

New Zealand has been at Alert Level 2 for three 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 some commodity exports have firmed in the past weeks, following declines since the start of the year. New Zealand's trade weighted index increased slightly in the past week.

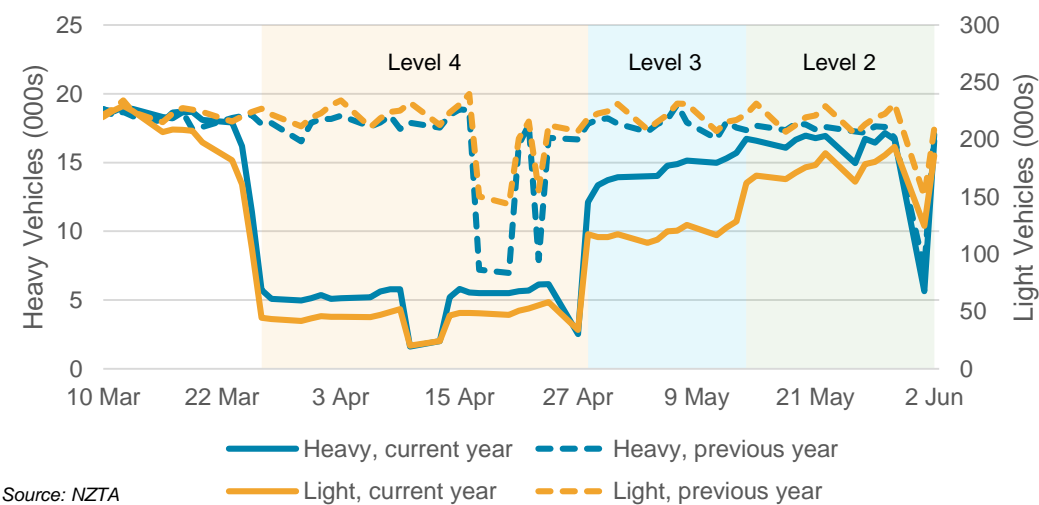
Treasury estimates that output is reduced by 10 – 15% from normal levels under Alert Level 2, and by 5 – 10% under Alert Level 1. In the main Budget forecasts, real GDP is forecast to fall sharply in the June quarter resulting in annual GDP declining from 2.8% growth in the June 2019 year, to a contraction 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 May, there have been over 44,000 new recipients since 20 March. Over 1.6 million individuals are now being covered by the wage subsidy, and almost \$11 billion has been paid out. New job ads on Seek plummeted in April. The Small Business Cashflow Scheme has paid out over \$1.1 billion to over 67,000 applicants to date.

Domestic Economy

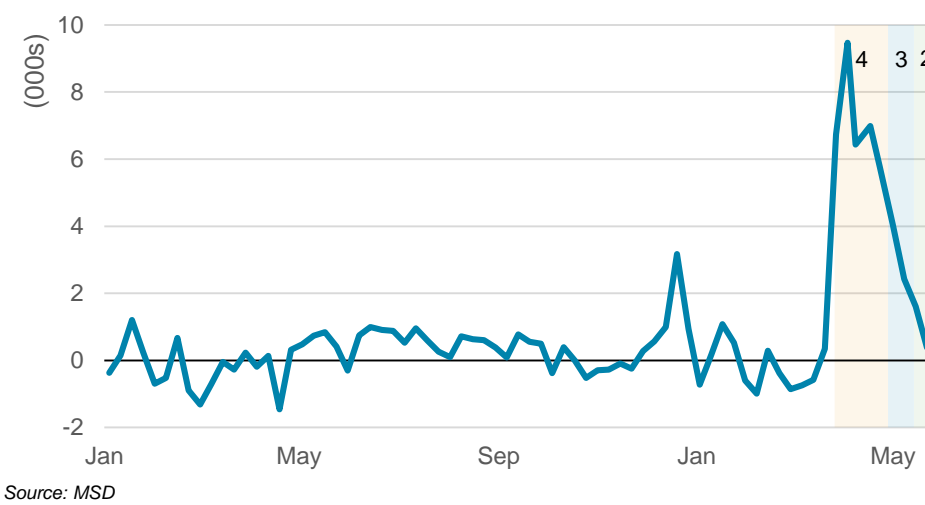
Traffic flows continue to increase as we move through Alert Levels, and are nearing 2019 levels. The additional dips in the graph are due to Easter, ANZAC day, and Queen's Birthday.

