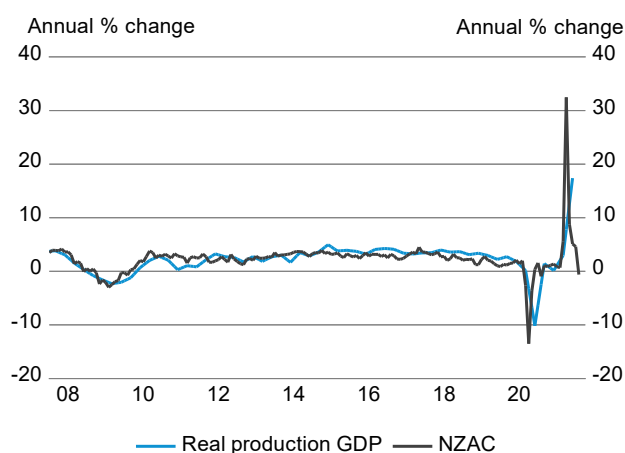


The data continues to suggest that the August lockdown has not impacted activity to the same degree as the 2020 lockdown. The shallower fall in activity combined with resilient demand and business sentiment will be supporting a recovery from late September. However, capacity pressures remain, with supply chain disruptions and labour shortages continuing to pose barriers to growth and will keep inflationary pressures elevated.

### **Smaller fall in activity preceded the recovery...**

Economic activity was down 0.6% in August 2021 compared to a year ago in the New Zealand Activity Index (NZAC), much lower than the falls of over 2.5% in March, April and May last year (Figure 1). However, with the country at higher alert levels in September, activity is likely to remain below the levels seen a year ago. GDP is expected to contract sharply in the September quarter before bouncing back strongly as alert level (AL) restrictions ease.

**Figure 1: NZAC and GDP**



Source: Stats NZ

Over the past week however, some constituent indicators of the NZAC have suggested that the recovery has quickened. National heavy traffic levels have fully recovered and heavy traffic levels in the Auckland region on 27 September was more than double its level compared to the week prior.

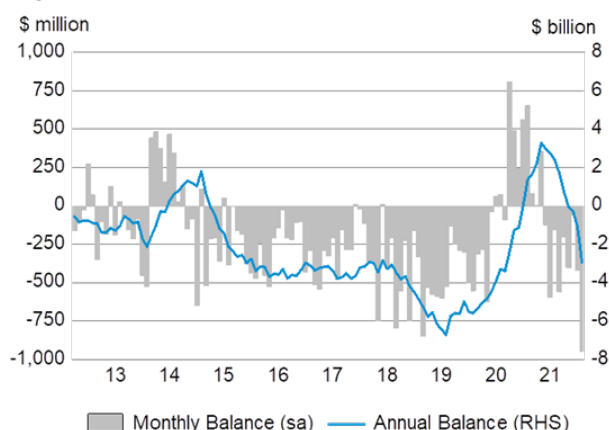
### **... and business sentiment remains resilient...**

Business confidence fell slightly in the final September 2021 ANZ Business Outlook but remains higher than before the latest COVID-19 outbreak. However, elevated cost pressures and expectations that demand will remain resilient are leading to sustained inflationary pressures.

### **...with imports at record high levels in August**

Import values rose to a record high level for an August month, suggesting that retailers are confident about their activity outlook. This took the monthly trade balance to a record deficit of \$950 million (Figure 2). Export values weakened further, reflecting the impact of the August 2021 lockdown. The fall in export volumes is expected to be smaller than the 2020 lockdown given the shorter period under AL 4.

