NEW ZEALAND EQUITY RESEARCH
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Equity Strategy
Recovery Heat Map; On Cusp of Inflection Point

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Our COVID-19 real-time data heatmap shows a robust start to August with improvements across a number of indicators relative to the prior week. However, with the re-emergence of COVID-19 community transmission in Auckland and corresponding Alert Level changes to 3 in Auckland and 2 elsewhere, we expect modest regression over the coming weeks, particularly in consumer centric indicators. The most up-to-date data in previous heatmaps reflects a c.10 day lag between the period the data represents and report publication. This week's new data is for the week ending 7 August; we now also add additional data, where available, for the week just gone (ending 14 August).

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
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
Alert Level	4	4	4	4	4	3	3	2	2	2	2	1	1	1	1	1	1	1	1	1	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	
BBB credit spreads	284	303	280	256	240	226	211	198	189	179	178	173	166	144	147	144	144	143	136	134	
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	
Jobseeker Support/CIRP	15%	23%	27%	34%	38%	41%	42%	42%	42%	43%	43%	43%	45%	48%	50%	51%	52%	53%	54%	54%	
Workplace visitation	-38%	-64%	-66%	-65%	-59%	-44%	-34%	-25%	-6%	-9%	-2%	0%	-1%	-2%	-10%	-10%	-8%	-3%	-9%	-10%	
Credit card spending	-27%	-57%	-58%	-57%	-56%	-45%	-40%	-14%	-1%	-1%	0%	1%	-1%	-2%	2%	2%	2%	1%	0%	1%	
Electricity volumes	-1%	-12%	-13%	-11%	-5%	-7%	3%	4%	5%	6%	-2%	4%	-1%	-3%	4%	5%	4%	1%	1%	-4%	
Heavy vehicle traffic	-29%	-60%	-62%	-61%	-47%	-37%	-22%	-9%	-4%	-4%	2%	0%	-2%	-11%	1%	-1%	2%	-1%	1%	4%	
Light vehicle traffic	-47%	-82%	-82%	-83%	-79%	-58%	-49%	-30%	-12%	-8%	2%	-4%	-4%	-11%	1%	3%	1%	1%	-1%	4%	
Domestic passenger flights	-18%	-81%	-99%	-99%	-99%	-98%	-98%	-95%	-81%	-71%	-59%	-57%	-57%	-57%	-53%	-34%	-33%	-36%	-40%	-38%	-41%
International arrivals	-99%	-100%	-100%	-99%	-99%	-99%	-99%	-99%	-99%	-99%	-99%	-99%	-98%	-99%	-98%	-99%	-99%	-100%	-99%	-99%	
Hotel occupancy	-67%	-64%	-71%	-74%	-64%	-64%	-65%	-66%	-64%	-50%	-39%	-43%	-33%	-30%	-26%	-16%	-16%	-16%	-30%	-26%	
Building consents	-80%	-31%	-56%	-55%	-11%	-30%	-31%	-19%	-13%	-23%	-40%	-25%	2%	-18%	-14%	-24%	-2%	-12%	-8%	-2%	

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

A second COVID-19 ripple

COVID-19 community transmission has returned to New Zealand, leading Auckland to be raised to Alert Level 3 and the rest of the country to Alert Level 2. The number of active cases outside of border quarantine was 30 on 14 August, and has since risen to 49. The unknown cause of the new cases adds risk to further flare ups, once the current cluster is contained. The government has in-principle agreed to extend the current wage subsidy scheme. This will likely defer an acceleration in the rate of Jobseeker/COVID-19 Income Relief Payment recipients; however, the effect of another lockdown in Auckland may raise the underlying unemployment level when the scheme expires.

Traffic at highest levels since first lockdown

Both light and heavy vehicle traffic had their best year-on-year week since the beginning of Alert Level 4, with both up +4%. Heavy vehicle traffic offers a good proxy for both freight and express package volumes. Both have shown a strong relationship with heavy vehicle traffic historically. During the early COVID-19 recovery heavy vehicles rebounded far quicker than light vehicles. While other indicators may suffer over the coming weeks, we expect heavy vehicle traffic to remain relatively stable.

Stock implications

Restaurant Brands (RBD; NEUTRAL) will have been benefiting from continued elevated takeaway food services spending, in our opinion. Data from Paymark shows takeaway food spending up ~+4% on the same week last year, making it the sixth consecutive week of above prior year spending. Moreover, with the recent Alert Level changes, RBD is likely the best placed of the retailers. This is highlighted by the strong demand for takeaway service in Alert Level 3 earlier in the year, with some RBD stores experiencing higher spending levels at Alert Level 3 than would be expected normally. A continuation of COVID-19 community transmission is likely to increase apathy of dine-in-eating, further increasing takeaway demand.

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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