

# Research Services Landscape

17 July 2023

## The PSI

After fluttering up to a near-average 53.3 in May, the Performance of Services Index (PSI) fell back to flat in June, with 50.1. About where it was back in April. That set the 3-month moving average at 51.1. While not awful the PSI is clearly performing below par. In detail, Activity/Sales (51.8) were 3.0 points below what's typical, Employment (49.1) was 2.2 points beneath trend, while New Orders/Business (51.3) was a sizable 6.2 points shy of what would be considered normal. Stocks (47.3), meanwhile, took a big tumble, having been pumping well above trend over the preceding five months. The only component that appeared up to scratch was Supplier Deliveries, with 50.5.

## QSBO by comparison

If June's PSI was struggling to go sideways, the latest NZIER Quarterly Survey of Business Opinion (QSBO) conveyed negative tendencies amongst services firms. This was patently clear for activity volumes (past and forward), investment intentions and profitability. This was as price-hike indicators were gradually reducing, but cost pressures remained relatively intense. Even so, the QSBO bore a (surprisingly?) resilient tone with respect to service-sector employment outcomes and expectations thereof. This coincided with labour-constraint readings that were becoming much less difficult.

## PSI details

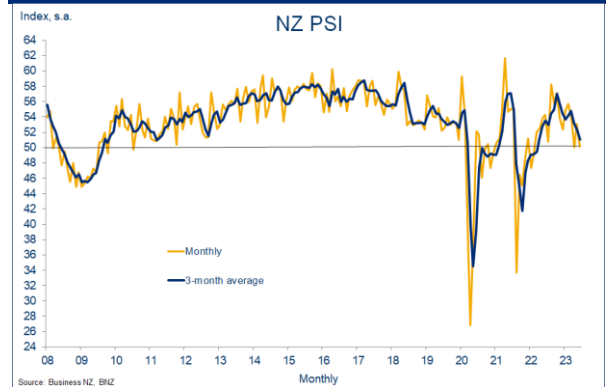
While there was still a lot of variation across the PSI's industry detail, it became less extreme in June. Within this, Retail Trade managed further recovery, to 47.3, although was obviously still below the breakeven mark of 50. This tallied with the negative undercurrents we judged in June's electronic card transactions, even with their fuel-aided increase of 1.3% in June. Accommodation Cafes & Restaurants (47.5) has traced a similar recovery, but also remains negatively inclined. To the positive side, Health & Community (59.2) still stood out and Cultural, Recreational & Personal shook its 49.0 sad of May to hit 62.5 in June.

## Global and GDP considerations

Unlike the NZ PMI – which has been running in line with its (soft) global counterpart of late – the local PSI has failed to match the resilience in the global PSI. This has left New Zealand's Composite (PCI) measure with a very so-so signal around economic momentum. Together, the NZ PSI and PMI paint a picture of flat GDP, slightly declining employment, and an order book that does not offer much, if anything, in the way of encouragement. This, along with the QSBO's latest messages, suggests ongoing caution with regard to nearer-term macro-economic projections.

[craig\\_ebert@bnz.co.nz](mailto:craig_ebert@bnz.co.nz)

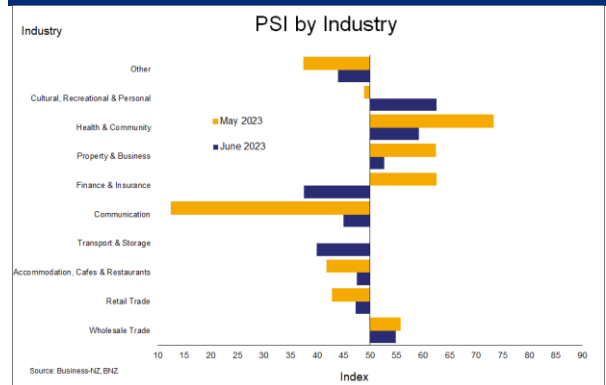
### Back to Flat



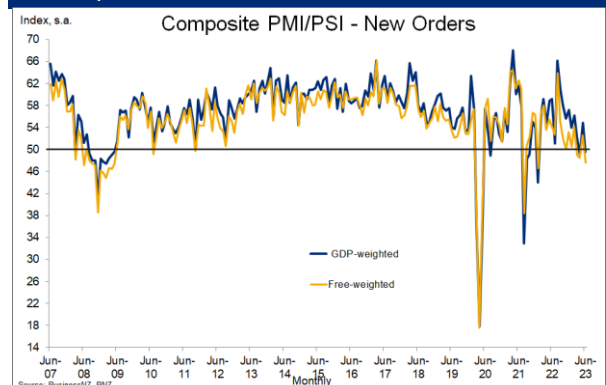
### The Broader Battle



### Less Variation



### A Patchy Pointer



# 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

**Stuart Ritson**

Senior Interest Rate Strategist  
+64 9 9248601

**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

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