

## Manufacturing Activity Consolidating

### Business NZ PMI for April 2007

- The Business NZ seasonally adjusted PMI for April (54.2) showed a slowdown in expansion compared with the month of March. However, the result is still positive, as the latest results need to be taken in context of reasonably strong growth experienced over the last six months.
- In comparison with previous April months, the 2007 result was pretty much in line, although well short of the level experienced in 2004 when the manufacturing sector enjoyed a healthy and sustained level of growth.
- Unadjusted activity in April shows mixed results in all the regions examined. The Northern and Central regions experienced declines in activity (down to 48.7 and 47.7 respectively).
- While activity was slightly lower in the Canterbury/Westland (52.5) and Otago/Southland (57.0) regions for April than previously, it was still in positive territory with both regions continuing to show healthy expansion.
- Four out of the five seasonally adjusted main diffusion indices recorded expansion for the month of April with *employment* (49.2) the only indicator showing slight contraction. *Production* (54.2), *new orders* (56.6), *finished stocks* (55.7) and *deliveries* (53.9) were all still holding up. Notwithstanding the above, all main diffusion indices showed reductions from March.
- The manufacturing industry showing the greatest expansion for April was *food, beverage & tobacco* (57.3) while *machinery & equipment manufacturing* showed the greatest decline (46.4).
- The significant disparity between the overall seasonally adjusted PMI value and the balance of positive versus negative results remains, with the percentage of negative comments continuing to rise.
- For April, the proportion of negative comments was at 69%, up from 62% recorded for March. Perhaps more importantly, this was up significantly from the 43% recorded in November. Around 37% of negative comments specifically mentioned the high NZ\$, while there were still a number of manufacturers who were unable to expand production due to ongoing staff shortages.
- Hikes in interest rates were also becoming an issue while a splattering of companies mentioned weather, a slow down in demand, and rising costs as negative factors on business activity. On the positive side, seasonal factors have often come into play, while some have still managed to increase offshore orders despite a high NZ\$.

#### **HIGHLIGHTS**

***Seasonally-adjusted PMI down 2.6 points from March to sit at 54.2 for April.***

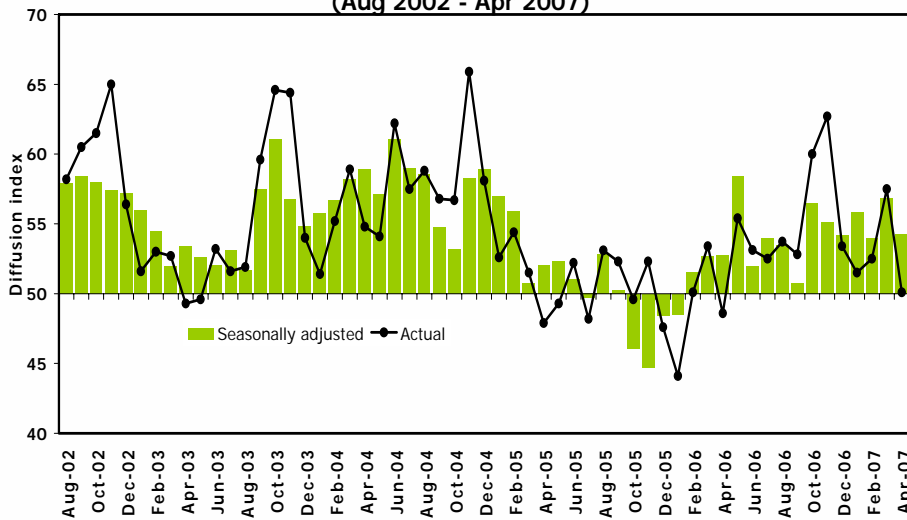
***Four out of five indices showed expansion in April with employment being the only indicator in decline.***

***The Otago/Southland region showed the greatest expansion for April (57.0) followed by Canterbury/Westland (52.5).***

***The Australian PMI for the same month was 51.7.***

***Next Business NZ PMI: 14 June 2007.***

Business NZ Performance of Manufacturing Index Time Series  
(Aug 2002 - Apr 2007)



National Indexes	Apr 2003	Apr 2004	Apr 2005	Apr 2006	Apr 2007
Business NZ PMI (s.a)	53.4	58.9	52.0	52.7	54.2
Production (s.a)	54.0	60.7	52.1	51.6	54.2
Employment (s.a)	49.9	51.0	51.5	51.8	49.2
New Orders (s.a)	55.3	64.2	52.5	53.5	56.6
Finished Stocks (s.a)	52.8	51.2	50.9	51.7	55.7
Deliveries (s.a)	52.6	59.7	51.1	53.4	53.9

Regional Indexes	Apr 2003	Apr 2004	Apr 2005	Apr 2006	Apr 2007
Business NZ PMI (s.a)	53.4	58.9	52.0	52.7	54.2
Northern	48.7	53.7	46.6	46.9	48.7
Central	49.7	54.4	45.4	50.7	47.7
Canterbury/Westland	53.5	59.8	53.2	44.0	52.5
Otago/Southland	43.9	49.6	51.3	56.3	57.0

(s.a denotes seasonally adjusted)

The Business NZ PMI contains data obtained through Business NZ's regional organisations:



*Northern* (Employers and Manufacturers Association - Northern): Northland, Auckland, Waikato, Bay of Plenty



*Central* (Employers and Manufacturers Association - Central): Gisborne, Hawke's Bay, Taranaki, Manawatu, Wanganui, Wellington, Nelson, Tasman



*Canterbury/Westland* (Canterbury Employers Chamber of Commerce): Canterbury, Marlborough, West Coast



*Otago/Southland* (Otago Southland Employers Association): Otago, Southland