

# BNZ - BUSINESSNZ PERFORMANCE OF SERVICE INDEX



35.6

August Value

-20.3

Monthly Change

contracting

Previously expanding

## In the zone

20 September 2021

New Zealand's services sector fell back in contraction during August, according to the BNZ - BusinessNZ Performance of Services Index (PSI).

The PSI for August was 35.6 (A PSI reading above 50.0 indicates that the service sector is generally expanding; below 50.0 that it is declining). This was the second lowest level of activity since the survey began, with the April 2020 result still the lowest during the national lockdown last year.

BusinessNZ chief executive Kirk Hope said that like its sister survey the PMI, the national lockdown was the sole influencing factor causing service sector activity levels to plunge into contraction. Even for those outside Auckland moving down alert levels to resume business activity, there will be residual effects at least through September with both uncertainty and lower alert level restrictions playing their part.

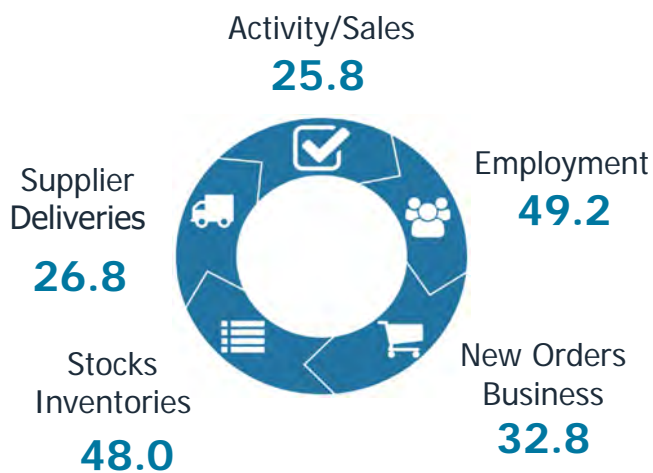
BNZ Senior Economist Craig Ebert said that "while the August result wasn't quite as bad as the 26.0 it plunged to in April 2020, the September 2021 result might be the better marker as the first half of August's trading would have been solid, if July's PSI result of 55.9 was any lead."



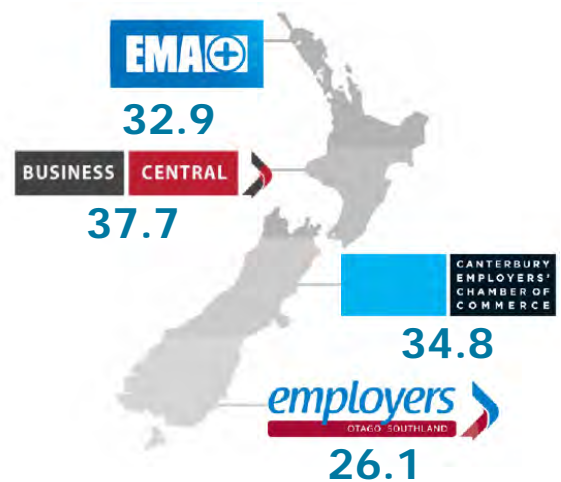
**Kirk Hope**  
Chief Executive  
BusinessNZ

[View PSI Time Series Data](#)

## Main Indices



## Regional Results



## Services Landscape

### The PSI

While we all understand the need to control COVID-19, it's also important to recognize how much damage lockdowns do to the economy. Encouragingly, business expectations for future activity levels have been holding up better than they did during last year's lockdowns. However, the latest hit to the economy appears roughly comparable.

[Read more](#) →

### Composition

Similarities to last year's (first) lockdown were also evident in the latest PSI's component detail, in that Activity/Sales (25.8) and New Orders/Business (32.8) were hit the hardest. And, it was no surprise to see the overwhelming majority of comments denoted as "negative", with reference to COVID.

[Read more](#) →

### Industry features

By industry, there was a familiar pattern regarding who suffers the most from lockdowns. Accommodation, Cafes & Restaurants, for example, slumped to 21.4, which was about as bad as things got back in April 2020 (18.1). Cultural, Recreational & Personal was the weakest industry in August 2021, however, with 20.0.

[Read more](#) →

### GDP inferences

While it's difficult to map the PSI (and PMI) precisely onto GDP, there is certainly a warning in August's composite PCI that the hit to Q3 2021 GDP could be closer to what we saw in Q2 of 2020 than is the consensus view.

