

14 November 2022



PSI

New Zealand's Performance of Services Index (PSI) kept a strong pace in October. The relative strength of its 57.4 outturn was shown in that it wasn't far from 60.0 – a level the NZ PSI rarely pumps up to. By improving to 57.4, from 55.9 in September, the PSI was clearly cruising above its long-term norm of 53.6. This was true of all the principal components too, with Activity/Sales (61.0), Employment (57.0), New Orders/Business (59.9), Stocks/Inventories (56.5) and Supplier Deliveries (52.5) all riding higher than their respective historical norms. For Supplier Deliveries this was the first time this had been the case since July 2020, which highlights its long road to recovery.

Industry features

The leading services industry – by a long chalk now – is Cultural, Recreational & Personal. As big as this was back in September, with 80.0, it got more gargantuan in October, with 90.6. The removal of gathering limitations is sure bringing in the crowds. Accommodation, Cafes & Restaurants, meanwhile, picked up to 62.4, from the 54.2 it slowed to in September – no doubt underpinned by the now fully opened border. The only negative for October was in Transport & Storage which, at 42.5, remained below the breakeven 50 mark for the eighth month on the trot. Retail Trade continues to bounce around a lot, month to month, ending October at a moderately expansive 52.8.

Counter to the PMI

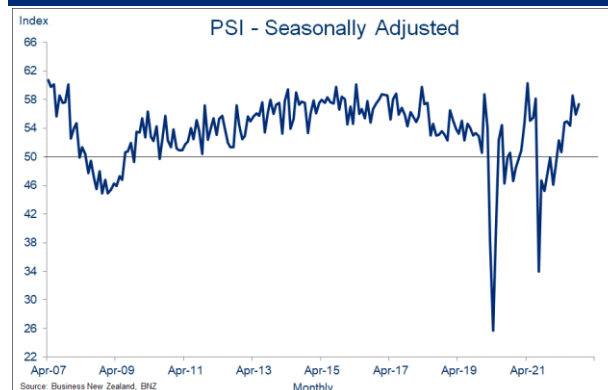
In being so strong in October, the PSI has, once again, importantly offset a soft spot in the PMI, to sustain a robust pulse for economic growth, overall. The composite PCI came in at 53.1 in free-weighted terms, while the GDP-weighted computation improved to 56.5, from 55.4 in September. The output-related versions printed at 54.8 and 59.6 respectively in October. These results suggest that real GDP is on track to expand reasonably well in Q4, after the 1.0% increase we judge it will record for Q3. The composite employment indices, which meld the PSI and PMI, were also running above average in October.

Global desynchronisation

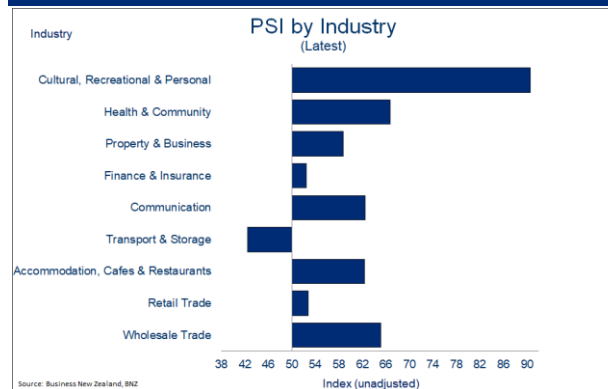
The latest NZ PSI and PMI results chime with the narrative of spending shifting back to services, away from durables. However, they also highlight a divergence to what's been going on globally, with respect to services industries. While the NZ PSI is riding relatively high, at 57.4, the global PSI logged a second successive 50.0 in October, scoring a flat patch. This is a turnaround from the latter stages of 2021, and into early 2022, when the global PSI was doing relatively well, while the NZ PSI was suffering from, first, Delta-driven lockdowns, then Omicron's strain, as that variant ran riot through the community from early 2022.

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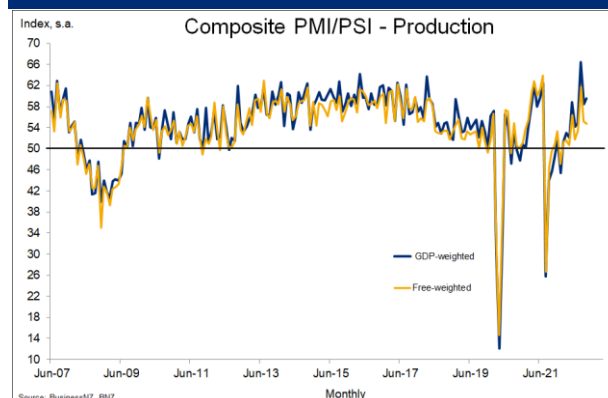
Getting Up There



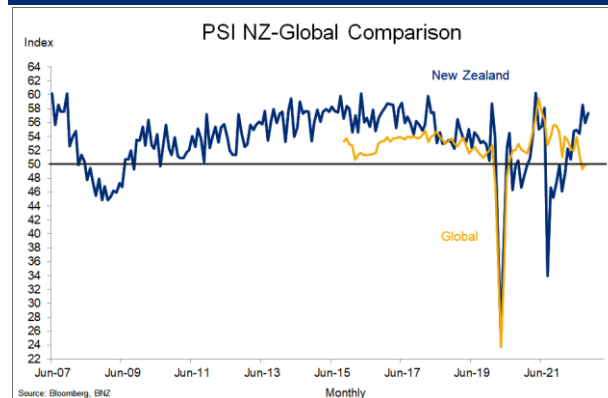
Positively Crowded



Solid, Overall



Trading Places



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