

Strong growth in card spending continues...

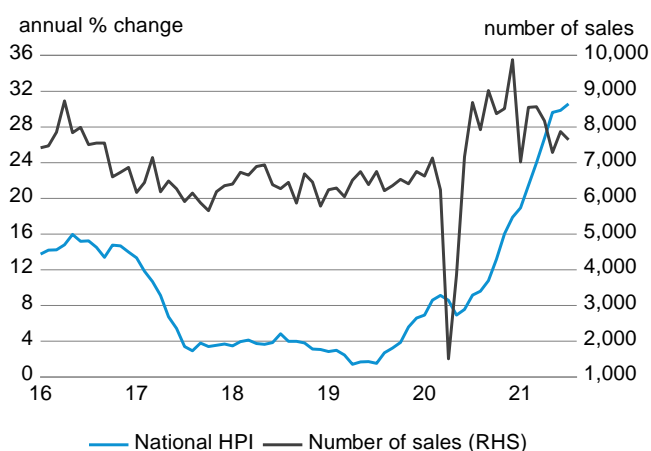
Electronic card spending rose 0.9% in July, to be up 6.0% annually. Retail spending rose 0.6% and non-retail spending was 2.4% higher in the month. Consumables spending rose 0.7%, driven by an increase in food prices. Apparel spending was up 3.6% and spending on fuel rose by 0.9%.

The increase in income support payments from July, strong wage growth, low interest rates, rising house values and a lack of overseas travel options are all likely to be supporting spending. We expect spending to remain robust in the near-term.

...and house price growth maintains momentum

Housing market activity continued to show resilience since changes were made to tax and lending rules earlier in the year. Prices rose 1.9% in the month to be up 30.6% from a year ago in July - a fresh record high growth rate (Figure 1). However, the 3-month moving average of monthly house price growth has been tending down since January, suggesting a slowing in the rate of growth in house prices. Demand in the housing market is likely to ease further with interest rates expected to rise over the year ahead, resulting in slower growth in house prices. Banks are expecting the Official Cash Rate (OCR) to rise by 25 basis points at the next review on the 18th of August.

Figure 1: REINZ house price index and sales



Source: REINZ

Sales activity has also been tending down since December 2020 but remains at an elevated level compared to previous years, which is expected to support consumption and investment over the

quarters ahead. High sales volumes in recent months have coincided with near-record-low levels of inventory, and with days-to-sell falling to 31 (the lowest for a July month since 2016), reflecting a 'fear of not finding anything' dynamic according to REINZ. Sales activity is expected to ease as mortgage rates rise, pricing some buyers out of the market.

Food and rental prices rise...

Food prices rose 0.5% in July 2021, mainly driven by higher prices for fruit and vegetables, to be up 2.8% compared to July 2020. Rental prices rose 0.3% to be up 3.2% compared to July 2020.

...and inflation expectations remain high

The Reserve Bank's Survey of Expectations for July showed that mean CPI inflation expectations rose to 3.02% (from 1.87% last quarter) in one years' time and 2.27% (from 2.05% last quarter) in two years. Expectations for the OCR have also increased significantly, following the higher-than-expected CPI outturn for the June quarter. Mean OCR expectations rose to 0.4% for one quarter ahead and 1.02% for one year ahead. All survey participants expected to see at least one rate hike in the next twelve months and most expected to see two to five rate hikes over the next year.

Compared to the previous quarter, respondents had higher expectations for house price growth one year ahead, but slightly lower expectations two years ahead. House prices are expected to rise by 6.74% in the next 12 months and 4.15% per annum over the next two years.

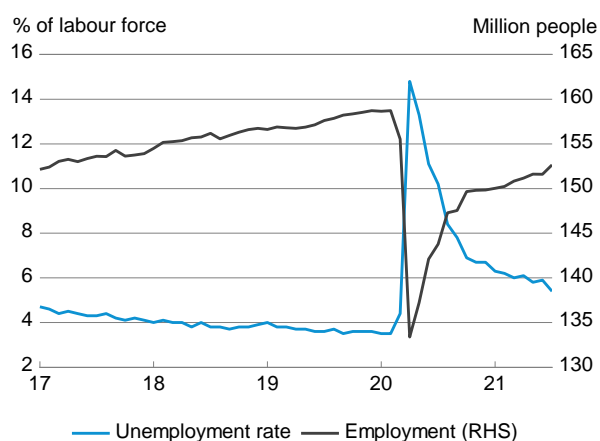
Manufacturing activity lifts further

The BNZ-BusinessNZ Performance of Manufacturing Index (PMI) showed that activity in the sector lifted again in July to 62.6, up 1.7 points from June, and close to its record of 63.6 in March. Employment (58.3) recorded its highest ever result over the history of the survey. An increasingly tight labour market, supply chain issues and raw material costs remain particularly problematic for manufacturers.

