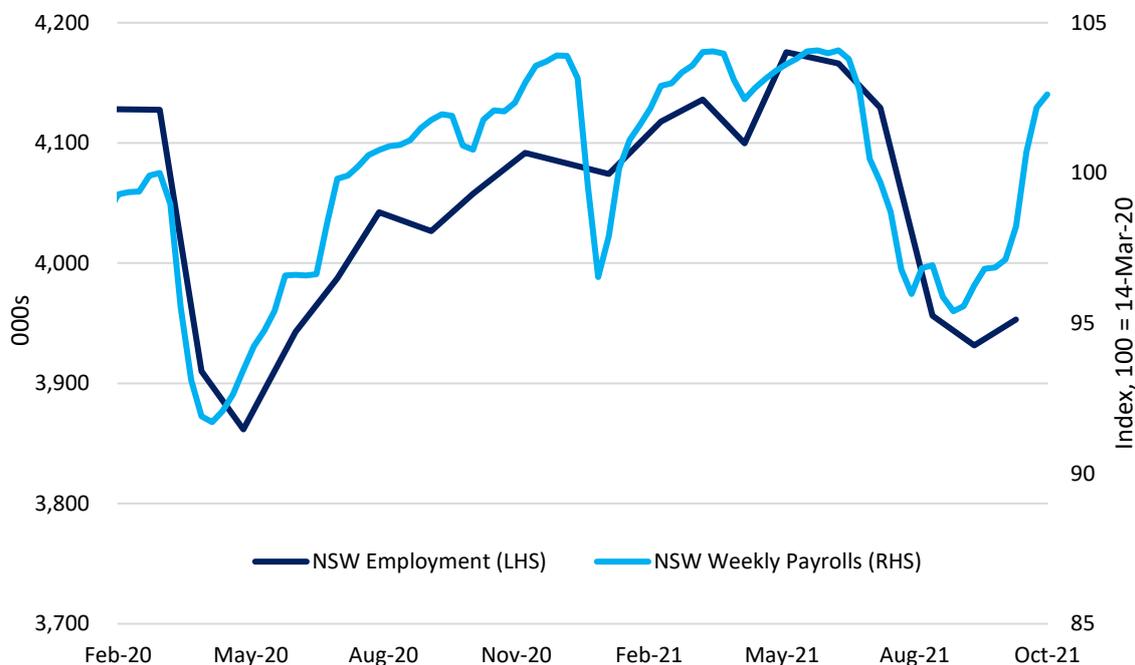


## Chart of the Week: NSW, Weekly Payrolls and Monthly Employment



### From the Chief Economist:

*In a busy week, the highlights were the latest payrolls and retail spending reports. Each confirmed that activity is springing back after the easing of COVID restrictions. The addition of the payrolls data for the two weeks to the end of October means that jobs rebounded nearly 6% in NSW over the month. This, and the fact that nearly 200,000 employees working zero hours were still attached to their employer, augurs well for a strong jobs bounce in the November Labour Force report next month. Similarly, national retail spending surged nearly 5% in October alone (and by 13% in NSW), in line with the previous messages of strength sent by the bank card data. The Q3 construction work and business investment reports, though, revealed large falls because they peered back into the lockdown. The forward-looking expectations component of the capex report revealed material upgrades to firms' spending plans. Meanwhile, across "the Ditch", the RBNZ raised the official cash rate for the second straight time.*

*The focus this week will be on the release of the September quarter National Accounts on Wednesday. Private sector economists expect a contraction in the national economy of around 3% thanks to the lockdowns of the major east coast economies, which spanned the whole quarter. Full output results are not released for the states (GSP is available only on an annual basis), but it seems likely there were very steep falls in household spending in the locked-down states. Double-digit falls in state final demand for NSW and Victoria are possible - these would mirror the aggregate decline experienced during the 2020 national lockdown. There already is wide-spread evidence, though, that economic activity has sprung back in Q4 after restrictions were eased, so there is no chance of back-to-back declines in national real GDP, the widely-used technical definition of recession. This week also sees the latest data on home loans, building approvals, credit and the trade balance.*