**Figure 2: Overseas merchandise trade**

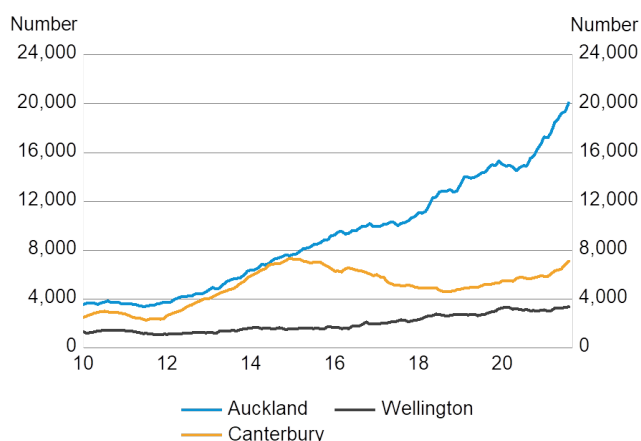


Source: Stats NZ

### **Consents issuance hit a fresh record high**

Despite the return of higher alert levels, consents issuance reached a record high of 46,453 for the year ended August (Figure 3). The August lockdown will lead to a fall in construction activity in the September quarter, but high activity levels are expected to return as alert level restrictions ease. However, ongoing capacity constraints will constrain growth ahead.

**Figure 3: Annual Dwelling Consents by Region**



Source: Stats NZ

Energy shortages are intensifying concerns about global inflation, while the spread of the delta variant continues to stifle the economic recovery.

### **Energy shortages raise inflation fears...**

Prices for oil, natural gas and coal are rising as the global rebound in economic activity runs up against supply chain bottlenecks. China is rationing electricity to businesses as coal supply runs low, power bills in Europe are surging as peak winter demand looms, and petrol stations in the UK are running dry as supply from refineries to retailers is disrupted. There are concerns that the supply crunch could spread to other countries, further adding to existing global inflation pressures and impeding the economic recovery.

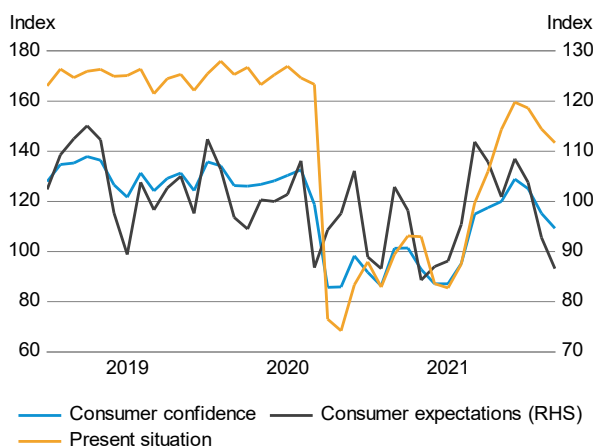
### **...but US rate increases still “a ways off”...**

US Federal Reserve Chair Powell said this week that inflation now appears likely to remain high into the new year as supply chain disruptions continue to drive prices higher. Powell acknowledged the challenging trade-off between managing inflation and addressing continually high unemployment, but reiterated that interest rate rises in the US are still some way in the future.

### **...as consumer confidence slips further**

Ongoing weakness in the US economy is evident with consumer confidence falling for the third month in a row in September, as the spread of the delta variant worsened in the country. Weekly COVID-19 cases were over one million during the first three weeks of September, and weekly deaths have also picked up to more than 10,000 as more than a third of the population remains unvaccinated. The consumer expectations measure fell to its lowest level since the end of 2020, indicating that people expect the situation to worsen before it gets better.

**Figure 4: US consumer confidence**



Source: Haver

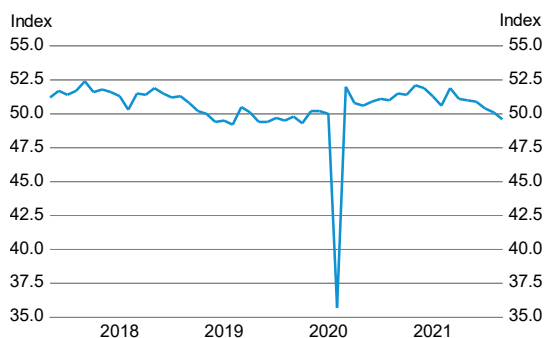
### **Consumer confidence lifts in Australia**

Australia’s retail sales fell for a third consecutive month in August as the COVID outbreak dampened activity, but a lift in consumer confidence in September suggests that a recovery may soon be under way as the country looks toward lifting restrictions. Victoria and NSW are both set to re-open in October as vaccination targets are met.

