

New Zealand has been at Alert Level 1 for just over a month, with all restrictions within the country lifted. The Oxford/BSG Lockdown Stringency Index for New Zealand and Estonia is the lowest in the OECD. The New Zealand Activity Index, which summarises changes in several monthly activity indicators, indicated that signalled further recovery of economic activity in June, now down around 1% on the same month last year. This was driven by card spend and traffic movements. Most other contributing indicators continued to recover, but are still below last year's levels. Treasury estimates that output is reduced by 5 – 10% under Alert Level 1.

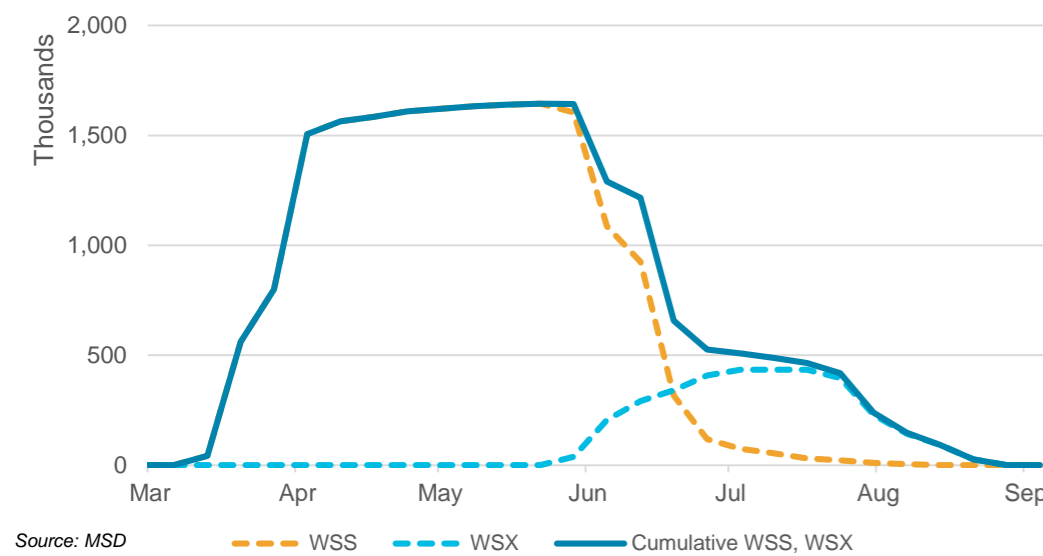
In the June New Zealand Institute of Economic Research (NZIER) Quarterly Survey of Business Opinion, business confidence showed a slight improvement, with fewer businesses expecting a deterioration in general economic conditions, but remains low after the sharp drop over the March quarter. The number of businesses that cut staff numbers in the June quarter is at the weakest level since September 2009, with many planning to reduce headcount in the next quarter. The preliminary results from the July ANZ Business Outlook Survey, however, show large improvements, with employment intentions up to -15% and profit expectations up to -26%. Own activity outlook has risen to just -6.8%.

As part of the response to COVID-19, the Government has committed to fund up to \$62.1 billion in fiscal support. The Wage Subsidy has supported around 1.7 million jobs, and the Wage Subsidy Extension is supporting over 340,000 jobs, with over \$12.9 billion paid out between them. As the original Wage Subsidy ends, the number of jobs being actively supported decreases. The total number of Jobseeker and CIRP recipients continues to increase, and combined is now over 65,000 more than at 20 March. The Small Business Cashflow Scheme has paid out over \$1.47 billion to over 88,000 applicants to date.

