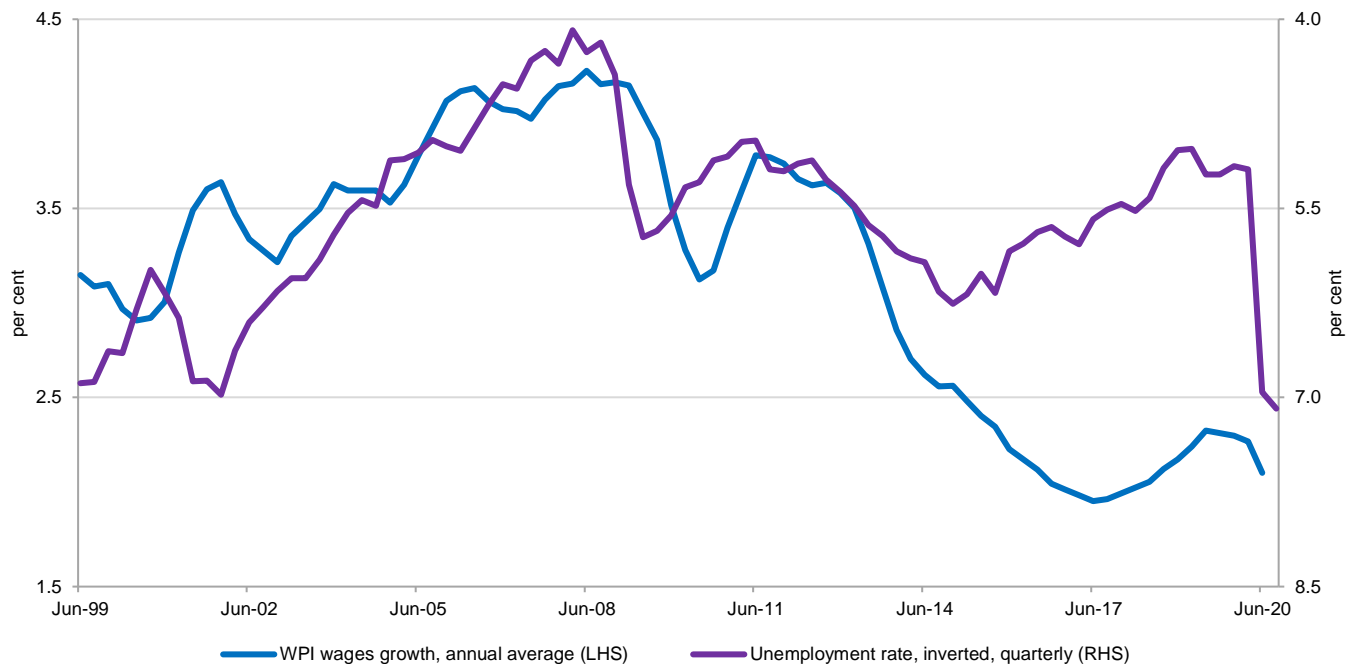


Chart of the Week: WPI results this week likely to show wages growth easing across Australia



Source: ABS and NSW Treasury

From the Chief Economist:

The highlights amid the economic releases last week were the national gains in consumer and business confidence. National consumer confidence rose another 2.6% in the November survey by Westpac MI to reach a seven-year high. The latest survey captured the impact of the RBA's latest interest rate cut and further easing of restrictions in Victoria. The rise in sentiment follows an even larger gain back in October, although the confidence index for NSW fell this month, after the October bounce. National business sentiment rose in the NAB survey, taking the main measure deeper into net positive territory. NSW now has the second-best business conditions of any state, although Victoria has the highest business confidence. Meanwhile, it was an extraordinary week in financial markets. Last week in the US saw the biggest election-period rally in equities since Franklin Roosevelt became President back in 1932! The rally was extended this week after news emerged of very positive results for vaccine trials. Bond yields spiked up in anticipation of perhaps an earlier than anticipated return to post-COVID "normality", and perhaps an early end to the "free money" provided by central banks.

