

BNZ – BUSINESSNZ PERFORMANCE OF SERVICES INDEX

Easing back

19 December 2022

53.7

November

-3.4

Monthly Change

expanding

slower rate

Expansion levels for New Zealand's services sector eased back in November, according to the BNZ - BusinessNZ Performance of Services Index (PSI).

The PSI for November was 53.7 (A PSI reading above 50.0 indicates that the service sector is generally expanding; below 50.0 that it is declining). This was down 3.4 points from October, and the lowest level of overall activity since April 2022. However, it was still just above the long-term average of 53.6 for the survey.

BusinessNZ chief executive Kirk Hope said that after showing healthy expansion for six months, the November result was dragged back by the key sub-index values for Activity/Sales (58.1) and New Orders/Business (57.3) coming off previously strong results, although both remain in a very healthy position. In addition, Supplier Deliveries (47.3) fell back into contraction during November.

"With its sister survey the PMI again showing contraction in November and economic headwinds approaching, the easing of expansion in activity is not unexpected. Also, with the Global PSI result of 48.1 at a 29-month low, it will be a tall order for the New Zealand services sector to continue the overall trends experienced during the second half of 2022".

BNZ Senior Economist Craig Ebert said that "November's PSI proved, for the third month running, to be an important counterpoint to the weakening PMI. It looks as though the services industries – just like they did in Q3 – will more than make up for any weakness in manufacturing in Q4, such that GDP for that quarter manages an expansion".

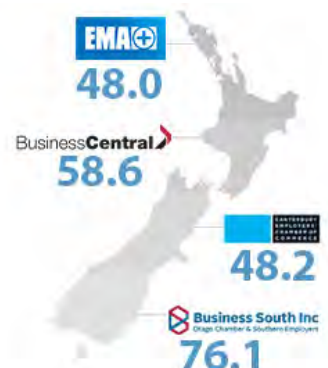


Kirk Hope
CEO, BusinessNZ

Main Indicies



Regional Results



[VIEW THE TIME SERIES DATA](#)

Services Landscape

PSI

New Zealand's Performance of Services Index (PSI) slowed a lot in November. From an elevated reading of 57.1 in October it eased to 53.7. While this reflected a sharp deceleration in the PSI's employment index – to 51.8, from 57.1 – this component was still expansive. The drag factor is really in supplier deliveries which, at 47.3, fell back into contraction territory, after poking above the 50 breakeven level in October, with 52.0. This infers supply-side issues are not fully resolved. In contrast, the demand side still appears robust, with new orders/business, at 57.3 in November, coming in very close to normal.

[Read more](#)

Varied in detail

By industry, there was a wide range of performance on show. Pronounced negativity in retail trade (30.7, compared to 52.8 in October) was something to note, especially in interpreting the festive spending figures from traditional retailers. At the other end of the spectrum, accommodation, cafes & restaurants (83.3) seemed very busy, as did cultural, recreational & personal (73.2) – both of which are sensitive to tourism along with COVID-related settings. This might also explain the region-besting result of 76.1 for Otago/Southland. As for firm-size, medium-to-large firms were trailing with 50.0 while large firms were the most positive, with (an unadjusted reading of) 65.0.

[Read more](#)

Robust services offset weak manufacturing

November's PSI proved, for the third month running, to be an important counterpoint to the weakening PMI. The latter had sunk to 47.4 by November, having been running above-trend back in August. This warns of a rough patch for manufacturing in the Q4 GDP accounts, after this industry posted a flat result in Q3 GDP. In contrast, it looks as though the services industries – just like they did in Q3 – will more than make up for any weakness in manufacturing in Q4, such that GDP for that quarter manages an expansion. However, nothing anywhere near the 2% gain that was reported for Q3 GDP. When the PSI is combined with the PMI, the composite results on output averaged 56.4 across October and November, which is solid.

[Read more](#)

Better serviced in NZ

The other positive message from New Zealand's PSI is that it continues to look relatively good when compared to its international counterparts. The global PSI slipped to 48.1 in November, after dead flat results of 50.0 for September and October, and a solid reading of 53.9 back in June. While New Zealand's PSI has also slowed noticeably over recent months, its level in November was about normal.

