

Wellbeing Budget 2021

Budget 2021 saw an additional \$3.8 billion in operating expenditure allocated per year, with benefit rates set to rise between 1 July 2021 and 1 April 2022 by between \$32 and \$55 per adult per week.

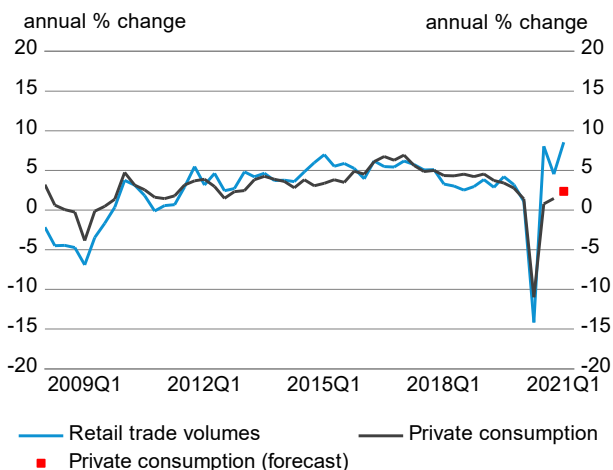
\$4.6 billion of funding from the COVID-19 Response and Recovery Fund (CRRF) was allocated for initiatives that support the response to, and recovery from, COVID-19, including a \$3.8 billion Housing Acceleration Fund. \$5.1 billion remains in the CRRF as a contingency to respond to further outbreaks, should they occur.

Despite some near-term weakness, the economy is expected to strengthen from the second half of this year as tourist numbers start to recover and government spending supports consumption and investment. In June 2025, real GDP is forecast to be 2.9% above the Half Year Update 2020, with cumulative nominal GDP around \$100 billion higher

Retail trade remains strong...

The retail trade survey showed that spending continued to hold up in the first quarter of 2021, despite reported supply chain issues. Sales volumes rose 2.5% in the quarter to be up 8.5% over the year (Figure 1), driven by growth in sales of durable goods. Spending has been supported by low interest rates, a strong housing market and a substitution towards domestic spending in the absence of international travel.

Figure 1: Retail trade and private consumption



Sources: Stats NZ, The Treasury

Retail sales volumes are a strong indicator of real private consumption and this result presents upside risk for our BEFU 2021 forecast of a 2.4% annual increase in real private consumption.

...along with manufacturing and services

The BNZ-BusinessNZ Performance of Manufacturing Index (PMI) fell 5.2 points in April but remains firmly in expansionary territory at 58.4 (Figure 2), with production and new orders continuing to be the main drivers of expansion. The Performance of Services Index (PSI) reached its highest level since the survey began, rising 8.3 points to 61.2, although supplier deliveries continue to lag, falling 10.6 points to remain in contractionary territory at 46.8. The GDP-weighted combined index rose 6.3 points to 60.6.

The annual trade surplus continues to decline

The annual trade surplus fell to \$733 million in April as the disruption to imports in April 2020 fell out of the comparison. The seasonally adjusted monthly trade deficit narrowed to \$175 million in April 2021 as import values fell by more than export values. While congestion at New Zealand ports appears to be being resolved, issues with global trade persist and the accelerating economic recoveries in the United States and Europe will likely keep pressure on supply chains for the remainder of the year.

Fonterra sets pay-out range for coming season

Fonterra narrowed its forecast farmgate milk price range for the current season to \$7.45 to \$7.65/kg and set their forecast for the next season at a record \$7.25 to \$8.75/kg, citing continued global demand and muted global growth in milk supply.

The RBNZ maintains current monetary stimulus

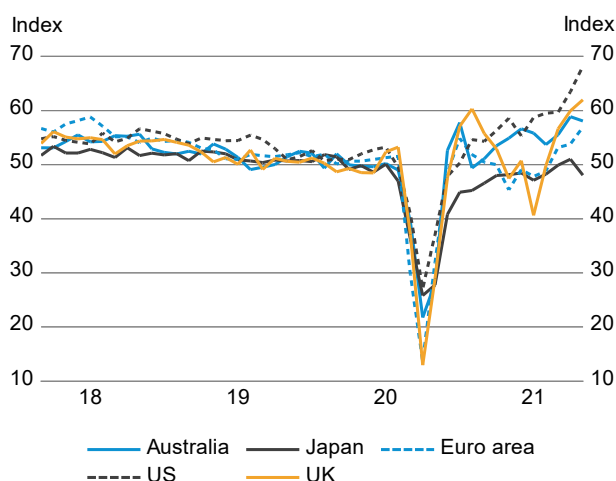
The Reserve Bank (RBNZ) has kept the Official Cash Rate (OCR) at 0.25 percent and left the Large Scale Asset Purchase and Funding for Lending programmes unchanged. The RBNZ said that they would maintain the current stimulatory monetary settings until they are confident that consumer price inflation will be sustained near the 2 percent per annum target midpoint and that employment is at its maximum sustainable level.

Vaccines drive advanced-economy recovery...

Purchasing Managers Indices (PMI) show an accelerating global recovery in May, with vaccinations driving strong performances in the US, UK and euro area (Figure 2). Indices for the UK and euro area, which were weak earlier in the year as COVID-19 outbreaks brought renewed restrictions, reached near-record levels in May as vaccinations allowed economies to reopen. The 9.2% rise in UK retail sales in April also reflected the economic boost from easing restrictions.

