

Chart A: Domestic Interest Rates

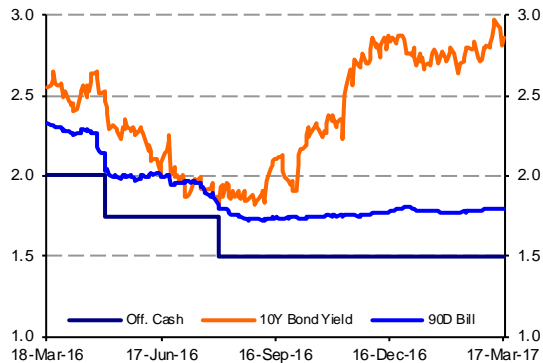


Chart B: Share Price Index

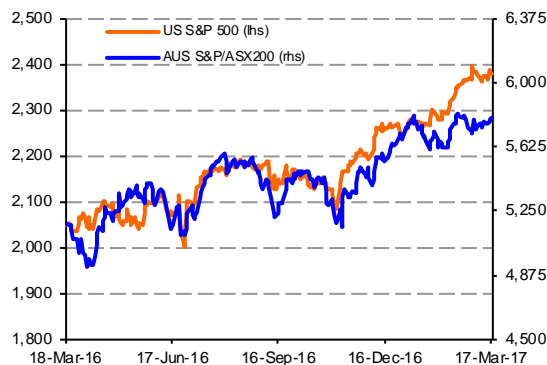


Chart C: Exchange rate

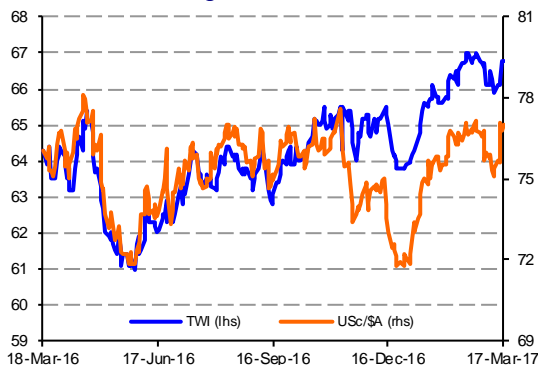
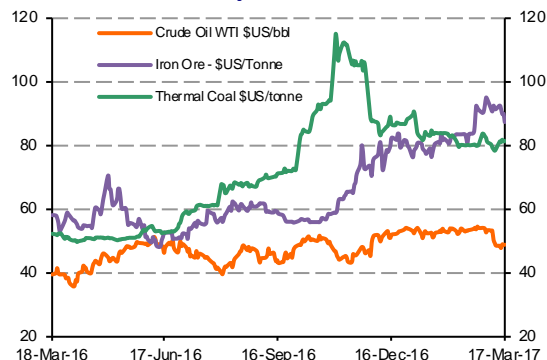


Chart D: Commodity Prices



Domestic Data Releases

The February **NAB Monthly Business Survey** showed that NSW business confidence eased by 3 index points to +6 points and business conditions fell by 6 index points to +14 points. Nationally, business confidence fell by 3 index points to +7 points and business conditions dropped by 7 index points to +9 points.

ABS **Overseas Arrivals and Departures** data for January showed that visitors to NSW increased by 15.1% through the year to reach 385.1k in the month. Nationally, visitors increased by 13.6% through the year to reach 949.6k in the month.

The **Westpac – Melbourne Institute Consumer Sentiment Survey** showed that NSW consumer sentiment increased by 2.4% to 106.4 index points in March. Nationally, consumer sentiment rose by 0.1% to 99.7 index points. An index over 100 indicates optimists outweigh pessimists.

ABS **Lending Finance** data for January indicated that NSW investor housing finance approvals were up 45.0% compared to a year ago, while national investor housing finance approvals were up 31.4%. More broadly, total NSW commercial finance was down 10.0% through the year, while total national commercial finance was down 1.2%.

The NSW **Unemployment Rate** increased 0.1 ppts to 5.2% in February. Nationally the unemployment rate rose by 0.2 ppts to 5.9%. Employment in NSW fell by 700 in the month but was up 2,100 (0.1%) through the year. Nationally, employment decreased by 6,400 in the month, and was 104,600 (or 0.9%) higher through the year.

According to the January **ANZ Stateometer**, NSW is growing at a slightly below trend pace, continuing to suggest that economic activity in NSW will moderate to be around trend. This follows strong above trend growth over the last year. ANZ suggested that momentum in the NSW economy has stabilised and noted that NSW other sectors improved somewhat in January.

Markets

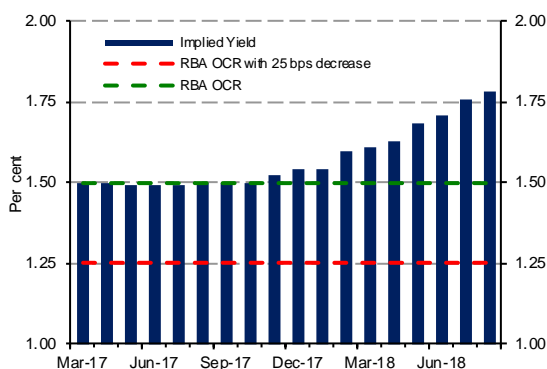
The ASX200 rose by 0.4% and the US S&P500 rose by 0.2% over the week to Friday.

