

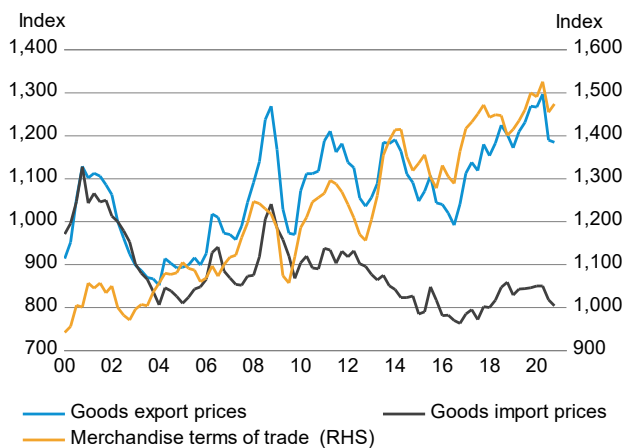
Alert levels increase in response to new cases

Higher alert levels were reintroduced for seven days, beginning Sunday 28 February, following the emergence of more community cases in Auckland. Alert levels were raised to Level 3 in Auckland and Level 2 for the rest of New Zealand.

The terms of trade rose in December...

The merchandise terms of trade rose by 1.3% in the December quarter, following a sharp fall of 4.7% in the September quarter, to be down 1.7% on the same period a year ago. Goods export prices fell by 0.4% in the quarter, driven by lower prices for dairy products while import prices were down 1.7%, on the back of lower petroleum and petroleum product prices (Figure 1).

Figure 1: Terms of trade



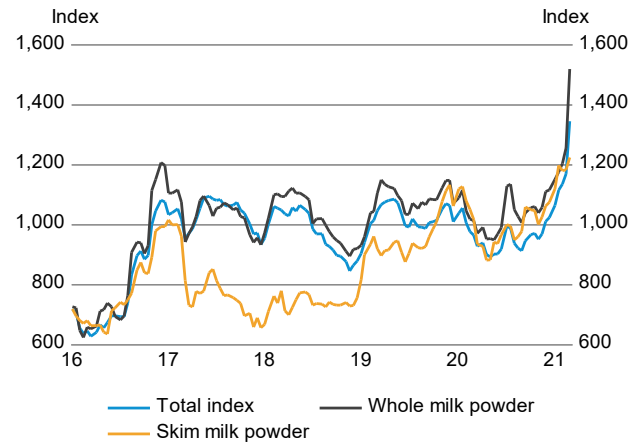
Source: Stats NZ

...with further gains expected this year...

The ANZ World Commodity Price Index rose 3.3% in February to its highest level since April 2014, driven by high prices for dairy, meat, forestry and aluminium. In local currency terms, the index was up 2.7%. Dairy prices rose 15.0% at the *GlobalDairyTrade* auction this week to their highest level in 7 years (Figure 2). Whole milk powder prices rose by 21.0% and skim milk powder prices were up 3.5%.

The recent strength in commodity prices is supporting export earnings at a time when the tourism sector is struggling. The recovery in global growth is expected to support export prices and the terms of trade over 2021.

Figure 2: *GlobalDairyTrade* selected prices



Source: Haver

...but border closures are providing an offset

Stats NZ also report that spending by overseas visitors and students fell to \$1.3 billion in the December 2020 quarter, down by two thirds from the same period in 2019. Although a large number of international visitors and students remain in the country, despite the borders being closed since March 2020, the absence of the usual seasonal increase in tourism over recent months is being felt acutely by some businesses.

Building consent issuance remains strong...

Seasonally adjusted new dwelling consents increased by 2.1% in the month of January. In the 12-months ended January residential consents were up 5.8% to their highest level since 1974.

Multi-unit dwelling consents drove the increase, up 8.3% in the month while standalone consents fell 3.8%. Multi-unit dwelling consents issuance as a proportion of all dwelling consents issuance has been trending upwards for the last 10 years, driven by the shift to denser housing arrangements. The strong pipeline of consents bodes well for construction activity in coming months.

