

BNZ – BUSINESSNZ PERFORMANCE OF SERVICES INDEX

Relative progress

19 Aug 2024

44.6

July

+3.9

Monthly Change

Contracting

Slower Rate

Activity in New Zealand's services sector for July showed some improvement after a horrendous June result, according to the BNZ – BusinessNZ Performance of Services Index (PSI).

The PSI for July was 44.6 (A PSI reading above 50.0 indicates that the service sector is generally expanding; below 50.0 that it is declining). This was up 3.9 points from June and the highest result since May. However, the PSI has only averaged 46.5 so far for 2024, compared with 53.2 over the history of the survey.

BusinessNZ chief executive Kirk Hope said that while the relative improvement in activity for July was a welcome sight, there's still a lot of work to go before the sector is back on track. The key index values for Activity/Sales (39.1) still remains under the 40-point mark, although New Orders/Business (45.3) did show a marked improvement compared with June, albeit off a very low base.

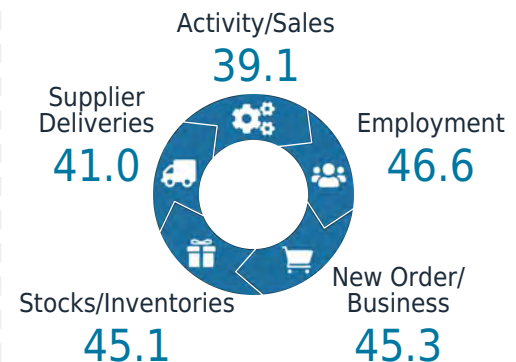
Despite the relative positive progress of the July result, the proportion of negative comments for the month (67.0%) was the same as June. Respondents noted the cost of living and interest rates as two key determinants for the current tough economic times.

BNZ's Senior Economist Doug Steel said that "to get some perspective on how challenging the current environment is for service sector firms, it's notable the increase in the PSI does not even get the index back to the level it was during the depths of the GFC back in 2008/09".

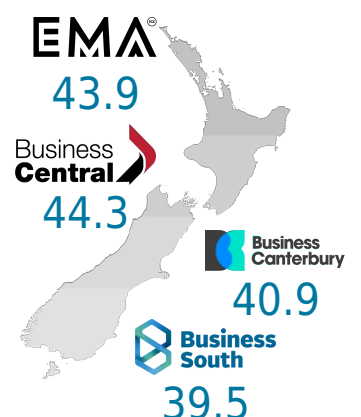


Kirk Hope
CEO, BusinessNZ

Main Indices



Regional Results



[VIEW THE TIME SERIES DATA](#)



Services Landscape

Yeah, nah

The services sector remains under significant pressure. While the Performance of Services Index (PSI) rose to 44.6 in July, from June's 40.7, it's a half-hearted bounce and remains exceptionally weak.

[Read more](#)

Well below normal

There was no joy in the PSI details. It is true that in July some indicators were a bit less awful than in June, but that month was an incredibly low bar.

[Read more](#)

Widespread weakness

Service sector weakness was widespread. In fact, unadjusted PSI readings were sub 50 across all groupings whether it be by firm size, by region, or by industry. All industries below 50 in the same month has never occurred before outside of Covid lockdowns.

[Read more](#)

In reverse

Joining the weak PSI with a similarly weak PMI reading from last week, gives a combined index (PCI) indicating ongoing economic contraction.

[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 Indices	Jul 2023	Mar 2024	Apr 2024	May 2024	Jun 2024	Jul 2024
BNZ - BusinessNZ PSI	47.9	46.9	46.4	42.9	40.7	44.6
Activity/Sales	39.1	44.4	45.8	40.7	36.2	39.1
Employment	49.1	49.8	46.9	45.9	45.7	46.6
New Orders/Business	44.6	47.5	46.3	42.4	38.9	45.3
Stocks/Inventories	53.4	46.2	46.0	42.3	43.9	45.1
Supplier Deliveries	52.6	48.3	47.2	45.6	41.4	41.0

