

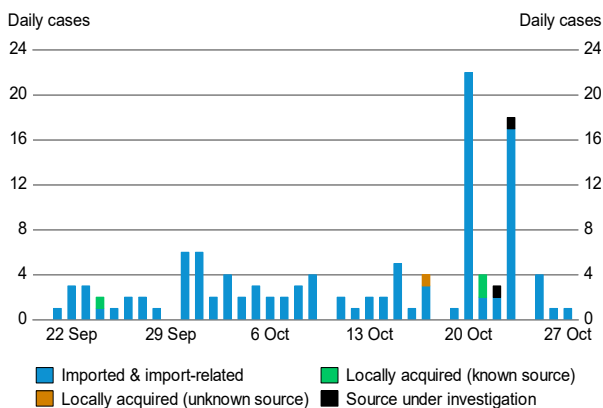
No new COVID-19 cases have been reported in the community, although cases continue to be recorded in Managed Isolation and Quarantine facilities. Inflation came in slightly weaker than expected in the September quarter, while the annual trade surplus continued to grow. Jobs numbers increased in the September month (supported by hiring of voting support workers) and the improvement in business confidence seen in the October preliminary ANZ Business Outlook was confirmed in the final results.

Internationally, September quarter GDP data rebounded substantially in the US, South Korea and Singapore, but remained below pre-pandemic levels. Meanwhile, surging new COVID-19 cases across Europe and the US and the imposition of fresh restrictions on activity in some states and countries is likely to slow, or even reverse, the pace of the recovery.

No cases of community transmission this week

There have been no further cases of community transmission after a port worker and two workplace contacts tested positive for COVID-19 last week (Figure 1). More than 20,000 community tests have been conducted in Auckland since the new community case was reported on 18 October.

Figure 1: Daily COVID-19 cases by source



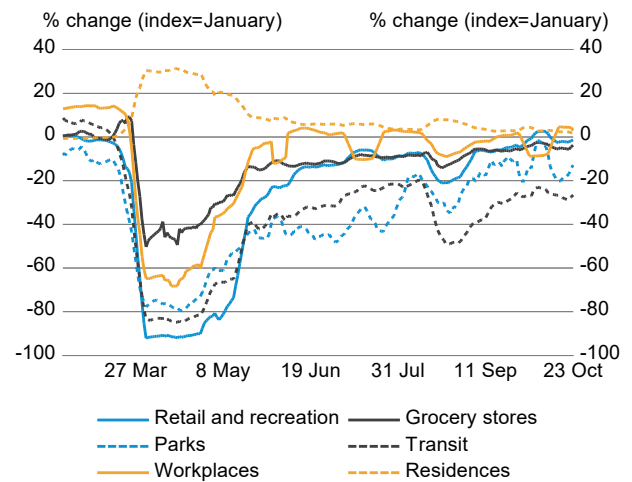
Source: Institute of Environmental Science and Research

People movements mostly return to normal

Mobility reports from Google suggest that people movements around NZ have mostly returned to levels seen in January (Figure 2). In the week to 23 October, movements at workplaces, grocery and retail stores, which fell during higher Alert Levels,

had recovered to their January 2020 average. Movements in residential areas, which increased by 30% during Alert Level 4, were only slightly above the January average. The locations where mobility remained low were parks, possibly due to seasonal trends and transit stations, which reflects the low public transport usage seen in other data.

Figure 2: People movements at selected locations

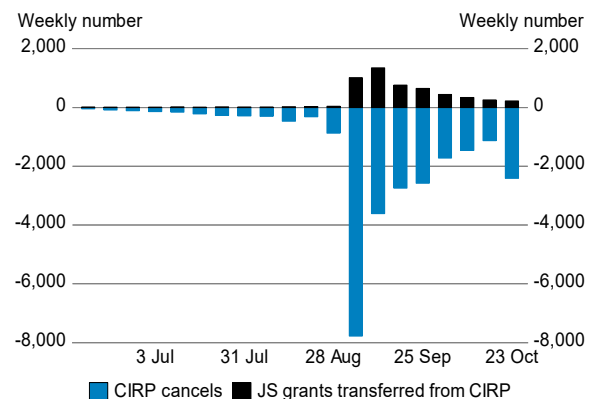


Source: Google

Income support continues to reduce

In the week to 23 October, the number of COVID-19 Income Relief Payment (CIRP) recipients fell by 1,784 as Jobseeker Support fell by 395, bringing the total number of recipients to 212,500. Data from the Ministry of Social Development suggest that most people whose CIRP payments have ended are not transferring onto Jobseeker Support (Figure 3), likely due to stricter eligibility requirements for Jobseeker Support.

