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

Marching in the right step

BNZ - BusinessNZ PSI for April 2012

- The seasonally adjusted BNZ - BusinessNZ Performance of Service Index (PSI) for April stood at 56.7. This was up 2.5 points from March and the highest result for any month since November 2011. Compared with previous April results, it was also second highest since the survey began in April 2007.

- All five sub-indices showed expansion in April. This was again led by *new orders/business* (60.5), which has remained in a relatively tight band of activity since the start of the year. *Activity/sales* (56.1) bounced back from a drop in March, while *employment* (55.1) showed further strength by displaying its highest level of activity since June 2007. Both *stocks/inventories* (53.8) and *supplier deliveries* (54.7) recorded levels of expansion not seen since July 2008 and September 2007 respectively.

- Unadjusted activity was expansionary in all four regions, although some consolidation took place. Both the *Northern* (52.9) and *Central* (52.5) regions recorded similar levels of activity in April, with the latter displaying lower levels of expansion compared with the previous two months. The South Island faired better, with the *Otago/Southland* region (62.6) bouncing back after a drop in March. The *Canterbury/Westland* region (58.9) continued to show a healthy level of expansion, although a fall in new business and supplier deliveries meant it did not reach the same expansionary levels as March.

- Service sector results continued to be a mixed bag of expansion and contraction during April. On the positive side, *accommodation, cafes & restaurants* (61.7) bounced back into expansion, while *property & business services* (57.4) experienced a dip in expansion compared with the previous month, as did *health & community services* (52.2). *Wholesale trade* (48.9) improved slightly from March, but still remained in negative territory for two months running.

Inside BNZ Commentary this Month (page 4)

In this edition, BNZ Senior Economist, Craig Ebert, highlights the importance of today's strong PSI in calming nerves over the weak-looking PMI of last week. And that, in regard to employment, the PSI and PMI are both upbeat.

The BNZ - BusinessNZ Performance of Services Index 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 PSI and sub-index results are seasonally adjusted.

HIGHLIGHTS - PSI

- ***Service sector expansion picks up.***
- ***All five major sub indices in expansion, with some showing highest values for some time.***
- ***Regional activity positive throughout all of the country, although some consolidation taking place.***

HIGHLIGHTS – PERFORMANCE OF COMPOSITE INDEX (PCI)

- ***Options for measuring PCI activity show contrasting levels of expansion.***
- ***Global PCI dips in expansion for April.***

Next BNZ - BusinessNZ PSI/PCI: 18 June 2012

SPONSOR STATEMENT

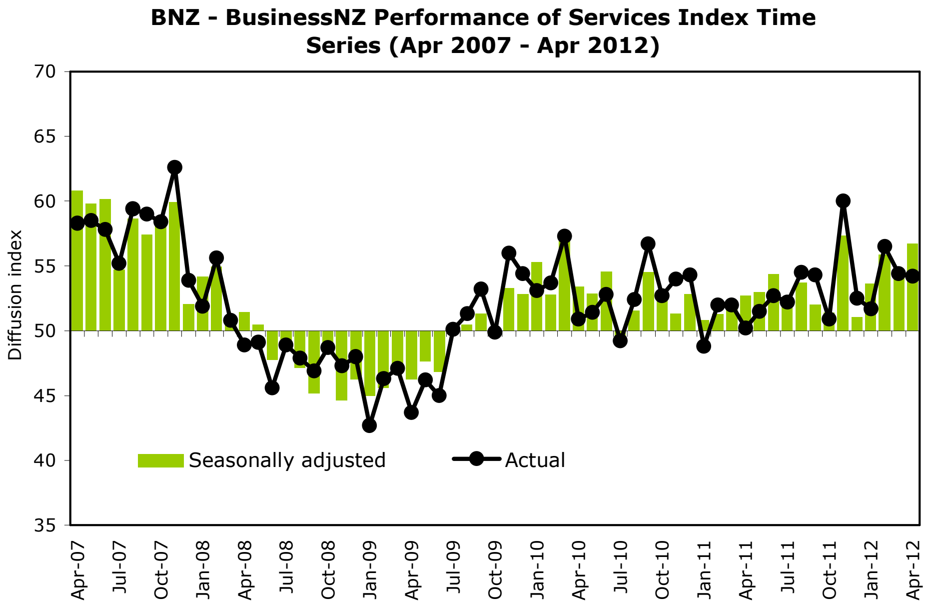
BNZ is delighted to be associated with both the Performance of Services Index (PSI) and BusinessNZ. This association brings together the significant experience of leading business advocacy body BusinessNZ, and business finance specialist BNZ. We look forward to continuing our association with BusinessNZ 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

