

New Zealand is at alert level 2, with almost all of the economy open. Treasury estimates that output is reduced by 10 – 15% from normal levels under alert level 2. In the main Budget forecasts, real GDP is forecast to fall sharply in the June quarter resulting in annual GDP declining from 2.8% growth in 2019, to a contraction of -4.6% over the June 2020 year, with GDP falling a further 1% by June 2021. Economic activity is forecast to recover over the remaining three years in the forecast period. The unemployment rate is expected to rise from 4.2% currently, approaching 10% in the September quarter before reducing to 8% by mid-2021.

Traffic volumes and consumer card spending continue to increase as we move through alert levels. Merchandise exports to and from China are of a similar value to the same time last year, but the total value of exports and imports remains lower than the same period last year.

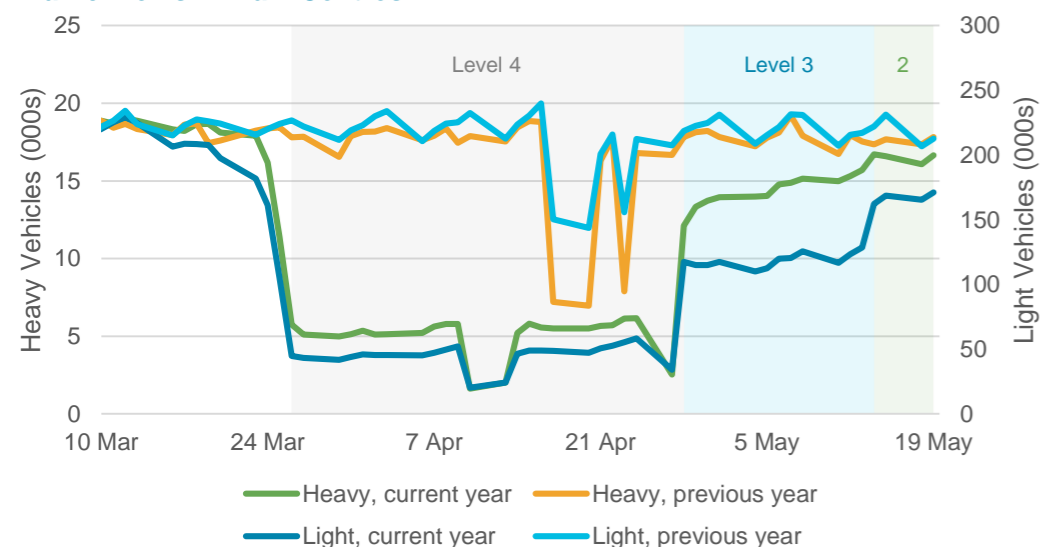
The preliminary May ANZ Business Outlook Survey results show a net 42% of firms expect lower activity in the coming year ahead, compared with a net 55% in April, while a net 35% expect to export less, a net 59% expect profits to decrease and a net 45% of firms expect to lay off staff. Job losses are underway with the number of jobseeker recipients increasing sharply by over 43,000 since 20 March, despite over 1.6 million individuals now being covered by the wage subsidy, and over \$10.9 billion paid out. New job ads on Seek plummeted in April.

As part of the response to COVID-19, the Government has committed to fund up to \$62.1 billion in fiscal support.

## Domestic Economy

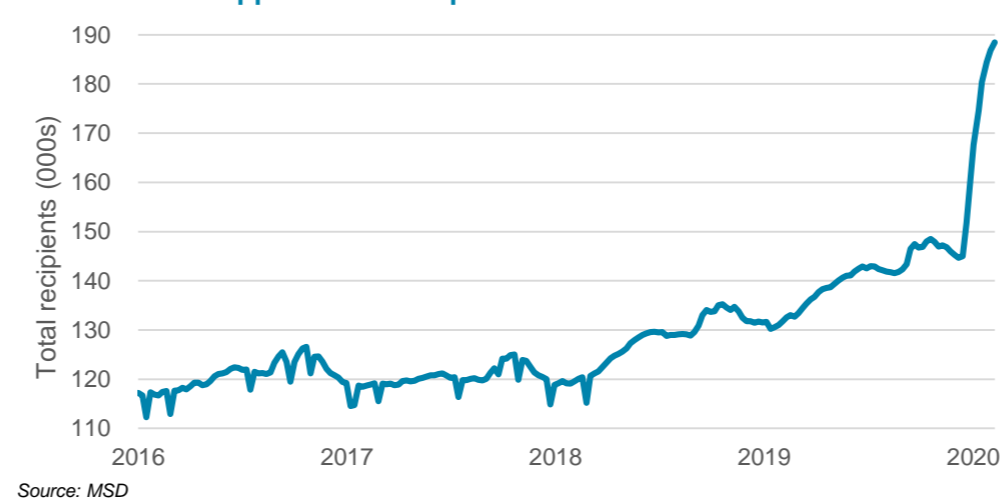
**Traffic flows continue to increase as we move through alert levels.** The additional dips in the graph are due to Easter and ANZAC day.