### **Growth continues to slow in China...**

China’s manufacturing sector, as measured by the Purchasing Managers Index (PMI), fell into contraction in September for the first time since February last year (Figure 5). The fall reflects a number of factors, including regional lockdowns as China continues its zero-tolerance approach to COVID cases, as well as coal shortages curbing industrial production. With both of these limits on growth likely to persist in the near term, China’s economic activity may continue to slow, with implications for New Zealand’s export demand.

**Figure 5: China manufacturing PMI**



Source: Haver

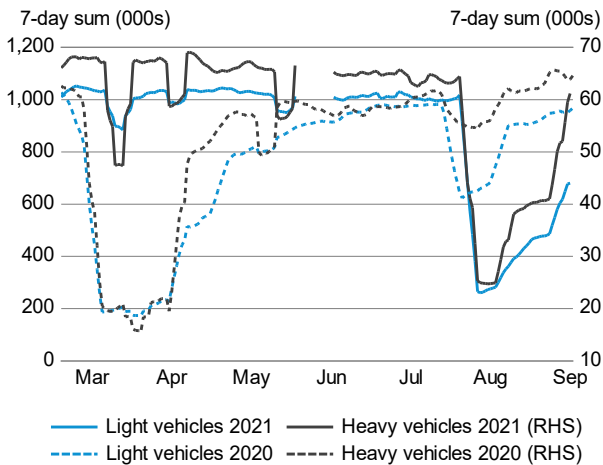
### **...as the Evergrande saga continues**

Another risk to China’s economy is the highly indebted property developer Evergrande, which appeared to miss a second bond interest payment this week. After raising money by selling its stake in a commercial bank, the company is prioritising domestic creditors over offshore bondholders. China’s central bank has injected further liquidity into the banking system and vowed to protect consumers exposed to the housing market, which has helped to calm asset markets. Meanwhile, the government is reportedly encouraging state-owned firms to purchase some of Evergrande’s assets, which should help the company meet its debt obligations and prevent a messy collapse.

Date	Key upcoming NZ data	Previous
5 October	QSBO Business Situation	10.1 (net %)
5 October	ANZ Commodity Price Index	- 1.6 (mpc)
6 October	Monetary Policy Review	0.25% (OCR)

