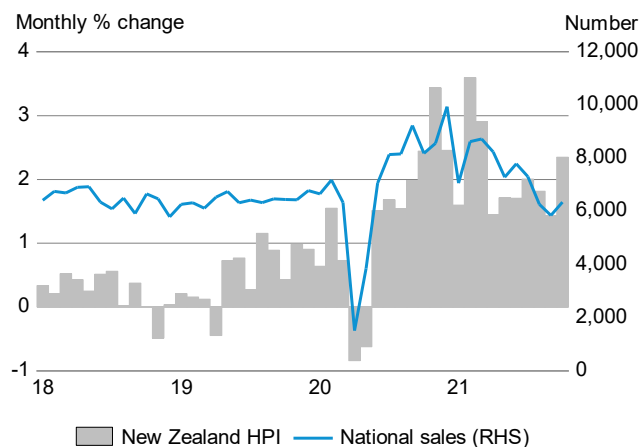


Economic activity continued to increase as restrictions eased over the month of October. Housing market activity bounced back, and electronic card transactions are recovering towards pre-delta-outbreak levels. Ongoing COVID-19-related uncertainties and continued cost pressures may be dampening business sentiment, but employment intentions remain high reflecting the resilience in demand and robustness in the labour market. Inflationary pressures are therefore likely to remain elevated over the quarters ahead.

### **House price growth jumped...**

Housing market activity rebounded as restrictions eased in Auckland, with both price growth and sales rising in the month from September. The REINZ House Price Index (HPI) grew 2.3% in October, its highest monthly rate of growth since March 2021 with Auckland driving the increase (Figure 1). However, this pace of growth is unlikely to be sustained with rising mortgage interest rates, tighter loan-to-value ratio restrictions, changes to tax policies and ongoing affordability challenges limiting growth in demand and slowing house price growth over the year ahead.

**Figure 1: REINZ house prices and sales**



Source: REINZ

House sales in New Zealand rose 8.5% in the month of October, partially recovering from the falls seen in prior months. However, they remain well below their pre-delta-outbreak levels, which is consistent with the theme of an incomplete recovery in demand seen in other indicators to date, such as electronic card spending.

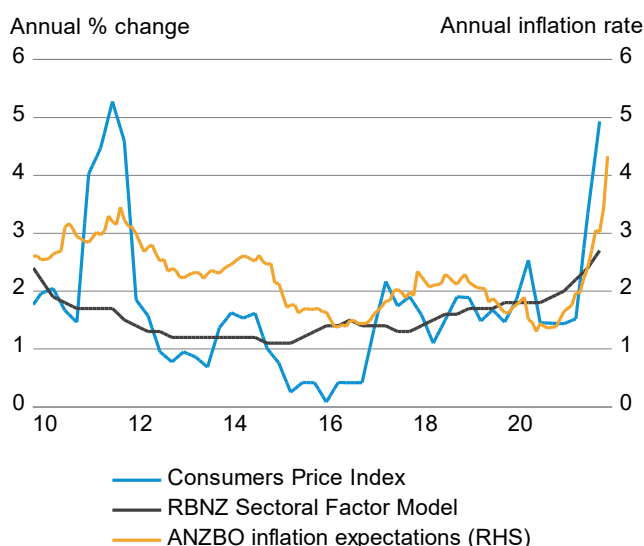
### **...and card spending rebounded...**

The value of electronic card spending increased 9.5% in October, reflecting the increase seen in the weekly spending data as restrictions eased. Spending activity remains constrained by ongoing Alert Level 3 restrictions in some parts of the country and overall spending is still below pre-delta-outbreak levels. With parts of the country moving to Alert Level 3 step 2 in November, the recovery is likely to be given a boost in the second half of the December 2021 quarter, supported by continued robustness in the labour market.

