

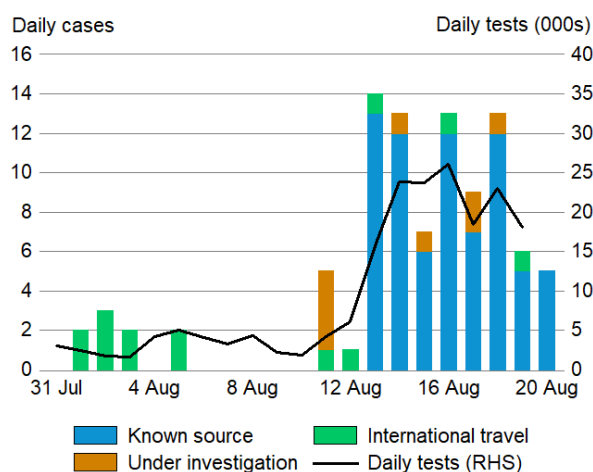
A total of 65 people who have tested positive for COVID-19 are now in quarantine in Auckland, and the city will remain at Alert Level 3 until 26 August as the rest of the country remains at Level 2. High-frequency data suggest that activity in Auckland dropped quickly after restrictions were reinstated. Affected businesses may be eligible for an additional two-week wage subsidy, and the mortgage deferral scheme has been extended into 2021. Performance indicators for manufacturing and services showed resilience in July and the housing market held up, though renewed COVID-19 outbreaks worldwide weighed on dairy prices.

Incoming data in the United States (US) and China remain consistent with expansion, but momentum is slowing. Elsewhere, the data showed June quarter GDP contracted considerably in Japan, Thailand and across Scandinavia. In Australia, employment and hours worked continued to recover in July, although these data predate the second Melbourne lockdown. The unemployment rate rose to 7.5%.

Community transmission continues...

A total of 65 people from the Auckland community who have tested positive for COVID-19 have been moved into the city's quarantine facility. Household contacts of the community cases are also in quarantine. Genome testing has revealed that one of the new cases is not linked to the community cluster. Over 150,000 tests have been conducted since 12 August, bringing the total to over 650,000.

Figure 1: Daily COVID-19 tests and cases by source

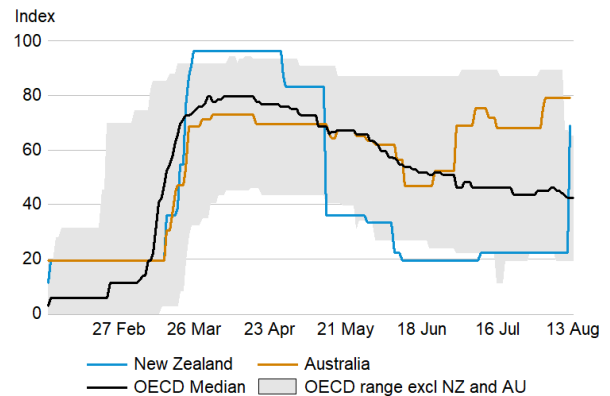


Source: Ministry of Health

...and Alert Level restrictions are extended...

Auckland will remain in Alert Level 3, and the rest of NZ in Level 2, until 26 August. New Zealand now rates 74 on the Government Response Stringency Index, above the OECD median (Figure 2).

Figure 2: Government Response Stringency Index

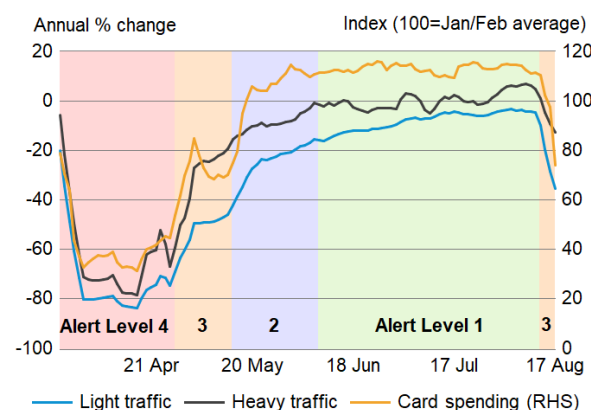


Source: University of Oxford

...as Auckland activity falls

Traffic and card spending data suggest that activity in Auckland dropped quickly after Alert Level 3 was reinstated (Figure 3). On 17 August, light and heavy traffic fell to around 65% and 85% of 2019 levels, respectively, and card spending was around 75% of the average over January and February.