Figure 3: Weekly CIRP cancels and JS transfers



Source: Ministry of Social Development

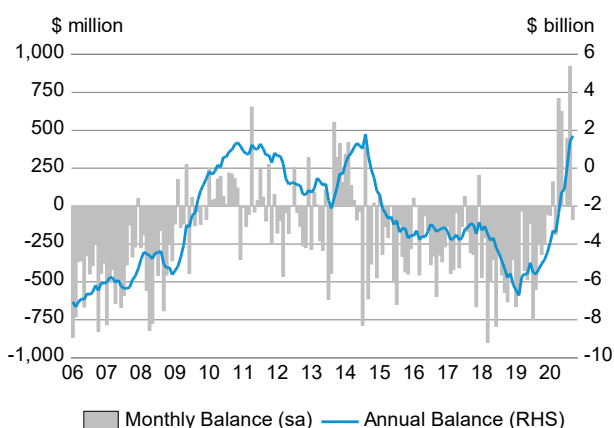
CPI inflation below market expectation...

Annual CPI inflation eased to 1.4% in the September quarter, from 1.5% in the June quarter, weaker than most market expectations but broadly in line with our latest forecasts. Quarterly inflation was 0.7%, driven by broad-based increases in both the tradables and non-tradables groups. Inflationary pressures are likely to continue to ease in coming months as the effects of the pandemic flow through the economy. Combined with continuing border restrictions and weaker population growth, domestic demand is likely to remain lower than a year ago, limiting the rate at which prices can increase.

... the annual trade surplus widens further...

Compared to the same month a year ago, export values were down 8.0% and imports were down 11.4%. This resulted in September's trade deficit narrowing to \$1.0 billion from \$1.3 billion a year ago, and the trade surplus over the 12 months to September widening to \$1.7 billion from \$1.4 billion in the 12 months to August. This compares with a trade deficit of \$5.3 billion in the 12 months ending September 2019 (Figure 4).

Figure 4: Overseas merchandise trade



Source: Stats NZ

..with one-off items impacting exports

In the three months ended September, seasonally adjusted export values were 0.7% higher than in the previous three-month period, and import values were 3.3% higher. One-off exports of aircraft into long-term storage in August accounted for much of the quarterly increase in seasonally adjusted export values. Notable movements among the major export commodities in the quarter included: dairy exports down 16.1% (\$681 million) driven by lower prices, while log and meat exports rose 20.8% (\$207 million) and 4.8% (\$92 million) respectively, as higher volumes more than offset lower prices for both commodities.

On the import side, most import types rose in the quarter as they recovered from pandemic induced disruption in the prior quarter, although imports of crude oil remained at low levels. Imports of machinery and plant, and passenger motor cars led the recovery, the former returned to a level that is in line with the 3-year average, but the latter was down about 30% on the 3-year average.

Import values are expected to rise further, as the domestic recovery strengthens while export values are expected to ease, reflecting lower commodity prices in recent months. As a result, the annual trade surplus is expected to narrow.

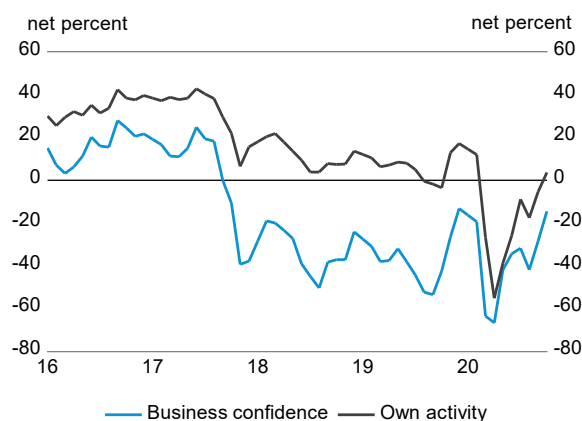
Filled job numbers rise...

Filled job numbers rose by 7,266 to 2.2 million in the month of September, following a similar rise in August. The increase for September is mostly driven by an increase in filled jobs in public administration and safety and is partly related to hiring for voting support workers. Stats NZ calculates filled jobs by averaging weekly jobs paid throughout the month, based on tax data.

...and business confidence improved further

In the final read of the ANZ Business Outlook survey for October, business confidence and activity indicators confirmed their improvement. Business confidence rose 13 points to a net 16% of firms expecting conditions to deteriorate, while own activity lifted 10 points to a net 5% expecting an improvement in their own activity. Goods producing sectors continue to be more optimistic than other sectors. Investment intentions remain subdued but employment intentions lifted further, up 9 points to a net 3% of firms intending to reduce employment.

Figure 5: ANZ Business Outlook



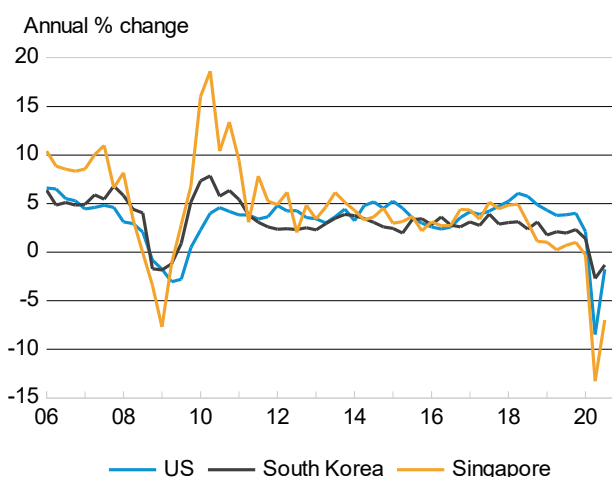
Source: ANZ

September quarter growth rebounds...

