

# RESEARCH

## Services Landscape

15 November 2021



### PSI pain continues

The Performance of Services Index (PSI) reveals a sector with segments enduring significant pain. Disconcertingly, October's 44.6 result is nearly 2 full points back from September's already very weak 46.5. Moreover, this marks the third consecutive month well below the breakeven 50 mark as Covid restrictions linger. Hurt was evident across the major components with activity/sales (43.7), new orders (46.4), stocks/inventory (46.6), and particularly supplier deliveries (37.1) all well below 50 and even further below historical norms. It all reflects huge disruption from multiple sources. The 'best' of the major components was employment at exactly 50. While below average, it suggests service sector employment is hanging in there with firms reluctant to let staff go if possible, despite the many significant challenges.

### Not uniform

The recent hit to service sector performance has not been uniform. Across industries for example, unadjusted PSI readings over the past three months indicate that the burden of restrictions has fallen heaviest on the likes of the cultural, recreational, and personal industries, hospitality, and transport and storage. Communications is a rare positive, if only at 51.5. In October itself, there were hints of some improvement in property and business along with retail and wholesale trade. But the ongoing weakness in services overall – in contrast to the improvement we saw in last week's Performance of Manufacturing Index – fits with our thinking that any bounce in Q4 GDP will be modest, especially in comparison to the decline in Q3.

### Regional differences

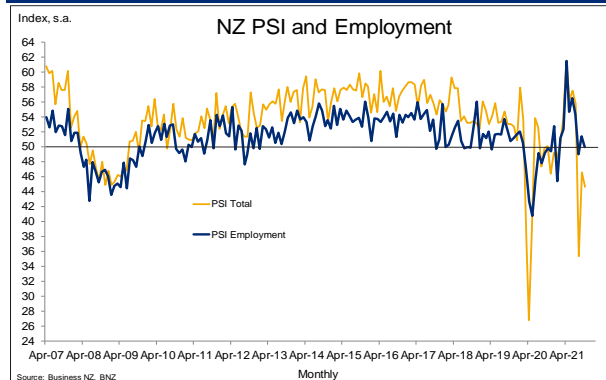
Non uniformity is also a feature across regions. It is no surprise to see Northern remaining the weakest, given its relative tightness in Covid restrictions. In contrast, the Central and Canterbury/Westland regions posted a decent lift from prior weakness with 58.0 and 57.2 respectively in October. Otago/Southland was between the two extremes, but remains below 50 no doubt coping some backwash from the lack of Northern travellers.

### Size matters

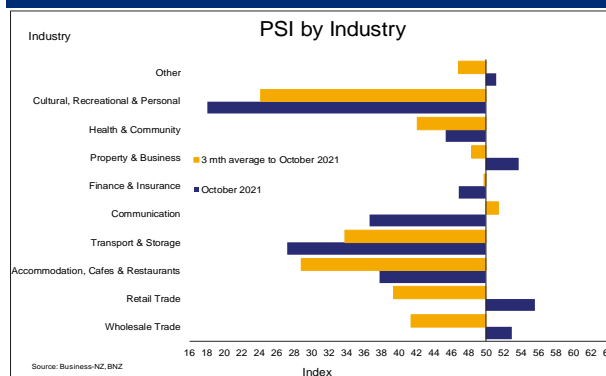
Performance varied significantly by firm size in October. Bigger firms tended to do better than smaller firms. At the extremes, large firms (those with 101 or more staff) outperformed (with PSI at 57.8), while micro firms (1 to 10 staff) have continued to underperform (42.3).

[doug\\_steel@bnz.co.nz](mailto:doug_steel@bnz.co.nz)

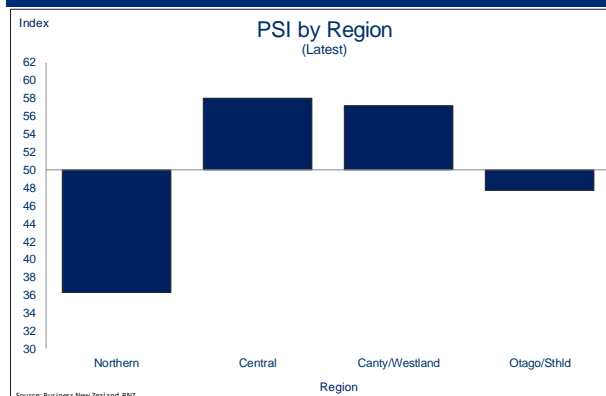
### Activity Weak; Employment Holding



### Unders and Overs



### Location Matters



### More Variance



# 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

Senior 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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