

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. 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.

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Manufacturing activity picks up

Business NZ PMI for July 2007

- The Business NZ seasonally adjusted PMI for July (54.6) experienced a return to levels experienced for most of 2007, following a dip in expansion for June. The July result was the same as that recorded in April, boosted by expansion across most of the diffusion indices the survey tracks.
- In comparison with previous July months, the 2007 result was the second highest, although close to where the majority of results have been recorded. The highest July result was recorded in 2004 (59.0), while the 2005 result (49.6) produced the lowest result.
- Unadjusted activity in July showed most regions in expansion. Both the Northern and Central regions showed almost identical levels of activity (54.5 and 54.4 respectively) to lead the index. Both South Island regions also showed similar results, with the Canterbury/Westland region (50.9) still managing to show slight expansion, whereas the Otago/Southland region (49.0) continued to show a small decline. The Canterbury/Westland result was the lowest since July 2006.
- Four of the five seasonally adjusted main diffusion indices recorded expansion for the current month. *New Orders* (56.7) continued to exhibit the strongest level of expansion, followed by *deliveries* (55.8). *Production* (55.2) bounced back from its decline in June to show healthy expansion for July, while *employment* (49.5) continued to trend downwards.
- There were mixed results for the various manufacturing industry sectors. The *petroleum, coal, chemical & associated product* sector (57.7) displayed the strongest result for July, followed by the *machinery & equipment* sector (53.6). The *metal product* sector (51.0) was close to no change for the month, while the *food, beverage & tobacco* sector (48.7) displayed a small decline in activity.
- The proportion of negative comments stood at 64%, largely the same as May and April. Despite the recent extreme high values of the New Zealand dollar, the proportion of manufacturers who provided negative comments mentioning the current exchange rate dropped from 44% in June to 36% in July. The sharp drop in the New Zealand dollar over the previous week may have helped ease pressures. Regarding positive comments, most again involved increased orders (some from offshore), along with some firms contributing new products to the market.
- While the lackluster June result may have indicated a softening in manufacturing activity, the July result has brought the series back in line with results over last nine months. The lift in production activity during July was the main contributing factor to the rebound. Although the New Zealand dollar has eased back over the last two weeks, it is still coming off record highs, with many exporting manufacturers wanting to see further falls in the months ahead.

HIGHLIGHTS

Seasonally-adjusted PMI up 4.0 points from June to sit at 54.6 for July.

Four of the five main indices showed expansion in July, with production bouncing back from a decline in June.

The two North Island regions showed similar levels of expansion, while the two South Island regions were placed around the 'no change' level of activity.

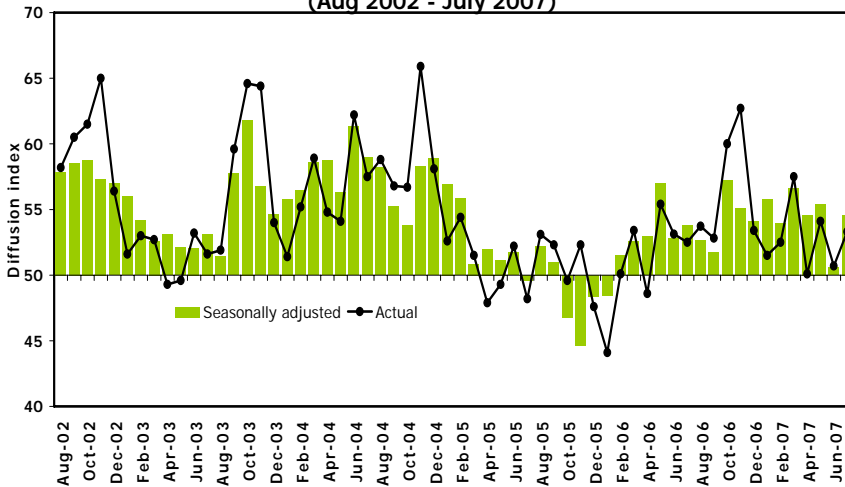
The Australian PMI for the same month displayed a similar pattern to New Zealand, bouncing back from a dip in the level of expansion in June to experience higher activity in July.

Next Business NZ PMI: September 14, 2007

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



July time series tables

National Indexes	July 2003	July 2004	July 2005	July 2006	July 2007
Business NZ PMI (s.a)	53.1	59.0	49.6	53.8	54.6
Production (s.a)	52.2	62.2	48.5	54.9	55.2
Employment (s.a)	51.7	52.2	48.8	49.5	49.5
New Orders (s.a)	54.2	63.5	50.4	56.1	56.7
Finished Stocks (s.a)	53.2	54.2	48.9	53.2	54.2
Deliveries (s.a)	54.2	56.3	50.7	53.3	55.8

Regional Indexes	July 2003	July 2004	July 2005	July 2006	July 2007
Business NZ PMI (s.a)	53.1	59.0	49.6	53.8	54.6
Northern	51.5	60.6	44.8	54.7	54.5
Central	51.5	55.2	50.6	48.4	54.4
Canterbury/Westland	49.5	60.9	54.6	48.8	50.9
Otago/Southland	55.0	45.8	50.7	61.6	49.0

(s.a denotes seasonally adjusted)

The Business NZ PMI contains data obtained through Business NZ's 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.