

Weekly Market and Economic Roundup

For the week ended 9 August, 2013

This Roundup covers critical economic data and publications used by NSW Treasury for monitoring and analysis

Chart A: Domestic Interest Rates

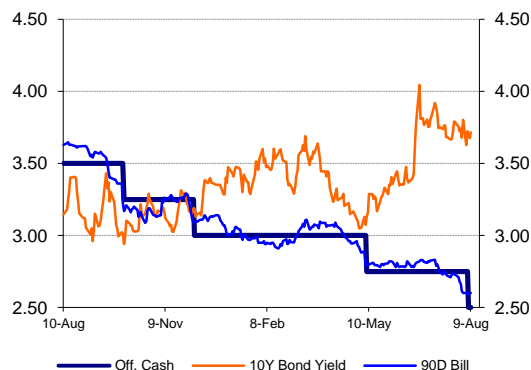


Chart B: Share Price Index

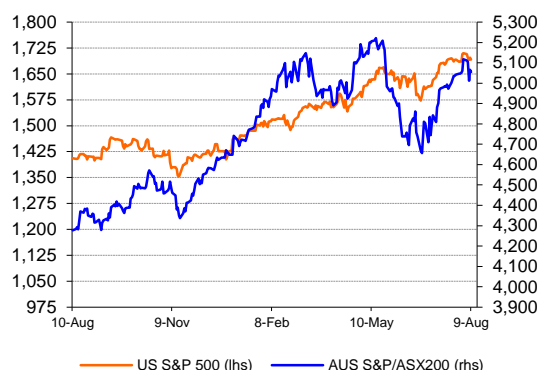


Chart C: Exchange Rate

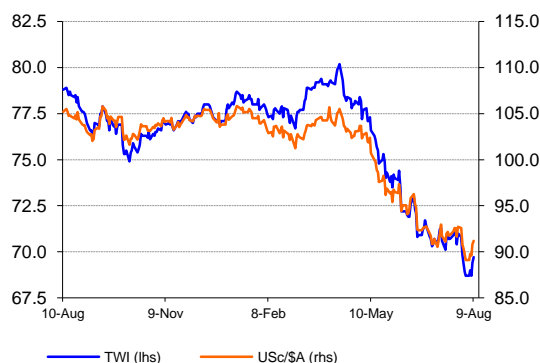
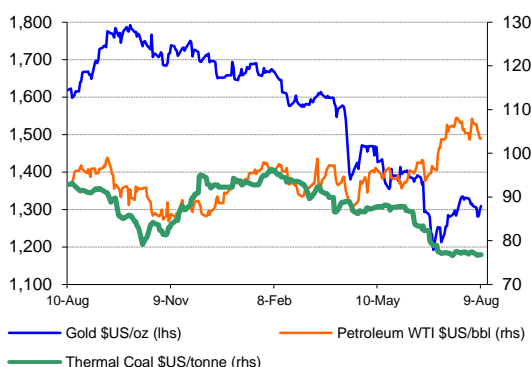


Chart D: Commodities



Domestic Data Releases

At its monthly policy meeting, the RBA board decided to reduce the **overnight cash rate** to 2.5%, a reduction of 25 basis points.

Labour force data (sa) for July showed that the NSW unemployment rate rose to 5.6% and remained at 5.7% nationally. **Employment** (number, sa) in NSW in July was 1.8% higher than a year ago. Nationally, employment growth in July was 1.1% through the year.

Retail Sales (value, sa, y%ch) for June were 0.8% higher through the year for NSW and 1.1% higher for Australia. **Real retail sales** (volume, sa, y%ch) for the June quarter were 2.3% higher for NSW and 2% for Australia.

The **ANZ job ads** (sa) for July showed that newspaper job advertisements in NSW fell 9.6% on June and fell 40.9% through the year. Nationally, newspaper job ads fell 6.8% on June and fell 37.9% through the year. Nationally internet job ads fell 1.3% compared to last month and were 16.8% lower through the year.

Merchandise Imports (value, nsa, y%ch) fell 7.8% for NSW and fell 7.3% for Australia in June. **Merchandise Exports** (value, nsa, y%ch) fell 2.8% for NSW and were up 0.3% for Australia.

Housing finance (number, excluding re-finance, nsa, y%ch) for June was up 17.6% for NSW and was 9.3% higher nationally. The proportion of first home buyers was 11.3% in NSW and was 21.6 % nationally.

House Price Index data for the June quarter showed that prices in Sydney (index, nsa, y%ch) rose 2.7 per cent. The weighted average of all capital cities rose 2.4 per cent.

TD-MI's Inflation Gauge for July (index, nsa, y%ch) showed **Headline Inflation** increased 2.7% and **Underlying Inflation** (as measured by the trimmed mean) rose by 3.1% across Australia.

The AiG-HIA **Performance of Construction Index** (index, sa) rose 4.6 points in July from 41.5 in June. A reading above 50.0 shows expansion in the industry and below 50.0 a contraction.

