

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

Solid service sector activity continues

BNZ - BusinessNZ PSI for March 2012

- The seasonally adjusted BNZ - BusinessNZ Performance of Service Index (PSI) for March stood at 53.9. While this was down 1.9 points from February, it was still up on the January result and an overall healthy average result of 54.4 for the first quarter of 2012. It was also the second highest recorded March result since the survey began in 2007.
- Four of the five sub-indices showed expansion in March. This was again led by *new orders/business* (60.0), which was largely unchanged from the previous month. *Activity/sales* (51.6) dropped 6.3 points to end up at its lowest point since December 2011. *Employment* (52.4) remained stable compared with the previous month, while *stocks/inventories* (51.6) dipped slightly but remained in expansion. *Supplier deliveries* (48.3) fell back into contraction after two months in expansion.
- Unadjusted activity was expansionary in three of the four regions. Both the *Central* (60.0) and *Canterbury/Westland* (65.6) regions built on their activity levels in February, while the Northern region (51.5) lost some of its gains from the previous month. The *Otago/Southland* region (49.3) slipped back into slight contraction after four consecutive months in expansion. This was exclusively due to very weak activity/sales levels for the month.
- Service sector results were a mix of expansion and contraction during March. On the positive side, *property & business services* (60.2) continued to do well, while *health & community services* (64.2) also improved sharply. In contrast, *wholesale trade* (47.5) dropped back after a pick-up in February, while *accommodation, cafes & restaurants* (45.2) also struggled.

Inside BNZ Commentary this Month (page 4)

In this issue, BNZ Senior Economist, Craig Ebert, shows how the uplift in the PSI has gelled with evidence of service sector growth coming through in other key business surveys. Most interestingly, the PSI is now as upbeat on the communications sector as the GDP has recently been negative on it.

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HIGHLIGHTS - PSI

- **Service sector expansion falls back to similar levels seen in January.**
- **Four of the five major sub indices in expansion, with new orders/business again leading the way.**
- **Regional activity positive throughout most of the country.**

HIGHLIGHTS - PERFORMANCE OF COMPOSITE INDEX (PCI)

- **Options for measuring PCI activity slip slightly but still healthy.**
- **Global PCI second highest in 13 months.**

Next BNZ - BusinessNZ PSI/PCI: 14 May 2012

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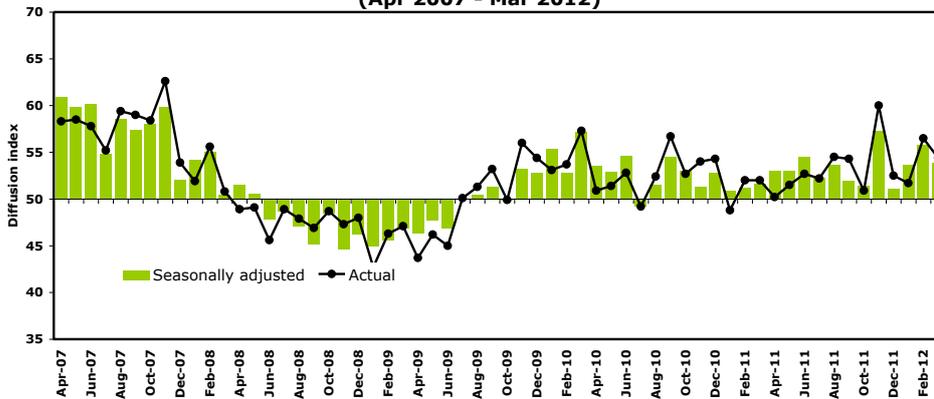
BNZ is delighted to be associated with both the Performance of Services Index (PSI) and BusinessNZ. This association brings together the significant experience of leading business advocacy body BusinessNZ, and business finance specialist BNZ. We look forward to continuing our association with BusinessNZ 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)

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



PSI time series tables

National Indexes	Mar 2008	Mar 2009	Mar 2010	Mar 2011	Feb 2012	Mar 2012
BNZ - BusinessNZ PSI (s.a.)	50.5	46.9	57.2	51.6	55.8	53.9
Activity/Sales (s.a.)	49.0	45.2	60.5	53.1	57.9	51.6
Employment (s.a.)	49.3	45.2	52.3	50.6	52.3	52.4
New Orders/Business (s.a.)	51.2	49.8	61.3	54.1	61.0	60.0
Stocks/Inventories (s.a.)	49.9	46.4	50.8	48.7	52.2	51.6
Supplier Deliveries (s.a.)	49.0	50.5	52.6	45.1	52.7	48.3

