

Chart A: Domestic Interest Rates

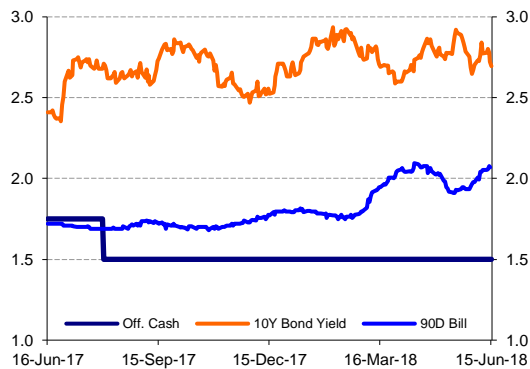


Chart B: Share Price Index

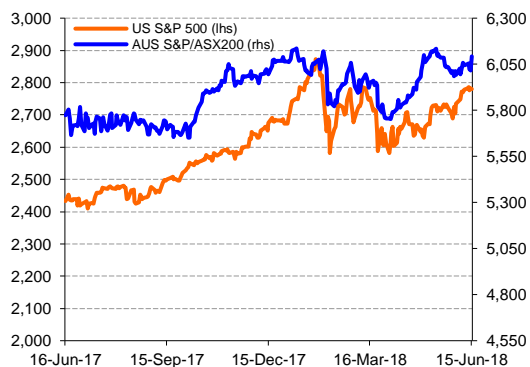


Chart C: Exchange rate

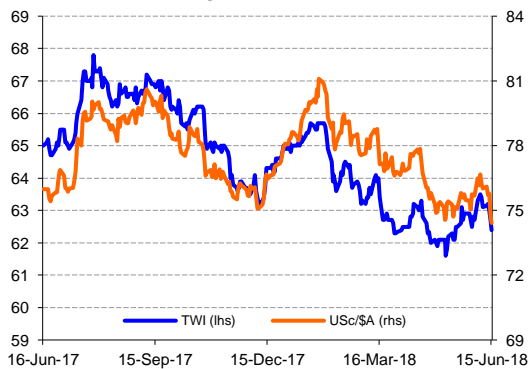
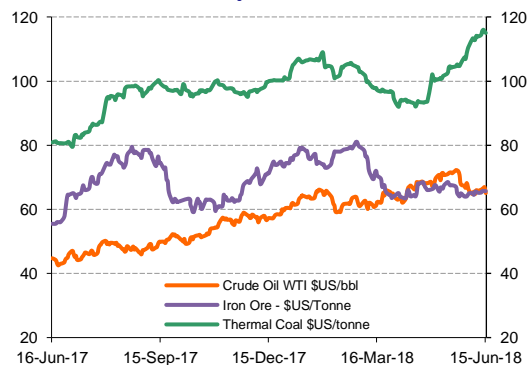


Chart D: Commodity Prices



Domestic Data Releases

NAB released its **Monthly Business Survey**, which showed that NSW business conditions fell from +20 in April to +15 in May; NSW business confidence fell from +8 to +2. Nationally, business conditions fell from +21 to +15, and business confidence fell from +11 to +6.

ABS Housing Finance data showed that the number of housing finance commitments for owner-occupation (excluding refinancing) in NSW increased 8.6 per cent through the year to April, compared to 4.0 per cent in the rest of Australia. The proportion of first home buyers to total home buyers decreased to 22.0 per cent in NSW from 22.1 per cent in the previous month.

ABS Lending Finance data showed that investor housing finance commitments in NSW were at an annual sum of \$69.0 million, down 9.3 per cent through the year to April. In the Rest of Australia, commitments were at an annual sum of \$73.5 million down 10.4 per cent through the year.

ABS Labour Force data showed that in NSW employment rose by 2,800 or 0.1 per cent in May, to be up 3.2 per cent through the year. The NSW unemployment rate fell 0.1 percentage points to 4.9 per cent and the participation rate fell 0.1 percentage points to 64.8 per cent, from the record high of 64.9 last month. Nationally, employment increased by 12,000 or 0.1 per cent, to be up 2.5 per cent through the year. The national unemployment rate fell 0.2 percentage points to 5.4 per cent.

Westpac released its **Consumer Sentiment Index** data for June. In NSW, the Consumer Sentiment Index fell by 0.4 per cent to 101.2 index points in June. Nationally, the CSI rose 0.3 per cent to 102.1 index points in June.

