

# AUSTRALIAN MARKETS WEEKLY

*Labour market recovering more quickly than expected outside of Victoria*



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## Labour market recovering more quickly than expected – chart pack also attached

- Traditionally the labour market has been a lagging indicator of activity. However, in this pandemic it is largely contemporaneous and is thus a good summary indicator of the wider economy as well as being timely given new data sets such as weekly payrolls and regular job ad updates by SEEK and Indeed.
- Australia's labour market has recovered around 50% of the job losses associated with the pandemic. Last week's employment data showed that recovery continued in August with 111k jobs against expectations of -35k, while unemployment fell seven-tenths to 6.8% from 7.5%. In contrast hours worked rose a more meagre 0.1%. That surprising strength was driven by a sharp recovery in self-employed in original terms, leading some to question the veracity of the labour market recovery seen to date.
- While we have some reservations around the August data, the recovery in the labour market seen to date is occurring across a broad range of indicators such as payrolls (where we get another update on Tuesday) and in job ads which in some states are now above pre-pandemic levels. All of that recovery is occurring outside of Victoria which currently remains in lockdown – hours worked in Victoria are down 12% from pre-pandemic levels compared to the rest of Australia which is now only down 3%.
- Going forward the conversation is turning to how quickly the Victorian labour market can recover as Victorian virus numbers fall to be within re-opening benchmarks. A tentative Victoria recovery will also take place as the JobKeeper and JobSeeker programs start to taper and it will be important to watch activity outside of Victoria to see whether the tapering results in a slowing in the pace of recovery.

## The week ahead

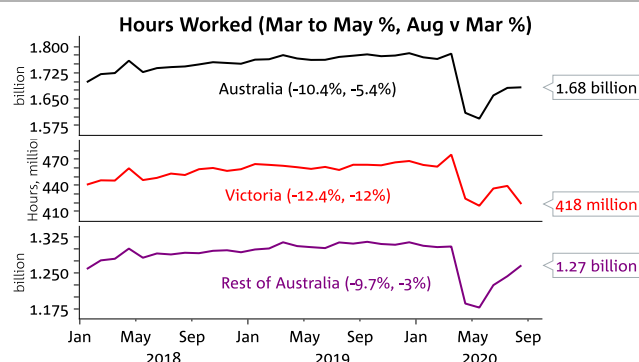
- Australia:** RBA's Debelle speaks on Tuesday and will be closely watched to see whether the RBA is indeed contemplating further policy easing as the Minutes suggest. Datawise the main pieces are Payrolls on Tuesday, and preliminary reads for Retail Sales on Wednesday and the Trade Balance on Friday. Payrolls are for the week to September 5 and will be watched closely to see whether the stabilisation in Vic payrolls has continued and whether the data confirms the extraordinarily strong employment figures for August last week.
- International:** Another central bank focused week. Across the ditch the RBNZ meets on Wednesday and while there is unlikely to be much change to guidance, negative rates are still seen as likely in 2021. **UK:** BoE Governor Bailey speaks Tuesday where he will no doubt be asked how likely the BoE is to take rates into negative territory. **EZ:** Key global PMIs are Wednesday and will provide an indication whether the pick-up in the virus is impacting activity. **US:** Fed Chair Powell testifies three times this week, as Congress continues to debate the size of a 4<sup>th</sup> fiscal package.

## Key markets over the past week

	Last	% chg week		Last	bp/% chg week
AUD	0.7286	-0.1	RBA cash	0.13	0.0
AUD/CNY	4.93	-0.8	3y swap	0.16	0.0
AUD/JPY	75.9	-1.5	ASX 200	5823	-1.3
AUD/EUR	0.616	0.2	Iron ore	116.0	-7.7
AUD/NZD	1.081	-0.5	Brent oil	42.4	7.1

