

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

## Building momentum

### BNZ - BusinessNZ PSI for February 2012

- The seasonally adjusted BNZ - BusinessNZ Performance of Service Index (PSI) for February stood at 55.5. This was up 1.7 points from January and 4.4 points up from December. It was also the highest recorded February result since the survey began in 2007.
- All five sub-indices showed expansion in February. This was again led by *new orders/business* (60.5), with a result the same as November 2011. This was followed by *activity/sales* (58.1), which increased 4.3 points from January. *Employment* (51.8) dipped from January but was still in expansionary mode. *Supplier deliveries* (52.3) increased for the second consecutive month, while *stocks/inventories* (51.2) moved back into expansion after a figure of 47.0 in January.
- Unadjusted activity was expansionary across the country. Both the *Northern* (55.3) and *Central* (58.8) regions recovered from their dips in January to post healthy levels of expansion. The *Canterbury/Westland* region (64.1) was largely unchanged from January, while the *Otago/Southland* (57.7) region eased its expansionary levels from the previous month.
- Service sector results were almost all in expansion during February. After a lackluster January, *wholesale trade* (60.1) picked up in February, as did *property & business services* (57.2). *Health & community services* (54.9) built on last months result, while in contrast *retail trade* (54.0) slipped back after two strong months of expansion.

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

*BNZ asks if these are the first signs of the proper growth spurt many have been hoping for for so long. If so, we might turn more of our attention to how the supply side of the economy will cope, before inflation rears its ugly head.*

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#### HIGHLIGHTS - PSI

- **Service sector expansion continues upwards in February.**
- **All five major sub indices in expansion, with new orders/business again leading the charge.**
- **Regional activity positive throughout the country as the North Island recovers.**

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

- **Options for measuring PCI highest since March 2010.**
- **Global PCI reaches one year high on back of strong service sector growth.**

**Next BNZ - BusinessNZ PSI/PCI: 16 April 2012**

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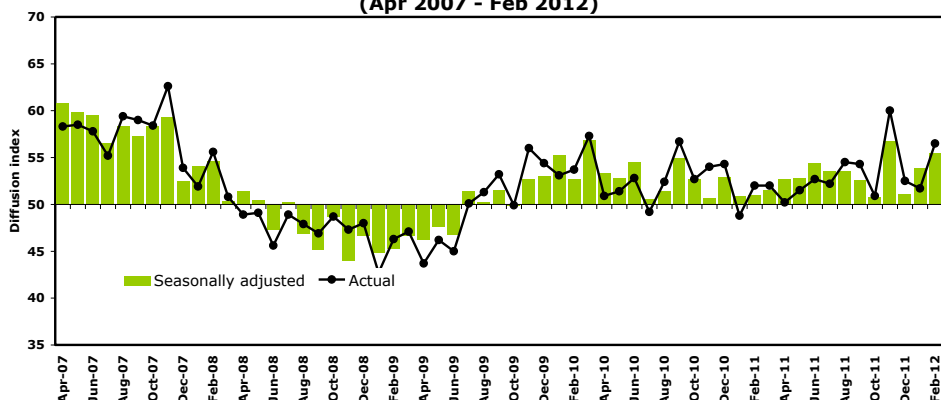
*BNZ is delighted to be associated with both the Performance of Services Index (PSI) and BusinessNZ. This association brings together the significant experience of leading business advocacy body BusinessNZ, and business finance specialist BNZ. We look forward to continuing our association with BusinessNZ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

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



## PSI time series tables

National Indexes	Feb 2008	Feb 2009	Feb 2010	Feb 2011	Jan 2012	Feb 2012
BNZ - BusinessNZ PSI (s.a.)	54.6	45.3	52.7	51.0	53.8	55.5
Activity/Sales (s.a.)	54.2	40.9	53.6	53.8	53.8	58.1
Employment (s.a.)	52.2	45.0	50.7	50.3	54.1	51.8
New Orders/Business (s.a.)	59.8	48.2	57.3	54.1	58.6	60.5
Stocks/Inventories (s.a.)	50.5	47.5	48.4	46.8	47.0	51.2
Supplier Deliveries (s.a.)	53.4	47.1	49.9	45.5	50.7	52.3

