

Chart A: Domestic Interest Rates

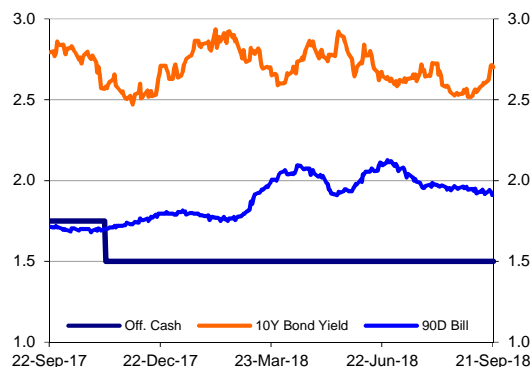


Chart B: Share Price Index

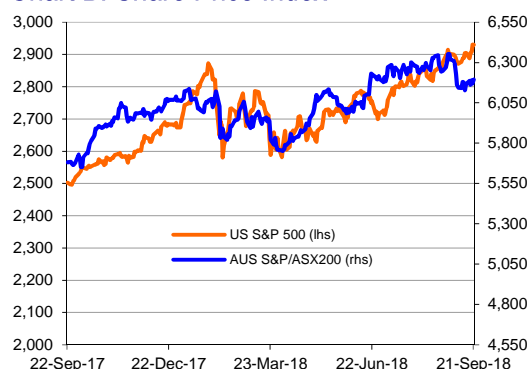


Chart C: Exchange rate

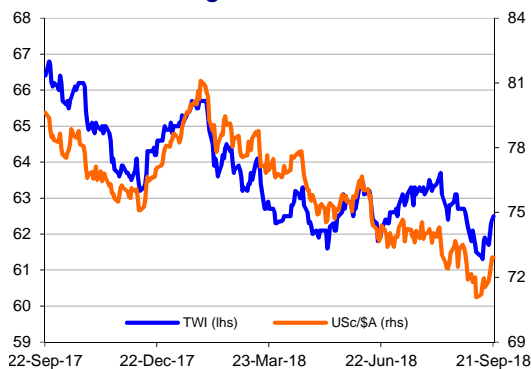
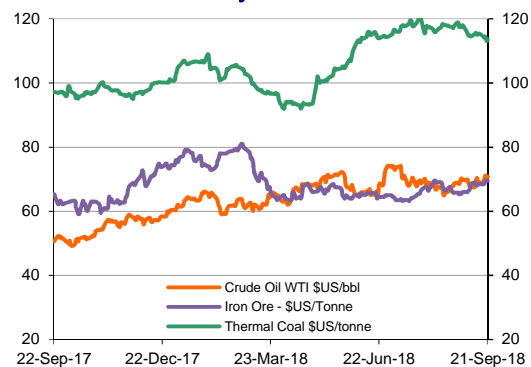


Chart D: Commodity Prices



Domestic Data Releases

ABS Overseas Arrivals & Departures data showed that NSW had 271,200 overseas visitors in July, up 4.9 per cent over the year. Nationally, overseas visitors were 774,400 in the month, up 6.0 per cent over the year.

ABS Residential Property Price Indexes data showed that the residential property price index in Sydney fell 1.2 per cent in the June quarter, to be down 3.9 per cent through the year. The average price of a residential dwelling in Sydney was \$889,200 compared to \$900,500 in the previous quarter. In Australia (weighted average of capital cities) the index fell 0.7 per cent in the quarter, down 0.6 per cent through the year. The average price of a residential dwelling was \$686,200 compared to \$690,300 in the previous quarter.

ABS Demographic Statistics data showed that NSW population growth slowed to 1.4 per cent through the year to the March quarter, from 1.5 per cent in the previous quarter. This was driven by an increase in the outflow of net interstate migration (-20,506) and a decrease in the inflow of net overseas migration (90,060). Notably, Queensland experienced the highest inflow of net interstate migration (24,004) since March 2007. Nationally, population growth remained steady at 1.6 per cent.

ABS Regional Labour Force data showed that employment growth in Regional NSW was 4.7 per cent through the year to August. The unemployment rate rose 0.4 percentage points to 5.8 per cent and the participation rate rose 2.1 percentage points to 60.5 per cent compared to the previous year. Western Sydney employment growth was 4.2 per cent through the year. The unemployment rate fell 0.5 percentage points to 4.9 per cent and the participation rate rose 0.8 percentage points compared to the previous year.

Markets

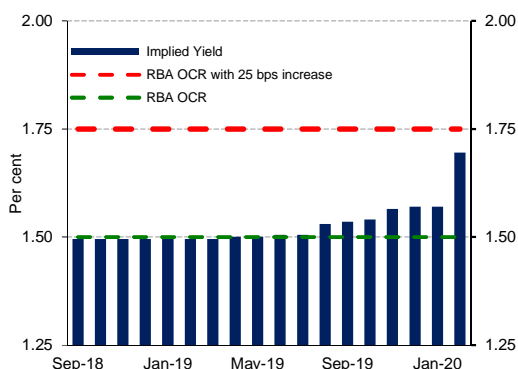
Over the week to Friday, the ASX200 rose by 0.5 per cent, the US S&P500 rose by 0.8 per cent and thermal coal prices fell by 1.7 per cent.