Labour market data takes centre stage this week. The Q3 wage price index (WPI) comes to hand on Wednesday and the October labour force report drops on Thursday. The WPI will show that wages growth remains subdued, with further weakness likely. Indeed, last week's RBA statement showed that more firms plan to enact wage freezes and also included an expectation of rising unemployment. The jobs data probably will show a decent gain in employment now that Victoria's economy is reflating. The jobless rate, however, probably will rise as more workers rotate off JobKeeper and JobSeeker and fail to secure work. Reserve Bank Governor Lowe speaks publicly tonight and again Wednesday. There also is the release of the Board minutes from the most recent Board meeting, but the RBA already has made crystal clear its intentions on monetary policy.

Chart A: Domestic Interest Rates

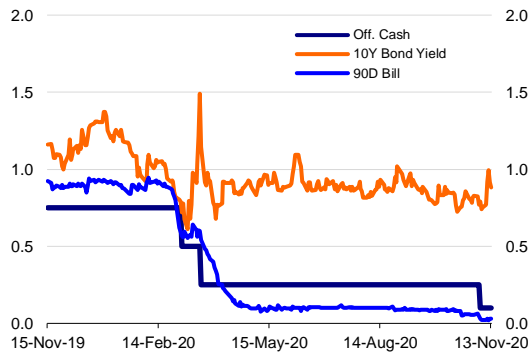


Chart B: Share Price Index

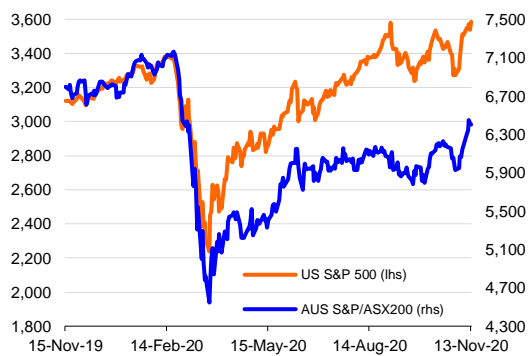


Chart C: Exchange rate

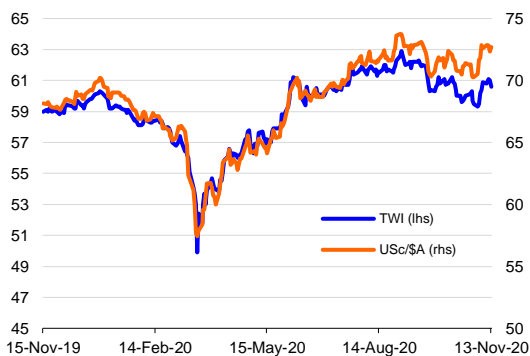
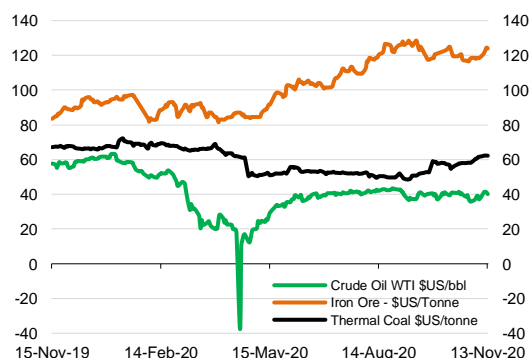


Chart D: Commodity Prices



Domestic Data Releases

ABS Overseas Arrivals and Departures data for September showed 1,880 short-term visitor arrivals to NSW, compared to 1,600 in August, but still a significant decline of 99.3 per cent compared to September 2019. On average NSW has received around 1,500 short-term visitors per month since April this year, compared to a pre-COVID decade average of well over 200,000 per month.

ABS Overseas Travel Statistics (Provisional) for October indicated that NSW received 13,720 arrivals in the month (including short- and long-term arrivals). Arrivals still sit above the record low of 8,020 in April but remain much lower than the average month in 2019, which saw around 710,000 arrivals per month. Arrivals to NSW in October rose 36.0 per cent compared to the prior month. On a yearly basis, arrivals fell 98.3 per cent compared to the 786,030 arrivals recorded in October of last year.