Figure 3: Auckland economic activity indicators



Sources: NZTA, Paymark and Verifone data via Data Ventures

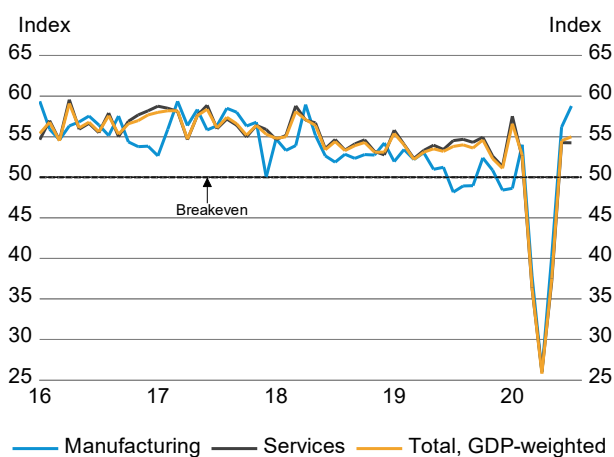
Income support continues to rise

Around 22,800 people were receiving the COVID-19 Income Relief Payment (CIRP) as of 14 August, an increase of 800 on the previous week. The total number of people receiving income support (Jobseeker and CIRP) was 216,800 – up 1,800 on the week prior. Weekly growth continued to rise.

Further recovery for activity indicators...

The BNZ-BusinessNZ Performance of Manufacturing Index (PMI) rose again in July, up 2.6 points to 58.8, indicating that economic activity continued to improve (Figure 4). New orders rose 9.1 points but employment slipped by 2 points. The Performance of Services Index (PSI) remained unchanged from June at 54.3. Employment recovered, up 4.7 points, but sales and new business were both down 4.0 points. The GDP-weighted combined index rose 0.5 points to 55.0.

Figure 4: BNZ-BusinessNZ Performance Indexes



Source: BNZ-BusinessNZ

...as costs fall faster than output prices...

The June quarter Producers Price Index (PPI) showed that on average, across all industries, output prices fell by less (down 0.3%) than input prices (down 1.0%) in the quarter. The drop in input costs was driven by falling prices for crude oil, milk and meat. For the year as a whole, input prices fell (down 0.1%) while output prices rose by 1.5%.

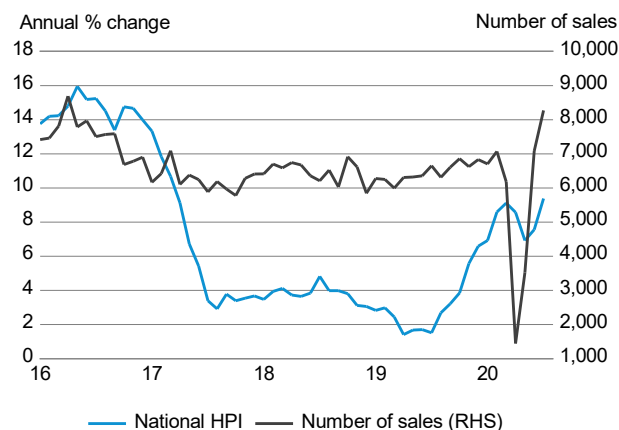
...and house prices and sales are holding up

The housing market continued to show resilience, with house prices in July up 1.5% in the month to be 9.4% higher than a year ago. The number of properties sold in July increased 21.6% from a year ago, recording the highest number of sales in July for 5 years (Figure 5).

Pent-up demand from a period of restricted real estate activity in April and May, along with accommodative monetary policy has contributed to the strength in buyer interest in recent months. Median house prices rose 14.8% on an annual basis in July and, at \$660,000, have largely retraced the fall seen in May, which reflects the

strong level of interest from buyers. Median days to sell fell 7 days from July 2019 to 24, which is the lowest for the month of July in 4 years.

Figure 5: REINZ house prices and sales



Source: REINZ

The housing market was stronger than expected in recent months, which poses upside risks to our forecasts. However, we expect the deteriorating labour market and the impact of lower migration from continued border restrictions to lower house prices in the year ahead. The recent outbreak of community-transmitted cases of COVID-19 in Auckland will also be adding increased uncertainty in the mix, particularly if the current period of heightened levels of restrictions on activity is extended.

Wage subsidy and mortgage deferrals extended

Businesses affected by the new lockdown measures may be eligible for a two-week wage subsidy if their revenue has declined by 40% for at least 14 days between 12 August and 10 September compared to last year. The revenue criteria for eligibility is consistent with the existing wage subsidy extension and the rate remains unchanged at \$585.80 for full time employees and \$350 for part-time employees working less than 20 hours per week. The subsidy is available nationwide. The Reserve Bank also announced that the mortgage deferral scheme will be extended to 31 March 2021.