US employment continues to recover...

July data on the US labour market were more positive than expected, with the unemployment rate falling to 5.4% as employment grew by over one million people (Figure 2). There was little downside in the data, with the underutilisation rate also falling as the participation rate edged up slightly. While there is still significant progress to be made, with 6 million fewer people employed compared to pre-pandemic levels, the data give cause for optimism as concerns build around the Delta variant's rise.

Figure 2: US labour market statistics

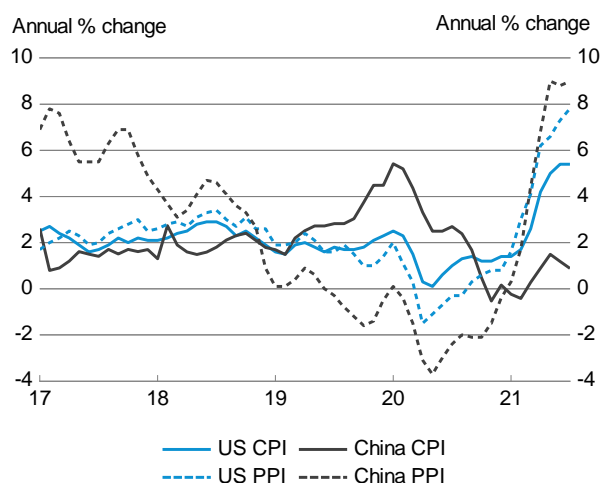


Source: Haver

...while inflation momentum slows

Annual US consumer price inflation remained elevated in July, holding steady at 5.4%, though monthly growth slowed (Figure 3). When excluding food and energy, prices grew by 0.3% in the month, a significant slowdown compared to prior months. While the relatively subdued CPI inflation gives credence to the Federal Reserve's view that high inflation is transitory, rising producer price growth suggests that inflationary pressures may continue.

Figure 3: Consumer and producer price indexes



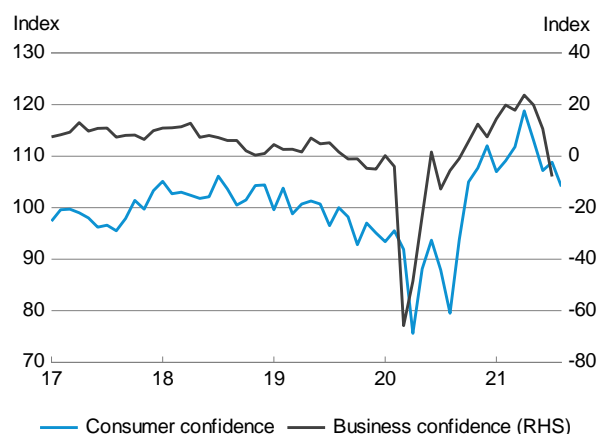
Source: Haver

In China, annual consumer price inflation remained subdued, falling to 1.0% in July. Weakening prices were largely driven by falling food prices – when excluding these, annual price growth showed more momentum, rising to 2.1%. Producer price growth remained high, though this has not appeared to have had a major impact on consumer prices.

Lockdowns weaken Australia confidence...

Australia's business confidence index declined sharply in July, falling 19 points to reach below zero for the first time this year (Figure 4). The fall was largely driven by New South Wales as the effects of a full month of lockdown were felt, though declining confidence was widespread across most states and industries. The index did not approach the lows seen in March and April 2020, providing hope that confidence can recover relatively quickly once restrictions are eased.

Figure 4: Australia confidence indexes



Source: Haver

Consumer confidence also took a hit, falling in August to the lowest level since September 2020. The drop was more moderate than expected, suggesting a degree of assurance among consumers that the pandemic will be brought back under control and economic growth will return.

