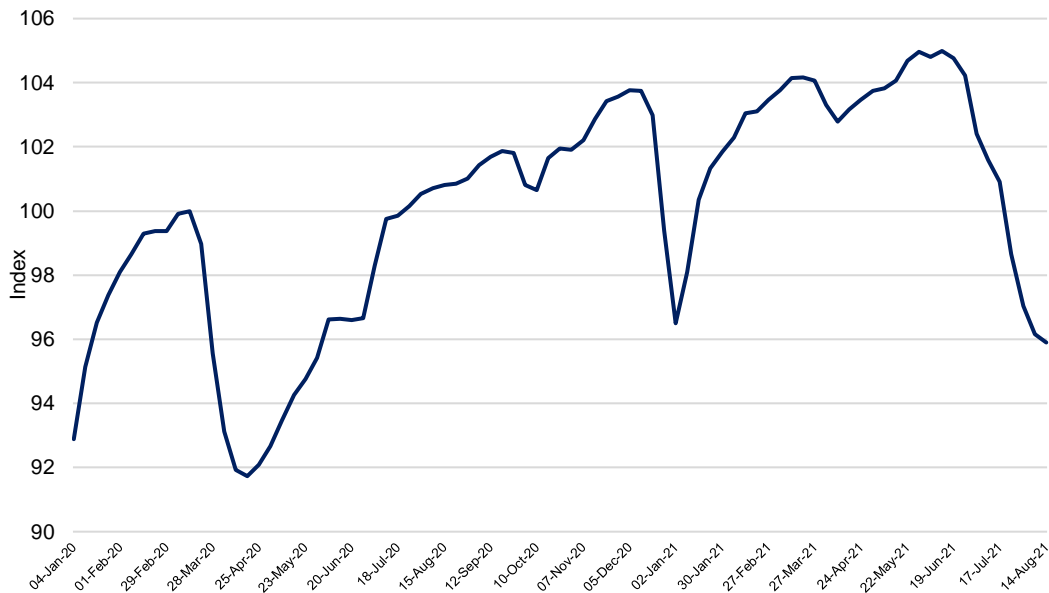


Chart of the Week: NSW payrolls fell at the start of August



Source: ABS, NSW Treasury

From the Chief Economist:

Last week was quiet for data, with just the latest fortnightly payrolls information coming to hand. It showed another drop in payrolls in NSW – the largest fall of all states – but a smaller decline at the national level. This fall was for the first two weeks of August, but didn't show the precipitous decline some economists had feared. Still, the falls in NSW across the past month add to nearly 4% of the workforce, which is comparable to the loss of jobs during the Northern Beaches phase of the pandemic here last December. There will be further falls in employment in the weeks ahead, with activity in the labour-intensive service industries still heavily constrained by the ongoing lockdown. The other economic news last week involved the Reserve Bank. The RBA extended the period of tapering of government bond purchases out to February, from November. This otherwise minor change masked the bigger news – the Board adhered to the planned rate of tapering from \$5 billion per week down to \$4 billion. Prominent private sector economists had expected an increase, given the ongoing national health crisis, but it was not to be.

This week brings important updates on the labour market and business and consumer confidence. The August employment outcome already has been foreshadowed by the weekly payrolls details, and the news is unlikely to be positive. Indeed, market expectations are for a loss of more than 100,000 jobs nationally and for a rise in the jobless rate to 5%. The majority of these jobs will be lost from NSW and Victoria. It is noteworthy that the treatment of an employee's attachment to their place of work will be different this time compared to under JobKeeper. The August business confidence report tomorrow from NAB is likely to show further caution – the headline confidence measure already fell into negative territory in July. Wednesday's consumer confidence report for September also is expected to be soft. The headline measure remained positive in August, but probably will dip below 100 this week. Finally, there is an important speech from RBA Governor Phil Lowe tomorrow.

