

BNZ – BUSINESSNZ PERFORMANCE OF SERVICES INDEX

No Christmas Joy

21 Jan 2025

47.9

December

-1.2

Monthly Change

Contracting

Faster Rate

New Zealand's services sector exhibited a faster rate of contraction during December, according to the BNZ – BusinessNZ Performance of Services Index (PSI).

The PSI for December was 47.9 (A PSI reading above 50.0 indicates that the service sector is generally expanding; below 50.0 that it is declining). This was down 1.2 points from November and well below the average of 53.1 over the history of the survey.

BusinessNZ's CEO, Katherine Rich said that the sector has now been in contraction for ten consecutive months, which has meant a tough 2024 for those businesses trying to keep their heads above water during the wider economic recession. The key sub-index of Activity/Sales (46.2) displayed increased contraction during December, although New Orders/Business (49.5) remained at the same value as November. The Employment Index (47.4) displayed its highest value since August 2024, while both Stocks/Inventories (48.8) and Supplier Deliveries (47.7) both fell back into contraction.

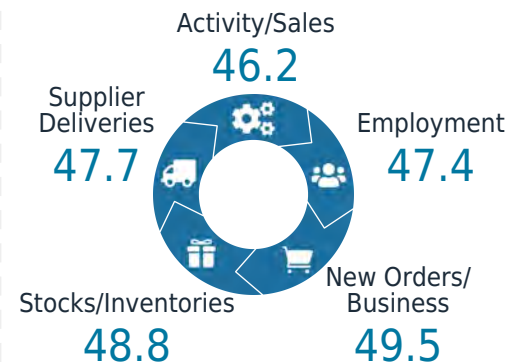
The proportion of negative comments for December stood at 57.5%, up from 53.6% in November but down from 59.1% in October. Respondents' comments were heavily focused on the cost of living and the general economic climate/recession.

BNZ's Senior Economist Doug Steel said that "comparing across our key trading partners, New Zealand has the only PSI in contraction. Our neighbour Australia is the closest comparison, but their equivalent PSI is sitting more comfortably at 50.8".

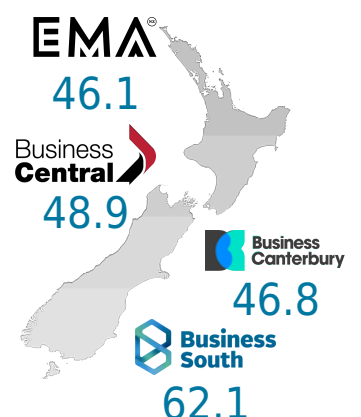


Katherine Rich
CEO, BusinessNZ

Main Indices



Regional Results



[VIEW THE TIME SERIES DATA](#)



Services Landscape

Return to reality

The Performance of Services Index (PSI) eased from 49.1 to 47.9 in December. The latest outturn is a reality check after its near-50 reading in November, and a reminder of soft activity underfoot.

[Read more](#)

Labour market deteriorating at a slower pace

The PSI employment index nudged up from 46.7 to 47.4 and was the only sub-index to improve in December. It remains well below 50, but the direction of change is encouraging.

[Read more](#)

NZ economy still underperforming

Comparing across our key trading partners, New Zealand has the only PSI in contraction. Our neighbour Australia is the closest comparison, but their equivalent PSI is sitting more comfortably at 50.8.

[Read more](#)

Not getting carried away

Combining the PSI and the PMI, the Composite Index (PCI) suggests some downside risk to our near-term growth forecasts.

[Read more](#)



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[VIEW FULL BNZ SERVICES SNAPSHOT](#)

Sponsor Statement

BNZ is delighted to be associated with the Performance of Services Index (PSI) and BusinessNZ. This association brings together the significant experience of leading business advocacy body BusinessNZ, and business finance specialist BNZ. We look forward to continuing our association with BusinessNZ and associated regional organisations, and to playing our part in the ongoing development of the New Zealand service sector.

[View Website](#)

PSI Time Series Table

The results are seasonally adjusted.

