

BNZ - BUSINESSNZ PERFORMANCE OF SERVICE INDEX



56.0

December Value

-0.5

Monthly Change

expanding

Slower rate

Solid performer

23 January 2018

New Zealand's services sector ended the year in solid expansion territory, according to the BNZ - BusinessNZ Performance of Services Index (PSI).

The PSI for December was 56.0, which was 0.5 points lower than November (A PSI reading above 50.0 indicates that the service sector is generally expanding; below 50.0 that it is declining).

BusinessNZ chief executive Kirk Hope said that 2017 ended up with expansion averaging out at 56.9, slightly up on the 56.6 for 2016. In addition, a key sub-index of new orders showed strong expansion with an average over 60 points for 2017.

"While the proportion of positive comments for December (60.0%) was down from November (68.7%), there was a heavy seasonal factor at play, with Christmas and the holiday period being a key influence".

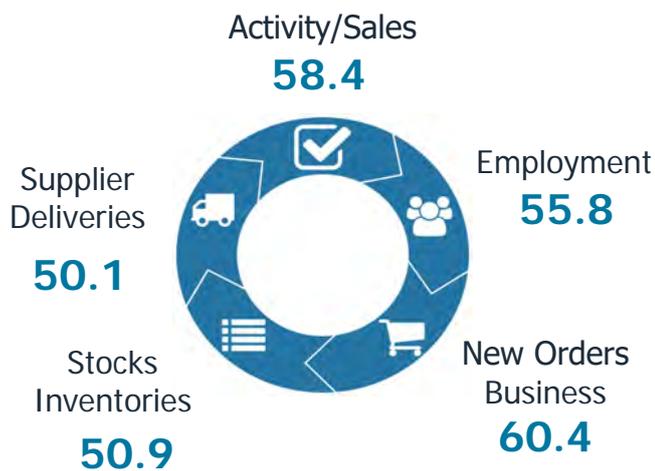
BNZ Senior Economist Craig Ebert said that "this above-average outcome was doubly significant, considering the Performance of Manufacturing Index (PMI) decelerated sharply in December. Had the PSI done so too, we would have been much more concerned that the economy might be choking back a bit, following the election".



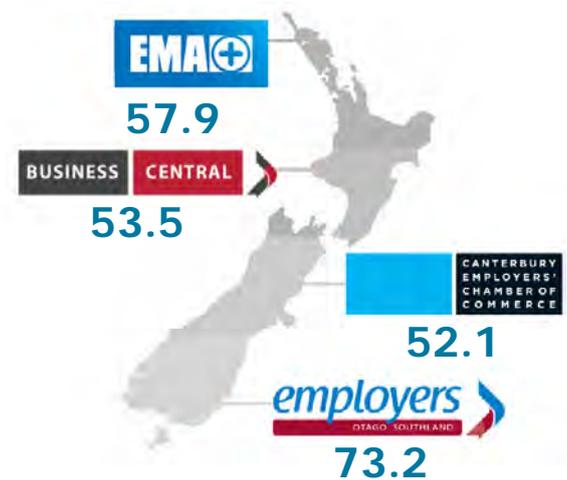
Kirk Hope
Chief Executive
BusinessNZ

[View PSI Time Series Data](#)

Main Indices



Regional Results



Services Landscape



The PSI

The Performance of Services Index (PSI) remained patently expansive for December. Index-wise it came in at 56.0, compared to the 56.5 level it strengthened to in November. This above-average outcome was doubly significant, considering the Performance of Manufacturing Index (PMI) decelerated sharply in December.

[Read more](#) →

QSBO Services

It wasn't just December's PSI that suggested New Zealand's services sector continues to expand well, post the transition to the new government. So too did last week's NZIER Quarterly Survey of Business Opinion (QSBO).

[Read more](#) →

Merchants

Separate to services, the merchants' category of the QSBO went a bit below par in Q4 – whether about trading activity over the last three months, or expectations for the coming three.

