

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

Brighter horizons

BNZ - BusinessNZ PSI for May 2013

- The seasonally adjusted BNZ - BusinessNZ Performance of Service Index (PSI) for May stood at 56.2, which was identical to the April result. Given both the March and February results stood at 55.7, this represents a very stable and healthy level of activity for the sector. Compared with previous May results, the 2013 value was the highest recorded since the May 2007 value.
- All five main sub-indices were in expansion during May. While *new orders/business* (59.5) and *activity/sales* (56.9) both exhibited a lower level of expansion from the previous month, *employment* (53.6) increased to its highest level of expansion since April 2012. *Stock/inventories* (53.7) went back into expansion after two consecutive months in contraction, while *supplier deliveries* (56.1) increased to its highest rate since June 2007.
- Activity was again positive in three of the four regions during May. In the North Island, the *Northern* region (58.6) increased 3.2 points to its highest level of activity since November 2012. However, the *Central* region (53.2) fell back 5.2 points from April, but remained in expansion. In contrast, the *Canterbury/Westland* region (47.3) remained in contraction, while the *Otago/Southland* region (51.9) lifted 1.1 points from the previous month.
- Despite the continued healthy levels of expansion on a national level, service sector results by sub-sector continued to be mixed. *Wholesale trade* (63.1) picked up from a sharp drop in April, while *property & business services* (54.2) moved in the opposite direction. *Health & community services* (52.8) moved back into expansion after consecutive months in contraction.

Inside BNZ Commentary this Month (page 4)

BNZ Senior Economist, Craig Ebert, looks into some historical and geographic comparisons of the latest NZ PSI to find it marking its best 3-month stretch since 2007 (and not led by Canterbury), zooming ahead of the US and China, while opening an even bigger gap to Australia's PSI, as the latter falls further by the wayside.

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HIGHLIGHTS - PSI

- **Service sector again in healthy expansion for May.**
- **All five major sub-indices in expansion, led by new orders/business.**
- **Regional activity positive across most of the country.**

HIGHLIGHTS - PERFORMANCE OF COMPOSITE INDEX (PCI)

- **Options for measuring PCI activity both showed ongoing increased expansion.**
- **Global PCI for May increases from April.**

Next BNZ - BusinessNZ PSI/PCI: 15 July 2013

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.

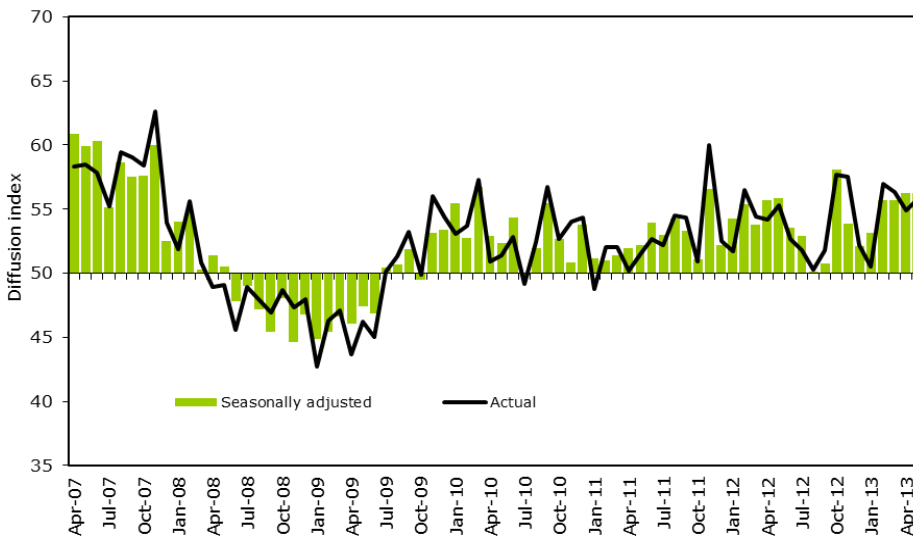
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BNZ-BusinessNZ PSI

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BNZ - BusinessNZ Performance of Services Index Time Series (Apr 2007 - May 2013)



May PSI time series tables

National Indexes	May 2008	May 2009	May 2010	May 2011	May 2012	May 2013
BNZ - BusinessNZ PSI (s.a.)	50.5	47.4	52.4	52.2	55.8	56.2
Activity/Sales (s.a.)	49.2	43.8	53.7	54.9	58.0	56.9
Employment (s.a.)	48.3	48.0	51.1	51.0	50.3	53.6
New Orders/Business (s.a.)	56.2	50.9	55.2	55.9	62.3	59.5
Stocks/Inventories (s.a.)	49.0	46.5	50.0	46.4	51.7	53.7
Supplier Deliveries (s.a.)	47.5	46.9	49.5	48.2	53.6	56.1

