

BNZ – BUSINESSNZ PERFORMANCE OF SERVICES INDEX

Activity on holiday

23 Jan 2024

48.8

December

-2.3

Monthly Change

Contracting

Previously Expanding

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

The PSI for December was 48.8 (A PSI reading above 50.0 indicates that the service sector is generally expanding; below 50.0 that it is declining). This was down 2.3 points from November, and well below the long-term average of 53.4 for the survey.

BusinessNZ chief executive Kirk Hope said that like its sister survey, the PSI has struggled over 2023 with the second half of the year averaging 49.3. While New Orders/Business (51.2) remained in expansion, Activity/Sales (47.1) has remained entrenched in contraction for the last three months. Employment (47.5) recorded its lowest result since February 2022.

"The proportion of negative comments stood at 58.7% for December, which was up from 54.0% for November and 58.2% in October. Overall, negative comments centered on seasonal factors, cost of living and an overall economic slowdown".

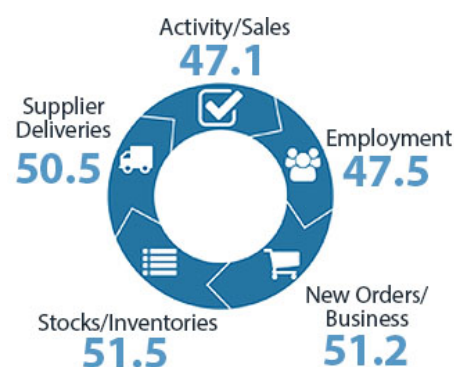
BNZ Head of Research Stephen Toplis said that "the softening in the PSI, alongside the weakness in the PMI, is bad news for both near term growth and employment in New Zealand. Tourism has been a key driver of the services sector and will continue to support the economy, but it can't do all the heavy-lifting by itself".

[VIEW THE TIME SERIES DATA](#)

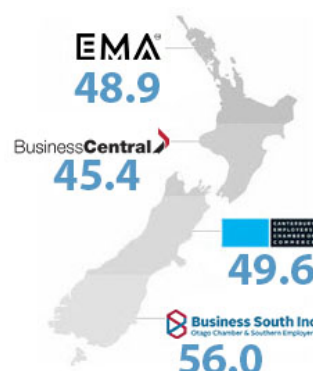


Kirk Hope
CEO, BusinessNZ

Main Indicies



Regional Results





Services Landscape

Services outperform

The New Zealand economy would have looked so much worse over the last year or so had it not been for the strength of the services sector. And with tourist numbers still growing, the impacted components of the services sector are still managing to do their bit to support the wider economy.

[Read more](#)

But PSI turns down

However, it's impossible for services to do all the heavy lifting if the remainder of the economy is struggling. Moreover, the recent past growth in tourism can't be sustained given tourist numbers from many countries have already risen from near zero to similar levels to where they were pre-COVID.

[Read more](#)

Tourism a saviour

The ongoing role of tourism is, nonetheless, still there for all to see with accommodation, cafes and restaurants, and transport and storage, still outperforming other sectors.

[Read more](#)

Composite index portends recession

The softening in the PSI, alongside the weakness in the PMI, is bad news for both near term growth and employment in New Zealand. The composite index that we derive by combining the two performance indicators is consistent with the economy reaching a maximum annual contraction of around 2.0%.