Source: Bloomberg

## Chart of the week: hours work recover outside of VIC

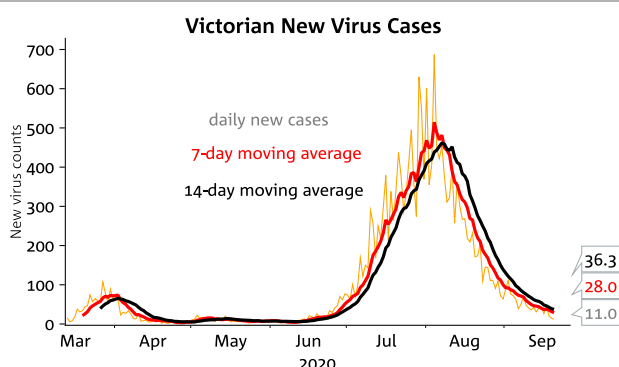


## Victorian virus numbers fall

Victorian new virus cases continue to trend lower with just 11 new cases reported over the past 24 hours with the Metro Melbourne 14-day average now at 34.4 and well within the second phase re-opening benchmark of 30-50 cases a day by September 28. Given the halving rate for the virus is approximately every 11 days, some epidemiologists even suggest Victoria could be set to dip below 5 cases a day within two weeks.

Premier Andrews has hinted he may say more on the re-opening thresholds this Sunday (September 27) ahead of the second-phase of re-opening on September 28. Note the current re-opening plans only see a more substantial re-opening in Metro Melbourne on October 26 if virus cases average <5 a day over a 14-day period ([see link](#)), and importantly an average of 0 cases is required to see restrictions ease back to what they were prior to the latest virus resurgence by November 23.

Chart 1: Vic's 2<sup>nd</sup> phase re-opening threshold in reach



\* Note Victoria uses a 14-day moving average to assess re-opening benchmarks  
Source: National Australia Bank, government sources gathered by covid19data.com

## Could the RBA ease again?

RBA Deputy Governor Guy Debelle is speaking on "The Australian Economy and Monetary Policy" to the Australian Industry Group on Tuesday at 10.30am. The speech will be closely watched for any clues on the RBA's apparent shift to considering what more they could do to support the recovery. There is also Q&A.

There is some speculation that Dr Debelle could use the speech to guide markets as to what else the RBA could do to support the recovery. That speculation comes in the wake of the September Board Meeting where the RBA expanded the TFF and also inserted dovish language into the concluding para that suggested the Board is considering what further easing measures it could take to support the economy ("the Board...continues to consider how further monetary measures could support the recovery"). However, the Minutes to that meeting gave no real steer to what the RBA was thinking or on the timing of any further moves, hence the interest in tomorrow's speech.

Recent media articles suggest the RBA is actively considering what more it could do, including possibly introducing QE for longer-term government and state government bonds and that it may also lower the cash rate to 10bps from 25bps. It is unclear to what extent

those articles were informed by Martin Place, though the possible easing measures align with what Governor Lowe said in his recent Parliamentary Testimony. Either way, NAB is of the view that the key role for further support for the recovery will fall to fiscal policy and the Budget on October 6. Today's press reports that the phase II income tax cuts are set to be brought forward by one year, an investment allowance introduced and \$10bn of infrastructure spending fast tracked. All will be helpful.

## Labour market chart pack (see attached for details)

In this Weekly we look at the labour market in detail following last week's surprisingly strong results and have attached a detailed chart pack that we are using to track the recovery. In summary we find:

- Australia's labour market has recovered around 50% of the job losses associated with the pandemic. Last week's employment data showed that recovery continued in August with 111k jobs gained against expectations of -35k, while unemployment fell seven-tenths to 6.8% from 7.5%. In contrast hours worked rose a more meagre 0.1% (albeit this mainly reflected a sharp fall in hours worked in Victoria (-4.8% m/m) and continued recovery in the rest of the country (+1.8% m/m)).
- That surprising employment strength was driven by a sharp recovery in self-employed (sole traders) in original terms, leading some to question the veracity of the labour market recovery seen to date. This category of employment recorded sharp falls in March and April, so some reversion seems quite possible as economies reopen more broadly outside of Victoria.
- While we have some reservations around the August data, the recovery in the labour market seen to date is occurring across a broad range of indicators such as payrolls (where we get another update on Tuesday) and in job ads, which in some states are now above pre-pandemic levels. All of that recovery of course is occurring outside of Victoria, which currently remains in lockdown.
- Going forward the conversation is turning to how quickly the Victorian labour market can recover as Victorian virus numbers fall to be within re-opening benchmarks. The extent to which the JobKeeper support program and elevated levels of JobSeeker are supporting both employment and spending, are also important aspects of the likely course of the labour market in the next few months, as both schemes start to wind back for businesses that have experienced recovery.
- Monitoring the underlying pace of the labour market recovery will be complicated as the tentative Victorian recovery will take place at the same time as the JobKeeper and JobSeeker programs start to taper. It will therefore be important to watch activity outside of Victoria to see whether the tapering results in a slowing in the pace of recovery.

