BNZ-BusinessNZ PSI

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

psi

Service sector continues expansion path

BNZ - BusinessNZ PSI for June 2012

- The seasonally adjusted BNZ - BusinessNZ Performance of Service Index (PSI) for June stood at 54.3. While this was 2.3 points down from May, the series has remained in a relatively tight band of expansion for five months. Also, compared with previous June results, it was almost identical to the values for 2010 and 2011.

- Despite the small dip in expansion levels, all five sub-indices remained in expansion during June. *New orders/business* (58.7) continued to lead for the 21st consecutive month, although dipped under the 60 value mark. *Activity/sales* (54.7) slipped 3.6 points from May, while *employment* (52.8) recovered somewhat from the previous month. Both *stocks/inventories* (51.4) and *supplier deliveries* (51.1) both fell from May, with the latter falling 4.1 points.

- Unadjusted activity was again expansionary for three of the four regions. In the North Island, both the *Northern* (51.8) and *Central* (55.2) regions experienced lower levels of expansion, with the former returning to activity levels seen in March. In the South Island, the *Canterbury/Westland* region (58.7) saw an upwards swing in expansion, returning to levels seen in April. The *Otago/Southland* region (45.0) remained in contraction, dipping a further 1.5 points from the previous month.

- Service sector results were a mixed bag of expansion and decline in June. *Wholesale trade* (51.4) remained in expansion, despite a fall of 6.6 points from May. *Property & business services* (57.8) also experienced a decrease in activity, although the sector has remained at a healthy level of expansion for five consecutive months. *Health & community services* (51.1) dipped from May, with its lowest result since December 2011.

Inside BNZ Commentary this Month (page 4)

BNZ Senior Economist, Craig Ebert, finds that the latest PSI still affirms the BNZ view of solid economic expansion and decent jobs growth – much like the QSBO did last week. And that like June's PMI, the PSI also provided positive feedback on housing and construction."

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HIGHLIGHTS - PSI

- ***Service sector remains in expansion.***
- ***All five major sub indices in expansion, although not as strong as May.***
- ***Regional activity positive throughout most of the country, but Otago/Southland still in decline.***

HIGHLIGHTS – PERFORMANCE OF COMPOSITE INDEX (PCI)

- ***Options for measuring PCI activity both experienced easing of expansion in June.***
- ***Global PCI for June close to no change mode.***

Next BNZ - BusinessNZ PSI/PCI: 20 August 2012

SPONSOR STATEMENT

BNZ is delighted to be associated with both 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 services sector.

BNZ (www.research.bnz.co.nz)

BNZ-BusinessNZ PSI

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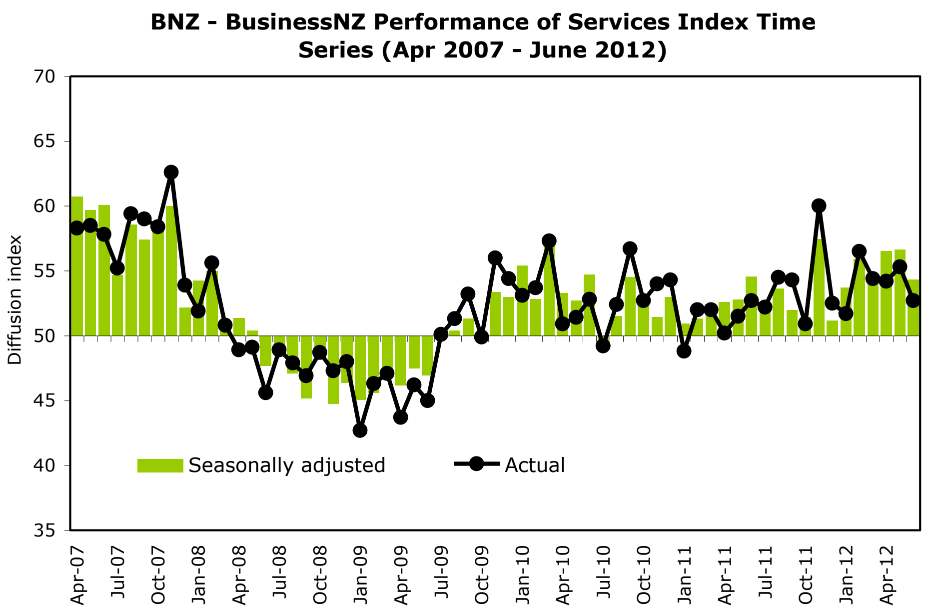
psi



June PSI time series tables

National Indexes	June 2007	June 2008	June 2009	June 2010	June 2011	June 2012
BNZ - BusinessNZ PSI (s.a.)	60.1	47.7	46.9	54.7	54.6	54.3
Activity/Sales (s.a.)	62.8	46.2	44.9	56.4	57.1	54.7
Employment (s.a.)	55.0	42.8	44.6	53.3	51.4	52.8
New Orders/Business (s.a.)	67.4	52.5	51.7	58.2	57.8	58.7
Stocks/Inventories (s.a.)	51.4	50.9	45.4	50.0	54.4	51.4
Supplier Deliveries (s.a.)	56.7	47.5	47.1	51.5	50.4	51.1