	Value	Change on Year	Change on Week
US S&P 500	2929.67	17.1 %	0.8 %
ASX200	6194.56	9.0 %	0.5 %
Australian Dollar (USD)	0.73	-8.4 %	1.9 %
TWI	62.50	-5.9 %	1.0 %
Oil (USD/bbl)	70.78	39.7 %	2.6 %
Gold (USD/oz)	1198.70	-7.4 %	-0.3 %
Thermal Coal (USD/tonnes)	113.45	16.7 %	-1.7 %
Australian 10-yr bond	2.70%	-9.3 bps	9.9 bps
US 10-yr bond	3.06%	81.3 bps	6.7 bps
NSW 10-yr bond (bps) maturity 2028	3.11%	- bps	10.0 bps

Upcoming Domestic Data Releases (24/09 – 28/09)

- **ABS** will release Engineering Construction Activity data for June and Job Vacancies data for August.
- **RBA** will release its Private Sector Credit data 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 February 2020.

According to the ASX Target Rate Tracker, as at 21 September, 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 2 October 2018.

International Bond Yield Spreads

US bond yields rose 6.7 basis points over the week to Friday ahead of the FOMC meeting, where central bankers are expected to hike the federal funds rate from 2.00 to 2.25 per cent. Trade tensions between the US and China continue to rattle investors after both inflicted fresh tariffs on one another earlier in the week which caused a sharp rise in bond yields. Bond yields rose in all other 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 U bond year ago (bps)
Australian (AUS)	2.70	-9.3	9.9	-36.2	54.4
United States (US)	3.06	81.3	6.7	-	-
Germany (GER)	0.46	1.5	1.2	-260.1	-180.3
United Kingdom (UK)	1.55	19.8	2.3	-151.0	-89.5
Japan (JPN)	0.13	9.9	1.5	-293.0	-221.6
China (CH)	3.68	6.7	2.7	61.9	136.5

Key International Data Releases

US: The current account deficit narrowed by \$20.3bn to \$101.5bn in the June quarter, or 2.0 per cent of national output—the smallest share since the third quarter of 2014. The Markit Manufacturing PMI improved to 55.6 in September, from 54.7 in August. Stronger rates of output and new order growth were the main factors boosting the PMI in September.

Japan: The trade deficit widened to ¥444.6bn in August as the rising value of energy imports (crude oil, LNG and coal) continued to outpace export growth. The Nikkei Manufacturing PMI rose to 52.9 in September, from 52.5 in August. The CPI ticked up in August, increasing 1.3 per cent through the year compared to 0.9 per cent in July, although it remains far from the Bank of Japan's (BoJ) 2.0 per cent target. The BoJ maintained its short-term interest rate target at -0.100 per cent. Governor Haruhiko stressed that the bank won't halt monetary easing until inflation hits its elusive target.

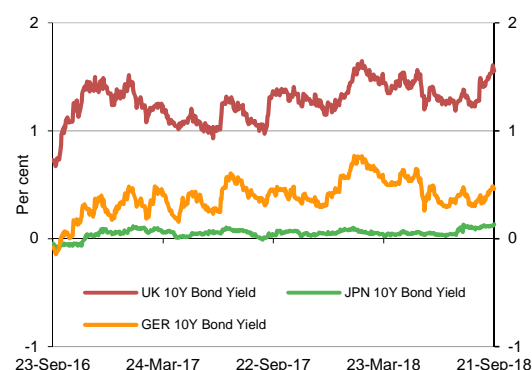
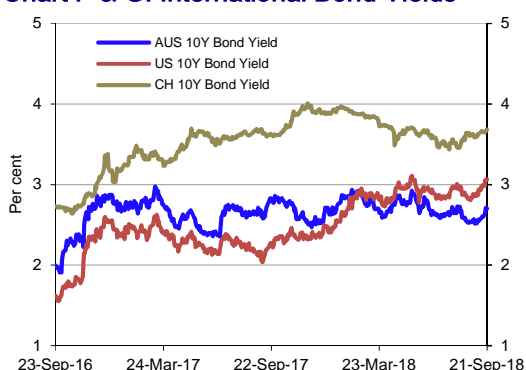
UK: The CPI jumped to 2.7 per cent through the year to July, beating forecasts of 2.4 per cent and higher than the 2.5 per cent recorded in June. This was driven by the fastest annual rise in the cost of recreation and culture since January 2010. Retail sales continued to advance, with an increase of 0.3 per cent in the month, to be up 3.3 per cent through the year to August. The increase was led by household goods such as furniture and electrical items which performed well in the summer heatwave.

