

BNZ – BUSINESSNZ PERFORMANCE OF SERVICES INDEX

Struggle street

13 May 2024

47.1

April

-0.1

Monthly Change

Contracting

Faster Rate

New Zealand's services sector continued to contract further in April, according to the BNZ – BusinessNZ Performance of Services Index (PSI).

The PSI for April was 47.1 (A PSI reading above 50.0 indicates that the service sector is generally expanding; below 50.0 that it is declining). This was down 0.1 points from March and the lowest level of activity for the sector since January 2022.

BusinessNZ chief executive Kirk Hope said while the April result was all but the same as March, the sub-index results outlined a difficult time for the sector as a whole. Although Activity/Sales (46.5) improved slightly, New Orders/Business (47.1) continued to fall backwards, while Employment (47.1) dropped to its lowest result since February 2022. Supplier Deliveries (47.6) also dropped to its lowest point since November 2022.

The proportion of negative comments from businesses continued to march upwards over April (66.3%), compared with 63.0% in March and 57.3% in February. A noticeable proportion of respondents noted the current difficult economic times, along with lingering inflationary issues.

BNZ's Senior Economist Doug Steel said that "combining today's weak PSI with last week's PMI yields a composite reading that would be consistent with GDP tracking below year earlier levels into the middle of this year. That is what we expect and, if anything, the combined index suggests some downside risk to our forecasts".

[VIEW THE TIME SERIES DATA](#)



Kirk Hope
CEO, BusinessNZ

Main Indices



Regional Results





Services Landscape

No bounce

The Performance of Services Index (PSI) failed to bounce in April. At 47.1, it was marginally lower than the 47.2 it had slumped to in March.

[Read more](#)

Weakness prevalent

Within the broad sector some service industries have been weak or weakening for an extended period. Retail trade falls into that category and remains exceptionally depressed as household spending restraint continues.

[Read more](#)

Demand down

Weak demand was most obvious in April's PSI new orders index at 47.1. This is well below 50, a bit lower than March's already weak 47.9, and now 10 full percentage points below its long-term average.

[Read more](#)

Not good for GDP nor employment

Combining today's weak PSI with last week's PMI yields a composite reading that would be consistent with GDP tracking below year earlier levels into the middle of this year.

[Read more](#)



Doug Steel
Senior Economist, BNZ
[+64 4 474 6923](tel:+6444746923)

[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

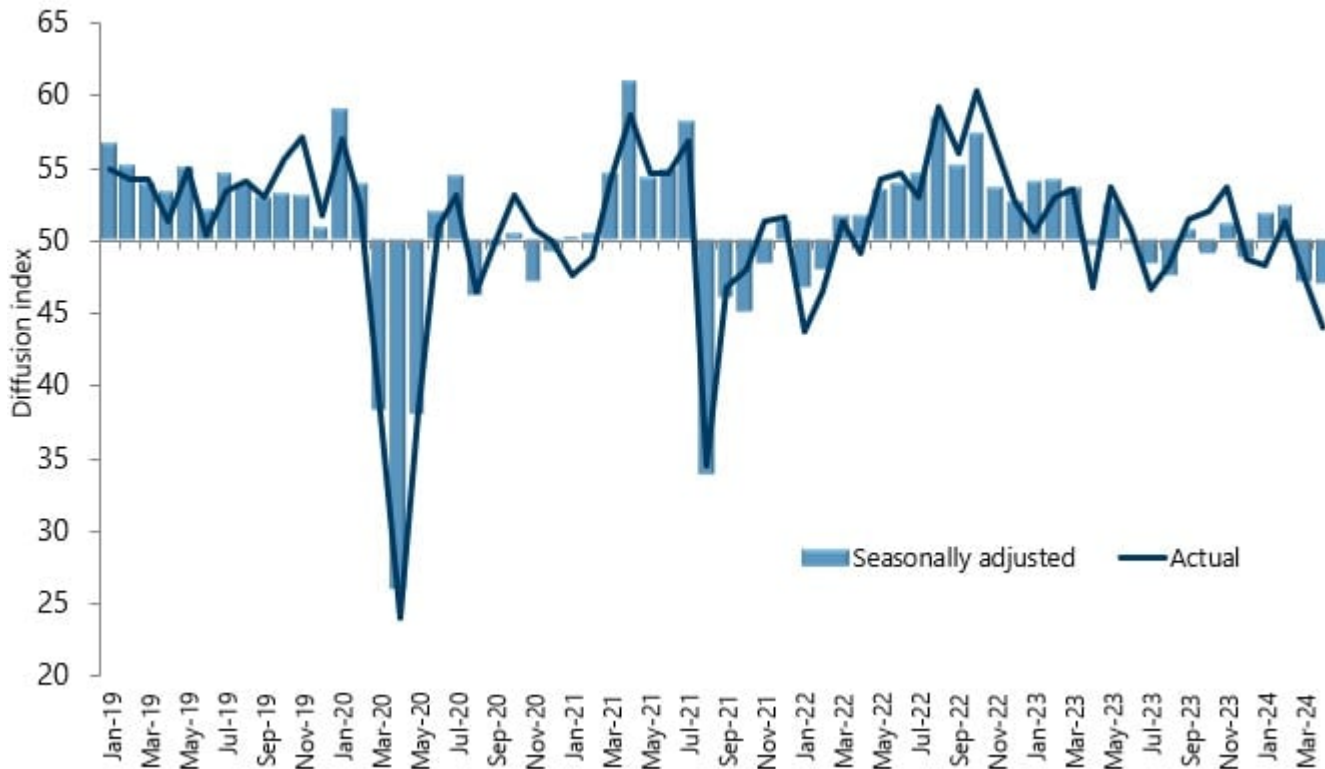
The results are seasonally adjusted.

