

# AUSTRALIAN MARKETS WEEKLY

## A tale of two indicators: SEEK and cranes



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- It's a quiet week for local market sensitive indicators; the Statistician's quarterly measure of Job Vacancies for August out Thursday and RBA Credit on Friday (also August) the picks. Job Vacancies was at a record in the June quarter, in absolute levels and in proportion to the workforce, a sign of very strong labour demand and employment outlook. We will be interested to see whether that growth has continued into August. One of the two indicators we are focussing on in this weekly is what the SEEK labour market data base says about labour demand, salary and wage trends and labour market tightness. SEEK Job Ads have fallen in three of the past four months, opening the possibility of a turn in the labour market though it's not confirmed elsewhere and other considerations argue caution drawing this conclusion.
- Also this week, we will have a watchful eye on the Statistician's Engineering Construction Activity report for Q2 (Wednesday) for what it says about the infrastructure pipeline. Last week RLB Crane Index for this half pointed to a further increase in numbers, including for infrastructure, especially in Victoria. We take the opportunity in this Weekly to delve into this index. The number of cranes in use for residential high-rise surprisingly increased, as did those for non-residential building projects and for infrastructure work. The construction sector continues to operate at a high level, and across cities.
- The other local indicator of note is RBA Credit for August - out Friday - where we look for a pull-back in monthly growth from 0.4% to 0.3% on still-cautious levels of housing credit, especially credit for investors. There is also an update of regional population for 2017, providing further colour on how continued population growth beyond the capital cities is playing out.
- Offshore, we start the week with the press reporting that China is cancelling trade talks with the US, quite possibly until after the US mid-term elections. After testing 0.73 late Friday, the AUD and the NZD have pulled back on this press news, the AUD at 0.7270 this morning. The additional US 10% tariff rate on \$200bn of Chinese imports and 5-10% Chinese tariffs on \$60bn of US imports take effect this week.
- With a quiet week also for offshore data, there'll be even greater focus on the FOMC (early Thursday our time), a hike is expected and priced in, taking the Fed funds rate to 2.00-2.25%. There'll be interest in 1) how the Fed describes the stance of monetary policy currently and might at forthcoming meetings (accommodative/ neutral), the funds rate moving toward the 2¾-3% neutral rate; and 2) whether the Fed will amend its dot point forecasts for the Fed funds rate. The median Fed forecast calls for a 3-3½% rate by the end of 2019, a slightly restrictive stance. We doubt there will be much change at all to those rate forecasts, nor in the Fed's economic outlook, positive economic momentum offsetting trade uncertainties.

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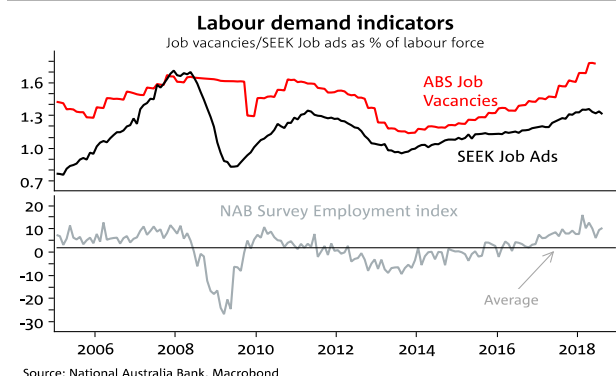
[Ask the Interest Rate Strategists](#)

### Key markets over the past week

	Last	% chg week		Last	bp / % chg week
AUD	0.7266	1.3	RBA cash	1.50	0
AUD/CNY	4.98	1.2	3y swap	2.17	7
AUD/JPY	81.8	1.8	ASX 200	6,184	0.0
AUD/EUR	0.619	0.6	Iron ore	69.7	1.5
AUD/NZD	1.089	-0.3	WTI oil	71.5	4.2