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# CALENDAR OF ECONOMIC RELEASES

Country	Economic Indicator	Period	Consensus	Actual	Previous	GMT	AEST
<b>Monday 21 September</b>							
UK	Rightmove House Prices MoM	Sep	--	--	-0.20%	9:01 AM	09:01
CH	1-Year Loan Prime Rate	Sep-21	3.85%	--	3.85%	11:30 AM	11:30
CH	5-Year Loan Prime Rate	Sep-21	4.65%	--	4.65%	11:30 AM	11:30
NZ	Credit Card Spending MoM	Aug	--	--	1.80%	1:00 PM	13:00
CA	Bloomberg Nanos Confidence	Sep-18	--	--	52.9	10:00 PM	22:00
US	Chicago Fed Nat Activity Index	Aug	1.18	--	1.18	10:30 PM	22:30
US	Fed Board Holds Open Meeting on Community Reinvestment Act					12:00 AM	00:00
US	Household Change in Net Worth	2Q	--	--	-\$6548b	2:00 AM	02:00
US	Fed's Brainard Discusses Community Reinvestment Act					2:00 AM	02:00
<b>Tuesday 22 September</b>							
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Sep-20	--	--	92.4	9:30 AM	09:30
AU	RBA's Debelle Gives Speech					10:30 AM	10:30
AU	Weekly Payroll Jobs and Wages in Australia (for Sept. 5)					11:30 AM	11:30
UK	Public Finances (PSNCR)	Aug	--	--	16.5b	4:00 PM	16:00
SW	Riksbank Interest Rate	Sep-22	0.00%	--	0.00%	5:30 PM	17:30
UK	BOE's Bailey Speaks on BCC Webinar					5:30 PM	17:30
SW	Riksbank Press Conference					7:00 PM	19:00
UK	CBI Trends Total Orders	Sep	--	-35	-44	8:00 PM	20:00
UK	CBI Trends Selling Prices	Sep	--	--	-5	8:00 PM	20:00
EC	Consumer Confidence	Sep A	--	-15	-14.7	12:00 AM	00:00
US	Fed's Evans Discusses the U.S. Economy and Monetary Policy					12:00 AM	00:00
US	Existing Home Sales	Aug	6.00m	--	5.86m	12:00 AM	00:00
US	Existing Home Sales MoM	Aug	2.40%	--	24.70%	12:00 AM	00:00
US	Richmond Fed Manufact. Index	Sep	12	--	18	12:00 AM	00:00
US	Powell Appears Before House Financial Services Panel					12:30 AM	00:30
AU	CBA Australia PMI Mfg	Sep P	--	--	53.6	9:00 AM	09:00
AU	CBA Australia PMI Services	Sep P	--	--	49	9:00 AM	09:00
JN	Jibun Bank Japan PMI Mfg	Sep P	--	--	47.2	10:30 AM	10:30
JN	Jibun Bank Japan PMI Services	Sep P	--	--	45	10:30 AM	10:30
JN	BOJ Outright Bond Purchase 5~10 Years					11:10 AM	11:10
JN	BOJ Outright Bond Purchase 3~5 Years					11:10 AM	11:10
JN	BOJ Outright Bond Purchase 1~3 Years					11:10 AM	11:10
<b>Wednesday 23 September</b>							
AU	ABS Australia Preliminary August Retail Sales					11:30 AM	11:30
NZ	RBNZ Official Cash Rate	Sep-23	0.25%	--	0.25%	12:00 PM	12:00
JN	All Industry Activity Index MoM	Jul	1.30%	--	6.10%	2:30 PM	14:30
GE	GfK Consumer Confidence	Oct	--	-1	-1.8	4:00 PM	16:00
GE	Markit/BME Germany Manufacturing PMI	Sep P	52	--	52.2	5:30 PM	17:30
GE	Markit Germany Services PMI	Sep P	53	--	52.5	5:30 PM	17:30
EC	Markit Eurozone Manufacturing PMI	Sep P	51.5	--	51.7	6:00 PM	18:00
EC	Markit Eurozone Services PMI	Sep P	51	--	50.5	6:00 PM	18:00
