Research

Services Landscape

17 August 2026

Inching forward

Last Friday's Performance of Manufacturing Index (PMI) for July couldn't match its June stellar outcome, but it was still firmly above average. And some recent construction indicators like concrete production and residential building consents were well above year earlier levels pointing to some growth there too. Meanwhile, strong export returns continue to pulse through many primary sectors and regional economies. In contrast, the services sector is only inching forward according to the Performance of Services Index (PSI).

Underwhelming

The PSI was 50.6 in July. Not far from June's 50.9 outcome but still above the breakeven 50 mark for the second consecutive month. The positive take is that this represents progress with the past two months having shown better readings than for most of the past three years. Moreover, the activity/sales index rose above 50 for the first time in six months. On the other hand, the PSI is only just above breakeven and most sub-indexes are below their long-term averages (stock/inventories is the exception and not necessarily a positive sign). All this indicates a below average rate of service sector expansion with no signs of acceleration in July. That is disappointing.

Employment weak

Disconcertingly, the small steps forward haven't been enough to encourage service sector employment growth. The PSI employment index remained stuck below 50, at 48.5 in July, for the 32nd consecutive month. Given the size of New Zealand's services sector, there seems little chance of the unemployment rate falling until meaningful services' job growth returns. The PSI suggests this didn't happen in July.

Net positive

Combining the (strongly positive) PMI and (just positive) PSI activity components, yields a composite indicator consistent with annual GDP growth of around 2% y/y. That is broadly in line with our own forecasts. Positive, but a rate of growth that will take some time to generate sufficient additional employment to reduce the unemployment rate.

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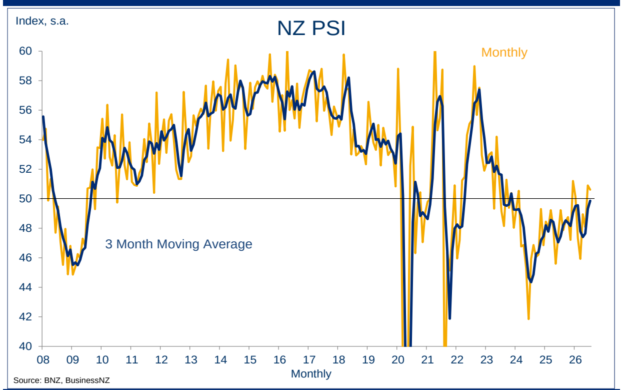
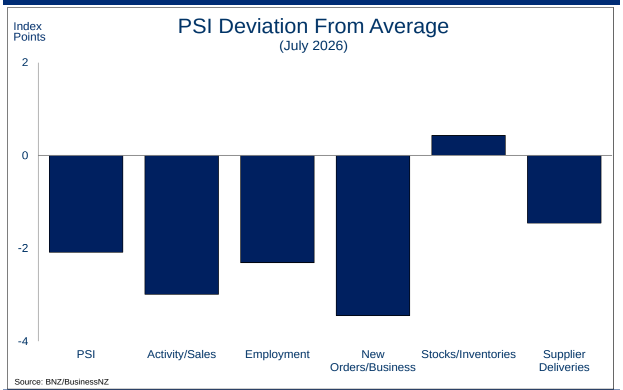
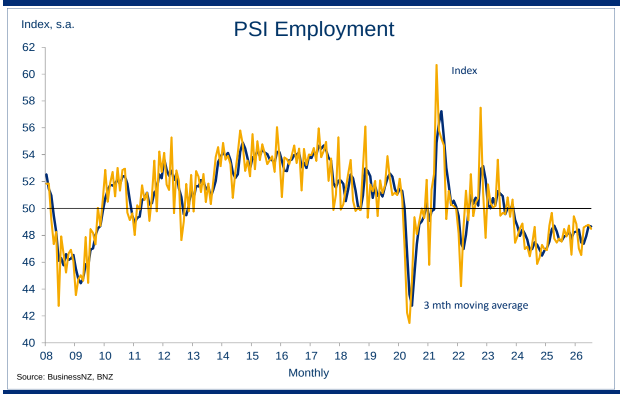
Nose above water



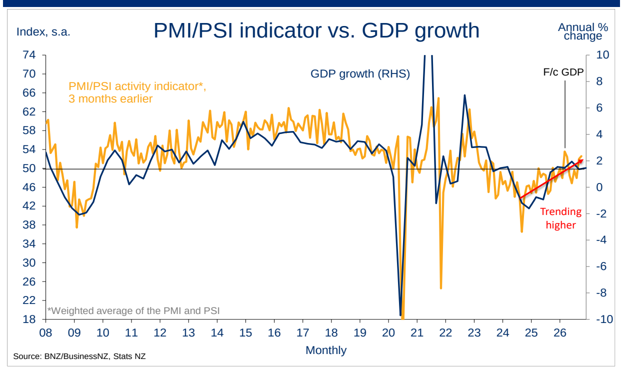
Below average



Weakness persists



PMI/PSI



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