

Chart A: Domestic Interest Rates

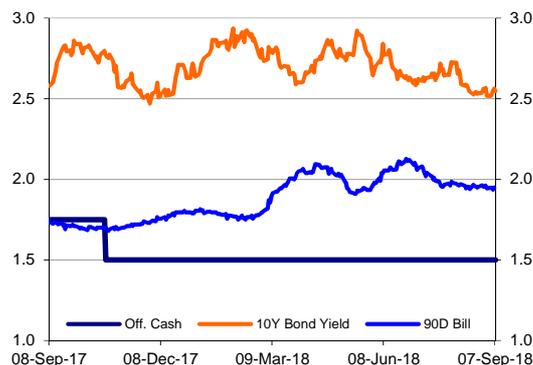


Chart B: Share Price Index

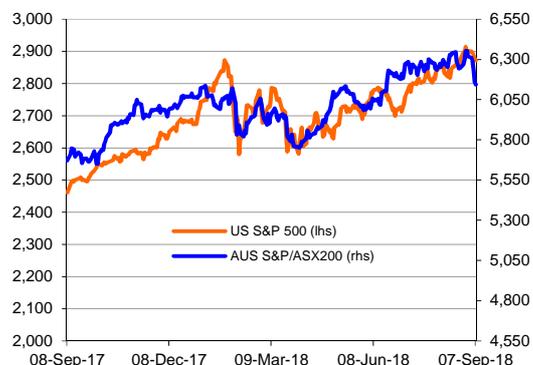


Chart C: Exchange rate

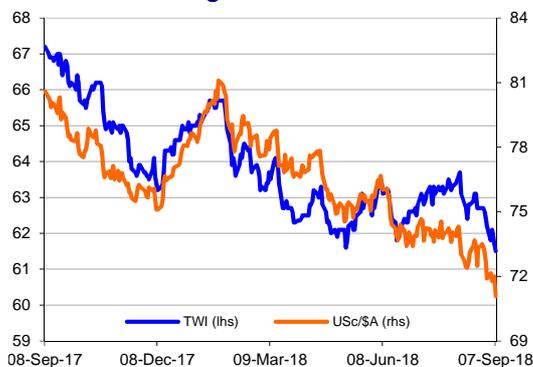
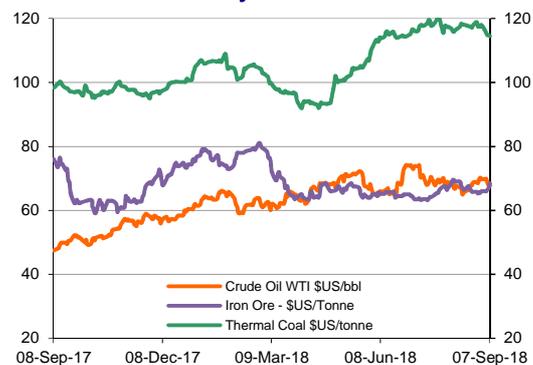


Chart D: Commodity Prices



Domestic Data Releases

ABS Retail Trade data showed that NSW nominal sales were flat in the month, to be 3.4 per cent higher through the year to July. Nationally, nominal sales were also flat in the month, to be 2.9 per cent higher through the year.

ABS Balance of Payments data for the June quarter showed that NSW exports were up 2.1 per cent and imports were up 6.3 per cent through the year. NSW terms of trade was 1.7 per cent higher through the year. Nationally, exports were up 3.7 per cent and imports were up 6.2 per cent, with the terms of trade 2.1 per cent higher through the year.

ABS National Accounts data for the June quarter showed that NSW state final demand rose 0.3 per cent in the quarter, behind South Australia (1.3 per cent) and Victoria (1.2 per cent), to be 3.5 per cent higher through the year. Household consumption drove growth in the quarter, contributing 0.5 percentage points, followed by dwelling investment which contributed 0.1 percentage points. Business investment (-0.2 percentage points) and public demand (-0.1 percentage points) both detracted from growth in the quarter. Gross Domestic Product rose 0.9 per cent in the quarter, to be 3.4 per cent higher through the year. This was driven by household consumption contributing 0.4 percentage points to quarterly growth, followed by public demand which contributed 0.2 percentage points.

ABS International Trade in G&S data showed that NSW goods exports were up 15.0 per cent and imports were up 12.5 per cent over the year to July. Nationally, goods exports were up 13.0 per cent and imports were down 3.3 per cent over the year.

