

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.



Autumn tinge

BNZ - BusinessNZ PMI for April 2014

- The BNZ-BusinessNZ seasonally adjusted PMI for April stood at 55.2, which was 2.8 points lower than the previous month, although still showing solid expansion. For the first third of 2014 the PMI averaged 56.4, while the sector has now been in expansion for 19 consecutive months.
- Four of the five seasonally adjusted main diffusion indices were in expansion during April. *Production* (55.3), *deliveries* (55.3) and *new orders* (55.2) displayed almost identical levels of expansion, while *employment* (54.5) returned to levels seen in February. *Finished stocks* (49.3) were the only index to show any level of contraction, and returned to levels seen in February.
- All four regions were again in expansion during April, although differences were evident. In the North Island, the *Northern* region (53.0) decreased 6.2 points, while the *Central* region (51.3) fell 6.3 points after consecutive months above 57.0. In the South Island, the *Canterbury/Westland* region (50.1) only just managed to remain in positive territory, while the *Otago-Southland* region (57.7) dipped a further 2.1 points.
- Manufacturing by industry sub-groups were mostly in expansion during April. *Food, beverage & tobacco manufacturing* (62.5) picked up from March to display a strong level of expansion during April. *Machinery & equipment manufacturing* (57.5) slipped 6.9 points, while *metal product manufacturing* (50.6) also experienced a drop in expansion. *Petroleum, coal, chemical & associated product manufacturing* (41.7) fell into contraction after two solid months of expansion.
- The proportion of positive comments for April (58%) was the lowest so far for 2014, compared with 61.3% in March, 58.8% in February and 59.2% in January. Globally, the JPMorgan Global Manufacturing PMI for April (51.9) eased to a six month low, as growth of global manufacturing output and new orders slowed.

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 dips, but still shows solid expansion.

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

Unadjusted regional activity remained expansionary in all four regions.

***Next BNZ - BusinessNZ PMI:
13 June 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)

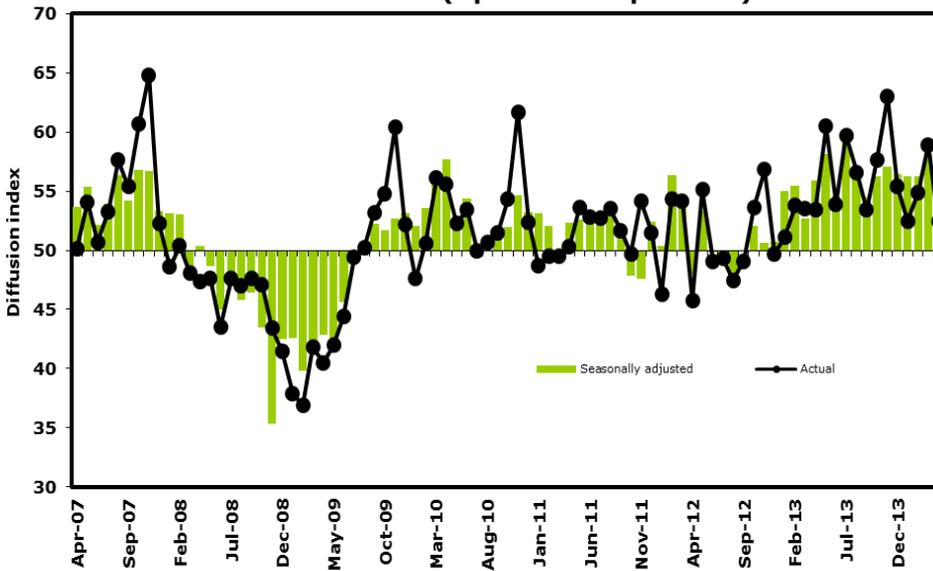
BNZ Economist Doug Steel notes that despite what looks like a holiday-induced slowdown in April, the trends in the PMI are strong. The expansionary flavor is highlighted by an especially strong PMI employment trend following on from other positive indicators of manufacturers' plant and equipment investment intentions.