## Economic Update – major developments this week

### *Global economy and financial markets – RBNZ lifted interest rates for a second time*

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- The **New Zealand central bank** raised the official interest rate on Wednesday for the second straight meeting. The RBNZ is the first central bank in the world to raise the cash rate a *second* time in this “normalisation” cycle. The move was in response to the overheating NZ economy and the recent spike in inflation. The cash rate in NZ now is at 0.75%, compared to the prevailing cash rate in Australia of 0.1%.
- The news from the **US economy** continues to improve. For example, claims for unemployment insurance in the US have dropped to the lowest level since 1969! Coupled with the recent 30-year high in inflation, this has promoted commentary from the US Federal Reserve to imply that interest rates will be rising in 2022.
- It was a week of mixed fortunes in financial markets. **Most equity markets** lost ground on expectations of higher interest rates. This assumption also saw yields in many **government bond markets** rise, although markets welcomed news that US Fed chairman Powell had been reappointed for another four-year term. **Oil prices** fell slightly after President Biden announced the first drawdown in US strategic oil reserves in a decade. The **AUD** lost more ground, trading below 72 US cents at the time of writing.

### *Australian economy – businesses upgraded investment spending plans*

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- There was a 2.2%q/q fall in **private business investment** nationally in the September quarter, thanks partly to COVID restrictions and lockdowns imposed on the major east coast economies. Still, there was an upgrade to firms’ investment spending intentions, which augurs well for the broader economic recovery. Spending plans were raised nearly 9% nationally.
- The value of **construction work done** nationally fell only slightly in Q2 despite an 8% plunge in spending in locked down NSW. This data captures the two-week closure of all construction sites in NSW back in July. Work in the rest of Australia rose 3% over the quarter. There were sharp falls in both new residential construction (down more than 9% in NSW) and non-residential work (-11%).
- Economists expect the **September quarter National Accounts** next Wednesday to show a contraction in national real GDP of 2-3%q/q. This will reflect the extended lockdowns in Victoria and NSW, where domestic output is predicted to fall by around 10%. This fall will be comparable to the decline in output in NSW during the national lockdown in 2020, albeit with the plunge this time concentrated in a single quarter.

### *NSW economy – another healthy rise in payrolls in NSW*

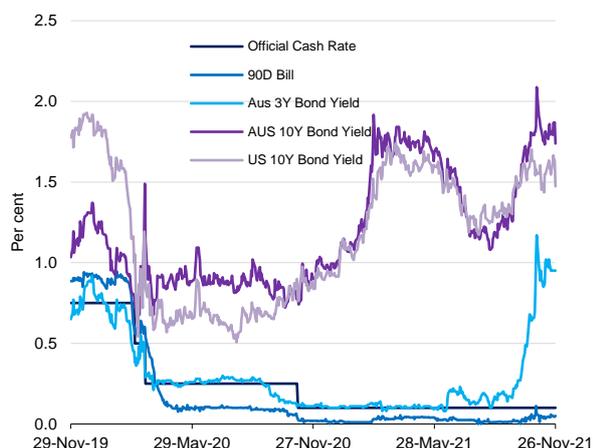
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- **Aggregate payrolls** rose in all states and territories in the two weeks from mid-October. The national rise was 1.4% and follows a similar-sized bounce across the first half of last month. The 1.9% bounce in NSW was the second largest of all states behind the 2.6% rise in Victoria – both states emerged from lockdown during October. Payrolls in NSW now are back above their level of a year earlier.
- The **home auction** clearance rate in Sydney last weekend slipped for the sixth straight week to 69% - this is the lowest success rate in over a year. Still, the fact that the majority of auctions are successful means that house prices in Sydney probably will keep rising, albeit at a slower pace than before.
- The extended lockdowns in NSW and the ACT saw both jurisdictions underperform in the **ANZ’s latest Stateometer** measure of economic performance. NSW’s economy was measured to be growing below trend and decelerating. This is not surprising given the state’s lockdown extended across the entire quarter. All other state economies were growing above trend, but with growth decelerating.

