

## **Alert Levels increase in response to new cases**

Higher alert levels were reintroduced for (initially) three days this week following the emergence of three cases in the community in Auckland over the weekend. Alert levels were raised to Level 3 in Auckland and Level 2 for the rest of New Zealand.

On Wednesday, three further cases were found in the community, but it was decided that the current outbreak has been contained. As a result, Auckland's alert level has dropped to Level 2, and the rest of the country returned to Level 1. Alert level settings will be revisited on Monday 22 February.

## **Manufacturing strength continues...**

The BNZ-BusinessNZ Performance of Manufacturing Index (PMI) rose strongly in January, up 9.2 points to 57.5 and above the long-term average of 53.0 for the index. All major sub-index values rose, and new orders were particularly strong, up 12.1 points.

## **...countered by weakness in services...**

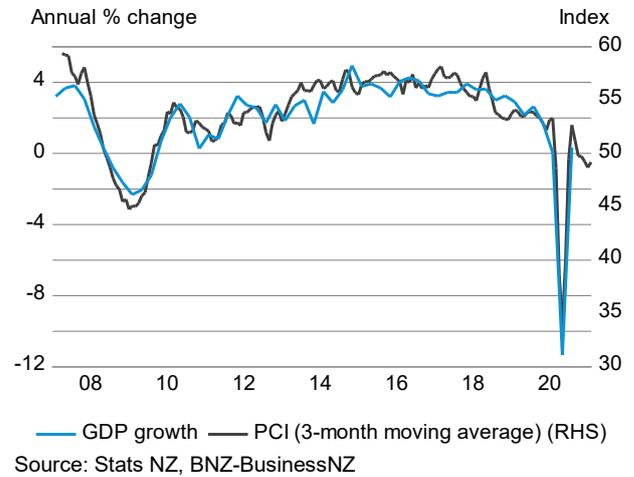
However, the Performance of Services Index (PSI) fell by 1.2 points to 47.9, in contractionary territory and below the long-term average of 53.8. New orders remained in expansion mode but sales and employment both fell, down 4.6 points and 5.9 points respectively.

Respondents to the survey cited influences from the Christmas period, ongoing COVID-19 related issues (including freight challenges) and a slower return to business-as-usual post holidays all contributing to the ongoing trend of contraction in services activity.

## **...leaving the aggregate story unchanged**

The BNZ-BusinessNZ GDP-weighted Combined Performance Index (PCI) was unchanged from December in January at 49.2. This series has been trending down since late 2017, however there are signs that this downward trend has been slowing over the past few months (Figure 1).

**Figure 1: GDP and PCI**

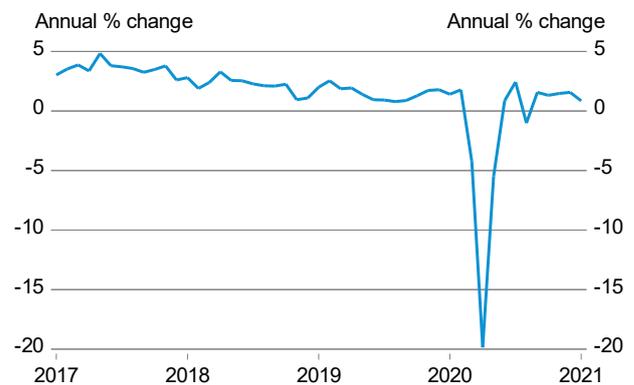


## **Modest growth in NZ Activity Index**

The latest New Zealand Activity Index (NZAC) continues to show modest growth. Activity in January was up 0.8% compared to January 2020. The growth is slower than in the previous months due to contradicting signals from the constituent indicators. While electronic card spending and heavy traffic declined compared to January 2020, the PMI is at its highest level since August 2020 and is much higher than the same month last year.

The latest NZAC result may indicate that the recovery in activity following COVID-19 related disruptions, is starting to plateau.