The **RBA** board announced its **interest rate decision** for September. At the RBA Monthly Monetary Policy Meeting the RBA board decided to leave the cash rate unchanged at 1.50 per cent.

Markets

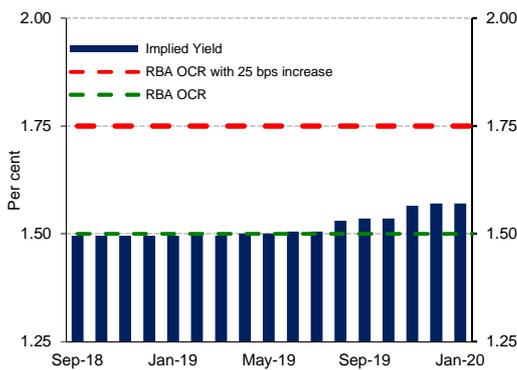
Over the week to Friday, the ASX200 fell by 2.8 per cent, the US S&P500 fell by 1.0 per cent and thermal coal prices fell by 2.9 per cent.

	Value	Change on Year	Change on Week
US S&P 500	2871.68	16.7 %	-1.0 %
ASX200	6143.81	8.3 %	-2.8 %
Australian Dollar (USD)	0.71	-11.8 %	-1.1 %
TWI	61.50	-8.5 %	-1.1 %
Oil (USD/bbl)	67.75	42.7 %	-2.9 %
Gold (USD/oz)	1198.90	-10.9 %	-0.3 %
Thermal Coal (USD/tonnes)	114.55	16.4 %	-2.9 %
Australian 10-yr bond	2.55%	-3.1 bps	2.9 bps
US 10-yr bond	2.94%	88.8 bps	7.8 bps
NSW 10-yr bond (bps) maturity 2028	2.95%	- bps	3.0 bps

Upcoming Domestic Data Releases (10/09 – 14/09)

- **ABS** will release Lending Finance data for July and Labour Force data for August.
- **W-MI** will release its Consumer Sentiment data for September.
- **NAB** will release its Monthly Business Survey data for August.
- **ABARES** will release its Crop Report data for September.

Chart E: Interest Rate Expectations



Market Interest Rate Expectations

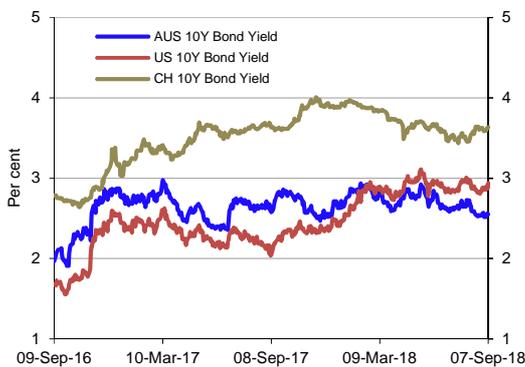
The current implied yield curve on ASX 30-day Interbank Cash Rate Futures (Chart E) indicates that the majority of the market expects the RBA to increase the cash rate in February 2020.

According to the ASX Target Rate Tracker, as at 7 September, 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 2 October 2018.

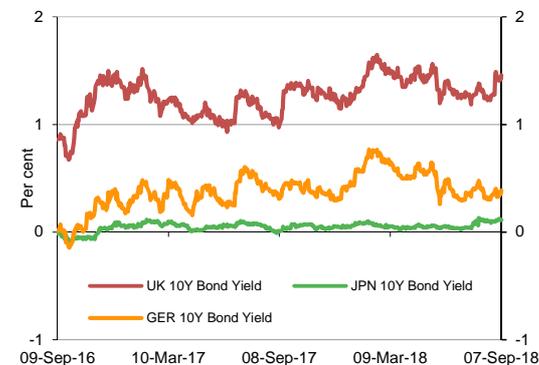
International Bond Yield Spreads

US bond yields rose 7.8 basis points over the week to Friday after the US received stronger than expected employment data for August. Notably, average hourly earnings for private workers increased 2.9 per cent in August, the most since the recession ended in mid-2009, suggesting that a rebound in wages may be starting to show. Bond yields rose in all other countries tracked over the week.