The AiG- Combank **Performance of Services Index** (index, sa) fell 2.1 points in July from 37.3 in June. A reading above 50.0 shows expansion in the industry and below 50.0 a contraction.

D&B's Business Expectations survey (index) showed expectations for 2013 are:

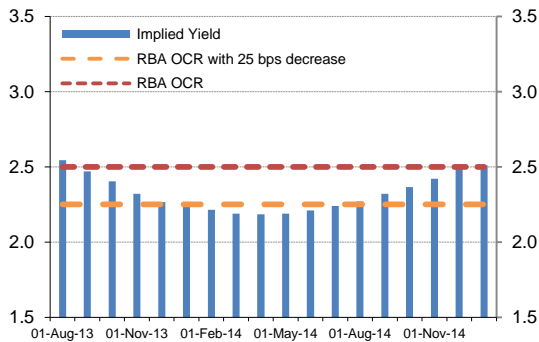
- Capex investment at -2
- Employment expectations at -1
- Sales and Profit expectations at +6 and +15 respectively.

Markets

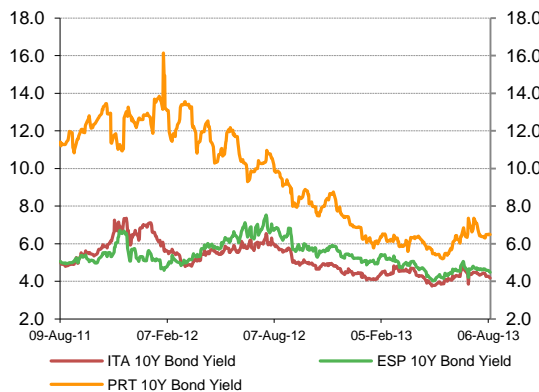
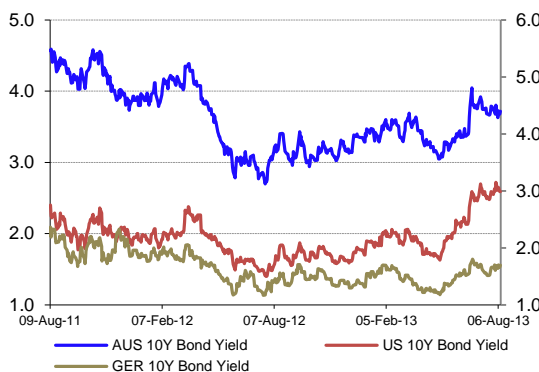
The **Australian stock market** fell 1.1% on the previous Friday, while the **New York stock exchange** fell 1.2%.

	Value	Change on Year	Change on Week
S&P 500	1,691.4	20.3 %	-1.1 %
ASX200	5,055.2	18.2 %	-1.2 %
Australian Dollar (USD)	0.9118	-13.3 %	2.3 %
TWI	69.70	-11.5 %	1.5 %
Oil (USD/bbl)	103.40	11.3 %	-3.3 %
Gold (USD/oz)	1,309.00	-19.1 %	0.0 %
Thermal Coal (USD/tonne)	76.75	-17.3 %	-0.7 %
Australian 10-yr bond	3.72%	56.9 bps	-8.5 bps
US 10-yr bond	2.59%	95.0 bps	-13.0 bps
Australian 90-day bill	2.60%	-103.0 bps	0.0 bps

Chart E: Interest Rate Expectations



Charts F & G: International Bond Yields



Upcoming Domestic Data Releases (12/8 – 16/8)

- The ABS will release data on lending finance, counts of Australian Businesses, wage price index, labour force detailed and average weekly earnings
- Commonwealth Treasury Pre- Election Economic and fiscal outlook
- Westpac- MI Consumer sentiment
- NAB monthly business survey.
- Consensus Economics will release their Asia-Pacific forecasts.

International Bond Yield Spreads

10-yr bond yield	Yield	Change on Year	Change on Week	Spread on 10-yr US bond week end	Spread on 10-yr US bond year ago
Australian (AUS)	3.72%	56.9 bps	-8.5 bps	112.7 bps	150.8 bps
United States (US)	2.59%	95.0 bps	-13.0 bps	- -	- -
Germany (GER)	1.70%	31.1 bps	0.5 bps	-89.4 bps	-25.5 bps
Italy (ITA)	4.18%	-170.7 bps	-7.7 bps	159.3 bps	425.0 bps
Portugal (PRT)	6.49%	-336.5 bps	0.0 bps	390.0 bps	821.5 bps
Spain (ESP)	4.48%	-238.8 bps	-10.8 bps	188.5 bps	522.3 bps

International Data Releases

The Bank of England has reported that inflation rose to 2.9% in June and looks set to remain around that rate in the near term.

Japanese interest rates remains at 0%

The US trade deficit in goods and services for June decreased to \$34.2 billion in June from \$44.1 billion in May.

Upcoming International Data Releases (12/8 – 16/8)

- Japan: GDP
- UK: Inflation, labour market and retail sales
- Europe: Industrial production, GDP
- Germany: ZEW survey, GDP
- US: Retail Sales, inflation, empire manufacturing, industrial production, housing starts, university of Michigan confidence