

Chart A: Domestic Interest Rates

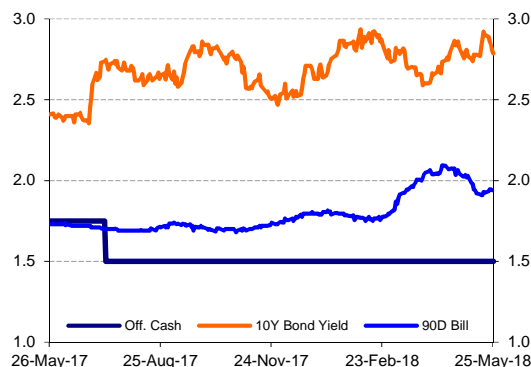


Chart B: Share Price Index

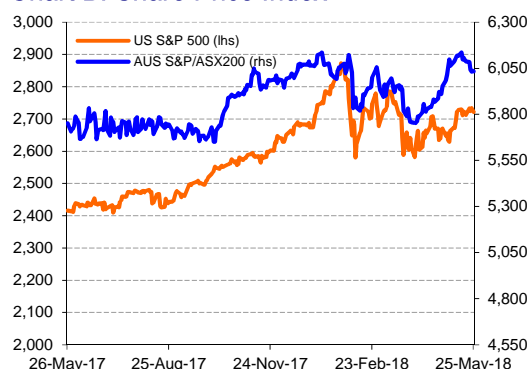


Chart C: Exchange rate

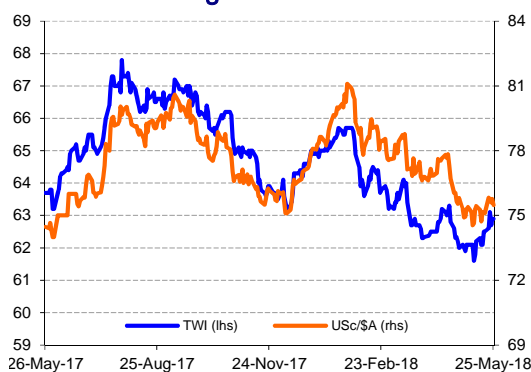
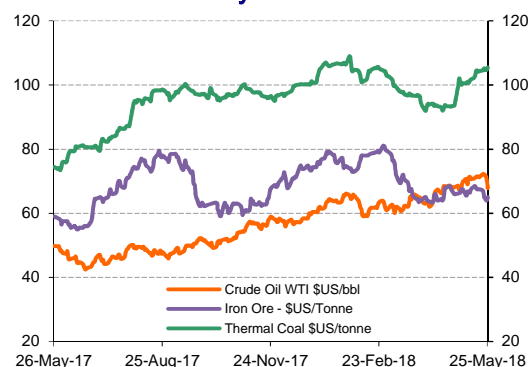


Chart D: Commodity Prices



Domestic Data Releases

ABS Construction Work Done data for the March quarter showed that residential and non-residential building work done was up 2.7 per cent through the year in NSW and up 1.0 per cent in Australia. Engineering construction work done was up 22.0 per cent through the year in NSW and up 10.3 per cent in Australia. This meant that total work done was up 9.5 per cent through the year in NSW and up 5.0 per cent in Australia.

ABS Regional Labour Force data showed that employment in Regional NSW increased by 28,500 or 2.3 per cent through the year to April. The unemployment rate in Regional NSW increased 0.1 ppts to 5.5 per cent over the same period. The participation rate in Regional NSW increased 0.3 ppts to 59.6 per cent. In Western Sydney, employment was up 5.6 per cent, while the unemployment rate fell 0.7 ppts to 5.0 per cent. The data also showed that youth employment in Regional NSW was down 4.6 per cent through the year to April, while the unemployment rate fell 1.2 ppts to 12.0 per cent over the same period. The youth participation rate in Regional NSW increased 0.9 ppts to 71.5 per cent.

ANZ released its **Stateometer** report for the March quarter. New South Wales' economic momentum slowed, although it was still above its long-term average. Regarding NSW, ANZ commented: *"NSW's economic acceleration appears to have reached a climax and house prices may be the reason. This does not detract from our positive view about NSW infrastructure because of the large number of projects in the pipeline"*

Markets

Over the week to Friday, the ASX200 fell by 0.9 per cent, the US S&P500 rose by 0.3 per cent and thermal coal prices rose by 1.1 per cent. This week the Chinese government intervened to cool coal prices for the first time since mid-2016. The government also hopes to cap total import volumes to the same level as last year, to encourage more local output.