In the US, where half of the population have received at least one vaccine dose, the services business activity index has risen ten points since March. Official guidance now states that vaccinated people can meet indoors without wearing a mask, and the Biden administration plans to have 70% of adults fully vaccinated by 4 July.

Figure 2: Composite output PMI



Source: Haver

Australia's PMI reading remained strong in May, though a slight dip from the previous month suggests that growth may be stabilising. In Japan, the PMI index dropped back into contractionary territory in May as another wave of COVID-19 spread in the country. Ten prefectures containing around 40% of the country's population will be under a state of emergency until at least 31 May.

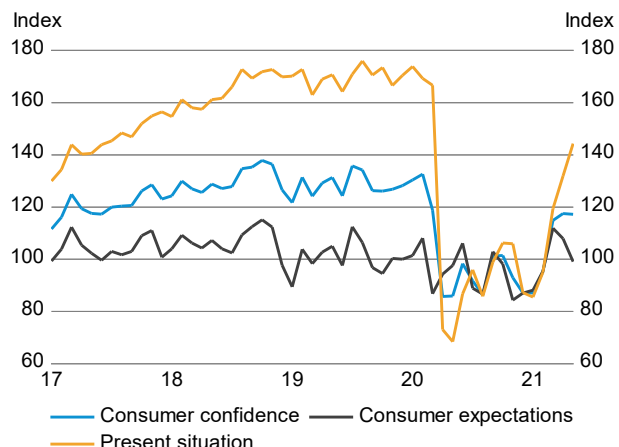
...as central banks soothe inflation fears

Price indicators in the PMI showed significant upward pressure on both input and output prices, intensifying concerns that inflation could lead to an early tightening in monetary policy. These concerns were partly allayed by officials from the US Federal Reserve and the Bank of England, who reiterated the view that current inflationary pressure will prove to be largely transitory.

US consumer confidence levels off...

Consumer confidence in the US eased slightly in May, with the overall index remaining 5 to 10 points below pre-pandemic levels (Figure 3). This was the result of a continued rise in the present situation index as restrictions in the country ease, and a fall in consumer expectations back toward trend.

Figure 3: US consumer confidence

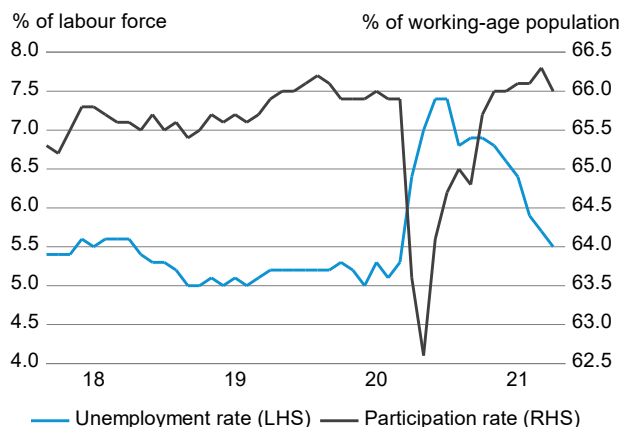


Source: Haver

...as Australia unemployment falls

Australia's unemployment rate fell by 0.2 percentage points in April, reaching 5.5% (Figure 4). This was despite a 0.2% fall in employment and a 0.7% fall in hours worked, and was driven by a fall in the participation rate. The survey period coincided with the end of the JobKeeper programme on 28 March, which may have contributed to the fall in employment.

Figure 4: Australia labour market statistics

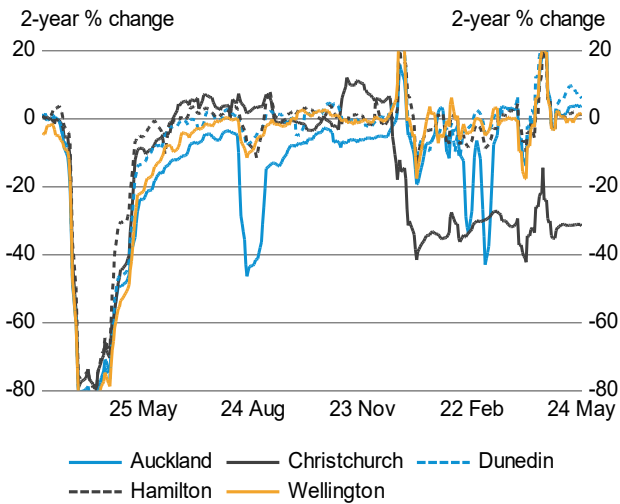


Source: Haver

Date	Key upcoming NZ data	Previous
31 May	ANZ Business Outlook	7.0 (net %)
1 June	Residential building consents	+9.1% (aapc)
2 June	Terms of trade	+1.3% (qpc)
4 June	Building work put in place	-1.5% (qpc)

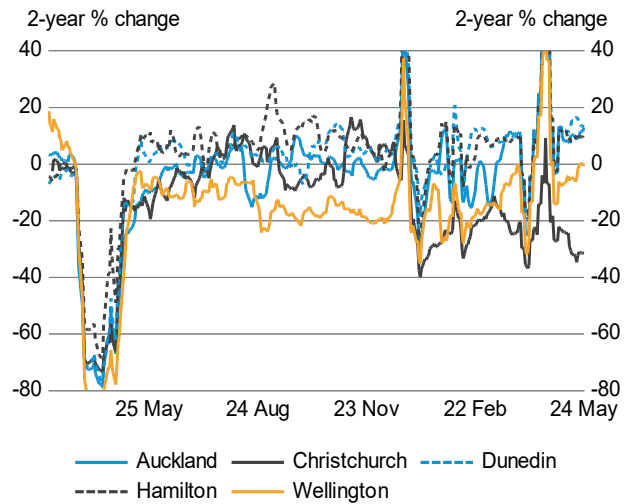
High-Frequency Indicators (Domestic)