Renewed outbreaks weigh on dairy prices

Dairy prices fell 1.7% in the latest *GlobalDairyTrade* auction as renewed outbreaks of COVID-19 in many parts of the world weigh on prices. WMP prices fell 2.2%, AMF was 2.9% lower and butter prices were down 2.0% while SMP prices rose 1.1%.

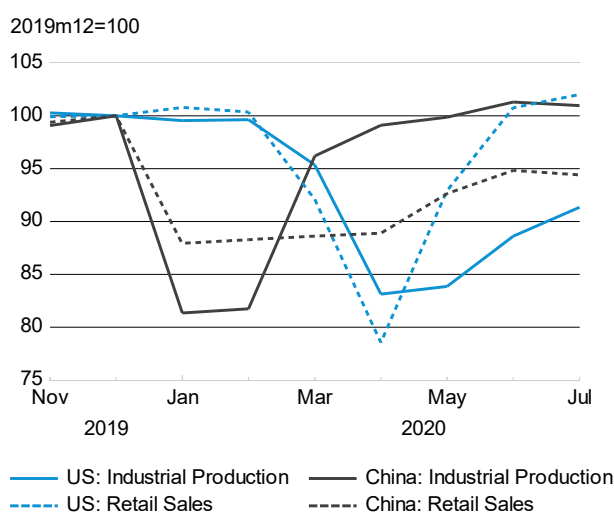
Growth momentum eases in July...

Incoming data in the United States (US) and China remain consistent with expansion, but momentum is slowing as the driver of the recovery rotates from the goods sector to the services sector, where social distancing remains a headwind to growth.

...but the pace remains solid in the US...

In the US, the S&P 500 stock market completed its recovery from February's crash, reaching a fresh high on 18 August. Meanwhile, data shows that the economic recovery continued into July, albeit at a slowing pace. Headline retail sales rose 1.2% from June, and industrial production (IP) was 3.0% up on the previous month, driven by further increases in motor vehicle production and strong demand for consumer goods more generally. In level terms, retail sales have surpassed their pre-COVID levels but industrial output is down almost 9% (Figure 6). Housing starts and permits recorded monthly gains of 23% and 19% respectively, reflecting pent-up demand, low interest rates and increased demand for homes better suited to working from home. Analysts expect September quarter GDP to be around 5% higher than in the June quarter. This follows the 10% fall in the June quarter.

Figure 6: Industrial Production and Retail Sales



Source: Haver

...and China

In China, July data showed the annual expansion in IP was steady at 4.8%, driven by continued strength in automobile production, which was up 27% on a year ago. Analysts noted that heavy rains and floods likely slowed growth in the month. Retail sales continued to lag, despite solid motor vehicle sales, down 1.1% from a year ago and about 5% below its pre-virus level (Figure 6). Fixed asset

investment was 6% higher than a year ago, led by property investment. Exports also performed strongly, up 7.2% on July 2019, helped by consumer goods exports. The economic recovery is expected to continue and the analyst consensus is for full-year 2020 growth to be around 1.5%.

Record GDP falls in Asia and Scandinavia

Elsewhere, the data have been less encouraging. In Japan, June quarter GDP was 7.8% lower than in the March quarter, the largest quarterly fall since WWII. Private consumption (-8.1%) and exports (-18.5%) led the fall. The outlook remains highly uncertain. There are signs new COVID-19 infections may be peaking, but analysts fear household income may fall sharply as fiscal support fades.

Thailand's economy contracted at its sharpest pace in 22 years, with GDP down 9.7% in the June quarter compared to the previous quarter. The National Economic and Social Development Council cut its GDP forecast for 2020 to -7.3% to -7.8%, from -5% to -6% previously.

The contraction was less severe in the Scandinavian economies. Finland's GDP fell 3.2% per cent in the three months to the end of June compared with the March quarter, while Denmark's dropped by a record 7.4%. Both countries fared better than Sweden, which had no formal lockdown, where GDP contracted by 8.6%.

