

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

Top service

BNZ - BusinessNZ PSI for April 2014

- The seasonally adjusted BNZ - BusinessNZ Performance of Services Index (PSI) for April stood at 58.9. This was up 0.4 points from March and the highest level of activity since November 2007. The PSI has been above 58.0 points for three of the last four months.
- All five main sub-indices were again in expansion during April. *New orders/business* (65.7) continued its upwards momentum, while *activity/sales* (62.2) also recorded a consecutive post-60 value. *Employment* (53.4) slipped 0.9 points from March, while *supplier deliveries* (55.8) and *stocks/inventories* (55.6) recorded similar levels of expansion.
- Activity was positive and consistent across all of the country in April. In the North Island, the *Northern* region (58.1) dipped slightly in expansion levels compared with the previous month, while the *Central* region (60.0) broke through the 60 point mark for the first time in 2014. In the South Island, the *Canterbury/Westland* region (60.3) increased 1.8 points from March, while the *Otago/Southland* region (56.3) decreased 3.1 points from the previous month, although remained in solid expansion.
- Service sector results by sub-sector were all positive during April. *Retail trade* (62.9) was one of the leaders, followed by *accommodation, cafes & restaurants* (59.1) that had experienced three consecutive months with a post 60 point result. *Wholesale trade* (58.4) picked up slightly from March, while *health & community services* (56.0) slipped from the previous month, although still in healthy expansion mode. Likewise, *property & business services* (55.8) reverted back to solid growth after a strong pick-up in March.

Inside BNZ Commentary this Month (page 4)

BNZ senior economist Craig Ebert says this month's PSI shows a consistent growth pulse by both region and industry. Overall it suggests New Zealand's service sector is maintaining expansion at least as forceful as it was late last year. It also makes up for the slight under-performance of the PMI, although that was probably compromised by the timing of holidays.

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HIGHLIGHTS - PSI

- **Service sector records higher expansion levels in April.**
- **New orders/business and activity/sales again post 60-point+ values.**
- **Regional activity remains positive and consistent across the country.**

HIGHLIGHTS - PERFORMANCE OF COMPOSITE INDEX (PCI)

- **Options for measuring PCI activity both remain very healthy.**
- **Global PCI dipped slightly during April**

Next BNZ - BusinessNZ PSI/PCI: 16 June 2014

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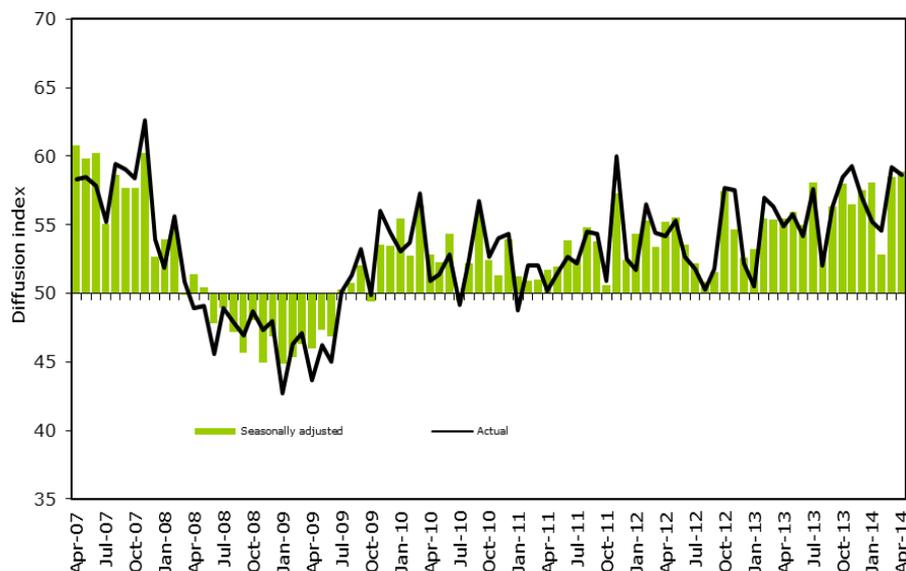
BNZ is delighted to be associated with both the Performance of Services Index (PSI) and BusinessNZ. This association brings together the significant experience of leading business advocacy body BusinessNZ, and business finance specialist BNZ. We look forward to continuing our association with BusinessNZ 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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BNZ - BusinessNZ Performance of Services Index Time Series (Apr 2007 - Apr 2014)



April PSI time series tables

National Indexes	Apr 2009	Apr 2010	Apr 2011	Apr 2012	Apr 2013	Apr 2014
BNZ - BusinessNZ PSI (s.a.)	46.0	52.8	51.7	55.2	55.4	58.9
Activity/Sales (s.a.)	44.3	52.1	51.6	53.9	62.0	62.2
Employment (s.a.)	44.7	52.8	51.8	55.4	51.3	53.4
New Orders/Business (s.a.)	49.9	56.7	53.7	59.2	60.3	65.7
Stocks/Inventories (s.a.)	43.8	49.7	50.9	52.3	45.8	55.6
Supplier Deliveries (s.a.)	46.4	48.9	48.5	53.1	51.8	55.8