Internationally, reports on the scale of the rebound in September quarter GDP (Q3 GDP) continue to flow in. However, surging new COVID-19 cases across Europe and the US and the imposition of fresh restrictions on activity in some states and countries is likely to slow, or even reverse, the recovery that has been underway since mid-year.

In the US, Q3 GDP was 7.4% (33.1% annualised) higher than in the previous quarter, which recorded a 9.0% decline, but 2.9% lower than the same quarter a year ago, and 3.5% below pre-pandemic levels (Figure 6). Private consumption led the recovery, supported by government stimulus. Analysts expect December quarter GDP growth of about 0.7% as private consumption growth slows, with rising COVID-19 cases and the possibility of added restriction key downside risks.

Figure 6: GDP growth – US, South Korea, Singapore



Source: Haver

In South Korea, Q3 GDP rose 1.9% after falling 4.4% over the first six months of the year, to be 1.3% below year ago levels (Figure 6). Exports led the recovery, up 15.6% in the quarter, while private consumption dipped as a rise in COVID infections dragged on spending. Looking forward, the resurgence of infections among key trading partners is likely to moderate export growth.

In Singapore, Q3 GDP rose 7.9%, following a contraction of 13.2% in the June quarter, to be 7.0% lower than the same quarter a year ago (Figure 6). The services sector continues to struggle, particularly travel and consumer-facing services.

...but may not be sustained

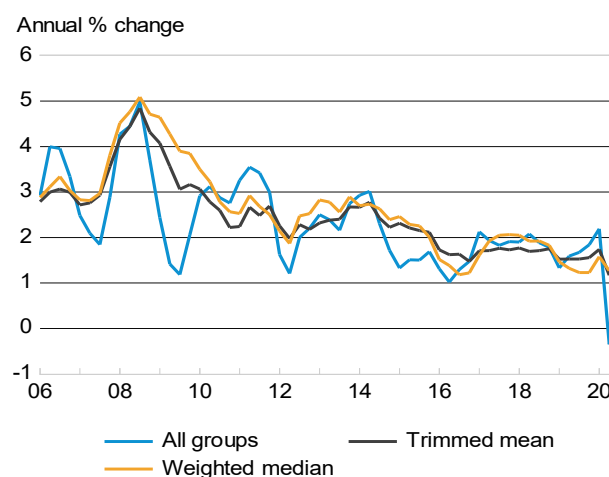
In the euro area, 'flash' or early releases of October's Purchasing Manager's Indices (PMIs),

echoed other signals of slowing growth. The composite services and manufacturing PMI slid into contractionary territory, down 0.6 points to 49.4, driven by weakness in the services component. Some analysts view the PMIs as confirmation that the euro area recovery has stalled. Analysts expect the Q3 GDP report, due overnight New Zealand time, to show growth of about 11% in the quarter.

Inflation remains subdued in Australia

In Australia, consumer prices were 1.6% higher in the September quarter than in the previous quarter, driven by a rebound in childcare prices, which the Federal Government had temporarily made free in the June quarter. This partly reversed the previous quarter's 1.9% fall and, compared to the same quarter last year, prices were up 0.7%. Looking through the volatility, trimmed mean and weighted median measures of core inflation were stable at 1.2% and 1.3% respectively, well below the central bank's 2-3% target band (Figure 7).

Figure 7: Consumer price inflation – Australia



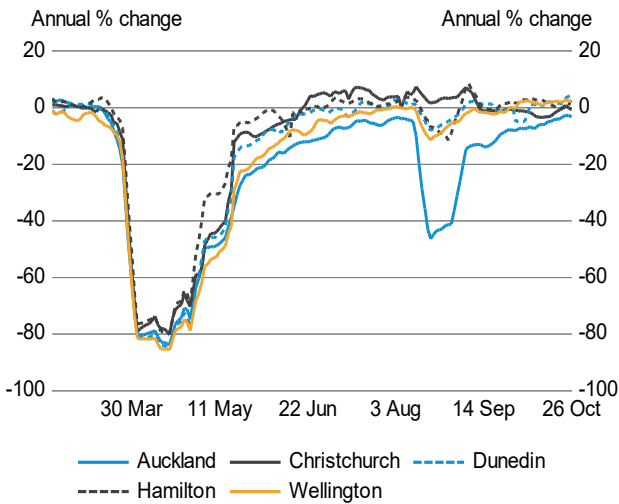
Source: Haver

Meanwhile, Victorian Premier Andrews confirmed an easing of Melbourne's activity restrictions from midnight Tuesday 27 October. Travel restrictions within the state have also been removed. Further easing is flagged for Sunday. The recovery in Victoria will likely provide a boost to Australian growth in the December quarter.

