

Chart A: Domestic Interest Rates

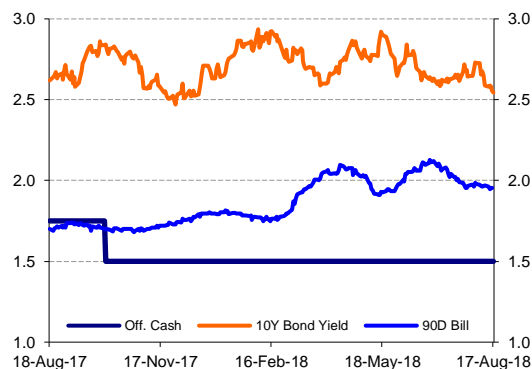


Chart B: Share Price Index

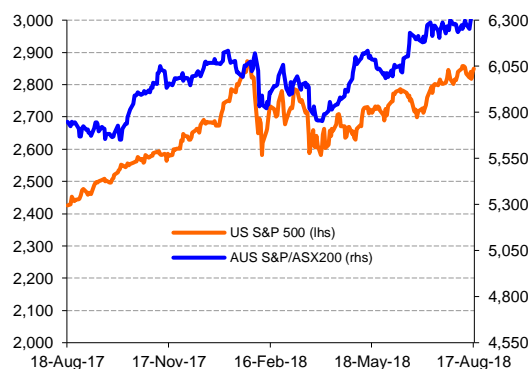


Chart C: Exchange rate

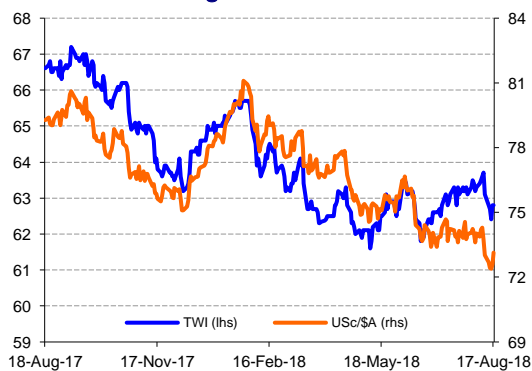
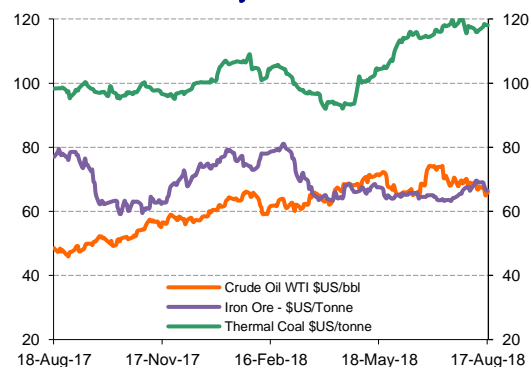


Chart D: Commodity Prices



Domestic Data Releases

NAB Monthly Business Survey data showed that NSW business confidence remained steady at +5 in July while business conditions fell from +13 in June to +9 in July. In Australia, business confidence rose from +6 to +7 and business conditions fell from +14 to +12 in the month.

W-MI Consumer Sentiment data showed that NSW consumer sentiment Index fell by 7.1 per cent to 102.2 index points in August, to be up 6.6 per cent through the year. The Australia Consumer Sentiment Index fell by 2.4 per cent to 103.6 index points, to be up 8.5 per cent through the year.

ABS Wage Price Index data for June showed that in NSW headline WPI rose 0.4 per cent in the quarter to be 2.1 per cent higher through the year. Wages grew fastest in Healthcare and Social Assistance (2.9 per cent) and Construction (2.6 per cent). Wages grew slowest in Retail Trade (1.5 per cent) and Transport Postal and Warehousing (1.7 per cent). In Australia, headline WPI rose 0.4 per cent in the quarter to be 2.1 per cent higher through the year.

ABS Average Weekly Earnings data showed that total average weekly earnings in NSW increased 2.9 per cent through the year to May. In Australia, average weekly earnings increased 2.4 per cent through the year.

ABS Labour Force data showed that in NSW employment fell by 27,100 or -0.7 per cent in July, to be up 2.9 per cent through the year. The NSW unemployment rate rose 0.2 percentage points to 4.9 per cent and the participation rate fell 0.4 percentage points to 64.7 per cent in July 2018, from a record high of 65.1 in June 2018. Nationally, employment decreased by 3,900 or 0.0 per cent, to be up 2.4 per cent through the year. The national unemployment rate fell by 0.1 percentage points to 5.3 per cent.

Markets

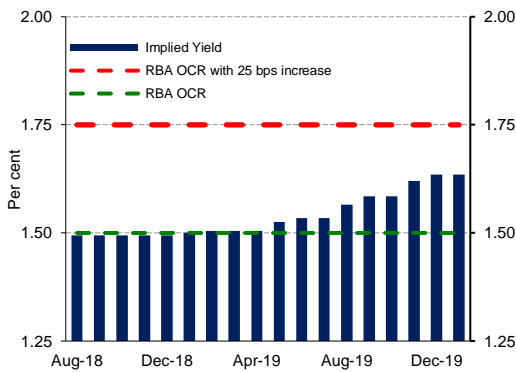
Over the week to Friday, the ASX200 rose by 1.0 per cent, the US S&P500 rose by 0.6 per cent and thermal coal prices rose by 1.2 per cent.