### Traffic Flows in Main Centres



**The number of Jobseeker benefit recipients continues to increase.** There have been over 43,000 jobseeker recipients since 20 March, though the rate of increase has slowed in the past three weeks. The largest increase by age group has been for 20 – 29 year olds.

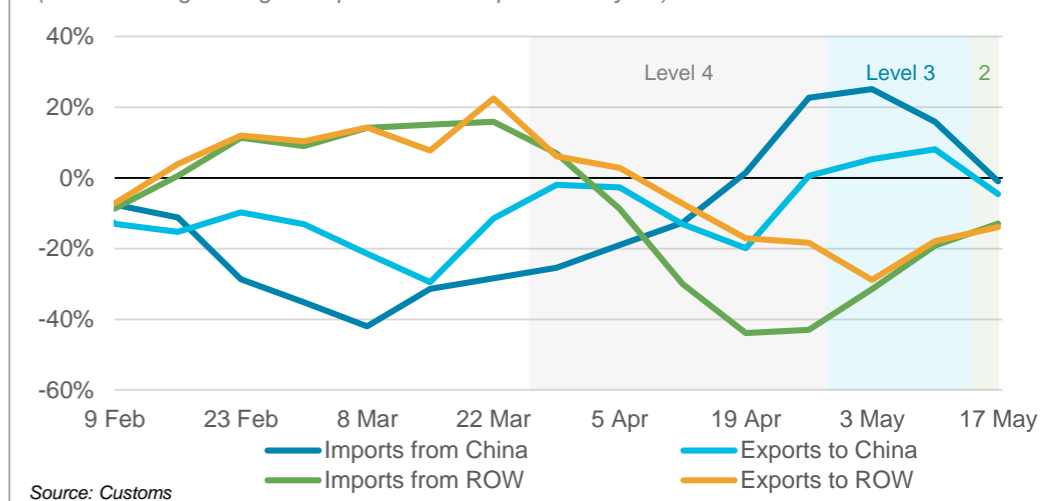
### Jobseeker Support: Total recipients



**NZ merchandise exports and imports to and from China are of similar value to the same time last year, but the total value of exports and imports remain lower.** Outlier values are excluded.

### Weekly NZ Export and Import Value

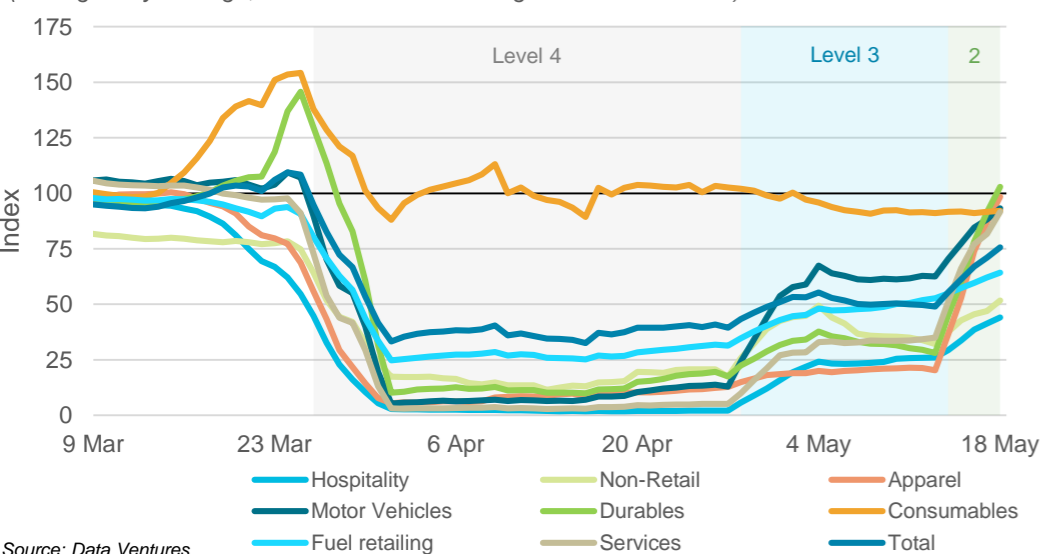
(3 week rolling average compared to same period last year)



