

# Weekly Economic & Financial Market Wrap

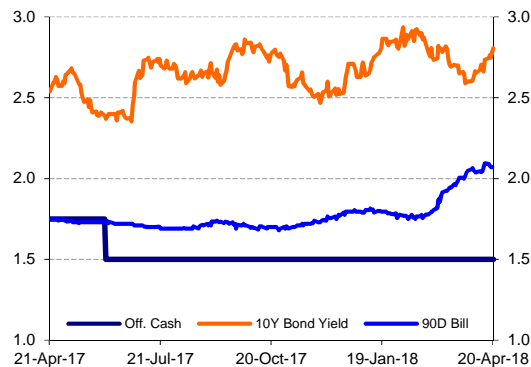
Week ended Friday 20 April 2018



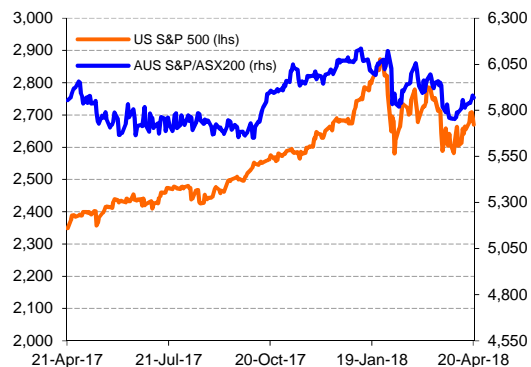
Treasury

Monday, 23 April 2018

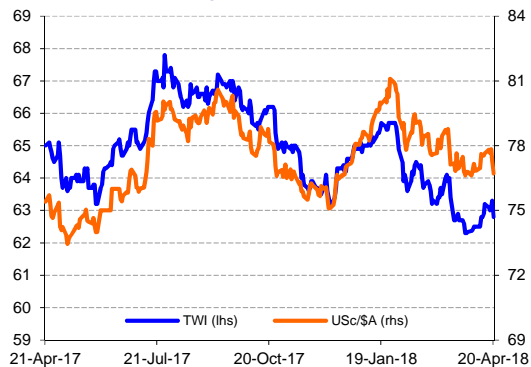
**Chart A: Domestic Interest Rates**



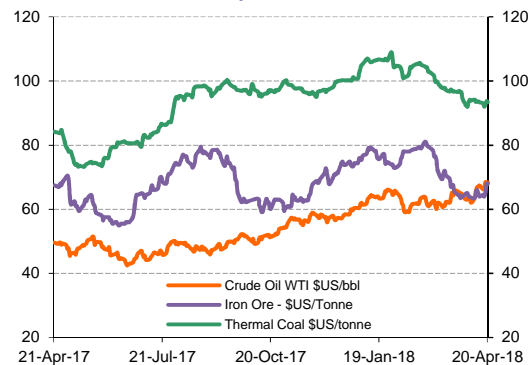
**Chart B: Share Price Index**



**Chart C: Exchange rate**



**Chart D: Commodity Prices**



## Domestic Data Releases

**NAB** released its **Quarterly Business Survey**, which showed that NSW actual business conditions fell from +23 in December to +19 in March and expected business conditions rose from +27 to +29 in the same period. Nationally, actual business conditions fell from +18 in December to +16 in March and expected business conditions rose from +22 to +27 in the same period.

**ABS Labour Force** data showed that employment in NSW fell by 6,500 or 0.2 per cent in March. The number of people in full-time employment was up 4,700, while part-time employment fell by 11,200. Nationally, employment increased by 4,900 or 0.0 per cent in March. The unemployment rate in NSW rose by 0.2 percentage points to 5.0 per cent, while the unemployment rate in Australia remained steady at 5.5 per cent in March. The NSW participation rate fell by 0.1 percentage points to 64.4 per cent, while the participation rate in Australia fell by 0.1 percentage points to 65.5 per cent in March.

**ABS Lending Finance** data for February showed that annual investor housing finance commitments in NSW were \$71,383m, down 7.4 per cent through the year. Nationally, annual commitments were \$146,698m, down 5.9 per cent through the year. In NSW, the proportion of investor housing finance commitments to total housing finance commitments was 52.8 per cent whereas in Australia the proportion was 44.3 per cent in February.

**ABS Overseas Arrivals and Departures** data showed that the number of overseas visitors to NSW was 360,400 in February, up 14.8 per cent through the year. In Australia, the number of overseas visitors was 914,500, up 16.1 per cent through the year.

