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

Solid ground

BNZ - BusinessNZ PSI for November 2014

- The seasonally adjusted BNZ - BusinessNZ Performance of Services Index (PSI) for November stood at 54.8. This was down 2.2 points from October, although still showing solid expansion. The PSI has averaged 56.5 points so far for 2014.

- Despite the dip in expansion levels, for the sixth month running all five main sub-indices were in expansion. *New orders/business* (56.4) led the way in November, although at its lowest result since February this year. This was followed by *activity/sales* (55.7), which also dropped below the 60-point level of expansion. *Stocks/inventories* (53.3) increased from October, as did *employment* (53.2). *Supplier deliveries* (52.8) decreased 0.3 points, which was all but at the level seen in September.

- 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 (55.5) dropped 3.6 points to record its lowest result since June this year, while the *Central* region (57.1) returned to its level seen in September. In the South Island, the *Canterbury/Westland* region (56.8) fell slightly from the previous month, while the *Otago/Southland* region (65.3) did likewise.

- Service sector results by sub-sector were mostly in expansion during November. *Property & business services* (60.2) experienced a sharp upswing in comparison to October, while *wholesale trade* (58.4) came back from a very strong result during the previous month. *Health & community services* (50.0) edged up slightly to no change for November.

- Given the easing of expansion levels for November, the proportion of positive comments from respondents in November (63.1%) decreased from October (69.5%), but still higher than September (56.0%) and August (62.0%). Internationally, the JPMorgan Global Services PSI for November (53.5) meant a seven-month low for activity.

Inside BNZ Commentary this Month (page 4)

BNZ Economist Doug Steel looks at spending growth via electronic card transactions as well as movements in a few influences relevant to the service sector at present, namely: net migration, tourist arrivals, housing, and the outlook for dairy farm revenue.

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HIGHLIGHTS - PSI

- ***Service sector expansion solid for November.***
- ***New orders/business and activity/sales both dip from the previous month.***
- ***Regional activity continues to remain positive across the country.***

HIGHLIGHTS – PERFORMANCE OF COMPOSITE INDEX (PCI)

- ***Options for measuring PCI activity both show easing activity in November.***
- ***Global PCI at seven-month low.***

Next BNZ - BusinessNZ PSI/PCI: 26 January 2015

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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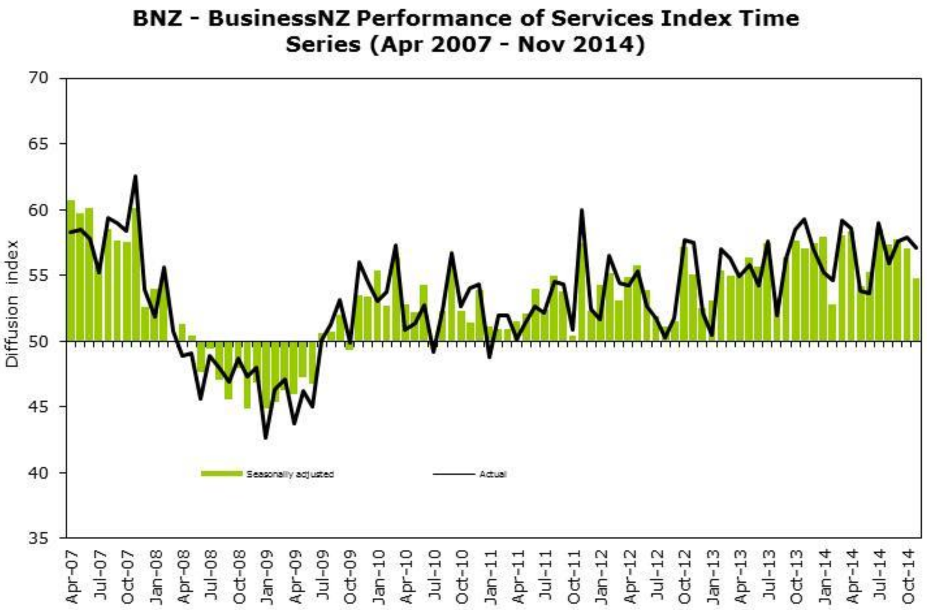

