

13 December 2021



The PSI

Just like the PMI did, the Performance of Services Index (PSI) disappointed for November. Far from reclaiming an expansive tone – as seemed possible, considering COVID-related restrictions tended to abate in the month – the PSI kept a contractionary tone. Its seasonally adjusted level of 46.5 was hardly different to the previous couple of months, consolidating a negative connotation. Sure, it was good to see New Orders/Business bounce to 54.4, from 46.3. Still, there was the clear message that supply remained heavily hampered, with the Inventory index at 46.7 and Supplier Deliveries still struggling a lot, at 37.8.

Not all weak

While the supply-side metrics are no great surprise, other messages from November’s PSI proved curious. For example, for all of Auckland’s travails over recent months – as level 3 restrictions hung around – it was Otago/Southland that reported the weakest regional result, by far, with an unadjusted 33.6 (Northern was at 47.5). It was also a bit odd that the biggest of firms (by payroll size) were suddenly suffering the most, slumping to 38.5, while micro and small-medium firms reclaimed expansive PSI levels, from having been well below the 50 breakeven mark in October. As for the industry detail, it was mixed. Retail Trade maintained a positive vibe, but Accommodation, Cafes & Restaurants, and Cultural, Recreational & Personal stayed the standout drags.

Implications for GDP

In terms of their signals for GDP, the latest PSI, along with the PMI, counsel caution about the rebound we can expect for Q4. Yes, it looks as though Q3 GDP might not drop as much as earlier feared (with that result due Thursday). This would put less onus on Q4 GDP to jump, to keep things on plan. And we can surely expect the PSI, and even the PMI, to improve in December, given New Zealand’s move into the less-restrictive “traffic-light” system of COVID management near the start of the month. Still, the latest PSI and PMI results warn against taking a strong bounce in GDP for granted, at this point.

Global guidance

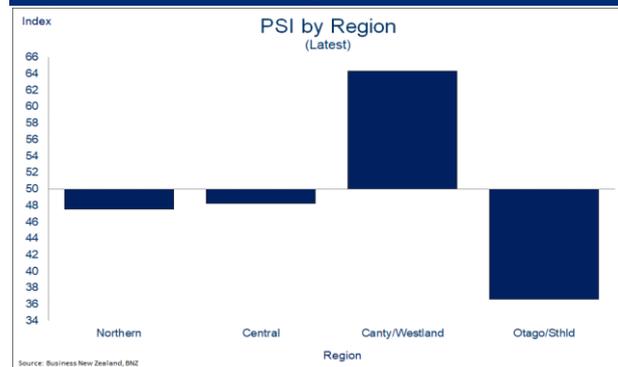
One of the great unknowns is how the NZ populace handles the virus circulating more widely in the country, under the traffic-light system, and the about-to-be loosened border around Auckland. But, as the global PSIs (and PMIs) point out, economic activity is still able to expand, even quite well, even when COVID-19 becomes endemic. This includes when the virus flares up under new strains – as has been the case with Delta over recent months. The next test for global growth is, of course, the Omicron variant.

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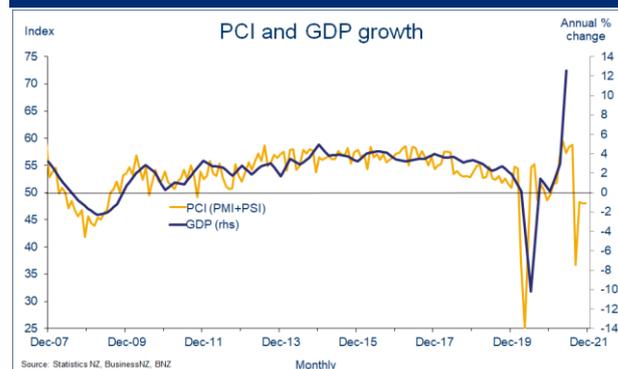
Expansion Not There Yet



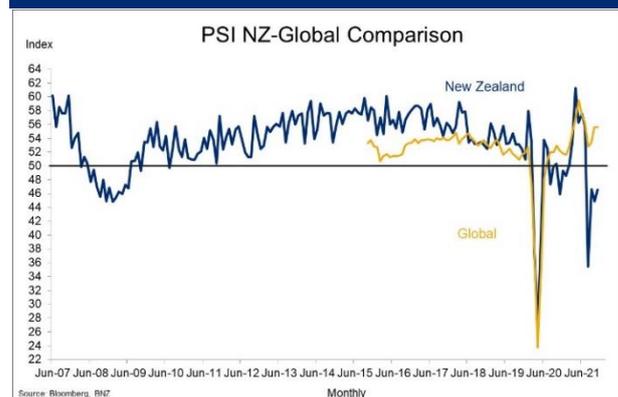
Maybe Not What You Thought?



Cautious on the Rebound



How To Live With the Virus?



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