[Read more](#)



Craig Ebert
Senior Economist, BNZ
[+64 4 474 6799](tel:+6444746799)

[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

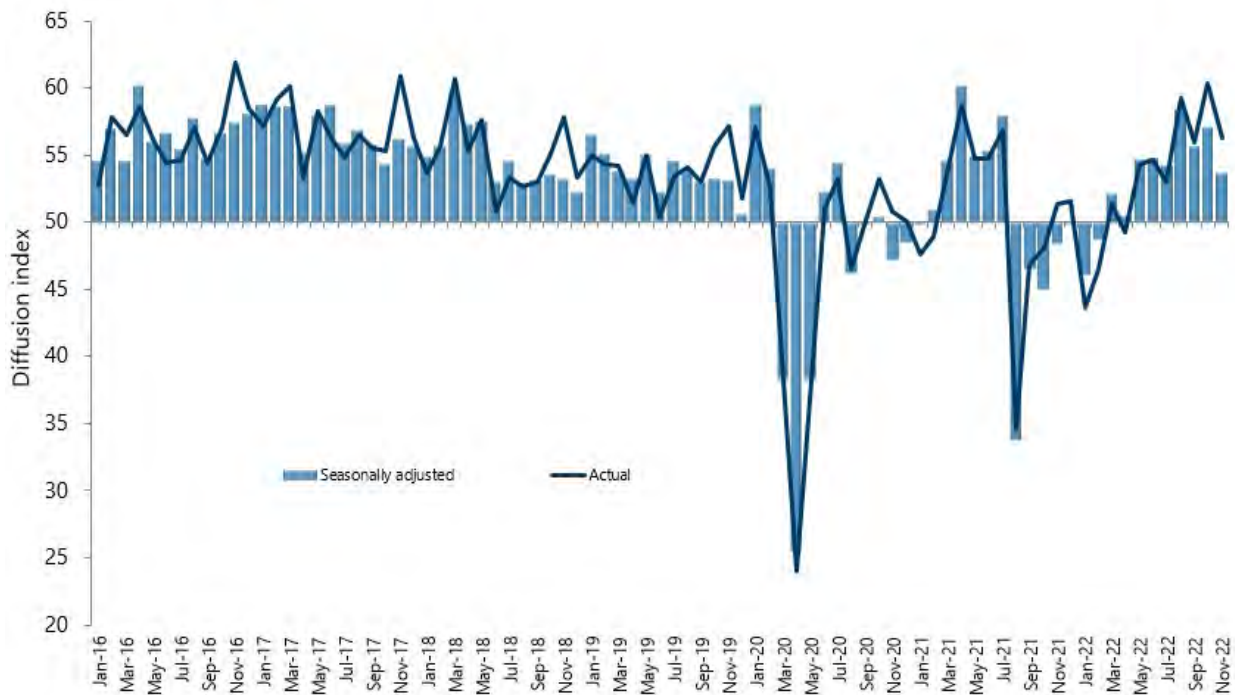
The results are seasonally adjusted.

National Indices	Nov 2021	Jul 2022	Aug 2022	Sep 2022	Oct 2022	Nov 2022
BNZ - BusinessNZ PSI	48.4	54.8	58.4	55.7	57.1	53.7
Activity/Sales	48.0	55.6	67.5	59.6	61.0	58.1
Employment	50.6	52.7	51.3	50.7	57.1	51.8
New Orders/Business	54.7	60.9	67.1	62.3	59.6	57.3
Stocks/Inventories	48.2	53.8	59.8	54.6	56.1	55.0
Supplier Deliveries	39.9	49.0	49.5	49.4	52.0	47.3

[VIEW THE TIME SERIES DATA](#)