### **...while business' cost pressures remain elevated**

Business confidence and activity expectations eased in the preliminary November ANZ Business Outlook, with expectations of firms' own activity falling 6 points from October to a net 15.6% expecting increasing activity ahead. Cost pressures remain intense, however, with a net 89% of firms reporting higher costs and 64.6% intending to raise prices. Inflationary pressures will therefore remain elevated over the quarters ahead, and business' inflation expectations rose to 4.3% following last month's 4.9% result for the September 2021 quarter (Figure 2).

**Figure 2: Inflation and inflation expectations**



Sources: Stats NZ, RBNZ, ANZ

### **Living cost movements were mixed**

Food prices fell 0.1% on a seasonally adjusted basis in October with broad-based falls across most groups. Consistent with over the past few months, rental prices across the stock of rental properties increased by 0.3 percent in October.

Central banks are moving cautiously as they begin to taper monetary stimulus, amid concerns that a rapid tightening in policy could derail the economic recovery. In contrast to New Zealand, employment and labour force participation remain well below pre-pandemic levels in many economies. This is creating difficult trade-offs for central banks, who must strike a balance between supporting full employment and staving off rising consumer price index (CPI) inflation.

**Australia's unemployment rate rises...**

Australia's unemployment rate increased to 5.2% in October, up 0.6 percentage points (ppts) from September, as employment fell and labour force participation increased. Compared to June 2021, when Australia's Delta outbreak began, employment was down by 2.5% and labour force participation was down by 1.5 ppts. The increase in labour force participation in October is a good sign for Australia's labour market, which should recover now that vaccinations have allowed most activity restrictions to ease.

**...as US labour force participation stagnates**

Employment in the US continued to grow in October, indicating strong demand for labour as the economic recovery got back on track after a bumpy third quarter (Figure 3). The unemployment rate fell to 4.6%, though this is partly owing to a weak labour force participation rate, which has shown no sign of recovery for the past year. Reluctance to return to work is likely being driven by the ongoing spread of COVID-19, with 500,000 new cases and 8,000 deaths in the last week. This constrained supply of labour amid strong demand is creating tightness in the labour market, pushing average earnings 4.9% higher than a year ago.

**Figure 3: US labour market statistics**



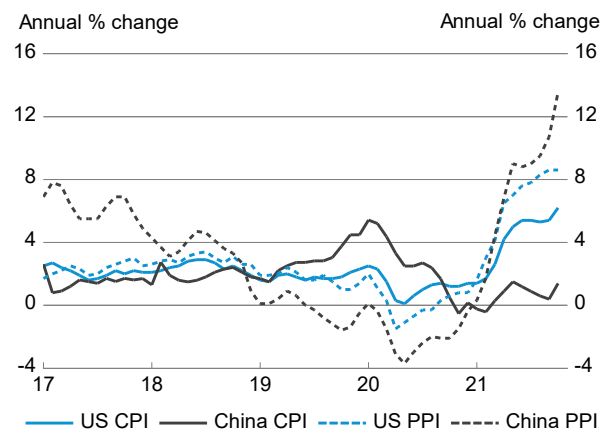
Source: Haver

**Inflation continues to accelerate...**

Annual CPI inflation rose to 6.2% in the US in October, the highest rate in 30 years (Figure 4). Prices rose across almost every category, indicating strong underlying inflation pressures. This is further evidence against the Federal Reserve's stated view that high inflation is transitory, increasing the chances of an earlier tightening in monetary policy.

CPI inflation remained low in China, though annual producer price index (PPI) inflation reached a 26-year high of 13.5% amid shortages of energy and raw materials. Given the country's large role in world goods trade, rising producer prices may add further upward pressure to global CPI inflation.

