The Australian Economy and Financial Markets

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**World Economy**

### GDP Growth – World

- **Major trading partners***
- **World**

* Weighted using Australian export shares
** PPP-weighted; accounts for 85 per cent of world GDP

Sources: ABS; CEIC Data; IMF; RBA; Refinitiv

### GDP Growth – Advanced Economies

- **US**
- **Euro area**
- **Japan**

Source: Refinitiv

### GDP Growth – East Asia

- **Indonesia**
- **South Korea**
- **Malaysia**

Sources: CEIC Data; RBA

### China – Contributions to GDP Growth

- **Consumption**
- **Investment**
- **Net exports**
- **GDP growth (per cent)**

Sources: CEIC Data; RBA
World Economy

**Inflation – Advanced Economies***

<table>
<thead>
<tr>
<th>Year-ended</th>
<th>US</th>
<th>Euro area</th>
<th>Japan</th>
</tr>
</thead>
</table>

* Personal consumption expenditure (PCE) inflation for the US; Japan data excludes the effects of the consumption tax increase in April 2014

Sources: RBA; Refinitiv

**Labour Markets – Advanced Economies**

<table>
<thead>
<tr>
<th>Unemployment rate</th>
<th>US</th>
<th>Euro area</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Wages growth*</th>
<th>Year-ended</th>
</tr>
</thead>
</table>

* Average hourly earnings for the US; compensation per employee for the euro area; smoothed full-time base wages for Japan

Sources: ECB; Eurostat; RBA; Refinitiv

**Inflation – China and India**

<table>
<thead>
<tr>
<th>Year-ended</th>
<th>India</th>
<th>China</th>
</tr>
</thead>
</table>

Sources: Bloomberg; CEIC Data

**Inflation – East Asia**

<table>
<thead>
<tr>
<th>Year-ended</th>
<th>Indonesia</th>
<th>Malaysia</th>
<th>South Korea</th>
</tr>
</thead>
</table>

Sources: CEIC Data; RBA
World Economy

China – Activity Indicators

Year-ended growth

- Manufacturing PMI*
- Industrial production
- Fixed asset investment
- Real retail sales

Sources: CEIC Data; Markit Economics; RBA

China – Residential Property Indicators

Year-ended growth

- New property prices
- Investment
- Floor space sold
- Inventory

Sources: CEIC Data; RBA

China – Total Social Financing

Contribution to six-month annualised growth

- Business financing*
- Household loans
- Debt swap adjustment**

Sources: CEIC Data; RBA

China – Gross Output of Selected Products*

2006 average = 100

- Electricity generation
- Plate glass
- Steel products
- Cement
- Crude steel

Sources: CEIC Data; RBA

* Diffusion index; average of the official and Caixin
** Sum of business loans, securities financing and off-balance sheet financing
** Upper bound estimate after including local government bond issuance to pay off debt previously included in TSF

RESERVE BANK OF AUSTRALIA

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Australian Growth

GDP Growth

Year-ended

Quarterly

Source: ABS

Mining and Non-mining Activity

Year-ended growth, RBA estimates

Mining*

Resource exports

Non-mining

Source: ABS; RBA

Contributions to GDP Growth

Year-ended

Sources: ABS; RBA

State Final Demand

Year-ended growth

Sources: ABS; RBA

Net of mining-related imports; components are contributions to year-ended mining activity growth; contribution from changes in inventories not shown
Australian Inflation

**Consumer Price Inflation***

Year-ended

Quarterly (seasonally adjusted)


0 2 4 %

* Excluding interest charges prior to the September quarter 1998 and adjusted for the tax changes of 1999–2000

Sources: ABS; RBA

**Tradable and Non-tradable Inflation***

Year-ended

Quarterly (seasonally adjusted)


-1 0 1 2 3 4 5 %

* Adjusted for the tax changes of 1999–2000

** Excludes volatile items (fruit, vegetables & automotive fuel)

*** Excludes interest charges prior to the September quarter 1998, and deposit & loan facilities prior to the September quarter 2011