Traffic Movement



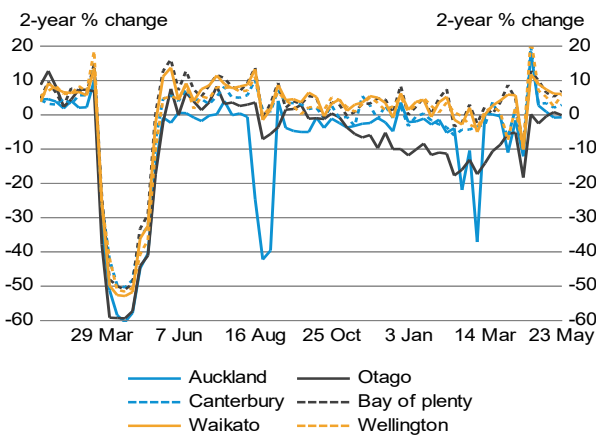
Source: Waka Kotahi NZ Transport Agency

Freight Movement



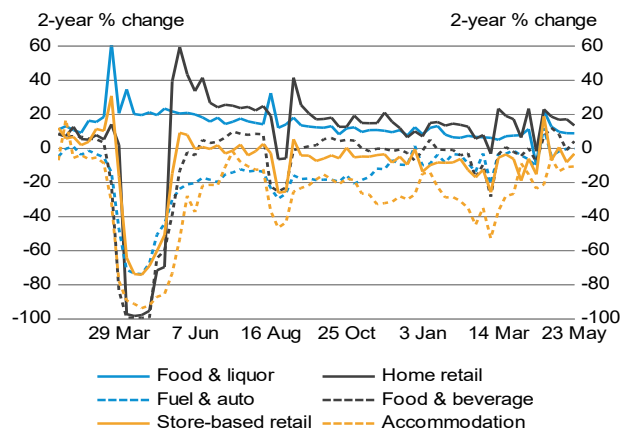
Source: Waka Kotahi NZ Transport Agency

Spending by Region



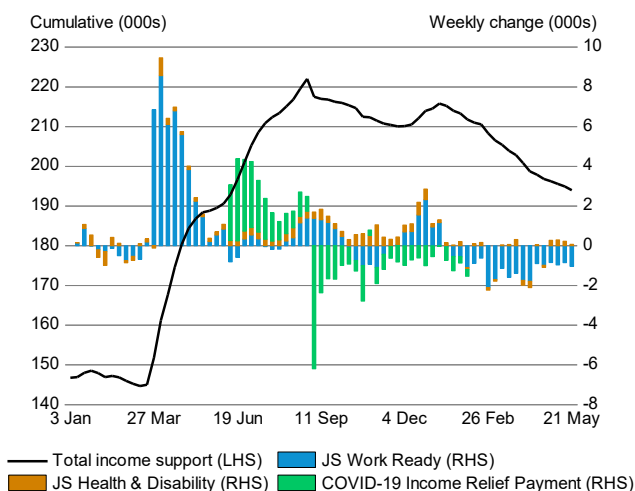
Source: Marketview data via MBIE

Spending by Industry



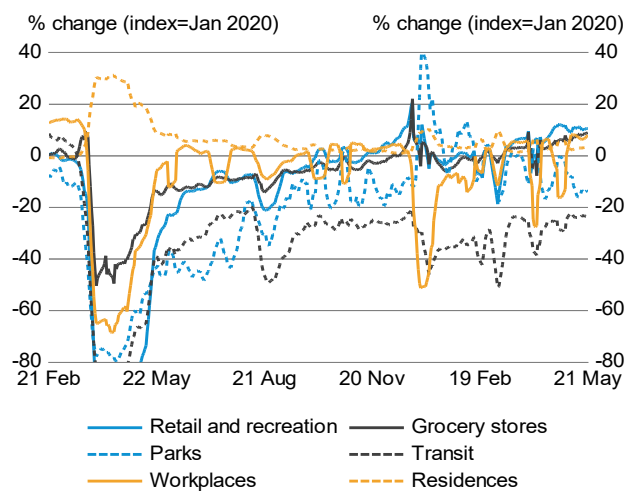
Source: Marketview data via MBIE

Jobseeker (JS) and Income Support Recipients



Source: MSD

