

25 January 2022



## The PSI

Four months on from Delta's big hit in August, the Performance of Services Index (PSI) has still not quite shaken its contractive tone. Still, it did improve to 49.7 during December, from the disappointing 47.2 it posted for November. Its production index did manage to nudge into expansion territory, but only just, with 50.7. New orders/business appeared better than this, at 51.7, but were down on November's 53.1, to be noticeably below their long-term average (57.6). That's not booked for a lot of success. Close to norms, at last, were inventories (51.0) and supplier deliveries (49.5). As for the PSI's employment index, it edged down to 49.2, from 50.5 (when the average is 51.4).

## QSBO comparators

Then again, last week's Quarterly Survey of Business Opinion (QSBO) showed service-related firms reporting extreme difficulty in finding staff to begin with (notwithstanding an abidingly strong intention to increase employment levels, nevertheless). The QSBO also, for the record, described a solid attitude toward investment – whether plant or buildings – and OK trading activity, as well as a hanging-in-there message on profits. The latter, however, was a consequence of price hikes racing to keep pace with strong cost inflation; consistent with CPI inflation staying high.

## PSI componentry

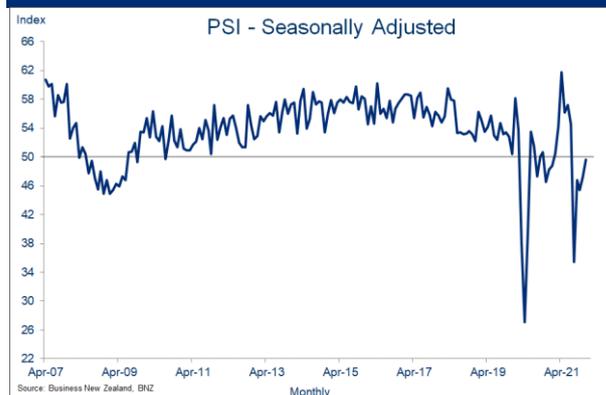
While the PSI was about flat for December, overall, it was full of positives and negatives in its details. By industry, for instance, there was a significant acceleration in Cultural, Recreation & Personal – to an unadjusted 72.8, from 30.0 in November and 18.1 in October. This is consistent with the country moving into the traffic light system of COVID management in December. Conversely, Accommodation, Cafes & Restaurants remained dire, at 30.0. By region, Northern (which includes Auckland) remained the laggard for the fourth month running, with 47.8. The biggest firms (59.2) were doing far better than smallest (47.8) but only after it being the other way around in November.

## GDP implications

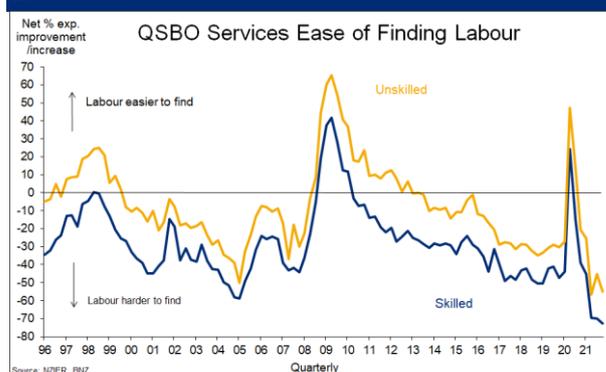
As it turned out, December's PSI couldn't match the reasonable expansion that the PMI registered for the month (with its 53.7). As such, the PSI and PMI combined leaves us cautious as to what to expect for the bounce in GDP for Q4, and momentum into the start of 2022. Of course, the immediate factor is how the economy handles Omicron circulating in the community, under the new traffic light system. Movement into the Red setting impacts gathering limits, which is clearly important to many service industries.

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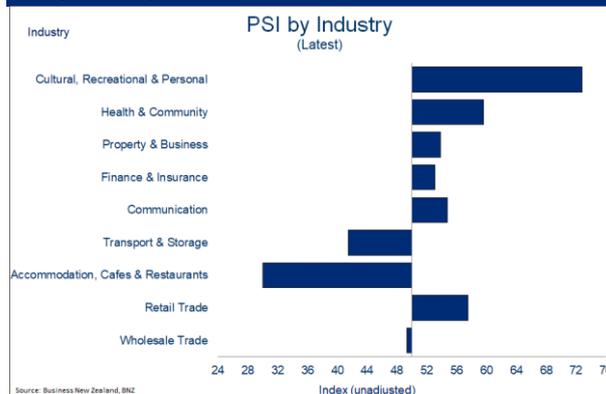
## An End to The Contraction, Is All



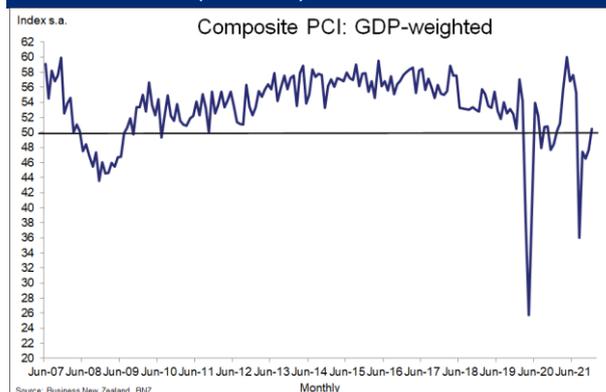
## Limitations



## Componentry



## Calm Before The (Omicron) Storm?



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