

BNZ – BUSINESSNZ PERFORMANCE OF SERVICES INDEX

Path of expansion

18 Mar 2024

53.0

February

+0.8

Monthly Change

Expanding

Faster Rate

New Zealand's services sector continued its path of expansion in February, according to the BNZ – BusinessNZ Performance of Services Index (PSI).

The PSI for February was 53.0 (A PSI reading above 50.0 indicates that the service sector is generally expanding; below 50.0 that it is declining). This was up 0.8 points from January and the highest level of activity since March 2023. However, it was still just below the long-term average of 53.4 for the survey.

BusinessNZ chief executive Kirk Hope said that three of the last four months has seen the sector in expansion, with the key sub-index results for both Activity/Sales (53.1) and New Orders/Business (56.0) remaining in positive territory for the current month. In fact, the latter was at its highest level of expansion since December 2022. Employment (49.1) remained in slight contraction, although the rate of contraction continues to decline.

The proportion of negative comments from businesses stood at 57.3% in February, compared with 53.0% in January and 58.7% for December. Respondents still saw the cost of living as the key determining factor on business activity, followed by difficult overall economic conditions.

BNZ's Head of Research Stephen Toplis said that "when we combine the PMI and PSI together to get an indicator of activity, there is a strong suggestion of growth returning later this year. The turnaround occurs a little stronger and earlier than we are forecasting but, whatever the case, it is a heartening sign".



Kirk Hope
CEO, BusinessNZ

Main Indices



Regional Results



[VIEW THE TIME SERIES DATA](#)



Services Landscape

More signs of life

When we wrote up the Performance of Manufacturing Index last week, we noted there were an increasing number of indicators suggesting hope for the economy.

[Read more](#)

Retailers downtrodden

Sectoral data are always difficult to interpret but it comes as no surprise that one of the weakest sectors was retail trade.

[Read more](#)

Worse before better

When we combine the PMI and PSI together to get an indicator of activity, there is a strong suggestion of growth returning later this year.

[Read more](#)

Services continue to outperform

Globally, services have been outperforming the manufacturing sector for some time. While many countries continue to see manufacturing wallowing in recession territory the same cannot be said for services.

[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

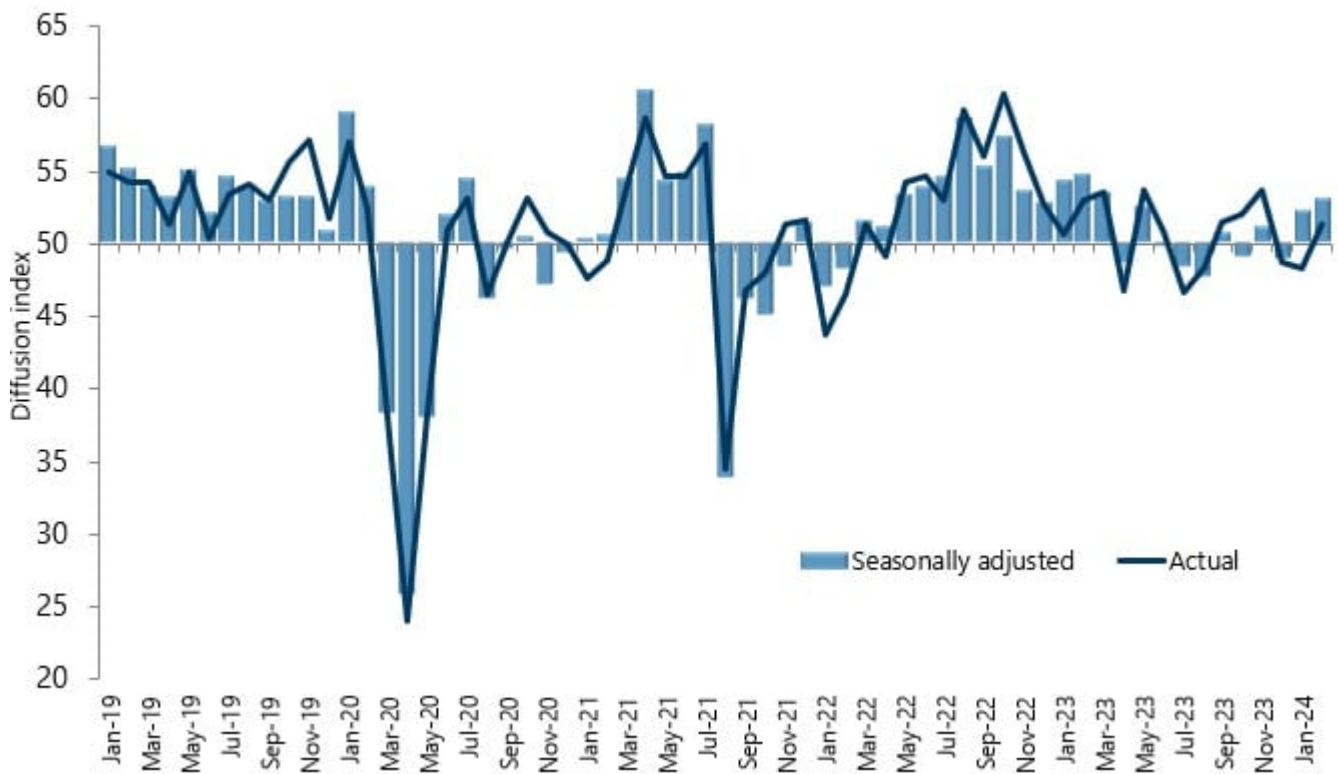
The results are seasonally adjusted.

