BNZ-BusinessNZ PMI

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

Holding on

BNZ - BusinessNZ PMI for October 2012

- The BNZ-BusinessNZ seasonally adjusted PMI for October stood at 50.5. While this was 2.0 points up from September and the highest value since May, the October result represented minor expansion at best. Compared with previous October results, the 2012 value was higher than 2011, but lower than 2010.

- Three of the five seasonally adjusted main diffusion indices were in expansion in October. This was led by *production* (53.8), which experienced its highest result since May. This was followed by *finished stocks* (52.1), displaying its highest value since August 2011. After consecutive falls in activity, *new orders* (50.9) managed to return back into slight expansion for October, while both *employment* (49.1) edged lower and *deliveries* (49.7) improved, albeit remaining in contraction for the last five months.

- Given the slight pick up in the seasonally adjusted result, unadjusted results by region displayed expansion across the board. The *Central* region (57.6) led the way for a forth consecutive month, increasing 4.5 points from September. The *Otago-Southland* region (54.0) rose 4.2 points to display its highest result since December 2011. Both the *Northern* (52.1) and *Canterbury/Westland* (50.8) regions returned to expansion with their highest results since May this year.

- Despite the return to overall expansion for October, manufacturing by industry sub-groups was a combination of expansion and contraction. *Food, beverage & tobacco* (73.3) built on its previous months result with very strong expansion, while *petroleum, coal, chemical & associated product manufacturing* (57.4) returned to healthy expansion. *Machinery & equipment manufacturing* (51.1) displayed a slight dip in expansion levels, while *metal product manufacturing* (42.7) slipped further into contraction.

- Although there was only a small improvement in the overall result, the proportion of positive comments (53.1%) rose significantly in October, compared with 40.1% in September. Globally, the J.P.Morgan Global Manufacturing PMI for October (49.2) also improved, but still remained in contraction.

Inside BNZ Commentary this Month (page 3)

BNZ Senior Economist, Craig Ebert, finds relief in the latest PMI, especially in its much-recovered jobs index since a worrying low back in August. The rebound helps alleviate fears that the surprisingly weak Q3 Household Labour Force Survey was the start of some rot.

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 returned to slight expansion with a value of 50.5 in October.

Three of the five main indices were in expansion, with production leading the way.

Unadjusted regional activity was expansionary across the country, again led by the Central region.

Next BNZ - BusinessNZ PMI: 13 December 2012

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)

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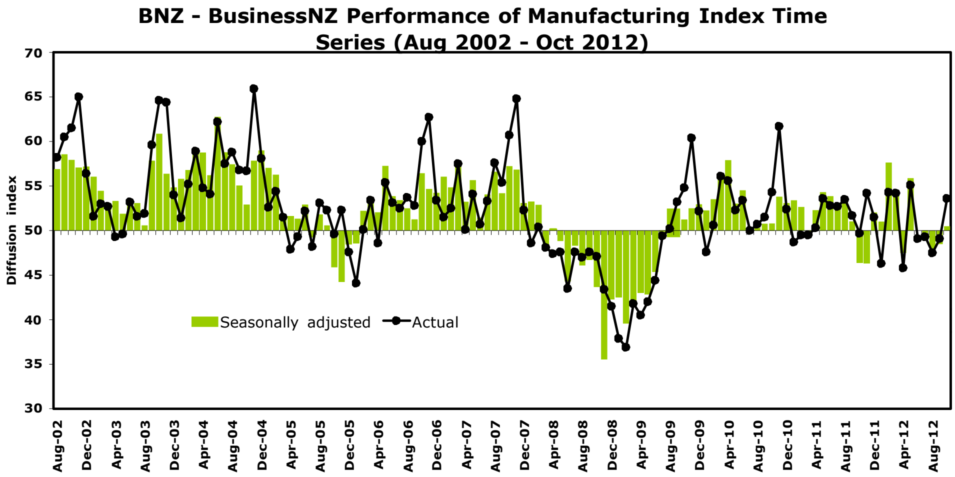
pmi



October time series tables

National Indexes	Oct 2007	Oct 2008	Oct 2009	Oct 2010	Oct 2011	Oct 2012
BNZ - BusinessNZ PMI (s.a.)	57.2	43.6	51.2	50.8	46.4	50.5
Production (s.a.)	58.4	44.6	53.6	48.4	46.9	53.8
Employment (s.a.)	53.5	42.6	47.7	52.4	49.0	49.1
New Orders (s.a.)	58.3	42.7	54.9	53.3	48.0	50.9
Finished Stocks (s.a.)	56.5	47.4	47.8	50.6	44.1	52.1
Deliveries (s.a.)	59.1	44.0	49.7	52.6	45.5	49.7

National Indexes	Oct 2007	Oct 2008	Oct 2009	Oct 2010	Oct 2011	Oct 2012
BNZ - BusinessNZ PMI (s.a.)	57.2	43.6	51.2	50.8	46.4	50.5
Northern	62.3	43.7	53.2	56.3	46.6	52.1
Central	56.6	47.0	56.3	54.8	52.7	57.6
Canterbury/Westland	60.0	54.3	54.7	49.5	48.7	50.8
Otago/Southland	65.7	54.2	59.0	53.7	60.8	54.0

(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 (Employers' Chamber of Commerce 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.

