

# RESEARCH

## Services Landscape

26 January 2021



### The PSI

After bobbing up to the surface back in June and July, New Zealand's Performance of Services Index (PSI) has since been trading water. This was affirmed in December's reading. While this did improve to 49.2 – from the 46.7 it sagged to in November – it was still below the 50 breakeven mark. As was the 3-month average, with its 48.9. Granted, there were some redeeming features in the fact Activity/Sales rose to 51.3, from 45.8, and Employment, up at 51.7, posted its best reading since January. However, New Orders/Business abated to 50.2, from 52.0 in November and 57.2 in October, while Supplier Deliveries were still very weak, at 39.5.

### Industry

By industry, Transport & Storage remained the most obvious weak spot, with an (unadjusted) index of 31.3, from 33.3 in November. Could this (and the noted weakness in supplier deliveries) be yet another manifestation of the supply problems we keep hearing about? Retail Trade was also still a drag in December; however, it did manage to improve to 45.8, from 38.4. As we continue to monitor data for fallout from the lack of foreign tourists, the PSI's Accommodation, Cafes & Restaurants appeared solid, with a reading of 53.1. But bear in mind this is not seasonally adjusted, and this index averaged 65.0 over the previous five Decembers. In this context, 53.1 could be considered sub-par.

### QSBO Parallels

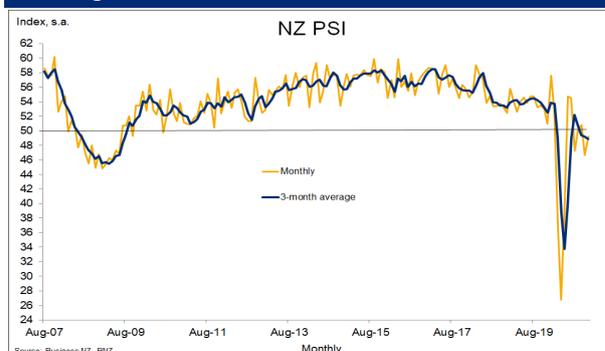
As it turned out, the latest PSI gelled with the services component of last week's NZIER Quarterly Survey of Business Opinion (QSBO), in that the latter was still reserved in its reports of activity regarding the trailing three months. In fact, these were not only sub-average but were slightly contractionary. The good news is that the QSBO's service sector firms regained a positive outlook on their activity, when looking ahead to the next three months.

### GDP Growth Touch and Go

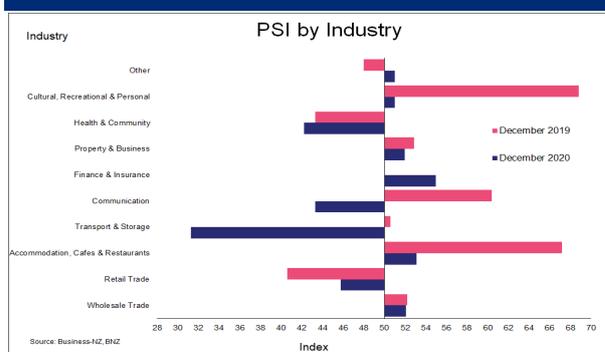
It wasn't just the PSI that was labouring in December. So too was the Performance of Manufacturing Index (PMI), which stumbled to 48.7, from 55.3 in November. Combined, the PSI and PMI painted a picture of GDP struggling to expand, after the latter's massive rebound in the September quarter. The composite (PSI+PMI) index for December was 49.2 in GDP-weighted terms and 49.1 in free-weighted terms. Either way, it was below 50. Of course, activity indicators such as these have had their work cut out lately, in trying to nail GDP to the nearest percent. In any case, the composite index is consistent with our view that NZ real GDP will be broadly flat over the six months to March 2021.

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### Trading Water



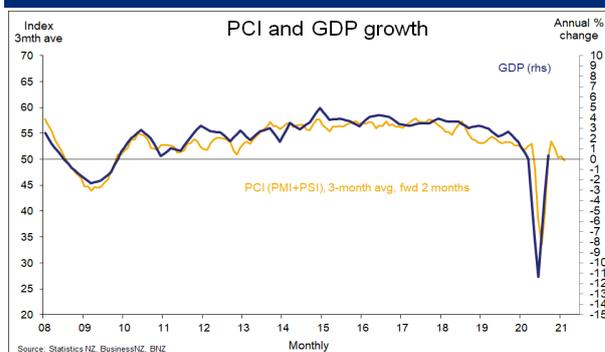
### Serial Offenders



### Positivity... Only in Prospect



### A Pause for Breath



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