

The Bank of New Zealand - Business NZ Performance of Services Index 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.

psi

Service sector activity lacklustre in March

Bank of New Zealand - Business NZ PSI for March 2008

- The Bank of New Zealand - Business NZ Performance of Service Index (PSI) dropped 4.8 points from February to stand at 50.8 in March. It now sits at its lowest level since the survey began in April 2007, and well below the average score of 56.8.
- Three of the five diffusion indices that make up the PSI exhibited some level of expansion, although *new orders/business* (52.9) fell sharply from February and exhibited its lowest result. *Activity/sales* (51.8) also fell back from February, closer to the level experienced in January. *Employment* (48.9) declined for the first time, while *stocks/inventories* (49.0) also contracted for the second time in three months.
- Activity by region was split between expansion and contraction. The *Central* (57.1) and *Otago/Southland* (52.9) regions both showed positive activity for March, albeit with the latter having lower levels of growth than February. The *Canterbury/Westland* region (47.7) experienced its second and lowest level of contraction, while the Northern region (49.7) displayed a fall and its first sub-50 result.
- The various service sectors displayed a mix of expansion and decline. The *retail trade* (54.2) again took the top spot for activity, followed by *health & community services* (53.0). In contrast, the lowest result was again *accommodation, cafes & restaurants* (42.9), which has fallen significantly since the start of the year. The remaining sectors recorded results that were close to the 50 point mark.
- The drop in activity was mirrored by a decline in positive comments received, which fell from 52.8% in February to 47.3% in March. Compared with the same time last year, activity for those with positive comments (2.4*) for March remained the same as February, while those with negative comments worsened slightly (3.4). The overall national result for activity compared with 2007 also worsened to 2.9.

HIGHLIGHTS

- Activity level for the service sector stood at 50.8 in March, down 4.8 points from February.**
- New orders/business (52.9) was again the leading index, but down sharply from the previous month.**
- Half the regions displayed contraction, with Canterbury/Westland experiencing its worst result.**
- The proportion of positive comments decreased to 47.3%.**
- Next Bank of New Zealand - Business NZ PSI: May 19 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 contribution of the following associations 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

National Indexes	Dec 2007	Jan 2008	Feb 2008	Mar 2008
Business NZ PSI	53.9	51.9	55.6	50.8
Activity/Sales	53.7	50.2	56.2	51.8
Employment	51.1	51.8	52.1	48.9
New Orders/Business	59.2	55.6	61.4	52.9
Stocks/Inventories	53.4	48.5	51.3	49.0
Supplier Deliveries	50.3	51.1	53.5	50.3

Regional Indexes	Dec 2007	Jan 2008	Feb 2008	Mar 2008
Business NZ PSI	53.9	51.9	55.6	50.8
Northern	55.2	52.7	52.8	49.7
Central	52.4	51.8	55.6	57.1
Cant/Westland	56.3	55.6	60.2	47.7
Otago/Southland	44.7	40.9	61.1	52.9

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

Contact Details

Bank of New Zealand Research



Stephen Toplis
Head of Research
+(64 4) 474 6905

Craig Ebert
Senior Markets Economist
+(64 4) 474 6799

Mark Walton
Markets Economist
+(64 4) 474 6923

Danica Hampton
Currency Strategist
+(64 4) 472 4767

Main Offices

Wellington
1 Willis Street
PO Box 2392
Wellington
New Zealand
Phone: +(64 4) 474 6145
FI: 0800 283 269
Fax: +(64 4) 474 6266

Auckland
125 Queen Street
PO Box 2139
Auckland
New Zealand
Phone: +(64 9) 976 5762
Toll Free: 0800 081 167

Christchurch
129 Hereford Street
PO Box 1461
Christchurch
New Zealand
Phone: +(64 3) 353 2219
Toll Free: 0800 854 854

NAB/nabCapital Research



Peter Jolly
Head of Research
+(61 2) 9295 1199

Alan Oster
Group Chief Economist
+(61 3) 8641 3464

Rob Henderson
Chief Economist, Markets
+(61 2) 9237 1836

John Kyriakopoulos
Currency Strategist
+(61 2) 9237 1903

Contact Phone Numbers

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 +1800 125 602
Fixed Income/Derivatives +1877 377 5480

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

24 HOUR FOREIGN EXCHANGE SERVICE

Phone Toll Free 6am to 10pm NZT – Wellington Office
0800 739 707 10pm to 6am NZT – London Office – Olivia Core

ANALYST DISCLAIMER: The person or persons named as the author(s) of this report hereby certify that the views expressed in the research report accurately reflect their personal views about the subject securities and issuers and other subject matters discussed. No part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the research report. Research analysts responsible for this report receive compensation based upon, among other factors, the overall profitability of the Markets Division which is part of the Institutional Markets & Services division of National Australia Bank Limited, a member of the National Australia Bank Group (the 'National'). The views of the author(s) do not necessarily reflect the views of the National and are subject to change without notice. The National may receive fees for banking services provided to an issuer of securities mentioned in this report. The National, its affiliates and their respective officers, and employees, including persons involved in the preparation or issuance of this report (subject to the policies of the National), may also from time to time maintain a long or short position in, or purchase or sell a position in, hold or act as advisors, brokers or commercial bankers in relation to the securities (or related securities and financial instruments), of companies mentioned in this report. The National or its affiliates may engage in these transactions in a manner that is inconsistent with or contrary to any recommendations made in this report.

NEW ZEALAND DISCLAIMER: This publication has been provided for general information only. Although every effort has been made to ensure this publication is accurate the contents should not be relied upon or used as a basis for entering into any products described in this publication. Bank of New Zealand strongly recommends readers seek independent legal/financial advice prior to acting in relation to any of the matters discussed in this publication. Neither the Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication.

U.S. DISCLAIMER: This information has been prepared by National Australia Bank or one of its affiliates or subsidiaries (collectively, "NAB"). If it is distributed in the United States, such distribution is by nabCapital Securities, LLC (formerly NACM) which accepts responsibility for its contents. Any U.S. person receiving this information wishes further information or desires to effect transactions in the securities described herein should call or write to nabCapital Securities, LLC, 28th Floor, 245 Park Avenue, New York, NY 10167 (or call (877) 377-5480). The information contained herein has been obtained from, and any opinions herein are based upon sources believed to be reliable and no guarantees, representations or warranties are made as to its accuracy, completeness or suitability for any purpose. Any opinions or estimates expressed in this information is our current opinion as of the date of this report and is subject to change without notice. The principals of nabCapital Securities, LLC or NAB and/or its affiliates may have a long or short position or may transact in the securities referred to herein or hold or transact derivative instruments, including options, warrants or rights with securities, or may act as a market maker in the securities discussed herein and may sell such securities to or buy from customers on a principal basis. This material is not intended as an offer or solicitation for the purchase or sale of the securities described herein or for any other action. It is intended for the information of clients only and is not for publication in the press or elsewhere.

