

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.

pmi

Onwards and upwards

BNZ - BusinessNZ PMI for October 2013

- The BNZ-BusinessNZ seasonally adjusted PMI for October stood at 55.7, which was 1.5 points higher than September. The sector has now been in expansion for 11 consecutive months, and compared with previous October results the 2013 value was the highest since 2007. Overall, the PMI has averaged 56.0 since the start of 2013.
- All five seasonally adjusted main diffusion indices were in expansion for October, again led by *new orders* (60.4) which saw a return to a post-60 point value. *Production* (57.2) returned to similar levels of activity seen in August, while *deliveries of raw materials* (55.1) followed a similar pattern. *Finished stocks* (51.2) lifted up from its no change level in September, while *employment* (52.1) returned to expansion after a decline in activity the previous month.
- Expansion was centered more towards the top and bottom parts of New Zealand during October. In the North Island, the *Northern* region (60.7) recorded its highest level of activity since November 2010. In contrast, the *Central* region (53.6) dropped 4.9 points from September. In the South Island, the *Canterbury/Westland* region (52.5) recovered from its slip in September, while the *Otago-Southland* region (58.0) returned to similar levels of activity seen in August.
- Manufacturing by industry sub-groups were all at various levels of expansion during October. *Machinery & equipment manufacturing* (59.7) continued to show the strongest level of activity, with another result around the 60-point mark. *Petroleum, coal, chemical & associated product manufacturing* (57.3) improved from the previous month, while *metal product manufacturing* (51.9) swung back into expansion for October.
- The increased level of expansion for October also saw the proportion of positive comments for the month (63.8%) increase from September (58.1%) and August (57.5%). Globally, the JPMorgan Global Manufacturing PMI for October was 52.1, which resulted in the highest level of activity for two and a half years.

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 expansion rises to 55.7.

All five main indices were in expansion, again led by new orders.

Unadjusted regional activity positive throughout all of the country.

***Next BNZ - BusinessNZ PMI:
13 December 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)

Inside BNZ Commentary this Month (page 3)

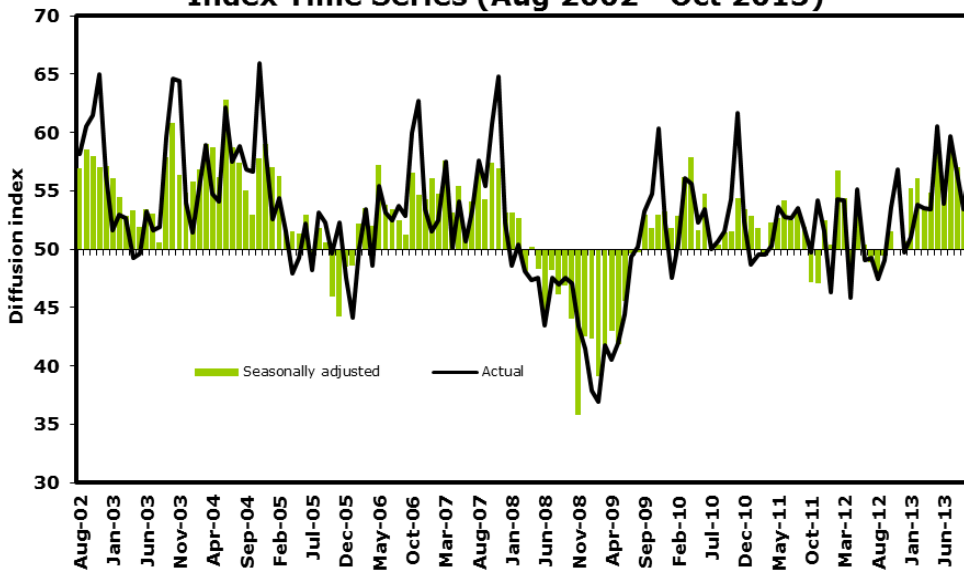
BNZ Economist Doug Steel discusses the strong PMI results in the context of positive trends across a wide range of economic indicators. The conclusion is clear that the economic expansion is broad-based, with growing upside risk to already solid economic growth forecasts.

