

Monday, 3 September 2018

Chart A: Domestic Interest Rates

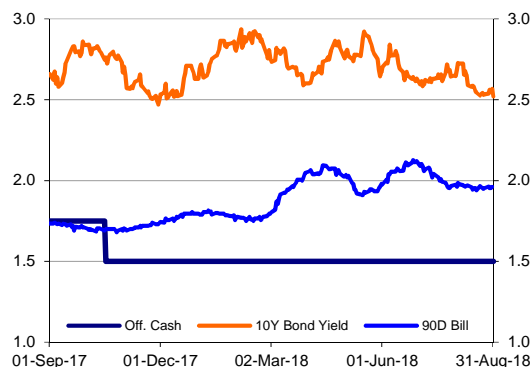


Chart B: Share Price Index

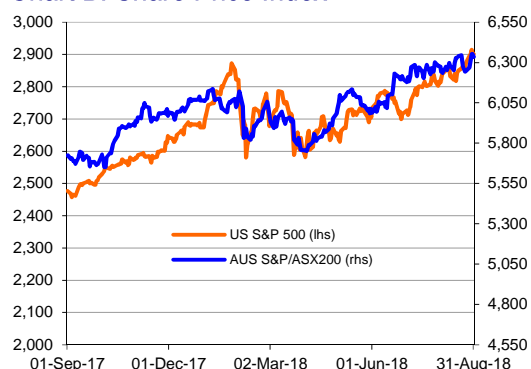


Chart C: Exchange rate

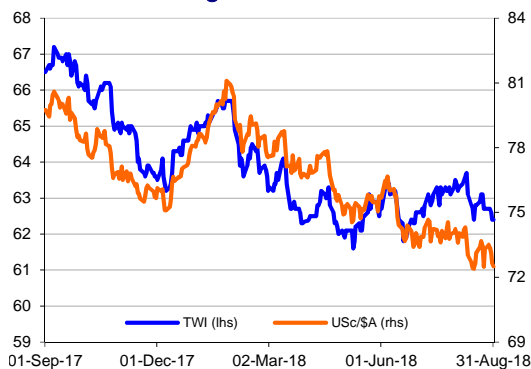
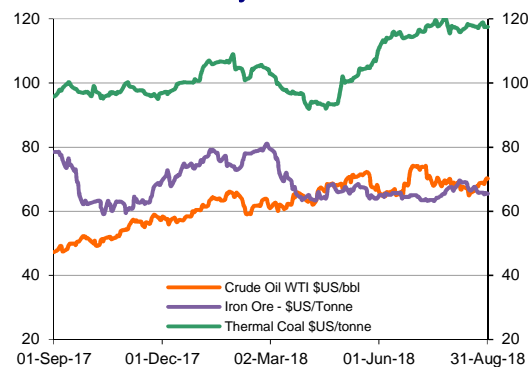


Chart D: Commodity Prices



Domestic Data Releases

ABS Private Capital Expenditure data for the June quarter showed that NSW capex increased by 2.0 per cent in the quarter, to be 11.3 per cent higher through the year. This was driven by buildings and structures which was up 8.1 per cent in the quarter, while equipment was down 3.3 per cent. Nationally, capex fell 2.5 per cent in the quarter, to be 0.4 per cent higher through the year, with buildings and structures down 3.9 per cent and equipment down 0.9 per cent. Looking ahead, in Australia the current adjusted capex estimate for 2018-19 is 5.7 per cent lower than actual 2017-18 capex, driven by expected declines in mining investment.

ABS Residential Building Approvals data showed that the annual sum of building approvals in NSW was 70,169, down 3.4 per cent through the year to July. In Australia, approvals were at an annual sum of 230,021, up 4.7 per cent through the year.

RBA released its Private Sector Credit for July. In Australia, total credit was up 0.4 per cent in the month, to be 4.4 per cent higher through the year. Specifically, housing credit was up 5.5 per cent, with owner-occupier credit up 7.6 per cent and investor credit up 1.5 per cent through the year.