**Consumer spending continues to increase as we move through alert levels.**

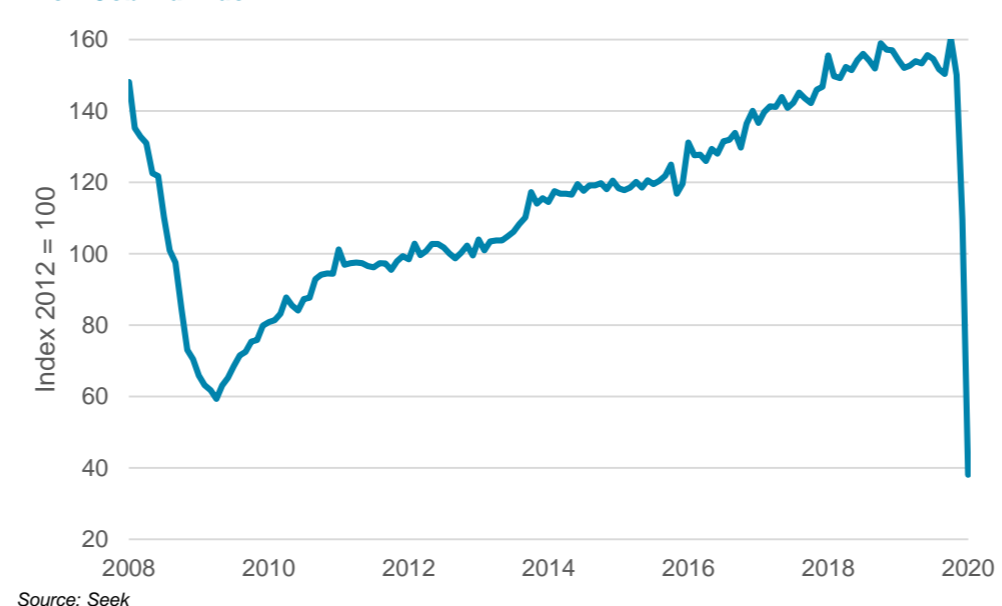
### Total Card Spend by Industry

(Rolling 7 day average, indexed to 100 = average over Jan and Feb)



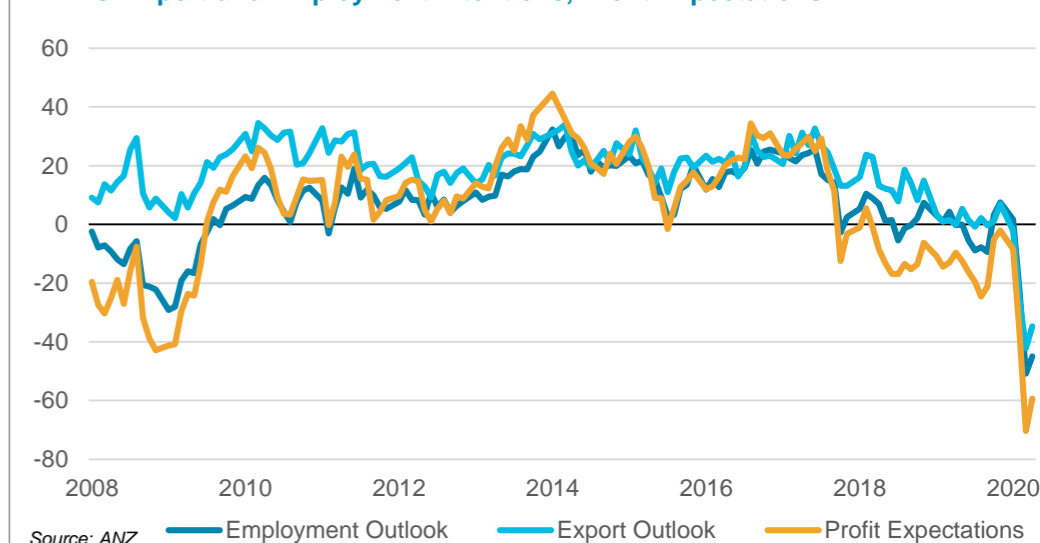
**Seek's new job ad index plummeted in April.**

