

BNZ - BUSINESSNZ PERFORMANCE OF SERVICE INDEX



46.5

November Value

+1.6

Monthly Change

contracting

Slower rate

Waiting game

13 December 2021

Activity levels in New Zealand's services sector improved slightly during November, although still remained in overall contraction, according to the BNZ - BusinessNZ Performance of Services Index (PSI).

The PSI for November was 46.5 (A PSI reading above 50.0 indicates that the service sector is generally expanding; below 50.0 that it is declining). This was up 1.6 points from October, and almost identical to the September result.

BusinessNZ chief executive Kirk Hope said that the stagnant nature of recent results exemplifies the difficult trading conditions many businesses currently find themselves in.

"The key sub-index of Activity/Sales (45.6) remains in contraction, although continues to improve slightly from its low in August. More encouragingly, New Orders/Business (54.4) returned to expansion for the first time since July, which was likely due to easing of lockdown conditions. While Employment (50.3) remains close to no change, both Stocks/Inventories (46.7) and Supplier Deliveries (37.8) have yet to show expansion since the 2021 nationwide lockdown."

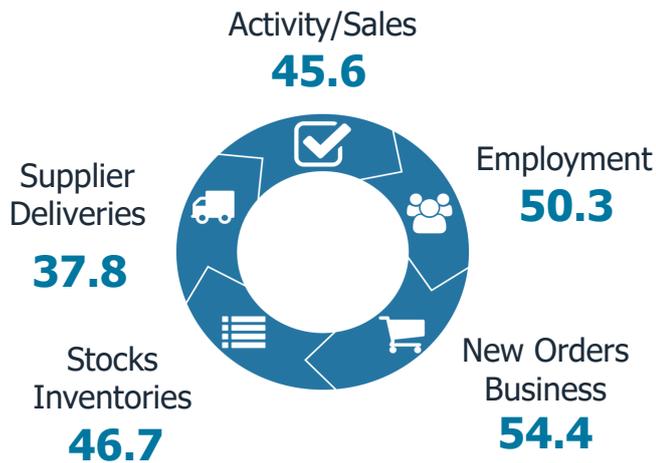
BNZ Senior Economist Craig Ebert said that "we can surely expect the PSI, and even the PMI, to improve in December, given New Zealand's move into the less-restrictive "traffic-light" system of COVID management near the start of the month. Still, the latest PSI and PMI results warn against taking a strong bounce in GDP for granted, at this point."



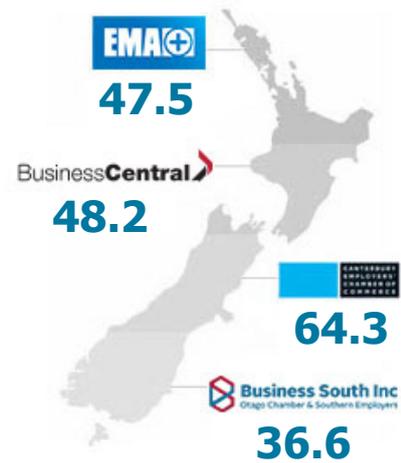
Kirk Hope
Chief Executive
BusinessNZ

[View PSI Time Series Data](#)

Main Indices



Regional Results



Services Landscape



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.

[Read more](#) →

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).

[Read more](#) →

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.

[Read more](#) →

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.

[Read more](#) →



Craig Ebert
Senior Economist

[View full BNZ Services Landscape](#)