Economic Update – major developments this week

Global economy and financial markets – disappointing US jobs report

- In the US, last Friday's **employment report** delivered a substantial undershoot on jobs for August. Only 235,000 jobs were created in net terms, around one-third what surveyed private sector economists had forecast. This contrasted sharply with the more than 1 million jobs that had been created in July. There was better news on the jobless rate, which dipped further to 5.2%, from 5.4% in July.
- Major world **equity markets** suffered a case of the wobbles mid-week after a downbeat report from the Federal Reserve and even faster spread of the COVID virus. Equity markets fell particularly hard in Europe, despite another upbeat factory orders report out of Germany – the second straight. The local ASX tumbled on Thursday, losing around 1.5% of its value, despite the announcement of plans to ease restrictions on the east coast. Finally, the price of **Bitcoin** was smashed nearly 20% in a day after El Salvador failed in its initial attempt to have the cryptocurrency accepted as legal tender. Authorities blamed an overloaded app.

Australian economy – RBA extend the taper review into 2022

- The **official payrolls data** out to mid-August was released last Thursday. It revealed a 0.7% dip in national jobs and a 1% fall in aggregate wages. The data extracted from the Australian Tax Office information was up to August 14, so is for a period in advance of the official monthly employment numbers. The August labour force data will be released next week. The payrolls data showed falls across all three mainland eastern states economies to mid-August, all of which had periods of lockdown and/or heightened restrictions on activity.
- Last Tuesday, the **Reserve Bank** announced a slight change of plan on the tapering of government bond purchases. The RBA extended the period of review out to February, from the original November. There was no change to the intended taper rate, with purchases reduced to \$4 billion per week as planned. Some private sector economists had forecast the maintenance of the original rate of purchases or even an increase, but it was not to be. It seems almost incidental now, but the RBA left the cash rate steady at 0.1%. The discussion on the economy indicated a difficult Q3, but a healthy rebound in Q4.

NSW economy – another fall in payrolls to mid-August

- There was a 1.2% fall in **aggregate payrolls** in NSW for the period ended 14 August. This was the largest drop of all states, with Victoria and Queensland also reporting material falls over the fortnight. The decline in NSW was mitigated by the fact that construction had been reopened to a significant extent. Payrolls continue to be lost in other sectors, which are affected by the current extended period of lockdown. Indeed, there are nearly 5% fewer payroll positions in NSW to mid-August relative to August 2020.
- **Nominal retail sales** in NSW tumbled 8.9% in July, having fallen 2% cent in June. Retail sales are 10.6% lower compared to the same month last year. Leading into the recent lockdown, NSW retail sales were in a strong position, with record turnover seen in May 2021. The only industry to record positive growth was food retailing, which rose 4.5% in July. Industries affected by physical restrictions suffered the most, including clothing & accessories spending (down around 38%).
- The **home auction clearance rate in Sydney** last weekend again was above 80%. This is despite restrictions of home inspections and imposition of on-line auctions only. Home prices in Sydney have risen more than 27% over the past year and look likely to continue to rise given recent elevated success rates with auctions. Volumes remain low, but are above the comparable period in 2019.

Market Update

- In financial markets, the **US S&P 500** fell off the back of sentiment falls relating to several factors including the disappointing August jobs report. In commodities, The **iron ore** price remains under pressure, on concerns of further curbs on Chinese steel mills. **Crude oil** rose over the week as the U.S. oil industry struggles to get back on its feet following Hurricane Ida.