**Figure 4: Consumer and producer price indexes**



Source: Haver

**...and central banks proceed with caution**

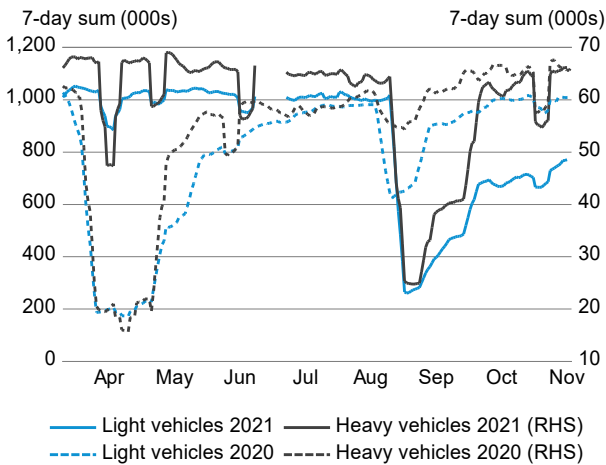
In its November Statement on Monetary Policy, the Reserve Bank of Australia (RBA) emphasised that they are "prepared to be patient", and will not raise interest rates until CPI inflation is sustainably between 2 and 3 percent. This would necessitate a tightening in the labour market flowing through to stronger wage growth, which would not occur until the end of 2023 in the RBA's central forecast.

Members of the US Federal Reserve reiterated comments that interest rate hikes are still a distant prospect, as the economy moves toward a broad and inclusive labour market recovery. Some members see rates rising in 2022, but not until the quantitative easing programme ends in July. The Fed is ready to react to high inflation if necessary, however, and this week's outturn may convince members that a faster tightening is needed.

| Date   | Key upcoming NZ data     | Previous     |
|--------|--------------------------|--------------|
| 15 Nov | BNZ-BusinessNZ PCI       | 47.5 (index) |
| 17 Nov | GlobalDairyTrade Auction | +4.3%        |

