

New Zealand has moved to Alert Level 1, and all restrictions within the country have been lifted. Economic activity picked up substantially as we 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 some NZ commodity exports have firmed in recent weeks, following declines since the start of the year. New Zealand's trade weighted index has been increasing over the past fortnight. In the preliminary ANZ Business Outlook survey for June, export intentions, employment intentions and profit expectations continue to improve from the record lows seen in April.

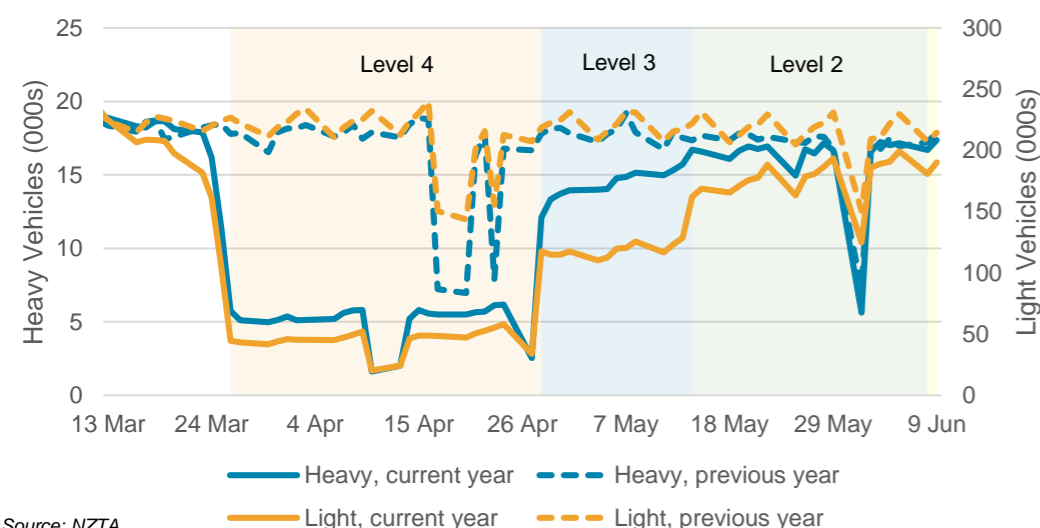
Treasury estimates that output is reduced by 5 – 10% from normal levels under Alert Level 1. In the main Budget forecasts, real GDP is forecast to fall sharply in the June quarter resulting in annual GDP declining from 2.8% growth in the June 2019 year, to a contraction of -4.6% over the June 2020 year, 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. Though the number of Jobseeker recipients increased more slowly in recent weeks, there have been over 45,000 new recipients since 20 March. Over 1.6 million individuals are now being covered by the wage subsidy, and over \$11 billion has been paid out. Total monthly earnings for employees have decreased over 2020, though some industries increased in April. The Small Business Cashflow Scheme has paid out over \$1.3 billion to over 77,000 applicants to date.

Domestic Economy

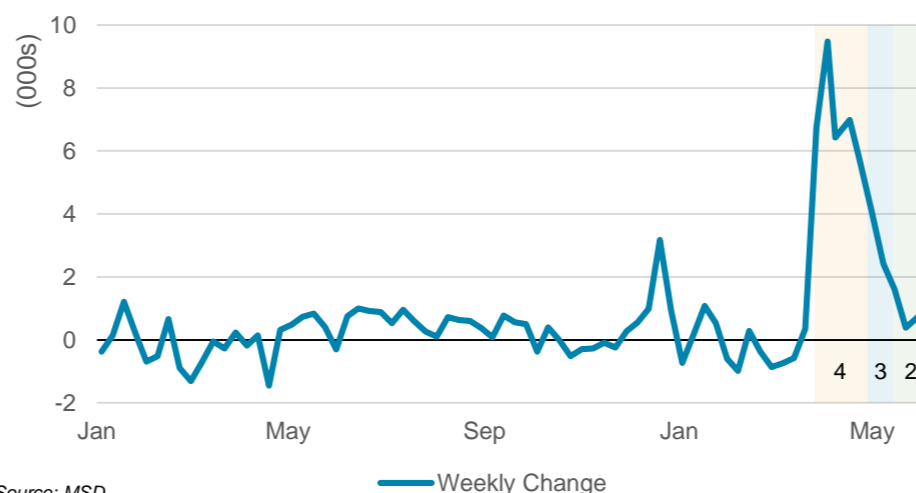
Traffic flows were at or near 2019 levels at the end of the Level 2 period. The additional dips in the graph are due to Easter, ANZAC day, and Queen's Birthday.

