

## BNZ-BUSINESS NZ PSI

BNZ-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.

# March brings boost to service sector expansion

## BNZ - Business NZ PSI for March 2010

- The BNZ - Business NZ Performance of Service Index (PSI) for March stood at 57.3, up 3.6 points from February and the highest level of overall activity since November 2007. The March 2010 result was also the highest March figure recorded since the survey began.
- All five sub-indices were in expansion mode, with activities/sales (62.9) breaking through the 60-point mark for the first time in 28 months. *New orders* (62.7) increased 3.8 points from February to also record a post 60-point result. *Employment* (51.9) partly recovered from February to record its sixth consecutive expansion, while *supplier deliveries* (53.1) improved after two months indicating little change. *Stocks/inventories* (49.7) remained in contraction, albeit close to the level of no change.
- Activity was positive for all four main regions during March, with the *Central* region (64.9) leading the way with its highest value since May 2007. The *Northern* region (57.7) continued to display solid activity, while the *Canterbury/Westland* region (54.4) recovered from contraction in February to reach activity levels close to what was seen at the end of 2009. The *Otago/Southland* region (52.5) slipped further in March, although still in positive territory.
- Results for the various service sectors were almost all in expansion mode during March. *Property & business services* (61.1) experienced a significant lift in March to lead activity, followed by *wholesale trade* (59.1). *Accommodation, cafes & restaurants* (54.2) improved for the second consecutive month, while *retail trade* (52.3) moved into expansion, as did *transport & storage* (55.7).
- All firms by employment size again showed expansion during March, with most experiencing stronger activity levels compared with February. Small-medium sized firms (11-50 workers) (63.4) recorded the strongest increase, while micro sized firms (1-10 workers) (53.1) and medium-large sized firms (51-100) (59.6) rose slightly. Large sized firms (101+ workers) (51.6) dipped 3 points from February to its lowest level since September 2009.
- The improvement in the level of expansion during March meant the proportion of positive comments from respondents increased again to 62.9%, compared with 57.0% in February, 51.5% in January, 56.0% in December and 54.5% in November.

# psi

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### HIGHLIGHTS

- *Service sector activity continues improvement, with highest result since November 2007.*
- *All sub-indices in expansion, with production/sales and new orders/business particularly strong.*
- *Regional activity expansionary across all parts of the country.*

**Next BNZ - Business NZ PSI:**  
**17 May 2010**

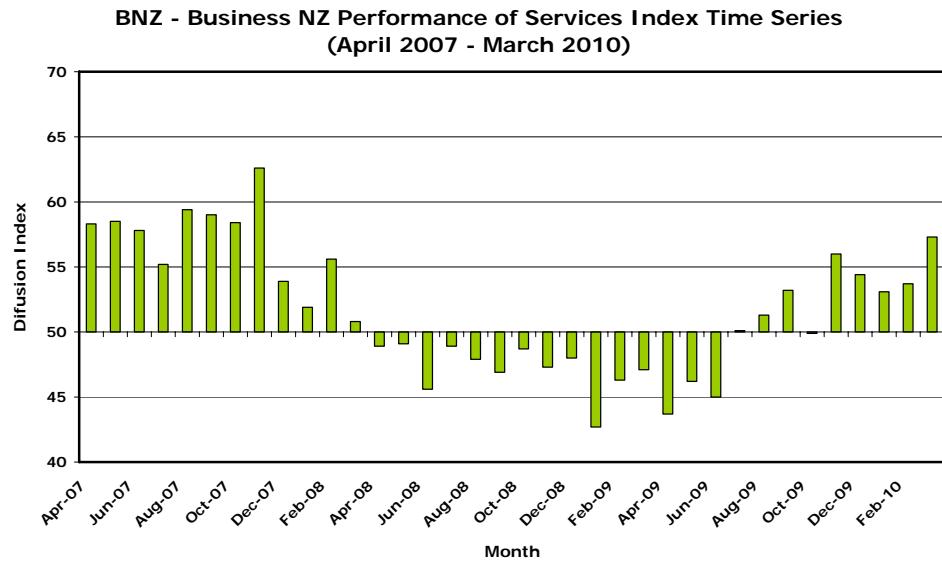
### SPONSOR STATEMENT

BNZ 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.

