

Chart A: Domestic Interest Rates

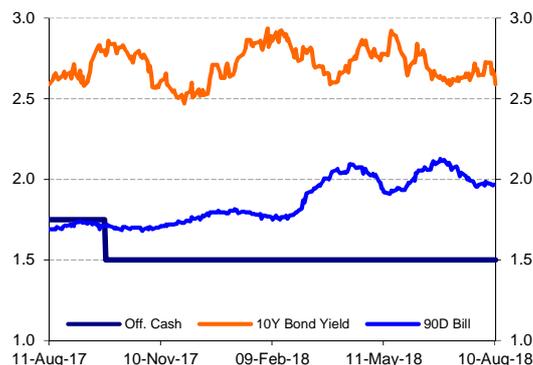


Chart B: Share Price Index

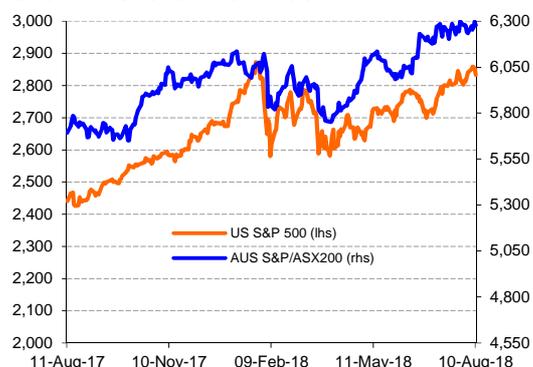


Chart C: Exchange rate

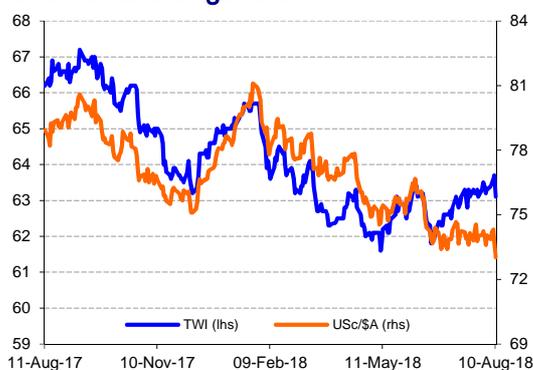
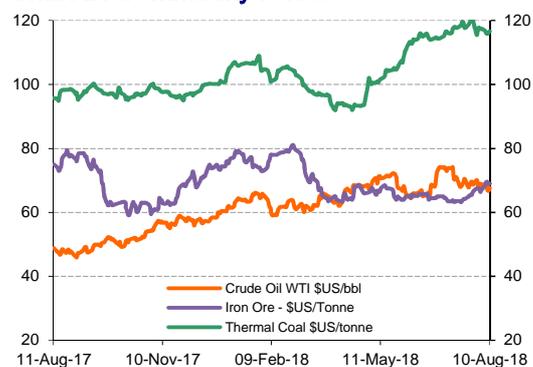


Chart D: Commodity Prices



Domestic Data Releases

APM Auction data for Sydney showed that the auction clearance rate in fell to 47.4 per cent in July, from 48.4 per cent in June. The median price of a house fell to \$1.12m to be down 6.7 per cent through the year to June. The price of a unit rose to \$0.72m to be down 6.5 per cent through the year.

RBA released its **Interest Rate Decision** for July and decided to leave the cash rate unchanged at 1.50 per cent. The accompanying statement noted that “once-off declines in some administered prices in the September quarter are expected to result in headline inflation in 2018 being a little lower than earlier expected, at 1¾ per cent.” This was reflected in the published forecasts in the **Statement on Monetary Policy** released later in the week which showed a slight downwards revision to near-term inflation.

ABS Housing Finance data showed that in NSW the annual sum of housing finance commitments for owner-occupiers was down 4.8 per cent through the year to June. Nationally, commitments were down 5.0 per cent through the year. In NSW the proportion of first home buyers to total buyers rose to 22.6 per cent in June, from 22.2 in the previous month. Nationally, the proportion rose to 26.5 per cent, from 25.7 in the month.

ABS Lending Finance data showed that in NSW the annual sum of investor housing finance commitments was down 22.7 per cent through the year to June. Nationally, commitments were down 21.1 per cent through the year. The investor share of total housing credit (owner-occupier & investor), rose to 52.6 per cent in June, from 49.6 per cent in May. Nationally, the share rose to 44.4 per cent from 42.5 per cent in the month.

