

Chart A: Domestic Interest Rates



Chart B: Share Price Index

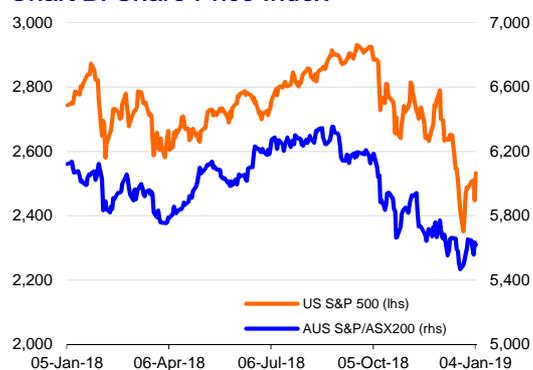


Chart C: Exchange rate

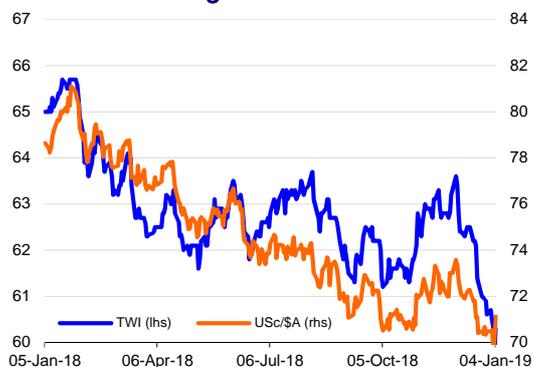
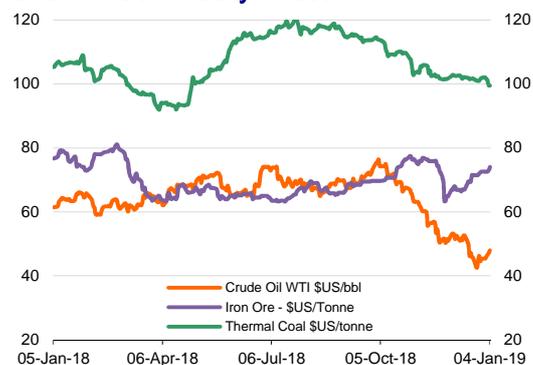


Chart D: Commodity Prices



Domestic Data Releases

ABS Overseas Arrivals and Departures data for October, showed that visitors to NSW were at an annual sum of 283,900, up 1.7 per cent through the year. Nationally, visitors were at an annual sum of 754,000, up 1.7 per cent through the year.

ABS Demographic Statistics data showed that the population in NSW reached 7.987 million in the June quarter, which was up 1.5 per cent through the year. Natural increase contributed 0.7 percentage points, net interstate migration detracted 0.3 percentage points and net overseas migration contributed 1.1 percentage points. Nationally, the population reached 24.992 million in the quarter, which was up 1.6 per cent through the year.

ABS Labour Force data showed that in NSW employment fell by 12,600 or -0.3 per cent in November, to be up 2.8 per cent through the year. The NSW unemployment rate fell to 4.4 per cent (from an upwardly revised 4.5 per cent last month) and the participation rate fell 0.4 percentage points to 64.9 per cent in November, from a record high of 65.2 in October 2018. Nationally, employment increased by 37,000 in November, to be up 2.3 per cent through the year. The national unemployment rate rose by 0.1 percentage points to 5.1 per cent.

ABS Industry Labour Force data showed that NSW employment rose by an annual average 3.5 per cent to November, well above the national rate of 2.7 per cent. The industries that made the largest contributions to NSW employment growth over this period were Retail Trade (0.8ppts), Professional & Technical Services (0.6ppts) and Construction (0.6ppts). The industries that detracted the most were Public Administrations (-0.3 ppts) and Agriculture (-0.1ppts).

RBA released its **Private Sector Credit** for November. In Australia, total credit was up 0.3 per cent in the month, to be 4.4 per cent higher through the year. Specifically, housing credit was up 4.9 per cent, with owner-occupier credit up 6.8 per cent and investor credit up 1.1 per cent through the year.

Markets

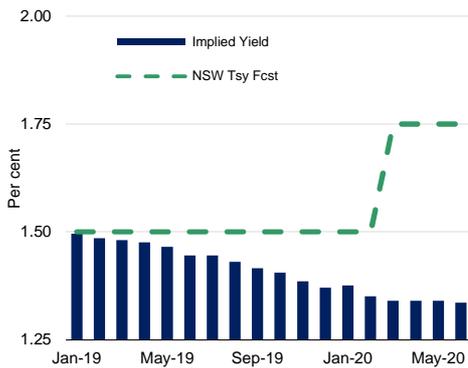
Over the week to Friday, the ASX200 fell by 0.6 per cent, the US S&P500 fell by 1.9 per cent and oil prices rose by 5.8 per cent.

