

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

## Golden weather continues

### BNZ - BusinessNZ PSI for April 2013

- The seasonally adjusted BNZ - BusinessNZ Performance of Service Index (PSI) for April stood at 56.1. This was 0.5 points up from both February and March, and the highest level of overall activity since October 2012. Compared with previous April results, the 2013 value was the highest recorded since the survey began in 2007.
- Like March, four of the five main sub-indices were in expansion during April. Leading the way was *production* (62.6), which increased 4.9 points from the previous month. This was followed by *new orders/business* (60.7), while *supplier deliveries* (53.3) increased 1 point after a dip in expansion during the previous month. *Employment* (51.3) fell back 1.8 points but remained in slight expansion, while *stock/inventories* (47.1) fell back a further 2.2 points to its lowest level of activity since January 2012.
- Activity was positive in three of the four regions during April. In the North Island, the *Northern* region (55.4) decreased 1.8 points, although contributed to a solid three months of activity. The *Central* region (58.4) bounced back from a strong dip in March to record its highest value since March 2012. In contrast, the *Canterbury/Westland* region (49.9) slipped back to all but no change for April after two similar months of strong expansion, while the *Otago/Southland* region (50.8) also fell back from the previous two months.
- Despite the continued healthy levels of expansion on a national level, service sector results by sub-sector continued to be mixed. *Wholesale trade* (51.9) dropped sharply after two strong months in expansion, while *property & business services* (58.6) moved in the opposite direction. *Retail trade* (56.4) picked up from March, while *health & community services* (49.3) was almost unchanged from the previous month.

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

BNZ senior economist Craig Ebert looks at the similarities between the latest PSI and PMI, with production and new orders leading the charge. Employment is a bit softer for now, but jobs growth is still the more general likelihood.

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#### HIGHLIGHTS - PSI

- *Service sector expansion picks up in April.*
- *Four of the five major sub-indices in expansion, led by production.*
- *Regional activity positive across most of the country.*

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

- *Options for measuring PCI activity both showed increased expansion.*
- *Global PCI for April decreases from March.*

**Next BNZ - BusinessNZ PSI/PCI: 17 June 2013**

#### SPONSOR STATEMENT

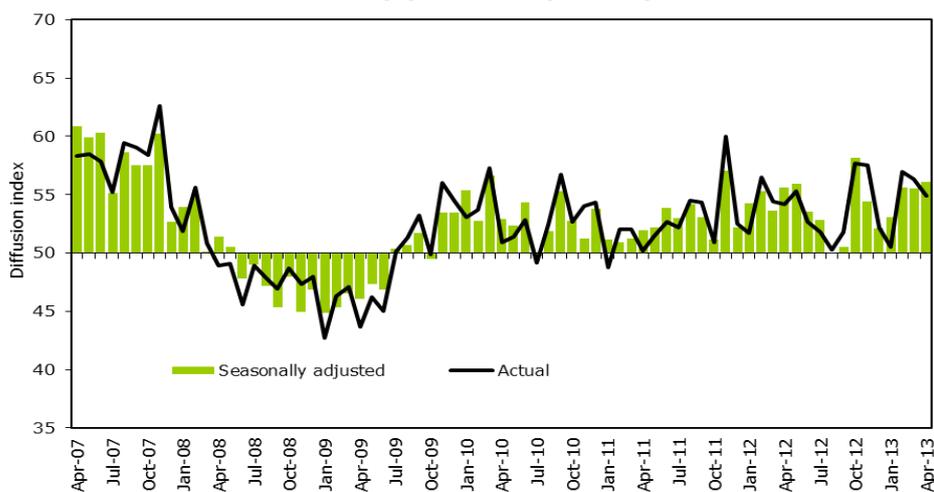
BNZ is delighted to be associated with both the Performance of Services Index (PSI) and BusinessNZ. This association brings together the significant experience of leading business advocacy body BusinessNZ, and business finance specialist BNZ. We look forward to continuing our association with BusinessNZ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

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



## April PSI time series tables

National Indexes	Apr 2008	Apr 2009	Apr 2010	Apr 2011	Apr 2012	Apr 2013
BNZ - BusinessNZ PSI (s.a.)	51.4	46.0	52.9	51.9	55.6	56.1
Activity/Sales (s.a.)	52.2	44.2	52.5	52.1	54.4	62.6
Employment (s.a.)	47.4	44.7	52.9	52.0	55.5	51.3
New Orders/Business (s.a.)	57.5	50.0	57.2	54.4	59.7	60.7
Stocks/Inventories (s.a.)	48.3	43.7	49.9	51.5	53.3	47.1
Supplier Deliveries (s.a.)	49.1	45.6	48.7	49.2	54.1	53.3

