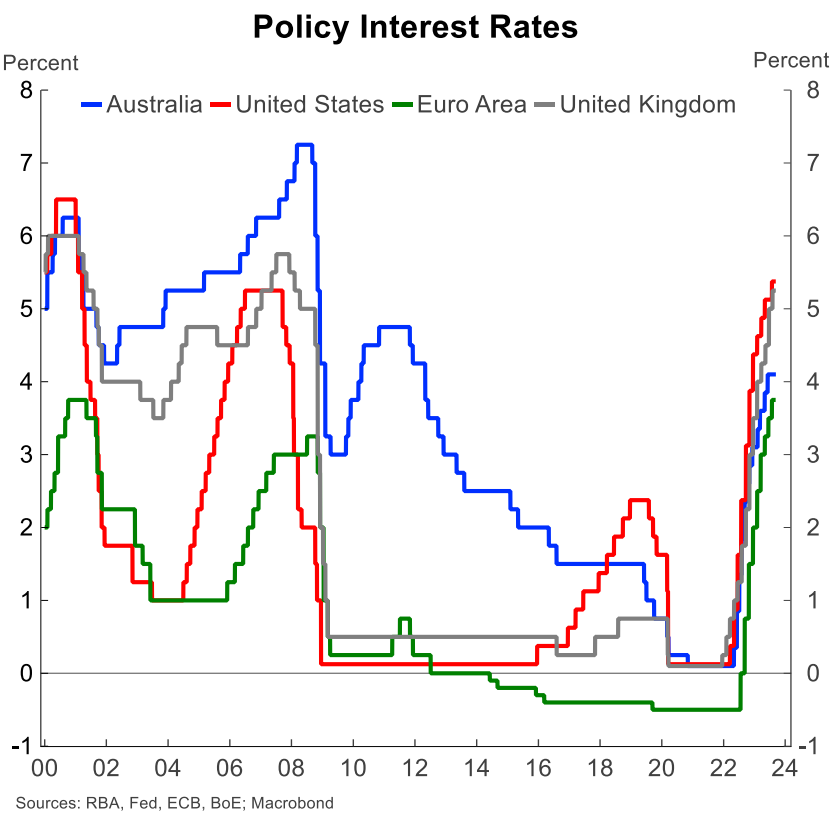
Economic Outlook:
Higher for How Long?

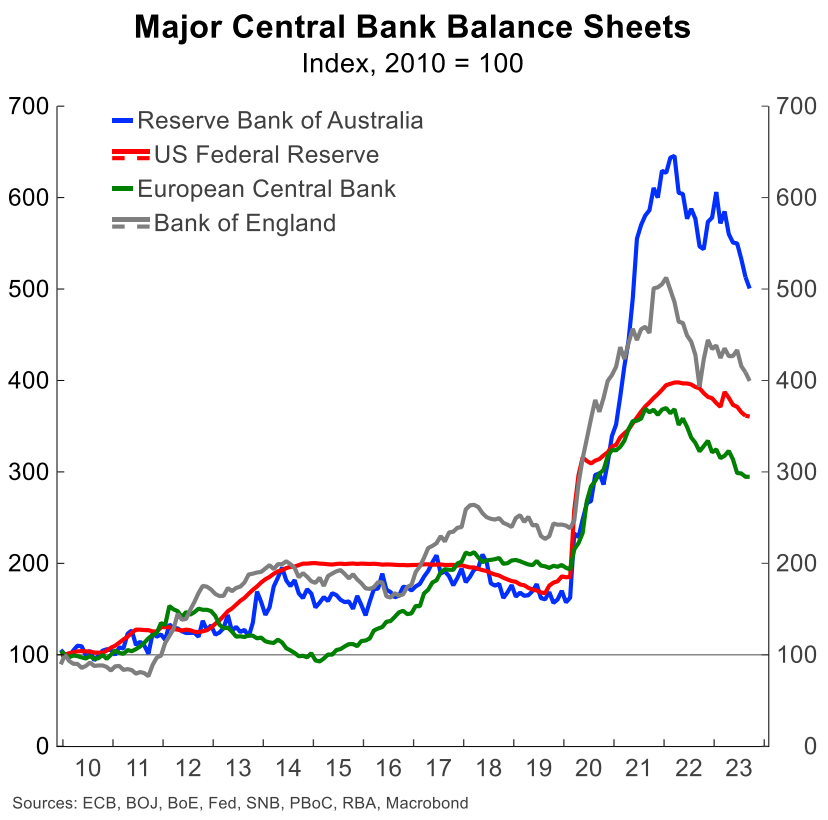
Jarek Kowcza, Senior Economist

12 September 2023

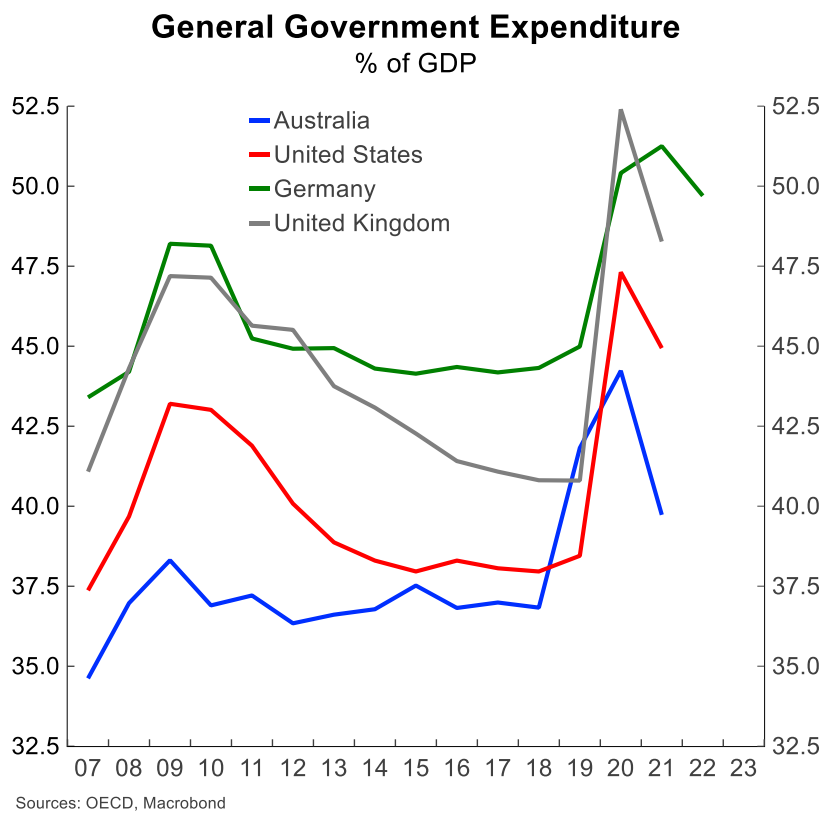
Significant Fiscal & Monetary Stimulus During Pandemic



Sources: RBA, Fed, ECB, BoE; Macrobond



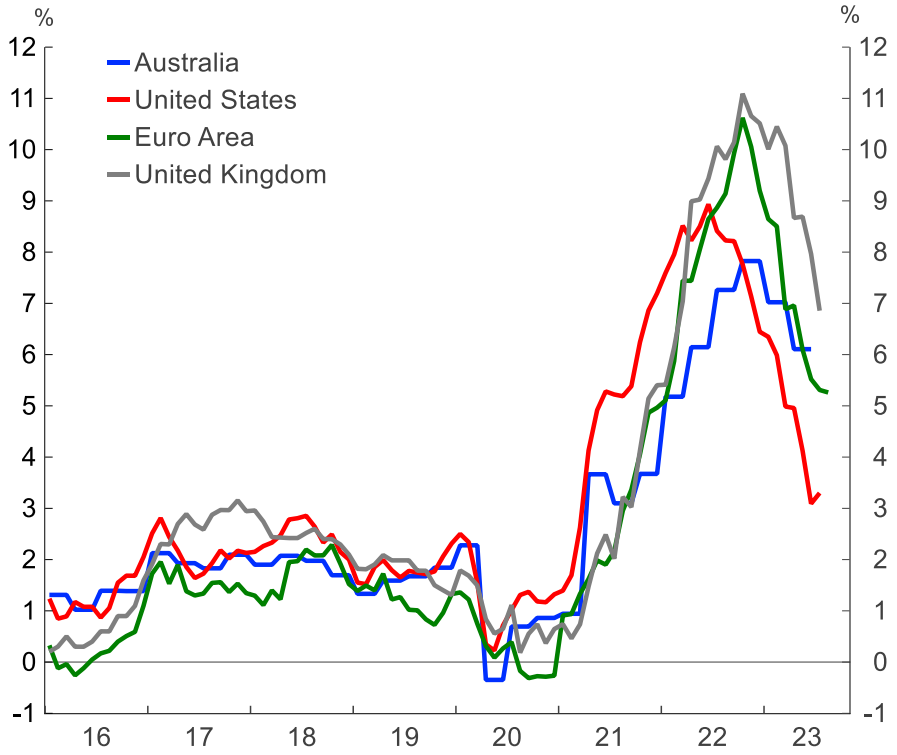
Sources: ECB, BOJ, BoE, Fed, SNB, PBoC, RBA, Macrobond



Sources: OECD, Macrobond

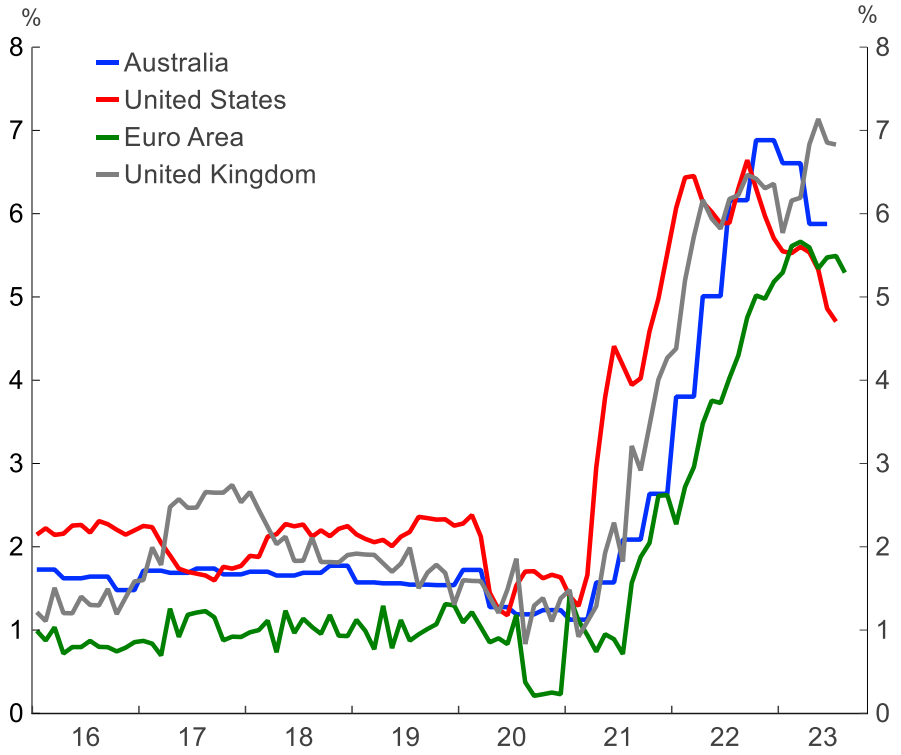
Headline Inflation Falling, Core Stickier But Positive Signs

