

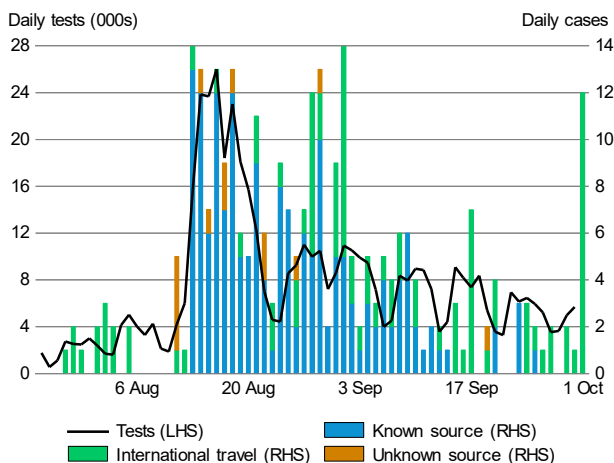
Community cases remain low during the second week of NZ (excluding Auckland) at Alert Level 1. Card spending data suggest that national spending has held up at levels similar to the previous Alert Level 1, though Auckland city lags behind. Income support numbers continue to fall as COVID-19 Income Relief Payments come to an end. Business confidence recovered over September, though firms reported difficulty in finding skilled workers. Consents for multi-unit dwellings reached a record high, providing a pipeline of future construction work and filled jobs numbers continue to recover.

Manufacturing activity in China maintained its momentum, while US consumer confidence and euro area business sentiment both increased. While manufacturing and services indicators appear to be on the improve globally, risks to the global outlook remain, with a continued resurgence of COVID-19 cases in Europe.

Community cases remain low

There have been few community cases of COVID-19 during the second week of New Zealand (excluding Auckland) at Alert Level 1 (Figure 1). A large number of cases were reported on 1 October, though all of these were in managed isolation at the border. Cabinet will review Auckland's Alert Level settings on 5 October. There are 11 active COVID-19 cases in the community and 42 active cases in managed isolation at the border, and the total number of tests conducted now exceeds 950,000.

Figure 1: Daily COVID-19 tests and cases by source

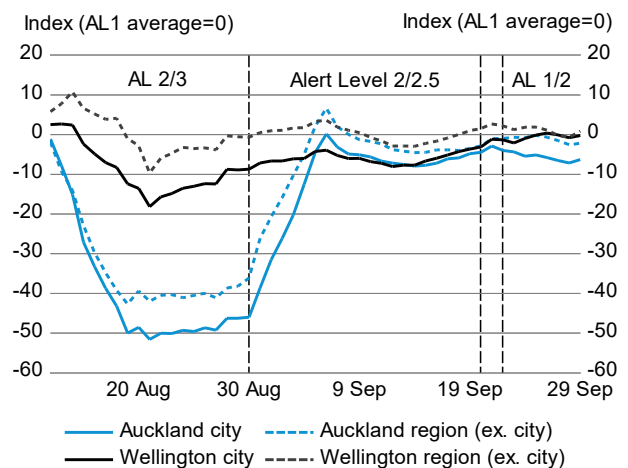


Source: Ministry of Health

Spending holds up, but Auckland city lags

Card spending data suggest that national spending has held up at levels similar to the average over Alert Level 1. Spending in city centres has also largely recovered, with the exception of Auckland, where the central business district remains more than 5% below the Alert Level 1 average (Figure 2).

Figure 2: Card spending in city vs regional areas

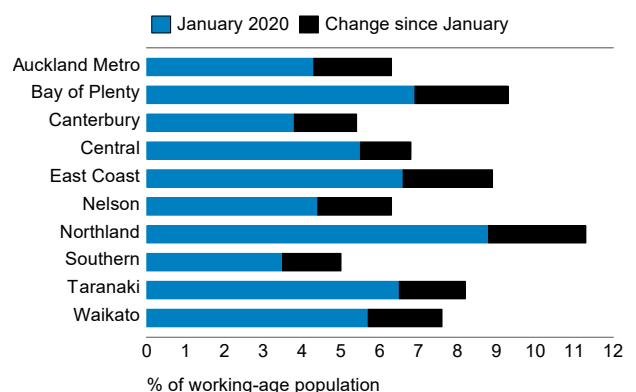


Source: Paymark and Verifone data via Data Ventures

Income support continues to fall

In the week to 25 September, the number of people receiving the COVID-19 Income Relief Payment (CIRP) fell by 1,689 as Jobseeker Support recipients increased by 1,115. Total income support numbers (Jobseeker and CIRP) fell slightly to 216,273. Around 6.8% of the NZ working-age population is now receiving Jobseeker Support, though regional variation is apparent (Figure 3). Regions that have seen the largest increase since January include Northland and the Bay of Plenty.