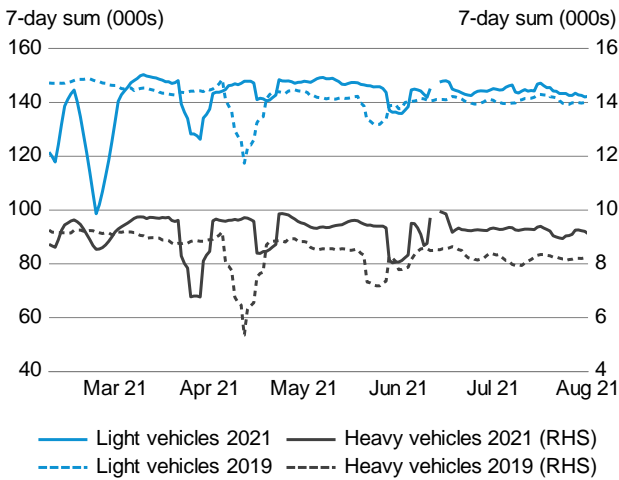
...and GDP growth rebounds in the UK

The UK economy expanded 4.8% in the June quarter compared to the March quarter, driven by strong growth in private consumption, bringing GDP to 3.3% below pre-pandemic levels. The easing of restrictions should drive further growth in the September quarter, though the sharp rise in COVID-19 infections may limit economic activity.

Date	Key upcoming NZ data	Previous
16 August	Performance of Services Index	58.6
18 August	NZ Activity Index	+6.0 (apc)
18 August	Official Cash Rate	0.25

