GLOBAL
ECONOMIC AND INVESTMENT NEWSLETTER

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Introduction

- The NZ consumer price index rose by an annualised 3.3% in the June quarter, which was greater than expectations and above the target range for the Reserve Bank. Major contributors were house construction costs (up 7.4%), petrol (up 16%) and rent (up 2.9%).

  However, the Economist has emphasised that investors should appreciate that inflation is the rate at which prices change, not a measure of how high they are. If prices stay high but stop rising, or even just slow the rate of their rise, then inflation falls. This means that when supply chains are sorted and overseas economies become balanced from consumers buying more services and less items, then inflation should settle down. i.e. the theory is that it is transitory.

  According to the Economist (10/07/21):

  The factors currently pushing inflation higher are threefold.

  The first is a boom in demand for goods like cars, furniture and household appliances set off by consumers splurging on things that made lockdown homes nicer and life outdoors more enjoyable.

  The second is disruption in the global supply of some of those goods. A shortage of microchips, for example, is severely curtailing the supply of cars. A higher oil price does not help. Disruption in the global shipping industry and at ports exacerbates things in various markets.

  The third - probably the most important, and the one only now fully coming to be felt - is a rebound in the prices of services. Consumers are returning to restaurants, bars, hairdressers and other in-person businesses faster than workers are.

  But there is still widespread concern at the speed of price increases.

  US consumer prices rose 0.9% month-on-month in June and 5.4% annually - the highest surge in inflation since August of 2008. Core inflation – which strips out volatile components such as food and oil – rose 4.5% year-on-year, the largest annual increase since November 1991.

  “One-year-ahead” median consumer inflation expectations for the US also jumped for the eighth consecutive month to 4.8% in June, up from 4.0% in May, marking a new high since the survey began in 2013. The three-year outlook was unchanged at 3.6%.

  The UK consumer price index rose by 2.5% to the year to June, causing the Deputy Governor of the Bank of England (David Ramsden) to say the bank might start reversing its huge monetary stimulus program earlier than expected. He said, "inflation might rise as high as 4% for a period later this year" – which would be double the bank's target.

There remain critics of the "transitionary inflation" theory, who point to the large monetary and fiscal stimulus packages unveiled by various governments and argue they will result in the debasement of currencies and cause structurally higher inflation.

An important indicator of the persistence of inflation is the growth in wage costs. Wages are very sticky – once they rise, they seldom reverse. In the absence of any improvement in productivity, wage increases eventually filter through to increased prices of goods and services and the inflation index rises.

The Australian Financial Review said (12/7/21):

Inflation is rising globally at present, and can be expected to continue near term. This shouldn't be that surprising. You can't turn the global economic production engine off, as was done in the first half of 2020 due to Covid-19, and expect when you turn it back on there is not going to be some "sputtering" throughout global supply chains.

The debate will continue until price increases start to moderate.

Coronavirus

- The search by scientists for the source of the Covid-19 virus has led them to suppose that bats are the likely culprit. In China, bats make up 20% of all mammals and are used for food and traditional medicine purposes.

  Scientists in China have, for a number of years, been analysing guano from cave floors and taking blood, saliva and urine samples from captured bats to see if they could detect the source of viruses.

  The Wall Street Journal said (11/07/21):

  In 2017, the scientists proposed their origin theory: They found bats with a coronavirus strain that had the ability to infect humans. The scientists speculated that bats living in the same cave infected each other with different viral strains, which mixed together and eventually created a SARS-like virus that jumped into humans.

  However, this is as close as they got. Bats had the potential to transmit the virus to humans, but scientists never found a bat that could be the source of Covid-19. As the Wall Street Journal said, "there is still no smoking gun".

- The search for the origins of Covid-19 has led a World Health Organisation team to Italy to find a mysterious woman thought to have contracted the virus months before it emerged in Wuhan. However, they have struck a dead-end in their search for her.

