

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

Sun shines on service sector

BNZ - BusinessNZ PSI for February 2013

- The seasonally adjusted BNZ - BusinessNZ Performance of Service Index (PSI) for February stood at 55.5. This was up 2.7 points from January and the highest result since October 2012. Compared with previous February results, the 2013 value was the highest recorded since the survey began in 2007.
- All five main sub-indices were in expansion during February, compared with four last month. Again, leading the way was *new orders/business* (59.6), while *activity/sales* (55.4) also experienced an increase from January. *Employment* (52.5) picked up 2.4 points from the previous month, and its highest result since April 2012. *Stocks/inventories* (53.3) also produced its strongest value since April 2012, while *supplier deliveries* (55.8) increased significantly, reaching its highest value since June 2007.
- All activity by region was in expansion mode during February. In the North Island, the *Northern* region (56.5) picked up 5.6 points after two consecutive months of slipping expansion levels. However, the *Central* region (54.5) produced an all but identical result from January. In the South Island, the *Canterbury/Westland* region (59.1) experienced its third consecutive increase in activity to record expansion for the current month, while the *Otago/Southland* region (61.9) bounced back after a dip in January.
- Service sector results were mostly in expansion during February. *Wholesale trade* (59.4) picked up from January to show healthy expansion, while *property & business services* (55.3) returned to expansion levels seen in December. *Health & community services* (54.4) experienced a dip from the previous month, albeit still in expansion.

Inside BNZ Commentary this Month (page 4)

BNZ Senior Economist Craig Ebert discusses why this latest PSI, combined with the PMI, gives some confidence in remaining positive about the economy, overall. It echoes the strength of the PMI and is consistent with solid GDP growth, despite challenges such as drought and a high exchange rate.

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HIGHLIGHTS - PSI

- **Service sector shows further pick up in expansion.**
- **All five major sub-indices were in expansion, led by new orders.**
- **Regional activity positive across the country.**

HIGHLIGHTS - PERFORMANCE OF COMPOSITE INDEX (PCI)

- **Options for measuring PCI activity continued to show stronger expansion.**
- **Global PCI for February eases to four month low.**

Next BNZ - BusinessNZ PSI/PCI: 15 April 2013

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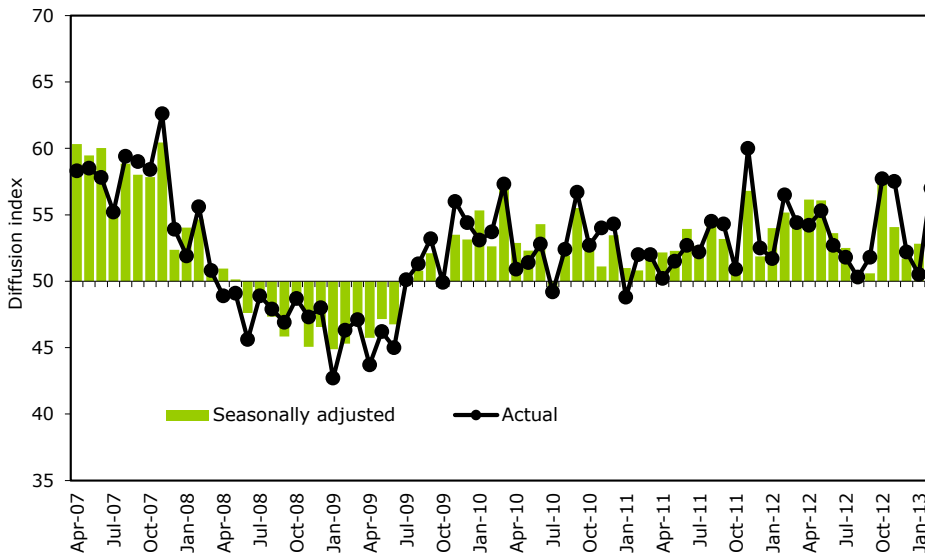
BNZ is delighted to be associated with both the Performance of Services Index (PSI) and BusinessNZ. This association brings together the significant experience of leading business advocacy body BusinessNZ, and business finance specialist BNZ. We look forward to continuing our association with BusinessNZ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