Figure 3: Jobseeker support by region

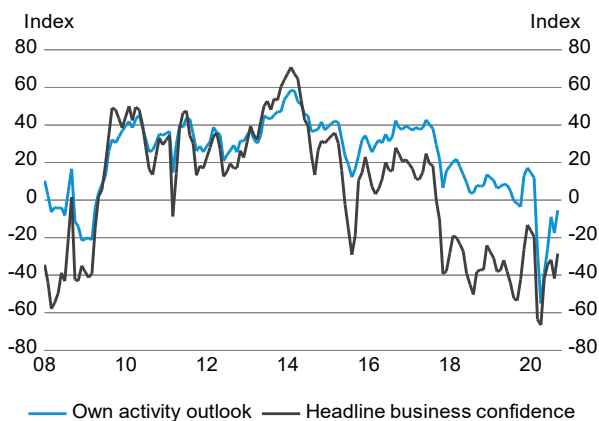


Source: Ministry of Social Development

Business activity indicators lift...

Activity indicators lifted a little further from the preliminary September read of the monthly ANZ Business Outlook Survey, but remains in negative territory. Firms' own activity outlook rose to -5.4%, its highest reading since February, up from -9.9% the previous month (Figure 4). Headline business confidence recovered slightly to -28.5%, with both investment and employment intentions improving.

Figure 4: Business confidence



Source: ANZ

As expected, Auckland businesses were a lot more pessimistic than the rest of the country in August but with alert levels easing in September, the gap has narrowed with regard to current employment levels. The services and retail sectors are most pessimistic while the construction and agriculture sectors most optimistic.

Every three months ANZ asks firms about their biggest problems, and what is driving their investment decisions. Firms reported finding skilled labour as the biggest concern. Given rising unemployment, ANZ says that the lack of skilled labour is undoubtedly the result of a significant skills mismatch between those who have lost jobs and the parts of the economy with the strongest employment intentions.

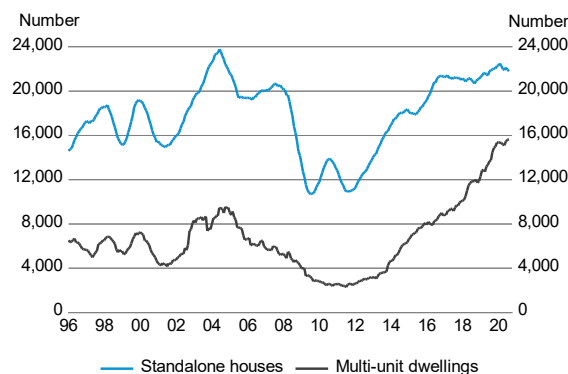
...as annual multi-unit consents reach new high

Seasonally adjusted new dwelling consents increased 0.3% in August after declining 4.6% in June. Housing consents drove the increase in monthly consents in August, up 0.5% from July, while multi-unit dwelling consents eased 0.1% from the previous month.

On an annual basis the total number of consents issued in the year remained high, at 37,500 slightly below the 45-year high of 37,900 recorded in the year to February 2020. Multi-unit dwellings

recorded their highest annual level of consents since records began (Figure 5).

Figure 5: Annual dwelling consents



Sources: Stats NZ

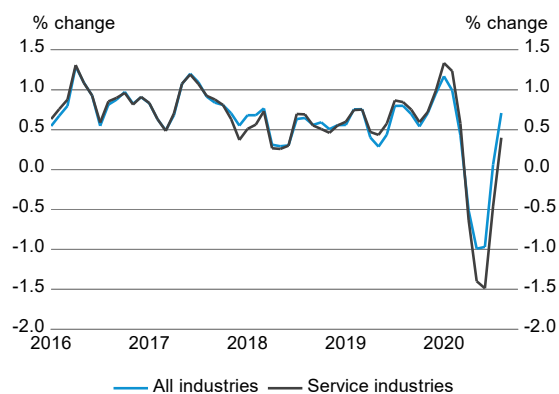
The high level of dwelling consents issuance supports a firm pipeline of construction activity into 2021. Uncertainties relating to the COVID-19 pandemic may however dampen the level of construction activity due to potential delays and concerns around the ongoing financial viability of projects.

