

BNZ – BUSINESSNZ PERFORMANCE OF SERVICES INDEX

Over the line

17 Feb 2025

50.4

January

+2.3

Monthly Change

Expanding

Previously Contracting

After 10 consecutive months of contraction, New Zealand's services sector exhibited slight expansion during January, according to the BNZ – BusinessNZ Performance of Services Index (PSI).

The PSI for January was 50.4 (A PSI reading above 50.0 indicates that the service sector is generally expanding; below 50.0 that it is declining). This was up 2.3 points from December but still well below the average of 53.1 over the history of the survey.

BusinessNZ's CEO, Katherine Rich said that like its sister survey, the PSI has also waited an extended period of time to get back into expansion mode. For the sub-index results, Activity/Sales (54.0) led the way in January with its highest value since March 2023. Although New Orders/Business (50.0) showed no change for January, it was still its highest value since February 2024. In contrast, Employment (47.1) and Supplier Deliveries (47.8) remained in contraction during the month.

The proportion of negative comments for January stood at 61.9%, which was up from 57.5% in December and 53.6% in November. The economic downturn and uncertainty featured heavily amongst respondents.

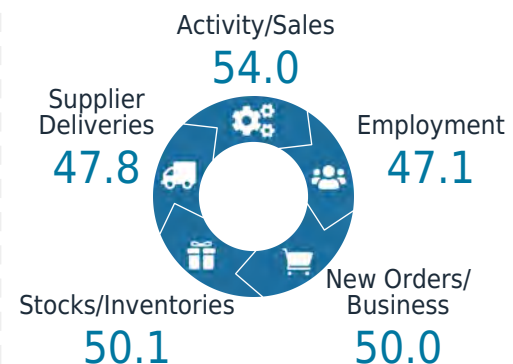
BNZ's Senior Economist Doug Steel said that "the PSI is consistent with stabilisation rather than elevation, but its latest move upwards is encouraging".

[VIEW THE TIME SERIES DATA](#)

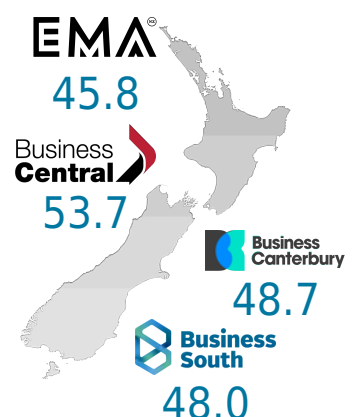


Katherine Rich
CEO, BusinessNZ

Main Indices



Regional Results





Services Landscape

Back above 50 (just)

The Performance of Services Index (PSI) jumped up from 48.1 to 50.4 in January. After 10 consecutive months in contraction, it has finally nudged back above the breakeven 50 mark.

[Read more](#)

Growth

Like the PSI, the Performance of Manufacturing Index (PMI) also lifted back above 50 in January. Combining the PSI and PMI, the Composite Index (PCI) suggests an economic recovery later this year.

[Read more](#)

Labour market

The PSI employment index (47.1) was the only sub-index to decline in January and remains the furthest below 50. It continues to suggest further contraction in service sector employment.

[Read more](#)

Interest rates

The latest PSI outturn is reassuring that New Zealand's economy may be at a turning point. This is consistent with our forecasts so doesn't materially change our view of the world.

[Read more](#)



Doug Steel
Senior Economist, BNZ

[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	Jan 2024	Sep 2024	Oct 2024	Nov 2024	Dec 2024	Jan 2025
BNZ - BusinessNZ PSI	50.6	45.8	46.1	49.2	48.1	50.4
Activity/Sales	50.9	45.6	44.4	48.5	46.5	54.0
Employment	48.1	45.7	46.4	46.7	47.4	47.1
New Orders/Business	50.8	46.8	47.9	49.5	49.4	50.0
Stocks/Inventories	52.3	47.6	47.9	52.1	48.9	50.1
Supplier Deliveries	48.2	44.2	47.7	52.4	47.7	47.8

[VIEW THE TIME SERIES DATA](#)

