

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

## Sensational Summer

### BNZ - BusinessNZ PSI for January 2014

- The seasonally adjusted BNZ - BusinessNZ Performance of Services Index (PSI) for January stood at 58.1. This was up 0.5 points from December and the highest monthly result since November 2007. For the last six months, the PSI has averaged 56.5.
- Three of the five main sub-indices were in expansion during January, which breaks an eight month cycle of all indices being in expansion. However, the drop in *stocks/inventories* (45.6) and *supplier deliveries* (47.7) is not unexpected given seasonal effects around this time of year. Of those expanding, *new orders/business* (66.1) broke free of a low 60-point value to record its highest result since June 2007. *Activity/sales* (63.2) picked up a further 3.1 points from November to record its highest level since August 2007. *Employment* (55.2) also showed further expansion, with its best result for 21 months.
- Activity was positive across most of the country in January. In the North Island, the Northern region (57.9) displayed similar levels of activity compared with December, while the *Central* region (48.6) experienced its first decrease in activity since March 2013. In the South Island, the *Canterbury/Westland* region (50.1) only just managed to keep its head above water, while the *Otago/Southland* region (60.2) recorded a post 60-point value for the second time in three months.
- Service sector results by sub-sector were again mostly positive during January, with seasonal factors clearly evident. *Retail trade* (66.3), *wholesale trade* (62.1) and *accommodation, cafes & restaurants* (61.4) all continued to do well over the festive/holiday season, while *property & business services* (52.2) slipped slightly in terms of levels of expansion. *Health & community services* (44.7) fell into decline, which was mainly due to the holiday break, while *transport & storage* (50.1) remained all but unchanged.

#### Inside BNZ Commentary this Month (page 4)

In this edition, BNZ senior economist, Craig Ebert, highlights the sheer acceleration in new orders, as the service sector would appear to be caught short of inventory.

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#### HIGHLIGHTS - PSI

- **Service sector starts 2014 on strong note.**
- **New orders/business and activity/sales highest since 2007.**
- **Regional activity positive across all most of the country.**

#### HIGHLIGHTS - PERFORMANCE OF COMPOSITE INDEX (PCI)

- **Options for measuring PCI activity continue to tick upwards.**
- **Global PCI now in expansion for 16 consecutive months.**

**Next BNZ - BusinessNZ PSI/PCI: 17 March 2014**

#### SPONSOR STATEMENT

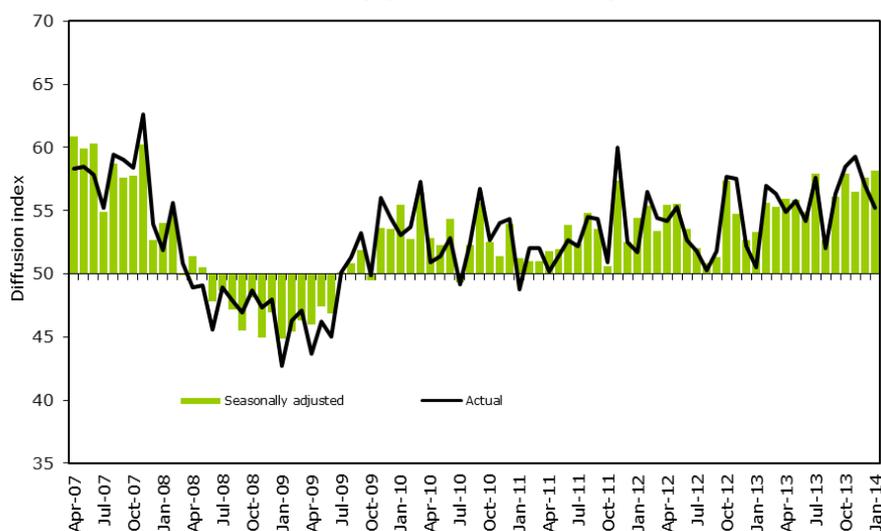
BNZ is delighted to be associated with both the Performance of Services Index (PSI) and BusinessNZ. This association brings together the significant experience of leading business advocacy body BusinessNZ, and business finance specialist BNZ. We look forward to continuing our association with BusinessNZ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

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**BNZ - BusinessNZ Performance of Services Index Time Series (Apr 2007 - Jan 2014)**



