

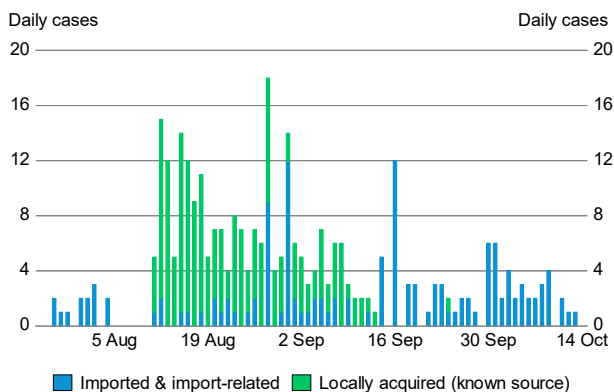
COVID-19 test numbers in New Zealand now exceed the one million mark, with no community transmission detected for over three weeks. House prices continued to rise in September, with the number of sales recovering strongly from lockdown. Card spending also recovered strongly in September as alert level restrictions eased, although there may be some signs that the bounce-back is tapering off. Food prices eased and rents edged up. Continued border restrictions keep net migration at historic low levels.

The International Monetary Fund released updated forecasts, and now expects a less sharp contraction in 2020, though the recovery is expected to be long and uneven. Daily new cases of COVID-19 continue to increase in Europe, which has led to some tightening of mobility restrictions. In Australia, consumer confidence improved to above pre-pandemic levels and the unemployment rate increased marginally.

Total COVID-19 tests exceed one million

The total number of COVID-19 tests conducted in New Zealand surpassed one million late last week, half of which were conducted since 10 August. There have been no new cases reported in the community since 24 September (Figure 1). There are still no active COVID-19 cases in the community, with all 42 active cases in managed isolation at the border.

Figure 1: Daily COVID-19 cases by source



Source: Institute of Environmental Science and Research

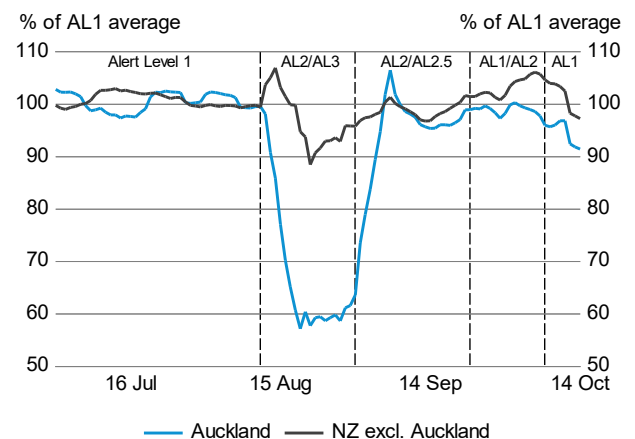
Household spending remains strong...

Total electronic card spending rose 3.2% annually in September with retail card spending up 7.3%. Spending rose in all core industries except for hospitality, with alert level restrictions particularly impacting this sector. In the month of September, retail spending rose 5.4%, with all retail industries except for consumables recording gains. Spending was boosted in September by Auckland moving to Alert Level 2 and the rest of the country moving to Alert Level 1.

...but recent data points to a possible slowing

While it is possible that spending will remain elevated in coming months following Auckland's move to Alert Level 1 as the holiday shopping season approaches, high-frequency card spending data suggest that spending has not fully recovered under Alert Level 1 in Auckland, and that spending in the rest of the country has also begun trending down (Figure 2). The daily data is volatile and subject to revision, so it is not yet clear whether the downward trend will persist.