| Date | Key upcoming NZ data | Previous |
|-------|-----------------------------|-------------|
| 2 Nov | Building consents issued | + 0.3% |
| 4 Nov | Unemployment rate | 4.0% |
| 4 Nov | ANZ Commodity Price Indexes | - 0.2% |
| 5 Nov | ANZ Business Outlook | - 15% (net) |

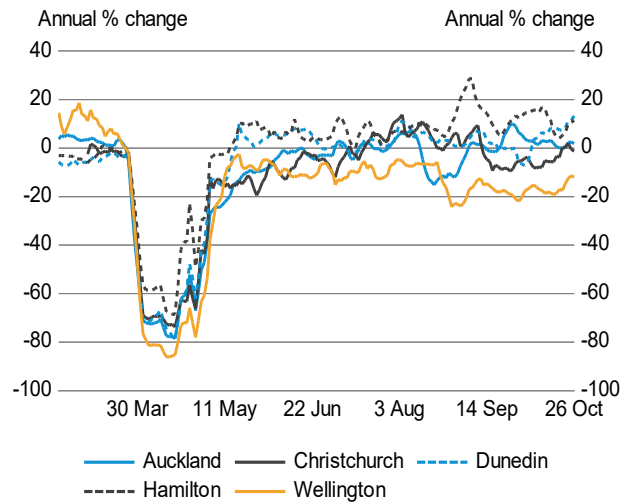
High-Frequency Indicators (Domestic)

Traffic Movement



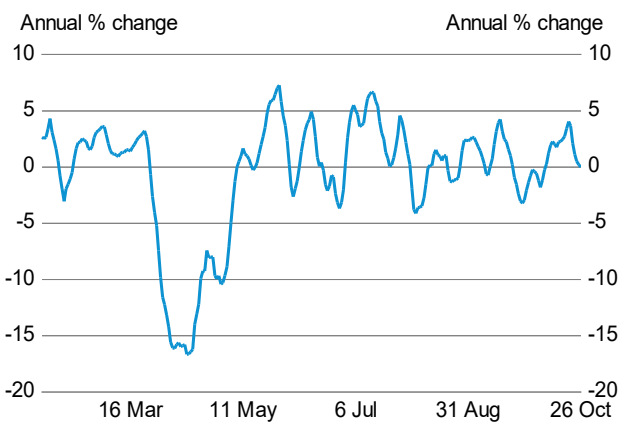
Source: Waka Kotahi NZ Transport Agency

Freight Movement



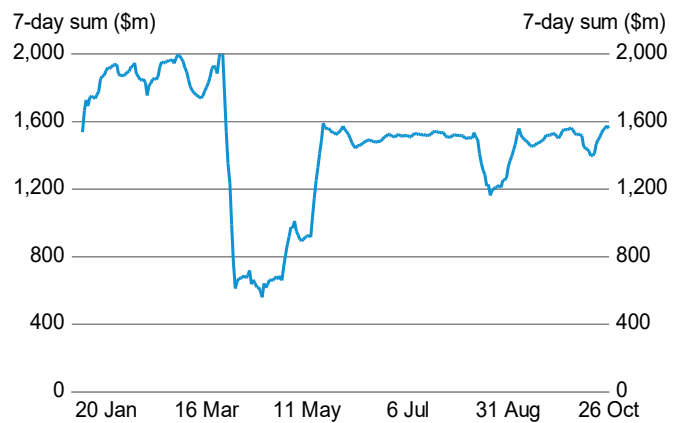
Source: Waka Kotahi NZ Transport Agency

Electricity Demand



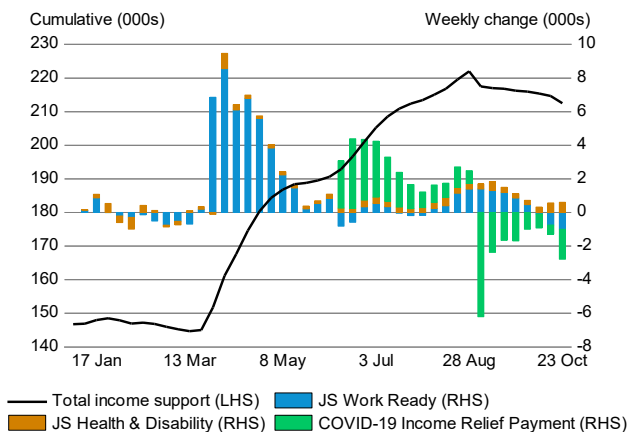
Source: Electricity Authority

Retail Spending



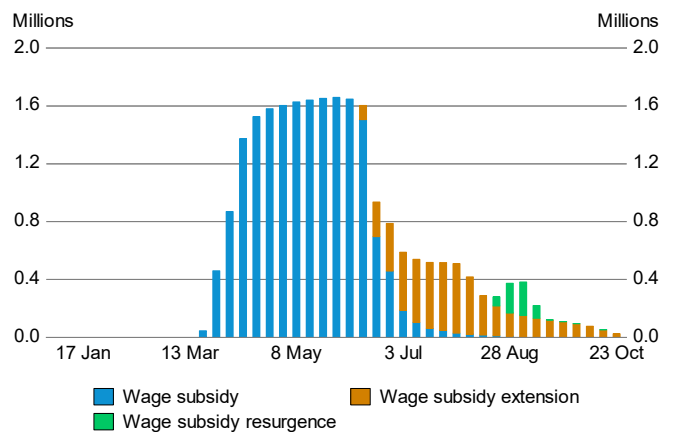
Source: Paymark and Verifone data via Data Ventures

