

Chart A: Domestic Interest Rates



Chart B: Share Price Index

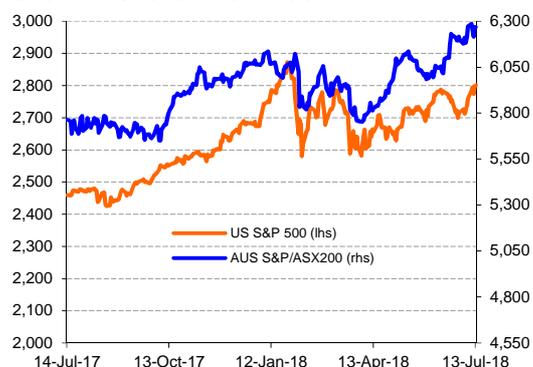
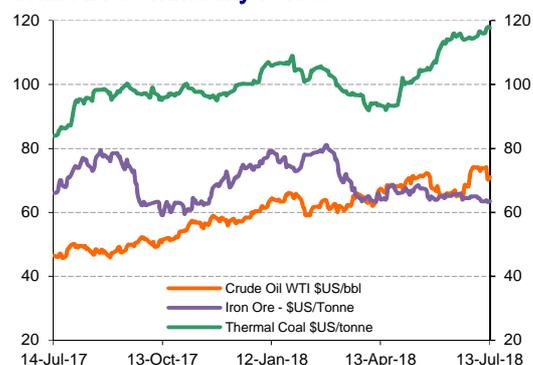


Chart C: Exchange rate



Chart D: Commodity Prices



Domestic Data Releases

ABS Housing Finance data showed that housing finance commitments for owner-occupiers in NSW were down 2.8 per cent through the year to May. Nationally, commitments were down 2.5 per cent through the year. The proportion of first home buyer commitments to total owner-occupier commitments in NSW rose from 22.0 per cent in April to 22.2 per cent in May. Nationally, the proportion fell from 25.9 per cent to 25.7 per cent.

ABS Lending Finance data showed that investor housing finance commitments in NSW were down 18.5 per cent through the year to May. Nationally, commitments were down 13.7 per cent through the year. The proportion of investor commitments to total housing finance commitments in NSW fell from 50.4 per cent in April to 49.6 per cent in May. Nationally, the proportion held steady at 42.5 per cent.

ABS Building Activity data showed that commencements in NSW were at an annual sum of 68,400, down 7.3 per cent through the year to the March quarter. At the same time, housing completions were at an annual sum of 63,800, down 1.7 per cent through the year. Nationally, commencements were at an annual sum of 221,000, down 1.6 per cent through the year and completions were at an annual sum of 210,500, down 5.6 through the year.

NAB Monthly Business Survey data showed that NSW business confidence rose from +3 in May, to +5 in June while business conditions fell from +15, in May to +12 in June. In Australia, business confidence fell from +7 to +6 and business conditions rose from +14 to +15 in the month.

W-MI Consumer Sentiment data showed that NSW consumer sentiment Index rose by 8.8 per cent to 110.1 index points in July, to be up 6.6 per cent through the year. The Australia Consumer Sentiment Index rose by 3.9 per cent to 106.1 index points, to be up 9.8 per cent through the year.

Markets

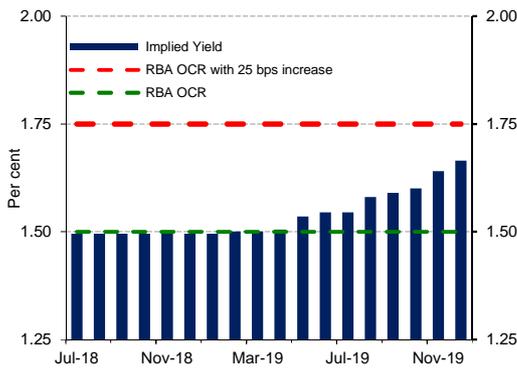
Over the week to Friday, the ASX200 fell by 0.1 per cent, the US S&P500 rose by 1.5 per cent and thermal coal prices rose by 1.4 per cent.