Sources: ABS; RBA

**Underlying Inflation**

Weighted median

Trimmed mean

CPI excl volatile items


0 1 2 3 4 5 %

* Excluding interest charges prior to the September quarter 1998 and adjusted for the tax changes of 1999–2000

Sources: ABS; RBA
Household Sector

Household Income and Consumption*

- Real, year-ended growth
- Consumption
- Disposable income
- Saving ratio


Private Dwelling Investment*

- Chain volume, quarterly


Private Residential Building Approvals

Monthly


Consumer Sentiment*

- Average since 1980 = 100


* Household sector includes unincorporated enterprises; disposable income is after tax and interest payments; saving ratio is net of depreciation

Source: ABS; RBA

Household Income and Consumption*

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Consumer Sentiment*

- Average since 1980 = 100


* Household sector includes unincorporated enterprises; disposable income is after tax and interest payments; saving ratio is net of depreciation

Source: ABS; RBA

* Reference year is 2016/17

Source: ABS

* Average of the ANZ-Roy Morgan and Westpac-Melbourne Institute consumer sentiment measure of respondents' perceptions of their personal finances relative to the previous year; ANZ-Roy Morgan index rescaled to have the same average as the Westpac-Melbourne Institute index since 1996

Sources: ANZ-Roy Morgan; RBA; Westpac and Melbourne Institute

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Source: ABS; RBA

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Sources: ANZ-Roy Morgan; RBA; Westpac and Melbourne Institute
Household Sector

Housing Prices and Household Debt*

<table>
<thead>
<tr>
<th>Year-ended growth, seasonally adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing prices</td>
</tr>
<tr>
<td>Household debt</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>ABS*</th>
<th>APM***</th>
<th>Residex*</th>
<th>CoreLogic**</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>15%</td>
<td>10%</td>
<td>5%</td>
<td>-10%</td>
</tr>
<tr>
<td>2010</td>
<td>10%</td>
<td>5%</td>
<td>0%</td>
<td>-5%</td>
</tr>
<tr>
<td>2011</td>
<td>15%</td>
<td>10%</td>
<td>5%</td>
<td>-10%</td>
</tr>
<tr>
<td>2012</td>
<td>10%</td>
<td>5%</td>
<td>0%</td>
<td>-5%</td>
</tr>
</tbody>
</table>

* ABS is a quarterly stratified median price index; Residex is a quarterly repeat sales price index
** Monthly hedonic price index; non-seasonally adjusted
*** Quarterly stratified median price index

Sources: ABS; APM; CoreLogic; RBA

Household Wealth and Liabilities*

<table>
<thead>
<tr>
<th>Per cent of annual household disposable income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net wealth</td>
</tr>
<tr>
<td>Dwellings</td>
</tr>
<tr>
<td>Financial assets</td>
</tr>
<tr>
<td>Liabilities</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Net wealth</th>
<th>Dwellings</th>
<th>Financial assets</th>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>600%</td>
<td>400%</td>
<td>200%</td>
<td>100%</td>
</tr>
<tr>
<td>2001</td>
<td>650%</td>
<td>450%</td>
<td>250%</td>
<td>150%</td>
</tr>
<tr>
<td>2002</td>
<td>700%</td>
<td>500%</td>
<td>300%</td>
<td>200%</td>
</tr>
<tr>
<td>2003</td>
<td>750%</td>
<td>550%</td>
<td>350%</td>
<td>250%</td>
</tr>
</tbody>
</table>

* Household disposable income is after tax, before the deduction of interest payments, and includes income of unincorporated enterprises