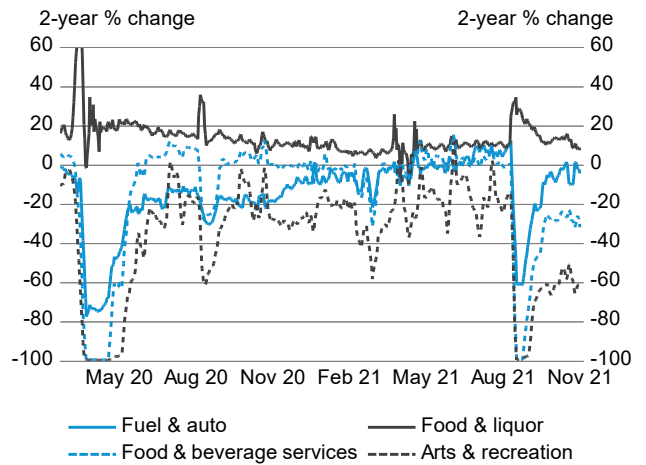
# High-Frequency Indicators<sup>1</sup>

## Traffic and Freight Movement



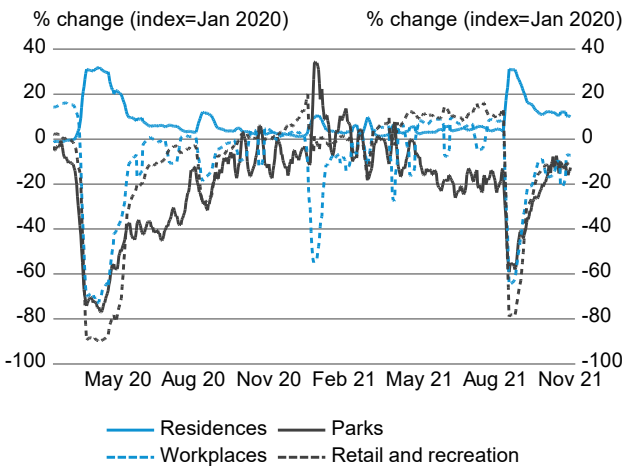
Source: Waka Kotahi NZ Transport Agency

## Card Spending



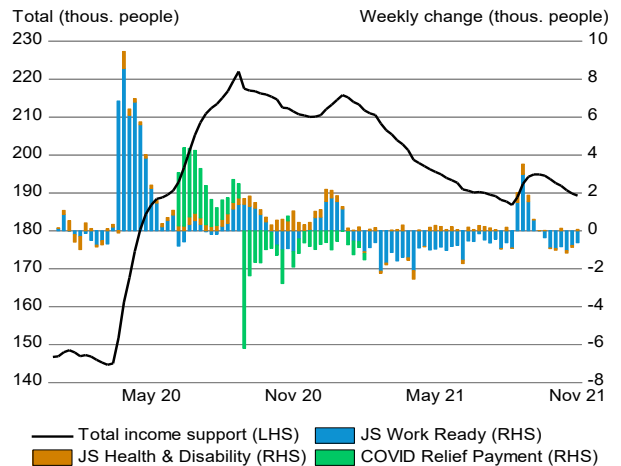
Source: Marketview data via MBIE

## People Movements at Selected Locations



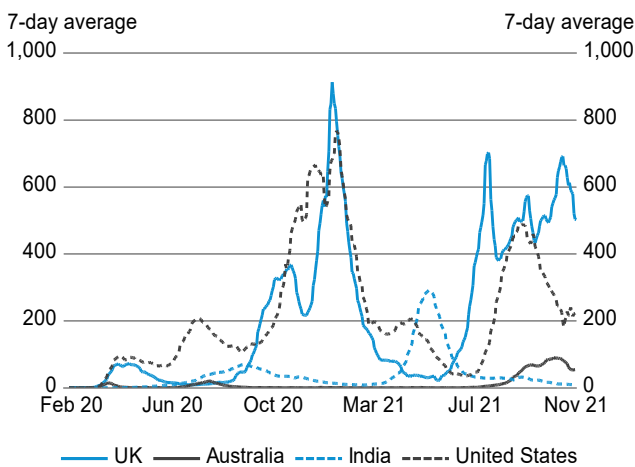
Source: Google

## Jobseeker (JS) and Income Support Recipients



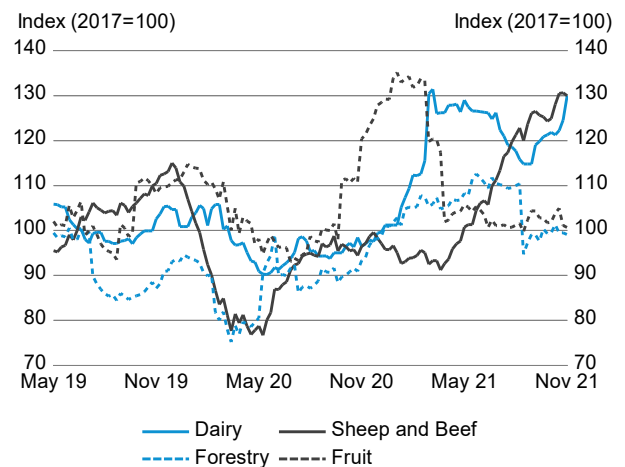
Source: MSD

## COVID-19 Cases Per Million People



Source: World Health Organisation/Haver

## World Commodity Prices



Source: ASB

<sup>1</sup> Additional high frequency indicators are available on the Stats NZ COVID-19 data portal: <https://www.stats.govt.nz/experimental/covid-19-data-portal>