Figure 2: Card spending compared to AL1 average

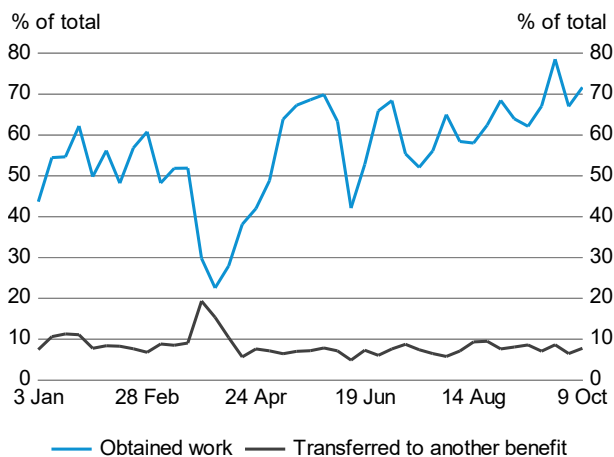


Source: Paymark and Verifone data via Data Ventures

Income support continues to fall

In the week to 9 October, the number of people receiving the COVID-19 Income Relief Payment (CIRP) fell by 834 as Jobseeker Support rose by 232. Total income support numbers (Jobseeker and CIRP) fell by 600 people, to 215,400. The weekly proportion of cancelled Jobseeker grants where the recipient had obtained work has been trending up since June (Figure 3).

Figure 3: Jobseeker cancellations by selected reason

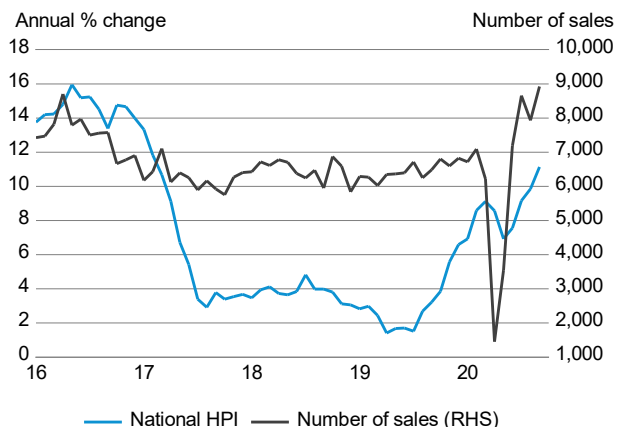


Source: Ministry of Social Development

House sales and price growth remains strong...

The REINZ house price index rose 1.8% in September to be up 11.1% from a year ago with strong demand at a time of low inventory levels driving the rise in house prices (Figure 4). In the September 2020 quarter, total house sales were up 31.0% from a year ago, with low inventory levels reported across the country.

Figure 4: House price index and number of sales



Source: REINZ

Lending statistics from the Reserve Bank indicate that first home buyers and property investors have been driving the increase in demand, with total lending to these two groups higher than they were a year ago. Along with record low mortgage rates and the temporary removal of loan to value ratio restrictions, demand is being supported by a combination of repurposed holiday funds due to the restrictions on international travel, returning New Zealanders and a desire to get into the market before prices rise further, according to REINZ. The strength in the level of demand can be seen in the days to sell measurement which, at an average of 32 days to sell, is the lowest September result for 3 years.

The resilience in the housing market seen in the last few months may not be sustained. In the months ahead, continued uncertainty around future household income flows, the end of some policy support measures, and slower population growth from continued border restrictions are expected to weigh on house price growth. Inventory levels generally rise in the warmer months of the year, which may provide some degree of ‘correction’ on the supply side of the equation, producing further downward pressure. Continued accommodative monetary policy is expected to provide some offset, with reduced debt servicing costs and the temporary removal of the loan to value restrictions also supporting demand.

Food prices are lower as vegetable prices fall...

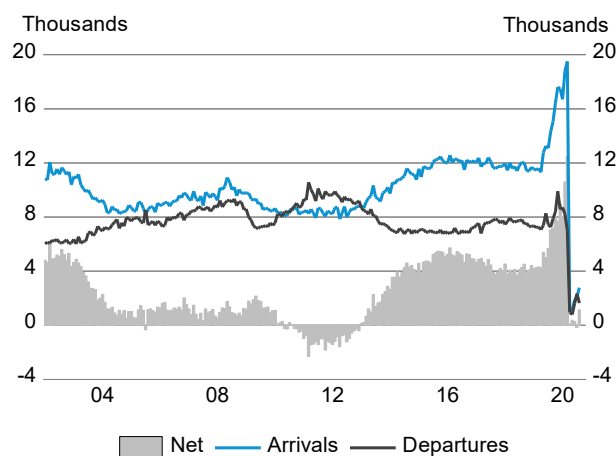
Food prices fell 0.5% in September to be up 3.1% in the year to September. Much of the fall was driven by lower prices for fruit and vegetables, which fell 2.9% in the month. Grocery food and non-alcoholic beverage prices also fell while meat, poultry and fish rose 0.7%.

Rent prices continued to rise, with the stock measure of rental prices up 0.2% in September to be 3.3% higher in the year to September.

