RESEARCH
Services Landscape

14 February 2022

The PSI

New Zealand's Performance of Services Index (PSI) is not looking all that encouraging. Instead of following through on its trend clawback of recent months, it slipped a big cog in January, to 45.9. This was from December's result of 49.8, which had only barely reclaimed a sense of stability, after a run of contractionary outcomes post Delta's dawn in August. Of course, the PSI can jag around quite a lot from month to month – upwards and downwards. However, it's also worth pointing out that the long-term average of the PSI is 53.6, which is starting to feel some distance away. So much for the new traffic light system releasing the brakes on activity.

Principal components

It wasn't just the overall PSI that was below average in January. This was true of all its main sub-indices too. To be fair, the Employment index, at 48.1, wasn't all that much south of its norm of 51.4. We could say the same thing about Inventory (47.6), at a pinch. More of a concern was that Activity/Sales slumped to 44.1 in January – 10.6 points below average – from 50.7 in December. The most disturbing principal component of January's PSI, however, was New Orders/Business. This tanked to 41.8, when its trend is 57.5. That's a bad look around bookings.

Industry detail

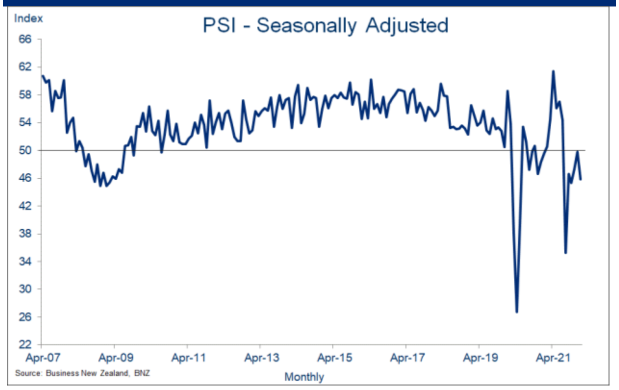
While the industry detail was mixed, it was clear which one was suffering by far the most. This was Accommodation, Cafes & Restaurants, whose index crashed to 17.9. This was not just weaker than December's already-poor print of 30.0 but matched the depths it got to as the country went into full lockdown back in April 2020. That's a sobering comparison. The consolation was that Cultural, Recreation & Personal held up at 52.5, which might surprise some in its sanguinity. Unsurprisingly, Health & Community was the most positive – relatively speaking – at 56.3. Retail was so-so, at an unadjusted 48.3 (in the context of electronic card transaction values expanding 2.1% in January, 4.3% y/y).

Other lenses

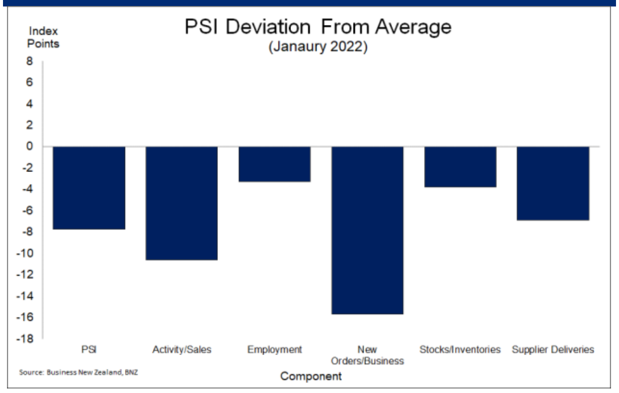
In trying to fathom why the PSI is struggling as much as it is, the recent theme of smaller firms suffering more than larger firms has been reinforced by January's results. SME's registered 39.1 while the biggest of businesses (based on staffing size) recorded a reasonable 55.4. By region, Northern (which includes Auckland) continued to drag the chain, with an unadjusted reading of 40.8. Otago/Southland was the best of the four main zones, although at 49.8 in January was hardly encouraging.

craig_ebert@bnz.co.nz

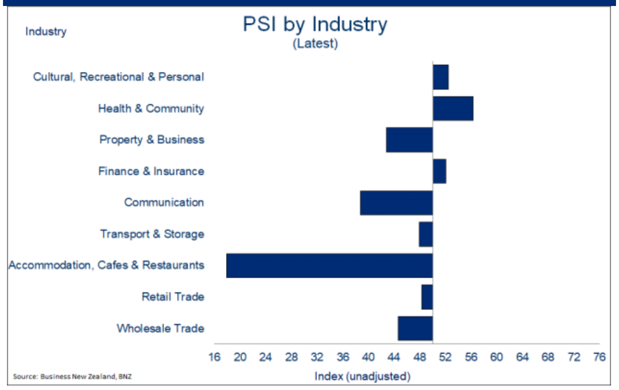
A Wobble Back into Contraction



A Forward Sense of Going Backwards



Inhospitable



Pity the Petite

Contact Details

BNZ Research

Stephen Toplis	**Craig Ebert**	**Doug Steel**	**Jason Wong**	**Nick Smyth**
Head of Research	Senior Economist	Senior Economist	Senior Markets Strategist	Senior Interest Rates Strategist
+64 4 474 6905	+64 4 474 6799	+64 4 474 6923	+64 4 924 7652	+64 4 924 7653

Main Offices

Wellington	**Auckland**	**Christchurch**
Level 4, Spark Central	80 Queen Street	111 Cashel Street
42-52 Willis Street	Private Bag 92208	Christchurch 8011
Private Bag 39806	Auckland 1142	New Zealand
Wellington Mail Centre	New Zealand	Toll Free: 0800 854 854
Lower Hutt 5045	Toll Free: 0800 283 269	
New Zealand		
Toll Free: 0800 283 269		

National Australia Bank

Ivan Colhoun	**Alan Oster**	**Ray Attrill**	**Skye Masters**
Global Head of Research	Group Chief Economist	Head of FX Strategy	Head of Fixed Income Research
+61 2 9237 1836	+61 3 8634 2927	+61 2 9237 1848	+61 2 9295 1196

Wellington		**New York**	
Foreign Exchange	+800 642 222	Foreign Exchange	+1 212 916 9631
Fixed Income/Derivatives	+800 283 269	Fixed Income/Derivatives	+1 212 916 9677
Sydney		**Hong Kong**	
Foreign Exchange	+61 2 9295 1100	Foreign Exchange	+85 2 2526 5891
Fixed Income/Derivatives	+61 2 9295 1166	Fixed Income/Derivatives	+85 2 2526 5891
London			
Foreign Exchange	+44 20 7796 3091		
Fixed Income/Derivatives	+44 20 7796 4761		