

# Weekly Economics and Markets Review

- Domestic employment fell sharply in December, following strong increases in the previous two months. Looking through the monthly volatility, employment growth slowed towards the end of 2023 and the unemployment rate drifted higher.
- US Treasury yields rose over the past week, supported by cautious commentary from the Federal Reserve and stronger-than-expected economic data.
- ECB officials continued to push back against expectations for near term rate cuts, despite signs of weaker growth and moderating inflation.

## Week in review

### Domestic

- Employment fell sharply by 65.1k in December, following strong increases in October and November. The unemployment rate was unchanged at 3.9 per cent, with lower employment offset by a fall in the participation rate.
- Looking through the monthly volatility, average monthly employment growth slowed to 17k in the December quarter, down from 24k in the September quarter and 36k in the June quarter. This trend suggests there was a gradual easing of employment growth over 2023.
- ANZ-Indeed Job Ads increased slightly in December. Job Ads are now 17.5 per cent lower than their November 2022 peak but remain 36.5 per cent higher than pre-pandemic levels. NSW and Victoria accounted for around 80 per cent of the decline in job ads over 2023.
- Measures of consumer sentiment remained low in January.
  - The Westpac Melbourne Institute Consumer Sentiment Index declined by 1.3 per cent, with the latest read in the bottom 7 per cent of all observations since the survey started in the mid-1970s.
  - ANZ-Roy Morgan Australian Consumer Confidence improved modestly in January but remains well below its average level.

### Offshore

- ECB officials continued to push back against expectations for imminent ECB rate cuts, despite signs of weaker growth and moderating inflation. Several officials suggested that June is the earliest meeting at which the ECB is likely to start cutting rates.
- Federal Reserve Governor Waller also pushed back against expectations for a sharp reduction in US interest rates over 2024. He noted that ‘when the time is right to begin lowering rates, I believe it can and should be lowered methodically and carefully... I see no reason to move as quickly or cut as rapidly in the past’. Atlanta Fed President Bostic also urged policymakers to proceed cautiously toward rate cuts.
- US retail sales and labour market data were stronger than expected in December, while other second-tier data were mixed.
  - Retail sales increased by 0.6 per cent in December, supported by strong motor vehicle sales and online purchases. Core retail sales (exc. motor vehicles and gas) also increased by more than expected.
  - The labour market continues to show resilience, with initial jobless claims falling from 203,000 to 187,000 in the week ending 13 January.
  - The National Association of Home Builders (NAHB) housing market index increased for a second consecutive month in January and is now at its highest level since September last year. This improvement in homebuilder sentiment was attributed to a decrease in US mortgage rates.
  - The Empire State manufacturing survey index fell sharply in January. New manufacturing orders and shipments were noticeably weaker in the month, while employment remained soft. In contrast, the Philadelphia Fed’s manufacturing index increased modestly.
  - Industrial production rose by a modest 0.1 per cent in December, while the producer price index (PPI) fell slightly.
- UK headline inflation unexpectedly increased to 4.0 per cent year-on-year in December, supported by a rise in alcohol and tobacco prices. Core inflation remained high at 5.1 per cent.
- Canada’s headline inflation accelerated to 3.4 per cent year-on-year in December, largely due to higher gasoline prices. Underlying inflation measures also moved higher, with trimmed-mean inflation unexpectedly increasing to 3.7 per cent (consensus: 3.4 per cent).
- Euro area industrial production fell slightly in November and is now 6.8 per cent lower over the past year. Germany’s wholesale prices also fell by 0.6 per cent in December, despite market expectations for an increase.
- China’s GDP grew 5.2 per cent in 2023, though annual growth benefited from a low base of comparison given the Zero-COVID restrictions in 2022. Quarterly growth slowed from 1.5 to 1.0 per cent in the December quarter, suggesting that momentum waned towards the end of 2023. There also continues to be signs of weakness in China’s property sector, with real estate investment falling by 9.6 per cent over the past year.

