



BNZ - BUSINESSNZ PERFORMANCE OF SERVICE INDEX



44.6

October Value

-1.9

Monthly Change

contracting

Faster rate

Step down

15 November 2021

New Zealand's services sector stepped further into contraction during October, according to the BNZ - BusinessNZ Performance of Services Index (PSI).

The PSI for October was 44.6 (A PSI reading above 50.0 indicates that the service sector is generally expanding; below 50.0 that it is declining). This was down 1.9 points from September, reversing some of the 11.1 point increase from August to September.

BusinessNZ chief executive Kirk Hope said that it was disappointing that the gains in September did not also flow through to October.

"The key sub-indexes of Activity/Sales (43.7) and New Orders/Business (46.4) still clearly remain in contraction, while Employment (50.0) remains unchanged. With Auckland taking another recent step towards opening up, this will hopefully provide greater ability for a number of service sector businesses in New Zealand's largest city to lift their activity levels and prepare more fully for the Xmas period ahead."

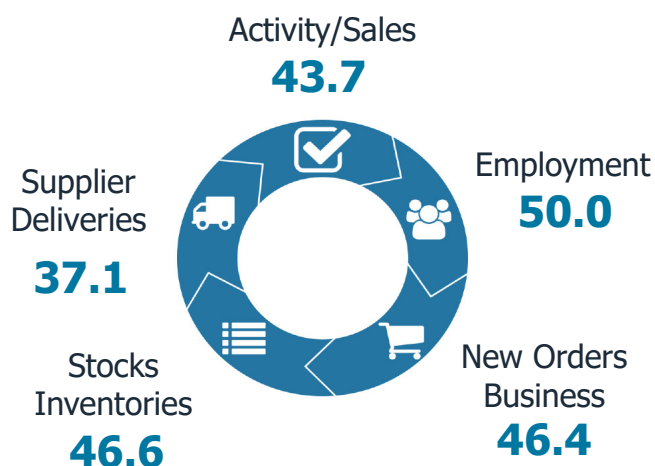
BNZ Senior Economist Doug Steel said that "the ongoing weakness in services overall – in contrast to the improvement we saw in last week's Performance of Manufacturing Index – fits with our thinking that any bounce in Q4 GDP will be modest, especially in comparison to the decline in Q3."



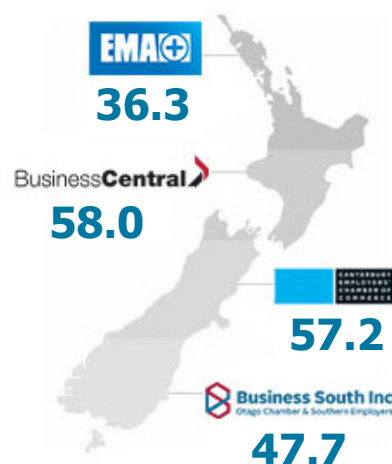
Kirk Hope
Chief Executive
BusinessNZ

[View PSI Time Series Data](#)

Main Indices



Regional Results



Services Landscape



PSI pain continues

The Performance of Services Index (PSI) reveals a sector with segments enduring significant pain. Disconcertingly, October's 44.6 result is nearly 2 full points back from September's already very weak 46.5. Moreover, this marks the third consecutive month well below the breakeven 50 mark as Covid restrictions linger.

[Read more](#) →

Not uniform

The recent hit to service sector performance has not been uniform. Across industries for example, unadjusted PSI readings over the past three months indicate that the burden of restrictions has fallen heaviest on the likes of the cultural, recreational, and personal industries, hospitality, and transport and storage.

[Read more](#) →

Regional differences

Non uniformity is also a feature across regions. It is no surprise to see Northern remaining the weakest, given its relative tightness in Covid restrictions. In contrast, the Central and Canterbury/Westland regions posted a decent lift from prior weakness with 58.0 and 57.2 respectively in October.

[Read more](#) →

Size matters

Performance varied significantly by firm size in October. Bigger firms tended to do better than smaller firms. At the extremes, large firms (those with 101 or more staff) outperformed (with PSI at 57.8), while micro firms (1 to 10 staff) have continued to underperform (42.3).