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



April PSI time series tables

National Indexes	Apr 2007	Apr 2008	Apr 2009	Apr 2010	Apr 2011	Apr 2012
BNZ - BusinessNZ PSI (s.a.)	60.8	51.4	46.2	53.4	52.7	56.7
Activity/Sales (s.a.)	63.7	52.3	45.1	53.6	53.4	56.1
Employment (s.a.)	53.8	47.2	44.5	52.7	51.6	55.1
New Orders/Business (s.a.)	70.2	57.4	50.1	57.5	54.9	60.5
Stocks/Inventories (s.a.)	54.0	48.3	43.8	50.2	52.0	53.8
Supplier Deliveries (s.a.)	57.3	49.8	46.7	49.4	49.5	54.7

Regional Indexes	Apr 2007	Apr 2008	Apr 2009	Apr 2010	Apr 2011	Apr 2012
BNZ - BusinessNZ PSI (s.a.)	60.8	51.4	46.2	53.4	52.7	56.7
Northern	57.8	49.8	42.8	50.8	49.3	52.9
Central	62.5	53.8	48.8	56.4	50.4	52.5
Canterbury/Westland	56.0	48.1	43.1	47.4	57.5	58.9
Otago/Southland	59.2	42.8	44.8	48.6	46.3	62.6

(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 New Zealand

BNZ-BusinessNZ PSI

BusinessNZ

psi

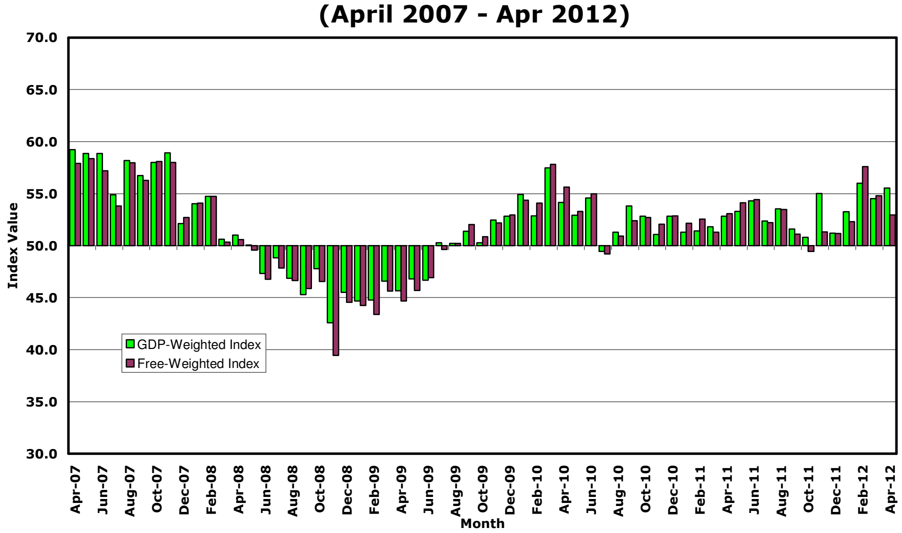
BNZ-BusinessNZ PSI is a monthly survey of the services sector providing an early indicator of activity levels. A PSI reading above 50 points indicates services activity is expanding; below 50 indicates it is contracting. The main PMI and sub-index results are seasonally adjusted.