[Read more](#) →

Housing

Much still hinges on how the housing market pans out. The Real Estate Institute data for December failed to provide much direction, however.

[Read more](#) →



Craig Ebert
Senior Economist

[View full BNZ Services Landscape](#)

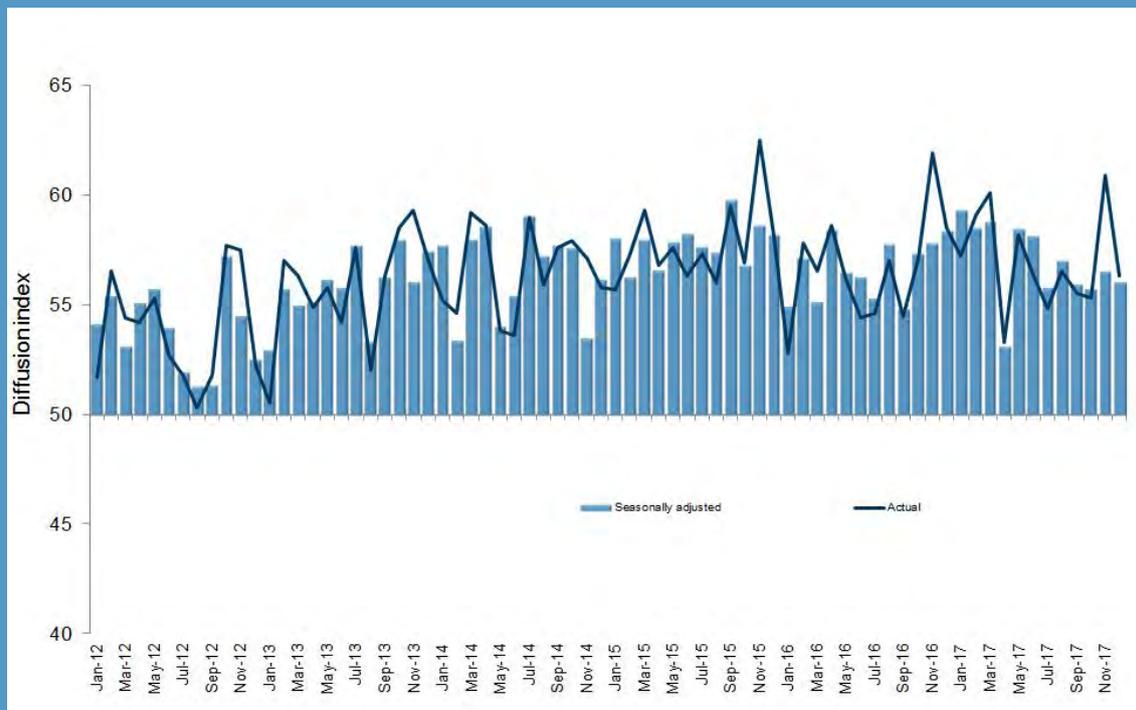
PSI Time Series Table

Results are seasonally adjusted

National Indices	Dec 2016	Aug 2017	Sep 2017	Oct 2017	Nov 2017	Dec 2017
BNZ - BusinessNZ PSI	58.3	57.0	55.9	55.7	56.5	56.0
Activity/Sales	63.2	62.7	56.8	58.2	60.4	58.4
Employment	54.1	52.1	53.3	51.1	50.7	55.8
New Orders/Business	61.1	62.9	60.2	60.3	60.8	60.4
Stocks/Inventories	53.3	52.7	52.7	51.1	58.6	50.9
Supplier Deliveries	57.0	52.7	53.5	52.8	53.1	50.1

BNZ - BusinessNZ PSI Time Series

January 2012 - December 2017



International Results

J.P. Morgan Global Manufacturing PSI™

4 January 2018

53.9



BNZ - BUSINESSNZ PERFORMANCE OF COMPOSITE INDEX



55.4

GDP-Weighted Index

54.0

Free-Weighted Index

The seasonally adjusted BNZ - BusinessNZ Performance of Composite Index or PCI (which combines the PMI and PSI) saw the two options for measuring the PCI both experiencing a decrease in expansion during December.

