

BNZ-BusinessNZ PSI

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.

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Cheers to 2013

BNZ - BusinessNZ PSI for December 2013

- The seasonally adjusted BNZ - BusinessNZ Performance of Services Index (PSI) for December stood at 57.5. This was up 1.1 points from November and the third highest result for the year. Over 2013, the PSI averaged 55.8, compared with 53.9 for 2012 and 52.7 for 2011.
- All five main sub-indices were again in expansion during December, which has now been the case for the last eight months. *New orders/business* (62.4) continued its top spot, with eight of the last nine results showing a post-60 point value. *Activity/sales* (59.8) picked up 1.3 points from November, while *employment* (52.6) dipped in expansion levels after three consecutive months of rising activity. Both *stocks/inventories* (54.2) and *supplier deliveries* (52.9) experienced an uplift in expansion from during December.
- Activity was positive across all of the country in December. In the North Island, the *Central* region (61.0) experienced another increase in expansion to record its first post-60 point value since March 2012. In contrast, the *Northern* region (57.4) dipped back to levels of expansion seen in September. In the South Island, the *Canterbury/Westland* region (52.6) picked up pace, while the *Otago/Southland* region (55.1) saw more moderate levels of expansion compared with November.
- Service sector results by sub-sector were mostly positive during December. As expected, *retail trade* (74.5) was the stand out performer for the month, while *wholesale trade* (57.3) again experienced a lower level of expansion compared with the previous month. *Property & Business services* (57.5) was almost identical to November's result, while *transport & storage* (46.4) fell back into decline. *Health & community services* (54.7) remained in expansion, with a slight pickup from the previous month.

Inside BNZ Commentary this Month (page 4)

December's PSI suggests a pickup in production is gathering momentum, with the new-orders index by far the fastest component, says BNZ Senior Economist Craig Ebert.

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HIGHLIGHTS - PSI

- Service sector remains in good health*
- All five major sub-indices again in expansion, led by new orders/business.*
- Regional activity positive across all of the country.*

HIGHLIGHTS - PERFORMANCE OF COMPOSITE INDEX (PCI)

- Options for measuring PCI activity continue their march upwards.*
- Global PCI now in expansion for 15 consecutive months.*

Next BNZ - BusinessNZ PSI/PCI: 17 February 2014

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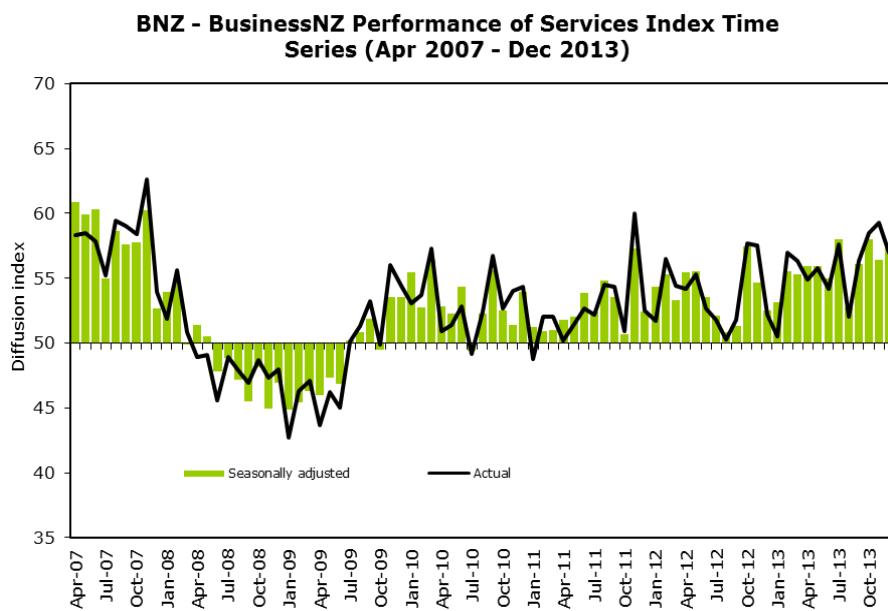
BNZ is delighted to be associated with both the Performance of Services Index (PSI) and BusinessNZ. This association brings together the significant experience of leading business advocacy body BusinessNZ, and business finance specialist BNZ. We look forward to continuing our association with BusinessNZ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

