BusinessNZ

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

End of year top up

BNZ - BusinessNZ PSI for December 2014

- The seasonally adjusted BNZ - BusinessNZ Performance of Services Index (PSI) for December improved 1.8 points to stand at 56.5. Over the year, the PSI also averaged 56.5, which was higher than 2013's average expansion of 55.8.

- For the seventh month running all five main sub-indices were in expansion. *New orders/business* (60.3) increased 4.2 points to return to similar expansion levels experienced in October. This was followed by *activity/sales* (57.3), which also experienced a lift compared with the previous month. *Supplier deliveries* (56.2) recorded its highest value since August, while *stocks/inventories* (54.8) experienced its third consecutive increase in expansion. *Employment* (51.9) dipped after a slight recovery in November, although still showed slight expansion.

- Activity remained positive throughout the country, although again there were some movements in relation to the previous month. In the North Island, the *Northern* region (57.6) rose 2.1 points to regain some of the expansion lost in November, while the *Central* region (50.0) experienced no change, and an almost identical result to October's. In the South Island, the *Canterbury/Westland* region (51.5) fell 5.3 points from November, while the *Otago/Southland* region (65.4) remained all but unchanged in terms of its expansion from the previous month.

- Service sector results by sub-sector were again mostly in expansion during December. *Wholesale trade* (63.1) led the way in December, while *accommodation, cafes & restaurants* (60.9) also enjoyed a positive month. *Property & business services* (52.9) fell back from November, which was most likely due to seasonal effects of office closures over Xmas.

- Despite the elevated expansion levels for December, the proportion of positive comments from respondents for the current month (60.8%) decreased from November (63.1%) and was also lower than October (69.5%). Internationally, the JPMorgan Global Services PSI for December (52.3) eased to its weakest level since October 2013, as the pace of increase in new orders hit a 20-month low.

Inside BNZ Commentary this Month (page 4)

BNZ senior economist Craig Ebert compares December's PSI with the latest NZIER Quarterly Survey of Business Opinion, finding a concerted theme of strong service-sector expansion, keeping solid pace with the overall economy.

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HIGHLIGHTS - PSI

- ***Service sector expansion increases for December.***
- ***New orders/business and activity/sales both pick up from the previous month.***
- ***Regional activity continues to remain mostly positive across the country.***

HIGHLIGHTS – PERFORMANCE OF COMPOSITE INDEX (PCI)

- ***Options for measuring PCI activity both show increased activity for December.***
- ***Global PCI at 14-month low.***

Next BNZ - BusinessNZ PSI/PCI: 16 February 2015

BNZ-BusinessNZ PSI

psi

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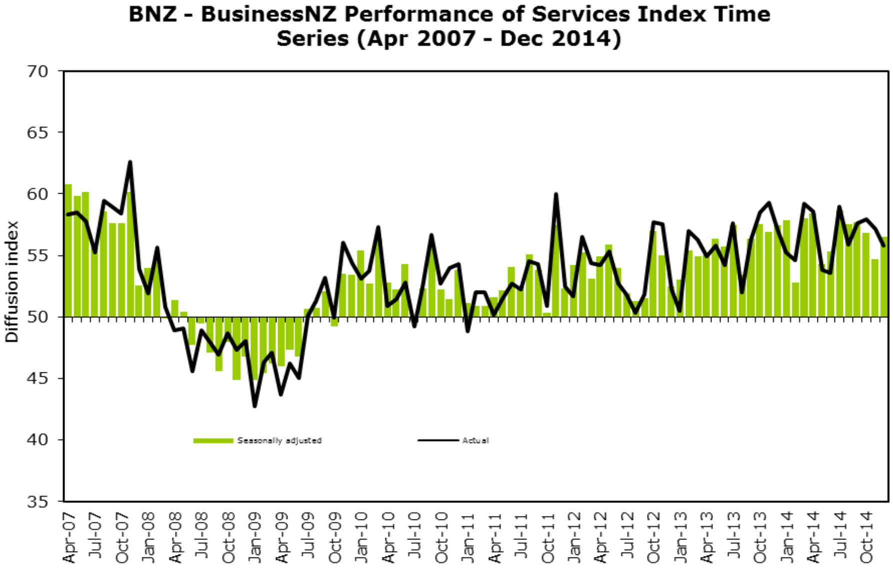