**Figure 2: New Zealand Activity Index**

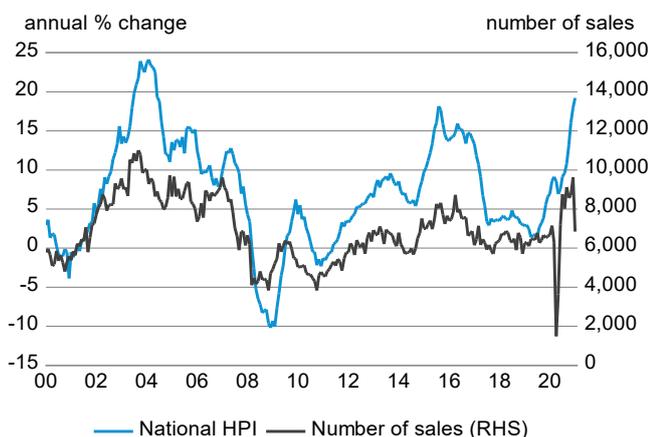


### House prices hold up as sales fall...

The strong momentum in the housing market observed at the end of 2020 continued into the first month of 2021, with house prices rising 1.8% in January to be up 19.2% compared to a year ago. This is the highest annual growth rate since June 2004 (Figure 3). The median price of a house in New Zealand is now \$730,000, compared to \$612,000 in January 2020, a difference of around 19%.

National house sales fell 28.9% in January after recording a 10.5% increase in December. However, for the three months to January 2021, house sales were still over 30% higher than the same period a year ago. Demand in the market remains high, with low interest rates providing support, and median days to sell in January fell to 35, the lowest level for the month of January in 17 years.

**Figure 3: House prices and sales**



Source: REINZ

The continued uncertainty relating to the economic recovery and household incomes may weigh on house price growth in the quarters ahead, along with the reinstatement of the loan-to-value-ratio restrictions.

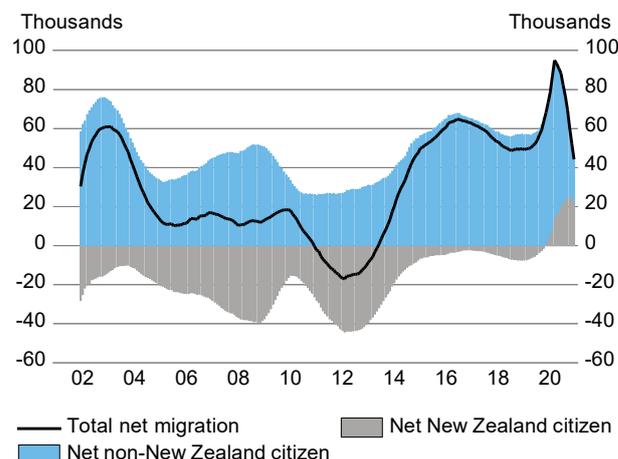
### ...and dairy prices rise again

Dairy prices rose again at this week's GlobalDairyTrade auction, up 3.0% from the previous event (up 2.1% in NZD terms). All products offered recorded gains. Whole milk powder prices rose 4.3%, driven by higher demand from China, and skim milk prices were up 0.3%.

### ...and net migration remains low

Annual net migration continued to fall, to a provisional net gain of 44,100 in the year ended December 2020, as border restrictions continue to limit migration. Provisional estimates for the year ended December consist of 85,800 arrivals (of which 33,500 were NZ citizens) and 41,600 departures (of which 11,700 were NZ citizens)

**Figure 4: Net Migration (annual)**



Sources: Stats NZ

### Disposable incomes were rising prior to COVID

The 2019/20 Household Economic Survey (HES) showed that median annual household income after housing costs rose by 7.0% in the year to June 2020. Data for the "year to June 2020" was derived from the nine months from July 2019 to March 2020, due to Statistics NZ being unable to collect data during the COVID-19 lockdown.

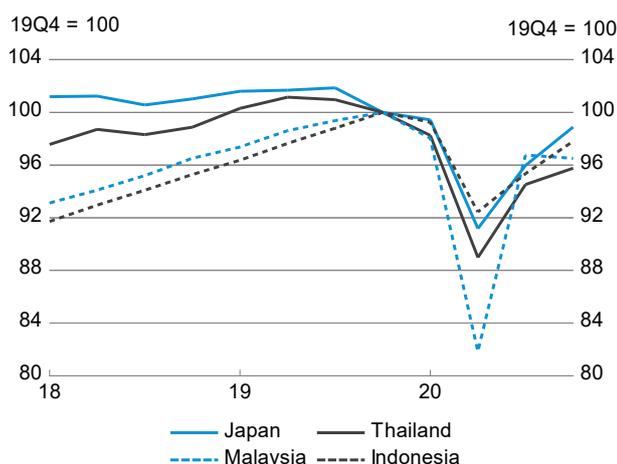
Rent payments rose 2.0% while mortgage payments rose 4.5% as higher principal repayments offset lower interest payments. The percentage of people living in low-income households (disposable income after housing costs less than 50% of the median) rose from 16.6% to 17.1%.

This data release does not reflect how COVID-19 affected household incomes due to the timing of the survey.