...and net migration remains low

In the five months from April to August 2020, net migration is provisionally estimated at 1,700, made up of a net gain of 5,200 New Zealand citizens and a net loss of 3,500 non-New Zealand citizens. Over the same five months in 2019 there was a provisionally estimated net gain of 21,500 people.

Figure 5: Migration



Source: Stats NZ

IMF upgrades global outlook

The International Monetary Fund (IMF) released its October World Economic Outlook (WEO) on Wednesday. The global growth outlook has been upgraded to a contraction of 4.4% in 2020, compared to a 4.9% fall in the June WEO Update. This upward revision reflects better than expected June GDP outturns in developed economies as countries recovered more quickly following the easing of mobility restrictions. In 2021, the IMF forecasts global growth at 5.2%, slightly lower than in June due to the smaller contraction in 2020, but still leaving global GDP only 0.6% above that of 2019. Social distancing measures are assumed to continue into 2021, after which an increase in vaccine coverage will allow for their removal.

Table 1: October WEO real GDP growth projections

	2020	2021
Australia	-4.2	3.0
China	1.9	8.2
Euro area	-8.3	5.2
New Zealand	-6.1	4.4
United Kingdom	-9.8	5.9
United States	-4.3	3.1
World	-4.4	5.2

Source: IMF October WEO

Following the recovery in 2021, the IMF forecasts a gradual slowdown in global growth to around 3.5% in the medium term. Government debt is projected to increase substantially, the servicing of which will be made more difficult by a projected decline in potential output, due to scarring effects and the need for structural changes. The IMF acknowledged that the uncertainty around their baseline forecasts is “unusually large”.

UK intensifies restrictions amid rising cases...

New COVID-19 cases have continued to increase in a number of European countries. United Kingdom daily case numbers reached an all-time high of almost 23,000 on 4 October and have since hovered at around 15,000. The government has revealed a new three-tier alert system of ‘medium’, ‘high’, and ‘very high’. The Liverpool City Region (population of 1.5 million), has been placed under the highest alert level. This means that bars that do not serve meals have to close, households are not allowed to socialise with each other, and people are advised against travelling.

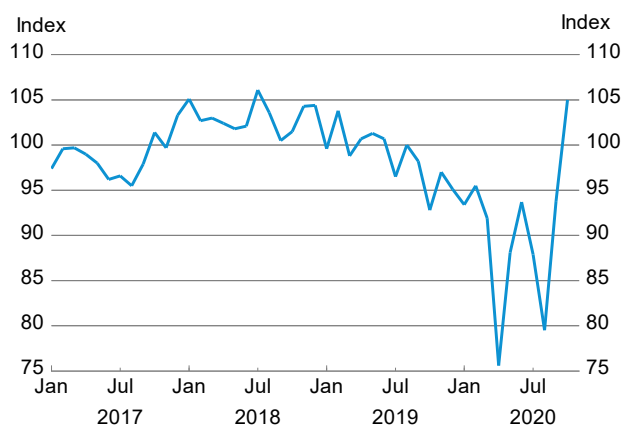
...as unemployment rate increased

The UK’s unemployment rate increased to 4.5% in the three months ending August compared to 4.1% in the previous three-month period. Employment is down by around 500k people since the start of the pandemic, with around 60% of these falling in the 16-24 age group. While total hours worked recovered by 4.2% in the most recent quarter, it is still down 15% compared to pre-pandemic levels.

Australia consumer confidence rises ...

The Westpac-Melbourne Institute consumer sentiment index jumped by 11.9% in October to 105 points, its highest level since July 2018 (Figure 6). The index has recovered over the past two months to finish around 10% above the level seen in before the pandemic. This is the quickest recovery in consumer confidence following a downturn in the history of the series. The improvement in confidence may be due to a positive response to last week’s Federal Budget and the success in containing COVID-19.

