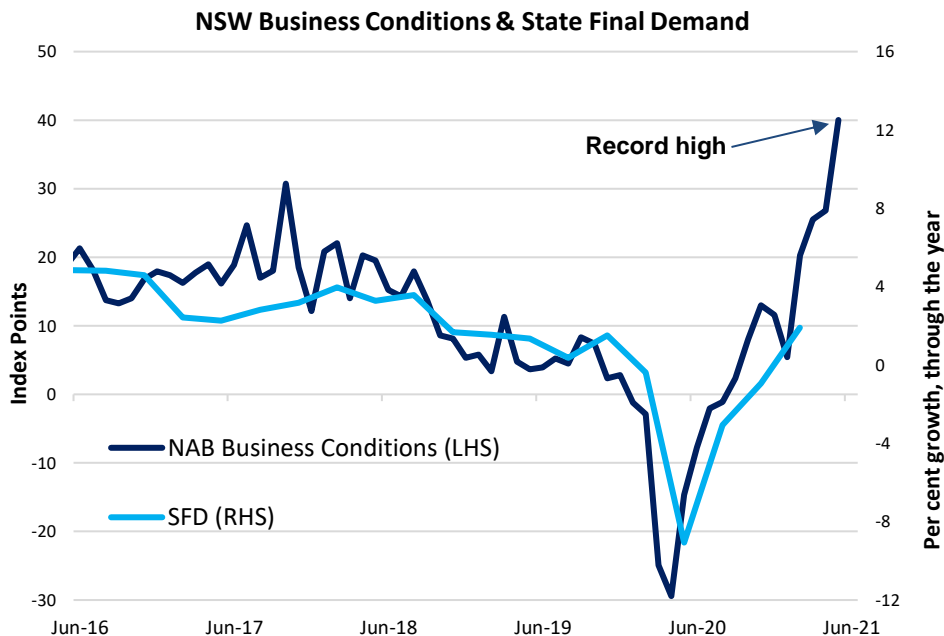


Chart of the Week: NSW Business Conditions Hit a Record High



Source: NAB, NSW Treasury

From the Chief Economist:

The release of the latest business and consumer confidence reports were last week's economic highlights. Both national headline measures fell, although they remained elevated relative to history. The Westpac Melbourne Institute consumer measure now has fallen nearly 10% across the last two months, although optimists continue to outnumber pessimists. The fall in NSW this month was the smallest of all states and the index here is the highest in the land. The fall in NAB's business confidence index masked another rise in business conditions to a fresh record high. The sub-components for employment, profitability and trading conditions also reached new record highs. Earlier, there had been a 12th straight monthly rise in job ads according to the ANZ survey. This took the number of ads to a 12-year high and suggests the labour market is travelling well even without the support of the JobKeeper wage subsidy scheme. This premise was supported by the latest fortnightly payrolls data, which showed a small rise. That said, skill mismatches continue to emerge, thanks partly to our closed international borders. In financial markets, the local equity market set a new record high late last week.

There is plenty on the agenda this week, including the latest jobs report and a speech by the RBA Governor. The May jobs report will provide the most reliable evidence thus far on how the labour market is coping without the subsidy scheme. The April report a month ago was influenced by survey rotation bias towards people without jobs, so the May report should be a "cleaner" read. Surveyed economists expect a decent gain in employment (all but reversing the fall in April) and a steady jobless rate. There still is a risk that the jobless rate rises in the months ahead, but distortions from the end of JobKeeper seem to be modest. RBA Governor Lowe is speaking in regional Queensland. His speech is entitled "From recovery to expansion", which gives clear guidance on what he will say.