	Value	Change on Year	Change on Week
US S&P 500	2850.13	17.5 %	0.6 %
ASX200	6339.23	10.3 %	1.0 %
Australian Dollar (USD)	0.73	-7.8 %	0.2 %
TWI	62.80	-5.7 %	-0.5 %
Oil (USD/bbl)	65.91	35.9 %	-2.5 %
Gold (USD/oz)	1178.40	-9.1 %	-3.0 %
Thermal Coal (USD/tonnes)	118.00	20.0 %	1.2 %
Australian 10-yr bond	2.55%	-7.5 bps	-4.4 bps
US 10-yr bond	2.86%	67.1 bps	-1.3 bps
NSW 10-yr bond (bps) maturity 2026	2.68%	- bps	-3.0 bps

Upcoming Domestic Data Releases (20/08 – 24/08)

- **ABS** will release Overseas Arrivals and Departures and Construction Work Done data for June as well as Detailed Labour Force data for July.
- **DoE** will release Skilled Vacancies data for July
- **ANZ** will release its Stateometer report for the June quarter.
- **RBA** will release its Monetary Policy Minutes for August.

Chart E: Interest Rate Expectations



Market Interest Rate Expectations

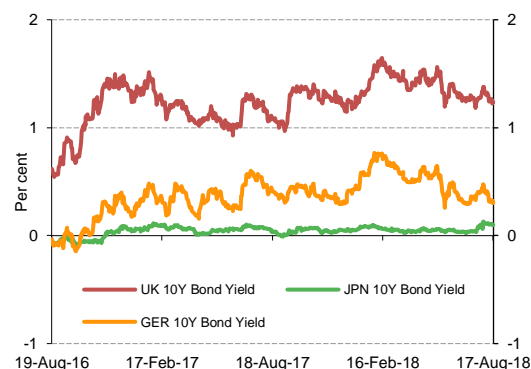
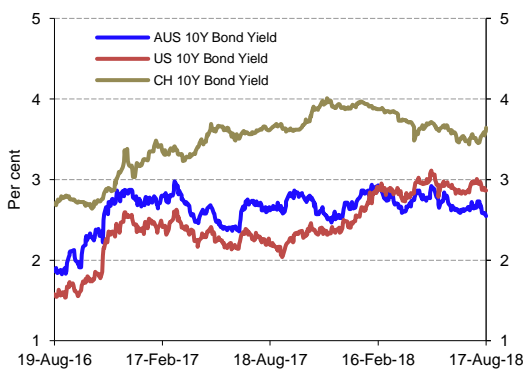
The current implied yield curve on ASX 30-day Interbank Cash Rate Futures (Chart E) indicates that the majority of the market expects the RBA to increase the cash rate in December 2019.

According to the ASX Target Rate Tracker, as at 17 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 1.3 basis points over the week to Friday. Bond yields restrained from declining further on Friday due to positive trade developments between the US and China. Following these developments, investor sentiment around the world also appears to be relatively upbeat. Bond yields fell in all countries tracked with an exception of 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)	2.55	-7.5	-4.4	-31.6	43.0
United States (US)	2.86	67.1	-1.3	-	-
Germany (GER)	0.31	-10.5	-1.2	-255.6	-178.0
United Kingdom (UK)	1.24	14.6	-0.6	-162.5	-110.0
Japan (JPN)	0.10	6.8	-0.3	-276.3	-216.0
China (CH)	3.64	2.4	9.9	78.4	143.0

Key International Data Releases

China: Industrial production growth held steady at 6 per cent through the year to July. Retail sales grew at a slower rate of 8.8 per cent through the year to July compared to 9 per cent in the previous month.

Japan: Trade balance contracted to a deficit of ¥231.2 billion in July compared to a surplus of ¥720.8 billion in the previous month.

UK: Unemployment rate fell to 4 per cent in the June quarter from 4.2 per cent in the previous quarter, the lowest level since the early 1970s. Employment rose by 42,000 in the quarter and 313,000 in the year. Retail sales rose by 0.7 per cent in July 2018 to be up 3.5 per cent through the year.

Germany: GDP rose by 0.5 per cent in June quarter compared with 0.4 per cent in the previous quarter.

Euro Area: Industrial production rose by 2.5 per cent through the year to June 2018 compared with 2.6 per cent in the previous month. GDP rose by 0.4 per cent in the June quarter 2018 to be up 2.2 per cent through the year, compared with 0.4 per cent in the previous quarter. Trade surplus narrowed to €22.5 billion in June 2018 from €25.7 billion in the same month a year ago. Current account surplus remained stable in June at €24 billion.

Upcoming Key International Data Releases (20/08 – 24/08)

- **Japan:** CPI data for July and Manufacturing PMI data for August.
- **US:** FOMC Minutes for August.
- **Euro Area:** Manufacturing PMI and Consumer Confidence data for August.
- **Germany:** PPI data for July and manufacturing PMI data for August.
- **Canada:** Retail Sales data for June

Six Weeks At A Glance

Monday	Tuesday	Wednesday	Thursday	Friday
20-Aug	21-Aug	22-Aug	23-Aug	24-Aug
ABS Overseas Arrivals and Departures, Jun-18	RBA Monetary Policy Minutes, Aug-18	DoE Skilled Vacancies, Jul-18 ABS Construction Work Done (Prelim), Jun-18 ANZ Stateometer, JunQ-18 Speech by Guy Debelle, Deputy Governor, at the Economic Society of Australia (QLD) Business Luncheon, Brisbane	ABS Detailed Labour Force, Jul-18 Speech by Lindsay Boulton, Assistant Governor (Business Services), at the Business Banking Summit 2018, Sydney	
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

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