

# RESEARCH

## Services Landscape

14 May 2018



### The PSI

Even with its big fall in April, the Performance of Services Index (PSI) remained better than average. In numbers, the PSI dropped to a seasonally adjusted 55.9, from a spikey looking level of 58.6 in March. The long-term average for the series is 54.5. Outside of March's spike, the PSI has been averaging just-above normal post the announcement of the new government. This is after having been very much on the strong side earlier on in 2017. So, momentum in the services sector has petered, but is decent nonetheless. This is underpinned by near-trend readings across all of the main sub-indices, and with new orders/business (60.8) with its nose in front of the pack.

### Retailing

If there is a lagging industry within the services sector it is arguably retailing. Certainly, this was the weakest of the industries in April's PSI, with an unadjusted reading of 43.6. Even when smoothing over the last three months underperformance remained the message, with retailing running at 52.0, compared to 57.2 for the PSI overall. We also note that the value of electronic card transactions (ECT) for retail goods sank a seasonally adjusted 2.2% in April. This more than reversed the 1.5% gain of March. We believe this has been aggravated by the timing of holidays, and the weather. Still, we'll need to see a bounce-back in the ECT data for May/June to be sure.

### Employment

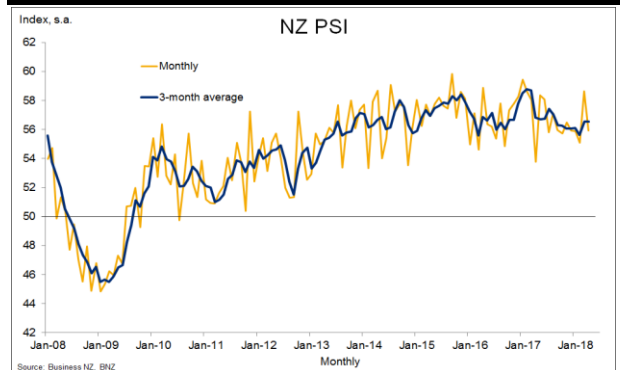
The labour market remains a backbone to aggregate household spending, albeit more so via jobs growth than strong wage inflation. This was highlighted in the March quarter labour market data. These showed ongoing strong expansion in employment (albeit slowing in annual terms) accompanied by a fresh 9-year low in the unemployment rate, of 4.4%. Further gains can be expected, based on the staffing indices in the Performance of Services Index, and the Performance of Manufacturing Index. Together, these are back above trend. Still, wage inflation is yet to become obvious in the official statistics. The March quarter data on it were surprisingly slow, in fact.

### Housing

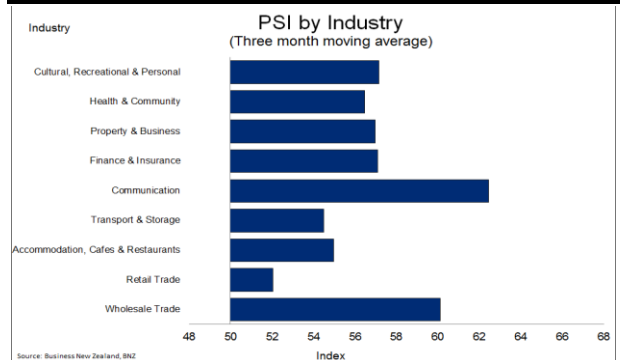
The Real Estate Institute's housing data for April were a little underwhelming. Yes, there was a bounce-back in home sales, but only just (on our seasonally adjusted estimates). Taking March and April together – which gets around Easter-timing issues – gives a moderate pulse on sales rather than anything that's strengthening. We got a similar impression of moderateness from the latest house price indices published by the REINZ. Its composition-controlled SPAR index eased 0.1% in April. This slowed its annual inflation rate to 3.8%, from 4.2%. A relatively slower-to-negative tone was still in evidence in Auckland, whose annual inflation was 0.9%. But there were tentative signs of lesser momentum outside of Auckland now too.

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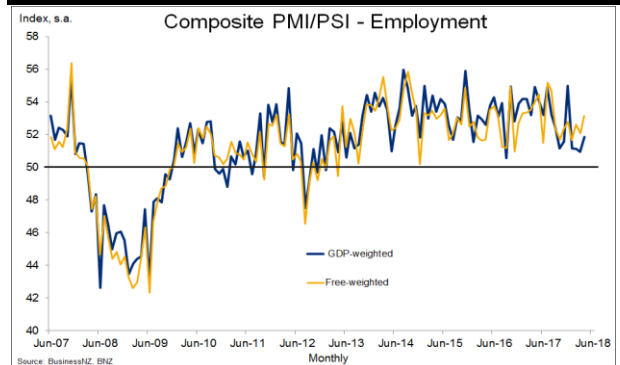
### As You Were



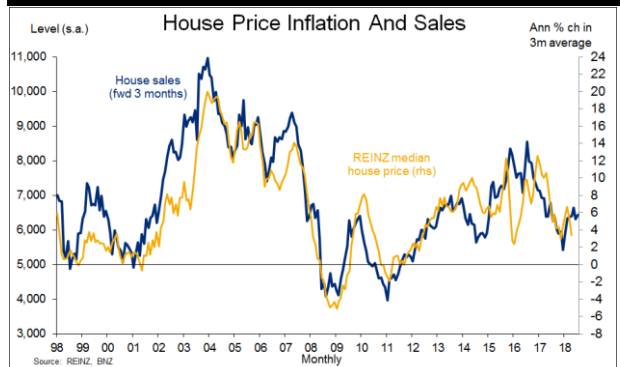
### A Soft Spot



### Hanging in There



### Post-election Rebound Losing Impetus?



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