



BNZ - BUSINESSNZ PERFORMANCE OF SERVICE INDEX



46.9

September Value

+11.5

Monthly Change

contracting

Slower rate

Challenging times

18 October 2021

New Zealand's services sector remained in contraction during September, according to the BNZ - BusinessNZ Performance of Services Index (PSI).

The PSI for September was 46.9 (A PSI reading above 50.0 indicates that the service sector is generally expanding; below 50.0 that it is declining). This was up 11.5 points from August as the country moved down alert levels during September, freeing up some businesses for increased activity.

BusinessNZ chief executive Kirk Hope said that despite the improvement in the overall result for September, current restrictions still mean business as usual for most of the country is still a ways off yet.

"COVID-19 and its associated lockdown/restrictions still completely dominate comments from respondents, while the key sub-indexes of Activity/Sales (45.3) and New Orders/Business (47.5) remain in contraction. At what point the PSI returns to expansion will largely depend on any upcoming changes to alert levels in the weeks ahead."

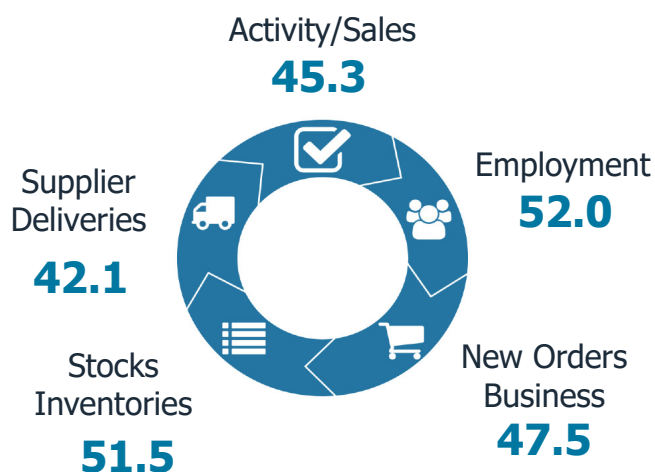
BNZ Senior Economist Doug Steel said that "subdued new orders warn against expecting too much of a bounce in coming months. Of course, the spread of COVID, vaccination rates, and any restriction changes will have a very large bearing on that."



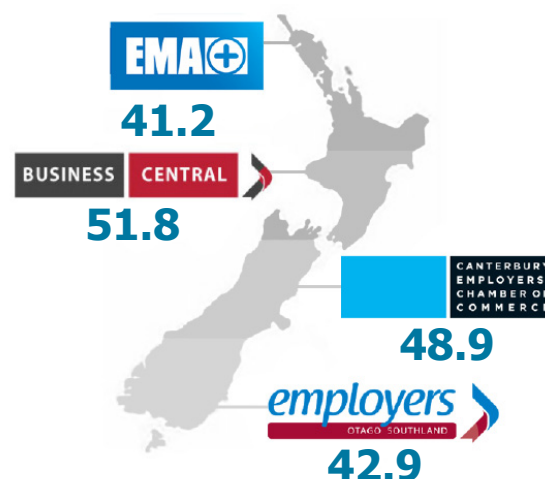
Kirk Hope
Chief Executive
BusinessNZ

[View PSI Time Series Data](#)

Main Indices



Regional Results



Services Landscape

Doing it tough

Not surprisingly, New Zealand's service sector continues to show substantial pain as COVID alert level restrictions linger. The pain is by no means uniform across various segments but is all too obvious in the headline figures.

[Read more](#) →

Reality versus expectations

Today's below average PSI also contrasts with other surveys that often ask about expectations or general confidence (which seem to be holding up ok). The PSI is a survey of outcomes and thus reflects the difficult trading conditions that many have encountered.

[Read more](#) →

Much variation

Unadjusted PSI readings show very large variations across various segments. By industry, Accommodation, Cafes & Restaurants, Cultural, Recreational & Personal, and Retail Trade saw the weakest readings in September.

[Read more](#) →

Employment robust

The key positive in September's PSI is employment, lifting to an above average 52.0 from August's 49.3. This seems consistent with firms expecting activity to bounce once restrictions are eased, fiscal support from government, and a reluctance to let staff go.