Traffic Flows in Main Centres



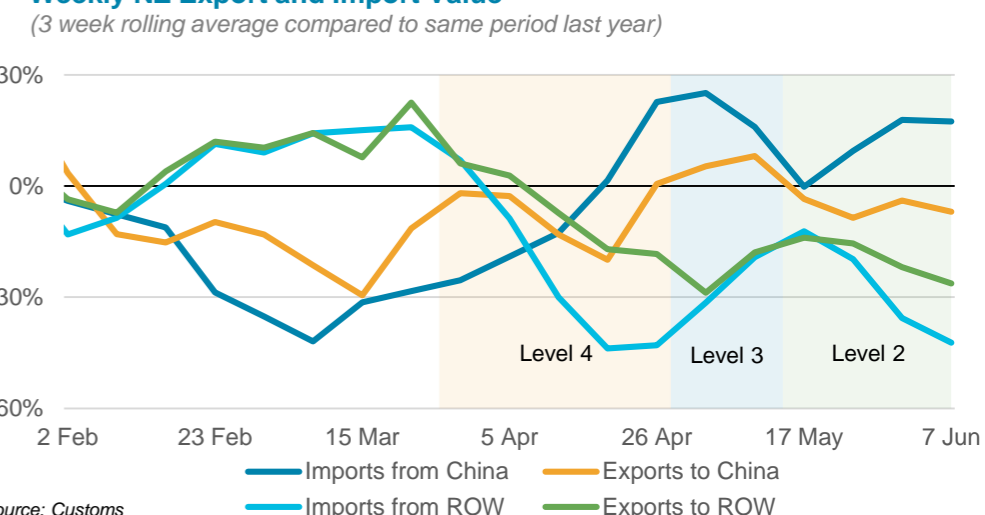
The number of Jobseeker benefit recipients increased steeply with over 45,000 new applicants since 20 March, though new applications slowed in May. The largest increase by age group has been for 20 – 29 year olds.

Weekly Change in Jobseeker Support Recipients



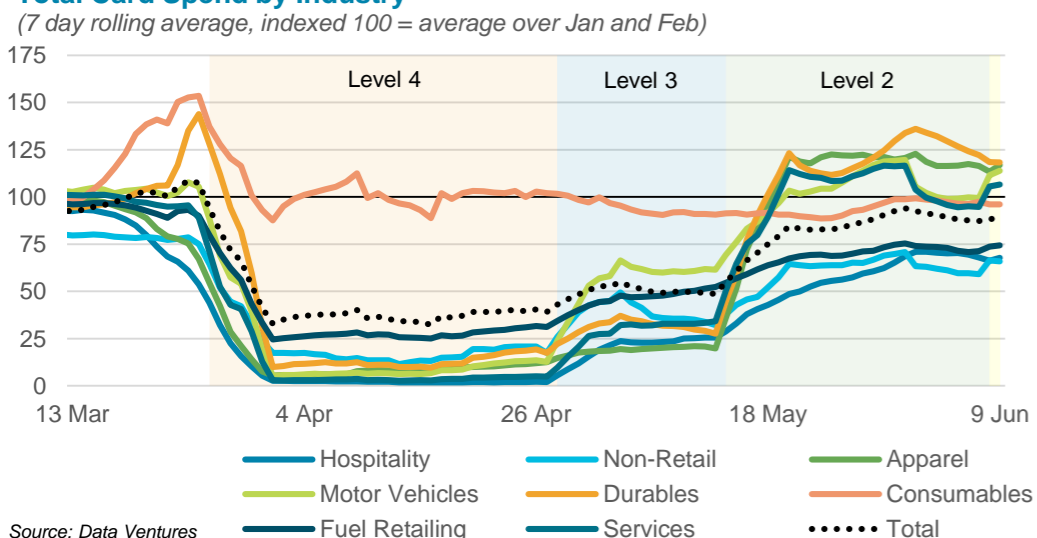
NZ merchandise imports from China are higher than last year, but exports to China are lower. Exports and imports to and from the rest of the world (ROW) remain lower than last year. Outlier values are excluded.