Domestic Economy

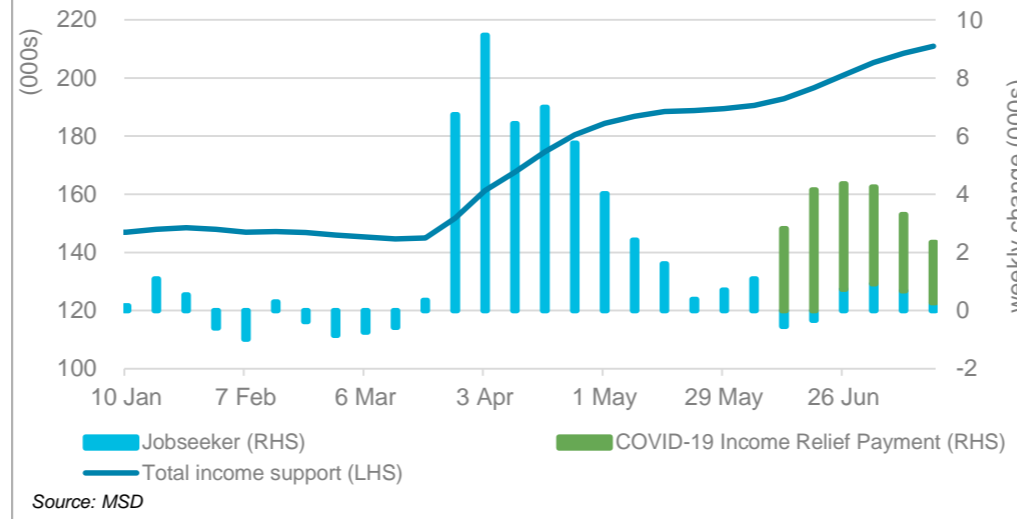
The Wage Subsidy has supported around 1.7 million jobs, and the Wage Subsidy Extension is supporting over 340,000 jobs.

Jobs supported by Wage Subsidy and Wage Subsidy Extension



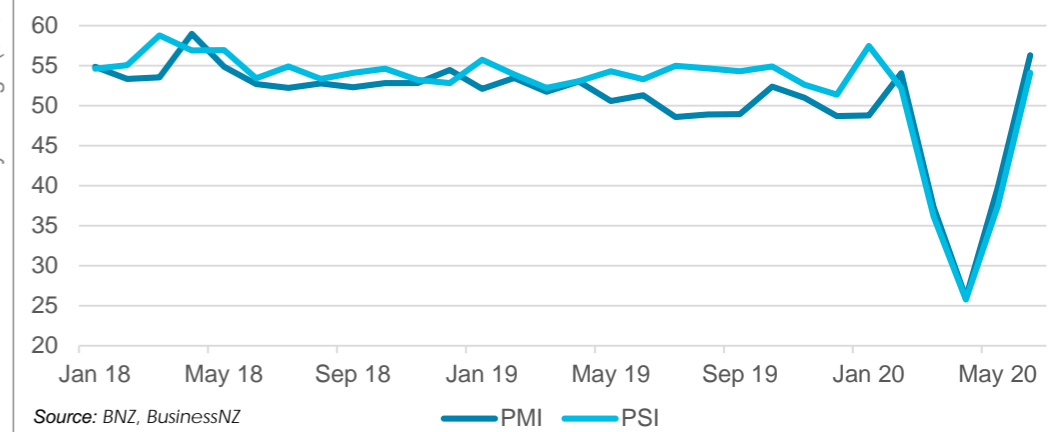
Both Jobseeker and CIRP recipient numbers have increased in the last month, despite transfers from Jobseeker to CIRP. Cumulatively Jobseeker and CIRP recipients are now 65,000 more than at 20 March.

Jobseeker and Income Support Recipients



New Zealand's manufacturing sector showed expansion for the first time since February, the seasonally adjusted PMI for June was 56.3, the highest result since April 2018. Activity in services sector also rose back into expansion, The PSI for June was 54.1, which was 16.6 points up from May.