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# psi

**PSI time series tables**

National Indexes	Mar 2008	Mar 2009	Dec 2009	Jan 2010	Feb 2010	Mar 2010
BNZ - Business NZ PSI	50.8	47.1	54.4	53.1	53.7	57.3
Activity/Sales	51.8	47.8	55.1	53.6	55.6	62.9
Employment	48.9	44.8	51.1	52.7	50.6	51.9
New Orders/Business	52.9	51.4	60.0	56.1	58.9	62.7
Stocks/Inventories	49.0	45.4	50.3	50.3	49.2	49.7
Supplier Deliveries	50.3	51.4	52.0	50.3	50.0	53.1

Regional Indexes	Mar 2008	Mar 2009	Dec 2009	Jan 2010	Feb 2010	Mar 2010
BNZ - Business NZ PSI	50.8	47.1	54.4	53.1	53.7	57.3
Northern	49.7	47.0	52.5	52.4	54.7	57.7
Central	57.1	49.6	60.9	54.3	51.1	64.9
Canterbury/Westland	47.7	50.2	56.1	51.7	46.8	54.4
Otago/Southland	52.9	40.7	54.4	59.0	55.7	52.5

**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  
New Zealand Retailers Association  
Tourism Industry Association New Zealand

19 April 2010

## Services Tip Solid Recovery

- March PSI suggests stronger growth
- Orders, production, leading the way
- Retail bouncing, other service sectors bouncy
- QSBO services not so strong, but still upbeat
- A stronger Q2, from a patchy Q1?

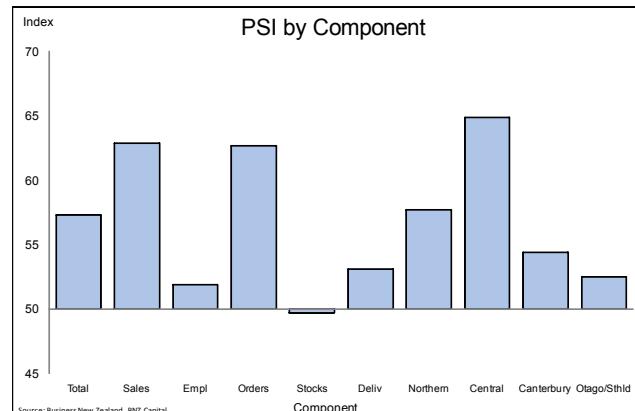
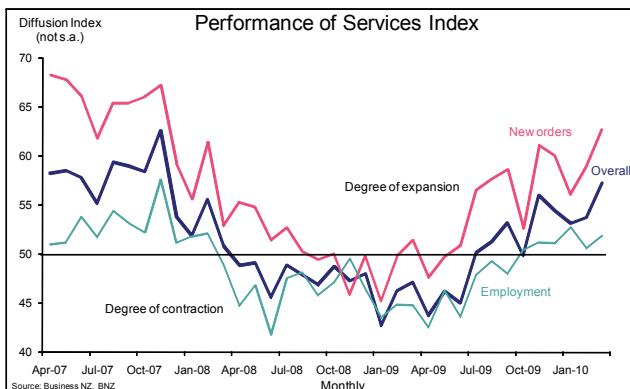
Not to be outdone by its PMI cousin, the Performance of Services Index (PSI) also improved a good dollop in March, to cement a solid growth tone. While not a long-enough series to afford seasonal adjustment, the PSI, at 57.3, is nonetheless clearly stronger than it was a year ago, of 47.1. And it's now akin to the level of about three years ago, before the recession took hold. Go the services sector.

That the sector looks to be picking up the pace is not a great surprise. It's what most analysts have been inferring in forecasting the economic recovery to gather strength this year. But it's certainly good to see some clear signs of it coming through, when there is not overwhelming evidence of it in the hard data yet.