Markets

Over the week to Friday, the ASX200 rose by 1.4 per cent, the US S&P500 rose by 0.9 per cent and thermal coal prices fell by 0.3 per cent.

	Value	Change on Year	Change on Week
US S&P 500	2901.13	17.1 %	0.9 %
ASX200	6335.80	10.7 %	1.4 %
Australian Dollar (USD)	0.73	-9.1 %	-1.1 %
TWI	62.40	-6.2 %	-0.5 %
Oil (USD/bbl)	70.25	48.6 %	2.2 %
Gold (USD/oz)	1197.30	-9.3 %	0.0 %
Thermal Coal (USD/tonnes)	117.50	22.7 %	-0.3 %
Australian 10-yr bond	2.52%	-14.0 bps	-1.5 bps
US 10-yr bond	2.85%	68.7 bps	4.3 bps
NSW 10-yr bond (bps) maturity 2028	2.52%	- bps	-2.0 bps

Upcoming Domestic Data Releases (3/09 – 7/09)

- **ABS** will release Balance of Payments data and National Accounts data for the June quarter, Mineral and Petroleum Exploration data for June, International Trade in Goods & Services, Regional Building Approvals and Retail Trade data for July.
- **RBA** will release its Interest Rate Decision for September.
- **APM** will release its Auction data for August.

Chart E: Interest Rate Expectations

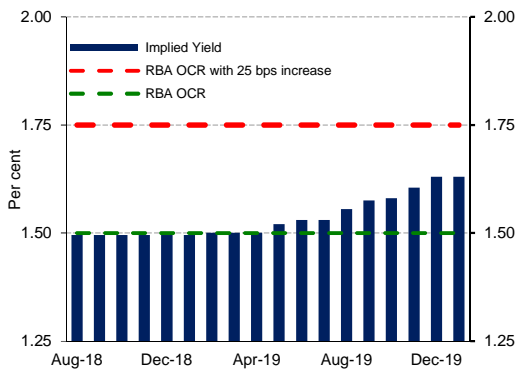
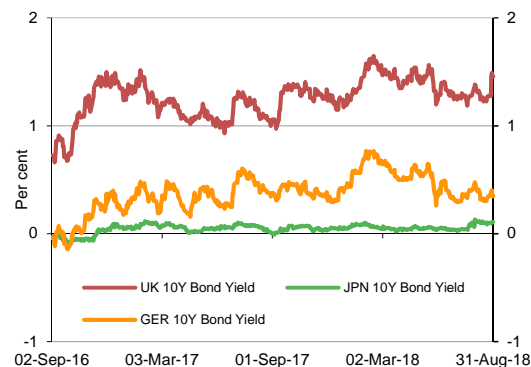
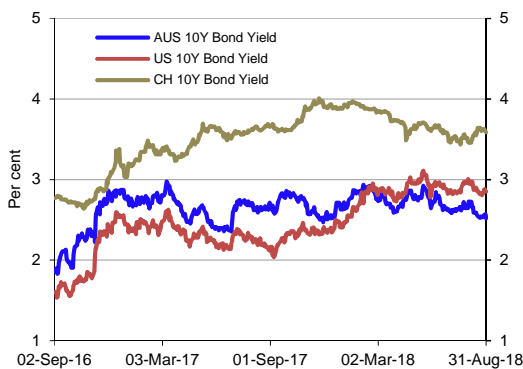


Chart F & G: International Bond Yields



Market Interest Rate Expectations

The current implied yield curve on ASX 30-day Interbank Cash Rate Futures (Chart E) indicates that the majority of the market expects the RBA to increase the cash rate in December 2019.

According to the ASX Target Rate Tracker, as at 31 August, there is a 0 per cent expectation that the RBA will increase the cash rate to 1.75 per cent at its next policy meeting on 4 September 2018.

