

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.



## New orders keep manufacturing on track

### BNZ - BusinessNZ PMI for September 2013

- The BNZ-BusinessNZ seasonally adjusted PMI for September stood at 54.3, which was 2.8 points lower than August. This is the second consecutive month the level of expansion declined. Despite the lower level of expansion, compared with previous September results the 2013 value was the highest since 2007. Overall, the PMI has averaged 56.1 since the start of 2013.
- Three of the five seasonally adjusted main diffusion indices were again in expansion for September. *New orders* (58.8) again led the way for September, following consecutive post-60 results. *Production* (55.5) experienced another slight dip in expansion levels during September, while *deliveries of raw materials* (54.8) followed a similar pattern. *Finished stocks* (50.0) were unchanged during September, with its lowest value since April 2013. *Employment* (48.6) recorded the first decline of any sub-index since April 2013, following consistent levels of expansion for the previous four months.
- Expansion was centered more towards the North Island in September. In the North Island, the *Central* region (58.5) continued to lead the way, given another strong pick up in new orders and production. The *Northern* region (54.1) recovered slightly after a drop in the level of expansion for the previous month. In the South Island, the *Canterbury/Westland* region (42.5) had an unusually poor month, with production particularly low. The *Otago-Southland* region (50.7) also fell back during September, but kept its head above water with a slightly positive result.
- Manufacturing by industry sub-groups were a combination of expansion and decline during September. *Machinery & equipment manufacturing* (61.0) picked up from August to show a strong result for the current month. Likewise, *petroleum, coal, chemical & associated product manufacturing* (57.8) also showed a solid upwards swing, mainly due to the plastics sector. In contrast, *metal product manufacturing* (47.0) experienced its fourth straight fall to record a decline for the first time since February 2013.
- Despite the lower level of expansion for September, the proportion of positive comments for the month (58.1%) was up slightly from August (57.5%), but still down from July (67.3%). Globally, the JPMorgan Global Manufacturing PMI for September was 51.8, which resulted in the highest level of activity for 27 months.

*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 still in expansion at 54.3.**

**Four of the five main indices were again in expansion, led by new orders.**

**Unadjusted regional activity remains positive throughout most of the country.**

**Next BNZ - BusinessNZ PMI:  
14 November 2013**

#### 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.*

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#### **Inside BNZ Commentary this Month (page 3)**

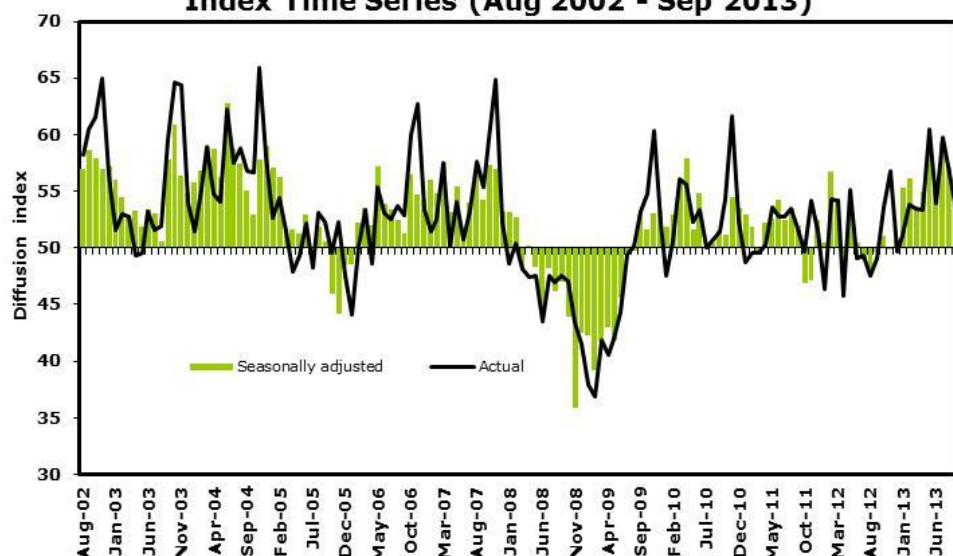
In this edition BNZ Senior Economist, Craig Ebert, highlights some of the weak spots in the latest PMI, such as Canterbury and jobs. However, he also finds that the PMI, overall, was about as positive as the manufacturing component of the Quarterly Survey of Business Opinion, which augurs well.

