

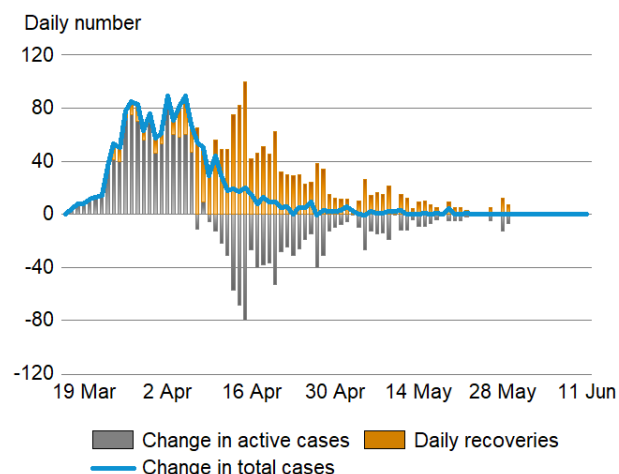
New Zealand has zero active cases of COVID-19, and all restrictions within the country have been lifted. Retail spending has remained steady, though growth in Jobseeker support numbers appears to be rising again. Building activity fell sharply in the March quarter, partly driven by Alert Level 4 restrictions in the final week of the quarter. Manufacturing sales also fell, though wholesale trade was boosted by grocery demand. Business confidence continued to recover in the preliminary June reading of the ANZ Business Outlook survey, though forward-looking indicators remain very weak.

Employment data from the US and Canada surprised on the upside, but remain much weaker than pre-COVID-19. In Australia, business conditions recovered in May and the Treasury Secretary said that the economic hit from the pandemic is likely to be less bad than previously forecast. The news from Europe was not as good, with a sharp fall in German industrial production, and broad-based March quarter GDP declines in the euro area. The OECD presented a dire outlook for the global economy in their latest quarterly update, highlighting the significant downside risks to the international outlook.

### The curve has flat-lined...

New Zealand has zero active cases of COVID-19. Since the last new case was reported on 22 May, over 50,000 people have been tested without a single positive result.

**Figure 1: Daily COVID-19 cases in New Zealand**



Source: Ministry of Health

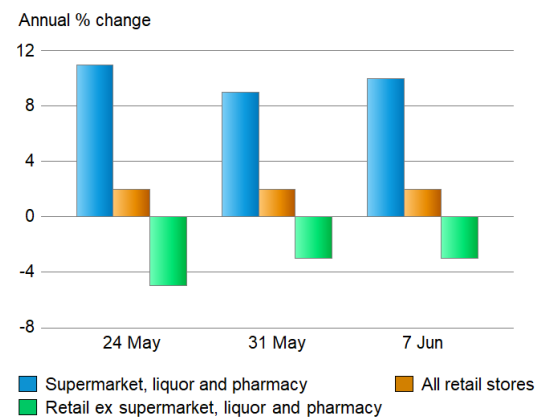
### ...and restrictions within NZ are now lifted

New Zealand moved to Alert Level 1 at midnight on 8 June, lifting all restrictions within the country's borders. Some New Zealand banks have stated that the move to Level 1 came much sooner than they had initially assumed in their economic forecasts, potentially bringing the recovery forward.

### Retail spending remains steady...

Retail card spending has been slightly above 2019 levels for the past three weeks, according to data from Paymark (Figure 2). When excluding spending on consumables like groceries, which has been elevated throughout the Alert Levels, retail spending remains down compared to last year.

**Figure 2: Retail card spending**

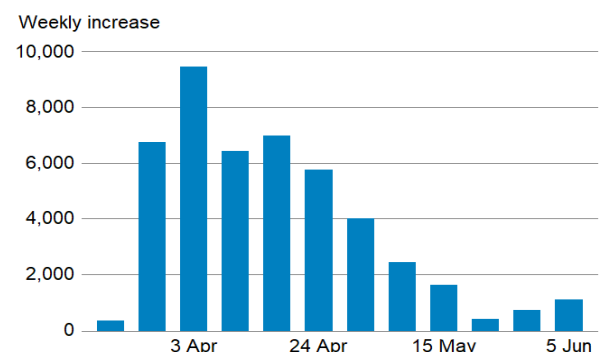


Source: Paymark

### ...though Jobseeker growth is rising again

The number of Jobseeker Support recipients reached 190,600 on 5 June, an increase of 1,100 on the previous week. Although weekly numbers growth remains well below that seen in April, it has picked up again in the last two weeks (Figure 3).