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pmi

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



April time series tables

National Indexes	April 2009	April 2010	April 2011	April 2012	April 2013	April 2014
BNZ - BusinessNZ PMI (s.a.)	42.9	57.7	52.3	48.0	55.9	55.2
Production (s.a.)	40.8	60.5	51.3	44.5	57.1	55.3
Employment (s.a.)	44.9	52.7	50.3	51.7	48.4	54.5
New Orders (s.a.)	42.4	59.7	52.4	46.1	60.2	55.2
Finished Stocks (s.a.)	45.3	52.8	54.8	50.8	47.6	49.3
Deliveries (s.a.)	42.7	57.6	52.5	47.3	56.4	55.3

National Indexes	April 2009	April 2010	April 2011	April 2012	April 2013	April 2014
BNZ - BusinessNZ PMI (s.a.)	42.9	57.7	52.3	48.0	55.9	55.2
Northern	38.9	54.3	56.7	46.2	52.6	53.0
Central	40.4	56.6	40.9	49.2	56.3	51.3
Canterbury/Westland	44.7	58.0	47.8	42.2	56.6	50.1
Otago/Southland	40.4	53.4	47.2	38.3	46.9	57.7

(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.

15 May 2014

A Holiday Dip

- PMI solid, despite holiday dent
- Underlying trends strongly positive
- Construction, agriculture source of demand
- Manufacturers are tooling up
- Employment trend hits survey record

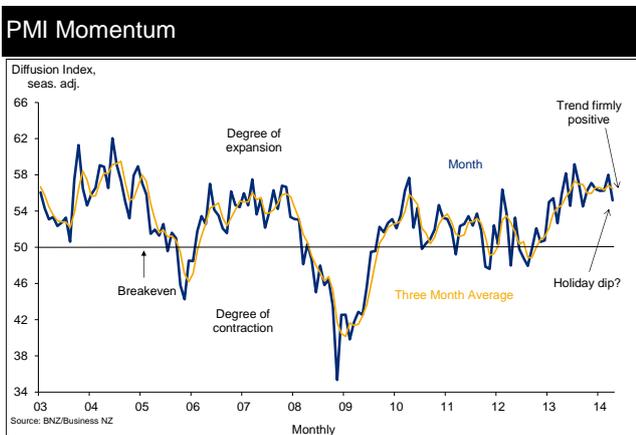
Manufacturing sector trends remain positive, indicated by the Performance of Manufacturing Index posting its 19th consecutive month of expansion in April.

We are not reading anything material into the index easing a bit in April, to 55.2. While it implies the slowest rate of expansion since September last year, in the context of following a very strong 58.0 in March it is probably just monthly noise. The 3-month average sits at a hearty 56.5, smack on its average over the past 12 months.

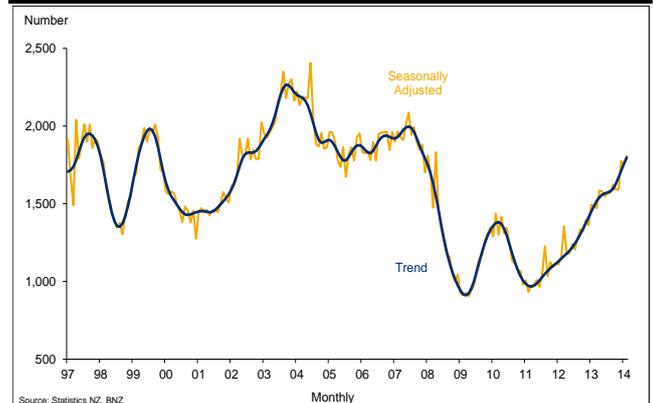
A particular reason to look through the noise this month is that the wiggle looks related to the timing of holidays. Easter and ANZAC day holidays occurred close together in late April this year, with many people likely to have taken the 3 days in between as additional leave and some business many have shut up shop. Fewer work days were noted by some respondents as a negative in the month.

Ordinary seasonal adjustments do not account for such unusual events. A holiday effect fits with slower production growth in April and possibly even the dip in inventory as slower production meant orders were accommodated out of stock.

For broader economy watchers, the holiday effect is important to note. We think it has had a decent negative influence on other April indicators like house sales and electronic card transactions in the month. It has been



Dwelling Consents – Ex Apartments



even more pronounced in weekly data like tourist flows and mortgage approvals.