[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

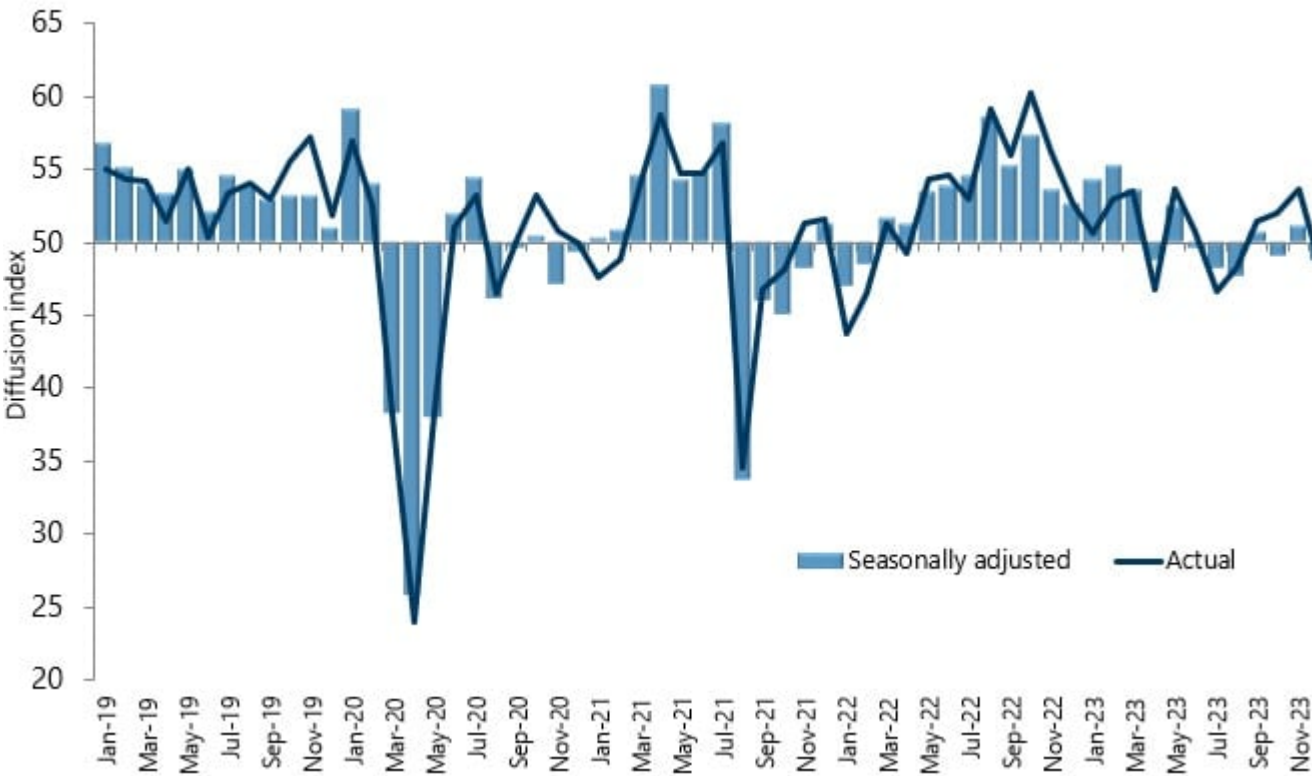
The results are seasonally adjusted.

National Indices	Dec 2022	Aug 2023	Sep 2023	Oct 2023	Nov 2023	Dec 2023
BNZ - BusinessNZ PSI	52.6	47.6	50.7	49.1	51.1	48.8
Activity/Sales	52.6	44.9	50.9	47.5	48.7	47.1
Employment	47.9	51.0	50.4	49.3	50.6	47.5
New Orders/Business	58.6	48.5	54.0	52.0	52.2	51.2
Stocks/Inventories	52.3	51.4	48.3	51.5	55.0	51.5
Supplier Deliveries	53.8	49.3	49.8	50.1	52.8	50.5

