

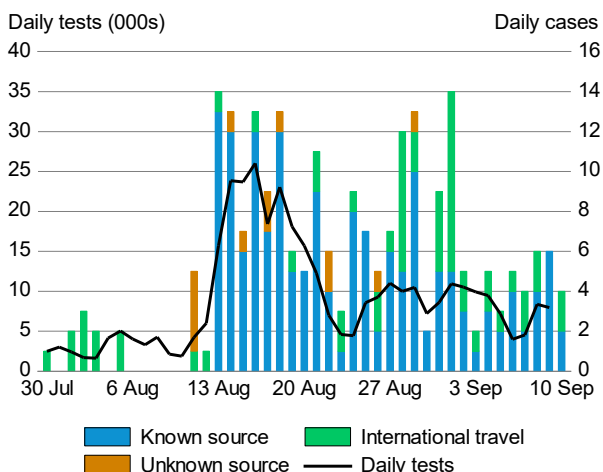
High-frequency indicators suggest that economic activity bounced back sharply after Auckland moved to Alert Level 2. Income support numbers fell due to a large number of COVID-19 Income Relief Payments ending. Construction activity and sales across a range of industries had record falls in the June quarter, with a run-down in finished goods inventories indicating that the decline in physical production was even greater. Business confidence improved somewhat, however remains firmly entrenched in negative territory with firms indicating an expectation to reduce staffing levels.

The unemployment rate in the United States (US) fell in August to 8.4%, from 10.2% in July. Business conditions in Australia deteriorated, but consumer confidence recovered. China's exports grew at the fastest pace since March 2019, while imports fell. Equity markets have been under pressure due to corrections in the valuations of tech stocks in the US, while Brexit uncertainty has weighed on European markets.

### NZ remains at Alert Level 2

New Zealand will remain at Alert Level 2, with additional gathering restrictions in Auckland, until at least 16 September. Cabinet will review the current Alert Level settings on 14 September. There are 81 active COVID-19 cases in the community and 39 active cases in managed isolation at the border. Over 330,000 tests have been taken since 12 August, and all community cases since 29 August have been linked to a known source (Figure 1).

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

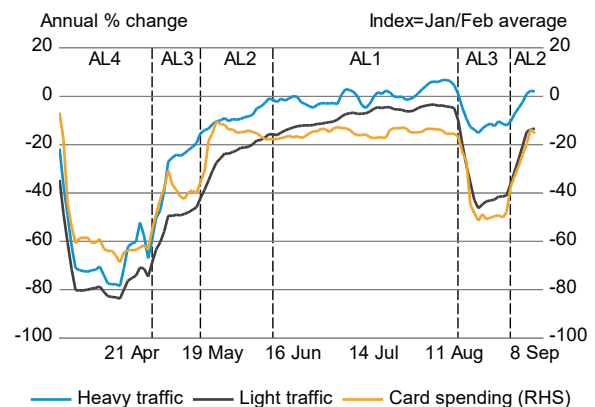


Source: Ministry of Health

### Activity indicators bounce back sharply...

High-frequency data suggest that economic activity in Auckland bounced back sharply after it moved to Alert Level 2 (Figure 2). Heavy traffic volumes rebounded to slightly above 2019 levels, as card spending lifted to levels similar to the previous Alert Level 1. Light traffic only partially bounced back.

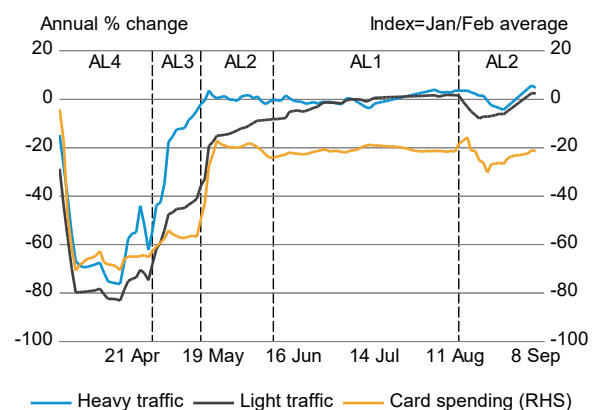
Figure 2: Auckland activity indicators



Sources: NZTA, Paymark and Verifone data via Data Ventures

Meanwhile, activity also rebounded in the rest of the country, even though Alert Levels did not change (Figure 3). Card spending recovered to levels seen during Alert Level 1, as light and heavy traffic both lifted above 2019 levels.