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Doug Steel
Senior Economist

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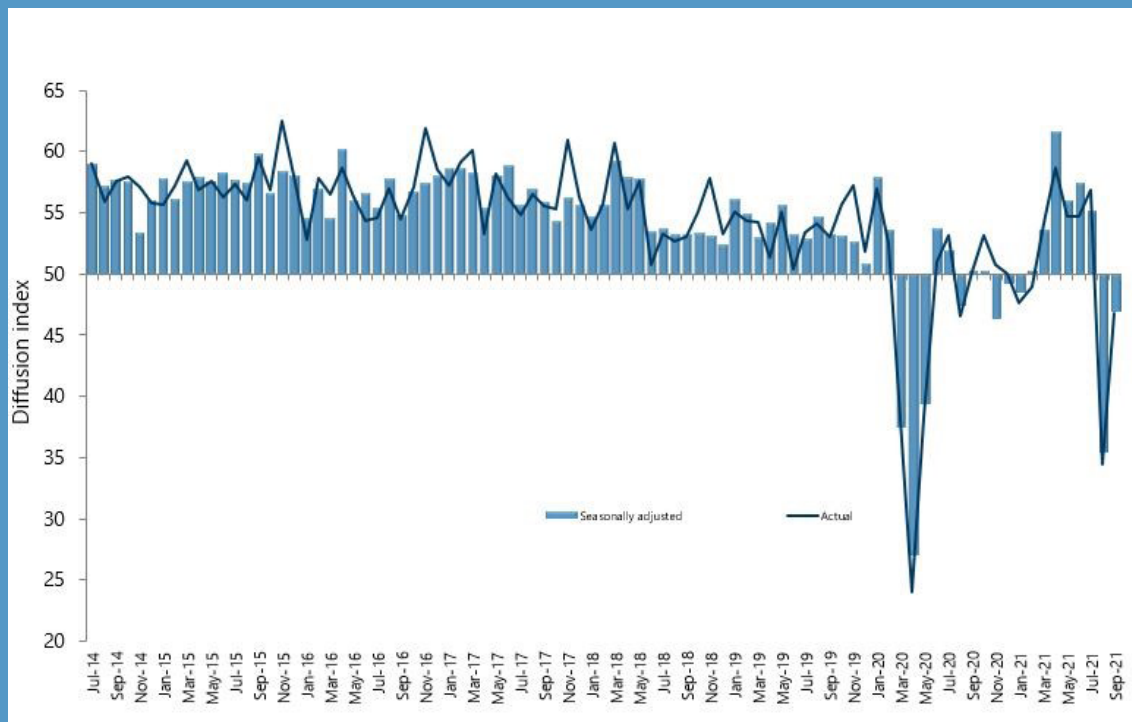
PSI Time Series Table

Results are seasonally adjusted

National Indices	Sep 2020	May 2021	Jun 2021	Jul 2021	Aug 2021	Sep 2021
BNZ - BusinessNZ PSI	50.2	56.0	57.4	55.2	35.4	46.9
Activity/Sales	54.7	58.2	60.9	60.1	25.5	45.3
Employment	49.7	54.3	56.2	54.4	49.3	52.0
New Orders/Business	54.9	62.6	64.3	59.2	32.3	47.5
Stocks/Inventories	45.2	51.2	50.6	51.4	48.0	51.5
Supplier Deliveries	43.5	45.2	45.7	46.5	26.7	42.1