  The Wall Street Journal said (12/7/21):

  Members of a World Health Organisation-led team studying the origins of the virus want to investigate the case of a 25-year-old Milan resident who in November 2019 visited a hospital with a sore throat and skin lesions: symptoms of a disease that wouldn't be discovered in the *city of Wuhan in China for another month. She left behind a skin sample, smaller than a dime, that in two tests conducted more than six months later yielded traces of the Covid-19 virus, according to research published in January by the British Journal of Dermatology.*

The problem, researchers say, is that no one knows who she is.

- A surge in infections from the Delta variant is causing the re-imposition of mobility restrictions in many European nations.

  The Australian Financial Review said (12/7/21):

  On Friday, Germany and France warned their citizens against travel to Spain, where the Covid-19 infection rate has surpassed that of Portugal to become the highest in mainland Europe, dealing a blow to its tourism sector at the start of the crucial summer season

  The Netherlands said on Friday it would reintroduce restrictions on restaurants, bars, cafés, nightclubs and live events – only two weeks after lifting them – because of a more than tenfold rise in the country's daily infection rate to almost 7000 in that period.

  Despite this (and daily cases rising 15-fold since the beginning of May), Boris Johnson's UK government is pressing forward with its imminent reopening. Sage – the government's scientific advisory group – are anticipating hospital admissions in England to reach between 1000 and 2000 per day in the weeks after restrictions are removed. The daily death toll is expected to rise to between 100 and 200.

- The world waits with concern at the outcome of Britain's decision to release their lockdown, irrespective of the rate of increase of coronavirus cases. In the week to 10th July, cases surged by 40% and the Financial Times has described the decision as a "threat to the world". The UK now has the third highest coronavirus cases of any country in the world, following Brazil and Indonesia.

  Global scientists at an "emergency international summit" urged the Johnson government to "urgently reconsider its proposed actions" - which are considered by many to be irresponsible.

  The UK prime minister believes that the country has a "defensive wall", from antibodies existing in the large number of people who have been vaccinated, as well as previously infected people.

- The exercise continues in the developed world to ensure that as many people as possible are vaccinated, as a precaution against Covid-19, and to encourage herd immunity.

  Although some believe that herd immunity from others being vaccinated will protect them, or they are just straight out "anti-vaccinators" (deniers of logic and science), the facts suggest they could be in trouble. Top US health officials are talking about the "pandemic of the unvaccinated".

  The state with the lowest level of vaccinations (34%) in the US is Mississippi. According to the main public health agency, unvaccinated people in Mississippi make up 94% of new Covid-19 cases, 87% of hospitalisations and 93% of fatalities from the virus.

You can lead a horse to water… (etc).

Equities

- US share markets led global equities down at the end of last week, in spite of reports of strong US retail data… to record the worst weekly performance in over a month.

  According to Reuters (17/07/21):

  Global stock markets ended lower on Friday as investors grappled with fears of rising inflation and a surge in coronavirus cases, while the dollar edged higher after upbeat US retail sales data reaffirmed an economy in strong recovery mode.

  Investors are also concerned that the major economies, such as the US and China, have peaked – in spite of surging economic data and corporate earnings.

  Barron's said (16/07/21):

  "Peak growth" has become the latest bogeyman in markets. It's the trend that matters for investors, and the outlook is moving toward a deceleration on several fronts.

  S&P 500 earnings per share are expected to soar 62% from a year ago, per data from Yardeni Research. That's gangbuster growth. But investors know it's coming. Stocks have rallied to their record highs and rich multiples this year in expectation of a post-pandemic rebound that's now showing up in the numbers. It follows 48% earnings per share growth in the first quarter and expectations of 23% and 17% jumps in the third and fourth quarters. In other words, peak earnings growth is here.

  The result is that the market faces a tough bar this earnings season: the combination of all-time high prices and very high expectations. Stocks will get punished if they disappoint and won't be rewarded if they simply meet expectations.

