



HD **FED:Review of the week's economic data**

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DATA

SYDNEY, June 6 AAP - A review of the week's Australian economic data, June 2 to 6:

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AUSTRALIAN BUREAU OF STATISTICS (ABS) BUSINESS INDICATORS

Australia's next batch of economic growth figures could be a little weaker than expected following a surprise fall in business inventories.

Estimated business inventories - unsold stocks of raw materials and finished goods - fell 1.7 per cent in the March quarter.

The more businesses dip into their inventories, the less they have to produce, which in turns means gross domestic product (GDP) will be lower than it otherwise would have been.

ABS BUILDING APPROVALS

The housing construction sector has hit a soft patch but a bounce back could be on the cards for later this year.

Building approvals fell for the third consecutive month in April, weighed down by another big drop in the volatile apartments category.

Approvals for the construction of new homes fell 5.6 per cent during the month but were up 1.1 per cent for the year.

TD SECURITIES - MELBOURNE INSTITUTE INFLATION GAUGE

Rising inflation and a pick-up in non-mining activity shows a rate hike could be on the cards in early 2015.

The TD Securities-Melbourne Institute monthly inflation gauge rose by 0.3 per cent in May and by 2.9 per cent in the year to May.

The result was driven by price rises for fruit and vegetables, furniture and tobacco, which were offset by falls in holiday travel and accommodation, health, footwear and petrol.

TD Securities head of Asia-Pacific research Annette Beacher said the gauge showed inflation would be at the top of the Reserve Bank of Australia's two to three per cent target band in the June quarter.

AUSTRALIAN INDUSTRY GROUP PERFORMANCE OF MANUFACTURING (PMI) INDEX

Australia's manufacturing industry remains in decline, with confidence dampened by the federal budget.

Manufacturing did improve in May but remained below the 50 level that separates expansion from contraction, data on Monday showed.

The Australian Industry Group Performance of Manufacturing index rose 4.4 points to 49.2 - the seventh consecutive month of contraction.

The federal budget had dampened confidence levels and delayed or lowered business commitment to new expenditure, the report said.

RBA MONTHLY BOARD MEETING AND INTEREST RATE DECISION

It looks like the Reserve Bank of Australia's "period of interest rate stability" will come to an end with a rate rise late this year or early next year.

A resurgent **Chinese** economy is expected to boost **mining** exports in the second half of the year and unemployment is expected to fall.

As expected, the RBA kept the cash rate unchanged at a record low of 2.5 per cent at its board meeting on Tuesday and again indicated that it is not inclined to move the cash rate up or down any time soon.

Governor Glenn Stevens said the low level of its cash rate will continue to encourage consumers and home buyers to spend, which in turn will "foster sustainable growth".

ANZ - ROY MORGAN CONSUMER CONFIDENCE INDEX

Consumer confidence has picked up for the first time since the federal government began releasing details of spending cuts in its budget.

Confidence rose 2.9 per cent in the week ending June 1, according to the ANZ-Roy Morgan consumer confidence index, the first increase since mid-April.

But the bounce in confidence came from optimism about economic conditions expected next year, and consumers remain more pessimistic about their financial situation now compared to a year ago.

ABS RETAIL TRADE

The recent run of warm autumn weather is about to send a chill through the nation's department stores.

New figures show department store cash registers were ringing more often in April, with sales up 2.9 per cent to \$1.5 **billion**.

However the encouraging signs of shoppers flocking back to the likes of Myer and David Jones could be short lived thanks to record autumn temperatures.

DUN AND BRADSTREET BUSINESS EXPECTATIONS SURVEY

More than half of Australia's businesses are worried about the impact of the federal government's tough budget.

Nearly 60 per cent of businesses surveyed by Dun & Bradstreet expressed concern about the budget.

Retailers are bracing themselves for a tough September quarter, with expectations of falling profits following the steep spending cuts announced in last month's budget.

A quarter of retailers expect a fall in earnings, pulling the sector's profits index into negative territory for the first time in two years.

ABS NATIONAL ACCOUNTS, INCLUDING GROSS DOMESTIC PRODUCT

Australia's economy got off to a cracking start in 2014, but budget cuts and a drop in consumer confidence look set to dampen the party.

Economic growth was 1.1 per cent in the first three months of the year, beating economists' expectations of 0.8 per cent.

The annual rate came in at 3.5 per cent - the fastest pace gross domestic product (GDP) has expanded in two years.

The result was driven by a big surge in **mining** exports and housing investment, but that disguised weaknesses in other parts of the economy.

AUSTRALIAN INDUSTRY GROUP AUSTRALIAN PERFORMANCE OF SERVICES INDEX (PSI)

Businesses are starting to feel the pinch from the federal budget, saying spending and demand have been inhibited by policy uncertainty.

A new survey shows that while there has been a pickup in the services industry it is on shaky ground, amid business and consumer confidence volatility after the May budget.

The Australian Industry Group's Performance of Services Index rose 1.3 points to 49.9, just below the 50 level that separates expansion from contraction.

AUSTRALIAN OFFICE OF FINANCIAL MANAGEMENT TO ISSUE TREASURY **BONDS**

The Australian government has sold \$700 **million** of April 21, 2033, Treasury **bonds**.

The Australian Office of Financial Management (AOFM), which conducts bond auctions on behalf of the government, said the **bonds** were sold for a weighted average yield of 4.3157 per cent.

The **sale** attracted bids totalling \$2.468 **billion**, giving a coverage ratio of 3.526.

ABS INTERNATIONAL TRADE IN GOODS AND SERVICES

Falling prices for **coal** and **iron ore** have seen Australia's trade balance fall into the red.

The deficit on goods and services was \$122 **million** in April, much weaker than the half-a-**billion**-dollar surplus economists were expecting.

It followed five consecutive months of surplus.

Falling prices for **iron ore** and **coal** appeared to be the main factor, JP Morgan economist Tom Kennedy said.

AUSTRALIAN INDUSTRY GROUP/HOUSING INDUSTRY ASSOCIATION PERFORMANCE OF CONSTRUCTION INDEX (PCI)

Australia's construction industry remains in decline as weakness in engineering and commercial construction outweighs strength in home building.

The Australian Industry Group/Housing Industry Association Performance of Construction Index rose 0.8 points to 46.7 in May - below the 50 level that separates expansion from contraction.

The index has now been in the red for five straight months.

AOFM TO ISSUE TREASURY **BONDS**

The Australian government has sold \$700 **million** of April 21, 2025, Treasury **bonds**.

The Australian Office of Financial Management (AOFM), which conducts bond auctions on behalf of the government, said the **bonds** were sold for a weighted average yield of 3.8594 per cent.

The **sale** attracted bids totalling \$2.995 **billion**, giving a coverage ratio of 4.279.

AAP bm/gfr

CO aubos : Australian Bureau of Statistics

IN i5010022 : Residential Building Construction | i501 : Building Construction | iconst : Construction | icre : Real Estate/Construction

NS e1105 : Consumer Sentiment | epmi : Purchasing Managers Index | e11 : Economic Performance/Indicators | e1111 : Industrial Production | ecat : Economic News

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