

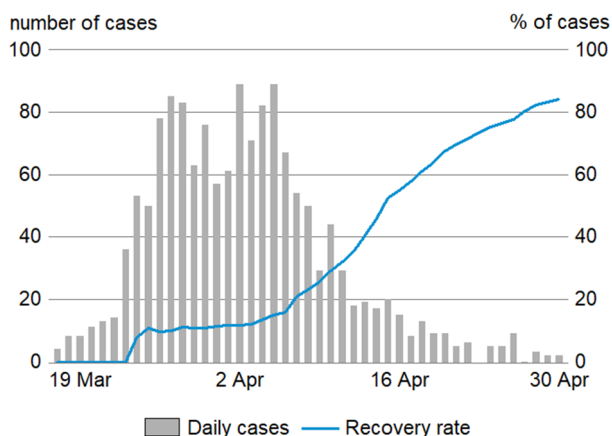
New Zealand moved to Alert Level 3 on 27 April, allowing many businesses to reopen. High-frequency indicators show a tick up in economic activity, though it remains well below normal levels. Data from March show exports held up strongly despite the effects of the COVID-19 pandemic. The finalised ANZ Business Outlook Survey for April showed business confidence improved slightly from the preliminary read released on 8 April, but remains firmly negative.

Worldwide growth in COVID-19 cases is slowing and more countries are easing restrictions on economic activity. Activity data continue to worsen, however. April G-4 flash PMIs have fallen sharply, with the services sector hit especially hard. In the United States and South Korea, March quarter GDP growth was at its weakest since 2008.

### Daily COVID-19 cases remain low...

The daily number of new COVID-19 cases in New Zealand has remained low this week, with just three on 30 April (Figure 1). Recoveries continue to outpace new infections, with 84% of cases now recovered. Nearly 135,000 people have been tested for the virus, or 2.7% of the total population.

**Figure 1: COVID-19 cases and recoveries in NZ**



Source: Ministry of Health

### ...as New Zealand transitions to Alert Level 3

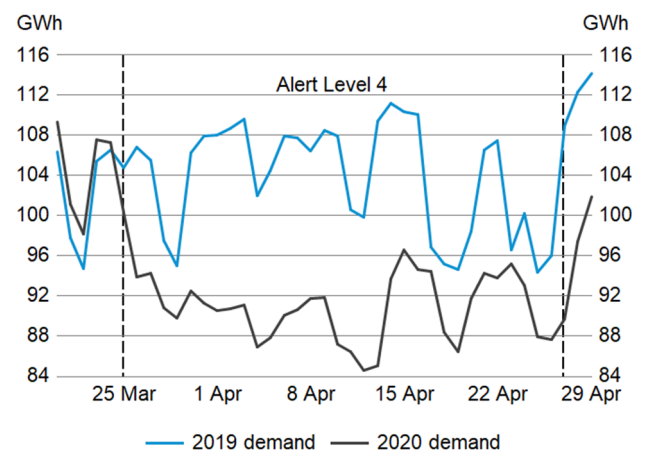
Businesses across the country reopened on Tuesday as lockdown restrictions eased, with some creatively adapting their business models to comply with ongoing health and safety measures. Businesses unable to comply with the measures

and we expect activity to be around 25% below normal levels until restrictions are eased further. Alert level 3 currently remains in place for two weeks and will be reviewed by Cabinet before 11 May.

### While activity is picking up...

Data from the Electricity Authority show that grid demand increased on 29 April to the highest level since before the lockdown (Figure 2). While still well below 2019 levels, this indicates that business activity is starting to pick up, albeit slowly.

**Figure 2: Electricity grid demand**



Source: Electricity Authority

Traffic in New Zealand's main centres picked up substantially on 28 and 29 April, according to data from the NZ Transport Agency (Page 2). Comparing Tuesday and Wednesday with the week before, both light and heavy traffic increased by over 100%. Overall traffic volumes remained below half of their 2019 levels, however.