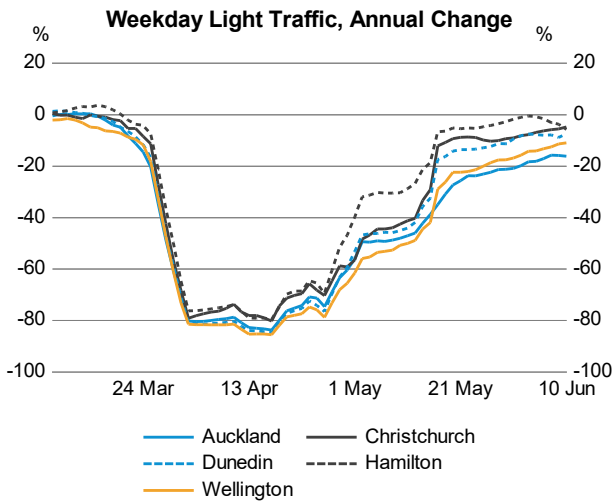
**Figure 3: Weekly growth in Jobseeker support**



Source: MSD

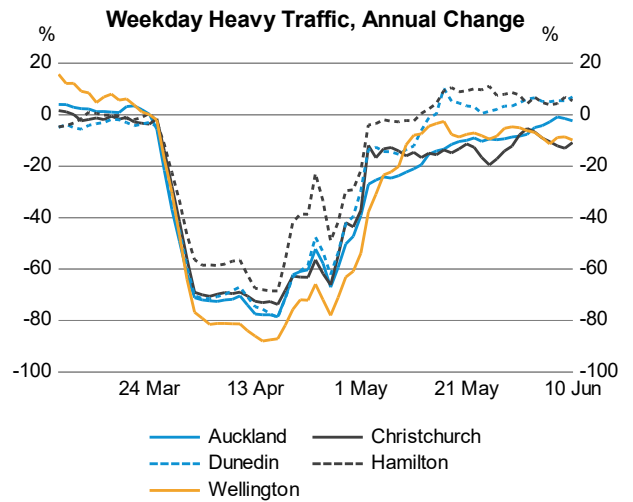
# High-Frequency Indicators

## Traffic Movement



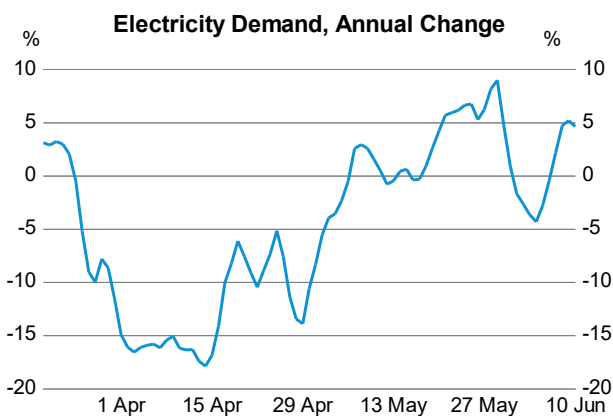
Source: Waka Kotahi NZ Transport Agency

## Freight Movement



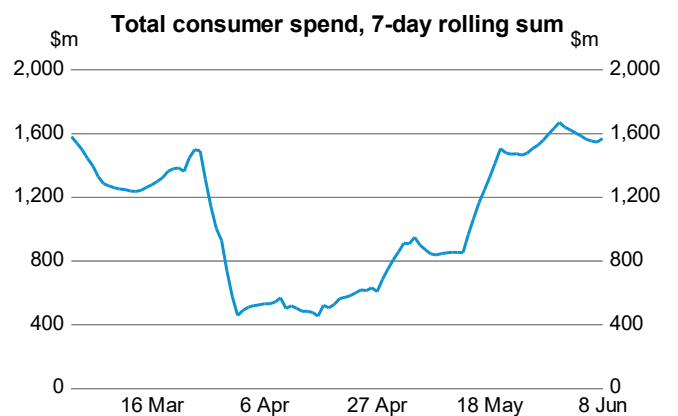
Source: Waka Kotahi NZ Transport Agency

## Electricity Demand



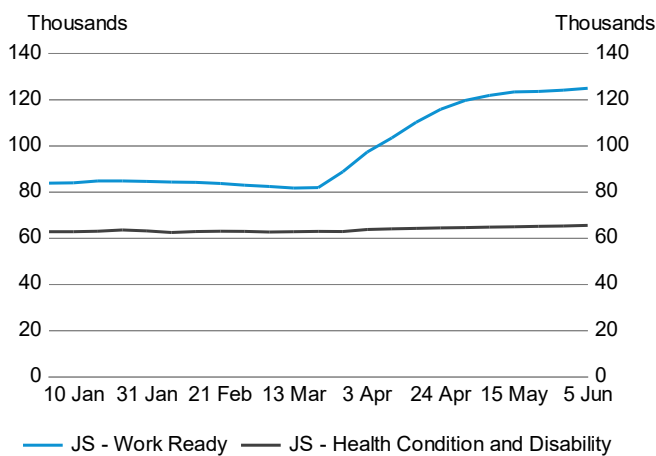
Source: Electricity Authority

## Retail Spending



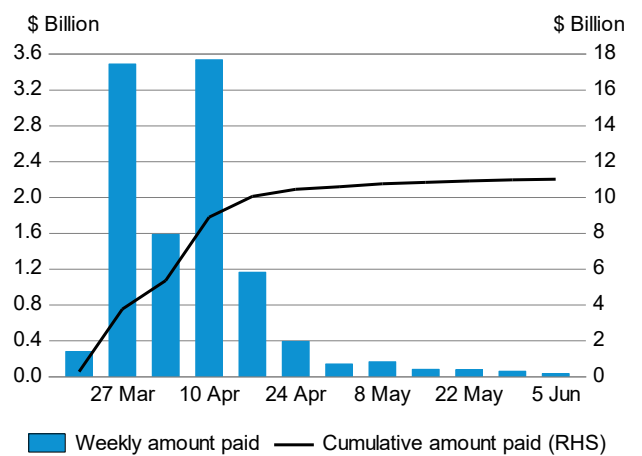
Source: Paymark and Verifone data via Data Ventures

## Job Seeker Support



Source: MSD

## Fiscal Support: Wage Subsidy (paid)

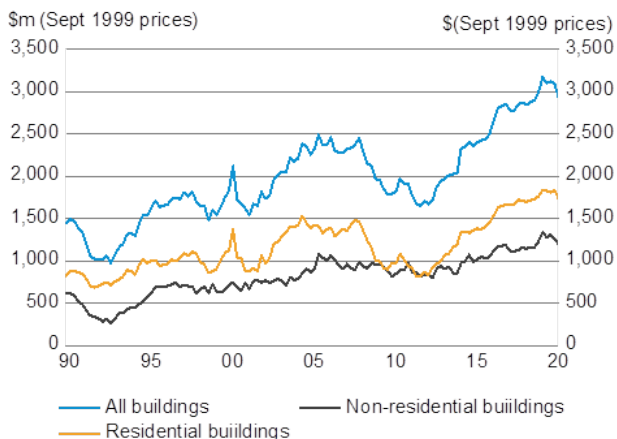


Source: MSD

### **Building work put in place falls sharply**

Building activity fell 5.7% in the March quarter, following a 0.9% fall in the December quarter. Both residential and non-residential activity fell, down 5.8% and 5.6% respectively (Figure 4).

**Figure 4: Building work put in place**



Source: Stats NZ

The fall was partly driven by restrictions on activity at the end of March when the country moved to Alert Level 3 and then Alert Level 4. Falling volumes of work put in place led to a fall in the value of building work put in place, with declines across much of the country. Auckland and Canterbury led the quarterly declines, with values of work put in place falling 7.2% and 6.1% respectively.