NAB Monthly Business Survey data for October showed that NSW business *confidence* rose for a third consecutive month. Conditions rose by 4 index points to a positive reading of +3 in October after remaining negative for the previous three months. Indicating that more businesses are optimistic (rather than pessimistic) about the business outlook. Business *conditions* have continued to rise since May this year, in October conditions broke into positive territory for the first time this year. Rising to +6 index points.

W-MI Consumer Sentiment Index (CSI) data showed that NSW consumer sentiment fell in November, declining 5.5 per cent to 105.7 index points. However, this is still well above the levels seen prior to COVID-19 and is a sharp improvement from earlier in the year. The index is now 10.0 per cent higher than this time last year. The index remains above the 100 benchmark for the second consecutive month, indicating that the number of optimists outnumber pessimists. National consumer sentiment climbed for the third straight month in November to a seven-year high as consumers became more optimistic about the country's economy, with the impact of the coronavirus pandemic easing. The CSI rose 2.6 per cent to 107.7 index points in November.

CoreLogic Weekly Auction clearance rate for Sydney rose to 73.3 per cent in the week ending 8 November, from 73.1 per cent in the prior week. Nationally, the clearance rate fell to 69.0 per cent from 71.0 per cent.

Market

Over the week, the ASX200 rose 3.5 per cent, the S&P500 rose 2.2 per cent and oil prices rose 8.1 per cent.

	Value	Change on Year	Change on Week
US S&P 500	3585.15	14.9 %	2.2 %
ASX200	6405.22	-5.7 %	3.5 %
Australian Dollar (USD)	0.73	6.6 %	0.2 %
TWI	60.60	2.7 %	-0.5 %
Oil (USD/bbl)	40.1	-30 %	8.1 %
Gold (USD/oz)	1890.90	28.9 %	-2.6 %
Thermal Coal (USD/tonnes)	62.3	-7.3 %	1.0 %
Australian 10-yr bond	0.88%	-24.1 bps	12.8 bps
US 10-yr bond	0.90%	-51.0 bps	7.8 bps
NSW 10-yr bond	1.08%	-33.5 bps	10.1 bps

Upcoming Domestic Data Releases (16/11-20/11)

- **ABS:** Weekly Payroll Jobs and Wages for the fortnight ending 30 October. Wage Price Index for the September quarter. Labour Force for October. Business Impacts of COVID-19 for November. State Accounts for 2019-20.
- **CoreLogic:** Weekly Auction Results for the week ending 15 November.
- **RBA:** Monetary Policy Minutes for November.

Chart E: Australian government yields

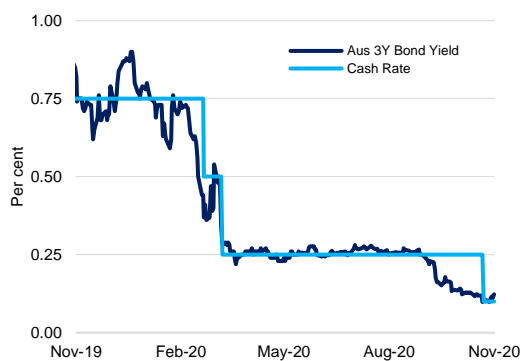
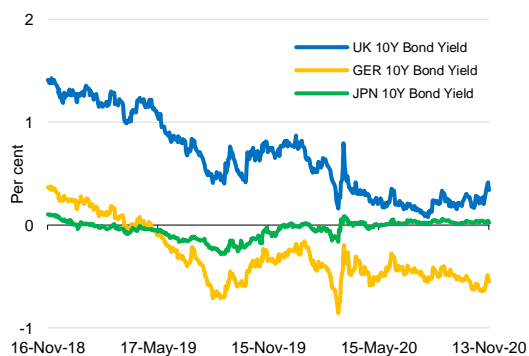
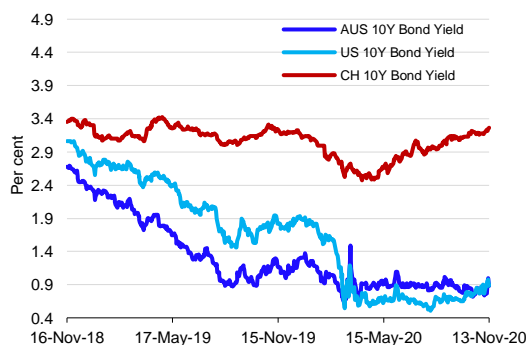


Chart F & G: International Bond Yields



Market Interest Rate Expectations

On 3 November, the RBA announced it will be targeting a cash rate and 3-year Australian Government bond yield of 0.1 per cent.

