

BNZ – BUSINESSNZ PERFORMANCE OF SERVICES INDEX

Uncertain times

18 Sep 2023

47.1

August

-0.9

Monthly Change

Contracting

Faster Rate

New Zealand's services sector experienced its third consecutive drop in activity levels, according to the BNZ – BusinessNZ Performance of Services Index (PSI).

The PSI for August was 47.1 (A PSI reading above 50.0 indicates that the service sector is generally expanding; below 50.0 that it is declining). This was down 0.9 points from July, and almost at the level seen back in January 2022. It was also well below the long-term average of 53.5 for the survey.

BusinessNZ chief executive Kirk Hope said that the August result showed little in the way of a road to recovery. While Employment (50.9) went back into slight expansion, Activity/Sales (43.4) remained in strong contraction and New Orders/Business (47.3) was in contraction for a second consecutive month. In addition, Supplier Deliveries (49.2) went into contraction for the first time since November 2022.

"The proportion of negative comments stood at 63.9% in August, compared to 67% in July and 55.6% in June. Overall, negative comments received were strongly dominated by uncertainty regarding the upcoming General Election, as well as continued adverse economic conditions".

BNZ Senior Economist Doug Steel said that "the latest PCI readings suggest any bounce through the Q2 GDP figures will be short lived and are consistent with economic contraction returning. In this sense, the PMI and PSI results are more consistent with the RBNZ forecast of a return to recession than the Treasury's latest forecasts of moderate growth ahead".

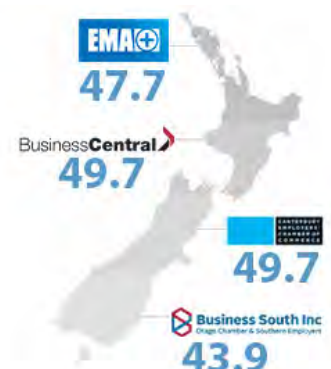


Kirk Hope
CEO, BusinessNZ

Main Indicies



Regional Results



[VIEW THE TIME SERIES DATA](#)



Services Landscape

No respite

August brought no respite for the service sector. After dropping to 48.0 in July, the Performance of Services Index (PSI) slipped further below breakeven to 47.1. The trend remains downward.

[Read more](#)

More recessionary than not

The weakening PSI looks like the PMI from last week. The combined PCI index slipped to average 47.0 in August, from 47.8 in July. This adds to the notion that economic growth struggled into the second half of the year.

[Read more](#)

Rebalancing

From an RBNZ policy perspective, the balance of supply and demand is more important than growth itself. A negative gap has recently opened between the PCI demand indicators like sales and new orders and PCI supply indicators like employment, inventories, and supplies.

[Read more](#)



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[VIEW FULL BNZ SERVICES SNAPSHOT](#)

Sponsor Statement

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

[View Website](#)

