

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

## Holding pattern

### BNZ - BusinessNZ PSI for December 2012

- The seasonally adjusted BNZ - BusinessNZ Performance of Service Index (PSI) for December stood at 51.5. This was down 2.7 points from November and down 6.3 points over the last two months. Compared with previous December results, the 2012 value was almost identical to 2011.
- Three of the five main sub-indices were in expansion during December, with *new orders/business* (55.4) again leading the way despite another drop from the previous month. *Activity/sales* (51.6) also continued to fall back to levels seen around mid-2012. In contrast, *employment* (51.6) picked up slightly from November's flat result, while *stocks/inventories* (49.3) dipped below the 50.0 mark for the first time since January (albeit being in a tight band of activity for the previous 10 months). *Supplier deliveries* (47.6) also fell into contraction after two consecutive months in expansion.
- Two of the four regions remained in expansion during December. In the North Island, the *Northern* region (53.7) fell back from consecutive strong results to a level of activity last experienced in September. The *Central* region (48.6) fell back into a similar level of contraction seen in Sept-Oct as activity/sales and new orders/business decreased over December. In the South Island, the *Canterbury/Westland* region (47.1) recovered somewhat after a sharp fall in November, while the *Otago/Southland* region (53.4) returned to similar levels of activity seen in October.
- Service sector results were again mainly positive in December. *Property & business services* (55.8) continued to show healthy expansion, while *wholesale trade* (54.7) was also in positive territory despite dropping below the 60.0 mark after two strong months of activity. In contrast, *health & community services* (46.5) continued to fall after a slip into contraction in November.

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

BNZ senior economist Craig Ebert looks at the positive message to be drawn from December's staffing index, and what it means when compared to jobs indicators from other surveys across the economy. Could there be an additional 45,000 jobs in the pipeline?

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#### **HIGHLIGHTS - PSI**

- **Service sector remains in positive territory despite another drop in expansion.**
- **Three of the five major sub-indices in expansion, with new orders/business still leading the way.**
- **Regional activity positive in two of four main regions.**

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

- **Options for measuring PCI activity again both slipped in December.**
- **Global PCI for December shows a nine month high.**

**Next BNZ - BusinessNZ PSI/PCI: 18 February 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.

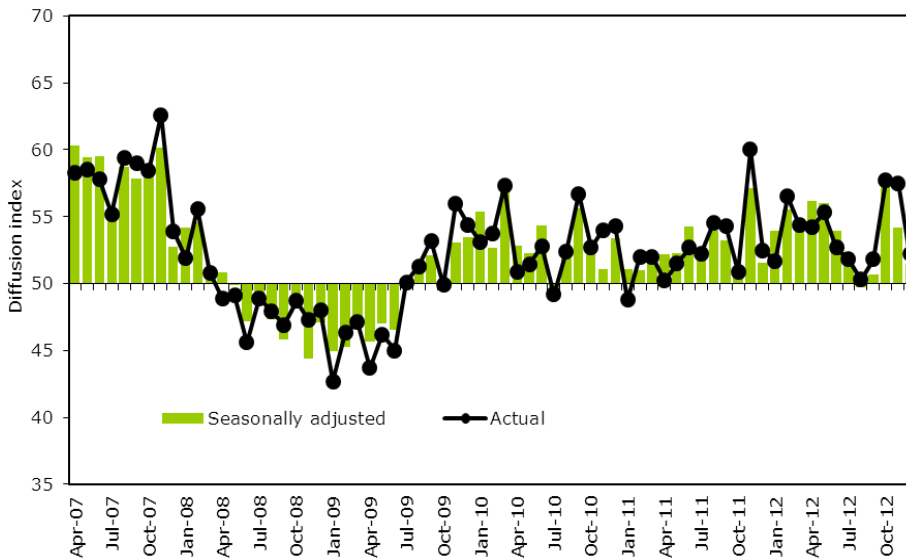
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## BNZ-BusinessNZ PSI

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**BNZ - BusinessNZ Performance of Services Index Time Series (Apr 2007 - Dec 2012)**



### December PSI time series tables

National Indexes	Dec 2007	Dec 2008	Dec 2009	Dec 2010	Dec 2011	Dec 2012
BNZ - BusinessNZ PSI (s.a.)	52.7	47.1	53.5	53.4	51.6	51.5
Activity/Sales (s.a.)	53.8	45.4	55.3	57.4	50.4	51.6
Employment (s.a.)	50.7	46.1	50.7	49.4	52.2	51.6
New Orders/Business (s.a.)	58.9	49.6	59.8	57.8	54.9	55.4
Stocks/Inventories (s.a.)	51.1	46.8	47.9	50.6	52.0	49.3
Supplier Deliveries (s.a.)	48.4	50.0	50.6	50.5	49.1	47.6

