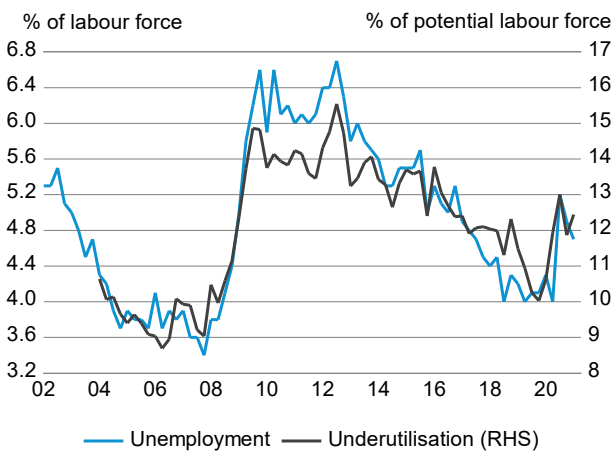


Unemployment continues to fall...

The headline unemployment rate fell to 4.7% in the March quarter, down from 4.9% in the December quarter (Figure 1). This represented a fall in the number of unemployed people of around 5,000 people, with the number of unemployed people now sitting at 135,000 which is around 20,000 more than pre-COVID levels.

Figure 1: Unemployment and Underutilisation rates



Source: Stats NZ

...with growth in part-time employment

Employment continued to increase in the March quarter, with an additional 15,000 people employed in the quarter, up 0.6%. This increase was driven by an increase in part-time employment (up 19,000 or 3.6%). The underutilisation rate increased to 12.2% suggesting that there is spare capacity in the labour market, which will limit wage pressure.

Wages held steady...

Average ordinary time hourly earnings were flat in the March quarter, to be up 2.6% over the year. The quality adjusted Labour Cost Index (which is a purer measure of underlying wage inflation) recorded annual wage inflation of 1.6%.

...although hours worked and paid declined...

The number of hours worked reported in the HLFSS fell 2.3% in the March quarter, broadly consistent with the 1.0% fall in hours paid recorded in the Quarterly Employment Survey. Both surveys recorded strong increases in hours worked/paid in the previous two quarters, following the large fall in the June 2020 quarter. The fall in hours worked

and paid could imply weakness in GDP for the March quarter.

Building consents reach record high levels

Total dwelling consents issued in March rose 17.9% from February, with standalone housing consents rising 7.8% and volatile multi-unit dwelling consents bouncing back by 35.0%, after falling 40.7% in February. A total of 41,028 building consents were issued in the year to March 2021, a record high for the number of annual new dwelling consents, exceeding the previous record of just over 40,000 in 1974. Adjusting for population growth, there were 8.1 new dwelling consents issued per 1000 residents in the year ended March 2021, still below the highs of over 10 consents per 1000 residents recorded in the 1970s.

Whole milk prices hold up at latest auction...

Butter prices fell 12.1% on small volumes at this week's *GlobalDairyTrade* auction, resulting in the overall index falling 0.7%. However, the all-important whole milk and skim milk powder prices were up 0.7% and 2.0% respectively, providing a positive outlook for farm incomes.

...as other commodity prices continued to rise

The ANZ Commodity Price Index rose 2.3% in April, extending its record high. The lift was driven by stronger prices for beef, lamb, logs and aluminium. In New Zealand Dollar terms, the index rose 2.2%.

Consumer confidence improves...

The ANZ-Roy Morgan Consumer Confidence Index rose 4 points to 115 in the month of April and is now just below its historical average of 120.

...and pricing expectations reach a record high

Headline business confidence rose 9 points and own activity was up 10 points in the preliminary May release of the ANZ Business Outlook Survey. Export, investment and employment intentions all rose, as did capacity utilisation and profit expectations. Pricing and cost expectations continued to increase, reaching record highs, with a net 58% of firms intending to increase prices

Global demand growth outstripping supply...

