

HONEYWELL CAPITAL
ECONOMICS BRIEFING

BY ROBERT MOORE AND JUSTIN MAHONEY

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CHANGES IN OUR
WORK WEEK

The ABS recently published data on the modern work week and how it has changed over time.

Key changes are:

1) Part-timers are working more days & full-timers are working fewer days.

The percentage of part-timers working three or four days a week has grown 6% over the past decade while the proportion of full-timers working more than five days a week has dropped 5% over the same period.

2) Older people are working more weekends

There are around 203,000 over 65-year-olds working weekends, 40% higher than ten years ago. However, there are 57,000 less

people aged between 45 and 54 years working on weekends compared to ten years ago.

3) More women are working than ever before

The number of women working on a weekday has risen by 1.2m over the decade while male weekday workers grew by just over 1m. Over the same period there are 170,000 more women working on weekends compared to an extra 55,000 males.

4) Multiple-Job Holders work more hours

If you have more than one job, on average, you work nearly six hours more per week than your single-job counterparts, despite both groups working on average four days a week.

LANDSLIDE WIN FOR JAPAN'S PM

'A GEOPOLITICAL EARTHQUAKE'



On Sunday Japan's first female prime minister, Sanae Takaichi, secured a landslide victory that has given her LDP party its biggest victory in 70 years.

She won 316 seats, giving the LDP an absolute majority in Japan's 465-member House of Representatives. With its coalition partner, the Japan Innovation Party, it will control 75% of lower house seats – the threshold needed to override opposition in the upper house.

The result is a massive mandate, with the opposition losing more than half of its pre-election seats. This huge win should enable her to dominate Japanese politics for the foreseeable future.

Who is Sanae Takaichi?

Ms Takaichi is not a typical Japanese politician.

- She has a **middle-class background** rather than being from a political dynasty that many of her predecessors hailed from.

- She used to be a **heavy metal drummer** and can still play well as she showed in a recent joint performance with the South Korean president Lee Jae Myung.

- She likes riding **motorbikes**.

- She models herself on **Margaret Thatcher**, and has been called Japan's 'Iron Lady'. In reference to her policies and her affinity with the US President, she has also been called the 'Trump whisperer'.

- She is the **primary caregiver for her husband**, who is wheelchair-bound following a stroke.

- She is stylish. She carries a signature bag, handcrafted in black leather, known as the 'Grace Delight Tote'. After Ms Takaichi took office, Hamano, the 145-year-old Japanese firm that makes them, had to introduce a waiting list to keep up with demand.

- The slogan of her administration is '**Hataraita, hataraita, hataraita**' (Work, work, work). She has fulfilled this pledge working exceptionally long days and raking up thousands of kilometres criss-crossing the country.

- She sees herself as the successor to former PM **Shinzo Abe** - pictured together at left. Mr Abe was known as a strong nationalist and as an advocate for expansionary fiscal policies.

• The Economist notes:

'Perhaps most important is the break that Ms Takaichi seems to represent with the LDP's mores. The party has dominated Japanese politics since its founding in 1955, but in recent years voters have grown frustrated with its opaque fundraising practices and backroom politicking. Whereas LDP leaders have traditionally spent evenings dining with other privileged folk in fancy Tokyo restaurants, Ms Takaichi has tended to avoid such gatherings.'

What are Ms Takaichi's policies?

There are two major sets of policies:

1) Spending more on defence, planning to double defence spending to 2% of GDP. She wants to make it easier for Japanese defence companies to export weapons, and she wishes to develop a national intelligence service. Further, she has committed to pushing a change to Article 9 of the constitution which renounces war and constrains the use of military force.

2) An expansionary fiscal policy. Last year Ms Takaichi announced a \$192b stimulus package, including a plan to exclude food from Japan's 8% consumption tax- Interestingly, she has said the loss in consumption tax revenue will be replaced by savings elsewhere rather than from increased debt. She is committed to a 'crisis-management investment' plan targeting 17 strategic sectors, including AI, semiconductors, shipbuilding, and quantum technology.

Her economic policies will be initiated in the context of rising inflation, rising interest rates, and rising questions from investors about the sustainability of these plans.

Is the increased spending a good idea?

A month after becoming PM Ms Takaichi suggested that Chinese use of force on Taiwan could constitute a 'survival-threatening situation' that would lead Japan to intervene militarily. Beijing responded with rare earth restrictions, a ban on Japan seafood, and travel warnings on Japan. She received a threat of beheading from China's consul-general in Osaka. Further spending on defence is likely to exacerbate tensions.

There will be significant consequences for Australia. Peter Hartcher emphasises this in The Sydney Morning Herald in an article titled 'Japan's election result is a geopolitical earthquake and a 'very big deal' for Australia'. Japan's newfound assertiveness on China may require us to make a stand in support of our Quad ally.

Re economic policies, in a recent Briefing we looked at the strong underpinnings of the Japanese economy. However, some economists have raised concerns about extra government spending given Japan's huge public debt.