Sources: ABS; RBA

Household Loan Approvals

<table>
<thead>
<tr>
<th>Excluding refinancing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
</tr>
<tr>
<td>Owner-occupiers</td>
</tr>
<tr>
<td>Investors</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Owner-occupiers</th>
<th>Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>20$</td>
<td>10$</td>
<td>5$</td>
</tr>
<tr>
<td>2004</td>
<td>22$</td>
<td>12$</td>
<td>6$</td>
</tr>
<tr>
<td>2005</td>
<td>24$</td>
<td>14$</td>
<td>7$</td>
</tr>
<tr>
<td>2006</td>
<td>26$</td>
<td>16$</td>
<td>8$</td>
</tr>
</tbody>
</table>

Sources: ABS; RBA
Business Sector

**Business Investment**
Share of nominal GDP

* Adjusted for second-hand asset transfers between the private and other sectors

**Business Investment Components**
Share of nominal GDP

* Adjusted for second-hand asset transfers between the private and other sectors

---

**Business Investment Components**
Share of nominal GDP

---

**Capital Expenditure – Mining and Non-mining**
Nominal, log scale

* Dots are firms’ expectations for 2018/19 and 2019/20, adjusted for historical differences between expected and realised spending

---

**Industry Share of Business Investment**

* Nominal; includes second-hand asset transfers

** Includes: information media and telecommunications; rental, hiring and real estate services; professional, scientific and technical services; administrative and support services

Source: ABS
**Business Sector**

**Private Non-financial Corporation Profits***

<table>
<thead>
<tr>
<th>Year</th>
<th>Non-mining</th>
<th>Mining</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>12%</td>
<td>8%</td>
</tr>
<tr>
<td>2003</td>
<td>11%</td>
<td>9%</td>
</tr>
<tr>
<td>2007</td>
<td>12%</td>
<td>10%</td>
</tr>
<tr>
<td>2011</td>
<td>13%</td>
<td>11%</td>
</tr>
<tr>
<td>2015</td>
<td>14%</td>
<td>12%</td>
</tr>
<tr>
<td>2019</td>
<td>15%</td>
<td>13%</td>
</tr>
</tbody>
</table>

* Gross operating profits; inventory valuation adjusted

Sources: ABS; RBA

**Business Lending by Banks***

<table>
<thead>
<tr>
<th>Year</th>
<th>Large business**</th>
<th>Small business**</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>150$b</td>
<td>200$b</td>
</tr>
<tr>
<td>2013</td>
<td>200$b</td>
<td>250$b</td>
</tr>
<tr>
<td>2015</td>
<td>250$b</td>
<td>300$b</td>
</tr>
<tr>
<td>2017</td>
<td>300$b</td>
<td>300$b</td>
</tr>
<tr>
<td>2019</td>
<td>300$b</td>
<td>300$b</td>
</tr>
</tbody>
</table>

** Business Lending by Banks**

- **Large business**
- **Small business**

* Credit exposures on the balance sheets of banks allowed by APRA to use an internal ratings-based approach for credit risk management

** Business Lending by Banks**

- **Large business** is the corporate category in APRA's capital framework; small business is the sum of the SME corporate and SME retail categories (the SME categories include businesses that have reported consolidated annual sales of less than $50 million)

Sources: APRA; RBA
Credit and Money

Credit and Broad Money Growth
Year-ended

Monetary Aggregates Growth
Year-ended

Housing Credit Growth
Owner-occupier
Investor

Credit Growth by Sector
Year-ended

Sources: ABS; APRA; RBA
Factors of Production and Labour Market

**Factors of Production**

*Annual growth*

- **Net capital stock***
  - 1979/80 = 100

- **Working-age population**
  - 1.0

*Sources: ABS; RBA

**Capital Ratios***

- **Capital-output ratio**
  - 1.0

*Excluding livestock & orchards, dwellings and ownership transfer costs

**Wage Price Index Growth***

- **Year-ended**

- **Quarterly**
  - 0 1 2 3 4

*Total pay excluding bonuses

**Unit Labour Costs Growth**

- **Non-farm, year-ended**

*Sources: ABS; RBA
Factors of Production and Labour Market

Employment and Participation Rates

- Participation rate
- Employment to working-age population

Source: ABS

Labour Market

- Underemployment rate*
- Unemployment rate

* Full-time workers on reduced hours for economic reasons and part-time workers who would like, and are available, to work more hours
Source: ABS