VIEW THE TIME SERIES DATA

BNZ - BusinessNZ PSI Time Series

January 2019 - December 2023

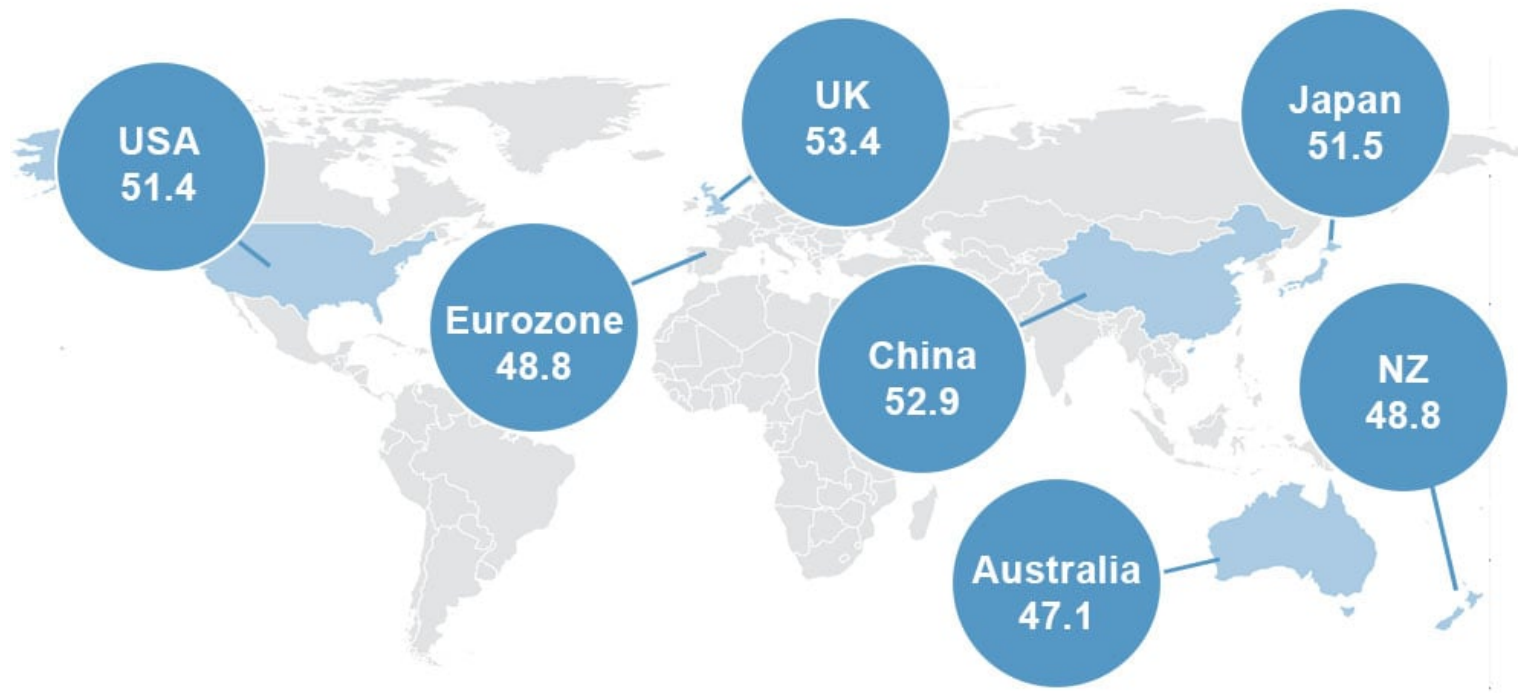


International Results

J.P. Morgan Global Manufacturing PSI™

04 Jan 2024

51.6



BNZ – BUSINESSNZ PERFORMANCE OF COMPOSITE INDEX

48.4

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 in contraction during December.

The December GDP-Weighted Index (48.4) decreased 2.3 points from November, while the Free-Weighted Index (46.8) fell 2.2 points.

BNZ – BusinessNZ PCI Time Series

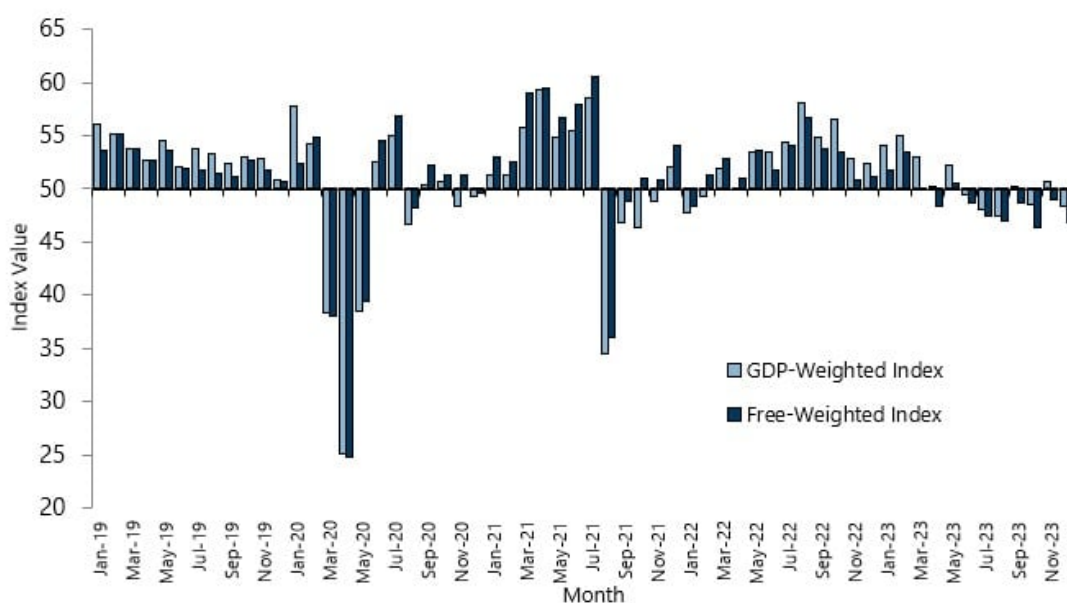
The results are seasonally adjusted.

National Indices	Dec 2022	Aug 2023	Sep 2023	Oct 2023	Nov 2023	Dec 2023
GDP-Weighted Index	52.4	47.5	50.2	48.5	50.7	48.4
Free-Weighted Index	51.2	47.0	48.7	46.3	49.0	46.8

[VIEW THE TIME SERIES DATA](#)

BNZ – BusinessNZ PCI Time Series

January 2019 – December 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 January 2024

Services outperform

The New Zealand economy would have looked so much worse over the last year or so had it not been for the strength of the services sector. And with tourist numbers still growing, the impacted components of the services sector are still managing to do their bit to support the wider economy. Also sectors such as health tend to be less volatile in nature and continue to grow irrespective of the state of the economic cycle.