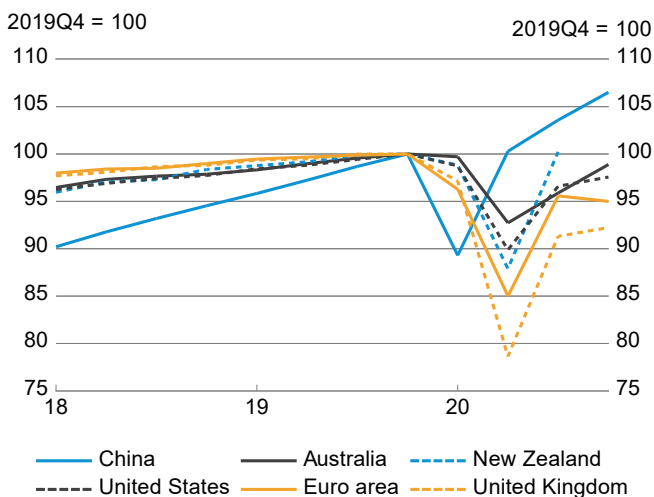
...but consumer confidence eases

Consumer confidence eased 1 point to 113 in the February release of the ANZ-Roy Morgan Consumer Confidence survey and remains under its historical average of around 120.

Australian GDP rebounds...

Australia's GDP rebounded 3.1% in the December quarter compared to the previous quarter, to be 1.1% lower than the same quarter a year ago, a better performance than most other major economies (Figure 3). Private investment increased by 3.9% in the quarter, contributing 0.7 percentage points to growth. Household spending rose by 4.3%, though remained 2.7% down on a year ago. From a peak of 22.0% of disposable income in the June quarter, the household saving ratio declined further, reaching 12.0% in the December quarter. This is still much higher than pre-pandemic levels of around 5%. The terms of trade rose 4.7% (driven by higher iron ore prices), contributing to a 4.2% increase in nominal GDP in the quarter, the strongest growth since 1983, pushing it 0.8% above year-ago levels.

Figure 3: Real GDP in selected countries



Source: Haver

...as the RBA maintains policy support

The Reserve Bank of Australia (RBA) left its policy settings unchanged, with the targets for the cash rate, the Term Funding Facility and the yield on the 3-year Australian Government bond remaining at 0.1%. In light of recent bond market volatility, the RBA reiterated its commitment to maintaining the 3-year Yield Curve Control (YCC) target. It also said that it was "prepared to do more" quantitative easing if needed. The RBA does not expect to increase interest rates until 2024 at the earliest.

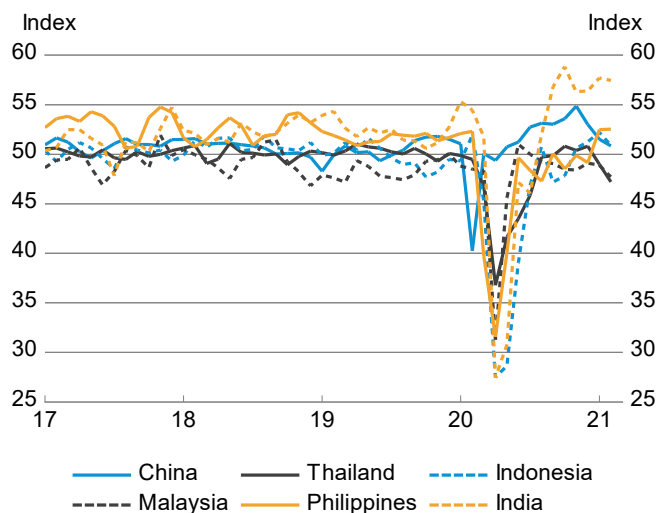
Manufacturing conditions mixed across Asia

The manufacturing sectors in Thailand and Malaysia continued to contract in February, with the Purchasing Managers' Indices (PMIs) falling to 47.2 and 47.7, respectively (Figure 4). Elsewhere in Asia, manufacturing conditions were more positive, although a slight loss in momentum is evident.

In China, the PMI declined from 51.5 to 50.9.