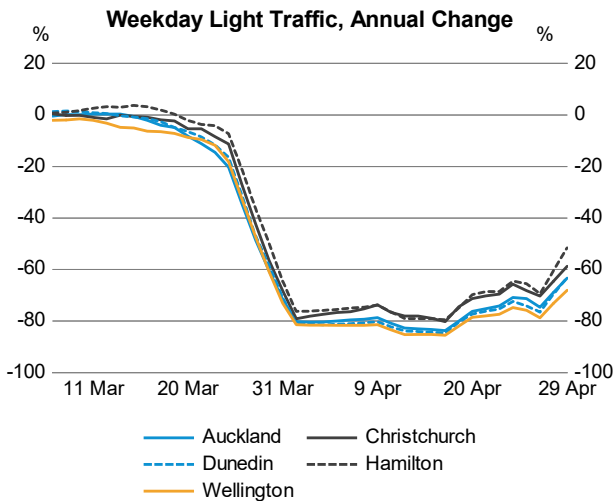
### ...the near-term outlook remains pessimistic

Three of New Zealand's major banks downgraded their economic forecasts on Tuesday. The consensus has grown more pessimistic, with most forecasters now expecting a contraction of close to 20% in the June quarter, and unemployment nearing 10% by the end of the year.

On 24 April the number of Jobseeker Support beneficiaries reached 180,000, around 6.0% of the estimated working-age population. Total wage subsidy payments reached \$10.5 billion, benefitting 1.7 million people.

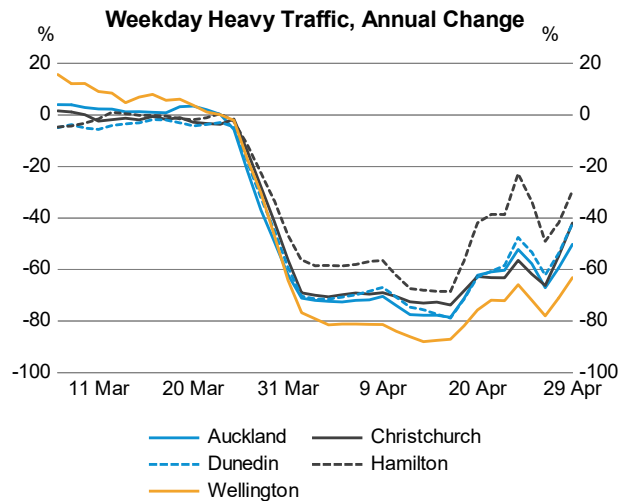
# High-Frequency Indicators (under development)

