

Chart A: Domestic Interest Rates

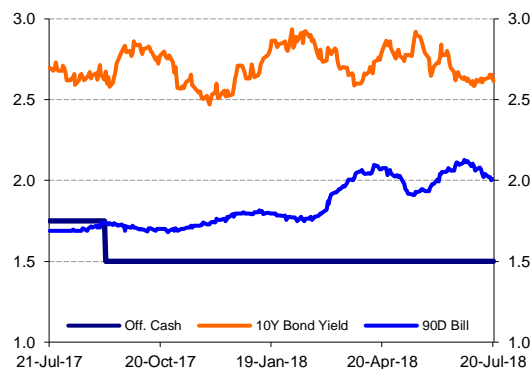


Chart B: Share Price Index

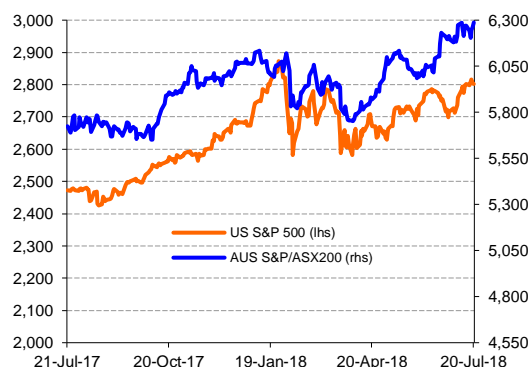


Chart C: Exchange rate

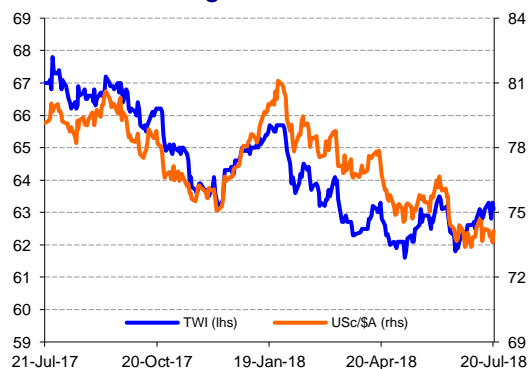
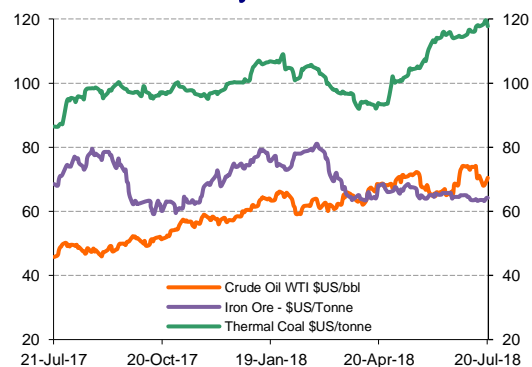


Chart D: Commodity Prices



Domestic Data Releases

ABS Overseas Arrivals and Departures data showed that the number of overseas visitors to NSW in May was 225,500, up 1.2 per cent through the year. Nationally, the number of overseas visitors was 609,300 in the month, up 5.2 per cent through the year.

ABS Labour Force data showed that in NSW employment rose by 27,300 or 0.7 per cent in June, to be up 3.9 per cent through the year. The NSW unemployment rate fell 0.2 percentage points to 4.7 per cent and the participation rate rose 0.2 percentage points to a record high of 65.1 per cent. Nationally, employment increased by 50,900 or 0.4 per cent, to be up 2.8 per cent through the year. The national unemployment rate held steady at 5.4 per cent.

NAB released its Quarterly Business Survey, which showed that NSW actual business conditions fell from +19 in March to +14 in June and expected business conditions fell from +29 to +23 in the same period. Nationally, actual business conditions fell from +16 in March to +15 in June and expected business conditions fell from +27 to +23 in the same period.

Markets

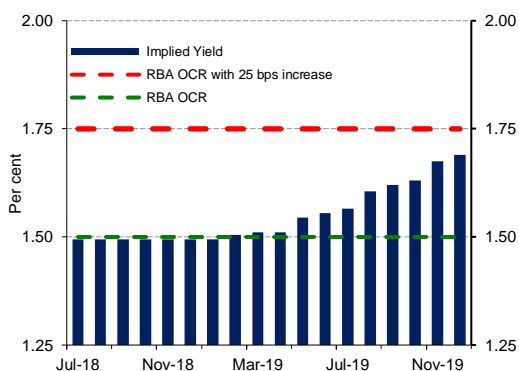
Over the week to Friday, the ASX200 rose by 0.3 per cent, the US S&P500 and thermal coal prices remained steady.

	Value	Change on Year	Change on Week
US S&P 500	2801.83	13.3 %	0.0 %
ASX200	6285.85	9.8 %	0.3 %
Australian Dollar (USD)	0.74	-6.3 %	-0.1 %
TWI	63.10	-5.8 %	0.0 %
Oil (USD/bbl)	70.46	53.9 %	-0.8 %
Gold (USD/oz)	1228.75	-1.6 %	-1.0 %
Thermal Coal (USD/tonnes)	117.70	36.1 %	0.0 %
Australian 10-yr bond	2.62%	-8.4 bps	-1.3 bps
US 10-yr bond	2.89%	65.3 bps	6.6 bps
NSW 10-yr bond (bps) maturity 2026	2.77%	- bps	-0.1 bps

Upcoming Domestic Data Releases (23/07 – 27/07)

- **ABS** will release Consumer Price Index and Producer Price Index data for the June quarter and Detailed Labour Force data for June.
- **Department of Employment** will release its Skilled Vacancies data for June.

