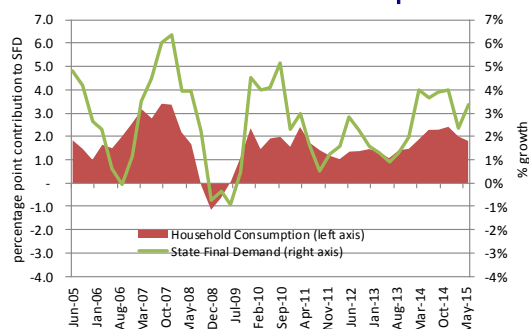
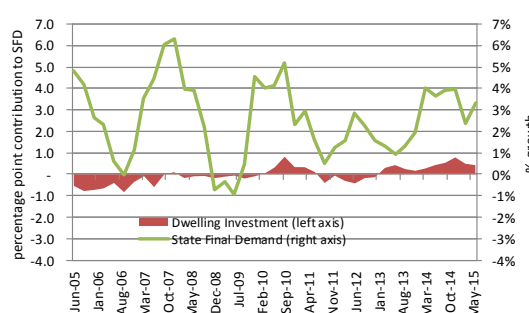


Chart A: NSW household consumption**Households continue to drive NSW State Final Demand**

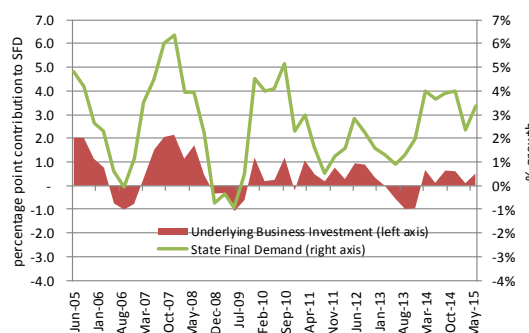
NSW State Final Demand (SFD) rose 0.8% in the June quarter, to be 3.3% higher through the year.

Reflecting an extended period of low interest rates, a strong property market, and robust population growth, recent NSW SFD growth has been built on strong household spending (see Chart A). In the period following the GFC, household consumption has contributed, on average, 1.6 percentage points (pp) to annual SFD growth while over 2014-15 it contributed 1.8pp to SFD growth. In the five years prior to the GFC, rising household wealth associated with the mining boom led to household consumption contributing over 2pp to annual SFD growth.

Chart B: NSW dwelling investment

While a much smaller cyclical component, since late 2012 dwelling investment has also contributed positively to SFD growth, providing an average 0.4pp to annual SFD growth (see Chart B). This reflects the current strength of the NSW housing market and represents the longest period of positive contributions from dwelling investment since Dec-01 to Sep-04.

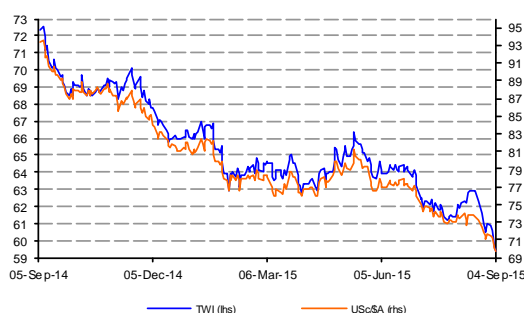
Over the last six years, post-GFC, underlying business investment has provided an average 0.3pp contribution to annual SFD growth. This reflects both falling mining investment over the last three years and relatively subdued growth in non-mining business investment. In the decade before the GFC, underlying business investment contributed on average 0.7pp to annual SFD growth.

Chart C: NSW Business Investment

Public consumption and investment (excluding large asset transfers) have contributed around 0.4pp to annual SFD growth over the last six years (post-GFC). However, the public sector has made no contribution to annual SFD growth over the last year, reflecting lower levels of public investment.

NSW is continuing to outperform the national economy, in line with the national transition away from mining led growth. National GDP rose by 0.2% in the June quarter 2015, to be up 2.0% through the year. This continues below trend growth through the 2014-15 financial year.

In through the year terms, NSW recorded the strongest growth amongst the states (3.3%), followed by Victoria (3.0%). Queensland and Western Australia both contracted, falling 3.3% and 1.8% respectively.