Figure 3: NZ excluding Auckland activity indicators



Sources: NZTA, Paymark and Verifone data via Data Ventures

### ...and income support numbers fall

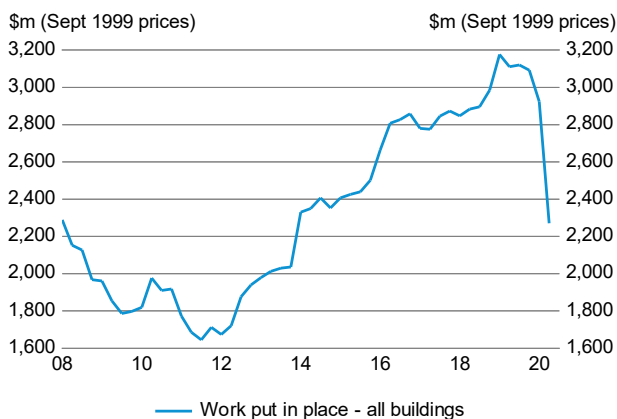
The number of people receiving the COVID-19 Income Relief Payment fell by 6,200 in the week to 4 September, due to a large number of people reaching the end of their 12-week entitlement. As relatively few transferred to Jobseeker Support, total income support numbers fell by 4,500.

This week's official data releases point to a very large fall in next week's June quarter GDP release, although not as severe as assumed in the *Budget Update*. The major New Zealand (NZ) banks expect quarterly GDP to fall by about 13%.

**Record fall in building work...**

Building activity continued to fall in the June quarter, with the volume of all building work put in place down a record 22.4% on March (Figure 4) and 27.0% on the same time last year. A large fall was expected given almost all residential and non-residential construction was halted during most of April under Alert Level 4. The magnitude of the fall was lower than implied by our *Budget* forecasts of residential and business investment, reflecting the earlier easing in alert levels than was assumed.

**Figure 4: Building activity**



Source: Stats NZ

**... and manufacturing and wholesaling...**

The seasonally adjusted volume of manufacturing sales fell a record 12.2% in the June quarter, with 12 of the 13 manufacturing industries recording lower sales. The influential meat and dairy product manufacturing industry was less affected (only down 2.7% over the quarter), reflecting its status as an essential industry over the course of the lockdown period. In addition to the decline in overall sales volumes, there was a greater than usual run-down in finished goods inventories over the quarter, pointing to a decline in production. We estimate that physical production over the quarter declined by around 16%.

Wholesale trade sales volumes fell 10.9% in the quarter, led by lower sales of petroleum products (down 14.9%) with lower demand for fuel arising from travel restrictions. Sales of motor vehicles and parts fell \$836 million (down 31%) reflecting the 38% fall in new car registrations over the quarter.

**...and services industries follow suit...**

Data from Stats NZ's new Business Data Collection showed consistent declines across service industries over the June quarter, led by a 45% fall in sales of accommodation and food services.

There is not yet a sufficient time series of data to undertake a robust seasonal adjustment, but the 16% decline in sales across services industries in the June 2020 quarter contrasts starkly with increases of 7% and 5% recorded in the previous two June quarters.

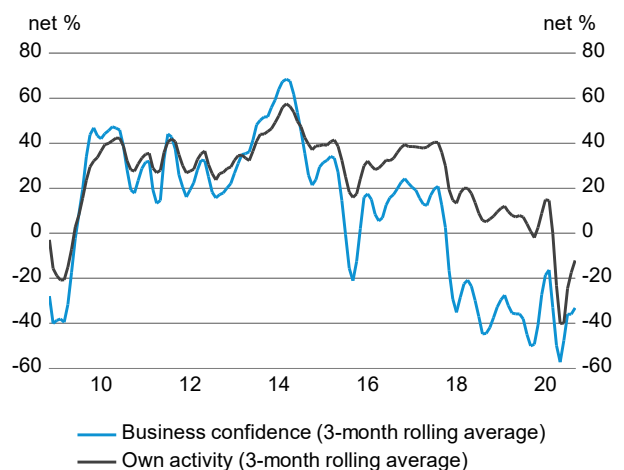
**...pointing to a large fall in June quarter GDP**

Stats NZ note that industry sales usually track value-added, which is what GDP measures, but this quarter firms' fixed costs such as insurances and rents will not have declined as much as sales. This means that the fall in value-added would be greater than the fall in sales. Overall, the major NZ banks expect quarterly GDP to fall by about 13%.