	Value	Change Year	Change on Week
US S&P 500	2531.94	-7.7 %	1.9 %
ASX200	5619.36	-8.2 %	-0.6 %
Australian Dollar (USD)	0.71	-9.5 %	0.9 %
TWI	60.30	-7.2 %	-0.5 %
Oil (USD/bbl)	47.96	-21.9 %	5.8 %
Gold (USD/oz)	1279.90	-2.8 %	0.1 %
Thermal Coal (USD/tonnes)	99.50	-5.5 %	-2.4 %
Australian 10-yr bond	2.23%	-40.4 bps	-12.8 bps
US 10-yr bond	2.67%	19.1 bps	-5.1 bps

Upcoming Domestic Data Releases (7/1-11/1)

- **ABS** will release its Job Vacancies data for the November quarter and International Trade in Goods and Services, Building Approvals and Retail Trade data for November.

Chart E: Interest Rate Expectations



Market Interest Rate Expectations

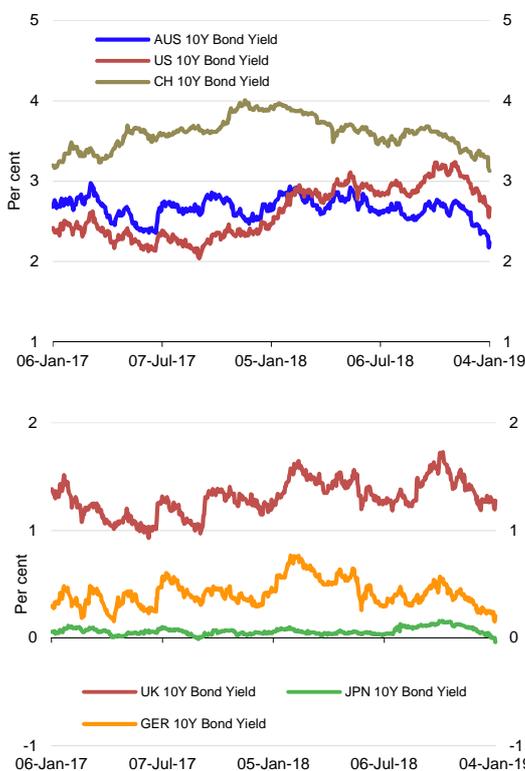
The current implied yield curve on ASX 30-day Interbank Cash Rate Futures (Chart E) indicates that the majority of the market expects a rate cut in December 2019.

According to the ASX Target Rate Tracker, as at 3 January, 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 5 February 2019.

International Bond Yield Spreads

US bond yields fell earlier in the week on weaker than expected economic data domestically and abroad. Notably, manufacturing activity in China contracted for the first time in 19 months and manufacturing activity in the US saw a sudden slowdown adding to concerns that US economic growth is on track to ease over the coming year. Despite this, bond yields ended the week up 4.5 basis points as stronger than expected employment data came in.

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)	2.46	-6.1	1.7	-42.8	17.0
United States (US)	2.89	53.7	4.5	-	-
Germany (GER)	0.25	-4.9	0.3	-263.8	-205.2
United Kingdom (UK)	1.24	9.0	-2.5	-165.0	-120.3
Japan (JPN)	0.04	-1.1	-2.4	-285.5	-230.7
China (CH)	3.36	-52.7	5.8	46.9	153.2

Key International Data Releases

US: ADP employment change came in at 271,000 for December, compared to 157,000 in November. In line with this, non-farm payrolls increased by 312,000 in December, much higher than 176,000 the month prior and far surpassing market expectations. Despite this, the unemployment rate rose to 3.9 per cent in December from 3.7 per cent the month prior as more workers entered the labour force. ISM manufacturing PMI fell sharply to 54.1 in December from 59.3 in November, well below market expectations. The Federal Reserve raised interest rates by 0.25 basis points for the fourth time in 2018 to a range of 2.25-2.50 per cent, stating that “the US economy continues to perform well” and “policy does not need to be accommodative”.

China: NBS manufacturing PMI fell to 49.4 in December from 50.0 in November, with a reading below 50.0 representing a contraction in the sector. NBS non-manufacturing PMI rose to 53.8 from 53.4 over the same period.

Euro Area: CPI increased 1.6 per cent through the year to December, compared to 1.9 per cent in November. The slowdown in the headline rate is largely driven by sharp declines in oil prices, with core indicators relatively stable albeit at low levels. The data came after the ECB announced the end of its “quantitative easing” programme to support growth and inflation.

Germany: IFO business climate fell to 101.0 in December from 102.0 in November. Gfk consumer confidence was unchanged at 10.4 in January. CPI increased 1.7 per cent through the year to December, compared to 2.3 per cent in November. The unemployment rate was unchanged at 3.3 per cent in November.