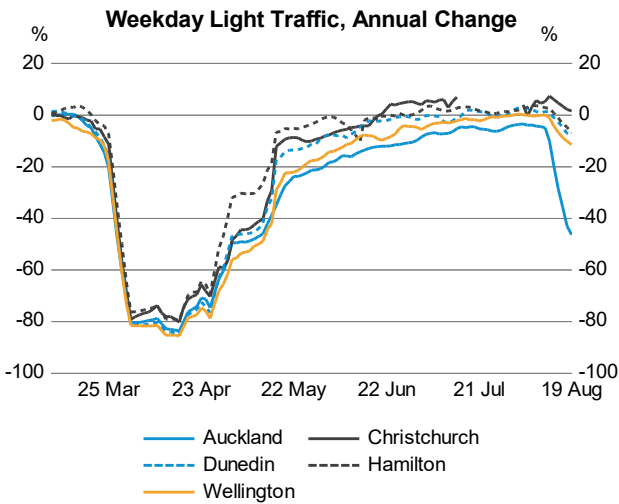
Australian unemployment rose to 7.5% in July

In Australia, employment and hours worked in July rose 0.9% and 1.3% respectively from June, although these data predate the second Melbourne lockdown. Unemployment rose to 7.5% from 7.4%, alongside a rise in the participation rate. The Treasury Secretary said unemployment could stay above 6% for four to five years. The Government announced a pilot programme to restart the international education sector. Up to 300 international students will start arriving in Adelaide soon.

Date	Key NZ Data	Previous
26 August	Overseas merchandise trade	-\$1.2bn
28 August	Monthly employment indicator	+ 0.8%

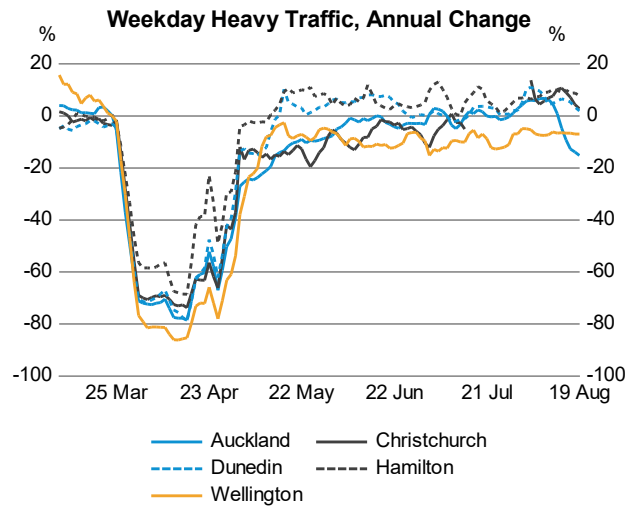
High-Frequency Indicators (Domestic)