Chart A: Bond Yields

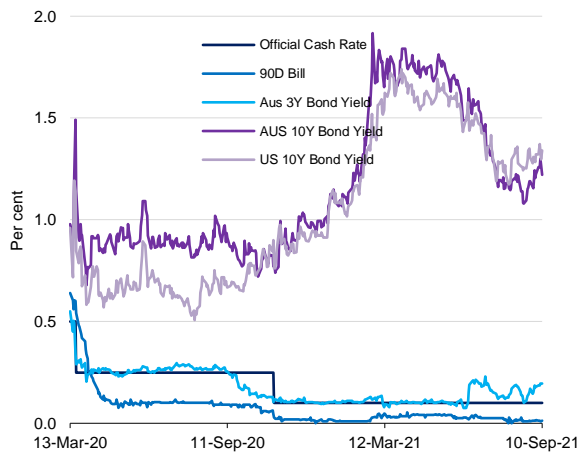


Chart B: Commodity Prices

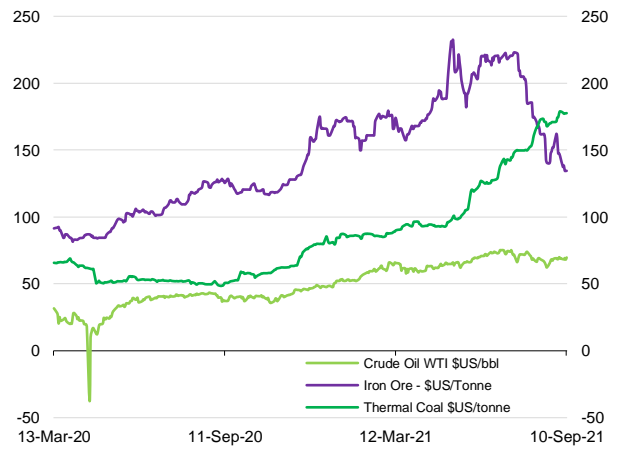


Chart C: Share Price Index

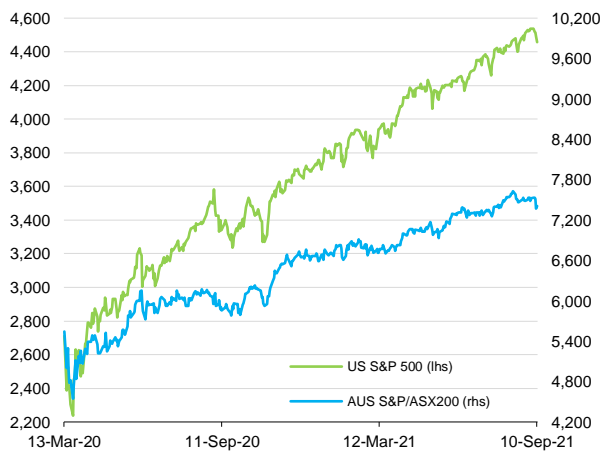
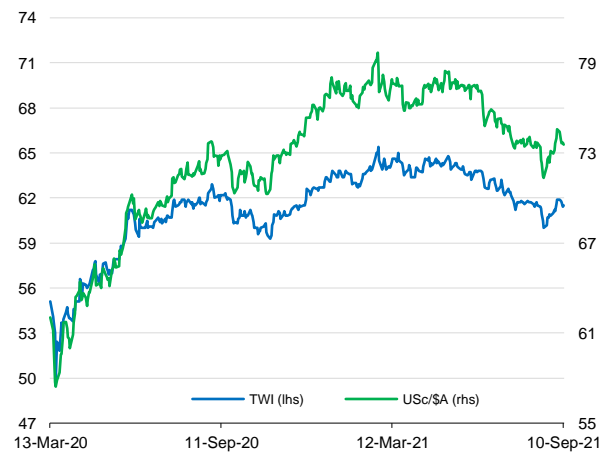


Chart D: Exchange rate



	Value	Change on Week	Change on Year
US S&P 500	4458.58	-1.7 %	33.5 %
ASX200	7406.63	-1.5 %	26.4 %
Australian Dollar (USD)	0.74	-1.4 %	1.0 %
TWI	61.50	-0.6 %	-1.1 %
Oil (USD/bbl)	69.72	0.6 %	86.8 %
Iron ore (\$US/Tonne)	134.50	-7.6 %	7.2 %
Gold (USD/oz)	1794.60	-1.6 %	-7.8 %
Thermal Coal (USD/tonnes)	177.60	-0.8 %	250.0 %
Australian 10 Year Bond Yield (%)	1.22	-0.1 bps	31.1 bps
NSW T-Corp 10 Year Bond Yield (%)	1.65	-1.2 bps	28.1 bps
United States 10 Year Bond Yield (%)	1.34	1.9 bps	67.5 bps