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# pmi

**BNZ - BusinessNZ Performance of Manufacturing Index Time Series (Aug 2002 - Sep 2013)**



### September time series tables

National Indexes	Sep 2008	Sep 2009	Sep 2010	Sep 2011	Sep 2012	Sep 2013
BNZ - BusinessNZ PMI (s.a.)	46.9	53.0	51.5	52.0	49.6	54.3
Production (s.a.)	45.8	53.3	50.1	51.8	51.3	55.5
Employment (s.a.)	44.1	51.2	51.4	51.2	49.7	48.6
New Orders (s.a.)	48.4	56.1	54.1	53.5	48.1	58.8
Finished Stocks (s.a.)	50.9	46.3	48.6	51.4	51.9	50.0
Deliveries (s.a.)	47.6	52.3	49.8	51.3	49.9	54.8

National Indexes	Sep 2008	Sep 2009	Sep 2010	Sep 2011	Sep 2012	Sep 2013
BNZ - BusinessNZ PMI (s.a.)	46.9	53.0	51.5	52.0	49.6	54.3
Northern	45.9	52.8	53.7	47.4	47.1	54.1
Central	46.2	50.7	47.7	53.2	53.1	58.5
Canterbury/Westland	51.6	53.3	52.8	57.4	49.2	42.5
Otago/Southland	53.9	58.7	47.4	60.1	49.8	50.7

(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* (Business 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.

10 October 2013

## Manufacturing Growth...Check

- PMI slows further in September
- Further hints of a peaking Canterbury pulse
- PMI jobs index loses gas
- But cross-check with QSBO allays concern
- NZ manufacturing looking good, overall

New Zealand's Performance of Manufacturing Index (PMI) did not just slow further in September but had a few noticeable sore spots in its details. Still, a timely check against the manufacturing component of Tuesday's NZIER Quarterly Survey of Business Opinion (QSBO) allayed any concerns we might have had. Taken together, the PMI and QSBO signals remain relatively positive. The disappointment is simply that manufacturing growth looks decent, rather than very strong (as was hinted at a couple of months ago). And mixed, rather than widely spread about.

The PMI itself came in at a seasonally adjusted 54.3 for September. This followed August's 57.1 and July's eye-popping 59.4. The average result (since August 2002) is 52.5, with 50.0 being the line in the sand between growth and contraction. So we're still talking better than average expansion, just not as hefty as seemed the case a short while ago.

More noticeably, there was quite a weak index recorded for the Canterbury/Westland region. It dropped to 42.5 in September from 56.7 in August. While this is not a seasonally adjusted series it was also down clearly from September last year (49.2). While these unadjusted results can be extremely variable from month to month we thought this one was worth a mention because of the

