

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.

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Manufacturing Growth Slows

Business NZ PMI for June 2007

- The Business NZ seasonally adjusted PMI for June (50.4) experienced a drop in the rate of expansion compared with the previous month (55.6 in May). The June result represents a month where there was little change in overall activity, and may represent a turning point after eight months of reasonable growth.
- In comparison with previous June months, the 2007 result was the lowest recorded, with the previous lowest June result being in 2004 (51.9). Historically, June results have varied between 50.4 and 61.9.
- Unadjusted activity in June showed mixed results in all the regions examined. The Canterbury/Westland region (56.2) was the only one to show expansion in June, while the Central region (50.0) showed exactly no change. The remaining regions displayed minor contraction in activity.
- Three of the five seasonally adjusted main diffusion indices recorded a contraction for the month of June. *Production* (47.2) produced its lowest ever June result and was the lowest value since November 2005. Both *employment* (47.3) and *deliveries* (49.6) also showed contraction, and although new orders (54.5) displayed a relatively healthy result, it was still below the average value of 56.9 over the history of the survey.
- Only the *wood & paper product* (56.3) and *food, beverage & tobacco* (50.6) sectors showed expansion in June, with the former enjoying strong levels of production and new orders. Most other sectors remained just below the 50-mark, with the *textile, clothing, footwear & leather manufacturing* sector (48.1) exhibiting the strongest decline.
- The disparity between the overall seasonally adjusted PMI value and the balance of positive versus negative results lessened in June, with the percentage of negative comments still relatively high, but the main PMI result dropping.
- For June, the proportion of negative comments stood at 65%, largely the same from 64% in May, and down from 69% for April. Around 44% of manufacturers who provided negative comments mentioned the current exchange rate. Other negative comments related to interest rates, lack of orders and seasonal/weather effects. Regarding positive comments, most centred on increased orders (some from offshore), as well as various firms currently going through internal re-organising.
- Overall, the June result may indicate another turning point in the PMI series, as the last time overall activity was this low (but still positive) it was followed by four months of decline. The high value of the New Zealand dollar is clearly the top issue and further increases may cause ongoing contraction in activity for those competing on the international market.

HIGHLIGHTS

Seasonally-adjusted PMI down 5.2 points from May to sit at 50.4 for June.

Only two of the five main indices showed expansion in June with production at its lowest value since November 2005.

The Canterbury/Westland region (56.2) was the only region to show an expansion, while the Otago/Southland region (48.3) experienced the strongest decline.

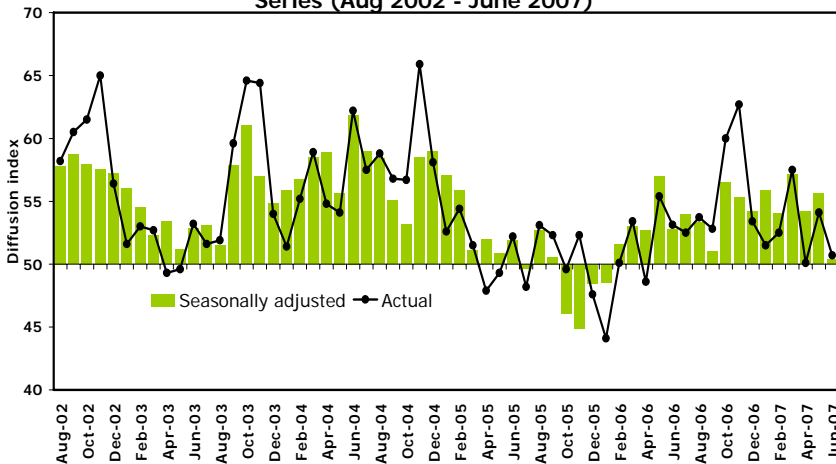
The Australian PMI for the same month stood at 53.1, with growth also slowing as exports and new orders weakened.

Next Business NZ PMI: August 16, 2007

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



June time series tables

National Indexes	June 2003	June 2004	June 2005	June 2006	June 2007
Business NZ PMI (s.a)	52.9	61.9	51.9	52.8	50.4
Production (s.a)	51.1	63.3	51.2	53.5	47.2
Employment (s.a)	50.9	54.3	50.2	46.4	47.3
New Orders (s.a)	55.2	69.2	52.4	56.0	54.5
Finished Stocks (s.a)	52.1	53.3	53.3	51.4	51.5
Deliveries (s.a)	53.0	59.2	51.7	53.4	49.6

Regional Indexes	June 2003	June 2004	June 2005	June 2006	June 2007
Business NZ PMI (s.a)	52.9	61.9	51.9	52.8	50.4
Northern	50.2	63.6	50.5	53.2	49.3
Central	52.3	60.8	53.0	53.6	50.0
Canterbury/Westland	56.4	62.4	54.4	46.7	56.2
Otago/Southland	61.7	56.1	54.7	60.4	48.3

(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