## Market Update

- **Markets** had an up and down week until Friday, where share markets, commodity markets and bond yields all took a dive on the discovery of a new COVID-19 variant – Omicron. While there is uncertainty on how dangerous this new variant is, markets are likely to be volatile as more information comes to surface. The AUD closed the week out at a 12-month low as oil prices fell.

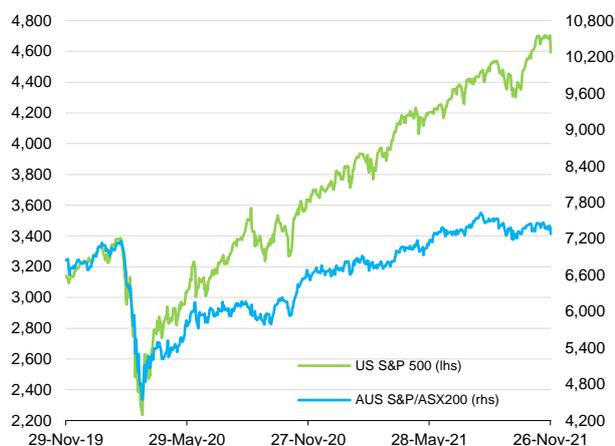
### Chart A: Bond Yields



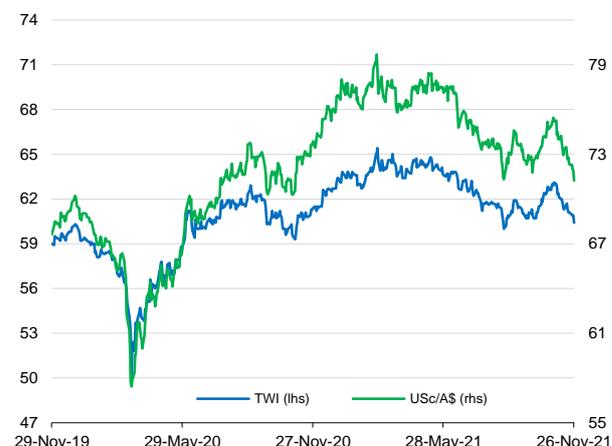
### Chart B: Commodity Prices



### Chart C: Share Price Index



### Chart D: Exchange rate



	Value	Change on Week	Change on Year
<b>US S&amp;P 500</b>	4594.62	-2.2 %	26.3 %
<b>ASX200</b>	7279.35	-1.6 %	10.3 %
<b>Australian Dollar (USD)</b>	0.71	-1.5 %	-3.6 %
<b>TWI</b>	60.40	-1.1 %	-1.6 %
<b>Oil (USD/bbl)</b>	68.15	-10.4 %	49.7 %
<b>Iron ore (\$US/Tonne)</b>	102.00	11.5 %	-21.8 %
<b>Gold (USD/oz)</b>	1800.80	-3.2 %	1.2 %
<b>Thermal Coal (USD/tonnes)</b>	157.50	3.3 %	146.5 %
<b>Australian 10 Year Bond Yield (%)</b>	1.74	-7.2 bps	83.7 bps
<b>NSW T-Corp 10 Year Bond Yield (%)</b>	2.14	-9.6 bps	98.2 bps
<b>United States 10 Year Bond Yield (%)</b>	1.47	-7.3 bps	63.6 bps