Traffic Flows in Main Centres



The number of Jobseeker benefit recipients increased steeply with over 44,000 new applicants since 20 March, though new applications slowed in May. The largest increase by age group has been for 20 – 29 year olds.

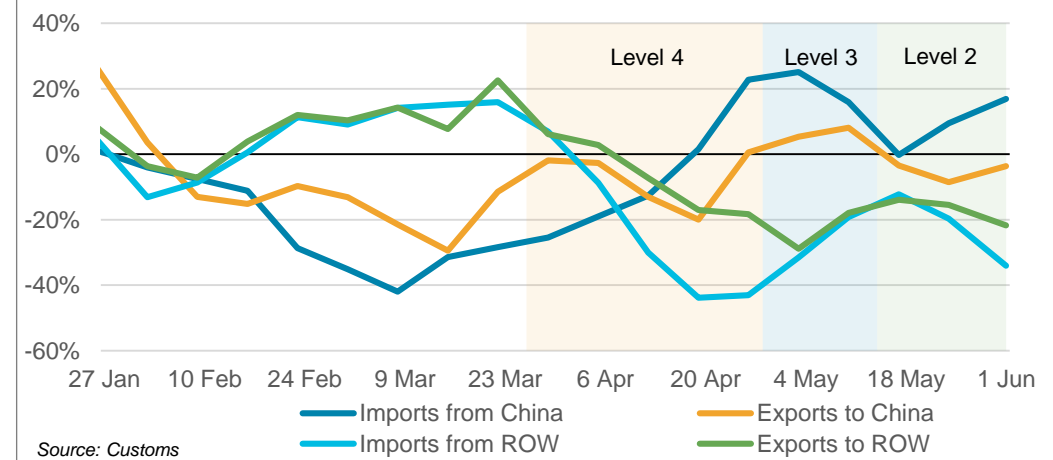
Weekly Change in Jobseeker Support Recipients



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

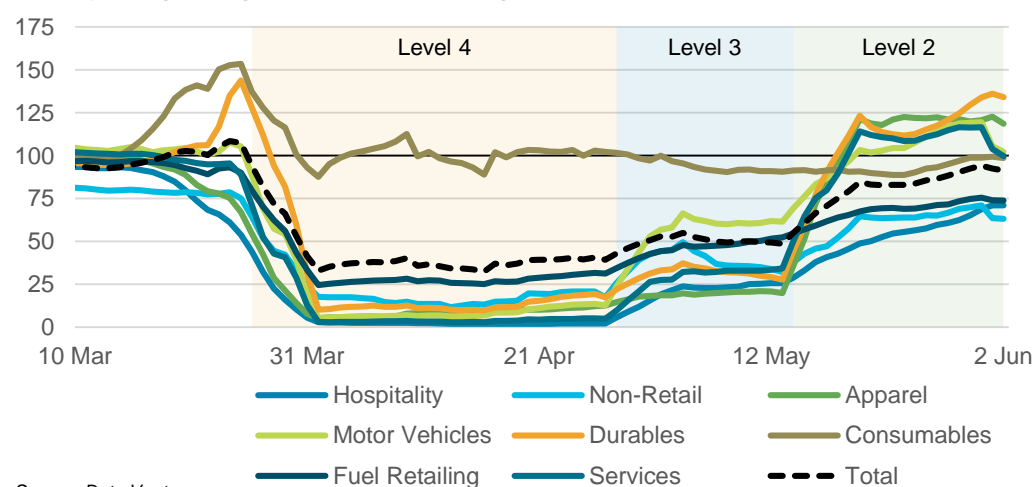
(3 week rolling average compared to same period last year)



Consumer spending has increased in Alert Level 2, with some categories nearing or above levels seen in January and February. This does not take into account seasonal effects.

