

Research Services Landscape

13 March 2023

The PSI

The Performance of Services Index (PSI) moved further above trend in February. Its seasonally adjusted reading of 55.8, was higher than January's 54.7, which meant it compared even more favourably to its long-term average, of 53.6. The outperformance seemed to be coming more from supply aspects, than demand, however. Notably in this respect, inventories surged to 58.3, from 54.7, when the average on this index is 51.6. Supplier Deliveries were also well above their average, of 50.3, running up at 55.9 in February. Activity/Sales (53.6), New Orders (57.1) and Employment (51.2) were all very close to their norms.

Sub-group features

Most sub-groups of the PSI were above the 50 (breakeven) mark in February – in unadjusted terms. However, there were a couple of notable exceptions. Transport & Storage, in posting 37.5, was weak (meaning sub-50 for the last 12 months now). Retail Trade remained moribund in February too, at 37.5. Electronic card transactions data from Stats NZ haven't looked weak of that order, although they did drop 1.7% in February. On the strong side of the PSI ledger, Accommodation, Cafes & Restaurants picked up the pace, to 64.1, Health & Community ramped up to 67.0, while Cultural, Recreational & Personal slowed to 54.2.

Regional aspects

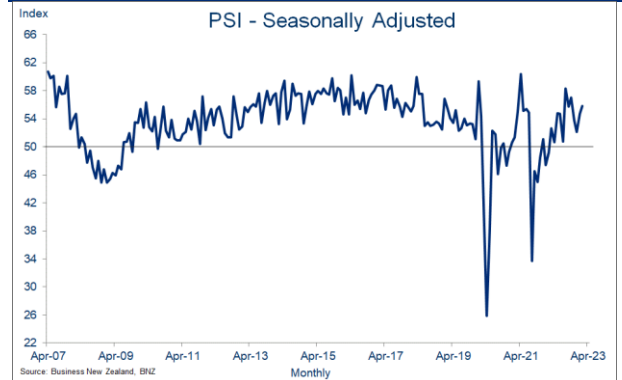
Given the localised impacts of recent atrocious weather, we have been keeping a keen eye on the regional aspects of the incoming economic information. With respect to the PSI, regions arguably most affected by the mid-Feb Cyclone Gabrielle – namely Hawke's Bay and Gisborne – are classified in Central. And, curiously, this zone proved quite strong in February, with an unadjusted reading of 61.3 (unlike in the PMI, where Central was weak, with 42.2). Auckland is the bulk of the Northern grouping, and the latter improved to 50.7 in February's PSI, from the 40.1 it stumbled to in January (bearing in mind the floods of late-January significantly affected Auckland).

Implications for GDP

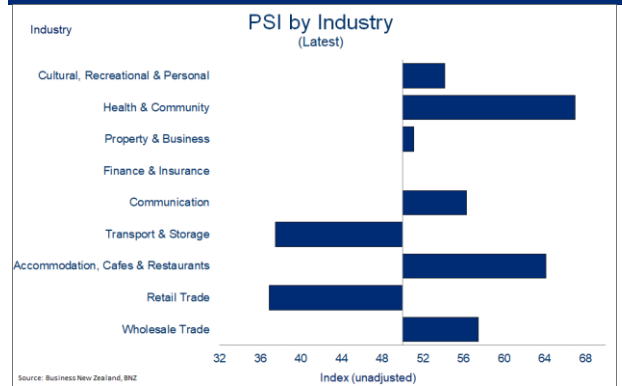
The strongly expanding PSI, along with the recovered tone of the PMI, suggests economic activity is growing relatively well in the early stages of this year. The composite (PCI) improved to a trend-like 53.7 in February – in free-weighted terms – while the GDP-weighted version of the PCI, at 55.2, moved above its long-term average of 53.5. This suggests we might be too muted with our GDP growth expectation for the first half of 2023, which is close to flat. But there will obviously be a lot of weather-invoked push and shove forces on spending and production to get a handle on, before feeling confident on any estimates.

