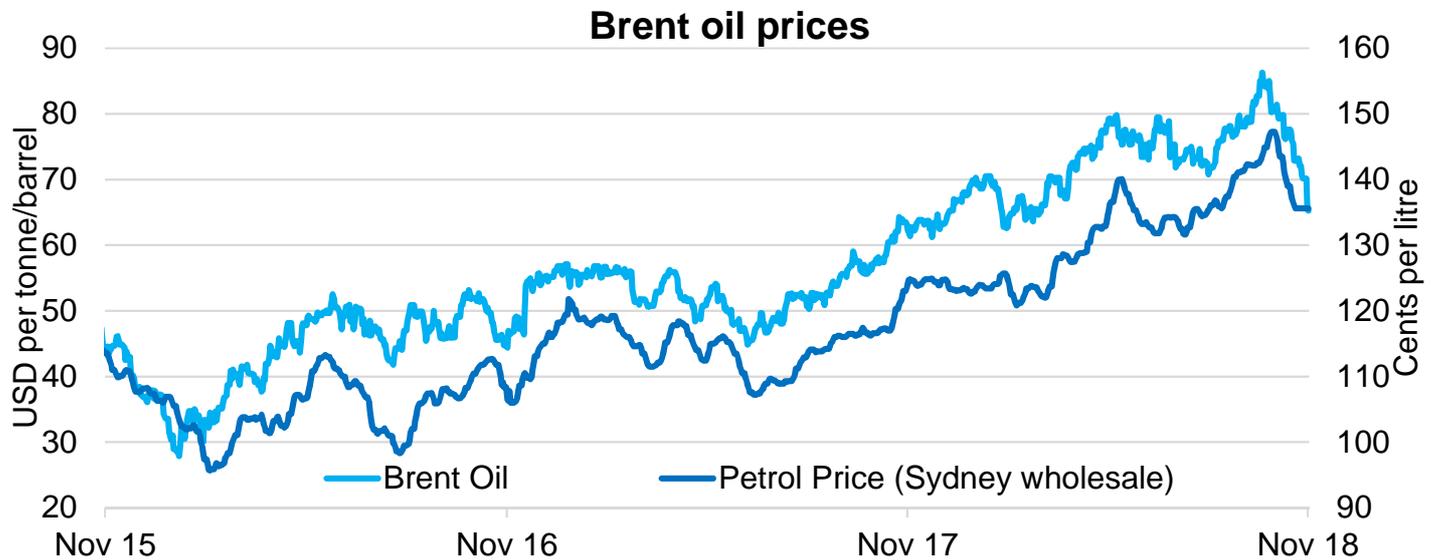


## From the Chief Economist:

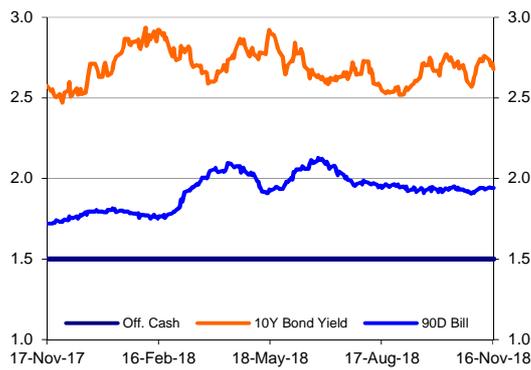
### Chart of the week: Oil prices are well down from the recent peak