Figure 6: Australia consumer confidence



Source: Haver

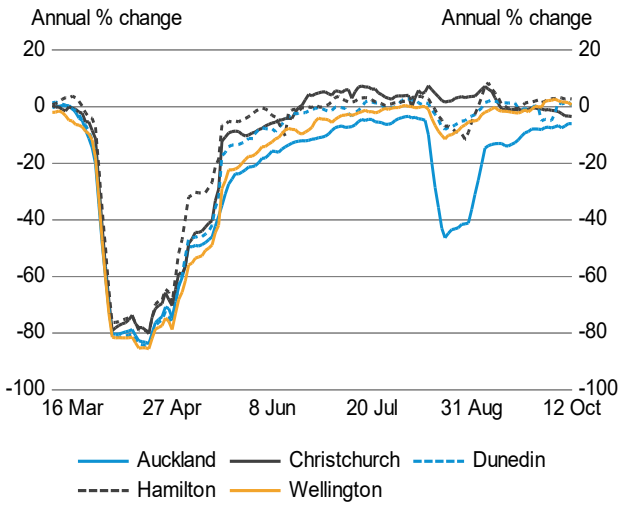
...while unemployment rate increased

The unemployment rate increased to 6.9% in September from 6.8% in August, with the number of unemployed people rising by 11,300 (1.2%). The number of employed people fell by 29,500 (0.2%) and the labour force participation rate fell from 64.9% to 64.8%. Hours worked increased by 0.5%, but is still down 5% on an annual basis.

Date	Key upcoming NZ data	Previous
19 Oct	BNZ Performance of Services	+ 1.5%
20 Oct	NZIER QSBO	- 58.8
23 Oct	Consumers Price Index	+ 1.5%
23 Oct	NZ Activity Indicator	- 1.4

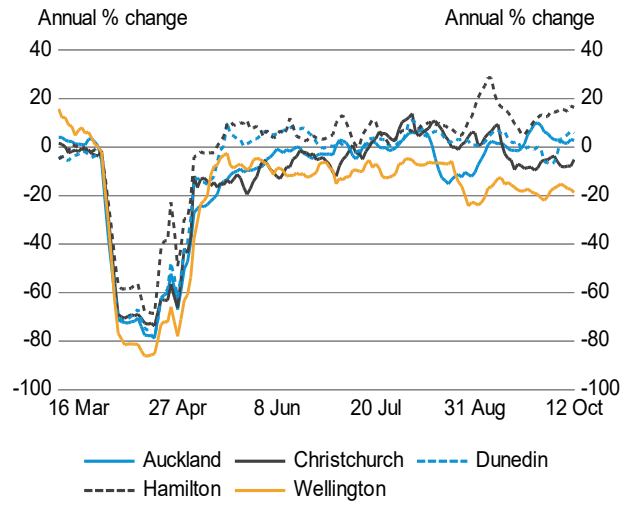
High-Frequency Indicators (Domestic)

