

BNZ-BusinessNZ 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.



## Back in black

### BNZ - BusinessNZ PMI for January 2013

- The BNZ-BusinessNZ seasonally adjusted PMI for January stood at 55.2, which was 4.8 points up from December and the highest monthly result since May 2012. Compared with previous January results, the 2013 value was the highest since 2007.
- Four of the five seasonally adjusted main diffusion indices were in expansion for January, with *production* (57.7) leading the way, closely followed by *deliveries* (57.6). *Finished stocks* (56.1) recovered from its decline in the previous month to record its highest value since October 2007. *New orders* (55.8) also recovered from a decline to record a level of expansion equal to that of May 2012. In contrast, *employment* (48.4) fell back from December, and has now remained in contraction for eight consecutive months.
- Two of the four regions experienced expansion in January. The *Canterbury/Westland* region (54.6) led the way with an increase in expansion from December, with production and deliveries particularly strong. The *Northern* region (50.7) also showed expansion, recovering from its dip into decline for December. While the *Central* region (49.9) recovered somewhat from the previous month, its value for January represented all but no change for the current month. The *Otago/Southland* region (48.1) fell back after two strong months to record its first decline since September 2012.
- Manufacturing by industry sub-groups varied across the board in January. *Food, beverage & tobacco* (64.6) remained in a healthy position, while *machinery & equipment manufacturing* (49.9) improved from December but still could not break through into expansion mode. *Metal product manufacturing* (43.6) lifted slightly from December, but has now been in decline for the last six months.
- Despite the slight lift in the overall unadjusted PMI value for January, the proportion of positive comments (50.0%) fell, compared with 56.6% in December and 57.6% in November. Globally, the JPMorgan Global Manufacturing PMI for January (51.5) was at a ten-month high, with expectations that it may strengthen further in the next few months.

*The BNZ - BusinessNZ Performance of Manufacturing Index 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.*

#### **HIGHLIGHTS**

***Seasonally-adjusted PMI up for January at 55.2.***

***Four of the five main indices were in expansion, with production leading the way.***

***Unadjusted regional activity was mixed, with Canterbury/Westland and the Northern region in positive territory.***

***Next BNZ - BusinessNZ PMI:  
15 March 2013***

#### **SPONSOR STATEMENT**

*BNZ is delighted to be associated with the Performance of Manufacturing Index (PMI) 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 manufacturing sector.*

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#### *Inside BNZ Commentary this Month (page 3)*

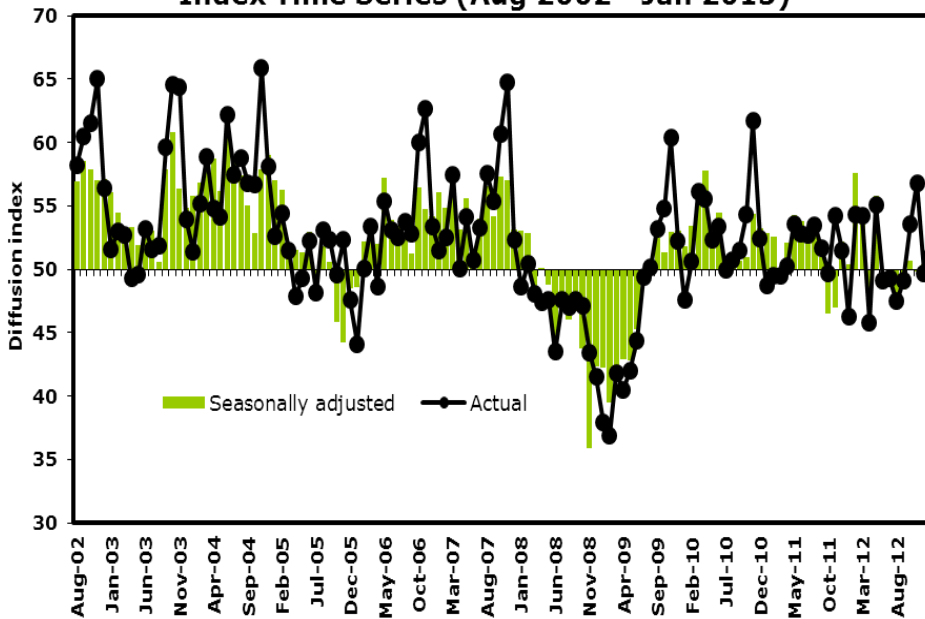
Doug Steel, BNZ Economist, discusses the positive implications for domestic manufacturing stemming from the Christchurch rebuild and the negative implications of a slowdown in the Australian economy.