## Markets

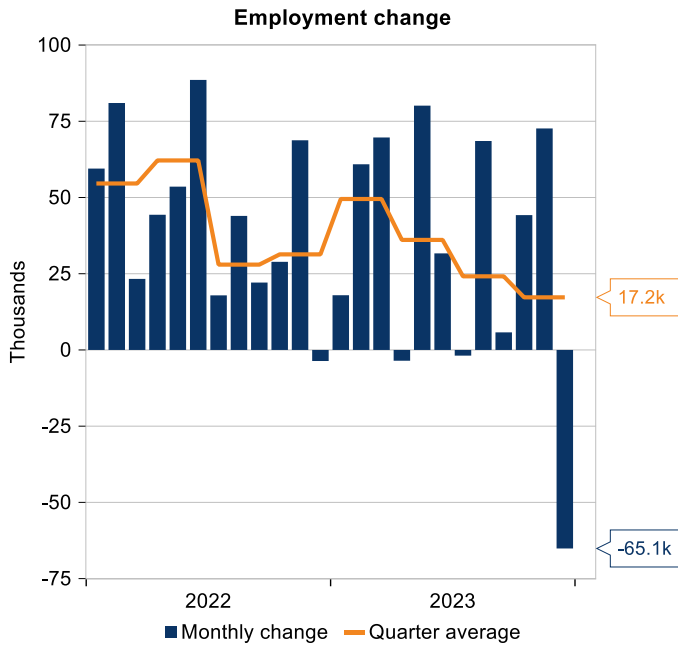
US Treasury yields rose over the past week, supported by cautious commentary from the Federal Reserve and stronger-than-expected retail sales and labour market data. Global oil prices were volatile as investors weighed potential supply side disruptions against a weakening economic backdrop.

### Economic and Market Calendar

DATE	DETAILS
Domestic	<b>Tuesday:</b> NAB Business Survey (Dec) <b>Wednesday:</b> Judo Bank PMI (Jan) <b>Thursday:</b> Detailed Labour Force Survey (Dec)
Offshore	<b>US:</b> GDP (Q4), PCE deflator (Q4), University of Michigan Survey (Jan), Existing Home Sales (Dec), Philadelphia Fed Non-Manufacturing Survey (Jan), Richmond Fed Manufacturing Index (Jan), S&P PMIs (Jan P), Durable Goods Orders (Dec), Initial Jobless Claims (20 Jan), New Home Sales (Dec) <b>UK:</b> S&P PMIs (Jan P) <b>Euro area:</b> ECB Meeting (25 Jan), HCOB PMIs (Jan P) <b>Japan:</b> BOJ Meeting (23 Jan), CPI (Jan), Trade Balance (Dec) <b>Canada:</b> BOC Meeting (25 Jan)