The December GDP-Weighted Index (55.4) decreased 1.1 points from the previous month, while the Free-Weighted Index (54.0) fell 3.5 points. Given the larger drop in manufacturing expansion, this translated into a stronger fall in expansion via the free-weighted method.

PCI Time Series Table

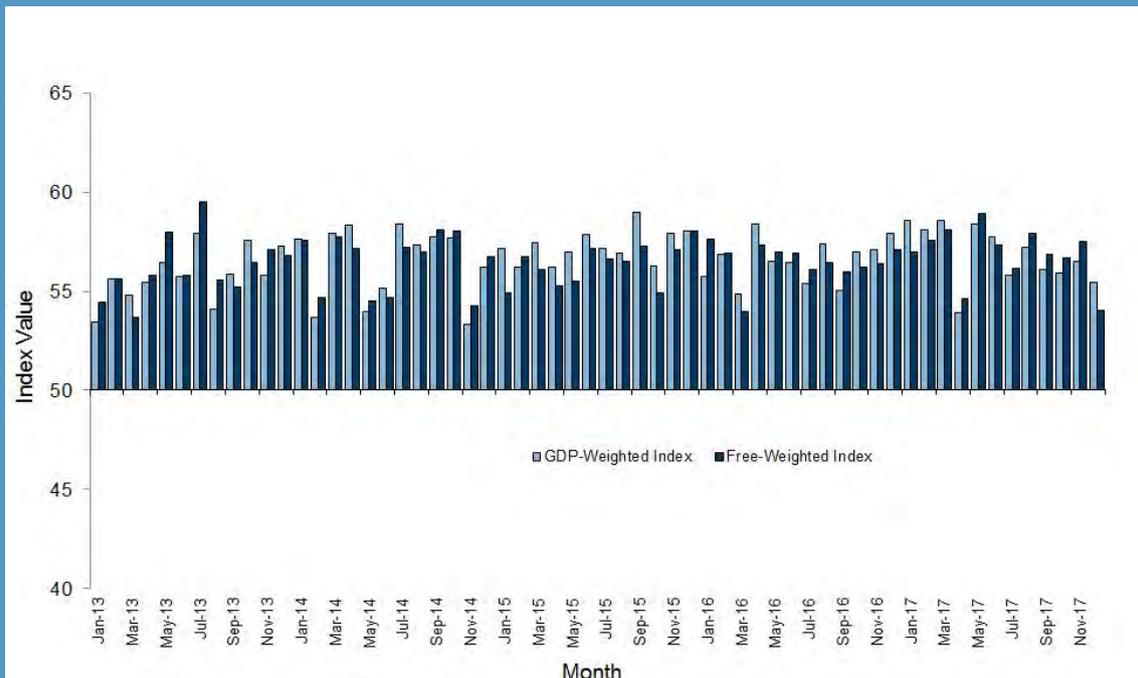
Results are seasonally adjusted

National Indices	Dec 2016	Aug 2017	Sep 2017	Oct 2017	Nov 2017	Dec 2017
GDP-Weighted	57.9	57.2	56.1	55.9	56.5	55.4
Free-Weighted	57.1	57.9	56.9	56.7	57.5	54.0

[View PCI Time Series Data](#)

BNZ - BusinessNZ PCI Time Series

January 2013 - December 2017



Our Contributors

The BNZ - BusinessNZ Performance of Services Index contains data obtained through BusinessNZ's regional organisations and Hospitality NZ.



Sponsor Statement

BNZ is delighted to be associated with the Performance of Services Index (PSI) and BusinessNZ.

The 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 service sector.



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About the PSI

The BNZ - BusinessNZ Performance of Services Index is a monthly survey of the service sector providing an early indicator of activity levels.

A PSI reading above 50 points indicates service activity is expanding; below 50 indicates it is contracting.

