# BNZ – BUSINESSNZ PERFORMANCE OF SERVICES INDEX

## Treading water

18 Aug 2025

| 48.9 | +1.3 | Contracting |
|---|---|---|
| July | Monthly Change | Slower Rate |

New Zealand's services sector continued to display contraction for a sixth consecutive month, according to the BNZ – BusinessNZ Performance of Services Index (PSI).

The PSI for July was 48.9 (A PSI reading above 50.0 indicates that the service sector is generally expanding; below 50.0 that it is declining). Although the PSI again improved from its previous month's value, it was still well below the average of 52.9 over the history of the survey.

BusinessNZ's CEO, Katherine Rich said that while the July result was a continued improvement from 44.3 posted in May, the sector has not experienced expansion for 17 consecutive months. For the sub-index results, Activity/Sales (47.5) was still unable to exhibit any expansion, while New Orders/Business (50.0) displayed no change. Stocks/Inventories (51.4) did show expansion for the second consecutive month, although Employment (47.1) remained in contraction for 20 consecutive months.

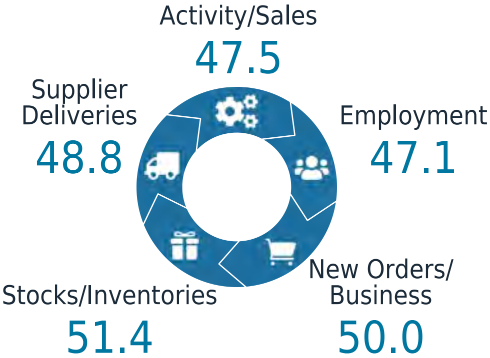
The proportion of negative comments for July (58.5%) was down from June (66.2%) and May (65.6%). Service sector businesses reported declining sales, reduced spending, and low confidence due to cost-of-living issues, inflation, high interest rates, and a slow economy. Other challenges included seasonal downturns, weather impacts, rising costs, staffing issues, and uncertainty from global conditions.

BNZ's Senior Economist Doug Steel said that "combined with recent improvement in the Performance of Manufacturing Index (PMI), electronic card transactions and ANZ's Truckometer, there are accumulating early signs of life in the economy".

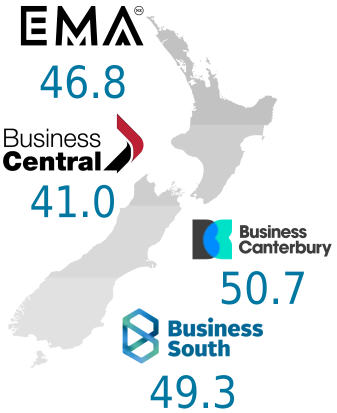
VIEW THE TIME SERIES DATA

Katherine Rich
CEO, BusinessNZ

Main Indices




Regional Results



## *Services Landscape*

### Do we dare to believe?

As July's economic indicators trickle in, we are starting to wonder if the tide in the economy is turning. That is our forecast. However, it is good to start seeing some evidence.

*Read more*

### Further lift needed

To be consistent with the sort of economic growth we are forecasting, which is similar to the RBNZ's expectations, the combined PMI/PSI activity indicator needs to lift to around 53.

*Read more*

### Contracting at a slower pace

Economic turning points are inherently difficult to forecast. In absolute terms, service sector conditions remain extremely challenging.

*Read more*

### Labour market soft

The PSI employment index (47.1) was the only sub-index to fall in July. It has now been below the breakeven mark for a record 20 consecutive months, longer than the global financial crisis.

