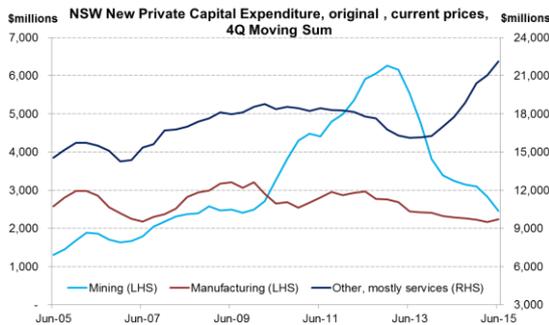


NSW Capital Expenditure strongest of mainland states

Chart A: NSW capital expenditure



Momentum in NSW non-mining business investment has picked up, consistent with the national transition away from mining investment towards more diversified growth. In nominal terms, non-mining business investment was 21.2% higher through the year to the June quarter 2015. Meanwhile, mining investment continued to decline, down by 24.3% (Chart A).

Reflecting a stronger non-mining business investment recovery in NSW and the completion of the construction phase of projects in the mining states, NSW recorded the strongest capital expenditure of the mainland states (Chart B).

Capital expenditure intentions remain well below recent years

Australian businesses reported total capital expenditure intentions for 2015-16 of \$114,814m in August, 9.9% higher than the estimate in May.

Expectations for non-mining investment in 2015-16 have improved from three months ago, but still point to a significant year-on-year decline of 9.1%.

Expectations for mining investment in 2015-16 point to a 38.1% fall compared to 2014-15, indicating that the unwinding of the mining investment boom will accelerate in 2015-16 (see chart C).

This expectation for a loss of momentum in the national non-mining business investment recovery through 2015-16 remains a concern for the economic outlook, both nationally and in NSW. Nevertheless, in NSW, forward indicators suggest that non-mining business investment will grow solidly over 2015-16. Non-mining business investment is being aided by favourable economic conditions; including record low interest rates and a lower dollar. Strong household consumption, strong population growth and under-investment in the non-mining sectors over recent years are also expected to support investment moving forward. Business conditions are strong, and capacity utilisation and SFD growth are both above their averages over the last decade.

Chart B: CAPEX growth, by state, by sector

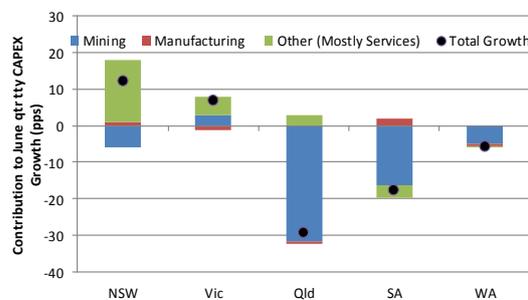
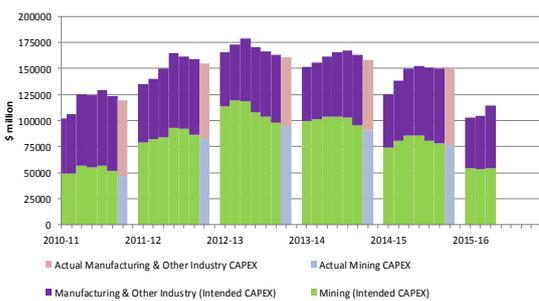


Chart C: National CAPEX intentions



NSW's mining investment has already fallen significantly through 2013-14 and 2014-15. Reflecting national and global trends, NSW mining investment is expected to fall further in 2015-16, as recent sharp falls in coal prices reduce the impetus for investment. Despite this, NSW has a lesser economic reliance on mining than the mining states of Queensland and Western Australia. Additionally, NSW has already experienced significant relative falls in mining capital expenditure compared to national trends, so further falls are unlikely to be a substantial drag on economic growth in NSW.

Other Domestic Data Releases

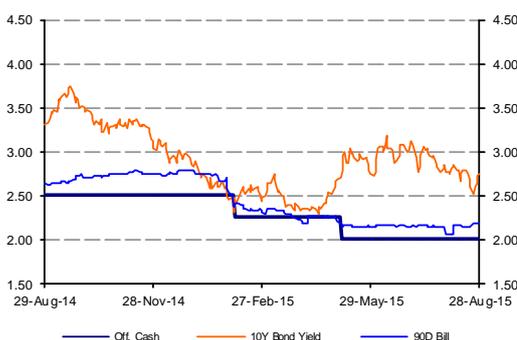
Total construction work in NSW was down 0.1% in the June quarter compared to the previous quarter (nationally up 1.6%). Through the year to the June quarter, NSW total construction work done was down 0.6% (nationally down 3.3%). In NSW, private non-residential and residential work contributed to total annual construction work, but this was largely offset by the ongoing contraction in engineering construction work.

