

# BNZ – BUSINESSNZ PERFORMANCE OF SERVICES INDEX

## Bottom of the Barrel

17 Jun 2024

**43.0**

May

**-3.6**

Monthly Change

**Contracting**

Faster Rate

Activity in New Zealand's services sector dropped to its lowest level of activity for a non-COVID lockdown month since the survey began, according to the BNZ - BusinessNZ Performance of Services Index (PSI).

The PSI for May was 43.0 (A PSI reading above 50.0 indicates that the service sector is generally expanding; below 50.0 that it is declining). This was down 3.6 points from April and the lowest level of activity for the sector for a non-COVID lockdown month since the survey began in 2007.

BusinessNZ chief executive Kirk Hope said that the May result was as bad as it can get for the sector, reaching contraction levels greater than during the Global Financial Crisis of 2008/09. While most of the sub-index values didn't reach their lowest ever levels, combined they led the May result well below the long-term average of 53.3. The key index values for Activity/Sales (40.9) and New Orders/Business (42.6) were both in significant contraction, while the Stocks/Inventories (42.4) activity level was the lowest recorded for a non-COVID month.

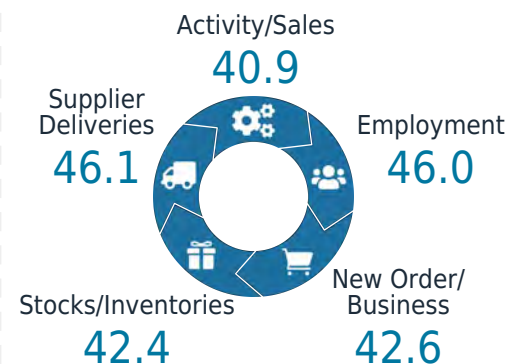
The proportion of negative comments for May (65.4%) was similar to April (66.3%). Given the overall result, respondents continued to note the typical aspects of the current economic downturn.

BNZ's Senior Economist Doug Steel said that "the speed of decline is as worrisome as its size over the past three months. There is weak and then there is very weak. Overall, this tells of a services sector in reverse, at pace".

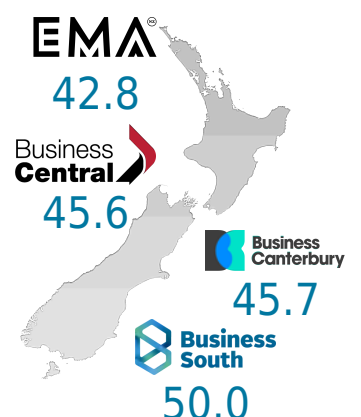


**Kirk Hope**  
CEO, BusinessNZ

### Main Indices



### Regional Results



[VIEW THE TIME SERIES DATA](#)



## Services Landscape

### Ugly

There was very little to like in May's Performance of Services Index (PSI). The PSI fell to 43.0 in May from April's already weak 46.6. This extends a rapid decline from February's ok looking 52.4.

[Read more](#)

### All well below average

All major PSI components fell in the month. This puts them all further and significantly below average. Activity/sales was the weakness in May on an outright basis, at 40.9.

[Read more](#)

### Retail pain

Most industries are in retreat, with retail's PSI 33.8 the weakest of all and its lowest ever May result. As one PSI respondent put it, 'sudden drop in sales' and 'average order volume down significantly'.

[Read more](#)

### Growth negative

All the above suggests downside risk to Q2 GDP (Q1 figures are due this week). Combining the very weak PSI with last week's soft PMI yields a composite index that points to GDP falling by more than many might care to believe.

[Read more](#)



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[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.

