

BNZ-BusinessNZ 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. The main PMI and sub-index results are seasonally adjusted.

# psi

## Moving on up

### BNZ - BusinessNZ PSI for September 2014

- The seasonally adjusted BNZ - BusinessNZ Performance of Services Index (PSI) for September stood at 58.0. This was up 0.3 points from August, and continues to display a healthy and consistent level of activity in the sector. So far for 2014, the PSI has averaged 56.7.
- For the fourth month in a row, all five main sub-indices were in expansion. *New orders/business* (61.0) led the charge in September, followed by *activity/sales* (60.3), with both sub-indices over the 60-point mark. After recording its highest value since the survey began, *employment* (55.0) produced a slightly lower level of expansion for September, although still near historic highs. Both *supplier deliveries* (53.2) and *stocks/inventories* (50.7) fell from August, but remained in positive territory.
- Activity continued to remain positive throughout the country, which has now been the case for the last seven months. In the North Island, the *Northern* region (56.5) experienced a result that was very similar to the previous month, while the *Central* region (57.1) edged up somewhat after a dip in expansion levels for August. In the South Island, the *Canterbury/Westland* region (58.0) recovered strongly from its dip in expansion from the previous month, while the *Otago/Southland* region (66.0) returned to levels of activity seen in July.
- Service sector results by sub-sector were all in expansion during September. *Wholesale trade* (61.4) continued its upwards trajectory from the previous month, while *retail trade* (51.9) went back into expansion mode. *Health & community services* (60.8) also experienced uplift in expansion, while *property & business services* (51.7) saw a drop in its level of expansion during September.
- Despite the pick-up in overall expansion, the proportion of positive comments from respondents in September (56.0%) fell from August (62.0%), and lower than July (65.8%) and June (62.1%). Internationally, the JPMorgan Global Services PSI for September (55.3) was broadly similar to the result experienced in August.

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#### HIGHLIGHTS - PSI

- **Service sector expansion increases in September.**
- **New orders/business and activity/sales both strong.**
- **Regional activity continues to remain positive across the country.**

#### HIGHLIGHTS - PERFORMANCE OF COMPOSITE INDEX (PCI)

- **Options for measuring PCI activity show increased expansion in September**
- **Global PCI again decreases slightly during September.**

**Next BNZ - BusinessNZ PSI/PCI: 17 November 2014**

#### SPONSOR STATEMENT

BNZ is delighted to be associated with both the Performance of Services Index (PSI) and BusinessNZ. This association brings together the significant experience of leading business advocacy body BusinessNZ, and business finance specialist BNZ. We look forward to continuing our association with BusinessNZ and associated regional organisations, and to playing our part in the ongoing development of the New Zealand services sector.

BNZ ([www.research.bnz.co.nz](http://www.research.bnz.co.nz))

### *Inside BNZ Commentary this Month (page 4)*

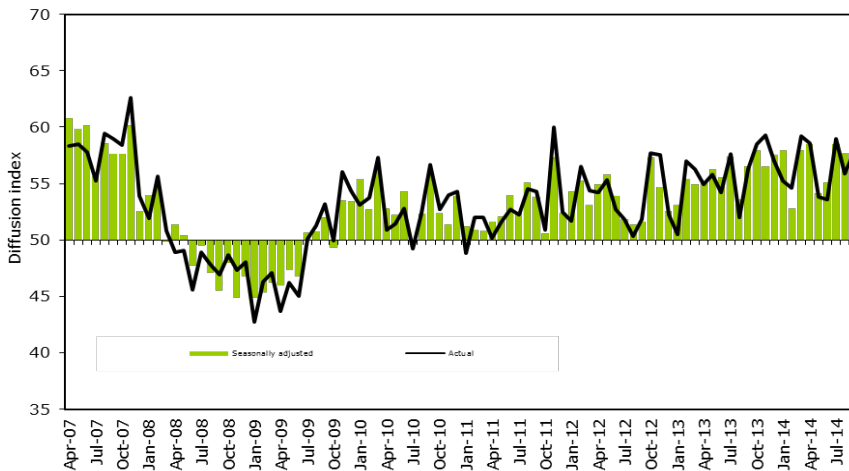
BNZ senior economist Craig Ebert compares the latest PSI with the services component of the NZIER's recent Quarterly Survey of Business Opinion and finds a common ground for optimism.

