

New Zealand has been at Alert Level 1 a month, with all restrictions within the country lifted. The Oxford/BSG Lockdown Stringency Index for New Zealand is the lowest in the OECD. Economic activity has been relatively stable since the move to Level 1. The New Zealand Activity Index, which summarises changes in several monthly activity indicators, indicated that economic activity was around 7% down on 2019 in May, improving on the lows seen in April. This was driven by sharp bounces in consumer card spending and traffic flows, which are near pre-COVID levels. Other contributing indicators, such as electricity grid demand and the BNZ-Business NZ Performance of Manufacturing Index saw an uptick in May. Treasury estimates that output is reduced by 5 – 10% under Alert Level 1.

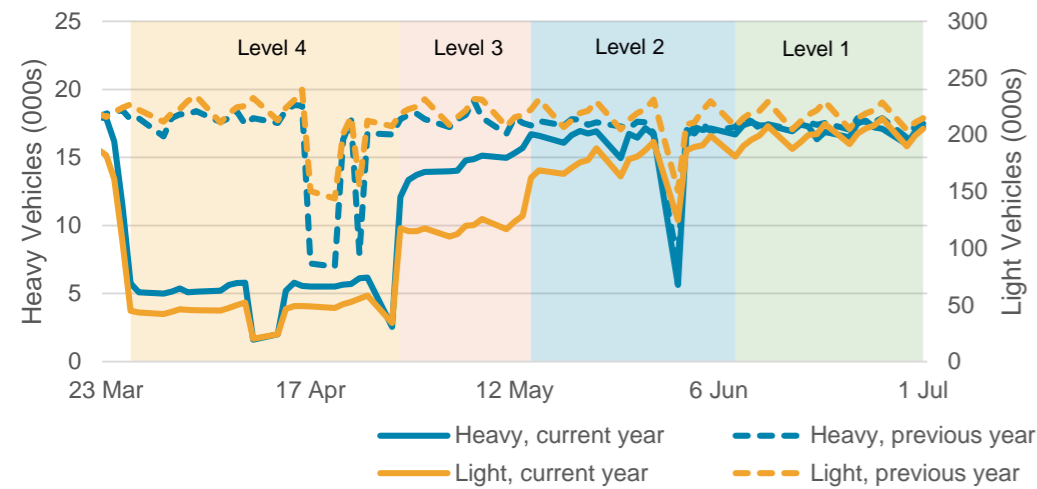
In the June New Zealand Institute of Economic Research (NZIER) Quarterly Survey of Business Opinion, domestic trading activity, average selling prices and profitability have all decreased further on the previous quarter. Headline business confidence showed a slight improvement, with fewer businesses expecting a deterioration in general economic conditions, but remains low after the sharp drop over the March quarter. The number of businesses that cut staff numbers in the June quarter is at the weakest level since September 2009, with many planning to reduce headcount in the next quarter. These changes are reflected in the sharp turnaround in firms' reported ease in finding both skilled and unskilled labour.

As part of the response to COVID-19, the Government has committed to fund up to \$62.1 billion in fiscal support. Currently, around 1.1 million people are being supported by the Wage Subsidy and Extension, the number decreasing as the Wage Subsidy ends, and over \$12.5 billion has been paid out. The total number of Jobseeker and CIRP recipients combined is now over 60,000 more than at 20 March, and has been increasing faster in recent weeks than in May. The Small Business Cashflow Scheme has paid out over \$1.45 billion to over 87,000 applicants to date.

