

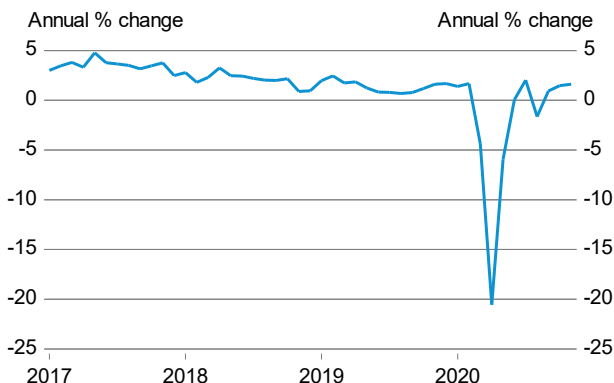
The New Zealand Activity Index shows activity in November continuing to hold up above 2019 levels. Retail spending remained steady in November, although there are some signs that the momentum in spending may be waning. Building activity rebounded strongly in the September quarter, along with manufacturing and wholesaling activity, although service industries remain below last years' levels as a result of border restrictions.

The UK became the first country to approve the Pfizer/BioNTech vaccine on Tuesday, closely followed by Bahrain and Canada, signalling the beginning of a mass immunisation campaign that is expected to be underway across most of the world by mid-year. Positive vaccine news, alongside additional fiscal and monetary stimulus, and success in containing the spread of the virus, were likely behind further sharp gains in Australian business and consumer confidence.

Overall activity steady in November...

The latest New Zealand Activity Index (NZAC) continues to show slight recovery, as activity in November was up around 1.6% compared to November 2019 (Figure 1). Most constituent indicators are above 2019 levels such as traffic movements and electronic card transactions. The number of people receiving income support in November continued to decline from August but is still high compared to November 2019 (Jobseeker plus the COVID-19 Income Relief Payment).

Figure 1: New Zealand Activity Index



Sources: The Treasury, Stats NZ and RBNZ

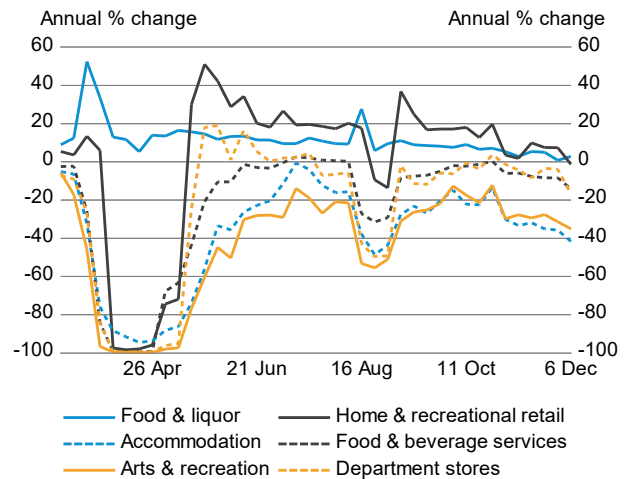
...and retail spending held steady ...

Total electronic card spending in November fell by 0.8% on the same month last year, while retail card spending was up 1.4%. Hospitality spending was down 8.3% on the same period last year, compared with a 3.0% rise in the previous month, possibly indicating that the pent-up demand from the period of higher alert levels may be easing.

...though some industries lost momentum

Weekly card spending data show a fall in spending in the first week of December compared to the same time last year (Figure 2). Spending on arts, recreation and accommodation was already 15-20% below 2019 levels in October and has recently fallen to be down 35-40%. Food, liquor and home/recreational retail spending had mostly been well above 2019 levels since May but has recently eased to be around even with the same time last year. Total card spending in the week ended 6 December was down 8.4% on 2019.