Service sector strength assists combined results

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

- The seasonally adjusted BNZ - BusinessNZ Performance of Composite Index or PCI (which combines the PMI and PSI) for April showed the two options for measuring the PCI still in positive territory, but a healthy service sector assisting in pulling up one of the measures.
- The GDP-Weighted Index (55.6) increased 1.1 points from March as the larger weighting of the service sector boosted the overall result. In contrast, the Free-Weighted Index (53.0) fell a further 1.8 points. For the former, it was the second highest result since March 2010.
- The JPMorgan Global Combined Index (52.2) eased sharply to a five month low in April, with new order inflows and job creation slowing.

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



Performance of Composite Index April time series table

Combined National Indexes	Apr 2007	Apr 2008	Apr 2009	Apr 2010	Apr 2011	Apr 2012
GDP-Weighted Index (s.a.)	59.2	51.0	45.6	54.2	52.8	55.6
Free-Weighted Index (s.a.)	57.9	50.6	44.7	55.6	53.1	53.0

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.

Performance of Services Index

14 May 2012

Strengthening Recovery, At Your Service

- BNZ Services PSI quickens to 56.7 in April
- Led by booming new orders
- Calming nerves over weak-looking PMI
- PSI upbeat on hiring, PMI too
- Overall consistent with solid GDP expansion

We took the view last week that the negative-looking Performance of Manufacturing Index for April did not mean the whole economy was stalling (under the weight of a currency alleged as too high, and an Australian economy presumed to be faltering). Today's Performance of Services Index helps vindicate our staunch stance. Indeed, the PSI strengthened to a very expansive 56.7, led by new orders hitting 60.5.

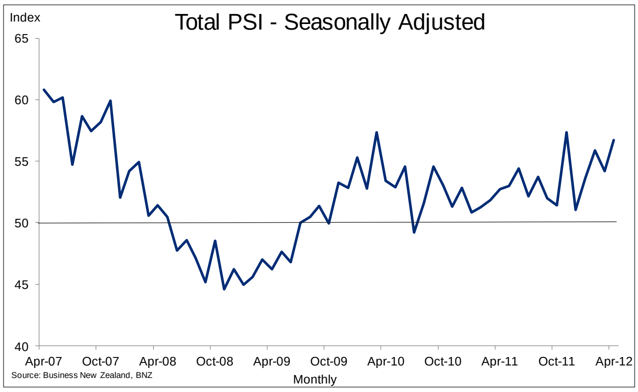
The bolters in the latest PSI continued to be the areas not well covered by any Statistics NZ survey, such as services of the Property and Business, Finance and Insurance, Cultural, Recreational, Personal and "Other" type. Communications fell right off the pace. Accommodation, Cafes and Restaurants, however, joined the fray in April, with an unadjusted 61.7.

Meanwhile, Retail and Wholesale Trade kept struggling at just below the breakeven mark of 50. While this is not overly encouraging it does warn against reading too much negativity into this morning's Q1 retail trade volumes, for which we expect a clear correction, from their outsized gains over 2011 H2, when the Rugby World Cup was all the rage.

By region, the notable story in April's PSI was a resurfacing of the Deep South. In fact, Otago/Southland, with a PMI reading of 62.6 in April (having dipped to 49.3 in March), is now leading the pack.

The fabric in April's PSI fundamentally went a long way to countering the weakness in the month's PMI reading of 48.0, as was published last Thursday. As a matter of fact, the GDP-weighted PMI/PSI combined Index increased to a solid 55.6 in April. Its new orders component held up at a robust 58.8. The GDP-weighted output variable, traversing the PSI and PMI, was 54.3.

