

PERFORMANCE OF MANUFACTURING INDEX

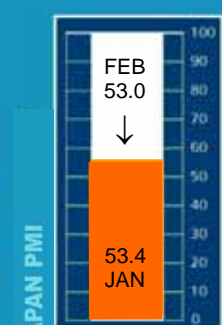
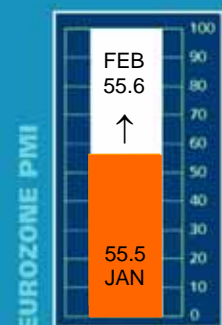
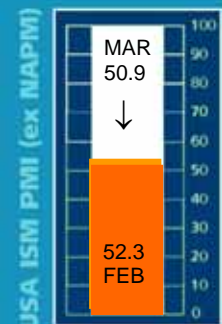
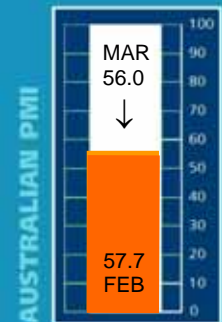
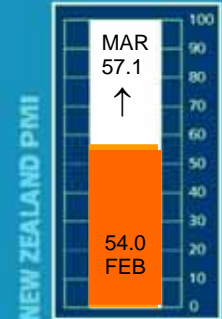
LIFT IN MANUFACTURING ACTIVITY

BUSINESS NZ PMI FOR MARCH 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 March (57.1) showed a lift in activity for manufacturers during the third month of 2007. In comparison with previous March months, the 2007 result was well above most others, although not quite at the level experienced in 2004 when the manufacturing sector enjoyed a healthy and sustained level of growth. The March 2007 result was also the highest monthly result experienced since May 2006.
- Unadjusted activity in March was expansionary in all the regions examined. The Canterbury/Westland region (64.1) bounced back from a four month period of consecutive lower activity levels to lead activity for the month. The remaining regions displayed varying levels of positive activity, with the Otago/Southland region (61.2) also above 60, and the Northern (55.0) and Central (54.6) regions also showing healthy expansion.
- All seasonally adjusted main diffusion indices recorded expansion for the sixth consecutive month. *Production* (60.5) experienced the strongest lift in both the level of activity for the month, as well as increase from February. Additionally, the strong result for production (the highest since December 2004) was a key factor in the strong overall PMI result. *New orders* (58.6) was also at its highest level since October 2006, while *finished stocks* (56.9) recorded its highest ever value since the survey began - just ahead of the February 2003 result (56.8).
- Activity by industry displayed strong expansion across most sectors. The *food, beverage & tobacco* (64.9) sector led the way in terms of expansion for the month, closely followed by the *textile, clothing, footwear & leather manufacturing* (61.7) and *petroleum, coal, chemical & associated product* (61.0) sectors. At the other end of the scale, *metal product manufacturing* (53.3) experienced a drop in the level of positive activity from February, although still showing some expansion.
- The disparity between the overall seasonally adjusted PMI value and the balance of positive versus negative results remains, although the percentage of negative comments appears to have peaked for the moment. For March, the proportion of negative comments was at 62%, the same value as February. However, this was a significant increase from the 43% recorded in November. Around 45% of negative comments specifically mentioned the high NZ\$, while there are still a number of manufacturers who are unable to expand production due to ongoing staff shortages. On the positive side, seasonal factors have often come into play, while some have still managed to increase offshore orders despite a high NZ\$.



PRODUCTION

- The seasonally adjusted Business NZ *production* diffusion index for March stood at 60.5, which was the highest value recorded since December 2004. The 2007 value was also higher than previous March results for the survey.
- The *food, beverage & tobacco* (69.4) and *textile, clothing, footwear & leather* (69.0) sectors showed very strong expansion in production for March. Most other sectors also displayed strong levels of activity for the month.
- All regions produced a positive result in March, again led by the Canterbury/Westland region (67.0).

EMPLOYMENT

- The seasonally adjusted Business NZ *employment* diffusion index (50.2) for March was close to the level of no change. Also, activity in employment for 2007 was slightly below that of most March months on record.
- The majority of industries showed some level of expansion in employment for March. The strongest result came from the *food, beverage & tobacco* sector (58.3), while the *metal product* sector (48.5) experienced the only decline.
- The Otago/Southland region (61.8) showed a strong lift in employment for March, followed by the Canterbury/Westland region (54.5). In contrast, both North Island regions showed a decline.

NEW ORDERS

- The seasonally adjusted Business NZ *new orders* diffusion index for March (58.6) was similar to previous months, and again historically close to the long run average for the month.
- The *food, beverage & tobacco* sector (69.4) continued to record strong expansion during March, again followed by the *petroleum, coal, chemical & associated product* sector (63.4), which improved in expansion from February.
- The level of new orders was expansionary across all regions. The Canterbury/Westland region (69.3) bounced back from a decline in February; while the Otago/Southland region (64.7) also displayed a strong result.

FINISHED STOCKS

- The seasonally adjusted Business NZ *finished stocks* (56.9) sub-index value for March was the highest since the survey began in 2002, bettering the 56.8 recorded in February 2003 and well above previous March results.
- Most industries showed some level of expansion in finished stocks for the month, led by the *textile, clothing, footwear & leather manufacturing* sector (64.3).
- Finished stocks were in expansion for most regions, with the only exception being the Central region (44.4).

DELIVERIES

- The seasonally adjusted Business NZ *deliveries of raw materials* diffusion index stood at 56.3 in March, which was above average for results for the third month of the year.
- The *petroleum, coal, chemical & associated product* sector (65.9) result for March was the most expansionary, while the *metal product* sector (50.0) was unchanged.
- The Canterbury/Westland region (65.9) again experienced the highest level of expansion during March, while the Central region saw no change (50.0).

National Indexes	Mar 2004	Mar 2005	Mar 2006	Mar 2007
Business NZ PMI (s.a)	58.4	51.0	52.9	57.1
- Production (s.a)	59.7	51.6	53.0	60.5
- Employment (s.a)	51.8	49.2	51.0	50.2
- New orders (s.a)	62.8	50.4	54.2	58.6
- Finished stocks (s.a)	52.6	51.9	49.3	56.9
- Deliveries (s.a)	59.1	51.8	53.8	56.3

Regional Indexes*	Mar 2004	Mar 2005	Mar 2006	Mar 2007
Business NZ PMI (s.a)	58.4	51.0	52.9	57.1
- Northern	58.3	52.6	53.8	55.0
- Central	60.0	47.8	50.8	54.6
- Canterbury / Westland	64.6	50.6	54.2	64.1
- Otago/Southland	49.1	54.3	55.8	61.2

*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 (April results): 11 May 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 - Mar 2007)