**Business confidence up**

While the preliminary release of the ANZ Business Outlook for September saw across the board increases in forward-looking indicators, the indicators remain firmly entrenched in negative territory. Business confidence lifted 16 percentage points to a net 26% of firms expecting conditions to deteriorate, while expectations of own activity rose 8 percentage points to a net 10% of firms expecting a reduction in their own activity (Figure 5).

**Figure 5: Business confidence and own activity**

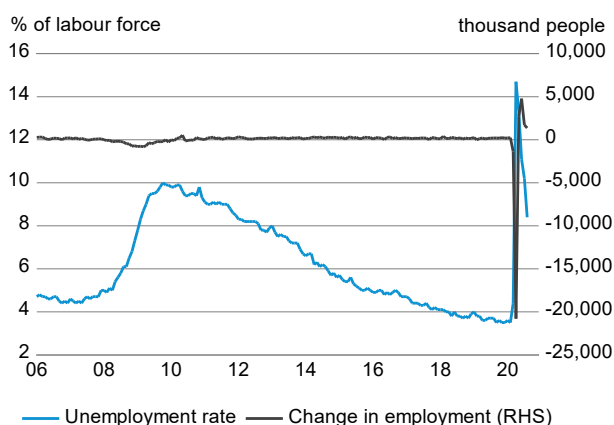


Source: ANZ Business Outlook

### US unemployment rate falls further

The US economy added 1.37 million net new jobs in August, close to market expectations. The US has now recovered around half of the jobs that were lost during March and April, but the pace of employment growth has slowed. The unemployment rate (which is sourced from a different survey) fell from 10.2% to 8.4% (Figure 6). However, permanent layoffs increased by a further 534,000, and the duration of temporary layoffs has risen.

**Figure 6: US labour market indicators**



Source: Haver

### Australian business confidence weakens...

Business conditions fell by 6 points (pts) in August to -6 in National Australia Bank's (NAB) monthly business survey, thereby erasing most of the previous month's gains. The deterioration was driven by a weakening in the employment index (-11pts), while there were also declines in the trading (-3pts) and profitability (-4pts) sub-indexes. The deterioration in business conditions was broad-based across states.

### ...but consumer confidence recovers

The Westpac consumer confidence index recovered by 18% in September to 93.8pts, likely driven by a reduction in new cases of the virus in Victoria, and no evidence of a resurgence in other states. This leaves the index just 1.6% below its average in the six months prior to the emergence of COVID-19.

The survey was completed before Victoria's premier announced that the state's lockdown would be extended for another two weeks until 28 September, after which restrictions will gradually be eased if new COVID-19 cases continued to decline.

### China's exports rise, but imports fall

The value of China's exports were 9.5% higher in August (in US\$-denominated terms) than during the same period last year, the quickest growth since March 2019. However, much of the growth in exports was in COVID-19 related industries such as personal protective equipment and work-from-home items, which offset weakness in other areas. Moreover, imports fell by 2.1%, which could suggest some underlying weakness in China's domestic demand. China's trade surplus with the US rose by 27% from last year to \$34.2 billion, while imports from Australia fell by more than a quarter following a deterioration in relations between the two countries. US President Trump said on Monday that if he were re-elected, the US would further scale back their ties with China by using tariffs and other measures.

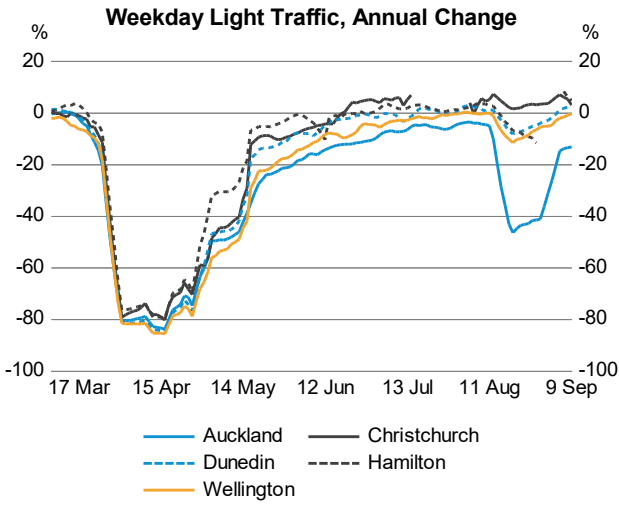
### Tech stocks lead equities lower

Weakness in the technology sector has driven equities lower since last week, while there has been a slight increase in market volatility. The recent weakness has mostly been seen as a correction in over-valued stocks, with equity prices still much higher than the beginning of the year. The weakness in equities has resulted in increased demand for safe-haven assets. Meanwhile, Brexit uncertainty has weighed on European markets, and the British pound has come under pressure.

