

Quarantine-free travel with Australia paused

Quarantine-free travel with Australia was paused for Australian travellers for at least eight weeks from midnight Friday, 23 July, as the Delta variant continues to spread in some states. New Zealanders returning from Australian states and territories, except NSW, could return on green flights until 30 July.

The monthly trade balance returns to surplus

The seasonally adjusted monthly trade balance returned to surplus in June as export values recorded their strongest June month on record, by a margin of almost \$1 billion. Import values have now made a full recovery, reaching a record high in the June quarter of \$16.6 billion (Figure 1).

Figure 1: Goods trade values (3-month sum s.a.)



Source: Stats NZ

Record high values for goods exports in both the June month and the June quarter were supported by high prices and strong dairy prices. The rise in world commodity prices is yet to completely feed through, suggesting growth in export values will continue.

While supply chain congestion is causing difficulty for many exporters, our main export products are showing a high degree of resilience. On a seasonally adjusted quarterly basis, total goods exports rose by nearly 10%, with dairy and logs recording increases in both quantities and prices. Quantities of meat and fruit exports fell in the quarter, though both showed a strong recovery in the June month.

Regional activity indicators continue upward trend...

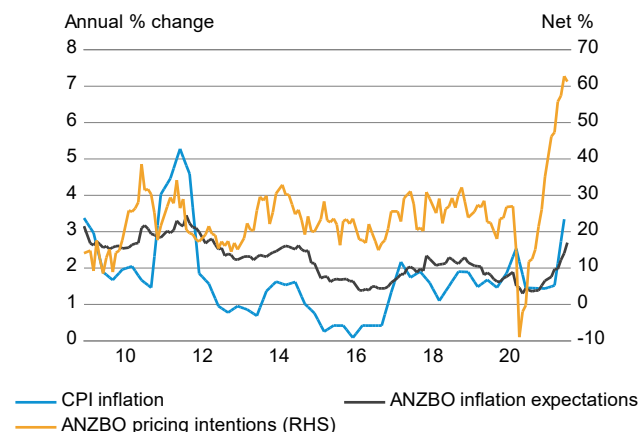
The June update of the Regional Activity Indices (RAIs) showed that annual activity growth is up in all regions, with most activity indicators up on the same time last year (see page 4 and 5).

Labour market indicators have witnessed particularly strong growth in recent months, with sharp falls in jobseeker numbers and extremely high growth in the number of online job ads. The number of job ads is now well above pre-COVID levels in all regions.

...and confidence eases as inflation builds

Activity indicators eased slightly but remain at robust levels in July according to the ANZ Business Outlook (ANZBO). Headline business confidence eased 3 points to -3.8% and own activity fell 6 points to +26.3% expecting conditions to improve.

Figure 2: Inflation, expectations and pricing intentions



Source: Stats NZ, ANZ

Inflation pressures continued to rise. Cost expectations were up 2 points to a net 88.2% and a net 61.3% of respondents intend to raise their prices. Inflation expectations rose to 2.7%, the highest since 2012 (Figure 2), and a late-month sample indicated that inflation expectations continued to lift to 3.3%.

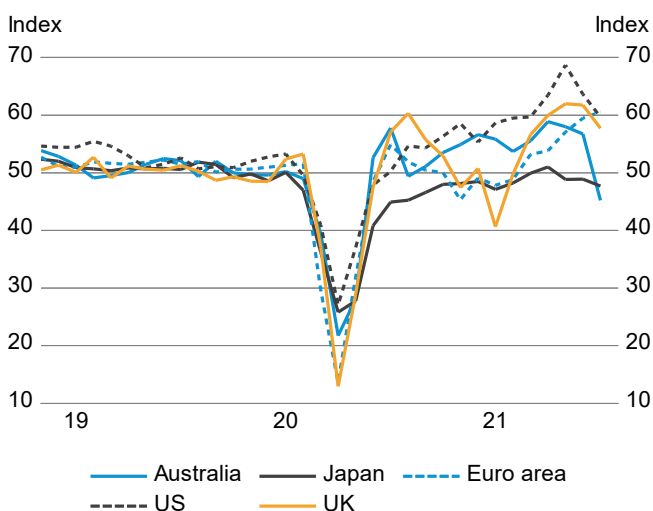
Change of frequency of online publication

The Weekly Economic Update (WEU) will no longer be published on the Treasury website every week on Fridays going forward. We are reinstating the Monthly Economic Indicators (MEI) publication, which means the WEUs for each month will be released alongside the MEI.