Figure 2: Marketview card spending by industry



Source: Marketview data via MBIE

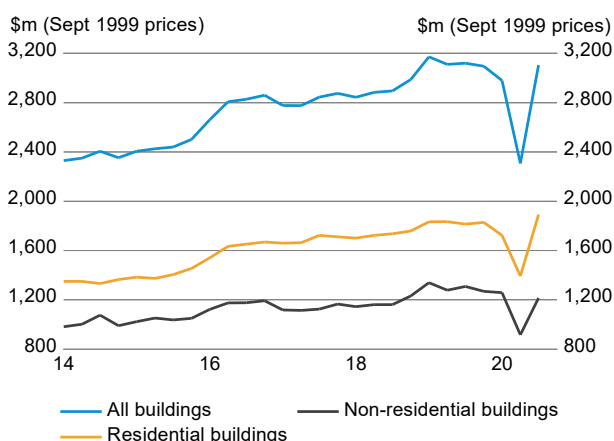
Income support numbers rise slightly

Income support numbers rose for the first time since August, driven by a seasonal increase in Jobseeker Support (JS). JS numbers rose by 1,042 in the week ended 4 December, as "Work Ready" grants picked up after a period of decreases. This was mostly offset by a fall in the number of people receiving the COVID-19 Income Relief Payment (CIRP). Total income support numbers, including JS and the CIRP, increased slightly to 210,139.

Building construction activity rebounds...

Total building construction activity increased 34.6% in the September quarter, after falling 22.6% in the June quarter, to be slightly down (0.6%) from a year ago. Both residential and non-residential construction grew strongly in the quarter, with residential construction activity up 35.9% and non-residential construction activity up 32.6% (Figure 3).

Figure 3: Building work put in place



Source: Stats NZ

A degree of catch-up is likely to be behind some of the strength in the bounce-back in construction activity during the September quarter, as projects that had been halted during the period under Alert Levels 3 and 4 came back online.

With building consents also bouncing back in the period after higher alert level restrictions were eased, the near-term outlook for construction activity is positive. However, uncertainties relating to household incomes and the continued financial viability of consented projects may place a dampener on construction activity growth. Businesses continue to express uncertainty around their forward order books, particularly in the non-residential space.

Statistics NZ's new business data survey includes sales, purchases, salaries and wages, and operating profit information from a wide range of the New Zealand economy, using a combination of survey and tax data. The data shows that construction industry sales in the September 2020 quarter were up 8.9% compared to the September 2019 quarter, despite the impact of the COVID-19 pandemic. Purchases rose 5.5% and salaries and wages were up 9.4%.

...but activity in services industries still lags...

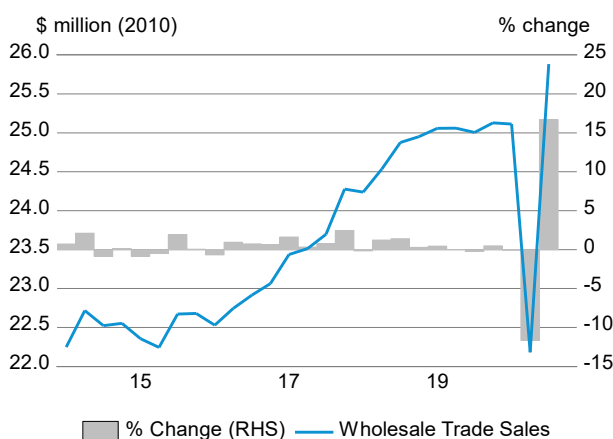
In contrast, many service sector industries are still lagging behind levels seen last year as the effect of an absence of international visitors and the lockdowns weigh on these sectors. Service industry sales were 5.3% lower than in September 2019, with purchases down 5.2% and salaries and wages up 2.9%.

...as manufacturing and wholesale rebound

The seasonally adjusted volume of manufacturing sales rose 17.3% in the September quarter, following a 12.0% fall in the June quarter. All manufacturing industries recorded a rise in sales volumes, driven by an 8.3% increase in sales volumes in the meat and dairy product manufacturing industry while manufacturing sales volumes excluding meat and dairy rose by 1.6%. Manufacturing volumes are now up 3.1% compared to a year ago.

Wholesale trade volumes rose 17.4% in the September quarter, following an 11.2% fall in the June quarter, to be up 5.8% compared to a year ago (Figure 4). Sales rose in all industries, and growth was strongest in basic materials and motor vehicle and parts. The latter reflects the 47% rise in new car registrations over the quarter. On an annual basis, grocery, liquor and tobacco products led the growth, up 7.5% over the year.