Weekly NZ Export and Import Value



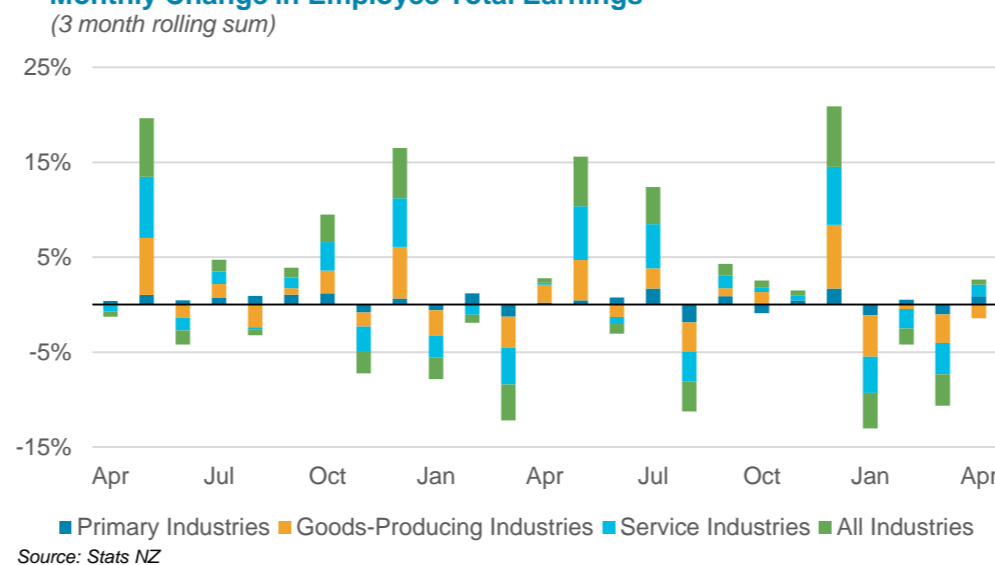
Consumer spending has remained steady after increasing at the start of Level 2, with some categories near or above levels seen in January and February. This does not take into account seasonal effects.

Total Card Spend by Industry



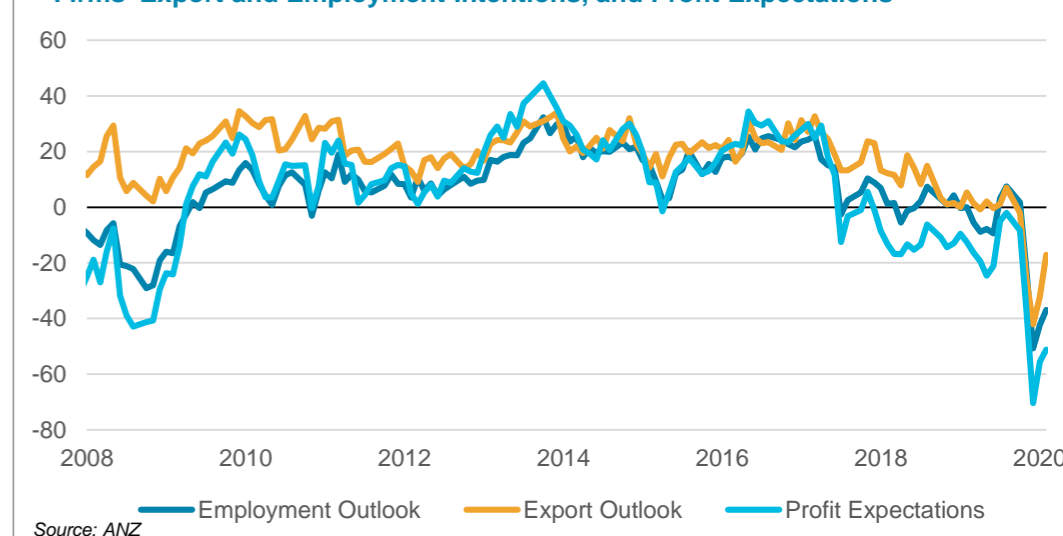
Total monthly earnings for employees have decreased for all industries over 2020, though some industries increased in April.