## International Economic Update

Country	Indicator	Unit	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21
Canada	GDP	%YoY	4.8	4.1	-	-	-
	BoC Interest Rate Decision	%	0.25	0.25	0.25	0.25	-
China	GDP	%YoY	-	-	4.9	-	-
	Retail Sales	%YoY	8.5	2.5	4.4	4.9	-
	CPI	%YoY	1.0	0.8	0.7	1.5	-
	PPI	%YoY	9.0	9.5	10.7	13.5	-
	Manufacturing PMI	Index, sa	50.4	50.1	49.6	49.2	-
	Non-Manufacturing PMI	Index, sa	53.3	47.5	53.2	52.4	-
	Industrial Production	%YoY	6.4	5.3	3.1	3.5	-
	Trade Balance	\$USD billion	56.2	58.3	66.8	84.5	-
Euro Area	GDP	%YoY	-	-	3.7	-	-
	ECB Interest Rate Decision	%	0.00	0.00	0.00	0.00	-
	Retail Sales	%YoY	3.3	1.5	2.5	-	-
	Unemployment Rate	%	7.6	7.5	7.4	-	-
	Employment Change	%YoY	-	-	2.0	-	-
	CPI	%YoY	2.2	3.0	3.4	4.1	-
	Consumer Confidence	Index, sa	-4.4	-5.3	-4.0	-4.8	-6.8
	Business Confidence	Index, sa	14.5	13.8	14.1	14.2	-
	Markit Manufacturing PMI	Index, sa	62.8	61.4	58.6	58.3	58.6
	Markit Services PMI	Index, sa	59.8	59.0	56.4	54.6	56.6
	Industrial Production	%YoY	7.8	4.9	5.2	-	-
Trade Balance	€ billion, sa	13.2	9.7	6.1	-	-	
Germany	GDP	%YoY	-	-	2.5	-	-
	Retail Sales	%YoY	0.7	0.5	-0.6	-	-
	CPI	%YoY	3.8	3.9	4.1	4.5	-
	GfK Consumer Confidence	Index	-0.3	-0.4	-1.1	0.4	1.0
	IFO Business Climate	Index, sa	100.9	99.7	99.0	97.7	96.5
	Markit Manufacturing PMI	Index, sa	65.9	62.6	58.4	57.8	57.6
	Industrial Production	%YoY	6.0	2.2	-1.0	-	-
India	GDP	%YoY	-	-	-	-	-
	CPI	%YoY	5.6	5.3	4.4	4.5	-
Japan	GDP Growth	%QoQ, sa	-	-	-0.8	-	-
	BoJ Interest Rate Decision	%	-0.1	-	-0.1	-0.1	-
	Retail Sales	%YoY	2.4	-3.2	-0.5	-	-
	Unemployment Rate	%	2.8	2.8	2.8	-	-
	CPI	%YoY	-0.4	-0.4	0.3	0.1	0.5
	PPI	%YoY	5.8	5.9	6.4	8.0	-
	Consumer Confidence	Index, sa	37.5	36.7	37.8	39.2	-
	Manufacturing PMI	Index, sa	53.0	52.7	51.5	53.2	54.2
	Industrial Production	%YoY	11.6	8.8	-2.3	-	-
Trade Balance	¥ billion, sa	-5.9	-336.7	-605.5	-444.7	-	
New Zealand	GDP	%YoY	-	-	-	-	-
	RBNZ Interest Rate Decision	%	0.25	0.25	-	0.50	0.75
	CPI	%YoY	-	-	4.9	-	-
	Trade Balance	\$NZD million	-387.2	-2132.8	-2206.0	-1286.0	-
UK	GDP	%YoY	-	-	6.6	-	-
	BoE Interest Rate	%	-	0.1	0.1	0.1	0.1
	Retail Sales	%YoY	1.9	0.4	-0.6	-1.3	-
	ILO Unemployment Rate	%	4.6	4.5	4.3	-	-
	CPI	%YoY	2.0	3.2	3.1	4.2	-
	Markit Manufacturing PMI	Index, sa	60.4	60.3	57.1	57.8	58.2
	Trade Balance	£ million, sa	-2111.0	-1880.0	-2777.0	-	-
US	GDP	%QoQ, sa, annualised	-	-	2.1	-	-
	Fed Interest Rate Decision	%	0.00-0.25	0.00-0.25	0.00-0.25	0.00-0.25	0.00-0.25
	Retail Sales	%MoM, sa	-1.6	1.2	0.8	1.7	-
	Unemployment Rate	%	5.4	5.2	4.8	4.6	-
	BLS Employment Change (non-farm payrolls)	'000, MoM, sa	1091	483	312	531	-
	ADP Employment Change (private non-farm payrolls)	'000, MoM, sa	322	310	523	571	-
	CPI	%YoY	5.4	5.3	5.4	6.2	-
	University of Michigan Consumer Sentiment	Index	81.2	70.3	72.8	71.7	67.4
	ISM Manufacturing PMI	Index, sa	59.5	59.9	61.1	60.8	-
	ISM Services PMI	Index	64.1	61.7	61.9	66.7	-
	Industrial Production	%MoM, sa	0.8	0.0	-1.3	1.6	-
	Factory Orders	%MoM, sa	0.7	1.0	0.2	-	-
	Trade Balance	\$USD billion, sa	-70.3	-72.8	-80.9	-	-