[Read more](#) →



Doug Steel
Senior Economist

[View full BNZ Services Landscape](#)

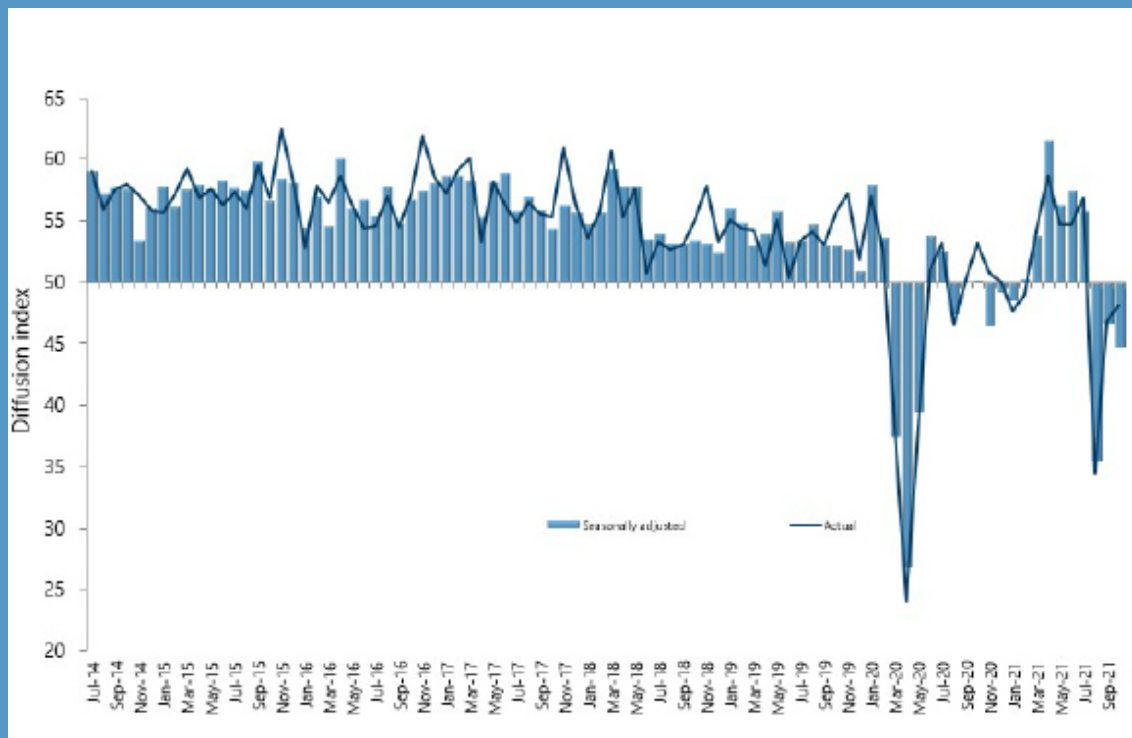
PSI Time Series Table

Results are seasonally adjusted

National Indices	Oct 2020	Jun 2021	Jul 2021	Aug 2021	Sep 2021	Oct 2021
BNZ - BusinessNZ PSI	50.1	57.5	55.8	35.4	46.5	44.6
Activity/Sales	49.2	60.9	61.3	25.0	43.1	43.7
Employment	49.7	56.5	54.3	49.0	51.4	50.0
New Orders/Business	55.7	64.3	59.2	32.6	47.4	46.4
Stocks/Inventories	52.3	50.3	50.9	47.6	50.5	46.6
Supplier Deliveries	45.2	45.5	46.1	26.6	41.5	37.1

