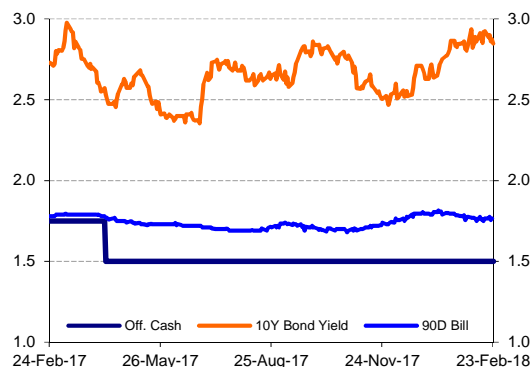
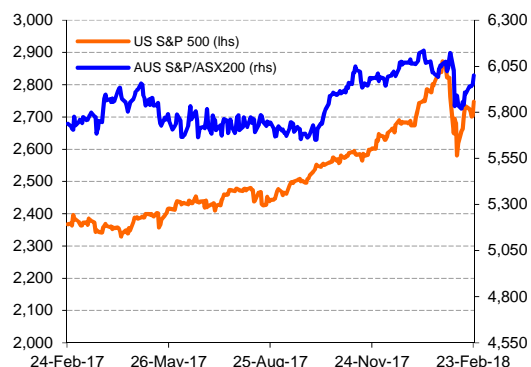


Monday, 26 February 2018

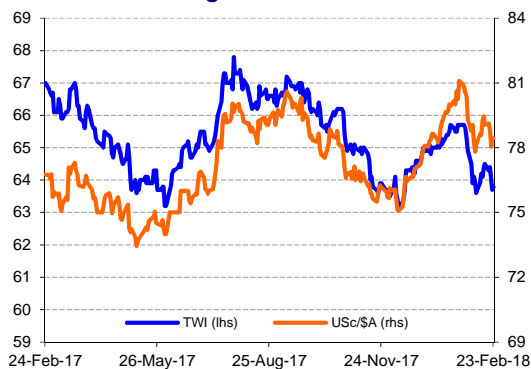
**Chart A: Domestic Interest Rates**



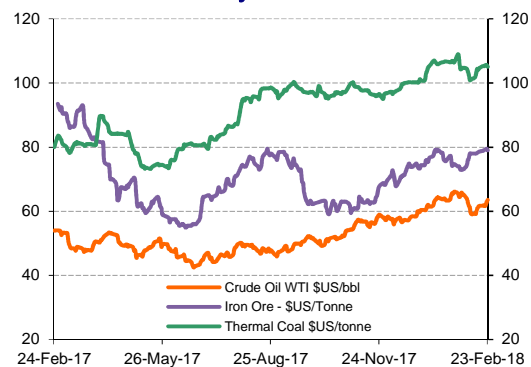
**Chart B: Share Price Index**



**Chart C: Exchange rate**



**Chart D: Commodity Prices**



## Domestic Data Releases

**ABS Overseas Arrivals and Departures** data showed that overseas visitors to NSW fell 2.0 per cent through the year to December. Nationally, overseas visitors rose 3.5 per cent through the year.

**ABS Wage Price Index** data for December showed that in NSW headline WPI rose 0.3 per cent in the quarter to be 2.0 per cent higher through the year. Wages grew fastest in construction (2.8 per cent) and Healthcare and Social Assistance (2.6 per cent). Wages grew slowest in Electricity, gas, water and waste services (1.2 per cent) and Transport Postal and Warehousing (1.5 per cent). In Australia, headline WPI rose 0.5 per cent in the quarter to be 2.1 per cent higher through the year.

**ABS Construction Work Done** data showed that NSW construction work done fell 2.0 per cent in the quarter, however it is 8.0 per cent higher through the year to December. Nationally, construction work done fell 19.4 per cent in the quarter, while it is 4.6% higher through the year.

**ABS Average Weekly Earnings** data showed that total average weekly earnings in NSW increased 2.6 per cent through the year to November. In Australia, average weekly earnings increased 2.4 per cent through the year.

**ABS Regional Labour Force** data showed that NSW regional employment growth was at 4.1 per cent through the year to January. Regional employment in the rest of Australia excluding NSW and ACT, increased 3.2 per cent through the year. **ABS Youth Labour Force** data for January showed that NSW youth employment growth was 2.2 per cent higher through the year, while national youth employment growth was at 1.1 per cent over the same period.

## Markets

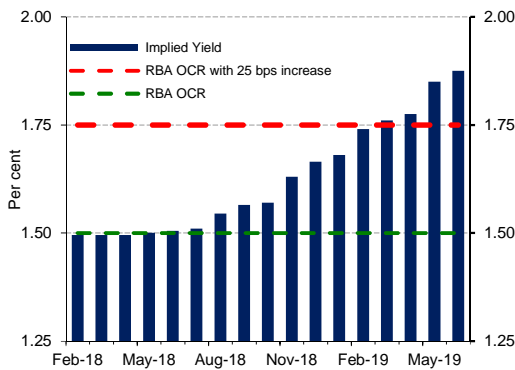
Over the week to Friday, the ASX200 rose by 1.6 per cent, the US S&P500 rose by 0.6 per cent and thermal coal prices rose by 0.4 per cent.

