

New Zealand has been at Alert Level 1 for two weeks, with all restrictions within the country lifted. The Oxford/BSG Lockdown Stringency Index for New Zealand is the lowest in the OECD. Economic activity picked up substantially as we moved through Alert Levels, as demonstrated by increased traffic flows and consumer spending, though remains below the previous year. Treasury estimates that output is reduced by 5 -10% under Alert Level 1. Credit card spending, car vehicle registrations and the number of residential house sales picked up in May. Increases in May of the international prices for some NZ commodity exports have slowed in the past fortnight, and generally remain lower than at the start of the year. New Zealand's trade weighted index has stabilised over the past week. 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.

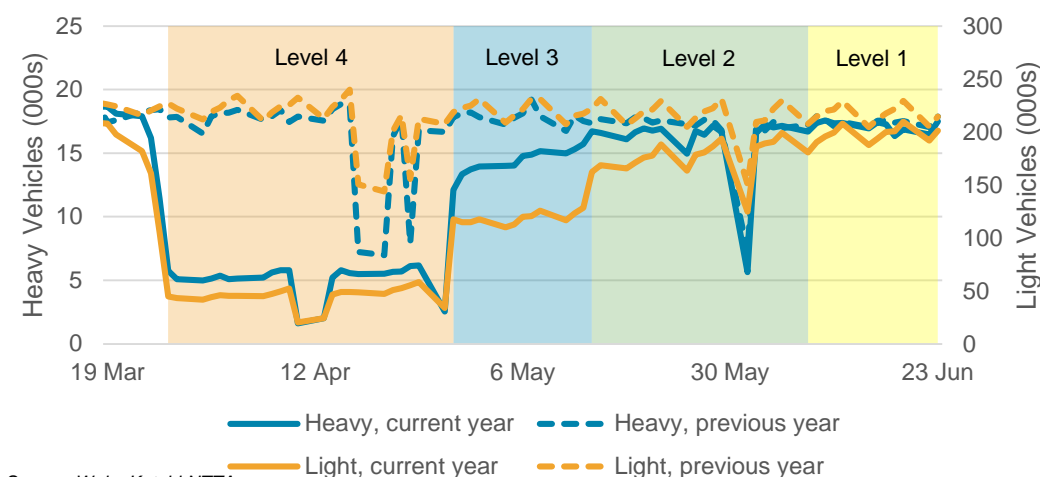
The US unemployment rate decreased from 14.7% to 13.3% in May. Some analysts believe that these results may be impacted by misclassification of some workers, with the true unemployment rate higher. The Australian unemployment rate increased from 6.4% to 7.1% in May. Volatility remains in equity markets.

As part of the response to COVID-19, the Government has committed to fund up to \$62.1 billion in fiscal support. Over 2 million individuals are now being covered by the wage subsidy, and almost \$12 billion has been paid out. The number of Jobseeker recipients has decreased in the past fortnight, but the total number of recipients remains at almost 45,000 more than at 20 March. Uptake of the COVID-19 Income Relief Payment Scheme influenced this decrease, having paid out over \$4.5 million to over 9,000 people since 8 June. The Seek New Job Ad Index increased slightly in May after plummeting in April. The Small Business Cashflow Scheme has paid out over \$1.4 billion to over 83,000 applicants to date.

Domestic Economy

Traffic flows were at or near 2019 levels at the beginning of the Level 1 period. The additional dips in the graph are due to Easter, ANZAC day, and Queen's Birthday.

