Research

Services Landscape

14 September 2026

Fragile but improving

The services sector continues to move forward, albeit at a slow pace. The Performance of Services Index (PSI) reached 51.2 in August, above last month's 50.6 print but below its long-term average of 52.7. That said, the PSI's three-month moving average keeps rising and, at 50.9, is at its highest level since July 2023. This gives some confidence that the sector is trending upwards, even if the recovery remains fragile.

New orders lead the way

Last Friday's Performance of Manufacturing Index (PMI) indicated broadening improvement in the manufacturing industry. Unfortunately, this is not the story for services. New orders, at 55.2, continues to hold up the PSI and offers hope for broader improvement ahead. However, all subindexes remain below their long-term averages. Activity/sales dipped back below the breakeven 50 mark over the month and while the employment index improved (to 49.4 from 48.5 in July), it continues to suggest employment is declining, as it has done since late 2023.

Most industries expanding

On an unadjusted basis, most industries expanded over August, albeit at varying paces. Transport and storage had the strongest read of 64.1, unsurprising given its association with the strong external sector. Industries most sensitive to consumers' disposable incomes were uninspiring, but their PSI readings improved. Retail (only just) creeped above 50 for the first time since January. Meanwhile, accommodation, cafes and restaurants failed to expand but rose 12.5 points to 49.2. Some better readings, but these indexes could easily slip back especially with oil prices rising as they are, again weighing on disposable incomes.

A positive outlook for GDP remains

The PMI and PSI together gives a composite activity indicator consistent with annual GDP growth of around 2% y/y. This is broadly in line with our GDP growth forecasts for the second half of the year. While this is positive news, given the relative size of services in the economy, the rate of GDP growth will be constrained until the expansion in this industry gathers pace.

Q2 GDP data released on Thursday will set the starting point for GDP into the second half of this year.

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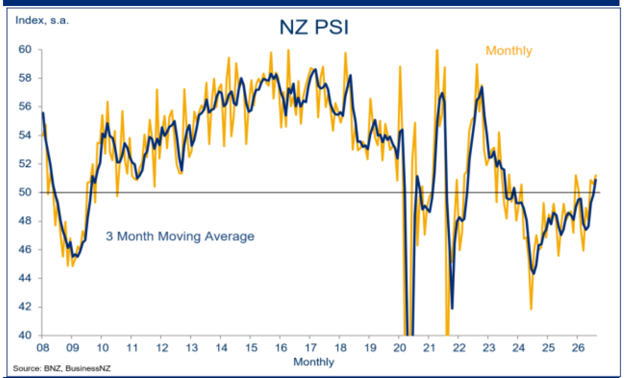
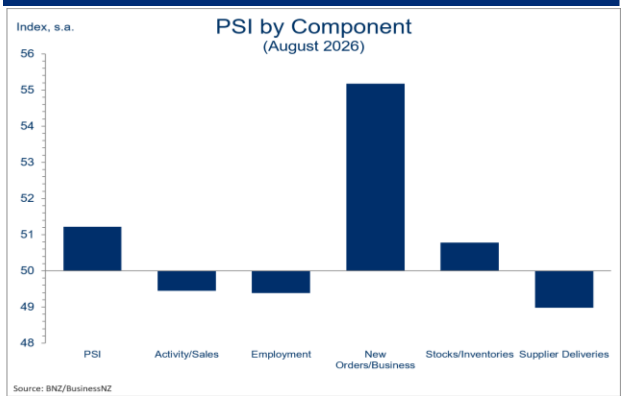
Moving upward...slowly



New orders ahead of the game



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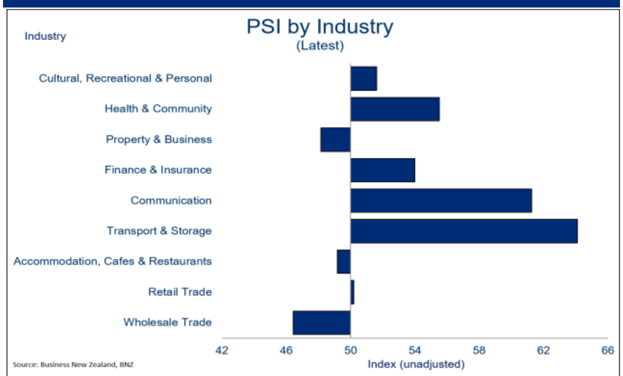
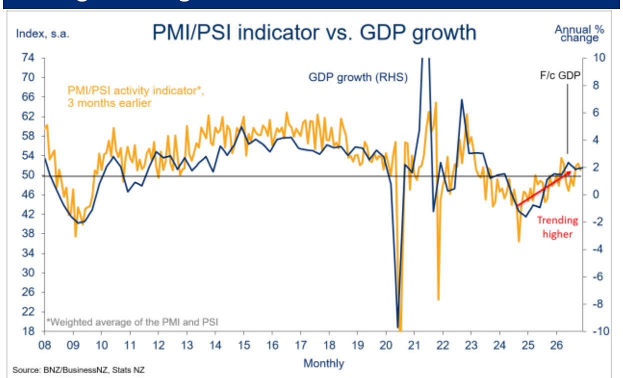


Moving in the right direction



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