Source: Bloomberg

### Chart 1: Labour demand indicators a little more mixed

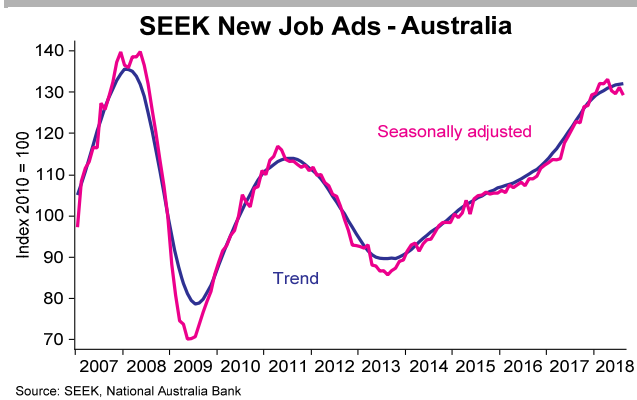


## Labour demand: likely still strong

The SEEK data for August showed that Job Ads fell again for the third month in four and are now in a modest declining statistical monthly trend.

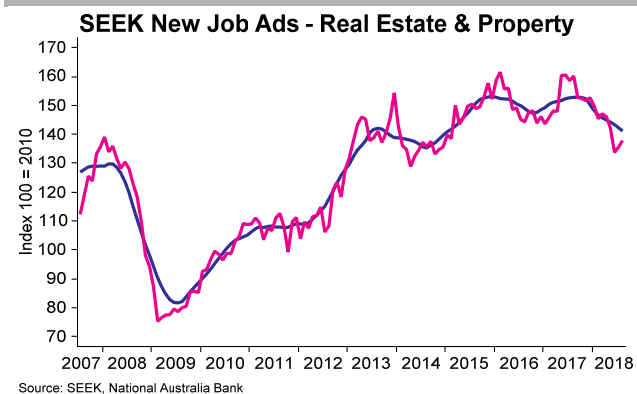
That’s usually a concerning sign – and one we’ll be watching closely over coming months to see if the trend extends. However, we do not see confirmation of this turning point from the NAB Survey employment index, which has remained at a high level through to August, suggesting still above average employment growth in the months ahead. It will also be interesting to see what Thursday’s Job Vacancies report says about the state of labour demand. To the May quarter, it was at a record high in absolute terms and relative to the workforce, a pointer to both above average employment growth ahead and further inroads being made into reducing the unemployment rate.

Chart 2: Some flattening out in Ads; still high



As for SEEK, the drop since April has been evident in NSW, WA and SA. Finding a common factor here is not clear: it could be a short term anomaly in the data, perhaps in the seasonal adjustment, or perhaps employers taking a break from recruitment for now, if only because of the difficulty of finding suitable labour, a trend evident in the NAB Business Survey.

Chart 3: Ads for Real Estate & Property declining

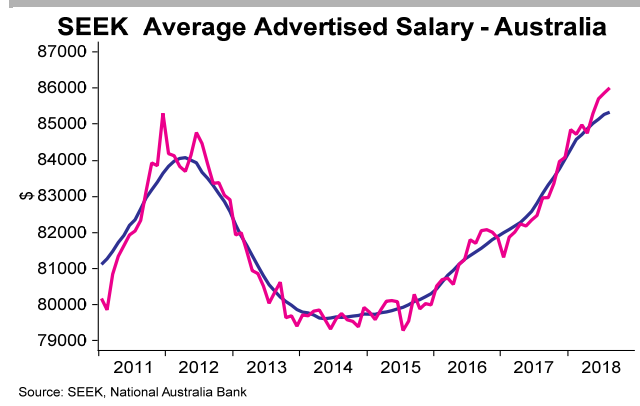


Look across the industry trends for job ads, one area that is seeing a slowdown is in jobs related to residential housing activity. This trend slowing dates to around the time of the APRA tightening in lending for interest-only lending from March last year and is consistent with other metrics of the housing market, notably the easing in prices, sales/listings and building approvals.