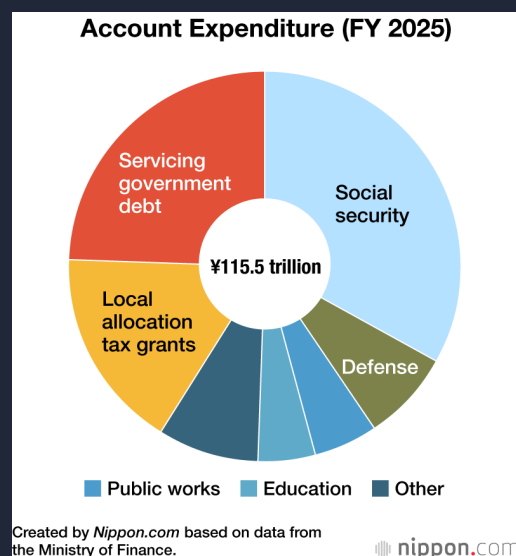
The headline debt of 210% is often quoted, but after accounting for government ownership of shares and real estate, net debt is below 120% of GDP, and potentially even lower given recent rises in asset prices.

US public debt is a similar proportion, with China just below 100%. It is also worth noting that much of Japan's debt is held internally, which would limit any exchange rate volatility if attitudes to the Japanese economy turned negative.

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Ms Takaichi could fund her spending plans by selling government assets, or as [Stephen Bartholomeusz](#) , writing in the SMH, states:

'There's also about \$2 trillion of foreign exchange reserves (most of it invested in US treasuries) whose income, or even principal, could be drawn on as an alternative to debt funding.'

While this could upset Mr Trump, with whom she has a good relationship, it is an option.

If the new spending policies were seen as unsustainable, interest rates on government debt could rise further. Yields on 40-year bonds have risen steadily over the past few years, and hit 25-year highs of 4% late last year and currently sits at 3.73% (see Chart below). This could incentivise Japanese who have invested offshore to take advantage of higher domestic interest rates. In repatriating their funds home, Japanese would need to sell foreign currency and buy yen, forcing the yen to appreciate, making Japan's exports more expensive, slowing economic growth.



So far the response of financial markets has been positive, with no negative responses from bond markets and the share market rising over 6% since Sunday's election.

Perhaps there is a measure of markets giving Ms Takaichi the benefit of the doubt. Further, some market participants see two factors that may minimise the debt issue by:

- Growing the economy.** With higher economic growth Japan could sustain higher levels of debt as increased tax revenues make it easier to service debt. Higher tax revenues in an upturn or boom can be used to pay interest costs and even to run down the principal.

- Reducing the real value of the debt through a rise in prices.** If inflation was sustained at 3%, the real value of the debt would fall cumulatively 3% each year.

Will Ms Takaichi be successful? Will Japan have a growing economy and more geopolitical clout?

🇯🇵 Japan's Economic & Political Outlook

Risk vs Momentum Framework

CHALLENGES AHEAD	REASONS TO BE CONFIDENT
 Opaque and conservative political culture Japan's politics is seen as opaque, male dominated, and conservative. She will face political hurdles.	 Strong political mandate She has substantial political capital, with lots of goodwill and a landslide election victory.
 Rising geopolitical tensions Geopolitical tensions with China, Russia (there are border issues with both countries), and N Korea. Mr Trump's unpredictability could also pose future challenges.	 Growing support for defence capability There is a general acceptance, internally and internationally, that the world's 4th biggest economy should have a substantial military.
 High government debt Could limit fiscal policy options.	 Corporate governance reforms Changes to corporate governance have already supported more investment and economic growth (see previous Briefing).
 Demographic pressures An ageing society and a reluctance to increase immigration will limit labour supply and could pose capacity constraints.	 Positive market signals A strong start. The share market has soared since the election victory, interest rates have barely budged, and the yen has appreciated. All of this indicates confidence in Ms Takaichi and in her policies.

A FALL IN HOUSEHOLD SPENDING



The ABS announced on Monday that Household spending fell 0.4% in December.

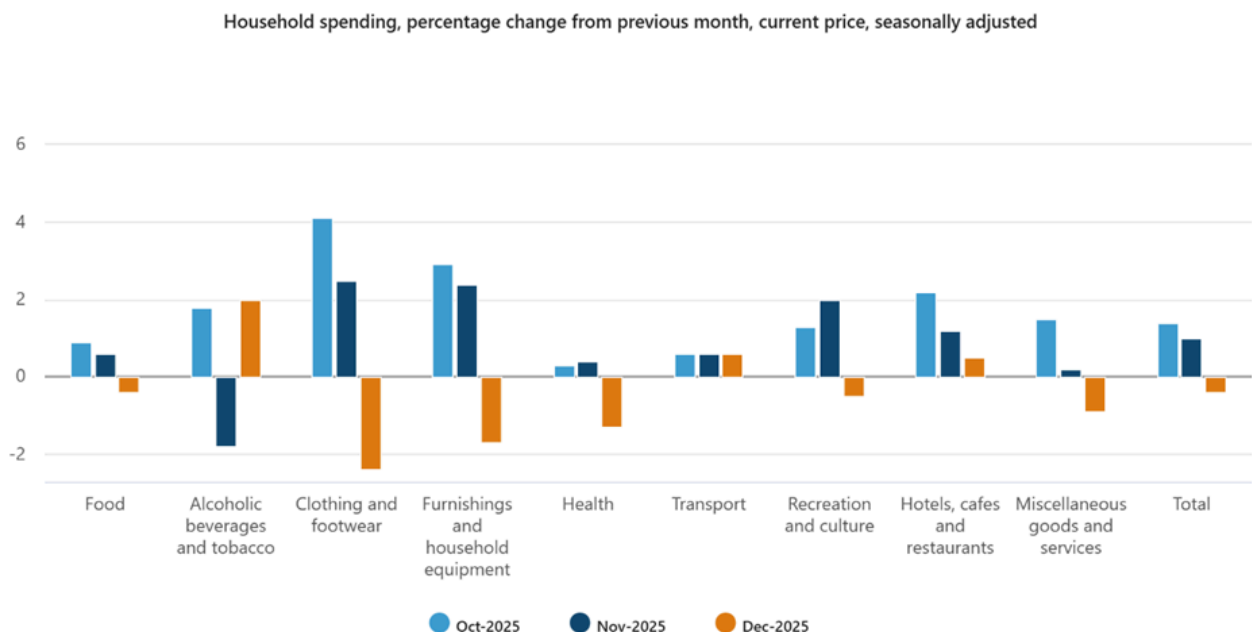
The head of business statistics at the ABS, Tom Lay, said, said:

