

Chart A: Domestic Interest Rates

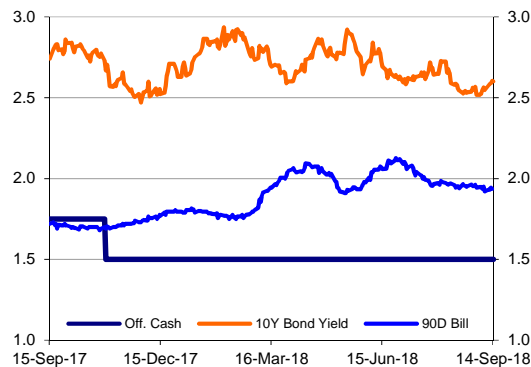


Chart B: Share Price Index

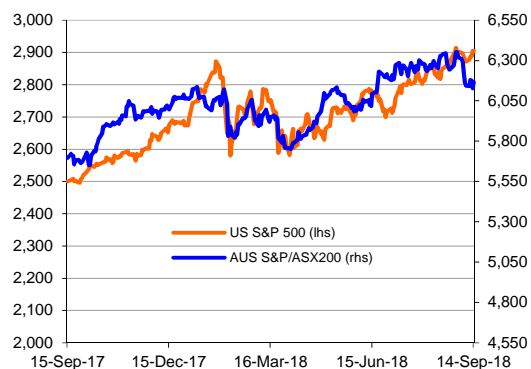


Chart C: Exchange rate

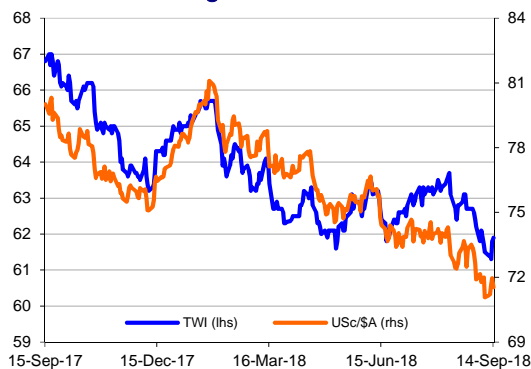
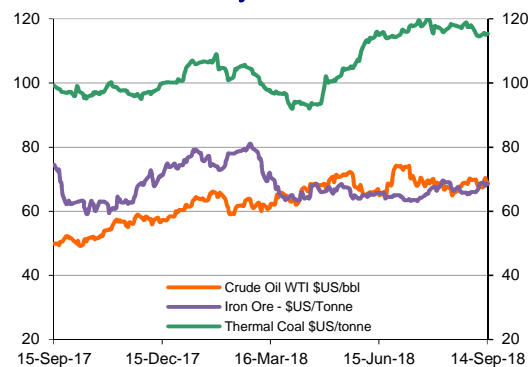


Chart D: Commodity Prices



Domestic Data Releases

NAB Monthly Business Survey data showed that NSW business conditions increased from +10 in July to +17 in August, while NSW business confidence fell from +5 in July to +2 in August. Nationally, business conditions fell from +7 to +4, while Australian business conditions rose from +13 in July to +15 in the month.

ABS Lending Finance data for July showed that investor housing finance commitments continue to fall across all states, with NSW commitments falling 12.2 per cent over the year. Nationally, commitments fell 10.6 per cent over the year. The share of investor finance of total housing finance in NSW has fallen to just below 50 per cent, a three-year low.

W-MI Consumer Sentiment data showed that the NSW consumer sentiment index fell 0.6 per cent to 101.6 in September, to be up 5.2 per cent through the year. The Australian consumer sentiment index fell 3.0 per cent to 100.5 index points, to be up 2.7 per cent through the year.

ABS Labour Force data showed that employment rose in NSW by 43,200 in August, 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 0.5 percentage points to a record high 65.2 per cent in August 2018. Nationally, employment increased by 44,000 or 0.3 per cent, to be up 2.5 per cent through the year. The national unemployment rate remained steady at 5.3 per cent.

Markets

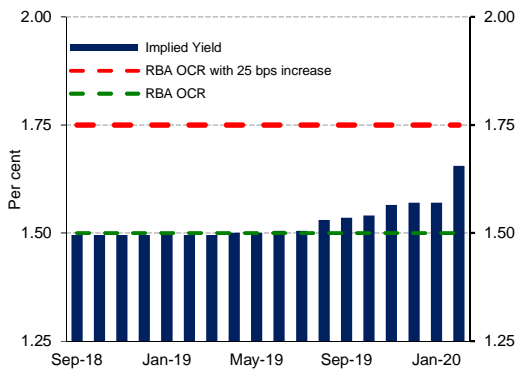
Over the week to Friday, the ASX200 rose by 0.4 per cent, the US S&P500 rose by 1.2 per cent and thermal coal prices rose by 0.7 per cent.

	Value	Change on Year	Change on Week
US S&P 500	2904.98	16.2 %	1.2 %
ASX200	6165.33	8.3 %	0.4 %
Australian Dollar (USD)	0.72	-10.6 %	0.6 %
TWI	61.90	-7.3 %	0.7 %
Oil (USD/bbl)	68.99	38.3 %	1.8 %
Gold (USD/oz)	1201.95	-9.1 %	0.3 %
Thermal Coal (USD/tonnes)	115.40	16.3 %	0.7 %
Australian 10-yr bond	2.60%	-14.0 bps	5.4 bps
US 10-yr bond	3.00%	79.4 bps	5.7 bps
NSW 10-yr bond (bps) maturity 2028	3.01%	- bps	6.0 bps

Upcoming Domestic Data Releases (17/09 – 21/09)

- **ABS** will release Overseas Arrivals and Departures data for July, Residential Property Price Indexes for the June quarter, and Demographic Statistics for the March quarter.
- **Austrade** will release its International Visitor Survey for the June quarter.
- **RBA** will release its Bulletin for September.