## BNZ-BusinessNZ PMI

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# pmi

**BNZ - BusinessNZ Performance of Manufacturing Index Time Series (Aug 2002 - Jan 2013)**



### January time series tables

National Indexes	Jan 2008	Jan 2009	Jan 2010	Jan 2011	Jan 2012	Jan 2013
BNZ - BusinessNZ PMI (s.a.)	53.1	42.3	51.8	52.9	50.4	55.2
Production (s.a.)	51.9	40.1	52.2	51.2	51.4	57.7
Employment (s.a.)	49.5	42.8	49.1	52.7	51.0	48.4
New Orders (s.a.)	54.4	41.2	55.5	55.7	49.9	55.8
Finished Stocks (s.a.)	54.7	49.0	47.6	50.5	49.0	56.1
Deliveries (s.a.)	55.7	43.5	50.9	52.5	49.8	57.6

National Indexes	Jan 2008	Jan 2009	Jan 2010	Jan 2011	Jan 2012	Jan 2013
BNZ - BusinessNZ PMI (s.a.)	53.1	42.3	51.8	52.9	50.4	55.2
Northern	47.2	34.4	45.8	49.2	43.0	50.7
Central	42.3	40.7	48.9	49.0	45.9	49.9
Canterbury/Westland	55.2	36.8	49.7	43.1	51.3	54.6
Otago/Southland	58.8	48.4	48.8	57.0	52.8	48.1

(s.a. denotes seasonally adjusted)

The BNZ - BusinessNZ PMI contains data obtained through BusinessNZ's regional organisations:



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



*Central (Business 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.*

14 February 2013

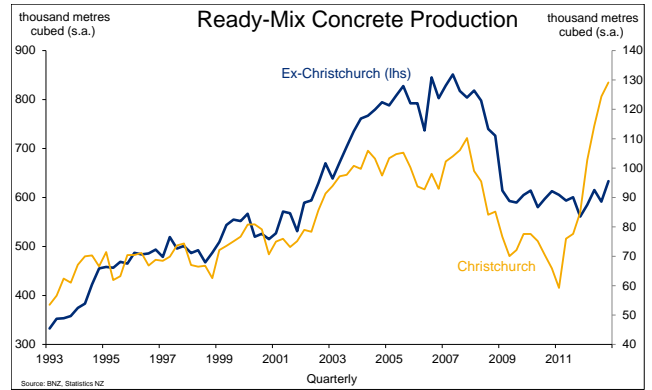
## PMI Advances Despite Australia Fear

- PMI leaps to 55.2 in January
- Sales, new orders rise; employment lags
- Canterbury rebuild a driver
- Domestic construction pick up to help domestic sales
- Australian slowdown one potential offset

The first month of 2013 proved a better one for manufacturers, judging by the strong lift in the Performance of Manufacturing Index (PMI). In lifting to 55.2 in January from 50.4 in December the index is at its highest since May last year.

Isolating broad themes across the manufacturing sector is as difficult as ever, however. There remains considerable variation and volatility in the detail. Food processing continues to perform strongly. And while international markets remain challenging and the exchange rate a significant headwind for exporting and import-competing firms alike, there were also some seeing signs of improvement. And, yes, there were more signs of the Canterbury rebuild impulse helping to boost some manufacturing activity. However, it was hardly universal.

