

Helping the Waikato through COVID-19

Economic Radar

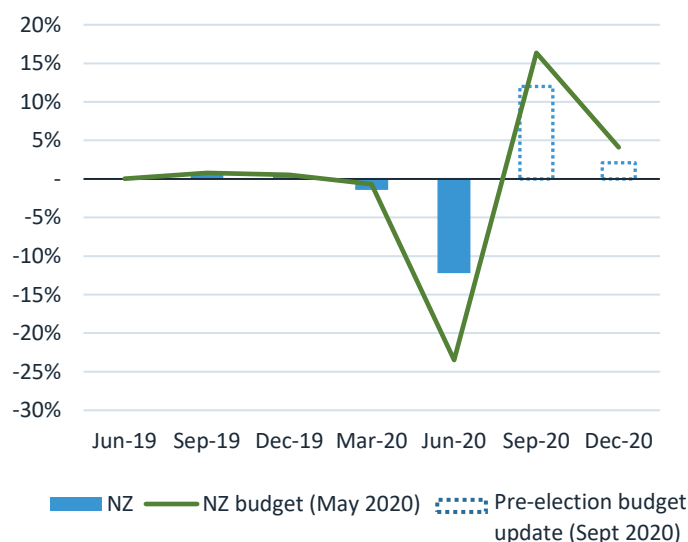
As at 2 October 2020

Executive Summary

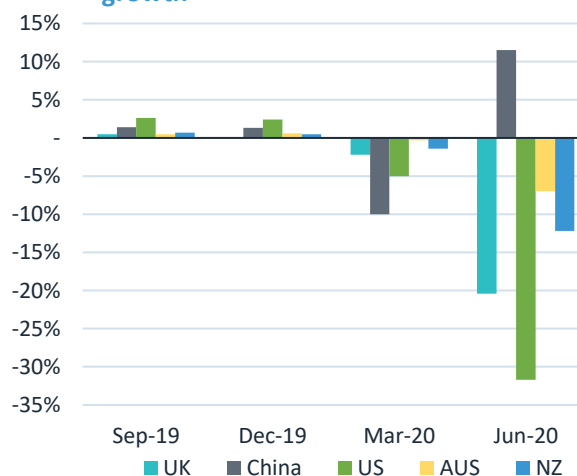
As we reach the close of the third quarter of 2020, the latest statistics on the New Zealand economy give us a picture of the depth of the recession in the first half of the year, with the domestic economy contracting 12.2% in the June quarter. GDP is the topic of the month, and while the contracting economy is no surprise with the strict lockdown measures, NZ's performance is perhaps a little better than expected when compared with The Treasury's Budget forecasts back in May (green line in graph below left). The September Pre-election Economic and Fiscal Update expects GDP to rebound in the next quarter.

It is intriguing to consider NZ's change in GDP compared to some of the main trading partners. Other than China, NZ's main trading partners are heading downwards, as shown in the graph below right.