BNZ - BusinessNZ PSI Time Series

January 2016 - November 2022

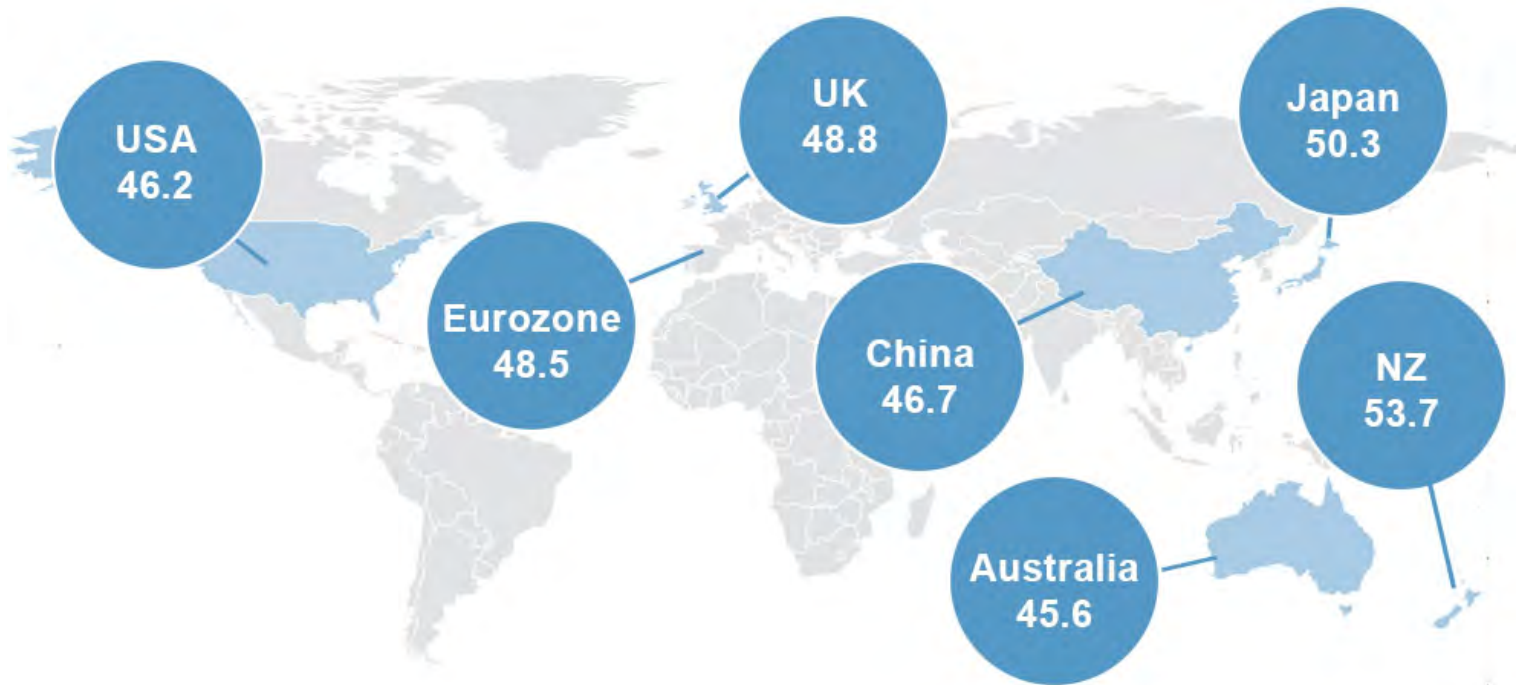


International Results

J.P. Morgan Global Manufacturing PSI™

05 Dec 2022

48.1



BNZ – BUSINESSNZ PERFORMANCE OF COMPOSITE INDEX

53.0

GDP-Weighted Index

50.8

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 both ease in expansion during November.

The November GDP-Weighted Index (53.0) decreased 3.2 points from October, while the Free-Weighted Index (50.8) fell by 2 points.

BNZ - BusinessNZ PCI Time Series

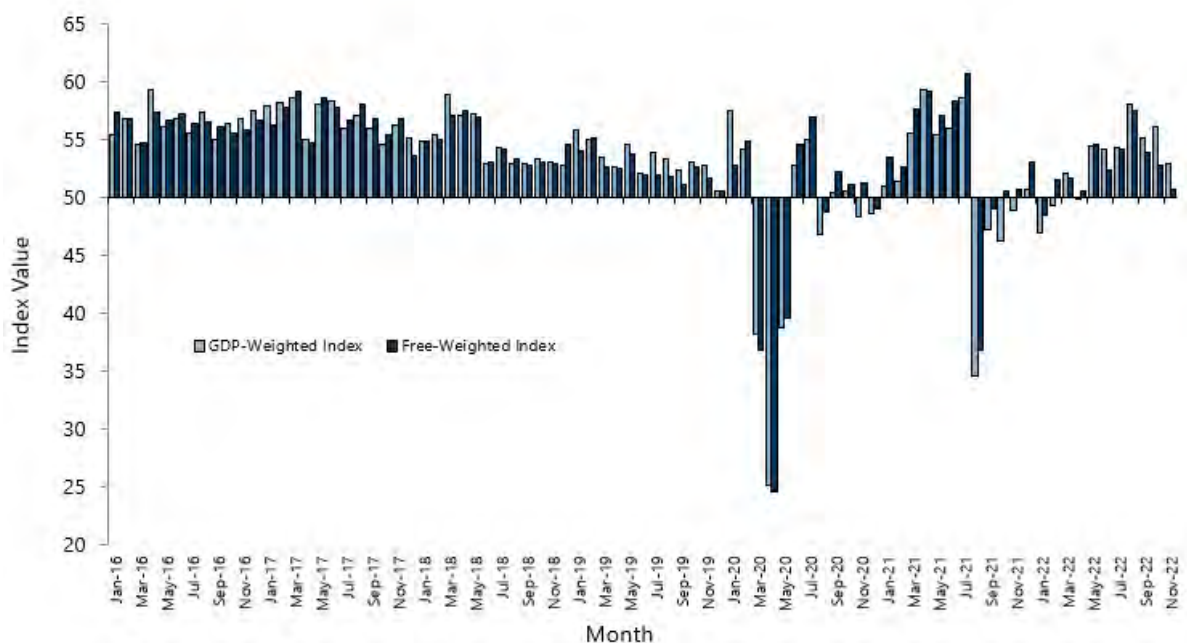
The results are seasonally adjusted.

