

New Zealand has been at Alert Level 2 for two weeks, with almost all of the economy open. Economic activity has picked up substantially as we have moved through Alert Levels, as demonstrated by increased traffic flows and consumer spending. The value of merchandise imports from China are higher compared to the same time last year, but exports to China are lower. The value of exports and imports to the rest of the world remain lower than the same time last year. International prices for NZ commodity exports have weakened since the beginning of the year, although forestry prices have increased sharply in the past week. New Zealand's trade weighted index is relatively steady.

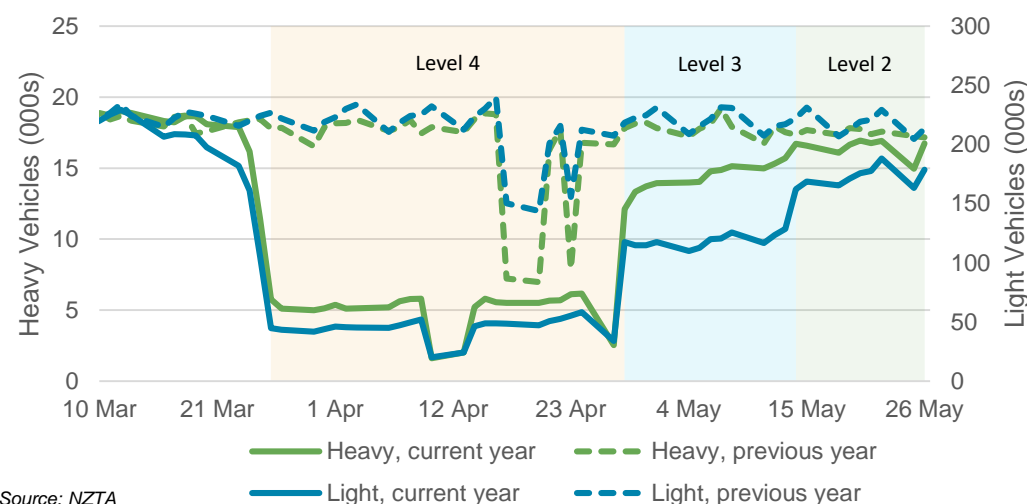
Treasury estimates that output is reduced by 10 – 15% from normal levels under alert level 2. In the main Budget forecasts, real GDP is forecast to fall sharply in the June quarter resulting in annual GDP declining from 2.8% growth in the June 2019 year, to a contraction of -4.6% over the June 2020 year, 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.

As part of the response to COVID-19, the Government has committed to fund up to \$62.1 billion in fiscal support. The number of Jobseeker recipients has increased 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. The Small Business Cashflow Scheme has paid out over \$1 billion to over 60,000 applicants to date.

Domestic Economy

Traffic flows continue to increase substantially as we move through Alert Levels, and are nearing 2019 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 has increased steeply with over 43,000 new applicants since 20 March, though new applications have slowed in the past four weeks. The largest increase by age group has been for 20 – 29 year olds.