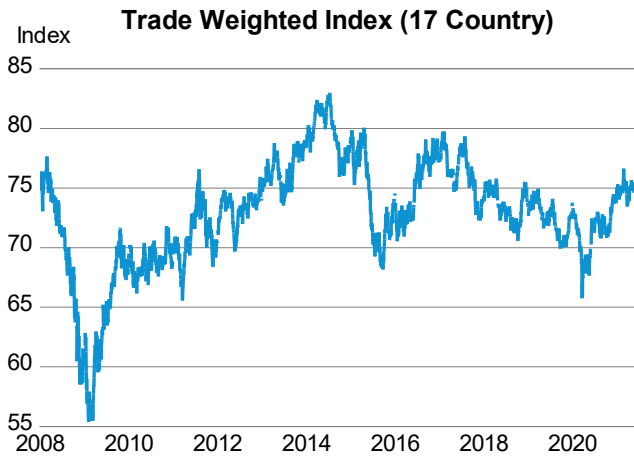
People Movements at Selected Locations



Source: Google

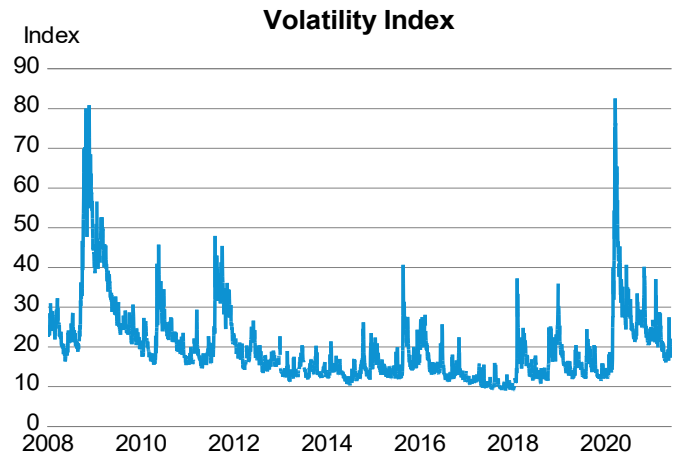
High-Frequency Indicators (Global)

Trade Weighted Index



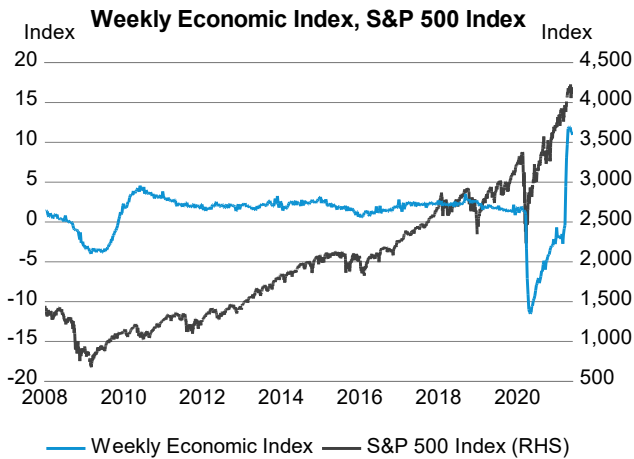
Source: RBNZ

Volatility Index



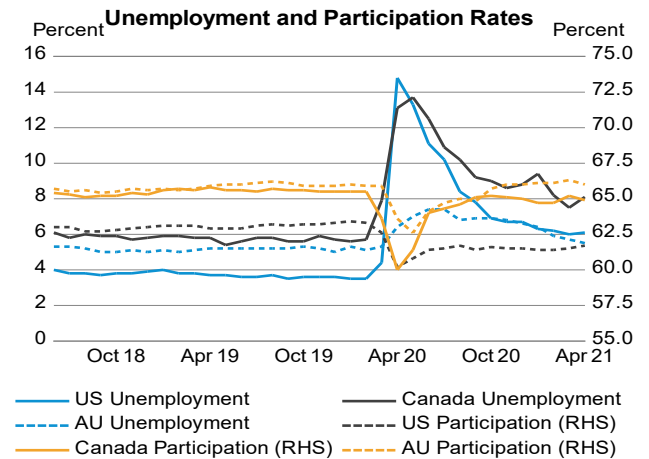
Source: Haver

US Activity and Equities



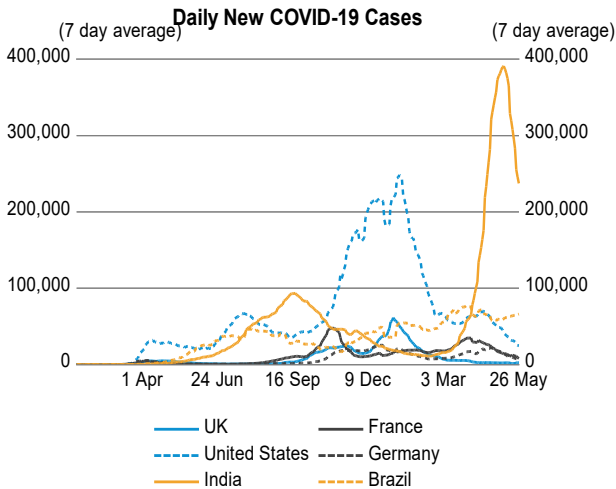
Sources: Federal Reserve Bank of New York, Haver