Job Vacancies and Advertisements

- Advertisements (ANZ survey)
- Vacancies* (ABS survey)

* This survey was suspended between May 2008 and November 2009
Sources: ABS; ANZ

Employment and Hours Worked*

- Employment
- Total hours worked
- Average hours worked

* Smoothed lines are 13-period Henderson trends
Sources: ABS; RBA

Note: 2008 average = 100

Sources: ABS; RBA
Regions and Industry

State Share of Output

Nominal

% 

New South Wales
Victoria
Queensland
Western Australia
South Australia
Tasmania

Source: ABS

Industry Share of Output*

% 

Manufacturing
Retail and wholesale trade
Financial and insurance services
Construction
Mining
Other business services**

* Nominal gross value added
** Includes: information media and telecommunications; rental, hiring and real estate services; professional, scientific and technical services; administrative and support services

Source: ABS

State Unemployment Rates

Trend

% 

South Australia
Victoria
Tasmania
New South Wales
Queensland
Western Australia

Source: ABS

Employment Growth by Industry

Cumulative change since March 2013

Source: ABS
**Government**

**Australian Government Budget Balance***
Per cent of nominal GDP

* Underlying cash balance: 2019/20 Budget
Source: Australian Treasury

**State Budget Balances***
Per cent of nominal GDP

* Underlying cash balance
Source: ABS

**Public Construction Work Done**
Per cent of nominal GDP

Source: ABS

**Non-financial Public Sector Net Debt**
Per cent of nominal GDP

Source: Australian Treasury
Commodity Prices

**RBA Index of Commodity Prices**

- **Source:** RBA

**Base Metals, Rural and Oil Prices**

- **Monthly**

**Bulk Commodity Prices**

- **Free on board basis**

**Terms of Trade**

- **2016/17 average = 100, log scale**

*Iron ore 65% Fe Fines Index; Newcastle thermal coal and premium hard coking coal

Source: ABS; Bloomberg; IHS Markit; RBA

* Annual data are used prior to 1960

Sources: ABS; RBA
Balance of Payments and External Position

Export Volumes
Quarterly, 2016/17 prices, log scale

Import Volumes
Quarterly, 2016/17 prices, log scale

Bulk Commodity Exports
Quarterly

Exports by Destination
Annual, share of total values

Sources: ABS; RBA
Balance of Payments and External Position

**Current Account Balance**

- Per cent of nominal GDP
- Trade balance
- Net income balance

**Net Capital Inflow***

- Per cent of nominal GDP
- Equity
- Debt
- Total

* 2019 values include the March quarter
Source: ABS

**Net Foreign Liabilities**

- By type, per cent of nominal GDP
- Total
- Long-term debt*
- Short-term debt*
- Equity

* Short-term includes debt with residual maturity of one year or less; long-term includes all other debt
Source: ABS

**External Position**

- Composition after hedging, quarterly*
- Gross foreign liabilities
- Gross foreign assets

* Hedge ratios inferred from ABS Foreign Currency Exposure surveys
Sources: ABS; RBA

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**Interest Rates**

**Interest Rates – China**

- One-year benchmark lending
- Seven-day repo (month average)
- One-year benchmark deposit

Sources: CEIC Data; RBA

**10-year Australian Government Bond Yield**

Source: RBA

**Policy Interest Rates – Emerging Markets**

- Indonesia*
- Brazil
- Russia*
- India
- Malaysia
- Thailand
- South Korea
- South Africa
- Mexico

* Breaks in series indicate changes in the official policy rates for Russia (September 2013) and Indonesia (August 2016)

