

BNZ – BUSINESSNZ PERFORMANCE OF SERVICES INDEX

Some spring in step

16 Oct 2023

50.7

September

+3.0

Monthly Change

Expanding

Previously Contracting

New Zealand's services sector experienced a return to expansion in September, according to the BNZ – BusinessNZ Performance of Services Index (PSI).

The PSI for September was 50.7 (A PSI reading above 50.0 indicates that the service sector is generally expanding; below 50.0 that it is declining). This was up 3.0 points from August, although still below the long-term average of 53.5 for the survey.

BusinessNZ chief executive Kirk Hope said that the September result broke the trend of three consecutive months in contraction for the sector. New Orders/Business (53.9) led the charge, while Activity/Sales (50.9) picked up 6 points. In contrast, Employment (50.6) showed weaker expansion for the month, while Stocks/Inventories (47.9) fell back into contraction after two months in expansion.

"The proportion of negative comments stood at 61.8% for September, down slightly from 63.9% in August. Overall, negative comments continued to be strongly dominated by uncertainty regarding the upcoming General Election, as well as the cost of living".

BNZ Senior Economist Craig Ebert said that "the seasonally adjusted reading of 50.7 was clearly better than August's 19-month low of 47.7. However, it was also clearly south of its long-term average of 53.5. Stabilised but hardly buoyant".

[VIEW THE TIME SERIES DATA](#)

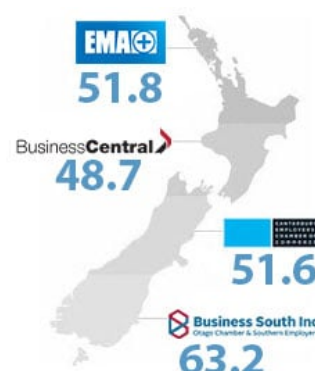


Kirk Hope
CEO, BusinessNZ

Main Indices



Regional Results





Services Landscape

Getting a grip

Having been on a slippery slope over recent months, into the red, the Performance of Services Index (PSI) managed to right its way back into positive territory in September – albeit only just.

[Read more](#)



Craig Ebert
Senior Economist, BNZ
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To the rescue

In terms of what drove the fight-back in September's PSI, by principal components it was new orders/business. This jumped to 53.9, from 48.5 in August.

[Read more](#)

Services messages from the QSBO

More detail as to what's going on in New Zealand's services sector was provided by October's NZIER Quarterly Survey of Business Opinion (QSBO).

[Read more](#)

For GDP consideration

What's implied for economic growth? Probably that it's struggling. Of course, GDP jumped a relatively strong 0.9%, in Q2, supported by government-heavy services categories.

[Read more](#)