BNZ - BusinessNZ PSI Time Series

January 2019 - January 2025

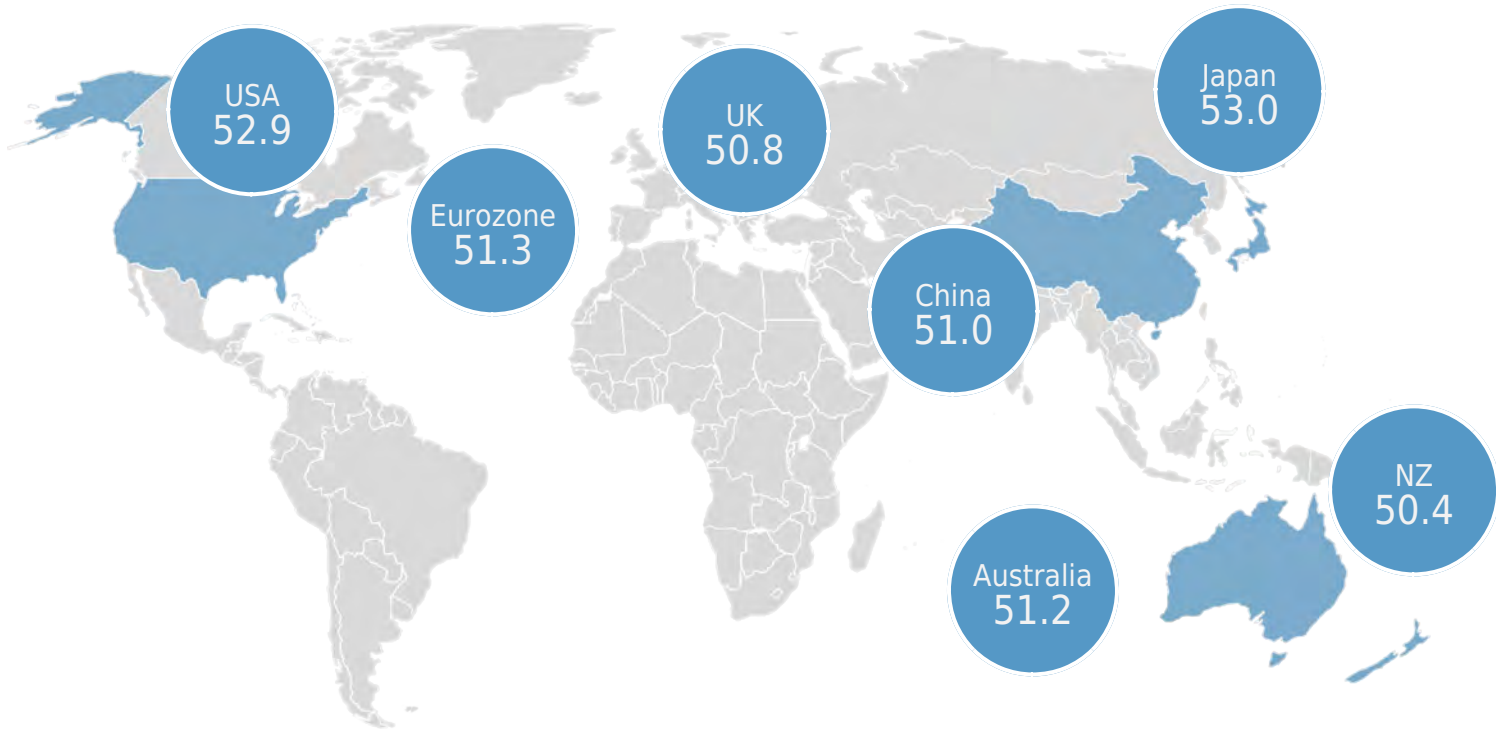


International Results

J.P. Morgan Global Manufacturing PSI™

05 Feb 2025

52.2



BNZ – BUSINESSNZ PERFORMANCE OF COMPOSITE INDEX

50.6

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 both measures back in expansion during January.

The January GDP-Weighted Index (50.6) increased 2.6 points from December, while the Free-Weighted Index (50.8) rose 3.3 points.

BNZ - BusinessNZ PCI Time Series

The results are seasonally adjusted.

National Indices	Jan 2024	Sep 2024	Oct 2024	Nov 2024	Dec 2024	Jan 2025
GDP-Weighted Index	50.2	46.0	46.1	49.0	48.0	50.6
Free-Weighted Index	48.7	46.4	46.2	47.7	47.5	50.8

[VIEW THE TIME SERIES DATA](#)

BNZ - BusinessNZ PCI Time Series

January 2020 - January 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

17 February 2025

Back above 50 (just)

The Performance of Services Index (PSI) jumped up from 48.1 to 50.4 in January. After 10 consecutive months in contraction, it has finally nudged back above the breakeven 50 mark. The PSI is consistent with stabilisation rather than elevation, but its latest move upwards is encouraging. Some consolidation is welcome news for the services sector, after extremely challenging conditions throughout 2024. We briefly outline what its improvement suggests for our growth, labour market and interest rate forecasts below. In short, it is consistent with our forecasts.

