

## 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

## Healthy levels of business & sales means service sector remains in positive light

### BNZ - BusinessNZ PSI for August 2011

- The seasonally adjusted BNZ - BusinessNZ Performance of Service Index (PSI) for August stood at 53.9. This was down 0.6 points from July, but the third highest value since September 2010 and the highest August result since 2007 (58.8).
- Three of the five sub-indices were in expansion during August, with *new orders/business* (58.7) producing its third consecutive value above 58. *Activity/sales* (57.0) also produced its third consecutive value above 57, while *supplier deliveries* (53.2) recorded its highest value since February 2008. *Employment* (49.2) improved from July but remained in contraction, while *stocks/inventories* (49.5) fell back into contraction after two months in expansion.
- Activity was expansionary for three of the four main regions. This was led by the *Northern* region (57.4) which increased 3.9 points from July to record its highest result since September 2010. The *Canterbury/Westland* region (56.5) returned to expansion for August, while the *Central* region (55.9) continued to exhibit a stable period of activity that has now continued for four months. At the other end of the scale, the *Otago/Southland* region (36.9) collapsed from the July result to record its lowest level of activity since June 2008.
- The various service sectors were mostly in expansion during August, with *retail trade* (60.8) and *wholesale trade* (57.2) showing improved activity. *Property & business services* (47.1) fell into contraction for the first time since January 2011, while *health & community services* (58.6) continued its expansionary path.

### *Inside BNZ Commentary this Month (page 4)*

As the global situation and outlook looks shakier and shakier, the New Zealand economy continues to show remarkable resilience. This is the message BNZ economists have taken from the range of domestic indicators over the last month, with the latest PSI no exception. So don't be too worried if Q2 GDP looks a bit soft, as seems the risk for this Thursday's report on it.

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### HIGHLIGHTS - PSI

- **Service sector expansion experiences another dip in August.**
- **Three of the five major sub indices in expansion.**
- **Regional activity showed Otago/Southland still struggling.**

### HIGHLIGHTS - PERFORMANCE OF COMPOSITE INDEX (PCI)

- **Both options for measuring PCI lost further steam in August.**
- **Global PCI also dropped as service providers were unable to offset manufacturing slip.**

**Next BNZ - BusinessNZ PSI/PCI: 17 October 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.

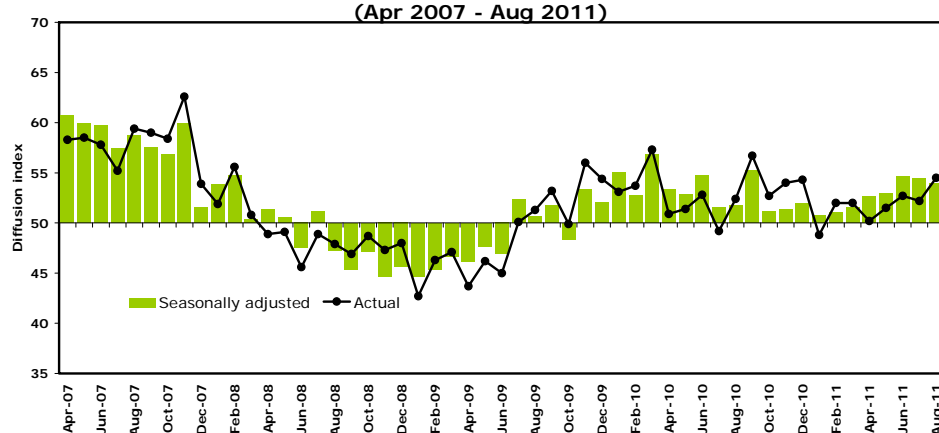
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**BNZ - BusinessNZ Performance of Services Index Time Series  
(Apr 2007 - Aug 2011)**



## PSI time series tables

National Indexes	Aug 2007	Aug 2008	Aug 2009	Aug 2010	July 2011	Aug 2011
BNZ - BusinessNZ PSI (s.a)	58.8	47.3	50.7	51.8	54.5	53.9
Activity/Sales (s.a)	63.6	41.3	50.6	53.9	57.1	57.0
Employment (s.a)	52.7	46.4	47.6	51.7	48.8	49.2
New Orders/Business (s.a)	65.4	50.2	57.6	54.4	58.9	58.7
Stocks/Inventories (s.a)	52.9	55.5	50.3	50.2	53.0	49.5
Supplier Deliveries (s.a)	55.2	50.0	46.6	47.0	52.1	53.2