Chart E: Interest Rate Expectations



Market Interest Rate Expectations

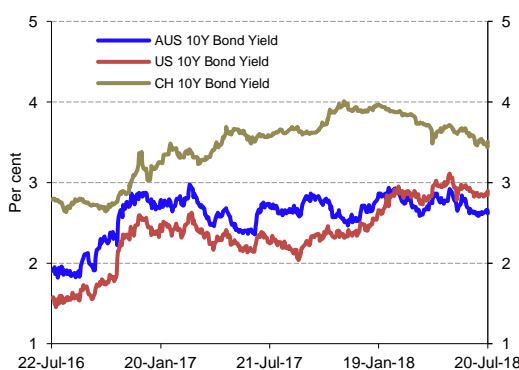
The current implied yield curve on ASX 30-day Interbank Cash Rate Futures (Chart E) indicates that the majority of the market expects the RBA to increase the cash rate in October 2019.

According to the ASX Target Rate Tracker, as at 20 July, 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 rose 6.6 basis points over the week to Friday following President Donald Trump’s criticisms of domestic monetary policy. Concerns – that these comments from Trump would slow the pace of hikes this year – have led to a sell-off of US Treasury. Fears of trade war continued to weigh on the markets. The gap between 10-year Australian bond yields and the US bond yields has increased to 27.7 basis points. Bond yields rose in all countries tracked except for Australia, UK and Japan.

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)	2.62	-8.4	-1.3	-27.7	46.0
United States (US)	2.89	65.3	6.6	-	-
Germany (GER)	0.37	-14.0	3.0	-252.3	-173.0
United Kingdom (UK)	1.23	5.2	-4.1	-166.1	-106.0
Japan (JPN)	0.04	-3.5	-0.5	-285.8	-217.0
China (CH)	3.51	-7.0	3.4	61.7	134.0

Key International Data Releases

US: Retail sales increased by 0.5 per cent to be up 6.6 per cent through the year to June compared with 6.5 per cent in the previous month. This was mainly driven by increases in purchases of motor vehicles. Industrial production increased by 0.6 per cent in June compared with 0.5 per cent in the previous month.

China: GDP grew by 6.7 per cent through the year to the June quarter 2018 compared with 6.8 per cent in the last quarter. Retail sales increased by 9 per cent through the year to June compared with 8.5 per cent in the last month. Industrial production increased by 6.0 per cent through the year to June compared with 6.8 per cent in the last month.

Euro Area: Industrial Production was up 2.4 per cent through the year to May, compared to 1.7 per cent in April. The trade surplus narrowed to €16.5 billion in May from €19.3 billion in the same month last year.

UK: The unemployment rate remained at 4.2 per cent in May. Wages (including bonuses) grew by 2.5 per cent in the three months to May compared with 2.6 per cent in the previous period. Through the year CPI remained steady at 2.4 per cent in June. Retail sales rose by 2.9 per cent through the year to June compared with 4.1 per cent in the previous month.

Canada: CPI rose by 2.5 per cent through the year to June compared with 2.2 per cent in the previous month, the fastest through the year growth since 2012. Retail sales increased by 2.0 per cent in May compared with 0.9 per cent in the previous month.

Upcoming Key International Data Releases (23/07 – 27/07)

- **US:** Manufacturing PMI data for July and GDP data for the June quarter.
- **Euro Area:** Consumer confidence, Manufacturing PMI and Interest Rate Decision data for July.
- **Japan:** Manufacturing PMI data for July.

Six Weeks At A Glance

Monday	Tuesday	Wednesday	Thursday	Friday
23-Jul	24-Jul	25-Jul	26-Jul	27-Jul
		DoE Skilled Vacancies, Jun-18 ABS Consumer Price Index, JunQ-18	ABS Detailed Labour Force, Jun-18 ABS International Trade Price Indexes, JunQ-18	ABS Producer Price Indexes, JunQ-18
30-Jul	31-Jul	1-Aug	2-Aug	3-Aug
Comm Sec State of the States - JunQ-18	RBA Private Sector Credit, Jun-18 ABS Building Approvals, Jun-18	ABS Selected Living Cost Indexes, JunQ-18	ABS International Trade in Goods & Services, JunQ-18	ABS Retail Trade, Jun-18
6-Aug	7-Aug	8-Aug	9-Aug	10-Aug
APM Auction data, Jul-18	RBA Interest Rate Decision, Aug-18 ABS Regional Building Approvals, Jun-18	ABS Housing Finance, Jun-18 Speech by Philip Lowe, Governor, at the Anika Foundation Luncheon Sydney		ABS Lending Finance, Jun-18 RBA Statement on Monetary Policy, Aug-18
13-Aug	14-Aug	15-Aug	16-Aug	17-Aug
	NAB Monthly Business Survey, Jul-18	W-MI Consumer Sentiment, Aug-18 ABS Wage Price Index, Jun-18	ABS Labour Force, Jul-18 ABS Average Weekly Earnings, May-18	Speech by Luci Ellis, Assistant Governor (Economic), at The Australian National University (ANU), Canberra
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 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

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	228.8k	Number of app 12mms	May 18 (mthly) Next: 31 July 2018
	-4.8%	-4.5%	% 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	2.9%	2.5%	% through the year	May 18 (mthly) Next: 3 August 18
Westpac MI Consumer Confidence	110.1	106.1	Westpac MI Index	July 18 (mthly) Next: 15 August 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: 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 (%)	2.0	2	2½	1.9	2¼	2¾

(a) Australia: Year average growth unless otherwise stated, NSW: Per cent change, annual average unless otherwise indicated (b) Australia: 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