

# psi

The Business NZ Performance of Services Index (Business NZ 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.

## Service sector continues expansion

### Business NZ PSI for July 2007

- The fourth monthly Business NZ Performance of Service Index (PSI) stood at 55.2 for July. The result was lower than the previous month for a second consecutive time, although still displaying healthy expansion.
- Four of the five diffusion indices that make up the PSI showed expansion in July. *New orders/business* (61.8) was again strong, but down from the 66.1-68.3 values recorded for the first three months. *Activity/sales* (56.4) took a similar dip, while *employment* (51.7) and *supplier deliveries* (52.4) displayed minor expansion. *Stocks/inventories* (49.4) continued to decrease, although this is often due to increased overall activity.
- Activity was again similar across most parts of the country, although the Canterbury/Westland region (49.1) bucked the trend and recorded a result indicating a slight decline. The Northern region (57.6) displayed the highest level of expansion for July.
- Most service sectors showed expansion during July, led by *health & community services* (63.5). *Property & business services* (60.1) slipped to second for ranking of industry group, although still displayed a strong level of expansion. At the other end, *retail trade* (48.7) experienced a decline for the first time, mainly due to sales levels contracting.
- The number of negative and positive comments relating to activity over the month was again very similar (52.6% positive compared with 47.4% negative). Compared with the same time last year, those with negative comments for the current month had an average score of 3.3\*, compared with 2.1 for those enjoying positive activity at present. Overall, the national result for activity compared with 2006 stood at 2.7, up from 2.5 in June.
- Weather conditions tended to be the biggest factor regarding negative comments by respondents for July, with concerns also raised about the cost of money due to higher interest rates. Positive comments were varied, although the high value of the New Zealand dollar has meant cheaper imports, and larger profit margins.

National Indexes	April 2007	May 2007	June 2007	July 2007
Business NZ PSI	58.3	58.5	57.8	55.2
Activity/Sales	59.9	62.4	61.1	56.4
Employment	51.0	51.2	53.8	51.7
New Orders/Business	68.3	67.8	66.1	61.8
Stocks/Inventories	52.5	49.5	47.2	49.4
Supplier Deliveries	55.3	54.7	51.9	52.4

Regional Indexes	April 2007	May 2007	June 2007	July 2007
Business NZ PSI	58.3	58.5	57.8	55.2
Northern	57.8	57.0	57.2	57.6
Central	62.5	65.5	63.1	55.3
Cant/Westland	56.0	60.3	57.2	49.1
Otago/Southland	59.2	57.6	55.8	55.9

\* Respondents are asked for a score from 1-5, where 1= large rise and 5= large fall.

### HIGHLIGHTS

**Activity level for the service sector stood at 55.2 for July, down 2.6 from June.**

**New orders (61.1) experienced a lower level of expansion for the month, followed by activity/sales (56.4).**

**Activity was strong across most of the country, led by the Northern region (57.6).**

**Weather conditions, exchange rates and interest rates were the main influence on the service sector during July.**

**The Australian PSI stood at 56.0 for July, with activity up slightly from June.**

**Next Business NZ PSI: 17 September 2007**

### PARTICIPANTS

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

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