

14 December 2015

The PSI

If the RBNZ needed any reassurance that the economy has a great lot going for it, then November's Performance of Services Index (PSI) has given it in spades. It roared back to a new 7-year high, of 59.8. This is a lot faster than its average (since April 2007 inception) of 53.8. If there was a laggard in its componentry it was inventory (much like we saw in the PMI for the month). But this simply left its production (62.3) and new orders (64.2) indices leading the charge. With this, we expect the services component of GDP will print well over the second half of 2015. The Q3 portion of this is due in Thursday's GDP report, which we expect will show a 0.6% expansion (2.0% y/y) in the nation's economy. There could well be upside to this, if the recent resurgence in the PSI is anything to go by.

Retail Spending

There is still much to suggest consumer spending continues to forge strongly northward. As for November's electronic card transactions, they were roughly in line with market expectations. They increased a seasonally adjusted 0.2%, overall, and 0.3% in their retail component. There were no major variations in the details to report on – bearing in mind there's always a bit of bumpiness from month to month. Overall, these latest ECT results were about what we expected. This leaves a good chance of seeing a decent increase in Q4 retail trade volumes, in the order of 0.6%. This would follow their 1.6% jump in Q3, setting annual growth at a strong 4.4%.

Accommodation

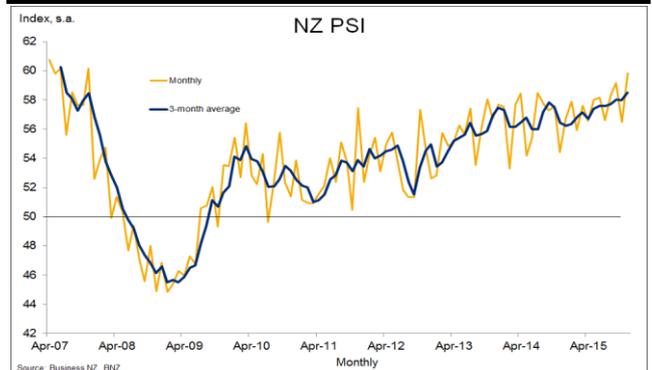
Consistent with everything else where hearing of the (booming) tourism sector, October's guest nights were up 2.9% on a year ago. This sustained the solid annual growth we've been seeing over the last couple of years now. With this, it's no surprise to see occupancy rates continue to push higher, to new long-term highs. While this is most apparent in hotels, it's also the trend in other accommodation types, like motels, backpackers and holiday parks. These signs of stretched capacity should spur new capacity to be built.

Housing

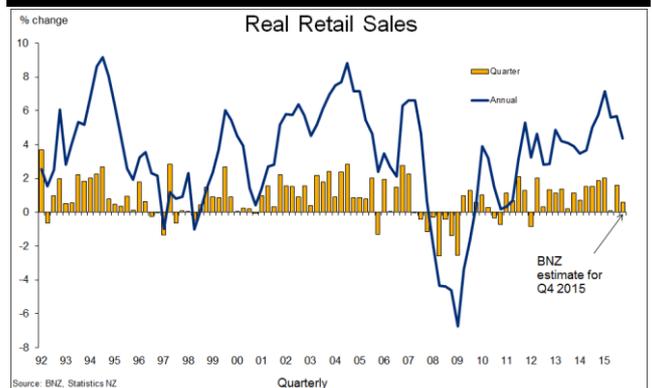
Interpretation of the monthly Real Estate Institute (REINZ) data has been made all the more difficult of late. This is because of the Oct/Nov policy changes, as well as annual comparisons to the election period around September last year. But, like some comedians, we can at least offer some impressions. Ours is that November's REINZ results affirmed a more-mixed period for Auckland's housing market; but also that a momentum is developing in most other parts of the country now – pervasively so in terms of home sales, as well as for the majority of non-Auckland housing markets with respect to inflation.

