

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 Showing Resilience

### Business NZ PMI for May 2007

- The Business NZ seasonally adjusted PMI for May (56.8) showed an increase in expansion compared with the month of April. The result is positive, and shows manufacturing is consolidating after reasonably strong growth experienced over the last eight months.
- In comparison with previous May months, the 2007 result was pretty much in line, slightly down on last year and 2004 but well up on 2003 and 2005.
- Unadjusted activity in May shows mixed results in all the regions examined. The Northern region experienced a slight contraction in activity (49.8) although this has improved from April when the index stood at 48.7.
- Activity was stronger in the Central (54.8), Canterbury/Westland (58.0) and Otago/Southland (61.9) regions for April than previously, with these regions continuing to show healthy expansion.
- All five seasonally adjusted main diffusion indices recorded expansion for the month of May. *Production* (56.8), *Employment* (51.3), *new orders* (59.1), *finished stocks* (57.8) and *deliveries* (53.8) were all still holding up. Perhaps even more importantly, all main diffusion indices showed increased expansion compared to April, apart from *deliveries* which was down marginally on April's result of 53.9.
- The manufacturing industry showing the greatest expansion for May was *petroleum, coal, chemical and associated product manufacturing* (60.5) while *machinery & equipment manufacturing* showed the greatest decline (48.4) – the only sector showing contraction.
- 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 still relatively high, although down slightly on last month.
- For May, the proportion of negative comments was at 64%, down from 69% for April but slightly up from 62% recorded for March. While the proportion of negative comments has been reasonably stable of late, this was up significantly from the 43% recorded in November. Around 37% of negative comments specifically mentioned the high NZ\$ (the same percentage as in April).
- Hikes in interest rates were also becoming an issue while a splattering of companies mentioned seasonal factors. Inability to expand due to skills shortages, a slowdown in demand and rising costs were also seen as negative factors on business activity. On the positive side, seasonal factors have come into play, while the ability to secure new orders through greater efficiencies has also impacted positively on a number of businesses.

#### HIGHLIGHTS

**Seasonally-adjusted PMI up 2.4 points from April to sit at 56.8 for May.**

**All five indices showed expansion in May with new orders continuing to remain strong.**

**The Otago/Southland region showed the greatest expansion for May (61.9) followed by Canterbury/Westland (58.0).**

**The Australian PMI for the same month was 55.2.**

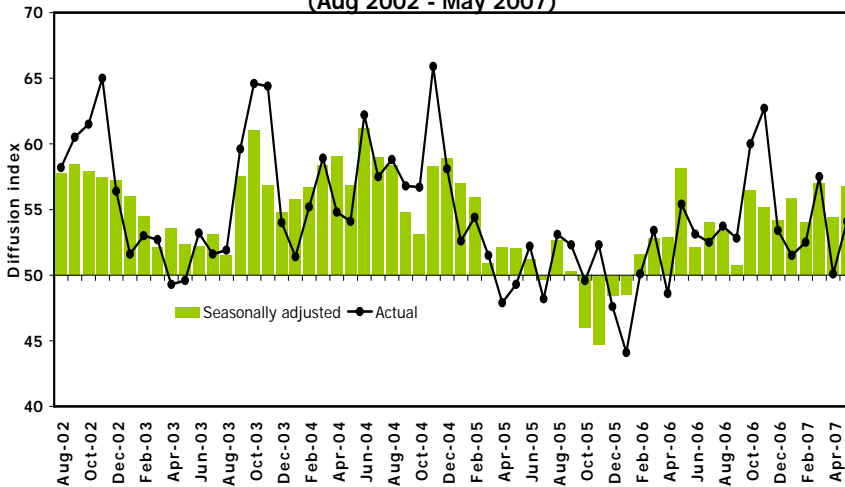
**Next Business NZ PMI: 13th July 2007.**

BUSINESS NZ PERFORMANCE OF MANUFACTURING INDEX

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



National Indexes	May 2003	May 2004	May 2005	May 2006	May 2007
Business NZ PMI (s.a)	52.3	56.8	52.0	58.1	56.8
Production (s.a)	51.5	57.3	51.4	58.7	56.0
Employment (s.a)	50.4	52.0	48.8	53.1	51.3
New Orders (s.a)	52.0	59.9	52.4	60.3	59.1
Finished Stocks (s.a)	52.6	50.7	50.8	54.9	57.8
Deliveries (s.a)	51.1	57.9	51.3	55.4	53.8

Regional Indexes	May 2003	May 2004	May 2005	May 2006	May 2007
Business NZ PMI (s.a)	52.3	56.8	52.0	58.1	56.8
Northern	47.9	55.7	49.4	55.1	49.8
Central	50.1	52.0	50.1	52.5	54.8
Canterbury/Westland	53.4	57.3	48.9	59.1	58.0
Otago/Southland	51.8	51.3	46.8	58.5	61.9

(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