BNZ - BusinessNZ PSI Time Series

July 2014 - September 2021

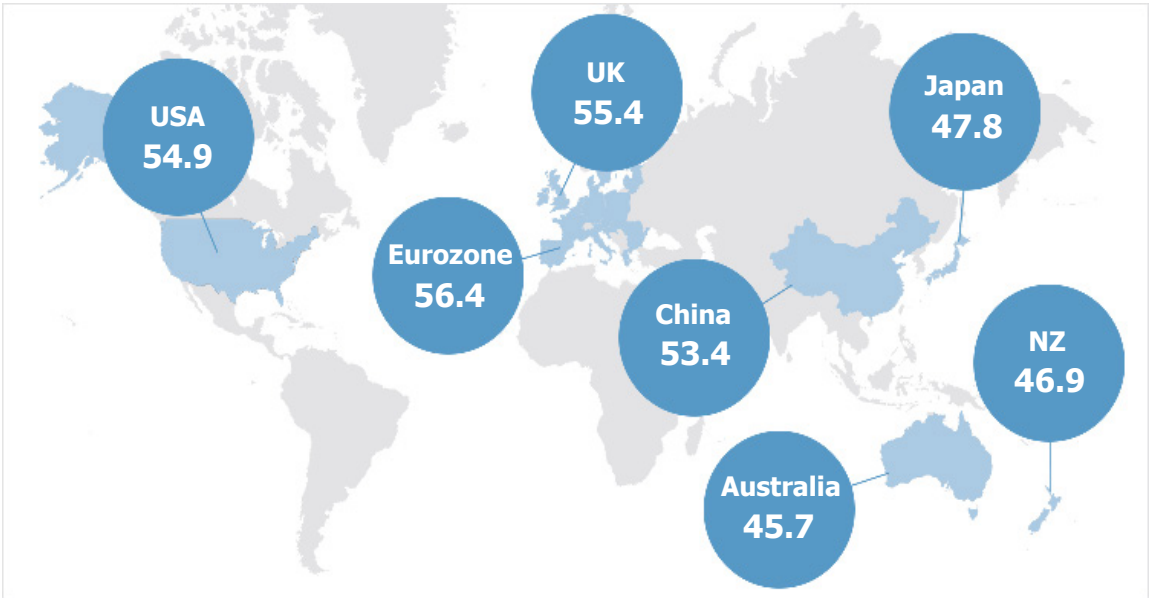


International **Results**

J.P. Morgan Global Manufacturing PSI™

5 October 2021

53.4



BNZ - BUSINESSNZ PERFORMANCE OF COMPOSITE INDEX



47.5

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) saw the two options for measuring the September PCI both improve, although still stuck in contraction.

The September GDP-Weighted Index (47.5) increased 11.5 points from August, while the Free-Weighted Index (49.0) also rose 11.5 points.

PCI Time Series Table

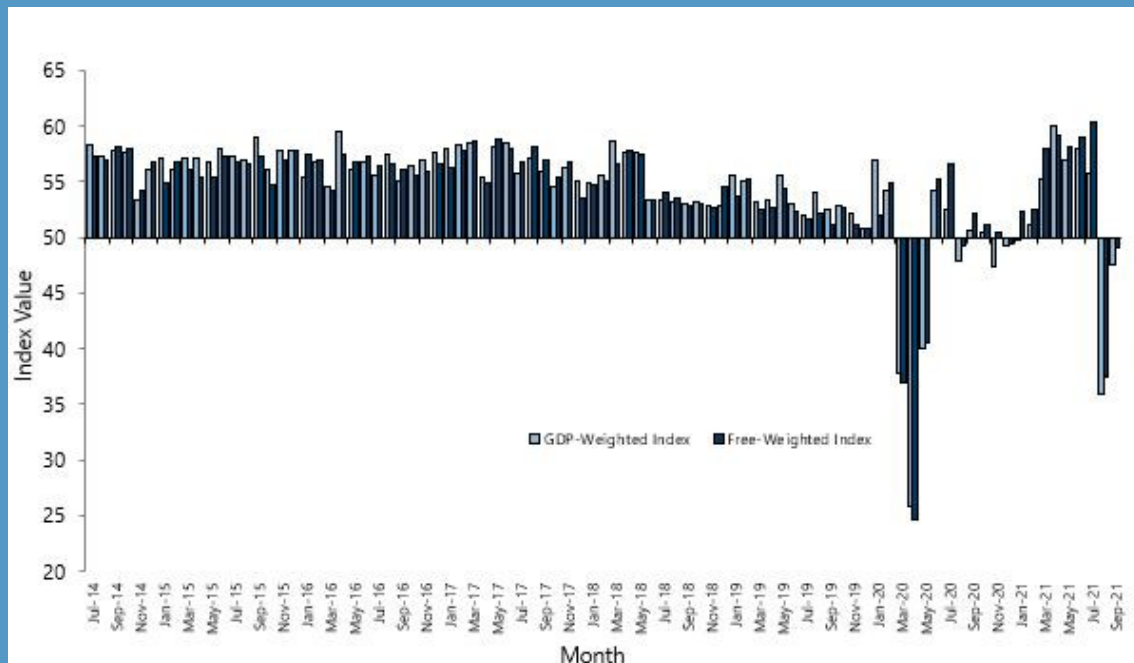
Results are seasonally adjusted

National Indices	Sep 2020	May 2021	Jun 2021	Jul 2021	Aug 2021	Sep 2021
GDP-Weighted	50.7	56.9	57.9	55.7	36.0	47.5
Free-Weighted	52.2	58.2	59.1	60.3	37.5	49.0

[View PCI Time Series Data](#)

BNZ - BusinessNZ PCI Time Series

July 2014 - September 2021



Our Contributors

The BNZ - BusinessNZ Performance of Services Index contains data obtained through BusinessNZ's regional organisations and Hospitality NZ.



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Sponsor Statement

BNZ is delighted to be associated with the Performance of Services Index (PSI) and BusinessNZ.

The 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.



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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.

 www.businessnz.org.nz/psi

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.

RESEARCH

Services Landscape

18 October 2021



Doing it tough

Not surprisingly, New Zealand's service sector continues to show substantial pain as COVID alert level restrictions linger. The pain is by no means uniform across various segments but is all too obvious in the headline figures. While some easing in restrictions saw the Performance of Services Index (PSI) lift to 46.9 in September, from August's extremely ugly 35.4, it remains materially below the breakeven 50 mark and even further below its long-term average of 53.9. This contrasts with last week's Performance of Manufacturing Index that managed to stabilise, even expand a bit, at 51.5, in September. Together, it reinforces our view that Q3 GDP will show a very large contraction (perhaps around 7% in the quarter).