Jobseeker (JS) and Income Support Recipients



Source: MSD

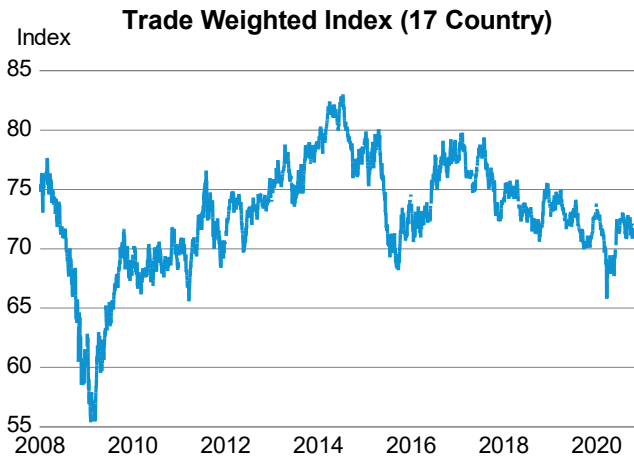
Wage Subsidy (jobs supported)



Source: MSD

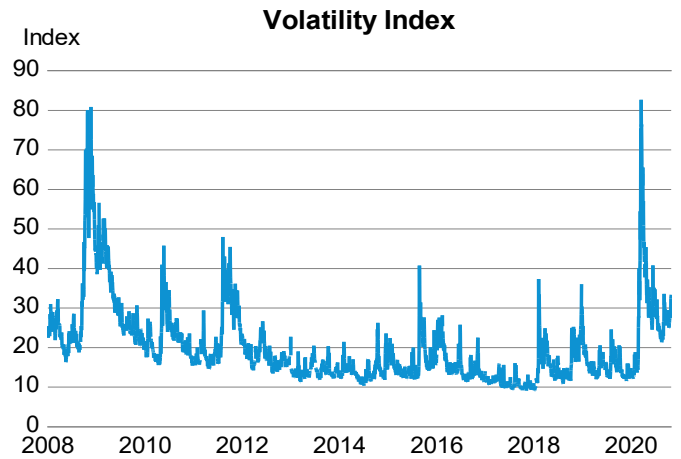
High-Frequency Indicators (Global)

Trade Weighted Index



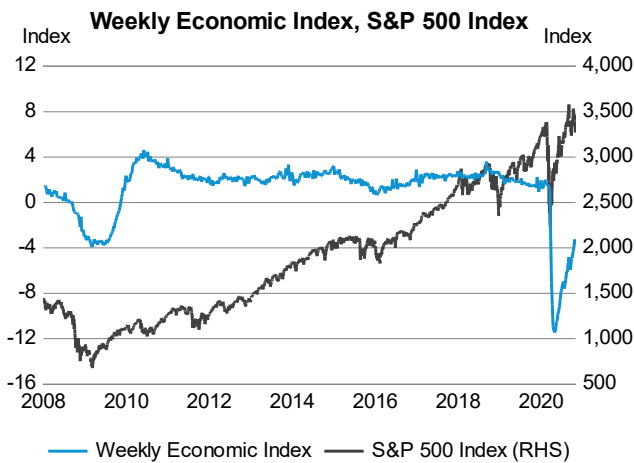
Source: RBNZ

Volatility Index



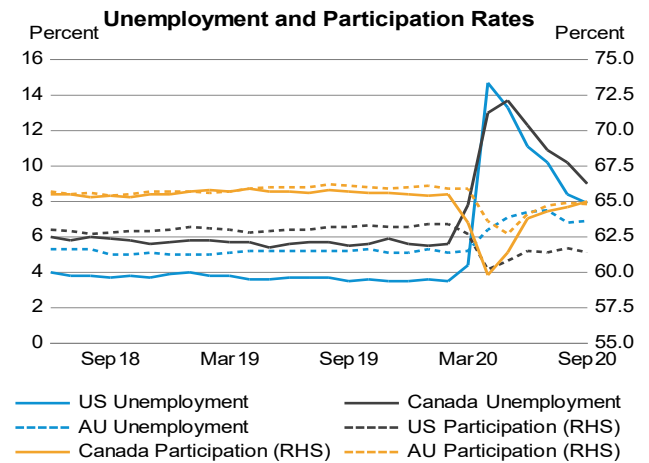
Source: Haver

US Activity and Equities



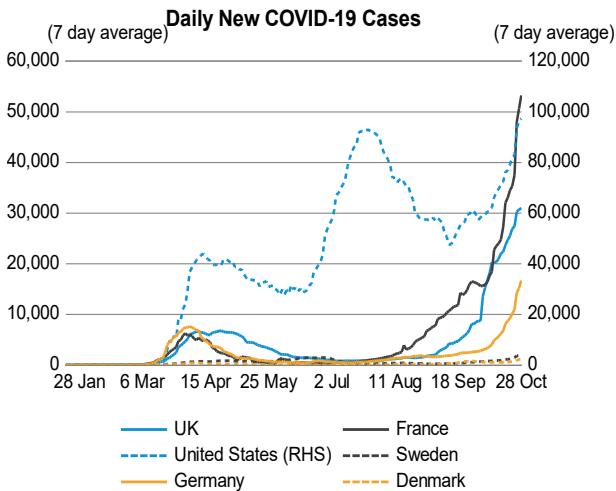
Sources: Federal Reserve Bank of New York, Haver