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## PSI Time Series Table

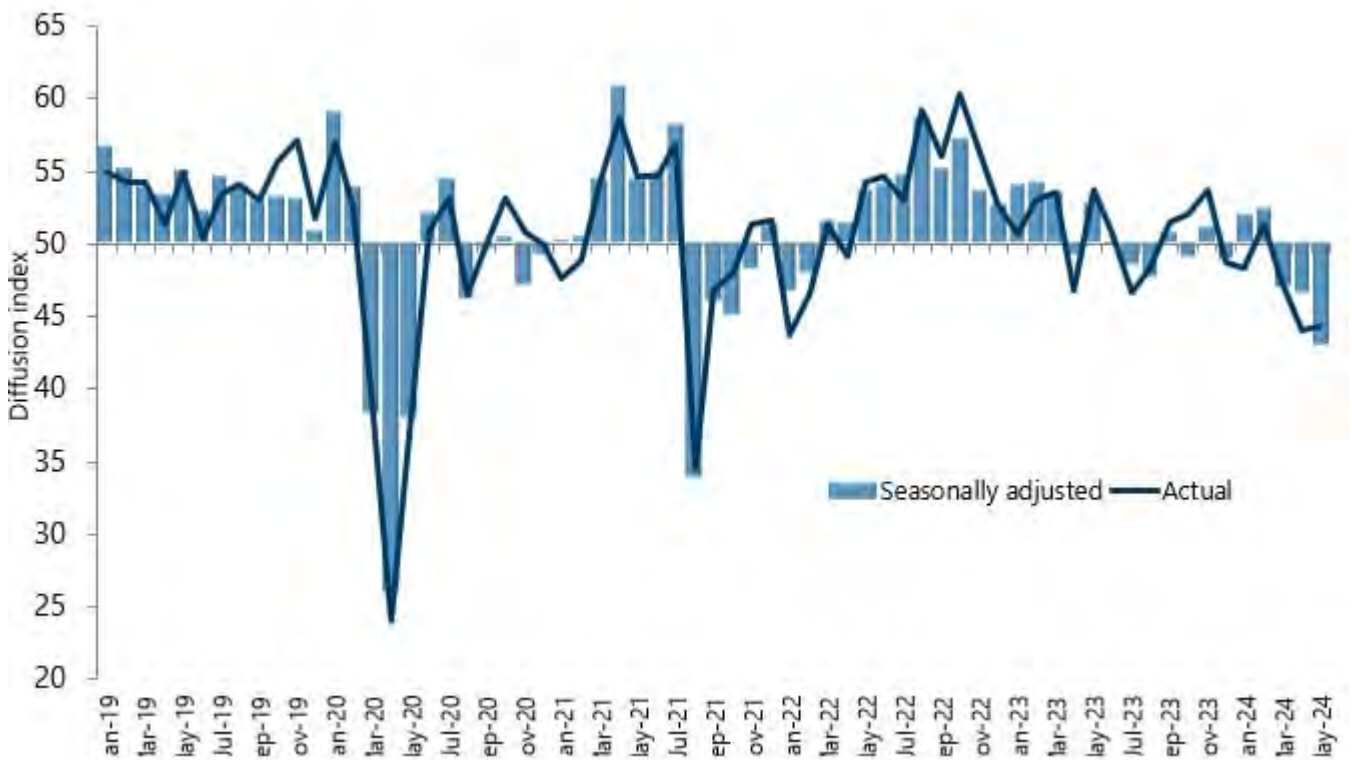
The results are seasonally adjusted.

National Indicies	May 2023	Jan 2024	Feb 2024	Mar 2024	Apr 2024	May 2024
BNZ - BusinessNZ PSI	52.8	51.9	52.4	47.0	46.6	43.0
Activity/Sales	52.1	52.7	52.3	44.6	46.0	40.9
Employment	52.6	48.3	49.2	49.8	47.0	46.0
New Orders/Business	54.9	51.9	55.2	47.7	46.6	42.6
Stocks/Inventories	56.7	53.0	51.8	46.4	46.2	42.4
Supplier Deliveries	51.2	48.5	48.5	48.5	47.5	46.1

[VIEW THE TIME SERIES DATA](#)