Data releases across the world continue to show a rapid demand recovery, and with supply unable to keep up, resulting in upward price pressures. In the United States (US) the Institute for Supply Management (ISM) manufacturing Purchasing Managers Index (PMI) for April unexpectedly fell by 4 points (pts) to 60.7 with both new orders and employment on the soft side. The prices paid index rose to more than a decade-high, with order backlogs at their highest level in more than 40 years, widespread shortages of basic materials, and difficulties in transporting products.

In the euro area, the final reading for the April manufacturing PMI was revised down slightly, although it remains at a record high of 62.9. Prices charged by manufacturers in the region are increasing at a record pace owing to demand running ahead of supply, but it remains uncertain to what extent these price increases will be passed on to consumers.

...as US GDP rises strongly...

US GDP expanded by a further 1.6% in the March quarter compared to the previous quarter, taking output just 0.9% below pre-pandemic levels (Figure 2). Personal consumption rose by a strong 2.6%, fuelled by fiscal stimulus to households, with durable goods purchases rising by 9.1%.

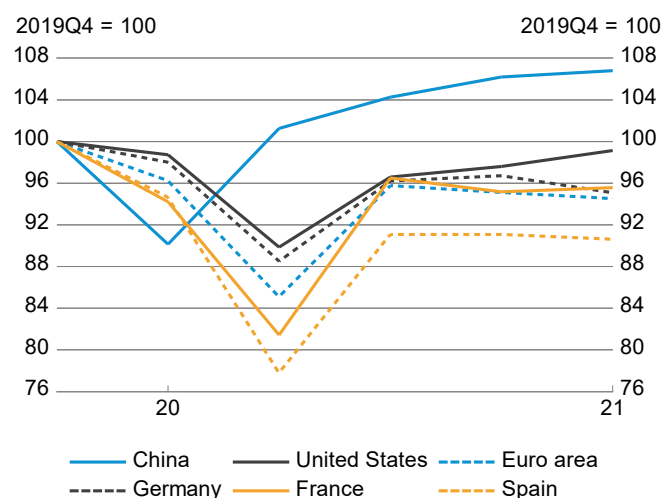
In an interview on Tuesday, Treasury Secretary Yellen acknowledged that interest rates may have to increase somewhat in order to prevent the economy from overheating, in contrast to previous comments that fiscal stimulus will not lead to permanently higher inflation. Yellen later clarified her comments, stressing that she does not think there will be an inflation problem.

...and euro area in another recession

Output in the euro area declined for the second consecutive quarter, putting it into another technical recession, and leaving GDP still 5% below pre-pandemic levels (Figure 2). Real GDP fell by 0.6% in the March quarter following the 0.7% decline in the December quarter. Germany saw a big decline of 1.7%, but some positives elsewhere meant that the overall euro area decline was smaller than expected. The quarter was affected by the tightening of restrictions to slow the spread of COVID-19. The June quarter should show growth, with restrictions being eased, the vaccination programme gathering pace, and a substantial

amount of pent-up household savings. As of 4 May, around 25% of the European Union's population had received a first vaccine dose, up from 13% a month ago.

Figure 2: GDP in selected countries



Source: Haver

RBA keeps policy settings unchanged

The Reserve Bank of Australia (RBA) left its policy settings unchanged, with the targets for the cash rate, the Term Funding Facility and the yield on the 3-year Australian Government bond remaining at 0.1%. The Term Funding Facility, which expires at the end of June, will not be extended given that financial markets are operating well.