Traffic Movement



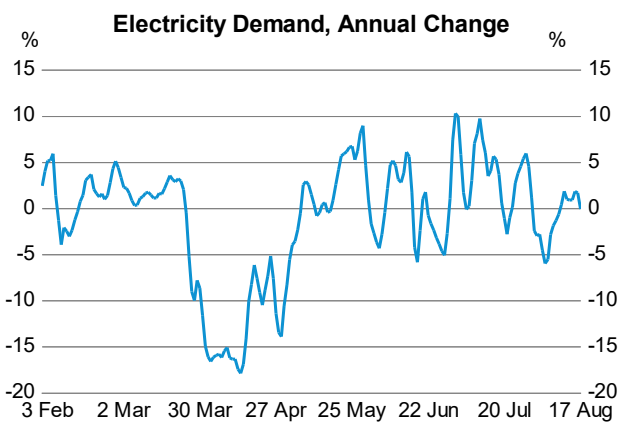
Source: Waka Kotahi NZ Transport Agency

Freight Movement



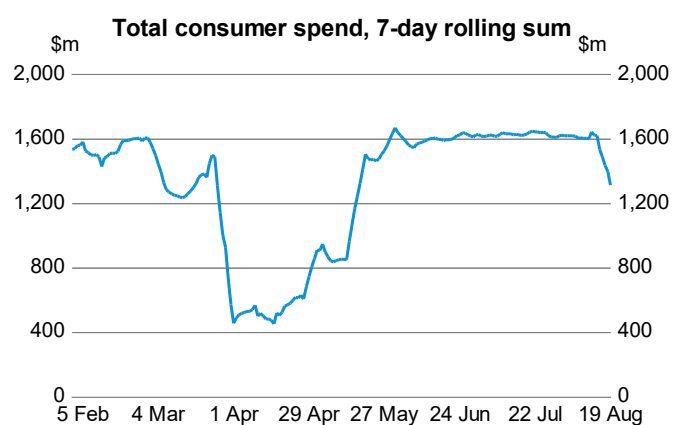
Source: Waka Kotahi NZ Transport Agency

Electricity Demand



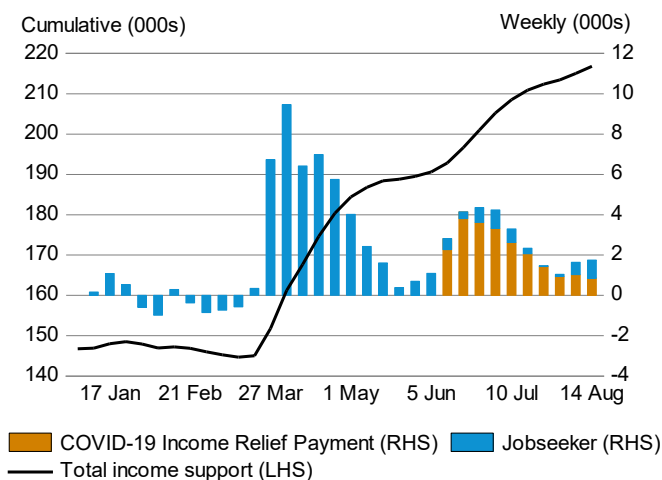
Source: Electricity Authority

Retail Spending



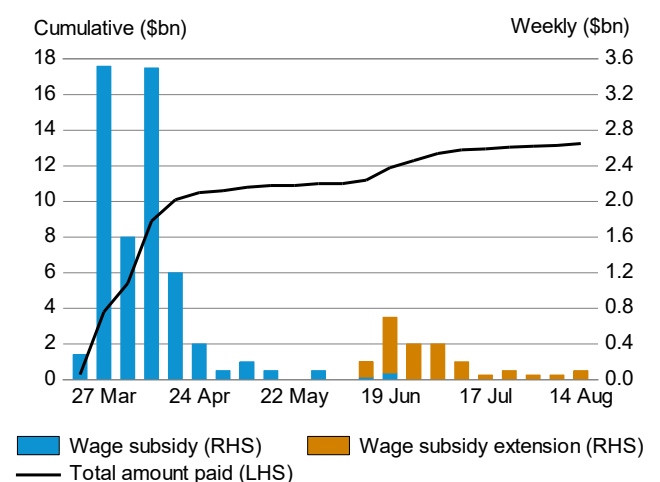
Source: Paymark and Verifone data via Data Ventures

Jobseeker and Income Support Recipients



Source: MSD

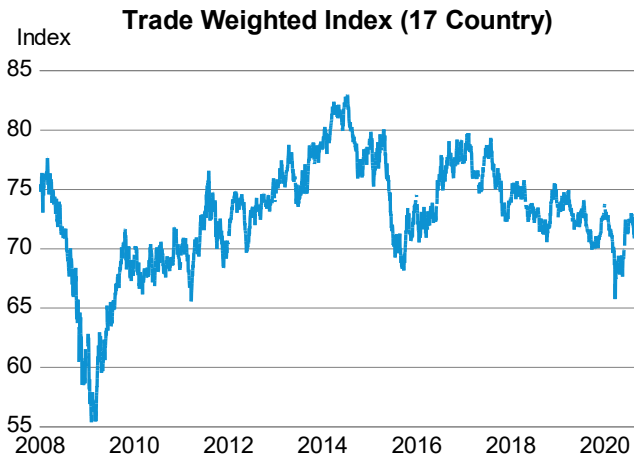
Fiscal Support: Wage Subsidy (paid)



Source: MSD

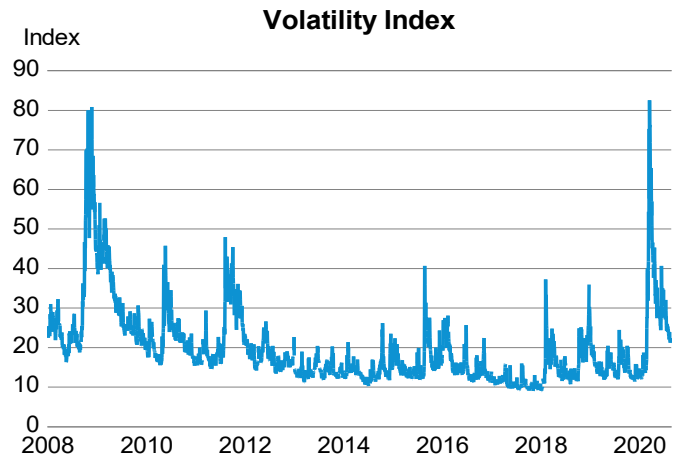
High-Frequency Indicators (Global)