Market Interest Rate Expectations

Current market expectations, as shown by the implied yield curve on ASX 30 day interbank cash rate futures (Chart E) indicate an expectation that the RBA will lower rates to 1.75% in late 2015.

According to the ASX target rate tracker, as of 24 August, there is a 10% expectation that the RBA will lower the cash rate to 1.75% at its policy meeting on 1 September 2015.

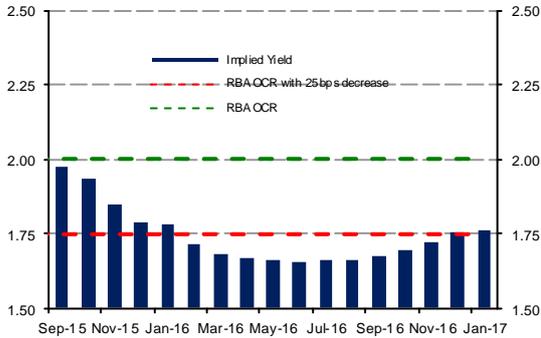
Chart D: Domestic Interest Rates



Markets

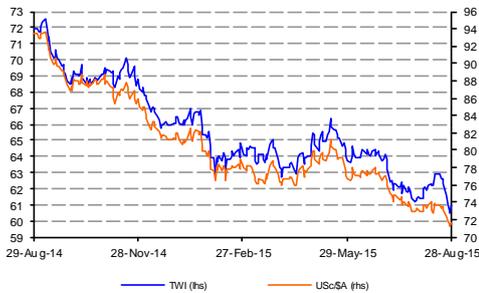
The ASX200 rose 0.9% compared to last Friday and the US S&P500 was up 0.9%.

Chart E: Interest Rate Expectations



	Value	Change on Year	Change on Week
US S&P 500	1,988.9	-0.7 %	0.9 %
ASX200	5,263.6	-6.4 %	0.9 %
Australian Dollar (USD)	0.7168	-23.3 %	-2.0 %
TWI	61.00	-15.2 %	-2.1 %
Oil (USD/bbl)	45.22	-52.9 %	11.8 %
Gold (USD/oz)	1,135.00	-11.7 %	-1.9 %
Thermal Coal (USD/tonne)	56.75	-18.6 %	-1.8 %
Australian 10-yr bond	2.73%	-57.0 bps	13.3 bps
US 10-yr bond	2.17%	-16.0 bps	10.0 bps
Australian 90-day bill	2.18%	-44.8 bps	5.2 bps

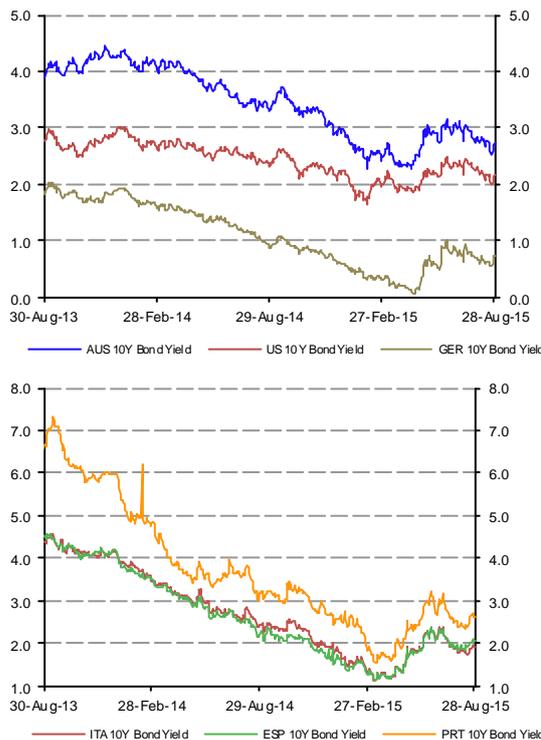
Chart F: Exchange Rate



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)	2.73%	-57.0 bps	13.3 bps	56.2 bps	97.2 bps
United States (US)	2.17%	-16.0 bps	10.0 bps	-	-
Germany (GER)	0.72%	-16.3 bps	14.5 bps	-145.1 bps	-144.8 bps
Italy (ITA)	1.91%	-53.1 bps	5.3 bps	-25.9 bps	11.2 bps
Portugal (PRT)	2.61%	-58.2 bps	-0.6 bps	44.3 bps	86.5 bps
Spain (ESP)	2.06%	-15.9 bps	5.0 bps	-10.7 bps	-10.8 bps