Date	Key NZ Data	Previous
16 Sept	Balance of Payments, current account deficit, June quarter	\$8.4bn (2.7% of GDP)
17 Sept	Gross domestic product, June quarter	-1.6%

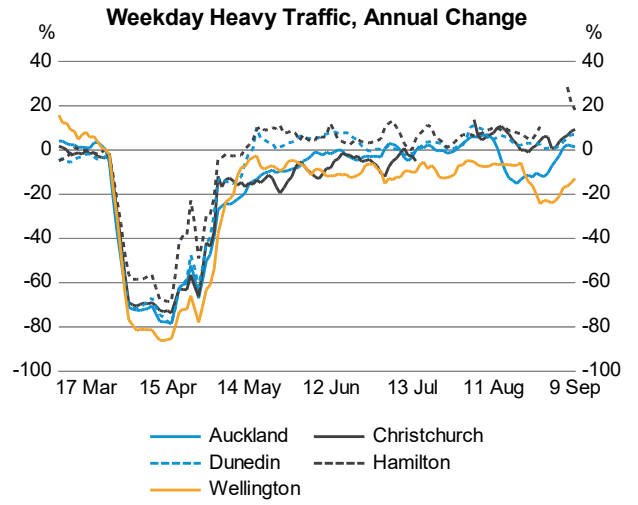
# High-Frequency Indicators (Domestic)