Total Card Spend by Industry

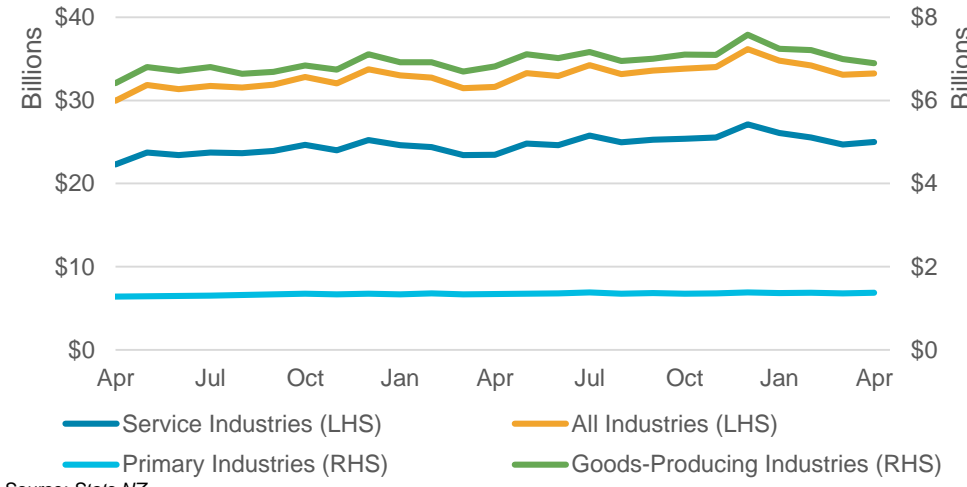
(7 day rolling average, indexed 100 = average over Jan and Feb)



Total monthly earnings for employees have decreased for goods-producing and service industries over 2020, though service industries increased in April.

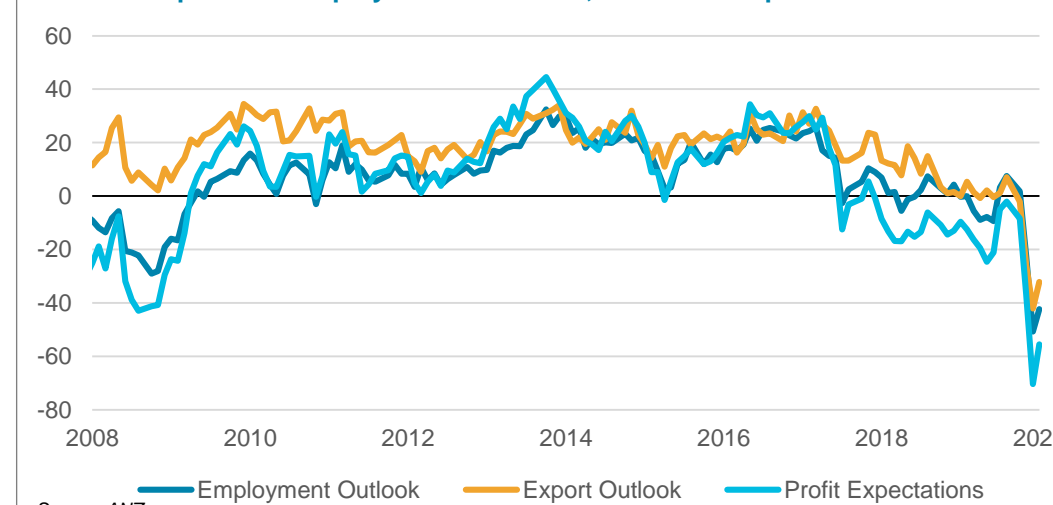
Employee Total Earnings

(3 month rolling sum)