PSI Time Series Table

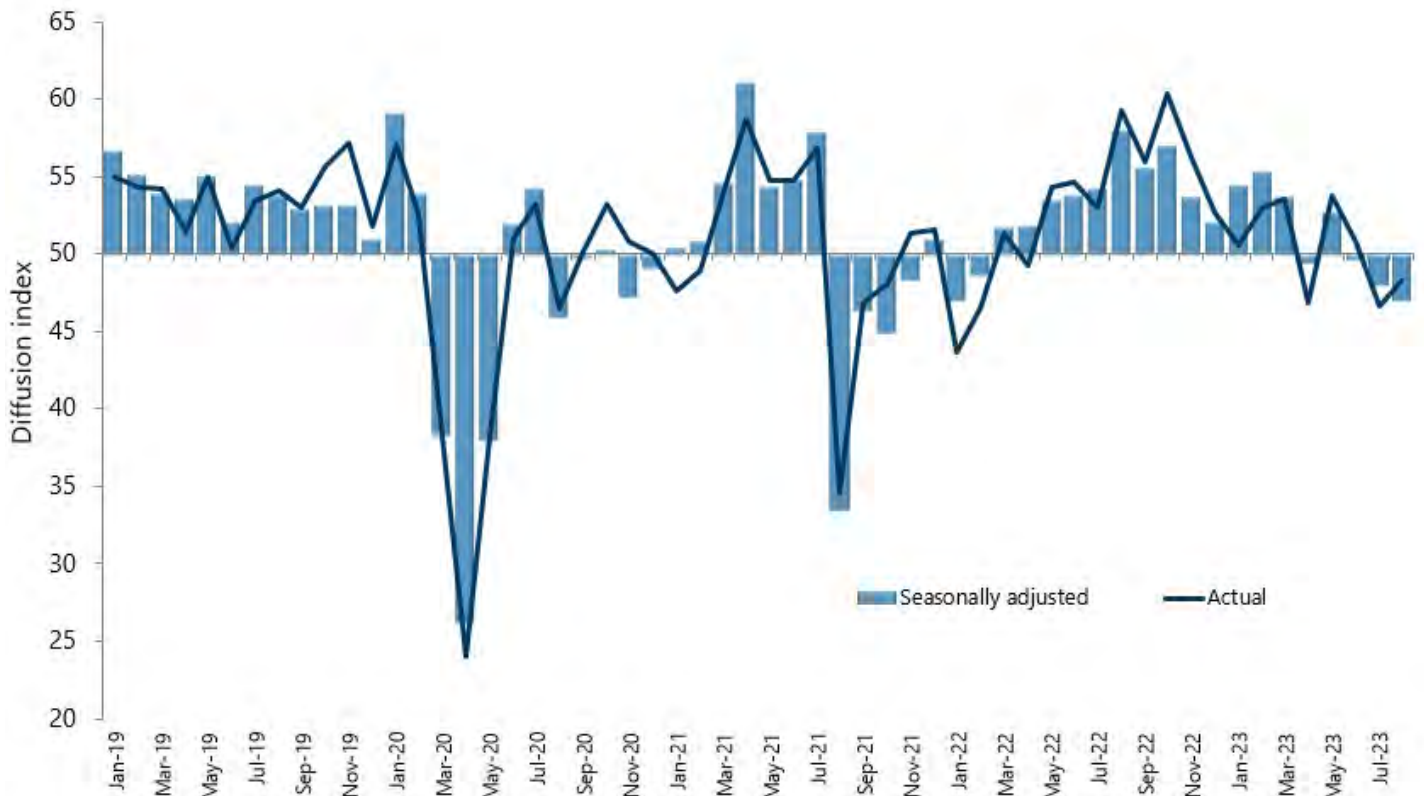
The results are seasonally adjusted.

National Indices	Aug 2022	Apr 2023	May 2023	Jun 2023	Jul 2023	Aug 2023
BNZ - BusinessNZ PSI	58.0	49.4	52.7	49.7	48.0	47.1
Activity/Sales	65.1	45.2	51.5	51.0	39.7	43.4
Employment	51.1	50.1	52.2	49.1	49.1	50.9
New Orders/Business	65.0	49.9	55.0	50.5	44.5	47.3
Stocks/Inventories	60.5	56.3	56.1	47.1	54.0	52.5
Supplier Deliveries	50.4	50.2	50.8	50.9	52.0	49.2

[VIEW THE TIME SERIES DATA](#)