### New Job Ad Index



**Export and employment intentions have recovered slightly in latest ANZ business outlook survey:** a net 45% of firms expect to reduce employment, a net 35% of firms expect to export less and a net 59% of firms expect lower profits.

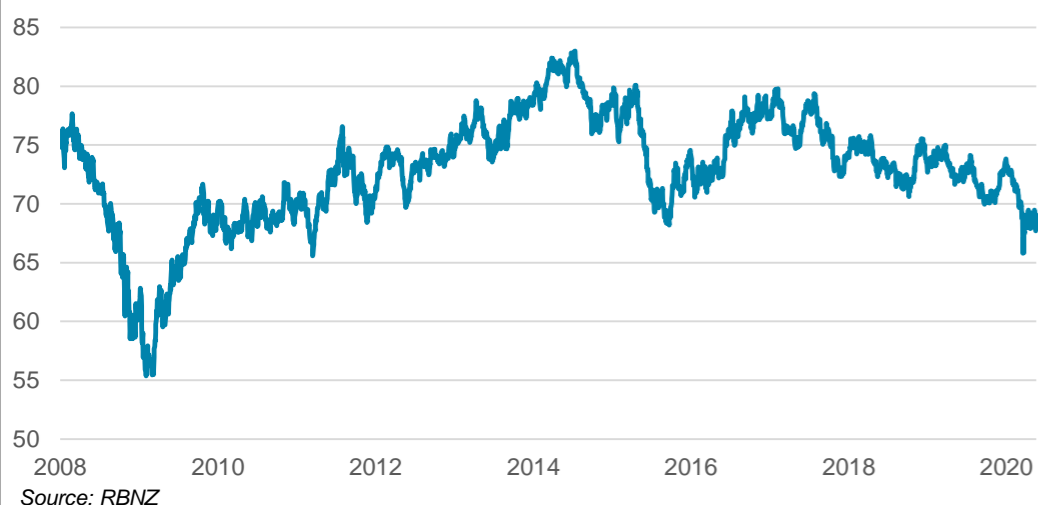
### Firms' Export and Employment Intentions, Profit Expectations



# Financial Conditions and Commodity Export Markets

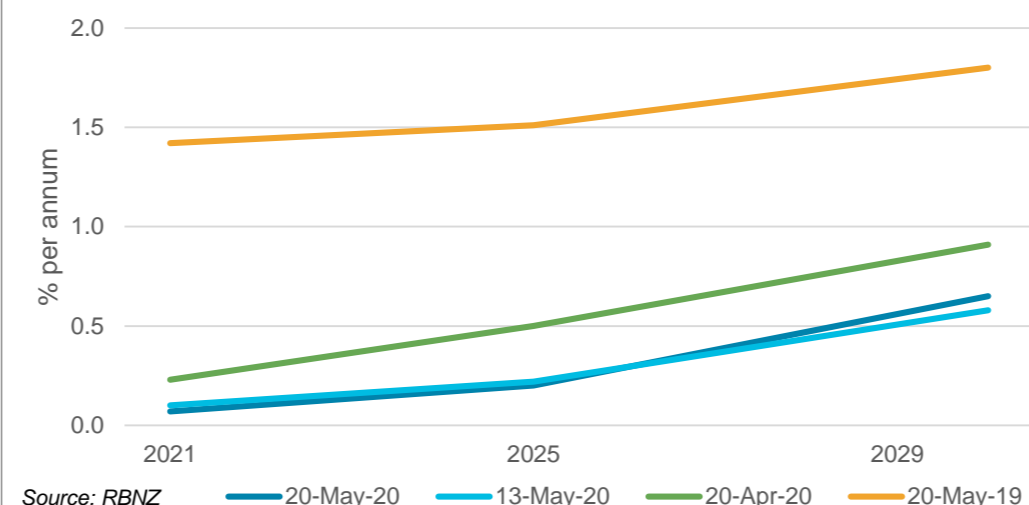
The New Zealand TWI has remained relatively steady in recent weeks, reflecting broadly stable risk sentiment across global markets.