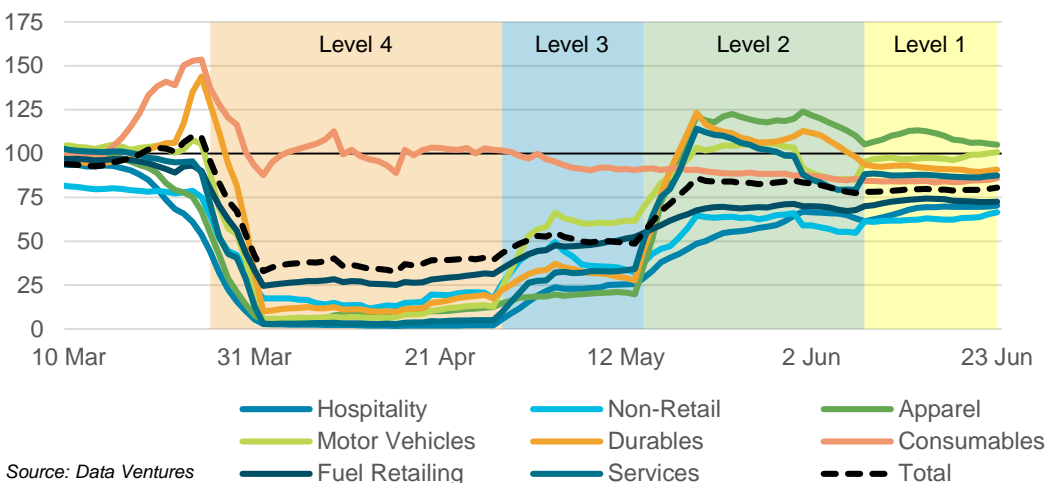
Traffic Flows in Main Centres



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

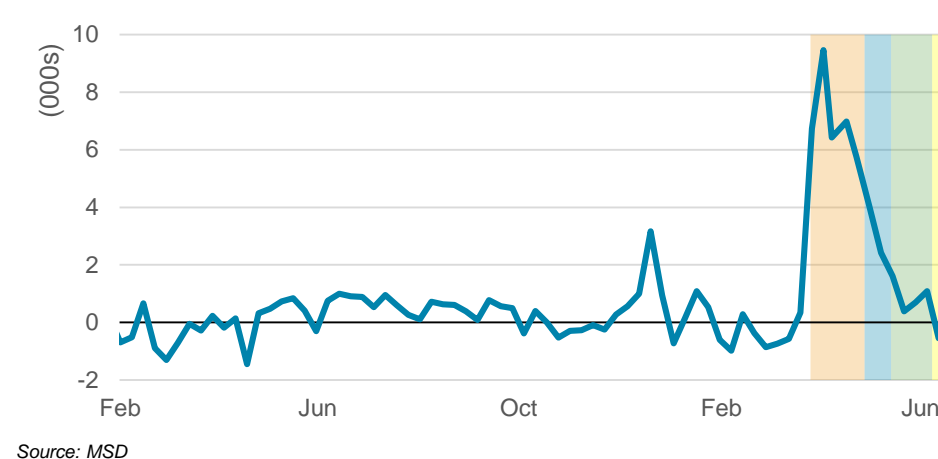
Total Card Spend by Industry

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



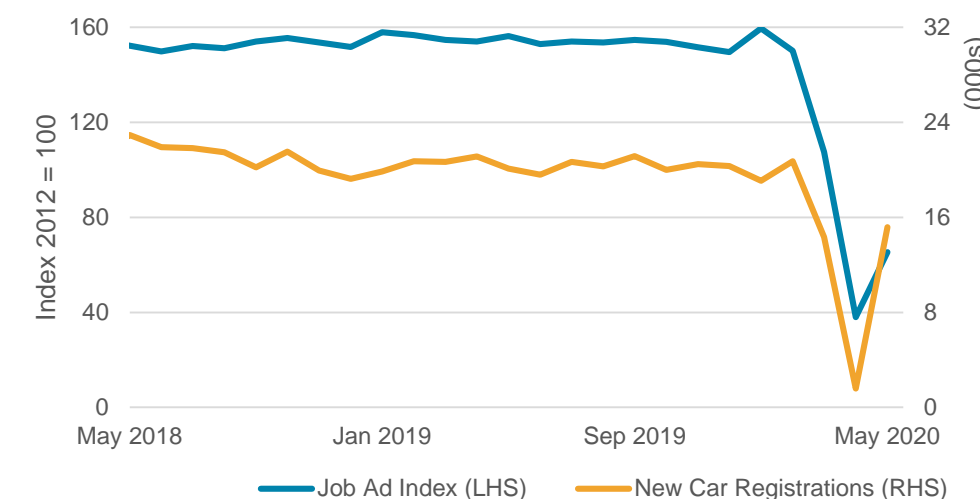
The number of Jobseeker recipients has decreased in the past fortnight, but the total number of recipients remains at almost 45,000 more than at 20 March. The largest increase by age group has been for 20 – 29 year olds.