NZ quarterly GDP growth

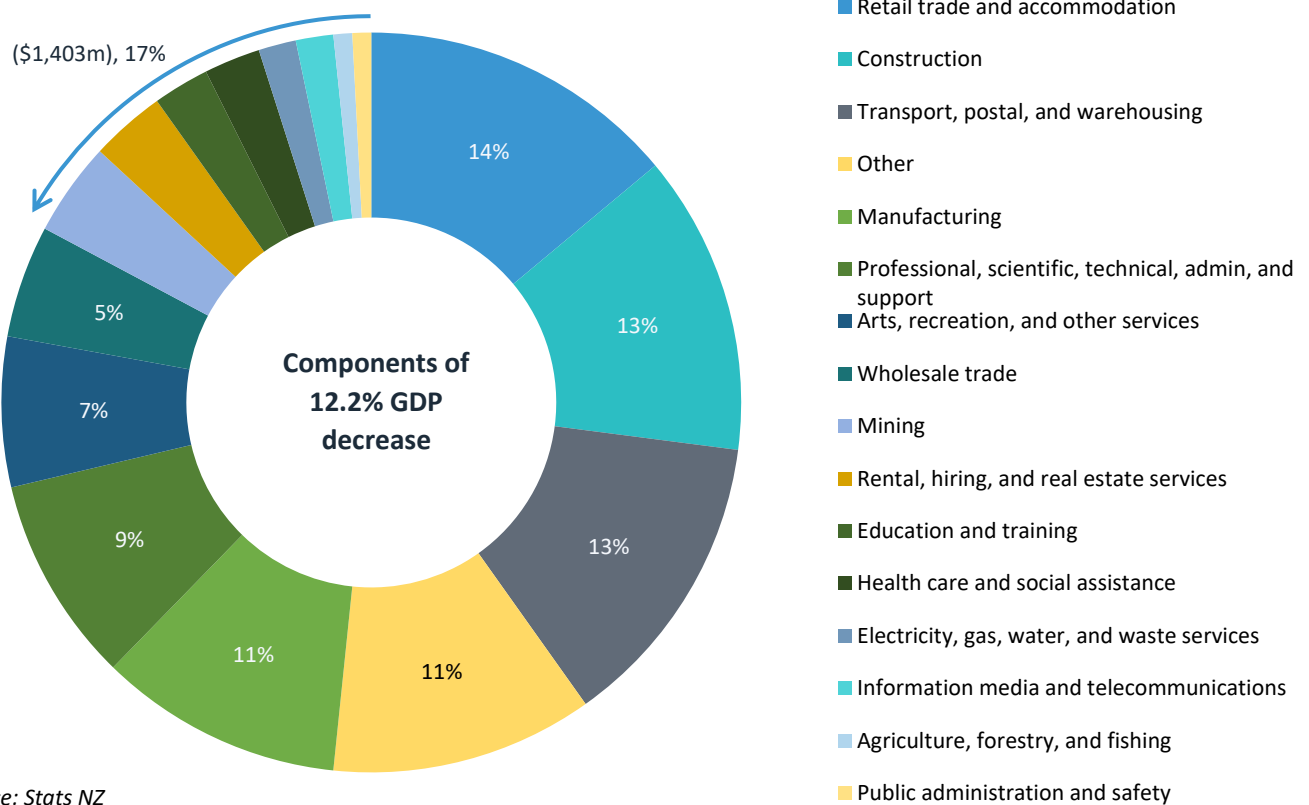


NZ trading partners quarterly GDP growth



More on GDP

The 12.2% drop in GDP is led by the retail trade and accommodation sector – a reflection of the lockdown and closure of borders, and includes the effect on tourism businesses. This was followed closely by construction, and transport, postal and warehousing. The last 8 categories represent 17% of the decline and range from 1-4% individually.

