

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 continues to boom

### Business NZ PSI for May 2007

- The second monthly Business NZ Performance of Service Index (PSI) stood at 58.5 for May, up 0.2 on April and 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 (67.8), which showed a significant level of expansion for the month but was nonetheless slightly down on last months figure of 68.3.
- The *activity/sales* index (62.4) also displayed a continuing strong result, while the *employment* index (51.2) experienced the lowest level of expansion. The performance of the latter is consistent with general skills and employment shortages in most sectors throughout the country, and with expectations of modest employment growth.
- Most service sectors showed some level of expansion for May, led by *wholesale trade* (64.9) and property and business services (62.8).
- Despite the strong overall result for May, the number of negative and positive comments relating to activity over the month was very similar (54.5% positive compared with 45.5% negative). The percentage of positive comments increased slightly from last month.
- Many of the negative comments related to labour shortages, while certain sectors have been adversely affected by rises in interest rates (affecting consumption) and a high New Zealand dollar, which is curbing tourist spending. On a positive note, continued good weather throughout the country in general improved sales, while the value for the *new orders/business* index was also reflected in the comments section.

National Indexes	April 2007	May 2007
<b>Business NZ PSI</b>	<b>58.3</b>	<b>58.5</b>
- Activity/Sales	59.9	62.4
- Employment	51.0	51.2
- New Orders/Business	68.3	67.8
- Stocks/Inventories	52.5	49.5
- Supplier Deliveries	55.3	54.7

Regional Indexes	April 2007	May 2007
<b>Business NZ PSI</b>	<b>58.3</b>	<b>58.5</b>
- Northern	57.8	57.0
- Central	62.5	65.5
- Canterbury/Westland	56.0	60.3
- Otago/Southland	59.2	57.6

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

### HIGHLIGHTS

**Activity level for the service sector stood at 58.5 for May, up 0.2 on April.**

**New orders (67.8) showed strong expansion for the month.**

**Activity was strong across the country, led by the central region (65.5).**

**Labour shortages, higher interest and exchange rates continue to be the service sector's main concern.**

**The Australian PSI stood at 56.1 for May.**

**Next Business NZ PSI: July 16 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