

RESEARCH Services Landscape

19 April 2021

The PSI

New Zealand's Performance of Services Index (PSI) reclaimed an expansive tone in March. It wasn't ballistic, like the PMI (63.6) was for the month. However, at 52.4 the PSI wasn't far below its long-term average (53.8) and broke a 4-month run of contractionary readings in the process. Its lift was mostly driven by New Orders/Business (56.9 from 51.1 in February), which was encouraging. Activity/Sales were solid at 54.5, as was Employment with its 51.8. What the March PSI didn't have, which the PMI did, was improvement in its Inventory (48.9) and Supplier Deliveries (43.5) suggesting supply chains remained an issue for service firms.

Capacity Constraint

Supply issues were also indicated in last week's NZIER Quarterly Survey of Business Opinion (QSBO). Difficulty in finding staff, for instance – whether skilled or unskilled – had clearly returned with a vengeance amongst service sector respondents. The QSBO also showed cost and price pressure picking up. The more encouraging news was that service sector firms were expressing a strengthened intent to hire and invest. As an aside, the services category of the latest QSBO also recorded a net 12% expecting interest rates to rise, following 7 consecutive quarters where falls were envisaged, on balance.

Less Restricted

As we noted in last month's report, "there is good reason to believe the PSI can bounce in March, because February was beset by the latest rash of lockdowns". Yes, restrictions continued into early March, but a downscaling of these was the main tendency though the month, especially regards Auckland. This wasn't obviously portrayed in the regional aspects of the PSI, with the Northern region (45.1) below the national average of 54.1 (unadjusted). However, there was a corroborating bounce in Accommodation, Cafes & Restaurants (55.0, from 35.1 in February), and Retail Trade (60.4, from 41.2). NB: April has been all Level 1 restriction, so far, which is a good basis for the month's PSI reading.

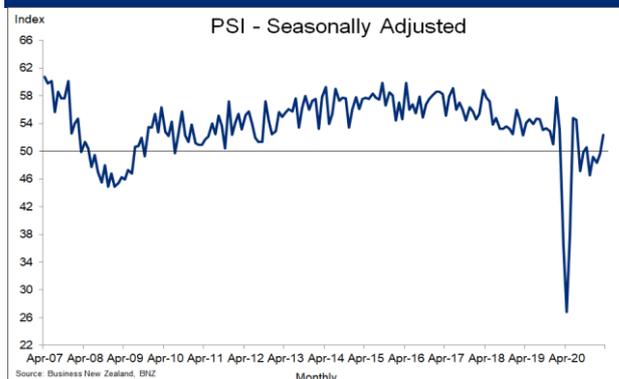
NZ Following Global Lead

As decent as New Zealand's PSI was for March, with its 52.4, it was shy of where the global PSI got to for the month, namely 54.7. Of course, it's all relative to recent history, which for many countries abroad has meant a lift out of a hole rather than onto a podium. Still, the global PSI, along with the global PMI (which, at 55.0 in March, was the fastest in many a year) is a heads-up to a global economic pick-up that has the potential to be sizable, even if frustrations with the virus linger for longer than anticipated.

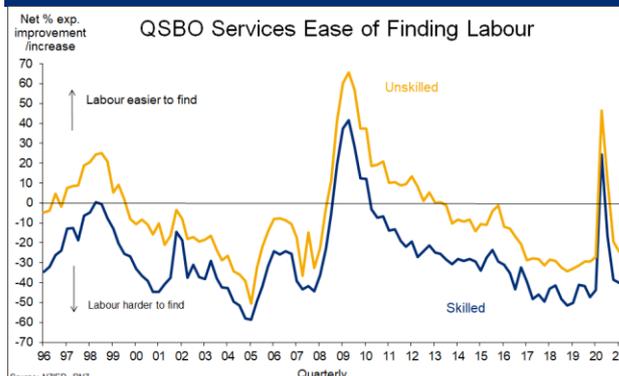
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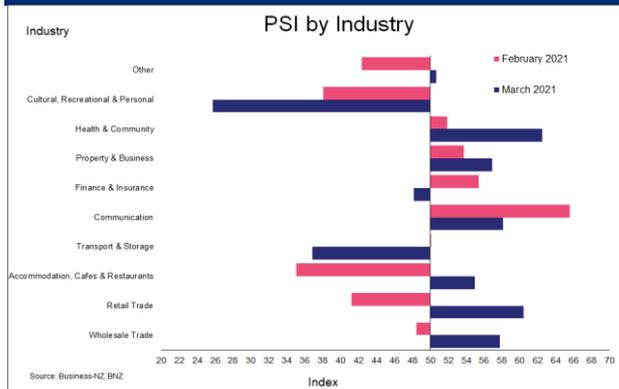
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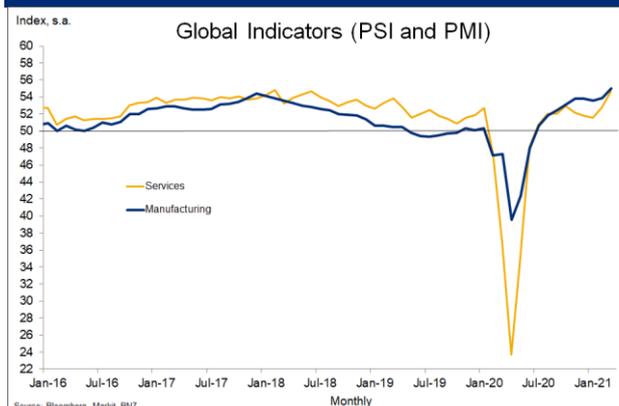
Waiter!



Signs of Relief from Recent COVID-19 Restrictions



It's All Relative



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