

# RESEARCH

## SERVICES LANDSCAPE

17 June 2019



### PSI

As we noted last month, “unless there is a sizable bounce in May’s PSI we’ll be left with the distinct impression of a slowing services sector”. Well, there was a bounce, with the Performance of Services Index up to 53.6, from the 52.0 level it dipped to in April. However, it was hardly sizable. May’s PSI result, for all its effort, was still shy of its long-term average (54.4). What’s more, it was aided by a spike in its inventory index. This was not encouraging, set against the new orders/business index (55.7) still running below par (58.6). It was a similar story in activity/sales (54.7), and employment (50.6). While these improved in May, they were still below historical norms.

### Detail

Then again, the slowness in the PSI does not appear steeped across all parts. For example, Otago/Southland stood out as a regional weak spot, with an unadjusted index of 46.5 in May (and a 3-month average of 47.9). The industry detail was even more varied. Again in unadjusted form, there was exceptional weakness in Accommodation, Cafes and Restaurants (24.6), Transport and Storage (25.1), and Communication (29.8), while Retail steadied (with 51.6). In contrast, there was strength in Property and Business (60.5), along with Health and Community (61.9).

### Services GDP

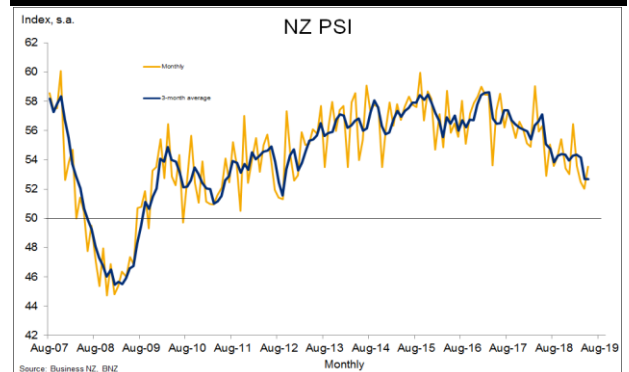
Overall, however, May’s PSI does tend to affirm the impression of a slowing services sector, rather than instilling confidence that another pick-up is afoot. We are certainly guarded with respect to how services go in this week’s Q1 GDP report. Far from services providing more than its fair share of GDP growth – as it had done over the many years prior – it’s more likely to bat about average for the meantime. For further insight into this key part of the economy we can look to the NZIER’s Quarterly Survey of Business Opinion (due 2 July).

### Overall GDP

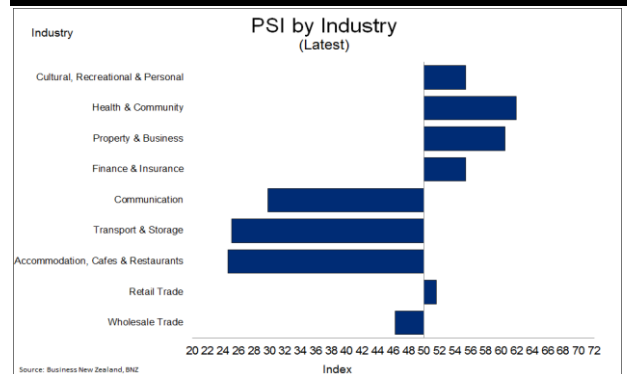
While the bounce in May’s PSI wasn’t convincing it was definitely timely – given the stall we saw in the Performance of Manufacturing Index in the month (to 50.2, from 52.7). So, all up, the Composite Index (PCI) held its ground on a free-weighted basis (51.8, from 51.4 in April) and strengthened on a GDP-weighted basis (53.1, from 51.8). Nonetheless, these do, like the PSI, paint a picture of a slowing economy, which might struggle to live up to most forecasters’ GDP growth forecasts.

[craig\\_ebert@bnz.co.nz](mailto:craig_ebert@bnz.co.nz)

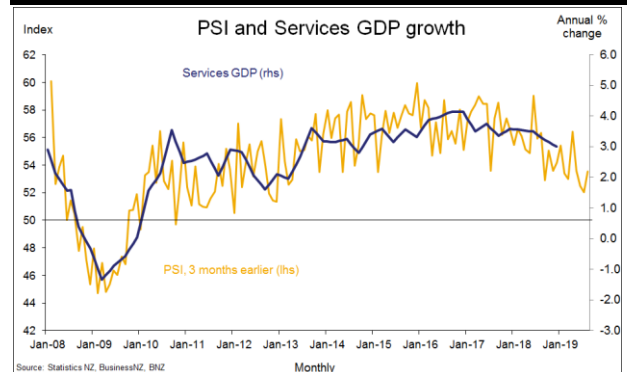
### A Non-Sizable Bounce



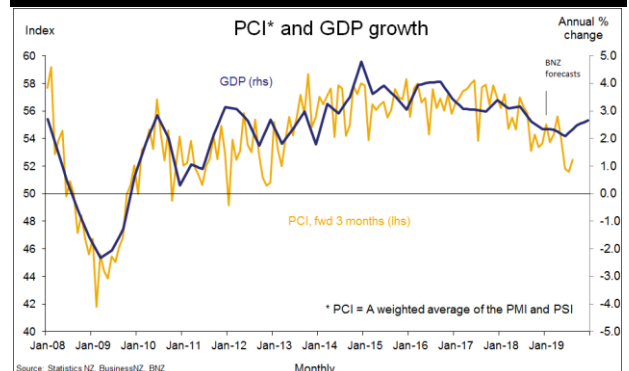
### Extreme Variation



### Slowing



### A Cautionary Tail



## Contact Details

### BNZ Research

**Stephen Toplis**

Head of Research  
+64 4 474 6905

**Craig Ebert**

Senior Economist  
+64 4 474 6799

**Doug Steel**

Senior Economist  
+64 4 474 6923

**Jason Wong**

Senior Markets Strategist  
+64 4 924 7652

**Nick Smyth**

Interest Rates Strategist  
+64 4 924 7653

### Main Offices

**Wellington**

Level 4, Spark Central  
42-52 Willis Street  
Private Bag 39806  
Wellington Mail Centre  
Lower Hutt 5045  
New Zealand  
Toll Free: 0800 283 269

**Auckland**

80 Queen Street  
Private Bag 92208  
Auckland 1142  
New Zealand  
Toll Free: 0800 283 269

**Christchurch**

111 Cashel Street  
Christchurch 8011  
New Zealand  
Toll Free: 0800 854 854

### National Australia Bank

**Ivan Colhoun**

Global Head of Research  
+61 2 9237 1836

**Alan Oster**

Group Chief Economist  
+61 3 8634 2927

**Ray Attrill**

Head of FX Strategy  
+61 2 9237 1848

**Skye Masters**

Head of Fixed Income Research  
+61 2 9295 1196

**Wellington**

Foreign Exchange +800 642 222  
Fixed Income/Derivatives +800 283 269

**New York**

Foreign Exchange +1 212 916 9631  
Fixed Income/Derivatives +1 212 916 9677

**Sydney**

Foreign Exchange +61 2 9295 1100  
Fixed Income/Derivatives +61 2 9295 1166

**Hong Kong**

Foreign Exchange +85 2 2526 5891  
Fixed Income/Derivatives +85 2 2526 5891

**London**

Foreign Exchange +44 20 7796 3091  
Fixed Income/Derivatives +44 20 7796 4761

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