Trade Weighted Exchange Index



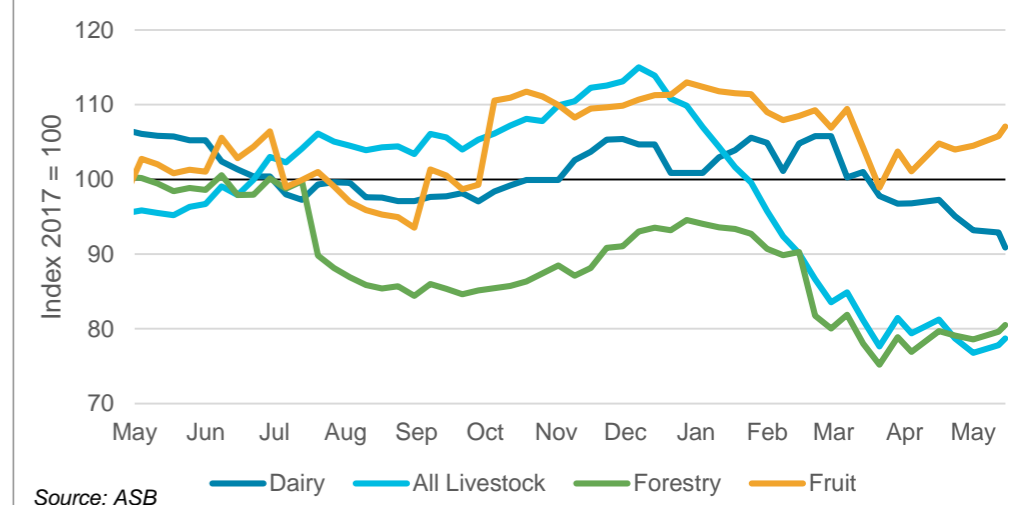
NZ bond yields have been relatively stable in the past week, and are lower than a month ago, reflecting ongoing monetary easing operations.

NZ Government Bond Yield Curves



NZD commodity export prices have weakened relative to recent months' levels.