Chart G: Bond yields



Key International Data Releases

US: The second estimate of GDP for the June quarter showed annual growth of 3.7% (compared to first estimate of 2.3%). Contributing mostly to this, consumer spending grew at an annual rate of 3.1%, while spending on home building and improvements grew at an annual rate of 7.8%. Business investment was strong, growing at an annual rate of 3.2% in the June quarter. Inventories grew strongly and net exports also contributed to June quarter growth. While federal government spending was flat, state and local government spending rose by 4.3%, which was the strongest growth recorded since 2001.

UK: GDP for the June quarter rose 0.7%, up from 0.4% growth in the March quarter (year-on-year growth was 2.6%). Net exports grew 3.9% compared to the March quarter, contributing 1pp to overall growth - the largest contribution from this component since 2011. Business investment also grew strongly, up 2.9% compared to the previous quarter. Consumer spending grew by 0.7%, which was around its average rate for the last year, but falling inventories detracted from overall GDP growth.

Upcoming Key International Data Releases (24/8 – 28/8)

- US: Non-farm payrolls and unemployment for August
- EU: ECB monetary policy meeting
- China: Manufacturing PMI (official)

Six Weeks At A Glance

Monday	Tuesday	Wednesday	Thursday	Friday
31-Aug	1-Sep	2-Sep	3-Sep	4-Sep
Business Indicators, Jun-15 Mineral and Petrol Explor, Jun-15 HIA New Home Sales, Jul-15 RBA Private Sector Credit, Jul-15 TD-MI Inflation gauge, Aug-15	RBA Board Meeting, Sep-15 Balance of Payments, Jun-15 GFS, June-15 Building Approvals, Jul-15	National Accounts, Jun-15	International Trade in G/S, Jul-15 Retail Trade, Jul-15 Industrial Disputes, Jun-15	Overseas Arrivals/Departures, Jul-15
7-Sep	8-Sep	9-Sep	10-Sep	11-Sep
	NAB Monthly Business Survey, Aug-15	Housing Finance, Jul-15 W-MI Consumer Sentiment, Aug-15	Labour Force, Aug-15	Lending Finance, Jul-15
14-Sep	15-Sep	16-Sep	17-Sep	18-Sep
	RBA Board Meeting Minutes, Sep-15 Motor Vehicle Sales, Aug-15		Detailed Labour Force, Aug-15 Labour Force Quarterly, Aug-15	
21-Sep	22-Sep	23-Sep	24-Sep	25-Sep
	Residential Property Price Index, Jun-15		Demographic Statistics, Mar-15	
28-Sep	29-Sep	30-Sep	1-Oct	2-Oct
		Building Approvals, Aug-15 Engineering Construction Activity, Jun-15 RBA Private Sector Credit, Aug-15	ABS Job Vacancies, Aug-15	Retail Trade, Aug-15
5-Oct	6-Oct	7-Oct	8-Oct	9-Oct
	RBA Board Meeting, Oct-15 Overseas Arrivals/Departures, Aug-15 International Trade in G/S, Aug-15			Housing Finance, Aug-15

