

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

On the job

BNZ - BusinessNZ PSI for August 2014

- The seasonally adjusted BNZ - BusinessNZ Performance of Services Index (PSI) for August stood at 57.9. Although this was down 0.5 points from July, it continues to show healthy activity in the sector, with an average monthly result of 56.6 so far for 2014.
- For the third consecutive month, all five main sub-indices were in expansion. *Employment* (56.0) recorded its highest result since the survey began in 2007, as did *supplier deliveries* (59.0). In addition, *stocks/inventories* displayed its second highest result, only bettered by the November 2007 figure. *New orders/business* (58.5) continued to lead the charge in terms of the highest overall result for August, while *activity/sales* (57.6) experienced a similar slip in expansionary levels.
- Activity continued to remain positive throughout the country. In the North Island, the *Northern* region (57.0) was largely similar to its July result, while the *Central* region (56.2) experienced a dip in expansion after breaking through the 60-point barrier in July. In the South Island, the *Canterbury/Westland* region (51.9) fell 5.6 points in August, while the *Otago/Southland* region (55.8) returned to more standard levels of growth.
- Service sector results by sub-sector were mostly in expansion during August. *Wholesale trade* (57.8) inched up from its July result, while *health & community services* (57.3) was close behind. *Property & business services* (56.8) moved down from a result above 60 in July, while *retail trade* (47.4) was one of the few sub-sectors to show a contraction in August.
- The proportion of positive comments from respondents in August (62.0%) was down on July (65.8%), but almost identical to June (62.1%). Internationally, the JPMorgan Global Services PSI for August (55.5) continued to expand at a solid pace.

Inside BNZ Commentary this Month (page 4)

BNZ senior economist Craig Ebert notes the overall resilience of New Zealand's services sector, even with signs of a gradual slowdown in the housing market, pre-election.

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HIGHLIGHTS - PSI

- **Service sector continues its expansion mode in August.**
- **Employment and supplier deliveries at highest level since survey began.**
- **Regional activity continues to remain positive across the country.**

HIGHLIGHTS - PERFORMANCE OF COMPOSITE INDEX (PCI)

- **Options for measuring PCI activity show similar results in August.**
- **Global PCI decreases slightly during August.**

Next BNZ - BusinessNZ PSI/PCI: 20 October 2014

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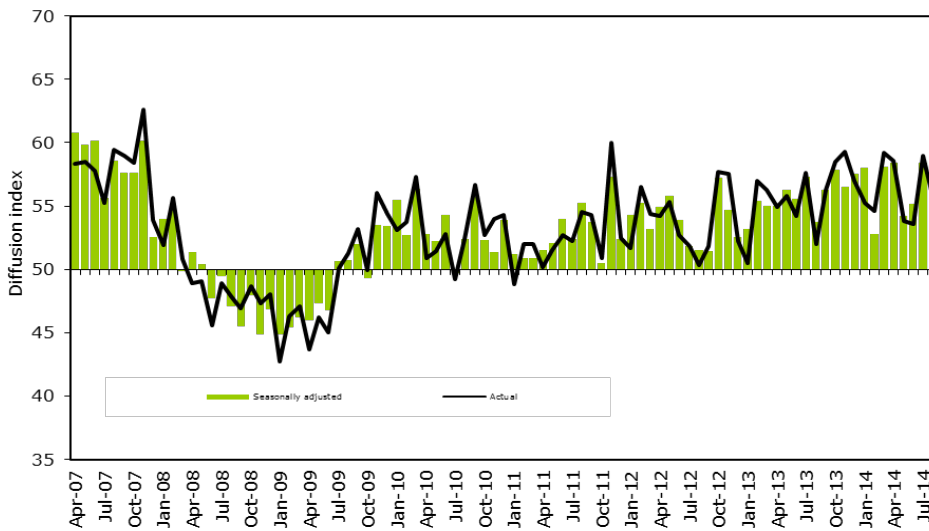
BNZ is delighted to be associated with both the Performance of Services Index (PSI) and BusinessNZ. This association brings together the significant experience of leading business advocacy body BusinessNZ, and business finance specialist BNZ. We look forward to continuing our association with BusinessNZ 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 - Aug 2014)