| National Indicies | Feb 2023 | Oct 2023 | Nov 2023 | Dec 2023 | Jan 2024 | Feb 2024 |
|----------------------|----------|----------|----------|----------|----------|----------|
| BNZ - BusinessNZ PSI | 54.8 | 49.1 | 51.1 | 48.9 | 52.2 | 53.0 |
| Activity/Sales | 53.2 | 47.5 | 48.7 | 47.2 | 53.0 | 53.1 |
| Employment | 50.9 | 49.2 | 50.5 | 47.3 | 48.3 | 49.1 |
| New Orders/Business | 54.8 | 52.0 | 52.0 | 51.0 | 52.3 | 56.0 |
| Stocks/Inventories | 58.4 | 51.6 | 55.1 | 51.8 | 53.5 | 52.7 |
| Supplier Deliveries | 55.4 | 49.9 | 52.7 | 50.1 | 48.6 | 48.8 |

[VIEW THE TIME SERIES DATA](#)

BNZ - BusinessNZ PSI Time Series

January 2019 - February 2024

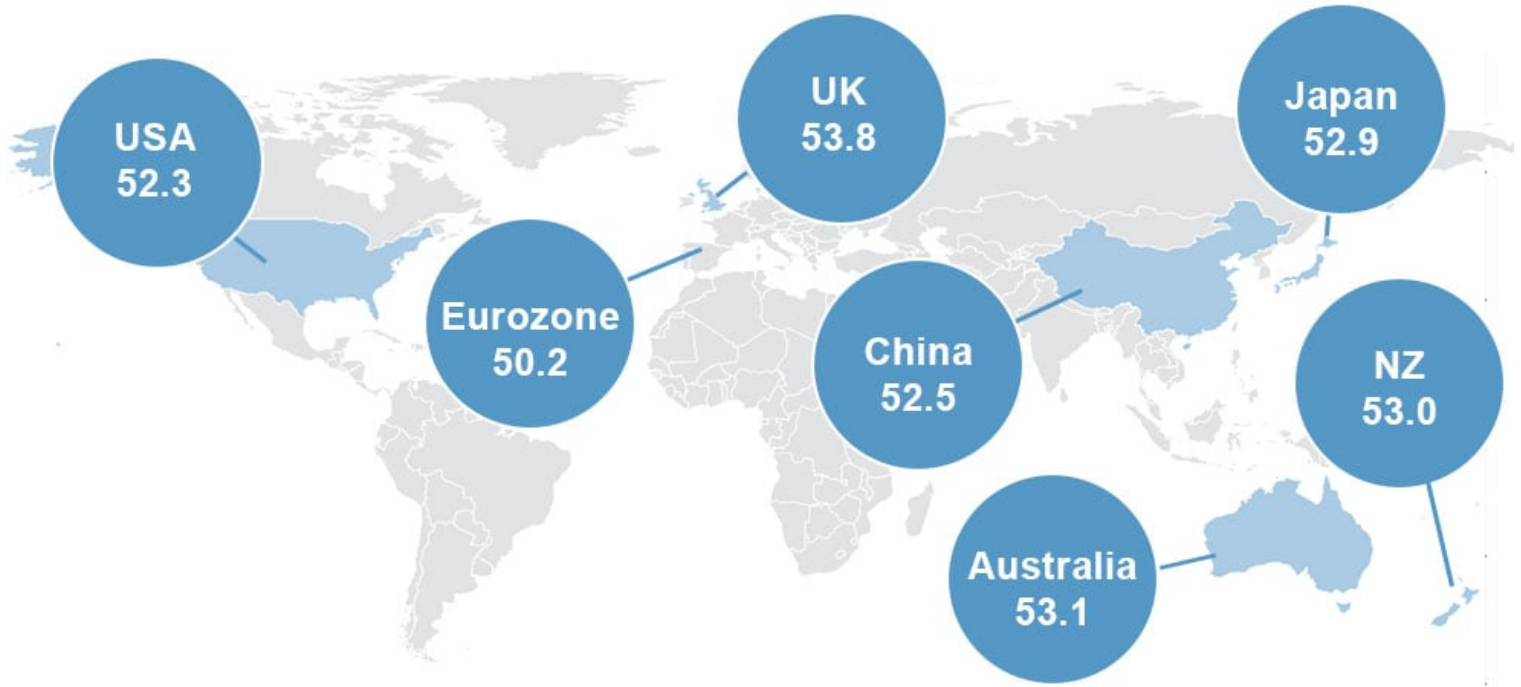


International Results

J.P. Morgan Global Manufacturing PSI™

05 Mar 2024

52.4



BNZ – BUSINESSNZ PERFORMANCE OF COMPOSITE INDEX

52.7

GDP-Weighted Index

51.3

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 again both improve during February.

The February GDP-Weighted Index (52.7) increased 0.9 points from January, while the Free-Weighted Index (51.3) rose 1.1 points.

BNZ - BusinessNZ PCI Time Series

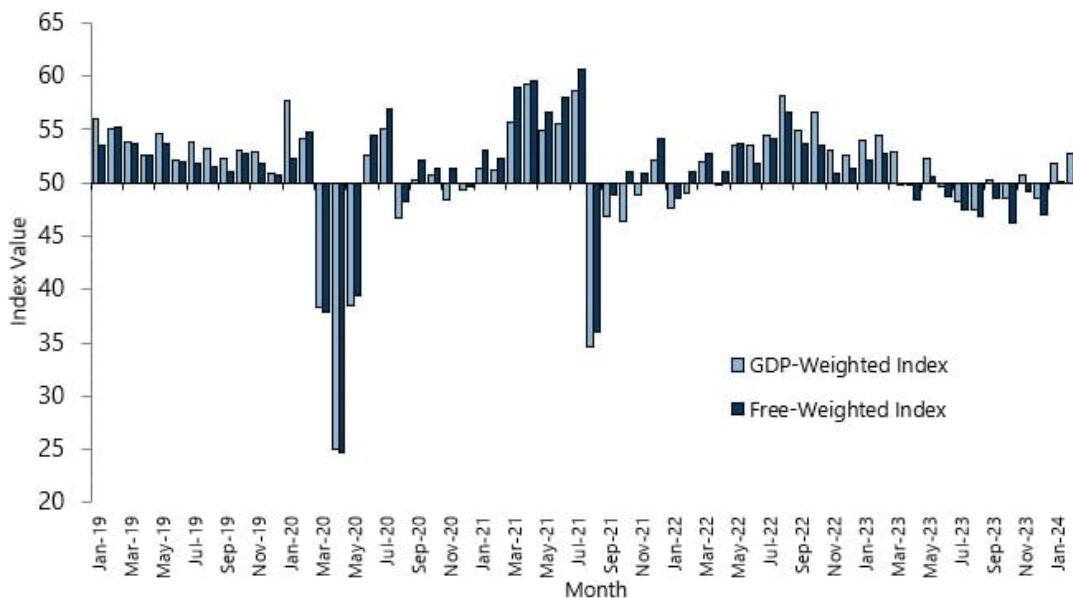
The results are seasonally adjusted.

| National Indices | Feb 2023 | Oct 2023 | Nov 2023 | Dec 2023 | Jan 2024 | Feb 2024 |
|---------------------|----------|----------|----------|----------|----------|----------|
| GDP-Weighted Index | 54.5 | 48.6 | 50.8 | 48.5 | 51.8 | 52.7 |
| Free-Weighted Index | 52.8 | 46.3 | 49.1 | 47.0 | 50.2 | 51.3 |

[VIEW THE TIME SERIES DATA](#)

BNZ - BusinessNZ PCI Time Series

January 2019 – February 2024



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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Our Contributors

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



Research Services Landscape

18 March 2024

More signs of life

When we wrote up the Performance of Manufacturing Index last week, we noted there were an increasing number of indicators suggesting hope for the economy. The PMI added to that list and, today, so too does the Performance of Services Index. Sure, the increase in the index from 52.2 to 53.0 is hardly earth shattering but it is, nonetheless, the second consecutive month above 50 and the highest reading since March 2023. To cap things off, new orders rose to a solid 56.0 the highest since December 2022. However, while the activity indicators looked relatively robust, employment, at 49.1, was still in “negative” territory.