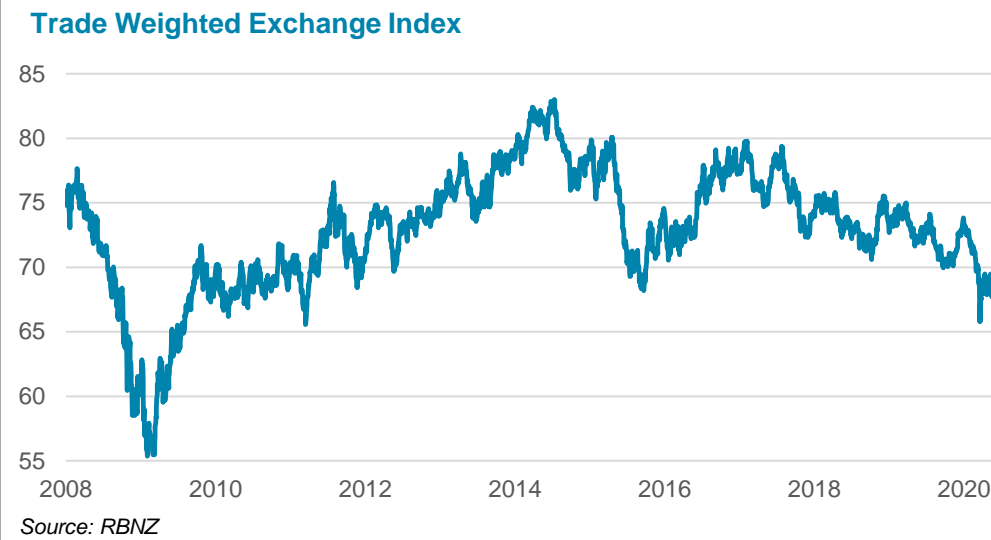
Export and employment intentions have recovered slightly in latest ANZ business outlook survey: a net 42% of firms expect to reduce employment, a net 32% of firms expect to export less and a net 56% of firms expect lower profits.