August PSI time series tables

National Indexes	Aug 2009	Aug 2010	Aug 2011	Aug 2012	Aug 2013	Aug 2014
BNZ - BusinessNZ PSI (s.a.)	50.8	52.4	55.2	51.5	53.7	57.9
Activity/Sales (s.a.)	51.0	54.8	57.9	52.2	55.3	57.6
Employment (s.a.)	48.2	52.9	51.0	47.8	50.6	56.0
New Orders/Business (s.a.)	58.0	55.2	59.6	56.8	55.8	58.5
Stocks/Inventories (s.a.)	50.0	50.2	49.4	51.7	52.5	56.2
Supplier Deliveries (s.a.)	47.5	48.7	55.8	47.6	51.8	59.0

Regional Indexes	Aug 2009	Aug 2010	Aug 2011	Aug 2012	Aug 2013	Aug 2014
BNZ - BusinessNZ PSI (s.a.)	50.8	52.4	55.2	51.5	53.7	57.9
Northern	50.2	54.3	57.4	49.4	55.5	57.0
Central	51.6	49.7	55.9	57.9	53.5	56.2
Canterbury/Westland	53.9	46.4	56.5	47.9	42.1	51.9
Otago/Southland	58.0	47.2	36.9	46.1	36.5	55.8

(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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Free lift

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

- The seasonally adjusted BNZ - BusinessNZ Performance of Composite Index or PCI (which combines the PMI and PSI) for August saw the two options for measuring the PCI showing differing movements.
- The GDP-Weighted Index remained at 57.6 for August, while the Free-Weighted Index (57.2) rose 1.1 points from July, and its highest level since March 2014. The strong increase in the manufacturing sector, combined with a lower services sector result, meant the Free Weighted index produced a higher result for the current month.
- The JPMorgan Global Combined Index for August (55.1) was 0.4 points down from July, although points to solid steady progress during August.

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).

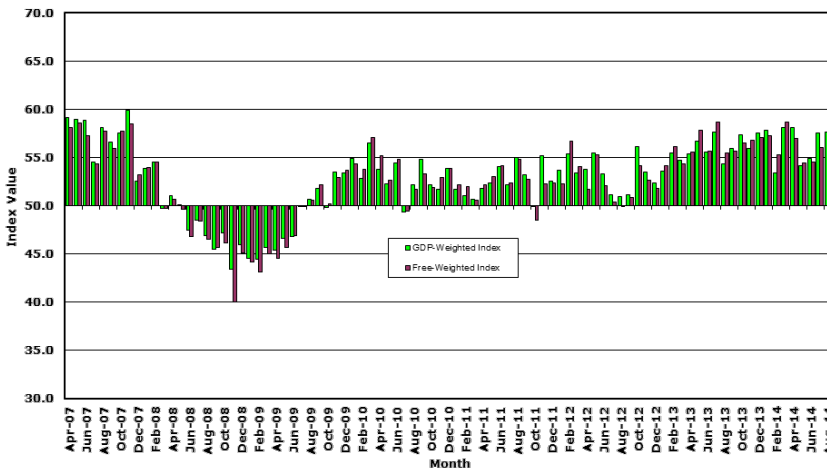
Combined results are shown in two ways:

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 - Aug 2014)



Performance of Composite Index August time series table

Combined National Indexes	Aug 2009	Aug 2010	Aug 2011	Aug 2012	Aug 2013	Aug 2014
GDP-Weighted Index (s.a.)	50.6	52.1	55.0	50.9	54.3	57.6
Free-Weighted Index (s.a.)	50.5	51.7	54.8	50.0	55.5	57.2

15 September 2014

Overview

While business optimism has moderated over recent months, confidence within the services sector has held up relatively well (the negativity has principally come via the farming sector, as a consequence of slumping dairy export prices). Resilience in the services sector was certainly the motif of August's Performance of Services Index. It established a seasonally adjusted level of 57.9, close to the 58.4 it climbed back up to in July. The latest PSI's employment index was the highest on record. For further insight into New Zealand's services sector it will be interesting to see what the (7 October) Quarterly Survey of Business Opinion will divulge.

Electronic Transactions

Total electronic card transactions rose a seasonally adjusted 0.3% in August. While positive it was a disappointing degree of bounce, following the 0.1% dip in July. From a technical perspective, this sees our pick for Q3 retail sales volume growth nudge down to +0.6% from +0.8% previously. This would represent a slowdown from the 1.2% gain reported for Q1 (3.6% y/y). The retail component of July's electronic transactions fared a bit better, rising 0.5% for the month and core-retail expanded 0.6%. So there is a reasonably solid spending trend beneath the softer looking headlines. Note too that car sales, which are underrepresented in these transactions, have been strong of late, judging by registrations.