## Traffic Movement



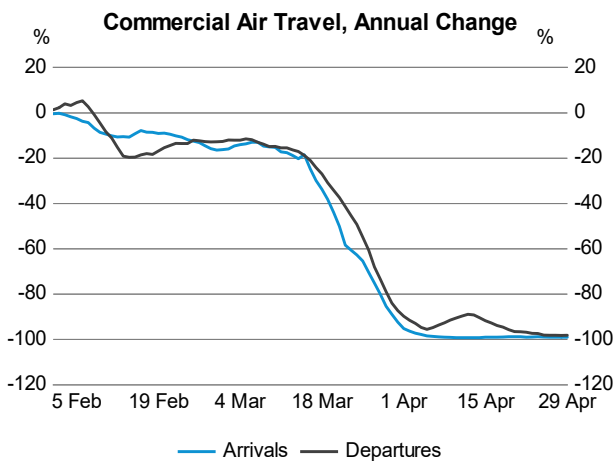
Source: Waka Kotahi NZ Transport Agency

## Freight Movement



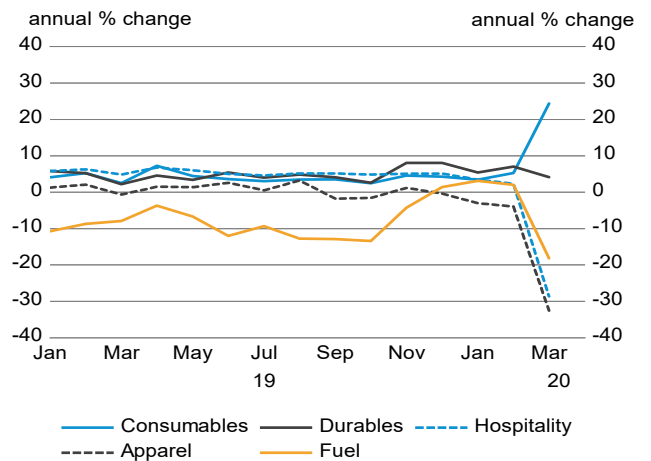
Source: Waka Kotahi NZ Transport Agency

## Border Crossings



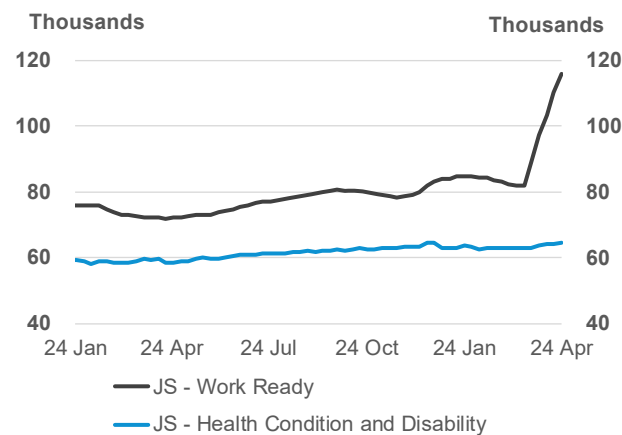
Source: Customs NZ

## Retail Spending



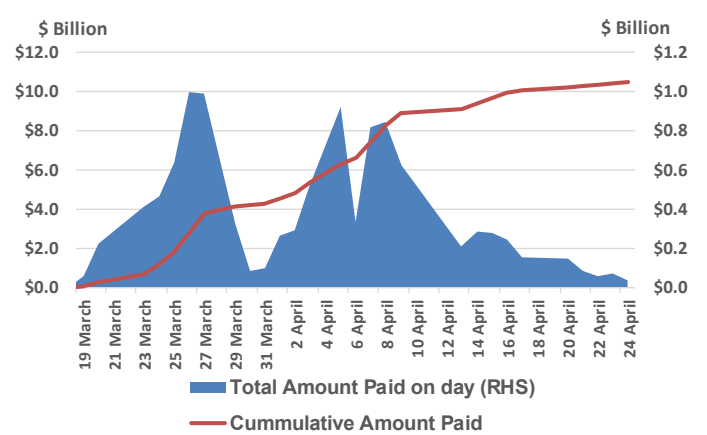
Source: Stats NZ

## Job Seeker Support



Source: MSD

## Fiscal Support: Wage Subsidy (paid)



Source: MSD

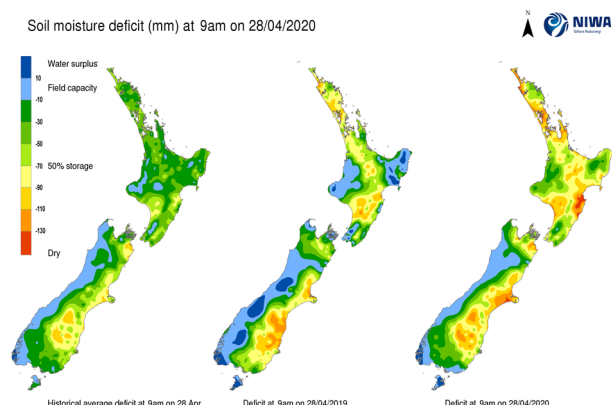
### Export growth remained strong in March...

New Zealand's merchandise exports increased strongly in March, despite the global and domestic effects of the COVID-19 pandemic.

Seasonally adjusted exports rose 4.5% to \$5.3 billion in March, driven by higher fruit and meat values. Dairy export volumes decreased by 6.3%, but the value decline was only 3.9% due to higher prices. Meat export volumes rose by 13.9% while values rose by 10.8%. Fruit exports rose by 55.2% in value terms and 14.3% in volume terms, driven mostly by higher exports of gold kiwifruit.