	Value	Change on Year	Change on Week
US S&P 500	2801.31	13.9 %	1.5 %
ASX200	6268.39	8.7 %	-0.1 %
Australian Dollar (USD)	0.74	-5.2 %	-0.1 %
TWI	63.10	-4.4 %	0.5 %
Oil (USD/bbl)	71.01	52.6 %	-3.8 %
Gold (USD/oz)	1241.70	0.9 %	-1.1 %
Thermal Coal (USD/tonnes)	117.70	40.2 %	1.4 %
Australian 10-yr bond	2.63%	-8.9 bps	0.5 bps
US 10-yr bond	2.83%	49.5 bps	0.5 bps
NSW 10-yr bond (bps) maturity 2026	2.77%	- bps	-0.4 bps

Upcoming Domestic Data Releases (16/07 – 20/07)

- **ABS** will release Overseas Arrivals and Departures data for May, Labour Force data for June and Innovation in Australian Business for 2016-17.
- **NAB** will release its Quarterly Business Survey for the June quarter.
- **IMF** will release its World Economic Outlook for July.
- **RBA** will release its Monetary Policy Minutes for July.

Chart E: Interest Rate Expectations



Market Interest Rate Expectations

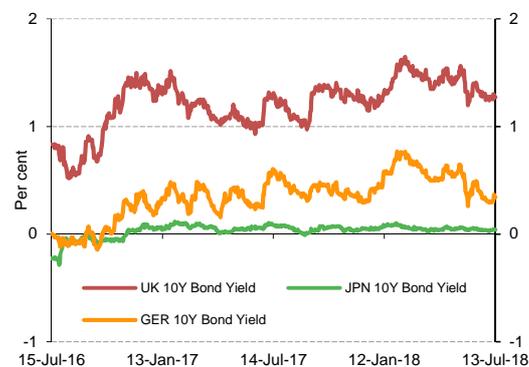
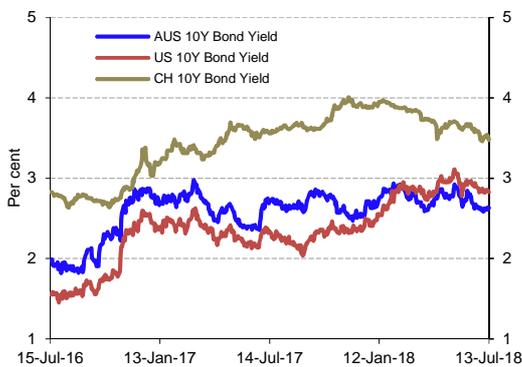
The current implied yield curve on ASX 30 day Interbank Cash Rate Futures (Chart E) indicates that the majority of the market expects the RBA to increase the cash rate in November 2019.

According to the ASX Target Rate Tracker, as at 12 July, 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 7 August 2018.

International Bond Yield Spreads

US bond yields rose 0.5 basis points over the week to Friday. The gains were limited as a trade fears ramped up again after the US administration published a list of tariffs on \$200b worth of Chinese imports and a report on consumer sentiment showed sentiment has hit a six-month low, increasing the appetite for haven assets. Bond yields rose in all countries tracked except for China.

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)	2.63	-8.9	0.5	-19.8	38.6
United States (US)	2.83	49.5	0.5	-	-
Germany (GER)	0.34	-25.7	4.8	-248.7	-173.5
United Kingdom (UK)	1.27	-3.7	0.6	-155.4	-102.2
Japan (JPN)	0.04	-4.3	0.7	-278.7	-224.9
China (CH)	3.48	-8.5	-4.5	64.9	122.9

Key International Data Releases

US: The Consumer Price Index rose 2.9 per cent through the year to June, from 2.8 per cent in May. The Producer Price Index rose 3.4 per cent through the year to June, from 3.1 per cent in May amid gains in the cost of services and motor vehicles. This was the biggest annual increase in over six years.

China: The Trade Surplus widened to USD \$41.6b in June, from \$24.92b in May. Exports were up 11.3 per cent through the year, compared to 12.6 per cent in the previous month. Imports were up 14.1 per cent through the year, compared to 26.0 per cent in the previous month. The Consumer Price Index rose to 1.9 per cent through the year to June, from 1.8 per cent in May. The Producer Price Index rose to 4.7 per cent through the year to June, from 4.1 per cent in May.

Euro Area: Industrial Production was up 2.4 per cent through the year to May, compared to 1.7 per cent in April.

UK: Industrial Production was up 0.8 per cent through the year to May, compared to 1.6 per cent in April. Manufacturing Production was up 1.5 per cent through the year to May, compared to 2.0 per cent in April. The Trade Deficit narrowed to £2.79b in May, from £3.09b in April.

Canada: The Bank of Canada raised its benchmark interest rate for the fourth time in a year to 1.5 per cent.

