

Research Services Landscape

13 November 2023

Ongoing struggle

As it has done for most of this year, the Performance of Services Index (PSI) struggled to even go sideways in October. Indeed, its seasonally adjusted reading dipped to 48.9, placing it back below the breakeven mark of 50, after it nudged a bit above that, to 50.6, in September. To be sure, October's General Election found its way into the survey's feedback as a negative factor (while positive comments tended to relate to the change of government the election outcome portends). That said, the PSI has averaged 49.7 over the past 6 months, which suggests a much more fundamental malaise has been at play.

Principally patchy

The principal drag factor in October was activity/sales. This fell to a seasonally adjusted 47.4, from 50.9 in September (and has averaged 47.7 over the last 6 months). New orders/business appeared better by comparison, although at 51.9 in October were nearly as much below their average as production was for the month. Employment (49.3) was not far south of its long-term norm of 51.3. However, in an outright sense neither does it instil confidence about momentum in service-sector hiring. More from the supply-side of the industry, stocks (51.1) and supplier deliveries (49.8) were very close to their respective norms.

More mixed than negative

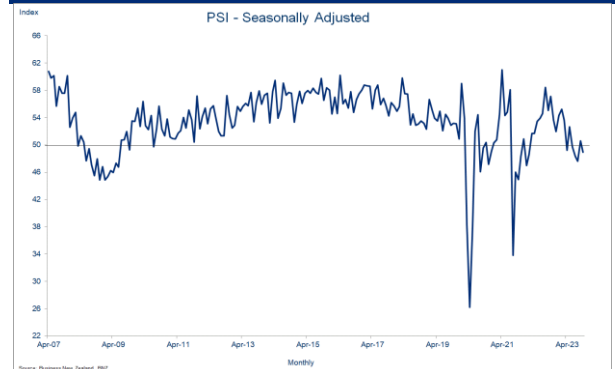
While the PSI is averaging a bit below the breakeven level of 50, it also harbours quite the mixture of positives and negatives. For example, 7 of the 10 industries recorded positive (above-50) results for October, including Accommodation, Café's & Restaurants (55.6) and Transport & Storage (54.0). Retail Trade, while improved, was still trailing with 47.8, while Property & Business eased further, to 45.0. By way of firm size, the medium-to-large were the only sub-50 dwellers, with 44.7. The regional compositional was also interesting, in that the South Island was doing far better than the North Island (see graph opposite). All based on unadjusted data, we should add.

Broader perspective

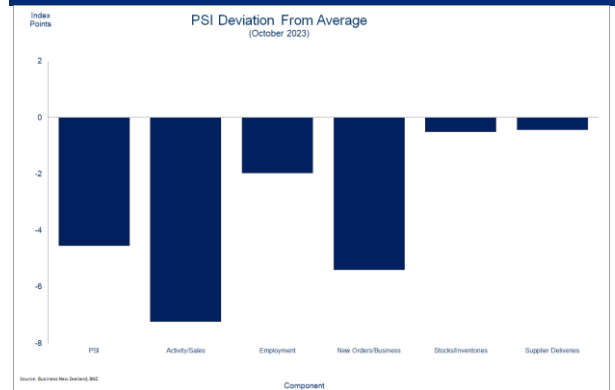
While October's election might have overly hampered the PSI over recent months, other factors have argued for the PSI to have done better than it has. Immigration is one, which has boosted population growth enormously. And while the labour market is not as heated as it was, aggregate income retains decent momentum. Also, for perspective, as much as the PSI has been struggling this year, the PMI has gone from bad to worse over recent months. Combined, the PSI (48.9) and PMI (42.5) paint a picture of economic angst. This counsels caution around GDP for Q3, after it posted a surprising gain of 0.9% in Q2.

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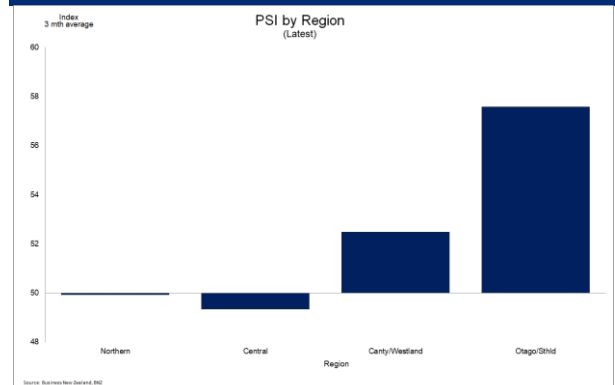
Struggling Just to Stand Still



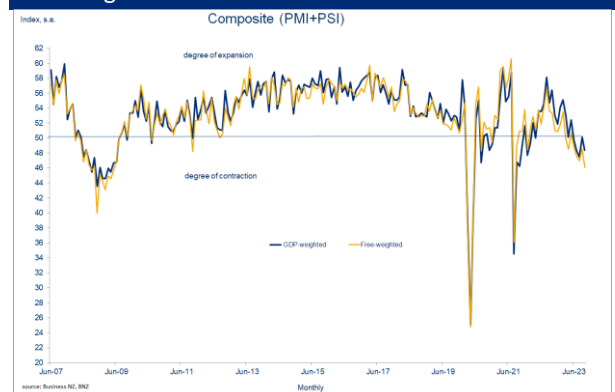
Well Below Par



Southern Lights



Troubling



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