Regional Indexes	Mar 2008	Mar 2009	Mar 2010	Mar 2011	Feb 2012	Mar 2012
BNZ - BusinessNZ PSI (s.a.)	50.5	46.9	57.2	51.6	55.8	53.9
Northern	49.7	47.0	57.7	54.6	55.3	51.5
Central	57.1	49.6	64.9	57.5	58.8	60.0
Canterbury/Westland	47.7	50.2	54.4	39.5	64.1	65.6
Otago/Southland	52.9	40.7	52.5	39.5	57.7	49.3

(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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Another healthy showing for both measures

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

- The seasonally adjusted BNZ - BusinessNZ Performance of Composite Index or PCI (which combines the PMI and PSI) for March showed the two options for measuring the PCI producing further healthy signs of activity.
- The GDP-Weighted Index (54.5) decreased 1.5 points from February, while the Free-Weighted Index (55.3) fell 2.3 points. However, the March result for the former was the third highest since June 2010 and for the latter the second highest since April 2010.
- The JPMorgan Global Combined Index rounded off a solid start to the year with 54.6 in March, which was its second highest reading in 13 months. Output increased in both the manufacturing and service sectors.

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).

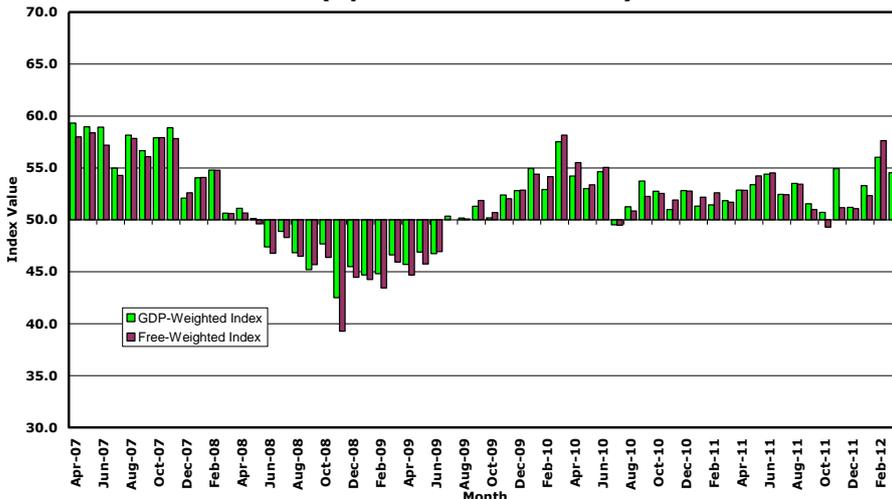
Combined results are shown in two ways:

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 - Mar 2012)



Performance of Composite Index time series tables

Combined National Indexes	Mar 2008	Mar 2009	Mar 2010	Mar 2011	Feb 2012	Mar 2012
GDP-Weighted Index (s.a.)	50.6	46.6	57.5	51.8	56.0	54.5
Free-Weighted Index (s.a.)	50.6	45.9	58.1	51.7	57.6	55.3

16 April 2012

No Communications Breakdown in Services Sector

- PSI sustains solid growth pulse
- And as upbeat on communications as GDP is negative
- PSI fits with QSBO fits with solid services GDP growth
- Complementing PMI picture of robust 2012 H1