Education sector boosts filled job numbers

Job numbers rose by 9,147 to 2.2 million in August 2020 compared with July, boosted by a rise in filled jobs in the education and training sector, up 7,409. Filled jobs in most industries remained similar to last month. Filled job numbers are still well below March 2020 before COVID-19 restrictions began.

The worst affected industries include accommodation and food services (down 4,913 jobs) and transport, postal and warehousing (down 6,092 jobs). These service industries were most affected by border closures and higher restrictions imposed on hospitality at higher alert levels, but have partly recovered in recent months (Figure 6). Stats NZ calculates filled jobs by averaging weekly jobs paid throughout the month, based on tax data.

Figure 6: Filled jobs (3 month moving average)



Source: Stats NZ

China manufacturing maintains momentum...

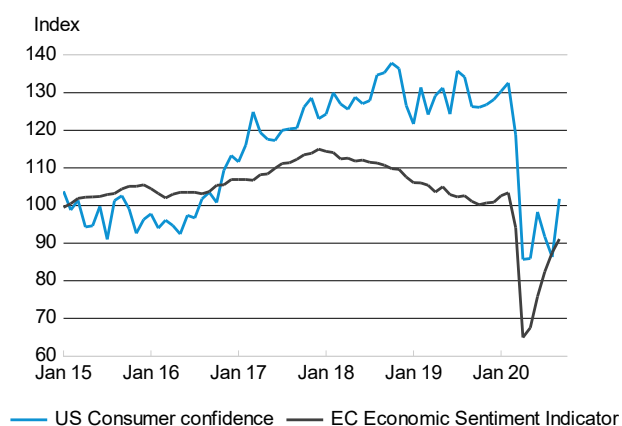
China's manufacturing and services Purchasing Managers' Indices (PMIs) point to sustained momentum into the fourth quarter of 2020. China's NBS manufacturing PMI increased to 51.5 in September from 51.0 in August, and the services PMI rose 0.9 points to 55.2, the latter likely reflecting improved sentiment in some of the hardest hit sectors, such as hospitality and tourism, as pandemic fears ease. China has reported zero local COVID-19 cases since 16 August.

This follows last week's PMIs for Japan, the US and the euro area, which pointed to continued manufacturing expansion but a pull-back in services. Over the quarter ahead, global manufacturing demand is expected to continue to benefit from the combination of pent-up demand in the goods sector (particularly durables) and inventory adjustment.

...as sentiment improves in US and euro area

Consumer confidence improved in the US, as did business sentiment in the euro area, providing some offset to the downside risks to the consumer spending outlook, highlighted by the weaker services PMIs, rising COVID-19 cases counts, and diminished prospects of a pre-election fiscal package in the US. In the US, the Conference Board index jumped 15.5 points to 101.8 in September, the largest monthly gain in nearly 17 years (Figure 7). The present conditions sub-index led the increase, perhaps reflecting gradual re-opening of business and improved labour market conditions.

Figure 7: Business and consumer sentiment



Source: Haver

Meanwhile, the European Commission's Economic Sentiment Indicator rose for the fifth successive month in September, recording a gain of 3.4 points

to a six-month high of 91.1 (Figure 7). The survey recorded broad-based gains across industries and countries. However, the resurgence of COVID-19 cases and their corollary of new targeted lockdowns and more stringent social distancing measures may reverse these gains.

Australian Budget next week

There were few data releases of note in Australia in the past week. Building approvals fell 1.6% in August, following a 12.2% rise in July, to be 0.6% higher than a year ago, while private sector credit was steady at 2.2% on an annual basis.

Next week the RBA Board meets and the Federal Budget is released, both on 6 October. Analysts expect no change from the RBA next week, but are increasingly of the view that the November meeting will see the cash rate lowered alongside the 3-year yield target and the Term Funding Facility rate.

Ahead of the Federal Budget (delayed from May), Treasurer Frydenberg indicated the budget will be in deficit over the forward estimates (ie, the next four years) and that this "first phase" of deficits will last until the unemployment rate is comfortably below 6%, which may not occur until 2023/24 according to analyst expectations.

