

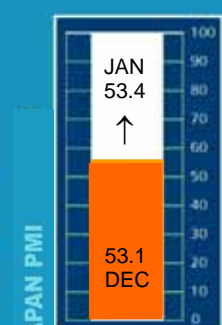
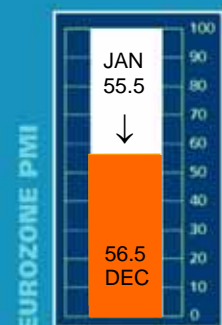
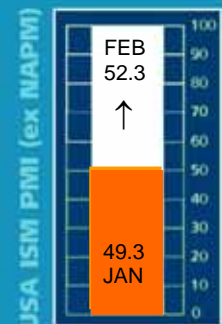
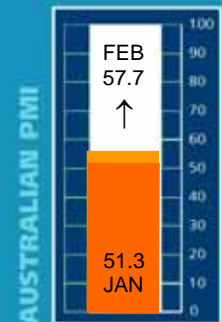
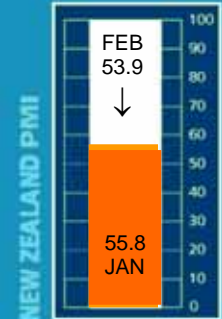
MANUFACTURING STEADY

BUSINESS NZ PMI FOR FEBRUARY 2007

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. The Business NZ PMI contains data obtained through Business NZ's regional organisations: Employers & Manufacturers Association (Northern), Employers & Manufacturers Association (Central), Canterbury Employers' Chamber of Commerce and Otago Southland Employers' Association. When interpreting the data, a PMI reading above 50 points indicates manufacturing is generally expanding; below 50 indicates it is contracting; the distance from 50 indicates the strength of expansion or contraction. The main PMI and sub-index results are shown on a seasonally adjusted basis.

KEY FINDINGS

- The Business NZ seasonally adjusted PMI for February (53.9) continued the steady but expansionary level of activity manufacturers have experienced over the last five months. In comparison with previous February months, the 2007 result was roughly similar around the mid-50 mark that typifies results for the second month of the year. While it was slightly below results for February 2003-2005, it bettered the February 2006 result.
 - Unadjusted activity in February was expansionary in all the regions examined. The Otago/Southland region (53.9) bounced back from its poor showing in January, and actually led activity for the month. The remaining regions displayed similar levels of positive activity, with both the Central (53.0) and Northern (52.3) regions experiencing their highest level of activity since November 2006.
- It is now the fifth consecutive month that all seasonally adjusted main diffusion indices recorded expansion – a run of results not seen since late 2004. Overall, the level of activity for each of the indices was largely similar, and encouragingly *new orders* (56.8) recorded the strongest result. *Employment* (53.2) had also shown steady improvement; with the February result being the third consecutive time the current result has bettered the one before it.
- Steady results across the board also reflect findings by industry. The *food, beverage & tobacco* (58.5) and *metal product* (56.3) sectors led the way in terms of expansion for the month, citing good weather with the former, and increased foreign and domestic new orders with the later as positive influences on activity. At the other end of the scale, *machinery & equipment manufacturing* (45.2) experienced a further drop in activity from January, primarily due to a sustained drop off in orders from offshore.
 - The disparity between the overall seasonally adjusted PMI value and the balance of positive versus negative results continues to widen. For February, the proportion of positive comments was down to 38%, a significant drop from 45.5% in January, 50% in December and 57% in November. The continued downward path of positive comments and subsequent increase in negative comments could soon reach a tipping point when the overall PMI results are also adversely affected. Comments show roughly a third of those listing negative influences attribute the high New Zealand dollar, while a lack of skilled or unskilled staff to find (10%) has also resurfaced as a main inhibitor to expansion.



PRODUCTION

- The seasonally adjusted Business NZ *production* diffusion index for February stood at 53.0, which was the lowest value recorded since September 2006. The 2007 value was lower than 2003-2005, but marginally up on the 2006 (52.6) result.
- The *textile, clothing, footwear & leather manufacturing* (62.5) and *food, beverage & tobacco* (60.0) sectors showed strong expansion in production for February. In contrast, both the *machinery & equipment manufacturing* (44.1) and *wood & paper product manufacturing* (44.4) showed a sizeable fall.
- All regions produced a positive result in January, led by the Canterbury/Westland region (55.6).

EMPLOYMENT

- The seasonally adjusted Business NZ *employment* diffusion index (53.2) for February produced its highest result since May 2006. Also, activity in employment for 2007 was stronger than most February months on record.
- The majority of industries showed no change in employment for February. The strongest result again came from the *petroleum, coal, chemical & associated product* sector (55.6), while the *food, beverage & tobacco* sector (45.0) showed the only decline.
- The Canterbury/Westland region (42.6) continued to experience a strong decline in employment – similar to the result in January. The Central region (50.0) showed no change, while the remaining regions produced a positive result.

NEW ORDERS

- The seasonally adjusted Business NZ *new orders* diffusion index for February (56.8) was similar to previous months, and again historically close to the long run average for the month.
- The *food, beverage & tobacco* sector (70.0) again recorded strong expansion during February, followed by the *petroleum, coal, chemical & associated product* sector (61.9).
- The level of new orders was expansionary across most regions. The Central region (59.2) showed strong expansion; while in contrast the Canterbury/Westland region (46.3) showed a large dip in activity from the previous month.

FINISHED STOCKS

- The seasonally adjusted Business NZ *finished stocks* (51.1) sub-index value for February was up slightly from January, but still close to the 'no change' threshold. Overall, the 2007 result was similar to recent February results.
- Most industries showed some level of decline in finished stocks for the month. In contrast, the *textile, clothing, footwear & leather manufacturing* sector (53.1) showed strong expansion.
- Finished stocks were only in expansion for the Canterbury/Westland region (59.3), while the remaining regions showed 'no change' or a decline.

DELIVERIES

- The seasonally adjusted Business NZ *deliveries of raw materials* diffusion index stood at 54.0 in February, which was exactly in the middle of previous February results.
- The *metal product* sector (60.7) result for February was the most expansionary, followed by the *petroleum, coal, chemical & associated product* sector (56.9).
- The Canterbury/Westland region (61.1) again experienced the highest level of expansion during February, while the Northern region saw no change (50.0).

National Indexes	Feb 2004	Feb 2005	Feb 2006	Feb 2007
Business NZ PMI (s.a)	56.6	55.8	51.5	53.9
- Production (s.a)	57.2	56.9	52.6	53.0
- Employment (s.a)	50.1	53.0	48.8	53.2
- New orders (s.a)	61.0	58.8	53.4	56.8
- Finished stocks (s.a)	55.0	50.9	49.5	51.1
- Deliveries (s.a)	58.1	56.2	52.2	54.0

Regional Indexes*	Feb 2004	Feb 2005	Feb 2006	Feb 2007
Business NZ PMI (s.a)	56.6	55.8	51.5	53.9
- Northern	54.1	53.8	46.8	52.3
- Central	58.1	51.0	49.1	53.0
- Canterbury / Westland	57.1	63.1	59.4	51.4
- Otago/Southland	47.1	51.0	48.9	53.9

*Regions (grouped according to Business NZ's associated 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

Next Business NZ PMI (March results): 13 April 2007

WHAT IS THE PMI?

The Business NZ Performance of Manufacturing Index (PMI) is a composite index based on the diffusion indexes for production, new orders, delivered, inventories and employment with varying weights.

A PMI reading above 50 points indicates that manufacturing is generally expanding; below 50 that is declining. The distance from 50 is indicative of the strength of the expansion or decline.

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