	Value	Change on Year	Change on Week
<b>US S&amp;P 500</b>	2747.30	16.1 %	0.6 %
<b>ASX200</b>	5999.79	4.5 %	1.6 %
<b>Australian Dollar (USD)</b>	0.78	2.2 %	-0.8 %
<b>TWI</b>	63.80	-4.8 %	-1.1 %
<b>Oil (USD/bbl)</b>	63.55	17.7 %	3.0 %
<b>Gold (USD/oz)</b>	1327.95	5.9 %	-1.8 %
<b>Thermal Coal (USD/tonnes)</b>	105.10	31.4 %	0.4 %
<b>Australian 10-yr bond</b>	2.85%	11.8 bps	-7.6 bps
<b>US 10-yr bond</b>	2.87%	55.4 bps	-0.9 bps
<b>NSW 10-yr bond (bps) maturity 2026</b>	2.98% -	bps	-9.6 bps

## Upcoming Domestic Data Releases (26/02 – 2/03)

- **ABS** will release Australian Census Longitudinal Dataset for 2016-17 and **Capital Expenditure Survey** data for the December quarter.
- The **RBA** will release Private Sector Credit data for January.

**Chart E: Interest Rate Expectations**



**Market Interest Rate Expectations**

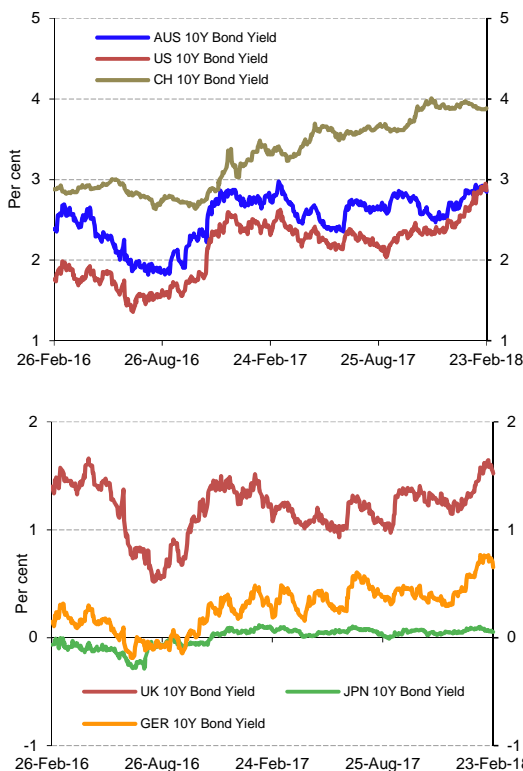
The current implied yield curve on ASX 30 day Interbank Cash Rate Futures (Chart E) indicates that the majority of the market expects the RBA to increase the cash rate in November 2018.

According to the ASX Target Rate Tracker, as of 21 February, 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 6 March 2018.

**International Bond Yield Spreads**

US bond yields fell by 0.9 basis points over the week to Friday. The 10-year bond yield ended the week at 2.87 per cent, down from a four year high of 2.95 per cent on Wednesday amid the release of Federal Reserve meeting minutes. The minutes suggested the economy may be beyond full employment and that further interest rate increases are needed. Bond yields fell in all countries tracked over the week except 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)
<b>Australian (AUS)</b>	2.85	11.8	-7.6	-1.8	41.8
<b>United States (US)</b>	2.87	55.4	-0.9	-	-
<b>Germany (GER)</b>	0.65	46.7	-5.3	-221.3	-212.6
<b>United Kingdom (UK)</b>	1.52	44.3	-6.0	-134.5	-123.4
<b>Japan (JPN)</b>	0.05	-1.5	-0.6	-281.3	-224.4
<b>China (CH)</b>	3.89	57.3	1.4	102.0	100.1

**Key International Data Releases**

**Euro area:** Consumer confidence fell more than expected to 0.1 points in February from a revised 17 year high of 1.4 points in January. Euro Markit PMI results came in below market expectations. Euro Markit Manufacturing PMI fell to 58.5 in February down from 59.6 in January and Euro Markit Services PMI fell to 56.7 down from 58.0.

**Japan:** The Trade Balance slipped into deficit in January for the first time in 8 months due to higher oil prices and seasonal factors. Imports rose 8 per cent and exports rose 12 per cent through the year which resulted in a deficit of 943.4 billion yen. The Nikkei Manufacturing PMI fell to 54.0 in February down from 54.8 in January. The Consumer Price Index (CPI) remained at 0.9 per cent in January due mostly to increases in fuel costs.

