

14 December 2020



## The PSI

The caution we touched on last month has taken on extra meaning, with November's Performance of Services Index (PSI) slipping to 46.7, from 50.8 in October. Indeed, it was an even weaker result than back in August, when Auckland went back into level-3 lockdown and the rest of the country level 2. To be sure, the PSI can jag around from month to month. Having said this, its 3-month running average was also below the 50 breakeven level in November, with a reading of 49.2. This paints a picture of momentum lost, after a couple of months of solid rebound in June and July.

## Devil in the Details

With this, it's natural to ask...what's behind the weakness? By major component we would note the exaggerated weakest in Supplier Deliveries, with a seasonally adjusted reading of 39.8 (11.4 points below its long-term average). Activity/Sales was 45.5, while Inventory was down at 45.2. Could all of this be evidence of the supply-chain problems we keep hearing so much about? By comparison, New Orders/Business was not as far below its average in November. The PSI's Employment index was, at 49.1, by far the least sub-normal (and close to its average over the last 4 months).

## Other details

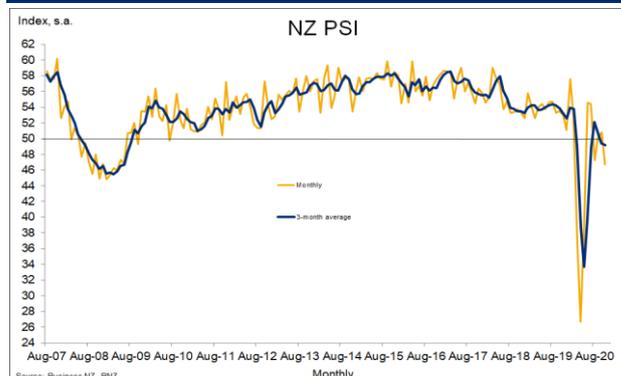
Delving further into the PSI details and one runs into the fact that many of the sub-indices are not seasonally adjusted. This is especially important for November, as this is when seasonality in the PSI peaks; when its headline index is typically flattered by 4 points, just because of the time of year. So sub-indices that might appear to be above the (50) line could "actually" be below it. Even with this bias in mind, it was clear that Otago/Southland was the weakest region for November, with a reading of 38.2. And that small firms, with an unadjusted level of 46.9, were lagging in the size stakes. By industry, it was Retail Trade (38.4), and Transport & Storage (33.3), that were dragging the chain the most.

## Other signs of a slower November

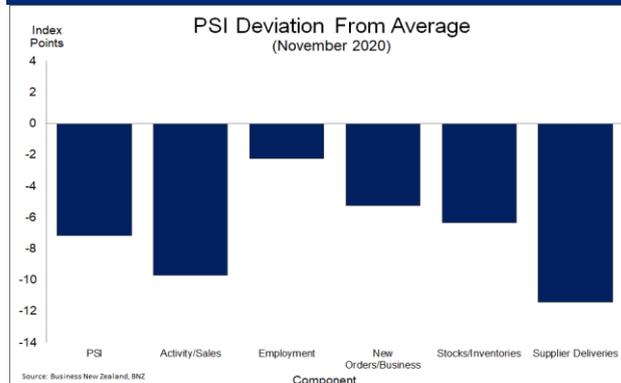
With the contractionary undertones in the latest PSI, we will remain on guard for other signs of slowing momentum (after what's expected to be a chunky rebound in Q3 GDP, due Thursday). Electronic card transactions for November were simply steady, after a couple of strong months in September and October. As such, Q4 retail trade likely rose reasonably. However, we also note that November's ECT had a weakening Hospitality component. To the extent this reflects missing foreign tourists we might expect this detriment to become more obvious over coming months.

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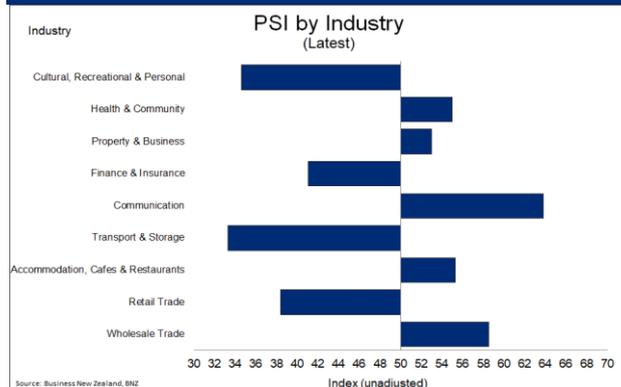
## Trouble Down Under?



## Supply (Chain) Problems?



## Varied



## Facing a Loss



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