### Japan GDP beats expectations...

Japan's GDP rose 3.0% in the December 2020 quarter compared to the September quarter, to be down just 1.1% on the December 2019 quarter (Figure 5). GDP in Thailand and Indonesia rose 1.3% and 2.6% respectively, with Thailand ending up 4.2% down on pre-pandemic GDP levels and Indonesia down 2.2%. Meanwhile, Malaysia's GDP contracted 0.3% amid heightened restrictions, with December quarter GDP down 3.5% on the December 2019 quarter.

**Figure 5: GDP in selected Asian countries**



Source: Haver

### ...and UK economy proves resilient

UK GDP rose 1.0% in the December 2020 quarter compared to the September quarter, showing surprising resilience to November's four-week national lockdown. Output increased across each of the services, production and construction industries. There was a further recovery in government consumption and, to a lesser extent, business investment, reflecting the easing of public health restrictions. The level of GDP in the December 2020 quarter was 7.8% below the same quarter in 2019, however, and the 9.9% contraction in annual GDP was the largest on record.

In the euro area, employment increased by 0.3% in the quarter, with over half a million jobs being created despite renewed lockdowns and a 0.6% quarterly decline in GDP. Total job numbers remained over 3 million down on 2019, however.

### Fed notes stronger outlook as vaccines roll out

Minutes from the 27 January meeting of the United States Federal Open Markets Committee show that officials believe the outlook has improved considerably, with fiscal stimulus and widespread vaccination expected to boost growth this year.

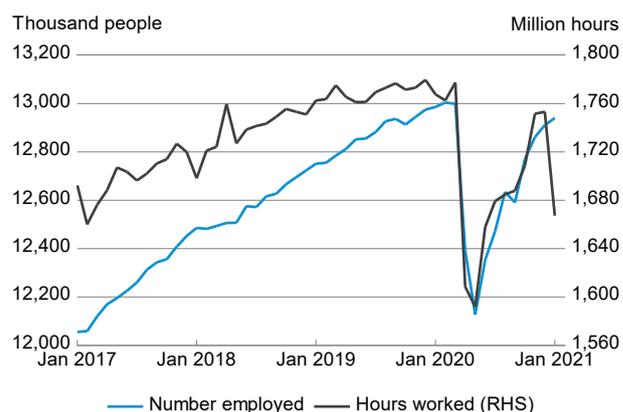
Monetary stimulus is likely to remain for some time, however, as officials noted that temporary inflationary factors would be looked through. Meanwhile, yields on 10-year US Treasury bonds rose to the highest level since February 2020, amid surprisingly strong outturns in January retail sales, industrial production and producer prices.

Data from Bloomberg show that 57.4 million COVID-19 vaccine doses have been administered across the United States, with an average of 1.6 million doses per day in the last week. At the current rate, it will take an estimated 9 months to cover 75% of the population with a two-dose vaccine. Globally, 186 million doses have been administered across 82 countries.

### Australian employment rises, hours worked fall

Australia's unemployment rate fell to 6.4% in January (Figure 6), a decrease of 0.2 percentage points (ppt) from December. The fall was driven by a 0.2% rise in employment, but also by a 0.1 ppt decrease in the labour force participation rate. The number of employed people was down 0.4% compared to January 2020. Hours worked decreased by 4.9% compared to December, falling back to the lowest level since June last year. The fall was largely driven by workers taking more annual leave than usual, likely due to holiday plans being disrupted by lockdowns earlier in the year.

**Figure 6: Australian monthly employment and hours worked**

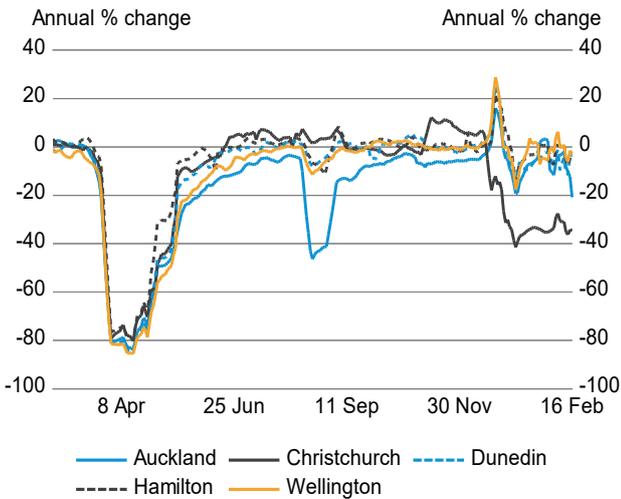


Source: Haver

Date	Key upcoming NZ data	Previous
23 Feb	Retail trade survey (Q4)	+28.0% (qpc)
25 Feb	ANZ Business Outlook (Feb)	+10.6 (net %)
26 Feb	ANZ Roy Morgan Consumer Confidence (Feb)	113.8 (index)
26 Feb	Overseas Merchandise Trade (Jan)	\$2.9b (annual balance)