BNZ - BusinessNZ PSI Time Series

January 2019 - August 2023

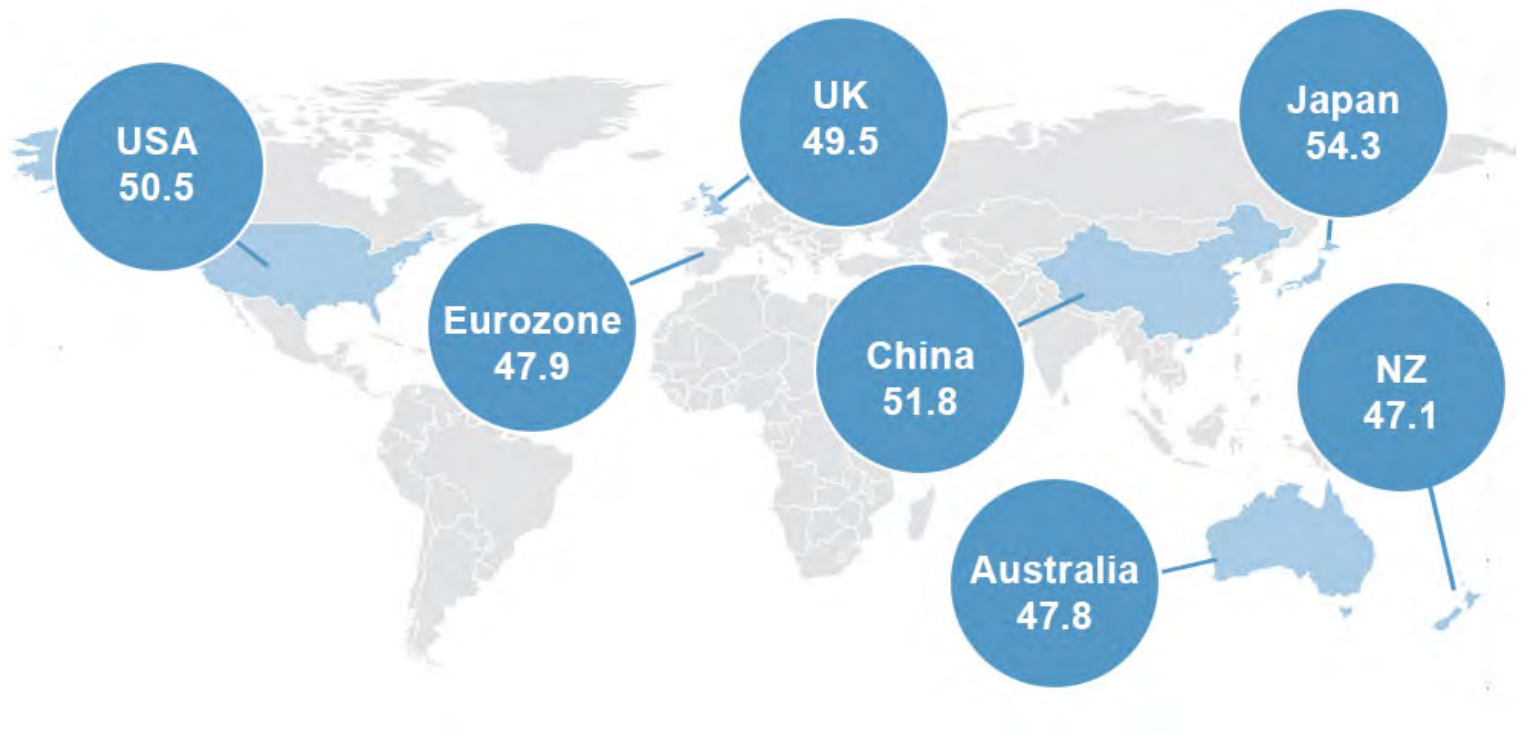


International Results

J.P. Morgan Global Manufacturing PSI™

03 Sep 2023

51.1



BNZ – BUSINESSNZ PERFORMANCE OF COMPOSITE INDEX

47.1

GDP-Weighted Index

46.8

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 PCI both decrease further.

The August GDP-Weighted Index (47.1) fell 1 point from July, while the Free-Weighted Index (46.8) decreased 0.7 points.