Total new work expanded only marginally, and at the weakest pace in nine months, with the global pandemic weighing on export sales. However, a notable improvement in business confidence suggests manufacturers remain positive about the global economic outlook in the coming quarters. In Indonesia, the manufacturing sector continued to expand, but the rate of growth reached a four-month low, while inflationary pressures were the strongest since late-2018.

Figure 4: PMIs in selected Asian countries



Source: Haver

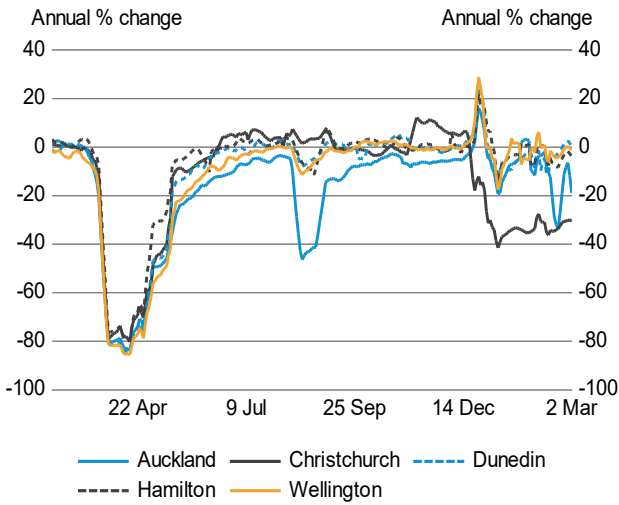
More fiscal spending in the UK

UK finance minister Rishi Sunak announced a further £44 billion of fiscal spending measures in the 2021/22 budget, bringing the government's total pandemic support to £344 billion. The furlough scheme for workers was extended until the end of September. On the revenue side, the Chancellor announced that the tax rate on company profits above £250,000 will rise from 19% to 25% in April 2023. The UK Debt Management Office will be looking to sell £296 billion of bonds in the 2021/22 fiscal year, almost £50 billion higher than market expectations, which drove bond yields higher. The economy contracted by 10% in 2020 and is forecast to grow by 4% this year and by 7.3% in 2022. It is expected that in five years' time, the economy will still be 3% smaller than it would otherwise have been.

Date	Key upcoming NZ data	Previous
9 Mar	ANZBO (prelim)	Own activity: +21.3
10 Mar	Electronic cards	Retail: + 1.9% (apc)
12 Mar	REINZ house prices	+ 19.2% (apc)

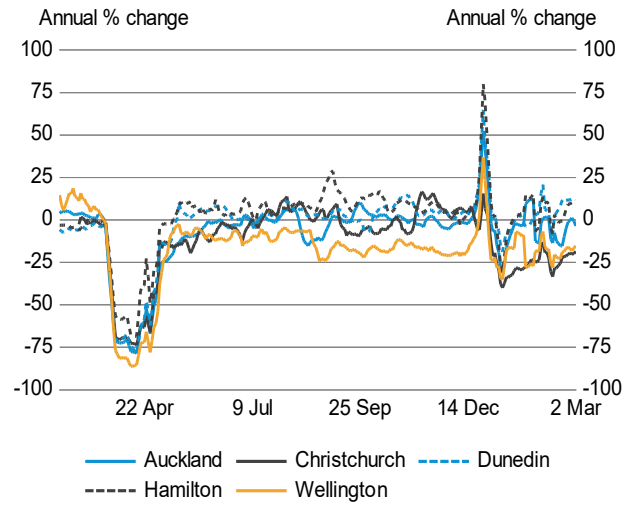
High-Frequency Indicators (Domestic)