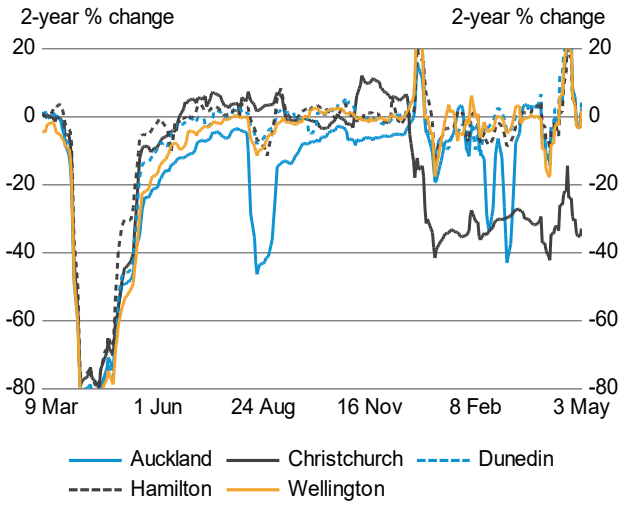
The RBA noted that the recovery in Australia has been stronger than expected. The Bank's central scenario for annual real GDP growth in 2021 was revised up to 4¾% (up from 3½% in February), while the forecast for 2022 is unchanged at 3.½%. The unemployment rate is forecast to decline from 5.6% currently to 5.0% by the end of this year and around 4.5% by the end of 2022.

Despite the strong economic recovery, inflation pressures remain subdued and the Bank does not expect conditions for a rate hike to be met until 2024 at the earliest. At its July meeting, the RBA Board will consider the future of the bond purchasing programme, with the completion of the second \$100 billion of purchases due to end in September.

Date	Key upcoming NZ data	Previous
11 May	Electronic card transactions	+0.9%
13 May	Food Price Index	-0.4%
13 May	Rental Price Index	+0.4%
	REINZ House Price Index	+24.0%

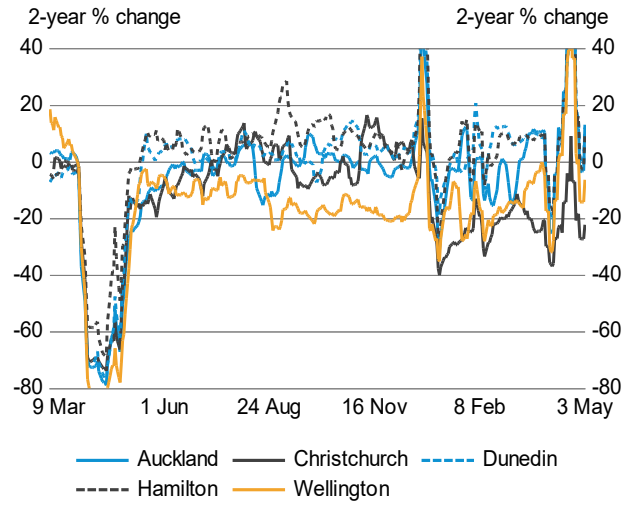
High-Frequency Indicators (Domestic)