Headline Consumer Price Index
Annual % Change



Sources: ABS, BLS, Eurostat, ONS; Macrobond

Core Consumer Price Index
Annual % Change

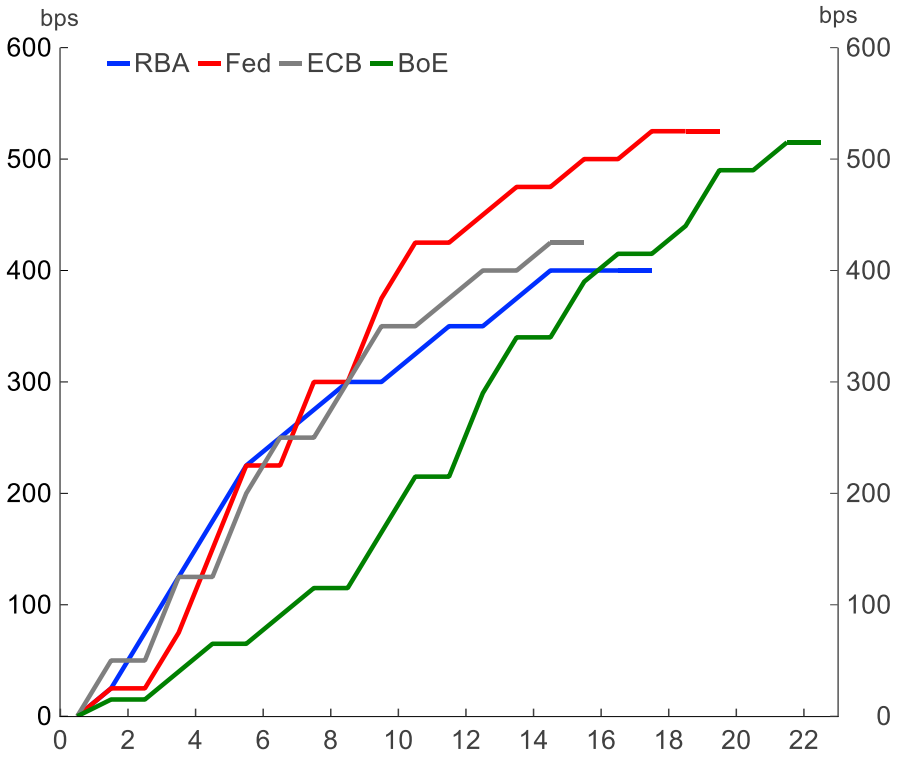


Sources: ABS, BLS, Eurostat, ONS; Macrobond

Central Banks Reigning Stimulus Back In

Major Central Bank Policy Rates

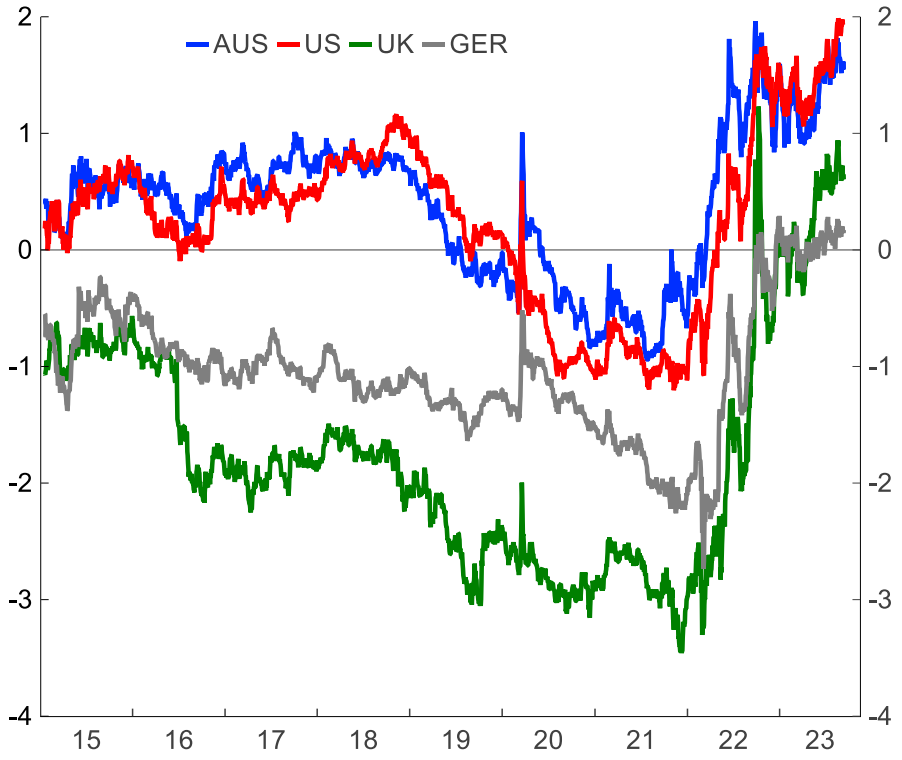
Cumulative Rate Increases, Months Following First Hike



Sources: RBA, BoC, ECB, BoE, RBNZ, Fed; Macrobond

Global Real Interest Rates

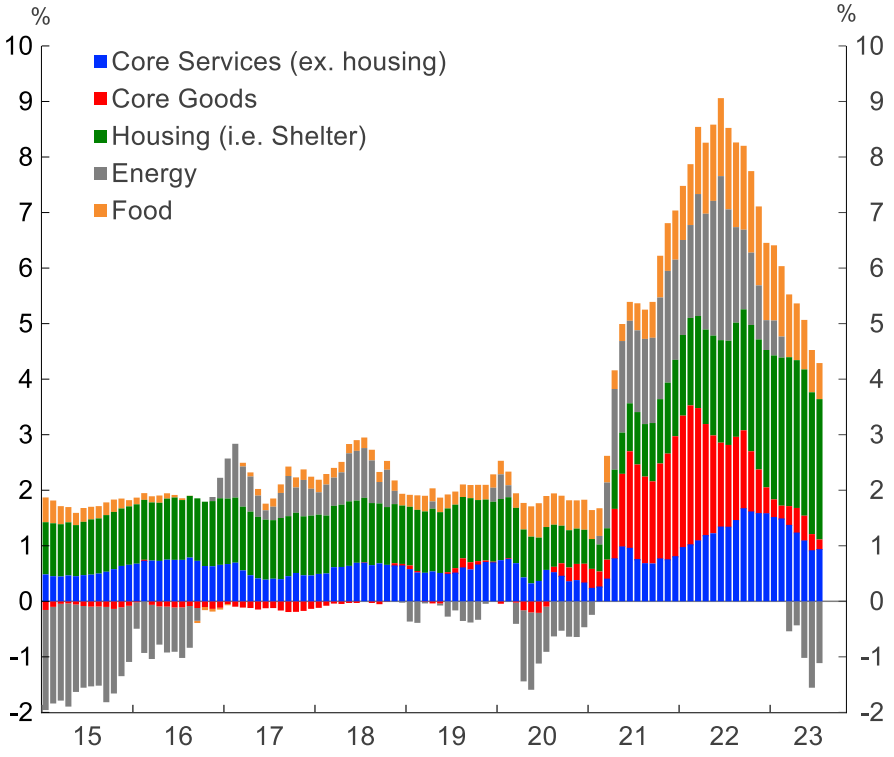
10-Year Inflation-Linked Bonds



Sources: Bloomberg, Macrobond

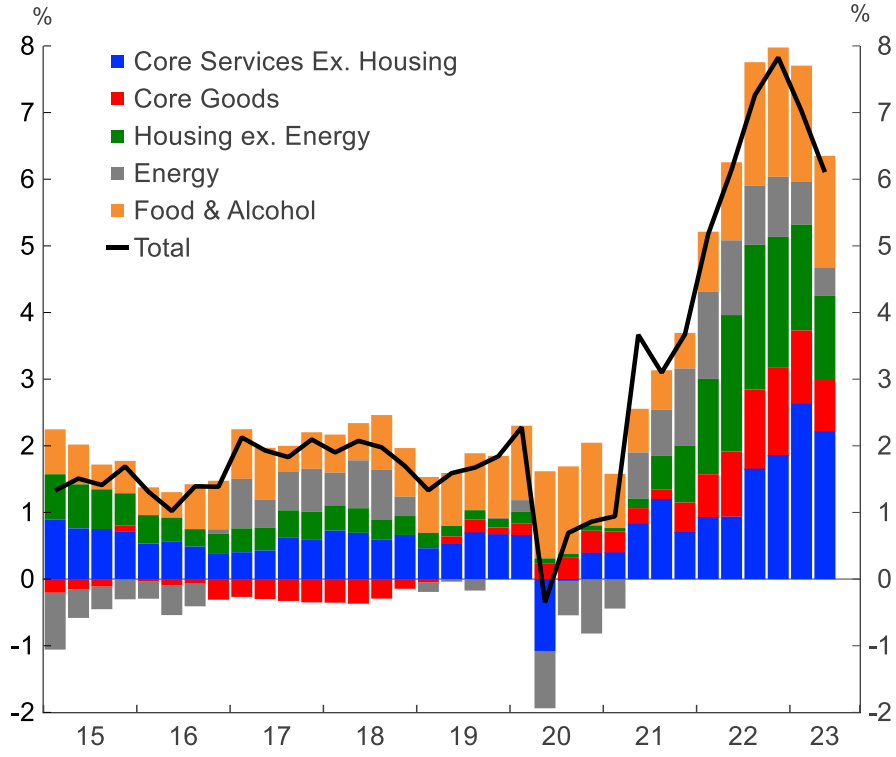
Shifting Battleground – Services Inflation Now Key