International Bond Yield Spreads

US bond yields rose 4.3 basis points over the week to Friday following President Donald Trump’s announcement of a new trade deal between the US and Mexico to replace the current NAFTA agreement. Consumer confidence also rose to its highest level since late 2000s. The yield fell slightly on Friday as the US was not able to reach a deal with Canada on the NAFTA agreement, with the Canada Trade Minister stating they are still working to “get the right deal, not any deal.” Bond yields rose in all other countries tracked, except China.

10-yr bond yield	Yield (%)	Change on Year (bps)	Change on Week (bps)	Spread on 10 yr US bond week end (bps)	Spread on 10-yr US bond year ago (bps)
Australian (AUS)	2.52	-14.0	-1.5	-33.3	49.4
United States (US)	2.85	68.7	4.3	-	-
Germany (GER)	0.35	-3.3	0.1	-250.7	-178.7
United Kingdom (UK)	1.46	39.8	17.7	-139.8	-110.9
Japan (JPN)	0.11	10.9	0.7	-274.5	-216.7
China (CH)	3.59	-7.7	-3.2	73.3	149.7

Key International Data Releases

China: The non-manufacturing PMI rose to 54.2 in August, from 54.0 in July and the manufacturing PMI ticked up to 51.3, from 51.2.

Germany: The IFO business climate index rose to 103.8 in August, from 101.7 in July. Consumer confidence fell to 10.5 in September, from 10.6 in August. The consumer price index rose 2.0 per cent through the year to August, unchanged from July. The unemployment rate was steady at 5.2 per cent in August, in line with expectations. Retail sales rose 0.8 per cent through the year to July, compared to 2.7 per cent in June.

Euro Area: Business confidence fell to 1.22 in August, from 1.30 in July. The unemployment rate was steady at 8.2 per cent in July, the lowest level in almost a decade. The consumer price index dropped slightly to 2.0 per cent through the year to August, from 2.1 per cent in July.

Canada: Gross domestic product expanded 2.9 per cent through the year to the June quarter, after a 1.4 per cent increase in the first quarter of 2018. This was the fastest pace of growth in a year and was driven by exports which increased at an annualised rate of 12.3 per cent, the largest gain since 2014.

Japan: Consumer confidence dropped to 43.3 in August, from 43.5 in July, to the lowest level in a year. The unemployment rate rose slightly to 2.5 per cent in July, from 2.4 per cent in June. Industrial output was 2.3 per cent higher through the year to July, compared to 0.9 per cent in June.

Upcoming Key International Data Releases (3/09 – 7/09)

- **US:** Trade Balance data for July and ISM Manufacturing PMI, Unemployment Rate and Change in Private Payrolls data for August.
- **Euro Area:** Retail Sales and PPI data for July.
- **Canada:** Unemployment Rate data for August.
- **Germany:** Industrial Production and Trade Balance data for July.