International Economic Update

Country	Indicator	Unit	May-21	Jun-21	Jul-21	Aug-21	Sep-21
Canada	GDP	%YoY	13.6	8.0	-	-	-
	BoC Interest Rate Decision	%	0.25	0.25	0.25	-	-
China	GDP	%YoY	-	7.9	-	-	-
	Retail Sales	%YoY	12.4	12.1	8.5	-	-
	CPI	%YoY	1.3	1.1	1.0	0.8	-
	PPI	%YoY	9.0	8.8	9.0	9.5	-
	Manufacturing PMI	Index, sa	51.0	50.9	50.4	50.1	-
	Non-Manufacturing PMI	Index, sa	55.2	53.5	53.3	47.5	-
	Industrial Production	%YoY	8.8	8.3	6.4	-	-
	Trade Balance	\$USD billion	45.2	51.6	56.6	58.3	-
Euro Area	GDP	%YoY	-	14.3	-	-	-
	ECB Interest Rate Decision	%	0.00	0.00	0.00	-	-
	Retail Sales	%YoY	8.6	5.4	3.1	-	-
	Unemployment Rate	%	8.0	7.8	7.6	-	-
	Employment Change	%YoY	-	1.8	-	-	-
	CPI	%YoY	2.0	1.9	2.2	3.0	-
	Consumer Confidence	Index, sa	-5.1	-3.3	-4.4	-5.3	-
	Business Confidence	Index, sa	11.5	12.8	14.5	13.7	-
	Markit Manufacturing PMI	Index, sa	63.1	63.4	62.8	61.4	-
	Markit Services PMI	Index, sa	55.2	58.3	59.8	59.0	-
	Industrial Production	%YoY	20.6	9.7	-	-	-
	Trade Balance	€ billion, sa	13.8	12.4	-	-	-
Germany	GDP	%YoY	-	9.4	-	-	-
	Retail Sales	%YoY	-1.7	6.5	-0.3	-	-
	CPI	%YoY	2.5	2.3	3.8	3.9	-
	GfK Consumer Confidence	Index	-8.6	-6.9	-0.3	-0.4	-1.2
	IFO Business Climate	Index, sa	99.3	101.8	100.7	99.4	-
	Markit Manufacturing PMI	Index, sa	64.4	65.1	65.9	62.6	-
	Industrial Production	%YoY	16.6	5.4	5.7	-	-
India	GDP	%YoY	-	20.1	-	-	-
	CPI	%YoY	6.3	6.3	5.6	-	-
Japan	GDP Growth	%QoQ, sa	-	0.5	-	-	-
	BoJ Interest Rate Decision	%	-0.1	-0.1	-0.1	-	-
	Retail Sales	%YoY	8.3	0.1	2.4	-	-
	Unemployment Rate	%	3.0	2.9	2.8	-	-
	CPI	%YoY	-0.9	-0.5	-0.4	-0.4	-
	PPI	%YoY	4.9	5.0	5.6	5.5	-
	Consumer Confidence	Index, sa	34.1	37.4	37.5	36.7	-
	Manufacturing PMI	Index, sa	53.0	52.4	53.0	52.7	-
	Industrial Production	%YoY	21.1	23.0	11.6	-	-
Trade Balance	¥ billion, sa	19.6	-62.7	52.7	-	-	
New Zealand	GDP	%YoY	-	-	-	-	-
	RBNZ Interest Rate Decision	%	0.25	0.25	0.25	0.25	-
	CPI	%YoY	-	3.30	-	-	-
	Trade Balance	\$NZD million	497.0	244.8	-401.8	-	-
UK	GDP	%YoY	-	22.2	-	-	-
	BoE Interest Rate	%	0.1	0.1	0.1	0.1	-
	Retail Sales	%YoY	24.1	9.2	2.4	-	-
	ILO Unemployment Rate	%	4.8	4.7	-	-	-
	CPI	%YoY	2.1	2.5	2.0	-	-
	Markit Manufacturing PMI	Index, sa	65.6	63.9	60.4	60.3	-
	Trade Balance	£ million, sa	-163.0	-2514.0	-3117.0	-	-
US	GDP	%QoQ, sa, annualised	-	6.6	-	-	-
	Fed Interest Rate Decision	%	0.00-0.025	0.00-0.025	0.00-0.025	-	-
	Retail Sales	%MoM, sa	-1.4	0.7	-1.1	-	-
	Unemployment Rate	%	5.8	5.9	5.4	5.2	-
	BLS Employment Change (non-farm payrolls)	'000, MoM, sa	614	962	1053	235	-
	ADP Employment Change (private non-farm payrolls)	'000, MoM, sa	882	741	326	374	-
	CPI	%YoY	5.0	5.4	5.4	-	-
	University of Michigan Consumer Sentiment	Index	82.9	85.5	81.2	70.3	-
	ISM Manufacturing PMI	Index, sa	61.2	60.6	59.5	59.9	-
	ISM Services PMI	Index	64.0	60.1	64.1	61.7	-
	Industrial Production	%MoM, sa	0.8	0.2	0.9	-	-
	Factory Orders	%MoM, sa	2.3	1.5	0.4	-	-
	Trade Balance	\$USD billion, sa	-68.5	-73.2	-70.1	-	-