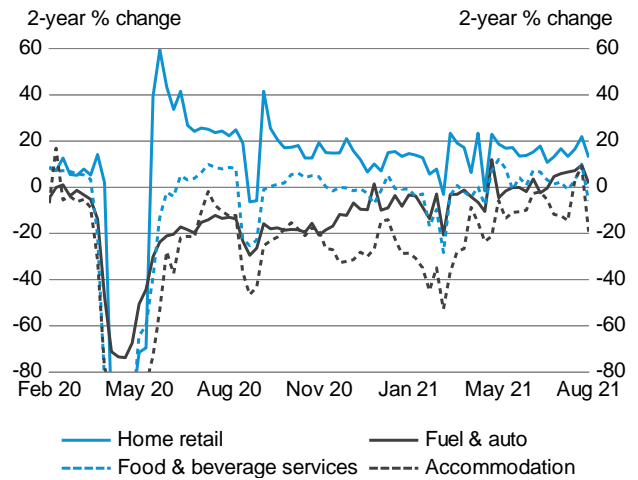
High-Frequency Indicators

Traffic and Freight Movement



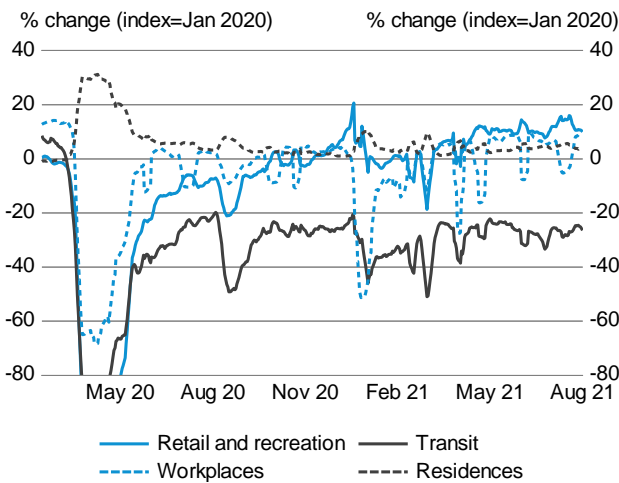
Source: Waka Kotahi NZ Transport Agency

Card Spending



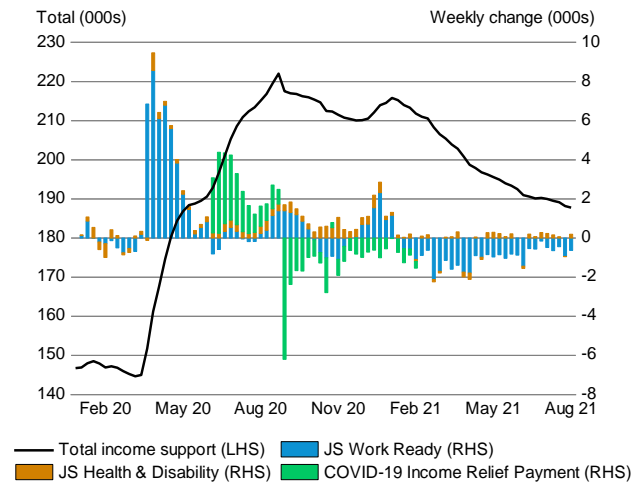
Source: Marketview data via MBIE

People Movements at Selected Locations



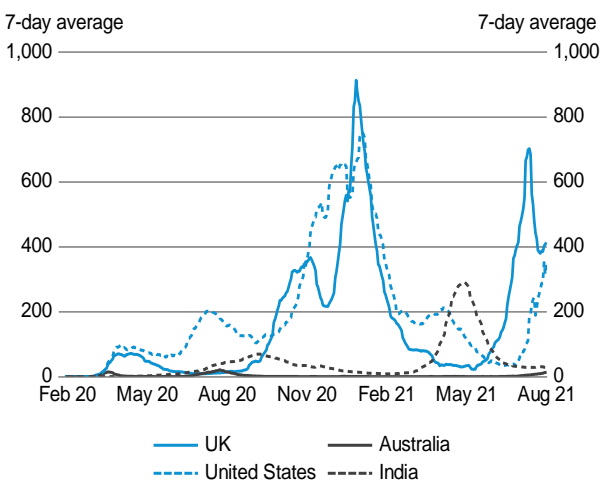
Source: Google

Jobseeker (JS) and Income Support Recipients



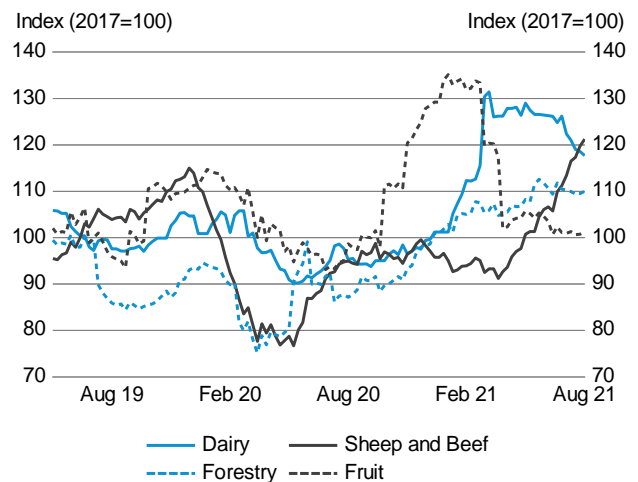
Source: MSD

COVID-19 Cases Per Million People



Source: World Health Organisation/Haver

World Commodity Prices



Source: ASB

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	-0.4	-0.6	0.7	0.6	1.1
Unemployment rate (1)	%	4.2	4.1	5.3	4.8	4.6	4.0
Participation rate (1)	%	70.7	69.9	70.1	70.2	70.4	70.5
LCI salary & wage rates - total (2)	apc	2.5	2.1	1.8	1.6	1.6	2.1
QES average hourly earnings - total (2)	apc	3.7	3.0	4.2	4.3	4.0	4.0
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	24.0	...
House sales - dwellings	apc	19.8	37.0	439.7	86.4	9.8	-11.7
REINZ - house price index	apc	21.3	23.9	26.8	29.7	30.0	30.7
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	17.1
ANZ world commodity price index	apc	11.0	20.2	24.2	25.2	27.8	22.5
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	113.1

Weekly Benefit Numbers		2 Jul	9 Jul	16 Jul	23 Jul	30 Jul	6 Aug
Jobseeker Support	number	190,257	190,008	189,528	189,150	188,193	187,761
Work Ready	number	110,790	110,304	109,659	109,215	108,273	107,643
Health Condition and Disability	number	79,470	79,704	79,866	79,932	79,920	80,115
COVID-19 Income Relief Payment	number	...	...	...	...	...	...
Full-time	number	...	...	...	...	...	...
Part-time	number	...	...	...	...	...	...