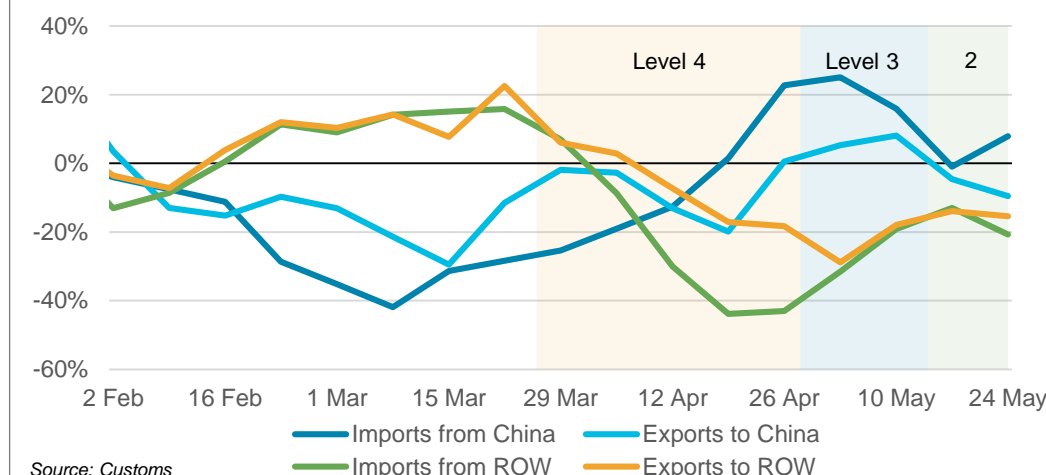
Jobseeker Support: Total Recipients



NZ merchandise imports from China are higher than last year, but exports to China are lower. Exports and imports to and from the rest of the world (ROW) remain lower than last year. Outlier values are excluded.

Weekly NZ Export and Imports

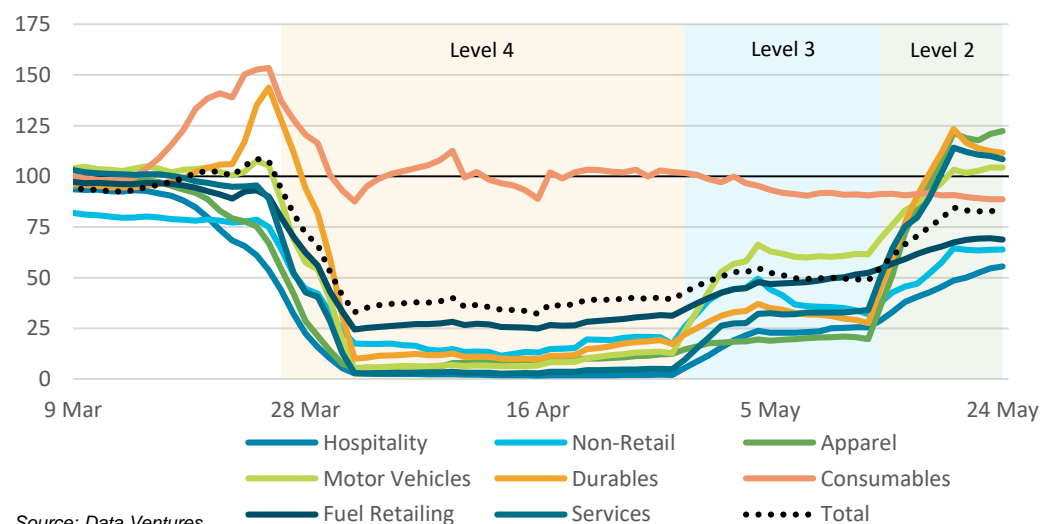
(3 week rolling average compared to same period last year)



Consumer spending has increased further in Alert Level 2, with some categories reaching levels seen in January and February.