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Craig Ebert  
Senior Economist

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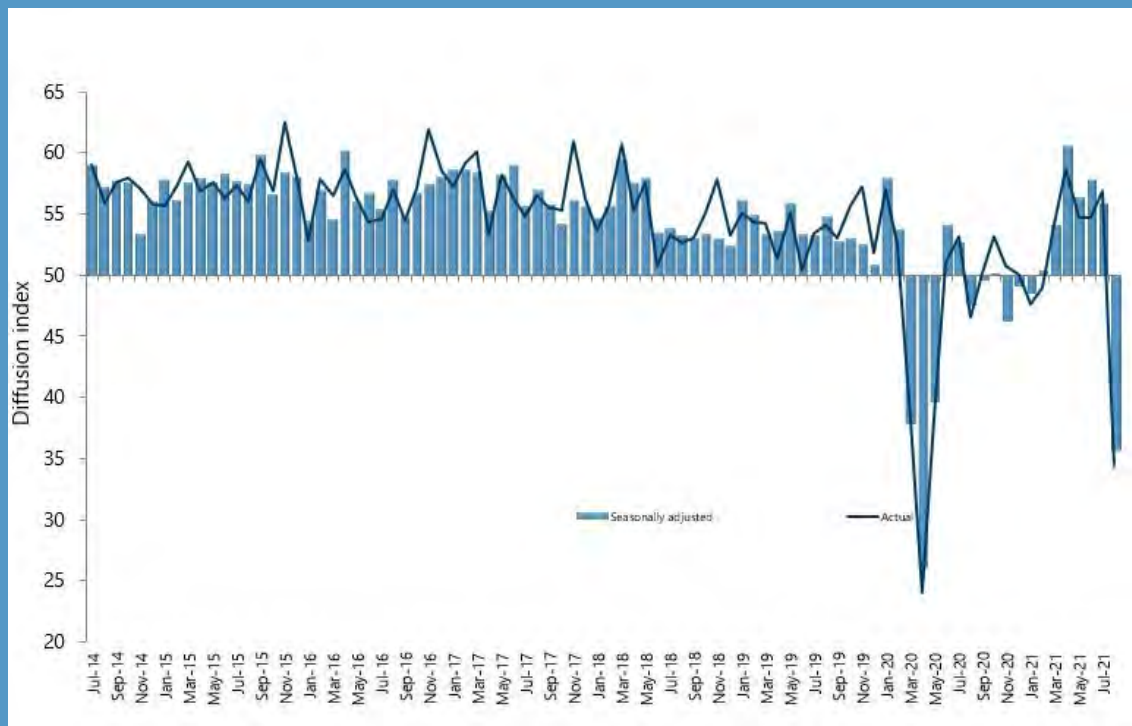
# PSI Time Series Table

Results are seasonally adjusted

National Indices	Aug 2020	Apr 2021	May 2021	Jun 2021	Jul 2021	Aug 2021
BNZ - BusinessNZ PSI	47.6	60.6	56.4	57.8	55.9	35.6
Activity/Sales	46.6	61.9	58.7	61.8	61.0	25.8
Employment	47.8	61.0	54.3	56.4	54.8	49.2
New Orders/Business	49.2	67.1	62.4	64.6	60.0	32.8
Stocks/Inventories	49.4	55.2	51.2	50.6	51.4	48.0
Supplier Deliveries	45.4	47.0	45.3	45.9	46.8	26.8

