

Research Services Landscape

13 October 2025

Doing it tough

The Performance of Services Index (PSI) continues to suggest downside risk to New Zealand’s forecast economic recovery. Yes, the PSI nudged up from 47.6 to 48.3, but such a level is hardly reason to celebrate. Service sector conditions remain challenging. In a similar vein to the Performance of Manufacturing Index (PMI) on Friday, the average PSI for Q3 (48.3) was marginally above its average for Q2 (46.7). In isolation, the combined PMI/PSI activity indicator warns of economic growth struggling to gain traction.

Demand subdued

Looking across the five PSI sub-indexes, the weakness in September was broad based. The PMI activity/sales index (47.8) and PMI new orders/business index (49.6) both lifted but remain the furthest below their historical average. Subdued demand appears to be the key factor limiting service sector activity. Indeed, 63% of respondents in the latest Quarterly Survey of Business Opinion (QSBO) said that demand was their primary constraint. Slow population growth, linked to low net immigration, is one factor behind subdued demand.

Housing

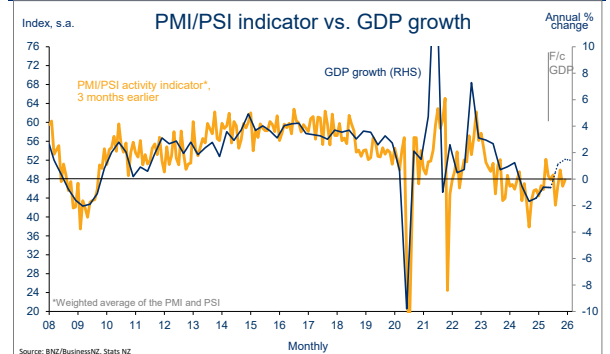
Recently released data for the June 2025 quarter show that household net wealth is at the same level it was back in December 2021. After adjusting for inflation, it is well below. House prices are 15% below their late 2021 peak, and this has been widely felt across the economy. The PSI property and business services index has averaged 48.5 over the last 12 months. More encouragingly, activity in the housing market is well above previous lows as lower interest rates offer support.

Employment

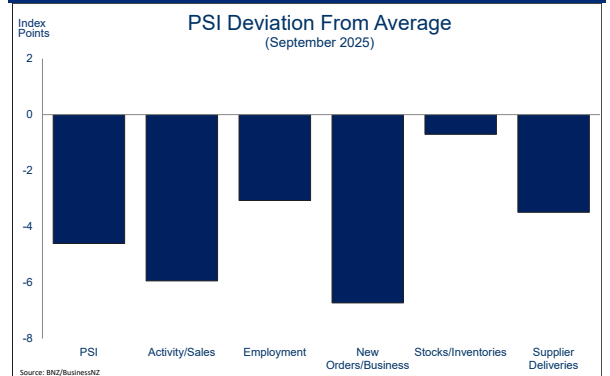
The soft labour market is weighing on consumer confidence. We have been warning for some time that the labour market will lag New Zealand’s economic recovery. In September, the PSI employment index was the weakest sub-index and eased slightly from 48.4 to 47.8. It suggests current employment conditions are subdued, even if other indicators like new job ads and QSBO hiring intentions suggest that the worst for employment may be behind us.

doug_steel@bnz.co.nz / matt_brunt@bnz.co.nz

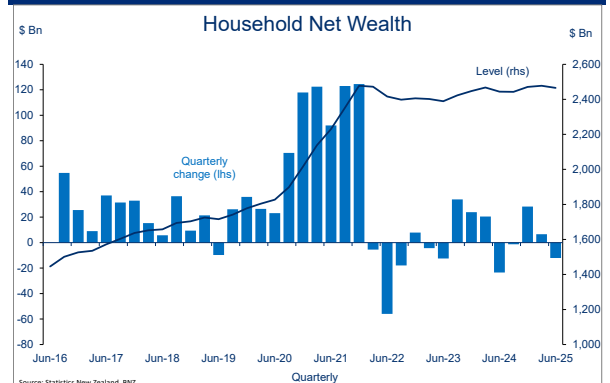
Minimal growth warning



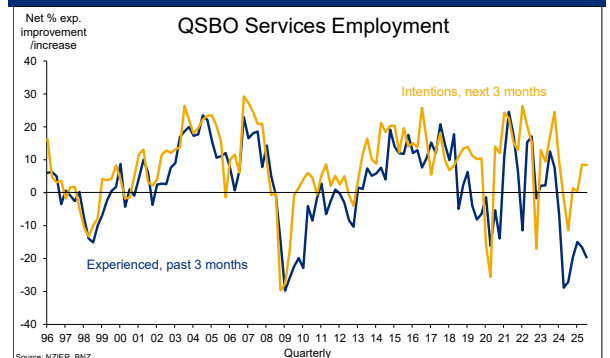
Below average



Flat



Mixed picture



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.