National Indices	Nov 2021	Jul 2022	Aug 2022	Sep 2022	Oct 2022	Nov 2022
GDP-Weighted Index	48.9	54.3	58.1	55.2	56.2	53.0
Free-Weighted Index	50.7	54.3	57.6	53.9	52.8	50.8

[VIEW THE TIME SERIES DATA](#)

BNZ - BusinessNZ PCI Time Series

January 2016 - November 2022



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.

Media Comment

For media comment, contact:
Kathryn Asare: 04 496 6560

Technical Comment

For more information or assistance with data interpretation, contact:
Stephen Summers: ssummers@businessnz.org.nz

Our Contributors

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



19 December 2022



PSI

New Zealand's Performance of Services Index (PSI) slowed a lot in November. From an elevated reading of 57.1 in October it eased to 53.7. While this reflected a sharp deceleration in the PSI's employment index – to 51.8, from 57.1 – this component was still expansive. The drag factor is really in supplier deliveries which, at 47.3, fell back into contraction territory, after poking above the 50 breakeven level in October, with 52.0. This infers supply-side issues are not fully resolved. In contrast, the demand side still appears robust, with new orders/business, at 57.3 in November, coming in very close to normal.

Varied in detail

By industry, there was a wide range of performance on show. Pronounced negativity in retail trade (30.7, compared to 52.8 in October) was something to note, especially in interpreting the festive spending figures from traditional retailers. At the other end of the spectrum, accommodation, cafes & restaurants (83.3) seemed very busy, as did cultural, recreational & personal (73.2) – both of which are sensitive to tourism along with COVID-related settings. This might also explain the region-busting result of 76.1 for Otago/Southland. As for firm-size, medium-to-large firms were trailing with 50.0 while large firms were the most positive, with (an unadjusted reading of) 65.0.

Robust services offset weak manufacturing

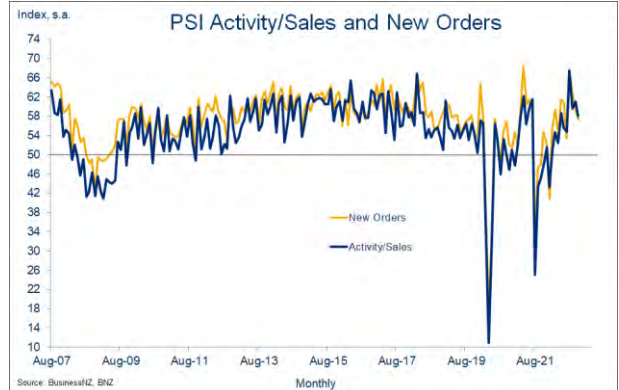
November's PSI proved, for the third month running, to be an important counterpoint to the weakening PMI. The latter had sunk to 47.4 by November, having been running above-trend back in August. This warns of a rough patch for manufacturing in the Q4 GDP accounts, after this industry posted a flat result in Q3 GDP. In contrast, it looks as though the services industries – just like they did in Q3 – will more than make up for any weakness in manufacturing in Q4, such that GDP for that quarter manages an expansion. However, nothing anywhere near the 2% gain that was reported for Q3 GDP. When the PSI is combined with the PMI, the composite results on output averaged 56.4 across October and November, which is solid.

Better serviced in NZ

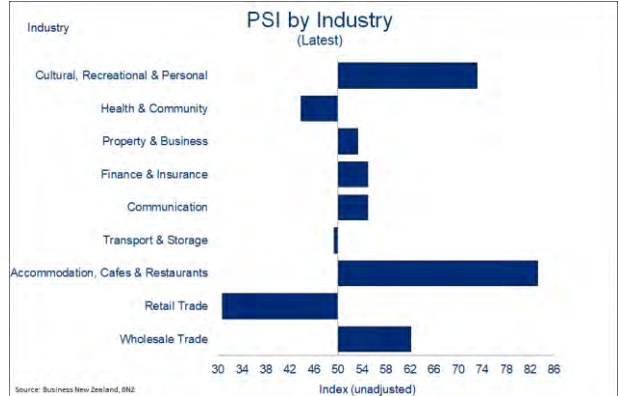
The other positive message from New Zealand's PSI is that it continues to look relatively good when compared to its international counterparts. The global PSI slipped to 48.1 in November, after dead flat results of 50.0 for September and October, and a solid reading of 53.9 back in June. While New Zealand's PSI has also slowed noticeably over recent months, its level in November was about normal.