Traffic Movement



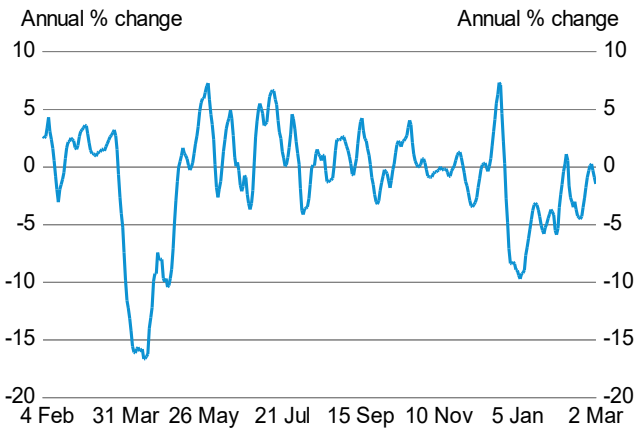
Source: Waka Kotahi NZ Transport Agency

Freight Movement



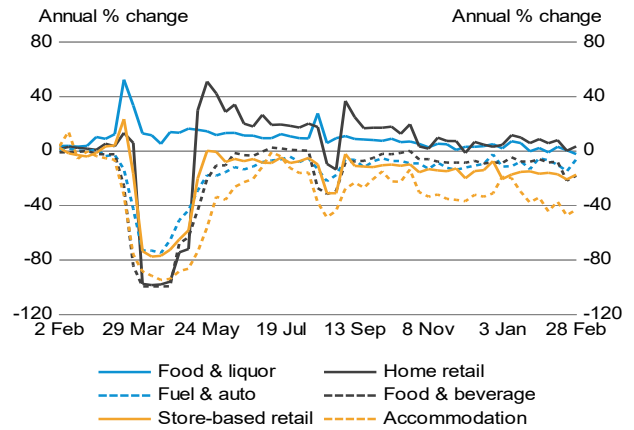
Source: Waka Kotahi NZ Transport Agency

Electricity Demand



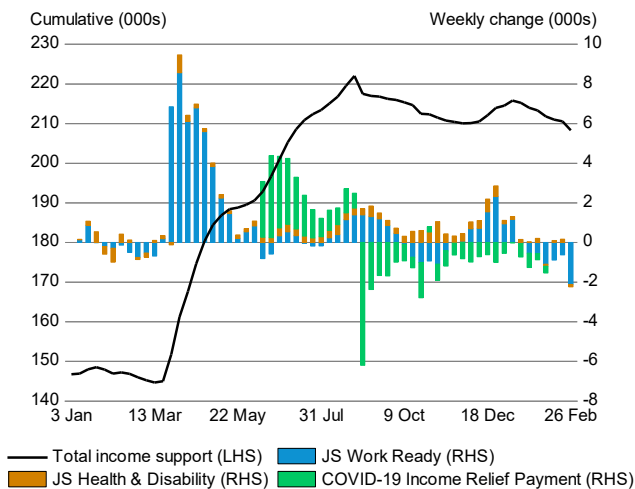
Source: Electricity Authority

Retail Spending