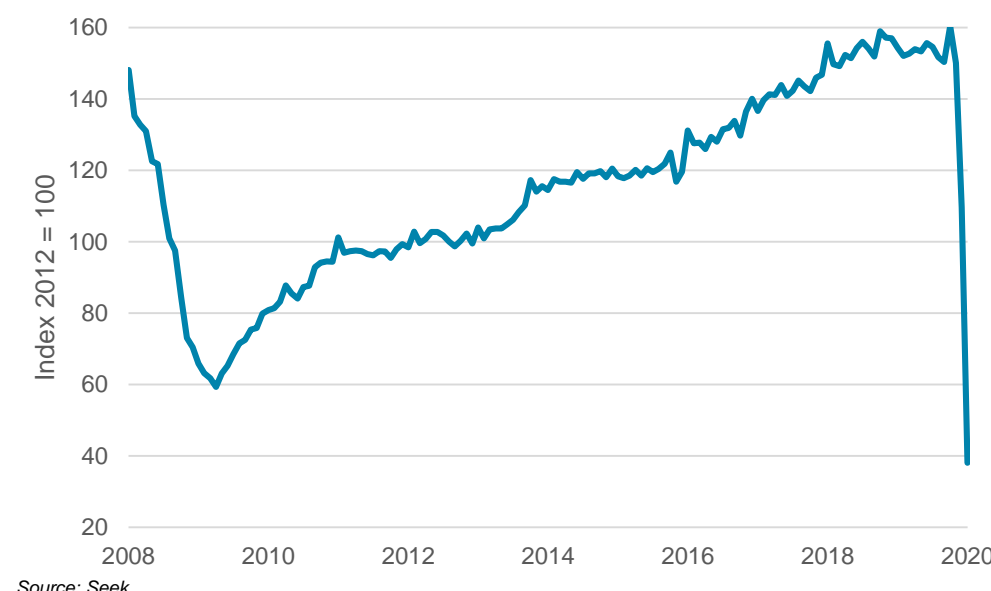
Total Card Spend by Industry

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



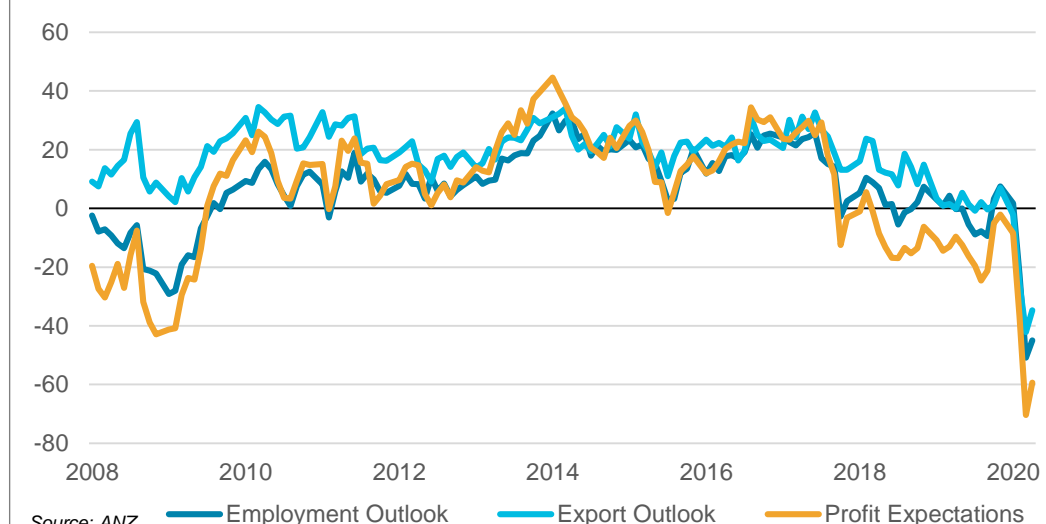
Seek's new job ad index plummeted in April.

New Job Ad Index



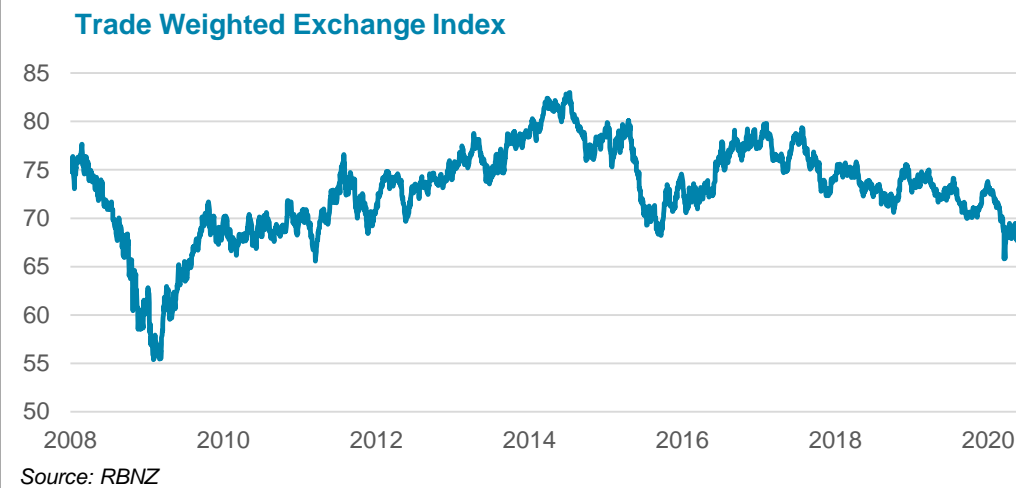
Export and employment intentions have recovered slightly in latest ANZ business outlook survey: a net 45% of firms expect to reduce employment, a net 35% of firms expect to export less and a net 59% of firms expect lower profits.

