

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

New business boosts service sector expansion

BNZ - BusinessNZ PSI for May 2012

- The seasonally adjusted BNZ - BusinessNZ Performance of Service Index (PSI) for May stood at 56.8. This was largely unchanged from the April result (56.7) and the highest result for any month since November 2011. Compared with previous May results, it was the second highest since the survey began in April 2007.
- All five sub-indices again showed expansion in May. This was led by *new orders/business* (63.1) for the 20th consecutive month, but the highest level of expansion recorded since November 2007. *Activity/sales* (58.3) built on its boost in April, while *supplier deliveries* (55.4) also edged up from the previous month. In contrast, *stocks/inventories* (52.3) decreased 1.2 points, while *employment* (50.7) experienced a set-back, decreasing 4.5 points from April.
- Unadjusted activity was expansionary for three of the four regions. Both the *Northern* (55.8) and *Central* (57.7) regions improved on their April result, with the former recorded its highest level of activity since November 2011. The South Island was a mixed bag with the *Otago/Southland* region (46.5) coming off a strong month to return to a sub-50 value for May. The *Canterbury/Westland* region (54.5) remained in expansion, although down 4.4 points from April.
- Service sector results were generally in expansion during May. *Wholesale trade* (58.0) picked up after two consecutive months in decline, while *property & business services* (59.7) remained strong with consistent results over the last four months. *Health & community services* (55.7) improved 3.5 points in May, while *accommodation, cafes & restaurants* (45.5) slipped back to a similar value experienced in March.

Inside BNZ Commentary this Month (page 4)

BNZ Senior Economist Craig Ebert looks at the progress of New Zealand's PSI and how it is comparing favourably to that of the USA, Europe and Australia. It is even catching up with China...

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HIGHLIGHTS - PSI

- **Service sector expansion remains at similar level of expansion.**
- **All five major sub indices in expansion, with new business/orders displaying string growth**
- **Regional activity positive throughout most of the country, with the Northern region picking up.**

HIGHLIGHTS - PERFORMANCE OF COMPOSITE INDEX (PCI)

- **Options for measuring PCI activity show similar and sizeable levels of expansion**
- **GDP weighted Index shows highest result since March 2010.**

Next BNZ - BusinessNZ PSI/PCI: 16 July 2012

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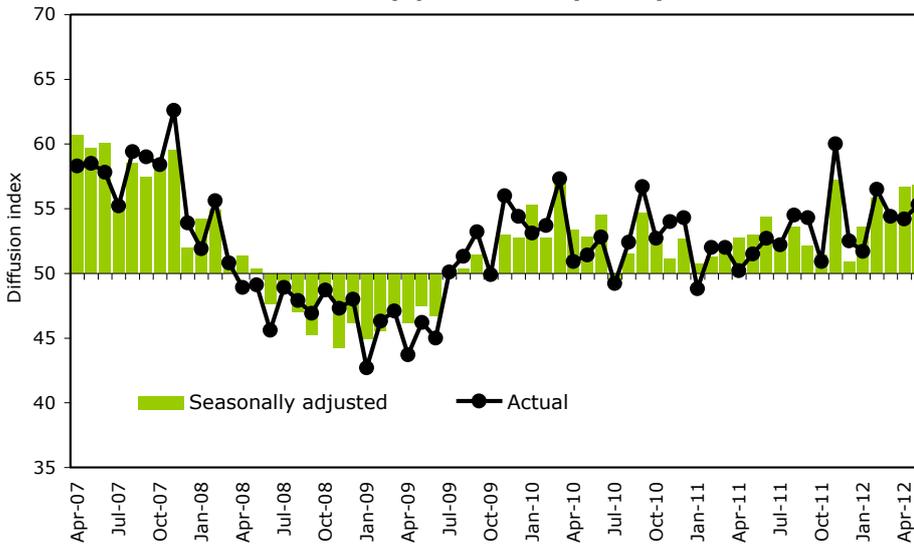
BNZ is delighted to be associated with both the Performance of Services Index (PSI) and BusinessNZ. This association brings together the significant experience of leading business advocacy body BusinessNZ, and business finance specialist BNZ. We look forward to continuing our association with BusinessNZ 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 - May 2012)



May PSI time series tables

National Indexes	May 2007	May 2008	May 2009	May 2010	May 2011	May 2012
BNZ - BusinessNZ PSI (s.a.)	59.7	50.3	47.5	52.8	53.0	56.8
Activity/Sales (s.a.)	63.3	49.8	44.4	54.1	54.9	58.3
Employment (s.a.)	52.7	48.4	48.1	51.3	51.3	50.7
New Orders/Business (s.a.)	68.9	56.0	50.9	55.4	56.4	63.1
Stocks/Inventories (s.a.)	51.5	49.1	46.6	50.3	46.8	52.3
Supplier Deliveries (s.a.)	57.5	47.5	47.2	50.2	49.5	55.4