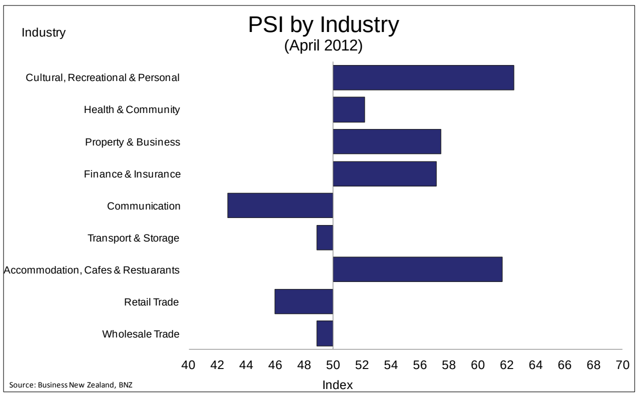
Granted, the free-weighted PMI/PSI measures – where individual survey responses are given equal weight, not a weight in keeping with its GDP importance – were not quite as strong. Nonetheless, they were still comfortably in expansive territory.

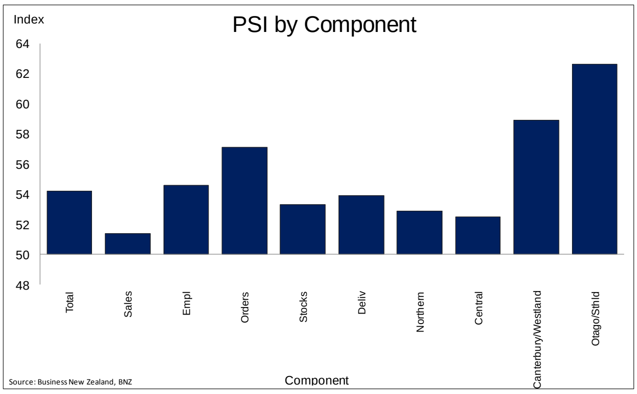


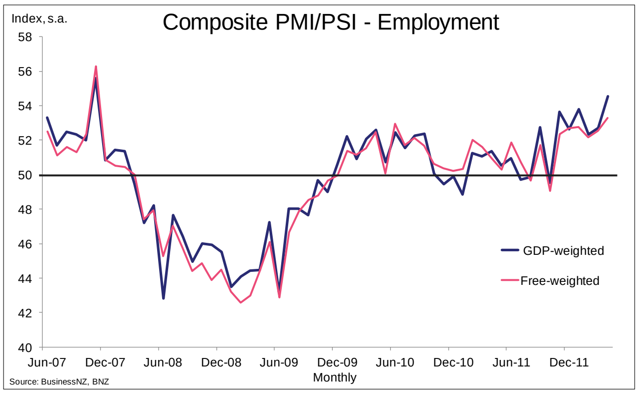
This suggests GDP growth of anywhere between reasonable to robust.

The most encouraging consequence from April's PSI, however, was arguably its upbeat signal on jobs. Its employment component lifted to a hearty 55.1, from 52.7 in March. One has to go back to June 2007 to find a stronger PSI reading on staffing. This has been obviously led by Canterbury/Westland, at an unadjusted 60.5, although Otago/Southland was nipping at its heels, with 57.1.

There was also something of a pecking order in respect to firm-size. In short, the bigger the firm the more upbeat it was in regard to hiring. While this is, unfortunately, another sign that the smaller guys are doing it tougher it also suggests the weighted-average signal on jobs from the PSI might be even stronger than the headline results suggest - in that the staffing additions at bigger firms would be naturally greater than those of smaller services firms taking on employees.







We can add to this the fact that employment in the manufacturing sector remained positive in April. The PMI index on such, as we highlighted last week, was, at 51.2, an encouraging signal, amid the ups and downs the PMI, overall, has been through over recent months. Melding the PMI and PSI employment indices gives an increasing optimistic view on the labour market. This is true whether GDP-weighted, or free-weighted.

This maintains our belief that the labour market, its effective tightness, and increasing wage inflation, will serve as a good pointer to where interest rates are heading. That is, probably upwards, over time. Not downwards, as the markets are now betting on.

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
Fixed Income/Derivatives	+1877 377 5480

Hong Kong

Foreign Exchange	+(85 2) 2526 5891
Fixed Income/Derivatives	+(85 2) 2526 5891

24 HOUR FOREIGN EXCHANGE SERVICE

Phone Toll Free	6am to 10pm NZT – Wellington Office
0800 739 707	10pm to 6am NZT – London Office – Sam Hehir