

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

Starting on the right note

BNZ - BusinessNZ PSI for January 2015

- The seasonally adjusted BNZ - BusinessNZ Performance of Services Index (PSI) for January improved 1.1 points to stand at 57.8. This was the highest value since July 2014, and a positive start to the year for overall activity.
- For the eighth month running all five main sub-indices were in expansion. *New orders/business* (61.4) increased 0.5 points from the previous month to lead the charge for January. This was followed by *activity/sales* (60.2), which rose 2.7 points from December. *Employment* (54.5) returned to levels of expansion seen during the third quarter of 2014, while both *supplier deliveries* (55.8) and *stocks/inventories* (53.9) eased in terms of expansion from December.
- Activity remained positive throughout the country, although again there were regional differences. In the North Island, the *Northern* region (52.5) dropped 5.1 points to record the lowest rate of expansion during January, while the *Central* region (60.1) experienced levels of expansion not seen since July 2014. In the South Island, the *Canterbury/Westland* region (57.3) recovered from a fall in the rate of expansion during December, while the *Otago/Southland* region (64.7) stayed roughly similar to values shown in recent months.
- Service sector results by sub-sector were mostly in expansion during January, although some seasonal effects were evident. *Wholesale trade* (53.8) experienced lower rates of expansion, while *accommodation, cafes & restaurants* (54.1) also experienced a drop off. *Property & business services* (53.6) managed to remain positive, while *health & community services* (49.5) recovered from a dip in December, but still showing slight contraction.
- Given the slight lift in expansion levels during January, the proportion of positive comments from respondents for the current month (61.0%) also lifted slightly from December (60.8%), but still down on November (63.1%) and October (69.5%). Internationally, the JPMorgan Global Services PSI for January (52.9) edged higher for the first time since last July.

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HIGHLIGHTS - PSI

- **Service sector expansion increases for January.**
- **New orders/business and activity/sales both pick up from the previous month.**
- **Regional activity continues to remain positive across the country.**

HIGHLIGHTS - PERFORMANCE OF COMPOSITE INDEX (PCI)

- **Options for measuring PCI activity show contrasting movements for January.**
- **Global PCI edges higher.**

Next BNZ - BusinessNZ PSI/PCI: 16 March 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)

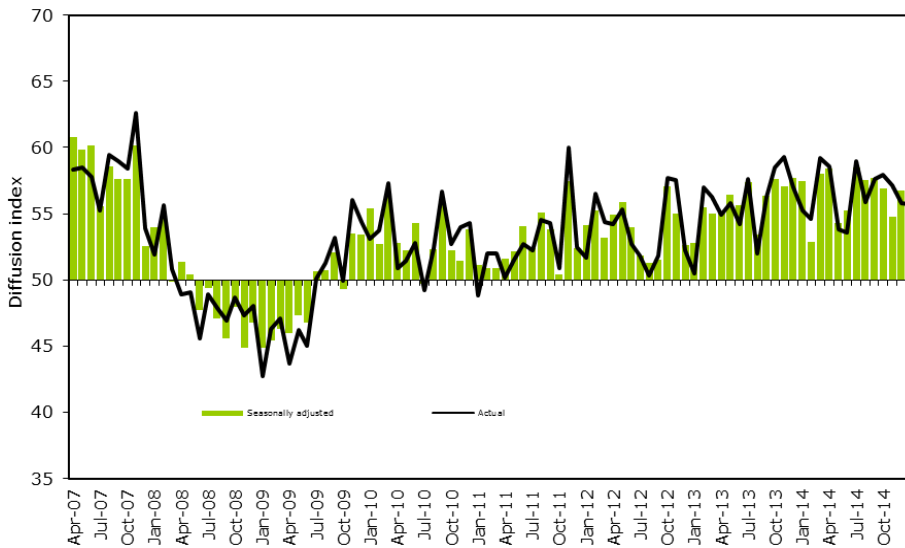
Inside BNZ Commentary this Month (page 4)

BNZ senior economist Craig Ebert notes the relative health in the latest PSI and the way it gels with a burgeoning labour market, high net inward migration and a reheating housing market.