Dry weather has seen a reduction in dairy production volumes as well as higher slaughter numbers in recent months. NIWA soil moisture deficit indicators show that drought conditions throughout much of New Zealand has increased significantly compared to the same time last year (Figure 3).

**Figure 3: Soil moisture deficit**



Source: NIWA

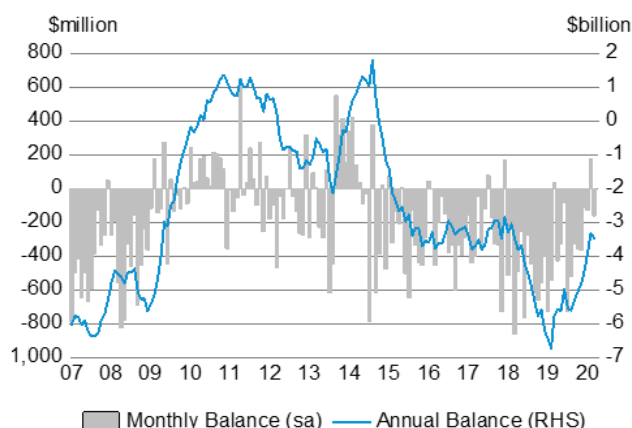
Forestry exports to China continued to fall in March due to the COVID-19 restrictions and associated fall in demand, but exports of other goods have held up reasonably well. New Zealand exporters have also been able to re-direct some of their products to other markets.

Seasonally adjusted imports rose by 11.6%, led by an increase in the volume of petroleum product imports. Consequently, the seasonally adjusted trade balance fell from a \$177m surplus in February to a \$161m deficit in March (Figure 4).

For the March quarter, seasonally adjusted export values were 1.4% higher than the previous quarter, while import values were 3.1% lower. In comparison, we had expected export values to be roughly flat, and imports to decline by 6.2%. The

trade balance is therefore weaker in the March quarter than we had forecast.

**Figure 4: Overseas merchandise trade**



Source: Stats NZ

In the three months ending March, imports of capital goods fell 9.8%, consumption goods imports fell by 3.2% and intermediate goods imports rose 2.8% compared to a year ago.

From April onwards, we expect that the lockdown restrictions announced in many countries around the world will lead to a decline in New Zealand's merchandise exports. However, Fonterra expects sales to China to return to near-normal by May/June. At the same time, lockdown measures in New Zealand are expected to result in a fall in domestic demand, which should be reflected in lower imports.

### ...and business confidence fell less than expected

Headline business confidence fell 3 points to -67% in April from March in the ANZ Business Outlook Survey. This is a small improvement versus the preliminary April read (released earlier this month) of -73%.

A net 55% of firms expect weaker activity for their own businesses (compared to the preliminary reading of -61%). Real sector own activity is the weakest at 67% expecting weaker activity.

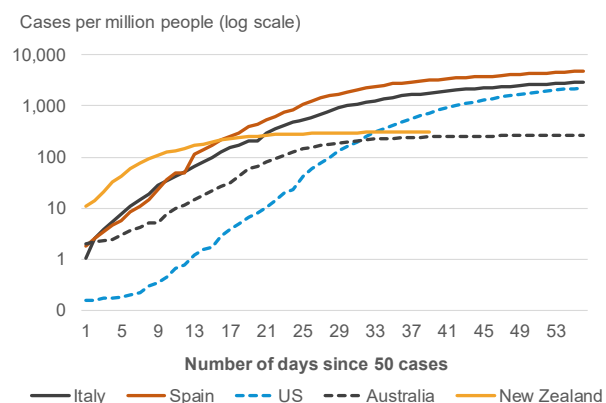
Expected profitability, investment and employment intentions all saw small improvements from their preliminary April read, however, all still remain negative. A net 51% of firms intend to lay off staff, with redundancies expected across all sectors.