## Traffic Movement



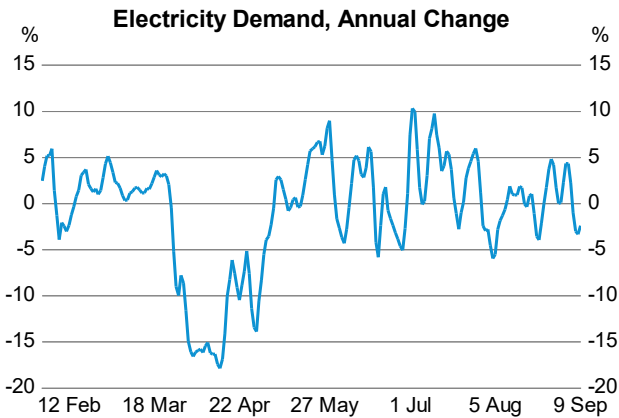
Source: Waka Kotahi NZ Transport Agency

## Freight Movement



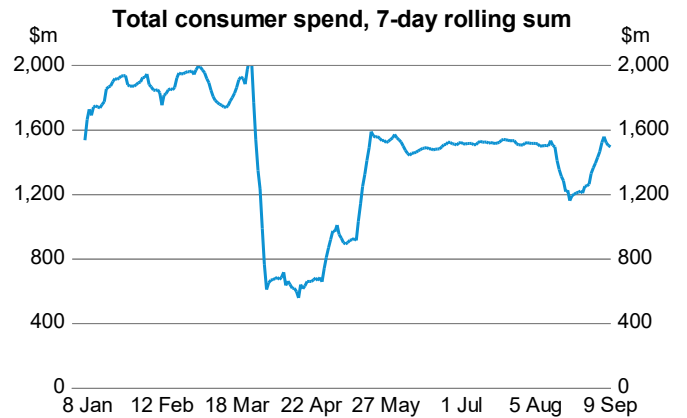
Source: Waka Kotahi NZ Transport Agency

## Electricity Demand



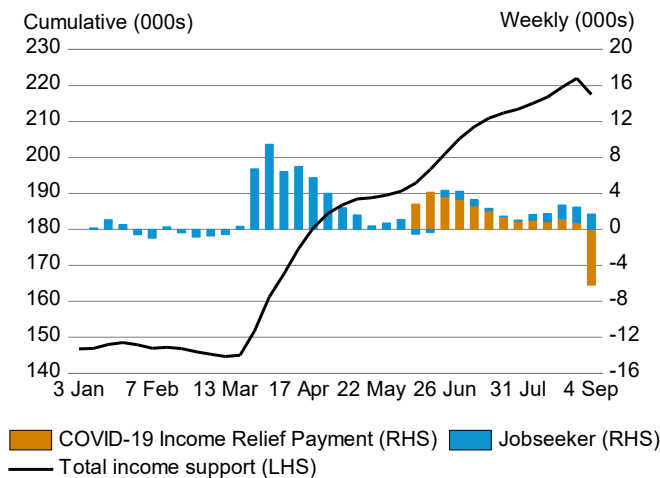
Source: Electricity Authority

## Retail Spending



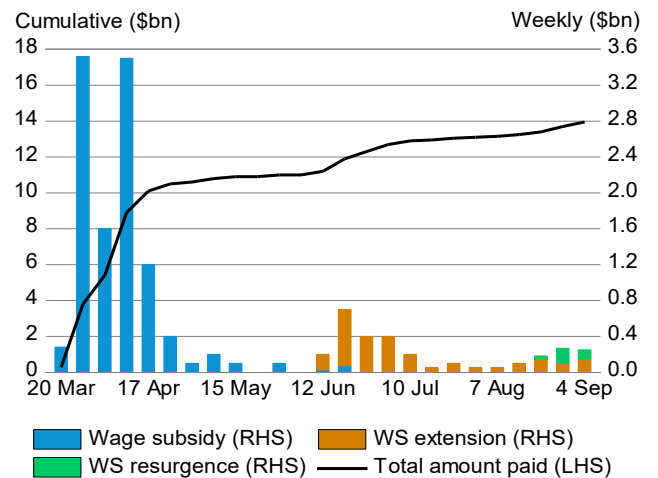
Source: Paymark and Verifone data via Data Ventures

## Jobseeker and Income Support Recipients



Source: MSD

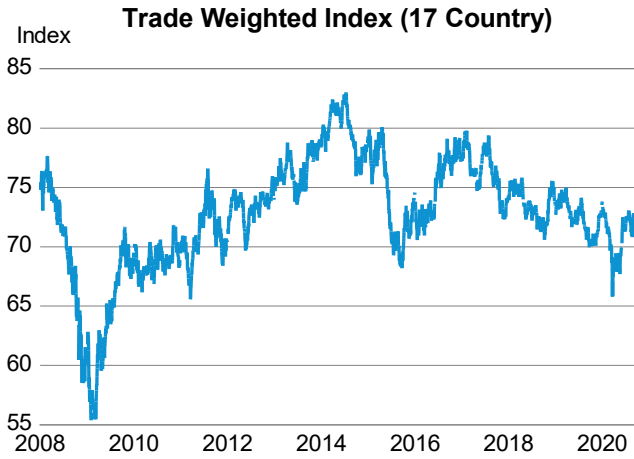
## Fiscal Support: Wage Subsidy (paid)



Source: MSD

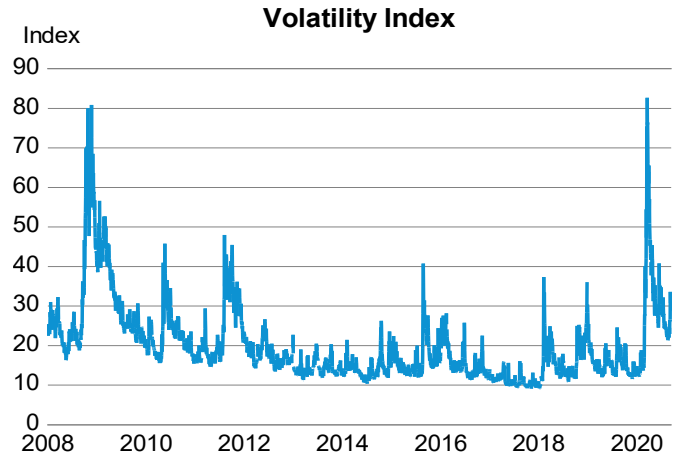
# High-Frequency Indicators (Global)