Regional Indexes	June 2007	June 2008	June 2009	June 2010	June 2011	June 2012
BNZ - BusinessNZ PSI (s.a.)	60.1	47.7	46.9	54.7	54.6	54.3
Northern	57.2	43.9	44.4	58.1	52.1	51.8
Central	63.1	47.9	45.8	51.6	55.6	55.2
Canterbury/Westland	57.2	51.1	47.5	46.0	59.2	58.7
Otago/Southland	55.8	36.1	44.8	38.7	44.1	45.0

(s.a. denotes seasonally adjusted)

PARTICIPANTS

BusinessNZ gratefully acknowledges the participation of the following associations in contributing to the PSI:

Employers & Manufacturers Association (Northern)

Employers' Chamber of Commerce Central

BNZ-BusinessNZ PSI

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psi

Canterbury Employers' Chamber of Commerce

Otago Southland Employers Association

Hospitality New Zealand

Dip in activity for both combined measures

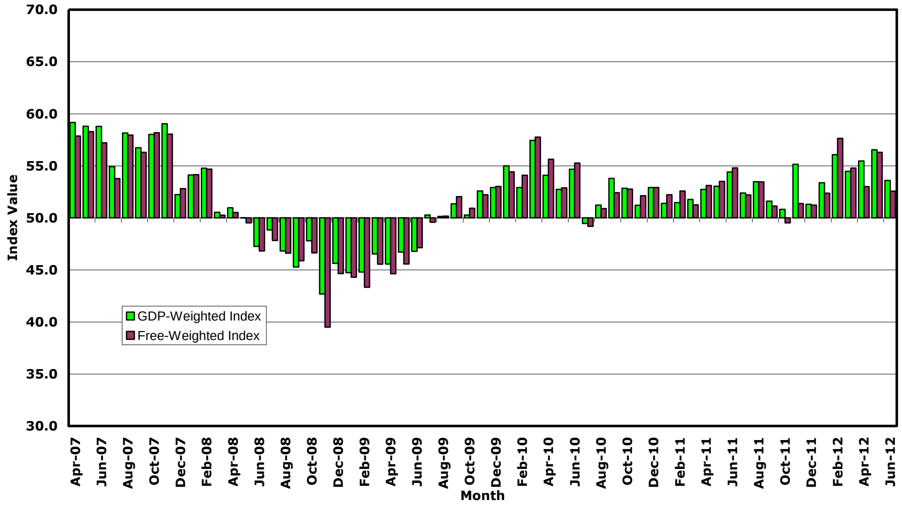
BNZ - BusinessNZ Performance of Composite Index (PCI) for June 2012

- The seasonally adjusted BNZ - BusinessNZ Performance of Composite Index or PCI (which combines the PMI and PSI) for June showed the two options for measuring the PCI both down from May, as the lower manufacturing and service sector results eased combined activity.

- The GDP-Weighted Index (53.6) decreased 2.9 points from May as the dip in service sector expansion was not as strong as the fall for manufacturing. This meant the Index was at its lowest since January this year. The Free-Weighted Index (52.6) decreased 3.5 points to return to a similar level of expansion seen in April.

- The JPMorgan Global Combined Index (50.3) decreased further in June, with the slowest rates of expansion for around three years. This was due to slower growth in the service sector, as well as manufacturing production falling into contraction mode.

BNZ - BusinessNZ PCI Seasonally Adjusted Time Series (April 2007 - June 2012)



Performance of Composite Index June time series table

Combined National Indexes	June 2007	June 2008	June 2009	June 2010	June 2011	June 2012
GDP-Weighted Index (s.a.)	58.8	47.2	46.8	54.7	54.4	53.6
Free-Weighted Index (s.a.)	57.2	46.8	47.1	55.3	54.8	52.6

About the Performance of Composite Index

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.

16 July 2012

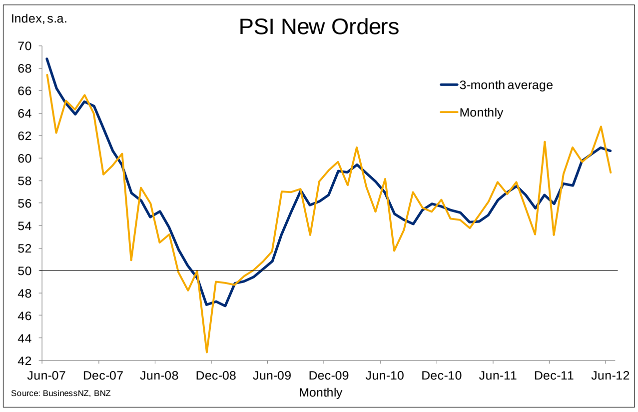
A Walk in the Park

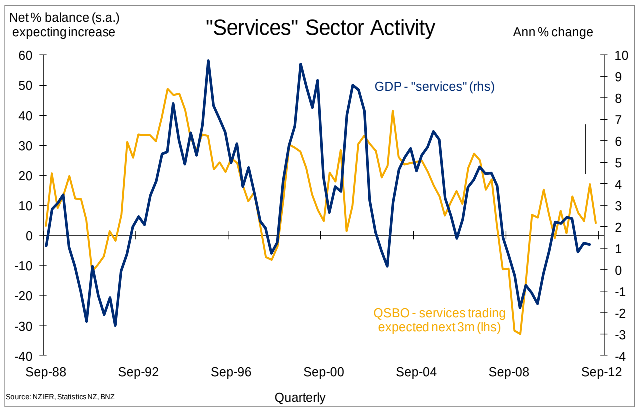
- NZ Services Index ambles along at 54.3 in June
- Not bad, with global PSI almost stalled at 50.6
- NZ PSI adds to QSBO signs of decent activity growth
- While also shoring up positive jobs pulse