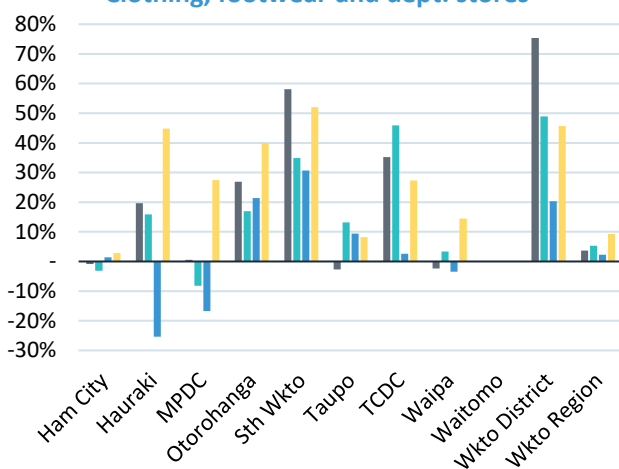


Percentage change in spending (\$) compared with the same week last year

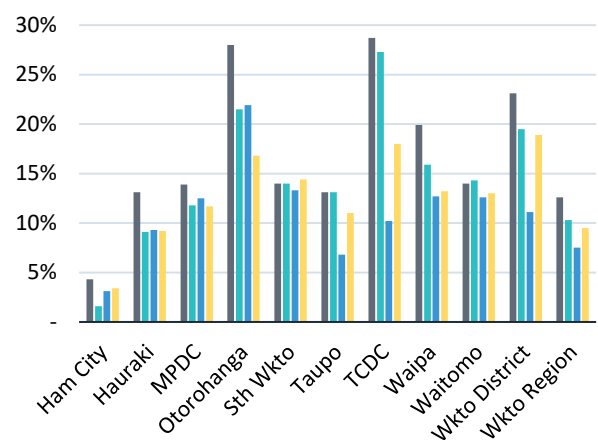
Week ending

■ 06 Sep ■ 13 Sep ■ 20 Sep ■ 27 Sep

Clothing, footwear and dept. stores

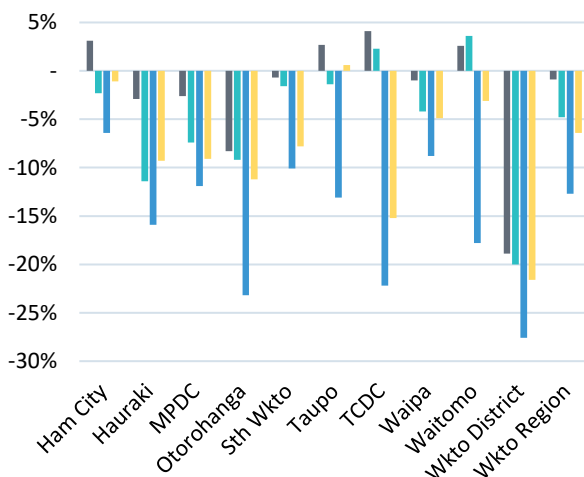


Food, liquor and pharmacies



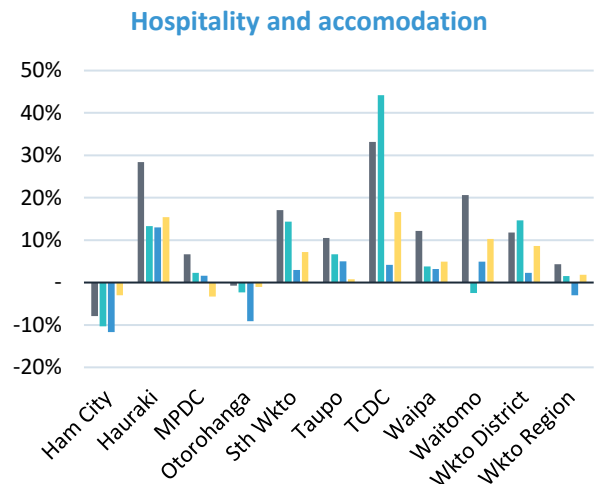
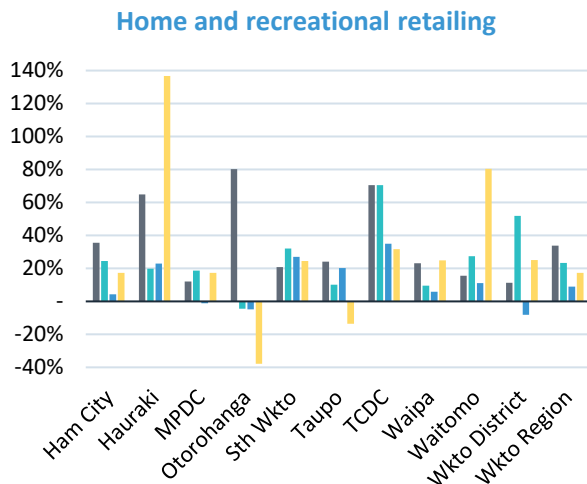
- Waikato District, the wider region, Otorohanga and South Waikato are the only areas with sales exceeding last year for all four weeks. Hamilton City and Waitomo have had little change to last year. The hardest hit region in this sector appears to be Matamata-Piako District (MPDC), which averaged 1% up on the same time last year.

Fuel and automotive



- Food, liquor and pharmacies are performing strongly across the area with spending 3 – 29% up on last year.
- Fuel and automotive sales have been hard hit with the largest uplift on last year spending being 4% in the Thames Coromandel District.
- The uplifts noted (mostly dark grey bars) correspond to the week Auckland returned to Level 2 from Level 3, and the remainder of NZ to Level 1.
- The end of August (yellow bars) ranges from 7% to 38% down on last year. The main driver is likely to be the Levels 3 and 2 in Auckland and the rest of NZ respectively.
- The Waikato region data encompasses all districts listed, plus the part of Rotorua district that lies within the Waikato region.