However, what the SEEK data also show is strength/improvement in many other sectors of the labour market (defence, health, mining, infrastructure) broadly offsetting the easing in housing-related sectors. It’s also evident that housing related labour demand has not weakened dramatically and that the Retail and Banking & Finance sectors are not seeing a lot of strength in labour demand.

The SEEK data set also allows us to look at the trend for the salaries advertised as a precursor to still emerging wage trends. Of course, we do need to be careful about not overly interpreting this as a direct measure of wages as changes in salaries can as easily reflect compositional effects either for job types, skill sets and indeed industries where recruitment is changing the most. Higher demand for employees in Mining – a high paying sector – is putting upward pressure on overall average wages.

Chart 4: Salaries for new jobs rising

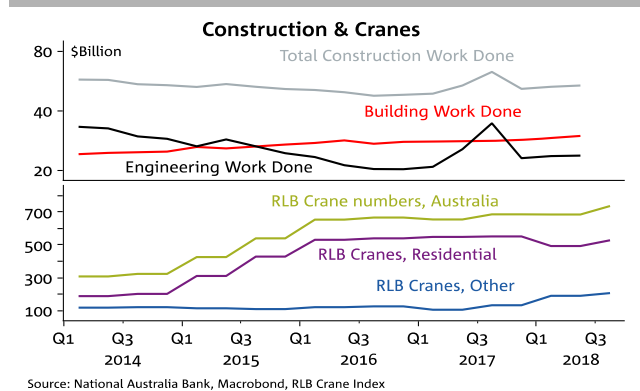


However, it has been a useful indicator of the direction of wages pressures – and you can get around some of the compositional issues by looking at the trends in different sectors. At present, the average advertised salary clearly remains upward in most sectors.

## Crane numbers increasing further

The RLB Crane Index is a count of cranes across sectors and geographies. The latest half yearly report (Q3) was released last week. (You can see the full report [here](#).)

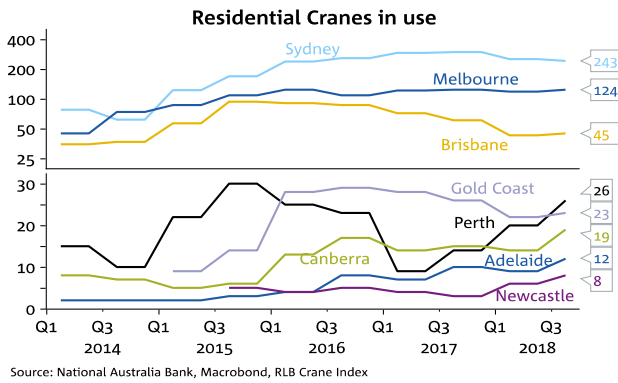
Chart 5: Still upbeat construction activity



There are a total of 735 cranes currently in use across Australian skylines, the most in Sydney and over 70% in use on residential projects, mostly for high rise developments. With some of the zing taken out of prices and a cooling in real estate and property markets, it’s

been assumed that residential construction activity will likely ease ahead, even if at still high levels. For this latest half year, cranes in use for residential projects actually rose, from 491 to 528. While unlikely to be the start of a new uptrend given the headwinds facing the sector, it's a credible real reminder that activity remains high.

Chart 6: Still high cranes in use on residential sites



We also noted that while Residential crane numbers declined in Sydney, numbers rose in Melbourne (more than they declined in Sydney), rises were also evident in Brisbane, Canberra, and Perth among the capital cities.

In the Melbourne CBD, there were 44 cranes erected and 18 cranes removed, the net increase more than accounting for the total increase in crane numbers across greater Melbourne.

The RLB report also suggests that while the residential apartment cycle has been extended (for now anyway), cranes in use for non-residential building and for infrastructure-related work both rose further. Cranes in use for residential construction (528) far outweigh what we would class as non-residential building (177, including Commercial, Education, Health, Hotel, Mixed Use, Recreation, and Retail) and for Civic (5) and Civil (25) work requiring cranes.

