

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.



Staff wanted

BNZ - BusinessNZ PMI for October 2014

- The BNZ-BusinessNZ seasonally adjusted PMI for October stood at 59.3, which were 0.8 points higher than September, and the fifth consecutive monthly increase in the level of activity. The October value was also the highest result recorded for 2014 so far, and the highest overall result since July 2013.
- All five seasonally adjusted main diffusion indices were again in expansion during October. *Production* (62.5) led the way, with its highest result since July 2013. *New orders* (61.8) rose 1.7 points to remain above the 60-point mark, while *employment* (57.5) recorded its highest ever result since the survey began in 2002. *Deliveries* (56.6) eased from its level of activity in the previous month, while *finished stocks* (51.5) also experienced a lower level of activity from September.
- All four regions were again in expansion during October. In the North Island, the *Northern* region (60.2) climbed back over the 60-point mark to show strong activity for the month. The *Central* region (56.6) continued to build on its momentum with activity at its highest since March 2014. In the South Island, the *Canterbury/Westland* region (61.6) increased 5.7 points, while the *Otago-Southland* region (70.6) continued its momentum from the previous month.
- Manufacturing by industry sub-groups were almost all positive during October. *Food, beverage & tobacco manufacturing* (74.0) led the way with another post 70 point level of activity. *Machinery & equipment manufacturing* (62.2) also showed strong growth, while *textile, clothing, footwear & leather manufacturing* (60.7) continued to edge upwards. *Petroleum, coal, chemical & associated product manufacturing* (58.8) displayed a result similar to September, while *metal product manufacturing* (58.3) increased significantly.
- The proportion of positive comments for October (68.7%) were significantly higher than September (56.8%), August (61.2%) and July (57.4%). Globally, the JPMorgan Global Manufacturing PMI for October (52.2) continued to make steady progress with activity broadly in line with recent 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 displays highest activity level for the year.

All five main indices were in expansion, with employment at its highest level since the survey began.

Unadjusted regional activity was again expansionary in all four regions.

***Next BNZ - BusinessNZ PMI:
12 December 2014***

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)

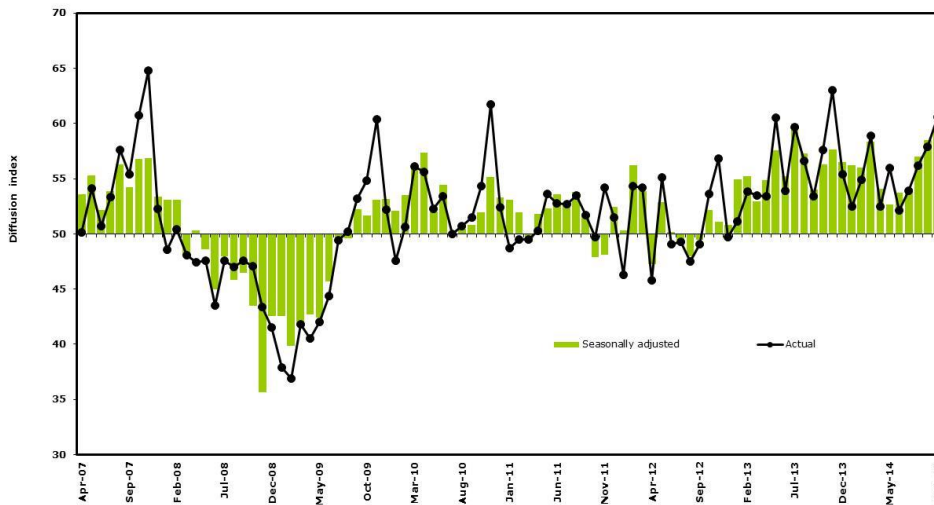
BNZ Senior Economist, Doug Steel, discusses the latest PMI results within the context of the current economic expansion and expectations of slow down ahead. The PMI is the very latest indicator to not only remain upbeat, but strengthen.

BNZ-BusinessNZ PMI

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pmi

BNZ - BusinessNZ Performance of Manufacturing Index Time Series (Apr 2007 - October 2014)



October time series tables

National Indexes	Oct 2009	Oct 2010	Oct 2011	Oct 2012	Oct 2013	Oct 2014
BNZ - BusinessNZ PMI (s.a.)	51.7	52.0	47.9	52.2	56.3	59.3
Production (s.a.)	53.5	49.4	48.2	55.1	57.6	62.5
Employment (s.a.)	47.8	52.8	49.5	50.0	52.2	57.5
New Orders (s.a.)	55.3	54.0	49.1	52.3	60.4	61.8
Finished Stocks (s.a.)	47.6	50.5	43.9	51.8	50.4	51.5
Deliveries (s.a.)	50.0	53.1	46.4	51.0	55.8	56.6

National Indexes	Oct 2009	Oct 2010	Oct 2011	Oct 2012	Oct 2013	Oct 2014
BNZ - BusinessNZ PMI (s.a.)	51.7	52.0	47.9	52.2	56.3	59.3
Northern	53.2	56.3	46.6	52.1	60.7	60.2
Central	56.3	54.8	52.7	57.6	53.6	56.6
Canterbury/Westland	54.7	49.5	48.7	50.8	52.5	61.6
Otago/Southland	59.0	53.7	60.8	54.0	58.0	70.6

(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.