December PSI time series tables

National Indexes	Dec 2009	Dec 2010	Dec 2011	Dec 2012	Dec 2013	Dec 2014
BNZ - BusinessNZ PSI (s.a.)	53.4	53.8	52.3	52.5	57.5	56.5
Activity/Sales (s.a.)	55.6	58.0	51.0	52.4	60.0	57.3
Employment (s.a.)	50.7	49.8	52.7	52.2	52.7	51.9
New Orders/Business (s.a.)	60.0	58.2	55.6	56.5	63.0	60.3
Stocks/Inventories (s.a.)	47.9	50.5	51.8	49.0	53.8	54.8
Supplier Deliveries (s.a.)	50.0	50.5	49.2	47.9	53.0	56.2

Regional Indexes	Dec 2009	Dec 2010	Dec 2011	Dec 2012	Dec 2013	Dec 2014
BNZ - BusinessNZ PSI (s.a.)	53.4	53.8	52.3	52.5	57.5	56.5
Northern	52.5	54.7	51.7	53.7	57.4	57.6
Central	60.9	51.6	54.5	48.6	61.0	50.0
Canterbury/Westland	56.1	50.1	55.3	47.1	52.6	51.5
Otago/Southland	54.4	61.0	50.5	53.4	55.1	65.4

(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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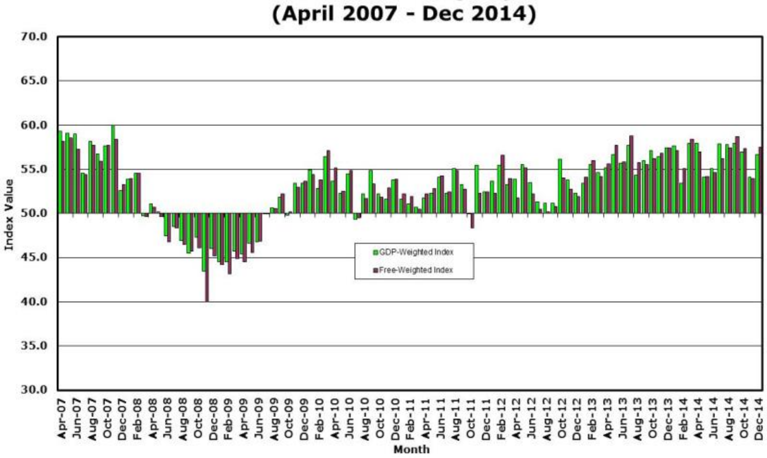
Back to the pack

BNZ - BusinessNZ Performance of Composite Index (PCI) for December 2014

- The seasonally adjusted BNZ - BusinessNZ Performance of Composite Index or PCI (which combines the PMI and PSI) for December saw the two options for measuring the PCI both return to levels experienced around the last half of 2014.
- The GDP-Weighted Index increased 2.6 points from November to stand at 56.7, while the Free-Weighted Index (57.5) rose 3.5 points from November. These meant the two options both averaged 56.5 over 2014.
- The JPMorgan Global Combined Index for December (52.3) eased to a 14-month low, as rates of expansion slowed in both the manufacturing and service sectors.

BNZ - BusinessNZ PCI Seasonally Adjusted Time Series (April 2007 - Dec 2014)



Performance of Composite Index December time series table

Combined National Indexes	Dec 2009	Dec 2010	Dec 2011	Dec 2012	Dec 2013	Dec 2014
GDP-Weighted Index (s.a.)	53.4	53.8	52.5	52.3	57.4	56.7
Free-Weighted Index (s.a.)	53.7	53.9	52.5	51.9	57.4	57.5

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.

Services Landscape

26 January 2015

Service Sector Keeping Pace

Along with the robust PSI reported for December (56.5), the latest NZIER Quarterly Survey of Business Opinion (QSBO) also showed an upbeat NZ services sector. Its level of confidence in the general economic outlook, at +22 for the December quarter, was very much in line with the nationwide average, of +23. As such, it was well above long-term averages. The service sector's expectations for its own activity were also very much keeping pace with the national pulse. This goes to show that it's not just the construction industry, with Canterbury's rebuild, and merchants, with reports of bumper Q4 retail spending, driving the expansion.

