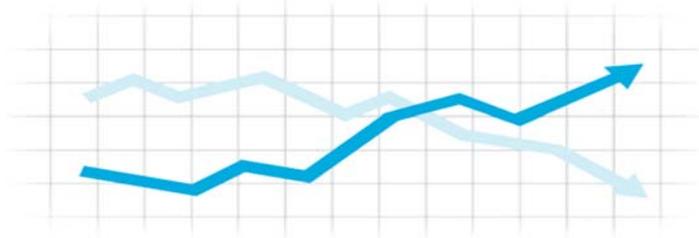


# WEEKLY ECONOMIC COMMENTARY

Week beginning 11th April 2016

## ECONOMIC DATA ROUNDUP



### DATA RELEASED LAST WEEK

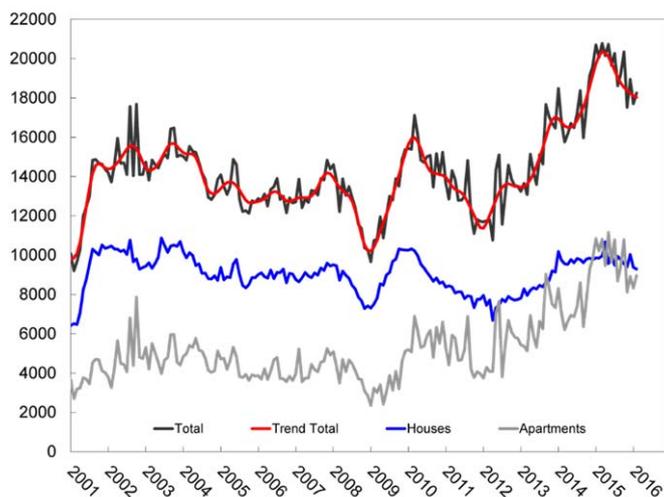
Economic Data	Period	Actual	Previous
Building Approvals	February	+3.1%	-7.5%
Retail Sales	February	0.0%	+0.3%
ANZ Job Ads	March	+0.2%	-1.2%
Trade Balance	February	-\$3.4bn	-\$2.937bn

**ANZ job advertisements** rose 0.2% in March to be up 10.0% annually, but virtually unchanged since November 2015. The number of Internet job ads rose 0.4% in March to be up 10.7% annually while the more volatile newspaper component fell 11.4% to be down 19.5% annually.

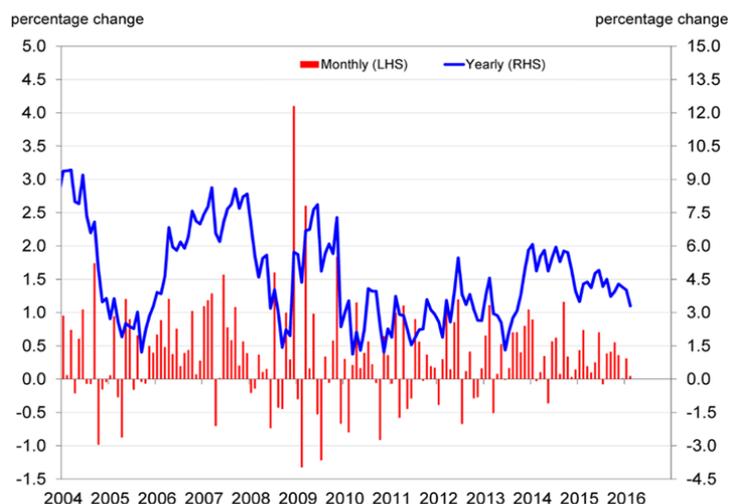
Residential **building approvals** increased by 3.1% in February following a revised fall of 6.6% in January, to be now down 9% over the year. Private house approvals fell 1.2% following a 6.4% decline in January while the high-density private multi-dwelling approvals increased 7.6% in February following an 8.4% fall last month. The main source of growth was in New South Wales, with total approvals rising 14% m/m, and units/apartments bouncing 32% higher. In contrast, detached housing approvals were slightly lower in the month.

**Retail sales** were flat in February following a gain of 0.3% in January and another flat result in December resulting in retail sales moderating to only +3.3% over the last year. This is the weakest year-on-year outcome since September 2014. Moderate to weak results were recorded across all sub categories and all states this month.