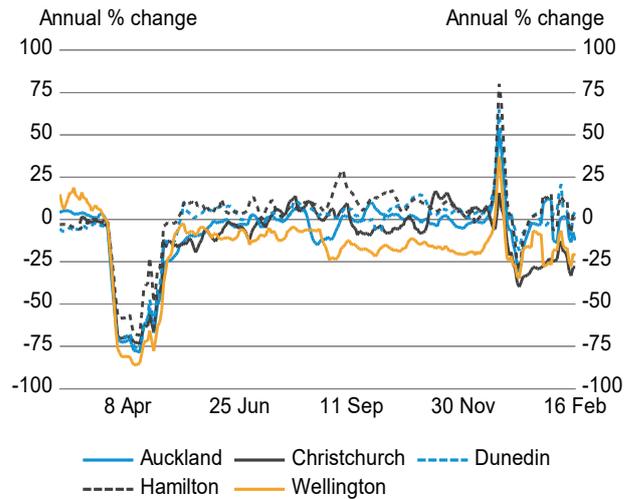
# High-Frequency Indicators (Domestic)

## Traffic Movement



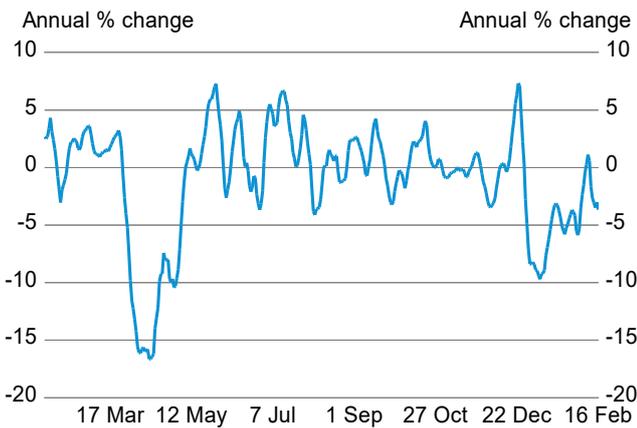
Source: Waka Kotahi NZ Transport Agency

## Freight Movement



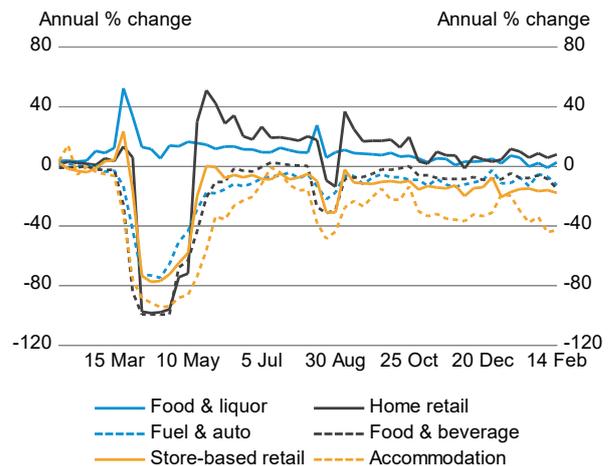
Source: Waka Kotahi NZ Transport Agency

## Electricity Demand



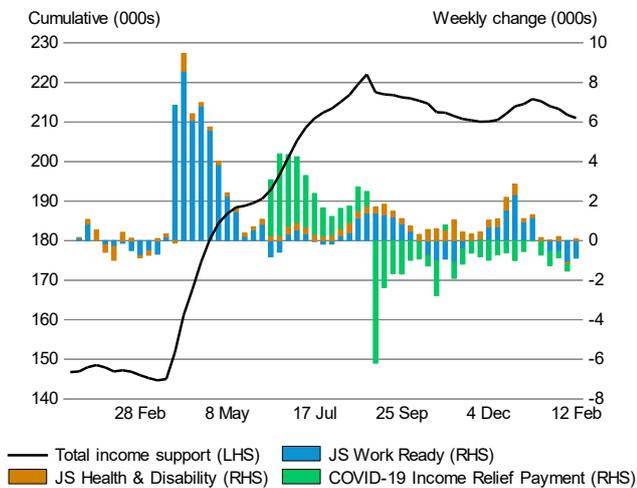