Regional Indexes	Apr 2009	Apr 2010	Apr 2011	Apr 2012	Apr 2013	Apr 2014
BNZ - BusinessNZ PSI (s.a.)	46.0	52.8	51.7	55.2	55.4	58.9
Northern	42.8	50.8	49.3	52.9	55.4	58.1
Central	48.8	56.4	50.4	52.5	58.4	60.0
Canterbury/Westland	43.1	47.4	57.5	58.9	49.9	60.3
Otago/Southland	44.8	48.6	46.3	62.6	50.8	56.3

(s.a. denotes seasonally adjusted)

PARTICIPANTS

BusinessNZ gratefully acknowledges the participation of the following associations in contributing to the PSI:

Employers & Manufacturers Association (Northern)

Business Central

Canterbury Employers' Chamber of Commerce

Otago Southland Employers Association

Hospitality New Zealand

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Steady heights

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

- The seasonally adjusted BNZ - BusinessNZ Performance of Composite Index or PCI (which combines the PMI and PSI) for April saw the two options for measuring the PCI show slightly different result from the previous month, although both remain at very healthy levels of activity.
- The GDP-Weighted Index (58.5) produced the same result as the previous month, while the Free-Weighted Index (57.3) dipped 0.9 points. The fact that manufacturing sector saw a decrease in the level of expansion during April meant the Free-Weighted Index experienced a stronger change than the GDP-Weighted Index.
- The JPMorgan Global Combined Index for April (52.8) was down from 53.5 in March, with rates of expansion easing in both the manufacturing and service sector.

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).

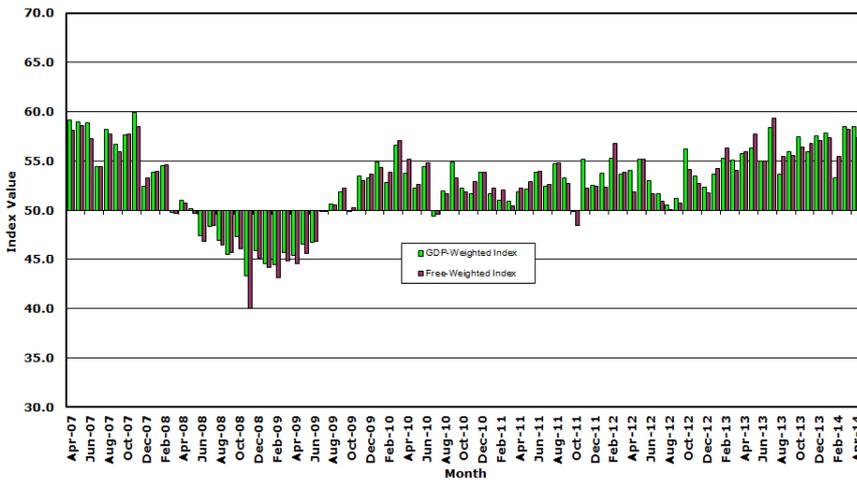
Combined results are shown in two ways:

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 - Apr 2014)



Performance of Composite Index April time series table

Combined National Indexes	Apr 2009	Apr 2010	Apr 2011	Apr 2012	Apr 2013	Apr 2014
GDP-Weighted Index (s.a.)	45.4	53.7	51.9	54.0	55.7	58.5
Free-Weighted Index (s.a.)	44.5	55.1	52.2	51.9	55.9	57.3

19 May 2014

PSI Plays Mister Consistency

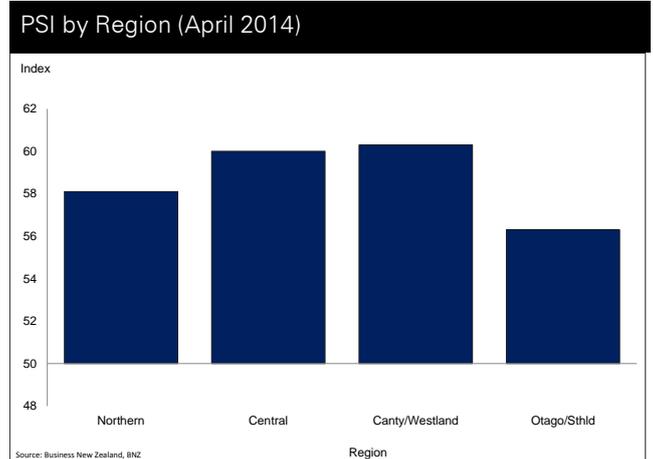
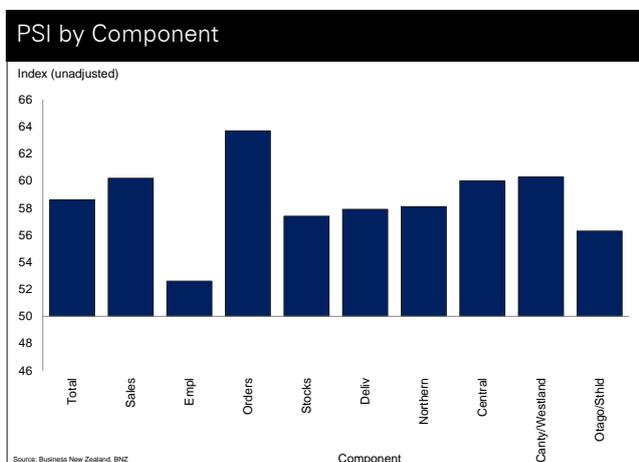
- PSI barrels on with 58.9 for April
- With more consistency than Q1 retail sales
- By region and industry
- Maintaining 4% view on annual GDP growth