US Consumer Price Index
Contribution to Annual Growth



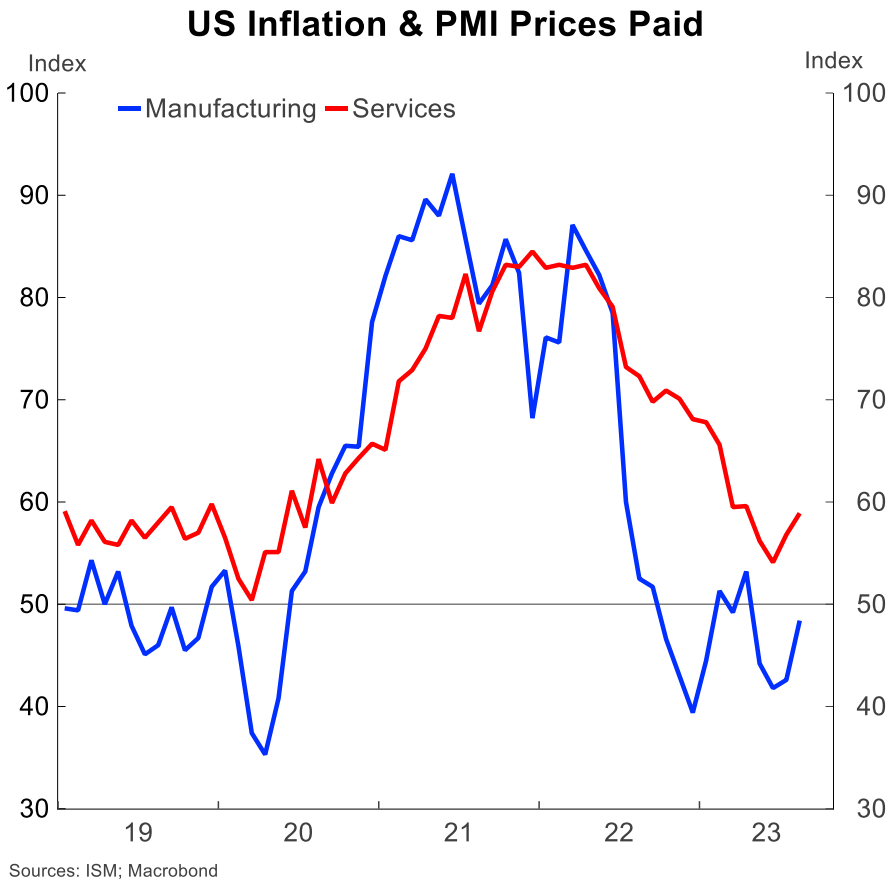
Sources: BLS, Macrobond

AUS Consumer Price Index
Contribution to Annual Growth

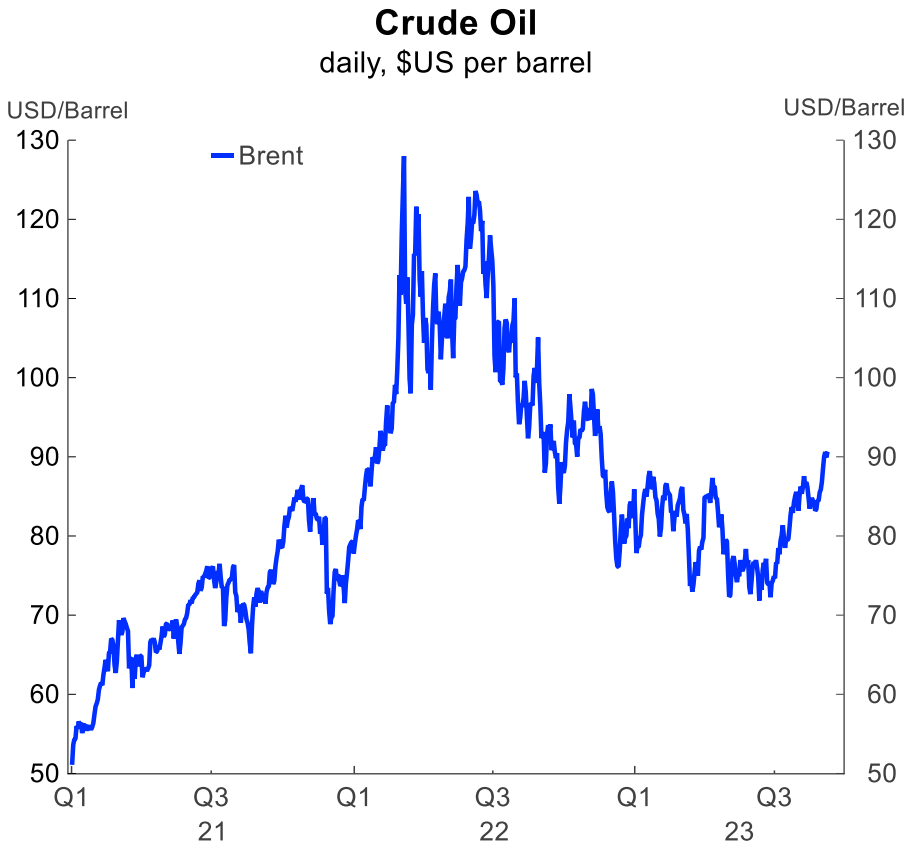


Sources: ABS, Macrobond

Last Mile Hardest As Disinflationary Pulse Eventually Wanes

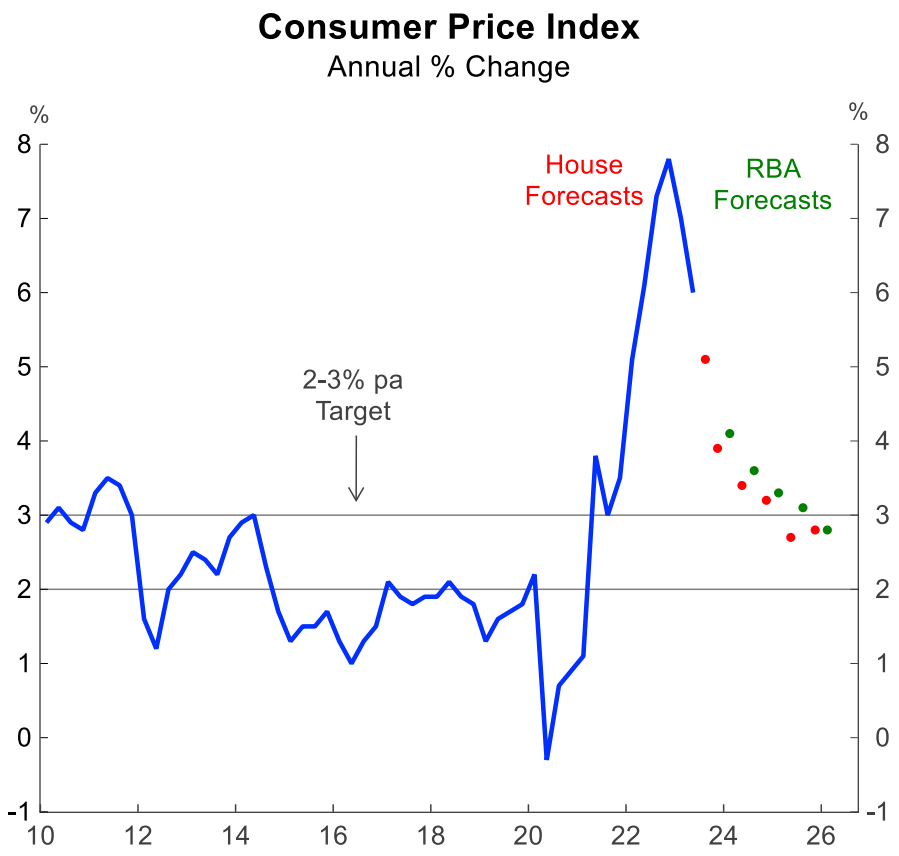


Sources: ISM; Macrobond

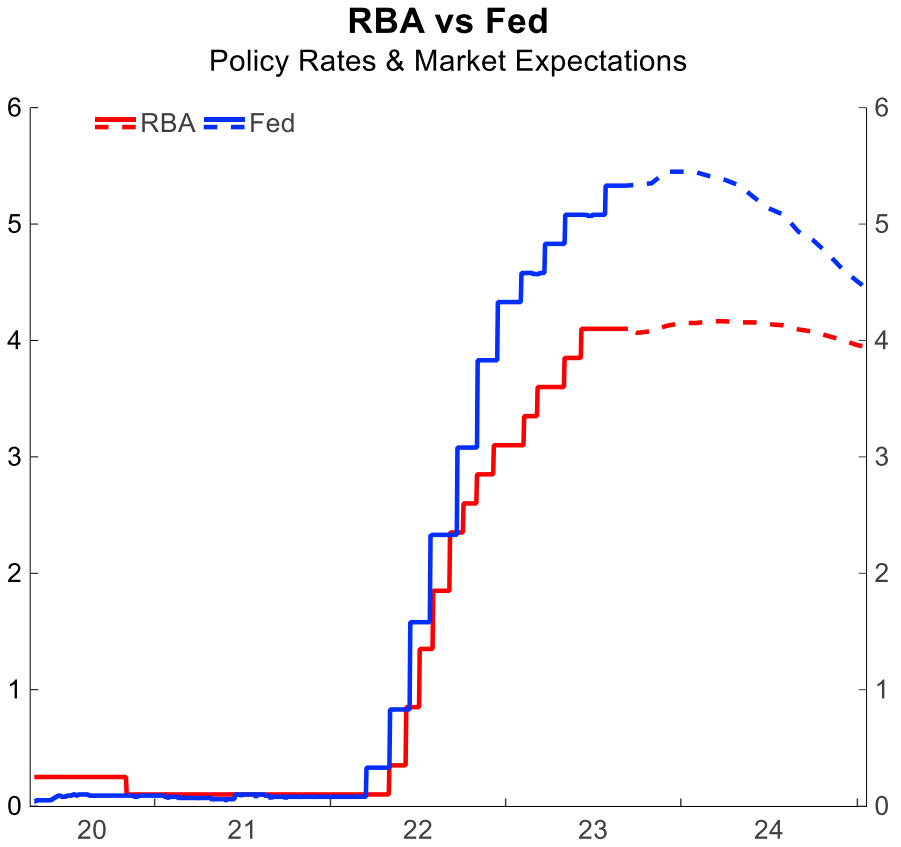


Sources: CME Group, Macrobond

What Does this Mean for Inflation & Interest Rates?