## January PSI time series tables

National Indexes	Jan 2009	Jan 2010	Jan 2011	Jan 2012	Jan 2013	Jan 2014
BNZ - BusinessNZ PSI (s.a.)	44.9	55.5	51.3	54.4	53.3	58.1
Activity/Sales (s.a.)	42.5	58.6	51.0	53.9	53.9	63.2
Employment (s.a.)	43.6	52.9	48.1	54.4	50.1	55.2
New Orders/Business (s.a.)	48.9	59.4	54.6	58.7	57.6	66.1
Stocks/Inventories (s.a.)	45.9	50.4	51.0	46.5	51.1	45.6
Supplier Deliveries (s.a.)	44.8	51.2	51.1	52.1	50.1	47.7

Regional Indexes	Jan 2009	Jan 2010	Jan 2011	Jan 2012	Jan 2013	Jan 2014
BNZ - BusinessNZ PSI (s.a.)	44.9	55.5	51.3	54.4	53.3	58.1
Northern	39.3	52.4	50.0	49.7	50.9	57.9
Central	53.9	54.3	49.3	47.7	54.4	48.6
Canterbury/Westland	48.3	51.7	44.7	64.5	49.8	50.1
Otago/Southland	40.4	59.0	46.3	63.2	42.0	60.2

(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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## Ticking up

### BNZ - BusinessNZ Performance of Composite Index (PCI) for January 2014

- The seasonally adjusted BNZ - BusinessNZ Performance of Composite Index or PCI (which combines the PMI and PSI) for January saw both options for measuring the PCI tick up from the previous month.
- The GDP-Weighted Index (57.9) increased 0.2 points from December, while the Free-Weighted Index (57.4) rose 0.4 points. The fact that the services sector showed stronger expansion in January meant the GDP index continued to keep its nose in front in terms of expansion.
- The JPMorgan Global Combined Index for January (53.9) posted a further sideways movement to signal that the growth rate of global output continued to track at a solid clip.

#### 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).

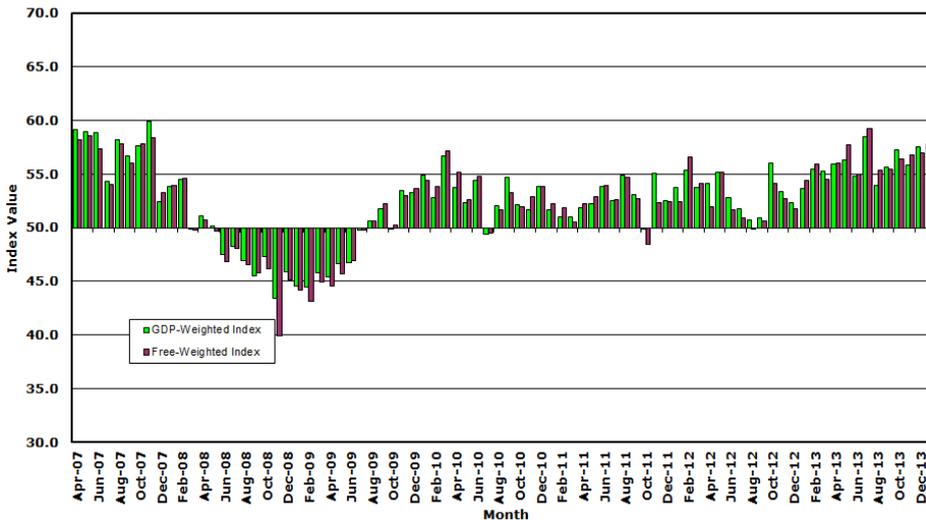
Combined results are shown in two ways:

**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 - Jan 2014)**



#### Performance of Composite Index January time series table

Combined National Indexes	Jan 2009	Jan 2010	Jan 2011	Jan 2012	Jan 2013	Jan 2014
GDP-Weighted Index (s.a.)	44.5	54.9	51.7	53.7	53.7	57.9
Free-Weighted Index (s.a.)	44.2	54.4	52.3	52.4	54.4	57.4

17 February 2014

## Service Sector Getting Its Marching Orders

- PSI even stronger at 58.1
- New orders going nuts
- As inventory caught short
- Production gains looking chunky
- Even as Canterbury, Communications, lag