Regional Indexes	May 2008	May 2009	May 2010	May 2011	May 2012	May 2013
BNZ - BusinessNZ PSI (s.a.)	50.5	47.4	52.4	52.2	55.8	56.2
Northern	50.8	47.4	52.4	52.1	55.8	58.6
Central	50.5	47.2	54.9	56.6	57.7	53.2
Canterbury/Westland	50.6	43.7	44.7	50.2	54.5	47.3
Otago/Southland	41.6	37.0	48.3	39.3	46.5	51.9

(s.a. denotes seasonally adjusted)

PARTICIPANTS

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

Employers & Manufacturers Association (Northern)

Business Central

Canterbury Employers' Chamber of Commerce

Otago Southland Employers Association

Hospitality New Zealand

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May it continue

BNZ - BusinessNZ Performance of Composite Index (PCI) for May 2013

- The seasonally adjusted BNZ - BusinessNZ Performance of Composite Index or PCI (which combines the PMI and PSI) for May saw both options for measuring the PCI again increase.
- The GDP-Weighted Index (56.9) increased 0.6 points from April, while the Free-Weighted Index (58.2) rose 1.8 points over the same period. For the latter, it was its highest level of overall activity since May 2007.
- The JPMorgan Global Combined Index for May (53.1) was up from 51.9 in April. Output rose in both the manufacturing and service sectors, with the sharper rate of expansion signaled at service providers.

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).

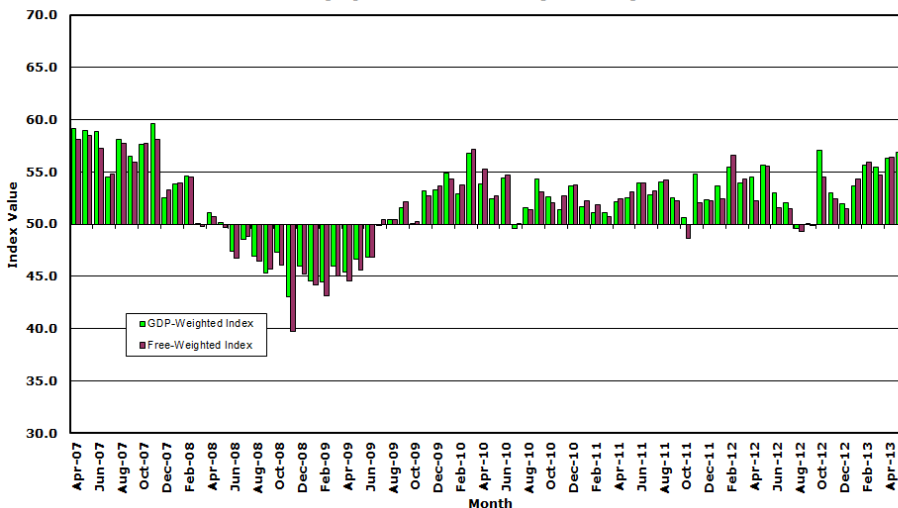
Combined results are shown in two ways:

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.

BNZ - BusinessNZ PCI Seasonally Adjusted Time Series (April 2007 - May 2013)



Performance of Composite Index May time series table

Combined National Indexes	May 2008	May 2009	May 2010	May 2011	May 2012	May 2013
GDP-Weighted Index (s.a.)	50.1	46.6	52.4	52.5	55.7	56.9
Free-Weighted Index (s.a.)	49.6	45.6	52.7	53.1	55.6	58.2

17 June 2013

PSI Overtaking Manoeuvres

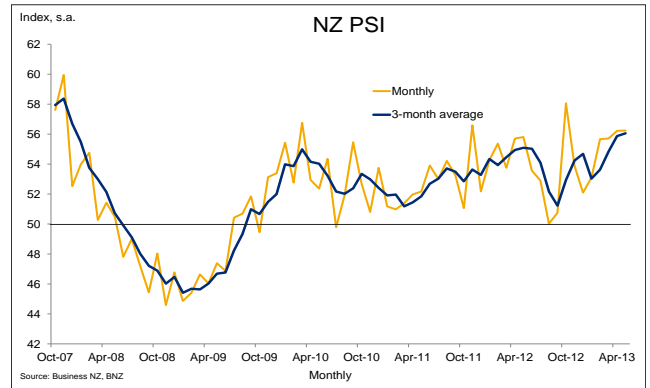
- NZ PSI achieves best 3 months since 2007
- Overtaking US, and now China
- As Aussie, Ezone Services indices stay negative
- NZ PSI strength NOT led by Canterbury
- As its jobs index resumes pick up

May's Performance of Services Index (PSI) proved to be another robust one. Not as fierce as the month's PMI, of 59.2. That was stunning (surely close to the highest manufacturing index of its type in the world right now). But, at a seasonally adjusted 56.2, the very latest PSI was still solid enough to infer sturdy growth across most of the economy. Quite possibly more than we are currently factoring in. Adding in the big PMI for May simply boosts the chances of seeing some better than expected GDP numbers in Q2 or soon thereafter.