Regional Indexes	Aug 2007	Aug 2008	Aug 2009	Aug 2010	July 2011	Aug 2011
BNZ - BusinessNZ PSI (s.a)	58.8	47.3	50.7	51.8	54.5	53.9
Northern	59.9	47.3	50.2	54.3	53.5	57.4
Central	58.2	55.4	51.6	49.7	54.1	55.9
Canterbury/Westland	59.4	47.7	53.9	46.4	45.4	56.5
Otago/Southland	58.4	39.3	58.0	47.2	46.0	36.9

(s.a denotes seasonally adjusted)

### PARTICIPANTS

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

Employers & Manufacturers Association (Northern)

Employers' Chamber of Commerce Central

Canterbury Employers' Chamber of Commerce

Otago Southland Employers Association

Hospitality Association of New Zealand

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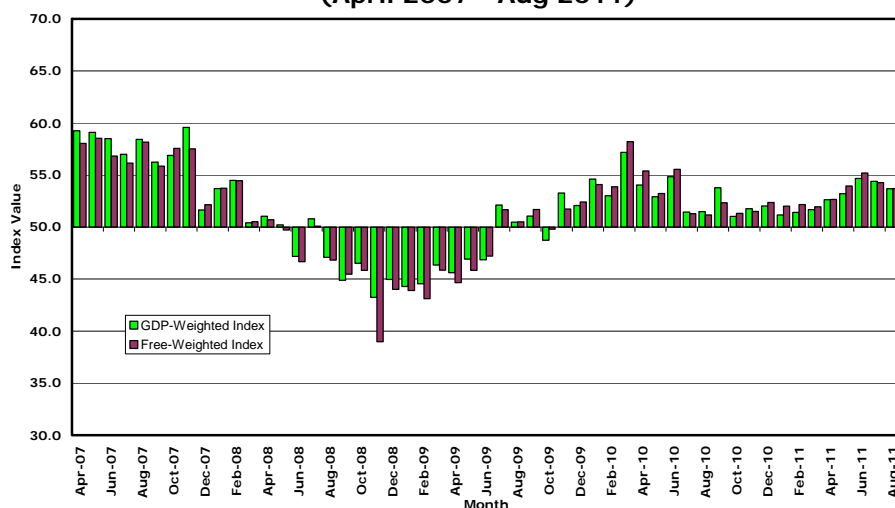
# psi

## Composite indexes even but dip

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

- The seasonally adjusted BNZ - BusinessNZ Performance of Composite Index or PCI (which combines the PMI and PSI) for August shows both options for measuring the PCI showing another slight drop in the level of expansion.
- August was also the first time where both the GDP-weighted index and free-weighted index produced the exact same result (53.7). In comparison with previous August months, the 2011 result was the highest since 2007.
- The JPMorgan Global Combined Index fell to a four month low of 52.0 in August. This decrease was mainly due to a growth of services business activity being unable to offset the weakness signaled at manufacturers.

**BNZ - BusinessNZ PCI Seasonally Adjusted Time Series (April 2007 - Aug 2011)**



### Performance of Composite Index time series tables

Combined National Indexes	Aug 2007	Aug 2008	Aug 2009	Aug 2010	July 2011	Aug 2011
GDP-Weighted Index (s.a)	58.4	47.1	50.5	51.5	54.4	53.7
Free-Weighted Index (s.a)	58.2	46.8	50.5	51.2	54.3	53.7

#### 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.

19 September 2011

## Name's Resilience, at Your Service

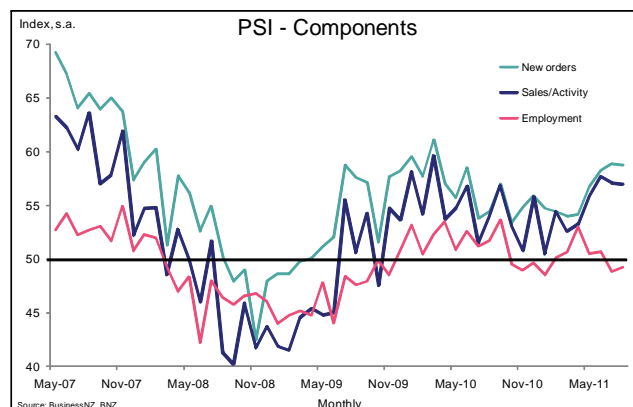
- PSI remained warm in August, despite global chill
- Along with solid PMI, sustains signs of pick up
- Latest consumer confidence also positive for growth
- So don't be alarmed by a soft-looking Q2 GDP