Quarterly growth in Q1 real retail trade, while solid overall, at 0.7%, was slower than it was in Q4, with 1.4%. Moreover, it was running at quite different speeds in its detail. For example, while spending in Auckland was fair raging away, it was showing signs of peaking in Canterbury while, most interestingly, the dairy-laden Waikato was experiencing an ongoing drop in retail expenditure.

By store-type, it was very much those dealing in durable goods that continued to lead the way in Q1 retail statistics. Service store-types were mostly just ticking forth while spending on (the week-to-week) non-durable goods was about flat on the quarter and compared to a year ago.

Our slight apprehension around this retail sales detail has been soothed by April's Performance of Services Index (PSI). This index has, thankfully, presented a more consistent growth pulse. Overall, it suggests New Zealand's services sector is maintaining an expansion at least as forceful as it was late last year. No slowdown in evidence there.

In terms of the numbers, April's PSI came in at a seasonally adjusted 58.9. This proved very close to March's outcome of 58.5, which followed a wobbly looking 52.8 back in February. The 3-month average has accordingly been restored to 56.5, almost identical to the 12-month average.



The detail of the latest PSI also portrayed a relatively consistent pulse. For a start, the seasonally adjusted sub-indices on activity/sales, employment, new orders, stocks and deliveries were all comfortably above their averages (in a range of +2.8 to +8.3 points).

Granted, the 58.1, 60.0, 60.3 and 56.3 results covering the four main regions – Northern, Central, Canterbury/Westland and Otago/Southland respectively – are in unadjusted form. However, these are pretty strong outright levels and all of them up on a year. You could pretty much throw a blanket over the lot (unlike for the regional retail data).

The PSI also gave a theme of strong and consistent expansion by way of the various industries it describes. All were above the 50 mark that demarcates expansion from contraction. The "worst" was the miscellaneous category of "Other", with 55.0. The best was transport and storage, at 70.8 in April, with the retail component of the PSI taking out second place, with 62.9.

The other way in which April's PSI injected optimism into our perceptions of economic growth was in making up for the slight under-performance in the month's Performance of Manufacturing Index (PMI). Not that we thought April's PMI – at 55.2, from 58.0 – was in any way weak in truth, especially as we thought it was probably compromised by the timing of holidays. But, in a headline sense, it was good that the PSI was able to join with the PMI in giving a GDP-weighted Performance Composite index (PCI) of 58.5 and a free-weighted 57.3. These are, for want of a better word, consistent with annual GDP growth of around 4%.

craig_ebert@bnz.co.nz

Contact Details

BNZ

Stephen Toplis

Head of Research
+(64 4) 474 6905

Craig Ebert

Senior Economist
+(64 4) 474 6799

Doug Steel

Senior Economist
+(64 4) 474 6923

Kymerly Martin

Senior Market Strategist
+(64 4) 924 7654

Raiko Shareef

Currency Strategist
+(64 4) 924 7652

Main Offices

Wellington

60 Waterloo Quay
Private Bag 39806
Wellington Mail Centre
Lower Hutt 5045
New Zealand
Phone: +(64 4) 474 6145
FI: 0800 283 269

Auckland

80 Queen Street
Private Bag 92208
Auckland 1142
New Zealand
Phone: +(64 9) 976 5762
Toll Free: 0800 081 167

Christchurch

81 Riccarton Road
PO Box 1461
Christchurch 8022
New Zealand
Phone: +(64 3) 353 2219
Toll Free: 0800 854 854

National Australia Bank

Peter Jolly

Global Head of Research
+(61 2) 9237 1406

Alan Oster

Group Chief Economist
+(61 3) 8634 2927

Ray Attrill

Global Co-Head of FX Strategy
+(61 2) 9237 1848

Skye Masters

Head of Interest Rate Strategy
+(61 2) 9295 1196

Wellington

Foreign Exchange +800 642 222
Fixed Income/Derivatives +800 283 269

Sydney

Foreign Exchange +800 9295 1100
Fixed Income/Derivatives +(61 2) 9295 1166

London

Foreign Exchange +800 333 00 333
Fixed Income/Derivatives +(44 20) 7796 4761

New York

Foreign Exchange +1 800 125 602
Fixed Income/Derivatives +1 877 377 5480

Hong Kong

Foreign Exchange +(85 2) 2526 5891
Fixed Income/Derivatives +(85 2) 2526 5891

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