## Domestic Economic Update

ECONOMIC GROWTH				
ECONOMIC INDICATOR	NSW	Australia	Measure	Latest Period
<b>Gross State/ Domestic Product</b>	1.4%	1.5%	% annual average (real)	2020-21 Next: November 22
<b>State/Domestic Final Demand</b>	14.6%	12.2%	% through the year (real)	June quarter 21 Next: 1 December 21
	2.2%	1.7%	% change on last qtr	
BUSINESSES				
<b>NAB Business Confidence</b>	+29	+21	NAB Monthly Index	October 21 (mthly) Next: 14 December 21
<b>NAB Business Conditions</b>	+16	+11		
HOUSING				
<b>Dwelling Approvals</b>	64.7k	231.4k	Number of app 12mms	September 21 (mthly) Next: 30 November 21
	28.4%	12.6%	% through the year, trend	
<b>Residential Prices (capitals)</b>	19.3%	16.8%	% through the year	June quarter 21 Next: 7 December 21
LABOUR FORCE				
<b>Employment</b>	-3.9%	-0.6%	% through the year (to 2019)	October 21 (mthly) Next: 16 December 21
<b>Unemployment Rate</b>	5.4%	5.2%	Current rate	
<b>Youth unemployment rate</b>	11.8%	12.1%	12 month moving average rate	
CONSUMER				
<b>Retail Sales</b>	2.4%	5.2%	% through the year (nominal)	October 21 (mthly) Next: 11 January 22
<b>Westpac MI Consumer Confidence</b>	107.9	105.3	Westpac MI Index	November 21 (mthly) Next: 15 December 21
<b>CPI (Capital cities)</b>	2.9%	3.0%	% through the year	September quarter 21 Next: 25 January 22
<b>Official cash rate</b>	0.10%		Lowered 15 basis points in November 2020	November 21 (mthly) Next: 7 December 21

ECONOMIC FORECASTS <sup>(a)</sup>	NSW Forecasts (as per 2021-22 Budget)			Australian Gov't Forecasts (as per 2021-22 Budget)		
	2019-20 Actual	2020-21 Forecast	2021-22 Forecast	2019-20 Actual	2020-21 Forecast	2021-22 Forecast
<b>State/Domestic Final Demand (%)</b>	-1.9	2 ¼	3 ½	n.a.	n.a.	n.a.
<b>Gross State/Domestic Product (%)</b>	-0.7	¾	3 ¼	-0.2	1 ¼	4 ¼
<b>Employment (%)</b>	0.0	¼	1 ¼	-4.2	6 ½	1
<b>Unemployment rate (%)<sup>(b)</sup></b>	6 ½	5 ¾	5 ¼	6.9	5 ½	5
<b>CPI (%)</b>	1.0	1 ½	1 ¾	-0.3	3 ½	1 ¾
<b>Wage Price Index (%)</b>	2.0	1 ½	2	1.8	1 ¼	1 ½

(a) Per cent change, annual average, unless otherwise indicated. (b) June quarter, per cent.