Regional Indexes	Feb 2008	Feb 2009	Feb 2010	Feb 2011	Jan 2012	Feb 2012
BNZ - BusinessNZ PSI (s.a.)	54.6	45.3	52.7	51.0	53.8	55.5
Northern	52.8	45.3	54.7	54.6	49.7	55.3
Central	55.6	46.9	51.1	57.5	47.7	58.8
Canterbury/Westland	60.2	48.9	46.8	39.5	64.5	64.1
Otago/Southland	61.1	48.0	55.7	39.5	63.2	57.7

(s.a. denotes seasonally adjusted)

### **PARTICIPANTS**

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

- Employers & Manufacturers Association (Northern)
- Employers' Chamber of Commerce Central
- Canterbury Employers' Chamber of Commerce
- Otago Southland Employers Association
- Hospitality New Zealand

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## Boost for both measures

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

- The seasonally adjusted BNZ - BusinessNZ Performance of Composite Index or PCI (which combines the PMI and PSI) for February showed the two options for measuring the PCI again significantly improving from the previous month.
- The GDP-Weighted Index (55.8) rose 2.2 points from January, while the Free-Weighted Index (57.2) rose 4.8 points. The February results for both options were the highest monthly values since March 2010.
- The JPMorgan Global Combined Index reached a one year high in February (55.5), up from 54.5 in January. Growth picked up in both the manufacturing and service sectors, although service providers maintained the stronger rate of expansion overall.

#### 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).

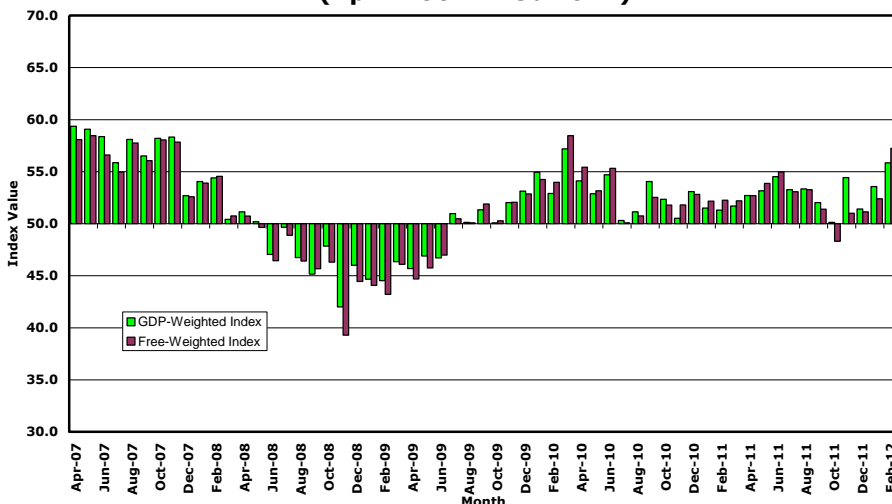
Combined results are shown in two ways:

**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 - Feb 2012)**



#### Performance of Composite Index time series tables

Combined National Indexes	Feb 2008	Feb 2009	Feb 2010	Feb 2011	Jan 2012	Feb 2012
GDP-Weighted Index (s.a.)	54.4	44.5	52.9	51.3	53.6	55.8
Free-Weighted Index (s.a.)	54.5	43.2	54.0	52.3	52.4	57.2

19 March 2012

## PSI Adds Fuel to PMI Fire

- February's PSI cements solid growth tone
- Adding to PMI case of quickening GDP
- New orders leading the charge
- Communications recovering
- Services to prop Q4 GDP, and then some

