



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

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DATA

SYDNEY, May 9 AAP - A review of the week's Australian economic data, May 5 to May 9:

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AUSTRALIAN BUREAU OF STATISTICS (ABS) BUILDING APPROVALS

Housing construction approvals have dipped in the past couple of months, but are still at 19-year highs.

Home building approvals were down 3.5 per cent in March, following a 5.4 per cent fall in February, according to official figures released on Monday.

However, there were over 188,000 home building approvals in the 12 months to March, the highest since 1995 and 20 per cent higher than the year before.

Commonwealth Bank senior economist Michael Workman said the housing construction sector looks ready to be the main driver for the Australian economy when mining investment winds down.

ANZ JOB ADVERTISEMENTS SERIES

Further growth in job advertisement numbers suggests continued improvement in the labour market, but a tough federal budget could damage the employment outlook.

Job ads rose for a fourth consecutive month in April, up 2.2 per cent, figures from ANZ show.

Labour demand had strengthened in 2014, with a rise in hiring intentions suggesting the unemployment rate should be close to its peak at around six per cent or slightly lower, ANZ chief economist Ivan Colhoun said.

AUSTRALIAN INDUSTRY **GROUP** AUSTRALIAN PERFORMANCE OF SERVICES INDEX (PSI)

Australia's services industry is struggling and businesses fear a tough budget will further dampen activity.

Only health and community services, and finance and insurance services experienced growth in April, while the remaining seven sub-sectors contracted, figures from the Australian Industry **Group** show.

The Performance of Services Index fell 0.3 points to 48.6, below the 50 level that separates expansion from contraction.

Ai **Group** chief executive Innes Willox said the sector had unwound the gains made late 2013.

RESERVE BANK OF AUSTRALIA MONTHLY **BOARD** MEETING AND INTEREST RATE DECISION

Australians have now enjoyed nine straight months of record low interest rates - and it doesn't look like changing any time soon.

The Reserve Bank of Australia on Tuesday kept the cash rate at 2.5 per cent and reiterated it will stay unchanged for some time to come.

"On present indications, the most prudent course is likely to be a period of stability in interest rates," RBA governor Glenn Stevens said in a statement after the May **board** meeting.

ABS INTERNATIONAL TRADE IN GOODS AND SERVICES

Australia's exports to **China** have hit record levels, as it posted a fourth consecutive monthly trade surplus.

Exports to **China** over the 12 months to March passed \$100 billion, making up 37 per cent of Australia's total exports.

The boom in investment in mines and resource projects over recent years is starting to pay off, CommSec economist Savanth Sebastian said.

"Mining investment may have flattened, but the boost to the economy from **Chinese purchases** of our resources is ongoing," he said.

DUN AND BRADSTREET BUSINESS EXPECTATIONS SURVEY

Businesses have shrugged off talk of spending cuts in next week's federal budget, with their expectations for sales hitting a 10-year high.

Forty four per cent of businesses are expecting higher sales in the September quarter, while only nine per cent are predicting a fall, the latest Dun and Bradstreet's Business Expectations survey shows.

The sales index rose 4.9 points to 34.8, its highest level in 10 years.

ABS RETAIL TRADE

The retail sector appears to be suffering a hangover after strong spending over the Christmas period and is unlikely to bounce back any time soon.

Economists say looming federal budget cuts and modest growth in household income are likely to be a roadblock to consumer confidence.

Retail trade rose 0.1 per cent in March, the smallest rate of growth in 11 consecutive months of rises, data from the Australian Bureau of Statistics show.

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

Australia's construction industry is in decline as new mining projects dry up.

Weakness in engineering construction is dragging on the sector, despite growth in **residential** house and **apartment** building, new figures show.

The Australian Industry **Group**/Housing Industry Association performance of construction index fell 0.3 points to 45.9 in April, below the 50 level that separates expansion from contraction.

It is the fourth consecutive month of contraction.

AUSTRALIAN OFFICE OF FINANCIAL MANAGEMENT TO ISSUE TREASURY BONDS

The Australian government has **sold** \$700 million of April 21, 2026, 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 4.0050 per cent.

The **sale** attracted bids totalling \$3.419 billion, giving a coverage ratio of 4.884.

ABS LABOUR FORCE

The jobs figures were surprisingly good for another month, raising hopes that the unemployment rate may have peaked for the year.

The unemployment rate was steady at 5.8 per cent in April, with the total number of people with jobs rising by 14,200.

The figures were better than the median forecast unemployment rate of 5.9 per cent and jobs growth of 8,000.

Treasury, the Reserve Bank and others have predicted the unemployment rate to peak above six per cent, possibly as high as 6.25 per cent.

RBA STATEMENT ON MONETARY POLICY

It will be some time before Australia's economic growth gets significantly stronger, which should keep the cash rate at its record low level of 2.5 per cent.

Mining investment is expected to continue falling and most of the other parts of the economy are predicted to stay sluggish, the Reserve Bank said in its quarterly statement on monetary policy.

"The outlook is uncertain." the RBA said.

"Given that assessment, the **board**'s view is that the current accommodative monetary policy setting is likely to be appropriate for some time to come."

AUSTRALIAN OFFICE OF FINANCIAL MANAGEMENT TO ISSUE TREASURY BONDS

The Australian government has **sold** \$700 million of April 15, 2020, 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 3.3622 per cent.

The **sale** attracted bids totalling \$2.765 billion, giving a coverage ratio of 3.950.

AAP bm/gfr

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