Global PMIs mixed...

Purchasing managers' indices (PMIs) for July painted a mixed picture of the pace of recovery in advanced economies (Figure 3). The composite PMI for the euro area reached a more than 20-year high, driven by the services index, boding well for the strength of the recovery in the September quarter. In contrast, the composite PMI in Australia fell into contractionary territory, reaching a 14-month low due to renewed restrictions on activity following COVID-19 outbreaks in several states. The United Kingdom (UK) index also fell, though remains relatively high. For the United States (US), a fall in the services component more than offset a rise in manufacturing. Ongoing supply chain disruption, rising price pressures and difficulty in finding labour were key themes across the PMIs.

Figure 3: PMIs in selected advanced economies



Source: Haver

...amidst ongoing inflation pressures...

Australia's consumer price index (CPI) increased by slightly more than expected in the June quarter, with quarterly and annual increases of 0.8% and 3.8%, respectively. Base effects were behind much of the increase, with government policies causing price declines during this time last year. Annual core inflation (as reflected by the trimmed mean measure) increased from 1.1% to 1.6%.

In Canada, annual CPI inflation fell to 3.1% in July from a decade-high 3.6% in June, while the core rate came in lower than expected at 2.2%.

Meanwhile, house price inflation in the US set another record in May, with the S&P CoreLogic Case-Shiller Home Price Index increasing by 16.6% in annual terms. More recent data suggest

that a slowing in the housing market has already begun, with high prices dampening demand.

...as monetary stimulus maintained...

The European Central Bank (ECB) maintained its stimulatory stance at its recent six-weekly policy review meeting and revised its forward guidance on interest rates. Policy interest rates are expected to remain at their current levels or lower until inflation forecasts rise 'durably' above its target of 2%. The monetary policy statement further noted that there might be 'a transitory period in which inflation is moderately above target'.

The US Federal Reserve Bank (Fed) also left all its policy instruments unchanged at its July meeting. The Fed acknowledged that progress has been made towards meeting its price stability and full employment goals and reiterated that the rise in inflation has mostly been due to transitory factors. At the press conference following the meeting, Fed Chair Powell said that further substantial progress is needed on the jobs front and that 'the Fed is nowhere near considering raising rates'.

...while confidence is mixed

In the US, the Conference Board's Consumer Confidence Survey rose for a sixth month in a row in July to close to pre-pandemic levels. Respondents viewed jobs as being plentiful, while concerns about the spread of the Delta variant of COVID-19 were not evident in the data.

Meanwhile, Germany's IFO Business Climate Index fell for the first time in six months in July, with supply chain disruption, skilled labour shortages, and rising COVID-19 infections weighing on sentiment.

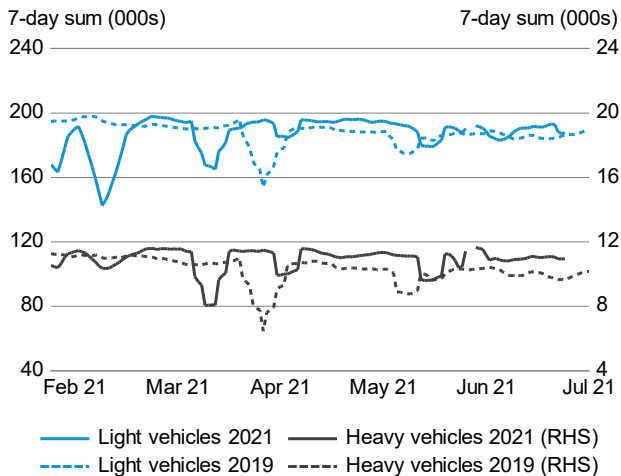
South Korea's GDP expands

South Korea's GDP grew by 0.7% in the June quarter, in line with expectations and underpinned by private and government consumption growth. Base effects propelled the year-on-year rate to 5.9%, the quickest growth in a decade. Economic growth is expected to slow in the September quarter owing to increased restrictions put in place to contain the country's worst outbreak of COVID-19 in July.