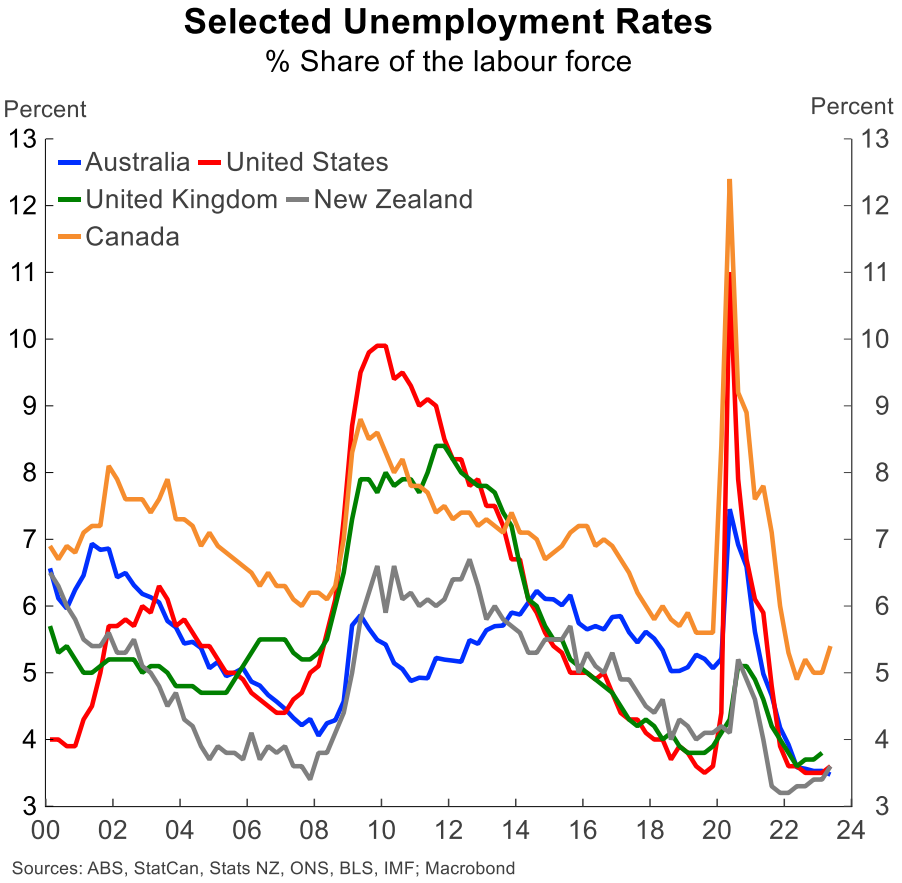


Sources: ABS; RBA; Macrobond



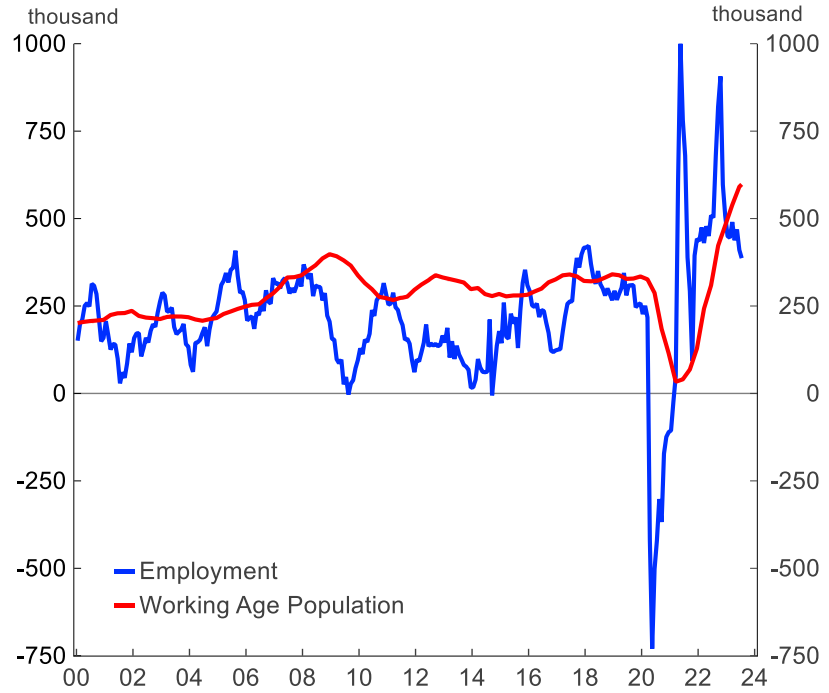
Sources: RBA, Federal Reserve Bank of New York, CME Group, Macrobond

Labour Markets Still Incredibly Tight



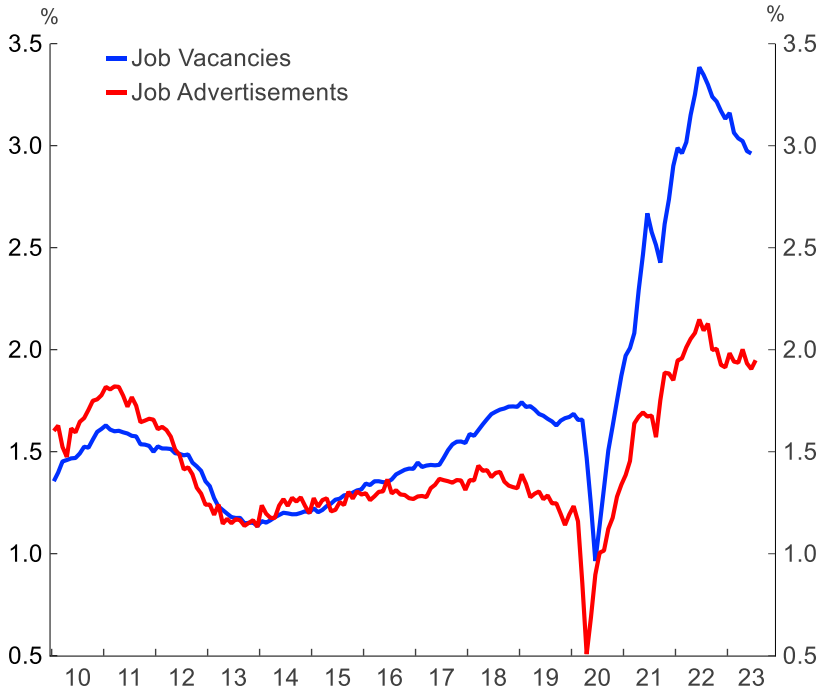
Australian Labour Market Easing As Supply/Demand Converge

Employment and Working Age Population
Annual Change



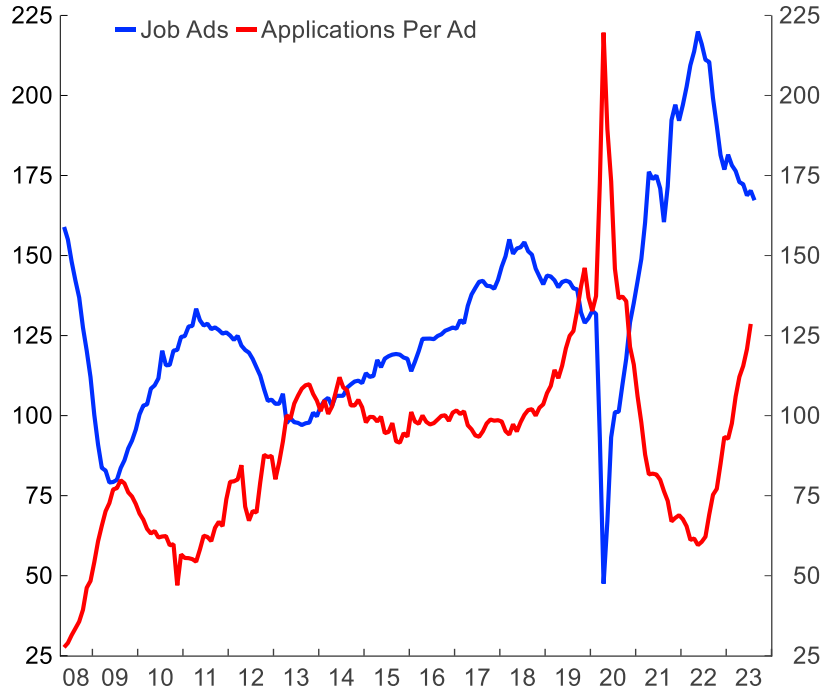
Sources: ABS; Macrobond

Labour Demand
% of Labour Force



Sources: Australian Bureau of Statistics, Jobs & Skills Australia; Macrobond

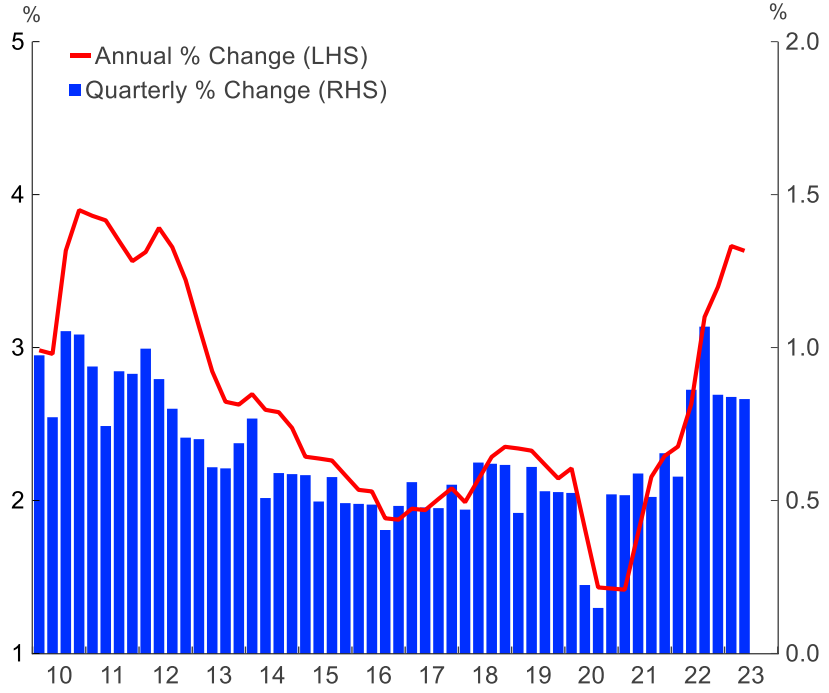
Job Ads & Applicants
Index, SA



Sources: SEEK Australia; Macrobond

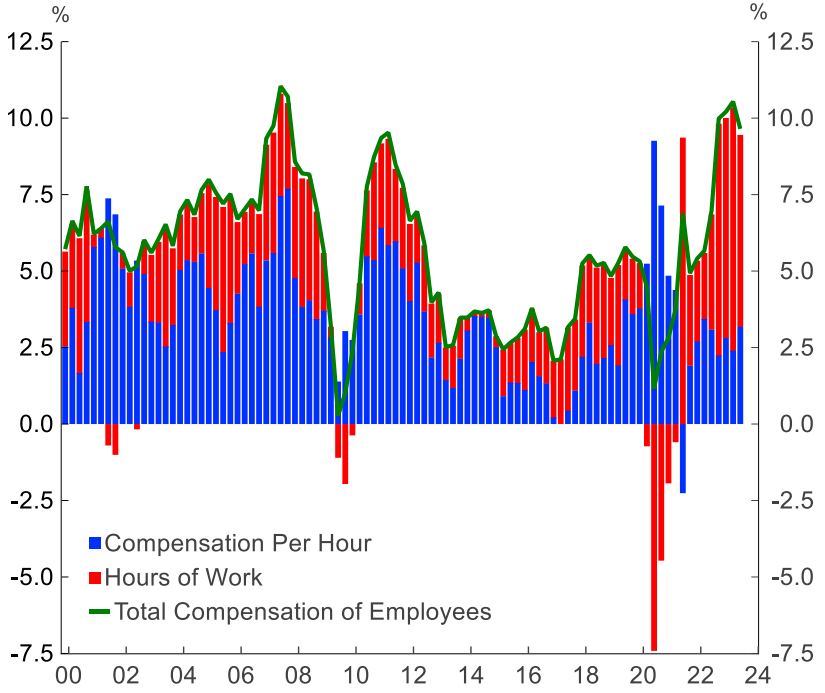
Wage-Price Spiral Unlikely As Employment Driving Gains

