

16 May 2022



PSI

The Performance of Services Index was 51.4 in April, so little changed from March's 51.5. On the one hand, this result could be viewed as positive with it being above the breakeven 50 mark for a second consecutive month. For large parts of the service sector that have been through the ringer over recent times, we suspect any result above breakeven would be welcomed. But, on the other hand, April's result also looks somewhat disappointing in the context of easing COVID restrictions (from Red to Orange) halfway through the month. There was certainly no big overall PSI lift in April like we saw in the likes of electronic card transactions for the month.

Some relief, but

To be sure, some parts of the PSI did lift strongly in April. Cultural, Recreational, and Personal stood out among industries, with its unadjusted PSI leaping from a truly dismal 15.6 in March to a record high of 85.8 in April, aided by a reboot of travel and events. Likewise, an easing in COVID restrictions, in time for Easter and the school holidays, combined with some border reopening, no doubt helped Accommodation, Cafes, and Restaurants' PSI up to 53.8 – its first above-50 result since March last year. Relief has been a long time coming for some. But, more broadly, challenges remain, illustrated by nearly all other industries posting an unadjusted PSI below 50 in the month. This is not a good sign for underlying growth.

Stark differences

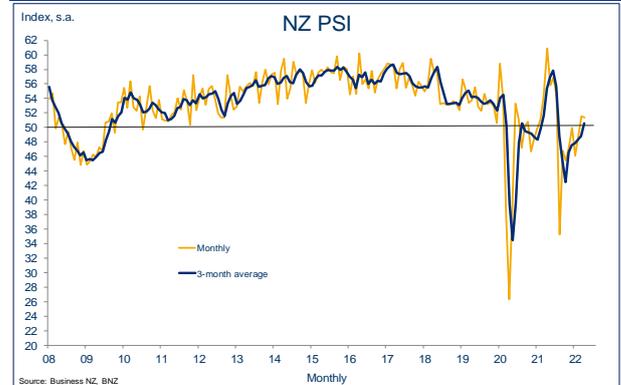
Looking across regions, Otago/Southland's PSI rose to a strong unadjusted 59.9 in April after a long period of underperformance. Some border reopening, and more promised, has seemingly boosted activity in the deep South by more than elsewhere. In sharp contrast, the Northern region's PSI slumped to a disconcerting 41.2. There was also marked PSI differences across firm sizes. Large firms (101+ employees) recorded a very strong 64.8, but all other firm size categories were sub-50. All this says that while some parts of the service sector saw a decent pick up in April, it was far from across the board.

Supply remains short

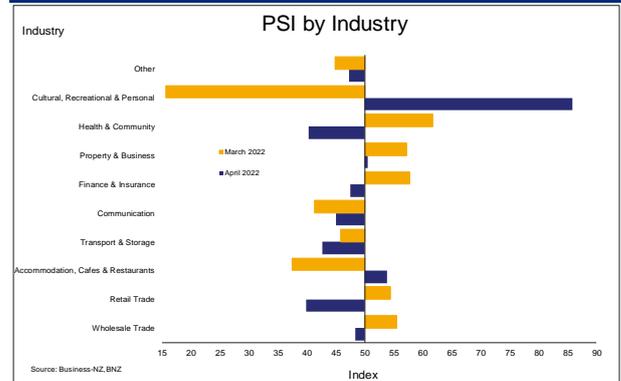
Supply chain issues remain a major headache for service sector firms – epitomised by the PSI supplier deliveries index still languishing around 40, more than 10 full index points below its historical average. Other components like activity/sales, new orders/business, and stocks were comfortably above 50 and closer to their long-term norms. Employment lifted to 51.2, nearly smack on average, and its first above-50 reading since November.

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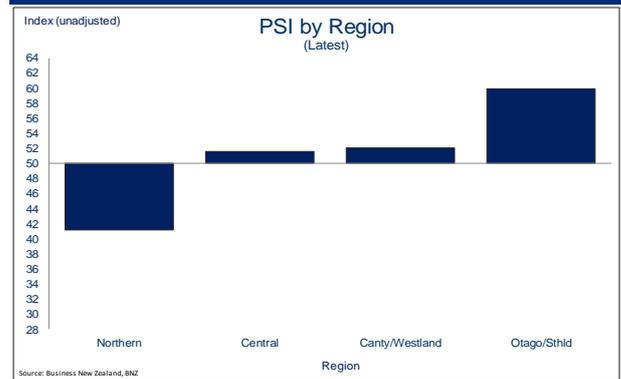
Positive, But Only Just



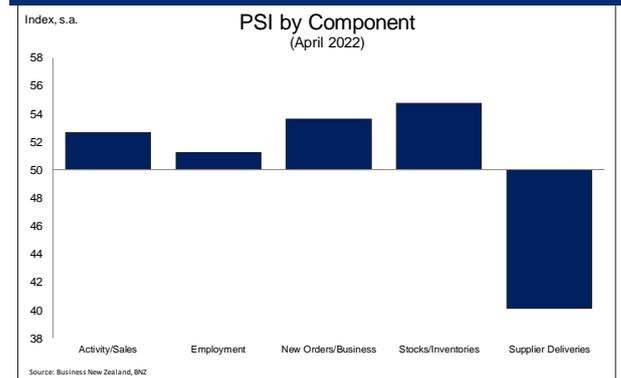
Reopening, But Clear Challenges Besides



Regionally Diverse



Delivery Drag



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