UK	Markit UK PMI Manufacturing SA	Sep P	54.3	--	55.2	6:30 PM	18:30
UK	Markit/CIPS UK Services PMI	Sep P	57	--	58.8	6:30 PM	18:30
US	MBA Mortgage Applications	Sep-18	--	--	-2.50%	9:00 PM	21:00
US	Fed's Mester Discusses Payments and the Pandemic					11:00 PM	23:00
US	Markit US Manufacturing PMI	Sep P	52.5	--	53.1	11:45 PM	23:45
US	Markit US Services PMI	Sep P	54.5	--	55	11:45 PM	23:45
US	Powell Appears before House Panel on Covid-19					12:00 AM	00:00
US	Fed's Evans Discusses the U.S. Economy and Monetary Policy					1:00 AM	01:00
US	Fed's Rosengren Discusses U.S. Economy					2:00 AM	02:00
US	Fed's Quarles Gives Speech on the Economic Outlook					4:00 AM	04:00
US	Fed's Daly Discusses Labor Force Implications of Covid-19					5:00 AM	05:00
<b>Thursday 24 September</b>							
NZ	Exports NZD	Aug	4.41b	--	4.91b	8:45 AM	08:45
NZ	Imports NZD	Aug	4.76b	--	4.63b	8:45 AM	08:45
NZ	Trade Balance NZD	Aug	-350m	--	282m	8:45 AM	08:45
JN	BOJ Minutes of July Meeting					9:50 AM	09:50
NO	Deposit Rates	Sep-24	0.00%	--	0.00%	6:00 PM	18:00
GE	IFO Business Climate	Sep	93.9	--	92.6	6:00 PM	18:00
EC	ECB Publishes Economic Bulletin					6:00 PM	18:00
US	Initial Jobless Claims	Sep-19	--	--	860k	10:30 PM	22:30
US	Continuing Claims	Sep-12	--	--	12628k	10:30 PM	22:30
US	Powell, Mnuchin Testify Before Senate Banking Committee					12:00 AM	00:00
UK	BOE's Bailey Speaks at Chamber of Commerce Event					12:00 AM	00:00
US	New Home Sales	Aug	880k	--	901k	12:00 AM	00:00
US	New Home Sales MoM	Aug	-2.30%	--	13.90%	12:00 AM	00:00
US	Kansas City Fed Manf. Activity	Sep	--	--	14	1:00 AM	01:00
US	Fed's Bullard Discusses Economy and Monetary Policy					2:00 AM	02:00
US	Fed's Evans Discusses the U.S. Economy and Monetary Policy					3:00 AM	03:00
<b>Friday 25 September</b>							
JN	PPI Services YoY	Aug	1.20%	--	1.20%	9:50 AM	09:50
AU	ABS Australia Preliminary August Merchandise Trade					11:30 AM	11:30
JN	Supermarket Sales YoY	Aug	--	--	2.60%	3:00 PM	15:00
EC	M3 Money Supply YoY	Aug	10.00%	--	10.20%	6:00 PM	18:00
US	Durable Goods Orders	Aug P	1.00%	--	11.40%	10:30 PM	22:30
US	Durables Ex Transportation	Aug P	1.00%	--	2.60%	10:30 PM	22:30
US	Cap Goods Orders Nondef Ex Air	Aug P	--	--	1.90%	10:30 PM	22:30
US	Cap Goods Ship Nondef Ex Air	Aug P	--	--	2.40%	10:30 PM	22:30
US	Fed's Williams Talks With Community Development Leaders					11:00 PM	23:00
US	Fed's Williams Discusses the Covid-19 Job Market					5:10 AM	05:10
<b>Upcoming Central Bank Interest Rate Announcements</b>							
US, Federal Reserve		Nov 6	0/0.25	0/0.25	0/0.25		
Japan, BoJ		Oct 29	-0.10	-0.10	-0.10		
UK, BOE		Nov 5	0.10	0.10	0.10		
New Zealand, RBNZ		Sep 23	0.25	0.25	0.25		
Australia, RBA		Oct 6	0.25	0.25	0.25		
Canada, BoC		Oct 28	0.25	0.25	0.25		
Europe, ECB		Oct 29	-0.50	-0.50	-0.50		