Firms' Export and Employment Intentions, and Profit Expectations

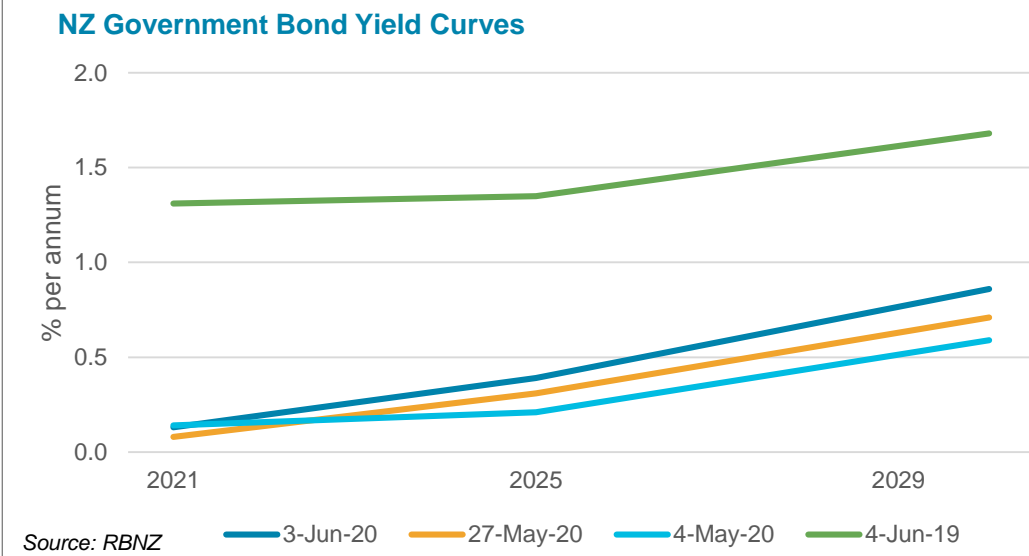


Financial Conditions and Commodity Export Markets

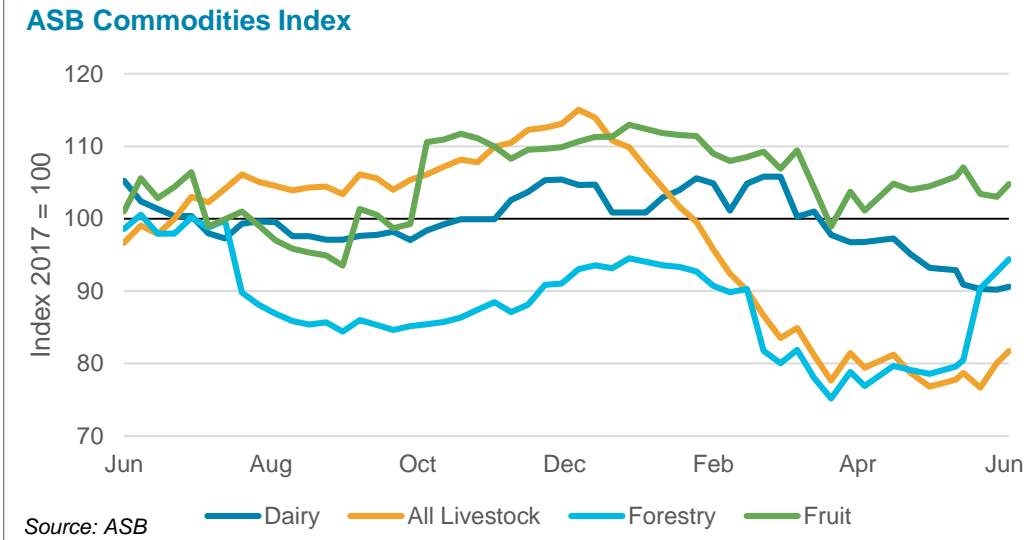
The New Zealand TWI has increased to from 69.92 to 71.32 in the past week, Risk appetite has improved and equities have gained.



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

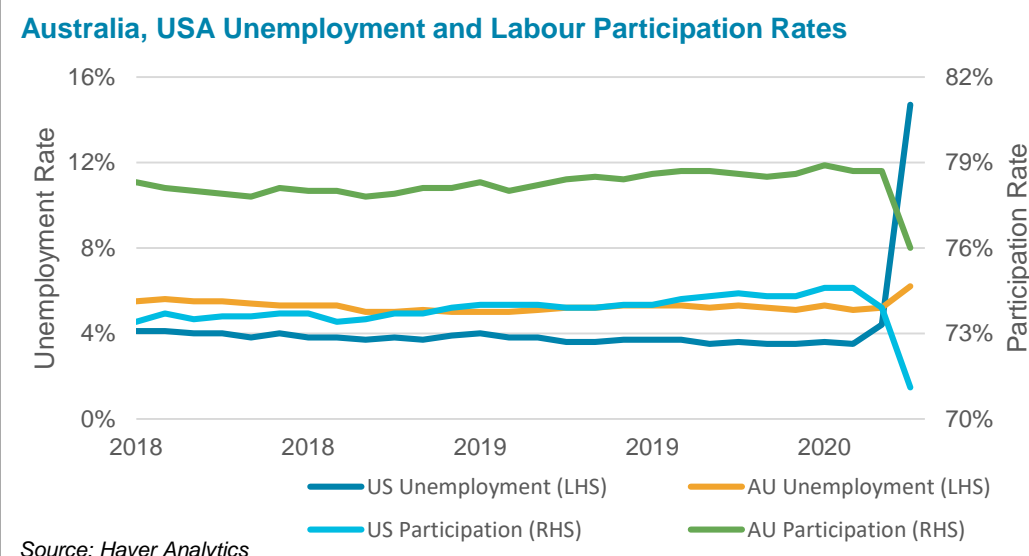


International prices for some NZ commodity exports have firmed in the past weeks, following declines since the start of the year.