  Effectively what they are saying is that the easy money has been made… and it will be tough going from here on in. However, to counter that, sceptics would probably say one that one of the great statements on Wall Street is that "stocks always climb a wall of worry".

  On the plus side, US corporate second quarter results reported to date have exceeded analyst's expectations by 22%. Also, the forward earnings yield of the S&P 500 is 4.57%, compared to a yield of 1.3% for US 10-year Treasuries.

  There is a high level of concern, but money has to go somewhere.

- Stock market leadership is becoming increasingly concentrated on a select few large capitalisation technology stocks, which - because overall indices remain strong - is masking poor performance in a large number of equities.

  The chart below represents the percentage of stocks on the New York Stock Exchange currently trading above their 50-day moving average – which is sharply falling. It is indicative of the weakness currently facing the majority of stocks.

  Real Money said (13/7/21):

This action has been ongoing for a while now, but the "experts" in the business media keep yammering about how the indices are hitting new highs and are extended. They totally miss that about 67% of all stocks are already under their 40-day simple moving average.

If the indices reflected what was going on in the average stock, then we would be talking about bear markets rather than new highs.

The good news is that many stocks are already approaching significant support levels. The bad news is that there isn't any reason to expect them to bounce right now.

Debt, Interest Rates & Inflation

- A recent publication (by Goodhart and Pradhan) has put forward the theory that structural changes to the global population are likely to result in increased inflation. When the communist countries of China and Russia joined the capitalist world, they added vast amounts of labour to the economic system assisting to drive down prices. This is set to change.

  According to the Wall Street Journal (12/07/21):

  In a recent book, "The Great Demographic Reversal," the authors single out a potentially epochal shift. In the past few years, the global working-age population has begun to fall as a share of the total world population and to decline in absolute numbers in the most globalised regions of the world, including North America, Europe and East Asia.

  After the end of the Cold War, the integration of China and the former Soviet bloc into the capitalist global economy brought a vast and growing labour supply, they say. That held down wages and inflation in developed countries and injected into the global economy the savings of a burgeoning middle-aged Chinese population that lacked a government safety net.

  But, as ageing populations in China and other nations spend more of their savings, average interest rates will rise higher than governments have bargained for.

  The authors believe that China's greatest contribution to global growth has passed… and this great demographic reversal will lead to a return of inflation.

  According to the Australian Financial Review (13/07/21):

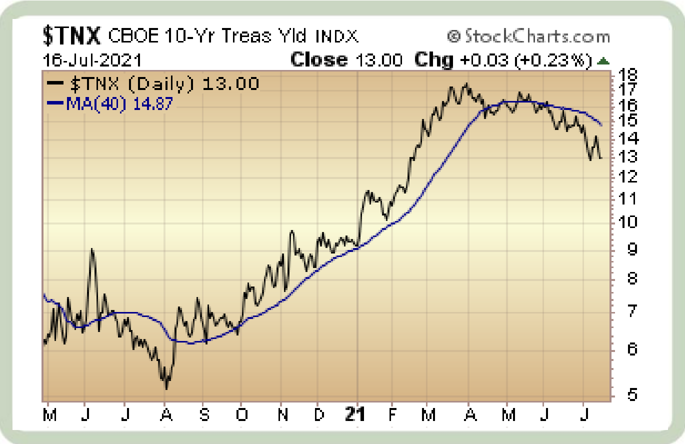
  Since the early 2000s China, the largest saver in the world by far, has been a net supplier of savings to advanced countries, reducing pressure on real rates.

This is already in the process of reversing. China is facing demographic pressures (rising age dependency and declining fertility) and a hardening of Western attitudes to Chinese foreign investment (and excessive dependency on emerging countries more generally).

However, (in a contrary argument) the rapidly ageing nation of Japan, where 28% of the population are over the age of 65, has been close to deflation… continuously for more than two decades.