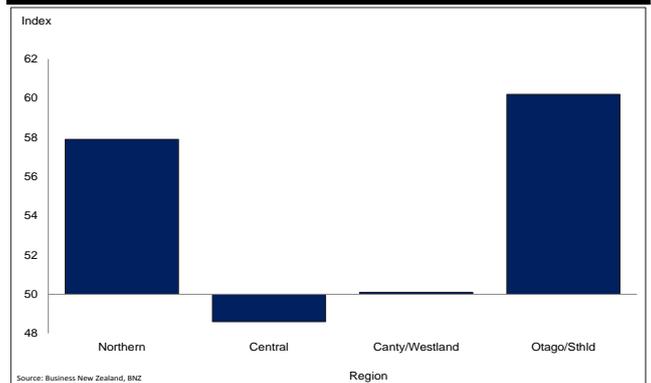
The Performance of Service Index (PSI) maintained major momentum in January. And the increasingly strongest element of it remained new orders. They are going nuts. Try a seasonally adjusted index of 66.1. This suggests people have not only come back from the holidays full of confidence but are now making things happen.

The surge in new orders fits with the other story of the latest PSI, that of inventory slimming at a rate of knots. In short, service sector firms look to be caught short on this account. The stocks variable in January staggered to a seasonally adjusted 45.6. This was the lowest since the GFC was doing its thing back in 2009. But far from signaling another time of distress the latest shriveling in inventory clearly signals a surprisingly strong upswing in demand.

Production, meanwhile, is running faster to keep up. The PSI activity/sales reading for January accelerated to 63.2, from 60.1 in December. This was even speedier than the production index of January's Performance of Manufacturing Index, which was strong enough itself at 59.5. Together they continue to suggest strong GDP growth is upon us – probably above 4% at an annual pace.

Then again, this is simply another indicator of how forceful New Zealand's economic momentum is becoming (indeed with other surveys suggesting GDP growth closer to 5%, even 6%, might be closer to the truth).

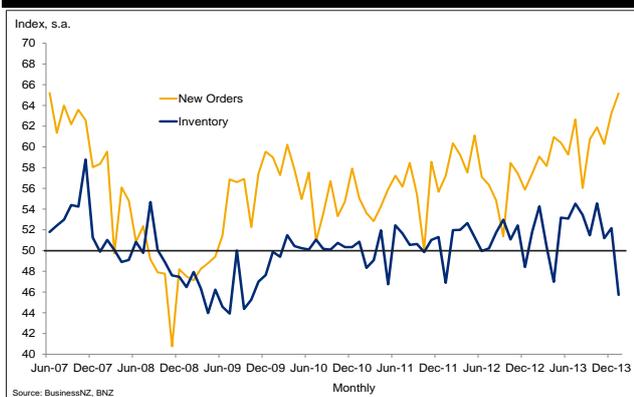
PSI by Region (January 2014)



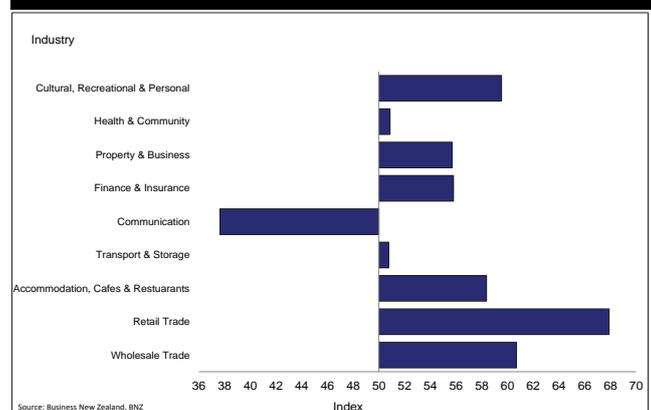
What surprised us in the latest PSI were the components that were lagging. Most notably, Canterbury/Westland came in with an unadjusted reading of 50.1. There are abundant signs that activity in Christchurch has ramped up. But ever increasing levels might be becoming harder to come by (something that will naturally slow growth). Completing the regional picture, Central sagged to 48.6, inferring the growth pulse was still coming mainly from the Northern region (essentially Auckland), which posted 57.9. However, Otago/Soutland was the real mover in January – up to 60.2, compared to a miserly 40.2 a year earlier.

The other intriguing element of weakness in an otherwise gung-ho PSI for January was Communications. This is often seen as a fundamentally progressive sector. Be that as it may, the Communications index of today's PSI plunged to an unadjusted 26.7, from 35.0 in December. We're not sure what's driving this. But it doesn't look to be the time of the year, in that it was right up at 58.8 in January 2013.

Composite PMI/PSI



PSI by Industry (Three month moving average)



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