Inflation expectations rose to 1.5%, compared to 1.3% in the preliminary read.

### Globally, restrictions are easing...

In the United States (US), confirmed COVID-19 cases exceeded 1 million this week. Worldwide, growth in cases is slowing and more countries are easing restrictions on economic activity (Figure 5). In Spain, one of the countries hit hardest, the plan is to ease restrictions in four stages until normality resumes by the end of June, at the earliest.

**Figure 5: Confirmed COVID-19 cases per million people (selected countries)**



Source: Johns Hopkins University (NZ includes probable cases)

### ... but the data are worsening

In the US, March quarter GDP was 1.2% lower than in the previous quarter, with personal consumption down 1.9%. The worst is yet to come, with expectations that June quarter GDP might fall by 7% to 8%.

The magnitude of the likely June quarter GDP contraction is shown by the April G-4 (US, euro area, Japan and UK) flash PMIs, which fell sharply especially for the services sector. The G-4 all-industry output composite fell to 22.3 for April, from 36.7 in March; it had stood at 52.1 in January. With restrictions on activity likely to be loosened during May, next month's PMIs should rebound.

In South Korea, March quarter GDP fell 1.4% from the previous quarter. This is the weakest quarterly result since 2008, but it is much milder than the peak virus impact in many countries, reflecting less stringent public health measures. Weaker private consumption drove the fall, but construction, inventories and net exports provided a partial offset. A shift in the balance of demand is expected in the June quarter as the relaxation of social distancing measures supports consumption and external weakness hinders exports. Nonetheless, the worst of the economic effects of COVID-19 are likely to be behind the nation.

### Australian contraction expected to be similar to NZ

Last week, the Reserve Bank of Australia (RBA) said it expects GDP to fall by around 10% over the first half of 2020, slightly lower than the fall for New Zealand GDP expected by major banks here over the same period. Table 1 summarises some of the social distancing measures that have been put in place in Australia and New Zealand. It is difficult to know exactly how behaviour might have differed in each case under different lockdown conditions. The move to Alert Level 3 in New Zealand has since expanded the range of activities allowed.

**Table 1: New Zealand and Australian lockdown measures (at strictest levels)**

Measure	New Zealand	Australia
Confirmed cases per million people	227	263
Case mortality rate	1.7%	1.3%
Restaurants	Closed	Takeaways allowed
Other non-essential services	Closed if not able to work from home	Less strict, e.g. hairdressers, real estate agents and appliance stores allowed to operate
Non-essential manufacturing & construction	Not allowed	Allowed
Social interaction	Only people in your household	Gatherings capped at 2, unless in the same household
Schools	School holidays brought forward	School holidays brought forward

Source: Johns Hopkins University, Official government websites, Australian Broadcasting Corporation

Provided restrictions ease over coming weeks, GDP should rebound appreciably in the September quarter in both counties. The RBA expects Australian annual average growth to be around -6% to -7% in 2020, while NZ's major banks expect NZ growth of about -8½%.

Date	Key NZ Data	Previous
5 May	Building Consents	+ 11%
6 May	Unemployment Rate	4.0%

Quarterly Indicators		2018Q4	2019Q1	2019Q2	2019Q3	2019Q4	2020Q1
Real Production GDP (1)	qpc	1.0	0.4	0.0	0.8	0.5	...
	aapc	3.2	3.1	2.9	2.7	2.3	...
Current account balance (annual)	%GDP	-3.8	-3.6	-3.4	-3.3	-3.0	...
Merchandise terms of trade	apc	-4.8	-1.9	-1.0	0.9	6.9	...
CPI inflation	qpc	0.1	0.1	0.6	0.7	0.5	0.8
	apc	1.9	1.5	1.7	1.5	1.9	2.5
Employment (HLFS) (1)	qpc	0.1	0.0	0.7	0.2	0.0	...
Unemployment rate (1)	%	4.3	4.1	4.0	4.1	4.0	...
Participation rate (1)	%	70.6	70.3	70.3	70.4	70.1	...
LCI salary & wage rates - total (2)	apc	1.9	2.0	2.1	2.5	2.6	...
QES average hourly earnings - total (2)	apc	3.1	3.4	4.4	4.2	3.6	...
Core retail sales volume	apc	5.0	3.9	3.6	5.4	3.3	...
Total retail sales volume	apc	3.5	3.3	2.9	4.5	3.3	...
WMM - consumer confidence (3)	Index	109.1	103.8	103.5	103.1	109.9	104.2
QSBO - general business situation (1,4)	net%	-22.6	-26.5	-32.0	-38.1	-27.7	-67.3
QSBO - own activity outlook (1,4)	net%	14.3	6.3	-3.7	-0.6	5.3	-12.7