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pmi

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



October time series tables

National Indexes	Oct 2008	Oct 2009	Oct 2010	Oct 2011	Oct 2012	Oct 2013
BNZ - BusinessNZ PMI (s.a.)	44.0	51.8	51.5	47.2	51.5	55.7
Production (s.a.)	44.6	53.7	48.6	47.1	54.2	57.2
Employment (s.a.)	42.6	47.7	52.7	49.4	49.8	52.1
New Orders (s.a.)	42.8	55.3	53.9	49.0	52.2	60.4
Finished Stocks (s.a.)	47.4	47.8	50.8	44.3	52.4	51.2
Deliveries (s.a.)	44.0	49.9	53.0	46.1	50.5	55.1

National Indexes	Oct 2008	Oct 2009	Oct 2010	Oct 2011	Oct 2012	Oct 2013
BNZ - BusinessNZ PMI (s.a.)	44.0	51.8	51.5	47.2	51.5	55.7
Northern	43.7	53.2	56.3	46.6	52.1	60.7
Central	47.0	56.3	54.8	52.7	57.6	53.6
Canterbury/Westland	54.3	54.7	49.5	48.7	50.8	52.5
Otago/Southland	54.2	59.0	53.7	60.8	54.0	58.0

(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 November 2013

Getting Into Line

- PMI strong
- Like many other economic indicators
- Economic expansion is broad based
- Upside risk to already solid growth outlook

Indicators of strong economic expansion continue to line up. The line is fast becoming a long one.

New Zealand's economic expansion is broadening and deepening. For a while, many believed that a pick-up in economy activity was almost exclusively dependent on the rebuild of Christchurch. This was not a view we shared and recent data validate that scepticism.

Not only is the Christchurch re-build gathering momentum there is also evidence of: a pickup in construction activity elsewhere; strong retail spending growth; an improving tourism market; very strong dairy prices amid generally favourable agricultural prices (accompanied by rising primary production as the impact of last season's drought abates); a strong oil and gas exploration outlook; and a more buoyant services sector overall.

Macroeconomic drivers such as a very strong turnaround in net immigration over the past year only add to the general increase in activity.

These firmly upbeat signals prevail – across a wide range of industries – despite the often-sighted headwinds of a strong NZ dollar, domestic fiscal consolidation and on-going worry about what the world might throw at us next.

This may well reflect the fact that causality can run the other way, at least regards the first two. A solid economic expansion makes the NZ dollar attractive whilst also generating more than expected tax revenue for the government helping to narrow the deficit.

And the potential for a housing market slowdown or correction is always a risk, as the Reserve Bank clearly reminded everyone of yesterday in its Financial Stability Report. While such a thing, if it were to occur, will take some of the edge off the growth outlook, it is unlikely to derail the expansion. There is a fair chunk of the current upswing that will continue regardless.

Manufacturing is part of the broad-based expansion. A point reinforced by October's Performance of Manufacturing Index (PMI). The index moved up to 55.7 in October, from 54.2 in September.

Of most significance is that the index remains firmly above 50 – the point that differentiates between growth and contraction. It has been this way all year, averaging 56.0 so far in 2013. It is significantly better than 2012's average of 50.9. It suggests material growth in the manufacturing sector is happening.

Much like the wider economy, October's PMI results suggest growth is broadening in the manufacturing sector itself. We say this with reference to the fact that all major components of the PMI are in the above-50 growth-zone. This spans production, new orders, and employment as well as inventories and deliveries of raw materials.

Moreover, breaking down the PMI results other ways reveals the same message whether it is by industry, by region or by firm size. All – yes all – these sub-indices are above 50. Sure some are stronger than others. But having all above neutral is quite unusual, if for no other reason than survey noise would surely push at least one of these 22 components below 50. Not so.

Many of these series are not seasonally adjusted so part of the widespread lift in activity will be associated with the lead up to Christmas. But there is more to it than that. This is the first October since 2006 that all the sub-indices have been in positive territory.