Week ending
■ 06 Sep ■ 13 Sep ■ 20 Sep ■ 27 Sep



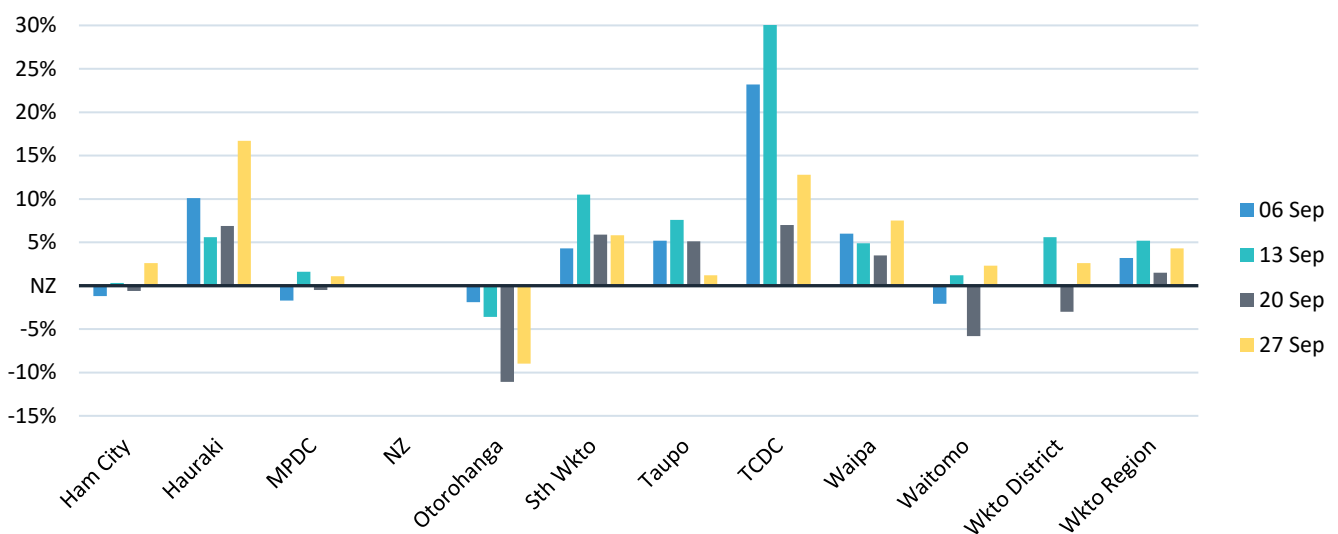
Source: Marketview using Paymark data

- Home and recreational retail spending has been performing well across all districts. The increase on last year seems to be reducing towards the end of the month. The timing of people's wages may have contributed to the timing of expenditure, notably the increase in Hauraki and Waitomo in the week ending 27 September.
- Otorohanga's spend was up 80% in the week ended 6th September, however this appears to be an outlier when compared to the other three weeks, which were in line with or below historic.
- Hospitality and accommodation spend picked up through the middle of the period for all districts bar Hamilton City. The ongoing uncertainty around alert levels and size of large gatherings has resulted in many events and shows being postponed, reducing the accommodation spend in particular.

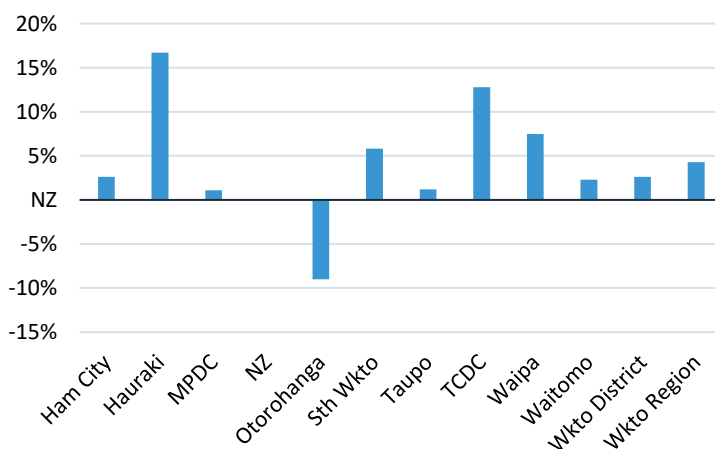
Total consumer spending

The graph below indexes the total change in weekly spending by area against NZ collectively. Overall, the Waikato is up on the national weekly spending however it is important to note that, approximately a third of NZ's population, being Auckland, remained at higher alert levels than the Waikato, skewing aggregate NZ figures.

Regional weekly spending % change relative to NZ



Regional weekly spending % change relative to NZ

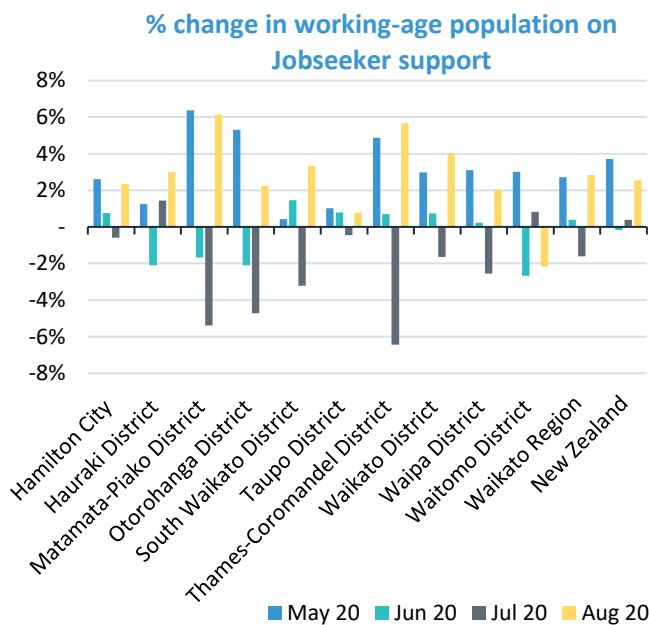


- A closer look at the week ended 27th September shows Otorohanga, Waitomo and Waikato Districts down more than 1% on the the National average.