Trade Weighted Index



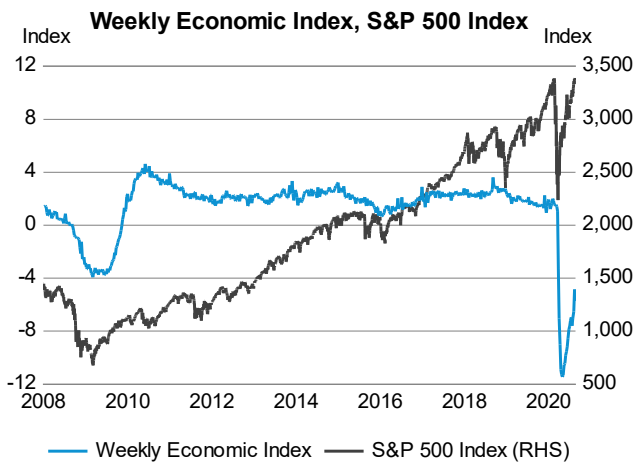
Source: RBNZ

Volatility Index



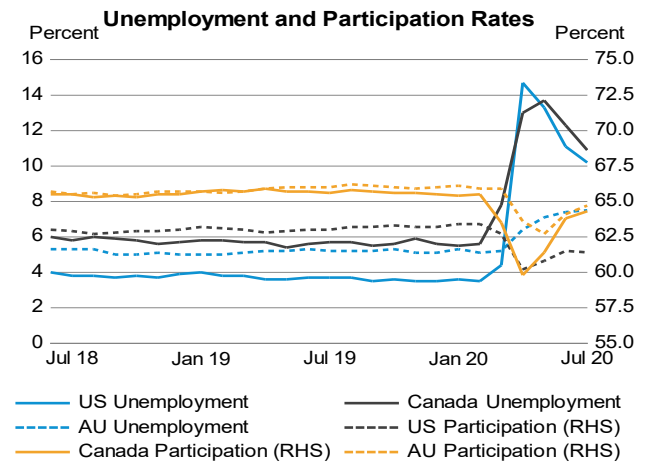
Source: Haver

US Activity and Equities



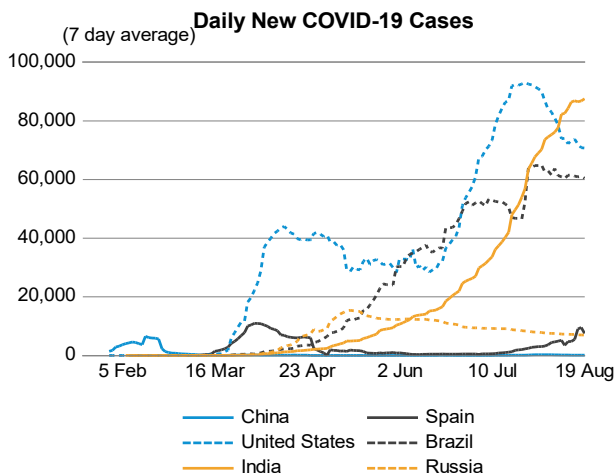
Sources: Federal Reserve Bank of New York, Haver