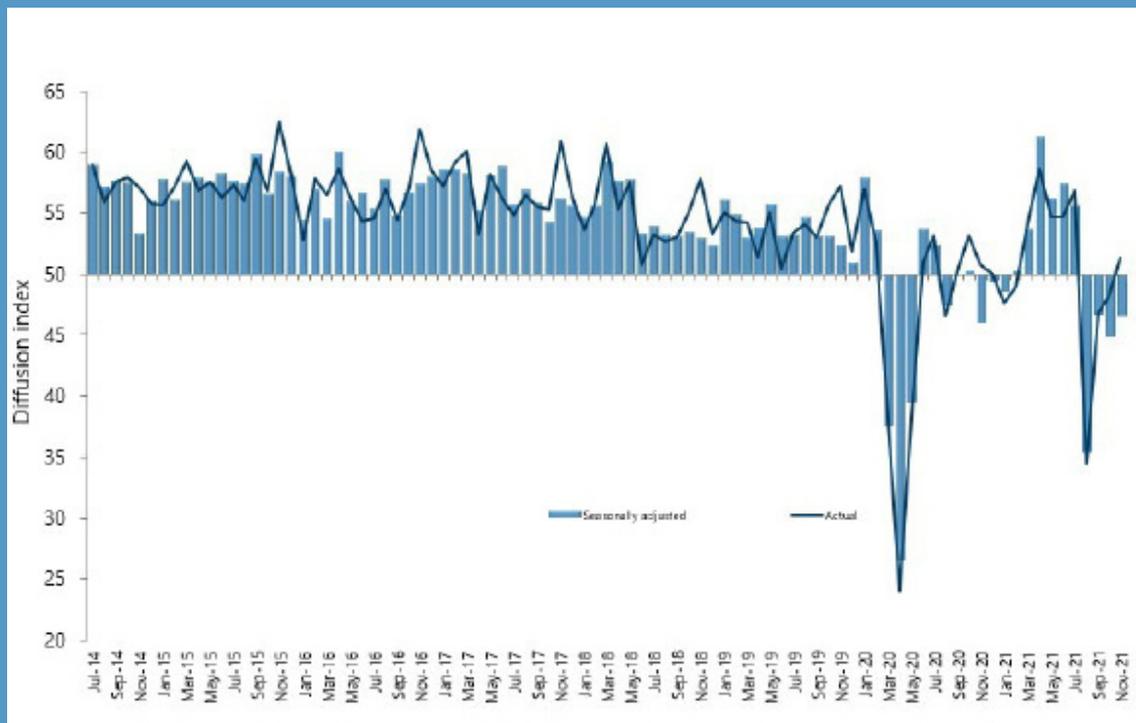
PSI Time Series Table

Results are seasonally adjusted

National Indices	Nov 2020	Jul 2021	Aug 2021	Sep 2021	Oct 2021	Nov 2021
BNZ - BusinessNZ PSI	45.9	55.7	35.4	46.6	44.9	46.5
Activity/Sales	44.8	61.3	25.1	43.4	44.4	45.6
Employment	49.2	54.3	49.0	51.4	50.0	50.3
New Orders/Business	52.1	59.2	32.5	47.4	46.3	54.4
Stocks/Inventories	46.9	50.8	47.5	49.7	46.1	46.7
Supplier Deliveries	40.2	45.8	26.4	41.2	36.8	37.8

BNZ - BusinessNZ PSI Time Series

July 2014 - November 2021



International Results

J.P. Morgan Global Manufacturing PSI™

3 December 2021

55.6



BNZ - BUSINESSNZ PERFORMANCE OF COMPOSITE INDEX



47.0

GDP-Weighted Index

49.1

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 November PCI again show contrasting outcomes.

The November GDP-Weighted Index (47.0) increased 0.9 points from October, while the Free-Weighted Index (49.1) decreased 0.9 points, slipping back into contraction.

PCI Time Series Table

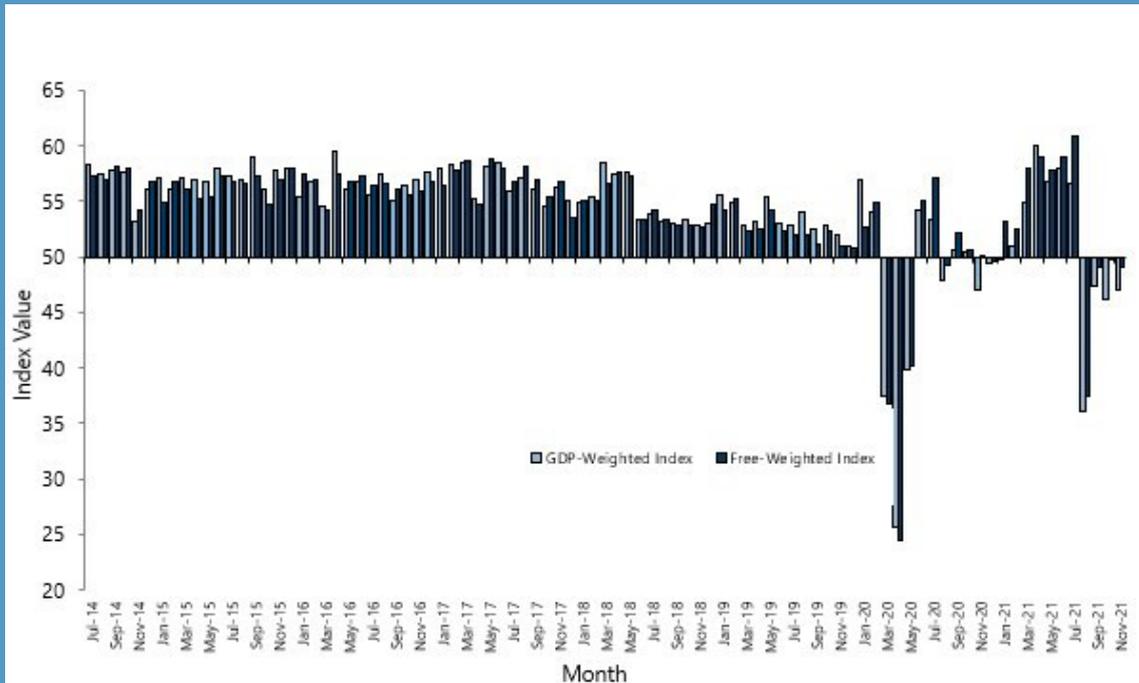
Results are seasonally adjusted

National Indices	Nov 2020	Jul 2021	Aug 2021	Sep 2021	Oct 2021	Nov 2021
GDP-Weighted	47.0	56.7	36.1	47.4	46.1	47.0
Free-Weighted	50.1	60.9	37.4	49.1	50.0	49.1

