

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.



## Back in the game

### BNZ - BusinessNZ PMI for February 2015

- The BNZ-BusinessNZ seasonally adjusted PMI for February stood at 55.9, which was 5.2 points higher than the previous month, and a return to levels of expansion seen towards the end of 2014. The sector has now been in expansion for 29 consecutive months.
- All five seasonally adjusted main diffusion indices were in expansion during February. *New orders* (61.5) led the way with its highest result since November 2013, while *deliveries* (58.2) experienced its highest value since September 2014. *Finished stocks* (54.3) dropped two points from January, while both *employment* (52.5) and *production* (51.8) improved from the previous month.
- All four regions went back into expansion during February, with similar results across most parts of the country. In the North Island, the *Northern* region (54.9) experienced similar levels of expansion to the *Central* region (55.4). In the South Island, the *Canterbury/Westland* region (55.8) improved 7.5 points from January, while the *Otago-Southland* region (60.7) recovered from a significant dip from the previous month.
- Manufacturing by industry sub-groups were generally in expansion during February. *Petroleum, coal, chemical & associated product manufacturing* (62.9) recovered strongly from January, while *food, beverage & tobacco manufacturing* (60.0) continued in expansion mode. *Machinery & equipment manufacturing* (54.8) was all but unchanged from January, while *metal product manufacturing* (53.3) experienced improved expansion levels.
- Although there was a lift in expansion levels during February, the proportion of positive comments for the month (57%) was still lower than in January (58.9%), as well as December (64.3%) and November (61.4%). Globally, the JPMorgan Global Manufacturing PMI stood at 52.0 for February, which was a marginal lift from January.

*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 February PMI expansion levels lift.**

**All five main indices were in expansion, with new orders leading the charge.**

**Unadjusted regional activity was in expansion across all parts of the country.**

**Next BNZ - BusinessNZ PMI:  
16 April 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.*

BNZ ([www.research.bnz.co.nz](http://www.research.bnz.co.nz))

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

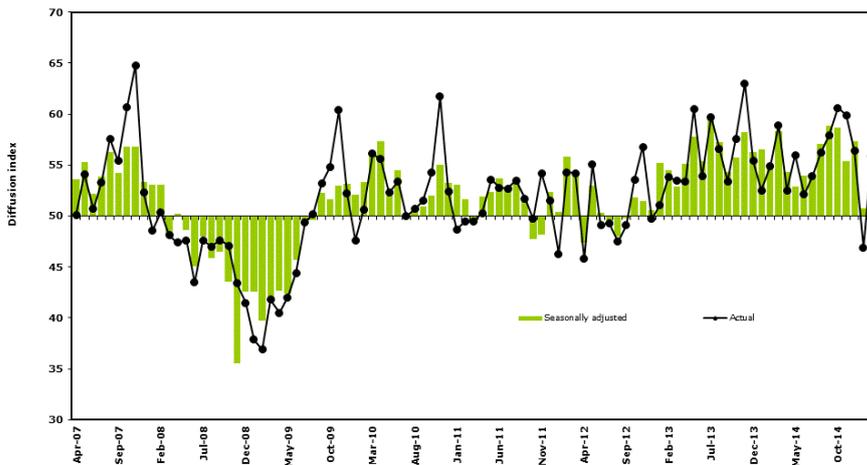
BNZ senior economist Craig Ebert reports on the PMI's rebound from last month's oddly low result. Both production and new orders – the two main contributors to January's low result – had jumped back up considerably. He also looks at manufacturing sales progress, interest rates, and currency ups and downs.

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# pmi

BNZ - BusinessNZ Performance of Manufacturing Index Time Series (Apr 2007 - Feb 2015)



### February time series tables

National Indexes	Feb 2010	Feb 2011	Feb 2012	Feb 2013	Feb 2014	Feb 2015
BNZ - BusinessNZ PMI (s.a.)	53.3	51.7	55.8	54.5	55.1	55.9
Production (s.a.)	53.0	51.4	57.9	58.0	57.8	51.8
Employment (s.a.)	50.9	53.0	50.5	50.0	54.2	52.5
New Orders (s.a.)	56.3	52.3	61.5	57.3	55.3	61.5
Finished Stocks (s.a.)	50.7	50.9	49.3	51.9	49.4	54.3
Deliveries (s.a.)	53.4	50.0	52.6	51.8	56.6	58.2