Source: Electricity Authority

## Retail Spending



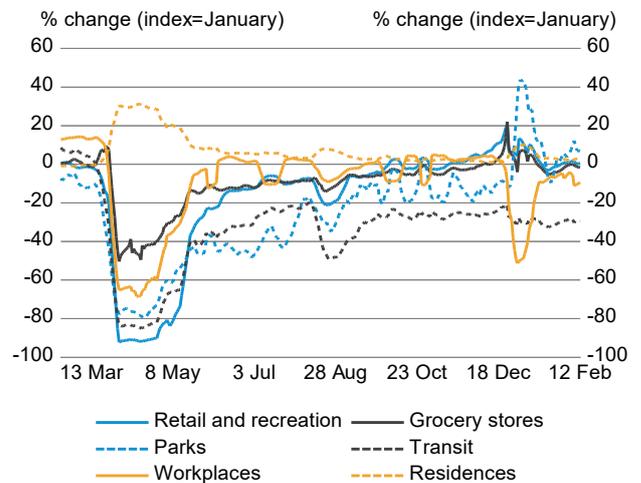
Source: Marketview data via MBIE

## Jobseeker (JS) and Income Support Recipients



Source: MSD

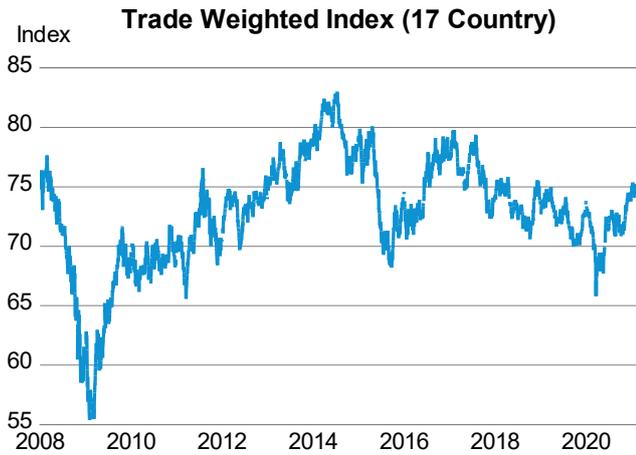
## People Movements at Selected Locations



Source: Google

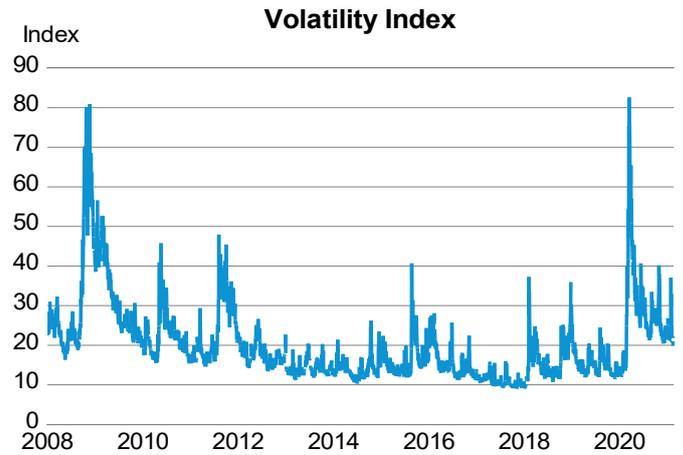
# High-Frequency Indicators (Global)

