

Monday, 6 August 2018

Chart A: Domestic Interest Rates

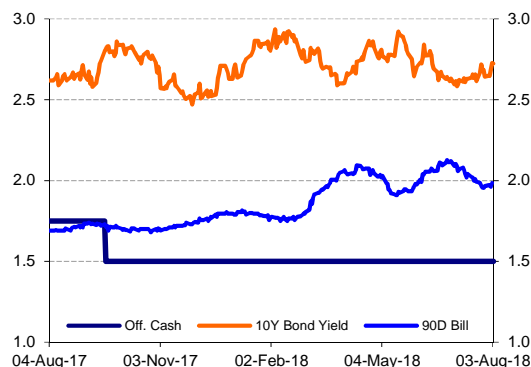


Chart B: Share Price Index

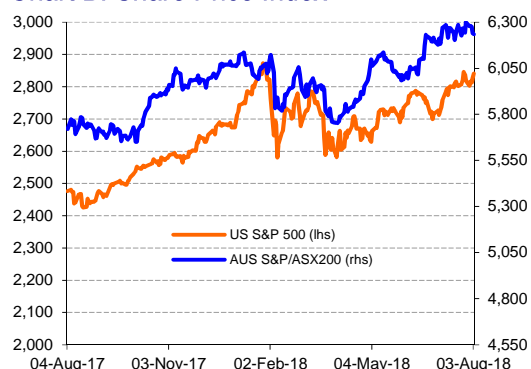


Chart C: Exchange rate

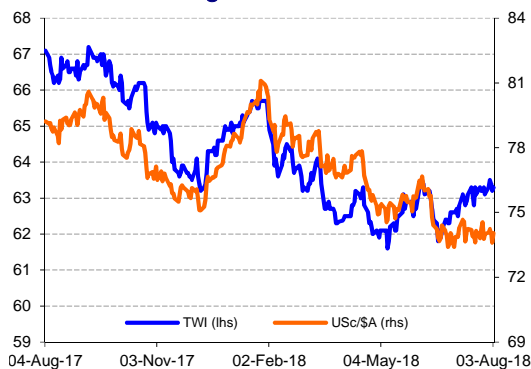
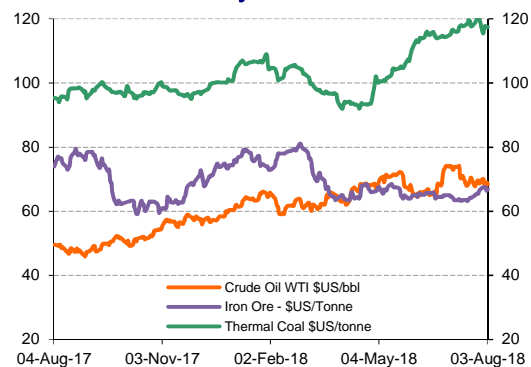


Chart D: Commodity Prices



Domestic Data Releases

RBA Private Sector Credit data showed that total credit was up 4.5 per cent through the year to June. Over the same period, owner occupier housing credit increased 7.8 per cent and investor housing credit increased 1.6 per cent.

ABS Building Approvals data showed that in annual terms, NSW building approvals were down 2.0 per cent through the year to June. Nationally, building approvals were up 3.6 per cent through the year. This was largely driven by VIC, where approvals increased 15.7 per cent.

ABS International Trade in G&S data showed that in annual terms, NSW goods exports were up 8.6 per cent and imports were up 11.3 per cent through the year to June. Nationally, exports were up 12.3 per cent and imports were up 7.7 per cent through the year.

ABS Retail Trade monthly data showed that NSW nominal retail sales rose 0.4 per cent in June to be up 3.0 per cent through the year. Nationally, nominal retail sales rose 0.4 per cent in June to be up 2.9 per cent through the year. The quarterly data showed that NSW real retail sales rose 1.7 per cent in the June quarter to be up 3.0 per cent through the year. Nationally, real retail sales rose 1.2 per cent to be up 2.5 per cent through the year. Retail prices remained weak, with price growth of around 0.2 per cent through the year.