	Value	Change on Year	Change on Week
US S&P 500	2721.33	12.6 %	0.3 %
ASX200	6032.82	4.9 %	-0.9 %
Australian Dollar (USD)	0.75	1.3 %	0.5 %
TWI	62.90	-1.3 %	0.6 %
Oil (USD/bbl)	67.88	36.3 %	-4.8 %
Gold (USD/oz)	1303.50	3.0 %	1.2 %
Thermal Coal (USD/tonnes)	105.45	41.6 %	1.1 %
Australian 10-yr bond	2.79%	37.6 bps	-11.6 bps
US 10-yr bond	2.93%	68.5 bps	-12.5 bps
NSW 10-yr bond (bps) maturity 2026	2.95%	-	bps -7.4 bps

Upcoming Domestic Data Releases (28/05 – 1/06)

- **ABS** will release Private New Capital Expenditure data for the March quarter and Buildings Approvals data for April.
- **RBA** will release Private Sector Credit data for April.

Chart E: Interest Rate Expectations

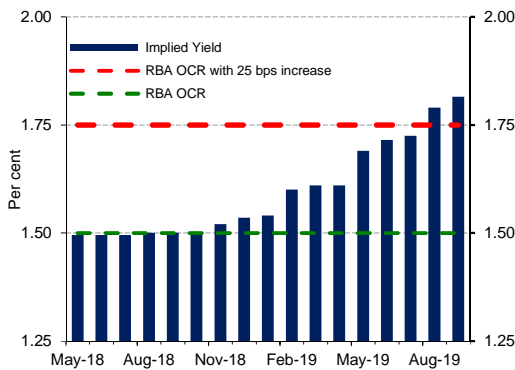
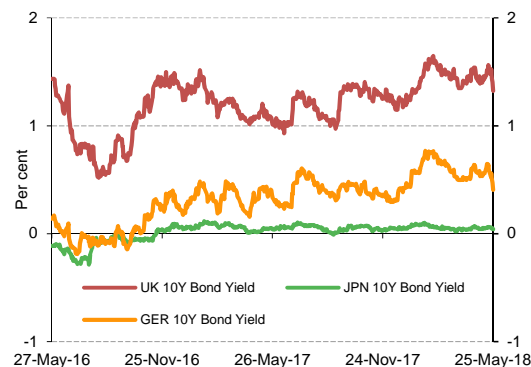
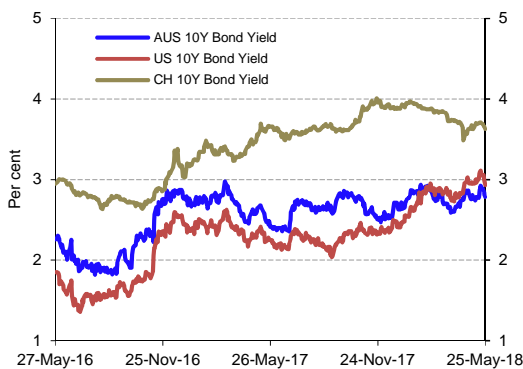


Chart F & G: International Bond Yields



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 May 2019.

According to the ASX Target Rate Tracker, as at 22 May, 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 5 June 2018.

International Bond Yield Spreads

US bond yields fell by 12.5 basis points over the week to Friday. The yield fell to the lowest level in three weeks as investors sought the low-risk debt of US bonds amidst continued unrest in some economies, including uncertainties around the prospective Italian government. At the same time, the Fed's minutes revealed that policy makers wouldn't rush to pick up the pace of rate increases even if inflation runs above the near-term target. Bond yields fell in all countries tracked over the week.

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)	2.79	37.6	-11.6	-14.5	16.4
United States (US)	2.93	68.5	-12.5	-	-
Germany (GER)	0.41	7.5	-17.3	-252.5	-191.6
United Kingdom (UK)	1.32	31.0	-17.8	-160.9	-123.5
Japan (JPN)	0.04	-0.1	-2.0	-289.0	-220.5
China (CH)	3.63	-3.2	-7.8	69.5	141.2

Key International Data Releases

US: The Manufacturing PMI rose slightly to 56.6 in May, from 56.5 in April.

Euro: The Manufacturing PMI fell to 55.5 in May, from 56.2 in April. The Consumer Confidence Index fell slightly to 0.2 points in May, from 0.3 points in April.

Germany: The Manufacturing PMI fell substantially to 56.8 in May, from 58.1 in April. This was the lowest reading in fifteen months. The Consumer Confidence Index fell slightly to 10.7 in June, from 10.8 in May.

UK: Retail Sales bounced back and rose 1.4 per cent through the year to April, up from 1.3 per cent in March. Retailers experienced the biggest jump in sales in eighteen months. The Consumer Price Index rose 2.4 per cent through the year to April, down from 2.5 per cent in March.

Japan: The Trade Surplus widened to ¥626 billion, on the back of a slowdown in export growth, as exports rose 7.8 per cent and imports rose 5.9 per cent through the year to April. However, the Manufacturing PMI fell to 52.5 in May, from 53.8 in April. This was the lowest reading in nine months. The Consumer Price Index rose 0.6 through the year to April, up from 0.5 per cent in March.