Daily Indicators		Thu 5/8/21	Fri 6/8/21	Mon 9/8/21	Tue 10/8/21	Wed 11/8/21	Thu 12/8/21
NZ exchange and interest rates (5)							
NZD/USD	\$	0.7047	0.7044	0.7010	0.6971	0.7006	0.7034
NZD/AUD	\$	0.9543	0.9535	0.9537	0.9528	0.9541	0.9550
Trade weighted index (TWI)	index	74.7	74.7	74.5	74.2	74.6	74.8
Official cash rate (OCR)	%	0.25	0.25	0.25	0.25	0.25	0.25
90 day bank bill rate	%	0.65	0.65	0.65	0.67	0.69	0.68
10 year govt bond rate	%	1.59	1.62	1.66	1.69	1.71	1.72
Share markets (6)							
Dow Jones	index	35,064	35,209	35,102	35,265	35,485	35,500
S&P 500	index	4,429	4,437	4,432	4,437	4,448	4,461
VIX volatility index	index	17.3	16.2	16.7	16.8	16.1	15.6
AU all ords	index	7,780	7,806	7,804	7,830	7,855	7,861
NZX 50	index	12,754	12,770	12,701	12,764	12,748	12,682
US interest rates							
3 month OIS	%	0.10	0.10	0.10	0.10	0.10	...
3 month Libor	%	0.13	0.13	0.13	0.12	0.12	...
10 year govt bond rate	%	1.23	1.31	1.33	1.36	1.35	1.36
Commodity prices (6)							
WTI oil	US\$/barrel	69.09	68.26	66.56	68.33	69.25	...
Gold	US\$/ounce	1,801	1,762.90	1,738.85	1,723.35	1,743.60	...
CRB Futures	index	560	560.27	558.96	558.38	559.78	...

(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		Jan 21	Feb 21	Mar 21	2021Q1	Apr 21	May 21	Jun 21	2021Q2	Jul 21	Aug 21
United States [9.6% share of total goods exports]	GDP (1)	qpc				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		5.4	...
	Unemployment rate (1)	%	6.3	6.2	6.0		6.1	5.8	5.9		5.4	...
	Employment change (1)	000s	233.0	536.0	785.0		269.0	614.0	938.0		943.0	...
	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	...		...	...
	PMI manufacturing (1)	index	58.7	60.8	64.7		60.7	61.2	60.6		59.5	...
Consumer confidence (1)(3)	index	87.1	95.2	114.9		117.5	120.0	128.9		129.1	...	
Japan [6.1%]	GDP (1)	qpc				-1.0				...		
	Industrial production (1)	mpc	3.1	-1.3	1.7		2.9	-6.5	6.2		...	...
	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	2.9		...	...
	Retail sales value	apc	2.7	3.7	5.2		11.9	8.3	0.1		...	...
	PMI manufacturing (1)	index	49.8	51.4	52.7		53.6	53.0	52.4		53.0	...
	Consumer confidence (1)(4)	index	30.0	33.7	36.1		34.8	34.2	37.6		37.5	...
Euro area [5.5%]	GDP (1)	qpc				-0.3				2.0		
	Industrial production (1)	mpc	1.0	-1.2	0.6		0.7	-1.1	-0.3		...	...
	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	8.0	7.7		...	...
	Retail sales volume	apc	-4.9	-1.3	13.8		23.5	8.6	5.0		...	...
	PMI manufacturing (1)	index	54.8	57.9	62.5		62.9	63.1	63.4		62.8	...
Consumer confidence (5)	index	-15.5	-14.8	-10.8		-8.1	-5.1	-3.3		-4.4	...	
United Kingdom [2.7%]	GDP (1)	qpc				-1.6				4.8		
	Industrial production (1)	mpc	-1.6	0.5	1.5		-0.8	0.6	-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		...	...
	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		60.4	...
Consumer confidence (1)(5)	net %	-28.0	-23.0	-16.0		-15.0	-9.0	-9.0		-7.0	...	
Australia [15.8%]	GDP (1)	qpc				1.8				...		
	CPI	apc				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	2.9		...	...
	House Prices (7)	apc				8.9					...	...
	PMI manufacturing (1)	index	55.3	58.8	59.9		61.7	61.8	63.2		60.8	...
Consumer confidence (8)	index	107.0	109.1	111.8		118.8	113.1	107.2		108.8	104.1	
China [24.3%]	GDP	apc				18.3				7.9		
	Industrial production	apc	35.1	35.1	14.1		9.8	8.8	8.3		...	...
	CPI	apc	-0.3	-0.2	0.4		0.9	1.3	1.1		1.0	...
	PMI manufacturing (1)	index	51.3	50.6	51.9		51.1	51.0	50.9		50.4	...
South Korea [3.0%]	GDP (1)	qpc				1.7				0.7		
	Industrial production (1)	mpc	-1.2	4.2	-0.7		-1.9	-1.0	2.2		...	...
	CPI	apc	0.6	1.1	1.5		2.3	2.6	2.4		2.6	...

(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