Monthly Change in Employee Total Earnings



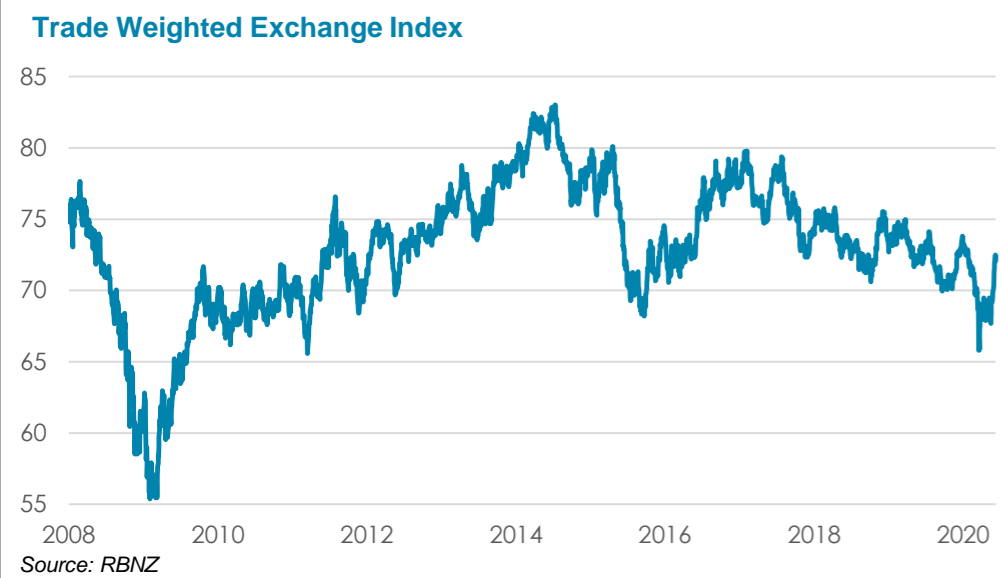
In the preliminary ANZ Business Outlook survey for June, export intentions rose from -32.2% to -17.1%, employment intentions rose from -42.4% to -37% and profit expectations rose from -55.6% to -51.2%.

