

Chart A: Domestic Interest Rates

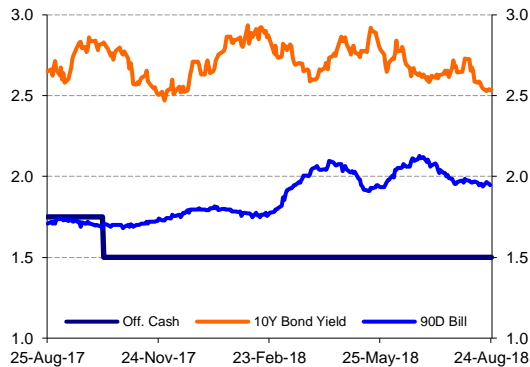


Chart B: Share Price Index

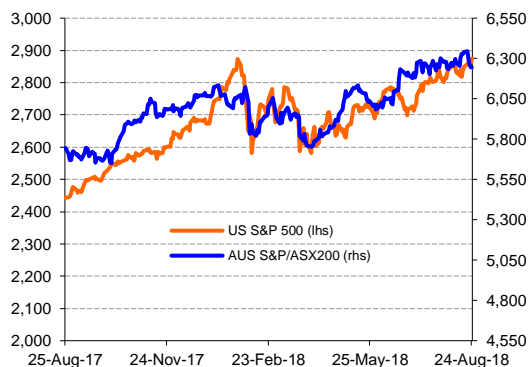


Chart C: Exchange rate

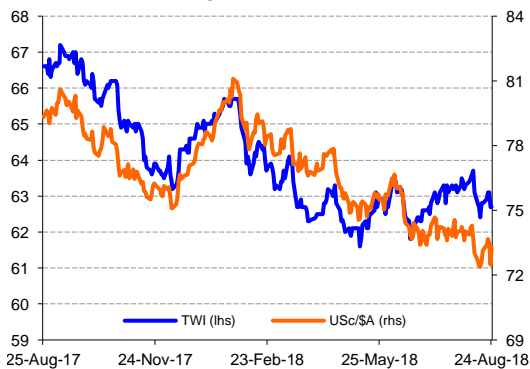
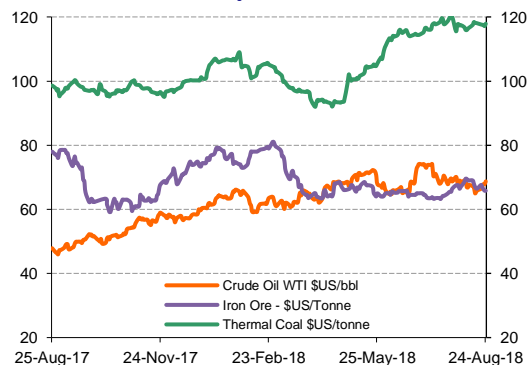


Chart D: Commodity Prices



Domestic Data Releases

ABS Overseas Arrivals and Departures data showed that the number of overseas visitors to NSW in June was 229,200, up 3.5 per cent through the year. Nationally, the number of overseas visitors was 646,700 in the month, up 6.7 per cent through the year.

ABS Construction Work Done data for the June quarter showed that residential and non-residential building work done was up 9.3 per cent through the year in NSW and up 5.2 per cent in Australia. Engineering construction work done was up 20.3 per cent through the year in NSW but down 7.2 per cent in Australia. This meant that total work done was up 13.2 per cent through the year in NSW but down 0.1 per cent in Australia.

ANZ released its **Stateometer** report for the June quarter. In NSW, the housing sub-index was the largest drag, ANZ added: *“Households in Sydney are the most highly leveraged and therefore the most susceptible to the tightening lending standards”*. At the same time, the above trend labour market and strong employment growth continued to make the largest positive contribution.

Markets

Over the week to Friday, the ASX200 fell by 1.4 per cent, the US S&P500 rose by 0.9 per cent and thermal coal prices fell by 0.1 per cent.

	Value	Change on Year	Change on Week
US S&P 500	2874.69	17.7 %	0.9 %
ASX200	6247.33	8.8 %	-1.4 %
Australian Dollar (USD)	0.73	-7.6 %	0.2 %
TWI	62.70	-5.9 %	-0.2 %
Oil (USD/bbl)	68.72	43.6 %	4.3 %
Gold (USD/oz)	1197.70	-6.8 %	1.6 %
Thermal Coal (USD/tonnes)	117.90	19.6 %	-0.1 %
Australian 10-yr bond	2.54%	-11.5 bps	-1.0 bps
US 10-yr bond	2.81%	64.0 bps	-5.1 bps
NSW 10-yr bond (bps) maturity 2026	2.68%	- bps	0.0 bps

Upcoming Domestic Data Releases (27/08 – 31/08)

- **ABS** will release Private New Capital Expenditure data for June and Building Approvals data for July.
- **RBA** will release Private Sector Credit data for July.