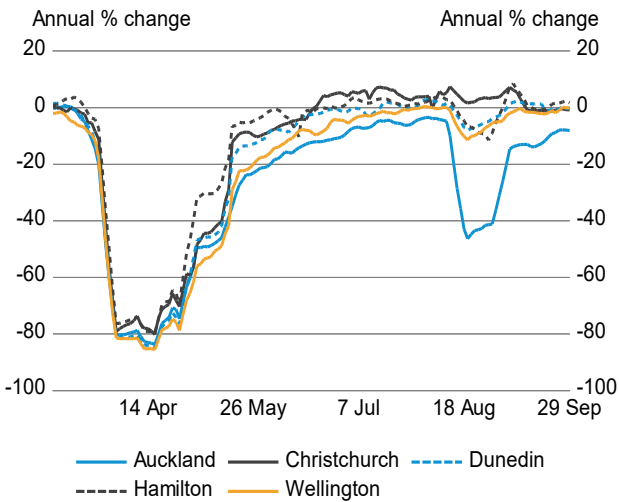
July's Mid-Year Economic and Fiscal Update forecast the deficit to rise to AU\$184.5 billion (bn) in 2020/21. However, a recent survey of economists shows subsequent initiatives and expected measures are expected to lead to budget deficits of around AU\$225bn (11% of GDP) in the current 2020/21 fiscal year, AU\$137bn in 2021/22 and AU\$75bn in 2022/23.

As for possible measures, the press suggest: bringing forward of the previously-announced tax cuts to July 2021; an investment tax allowance; a possible "JobStart" program that would see the government subsidise new employment for SMEs; and additional infrastructure spending of up to \$10bn.

Date	Key upcoming NZ data	Previous
5 Oct	ANZ Commodity Prices	-0.9% (world) -0.2% (local)
6 Oct	NZIER QSBO	-58.8 (Business Confidence)
8 Oct	ANZ Business Outlook	-5.4

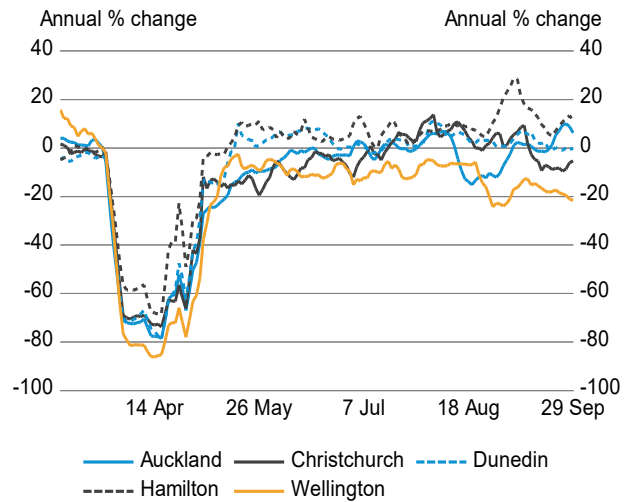
High-Frequency Indicators (Domestic)

