

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.



## Marching on

### BNZ - BusinessNZ PMI for March 2013

- The BNZ-BusinessNZ seasonally adjusted PMI for March stood at 53.4, which were 2.6 points down from February, but a continuation of healthy expansion in the sector. Compared with previous March results, the 2013 value was 0.8 points down from 2012, but up on 2011.
- All five seasonally adjusted main diffusion indices were in expansion for March, and the first time there was consecutive monthly increases across all five indices since the start of 2011. *New orders* (55.3) led the way for the first time since July 2012. This was followed by *production* (53.0), which fell back to levels of expansion seen in December. *Employment* (51.5) recorded its highest result since May 2012, while both *finished stocks* (50.9) and *deliveries* (52.2) both fell back from February levels of expansion.
- Expansion was centered on the middle part of the country in March. The *Central* region (60.9) experienced its third consecutive increase in expansion to record its first post-60 result since March 2012. In comparison, the *Northern* region (50.7) fell back 2.9 points, but remained in slight expansion. In the South Island, the *Canterbury/Westland* region (59.1) recorded its sixth consecutive expansionary result, while the *Otago/Southland* region (46.8) returned to contraction after a sharp lift in February.
- Manufacturing by industry sub-groups was mostly in expansion for March. *Food, beverage & tobacco* (63.6) dropped back slightly, but remained in a very healthy position. *Machinery & equipment manufacturing* (60.6) remained largely unchanged from February, while *petroleum, coal, chemical & associated product manufacturing* (53.1) fell back for the second consecutive month. *Metal product manufacturing* (55.6) made a welcome return to expansion after seven consecutive months in contraction.
- The proportion of positive comments for March (55.8%) lifted significantly from both February (50.7%) and January (50.0%). Globally, the JPMorgan Global Manufacturing PMI for March was 51.2, an increase of 0.3 from February. The global index showed that indexes of output and new orders rose slightly to levels consistent with moderate, stable growth in global production.

*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 March at 53.4.***

***All five main indices were again in expansion, with new orders leading the way.***

***Unadjusted regional activity was positive throughout most of the country.***

***Next BNZ - BusinessNZ PMI:  
16 May 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.*

BNZ ([www.research.bnz.co.nz](http://www.research.bnz.co.nz))

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

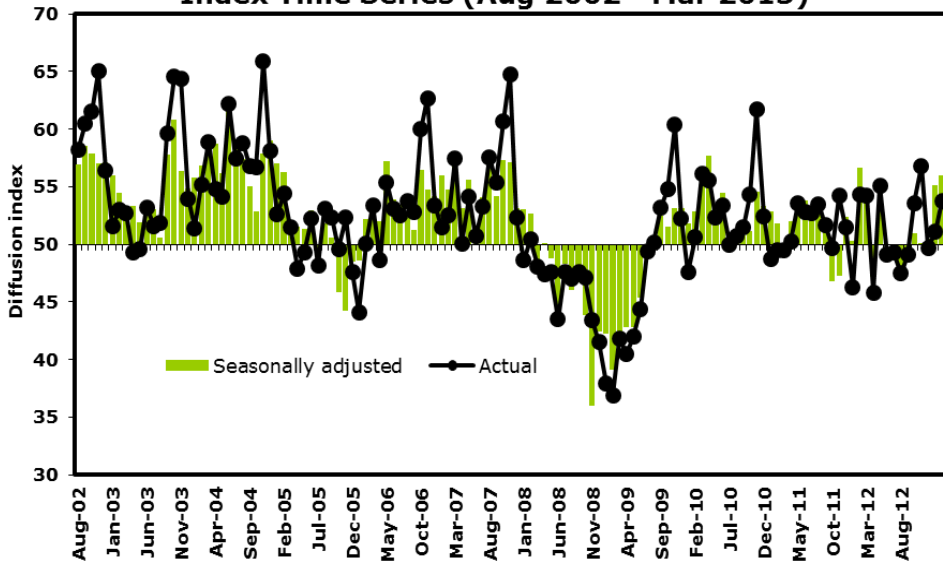
In this edition, BNZ Senior Economist, Craig Ebert, compares the results of the latest PMI with the manufacturing component of the recent NZIER Quarterly Survey of Business Opinion. He finds they are similarly upbeat – across production, new orders and, now, even employment.

