

# Research Services Landscape

15 May 2023

## The PSI

In last month's write-up we described the Performance of Services Index (PSI) as looking good in March, which it was. In April, however, it was not looking good. Indeed, at a seasonally adjusted 49.8, from 53.8 in March, it had slipped below the 50 level that demarcates expansion from contraction. This is the first time it has done so since February 2022, when the economy was suffering from a skyrocket in COVID cases. While April's result denotes only a tiny fraction of contraction, the PSI has certainly slowed a lot, in the space of a month, to the point of a pause.

## Devilish details

The details of the PSI report reinforce a sense of caution. New Orders/Business kept subsidizing to 49.1, for instance, from 52.6 in March and 55.8 in February. The real driver downward, however, has been in Activity/Sales, which sagged to 45.1, from a trend-like 55.9 in March. Knowing this, it didn't seem to be good news that the biggest positive was Stocks/Inventories, which, at 57.2, were well north of their norm of 51.6. Employment flattened to 49.9, from 51.2. By firm size, only the large (more than 100 employees), with a reading of 54.2, were above the 50-mark, with others in a range of 43.8 to 47.5 (unadjusted). None of the four regional groupings were above 50.

## Industry intrigue

The industry detail is also enlightening, as to what lies behind the sudden-stop in the PSI. This came down to the likes of Transport & Storage (24.4), Finance & Insurance (25.0) and Communication (31.3), abruptly giving up positive March positions. Most interesting, perhaps, was the dip in Accommodation, Cafes & Restaurants to 35.6 in April, from 52.7 in March and 64.1 in February. There goes that strong source of growth (for now at least). As for Retail Trade, it simply stayed soft, at 33.6. Amongst the positive minority, Health & Community led the way with 63.3, while Property & Business hung on with a 51.4.

## Not good for GDP

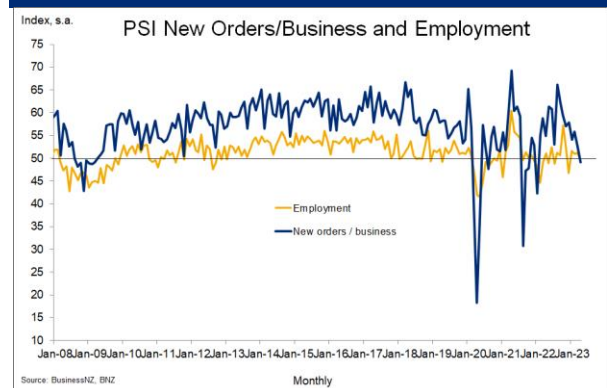
In suddenly going flat in April, the PSI no longer provided the PMI, which was still quivering in the month, a shoulder to cry on. It's hard to know what's in store for May. But as they stand, the PSI (49.8) and PMI (49.1) paint a picture of economic struggle. And their activity indices – of 45.1 and 47.0 respectively – yield a tone of negativity, which is something to think about for Q2 GDP. It's early days for that, but we are presently picking a bounce in Q2 GDP, after we think Q1 will struggle. The other think to note about New Zealand's PSI for April was that it failed, miserably, to keep pace with its global counterpart, which hit its fastest pace in 17 months in April, with 55.4.

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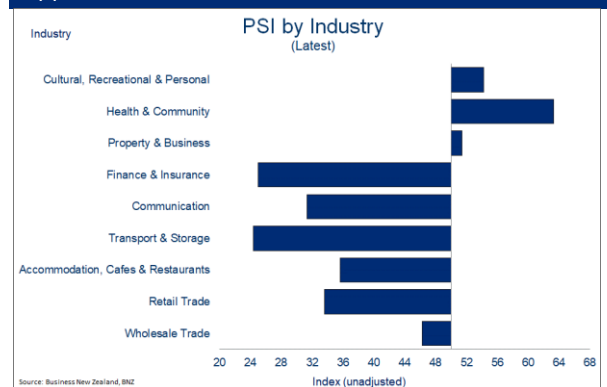
### Not Looking Good



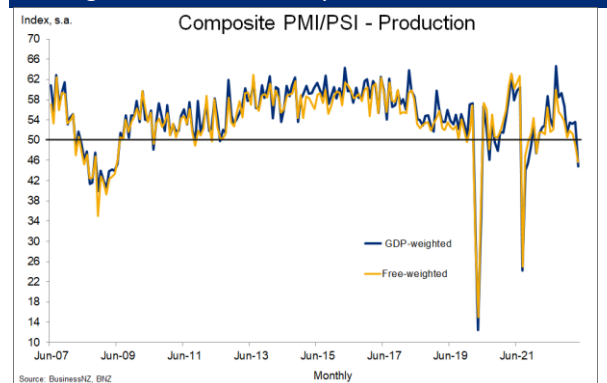
### Not a Good Look



### Flipped Around



### Starting to Look Recessionary



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