14 September 2020

The PSI

With New Zealand shifting back up COVID alert levels on 12 August, it was no surprise to see August's Performance of Services Index (PSI) dip. Its seasonally adjusted index fell to 46.9, from 54.4 in July. The dent was evident across its range of principle components. However, Activity/Sales (43.8) and New Orders/Business (47.1) were the ones languishing most noticeably below their respective long-term averages. The PSI Employment index, at 47.0, was doing a better job of keeping in touch with its norm (of 51.4) but was nonetheless still on the wrong side of 50, for the sixth month running.

Regional Reach

With greater Auckland spending the second half of August under level-3 restriction, there was little news in the fact the PSI's Northern zone saw a further sag in its (unadjusted) index – to 43.6, from 46.0. That said, it was Otago/Southland that suffered by far the biggest drop, to the lowest level, with its index slumping to 34.2, from a bumper 63.4 back in July. The downturn was even clearer in the region's Activity/Sales index, which crumbled to 26.9, from 70.0. The Central and Canterbury/Westland regions exhibited steadiness, with readings of 50.0 and 49.9 respectively.

Industry Impacts

The big hit to Otago/Southland's PSI in August gels with the fact Aucklanders were largely prevented from travelling to other parts of the country over the second half of August. And Otago is a popular destination during the winter, especially for its famed ski fields. This, in turn, ties in with the fact Accommodation, Cafes & Restaurants clocked the biggest hit in August. Its (unadjusted) index slumped to 26.9, from a buoyant 65.9 in July. The Retail Trade component of the PSI was also very much on the weak side, with 28.4, from 57.8. Even so, we note national electronic card transactions slipped a relatively moderate 7.0% in August, to be down just 3.5% from last year's (COVID-free) August.

GDP Scoping

Given the obvious reason for their wobbles in August, the PSI (46.9), and PMI (50.7), still seemed consistent with an underlying improvement in the economy, from the huge hit it took back in March/April. Combined into a Composite Index (PCI), they hardly expunge the notion that GDP is on course to rebound markedly in Q3, after posting a clear drop in Q2 (in figures due Thursday). That said, we also expect GDP to go on to post a dip in Q4 – even on the assumption the country moves back down to alert level 1 before too much longer.

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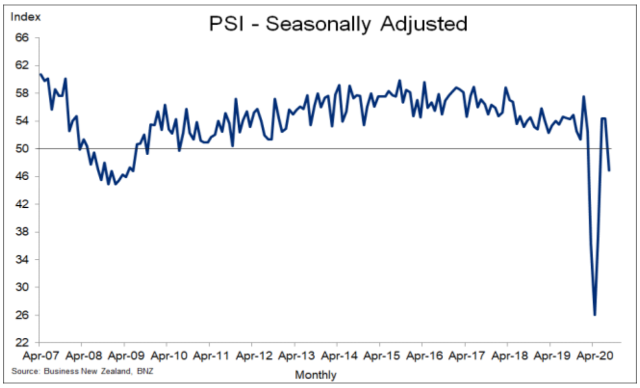
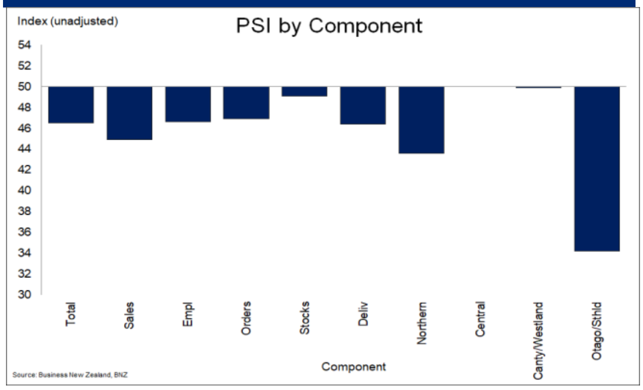
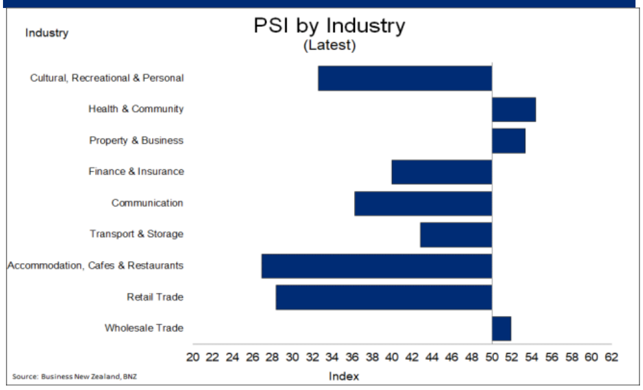
Restricted Anew



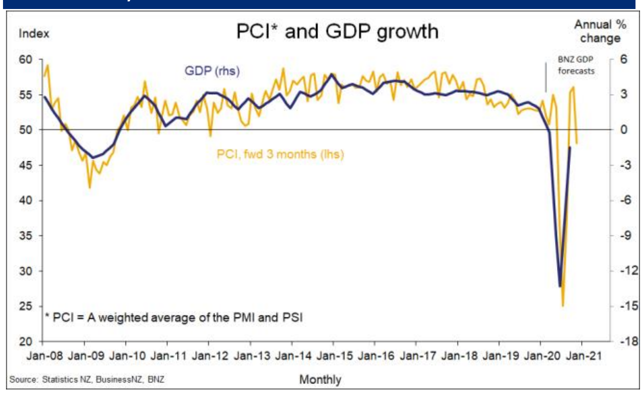
Auckland's Pain Felt Elsewhere



Understandable



Still Broadly Much Better



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