[VIEW THE TIME SERIES DATA](#)

BNZ - BusinessNZ PSI Time Series

January 2019 - July 2024

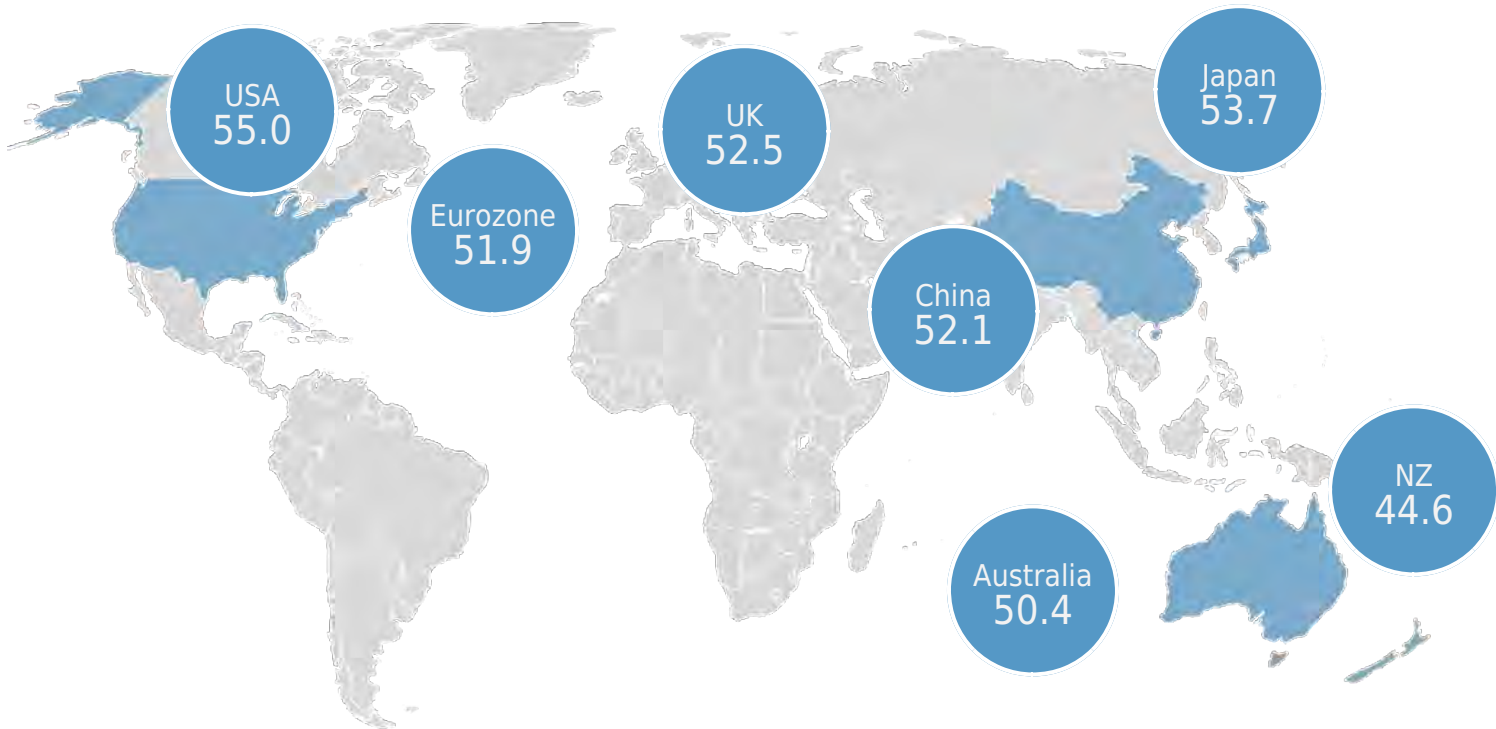


International Results

J.P. Morgan Global Manufacturing PSI™

06 Aug 2024

53.3



BNZ – BUSINESSNZ PERFORMANCE OF COMPOSITE INDEX

44.3

GDP-Weighted Index

44.4

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 showing some upwards improvement.