## BNZ-BusinessNZ PMI

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# pmi

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



### March time series tables

National Indexes	Mar 2008	Mar 2009	Mar 2010	Mar 2011	Mar 2012	Mar 2013
BNZ - BusinessNZ PMI (s.a.)	48.1	41.6	56.1	49.4	54.2	53.4
Production (s.a.)	45.1	38.9	59.2	49.0	56.1	53.0
Employment (s.a.)	50.2	39.8	49.7	51.8	51.2	51.5
New Orders (s.a.)	44.7	42.6	57.6	49.0	56.5	55.3
Finished Stocks (s.a.)	51.9	46.8	53.6	48.8	49.7	50.9
Deliveries (s.a.)	50.7	40.9	56.2	46.3	51.1	52.2

National Indexes	Mar 2008	Mar 2009	Mar 2010	Mar 2011	Mar 2012	Mar 2013
BNZ - BusinessNZ PMI (s.a.)	48.1	41.6	56.1	49.4	54.2	53.4
Northern	47.8	41.3	57.8	52.4	51.6	50.7
Central	45.8	45.2	49.0	53.1	62.1	60.9
Canterbury/Westland	52.4	41.0	58.6	42.0	50.4	59.1
Otago/Southland	46.3	37.6	57.5	44.3	48.8	46.8

(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.

11 April 2013

## Manufacturing Pop Songs

- March PMI solid at 53.4
- So too manufacturing in Tuesday's QSBO
- Forward order books relatively full
- Manufacturing exports apace with local sales
- Profitability looking decent
- And staffing indicators improving

New Zealand's manufacturing sector is continuing to improve, having been through a bumpy patch through the middle part of last year. So says the latest Performance of Manufacturing Index (PMI); and so said the manufacturing component of Tuesday's Quarterly Survey of Business Opinion (QSBO). These surveys are singing from the same song sheet. It's not a power ballad, but it's far from a dirge.

To start with the PMI, while it did dip a bit in March, this was always likely given February was so strong, at 56.0. At 53.4 now, the PMI is what we'd call solid – and, still, stronger than most every other PMI globally we can think of, including the one for China. Comfortably above the breakeven mark of 50, the NZ PMI is consistent with reasonable growth.

Ongoing momentum was underscored by the fact new orders in the latest PMI turned out to be a seasonally adjusted 55.3 in March. This, following 57.7 in February and 56.0 back in January, suggested maintained support for the idea of increased production ahead.

And it looks as though all of this is now beginning to feed into employment, with the PMI component on such, at 51.5, having its head above the waterline for the second month running.

The reservation we'd have about the latest PMI is that food processing is clearly the strongest part of it. To the extent this reflects higher than normal meat processing for this time of year, as farmers respond to drought, then we should be wary of a hangover in this component of the PMI over the coming months. But for dairy product manufacturing the drought should surely be a negative in the survey already.

While many could probably find other weak links in the strong headline PMI of late (if they looked hard enough) we could counter with the fact that its general robustness has been echoed by the manufacturing component of Tuesday's QSBO.

For starters, the QSBO found manufacturers with a net confidence in the general economic outlook at +18, from +13 in December. While not stellar, bear in mind this

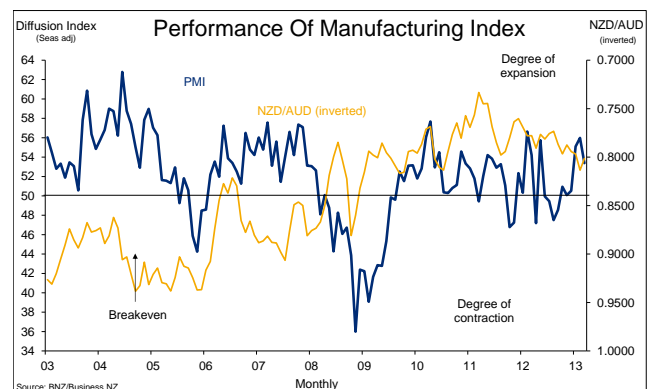
index traces a long-term range of approximately +60 at a high to a low of -60, with a mean of -7.

