

13 December 2021



The PSI

Just like the PMI did, the Performance of Services Index (PSI) disappointed for November. Far from reclaiming an expansive tone – as seemed possible, considering COVID-related restrictions tended to abate in the month – the PSI kept a contractionary tone. Its seasonally adjusted level of 46.5 was hardly different to the previous couple of months, consolidating a negative connotation. Sure, it was good to see New Orders/Business bounce to 54.4, from 46.3. Still, there was the clear message that supply remained heavily hampered, with the Inventory index at 46.7 and Supplier Deliveries still struggling a lot, at 37.8.

Not all weak

While the supply-side metrics are no great surprise, other messages from November’s PSI proved curious. For example, for all of Auckland’s travails over recent months – as level 3 restrictions hung around – it was Otago/Southland that reported the weakest regional result, by far, with an unadjusted 33.6 (Northern was at 47.5). It was also a bit odd that the biggest of firms (by payroll size) were suddenly suffering the most, slumping to 38.5, while micro and small-medium firms reclaimed expansive PSI levels, from having been well below the 50 breakeven mark in October. As for the industry detail, it was mixed. Retail Trade maintained a positive vibe, but Accommodation, Cafes & Restaurants, and Cultural, Recreational & Personal stayed the standout drags.

Implications for GDP

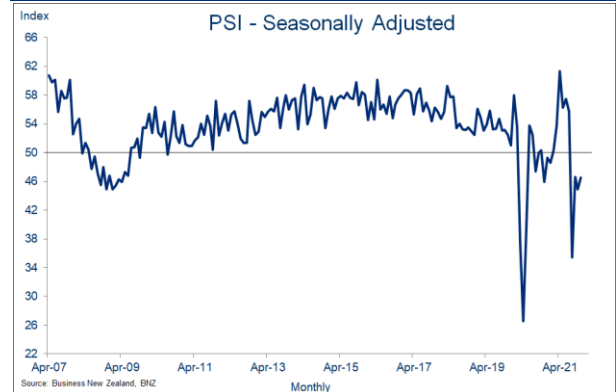
In terms of their signals for GDP, the latest PSI, along with the PMI, counsel caution about the rebound we can expect for Q4. Yes, it looks as though Q3 GDP might not drop as much as earlier feared (with that result due Thursday). This would put less onus on Q4 GDP to jump, to keep things on plan. And we can surely expect the PSI, and even the PMI, to improve in December, given New Zealand’s move into the less-restrictive “traffic-light” system of COVID management near the start of the month. Still, the latest PSI and PMI results warn against taking a strong bounce in GDP for granted, at this point.

Global guidance

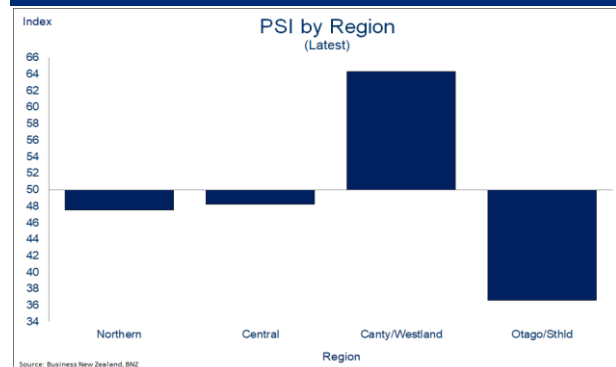
One of the great unknowns is how the NZ populace handles the virus circulating more widely in the country, under the traffic-light system, and the about-to-be loosened border around Auckland. But, as the global PSIs (and PMIs) point out, economic activity is still able to expand, even quite well, even when COVID-19 becomes endemic. This includes when the virus flares up under new strains – as has been the case with Delta over recent months. The next test for global growth is, of course, the Omicron variant.

