

BNZ – BUSINESSNZ PERFORMANCE OF SERVICES INDEX

Green shoots?

19 Feb 2024

52.1

January

+3.3

Monthly Change

Expanding

Previously Contracting

New Zealand's services sector climbed back into expansion for the start of 2024, according to the BNZ – BusinessNZ Performance of Services Index (PSI).

The PSI for January was 52.1 (A PSI reading above 50.0 indicates that the service sector is generally expanding; below 50.0 that it is declining). This was up 3.3 points from December and the highest level of activity since May 2023. However, it was still below the long-term average of 53.4 for the survey.

BusinessNZ chief executive Kirk Hope said that the PSI had seesawed between expansion and contraction for a number of months. The key sub-index results for both Activity/Sales (53.0) and New Orders/Business (51.8) were both in positive territory, with the former at its highest level since March 2023. The uplift in activity for January also saw a lower proportion of negative comments from businesses, which stood at 53.0%, compared with 58.7% for December and 54.0% for November.

However, any talk of the sector experiencing a solid return to expansion depends on continued momentum in new business and activity over the coming months, along with further easing in matters associated with the cost of living.

BNZ Senior Economist Doug Steel said that "the combined PMI and PSI activity indicator (PCI) suggests that annual GDP growth will soon turn positive. That is great news for an economy that has been under pressure. But it still has to go a lot further before we return to growth rates that would prevent the spare capacity in the economy growing".

[VIEW THE TIME SERIES DATA](#)

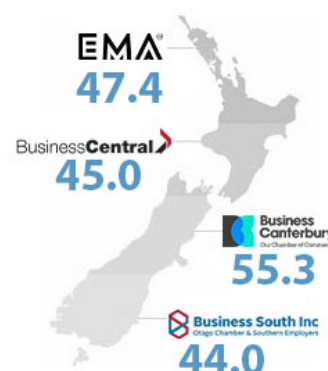


Kirk Hope
CEO, BusinessNZ

Main Indices



Regional Results





Services Landscape

A plus sign

Signs of life appeared in the Performance of Services Index (PSI) in January. We were heartened to see it push back above the magical 50 mark, to 52.1, driven by a pickup in activity/sales and new orders.

[Read more](#)

Better than going backwards

Today's PSI follows its sister survey for the manufacturing sector (PMI) released last week, which was still struggling but less so than before.

[Read more](#)

But unemployment set to rise

A lengthy period of struggling economic growth has been broadly in line with our prior forecasts. We have also long expected some improvement in activity to occur later this year.

[Read more](#)

Tourism growth slowing post rebound

Strong tourism growth post Covid restrictions has been a support to services activity, but it is slowing. Short term visitor numbers in December were up 14.8% on the prior year's low base.

[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

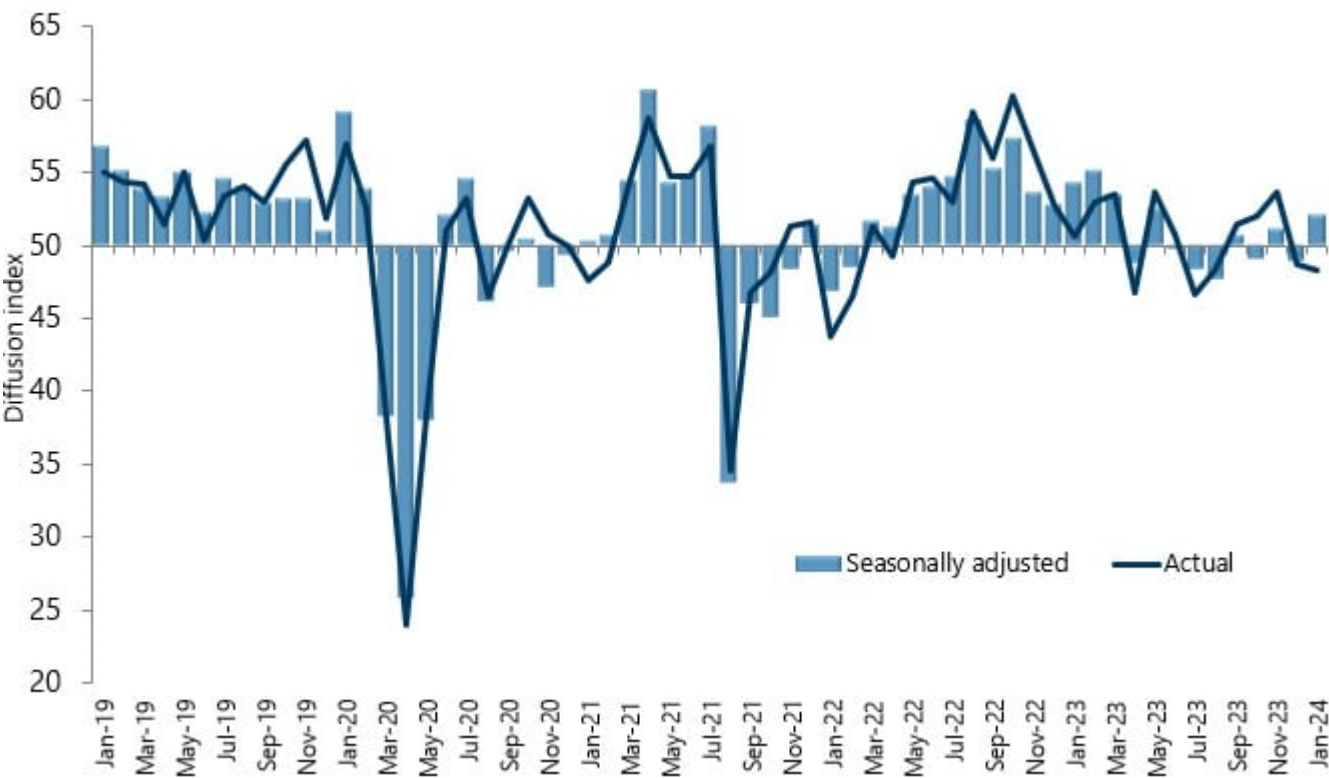
The results are seasonally adjusted.