*Read more*

Doug Steel
Senior Economist, BNZ

**VIEW FULL BNZ SERVICES SNAPSHOT**

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## PSI Time Series Table

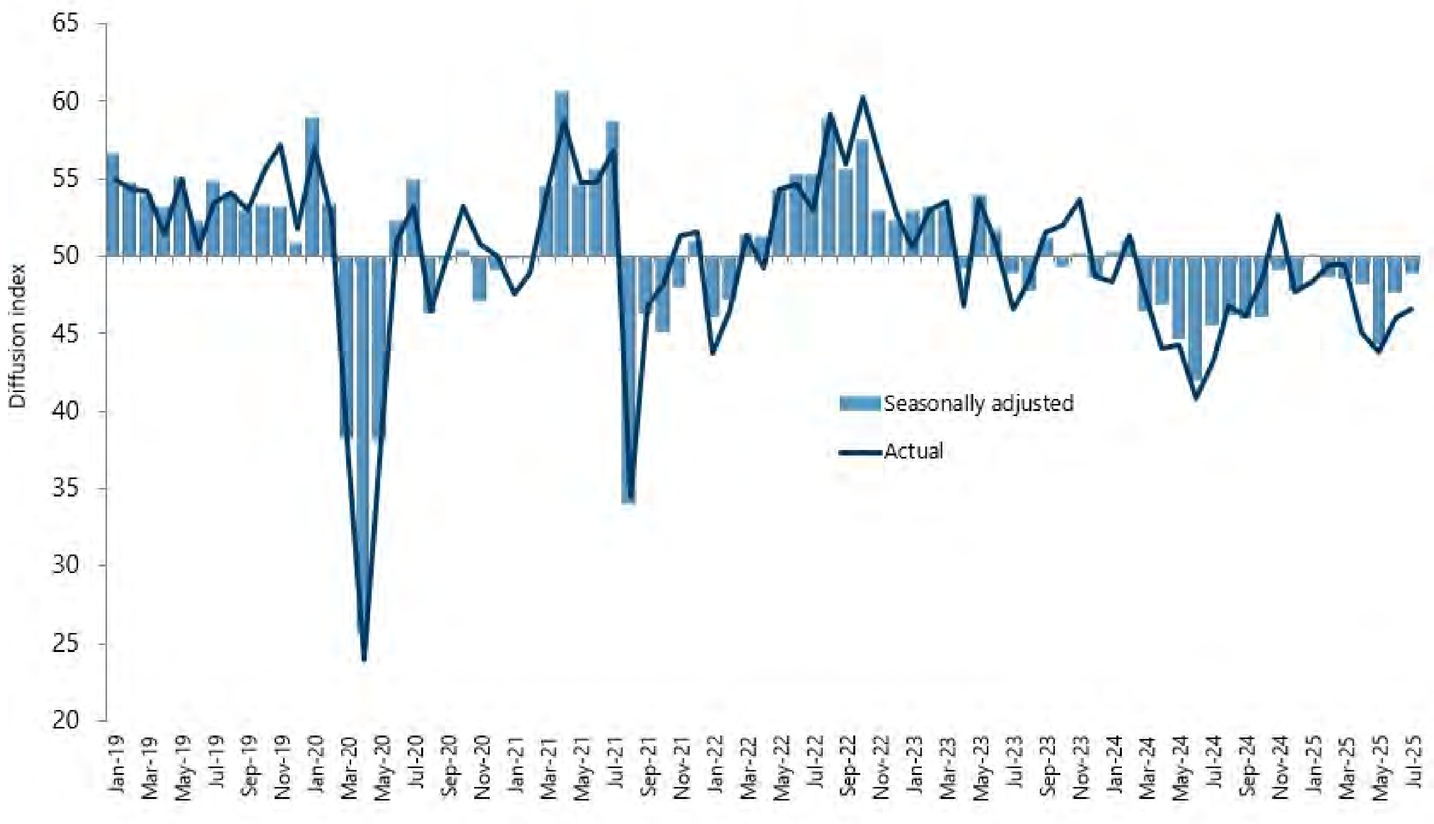
The results are seasonally adjusted.

| National Indicies | Jul 2024 | Mar 2025 | Apr 2025 | May 2025 | Jun 2025 | Jul 2025 |
|---|---|---|---|---|---|---|
| BNZ – BusinessNZ PSI | 45.5 | 48.5 | 48.2 | 44.3 | 47.6 | 48.9 |
| Activity/Sales | 42.1 | 46.7 | 46.8 | 40.6 | 45.1 | 47.5 |
| Employment | 47.0 | 49.8 | 47.8 | 47.0 | 47.4 | 47.1 |
| New Orders/Business | 47.7 | 50.3 | 50.2 | 43.5 | 49.0 | 50.0 |
| Stocks/Inventories | 45.7 | 48.8 | 48.5 | 49.1 | 50.8 | 51.4 |
| Supplier Deliveries | 41.4 | 48.2 | 45.7 | 45.7 | 47.0 | 48.8 |