'Household spending declined in December. We saw high spending in October and November, which had major sales and cultural events boost spending.'

'The fall in December indicates that households brought forward purchases during sales events in October and November. These falls were across a range of categories including discretionary items such as electronics, clothing and furniture, as well as essential items like healthcare.' (See below)

He also noted that health spending declined, partly due to higher bulk-billing rates, while the biggest falls were in clothing and footwear down 2.4% and furnishings down 1.7%. These falls were partly due to purchases being brought forward in Black Friday sales.

Victoria (-1.0%) and New South Wales (-0.6%) recorded the biggest falls, while the Northern Territory (+2.9%) had the biggest rise.



Source: Australian Bureau of Statistics, Household spending down 0.4% in December 9/02/2026

It needs to be remembered, however, that last month's fall follows rises of 1% in the previous month and 1.4% in October.

Household spending over the year remains elevated, up 5% over the year.



CONSUMERS NEGATIVE, BUSINESS SLUGGISH

Fall in Consumer Sentiment

On Tuesday, the Westpac–Melbourne Institute Consumer Sentiment Index revealed a decline of 2.6% to 90.5 in February from 92.9 in January. A reading below 100 means pessimism is greater than optimism.

Because consumer sentiment underpins consumption spending, the major driver of private demand, a negative measure indicates the likelihood of a fall in economic activity.

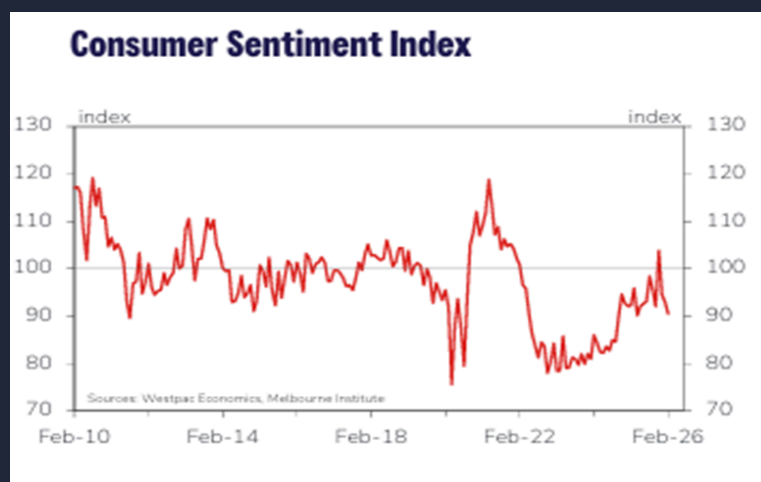
Westpac's Head of Australian Macro-Forecasting, Matthew Hassan, noted:

'Previous surveys showed a significant weakening in sentiment as a lift in inflation stoked fears that the RBA was about to raise interest rates. The RBA's 25bp hike – the first in over two years – has put renewed pressure on finances, dented attitudes towards major purchases and raised concerns about medium-term prospects for the economy.'

He did emphasise, however, that the impact of the rate rise on sentiment overall has been relatively mild.

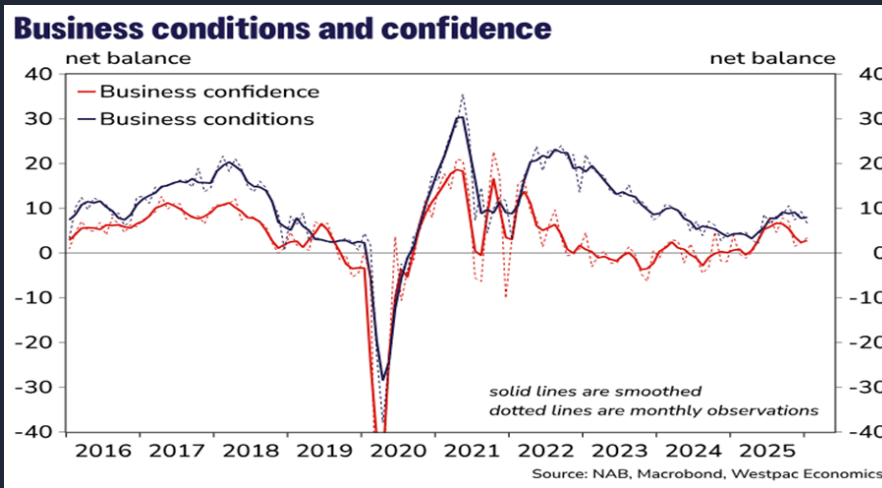
Other insights from the February data include:

- Consumers see current conditions and the medium-term outlook as weaker, while the year ahead is seen as stable.
- Over 80% expect interest rates to rise further in the next 12 months.
- The 'time to buy a major item' sub-index, which has in the past been particularly sensitive to 'cost-of-living' issues, dropped 5.6% to 93.5, suggesting a fall in purchases of consumer durables in the near term.