Regional Indexes	Dec 2007	Dec 2008	Dec 2009	Dec 2010	Dec 2011	Dec 2012
BNZ - BusinessNZ PSI (s.a.)	52.7	47.1	53.5	53.4	51.6	51.5
Northern	55.2	45.6	52.5	54.7	51.7	53.7
Central	52.4	50.8	60.9	51.6	54.5	48.6
Canterbury/Westland	56.3	54.6	56.1	50.1	55.3	47.1
Otago/Southland	44.7	53.8	54.4	61.0	50.5	53.4

(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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## Edging downwards

### BNZ - BusinessNZ Performance of Composite Index (PCI) for December 2012

- The seasonally adjusted BNZ - BusinessNZ Performance of Composite Index or PCI (which combines the PMI and PSI) for December continued to show the two options for measuring the PCI in expansion, although again at a lower level than the previous month.
- The GDP-Weighted Index (51.0) decreased 1.3 points from November, while the Free-Weighted Index (50.5) fell 0.9 points over the same period. The fall-back in service sector activity, combined with a lacklustre manufacturing result, meant results for both indices edged closer to the no change mark of 50.0.
- The JPMorgan Global Combined Index for December (53.7) indicated that growth of the global economy peaked at a nine-month high, led by increase in service sector output and signs of a muted recovery in manufacturing production.

#### 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).

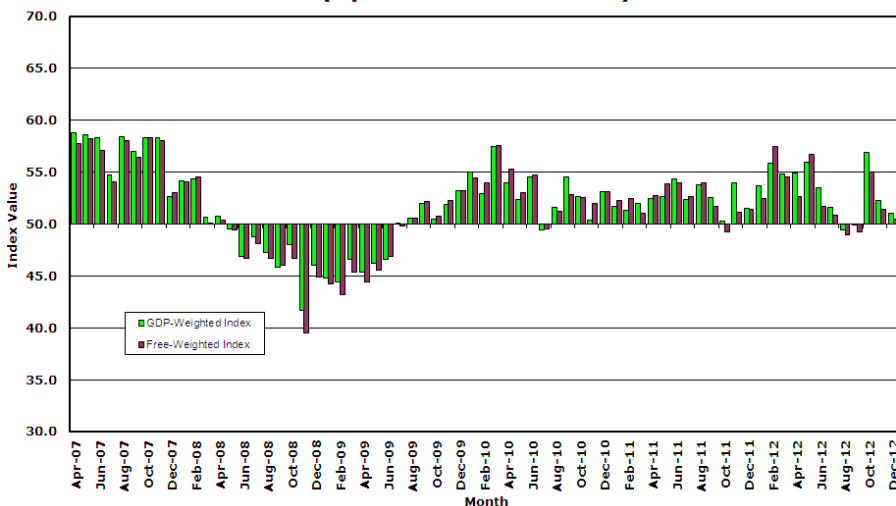
Combined results are shown in two ways:

**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 - Dec 2012)**



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

Combined National Indexes	Dec 2007	Dec 2008	Dec 2009	Dec 2010	Dec 2011	Dec 2012
GDP-Weighted Index (s.a.)	52.7	46.0	53.2	53.2	51.5	51.0
Free-Weighted Index (s.a.)	53.0	44.9	53.2	53.1	51.4	50.5

28 January 2013

## Still Much to Suggest Good Jobs Growth

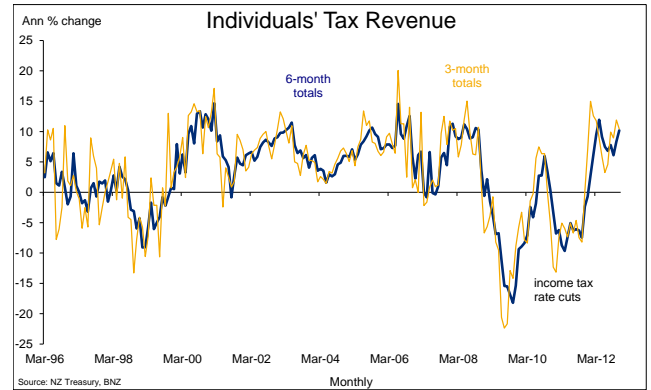
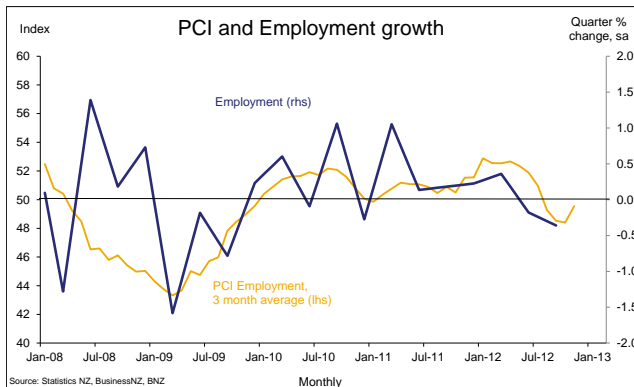
- Performance of Services Index hangs in there, at 51.5
- With its staffing measure decent, at 51.6
- Complementing other indications of job gains
- Including strong growth in tax from labour market
- And falling numbers on Unemployment Benefit
- Allaying concern about the weak Q3 HLFS

With so much focus on jobs, we've taken the opportunity to update some of the files we maintain on the subject. The results are encouraging. They tend to suggest that employment growth is in the throes of picking up, especially in relation to the poor results registered in the September quarter Household Labour Force Survey (HLFS).