- Bonds are denying long-term high inflation. Despite an increase in headline inflation, the US bond market has reacted by sending bond prices higher and yields lower.

  Usually, rising inflation increases the likelihood of central bank intervention, resulting in higher market interest rates as investors demand greater yields in expectation of the increase.

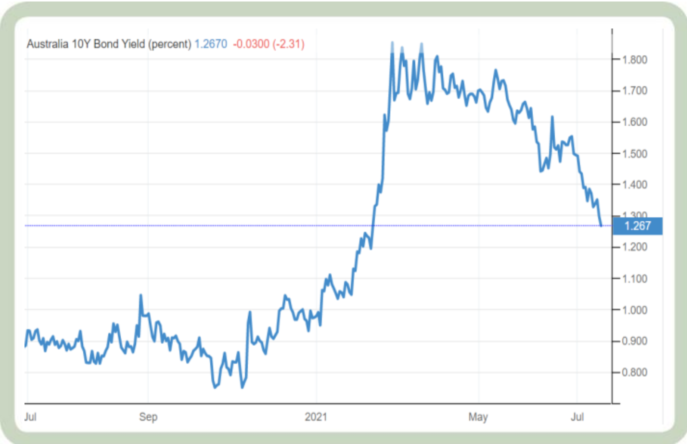


The failure of the market to behave as expected (i.e. yields to rise) points to the theory being correct that inflation is transitory.

The Australian Financial Review said (13/7/21):

Bond markets are indicating global growth could be stalling and the rise in inflation transitory, as yields and breakeven rates, both domestically and in the US, have dropped to their lowest levels in months.

The fall in the US 10-year Treasury Yield is shown in the above chart - and is now down to 1.30%. The Australian 10-year bond yield (shown adjacent) is displaying a similar trend.



The Financial Times said (14/7/21):

The bond market cares a little about short-term inflation but not one tiny bit about long-term inflation.

Investors believe that economic growth in the major economies of China and the US have peaked, while Europe is being affected by increasing coronavirus cases from the insidious Delta variant.

- Economists from the main NZ banks are now predicting that the Reserve Bank (RBNZ) will start increasing the Official Cash Rate (OCR) in August, after the bank surprisingly announced the end of its quantitative easing program. Previously the forecast was for interest rate hikes to commence in November.

  The RBNZ said (14/07/21):

  Recent data indicates the New Zealand economy remains robust despite the ongoing impact from international border restrictions. Aggregate economic activity is above its pre-Covid-19 level. Household spending and construction activity are at high levels and continue to grow. Business investment is now responding to capacity pressures and labour shortages, and measures of economic confidence continue to improve.

  The Committee agreed that, in the absence of any further significant economic shocks, more persistent consumer price inflation pressure is expected to build over time due to rising domestic capacity pressures and growing labour shortages. However, the Committee noted that uncertainties remain as to the pace and magnitude of any pass-through of costs onto medium term inflation, especially given reported underutilisation of labour, modest wage growth, and well anchored inflation expectations.

  The BNZ has said that the OCR, currently at 0.25%, could reach 1% by November. The RBNZ is tipped to be the first major central bank to start hiking interest rates and encourage other banks – with the Bank of Canada and Bank of Korea likely - to follow suit.

Business

- As part a of an ongoing global exercise to bring to heel the large US digital companies, the French anti-trust regulator has fined Google US $592 million, unless they reach an agreement with publishers to pay for their content, within two months. They said that Google has ignored several court injunctions to proceed with the negotiations.

  According to CNN (13/07/21):

  The European Union overhauled its copyright laws in 2019, making platforms such as Google and YouTube responsible for copyright infringements committed by their users. The new rules also require search engines and social media platforms to share revenue with publishers if their content is displayed.

  Google objected to the fine, saying they had acted in good faith. They announced in 2020 that they would pay publishers more than US $1 billion over three years, in order to compensate for content.

- The EU has said they will make the combustion engine redundant by 2035… and ensure that there are electric charging stations every 60 km on major highways across the region.