Labour Markets



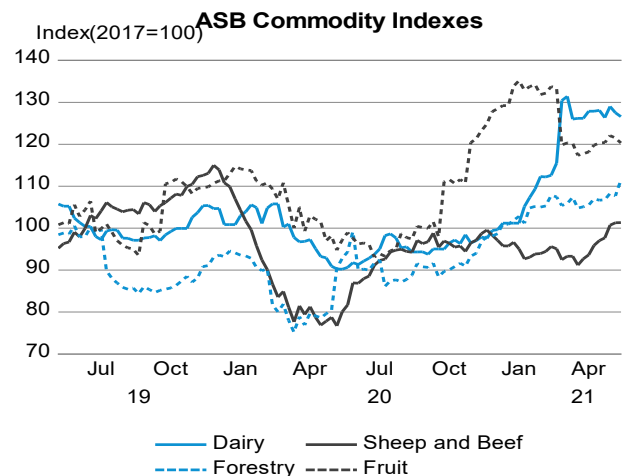
Source: Haver

COVID-19 Cases



Sources: World Health Organisation/Haver

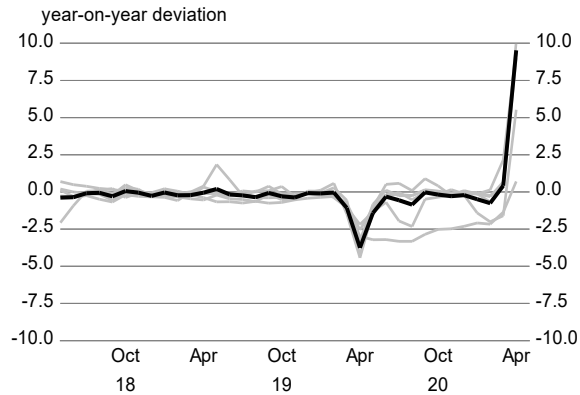
World Commodity Prices



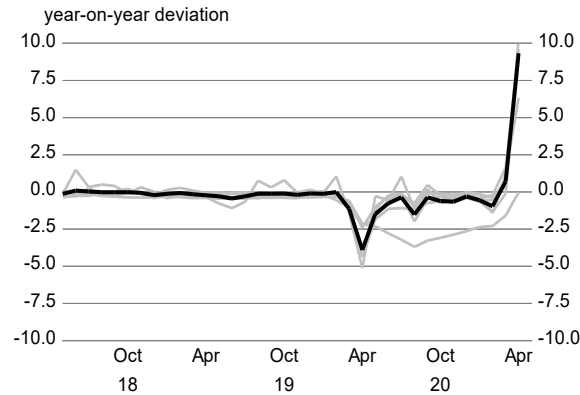
Source: ASB

Regional Activity Indicators

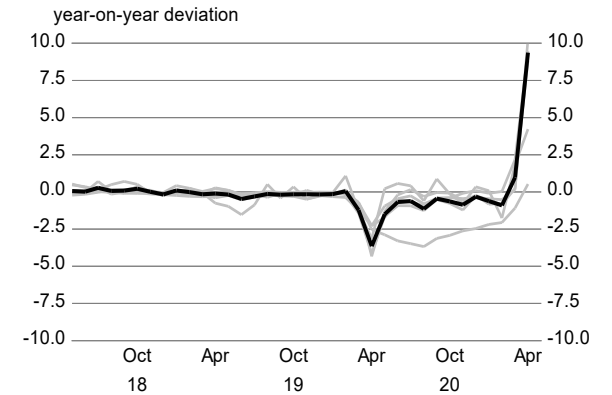
Northland



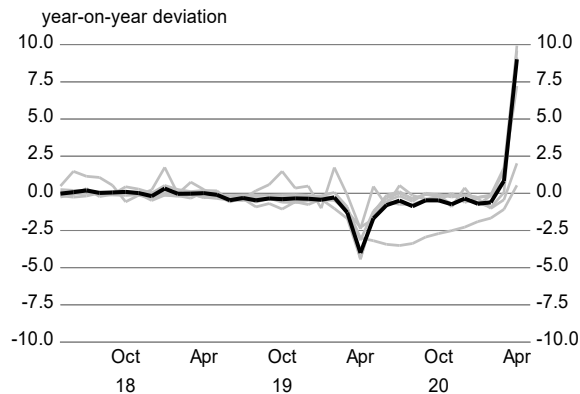
Auckland



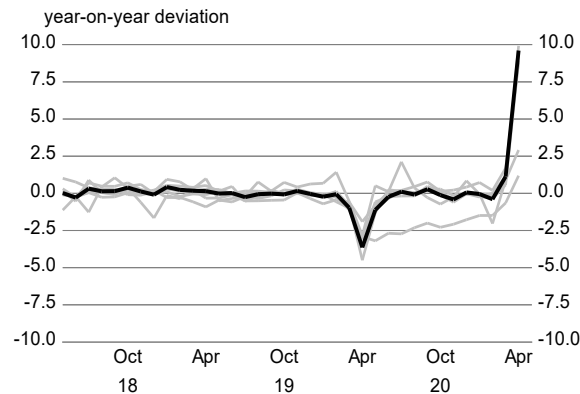
Waikato



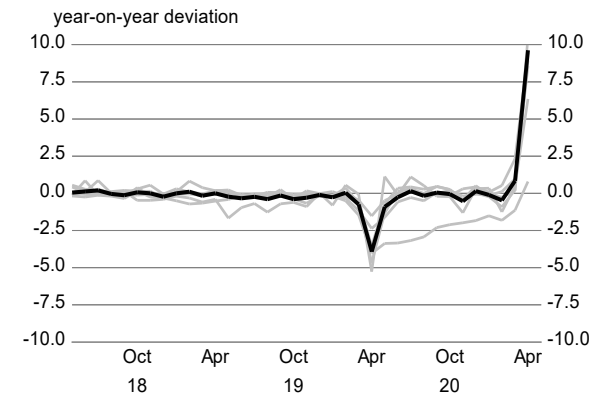
Bay of Plenty



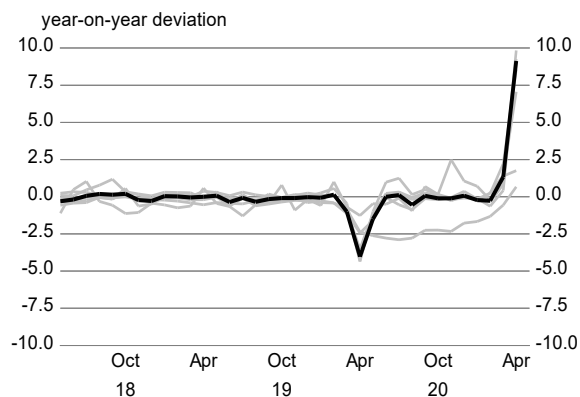
Gisborne



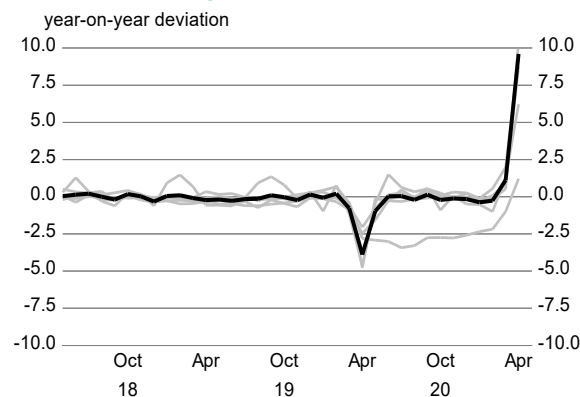