Chart A: Domestic Interest Rates

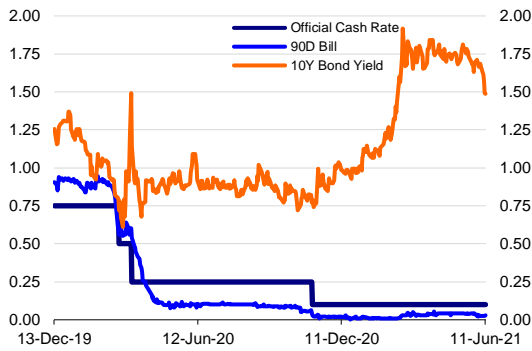


Chart B: Share Price Index

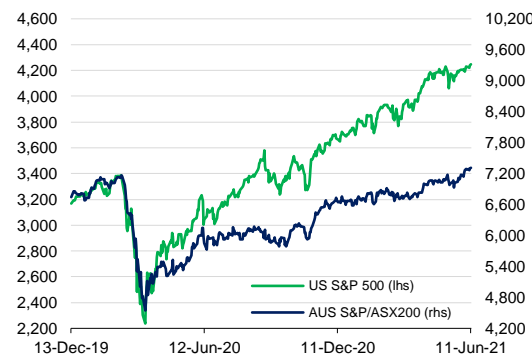


Chart C: Exchange rate

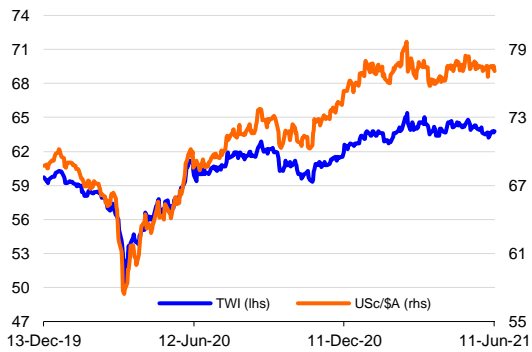
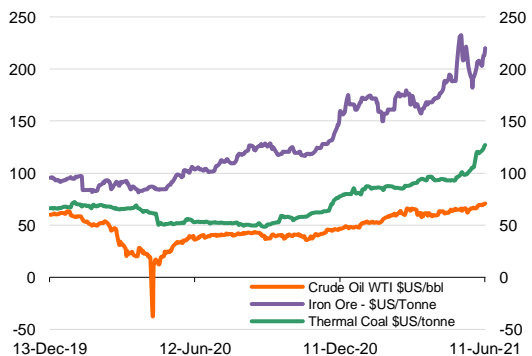


Chart D: Commodity Prices



Domestic Data Releases

NAB Monthly Business Survey showed that the business sector continues to return strong outcomes as the economy’s ongoing rebound powers on. Business confidence in NSW fell from +25 to +21 in May. Despite this fall, the level remains elevated and well above the decade average of +4. Business conditions in NSW rose from +27 to +40 which is another record high for the state. Nationally, business confidence fell from +23 to +20. Similarly, to NSW, business confidence is elevated and remains a positive outcome despite the monthly fall. Business conditions in Australia rose from +32 to +37 which re-broke last month’s record high.

W-MI Consumer Sentiment revealed that the Consumer Sentiment Index (CSI) in NSW fell in June for the first time since January after reaching an 11 year high in May. Nevertheless, sentiment remains elevated and NSW still has the strongest consumer sentiment of all the states, as every state experienced a contraction this month. NSW CSI fell 1.1 per cent in June to 117.3 index points and is now back at the level seen in April 2021. The index now sits 22.8 per cent higher in through the year terms and 14.8 per cent higher in annual average terms. National CSI fell 5.2 per cent in June to 107.2 index points and has now fallen by 9.8 per cent since the highs recorded in April.

ABS Weekly Payroll Jobs and Wages showed NSW employee jobs rose 0.2 per cent in the fortnight ending 22 May. Cumulatively, NSW payroll jobs are now 2.1 per cent higher compared to when the pandemic began (mid-March 2020), however this data should be treated carefully as it is not seasonally adjusted. Nationally, payroll jobs rose 0.3 per cent in the fortnight ending 22 May, with the largest rise seen in Queensland (+0.6 per cent) and the Northern Territory (+0.5 per cent). The data further revealed that NSW total wages rose by 0.9 per cent in the fortnight ending 22 May and are 1.8 per cent above pre-COVID levels, while nationally, total wages rose 0.6 per cent and are 3.1 per cent above pre-COVID levels.

CoreLogic Weekly Auction clearance rate for Sydney was 75.6 per cent in the week ending 6 June, down from 76.0 per cent in the week prior. Nationally, the clearance rate fell from 73.5 to 70.6 per cent.

Market

Over the week, the ASX200 rose 0.2 per cent, the S&P500 rose 0.4 per cent and oil prices rose 1.9 per cent.

	Value	Change on Year	Change on Week
US S&P 500	4247.44	39.7 %	0.4 %
ASX200	7312.33	25.0 %	0.2 %
Australian Dollar (USD)	0.77	12.3 %	-0.4 %
TWI	63.80	6.5 %	0.9 %
Oil (USD/bbl)	70.91	95.6 %	1.9 %
Gold (USD/oz)	1881.05	8.5 %	-0.5 %
Thermal Coal (USD/tonnes)	127.00	139.6 %	6.1 %

Upcoming Domestic Data Releases (14/06-18/06)

- **ABS:** Overseas Arrivals and Departures for April. Labour Force, Demographic Statistics, Household Impacts of COVID-19 Survey and Provisional Overseas Travel Statistics for May.
- **RBA:** Monetary Policy Minutes for June and Bulletin for the June quarter.
- **ABARES:** Agricultural Commodities for the June quarter.
- **CoreLogic:** Auction Clearance Rate for week ending 13 June 2021.