Labour Markets



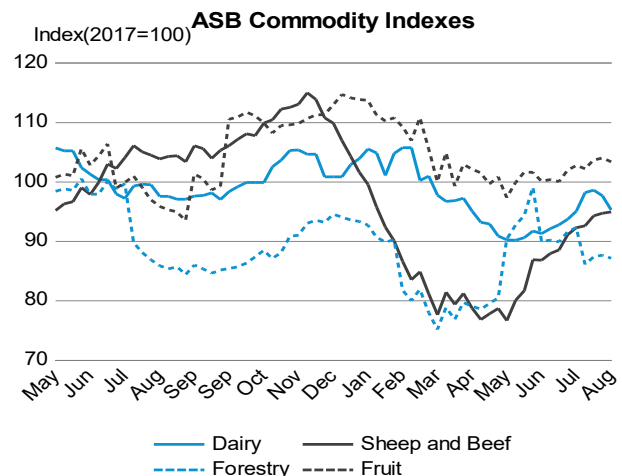
Source: Haver

COVID-19 Cases



Sources: World Health Organisation/Haver

World Commodity Prices



Source: ASB

Quarterly Indicators		2019Q1	2019Q2	2019Q3	2019Q4	2020Q1	2020Q2
Real Production GDP (1)	qpc	0.4	0.1	0.8	0.5	-1.6	...
	aapc	3.1	2.9	2.7	2.3	1.5	...
Current account balance (annual)	%GDP	-3.6	-3.4	-3.3	-3.0	-2.7	...
Merchandise terms of trade	apc	-1.9	-1.0	0.9	7.1	5.3	...
CPI inflation	qpc	0.1	0.6	0.7	0.5	0.8	-0.5
	apc	1.5	1.7	1.5	1.9	2.5	1.5
Employment (HLFS) (1)	qpc	-0.2	0.6	0.4	0.2	1.0	-0.4
Unemployment rate (1)	%	4.1	4.0	4.1	4.1	4.2	4.0
Participation rate (1)	%	70.3	70.3	70.4	70.1	70.5	69.7
LCI salary & wage rates - total (2)	apc	2.0	2.1	2.5	2.6	2.5	2.1
QES average hourly earnings - total (2)	apc	3.4	4.4	4.2	3.6	3.6	3.0
Core retail sales volume	apc	3.9	3.6	5.4	3.3	4.0	...
Total retail sales volume	apc	3.3	2.9	4.5	3.3	2.3	...
WMM - consumer confidence (3)	Index	103.8	103.5	103.1	109.9	104.2	97.2
QSBO - general business situation (1,4)	net%	-27.0	-30.7	-38.0	-28.6	-68.0	-58.8
QSBO - own activity outlook (1,4)	net%	5.3	-2.0	-0.2	4.1	-13.9	-24.8
Monthly Indicators		Feb 20	Mar 20	Apr 20	May 20	Jun 20	Jul 20
Merchandise trade balance (12 month)	NZ\$m	-3,283	-3,382	-2,403	-1,292	-1,196	...
Dwelling consents - residential	apc	6.0	-8.3	-16.5	-4.4	20.4	...
House sales - dwellings	apc	13.4	2.7	-77.2	-44.3	10.9	24.6
REINZ - house price index	apc	8.5	9.0	8.6	7.0	7.7	9.4
Estimated net migration (12 month total)	people	80,247	86,404	84,517	82,084	79,424	...
ANZ NZ commodity price index	apc	6.6	5.8	0.9	-1.4	-2.5	-0.1
ANZ world commodity price index	apc	0.1	-5.8	-9.2	-8.2	-5.3	-1.7
ANZBO - business confidence	net%	-19.4	-63.5	-66.6	-41.8	-34.4	-31.8
ANZBO - activity outlook	net%	12.0	-26.7	-55.1	-38.7	-25.9	-8.9
ANZ-Roy Morgan - consumer confidence	net%	122.1	106.3	84.8	97.3	104.5	104.3
Weekly Benefit Numbers		10 Jul	17 Jul	24 Jul	31 Jul	7 Aug	14 Aug
Jobseeker Support	number	192,053	192,327	192,374	192,488	193,094	193,997
Work Ready	number	124,849	124,802	124,618	124,443	124,679	125,076
Health Condition and Disability	number	67,204	67,525	67,756	68,045	68,415	68,921
COVID-19 Income Relief Payment	number	16,524	18,592	20,023	20,957	21,988	22,834
Full-time	number	14,930	16,812	18,077	18,863	19,745	20,518
Part-time	number	1,594	1,780	1,946	2,094	2,243	2,316
Daily Indicators		Wed 12/8/20	Thu 13/8/20	Fri 14/8/20	Mon 17/8/20	Tue 18/8/20	Wed 19/8/20
NZ exchange and interest rates (5)							
NZD/USD	\$	0.6538	0.6576	0.6537	0.6537	0.6548	0.6603
NZD/AUD	\$	0.9171	0.9170	0.9158	0.9095	0.9062	0.9121
Trade weighted index (TWI)	index	71.3	71.5	71.2	71.0	70.9	71.4
Official cash rate (OCR)	%	0.25	0.25	0.25	0.25	0.25	0.25
90 day bank bill rate	%	0.30	0.30	0.29	0.28	0.28	0.28
10 year govt bond rate	%	0.78	0.73	0.68	0.67	0.69	0.67
Share markets (6)							
Dow Jones	index	27,977	27,897	27,931	27,845	27,778	27,693
S&P 500	index	3,380	3,373	3,373	3,382	3,390	3,375
VIX volatility index	index	22.3	22.1	22.1	21.4	21.5	22.5
AU all ords	index	6,257	6,224	6,262	6,219	6,269	6,314
NZX 50	index	11,492	11,501	11,452	11,673	11,849	11,751
US interest rates							
3 month OIS	%	0.10	0.10	0.10	0.10	0.09	...
3 month Libor	%	0.26	0.28	0.27	0.27	0.25	...
10 year govt bond rate	%	0.69	0.71	0.71	0.69	0.67	0.68
Commodity prices (6)							
WTI oil	US\$/barrel	42.67	42.24	42.05	42.89	42.89	42.93
Gold	US\$/ounce	1,932	1,944.25	1,944.75	1,972.85	2,008.75	1,981.00
CRB Futures	index	379	380.37	381.96	383.65	384.10	...