## BNZ - BusinessNZ PSI Time Series

July 2014 - August 2021

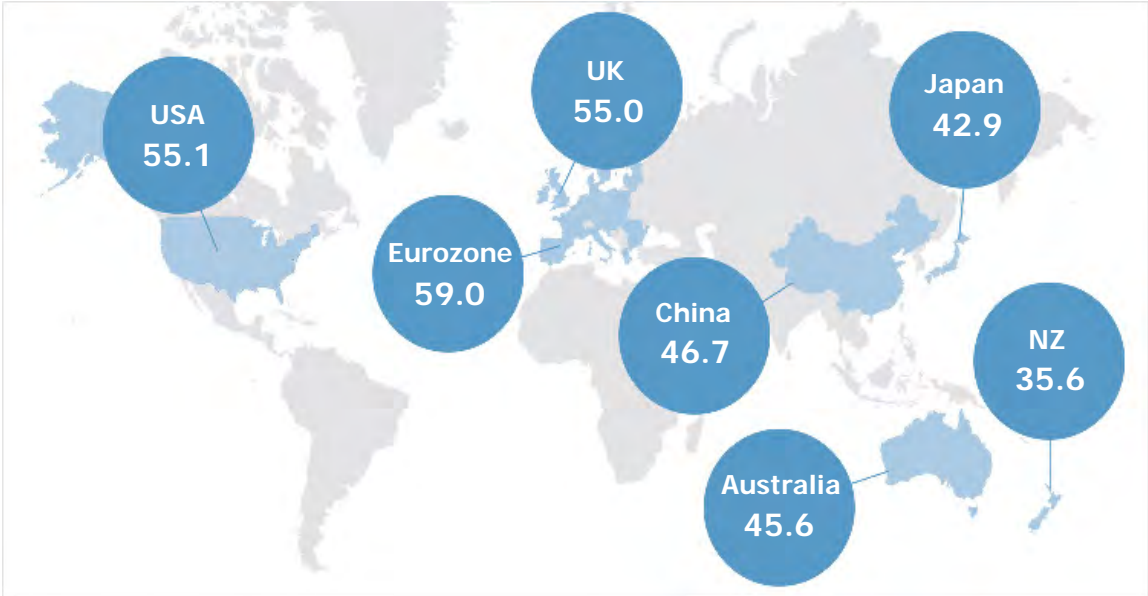


# International Results

J.P. Morgan Global Manufacturing PSI™

3 September 2021

## 52.9



# BNZ - BUSINESSNZ PERFORMANCE OF COMPOSITE INDEX



36.2

GDP-Weighted Index

38.0

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 August PCI both fall into significant contraction.

The August GDP-Weighted Index (36.2) decreased 20.9 points from July, while the Free-Weighted Index (38.0) fell 21.6 points.

## PCI Time Series Table

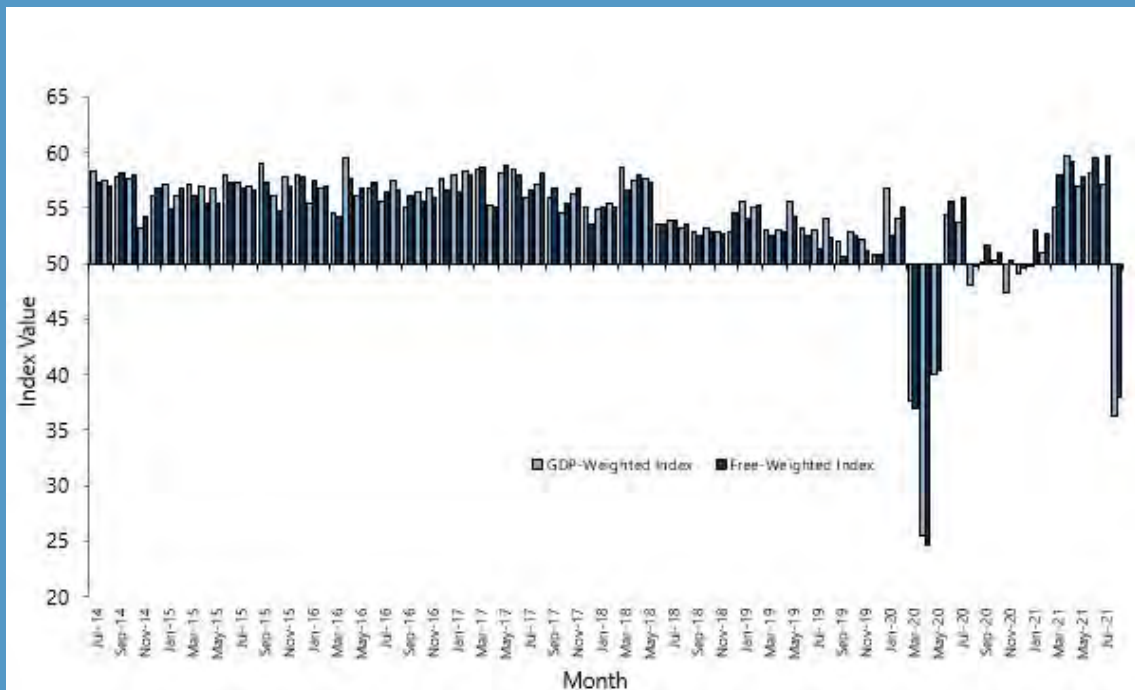
Results are seasonally adjusted

National Indices	Aug 2020	Apr 2021	May 2021	Jun 2020	Jul 2021	Aug 2021
GDP-Weighted	48.1	59.7	56.9	58.1	57.1	36.2
Free-Weighted	49.8	59.1	57.9	59.4	59.6	38.0

[View PCI Time Series Data](#)

# BNZ - BusinessNZ PCI Time Series

July 2014 - August 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.



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## 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](http://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

20 September 2021

## The PSI

While we all understand the need to control COVID-19, it's also important to recognize how much damage lockdowns do to the economy. Encouragingly, business expectations for future activity levels have been holding up better than they did during last year's lockdowns. However, the latest immediate hit to the economy appears more comparable. Handily, the Performance of Services Index (PSI) reports on actual activity, not forecasts. So, the fact it plunged to 35.6 in August was telling. While this wasn't quite as bad as the 26.0 it plunged to in April 2020, the September 2021 result might be the better marker as the first half of August's trading would have been solid, if July's PSI result of 55.9 was any lead.