Firms' Export and Employment Intentions, Profit Expectations

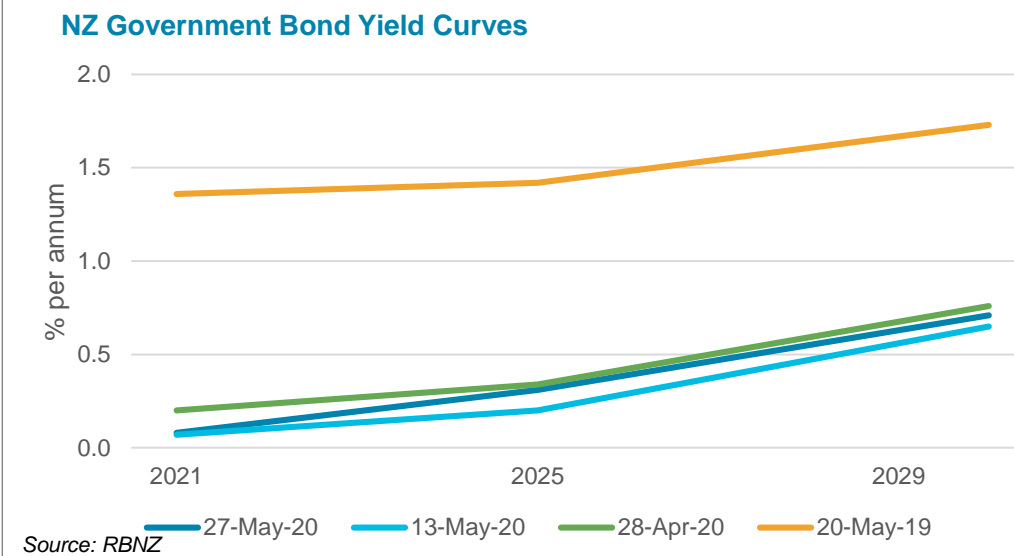


Financial Conditions and Commodity Export Markets

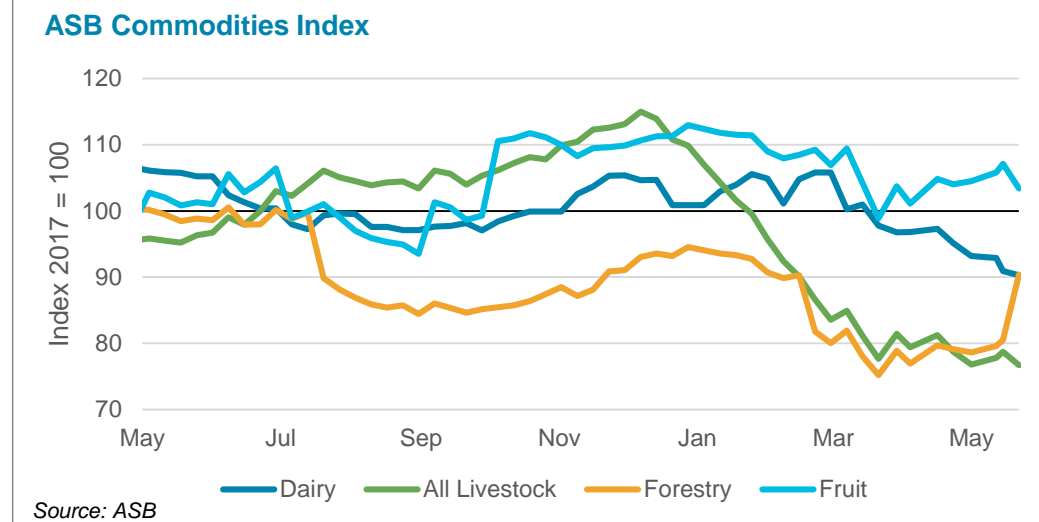
The New Zealand TWI has remained relatively steady in recent weeks, with risk sentiment improving slightly in global markets. On a bilateral basis, the NZD has fallen against the AUD and risen slightly against the USD in recent weeks.



