

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

On a five month roll

BNZ - BusinessNZ PSI for June 2011

- The seasonally adjusted BNZ - BusinessNZ Performance of Service Index (PSI) for June stood at 54.7, up 1.7 points from May and the fifth consecutive month of improved expansion. It was also almost identical to the June 2010 value (54.8).
- Four of the five sub-indices were in expansion during June, with *new orders/business* (58.0) recording its highest result since June 2010, while *activity/sales* (57.7) produced its highest result since March 2010. *Employment* (51.6) recovered slightly after a dip in May, while *stocks/inventories* (53.9) recorded its highest result since November 2007. Although *supplier deliveries* (50.0) fell 0.4 points it represented no change for the current month.
- Activity by region showed most areas again in expansion during June. The *Canterbury/Westland* region (59.2) led the way in terms of activity, but as mentioned in previous releases this is greatly influenced by a lack of supply of functioning service businesses in Christchurch. The *Northern* region (52.1) was unchanged from May, while the *Central* region (55.6) slipped 1 point. The *Otago/Southland* region (44.1) improved on its May result, although remains in contraction for the sixth consecutive month.
- The various service sectors were a mixture of expansion and contraction during June, although some prominent sectors like *retail trade* (42.5) and *accommodation, cafes & restaurants* (49.4) showed some improvement despite still being in contraction. *Wholesale trade* (52.8) remained in expansion, while *health & community services* (56.7) and *property & business services* (57.9) continued their expansionary path.

Inside BNZ Commentary this Month (page 4)

Bank of New Zealand's article points out that the PSI (and PMI) has long gelled with the BNZ view, not widely shared over recent quarters, that the economy has moved onwards and upwards from the 2008/09 recession. This is illustrated by the updated Performance Composite Indices, which amalgamate the PMI and PSI survey results.

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HIGHLIGHTS - PSI

- **Service sector expansion increases for fifth straight month.**
- **Four of the five major sub indices in expansion for June.**
- **Regional activity showed expansion in most areas, although Otago/Southland still struggling.**

HIGHLIGHTS - PERFORMANCE OF COMPOSITE INDEX (PCI)

- **Both options for measuring PCI continued to show increased activity.**
- **Global PCI dipped slightly in June, mainly due to easing of global output and new business.**

Next BNZ - BusinessNZ PSI/PCI: 15 August 2011

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.

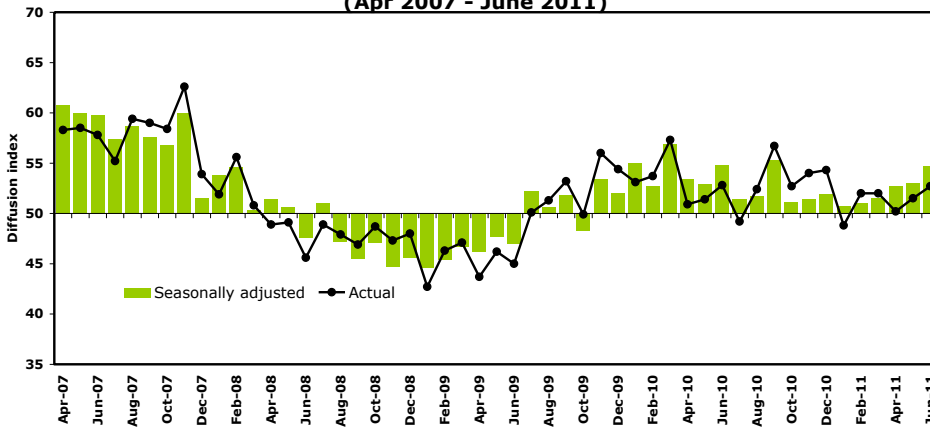
BNZ (www.research.bnz.co.nz)

BNZ-BusinessNZ PSI

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BNZ - BusinessNZ Performance of Services Index Time Series (Apr 2007 - June 2011)