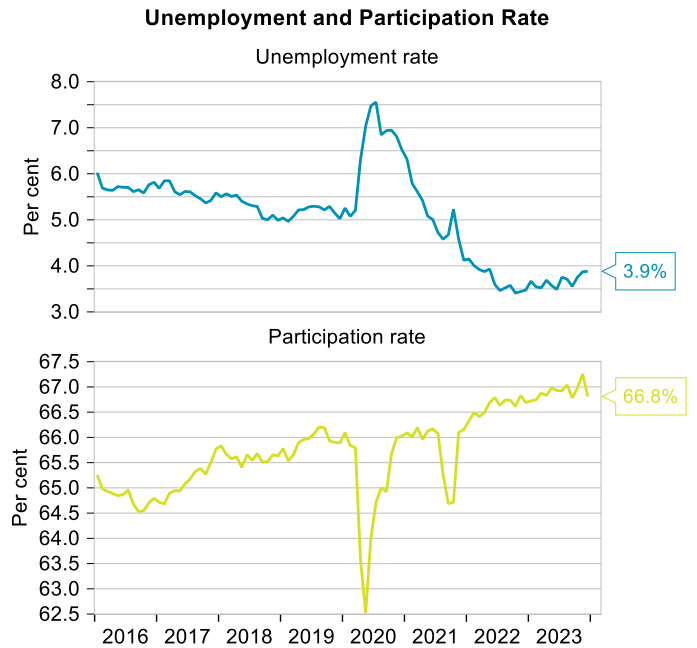
## Economic and Financial Market Charts

CHART 1: EMPLOYMENT FELL SHARPLY IN DECEMBER, THOUGH THE QUARTER AVERAGE SHOWED A MORE MODEST EASING OF GROWTH



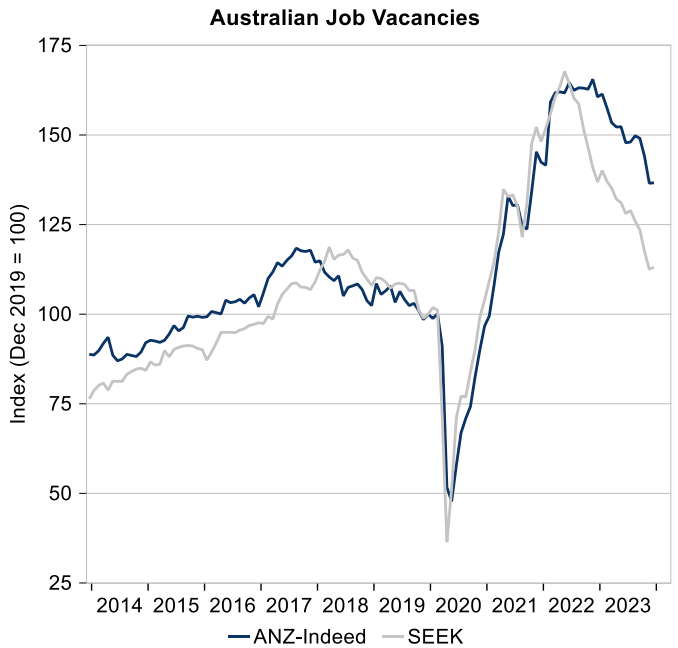
Source: Australian Bureau of Statistics, QTC, Macrobond

CHART 2: THE UNEMPLOYMENT RATE WAS UNCHANGED, WITH A LOWER PARTICIPATION RATE OFFSETTING THE FALL IN EMPLOYMENT



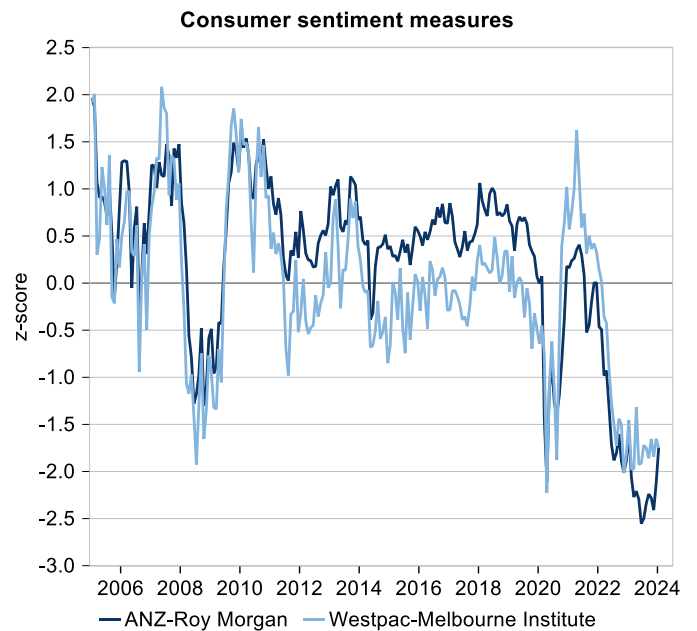
Source: Australian Bureau of Statistics, QTC, Macrobond