## Trade Weighted Index



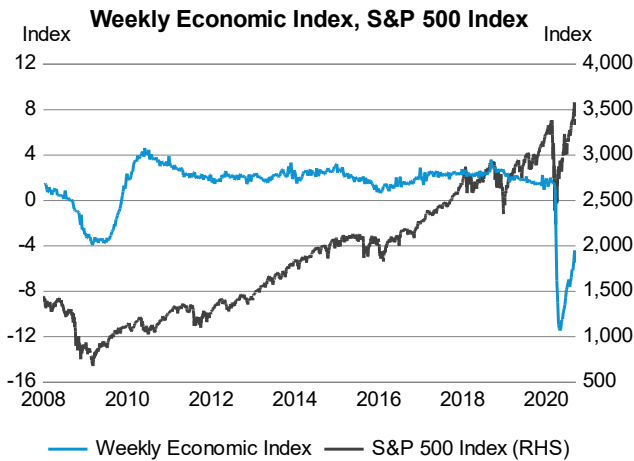
Source: RBNZ

## Volatility Index



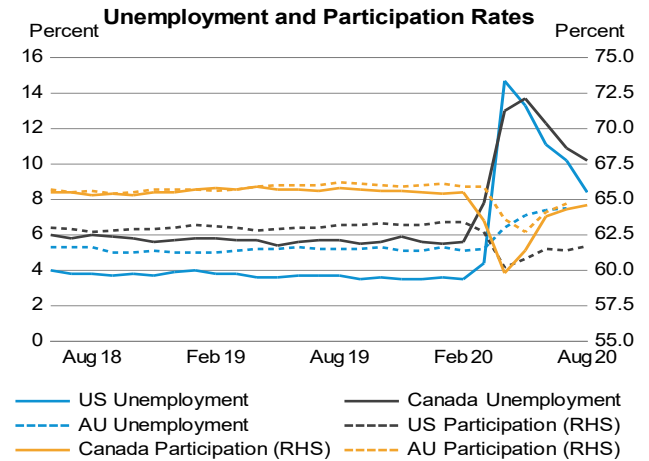
Source: Haver

## US Activity and Equities



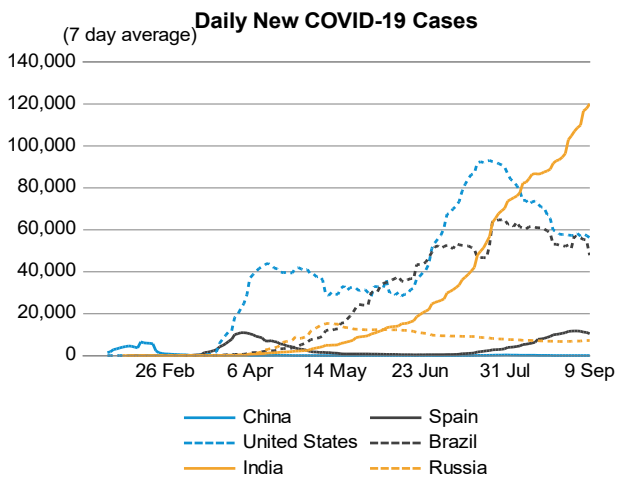
Sources: Federal Reserve Bank of New York, Haver