Markets

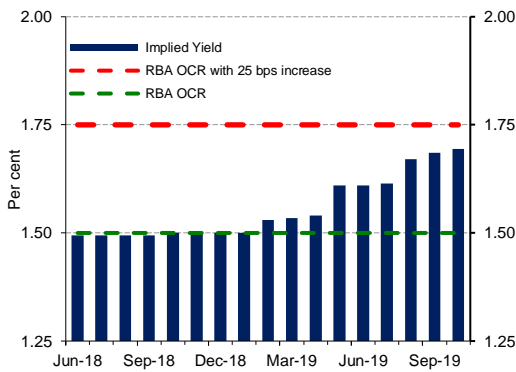
Over the week to Friday, the ASX200 rose by 0.8 per cent, the US S&P500 remained unchanged and thermal coal prices rose by 1.0 per cent.

	Value	Change on Year	Change on Week
US S&P 500	2779.66	14.2 %	0.0 %
ASX200	6094.03	5.5 %	0.8 %
Australian Dollar (USD)	0.74	-2.1 %	-2.1 %
TWI	62.40	-4.0 %	-1.1 %
Oil (USD/bbl)	65.06	45.4 %	-1.0 %
Gold (USD/oz)	1285.25	2.4 %	-1.0 %
Thermal Coal (USD/tonnes)	115.00	42.2 %	1.0 %
Australian 10-yr bond	2.69%	28.3 bps	-8.2 bps
US 10-yr bond	2.92%	77.1 bps	-2.6 bps
NSW 10-yr bond (bps) maturity 2026	2.87%	-	bps

Upcoming Domestic Data Releases (18/06 – 22/06)

- **ABS** will release Overseas Arrivals and Departures data for April, Residential Property Price Indexes data for the March quarter, Demographic Statistics data for the December quarter, Detailed Labour Force data for May and Industry Labour Force data for the May quarter.
- **RBA** will release its Monetary Policy Minutes for June.
- **DoE** will release its Skilled Vacancies data for May.

Chart E: Interest Rate Expectations



Market Interest Rate Expectations

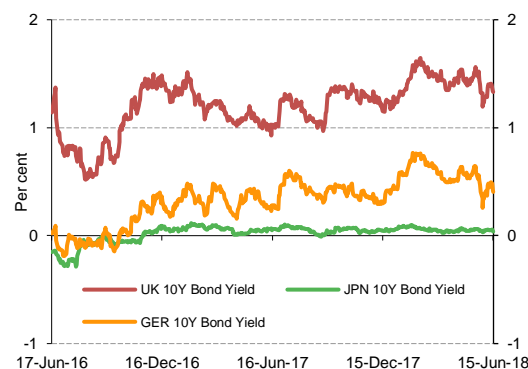
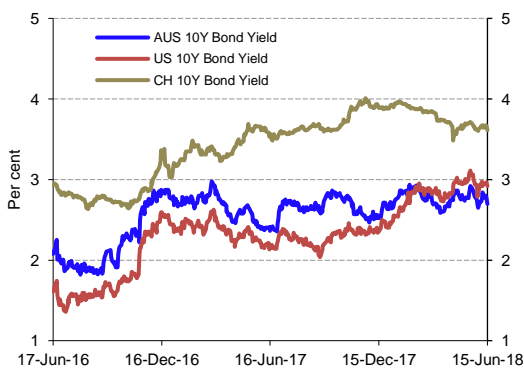
The current implied yield curve on ASX 30 day Interbank Cash Rate Futures (Chart E) indicates that the majority of the market expects the RBA to increase the cash rate in August 2019.

According to the ASX Target Rate Tracker, as at 8 June, 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 3 July 2018.

International Bond Yield Spreads

US bond yields fell by 2.6 basis points over the week to Friday. The gap between 10-year Australian bond yields and the US bond yields has increased to 22.8 basis points, amid the second rate-hike by the US Federal Reserve in 2018. Bond yields fell in all countries tracked.

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)	2.69	28.3	-8.2	-22.8	26.0
United States (US)	2.92	77.1	-2.6	-	-
Germany (GER)	0.40	12.3	-4.6	-251.8	-187.0
United Kingdom (UK)	1.33	30.8	-6.0	-159.3	-113.0
Japan (JPN)	0.04	-2.2	-0.9	-288.3	-209.0
China (CH)	3.61	4.3	-3.3	69.2	141.9

Key International Data Releases

China: Industrial production increased by 6.8 per cent through the year to May, a 22-year low. Retail sales rose by 8.5 per cent through the year to May down from 10 per cent in April, a 15-year low.