Regional Indexes	May 2007	May 2008	May 2009	May 2010	May 2011	May 2012
BNZ - BusinessNZ PSI (s.a.)	59.7	50.3	47.5	52.8	53.0	56.8
Northern	57.0	50.8	47.4	52.4	52.1	55.8
Central	65.5	50.5	47.2	54.9	56.6	57.7
Canterbury/Westland	60.3	50.6	43.7	44.7	50.2	54.5
Otago/Southland	57.6	41.6	37.0	48.3	39.3	46.5

(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

About the Performance of Composite Index

The BNZ - BusinessNZ Performance of Composite Index (PCI) takes into account results from both the Performance of Manufacturing

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Even stevens for combined results

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

- The seasonally adjusted BNZ - BusinessNZ Performance of Composite Index or PCI (which combines the PMI and PSI) for May showed the two options for measuring the PCI both up from April, and at an almost identical levels of expansion.
- The GDP-Weighted Index (56.7) increased 1.1 points from April as the stronger manufacturing result helped boost expansion on top of existing service sector expansion. This meant the Index was at its highest since March 2010. The Free-Weighted Index (56.8) increased 4.1 points after a drop in April, but the lift was not large enough to beat the 57.6 recorded in February this year.
- The JPMorgan Global Combined Index (52.1) decreased slightly from April, as the global economy is entering a softer growth phase that is most evident in manufacturing, where output rose at the slowest pace in five months.

Index (PMI) and the Performance of Services Index (PSI).

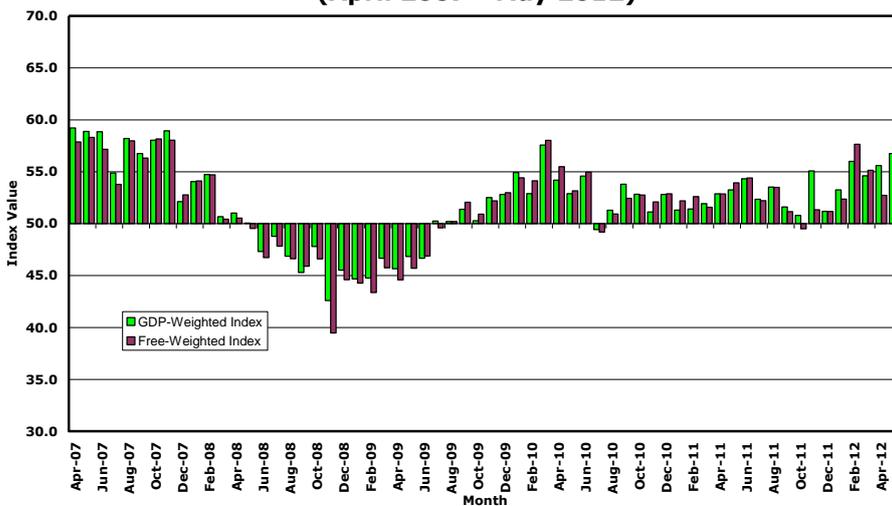
Combined results are shown in two ways:

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 - May 2012)



Performance of Composite Index April time series table

Combined National Indexes	May 2007	May 2008	May 2009	May 2010	May 2011	May 2012
GDP-Weighted Index (s.a.)	58.9	50.0	46.8	52.9	53.2	56.7
Free-Weighted Index (s.a.)	58.3	49.5	45.7	53.2	53.9	56.8

18 June 2012

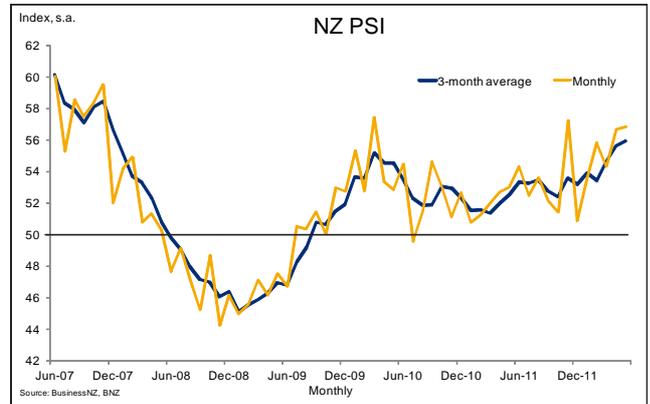
Sturdy NZ Services Say "Europe, Where's That?"

- May's BNZ PSI absolutely solid, at 56.8
- And now very strong on global comparisons
- Adding to signs of quickening NZ expansion
- With order books filled to bursting
- Pity about Europe

As Wilson Dixon declared on his recent tour of the country, "It's great to be here in New Zealand, or, as we say in America...Where?" New Zealand's service sector appears to be asking the same question of Europe. Not to suggest Europe is irrelevant (although its weight has certainly been in decline over recent decades – in respect to the global economy, politics, and New Zealand's trading basket). It's more that the zone's escalating problems and dramas have not, to date at least, derailed the ongoing pick up in New Zealand's services sector.