Cranes in use for infrastructure are clearly indicative of increasing infrastructure work now underway. Cranes for Civil work are rising from a low base, up from 15 to 25 and most of these in Melbourne. Within the Civil category, there were thirteen new cranes erected in Melbourne, now in use for Melbourne Metro Tunnel works (7) and the West Gate Tunnel project (5), these two around \$17.6bn in current value.

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# CALENDAR OF ECONOMIC RELEASES

Country	Economic Indicator	Period	Forecast	Consensus	Actual	Previous	GMT	AEST
<b>Monday, 24 September 2018</b>								
GE	IFO Business Climate	Sep		103.2		103.8	7.00	18.00
CA	Wholesale Trade Sales MoM	Jul		0.4		-0.8	11.30	22.30
US	Chicago Fed Nat Activity Index	Aug		0.2		0.13	11.30	22.30
EC	Draghi speaks at ECON meeting in Brussels						12.00	23.00
US	Dallas Fed Manf. Activity	Sep		31		30.9	13.30	0.30
<b>Tuesday, 25 September 2018</b>								
JN	BOJ Minutes of Policy Meeting						22.50	9.50
JN	BOJ Kuroda speaks in Osaka						4.30	15.30
EC	ECB's Praet speaks at FT event in London						7.10	18.10
UK	BOE's Vlieghe speaks in London.						7.40	18.40
UK	ECB's Praet Speaks at OMFIF in London						9.45	20.45
US	FHFA House Price Index MoM	Jul		0.3		0.2	12.00	23.00
US	Richmond Fed Manufact. Index	Sep		21		24	13.00	0.00
US	Conf. Board Consumer Confidence	Sep		132		133.4	13.00	0.00
US	ECB's Coeure Chairs Session at 3rd ECB Annual Research Conference						13.40	0.40
<b>Wednesday, 26 September 2018</b>								
NZ	Trade Balance NZD	Aug		-925		-143	21.45	8.45
NZ	ANZ Business Confidence	Sep				-50.3	0.00	11.00
AU	Engineering Construction Activity	Q2				0.30	0.30	11.30
JN	Machine Tool Orders YoY	Aug F				5.3	5.00	16.00
US	MBA Mortgage Applications	44440				1.6	10.00	21.00
US	New Home Sales	Aug		630		627	13.00	0.00
US	FOMC Rate Decision (Upper-Lower Bound)			2.25/2		2/1.75	17.00	4.00
US	Fed's Powell Holds Press Conference Following FOMC Decision						17.30	4.30
<b>Thursday, 27 September 2018</b>								
NZ	RBNZ Official Cash Rate			1.75		1.75	20.00	7.00
AU	Job vacancies	Aug				5.7	0.30	11.30
GE	GfK Consumer Confidence	Oct		10.5		10.5	5.00	16.00
JN	BOJ Kuroda speaks in Tokyo						5.35	16.35
EC	ECB Publishes Economic Bulletin						7.00	18.00
