

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.

pmi

## Holding its own

### BNZ - BusinessNZ PMI for November 2014

- The BNZ-BusinessNZ seasonally adjusted PMI for November stood at 55.2, which was 3.7 points lower than the previous month, although still showing solid expansion. The PMI has averaged 55.9 so far for 2014, while the sector has now been in expansion for 26 consecutive months.
- Despite the dip in expansion levels, all five seasonally adjusted main diffusion indices were again in expansion during November. *Production and deliveries* (both 56.6) led the way, with the former slipping 5.3 points from the previous month. *New orders* (55.1) decreased in expansion levels compared to the previous two post-60 point values for September/October, while *employment* (54.9) fell back from its record value in October. *Finished stocks* (51.4) remained relatively unchanged from the previous month.
- All four regions were again in expansion during November, which has now been the case for three consecutive months. In the North Island, the *Northern* region (62.0) continued its upwards momentum to record its highest value since November 2013, while the *Central* region (52.8) experienced a lower level of expansion in comparison to October. In the South Island, the *Canterbury/Westland* region (63.7) recorded its highest value since May 2013, while the *Otago-Southland* region (62.7) came back from its strong result for the previous month.
- Manufacturing by industry sub-groups were again almost all positive during November. *Petroleum, coal, chemical & associated product manufacturing* (68.4) led the charge during November, while *food, beverage & tobacco manufacturing* (66.7) remained strong, despite a drop from consecutive post-70 point values. *Machinery & equipment manufacturing* (58.3) also experienced a slight fall in expansion, while *metal product manufacturing* (55.7) fell 2.6 points from the previous month.
- The proportion of positive comments for November (61.4%) was lower than October's (68.7%), but still higher than September (56.8%), August (61.2%) and July (57.4%). Globally, the JPMorgan Global Manufacturing PMI for November (51.8) was the lowest in 14 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 November PMI expansion levels ease from the previous month.***

***All five main indices were again in expansion, led by production and deliveries.***

***Unadjusted regional activity was again expansionary in all four regions.***

***Next BNZ - BusinessNZ PMI:  
22 January 2015***

#### **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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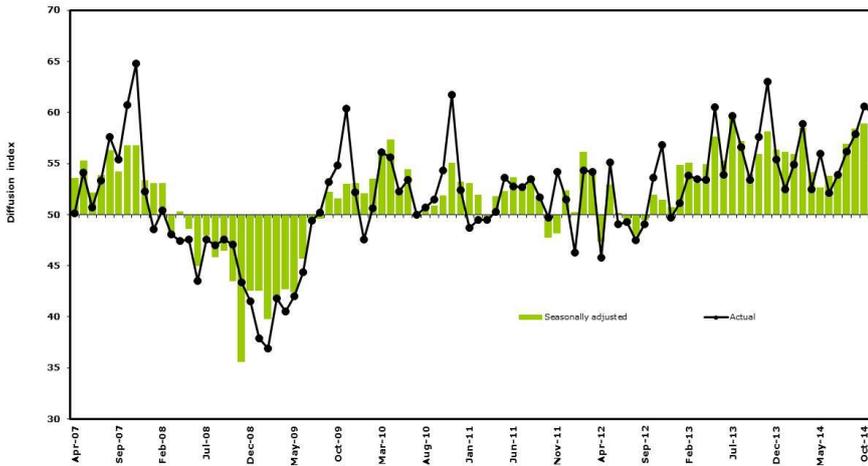
*Inside BNZ Commentary this Month (page 3)*  
Craig Ebert discusses the latest manufacturing data along with recent statistics on concrete production and manufactured exports, while also drawing attention to the broader TWI-17 currency index the Reserve Bank is due to introduce 15 December.

## BNZ-BusinessNZ PMI

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# pmi

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



### November time series tables

National Indexes	Nov 2009	Nov 2010	Nov 2011	Nov 2012	Nov 2013	Nov 2014
BNZ - BusinessNZ PMI (s.a.)	53.0	55.1	48.2	51.4	58.1	55.2
Production (s.a.)	55.0	58.8	46.1	53.2	61.5	56.6
Employment (s.a.)	51.0	51.7	51.1	49.2	54.2	54.9
New Orders (s.a.)	57.8	55.6	48.5	51.6	61.9	55.1
Finished Stocks (s.a.)	47.0	50.9	50.1	53.1	49.8	51.4
Deliveries (s.a.)	51.5	58.7	48.9	52.0	56.8	56.6

National Indexes	Nov 2009	Nov 2010	Nov 2011	Nov 2012	Nov 2013	Nov 2014
BNZ - BusinessNZ PMI (s.a.)	53.0	55.1	48.2	51.4	58.1	55.2
Northern	62.9	61.5	54.9	56.6	62.2	62.0
Central	58.9	60.6	43.2	51.7	64.6	52.8
Canterbury/Westland	54.4	61.0	56.9	62.0	62.0	63.7
Otago/Southland	61.9	66.0	71.0	65.0	65.7	62.7

(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.

12 December 2014

## Manufacturing Output

New Zealand's Q3 manufacturing sales and inventory data inferred a very nice bounce in the industry's production. And more so than the 0.4% increase in sales volumes reported by Statistics NZ. This amount, along with the rebound we assume for agriculture processing in Q3 (after a negative Q2), and technical support from inventory rebuilding, has us judging a 2.5% increase in manufacturing output in Q3, after a bit of a flat patch over Q1/Q2. This profile certainly aligns with the pick-up we've seen in the monthly PMI since around mid-year. The 2.5% lift we estimate for Q3 manufacturing production provides a solid backbone to the 0.9% expansion we are looking for with respect to Q3 GDP (due 18 December).