National Indexes	Dec 2008	Dec 2009	Dec 2010	Dec 2011	Dec 2012	Dec 2013
BNZ - BusinessNZ PSI (s.a.)	46.9	53.5	53.9	52.4	52.5	57.5
Activity/Sales (s.a.)	45.6	55.7	57.9	51.0	52.3	59.8
Employment (s.a.)	46.1	50.7	49.7	52.6	52.2	52.6
New Orders/Business (s.a.)	50.3	60.7	58.5	55.5	55.9	62.4
Stocks/Inventories (s.a.)	46.9	48.0	50.6	51.9	49.2	54.2
Supplier Deliveries (s.a.)	48.9	49.8	50.2	49.0	47.7	52.9

Regional Indexes	Dec 2008	Dec 2009	Dec 2010	Dec 2011	Dec 2012	Dec 2013
BNZ - BusinessNZ PSI (s.a.)	46.9	53.5	53.9	52.4	52.5	57.5
Northern	45.6	52.5	54.7	51.7	53.7	57.4
Central	50.8	60.9	51.6	54.5	48.6	61.0
Canterbury/Westland	54.6	56.1	50.1	55.3	47.1	52.6
Otago/Southland	53.8	54.4	61.0	50.5	53.4	55.1

(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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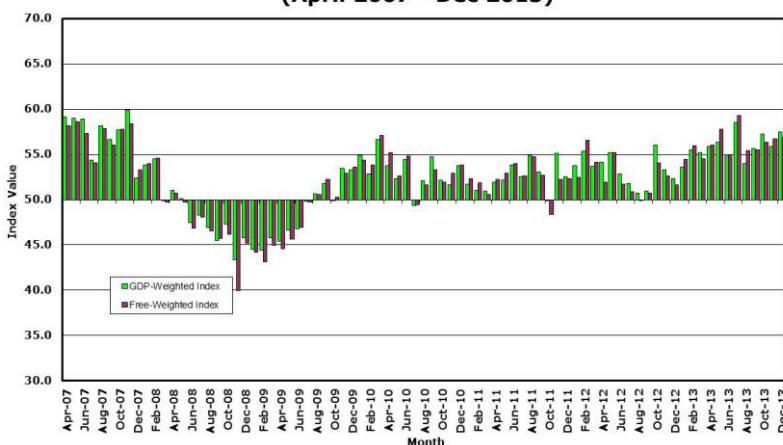
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Onwards and upwards

BNZ - BusinessNZ Performance of Composite Index (PCI) for December 2013

- The seasonally adjusted BNZ - BusinessNZ Performance of Composite Index or PCI (which combines the PMI and PSI) for December saw both options for measuring the PCI continue their steady march upwards.
- The GDP-Weighted Index (57.5) increased 1.7 points from November, while the Free-Weighted Index (56.9) rose 0.2 points. The fact that both the manufacturing and service sector all but swapped directions in terms of activity meant the Free-Weighted index stayed relatively unchanged. However, the increase in the service sector meant the GDP-Weighted index rose for the current month.
- The JPMorgan Global Combined Index for December (54.0) dipped slightly from November, although global economic output expanded for the fifteenth successive month.

**BNZ - BusinessNZ PCI Seasonally Adjusted Time Series
(April 2007 - Dec 2013)**



Performance of Composite Index December time series table

Combined National Indexes	Dec 2008	Dec 2009	Dec 2010	Dec 2011	Dec 2012	Dec 2013
GDP-Weighted Index (s.a.)	45.8	53.3	53.8	52.5	52.3	57.5
Free-Weighted Index (s.a.)	45.2	53.6	53.8	52.3	51.6	56.9

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.