  According to the Australian Financial Review (15/07/21):

  All new cars will in effect have to be zero-emission by the middle of next decade, putting European auto makers on notice that they must rev up their plans to shift into electric vehicle (EV) production, or even hydrogen-fueled cars.

The measures are part of a raft of EU policies to meet climate change targets.

- Business owners are starting to appreciate that there has been a structural change in the labour market since the start of the Covid-19 pandemic, which requires a flexible attitude to workers, if they are to attract top talent.

  Recently the Age and Sydney Morning Herald carried out a survey of Australia's top 50 companies and not one of them expects staff to return to the office five days a week. Just six of the companies surveyed had a mandated number of office hours to be attended each week.

  The Age said (17/07/21):

  All of them said they would be committed to hybrid working, in some form or other, even after Covid restrictions disappear. It would appear that the five-day office week is well and truly dead - at least for now.

  Many workers require flexible working environments, due to lifestyle changing decisions, such as moving to the country for better living conditions. This is reflected in the growth in Australian real estate prices over the last year, where regional property prices rose much more than in the major cities.

  However, hybrid working conditions do not suit everyone. Older employees, with large homes, enjoy working away from the office, but younger staff living in flats sometimes find this more difficult.

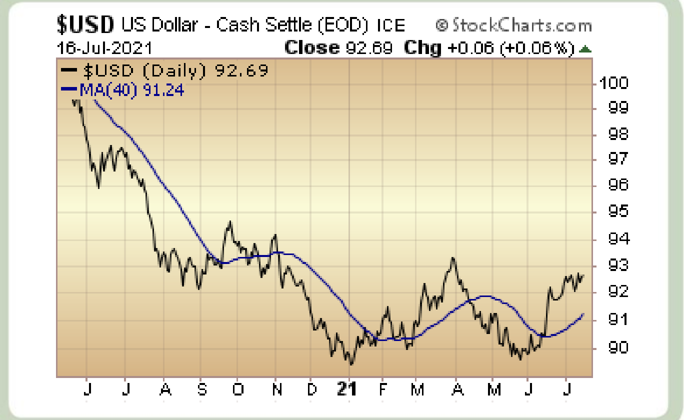
  The office environment is also changing - work stations are being removed and replaced by collaborative and communal spaces.

  For employers, it is a toss-up between attracting the best staff and controlling the work environment.

Currencies

- The US dollar has continued its counter-trend rally, spurred on by higher-than-expected inflation data (indicating that the Federal Reserve could raise interest rates earlier than expected).

  The USD has been in a steady uptrend since the middle of June when the Federal Reserve first brought forward its future interest rate projections (the chart of the USD against a basket of currencies is adjacent).



  We don't expect the bounce to last.

Canadian research company, Bank Credit Analyst, said (16/07/21):

Most of the conditions that have usually characterised a US dollar bear market for a decade or so are in place today. The Federal Reserve is committed to staying easy, US real rates are depressed, and growth should be stronger outside the US compared to within it, a similar template to what we saw in the 2000s.

- Jackson Palmer – co-founder of the infamous joke cryptocurrency Dogecoin - has come out in fierce criticism against the industry. In a series of posts to Twitter, Palmer described much of the industry as an elaborate ruse, which at its core is designed to concentrate wealth in the hands of a select few.

  He commented (13/7/21):

  The cryptocurrency industry leverages a network of shady business connections, bought influencers and pay-for-play media outlets to perpetuate a cult-like "get rich quick" funnel designed to extract new money from the financially desperate and naive.

  Cryptocurrency is like taking the worst parts of today's capitalist system (eg. corruption, fraud, inequality) and using software to technically limit the use of interventions (eg. audits, regulation, taxation) which serve as protections or safety nets for the average person.

Economies

- The Bank of America's monthly survey of 239 fund managers for July showed they were becoming increasingly pessimistic on the outcome for the global economy.