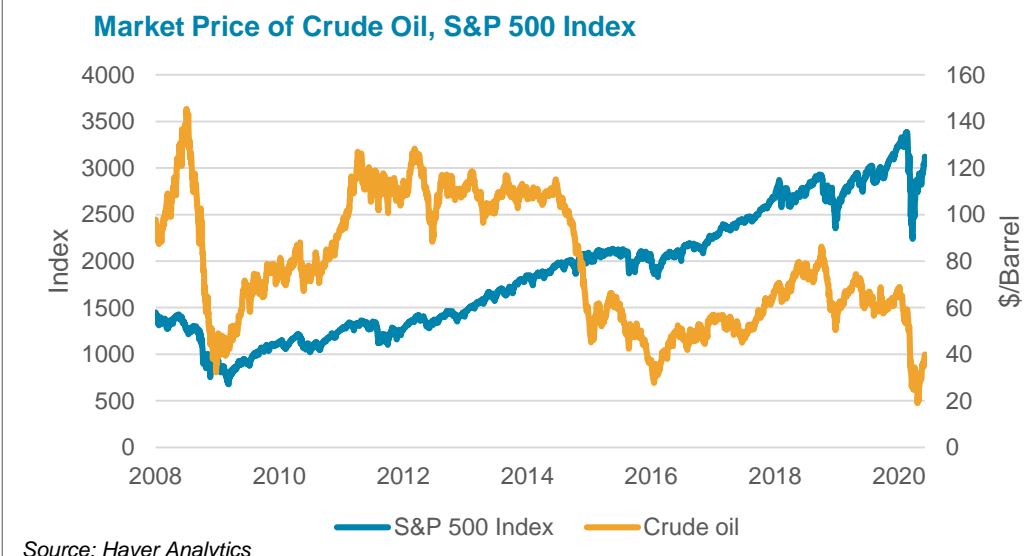


International Developments

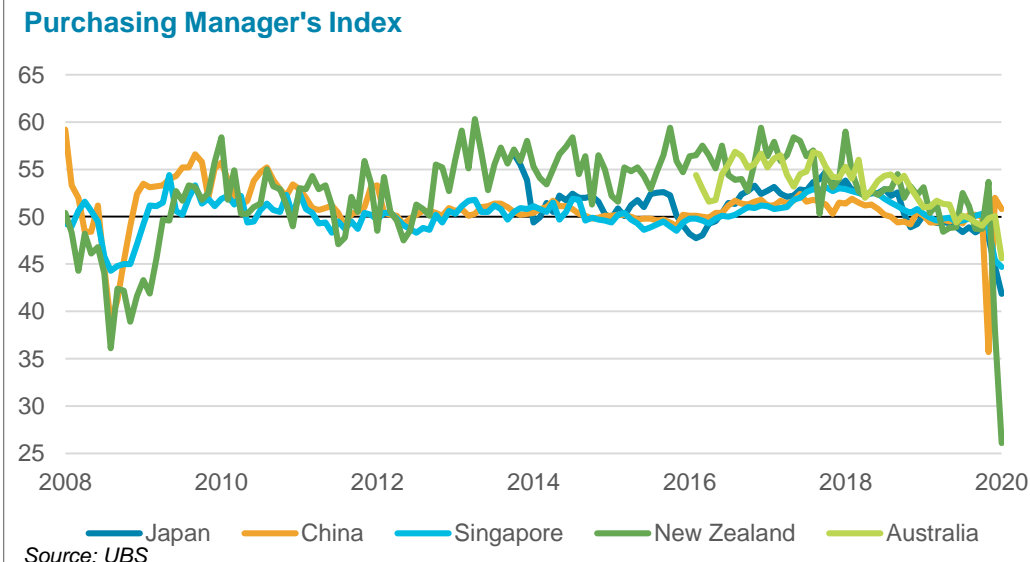
In April, the US unemployment rate rose from 4.4% to 14.7%, and Australia's unemployment rate rose from 5.2% to 6.2%. Both countries experienced sharp drops in labour force participation rates.