National Indicies	Dec 2023	Aug 2024	Sep 2024	Oct 2024	Nov 2024	Dec 2024
BNZ - BusinessNZ PSI	48.8	45.9	45.7	46.0	49.1	47.9
Activity/Sales	46.8	44.5	45.6	44.3	48.3	46.2
Employment	47.8	49.0	45.7	46.4	46.7	47.4
New Orders/Business	50.0	47.1	46.8	47.9	49.5	49.5
Stocks/Inventories	51.4	45.6	47.5	47.8	52.0	48.8
Supplier Deliveries	50.2	44.2	44.2	47.7	52.5	47.7

[VIEW THE TIME SERIES DATA](#)

BNZ - BusinessNZ PSI Time Series

January 2019 - December 2024

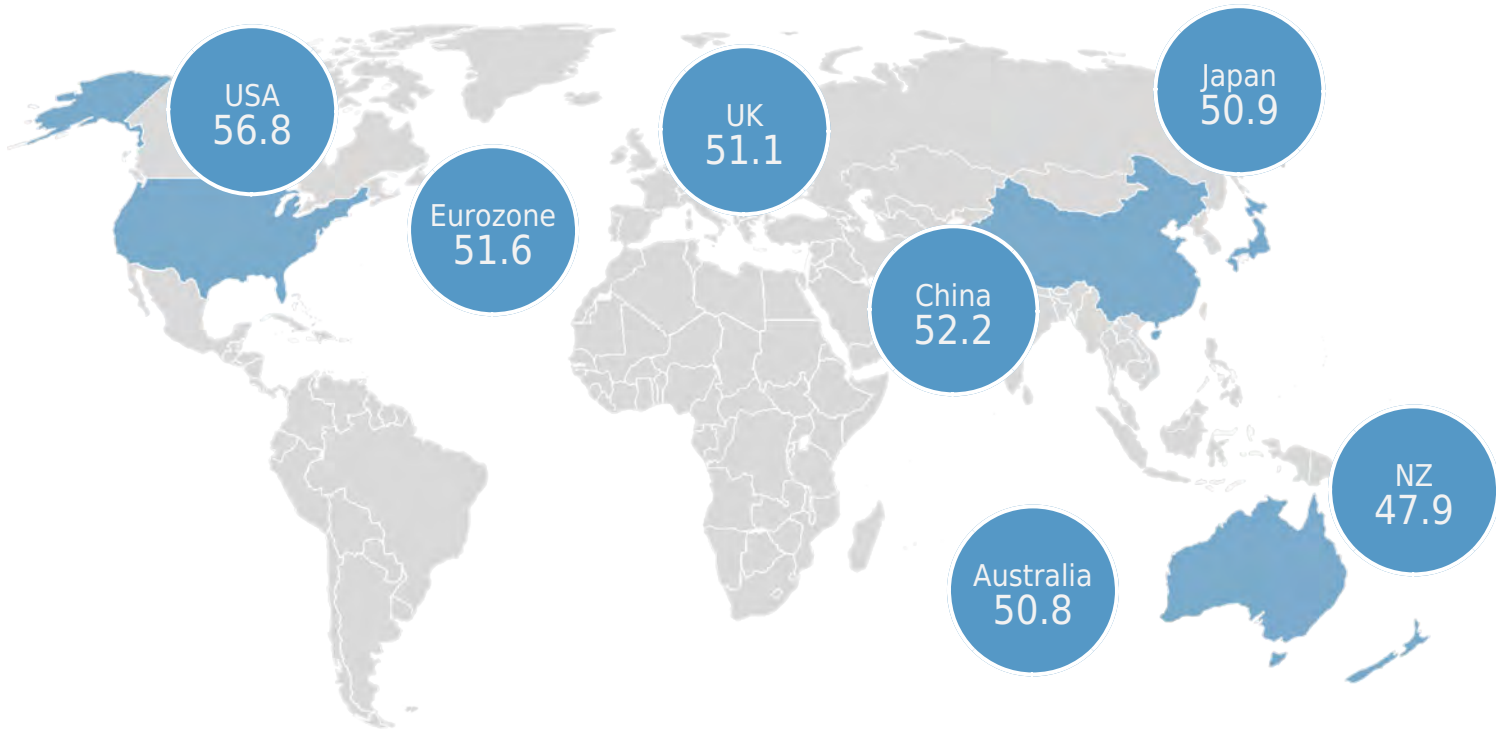


International Results

J.P. Morgan Global Manufacturing PSI™

06 Jan 2025

53.8



BNZ – BUSINESSNZ PERFORMANCE OF COMPOSITE INDEX

47.9

GDP-Weighted Index

47.3

Free-Weighted Index

The seasonally adjusted BNZ – BusinessNZ Performance of Composite Index or PCI (which combines the PMI and PSI) saw both measures deteriorate during December.

