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.

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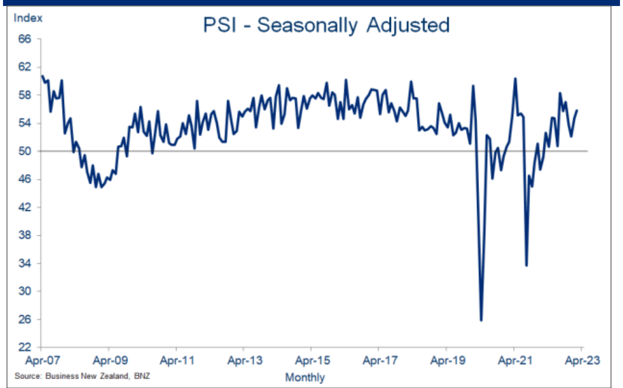
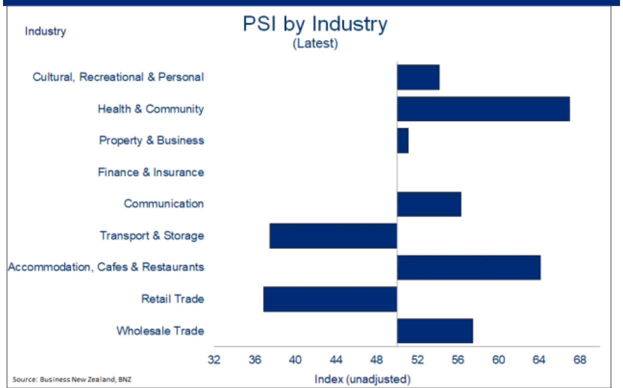
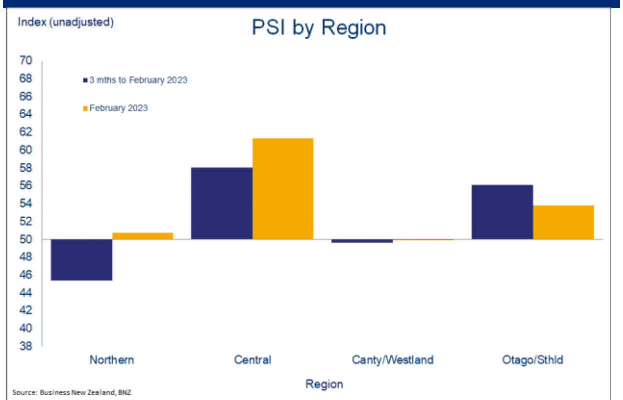
Better Than Average



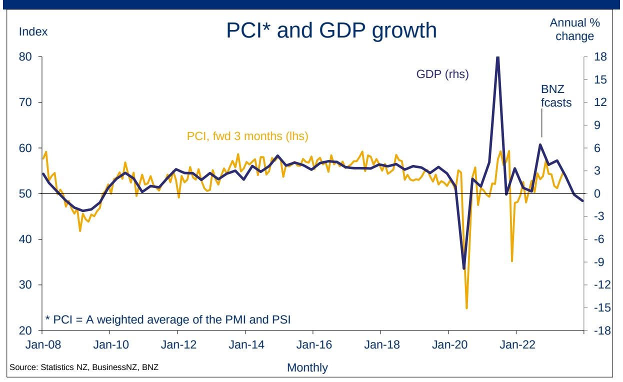
Retail to the Rear



Central Thrust



Resistance To Slowdown



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