

Weekly Economics and Markets Review

- NAB's Business Survey suggests that domestic business conditions and confidence have remained positive in recent months. Consumer sentiment has also continued to improve, though it remains well below its historical average.
- US jobs growth has slowed notably, as elevated economic uncertainty and higher tariffs start to weigh on activity.
- A slower jobs market has prompted markets to price a more aggressive trajectory of policy easing from the Fed, with five cuts now fully priced in by July 2026.

Week in review

Domestic

- NAB's measure of Australian business conditions improved slightly in August, returning to around its long-run average. Gains were driven by profitability and employment, while trading conditions were steady. The more forward-looking business confidence index dipped slightly after four months of gains, though it remains broadly in line with its long-run average. Forward orders continued their upward trajectory, while capacity utilisation rose to 83.1 per cent.
- NAB's Commercial Property Survey suggests that sentiment in the sector remains buoyant, hovering near its strongest levels in almost a decade, though it did tick down slightly in Q2. Investor confidence continues to be underpinned by robust demand for CBD hotels, which held steady at the top of the rankings. Industrial assets also maintained their strong position, while office and retail sectors softened after recent gains. Expectations for the next two years also remains near multi-year peaks, with industrial property leading the charge.
- The Westpac-Melbourne Institute index dropped 3.1 per cent in September to 95.4, though it remains up 12.8 per cent higher over the year. The fall in the month reflected weaker expectations for economic conditions and major purchases, which was partly offset by improved views on family finances.

Offshore

- US Commerce Secretary Lutnick expressed optimism that the US will come to trade agreements with Taiwan, Switzerland and India, while noting South Korea had not yet formally signed its agreed upon terms with the US. Lutnick said a deal with India could depend on the nation ending Russian oil purchases.
- US Treasury Secretary Scott Bessent accused the Federal Reserve of overusing unconventional policies, expanding its mandate, and undermining independence. He cited missed forecasts, the housing crisis, and 2022 bank failures as reasons for reform, adding that high rates are 'choking growth' and worsening inequality.
- A US judge blocked Trump's attempt to remove Fed Governor Lisa Cook over mortgage fraud allegations, allowing her to attend and vote at next week's FOMC meeting. The case is likely to reach the Supreme Court.
- President Macron appointed Sebastien Lecornu as Prime Minister—France's fifth in two years—tasked with steering the budget and stabilising governance.

- Geopolitical tensions increased further over the past week, with Israel launching an airstrike on a Qatar's capital city and Poland shooting down Russian drones in its airspace.
 - Israel launched an airstrike on Hamas leadership in Doha, Qatar, marking the first publicly acknowledged strike on a Gulf state by Israel. The strike risks complicating Gaza ceasefire talks, with Qatar being a US ally and key mediator in the ceasefire and hostage negotiations.
 - Poland shot down Russian drones in its airspace, marking NATO's first direct encounter with Russian assets since the war began. Warsaw invoked Article 4 of the NATO treaty, leading to consultations and offers of support from allies. The incident underscores the vulnerability of NATO's eastern borders and the risk of escalation.
- US economic data continues to signal slower labour market conditions, while inflation was broadly in line with expectations.
 - US core CPI held steady at 0.3 per cent month-on-month and 3.1 per cent on an annual basis, as expected. Headline inflation rose to 0.4 per cent month-on-month in August, slightly higher than consensus expectations for a 0.3 per cent increase. The August CPI print suggests that while annual inflation remains above the Fed's two per cent target, inflationary pressures are still under control and tracking broadly in line with expectations.
 - Non-farm payrolls rose 22,000 in August, with prior months revised lower, leaving the three-month average at 29,000 – well below the pace needed to stabilise unemployment. Excluding education and healthcare, private-sector hiring has been flat since May, signalling a sharp slowdown in cyclical sectors.
 - The unemployment rate ticked up to 4.3 per cent, while the participation rate edged higher to 62.3 per cent.
 - Producer prices fell 0.1 per cent in August, following a 0.7 per cent rise in July. Core producer prices also declined, reinforcing the narrative that inflationary pressures remain under control.
 - The US trade deficit widened to \$78.3bn in July, driven by a surge in goods imports, particularly for industrial supplies. The widening trade deficit could weigh on US GDP growth in Q3.
- China's CPI fell 0.4 per cent in August as food price deflation deepened, reviving concerns over weaker domestic demand in the world's second largest economy. Core inflation rose to 0.9 per cent, but largely due to temporary policy measures such as consumer goods trade-in schemes.