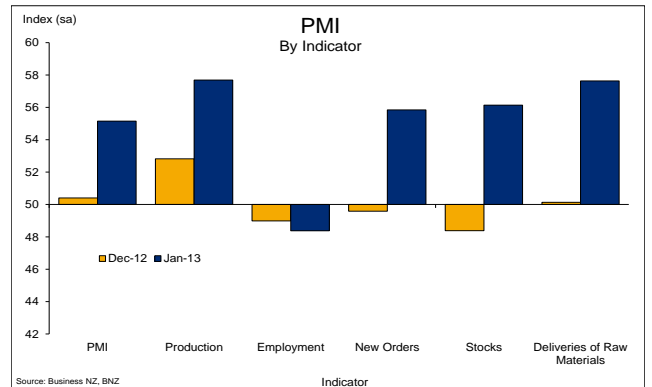
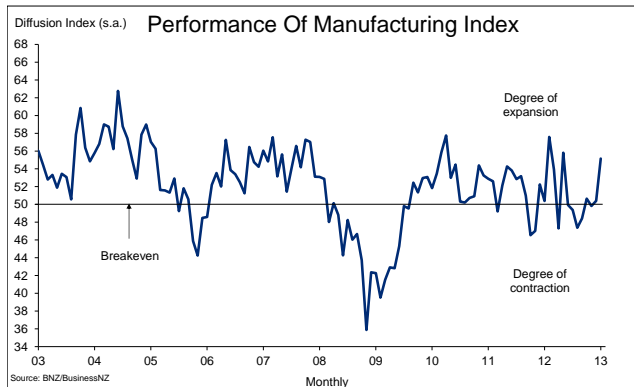
Regarding Canterbury, there were a couple of positive signs. An obvious one is that Canterbury/Westland had the strongest PMI reading across the regions in January. Another was that within industries, non-metallic mineral product manufacturing stood head and shoulders above the rest, with an index value of a whopping 77.5. This helped lift the overall PMI index. Such strength certainly fits with the strong gains in concrete production we have seen of late, particularly in Christchurch. Over the coming years we anticipated the positive flow-on effects of a stronger construction sector, and not only in Canterbury, to broaden to other parts of the manufacturing sector. In short, we think the manufacturing improvement associated with the pickup in construction activity has got legs.

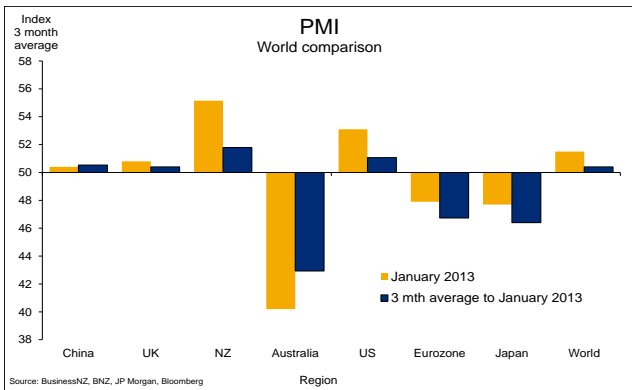


As positive as the January headline PMI result looks, it is not one to get overly excited by just yet. After all, it is just one month and the implied growth is still coming off a low base. Moreover, while a big lift in new orders is encouraging for future activity and employment, the current employment index remains mildly in contraction territory.

Another reason we are still a little cautious looking ahead, despite the strong January PMI result, stems from abroad. This is not so much the oft-discussed financial issues in Europe and the US. Actually, on such fronts, there has been a marked reduction in fear in world financial markets over recent months, even if we haven't seen the full extent of that showing up in real activity indicators yet.

Take the global PMI's for example. Despite some improvement recently, in January these were still within a few points of the breakeven 50 mark, by and large. Manufacturing around the world has been challenged by weak demand. Incidentally, the NZ PMI was the strongest across the major areas we cover for both January and the three month average ending January. This would suggest that the challenges NZ manufacturers are facing are not unique.





The more recent challenge for New Zealand manufacturers is more around the real economy slowdown in Australia. Comments regarding the Australian market from NZ's PMI respondents have been getting increasingly downbeat. In January they turned decidedly sour.

We pointed out last month that while some of the intense financial market fears in Europe and the US had eased over recent months, the economic slowdown in Australia was a developing concern for NZ and NZ manufacturers in particular. In the December PMI survey, for every PMI respondent who noted an improvement in business across the Tasman, there was one who reported deterioration. The balance of respondent comments on

the Australian market in the January survey has swung more negative. Much more negative. To the extent that negative comments outweighed positive comments by a ratio of 8 to 1.

Forward indicators suggest a difficult first half of 2013 in Australia. Business surveys remain soft, with weak forward orders and subdued capacity utilization inferring weak investment ahead. To be fair, it is not all one-way traffic over the Tasman, as yesterday's decent bounce in consumer confidence shows. But to date retail sales, housing credit and building consents have been soft. And the Australian PMI has been very weak, dipping further in January to 40.2.

In fact, at 15 index points, the gap between New Zealand's and Australia's PMI index is at its widest ever (since 2002 when the NZ index started). This is not a one month wonder. The gap has been widening, in trend terms, for the past 12 months. It is no wonder that the NZD/AUD crossrate is starting to move higher, essentially reflecting the changing economic circumstances of the respective NZ and Australian domestic economies. A slowdown in Australia, whether it is reflected in lower economic growth and/or a lower Australian currency, is likely to be negative for NZ manufacturers.

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