Markets

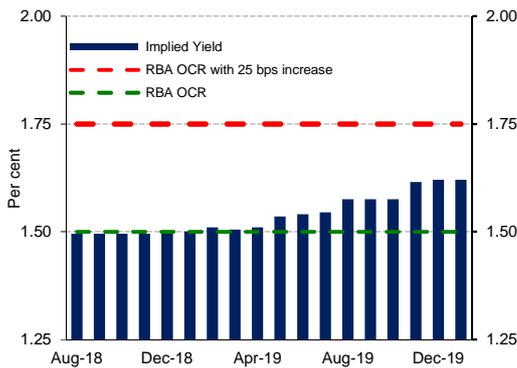
Over the week to Friday, the ASX200 rose by 0.7 per cent, the US S&P500 fell by -0.2 per cent and thermal coal prices fell by 0.7 per cent.

	Value	Change on Year	Change on Week
US S&P 500	2833.28	16.1 %	-0.2 %
ASX200	6278.39	10.3 %	0.7 %
Australian Dollar (USD)	0.73	-7.5 %	-1.4 %
TWI	63.10	-4.7 %	-0.3 %
Oil (USD/bbl)	67.63	38.5 %	-1.3 %
Gold (USD/oz)	1214.40	-5.6 %	-0.2 %
Thermal Coal (USD/tonnes)	116.65	21.8 %	-0.7 %
Australian 10-yr bond	2.59%	-0.1 bps	-13.6 bps
US 10-yr bond	2.87%	68.3 bps	-7.6 bps
NSW 10-yr bond (bps) maturity 2026	2.71%	- bps	-14.0 bps

Upcoming Domestic Data Releases (13/08 – 17/08)

- **ABS** will release Average Weekly Earnings data for May, Wage Price Index data for June and Labour Force data for July.
- **NAB** will release its Monthly Business Survey data for July.
- **W-MI** will release its Consumer Sentiment data for August.
- **RBA** speech by Luci Ellis, Assistant Government (Economic) at the Australian National University (ANU), Canberra on Friday.

Chart E: Interest Rate Expectations



Market Interest Rate Expectations

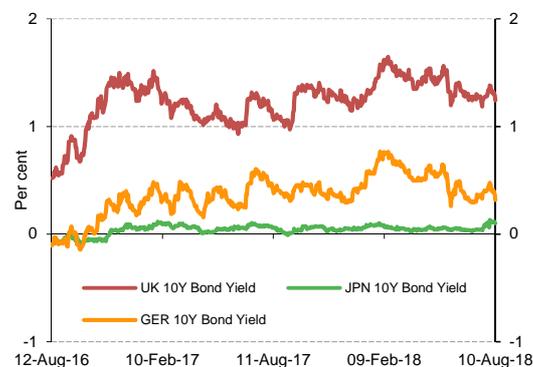
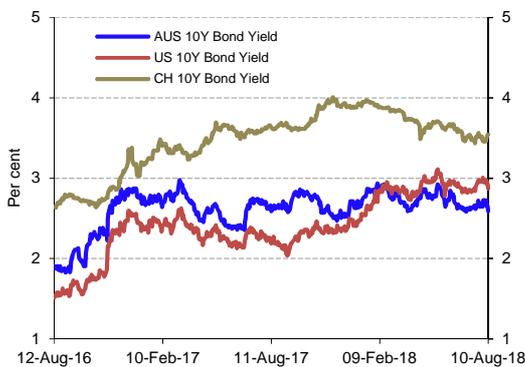
The current implied yield curve on ASX 30-day Interbank Cash Rate Futures (Chart E) indicates that the majority of the market expects the RBA to increase the cash rate after January 2020.

According to the ASX Target Rate Tracker, as at 7 August, 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 4 September 2018.

International Bond Yield Spreads

US bond yields fell 7.6 basis points over the week to Friday. US bond prices jumped on Friday as investors concerns over Turkey's financial struggles spreading to other emerging economies turned traders towards safe-haven assets. The Turkish lira collapsed against the US dollar after President Donald Trump authorised the doubling of metal tariffs on Turkey.

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)	2.59	-0.1	-13.6	-28.4	40.0
United States (US)	2.87	68.3	-7.6	-	-
Germany (GER)	0.32	-6.3	-9.1	-255.6	-181.0
United Kingdom (UK)	1.24	18.2	-8.7	-163.1	-113.0
Japan (JPN)	0.10	4.1	-0.9	-277.2	-213.0
China (CH)	3.55	-8.5	9.0	67.2	144.0

Key International Data Releases

China: The current account balance returned to surplus of \$5.8b in the June quarter with a rebound in goods trade, after a deficit of -\$34.1b in the previous quarter. The producer price index rose 4.6 per cent through the year to July, compared to 4.7 per cent in June. The consumer price index rose 2.1 per cent through the year to July, compared to 1.9 per cent in June.