Survey respondents were asked to note factors that might influence their building projects, and almost all said a delay was the most likely factor to influence their projects. Uncertainties around income streams, the future health of supply chains, and lower levels of confidence in the housing market will all weigh on future building plans. This is expected to dampen growth prospects over the coming year. While increased Government spending will provide some offset, building activity is expected to fall further in June quarter as the full effects of the lockdown come into play, when non-essential construction activity was all but halted.

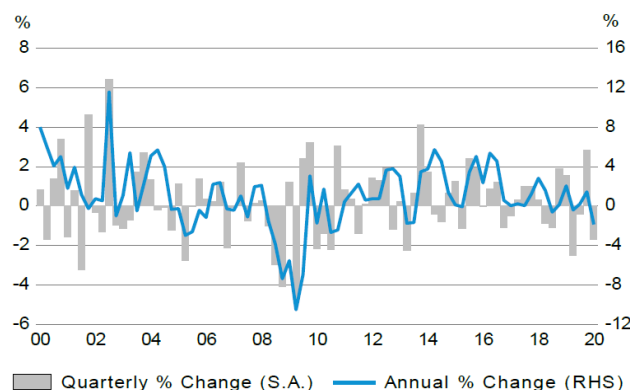
The fall in residential building activity points to a larger contraction in residential investment than we forecast in BEFU. Offsetting this, the 0.7% fall in retail sales volumes may indicate that the fall in private consumption was a little smaller than we were picking, leaving our GDP pick for the March quarter relatively unchanged.

### **Manufacturing sales volumes fall...**

Manufacturing sales volumes fell 1.7% in the March 2020 quarter following a 2.8% rise in the December quarter (Figure 5).

Sales volumes for 8 of the 13 industries fell in the quarter but these were partly offset by strong rises in wood and paper products (up 3.4%), beverage and tobacco products (up 4.4%) and fruit, oil, cereal and other manufacturing (up 1.2%). These industries produce goods for supermarkets, which experienced record sales ahead of lockdown.

**Figure 5: Manufacturing sales volumes**



Source: Stats NZ

Petroleum and coal products sales volumes fell 3.3% as travel restrictions and the lockdown stymied demand. As a result, stocks of finished petroleum and coal manufacturing goods rose 27% in the quarter.

Meat and dairy product manufacturing sales volumes fell 0.4%, weighed down by supply chain disruptions associated with the COVID-19 pandemic and localised droughts and floods.

### **...and grocery spend boosts wholesale activity**

Wholesale trade sales rose 0.6% in the March 2020 quarter, following a 0.4% rise in the December quarter. Grocery, liquor and tobacco product wholesaling rose by 4.1% (\$354 million), the largest dollar value increase in the industry in over 20 years, as people stocked up ahead of lockdown at the end of March. Higher kiwifruit sales also boosted grocery wholesaling. Motor vehicle and motor vehicle parts wholesaling fell 5.4% in the March quarter, reflecting the effect of the lockdown.

### **Business confidence continues to recover**

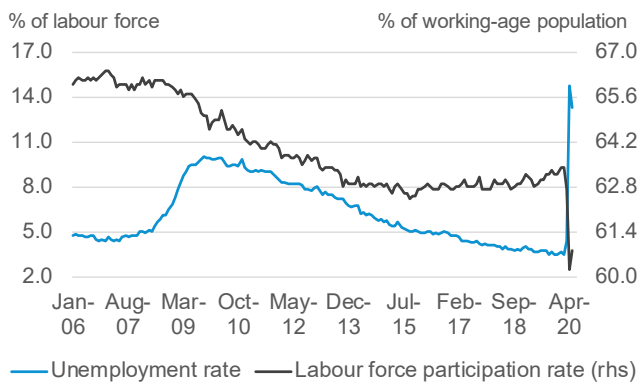
Business confidence lifted another 9 points from May to -33% in the preliminary June read of the ANZ Business Outlook survey, but still remains firmly in negative territory. Own activity indicators

recovered, up 10 points, to a net 29% of firms now expecting lower activity for their firm in the year ahead. Despite this improvement, forward-looking indicator levels remain very weak. A net 37% of firms expect to cut jobs. One-year ahead inflation expectations remain weak at 1.35% and pricing intentions have only just turned positive.