Labour Market Going Ballistic

The services category of the QSBO was also in the thick of the employment gains seemingly on offer across the economy. A net 17% of services-defined respondents reported they increased employment over the last 3 months. And a net 23% expected to increase staff over the next 3 months. Each of these was the strongest since 2007. Given this, we were not too worried to see the PSI indicator for employment in December slow to 51.9, from 53.2. Chances are that it will pick right up again, given that the PSI production index was solid at 57.3 while its new orders index got back up to a scorching 60.3.

Housing Market Heating Up, Yet Again

The property market has certainly resurfaced as a source of strong activity for the services sector. The Real Estate Institute of NZ figures for December registered a 24.2% increase in national house sales, compared to a year ago. This extended the substantial upturn we've seen since September's election. When we seasonally adjust the sales figure we estimate a 6% increase for December compared to November, following on from the 11% jump in November and a 5% lift in October. Levels are consistent with annual house price inflation moving back up toward 10% by mid-year. That's twice as much as the 5% upper tolerance the RBNZ has talked about recently.

Electronic Card Transactions – Really Strong

December's electronic card transaction values fell 0.3%; but only because expenditure on fuel dropped a further 3.2%, on slumping petrol prices. Excluding fuel, the ECT data remain robust in terms of values and, especially, in volumes. Total ECT transaction *numbers* in December were up 8% on a year ago. With the December ECT statistics at hand, we stay with our pick that Q4 retail volumes will expand 1.2%, following +1.5% in Q3, delivering annual growth of 4.8%. The Q4 retail trade report is due 16 February.

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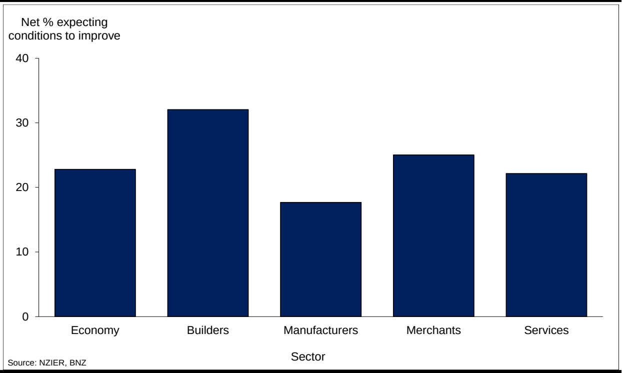
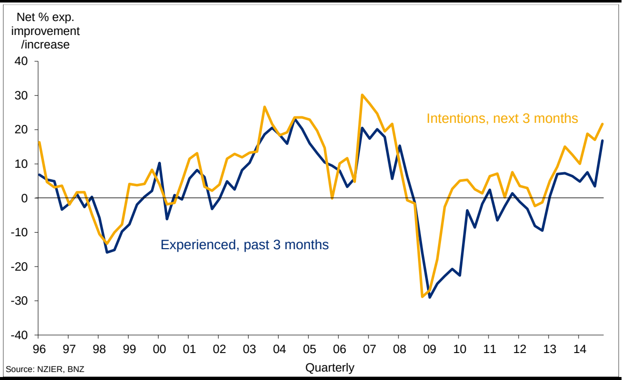
Services in the Thick of Growth

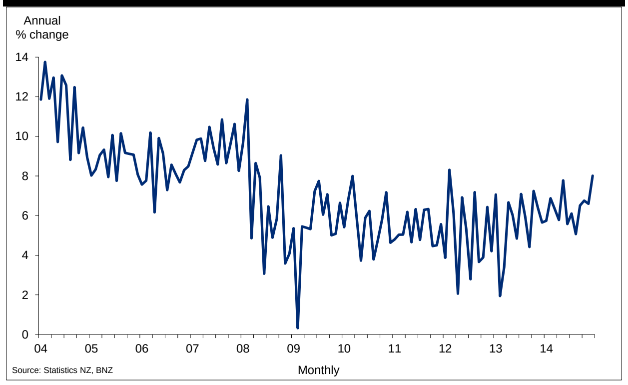


Services Sector Jobs Look The Strongest in Years



Housing Reheating

Spending Up, Amid Low Inflation



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