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



February PSI time series tables

National Indexes	Feb 2008	Feb 2009	Feb 2010	Feb 2011	Feb 2012	Feb 2013
BNZ - BusinessNZ PSI (s.a.)	54.6	45.3	52.6	50.8	55.2	55.5
Activity/Sales (s.a.)	54.4	40.3	53.0	53.3	57.6	55.4
Employment (s.a.)	51.8	44.7	50.5	50.2	51.6	52.5
New Orders/Business (s.a.)	60.3	48.6	57.5	54.1	60.3	59.6
Stocks/Inventories (s.a.)	50.5	47.6	48.5	46.8	51.1	53.3
Supplier Deliveries (s.a.)	53.3	47.0	49.8	45.3	52.1	55.8

Regional Indexes	Feb 2008	Feb 2009	Feb 2010	Feb 2011	Feb 2012	Feb 2013
BNZ - BusinessNZ PSI (s.a.)	54.6	45.3	52.6	50.8	55.2	55.5
Northern	52.8	45.3	54.7	54.6	55.3	56.5
Central	55.6	46.9	51.1	57.5	58.8	54.5
Canterbury/Westland	60.2	48.9	46.8	39.5	64.1	59.1
Otago/Southland	61.1	48.0	55.7	39.5	57.7	61.9

(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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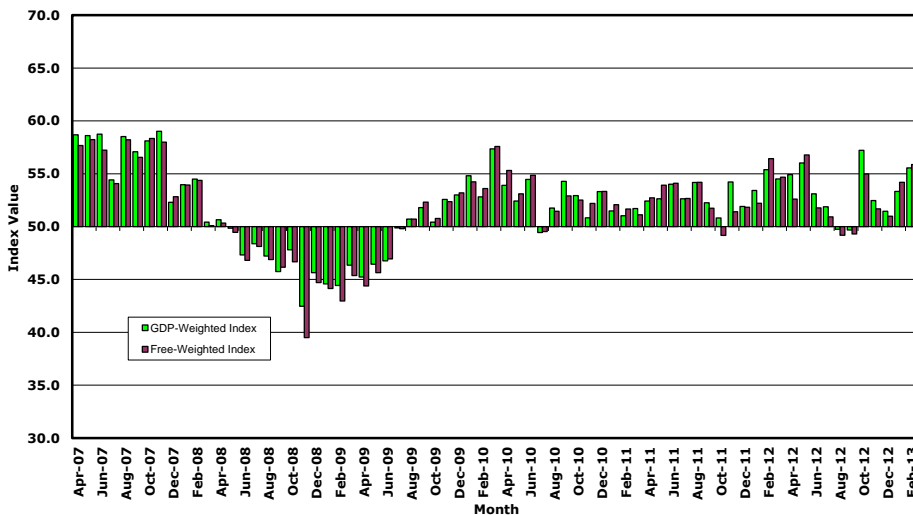
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Onwards and upwards

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

- The seasonally adjusted BNZ - BusinessNZ Performance of Composite Index or PCI (which combines the PMI and PSI) for February saw both options for measuring the PCI increase in expansion for the second consecutive month.
- The GDP-Weighted Index (55.5) increased 2.2 points from January, while the Free-Weighted Index (55.9) rose 1.7 points over the same period. This was the highest result for the GDP measure since October 2012, and the highest for the Free-Weighted measure since May 2012.
- The JPMorgan Global Combined Index for February (53.0) posted a four month low, although the loss of momentum was only slight with improving inflows of new business raising the chances of a near term reacceleration.

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



Performance of Composite Index February time series table

Combined National Indexes	Feb 2008	Feb 2009	Feb 2010	Feb 2011	Feb 2012	Feb 2013
GDP-Weighted Index (s.a.)	54.5	44.4	52.8	51.0	55.4	55.5
Free-Weighted Index (s.a.)	54.4	43.0	53.6	51.7	56.4	55.9

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.