Markets

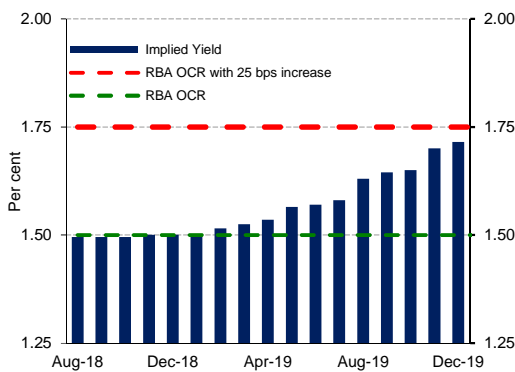
Over the week to Friday, the ASX200 fell by 1.0 per cent, the US S&P500 rose by 0.8 per cent and thermal coal prices fell by 2.0 per cent.

	Value	Change on Year	Change on Week
US S&P 500	2840.35	14.7 %	0.8 %
ASX200	6234.78	9.0 %	-1.0 %
Australian Dollar (USD)	0.74	-6.5 %	0.1 %
TWI	63.30	-5.7 %	0.3 %
Oil (USD/bbl)	68.49	38.1 %	-0.3 %
Gold (USD/oz)	1216.30	-3.3 %	-0.6 %
Thermal Coal (USD/tonnes)	117.45	23.2 %	-2.0 %
Australian 10-yr bond	2.73%	10.5 bps	8.1 bps
US 10-yr bond	2.95%	68.9 bps	-0.5 bps
NSW 10-yr bond (bps) maturity 2026	2.85%	- bps	7.0 bps

Upcoming Domestic Data Releases (6/08 – 10/08)

- **ABS** will release Regional Building Approvals, Housing Finance and Lending Finance data for June.
- **APM** will release Auction data for July.
- **RBA** will release its Interest Rate Decision and Statement of Monetary Policy for August. RBA Governor, Philip Lowe, will speak at the Anika Foundation Luncheon in Sydney on Wednesday.

Chart E: Interest Rate Expectations



Market Interest Rate Expectations

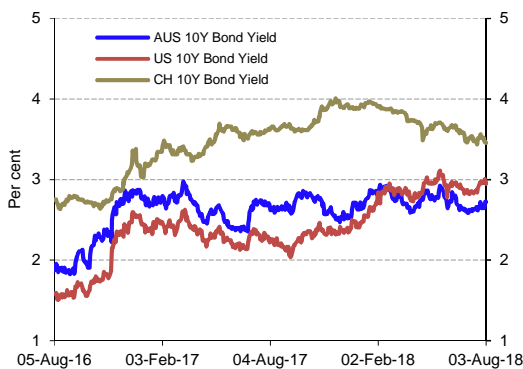
The current implied yield curve on ASX 30-day Interbank Cash Rate Futures (Chart E) indicates that the majority of the market expects the RBA to increase the cash rate in August 2019.

According to the ASX Target Rate Tracker, as at 3 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 7 August 2018.

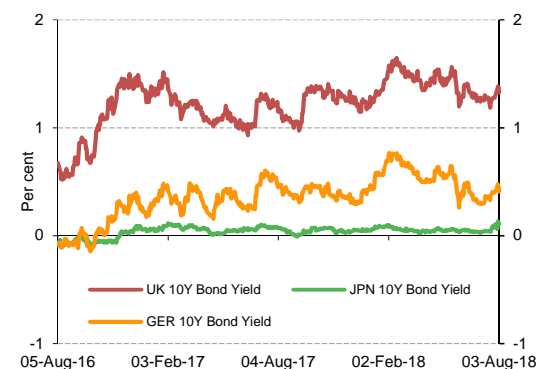
International Bond Yield Spreads

US bond yields fell 0.5 basis points over the week to Friday. Despite stronger yields earlier in the week as the Federal Reserve upgraded its assessment of economic activity from “solid” to “strong”, yields edged lower on the back of weaker than expected employment data late in the week. At the same time, ongoing trade tensions continued to permeate politics. Bond yields rose in all countries tracked except China.

Chart F & G: International Bond Yields



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)	2.73	10.5	8.1	-22.4	36.0
United States (US)	2.95	68.9	-0.5	-	-
Germany (GER)	0.41	-6.2	0.5	-254.1	-179.0
United Kingdom (UK)	1.33	14.9	4.9	-162.0	-108.0
Japan (JPN)	0.11	4.0	0.6	-283.9	-219.0
China (CH)	3.46	-17.5	-6.0	50.6	137.0



Key International Data Releases

US: The ISM Manufacturing PMI fell to 58.1 in July, from 60.2 in June, as import tariffs put pressure on supply chains. The trade deficit widened to \$46.3b in June, from \$43.2b in May, as exports fell 0.7 per cent and imports rose 0.6 per cent in the month. The unemployment rate fell to 3.9 per cent in July, from 4.0 per cent in June. Nonfarm payrolls increased by 157,000 in July, down from an upwardly revised 248,000 in June. The Fed held interest rates steady at 2.00 per cent but upgraded its assessment of the economy, noting that “economic activity has been rising at a strong rate”.

