

# Research

## Services Landscape

13 February 2023

### Better

The Performance of Services Index (PSI) started the New Year better than it ended last year. January's 54.5 was a fair improvement on December's 52.0, popping the PSI back above its long term norm. However, the details were extremely mixed. Employment lifted back above breakeven after last month's material dip. But the recent positivity in new orders lost steam, with January's 54.5 the lowest reading in six months. Activity/sales remained modestly positive while inventories rose. Combining today's PSI with last week's better-looking PMI yields a reasonable-looking composite index of 53.8 (GDP weighted) in January, up from December's 51.6.

### Trend still down

As encouraging as January's PSI result might look, we are reluctant to read too much into one month's result – especially around the holiday period. The PSI trend is still cooling, judging by its 3-month moving average (53.4 in January from 54.3 in December). Industry performance remains highly varied. For example, Cultural, Recreational, & Personal retains pole position with a hefty unadjusted 63.1 in January. Accommodation, Cafes & Restaurants remains positive as tourists return. But Retail Trade posted its third consecutive sub-50 reading and at an unadjusted 33.8 is the weakest January result for the sector since the PSI survey started just over fifteen years ago.

### People

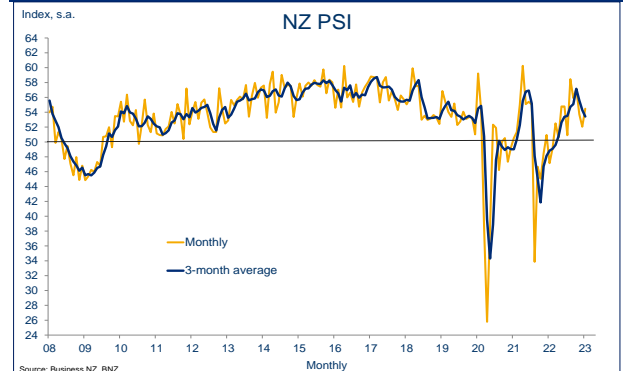
The lift in PSI and PCI employment is interesting. It might well reflect some satisfying of demand for labour (but by no means all, judging by respondent comments) rather than necessarily more demand for labour. We wonder if more employment reflects increasing labour supply via what looks like a very strong turn to the positive in net migration toward the end of last year. If so, and it is indicative of wider business trends, it would fit with our forecast of some overall employment growth but also a tick higher in the nation's unemployment rate over the first half of 2023.

### Regional view

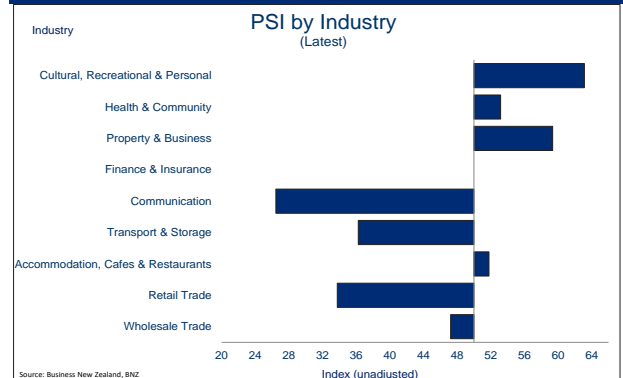
By region, the Northern PSI was clearly softer than others in January at an unadjusted 40.1. It is tempting to pin this all on extreme weather that some of this region faced during the month. But the region's PSI had been under-performing for a while and the difference to other regions in January was like that recorded over recent months. Interestingly, there was minimal respondent comments relating to the weather and only one from the Northern region – perhaps because the worst of it hit very late in the month. Something to watch for in February's PSI.

[doug\\_steel@bnz.co.nz](mailto:doug_steel@bnz.co.nz)

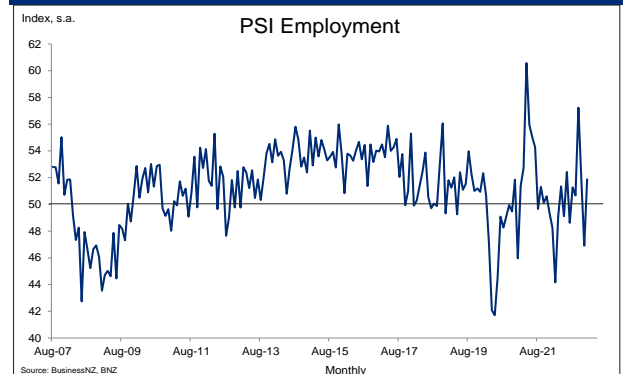
### A Bounce In A Downtrend?



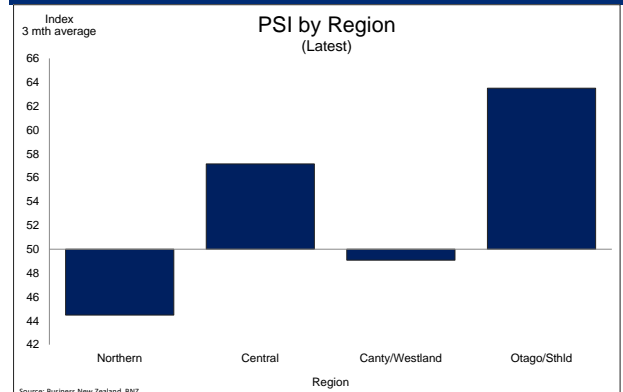
### Unders and Overs



### More Staff (And More Required)



### No Uniformity Here



# 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.