Traffic Movement



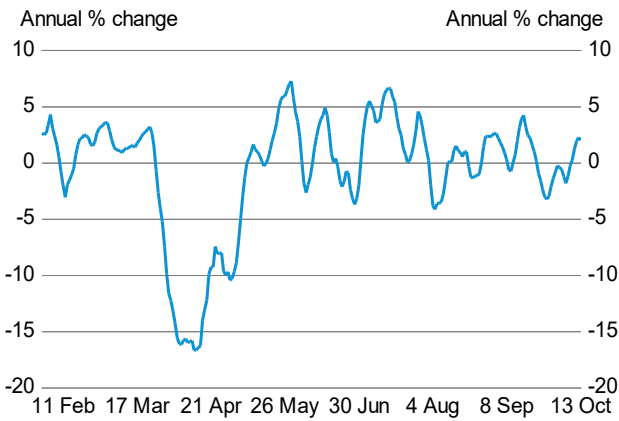
Source: Waka Kotahi NZ Transport Agency

Freight Movement



Source: Waka Kotahi NZ Transport Agency

Electricity Demand



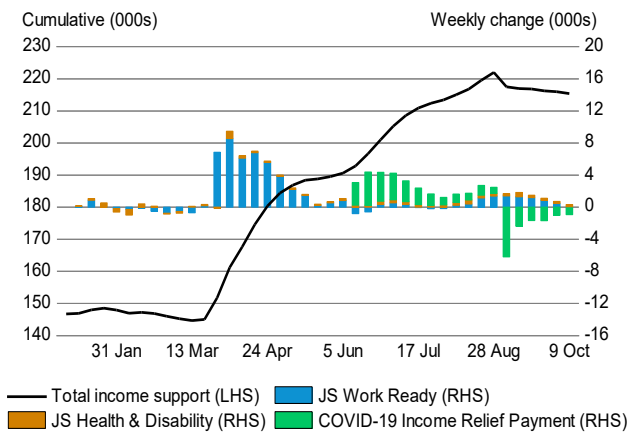
Source: Electricity Authority

Retail Spending



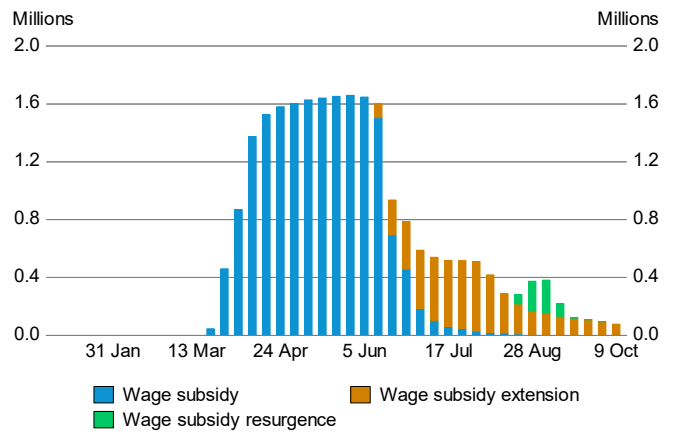
Source: Paymark and Verifone data via Data Ventures

Jobseeker (JS) and Income Support Recipients



Source: MSD

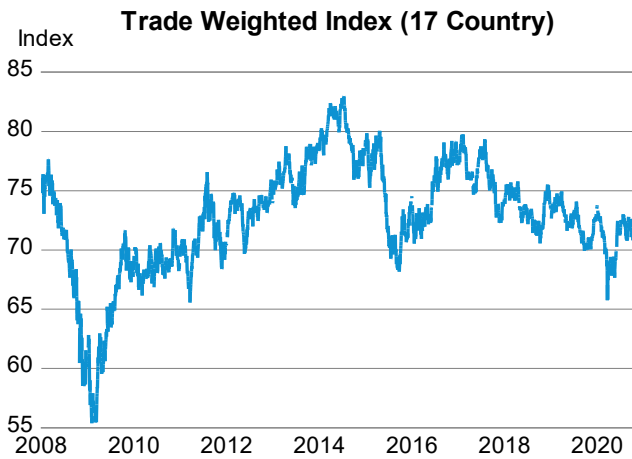
Wage Subsidy (jobs supported)



Source: MSD

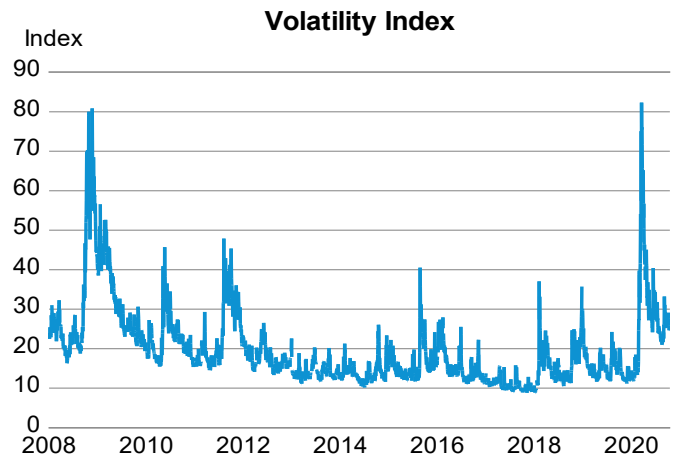
High-Frequency Indicators (Global)