Figure 4: Wholesale trade



Source: Stats NZ

Higher-than-expected construction activity along with the string of other positive partial indicators of GDP contribute to a more optimistic near-term outlook compared to our *Pre-election Update*, but there are still many headwinds that could dampen growth in the year ahead.

Vaccination programmes begin

The UK became the first country to approve the Pfizer/BioNTech vaccine on Tuesday, closely followed by Bahrain and Canada, signalling the beginning of a mass immunisation campaign that is expected to be underway across most of the world by mid-year.

Brexit, US fiscal stimulus negotiation continued

Debate over US fiscal stimulus and Brexit negotiations continued this week. In the US, the Trump administration made a US\$916 billion fiscal stimulus offer to congressional Democrats as bipartisan negotiations on a US\$908 billion plan appeared to stall. Meanwhile, Brexit negotiations became stuck on the longstanding issues of fishing rights, dispute resolution, and so-called 'level playing field' conditions, which refer to rules that govern future competition between businesses in the UK and EU.

Meanwhile, Japan's government proposed its third fiscal stimulus package, estimated by analysts to be equivalent to between 6% and 7% of GDP, although some spending had been provided for in the earlier packages. There was less focus on direct support this time, with around half the package focused on long-term issues including business digitalisation and greenhouse gas reductions.

Mixed data in the US and China

Turning to the data, US payrolls rose 245,000 in November, well below market expectations, and down sharply from previous months. The unemployment rate fell 0.2 percentage points (ppt) to 6.7%, although that was associated with a 0.2ppt reduction in participation, with analysts noting some survey respondents had been unable to look for work due to COVID restrictions. Additional restrictions across the US suggest that the pace of recovery might slow further in December.

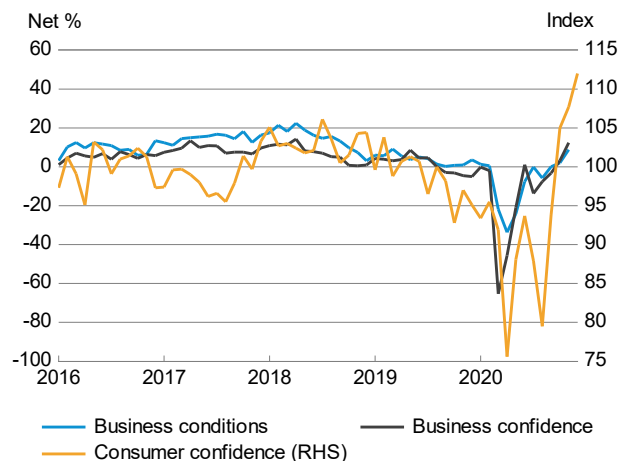
In China, November goods exports rose 20% from a year ago, pointing to robust demand from abroad, despite tighter restrictions on mobility. Consumer price inflation dropped to -0.5%, driven by falling pork prices, but core inflation was steady at a decade low of 0.5%.

Confidence surges in Australia

In Australia, business and consumer sentiment rebounded further against a backdrop of easing COVID-19 restrictions, further fiscal and monetary policy support and positive vaccine news (Figure 5). NAB's November Business Survey recorded sharp gains in both confidence and conditions across a

broad base of indicators and sectors, led by the retail sector. However, implications for the labour market were mixed: capacity utilisation continued to recover, but the employment index was steady at -5, suggesting that employees were working more hours but businesses remained cautious about hiring.

Figure 5: Australia – business sentiment



Sources: NAB, Westpac-MI

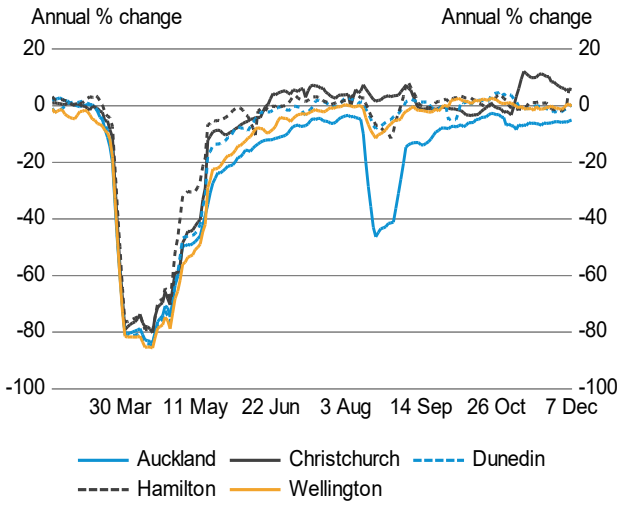
Consumers were even more upbeat, with confidence rising to its highest level since 2010, driven by stronger perceptions of economic conditions over the next year.