NZ bond yields have been relatively stable in the past month, reflecting ongoing monetary easing operations.

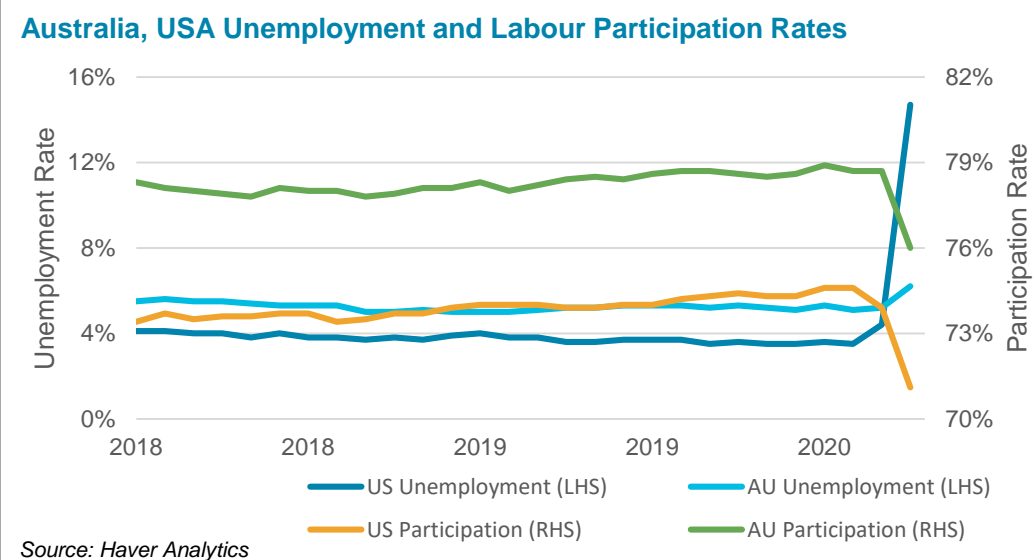


International prices for some NZ commodity exports have weakened since the beginning of the year, but this is partially offset by the fall in the NZD over this period. The forestry index has risen by 12.3% since last week.