Date	Key upcoming NZ data	Previous
4 August	Labour market statistics	4.7% unemployment
4 August	GlobalDairyTrade auction	-2.9%

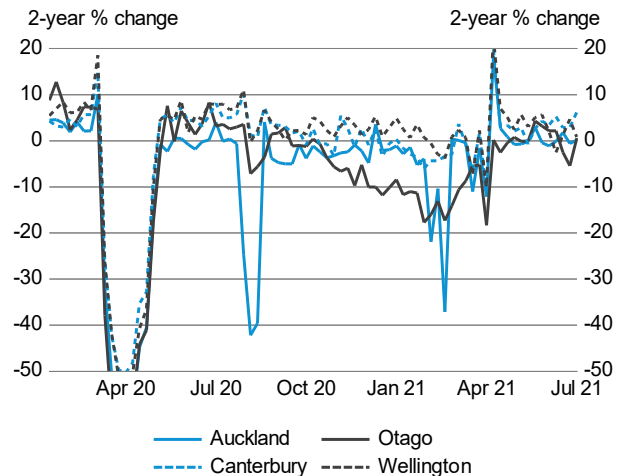
High-Frequency Indicators

Traffic and Freight Movement



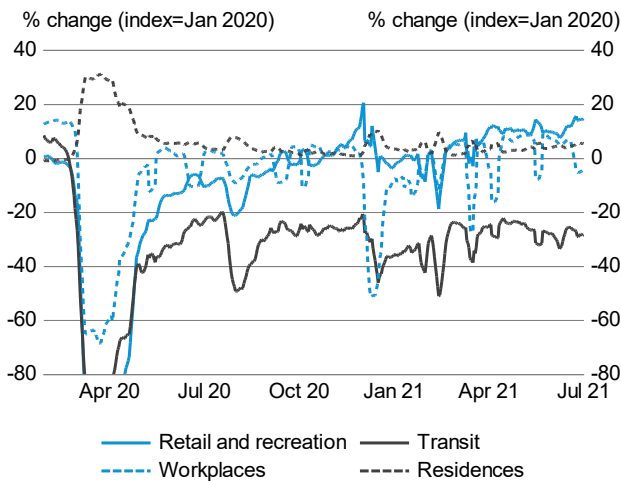
Source: Waka Kotahi NZ Transport Agency

Card Spending



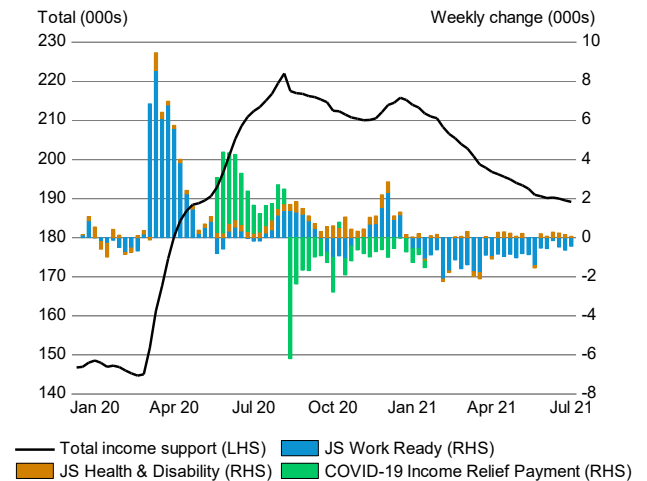
Source: Marketview data via MBIE

People Movements at Selected Locations



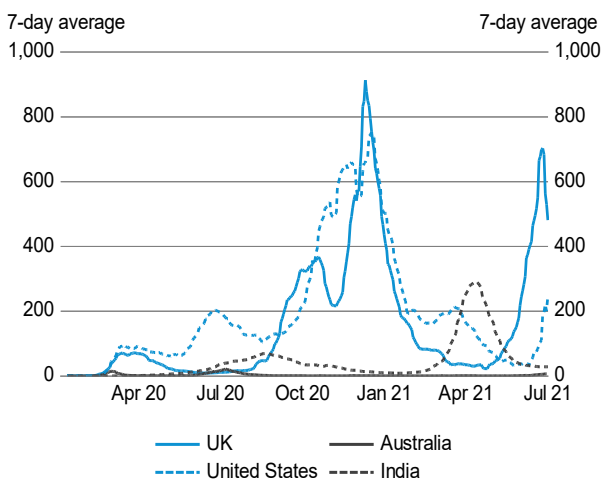
Source: Google

Jobseeker (JS) and Income Support Recipients