Overall, these reports reinforce analysts' expectations of a large rise in December quarter GDP, following September's 3.3% gain. Nonetheless, there are significant headwinds to medium-term growth from elevated unemployment, historically weak wage growth and sharply lower population growth. The deteriorating trade relationship with China is a further risk. This week, lamb exports to China from two of Australia's largest export companies were halted after they were closed for short periods because of COVID-19 outbreaks. This follows the earlier imposition of restrictions on exports of beef, barley, wine, seafood, timber and coal.

Date	Key upcoming NZ data	Previous
14 Dec	BNZ Performance of Services	51.4
16 Dec	Current Account (% of GDP)	- 1.9%
17 Dec	Gross Domestic Product (qpc)	-12.2%
18 Dec	ANZ Consumer Confidence	106.9
18 Dec	ANZ Business Outlook	- 6.9%

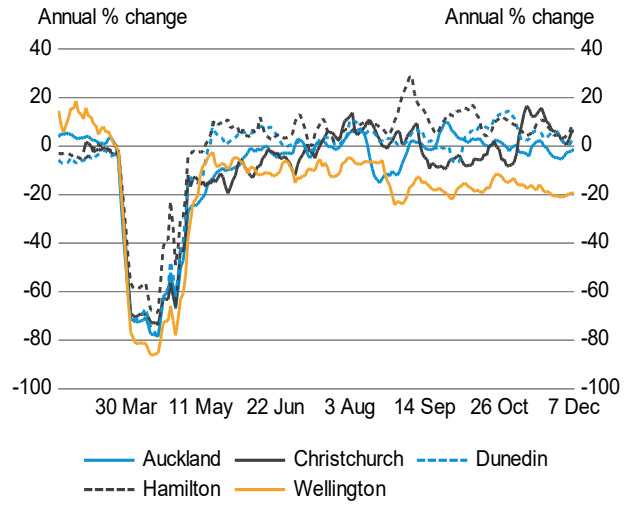
High-Frequency Indicators (Domestic)