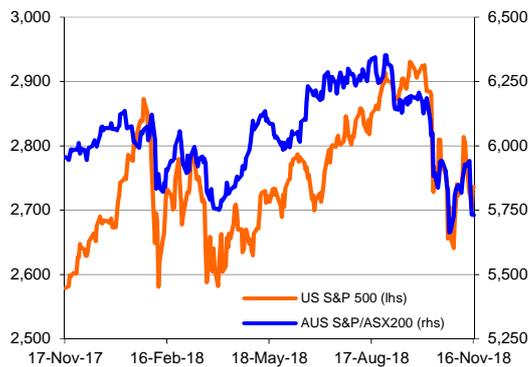
*There was generally positive news reported on the national and NSW economies last week. Consumer confidence, for example, soared nearly 10% in NSW according to the Westpac Melbourne Institute November measure last Wednesday, taking the Premier State's index above all other states. This is despite Sydney house prices having fallen by more than in other cities. Consumers' perceptions of "time to buy a dwelling" and their own finances increased sharply, perhaps reflecting improved housing affordability and the fact that official interest rates are unlikely to rise any time soon. On Thursday, the Labour Force report showed that NSW (with a 16,300 gain in October) provided almost half the national rise, and that the jobless rate here stayed at a 10-year low of 4.4%. There also was positive news on wages, with the annual increase in NSW accelerating to the fastest rate in four years, albeit at a still-sluggish 2.4% and partly due to the larger than expected rise in the minimum wage. The dampener this week was that business confidence and conditions both dipped again in NSW in the NAB survey – there also were falls at the national level.*

*This week is quiet for economic data, with no major releases scheduled. The RBA is back in action, however, with the minutes of the most recent Board meeting (on Melbourne Cup day) released on Tuesday, and Governor Lowe speaking later that evening. There were no major changes in the language of the RBA's statement two weeks ago, so the minutes are unlikely to reveal any surprises. RBA officials probably will welcome the lift in annual wages growth reported last week, along with the further strengthening of the labour market. Last week's speech on housing and credit by Deputy Governor Debelle, though, showed that they are watching carefully developments in the housing market. The preliminary auction clearance in Sydney this past weekend was 48%, meaning it has been below 50% now for eight of the last nine weeks. This is consistent with further declines in house prices.*

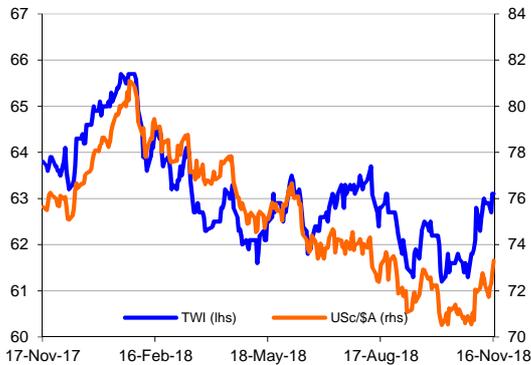
**Chart A: Domestic Interest Rates**



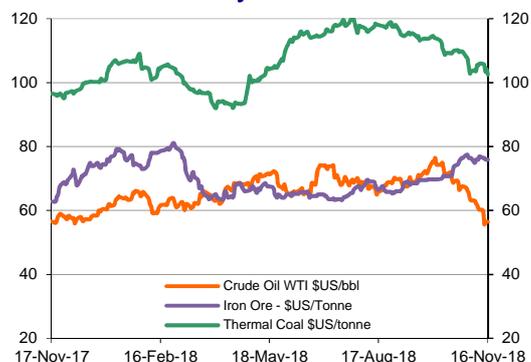
**Chart B: Share Price Index**



**Chart C: Exchange rate**



**Chart D: Commodity Prices**



**Domestic Data Releases**

**NAB** released its **Monthly Business Survey** for October. NSW business confidence fell from +3 to +2 points and conditions fell from +14 to +9 points. Nationally, confidence fell from +6 to +4 points and conditions fell from +14 to +12 points.

**ABS Lending Finance** data showed that NSW investor housing finance commitments were down 15.9 per cent over the year to September. In the Rest of Australia, commitments were down 11.3 per cent over the year.

**W-MI** released its **Consumer Sentiment Survey** for November. NSW consumer sentiment index (CSI) rose 9.9 per cent to 108.3 index points in the month. Nationally, CSI rose 2.8 per cent to 104.3 index points in the month.

**ABS Wage Price Index** data showed that NSW headline wage price index (WPI) was up 2.4 per cent through the year to the September quarter. NSW wages grew fastest in Health (+2.8 per cent) and Education & Training (+2.7 per cent). NSW wages grew slowest in Information Media (+1.4 per cent) and Administrative & Support Services (+1.6 per cent). Nationally, headline WPI was up 2.3 per cent through the year.