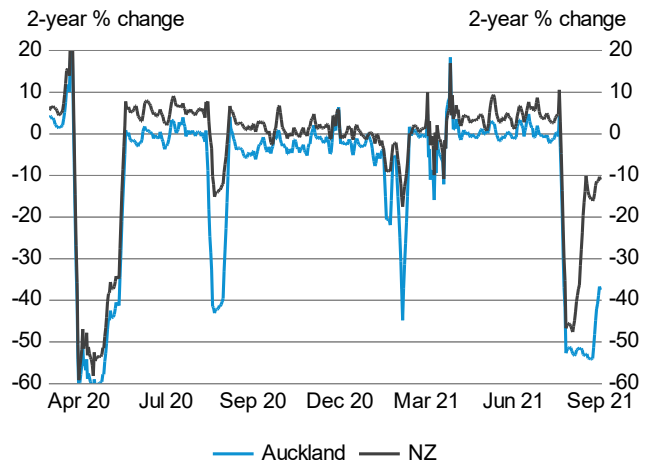
# High-Frequency Indicators<sup>1</sup>

## Traffic and Freight Movement



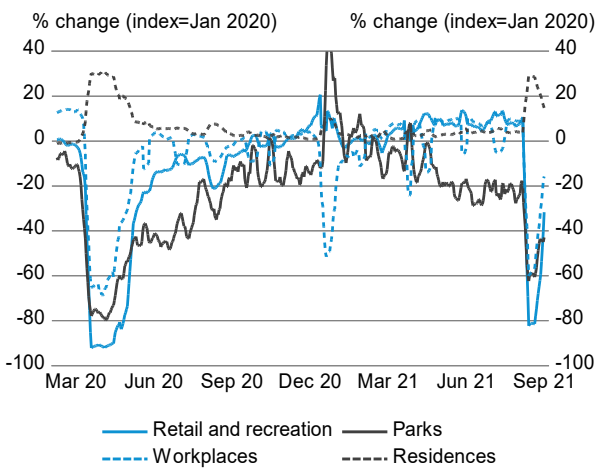
Source: Waka Kotahi NZ Transport Agency

## Card Spending



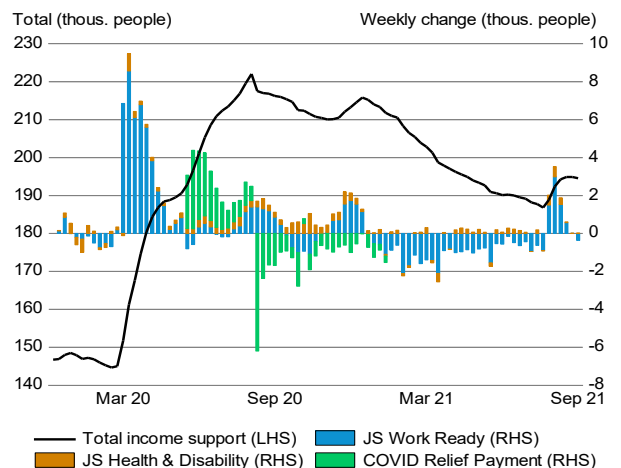
Source: Marketview data via MBIE

## People Movements at Selected Locations



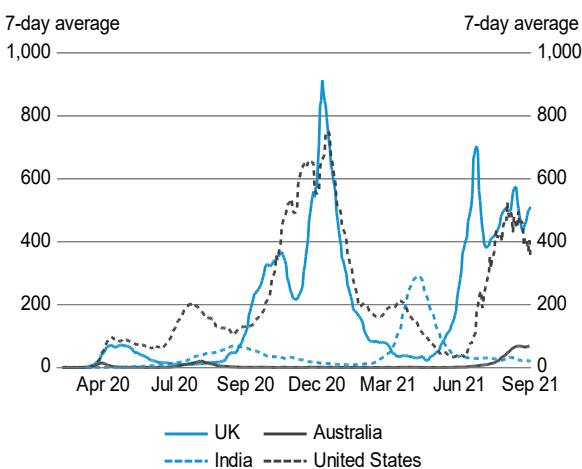
Source: Google

## Jobseeker (JS) and Income Support Recipients



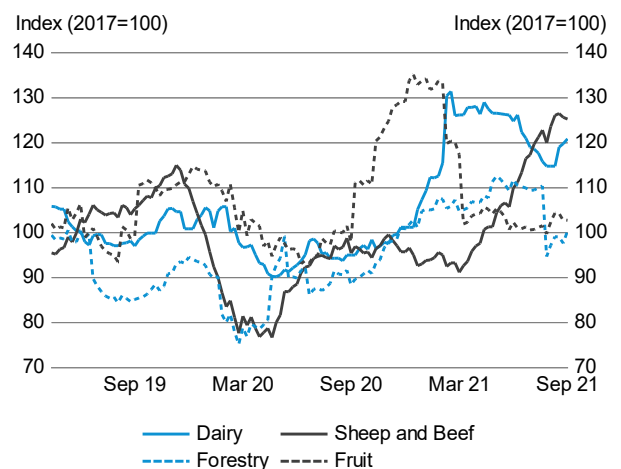
Source: MSD

## COVID-19 Cases Per Million People



Source: World Health Organisation/Haver

## World Commodity Prices



Source: ASB

<sup>1</sup> Additional high frequency indicators are available on the Stats NZ COVID-19 data portal: <https://www.stats.govt.nz/experimental/covid-19-data-portal>