National Indicies	Apr 2023	Dec 2023	Jan 2024	Feb 2024	Mar 2024	Apr 2024
BNZ - BusinessNZ PSI	53.7	48.8	51.9	52.4	47.2	47.1
Activity/Sales	56.8	47.1	52.6	52.4	44.8	46.5
Employment	50.7	47.3	48.3	49.2	49.9	47.1
New Orders/Business	52.8	50.9	51.7	55.3	47.9	47.1
Stocks/Inventories	57.6	51.5	53.1	52.0	46.6	46.6
Supplier Deliveries	54.3	50.1	48.5	48.6	48.6	47.6

[VIEW THE TIME SERIES DATA](#)

BNZ - BusinessNZ PSI Time Series

January 2019 - April 2024

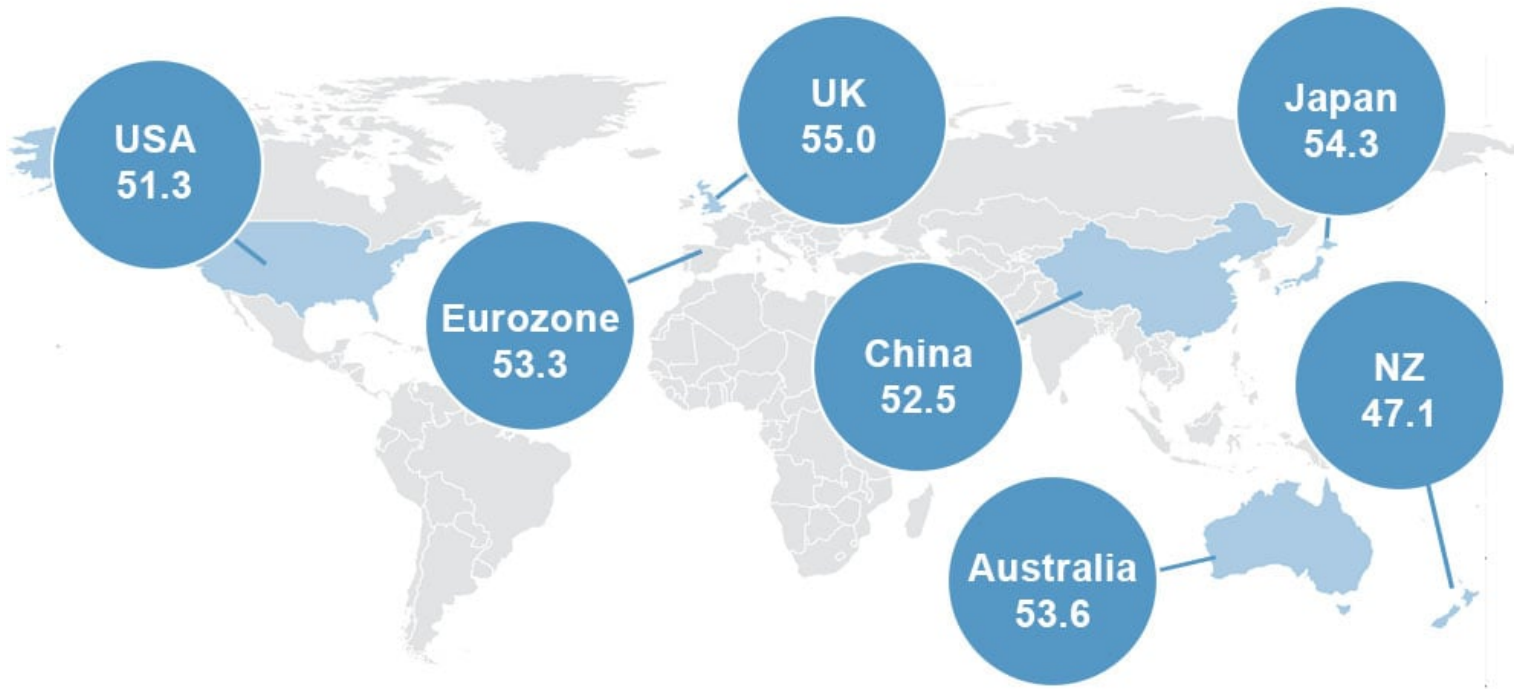


International Results

J.P. Morgan Global Manufacturing PSI™

06 May 2024

52.7



BNZ – BUSINESSNZ PERFORMANCE OF COMPOSITE INDEX

45.9

GDP-Weighted Index

47.6

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 saw somewhat contrasting results over April.

The April GDP-Weighted Index (45.9) decreased a further 1.2 points from March, while the Free-Weighted Index (47.6) rose 1 point. However, both were still in contraction.

BNZ - BusinessNZ PCI Time Series

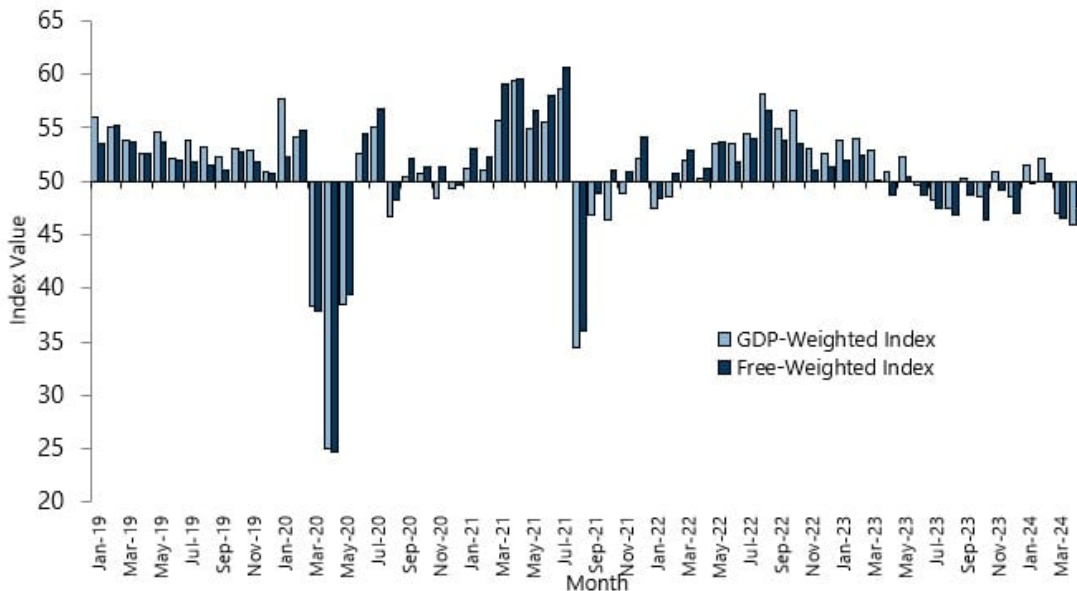
The results are seasonally adjusted.

National Indices	Apr 2023	Dec 2023	Jan 2024	Feb 2024	Mar 2024	Apr 2024
GDP-Weighted Index	50.8	48.5	51.5	52.1	47.1	45.9
Free-Weighted Index	48.7	47.0	50.0	50.8	46.6	47.6

[VIEW THE TIME SERIES DATA](#)

BNZ - BusinessNZ PCI Time Series

January 2019 - April 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.

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



Research Services Landscape

13 May 2024

No bounce

The Performance of Services Index (PSI) failed to bounce in April. At 47.1, it was marginally lower than the 47.2 it had slumped to in March. We thought last month's drop reflected more than just the timing of Easter. Evidence of this is much stronger now with another poor PSI reading in April. It is disconcerting. Previously, the broad service sector had been holding up relatively well compared to other segments of the economy. That no longer looks to be the case.

Weakness prevalent

Within the broad sector some service industries have been weak or weakening for an extended period. Retail trade falls into that category and remains exceptionally depressed as household spending restraint continues. Wholesale trade hasn't been much better and has posted a firmly contractionary PSI reading of 43.4 in April. With weak retail and wholesale, it is no surprise to see the same in transport, with April's 46.1 that industry's fifth consecutive sub 50 outcome. Property and business, as well as communication, readings were also well below 50. Many PSI respondents cite weak demand as a major influence on their business.