Labour Markets



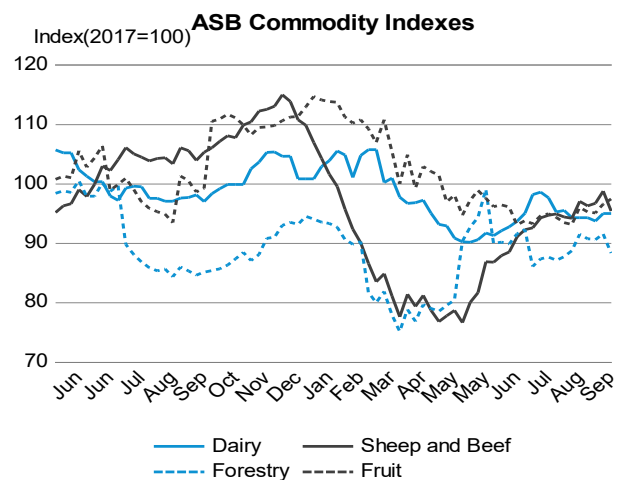
Source: Haver

COVID-19 Cases



Sources: World Health Organisation/Haver

World Commodity Prices



Source: ASB

| Quarterly Indicators | | 2019Q2 | 2019Q3 | 2019Q4 | 2020Q1 | 2020Q2 | 2020Q3 |
|---|-------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Real Production GDP (1) | qpc | 0.1 | 0.7 | 0.5 | -1.4 | -12.2 | ... |
| | aapc | 2.8 | 2.7 | 2.3 | 1.5 | -2.0 | ... |
| Current account balance (annual) | %GDP | -3.8 | -3.8 | -3.4 | -2.9 | -1.9 | ... |
| Merchandise terms of trade | apc | -1.0 | 0.9 | 7.1 | 5.4 | 6.5 | ... |
| CPI inflation | qpc | 0.6 | 0.7 | 0.5 | 0.8 | -0.5 | 0.7 |
| | apc | 1.7 | 1.5 | 1.9 | 2.5 | 1.5 | 1.4 |
| Employment (HLFS) (1) | qpc | 0.6 | 0.4 | 0.3 | 1.1 | -0.3 | ... |
| Unemployment rate (1) | % | 4.0 | 4.2 | 4.1 | 4.2 | 4.0 | ... |
| Participation rate (1) | % | 70.5 | 70.7 | 70.4 | 70.7 | 69.9 | ... |
| LCI salary & wage rates - total (2) | apc | 2.1 | 2.5 | 2.6 | 2.5 | 2.1 | ... |
| QES average hourly earnings - total (2) | apc | 4.4 | 4.2 | 3.6 | 3.6 | 3.0 | ... |
| Core retail sales volume | apc | 3.6 | 5.4 | 3.3 | 4.0 | -11.7 | ... |
| Total retail sales volume | apc | 2.9 | 4.5 | 3.3 | 2.3 | -14.2 | ... |
| WMM - consumer confidence (3) | Index | 103.5 | 103.1 | 109.9 | 104.2 | 97.2 | ... |
| QSBO - general business situation (1,4) | net% | -30.3 | -38.7 | -28.7 | -67.7 | -58.3 | -39.4 |
| QSBO - own activity outlook (1,4) | net% | -1.9 | -0.7 | 3.7 | -13.1 | -24.6 | 0.4 |
| Monthly Indicators | | Apr 20 | May 20 | Jun 20 | Jul 20 | Aug 20 | Sep 20 |
| Merchandise trade balance (12 month) | NZ\$m | -2,393 | -1,274 | -1,131 | 57 | 1,417 | 1,710 |
| Dwelling consents - residential | apc | -16.5 | -4.4 | 20.4 | -0.8 | -3.6 | ... |
| House sales - dwellings | apc | -77.2 | -44.3 | 11.8 | 29.1 | 26.9 | 37.1 |
| REINZ - house price index | apc | 8.6 | 7.0 | 7.6 | 9.2 | 9.9 | 11.1 |
| Estimated net migration (12 month total) | people | 89,552 | 87,088 | 84,291 | 77,735 | 71,486 | ... |
| ANZ NZ commodity price index | apc | 0.9 | -1.3 | -2.9 | 0.2 | -3.9 | -6.4 |
| ANZ world commodity price index | apc | -9.2 | -8.1 | -5.7 | -1.5 | -2.8 | -3.0 |
| ANZBO - business confidence | net% | -66.6 | -41.8 | -34.4 | -31.8 | -41.8 | -28.5 |
