Headwinds Continue

13 Oct 2025

48.3	+0.7	Contracting
September	Monthly Change	Slower Rate

The services sector in New Zealand remains mired in contraction, according to the BNZ – BusinessNZ Performance of Services Index (PSI).

The PSI for September was 48.3 (A PSI reading above 50.0 indicates that the service sector is generally expanding; below 50.0 that it is declining). While this was 0.7 points higher than August, the sector has now been in ongoing contraction for 19 consecutive months. The September result was also still well below the average of 52.9 over the history of the survey.

BusinessNZ's CEO, Katherine Rich said that it was a case of a different month but the same story for the sector. For the sub-index results, *Activity/Sales* (47.8) and *New Orders/Business* (49.6) did pick up from August, but still remained in contraction. *Employment* (47.8) experienced increased contraction, while *Stocks* (50.6) was the only sub-index to show expansion during September.

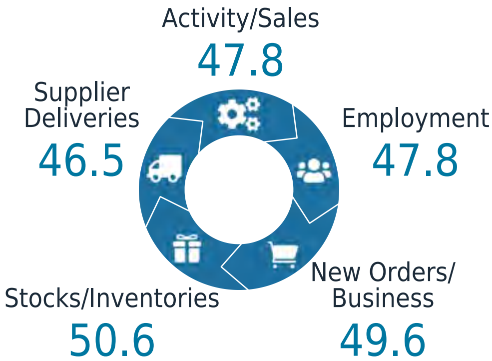
The proportion of negative comments for September (58.0%) was down on August (59.6%) and July (58.5%). Negative comments received show that the services sector continues to struggle under weak economic conditions, with low consumer confidence, reduced discretionary spending, and high living costs curbing demand. Businesses report falling sales, fewer new contracts, and cautious clients delaying projects amid rising costs and ongoing uncertainty about the broader economy.

BNZ's Senior Economist Doug Steel said that "in isolation, the combined PMI/PSI activity indicator warns of economic growth struggling to gain traction".

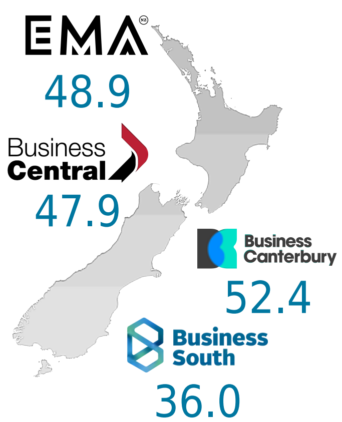
VIEW THE TIME SERIES DATA

Katherine Rich
CEO, BusinessNZ

Main Indices



Regional Results



Services Landscape

Doug Steel
Senior Economist, BNZ

Doing it tough

The Performance of Services Index (PSI) continues to suggest downside risk to New Zealand's forecast economic recovery.

Read more

Demand subdued

Looking across the five PSI sub-indexes, the weakness in September was broad based. The PMI activity/sales index (47.8) and PMI new orders/business index (49.6) both lifted but remain the furthest below their historical average.

Read more

Housing

Recently released data for the June 2025 quarter show that household net wealth is at the same level it was back in December 2021.

Read more

Employment

The soft labour market is weighing on consumer confidence. We have been warning for some time that the labour market will lag New Zealand's economic recovery.