VIEW THE TIME SERIES DATA

## BNZ – BusinessNZ PSI Time Series

January 2019 – July 2025

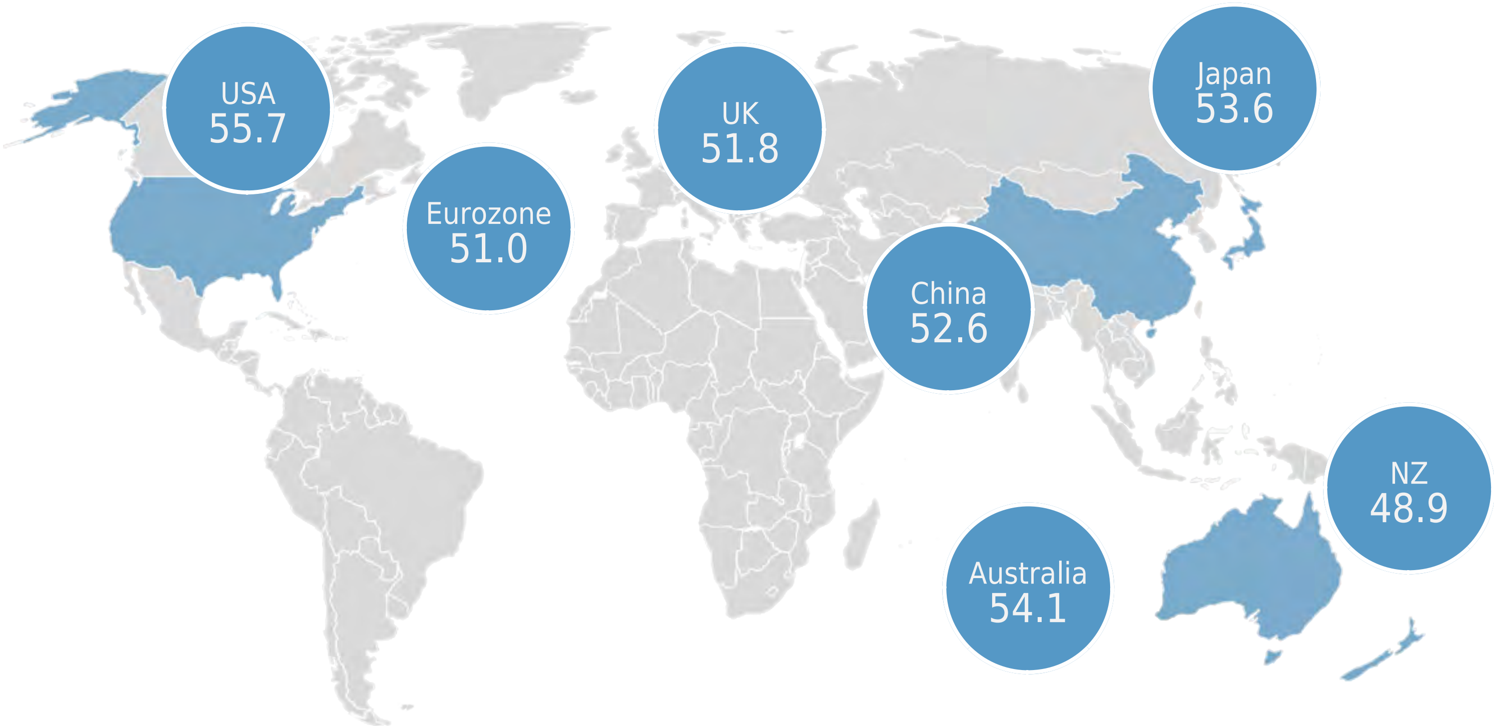


# International Results

J.P. Morgan Global Manufacturing PSI™

06 Aug 2025

**53.4**



# BNZ – BUSINESSNZ PERFORMANCE OF COMPOSITE INDEX

**49.4**
GDP-Weighted Index

**50.5**
Free-Weighted Index

The seasonally adjusted BNZ – BusinessNZ Performance of Composite Index or PCI (which combines the PMI and PSI) showed contrasting results during July.