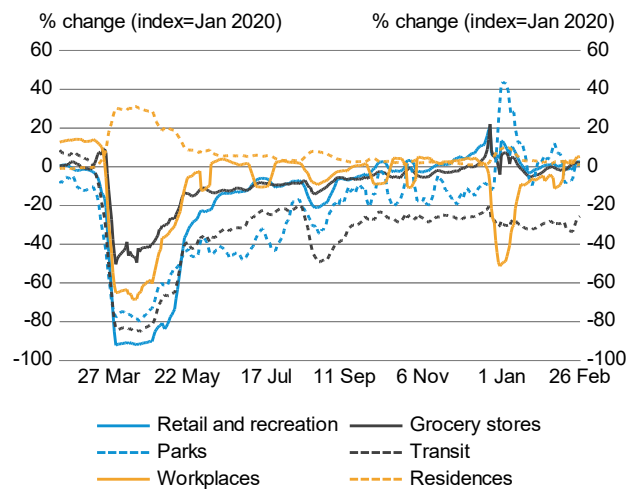
Source: Marketview data via MBIE

Jobseeker (JS) and Income Support Recipients



Source: MSD

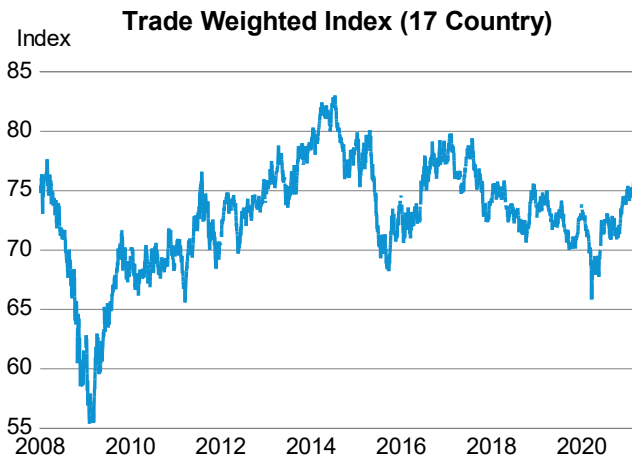
People Movements at Selected Locations



Source: Google

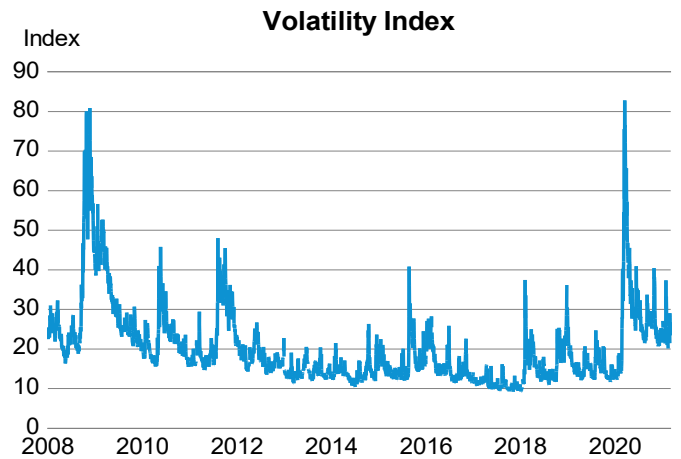
High-Frequency Indicators (Global)