**US employment data surprise on the upside**

United States (US) payrolls for May increased by 2.5 million, compared to market expectations of a 7.5 million decline (this was the largest deviation between expectations and actual on record). There were large employment increases in sectors that saw severe job losses in March and April, including leisure and hospitality, construction, and retail trade, while government employment continued to decline. The official unemployment rate declined by 1.4 percentage points to 13.3% (against expectations it would increase to 19%), while the number of unemployed people fell by 2.1 million. Though the unexpected bounce-back in May is positive, the unemployment rate is still some 9.8 percentage points higher than before the COVID-19 pandemic. Following its sharp decline in April (by 2.5 percentage points), the labour force participation rate increased by 0.6 percentage points in May to 60.8%.

**Figure 6: United States labour market data**



Source: Bureau of Labor Statistics / Haver Analytics

In a similar vein, employment in Canada increased by 290,000 against expectations of a 500,000 decline. In March and April, employment fell by more than three million people. The labour force participation rate also increased in May, which meant that despite the rise in employment, the unemployment rate increased from 13.0% to 13.7%.

**Australia business activity recovers...**

National Australia Bank's (NAB) index of business conditions recovered to -24 in May from -34 in April. This is still well below the long-run average of +6 and similar to activity levels seen during the global financial crisis. NAB's measure of business confidence improved from -46 to -20.

Meanwhile, the ANZ-Roy Morgan consumer confidence index fell by 1.3% last week, ending a nine-week run of consecutive increases. The weakness was mainly due to a 5.7% decline in the 'time to buy a major household item' component. Current economic conditions increased by 1.6%, but future economic conditions fell by 1.6%, suggesting that consumers remain cautious about their future income prospects.

Australia's Treasury Secretary said that the economic hit from COVID-19 is likely to be less severe than previously forecast, with unemployment now expected to reach around 8% by September, compared to a previous forecast of 10%.

**...but German industrial production declines...**

German industrial production fell by 17.9% in April compared to the previous month. This was a steeper fall than the previous record set in March, and slightly worse than market expectations of a 16% decline. This brings the total decline in industrial production between February and April to more than 25%. The April decline was led by a 35% fall in capital goods, mainly due to a 75% reduction in vehicle production. While higher-frequency data suggest that activity has started to recover in May, remains well below pre-crisis levels.

**...and euro area GDP falls sharply...**

GDP in the euro area declined by 3.6% in the March quarter compared to the previous quarter, while employment fell 0.2%. This was the sharpest decline in GDP since the inception of the time series in 1995. There was significant variation in member country performance, ranging from declines of more than 5% in France, Italy and Spain, to more measured contractions in Germany and the Netherlands. Three countries still managed positive growth, namely Ireland, Romania, Bulgaria, and Sweden. For the euro area as a whole, household consumption declined by 4.7%, investment by 4.3%, and exports by 4.2%.

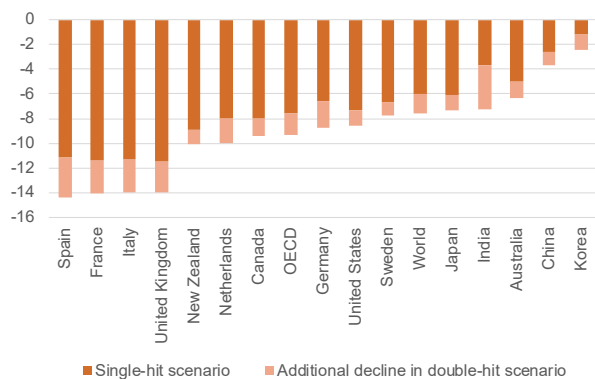
**...as the ECB increases stimulus**

The European Central Bank (ECB) has expanded its Pandemic Emergency Purchasing Programme (PEPP) by €600bn, taking the overall package to €1.35trn. This came in response to a reduction in the ECB's forecasts for euro area GDP and inflation. In the central bank's June projections, real GDP for the region declines by 8.7% in 2020, while inflation falls to just 0.3%, far below the targeted 2%. In a scenario where there is a strong resurgence in COVID-19 infections that necessitate the reintroduction of stringent containment measures, real GDP is forecast to contract by 12.6% in 2020.