craig_ebert@bnz.co.nz

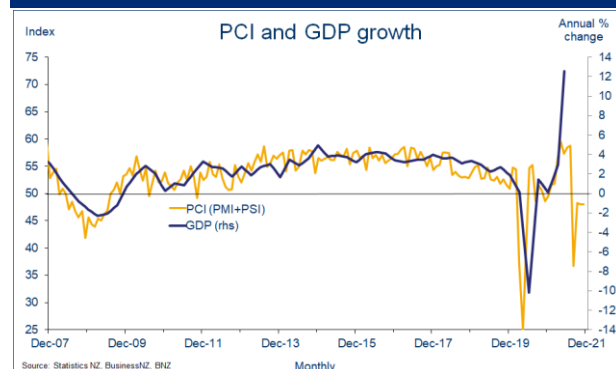
Expansion Not There Yet



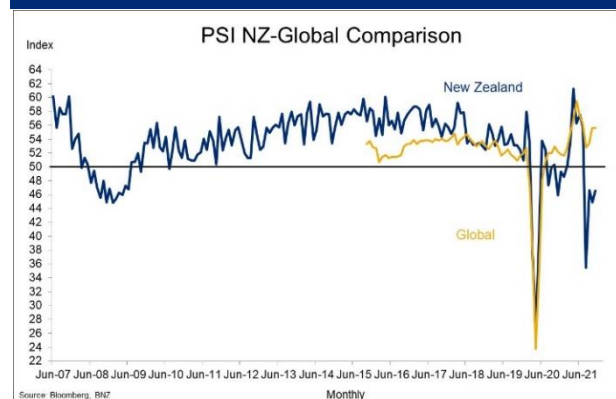
Maybe Not What You Thought?



Cautious on the Rebound



How To Live With the Virus?



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

Jason Wong

Senior Markets Strategist
+64 4 924 7652

Nick Smyth

Senior Interest Rates Strategist
+64 4 924 7653

Main Offices

Wellington

Level 4, Spark Central
42-52 Willis Street
Private Bag 39806
Wellington Mail Centre
Lower Hutt 5045
New Zealand
Toll Free: 0800 283 269

Auckland

80 Queen Street
Private Bag 92208
Auckland 1142
New Zealand
Toll Free: 0800 283 269

Christchurch

111 Cashel Street
Christchurch 8011
New Zealand
Toll Free: 0800 854 854

National Australia Bank

Ivan Colhoun

Global Head of Research
+61 2 9237 1836

Alan Oster

Group Chief Economist
+61 3 8634 2927

Ray Attrill

Head of FX Strategy
+61 2 9237 1848

Skye Masters

Head of Fixed Income Research
+61 2 9295 1196

Wellington

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

New York

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

Sydney

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

Hong Kong

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

London

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

This document has been produced by Bank of New Zealand (BNZ). BNZ is a registered bank in New Zealand and is only authorised to offer products and services to customers in New Zealand.

Analyst Disclaimer: The Information accurately reflects the personal views of the author(s) about the securities, issuers and other subject matters discussed, and is based upon sources reasonably believed to be reliable and accurate. The views of the author(s) do not necessarily reflect the views of the NAB Group. No part of the compensation of the author(s) was, is, or will be, directly or indirectly, related to any specific recommendations or views expressed. Research analysts responsible for this report receive compensation based upon, among other factors, the overall profitability of the Global Markets Division of NAB.

NAB maintains an effective information barrier between the research analysts and its private side operations. Private side functions are physically segregated from the research analysts and have no control over their remuneration or budget. The research functions do not report directly or indirectly to any private side function. The Research analyst might have received help from the issuer subject in the research report.

New Zealand: The information in this publication is provided for general information purposes only, and is a summary based on selective information which may not be complete for your purposes. This publication does not constitute any advice or recommendation with respect to any matter discussed in it, and its contents should not be relied on or used as a basis for entering into any products described in it. Bank of New Zealand recommends recipients seek independent advice prior to acting in relation to any of the matters discussed in this publication.

Any statements as to past performance do not represent future performance, and no statements as to future matters are guaranteed to be accurate or reliable.

Neither Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever which may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication.

USA: 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.