Domestic Economic Update

ECONOMIC GROWTH				
ECONOMIC INDICATOR	NSW	Australia	Measure	Latest Period
Gross State/ Domestic Product	-0.7%	-0.2%	% annual average (real)	2019-20 Next: November 21
State/Domestic Final Demand	14.6%	12.2%	% through the year (real)	June quarter 21
	2.2%	1.7%	% change on last qtr	Next: 1 December 21
BUSINESSES				
NAB Business Confidence	-21	-8	NAB Monthly Index	July 21 (mthly) Next: 14 September 21
NAB Business Conditions	+2	+11		
HOUSING				
Dwelling Approvals	60.7k	224k	Number of app 12mms	June 21 (mthly)
	24.1%	28.1%	% annual average	Next: 30 September 21
Residential Prices (capitals)	8.0%	7.5%	% through the year	March quarter 21 Next: 14 September 21
LABOUR FORCE				
Employment	3.3%	5.4%	% through the year	July 21 (mthly) Next: 16 September 21
Unemployment Rate	4.5%	4.6%	Current rate	
Youth unemployment rate	12.2%	12.8%	12 month moving average rate	
CONSUMER				
Retail Sales	-10.6%	-3.1%	% through the year (nominal)	July 21 (mthly) Next: 28 Sep 21
Westpac MI Consumer Confidence	101.0	104.1	Westpac MI Index	August 21 (mthly) Next: 15 September 21
CPI (Capital cities)	4.1%	3.8%	% through the year	June quarter 21 Next: 27 October 21
Official cash rate	0.10%		Lowered 15 basis points in November 2020	September 21 (mthly) Next: 5 October 21

