

The Business NZ Performance of Manufacturing Index (Business NZ PMI) is a monthly survey of the manufacturing sector providing an early indicator of activity levels. A PMI reading above 50 points indicates manufacturing activity is expanding; below 50 indicates it is contracting. The main PMI and sub-index results are seasonally adjusted.

pmi

Production and new orders continue manufacturing expansion

Business NZ PMI for August 2007

- The Business NZ seasonally adjusted PMI for August (55.7) experienced another pick up in expansion with *production* (58.9) and *new orders* (58.1) boosting performance. Over the five-year history of the PMI, the August value was above the long run average of 54.5, and continues a period of stable expansion in the sector.
- In comparison with previous August months, the 2007 result was mid range, as previous results had varied between insignificant changes through to values exhibiting strong expansion. Only the 2002 (57.1) and 2004 (57.4) results displayed stronger activity.
- Unadjusted activity in August showed all regions having similar levels of expansion. The Canterbury/Westland region (59.3) regained its top position showing the highest level of expansion for the month, followed by the Central region (58.1). Both the Otago/Southland (56.9) and Northern (56.8) regions displayed almost identical levels of expansion, with the former bouncing back from a slight decline during July.
- All five seasonally adjusted main diffusion indices recorded expansion for August. *Production* (58.9) continued to increase its level of expansion, while *new orders* (58.1) also displayed its highest value for six months. *Employment* (50.3) continued to exhibit no significant change.
- Results for the various manufacturing industry sectors were positive throughout. The *machinery & equipment* sector (60.4) displayed the strongest result since November 2006, followed by another healthy result for the *wood & paper product* sector (59.1). The *food, beverage & tobacco* sector (54.5) recovered from a slight decline in July to show moderate expansion for the current month, while the *metal product* sector (55.2) continued to show improved expansion.
- The proportion of negative comments dropped considerably for August (54.7%), in line with the boost in overall activity. The level of the NZ dollar remains the primary issue for manufacturers, although the proportion who provided negative comments mentioning the current exchange rate dropped for the third consecutive month to 32.7% in August. No doubt, this was helped by the sudden drop in the kiwi over recent weeks, although some manufacturers expressed the need for further reductions to improve their ability to compete. Staffing/employment has become more of an issue, showing a noticeable increase in August, generally in relation to staff performance and difficulties attaining specialised staff.
- Of the positive comments, no one comment stood out in particular, other than the expansion of product lines by some manufacturers and finding new customers.

HIGHLIGHTS

Seasonally-adjusted PMI up 0.9 points from July to sit at 55.7 for August.

All five main indices showed expansion in August, with production and new orders being the main contributing factors to the overall results for the month.

All four regions showed similar levels of expansion, led by the Canterbury/Westland region.

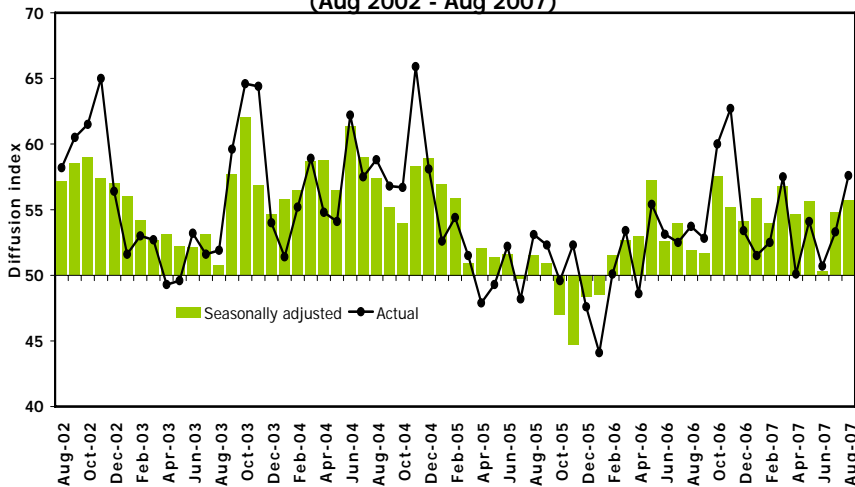
Despite the recent drop in the NZ\$, exchange rate issues continue to be the prime issue for manufacturers.

Next Business NZ PMI: October 12, 2007

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



August time series tables

National Indexes	Aug 2002	Aug 2003	Aug 2004	Aug 2005	Aug 2006	Aug 2007
Business NZ PMI (s.a)	57.1	50.8	57.4	51.5	51.9	55.7
Production (s.a)	58.6	47.8	58.4	52.2	51.4	58.9
Employment (s.a)	54.6	51.6	50.8	51.0	49.0	50.3
New Orders (s.a)	60.8	55.4	62.3	51.4	56.2	58.1
Finished Stocks (s.a)	52.2	50.5	55.3	51.3	50.9	53.8
Deliveries (s.a)	57.2	48.5	58.9	53.5	50.1	55.2

Regional Indexes	Aug 2002	Aug 2003	Aug 2004	Aug 2005	Aug 2006	Aug 2007
Business NZ PMI (s.a)	57.1	50.8	57.4	51.5	51.9	55.7
Northern	57.7	52.2	61.1	54.0	52.5	56.8
Central	56.6	48.6	55.9	51.3	53.5	58.1
Canterbury/Westland	62.0	60.2	59.6	47.6	55.7	59.3
Otago/Southland	58.9	53.4	57.5	60.9	58.2	56.9

(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.