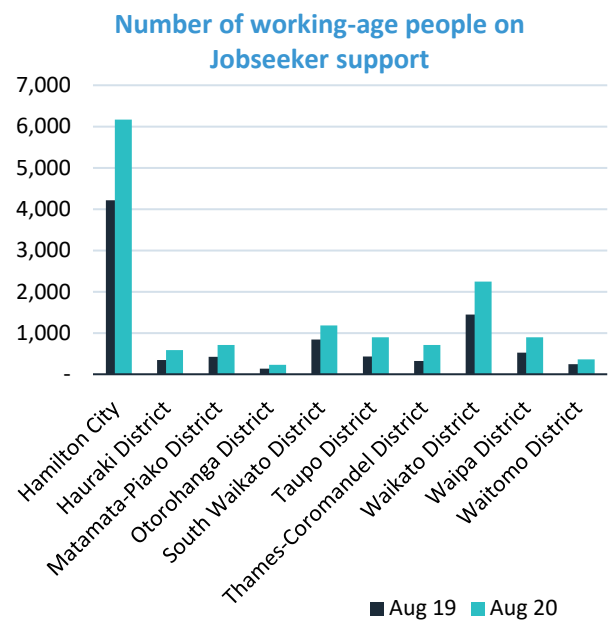
Source: Marketview using Paymark data

Support

Jobseeker Support



Source: Marketview using Paymark data

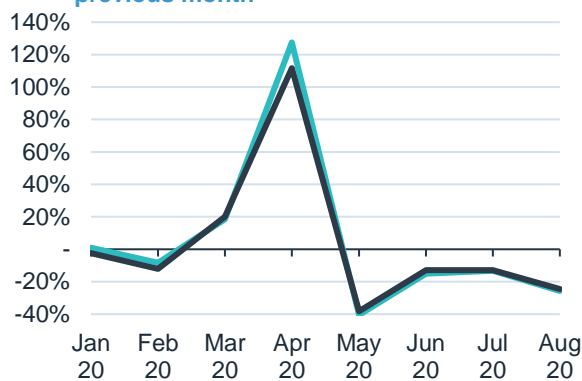


Source: www.msd.govt.nz

The percentage change in Jobseeker support (left graph) increases with higher alert levels and decreases when areas move to lower alert levels. As restrictions lift, there is a decrease in people seeking support. A key consideration when interpreting these graphs is the role that the Government wage subsidy plays in 'maintaining' employment during these uncertain times. There is the possibility, however, that the 'rebound' in the amount of people seeking support week on week will not occur if there no more COVID-19 wage subsidies.

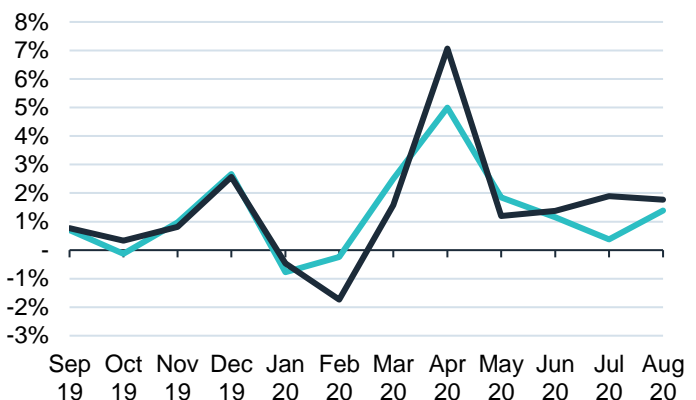
Hardship

Change in number of special needs grants for food compared with the previous month



Source: www.msd.govt.nz

Accommodation supplement



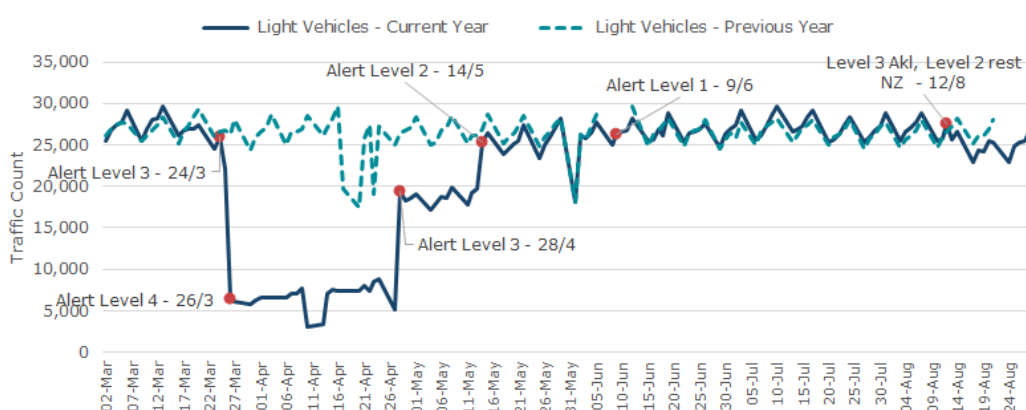
Source: www.msd.govt.nz

- The movement in food grants for Waikato is in line with NZ. It is positive to see a steady decline in the number of food grants month on month after Level 4.
- The Waikato is in a better position relative to NZ regarding the accommodation supplement. There was less uptake during lockdown and a steady decline in the number of people accessing the supplement post April 2020.