CHART 3: JOB ADS REMAIN WELL ABOVE PRE-PANDEMIC LEVELS DESPITE THEIR DOWNWARD TREND SINCE LATE 2022



Source: ANZ-Indeed, SEEK Australia, QTC, Macrobond

CHART 4: MEASURES OF CONSUMER SENTIMENT REMAIN AT HISTORICALLY LOW LEVELS



Source: Melbourne Institute of Applied Economic & Social Research, ANZ-Roy Morgan, QTC, Macrobond

CHART 5: EURO AREA INDUSTRIAL PRODUCTION HAS FALLEN SHARPLY OVER THE PAST YEAR

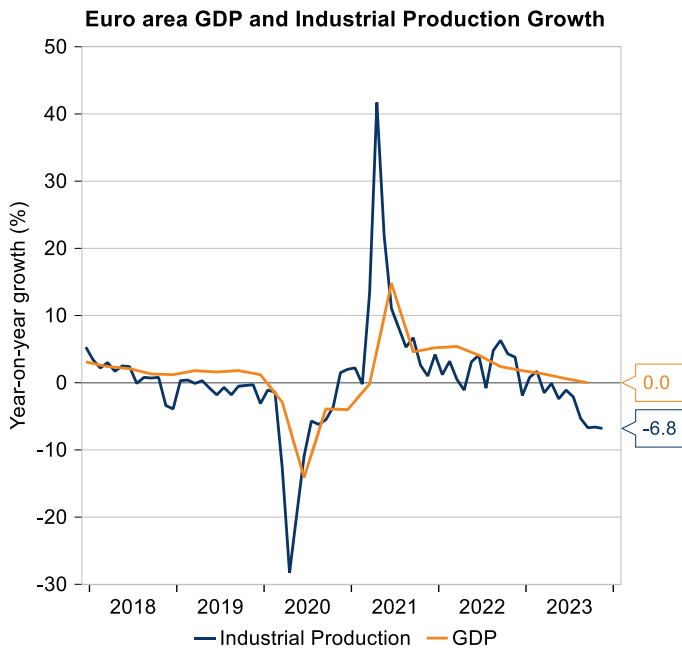


CHART 6: CHINA'S GDP GREW 5.2 PER CENT IN 2023, THOUGH MOMENTUM WANED TOWARDS THE END OF THE YEAR



CHART 7: HEADLINE INFLATION HAS TRENDED LOWER ACROSS ADVANCED ECONOMIES

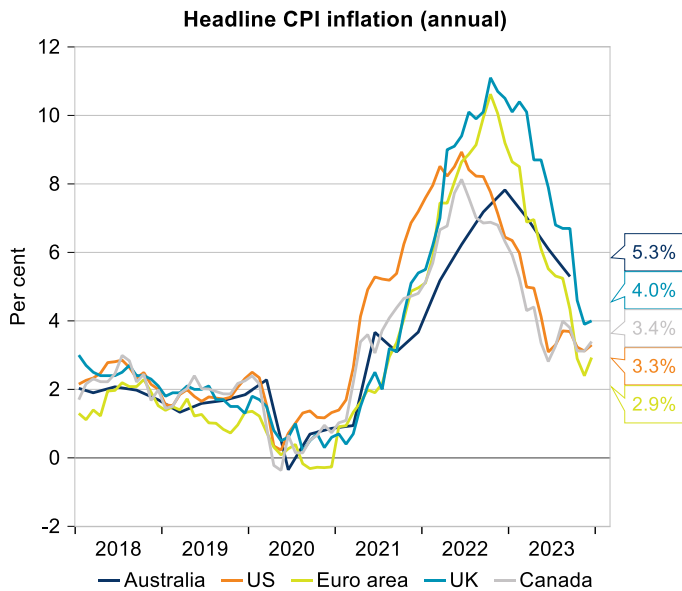
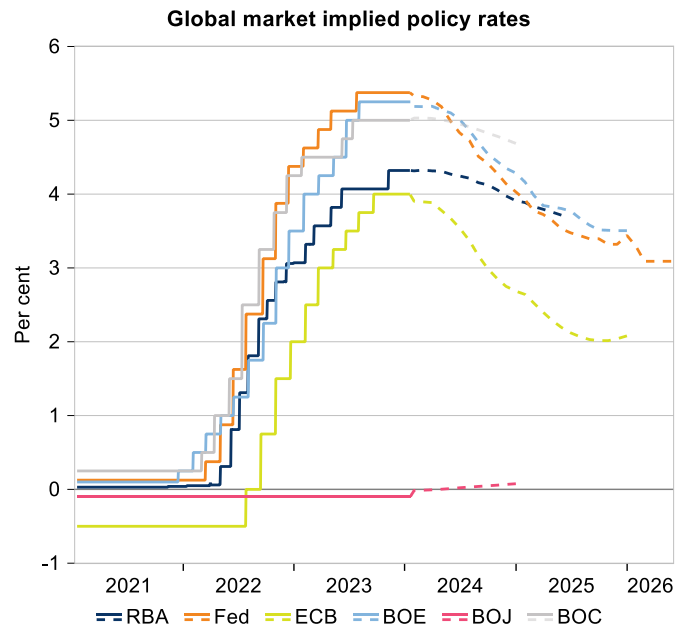