Business conditions and confidence are above lows but still subdued.

On Tuesday, an hour after the consumer sentiment data was released, the National Australia Bank (nab) published its monthly data on business conditions and business confidence in Australia- see below.



Business conditions, which reflects views about current business activity, remain sluggish.

The index fell from +9 to +7 in January, falling back from December's gains. A reading above zero indicates improving business confidence, while below zero suggests declining confidence.

Business conditions remain well above the lows seen in 2022 to early 2025, but the January result suggests that the positive momentum that emerged late last year is stalling. More specifically, subcomponents revealed:

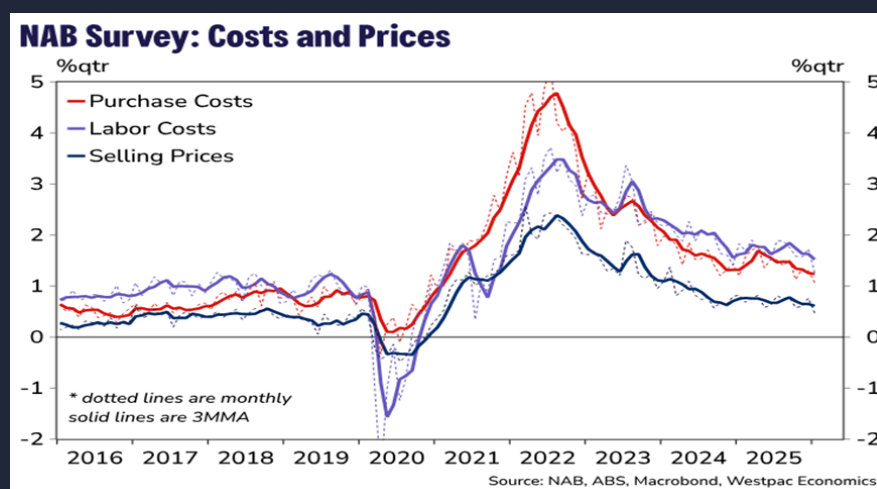
- trading conditions fell 6pts to +10 and slipped 2points below the long-run average.
- There was a 3pt decline in profitability to +5, suggesting firms are responding to weaker demand by reducing profit margins.
- The employment sub-index remained at +5 for a third consecutive month, reflecting a relatively strong labour market.

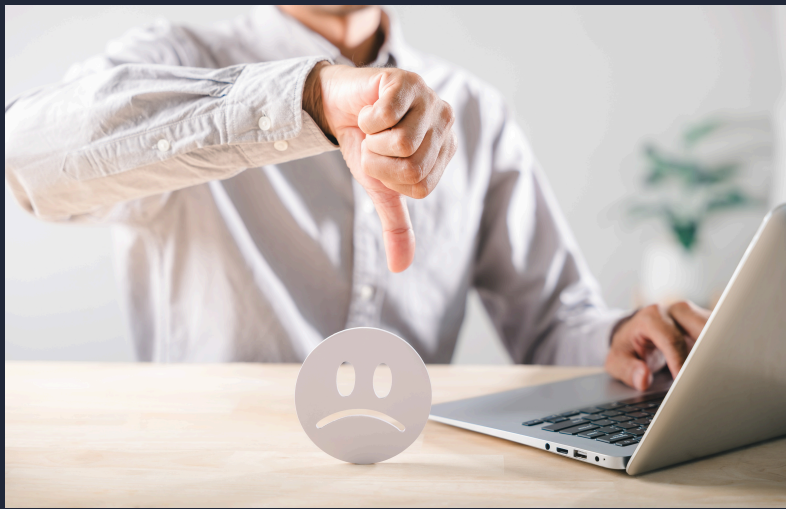
Business confidence is more future focussed. A reading above zero reflects business optimism, indicative of a favourable economic trajectory. A negative number indicates pessimism, potentially signalling economic headwinds.

Confidence was up 1 point to +3. It remains below its long-run average, although that the measure remains positive suggests businesses may be unconcerned about the possibility of higher interest rates.

Westpac Economist, [Luka Belobrajdic](#), suggests this may be due to lower costs:

'The survey reported that all measures of costs and prices are now at or slightly below their long-run averages. Labour cost growth eased the most, falling 0.5ppt lower to a quarterly pace of 1.3%, while final product cost growth eased 0.3ppt to 0.5% – the lowest since 2021. Purchase costs growth also moderated, declining 0.2ppt to 1.1%. These outcomes bode relatively well for the near-term inflation outlook ...' See below.