Hawke's Bay



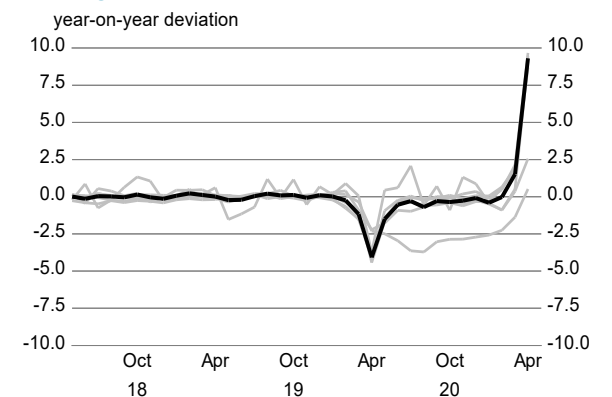
Taranaki



Manawatu-Whanganui



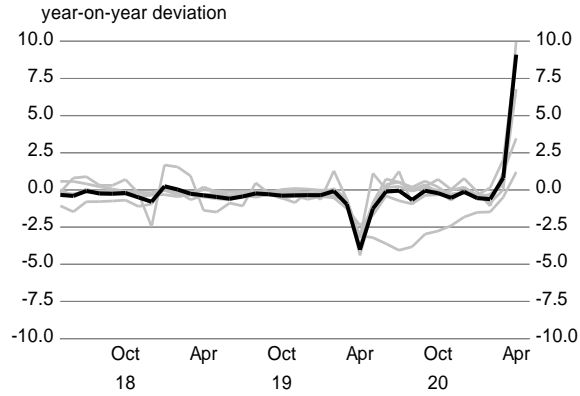
Wellington



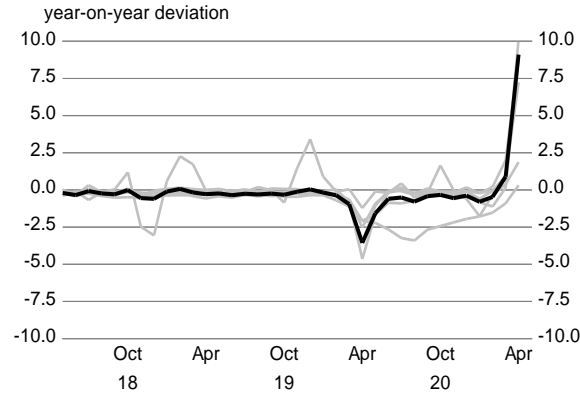
All component indicators (displayed in light grey) have been standardised in the same way as the RAI itself (ie, to have mean = 0 and standard deviation = 1). This allows for all the series to be presented on the same scale – making the co-movements of interest more readily apparent. These standardised inputs can be viewed and downloaded alongside the RAIs on the [Stats NZ COVID-19 data portal](#).