Chart E: Interest Rate Expectations

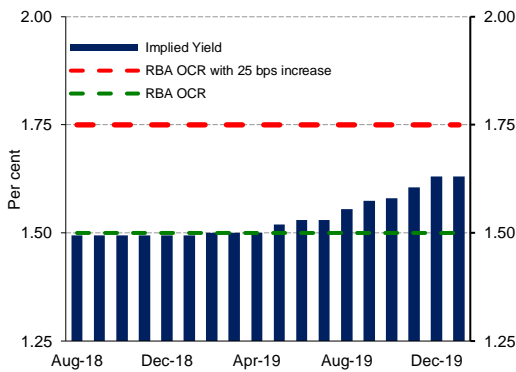
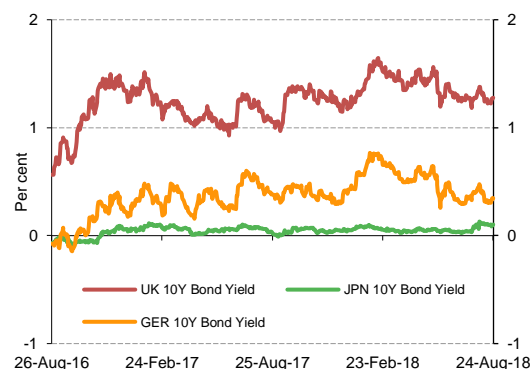
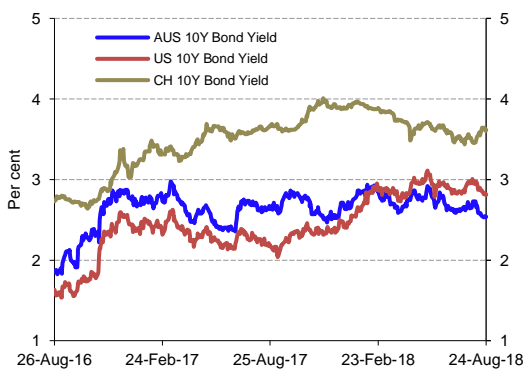


Chart F & G: International Bond Yields



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 24 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 fell 5.1 basis points over the week to Friday following President Donald Trump’s criticism of Federal Reserve Chair Jerome Powell around the Fed’s decision to elevate borrowing costs. Bond yields remained steady on Friday after Federal Reserve Chair Jerome Powell said that “further, gradual” rates hikes remain the best policy as the economy continues to show signs of strength.

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)	2.54	-11.5	-1.0	-27.5	48.0
United States (US)	2.81	64.0	-5.1	-	-
Germany (GER)	0.35	-3.5	4.0	-246.5	-179.0
United Kingdom (UK)	1.28	22.8	4.2	-153.2	-112.0
Japan (JPN)	0.10	8.1	0.3	-270.9	-215.0
China (CH)	3.62	-5.2	-2.6	80.8	150.0

Key International Data Releases

Japan: The Consumer Price Index (CPI) rose by 0.9 per cent through the year to July compared with 0.7 per cent in the previous month. Manufacturing PMI rose to 52.5 in August from 52.3 in the previous month as domestic demand jumped.

Germany: The Producer Price Index (PPI) rose by 3.0 per cent through the year to July, the same rate of growth as in June. Manufacturing PMI fell to 56.1 in August from 56.9 in the previous month.

Euro Area: Consumer sentiment fell for the third month by 1.3 index points to -1.9 in August, the lowest reading for 15 months. Manufacturing PMI fell unexpectedly to a 21-month low of 54.6 from 55.1 in July.

Canada: Retail sales fell 0.2 per cent in June to \$50.7 billion mainly due to the fall in sales of gasoline, motor vehicle and parts.

Upcoming Key International Data Releases (27/08 – 31/08)

- **Japan:** Retail Sales, Unemployment Rate and Industrial Production data for July as well as Consumer Confidence data for August.
- **Euro Area:** Unemployment Rate data for July and Business Confidence data for August.
- **Germany:** Retail Sales data for July, Unemployment Rate and CPI data for August and Consumer Confidence data for September.
- **Canada:** GDP data for June.
- **China:** Manufacturing PMI and Non-manufacturing PMI data for August.

Six Weeks At A Glance

Monday	Tuesday	Wednesday	Thursday	Friday
27-Aug	28-Aug	29-Aug	30-Aug	31-Aug
			ABS Private New Capital Expenditure, Jun-18 ABS Building Approvals, Jul-18	RBA Private Sector Credit, Jul-18
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

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	71.5k	230.1k	Number of app 12mms	June 18 (mthly) Next: 30 August 2018
	-4.5%	-3.5%	% 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