Firms' Export and Employment Intentions, and Profit Expectations

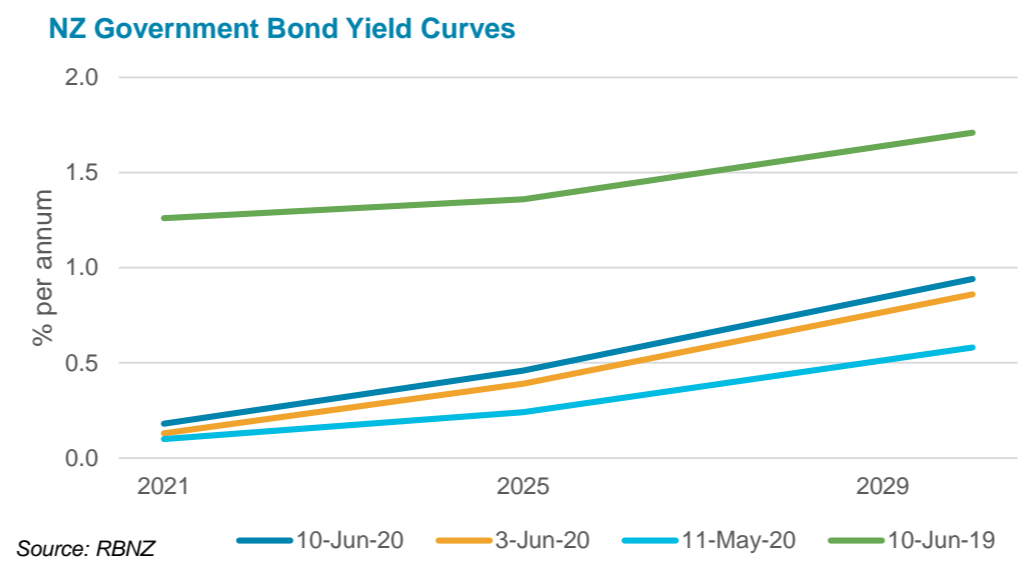


Financial Conditions and Commodity Export Markets

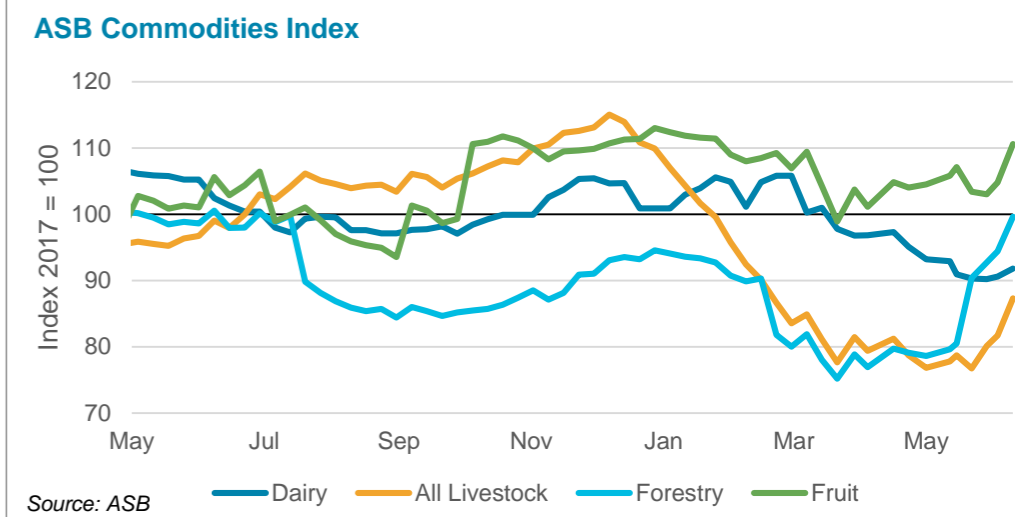
The New Zealand TWI has been increasing over the last fortnight.



NZ bond yields have increased in the past month, reflecting ongoing monetary easing operations.

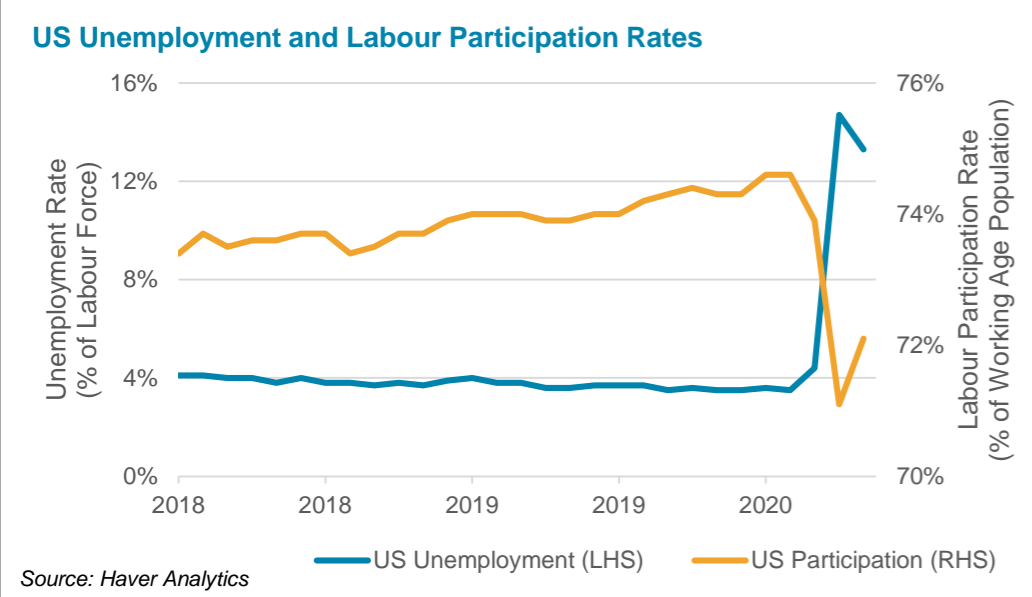


International prices for some NZ commodity exports have firmed in recent weeks, following declines since the start of the year. Forestry is currently the highest it has been since August 2019.

