

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.

psi

## Service sector continues strong expansion

### Business NZ PSI for September 2007

- The sixth monthly Business NZ Performance of Services Index (PSI) stood at 59.0 for September. While this result was slightly below the August value (59.4), the level of expansion for September was the second highest recorded, and continues to indicate ongoing expansion in the sector.
- All five diffusion indices that make up the PSI continued to show expansion. *New orders/business* (65.4) was again the leading index and maintained the same level as August. The level of expansion for *activity/sales* (60.7) dipped, but *stocks/inventories* (57.1) experienced a large increase from August, probably due to businesses building up stocks for Christmas.
- Activity by region showed the South Island regions expanding at a greater rate, with the Otago/Southland (61.9) and Canterbury/Westland (61.2) regions producing results over 60.0. The Northern (58.7) and Central (56.2) regions displayed lower levels of expansion.
- Most service sectors again showed expansion during September, with *wholesale trade* (63.4) continuing to dominate. *Property & business services* (62.3) experienced a pick up in activity after a few months of sliding results, while *accommodation, cafes & restaurants* (58.1) also received a lift after a lean period of activity.
- There was a noticeable pick up in the number of positive comments for September (56.7% positive compared with 43.3% negative). Activity levels for those with negative comments for September remained at a score of 3.2\* compared with 2.3 for those enjoying positive activity. Overall, the national result for activity, compared with 2006, stood at 2.7, which reverted back to the score experienced in July.
- Negative comments tended to focus on staffing issues such as the lack of skilled workers, staff sickness and turnaround. Positive comments were more general, focusing on new business and improving weather conditions.

### HIGHLIGHTS

**Activity level for the service sector stood at 59.0 for September, close to the 59.4 recorded in August.**

**New orders/business (65.4) was again the leading index, while stocks/inventories (57.1) picked up as Christmas looms.**

**Activity was typically stronger in the South Island.**

**The proportion of positive comments from respondents reached its highest level at 56.7%.**

**Next Business NZ PSI: November 19, 2007**

| National Indexes       | June 2007   | July 2007   | Aug 2007    | Sep 2007    |
|------------------------|-------------|-------------|-------------|-------------|
| <b>Business NZ PSI</b> | <b>57.8</b> | <b>55.2</b> | <b>59.4</b> | <b>59.0</b> |
| Activity/Sales         | 61.1        | 56.4        | 63.5        | 60.7        |
| Employment             | 53.8        | 51.7        | 54.4        | 53.1        |
| New Orders/Business    | 66.1        | 61.8        | 65.4        | 65.4        |
| Stocks/Inventories     | 47.2        | 49.4        | 50.6        | 57.1        |
| Supplier Deliveries    | 54.7        | 51.9        | 56.5        | 56.8        |

| Regional Indexes       | June 2007   | July 2007   | Aug 2007    | Sep 2007    |
|------------------------|-------------|-------------|-------------|-------------|
| <b>Business NZ PSI</b> | <b>57.8</b> | <b>55.2</b> | <b>59.4</b> | <b>59.0</b> |
| Northern               | 57.2        | 57.6        | 59.9        | 58.7        |
| Central                | 63.1        | 55.3        | 58.2        | 56.5        |
| Cant/Westland          | 57.2        | 49.1        | 59.4        | 61.2        |
| Otago/Southland        | 55.8        | 55.9        | 58.4        | 61.9        |

### 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

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