## BNZ - BusinessNZ PSI Time Series

January 2019 - May 2024

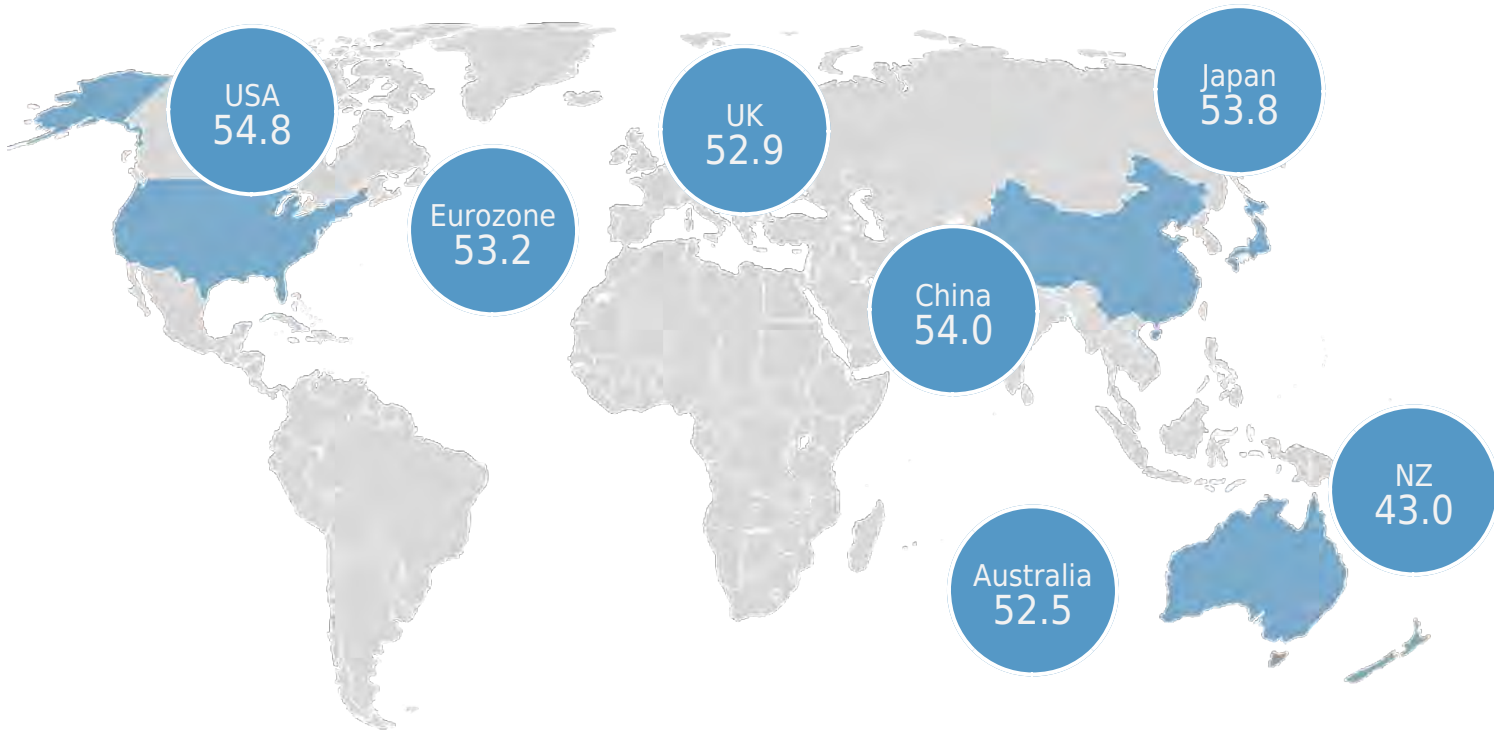


# International Results

J.P. Morgan Global Manufacturing PSI™

05 Jun 2024

## 54.1





# BNZ – BUSINESSNZ PERFORMANCE OF COMPOSITE INDEX

**43.4**

GDP-Weighted Index

**44.7**

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 at lowest or near lowest levels.

The May GDP-Weighted Index (43.4) decreased a further 2.3 points from April to reach its lowest ever level for a non-COVID lockdown month, while the Free-Weighted Index (44.7) decreased 2.6 points to be at its lowest level since April 2009.