15 November 2012

NZ Manufacturing Picks Up Consolation Award at Cans

- NZ PMI stabilizes in October, at 50.5
- As its jobs index does well to shake negativity
- It's all encouraging, compared to ugly August
- But not exactly positive

Can New Zealand's manufacturing sector avoid another slide into recession? By the look of the latest Performance of Manufacturing Index (PMI) the answer is yes, yes it can. And it probably is. Nonetheless, there are no prizes for recognizing that headwinds for the industry are still blowing hard.

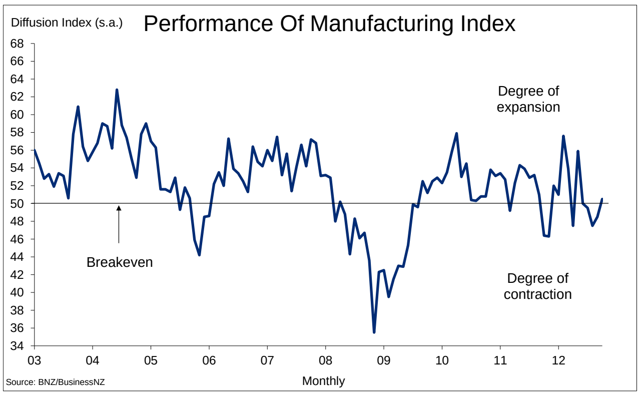
We think the best word to describe the results of the latest PMI is relief. If we want to split hairs, we could say it got back into growth mode in October, with an overall index reading of 50.5, seasonally adjusted, and new orders of 50.9. What's more, its production component was up at 53.8.

However, we prefer to see the latest batch of PMI numbers as simply giving hope that the sector is stabilizing, having been through a rough patch over the preceding few months. We are yet to see how manufacturing performed in Q3 GDP. But suffice it to say we have penciled in a negative contribution, as part of an overall GDP calculation that is struggling to keep its head above water.

It's not as though the headwinds facing the manufacturing sector have disappeared. Aside from the renewed dip in NZD/AUD, the NZ dollar more generally remains high against the majority of the majors. International demand, meanwhile, is patchy, with Europe teetering into another recession, and Australia's economy coming off the boil. This is not conducive to expenditure on capital goods or consumer durables.

Also, the New Zealand economy is looking a bit bumpy and hesitant, which is not helpful for manufacturing expansion either. In particular, the construction industry still seems soggy (according to much of the anecdotal feedback to October's PMI). Outside of Canterbury, that is, where there is increasing evidence the rebuild is underway.

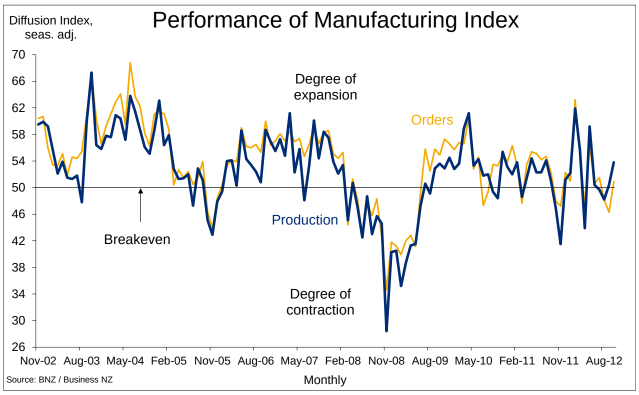
In reading the tea leaves of the local economy, it's worth recalling that the PMI was amongst the first indicators that got us nervous about how things were faring this year,

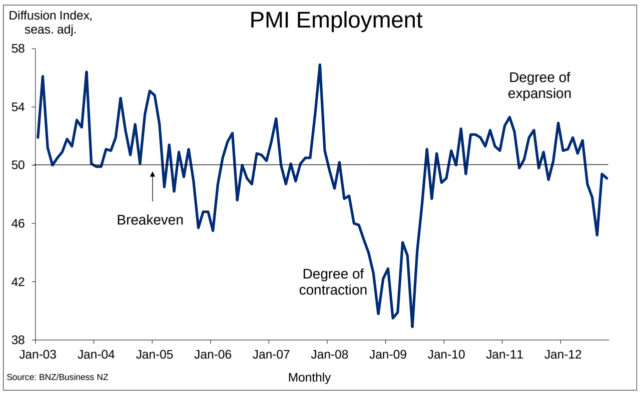


after what looked to be a solid first half, GDP wise. It was all looking quite good up until mid-year. But by August the PMI had softened to 47.5, from a high point of 55.9 back in May.

Even more disconcerting was the fact its employment index had plunged to 45.2 in August, with its counterpart in the PSI having slumped in that month as well, to 46.5. As such, these indices were some of the very few that "picked" the nasty result we saw in the Q3 Household Labour Force Survey (most every other indicator on the labour market looked reasonable, some even strong).

And so we've been most encouraged to see the PMI employment index grapple its way back to 49.1 in October, having gained a good initial foothold in September, with 49.4 (we will see if this is backed up by October's PSI, due for publication Monday). This lends support to our view that the rough HLFS result we saw for Q3 was probably more in the nature of a big wobble than the start of some rot. At the same time, the latest PMI jobs index is not exactly positive.





The main reason to remain cautious about the latest PMI results, however, is that they still harbor very mixed details through and through. Things are still bouncing around like crazy, whether by way of region, sub-industry, or size of firm. Until we see a more concerted and consistent pulse in the PMI we'll stay reticent about the manufacturing sector's immediate growth prospects. For the meantime, we'll read October's PMI as a sign of stabilization. It could have been worse.

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