The details of August's Performance of Services Index (PSI) remained extremely mixed. In particular the regional and industry breakdowns were still bouncing around all over the show. What most struck us, however, was the overall robustness of the survey's results. This was especially encouraging, for a month when the world's financial markets took an absolute hammering, uncertainty climbed, and spending decisions must have been rattled no end.

That New Zealand's PSI held up at a seasonally adjusted 53.9 was thus a great outcome, in our view. This was reinforced by the fact the new orders component, at a hefty 58.7, kept leading from the front, with activity/sales humming close behind at 57.0. The laggard was employment, which, at 49.2, might be the area where reservations were at play. But, overall, and matched with last week's similarly solid PMI, of 52.9, the latest PSI paints a picture of an economy still expanding at a reasonable pace.

Of course, we can't be counting any chickens. Not with Europe's financial arithmetic inexorably equating to a bad bottom line, the American economy plodding into molasses and even the Australian economy slowing, even stalling, arguably, in household-led areas. Such things may yet come through to dunk the New Zealand economy. However, that such things have not obviously done so, so far at least, seems cause for minor celebration.

And it's not just the latest PSI and PMI readings that give us encouragement. These are consistent with a range of other business surveys that have proved remarkably



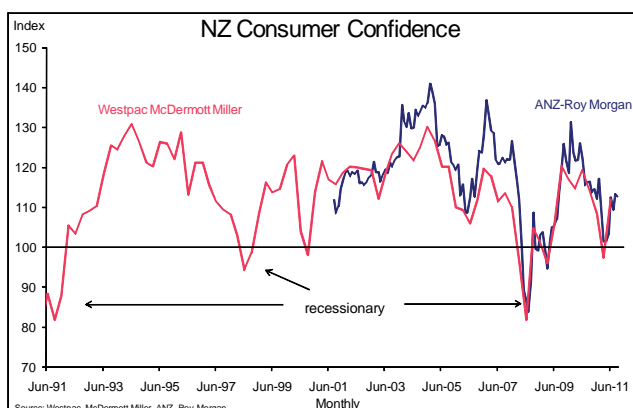
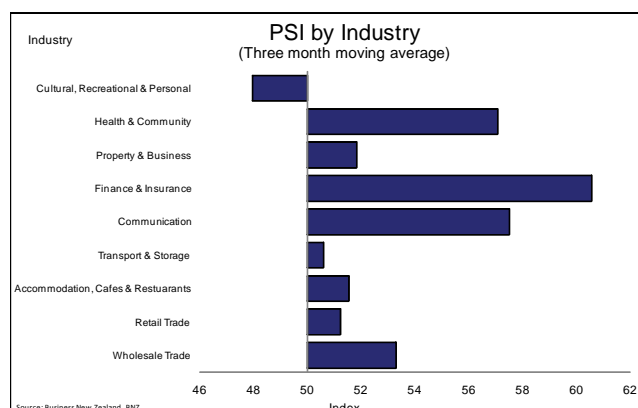
robust through what has been another very difficult year – initially with the earthquakes, then globally.

NZ consumers appear to have been just as hardy as businesses. Last Friday's ANZ Roy Morgan poll of consumer confidence held up rather nicely in September, at 112.6. While down on August's 113.3, it was only in slivery fractions. Overall, consumer sentiment remains comfortably above breakeven, and within a bull's roar of normal, thanks very much. This, in turn, is a positive pointer to the soon to be released quarterly Westpac McDermott Miller consumer confidence report.

There is a common theme in all of this. That is, resilience.

This is worth bearing mind, given the chance NZ Q2 GDP, published this Thursday, looks less than inspiring. Indeed, there's a chance it might be dead flat, even slightly negative. As it is, we expect just a 0.2% expansion. This might spook some folk. But never fear. For a start, a patchy Q2 would seem to us mostly a consolidation of the remarkably positive result for Q1, of 0.8%. More importantly, the growth indicators remain positive regards the second half of calendar 2011, some seriously so.

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