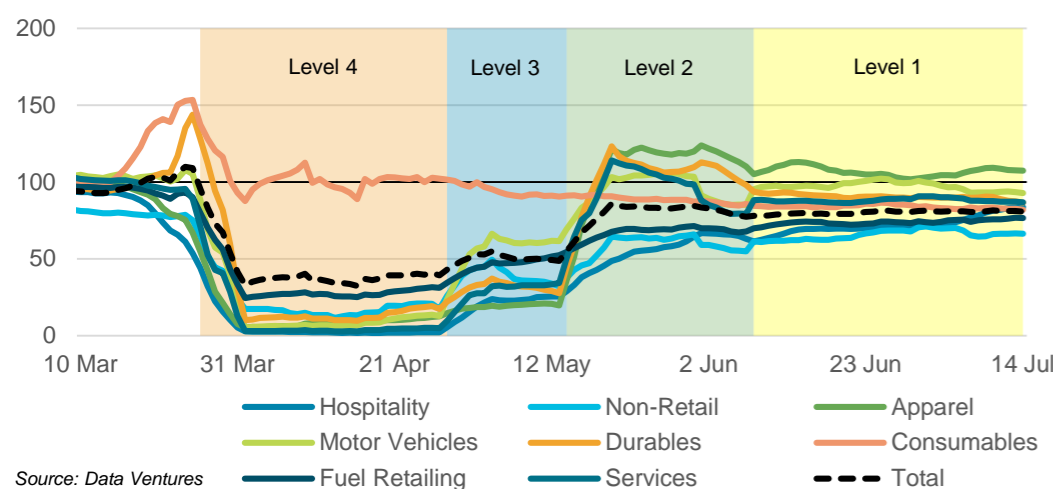
Performance of Manufacturing Index (PMI) and Performance of Services Index (PSI) (Seasonally adjusted)



Consumer spending has remained steady after increasing at the start of Level 2, with some categories near levels seen in January and February. This does not take into account seasonal effects.

Total Card Spend by Industry

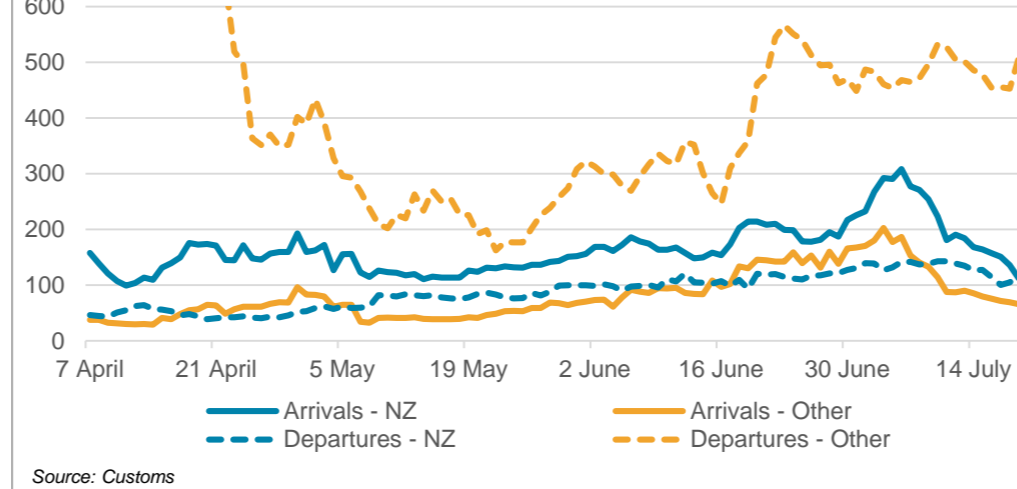
(7 day rolling average, indexed 100 = average over Jan and Feb)



The number of New Zealanders arriving in New Zealand is slightly higher than the number departing, while the number of people without a NZ passport departing is almost five times the number arriving.

