

# RESEARCH Services Landscape

16 November 2020



## The PSI

Much like the Performance of Manufacturing Index (PMI) for October, the Performance of Services Index (PSI) warned about not over-forecasting the economic recovery that is broadly underway. To be sure, its seasonally adjusted index did rise. However, it was only by a point, to 51.4. As such, October's PSI was still shy of its historical average of 54.0. And this was perhaps more disappointing than was the case for the PMI. This is because the service sectors should arguably have been exhibiting a stronger rebound, from the winding back of COVID-19 restrictions over September and into October, after the pinch point of August.

## Diverging Details

That said, the PSI details in October were a little different to those of the PMI. For instance, the PSI New Orders/Business index, which strengthened to 58.4, was counter to the fall we saw in the PMI's, to 52.4. Conversely, the PSI index on employment (49.5) stayed below the 50 break-even mark, whereas for the PMI it improved to 52.6. By region, Central had its nose in front, with an unadjusted reading of 55.7. By industry, the strength pervaded the likes of Cultural, Recreational & Personal (79.4), Communication (63.8) and Accommodation, Cafes & Restaurants (60.7), while Health & Community (45.5) stood out on the low side.

## GDP Scoping

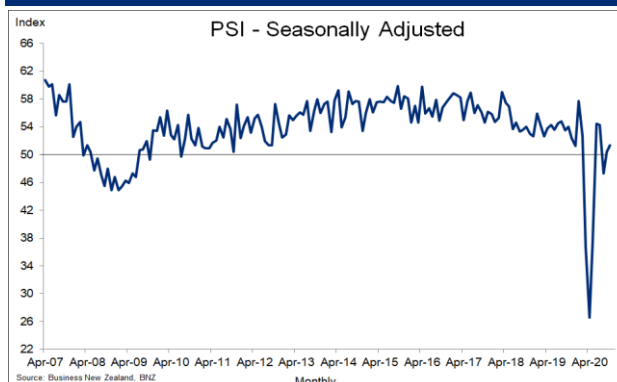
With today's PSI, and last Friday's PMI, we can check in with what they are inferring with respect to overall economic growth. As it happens, they broadly align with our latest thinking on GDP. In the least, that we'll see a sizable rebound in Q3 GDP (due 17 December). But the Composite PCI also suggests folk shouldn't get too carried away with Q3 GDP marking the beginnings of an extended period of solid growth. The coast is not clear. Granted, we are less convinced now of a pull-back in Q4 GDP. However, we remain wary of elements of the economy that have yet to adjust to the COVID context, before a sure base is found.

## The World's Woes?

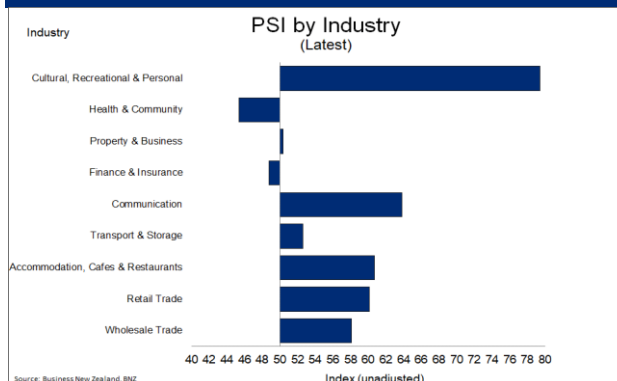
Of course, New Zealand's economic activity has already been compromised by the effective closing of borders to people. And even though the nation is otherwise open to international trade, there is still the issue of how the world economy is going out there. News around the COVID-19 side of things is obviously disconcerting. However, we also note that economic expansion abroad is not suffering to the extent it did during the initial outbreak of the virus. Indeed, the global PSI, at 52.9 in October, was performing remarkably well, in the circumstances, while the global PMI, at 53.0, was also doing comparatively well.

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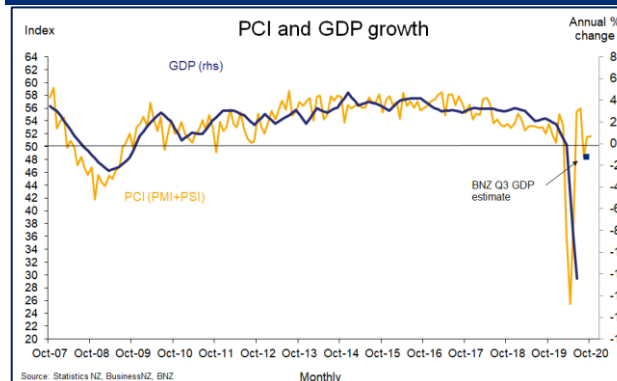
## Positive, Just



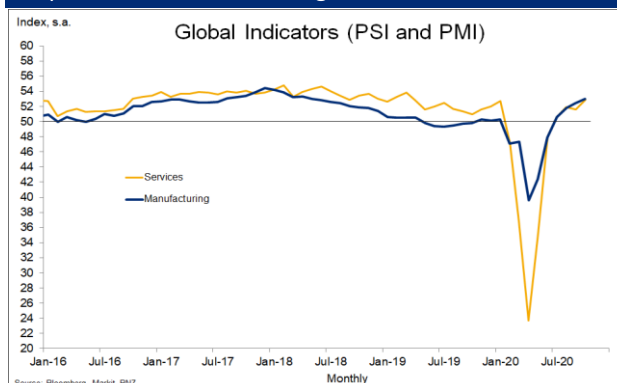
## Mixed



## In the Ballpark



## In Spite of COVID-19's Resurgence



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