Traffic Movement



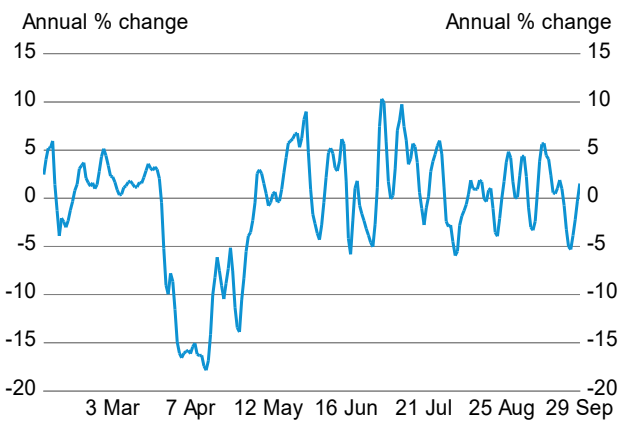
Source: Waka Kotahi NZ Transport Agency

Freight Movement



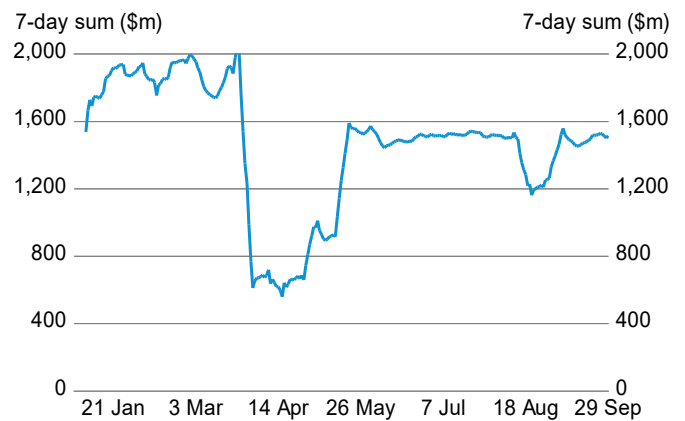
Source: Waka Kotahi NZ Transport Agency

Electricity Demand



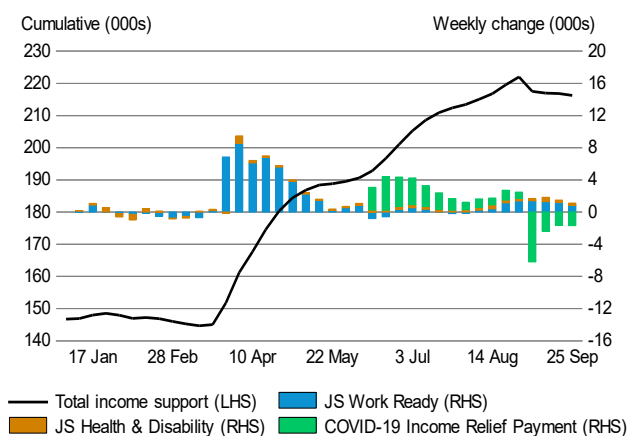
Source: Electricity Authority

Retail Spending



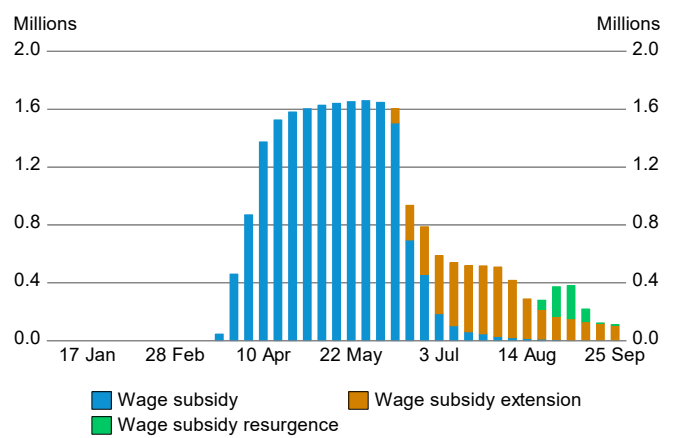
Source: Paymark and Verifone data via Data Ventures

Jobseeker (JS) and Income Support Recipients



Source: MSD

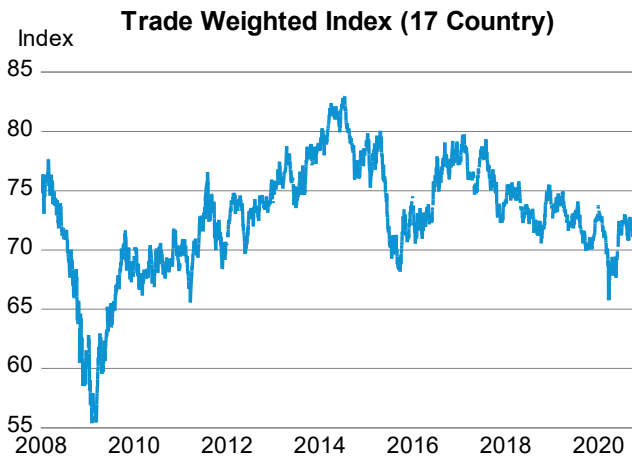
Wage Subsidy (jobs supported)



Source: MSD

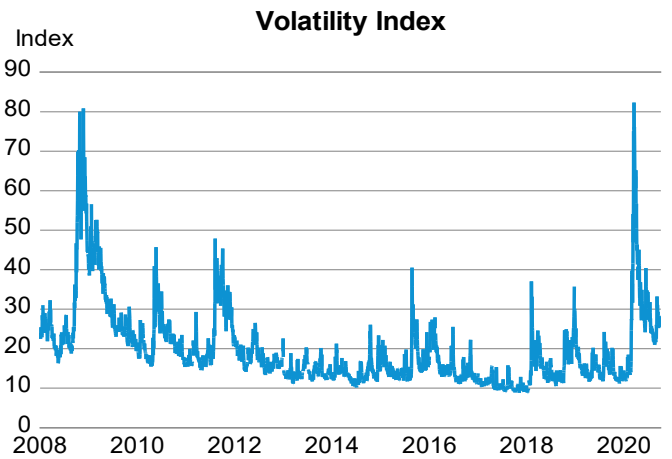
High-Frequency Indicators (Global)