Weekday vehicle traffic

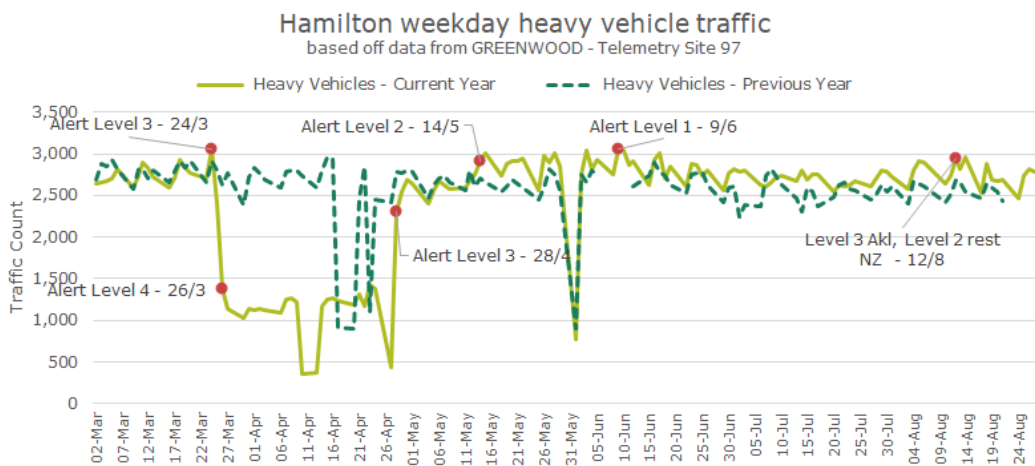
NZTA provides the following annotated traffic data for light (less than 5.5m vehicles) and heavy (over 11m vehicles) traffic in the main NZ cities.

Hamilton weekday light vehicle traffic
based off data from GREENWOOD - Telemetry Site 97



- Light vehicles were affected by the second Auckland lockdown whereas heavy vehicles were up on the previous year.

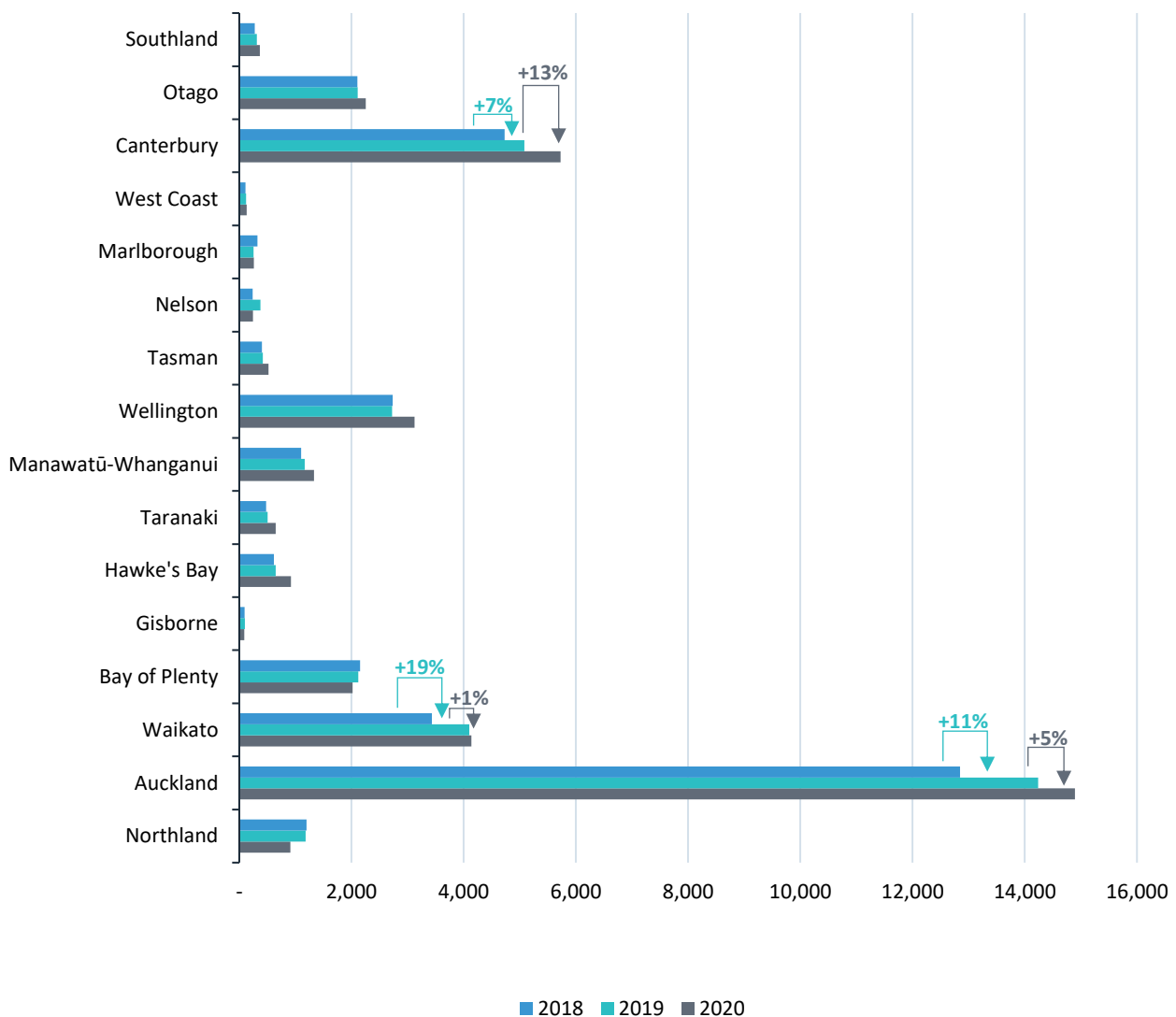
- Since entering Level 2 in May 2020, heavy vehicle traffic has been higher than last year.
- The data points 31 May drop downwards in reflection of Queen's Birthday weekend. Any break in the data series simply reflects a sensor outage.