**The OECD presents a dire outlook...**

The OECD published their latest Economic Outlook report, in which it projected the global economy to contract by 6% this year if there is no second wave of COVID-19 infections and by 7.6% if there is a second wave towards the latter part of this year (Figure 7). They see these two scenarios as equally likely. The OECD is more pessimistic than the World Bank, which forecast earlier this week in its Global Economic Prospects report that the world economy would contract by 5.2% in 2020.

**Figure 7: OECD 2020 real GDP growth forecasts, selected countries**



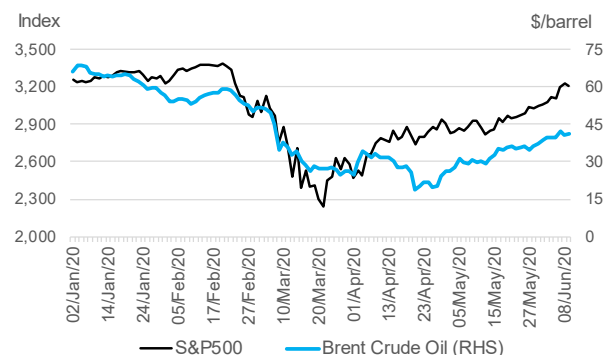
Source: OECD

**...and risk sentiment turns negative**

Equity markets initially increased over the past week on the back of improving risk sentiment. Brent crude oil climbed above \$40/barrel for the first time since early March (Figure 8). OPEC+ is due to meet next week and may decide to extend its production cuts for another month, although this is likely already priced in by markets. However, on Thursday, risk sentiment deteriorated, with the S&P500 down almost 6%. This was driven by a downbeat economic outlook by the US Federal Reserve Bank, as well as some indications that

virus infection rates are picking up again in some US states.

**Figure 8: S&P500 and oil price**



Source: Haver Analytics

Nonetheless, lockdown restrictions have continued to be relaxed in a number of regions, infection rates are declining in places, and investors are optimistic that the economic fall-out from the COVID-19 pandemic may be less bad than initially feared. This view is being supported to some extent by high-frequency data, including the better-than-expected labour market data from the US. That being said, activity levels remain well below normal, and financial markets continue to be propped up by large amounts of fiscal and monetary stimulus. As such, the pace of recovery remains highly uncertain.

Date	Key NZ Data	Previous
17 June	Balance of Payments (Current account)	3.0% of GDP
18 June	GDP	+ 0.5%

Quarterly Indicators		2018Q4	2019Q1	2019Q2	2019Q3	2019Q4	2020Q1
Real Production GDP (1)	qpc	1.0	0.4	0.0	0.8	0.5	...
	aapc	3.2	3.1	2.9	2.7	2.3	...
Current account balance (annual)	%GDP	-3.8	-3.6	-3.4	-3.3	-3.0	...
Merchandise terms of trade	apc	-4.8	-1.9	-1.0	0.9	7.1	5.3
CPI inflation	qpc	0.1	0.1	0.6	0.7	0.5	0.8
	apc	1.9	1.5	1.7	1.5	1.9	2.5
Employment (HLFS) (1)	qpc	0.1	-0.1	0.6	0.2	0.1	0.7
Unemployment rate (1)	%	4.3	4.1	4.0	4.1	4.0	4.2
Participation rate (1)	%	70.7	70.3	70.3	70.4	70.1	70.4
LCI salary & wage rates - total (2)	apc	1.9	2.0	2.1	2.5	2.6	2.5
QES average hourly earnings - total (2)	apc	3.1	3.4	4.4	4.2	3.6	3.6
Core retail sales volume	apc	5.0	3.9	3.6	5.4	3.3	4.0
Total retail sales volume	apc	3.5	3.3	2.9	4.5	3.3	2.3
WMM - consumer confidence (3)	Index	109.1	103.8	103.5	103.1	109.9	104.2
QSBO - general business situation (1,4)	net%	-22.6	-26.5	-32.0	-38.1	-27.7	-67.3
QSBO - own activity outlook (1,4)	net%	14.3	6.3	-3.7	-0.6	5.3	-12.7