Monthly Indicators		Oct 19	Nov 19	Dec 19	Jan 20	Feb 20	Mar 20
Merchandise trade balance (12 month total)	NZ\$m	-5055	-4837	-4467	-3927	-3302	-3456
Dwelling consents - residential	apc	16.6	3.8	24.1	2.7	6.0	...
House sales - dwellings	apc	-0.3	1.0	16.9	7.7	12.6	-4.8
REINZ - house price index	apc	3.8	5.5	6.5	6.9	8.6	9.3
Estimated net migration (12 month total)	people	55025	55543	57259	61053	65211	...
ANZ NZ commodity price index	apc	9.7	18.8	12.2	8.2	7.1	6.2
ANZ world commodity price index	apc	7.2	12.4	8.7	5.6	0.6	-5.5
ANZBO - business confidence	net%	-42	-26	-13	...	-19	-64
ANZBO - activity outlook	net%	-4	13	17	...	12	-27
ANZ-Roy Morgan - consumer confidence	net%	118	121	123	123	122	106

Daily Indicators		Wed 22/4/20	Thu 23/4/20	Fri 24/4/20	Mon 27/4/20	Tue 28/4/20	Wed 29/4/20
<b>NZ exchange and interest rates (5)</b>							
NZD/USD	\$	0.5963	0.5943	0.5990	...	0.6000	0.6097
NZD/AUD	\$	0.9474	0.9416	0.9426	...	0.9318	0.9352
Trade weighted index (TWI)	index	68.2	67.9	68.4	...	68.2	69.0
Official cash rate (OCR)	%	0.25	0.25	0.25	0.25	0.25	0.25
90 day bank bill rate	%	0.33	0.32	0.31	...	0.26	0.26
10 year govt bond rate	%	0.89	0.92	0.87	...	0.76	0.70
<b>Share markets (6)</b>							
Dow Jones	index	23476	23515	23775	24134	24102	24634
S&P 500	index	2799	2798	2837	2878	2863	2940
VIX volatility index	index	42.0	41.4	35.9	33.3	33.6	31.2
AU all ords	index	5274	5273	5301	5388	5381	5464
NZX 50	index	10418	10446	10419	...	10760	10666
<b>US interest rates</b>							
3 month OIS	%	0.05	0.04	0.05	0.04	0.04	...
3 month Libor	%	1.02	0.99	0.89	0.84	0.76	...
10 year govt bond rate	%	0.63	0.61	0.60	0.67	0.62	0.63
<b>Commodity prices (6)</b>							
WTI oil	US\$/barrel	13.78	16.50	15.99	12.17	12.40	...
Gold	US\$/ounce	1711	1736	1716	1715	1692	1703
CRB Futures	index	351	350	348	348	351	...