Traffic Movement



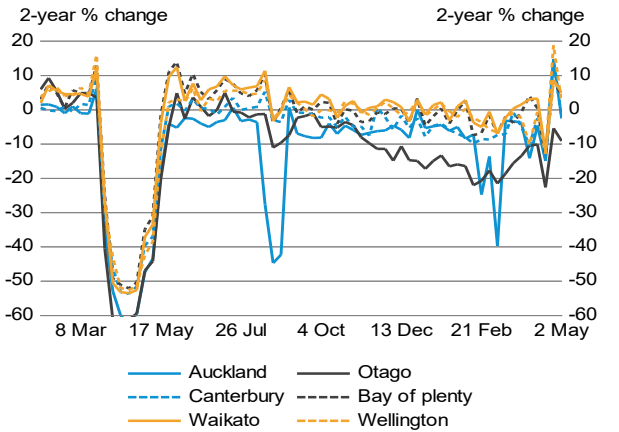
Source: Waka Kotahi NZ Transport Agency

Freight Movement



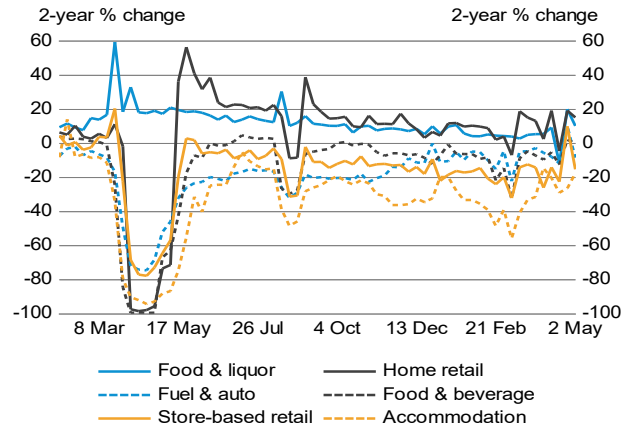
Source: Waka Kotahi NZ Transport Agency

Spending by Region



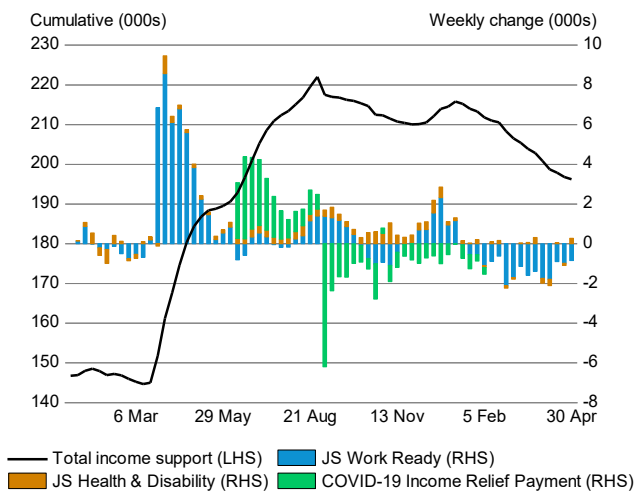
Source: Marketview data via MBIE

Spending by Industry



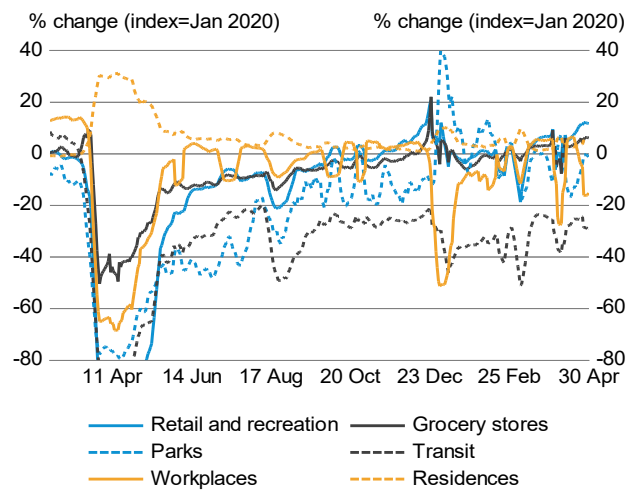
Source: Marketview data via MBIE

Jobseeker (JS) and Income Support Recipients



Source: MSD