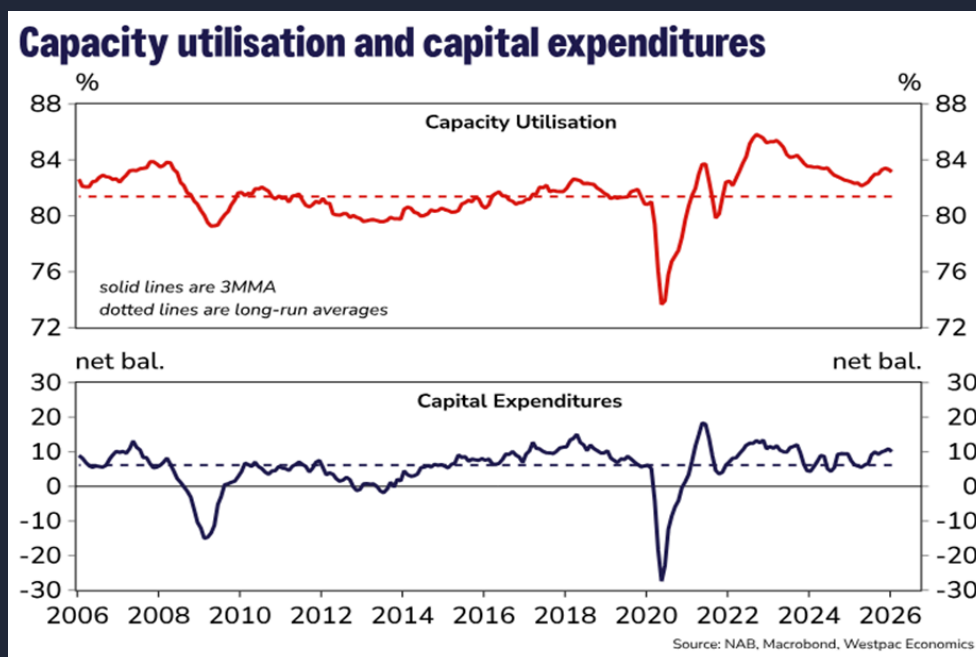




Finally, nab provided data on capacity utilisation and capital expenditure. Utilisation, i.e. actual output compared to possible output, declined just 0.6% points from the November peak. Mr Belobrajdic notes the recent turnaround is significant:

'... given the RBA's recent emphasis on capacity constraints as a driver of inflation. We continue to believe the RBA's assessment of supply-side constraints may be overly pessimistic.'

He also notes that while capital expenditure also softened, falling -1pts to +9, this remains +2pts above the long-run average. See below.





TECH CHECK

Today we introduce a new weekly column to our briefing, with a focus on technology news. 2026 promises to be another interesting year for technology companies.

This new column will uphold Honeywell's tradition of bringing you the latest news from reputable sources such as The Economist, Australian Financial Review, and the Wall Street Journal.

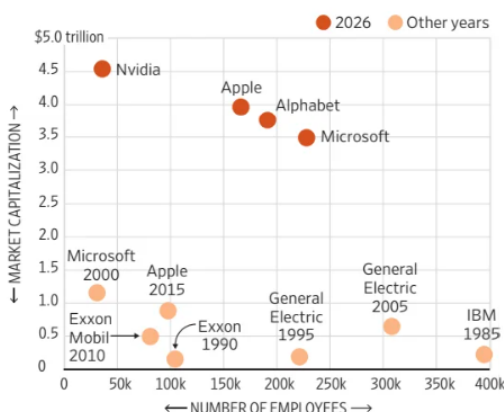
2026 technology stocks driving funds to capital rather than labour

The Wall Street Journal published a fascinating Chart on 10th Feb (see below), comparing the market capitalisation and employee numbers of tech firms for the first trading day of select years. In 1985, IBM was the largest US tech company by both market cap and employment.

Four decades on, Nvidia had the largest market cap (20 times bigger than IBM's 1985 figure), yet only 10% of IBM's mid 80s workforce.

A key conclusion is that tech companies are increasingly shifting their investment from employees to capital such as AI chips and data centres.

Real market capitalization and number of employees for the largest companies on first trading day of select years*



Aussie AI company valued at \$1 billion

Australian AI startup company *Neara* has raised AUS \$90 million in a recent funding round. Analysts now place a \$1 billion valuation on the Sydney based firm, according to the AFR.

Neara uses AI to design new power grid systems, a key focus for governments looking to allow new data centres to be constructed in the ongoing tech boom.

The company currently has contracts with Ausgrid and Scottish Power, among others.



AI worried about its human users

According to The Economist, the recently launched Moltbook has raised some amusing stories. Unlike Facebook, which allows interactions between humans, Moltbook is a tool that allows online AI agents to communicate with each other.

A popular discussion topic amongst the AI tools has been "Why you should ship while your human sleeps".

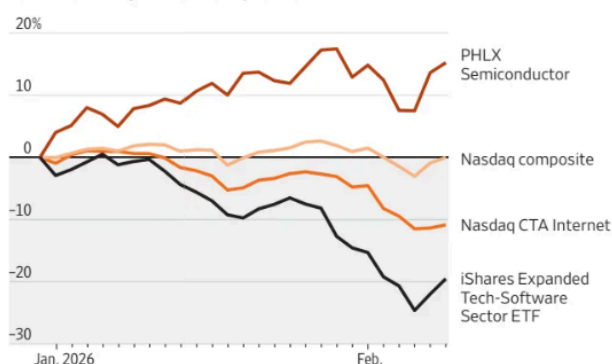


TECH CHECK

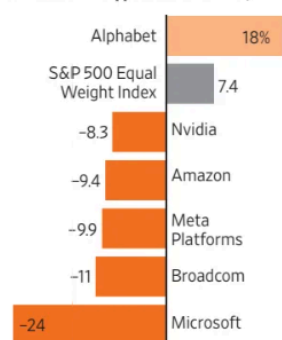
Tech stocks continuing to move in different directions

Recent charts highlight subdued investor sentiment in the technology sector as we move into the middle of February 2026.