| Quarterly Indicators                    |       | 2020Q2 | 2020Q3 | 2020Q4 | 2021Q1 | 2021Q2 | 2021Q3 |
|---|-------|--------|--------|--------|--------|--------|--------|
| Real Production GDP (1)                 | qpc   | -9.9   | 13.9   | -1.0   | 1.4    | 2.8    | ...    |
|   | aapc  | -1.3   | -1.6   | -2.1   | -1.4   | 5.1    | ...    |
| Current account balance (annual)        | %GDP  | -1.5   | -0.7   | -0.8   | -2.5   | -3.3   | ...    |
| Merchandise terms of trade              | apc   | 6.3    | -0.3   | -1.6   | -0.9   | 0.0    | ...    |
| CPI inflation                           | qpc   | -0.5   | 0.7    | 0.5    | 0.8    | 1.3    | 2.2    |
|   | apc   | 1.5    | 1.4    | 1.4    | 1.5    | 3.3    | 4.9    |
| Employment (HLFS) (1)                   | qpc   | -0.4   | -0.7   | 0.7    | 0.5    | 1.0    | 2.0    |
| Unemployment rate (1)                   | %     | 4.1    | 5.3    | 4.8    | 4.6    | 4.0    | 3.4    |
| Participation rate (1)                  | %     | 69.9   | 70.1   | 70.2   | 70.4   | 70.5   | 71.2   |
| LCI salary & wage rates - total (2)     | apc   | 2.1    | 1.8    | 1.6    | 1.6    | 2.1    | 2.4    |
| QES average hourly earnings - total (2) | apc   | 3.0    | 4.2    | 4.3    | 4.0    | 4.0    | 3.5    |
| Core retail sales volume                | apc   | -11.7  | 7.6    | 4.4    | 5.4    | 30.2   | ...    |
| Total retail sales volume               | apc   | -14.2  | 8.1    | 4.7    | 6.6    | 33.3   | ...    |
| WMM - consumer confidence (3)           | Index | 97.2   | 95.1   | 106.0  | 105.2  | 107.1  | 102.7  |
| QSBO - general business situation (1,4) | net%  | -61.2  | -36.7  | -15.0  | -8.2   | 8.6    | -8.4   |
| QSBO - own activity outlook (1,4)       | net%  | -25.0  | 1.1    | 9.5    | 7.5    | 27.1   | 9.3    |

| Monthly Indicators                       |        | Jun 21  | Jul 21  | Aug 21  | Sep 21  | Oct 21 | Nov 21 |
|--|--------|---------|---------|---------|---------|--------|--------|
| Merchandise trade balance (12 month)     | NZ\$m  | -276.6  | -1096.8 | -2936.9 | -4084.8 | ...    | ...    |
| Dwelling consents - residential          | apc    | 24.0    | 24.2    | 42.3    | 24.4    | ...    | ...    |
| House sales - dwellings                  | apc    | 10.4    | -9.1    | -23.6   | -36.4   | -21.7  | ...    |
| REINZ - house price index                | apc    | 29.9    | 30.4    | 30.7    | 30.0    | 29.9   | ...    |
| Estimated net migration (12 month total) | people | 2,321.0 | 3,342.0 | 2,382.0 | ...     | ...    | ...    |
| ANZ NZ commodity price index             | apc    | 17.5    | 16.9    | 15.4    | 17.4    | 16.4   | ...    |
| ANZ world commodity price index          | apc    | 28.0    | 22.2    | 21.5    | 23.6    | 23.7   | ...    |
| ANZBO - business confidence              | net%   | -0.6    | -3.8    | -14.2   | -7.2    | -13.4  | -18.1  |
| ANZBO - activity outlook                 | net%   | 31.6    | 26.3    | 19.2    | 18.2    | 21.7   | 15.6   |
| ANZ-Roy Morgan - consumer confidence     | net%   | 114.1   | 113.1   | 109.6   | 104.5   | 98.0   | ...    |