BNZ - BusinessNZ PCI Time Series

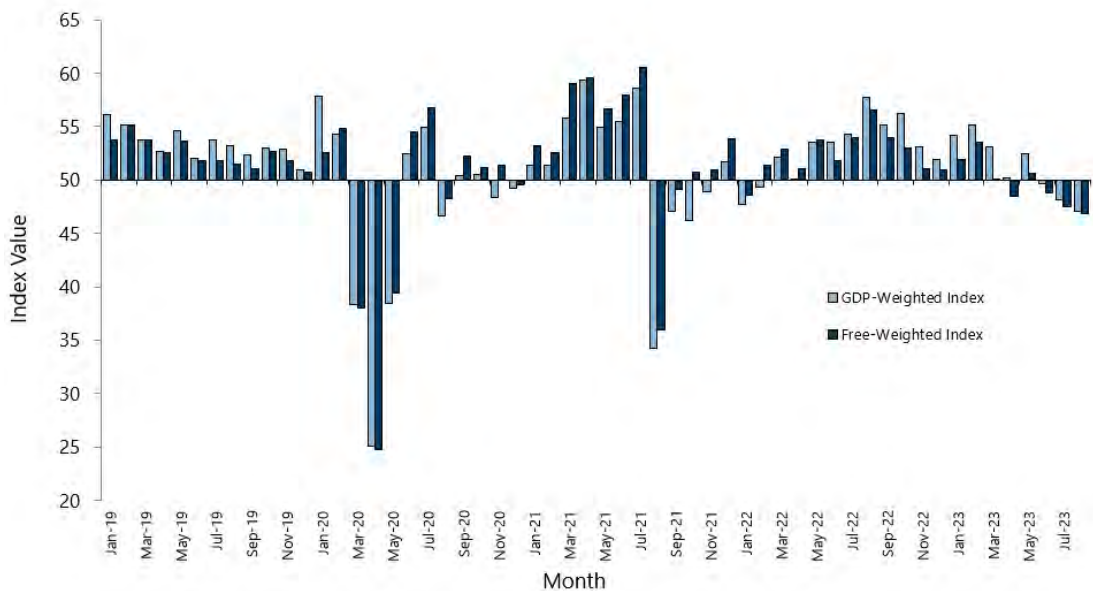
The results are seasonally adjusted.

National Indices	Aug 2022	Apr 2023	May 2023	Jun 2023	Jul 2023	Aug 2023
GDP-Weighted Index	57.7	50.2	52.4	49.6	48.1	47.1
Free-Weighted Index	56.5	48.5	50.6	48.8	47.5	46.8

[VIEW THE TIME SERIES DATA](#)

BNZ - BusinessNZ PCI Time Series

January 2019 - August 2023



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.

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.

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The BNZ - BusinessNZ psi contains data obtained through BusinessNZ's regional organisations



Research Services Landscape

18 September 2023

No respite

August brought no respite for the service sector. After dropping to 48.0 in July, the Performance of Services Index (PSI) slipped further below breakeven to 47.1. The trend remains downward. It is always difficult to be sure what exactly drives change in the PSI. But to the extent that things like very strong net immigration, some recovery in house prices, and the FIFA Women’s World Cup have supported service sector activity, it suggests a sizeable scale of underlying weakness emanating from other factors. We’d surmise the impact of the high cost of living, high interest rates, and weaker export prices have dented aggregate activity. Some election uncertainty could also be at play. The PSI activity/sales (43.4) and new orders (47.3) components both posted their second consecutive month well below 50, albeit both were less negative than in July.

More recessionary than not

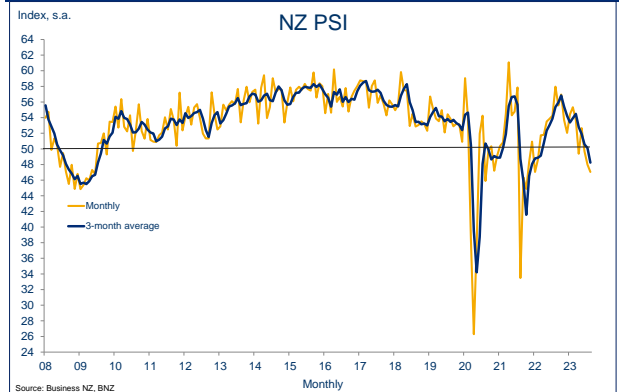
The weakening PSI looks like the PMI from last week. The combined PCI index slipped to average 47.0 in August, from 47.8 in July. This adds to the notion that economic growth struggled into the second half of the year. That is worth bearing in mind as this week’s GDP figures for Q2 shape to post a reasonable bounce. The latest PCI readings suggest any such bounce will be short lived and are consistent with economic contraction returning. In this sense, the PMI and PSI results are more consistent with the RBNZ forecast of a return to recession than the Treasury’s latest forecasts of moderate growth ahead.