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)	2.55	-3.1	2.9	-39.1	52.8
United States (US)	2.94	88.8	7.8	-	-
Germany (GER)	0.39	7.5	6.1	-255.2	-173.9
United Kingdom (UK)	1.46	46.9	3.2	-148.0	-106.1
Japan (JPN)	0.11	10.9	0.6	-282.6	-204.7
China (CH)	3.63	0.3	4.9	69.4	157.9



Key International Data Releases

US: The ISM manufacturing PMI rose to 61.3 in August, from the July reading of 58.1. This is the highest result since 1984 and suggests that uncertainty from trade tensions has not affected the overall sentiment of manufacturers. The trade deficit rose to \$50.1b in July as exports of soybeans and civilian aircraft dropped and imports hit a record high. The gap with China rose to a record high, which could incite the Trump administration. Private payrolls increased by 163,000 in August, compared to a rise of 217,000 in July. Non-farm payrolls increased by 201,000 in August, compared to a rise of 147,000 in July. The unemployment rate was unchanged at 3.9 per cent in August.

Euro Area: The PPI was 4.0 per cent higher through the year to July, compared to 3.6 per cent in June. This was driven by energy prices which were up 10.7 per cent through the year. Retail sales rose 1.1 per cent through the year to July, compared to 1.5 per cent in June, mirroring a weakening of consumer sentiment since the start of the year.

Germany: Industrial production fell 1.1 per cent in July, missing market expectations for a 0.2 per cent increase, following a 0.7 per cent decrease in June. The trade surplus fell to €16.5b in July, from €21.8b in June, as exports slipped and imports jumped.

Canada: The unemployment rate rose to 6.0 per cent in August, from 5.8 per cent in July. The Bank of Canada held interest rates steady at 1.5 per cent.

Upcoming Key International Data Releases (10/09 – 14/09)

- **China:** CPI, PPI, Industrial Production and Retail Sales data for August.
- **Euro Area:** Trade Balance data for July and Interest Rate Decision for September.
- **US:** PPI, CPI and Retail Sales data for August.
- **UK:** GDP, Trade Balance and Unemployment Rate data for July and Interest Rate decision for September.

Six Weeks At A Glance

Monday	Tuesday	Wednesday	Thursday	Friday
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 Austrade International Visitor Survey, JunQ-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	
24-Sep	25-Sep	26-Sep	27-Sep	28-Sep
		ABS Engineering Construction Activity, Jun-18	ABS Job Vacancies, Aug-18	RBA Private Sector Credit, Aug-18
1-Oct	2-Oct	3-Oct	4-Oct	5-Oct
	RBA Interest Rate Decision, Oct-18	ABS Building Approvals, Aug-18	ABS International Trade in Goods and Services, Aug-18	ABS Retail Trade, Aug-18
8-Oct	9-Oct	10-Oct	11-Oct	12-Oct
APM Auction data, Sep-18	NAB Monthly Business Survey, Sept-18	W-MI Consumer Sentiment, Oct-18 ABS Regional Building Approvals, Aug-18 ABS Building Activity, Jun-18		ABS Housing Finance, Aug-18
15-Oct	16-Oct	17-Oct	18-Oct	19-Oct
	RBA Monetary Policy Minutes, Oct-18 ABS Lending Finance, Aug-18	ABS Overseas Arrival and Departures, Aug-18	NAB Quarterly Business Survey, SepQ-18 ABS Labour Force, Sep-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	3.5%	3.4%	% through the year	June quarter 18 Next: 5 December 18
	0.3%	0.6%	% change on last qtr	
BUSINESS INVESTMENT				
NAB Business Confidence	+5	+7	NAB Index	July 18 (mthly) Next: 11 September 18
NAB Business Conditions	+9	+12		
HOUSING				
Dwelling Approvals	70.2k	230.0k	Number of app 12mms	July 18 (mthly) Next: 3 October 2018
	-4.6%	-2.3%	% annual average	
Residential Prices (capitals)	-0.5%	2.0%	% through the year	March quarter 18 Next: 18 September 18
LABOUR FORCE				
Employment	2.9%	2.4%	% through the year	July 18 (mthly) Next: 13 September 18
Unemployment Rate	4.9%	5.3%	Current rate	
Youth unemployment rate	10.3%	12.2%	12 monthly moving average rate	
CONSUMER				
Retail Sales	3.4%	2.9%	% through the year	July 18 (mthly) Next: 5 October 18
Westpac MI Consumer Confidence	102.2	103.6	Westpac MI Index	August 18 (mthly) Next: 12 September 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: 2 October 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