National Indices	Jan 2023	Sep 2023	Oct 2023	Nov 2023	Dec 2023	Jan 2024
BNZ - BusinessNZ PSI	54.2	50.7	49.1	51.1	48.8	52.1
Activity/Sales	51.7	51.0	47.5	48.7	47.2	53.0
Employment	51.9	50.5	49.2	50.5	47.2	48.1
New Orders/Business	54.7	54.1	51.9	51.9	50.8	51.8
Stocks/Inventories	54.7	48.3	51.6	55.1	51.7	53.5
Supplier Deliveries	52.2	49.8	50.0	52.7	50.3	48.7

VIEW THE TIME SERIES DATA

BNZ - BusinessNZ PSI Time Series

January 2019 - January 2024

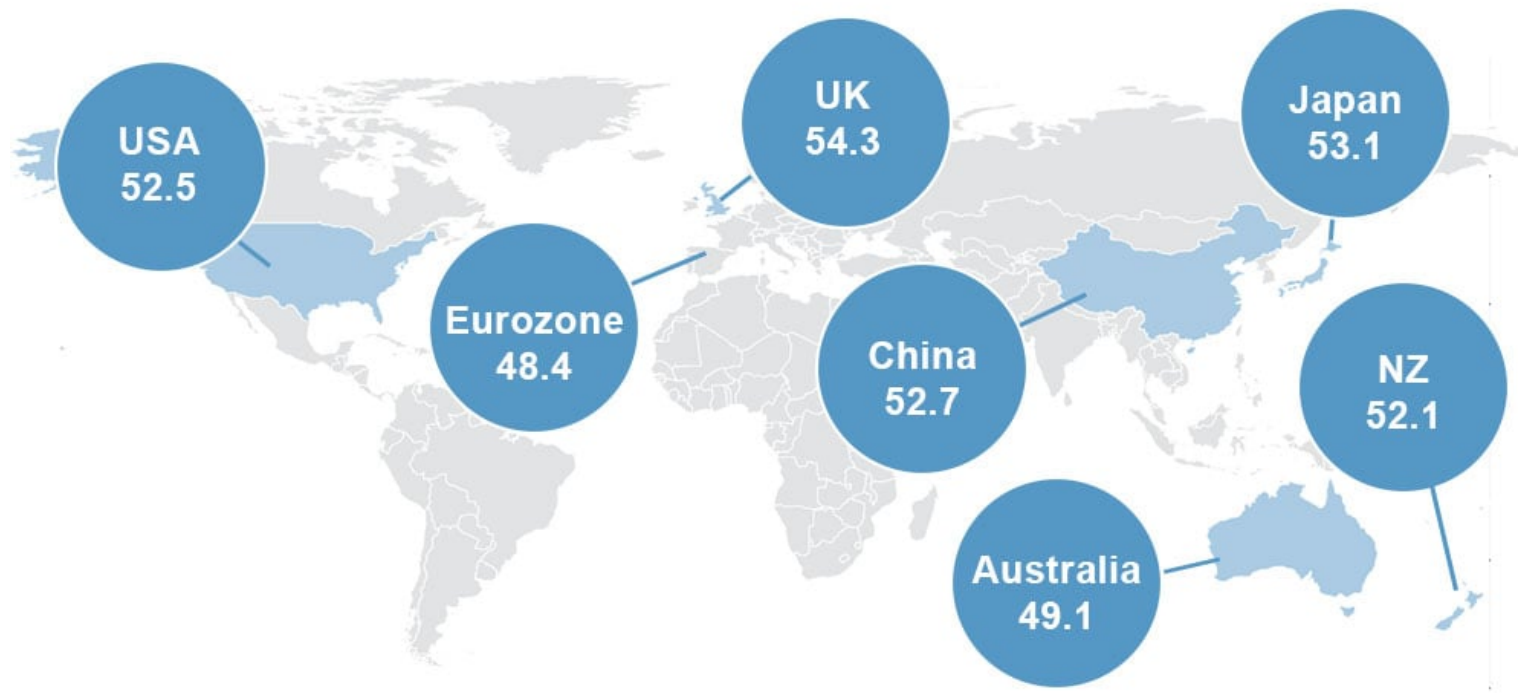


International Results

J.P. Morgan Global Manufacturing PSI™

05 Feb 2024

52.3



BNZ – BUSINESSNZ PERFORMANCE OF COMPOSITE INDEX

51.7

GDP-Weighted Index

50.0

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 PCI both improve during January.

The January GDP-Weighted Index (51.7) increased 3.2 points from December, while the Free-Weighted Index (50.0) rose 3.1 points.

BNZ – BusinessNZ PCI Time Series