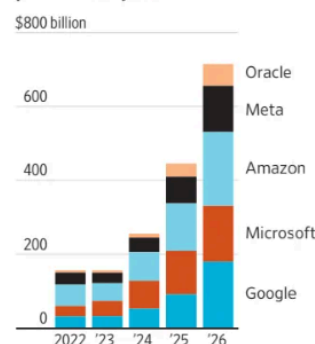
Index and EFT performance, year to date



Share-price and index performance since Nasdaq peak on Oct. 29, 2025



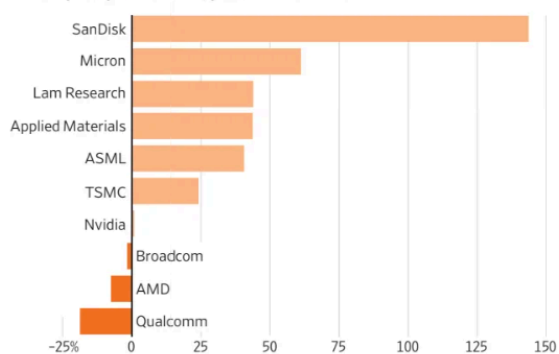
Capital spending per calendar year*



The Chart above on the far-left highlights the strong performance since the start of 2026 of the PHLX Semiconductor Index, which focusses solely on the top 30 companies (eg. Advanced Micro Devices Ltd) that are involved in the production of semi-conductors (electrical switches essential to AI data chips).

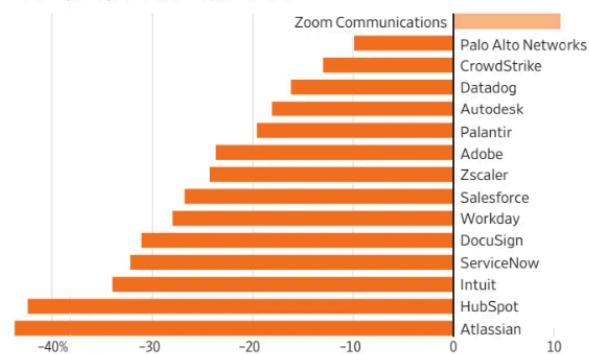
Whilst that market is booming, the NASDAQ composite (weighted to largest tech companies) and NASDAQ CTA (Internet related tech companies) are both down from the start of this year. The traditional software companies such as Adobe have been hit hardest as investors increasingly predict companies switching to AI for in house management of accounting and marketing functions. The middle Chart unpacks these trends further by showing Alphabet (Google) as the only major tech company up since the start of 2026. One key factor behind this subdued outlook can be explained by the Chart at far-right above - the giant capital expenditures from big tech are proving a source of investor concern in terms of how this will be recovered. Finally, the Chart below left highlights the tech companies such as SanDisk that provide essential memory chips for AI tools are booming. Conversely, the Chart at below right starkly shows the investor caution about software stocks, with Macquarie Group now reconsidering its exposure to this sector.

Share-price performance, past three months



*Oracle's capital spending represents year ending in November. The amounts for 2026 are projections.

Share-price performance, year to date



Sources: FactSet (index and ETF performance, share price performance); Visible Alpha (capital spending)



TECH CHECK

Do We Want AI Directing our Grocery Shopping?

After Walmart's announcement last week of links with Alphabet and Open AI (see last week's Briefing) comes Woolworths statement of a partnership with Google to incorporate agentic artificial intelligence into its "Olive" chatbot, starting in Australia later in 2026.

Uri Gal, in *The Conversation*, reports that Olive will soon be able to plan meals, interpret handwritten recipes, and apply loyalty discounts, as well as placing suggested items directly into a customer's online shopping basket.



Further, Mr Gal argues this significantly changes the shopping process with Google's 'proactive digital concierge' understanding customer intent, reason through multi-step tasks, and then executes action. He says:

'For example, a customer who uploads a photo of a handwritten recipe could receive a completed list of ingredients, reflecting product availability and discounts. Alternatively, a customer who asks for a meal plan could receive a ready-made basket based on past preferences, current promotions and local stock levels.'

In this system, potentially, there is a change in the role of the shopper from someone who actively selects products through browsing and comparisons, to someone who will just review and approve selections made for them.

Mr Gal has two key concerns.

First, these shopping systems are designed to nudge behaviour:

'When Olive highlights discounted products or promotional offers for a shopper ... its priorities reflect pricing strategies, promotional priorities and commercial relationships – not an objective assessment of the consumer's interests.'

Will we opt for convenience over informed choice?

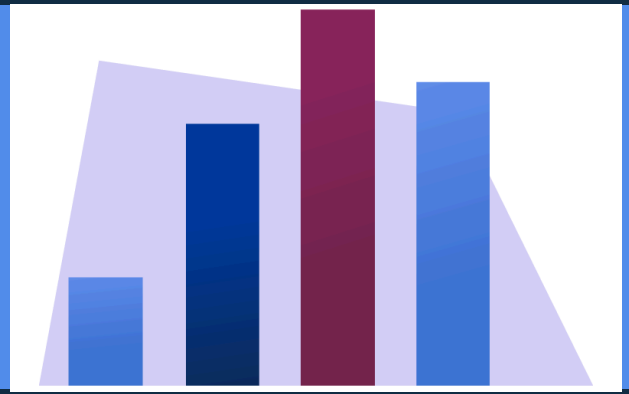
Second, data privacy could be compromised:

'Meal planning can disclose health conditions, dietary restrictions, cultural practices, religious observance, family composition, and financial pressures. It's not yet clear how long household data is retained, how it's aggregated, or how insights from such data are used elsewhere.'