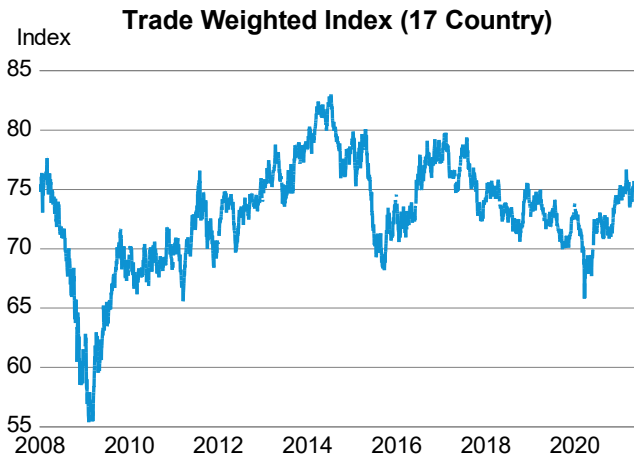
People Movements at Selected Locations



Source: Google

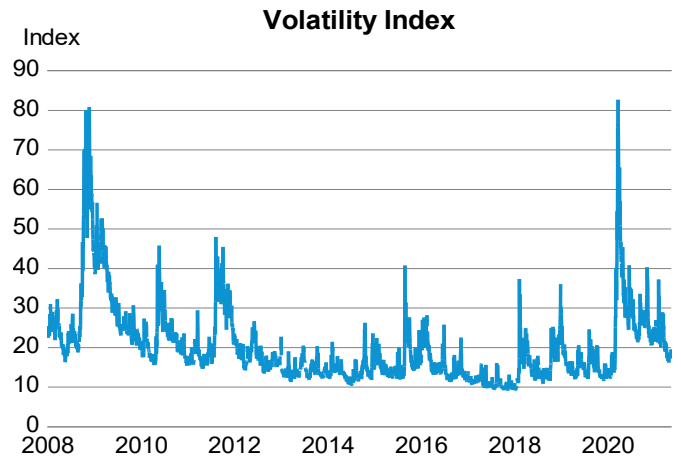
High-Frequency Indicators (Global)

Trade Weighted Index



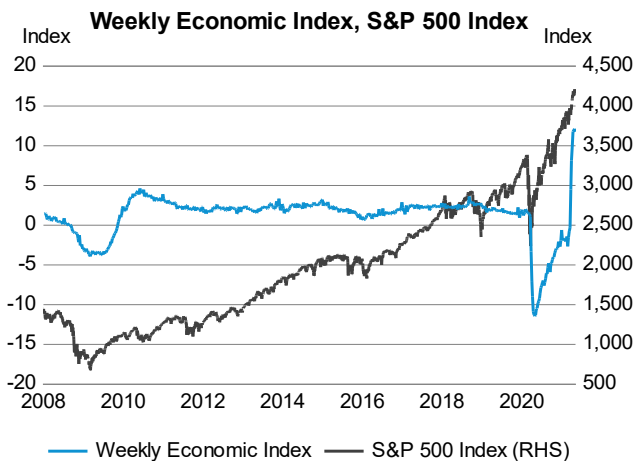
Source: RBNZ

Volatility Index



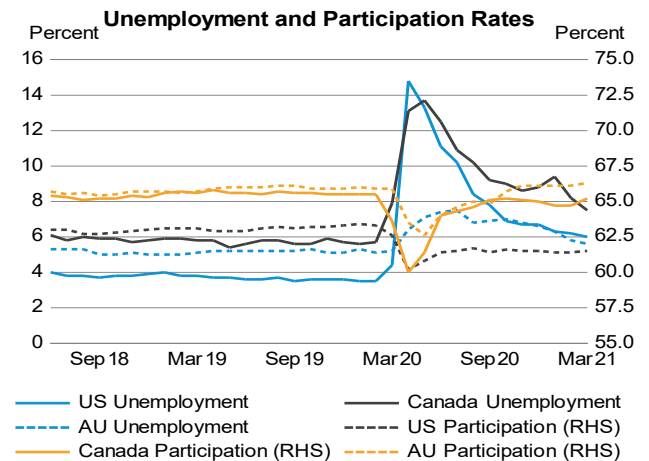
Source: Haver

US Activity and Equities



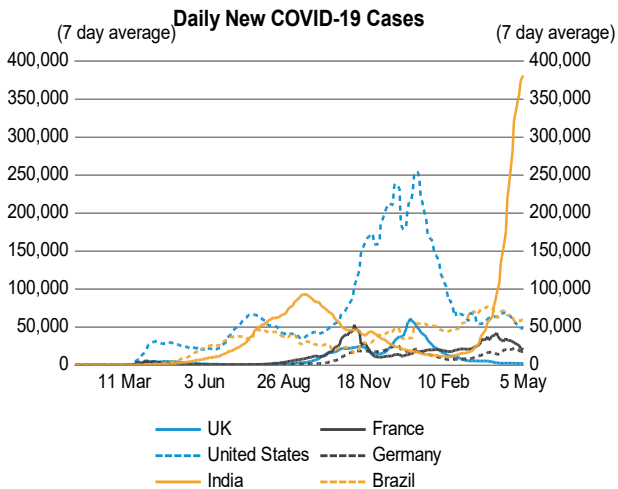
Sources: Federal Reserve Bank of New York, Haver