[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

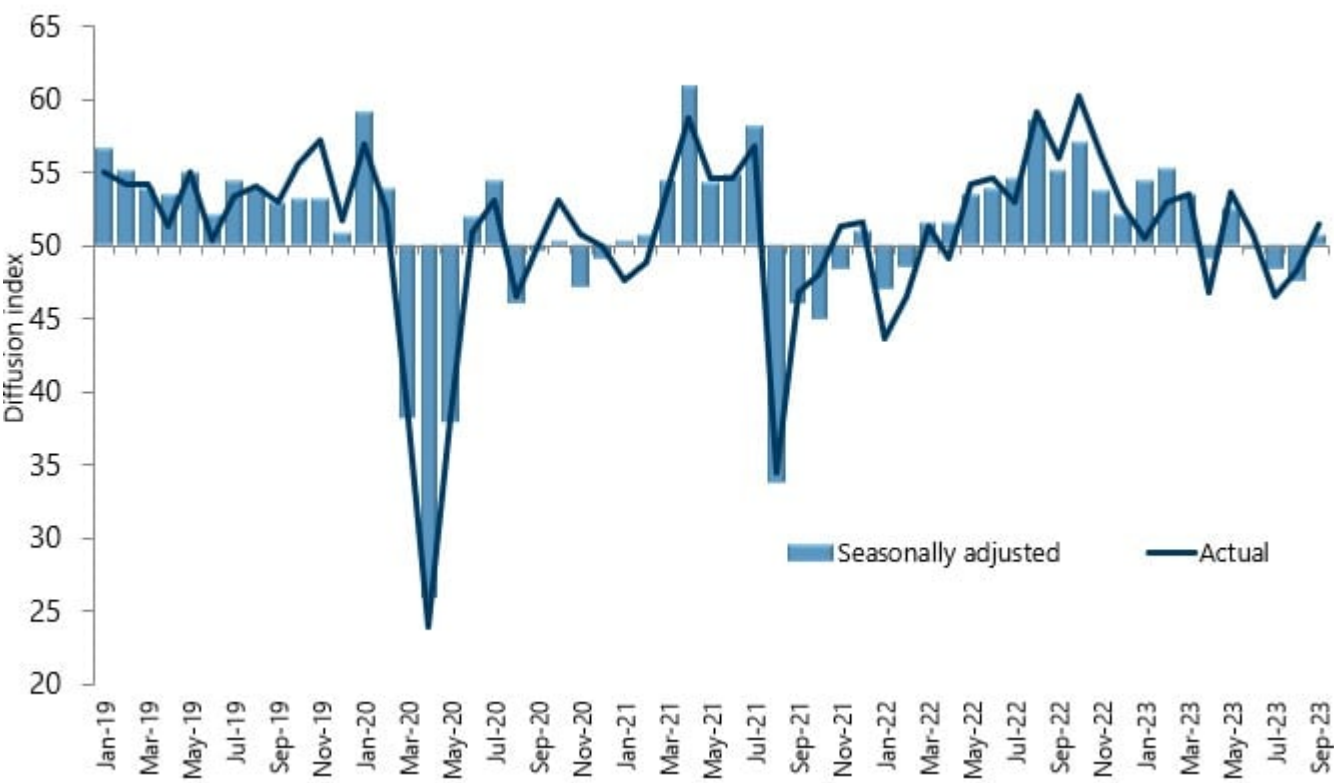
The results are seasonally adjusted.

| National Indices | Sep 2022 | May 2023 | Jun 2023 | Jul 2023 | Aug 2023 | Sep 2023 |
|----------------------|----------|----------|----------|----------|----------|----------|
| BNZ - BusinessNZ PSI | 55.2 | 52.6 | 49.7 | 48.4 | 47.7 | 50.7 |
| Activity/Sales | 58.4 | 51.4 | 51.1 | 40.2 | 44.9 | 50.9 |
| Employment | 50.7 | 52.2 | 49.1 | 49.2 | 51.0 | 50.6 |
| New Orders/Business | 61.2 | 54.9 | 50.6 | 45.3 | 48.5 | 53.9 |
| Stocks/Inventories | 55.6 | 55.9 | 47.4 | 53.5 | 51.4 | 47.9 |
| Supplier Deliveries | 49.9 | 50.8 | 50.8 | 52.0 | 49.2 | 49.6 |