Regional Indexes	Apr 2008	Apr 2009	Apr 2010	Apr 2011	Apr 2012	Apr 2013
BNZ - BusinessNZ PSI (s.a.)	51.4	46.0	52.9	51.9	55.6	56.1
Northern	49.8	42.8	50.8	49.3	52.9	55.4
Central	53.8	48.8	56.4	50.4	52.5	58.4
Canterbury/Westland	48.1	43.1	47.4	57.5	58.9	49.9
Otago/Southland	42.8	44.8	48.6	46.3	62.6	50.8

(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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## Even Stevens

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

- The seasonally adjusted BNZ - BusinessNZ Performance of Composite Index or PCI (which combines the PMI and PSI) for April saw both options for measuring the PCI increase.
- The GDP-Weighted Index (56.1) increased 0.8 points from March, while the Free-Weighted Index (56.1) rose 1.5 points over the same period. This is the first time since December 2010 that both measures have produced the same value, as well as the highest value for the latter since May 2012.
- The JPMorgan Global Combined Index for April (51.9) was down from 53.0 in March. The slowdown was broad-based across manufacturers and service providers alike, as demand growth weakened.

#### 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).

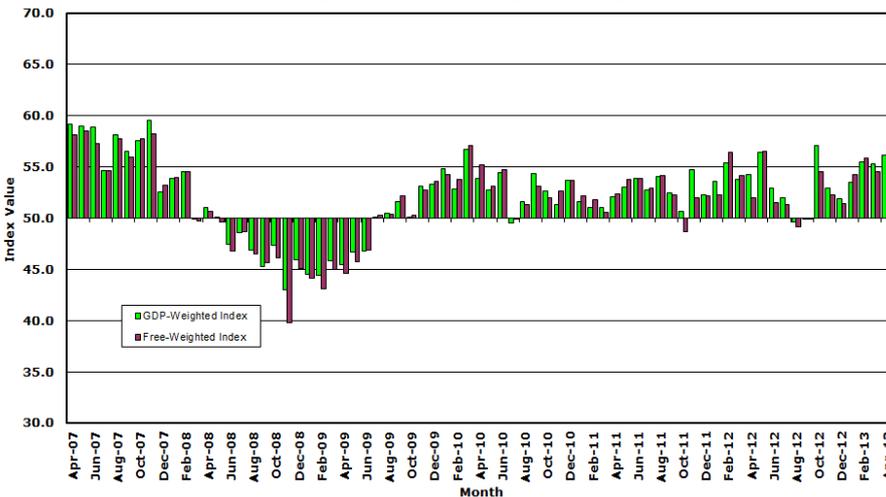
Combined results are shown in two ways:

**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.

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



#### Performance of Composite Index April time series table

Combined National Indexes	Apr 2008	Apr 2009	Apr 2010	Apr 2011	Apr 2012	Apr 2013
GDP-Weighted Index (s.a.)	51.1	45.4	53.8	52.0	54.3	56.1
Free-Weighted Index (s.a.)	50.7	44.6	55.2	52.3	52.0	56.1

20 May 2013

## Employment Check

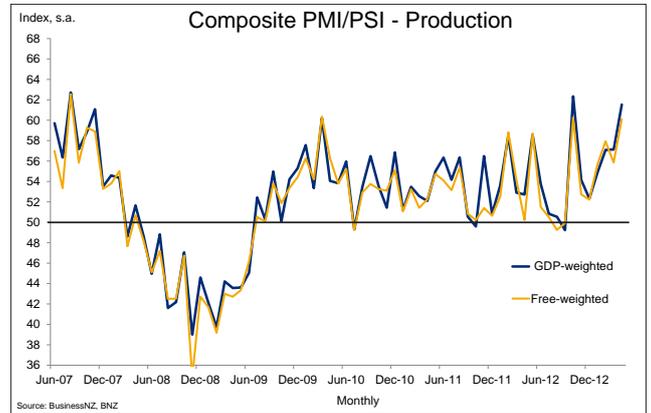
- Services PSI solid in April
- Mirroring the PMI
- With production, orders, leading the charge
- PSI/PMI employment indices a bit softer for now
- But jobs growth still the more general likelihood

The latest NZ Performance of Service Index (PSI) echoes many of the features of its Manufacturing counterpart, as was published last week. Both are rocking along rather well, with the PSI at 56.1 for April and the PMI at 54.5. Both were exhibiting particularly strong expansion in output/activity and with surging new orders championing for much more besides.

Whether weighted by GDP importance, or simply lumped together democratically, responses to the PSI and PMI for April tell of ongoing expansion of the real economy this year, after a perky finish to 2012. This supports our expectation of a good gain in GDP over the first half of 2013, in spite of the damage ensured from the drought earlier in the year. We still expect a 0.7% lift in Q1 GDP and 0.4% for Q2. This would establish annual growth of around 2.75% - a sterling effort, through a major drought.