Trade Weighted Index



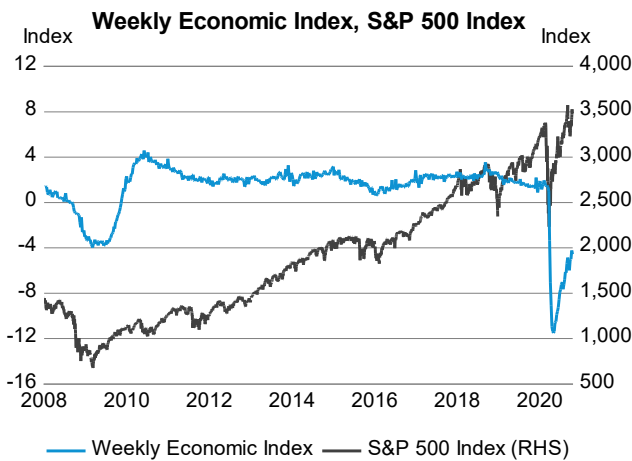
Source: RBNZ

Volatility Index



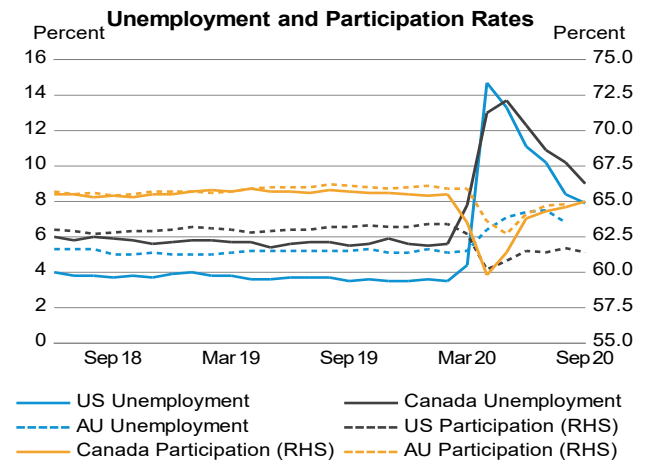
Source: Haver

US Activity and Equities



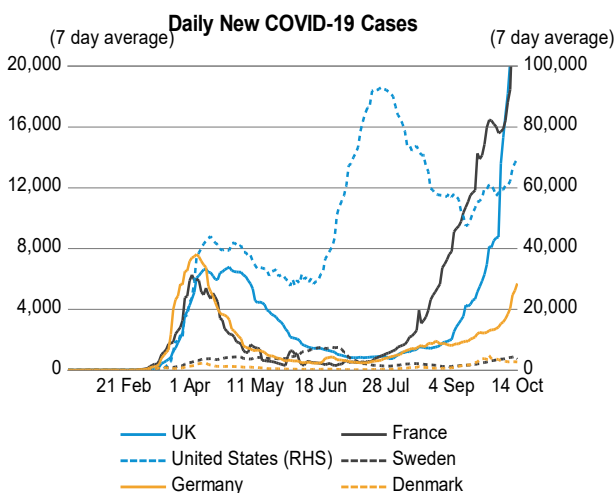
Sources: Federal Reserve Bank of New York, Haver