EC	Economic Confidence	Sep		111.2		111.6	8.00	19.00
UK	BOE's Haldane speaks in London.						10.45	21.45
GE	CPI EU Harmonized MoM/YoY	Sep P		0.1/1.9		0/1.9	11.00	22.00
US	Wholesale Inventories MoM	Aug P		0.3		0.6	11.30	22.30
US	GDP Annualized QoQ	2Q T		4.2		4.2	11.30	22.30
US	Durable Goods Orders	Aug P		1.9		-1.7	11.30	22.30
US	Cap Goods Orders Nondef Ex Air	Aug P		0.3		1.6	11.30	22.30
US	Initial Jobless Claims	44805		210		201	11.30	22.30
UK	BOE's Carney chairs panel in Frankfurt.						13.00	0.00
US	Fed's Kaplan Speaks at Forum for Minority Banking						15.30	2.30
EC	ECB's Praet Speaks at King's College London						16.05	3.05
US	Powell Makes Brief Remarks on U.S. Economy at Senate Event						19.30	6.30
CA	Poloz Speech in New Brunswick						20.45	7.45
<b>Friday, 28 September 2018</b>								
NZ	ANZ Consumer Confidence Index	Sep				117.6	21.00	8.00
NZ	Building Permits MoM	Aug				-10.3	21.45	8.45
JN	Jobless Rate	Aug		2.5		2.5	22.30	9.30
JN	Tokyo CPI YoY	Sep		1.1		1.2	22.30	9.30
JN	BOJ Summary of Opinions						22.50	9.50
JN	Retail Sales MoM	Aug		0.5		0.1	22.50	9.50
JN	Industrial Production MoM/YoY	Aug P		1.5/1.5		-0.1/2.2	22.50	9.50
AU	Private Sector Credit MoM/YoY	Aug	0.3/4.2	0.35/4.3		0.4/4.4	0.30	11.30
CH	Caixin China PMI Mfg	Sep		50.5		50.6	0.45	11.45
GE	Unemployment Change (000's)	Sep		-9/5.2		-8/5.2	6.55	17.55
UK	GDP QoQ/YoY	2Q F		0.4/1.3		0.4/1.3	7.30	18.30
EC	CPI/Core YoY	Sep		2/1		2/1	8.00	19.00
US	Fed's Barkin Speaks at Forum for Minorities in Banking						11.30	22.30
CA	Industrial Product Price MoM	Aug		-0.4		-0.2	11.30	22.30
CA	GDP MoM/YoY	Jul		0.1		0.0/2.4	11.30	22.30
US	PCE Core MoM/YoY	Aug		0.2/2.0		0.2/2.0	11.30	22.30
US	Chicago Purchasing Manager	Sep		62		63.6	12.45	23.45
US	U. of Mich. Sentiment	Sep F		100.5		100.8	13.00	0.00
US	Fed's Williams Speaks in New York at Money Markets Conference						19.45	6.45
<b>Upcoming Central Bank Interest Rate Announcements</b>								
US, Federal Reserve		26-Sep	2-2.25%	2-2.25%		1.75-2%		
New Zealand, RBNZ		27-Sep	1.75%	1.75%		1.75%		
Australia, RBA		2-Oct	1.5%	1.5%		1.5%		
Canada, BoC		24-Oct	1.75%	1.75%		1.5%		
Europe, ECB		25-Oct	-0.4%	-0.4%		-0.4%		
Japan, BoJ		31-Oct	-0.1%	-0.1%		-0.1%		
UK, BOE		1-Nov	0.75%	0.75%		0.75%		