The production trends among QSBO manufacturers were also nicely on the positive side of the ledger. Overall, they were talking a net +14 for production over the previous three months and a lofty +34 when looking out over the coming three months. This comprised a steady expansion in exports sales, past and expected, with real impetus starting show in the outlook for domestic sales (presumably related to supplying the local construction boom that now looks well in train).

Of course, there is a difference between shifting product and making a decent buck out of the exercise. This is especially germane at the moment regards manufacturers given the high (and rising) exchange rate. Yet there were signs in Tuesday's QSBO that manufacturing profitability, overall, looked in reasonable shape. Indeed, profit expectations were verging on strong. This may relate to the fact most of New Zealand's non-food manufactured exports are still destined for Australia, and that the NZD/AUD continues trade on the weak side of its long-term norm.

The other factor supporting profitability in manufacturing is the fact that cost pressures are dead in the water, according to the latest QSBO. This may, in turn, relate to the lessening cost of imported supplies and components, afforded by the high NZ dollar against most currencies barring the Aussie. Roundabouts to the swing.

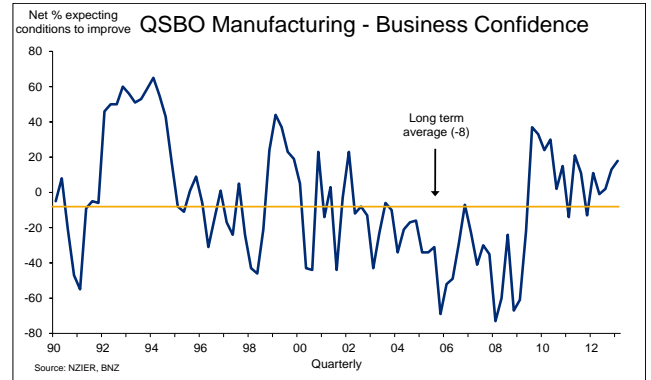
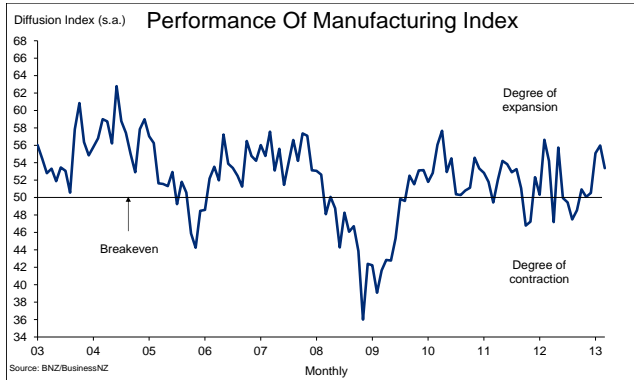
There was also a commonly affirmative theme between the QSBO and PMI of manufacturers being in the throes of increasing staffing levels. The QSBO readings in this regard lifted to +5.1 in respect to Q1 (the best in 5 years, in fact) and inched up to +7.6 for Q2 (compared to the long-term average of -1.5); in a word, encouraging.



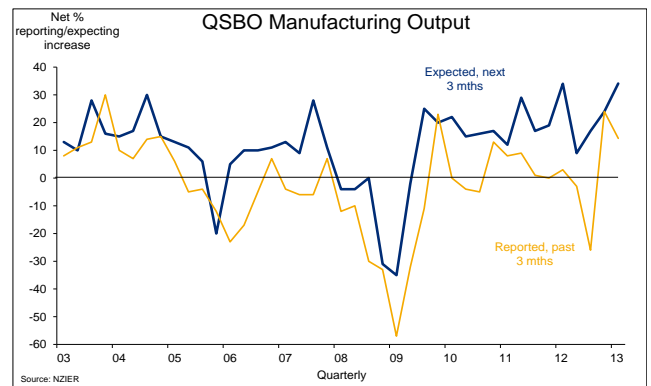
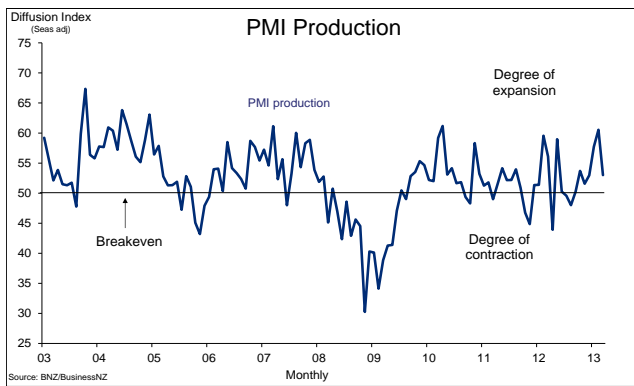
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# SNAP CRACKLE & POP

