

Equity Strategy

Recovery Heat Map; Alert Level Change just in Time for School Holidays

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Our COVID-19 recovery heat map showed a small regression in a number of indicators last week as the country awaited a reduction in Alert Levels. Both light and heavy vehicle volumes were down, and the number of recipients of the COVID-19 Income Relief Payment (CIRP)/Jobseeker also dropped again, as did amount of government wage subsidy paid. As next week's data for most indicators will include Auckland's move to Alert Level 2 and the rest of the country's move to Alert Level 1, we expect a broad step-up in the recovery. Domestic flights experienced another improvement this week and with school holidays having started, we expect both air travel and hotel occupancy will increase again, as with borders closed demand for domestic tourism remains strong.

Figure 1. Forsyth Barr COVID-19 recovery heat map

Week ending	27-Mar to 13-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	25-Sep
Active COVID-19 cases	764	908	582	344	208	122	56	28	1	1	0	0	0	0	0	0	0	30	89	113	75	75	44	34
Alert Level	4	4	4	4	3	3	2	2	2	1	1	1	1	1	1	1	1	2.3*	2.3*	2.3*	2.2*	2.2*	2.2*	1.3*
Economic sentiment	-1.0	-1.4	-1.3	-1.0	-1.0	-0.7	-0.9	-0.4	-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	-1.1
BBB credit spreads	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 subsidy paid (NZ\$bn)	1.6	3.5	1.2	0.4	0.1	0.2	0.1	0.0	0.1	0.0	0.2	0.7	0.4	0.4	0.2	0.1	0.0	0.1	0.0	0.1	0.2	0.3	0.2	0.1
Jobseeker Support/CIRP	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	-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	-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	-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	-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	-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	-81%	-99%	-99%	-99%	-98%	-98%	-95%	-81%	-71%	-59%	-57%	-57%	-57%	-53%	-34%	-33%	-36%	-40%	-38%	-41%	-78%	-92%	-59%	-46%
International arrivals	-100%	-100%	-99%	-99%	-99%	-99%	-99%	-99%	-99%	-99%	-98%	-99%	-98%	-99%	-99%	-100%	-99%	-99%	-98%	-99%	-98%	-99%	-98%	-98%
Hotel occupancy	-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	-31%	-56%	-55%	-11%	-30%	-31%	-19%	-13%	-23%	-40%	-25%	2%	-18%	-14%	-24%	-2%	-12%	-8%	-2%	-3%	-4%	5%	1%	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

Weekly wage subsidy plateaus

Despite the government's additional 'resurgence' wage subsidy leading to a short sharp increase in weekly wage subsidy paid, it has since flattened out again, as it did towards the end of the original wage subsidy and wage subsidy extensions. The government has said this is the last version of the wage subsidy, and paired with the continued reduction in CIRP/Jobseeker recipients, indicates a possible peak of government support.

Another step-up in domestic flights

Domestic air travel experienced another step-up this week, due to additional flights being added as well as the removal of the final social distancing measures on planes to/from Auckland. We expect another sequential increase next week due to the start of the school holidays, with Air New Zealand (AIR) increasing its domestic capacity to ~85% of pre COVID-19 levels. AIR's announcement highlights that underlying demand for domestic travel is strong, as typically ~20% of domestic air travel passengers are international visitors.

Stock implications

The ongoing border closures are likely providing a tailwind for Kathmandu (KMD; OUTPERFORM). Its Kathmandu and Rip Curl brands are well positioned to benefit from a boost to adventure tourism in Australasia, as both Kiwis and Australians get outdoors and explore their own back yards. The timing of border closures is seemingly being pushed out with a reopening of the New Zealand border now unlikely within the next six months. We expect KMD to continue to benefit from favourable category exposure, as consumers unable to travel internationally spend on outdoor apparel and equipment into summer.

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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