Traffic Movement



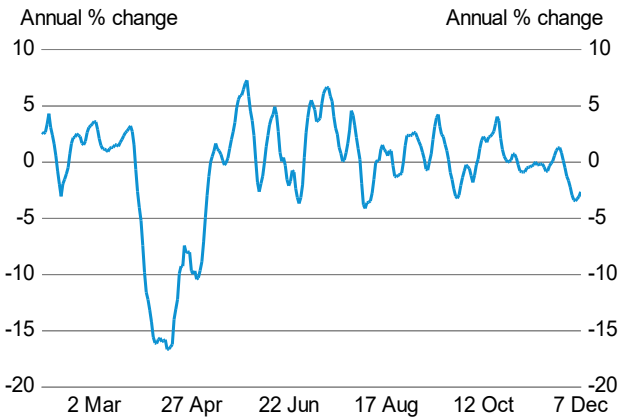
Source: Waka Kotahi NZ Transport Agency

Freight Movement



Source: Waka Kotahi NZ Transport Agency

Electricity Demand



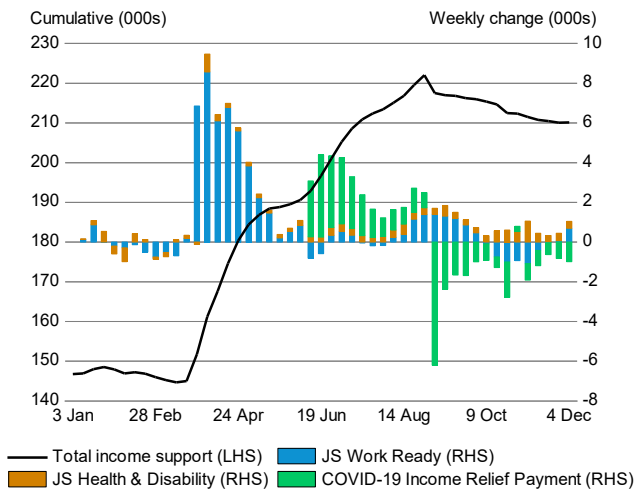
Source: Electricity Authority

Retail Spending



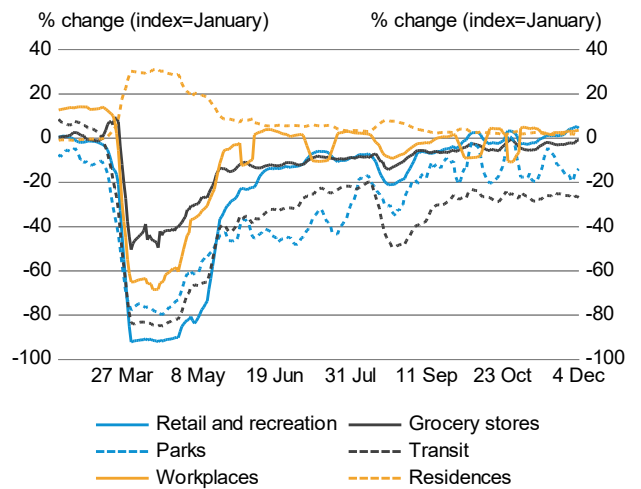
Source: Paymark and Verifone data via Data Ventures

Jobseeker (JS) and Income Support Recipients



Source: MSD

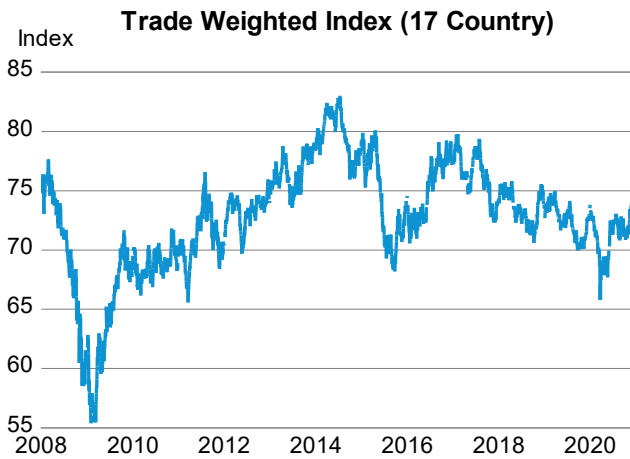
People Movements at Selected Locations



Source: Google

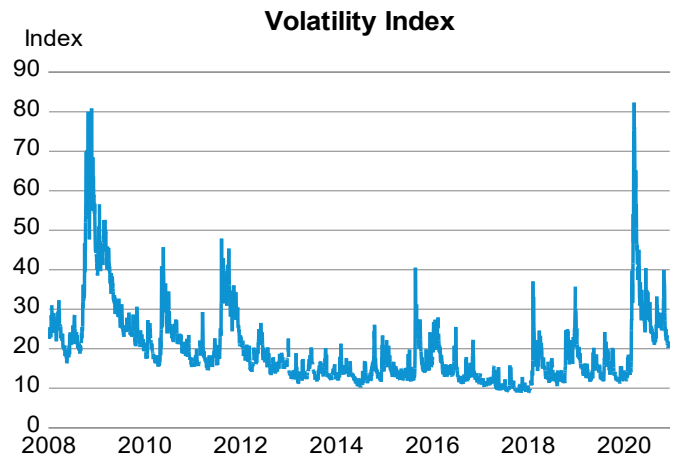
High-Frequency Indicators (Global)