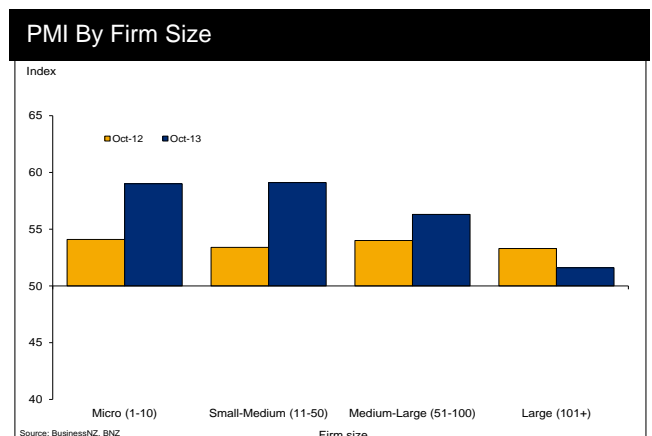
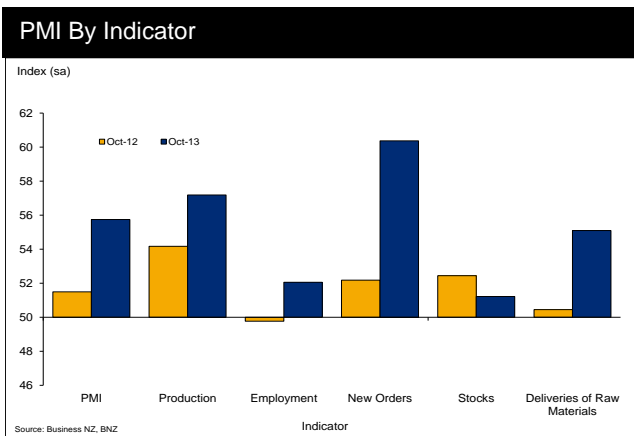
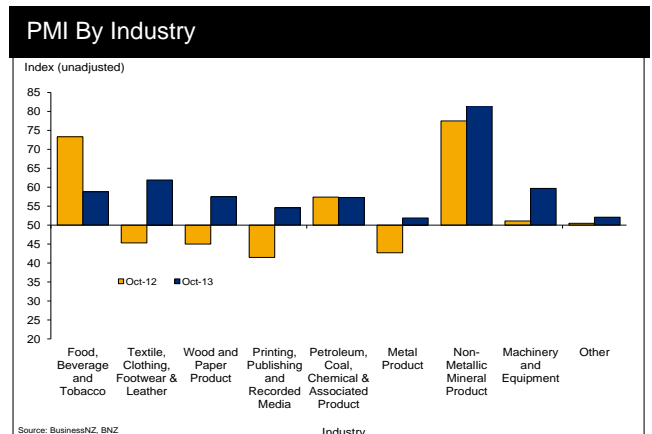
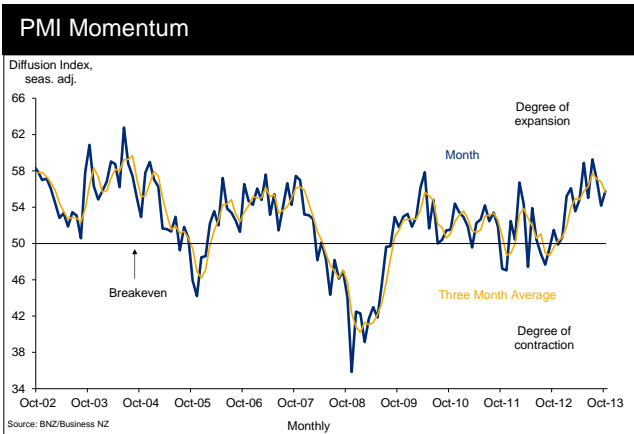
The on-going strong PMI results and supportive details affirm that the manufacturing sector is part of the broad-based economic expansion.

Of course, this does not mean every business is growing, surely an impossible nirvana. Indeed, not every comment we received was positive, but a strong majority of respondent comments were.