## Economic Calendar

Date	Domestic Calendar	International Calendar
Mon 29-Nov	ABS Business Indicators, SepQ-21 ABS Mineral and Petroleum Exploration, SepQ-21	Japan Retail Sales, Oct-21 Euro Area Business Confidence, Nov-21 Germany Retail Sales, Oct-21
Tue 30-Nov	ABS Balance of Payments, SepQ-21 ABARES Crop Report, DecQ-21 RBA Private Sector Credit, Oct-21 ABS Building Approvals, Oct-21 ABS Government Finance Statistics, SepQ-21	Germany CPI, Preliminary, Nov-21 Japan Unemployment Rate, Oct-21 Japan Industrial Production, Preliminary, Oct-21 China Non-Manufacturing PMI, Nov-21 China Manufacturing PMI, Nov-21 Euro Area CPI, Nov-21 India GDP, SepQ-21
Wed 1-Dec	CoreLogic Monthly House Price Data, Nov-21 ABS National Accounts, SepQ-21	Canada GDP, Preliminary, Sep-21
Thu 2-Dec	CoreLogic Weekly Auction Data, 28-Nov-21 ABS International Trade, Oct-21 ABS Lending Indicators, Oct-21 ABS Retail Trade (additional information), Oct-21	US ADP Employment Change, Nov-21 US Manufacturing PMI, Nov-21 Japan Consumer Confidence, Nov-21 Euro Area Unemployment Rate, Oct-21
Fri 3-Dec		Euro Area Retail Sales, Oct-21
Sat 4-Dec		US Change in Non-farm Payrolls, Nov-21 US Unemployment Rate, Nov-21 US Services PMI, Nov-21 US Factory Orders, Oct-21
Sun 5-Dec		
Mon 6-Dec		
Tue 7-Dec	ABARES Agricultural Commodities, DecQ-21 RBA Interest Rate Decision, Dec-21	Germany Industrial Production, Oct-21 China Trade Balance, Nov-21
Wed 8-Dec		US Trade Balance, Oct-21
Thu 9-Dec	RBA Bulletin, DecQ-21 CoreLogic Weekly Auction Data, 5-Dec-21 ABS Weekly Payroll Jobs and Wages, 13-Nov-21	Canada Interest Rate Decision, Dec-21 China CPI, Nov-21 China PPI, Nov-21
Fri 10-Dec		Japan PPI, Nov-21 UK Trade Balance, Oct-21
Sat 11-Dec		US CPI, Nov-21 US Consumer Sentiment, Preliminary, Dec-21
Sun 12-Dec		
Mon 13-Dec		India CPI, Nov-21
Tue 14-Dec	NAB Monthly Business Survey, Nov-21 ABS Overseas Arrivals and Departures, Oct-21	UK Unemployment Rate, Oct-21 Euro Area Industrial Production, Oct-21
Wed 15-Dec	W-MI Consumer Sentiment, Dec-21	China Retail Sales, Nov-21 China Industrial Production, Nov-21 UK CPI, Nov-21
Thu 16-Dec	CoreLogic Weekly Auction Data, 12-Dec-21 ABS Labour Force, Nov-21 ABS Demographic Statistics, JunQ-21	US Retail Sales, Advance, Nov-21 US Interest Rate Decision, Dec-21 New Zealand GDP, SepQ-21 Japan Trade Balance, Nov-21 Germany Manufacturing PMI, Preliminary, Dec-21 Euro Area Manufacturing PMI, Preliminary, Dec-21 Euro Area Services PMI, Preliminary, Dec-21 UK Manufacturing PMI, Preliminary, Dec-21 Euro Area Trade Balance, Oct-21 UK Interest Rate Decision, Dec-21 Euro Area Interest Rate Decision, Dec-21
Fri 17-Dec		US Industrial Production, Nov-21 UK Retail Sales, Nov-21 Germany Business Climate, Dec-21 Japan Interest Rate Decision, Dec-21