Witness today's seasonally adjusted result of 56.8 for May's Performance of Services Index. And the blaring 63.1 registered for new orders. Yes, the month to month results remain bumpy. And the regional and industry component detail is far from unanimous in its upbeat view. Nonetheless, it's hard to deny, overall, a strong upward trend has developed in the PSI, to the point of it now suggesting stronger than average growth in by far the bulkiest part of the economy.

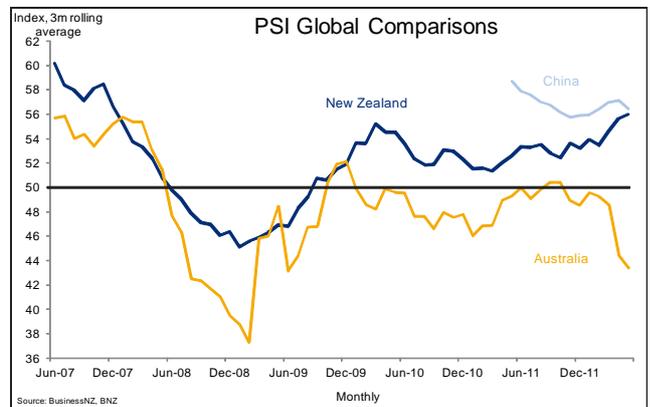
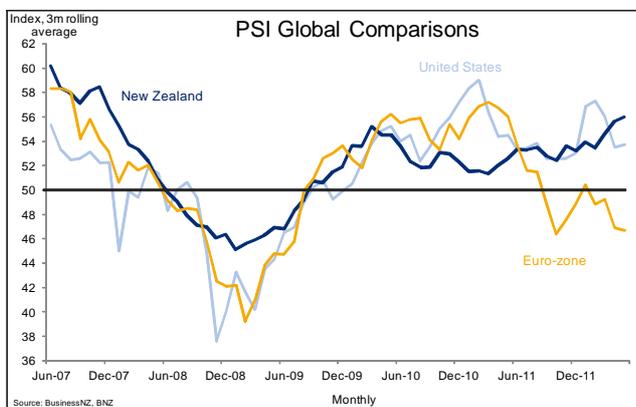
May's result, in particular, is instructive as it suggests business activity and expectations are holding up far better than general economic confidence, which has shown signs of reacting to the latest talk of Armageddon in Europe. We saw a similar thing in the way the latest BNZ Confidence Survey took something of a cold shower, yet the hard indicators from the PMI were substantively positive.



The strong NZ PSI is also significant in that it is fast becoming something of a leading light on the global stage. For example, smoothing over the last three months, New Zealand's PSI is running at 55.9. This has overtaken America's (sorry Wilson), which has moderated to a still-respectable 54.4, from a proximate peak of 56.7 in March.

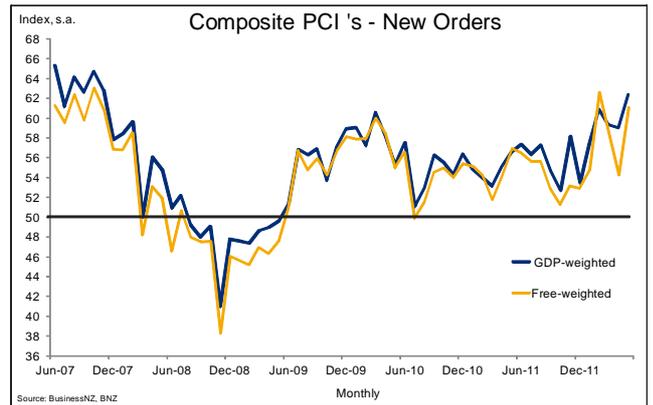
New Zealand's PSI is also, unsurprisingly, far stronger than the Euro-zone's, which has slumped to 46.7 as a three-month average. While this has involved the likes of Spain diving to the low 40's Germany's PSI still has its head above the 50 waterline mark, albeit not by much.

But who would have thought New Zealand's PSI is far superior to Australia's, which is well below breakeven, at around 43.5 (indeed, it has been worse for wear for a good while now). This is yet another example of something that looks as strong in New Zealand as it does weak in Australia. Other examples include the relativities of housing, building consents, economic confidence and expectations, even employment intentions.



New Zealand's PSI is also fast catching up to the always sturdy, but recently slowed, Chinese PSI, which ran at 55.2 in May, from 56.1 in April.

Anyway, bolt the NZ PSI on to the much-recovered PMI of May and one gets the impression NZ GDP could be a corker in Q2. This is already supported by such things as the strengthening trend in electronic-based spending, home sales, along with the strong likelihood of construction beginning to ramp up in the June quarter, following much frustration on this front. But it is hammered home by the fact the composite PCI was 56.8 when simply adding the PSI and PMI survey responses, and 56.7 when GDP-weighting the surveys. And while there are headwinds from Europe to consider, it's highly encouraging to see strong forward momentum in New Zealand, in the form of PCI new orders indices up at a barrelling 62.4 and 61.0 respectively.



With many parts of the world facing a lot of aches and pain it is, as Wilson Dixon said, great to be here in New Zealand, with certainly little chance of any European placation this year, at least.

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