## BNZ - BusinessNZ PCI Time Series

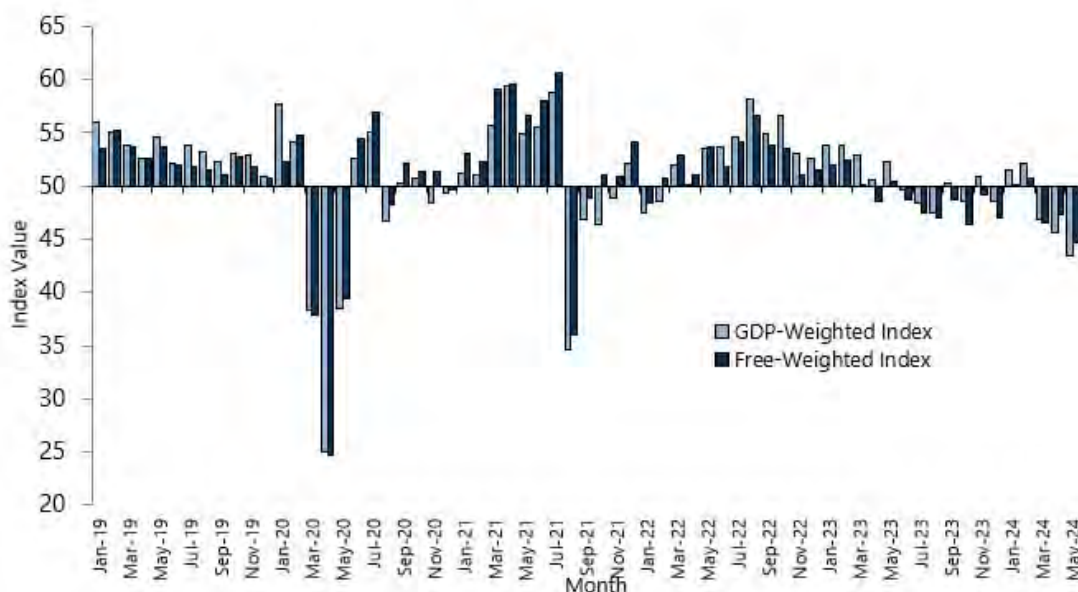
The results are seasonally adjusted.

National Indices	May 2023	Jan 2024	Feb 2024	Mar 2024	Apr 2024	May 2024
GDP-Weighted Index	52.3	51.5	52.1	46.9	45.7	43.4
Free-Weighted Index	50.5	50.1	50.8	46.5	47.3	44.7

[VIEW THE TIME SERIES DATA](#)

## BNZ - BusinessNZ PCI Time Series

January 2019 - May 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

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## Our Contributors

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



# Research Services Landscape

17 June 2024

## Ugly

There was very little to like in May's Performance of Services Index (PSI). The PSI fell to 43.0 in May from April's already weak 46.6. This extends a rapid decline from February's ok looking 52.4. The speed of decline is as worrisome as its size over the past three months. There is weak and then there is very weak. Aside from covid lockdown periods, May's PSI result is the lowest in the history of the survey that started in 2007. It is lower than the 44.9 low reached during the GFC. This tells of a services sector in reverse, at pace.

## All well below average

All major PSI components fell in the month. This puts them all further and significantly below average. Activity/sales was the weakness in May on an outright basis, at 40.9. That is a massive 13.6 index points below its long-term norm, a comparison only surpassed by the new orders/business indicator that slumped to 42.6 and some 14.5 index points below normal. Demand has slumped.