Trade Weighted Index



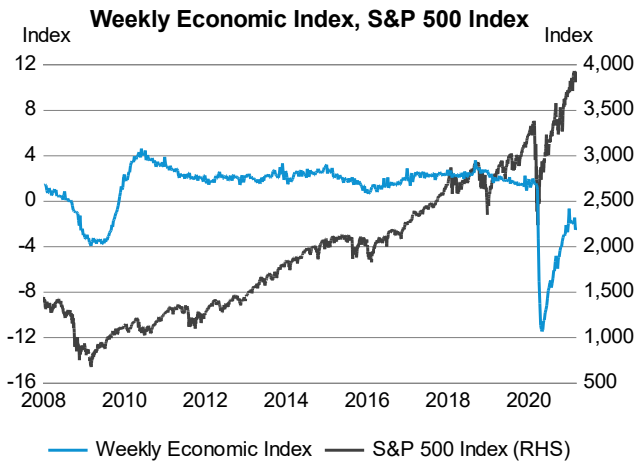
Source: RBNZ

Volatility Index



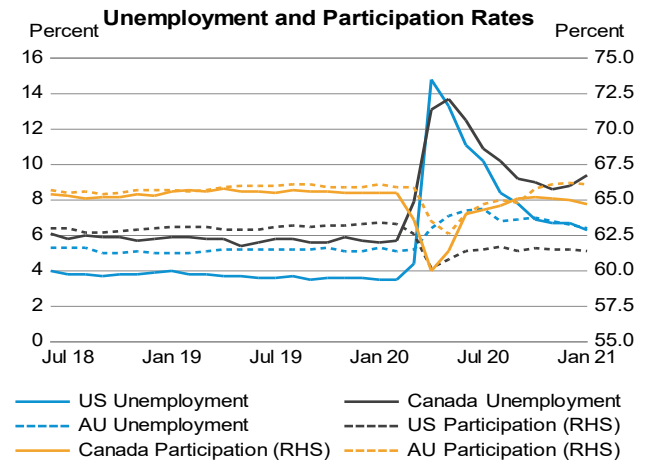
Source: Haver

US Activity and Equities



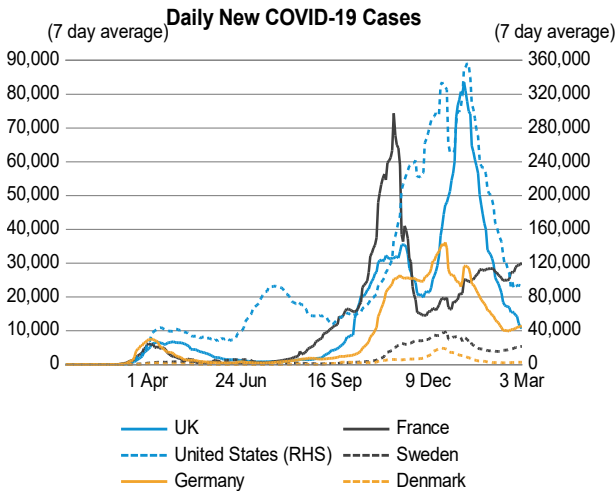
Sources: Federal Reserve Bank of New York, Haver

