

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.



## Rising stocks

### BNZ - BusinessNZ PMI for September 2014

- The BNZ-BusinessNZ seasonally adjusted PMI for September stood at 58.1, which was 1.1 points higher than August, and the fourth consecutive monthly increase in activity. The September value was only just below the March result for the highest value recorded so far in 2014.
- All five seasonally adjusted main diffusion indices were in expansion during September. *Deliveries* (62.4) led the way, with its highest result since July 2013. *New orders* (60.0) rose 1.5 points, while *production* (59.3) dropped 1 point, although still showing very healthy levels of activity. *Finished stocks* (58.1) recorded its highest value since the survey began in 2002, while *employment* (56.0) rose another 2.0 points.
- All four regions were in expansion during September. In the North Island, the *Northern* region (58.9) decreased 1.7 points after a large increase in expansion during August. The *Central* region (53.5) recovered from consecutive months in contraction to record its highest value since May. In the South Island, the *Canterbury/Westland* region (55.9) rose 1.2 points, while the *Otago-Southland* region (65.4) continued its upwards trend with a strong result for September.
- Manufacturing by industry sub-groups were all positive during September. *Petroleum, coal, chemical & associated product manufacturing* (59.3) continued to exhibit healthy signs of expansion, while *textile, clothing, footwear & leather manufacturing* (59.9) did likewise. *Food, beverage & tobacco manufacturing* (70.9) improved on its August result, while both *machinery & equipment manufacturing* (50.8) and *metal product manufacturing* (50.6) displayed only slight expansion for September.
- The proportion of positive comments for September (56.8%) was down on August (61.2%) and July (57.4%), but up on June (55.2%). Globally, the JPMorgan Global Manufacturing PMI for September (52.2) edged down slightly from August, although the rate of expansion signaled was similar to those registered through much of mid-2014.

*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 fourth consecutive increase in expansion levels.***

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

***Unadjusted regional activity was expansionary in all four regions.***

***Next BNZ - BusinessNZ PMI:  
13 November 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](http://www.research.bnz.co.nz))

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

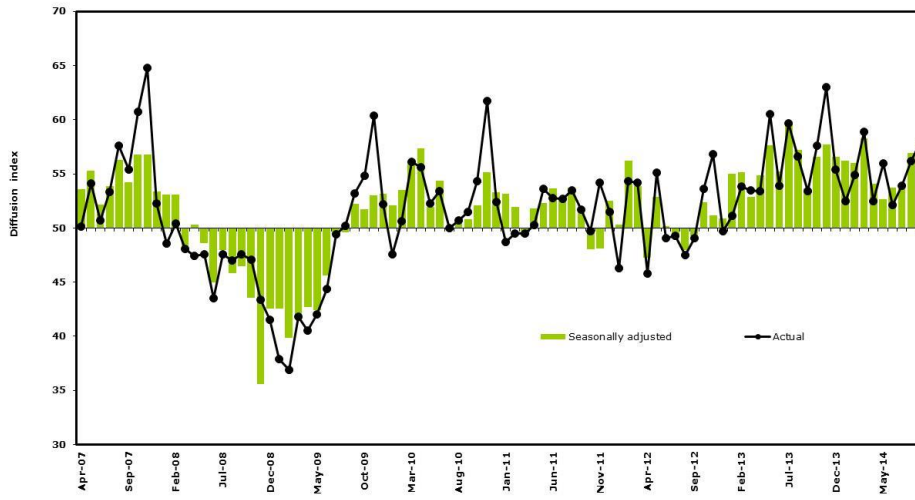
Senior Economist Craig Ebert sees a lot to suggest manufacturing activity accelerated through the September quarter, having taken a pause in the June quarter..

## BNZ-BusinessNZ PMI

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# pmi

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



### September time series tables

National Indexes	Sep 2009	Sep 2010	Sep 2011	Sep 2012	Sep 2013	Sep 2014
BNZ - BusinessNZ PMI (s.a.)	52.2	50.8	51.5	49.2	53.7	58.1
Production (s.a.)	52.8	49.8	52.3	52.4	56.5	59.3
Employment (s.a.)	51.2	51.4	50.9	49.2	47.8	56.0
New Orders (s.a.)	56.1	54.2	53.6	48.3	59.2	60.0
Finished Stocks (s.a.)	46.3	48.7	51.3	51.6	49.6	58.1
Deliveries (s.a.)	52.4	49.9	51.4	49.9	54.8	62.4

National Indexes	Sep 2009	Sep 2010	Sep 2011	Sep 2012	Sep 2013	Sep 2014
BNZ - BusinessNZ PMI (s.a.)	52.2	50.8	51.5	49.2	53.7	58.1
Northern	52.8	53.7	47.4	47.1	54.1	58.9
Central	50.7	47.7	53.2	53.1	58.5	53.5
Canterbury/Westland	53.3	52.8	57.4	49.2	42.5	55.9
Otago/Southland	58.7	47.4	60.1	49.8	50.7	65.4

(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.*

16 October 2014

## Overview

New Zealand's manufacturing activity stalled in the June quarter. However there are signs that it picked up in the September quarter, potentially with some gusto. With reference to the latest GDP accounts, manufacturing production volumes declined a seasonally 0.7% in Q2. This reduced its annual growth rate to 3.3%, from 3.6%. However, we expect manufacturing GDP to rebound about 1.5% in Q3 (as part of the 1.0% we anticipate for Q3 GDP, overall). This is partly based on an assumed jump in food processing, following the 1.1% fall in the GDP category of food-beverage and tobacco manufacturing in the Q2 GDP accounts. For all the valid concerns about dairy price levels, dairy production looked solid in Q3.

