

Weakening of service sector activity continues in May

Bank of New Zealand - Business NZ PSI for May 2008

- The Bank of New Zealand - Business NZ Performance of Service Index (PSI) increased slightly in May to stand at 49.1, although still displaying weakening in the sector. The PSI result for May was the second lowest recorded, and 9.4 points lower than the 58.5 recorded in May 2007.
- Four of the five diffusion indices that make up the PSI again exhibited some level of decline, with *activity/sales* (49.0) showing its second consecutive level of contraction. *Employment* (46.8) has now shown a decrease for three months running, while *stocks/inventories* (47.1) and *supplier deliveries* (44.8) continued to exhibit contraction. While *new orders/business* (54.8) still showed expansion, it is still well below its average result of 61.9.
- Activity by region showed most near the 'no change' threshold. Both the *Northern* (50.8) and *Canterbury/Westland* (50.6) regions improved from April, while the *Central* region (50.5) continued to fall to its lowest level recorded. The *Otago/Southland* region (41.6) continued to experience significant weakening, mainly due to ongoing falls in activity/sales.
- The various service sectors were a mix of expansion and contraction during May. At one end, both the *health & community services* (56.8) and *property & business services* (56.1) displayed healthy growth in May. However, *accommodation, cafes & restaurants* (36.1) continued to fall, while *retail trade* (46.1) also experienced another decline in activity. *Wholesale trade* (51.2) bounced back from the April result to show some level of expansion.
- The minor improvement in the overall result mirrored a slight boost in the proportion of positive comments received, up to 44.9% in May compared with 42.2% in April, but still below 47.3% in March. Compared with the same time last year, activity for those with positive comments (2.4*) for April worsened slightly compared with March, while those with negative comments stayed the same (3.5). The overall national result for activity compared with 2007 also stayed the same at 3.0.

National Indexes	May 2007	Mar 2008	Apr 2008	May 2008
Business NZ PSI	58.5	50.8	48.9	49.1
Activity/Sales	62.4	51.8	48.3	49.0
Employment	51.2	48.9	44.7	46.8
New Orders/Business	67.8	52.9	55.3	54.8
Stocks/Inventories	49.5	49.0	46.9	47.1
Supplier Deliveries	54.7	50.3	47.8	44.8

Regional Indexes	May 2007	Mar 2008	Apr 2008	May 2008
Business NZ PSI	58.5	50.8	48.9	49.1
Northern	57.0	49.7	49.8	50.8
Central	65.5	57.1	53.8	50.5
Cant/Westland	60.3	47.7	48.1	50.6
Otago/Southland	57.6	52.9	42.8	41.6

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

HIGHLIGHTS

- The overall activity level for the service sector stood at 49.1 in May, up 0.2 points from April.
- New orders/business (54.8) was again the leading index, while activity/sales (49.0) was still below the no change mark.
- Most regions experienced close to no change, while the Otago/Southland region (41.6) displayed significant contraction.
- The proportion of positive comments improved slightly to 44.9%.
- Next Bank of New Zealand - Business NZ PSI: 14 July 2008

SPONSOR STATEMENT

Bank of New Zealand Ltd is delighted to be associated with the Performance of Services Index (PSI) and Business NZ. This association brings together the significant experience of leading business advocacy body Business NZ, and business finance specialist BNZ. We look forward to continuing our association with Business NZ and associated regional organisations, and to playing our part in the ongoing development of the New Zealand services sector.

Bank of New Zealand (www.bnz.co.nz)

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