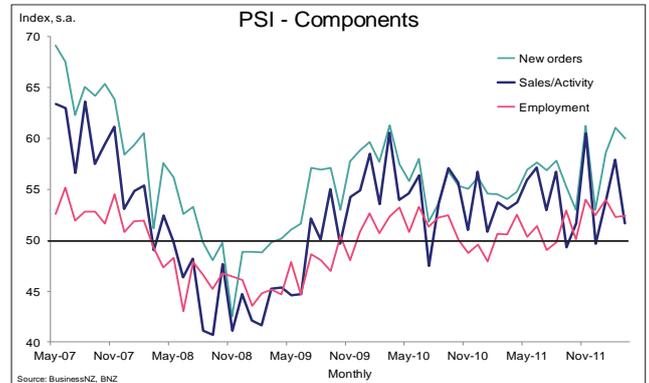
The uplift in the Performance of Services Index (PSI) back in February proved significant. In providing a good lead to the pick-up in the services elements of the NBNZ and QSBO business surveys, it sparked the notion that the services sector had hit some kind of stride. Today's March PSI result, of 53.9, reinforces this, coupled, as it was, by its new orders component still riding high at 60.0.

These signs of expansion in the services sector are important in their own right. And especially so as there are relatively few hard data made available on the sector, upon which to base ones views. Yes, services activity is itemised in GDP. But we only get to see this with the usual long lags.

Contrast this with the manufacturing sector, for which we get the quarterly manufacturing survey in advance of GDP, same with construction, and retailing. Merchandise export and import volumes are indicated by the Overseas Trade Indexes. Energy and forestry production are well defined and measured. Meat processing and dairy production statistics are published with great frequency for a steer on primary production as well as food processing.

But when it comes to the services sector it's as amorphous as it is lacking in hard data.

One particular issue in this regard is what to believe about what's going on in the communications sector. Slipping into a deeper recession is what the GDP accounts would have. These show that the industry has contracted 7% since mid-2009 (having expanded 6% through the course of the 2008/09 recession!). Its output fell 3.7% over calendar 2011 alone, with the final quarter shrinking 1.5%. This was worth downward points on GDP growth.

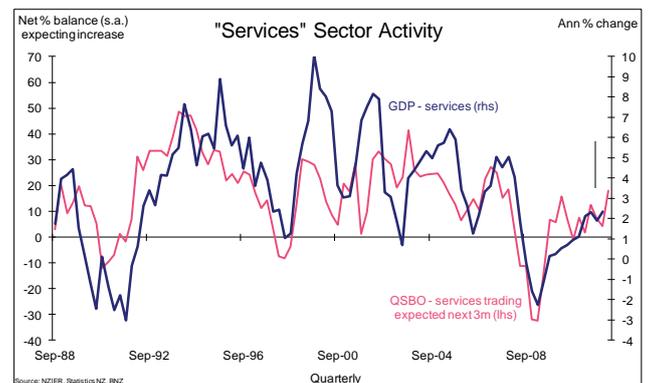
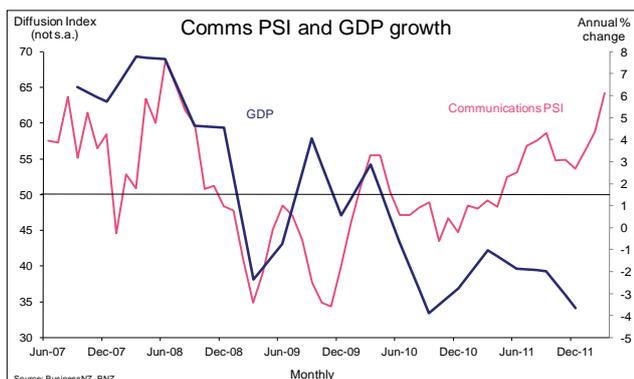


Is there really a breakdown in communications, or just a communications breakdown? For what it's worth, the communications category of the PSI, having been weak right the way through 2008-10, has burgeoned over the last six to twelve months or so. Indeed, it's now the strongest industry as represented in the PSI.

More generally, however, the PSI has well reflected the cycle in services GDP. So has the services constituent of the QSBO - certainly tracked against the "private services" proxy that can be drawn from GDP. QSBO services trading expectations have, like for the PSI, picked up the pace since late last year. As such, they sustain the idea that the strengthening we witnessed in services GDP to Q4 2011 was no one-off, but will keep accumulating into the early part of 2012.

It's another example of how we put store in the QSBO indicators, as much as we do most every other business survey, the PSI, and PMI, very much included. They might not be perfect in predicting the future. But to dismiss their signal on account of the noise would be to miss the point of the surveys entirely. Information is information. And the signal we're getting is increasingly positive.

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