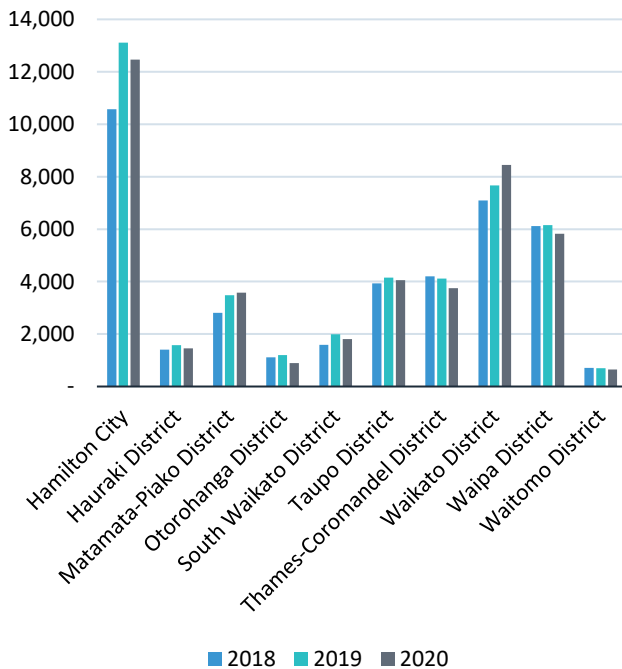
Building consents issued

As at July 2020, building consents are nationally up by 6% on 2019 however the increase is notably less in the Waikato.

Total building consents issued



Number of building consents issued for the year ending July

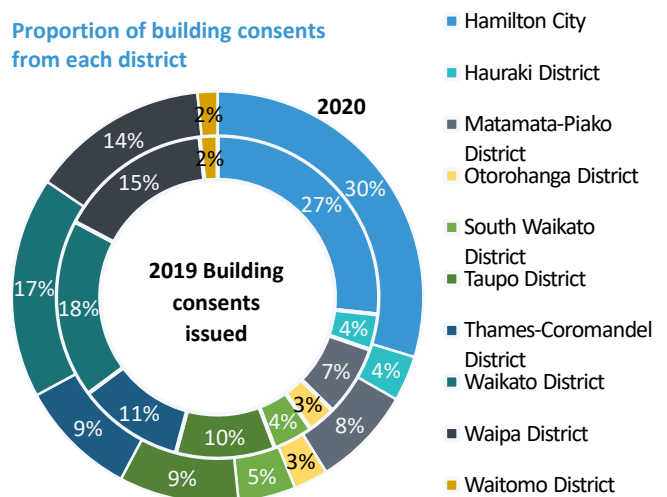


Source: www.stats.govt.nz

- Within the Waikato region, only the Matamata-Piako and Waikato Districts have had an increase in consents from the previous year to July.

- The number of consents across districts in the Waikato is driven by the respective population size.

Proportion of building consents from each district



Exchange Rates

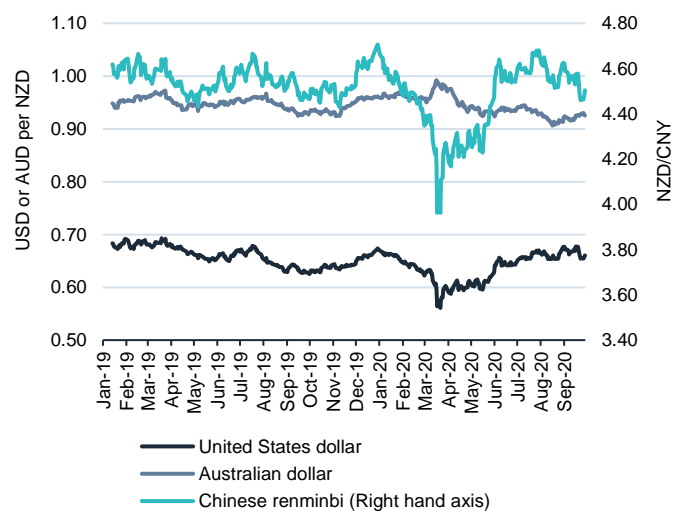
The New Zealand dollar appears to have traded in a fairly narrow range over the last month, having appreciated significantly since recent lows in March when the country was under Level 4 lockdown.