Reality versus expectations

Today's below average PSI also contrasts with other surveys that often ask about expectations or general confidence (which seem to be holding up ok). The PSI is a survey of outcomes and thus reflects the difficult trading conditions that many have encountered. For evidence, look no further than the PSI's activity/sales component. Yes, September's 45.3 is much better than August's 25.5 shocker, but it indicates contraction and is nearly a full 10 points below its 55.2 norm. Similarly, new orders rose to 47.5 (still well below par) in September from August's 32.3. Subdued new orders warn against expecting too much of a bounce in coming months. Of course, the spread of COVID, vaccination rates, and any restriction changes will have a very large bearing on that. Weakness in supplier deliveries highlight ongoing significant supply side issues.

Much variation

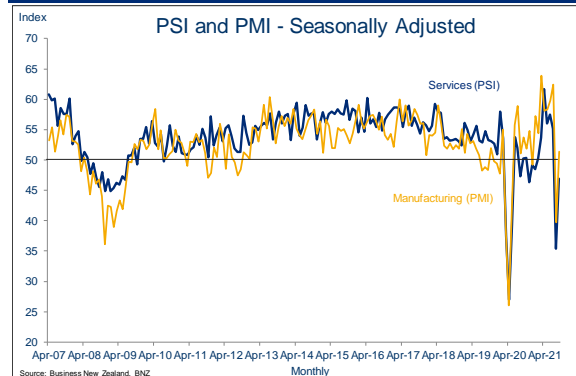
Unadjusted PSI readings show very large variations across various segments. By industry, Accommodation, Cafes & Restaurants, Cultural, Recreational & Personal, and Retail Trade saw the weakest readings in September. On the positive side, Communication is a clear standout with Property and Business services also going forward. By region, no surprise to see Northern the weakest (at 41.2), given it has faced the tightest and longest restrictions. Otago/Southland is also very weak, likely linked to the lack of Northern travellers. Central was positive at 51.8.

Employment robust

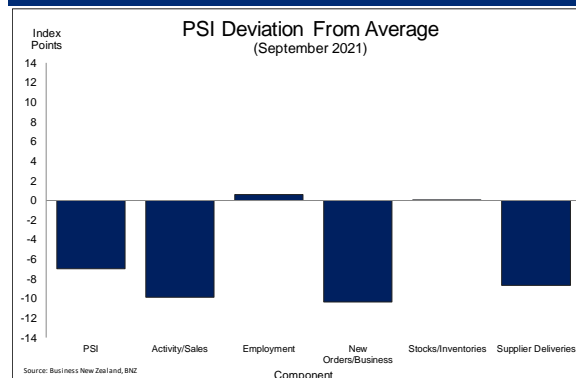
The key positive in September's PSI is employment, lifting to an above average 52.0 from August's 49.3. This seems consistent with firms expecting activity to bounce once restrictions are eased, fiscal support from government, and a reluctance to let staff go. It bodes well for the official labour market statistics to hold up (perhaps very) well in Q3, even with a huge decline in GDP.

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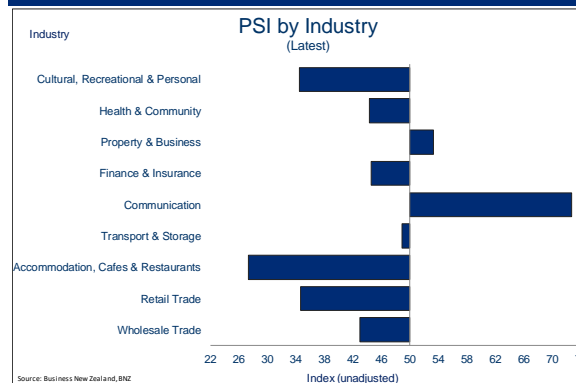
Services Lagging



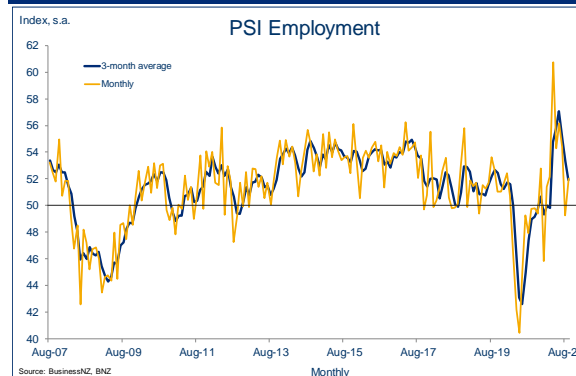
Activity Well Below Normal In September



Extremely Mixed



A Bright Spot



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