

# RESEARCH Services Landscape

14 September 2020

## The PSI

With New Zealand shifting back up COVID alert levels on 12 August, it was no surprise to see August's Performance of Services Index (PSI) dip. Its seasonally adjusted index fell to 46.9, from 54.4 in July. The dent was evident across its range of principle components. However, Activity/Sales (43.8) and New Orders/Business (47.1) were the ones languishing most noticeably below their respective long-term averages. The PSI Employment index, at 47.0, was doing a better job of keeping in touch with its norm (of 51.4) but was nonetheless still on the wrong side of 50, for the sixth month running.

## Regional Reach

With greater Auckland spending the second half of August under level-3 restriction, there was little news in the fact the PSI's Northern zone saw a further sag in its (unadjusted) index – to 43.6, from 46.0. That said, it was Otago/Southland that suffered by far the biggest drop, to the lowest level, with its index slumping to 34.2, from a bumper 63.4 back in July. The downturn was even clearer in the region's Activity/Sales index, which crumbled to 26.9, from 70.0. The Central and Canterbury/Westland regions exhibited steadiness, with readings of 50.0 and 49.9 respectively.

## Industry Impacts

The big hit to Otago/Southland's PSI in August gels with the fact Aucklanders were largely prevented from travelling to other parts of the country over the second half of August. And Otago is a popular destination during the winter, especially for its famed ski fields. This, in turn, ties in with the fact Accommodation, Cafes & Restaurants clocked the biggest hit in August. Its (unadjusted) index slumped to 26.9, from a buoyant 65.9 in July. The Retail Trade component of the PSI was also very much on the weak side, with 28.4, from 57.8. Even so, we note national electronic card transactions slipped a relatively moderate 7.0% in August, to be down just 3.5% from last year's (COVID-free) August.

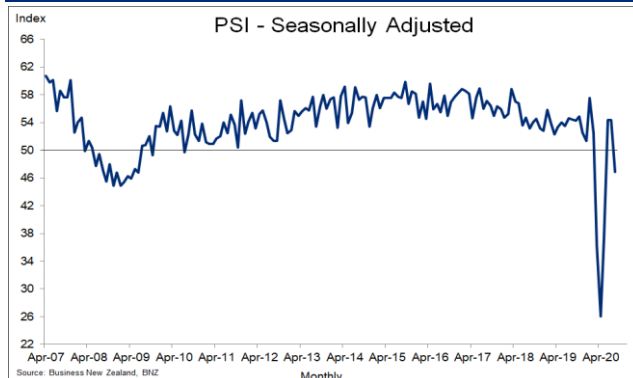
## GDP Scoping

Given the obvious reason for their wobbles in August, the PSI (46.9), and PMI (50.7), still seemed consistent with an underlying improvement in the economy, from the huge hit it took back in March/April. Combined into a Composite Index (PCI), they hardly expunge the notion that GDP is on course to rebound markedly in Q3, after posting a clear drop in Q2 (in figures due Thursday). That said, we also expect GDP to go on to post a dip in Q4 – even on the assumption the country moves back down to alert level 1 before too much longer.

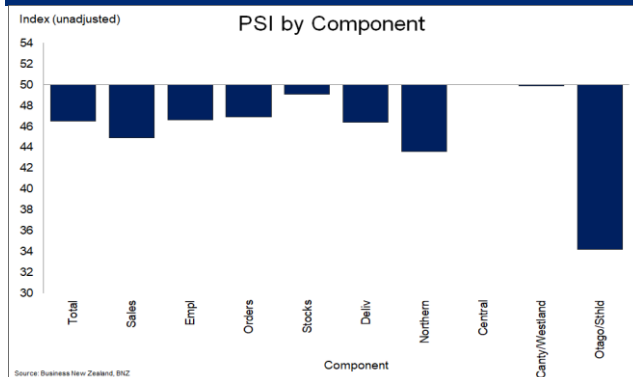
[craig\\_ebert@bnz.co.nz](mailto:craig_ebert@bnz.co.nz)



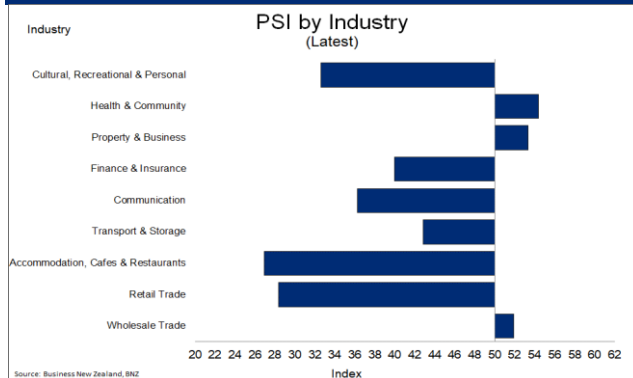
## Restricted Anew



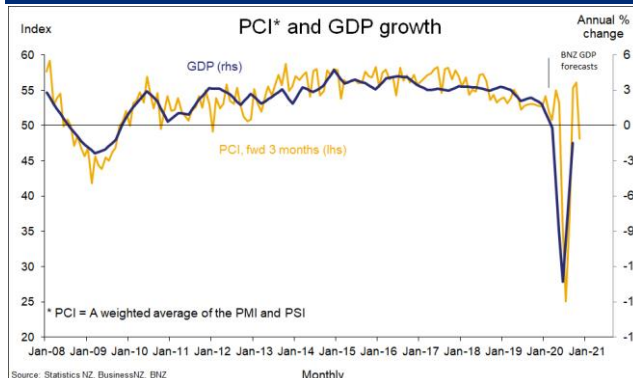
## Auckland's Pain Felt Elsewhere



## Understandable



## Still Broadly Much Better



## 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**

Interest Rates Strategist  
+64 4 924 7653

### 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

### National Australia Bank

**Ivan Colhoun**

Global Head of Research  
+61 2 9237 1836

**Alan Oster**

Group Chief Economist  
+61 3 8634 2927

**Ray Attrill**

Head of FX Strategy  
+61 2 9237 1848

**Skye Masters**

Head of Fixed Income Research  
+61 2 9295 1196

**Wellington**

Foreign Exchange +800 642 222  
Fixed Income/Derivatives +800 283 269

**Sydney**

Foreign Exchange +61 2 9295 1100  
Fixed Income/Derivatives +61 2 9295 1166

**London**

Foreign Exchange +44 20 7796 3091  
Fixed Income/Derivatives +44 20 7796 4761

**New York**

Foreign Exchange +1 212 916 9631  
Fixed Income/Derivatives +1 212 916 9677

**Hong Kong**

Foreign Exchange +85 2 2526 5891  
Fixed Income/Derivatives +85 2 2526 5891

**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. Research analysts responsible for this report receive compensation based upon, among other factors, the overall profitability of the Global Markets Division of NAB.

NAB 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: This publication has been provided for general information only. Although every effort has been made to ensure this publication is accurate the contents should not be relied upon or used as a basis for entering into any products described in this publication. To the extent that any information or recommendations in this publication constitute financial advice, they do not take into account any person's particular financial situation or goals. Bank of New Zealand strongly recommends readers seek independent legal/financial advice prior to acting in relation to any of the matters discussed in this publication. Neither Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication. **National Australia Bank Limited is not a registered bank in New Zealand.**

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.