craig_ebert@bnz.co.nz

Top Notch Service



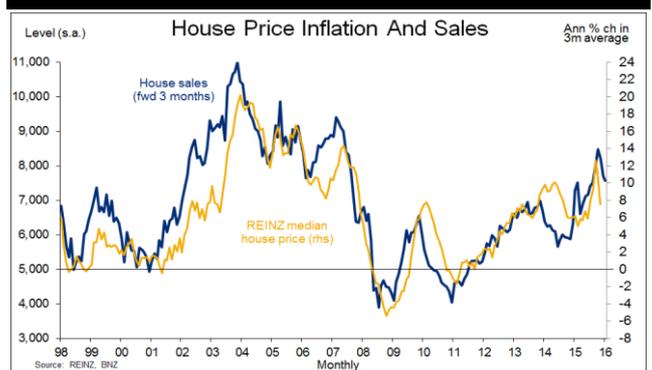
Spending Up Relatively Large



Pretty Non-Vacant



Averages mask a mixed Auckland, resurgence elsewhere



Contact Details

BNZ Research

Stephen Toplis

Head of Research
+(64 4) 474 6905

Craig Ebert

Senior Economist
+(64 4) 474 6799

Doug Steel

Senior Economist
+(64 4) 474 6923

Kymerly Martin

Senior Market Strategist
+(64 4) 924 7654

Raiko Shareef

Currency Strategist
+(64 4) 924 7652

Main Offices

Wellington

60 Waterloo Quay
Private Bag 39806
Wellington Mail Centre
Lower Hutt 5045
New Zealand
Phone: +(64 4) 473 3791
FI: 0800 283 269
Fax: +(64 4) 474 6266

Auckland

80 Queen Street
Private Bag 92208
Auckland 1142
New Zealand
Phone: +(64 9) 976 5762
Toll Free: 0800 081 167

Christchurch

81 Riccarton Road
PO Box 1461
Christchurch 8022
New Zealand
Phone: +(64 3) 353 2219
Toll Free: 0800 854 854

National Australia Bank

Peter Jolly

Global Head of Research
+(61 2) 9237 1406

Alan Oster

Group Chief Economist
+(61 3) 8634 2927

Ray Attrill

Global Co-Head of FX Strategy
+(61 2) 9237 1848

Skye Masters

Head of Interest Rate Strategy
+(61 2) 9295 1196

Wellington

Foreign Exchange +800 642 222
Fixed Income/Derivatives +800 283 269

Sydney

Foreign Exchange +(61 2) 9295 1100
Fixed Income/Derivatives +(61 2) 9295 1166

London

Foreign Exchange +(44 20) 7796 3091
Fixed Income/Derivatives +(44 20) 7796 4761

New York

Foreign Exchange +1 212 916 9631
Fixed Income/Derivatives +1 212 916 9677

Hong Kong

Foreign Exchange +(85 2) 2526 5891
Fixed Income/Derivatives +(85 2) 2526 5891

ANALYST DISCLAIMER: The person or persons named as the author(s) of this report hereby certify that the views expressed in the research report accurately reflect their personal views about the subject securities and issuers and other subject matters discussed. No part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the research report. Research analysts responsible for this report receive compensation based upon, among other factors, the overall profitability of the Markets Division of National Australia Bank Limited, a member of the National Australia Bank Group ("NAB"). The views of the author(s) do not necessarily reflect the views of NAB and are subject to change without notice. NAB may receive fees for banking services provided to an issuer of securities mentioned in this report. NAB, its affiliates and their respective officers, and employees, including persons involved in the preparation or issuance of this report (subject to the policies of NAB), may also from time to time maintain a long or short position in, or purchase or sell a position in, hold or act as advisors, brokers or commercial bankers in relation to the securities (or related securities and financial instruments), of companies mentioned in this report. NAB or its affiliates may engage in these transactions in a manner that is inconsistent with or contrary to any recommendations made in this report.

NEW ZEALAND DISCLAIMER: This publication has been provided for general information only. Although every effort has been made to ensure this publication is accurate the contents should not be relied upon or used as a basis for entering into any products described in this publication. Bank of New Zealand strongly recommends readers seek independent legal/financial advice prior to acting in relation to any of the matters discussed in this publication. Neither Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication.

US DISCLAIMER: If this document is distributed in the United States, such distribution is by nabSecurities, LLC. This document is not intended as an offer or solicitation for the purchase or sale of any securities, financial instrument or product or to provide financial services. It is not the intention of nabSecurities to create legal relations on the basis of information provided herein.

National Australia Bank Limited is not a registered bank in New Zealand.