Trade Weighted Index



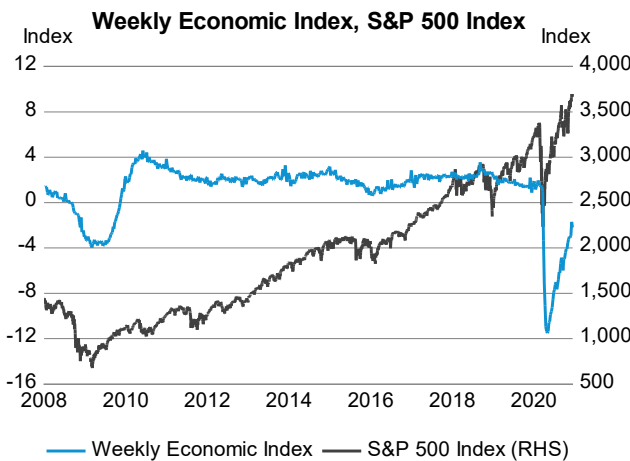
Source: RBNZ

Volatility Index



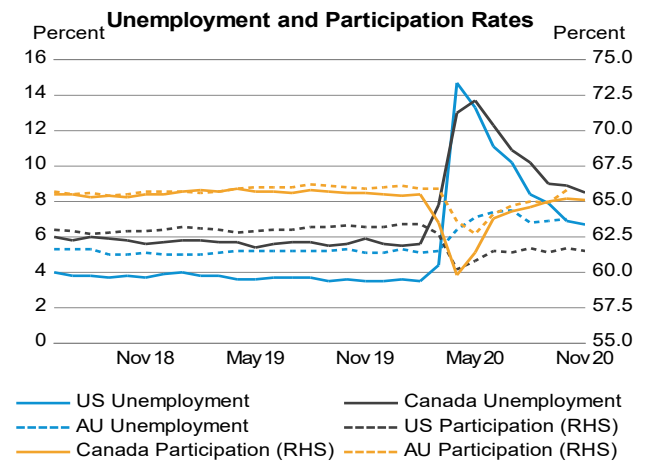
Source: Haver

US Activity and Equities



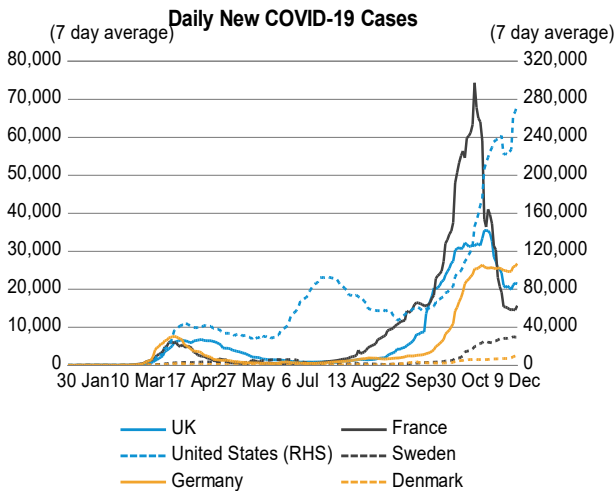
Sources: Federal Reserve Bank of New York, Haver