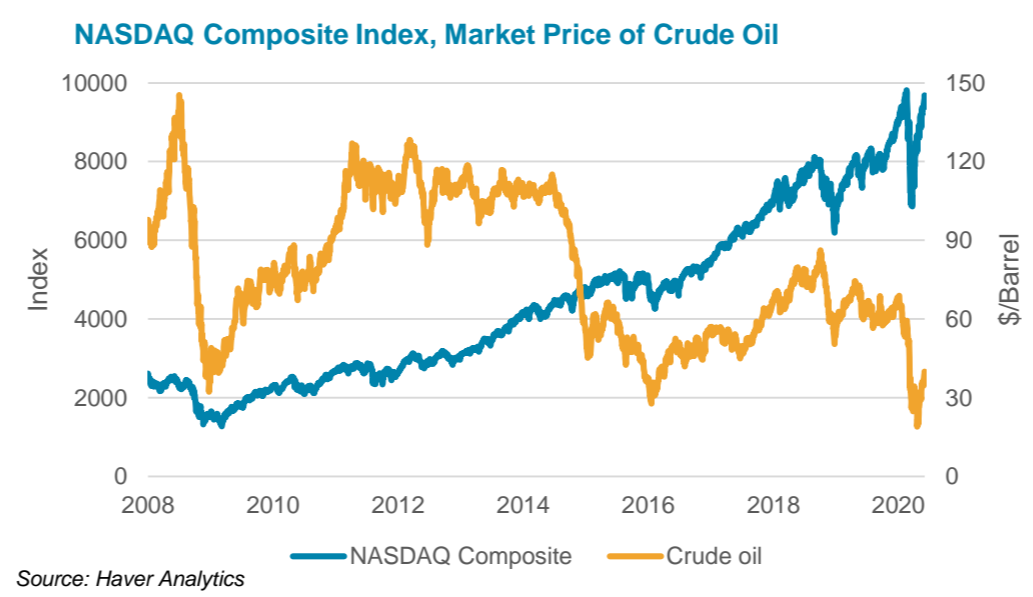


International Developments

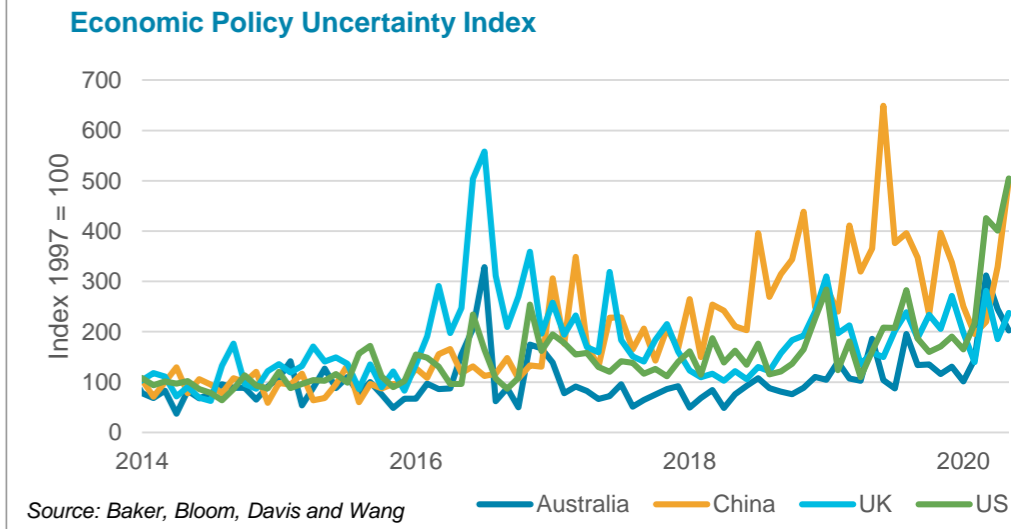
The US unemployment rate decreased from 14.7% to 13.3% in May, and its participation rate increased from 71.1% to 72.1%.