GMT: Greenwich Mean Time; AEST: Australian Eastern Standard Time

# FORECASTS

Economic Forecasts																				
	Annual % change				Quarterly % change															
					2019				2020				2021				2022			
Australia Forecasts	2019	2020	2021	2022	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Household Consumption	1.4	-5.0	1.7	2.9	0.4	0.3	0.1	0.5	-1.1	-7.0	1.5	0.9	0.8	1.0	1.1	0.4	0.7	0.8	0.7	0.7
Underlying Business Investment	-1.7	-23.6	-26.5	3.2	0.8	-0.2	-1.7	-1.5	-1.0	-17.6	-15.5	-8.7	-7.7	-1.8	0.6	0.1	1.4	1.1	1.4	1.2
Residential Construction	-6.9	-16.0	-7.9	14.5	-1.7	-3.5	-0.7	-4.1	-1.7	-10.5	-4.5	-3.8	-2.8	0.9	2.6	3.5	4.0	3.5	4.3	3.1
Underlying Public Spending	4.9	4.7	3.8	3.1	1.1	1.7	1.8	0.4	1.5	1.1	1.0	1.0	0.9	0.9	0.8	0.8	0.8	0.8	0.8	0.8
Net Exports (a)	0.9	1.7	-0.5	-0.8	0.2	0.6	0.1	-0.1	0.5	1.6	-0.2	-0.1	0.0	-0.2	-0.3	-0.1	-0.2	-0.2	-0.2	-0.2
Inventories (a)	-0.2	-0.5	0.8	0.1	0.0	-0.4	0.1	0.2	-0.2	-1.5	1.4	0.3	0.2	0.1	0.0	0.0	0.1	0.0	0.0	0.0
Domestic Demand (q/q %)	—	—	—	—	0.3	0.4	0.4	0.2	-0.5	-6.0	-0.5	-0.1	0.1	0.8	1.0	0.7	0.9	1.0	0.9	0.9
Dom Demand (y/y %)	1.3	-4.8	-0.5	3.6	1.2	1.3	1.2	1.3	0.5	-5.9	-6.8	-7.0	-6.4	0.4	1.9	2.6	3.4	3.6	3.5	3.7
Real GDP (q/q %)	—	—	—	—	0.5	0.6	0.6	0.5	-0.3	-6.1	0.5	0.3	0.6	1.0	0.9	0.5	0.7	0.7	0.7	0.6
Real GDP (y/y %)	1.8	-3.8	0.8	2.9	1.7	1.6	1.8	2.2	1.4	-5.4	-5.5	-5.7	-4.8	2.4	2.9	3.1	3.2	2.9	2.7	2.8
CPI headline (q/q %)	—	—	—	—	0.0	0.6	0.5	0.7	0.3	-1.9	1.6	0.7	0.4	0.3	0.3	0.4	0.2	0.3	0.5	0.7
CPI headline (y/y %)	1.6	0.8	1.6	1.4	1.3	1.6	1.7	1.8	2.2	-0.3	0.7	0.5	0.6	2.9	1.5	1.4	1.2	1.2	1.5	1.7
CPI underlying (q/q %)	—	—	—	—	0.2	0.4	0.4	0.4	0.5	0.0	0.4	0.3	0.4	0.3	0.2	0.2	0.2	0.3	0.4	0.5
CPI underlying (y/y %)	1.4	1.3	1.1	1.0	1.4	1.4	1.5	1.4	1.7	1.3	1.2	1.1	1.0	1.3	1.2	1.1	0.8	0.8	1.1	1.4
Private wages (q/q %)	—	—	—	—	0.5	0.5	0.5	0.5	0.5	0.3	0.3	0.3	0.3	0.3	0.5	0.5	0.5	0.5	0.5	0.5
Private wages (y/y %)	2.3	1.8	1.2	2.0	2.4	2.3	2.2	2.2	2.1	1.9	1.6	1.3	1.1	1.0	1.3	1.5	1.8	2.0	2.0	2.0
Unemployment Rate (%)	5.1	7.5	8.6	7.0	5.1	5.1	5.2	5.2	5.2	7.1	8.4	9.2	9.6	8.9	8.2	7.6	7.3	7.1	6.8	6.6
Terms of trade	5.1	0.1	2.2	1.3	3.3	1.4	0.2	-5.2	2.9	0.1	1.1	1.0	0.1	0.9	0.2	0.2	0.2	0.5	0.5	-0.1
Current Account (% GDP)	0.6	2.8	2.9	2.2	-0.6	1.0	1.4	0.3	1.7	3.4	3.2	3.2	3.1	3.1	2.8	2.7	2.5	2.3	2.2	2.4