Wage Price Index
% Change



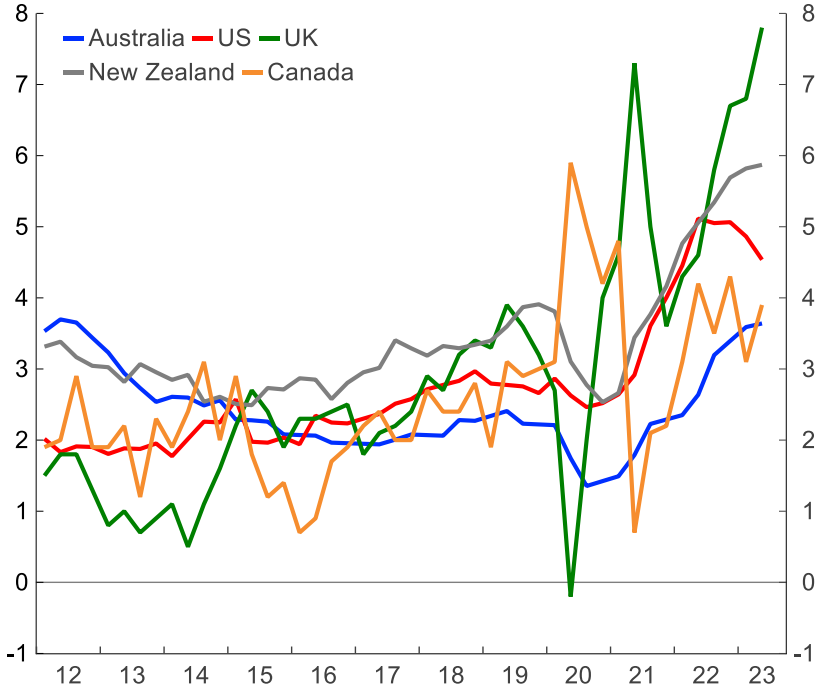
Sources: ABS; Macrobond

Compensation of Employees
Annual % Change



Sources: ABS, Macrobond

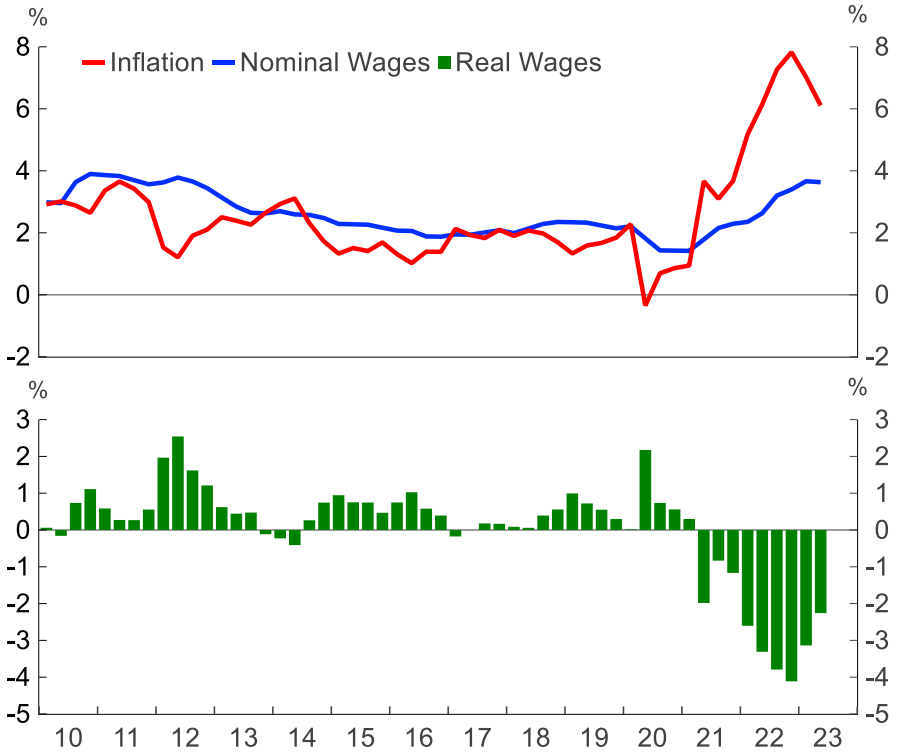
Labour Costs
Annual % change



Sources: BLS, ABS, Stats NZ, ONS, BoC; Macrobond

Inflation and Rates Double Whammy

Nominal vs Real Wages Growth
Annual % change



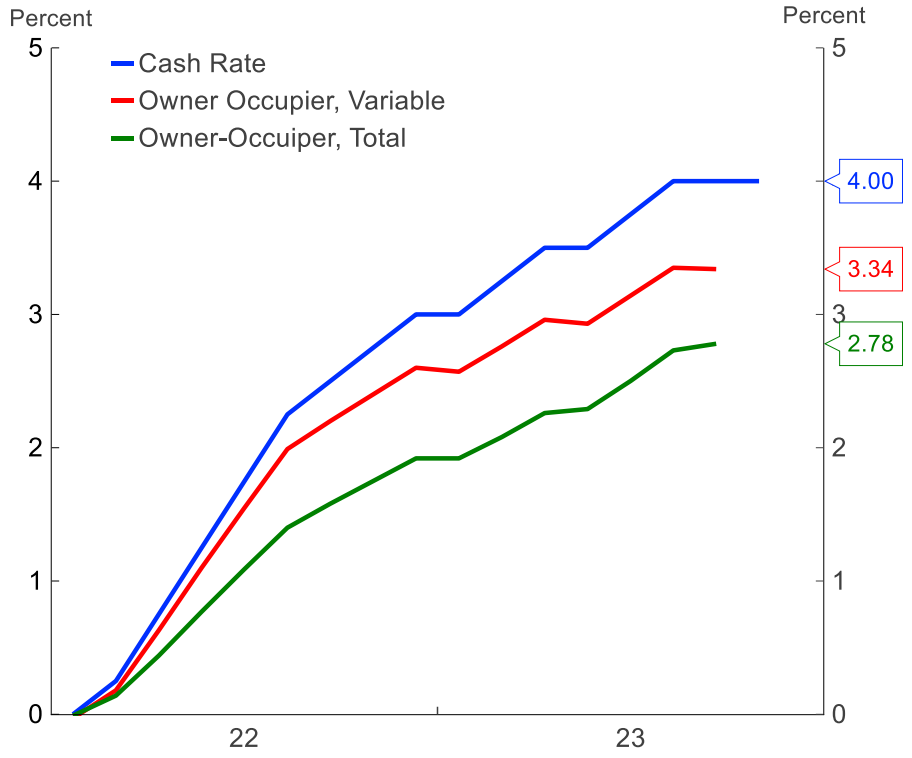
Sources: ABS; Macrobond

Scheduled Mortgage Repayments
% Share of Disposable Income

Sources: RBA, Macrobond

And There is More to Come Even Without Additional Hikes

Housing Lending Rates vs Cash Rate
Change Since April 2022

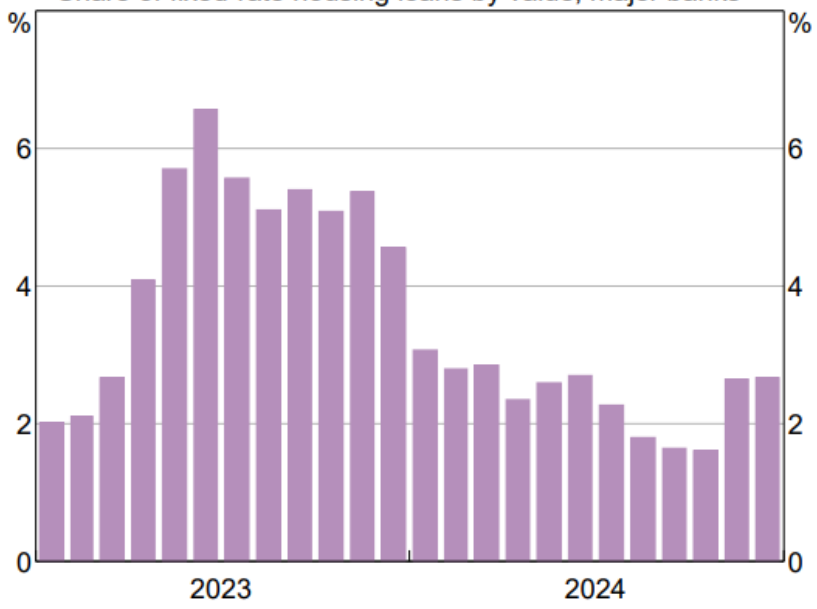


Sources: RBA, Macrobond

Graph 3.22

Expiring Fixed-rate Housing Loans*

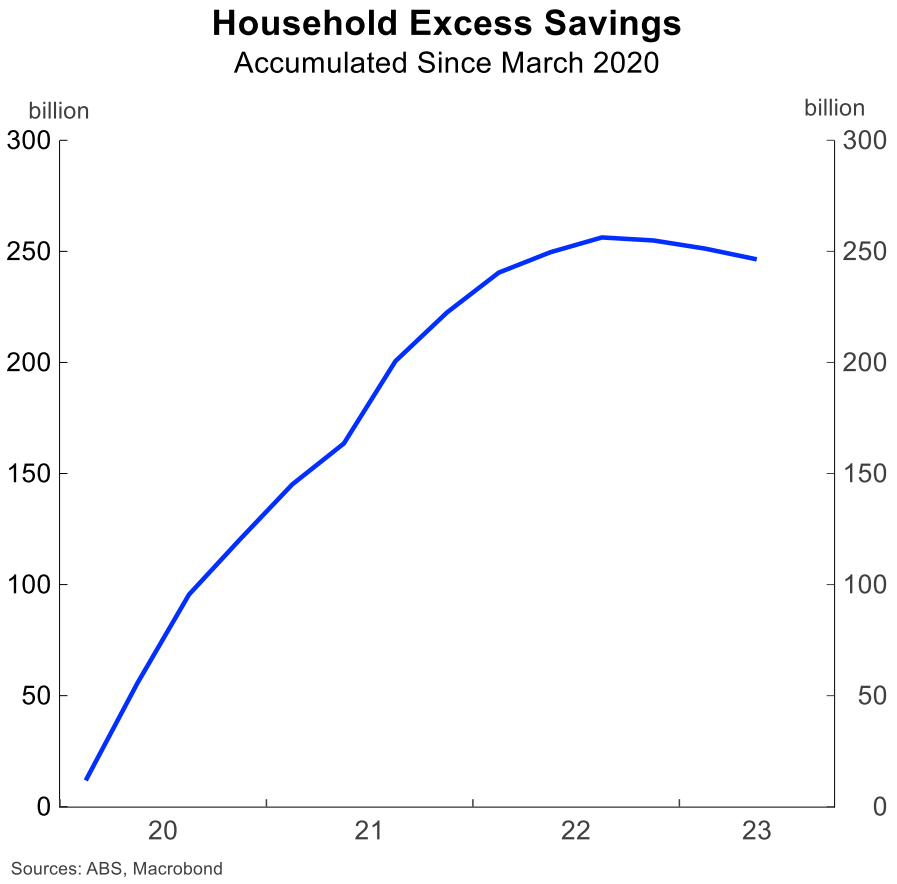
Share of fixed-rate housing loans by value; major banks**