CHART 8: FINANCIAL MARKET PRICING SUGGESTS THAT WE MAY HAVE REACHED THE END OF THE INTEREST RATE HIKING CYCLE



## 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	4.10	9	14	50	AUD/USD	0.66	-1.61	-3.08	-4.88
	NSWTC	4.10	9	14	53	AUD/EUR	0.60	-0.73	-1.90	-5.44
	TCV	4.17	7	13	57	AUD/GBP	0.52	-1.32	-2.59	-7.26
	WATC	4.08	9	13	49	AUD/JPY	97.13	-0.07	-0.15	9.73
	Australian Government	3.84	10	13	69	AUD/CAD	0.89	-0.95	-1.81	-4.69
	US Government	4.14	14	0	37	AUD/NZD	1.07	0.20	-0.46	-0.52
5 Year	QTC	4.21	10	18	51	AUD/SGD	0.88	-0.68	-1.86	-3.36
	NSWTC	4.25	10	18	53	AUD/HKD	5.13	-1.58	-2.80	-4.98
	TCV	4.30	8	17	56	AUD/KRW	878.41	0.07	-0.18	2.98
	WATC	4.19	10	18	50	AUD/CNY	4.67	-1.25	-2.39	0.07
	Australian Government	3.90	12	16	64	AUD/INR	54.52	-1.46	-2.98	-2.71
	US Government	4.05	17	11	56	<b>MAJOR CURRENCIES</b>				
7 Year	QTC	4.45	11	20	55	EUR/USD	1.09	-0.88	-1.20	0.59
	NSWTC	4.52	11	21	59	GBP/USD	1.27	-0.29	-0.51	2.56
	TCV	4.58	9	20	63	USD/JPY	148.19	-1.56	-3.03	-15.36
	WATC	4.42	12	20	53	USD/CHF	1.15	-1.58	-1.04	5.27
	Australian Government	4.07	14	19	67	USD/CNY	7.13	-0.36	-0.71	-5.21
	US Government	4.10	18	15	68	<b>MAJOR COMMODITIES</b>				
10 Year	QTC	4.78	13	22	56	Brent Crude Oil	79.10	2.18	-0.16	-8.19
	NSWTC	4.85	12	22	59	Gold	2,023.34	-0.27	-0.83	4.71
	TCV	4.95	11	21	65	Copper	8,268.00	-1.04	-3.79	-11.15
	WATC	4.69	13	22	51	Iron Ore	129.44	-3.63	-1.09	11.49
	Australian Government	4.25	16	21	72					
	US Government	4.14	18	21	75					

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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