Upcoming Key International Data Releases (16/07 – 20/07)

- **US:** Retail Sales and Industrial Production data for June.
- **China:** Retail Sales and Industrial Production data for June and GDP Growth data for the June quarter.
- **Euro Area:** Balance of Trade data for May.
- **UK:** Unemployment Rate and Average Earnings data for May and Retail Sales data for June.
- **Japan:** Consumer Price Index data and Balance of Trade data for June.

Six Weeks At A Glance

Monday	Tuesday	Wednesday	Thursday	Friday
16-Jul ABS Overseas Arrivals and Departures, May-18 World Economic Outlook Update, July 2018	17-Jul RBA Monetary Policy Minutes, Jul-18	18-Jul	19-Jul NAB Quarterly Business Survey, JunQ-18 ABS Labour Force, Jun-18	20-Jul
23-Jul CommSec State of the States - JunQ-18	24-Jul	25-Jul DoE Skilled Vacancies, Jun-18 ABS Consumer Price Index, JunQ-18	26-Jul ABS Detailed Labour Force, Jun-18 ABS International Trade Price Indexes, JunQ-18	27-Jul ABS Producer Price Indexes, JunQ-18
30-Jul	31-Jul RBA Private Sector Credit, Jun-18 ABS Building Approvals, Jun-18	1-Aug ABS Selected Living Cost Indexes, JunQ-18	2-Aug ABS International Trade in Goods & Services, JunQ-18	3-Aug ABS Retail Trade, Jun-18
6-Aug APM Auction data, Jul-18	7-Aug RBA Interest Rate Decision, Aug-18 ABS Regional Building Approvals, Jun-18	8-Aug ABS Housing Finance, Jun-18 Speech by Philip Lowe, Governor, at the Anika Foundation Luncheon Sydney	9-Aug	10-Aug ABS Lending Finance, Jun-18 RBA Statement on Monetary Policy, Aug-18
13-Aug	14-Aug NAB Monthly Business Survey, Jul-18	15-Aug W-MI Consumer Sentiment, Aug-18 ABS Wage Price Index, Jun-18	16-Aug ABS Labour Force, Jul-18 ABS Average Weekly Earnings, May-18	17-Aug Speech by Luci Ellis, Assistant Governor (Economic), at The Australian National University (ANU), Canberra
20-Aug ABS Overseas Arrivals and Departures, Jun-18	21-Aug RBA Monetary Policy Minutes, Aug-18	22-Aug DoE Skilled Vacancies, Jul-18 ABS Construction Work Done (Prelim), Jun-18 Speech by Guy Debelle, Deputy Governor, at the Economic Society of Australia (QLD) Business Luncheon, Brisbane	23-Aug ABS Detailed Labour Force, Jul-18 Speech by Lindsay Boulton, Assistant Governor (Business Services), at the Business Banking Summit 2018, Sydney	24-Aug

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	3.7%	3.2%	% through the year	March quarter 18 Next: 5 September 18
	0.7%	0.6%	% change on last qtr	
BUSINESS INVESTMENT				
NAB Business Confidence	+5	+6	NAB Index	June 18 (mthly) Next: 14 August 18
NAB Business Conditions	+12	+15		
HOUSING				
Dwelling Approvals	71.5k	228.8k	Number of app 12mms	May 18 (mthly) Next: 31 July 2018
	-4.8%	-4.5%	% annual average	
Residential Prices (capitals)	-0.5%	2.0%	% through the year	March quarter 18 Next: 18 September 18
LABOUR FORCE				
Employment	3.2%	2.5%	% through the year	May 18 (mthly) Next: 19 July 18
Unemployment Rate	4.9%	5.4%	Current rate	
Youth unemployment rate	10.6%	12.5%	12 monthly moving average rate	
CONSUMER				
Retail Sales	2.9%	2.5%	% through the year	May 18 (mthly) Next: 3 August 18
Westpac MI Consumer Confidence	110.1	106.1	Westpac MI Index	July 18 (mthly) Next: 15 August 18
CPI (Capital cities)	2.1%	1.9%	% through the year	March quarter 18 Next: 25 July 2018
Official cash rate	1.50%		Lowered 25 basis points Aug 16	Next: 3 July 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 (%)	2.0	2	2½	1.9	2¼	2¾

(a) Australia: Year average growth unless otherwise stated, NSW: Per cent change, annual average unless otherwise indicated (b) Australia: 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