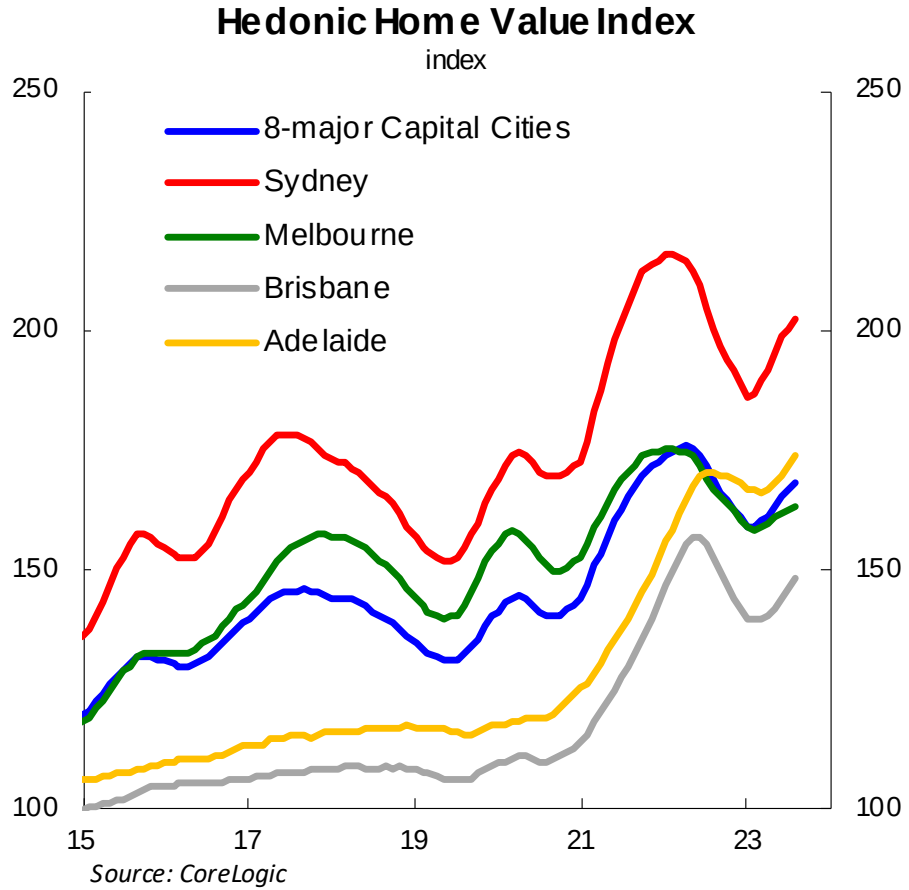


* Loans expiring beyond 2024 not available monthly.
** Value of fixed-rate housing loans outstanding as at end December 2022.