GMT: Greenwich Mean Time; AEST: Australian Eastern Standard Time

# FORECASTS

Economic Forecasts					Annual % change															
					Quarterly % change															
					2017				2018				2019				2020			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Australia Forecasts</b>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>																
Household Consumption	2.7	2.9	2.5	2.5	0.4	0.9	0.6	1.1	0.5	0.7	0.6	0.5	0.6	0.7	0.7	0.6	0.6	0.6	0.6	0.7
Underlying Business Investment	3.3	3.0	5.0	5.8	3.3	0.0	3.8	0.3	0.7	-0.7	1.3	0.1	2.1	1.5	1.8	1.4	1.2	1.7	1.1	1.3
Residential Construction	-2.2	2.7	-5.3	-1.9	-3.3	-0.2	-1.7	0.3	3.6	1.7	-2.6	-0.3	-2.2	-1.9	-0.9	-1.2	-0.3	0.0	0.3	0.6
Underlying Public Spending	4.5	4.6	4.2	4.5	0.9	1.1	1.6	1.1	1.5	0.6	0.9	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Exports	3.5	5.0	4.8	2.5	-1.6	2.3	1.0	-1.5	3.0	1.1	1.7	1.0	1.4	1.3	0.7	0.7	0.5	0.6	0.4	0.7
Imports	7.8	5.0	3.6	4.9	3.0	0.2	2.3	1.7	1.7	0.4	0.5	0.7	0.9	1.1	1.3	1.2	1.1	1.3	1.2	1.4
Net Exports (a)	-1.0	-0.1	0.1	-0.6	-1.0	0.4	-0.3	-0.7	0.2	0.1	0.2	0.0	0.1	0.0	-0.2	-0.1	-0.2	-0.2	-0.2	-0.2
Inventories (a)	-0.1	0.1	-0.1	0.0	0.5	-0.9	0.4	0.0	0.2	-0.1	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic Demand - qtr%					0.7	0.8	1.0	0.9	1.0	0.6	0.5	0.6	0.7	0.7	0.8	0.7	0.7	0.8	0.7	0.9
Dom Demand - ann %	3.0	3.2	2.6	3.0	2.3	2.6	3.6	3.4	3.7	3.4	3.0	2.6	2.3	2.4	2.7	2.9	2.9	3.0	3.0	3.1
Real GDP - qtr %					0.4	0.7	0.7	0.7	1.1	0.9	0.6	0.6	0.7	0.7	0.7	0.6	0.5	0.7	0.6	0.7
Real GDP - ann %	2.2	3.3	2.7	2.5	1.9	1.9	2.7	2.4	3.2	3.4	3.3	3.2	2.7	2.6	2.7	2.7	2.5	2.5	2.3	2.5
CPI headline - qtr %					0.5	0.2	0.6	0.6	0.4	0.4	0.5	0.5	0.5	0.4	0.6	0.7	0.6	0.6	0.8	0.9
CPI headline - ann %	1.9	2.0	2.0	2.6	2.1	1.9	1.8	1.9	1.9	2.1	2.0	1.9	1.9	1.9	1.9	2.1	2.2	2.5	2.7	2.9
CPI underlying - qtr %					0.4	0.6	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.7	0.7	0.7
CPI underlying - ann %	1.8	1.9	2.0	2.4	1.7	1.8	1.9	1.9	2.0	1.9	1.9	1.9	1.9	1.9	2.0	2.1	2.2	2.3	2.5	2.7
Wages (Pvte WPI - qtr %)					0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Wages (Pvte WPI - ann %)	1.8	2.1	2.5	2.7	1.8	1.8	1.9	1.9	1.9	2.0	2.1	2.2	2.4	2.5	2.5	2.6	2.6	2.7	2.7	2.8
Unemployment Rate (%)	5.6	5.4	5.1	4.9	5.9	5.6	5.4	5.4	5.5	5.5	5.3	5.3	5.2	5.0	5.0	5.0	4.9	4.8	4.8	4.9
Terms of trade	12.2	-0.7	-0.7	0.0	5.2	-5.7	-0.1	-0.1	3.6	-1.3	-1.7	-3.4	-0.8	-1.2	-0.9	0.3	-0.4	0.3	-0.4	0.2
<i>Annual % change (hide)</i>					24.8	14.8	10.2	-1.1												
G&S trade balance, \$Abn	10.0	7.4	-12.7	-27.5	6.8	2.9	1.6	-1.4	3.3	2.8	2.3	-1.1	-1.4	-2.5	-4.2	-4.5	-5.6	-6.1	-7.5	-8.2
% of GDP	0.6	0.4	-0.6	-1.3	1.5	0.7	0.4	-0.3	0.7	0.6	0.5	-0.2	-0.3	-0.5	-0.9	-0.9	-1.1	-1.2	-1.5	-1.6
Current Account (% GDP)	-2.6	-3.0	-4.1	-4.8	-1.6	-2.5	-2.8	-3.6	-2.5	-2.9	-3.0	-3.7	-3.7	-4.0	-4.3	-4.3	-4.6	-4.6	-4.9	-5.0