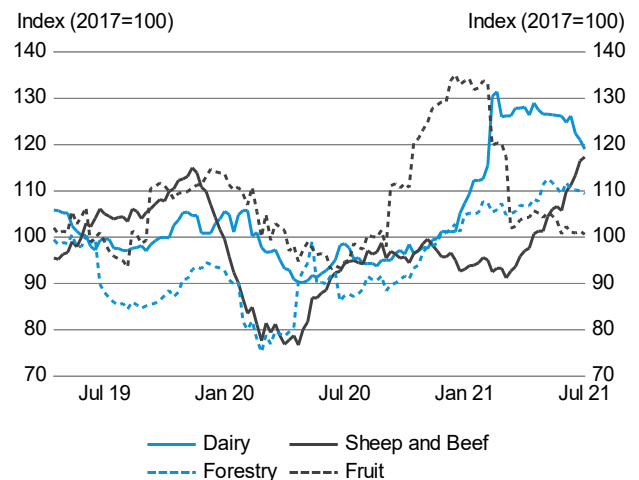
Source: MSD

COVID-19 Cases Per Million People



Source: World Health Organisation/Haver

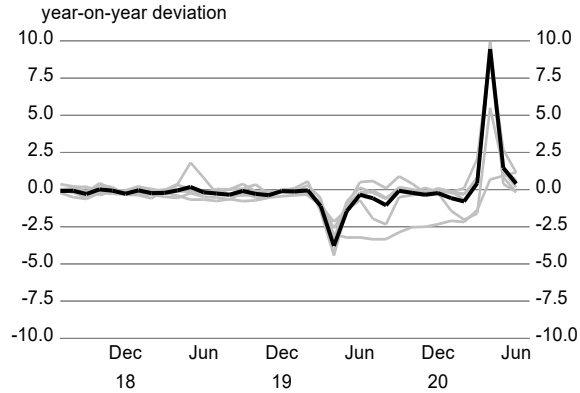
World Commodity Prices



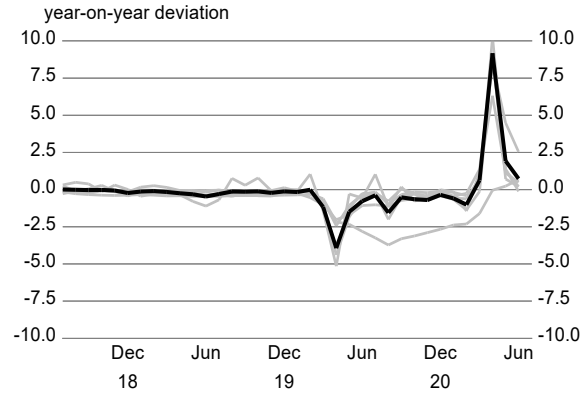
Source: ASB

Regional Activity Indicators

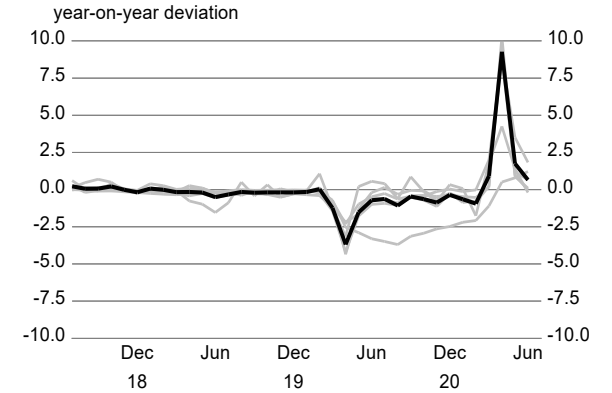
Northland



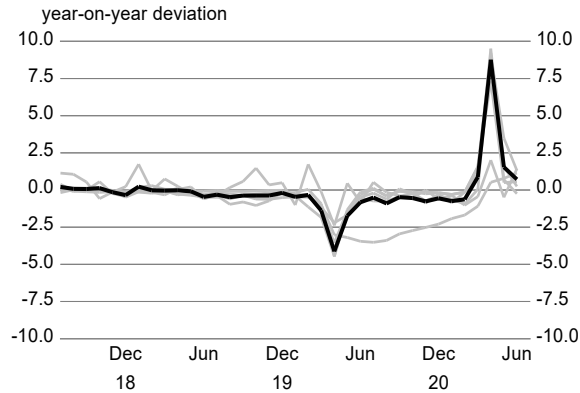
Auckland



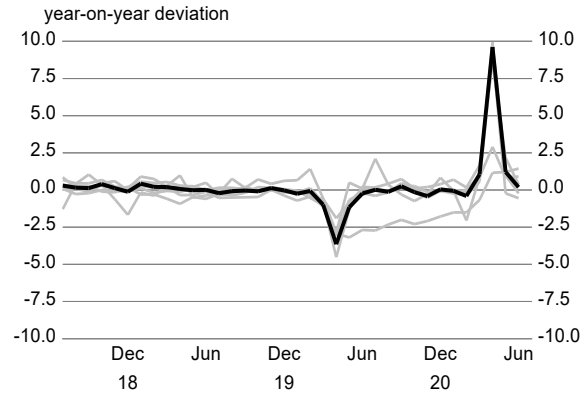
Waikato



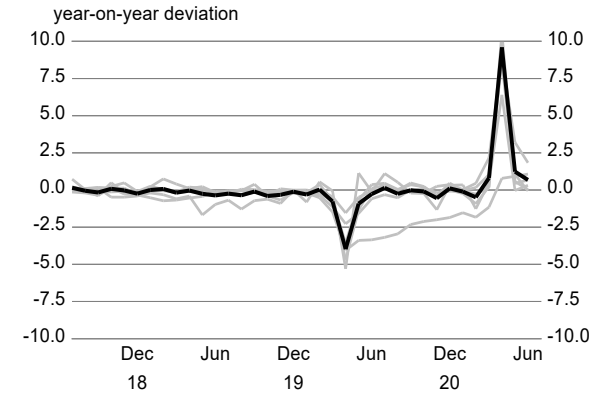
Bay of Plenty



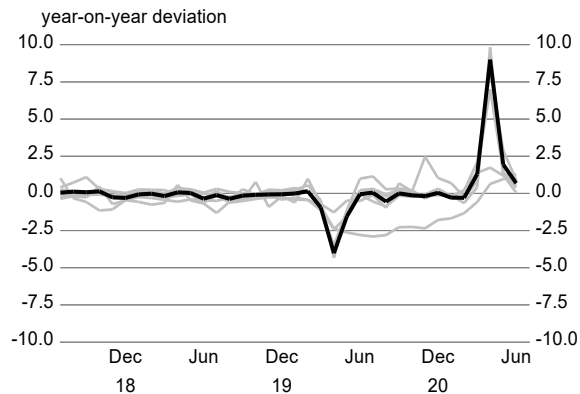
Gisborne



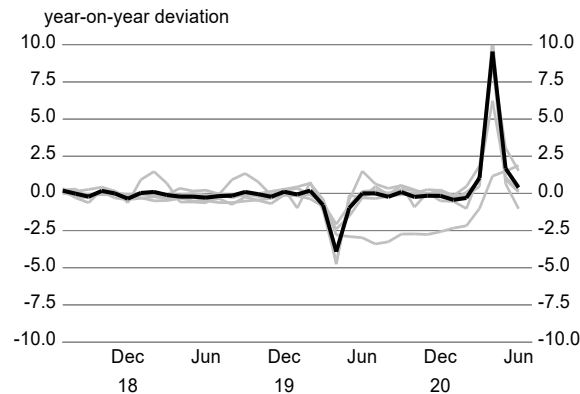
