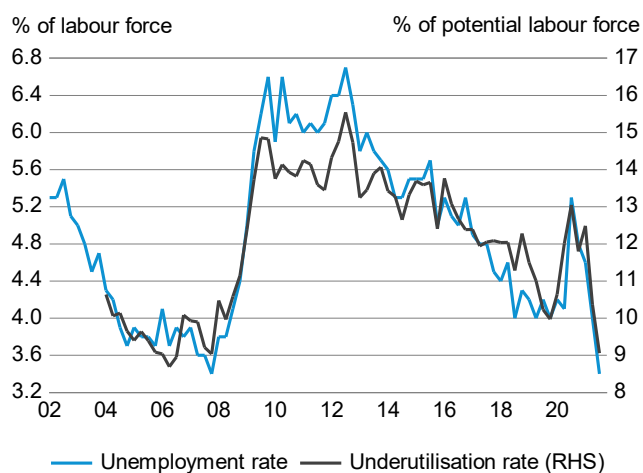


The economy continues to perform better than expected despite the ongoing effects of the delta-outbreak. Strong growth in employment and wages together with another fall in the unemployment rate confirms that the labour market is tight. A tight labour market is expected to support demand as restrictions ease but will further increase cost pressures for businesses. Goods exporting businesses will be supported by ongoing strength in commodity prices however, with dairy prices continuing to rise.

The labour market remained tight...

The labour market remained tight during the September 2021 quarter despite the effects of the delta-outbreak. The unemployment rate fell further to 3.4% this quarter, from the 4.0% in the June quarter and matched the record low (since 1986) (Figure 1). The underutilisation rate, a broader measure of slack in the labour market, fell to 9.2% in the September quarter, despite hours worked falling 6.6% over the quarter as a result of higher Alert Level restrictions.

Figure 1: Unemployment and underutilisation rates



Source: Stats NZ

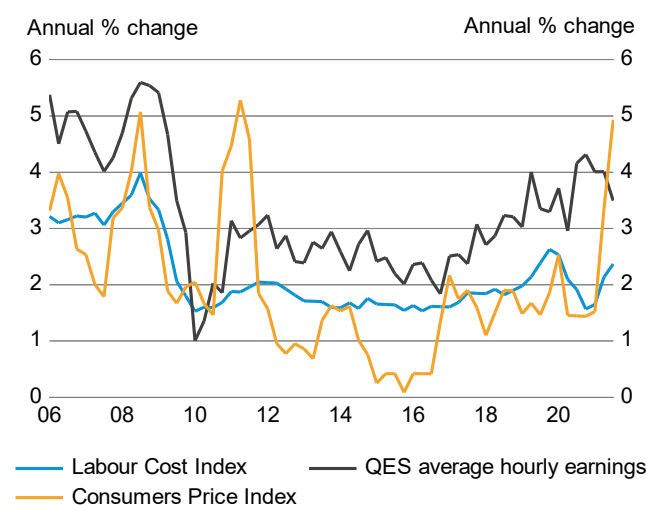
The fall in the unemployment rate largely reflects higher employment, particularly in the construction and professional sectors. Employment in the September quarter increased by 2.0%, reflecting an increase in full-time employment of 2.3% and a slight fall in part-time employment.

...putting pressure on businesses and wages...

As businesses attempt to attract and retain staff with large pay increases, the increasing wage pressure suggests cost pressures will remain elevated. The Labour Cost Index increased 2.4% in the year to the

September 2021 quarter and average ordinary time hourly earnings were up 3.5% in the year to September. However, with annual Consumers Price Index inflation at 4.9% in the September 2021 quarter, incomes appear to have not kept up with the pace of price growth, which may dampen real private consumption activity (Figure 2).

Figure 2: Wage growth and inflation



Source: Stats NZ

...but consumer confidence eased

Consumer confidence eased 5 points to 104.5 in September, compared to a recent high of 115.4 in April prior to the delta-outbreak. People believe now is less of a good time to buy a major household item, reflecting ongoing restrictions and supply problems.

Building consents issuance remains high...