Regional Activity Indicators

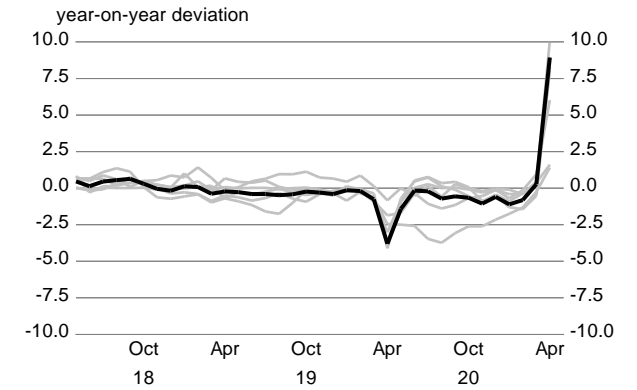
Tasman/Nelson/Marlborough



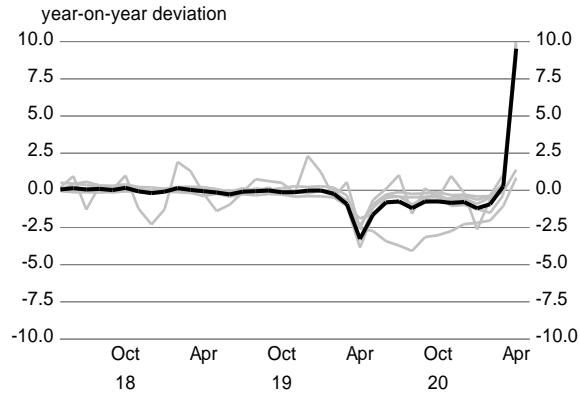
Canterbury



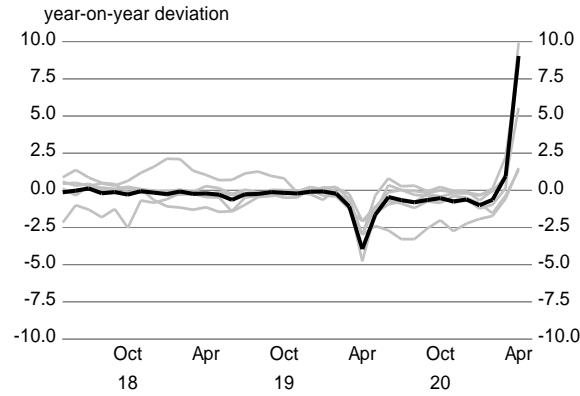
West Coast



Otago



Southland



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Quarterly Indicators		2019Q4	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1
Real Production GDP (1)	qpc	0.1	-1.2	-11.0	13.9	-1.0	...
	aapc	2.4	1.7	-1.7	-2.3	-2.9	...
Current account balance (annual)	%GDP	-3.3	-2.8	-1.8	-0.8	-0.8	...
Merchandise terms of trade	apc	7.1	5.4	6.3	-0.3	-1.7	...
CPI inflation	qpc	0.5	0.8	-0.5	0.7	0.5	0.8
	apc	1.9	2.5	1.5	1.4	1.4	1.5
Employment (HLFS) (1)	qpc	0.3	1.0	-0.2	-0.7	0.6	0.5
Unemployment rate (1)	%	4.1	4.3	4.0	5.2	4.9	4.7
Participation rate (1)	%	70.4	70.7	69.9	70.2	70.2	70.4
LCI salary & wage rates - total (2)	apc	2.6	2.5	2.1	1.8	1.6	1.6
QES average hourly earnings - total (2)	apc	3.4	4.4	3.5	4.1	3.9	2.6
Core retail sales volume	apc	3.3	4.0	-11.7	7.6	4.2	5.5
Total retail sales volume	apc	3.3	2.3	-14.2	8.1	4.6	6.8
WMM - consumer confidence (3)	Index	109.9	104.2	97.2	95.1	106.0	105.2
QSBO - general business situation (1,4)	net%	-30.4	-68.4	-57.4	-37.7	-15.7	-10.7
QSBO - own activity outlook (1,4)	net%	2.5	-12.2	-23.5	-0.5	9.1	7.8
Monthly Indicators		Dec 20	Jan 21	Feb 21	Mar 21	Apr 21	May 21
Merchandise trade balance (12 month)	NZ\$m	2,982	2,731	2,383	1,696	733	...
Dwelling consents - residential	apc	26.9	18.0	-4.7	44.7	...	...
House sales - dwellings	apc	46.3	6.9	19.8	35.3	419.7	...
REINZ - house price index	apc	17.8	18.9	21.3	23.8	26.8	...
Estimated net migration (12 month total)	people	41,176	30,306	15,992	6,561	...	...
ANZ NZ commodity price index	apc	-5.9	-1.6	0.1	4.0	6.9	...
ANZ world commodity price index	apc	-0.4	5.2	11.0	20.2	24.3	...
ANZBO - business confidence	net%	9.4	...	7.0	-4.1	-2.0	7.0
ANZBO - activity outlook	net%	21.7	...	21.3	16.6	22.2	32.3
ANZ-Roy Morgan - consumer confidence	net%	112.0	113.8	113.1	110.8	115.4	...
Weekly Benefit Numbers		16 Apr	23 Apr	30 Apr	7 May	14 May	21 May
Jobseeker Support	number	197,901	196,806	196,236	195,561	194,937	193,980
Work Ready	number	119,859	118,878	118,029	117,060	116,205	115,173
Health Condition and Disability	number	78,042	77,931	78,207	78,501	78,732	78,807
COVID-19 Income Relief Payment	number	...	...	...	...	...	...
Full-time	number	...	...	...	...	...	...
Part-time	number	...	...	...	...	...	...
Daily Indicators		Wed	Thu	Fri	Mon	Tue	Wed
		19/5/21	20/5/21	21/5/21	24/5/21	25/5/21	26/5/21
NZ exchange and interest rates (5)							
NZD/USD	\$	0.7235	0.7175	0.7187	0.7170	0.7215	0.7257
NZD/AUD	\$	0.9296	0.9271	0.9261	0.9283	0.9306	0.9348
Trade weighted index (TWI)	index	75.2	74.7	74.7	74.6	74.9	75.3
Official cash rate (OCR)	%	0.25	0.25	0.25	0.25	0.25	0.25
90 day bank bill rate	%	0.34	0.33	0.32	0.32	0.33	0.34
10 year govt bond rate	%	1.89	1.88	1.87	1.82	1.78	1.76
Share markets (6)							
Dow Jones	index	33,896	34,084	34,208	34,394	34,312	34,323
S&P 500	index	4,116	4,159	4,156	4,197	4,188	4,196
VIX volatility index	index	22.2	20.7	20.2	18.4	18.8	17.4
AU all ords	index	7,166	7,253	7,265	7,276	7,349	7,332
NZX 50	index	12,282	12,437	12,460	12,449	12,341	12,347
US interest rates							
3 month OIS	%	0.06	0.06	0.06	0.06	0.06	...
3 month Libor	%	0.15	0.15	0.15	0.14	0.14	...
10 year govt bond rate	%	1.68	1.63	1.63	1.61	1.56	1.58
Commodity prices (6)							
WTI oil	US\$/barrel	63.36	62.05	63.61	66.13	66.27	...
Gold	US\$/ounce	1,888	1,878.30	1,875.90	1,880.15	1,887.00	...
CRB Futures	index	541	541.14	540.63	538.64	537.12	...