| ANZBO - activity outlook | net% | -55.1 | -38.7 | -25.9 | -8.9 | -17.5 | -5.4 |
| ANZ-Roy Morgan - consumer confidence | net% | 84.8 | 97.3 | 104.5 | 104.3 | 100.2 | 100.0 |
| Weekly Benefit Numbers | | 18 Sep | 25 Sep | 2 Oct | 9 Oct | 16 Oct | 23 Oct |
| Jobseeker Support | number | 202,274 | 203,389 | 204,116 | 204,348 | 204,171 | 203,776 |
| Work Ready | number | 131,509 | 132,368 | 132,836 | 132,748 | 132,004 | 131,002 |
| Health Condition and Disability | number | 70,765 | 71,021 | 71,280 | 71,600 | 72,167 | 72,774 |
| COVID-19 Income Relief Payment | number | 14,573 | 12,884 | 11,888 | 11,054 | 10,517 | 8,733 |
| Full-time | number | 12,996 | 11,487 | 10,581 | 9,841 | 9,373 | 7,782 |
| Part-time | number | 1,577 | 1,397 | 1,307 | 1,213 | 1,144 | 951 |
| Daily Indicators | | Wed 21/10/20 | Thu 22/10/20 | Fri 23/10/20 | Mon 26/10/20 | Tue 27/10/20 | Wed 28/10/20 |
| NZ exchange and interest rates (5) | | | | | | | |
| NZD/USD | \$ | 0.6594 | 0.6645 | 0.6672 | ... | 0.6683 | 0.6698 |
| NZD/AUD | \$ | 0.9335 | 0.9352 | 0.9368 | ... | 0.9374 | 0.9400 |
| Trade weighted index (TWI) | index | 71.0 | 71.3 | 71.7 | ... | 71.8 | 72.1 |
| Official cash rate (OCR) | % | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 |
| 90 day bank bill rate | % | 0.27 | 0.27 | 0.27 | ... | 0.27 | 0.27 |
| 10 year govt bond rate | % | 0.56 | 0.58 | 0.59 | ... | 0.57 | 0.55 |
| Share markets (6) | | | | | | | |
| Dow Jones | index | 28,211 | 28,364 | 28,336 | 27,685 | 27,463 | 26,520 |
| S&P 500 | index | 3,436 | 3,453 | 3,465 | 3,401 | 3,391 | 3,271 |
| VIX volatility index | index | 28.7 | 28.1 | 27.6 | 32.5 | 33.4 | 40.3 |
| AU all ords | index | 6,403 | 6,384 | 6,374 | 6,357 | 6,247 | 6,262 |
| NZX 50 | index | 12,433 | 12,407 | 12,470 | ... | 12,252 | 12,265 |
| US interest rates | | | | | | | |
| 3 month OIS | % | 0.09 | 0.09 | 0.09 | 0.09 | 0.09 | ... |
| 3 month Libor | % | 0.21 | 0.21 | 0.22 | 0.22 | 0.21 | ... |
| 10 year govt bond rate | % | 0.83 | 0.87 | 0.85 | 0.81 | 0.79 | 0.79 |
| Commodity prices (6) | | | | | | | |
| WTI oil | US\$/barrel | 40.03 | 40.64 | 39.73 | 38.39 | 39.34 | ... |
| Gold | US\$/ounce | 1,924 | 1,900.95 | 1,903.65 | 1,898.45 | 1,905.70 | ... |
| CRB Futures | index | 416 | 415.09 | 415.29 | 415.63 | 414.20 | ... |

