

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.



Consistent achiever

BNZ - BusinessNZ PMI for February 2014

- The BNZ-BusinessNZ seasonally adjusted PMI for February stood at 56.2, which was almost identical to the previous month. The sector has now been in expansion for 18 consecutive months, with the last five months in a tight and consistent expansionary band between 56.0 and 56.9.
- Four of the five seasonally adjusted main diffusion indices continued to be in expansion during February. *Production* (58.9) produced the highest level of expansion for the first time since July 2013, as *new orders* (56.9) slipped to its lowest level since June 2013. *Employment* (54.4) rose 3.2 points to record its second highest level since May 2013. *Deliveries of raw materials* (58.1) was similar to January, while *finished stocks* (49.2) increased slightly from the previous month.
- All four regions were in expansion during February. In the North Island, the *Northern* region (52.9) slipped 0.2 points from January, and its lowest level of activity since April 2013. In contrast, the *Central* region (57.3) picked up from two identical sub-50 monthly values. In the South Island, the *Canterbury/Westland* region (53.7) picked up 0.7 points from January, while the *Otago-Southland* region (61.7) rose 5.3 points.
- Manufacturing by industry sub-groups were almost all in expansion during February. *Petroleum, coal, chemical & associated product manufacturing* (56.0) went back into positive territory after a decline in January, while *metal product manufacturing* (55.0) decreased 4.3 points, but remained in expansion. *Machinery & equipment manufacturing* (55.0) activity was similar to the previous month, while *food, beverage & tobacco manufacturing* (65.0) recorded its highest result since November last year.
- The proportion of positive comments for February (58.8%) was broadly similar to January (59.2%). Globally, the JPMorgan Global Manufacturing PMI (53.3) hit a 34-month high in February, which has maintained a gradual upwards trend since April of last year.

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 very consistent over last five months.

Four of the five main indices were in expansion, with production leading the way.

Unadjusted regional activity was expansionary in all four regions.

***Next BNZ - BusinessNZ PMI:
10 April 2014***

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.

BNZ (www.research.bnz.co.nz)

Inside BNZ Commentary this Month (page 3)

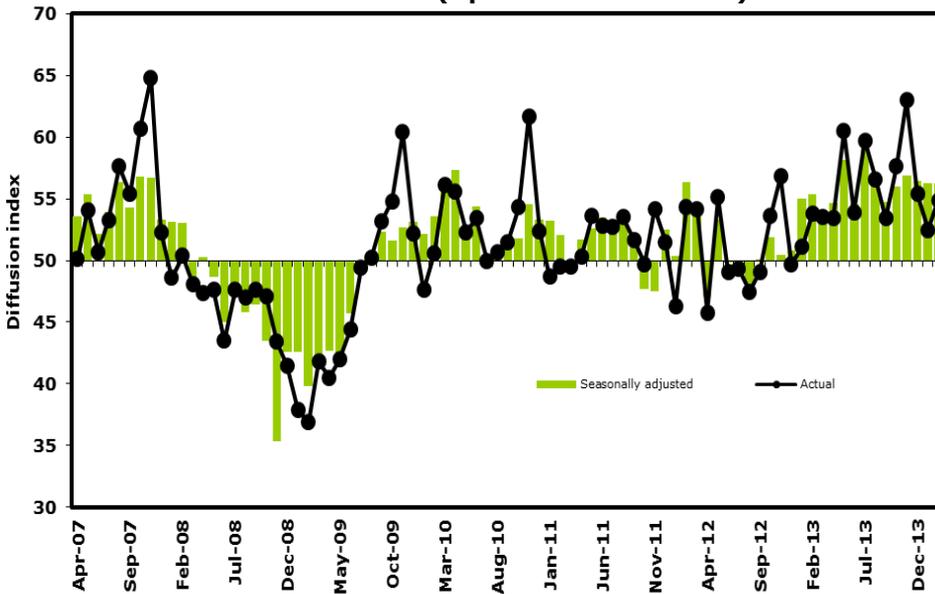
BNZ Senior Economist Craig Ebert looks at the real news in the latest PMI – its employment index, which is close to a record high for this sector since 2003. This is evidence that the economic upswing is gaining momentum, spreading across industries and fully radiating into the labour market .