	Value	Change on Year	Change on Week
US S&P 500	2,378.3	16.0 %	0.2 %
ASX200	5,799.6	11.9 %	0.4 %
Australian Dollar (USD)	0.7704	1.3 %	2.1 %
TWI	66.8	3.9 %	1.4 %
Oil (USD/bbl)	48.8	23.7 %	0.6 %
Gold (USD/oz)	1,229.60	-1.8 %	2.2 %
Thermal Coal (USD/tonne)	81.3	55.7 %	3.2 %
Australian 10-yr bond	2.86%	31.1 bps	-11.6 bps
US 10-yr bond	2.50%	62.7 bps	-7.4 bps
NSW 10-yr bond (bps) maturity 2026	3.05%	- bps	-12.3 bps

Upcoming Domestic Data Releases (20/03 – 24/03)

- The **ABS** will release Demographics Statistics data for the September quarter and Regional Labour Force data for February; as well as Quarterly Labour Force data for the February quarter and Residential Property Price Index data for the December quarter.
- The **RBA** will release the minutes for its March board meeting. Assistant Governor Luci Ellis will speak at the ACT launch of the Women in Economics Network, Canberra.

Chart E: Interest Rate Expectations



- **The Department of Employment** will release Skilled Vacancies data for February.

Market Interest Rate Expectations

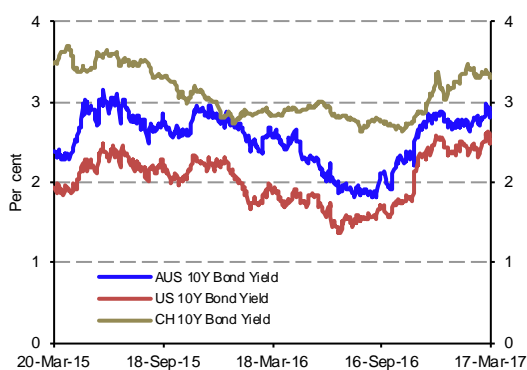
The current implied yield curve on ASX 30 day interbank cash rate futures (Chart E) indicates that the majority of the market expects the RBA to leave the cash rate unchanged until April 2018.

According to the ASX Target Rate Tracker, as of 17 March, there is a 2% expectation that the RBA will lower the cash rate to 1.25% at its policy meeting on 4 April 2017.

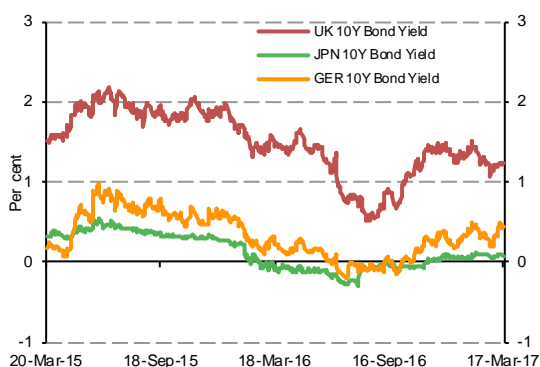
International Bond Yield Spreads

US bond yields declined over the week to Friday; this follows the 0.25 percentage point rate hike and the failure of Officials to signal a more aggressive stance on federal fund rates. Stimulative monetary policy in much of the rest of the world may put a downward pressure on the US bond yields. Yields fell across the board over the past week with the exception of the UK.

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)	2.86	31.1	-11.6	36.1	67.7
United States (US)	2.50	62.7	-7.4	-	-
Germany (GER)	0.44	22.3	-5.0	-206.6	-166.1
United Kingdom (UK)	1.24	-20.4	1.3	-125.7	-42.5
Japan (JPN)	0.08	16.8	-1.4	-242.6	-196.6
China (CH)	3.31	47.8	-10.3	81.1	96.0



Key International Data Releases

EU: Employment increased by 1.1 per cent over the year to the December quarter. In February, trade balance was at a deficit of €16.2 billion, compared with a surplus of €4.8 billion in the previous month. This is due to a rise of 17 per cent for imports and 13 per cent for exports in February.

UK: Officials decided to maintain the Bank Rate at 0.25 per cent. The Unemployment Rate fell to 4.7 per cent in January from 4.8 per cent in the previous month, the lowest since 1975.

US: Officials decided to raise the target range for the federal funds rate to 0.75 to 1 per cent based on favourable labour market conditions and inflation. The CPI rose by 2.7 per cent through the year to February, the largest through the year growth since March 2012. This was partly due to an increase in the price of food and rental accommodation. Retail Sales increased by 5.7 per cent through the year to February and up 0.1 per cent in the month.

Upcoming Key International Data Releases (20/03 – 24/03)

- **US:** Initial Jobless Claims and Manufacturing PMI data for March as well as Current Account Balance data for the December quarter
- **Japan:** Trade Balance data February and Manufacturing PMI data for March
- **UK:** CPI and Retail Sales data for February
- **Germany:** PPI data for February and Consumer Confidence data for April as well as Manufacturing PMI for March
- **Euro Area:** Consumer Confidence and Manufacturing PMI data for March and Current Account for January