The Australian Economy and Financial Markets

Contents

World Economy  1
Australian Growth  4
Australian Inflation  5
Household Sector  6
Business Sector  8
Credit and Money  10
Factors of Production and Labour Market  11
Regions and Industry  13
Government  14
Commodity Prices  15
Balance of Payments and External Position  16
Interest Rates  18
Share Markets  23
Bond Issuance  24
Exchange Rates  26
Banking Indicators  28
Australian Inflation

**Consumer Price Inflation***

* Year-ended

* Quarterly (seasonally adjusted)

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

Sources: ABS; RBA

**Measures of Underlying Inflation***

* Year-ended

* Trimmed mean

* Weighted median

* CPI excl volatile items

* Excludes interest charges prior to September 1998 and deposit & loan facilities prior to September 2011; adjusted for 1999–2000 tax changes

Sources: ABS; RBA

** Tradable and Non-tradable Inflation***

* Non-tradables**

* Year-ended

* Quarterly (seasonally adjusted)

* Tradables excl volatiles

* Adjusted for the tax changes of 1999–2000

** Excludes interest charges and indirect deposit & loan facilities

Sources: ABS; RBA
Household Sector

**Household Income and Consumption***

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

![Graphs showing household income and consumption trends from 1990 to 2020.](chart)

* 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**

![Graph showing private dwelling investment trends from 1990 to 2020.](chart)

* Reference year is 2017/18

**Source:** ABS

**Consumer Sentiment***

- **Average since 1980 = 100**

![Graph showing consumer sentiment trends from 2008 to 2020.](chart)

* 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

**Private Residential Building Approvals***

- **Monthly**

![Graph showing private residential building approvals trends from 1995 to 2020.](chart)

**Source:** ABS
Business Sector

Business Investment*

Business Investment Components*

Capital Expenditure – Mining and Non-mining*

Industry Share of Business Investment*

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

* Dots are firms’ expectations for 2020/21; adjusted for historical differences between expected and realised spending
Sources: ABS; RBA

* 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
Private Non-financial Corporation Profits*

Share of nominal GDP

* Gross operating profits; inventory valuation adjusted

Sources: ABS; RBA

Lending to Business*

Break-adjusted

* Exposures data capture credit exposures on the balance sheets of banks allowed by APRA to use an internal ratings-based approach for credit risk management. EFS data are based on reporting of banks and finance companies that have $2 billion or more of business credit

Sources: APRA; RBA

NAB Business Survey

* Net balance; deviation from average since 1989

Sources: NAB; RBA
Regions and Industry

State Share of Output
Nominal

State Unemployment Rates*
Seasonally adjusted

Industry Share of Output*

Employment Growth by Industry**
Cumulative change since March 2013

* The trend series have been suspended from April 2020, until more certainty emerges in the underlying trend in labour market activity over the COVID-19 period

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

Source: ABS
Commodity Prices

**RBA Index of Commodity Prices**
SDR, 2018/19 average = 100, log scale

**Base Metals, Rural and Oil Prices**
Monthly

**Bulk Commodity Prices**
Free on board basis

**Terms of Trade**
2017/18 average = 100, log scale

---

*S Sources: Bloomberg; RBA

---

* Iron ore 62% Fe Fines Index; Newcastle thermal coal and premium hard coking coal
Sources: ABS; Bloomberg; IHS Markit; RBA

---

RBA Index of Commodity Prices sub-indices; SDR terms; 2007 average = 100

---

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

**Australian Cash Rate Target**

- 1995 to 2020
- Source: RBA

**Policy Interest Rates**

- US
- Euro area*
- Japan
- Source: Central banks

*Main refinancing rate until the introduction of 3-year LTROs in December 2011; deposit facility rate thereafter

**Australian Cash Rate and 90-day Bill Yield**

- 1995 to 2020
- Cash rate target
- 90-day bill yield
- Real cash rate*
- Sources: ABS; AFMA; ASX; RBA

*Calculated using average of year-ended weighted median inflation and year-ended trimmed mean inflation

**Policy Interest Rates – Selected Advanced Economies**

- NZ
- UK
- Sweden
- Canada
- Switzerland
- Source: Central banks
Spread between Australian 10-year Bond Yield and the Cash Rate Target

Australian Non-financial Corporate Bond Yields

Differential between Australian and US 10-year Government Bond Yields

Australian Non-financial Corporate Bond Spreads

Sources: RBA; Bloomberg; Yieldbroker
Selected Asian Currencies against the US Dollar
31 January 2000 = 100

Source: Bloomberg

G3 Nominal Trade-weighted Indices
1999–2020 average = 100

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

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

Yuan per US$
(RHS, monthly average, inverted scale)

* Monthly average nominal rate calculated using BIS EER weights
Sources: BIS; Bloomberg; RBA
### Banks’ Non-performing Assets

**Consolidated global operations, share of on-balance sheet assets**

- **Total**:
  - 1990: 6%
  - 2020: 2%

- **Impaired**:
  - 1990: 2%
  - 2020: 0%

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

Source: APRA

### Capital Ratios*

**Consolidated global operations of locally incorporated ADIs**

- **Banks**
  - Tier 1
  - Tier 2
  - CET1

- **Other ADIs**
  - Credit unions
  - Building societies

- **Total**
  - 1993: 10%
  - 2019: 17%

*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**

- **Domestic deposits**
  - 2004: 20%
  - 2020: 60%

- **Short-term debt**
  - 2004: 30%
  - 2020: 20%

- **Long-term debt**
  - 2004: 10%
  - 2020: 10%

*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: ABS; APRA; Bloomberg; RBA; Refinitiv; Standard & Poor’s

---

*Includes lending to financial businesses, bills, short-term and long-term debt securities and other non-household loans

**Each category’s share of total domestic lending at June 2020 is shown in parentheses; shares may not add up to 100 due to rounding

Sources: APRA; RBA