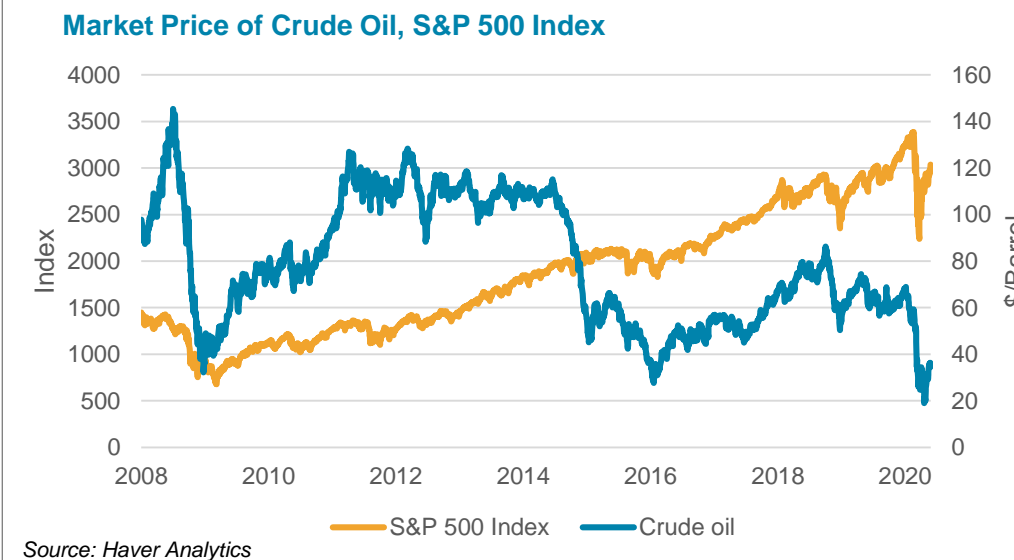


International Developments

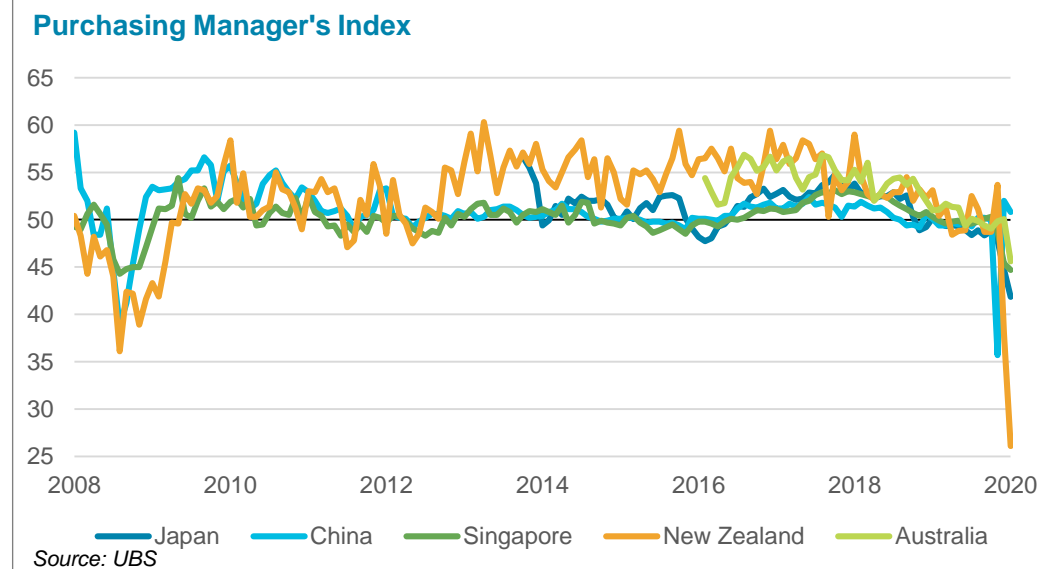
In April, the US unemployment rate rose from 4.4% to 14.7%, and Australia's unemployment rate rose from 5.2% to 6.2%. Both countries experienced sharp drops in labour force participation rates.



