

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

## Continued expansion

### BNZ - BusinessNZ PSI for February 2015

- The seasonally adjusted BNZ - BusinessNZ Performance of Services Index (PSI) for February decreased 2.2 points to stand at 55.6, although still showing healthy expansion.
- All five main sub-indices were again in expansion, with *activity/sales* (62.1) leading the way for the first time since November. *New orders/business* (58.1) dipped 2.9 points during February, while *supplier deliveries* (51.4) dropped 3.6 points. Both *stocks/inventories* (52.8) and *employment* (52.7) were at similar levels of expansion, with the latter back to levels of expansion seen towards the end of last year.
- Activity remained positive and healthy throughout the country. In the North Island, the *Northern* region (55.4) was up 2.9 points from January, while the *Central* region (59.0) experienced very similar levels of expansion compared with the previous month. In the South Island, the *Canterbury/Westland* region (59.1) recorded its highest level of expansion since April 2014, while the *Otago/Southland* region (60.9) remained above the 60 point mark.
- Service sector results by sub-sector were all in expansion during February, although there was a spread in the level of expansion. *Wholesale trade* (55.4) picked up from the previous month, while *accommodation, cafes & restaurants* (57.1) did likewise. *Property & business services* (52.6) experienced more moderate expansion, while *health & community services* (53.1) went back into positive territory.
- Despite the slight dip in expansion levels during February, the proportion of positive comments from respondents for the current month (65.5%) continued to lift, following 61.0% in January and 60.8% in December. Internationally, the JPMorgan Global Services PSI for February (54.0) accelerated to a five-month high.

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

BNZ Senior Economist Doug Steel looks at some recent spending indicators and drivers and finds general strength, with softer farm spending indicators an exception.

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#### HIGHLIGHTS - PSI

- *Service sector continues to expand in February.*
- *Activity/sales leads the way, followed by new orders/business.*
- *Regional activity continues to remain positive across the country.*

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

- *Options for measuring PCI activity show contrasting movements for February.*
- *Global PCI continues to edge higher.*

**Next BNZ - BusinessNZ PSI/PCI: 20 April 2015**

#### 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.*

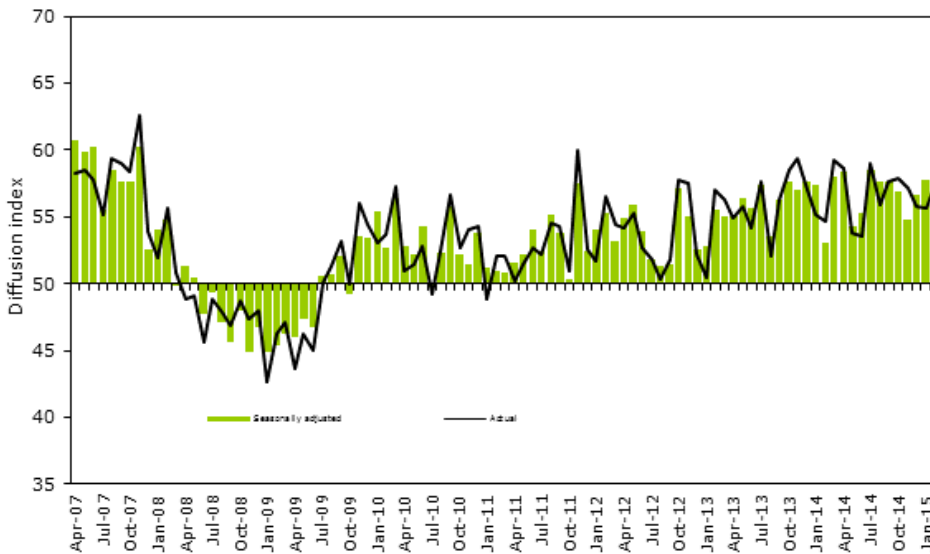
BNZ ([www.research.bnz.co.nz](http://www.research.bnz.co.nz))

## BNZ-BusinessNZ PSI

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**BNZ - BusinessNZ Performance of Services Index Time Series (Apr 2007 - Feb 2015)**