## Composition

Similarities to last year's (first) lockdown were also evident in the latest PSI's component detail, in that Activity/Sales (25.8) and New Orders/Business (32.8) were hit the hardest. And, it was no surprise to see the overwhelming majority of comments denoted as "negative", with reference to COVID. Employment (49.2), however, has held up relatively better, thus far. While all regions experienced a big dip in the month it was interesting that Otago/Southland took the clearest, as its activity index slumped to just 10.0. This region's reliance on visitors from Auckland is certainly something to note and watch.

## Industry features

By industry, there was a familiar pattern regarding who suffers the most from lockdowns. Accommodation, Cafes & Restaurants, for example, slumped to 21.4, which was about as bad as things got back in April 2020 (18.1). Cultural, Recreational & Personal was the weakest industry in August 2021, however, with 20.0. It wasn't all bad news, though, with Communications managing 45.0 and Finance & Insurance being the sole positive on 57.9. This alludes to the disparity between those able to keep operating, via technology, without the necessity of face to face contact. By size of firm, however, there was uniformity in the weakness for August - just like we saw for March/April 2020.

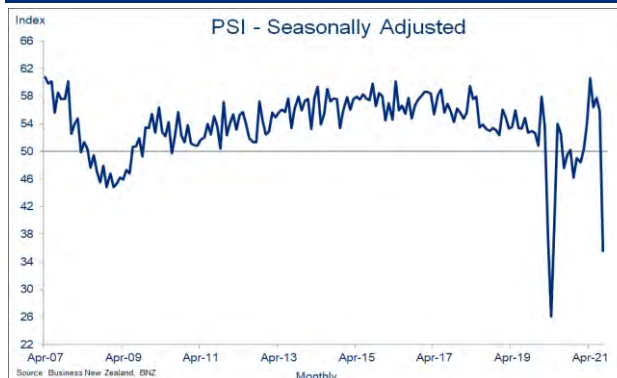
## GDP inferences

While it's difficult to map the PSI (and PMI) precisely onto GDP, there is certainly a warning in August's composite PCI that the hit to Q3 2021 GDP could be closer to what we saw in Q2 of 2020 than is the consensus view. The other historical lesson from the PCI is that, while activity did bounce straight after lockdowns, it took a good 9-12 months until expansion was fundamentally strong and sustained. So, we should likewise be wary of assuming a full and immediate rebound in GDP post Q3.

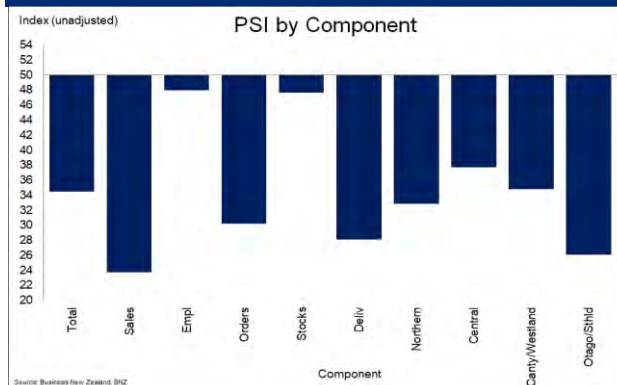
[craig\\_ebert@bnz.co.nz](mailto:craig_ebert@bnz.co.nz)



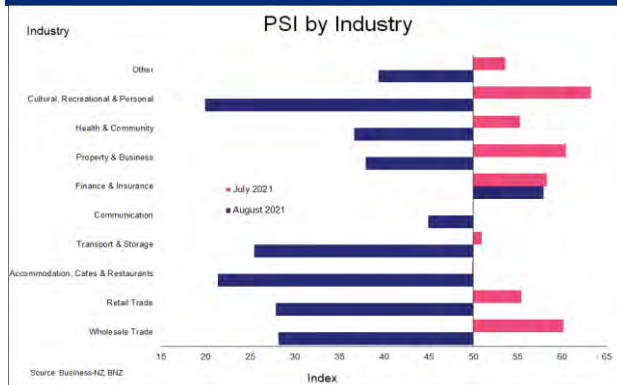
## Hurting About as Hard



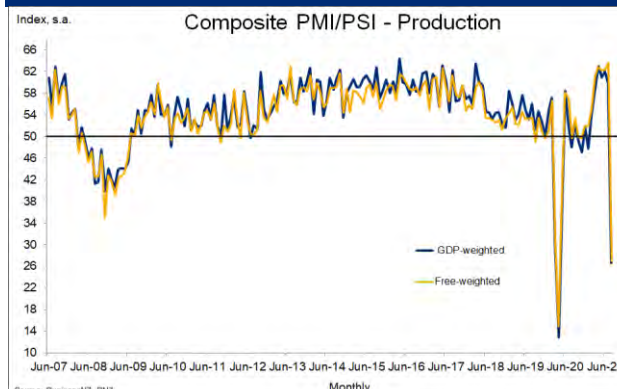
## The Range of Negativity



## Arresting The Usual Suspects



## Brace Yourself





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