The December GDP-Weighted Index (47.9) decreased 1.0 point from November, while the Free-Weighted Index (47.3) fell 0.3 points.

BNZ - BusinessNZ PCI Time Series

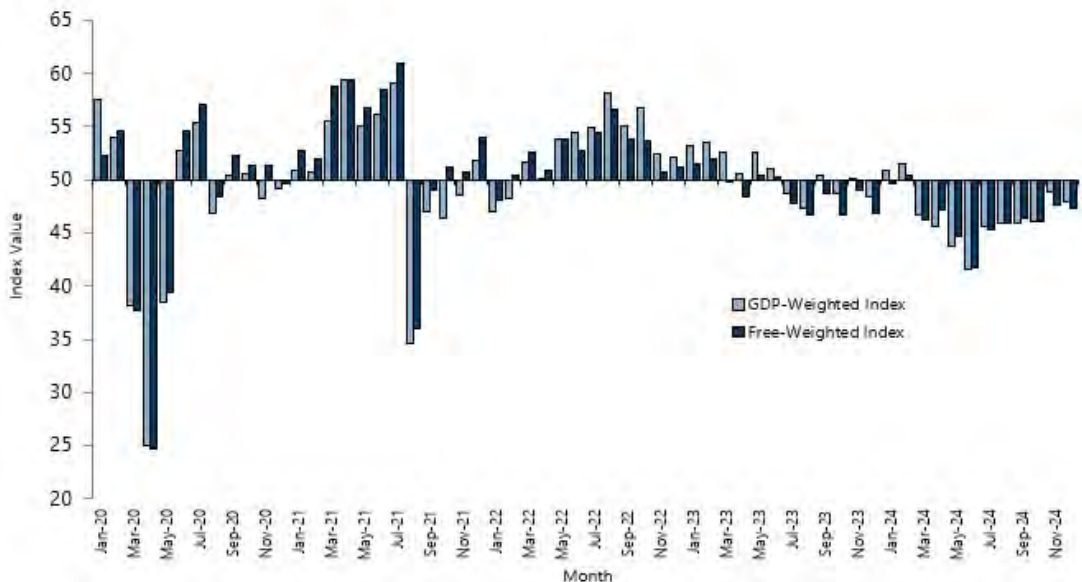
The results are seasonally adjusted.

National Indices	Dec 2023	Aug 2024	Sep 2024	Oct 2024	Nov 2024	Dec 2024
GDP-Weighted Index	48.4	46.0	46.0	46.1	48.9	47.9
Free-Weighted Index	46.9	45.9	46.4	46.1	47.6	47.3

[VIEW THE TIME SERIES DATA](#)

BNZ - BusinessNZ PCI Time Series

January 2020 - December 2024



About the PSI

The BNZ - BusinessNZ Performance of Services Index is a monthly survey of the service sector providing an early indicator of activity levels. A PSI reading above 50 points indicates service activity is expanding; below 50 indicates it is contracting. The main PSI and sub-index results are seasonally adjusted.

About the PCI

The BNZ - BusinessNZ Performance of Composite Index (PCI) takes into account results from both the Performance of Manufacturing Index (PMI) and the Performance of Services Index (PSI). Combined results are shown in two ways:

- **GDP-Weighted Index:** Apportions the weight of the manufacturing and services index within the economy to produce an overall result.
- **Free-Weighted Index:** Combines data from both indexes to produce an overall result. Both time series for the PCI are then seasonally adjusted.

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Technical **Comment**

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Our Contributors

The BNZ - BusinessNZ psi contains data obtained through BusinessNZ's regional organisations



Research Services Landscape

21 January 2025

Return to reality

The Performance of Services Index (PSI) eased from 49.1 to 47.9 in December. The latest outturn is a reality check after its near-50 reading in November, and a reminder of soft activity underfoot. The monthly decrease was mostly driven by the supply side, as the PSI supplier deliveries index (47.7) and PSI stocks/inventories index (48.8) both fell back below 50. Providing some hope, the three-month moving average for the PSI has been steadily moving towards breakeven over the last five months.