US: The Consumer Price Index (CPI) increased by 0.2 per cent in May, to be up 2.8 per cent through the year. The Producer Price Index (PPI) increased by 0.5 per cent in May, to be up 3.1 per cent through the year. Industrial production fell by 0.1 per cent in May partly driven by a fall in manufacturing caused by a major fire at a parts supplier for trucks. Retail sales rose by 0.8 per cent in May to be up 5.9 per cent through the year. The Federal Open Market Committee has decided to raise the target range for the federal funds rate to 1.75 to 2 per cent.

UK: Trade deficit widened by £2.1 billion to £5.28 billion in April. Unemployment rate remained steady at a 42-year low of 4.2 per cent in May. CPI remained unchanged at 2.4 per cent through the year. Retail sales rose by 0.9 per cent in the three months to May, to be up 3.9 per cent through the year.

Euro Area: The Governing Council decided that the interest rate on the main refinancing operations will remain unchanged at 0.00 per cent.

Upcoming Key International Data Releases (18/06 – 22/06)

- **US:** Current Account data for the March quarter and Manufacturing PMI data for June
- **Euro:** Consumer Confidence and Manufacturing PMI data for June.
- **UK:** Interest Rate Decision for June.
- **Japan:** Trade Balance and CPI data for May.
- **Germany:** PPI data for May and Manufacturing PMI data for June.
- **Canada:** Retail Sales data for April and CPI data for May.

Six Weeks At A Glance

Monday	Tuesday	Wednesday	Thursday	Friday
18-Jun	19-Jun	20-Jun	21-Jun	22-Jun
ABS Overseas Arrivals and Departures, Apr-18	RBA Monetary Policy Minutes, Jun-18 ABS Residential Property Price Indexes, MarQ-18	DoE Skilled Vacancies, May-18	ABS Detailed Monthly Labour Force, May-18 ABS Detailed Quarterly Labour Force, MayQ-18 RBA Bulletin, Jun-18 Demographics, DecQ-17	
25-Jun	26-Jun	27-Jun	28-Jun	29-Jun
		ABS Engineering Construction Activity, MarQ-18	ABS Job Vacancies, May-18	RBA Private Sector Credit, May-18
2-Jul	3-Jul	4-Jul	5-Jul	6-Jul
	RBA Interest Rate Decision, Jul-18 ABS Building Approvals, May-18	ABS International Trade in Goods & Services, May-18 ABS Retail Trade, May-18		APM Auction data, Jun-18
9-Jul	10-Jul	11-Jul	12-Jul	13-Jul
	NAB Monthly Business Survey, Jun-18 ABS Regional Building Approvals, May-18	W-MI Consumer Sentiment, Jul-18 ABS Housing Finance, May-18 ABS Building Activity, MarQ-18		ABS Lending Finance, May-18
16-Jul	17-Jul	18-Jul	19-Jul	20-Jul
ABS Overseas Arrivals and Departures, May-18	RBA Monetary Policy Minutes, Jul-18		NAB Quarterly Business Survey, JunQ-18 ABS Labour Force, Jun-18	
23-Jul	24-Jul	25-Jul	26-Jul	27-Jul
CommSec State of the States - JunQ-18		DoE Skilled Vacancies, Jun-18 ABS Consumer Price Index, JunQ-18	ABS Detailed Labour Force, Jun-18 ABS International Trade Price Indexes, JunQ-18	ABS Producer Price Indexes, JunQ-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	+2	+6	NAB Index	May 18 (mthly) Next: 10 July 18
NAB Business Conditions	+15	+15		
HOUSING				
Dwelling Approvals	70.8k	227.9k	Number of app 12mms	April 18 (mthly) Next: 3 July 2018
	-5.1%	-5.5%	% annual average	
Residential Prices (capitals)	3.8%	5.0%	% through the year	December quarter 17 Next: 19 June 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	3.6%	2.6%	% through the year	April 18 (mthly) Next: 4 July 18
Westpac MI Consumer Confidence	101.2	102.1	Westpac MI Index	June 18 (mthly) Next: 11 July 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	NSW Forecasts (as per 2017-18 HYR)			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 (%)	3.8	3½	2¾	2.3	n.a.	n.a.
Gross State /Domestic Product (%)	2.9	3	2¾	2.1	2¾	3
Employment (%) ^(a)	0.9	2½	1¾	1.9	2¾	1½
Unemployment rate (%) ^(b)	5.0	4¾	4¾	5.6	5½	5¼
CPI (%) ^(c)	2.0	2¼	2¼	1.9	2	2¼
Wage Price Index (%)	2.1	2	2½	1.9	2¼	2¾

(a) Australia: per cent change through the year to June quarter, NSW: year average per cent growth (b) Australia: per cent in the June quarter, NSW: year average per cent (c) Australia and NSW: per cent change through the year to June quarter