Domestic Economy

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

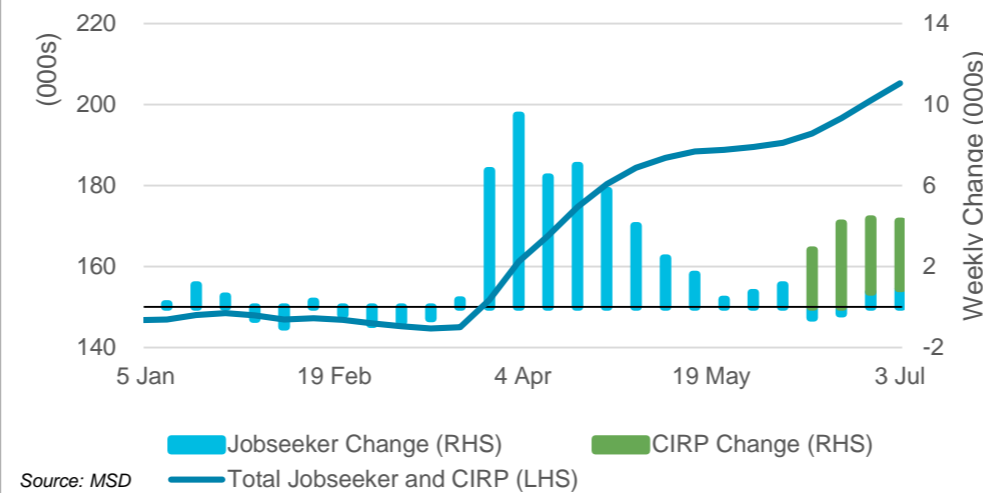
Traffic Flows in Main Centres



Source: Waka Kotahi NZTA

Both Jobseeker and CIRP recipient numbers have increased in the last fortnight, despite transfers from Jobseeker to CIRP. Cumulatively Jobseeker and CIRP recipients are now 60,000 more than at 20 March.

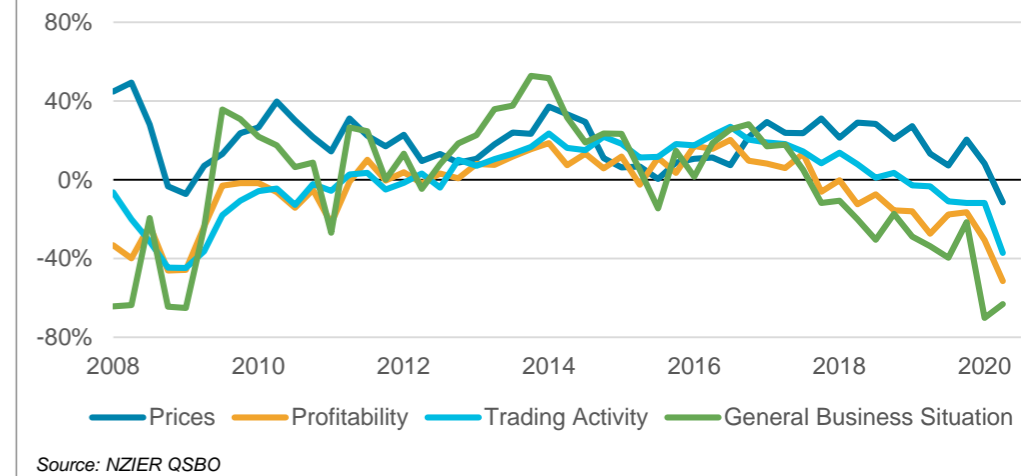
Jobseeker and COVID-19 Income Relief Payment Recipients



Source: MSD

In the June NZIER Quarterly Survey of Business Opinion, there was a sharp fall in reports of own trading activity. Expectations of average selling prices and profitability also declined, though there was a slight improvement in business confidence following a very sharp drop over the March quarter.

