

Equity Strategy

Recovery Heat Map; Regression

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Our high frequency data heat map shows that the domestic recovery has stalled, with many of the indicators reversing some of the improvements made in recent weeks. Despite the country remaining in Alert Level 1 there has been reductions in workplace mobility, credit card usage, vehicle traffic and economic sentiment. In particular, economic sentiment is back to the level observed during Alert Level 3 (28 April 2020 to 13 May 2020). With an influx of new imported, yet quarantined, cases being reported over the past week or so, there is greater risk of a re-emergence of the virus in the community. The increasing rate of new cases in Australia will further dampen the likelihood of a trans-Tasman bubble in the coming months. However, the upcoming school holidays may provide some temporary relief for the heavily affected travel and tourism sector, which we expect will benefit from higher levels of domestic visitation.

Figure 1. Forsyth Barr COVID-19 recovery heat map

Week ending	27-Mar-20	03-Apr-20	10-Apr-20	17-Apr-20	24-Apr-20	01-May-20	08-May-20	15-May-20	22-May-20	29-May-20	05-Jun-20	12-Jun-20	19-Jun-20
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
BBB credit spreads	284	303	280	256	240	226	211	198	189	179	178	173	166
Jobseeker Support/CIRP	15%	23%	27%	34%	38%	41%	42%	42%	42%	43%	43%	43%	45%
Workplace visitation	-38%	-64%	-66%	-65%	-59%	-44%	-34%	-25%	-6%	-9%	-2%	0%	-1%
Credit card spending	-27%	-57%	-58%	-57%	-56%	-45%	-40%	-14%	-1%	-1%	0%	1%	-3%
Electricity volumes	-1%	-12%	-13%	-11%	-5%	-7%	3%	4%	5%	6%	-2%	4%	-1%
Retail fuel volumes	-36%	-75%	-74%	-74%	-68%	-51%	-41%	-29%	-19%	-19%	-18%	-12%	-15%
Commercial diesel volumes	-27%	-52%	-58%	-56%	-49%	-27%	-6%	-4%	-3%	-8%	-22%	-11%	-10%
Heavy vehicle traffic	-29%	-60%	-62%	-61%	-47%	-37%	-22%	-9%	-4%	-4%	2%	0%	-2%
Light vehicle traffic	-47%	-82%	-82%	-83%	-79%	-58%	-49%	-30%	-12%	-8%	2%	-4%	-4%
Domestic passenger flights	-18%	-81%	-99%	-99%	-99%	-98%	-98%	-95%	-81%	-71%	-59%	-57%	-57%
International arrivals	-99%	-100%	-100%	-99%	-99%	-99%	-99%	-99%	-99%	-99%	-99%	-99%	-98%
Hotel occupancy	-67%	-64%	-71%	-74%	-64%	-64%	-65%	-66%	-64%	-50%	-39%	-43%	-33%
Building consents	-80%	-33%	-57%	-56%	-9%	-32%	-33%	-21%	-16%	-26%	-46%	-28%	2%

Source: Forsyth Barr analysis, NOTE: refer to page 2 of this report for more detail on each data series

Economic sentiment reaches lowest point since Alert Level 3

The GDELT weekly economic sentiment index is at its lowest value in seven weeks and is now the same as it was during Alert Level 3. There has also been a reduction in workplace visitation, credit card spending and both light and heavy vehicle traffic. The number of Jobseeker Support and COVID-19 Income Relief Payment (CIRP) recipients is now increasing, having been stable since early Alert Level 2. In contrast, Auckland building consents had their strongest week since pre COVID-19.

Hotel occupancy improves

Hotel occupancy last week was down only -33% on the same week last year. With increasing numbers of hotel quarantined inbound arrivals and domestic tourism enjoying a boost, we expect this trend to continue. The upcoming school holidays should further enhance occupancy levels, given the lack of international travel options for Kiwi holidaymakers. However, occupancy is unlikely to revert back to pre COVID-19 levels until border restrictions are eased.

Stock implications

Z Energy (ZEL) volumes were mixed last week, with commercial diesel continuing to improve but a decline in retail fuel demand. The latter will be supported by the upcoming school holidays, which should mean a temporary increase in consumer road travel. The improvement in Auckland building consents is a positive indicator for Fletcher Building (FBU) and other building related stocks, albeit we recognise the inherent volatility in consent numbers from week to week.

The Forsyth Barr COVID-19 recovery heat map

The 14 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
Economic sentiment	The GDELT Project	Weekly index of New Zealand economic sentiment
BBB credit spreads	Bloomberg	Average of weekly BBB credit spreads
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
Retail fuel volumes	Z Energy	Weekly retail road fuel consumption vs pre COVID-19 average
Commercial diesel volumes	Z Energy	Weekly commercial diesel consumption vs pre COVID-19 average
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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