## Labour Markets



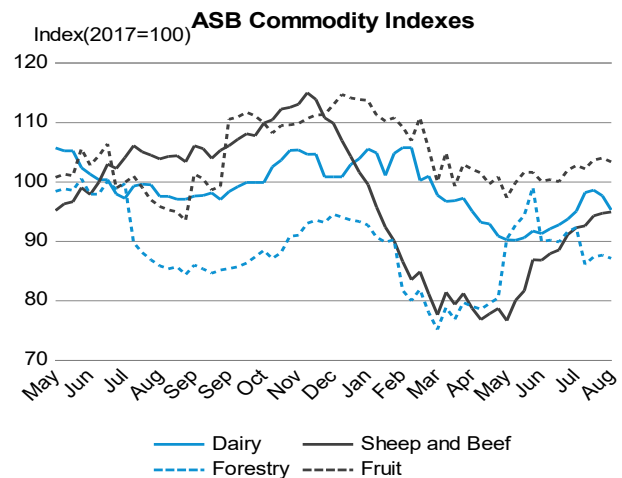
Source: Haver

## COVID-19 Cases



Sources: World Health Organisation/Haver

## World Commodity Prices



Source: ASB

<b>Quarterly Indicators</b>		<b>2019Q1</b>	<b>2019Q2</b>	<b>2019Q3</b>	<b>2019Q4</b>	<b>2020Q1</b>	<b>2020Q2</b>
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	5.4	6.5
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	-11.7
Total retail sales volume	apc	3.3	2.9	4.5	3.3	2.3	-14.2
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
<b>Monthly Indicators</b>		<b>Mar 20</b>	<b>Apr 20</b>	<b>May 20</b>	<b>Jun 20</b>	<b>Jul 20</b>	<b>Aug 20</b>
Merchandise trade balance (12 month)	NZ\$m	-3,382	-2,393	-1,274	-1,129	-115	...
Dwelling consents - residential	apc	-8.3	-16.5	-4.4	20.4	-0.8	...
House sales - dwellings	apc	2.7	-77.2	-44.3	10.9	24.6	...
REINZ - house price index	apc	9.0	8.6	7.0	7.7	9.4	...
Estimated net migration (12 month total)	people	86,404	84,517	82,084	79,424	...	...
ANZ NZ commodity price index	apc	5.8	0.9	-1.3	-2.9	0.2	-3.8
ANZ world commodity price index	apc	-5.8	-9.2	-8.1	-5.7	-1.5	-2.7
ANZBO - business confidence	net%	-63.5	-66.6	-41.8	-34.4	-31.8	-41.8
ANZBO - activity outlook	net%	-26.7	-55.1	-38.7	-25.9	-8.9	-17.5
ANZ-Roy Morgan - consumer confidence	net%	106.3	84.8	97.3	104.5	104.3	100.2
<b>Weekly Benefit Numbers</b>		<b>31 Jul</b>	<b>7 Aug</b>	<b>14 Aug</b>	<b>21 Aug</b>	<b>28 Aug</b>	<b>4 Sep</b>
<b>Jobseeker Support</b>	number	192,488	193,094	193,997	195,495	197,227	198,929
Work Ready	number	124,443	124,679	125,076	126,225	127,615	129,013
Health Condition and Disability	number	68,045	68,415	68,921	69,270	69,612	69,916
<b>COVID-19 Income Relief Payment</b>	number	20,957	21,988	22,834	24,053	24,811	18,608
Full-time	number	18,863	19,745	20,518	21,528	22,221	16,609
Part-time	number	2,094	2,243	2,316	2,525	2,590	1,999
<b>Daily Indicators</b>		<b>Wed 2/9/20</b>	<b>Thu 3/9/20</b>	<b>Fri 4/9/20</b>	<b>Mon 7/9/20</b>	<b>Tue 8/9/20</b>	<b>Wed 9/9/20</b>
<b>NZ exchange and interest rates (5)</b>							
NZD/USD	\$	0.6769	0.6770	0.6711	0.6710	0.6690	0.6621
NZD/AUD	\$	0.9215	0.9243	0.9225	0.9209	0.9194	0.9174
Trade weighted index (TWI)	index	72.7	72.8	72.4	72.3	72.2	71.7
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	0.30	0.30	0.30	0.30
10 year govt bond rate	%	0.59	0.62	0.62	0.61	0.62	0.57
<b>Share markets (6)</b>							
Dow Jones	index	29,101	28,293	28,133	...	27,501	27,940
S&P 500	index	3,581	3,455	3,427	...	3,332	3,399
VIX volatility index	index	26.6	33.6	30.8	...	31.5	28.8
AU all ords	index	6,252	6,301	6,109	6,130	6,190	6,059
NZX 50	index	11,903	12,055	11,824	11,859	11,896	11,739
<b>US interest rates</b>							
3 month OIS	%	0.09	0.09	0.09	0.09	0.09	...
3 month Libor	%	0.25	0.25	0.25	0.24	0.25	...
10 year govt bond rate	%	0.66	0.63	0.72	...	0.69	0.71
<b>Commodity prices (6)</b>							
WTI oil	US\$/barrel	41.51	41.37	39.77	...	36.76	...
Gold	US\$/ounce	1,947	1,940.45	1,926.30	1,928.45	1,910.95	...
CRB Futures	index	396	395.09	398.56	...	396.80	...