Weekly Change in Jobseeker Support Recipients



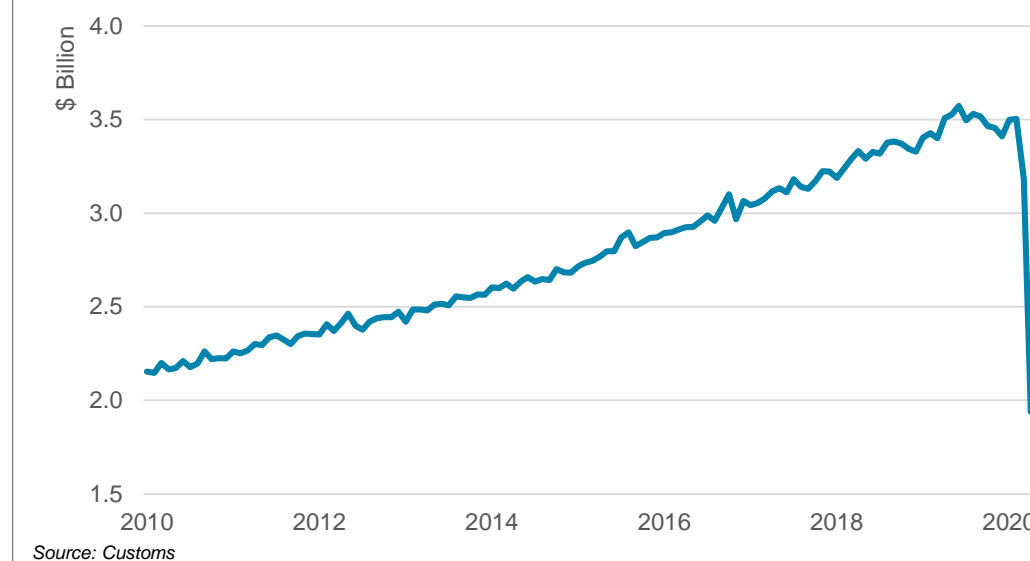
The Seek Job Ad Index has increased slightly in May, after plummeting in April. New car registrations also plummeted in April, but picked up in May.

Job Ad Index, New Car Registrations



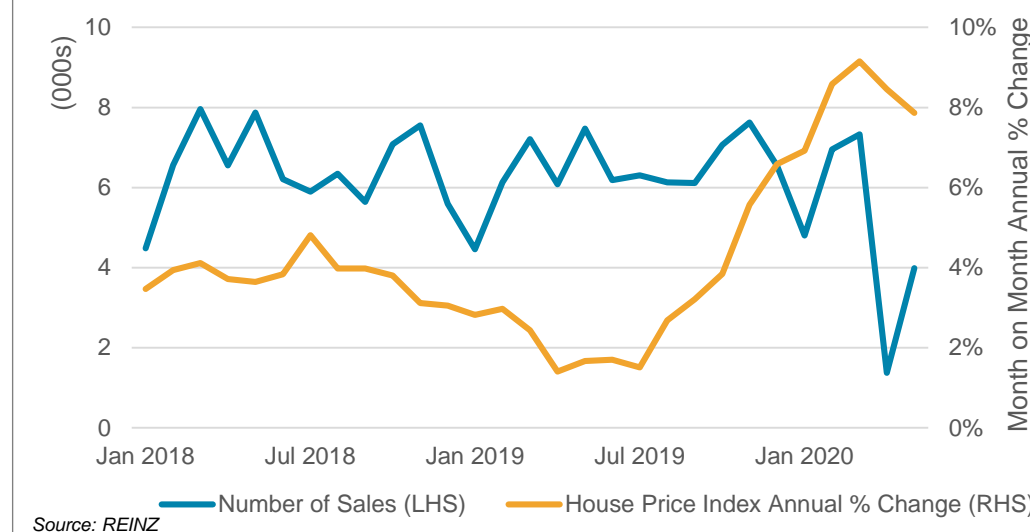
Credit card spending almost halved in April, but picked up in May.

