

RESEARCH

Services Landscape

15 November 2021



PSI pain continues

The Performance of Services Index (PSI) reveals a sector with segments enduring significant pain. Disconcertingly, October's 44.6 result is nearly 2 full points back from September's already very weak 46.5. Moreover, this marks the third consecutive month well below the breakeven 50 mark as Covid restrictions linger. Hurt was evident across the major components with activity/sales (43.7), new orders (46.4), stocks/inventory (46.6), and particularly supplier deliveries (37.1) all well below 50 and even further below historical norms. It all reflects huge disruption from multiple sources. The 'best' of the major components was employment at exactly 50. While below average, it suggests service sector employment is hanging in there with firms reluctant to let staff go if possible, despite the many significant challenges.

Not uniform

The recent hit to service sector performance has not been uniform. Across industries for example, unadjusted PSI readings over the past three months indicate that the burden of restrictions has fallen heaviest on the likes of the cultural, recreational, and personal industries, hospitality, and transport and storage. Communications is a rare positive, if only at 51.5. In October itself, there were hints of some improvement in property and business along with retail and wholesale trade. But the ongoing weakness in services overall – in contrast to the improvement we saw in last week's Performance of Manufacturing Index – fits with our thinking that any bounce in Q4 GDP will be modest, especially in comparison to the decline in Q3.

Regional differences

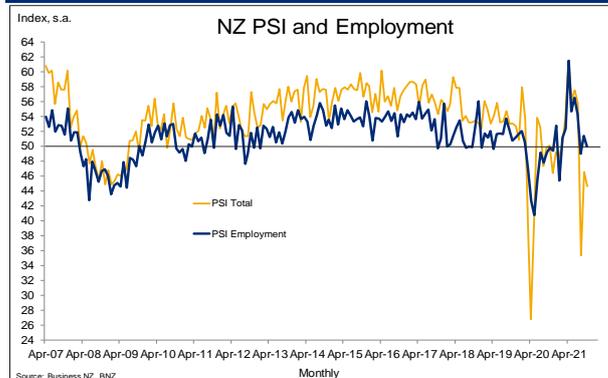
Non uniformity is also a feature across regions. It is no surprise to see Northern remaining the weakest, given its relative tightness in Covid restrictions. In contrast, the Central and Canterbury/Westland regions posted a decent lift from prior weakness with 58.0 and 57.2 respectively in October. Otago/Southland was between the two extremes, but remains below 50 no doubt coping some backwash from the lack of Northern travellers.

Size matters

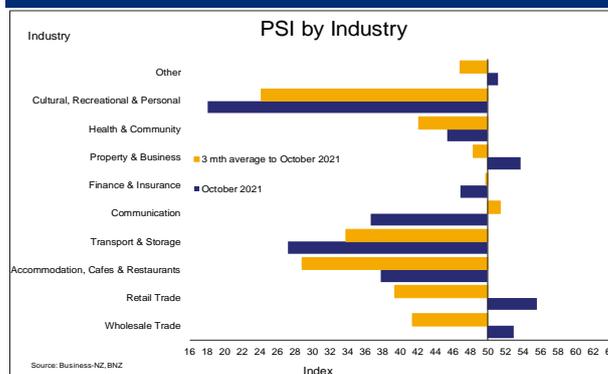
Performance varied significantly by firm size in October. Bigger firms tended to do better than smaller firms. At the extremes, large firms (those with 101 or more staff) outperformed (with PSI at 57.8), while micro firms (1 to 10 staff) have continued to underperform (42.3).

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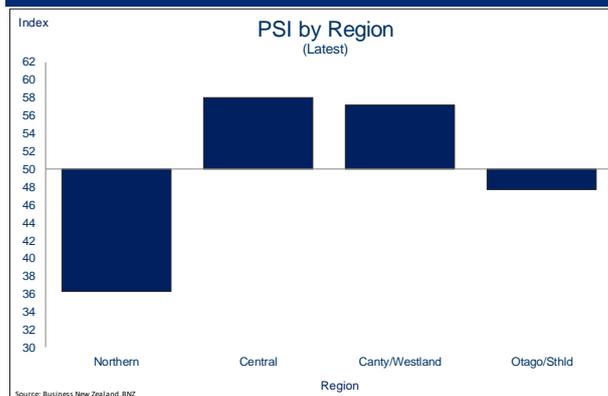
Activity Weak; Employment Holding



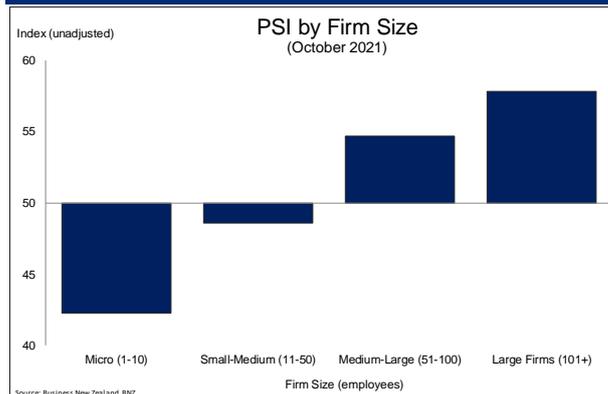
Unders and Overs



Location Matters



More Variance



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