Chart E: Australian government yields

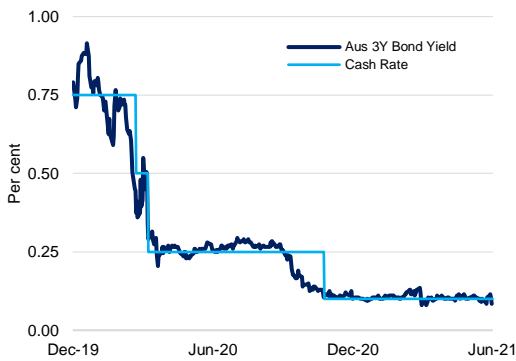
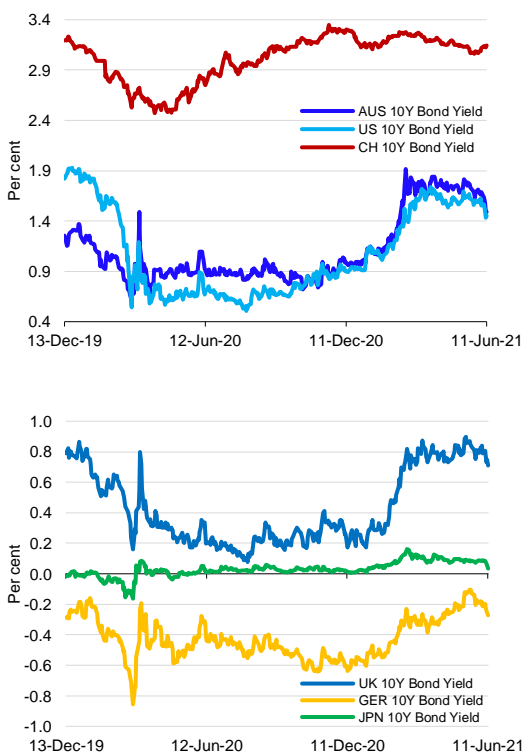


Chart F & G: International Bond Yields



Market Interest Rate Expectations

On 3 November 2020, the RBA announced it will be targeting a cash rate and 3-year Australian Government bond yield of 0.1 per cent.

Market consensus at the time of writing indicates that the RBA will not change the official interest rate this year.

International Bond Yield Spreads

The US Treasury 10-year bond yield fell 10.2 basis points last week. The Australian equivalent fell 19.9 basis points.

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)	1.49	57.9	-19.9	3.6	20.6
NSW T-Corp	1.67	24.9	-20.0	21.6	71.6
United States (US)	1.45	74.8	-10.2	-	-
Germany (GER)	-0.27	16.5	-6.1	-172.6	-114.2
United Kingdom (UK)	0.71	50.0	-8.2	-74.4	-49.5
Japan (JPN)	0.04	2.2	-5.2	-141.7	-69.0
China (CH)	3.15	39.3	2.5	169.4	205.0

Key International Data Releases

Euro Area: The European Central Bank left interest rates unchanged at 0.00 per cent.

Germany: Industrial production rose 26.4 per cent through the year to April due to low base effects from 2020 when the coronavirus pandemic hit the economy hard.

Canada: The Bank of Canada left interest rates unchanged at 0.25 per cent.

US: The trade balance rose from -\$74.4b to -\$68.9b in April. CPI came in at 5.0 per cent through the year to May, beating consensus expectations of 4.7 per cent.

Japan: PPI rose 4.9 per cent through the year to May, beating expectations of a 4.5 per cent rise.

China: The trade balance rose from \$42.9b to \$45.5b in May, below survey expectations of \$50.8b. CPI came in at 1.3 per cent through the year to May, while PPI was 9.0 per cent.

UK: The trade balance rose from -£1966m to -£935m in April, beating consensus expectations of a decline to -£2500m.

Upcoming Key International Data Releases (14/06-18/06)

Japan: Trade Balance for May. Interest Rate Decision for June.

China: Retail Sales and Industrial Production for May.

Euro Area: Industrial Production and Trade Balance for April.

NZ: GDP for March quarter.

US: Retail Sales and Industrial Production for May. Preliminary Consumer Sentiment and Interest Rate Decision for June.

UK: Unemployment Rate for April. CPI and Retail Sales for May.

India: CPI for May.

