# The Australian Economy and Financial Markets

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World Economy

GDP Growth – World
Year-ended

-4 2003 2007 2011 2015 2019 6 4 2 0 2 4 6 %
-2 4

Major trading partners*
World**

-4 2003 2007 2011 2015 2019 6 4 2 0 2 4 6 %
-2 4

GDP Growth – Advanced Economies
Year-ended

-10 2003 2007 2011 2015 2019 5 10 5 %
-5

US
Euro area
Japan

GDP Growth – East Asia
Year-ended

-6 2003 2007 2011 2015 2019 9 6 3 %
-3

Indonesia
South Korea
Malaysia

GDP Growth – World
Year-ended

-5

Source: Refinitiv

* 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
Year-ended

Source: Refinitiv

GDP Growth – East Asia
Year-ended

Sources: CEIC Data; RBA

China – Contributions to GDP Growth

Consumption
Investment
Net exports

GDP growth (per cent)

-5 2002 2006 2010 2014 2018 10 5 0 5

Sources: CEIC Data; RBA
World Economy

Inflation – Advanced Economies*

Year-ended

Inflation – China and India

Year-ended

Labour Markets – Advanced Economies

Unemployment rate

Wages growth*

Year-ended

Inflation – East Asia

Year-ended

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

Sources: RBA; Refinitiv

* 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

Sources: Bloomberg; CEIC Data

Sources: CEIC Data; RBA

Sources: CEIC Data; RBA
World Economy

China – Activity Indicators

Year-ended growth

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

* Diffusion index; average of the official and Caixin

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

* 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

Sources: CEIC Data; RBA

China – Gross Output of Selected Products*

2006 average = 100

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

* Seasonally adjusted by RBA

Sources: CEIC Data; RBA
Australian Growth

**GDP Growth**

- Year-ended
- Quarterly

Source: ABS

**Contributions to GDP Growth**

- Year-ended

Sources: ABS; RBA

**Mining and Non-mining Activity**

- Year-ended growth, RBA estimates

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

Sources: ABS; RBA

**State Final Demand**

- Year-ended growth

Sources: ABS; RBA
Australian Inflation

**Consumer Price Inflation***

- * Year-ended
- **Quarterly (seasonally adjusted)

<table>
<thead>
<tr>
<th>Year-ended</th>
<th>Quarterly (seasonally adjusted)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>3%</td>
</tr>
<tr>
<td>2009</td>
<td>2%</td>
</tr>
<tr>
<td>2004</td>
<td>1%</td>
</tr>
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<td>1999</td>
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<td>1994</td>
<td>-1%</td>
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* Excluding interest charges prior to the September quarter 1998 and adjusted for the tax changes of 1999–2000

Sources: ABS; RBA

**Underlying Inflation***

- * Year-ended
- **Quarterly (seasonally adjusted)

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* 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***

- **Tradables**
- ***Non-tradables***

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* 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
Household Sector

**Household Income and Consumption***

- **Consumption**
- **Disposable income**
- **Saving ratio**

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

Sources: ABS; RBA

**Private Dwelling Investment***

- **Chain volume, quarterly**

* Reference year is 2016/17

Source: ABS

**Private Residential Building Approvals**

- **Total**
- **Detached houses**
- **Higher-density housing**

Source: ABS

**Consumer Sentiment***

- **Average since 1980 = 100**

* 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

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

Sources: ABS; RBA
Household Sector

Housing Prices and Household Debt*

Housing Prices
Year-ended growth, seasonally adjusted

Housing Loan Approvals
Excluding refinancing

Household Wealth and Liabilities*

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

Sources: ABS; CoreLogic; RBA

* 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; Residex.
Business Sector

Business Investment*  
Share of nominal GDP

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

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  
Sources: ABS; RBA

Business Investment Components*  
Share of nominal GDP

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

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

Source: ABS
**Business Sector**

**Private Non-financial Corporation Profits***

Share of nominal GDP

- Non-mining
- Mining

* Gross operating profits; inventory valuation adjusted
Sources: ABS; RBA

**Business Lending by Banks***

Break-adjusted

- 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
** 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

**NAB Business Survey**

- Business conditions*
- Business confidence*
- Capacity utilisation

* Net balance; deviation from average since 1989
Sources: NAB; RBA
Credit and Money

Credit and Broad Money Growth
Year-ended

Monetary Aggregates Growth
Year-ended

Credit Growth by Sector
Year-ended

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

Factors of Production
Annual growth

Net capital stock*

Working-age population

Capital Ratios*
1979/80 = 100

Capital-labour ratio

Capital-output ratio

Wage Price Index Growth*

Year-ended

Quarterly

Unit Labour Costs Growth
Non-farm, year-ended

Unit labour costs

Average earnings per hour

Labour productivity per hour

* Excluding livestock & orchards, dwellings and ownership transfer costs
Sources: ABS; RBA

* Capital stock excludes livestock & orchards, dwellings and ownership transfer costs
Sources: ABS; RBA

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
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
- Agriculture
- 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
- Western Australia
- Queensland

Source: ABS

Employment Growth by Industry
Cumulative change since March 2013

- Household services
- Business services
- Public administration
- Retail and wholesale trade
- Other*

* Includes agriculture, forestry & fishing; transport, postal & warehousing; and electricity, gas, water & waste services