Source: NAB Group Economics; (a) Contributions to GDP growth

Exchange Rate Forecasts						
	21-Sep	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
Majors						
AUD/USD	0.729	0.74	0.76	0.77	0.77	0.78
NZD/USD	0.67	0.68	0.69	0.70	0.71	0.72
USD/JPY	104.2	103	103	100	100	100
EUR/USD	1.18	1.22	1.23	1.25	1.26	1.27
GBP/USD	1.29	1.36	1.40	1.40	1.43	1.44
USD/CNY	6.77	6.90	6.85	6.70	6.70	6.60
USD/CAD	1.32	1.34	1.33	1.30	1.23	1.24
USD/CHF	0.91	0.91	0.91	0.91	0.91	0.91

Australian Cross Rates						
AUD/NZD	1.08	1.09	1.10	1.10	1.08	1.08
AUD/JPY	75.9	76	78	77	77	78
AUD/EUR	0.62	0.61	0.62	0.62	0.61	0.61
AUD/GBP	0.56	0.54	0.54	0.55	0.54	0.54
AUD/CNY	4.93	5.11	5.21	5.16	5.16	5.15
AUD/CAD	0.96	0.99	1.01	1.00	0.95	0.97
AUD/CHF	0.66	0.67	0.69	0.70	0.70	0.71

Interest Rate Forecasts						
	21-Sep	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
Australian Rates						
RBA cash rate	0.25	0.25	0.25	0.25	0.25	0.25
3 month bill rate	0.09	0.15	0.20	0.20	0.20	0.20
3 Year Swap Rate	0.16	0.18	0.17	0.15	0.15	0.20
10 Year Swap Rate	0.78	0.90	1.00	1.15	1.25	1.30
Offshore Policy Rates						
US Fed funds	0.25	0.25	0.25	0.25	0.25	0.25
ECB deposit rate	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
BoE repo rate	0.10	0.10	0.10	0.10	0.10	0.10
BoJ excess reserves rate	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
RBNZ OCR	0.25	0.25	0.25	-0.25	-0.50	-0.50
10-year Bond Yields						
Australia	0.85	1.05	1.15	1.25	1.35	1.35
United States	0.67	0.80	0.90	1.00	1.10	1.10
New Zealand	0.52	1.03	1.28	1.38	1.63	1.73

Sources: NAB Global Markets Research; Bloomberg; ABS

Global GDP			
	2019	2020	2021
Australia	1.8	-3.8	0.8
United States	2.2	-4.1	3.4
Eurozone	1.3	-6.4	5.7
United Kingdom	1.4	-9.2	7.4
Japan	0.7	-5.4	2.8
China	6.1	1.5	9.5
India	4.9	-8.8	13.3
New Zealand	2.3	-5.6	1.8
World	3.0	-4.0	6.3

Commodity prices (\$US)					
	21-Sep	Dec-20	Mar-21	Jun-21	Sep-21
Brent oil	42.4	49	53	55	55
Gold	1948	2030	2050	2100	2200
Iron ore	125	87	85	90	80
Hard coking coal*	119	120	125	140	135
Thermal coal	57	59	59	61	62
Copper	6853	6000	6250	6500	6750
Aus LNG**	8	7	7	8	8

\* FOB quarterly contract prices (thermal coal is JFY contract)

\*\* Implied Australian LNG export prices

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