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

ECONOMIC FACTS

ECONOMIC GROWTH						
ECONOMIC INDICATOR	NSW	Australia	Vic	Qld		Latest Period
Gross State/Domestic Product (GSP/GDP)	2.1%	2.5%	1.7%	2.3%	% change year ago (Constant prices)	2013-14 (annual) Next: Nov '15 GDP: 2.3% tty March Quarter 2015
	31.3%	-	22.0%	18.9%	Share of national	
	\$492.4b	\$1,583.6b	\$350.4b	\$296.2b	Level (current prices)	
State/Domestic Final Demand	1.9%	0.8%	3.4%	-2.1%	% change on same qtr last yr	Mar qtr '15 Next: 2 Sep '15
	0.5%	0.0%	1.3%	0.1%	% change on last qtr	
BUSINESS INVESTMENT						
Business Investment	1.2%	-6.1%	10.1%	-21.6%	% change year ago (Constant prices)	Mar qtr '15 Next: 2 Sep '15
• New Non-Res Construction	-9.7%	-13.1%	15.5%	-33.2%		
• New M&E	7.0%	2.5%	6.6%	2.1%		
Business Confidence	3	4	5	9	Index	July '15 (mthly) Next 8 Sep '15
Business Conditions	8	6	16	1		
HOUSING						
Housing Finance	6.4%	3.1%	6.9%	7.5%	% change year ago, (ex-refi, owner occ.) number of commitments	Jun '15 (mthly) Next 9 Sep '15
Dwelling Approvals	57.5k	220.4k	67.3k	43.6k	Number of app 12mms	Jun '15 (mthly) Next 1 Sep '15
	8.5%	8.6%	2.2%	28.0%	% change year ago	
Dwelling commencements	49.9k	204.1k	62.1k	41.5k	Number, 12mms	Mar qtr '15 Next: 14 Oct '15
	3.9%	10.8%	23.2%	30.6%	% change year ago	
Dwelling Investment	7.8%	9.2%	8.6%	15.7%	% change year ago (Constant prices)	Mar qtr '15 Next: 2 Sep '15
Residential Prices	13.1%	6.9%	4.7%	3.9%	% change year ago	Mar qtr '15 Next: 22 Sep '15
LABOUR FORCE						
Employment	3.3%	2.1%	2.6%	0.5%	% change year ago	July '15 (mthly) Next: 10 Sep '15
	3.7m	11.8m	3.0m	2.3m	Level	
	31.6%	-	25.0%	19.9%	Share of national	
Unemployment Rate	6.0%	6.3%	6.4%	6.5%	Current rate	
Youth unemployment rate	12.7%	13.6%	15.0%	14.1%	12 mma rate	July '15 (mthly) Next 17 Sep '15
CONSUMER						
Retail Sales	6.7%	4.9%	5.3%	3.2%	% change year ago	Jun '15 (mthly) Next 3 Sep '15
Consumer Confidence	101.3	99.5	101.0	104.8	Index	July '15 (mthly) Next 9 Sep '15
CPI (Capital cities)	2.2%	1.5%	1.1%	1.5%	% change year ago	June qtr '14 Next: 28 Oct '15

Other						
ECONOMIC INDICATOR	NSW	Australia	Vic	Qld		Latest Period
Population	7,6m	23,6m	5,9m	4,8m	Level	Dec qtr '14 Next: 24 Sep '15
	32.0%	-	24.9%	20.1%	Share of national	
	1.4%	1.4%	1.8%	1.4%	% change year ago	
Regional Population	Greater Sydney: 4,840,628 Newcastle (SA4): 167,679 Wollongong (SA4): 130,409					As at 30 Jun'14 Next: 30 Mar'16
Wage Price Index						Jun qtr '15 (qtrly) Next: 18 Nov '15
Public Sector	+2.3%	+2.5%	+3.3%	+2.1%	% change year ago	
Private Sector	+2.0%	+2.2%	+2.5%	+2.2%	% change year ago	
Official cash rate %	2.00%				Lowered 0.25 basis points May '15	Next: 1 Sep '15

ECONOMIC FORECASTS	NSW Forecasts (as per 2015-16 Budget)				Australian Gov't Forecasts (as per 2015-16 Budget)			
	2013-14 Actual	2014-15 Forecast	2015-16 Forecast	2016-17 Forecast	2013-14 Actual	2014-15 Forecast	2015-16 Forecast	2016-17 Forecast
State/Domestic Final Demand	2.7	3 ¼	3 ½	3 ½	1.0	n.a.	n.a.	n.a.
Gross State/Domestic Product	2.1	2 ½	3	3	2.5	2 ½	2 ¾	3 ¼
Employment ^(a)	0.6	1 ¼	1 ¾	1 ¾	0.7	1 ½	1 ½	2
Unemployment rate _(b)	5.7	6	5 ¾	5 ¾	5.9	6 ¼	6 ½	6 ¼
CPI ^(c)	2.8	1 ¾	2 ½	2 ¾	3.0	1 ¾	2 ½	2 ½
Wage Price Index	2.5	2 ¼	2 ½	2 ¾	2.5	2 ½	2 ½	2 ¾

(a) Australia- per cent change through the Year to June quarter (b) Australia- per cent in the June quarter (c) Per cent change, through the year to the June Quarter