Domestic Credit Card Spend



The Real Estate Institute of New Zealand's House Price Index has declined slightly since the beginning of the year, and the number of residential house sales has increased in May after falling sharply in April.

Residential Housing Market



Financial Conditions and Commodity Export Markets

The New Zealand TWI has stabilised in the past week, following increases in the previous three weeks.

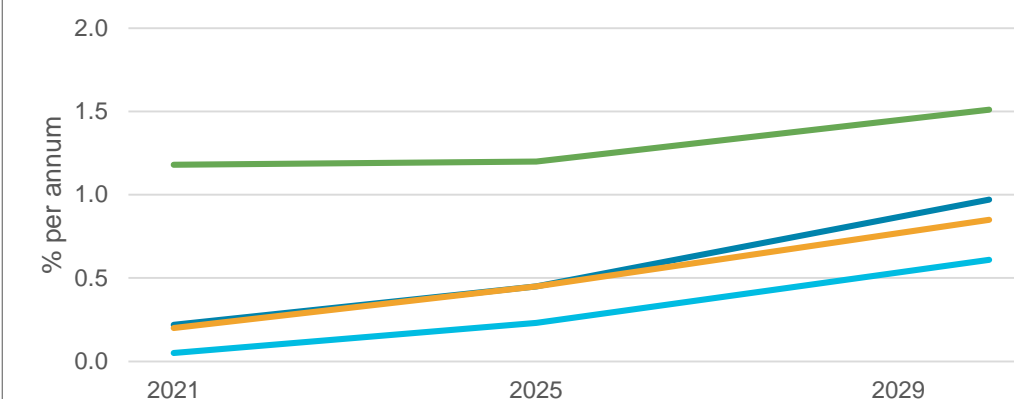
Trade Weighted Exchange Index



Source: RBNZ

NZ bond yields have increased in the past month as risk appetites have improved. The Reserve Bank's Large Scale Asset Purchase programme has acted to keep the 10 year bond yield rate from rising rapidly.

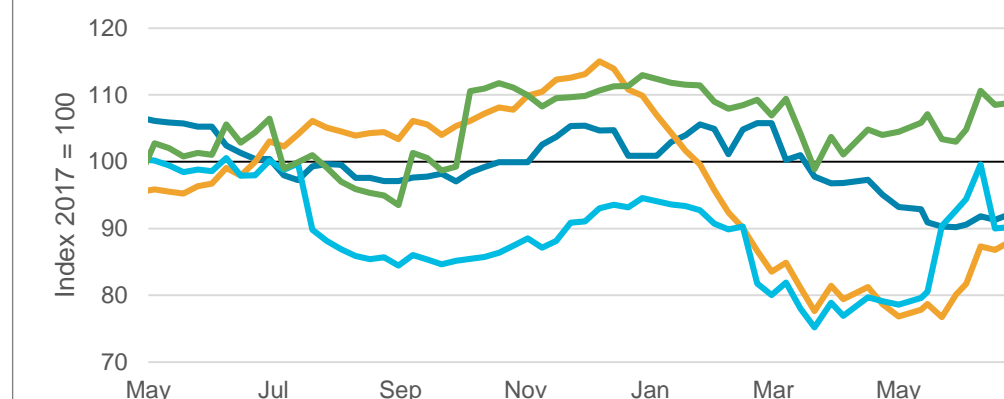
NZ Government Bond Yield Curves



Source: RBNZ

May increases in international prices for some NZ commodity exports have faltered over the past fortnight, and generally remain lower than at the start of the year.

