

# Research Services Landscape

14 April 2025

## Stable but soft

The Performance of Services Index (PSI) was stable at 49.1 in March. While the PSI has lifted considerably since its mid-2024 low of 41.5, its recovery has stalled over recent months. The services sector is still contracting, albeit only just. Cost pressures are high, but firms are struggling to pass these onto consumers. In the latest Quarterly Survey of Business Opinion, a net 49% of service firms reported higher costs in the last three months. This was well above the net 7% who increased their prices, the biggest difference between reported costs and prices since 1988.

## Global developments volatile

US trade policy announcements are changing the outlook for the global economy by the day. Forecasting the exact economic impact of US tariffs and subsequent country retaliation is fraught with difficulties. However, the risks to the global and NZ growth outlook are clearly downward. As things stood in March, NZ's PSI trailed global equivalents. Looking across our key trading partners, NZ was the only country with a PSI still languishing below 50.

## Further recovery needed

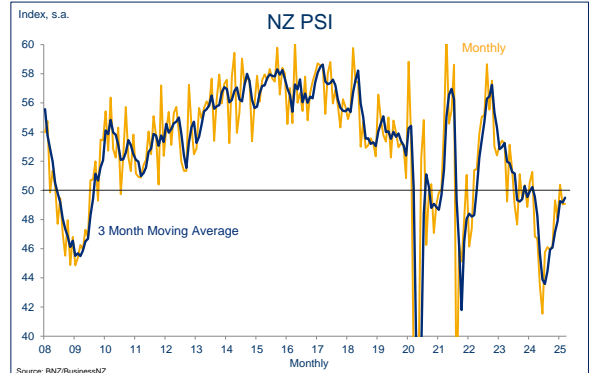
Combing together the PSI and the Performance of Manufacturing Index (PMI), the Composite Index (PCI) suggests a modest economic recovery. The extent of growth implied by our indicator has been dampened by the softer PSI readings. The PCI needs to keep improving to be consistent with even our modest GDP forecasts for 2025. Recent global developments increase the risk that this does not happen.

## RBNZ more dovish

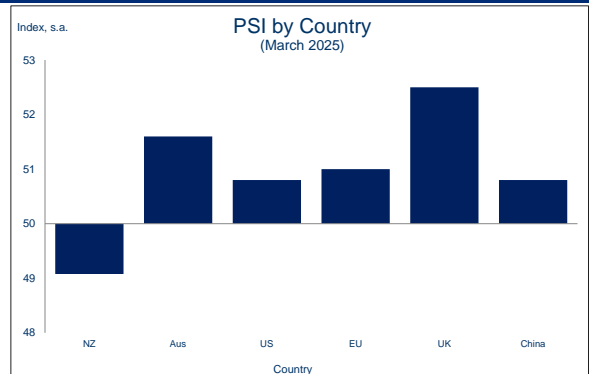
The Reserve Bank of New Zealand (RBNZ) cut the Official Cash Rate (OCR) by 25 basis points to 3.50% at its April review last week, as widely expected. The accompanying short record of meeting noted the downside risk to inflation and growth from recent global developments. This suggests the RBNZ's rate expectations must be lower than in its last full set of forecasts from February. Indeed, the ground underneath has shifted considerably since then. We stick with our long-held view that the OCR will continue to be reduced and fall below 3%.

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

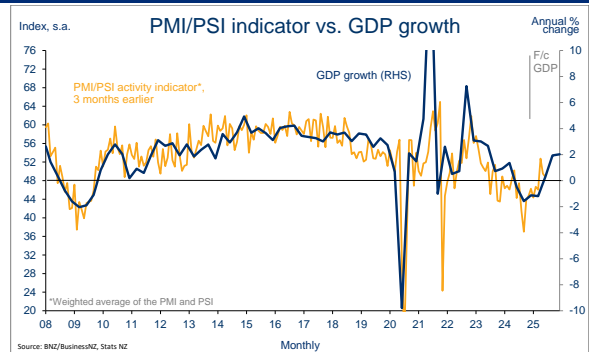
### Below 50



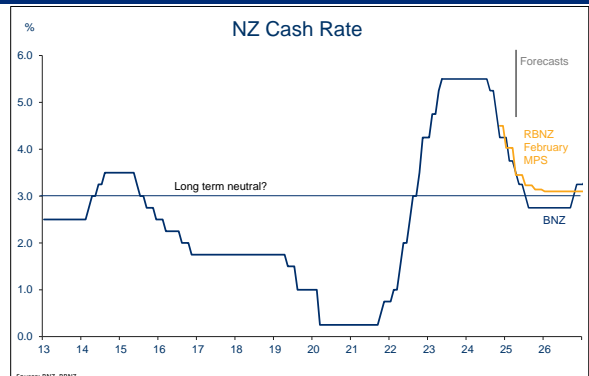
### NZ economy underperforming



### Modest growth expected



### More cuts ahead



# Contact Details

## BNZ Research

**Stephen Toplis**  
Head of Research

**Doug Steel**  
Senior Economist

**Matt Brunt**  
Economist

**Jason Wong**  
Senior Markets Strategist

**Stuart Ritson**  
Senior Interest Rate Strategist

**Mike Jones**  
BNZ Chief Economist

## Main Offices

**Wellington**  
Level 2, BNZ Place  
1 Whitmore St  
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.