The July GDP-Weighted Index (44.3) increased 3.4 points from June, while the Free-Weighted Index (44.4) rose 3.3 points.

BNZ - BusinessNZ PCI Time Series

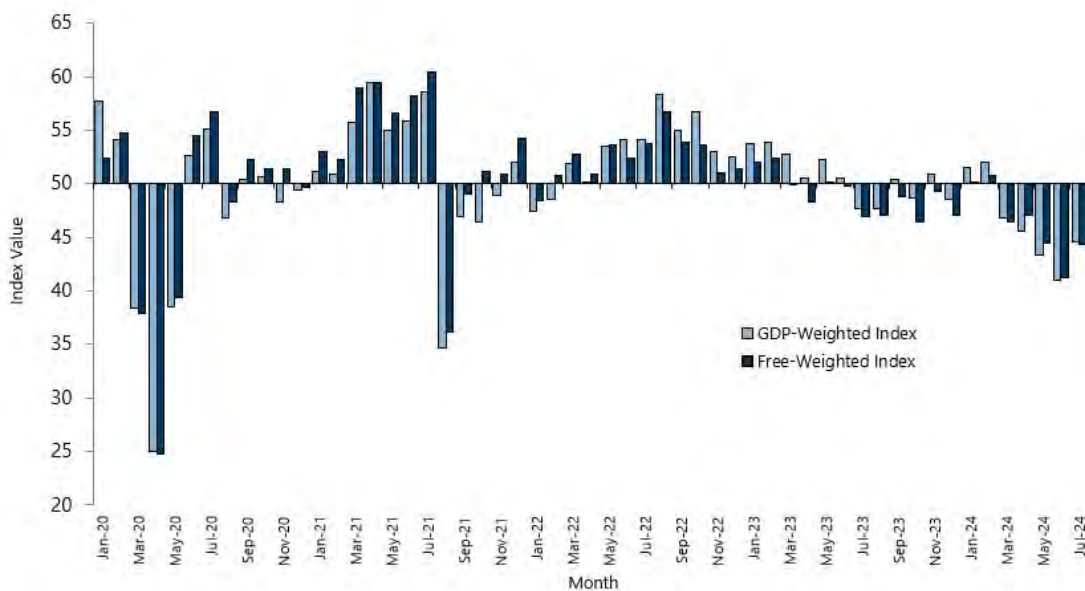
The results are seasonally adjusted.

National Indices	Jul 2023	Mar 2024	Apr 2024	May 2024	Jun 2024	Jul 2024
GDP-Weighted Index	47.7	46.8	45.5	43.3	40.9	44.3
Free-Weighted Index	46.9	46.4	47.1	44.4	41.2	44.4

[VIEW THE TIME SERIES DATA](#)

BNZ - BusinessNZ PCI Time Series

January 2020 – July 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

19 August 2024

Yeah, nah

The services sector remains under significant pressure. While the Performance of Services Index (PSI) rose to 44.6 in July, from June's 40.7, it's a half-hearted bounce and remains exceptionally weak. To get some perspective on how challenging the current environment is for service sector firms, it's notable the increase in the PSI does not even get the index back to the level it was during the depths of the GFC back in 2008/09. Smoothing through recent months shows rapid and significant service sector contraction. The PSI's three-month average to July hit 42.7, well below that seen during the GFC.

Well below normal

There was no joy in the PSI details. It is true that in July some indicators were a bit less awful than in June, but that month was an incredibly low bar. Take activity/sales for example. While July's 39.1 was a bit higher than June's 36.2, those months are the worst two readings in the survey's history (aside from Covid lockdowns). These readings show exceptionally weak demand. Not that there were any signs of strength elsewhere, with all major components well below average in July.