(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		Oct 20	Nov 20	Dec 20	2020Q4	Jan 21	Feb 21	Mar 21	2021Q1	Apr 21	May 21
United States [9.6% share of total goods exports]	GDP (1)	qpc				1.1				1.6		
	Industrial production (1)	mpc	1.1	0.9	1.1		0.9	-3.5	2.4		0.7	...
	CPI	apc	1.2	1.2	1.4		1.4	1.7	2.6		4.2	...
	Unemployment rate (1)	%	6.9	6.7	6.7		6.3	6.2	6.0		6.1	...
	Employment change (1)	000s	680.0	264.0	-306.0		233.0	536.0	770.0		266.0	...
	Retail sales value	apc	5.6	3.8	2.3		9.4	6.5	29.0		51.2	...
	House prices (2)	apc	8.1	9.2	10.1		11.1	12.0	13.3		...	...
PMI manufacturing (1)	index	58.8	57.7	60.5		58.7	60.8	64.7		60.7	...	
Consumer confidence (1)(3)	index	101.4	92.9	87.1		87.1	95.2	114.9		117.5	117.2	
Japan [6.1%]	GDP (1)	qpc				2.8				-1.3		
	Industrial production (1)	mpc	2.1	0.7	-0.2		3.1	-1.3	1.7		...	...
	CPI	apc	-0.4	-0.9	-1.1		-0.6	-0.4	-0.2		-0.4	...
	Unemployment rate (1)	%	3.1	3.0	3.0		2.9	2.9	2.6		...	...
	Retail sales value	apc	6.4	0.6	5.0		2.7	3.7	5.2		...	...
	PMI manufacturing (1)	index	48.7	49.0	50.0		49.8	51.4	52.7		53.6	52.5
	Consumer confidence (1)(4)	index	33.3	33.6	31.8		30.0	33.7	36.1		34.8	...
Euro area [5.5%]	GDP (1)	qpc				-0.7				-0.6		
	Industrial production (1)	mpc	2.5	2.2	-0.1		0.9	-1.2	0.1		...	...
	CPI	apc	-0.3	-0.3	-0.3		0.9	0.9	1.3		1.6	...
	Unemployment rate (1)	%	8.5	8.3	8.2		8.2	8.2	8.1		...	...
	Retail sales volume	apc	4.6	-1.4	1.3		-4.8	-1.5	12.0		...	...
	PMI manufacturing (1)	index	54.8	53.8	55.2		54.8	57.9	62.5		62.9	...
	Consumer confidence (5)	index	-15.5	-17.6	-13.8		-15.5	-14.8	-10.8		-8.1	-5.1
United Kingdom [2.7%]	GDP (1)	qpc				1.3				-1.5		
	Industrial production (1)	mpc	0.7	0.8	0.0		-1.9	1.1	1.7		...	...
	CPI	apc	0.7	0.4	...		...	...	...		...	...
	Unemployment rate (1)	%	4.9	5.0	5.1		5.0	4.9	4.8		...	...
	Retail sales volume	apc	6.1	2.2	3.1		-5.7	-3.6	7.1		42.4	...
	House prices (6)	apc	5.8	6.5	7.3		6.4	6.9	5.7		7.1	...
	PMI manufacturing (1)	index	53.7	55.6	57.5		54.1	55.1	58.9		60.9	...
Consumer confidence (1)(5)	net %	-31.0	-33.0	-26.0		-28.0	-23.0	-16.0		-15.0	-9.0	
Australia [15.8%]	GDP (1)	qpc				3.1				...		
	CPI	apc				0.9				1.1		
	Unemployment rate (1)	%	6.9	6.8	6.6		6.4	5.9	5.7		5.5	...
	Retail sales value	apc	7.7	12.1	10.3		10.3	5.2	3.9		...	...
	House Prices (7)	apc				4.3					...	...
	PMI manufacturing (1)	index	56.3	52.1	55.3		55.3	58.8	59.9		61.7	...
	Consumer confidence (8)	index	105.0	107.7	112.0		107.0	109.1	111.8		118.8	113.1
China [24.3%]	GDP	apc				6.5				18.3		
	Industrial production	apc	6.9	7.0	7.3		35.1	35.1	14.1		9.8	...
	CPI	apc	0.5	-0.5	0.2		-0.3	-0.2	0.4		0.9	...
PMI manufacturing (1)	index	51.4	52.1	51.9		51.3	50.6	51.9		51.1	...	
South Korea [3.0%]	GDP (1)	qpc				1.2				1.6		
	Industrial production (1)	mpc	-0.5	0.5	2.7		-1.2	4.4	-0.8		...	...
	CPI	apc	0.1	0.6	0.5		0.6	1.1	1.5		2.3	...

(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