Hawke's Bay



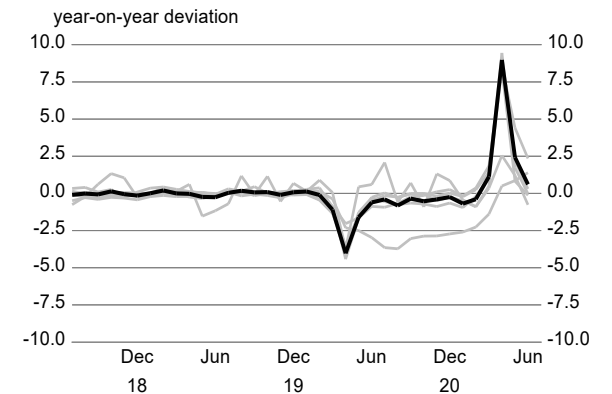
Taranaki



Manawatu-Whanganui



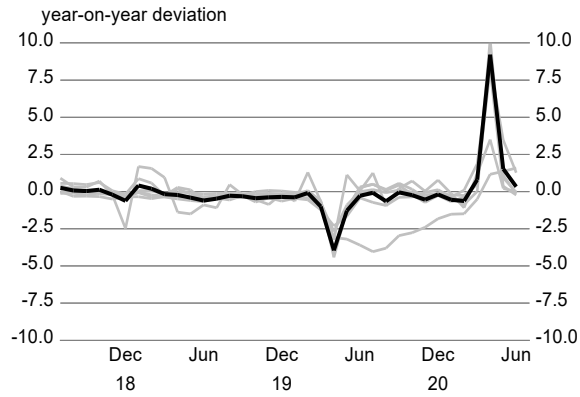
Wellington



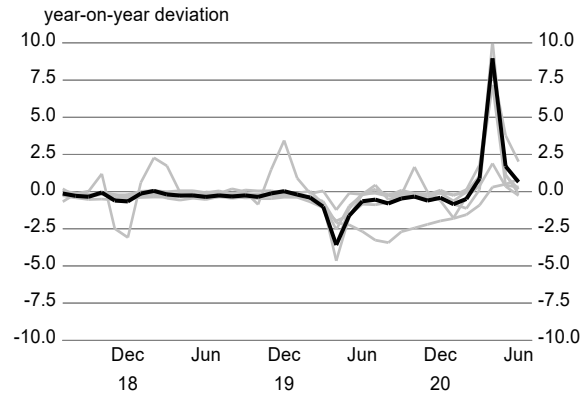
All component indicators (displayed in light grey) have been standardised in the same way as the RAI itself (ie, to have mean = 0 and standard deviation = 1). This allows for all the series to be presented on the same scale – making the co-movements of interest more readily apparent. These standardised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

