

The Business NZ Performance of Services Index (Business NZ 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.

psi

Service sector continues growth

Business NZ PSI for June 2007

- The third monthly Business NZ Performance of Service Index (PSI) stood at 57.8 for June, down slightly from the May result of 58.5, although still showing healthy expansion.
- Four of the five diffusion indices that make up the PSI showed expansion in June. *New orders/business* (66.1) continues to perform well above the other indices, while *activity/sales* (61.1) also remains above the 60-mark. *Employment* (53.8) increased for the second consecutive time, and well above the 51.2 recorded for May. *Stocks/inventories* (47.2) continued to decrease, although this is often due to increased overall activity.
- Activity was generally similar across most parts of the country, although the Central region (63.1) was the only area that performed above the national result.
- Most service sectors showed expansion during May, again led by both *property & business services* (64.8) and *wholesale trade* (58.1). *Accommodation, cafes & restaurants* (48.3) experienced another dip in activity, due to winter setting in and a perceived drop in visitor numbers.
- The number of negative and positive comments relating to activity over the month was again very similar (52.9% positive compared with 47.1% negative). However, there was a noticeable difference when related to business activity from the same month last year. Those who provided negative comments showed activity to be largely unchanged from June 2006, while those who provided positive comments experienced a modest rise in activity. Overall, the national result for activity compared with 2006 stood at 2.5*.
- Negative comments by respondents tended to involve the high New Zealand dollar, ongoing labour shortages and seasonal factors. There was no strong trend regarding positive comments, apart from comments related to a continuation of favorable conditions for activity.

National Indexes	April 2007	May 2007	June 2007
Business NZ PSI	58.3	58.5	57.8
Activity/Sales	59.9	62.4	61.1
Employment	51.0	51.2	53.8
New Orders/Business	68.3	67.8	66.1
Stocks/Inventories	52.5	49.5	47.2
Supplier Deliveries	55.3	54.7	51.9

Regional Indexes	April 2007	May 2007	June 2007
Business NZ PSI	58.3	58.5	57.8
Northern	57.8	57.0	57.2
Central	62.5	65.5	63.1
Cant/Westland	56.0	60.3	57.2
Otago/Southland	59.2	57.6	55.8

* Respondents are asked for a score from 1-5, where 1= large rise and 5= large fall.

HIGHLIGHTS

Activity level for the service sector stood at 57.8 for June, down 0.7 from May.

New orders (66.1) showed strong expansion for the month, followed by activity/sales (61.1).

Activity was strong across the country, again led by the Central region (63.1).

Exchange rates, labour shortages and seasonal factors were the main influence on the service sector during June.

The Australian PSI stood at 54.9 for June, with activity moderating slightly from May.

Next Business NZ PSI: 20 August 2007

PARTICIPANTS

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

Employers & Manufacturers Association (Northern)

Employers & Manufacturers Association (Central)

Canterbury Employers' Chamber of Commerce

Otago Southland Employers Association

Hospitality Association of New Zealand

Insurance Council of New Zealand

New Zealand Retailers Association

Tourism Industry Association New Zealand