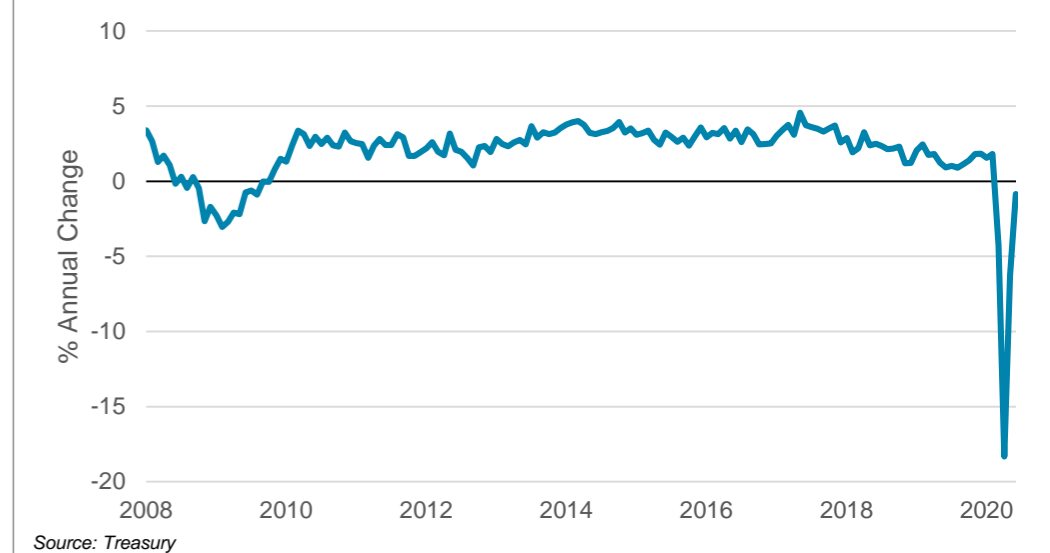
Daily Border Crossings

(7 day rolling average)



The New Zealand Activity Index signalled recovery in June, with economic activity now down around 1% on the same month last year.

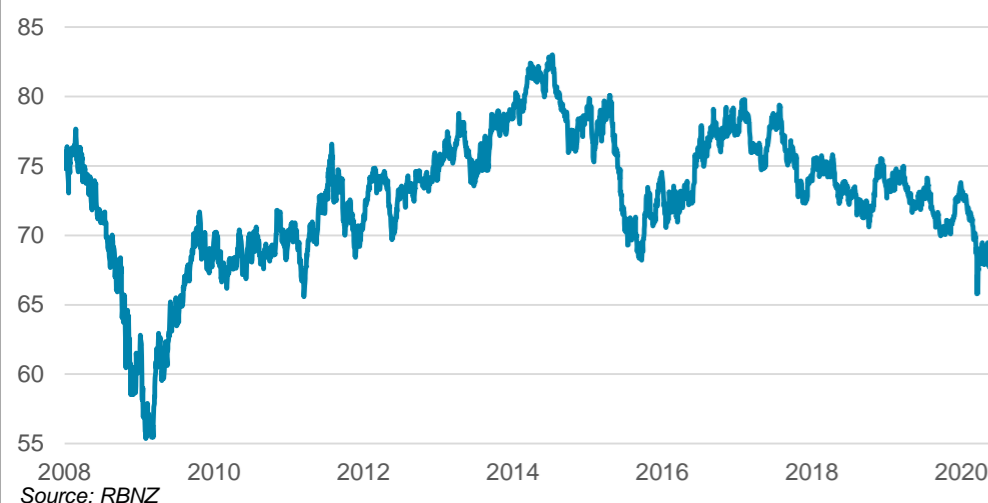
New Zealand Activity Index



Financial Conditions and Commodity Export Markets

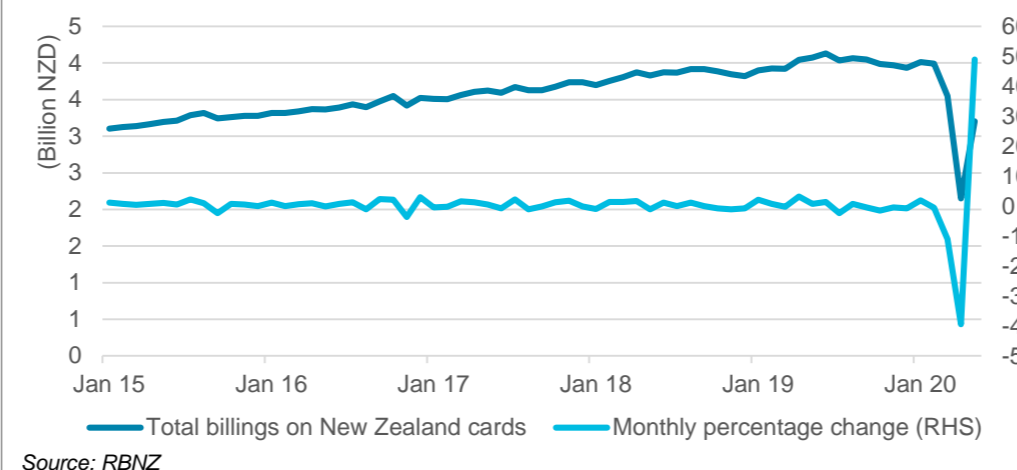
The New Zealand TWI has stabilised, following increases in the previous weeks as global risk sentiment improved.