Growth

Like the PSI, the Performance of Manufacturing Index (PMI) also lifted back above 50 in January. Combining the PSI and PMI, the Composite Index (PCI) suggests an economic recovery later this year. Our forecasts are for GDP growth of around 2.6% through 2025. But economic turning points are messy, and it can be difficult to determine the exact timing of the recovery. The recovery is unlikely to be in a straight line and indicators choppy.

Labour market

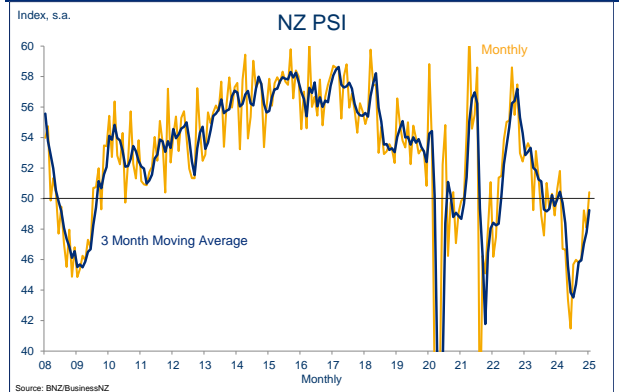
The PSI employment index (47.1) was the only sub-index to decline in January and remains the furthest below 50. It continues to suggest further contraction in service sector employment. This adds to a range of indicators showing New Zealand's labour market is still deteriorating. The unemployment rate rose to 5.1% in the December 2024 quarter from 4.8% a quarter earlier. Our economic forecasts are for the labour market to lag a pick-up in activity, such that the unemployment rate pushes a bit higher before peaking around 5.5%.

Interest rates

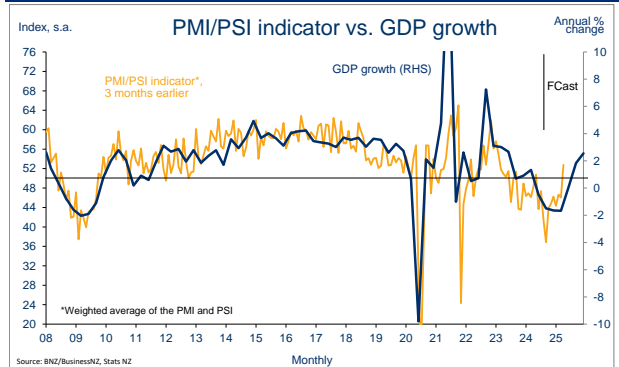
The latest PSI outturn is reassuring that New Zealand's economy may be at a turning point. This is consistent with our forecasts so doesn't materially change our view of the world. Many PSI respondents in January noted uncertainty and the economic downturn as ongoing headwinds. The economy still has plenty of spare capacity and there is nothing to stand in the way of further interest rate cuts. We are forecasting a 50-basis point cut at the RBNZ meeting on Wednesday (19 February), with 25 point moves at consecutive meetings thereafter towards an eventual low around 2.75%.

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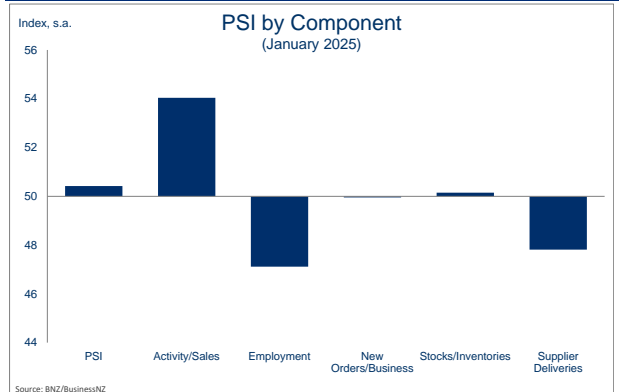
Return to breakeven



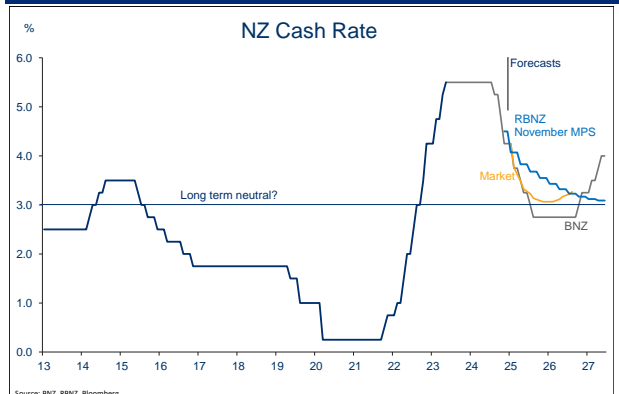
Recovery expected



Employment lagging



More cuts ahead



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