[View PCI Time Series Data](#)

BNZ - BusinessNZ PCI Time Series

July 2014 - November 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

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.

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

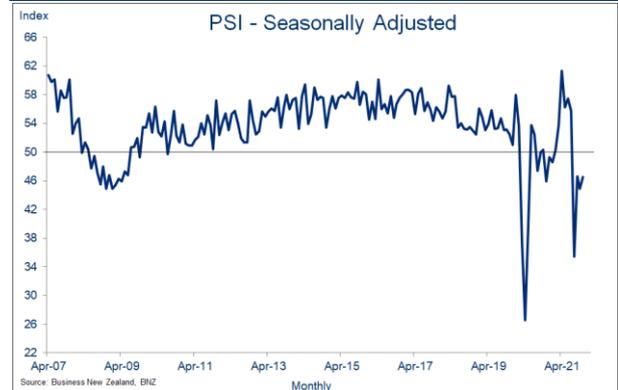
In terms of their signals for GDP, the latest PSI, along with the PMI, counsel caution about the rebound we can expect for Q4. Yes, it looks as though Q3 GDP might not drop as much as earlier feared (with that result due Thursday). This would put less onus on Q4 GDP to jump, to keep things on plan. And 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

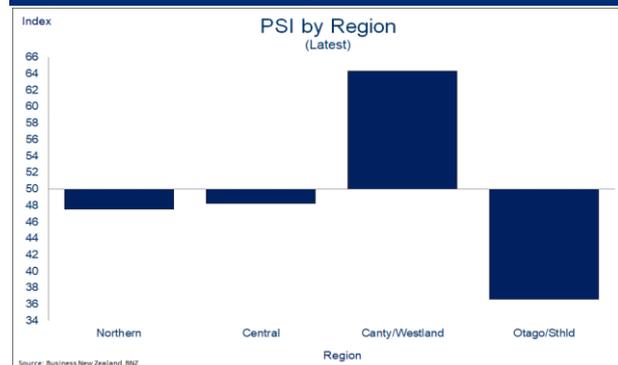
One of the great unknowns is how the NZ populace handles the virus circulating more widely in the country, under the traffic-light system, and the about-to-be loosened border around Auckland. But, as the global PSIs (and PMIs) point out, economic activity is still able to expand, even quite well, even 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.

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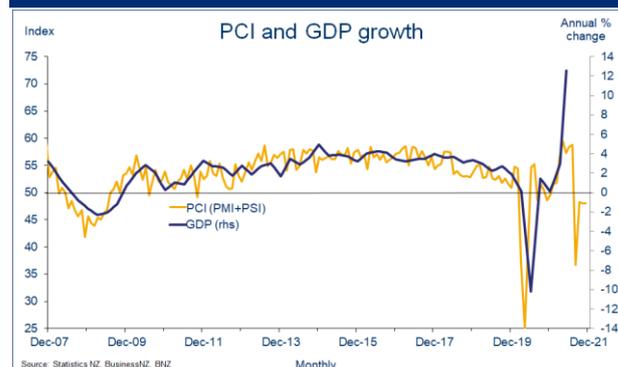
Expansion Not There Yet



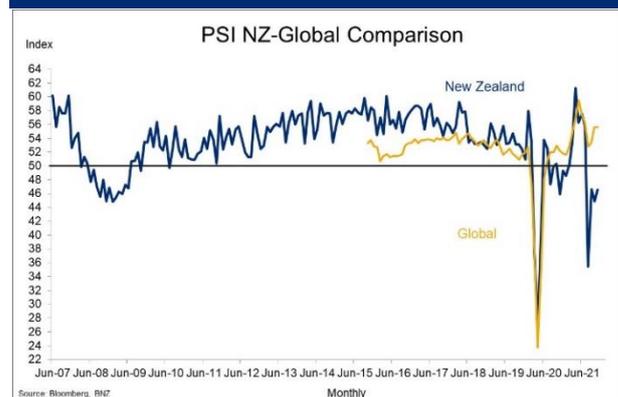
Maybe Not What You Thought?



Cautious on the Rebound



How To Live With the Virus?



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