**ABS Labour Force** data showed that the NSW employment rose 16,300 in the month, to be up 3.9 per cent through the year to October. The NSW unemployment rate was steady at 4.4 per cent and the participation rate rose 0.2 percentage points to 65.2 per cent in October. Nationally, employment rose 32,800 in the month, to be up 2.5 per cent through the year to October. The unemployment rate was steady 5.0 per cent and the participation rate rose 0.1 percentage points to 65.6 per cent in October.

**CoreLogic Auction Data** for the week ended 11 November 2018, showed that the final auction clearance rate in Sydney was 42.1 per cent compared to 42.6 per cent in the week prior. Nationally, the final auction clearance rate was 43.3 per cent, compared to 42.7 per cent in the week prior.

**ABS State Accounts** data showed that NSW Gross State Product expanded 2.6 per cent in 2017-18 compared to 3.1 per cent (revised up from 2.9 per cent) in 2016-17. NSW GSP growth fell below Gross Domestic Product growth of 2.8 per cent in 2017-18.

**Markets**

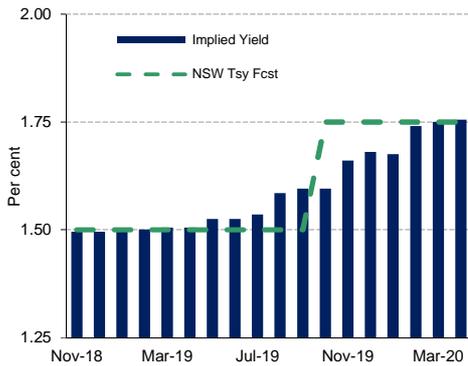
Over the week to Friday, the ASX200 fell by 3.2 per cent, the US S&P500 fell by 1.6 per cent and thermal coal prices fell by 3.2 per cent.

	Value	Change on Year	Change on Week
<b>US S&amp;P 500</b>	2736.27	6.1 %	-1.6 %
<b>ASX200</b>	5730.55	-3.8 %	-3.2 %
<b>Australian Dollar (USD)</b>	0.73	-3.1 %	1.5 %
<b>TWI</b>	63.10	-1.1 %	0.3 %
<b>Oil (USD/bbl)</b>	56.46	-0.2 %	-6.2 %
<b>Gold (USD/oz)</b>	1222.40	-4.8 %	0.9 %
<b>Thermal Coal (USD/tonnes)</b>	102.50	6.2 %	-3.2 %
<b>Australian 10-yr bond</b>	2.68%	10.5 bps	-8.0 bps
<b>US 10-yr bond</b>	3.06%	71.9 bps	-11.9 bps
<b>NSW 10-yr bond (bps) maturity 2028</b>	3.08%	- bps	-10.0 bps

**Upcoming Domestic Data Releases (19/11 – 23/11)**

- **ABS** will release its Overseas Arrivals and Departures data for September and Detailed Monthly Labour force data for October.
- **ANZ** will release its Stateometer report for the September quarter.
- **RBA** will release its Monetary Policy Minutes for November.

**Chart E: Interest Rate Expectations**



**Market Interest Rate Expectations**

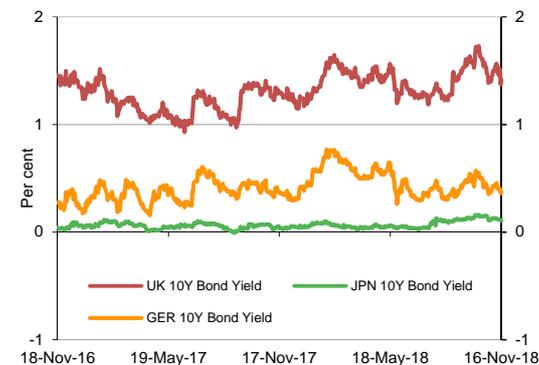
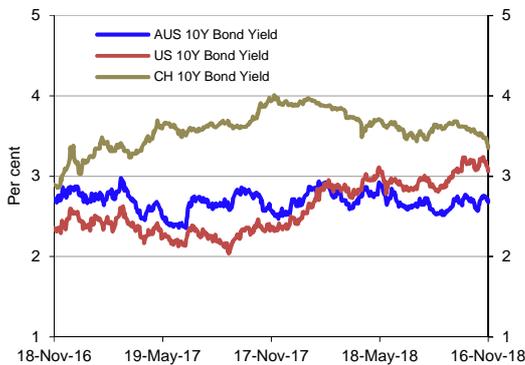
The current implied yield curve on ASX 30-day Interbank Cash Rate Futures (Chart E) indicates that the majority of the market expects the RBA to increase the cash rate in November 2019.

