widely anticipated 25 basis point rate cut. While acknowledging risks on both sides of its dual mandate, the Fed cited concerns about the labour market as a key reason for the move. The only dissent came from Governor Miran, who advocated for a deeper 50 basis point cut.
- The Fed's updated dot plot showed a shift in expectations, now projecting two additional cuts in 2025, followed by two more in 2026 and 2027. However, views among committee members varied significantly – ranging from no further cuts this year to as much as 150 basis points of additional easing.
- The Bank of England's Monetary Policy Committee (MPC) kept the policy rate unchanged at 4.0 per cent, in line with market expectations. Governor Andrew Bailey emphasized a '*gradual and cautious*' approach to future rate cuts.
- The Bank of Canada also lowered its policy rate, moving into accommodative territory. The decision was driven by signs of a softening labour market and moderating inflation, reinforcing a more supportive monetary stance.
- The US and China have reached a preliminary framework agreement regarding TikTok, following trade negotiations held in Madrid. President Trump shared on social media that this latest round of talks with China went very well.
- Fitch downgraded France's long-term foreign currency debt rating from AA- to A+, while revising the outlook from negative to stable. The agency cited ongoing fiscal challenges, stating that France's general government debt ratio is expected to continue rising due to persistent primary fiscal deficits.

- US economic data were, on average, slightly stronger-than-expected this week, though there continues to be signs of a broad slowing of activity.
  - Retail Sales rose by 0.6 per cent in August, exceeding expectations. However, part of the increase likely reflects higher prices driven by tariffs rather than a rise in sales volumes.
  - Initial jobless claims in the US fell by 33,000 to 231,000 in the week ending 13 September, reversing the sharp spike seen the previous week, which had pushed claims to a four-year high. The decline suggests a normalisation in labour market conditions, indicating that layoffs have not accelerated meaningfully despite recent volatility.
  - Import prices increased by 0.3 per cent, while export prices also rose 0.3 per cent, indicating some upward pressure on trade-related inflation.
  - The University of Michigan survey indicates that consumer sentiment declined by 2.8 points to 55.4 in September. The current conditions subindex dipped slightly by 0.5 points, while the expectations subindex saw a more significant drop of 4.1 points.
  - The University of Michigan's measure of long-term inflation expectations (5–10 years) rose to 3.9 per cent from 3.5 per cent, while short-term (one-year) expectations held steady at 4.8 per cent.
  - US housing activity weakened further in August, suggesting the housing market could remain a drag on the economy in the period ahead. Housing starts fell 8.5 per cent in August, taking it near its two-year low. Building permits also fell 3.7 per cent, marking its lowest level in nearly five years.
- China's economic activity data broadly weakened in August.
  - Industrial production growth declined on the back of weaker-than-expected exports, as slowing output growth in ferrous metal smelting, power generation and general equipment industries more than offset faster output growth in the non-ferrous smelting industry.
  - Fixed asset investment growth fell further and registered a new low since March 2020, with infrastructure, property and manufacturing investment growth all declining.
  - Year-on-year retail sales growth moderated, mainly reflecting falling online goods sales growth (especially home appliance and communication equipment).
- In the UK, July GDP data revealed a broadly stagnant economy. While services and construction output grew marginally by 0.1 per cent and 0.2 per cent respectively, production output contracted by 0.9 per cent.

## Markets

US Treasury yields increased over the past week in response to stronger-than-expected economic data. The 10-year US Treasury yield ended the week 8 basis points higher, while the three-year yield was up by 4 basis points.

### Economic and Market Calendar

DATE	DETAILS
Domestic	<b>Wednesday:</b> Monthly CPI (Aug)
Offshore	<b>US:</b> GDP (Q2), existing home sales (Aug), PCE inflation (Aug) <b>China:</b> Retail sales (Aug), Industrial production (Aug), Fixed asset investment (Aug) <b>Japan:</b> Tokyo CPI (Aug)

## 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	3.59	-4	3	-12
	NSWTC	3.58	-4	3	-13
	TCV	3.61	-4	3	-16
	WATC	3.55	-4	3	-13
	Australian Government	3.37	-4	1	-8
	US Government	3.55	4	-16	8
5 Year	QTC	3.93	-4	4	5
	NSWTC	3.91	-5	2	2
	TCV	3.97	-5	2	3
	WATC	3.85	-5	3	2
	Australian Government	3.56	-3	-1	5
	US Government	3.66	7	-16	18
7 Year	QTC	4.35	-5	1	18
	NSWTC	4.32	-5	0	13
	TCV	4.36	-6	-0	11
	WATC	4.24	-4	0	16
	Australian Government	3.85	-3	-4	16
	US Government	3.85	8	-19	26
10 Year	QTC	4.87	-6	-3	29
	NSWTC	4.80	-6	-4	20
	TCV	4.87	-7	-5	19
	WATC	4.67	-7	1	25
	Australian Government	4.18	-4	-7	31
	US Government	4.10	8	-20	39

  

EQUITIES	RATE	CHANGE (PER CENT)		
		1 WEEK	1 MONTH	1 YEAR
AUD/USD	0.66	-0.46	2.41	-2.78
AUD/EUR	0.56	-0.92	1.38	-8.16
AUD/GBP	0.49	-0.48	1.95	-4.94
AUD/JPY	97.90	0.00	2.54	0.64
AUD/CAD	0.91	-0.78	1.96	-1.18
AUD/NZD	1.12	0.83	2.77	3.04
AUD/SGD	0.85	-0.45	2.23	-3.61
AUD/HKD	5.15	-0.61	2.11	-2.99
AUD/KRW	918.70	-0.48	2.27	1.47
AUD/CNY	4.70	-0.70	1.25	-2.30
AUD/INR	58.35	-0.62	3.80	2.50
MAJOR CURRENCIES				
EUR/USD	1.18	0.47	1.01	5.86
GBP/USD	1.36	0.03	0.45	2.28
USD/JPY	147.94	-0.46	-0.12	-3.51
USD/CHF	1.26	0.54	1.80	6.63
USD/CNY	7.10	0.25	1.13	-0.49

  

MAJOR COMMODITIES	PRICE (USD)	1 WEEK	1 MONTH	1 YEAR
Brent Crude Oil	67.44	1.61	2.51	-9.94
Gold	3,644	0.28	9.91	40.88
Copper	9,996	-0.55	3.14	5.06
Iron Ore	105.38	-0.09	4.15	14.17

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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