Futures market pricing at the time of writing does not expect another rate cut in the near term.

International Bond Yield Spreads

The US Treasury 10-year bond yield rose 7.8 basis points last week, following positive Pfizer vaccine trial results. The Australian 10-year bond yield rose 12.8 basis points.

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)	0.88	-28.0	12.8	-1.5	-67.0
United States (US)	0.90	-93.5	7.8	-	-
Germany (GER)	-0.55	-21.3	7.4	-144.3	-216.5
United Kingdom (UK)	0.34	-39.1	6.4	-55.8	-110.2
Japan (JPN)	0.03	9.3	0.4	-87.1	-189.9
China (CH)	3.26	2.9	6.8	236.8	140.4

Key International Data Releases

China: The trade surplus surged to \$US58.44 billion in October, far above market expectations of \$US46.30 billion. Exports jumped by 11.4 per cent while imports rose at a softer 4.7 per cent. Inflation eased to 0.5 per cent through the year to October, the lowest since 2009 and below market expectations of 0.8 per cent. PPI declined by 2.1 per cent through the year to October, the same as in the prior month and compared with market estimates of a 1.9 per cent fall.

Euro Area: Industrial production dropped 6.8 per cent through the year to September, compared with market expectations of a 5.8 per cent decrease. The trade surplus widened to €24.8 billion in September.

New Zealand: The Reserve Bank of New Zealand held its official cash rate at a record low of 0.25 per cent in November 2020, as widely expected.

Japan: PPI fell 0.2 per cent in October to be 2.1 per cent in through the year terms.

US: The unemployment rate dropped to 6.9 per cent in October, from 7.9 per cent in the previous month and compares with market expectations of 7.6 per cent. Around 365K jobs were added in October, from an upwardly revised 753K in the previous month, but above market expectations of 643K. Inflation ease to 1.2 per cent through the year to October from 1.4 per cent in the previous month and below market expectations of 1.3 per cent. The rate remains well below 2.3 per cent in February before the coronavirus pandemic hit. Consumer sentiment decreased to 77 index points in November from 81.8 in October and against market expectations of 82

UK: The unemployment rate rose to 4.8 per cent in September, higher than 4.5 per cent in the previous period – it is the highest jobless rate since the last quarter of 2016, amid the coronavirus-hit. The trade surplus fell to £0.61 billion in September from an upwardly revised £2.85 billion in the prior month.

Upcoming Key International Data Releases (16/11-20/11)

- **Japan:** GDP for the September quarter. Trade Balance for October.
- **China:** Industrial Production and Retail Sales for October.
- **US:** Retail Sales and Industrial Production for October.
- **Euro Area:** Consumer Confidence for November.
- **UK:** Retail Sales and CPI for October.