Trade Weighted Index



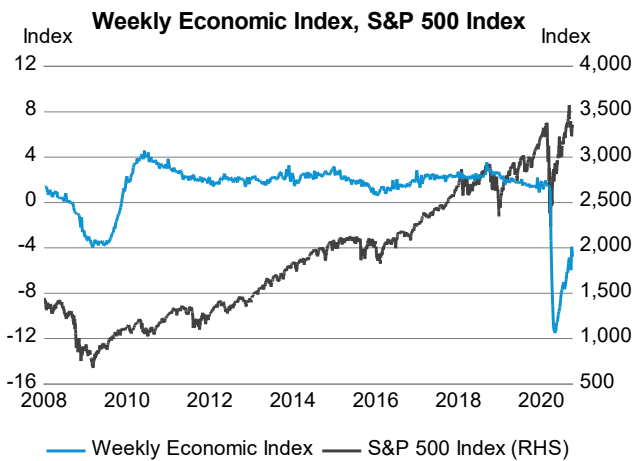
Source: RBNZ

Volatility Index



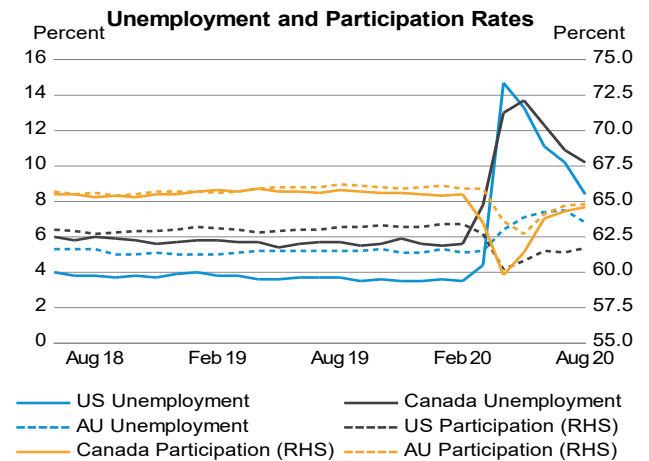
Source: Haver

US Activity and Equities



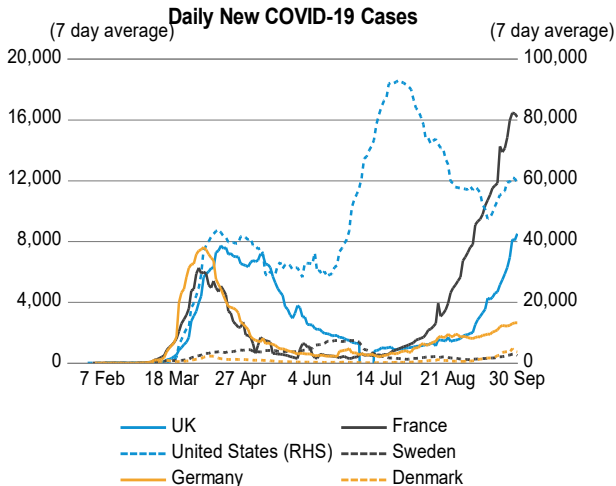
Sources: Federal Reserve Bank of New York, Haver