November PSI time series tables

National Indexes	Nov 2009	Nov 2010	Nov 2011	Nov 2012	Nov 2013	Nov 2014
BNZ - BusinessNZ PSI (s.a.)	53.5	51.4	57.5	55.0	57.0	54.8
Activity/Sales (s.a.)	54.4	50.9	60.1	56.6	59.8	55.7
Employment (s.a.)	48.8	49.1	54.2	49.7	54.4	53.2
New Orders/Business (s.a.)	58.2	55.5	61.9	60.1	61.7	56.4
Stocks/Inventories (s.a.)	46.9	50.2	51.2	52.2	51.5	53.3
Supplier Deliveries (s.a.)	51.5	46.9	52.8	52.8	50.9	52.8

Regional Indexes	Nov 2009	Nov 2010	Nov 2011	Nov 2012	Nov 2013	Nov 2014
BNZ - BusinessNZ PSI (s.a.)	53.5	51.4	57.5	55.0	57.0	54.8
Northern	54.8	55.9	60.4	61.0	60.9	55.5
Central	59.3	55.3	59.9	55.0	58.7	57.1
Canterbury/Westland	56.0	44.6	56.7	43.3	46.8	56.8
Otago/Southland	59.4	44.7	60.8	61.7	72.4	65.3

(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

BusinessNZ

BNZ-BusinessNZ PSI

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On par

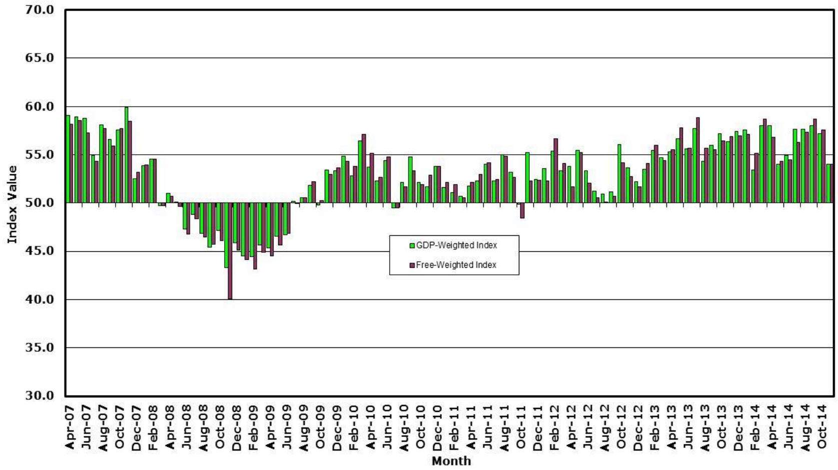
BNZ - BusinessNZ Performance of Composite Index (PCI) for November 2014

- The seasonally adjusted BNZ - BusinessNZ Performance of Composite Index or PCI (which combines the PMI and PSI) for November saw the two options for measuring the PCI both dip to almost the exact same level.

- The GDP-Weighted Index decreased 3.2 points from October to stand at 54.0, while the Free-Weighted Index (54.1) decreased 3.5 points from October. This put the activity levels of both options roughly on par with the month of May this year.

- The JPMorgan Global Combined Index for November (53.2) was at a seven-month low, which were again reinforced by slower inflows of incoming new business.

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



Performance of Composite Index November time series table

Combined National Indexes	Nov 2009	Nov 2010	Nov 2011	Nov 2012	Nov 2013	Nov 2014
GDP-Weighted Index (s.a.)	53.4	51.7	55.2	53.6	56.4	54.0
Free-Weighted Index (s.a.)	53.0	52.9	52.3	52.7	56.9	54.1

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

15 December 2014

Bums On Seats

People, people, people! Sometimes demand for services is just about the number of people. On this score, demand is absolutely booming. This follows from net immigration that has been truly massive over the past year and still heading higher – as more people arrive and fewer people leave. The actual net inflow over the past year has been around 48,000, which is big but latest monthly counts suggest this is heading toward 60,000 or more during 2015. Meanwhile, the number of tourist arrivals continues to rise – up 5% on average over the past year which will support spending even as spending per visitor is constrained by the strength of the NZ dollar.

