

19 December 2022



## PSI

New Zealand’s Performance of Services Index (PSI) slowed a lot in November. From an elevated reading of 57.1 in October it eased to 53.7. While this reflected a sharp deceleration in the PSI’s employment index – to 51.8, from 57.1 – this component was still expansive. The drag factor is really in supplier deliveries which, at 47.3, fell back into contraction territory, after poking above the 50 breakeven level in October, with 52.0. This infers supply-side issues are not fully resolved. In contrast, the demand side still appears robust, with new orders/business, at 57.3 in November, coming in very close to normal.

## Varied in detail

By industry, there was a wide range of performance on show. Pronounced negativity in retail trade (30.7, compared to 52.8 in October) was something to note, especially in interpreting the festive spending figures from traditional retailers. At the other end of the spectrum, accommodation, cafes & restaurants (83.3) seemed very busy, as did cultural, recreational & personal (73.2) – both of which are sensitive to tourism along with COVID-related settings. This might also explain the region-busting result of 76.1 for Otago/Southland. As for firm-size, medium-to-large firms were trailing with 50.0 while large firms were the most positive, with (an unadjusted reading of) 65.0.

## Robust services offset weak manufacturing

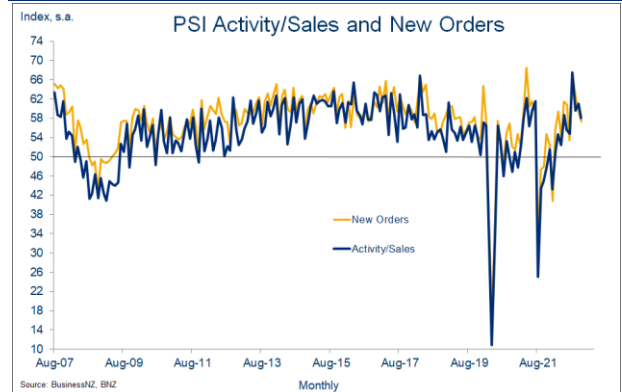
November’s PSI proved, for the third month running, to be an important counterpoint to the weakening PMI. The latter had sunk to 47.4 by November, having been running above-trend back in August. This warns of a rough patch for manufacturing in the Q4 GDP accounts, after this industry posted a flat result in Q3 GDP. In contrast, it looks as though the services industries – just like they did in Q3 – will more than make up for any weakness in manufacturing in Q4, such that GDP for that quarter manages an expansion. However, nothing anywhere near the 2% gain that was reported for Q3 GDP. When the PSI is combined with the PMI, the composite results on output averaged 56.4 across October and November, which is solid.

## Better serviced in NZ

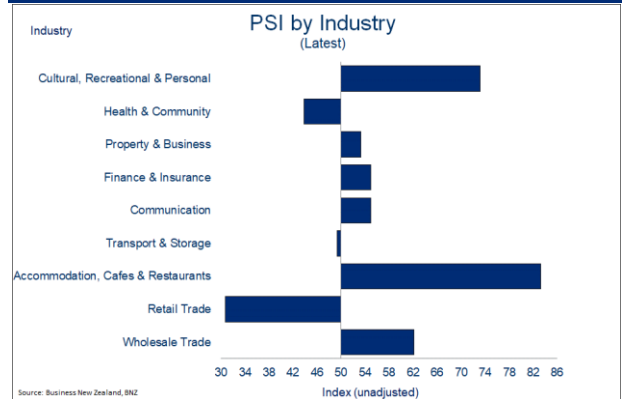
The other positive message from New Zealand’s PSI is that it continues to look relatively good when compared to its international counterparts. The global PSI slipped to 48.1 in November, after dead flat results of 50.0 for September and October, and a solid reading of 53.9 back in June. While New Zealand’s PSI has also slowed noticeably over recent months, its level in November was about normal.

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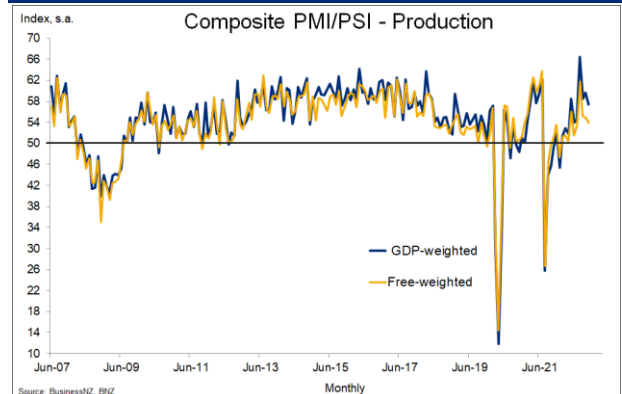
## Not So Fast



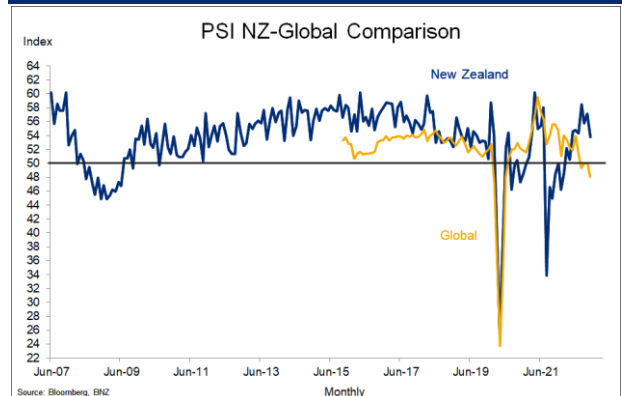
## Quite Mixed, Actually



## Solid Re (Q4) GDP Growth



## Resisting the Global Trend



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