Annual building consents issuance reached a fresh record high, with 47,331 issued in the year to September, pointing to a robust pipeline of construction activity ahead. However, capacity constraints and supply chain issues will continue to pose challenges for further growth and add to inflationary pressures.

...and commodity prices rise further

The ANZ World Commodity Price Index rose 2.1% in October, above its previous record high. Prices for New Zealand's export goods remain at the highest level they have been at in decades, which will be supporting returns for exporting businesses. Dairy prices increased further, with the *GlobalDairyTrade* price index rising 4.3% over the last fortnight.

A broad shift away from emergency levels of monetary policy support is underway. Central banks are reducing (tapering) their quantitative easing (QE) programmes but are prepared to be patient in lifting policy rates. Further signs of slower growth in China were balanced by an improved outlook elsewhere in Asia.

Central banks scale back policy support

The US Federal Reserve announced that the monthly pace of asset purchases would decline over the coming months and would likely conclude by mid-2022. The Federal Reserve expects current high inflation to ease as supply constraints abate and that it may be late 2022 before the conditions for a rise in its policy rate are met.

The Reserve Bank of Australia (RBA) left the cash rate and the pace of QE purchases unchanged but discontinued its 'yield curve control' (YCC) policy – which targeted the April 2024 bond yield at 0.1%. QE will continue to at least mid-February. The RBA considered it possible that rates could rise in 2023, altering its longstanding guidance that an increase in the cash rate was unlikely before 2024.

The Bank of England maintained its policy rate at 0.1%, surprising analysts who expected a rise to 0.25%, and continued its QE programme. However, the Bank noted that a rate rise was likely in coming months provided the economy continued to recover as projected.

In the euro area, initial estimates showed GDP rose 2.2% in the third quarter, up from 2.1% in the second quarter. The unemployment rate fell to 7.4% in September, returning to its pre-COVID-19 level. Annual consumer price inflation matched its previous high since the formation of the euro, at 4.1%, and core inflation rose to 2.1%, the first time it has been above the central bank's target since 2002. Nevertheless, central bank President Lagarde considered the outlook for inflation over the medium-term remained subdued and that a rate hike in 2022 was unlikely.

Growth stabilises in Asia...

September quarter GDP growth stabilised in Taiwan and Hong Kong as domestic demand strengthened, although global supply chain disruptions dragged on net exports. This drag has continued into the fourth quarter. In Hong Kong, GDP rose 0.1% in the quarter following a 0.9% contraction in the previous quarter. Taiwan's GDP

expanded 0.6% in the quarter, following a fall of 1.1% in the June quarter.

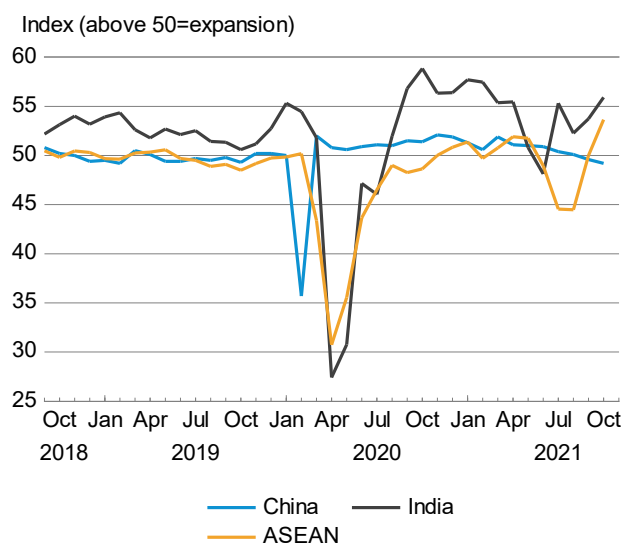
Inflation in Asia has generally been more moderate than elsewhere, but rising energy costs are having an impact. Inflation in Indonesia moved up to 1.7% in October, in line with the gradual relaxation of health measures. Korea's headline inflation rose to 3.2% in September, up sharply from 1.6% the previous month, driven by a low base and rising fuel costs. These effects are expected to be temporary, leading to lower inflation in 2022.