## Concrete Production

There was a lot of heat in the Q3 ready-mixed concrete production statistics. While annual growth edged up to 23.2%, from 22.9%, it implied a 7.9% increase in Q3 alone, on our seasonally adjusted estimates. This was the strongest quarterly increase since Q2 2012 and shunted the Q3 level past that of the previous peak, which occurred in 2007. Notably, the biggest gains are now coming from outside of Christchurch and Auckland metropolitan areas, with the likes of Waikato, Bay of Plenty, Otago, Southland and Northland very much on the up. With this as an undercurrent, we took the moderate 1.5% rise in Q3 Building Work Put in Place to be a timing issue, suggesting stronger growth is likely for Q4/Q1.

## Merchandise Exports

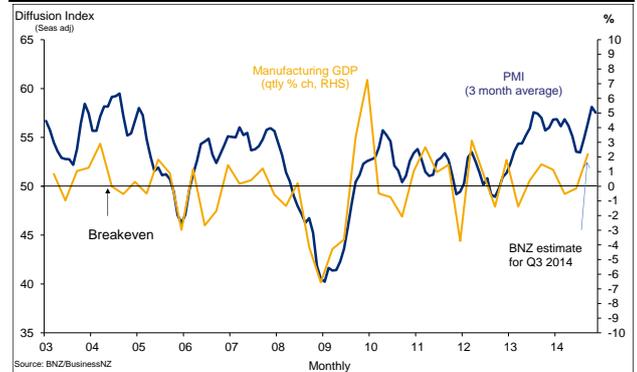
What about the weak-looking export volume measure in the 1 December Overseas Trade Indexes (OTI)? While its seasonally adjusted decrease of 0.1% was bare enough, it was well short of the decent gain we were looking for. The shortfall was concentrated in forestry exports, which fell for the second quarter in a row. This is something we'll note for the GDP accounts – in particular the upcoming Q3 data. Nonetheless, the OTI measure of non-food manufactured export volumes managed a 1.1% increase in Q3, in seasonally adjusted terms. This meant for a 5.3% increase when compared to the corresponding quarter a year ago.

## The New TWI-17 Exchange Rate

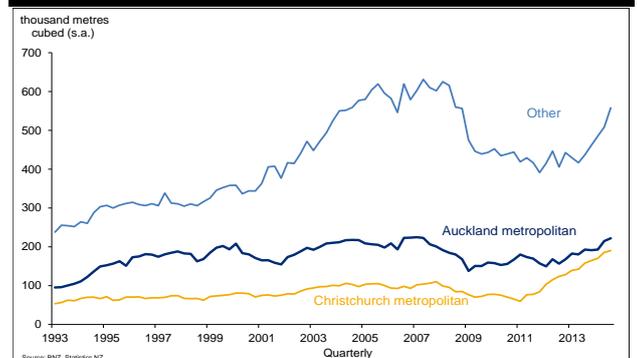
Note that the Reserve Bank will be presenting its new "TWI-17" trade-weighted exchange rate index to the world on 15 December. This 17-country index will look noticeably different to the present TWI-5 (even the TWI-14 the RBNZ has long published). This is principally because China's currency, the renminbi, will be brought in with a weight of around 20%, from effectively being zero-weighted before (given the renminbi was/is not in the TWI-5 at all). Still, the TWI-17 should not have material impacts on monetary policy thoughts and conclusions.

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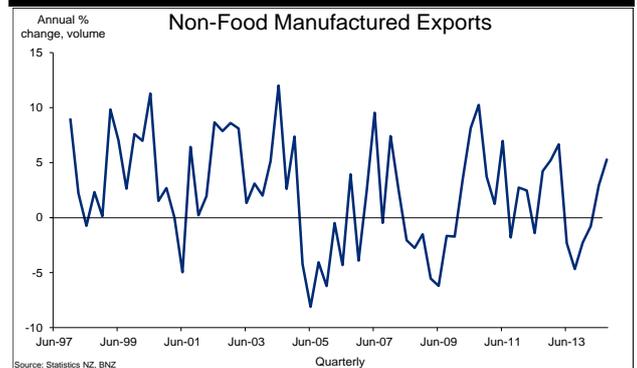
## Manufacturing Bounces Back in Q3



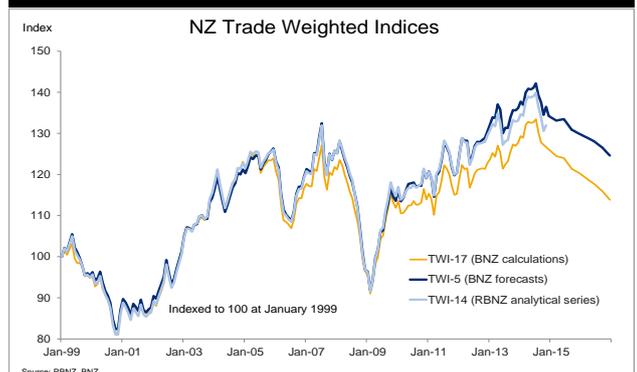
## Concrete Evidence of a Broad-Based Upswing



## Manufactured Exports Hold Up, Despite Forestry Drag



## The New TWI-17 Exchange Rate



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