Business Outlook

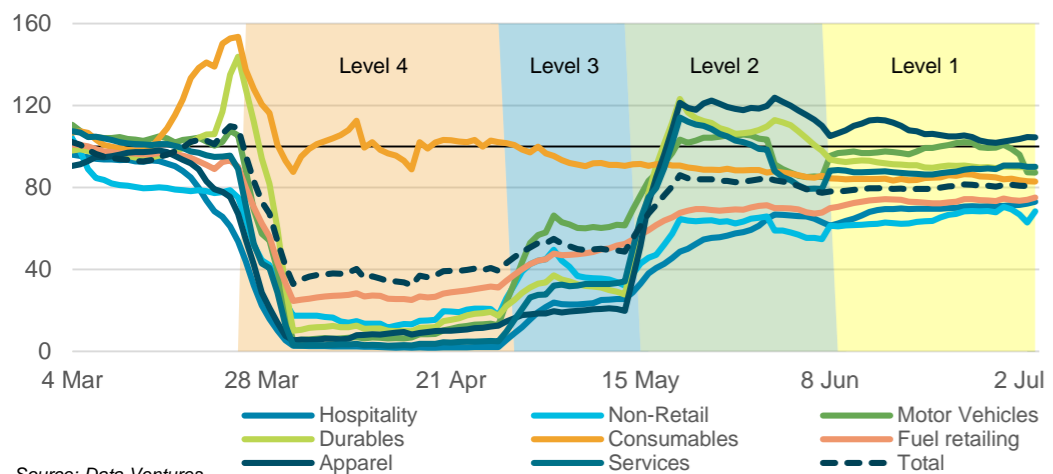


Source: NZIER QSBO

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

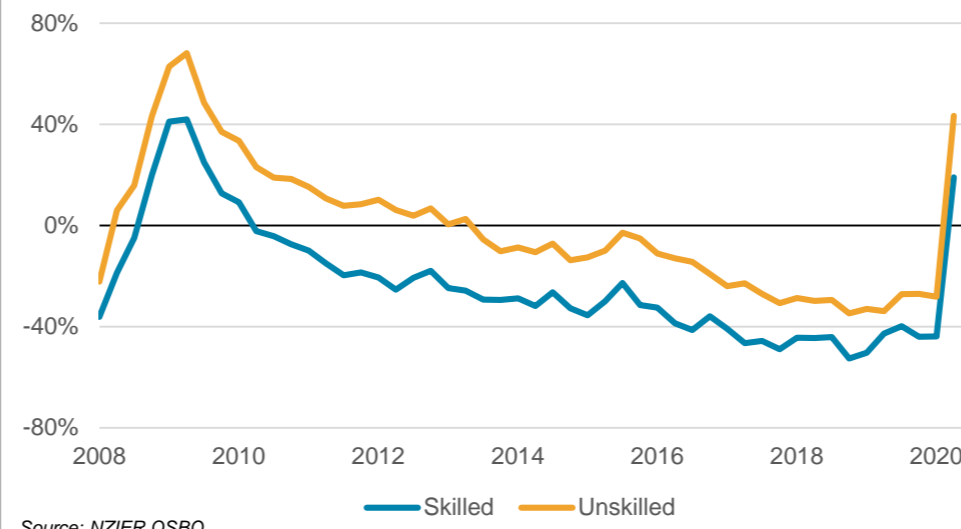
(7 day rolling average, indexed 100 = average over Jan and Feb)



Source: Data Ventures

In the June NZIER Quarterly Survey of Business Opinion, the ease of finding labour, both skilled and unskilled, has increased significantly.

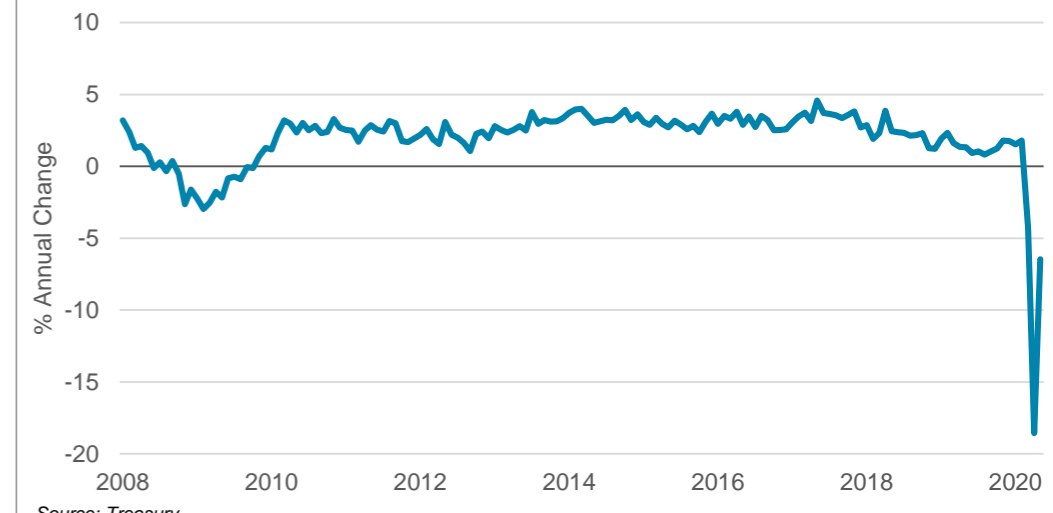
Ease of Finding Labour



Source: NZIER QSBO

The New Zealand Activity Index rebounded sharply in May, finishing the month about 7% down on May 2019. This was driven by sharp upticks in card spend and traffic flows, among other contributing indicators.