Regional Activity Indicators

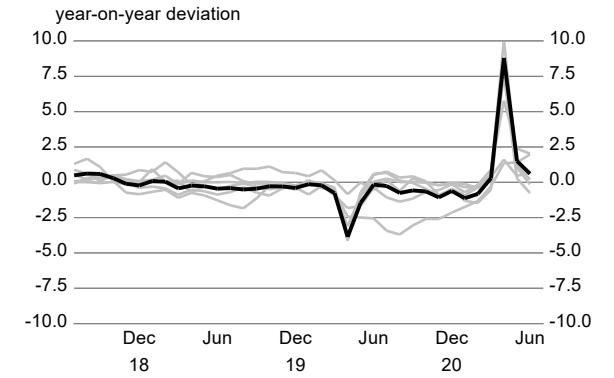
Tasman/Nelson/Marlborough



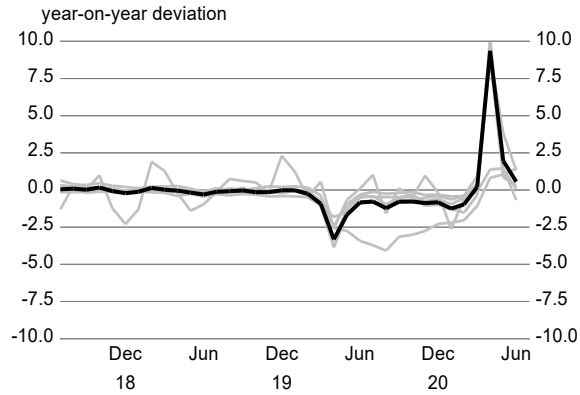
Canterbury



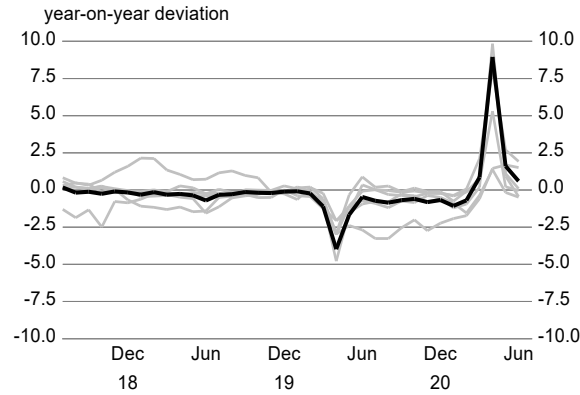
West Coast



Otago



Southland



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Quarterly Indicators		2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2
Real Production GDP (1)	qpc	-1.5	-10.8	14.1	-1.0	1.6	...
	aapc	1.7	-1.6	-2.2	-2.9	-2.3	...
Current account balance (annual)	%GDP	-2.8	-1.8	-0.8	-0.8	-2.2	...
Merchandise terms of trade	apc	5.4	6.3	-0.3	-1.6	-0.9	...
CPI inflation	qpc	0.8	-0.5	0.7	0.5	0.8	1.3
	apc	2.5	1.5	1.4	1.4	1.5	3.3
Employment (HLFS) (1)	qpc	1.0	-0.2	-0.7	0.6	0.5	...
Unemployment rate (1)	%	4.3	4.0	5.2	4.9	4.7	...
Participation rate (1)	%	70.7	69.9	70.2	70.2	70.4	...
LCI salary & wage rates - total (2)	apc	2.5	2.1	1.8	1.6	1.6	...
QES average hourly earnings - total (2)	apc	4.4	3.5	4.1	3.9	2.6	...
Core retail sales volume	apc	4.0	-11.7	7.6	4.2	5.5	...
Total retail sales volume	apc	2.3	-14.2	8.1	4.6	6.8	...
WMM - consumer confidence (3)	Index	104.2	97.2	95.1	106.0	105.2	107.1
QSBO - general business situation (1,4)	net%	-66.2	-60.1	-38.2	-14.9	-7.9	10.1
QSBO - own activity outlook (1,4)	net%	-12.3	-24.6	-0.6	10.6	7.8	27.6
Monthly Indicators		Feb 21	Mar 21	Apr 21	May 21	Jun 21	Jul 21
Merchandise trade balance (12 month)	NZ\$m	2,386	1,701	765	-41	-252	...
Dwelling consents - residential	apc	-4.7	44.7	83.7	17.3	...	...
House sales - dwellings	apc	19.8	37.0	439.7	85.5	6.2	...
REINZ - house price index	apc	21.3	23.9	26.8	29.9	30.0	...
Estimated net migration (12 month total)	people	14,019	4,214	4,940	5,743	...	...
ANZ NZ commodity price index	apc	0.1	4.0	6.8	7.9	17.4	...
ANZ world commodity price index	apc	11.0	20.2	24.2	25.2	27.8	...