Other Domestic Data Releases**Chart D: Domestic Interest Rates**

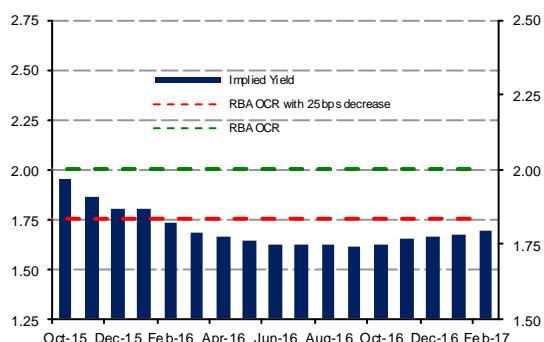
NSW residential building approvals strengthened in July, driven by a sharp rise in multi-units, rising by over 27% to be 67.7% higher than a year earlier. In the 12 months to July 2015 there were 61,057 building approvals in NSW, the highest result in more than 41 years.

The RBA, in its September monetary policy meeting, left the cash rate unchanged at 2.0%. The Board noted that the economy continues to grow below long-term averages, but that employment growth has been stronger and the unemployment rate steady over the last year.

NSW retail sales fell 0.2% in July, the first monthly fall since December last year. In through the year terms, retail sales grew by 5.2%. Nationally retail sales fell by 0.1% in July, but through the year growth remains positive, at 4.2%. NSW retail sales growth is the highest of the states in through the year terms and has been above the national average for 24 consecutive months.

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.

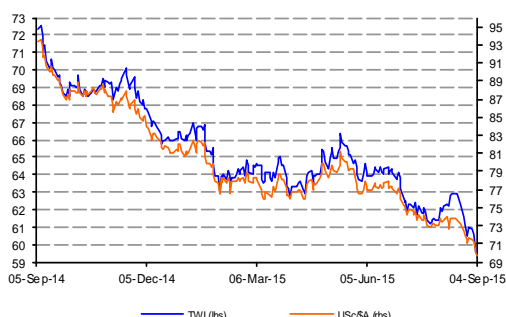
Chart E: Interest Rate Expectations

According to the ASX target rate tracker, as of 24 August, there is a 22% expectation that the RBA will lower the cash rate to 1.75% at its policy meeting on 6 October 2015.

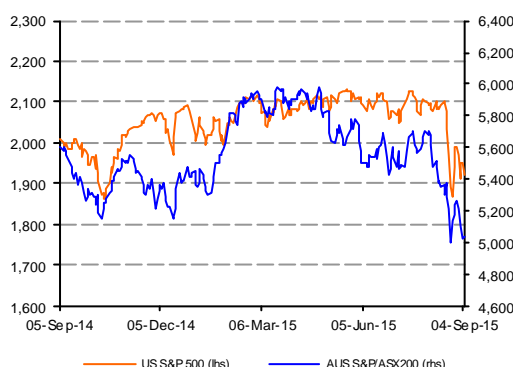
Markets

The ASX200 fell 4.2% compared to last Friday and the US S&P500 was down 3.4%.

	Value	Change on Year	Change on Week
US S&P 500	1,921.2	-4.3 %	-3.4 %
ASX200	5,040.6	-10.0 %	-4.2 %
Australian Dollar (USD)	0.6972	-25.4 %	-2.7 %
TWI	59.40	-17.8 %	-2.6 %
Oil (USD/bbl)	46.05	-51.2 %	1.8 %
Gold (USD/oz)	1,118.25	-11.7 %	-1.5 %
Thermal Coal (USD/tonne)	59.52	-11.8 %	4.2 %
Australian 10-yr bond	2.64%	-83.8 bps	-9.7 bps
US 10-yr bond	2.14%	-31.0 bps	-3.0 bps
Australian 90-day bill	2.14%	-49.0 bps	1.0 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)	2.64%	-83.8 bps	-9.7 bps	49.5 bps	102.3 bps
United States (US)	2.14%	-31.0 bps	-3.0 bps	- -	- -
Germany (GER)	0.71%	-25.0 bps	-1.0 bps	-143.1 bps	-149.1 bps
Italy (ITA)	1.88%	-37.4 bps	-3.4 bps	-26.3 bps	-19.9 bps
Portugal (PRT)	2.50%	-54.3 bps	-11.1 bps	36.2 bps	59.5 bps
Spain (ESP)	2.08%	2.4 bps	1.3 bps	-6.4 bps	-39.8 bps