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

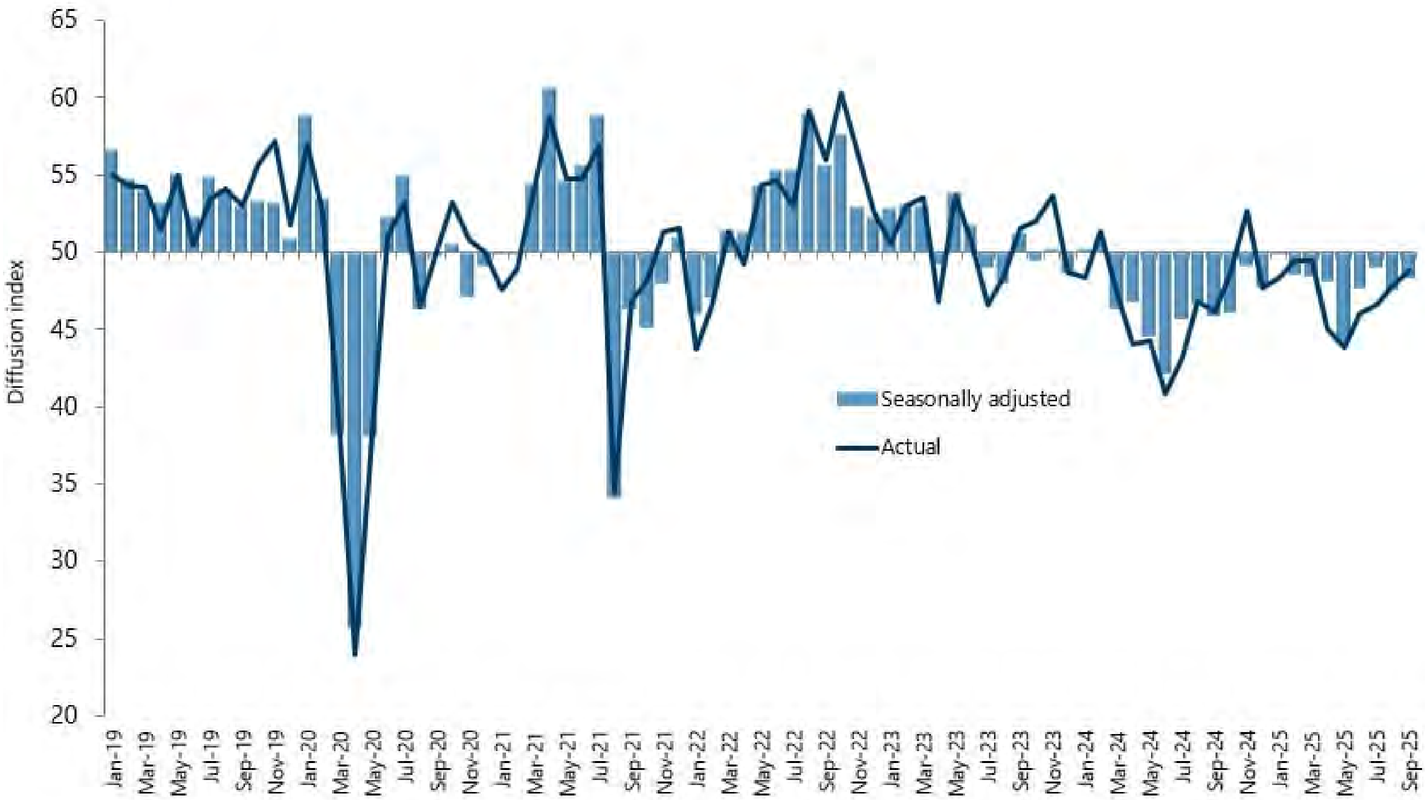
The results are seasonally adjusted.

National Indicies	Sep 2024	May 2025	Jun 2025	Jul 2025	Aug 2025	Sep 2025
BNZ – BusinessNZ PSI	45.9	44.3	47.7	49.0	47.6	48.3
Activity/Sales	45.7	40.6	45.1	47.6	46.2	47.8
Employment	45.8	47.2	47.5	47.4	48.4	47.8
New Orders/Business	46.1	43.5	49.1	50.1	48.0	49.6
Stocks/Inventories	47.9	48.9	50.5	51.1	47.3	50.6
Supplier Deliveries	44.5	45.6	46.9	48.7	47.7	46.5