ANZBO - business confidence	net%	7.0	-4.1	-2.0	1.8	-0.6	-3.8
ANZBO - activity outlook	net%	21.3	16.6	22.2	27.1	31.6	26.3
ANZ-Roy Morgan - consumer confidence	net%	113.1	110.8	115.4	114.0	114.1	...
Weekly Benefit Numbers		18 Jun	25 Jun	2 Jul	9 Jul	16 Jul	23 Jul
Jobseeker Support	number	190,614	190,128	190,257	190,008	189,528	189,150
Work Ready	number	111,510	110,946	110,790	110,304	109,659	109,215
Health Condition and Disability	number	79,107	79,185	79,470	79,704	79,866	79,932
COVID-19 Income Relief Payment	number	...	...	...	...	...	...
Full-time	number	...	...	...	...	...	...
Part-time	number	...	...	...	...	...	...
Daily Indicators		Wed 21/7/21	Thu 22/7/21	Fri 23/7/21	Mon 26/7/21	Tue 27/7/21	Wed 28/7/21
NZ exchange and interest rates (5)							
NZD/USD	\$	0.6920	0.6958	0.6978	0.6971	0.6995	0.6963
NZD/AUD	\$	0.9453	0.9466	0.9450	0.9479	0.9477	0.9457
Trade weighted index (TWI)	index	73.7	74.0	74.1	74.2	74.3	74.0
Official cash rate (OCR)	%	0.25	0.25	0.25	0.25	0.25	0.25
90 day bank bill rate	%	0.45	0.46	0.46	0.45	0.47	0.47
10 year govt bond rate	%	1.53	1.60	1.52	1.50	1.52	1.52
Share markets (6)							
Dow Jones	index	34,798	34,823	35,062	35,144	35,059	34,931
S&P 500	index	4,359	4,367	4,412	4,422	4,401	4,401
VIX volatility index	index	17.9	17.7	17.2	17.6	19.4	18.3
AU all ords	index	7,581	7,659	7,671	7,671	7,704	7,650
NZX 50	index	12,709	12,721	12,736	12,673	12,590	12,595
US interest rates							
3 month OIS	%	0.10	0.10	0.10	0.10	0.10	...
3 month Libor	%	0.14	0.13	0.13	0.13	0.13	...
10 year govt bond rate	%	1.30	1.27	1.30	1.29	1.25	1.26
Commodity prices (6)							
WTI oil	US\$/barrel	70.30	71.91	72.24	72.15	71.68	72.39
Gold	US\$/ounce	1,802	1,799.45	1,799.60	1,800.20	1,800.35	1,796.60
CRB Futures	index	559	560.18	559.74	561.76	561.71	562.48