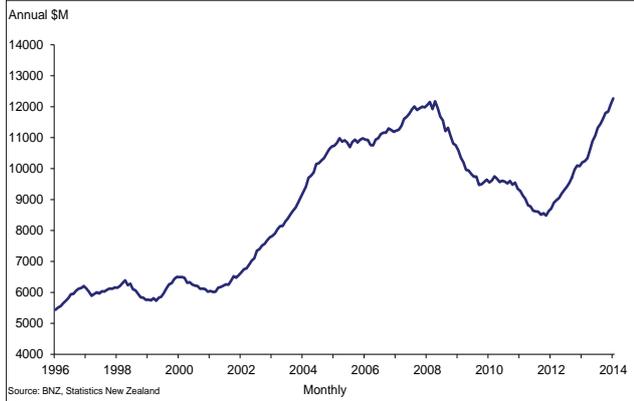
We say this with an eye to upcoming building consents data for April, which could well dip in the month as a result of fewer processing hours at issuing local authorities. But, if indeed consents were to drop, it's likely to mask a firm underlying positive trend that has been a major source of strengthening demand for the local manufacturing sector over the past year or so and likely to remain so looking ahead.

The underlying building upswing was in full display in the recent building consent figures for March. The 8.3% monthly gain in residential consent numbers was just the start of strength in that suite of building indicators. Sure that was boosted by apartment numbers lifting back to about average, but the ex-apartment dwelling consents rose 1.3% in the month to be more than 24% higher than a year ago.

On top of this, consents for residential alterations and additions (renovations/repair) were really starting to take off. The renovations market far outweighs the apartment market when it comes to residential construction dollars. For instance, for the month of March 2014 the value of consents for residential alterations and additions was \$140m, compared to \$21m for apartments, taking annual growth to 52%.

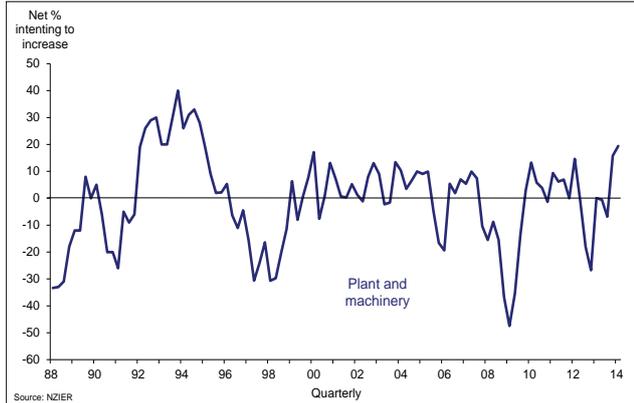
But wait there is more. Having levelled off a bit toward the end of last year, non-residential work has come roaring back, with annual growth above 20%. It is widely spread across the various sub-components, certainly strong in the private-sector realms of shops, offices, warehouses,

Total Building Consents

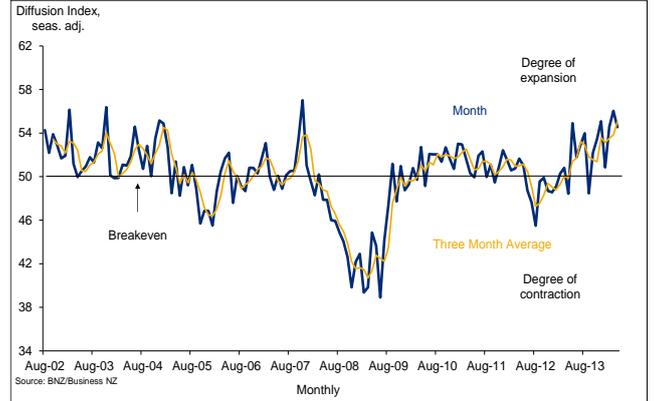


factories, and farm buildings. In line with the latter, many PMI respondents noted the buoyancy in the agriculture sector at present as a source of strength in their own business.

QSBO Manufacturing - Investment



PMI Employment



The total annual value of building consents (residential and non-residential) has now poked through \$12b and just past its previous (2008) peak.

The positive outlook for construction in particular should underpin further manufacturing expansion for the foreseeable future. It looks like manufacturers are gearing up for it, in more ways than one. The 3-month average of the PMI employment index, at 55.0, has just hit its highest level since the PMI survey started back in 2002. That is a lot more meaningful than the monthly dip to 54.5 in April from 56.0 in March, we think. These strongly positive employment indicators fit with the recent Quarterly Survey of Business Opinion that recorded manufacturers' plant and machinery investment intentions at their highest level since 1994. These are fundamentally positive cues for the manufacturing sector, holiday affected or not.

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