ASB Commodities Index

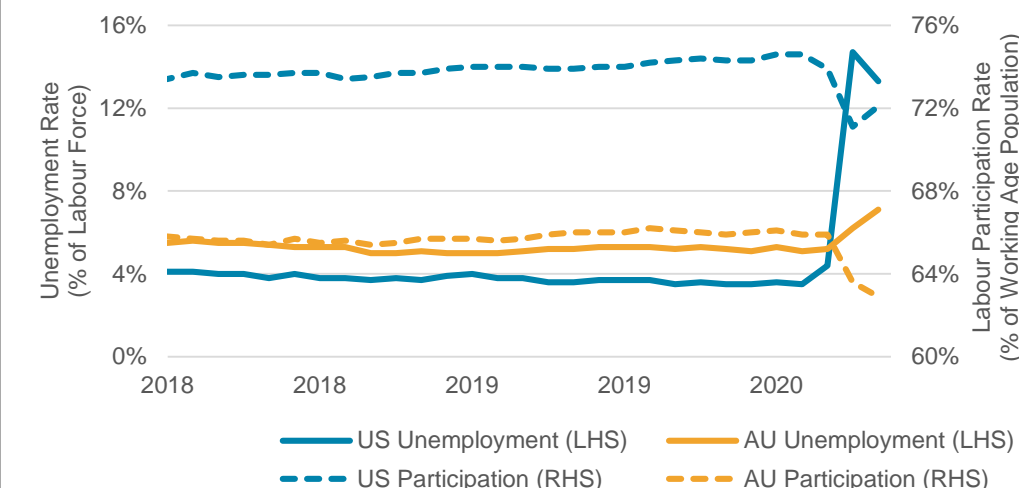


Source: ASB

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 AU unemployment and participation rates did not experience similar rebounds.

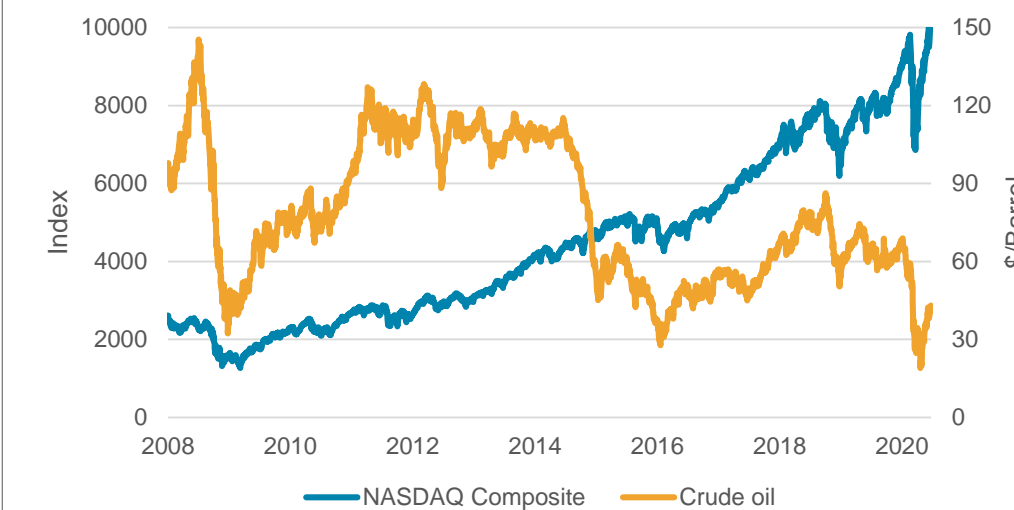
US and AU Unemployment and Labour Participation Rates



Source: Haver Analytics

Equity markets have strengthened. The NASDAQ has returned to its February high and oil prices have showed signs of rebounding.