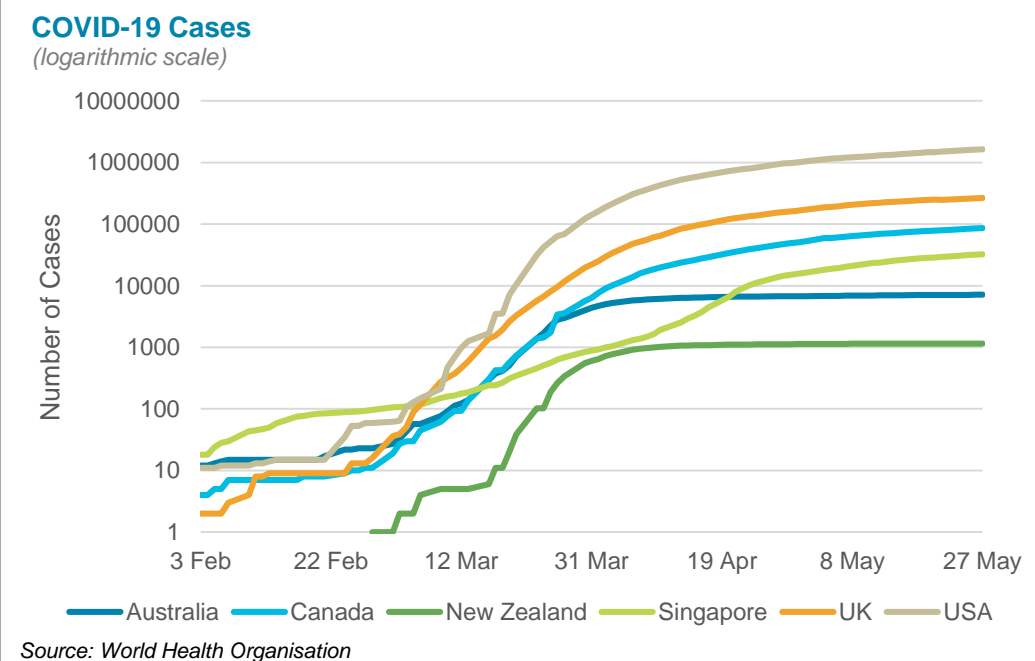
The global business outlook and demand for oil remain weak but with some signs of improvement recently. Demand for oil is showing early signs of increasing as lockdown measures begin to ease.



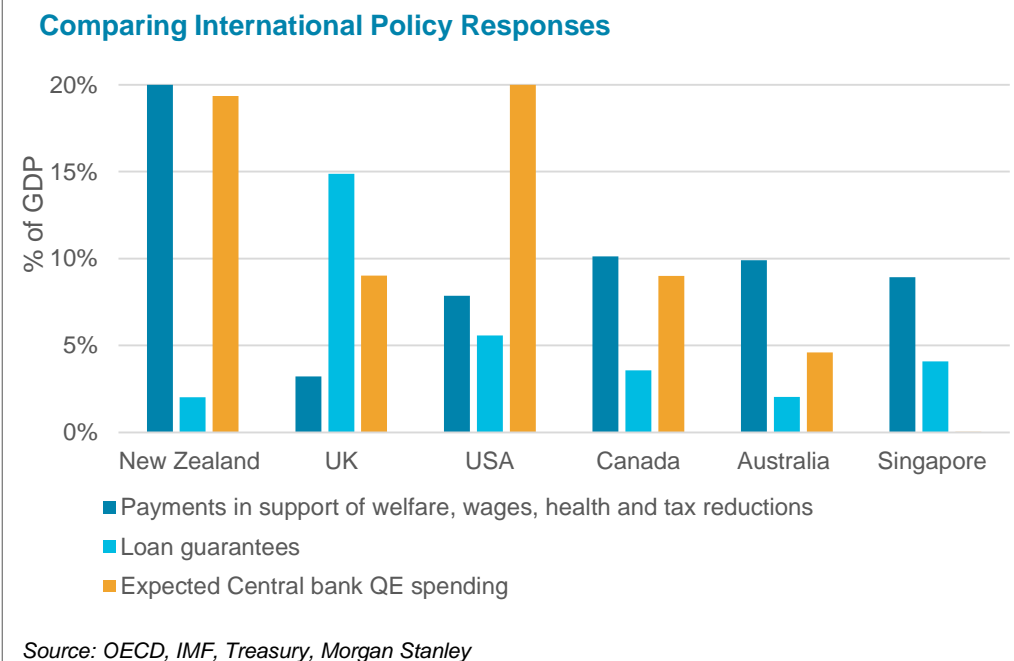
China's Purchasing Manager's Index (PMI) has rebounded, while New Zealand's PMI has decreased more than other Asia-Pacific countries.



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



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



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