PSI time series tables

National Indexes	June 2007	June 2008	June 2009	June 2010	May 2011	June 2011
BNZ - BusinessNZ PSI (s.a)	59.8	47.6	47.0	54.8	53.0	54.7
Activity/Sales (s.a)	62.2	46.0	45.0	56.8	55.8	57.7
Employment (s.a)	55.1	43.1	44.9	53.5	50.8	51.6
New Orders/Business (s.a)	67.0	52.3	51.7	58.3	56.6	58.0
Stocks/Inventories (s.a)	51.4	50.8	45.2	49.7	47.4	53.9
Supplier Deliveries (s.a)	56.7	47.5	47.0	51.3	50.4	50.0

Regional Indexes	June 2007	June 2008	June 2009	June 2010	May 2011	June 2011
BNZ - BusinessNZ PSI (s.a)	59.8	47.6	47.0	54.8	53.0	54.7
Northern	57.2	43.9	44.4	58.1	52.1	52.1
Central	63.1	47.9	45.8	51.6	56.6	55.6
Canterbury/Westland	57.2	51.1	47.5	46.0	50.2	59.2
Otago/Southland	55.8	36.1	44.8	38.7	39.3	44.1

(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
- Canterbury Employers' Chamber of Commerce
- Otago Southland Employers Association
- Hospitality Association of New Zealand
- New Zealand Retailers Association
- Tourism Industry Association New Zealand

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Composite index continues its onward march

BNZ - BusinessNZ Performance of Composite Index (PCI) for June 2011

- The seasonally adjusted BNZ - BusinessNZ Performance of Composite Index or PCI (which combines the PMI and PSI) for June shows both options for measuring the PCI on an upwards climb with values almost on par with June 2010.
- All sub-indices for both indicators were in expansion during June, led by new orders in both indicators.
- The JPMorgan Global Combined Index dipped slightly in June to stand at 52.2, compared with 52.7 in May. This fall was mainly due to easing of growth in both global output and new business.

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).

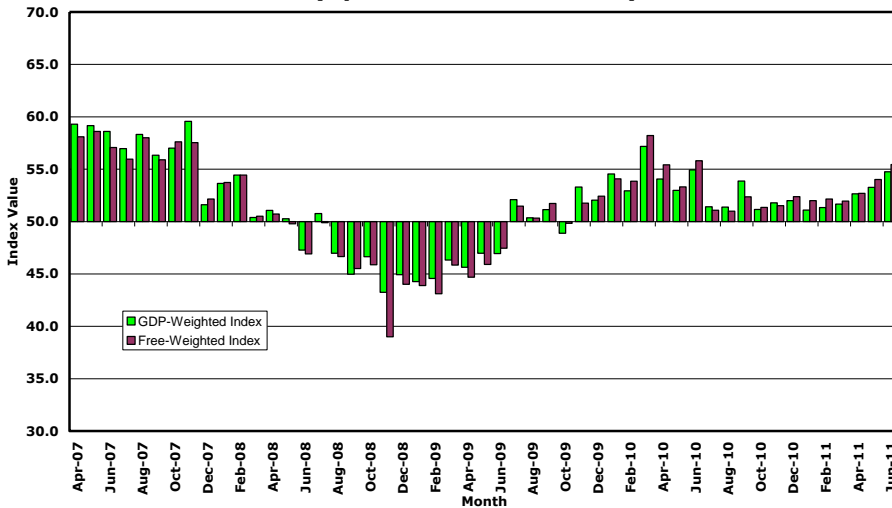
Combined results are shown in two ways:

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 - June 2011)



Performance of Composite Index time series tables

Combined National Indexes	June 2007	June 2008	June 2009	June 2010	May 2011	June 2011
GDP-Weighted Index (s.a)	58.6	47.3	46.9	54.9	53.3	54.8
Free-Weighted Index (s.a)	57.1	46.9	47.5	55.8	54.0	55.4