| Weekly Benefit Numbers                      |            | 1 Oct     | 8 Oct     | 15 Oct    | 22 Oct    | 29 Oct    | 5 Nov     |
|---|------------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Jobseeker Support</b>                    | number     | 193,632   | 192,612   | 191,904   | 190,731   | 189,855   | 189,309   |
| Work Ready                                  | number     | 112,056   | 111,120   | 110,280   | 109,236   | 108,471   | 107,844   |
| Health Condition and Disability             | number     | 81,579    | 81,489    | 81,627    | 81,495    | 81,384    | 81,465    |
| <b>Wage Subsidy August 2021</b>             | \$millions | 2,846     | 3,067     | 3,304     | 3,507     | 3,720     | 3,956     |
| Unique jobs supported                       | number     | 1,251,753 | 1,260,852 | 1,270,581 | 1,276,863 | 1,282,152 | 1,290,603 |
| Businesses associated with paid application | number     | 316,611   | 321,645   | 326,067   | 328,455   | 329,961   | 331,665   |

| Daily Indicators                          |             | Thu<br>4/11/21 | Fri<br>5/11/21 | Mon<br>8/11/21 | Tue<br>9/11/21 | Wed<br>10/11/21 | Thu<br>11/11/21 |
|---|-------------|----------------|----------------|----------------|----------------|-----------------|-----------------|
| <b>NZ exchange and interest rates (5)</b> |             |                |                |                |                |                 |                 |
| NZD/USD                                   | \$          | 0.7167         | 0.7105         | 0.7107         | 0.7151         | 0.7125          | ...             |
| NZD/AUD                                   | \$          | 0.9611         | 0.9600         | 0.9612         | 0.9660         | 0.9662          | ...             |
| Trade weighted index (TWI)                | index       | 76.1           | 75.6           | 75.6           | 76.0           | 75.7            | ...             |
| Official cash rate (OCR)                  | %           | 0.50           | 0.50           | 0.50           | 0.50           | 0.50            | 0.50            |
| 90 day bank bill rate                     | %           | 0.80           | 0.80           | 0.82           | 0.82           | 0.83            | 0.84            |
| 10 year govt bond rate                    | %           | 2.56           | 2.50           | 2.49           | 2.53           | 2.51            | 2.64            |
| <b>Share markets (6)</b>                  |             |                |                |                |                |                 |                 |
| Dow Jones                                 | index       | 36,124         | 36,328         | 36,432         | 36,320         | 36,080          | ...             |
| S&P 500                                   | index       | 4,680          | 4,698          | 4,702          | 4,685          | 4,647           | ...             |
| VIX volatility index                      | index       | 15.4           | 16.5           | 17.2           | 17.8           | 18.7            | ...             |
| AU all ords                               | index       | 7,746          | 7,777          | 7,768          | 7,756          | 7,737           | 7,701           |
| NZX 50                                    | index       | 12,944         | 13,075         | 13,041         | 13,091         | 13,022          | 13,027          |
| <b>US interest rates</b>                  |             |                |                |                |                |                 |                 |
| 3 month OIS                               | %           | 0.08           | 0.08           | 0.08           | 0.08           | ...             | ...             |
| 3 month Libor                             | %           | 0.14           | 0.14           | 0.15           | 0.15           | 0.15            | ...             |
| 10 year govt bond rate                    | %           | 1.53           | 1.45           | 1.51           | 1.46           | 1.56            | ...             |
| <b>Commodity prices (6)</b>               |             |                |                |                |                |                 |                 |
| WTI oil                                   | US\$/barrel | 78.81          | 81.25          | 81.96          | 84.12          | 81.34           | ...             |
| Gold                                      | US\$/ounce  | 1,796.15       | 1,801.85       | 1,822.35       | 1,827.30       | 1,859.40        | ...             |
| CRB Futures                               | index       | 569.01         | 567.73         | 569.78         | 569.69         | 570.47          | ...             |

(1) Seasonally adjusted  
(2) Ordinary time, all sectors  
(3) Westpac McDermott Miller

(4) Quarterly Survey of Business Opinion  
(5) Reserve Bank (11am)  
(6) Daily close