Upcoming Key International Data Releases (7/1-11/1)

- **US:** Trade Balance data for November and ISM Non-Manufacturing PMI data and FOMC Minutes for December.
- **China:** CPI and PPI data for December.
- **Euro Area:** Retail Sales and Unemployment Rate data for November and Business Climate data for December.
- **Germany:** Retail Sales and Trade Balance data for November.

Six Weeks At A Glance

Monday	Tuesday	Wednesday	Thursday	Friday
7-Jan	8-Jan	9-Jan	10-Jan	11-Jan
	ABS International Trade in Goods and Services, Nov-18	ABS Building Approvals, Nov-18 ABS Job Vacancies, NovQ-18	CoreLogic Weekly Auction Data	ABS Retail Trade, Nov-18
14-Jan	15-Jan	16-Jan	17-Jan	18-Jan
		ABS Building Activity, SepQ-18 ABS Regional Building Approvals, Nov-18 ABS Engineering Construction Activity, SepQ-18 WMI Consumer Sentiment, Jan-19	CoreLogic Weekly Auction Data ABS Housing Finance, Nov-18	ABS Overseas Arrivals and Departures, Nov-18
21-Jan	22-Jan	23-Jan	24-Jan	25-Jan
ABS Lending Finance, Nov-18 IMF World Economic Outlook Update, Jan-19		DoE Vacancy Report, Dec-18	CoreLogic Weekly Auction Data ABS Labour Force, Dec-18	
28-Jan	29-Jan	30-Jan	31-Jan	1-Feb
	NAB Monthly Business Survey, Dec-18	ABS Consumer Price Index, DecQ-18	ABS Detailed Monthly Labour Force, Dec-18 ABS International Trade Price Indexes, DecQ-18 RBA Private Sector Credit, Dec-18 CoreLogic Weekly Auction Data	ABS Producer Price Indexes, DecQ-18
4-Feb	5-Feb	6-Feb	7-Feb	8-Feb
Commsec State of the States, Jan-19 ABS Building Approvals, Dec-18	RBA Interest Rate Decision, Feb-19 ABS International Trade in Goods and Services, Dec-18 ABS Retail Trade, Dec-18	RBA Interest Rate Decision, Feb-19	NAB Quarterly Business Survey, DecQ-18	RBA Statement on Monetary Policy, Feb-19
11-Feb	12-Feb	13-Feb	14-Feb	15-Feb
ABS Regional Building Approvals, Dec-18	ABS Housing Finance, Dec-18 NAB Monthly Business Survey, Jan-19	WMI Consumer Sentiment, Feb-19	CoreLogic Weekly Auction Data ABS Lending Finance, Dec-18	

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	3.7%	2.7%	% through the year	September quarter 18 Next: 6 March 19
	1.1%	0.3%	% change on last qtr	
BUSINESS INVESTMENT				
NAB Business Confidence	0	+3	NAB Index	November 18 (mthly) Next: 29 January 19
NAB Business Conditions	+9	+11		
HOUSING				
Dwelling Approvals	66.8k	222.7k	Number of app 12mms	October 18 (mthly) Next: 9 January 2019
	-6.8%	0.8%	% annual average	
Residential Prices (capitals)	-4.4%	-1.9%	% through the year	September quarter 18 Next: 19 March 19
LABOUR FORCE				
Employment	2.8%	2.3%	% through the year	November 18 (mthly) Next: 24 January 19
Unemployment Rate	4.4%	5.1%	Current rate	
Youth unemployment rate	10.2%	11.9%	12 monthly moving average rate	
CONSUMER				
Retail Sales	2.1%	3.6%	% through the year	October 18 (mthly) Next: 11 January 19
Westpac MI Consumer Confidence	104.6	104.4	Westpac MI Index	December 18 (mthly) Next: 16 January 19
CPI (Capital cities)	2.0%	1.9%	% through the year	September quarter 18 Next: 30 January 19
Official cash rate	1.50%		Lowered 25 basis points Aug 16	Next: 5 February 19

ECONOMIC FORECASTS ^(a)	NSW Forecasts (as per 2018-19 HYR)			Australian Gov't Forecasts (as per 2018-19 MYEFO)		
	2017-18 Actual	2018-19 Forecast	2019-20 Forecast	2017-18 Actual	2018-19 Forecast	2019-20 Forecast
State/Domestic Final Demand (%)	3.4	3	2¾	n.a.	n.a.	n.a.
Gross State /Domestic Product (%)	2.6	2¾	2½	2.8	2¾	3
Employment (%) ^(b)	3.1	3	1½	2.7	1¾	1¾
Unemployment rate (%) ^(c)	4.8	4½	4½	5.4	5	5
CPI (%) ^(b)	2.0	2	2¼	2.1	2	2¼
Wage Price Index (%) ^(b)	2.1	2½	2¾	2.1	2½	3

(a) Per cent change, annual average, unless otherwise indicated. (b) Australia: per cent change through the year to June (c) Australia: Per cent in June, NSW: Per cent, annual average.