Meanwhile, the December quarter outlook for the region began on a positive footing, except in China. Manufacturing purchasing managers' indexes (PMIs) in India and the ASEAN nations posted further gains as economies reopened (Figure 3). Supply bottlenecks remain an overarching theme of the surveys, with sharp increases in input prices reflecting raw material shortages and shipping delays. The reopening of the region's factories may help ease some shortages.

...but China is losing momentum

However, the region's growth engine, China, is losing momentum. October's official manufacturing PMI fell further into contractionary territory, amidst energy shortages (Figure 3). The non-manufacturing PMI also eased, as COVID-19 outbreaks weighed on activity, but remained expansionary.

Figure 3: Asian manufacturing PMIs

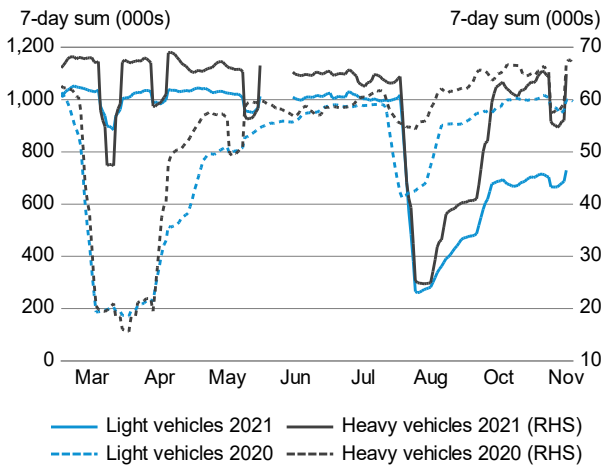


Source: Haver, ASEAN – Indonesia, Malaysia, Philippines, Singapore, Taiwan, Vietnam

Date	Key upcoming NZ data	Previous
9 Nov	Electronic card transactions	+0.9% (mpc)
11 Nov	Food price index	+0.5% (mpc)