VIEW THE TIME SERIES DATA

BNZ - BusinessNZ PSI Time Series

January 2019 - September 2023

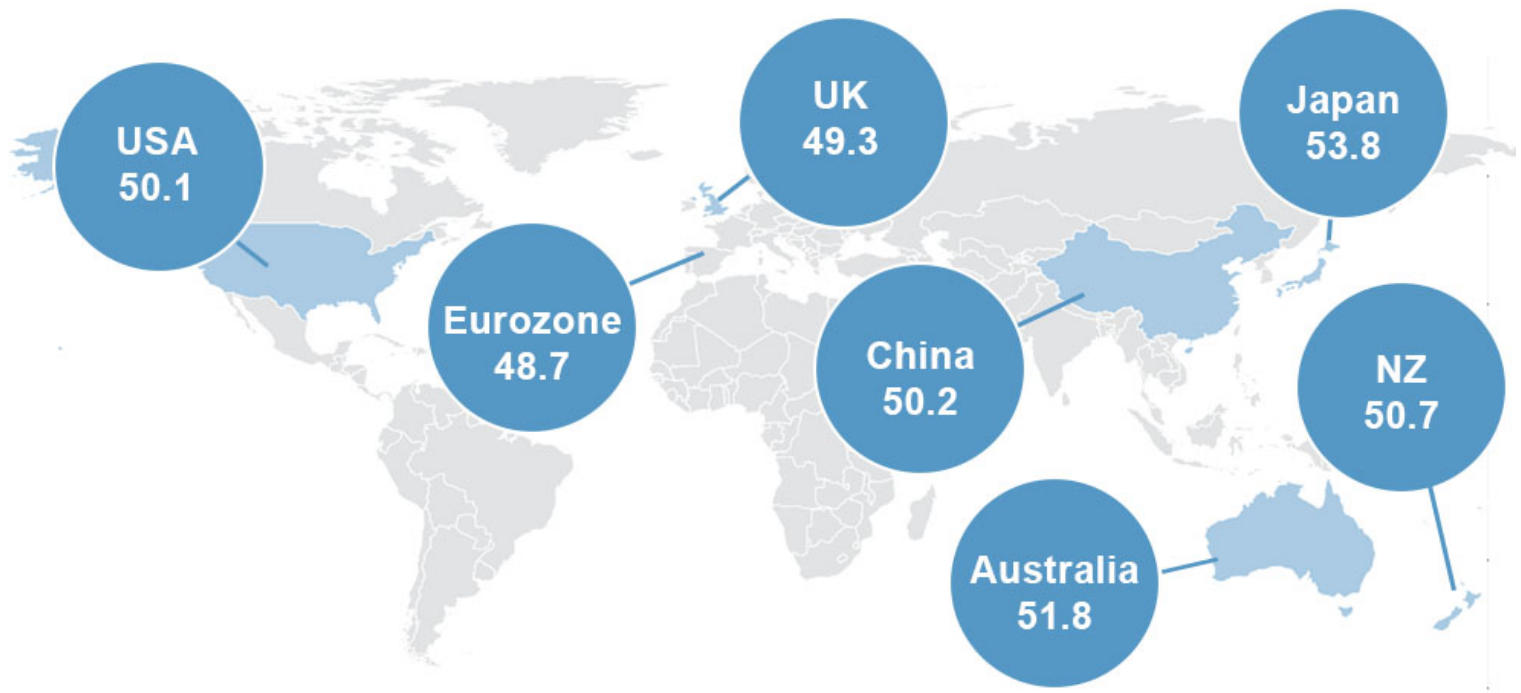


International Results

J.P. Morgan Global Manufacturing PSI™

04 Oct 2023

50.8



BNZ – BUSINESSNZ PERFORMANCE OF COMPOSITE INDEX

50.2

GDP-Weighted Index

48.8

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 show contrasting results for September.

The September GDP-Weighted Index (50.2) rose 2.7 points from August to show slight expansion, while the Free-Weighted Index (48.8) increased 1.7 points but remained in contraction.