Six Weeks At A Glance

Monday	Tuesday	Wednesday	Thursday	Friday
3-Sep	4-Sep	5-Sep	6-Sep	7-Sep
ABS Retail Trade, Jul-18 ABS Mineral and Petroleum Exploration, Jun-18	RBA Interest Rate Decision, Sep-18 ABS Balance of Payments, Jun-18	ABS National Accounts, Jun-18	APM Auction data, Aug-18 ABS International Trade in Goods and Services, Jul-18 ABS Regional Building Approvals, Jul-18	
10-Sep	11-Sep	12-Sep	13-Sep	14-Sep
	NAB Monthly Business Survey, Aug-18 ABARES Crop Report, Sep-18 ABS Lending Finance, Jul-18	W-MI Consumer Sentiment, Sep-18	ABS Labour Force, Aug-18	
17-Sep	18-Sep	19-Sep	20-Sep	21-Sep
ABS Overseas Arrivals and Departures, Jul-18	RBA Monetary Policy Minutes, Sep-18 ABS Residential Property Price Indexes, Jun-18	DoE Skilled Vacancies, Aug-18 Austrade International Visitor Survey, JunQ-18	RBA Bulletin, Sep-18 ABS Australian Demographic Statistics, Mar-18 ABS Monthly Detailed Labour Force, Aug-18 ABS Quarterly Detailed Labour Force, Aug-18	
24-Sep	25-Sep	26-Sep	27-Sep	28-Sep
		ABS Engineering Construction Activity, Jun-18	ABS Job Vacancies, Aug-18	RBA Private Sector Credit, Aug-18
1-Oct	2-Oct	3-Oct	4-Oct	5-Oct
	RBA Interest Rate Decision, Oct-18	ABS Building Approvals, Aug-18	ABS International Trade in Goods and Services, Aug-18	ABS Retail Trade, Aug-18
8-Oct	9-Oct	10-Oct	11-Oct	12-Oct
APM Auction data, Sep-18	NAB Monthly Business Survey, Sept-18	W-MI Consumer Sentiment, Oct-18 ABS Regional Building Approvals, Aug-18 ABS Building Activity, Jun-18		ABS Housing Finance, Aug-18

ECONOMIC FACTS

ECONOMIC GROWTH				
ECONOMIC INDICATOR	NSW	Australia	Measure	Latest Period
Gross State/ Domestic Product	2.9%	2.0%	% annual average	2016-17 Next: November 18
State/Domestic Final Demand	3.7%	3.2%	% through the year	March quarter 18 Next: 5 September 18
	0.7%	0.6%	% change on last qtr	
BUSINESS INVESTMENT				
NAB Business Confidence	+5	+7	NAB Index	July 18 (mthly) Next: 11 September 18
NAB Business Conditions	+9	+12		
HOUSING				
Dwelling Approvals	70.2k	230.0k	Number of app 12mms	July 18 (mthly) Next: 3 October 2018
	-4.6%	-2.3%	% annual average	
Residential Prices (capitals)	-0.5%	2.0%	% through the year	March quarter 18 Next: 18 September 18
LABOUR FORCE				
Employment	2.9%	2.4%	% through the year	July 18 (mthly) Next: 13 September 18
Unemployment Rate	4.9%	5.3%	Current rate	
Youth unemployment rate	10.3%	12.2%	12 monthly moving average rate	
CONSUMER				
Retail Sales	3.0%	2.9%	% through the year	June 18 (mthly) Next: 3 September 18
Westpac MI Consumer Confidence	102.2	103.6	Westpac MI Index	August 18 (mthly) Next: 12 September 18
CPI (Capital cities)	2.1%	2.1%	% through the year	June quarter 18 Next: 31 October 2018
Official cash rate	1.50%		Lowered 25 basis points Aug 16	Next: 4 September 18

ECONOMIC FORECASTS ^(a)	NSW Forecasts (as per 2018-19 Budget)			Australian Gov't Forecasts (as per 2018-19 Budget)		
	2016-17 Actual	2017-18 Forecast	2018-19 Forecast	2016-17 Actual	2017-18 Forecast	2018-19 Forecast
State/Domestic Final Demand (%)	3.9	3¾	3	2.3	n.a.	n.a.
Gross State /Domestic Product (%)	2.9	3	2¾	2.1	2¾	3
Employment (%)	1.0	3	1¾	1.9	2¾	1½
Unemployment rate (%) ^(b)	5.0	4¾	4¾	5.6	5½	5¼
CPI (%) ^(c)	2.0	2	2¼	1.9	2	2¼
Wage Price Index (%) ^(d)	2.0	2	2½	1.9	2¼	2¾

(a) Australia and NSW: Annual average unless otherwise indicated (b) Australia: Per cent in the June quarter, NSW: Annual average, per cent (c) Australia: through-the-year growth to the June quarter NSW: 2017-18 to 2020-21 include a ¼ percentage points contribution from tobacco excise increases (d) Australia: through-the-year growth to the June quarter