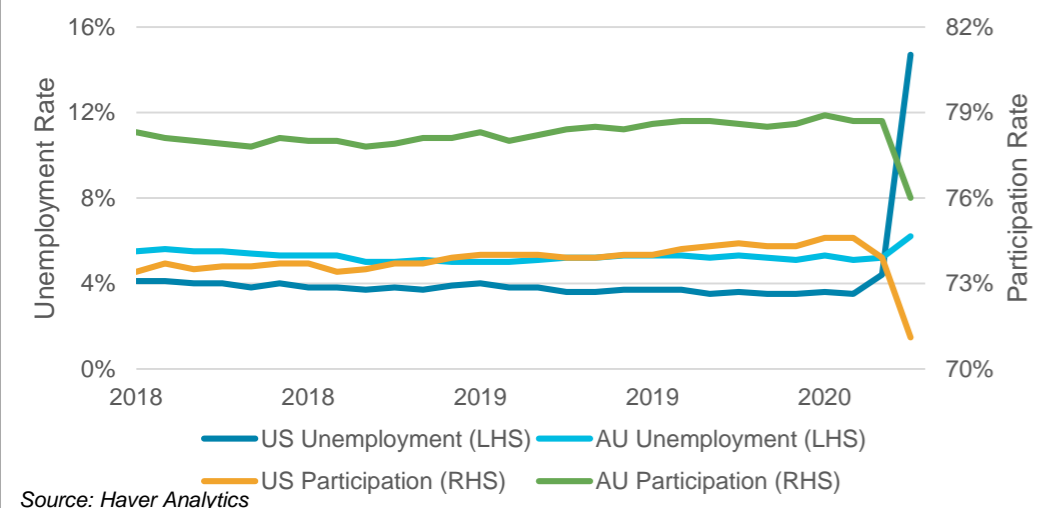
ASB Commodities Index



## International Developments

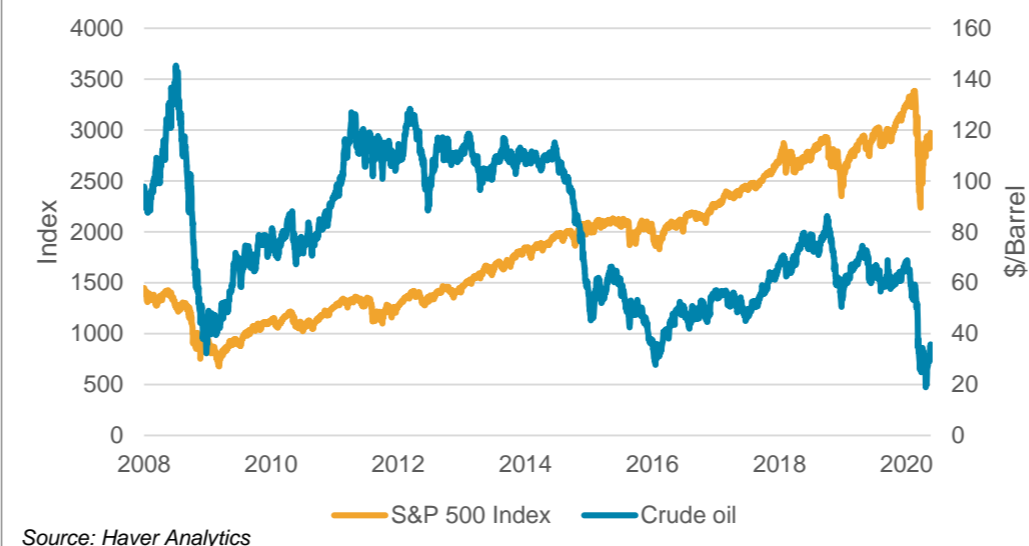
In April, the US unemployment rate rose from 4.4% to 14.7%, and Australia's unemployment rate rose from 1% to 6.2%. Both countries experienced sharp drops in labour force participation rates.

Australia, USA Unemployment and Labour Participation Rates



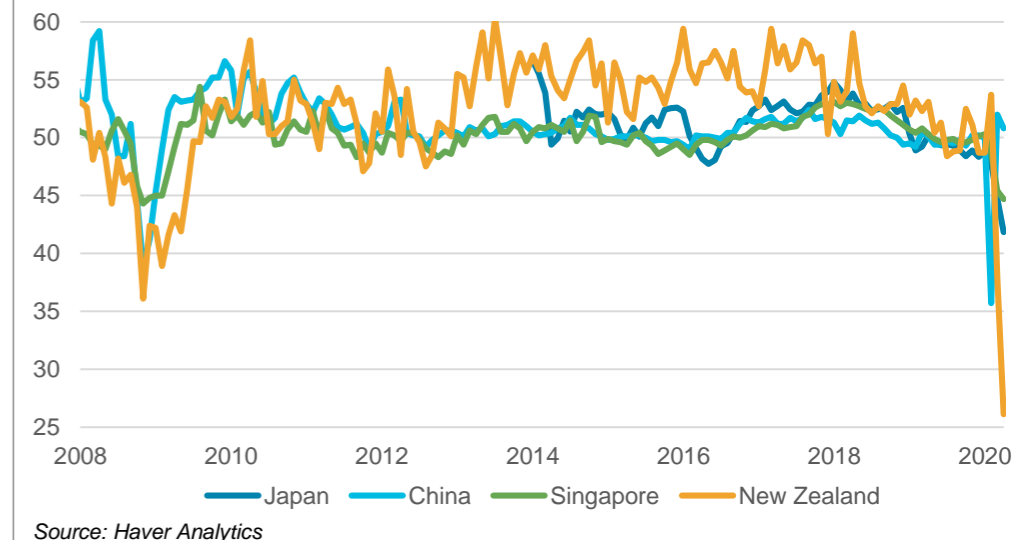
The global business outlook and demand for oil remain weak. Demand for oil is falling as consumption decreases and reserves near capacity.

Market Price of Crude Oil, S&P 500 Index



China's Purchasing Manager's Index (PMI) has rebounded, while New Zealand's PMI has decreased more than other Asia-Pacific countries.