Labour Markets



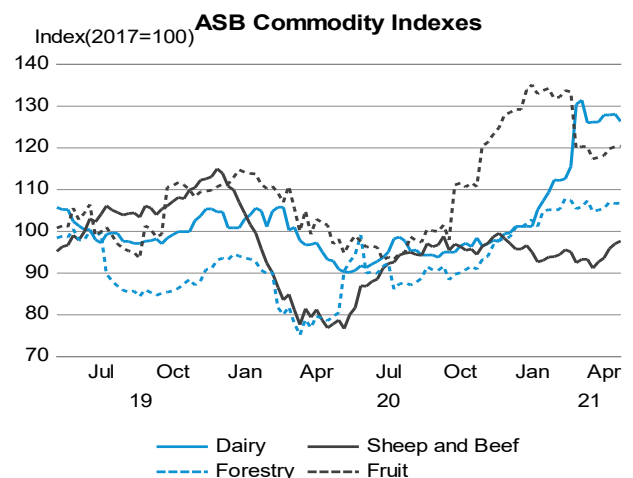
Source: Haver

COVID-19 Cases



Sources: World Health Organisation/Haver

World Commodity Prices



Source: ASB

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	7.7	4.2	...
Total retail sales volume	apc	3.3	2.3	-14.2	8.3	4.8	...
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		Nov 20	Dec 20	Jan 21	Feb 21	Mar 21	Apr 21
Merchandise trade balance (12 month)	NZ\$m	3,287	2,982	2,731	2,382	1,688	...
Dwelling consents - residential	apc	19.9	26.9	18.0	-4.7	44.7	...
House sales - dwellings	apc	34.0	46.3	6.9	19.0	31.2	...
REINZ - house price index	apc	16.0	17.8	18.9	21.4	24.0	...
Estimated net migration (12 month total)	people	50,464	42,211	31,628	17,428	...	...
ANZ NZ commodity price index	apc	-10.9	-5.9	-1.6	0.1	4.0	6.9
ANZ world commodity price index	apc	-5.5	-0.4	5.2	11.0	20.2	24.3
ANZBO - business confidence	net%	-6.9	9.4	...	7.0	-4.1	-2.0
ANZBO - activity outlook	net%	9.1	21.7	...	21.3	16.6	22.2
ANZ-Roy Morgan - consumer confidence	net%	106.9	112.0	113.8	113.1	110.8	115.4

Weekly Benefit Numbers		26 Mar	2 Apr	9 Apr	16 Apr	23 Apr	30 Apr
Jobseeker Support	number	202,848	200,865	198,750	197,901	196,806	196,236
Work Ready	number	124,290	122,550	120,762	119,859	118,878	118,029
Health Condition and Disability	number	78,558	78,309	77,988	78,042	77,931	78,207
COVID-19 Income Relief Payment	number	...	...	...	...	...	...
Full-time	number	...	...	...	...	...	...
Part-time	number	...	...	...	...	...	...

