

## **Wellington moves back to Alert Level 1...**

Wellington moved back to Alert Level 1 from Wednesday. All contacts of the Australian traveller with COVID-19, who visited Wellington between 19 and 21 June, have been tested and returned negative results.

## **...and the travel bubble with some Australian states resumes**

The New Zealand government paused the travel bubble with all Australian states from Saturday evening, 26 June, amid growing COVID-19 case numbers in some Australian states. On Tuesday, they announced that quarantine free travel with South Australia, Tasmania, Victoria and the Australian Capital Territory would resume at midnight on Sunday, 4 July. All travellers from Australia will be required to receive a negative COVID-19 test within 72 hours of departing for New Zealand. The travel bubble will be reviewed again on 6 July.

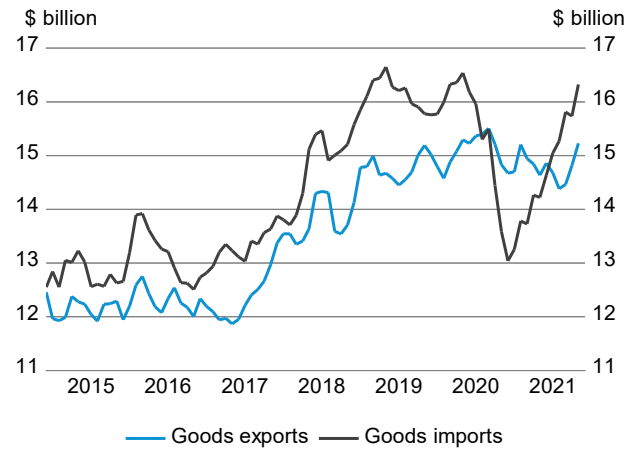
## **The annual trade balance returns to deficit**

The seasonally adjusted monthly trade deficit widened in May as import values grew more strongly than export values, and the annual trade balance returned to deficit for the first time since June 2020.

Goods imports continued their recovery in May, driven by consumption goods and record-high passenger vehicle imports as strong household demand persists. Imports of plant, machinery and equipment have also held up, indicating robust business investment, though transport equipment imports remain very weak as the disruption to global travel continues. In the three months ended May 2021, seasonally adjusted import values have largely recovered to pre-pandemic levels (Figure 1). Steady growth in imports is likely to continue given the ongoing strength in domestic demand.

While overall goods export values have grown steadily since the beginning of the year, there are some signs of supply chain difficulties with fruit and meat volumes trending downwards. The sharp rise in dairy prices still have not appeared in the data, so we are likely to see strong growth in export values in coming months if quantities hold up.

**Figure 1: Goods trade values (3-month sum s.a.)**



Source: Stats NZ

## **Inflation pressures continue to rise...**

Headline business confidence fell 3 points in the final read of the June ANZ Business Outlook, with a net 0.6% expecting conditions to deteriorate. In contrast, firms' own activity outlook rose 5 points to a net 32% expecting conditions to improve. Inflation pressures continued to lift with cost expectations up and a record net 84% of retailers intending to raise their prices and general inflation expectations rising to 2.4%. All industries ranked finding skilled labour as highly problematic, which together with rising labour costs are driving higher investment intentions.

## **...and building consents remain strong**

Annual building consent issuance reached a new high, with 43,466 consents issued in the year to May 2021. Monthly consents issuance eased slightly in the month of May, down 2.8%, driven by a fall in multi-unit dwellings, but overall consenting activity remains at an elevated level, particularly in Auckland. However, supply chain disruptions and skills shortages, particularly in the construction industry, are expected to continue to act as a constraint on growth in residential investment and are likely to put further upward pressure on construction prices. The ANZ Business Outlook showed that a net 93.5% of construction sector respondents expect higher costs ahead and a net 74.2% of them expect to raise prices.

### **Global recovery on track...**

In the United States (US), the Dallas Fed manufacturing index eased slightly in June but remains well above its 10-year average. The survey confirmed that the recovery is still robust, while inflationary pressures continued to be evident (see below). Meanwhile, the ADP private payrolls data was slightly stronger than expected at a 692,000 increase for June.