Trade Weighted Exchange Index



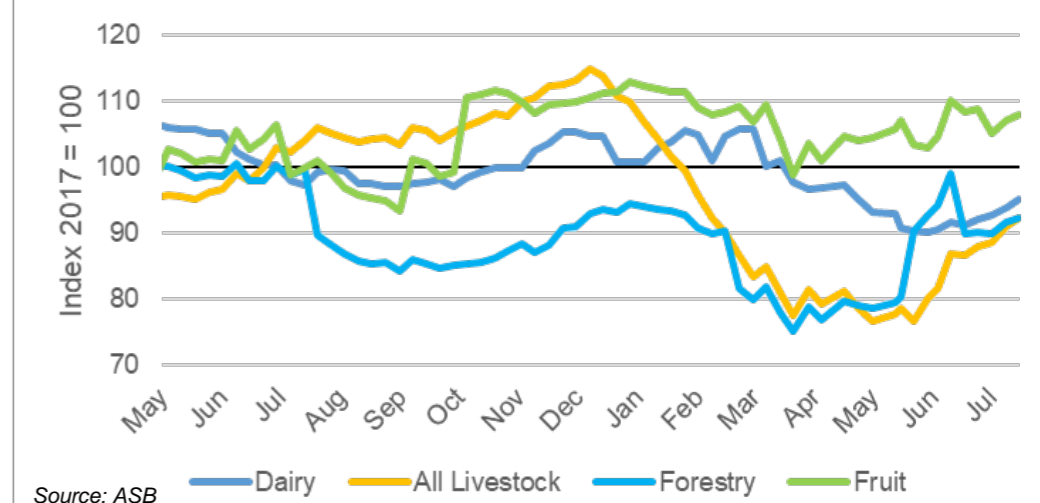
New Zealand's credit card spending showed expansion. The Total monthly credit card spending increased 13.3 percent in June.

Credit card spending (Seasonally adjusted)



International prices for some NZ commodity exports are increasing, though generally remain lower than at the start of the year.