The July GDP-Weighted Index (49.4) displayed a higher value than June, although still in contraction. The July Free-Weighted Index (50.5) returned to expansion after two months in contraction.

## BNZ – BusinessNZ PCI Time Series

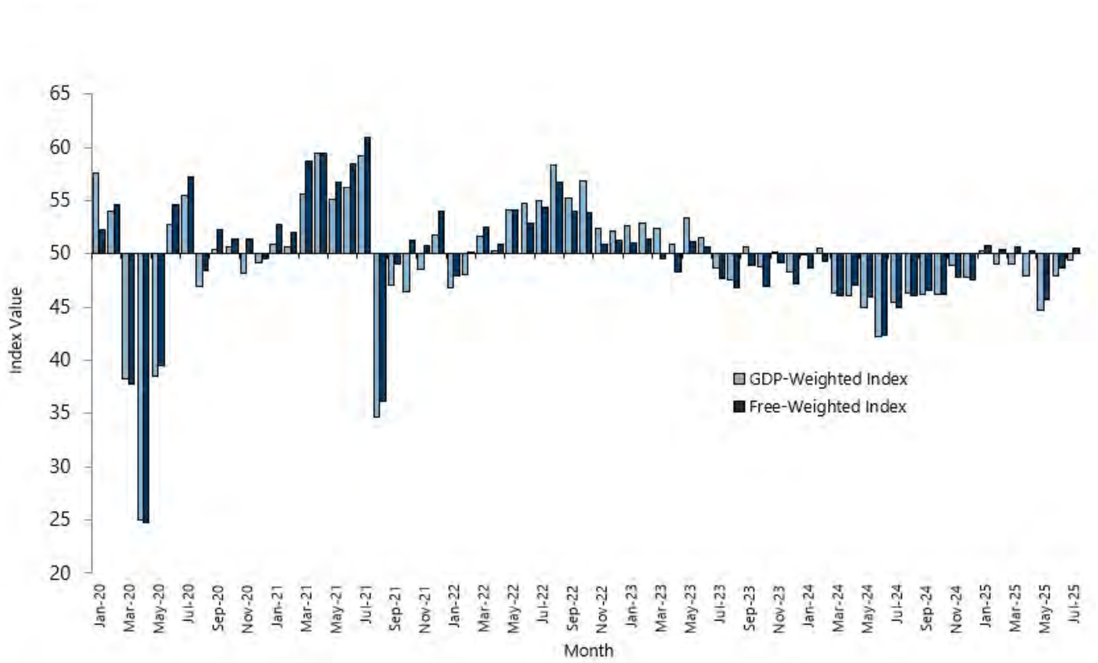
The results are seasonally adjusted.

| National Indicies | Jul 2024 | Mar 2025 | Apr 2025 | May 2025 | Jun 2025 | Jul 2025 |
|---|---|---|---|---|---|---|
| GDP-Weighted Index | 45.4 | 49.0 | 47.9 | 44.6 | 47.9 | 49.4 |
| Free-Weighted Index | 45.0 | 50.6 | 50.2 | 45.6 | 48.7 | 50.5 |

**VIEW THE TIME SERIES DATA**

## BNZ – BusinessNZ PCI Time Series

January 2020 – July 2025



## 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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## Our Contributors

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

Research

# Services Landscape

18 August 2025

**Do we dare to believe?**

As July's economic indicators trickle in, we are starting to wonder if the tide in the economy is turning. That is our forecast. However, it is good to start seeing some evidence. The Performance of Services Index (PSI) lifted from 47.6 to 48.9 in July. Yes, the PSI is still below the breakeven 50 mark, but it has nudged higher again and is well off its recent low of 44.3 in May. Combined with recent improvement in the Performance of Manufacturing Index (PMI), electronic card transactions and ANZ's Truckometer, there are accumulating early signs of life in the economy.

**Further lift needed**

To be consistent with the sort of economic growth we are forecasting, which is similar to the RBNZ's expectations, the combined PMI/PSI activity indicator needs to lift to around 53. July's 49.8 is a lot closer to that than was May's 42.5. The RBNZ is widely expected to cut the Official Cash Rate (OCR) by 25 basis points to 3.0% at its decision on Wednesday. If the PMI/PSI activity indicator fails to move higher in the months ahead, it will increase the likelihood of more than one OCR cut.

