NEW ZEALAND EQUITY RESEARCH
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Equity Strategy
Recovery Heat Map; Government Support Flattening

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Our COVID-19 recovery heatmap shows that last week there was another small improvement in a number of indicators, although the continuation of elevated Alert Levels will continue to dampen the rally. The key indicator improvement is number of active COVID-19 cases, which was 44 as at Friday 18 September, down from 75 for the past two weeks. The amount of government support also appears to be waning as the cumulative amount of wage subsidy paid was flat and the number of recipients of the COVID-19 Income Relief Payment (CIRP)/Jobseeker schemes reduced for the second consecutive week. With the removal of social distancing requirements on aircraft last week, domestic flights are almost back to Alert Level 1 levels, and should improve further heading towards the October school holidays.

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	04-Sep	11-Sep	18-Sep
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	75	75	44
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*	2.2*	2.2*	2.2*
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	-1.3	-1.3	-0.5	
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	133	128	127	
Wage subisdy 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	13.7	13.9	13.9	
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%	57%	54%	53%	
Workplace visitation	-38%	-64%	-66%	-65%	-59%	-44%	-34%	-25%	-6%	-9%	-2%	0%	-1%	-2%	-10%	-10%	-8%	-3%	-9%	-10%	-23%	-22%	-19%	-15%	-4%	
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%	-17%	5%	-1%	
Electricity volumes	-1%	-12%	-13%	-11%	-5%	-7%	3%	4%	5%	6%	-2%	4%	-1%	-3%	4%	5%	4%	1%	1%	-4%	2%	-1%	2%	2%	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%	-7%	3%	6%	
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%	-22%	-5%	3%	
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%	-59%	-46%	-40%
International arrivals	-99%	-100%	-100%	-99%	-99%	-99%	-99%	-99%	-99%	-99%	-99%	-99%	-98%	-99%	-98%	-99%	-99%	-100%	-99%	-99%	-98%	-99%	-98%	-99%	-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%	-36%	-32%	
Building consents	-80%	-31%	-56%	-55%	-11%	-30%	-31%	-19%	-13%	-23%	-40%	-25%	2%	-18%	-14%	-24%	-2%	-12%	-8%	-2%	-3%	-4%	5%	1%	8%	

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

Commuters return

Light vehicle traffic has recovered to above prior year levels, following four slower weeks as a result of the re escalation of Alert Levels. This will be due to the return of commuters, with one third of data coming from Auckland, and is supported by Google Mobility Data showing that workplace visitation was down only -4% on a pre COVID-19 average compared to -15% the week before. Alert Levels are due to be reviewed today by the government.

Economic sentiment makes sharp recovery

Economic sentiment data provided by GDELT project was -0.5 last week, up from -1.3 the week before, as confidence returns in light of the apparent containment of the COVID-19 cluster and the impending removal of restrictions. This confidence increase is supported by credit card spending which was down -1% on the prior year last week and +5% the week before.

Stock implications

Briscoe Group (BGP) provided commentary at its recent 1H21 result (six months to July 2020) that it had seen strong momentum continue into its 2H21. BGP is a key beneficiary of the strong levels of retail spending within the Home & Leisure retail category. Paymark data shows the category is up over +20% on the prior year over the past two weeks and follows strong momentum since the first lock-down. In addition, BGP has seen strong growth in its online channel, consistent with strong ecommerce industry growth.

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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 popluation 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 subisdy and wage subisdy 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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