

Research Services Landscape

15 June 2026

No reprieve

There was a brief period around the start of this year when the Performance of Services Index (PSI) poked its nose above the breakeven 50 mark. It was short-lived, not helped by a sharp spike in fuel prices pressuring consumers and businesses alike. Fuel prices have retraced from extreme highs but remain elevated. The PSI has oscillated in contractionary territory over recent months, dipping to 47.5 in May from 48.7 in April. It indicates a sector struggling to get its head back above water.

Below average

Disconcertingly, weakness was widespread in May. All major PSI components recorded a sub-50 reading in the month. Activity/sales and new orders were the most downbeat at 44.7 and 47.6 respectively, leaving these components furthest below their historical norms. The PSI employment index remains weak, posting its 30th consecutive month under 50, and consistent with our view that there is upward pressure on the unemployment rate.

Early year lift gone

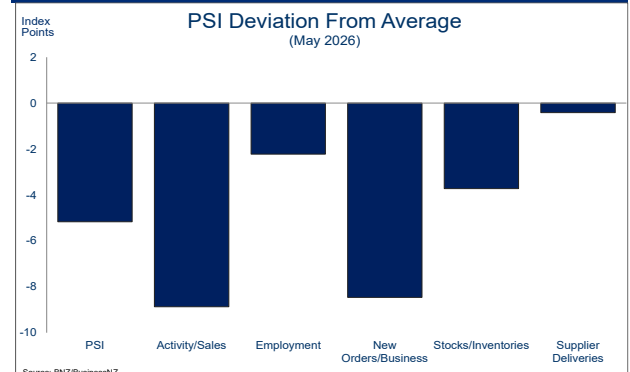
Earlier this year, the activity/sales component was the strongest of the sub-indices at a solid 53.6 in January. That early year buoyancy was reflected in last week's Stats NZ business and financial data showing a solid increase in Q1 service sector sales. We expect this to be reflected in the service sector making a strong positive contribution to Q1 GDP growth in data to be released this Thursday. The PSI indicates Q1 strength vanished in Q2. Friday's Performance of Manufacturing Index (PMI) also shows a loss of momentum, although that index did manage to hold near 50. The combined activity component of the PMI and PSI indicates weakness. It is a salient reminder not to get too excited if this week's first quarter GDP data are as strong as we think they will be at around 0.9% q/q.

A look over the ditch

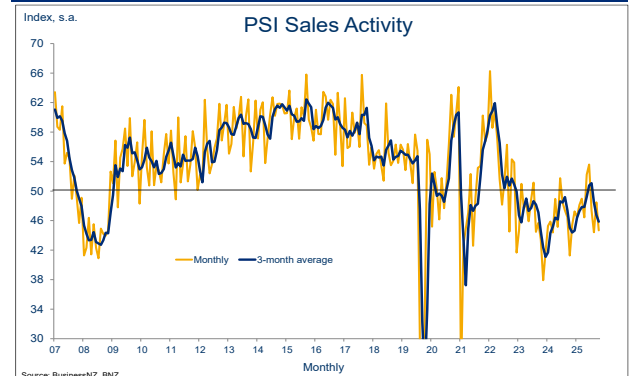
Australia's PSI has tended to be stronger than NZ's over the past couple of years. But it has taken a noticeable step down recently. It was 48.7 in May. A softer Australian PSI is not ideal for NZ, even if the gap between the two has closed. But closer outcomes can influence, and be reflected in, the movement of labour and capital. Net migration from NZ to Australia continues but has shown signs of stabilisation recently. The NZD/AUD exchange rate has fallen around 11% over the past year but with some signs that the low may have passed.

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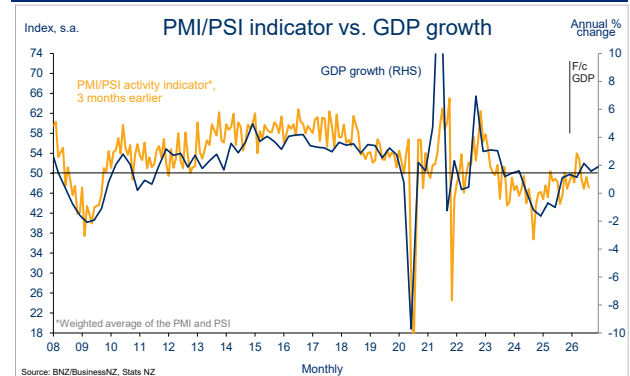
All below average



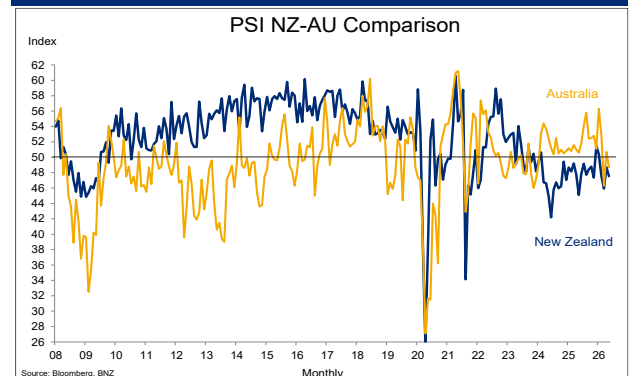
Early year lift, history



Strong Q1 GDP to be followed by weak Q2



Trans-Tasman closeness



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