New Zealand Activity Index

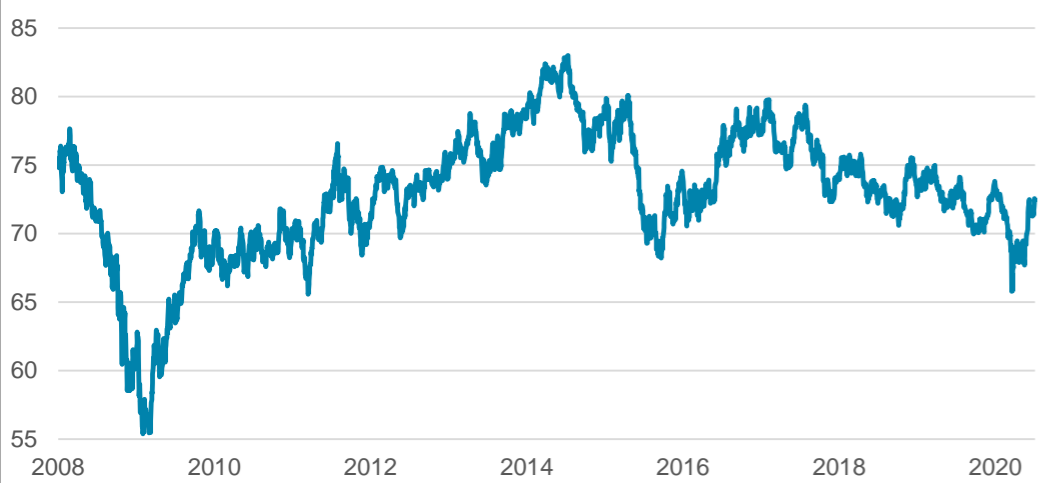


Source: Treasury

Financial Conditions and Commodity Export Markets

The New Zealand TWI stabilised in June, following increases in the previous weeks as global risk sentiment improved.

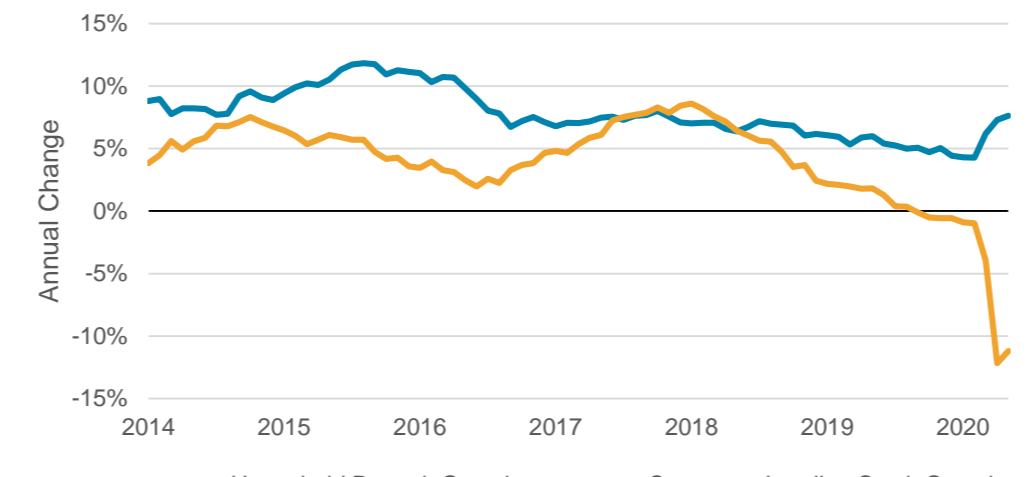
Trade Weighted Exchange Index



Source: RBNZ

In May, total household deposits rose by \$1.4b (0.7%), and bank consumer lending rose by \$144m (1.5%) after falling by \$1.1b in April.

