

RESEARCH Services Landscape

17 August 2020



The PSI

For the second month in a row, the Performance of Services Index (PSI) posted a “normal” reading in July. Normal in the sense that its 54.3 was very close to its long-term average, at least. But, of course, these are not normal times. And the government’s recent requirement for Auckland to move to level-3 lockdown, and the remainder of the country to level-2, has been a harsh reminder of this. Even if these restrictions don’t last a lot longer, they will surely knock the PSI for August. And not just from business shutdown impacts but also via bruised economic confidence more generally.

Regional and Industry

The regional aspects to the latest lockdowns will make the next PSI insightful for its geographical aspects too. There was already quite a regional variation in July’s PSI, as it turned out, with Northern struggling at 46.0, Central at a reasonable 53.3, Canterbury/Westland cruising at 58.2 and Otago/Southland back up to 63.4 (all unadjusted figures). By industry, it was Finance & Insurance (37.5), and Transport & Storage (43.8) dragging the chain, Retail (57.8) was running above-average, but outpaced by Accommodation, Cafes & Restaurants (65.9) and even more so Cultural, Recreational & Personal (68.8).

Employment

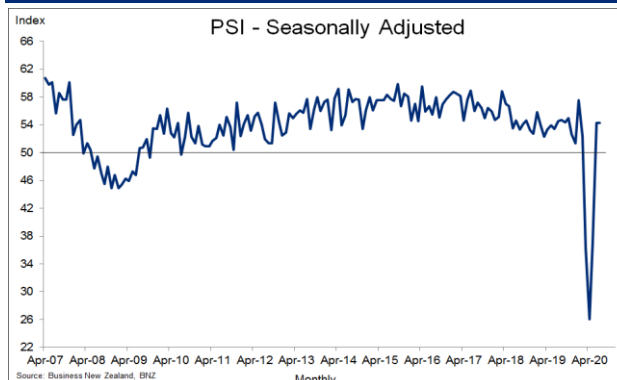
Arguably the best news in July’s PSI was its employment indicator. This might sound like a strange claim when, at 49.7, it was still on the wrong side of 50. But for it to be so close to stability, when economic activity has taken such a hit, is relatively encouraging. July’s level also meant the PSI staffing index had recovered significantly since May, when it plumbed 40.2 (a level worse than anything we saw during GFC). That said, we have to wonder how well it will hold up, given the wage subsidy scheme is still playing a major (if reduced) role in keeping people of the payroll. And this handout can’t last forever.

Global

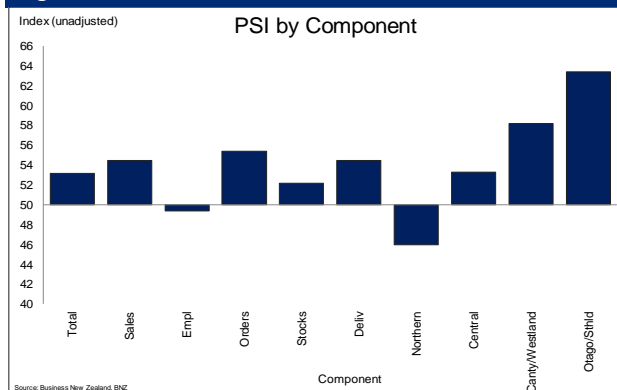
While the NZ PSI is facing stiff headwinds for the meantime, it has at least managed to reinstate its claim as a world beater. Its 54.3 compares to the global PSI, which has simply recovered to 50.5. That’s not to say New Zealand is beating all comers on this count. The US ISM services index, for example, was up at 58.1 in July. And in the case of China’s services PMI, of 54.1, this is a reminder of New Zealand’s trading-partner tilt toward countries that are doing better than most.

craig_ebert@bnz.co.nz

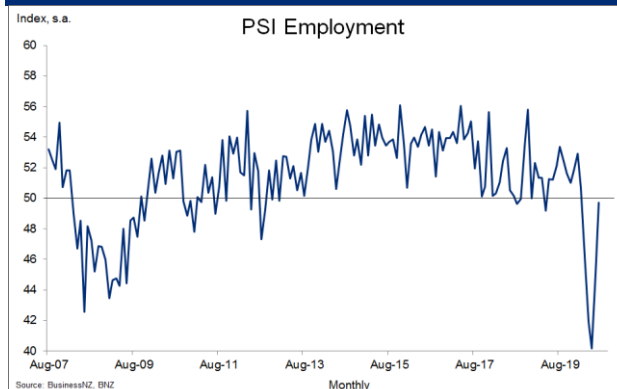
Good (While It Lasted?)



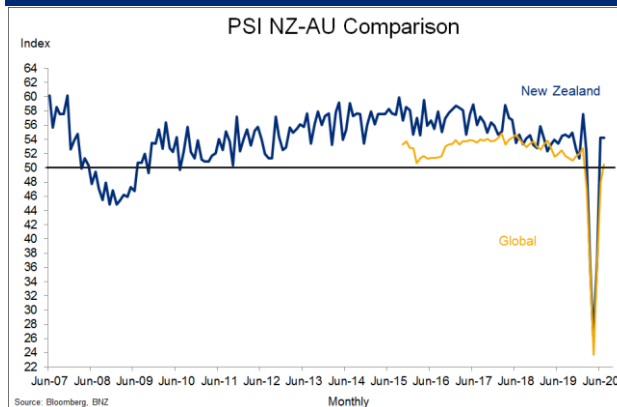
Regional Variation



Close To Stabilising



Back in Front



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

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