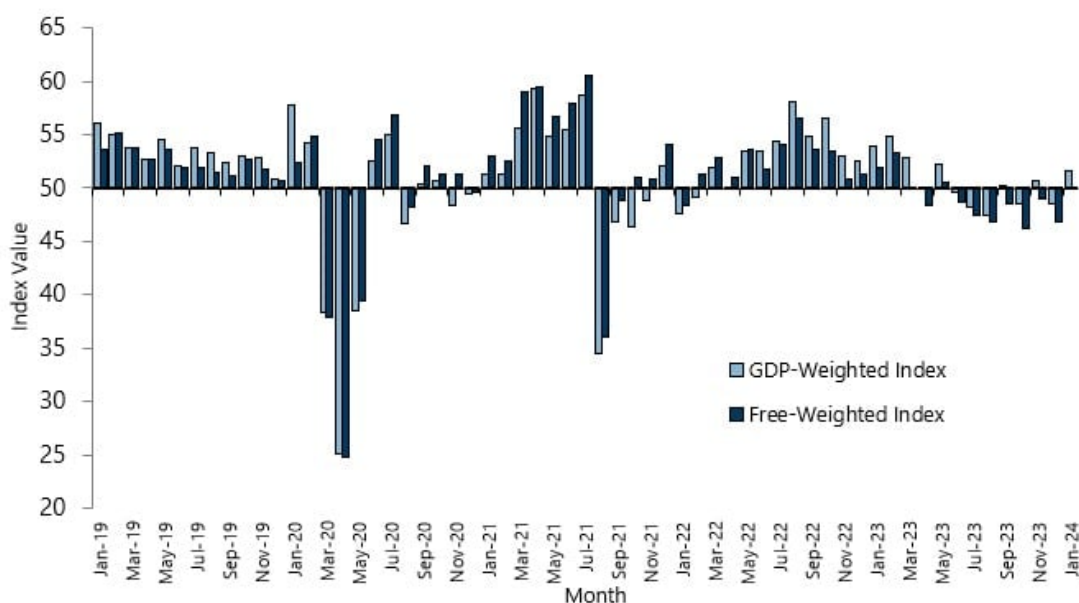
The results are seasonally adjusted.

National Indices	Jan 2023	Sep 2023	Oct 2023	Nov 2023	Dec 2023	Jan 2024
GDP-Weighted Index	53.9	50.2	48.5	50.7	48.5	51.7
Free-Weighted Index	51.9	48.6	46.3	49.1	46.9	50.0

[VIEW THE TIME SERIES DATA](#)

BNZ – BusinessNZ PCI Time Series

January 2019 – January 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

16 February 2024

A plus sign

Signs of life appeared in the Performance of Services Index (PSI) in January. We were heartened to see it push back above the magical 50 mark, to 52.1, driven by a pickup in activity/sales and new orders. The PSI remains below its long-term average of 53.4, so we don't want to overstate the lift. But it is notable that the index has posted its best reading since May last year after oscillating around the breakeven 50 level over recent months.

