

RESEARCH SERVICES LANDSCAPE

18 May 2020



The PSI

As low as it was, the 25.9 reading on the Performance of Services Index (PSI) for April shouldn't have come as any surprise. A sizable rate of contraction is what you get when businesses are forbidden from operating, especially those with a customer-facing focus. Covid-19 has seen to that, with policy responses reinforcing the sudden-stop. This is also why no PSI (or PMI) survey was conducted for March (conscious that businesses were scrambling to assess and respond). The previous survey was for February, with 52.1. That seems like a world ago now.

Details

There wasn't a great deal of variation across service industry type, with all registering very low readings for April (in unadjusted terms). But for what it was worth, Cultural, Recreational & Personal was the weakest, with a meagre 10.6, while Finance & Insurance was the best of the bunch, with 33.3. Retail Trade was somewhere in the middle with a result of 21.6. When it came to firm size, there was virtually no variation across headline readings, with a remarkably tight range of 23.1 to 24.0. This underscores that the pain is indiscriminate and scale is no assurance of survivability.

Employment

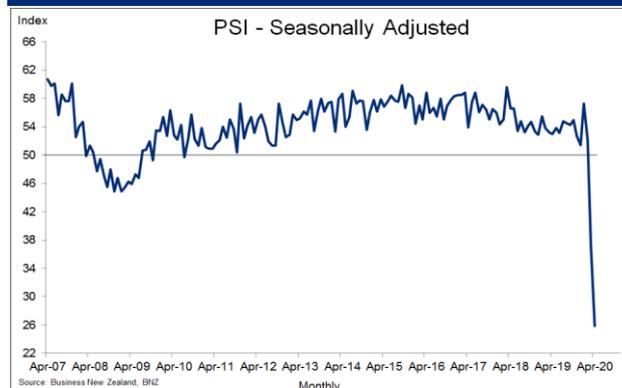
If there was any good news in the latest PSI, it's something we also saw in the PMI. That is, a relative resilience about staffing. Not a positive one, for sure, but a lot less negative than other aspects of the survey. In the case of the PSI, its employment index came in at 42.1 for April. The PMI equivalent was 41.2. Combined, they suggest the rate of job cuts in April was limited. This gels with the generosity and extensiveness of the wage subsidy scheme (which formally runs into June and will be extended, in reduced form, to August). All of this is consistent with our view the NZ unemployment rate will rise to around 6% in Q2, but will hit 10% by the end of the year, as firms face into underlying realities.

Global

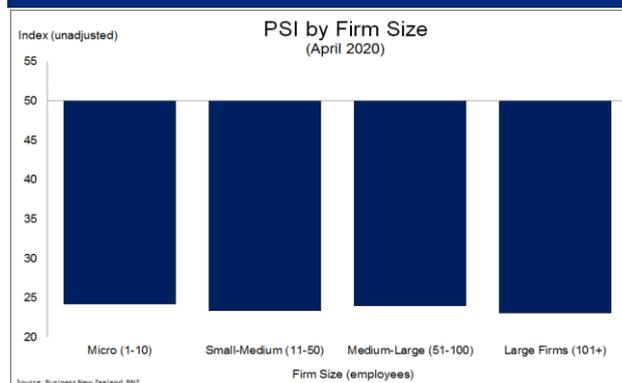
Unemployment might not look to be as bad in New Zealand as it's getting in a global sense (witness the US jobless rate at 14.7% in April). However, our readings on the PSI and PMI are, broadly speaking, very much in the thick of the weakness we've seen across the world. New Zealand's PSI, for example, at 25.9, was only slightly above the global index of 24.0. And the NZ PMI, at 26.1, was lagging its global comparator, which was 39.8.

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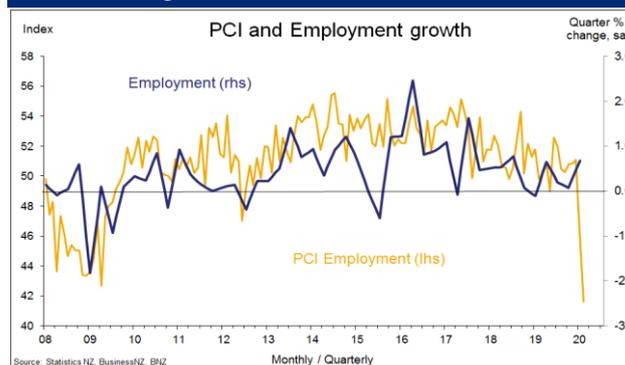
Shut...Down



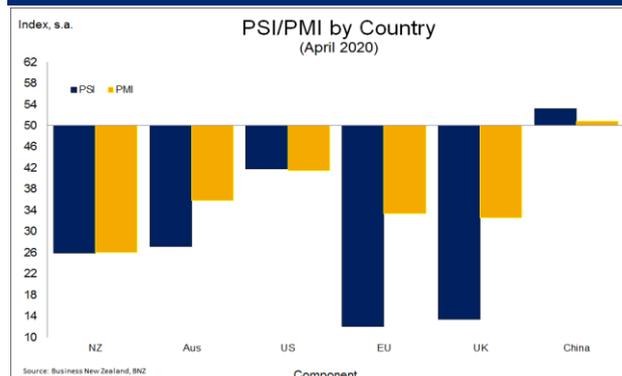
Size No Salvation



Limited Damage...For Now



No Country is an Island



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