There was also a common thread across the latest PSI and PMI surveys regards inventory. That is, it's falling. The PSI stocks variable eased to 47.1 in April, from 49.3, having been 54.3 back in February. The PMI series on stocks of finished products dipped to 47.8, from 50.5. These are likely to be "positive" weaknesses, in that they reflect stronger than anticipated demand (judging by the production/activity results of late) rather than any sudden pull-back in it.

This, in turn, sets the scene for production to keep picking up - which is what matters most for GDP (rather than sales per se) - across both the services and manufacturing sectors.

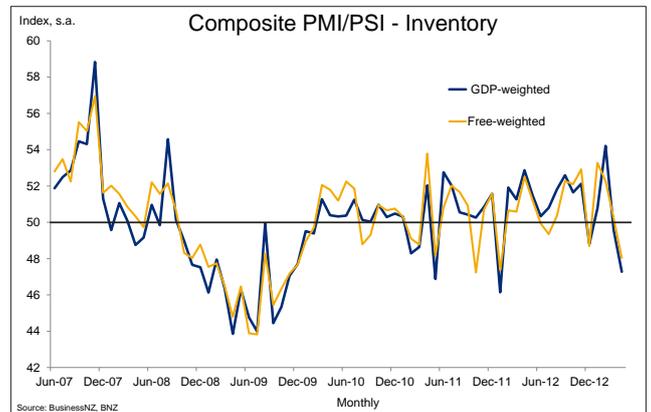
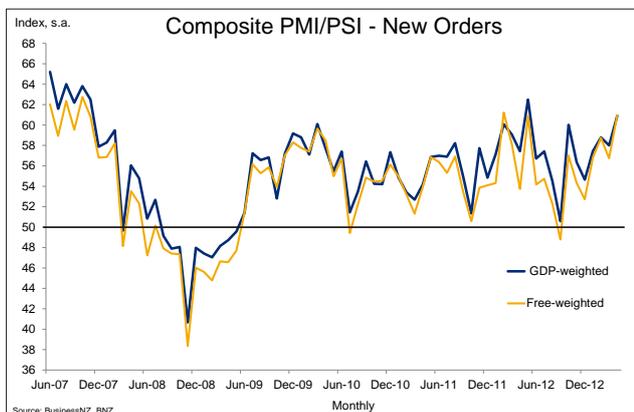


However, not all was entirely encouraging in the latest PSI and PMI readings. Interestingly, they both registered something of a softening in their staffing series. In the case of the PSI, its employment index slowed to 51.3, from 53.1 in March. For the PMI it wobbled its way back down to 48.0, from 51.5.

We're not sure why this should have occurred - especially when most of the broader indicators on the labour market have continued to signal expansion, even more of it. But we do know the jobs indices in the PSI and PMI reports have tended to give a superior indication of the immediate employment trends, at least as far as the "official" data can be trusted, the Household Labour Force Survey (HLFS) included.

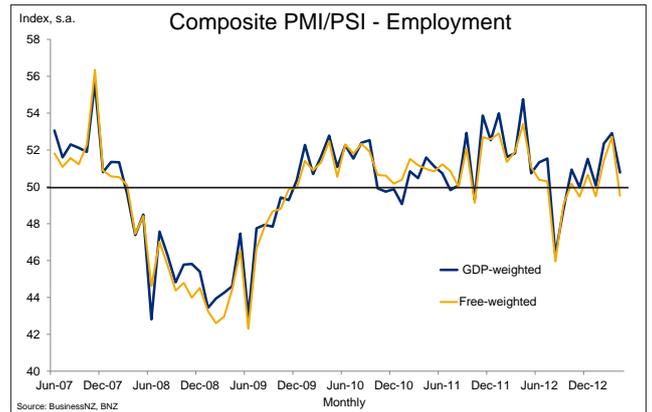
This makes some sense in that the PSI and PMI job indices canvas more the actual changes occurring, rather than what firms intend to do, as tends to be the focus of most other business surveys when it comes to staffing.

With this distinction in mind, it's worth recalling that the PSI jobs index faltered to 46.5 in August last year



(compared with 51.3 now) and the PMI equivalent sank to 45.3 (48.0 now). If nothing else, this lesson from recent history counsels a bit of caution on extent of further employment gain we can expect for Q2, following the big gain we saw in the Q1 HLFS measure of employment.

Then again, a conservative increase, of just 0.2%, is exactly what we expect for Q2 employment (for 0.6% y/y), as per the next HLFS. Still, this would probably be enough to hold the unemployment rate down in the low sixes, with ongoing trend decline looking likely from there. This is certainly the implication of the production and inventory dynamics imbedded in the latest PSI and PMI surveys, albeit that their employment impulses were a bit softer for the moment.



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