Monthly Indicators		Dec 19	Jan 20	Feb 20	Mar 20	Apr 20	May 20
Merchandise trade balance (12 month total)	NZ\$m	-4467	-3927	-3300	-3403	-2496	...
Dwelling consents - residential	apc	24.1	2.7	6.0	-8.3	-16.8	...
House sales - dwellings	apc	16.9	7.7	13.4	1.6	-78.5	...
REINZ - house price index	apc	6.5	6.9	8.5	9.1	8.5	...
Estimated net migration (12 month total)	people	58556	62177	66515	71456	...	...
ANZ NZ commodity price index	apc	12.2	7.7	6.6	5.8	0.9	-2.6
ANZ world commodity price index	apc	8.7	5.1	0.1	-5.8	-9.2	-9.3
ANZBO - business confidence	net%	-13	...	-19	-64	-67	-42
ANZBO - activity outlook	net%	17	...	12	-27	-55	-39
ANZ-Roy Morgan - consumer confidence	net%	123	123	122	106	85	97

Daily Indicators		Wed 3/6/20	Thu 4/6/20	Fri 5/6/20	Mon 8/6/20	Tue 9/6/20	Wed 10/6/20
<b>NZ exchange and interest rates (5)</b>							
NZD/USD	\$	0.6414	0.6418	0.6470	0.6520	0.6558	0.6513
NZD/AUD	\$	0.9235	0.9301	0.9320	0.9350	0.9359	0.9361
Trade weighted index (TWI)	index	71.3	71.5	71.9	72.3	72.5	72.1
Official cash rate (OCR)	%	0.25	0.25	0.25	0.25	0.25	0.25
90 day bank bill rate	%	0.26	0.26	0.26	0.26	0.26	0.25
10 year govt bond rate	%	0.86	0.94	0.95	1.01	0.99	0.94
<b>Share markets (6)</b>							
Dow Jones	index	26270	26282	27111	27572	27272	26990
S&P 500	index	3123	3112	3194	3232	3207	3190
VIX volatility index	index	25.7	25.8	24.5	25.8	27.6	27.6
AU all ords	index	6065	6112	6116	...	6263	6269
NZX 50	index	11118	11223	11172	11524	11299	11261
<b>US interest rates</b>							
3 month OIS	%	0.06	0.06	0.07	0.07	0.07	...
3 month Libor	%	0.33	0.32	0.31	0.31	0.31	...
10 year govt bond rate	%	0.77	0.82	0.91	0.88	0.84	0.75
<b>Commodity prices (6)</b>							
WTI oil	US\$/barrel	37.29	37.41	39.49	38.17	38.98	...
Gold	US\$/ounce	1705	1700	1683	1690	1714	...
CRB Futures	index	368	368	369	369	369	...

(1) Seasonally Adjusted

(2) Ordinary time, all sectors

(3) Westpac Mcdermott Miller

(4) Quarterly Survey of Business Opinion

(5) Reserve Bank (11am)