VIEW THE TIME SERIES DATA

BNZ – BusinessNZ PSI Time Series

January 2019 – September 2025

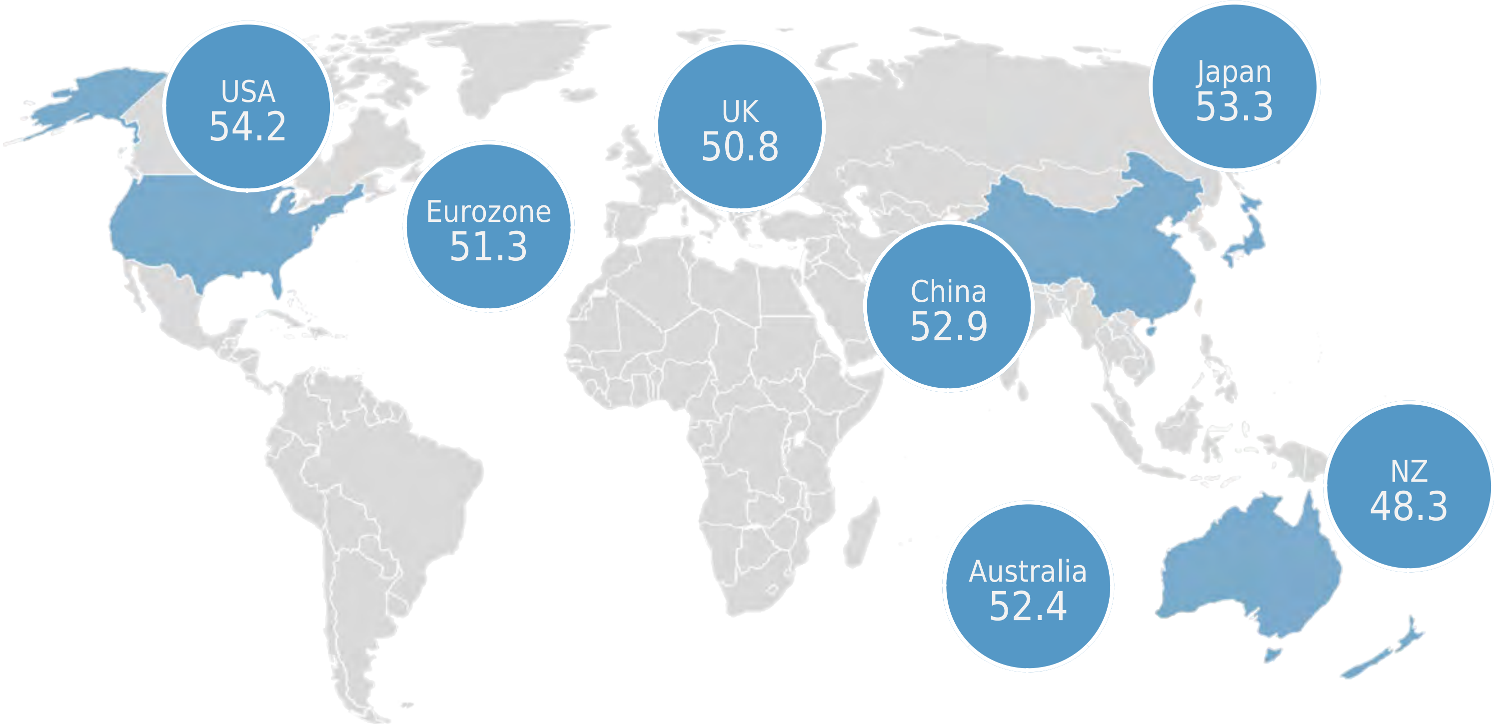


International Results

J.P. Morgan Global Manufacturing PSI™

03 Oct 2025

52.8



BNZ – BUSINESSNZ PERFORMANCE OF COMPOSITE INDEX

48.5

GDP-Weighted Index

49.0

Free-Weighted Index

The seasonally adjusted BNZ – BusinessNZ Performance of Composite Index or PCI (which combines the PMI and PSI) were both in contraction during September.