craig_ebert@bnz.co.nz

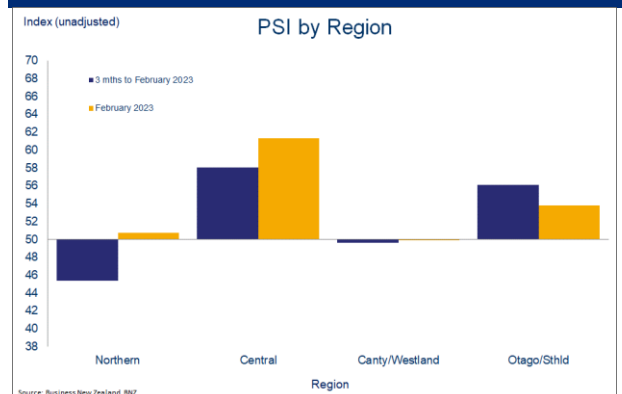
Better Than Average



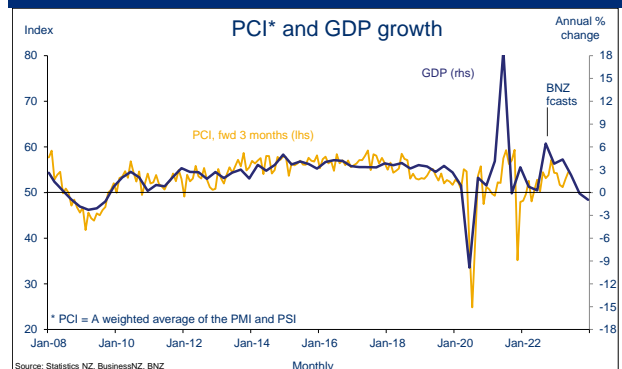
Retail to the Rear



Central Thrust



Resistance To Slowdown



Contact Details

BNZ Research

Stephen Toplis

Head of Research
+64 4 474 6905

Craig Ebert

Senior Economist
+64 4 474 6799

Doug Steel

Senior Economist
+64 4 474 6923

Jason Wong

Senior Markets Strategist
+64 4 924 7652

Mike Jones

BNZ Chief Economist
+64 9-956 0795

Main Offices

Wellington

Level 4, Spark Central
42-52 Willis Street
Private Bag 39806
Wellington Mail Centre
Lower Hutt 5045
New Zealand
Toll Free: 0800 283 269

Auckland

80 Queen Street
Private Bag 92208
Auckland 1142
New Zealand
Toll Free: 0800 283 269

Christchurch

111 Cashel Street
Christchurch 8011
New Zealand
Toll Free: 0800 854 854

This document has been produced by Bank of New Zealand (BNZ). BNZ is a registered bank in New Zealand and is only authorised to offer products and services to customers in New Zealand.

Analyst Disclaimer: The Information accurately reflects the personal views of the author(s) about the securities, issuers and other subject matters discussed, and is based upon sources reasonably believed to be reliable and accurate. The views of the author(s) do not necessarily reflect the views of the NAB Group. No part of the compensation of the author(s) was, is, or will be, directly or indirectly, related to any specific recommendations or views expressed.

BNZ maintains an effective information barrier between the research analysts and its private side operations. Private side functions are physically segregated from the research analysts and have no control over their remuneration or budget. The research functions do not report directly or indirectly to any private side function. The Research analyst might have received help from the issuer subject in the research report.

New Zealand: The information in this publication is provided for general information purposes only, and is a summary based on selective information which may not be complete for your purposes. This publication does not constitute any advice or recommendation with respect to any matter discussed in it, and its contents should not be relied on or used as a basis for entering into any products described in it. Bank of New Zealand recommends recipients seek independent advice prior to acting in relation to any of the matters discussed in this publication.

Any statements as to past performance do not represent future performance, and no statements as to future matters are guaranteed to be accurate or reliable.

Neither Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever which may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication.

USA: If this document is distributed in the United States, such distribution is by nabSecurities, LLC. This document is not intended as an offer or solicitation for the purchase or sale of any securities, financial instrument or product or to provide financial services. It is not the intention of nabSecurities to create legal relations on the basis of information provided herein.