### February PSI time series tables

National Indexes	Feb 2010	Feb 2011	Feb 2012	Feb 2013	Feb 2014	Feb 2015
BNZ - BusinessNZ PSI (s.a.)	52.7	50.9	55.3	55.5	53.0	55.6
Activity/Sales (s.a.)	53.7	53.6	57.9	56.1	54.6	62.1
Employment (s.a.)	50.3	50.0	51.5	52.6	53.5	52.7
New Orders/Business (s.a.)	57.6	54.1	60.3	59.6	56.0	58.1
Stocks/Inventories (s.a.)	49.2	48.1	53.4	56.0	49.6	52.8
Supplier Deliveries (s.a.)	49.9	45.6	52.7	56.2	51.3	51.4

Regional Indexes	Feb 2010	Feb 2011	Feb 2012	Feb 2013	Feb 2014	Feb 2015
BNZ - BusinessNZ PSI (s.a.)	52.7	50.9	55.3	55.5	53.0	55.6
Northern	54.7	54.6	55.3	56.5	57.7	55.4
Central	51.1	57.5	58.8	54.5	59.7	59.0
Canterbury/Westland	46.8	39.5	64.1	59.1	43.4	59.1
Otago/Southland	55.7	39.5	57.7	61.9	54.0	60.9

(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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## Solid performers

### BNZ - BusinessNZ Performance of Composite Index (PCI) for February 2015

- The seasonally adjusted BNZ - BusinessNZ Performance of Composite Index or PCI (which combines the PMI and PSI) saw the two options for measuring the PCI experience contrasting movements from the previous month.
- The GDP-Weighted Index decreased 1.3 points to stand at 55.5 for February, while the Free-Weighted Index (56.4) rose 1.6 points. The increase in the free weighted index was primarily due to pick up in manufacturing activity, while a drop in expansion for the services sector meant the GDP-weighted index showed lower levels of expansion for February.
- The JPMorgan Global Combined Index for February (53.9) continued to track higher, hitting a five-month high and recovering more of the momentum ceded towards the end of last year.

#### 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).

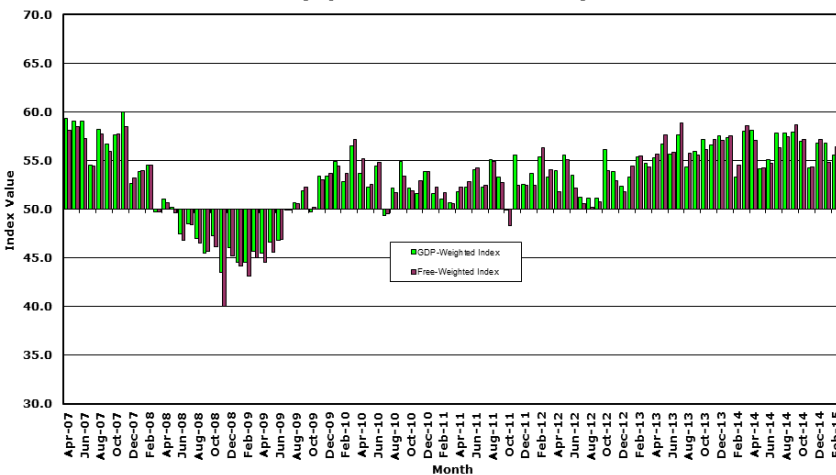
Combined results are shown in two ways:

**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 2015)**



### Performance of Composite Index February time series table

Combined National Indexes	Feb 2010	Feb 2011	Feb 2012	Feb 2013	Feb 2014	Feb 2015
GDP-Weighted Index (s.a.)	52.8	51.0	55.3	55.4	53.3	55.5
Free-Weighted Index (s.a.)	53.6	51.7	56.3	55.5	54.5	56.4

16 March 2015

## Services Fit And Healthy

The service sector expansion remains fit and healthy. The PSI stood at 55.6 in February, well above the 50 mark that delineates between expansion and contraction. The slowdown from January's 57.8 is well within the bounds of monthly noise. The trends indicate that the strong pace of service sector growth in 2014 has continued into 2015. Combining the robust PSI reading with the 55.9 recorded in its PMI manufacturing sector cousin released last Friday shows above average results. Indeed, all components from sales, to new orders and employment from the combined PMI and PSI surveys are above their respective averages. It bodes well for economic growth.