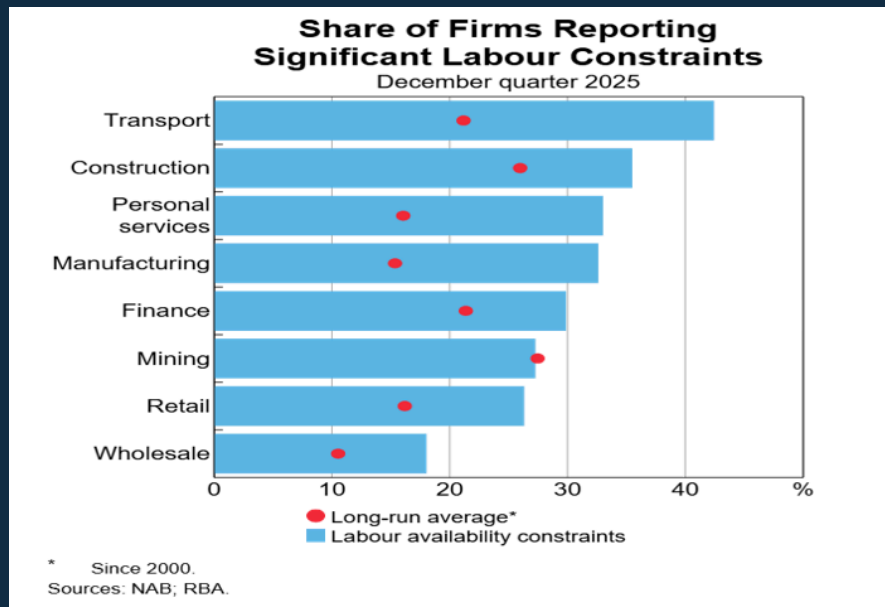
Mr Gal concludes:

'When AI systems start making everyday decisions, we must ask whether consumers retain meaningful control over their choices. Transparency about how recommendations are generated, limits on commercial incentives shaping agent behaviour, and boundaries on household data use should be treated as baseline expectations, not optional safeguards.'

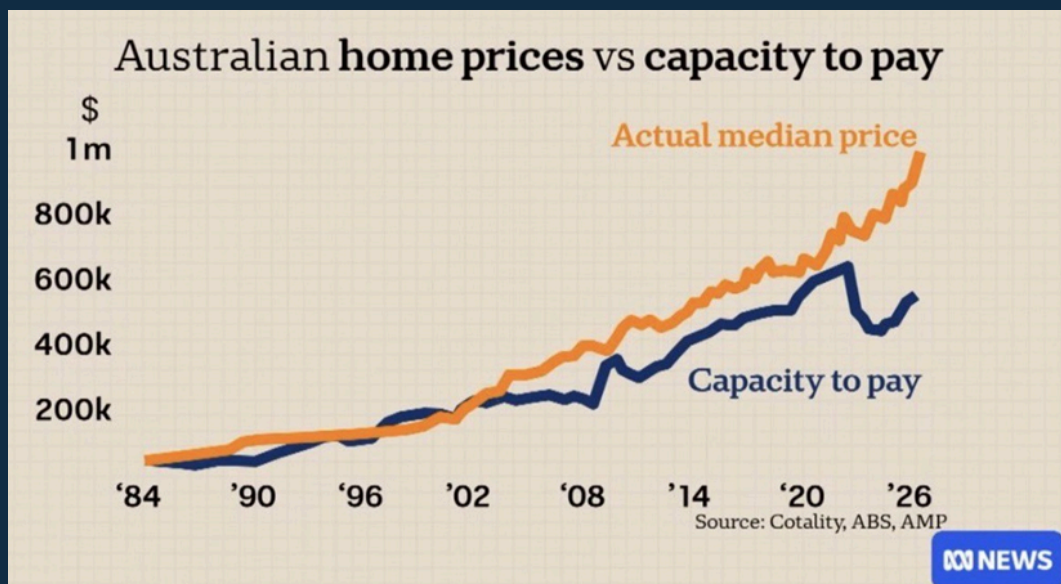
CHART ATTACK



The chart below from the RBA, which was released in conjunction with the statement on monetary policy, shows that labour is a constraint for firms in several industries. Many firms struggle to find sufficiently skilled or high-quality candidates.



The chart below shows the gap between a borrower's capacity to pay for a home with a 20% deposit, average full-time earnings and mortgage payments at 28% of income is a long way from the actual median price. On a typical \$600,000 mortgage repayments are about \$3500 per month.



Below shows us having an unwanted podium finish in global rankings of household debt.





ECONOMICS MATTERS:

RECENT ECONOMIC DATA

AUSTRALIA

Our trade surplus (export revenues – import revenues) **increased by \$776b in December.** Exports were up 1%, driven by metals and minerals. Imports were up 0.8%.

The Australian dollar has appreciated against the \$US. The \$A increased to nearly \$71c on Tuesday, the highest in three years. Over the past month, our dollar has gained 5.69%, and in the past year has appreciated 13%.

The Commonwealth Bank share price jumped 5.8% on Wednesday. The bank's cash profit came in \$200 million ahead of expectations, and its dividend was \$2.35 compared to a consensus of \$2.31.