Source: Central banks

**10-year Government Bond Yields**

- US
- Germany
- Japan

Source: Refinitiv
Interest Rates

**Spread between Australian 10-year Bond Yield and the Cash Rate**

Sources: RBA

**Australian Non-financial Corporate Bond Yields**

3-year target

Sources: Bloomberg; RBA

**Differential between Australian and US 10-year Government Bond Yields**

Sources: Bloomberg; RBA

**Australian Non-financial Corporate Bond Spreads**

Spread to government yields; 3-year target

Sources: Bloomberg; RBA

**Spread between Australian 10-year Bond Yield and the Cash Rate**

Sources: RBA
**Interest Rates**

**US Corporate Bond Yields**
- **BBB corporates***
- **AA corporates***
- **Five-year swap**

*Includes financials and non-financials
Sources: Bloomberg; ICE Data is used with permission

**Emerging Market Bond Yields**
- **Europe**
- **Latin America**
- **Asia**

Sources: Bloomberg; RBA; Refinitiv

**US Corporate Bond Spreads**
- **BBB corporates***
- **AA corporates***
- **Five-year swap**

*Includes financials and non-financials
Sources: Bloomberg; ICE Data is used with permission

**Emerging Market Bond Spreads**
- **Europe**
- **Latin America**
- **Asia**

Sources: Bloomberg; RBA; Refinitiv
Interest Rates

Variable Housing Interest Rates

- **Standard variable reference rate***
- **Outstanding loans**
- **New loans***

- * Average across major banks’ rates; data to June
- ** Data to May; data from the Securitisation Dataset, re-weighted using housing credit shares
- *** Average new variable lending rates based on APRA quarterly data

Sources: APRA; major banks’ websites; RBA; Securitisation System

Australian Fixed Interest Rates

- **3-year maturity**
- **Small business**
- **Swap rate**
- **Housing***

- * Available to owner-occupiers

Sources: Banks’ websites; Bloomberg; Canstar Cannex; RBA

Variable Housing Interest Rates*

- **Outstanding loans**

- * Data from the Securitisation Dataset, re-weighted using housing credit shares

Sources: RBA; Securitisation System

Australian Business Lending Rates*

- **Average interest rate on outstanding lending**

- * RBA estimates

Sources: APRA; RBA
Share Markets

**Share Price Accumulation Indices**
Log scale, end December 1994 = 100

- ASX 200
- S&P 500
- MSCI world

Sources: MSCI; RBA; Refinitiv

**Advanced Economies’ Share Price Indices**
Log scale, end December 1994 = 100

- Euro area
- US
- UK
- Japan

Sources: Bloomberg; RBA

**Australian Share Price Indices***
Log scale, end December 1994 = 100

- Resources
- Financials
- All other sectors

* ASX 200 companies
Sources: Bloomberg; RBA

**Emerging Markets’ Share Price Indices**
Log scale, end December 1994 = 100

- Emerging Europe
- Latin America
- Emerging Asia
- China
- World

Sources: Bloomberg; MSCI; RBA
**Bond Issuance**

**Bonds on Issue in Australia**

![Graph showing bonds on issue in Australia](image)

* Excludes bonds purchased by the Australian Government
** Excludes ADIs' self-securitisations, includes government-guaranteed bonds

Sources: ABS; AOFM; Bloomberg; KangaNews; RBA; State Treasury Corporations

**Non-government Bond Issuance**

![Bar graph showing non-government bond issuance](image)

* Excludes ADIs' self-securitisations
** Offshore non-resident issuance includes Australian dollar-denominated bonds only

Sources: Bloomberg; KangaNews; Private Placement Monitor; RBA

**Total Non-government Bonds on Issue**

![Graph showing total non-government bonds on issue](image)

* Australian dollar-denominated bonds only

Sources: ABS; Bloomberg; KangaNews; Private Placement Monitor; RBA

**Non-government Bonds on Issue in Australia**

![Graph showing non-government bonds on issue in Australia](image)