Canada's GDP declined by only 0.3% in April, a month of lockdowns, compared to expectations of a 0.8% contraction.

In China, the official manufacturing Purchasing Managers' Index (PMI) dropped slightly in June to a four-month low owing to semiconductor shortages, power supply shortages, and higher raw material prices, but remained in expansionary territory. Supply shortages have also curtailed manufacturing output in other Asian countries, including Japan and South Korea. In Japan, industrial production declined by 5.9% in May, a much larger fall than expected.

### **...as inflation pressures still evident...**

The core personal consumption expenditure (PCE) deflator in the US, the Federal Reserve's preferred measure of inflation, increased by a slightly softer-than-expected 0.5% in monthly terms in May, taking the annual rate to 3.4%. In the Dallas Fed manufacturing index survey for June, prices received for finished goods increased by 4.4% in the month, while wages surged by 19.1%. Businesses expect delivery times to fall, which suggest that supply chain issues may be easing. Raw material prices are expected to ease, while prices for finished goods and wages are expected to continue increasing. Meanwhile, the S&P-Case-Shiller house price index rose by 14.6% in annual terms in April, a 30-year high.

In Germany, the Harmonised Index of Consumer Prices (HICP) increased by 2.1% in annual terms in June, in line with market expectations and down from 2.4% in May. Import prices rose by 11.8% in annual terms in May, the quickest pace since October 1981, driven by a broad-based increase in commodity prices, especially oil. The head of the Bundesbank, Jens Weidmann, warned this week that inflation risks in the euro area have risen and called on the European Central Bank (ECB) to start scaling back bond purchases. He predicted inflation in Germany to rise to 4% this year. In contrast,

Fabio Panetta, an ECB executive board member, warned that there is still significant slack in the economy and that the pace of asset purchases should not be reduced too soon.

### **...while consumers remain confident...**

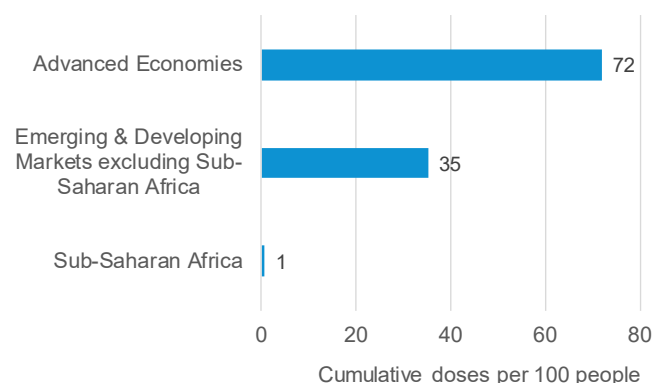
The Conference Board measure of US consumer confidence increased by more than expected and moved well above its long-term average, likely driven by the reopening of the economy, fiscal stimulus, and strong asset markets. The difference between jobs-plentiful and jobs-hard-to-get indicators rose to a 21-year high, which suggests that the labour market remains very tight.

Confidence data in the euro area was also very strong, with the economic sentiment index (a mix of consumer and business confidence) rising to its highest level in 21 years, supported by the easing of lockdown restrictions and the ongoing economic recovery. Consumer confidence increased for the fifth month in a row, while businesses' selling price expectations increased for the fourth month running in all surveyed sectors.

### **...despite pandemic and vaccine concerns**

Almost half of Australia's population is in lockdown as the authorities struggle to contain the spread of the more transmissible Delta strain of the COVID-19 virus. A number of other countries, especially where vaccination rates are low, are also struggling to contain the Delta strain and have introduced new strict lockdowns. In sub-Saharan Africa, just around 1% of the 1.3 billion people have so far been vaccinated, the slowest vaccination pace in the world (Figure 2).