BNZ - BusinessNZ PSI Time Series

July 2014 - October 2021

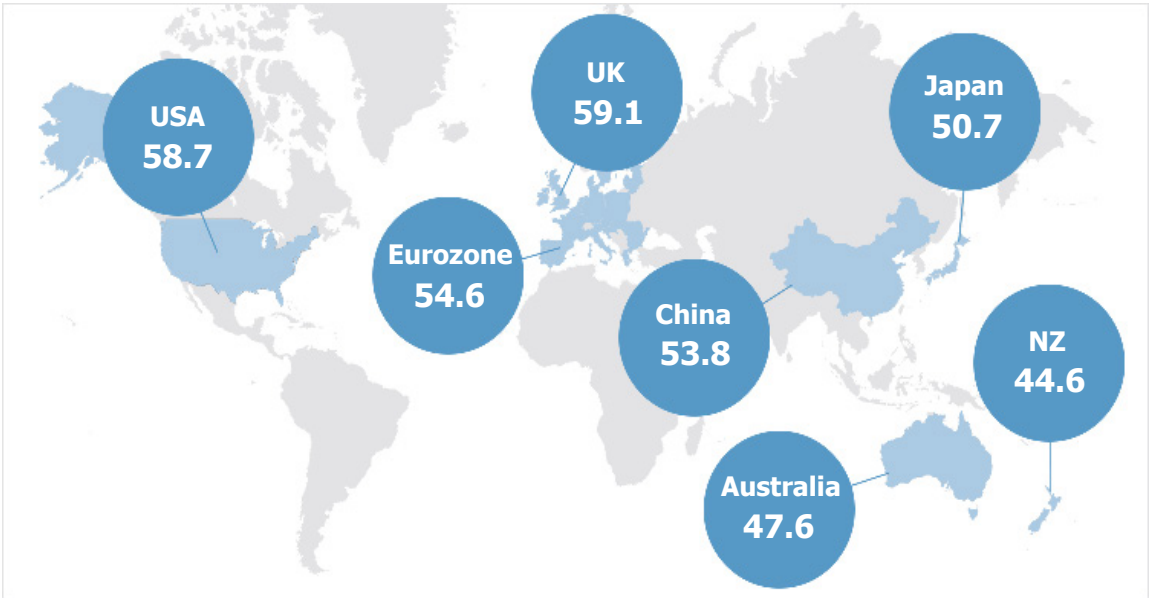


International Results

J.P. Morgan Global Manufacturing PSI™

4 November 2021

55.6



BNZ - BUSINESSNZ PERFORMANCE OF COMPOSITE INDEX



45.9

GDP-Weighted Index

49.9

Free-Weighted Index

The seasonally adjusted BNZ - BusinessNZ Performance of Composite Index or PCI (which combines the PMI and PSI) saw the two options for measuring the October PCI show contrasting outcomes.

The October GDP-Weighted Index (45.9) decreased 1.4 points from September, while the Free-Weighted Index (49.9) rose 0.8 points.

