

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

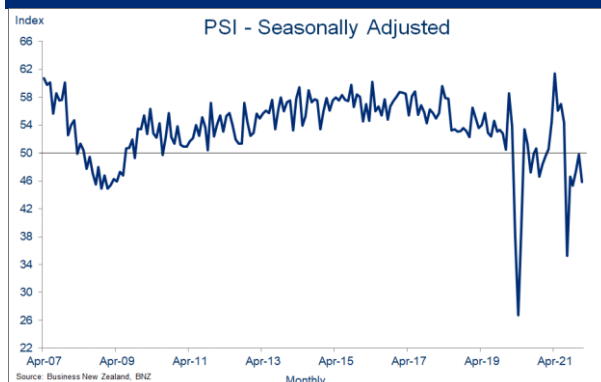
While the industry detail was mixed, it was clear which one was suffering by far the most. This was Accommodation, Cafes & Restaurants, whose index crashed to 17.9. This was not just weaker than December's already-poor print of 30.0 but matched the depths it got to as the country went into full lockdown 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

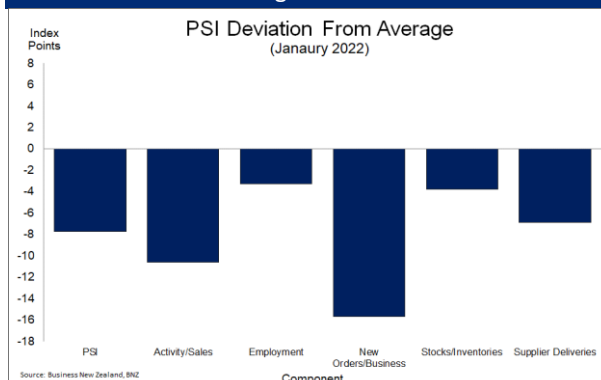
In trying to fathom why the PSI is struggling as much as it is, the recent theme of smaller firms suffering more than larger firms has been reinforced by January's results. SME's registered 39.1 while the biggest of businesses (based on staffing size) recorded a reasonable 55.4. By region, Northern (which 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.

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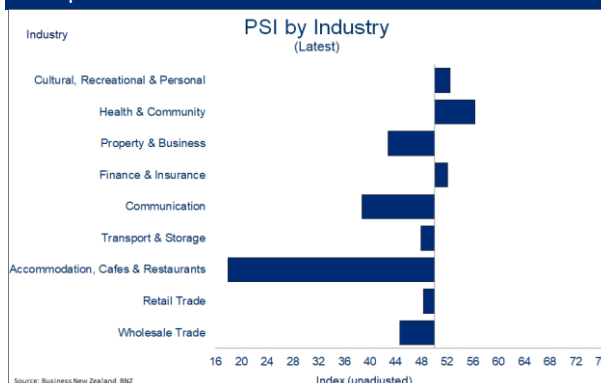
A Wobble Back into Contraction



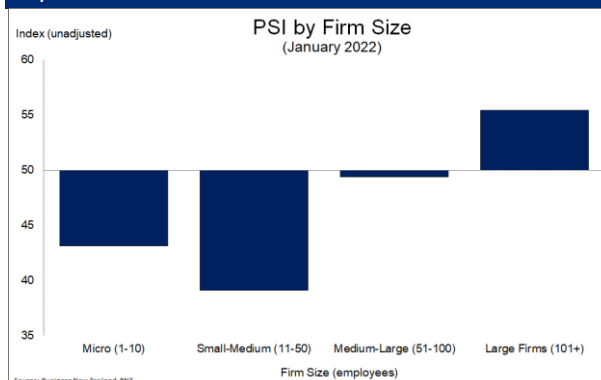
A Forward Sense of Going Backwards



Inhospitable



Pity the Petite



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