

17 October 2022



## PSI

Broadly speaking, the Performance of Services Index (PSI) stayed strong in September. While its seasonally adjusted result, of 55.8, couldn't match the bumper 58.6 result of August, it kept comfortably above its long-term norm, nonetheless. And, unlike what we saw for the PMI in September, new orders/business persisted not just above the 50 breakeven level but, at 62.9 (from a mammoth 66.6 in August), remained well above trend. Activity/sales (59.2) were also very much on the strong side of normal in September. However, employment (50.5) remained about flat while there were signs that supply was still an issue, in the fact the supplier/deliveries index was stalled at 49.7.

## Industry features

While the PSI's industry detail remained varied, a greater majority of it struck an expansive tone in September (based on the unadjusted indices given). Leading the way – for the fourth month running – was Cultural, Recreation & Personal, with a huge 80.0. Relaxed COVID settings and the opened border are clearly reaping ongoing rewards. That said, the index on Accommodation, Cafes & Restaurants slowed to 54.2, from 60.6. Notably, the 64.1 result for Retail Trade accorded with the big gain in September's electronic card transactions. But there was also a curious contrast, in that Wholesale Trade picked up to a hefty 67.5, while Transport & Storage slowed to 37.5.

## Comparison/contrast to the QSBO

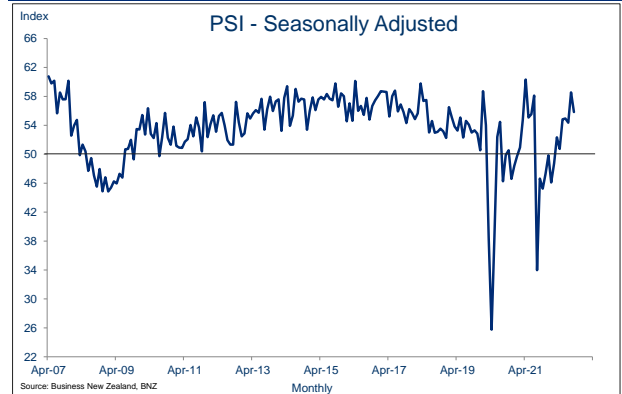
While the PSI gave a very upbeat message about services growth through the September quarter, this was not quite what respondents to the latest NZIER Quarterly Survey of Business Opinion (QSBO) parlayed. The latter suggested a slow patch in Q3 activity and more of the same expected for Q4. The QSBO went on to show that service sector firms were relatively downbeat on the general economic outlook, expected cost and price pressures to persist in size, felt profits were under pressure, had mixed views on investment, but held a decidedly positive view toward employment (amid great ongoing difficulty in finding staff).

## Growth implications

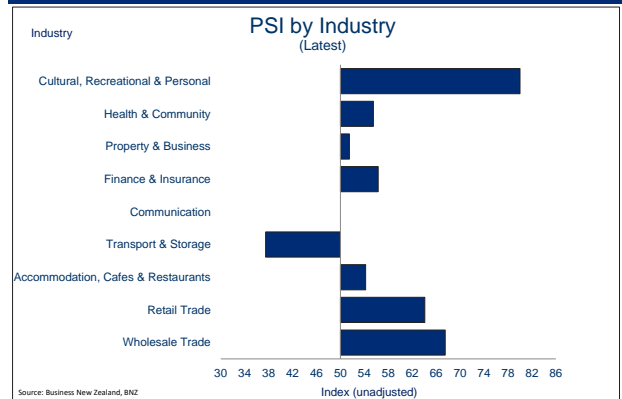
Taken at face value – and combined with the slower PMI for September – the latest PSI forms a picture of decent economic expansion for Q3. The composite PCI held together at 54.4 in free-weighted terms, while the GDP-weighted composite came in at 55.4, from 58.2 in August. These marry with our view that Q3 GDP increased about 1.0%. The composites would also appear to favour the Reserve Bank's expectations, as it mentioned at its October policy meeting that "recent indicators suggest that domestic activity in the September quarter may have been slightly stronger than previously assumed."

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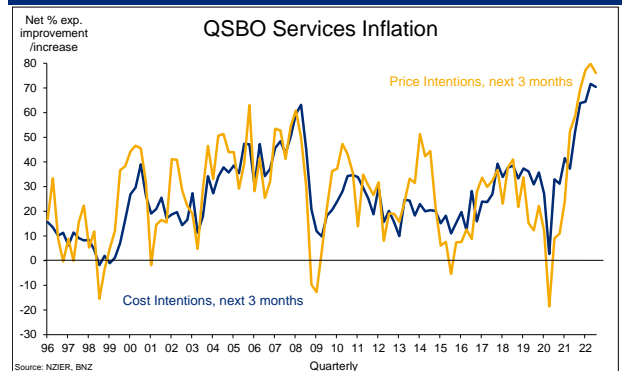
## Still Strong



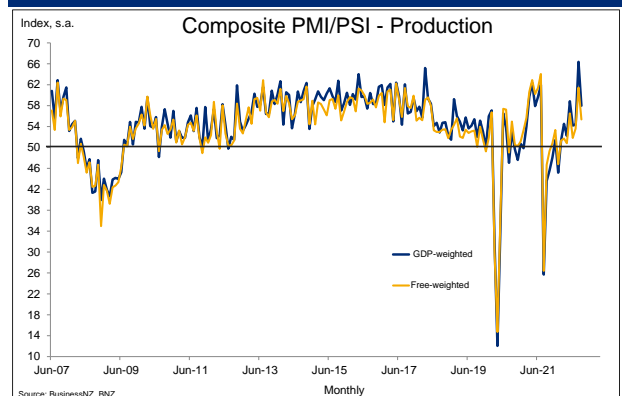
## From Most to More



## Supply/Inflation Pressures Still Intense



## Far From Recession



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