## BNZ-BusinessNZ PSI

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**BNZ - BusinessNZ Performance of Services Index Time Series (Apr 2007 - Sep 2014)**



### September PSI time series tables

National Indexes	Sep 2009	Sep 2010	Sep 2011	Sep 2012	Sep 2013	Sep 2014
BNZ - BusinessNZ PSI (s.a.)	52.0	55.8	53.8	51.6	56.5	58.0
Activity/Sales (s.a.)	56.8	59.7	52.3	50.9	55.8	60.3
Employment (s.a.)	47.3	53.0	53.7	49.2	52.1	55.0
New Orders/Business (s.a.)	57.6	57.6	56.2	52.2	61.0	61.0
Stocks/Inventories (s.a.)	43.7	50.2	50.5	53.5	52.3	50.7
Supplier Deliveries (s.a.)	47.5	52.7	50.9	49.4	54.4	53.2

Regional Indexes	Sep 2009	Sep 2010	Sep 2011	Sep 2012	Sep 2013	Sep 2014
BNZ - BusinessNZ PSI (s.a.)	52.0	55.8	53.8	51.6	56.5	58.0
Northern	55.8	58.5	55.8	52.9	57.3	56.5
Central	50.4	54.5	57.0	48.7	51.9	57.1
Canterbury/Westland	51.5	51.6	57.2	50.7	55.6	58.0
Otago/Southland	45.6	55.8	34.4	48.5	58.2	66.0

(s.a. denotes seasonally adjusted)

### **PARTICIPANTS**

BusinessNZ gratefully acknowledges the participation of the following associations in contributing to the PSI:

- Employers & Manufacturers Association (Northern)
- Business Central
- Canterbury Employers' Chamber of Commerce
- Otago Southland Employers Association
- Hospitality New Zealand

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## In step

### BNZ - BusinessNZ Performance of Composite Index (PCI) for September 2014

- The seasonally adjusted BNZ - BusinessNZ Performance of Composite Index or PCI (which combines the PMI and PSI) for September saw the two options for measuring the PCI both push past the 58 point mark.
- The GDP-Weighted Index increased 0.4 points from August to stand at 58.2, while the Free-Weighted Index (58.7) rose 1.4 points from August, which meant they reached their highest level since April and March respectively.
- The JPMorgan Global Combined Index for September (54.9) was again down from the previous month. However, the rate of growth signaled was nonetheless one of the highest over the past three-and-a-half years.

#### About the Performance of Composite Index

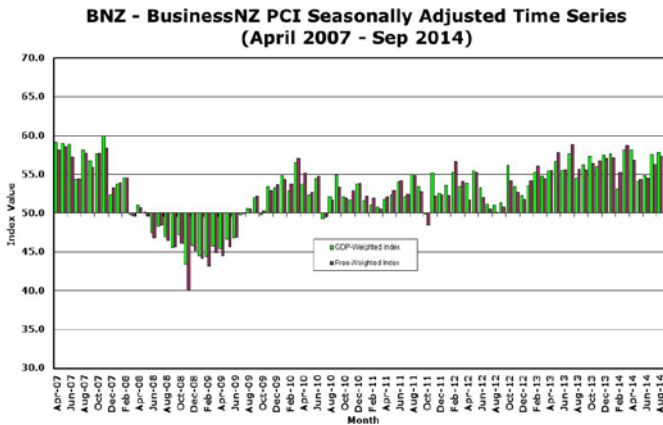
The BNZ - BusinessNZ Performance of Composite Index (PCI) takes into account results from both the Performance of Manufacturing Index (PMI) and the Performance of Services Index (PSI).

Combined results are shown in two ways:

**GDP-Weighted Index:** Apportions the weight of the manufacturing and services index within the economy to produce an overall result.

**Free-Weighted Index:** Combines data from both indexes to produce an overall result.

Both time series for the PCI are then seasonally adjusted.



#### Performance of Composite Index September time series table

Combined National Indexes	Sep 2009	Sep 2010	Sep 2011	Sep 2012	Sep 2013	Sep 2014
GDP-Weighted Index (s.a.)	52.0	54.9	53.4	51.4	56.2	58.2
Free-Weighted Index (s.a.)	50.2	53.3	52.7	50.8	55.6	58.7

20 October 2014

## Overview

One of the many charms of the NZIER's Quarterly Survey of Business Opinion (QSBO) is that it summarises conditions and expectations of the services sector (typically an agglomeration hard to capture). The 7 October edition suggested a slower performance for services over the last three months. However, a still-strong +35% of service sector respondents expected their activity to expand (or +25% when seasonally adjusted). This is above the long-term average, of +18%, and so suggests the services sector will grow at a greater than usual rate over the near term. This was backed up by solid results for investment intentions, which remained above average too – for buildings, plant and machinery.