New Zealand's Performance of Services Index (PSI) is still bouncing around horribly in its details. However, its overall index reading remained pleasingly positive in June, at a seasonally adjusted 54.3, compared to 56.6 in May. While a bit slower, it's still pretty good. The latest BNZ Business New Zealand PSI is certainly doing better than its global counterpart (as produced by JPMorgan and Markit), which almost stalled in June, with 50.6.

We are not going deep-dive the latest NZ PSI details again this month – other than to report they remain frustratingly volatile, whether by industry type, firm-size or region. Some bits are doing extremely well, others not. Some are exhibiting pronounced fits and starts on a monthly basis. The range of positive and negative comments remained diverse (although with this anecdote tending to back up the comments in last week's PMI, that the local housing/construction market is on the up).

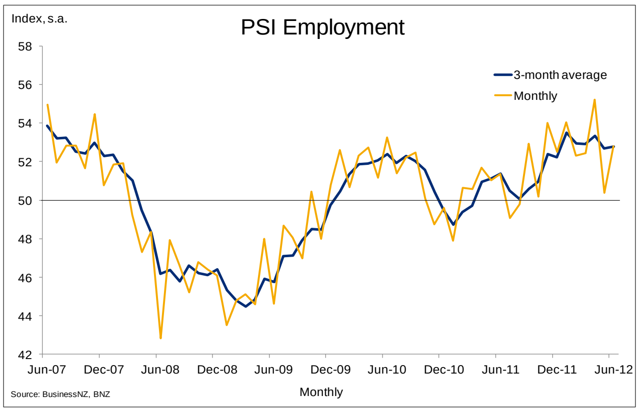
It's more the trend we see as encouraging. Averaged over the June quarter, the PSI was 55.8. The activity (production) component of this was chugging along at 56.5. And this could well step up the pace over the coming months, if new-orders – which were running at 60.7 through Q2 as a whole – are any guide. Combined, these things suggest New Zealand's services sector will keep expanding at a good clip for the foreseeable future.





As it happened, this was also the message of last week's Quarterly Survey of Business Opinion (QSBO). Sure, its service-sector respondents suggested a slower rate of advance. However, only to the point of indicating 2% annual growth, rather than a 3-4% rate of expansion. In this sense, the services sector of the QSBO was very much in line with the survey's results overall.

The latest PSI also fits with the QSBO messages regards employment. The QSBO was still around trend on this in June. The jobs index of the PSI bounced back to a 52.8 average in the June quarter. This complements a range of other measures which still suggest solid growth in employment. The QSBO went further, suggesting the labour market is tightening, with demand now beginning to outstrip supply. It will be an srea worth watching carefully, as a gauge to wider economic trends and pressures.



craig_ebert@bnz.co.nz

Contact Details

BNZ

Stephen Toplis
Head of Research
+(64 4) 474 6905

Craig Ebert
Senior Economist
+(64 4) 474 6799

Doug Steel
Economist
+(64 4) 474 6923

Mike Jones
Strategist
+(64 4) 924 7652

Kymberly Martin
Strategist
+(64 4) 924 7654

Main Offices

Wellington
60 Waterloo Quay
Private Bag 39806
Wellington Mail Centre
Lower Hutt 5045
New Zealand
Phone: +(64 4) 474 6145
FI: 0800 283 269
Fax: +(64 4) 474 6266

Auckland
80 Queen Street
Private Bag 92208
Auckland 1142
New Zealand
Phone: +(64 9) 976 5762
Toll Free: 0800 081 167

Christchurch
81 Riccarton Road
PO Box 1461
Christchurch 8022
New Zealand
Phone: +(64 3) 353 2219
Toll Free: 0800 854 854

National Australia Bank

Peter Jolly
Head of Research
+(61 2) 9237 1406

Alan Oster
Group Chief Economist
+(61 3) 8634 2927

Rob Henderson
Chief Economist, Markets
+(61 2) 9237 1836

Emma Lawson
Currency Strategist
+(61 2) 9237 8154

Wellington
Foreign Exchange +800 642 222
Fixed Income/Derivatives +800 283 269

Sydney
Foreign Exchange +800 9295 1100
Fixed Income/Derivatives +(61 2) 9295 1166

London
Foreign Exchange +800 333 00 333
Fixed Income/Derivatives +(44 20) 7796 4761

New York
Foreign Exchange +1 800 125 602
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Hong Kong
Foreign Exchange +(85 2) 2526 5891
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