**UK:** The Unemployment Rate unexpectedly rose to 4.4 per cent in the December quarter, up from 4.3 per cent in the September quarter. GDP growth for the December quarter was revised down to 0.4 per cent from the preliminary estimate of a 0.5 per cent expansion.

**Upcoming Key International Data Releases (26/02 – 2/03)**

- **US:** ISM Manufacturing PMI for February.
- **Japan:** Retail Sales, Industrial Production and Unemployment Rate for January and Consumer Confidence for February.
- **Euro:** Consumer Price Index (CPI) for February, Producer Price Index (PPI and Unemployment Rate for January).

\***Bolded items indicate an Economic Data Note will be associated with release.**

### Six Weeks At A Glance

Monday	Tuesday	Wednesday	Thursday	Friday
26-Feb	27-Feb	28-Feb	1-Mar	2-Mar
	ABS Australian Census Longitudinal Dataset, 2016	RBA Private Sector Credit, Jan-18	ABS Capital Expenditure Survey, DecQ-17	
5-Mar	6-Mar	7-Mar	8-Mar	9-Mar
ABS Business Indicators, DecQ-17 ABS Building Approvals, Jan-2018	RBA Interest Rate Decision, Mar-18 ABS Balance of Payments, DecQ-17 ABS Retail Trade, Jan-18	ABS National Accounts, DecQ-17	<b>ABS International trade in Goods and Services, Jan-18</b> <b>APM Auction data, Feb-18</b>	
12-Mar	13-Mar	14-Mar	15-Mar	16-Mar
	NAB Monthly Business Survey, Feb-18 ABS Housing Finance, Jan-18 ABS Regional Building Approvals, Jan-18	<b>ABS Lending Finance, Jan-18</b>	ABS Labour Force Rebenchmarked Estimates, Jan-18 RBA Bulletin, Mar-18 W-MI Consumer Sentiment, Mar-18	
19-Mar	20-Mar	21-Mar	22-Mar	23-Mar
	RBA Monetary Policy Minutes, Mar-18 ABS Residential Property Price Index, DecQ-17	DoE Skilled Vacancies, Feb-18	ABS Labour Force, Feb-18	
26-Mar	27-Mar	28-Mar	29-Mar	30-Mar
		Engineering Construction Activity, DecQ-18	<b>ABS Detailed Monthly Labour Force, Feb-18</b> <b>ABS Detailed Quarterly Labour Force, Feb-18</b> <b>ABS Job Vacancies, Feb-18</b>	RBA Private Sector Credit, Feb-18
2-Apr	3-Apr	4-Apr	5-Apr	6-Apr
	RBA Interest Rate Decision, Apr-18	ABS Retail Trade, Feb-18 ABS Building Approvals, Feb-18	ABS International trade in Goods and Services, Feb-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	2.8%	2.8%	% through the year	September quarter 17 Next: 7 March 18
	1.0%	0.6%	% change on last qtr	
BUSINESS INVESTMENT				
NAB Business Confidence	+15	+12	NAB Index	January 18 (mthly) Next: 13 March 18
NAB Business Conditions	+22	+19		
HOUSING				
Dwelling Approvals	70.1k	221.0k	Number of app 12mms	December 17 (mthly) Next: 5 March 2018
	-2.7%	-6.6%	% annual average	
Residential Prices (capitals)	9.4%	8.3%	% through the year	September quarter 17 Next: 20 March 18
LABOUR FORCE				
Employment	3.5%	3.3%	% through the year	January 18 (mthly) Next: 22 March 18
Unemployment Rate	5.1%	5.5%	Current rate	
Youth unemployment rate	10.8%	12.6%	12 monthly moving average rate	January 18 (mthly) Next: 29 March 18
CONSUMER				
Retail Sales	2.7%	2.5%	% through the year	December 17 (mthly) Next: 6 March 18
Westpac MI Consumer Confidence	99.5	102.7	Westpac MI Index	February 18 (mthly) Next: 15 March 18
CPI (Capital cities)	2.2%	1.9%	% through the year	December quarter 17 Next: 24 April 2018
Official cash rate	1.50%		Lowered 25 basis points Aug 16	Next: 6 March 18

ECONOMIC FORECASTS	NSW Forecasts (as per 2017-18 HYR)			Australian Gov't Forecasts (as per 2017-18 MYEFO)		
	2016-17 Actual	2017-18 Forecast	2018-19 Forecast	2016-17 Actual	2017-18 Forecast	2018-19 Forecast
State/Domestic Final Demand (%)	3.6	3½	2¾	2.0	n.a.	n.a.
Gross State /Domestic Product (%)	2.9	3	2¾	2.0	2½	3
Employment (%) (a)	0.9	2½	1¾	1.9	1¾	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