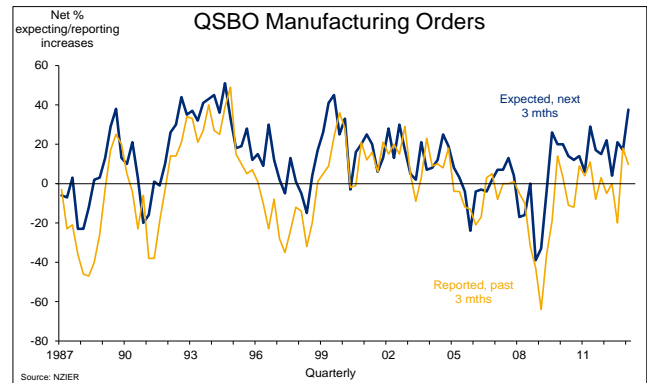
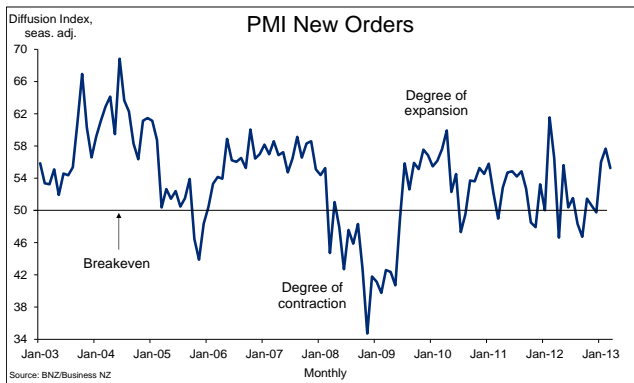
Manufacturers confident...



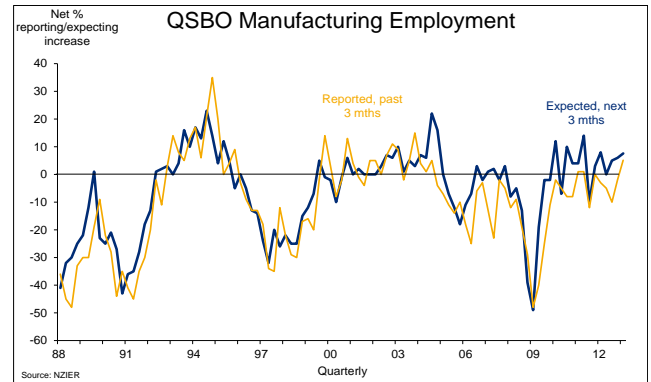
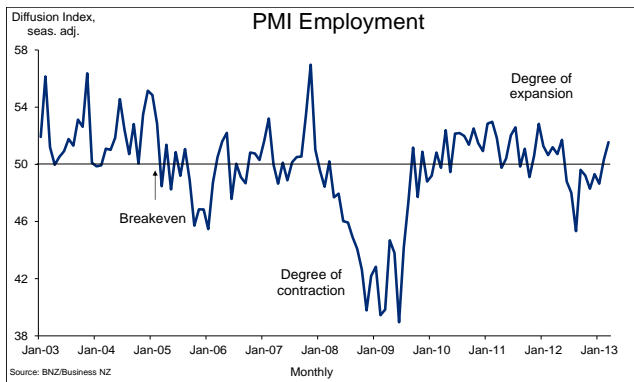
...as production recovers...



...orders keep coming...



...giving confidence to employ.



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