

Research Services Landscape

19 June 2023

The PSI

The Performance of Services Index (PSI) recorded a significant bounce back in May. Not so much in its quantum of increase, or the level it achieved. It was significant more in that it recovered at all. Another flattish result, like it suddenly sagged to in April (50.1), would have congealed the idea the economy was stalling pervasively. The sister PMI, at 48.9 in May, of course, wasn't complimentary at all to the idea of expansion. As it turned out, May's PSI, of 53.3, recovered just in time, and just enough, to give a sense of being close to normal.

Devilish details

That said, the PSI wasn't quite up to the mark in some key respects. Activity/Sales, for example, while improved a lot from April's 45.4, May's 52.0 was still shy of its norm of 54.8. New Orders/Business were a little more encouraging, although at 55.4 were still trailing their long-run mean. Employment was relatively better, up to 52.6, from 50.5 – seemingly more attuned to the immigration influx that the PMI was with its (flat) employment index. PSI Stocks/Inventories, for better or worse, were still riding relatively high at 56.8. By firm size, the micro and SME were suddenly averaging a lot better than the medium to large. By Region, Canterbury/Westland (58.5, unadjusted) was out in front, and Otago/Southland lagging (43.3).

Industry intrigue

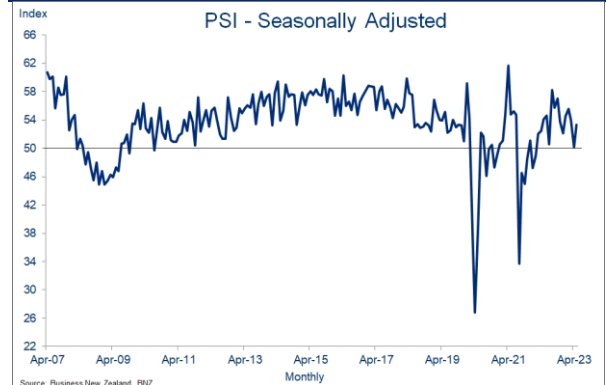
The industry detail of the PSI is also worth dwelling on, as something as mixed as the various services sectors in Q1 GDP were. A commonality was Retail Trade (42.9), and Accommodation Cafes & Restaurants (41.9), which remained weak. But not as very weak as Communication (12.5), while the miscellaneous category of the PSI, known as Other, slumped to 37.5 in May. On the positive side, we had Health & Community (73.3), Finance & Insurance (62.5, after a poor 25.0 in April) and Property & Business (62.4) looking strong. While all of these are unadjusted results, pronounced variability is hard to deny.

A lifeline for GDP

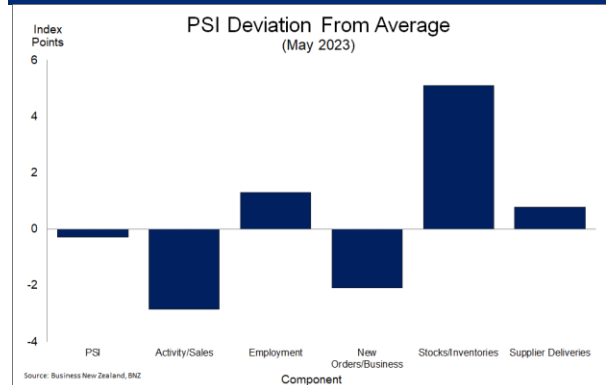
The bounce back in the PSI in May arguably helped calm a lot of nerves – after it sagged to 50.1 in April, and after the services component of Q1 GDP declined 0.6%. The lift in the PSI's Activity/Sales index, especially, offers a lifeline to the idea Q2 GDP will post a modicum of expansion – as is currently our view – when there were risks it wouldn't. Still, this doesn't deny the economy is on a broadly slowing trajectory, which is what's required to take the inflationary heat out of it. We will monitor PSI, and PMI, results over the coming months, with this firmly in mind (in the context of strong population growth, mind you).

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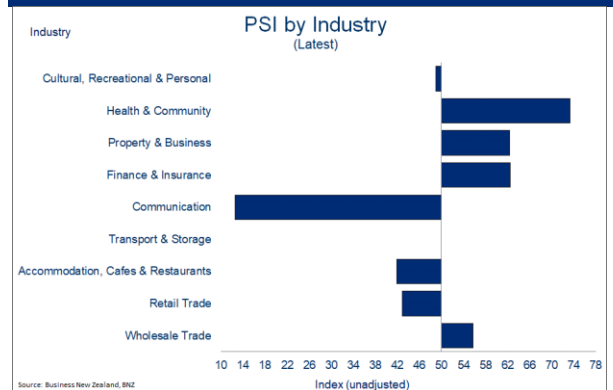
Not So Bad



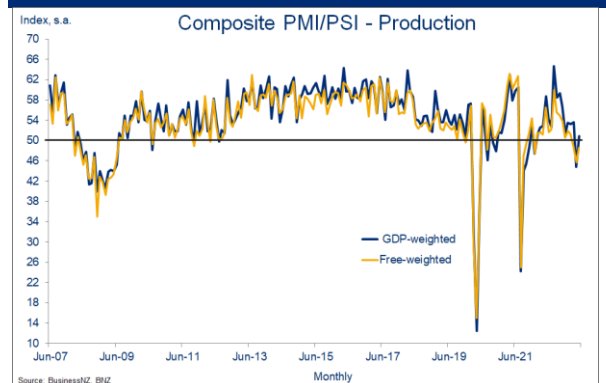
A Twist in the Tale



Big Ups, Downs and In-Betweens



A Rebound in Q2 GDP Yet?



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