What more can we say? Well, quite a few things. Firstly to point out that the recent run of positives in the PSI has established a three-month average that's the highest since 2007 – pre the domestic recession and GFC. Put another way, this is the strongest sustained growth pulse we've seen from the services sector since the economy began grinding its way out of recession, which was back in 2009.

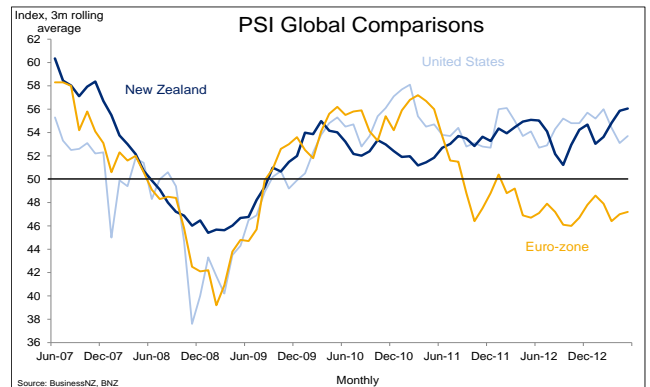
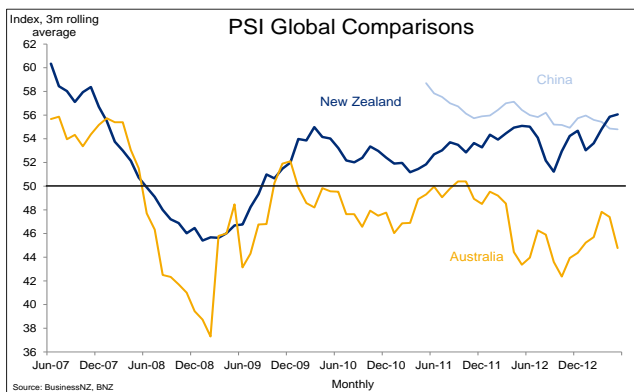
On this 3-month rolling basis New Zealand's service sector index has more definitely overtaken that of the United States and has even surpassed the mighty China's PSI, which averaged 54.8 over the 3 months to May 2013.

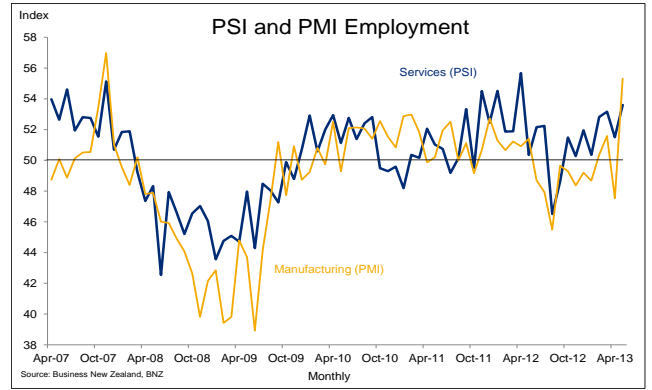
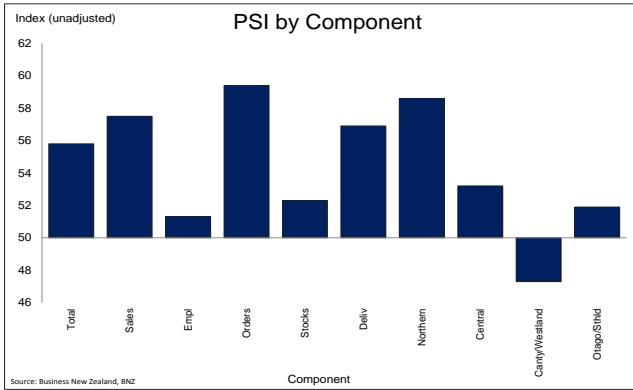
Perhaps more significantly, the NZ PSI is gathering momentum right as Australia's PSI is losing it, with its 3-month average down at 44.8 (following 40.6 for May itself). It's yet another point of stark difference. The Eurozone PSI, by the way, is not quite as bad as Australia's but is still clearly below the 50 mark that demarcates expansion from contraction.



The other thing worth noting about the recent strength in the NZ PSI is that it's not particularly driven by Canterbury. We say this with a lot of folk quick to downplay any positive tendencies in the national data these days as about just Christchurch (and/or Auckland's housing bubble). By way of the (unadjusted) regional breakdown of the PSI, Canterbury/Westland actually slipped to 47.3, Otago/Southland was hanging in there at 51.9, Central registered a creditable 53.2, while the Northern zone raced ahead to 58.6. This rough pecking order was borne out by the 3-month averages too.

The final point we'd like to make is that the employment index in the latest PSI picked up again, having lost momentum in April – just as occurred in May's PMI. So, looking across the jobs indicators of the PSI and PMI we can feel more comfortable about seeing further staffing expansion in the official labour market data, as produced by Statistics NZ. This could yet prove significant in lowering the unemployment rate into the fives, as soon as this year, which would be something to think about in the context of core inflation.





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