Retailers downtrodden

Sectoral data are always difficult to interpret but it comes as no surprise that one of the weakest sectors was retail trade. Retail sales have now fallen for eight consecutive quarters. This has happened only once before in 2008 and 2009 as the Global Financial Crisis clobbered spending. Weakness in transport and storage is probably related to soft spending too. At the other end of the scale, health and community is booming. To the extent this reflects an ailing population it is not necessarily cause for celebration. The combined employment indicator stands at 49.1. This would be consistent with a contraction in employment and a relatively sharp rise in the unemployment rate. We are not convinced of the former but do believe the unemployment rate will climb towards 6.0%.

Worse before better

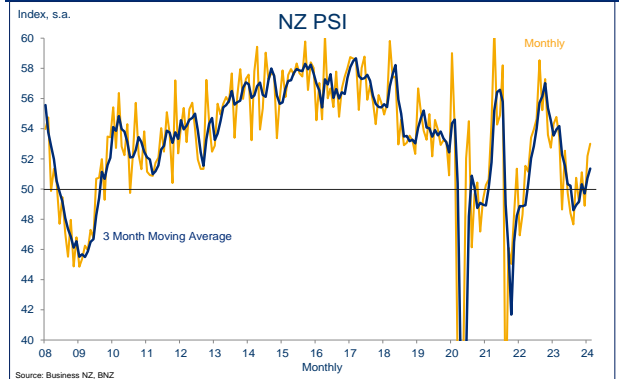
When we combine the PMI and PSI together to get an indicator of activity, there is a strong suggestion of growth returning later this year. The turnaround occurs a little stronger and earlier than we are forecasting but, whatever the case, it is a heartening sign. That said the path of the series still suggests things get worse before they get better.

Services continue to outperform

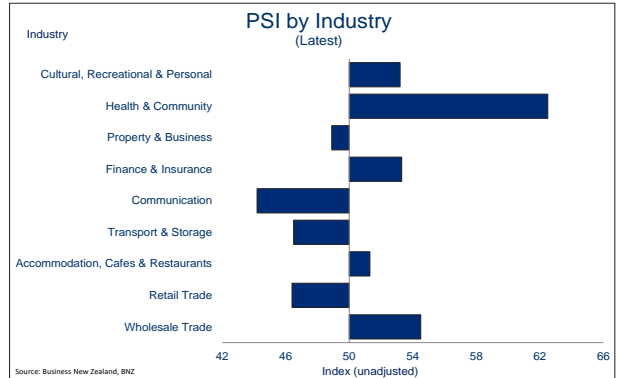
Globally, services have been outperforming the manufacturing sector for some time. While many countries continue to see manufacturing wallowing in recession territory the same cannot be said for services. In being above 50 New Zealand’s PSI was amongst company. Even moribund Europe delivered a services reading that was in the black. Manufacturing is starting to close the gap with services but we think there is little chance of a crossover in strength while monetary conditions remain so tight.

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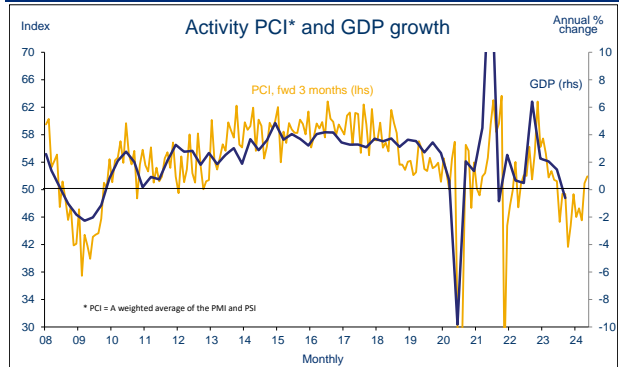
Services expanding



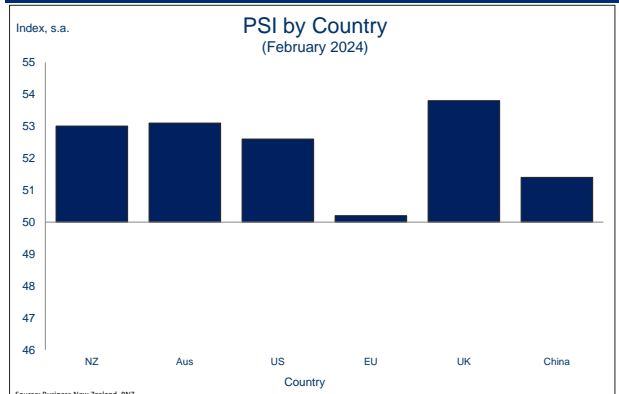
Household spending unhealthy



A turning point?



Relative PSI strength global



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