Better than going backwards

Today's PSI follows its sister survey for the manufacturing sector (PMI) released last week, which was still struggling but less so than before. The combined PMI and PSI activity indicator (PCI) suggests that annual GDP growth will soon turn positive. That is great news for an economy that has been under pressure. But it still has to go a lot further before we return to growth rates that would prevent the spare capacity in the economy growing. The combined indicator portends GDP growth a smidgen above zero. This certainly does not provide any suggestion that a further tightening in monetary conditions is warranted.

But unemployment set to rise

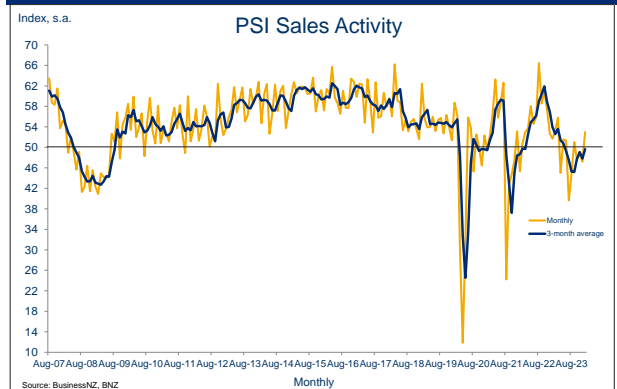
A lengthy period of struggling economic growth has been broadly in line with our prior forecasts. We have also long expected some improvement in activity to occur later this year. The PCI activity indicator's push into positive territory is helpful to support this view, but we would need to see the indicators improve further over the coming year to be more consistent with our growth forecasts. An economy growing below its potential rate is usually accompanied by a lift in the unemployment rate. The latter has already pushed up to 4%, en route to what we think will be over 5% in the year ahead. PCI employment remains below 50, where it has spent most of its time since the middle of last year. This suggests employment growth has continued to struggle into the New Year.

Tourism growth slowing post rebound

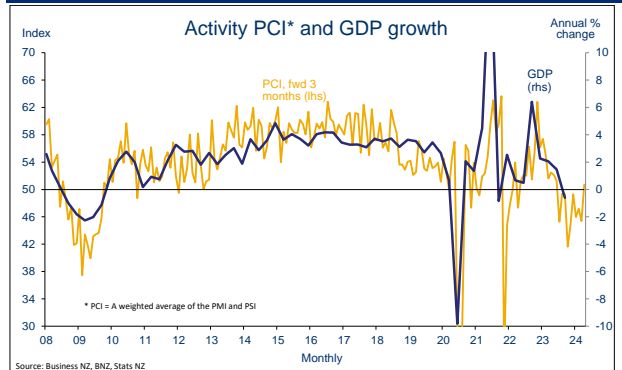
Strong tourism growth post Covid restrictions has been a support to services activity, but it is slowing. Short term visitor numbers in December were up 14.8% on the prior year's low base. However, over recent months there has been a clear levelling off, even a hint of a downtrend, in visitor numbers when compared to pre-covid norms. Indeed, December visitor numbers were 79.3% of the pre-covid equivalent month, a 7-month low on this metric.

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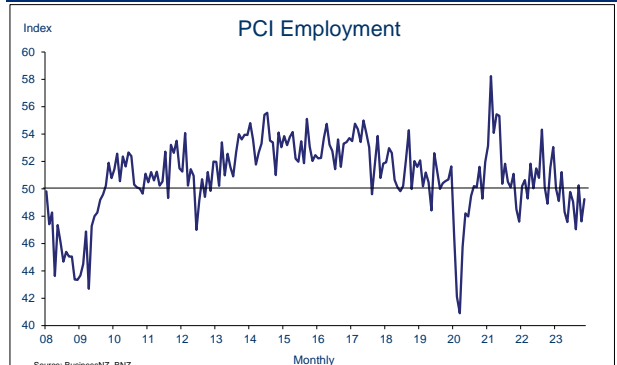
Above The Surface



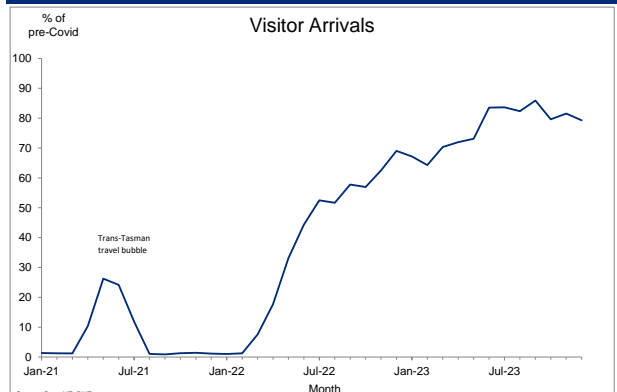
Helpful



Still Weak



Levelling Off



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