Source: ABS
Government

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

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

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

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

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

* Underlying cash balance
Source: ABS

Source: ABS

Source: Australian Treasury
Commodity Prices

RBA Index of Commodity Prices
SDR, 2017/18 average = 100, log scale

Source: RBA

Bulk Commodity Prices
Free on board basis

Iron ore (LHS)
Thermal coal (LHS)
Coking coal (RHS)

Average Australian export price
Spot price*

Sources: ABS; Bloomberg; IHS Markit; RBA

Terms of Trade*
2016/17 average = 100, log scale

Sources: ABS; RBA

Terms of Trade*
2016/17 average = 100, log scale

Sources: ABS; RBA

Base Metals, Rural and Oil Prices
Monthly

Base metals*
Rural*
Brent oil

Sources: Bloomberg; RBA

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

Sources: ABS; Bloomberg; IHS Markit; RBA
Balance of Payments and External Position

Current Account Balance
Per cent of nominal GDP

Net Capital Inflow*
Per cent of nominal GDP

Net Foreign Liabilities
By type, per cent of nominal GDP

External Position*
Composition after hedging, quarterly

* 2019 values include the March quarter
Source: ABS

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

* Hedge ratios inferred from ABS Foreign Currency Exposure surveys
Sources: ABS; RBA
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 Africa
- Mexico
- South Korea

* 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

Australian Non-financial Corporate Bond Yields
3-year target

Differential between Australian and US 10-year Government Bond Yields

Australian Non-financial Corporate Bond Spreads
Spread to government yields; 3-year target

Sources: Bloomberg; RBA

Interest Rates
**Interest Rates**

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

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

**Emerging Market Bond Spreads**
To US government bonds, duration-matched

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

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

Variable Housing Interest Rates

- **Standard variable reference rate**: Average across major banks' rates; data to July 2019.
- **Outstanding loans**: Data to June 2019; re-weighted using housing credit shares.
- **New loans**: Average new variable lending rates based on APRA quarterly data.

Sources: APRA; RBA; Securitisation System.

Australian Fixed Interest Rates

- **3-year maturity**: 3-year maturity rates for small business, swap rate, and housing.

Sources: Banks' websites; Bloomberg; Canstar Cannex; RBA.

Australian Business Lending Rates

- **Average interest rate on outstanding lending**: Interest rates for small business and large business.

Sources: APRA; RBA.
share markets

share price accumulation indices
log scale, end december 1994 = 100

advanced economies’ share price indices
log scale, end december 1994 = 100

australian share price indices*
log scale, end december 1994 = 100

emerging markets’ share price indices
log scale, end december 1994 = 100

* asx 200 companies

sources: msci; rba; reftinitiv

sources: bloomberg; rba

sources: bloomberg; rba

sources: msci; rba; reftinitiv

sources: bloomberg; msci; rba
**Bond Issuance**

**US and Euro Area Corporate Bond Issuance**

*Gross issuance*

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

- **Euro area**

*September quarter-to-date*

Sources: Dealogic; RBA

**Emerging Market Corporate Bond Issuance**

*Gross issuance*

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

- **Other**

*September quarter-to-date*

Sources: Dealogic; RBA
Exchange Rates

**Australian Dollar Trade-weighted Index***

- Nominal
- Real

* 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***

- Official reserve assets
- Net foreign reserves**
- RBA foreign exchange market intervention transactions***

* 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

*a* ECU per A$ until 31 December 1998

**Exchange Rates**

**Australian Dollar**

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

* ECU per A$ until 31 December 1998

Source: Bloomberg
Exchange Rates

US Dollar

Selected Asian Currencies against the US Dollar

31 January 2000 = 100

Source: Bloomberg

G3 Nominal Trade-weighted Indices

1999–2019 average = 100

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

Chinese Renminbi

Nominal effective exchange rate

(LHS, 2010 average = 100)

Source: BIS; Bloomberg; RBA

* US$ per ECU until 31 December 1998
Sources: Bloomberg; Eurostat

Index

Sources:
RESERVE BANK OF AUSTRALIA

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Banking Indicators

**Australian Bank Profits**

- **Net profit after tax**
  - Major banks: $6b
  - Other Australian-owned banks: $1.1b
  - Foreign-owned banks: $20.2b

- **Bad and doubtful debts charge**
  - Major banks: $12b
  - Other Australian-owned banks: $2.2b
  - Foreign-owned banks: $0.0b

Sources: APRA; RBA

**Australian Bank Profitability**

- **Return on shareholders’ equity after tax and minority interests**
  - Majors
  - Other Australian-owned banks

Sources: APRA; Banks’ annual reports; RBA

**Major Banks’ Net Interest Margin**

- **Domestic, half-yearly**

Sources: Banks’ financial reports; RBA

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

* 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’ annual 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

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**Banks’ Non-performing Assets**
Domestic books
Share of all loans
Share of loans by type*

* Each category’s share of total domestic lending at March 2019 is shown in parentheses; shares may not add up to 100 due to rounding
** Includes lending to financial businesses, bills, debt securities and other non-household loans
Sources: APRA; RBA

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**Capital Ratios***
Consolidated global operations of locally incorporated ADIs

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**Funding Composition of Banks in Australia***
Share of total funding

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