Chart E: Interest Rate Expectations



Market Interest Rate Expectations

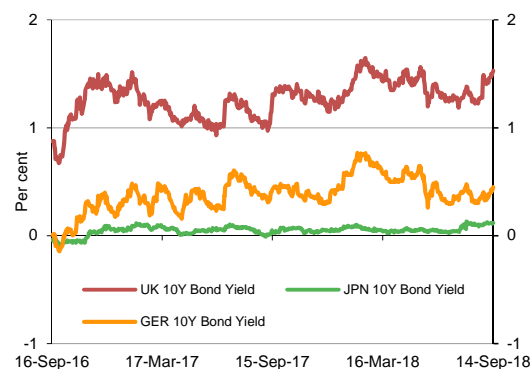
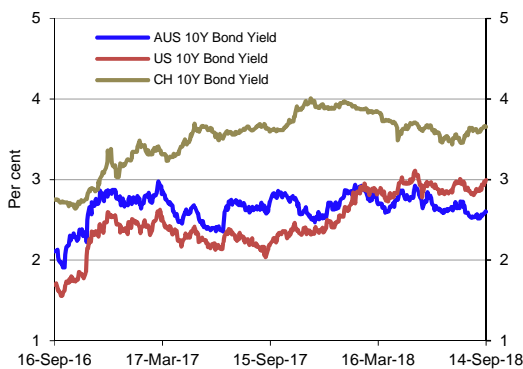
The current implied yield curve on ASX 30-day Interbank Cash Rate Futures (Chart E) indicates that the majority of the market expects the RBA to increase the cash rate in February 2020.

According to the ASX Target Rate Tracker, as at 14 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 5.7 basis points over the week to Friday, with the yield on the benchmark 10-year Treasury note topping 3.0 per cent for the first time since early August. Traders pointed to a revision in the retail sales figures out on Friday as the reason for the latest push higher in yields. Although, yields surrendered some their Friday gains amid reports of further tariffs on Chinese imports. Bond yields rose in all other countries tracked over the week.

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)	2.60	-14.0	5.4	-39.4	54.0
United States (US)	3.00	79.4	5.7	-	-
Germany (GER)	0.45	1.7	6.3	-254.6	-176.9
United Kingdom (UK)	1.53	22.1	7.1	-146.6	-89.3
Japan (JPN)	0.12	8.9	0.5	-287.8	-217.3
China (CH)	3.66	5.3	2.2	65.9	140.0

Key International Data Releases

US: The CPI rose 2.7 per cent through the year to August, compared to 2.9 per cent in July, as increases in gasoline and rents were offset by declines in healthcare and apparel costs. The PPI rose 2.8 per cent through the year to August, slowing after a rise of 3.3 per cent in July. Retail sales recorded the smallest gain in six months as consumers cut back on purchases of motor vehicles and clothing to rise 6.6 per cent through the year to August, compared to 6.7 per cent in July.

China: The CPI rose 2.3 per cent through the year to August, compared with 2.1 per cent in July. The PPI rose 4.1 per cent through the year to August, compared with 4.6 per cent in July. While industrial output expanded 6.1 per cent and retail sales 9.0 per cent in August, both beating market expectations, analysts warn that companies may be “frontloading” to beat US tariffs.

UK: The trade deficit narrowed to -£0.11b in July, on the back of strong trade in services, from -£0.94 in the previous month. The export sector helped boost economic growth to 0.3 per cent during July, up from 0.1 per cent in June. Manufacturing production increased 1.1 per cent through the year to July, compared to 1.5 per cent in the previous month. The unemployment rate held steady at 4.0 per cent in July. The Bank of England kept interest rates on hold at 0.75 per cent at their September policy meeting.

Euro Area: The trade surplus declined from €22.5b in June to €17.6b in July. The ECB kept interest rates on hold at 0.00 per cent in September, and lowered its projections for growth citing weaker contributions from foreign demand, warning that any escalation in trade wars could cause further issues.

Upcoming Key International Data Releases (17/09 – 21/09)

- **US:** Current Account Balance data for the June quarter and Markit Manufacturing PMI data for September.
- **Japan:** Trade Balance and CPI data for August, Nikkei Manufacturing PMI data and BoJ Policy Balance Rate for September.
- **UK:** Retail sales and CPI data for August.

Six Weeks At A Glance

Monday	Tuesday	Wednesday	Thursday	Friday
17-Sep	18-Sep	19-Sep	20-Sep	21-Sep
ABS Overseas Arrivals and Departures, Jul-18	RBA Monetary Policy Minutes, Sep-18 ABS Residential Property Price Indexes, Jun-18	DoE Skilled Vacancies, Aug-18 Austrade International Visitor Survey, JunQ-18 Speech by Christopher Kent, Assistant Governor (Financial Markets) on Money Creation	RBA Bulletin, Sep-18 ABS Australian Demographic Statistics, Mar-18 ABS Monthly Detailed Labour Force, Aug-18 ABS Quarterly Detailed Labour Force, Aug-18	
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
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		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

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)	-0.5%	2.0%	% through the year	March quarter 18 Next: 18 September 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 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 (%) ^(d)	2.0	2	2½	1.9	2¼	2¾

(a) Australia and NSW: Annual average unless otherwise indicated (b) Australia: Per cent in the 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 (d) Australia: through-the-year growth to the June quarter