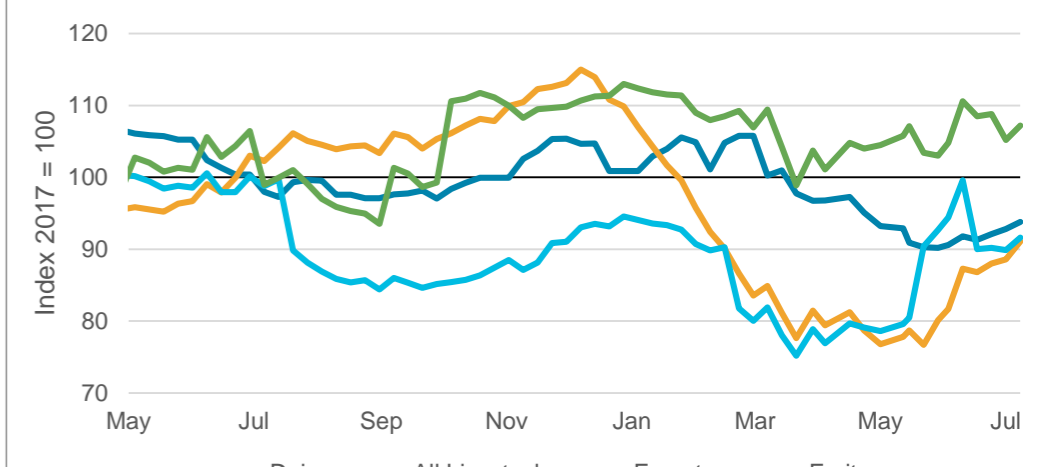
Household Deposits and Lending



Source: RBNZ

International prices for some NZ commodity exports have increased slightly this week, but generally remain lower than at the start of the year.

ASB Commodities Index

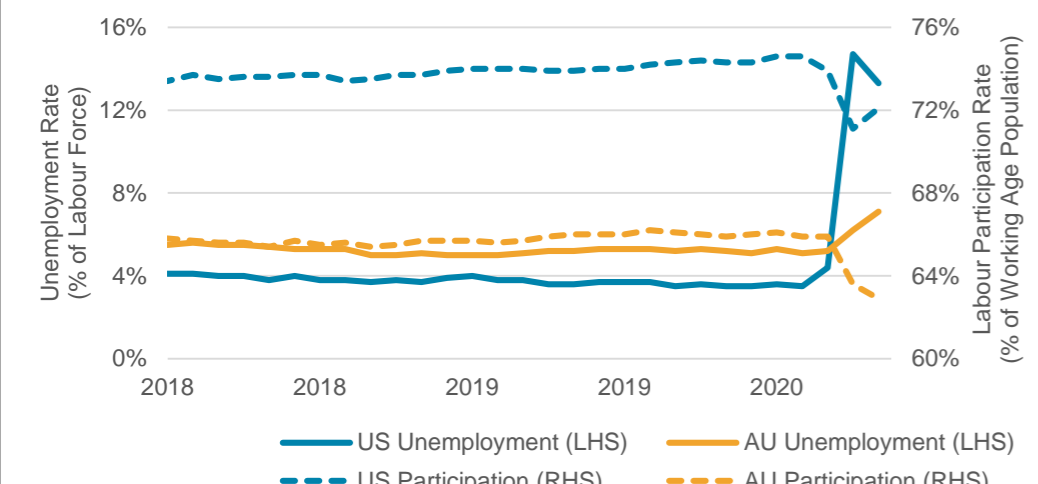


Source: ASB

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.

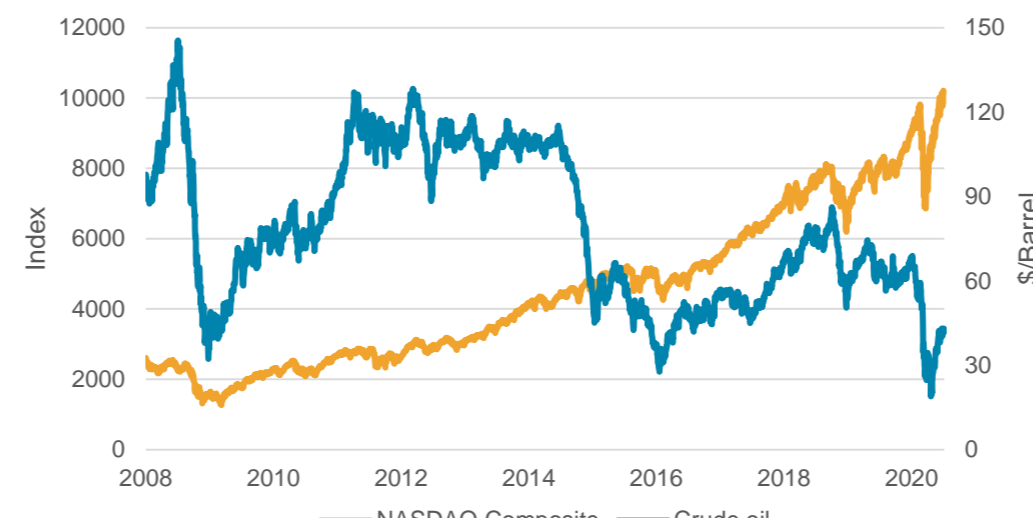
US and AU Unemployment and Labour Participation Rates



Source: Haver Analytics

Equity markets have strengthened. The NASDAQ has surpassed its February high and oil prices are rebounding.