Euro Area: The Markit Manufacturing PMI fell to 53.3 in September, its lowest level in two years, from 54.6 in the previous month.

Upcoming Key International Data Releases (24/09 – 28/09)

- **US** Fed Interest Rate Decision for September.
- **Euro Area** Business Confidence Index and CPI data for September.
- **Japan** Unemployment Rate, Industrial Production and Retail Sales data for August and Tankan Manufacturers Index for the September quarter.
- **Germany** Ifo Business Climate Index, Unemployment Rate and CPI data for September and GfK Consumer Confidence Index for October.

Chart F & G: International Bond Yields



Six Weeks At A Glance

Monday	Tuesday	Wednesday	Thursday	Friday
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
1-Oct	2-Oct	3-Oct	4-Oct	5-Oct
	RBA Interest Rate Decision, Oct-18	ABS Building Approvals, Aug-18	ABS International Trade in Goods and Services, Aug-18	ABS Retail Trade, Aug-18 Speech by Alex Heath, Head of Economic Analysis, at the Biannual Business Education Analytics, Canberra
8-Oct	9-Oct	10-Oct	11-Oct	12-Oct
APM Auction data, Sep-18	NAB Monthly Business Survey, Sept-18	W-MI Consumer Sentiment, Oct-18 ABS Regional Building Approvals, Aug-18 ABS Building Activity, Jun-18 Speech by Merylin Coombs, Deputy Head of Economic Analysis Department, at the 2018 Kimberley Economic Forum, Broome WA	Speech by Luci Ellis, Assistant Governor (Economic), at the Melbourne Institute 2018 Economic and Social Outlook Conference, Melbourne	ABS Housing Finance, Aug-18 RBA Financial Stability Review, Oct-18
15-Oct	16-Oct	17-Oct	18-Oct	19-Oct
	RBA Monetary Policy Minutes, Oct-18 ABS Lending Finance, Aug-18	ABS Overseas Arrival and Departures, Aug-18	NAB Quarterly Business Survey, SepQ-18 ABS Labour Force, Sep-18	
22-Oct	23-Oct	24-Oct	25-Oct	26-Oct
		DoE Skilled Vacancies, Sep-18	ABS Detailed Monthly Labour Force, Sep-18	ABS National Accounts, 2017-18
29-Oct	30-Oct	31-Oct	1-Nov	2-Nov
	ABS Building Approvals, Sep-18	RBA Private Sector Credit, Sep-18 ABS Consumer Price Index, Sep-18	ABS International Trade in Goods and Services, Sep-18	ABS Producer Price Indexes, Sep-18 ABS Retail Trade, Sep-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	3.5%	3.4%	% through the year	June quarter 18 Next: 5 December 18
	0.3%	0.6%	% change on last qtr	
BUSINESS INVESTMENT				
NAB Business Confidence	+2	+4	NAB Index	September 18 (mthly) Next: 9 October 18
NAB Business Conditions	+17	+15		
HOUSING				
Dwelling Approvals	70.2k	230.0k	Number of app 12mms	July 18 (mthly) Next: 3 October 2018
	-4.6%	-2.3%	% annual average	
Residential Prices (capitals)	-3.9%	-0.6%	% through the year	June quarter 18 Next: 11 December 18
LABOUR FORCE				
Employment	3.9%	2.5%	% through the year	August 18 (mthly) Next: 18 October 18
Unemployment Rate	4.7%	5.3%	Current rate	
Youth unemployment rate	10.3%	12.1%	12 monthly moving average rate	
CONSUMER				
Retail Sales	3.4%	2.9%	% through the year	July 18 (mthly) Next: 5 October 18
Westpac MI Consumer Confidence	101.6	100.5	Westpac MI Index	September 18 (mthly) Next: 18 October 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: 2 October 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 Actual (Forecast)	2018-19 Forecast	2016-17 Actual	2017-18 Actual (Forecast)	2018-19 Forecast
State/Domestic Final Demand (%)	3.8	3.3(3¾)	3	2.3	n.a.	n.a.
Gross State /Domestic Product (%)	2.9	(3)	2¾	2.1	2.9(2¾)	3
Employment (%) ^(b)	1.1	3.1(3)	1¾	2.2	2.9(2¾)	1½
Unemployment rate (%) ^(c)	5.0	4.8(4¾)	4¾	5.6	5.4(5½)	5¼
CPI (%) ^(d)	2.0	2.0(2)	2¼	1.9	2.1(2)	2¼
Wage Price Index (%) ^(e)	2.1	2.1(2)	2½	1.9	2.1(2¼)	2¾

(a) Australia and NSW: Annual average growth unless otherwise stated (b) Australia: per cent change through the year to June (c) Australia: per cent in June (d) Australia: per cent change through the year to June quarter. 2017-18 to 2018-19 include a ¼ percentage point contribution from tobacco excise increases. (e) Australia: per cent change through the year to June quarter.