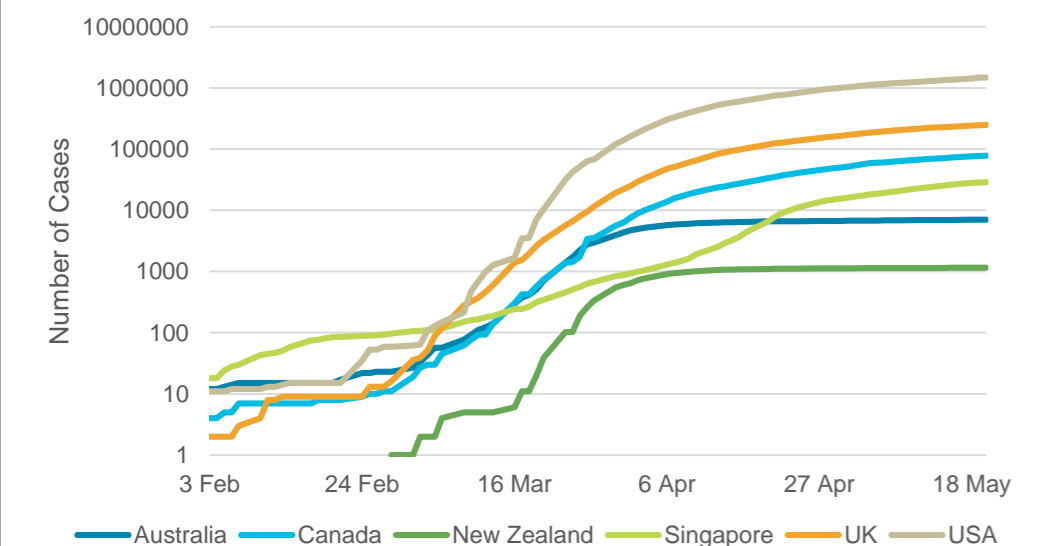
Purchasing Manager's Index



Total cases of infection are beginning to plateau in some developed countries.

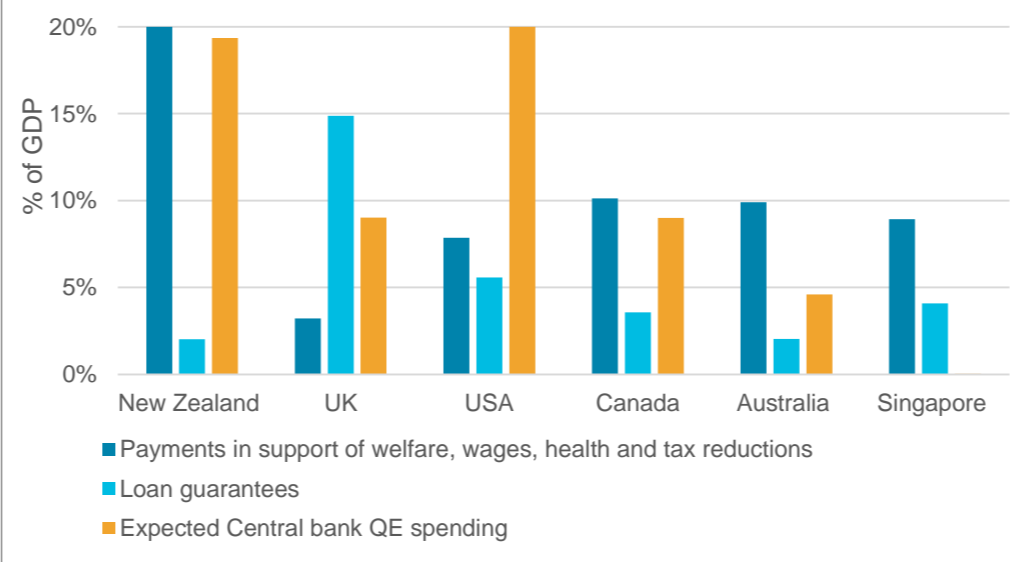
COVID-19 Cases

(logarithmic scale)



New Zealand's fiscal response to date is of a larger scale to other developed countries'.

Comparing International Policy Responses



Australian business confidence indicators have weakened similarly to those for New Zealand. Firms' employment and profitability expectations are sharply declining.

Australian Firms' Export and Employment Intentions, Profit Expectations

