

Research Services Landscape

24 January 2023

PSI

The further fall in the Performance of Services Index (PSI) in December marked a significant slowdown in a short space of time. It was only back in October the PSI was barrelling along, at 57.2, before slowing to an average-looking 53.8 in November. In December it slipped to a below-trend 52.1. This was mirrored in activity/sales, which slowed to 52.1 (from a hefty 58.2 in November), while employment sagged to 47.1 (from 51.8). Conversely, there was a sizable rebound in supplier deliveries, to 53.4 (from 46.8), which was a welcome flicker of positivity from a supply-chain point of view. That said, the maintained loftiness in new orders/business (58.4) suggested there was still a lot of demand-side pressure at play.

A weaker QSBO by comparison

It was hard to see any redeeming features for services in the NZIER's latest Quarterly Survey of Business Opinion (QSBO). Net confidence amongst service firms, at -68%, became even more abysmal. Regarding the volume of services, reports for the trailing 3 months wilted to -16%, while expectations slumped to -26%. The comparative readings for profitability were -50% and -60%. Diabolical, in other words. And this was despite a still-high impulse re price hiking; just not enough to keep ahead of rampant amounts of cost inflation carving away at the bottom line. This points to the PSI facing headwinds ahead.

But pressure's still on, especially staff-wise

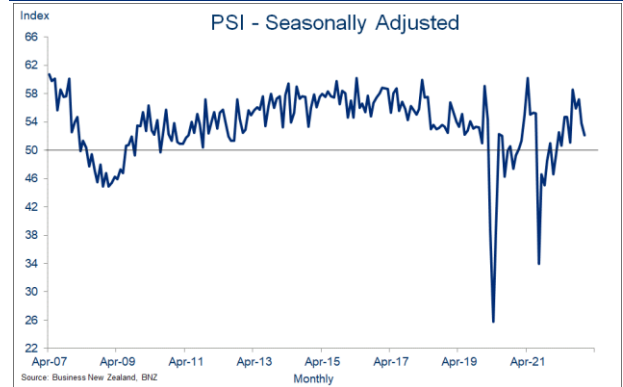
If there was a redeeming feature of the latest QSBO, it was that the service sector is still run off its feet – as manifest in the positive employment reports regarding Q4, along with rising overtime and labour turnover. But this also circled back to service firms in the QSBO reporting an increased difficulty in finding staff – whether skilled or unskilled. No relief on that front. At all. This married with feedback to the PSI in December, which still made a lot of mention of staffing problems, as opposed to noises that demand for their services was coming off the boil.

Very mixed results by industry

By industry, retail trade posted its second successive below-50 result in December, with 47.5. This gelled with the clear fall in December's electronic card transactions. Wholesale trade (43.8), transport & storage (43.2) and communication (36.3) were other weak spots in December's PSI. Right at the other end of the spectrum, accommodation, cafes & restaurants (70.6) kept very busy, while cultural, recreational & personal hit a maximum (100.0). Both are sensitive to tourism, and it's been a while since the last of the COVID-related restrictions were lifted.

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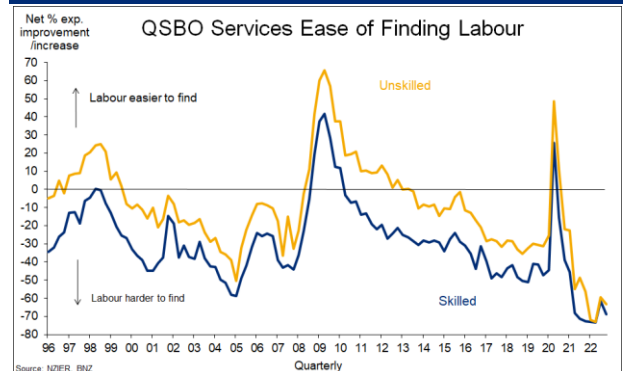
Running Under Par



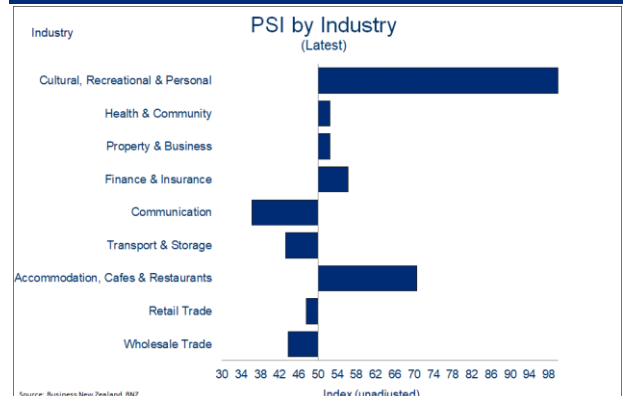
Rolling Over



Not Getting Any Easier



Minima and Maxima



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