Source: NAB Group Economics; (a) Contributions to GDP growth

## Exchange Rate Forecasts

	24-Sep	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
<b>Majors</b>						
AUD/USD	0.7266	0.75	0.75	0.75	0.75	0.75
NZD/USD	0.6673	0.68	0.68	0.69	0.69	0.69
USD/JPY	112.59	110	108	106	104	102
EUR/USD	1.1739	1.18	1.22	1.22	1.25	1.30
GBP/USD	1.3076	1.26	1.28	1.30	1.34	1.40
USD/CHF	0.9596	0.96	0.94	0.95	0.94	0.91
USD/CAD	1.2930	1.26	1.26	1.25	1.25	1.24
USD/CNY	6.8571	6.75	6.70	6.65	6.50	6.45

Australian Cross Rates						
AUD/NZD	1.0889	1.10	1.10	1.09	1.09	1.09
AUD/JPY	81.8	83	81	80	78	77
AUD/EUR	0.6190	0.64	0.61	0.61	0.60	0.58
AUD/GBP	0.5557	0.60	0.59	0.58	0.56	0.54
AUD/CNY	4.9824	5.06	5.03	4.99	4.88	4.84
AUD/CAD	0.9395	0.95	0.95	0.94	0.94	0.93
AUD/CHF	0.6972	0.72	0.71	0.71	0.71	0.68

## Interest Rate Forecasts

	24-Sep	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
<b>Australia Rates</b>						
RBA Cash rate	1.50	1.50	1.50	1.75	1.75	2.00
3 month bill rate	1.94	1.95	1.95	2.15	2.15	2.40
3 Year Swap Rate	2.17	2.35	2.50	2.80	3.00	3.20
10 Year Swap Rate	2.89	3.20	3.30	3.60	3.70	3.80
<b>Offshore Policy Rates</b>						
US Fed funds	2.00	2.50	2.75	3.00	3.25	3.25
ECB deposit rate	-0.40	-0.40	-0.40	-0.40	-0.20	0.00
BoE repo rate	0.75	0.75	0.75	1.00	1.00	1.25
BoJ excess reserves rate	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
RBNZ OCR	1.75	1.75	1.75	1.75	2.00	2.25
China 1yr lending rate	4.35	4.35	4.35	4.35	4.35	4.35
China Reserve Ratio	15.5	16.0	16.0	16.0	16.0	16.0
<b>10-year Benchmark Bond Yields</b>						
Australia	2.70	3.00	3.05	3.30	3.40	3.50
United States	3.06	3.25	3.25	3.50	3.50	3.50
New Zealand	2.66	3.10	3.20	3.45	3.60	3.70

Sources: NAB Global Markets Research; Bloomberg; ABS

## Global GDP

Dec year	2015	2016	2017	2018	2019	2020	20 Yr Avg
Australia	2.5	2.6	2.2	2.9	2.9	2.6	3.4
US	2.9	1.5	2.3	2.8	2.3	1.7	2.6
Eurozone	2.1	1.8	2.6	2.1	2.0	1.8	1.5
UK	2.3	1.9	1.8	1.5	1.7	1.6	2.4
Japan	1.4	0.9	1.7	0.9	1.0	0.7	0.8
China	6.9	6.7	6.9	6.5	6.3	6.0	9.2
India	8.2	7.1	6.7	6.8	7.2	6.9	6.6
New Zealand	3.5	4.0	2.8	2.9	2.9	2.7	3.0
World	3.5	3.2	3.8	3.8	3.7	3.5	3.5
MTP Top 5	4.1	3.7	4.2	3.9	3.7	3.1	5.0

## Commodity prices (\$US)

	24-Sep	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
Brent oil	79.8	72	70	68	67	68
Gold	1196	1305	1327	1331	1344	1368
Iron ore	69.7	60	58	60	62	63
Hard coking coal	199	150	155	145	140	130
Thermal coal	113	93	85	80	75	77
Copper	6374	6825	6875	6950	7050	6900
Aust LNG (*)	13.8	12.3	11.9	11.6	11.4	11.3

(\*) Implied Australian LNG export prices.

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