Our jobs analysis can probably start with December's Performance of Services Index, however, given it was published today. While its headline index did lose a bit more momentum, from an unbelievably big result of 57.8 back in October, at 51.5 it remained expansive.

More to the point, its staffing index proved decently above-the-line. It printed at 51.6 in December, from 50.1 in November. While this is a positive enough indicator of the headcount-heavy services sector, its message is strengthened by looking at a number of other pointers to jobs across the economy. In particular, we note the robust employment intention variables in the ANZ monthly business survey and the NZIER Quarterly Survey of Business Opinion.

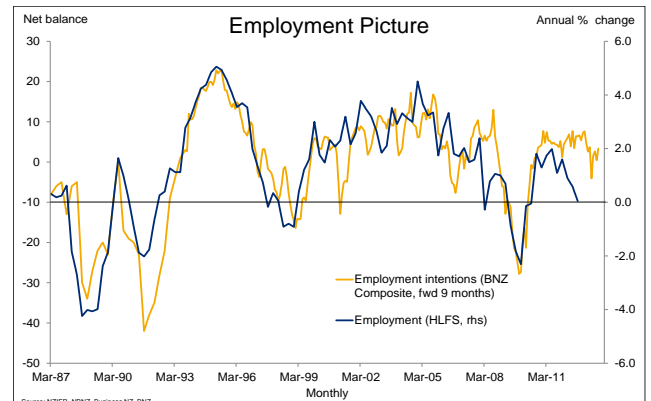
Even adding in the lagging PMI jobs index, of 49.1, the composite index we construct implies employment growth of around 2%, at an annual rate, is in the pipeline. This amounts to an addition of around 45,000.



With such inferences at hand we remain unconvinced that the weakness of the Q3 HLFS is fair representative of staffing trends.

The last HLFS definitely looks particularly odd relative to tax revenue the Government has been receiving from the labour market. In the Crown accounts issued last Friday, individuals' tax – mainly from PAYE and the non-incorporated self-employed – was expanding at a near 10% annual pace near the end of last year.

This has little to do with changed tax rates (the last material alteration to these was in late-2010, and downwards). And while the individuals' tax category covers farmers, it's hard to imagine it's proportionately significant, while the other constituent, the self-employed, are supposedly less gainfully employed, according to the HLFS. So we're left with the impression that the bulk of the tax increase is coming from ordinary wage and salary earners, via more jobs and/or inflating wage rates.

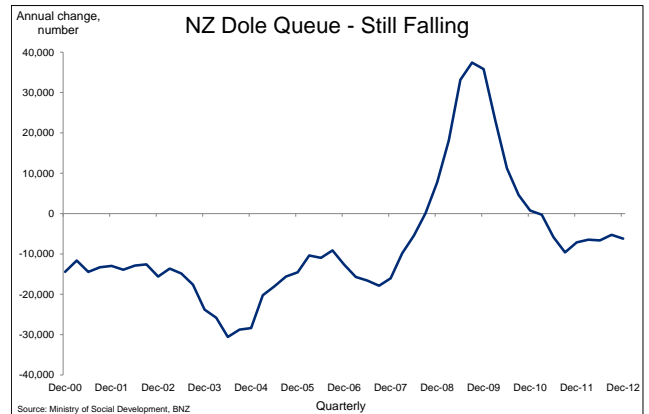


The tax numbers are thus yet another piece of news questioning the weakening trend in the Q3 HLFS. Which to believe, the sampling of the HLFS or tax in its totality?

The other piece of information doubting the soft trends in the HFLS, incidentally, is that the number of people on the Unemployment Benefit (UB) continued to abate in the final three months of 2012. Compared to a year ago (to allow for the common seasonal increase in December every year, as students finish up) the number of people on the UB declined by about 6,500. Not a huge fall. But certainly not any deterioration let alone a seismic one.

For all main benefits types (including Sickness, DPB, Invalids etc.) the annual drop was almost 12,000, which was the biggest fall during the recovery process so far.

One way to square the divergence between these numbers and the spike in the unemployment rate to 7.3%, is that benefit recipients are being re-assessed and some consequentially taken off the books, only to remain unemployed as per the HLFS criteria. While this would seem to fit with the Government’s policy agenda to double-check eligibility (and crack down on outright fraud) we note that this has been happening for a while now rather than something that would explain a big shift in Q3 of 2012 alone.



And so, when we look at a range of data, we’re left with the distinct impression that the jobs market is on a much better trajectory than was implied by the Q3 HLFS. Indeed, that unemployment is drifting lower, not spiking higher, that personal income tax is rolling in for good reason, and that employment intentions suggest solid employment growth is in the offing. Presumably the upcoming HLFS results will pick up on this, with the Q4 set of numbers due 7 February.

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