**Building Approvals**



**Retail Sales**



Source: ABS and Citi Research

Australia's **trade deficit** blew out by 8% in February to -\$3.4bn with the January deficit widening to -\$3.2bn. Exports fell 1.2% in the month, which drove the result, with the most pronounced fall in the volatile non-monetary gold category (down 20%) and rural exports (down 5.5%). Imports were virtually flat, falling by 0.2%. Not only have the trade accounts been in deficit for almost two consecutive years, but the 12-month rolling annual deficit came in at \$44.5bn, the largest deficit in monthly records going back 45 years.

### Data over the next week

Economic Data	Date	Period	Forecast	Previous
Housing Finance	11 April	February	+2.1%	-3.7%
NAB Business Survey (confidence/conditions)	12 April	March	n/a	+3/+8
Westpac/MI Consumer Sentiment	13 April	April	n/a	-2.2%
Employment	14 April	March	+17,000	+300
Unemployment	14 April	March	5.8%	5.8%

# ECONOMIC COMMENTARY

## LAST WEEK

The Reserve Bank of Australia held the official cash rate steady at the current record low level of 2% last week after their monthly board meeting despite a large (over 6%) rally in the currency over the last month. RBA Governor Glenn Stevens said in the accompanying statement that the dollar had “appreciated somewhat recently” and could interfere with the economy’s transition away from the mining boom, while continued low inflation provided scope for the bank to cut rates if necessary – so an easing bias remains.

A moderately risk averse session emerged last week and although the major catalysts were not obvious, the warnings on global growth by the IMF and OECD, volatility in commodity prices, concerns over the effectiveness of monetary policy, some profit taking plus US economic growth downgrades, may have contributed. IMF boss Christine Lagarde was on the wires, calling for nations around the world to do more to boost growth and warning that risks to the global recovery were increasing. In contrast, the minutes of the US Federal Reserve meeting were released revealing that an April US rate hike was discussed but discarded in favour of a more cautious approach to monetary policy “normalisation” i.e. less rate hikes.

Nonetheless, market reaction saw global equities sell off and bond yields rally and our markets followed, yields falling by up to 12 basis points.

By the close of trading on Friday, the 90-day bank bill was trading at 2.25% compared to 2.28% the previous Friday while in the long term maturities, 3 and 10 year bond yields closed lower at 1.82% and 2.41% respectively, from 1.94% and 2.53% a week earlier.

## CURRENCY

The Australian dollar dipped below 76 cents on the back of lower oil prices and weaker than expected retail sales data out early last week. No move in the cash rate by the RBA and the relatively low level of concern about the currency’s rally over the last month saw the currency spike higher (to USD0.7635) but the strength was short-lived and the Aussie almost immediately fell and continued to lose ground. A rebound in the oil price late last week saw the Aussie rally on Friday but couldn’t recoup the earlier losses, closing the week around one cent lower.

By the close on Friday, the Australian dollar was trading at USD0.7541 compared to USD0.7667 a week earlier.

## EQUITIES

Global growth concerns were in the news again last week which saw a risk-off sentiment emerge pushing global equity markets lower. For our market, worries about low interest rates dragged on the banking sector but it was the move in commodities, especially oil that again dictated the market with resource and energy stocks leading the market moves.

The three TV networks fell heavily last week after Nine Entertainment forecast a weaker ad market and reported softer-than-expected ratings in a third-quarter trading update. Nine Network slumped 24% and Seven West Media followed suit, shares falling 10.5%.

By the close on Friday the S&P/ASX200 Index was down trading at 4,937.6 compared to 4,999.4 a week earlier.

## THIS WEEK

The highlight in the week ahead will be the March employment data where a 17,000 increase is expected and a steady unemployment rate of 5.8% (a two and a half year low). This week will also see the latest round of consumer and business surveys, with the NAB business survey for March and the Westpac-Melbourne Institute consumer sentiment index for April. While business sentiment remains above the long term average, consumer sentiment is soft.