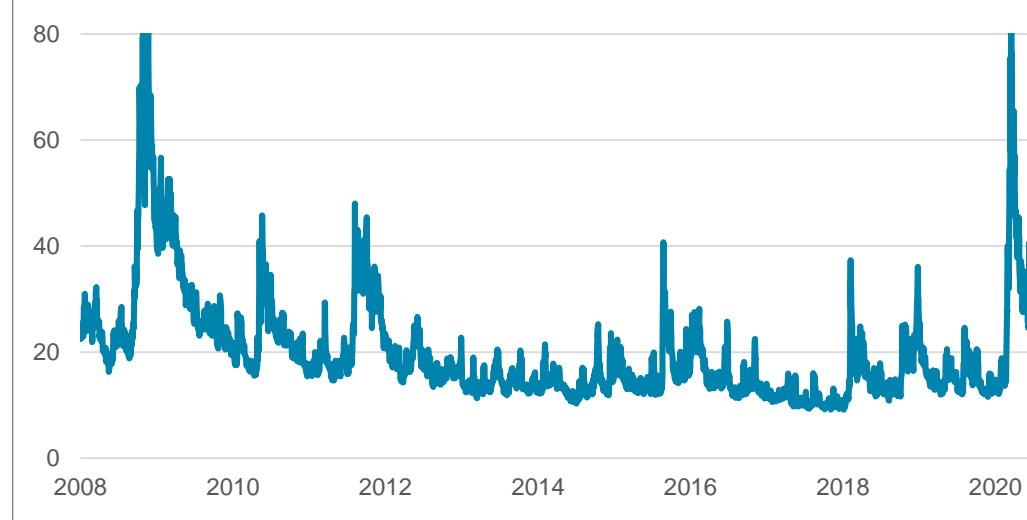
NASDAQ Composite Index, Market Price of Crude Oil



Source: Haver Analytics

The Volatility Index (VIX) rose sharply in March but returned to slightly elevated levels.

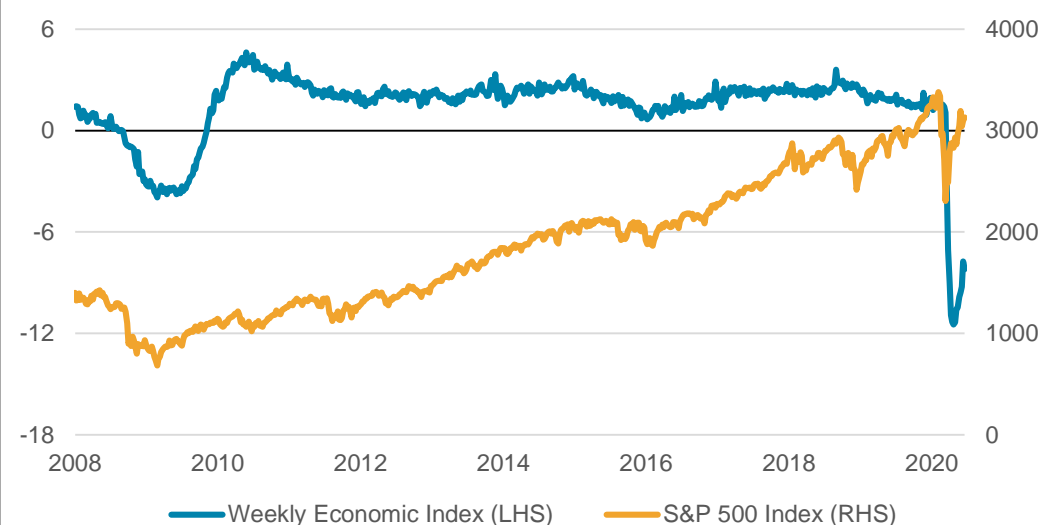
Volatility Index



Source: Yahoo Finance

The S&P 500 Index rebounded in May. The Federal Reserve Bank of New York's Weekly Economic Index, a broader measure of real economic activity, has increased only slightly.