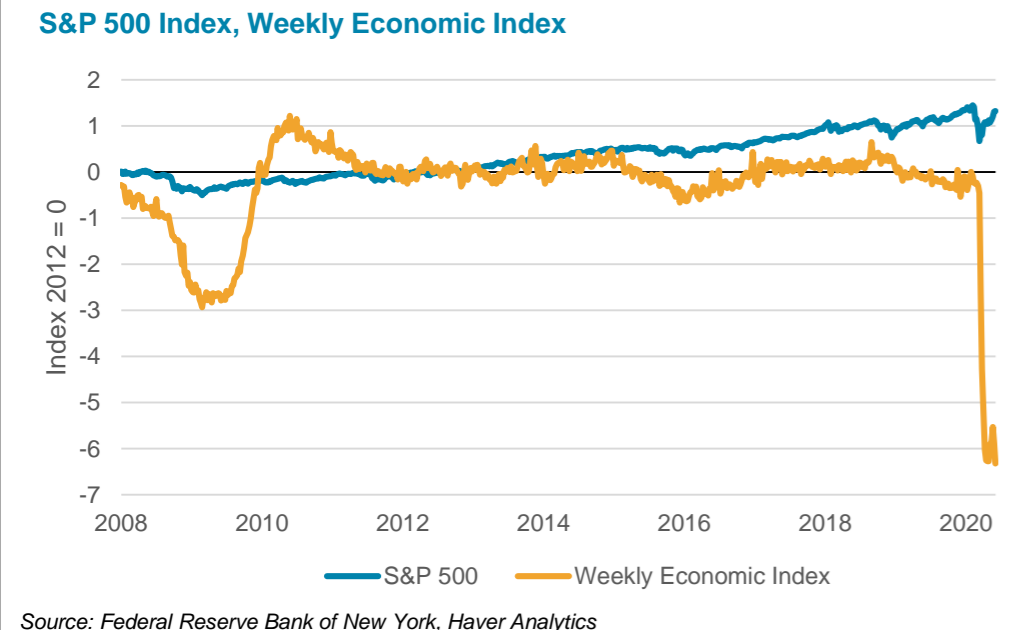
The global business outlook remains uncertain even as the NASDAQ has returned to its February high and oil prices begin to rebound.



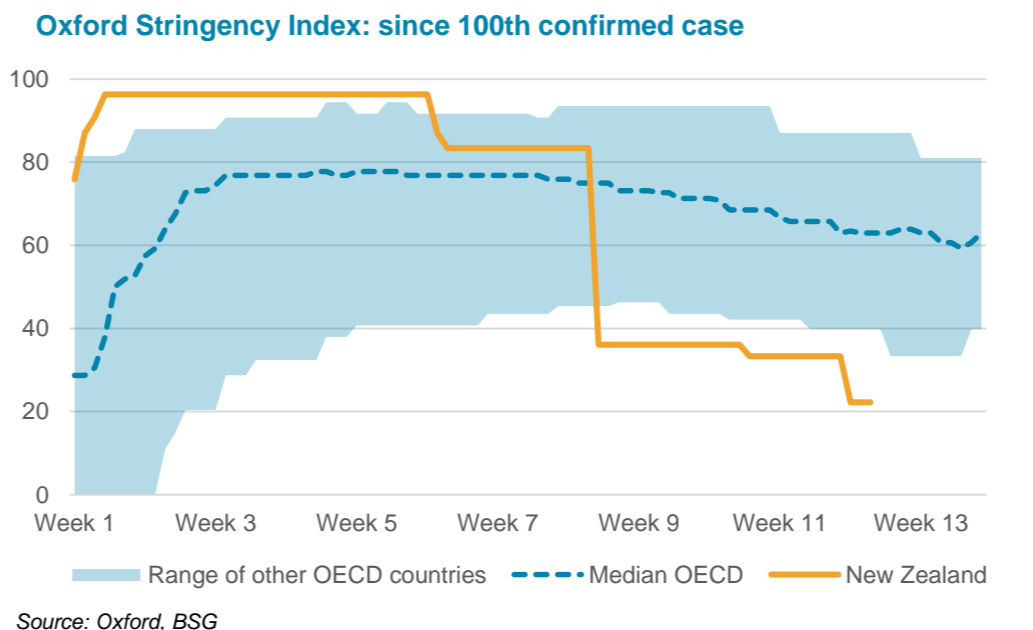
The Economic Policy Uncertainty Index has risen further for some countries in May, though Australia decreased over April and May. This index reflects the share of own-country newspaper articles that discuss economic policy uncertainty that month.



The Federal Reserve Bank of New York's Weekly Economic Index, a measure of real economic activity in the USA, has returned to record lows in the last week, while the S&P 500 Index continues to increase.



The Oxford/BSG lockdown Stringency Index for New Zealand declined rapidly after the move to Level 2, and further after the move to Level 1. It is now the lowest of all OECD countries.



In the Australian NAB Business Survey for May, employment expectations rose from -34.4% to -30.7% and profitability expectations rose from -34.7% to -19.5%, but expectations for export dropped from -6.9% to -8.9%.