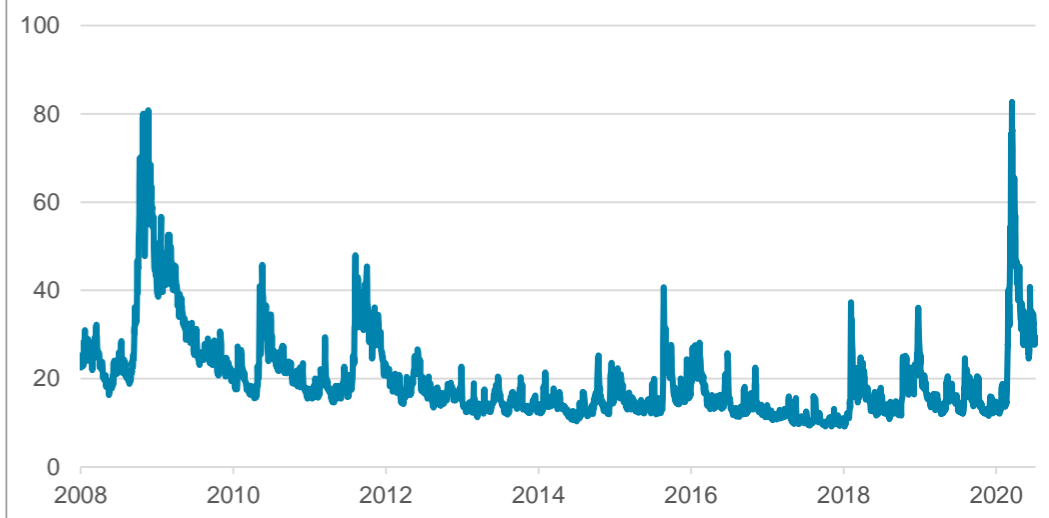
NASDAQ Composite Index, Market Price of Crude Oil