  According to the Financial Times (14/07/21):

  The July survey found that investors had become "much less bullish" on global growth and company profits. The share of investors who thought the economy would continue to improve dropped sharply from a peak of 91% in March to 47% this month.

  Investors' outlook on growth and profits was gloomier than at any time since last November, when the arrival of coronavirus vaccines and the Democratic win in the US election built on promises to push through historic stimulus packages, persuading investors that a huge surge in growth was imminent.

  However, investors also said that the economic recovery in Europe still had room to run, despite the recent increase in coronavirus cases.

- The Chinese economy grew 7.9% year-on-year in the three months to the end of June, which was less than expectations of 8.1% and under half that reached in the first quarter. Declining manufacturing activity, higher input costs and new Covid-19 outbreaks were cited as headwinds.

  The People's Bank of China (PBoC) – the country's central bank – foreshadowed the slowdown last week, announcing it would reduce the amount of cash that banks are obligated to hold as reserves. This released around 1 trillion yuan (about US $154 billion) into the system, with the increase in liquidity expected to bolster economic recovery. It was described as a "balancing act between economic stability and growth".

The Australian Financial Review said (12/07/21):

China's V-shaped economic rebound from the Covid-19 pandemic is slowing, sending a warning to the rest of world about how durable their own recoveries will prove to be.

The changing outlook was underscored on Friday when the People's Bank of China cut the amount of cash most banks must hold in reserve in order to boost lending. While the PBoC said the move isn't a renewed stimulus push, the breadth of the 50 basis-point cut to most banks reserve ratio requirements came as a surprise.

Economists polled by Reuters are anticipating Chinese GDP growth of 8.6% for the full 2021 year, representing the highest annual growth rate in the decade, significantly greater than the official target of 6%.

Figures last week showed that Chinese exports surged by 32% in June, compared to the same month in 2020, and exports rose by 37%.

- Both the US and UK last week released strong employment data, which is positive for their underlying economies.

  In the US, the Labour Department claims for state unemployment benefits fell 26,000 to reach a seasonally adjusted 360,000, for the week to July 10. This was the lowest figure since March 2020, before the onset of the pandemic. Consumers are confident in the jobs market and the percentage of respondents expecting unemployment to be higher one year from now dropped to an all-time low of 30.7% in June, while the perceived odds of losing a job over the next year also slumped to an all-time low.

  In the UK, the Office for National Statistics said the number of people on payrolls grew by 356,000 people in June, to reach 28.9 million - the largest rise since the beginning of the pandemic. The unemployment rate declined to 4.8% in the second quarter, from 5% in the first. However, the number of payroll workers is still 206,000 less then pre-pandemic levels.

  Meanwhile, unemployment in Australia has fallen to 4.9% (from 5.1%), the eighth monthly decline and the lowest rate since December 2010.

- There are concerns in the EU that the increasing dominance of the more lethal strains of the coronavirus will hinder economic recovery.

  The Australian Financial Review said (12/07/21):

  Rapid spread of the Covid-19 delta variant is causing economists to worry that Europe's brightening economic outlook risks being undermined by rising infection levels and the reintroduction of travel and social restrictions.

  The lifting of most lockdown measures across the region in recent months has led to a surge in business activity, retail spending and household confidence, prompting many economists to upgrade their forecasts for European growth.

However, those assumptions are being thrown into doubt now that the highly infectious Delta variant already accounts for the majority of new cases in many European countries and is driving infection rates up to their highest level for months.

The highest EU level of infection rates is in Spain, followed by Portugal - seriously affecting the tourist industries that are an important part of their economies.

