

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 lifts activity across the board as Xmas approaches

Business NZ PMI for October 2007

- The Business NZ seasonally adjusted PMI for October (56.9) was up 1.8 points from the September value, and experienced its highest level of activity since May 2006. Comparing all October values, the 2007 result was the third highest, eclipsed only by the 2002 and 2003 results.
- Unadjusted activity for October showed expansion in all regions, with three of the four regions recording values 60.0 and over. The Otago/Southland region (65.7) continued to lead the regional results, although slightly down on the previous months' activity level. The Northern region (62.3) recorded its highest value since November 2006, while the Canterbury/Westland region (60.0) continued a series of healthy results. The Central region (56.6) showed the lowest level of activity for October, but was still up on the September result.
- All five seasonally adjusted main diffusion indices again recorded expansion for the third consecutive month. All diffusion indices showed increased expansion from September, with *deliveries* (59.0) leading the way for the first time since January. This was closely followed by *new orders* (58.0) and *production* (57.6). *Employment* (53.8) which has traditionally been the worst performer recorded its highest value since January 2005, showing moderate growth.
- Results for the various manufacturing industries were almost all positive for October. The *petroleum, coal, chemical & associated product* sector (72.6) continued to exhibit strong expansion (due to high production, new orders and deliveries), with the highest activity recorded since November 2004. The *food, beverage & tobacco* (64.5) and *wood & paper product* (60.9) sectors also experienced strong expansion, while the *textile, clothing, footwear & leather* sector (49.5) was close to no change.
- By size of business, activity remained strong for all firms, with medium-to-large-sized firms (51-100 workers) providing the strongest result for October. The increased expansion for this group is also in contrast to the lackluster results experienced over the last four months.
- The proportion of negative to positive comments for October moved more towards the positive side (53.1% negative and 46.9% positive). Around 27% of respondents with negative comments mentioned the NZ dollar as a primary concern, followed by comments related to competition from cheaper imports. Regarding the positive comments received, most manufacturers tended to find demand steady, while the lead up to the Christmas season has brought about a lift in stock build up as many firms find this to be the busiest time of the year.

HIGHLIGHTS

Seasonally-adjusted PMI up 1.8 points from September to sit at 56.9 for October.

All five main indices again showed expansion in October, with deliveries leading the way for the first time since November 2004.

Regional activity was strong throughout the country, led by the Otago/Southland region.

The proportion of positive comments increased in October, with steady demand and the approaching Christmas season helping to fuel activity.

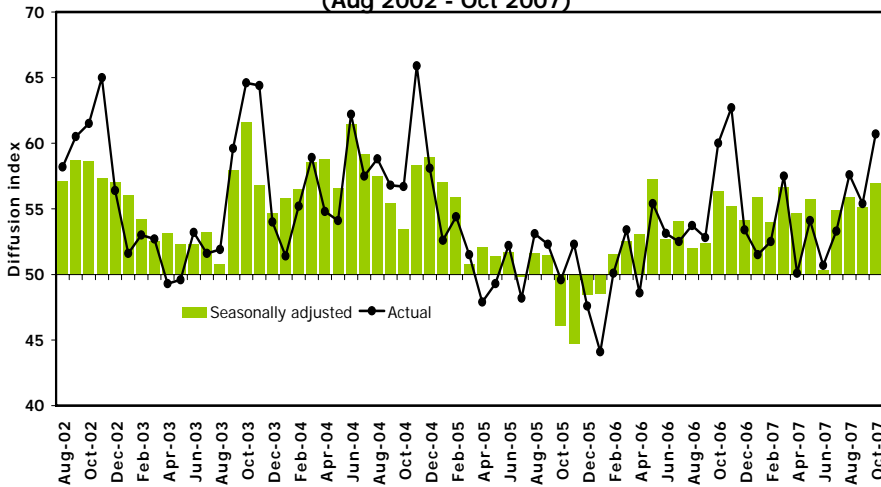
Next Business NZ PMI: December 13, 2007

BUSINESS NZ PERFORMANCE OF MANUFACTURING INDEX

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



October time series tables

National Indexes	Oct 2002	Oct 2003	Oct 2004	Oct 2005	Oct 2006	Oct 2007
Business NZ PMI (s.a)	58.6	61.6	53.5	46.1	56.3	56.9
Production (s.a)	61.7	68.0	55.8	45.4	58.5	57.6
Employment (s.a)	54.1	52.8	50.2	45.9	51.0	53.8
New Orders (s.a)	61.9	66.8	56.2	46.3	59.8	58.0
Finished Stocks (s.a)	52.8	54.0	51.6	49.1	53.1	57.0
Deliveries (s.a)	57.8	58.2	51.1	46.0	56.7	59.7

Regional Indexes	Oct 2002	Oct 2003	Oct 2004	Oct 2005	Oct 2006	Oct 2007
Business NZ PMI (s.a)	58.6	61.6	53.5	46.1	56.3	56.9
Northern	59.6	64.2	56.8	48.4	59.3	62.3
Central	62.3	64.2	57.7	48.8	57.8	56.6
Canterbury/Westland	65.3	75.0	56.0	52.7	64.7	60.0
Otago/Southland	62.5	59.7	54.8	54.9	62.4	65.7

(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.