Data in italic font are provisional  
... Not available

| Country  | Indicator                  |       | Apr 21 | May 21 | Jun 21 | 2021Q2 | Jul 21 | Aug 21 | Sep 21 | 2021Q3 | Oct 21 | Nov 21 |
|--|----------------------------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>United States</b><br>[10.6% share of total goods exports] | GDP (1)                    | qpc   |        |        |        | 1.6    |        |        |        | 0.5    |        |        |
|  | Industrial production (1)  | mpc   | 0.1    | 0.7    | 0.5    |        | 1.0    | -0.1   | -1.3   |        | ...    | ...    |
|  | CPI                        | apc   | 4.2    | 5.0    | 5.4    |        | 5.4    | 5.3    | 5.4    |        | 6.2    | ...    |
|  | Unemployment rate (1)      | %     | 6.1    | 5.8    | 5.9    |        | 5.4    | 5.2    | 4.8    |        | 4.6    | ...    |
|  | Employment change (1)      | 000s  | 269.0  | 614.0  | 962.0  |        | 1091.0 | 483.0  | 312.0  |        | 531.0  | ...    |
|  | Retail sales value         | apc   | 53.4   | 28.0   | 18.9   |        | 15.3   | 15.4   | 13.9   |        | ...    | ...    |
|  | House prices (2)           | apc   | 15.2   | 17.3   | 19.2   |        | 20.0   | 19.7   | ...    |        | ...    | ...    |
| <b>Japan</b><br>[5.6%]                                       | PMI manufacturing (1)      | index | 60.7   | 61.2   | 60.6   |        | 59.5   | 59.9   | 61.1   |        | 60.8   | ...    |
|  | Consumer confidence (1)(3) | index | 117.5  | 120.0  | 128.9  |        | 125.1  | 115.2  | 109.8  |        | 113.8  | ...    |
|  | GDP (1)                    | qpc   |        |        |        | 0.5    |        |        |        | ...    |        |        |
|  | Industrial production (1)  | mpc   | 2.9    | -6.5   | 6.5    |        | -1.5   | -3.6   | -5.4   |        | ...    | ...    |
|  | CPI                        | apc   | -1.1   | -0.7   | -0.4   |        | -0.3   | -0.4   | 0.2    |        | ...    | ...    |
|  | Unemployment rate (1)      | %     | 2.8    | 3.0    | 2.9    |        | 2.8    | 2.8    | 2.8    |        | ...    | ...    |
|  | Retail sales value         | apc   | 11.9   | 8.3    | 0.1    |        | 2.4    | -3.2   | -0.6   |        | ...    | ...    |
| <b>Euro area</b><br>[6.5%]                                   | PMI manufacturing (1)      | index | 53.6   | 53.0   | 52.4   |        | 53.0   | 52.7   | 51.5   |        | 53.2   | ...    |
|  | Consumer confidence (1)(4) | index | 34.8   | 34.2   | 37.6   |        | 37.5   | 36.6   | 38.0   |        | 39.2   | ...    |
|  | GDP (1)                    | qpc   |        |        |        | 2.1    |        |        |        | 2.2    |        |        |
|  | Industrial production (1)  | mpc   | 0.7    | -1.1   | 0.2    |        | 1.4    | -1.6   | ...    |        | ...    | ...    |
|  | CPI                        | apc   | 1.6    | 2.0    | 1.9    |        | 2.2    | 3.0    | 3.4    |        | ...    | ...    |
|  | Unemployment rate (1)      | %     | 8.1    | 8.0    | 7.8    |        | 7.6    | 7.5    | 7.4    |        | ...    | ...    |
|  | Retail sales volume        | apc   | 23.7   | 8.7    | 5.6    |        | 3.3    | 1.5    | 2.5    |        | ...    | ...    |
| <b>United Kingdom</b><br>[2.3%]                              | PMI manufacturing (1)      | index | 62.9   | 63.1   | 63.4   |        | 62.8   | 61.4   | 58.6   |        | 58.3   | ...    |