Labour Markets



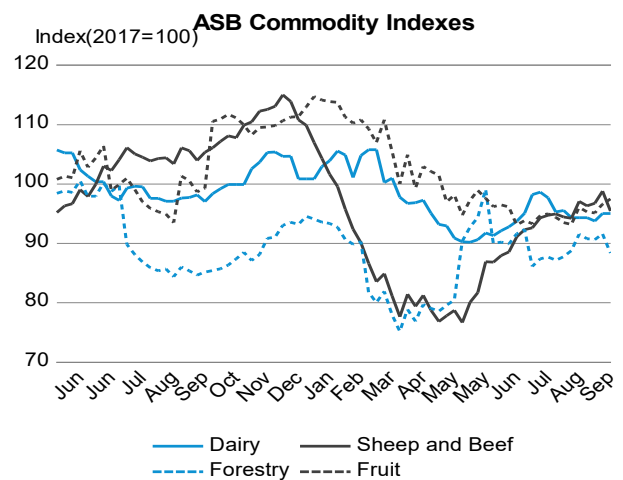
Source: Haver

COVID-19 Cases



Sources: World Health Organisation/Haver

World Commodity Prices



Source: ASB

Quarterly Indicators		2019Q1	2019Q2	2019Q3	2019Q4	2020Q1	2020Q2
Real Production GDP (1)	qpc	0.4	0.1	0.7	0.5	-1.4	-12.2
	aapc	3.1	2.8	2.7	2.3	1.5	-2.0
Current account balance (annual)	%GDP	-4.0	-3.8	-3.8	-3.4	-2.9	-1.9
Merchandise terms of trade	apc	-1.9	-1.0	0.9	7.1	5.4	6.5
CPI inflation	qpc	0.1	0.6	0.7	0.5	0.8	-0.5
	apc	1.5	1.7	1.5	1.9	2.5	1.5
Employment (HLFS) (1)	qpc	-0.1	0.6	0.4	0.3	1.1	-0.3
Unemployment rate (1)	%	4.2	4.0	4.2	4.1	4.2	4.0
Participation rate (1)	%	70.6	70.5	70.7	70.4	70.7	69.9
LCI salary & wage rates - total (2)	apc	2.0	2.1	2.5	2.6	2.5	2.1
QES average hourly earnings - total (2)	apc	3.4	4.4	4.2	3.6	3.6	3.0
Core retail sales volume	apc	3.9	3.6	5.4	3.3	4.0	-11.7
Total retail sales volume	apc	3.3	2.9	4.5	3.3	2.3	-14.2
WMM - consumer confidence (3)	Index	103.8	103.5	103.1	109.9	104.2	97.2
QSBO - general business situation (1,4)	net%	-27.0	-30.7	-38.0	-28.6	-68.0	-58.8
QSBO - own activity outlook (1,4)	net%	5.3	-2.0	-0.2	4.1	-13.9	-24.8
Monthly Indicators		Apr 20	May 20	Jun 20	Jul 20	Aug 20	Sep 20
Merchandise trade balance (12 month)	NZ\$m	-2,393	-1,274	-1,129	51	1,340	...
Dwelling consents - residential	apc	-16.5	-4.4	20.4	-0.8	-3.6	...
House sales - dwellings	apc	-77.2	-44.3	11.8	29.1	26.9	37.1
REINZ - house price index	apc	8.6	7.0	7.6	9.2	9.9	11.1
Estimated net migration (12 month total)	people	89,552	87,088	84,291	77,735	71,486	...
ANZ NZ commodity price index	apc	0.9	-1.3	-2.9	0.2	-3.9	-6.4
ANZ world commodity price index	apc	-9.2	-8.1	-5.7	-1.5	-2.8	-3.0
ANZBO - business confidence	net%	-66.6	-41.8	-34.4	-31.8	-41.8	-28.5
ANZBO - activity outlook	net%	-55.1	-38.7	-25.9	-8.9	-17.5	-5.4
ANZ-Roy Morgan - consumer confidence	net%	84.8	97.3	104.5	104.3	100.2	100.0
Weekly Benefit Numbers		4 Sep	11 Sep	18 Sep	25 Sep	2 Oct	9 Oct
Jobseeker Support	number	198,929	200,776	202,274	203,389	204,116	204,348
Work Ready	number	129,013	130,318	131,509	132,368	132,836	132,748
Health Condition and Disability	number	69,916	70,458	70,765	71,021	71,280	71,600
COVID-19 Income Relief Payment	number	18,608	16,236	14,573	12,884	11,888	11,054
Full-time	number	16,609	14,485	12,996	11,487	10,581	9,841
Part-time	number	1,999	1,751	1,577	1,397	1,307	1,213
Daily Indicators		Wed	Thu	Fri	Mon	Tue	Wed
		7/10/20	8/10/20	9/10/20	12/10/20	13/10/20	14/10/20
NZ exchange and interest rates (5)							
NZD/USD	\$	0.6582	0.6551	0.6596	0.6657	0.6635	0.6661
NZD/AUD	\$	0.9264	0.9186	0.9195	0.9222	0.9239	0.9293
Trade weighted index (TWI)	index	71.3	70.9	71.2	71.5	71.4	71.8
Official cash rate (OCR)	%	0.25	0.25	0.25	0.25	0.25	0.25
90 day bank bill rate	%	0.28	0.28	0.28	0.28	0.28	0.27
10 year govt bond rate	%	0.50	0.56	0.54	0.54	0.58	0.58
Share markets (6)							
Dow Jones	index	28,303	28,426	28,587	28,838	28,680	28,514
S&P 500	index	3,419	3,447	3,477	3,534	3,512	3,489
VIX volatility index	index	28.1	26.4	25.0	25.1	26.1	26.4
AU all ords	index	6,240	6,306	6,312	6,343	6,400	6,387
NZX 50	index	12,016	12,236	12,281	12,357	12,454	12,544
US interest rates							
3 month OIS	%	0.09	0.09	0.09	0.09	0.09	...
3 month Libor	%	0.23	0.22	0.22	0.23	0.24	...
10 year govt bond rate	%	0.81	0.78	0.79	...	0.74	0.73
Commodity prices (6)							
WTI oil	US\$/barrel	39.95	41.19	40.60	39.43	40.20	...
Gold	US\$/ounce	1,885	1,887.45	1,923.25	1,925.50	1,891.30	...
CRB Futures	index	406	406.29	410.30	409.93	410.53	...