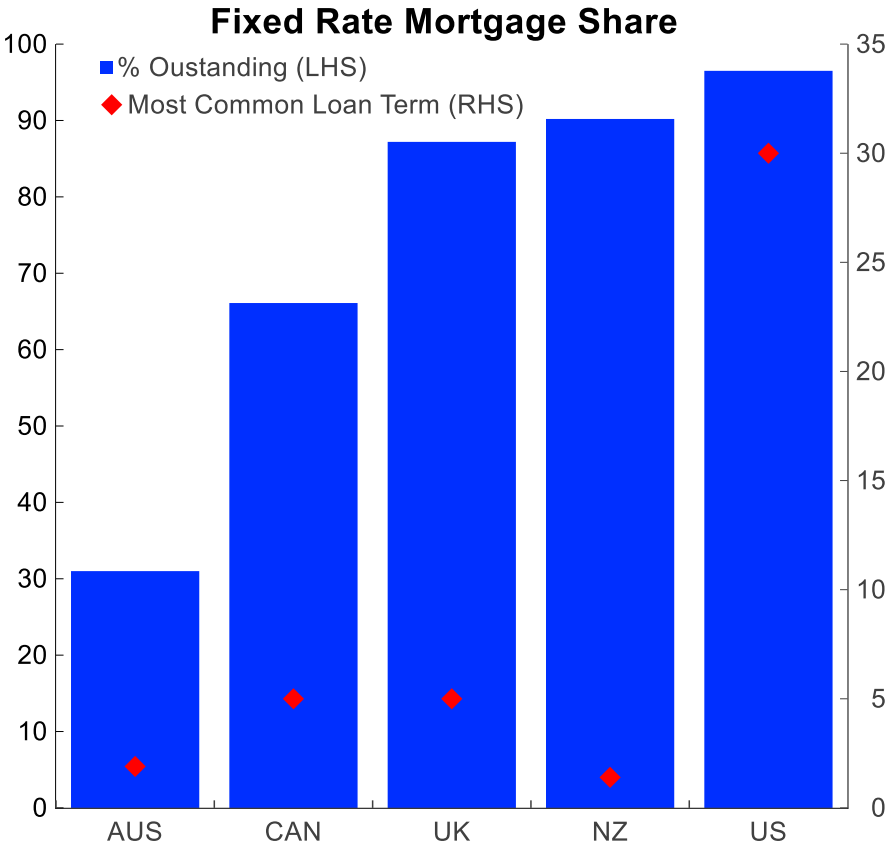
Sources: Major banks; RBA

Elevated Savings & Rising Wealth An Offsetting Factor

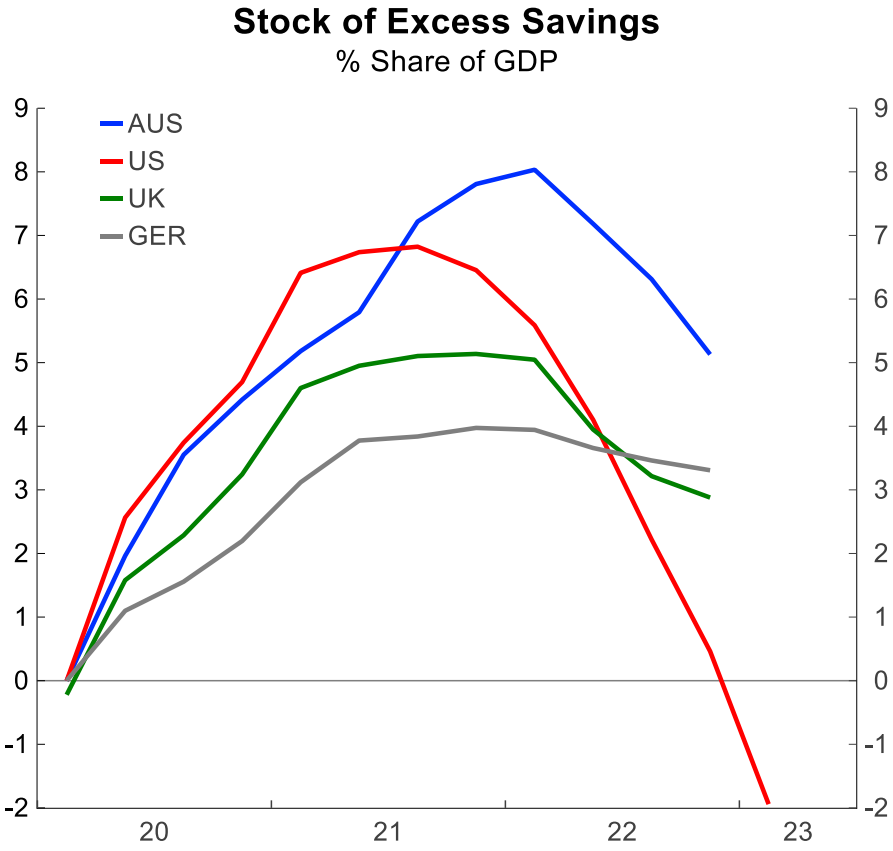




Different Countries Have Their Own Nuances

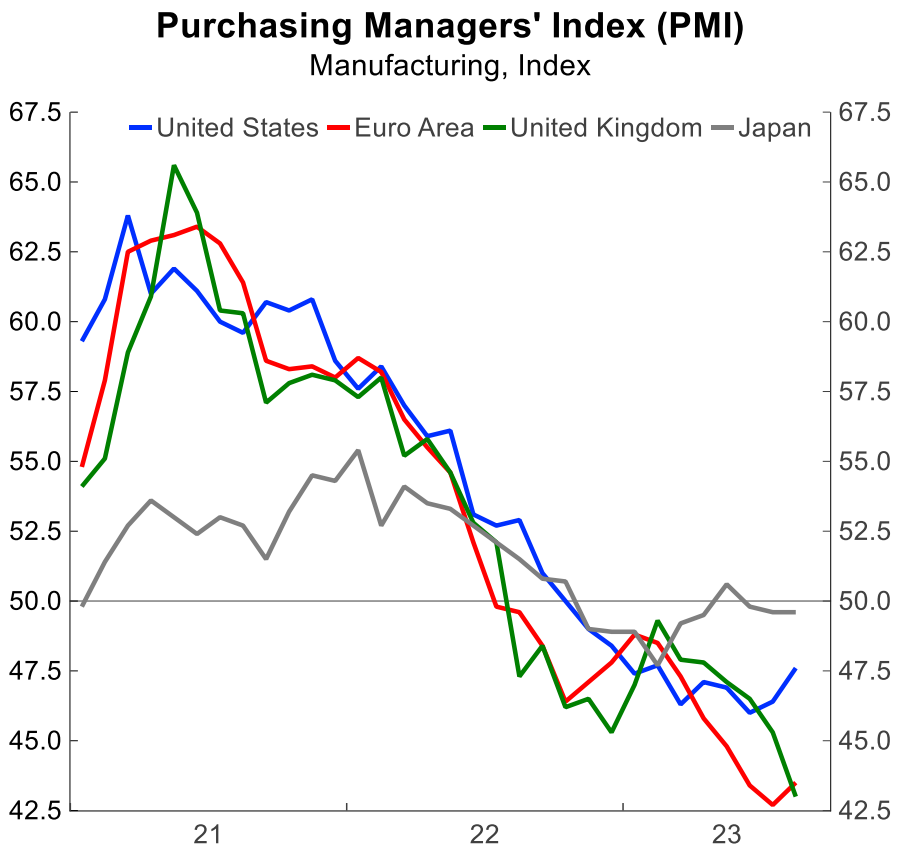


Sources: RBA, Macrobond

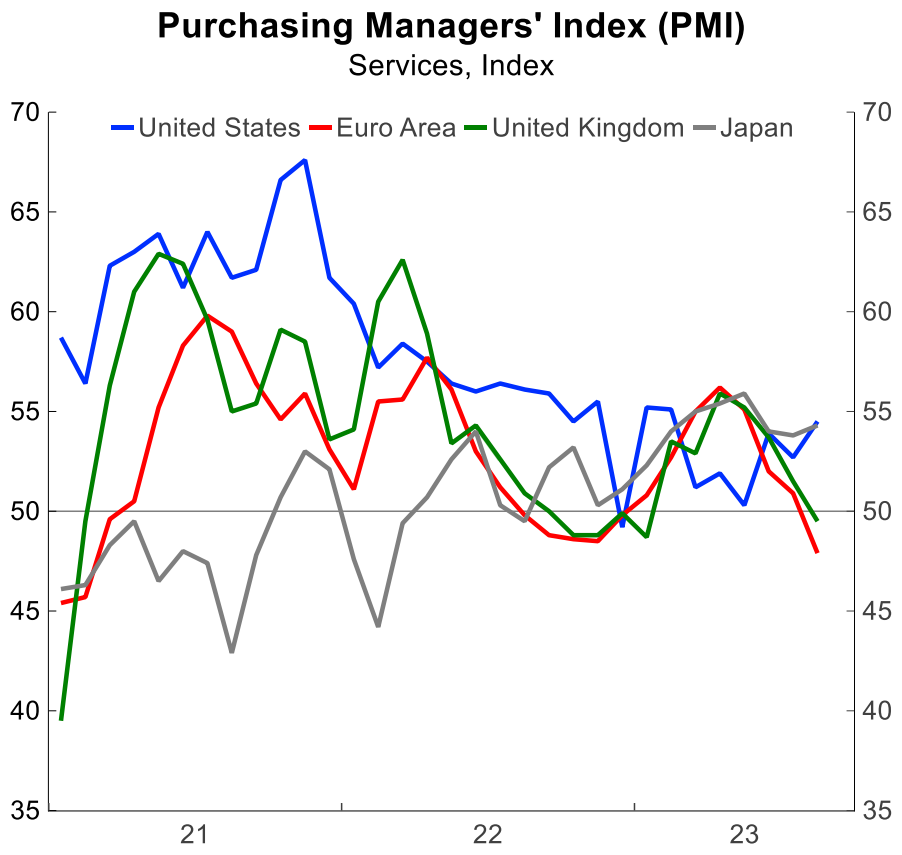


Sources: US Federal Reserve, Macrobond

Leading Indicators – Manufacturing Deeply Negative & Services Slowing

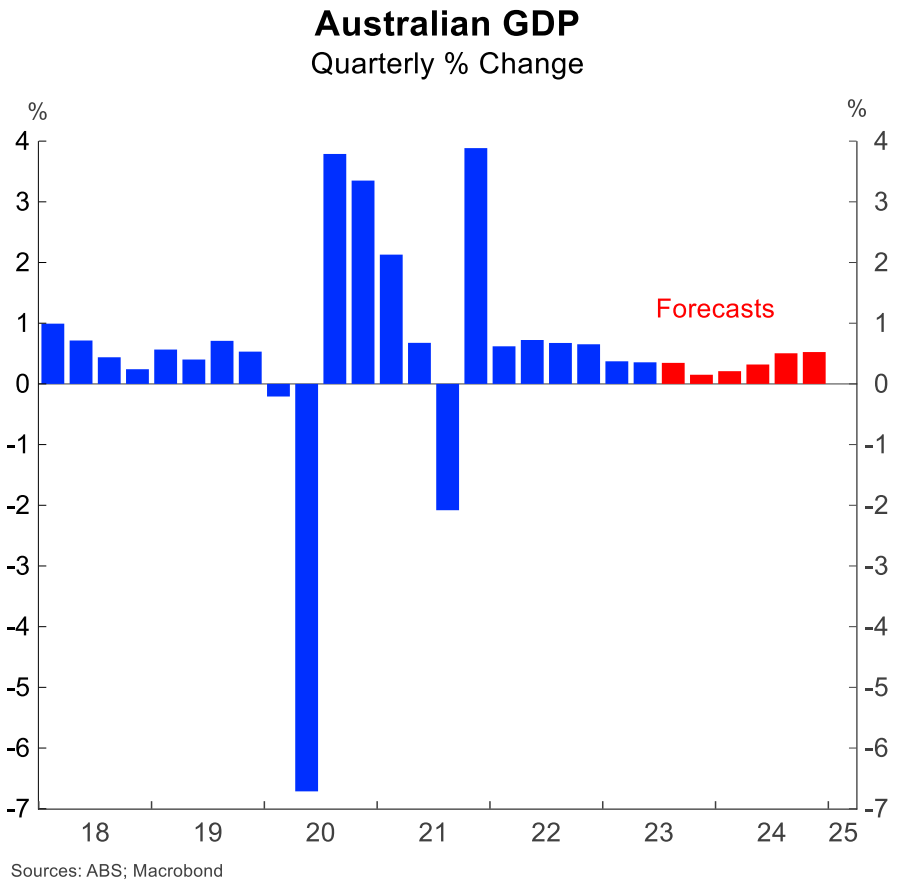


Sources: ISM, S&P Global; Macrobond

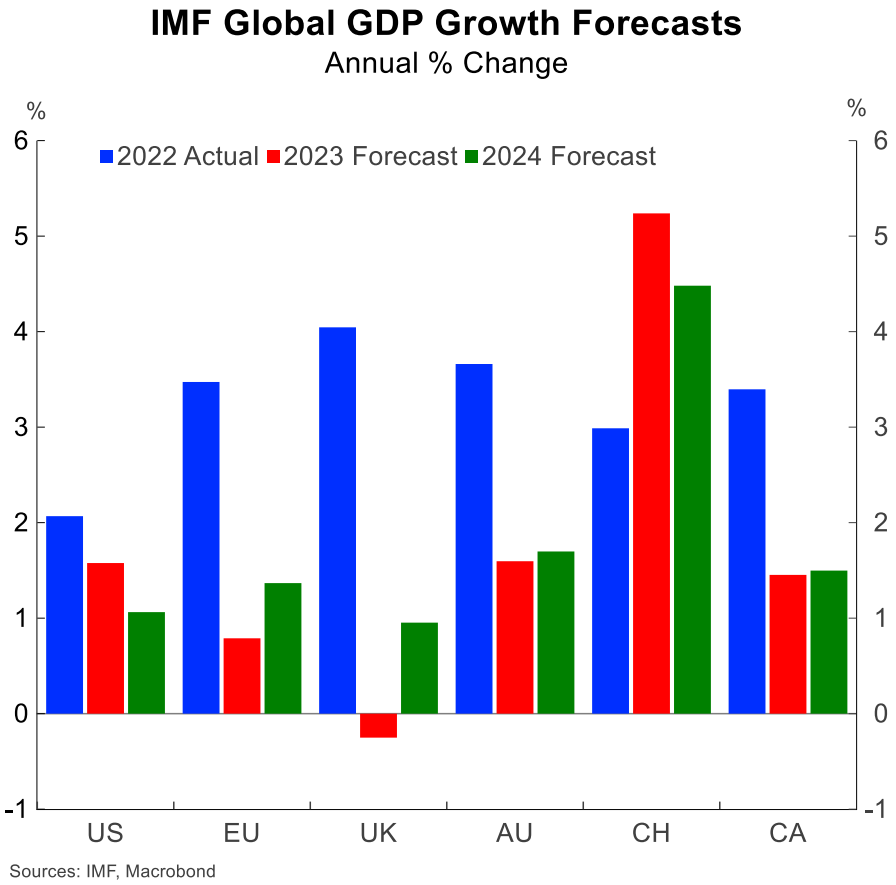


Sources: ISM, S&P Global; Macrobond

Pointing to Global Slowdown, With Some Differences Across Regions



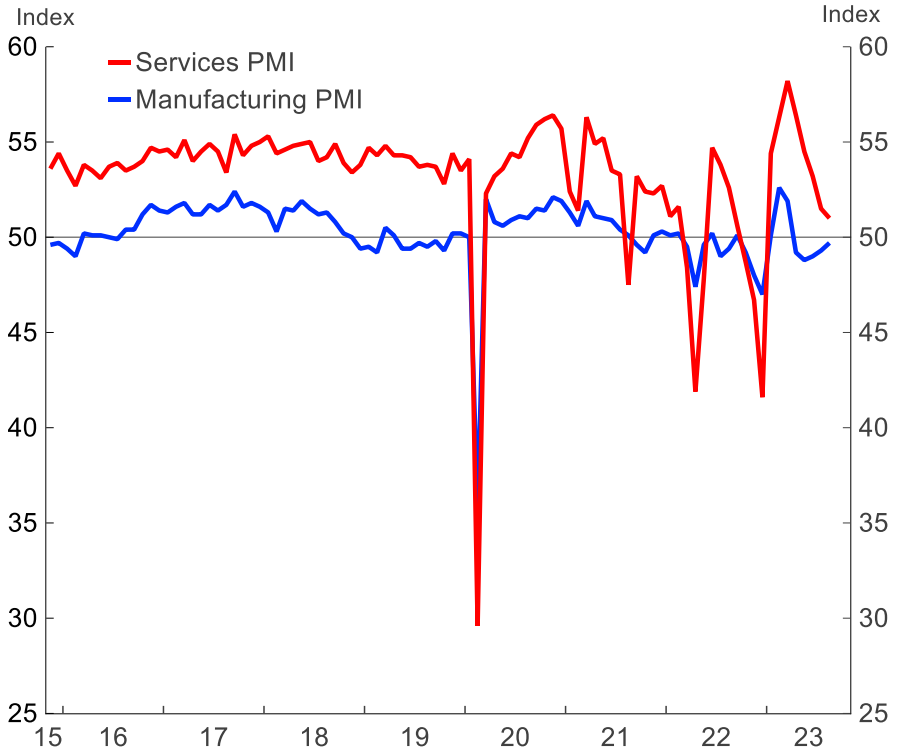
Sources: ABS; Macrobond



Sources: IMF, Macrobond

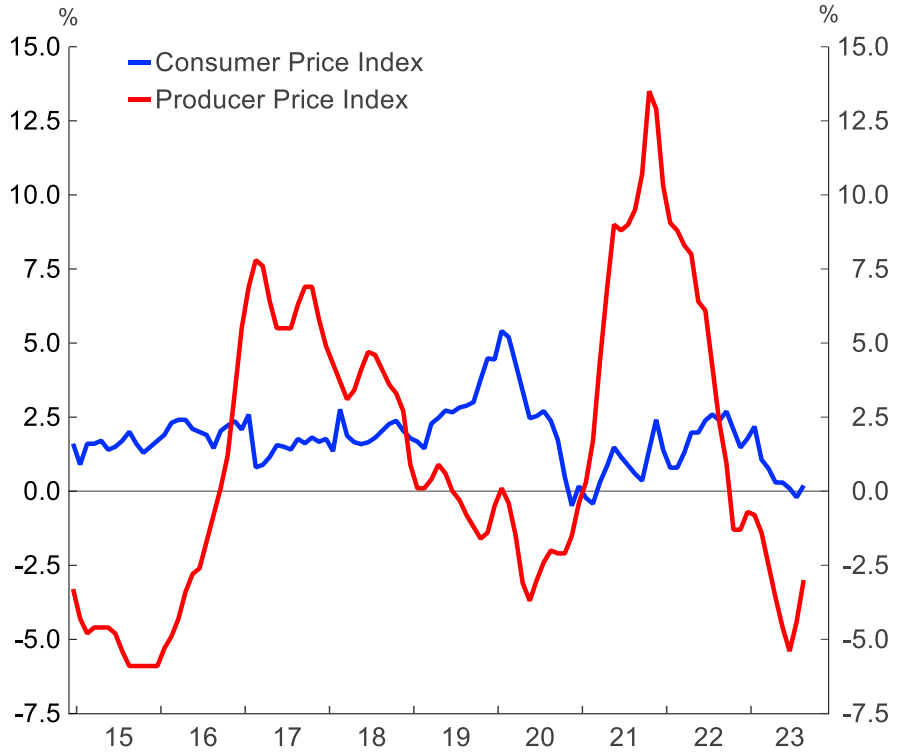
Elephant in Room – China After Short-Lived Reopening Boost