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



January PSI time series tables

National Indexes	Jan 2010	Jan 2011	Jan 2012	Jan 2013	Jan 2014	Jan 2015
BNZ - BusinessNZ PSI (s.a.)	55.4	51.2	54.1	52.8	57.5	57.8
Activity/Sales (s.a.)	58.4	50.4	53.3	53.1	62.3	60.2
Employment (s.a.)	52.8	47.9	53.8	49.2	54.0	54.5
New Orders/Business (s.a.)	59.7	54.5	58.2	56.9	65.2	61.4
Stocks/Inventories (s.a.)	51.6	52.4	48.0	52.8	47.3	53.9
Supplier Deliveries (s.a.)	51.2	51.2	52.4	50.7	48.7	55.8

Regional Indexes	Jan 2010	Jan 2011	Jan 2012	Jan 2013	Jan 2014	Jan 2015
BNZ - BusinessNZ PSI (s.a.)	55.4	51.2	54.1	52.8	57.5	57.8
Northern	52.4	50.0	49.7	50.9	57.9	52.5
Central	54.3	49.3	47.7	54.4	48.6	60.1
Canterbury/Westland	51.7	44.7	64.5	49.8	50.1	57.3
Otago/Southland	59.0	46.3	63.2	42.0	60.2	64.7

(s.a. denotes seasonally adjusted)

PARTICIPANTS

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

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

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Contrasting movements

BNZ - BusinessNZ Performance of Composite Index (PCI) for January 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 during January.
- The GDP-Weighted Index remained at 56.8 for January, while the Free-Weighted Index (54.7) decreased 2.3 points from December. The fall in the free weighted index was primarily due to the drop in manufacturing activity during the first month of 2015.
- The JPMorgan Global Combined Index for January (52.8) at last edged higher, halting the slowdown in growth signaled by the surveys in the latter half of 2014.

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).

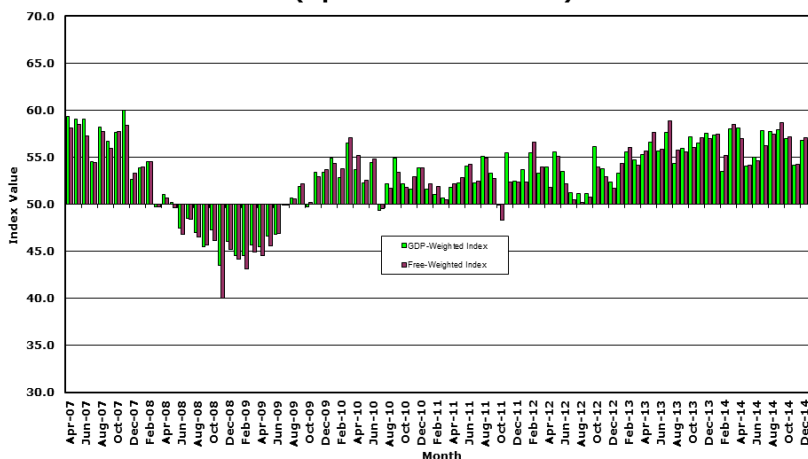
Combined results are shown in two ways:

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 - Jan 2015)



Performance of Composite Index January time series table

Combined National Indexes	Jan 2010	Jan 2011	Jan 2012	Jan 2013	Jan 2014	Jan 2015
GDP-Weighted Index (s.a.)	54.9	51.6	53.6	53.3	57.4	56.8
Free-Weighted Index (s.a.)	54.4	52.2	52.4	54.3	57.4	54.7

16 February 2015

Service Sector Solace

It was a big relief to see New Zealand's Performance of Services Index (PSI) get even stronger in January, when its manufacturing cousin, the PMI, slowed so very abruptly in the month. The PSI move – to 57.8, from 56.7 – was enough to keep the composite (PSI/PMI) index at a level suggestive of decent-to-strong GDP growth. Granted, the 6.9 point gap between the PSI and the PMI (50.9) was unusually large in January, giving mixed messages about the economy. However, we note that on the handful of previous occasions when the gap has been at least this big, the PMI has posted a decent rebound the very next month – more often than not a sizable one.

