

The Business NZ Performance of Services Index (Business NZ 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.

Service Sector Shows Expansion

Business NZ PSI for April 2007

- The first monthly Business NZ Performance of Service Index (PSI) stood at 58.3 for April, and is consistent with other indicators that the service sector in general has been in expansionary mode for some time.
- All five diffusion indices that make up the PSI showed expansion. This was led by the *new orders/business* index (68.3), which showed a significant level of expansion for the month.
- The *activity/sales* index (59.9) also displayed a strong result, while the *employment* index (51.0) experienced the lowest level of expansion. The performance of the latter is consistent with general skills and employment shortages throughout the country in most sectors.
- All service sectors showed some level of expansion for April, led by *property & business services* (66.5) and *accommodation, cafes & restaurants* (58.9). The *retail trade* sector (52.7) displayed only modest expansion, which was not helped by the lowest employment value of all the sectors recorded.
- Despite the strong overall result for April, the number of negative and positive comments relating to activity over the month was very similar (51.5% positive compared with 48.5% negative).
- Many of the negative comments related to labour shortages, while certain sectors have been adversely affected by recent holidays and a high New Zealand dollar curbing tourist spending. On a positive note, recent good weather throughout the country had improved sales, while the value for the *new orders/business* index was also reflected in the comments section.
- Comparing business activity with the same month last year, the average score was 2.6*, which indicated on balance activity was roughly the same as April 2006.

National Indexes	April 2007
Business NZ PSI	58.3
- Activity/Sales	59.9
- Employment	51.0
- New Orders/Business	68.3
- Stocks/Inventories	52.5
- Supplier Deliveries	55.3

Regional Indexes	April 2007
Business NZ PSI	58.3
- Northern	57.8
- Central	62.5
- Canterbury/Westland	56.0
- Otago/Southland	59.2

HIGHLIGHTS

Activity level for the service sector stood at 58.3 for April.

New orders (68.3) showed strong expansion for the month.

Activity was similar across the country, led by the Central region (62.5).

Labour shortages show to be the main concern amongst the service sector.

The global PSI stood at 56.4 for April, while the Australian PSI was 52.8 (both of these indexes are seasonally adjusted).

Next Business NZ PSI: 18 June 2007

PARTICIPANTS

Business NZ gratefully acknowledges the participation of the following associations in contributing 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
- Insurance Council of New Zealand
- New Zealand Retailers Association
- Tourism Industry Association New Zealand

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