Reheating Housing Market

The heat is turning up again in the housing market, post-election. Even adjusting for the usual spring influence, November house sales were up a whopping 14% in the month following a 5% gain in October. It points to more house price inflation ahead. Weekly mortgage approval data suggests December has started strongly too. The supply side is a plus for services sector growth too, with the number of residential building consents up around 12% on a year ago and the value of non-residential building consents up 21%.

Lower Dairy Revenue

Fonterra has lowered its forecast milk price to its dairy farmers to $4.70 per kilogram of milksolids for the 2014/15 season, from $5.30 previously. It is significantly lower than the $8.40 farmers received for last season's milk. It all follows declines in international dairy prices. It suggests that dairy industry revenue will be in excess of $6 billion lower than the previous season. The cash impact is only starting now and will tighten considerably through 2015. This will be a drag on rural service industries. It is worth noting that farmers appear to have saved a good chunk of last season's record payments which could be drawn on to provide at least some support to spending despite lower revenues this year.

Electronic Card Transactions

Domestic spending is cruising along at a solid clip. Sure November's value of electronic card transactions eased 0.3% in November, after adjusting for usual seasonal movements. But this needs to be seen in the context of the 1.5% gain in October and a drop in fuel prices, more of which have occurred in December. Overall transactions are 4.4% higher than a year ago, with the services component a standout at 6.8% which is close to its average annual growth all year.

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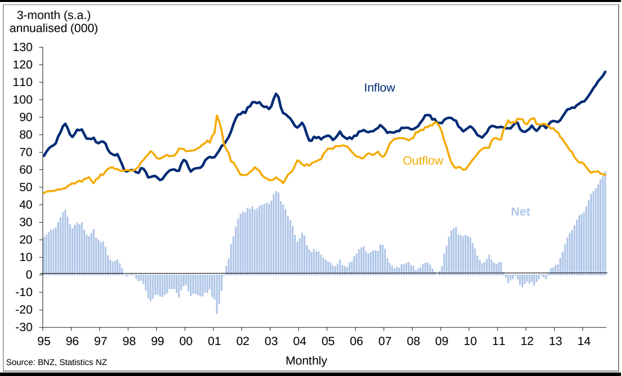
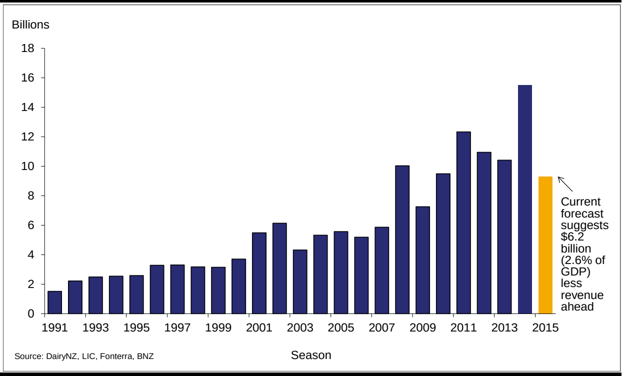
Migration Booming

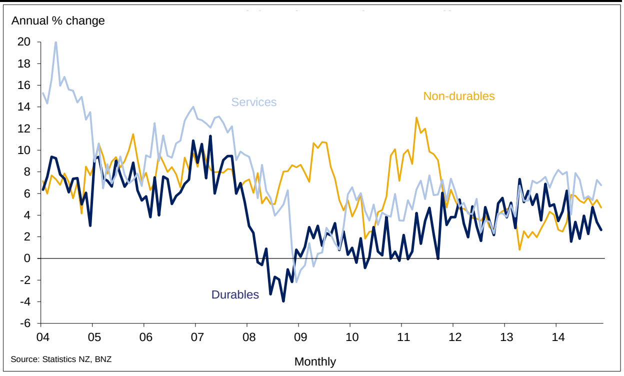


Housing Reheating

Dairy Revenue To Decline Sharply



Electronic Card Transactions



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