Markets

US Treasury yields fell in response to signs that the US labour market is softening, with investors bolstering their outlook for Fed rate cuts over the coming year. 10-year US Treasury yields fell below 4 per cent for the first time since early April, while the five-year yield came within a basis point of its lowest level this year. Financial markets now have five cuts fully priced in by July 2026.

Economic and Market Calendar

DATE	DETAILS
Domestic	Thursday: Labour force survey (Aug)
Offshore	US: FOMC meeting (17 Sep), University of Michigan Consumer Sentiment (Sep), Retail sales (Aug) China: Retail sales (Aug), Industrial production (Aug), Fixed asset investment (Aug) Japan: CPI (Aug)

Economic and Financial Market Charts

CHART 1: NAB'S BUSINESS SURVEY SUGGESTS THAT CONDITIONS AND CONFIDENCE HAVE REMAINED POSITIVE IN RECENT MONTHS

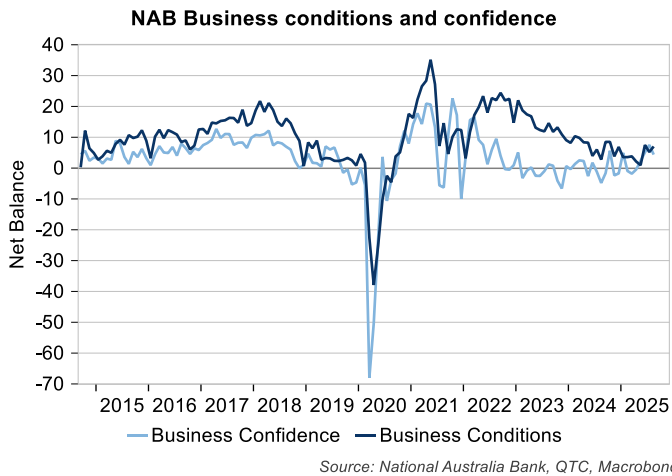


CHART 2: CONSUMER SENTIMENT HAS CONTINUED TO IMPROVE, THOUGH IT REMAINS WELL BELOW ITS HISTORICAL AVERAGE

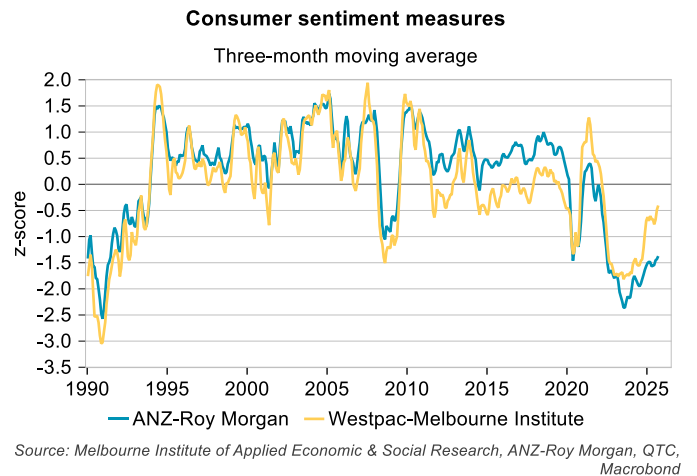


CHART 3: US JOBS GROWTH HAS SLOWED NOTABLY AS THE EFFECTS OF ELEVATED UNCERTAINTY AND HIGHER TARIFFS START TO TAKE HOLD

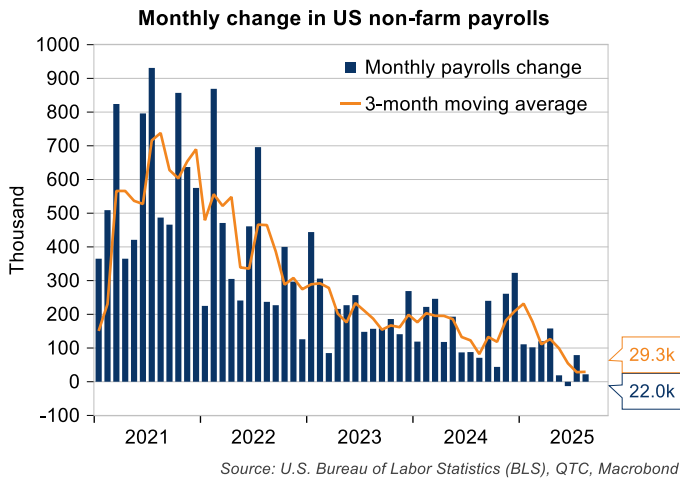


CHART 4: SLOWER JOBS GROWTH ALSO SAW THE US UNEMPLOYMENT RATE EDGE HIGHER IN AUGUST

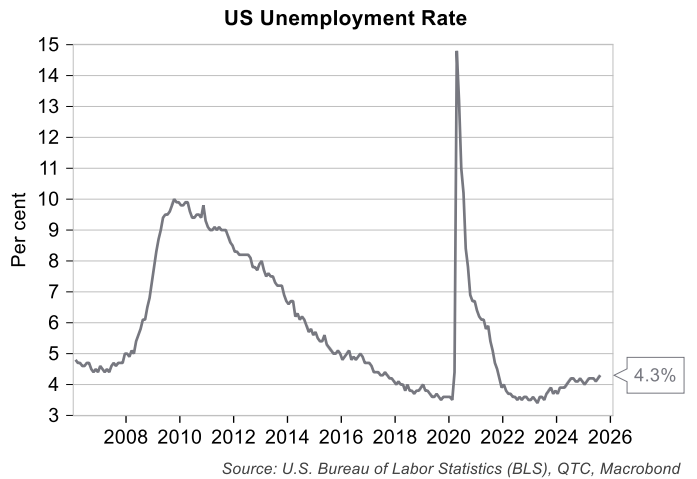


CHART 5: WHILE THERE HAS BEEN A SMALL PICK-UP IN HEADLINE CPI INFLATION IN THE US, SERVICES INFLATION HAS REMAINED STEADY