Daily Indicators		Wed 28/4/21	Thu 29/4/21	Fri 30/4/21	Mon 3/5/21	Tue 4/5/21	Wed 5/5/21
NZ exchange and interest rates (5)							
NZD/USD	\$	0.7197	0.7281	0.7248	0.7173	0.7184	0.7171
NZD/AUD	\$	0.9302	0.9317	0.9319	0.9288	0.9279	0.9271
Trade weighted index (TWI)	index	75.2	75.7	75.5	75.0	75.0	74.9
Official cash rate (OCR)	%	0.25	0.25	0.25	0.25	0.25	0.25
90 day bank bill rate	%	0.35	0.35	0.36	0.36	0.36	0.36
10 year govt bond rate	%	1.63	1.61	1.62	1.65	1.68	1.69
Share markets (6)							
Dow Jones	index	33,820	34,060	33,875	34,113	34,133	34,230
S&P 500	index	4,183	4,211	4,181	4,193	4,165	4,168
VIX volatility index	index	17.3	17.6	18.6	18.3	19.5	19.2
AU all ords	index	7,320	7,346	7,291	7,287	7,324	7,344
NZX 50	index	12,646	12,715	12,731	12,769	12,912	12,848
US interest rates							
3 month OIS	%	0.07	0.06	0.05	0.06	0.06	...
3 month Libor	%	0.19	0.18	0.18	...	0.18	...
10 year govt bond rate	%	1.63	1.65	1.65	1.63	1.61	1.59
Commodity prices (6)							
WTI oil	US\$/barrel	63.86	65.01	63.50	64.46	65.72	65.63
Gold	US\$/ounce	1,772	1,762.65	1,767.65	...	1,797.75	1,782.25
CRB Futures	index	534	532.36	532.09	533.12	534.98	...

(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		2020Q3	Oct 20	Nov 20	Dec 20	2020Q4	Jan 21	Feb 21	Mar 21	2021Q1	Apr 21
United States [9.6% share of total goods exports]	GDP (1)	qpc	7.5				1.1				1.6	
	Industrial production (1)	mpc		1.1	0.9	1.0		0.9	-2.6	1.4		...
	CPI	apc		1.2	1.2	1.4		1.4	1.7	2.6		...
	Unemployment rate (1)	%		6.9	6.7	6.7		6.3	6.2	6.0		...
	Employment change (1)	000s		680.0	264.0	-306.0		233.0	468.0	916.0		...
	Retail sales value	apc		5.6	3.8	2.3		9.4	6.5	27.9		...
	House prices (2)	apc		8.1	9.2	10.1		11.1	11.9	...		...
Japan [6.1%]	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		88.9	90.4	109.0		121.7
	GDP (1)	qpc	5.3				2.8				...	
	Industrial production (1)	mpc		2.1	0.7	-0.2		3.1	-1.3	2.2		...
Euro area [5.5%]	CPI	apc		-0.4	-0.9	-1.1		-0.6	-0.4	-0.2		...
	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
	Consumer confidence (1)(4)	index		33.3	33.6	31.8		30.0	33.7	36.1		34.8
	GDP (1)	qpc	12.5				-0.7					-0.6
United Kingdom [2.7%]	Industrial production (1)	mpc		2.5	2.2	-0.1		0.8	-1.0	...		...
	CPI	apc		-0.3	-0.3	-0.3		0.9	0.9	1.3		...
	Unemployment rate (1)	%		8.5	8.3	8.2		8.2	8.2	8.1		...
	Retail sales volume	apc		4.5	-1.6	1.2		-5.2	-2.9	...		...
	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
	GDP (1)	qpc	16.9				1.3					...
Australia [15.8%]	Industrial production (1)	mpc		0.7	0.8	0.0		-1.8	1.0	...		...
	CPI	apc		0.7	0.4	...		...	...	...		...
	Unemployment rate (1)	%		4.9	5.0	5.1		5.0	4.9	...		...
	Retail sales value	apc		6.1	2.2	3.1		-5.9	-3.6	7.1		...
	House Prices (7)	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
China [24.3%]	GDP (1)	qpc	3.4				3.1					...
	CPI	apc	0.7				0.9					1.1
	Unemployment rate (1)	%		7.0	6.8	6.6		6.3	5.8	5.6		...
	Retail sales value	apc		7.7	12.1	10.3		10.3	5.2	...		...
	House Prices (7)	apc	5.0				4.3					...
South Korea [3.0%]	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
	GDP	apc	4.9				6.5					18.3
South Korea [3.0%]	Industrial production	apc		6.9	7.0	7.3		35.1	35.1	14.1		...
	CPI	apc		0.5	-0.5	0.2		-0.3	-0.2	0.4		...
	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	2.1				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