BNZ-BusinessNZ PMI

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BNZ - BusinessNZ Performance of Manufacturing Index Time Series (Apr 2007 - Feb 2014)



February time series tables

National Indexes	Feb 2009	Feb 2010	Feb 2011	Feb 2012	Feb 2013	Feb 2014
BNZ - BusinessNZ PMI (s.a.)	39.8	53.6	52.1	56.4	55.4	56.2
Production (s.a.)	35.8	53.4	52.1	58.6	59.0	58.9
Employment (s.a.)	39.4	50.8	52.9	50.5	50.1	54.4
New Orders (s.a.)	39.9	56.5	52.7	62.4	58.6	56.9
Finished Stocks (s.a.)	48.2	50.7	50.9	49.2	51.7	49.2
Deliveries (s.a.)	41.6	53.5	50.3	53.3	52.9	58.1

National Indexes	Feb 2009	Feb 2010	Feb 2011	Feb 2012	Feb 2013	Feb 2014
BNZ - BusinessNZ PMI (s.a.)	39.8	53.6	52.1	56.4	55.4	56.2
Northern	33.2	49.1	52.4	53.0	53.6	52.9
Central	38.7	48.3	53.1	61.4	53.8	57.3
Canterbury/Westland	41.5	59.2	42.0	52.0	52.4	53.7
Otago/Southland	44.5	49.5	44.3	44.7	57.2	61.7

(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.

13 March 2014

Manufacturing Response Now Turning to Jobs

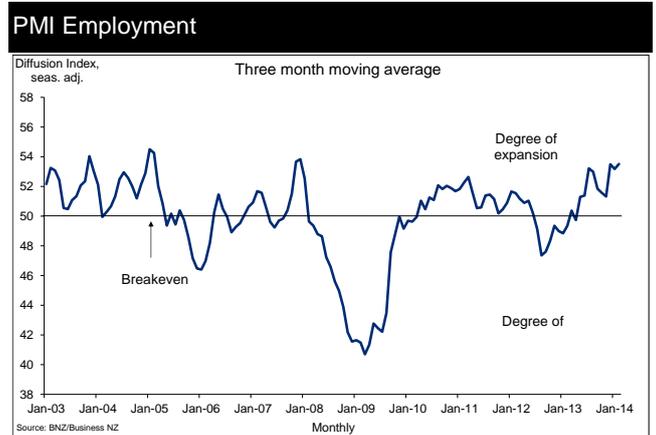
- PMI remains solid at 56.2 for February
- Manufacturing aids Q4 GDP growth expectations
- As food processing peaks, post drought
- PMI jobs index the biggest mover of late though
- Mind that labour market!

New Zealand's Performance of Manufacturing Index (PMI) has been pumping away for a good 12 months now. In its latest outturn, for February, it was a solid 56.2, after adjusting for seasonality. This is the exact average reading since February last year. And while the new orders index eased to 56.9 – a little below its 12-month mean of 59.4 – the PMI's production indicator, at 58.9 in February, was a bit above its average for the year, namely 57.9.

These activity gauges, in remaining solidly into their fifties, give us confidence that the manufacturing sector's upswing remains well in force into the early stages of 2014.

And from what looks to have been a chunky increase in manufacturing production over the final quarter of last year. Last week's December quarter manufacturing statistics certainly said as much. Bear in mind, though, that their sales volume result, of a whopping +5.7% (seasonally adjusted), was substantially boosted by a drawn-down of processed food stocks, following the inventory build that occurred in this sector in Q3, post the early-2013 drought. So the manufacturing production increase we infer for Q4 is more like 2.2%.

It could be an even bigger number than this, if the behavior of the PMI over the final few months of 2013 is anything to go by.