Labour market deteriorating at a slower pace

The PSI employment index nudged up from 46.7 to 47.4 and was the only sub-index to improve in December. It remains well below 50, but the direction of change is encouraging. In the latest NZIER Quarterly Survey of Business Opinion (QSBO), a net 3% of services sector firms say they are looking to hire staff. Be that as it may, the labour market still looks extremely soft. Our economic forecasts are for the labour market to lag, such that the unemployment rate pushes a bit higher before peaking.

NZ economy still underperforming

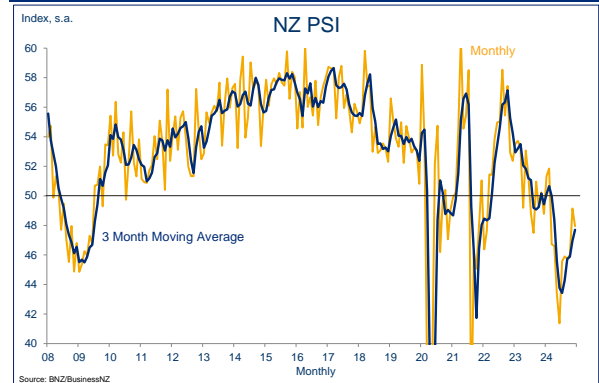
Comparing across our key trading partners, New Zealand has the only PSI in contraction. Our neighbour Australia is the closest comparison, but their equivalent PSI is sitting more comfortably at 50.8. Of note, the US economy continues to outperform its peers. Contrasting economic fortunes between the US and NZ economy were a key driver of another hefty fall in the New Zealand dollar in December. Results well below 50 in NZ for both the PSI and the Performance of Manufacturing Index (PMI) continue to highlight broad-based weak demand.

Not getting carried away

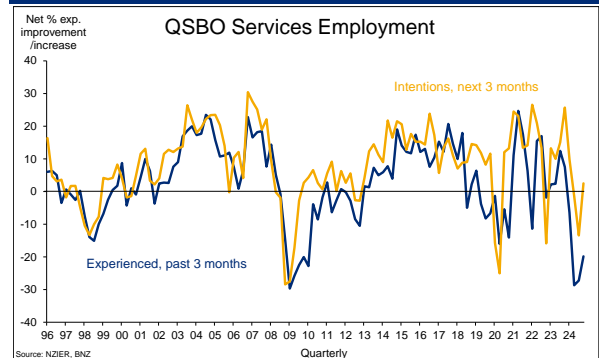
Combining the PSI and the PMI, the Composite Index (PCI) suggests some downside risk to our near-term growth forecasts. Historical revisions show GDP was slightly better over 2023 and early 2024 than previously assumed. However, they also show a faster deterioration in Q2 and Q3 2024 than expected. The updated data better matches the weakness observed in our PCI indicator across the middle of 2024. Economic turning points are messy. While some indicators (e.g. business confidence) are suggesting a turnaround, others like the PCI suggest that it could take some time for it to feel like a recovery.

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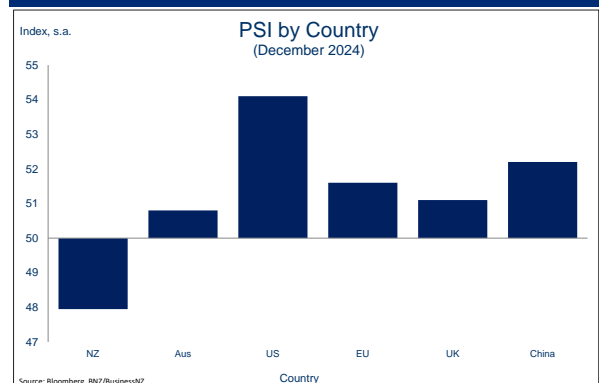
Not there yet



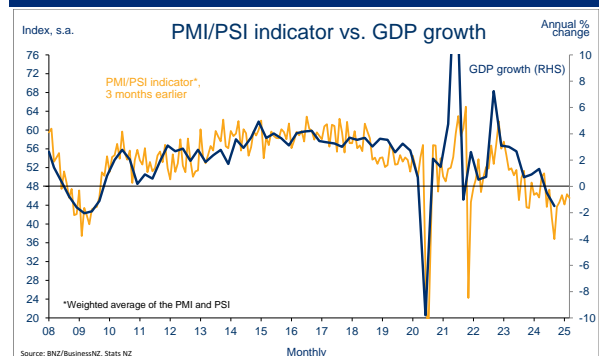
Intentions and experienced diverging



US economic outperformance



Struggling for traction



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