Quarterly Indicators		2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2
Real Production GDP (1)	qpc	-1.4	-9.9	13.9	-1.0	1.4	2.8
	aapc	1.7	-1.3	-1.6	-2.1	-1.4	5.1
Current account balance (annual)	%GDP	-2.4	-1.5	-0.7	-0.8	-2.5	-3.3
Merchandise terms of trade	apc	5.4	6.3	-0.3	-1.6	-0.9	0.0
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	4.4	5.4	30.2
Total retail sales volume	apc	2.3	-14.2	8.1	4.7	6.6	33.3
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		Apr 21	May 21	Jun 21	Jul 21	Aug 21	Sep 21
Merchandise trade balance (12 month)	NZ\$m	748	-49	-277	-1,099	-2,944	...
Dwelling consents - residential	apc	83.7	17.3	24.0	24.2	42.3	...
House sales - dwellings	apc	439.7	86.4	10.4	-9.7	-26.5	...
REINZ - house price index	apc	26.8	29.7	30.0	30.6	31.2	...
Estimated net migration (12 month total)	people	3,112	3,209	3,344	4,407	...	...
ANZ NZ commodity price index	apc	6.8	7.9	17.5	16.9	15.4	...
ANZ world commodity price index	apc	24.2	25.2	28.0	22.2	21.5	...
ANZBO - business confidence	net%	-2.0	1.8	-0.6	-3.8	-14.2	-7.2
ANZBO - activity outlook	net%	22.2	27.1	31.6	26.3	19.2	18.2
ANZ-Roy Morgan - consumer confidence	net%	115.4	114.0	114.1	113.1	109.6	104.5

Weekly Benefit Numbers		20 Aug	27 Aug	3 Sep	10 Sep	17 Sep	24 Sep
<b>Jobseeker Support</b>	number	188,865	192,393	194,280	194,898	194,907	194,571
Work Ready	number	108,231	111,213	112,749	113,316	113,322	112,956
Health Condition and Disability	number	80,634	81,180	81,528	81,579	81,588	81,615
<b>COVID-19 Income Relief Payment</b>	number	...	...	...	...	...	...
Full-time	number	...	...	...	...	...	...
Part-time	number	...	...	...	...	...	...

Daily Indicators		Thu 23/9/21	Fri 24/9/21	Mon 27/9/21	Tue 28/9/21	Wed 29/9/21	Thu 30/9/21
<b>NZ exchange and interest rates (5)</b>							
NZD/USD	\$	0.6998	0.7062	0.7023	0.7004	0.6946	0.6874
NZD/AUD	\$	0.9667	0.9684	0.9647	0.9634	0.9593	0.9558
Trade weighted index (TWI)	index	74.7	75.2	74.9	74.7	74.3	73.7
Official cash rate (OCR)	%	0.25	0.25	0.25	0.25	0.25	0.25
90 day bank bill rate	%	0.61	0.62	0.63	0.64	0.65	0.65
10 year govt bond rate	%	1.86	1.90	1.91	1.94	1.96	1.97
<b>Share markets (6)</b>							
Dow Jones	index	34,765	34,798	34,869	34,300	34,391	33,844
S&P 500	index	4,449	4,455	4,443	4,353	4,359	4,308
VIX volatility index	index	18.6	17.8	18.8	23.3	22.6	23.1
AU all ords	index	7,681	7,649	7,691	7,581	7,500	7,630
NZX 50	index	13,306	13,260	13,228	13,174	13,120	13,276
<b>US interest rates</b>							
3 month OIS	%	0.08	0.08	0.08	0.08	0.08	...
3 month Libor	%	0.13	0.13	0.13	0.13	0.13	...
10 year govt bond rate	%	1.41	1.47	1.48	1.54	1.55	1.52
<b>Commodity prices (6)</b>							
WTI oil	US\$/barrel	73.30	74.18	73.43	75.44	74.83	75.03
Gold	US\$/ounce	1,750	1,746.80	1,755.30	1,733.75	1,737.15	...
CRB Futures	index	551	552.86	552.35	555.39	556.34	...