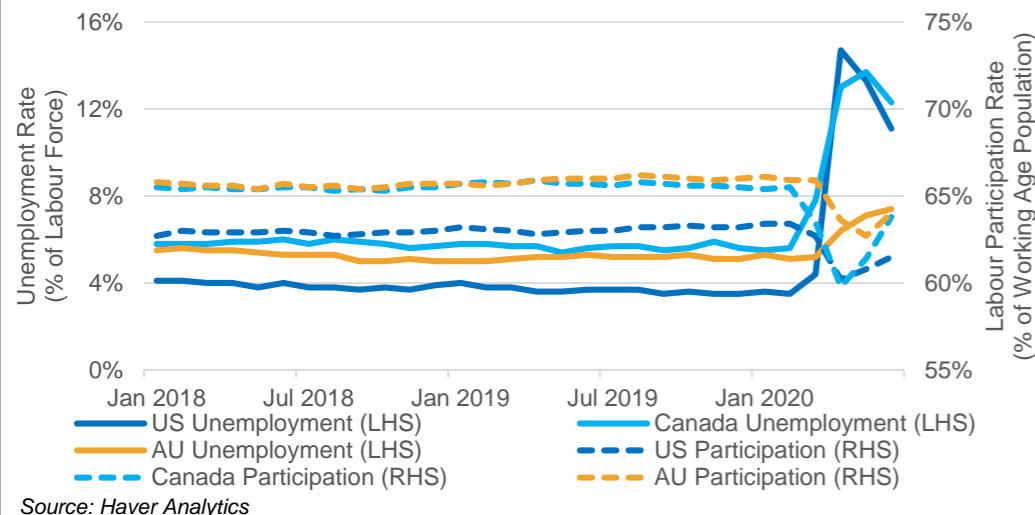
ASB Commodities Index



International Developments

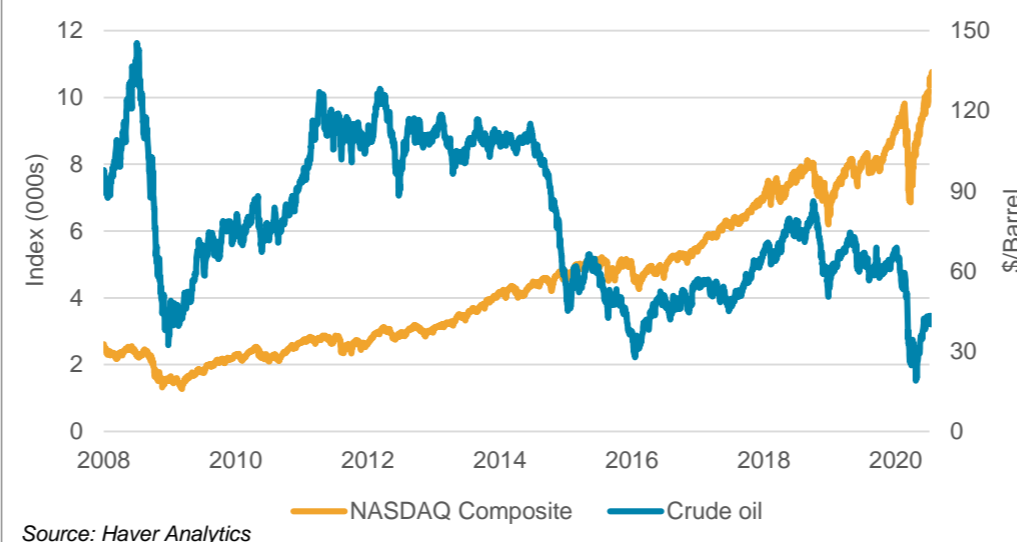
The US and Canada unemployment rates decreased further in June, and their participation rates increased further. Australian unemployment and participation rates have not yet shown this rebound.

Unemployment and Labour Participation Rates



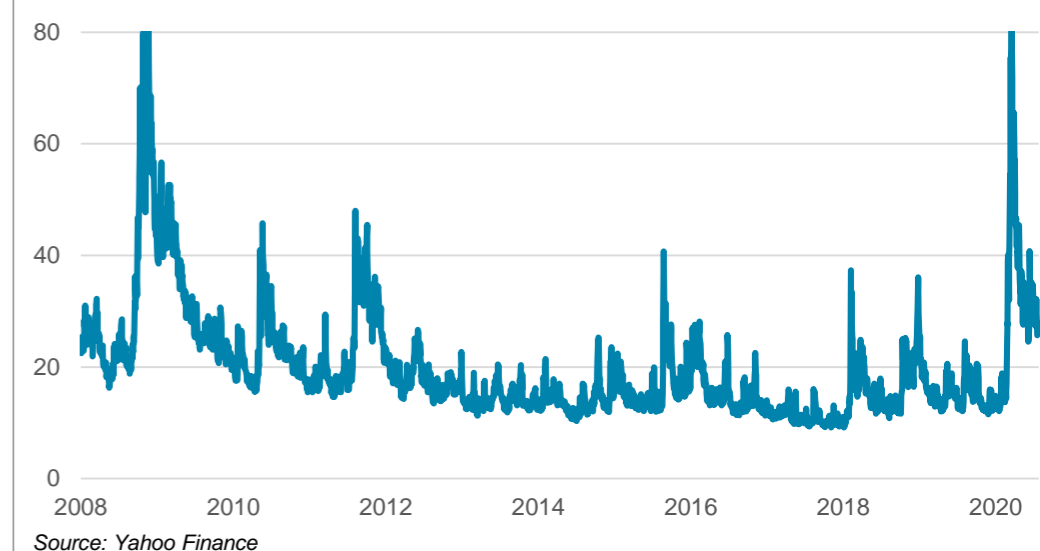
Equity markets have strengthened. The NASDAQ has surpassed its February high and oil prices have rebounded.