ECONOMIC FORECASTS ^(a)	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
State/Domestic Final Demand (%)	-1.9	2 ¼	3 ½	n.a.	n.a.	n.a.
Gross State/Domestic Product (%)	-0.7	¾	3 ¼	-0.2	1 ¼	4 ¼
Employment (%)	0.0	¼	1 ¼	-4.2	6 ½	1
Unemployment rate (%) ^(b)	6 ½	5 ¾	5 ¼	6.9	5 ½	5
CPI (%)	1.0	1 ½	1 ¾	-0.3	3 ½	1 ¾
Wage Price Index (%)	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 13-Sep		Japan PPI, Aug-21
Tue 14-Sep	ABARES Agricultural Commodities, SepQ-21 NAB Monthly Business Survey, Aug-21 ABS Overseas Arrivals and Departures - Jul-21	UK Unemployment Rate, Jul-21 US CPI, Aug-21
Wed 15-Sep	W-MI Consumer Sentiment, Sep-21	China Retail Sales, Aug-21 China Industrial Production, Aug-21 UK CPI, Aug-21 Euro Area Industrial Production, Jul-21 US Industrial Production, Aug-21
Thu 16-Sep	RBA Bulletin, SepQ-21 CoreLogic Weekly Auction Data, 12-Sep-21 ABS Labour Force, Aug-21 ABS Demographic Statistics, MarQ-21	New Zealand GDP, JunQ-21 Japan Trade Balance, Aug-21 Euro Area Trade Balance, Jul-21 US Retail Sales, Advance, Aug-21
Fri 17-Sep		UK Retail Sales, Aug-21
Sat 18-Sep		US Consumer Sentiment, Preliminary, Sep-21
Sun 19-Sep		
Mon 20-Sep		
Tue 21-Sep	RBA Monetary Policy Minutes, Sep-21	
Wed 22-Sep		Japan Interest Rate Decision, Sep-21
Thu 23-Sep	CoreLogic Weekly Auction Data, 18-Sep-21 ABS Regional Labour Force, Aug-21 ABS Industry Labour Force, AugQ-21	Euro Area Consumer Confidence, Advance, Sep-21 US Interest Rate Decision, Sep-21 US Interest Rate Decision, Sep-21 Germany Manufacturing PMI, Preliminary, Sep-21 Euro Area Manufacturing PMI, Preliminary, Sep-21 Euro Area Services PMI, Preliminary, Sep-21 UK Manufacturing PMI, Preliminary, Sep-21 UK Interest Rate Decision, Sep-21
Fri 24-Sep		New Zealand Trade Balance, Aug-21 Japan Manufacturing PMI, Preliminary, Sep-21 Germany Business Climate, Preliminary, Sep-21
Sat 25-Sep		
Sun 26-Sep		
Mon 27-Sep		Germany Retail Sales, Aug-21
Tue 28-Sep	ABS International Trade, Aug-21 ABS Retail Trade, Aug-21	Germany Consumer Confidence, Oct-21
Wed 29-Sep	ABS Engineering Construction Activity, JunQ-21	Euro Area Business Confidence, Preliminary, Sep-21
Thu 30-Sep	RBA Private Sector Credit, Aug-21 CoreLogic Weekly Auction Data, 26-Sep-21 ABS Job Vacancies, Aug-21 ABS Building Approvals, Aug-21	Japan Retail Sales, Aug-21 Japan Industrial Production, Preliminary, Aug-21 China Non-Manufacturing PMI, Preliminary, Sep-21 China Manufacturing PMI, Preliminary, Sep-21 Euro Area Unemployment Rate, Aug-21 Germany CPI, Preliminary, Sep-21 US GDP Annualised, JunQ-21
Fri 1-Oct	CoreLogic Monthly House Price Data, Sep-21 ABS Lending Indicators, Aug-21	Japan Unemployment Rate, Aug-21 Japan Consumer Confidence, Preliminary, Sep-21 Euro Area CPI, Preliminary, Sep-21 Canada GDP, Jul-21
Sat 2-Oct		US Manufacturing PMI, Preliminary, Sep-21
Sun 3-Oct		
Mon 4-Oct		
Tue 5-Oct	RBA Interest Rate Decision, Oct-21 ABS International Trade, Aug-21	US Factory Orders, Aug-21 Japan CPI, Preliminary, Sep-21 US Trade Balance, Aug-21
Wed 6-Oct		US Services PMI, Preliminary, Sep-21 New Zealand Interest Rate Decision, Oct-21 Euro Area Retail Sales, Aug-21 US ADP Employment Change, Preliminary, Sep-21
Thu 7-Oct	CoreLogic Weekly Auction Data, 3-Oct-21 ABS Weekly Payroll Jobs and Wages, 11-Sep-21	Germany Industrial Production, Aug-21