## Employment Picture Positive

The QSBO also maintained a fairly upbeat outlook for employment (albeit with signs that jobs growth might have slowed a bit in the last few months). And this positive view was not confined to the services sector. When looking at all respondents to the latest QSBO a net +18% expected to increase staffing levels. Considering the long-term average for this variable is about zero, the +18% result points to annual jobs growth near 4%. Or, should we say, continuing at near 4%, given employment growth, as per the Household Labour Force Survey, was 3.7% when comparing the June quarter of 2014 with the corresponding quarter a year ago. Most every other jobs indicator is telling us the same thing.

## PSI Tallies Up

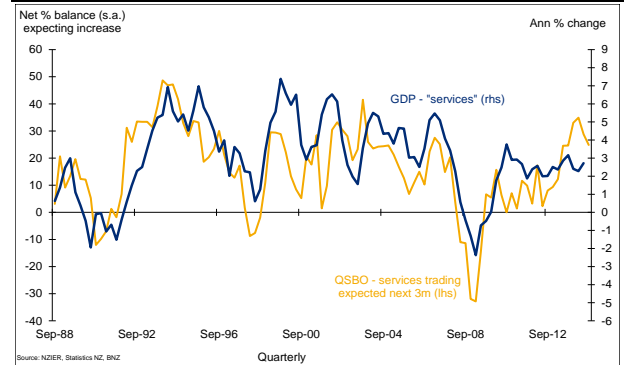
The aforementioned themes have been very much backed up by the Performance of Services Index (PSI). While it was growing only steadily back in May/June, with results of 54.1 and 55.1 respectively, it had ramped up to 58.0 by September. Activity (60.3) and new orders (61.0) were driving this the most, to be sure. However, it was also the case that the PSI employment component was looking solid, at 55.0 in September, having been a low as 52.5 back in May. The latest PSI, like its PMI cousin (58.1 in September), was consistent with above-trend economic (GDP) growth.

## Housing Market

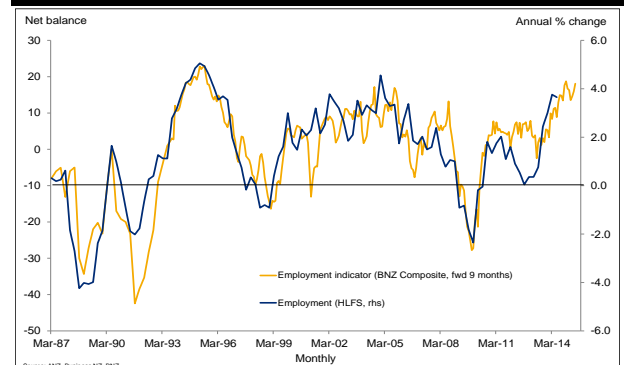
While September's REINZ residential sales were down 12% on a year ago they have continued to stabilise on a seasonally adjusted levels basis. A severe lack of listings is also at play here (you can't sell what's not on the market). Neither were prices all that soft, although the 0.2% increase in the REINZ Stratified Index in September did slow its annual inflation further to 4.1%, from 4.8%. However, we'll reserve judgement on the housing market trends until we've seen a few months' worth of post-election data and anecdote.

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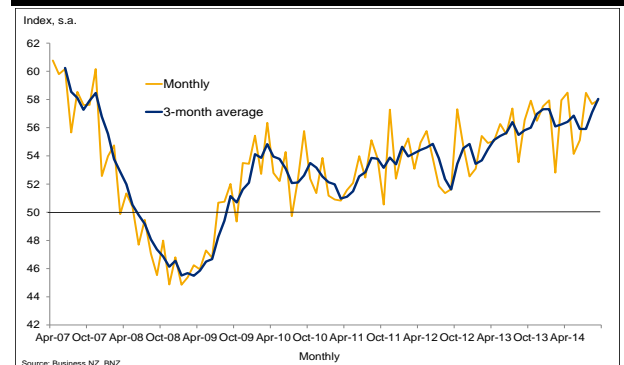
## "Services" Sector Activity



## Employment Picture



## NZ PSI



## House Price Inflation and Sales



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