Interest Rates

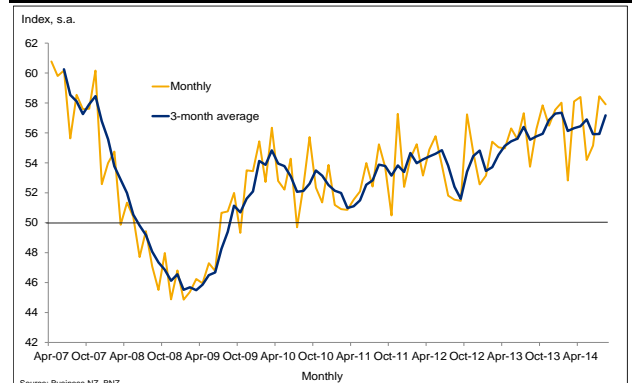
The RBNZ not only left its cash rate at 3.50% last week but was deliberately vague in indicating when it might rise again. Its published 90-day bank bill rate track inferred that rates could be raised as early as December but more likely the resumption of the tightening cycle would be in March 2015. This is a distinct softening from the June MPS when December was clearly signalled. In addition, the Bank's foreseen peak in the 90 day track was lowered to 4.8% from 5.3%. This implied a peak in the cash rate of 4.50 – 4.75% whereas previously the RBNZ indicated 5.00 – 5.25%. Not only has the Bank today offered a less aggressive interest rate track than it had done previously but it has also intimated that the risks to that track are biased to the downside. We'll see.

Housing Market

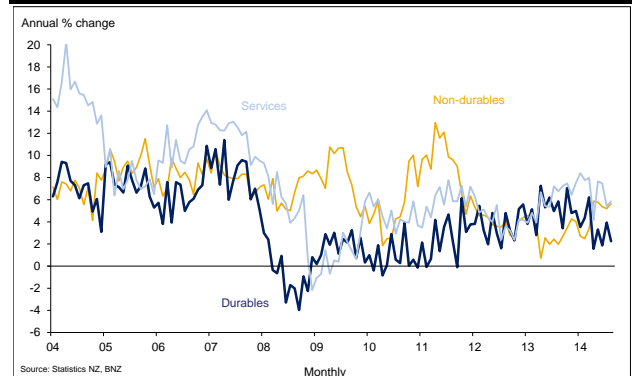
The housing market is losing some of its steam. For example, latest REINZ figures show annual house price inflation cooled to 4.8% in August from 5.9% in July and near 10% a year ago. While activity has stabilised over recent months, there were 16% fewer houses sold in August this year compared to last. Perhaps the pending election has dampened activity along with the LVR restrictions and interest rate increases. The supply side is a plus for service sector growth, with residential building consents 23% ahead of a year ago.

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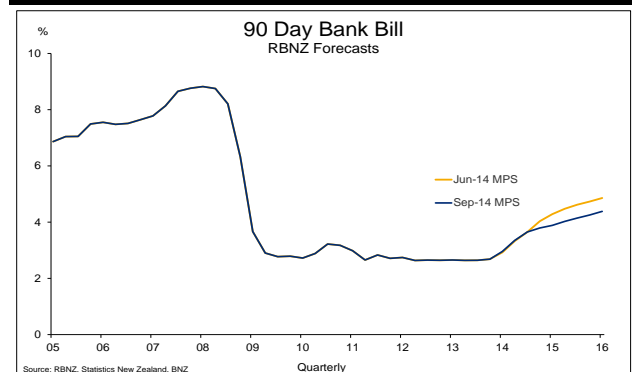
PSI



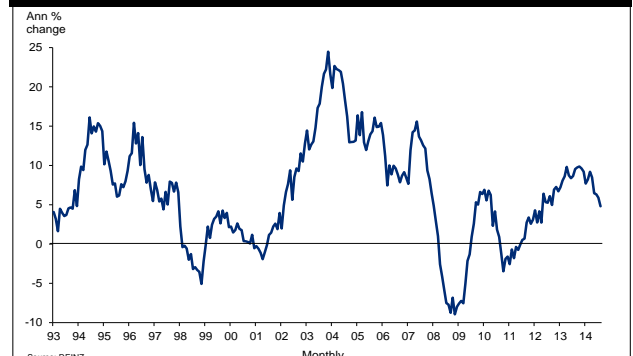
Electronic Card Transactions



Interest Rates



Housing Steam Abating



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