## Trade Weighted Index



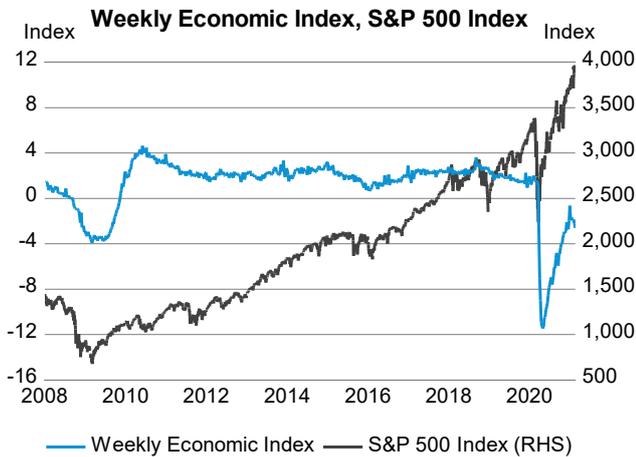
Source: RBNZ

## Volatility Index



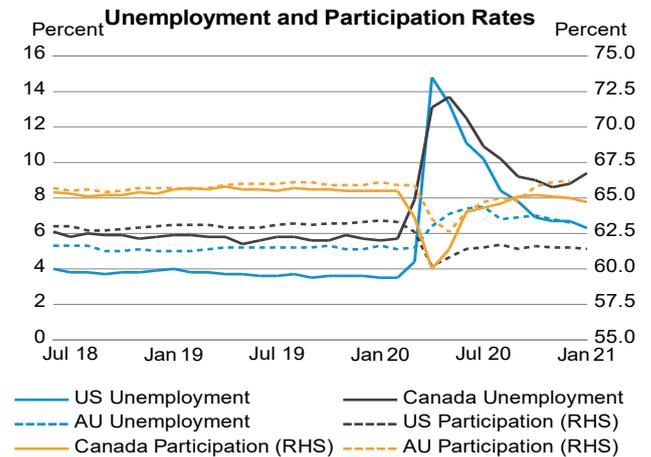
Source: Haver

## US Activity and Equities



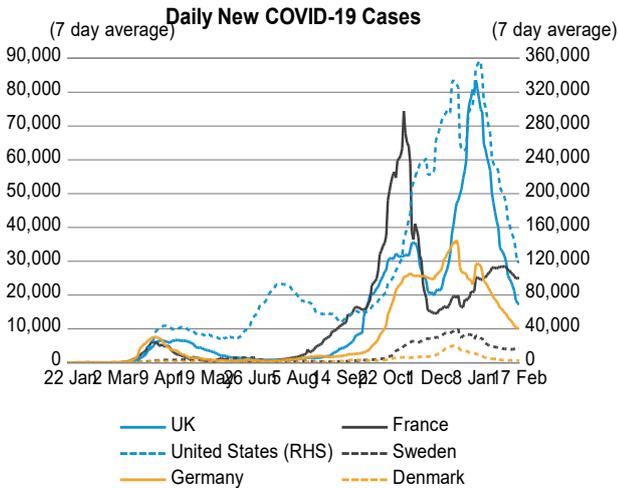
Sources: Federal Reserve Bank of New York, Haver