Labour Markets



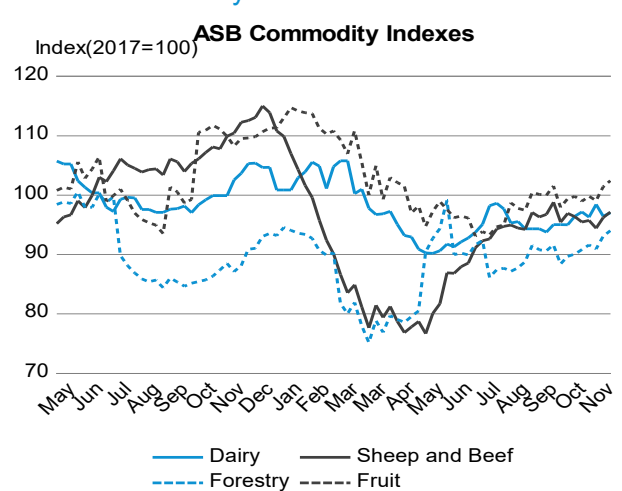
Source: Haver

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	6.3	-0.4
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	-0.8
Unemployment rate (1)	%	4.0	4.2	4.1	4.2	4.0	5.3
Participation rate (1)	%	70.5	70.7	70.4	70.7	69.9	70.1
LCI salary & wage rates - total (2)	apc	2.1	2.5	2.6	2.5	2.1	1.8
QES average hourly earnings - total (2)	apc	4.4	4.2	3.6	3.6	3.0	3.6
Core retail sales volume	apc	3.6	5.4	3.3	4.0	-11.7	7.7
Total retail sales volume	apc	2.9	4.5	3.3	2.3	-14.2	8.3
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		Jun 20	Jul 20	Aug 20	Sep 20	Oct 20	Nov 20
Merchandise trade balance (12 month)	NZ\$m	-1,131	26	1,369	1,653	2,191	...
Dwelling consents - residential	apc	20.4	-0.8	-3.3	7.7	7.2	...
House sales - dwellings	apc	11.8	29.1	27.7	41.0	25.0	...
REINZ - house price index	apc	7.7	9.2	9.6	10.9	13.5	...
Estimated net migration (12 month total)	people	88,146	81,370	75,117	67,735	...	...
ANZ NZ commodity price index	apc	-2.9	0.2	-3.9	-6.5	-5.6	-10.9
ANZ world commodity price index	apc	-5.7	-1.5	-2.8	-3.1	-2.3	-5.5
ANZBO - business confidence	net%	-34.4	-31.8	-41.8	-28.5	-15.7	-6.9
ANZBO - activity outlook	net%	-25.9	-8.9	-17.5	-5.4	4.7	9.1
ANZ-Roy Morgan - consumer confidence	net%	104.5	104.3	100.2	100.0	108.7	106.9
Weekly Benefit Numbers		30 Oct	6 Nov	13 Nov	20 Nov	27 Nov	4 Dec
Jobseeker Support	number	203,371	203,341	203,365	203,665	204,111	205,153
Work Ready	number	130,065	128,979	128,559	128,529	128,596	129,292
Health Condition and Disability	number	73,306	74,362	74,806	75,136	75,515	75,861
COVID-19 Income Relief Payment	number	8,995	8,168	7,398	6,795	5,971	4,986
Full-time	number	8,010	7,296	6,627	6,101	5,356	4,488
Part-time	number	985	872	771	694	615	498
Daily Indicators		Wed 2/12/20	Thu 3/12/20	Fri 4/12/20	Mon 7/12/20	Tue 8/12/20	Wed 9/12/20
NZ exchange and interest rates (5)							
NZD/USD	\$	0.7064	0.7057	0.7075	0.7044	0.7039	0.7045
NZD/AUD	\$	0.9565	0.9537	0.9510	0.9478	0.9494	0.9503
Trade weighted index (TWI)	index	74.5	74.4	74.4	74.0	74.0	74.0
Official cash rate (OCR)	%	0.25	0.25	0.25	0.25	0.25	0.25
90 day bank bill rate	%	0.25	0.25	0.25	0.26	0.27	0.27
10 year govt bond rate	%	0.89	0.92	0.89	0.94	0.94	0.91
Share markets (6)							
Dow Jones	index	29,884	29,970	30,218	30,070	30,174	30,069
S&P 500	index	3,669	3,667	3,699	3,692	3,702	3,673
VIX volatility index	index	21.2	21.3	20.8	21.3	20.7	22.3
AU all ords	index	6,811	6,847	6,865	6,909	6,922	6,965
NZX 50	index	12,729	12,649	12,631	12,656	12,720	12,889
US interest rates							
3 month OIS	%	0.09	0.09	0.09	0.09	0.09	...
3 month Libor	%	0.23	0.23	0.23	0.23	0.23	...
10 year govt bond rate	%	0.95	0.92	0.97	0.94	0.92	0.95
Commodity prices (6)							
WTI oil	US\$/barrel	45.28	45.64	46.23	45.72	45.64	...
Gold	US\$/ounce	1,823	1,832.35	1,843.00	1,859.95	1,868.15	...
CRB Futures	index	427	427.30	427.27	433.03	432.75	...