(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		Feb 20	Mar 20	2020Q1	Apr 20	May 20	Jun 20	2020Q2	Jul 20	Aug 20	Sep 20
<b>United States</b> [9.6% share of total goods exports]	GDP (1)	qpc			-1.3				-9.1			
	Industrial production (1)	mpc	0.1	-4.3		-12.8	0.9	5.7		3.0	...	...
	CPI	apc	2.3	1.5		0.3	0.1	0.6		1.0	...	...
	Unemployment rate (1)	%	3.5	4.4		14.7	13.3	11.1		10.2	8.4	...
	Employment change (1)	000s	251.0	-1373.0		-20787.0	2725.0	4781.0		1734.0	1371.0	...
	Retail sales value	apc	4.5	-5.6		-19.9	-5.6	2.1		2.7	...	...
	House prices (2)	apc	3.5	3.9		3.9	3.6	3.5		...	...	...
<b>Japan</b> [6.1%]	PMI manufacturing (1)	index	50.1	49.1		41.5	43.1	52.6		54.2	56.0	...
	Consumer confidence (1)(3)	index	132.6	118.8		85.7	85.9	98.3		91.7	84.8	...
	GDP (1)	qpc			-0.6				-7.9			
	Industrial production (1)	mpc	-0.3	-3.7		-9.8	-8.9	1.9		8.0	...	...
<b>Euro area</b> [5.5%]	CPI	apc	0.5	0.4		0.2	0.0	0.1		0.4	...	...
	Unemployment rate (1)	%	2.4	2.5		2.6	2.9	2.8		2.9	...	...
	Retail sales value	apc	1.6	-4.7		-13.9	-12.5	-1.3		-2.8	...	...
	PMI manufacturing (1)	index	47.8	44.8		41.9	38.4	40.1		45.2	47.2	...
	Consumer confidence (1)(4)	index	38.2	31.1		21.3	24.1	28.5		29.5	29.3	...
	GDP (1)	qpc			-3.7				-11.8			
	Industrial production (1)	mpc	-0.1	-11.8		-18.0	12.3	9.1		...	...	...
<b>United Kingdom</b> [2.7%]	CPI	apc	1.2	0.7		0.3	0.1	0.3		0.4	...	...
	Unemployment rate (1)	%	7.3	7.2		7.4	7.5	7.7		7.9	...	...
	Retail sales volume	apc	2.6	-8.1		-19.3	-2.6	1.3		0.4	...	...
	PMI manufacturing (1)	index	49.2	44.5		33.4	39.4	47.4		51.8	51.7	...
	Consumer confidence (1)(5)	index	-6.6	-11.6		-22.0	-18.8	-14.7		-15.0	-14.7	...
	GDP (1)	qpc			-2.2				-20.4			
	Industrial production (1)	mpc	0.3	-4.3		-20.4	6.2	9.4		...	...	...
<b>Australia</b> [15.8%]	CPI	apc	1.7	1.5		0.8	0.6	0.6		1.1	...	...
	Unemployment rate (1)	%	4.0	3.9		3.9	3.9	3.9		...	...	...
	Retail sales value	apc	-0.1	-6.1		-22.7	-12.9	-1.6		1.4	...	...
	House Prices (6)	apc	2.3	3.0		3.7	1.8	-0.1		1.5	3.7	...
	PMI manufacturing (1)	index	51.7	47.8		32.6	40.7	50.1		53.3	55.2	...
	Consumer confidence (1)(5)	index	-6.2	-8.2		-22.7	-23.7	-21.0		-16.6	-16.6	...
	GDP (1)	qpc			-0.3				-7.0			
<b>China</b> [24.3%]	CPI	apc			2.2				-0.3			
	Unemployment rate (1)	%	5.1	5.2		6.4	7.1	7.4		7.5	...	...
	Retail sales value	apc	5.7	9.4		-8.9	5.5	8.6		12.8	...	...
	House Prices (7)	apc			8.1				...			
	PMI manufacturing (1)	index	44.3	53.7		35.8	41.6	51.5		53.5	49.3	...
	Consumer confidence (8)	index	95.5	91.9		75.6	88.1	93.7		87.9	79.5	93.8
	GDP	apc			-6.8				3.2			
<b>South Korea</b> [3.0%]	Industrial production (1)	mpc	-13.5	-1.1		3.9	4.4	4.8		4.8	...	...
	CPI	apc	5.2	4.3		3.3	2.4	2.5		2.7	2.4	...
	PMI manufacturing (1)	index	35.7	52.0		50.8	50.6	50.9		51.1	51.0	...
<b>South Korea</b> [3.0%]	GDP (1)	qpc			-1.3				-3.2			
	Industrial production (1)	mpc	-3.7	4.9		-6.6	-7.0	7.2		1.6	...	...
	CPI	apc	1.1	1.0		0.1	-0.3	-0.0		0.3	0.7	...

(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