# The Australian Economy and Financial Markets

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World Economy

**GDP Growth – World**

* Year-ended
* 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; Thomson Reuters

**GDP Growth – Advanced Economies**

* Year-ended
* US
* Japan
* Euro area

Source: Thomson Reuters

**China – Contributions to GDP Growth**

* GDP growth (per cent)
* Sources: CEIC Data; RBA

**GDP Growth – East Asia**

* Year-ended
* Middle-income*
* High-income**

- Indonesia, Malaysia, Philippines and Thailand; PPP-weighted
- Hong Kong, Singapore, South Korea and Taiwan; PPP-weighted

Sources: CEIC Data; IMF; RBA
World Economy

**Headline Inflation – Advanced Economies***

- **Year-ended**

  - US
  - Euro area
  - Japan

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

  Sources: RBA; Thomson Reuters

**Labour Markets – Advanced Economies**

- **Unemployment rate**

  - US
  - Euro area

- **Wage growth***

  - Year-ended

  - US
  - Euro area
  - Japan

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

  Sources: ECB; Eurostat; RBA; Thomson Reuters

**Inflation – East Asia**

- **Year-ended**

  - High-income***
  - Middle-income***

  * Indonesia, Malaysia, Philippines and Thailand; PPP-weighted
  ** Hong Kong, Singapore, South Korea and Taiwan; PPP-weighted

  Sources: CEIC Data; IMF, RBA; Thomson Reuters

**Inflation – China and India**

- **Year-ended**

  - India
  - China

  Source: Bloomberg
World Economy

China – Activity Indicators
Year-ended growth

Manufacturing PMI*
Industrial production

Fixed asset investment
Real retail sales

China – Residential Property Market*
Year-ended growth

Floor space sold
Prices
Real estate development investment**

China – Financing*
Share of GDP

Total social financing flows**
Fiscal balance

Expenditure
Revenue
Balance

China – Output Indicators
2007 average = 100

Electricity generation
Cement
Crude steel
Plate glass

Sources:
CEIC Data; Markit Economics; RBA

* Diffusion index; average of the official and Caixin
Sources: CEIC Data; Markit Economics; RBA

* For sales and investment, a three-month moving average of the seasonally adjusted series is used to calculate growth
** Investment by developers and other construction companies in the development of residential property; includes land purchases
Sources: CEIC Data; RBA

* Seasonally adjusted by RBA
** Upper bound estimate adjusting for impact of local government bond issuance to pay off debt previously included in TSF
Sources: CEIC Data; RBA
Australian Growth

GDP Growth

- Year-ended
- Quarterly

Source: ABS

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

Source: ABS; RBA

Contributions to GDP Growth

- Year-ended

Source: ABS; RBA

State Final Demand

- Year-ended growth

Sources: ABS; RBA
Australian Inflation

**Consumer Price Inflation***

* Year-ended

* Quarter (seasonally adjusted)

<table>
<thead>
<tr>
<th>Year-ended</th>
<th>Quarter (seasonally adjusted)</th>
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<tbody>
<tr>
<td>1993</td>
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</tr>
</tbody>
</table>

* 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

* Quarter (seasonally adjusted)

<table>
<thead>
<tr>
<th>Year-ended</th>
<th>Quarter (seasonally adjusted)</th>
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</table>

* 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***

* Year-ended

* Quarter (seasonally adjusted)

<table>
<thead>
<tr>
<th>Year-ended</th>
<th>Quarter (seasonally adjusted)</th>
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<td>1993</td>
<td>2018</td>
</tr>
</tbody>
</table>

* 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

Consumer Sentiment*
- Average since 1980 = 100

Private Residential Building Approvals
- Monthly

* Household sector includes unincorporated enterprises; disposable income is after tax and interest payments; income level smoothed with a two-quarter moving average between March quarter 2000 and March quarter 2002; saving ratio is net of depreciation

Source: ABS; RBA

* Reference year is 2015/16
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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Sources: ANZ-Roy Morgan; RBA; Westpac and Melbourne Institute
Household Sector

**Housing Prices and Household Debt**

Ratio to annual household disposable income

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<td>Housing prices</td>
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<td>Household debt</td>
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<th>Year</th>
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* Household disposable income is after tax, before the deduction of interest payments, and includes income of unincorporated enterprises

Sources: ABS; PBO; CoreLogic; RBA

**Housing Prices**

Year-ended growth, seasonally adjusted

<table>
<thead>
<tr>
<th>Year</th>
<th>ABS*</th>
<th>APM***</th>
<th>Residex*</th>
<th>CoreLogic**</th>
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</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
*** Monthly stratified median price index