The September GDP-Weighted Index (48.5) remained in contraction for the eighth consecutive month, while the September Free-Weighted Index (49.0) displayed slightly lower levels of contraction than August.

BNZ – BusinessNZ PCI Time Series

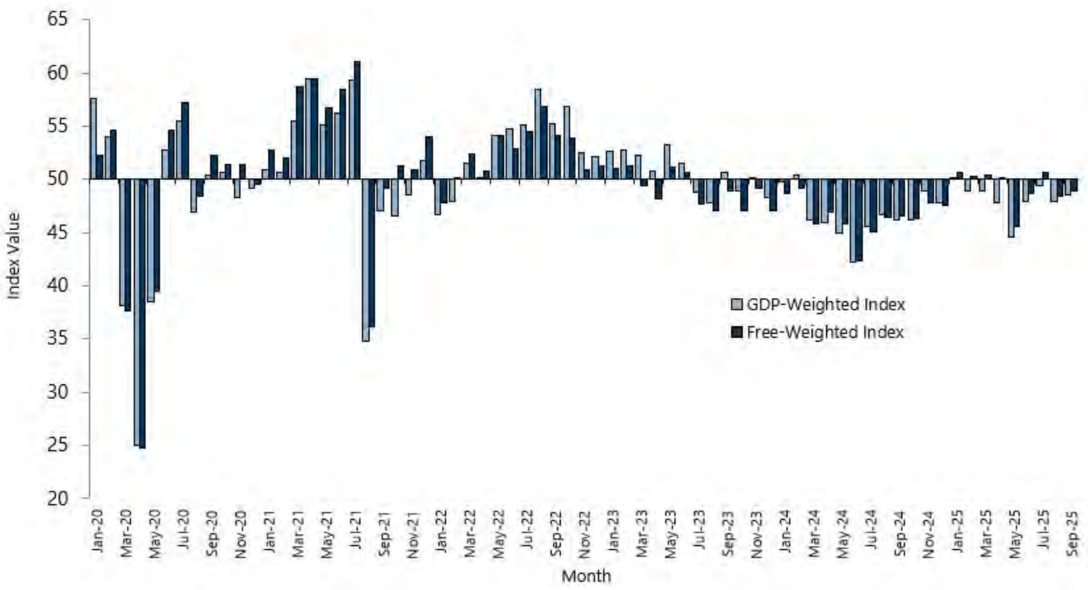
The results are seasonally adjusted.

National Indicies	Sep 2024	May 2025	Jun 2025	Jul 2025	Aug 2025	Sep 2025
GDP-Weighted Index	46.1	44.6	47.9	49.4	47.9	48.5
Free-Weighted Index	46.5	45.6	48.7	50.6	48.5	49.0

VIEW THE TIME SERIES DATA

BNZ – BusinessNZ PCI Time Series

January 2020 – September 2025



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

13 October 2025

Doing it tough

The Performance of Services Index (PSI) continues to suggest downside risk to New Zealand's forecast economic recovery. Yes, the PSI nudged up from 47.6 to 48.3, but such a level is hardly reason to celebrate. Service sector conditions remain challenging. In a similar vein to the Performance of Manufacturing Index (PMI) on Friday, the average PSI for Q3 (48.3) was marginally above its average for Q2 (46.7). In isolation, the combined PMI/PSI activity indicator warns of economic growth struggling to gain traction.

Demand subdued

Looking across the five PSI sub-indexes, the weakness in September was broad based. The PMI activity/sales index (47.8) and PMI new orders/business index (49.6) both lifted but remain the furthest below their historical average. Subdued demand appears to be the key factor limiting service sector activity. Indeed, 63% of respondents in the latest Quarterly Survey of Business Opinion (QSBO) said that demand was their primary constraint. Slow population growth, linked to low net immigration, is one factor behind subdued demand.