According to the ASX Target Rate Tracker, as at 15 November, 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 December 2018.

**International Bond Yield Spreads**

US bond yields fell 11.9 basis points over the week to Friday after a senior Federal Reserve official voiced concerns over softer global growth, potentially setting the stage for fewer rate hikes than expected next year. Investors also bought bonds amid political turmoil over Brexit and uncertainty surrounding the outcome of US-China trade talks. Bond yields fell 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)	2.68	10.5	-8.0	-38.5	23.0
United States (US)	3.06	71.9	-11.9	-	-
Germany (GER)	0.37	0.6	-4.0	-269.6	-198.3
United Kingdom (UK)	1.41	11.8	-7.9	-165.1	-105.0
Japan (JPN)	0.10	6.8	-1.9	-295.9	-230.8
China (CH)	3.35	-58.2	-11.7	29.1	159.3

**Key International Data Releases**

**China:** Industrial production expanded 5.9 per cent through the year to October, compared to 5.8 per cent in September. Manufacturing production (+6.1 per cent) held up as firms rush to ship goods to the US ahead of higher tariff rates. Retail sales rose 8.6 per cent through the year to October, well below market expectations, compared to 9.2 per cent in September. Domestic consumption is starting to slow amid mounting household debt, leading to concerns that the economy will continue to cool in the next few quarters.

**US:** Industrial production rose 0.1 per cent in October, compared to 0.2 per cent in September. An increase in manufacturing production (+0.3 per cent) offset decreases in mining (-0.3 per cent) and utilities (-0.5 per cent) output. Notably, motor vehicle production slumped 2.8 per cent which could be the result of US tariffs on imported steel and aluminium. The CPI rose 2.5 per cent through the year to October, compared to 2.3 per cent in September.

**Euro Area:** GDP expanded 0.2 per cent in the September quarter, the slowest rate of growth since early 2014, to be up 1.7 per cent through the year.

**Germany:** GDP contracted 0.2 per cent in the September quarter, the first contraction in more than three years, to be up 1.1 per cent through the year.

**Japan:** GDP contracted 0.3 per cent in the September quarter, to be down 1.2 per cent through the year.

**UK:** The unemployment rate rose to 4.1 per cent in the three months to September, compared to 4.0 per cent in the three months to June. The CPI was steady at 2.4 per cent through the year to October.

**Upcoming Key International Data Releases (19/11 – 23/11)**

- **US:** Market Manufacturing PMI for November.
- **Euro Area:** Consumer Confidence and Markit Manufacturing PMI for November.
- **Germany:** PPI for October and Markit Manufacturing PMI for November.
- **Japan:** Trade Balance and CPI for October and Nikkei Manufacturing PMI for November.