Sources: ABS; PBO; CoreLogic; RBA

**Household Wealth and Liabilities**

Per cent of annual household disposable income

<table>
<thead>
<tr>
<th>Year</th>
<th>Net wealth</th>
<th>Dwellings</th>
<th>Financial assets</th>
<th>Liabilities</th>
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<td>90</td>
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</table>

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

Sources: ABS; RBA

**Housing Loan Approvals**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Owner-occupiers*</th>
<th>Investors**</th>
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</table>

* Excludes refinancing
** Includes refinancing

Sources: ABS; RBA
### Business Sector

#### Business Investment*  
**Share of nominal GDP**

- **2013:** 12%  
- **2008:** 14%  
- **2003:** 16%  
- **1998:** 18%  
- **1993:** 20%  
- **2018:** 18%

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

#### Business Investment Components*  
**Share of nominal GDP**

- **Machinery and equipment:**  
- **Buildings:**  
- **Engineering:**

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

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

- **Mining:**
- **Non-mining:**

* Dots are firms’ expectations for 2018/19, adjusted for historical differences between expected and realised spending  
Sources: ABS; RBA

#### Industry Share of Business Investment*  
**%**

- **Manufacturing:**
- **Mining:**
- **Retail and wholesale trade:**
- **Other business services:**
- **Agriculture:**
- **Construction:**

* 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
** Source: ABS
Business Sector

Private Non-financial Corporation Profits*

Share of nominal GDP

- Non-mining
- Mining

NAB Business Survey

Business conditions*

Business confidence*

Capacity utilisation

Average since 1989

Private Non-financial Corporation Profits*

Gross operating profits; inventory valuation adjusted

Sources: ABS; RBA

Business Finances

Business credit

Per cent of nominal GDP

Interest paid**

Per cent of profits**

Interest paid*

Per cent of profits**

Sources: ABS; APRA; RBA

* Net balance; deviation from average since 1989

Sources: NAB; RBA
Credit and Money

Credit and Broad Money Growth

Year-ended

Sources: ABS; APRA; RBA

Credit Growth by Sector

Year-ended

Sources: ABS; APRA; RBA

Monetary Aggregates Growth

Year-ended

Sources: APRA; RBA

Credit*

Ratio to nominal GDP

* Not adjusted for breaks
Sources: ABS; APRA; RBA

Credit and Money Growth

Year-ended

Sources: APRA; RBA

Credit* Ratio to nominal GDP

* Not adjusted for breaks
Sources: ABS; APRA; RBA
Factors of Production and Labour Market

**Factors of Production**

Annual growth

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

- **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**

Sources: ABS; RBA

* Capital stock excludes livestock & orchards, dwellings and ownership transfer costs

Sources: ABS; RBA
Factors of Production and Labour Market

Employment and Participation Rates

Labour Market

Job Vacancies and Advertisements

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

Per cent of labour force

Advertisements (ANZ survey)

Vacancies* (ABS survey)

* This survey was suspended between May 2008 and November 2009

Sources: ABS; ANZ
Regions and Industry

**State Share of Output**
Nominal

- New South Wales
- Victoria
- Queensland
- Western Australia
- South Australia
- Tasmania

Source: ABS

**State Unemployment Rates**
Trend

- Victoria
- New South Wales
- Queensland
- Western Australia
- Tasmania

Source: ABS

**Industry Share of Output***

- Manufacturing
- 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

**Employment Growth by Industry**
Cumulative change since February 2012

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

![Chart showing Australian Government Budget Balance](chart1)

* Underlying cash balance; 2018/19 Budget
Source: Australian Treasury

**State Budget Balances***

*Per cent of nominal GDP

![Chart showing State Budget Balances](chart2)

* Underlying cash balance
Source: ABS

**Public Construction Work Done**

*Per cent of nominal GDP

![Chart showing Public Construction Work Done](chart3)

Source: ABS

**Non-financial Public Sector Net Debt**

*Per cent of nominal GDP

![Chart showing Non-financial Public Sector Net Debt](chart4)

Source: Australian Treasury
Commodity Prices

RBA Index of Commodity Prices
SDR, 2016/17 average = 100, log scale

Bulk Commodity Prices
Free on board basis

Terms of Trade*
2015/16 average = 100, log scale

Base Metals, Rural and Oil Prices
Weekly

Bulk Commodity Prices
Free on board basis
Iron ore
(LHS)
Thermal coal
(LHS)
Coking coal
(RHS)

Terms of Trade*
2015/16 average = 100, log scale

* RBA Index of Commodity Prices sub-indices; SDR terms; 2007 average = 100
Sources: Bloomberg; RBA