(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		May 20	Jun 20	2020Q2	Jul 20	Aug 20	Sep 20	2020Q3	Oct 20	Nov 20	Dec 20
United States [9.6% share of total goods exports]	GDP (1)	qpc			-9.0				7.4			
	Industrial production (1)	mpc	0.9	6.0		4.2	0.7	-0.4		1.1	...	...
	CPI	apc	0.1	0.6		1.0	1.3	1.4		1.2	...	...
	Unemployment rate (1)	%	13.3	11.1		10.2	8.4	7.9		6.9	6.7	...
	Employment change (1)	000s	2725.0	4781.0		1761.0	1493.0	711.0		610.0	245.0	...
	Retail sales value	apc	-5.6	2.2		2.7	3.6	5.9		5.7	...	...
	House prices (2)	apc	3.6	3.5		4.2	5.3	6.6		...	...	...
Japan [6.1%]	PMI manufacturing (1)	index	43.1	52.6		54.2	56.0	55.4		59.3	57.5	...
	Consumer confidence (1)(3)	index	85.9	98.3		91.7	86.3	101.3		101.4	96.1	...
	GDP (1)	qpc			-8.3				5.3			
	Industrial production (1)	mpc	-8.9	1.9		8.7	1.0	3.9		3.8	...	...
	CPI	apc	0.0	0.1		0.4	0.1	0.0		-0.4	...	...
	Unemployment rate (1)	%	2.9	2.8		2.9	3.0	3.0		3.1	...	...
	Retail sales value	apc	-12.5	-1.3		-2.9	-1.9	-8.7		6.4	...	...
Euro area [5.5%]	PMI manufacturing (1)	index	38.4	40.1		45.2	47.2	47.7		48.7	49.0	...
	Consumer confidence (1)(4)	index	24.1	28.5		29.5	29.3	32.8		33.3	33.6	...
	GDP (1)	qpc			-11.7				12.5			
	Industrial production (1)	mpc	12.5	9.5		5.3	0.6	-0.4		...	...	...
	CPI	apc	0.1	0.3		0.4	-0.2	-0.3		-0.3	...	...
	Unemployment rate (1)	%	7.7	7.9		8.7	8.6	8.5		8.4	...	...
	Retail sales volume	apc	-2.7	1.5		0.0	4.4	2.5		4.3	...	...
United Kingdom [2.7%]	PMI manufacturing (1)	index	39.4	47.4		51.8	51.7	53.7		54.8	53.8	...
	Consumer confidence (5)	index	-18.8	-14.7		-15.0	-14.7	-13.9		-15.5	-17.6	...
	GDP (1)	qpc			-19.8				15.5			
	Industrial production (1)	mpc	5.6	9.9		5.3	0.2	0.4		...	...	...
	CPI	apc	0.6	0.6		1.1	0.2	0.6		0.7	...	...
	Unemployment rate (1)	%	4.1	4.1		4.3	4.5	4.8		...	...	...
	Retail sales volume	apc	-12.9	-1.9		1.2	2.8	4.6		5.8	...	...
Australia [15.8%]	House prices (6)	apc	1.8	-0.1		1.5	3.7	5.0		5.8	6.5	...
	PMI manufacturing (1)	index	40.7	50.1		53.3	55.2	54.1		53.7	55.6	...
	Consumer confidence (1)(5)	index	-23.7	-21.0		-16.6	-16.6	-17.9		-20.4	-22.6	...
	GDP (1)	qpc			-7.0				3.3			
	CPI	apc			-0.3				0.7			
	Unemployment rate (1)	%	7.1	7.4		7.5	6.8	6.9		7.0	...	...
	Retail sales value	apc	5.5	8.6		12.8	5.4	6.6		7.7	...	...
China [24.3%]	House Prices (7)	apc			6.6				5.0			
	PMI manufacturing (1)	index	41.6	51.5		53.5	49.3	46.7		56.3	52.1	...
	Consumer confidence (8)	index	88.1	93.7		87.9	79.5	93.8		105.0	107.7	112.0
	GDP	apc			3.2				4.9			
	Industrial production	apc	4.4	4.8		4.8	5.6	6.9		6.9	...	...
South Korea [3.0%]	CPI	apc	2.4	2.5		2.7	2.4	1.7		0.5	-0.5	...
	PMI manufacturing (1)	index	50.6	50.9		51.1	51.0	51.5		51.4	52.1	...
	GDP (1)	qpc			-3.2				2.1			
South Korea [3.0%]	Industrial production (1)	mpc	-7.0	7.1		1.9	-0.4	5.5		-1.2	...	...
	CPI	apc	-0.3	-0.0		0.3	0.7	1.0		0.1	0.6	...

(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