The main PSI and sub-index results are seasonally adjusted.

 www.businessnz.org.nz/psi

About the PCI

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.

23 January 2018



The PSI

The Performance of Services Index (PSI) remained patently expansive for December. Index-wise it came in at 56.0, compared to the 56.5 level it strengthened to in November. This above-average outcome was doubly significant, considering the Performance of Manufacturing Index (PMI) decelerated sharply in December. Had the PSI done so too, we would have been much more concerned that the economy might be choking back a bit, following the election. As it is, we judge the weakness in the PMI to be related to business investment caution, for now, while the ongoing robustness in the PSI suggest the more day-to-day business keeps ticking over relatively well.

QSBO Services

It wasn't just December's PSI that suggested New Zealand's services sector continues to expand well, post the transition to the new government. So too did last week's NZIER Quarterly Survey of Business Opinion (QSBO). Granted, its services category reported a slower last three months, but hardly below the norm. And expectations for the coming three months kept running comfortably above average. Staffing trends in the sector were also encouraging. However, profitability continued to come off peaks (despite a clear intent to raise prices) and investment intentions by service sector respondents lost much of the enthusiasm they had the previous quarter.

Merchants

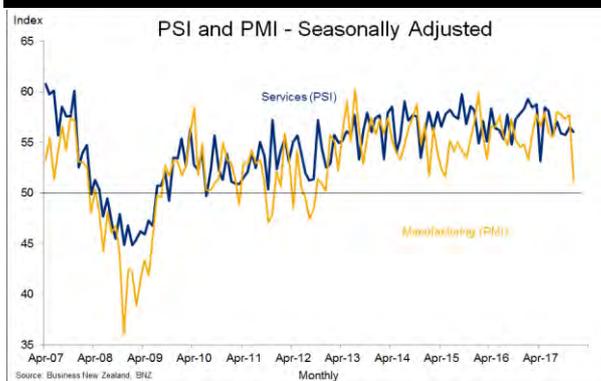
Separate to services, the merchants' category of the QSBO went a bit below par in Q4 – whether about trading activity over the last three months, or expectations for the coming three. Yet we've not seen evidence of a slowdown in spending. Sure, electronic card transactions increased just 0.2% in December. However, this followed a 1.4% jump in November and a 0.7% lift in October. For the December quarter as a whole we judge a big gain in value terms, inferring a strong gain in retail trade volumes compared to the September quarter. As for the retail component of the PSI, it was actually pretty strong – averaging 60.5 through the December quarter.

Housing

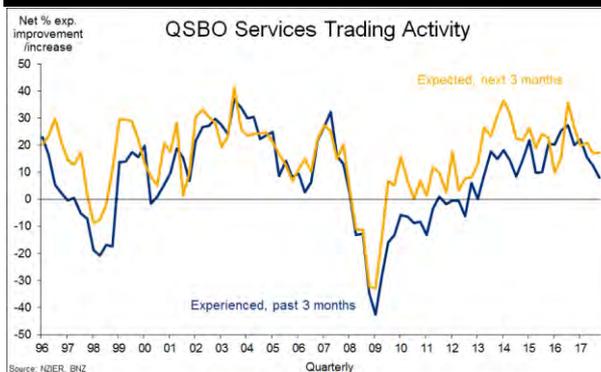
Much still hinges on how the housing market pans out. The Real Estate Institute data for December failed to provide much direction, however. Home sales increased only slightly further, on our seasonally adjusted estimates, to be down 10.1% y/y. If that is the post-election catch up then it's rather half-hearted. Prices, meanwhile, were about as firm as we expected. When we seasonally adjust the SPAR-based House Price Index – the one that is quality-adjusted – we get a fourth successive monthly gain of about 0.7%. This has nudged annual inflation up to 3.8%, from 3.5%. Still, we'll reserve judgment until we have the next few months' of housing data under our belt.

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Service Sector Still Going About Its Business



Holding Up Relatively Well Also



A Harder Sell



Firming Up A Little Bit



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