|  | Consumer confidence (5)    | index | -8.1   | -5.1   | -3.3   |        | -4.4   | -5.3   | -4.0   |        | -4.8   | ...    |
|  | GDP (1)                    | qpc   |        |        |        | 5.5    |        |        |        | 1.3    |        |        |
|  | Industrial production (1)  | mpc   | -0.4   | 0.9    | -0.6   |        | 0.3    | 1.0    | -0.4   |        | ...    | ...    |
|  | CPI                        | apc   | 1.6    | 2.1    | 2.4    |        | 2.1    | 3.0    | 2.9    |        | ...    | ...    |
|  | Unemployment rate (1)      | %     | 4.8    | 4.8    | 4.7    |        | 4.6    | 4.5    | ...    |        | ...    | ...    |
|  | Retail sales volume        | apc   | 41.8   | 24.2   | 8.6    |        | 1.2    | -0.2   | -1.3   |        | ...    | ...    |
| <b>Australia</b><br>[13.0%]                                  | House prices (6)           | apc   | 7.1    | 10.9   | 13.4   |        | 10.5   | 11.0   | 10.0   |        | 9.9    | ...    |
|  | PMI manufacturing (1)      | index | 60.9   | 65.6   | 63.9   |        | 60.4   | 60.3   | 57.1   |        | 57.8   | ...    |
|  | Consumer confidence (1)(5) | net % | -15.0  | -9.0   | -9.0   |        | -7.0   | -8.0   | -13.0  |        | -17.0  | ...    |
|  | GDP (1)                    | qpc   |        |        |        | 0.7    |        |        |        | ...    |        |        |
|  | CPI                        | apc   |        |        |        | 3.8    |        |        |        | 3.0    |        |        |
|  | Unemployment rate (1)      | %     | 5.5    | 5.1    | 4.9    |        | 4.6    | 4.5    | 4.6    |        | 5.2    | ...    |
|  | Retail sales value         | apc   | 23.8   | 7.1    | 2.9    |        | -2.9   | -0.7   | 1.9    |        | ...    | ...    |
| <b>China</b><br>[31.5%]                                      | House Prices (7)           | apc   |        |        |        | 19.8   |        |        |        | ...    |        |        |
|  | PMI manufacturing (1)      | index | 61.7   | 61.8   | 63.2   |        | 60.8   | 51.6   | 51.2   |        | 50.4   | ...    |
|  | Consumer confidence (8)    | index | 118.8  | 113.1  | 107.2  |        | 108.8  | 104.1  | 106.2  |        | 104.6  | 105.3  |
|  | GDP                        | apc   |        |        |        | 7.9    |        |        |        | 4.9    |        |        |
|  | Industrial production      | apc   | 9.8    | 8.8    | 8.3    |        | 6.4    | 5.3    | 3.1    |        | ...    | ...    |
|  | CPI                        | apc   | 0.9    | 1.3    | 1.1    |        | 1.0    | 0.8    | 0.7    |        | 1.5    | ...    |
|  | PMI manufacturing (1)      | index | 51.1   | 51.0   | 50.9   |        | 50.4   | 50.1   | 49.6   |        | 49.2   | ...    |
| <b>South Korea</b><br>[2.9%]                                 | GDP (1)                    | qpc   |        |        |        | 0.8    |        |        |        | 0.3    |        |        |
|  | Industrial production (1)  | mpc   | -1.9   | -1.3   | 2.3    |        | 0.2    | -0.7   | -0.8   |        | ...    | ...    |
|  | CPI                        | apc   | 2.3    | 2.6    | 2.4    |        | 2.6    | 2.6    | 2.5    |        | 3.2    | ...    |

(1) Seasonally adjusted  
(2) Case-Shiller Home Price Index 20 city  
(3) The Conference Board Consumer Confidence Index  
(4) Cabinet Office Japan

(5) European Commission  
(6) Nationwide House Price Index  
(7) Australian Bureau of Statistics  
(8) Melbourne/Westpac Consumer Sentiment Index