Rebalancing

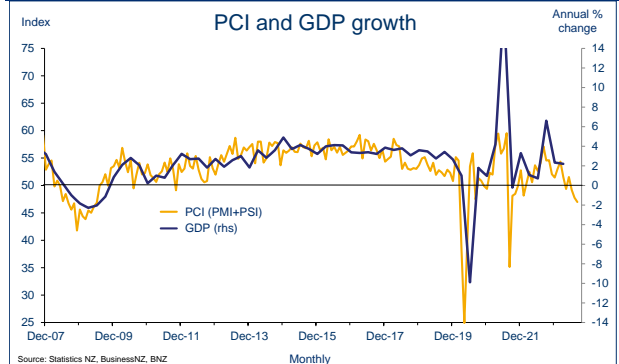
From an RBNZ policy perspective, the balance of supply and demand is more important than growth itself. A negative gap has recently opened between the PCI demand indicators like sales and new orders and PCI supply indicators like employment, inventories, and supplies. This suggests that the extent to which demand is outpacing supply is easing. For example, PCI new orders (averaged 47.4 in August) are relatively weak compared to PCI inventories that continued to expand (at an above average 52.0 in August). Interestingly, PSI employment rose to 50.9 in August, from 49.1 in July. This lift may well reflect more labour supply via migration as it does any underlying increase in labour demand. In any case, it shows another month where the PSI employment indicator has come in above sales and new orders. The glass-half-full interpretation of this is that it shows supply side expansion that will help take the heat out of inflation. On the other hand, it is not a good look for labour productivity.

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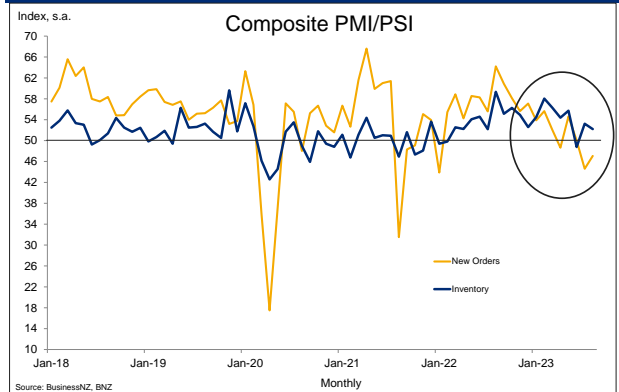
Service Still Sliding



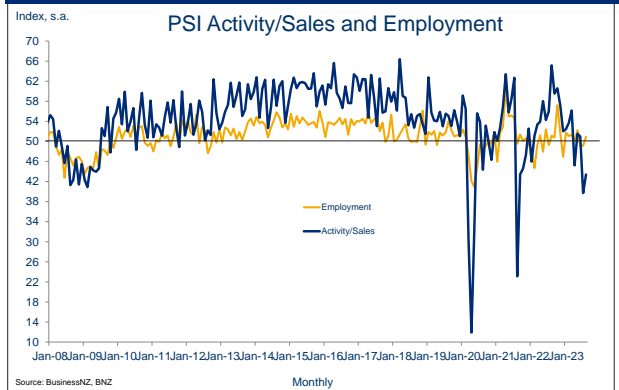
Poor Growth Signal



PCI Inventory Up as New Orders Struggle



Services Employment Holds Up Despite Sales Slump



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