Labour Markets



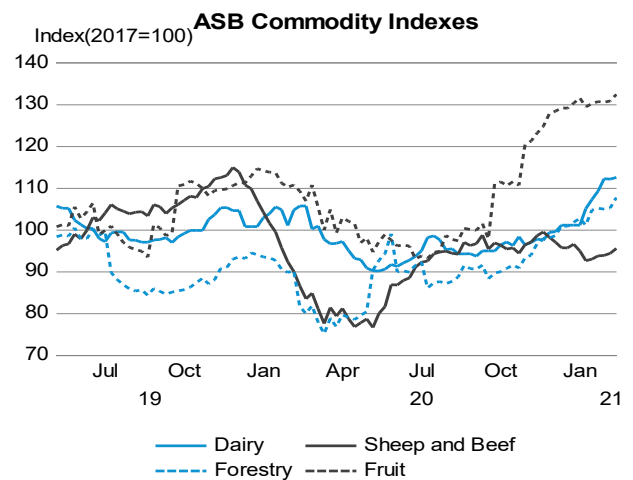
Source: Haver

COVID-19 Cases



Sources: World Health Organisation/Haver

World Commodity Prices



Source: ASB

Quarterly Indicators		2019Q3	2019Q4	2020Q1	2020Q2	2020Q3	2020Q4
Real Production GDP (1)	qpc	0.7	0.1	-1.2	-11.0	14.0	...
	aapc	2.8	2.3	1.6	-1.7	-2.2	...
Current account balance (annual)	%GDP	-3.7	-3.3	-2.8	-1.8	-0.8	...
Merchandise terms of trade	apc	0.9	7.1	5.4	6.3	-0.3	-1.7
CPI inflation	qpc	0.7	0.5	0.8	-0.5	0.7	0.5
	apc	1.5	1.9	2.5	1.5	1.4	1.4
Employment (HLFS) (1)	qpc	0.6	0.4	1.0	-0.3	-0.7	0.6
Unemployment rate (1)	%	4.2	4.1	4.2	4.0	5.3	4.9
Participation rate (1)	%	70.7	70.4	70.7	69.9	70.1	70.2
LCI salary & wage rates - total (2)	apc	2.5	2.6	2.5	2.1	1.8	1.6
QES average hourly earnings - total (2)	apc	4.2	3.6	3.6	3.0	3.6	4.2
Core retail sales volume	apc	5.4	3.3	4.0	-11.7	7.7	4.2
Total retail sales volume	apc	4.5	3.3	2.3	-14.2	8.3	4.8
WMM - consumer confidence (3)	Index	103.1	109.9	104.2	97.2	95.1	106.0
QSBO - general business situation (1,4)	net%	-37.1	-30.8	-67.9	-57.6	-37.6	-16.3
QSBO - own activity outlook (1,4)	net%	-0.6	2.9	-12.9	-24.1	0.5	9.4
Monthly Indicators		Sep 20	Oct 20	Nov 20	Dec 20	Jan 21	Feb 21
Merchandise trade balance (12 month)	NZ\$m	1,655	2,223	3,286	2,975	2,745	...
Dwelling consents - residential	apc	7.7	7.2	19.9	26.9	18.0	...
House sales - dwellings	apc	41.9	30.0	34.0	45.8	3.2	...
REINZ - house price index	apc	10.8	13.2	16.0	17.9	19.2	...
Estimated net migration (12 month total)	people	69,341	60,060	52,019	44,127	...	...
ANZ NZ commodity price index	apc	-6.5	-5.6	-10.9	-5.9	-2.2	...
ANZ world commodity price index	apc	-3.1	-2.3	-5.5	-0.4	4.6	...
ANZBO - business confidence	net%	-28.5	-15.7	-6.9	9.4	...	7.0
ANZBO - activity outlook	net%	-5.4	4.7	9.1	21.7	...	21.3
ANZ-Roy Morgan - consumer confidence	net%	100.0	108.7	106.9	112.0	113.8	113.1
Weekly Benefit Numbers		22 Jan	29 Jan	5 Feb	12 Feb	19 Feb	26 Feb
Jobseeker Support	number	213,357	213,006	211,806	211,026	210,573	208,335
Work Ready	number	135,399	134,841	133,743	132,858	132,234	130,113
Health Condition and Disability	number	77,958	78,165	78,066	78,171	78,339	78,219
COVID-19 Income Relief Payment	number	660	342	0	...	...	...
Full-time	number	585	297	0	...	...	...
Part-time	number	78	45	0	...	...	...
Daily Indicators		Thu	Fri	Mon	Tue	Wed	Thu
		25/2/21	26/2/21	1/3/21	2/3/21	3/3/21	4/3/21
NZ exchange and interest rates (5)							
NZD/USD	\$	0.7435	0.7349	0.7272	0.7268	0.7298	...
NZD/AUD	\$	0.9332	0.9362	0.9384	0.9355	0.9318	...
Trade weighted index (TWI)	index	76.7	76.1	75.7	75.6	75.8	...
Official cash rate (OCR)	%	0.25	0.25	0.25	0.25	0.25	...
90 day bank bill rate	%	0.29	0.31	0.31	0.31	0.31	...
10 year govt bond rate	%	1.79	2.02	1.89	1.75	1.73	...
Share markets (6)							
Dow Jones	index	31,402	30,932	31,536	31,392	31,270	...
S&P 500	index	3,829	3,811	3,902	3,870	3,820	...
VIX volatility index	index	28.9	28.0	23.4	24.1	26.7	...
AU all ords	index	7,106	6,941	7,043	7,010	7,068	...
NZX 50	index	12,141	12,227	12,302	12,344	12,359	...
US interest rates							
3 month OIS	%	0.07	0.07	0.07	0.07	...	...
3 month Libor	%	0.19	0.19	0.18	0.18	...	...
10 year govt bond rate	%	1.54	1.44	1.45	1.42	1.47	...
Commodity prices (6)							
WTI oil	US\$/barrel	63.53	61.55	60.54	59.70	...	...
Gold	US\$/ounce	1,780	1,742.85	1,734.15	1,723.85	...	...
CRB Futures	index	491	486.54	485.71	490.29	...	...