Six Weeks At A Glance

Monday	Tuesday	Wednesday	Thursday	Friday
14-Jun	15-Jun	16-Jun	17-Jun	18-Jun
	ABS Overseas Arrivals and Departures, Apr-21 RBA Monetary Policy Minutes, Jun-21	ABARES Agricultural Commodities, JunQ-21 ABS Overseas Travel Statistics, Provisional, May-21 ABS Household Impacts of COVID-19 Survey, May-21	ABS Labour Force, May-21 ABS Demographic Statistics, DecQ-20 CoreLogic Weekly Auction Data, 13-Jun-21 RBA Bulletin, JunQ-21	
21-Jun	22-Jun	23-Jun	24-Jun	25-Jun
ABS Retail Trade, Preliminary, May-21	ABS Weekly Payroll Jobs and Wages, 5-Jun-21	ABS International Trade, Preliminary May-21	ABS Regional Labour Force, May-21 ABS Industry Labour Force, MayQ-21 ABS Business Conditions and Sentiments, Jun-21 CoreLogic Weekly Auction Data, 20-Jun-21	
28-Jun	29-Jun	30-Jun	1-Jul	2-Jul
		RBA Private Sector Credit, May-21 ABS Engineering Construction Activity, MarQ-21	ABS International Trade, May-21 CoreLogic Weekly Auction Data, 27-Jun-21 CoreLogic Monthly House Price Data, Jun-21	ABS Lending Indicators, May-21
5-Jul	6-Jul	7-Jul	8-Jul	9-Jul
ABS Retail Trade, May-21 ABS Building Approvals, May-21	RBA Interest Rate Decision, Jul-21 ABS Weekly Payroll and Wages, 19-Jun-21		CoreLogic Weekly Auction Data, 04-Jul-21	
12-Jul	13-Jul	14-Jul	15-Jul	16-Jul
	ABS Overseas Arrivals and Departures, May-21 NAB Monthly Business Survey, Jun-21	ABS Building Activity, MarQ-21 ABS Overseas Travel Statistics, Provisional, Jun-21 W-MI Consumer Sentiment, Jul-21	ABS Labour Force, Jun-21 CoreLogic Weekly Auction Data, 11-Jul-21	
19-Jul	20-Jul	21-Jul	22-Jul	23-Jul
	RBA Monetary Policy Minutes, Jul-21	ABS Retail Trade, Preliminary, Jun-21	CoreLogic Weekly Auction Data, 18-Jul-21 NAB Quarterly Business Survey, JunQ-21 ABS Regional Labour Force, Jun-21 ABS International Trade, Preliminary, Jun-21	

ECONOMIC FACTS

ECONOMIC GROWTH				
ECONOMIC INDICATOR	NSW	Australia	Measure	Latest Period
Gross State/ Domestic Product	-0.7%	-0.2%	% annual average (real)	2019-20 Next: November 21
State/Domestic Final Demand	1.9%	1.9%	% through the year (real)	March quarter 21
	1.5%	1.6%	% change on last qtr	Next: 1 September 21
BUSINESSES				
NAB Business Confidence	+21	+20	NAB Monthly Index	May 21 (mthly) Next: 13 July 21
NAB Business Conditions	+40	+37		
HOUSING				
Dwelling Approvals	54.8k	204.2k	Number of app 12mms	April 21 (mthly) Next: 5 July 21
	8.7%	15.4%	% annual average	
Residential Prices (capitals)	3.7%	3.6%	% through the year	December quarter 20 Next: 15 June 21
LABOUR FORCE				
Employment	4.7%	5.1%	% through the year	April 21 (mthly) Next: 17 June 21
Unemployment Rate	5.5%	5.5%	Current rate	
Youth unemployment rate	13.0%	14.2%	12 month moving average rate	
CONSUMER				
Retail Sales	27.3%	25.0%	% through the year (nominal)	April 21 (mthly) Next: 5 July 21
Westpac MI Consumer Confidence	117.3	107.2	Westpac MI Index	June 21 (mthly) Next: 14 July 21
CPI (Capital cities)	0.9%	1.1%	% through the year	March quarter 21 Next: 28 July 21
Official cash rate	0.10%		Lowered 15 basis points in November 2020	June 21 (mthly) Next: 6 July 21

ECONOMIC FORECASTS ^(a)	NSW Forecasts (as per 2020-21 HYR)			Australian Gov't Forecasts (as per 2021-22 Budget)		
	2019-20 Actual	2020-21 Forecast	2021-22 Forecast	2019-20 Actual	2020-21 Forecast	2021-22 Forecast
State/Domestic Final Demand (%)	-2	½	2	n.a.	n.a.	n.a.
Gross State/Domestic Product (%)	-0.7	- ½	2 ¾	-0.2	1 ¼	4 ¼
Employment (%)	-0.1	- ¼	¾	-4.2	6 ½	1
Unemployment rate (%) ^(b)	6 ½	6 ½	6	6.9	5 ½	5
CPI (%)	1	1 ¼	1 ½	-0.3	3 ½	1 ¾
Wage Price Index (%)	2	1 ¾	1 ½	1.8	1 ¼	1 ½

(a) Per cent change, annual average, unless otherwise indicated. (b) June quarter, per cent.