(6) Daily close

*Data in Italic font are provisional*

... Not available

Country	Indicator		Nov 19	Dec 19	2019Q4	Jan 20	Feb 20	Mar 20	2020Q1	Apr 20	May 20	Jun 20
<b>United States</b> [9.6% share of total goods exports]	GDP (1)	qpc			0.5				-1.3			
	Industrial production (1)	mpc	0.9	-0.4		-0.5	0.1	-4.5		-11.2	...	...
	CPI	apc	2.1	2.3		2.5	2.3	1.5		0.3	0.1	...
	Unemployment rate (1)	%	3.5	3.5		3.6	3.5	4.4		14.7	13.3	...
	Employment change (1)	000s	261.0	184.0		214.0	251.0	-1373.0		-20687.0	2509.0	...
	Retail sales value	apc	3.3	5.6		4.9	4.5	-5.7		-21.6	...	...
	House prices (2)	apc	2.6	2.8		3.1	3.5	3.9		...	...	...
<b>Japan</b> [6.1%]	PMI manufacturing (1)	index	48.1	47.8		50.9	50.1	49.1		41.5	43.1	...
	Consumer confidence (1)(3)	index	126.8	128.2		130.4	132.6	118.8		85.7	86.6	...
	GDP (1)	qpc			-1.9				-0.6			
	Industrial production (1)	mpc	-0.6	0.2		1.9	-0.3	-3.7		-9.1	...	...
	CPI	apc	0.5	0.8		0.6	0.5	0.4		0.2	...	...
	Unemployment rate (1)	%	2.2	2.2		2.4	2.4	2.5		2.6	...	...
	Retail sales value	apc	-2.1	-2.6		-0.4	1.6	-4.7		-13.7	...	...
<b>Euro area</b> [5.5%]	PMI manufacturing (1)	index	48.9	48.4		48.8	47.8	44.8		41.9	38.4	...
	Consumer confidence (1)(4)	index	38.7	39.0		39.2	38.2	31.1		21.3	24.1	...
	GDP (1)	qpc			0.1				-3.6			
	Industrial production (1)	mpc	-0.5	-1.6		1.9	-0.1	-11.3		...	...	...
	CPI	apc	1.0	1.3		1.4	1.2	0.7		0.3	...	...
	Unemployment rate (1)	%	7.4	7.3		7.3	7.2	7.1		7.3	...	...
	Retail sales volume	apc	2.5	1.9		2.2	2.6	-8.8		-19.6	...	...
<b>United Kingdom</b> [2.7%]	PMI manufacturing (1)	index	46.9	46.3		47.9	49.2	44.5		33.4	39.4	...
	Consumer confidence (5)	index	-7.2	-8.1		-8.1	-6.6	-11.6		-22.0	-18.8	...
	GDP (1)	qpc			0.0				-2.0			
	Industrial production (1)	mpc	-1.1	-0.2		-0.1	-0.1	-4.2		...	...	...
	CPI	apc	1.4	1.3		1.8	1.7	1.5		0.8	...	...
	Unemployment rate (1)	%	3.8	3.8		3.9	4.0	3.9		...	...	...
	Retail sales volume	apc	0.7	0.6		0.9	0.2	-5.9		-22.6	...	...
<b>Australia</b> [15.8%]	House prices (6)	apc	0.8	1.4		1.9	2.3	3.0		3.7	1.8	...
	PMI manufacturing (1)	index	48.9	47.5		50.0	51.7	47.8		32.6	40.7	...
	Consumer confidence (1)(5)	index	-8.8	-7.1		-6.5	-6.2	-8.2		-22.7	-23.7	...
	GDP (1)	qpc			0.5				-0.3			
	CPI	apc			1.8				2.2			
	Unemployment rate (1)	%	5.2	5.1		5.3	5.1	5.2		6.2	...	...
	Retail sales value	apc	3.2	2.4		2.2	5.7	9.4		-8.9	...	...
<b>China</b> [24.3%]	House Prices (7)	apc			2.8				...			
	PMI manufacturing (1)	index	48.1	48.3		45.4	44.3	53.7		35.8	41.6	...
	Consumer confidence (8)	index	97.0	95.1		93.4	95.5	91.9		75.6	88.1	93.7
	GDP	apc			6.0				-6.8			
	Industrial production	apc	6.2	6.9		-13.5	-13.5	-1.1		3.9	...	...
<b>South Korea</b> [3.0%]	CPI	apc	4.5	4.5		5.4	5.2	4.3		3.3	2.4	...
	PMI manufacturing (1)	index	50.2	50.2		50.0	35.7	52.0		50.8	50.6	...
	GDP (1)	qpc			1.3				-1.3			
<b>South Korea</b> [3.0%]	Industrial production (1)	mpc	0.5	3.6		-1.5	-3.7	4.7		-6.0	...	...
	CPI	apc	0.2	0.7		1.5	1.1	1.0		0.1	-0.3	...

(1) Seasonally adjusted

(2) Case-Shiller Home Price Index 20 city

(3) The Conference Board Consumer Confidence Index

(4) Cabinet Office Japan

(5) European Commission

(6) Nationwide House Price Index

(7) Australian Bureau of Statistics

(8) Melbourne/Westpac Consumer Sentiment Index