**Figure 2: COVID-19 vaccinations as at 27 June 2021**

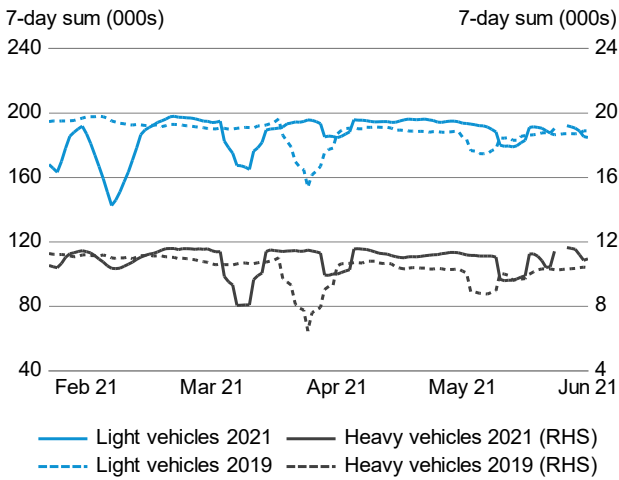


Source: OurWorldInData.org, Treasury calculations

Date	Key upcoming NZ data	Previous
6 July	NZIER QSBO (General Business Situation)	-10.7
7 July	ANZ Business Confidence	-0.6 (net %)