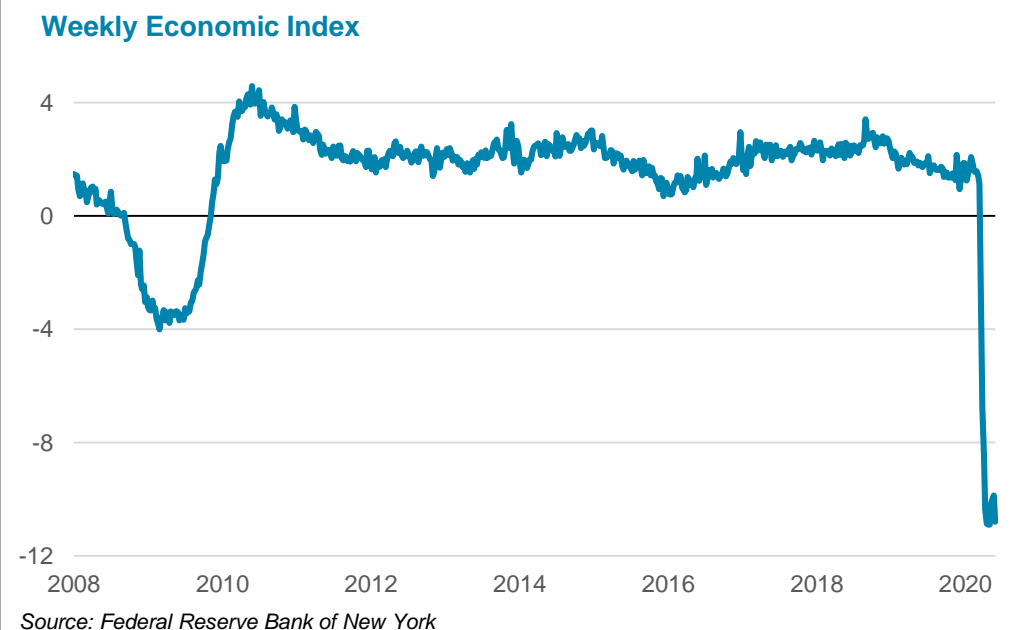
The global business outlook and demand for oil remain weak but with some signs of improvement recently. Demand for oil is showing early signs of increasing as lockdown measures begin to ease.



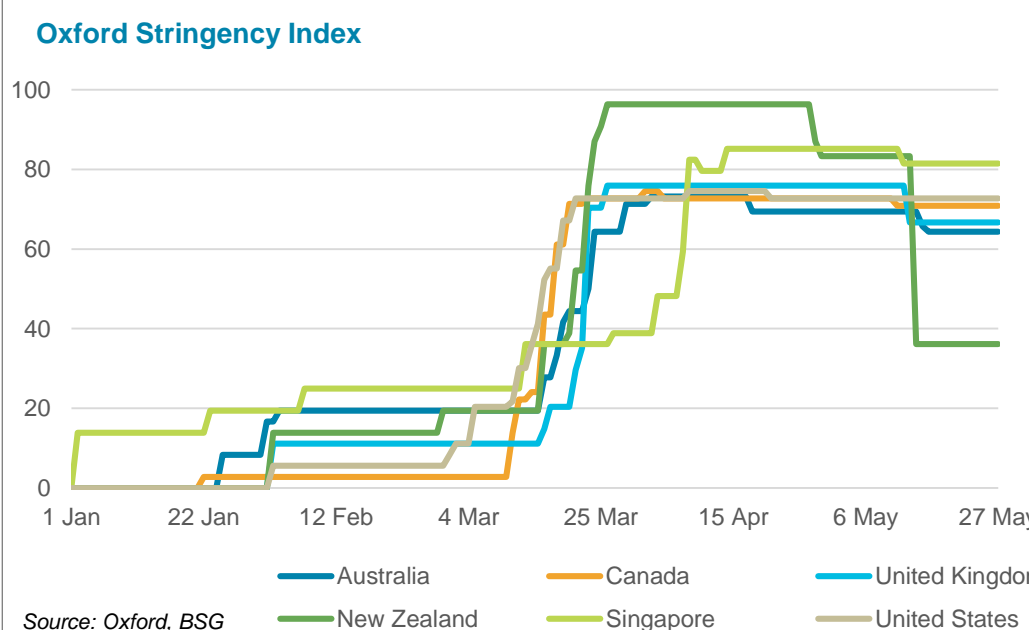
China's Purchasing Manager's Index (PMI) has rebounded, while New Zealand's PMI has decreased more than other Asia-Pacific countries.



The Federal Reserve Bank of New York's Weekly Economic Index remains close to record lows, indicating real economic activity in the USA is still severely curtailed.



The Oxford/BSG lockdown Stringency Index for New Zealand declined rapidly after the move to Level 2, and is now below that of some other countries.



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