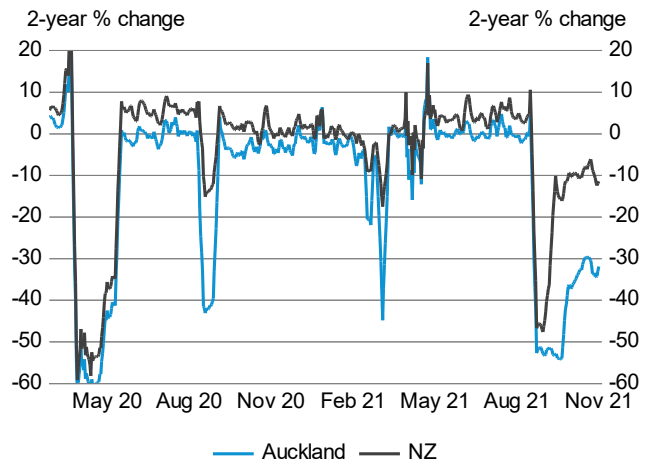
High-Frequency Indicators¹

Traffic and Freight Movement



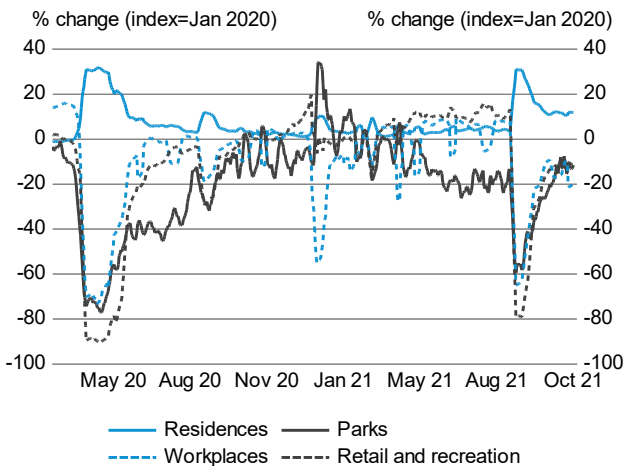
Source: Waka Kotahi NZ Transport Agency

Card Spending



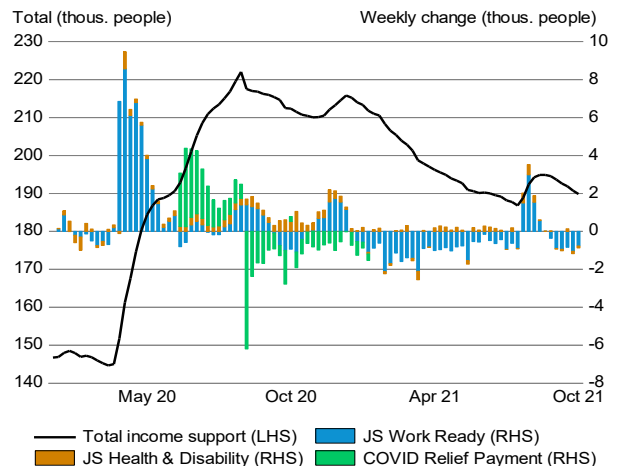
Source: Marketview data via MBIE

People Movements at Selected Locations



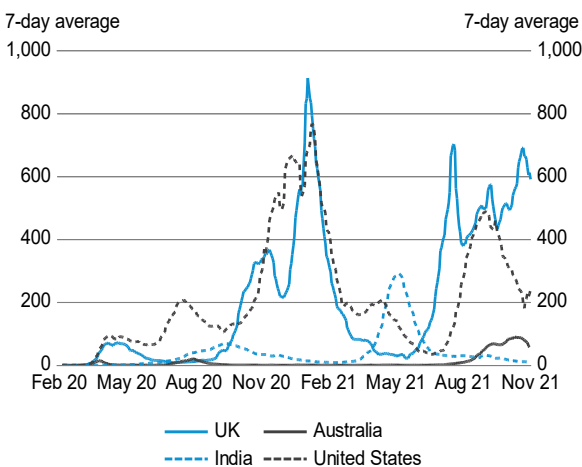
Source: Google

Jobseeker (JS) and Income Support Recipients



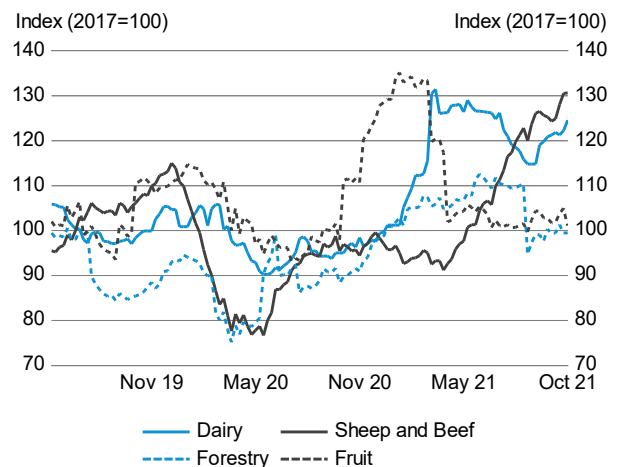
Source: MSD

COVID-19 Cases Per Million People



Source: World Health Organisation/Haver

World Commodity Prices



Source: ASB

¹ 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		May 21	Jun 21	Jul 21	Aug 21	Sep 21	Oct 21
Merchandise trade balance (12 month)	NZ\$m	-49.1	-276.6	-1096.8	-2936.9	-4084.8	...
Dwelling consents - residential	apc	17.3	24.0	24.2	42.3	24.4	...
House sales - dwellings	apc	86.4	10.4	-9.1	-23.8	-37.9	...
REINZ - house price index	apc	29.7	29.9	30.4	31.0	30.5	...
Estimated net migration (12 month total)	people	2,441.0	2,321.0	3,342.0	2,382.0
ANZ NZ commodity price index	apc	7.9	17.5	16.9	15.4	17.4	16.4
ANZ world commodity price index	apc	25.2	28.0	22.2	21.5	23.6	23.7
ANZBO - business confidence	net%	1.8	-0.6	-3.8	-14.2	-7.2	-13.4
ANZBO - activity outlook	net%	27.1	31.6	26.3	19.2	18.2	21.7
ANZ-Roy Morgan - consumer confidence	net%	114.0	114.1	113.1	109.6	104.5	98.0