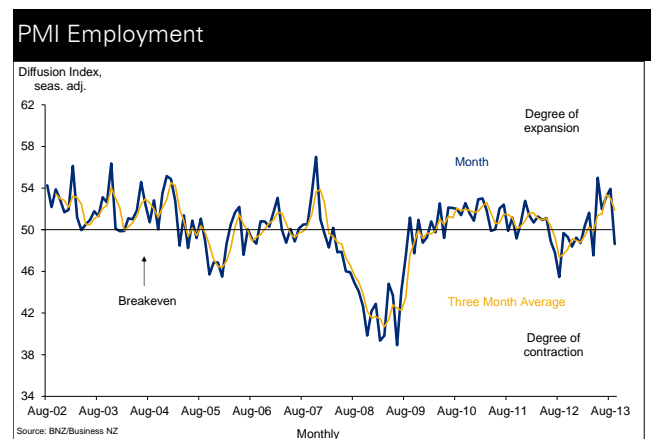
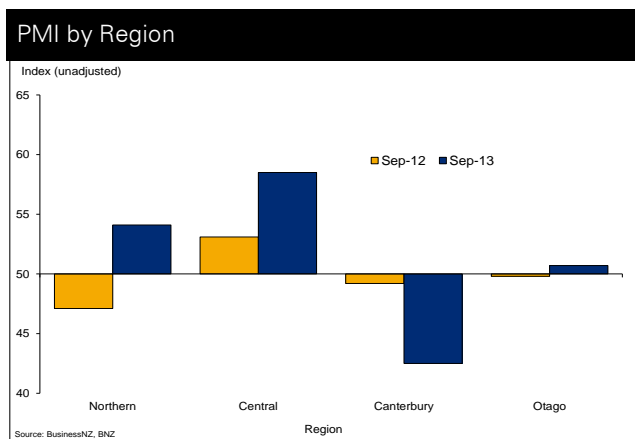
signs of slowdown in Canterbury that were also registered in Tuesday's QSBO, in particular around investment spending. We checked the comments of respondents to the PMI to see if there was a common complaint coming from the area, but none seemed to be forthcoming.

In any case, this simply meant that the rest of the country was taking up the slack. This was most evident the Central region, with an unadjusted 58.5, and the Northern region, with 54.1 – each clearly up on their levels of a year ago. This is further indication that economic growth is now picking up outside of Canterbury.

Aside from Canterbury, the other sore spot in September's PMI was its jobs index. This fell abruptly – to 48.6, from 53.9 in August, seasonally adjusted. This initially rang some bells when we checked it against the QSBO, to find the latter had a net 9% of manufacturers reporting a decline in employment over the last three months.

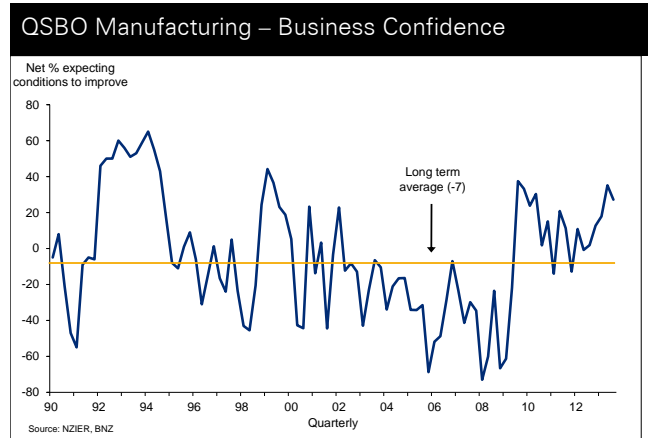
However, it turns out this was not much different to the long-term average (-7%). And, importantly, employment expectations amongst QSBO manufacturers remained fairly stout, at +9%, comfortably above the historical norm. So to call a halt to manufacturing employment seemed alarmist.

What's harder to reconcile is the fact the PMI industry component of Printing, Publishing and Recorded Media slumped to a horrible 20.8. We're not sure what's behind this, story wise. However, the extreme range and movements that this series traces suggest a small sample size is a factor.



More generally, there was still a great concert between the PMI and the manufacturing category of the QSBO – positively so. Both point to solid expansion in production (leaving us comfortable we'll see a big bounce-back in Q3 manufacturing GDP, aided by replenished primary food processing, post the early-2013 drought). Both have strong new-orders indices. And both suggest inventory is well under control.

The QSBO went on to indicate that for NZ manufacturers; overdue debtors were, also, under control; profitability was hanging in there and was expected to improve; export sales expectations had just slipped below those for domestic sales; investment attitudes were not as gung-ho as they were just three months ago and that; difficulty was beginning to emerge in respect to finding skilled and unskilled staff. Overall, thought, confidence was relatively high.



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