PCI Time Series Table

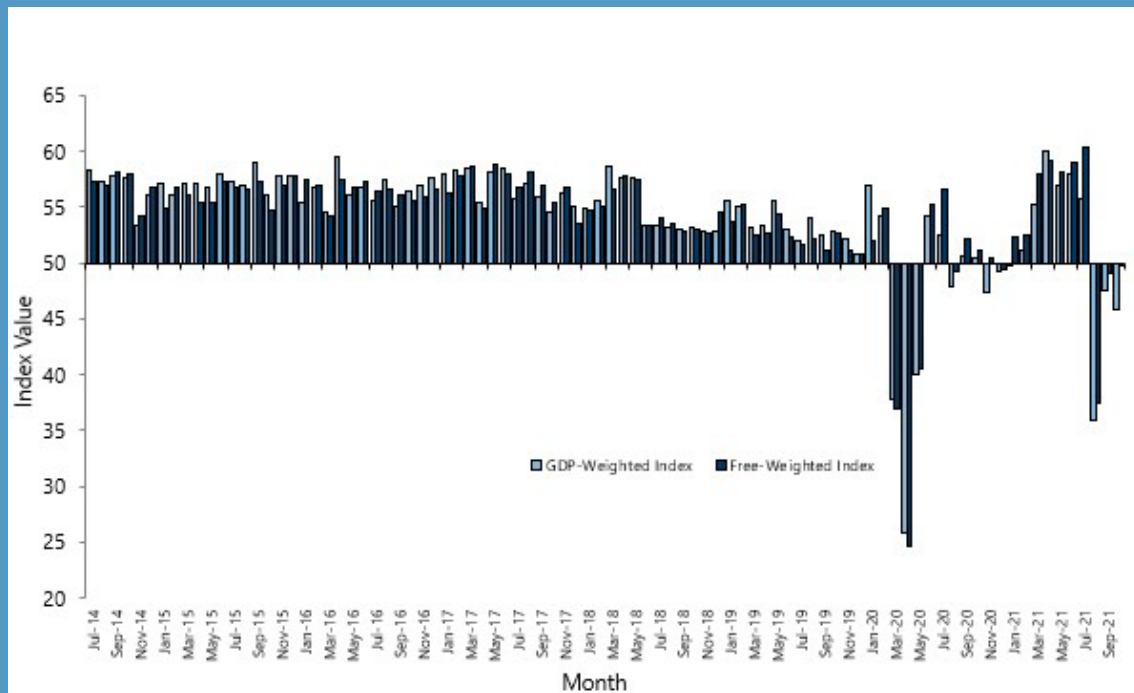
Results are seasonally adjusted

National Indices	Oct 2020	Jun 2021	Jul 2021	Aug 2021	Sep 2021	Oct 2021
GDP-Weighted	50.2	57.9	56.6	36.0	47.3	45.9
Free-Weighted	50.5	59.0	60.8	37.5	49.1	49.9

[View PCI Time Series Data](#)

BNZ - BusinessNZ PCI Time Series

July 2014 - October 2021



Our Contributors

The BNZ - BusinessNZ Performance of Services Index contains data obtained through BusinessNZ's regional organisations and Hospitality NZ.



Sponsor Statement

BNZ is delighted to be associated with the Performance of Services Index (PSI) and BusinessNZ.

The association brings together the significant experience of leading business advocacy body BusinessNZ, and business finance specialist BNZ.

We look forward to continuing our association with BusinessNZ and associated regional organisations, and to playing our part in the ongoing development of the New Zealand service sector.



Media Comment

For media comment, contact:

Kirk Hope:

 04 496 6552

Doug Steel

 04 474 6923

Technical Comment

Stephen Summers:

 04 496 6564

 ssummers@businessnz.org.nz

About the PSI

The BNZ - BusinessNZ Performance of Services Index is a monthly survey of the service sector providing an early indicator of activity levels.

A PSI reading above 50 points indicates service activity is expanding; below 50 indicates it is contracting.

The main PSI and sub-index results are seasonally adjusted.

 www.businessnz.org.nz/psi

About the PCI

The BNZ - BusinessNZ Performance of Composite Index (PCI) takes into account results from both the Performance of Manufacturing Index (PMI) and the Performance of Services Index (PSI). Combined results are shown in two ways:

GDP-Weighted Index: Apportions the weight of the manufacturing and services index within the economy to produce an overall result.

Free-Weighted Index: Combines data from both indexes to produce an overall result.

Both time series for the PCI are then seasonally adjusted.

RESEARCH

Services Landscape

15 November 2021



PSI pain continues

The Performance of Services Index (PSI) reveals a sector with segments enduring significant pain. Disconcertingly, October's 44.6 result is nearly 2 full points back from September's already very weak 46.5. Moreover, this marks the third consecutive month well below the breakeven 50 mark as Covid restrictions linger. Hurt was evident across the major components with activity/sales (43.7), new orders (46.4), stocks/inventory (46.6), and particularly supplier deliveries (37.1) all well below 50 and even further below historical norms. It all reflects huge disruption from multiple sources. The 'best' of the major components was employment at exactly 50. While below average, it suggests service sector employment is hanging in there with firms reluctant to let staff go if possible, despite the many significant challenges.

Not uniform

The recent hit to service sector performance has not been uniform. Across industries for example, unadjusted PSI readings over the past three months indicate that the burden of restrictions has fallen heaviest on the likes of the cultural, recreational, and personal industries, hospitality, and transport and storage. Communications is a rare positive, if only at 51.5. In October itself, there were hints of some improvement in property and business along with retail and wholesale trade. But the ongoing weakness in services overall – in contrast to the improvement we saw in last week's Performance of Manufacturing Index – fits with our thinking that any bounce in Q4 GDP will be modest, especially in comparison to the decline in Q3.