## February Spending Strong

Hey big spender! A particularly strong component in February's PSI was the sales indicator, at 62.1. It has only been higher than this on one occasion since 2007. The PSI for retail trade registered its highest February reading since the survey began back in 2007. That backs up the strong increase we have seen in the value of electronic card transactions at retail outlets over the month. It all suggests demand is strong. There are plenty of supporting reasons: strong employment growth, record net immigration, lower petrol prices, low inflation, a neutral RBNZ (and lower fixed rate mortgages), and rising house prices. In addition, February may have been further boosted by the timing of Chinese New Year and NZ co-hosting the Cricket World Cup in the month.

## Lower Dairy Revenue

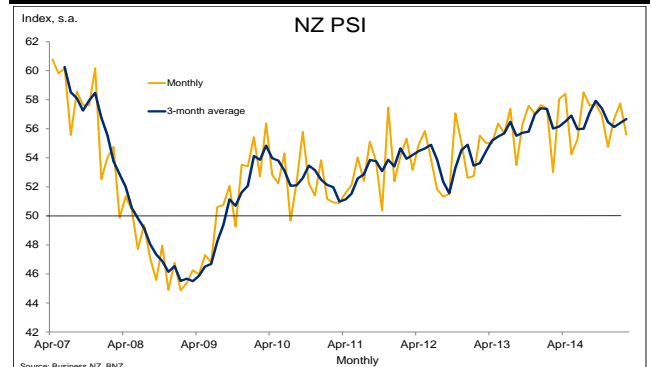
Lower dairy cashflow will be a significant headwind to spending this year. Fonterra's current milk price forecast of \$4.70 per kilogram of milk solids for the 2014/15 season is miles lower than the \$8.40 farmers received for last season's milk. It all follows the slump in international dairy prices during 2014. It suggests that dairy industry revenue will be around \$6 billion lower than the previous season. The cash impact of this is occurring on farm now and will continue to tighten for much of 2015. This will be a drag on rural service industries. Farm spending indicators such as tractor registrations, farm building consents and land sales have softened recently.

## Tourism and accommodation

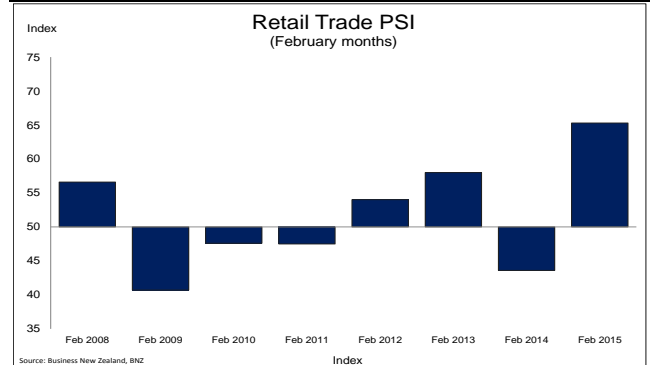
Short term visitor numbers have seen growth at a decent clip for a good two years now. The 4.3% growth in the 12 months to January 2015, added to the 7.5% growth in the year before that. February's international visitor numbers (due this week) look like being even stronger. Along with a strong domestic economy it has supported similar trends in guest nights at commercial accommodation providers. It has lifted occupancy rates, with a particularly strong rise in hotel occupancy rates. Don't underestimate the importance of a buoyant tourism sector, after all it is the country's second biggest foreign exchange earner.

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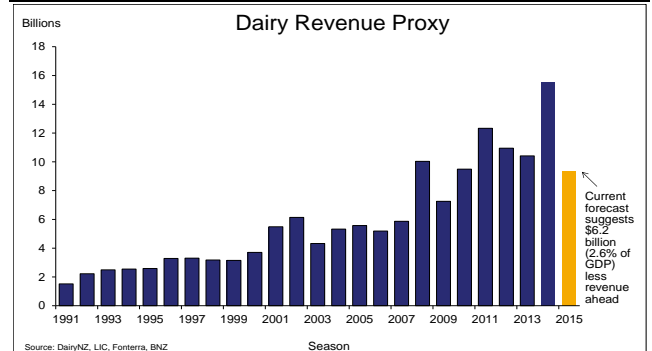
## PSI



## Spending Powers Up



## Dairy Revenue Drag



## Tourism Booming



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