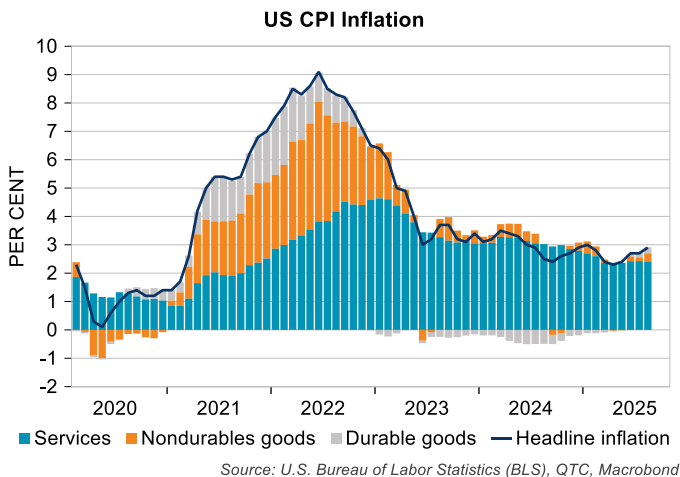
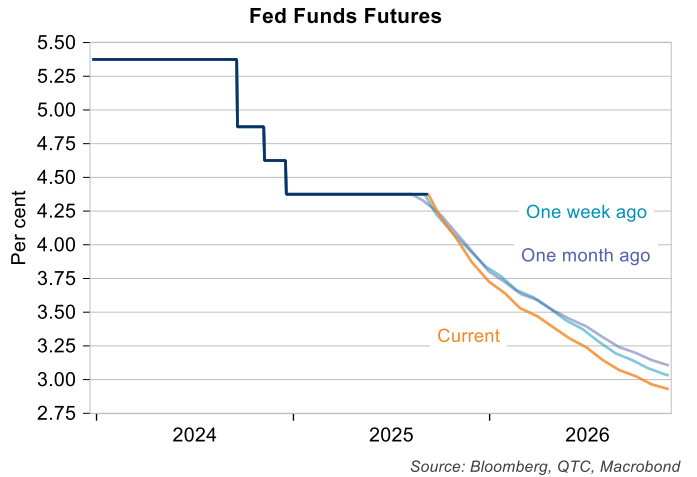


CHART 6: WEAK US LABOUR MARKET DATA HAS SUPPORTED MARKET EXPECTATIONS FOR A SEPTEMBER RATE CUT FROM THE FED



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	3.64	-3	3	-10
	NSWTC	3.62	-3	2	-12
	TCV	3.65	-3	4	-15
	WATC	3.59	-3	3	-12
	Australian Government	3.40	-5	2	-6
	US Government	3.50	-5	-20	2
5 Year	QTC	3.98	-4	4	8
	NSWTC	3.96	-4	3	6
	TCV	4.03	-4	4	7
	WATC	3.90	-4	4	4
	Australian Government	3.59	-8	1	7
	US Government	3.60	-5	-23	13
7 Year	QTC	4.40	-4	3	22
	NSWTC	4.37	-5	4	17
	TCV	4.42	-4	5	17
	WATC	4.27	-7	2	19
	Australian Government	3.88	-9	-1	20
	US Government	3.77	-10	-26	21
10 Year	QTC	4.93	-7	3	36
	NSWTC	4.86	-7	4	29
	TCV	4.94	-7	4	28
	WATC	4.74	-7	7	32
	Australian Government	4.22	-12	-1	37
	US Government	4.02	-14	-27	35

EQUITIES	RATE	CHANGE (PER CENT)		
		1 WEEK	1 MONTH	1 YEAR
AUD/USD	0.66	2.17	1.91	-0.65
AUD/EUR	0.57	1.39	1.38	-6.52
AUD/GBP	0.49	1.23	1.45	-4.13
AUD/JPY	97.90	1.15	1.34	2.67
AUD/CAD	0.92	2.21	2.48	1.16
AUD/NZD	1.12	0.04	1.70	2.48
AUD/SGD	0.85	1.53	1.82	-2.36
AUD/HKD	5.18	2.01	1.12	-0.83
AUD/KRW	923.16	1.67	2.08	2.85
AUD/CNY	4.73	1.88	0.96	-0.60
AUD/INR	58.72	2.18	2.74	4.55
MAJOR CURRENCIES				
EUR/USD	1.17	0.77	0.52	6.27
GBP/USD	1.36	0.94	0.45	3.63
USD/JPY	147.26	1.00	0.56	-3.35
USD/CHF	1.26	1.28	1.56	6.77
USD/CNY	7.12	0.29	0.93	-0.05

MAJOR COMMODITIES	PRICE (USD)	1 WEEK	1 MONTH	1 YEAR
Brent Crude Oil	66.37	-0.93	0.38	-7.78
Gold	3,634	2.49	8.54	42.07
Copper	10,052	1.55	2.14	9.07
Iron Ore	105.48	0.64	0.90	12.69

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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