18 July 2011

When the Trend is Your Friend

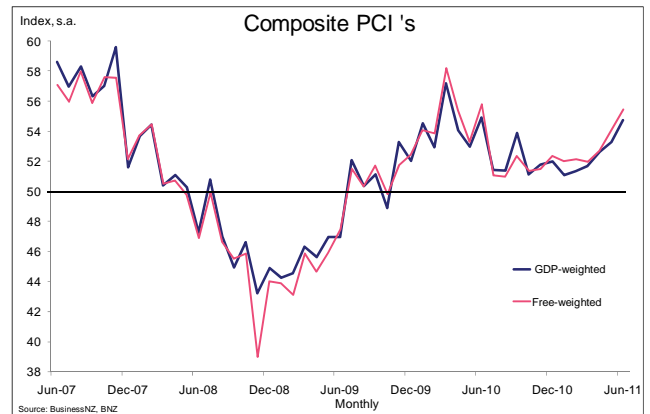
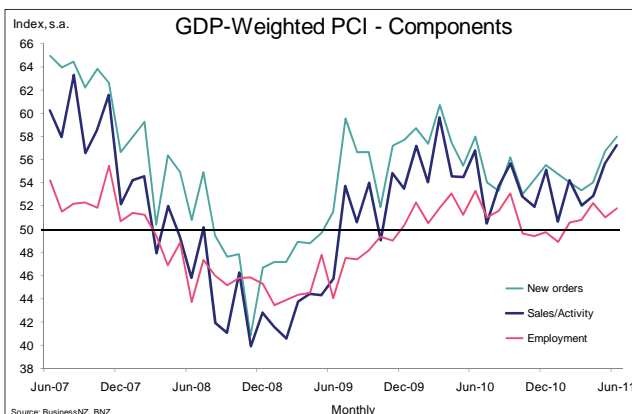
- NZ economic trends keep improving
- PSI, of 54.7, echoes solid PMI
- New orders still leading the way
- Composite PCI summarises the pick up

There is a saying in the financial markets that “the trend is your friend”. In this respect, the New Zealand economy is looking more congenial by the day. Not for everyone, by any stretch. But the trends are definitely pointing in the right direction. The strong GDP figures of last week should hopefully start convincing people of this.

While the last year or so has certainly been a testing time, with many folk fretting about double dips, we have stuck to our judgement the economy was firmly in recovery mode. Through the bumpy GDP numbers mid last year; through the global vicissitudes; even through the trauma of Canterbury’s earthquakes. Underneath it all, we always thought there was a national recovery budding in a cyclical fashion.

One of the things that stood us in good stead throughout was reference to the business survey indicators, which showed resilience. Yes, they did shift gears, here and there. However, never did they suggest things were shifting into reverse, the way they did during the 2008/09 recession. For the most part they were consistent with reasonable, if unspectacular, growth.

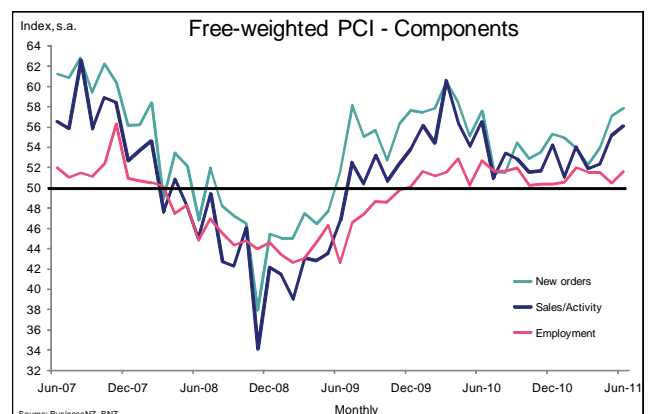
As part of this collection we include the Performance of Manufacturing Index (PMI) and its cousin the Performance of Services Index. They held up through a turbulent and uncertain 2010. And, following an understandable soft point immediate after the February earthquake, have maintained a firm tone over recent months.



Recall, from last Thursday, the PMI sustained a level of 54.3 in June, consolidating the gains it made since the earthquake-impacted 50.1 back in March. Today’s Performance of Services Index essentially matched that robustness, with 54.7.

Moreover, new orders continue to lead the way for both the PSI and PMI, further bolstering the improving trends we detect. In the case of the PMI, new orders were a solid 55.6, and for the PSI lifted to 58.0. The employment indices, at only modestly positive levels, were lagging, but then they usually do.

To best summarise the messages from the latest PMI and PSI, however, we thought it opportune to revisit the amalgam of the two - namely the Performance Composite Index (as was first presented back in February). Without wanting to put a fine point on it, the friendly trends should be clear from the PCI and the illustrations of it provided herein. Next please.



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