18 March 2013

PSI Joins PMI in Signaling Solid Growth

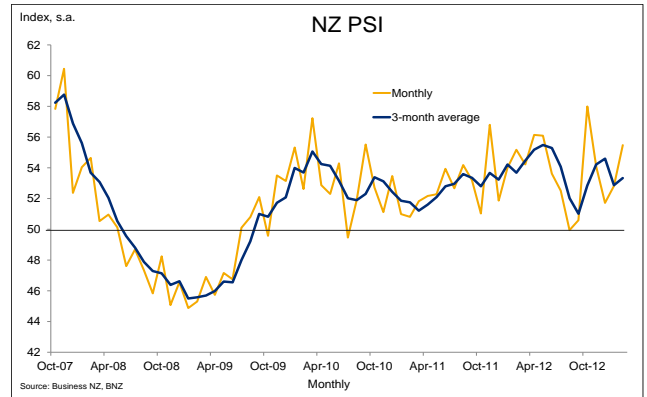
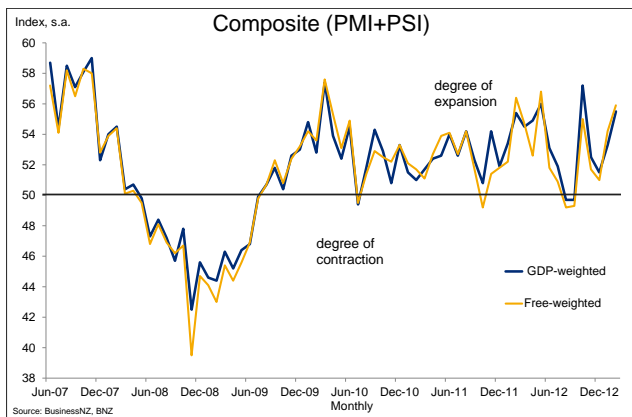
- PSI accelerates to 55.5, from 52.8
- Echoing PMI strength of February
- Consistent with solid GDP growth
- Following good Q4, slow PSI/PMI for Q3

As the Reserve Bank noted in its Monetary Policy Statement of last week "Surveys of business activity, such as the...Performance of Manufacturing Index and Performance of Services Index, have improved in recent months and indicate that the recent strengthening in growth is reasonably broad based across sectors."

Well, we can add to that last Friday's oxygenated PMI for the month of February. And today's Performance of Services Index (PSI), which continued to stake a claim on solid economic recovery, in strengthening to a seasonally adjusted 55.5, from 52.8 in January. While this wasn't quite as strong as the PMI's 56.3 the latest PSI arguably displayed more thorough momentum through its components. For example, the PSI activity index came in at 55.4, deliveries were 55.8, stocks 53.3, new orders were up at 59.6, with even the employment component reasonably positive, at 52.5.

Similarly, the industry component picture in the latest PSI was much less mixed than it was in the PMI for February. That's not to say every industry type in the PSI was moving merrily forward. But, intriguingly, finance and insurance was the only one that stuck out as being stuck in the mud.

Combined, the latest PSI and PMI results are consistent with firm GDP growth into the early part of 2013. This is key and timely information, given the question marks around how the economy is actually going this year, with the likes of drought and a high exchange rate just a couple of the many dampening influences on the economy. These have made us wonder if we're missing something,

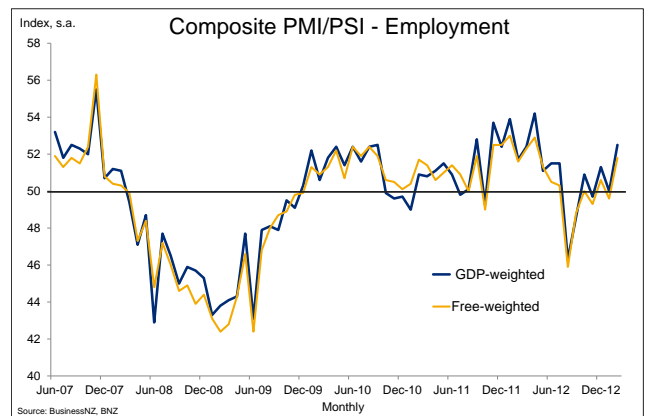


in still having 0.6% growth on the board for Q1 GDP (after revising down on account of the severe drought). Today's PSI, coupled with last week's PMI, gives us some confidence we're right to remain positive, overall.

This year's PSI and PMI readings, of course, follow on from the decent tone they established through Q4 of 2012. This, in turn, is consistent with the 0.8% expansion we're picking for Thursday's Q4 GDP report. The market's median expectation is 0.9%.

It was certainly the case that the PSI and PMI indices did a good job in warning of a slow Q3 regards economic activity. Recall that the PSI averaged 51.0 over the July-September period of last year, while the PMI was 48.5. GDP growth did prove a bit disappointing in Q3, in expanding just 0.2%.

But now the 3-month average is 53.3 for the PSI and 54.0 for the PMI. This gives us some heart that the economy, overall, is progressing well this year so far, after what we think was a reasonable expansion in the final quarter of last year.



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