Regional differences

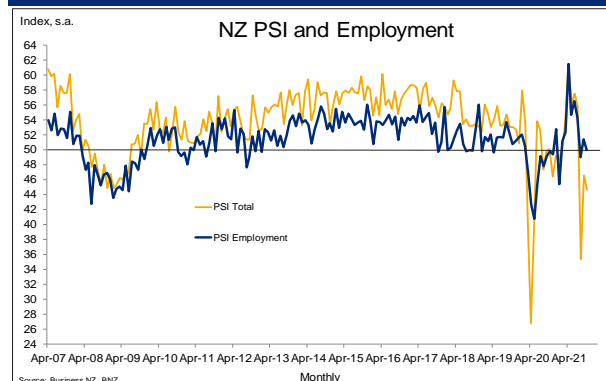
Non uniformity is also a feature across regions. It is no surprise to see Northern remaining the weakest, given its relative tightness in Covid restrictions. In contrast, the Central and Canterbury/Westland regions posted a decent lift from prior weakness with 58.0 and 57.2 respectively in October. Otago/Southland was between the two extremes, but remains below 50 no doubt coping some backwash from the lack of Northern travellers.

Size matters

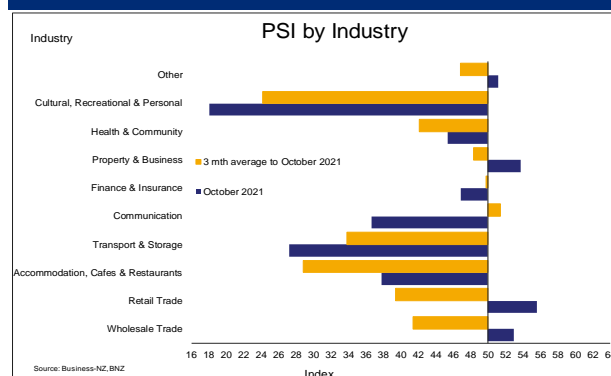
Performance varied significantly by firm size in October. Bigger firms tended to do better than smaller firms. At the extremes, large firms (those with 101 or more staff) outperformed (with PSI at 57.8), while micro firms (1 to 10 staff) have continued to underperform (42.3).

doug_steel@bnz.co.nz

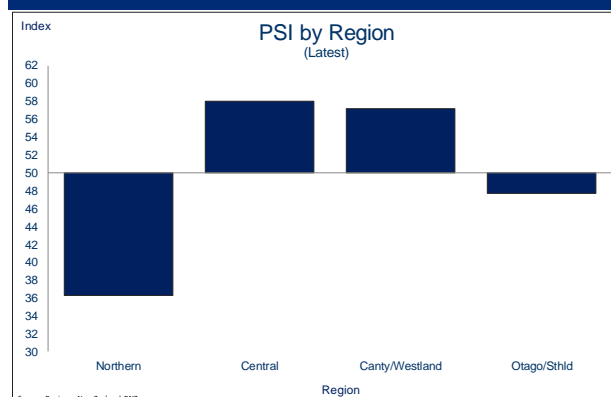
Activity Weak; Employment Holding



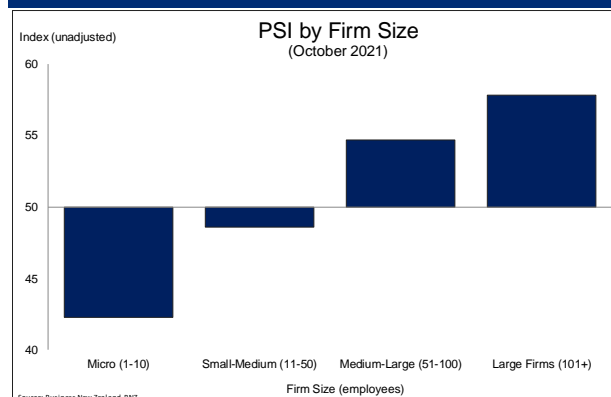
Unders and Overs



Location Matters



More Variance



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

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