Labour Markets



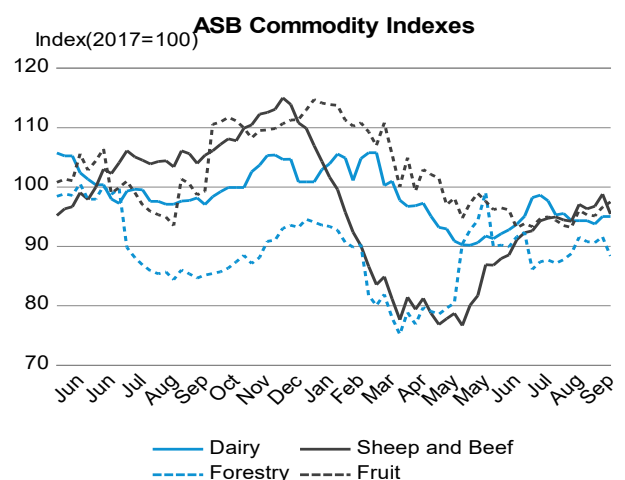
Source: Haver

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	-0.2	0.6	0.4	0.2	1.0	-0.4
Unemployment rate (1)	%	4.1	4.0	4.1	4.1	4.2	4.0
Participation rate (1)	%	70.3	70.3	70.4	70.1	70.5	69.7
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		Mar 20	Apr 20	May 20	Jun 20	Jul 20	Aug 20
Merchandise trade balance (12 month)	NZ\$m	-3,382	-2,393	-1,274	-1,129	51	1,340
Dwelling consents - residential	apc	-8.3	-16.5	-4.4	20.4	-0.8	-3.6
House sales - dwellings	apc	2.7	-77.2	-44.3	11.7	28.6	24.8
REINZ - house price index	apc	9.0	8.6	7.0	7.6	9.3	10.1
Estimated net migration (12 month total)	people	89,608	87,837	85,359	82,649	76,191	...
ANZ NZ commodity price index	apc	5.8	0.9	-1.3	-2.9	0.2	-3.8
ANZ world commodity price index	apc	-5.8	-9.2	-8.1	-5.7	-1.5	-2.7
ANZBO - business confidence	net%	-63.5	-66.6	-41.8	-34.4	-31.8	-41.8
ANZBO - activity outlook	net%	-26.7	-55.1	-38.7	-25.9	-8.9	-17.5
ANZ-Roy Morgan - consumer confidence	net%	106.3	84.8	97.3	104.5	104.3	100.2
Weekly Benefit Numbers		21 Aug	28 Aug	4 Sep	11 Sep	18 Sep	25 Sep
Jobseeker Support	number	195,495	197,227	198,929	200,776	202,274	203,389
Work Ready	number	126,225	127,615	129,013	130,318	131,509	132,368
Health Condition and Disability	number	69,270	69,612	69,916	70,458	70,765	71,021
COVID-19 Income Relief Payment	number	24,053	24,811	18,608	16,236	14,573	12,884
Full-time	number	21,528	22,221	16,609	14,485	12,996	11,487
Part-time	number	2,525	2,590	1,999	1,751	1,577	1,397
Daily Indicators		Wed 23/9/20	Thu 24/9/20	Fri 25/9/20	Mon 28/9/20	Tue 29/9/20	Wed 30/9/20
NZ exchange and interest rates (5)							
NZD/USD	\$	0.6609	0.6541	0.6552	0.6544	0.6564	0.6603
NZD/AUD	\$	0.9255	0.9268	0.9288	0.9302	0.9262	0.9253
Trade weighted index (TWI)	index	71.5	71.1	71.2	71.3	71.3	71.6
Official cash rate (OCR)	%	0.25	0.25	0.25	0.25	0.25	0.25
90 day bank bill rate	%	0.30	0.30	0.30	0.30	0.31	0.31
10 year govt bond rate	%	0.51	0.48	0.45	0.44	0.45	0.46
Share markets (6)							
Dow Jones	index	26,763	26,815	27,174	27,584	27,453	27,782
S&P 500	index	3,237	3,247	3,298	3,352	3,335	3,363
VIX volatility index	index	28.6	28.5	26.4	26.2	26.3	26.4
AU all ords	index	6,111	6,057	6,141	6,135	6,142	6,009
NZX 50	index	11,705	11,690	11,797	11,802	11,742	11,747
US interest rates							
3 month OIS	%	0.09	0.09	0.09	0.09	0.09	...
3 month Libor	%	0.23	0.23	0.22	0.22	0.23	...
10 year govt bond rate	%	0.68	0.67	0.66	0.67	0.66	0.69
Commodity prices (6)							
WTI oil	US\$/barrel	39.93	40.31	40.06	40.47	39.03	...
Gold	US\$/ounce	1,873	1,861.75	1,859.70	1,864.30	1,883.95	...
CRB Futures	index	404	402.48	403.52	403.74	403.92	...