But PSI turns down

However, it's impossible for services to do all the heavy lifting if the remainder of the economy is struggling. Moreover, the recent past growth in tourism can't be sustained given tourist numbers from many countries have already risen from near zero to similar levels to where they were pre-COVID. With all this in mind, it is perhaps no surprise that the PSI has again sunk below the magical 50 mark which, in theory, separates growth from contraction.

Tourism a saviour

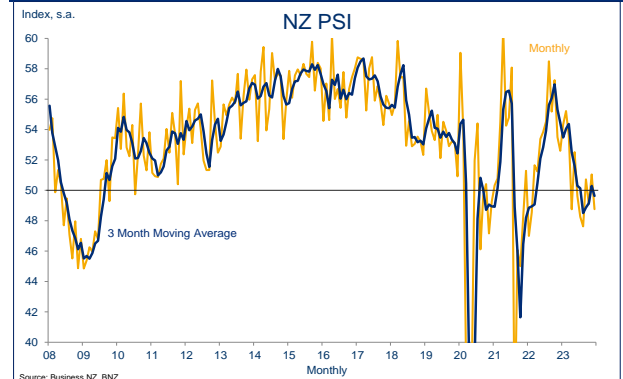
The ongoing role of tourism is, nonetheless, still there for all to see with accommodation, cafes and restaurants, and transport and storage, still outperforming other sectors. Similarly, it is no surprise that Otago/Southland (read Queenstown) is the strongest performing region in the country. All that said, neither the tourism industry nor the tourism region is anywhere near as strong as they were this time last year. In contrast, the domestic demand driven retail sector is performing relatively badly.

Composite index portends recession

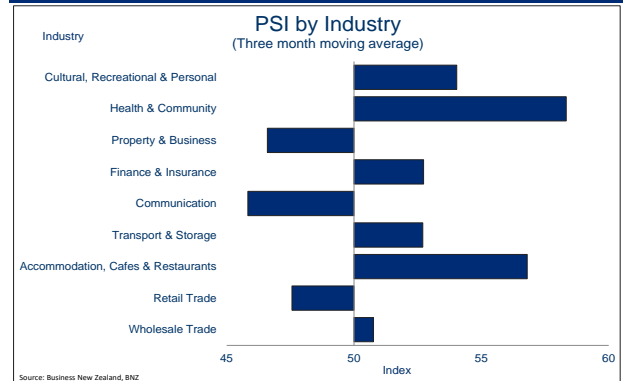
The softening in the PSI, alongside the weakness in the PMI, is bad news for both near term growth and employment in New Zealand. The composite index that we derive by combining the two performance indicators is consistent with the economy reaching a maximum annual contraction of around 2.0%. We are not nearly that pessimistic but can envisage a trough approaching -1.0% by mid-2024. Against this backdrop, it should come as no surprise that the composite employment indicator indicates a net reduction in numbers employed. Statistics New Zealand has already reported 6,000 jobs were lost in the September quarter. We don't think this cycle will result in the substantial layoffs that we saw, for example, during the GFC but we do believe the unemployment rate will rise sharply as businesses fail to absorb the increased supply of labour currently flooding across our borders.

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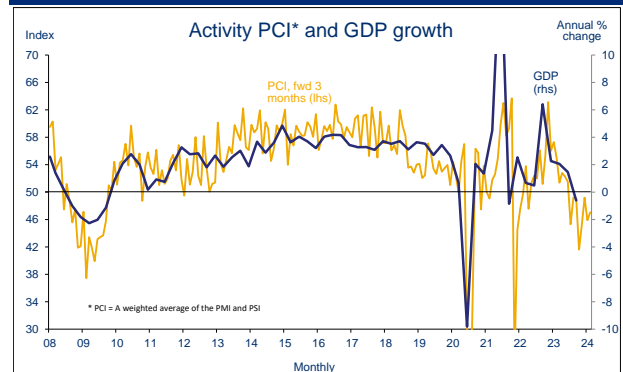
PSI sub-50



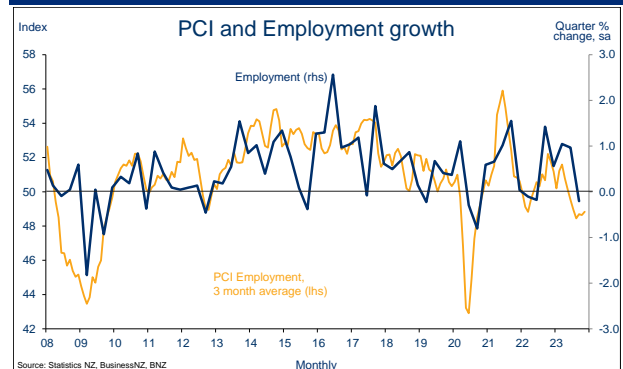
Tourism provides support



Deeper into recession



Demand for labour softens



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