NASDAQ Composite Index, Market Price of Crude Oil



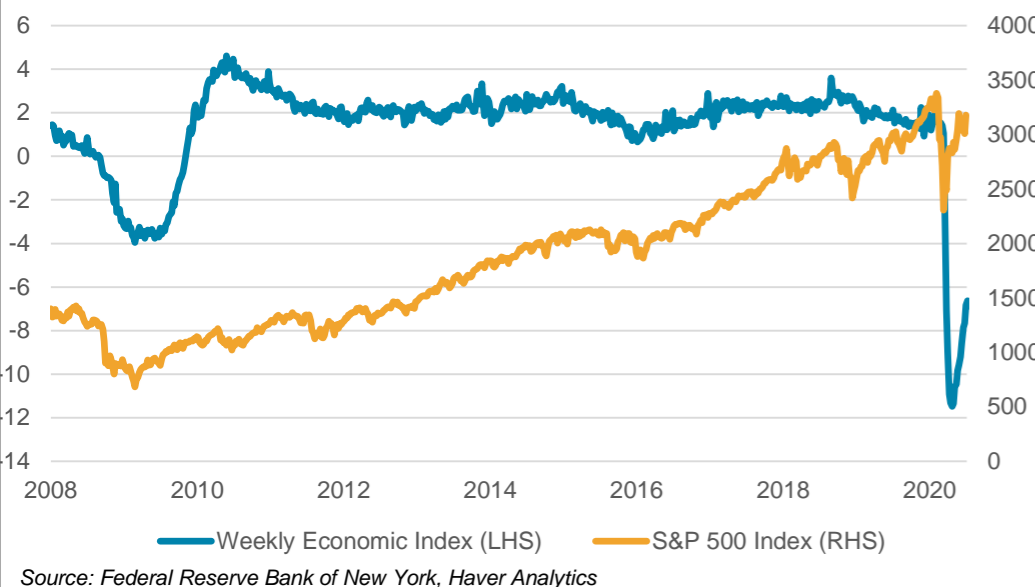
The Volatility Index (VIX) rose sharply in March but has returned to slightly elevated levels.

Volatility Index



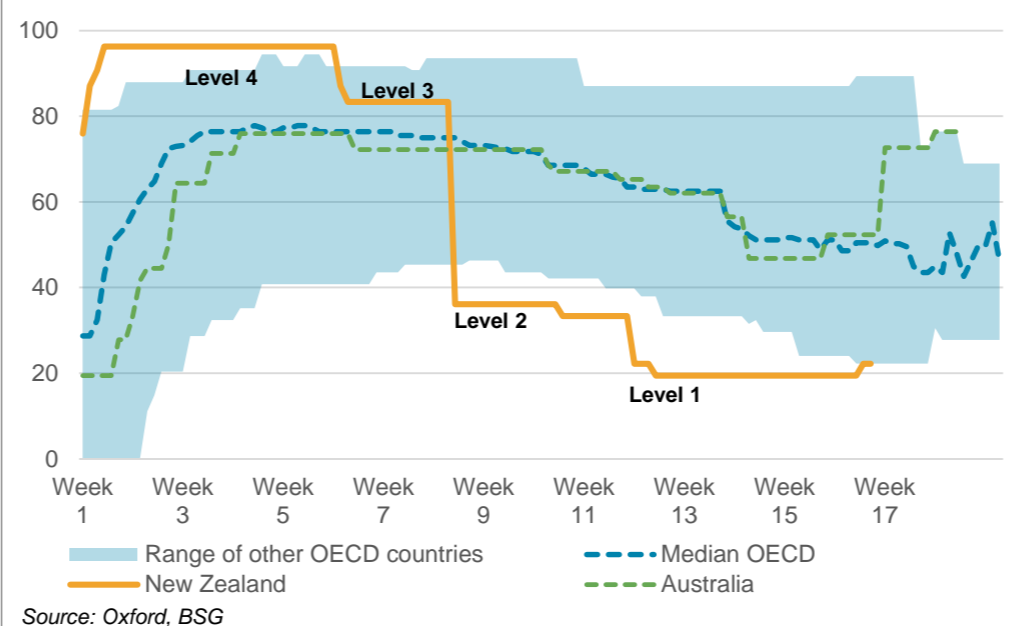
The S&P 500 Index has stabilised in the last month. The Federal Reserve Bank of New York's Weekly Economic Index, a broader measure of real economic activity, continues to slowly increase.

Weekly Economic Index, S&P 500 Index



The Oxford/BSG lockdown Stringency Index for New Zealand is now equal the lowest with Estonia of all OECD countries.

Oxford Stringency Index: since 100th confirmed case



Globally, there have been over 14.4 million confirmed cases of COVID-19, including about 604,000 deaths. New cases are dominated by the US and India.

Daily New COVID-19 Cases (7 day rolling average)