craig_ebert@bnz.co.nz

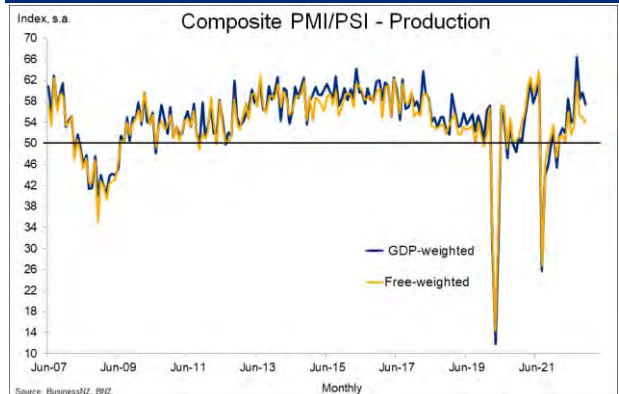
Not So Fast



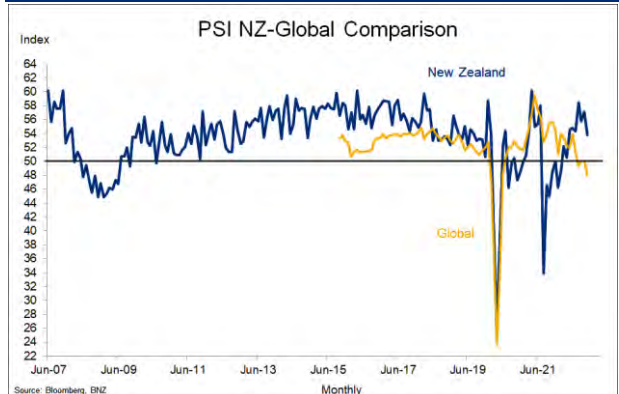
Quite Mixed, Actually



Solid Re (Q4) GDP Growth



Resisting the Global Trend



Contact Details

BNZ Research

Stephen Toplis

Head of Research
+64 4 474 6905

Craig Ebert

Senior Economist
+64 4 474 6799

Doug Steel

Senior Economist
+64 4 474 6923

Jason Wong

Senior Markets Strategist
+64 4 924 7652

Nick Smyth

Senior Interest Rates Strategist
+64 4 924 7653

Mike Jones

BNZ Chief Economist
+64 9-956 0795

Main Offices

Wellington

Level 4, Spark Central
42-52 Willis Street
Private Bag 39806
Wellington Mail Centre
Lower Hutt 5045
New Zealand
Toll Free: 0800 283 269

Auckland

80 Queen Street
Private Bag 92208
Auckland 1142
New Zealand
Toll Free: 0800 283 269

Christchurch

111 Cashel Street
Christchurch 8011
New Zealand
Toll Free: 0800 854 854

This document has been produced by Bank of New Zealand (BNZ). BNZ is a registered bank in New Zealand and is only authorised to offer products and services to customers in New Zealand.

Analyst Disclaimer: The Information accurately reflects the personal views of the author(s) about the securities, issuers and other subject matters discussed, and is based upon sources reasonably believed to be reliable and accurate. The views of the author(s) do not necessarily reflect the views of the NAB Group. No part of the compensation of the author(s) was, is, or will be, directly or indirectly, related to any specific recommendations or views expressed.

BNZ maintains an effective information barrier between the research analysts and its private side operations. Private side functions are physically segregated from the research analysts and have no control over their remuneration or budget. The research functions do not report directly or indirectly to any private side function. The Research analyst might have received help from the issuer subject in the research report.

New Zealand: The information in this publication is provided for general information purposes only, and is a summary based on selective information which may not be complete for your purposes. This publication does not constitute any advice or recommendation with respect to any matter discussed in it, and its contents should not be relied on or used as a basis for entering into any products described in it. Bank of New Zealand recommends recipients seek independent advice prior to acting in relation to any of the matters discussed in this publication.

Any statements as to past performance do not represent future performance, and no statements as to future matters are guaranteed to be accurate or reliable.

Neither Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever which may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication.

USA: If this document is distributed in the United States, such distribution is by nabSecurities, LLC. This document is not intended as an offer or solicitation for the purchase or sale of any securities, financial instrument or product or to provide financial services. It is not the intention of nabSecurities to create legal relations on the basis of information provided herein.