## Markets

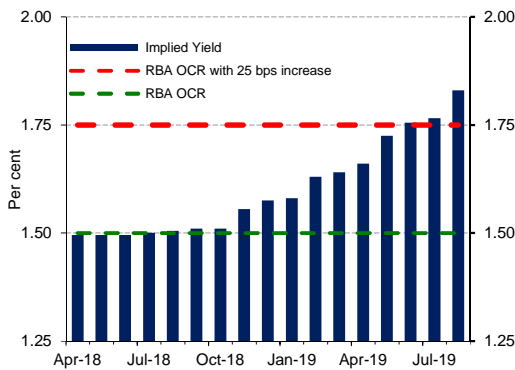
Over the week to Friday, the ASX200 rose by 0.7 per cent, the US S&P500 rose by 0.5 per cent and thermal coal prices rose by 0.1 per cent. Thermal coal prices are up 11.0 per cent through the year following growth in demand in key markets such as Japan and China. There are also supply concerns, with increasing competition for high-quality thermal coal to use in power stations, without increasing supply to meet this demand.

	Value	Change on Year	Change on Week
<b>US S&amp;P 500</b>	2670.14	13.7 %	0.5 %
<b>ASX200</b>	5868.78	0.3 %	0.7 %
<b>Australian Dollar (USD)</b>	0.77	1.7 %	-1.2 %
<b>TWI</b>	62.80	-3.4 %	-0.6 %
<b>Oil (USD/bbl)</b>	68.38	37.8 %	1.5 %
<b>Gold (USD/oz)</b>	1336.75	4.3 %	-0.5 %
<b>Thermal Coal (USD/tonnes)</b>	93.45	11.0 %	0.1 %
<b>Australian 10-yr bond</b>	2.81%	26.9 bps	7.1 bps
<b>US 10-yr bond</b>	2.96%	71.2 bps	13.4 bps
<b>NSW 10-yr bond (bps) maturity 2026</b>	3.00% -	bps	4.5 bps

## Upcoming Domestic Data Releases (23/04 – 27/04)

- **ABS** will release Regional Population Growth for 2016-17, Producer Price Indexes and Consumer Price Index for the March quarter and Regional Labour Force and Youth Labour Force for March.
- **CBA** will release its Commsec State of the States for the March quarter.
- **DoE** will release its Skilled Vacancies for March.

**Chart E: Interest Rate Expectations**



**Market Interest Rate Expectations**

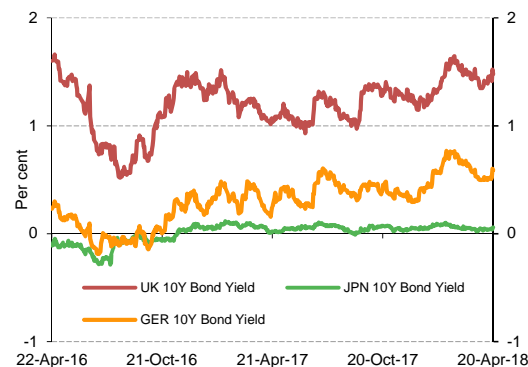
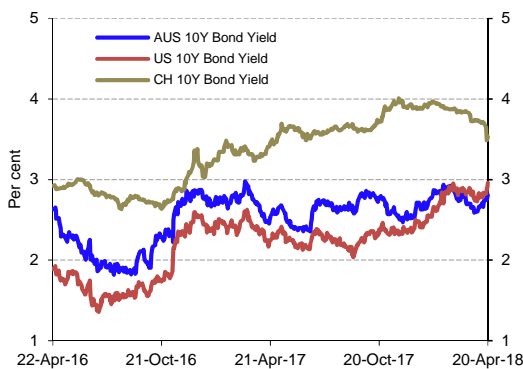
The current implied yield curve on ASX 30 day Interbank Cash Rate Futures (Chart E) indicates that the majority of the market expects the RBA to increase the cash rate in March 2019.

According to the ASX Target Rate Tracker, as at 20 April, 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 1 May 2018.

**International Bond Yield Spreads**

US bond yields rose by 13.4 basis points over the week to Friday. There was a steep lift in US bond yields, partially driven by speculation that US inflationary pressures may be about to accelerate as new data pointed to a strengthening economy as well as rising commodity prices. The 10-yr bond yield closed at 2.96 on Friday, its highest level since early January 2014. This has weighed on the Australian dollar which continues to slide.

**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>	2.81	26.9	7.1	-15.3	29.0
<b>United States (US)</b>	2.96	71.2	13.4	-	-
<b>Germany (GER)</b>	0.59	33.7	7.9	-237.0	-199.5
<b>United Kingdom (UK)</b>	1.48	44.5	4.4	-148.1	-121.4
<b>Japan (JPN)</b>	0.06	4.4	2.2	-290.0	-223.2
<b>China (CH)</b>	3.53	7.8	-17.2	57.2	120.6

**Key International Data Releases**

**US:** Retail sales rebounded in March after three-straight monthly declines. Sales increased 0.6 per cent in March, to be up 4.5 per cent through the year driven by purchases of motor vehicles. Industrial Production rose 0.5 per cent in March, to be up 4.3 per cent through the year as a rebound in utilities offset declines in output of machinery and food products.