(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 | | 2020Q1 | Apr 20 | May 20 | Jun 20 | 2020Q2 | Jul 20 | Aug 20 | Sep 20 | 2020Q3 | Oct 20 |
|---|----------------------------|-------|--------|----------|--------|--------|--------|--------|--------|--------|--------|--------|
| United States [9.6% share of total goods exports] | GDP (1) | qpc | -1.3 | | | | -9.0 | | | | ... | ... |
| | Industrial production (1) | mpc | | -12.7 | 0.7 | 6.2 | | 4.2 | 0.4 | -0.6 | | ... |
| | CPI | apc | | 0.3 | 0.1 | 0.6 | | 1.0 | 1.3 | 1.4 | | ... |
| | Unemployment rate (1) | % | | 14.7 | 13.3 | 11.1 | | 10.2 | 8.4 | 7.9 | | ... |
| | Employment change (1) | 000s | | -20787.0 | 2725.0 | 4781.0 | | 1761.0 | 1489.0 | 661.0 | | ... |
| | Retail sales value | apc | | -19.9 | -5.6 | 2.2 | | 2.7 | 2.8 | 5.4 | | ... |
| | House prices (2) | apc | | 3.8 | 3.6 | 3.5 | | 4.1 | 5.2 | ... | | ... |
| Japan [6.1%] | PMI manufacturing (1) | index | | 41.5 | 43.1 | 52.6 | | 54.2 | 56.0 | 55.4 | | ... |
| | Consumer confidence (1)(3) | index | | 85.7 | 85.9 | 98.3 | | 91.7 | 86.3 | 101.3 | | 100.9 |
| | GDP (1) | qpc | -0.6 | | | | -7.9 | | | | ... | ... |
| | Industrial production (1) | mpc | | -9.8 | -8.9 | 1.9 | | 8.7 | 1.0 | ... | | ... |
| Euro area [5.5%] | CPI | apc | | 0.2 | 0.0 | 0.1 | | 0.4 | 0.1 | 0.0 | | ... |
| | Unemployment rate (1) | % | | 2.6 | 2.9 | 2.8 | | 2.9 | 3.0 | ... | | ... |
| | Retail sales value | apc | | -13.9 | -12.5 | -1.3 | | -2.9 | -1.9 | ... | | ... |
| | PMI manufacturing (1) | index | | 41.9 | 38.4 | 40.1 | | 45.2 | 47.2 | 47.7 | | ... |
| | Consumer confidence (1)(4) | index | | 21.3 | 24.1 | 28.5 | | 29.5 | 29.3 | 32.8 | | ... |
| | GDP (1) | qpc | -3.7 | | | | -11.8 | | | | ... | ... |
| | Industrial production (1) | mpc | | -18.1 | 12.5 | 9.5 | | 5.0 | 0.7 | ... | | ... |
| United Kingdom [2.7%] | CPI | apc | | 0.3 | 0.1 | 0.3 | | 0.4 | -0.2 | -0.3 | | ... |
| | Unemployment rate (1) | % | | 7.4 | 7.6 | 7.8 | | 8.0 | 8.1 | ... | | ... |
| | Retail sales volume | apc | | -19.3 | -2.6 | 1.4 | | -0.1 | 3.7 | ... | | ... |
| | PMI manufacturing (1) | index | | 33.4 | 39.4 | 47.4 | | 51.8 | 51.7 | 53.7 | | ... |
| | Consumer confidence (5) | index | | -22.0 | -18.8 | -14.7 | | -15.0 | -14.7 | -13.9 | | -15.5 |
| | GDP (1) | qpc | -2.5 | | | | -19.8 | | | | ... | ... |
| | Industrial production (1) | mpc | | -19.5 | 5.6 | 9.9 | | 5.2 | 0.3 | ... | | ... |
| Australia [15.8%] | CPI | apc | | 0.8 | 0.6 | 0.6 | | 1.1 | 0.2 | ... | | ... |
| | Unemployment rate (1) | % | | 4.0 | 4.1 | 4.1 | | 4.3 | 4.5 | ... | | ... |
| | Retail sales value | apc | | -22.9 | -13.0 | -2.0 | | 1.2 | 2.6 | 4.6 | | ... |
| | House Prices (6) | apc | | 3.7 | 1.8 | -0.1 | | 1.5 | 3.7 | 5.0 | | ... |
| | PMI manufacturing (1) | index | | 32.6 | 40.7 | 50.1 | | 53.3 | 55.2 | 54.1 | | ... |
| | Consumer confidence (1)(5) | index | | -22.7 | -23.7 | -21.0 | | -16.6 | -16.6 | -17.9 | | ... |
| | GDP (1) | qpc | -0.3 | | | | -7.0 | | | | ... | ... |
| China [24.3%] | CPI | apc | 2.2 | | | | -0.3 | | | | 0.7 | ... |
| | Unemployment rate (1) | % | | 6.4 | 7.1 | 7.4 | | 7.5 | 6.8 | 6.9 | | ... |
| | Retail sales value | apc | | -8.9 | 5.5 | 8.6 | | 12.8 | 5.4 | ... | | ... |
| | House Prices (7) | apc | 8.1 | | | | 6.6 | | | | ... | ... |
| | PMI manufacturing (1) | index | | 35.8 | 41.6 | 51.5 | | 53.5 | 49.3 | 46.7 | | ... |
| | Consumer confidence (8) | index | | 75.6 | 88.1 | 93.7 | | 87.9 | 79.5 | 93.8 | | 105.0 |
| South Korea [3.0%] | GDP (1) | qpc | -6.8 | | | | 3.2 | | | | 4.9 | ... |
| | Industrial production (1) | mpc | | 3.9 | 4.4 | 4.8 | | 4.8 | 5.6 | 6.9 | | ... |
| | CPI | apc | | 3.3 | 2.4 | 2.5 | | 2.7 | 2.4 | 1.7 | | ... |
| South Korea [3.0%] | PMI manufacturing (1) | index | | 50.8 | 50.6 | 50.9 | | 51.1 | 51.0 | 51.5 | | ... |
| | GDP (1) | qpc | -1.3 | | | | -3.2 | | | | 1.9 | ... |
| South Korea [3.0%] | Industrial production (1) | mpc | | -6.6 | -7.0 | 7.1 | | 1.9 | -0.7 | ... | | ... |
| | CPI | apc | | 0.1 | -0.3 | -0.0 | | 0.3 | 0.7 | 1.0 | | ... |

(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