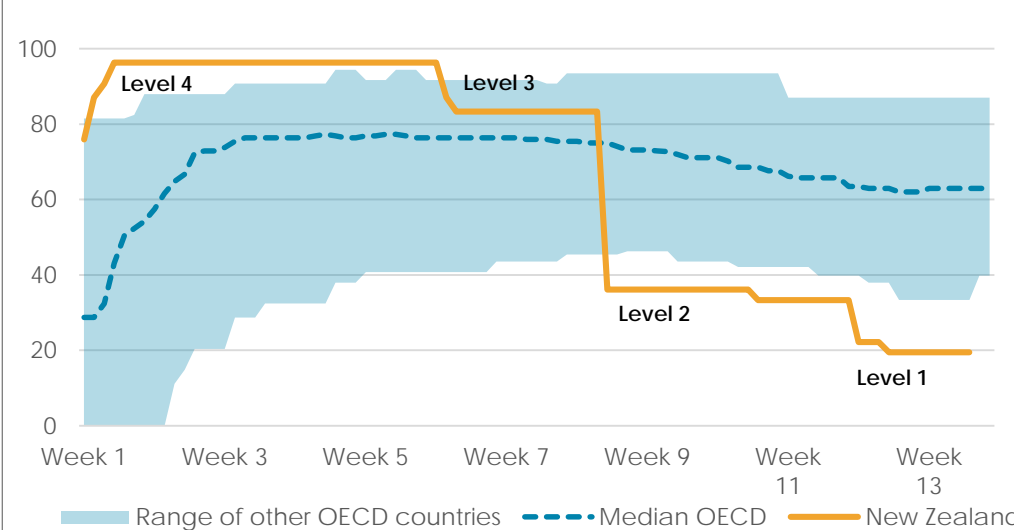
Weekly Economic Index, S&P 500 Index



Source: Federal Reserve Bank of New York, Haver Analytics

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.

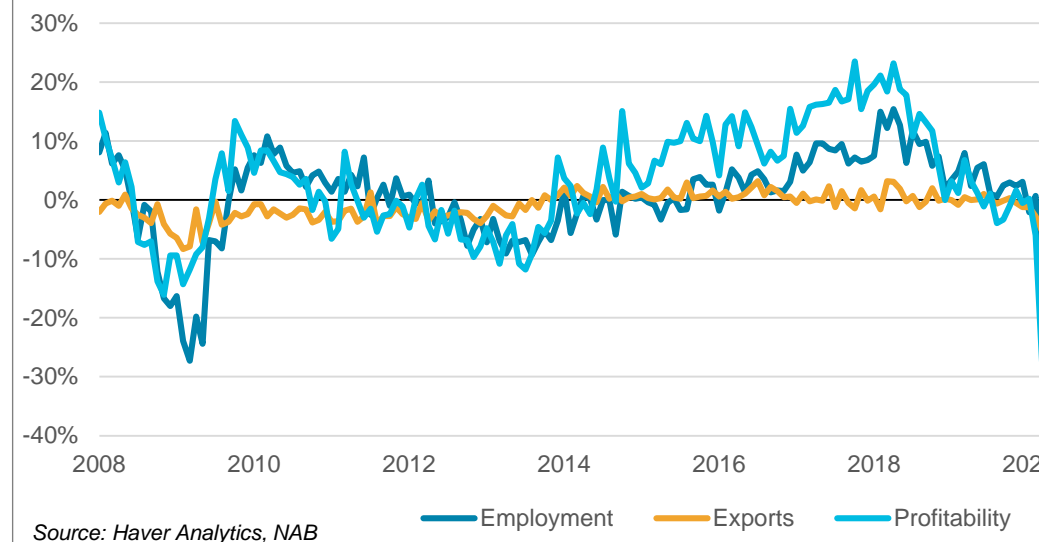
Oxford Stringency Index: since 100th confirmed case



Source: Oxford, BSG

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%.

Australian Firms' Profitability, Employment and Export Expectations



Source: Haver Analytics, NAB