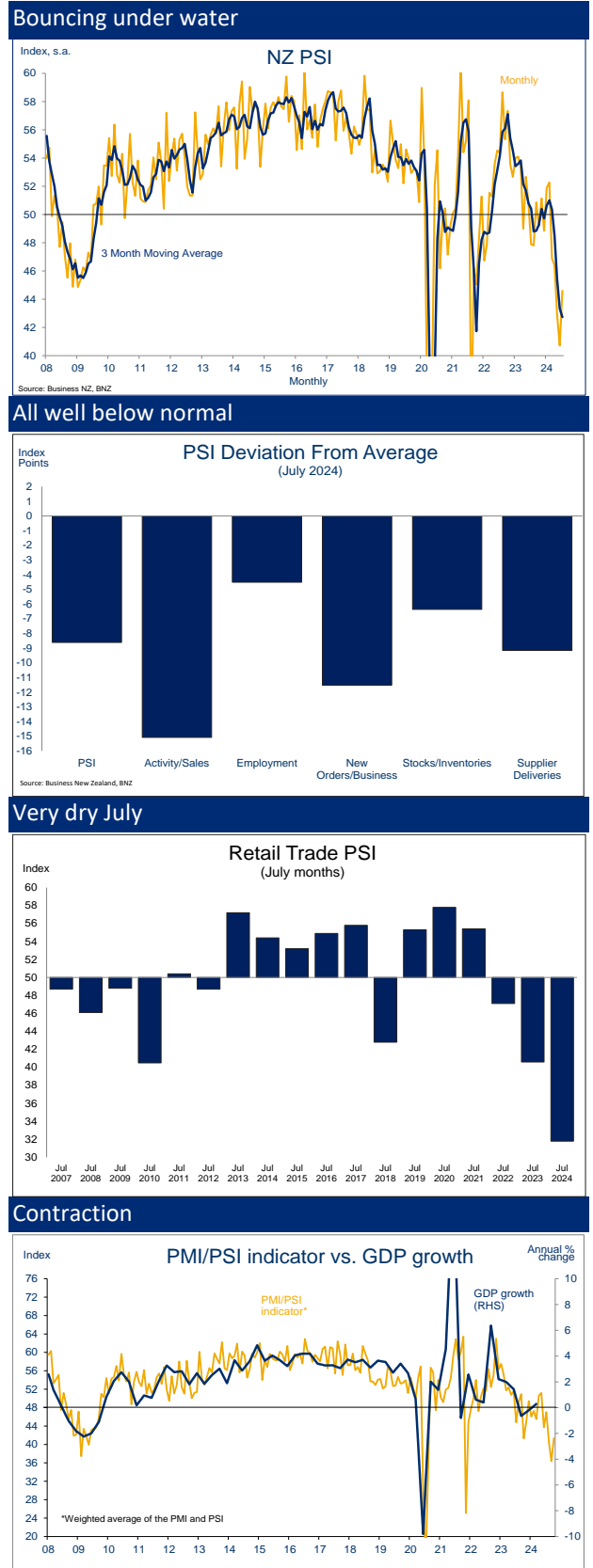
Widespread weakness

Service sector weakness was widespread. In fact, unadjusted PSI readings were sub 50 across all groupings whether it be by firm size, by region, or by industry. All industries below 50 in the same month has never occurred before outside of Covid lockdowns. It fits with demand restraint from all comers whether it be from business, government, tourists, new migrants, or households. While the degree of indicated contraction in the PSI varies across industries, retail trade continues to stand out on the downside. Not only was its unadjusted 31.8 in July the lowest among industries in the month, but it was that industry's worst July result since the PSI survey began – and by quite some margin. Accommodation, cafes, and restaurants also recorded its lowest ever July PSI, at 34.1.

In reverse

Joining the weak PSI with a similarly weak PMI reading from last week, gives a combined index (PCI) indicating ongoing economic contraction. Our forecasts already show near term GDP weakness. The limited bounce in both the PMI and PSI in July adds to the case. We, thus, tab down our Q3 GDP estimate to -0.3% from flat. Whatever the precise figure, which will also depend on how weak Q2 is, the main message of activity under pressure remains.

doug_steel@bnz.co.nz



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.