Weekly Benefit Numbers		24 Sep	1 Oct	8 Oct	15 Oct	22 Oct	29 Oct
Jobseeker Support	number	194,571	193,632	192,612	191,904	190,731	189,855
Work Ready	number	112,956	112,056	111,120	110,280	109,236	108,471
Health Condition and Disability	number	81,615	81,579	81,489	81,627	81,495	81,384
Wage Subsidy August 2021	\$millions	2,597	2,846	3,067	3,304	3,507	3,720
Unique jobs supported	number	1,236,462	1,251,753	1,260,852	1,270,581	1,276,863	1,282,152
Businesses associated with paid application	number	307,962	316,611	321,645	326,067	328,455	329,961

Daily Indicators		Thu 28/10/21	Fri 29/10/21	Mon 1/11/21	Tue 2/11/21	Wed 3/11/21	Thu 4/11/21
NZ exchange and interest rates (5)							
NZD/USD	\$	0.7160	0.7180	0.7166	0.7179	0.7121	0.7167
NZD/AUD	\$	0.9551	0.9536	0.9541	0.9543	0.9577	0.9611
Trade weighted index (TWI)	index	75.9	75.9	76.0	76.1	75.6	76.1
Official cash rate (OCR)	%	0.50	0.50	0.50	0.50	0.50	0.50
90 day bank bill rate	%	0.78	0.80	0.81	0.80	0.80	0.80
10 year govt bond rate	%	2.53	2.61	2.54	2.52	2.52	2.56
Share markets (6)							
Dow Jones	index	35,730	35,820	35,914	36,053	36,158	36,124
S&P 500	index	4,596	4,605	4,614	4,631	4,661	4,680
VIX volatility index	index	16.5	16.3	16.4	16.0	15.1	15.4
AU all ords	index	7,740	7,639	7,692	7,647	7,713	7,746
NZX 50	index	12,971	13,100	13,030	12,993	12,994	12,944
US interest rates							
3 month OIS	%	0.08	0.07	0.08	0.08	0.08	...
3 month Libor	%	0.13	0.13	0.14	0.15	0.14	...
10 year govt bond rate	%	1.57	1.55	1.58	1.56	1.60	1.53
Commodity prices (6)							
WTI oil	US\$/barrel	82.81	83.50	84.08	83.91	80.86	...
Gold	US\$/ounce	1,803.50	1,769.15	1,793.80	1,790.45	1,763.45	...
CRB Futures	index	569.76	571.18	572.68	570.26	568.24	...

(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		2021Q1	Apr 21	May 21	Jun 21	2021Q2	Jul 21	Aug 21	Sep 21	2021Q3	Oct 21
United States [10.6% share of total goods exports]	GDP (1)	qpc	1.5				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		...
	Unemployment rate (1)	%		6.1	5.8	5.9		5.4	5.2	4.8		...
	Employment change (1)	000s		269.0	614.0	962.0		1091.0	366.0	194.0		...
	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
Japan [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	-1.1				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		...
Euro area [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	-0.3				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		3.1	0.0
United Kingdom [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	-1.4				5.5				...	
	Industrial production (1)	mpc		-0.4	0.9	-0.6		0.2	0.8
	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		...
Australia [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	1.9				0.7				...	
	CPI	apc	1.1				3.8				3.0	
	Unemployment rate (1)	%		5.5	5.1	4.9		4.6	4.5	4.6		...
	Retail sales value	apc		23.8	7.1	2.9		-2.9	-0.7	1.9		...
China [31.5%]	House Prices (7)	apc	8.9				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
	GDP	apc	18.3				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		...
	PMI manufacturing (1)	index		51.1	51.0	50.9		50.4	50.1	49.6		49.2
South Korea [2.9%]	GDP (1)	qpc	1.7				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