UK: The Bank of England lifted interest rates for only the second time in a decade, from 0.50 per cent to 0.75 per cent. The governor stated that there would be further “gradual” and “limited” rate rises to come.

Euro Area: The unemployment rate was unchanged at 8.3 per cent in June. The consumer price index rose to 2.1 per cent through the year to July, from 2.0 per cent in June. The producer price index rose to 3.6 per cent through the year to June, from 3.0 per cent in May. Retail sales increased 1.2 per cent through the year to June, down from 1.6 per cent in May. GDP growth was 0.3 per cent in the June quarter, up 2.1 per cent in the year.

Germany: Retail sales increased 3.0 per cent through the year to June, up from 1.7 per cent in May. The unemployment rate was unchanged at 5.2 per cent in July. The consumer price index fell to 2.0 per cent through the year to July, from 2.1 per cent in June.

Upcoming Key International Data Releases (6/08 – 10/08)

- **US:** CPI and PPI data for July.
- **China:** Current Account Balance data for the June quarter and CPI, PPI and Trade Balance data for July.
- **Japan:** Current Account Balance data for June, GDP data for the June quarter and PPI data for July.

Six Weeks At A Glance

Monday	Tuesday	Wednesday	Thursday	Friday
6-Aug APM Auction data, Jul-18	7-Aug RBA Interest Rate Decision, Aug-18 ABS Regional Building Approvals, Jun-18	8-Aug ABS Housing Finance, Jun-18 Speech by Philip Lowe, Governor, at the Anika Foundation Luncheon Sydney	9-Aug	10-Aug ABS Lending Finance, Jun-18 RBA Statement on Monetary Policy, Aug-18
13-Aug	14-Aug NAB Monthly Business Survey, Jul-18	15-Aug W-MI Consumer Sentiment, Aug-18 ABS Wage Price Index, Jun-18	16-Aug ABS Labour Force, Jul-18 ABS Average Weekly Earnings, May-18	17-Aug Speech by Luci Ellis, Assistant Governor (Economic), at The Australian National University (ANU), Canberra
20-Aug ABS Overseas Arrivals and Departures, Jun-18	21-Aug RBA Monetary Policy Minutes, Aug-18	22-Aug DoE Skilled Vacancies, Jul-18 ABS Construction Work Done (Prelim), Jun-18 Speech by Guy Debelle, Deputy Governor, at the Economic Society of Australia (QLD) Business Luncheon, Brisbane	23-Aug ABS Detailed Labour Force, Jul-18 Speech by Lindsay Boulton, Assistant Governor (Business Services), at the Business Banking Summit 2018, Sydney	24-Aug
27-Aug	28-Aug	29-Aug	30-Aug ABS Private New Capital Expenditure, Jun-18 ABS Building Approvals, Jul-18	31-Aug RBA Private Sector Credit, Jul-18
3-Sep ABS Retail Trade, Jul-18 ABS Mineral and Petroleum Exploration, Jun-18	4-Sep RBA Interest Rate Decision, Sep-18 ABS Balance of Payments, Jun-18	5-Sep ABS National Accounts, Jun-18	6-Sep APM Auction data, Aug-18 ABS International Trade in Goods and Services, Jul-18 ABS Regional Building Approvals, Jul-18	7-Sep
10-Sep	11-Sep NAB Monthly Business Survey, Aug-18 ABARES Crop Report, Sep-18 ABS Lending Finance, Jul-18	12-Sep W-MI Consumer Sentiment, Sep-18	13-Sep ABS Labour Force, Aug-18	14-Sep

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	+6	NAB Index	June 18 (mthly) Next: 14 August 18
NAB Business Conditions	+12	+15		
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	3.9%	2.8%	% through the year	June 18 (mthly) Next: 16 August 18
Unemployment Rate	4.7%	5.4%	Current rate	
Youth unemployment rate	10.4%	12.3%	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	110.1	106.1	Westpac MI Index	July 18 (mthly) Next: 15 August 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: 7 August 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