Japan: The current account surplus decreased to ¥1175b in June, from ¥1938b in May. The producer price index rose 3.1 per cent through the year to July, compared to 2.8 per cent in June. GDP growth was 1.4 per cent through the year to the June quarter with a rebound in consumer spending, following -0.6 per cent in the previous quarter.

UK: Industrial production rose 1.1 per cent through the year to June, compared to 1.2 per cent in May. Manufacturing output rose 1.5 per cent through the year to June, unchanged from May. The trade deficit widened to -£8.6b in the June quarter, from -£3.8b in the previous quarter. GDP growth was 1.3 per cent through the year to the June quarter, compared to 1.5 per cent in the previous quarter. The economy picked up with retail sales and construction rebounding after the effects of the bad weather last quarter.

Germany: Industrial production rose 2.5 per cent through the year to June, compared to 3.0 per cent in May. The trade surplus narrowed to €19.3b in June, from €20.4b in May. The current account surplus increased to €26.2b in June, from €12.9b in May.

Upcoming Key International Data Releases (13/08 – 17/08)

- **China:** Industrial Production and Retail sales data for July.
- **UK:** Employment Change and Unemployment Rate data for June, CPI and Retail Sales data for July.
- **Euro Area:** Industrial Production, Trade Balance and Current Account data for June and GDP growth data for the June quarter.
- **Germany:** GDP growth data for the June quarter.

Six Weeks At A Glance

Monday	Tuesday	Wednesday	Thursday	Friday
13-Aug	14-Aug	15-Aug	16-Aug	17-Aug
	NAB Monthly Business Survey, Jul-18	W-MI Consumer Sentiment, Aug-18 ABS Wage Price Index, Jun-18	ABS Labour Force, Jul-18 ABS Average Weekly Earnings, May-18	Speech by Luci Ellis, Assistant Governor (Economic), at The Australian National University (ANU), Canberra
20-Aug	21-Aug	22-Aug	23-Aug	24-Aug
ABS Overseas Arrivals and Departures, Jun-18	RBA Monetary Policy Minutes, Aug-18	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	ABS Detailed Labour Force, Jul-18 Speech by Lindsay Boulton, Assistant Governor (Business Services), at the Business Banking Summit 2018, Sydney	
27-Aug	28-Aug	29-Aug	30-Aug	31-Aug
			ABS Private New Capital Expenditure, Jun-18 ABS Building Approvals, Jul-18	RBA Private Sector Credit, Jul-18
3-Sep	4-Sep	5-Sep	6-Sep	7-Sep
ABS Retail Trade, Jul-18 ABS Mineral and Petroleum Exploration, Jun-18	RBA Interest Rate Decision, Sep-18 ABS Balance of Payments, Jun-18	ABS National Accounts, Jun-18	APM Auction data, Aug-18 ABS International Trade in Goods and Services, Jul-18 ABS Regional Building Approvals, Jul-18	
10-Sep	11-Sep	12-Sep	13-Sep	14-Sep
	NAB Monthly Business Survey, Aug-18 ABARES Crop Report, Sep-18 ABS Lending Finance, Jul-18	W-MI Consumer Sentiment, Sep-18	ABS Labour Force, Aug-18	
17-Sep	18-Sep	19-Sep	20-Sep	21-Sep
ABS Overseas Arrivals and Departures, Jul-18	RBA Monetary Policy Minutes, Sep-18 ABS Residential Property Price Indexes, Jun-18	DoE Skilled Vacancies, Aug-18	RBA Bulletin, Sep-18 ABS Australian Demographic Statistics, Mar-18 ABS Monthly Detailed Labour Force, Aug-18 ABS Quarterly Detailed Labour Force, Aug-18	

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	230.1k	Number of app 12mms	June 18 (mthly) Next: 30 August 2018
	-4.5%	-3.5%	% annual average	
Residential Prices (capitals)	-0.5%	2.0%	% through the year	March quarter 18 Next: 18 September 18
LABOUR FORCE				
Employment	3.9%	2.8%	% through the year	June 18 (mthly) Next: 16 August 18
Unemployment Rate	4.7%	5.4%	Current rate	
Youth unemployment rate	10.4%	12.3%	12 monthly moving average rate	
CONSUMER				
Retail Sales	3.0%	2.9%	% through the year	June 18 (mthly) Next: 3 September 18
Westpac MI Consumer Confidence	110.1	106.1	Westpac MI Index	July 18 (mthly) Next: 15 August 18
CPI (Capital cities)	2.1%	2.1%	% through the year	June quarter 18 Next: 31 October 2018
Official cash rate	1.50%		Lowered 25 basis points Aug 16	Next: 4 September 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 (%) ^(d)	2.0	2	2½	1.9	2¼	2¾

(a) Australia and NSW: Annual average unless otherwise indicated (b) Australia: Per cent in the 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 (d) Australia: through-the-year growth to the June quarter