Housing

Recently released data for the June 2025 quarter show that household net wealth is at the same level it was back in December 2021. After adjusting for inflation, it is well below. House prices are 15% below their late 2021 peak, and this has been widely felt across the economy. The PSI property and business services index has averaged 48.5 over the last 12 months. More encouragingly, activity in the housing market is well above previous lows as lower interest rates offer support.

Employment

The soft labour market is weighing on consumer confidence. We have been warning for some time that the labour market will lag New Zealand's economic recovery. In September, the PSI employment index was the weakest sub-index and eased slightly from 48.4 to 47.8. It suggests current employment conditions are subdued, even if other indicators like new job ads and QSBO hiring intentions suggest that the worst for employment may be behind us.

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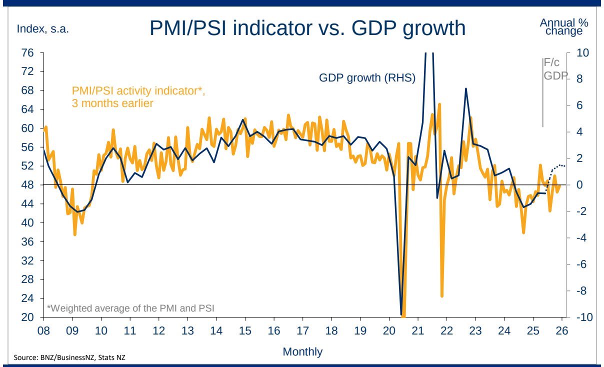
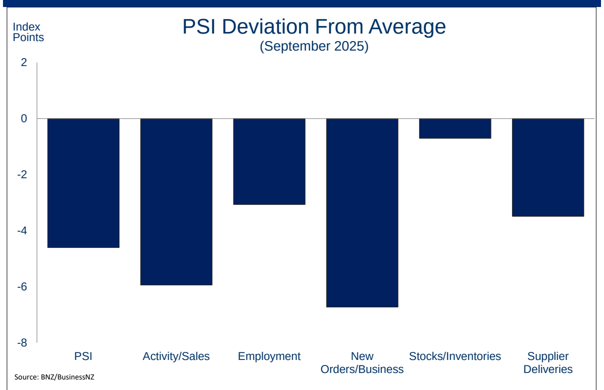
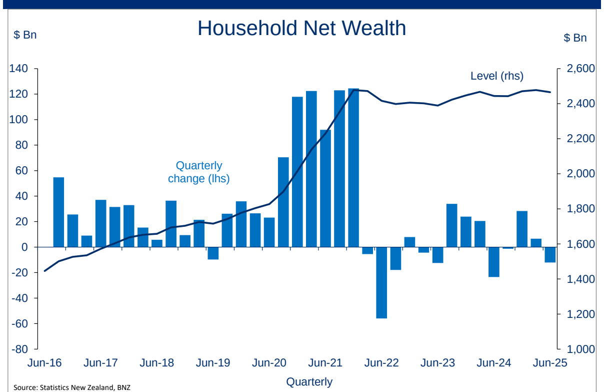
Minimal growth warning



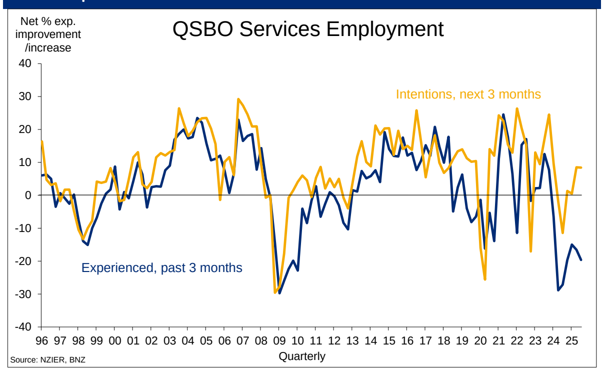
Below average



Flat



Mixed picture



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