27 January 2014

Serving Stout

- PSI stays strong at 57.5 in December
- Details even stronger
- December aided by rampant retailing
- While little indication of property crash

December's Performance of Services Index (PSI) was about one point stronger than November's. As such, it suggests ongoing robust growth in the sector. And, as such, it remains bobbing neck and neck with its manufacturing cousin, with the PMI at 56.4 versus today's PSI result of 57.5.

While these are positive results, strictly speaking they are not quite as buoyant as the broader outlooks now being touted by businesses and consumers alike. The latter suggest GDP growth is heading for a range of 5-6% this year, possibly more. The latest PMI and PSI headline results suggest the expansion is simply maintaining a 4% annual pace, for now. In this respect, they were more like what we heard from the Quarterly Survey of Business Opinion of a couple of weeks ago than the ANZ business survey of December.

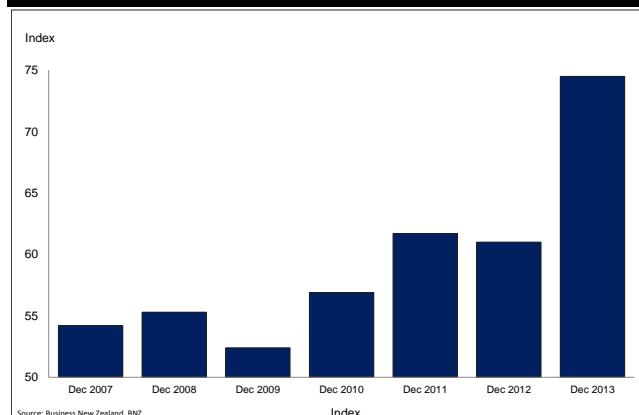
Still, December's PSI harboured detail that suggested a pick-up in production is, in fact, gathering momentum. For the December quarter as a whole, for instance, the activity/sales component of the PSI averaged 59.8. This compared to 57.7 for the September quarter.

Also, the new-orders index, just like we saw in the counterpart PMI, remained by far the fastest component of the lot, with a seasonally adjusted 62.4 (compared to the PMI's 61.4). While anything above 50 on these "diffusion" type indices denotes expansion, anything above 60 signifies a rapid rate of knots. And we can believe this will be case for the output index of the PSI over the first few months of 2014.

The only thing that might temper this belief is that, in contrast to the PMI, the inventory section of the latest PSI was creeping further into positive territory. While this, at 54.2 in December, could be a sign of unintended build-up in stock we think it's more likely to be a deliberate filling of shelves given the persistent momentum in sales and orders.

The other detail that's worth a mention regarding the latest PSI is that of the various industries. While these sub-series can be volatile from month to month there

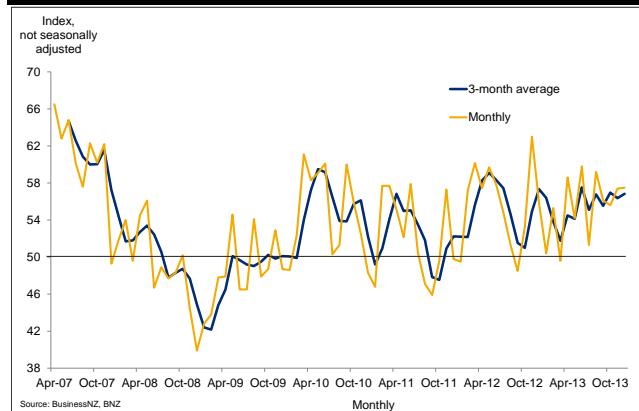
Retail Trade PSI (December months)



was certainly a strong pulse coming through retailing. Its index hit 74.5. While this might be overstated – given it's not seasonally adjusted and December is obviously a huge month for festive spending – note it was substantially stronger than the 61.0 result of December 2012 and 61.7 the 12 months before that.

Meanwhile, there was little sign in the latest PSI that the property market was falling into a hole following the 1 October introduction of the LVR lending restrictions. The Property and Business category of the PSI, for example, was 57.5 for December, compared to 57.4 in November. Similarly, the Finance and Insurance component held up at 56.7, from 56.3. While housing prices remain vulnerable to a decent correction, there is scant evidence that this is occurring at present.

PSI Property and Business Services



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