### Six Weeks At A Glance

Monday	Tuesday	Wednesday	Thursday	Friday
19-Nov ABS Overseas Arrivals and Departures, Sep-18	20-Nov RBA Monetary Policy Minutes, Nov-18	21-Nov DoE Skilled Vacancies, Oct-18 ANZ Stateometer, SepQ-18	22-Nov ABS Detailed Monthly Labour Force, Oct-18 CoreLogic Weekly Auction Data	23-Nov
26-Nov	27-Nov	28-Nov ABS Construction Work Done Prelim, SepQ-18	29-Nov ABS Capital Expenditure Survey, SepQ-18 CoreLogic Weekly Auction Data	30-Nov RBA Private Sector Credit, Oct-18
3-Dec ABS Building Approvals, Oct-18 ABS Mineral and Petroleum Exploration, Sep-18	4-Dec RBA Interest Rate Decision, Dec-18 ABARES Crop Report, Dec-18 ABS Balance of Payments, Sep-18	5-Dec ABS National Accounts, Sep-18	6-Dec APM Auction data, Nov-18 ABS International Trade in Goods and Services, Oct-18 ABS Retail Trade, Oct-18 CoreLogic Weekly Auction Data	7-Dec
10-Dec ABS Housing Finance, Oct-18 ABS Regional Building Approvals, Oct-18	11-Dec NAB Monthly Business Survey, Nov-18 ABS Residential Property Price Indexes, Sep-18	12-Dec W-MI Consumer Sentiment, Dec-18 ABS Lending Finance, Oct-18	13-Dec RBA Bulletin, Dec-18 CoreLogic Weekly Auction Data	14-Dec
17-Dec ABS Overseas Arrivals and Departures, Oct-18	18-Dec RBA Monetary Policy Minutes, Dec-18	19-Dec DoE Skilled Vacancies, Nov-18	20-Dec ABS Australian Demographic Statistics, Jun-18 ABS Labour Force, Nov-18 CoreLogic Weekly Auction Data	21-Dec ABS Detailed Monthly Labour Force, Nov-18 ABS Detailed Quarterly Labour Force, Nov-18
24-Dec	25-Dec	26-Dec	27-Dec CoreLogic Weekly Auction Data	28-Dec

## ECONOMIC FACTS

ECONOMIC GROWTH				
ECONOMIC INDICATOR	NSW	Australia	Measure	Latest Period
Gross State/ Domestic Product	2.6%	2.8%	% annual average	2017-18 Next: TBA
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	+2	+4	NAB Index	October 18 (mthly) Next: 11 December 18
NAB Business Conditions	+9	+12		
HOUSING				
Dwelling Approvals	67.5k	224.4k	Number of app 12mms	September 18 (mthly) Next: 3 December 2018
	-5.0%	3.2%	% annual average	
Residential Prices (capitals)	-3.9%	-0.6%	% through the year	June quarter 18 Next: 11 December 18
LABOUR FORCE				
Employment	3.9%	2.5%	% through the year	October 18 (mthly) Next: 20 December 18
Unemployment Rate	4.4%	5.0%	Current rate	
Youth unemployment rate	10.2%	12.0%	12 monthly moving average rate	
CONSUMER				
Retail Sales	3.1%	3.7%	% through the year	September 18 (mthly) Next: 6 December 18
Westpac MI Consumer Confidence	108.3	104.3	Westpac MI Index	November 18 (mthly) Next: 12 December 18
CPI (Capital cities)	2.0%	1.9%	% through the year	September quarter 18 Next: 30 January 2019
Official cash rate	1.50%		Lowered 25 basis points Aug 16	Next: 6 November 18

ECONOMIC FORECASTS <sup>(a)</sup>	NSW Forecasts (as per 2018-19 Budget)			Australian Gov't Forecasts (as per 2018-19 Budget)		
	2016-17 Actual	2017-18 Actual (Forecast)	2018-19 Forecast	2016-17 Actual	2017-18 Actual (Forecast)	2018-19 Forecast
State/Domestic Final Demand (%)	3.8	3.3(3¾)	3	2.3	n.a.	n.a.
Gross State /Domestic Product (%)	2.9	2.6(3)	2¾	2.1	2.8(2¾)	3
Employment (%) <sup>(b)</sup>	1.1	3.1(3)	1¾	2.2	2.9(2¾)	1½
Unemployment rate (%) <sup>(c)</sup>	5.0	4.8(4¾)	4¾	5.6	5.4(5½)	5¼
CPI (%) <sup>(d)</sup>	2.0	2.0(2)	2¼	1.9	2.1(2)	2¼
Wage Price Index (%) <sup>(e)</sup>	2.1	2.1(2)	2½	1.9	2.1(2¼)	2¾

(a) Australia and NSW: Annual average growth unless otherwise stated (b) Australia: per cent change through the year to June (c) Australia: per cent in June (d) Australia: per cent change through the year to June quarter. 2017-18 to 2018-19 include a ¼ percentage point contribution from tobacco excise increases. (e) Australia: per cent change through the year to June quarter.