(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		2019Q4	Apr 20	May 20	Jun 20	2020Q1	Jul 20	Aug 20	Sep 20	2020Q2	Oct 20
United States [9.6% share of total goods exports]	GDP (1)	qpc	0.6				-1.3				-9.0	
	Industrial production (1)	mpc		-12.9	1.0	6.1		3.5	0.4
	CPI	apc		0.3	0.1	0.6		1.0	1.3	1.4		...
	Unemployment rate (1)	%		14.7	13.3	11.1		10.2	8.4	7.9		...
	Employment change (1)	000s		-20787.0	2725.0	4781.0		1761.0	1489.0	661.0		...
	Retail sales value	apc		-19.9	-5.6	2.2		2.4	2.6
	House prices (2)	apc		3.8	3.6	3.5		3.9
	PMI manufacturing (1)	index		41.5	43.1	52.6		54.2	56.0	55.4		...
Consumer confidence (1)(3)	index		85.7	85.9	98.3		91.7	86.3	101.8		...	
Japan [6.1%]	GDP (1)	qpc	-1.8				-0.6				-7.9	
	Industrial production (1)	mpc		-9.8	-8.9	1.9		8.7	1.0
	CPI	apc		0.2	0.0	0.1		0.4	0.1
	Unemployment rate (1)	%		2.6	2.9	2.8		2.9	3.0
	Retail sales value	apc		-13.9	-12.5	-1.3		-2.9	-1.9
	PMI manufacturing (1)	index		41.9	38.4	40.1		45.2	47.2	47.7		...
	Consumer confidence (1)(4)	index		21.3	24.1	28.5		29.5	29.3	32.8		...
Euro area [5.5%]	GDP (1)	qpc	0.1				-3.7				-11.8	
	Industrial production (1)	mpc		-18.1	12.5	9.5		5.0	0.7
	CPI	apc		0.3	0.1	0.3		0.4	-0.2
	Unemployment rate (1)	%		7.4	7.6	7.8		8.0	8.1
	Retail sales volume	apc		-19.3	-2.6	1.4		-0.1	3.7
	PMI manufacturing (1)	index		33.4	39.4	47.4		51.8	51.7	53.7		...
	Consumer confidence (5)	index		-22.0	-18.8	-14.7		-15.0	-14.7	-13.9		...
United Kingdom [2.7%]	GDP (1)	qpc	0.1				-2.5				-19.8	
	Industrial production (1)	mpc		-19.5	5.6	9.9		5.2	0.3
	CPI	apc		0.8	0.6	0.6		1.1	0.2
	Unemployment rate (1)	%		4.0	4.1	4.1		4.3	4.5
	Retail sales volume	apc		-22.7	-13.0	-1.6		1.4	2.8
	House prices (6)	apc		3.7	1.8	-0.1		1.5	3.7	5.0		...
	PMI manufacturing (1)	index		32.6	40.7	50.1		53.3	55.2	54.1		...
	Consumer confidence (1)(5)	index		-22.7	-23.7	-21.0		-16.6	-16.6	-17.9		...
Australia [15.8%]	GDP (1)	qpc	0.6				-0.3				-7.0	
	CPI	apc	1.8				2.2				-0.3	
	Unemployment rate (1)	%		6.4	7.1	7.4		7.5	6.8
	Retail sales value	apc		-8.9	5.5	8.6		12.8	5.4
	House Prices (7)	apc	2.8				8.1				6.6	
	PMI manufacturing (1)	index		35.8	41.6	51.5		53.5	49.3	46.7		...
	Consumer confidence (8)	index		75.6	88.1	93.7		87.9	79.5	93.8		105.0
China [24.3%]	GDP	apc	6.0				-6.8				3.2	
	Industrial production	apc		3.9	4.4	4.8		4.8	5.6
	CPI	apc		3.3	2.4	2.5		2.7	2.4
	PMI manufacturing (1)	index		50.8	50.6	50.9		51.1	51.0	51.5		...
South Korea [3.0%]	GDP (1)	qpc	1.3				-1.3				-3.2	
	Industrial production (1)	mpc		-6.6	-7.0	7.1		1.9	-0.7
	CPI	apc		0.1	-0.3	-0.0		0.3	0.7	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