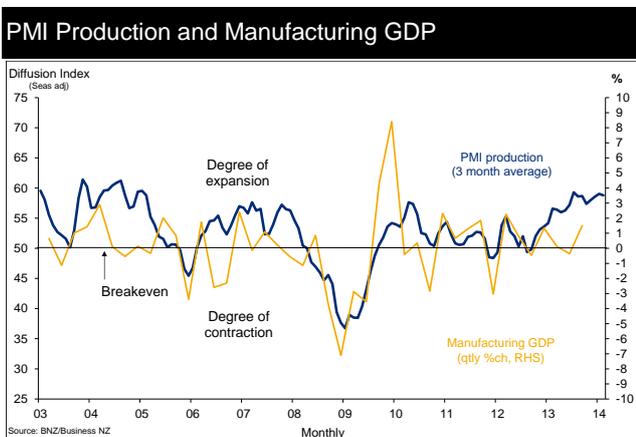


Still, even a 2.2% lift in manufacturing for Q4 2013 would be a very good number, slightly more than the 1.7% we were looking for, for the purposes of GDP. Technically speaking, this put us on the cusp of 0.8/0.9% regarding Q4 GDP growth. We've decided to leave, and finalize, it at 0.8%, but with a good sense of upside risk about it. In the end, "just" 0.8% for Q4 GDP would be a terrific follow-on from the outsized 1.4% it achieved for Q3. The result is due for publication 20 March.

At the same time, we need to be a little cautious about the role that primary food processing is playing in manufacturing. While it likely made a big contribution in Q4 of last year, it's unlikely to sustain this force into the first half of 2014. In essence, a very full rebound in rural production has occurred by Q4 of last year while there has also been dry weather in some key rural districts over the last couple of months to factor in. So, while the levels of food processing will likely still look great for H1 2014, and well up on the same time a year ago (when there was a vicious drought), its quarterly results may not, which would cap the gains we can expect for overall manufacturing production over this time.

This is where the monthly PMI will be important in indicating the health of the non-food parts of manufacturing.

The real news in the latest PMI, however, was not so much its overall force. This has been with us for some time now. What's changed substantially is its employment index. Twelve months ago it was roughly flat, i.e. around the breakeven mark of 50, having been a bit below this line throughout most of 2012. Its latest print is right up at 54.4. The 3-month average is 53.5. While that doesn't



sound a lot it's close to a record high (since 2003) for this sector, which, for so long, has been viewed, rightly or wrongly, as a struggler.

This is further evidence that the economic upswing is not only gathering momentum, and spreading across the various industries, but is it's now also fully radiating into the labour market. Further evidence of this came in Tuesday's Manpower staffing survey of 650 local employers. A net 29% expected to expand employment in the June quarter, compared to 19% in the previous survey and 23% a year ago. While construction was, not surprisingly, leading the charge, with 50%, most sectors were in the 20s and 30s, with the relative laggard being public administration and education, but still positive, at 16%.

Carrying on, Wednesday morning we saw the employment website Seek report that its February job vacancies increased 20,000 from a year ago, while job

applications increased 6% over the 12 months. It all fits. The labour market data, while lagged, could well prove the most important macro-economic information this year.

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 New Zealand Second Quarter Manpower Employment Outlook (Table) 91

By Daniel Petrie
 March 11 (Bloomberg) -- Following is a table showing New Zealand's second quarter employment outlook as surveyed by Manpower. The survey is based on interviews with 650 employers in New Zealand. A positive number suggests employers will increase hiring.

	2Q 2014	1Q 2014	4Q 2013	3Q 2013	2Q 2013	1Q 2013
Net Employment Outlook						
Overall	29%	19%	18%	21%	23%	15%
Finance/Insurance/Real Estate	38%	25%	26%	33%	25%	20%
Manufacturing	25%	8%	12%	16%	18%	11%
Mining/Construction	50%	26%	31%	21%	38%	26%
Public Admin/Education	16%	13%	16%	13%	29%	-1%
Services	33%	25%	21%	26%	23%	25%
Transportation/Utilities	36%	19%	27%	37%	28%	23%
Wholesale/Retail Trade	20%	25%	13%	18%	21%	9%

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