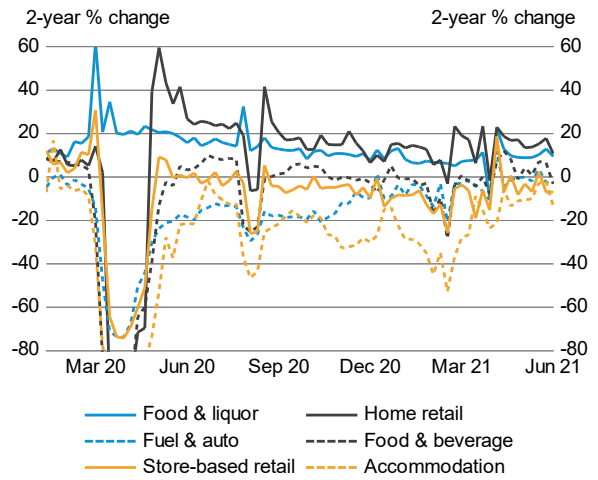
# High-Frequency Indicators

## Traffic and Freight Movement



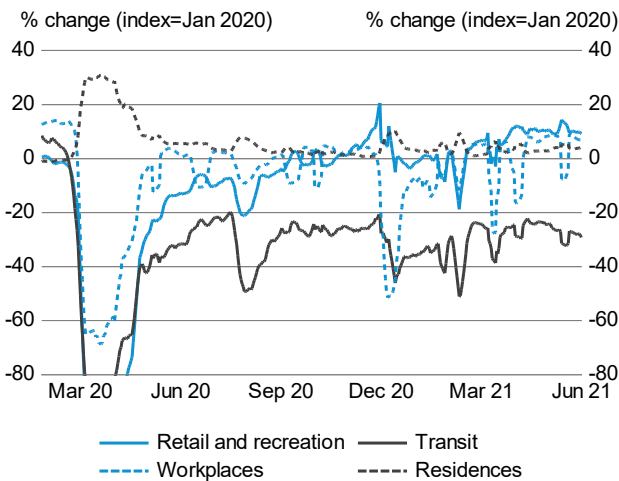
Source: Waka Kotahi NZ Transport Agency

## Card spending



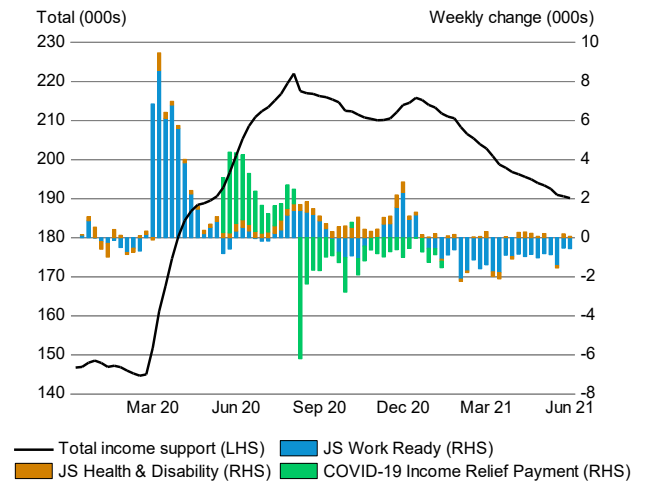
Source: Marketview data via MBIE

## People Movements at Selected Locations



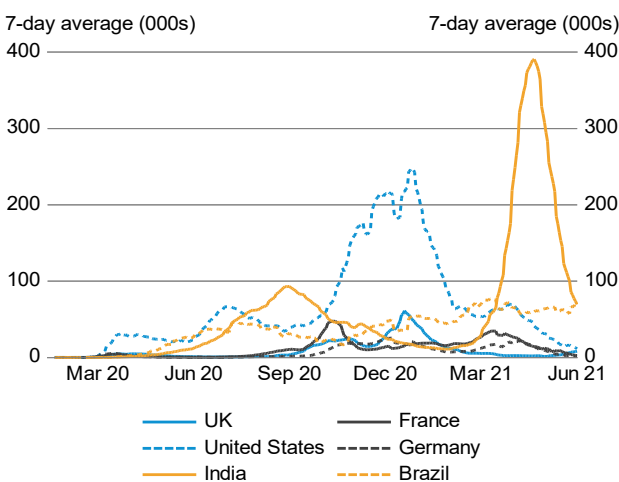
Source: Google

## Jobseeker (JS) and Income Support Recipients



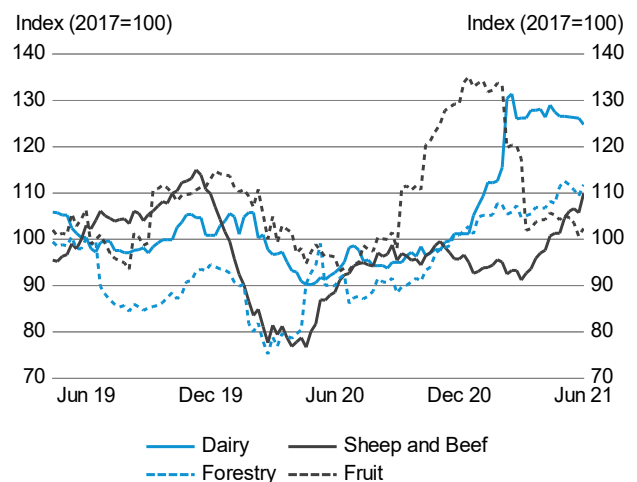
Source: MSD

## COVID-19 Cases



Source: World Health Organisation/Haver

## World Commodity Prices



Source: ASB

Quarterly Indicators		2019Q4	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1
Real Production GDP (1)	qpc	0.2	-1.5	-10.8	14.1	-1.0	1.6
	aapc	2.4	1.7	-1.6	-2.2	-2.9	-2.3
Current account balance (annual)	%GDP	-3.3	-2.8	-1.8	-0.8	-0.8	-2.2
Merchandise terms of trade	apc	7.1	5.4	6.3	-0.3	-1.6	-0.9
CPI inflation	qpc	0.5	0.8	-0.5	0.7	0.5	0.8
	apc	1.9	2.5	1.5	1.4	1.4	1.5
Employment (HLFS) (1)	qpc	0.3	1.0	-0.2	-0.7	0.6	0.5
Unemployment rate (1)	%	4.1	4.3	4.0	5.2	4.9	4.7
Participation rate (1)	%	70.4	70.7	69.9	70.2	70.2	70.4
LCI salary & wage rates - total (2)	apc	2.6	2.5	2.1	1.8	1.6	1.6
QES average hourly earnings - total (2)	apc	3.4	4.4	3.5	4.1	3.9	2.6
Core retail sales volume	apc	3.3	4.0	-11.7	7.6	4.2	5.5
Total retail sales volume	apc	3.3	2.3	-14.2	8.1	4.6	6.8
WMM - consumer confidence (3)	Index	109.9	104.2	97.2	95.1	106.0	105.2
QSBO - general business situation (1,4)	net%	-30.4	-68.4	-57.4	-37.7	-15.7	-10.7
QSBO - own activity outlook (1,4)	net%	2.5	-12.2	-23.5	-0.5	9.1	7.8