(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		Feb 21	Mar 21	2021Q1	Apr 21	May 21	Jun 21	2021Q2	Jul 21	Aug 21	Sep 21
<b>United States</b> [11.0% share of total goods exports]	GDP (1)	qpc			1.5				1.6			
	Industrial production (1)	mpc	-3.0	2.9		0.1	0.6	0.5		0.8	0.4	...
	CPI	apc	1.7	2.6		4.2	5.0	5.4		5.4	5.3	...
	Unemployment rate (1)	%	6.2	6.0		6.1	5.8	5.9		5.4	5.2	...
	Employment change (1)	000s	536.0	785.0		269.0	614.0	962.0		1053.0	235.0	...
	Retail sales value	apc	6.5	29.7		53.4	28.0	18.9		15.1	15.1	...
	House prices (2)	apc	12.1	13.5		15.2	17.2	19.1		19.9	...	...
<b>Japan</b> [6.0%]	PMI manufacturing (1)	index	60.8	64.7		60.7	61.2	60.6		59.5	59.9	...
	Consumer confidence (1)(3)	index	95.2	114.9		117.5	120.0	128.9		125.1	115.2	109.3
	GDP (1)	qpc			-1.1				0.5			
	Industrial production (1)	mpc	-1.3	1.7		2.9	-6.5	6.5		-1.5	-3.2	...
	CPI	apc	-0.5	-0.4		-1.1	-0.7	-0.4		-0.3	-0.4	...
	Unemployment rate (1)	%	2.9	2.6		2.8	3.0	2.9		2.8	...	...
	Retail sales value	apc	3.7	5.2		11.9	8.3	0.1		2.4	-3.2	...
<b>Euro area</b> [6.5%]	PMI manufacturing (1)	index	51.4	52.7		53.6	53.0	52.4		53.0	52.7	...
	Consumer confidence (1)(4)	index	33.7	36.1		34.8	34.2	37.6		37.5	36.6	...
	GDP (1)	qpc			-0.3				2.2			
	Industrial production (1)	mpc	-1.2	0.7		0.7	-1.1	-0.1		1.5	...	...
	CPI	apc	0.9	1.3		1.6	2.0	1.9		2.2	3.0	...
	Unemployment rate (1)	%	8.1	8.1		8.2	8.0	7.8		7.6	7.5	...
	Retail sales volume	apc	-1.3	13.8		23.6	8.6	5.4		3.1	...	...
<b>United Kingdom</b> [2.0%]	PMI manufacturing (1)	index	57.9	62.5		62.9	63.1	63.4		62.8	61.4	...
	Consumer confidence (5)	index	-14.8	-10.8		-8.1	-5.1	-3.3		-4.4	-5.3	-4.0
	GDP (1)	qpc			-1.4				5.5			
	Industrial production (1)	mpc	0.5	1.5		-0.8	0.6	-0.7		1.2	...	...
	CPI	apc	0.7	1.0		1.6	2.1	2.4		2.1	3.0	...
	Unemployment rate (1)	%	5.0	4.9		4.8	4.8	4.7		4.6	...	...
	Retail sales volume	apc	-3.3	6.9		42.1	24.6	9.1		1.9	0.0	...
<b>Australia</b> [13.0%]	House prices (6)	apc	6.9	5.7		7.1	10.9	13.4		10.5	11.0	10.0
	PMI manufacturing (1)	index	55.1	58.9		60.9	65.6	63.9		60.4	60.3	...
	Consumer confidence (1)(5)	net %	-23.0	-16.0		-15.0	-9.0	-9.0		-7.0	-8.0	-13.0
	GDP (1)	qpc			1.9				0.7			
	CPI	apc			1.1				3.8			
	Unemployment rate (1)	%	5.9	5.7		5.5	5.1	4.9		4.6	4.5	...
	Retail sales value	apc	5.2	3.9		23.8	7.1	2.9		-2.9	-0.7	...
<b>China</b> [31.0%]	House Prices (7)	apc			8.9				19.8			
	PMI manufacturing (1)	index	58.8	59.9		61.7	61.8	63.2		60.8	51.6	51.2
	Consumer confidence (8)	index	109.1	111.8		118.8	113.1	107.2		108.8	104.1	106.2
	GDP	apc			18.3				7.9			
	Industrial production	apc	35.1	14.1		9.8	8.8	8.3		6.4	5.3	...
	CPI	apc	-0.2	0.4		0.9	1.3	1.1		1.0	0.8	...
	PMI manufacturing (1)	index	50.6	51.9		51.1	51.0	50.9		50.4	50.1	49.6
<b>South Korea</b> [3.0%]	GDP (1)	qpc			1.7				0.8			
	Industrial production (1)	mpc	4.2	-0.7		-1.9	-1.3	2.3		0.2	-0.7	...
	CPI	apc	1.1	1.5		2.3	2.6	2.4		2.6	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