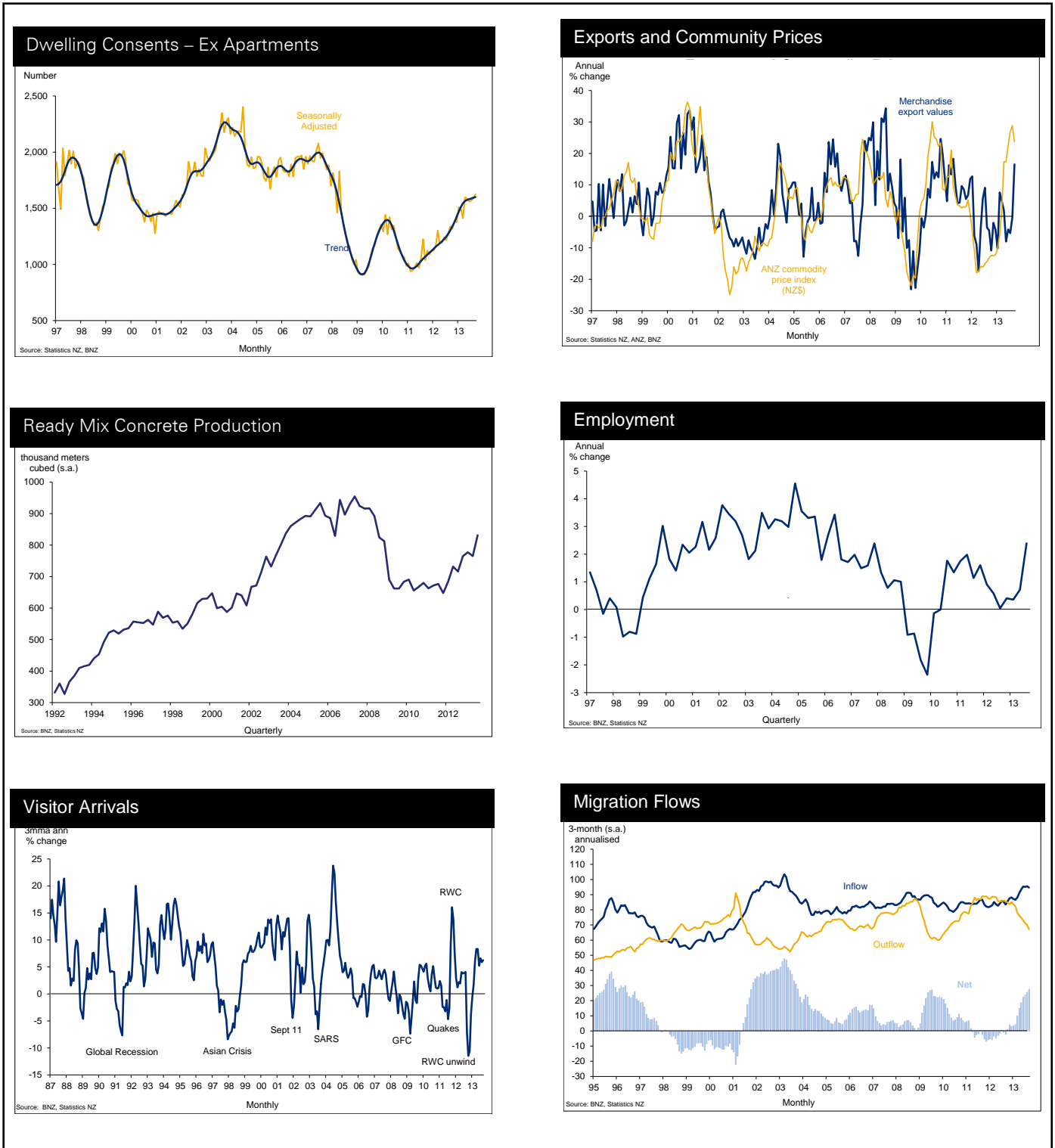
We are forecasting GDP to grow 3.2% in calendar 2014 and 2.2% in 2015 but the balance of risk is heavily weighted to stronger outcomes.

Within our solid growth forecast, we have long been conscious of the potential for a particularly big quarter of growth somewhere along the way. Indeed, the way in which economy indicators are currently lining up it might well come sooner rather than later. We currently estimate GDP grew 1% in Q3 2013 and anticipate another 1% lift in Q4. The risk is the economy performs even better.

At present, it is not just confidence that is at a very high levels but indicators of activity itself. The upside risk to growth forecasts is building. This is true taking each indicator on its own at face value. But the kicker might well be the fact that the upswing is broadening and becomes self-reinforcing such that the whole becomes greater than the sum of the partial indicators.



All Guns Blazing



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