NZD exchange rate



Financial Indicators, sources: <https://www.rbnz.govt.nz>

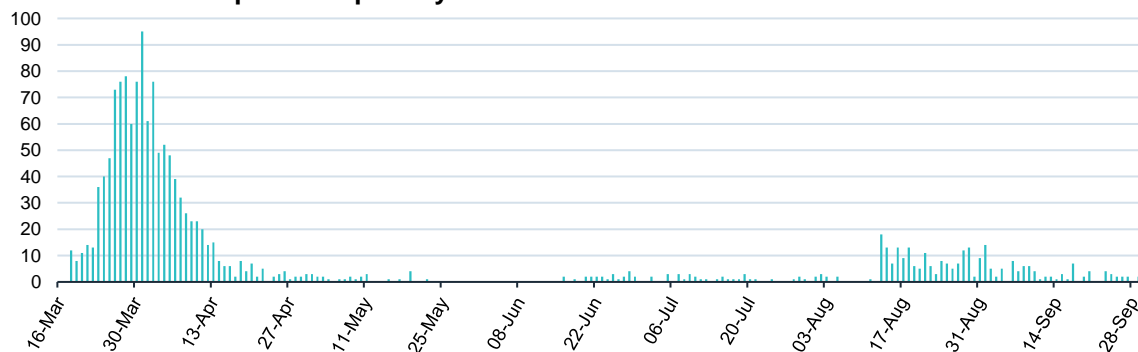
NZD exchange rate



COVID-19 as at 30 September 2020

The Waikato DHB has 194 confirmed and probable cases as at 30 September 2020: No active cases, 192 recovered, and two deceased. The chart below illustrates the daily new cases per day New Zealand. During September there was a steady stream of new cases per day both from the Auckland clusters and 'imported' cases / people just returned to NZ from overseas and in managed isolation. At the end of September Auckland returned to level 2 and the remainder of NZ to level 1. In the last month the number of new cases per day has ranged between 0 and 14, averaging at 3 new cases per day.

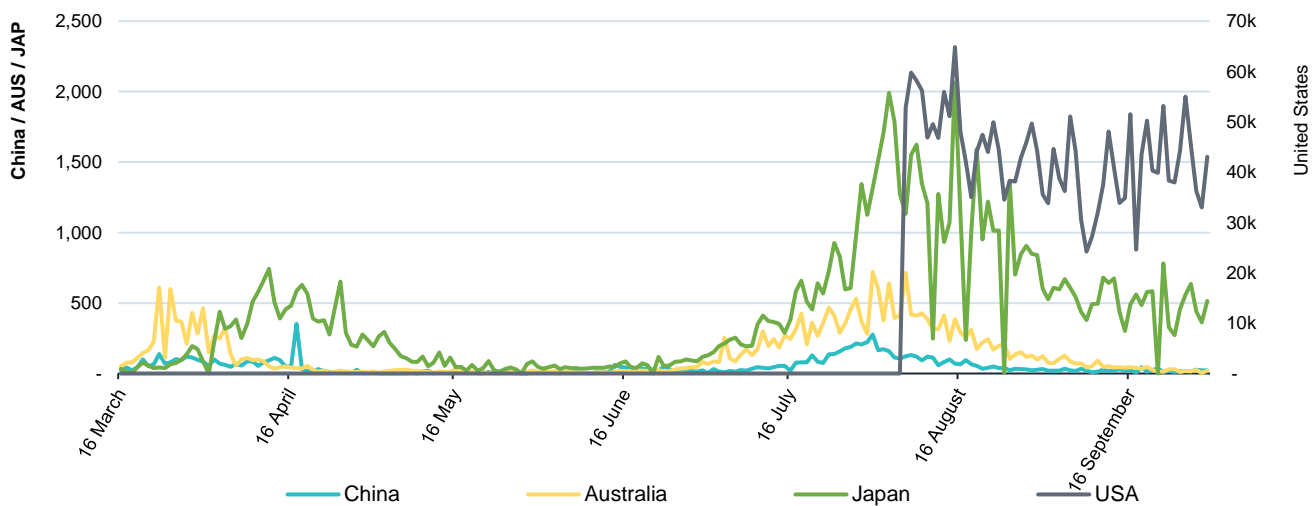
Cases confirmed and probable per day



Source: www.health.govt.nz

The chart below summarises the COVID-19 situation for NZ's key trading partners, by number of new cases per day. Japan looks to be on the tail end of the second wave of infection with average daily cases half of the average daily cases per day last month. Australia is down to an average of 46 new cases per day compared to 300 new cases in August. The US has 'stepped' up the daily cases and there does not appear to be any declining trend over the last four weeks.

Number of new cases per day - NZ's key trading partners



Source: www.health.govt.nz, www.ourworldindata.org and www.ecdc.europa.eu