(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		2019Q3	Oct 19	Nov 19	Dec 19	2019Q4	Jan 20	Feb 20	Mar 20	2020Q1	Apr 20
<b>United States</b> [9.6% share of total goods exports]	GDP (1)	qpc	0.5				0.5				-1.2	
	Industrial production (1)	mpc		-0.4	0.9	-0.4		-0.5	0.5	-5.4		...
	CPI	apc		1.8	2.1	2.3		2.5	2.3	1.5		...
	Unemployment rate (1)	%		3.6	3.5	3.5		3.6	3.5	4.4		...
	Employment change (1)	000s		185.0	261.0	184.0		214.0	275.0	-701.0		...
	Retail sales value	apc		3.3	3.3	5.6		4.9	4.5	-5.8		...
	House prices (2)	apc		2.2	2.6	2.8		3.1	3.5	...		...
	PMI manufacturing (1)	index		48.5	48.1	47.8		50.9	50.1	49.1		...
Consumer confidence (1)(3)	index		126.1	126.8	128.2		130.4	132.6	118.8		86.9	
<b>Japan</b> [6.1%]	GDP (1)	qpc	0.0				-1.8				...	
	Industrial production (1)	mpc		-4.0	-0.6	0.2		1.9	-0.3	...		...
	CPI	apc		0.2	0.5	0.8		0.6	0.5	0.4		...
	Unemployment rate (1)	%		2.4	2.2	2.2		2.4	2.4	2.5		...
	Retail sales value	apc		-7.0	-2.1	-2.6		-0.4	1.6	...		...
	PMI manufacturing (1)	index		48.4	48.9	48.4		48.8	47.8	44.8		...
	Consumer confidence (1)(4)	index		36.3	38.7	39.0		39.2	38.2	31.1		...
<b>Euro area</b> [5.5%]	GDP (1)	qpc	0.3				0.1				...	
	Industrial production (1)	mpc		-0.3	-0.6	-1.8		2.3	-0.1	...		...
	CPI	apc		0.7	1.0	1.3		1.4	1.2	0.7		...
	Unemployment rate (1)	%		7.4	7.4	7.4		7.4	7.3	...		...
	Retail sales volume	apc		1.8	2.5	1.9		2.2	3.0	...		...
	PMI manufacturing (1)	index		45.9	46.9	46.3		47.9	49.2	44.5		...
	Consumer confidence (5)	index		-7.6	-7.2	-8.1		-8.1	-6.6	-11.6		-22.7
<b>United Kingdom</b> [2.7%]	GDP (1)	qpc	0.5				0.0				...	
	Industrial production (1)	mpc		0.2	-1.1	-0.2		0.3	0.1	...		...
	CPI	apc		1.5	1.4	1.3		1.8	1.7	1.5		...
	Unemployment rate (1)	%		3.8	3.8	3.8		3.9	4.0	...		...
	Retail sales volume	apc		3.3	0.6	0.6		0.9	0.0	-5.9		...
	House prices (6)	apc		0.4	0.8	1.4		1.9	2.3	3.0		...
	PMI manufacturing (1)	index		49.6	48.9	47.5		50.0	51.7	47.8		...
	Consumer confidence (1)(5)	index		-10.6	-8.8	-7.1		-6.5	-6.2	-8.2		-22.7
<b>Australia</b> [15.8%]	GDP (1)	qpc	0.6				0.5				...	
	CPI	apc	1.7				1.8				2.2	
	Unemployment rate (1)	%		5.3	5.2	5.1		5.3	5.1	5.2		...
	Retail sales value	apc		2.7	3.2	2.4		2.2	5.7	...		...
	House Prices (7)	apc	-3.9				2.8				...	
	PMI manufacturing (1)	index		51.6	48.1	48.3		45.4	44.3	53.7		...
	Consumer confidence (8)	index		92.8	97.0	95.1		93.4	95.5	91.9		75.6
<b>China</b> [24.3%]	GDP	apc	6.0				6.0				-6.8	
	Industrial production	apc		4.7	6.2	6.9		-13.5	-13.5	-1.1		...
	CPI	apc		3.8	4.5	4.5		5.4	5.2	4.3		...
	PMI manufacturing (1)	index		49.3	50.2	50.2		50.0	35.7	52.0		...
<b>South Korea</b> [3.0%]	GDP (1)	qpc	0.4				1.3				-1.4	
	Industrial production (1)	mpc		-1.0	0.5	3.6		-1.5	-3.8	4.6		...
	CPI	apc		0.0	0.2	0.7		1.5	1.1	1.0		...

(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