Source: Haver Analytics

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

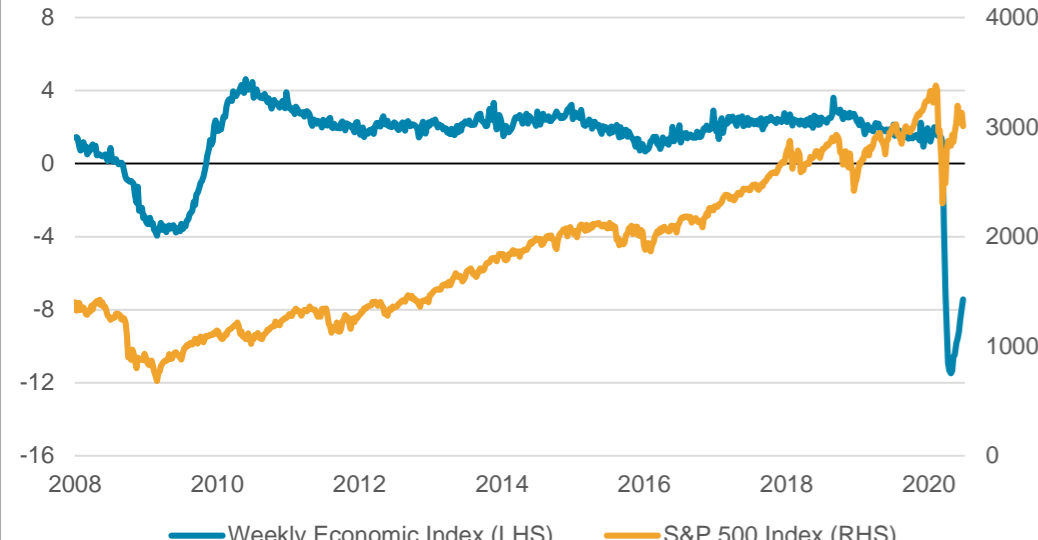
Volatility Index



Source: Yahoo Finance

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

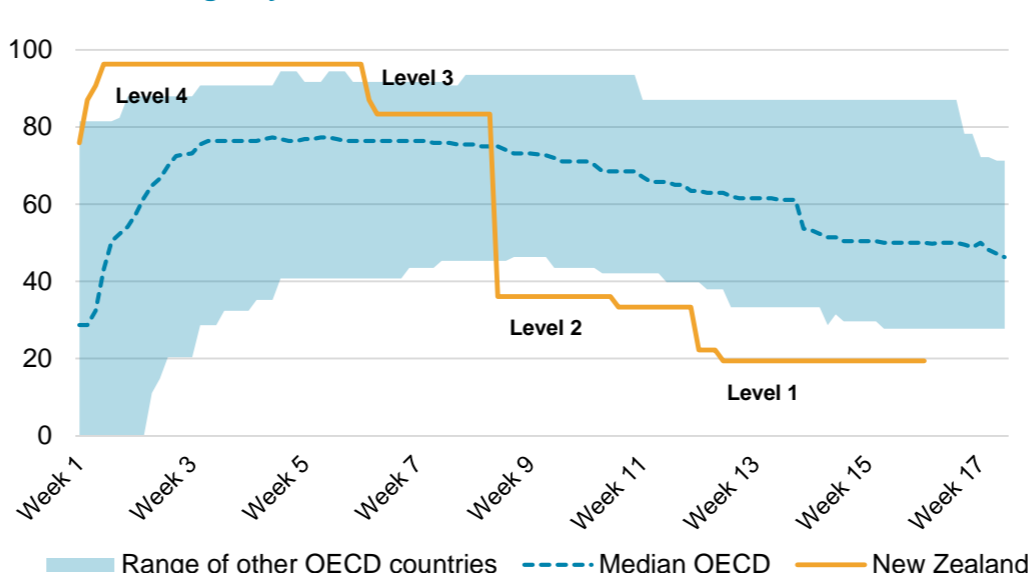
Weekly Economic Index, S&P 500 Index



Source: Federal Reserve Bank of New York, Haver Analytics

The Oxford/BSG lockdown Stringency Index for New Zealand is the lowest of all OECD countries, though worldwide lockdown stringency is decreasing.

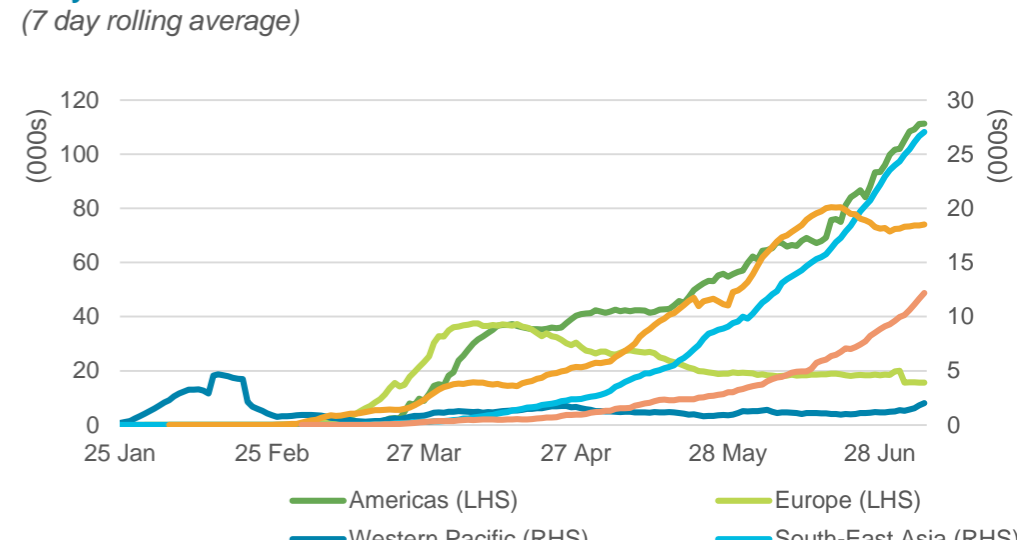
Oxford Stringency Index: since 100th confirmed case



Source: Oxford, BSG

Globally, there have been over 10.2 million confirmed cases of COVID-19, including over 500,000 deaths. New cases are dominated by the US and Brazil, but new cases are increasing in most regions.

Daily New COVID-19 Cases (7 day rolling average)



Source: Haver Analytics, NAB