And we say this noting the signs of wavering momentum even in the PSI earlier in the year.

The clear improvement in the March PSI may not quite "rescue" Q1 activity growth, which we still expect to be moderate, in GDP terms. But the better tones go a long way to portending the stronger growth we're picking for the June quarter, complementing what we've also seen in the PMI.

This is reinforced by the fact the new-orders component of the PSI was a very perky 62.7 in March. That's well above the 50 breakeven-mark and far more positive than it was a year prior, with 51.4.

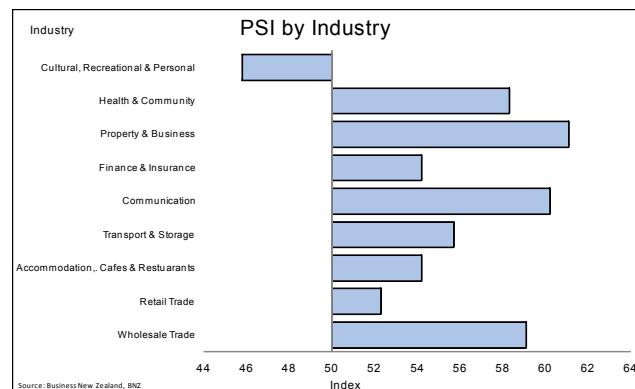


And with further signs that inventories are well under control – having been reduced quite aggressively through the heart of 2009 – the improving orders and demand are feeding directly into additional production. Indeed, the activity/sales component of the PSI surged to 62.9 in March, compared to 47.8 a year ago.

In other words, the services sector is mirroring the positive inventory/orders/production dynamics we saw in last week's Performance of Manufacturing Index.

What the services sector doesn't share with manufacturing, of course, is any great big hit to begin with, but nor the direct leverage to a robust Australian market and relatively low NZD/AUD. Such factors may yet force a divergence in the PSI and PMI over the coming year. However, for the moment, they are both in good slipstreams, it would seem.

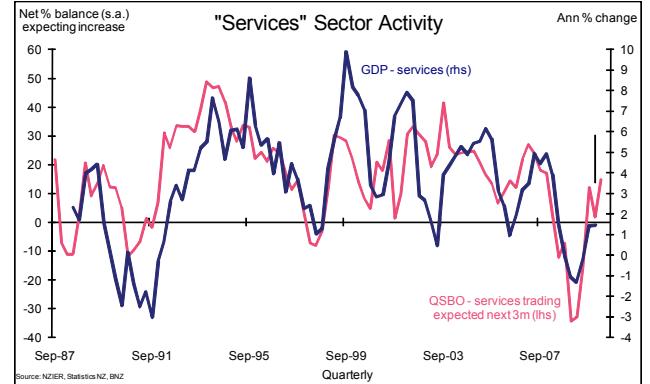
Picking into the industry components of the PSI, it was an almost unanimously positive pulse. The only negative was in the realm of cultural, recreational and personal services.



The retail component of the PSI recovered very well, to a reasonable 52.3 in March, from 47.6, while accommodation cafes and restaurants ticked up to 54.2. These results fit with a couple of things. First, the bounce-back we've already witnessed for March electronic card transactions. Second, our view that March retail sales will recover from the unexpected softness reported last week for the month of February.

Following retailing, the sector messages from the PSI only get stronger, with wholesaling, communication, property and business services, health and community, and the miscellaneous "other", all particularly perky at around the 60 mark. If these are anywhere near what the seasonally adjusted results would be, then it's a very positive signal.

As a point of comparison, we note the services component of the latest Quarterly Survey of Business Opinion was not quite so strong for March. Nonetheless, it was upbeat, especially looking down the road. While reports of recent trading from QSBO



service firms portrayed patchiness, expectations for the coming three months were close to the long-term norm.

This, combined with the now more positive PSI, and the solid PMI, gives hope that GDP growth is set to look materially stronger in Q2 than seemed to be the case for Q1.

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