(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		Jul 20	Aug 20	Sep 20	2020Q3	Oct 20	Nov 20	Dec 20	2020Q4	Jan 21	Feb 21
United States [9.6% share of total goods exports]	GDP (1)	qpc				7.5				1.0		
	Industrial production (1)	mpc	4.2	1.0	-0.1		1.1	0.9	1.3		0.9	...
	CPI	apc	1.0	1.3	1.4		1.2	1.2	1.4		1.4	...
	Unemployment rate (1)	%	10.2	8.4	7.8		6.9	6.7	6.7		6.3	...
	Employment change (1)	000s	1726.0	1583.0	716.0		680.0	264.0	-227.0		49.0	...
	Retail sales value	apc	2.7	3.6	6.1		5.4	3.8	2.5		7.4	...
	House prices (2)	apc	4.2	5.4	6.7		8.1	9.2	10.1		...	...
Japan [6.1%]	PMI manufacturing (1)	index	53.7	55.6	55.7		58.8	57.7	60.5		58.7	60.8
	Consumer confidence (1)(3)	index	91.7	86.3	101.3		101.4	92.9	87.1		88.9	91.3
	GDP (1)	qpc				5.3				3.0		
	Industrial production (1)	mpc	8.7	1.0	3.9		4.0	-0.5	-1.0		4.2	...
	CPI	apc	0.3	0.1	0.0		-0.4	-0.9	-1.1		-0.6	...
	Unemployment rate (1)	%	2.9	3.0	3.0		3.1	3.0	3.0		2.9	...
	Retail sales value	apc	-2.9	-1.9	-8.7		6.4	0.6	-0.2		-2.4	...
Euro area [5.5%]	PMI manufacturing (1)	index	45.2	47.2	47.7		48.7	49.0	50.0		49.8	51.4
	Consumer confidence (1)(4)	index	29.5	29.3	32.8		33.3	33.6	31.8		30.0	...
	GDP (1)	qpc				12.4				-0.6		
	Industrial production (1)	mpc	5.1	0.8	-0.1		2.5	2.6	-1.6		...	...
	CPI	apc	0.4	-0.2	-0.3		-0.3	-0.3	-0.3		0.9	...
	Unemployment rate (1)	%	8.6	8.6	8.6		8.4	8.3	8.3		...	...
	Retail sales volume	apc	0.2	4.4	2.5		4.3	-2.2	0.6		...	...
United Kingdom [2.7%]	PMI manufacturing (1)	index	51.8	51.7	53.7		54.8	53.8	55.2		54.8	57.9
	Consumer confidence (5)	index	-14.9	-14.6	-13.6		-15.5	-17.6	-13.8		-15.5	-14.8
	GDP (1)	qpc				16.1				1.0		
	Industrial production (1)	mpc	5.4	0.5	0.7		0.9	0.3	0.2		...	...
	CPI	apc	1.1	0.2	0.6		0.7	0.4	...		...	...
	Unemployment rate (1)	%	4.3	4.5	4.8		4.9	5.0	5.1		...	...
	Retail sales volume	apc	1.1	2.7	4.5		6.0	2.3	3.1		-5.9	...
Australia [15.8%]	House prices (6)	apc	1.5	3.7	5.0		5.8	6.5	7.3		6.4	6.9
	PMI manufacturing (1)	index	53.3	55.2	54.1		53.7	55.6	57.5		54.1	55.1
	Consumer confidence (1)(5)	net %	-27.0	-27.0	-25.0		-31.0	-33.0	-26.0		-28.0	-23.0
	GDP (1)	qpc				3.4				3.1		
	CPI	apc				0.7				0.9		
	Unemployment rate (1)	%	7.5	6.8	6.9		7.0	6.8	6.6		6.4	...
	Retail sales value	apc	12.8	5.4	6.6		7.7	12.1	10.3		...	...
China [24.3%]	House Prices (7)	apc				5.0				...		
	PMI manufacturing (1)	index	53.5	49.3	46.7		56.3	52.1	55.3		55.3	58.8
	Consumer confidence (8)	index	87.9	79.5	93.8		105.0	107.7	112.0		107.0	109.1
	GDP	apc				4.9				6.5		
	Industrial production	apc	4.8	5.6	6.9		6.9	7.0	7.3		...	...
South Korea [3.0%]	CPI	apc	2.7	2.4	1.7		0.5	-0.5	0.2		-0.3	...
	PMI manufacturing (1)	index	51.1	51.0	51.5		51.4	52.1	51.9		51.3	50.6
	GDP (1)	qpc				2.1				1.2		
South Korea [3.0%]	Industrial production (1)	mpc	1.9	0.7	3.1		-0.5	0.5	2.7		-1.6	...
	CPI	apc	0.3	0.7	1.0		0.1	0.6	0.5		0.6	1.1

(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