## Retail pain

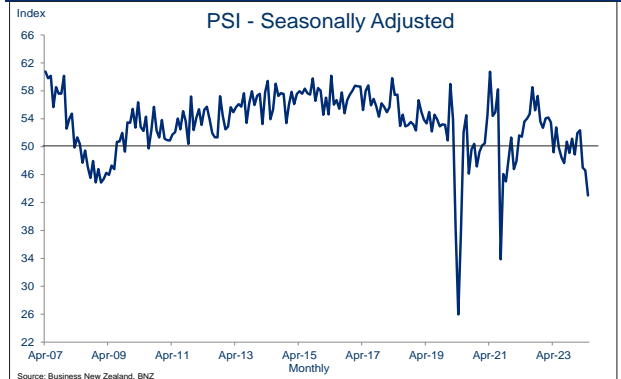
Most industries are in retreat, with retail's PSI 33.8 the weakest of all and its lowest ever May result. As one PSI respondent put it, 'sudden drop in sales' and 'average order volume down significantly'. Another noted 'Redirection of the products customers are buying. Lower value products have higher demand'. This sentiment fits with last week's electronic card transaction data for May. The seasonally adjusted data saw the value of retail transactions drop 1.1% m/m, to be down 2.6% on a year ago. The average value of a transaction was 2.2% lower than a year earlier.

## Growth negative

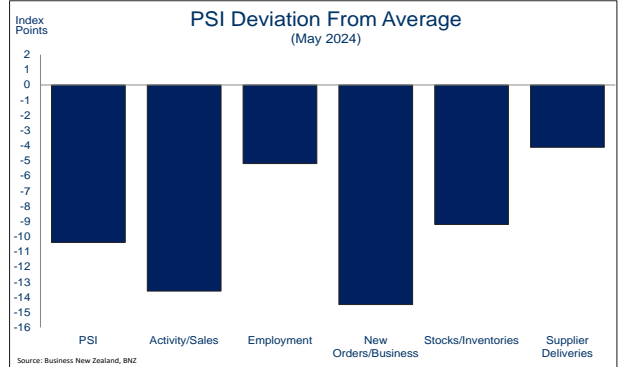
All the above suggests downside risk to Q2 GDP (Q1 figures are due this week). Combining the very weak PSI with last week's soft PMI yields a composite index that points to GDP falling by more than many might care to believe. Even if this week's Q1 GDP figures manage something near zero as we think on an annual basis, the PSI and PMI indicators suggest a larger negative than we already anticipate for Q2. They raise the risk of significantly weaker annual GDP growth in Q2 than that published in the RBNZ's May MPS. NZ's PSI and PMI also look weak relative to elsewhere. Indeed, both local indicators are lower than their equivalents across the major comparators we look at like in Australia, China, Europe, Japan, UK, and the US.

[doug\\_steel@bnz.co.nz](mailto:doug_steel@bnz.co.nz)

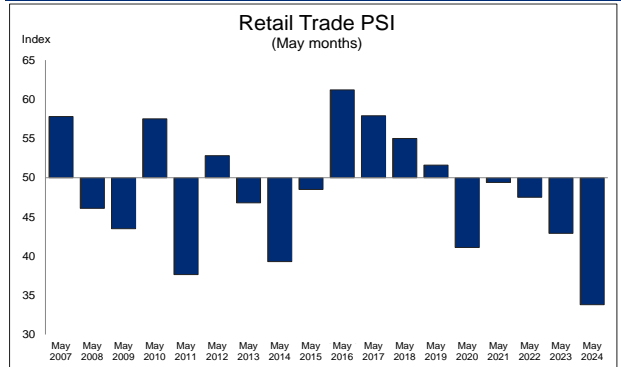
### Fast and steep decline



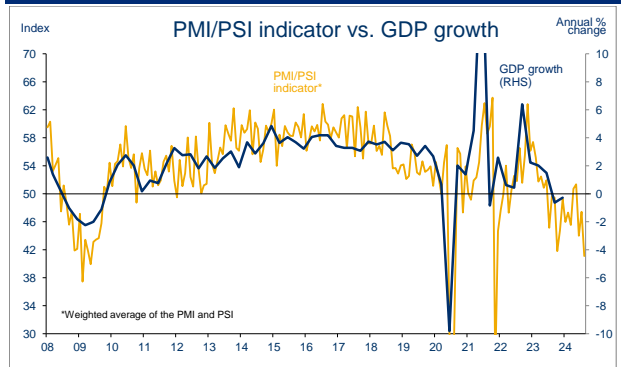
### Well below normal



### Worst May



### Material downside risk



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