A slump in the CSL share price. CSL fell 11.7% on Wednesday after the sacking of CEO Paul McKenzie in the final minutes of trading on Tuesday, and on Wednesday morning posted an 81% plunge in half-year earnings to \$566 million.

USA

President Trump announced that his nomination for the chairman of the central bank is Kevin Warsh. Although Mr Warsh has recently expressed support for further rate cuts, he has a history of being hawkish (i.e., advocating higher rates).

US-based employers announced 108,435 job cuts in January, the highest level since October and the largest January layoffs in 15 years, signalling that employers are less-than-optimistic about the economic outlook.

Inflation expectations in the US declined to 3.1% in January, the lowest in six months. Consumers expect a slowdown in prices for fuel and medical care.

US retail sales were unexpectedly flat in December, following a 0.6% increase in November. Spending on clothing, furniture and cars fell. Some commentators argue this is further evidence for a need to cut interest rates.

ASIA

A measure of private sector activity in China showed an eighth consecutive month of expansion, as output growth accelerated across both the manufacturing and services sectors. The RatingDog China General Composite PMI rose to 51.6 in January, up from 51.3 in December, marking the highest reading since October.

Indonesia is predicted to meet its 5.2% growth target for 2025 despite flood-related damage late last year, with economic momentum picking up in the fourth quarter. Indonesia is our 13th most important trading partner, taking 2.2% of our exports.

Household spending in Japan declined 2.6% in the year to December increasing concerns that private demand is struggling to gain momentum.

Japan's bank lending rose 4.5% in the year to January, up from a 4.4% gain in December. This is the fastest pace in nearly 5 years.

Minutes from the Bank of Japan's recent meeting indicated support to hike interest rates as yen weakness risks higher inflation. A lower yen makes imports more expensive.

Japan's unemployment rate remained at 2.6% in December, unchanged for a fourth consecutive month. The figure remained the highest since July 2024.

South Korea's unemployment rate declined to 3% in January from 3.3% in December. The economy added 108,000 jobs in January.

The Reserve Bank of India kept its key interest rate at 5.25% at its February meeting, the after cutting by 0.25% in December. There is growing confidence that India's growth will lift while inflation will remain subdued.

EUROPE

Inflation In the Euro Area decreased to 1.7% in January from 1.9% in December. This is the lowest reading in nearly five years.

The Swiss franc is at US77c, its highest level in 15 years, boosted by safe-haven flows and the dollar depreciation. The franc is often bought in times of uncertainty.

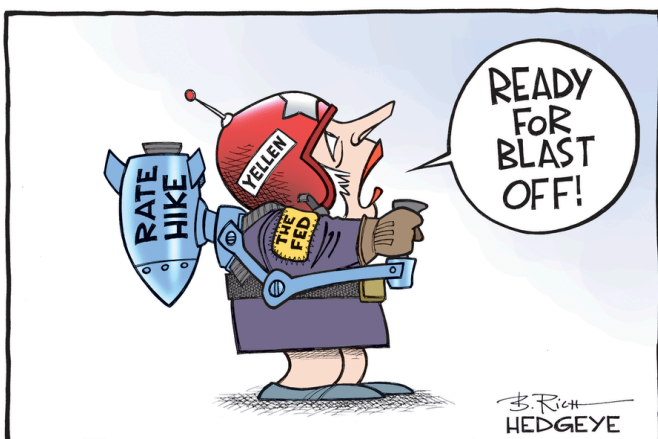
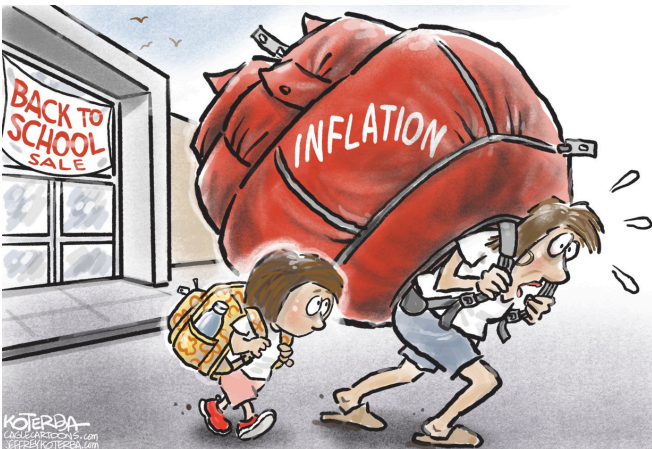
Eurozone retail sales rose by 1.3% in the year to December, down from a 2.4% increase in November. There is speculation that interest rates may fall later this year. Rates were left unchanged at 2.15% on Friday.

The UK Bank Rate remained unchanged at 3.75% in February, with a narrow 5 to 4 vote, as policymakers balanced easing inflation pressures against risks from a weakening economy. Four members supported a 25-basis point cut (0.25%). Inflation is above the 2% target but is expected to fall back to around that level from April due partly to falls in energy prices.

INTERNATIONAL

Silver prices bounced back over 6% to \$83 per ounce on Tuesday, extending last week's rebound after a sharp fall last week briefly erased nearly half of its value. The recovery was driven by easing US inflation expectations which reduced fears about the debasement of the \$US. Gold was up 2% on the same day. On Wednesday silver was being traded at \$81.27

China has agreed to buy more soyabeans from America. China previously slashed orders in response to American tariffs.



If you have any economics questions you want to see answered in a briefing, send them through to enquiries@honeywellcapital.com.au