## Sales

Acceleration in Q3 manufacturing activity has certainly been the theme of the Performance of Manufacturing Index over recent months. Indeed, the PMI hit a seasonally adjusted 58.1 in September, compared to 57.0 in August and the recent low of 52.7 back in May. This pick-up has been relatively well spread across industry type, firm size and the standard breakdowns of production, orders, employment, stocks and deliveries. By industry, the (unadjusted) 70.9 result for the PMI component of food, beverage and tobacco aligned with our view that agriculture processing will bounce in Q3, having registered a (mostly technical) dip in Q2.

## Foreign exchange

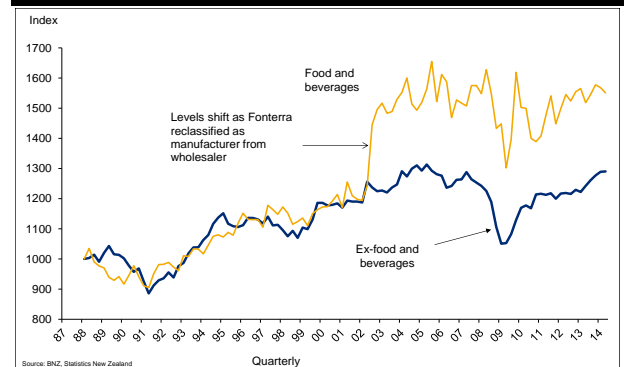
The NZ dollar is beginning to look tired of being so very high, as we thought would start to be the case this year. NZD/USD has fallen about 4% over the last month and 11% compared to the peak of around 0.8800 back in July. We target 0.7800 for end-2014 and 0.7300 for end-2015. While the NZD moderations against AUD, EUR, JPY and GBP haven't been as big, the increasingly important NZD/CNY exchange rate has dropped at least as much as NZD/USD has over recent months. While the falling currency will help revenue of manufactured goods exporters it also puts upward pressure on import costs and makes foreign-exchange debt harder to service.

## Construction

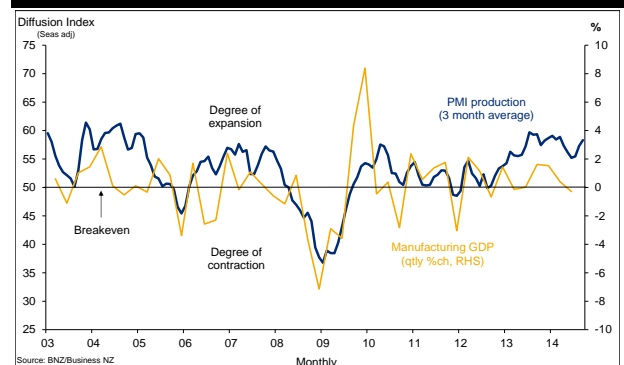
While dairy export prices and the outlook for dairy farmer income are becoming problematic, New Zealand's construction industry is looking stronger by the day. The growth impulse from Canterbury's reconstruction might be peaking soon, but only a fraction of the estimated \$45bn of work has been completed so far. Meanwhile, Auckland's building and infrastructure work program is looking bigger and bigger. While architects in the very latest NZIER Quarterly Survey of Business Opinion became less positive on residential building activity their outlook for commercial work stayed exceptionally strong.

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## Manufacturing GDP



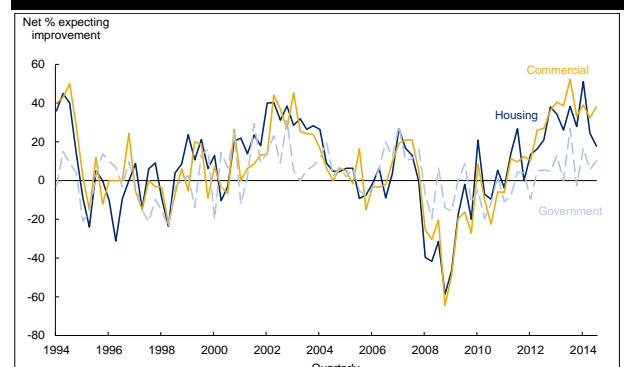
## PMI Production and Manufacturing GDP



## NZD



## Architects' Work Expectations – Next 12 Months



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