**Japan:** The trade balance was at a surplus of ¥797.3b in March as imports fell 0.6 per cent through the year, led by a fall of almost 17 per cent in imports from China. The core Consumer Price Index rose 0.9 per cent through the year to March following a 1.0 per cent gain in February.

**China:** GDP was reported at 6.8 per cent for the March quarter. Industrial production fell to 6 per cent through the year to March, compared to 7.5 per cent in February. Retail sales beat forecasts and increased to 9.8 per cent through the year to March from 9.4 per cent in February.

**UK:** The Unemployment Rate unexpectedly fell to 4.2 per cent in February from 4.3 per cent in January. The Consumer Price Index fell to its lowest level in a year at 2.5 per cent in March from 2.7 per cent in February. Retail sales

**Upcoming Key International Data Releases (23/04 – 27/04)**

- **Japan:** Unemployment Rate, Industrial Production (Prel), Retail Sales for March and BoJ Interest Rate Decision and Nikkei Manufacturing PMI (Prel) for April.
- **US:** GDP for the March quarter and Markit Manufacturing PMI (Prel) for April.
- **UK:** GDP (Adv) for the March quarter and Gfk Consumer Confidence for April.
- **Euro:** Markit Manufacturing PMI (Prel), ECB Interest Rate Decision for April.

### Six Weeks At A Glance

Monday 23-Apr	Tuesday 24-Apr	Wednesday 25-Apr	Thursday 26-Apr	Friday 27-Apr
Commsec State of the States, MarQ-18	ABS Regional Population Growth, 2016-17 ABS Consumer Price Index, MarQ-18	DoE Skilled Vacancies, Mar-18	ABSDetailed Monthly Labour Force, Mar-18 ABSInternational Trade Price Indexes, MarQ-18	ABS Producer Price Indexes, MarQ-18
30-Apr	1-May	2-May	3-May	4-May
RBA Private Sector Credit, Mar-18	RBA Interest Rate Decision, May-18	ABS Selected Living Cost Indexes, March Q-18	ABS International Trade in Goods & Services, Mar-18 ABS Building Approvals, Mar-18	RBA Statement on Monetary Policy, May-18
7-May	8-May	9-May	10-May	11-May
NAB Monthly Business Survey, Apr-18 APM Auction data, Apr-18	Commonwealth Budget, 2018-19 ABS Retail Trade, Mar-18	W-MI Consumer Sentiment, May-18	ABS Regional Building Approvals, Mar-18	ABSHousing Finance, Mar-18
14-May	15-May	16-May	17-May	18-May
	RBA Monetary Policy Minutes, May-18 ABS Overseas Arrivals and Departures, Mar-18 ABS Lending Finance, Mar-18	ABS Wage Price Index, MarQ-18	ABS Labour Force, Apr-18	
21-May	22-May	23-May	24-May	25-May
		DoE Skilled Vacancies, Apr-18 ABS Construction Work Done (Prelim), MarQ-18 ANZ Stateometer, MarQ-18	ABSDetailed Labour Force, Apr-18	
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	

## 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	+10	+7	NAB Index	March 18 (mthly) Next: 7 May 18
NAB Business Conditions	+12	+14		
HOUSING				
Dwelling Approvals	70.5k	224.2k	Number of app 12mms	February 18 (mthly) Next: 3 May 2018
	-4.2%	-6.6%	% annual average	
Residential Prices (capitals)	3.8%	5.0%	% through the year	December quarter 17 Next: 19 June 18
LABOUR FORCE				
Employment	3.5%	3.0%	% through the year	March 18 (mthly) Next: 17 May 18
Unemployment Rate	5.0%	5.5%	Current rate	
Youth unemployment rate	10.7%	12.6%	12 monthly moving average rate	
CONSUMER				
Retail Sales	3.1%	3.0%	% through the year	February 18 (mthly) Next: 8 May 18
Westpac MI Consumer Confidence	97.5	102.4	Westpac MI Index	April 18 (mthly) Next: 9 May 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: 1 May 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 (%) <sup>(a)</sup>	0.9	2½	1¾	1.9	1¾	1½
Unemployment rate (%) <sup>(b)</sup>	5.0	4¾	4¾	5.6	5½	5¼
CPI (%) <sup>(c)</sup>	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