## INTEREST RATE VIEW

Markets have fully priced in one more rate cut, with a very good chance of a further cut after that. According to the current pricing in the futures market, the probability of a move by the RBA in May is 41%: that is up from 35% a week earlier.

<u>Economic Data</u>	<u>12 months ago</u>	<u>6 months ago</u>	<u>3 months ago</u>	<u>1 month ago</u>	<u>Now</u>
Official Cash Rate	2.25	2.00	2.00	2.00	2.00
90 day Bank Bill	2.26	2.18	2.32	2.33	2.25
180 day Bank Bill	2.28	2.26	2.44	2.45	2.42
1 year swap	2.05	2.00	2.19	2.19	2.11
3 year swap	2.07	2.09	2.20	2.15	2.05
5 year swap	2.35	2.47	2.51	2.40	2.28
10 year swap	2.73	2.99	2.93	2.70	2.56
AUD/USD	0.7684	0.7288	0.7057	0.7479	0.7541
S&P/ASX200 Index	5,968.4	5,279.7	4,997.1	5,150.1	4,937.6

## CHART OF THE WEEK

Departing from a “markets-related” theme for the chart of the week, I thought I’d share this interesting survey that seems topical now that the footy season has commenced taking up some of the office conversation after each weekend’s action.

### Do Australian women even care about the AFL?

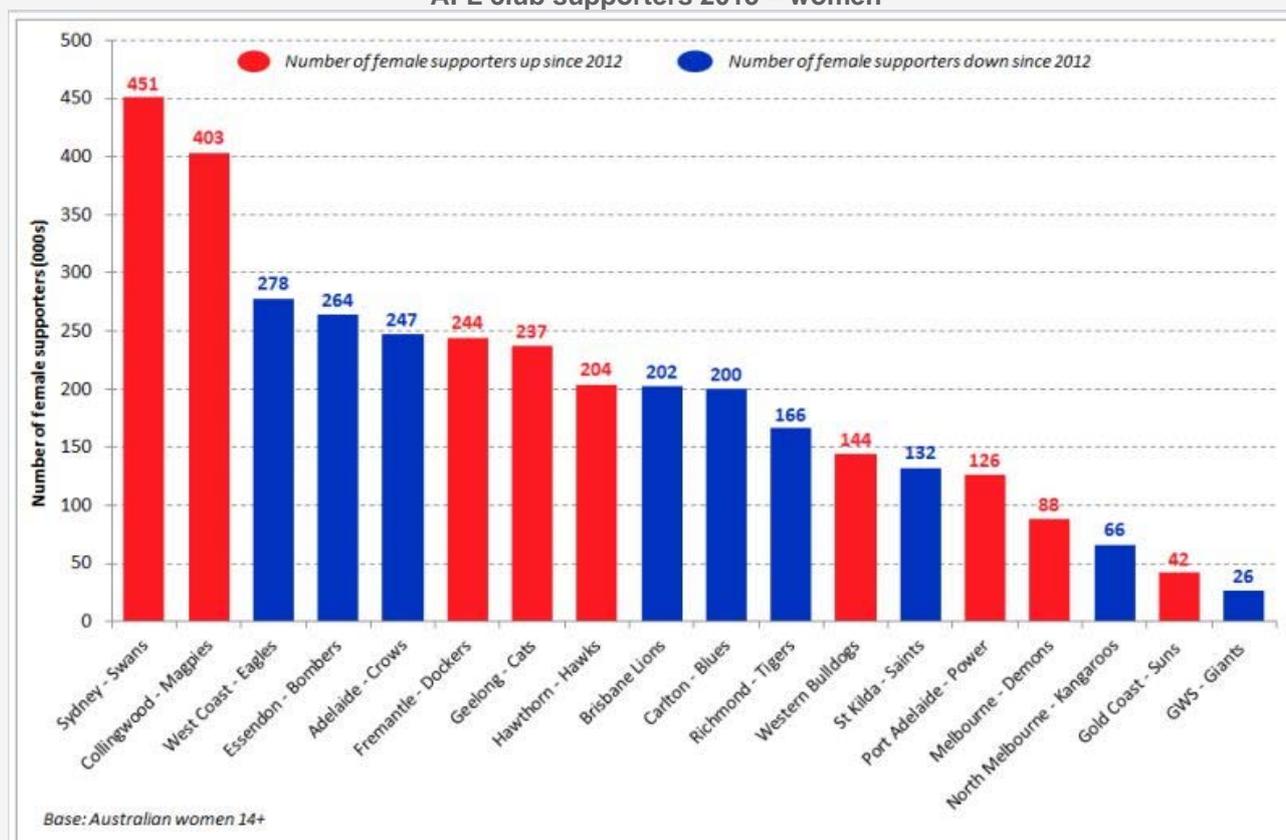
With the prospect of a women’s football league in 2017, and a series of women’s exhibition matches scheduled for the current AFL season, it seems an opportune time to investigate not only how Australian women’s involvement in the AFL is tracking, but whether many women actually play Aussie Rules football themselves. The results suggest there is room for improvement...