* Excludes ADIs' self-securitisations

Sources: ABS; Bloomberg; KangaNews; RBA
**US and Euro Area Corporate Bond Issuance***

Gross issuance

- **US**
  - Financials
  - Non-financials

- **Euro area**

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**Emerging Market Corporate Bond Issuance***

Gross issuance

- **China**
  - Foreign currency-denominated
  - Local currency-denominated

- **Other**

* * June quarter-to-date

Sources: Dealogic; RBA
Exchange Rates

Australian Dollar Trade-weighted Index*

- May 1970 = 100 for nominal; real indexed to equate post-float averages; latest observations for real TWI are estimates.
- Sources: ABS; RBA; Refinitiv; WM/Reuters

Official Reserve Assets*

- * The reporting methodology for official reserve asset data changes in 2015.
- ** Excludes net forward foreign currency commitments.
- *** Data up to 30 June 2018; a positive value indicates a purchase of foreign exchange, while a negative value indicates a sale of foreign exchange.
- Source: RBA

Australian Dollar

- ECU per A$ until 31 December 1998.
- Source: Bloomberg

Exchange Rates

Yen per A$ (LHS)
US$ per A$ (RHS)
Euro per A$ (RHS)

- Source: RBA
Selected Asian Currencies against the US Dollar
31 January 2000 = 100

- India
- Thailand
- South Korea
- Malaysia
- Singapore
- Indonesia

Source: Bloomberg

US Dollar

Yen per US$ (LHS)

US$ per euro* (RHS, inverted scale)

* US$ per ECU until 31 December 1998

Sources: Bloomberg; Eurostat

G3 Nominal Trade-weighted Indices
1999–2019 average = 100

- US dollar
- Euro
- Japanese yen

Sources: BIS; Bloomberg; Board of Governors of the Federal Reserve System

Chinese Renminbi

Nominal effective exchange rate
(LHS, 2010 average = 100)

Yuan per US$ (RHS, inverted scale)

Sources: BIS; Bloomberg; RBA

Exchange Rates
### Banking Indicators

#### Australian Bank Profits

<table>
<thead>
<tr>
<th></th>
<th>Net profit after tax</th>
<th>Bad and doubtful debts charge</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Major banks</strong></td>
<td>6</td>
<td>12</td>
</tr>
<tr>
<td><strong>Other Australian-owned banks</strong></td>
<td>1.1</td>
<td>2.2</td>
</tr>
<tr>
<td><strong>Foreign-owned banks</strong></td>
<td>-1.5</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Sources: APRA; RBA

#### Australian Bank Profitability*

Return on shareholders’ equity after tax and minority interests

- **Majors**
- **Other Australian-owned banks**

* Fiscal years from 2003 onwards; prior data are as reported in banks financial statements

Sources: APRA; Banks’ annual reports; RBA

#### Major Banks’ Net Interest Margin*

Domestic, half-yearly

* Data for a given period relate to banks’ public profit reports released in that half; IFRS basis from 2006, AGAAP prior; excludes St George Bank and Bankwest prior to the first half of 2009

Sources: Banks’ financial reports; RBA
### Banking Indicators

**Banks’ Non-performing Assets**

Consolidated global operations, share of on-balance sheet assets

* Includes assets 90+ days past due that are well secured

Source: APRA

**Capital Ratios***

Consolidated global operations of locally incorporated ADIs

* Per cent of risk-weighted assets; break in March 2008 due to the introduction of Basel II for most ADIs; break in March 2013 due to the introduction of Basel III for all ADIs

Source: APRA

**Funding Composition of Banks in Australia***

Share of total funding

* Adjusted for movements in foreign exchange rates; tenor of debt is estimated on a residual maturity basis

** Includes deposits and intragroup funding from non-residents

Sources: APRA; Bloomberg; RBA; Refinitiv; Standard & Poor’s