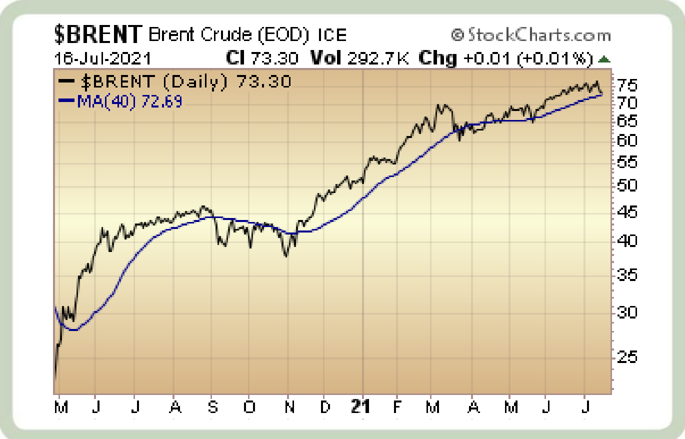
The European Centre for Disease Prevention and Control said that the weekly Covid-19 infection rate for the EU had risen to 51.6 per 100,000 people, up from 38.6 the previous week, and has predicted that the infection rate will exceed 90 per 100,000 people in about four weeks.

Commodities

- Speculative investors appear increasingly confident in the longevity of the oil market, placing large bullish bets in the futures market and pushing energy bonds to record highs.

  The price of Brent Crude is shown in the adjacent chart.

  The Wall Street Journal said (12/7/21):

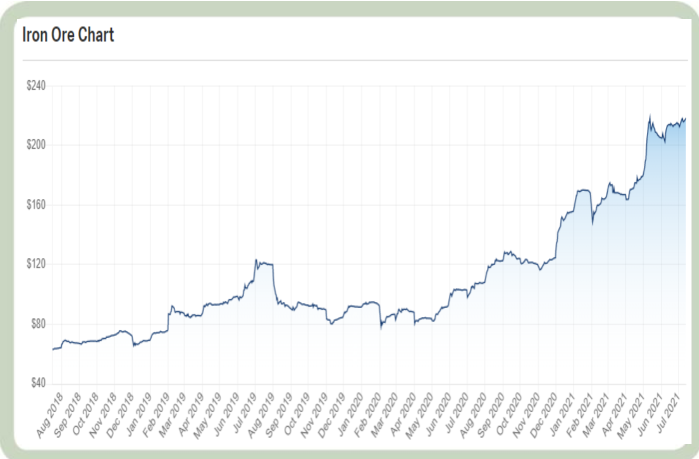


  The ratio of bullish bets on US crude to bearish wagers surged to 23-to-1 during the week of June 15, the highest level since the summer of 2018 and nearly triple the figure from five weeks earlier. While the ratio has edged lower in more recent weeks, it has stayed at levels considered elevated by many analysts and well above 6-to-1, where it started the year.

  Some investors have also been buying energy bonds that offer higher yields because ultrasafe assets such as cash and government debt currently offer muted returns.

  Shares of many energy companies are up 40% or more this year and 18 large US exchange-traded funds that track the sector recorded their biggest one-day combined inflow on June 22, for data going back to April 2019.

  However, a number of analysts are concerned at the rapid rise of speculative positions in oil - as they can rapidly reverse when conditions and data change.



- Despite warnings by the authorities in China that they would act to dampen down prices of commodities, the price of iron ore remains at around US $220 a tonne (currently $218).

China claims that Australia is “profiteering” by as much as $32 billion a year, through excessive commodity prices and has threatened to compensate by reducing imports from Australia by an equivalent amount.

Australian mining companies have benefited from supply disruptions of iron ore in Brazil.

Real Estate

- Soaring global real estate prices are pushing central banks to reconsider their ultra-accommodative monetary policies. Low interest rates, designed to help struggling businesses and lift consumer demand have also fuelled a boom in asset prices, particularly real estate, which is threatening the very recovery they were meant to nurture.

  Bloomberg said (12/7/21):

  New Zealand policymakers are battling the hottest property market in the world, according to the Bloomberg Economics global bubble ranking. The central bank has been given another tool to tackle the issue (debt-to-income ratios), and its projections for the official cash rate show it is starting to rise in the second half of 2022.