The latest findings from Roy Morgan reveal that the proportion of Australian women aged 14+ who support an AFL team slipped slightly from 35.6% to 33.8% between 2012 and 2015, as did the proportion who watch matches on TV (down fractionally from 34.0% to 33.4%).

On a brighter note, there were modest increases in paid-up club membership among Aussie women (from 3.1% to 3.6%) during the same period, as well as in attendance of AFL matches (admittedly, an almost negligible growth from 9.8% to 10.0%).

But while the overall proportion of women who support an AFL team has declined, nine of the league’s 18 teams have actually seen their number of female supporters rise over the past few years. Fremantle Dockers experienced the largest growth by far, gaining an additional 70,000 female supporters since 2012, which puts it in sixth position overall for number of female fans.

AFL club supporters 2015 – women



Source: Roy Morgan Single Source (Australia), January–December 2015 (n=3,076).

As the country’s most widely supported club, it is no surprise that Sydney Swans have the most female supporters (451,000) — and rising, with an additional 31,000 women joining their fan base since 2012.

Female support also grew for last year’s Grand Final winners the Hawks (up by 34,000 women since 2012), as well as for Port Adelaide Power (up by 28,000) and the Western Bulldogs (up by 14,000). In contrast, it plummeted for the Brisbane Lions (down by 96,000 women), St Kilda Saints (who lost some 41,000 female followers) and West Coast Eagles (down by 39,000).

Meanwhile three teams boast the distinction of having more female supporters than male: Collingwood, Geelong and Western Bulldogs.

## CHART OF THE WEEK

### Women's participation not kicking many goals

Of course, supporting an AFL team is one thing, and playing Australian Rules is another entirely. While the proportion of Aussie women 14+ who play footy has always been low, participation has decreased marginally since 2012 from 1.3% to 1.0%. Or, to put it in perspective, fewer women play Australian Rules than niche sports such as field hockey, archery, gymnastics and martial arts or ice/figure skating.

There has, however, been an incremental increase in participation among girls aged 6-13 years, with 7.5% now playing Aussie Rules at school, up from 6.5% in 2012. (Outside school hours, participation remains steady at 3.0%) Over the same period, the proportion of girls who watch the AFL on TV has also risen, from 26.6% to 29.4%.

#### **Michele Levine, CEO, Roy Morgan Research, says:**

*"As any AFL fan would know, the 2016 season has kicked off, with the next women's match scheduled for this coming Saturday. In anticipation of a national women's league being launched next year, we delved into our database to measure women's involvement in footy – both as supporters and players.*

*"Although the proportion of Aussie women who support an AFL team has slipped, this is consistent with the national trend rather than being gender-specific (it must be said, however, that the decline among men who support an AFL team was softer, down from 44.9% to 44.0%). Likewise, participation in Australian Rules is fairly static among both men and women, although obviously considerably less widespread among women.*

*"Curiously, while some teams have gained supporters of both genders over the last few years (with the increasingly successful Fremantle Dockers gaining an extra 90,000 male followers in addition to their growing female fan-base), others have gained female and lost male supporters or vice versa, while others yet have lost supporters all round.*

*"Nobody would be particularly surprised that such a small proportion of women play Aussie Rules themselves, as this has always been the case, but it bodes well for the future of the women's league that participation by and interest among younger girls is growing.*

Source: Roy Morgan Research, finding no: 6738  
30th March 2016

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