## Labour Markets



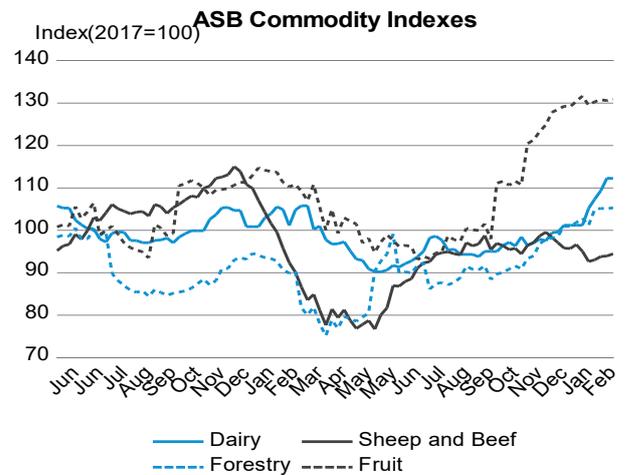
Source: Haver

## COVID-19 Cases



Sources: World Health Organisation/Haver

## World Commodity Prices



Source: ASB

<b>Quarterly Indicators</b>		<b>2019Q3</b>	<b>2019Q4</b>	<b>2020Q1</b>	<b>2020Q2</b>	<b>2020Q3</b>	<b>2020Q4</b>
Real Production GDP (1)	qpc	0.7	0.1	-1.2	-11.0	14.0	...
	aapc	2.8	2.3	1.6	-1.7	-2.2	...
Current account balance (annual)	%GDP	-3.7	-3.3	-2.8	-1.8	-0.8	...
Merchandise terms of trade	apc	0.9	7.1	5.4	6.3	-0.4	...
CPI inflation	qpc	0.7	0.5	0.8	-0.5	0.7	0.5
	apc	1.5	1.9	2.5	1.5	1.4	1.4
Employment (HLFS) (1)	qpc	0.6	0.4	1.0	-0.3	-0.7	0.6
Unemployment rate (1)	%	4.2	4.1	4.2	4.0	5.3	4.9
Participation rate (1)	%	70.7	70.4	70.7	69.9	70.1	70.2
LCI salary & wage rates - total (2)	apc	2.5	2.6	2.5	2.1	1.8	1.6
QES average hourly earnings - total (2)	apc	4.2	3.6	3.6	3.0	3.6	4.2
Core retail sales volume	apc	5.4	3.3	4.0	-11.7	7.7	...
Total retail sales volume	apc	4.5	3.3	2.3	-14.2	8.3	...
WMM - consumer confidence (3)	Index	103.1	109.9	104.2	97.2	95.1	106.0
QSBO - general business situation (1,4)	net%	-37.1	-30.8	-67.9	-57.6	-37.6	-16.3
QSBO - own activity outlook (1,4)	net%	-0.6	2.9	-12.9	-24.1	0.5	9.4
<b>Monthly Indicators</b>		<b>Aug 20</b>	<b>Sep 20</b>	<b>Oct 20</b>	<b>Nov 20</b>	<b>Dec 20</b>	<b>Jan 21</b>
Merchandise trade balance (12 month)	NZ\$m	1,369	1,655	2,223	3,300	2,937	...
Dwelling consents - residential	apc	-3.3	7.7	7.2	19.9	26.9	...
House sales - dwellings	apc	27.7	41.9	30.0	34.0	45.8	3.2
REINZ - house price index	apc	9.7	10.8	13.2	16.0	17.9	19.2
Estimated net migration (12 month total)	people	76,274	69,341	60,060	52,019	44,127	...
ANZ NZ commodity price index	apc	-3.9	-6.5	-5.6	-10.9	-5.9	-2.2
ANZ world commodity price index	apc	-2.8	-3.1	-2.3	-5.5	-0.4	4.6
ANZBO - business confidence	net%	-41.8	-28.5	-15.7	-6.9	9.4	...
ANZBO - activity outlook	net%	-17.5	-5.4	4.7	9.1	21.7	...
ANZ-Roy Morgan - consumer confidence	net%	100.2	100.0	108.7	106.9	112.0	113.8
<b>Weekly Benefit Numbers</b>		<b>8 Jan</b>	<b>15 Jan</b>	<b>22 Jan</b>	<b>29 Jan</b>	<b>5 Feb</b>	<b>12 Feb</b>
<b>Jobseeker Support</b>	number	213,756	213,852	213,357	213,006	211,806	211,026
Work Ready	number	135,990	135,936	135,399	134,841	133,743	132,858
Health Condition and Disability	number	77,763	77,919	77,958	78,165	78,066	78,171
<b>COVID-19 Income Relief Payment</b>	number	2,070	1,389	660	342	...	...
Full-time	number	1,848	1,254	585	297	...	...
Part-time	number	225	138	78	45	...	...
<b>Daily Indicators</b>		<b>Wed 10/2/21</b>	<b>Thu 11/2/21</b>	<b>Fri 12/2/21</b>	<b>Mon 15/2/21</b>	<b>Tue 16/2/21</b>	<b>Wed 17/2/21</b>
<b>NZ exchange and interest rates (5)</b>							
NZD/USD	\$	0.7233	0.7206	0.7226	0.7222	0.7237	0.7185
NZD/AUD	\$	0.9352	0.9341	0.9324	0.9303	0.9296	0.9285
Trade weighted index (TWI)	index	75.1	74.8	74.9	74.9	74.9	74.6
Official cash rate (OCR)	%	0.25	0.25	0.25	0.25	0.25	0.25
90 day bank bill rate	%	0.29	0.29	0.29	0.30	0.29	0.28
10 year govt bond rate	%	1.40	1.37	1.31	1.34	1.42	1.51
<b>Share markets (6)</b>							
Dow Jones	index	31,438	31,431	31,458	...	31,523	31,613
S&P 500	index	3,910	3,916	3,935	...	3,933	3,931
VIX volatility index	index	22.0	21.3	20.0	...	21.5	21.5
AU all ords	index	7,134	7,122	7,081	7,150	7,189	7,159
NZX 50	index	12,830	12,761	12,590	12,511	12,611	12,674
<b>US interest rates</b>							
3 month OIS	%	0.08	0.08	0.08	0.08	0.08	...
3 month Libor	%	0.20	0.20	0.19	0.19	0.19	...
10 year govt bond rate	%	1.15	1.16	1.20	...	1.30	1.29
<b>Commodity prices (6)</b>							
WTI oil	US\$/barrel	58.68	58.24	59.47	...	60.05	...
Gold	US\$/ounce	1,843	1,840.10	1,816.35	1,817.30	1,794.25	...
CRB Futures	index	467	466.93	470.10	...	476.16	...

