

Equity Strategy

Recovery Heat Map; Auckland's Second Full Week of Alert Level 3

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Our COVID-19 recovery heat map has experienced further decline in a number of indicators last week, as Auckland remained at Alert Level 3 and the rest of the country at Alert Level 2. The most significant declines were in credit card spending and light vehicle traffic, followed by domestic passenger flights and heavy vehicle traffic. The number of recipients of Jobseeker Support/COVID-19 Income Relief Payment (CIRP) continues to drift upward, as does the amount paid under the government's wage subsidy scheme. The lagged nature of much of our data means another challenged data set is likely for key indicators when we report our heat map next week.

Figure 1. Forsyth Barr COVID-19 recovery heat map

Week ending	27-Mar	03-Apr	10-Apr	17-Apr	24-Apr	01-May	08-May	15-May	22-May	29-May	05-Jun	12-Jun	19-Jun	26-Jun	03-Jul	10-Jul	17-Jul	24-Jul	31-Jul	07-Aug	14-Aug	21-Aug	28-Aug
Active COVID-19 cases	331	764	908	582	344	208	122	56	28	1	1	0	0	0	0	0	0	0	0	0	30	89	113
Alert Level	4	4	4	4	4	3	3	2	2	2	2	1	1	1	1	1	1	1	1	1	2.3*	2.3*	2.3*
Economic sentiment	-1.2	-1.0	-1.4	-1.3	-1.0	-1.0	-0.7	-0.9	-0.4	-0.7	-0.7	-0.7	-1.0	-0.8	-0.7	-0.6	-0.4	-0.5	-0.6	-0.4	-1.5	-1.2	-1.2
BBB credit spreads	284	303	280	256	240	226	211	198	189	179	178	173	166	144	147	144	144	143	136	134	137	135	135
Wage subsidy paid (NZ\$bn)	3.8	5.4	8.9	10.1	10.5	10.6	10.8	10.9	10.9	11.0	11.0	11.2	11.9	12.3	12.7	12.9	13.0	13.0	13.1	13.1	13.2	13.4	13.4
Jobseeker Support/CIRP	15%	23%	27%	34%	38%	41%	42%	42%	42%	43%	43%	43%	45%	48%	50%	51%	52%	53%	54%	54%	55%	56%	56%
Workplace visitation	-38%	-64%	-66%	-65%	-59%	-44%	-34%	-25%	-6%	-9%	-2%	0%	-1%	-2%	-10%	-10%	-8%	-3%	-9%	-10%	-23%	-22%	-22%
Credit card spending	-27%	-57%	-58%	-57%	-56%	-45%	-40%	-14%	-1%	-1%	0%	1%	-1%	-2%	2%	2%	2%	1%	0%	1%	-3%	-18%	-18%
Electricity volumes	-1%	-12%	-13%	-11%	-5%	-7%	3%	4%	5%	6%	-2%	4%	-1%	-3%	4%	5%	4%	1%	1%	-4%	2%	-1%	-1%
Heavy vehicle traffic	-29%	-60%	-62%	-61%	-47%	-37%	-22%	-9%	-4%	-4%	2%	0%	-2%	-11%	1%	-1%	2%	-1%	1%	4%	0%	-8%	-8%
Light vehicle traffic	-47%	-82%	-82%	-83%	-79%	-58%	-49%	-30%	-12%	-8%	2%	-4%	-4%	-11%	1%	3%	1%	1%	-1%	4%	-11%	-27%	-27%
Domestic passenger flights	-18%	-81%	-99%	-99%	-99%	-98%	-98%	-95%	-81%	-71%	-59%	-57%	-57%	-57%	-53%	-34%	-33%	-36%	-40%	-38%	-41%	-78%	-92%
International arrivals	-99%	-100%	-100%	-99%	-99%	-99%	-99%	-99%	-99%	-99%	-99%	-99%	-98%	-98%	-98%	-98%	-98%	-98%	-98%	-98%	-98%	-98%	-98%
Hotel occupancy	-67%	-64%	-71%	-74%	-64%	-64%	-65%	-66%	-64%	-50%	-39%	-43%	-33%	-30%	-26%	-16%	-16%	-16%	-30%	-26%	-40%	-40%	-40%
Building consents	80%	-31%	-56%	-55%	-11%	-30%	-31%	-19%	-13%	-23%	-40%	-25%	2%	-18%	-14%	-24%	-2%	-12%	-8%	-2%	-3%	-4%	-4%

Source: Forsyth Barr analysis

NOTE: refer to page 2 of this report for more detail on each data series

* weighted average Alert Level for New Zealand based on population

Less cars on the road

With Alert Levels remaining elevated across the country last week, there has been a large decline in light vehicle traffic, down -27% on the same week last year. Light vehicle traffic is highly exposed to commuters, and with most Aucklanders working from home Google workplace mobility data has shown that workplace visitation is down -22% on a pre COVID-19 base level. Both indicators are at levels consistent with when New Zealand was last at Alert Levels 2 and 3.

Credit card spending plummets

Credit card spending was down -18% compared to the comparable week last year, the lowest level in 14 weeks. With many retailers and all hospitality venues closed in Auckland, the impact on the consumer's ability to spend is material. We expect re-acceleration of ecommerce growth, which will partially offset the negative impact of lower business-to-business activity on courier companies, including Freightways (FRE).

Stock implications

Z Energy's (ZEL; OUTPERFORM) fuel volumes will be impacted by the reduced light and heavy vehicle traffic levels. Vehicle fuel volumes have largely recovered since the country entered Alert Level 1, with ZEL's July retail volumes up on the prior year while Caltex volumes are modestly down. We expect that the decrease in traffic in recent weeks will have led to another sharp, albeit temporary, decline.

The Forsyth Barr COVID-19 recovery heat map

The 15 different data series provided in our heat map come from a variety of different sources as summarised in Figure 2.

Figure 2. Summary of heat map data series

Data point	Source	Data provided
Domestic COVID-19 cases	Ministry of Health	Active COVID-19 cases as at reported day, excluding cases that originated in border quarantine
Alert Level	Ministry of Health	Weighted average of Alert Level by population distribution
Economic sentiment	The GDELT Project	Weekly index of New Zealand economic sentiment
BBB credit spreads	Bloomberg	Average of weekly BBB credit spreads
Wage subsidy paid (NZ\$bn)	Ministry of Social Development	Total amount of government wage subsidy and wage subsidy extension paid
Jobseeker Support and CIRP recipients	Ministry of Social Development	Weekly number of Jobseeker support recipients vs prior year plus COVID-19 Income Relief Payment (CIRP) recipients
Workplace visitation	Google	Average weekly workplace mobility compared to the baseline period of 3 Jan to 6 Feb 2020
Credit card spending	Paymark	Weekly credit card spend against prior year
Electricity volumes	NZX Energy	Weekly electricity demand vs prior year
Heavy vehicle traffic	NZTA	Weekly heavy vehicle traffic against the prior year
Light vehicle traffic	NZTA	Weekly light vehicle traffic vs prior year
Domestic passenger flights	FlightAware	Weekly Air New Zealand and Jetstar domestic flights arriving at Auckland Airport vs pre COVID-19 weekly average
International arrivals	Stats NZ	Weekly arrivals of non-New Zealand passport holders coming into New Zealand against the prior year
Hotel occupancy	STR	Weekly New Zealand hotel occupancy vs prior year
Building consents	Auckland Council	Weekly Auckland building consents vs an average week from pre COVID-19 levels

Source: Forsyth Barr analysis

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