(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 20	Mar 20	2020Q1	Apr 20	May 20	Jun 20	2020Q2	Jul 20	Aug 20	Sep 20
United States [9.6% share of total goods exports]	GDP (1)	qpc			-1.3				-9.0			
	Industrial production (1)	mpc	0.1	-4.4		-12.9	1.0	6.1		3.5	0.4	...
	CPI	apc	2.3	1.5		0.3	0.1	0.6		1.0	1.3	...
	Unemployment rate (1)	%	3.5	4.4		14.7	13.3	11.1		10.2	8.4	...
	Employment change (1)	000s	251.0	-1373.0		-20787.0	2725.0	4781.0		1734.0	1371.0	...
	Retail sales value	apc	4.5	-5.6		-19.9	-5.6	2.2		2.4	2.6	...
	House prices (2)	apc	3.5	3.8		3.8	3.6	3.5		3.9	...	...
Japan [6.1%]	PMI manufacturing (1)	index	50.1	49.1		41.5	43.1	52.6		54.2	56.0	...
	Consumer confidence (1)(3)	index	132.6	118.8		85.7	85.9	98.3		91.7	86.3	101.8
	GDP (1)	qpc			-0.6				-7.9			
	Industrial production (1)	mpc	-0.3	-3.7		-9.8	-8.9	1.9		8.7	1.7	...
	CPI	apc	0.5	0.4		0.2	0.0	0.1		0.4	0.1	...
	Unemployment rate (1)	%	2.4	2.5		2.6	2.9	2.8		2.9	...	...
	Retail sales value	apc	1.6	-4.7		-13.9	-12.5	-1.3		-2.9	-1.9	...
Euro area [5.5%]	PMI manufacturing (1)	index	47.8	44.8		41.9	38.4	40.1		45.2	47.2	...
	Consumer confidence (1)(4)	index	38.2	31.1		21.3	24.1	28.5		29.5	29.3	...
	GDP (1)	qpc			-3.7				-11.8			
	Industrial production (1)	mpc	-0.1	-11.6		-18.0	12.2	9.5		4.1	...	...
	CPI	apc	1.2	0.7		0.3	0.1	0.3		0.4	-0.2	...
	Unemployment rate (1)	%	7.3	7.2		7.4	7.5	7.7		7.9	...	...
	Retail sales volume	apc	2.6	-8.1		-19.3	-2.6	1.3		0.4	...	...
United Kingdom [2.7%]	PMI manufacturing (1)	index	49.2	44.5		33.4	39.4	47.4		51.8	51.7	...
	Consumer confidence (5)	index	-6.6	-11.6		-22.0	-18.8	-14.7		-15.0	-14.7	-13.9
	GDP (1)	qpc			-2.5				-19.8			
	Industrial production (1)	mpc	0.3	-4.3		-20.4	6.2	9.4		5.2	...	...
	CPI	apc	1.7	1.5		0.8	0.6	0.6		1.1	0.2	...
	Unemployment rate (1)	%	4.0	3.9		3.9	3.9	3.9		4.1	...	...
	Retail sales volume	apc	-0.2	-6.1		-22.7	-13.0	-1.6		1.4	2.8	...
Australia [15.8%]	House prices (6)	apc	2.3	3.0		3.7	1.8	-0.1		1.5	3.7	5.0
	PMI manufacturing (1)	index	51.7	47.8		32.6	40.7	50.1		53.3	55.2	...
	Consumer confidence (1)(5)	index	-6.2	-8.2		-22.7	-23.7	-21.0		-16.6	-16.6	-17.9
	GDP (1)	qpc			-0.3				-7.0			
	CPI	apc			2.2				-0.3			
	Unemployment rate (1)	%	5.1	5.2		6.4	7.1	7.4		7.5	6.8	...
	Retail sales value	apc	5.7	9.4		-8.9	5.5	8.6		12.8	...	...
China [24.3%]	House Prices (7)	apc			8.1				6.6			
	PMI manufacturing (1)	index	44.3	53.7		35.8	41.6	51.5		53.5	49.3	...
	Consumer confidence (8)	index	95.5	91.9		75.6	88.1	93.7		87.9	79.5	93.8
	GDP	apc			-6.8				3.2			
	Industrial production	apc	-13.5	-1.1		3.9	4.4	4.8		4.8	5.6	...
South Korea [3.0%]	CPI	apc	5.2	4.3		3.3	2.4	2.5		2.7	2.4	...
	PMI manufacturing (1)	index	35.7	52.0		50.8	50.6	50.9		51.1	51.0	51.5
	GDP (1)	qpc			-1.3				-3.2			
South Korea [3.0%]	Industrial production (1)	mpc	-3.7	4.9		-6.6	-7.0	7.1		1.9	-0.7	...
	CPI	apc	1.1	1.0		0.1	-0.3	-0.0		0.3	0.7	...

(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