  Facing criticism for its role in stoking housing prices, Canada’s central bank has been among the first from advanced economies to shift to a less expansionary policy, with another round of tapering expected at a policy decision also on Wednesday.

  The Bank of Korea last month warned that real estate is “significantly overpriced” and the burden of household debt repayment is growing. But a worsening virus outbreak may be a more pressing concern at Thursday’s policy meeting in Seoul.

  The Bank for International Settlements in its annual report last month warned that house prices have risen more steeply during the pandemic than fundamentals warranted, increasing the sector’s vulnerability if borrowing costs rise.

  New Zealand, Canada and Sweden rank as the world’s “frothiest” housing markets, based on key indicators used by Bloomberg for OECD countries.

- The pace of NZ real estate price increases remains strong… but is slowing. The Real Estate Institute of NZ (REINZ) reported that the national median residential property price increased by 28.7% for the year to June 2021, and is up 0.3% for the month of June. The median price was $820,000, compared to an estimate of $900,000 from CoreLogic. Listings are down by 14%, compared to a year ago. There has been a decline in investor participation.

  The REINZ said (13/07/21):

  Additionally, 5 out of 16 regions reached new record median prices, one region saw an equal record and 20 districts reached new record median highs.

  According to Stuff (14/07/21):

It seems the market song remains the same: Another month, another set of expectation-defying, record-breaking house prices.

But it was not meant to be this way. Concerns over affordability and first homebuyers being priced out of the market prompted authorities to take action earlier this year.

First, the Reserve Bank announced it would be reinstating loan-to-value ratios (LVR) for mortgages. Officially, the LVRs came back into play at the start of March, although banks started to apply them earlier.

Then, on March 23, the Government announced a suite of new housing and tax policies aimed at dampening investor activity and making the market fairer for first homebuyers.

The new restrictions appeared to be having a greater effect on Auckland, compared to the rest of the country. According to Westpac, Auckland prices are up by 3.4% in the last three months, compared to 6.7% nationally. They believe that the LVR restrictions are having a greater effect on Auckland because it has a higher percentage of investors to elsewhere.

The Massey University Home Affordability Report advised that prices nationally are now 12.4 times the average wage, compared to 11.4 times in the previous quarter – "driven by an increase in median house prices and a decrease in income in the majority of regions". Two years ago, the price to average wage ratio was 8.9 times.

- The price of residential real estate in Australia has risen by 12.4% for the year to June in the capital cities and by 17.7% in the regions, according to CoreLogic figures - to average 13.5% nationwide. This was the highest annual growth rate in 17 years.

  However, supply is expected to expand at a rapid rate.

  The Australian Financial Review said (13/07/21):

  The extension of the federal government's HomeBuilder program will unleash an unprecedented national surge in housing construction, with every state and territory booming above its previous peak simultaneously.

- Industrial property demand in Australia has been boosted by the dislocation to trade supplies, resulting in construction companies and manufacturers requiring additional warehouse space to hold stocks (according to JLL).

  The Australian Financial Review said (12/07/21):

  A reshaping of Australia's economy drove the biggest ever take-up of industrial space in the June quarter, as industries such as construction and manufacturing secured capacity in response to their growing need to hold stock on shore in response to pandemic-disrupted global supply chains.

  Gross industrial space take-up in the second quarter topped 1.18 million square metres, a record that beat the March quarter's then-record 1.15 million square metres, JLL figures show.

Take-up over the past 12 months totalled 3.82 million square metres, a 59% increase on the 10-year average of 2.4 million square metres per annum. This was partly due to the boost the pandemic gave online shopping, but a further large factor was the precariousness of supply chains that has seen timber, steel and even polystyrene run short.

Melbourne had the highest proportion of leasing activity over the quarter, equivalent to 38% of the national total and more than double its long-term average.

John Ryder and Devon Ashby