13 November 2014

Economic Expansion

The NZ economy has performed strongly over the past year, with annual growth of just below 4%. This is well above historical norms. From here, most forecasters, including ourselves, expect the rate of progress to slow over the coming years. In the meantime, confidence and activity indicators remain upbeat and some even increasingly so over the past month or so. Today's Performance of Manufacturing Index is the very latest to fit into this category, fair and square. At 59.3 the PMI index is at its strongest level since July last year. Moreover, it is the fifth consecutive month that the index has increased indicative of acceleration, not slowdown, in the manufacturing sector at least.

Domestic Demand and Construction

Domestic demand indicators provide a positive backdrop for manufacturing. For instance, October's electronic card transactions rose 1.5% in the month to be up 5.9% on a year ago (the strongest annual growth since May). Durable goods were part of it. Very strong migration-fuelled population growth is a fundamental support. A positive construction outlook remains helpful for manufacturing too. While residential building consents have flattened a bit over recent months, non-residential consents have considerable upward momentum as they push further into record territory. On the downside, an anticipated marked drop in dairy sector revenue is expected to be a headwind.

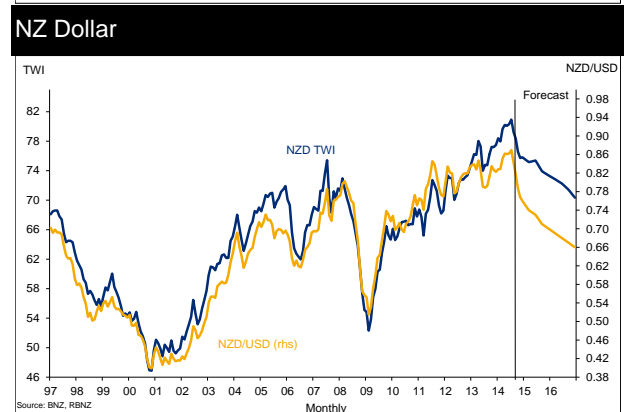
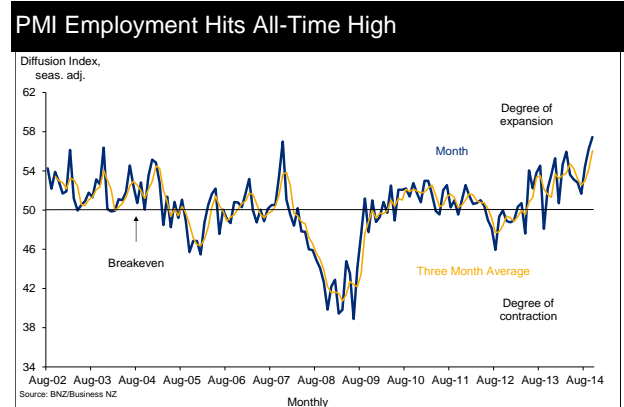
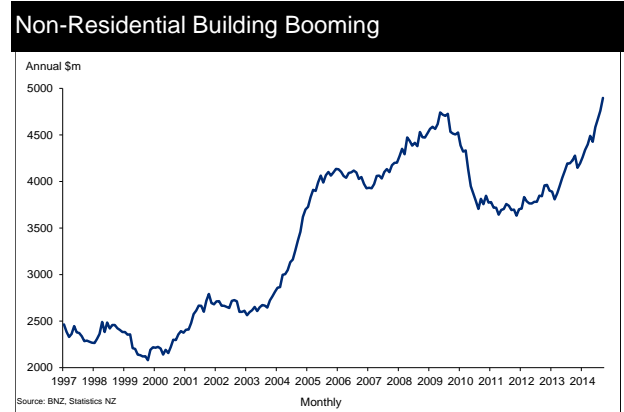
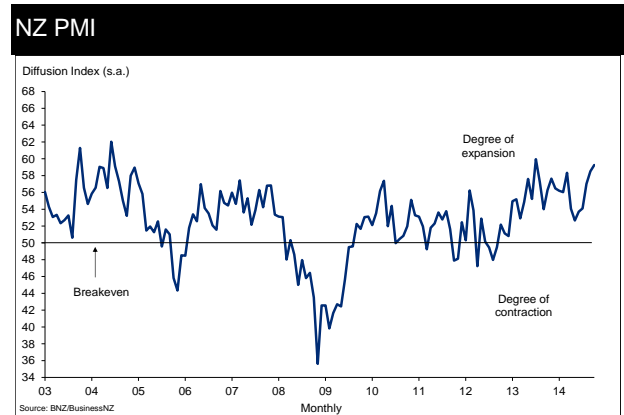
Employment

NZ's labour market continues to strengthen, with annual employment growth clocking in at a very robust 3.2% in Q3, enough to nudge the unemployment rate down to 5.4% from 5.6%. Manufacturing employment has been flat over the past year, following solid gains in the year prior to that. Indications for the year ahead look better. Today's PMI result is an encouraging sign that positive employment intentions are being acted on. The PMI employment index, at 57.5, is the highest reading since the survey began back in 2002.

Foreign Exchange

The NZ dollar has pulled back from its recent highs, but not uniformly. The high profile NZD/USD exchange rate has fallen by around 11% since early July. The NZD's drop has been even more against China's CNY. But the decline against the likes of the AUD, GBP or the EUR has been much smaller. And in the case of the JPY, the NZD has actually appreciated. Recent currency market moves have been as much about a stronger US dollar and Chinese yuan and a weaker JPY as much as they have been about anything else. Looking ahead, we see this broad pattern continuing with the NZD expected to fall against a stronger USD, but change considerably less against the likes of the AUD, EUR, GBP and JPY.

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