China Purchasing Managers' Index (PMI)
Monthly



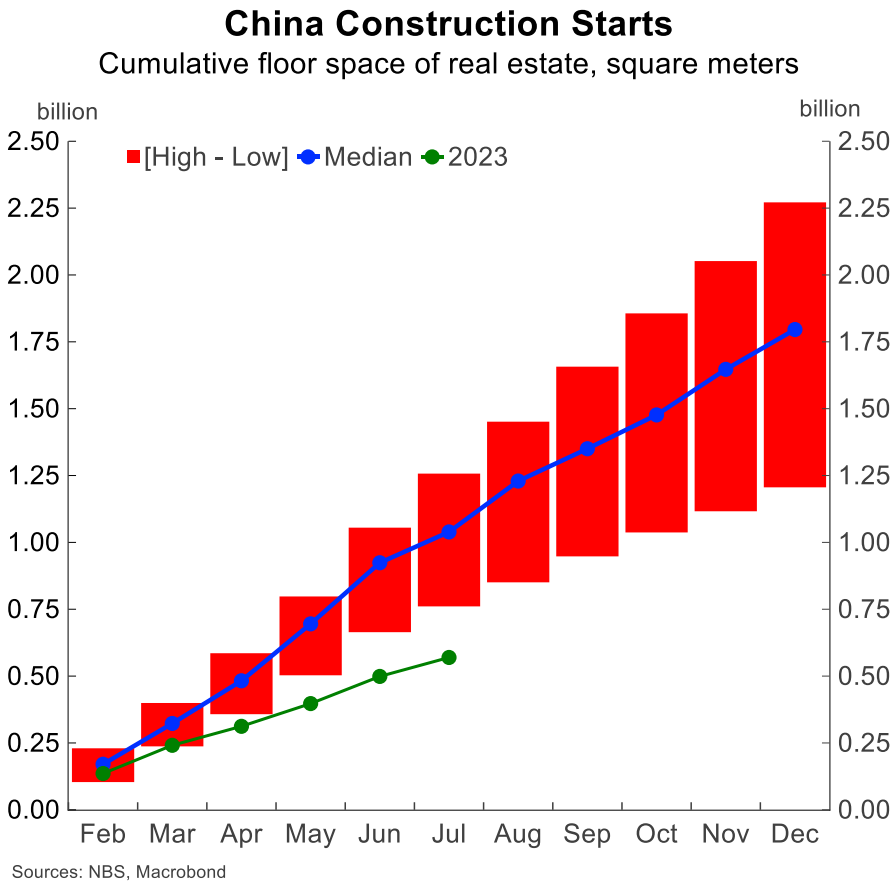
Sources: CFLP; Macrobond

China Inflation
Annual % Change

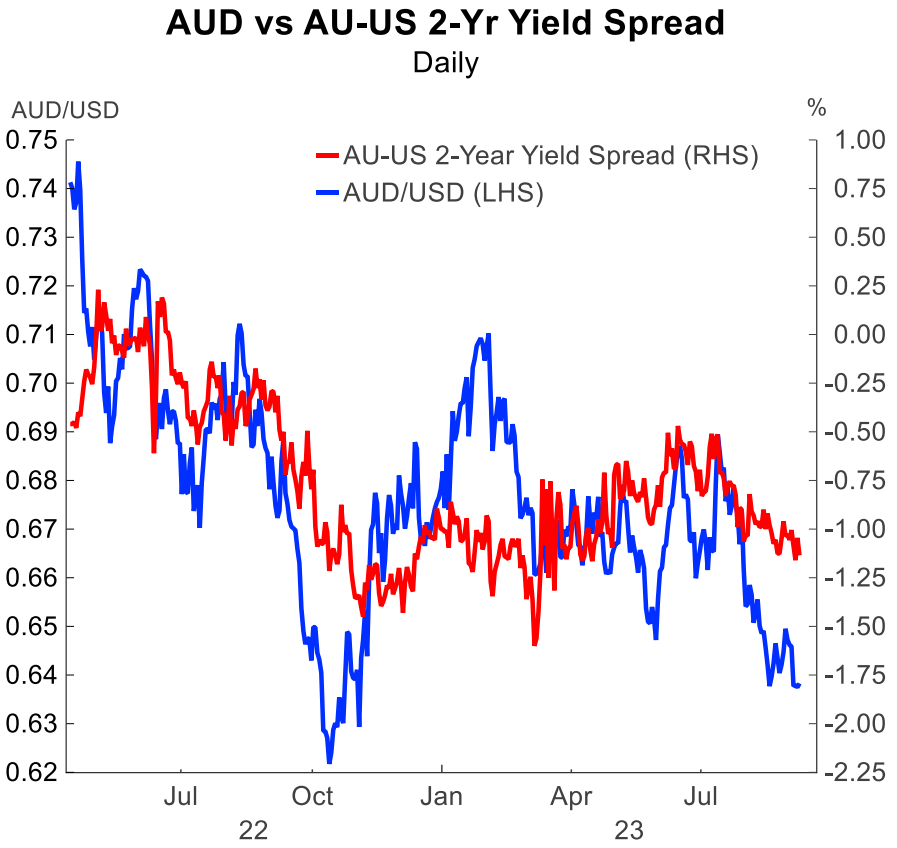


Sources: NBS, Macrobond

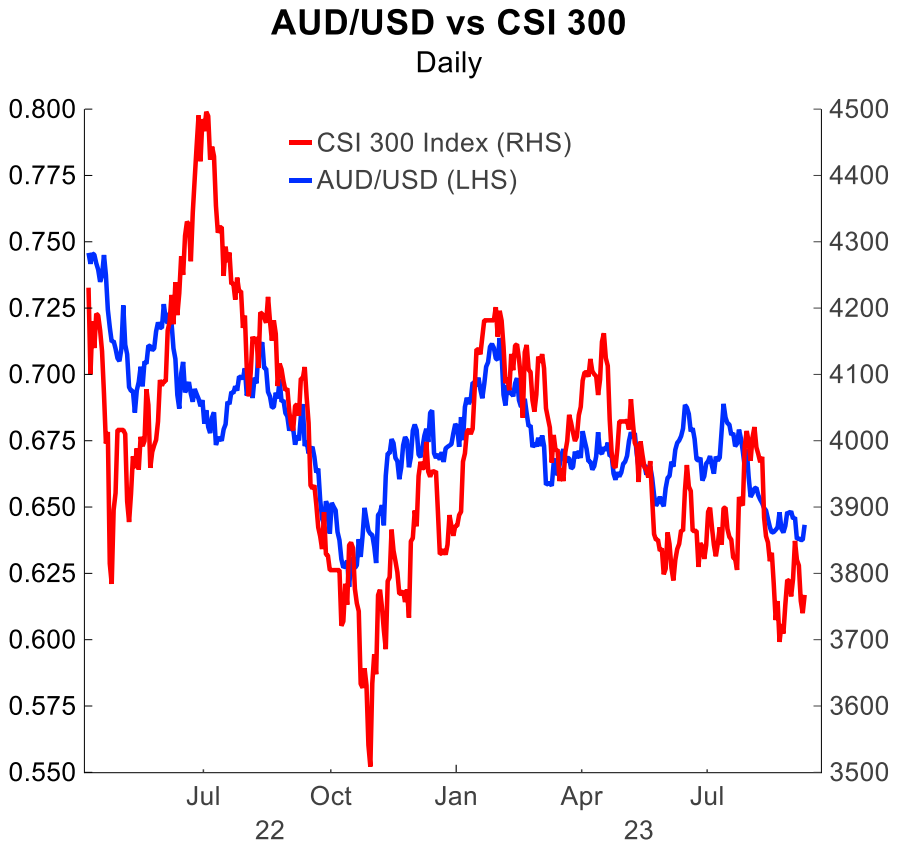
Residential Property Drag



Aussie Dollar Under Pressure

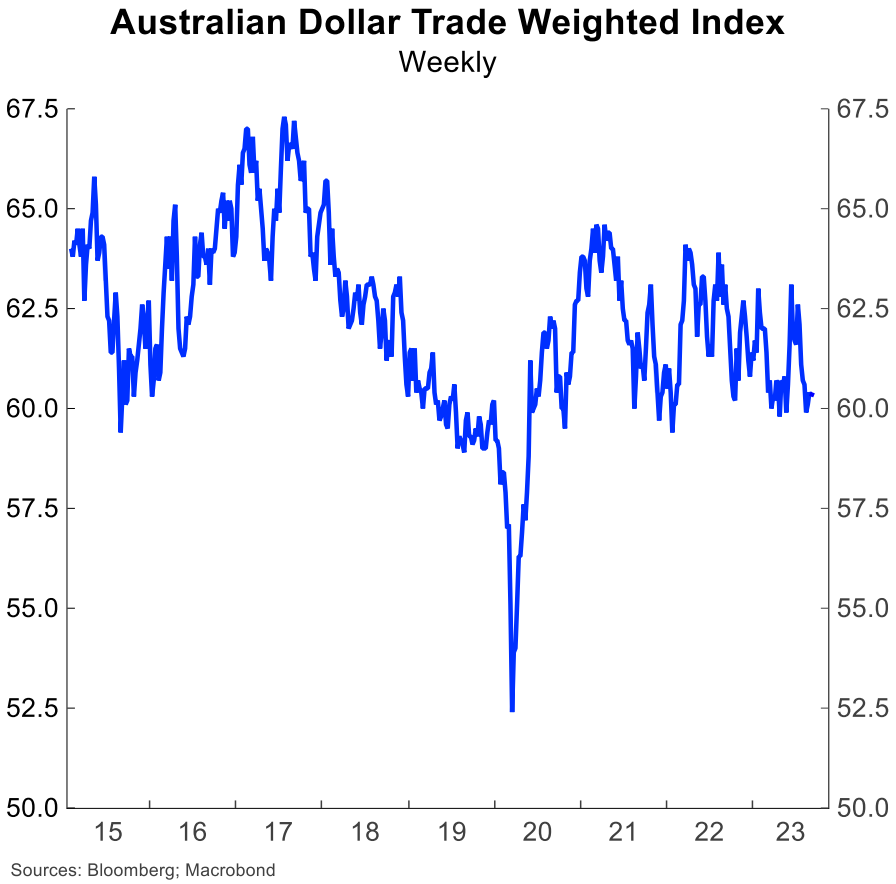


Sources: Macrobond, RBA, U.S. Department of Treasury; Macrobond



Sources: Bloomberg; Macrobond

But Unlikely to Phase RBA as Trade-Weighted Picture Less Negative



Sources: Bloomberg; Macrobond

Thank You

Questions?

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