(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		Jan 20	Feb 20	Mar 20	2020Q1	Apr 20	May 20	Jun 20	2020Q2	Jul 20	Aug 20
United States [9.6% share of total goods exports]	GDP (1)	qpc				-1.3				-9.5		
	Industrial production (1)	mpc	-0.4	0.1	-4.3		-12.8	0.9	5.7		3.0	...
	CPI	apc	2.5	2.3	1.5		0.3	0.1	0.6		1.0	...
	Unemployment rate (1)	%	3.6	3.5	4.4		14.7	13.3	11.1		10.2	...
	Employment change (1)	000s	214.0	251.0	-1373.0		-20787.0	2725.0	4791.0		1763.0	...
	Retail sales value	apc	4.9	4.5	-5.6		-19.9	-5.6	2.1		2.7	...
	House prices (2)	apc	3.1	3.5	3.9		3.9	3.7	...		...	...
Japan [6.1%]	PMI manufacturing (1)	index	50.9	50.1	49.1		41.5	43.1	52.6		54.2	...
	Consumer confidence (1)(3)	index	130.4	132.6	118.8		85.7	85.9	98.3		92.6	...
	GDP (1)	qpc				-0.6				-7.8		
	Industrial production (1)	mpc	1.9	-0.3	-3.7		-9.8	-8.9	1.9		...	...
	CPI	apc	0.6	0.5	0.4		0.2	0.0	0.1		...	...
	Unemployment rate (1)	%	2.4	2.4	2.5		2.6	2.9	2.8		...	...
	Retail sales value	apc	-0.4	1.6	-4.7		-13.9	-12.5	-1.3		...	...
Euro area [5.5%]	PMI manufacturing (1)	index	48.8	47.8	44.8		41.9	38.4	40.1		45.2	...
	Consumer confidence (1)(4)	index	39.2	38.2	31.1		21.3	24.1	28.5		29.5	...
	GDP (1)	qpc				-3.6				-12.1		
	Industrial production (1)	mpc	1.9	-0.1	-11.8		-18.0	12.3	9.1		...	...
	CPI	apc	1.4	1.2	0.7		0.3	0.1	0.3		0.4	...
	Unemployment rate (1)	%	7.4	7.2	7.2		7.5	7.7	7.8		...	...
	Retail sales volume	apc	2.3	2.6	-8.2		-19.4	-3.1	1.3		...	...
United Kingdom [2.7%]	PMI manufacturing (1)	index	47.9	49.2	44.5		33.4	39.4	47.4		51.8	...
	Consumer confidence (5)	index	-8.1	-6.6	-11.6		-22.0	-18.8	-14.7		-15.0	...
	GDP (1)	qpc				-2.2				-20.4		
	Industrial production (1)	mpc	0.2	0.3	-4.3		-20.4	6.2	9.4		...	...
	CPI	apc	1.8	1.7	1.5		0.8	0.6	0.6		...	...
	Unemployment rate (1)	%	3.9	4.0	3.9		3.9	3.9	3.9		...	...
	Retail sales volume	apc	0.8	0.0	-6.1		-22.8	-13.0	-1.7		...	...
Australia [15.8%]	House prices (6)	apc	1.9	2.3	3.0		3.7	1.8	-0.1		1.5	...
	PMI manufacturing (1)	index	50.0	51.7	47.8		32.6	40.7	50.1		53.3	...
	Consumer confidence (1)(5)	index	-6.5	-6.2	-8.2		-22.7	-23.7	-21.0		-16.6	...
	GDP (1)	qpc				-0.3				...		
	CPI	apc				2.2				-0.3		
	Unemployment rate (1)	%	5.3	5.1	5.2		6.4	7.1	7.4		7.5	...
	Retail sales value	apc	2.2	5.7	9.4		-8.9	5.5	8.6		...	...
China [24.3%]	House Prices (7)	apc				8.1				...		
	PMI manufacturing (1)	index	45.4	44.3	53.7		35.8	41.6	51.5		53.5	...
	Consumer confidence (8)	index	93.4	95.5	91.9		75.6	88.1	93.7		87.9	79.5
	GDP	apc				-6.8				3.2		
	Industrial production	apc	-13.5	-13.5	-1.1		3.9	4.4	4.8		4.8	...
South Korea [3.0%]	CPI	apc	5.4	5.2	4.3		3.3	2.4	2.5		2.7	...
	PMI manufacturing (1)	index	50.0	35.7	52.0		50.8	50.6	50.9		51.1	...
	GDP (1)	qpc				-1.3				-3.3		
Industrial production (1)	mpc	-1.5	-3.7	4.9		-6.6	-7.0	7.2		...	...
CPI	apc	1.5	1.1	1.0		0.1	-0.3	-0.0		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