National Indexes	Feb 2010	Feb 2011	Feb 2012	Feb 2013	Feb 2014	Feb 2015
BNZ - BusinessNZ PMI (s.a.)	53.3	51.7	55.8	54.5	55.1	55.9
Northern	49.1	52.4	53.0	53.6	52.9	54.9
Central	48.3	53.1	61.4	53.8	57.3	55.4
Canterbury/Westland	59.2	42.0	52.0	52.4	53.7	55.8
Otago/Southland	49.5	44.3	44.7	57.2	61.7	60.7

(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 2015

## PMI Rebounds...Phew!

New Zealand's Performance of Manufacturing Index (PMI) bounced back very well in February. We had expected (hoped?) as much - last month noting that the big gap between the oddly low PMI (50.9) and still-strong PSI (57.8) in January would tend to suggest the PMI will post a sizable rebound the very next month. Thankfully, this proved to be the case. The PMI popped all the way back up to 55.9 in February. This was driven mostly by the two components that caused all the consternation back in January, with the PMI production index increasing to 51.8, from 47.4, while the new-orders index rebounded right the way up to 61.5, from 50.1. Phew!

## Manufacturing Sales Progress

The December quarter survey of manufacturing figures appeared positive enough, registering a 0.9% increase in sales volumes. This, along with the steady inventory data, inferred that production for the industry was up around 0.8% in Q4, seasonally adjusted. Still, it wasn't quite the expansion we were looking for, based on sturdy food processing (pre-drought). And so we have dialled down our Q4 GDP growth estimate to 0.7%, also cognisant of the slow wholesale and construction growth results for the quarter. This would generate annual GDP growth of 3.3%, which, while solid, might just be close to peaking.

## Interest Rates

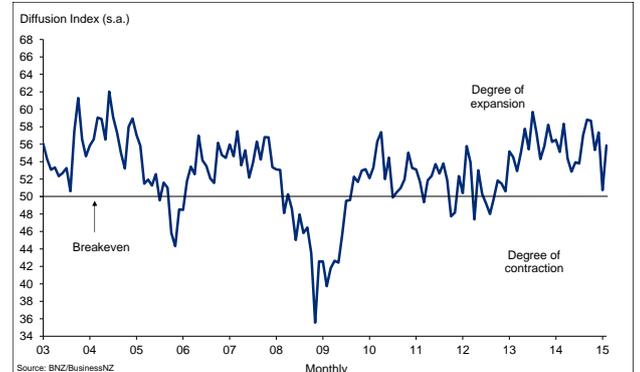
New Zealand's interest rates are likely to remain relatively low for a good while longer. This was certainly the impression we got from the Reserve Bank yesterday, as it delivered its quarterly Monetary Policy Statement. Indeed, its projections inferred no change to the Official Cash Rate (OCR) as far as it was forecast, namely out to early 2017. And around this, the Bank has effectively set some high hurdles for moving the OCR – either up or down. Still, NZ interest rates will ultimately be driven by the economic trends, including for inflation. That's the game from here.

## Currency Downs, and Ups

The New Zealand exchange rate is down, sideways, and up. It all depends on which rate you're talking about. NZD/USD has definitely continued to sag. At around 0.73 now, it's down from mid-January's 0.78 and 17% below the 0.88 level it hit in July last year. But this principally reflects a much-strengthened US dollar (as the US economy picks up and Fed rate hikes come into near view). Against the likes of JPY and GBP the New Zealand dollar has been comparatively robust, while against the AUD it remains near record highs. As for NZD/EUR, well, it is absolutely hitting record highs, as EUR slumps.

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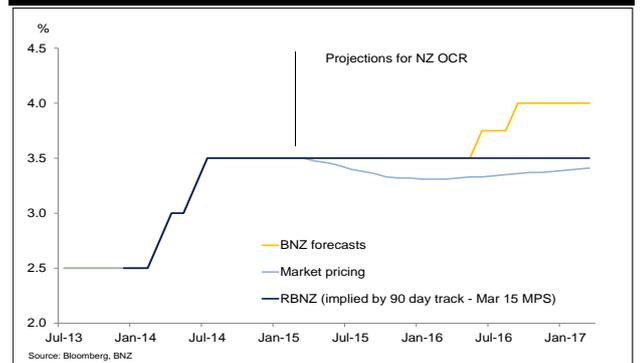
## NZ PMI



## Manufacturing Activity



## Interest Rates: Low and Steady



## The TWI's Twists and Turns



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