**Contracting at a slower pace**

Economic turning points are inherently difficult to forecast. In absolute terms, service sector conditions remain extremely challenging. The PSI (48.9) is still well below its long run average (52.9). However, four of the five PSI sub-indices moved in the right direction in July. Becoming less negative is often the first step to being outright positive. This dynamic may be what is happening with the PSI.

**Labour market soft**

The PSI employment index (47.1) was the only sub-index to fall in July. It has now been below the breakeven mark for a record 20 consecutive months, longer than the global financial crisis. As New Zealand's largest employer, the service sector has a major bearing on the broader labour market. Official statistics continue to show weak labour demand, with Q2 employment down 0.9% on year earlier levels. Our forecasts incorporate a gradual turn in the labour market, but for any improvement to lag the broader economic recovery.

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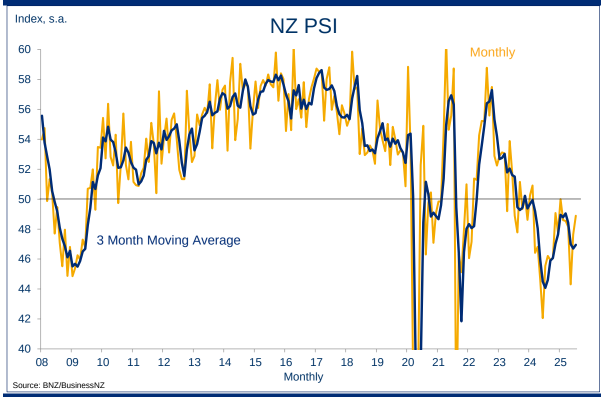
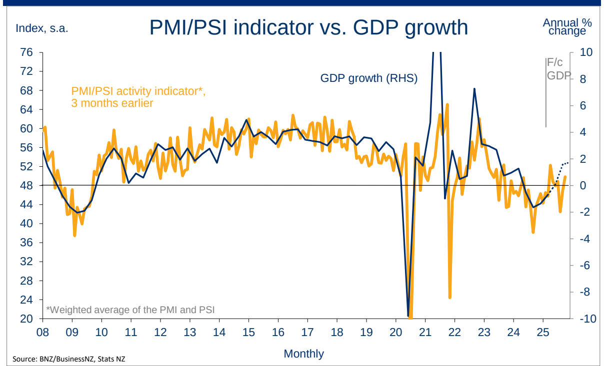
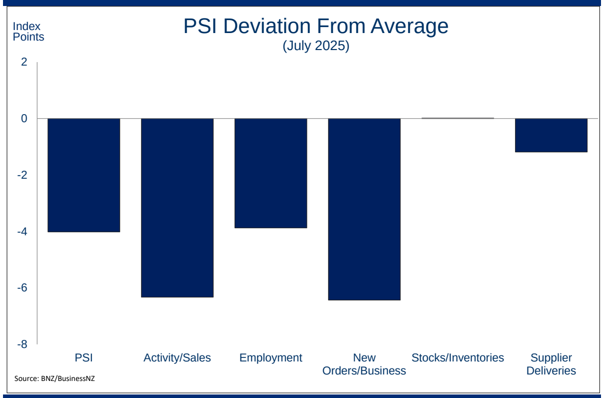
Nudging higher



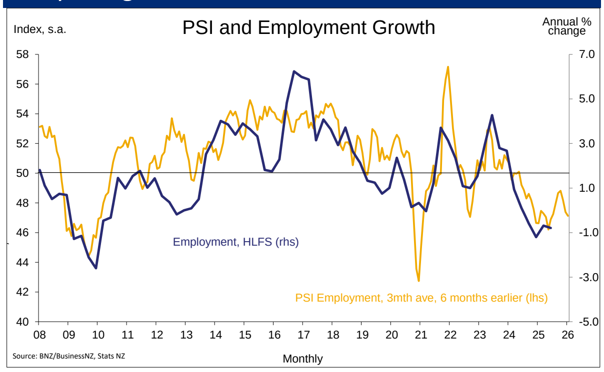

More please




From a low base




Likely to lag



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