BNZ – BusinessNZ PCI Time Series

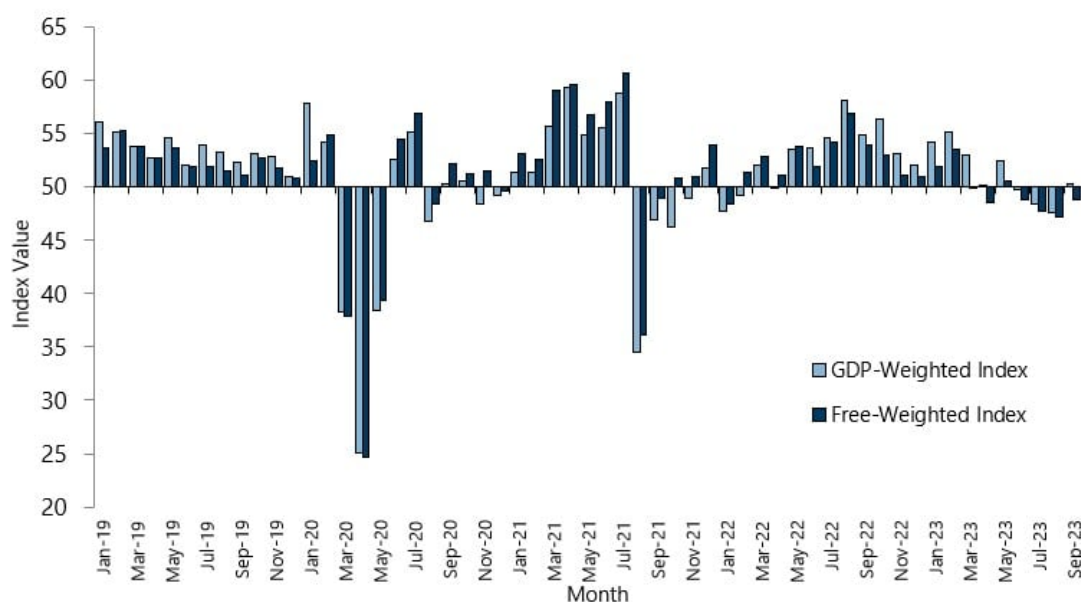
The results are seasonally adjusted.

| National Indices | Sep 2022 | May 2023 | Jun 2023 | Jul 2023 | Aug 2023 | Sep 2023 |
|---------------------|----------|----------|----------|----------|----------|----------|
| GDP-Weighted Index | 54.8 | 52.4 | 49.7 | 48.4 | 47.5 | 50.2 |
| Free-Weighted Index | 53.8 | 50.6 | 48.8 | 47.7 | 47.1 | 48.8 |

[VIEW THE TIME SERIES DATA](#)

BNZ – BusinessNZ PCI Time Series

January 2019 – September 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

16 October 2023

Getting a grip

Having been on a slippery slope over recent months, into the red, the Performance of Services Index (PSI) managed to right its way back into positive territory in September – albeit only just. The seasonally adjusted reading of 50.7 was clearly better than August’s 19-month low of 47.7. However, it was also clearly south of its long-term average of 53.5. Stabilised but hardly buoyant.

To the rescue

In terms of what drove the fight-back in September’s PSI, by principal components it was new orders/business. This jumped to 53.9, from 48.5 in August. That said, it was well shy of its long-term norm, of 57.3. Employment, while relatively steady on “just” 50.6, was quite close to its historical yardstick, of 51.3. By industry, the PSI repair was driven by Cultural, Recreational & Personal (65.6, from 38.5 in August), Wholesale Trade (62.8, from 45.9) and Communication (55.0, from 44.2), while Health & Community stayed strongly expansive, at 57.9. With respect to geography, it was notable that Otago/Southland steamed well ahead of the others, with an unadjusted outturn of 63.2, from 43.9 in August. By firm size, the large category gained the edge, with a result of 56.0.