Chart G: Share Markets**Key International Data Releases**

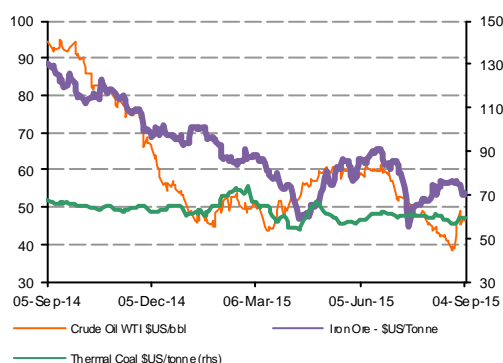
US: Employment rose by 173,000 in August, below market expectations of an increase of 217,000. The unemployment rate fell to 5.1%, the lowest rate recorded since April 2008. Average hourly earnings rose 0.3% compared to July, and have risen 2.2% through the year.

EU: The ECB left the main cash interest rate unchanged at 0.05% at its monetary policy meeting on 3 September. The ECB revised down its forecasts for European economic growth and inflation.

China: The official manufacturing purchasing-managers index fell to 49.7 in August, down from 50 in July and the lowest reading in three years. This reinforces the downturn in Chinese manufacturing signalled by the preliminary Markit PMI for August released two weeks earlier.

Upcoming Key International Data Releases (07/8 – 11/9)

- UK: Bank of England Meeting
- China: Trade Balance, Retail sales, Industrial production for August
- New Zealand: RBNZ Monetary Policy Meeting
- Japan: GDP for June quarter 2015

Chart H: Commodity Prices

Six Weeks At A Glance

Monday	Tuesday	Wednesday	Thursday	Friday
7-Sep	8-Sep	9-Sep	10-Sep	11-Sep
ANZ Job Ads, Aug-15	NAB Monthly Business Survey, Aug-15 ABARE Australian Crop Report, Sep Q 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
ANZ Job Ads, Sep-15	RBA Board Meeting, Oct-15 Overseas Arrivals/Departures, Aug-15 International Trade in G/S, Aug-15			Housing Finance, Aug-15
12-Oct	13-Oct	14-Oct	15-Oct	16-Oct
Commsec State of the States, Oct-15 (TBC) Lending Finance, Aug-15	NAB Monthly Business Survey, Sep-15	W-MI Consumer Sentiment, Sep-15 Building Activity, Jun-15	Labour Force, Sep-15 Motor Vehicle Sales, Sep-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)
	31.3%	-	22.0%	18.9%	Share of national	Next: Nov '15
	\$492.4b	\$1,583.6b	\$350.4b	\$296.2b	Level (current prices)	GDP: 2.3% tty March Quarter 2015
State/Domestic Final Demand	3.3%	1.2%	3.0%	-3.3%	% change on same qtr last yr	Jun qtr '15
	0.8%	0.8%	0.9%	-0.8%	% change on last qtr	Next: 2 Dec '15
BUSINESS INVESTMENT						
Business Investment <ul style="list-style-type: none">New Non-Res ConstructionNew M&E	-3.5%	-8.3%	9.3%	-27.4%	% change year ago (Constant prices)	Jun qtr '15 Next: 2 Dec '15
	10.3%	5.2%	19.0%	-8.7%		
	15.3%	2.2%	4.9%	0.4%		
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	61.1k	224.1k	68.1k	44.2k	Number of app 12mms	July'15 (mthly)
	67.7%	13.4%	15.6%	2.2%	% change year ago	Next 30 Sep '15
Dwelling commencements	49.9k	204.1k	62.1k	41.5k	Number, 12mms	Mar qtr '15
	3.9%	10.8%	23.2%	30.6%	% change year ago	Next: 14 Oct'15
Dwelling Investment	9.5%	7.4%	8.6%	6.8%	% change year ago (Constant prices)	Jun qtr '15 Next: 2 Dec '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	5.2%	4.2%	4.4%	3.4%	% change year ago	July'15 (mthly) Next 2 Oct '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
	32.0%	-	24.9%	20.1%	Share of national	Next: 24 Sep '15
	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)
Public Sector	+2.3%	+2.5%	+3.3%	+2.1%	% change year ago	Next: 18 Nov '15
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: 6 Oct '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