Demand down

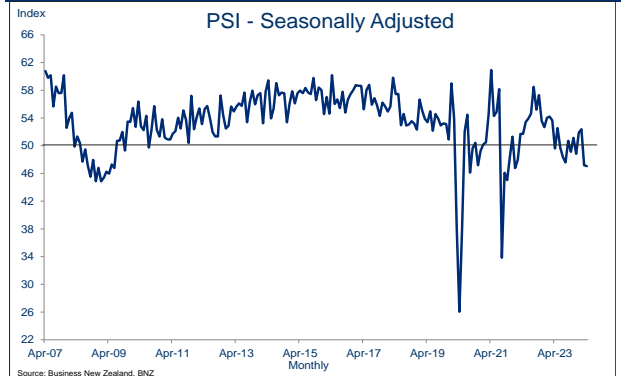
Weak demand was most obvious in April's PSI new orders index at 47.1. This is well below 50, a bit lower than March's already weak 47.9, and now 10 full percentage points below its long-term average. Current sales are weak too, with the PSI sales/activity index remaining well below 50, at 46.5.

Not good for GDP nor employment

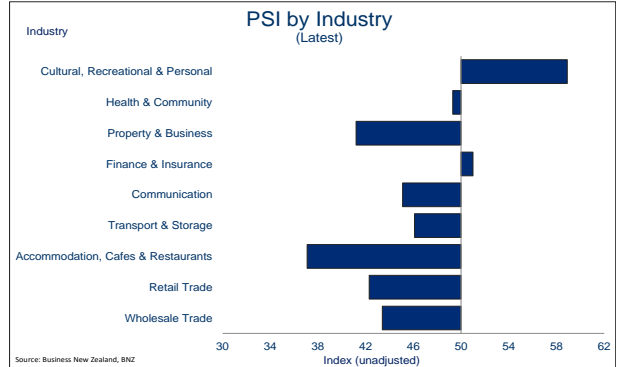
Combining today's weak PSI with last week's PMI yields a composite reading that would be consistent with GDP tracking below year earlier levels into the middle of this year. That is what we expect and, if anything, the combined index suggests some downside risk to our forecasts. Employment was also weak, with the combined index averaging 48.1 in April. This follows a clear downtrend in the likes of SEEK job ads. The combined PMI and PSI suggests no reprieve on the jobs front in Q2 after recent official figures revealed employment fell 0.2% in Q1. Today's numbers are consistent with our forecast that the unemployment rate rises further from the 4.3% it lifted to in the first quarter of this year.

doug_steel@bnz.co.nz

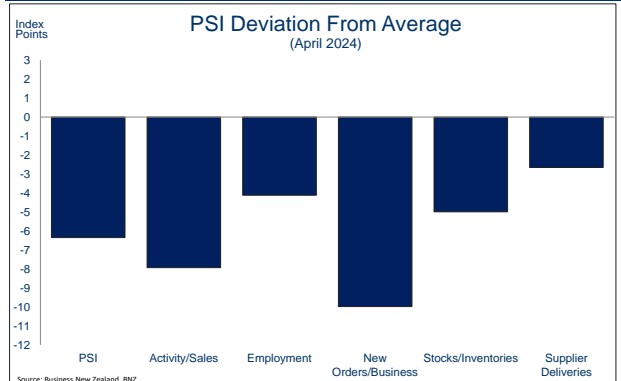
Retreat affirmed



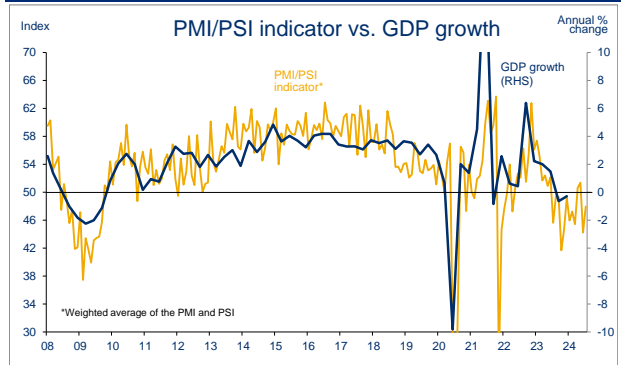
Majority in reverse



Demand most below average



Growth struggles



Contact Details

BNZ Research

Stephen Toplis
Head of Research

Doug Steel
Senior Economist

Jason Wong
Senior Markets Strategist

Stuart Ritson
Senior Interest Rate Strategist

Mike Jones
BNZ Chief Economist

Main Offices

Wellington
Level 2, BNZ Place
1 Whitmore St
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.