* RBA Index of Commodity Prices sub-indices; SDR terms; 2007 average = 100
Sources: Bloomberg; RBA

Sources: ABS; Bloomberg; IHS; RBA

Terms of Trade*
2015/16 average = 100, log scale

* Annual data are used prior to 1960
Sources: ABS; RBA

Source: RBA

Iron ore fines; Newcastle thermal coal and premium hard coking coal
Sources: ABS; Bloomberg; IHS; RBA

* Iron ore fines; Newcastle thermal coal and premium hard coking coal
Sources: ABS; Bloomberg; IHS; RBA

Base metals*
Balance of Payments and External Position

**Export Volumes**
Quarterly, 2015/16 prices, log scale

**Import Volumes**
Quarterly, 2015/16 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

Net Capital Inflow*
Per cent of nominal GDP

Net Foreign Liabilities
By type, per cent of nominal GDP

External Position
Composition after hedging, quarterly*

* 2018 values include the March and June quarters
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**

- 1-year benchmark lending
- 7-day repo (month average)

Sources: CEIC Data; RBA

**10-year Australian Government Bond Yield**

Source: RBA

**Policy Interest Rates – Emerging Markets**

- Indonesia*
- Brazil
- Russia*
- India
- Malaysia
- South Korea
- 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: Thomson Reuters
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

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; Thomson Reuters

**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; Thomson Reuters

**US Corporate Bond Yields**

- **AA corporates**
- **BBB corporates**
- Five-year swap

* Includes financials and non-financials

Sources: Bloomberg; ICE Data is used with permission
**Variable Housing Interest Rates***

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

* Outgoing and new loans series include variable interest rate loans
** Average across major banks' rates
*** Variable loans originated over the past three months
Sources: 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

**Advertised Small Business Interest Rates***

- **Overdraft other security**
- **Term loan residential security**

* Indicator rates
Sources: Canstar Cannex; RBA

**Australian Business Lending Rates***

- **Average interest rate on outstanding lending**
- **Small business**
- **Large business**

* RBA estimates
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: Bloomberg; RBA

Sources: MSCI; RBA; Thomson Reuters

Sources: Bloomberg; MSCI; RBA

Sources: MSCI; RBA; Thomson Reuters

Sources: Bloomberg; RBA

Sources: Bloomberg; RBA
Share Markets

**Forward PE Ratios**

- **MSCI World excluding Australia**
- **ASX 200**

Sources: Bloomberg; MSCI; Thomson Reuters

**Forecast Earnings per Share**

- **MSCI Australia**

Sources: Thomson Reuters

**Dividend Yields**

- **ASX 200**
- **MSCI World excluding Australia**

Sources: Bloomberg; MSCI; Thomson Reuters

**Australian Net Equity Raisings**

- **Non-financial corporations**
- **Financials**

*All listed companies*

**Includes banks and non-bank financials**

Sources: ASX; RBA
Bond Issuance

Bonds on Issue in Australia

Non-government Bond Issuance

Total Non-government Bonds on Issue

Non-government Bonds on Issue in Australia

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

Sources: ABS; Bloomberg; Private Placement Monitor; RBA

Sources: Bloomberg; Private Placement Monitor; RBA
**Bond Issuance**

**US and Euro Area Corporate Bond Issuance***

Gross issuance

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

- **Euro area**

**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***

* May 1970 = 100 for nominal; real indexed to equate post-float averages; latest observations for real TWI are estimates

Sources: ABS; RBA; Thomson Reuters; 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

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* 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$

(Left-hand scale)

US$ per euro

(Right-hand scale, inverted scale)

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

G3 Nominal Trade-weighted Indices

1999–2018 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$

(Right-hand scale, inverted scale)

Sources: BIS; Bloomberg; RBA
Banking Indicators

### Australian Bank Profits

- **Net profit after tax**
  - Major banks: $6b, $12b
  - Other Australian-owned banks: $1.1b, $2.2b
  - Foreign-owned banks: $2012, $0.0, $1.5b

- **Bad and doubtful debts charge**
  - Major banks: $6b, $12b
  - Other Australian-owned banks: $1.1b, $2.2b
  - Foreign-owned banks: $2012, $0.0, $1.5b

Sources: APRA; RBA

### Australian Bank Profitability*

- Return on shareholders’ equity after tax and minority interests

- **Majors**
  - 1987: 20% to 10%
  - 2017: 10% to 20%

- **Other Australian-owned banks**
  - 1987: 10% to 0%
  - 2017: 0% to 10%

* 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

- 2002-2009: 2.5% to 1.5%
- 2018: 1.5% to 2.5%

* 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