Monthly Indicators		Jan 21	Feb 21	Mar 21	Apr 21	May 21	Jun 21
Merchandise trade balance (12 month)	NZ\$m	2,731	2,386	1,700	764	-62	...
Dwelling consents - residential	apc	18.0	-4.7	44.7	83.7	17.3	...
House sales - dwellings	apc	6.9	19.8	37.0	436.6	81.4	...
REINZ - house price index	apc	18.9	21.3	23.9	26.8	30.0	...
Estimated net migration (12 month total)	people	29,683	14,964	5,401	6,328	...	...
ANZ NZ commodity price index	apc	-1.6	0.1	4.0	6.9	7.9	...
ANZ world commodity price index	apc	5.2	11.0	20.2	24.4	24.4	...
ANZBO - business confidence	net%	...	7.0	-4.1	-2.0	1.8	-0.6
ANZBO - activity outlook	net%	...	21.3	16.6	22.2	27.1	31.6
ANZ-Roy Morgan - consumer confidence	net%	113.8	113.1	110.8	115.4	114.0	...

Weekly Benefit Numbers		21 May	28 May	4 Jun	11 Jun	18 Jun	25 Jun
<b>Jobseeker Support</b>	number	193,980	193,383	192,501	190,953	190,614	190,128
Work Ready	number	115,173	114,354	113,484	112,047	111,510	110,946
Health Condition and Disability	number	78,807	79,026	79,020	78,906	79,107	79,185
<b>COVID-19 Income Relief Payment</b>	number	...	...	...	...	...	...
Full-time	number	...	...	...	...	...	...
Part-time	number	...	...	...	...	...	...

Daily Indicators		Wed 23/6/21	Thu 24/6/21	Fri 25/6/21	Mon 28/6/21	Tue 29/6/21	Wed 30/6/21
<b>NZ exchange and interest rates (5)</b>							
NZD/USD	\$	0.6998	0.7050	0.7071	0.7068	0.7043	0.6998
NZD/AUD	\$	0.9280	0.9306	0.9316	0.9322	0.9317	0.9310
Trade weighted index (TWI)	index	73.7	74.2	74.3	74.3	74.1	73.7
Official cash rate (OCR)	%	0.25	0.25	0.25	0.25	0.25	0.25
90 day bank bill rate	%	0.34	0.33	0.33	0.34	0.34	0.35
10 year govt bond rate	%	1.82	1.80	1.79	1.83	1.79	1.77
<b>Share markets (6)</b>							
Dow Jones	index	33,874	34,197	34,434	34,283	34,292	34,503
S&P 500	index	4,242	4,266	4,281	4,291	4,292	4,298
VIX volatility index	index	16.3	15.7	15.6	15.8	16.0	15.8
AU all ords	index	7,552	7,539	7,579	7,572	7,565	7,585
NZX 50	index	12,586	12,587	12,626	12,604	12,640	12,655
<b>US interest rates</b>							
3 month OIS	%	0.10	0.10	0.10	0.10	0.10	...
3 month Libor	%	0.15	0.15	0.15	0.15	0.14	...
10 year govt bond rate	%	1.50	1.49	1.54	1.49	1.49	1.45
<b>Commodity prices (6)</b>							
WTI oil	US\$/barrel	73.08	73.30	74.21	72.98	73.14	73.47
Gold	US\$/ounce	1,792	1,784.85	1,786.65	1,780.30	1,755.45	1,763.15
CRB Futures	index	553	553.87	552.80	555.28	556.46	...