(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		2020Q4	Jan 21	Feb 21	Mar 21	2021Q1	Apr 21	May 21	Jun 21	2021Q2	Jul 21
United States [9.6% share of total goods exports]	GDP (1)	qpc	1.1				1.5				1.6	
	Industrial production (1)	mpc		1.1	-3.1	2.7		0.0	0.7	0.4		...
	CPI	apc		1.4	1.7	2.6		4.2	5.0	5.4		...
	Unemployment rate (1)	%		6.3	6.2	6.0		6.1	5.8	5.9		...
	Employment change (1)	000s		233.0	536.0	785.0		269.0	583.0	850.0		...
	Retail sales value	apc		9.4	6.5	29.7		53.4	27.6	18.0		...
	House prices (2)	apc		11.2	12.1	13.4		15.0	17.0	...		...
Japan [6.1%]	PMI manufacturing (1)	index		58.7	60.8	64.7		60.7	61.2	60.6		...
	Consumer confidence (1)(3)	index		87.1	95.2	114.9		117.5	120.0	128.9		129.1
	GDP (1)	qpc	2.8				-1.0				...	
	Industrial production (1)	mpc		3.1	-1.3	1.7		2.9	-6.5	...		...
	CPI	apc		-0.6	-0.4	-0.2		-0.4	-0.1	0.2		...
	Unemployment rate (1)	%		2.9	2.9	2.6		2.8	3.0	...		...
	Retail sales value	apc		2.7	3.7	5.2		11.9	8.3	...		...
Euro area [5.5%]	PMI manufacturing (1)	index		49.8	51.4	52.7		53.6	53.0	52.4		...
	Consumer confidence (1)(4)	index		30.0	33.7	36.1		34.8	34.2	37.6		...
	GDP (1)	qpc	-0.6				-0.3				...	
	Industrial production (1)	mpc		1.1	-1.3	0.5		0.6	-1.0	...		...
	CPI	apc		0.9	0.9	1.3		1.6	2.0	1.9		...
	Unemployment rate (1)	%		8.2	8.2	8.1		8.1	7.9	...		...
	Retail sales volume	apc		-4.8	-1.2	13.7		23.3	9.0	...		...
United Kingdom [2.7%]	PMI manufacturing (1)	index		54.8	57.9	62.5		62.9	63.1	63.4		...
	Consumer confidence (5)	index		-15.5	-14.8	-10.8		-8.1	-5.1	-3.3		-4.4
	GDP (1)	qpc	1.3				-1.6				...	
	Industrial production (1)	mpc		-1.6	0.5	1.5		-1.0	0.7	...		...
	CPI	apc		0.9	0.7	1.0		1.6	2.1	2.4		...
	Unemployment rate (1)	%		5.1	5.0	4.9		4.8	4.8	...		...
	Retail sales volume	apc		-5.7	-3.7	7.0		42.2	24.7	9.8		...
Australia [15.8%]	House prices (6)	apc		6.4	6.9	5.7		7.1	10.9	13.4		10.5
	PMI manufacturing (1)	index		54.1	55.1	58.9		60.9	65.6	63.9		...
	Consumer confidence (1)(5)	net %		-28.0	-23.0	-16.0		-15.0	-9.0	-9.0		-7.0
	GDP (1)	qpc	3.2				1.8				...	
	CPI	apc	0.9				1.1				3.8	
	Unemployment rate (1)	%		6.4	5.9	5.7		5.5	5.1	4.9		...
	Retail sales value	apc		10.3	5.2	3.9		23.8	7.1	...		...
China [24.3%]	House Prices (7)	apc	4.3				8.9				...	
	PMI manufacturing (1)	index		55.3	58.8	59.9		61.7	61.8	63.2		...
	Consumer confidence (8)	index		107.0	109.1	111.8		118.8	113.1	107.2		108.8
	GDP	apc	6.5				18.3				7.9	
	Industrial production	apc		35.1	35.1	14.1		9.8	8.8	8.3		...
South Korea [3.0%]	CPI	apc		-0.3	-0.2	0.4		0.9	1.3	1.1		...
	PMI manufacturing (1)	index		51.3	50.6	51.9		51.1	51.0	50.9		...
	GDP (1)	qpc	1.1				1.7				0.7	
	Industrial production (1)	mpc		-1.2	4.2	-0.7		-1.6	-0.7	...		...
	CPI	apc		0.6	1.1	1.5		2.3	2.6	2.4		...

(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