Six Weeks At A Glance

Monday	Tuesday	Wednesday	Thursday	Friday
16-Nov	17-Nov	18-Nov	19-Nov	20-Nov
	RBA Monetary Policy Minutes, 17-Nov ABS Weekly Payroll Jobs and Wages, 31-Oct-20	ABS Wage Price Index, SepQ-20	CoreLogic Weekly Auction Data ABS Labour Force, Oct-20 Business Impacts of COVID-19, Nov-20	ABS National Accounts - State Accounts, 2019-20
23-Nov	24-Nov	25-Nov	26-Nov	27-Nov
	ABS International Merchandise Trade, Preliminary, Oct-20	ABS Construction Work Done (Prelim), SepQ-20	CoreLogic Weekly Auction Data ABS Private New Capital Expenditure, SepQ-20 ABS Labour Force (Detailed), Oct-20	
30-Nov	1-Dec	2-Dec	3-Dec	4-Dec
ABS Business Indicators, SepQ-20 ABS Mineral and Petroleum Exploration, SepQ-20	RBA Interest Rate Decision, Dec-20 ABARES Australian Crop Report, Dec-20 CoreLogic Monthly House Price Data, Nov-19 ABS Balance of Payments, SepQ-20 ABS Building Approvals, Oct-20 ABS Weekly Payroll Jobs and Wages, 14-Nov-20	ABS National Accounts, SepQ-20 ABS Lending Indicators, Oct-20	CoreLogic Weekly Auction Data ABS International Trade in Goods and Services, Oct-20	ABS Retail Trade, Oct-20
7-Dec	8-Dec	9-Dec	10-Dec	11-Dec
	ABARES Agricultural Commodities, DecQ-20 NAB Monthly Business Survey, Nov-20 ABS Regional Building Approvals, Oct-20	W-MI Consumer Sentiment, Dec-20	RBA Bulletin, DecQ-20 CoreLogic Weekly Auction Data	
14-Dec	15-Dec	16-Dec	17-Dec	18-Dec
ABS Overseas Arrivals and Departures, Oct-20	RBA Monetary Policy Minutes, 15-Nov ABS Overseas Travel Statistics, Provisional, Nov-20 ABS Weekly Payroll Jobs and Wages, 28-Nov-20		CoreLogic Weekly Auction Data ABS Labour Force, Nov-20 ABS Demographic Statistics, JunQ-20 ABS Business Impacts of COVID-19, Dec-20	
21-Dec	22-Dec	23-Dec	24-Dec	25-Dec
	ABS Retail Trade, Preliminary, Nov-20	ABS Labour Force (Detailed), Nov-20 ABS International Merchandise Trade, Preliminary, Nov-20		

ECONOMIC FACTS

ECONOMIC GROWTH				
ECONOMIC INDICATOR	NSW	Australia	Measure	Latest Period
Gross State/ Domestic Product	1.9%	1.9%	% annual average (real)	2018-19 Next: November 20
State/Domestic Final Demand	-9.1%	-7.0%	% through the year (real)	June quarter 20
	-8.6%	-7.4%	% change on last qtr	Next: 2 December 20
BUSINESSES				
NAB Business Confidence	+3	+5	NAB Monthly Index	October 20 (mthly) Next: 8 December 20
NAB Business Conditions	+6	+1		
HOUSING				
Dwelling Approvals	47.2k	175.3k	Number of app 12mms	September 20 (mthly) Next: 1 December 20
	-11.9%	1.1%	% annual average	
Residential Prices (capitals)	8.1%	6.2%	% through the year	June quarter 20 Next: 8 December 20
LABOUR FORCE				
Employment	-2.4%	-2.8%	% through the year	September 20 (mthly) Next: 19 November 20
Unemployment Rate	7.2%	6.9%	Current rate	
Youth unemployment rate	12.2%	13.4%	12 month moving average rate	
CONSUMER				
Retail Sales	9.5%	5.6%	% through the year (nominal)	September 20 (mthly) Next: 4 December 20
Westpac MI Consumer Confidence	105.7	107.7	Westpac MI Index	November 20 (mthly) Next: 9 December 20
CPI (Capital cities)	0.3%	0.7%	% through the year	September quarter 20 Next: 27 January 21
Official cash rate	0.10%		Lowered 15 basis points in November 2020	November 20 (mthly) Next: 1 December 20

ECONOMIC FORECASTS^(a)	NSW Forecasts (as per 2019-20 HYR)			Australian Gov't Forecasts (as per 2020-21 Budget)		
	2018-19 Actual	2019-20 Forecast	2020-21 Forecast	2019-20 Actual	2020-21 Forecast	2021-22 Forecast
State/Domestic Final Demand (%)	2.1	2	2¼	n.a.	n.a.	n.a.
Gross State/Domestic Product (%)	1.9	1¾	2¼	-0.2	-1½	4¾
Employment (%)^(b)	3.3	1½	1¼	-4.3	2¾	1¾
Unemployment rate (%)^(c)	4.4	4¾	4½	7.0	7¼	6½
CPI (%)^(b)	1.7	1¾	1¾	-0.3	1¾	1½
Wage Price Index (%)^(b)	2.4	2¼	2½	1.8	1¼	1½

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