Services messages from the QSBO

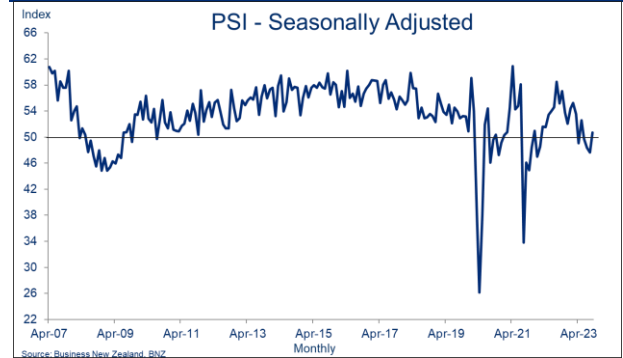
More detail as to what’s going on in New Zealand’s services sector was provided by October’s NZIER Quarterly Survey of Business Opinion (QSBO). This, like the PSI of late, painted a picture of activity struggling to expand, if not going flat to slightly negative. The QSBO also conveyed a subdued intent to invest as well as ongoing strain in profitability. The good news was that difficulty in finding labour was reportedly abating, a lot. This was even though the QSBO employment indicators for the services sector improved to better than average. And while the sector’s latest price and cost inflation pointers were not quite as high as they were in 2023, they were still well north of levels consistent with the RBNZ’s inflation target range.

For GDP consideration

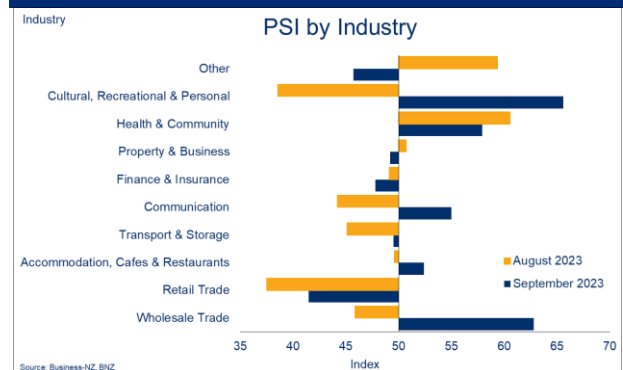
What’s implied for economic growth? Probably that it’s struggling. Of course, GDP jumped a relatively strong 0.9%, in Q2, supported by government-heavy services categories. There were also weather-related influences to note. Yes, the PSI’s activity/sales index did recover to 50.9 in September. However, it averaged 45.4 in the September quarter, after 49.2 in the June quarter. Add in the PMI – which, at 45.3 in September, failed miserably to shake its negative bent of the last 7 months – and it makes a lot of sense to be cautious on GDP for Q3, after the good-looking headline bounce it posted in Q2.

craig_ebert@bnz.co.nz

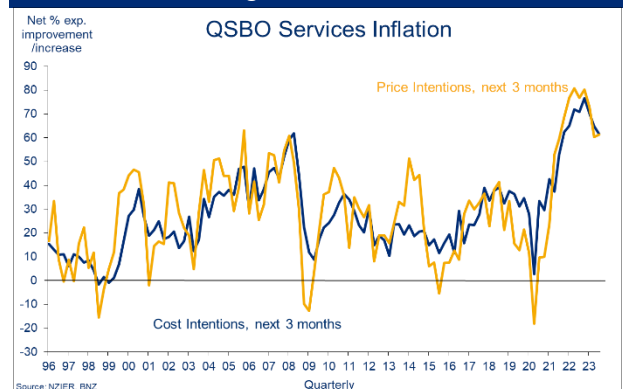
A Reach for Stability



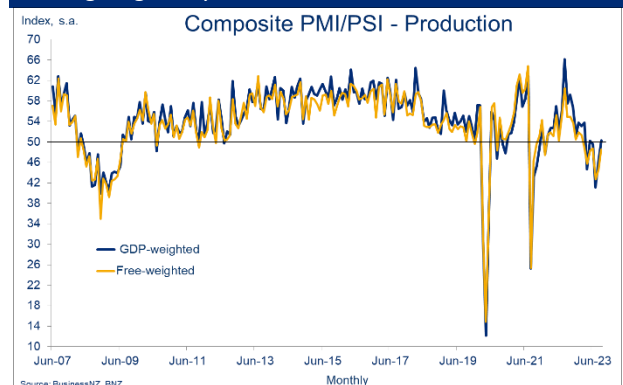
Industriousness



Inflation Pulse Peaking



Battling Negativity



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