(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		Nov 20	Dec 20	2020Q4	Jan 21	Feb 21	Mar 21	2021Q1	Apr 21	May 21	Jun 21
<b>United States</b> [9.6% share of total goods exports]	GDP (1)	qpc			1.1				1.6			
	Industrial production (1)	mpc	0.5	1.2		1.1	-2.9	2.6		0.1	0.8	...
	CPI	apc	1.2	1.4		1.4	1.7	2.6		4.2	5.0	...
	Unemployment rate (1)	%	6.7	6.7		6.3	6.2	6.0		6.1	5.8	...
	Employment change (1)	000s	264.0	-306.0		233.0	536.0	785.0		278.0	559.0	...
	Retail sales value	apc	3.8	2.3		9.4	6.5	29.7		53.4	28.1	...
	House prices (2)	apc	9.2	10.2		11.2	12.0	13.4		14.9	...	...
<b>Japan</b> [6.1%]	PMI manufacturing (1)	index	57.7	60.5		58.7	60.8	64.7		60.7	61.2	...
	Consumer confidence (1)(3)	index	92.9	87.1		87.1	95.2	114.9		117.5	120.0	127.3
	GDP (1)	qpc			2.8				-1.0			
	Industrial production (1)	mpc	0.7	-0.2		3.1	-1.3	1.7		2.9	-5.9	...
	CPI	apc	-0.9	-1.1		-0.6	-0.4	-0.2		-0.4	-0.1	...
	Unemployment rate (1)	%	3.0	3.0		2.9	2.9	2.6		2.8	3.0	...
	Retail sales value	apc	0.6	5.0		2.7	3.7	5.2		11.9	8.2	...
<b>Euro area</b> [5.5%]	PMI manufacturing (1)	index	49.0	50.0		49.8	51.4	52.7		53.6	53.0	...
	Consumer confidence (1)(4)	index	33.6	31.8		30.0	33.7	36.1		34.8	34.2	37.6
	GDP (1)	qpc			-0.6				-0.3			
	Industrial production (1)	mpc	2.1	0.1		0.9	-1.2	0.4		0.8	...	...
	CPI	apc	-0.3	-0.3		0.9	0.9	1.3		1.6	2.0	...
	Unemployment rate (1)	%	8.3	8.2		8.2	8.2	8.1		8.0	...	...
<b>United Kingdom</b> [2.7%]	Retail sales volume	apc	-1.5	1.3		-4.8	-1.4	13.1		23.9	...	...
	PMI manufacturing (1)	index	53.8	55.2		54.8	57.9	62.5		62.9	63.1	...
	Consumer confidence (5)	index	-17.6	-13.8		-15.5	-14.8	-10.8		-8.1	-5.1	-3.3
	GDP (1)	qpc			1.3				-1.6			
	Industrial production (1)	mpc	0.8	0.0		-1.9	1.1	1.7		-1.3	...	...
	CPI	apc	0.4	...		...	...	...		...	...	...
	Unemployment rate (1)	%	5.0	5.1		5.0	4.9	4.8		4.7	...	...
<b>Australia</b> [15.8%]	Retail sales volume	apc	2.2	3.1		-5.7	-3.6	7.1		42.5	24.6	...
	House prices (6)	apc	6.5	7.3		6.4	6.9	5.7		7.1	10.9	13.4
	PMI manufacturing (1)	index	55.6	57.5		54.1	55.1	58.9		60.9	65.6	...
	Consumer confidence (1)(5)	net %	-33.0	-26.0		-28.0	-23.0	-16.0		-15.0	-9.0	-9.0
	GDP (1)	qpc			3.2				1.8			
	CPI	apc			0.9				1.1			
	Unemployment rate (1)	%	6.8	6.6		6.4	5.9	5.7		5.5	5.1	...
<b>China</b> [24.3%]	Retail sales value	apc	12.1	10.3		10.3	5.2	3.9		23.8	...	...
	House Prices (7)	apc			4.3				8.9			
	PMI manufacturing (1)	index	52.1	55.3		55.3	58.8	59.9		61.7	61.8	63.2
	Consumer confidence (8)	index	107.7	112.0		107.0	109.1	111.8		118.8	113.1	107.2
	GDP	apc			6.5				18.3			
<b>South Korea</b> [3.0%]	Industrial production	apc	7.0	7.3		35.1	35.1	14.1		9.8	8.8	...
	CPI	apc	-0.5	0.2		-0.3	-0.2	0.4		0.9	1.3	...
	PMI manufacturing (1)	index	52.1	51.9		51.3	50.6	51.9		51.1	51.0	50.9
<b>South Korea</b> [3.0%]	GDP (1)	qpc			1.1				1.7			
	Industrial production (1)	mpc	0.5	2.7		-1.2	4.2	-0.7		-1.6	-0.7	...
	CPI	apc	0.6	0.5		0.6	1.1	1.5		2.3	2.6	...

(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