Labour Market

The latest Household Labour Force Survey did not disappoint. It registered a nationwide employment expansion of 1.2% for the December quarter of 2014. This stoked annual growth to an astonishing 3.5% (or 80,000 persons). The unemployment rate only crept up (to 5.7%, from 5.4%) because of the big surge in people entering the workforce, including by way of record net inward migration. Still, wage inflation remained moderate in Q4, at around 3% as an annual rate. We expect it to pick up, however. This, along with solid employment growth, will sustain strong increase in household sector income.

Migration Pulse

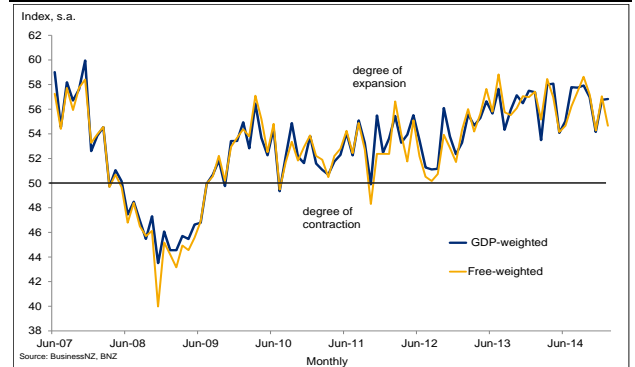
Is the net immigration boom peaking? The net inflow for December was +4,100 (seasonally adjusted). This was not as lofty as November's +5,000, and further below the record high of +5,230 back in October. December's fall was predominantly because of lower migrant arrivals. Without the finer detail, however, it's hard to know what drove it, and thus whether it's just a blip or the start of a trend reversal. There was little sign of a slowdown in short-term visitor arrivals, however. December's numbers were up 5.4% on a year ago, close to the average annual pace over the previous three months. Now, bring on the ICC World Cup (then the FIFA U-20 World Cup May/June).

Housing Heat

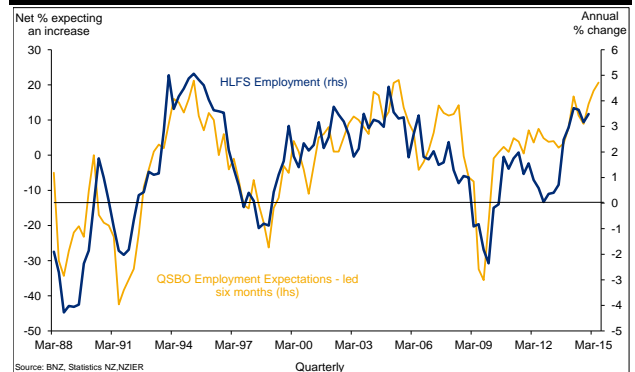
It was difficult to draw conclusions from January's Real Estate Institute housing statistics. While annual growth in sales slowed to 3%, from December's 24%, house prices kept trending higher (in seasonally adjusted form), notably so in Auckland. At times of such mixed messages in the data it pays to scour the anecdote. And this remains upbeat, as far as we can tell. We believe the housing market is more likely to surprise on the upside than the downside this year, helping to keep the RBNZ honest.

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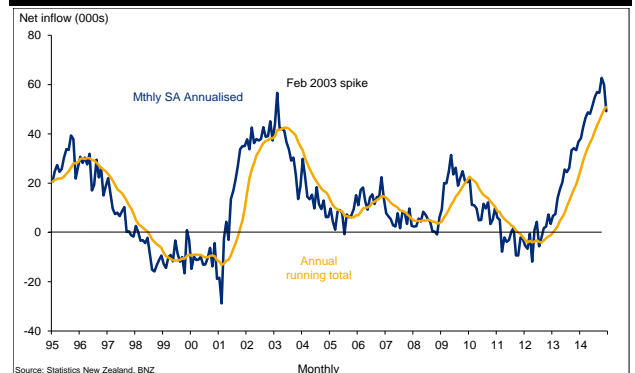
Services to the Rescue



Labour Market Heaving Ho



Migration High (But Peaking?)



Housing's Heat



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