Upcoming Key International Data Releases (28/05 – 1/06)

- **US:** Change in Private Payrolls, Unemployment Rate and Manufacturing PMI data for May.
- **Euro:** Unemployment Rate data for April and CPI data for May.
- **Germany:** CPI data for May.
- **UK:** Consumer Confidence data for May.
- **Japan:** Retail Sales, Industrial production and Unemployment Rate data for April and Consumer Confidence data for May.
- **China:** Manufacturing PMI data for May.

Six Weeks At A Glance

Monday	Tuesday	Wednesday	Thursday	Friday
28-May	29-May	30-May	31-May	1-Jun
		ABS Building Approvals, Apr-18	RBA Private Sector Credit, Apr-18 ABS Private New Capital Expenditure, MarQ-18	
4-Jun	5-Jun	6-Jun	7-Jun	8-Jun
ABS Business Indicators, MarQ-18 ABS Retail Trade, Apr-18	RBA Interest Rate Decision, Jun-18 ABS Balance of Payments, MarQ-18	APM Auction data, May-18 ABS National Accounts, MarQ-18 ABS Regional Building Approvals, Apr-18 Austrade International Visitor Survey, MarQ-17	ABS International Trade in Goods & Services, Apr-18	
11-Jun	12-Jun	13-Jun	14-Jun	15-Jun
	NAB Monthly Business Survey, May-18 ABS Housing Finance, Apr-18 ABS Lending Finance, Apr-18	ABARES Crop Report, Jun-18 W-MI Consumer Sentiment, Jun-18		
18-Jun	19-Jun	20-Jun	21-Jun	22-Jun
ABS Overseas Arrivals and Departures, Apr-18	RBA Monetary Policy Minutes, Jun-18 ABS Residential Property Price Indexes, MarQ-18	DoE Skilled Vacancies, May-18	ABS Detailed Monthly Labour Force, May-18 ABS Detailed Quarterly Labour Force, MayQ-18 RBA Bulletin, Jun-18	
25-Jun	26-Jun	27-Jun	28-Jun	29-Jun
		ABS Engineering Construction Activity, MarQ-18	ABS Job Vacancies, May-18	RBA Private Sector Credit, May-18
2-Jul	3-Jul	4-Jul	5-Jul	6-Jul
	RBA Interest Rate Decision, Jul-18 ABS Building Approvals, May-18	ABS International Trade in Goods & Services, May-18 ABS Retail Trade, May-18		APM Auction data, Jun-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	3.0%	2.4%	% through the year	December quarter 17 Next: 6 June 18
	1.0%	0.4%	% change on last qtr	
BUSINESS INVESTMENT				
NAB Business Confidence	+8	+10	NAB Index	April 18 (mthly) Next: 12 June 18
NAB Business Conditions	+21	+21		
HOUSING				
Dwelling Approvals	70.7k	226.7k	Number of app 12mms	March 18 (mthly) Next: 6 June 2018
	-5.0%	-6.3%	% annual average	
Residential Prices (capitals)	3.8%	5.0%	% through the year	December quarter 17 Next: 19 June 18
LABOUR FORCE				
Employment	4.1%	2.7%	% through the year	April 18 (mthly) Next: 14 June 18
Unemployment Rate	5.0%	5.6%	Current rate	
Youth unemployment rate	10.7%	12.6%	12 monthly moving average rate	
CONSUMER				
Retail Sales	2.8%	3.1%	% through the year	March 18 (mthly) Next: 4 June 18
Westpac MI Consumer Confidence	101.7	101.8	Westpac MI Index	May 18 (mthly) Next: 13 June 18
CPI (Capital cities)	2.1%	1.9%	% through the year	March quarter 18 Next: 25 July 2018
Official cash rate	1.50%		Lowered 25 basis points Aug 16	Next: 5 June 18

ECONOMIC FORECASTS	NSW Forecasts (as per 2017-18 HYR)			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 (%)	3.8	3½	2¾	2.3	n.a.	n.a.
Gross State /Domestic Product (%)	2.9	3	2¾	2.1	2¾	3
Employment (%) (a)	0.9	2½	1¾	1.9	2¾	1½
Unemployment rate (%) ^(b)	5.0	4¾	4¾	5.6	5½	5¼
CPI (%) ^(c)	2.0	2¼	2¼	1.9	2	2¼
Wage Price Index (%)	2.1	2	2½	1.9	2¼	2¾

(a) Australia: per cent change through the year to June quarter, NSW: year average per cent growth (b) Australia: per cent in the June quarter, NSW: year average per cent (c) Australia and NSW: per cent change through the year to June quarter