

Research Services Landscape

10 April 2024

About Turn

The fledgling improvement in the Performance of Services Index (PSI) earlier this year has come to a screaming halt. It is a pattern we have seen in a few indicators of late including last week's PMI and QSBO. It raises the question that the economy may well be even weaker than is widely appreciated as well as questioning the timing of any recovery. After nudging up to a nearly respectable 52.6 in February, the PSI slumped to 47.5 in March. Yes, the leap day might have boosted February, and the timing of Easter might have suppressed March readings. But judging by previous examples of such things it suggests there is more to the drop than that. Aside from Covid lockdowns, the PSI has fallen to its weakest reading since 2009.

Demand Slumps

The PSI's activity/sales index saw the largest fall in March, dropping nearly 10 index points to a very weak 44.8. It speaks to a sharp drop in demand that was reinforced by a similar sized decline in the new orders/business index to 48.3. These indexes were the furthest behind their historical norms, although all major components were trailing their respective averages to various degrees in March. The employment index was the least weak. It was still below average, but with an outright reading of 50.1 it managed to just poke its nose above the breakeven 50 line for the first time in four months.

Not A Good Combo

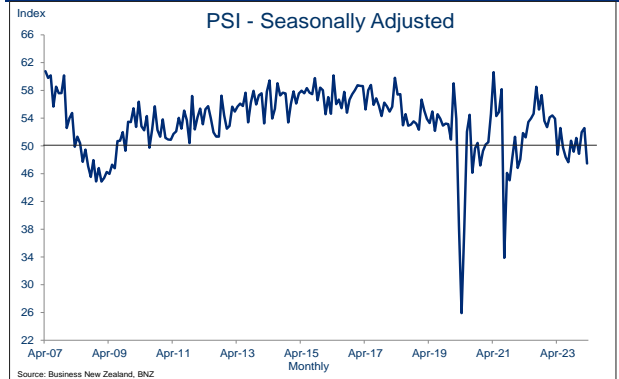
Combining today's weak PSI activity with last week's similarly weak PMI activity, yields a composite reading that would be consistent with GDP falling below by more than 2% compared to year earlier levels. That is much weaker than what folk are forecasting. While it is only one month's data, and the indicator has been volatile, it certainly raises the chances that the economy is struggling even more than some would like to believe. That said, it is interesting to note that weakness isn't uniform. For example, on a regional basis, the PSI is very weak in Northern and Central regions, but positive and above average in Canterbury/Westland and Otago/Southland. We saw signs of a similar pattern in last week's PMI and QSBO.

Different World

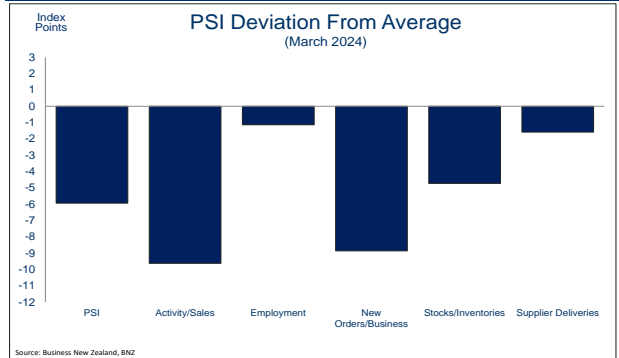
NZ's PSI March slump stands in contrast to elsewhere in the world. The PSI global average has been improving over recent months, to sit at 52.5 in March, with positive readings across many comparator areas.

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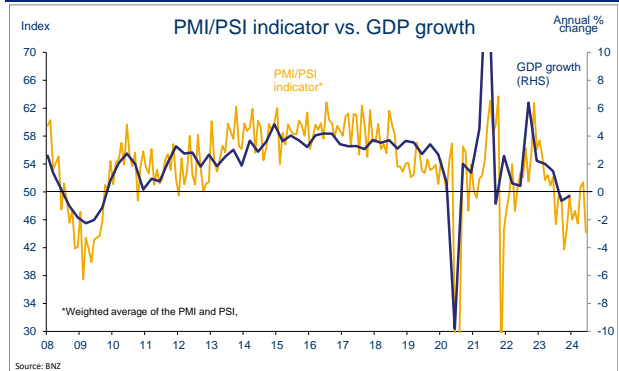
Rewind



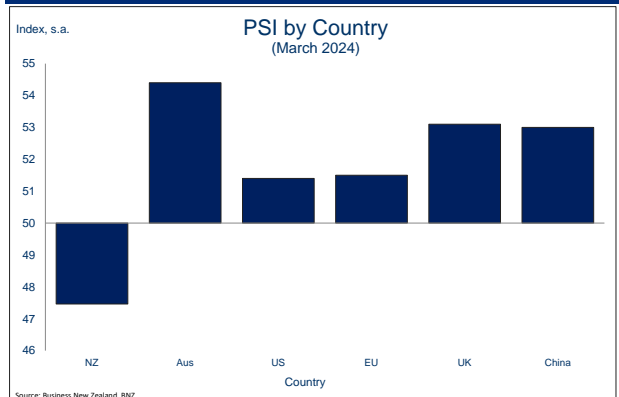
Demand Well Below Average



Growth Struggles Continue



Different



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