(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		Jul 20	Aug 20	Sep 20	2020Q3	Oct 20	Nov 20	Dec 20	2020Q4	Jan 21	Feb 21
<b>United States</b> [9.6% share of total goods exports]	GDP (1)	qpc				7.5				1.0		
	Industrial production (1)	mpc	4.2	1.0	-0.1		1.1	0.9	1.3		0.9	...
	CPI	apc	1.0	1.3	1.4		1.2	1.2	1.4		1.4	...
	Unemployment rate (1)	%	10.2	8.4	7.8		6.9	6.7	6.7		6.3	...
	Employment change (1)	000s	1726.0	1583.0	716.0		680.0	264.0	-227.0		49.0	...
	Retail sales value	apc	2.7	3.6	6.1		5.4	3.8	2.5		7.4	...
	House prices (2)	apc	4.2	5.4	6.7		8.0	9.1	...		...	...
<b>Japan</b> [6.1%]	PMI manufacturing (1)	index	53.7	55.6	55.7		58.8	57.7	60.5		58.7	...
	Consumer confidence (1)(3)	index	91.7	86.3	101.3		101.4	92.9	87.1		89.3	...
	GDP (1)	qpc				5.3				3.0		
	Industrial production (1)	mpc	8.7	1.0	3.9		4.0	-0.5	-1.0		...	...
	CPI	apc	0.3	0.1	0.0		-0.4	-0.9	-1.1		...	...
	Unemployment rate (1)	%	2.9	3.0	3.0		3.1	2.9	2.9		...	...
	Retail sales value	apc	-2.9	-1.9	-8.7		6.4	0.6	-0.2		...	...
<b>Euro area</b> [5.5%]	PMI manufacturing (1)	index	45.2	47.2	47.7		48.7	49.0	50.0		49.8	...
	Consumer confidence (1)(4)	index	29.5	29.3	32.8		33.3	33.6	31.8		30.0	...
	GDP (1)	qpc				12.4				-0.6		
	Industrial production (1)	mpc	5.1	0.8	-0.1		2.5	2.6	-1.6		...	...
	CPI	apc	0.4	-0.2	-0.3		-0.3	-0.3	-0.3		...	...
	Unemployment rate (1)	%	8.6	8.6	8.6		8.4	8.3	8.3		...	...
	Retail sales volume	apc	0.2	4.4	2.5		4.3	-2.2	0.6		...	...
<b>United Kingdom</b> [2.7%]	PMI manufacturing (1)	index	51.8	51.7	53.7		54.8	53.8	55.2		54.8	...
	Consumer confidence (5)	index	-14.9	-14.6	-13.6		-15.5	-17.6	-13.8		-15.5	...
	GDP (1)	qpc				16.1				1.0		
	Industrial production (1)	mpc	5.4	0.5	0.7		0.9	0.3	0.2		...	...
	CPI	apc	1.1	0.2	0.6		0.7	0.4	...		...	...
	Unemployment rate (1)	%	4.3	4.5	4.8		4.9	5.0	...		...	...
	Retail sales volume	apc	1.1	2.7	4.5		5.9	2.1	2.9		...	...
<b>Australia</b> [15.8%]	House prices (6)	apc	1.5	3.7	5.0		5.8	6.5	7.3		6.4	...
	PMI manufacturing (1)	index	53.3	55.2	54.1		53.7	55.6	57.5		54.1	...
	Consumer confidence (1)(5)	net %	-27.0	-27.0	-25.0		-31.0	-33.0	-26.0		-28.0	...
	GDP (1)	qpc				3.3				...		
	CPI	apc				0.7				0.9		
	Unemployment rate (1)	%	7.5	6.8	6.9		7.0	6.8	6.6		...	...
	Retail sales value	apc	12.8	5.4	6.6		7.7	12.1	10.3		...	...
<b>China</b> [24.3%]	House Prices (7)	apc				5.0				...		
	PMI manufacturing (1)	index	53.5	49.3	46.7		56.3	52.1	55.3		55.3	...
	Consumer confidence (8)	index	87.9	79.5	93.8		105.0	107.7	112.0		107.0	109.1
	GDP	apc				4.9				6.5		
	Industrial production	apc	4.8	5.6	6.9		6.9	7.0	7.3		...	...
<b>South Korea</b> [3.0%]	CPI	apc	2.7	2.4	1.7		0.5	-0.5	0.2		-0.3	...
	PMI manufacturing (1)	index	51.1	51.0	51.5		51.4	52.1	51.9		51.3	...
	GDP (1)	qpc				2.1				1.1		
<b>South Korea</b> [3.0%]	Industrial production (1)	mpc	1.9	-0.4	5.6		-1.2	0.3	3.7		...	...
	CPI	apc	0.3	0.7	1.0		0.1	0.6	0.5		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