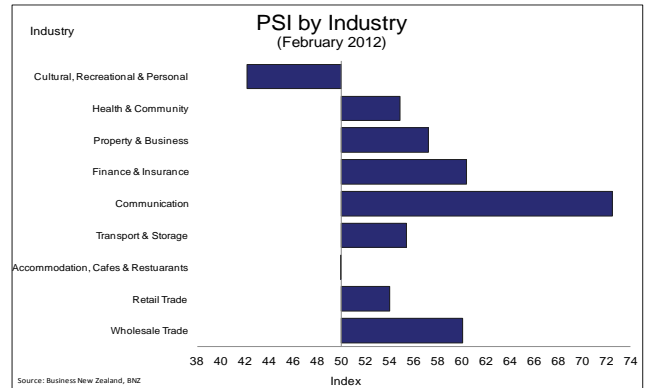
February's Performance of Services Index (PSI) provided fuel to the fire we saw in last week's Performance of Manufacturing Index (PMI). Combined, they point to more than just ongoing economic recovery but, in all probability, a quickening pace of it. The Composite Index stands at 55.8, when GDP weighted, and 57.2 when free-weighted across the PSI and PMI.

Could these be the first signs of the proper growth spurt many have been hoping for, for so long? If so, we might turn more of our attention to how the supply side of the economy will cope, before inflation rears its ugly head.

Of course, most attention over recent times has been hijacked by events in Europe, and their potential to have serious implications for the world economy, and thus New Zealand. Markets have been wondering this for at least a couple of years now. All the while, and despite natural disasters of its own, the NZ economy has gradually strengthened.

It's not just the overall PSI that adds to this case. Its new-orders component very much led the charge in February (much as was the case in the PMI). The order books are filling fast this year. This would seem to assure a continuation of solid GDP growth into mid-year (albeit with broader, global, risks still lingering).

We say this in the belief that Thursday's Q4 GDP report will register a decent enough expansion, underpinned by its services sector components. Namely, we anticipate sturdy gains in Real Estate and Business Services, as



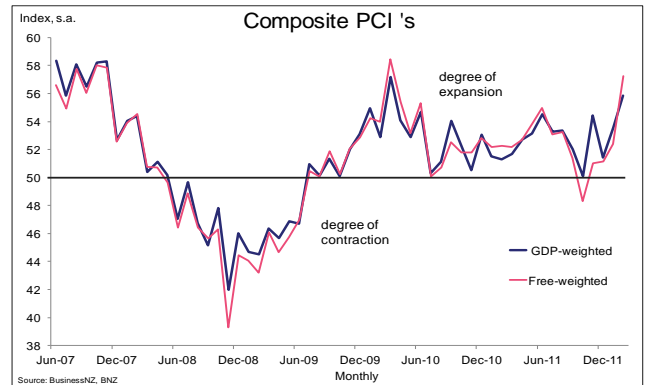
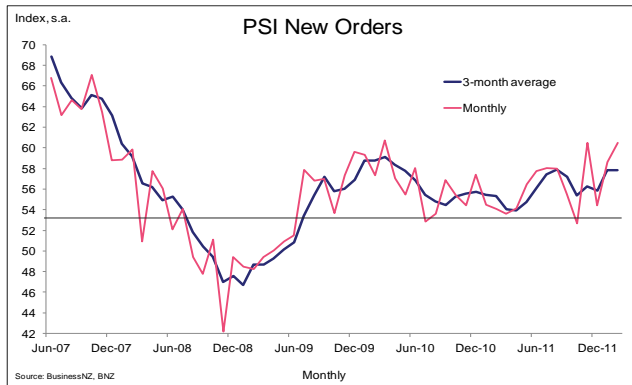
well as Finance and Insurance. We might even see a turnaround in Communication Services, this component of GDP having been unusually weak over the last year or two. The communications category of PSI has certainly staged a rebound of late.

Such things are worth thinking about, for together these particular services sectors comprise nearly 30% of production GDP.

While some may view these as of lesser importance than the traditional, and higher-profile, industries of, say, agriculture, manufacturing and retailing, the fact is that this services block outweighs them GDP-wise. What's more, the services sectors tend to be more labour intensive.

With the further gains in the PSI, we can more clearly see the services sector, more generally, helping maintain good momentum in GDP over the first half of 2012. We believe this will continue beyond mid-year, barring a material slowing in global GDP.

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