

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.



## January jitters

### BNZ - BusinessNZ PMI for January 2015

- The BNZ-BusinessNZ seasonally adjusted PMI for January stood at 50.9, which was 6.2 points lower than the previous month, and the lowest level of overall activity since December 2012. Despite the drop in the rate of expansion, the sector has now been in expansion for 28 consecutive months.
- Although the rate of expansion dropped in January, four of the five seasonally adjusted main diffusion indices were in expansion. *Finished stocks* (56.1) led the way after three consecutive values between 51 and 52, while *deliveries* (53.4) experienced its lowest value since May 2014. *Employment* (51.0) went back into slight expansion during January, while *new orders* (50.1) fell to its lowest result since December 2012. *Production* (47.5) experienced its first decline in activity since August 2012, and its lowest result since April 2012.
- All four regions were in contraction during January, with similar results across the country. In the North Island, the *Northern* region (45.5) fell back to its lowest value since August 2012, while the *Central* region (47.5) experienced its second consecutive contraction. In the South Island, the *Canterbury/Westland* region (48.3) fell into contraction for the first time since December 2013, while the *Otago-Southland* region (46.6) fell back to levels of activity similar to mid-2014.
- Manufacturing by industry sub-groups were a mix of expansion and contraction during January. *Machinery & equipment manufacturing* (54.8) led the way for the first month of 2015, closely followed by *food, beverage & tobacco manufacturing* (54.4). *Metal product manufacturing* (51.1) also dipped in terms of expansion, but managed to keep its head above water, while *petroleum, coal, chemical & associated product manufacturing* (37.5) went into decline during January.
- Given the reduction in expansion levels, the proportion of positive comments for January (58.9%) was lower than December (64.3%), November (61.4%), and October (68.7%). Globally, the JPMorgan Global Manufacturing PMI stood at 51.7 for January, which was up slightly from 51.5 in December.

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#### HIGHLIGHTS

***Seasonally-adjusted January PMI expansion levels drop, but remains in positive territory.***

***Four of the five main indices were again in expansion, but production went into decline.***

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

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

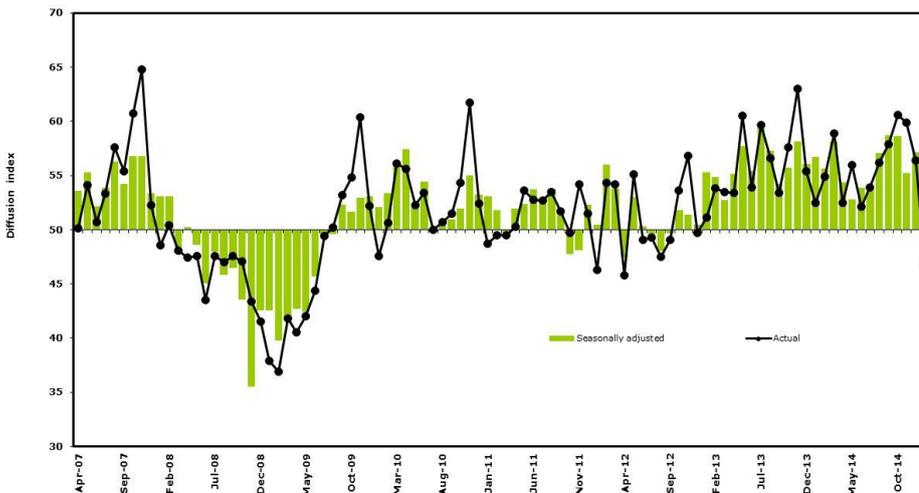
BNZ Senior Economist, Doug Steel, discusses the disconcerting mix of lower production, flat new orders and higher inventories in January's PMI. He finds some solace in the balance of positive comments from manufacturers and the still positive construction outlook.

## BNZ-BusinessNZ PMI

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# pmi

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



### January time series tables

National Indexes	Jan 2010	Jan 2011	Jan 2012	Jan 2013	Jan 2014	Jan 2015
BNZ - BusinessNZ PMI (s.a.)	52.1	53.1	50.4	55.3	56.7	50.9
Production (s.a.)	52.8	51.5	51.0	57.0	59.4	47.5
Employment (s.a.)	49.3	53.2	52.1	50.1	52.3	51.0
New Orders (s.a.)	55.6	55.8	50.0	56.0	59.4	50.1
Finished Stocks (s.a.)	47.7	50.8	49.1	56.1	46.8	56.1
Deliveries (s.a.)	50.8	52.2	49.2	56.9	57.9	53.4

National Indexes	Jan 2010	Jan 2011	Jan 2012	Jan 2013	Jan 2014	Jan 2015
BNZ - BusinessNZ PMI (s.a.)	52.1	53.1	50.4	55.3	56.7	50.9
Northern	45.8	49.2	43.0	50.7	53.1	45.5
Central	48.9	49.0	45.9	49.9	48.8	47.5
Canterbury/Westland	49.7	43.1	51.3	54.6	53.0	48.3
Otago/Southland	48.8	57.0	52.8	48.1	56.4	46.6

(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 February 2015

## PMI bucks trend

New Zealand's recent economic indicators have been generally full of life. Spanning the likes of business surveys, consumer confidence and the labour market they have been consistent in pointing to economic growth at or above trend. The manufacturing sector has been very much a part of it. Against this backdrop, January's PMI result jars. Of course economic indicators spanning the holiday period always need to be treated with some caution. So we wouldn't leap to big conclusions on one January result. But, by the same token, the extent and detail of the latest PMI move suggests we should not fully discount it either. It might just be telling us something. It certainly questions the strength of growth early in 2015.

## Production, new orders and inventory

After adjusting for the usual seasonal effects the PMI suggests manufacturing production fell in January. The weakness seems a bit more than just payback from a very strong December. It is the first production decline in two and a half years. Disconcertingly, new orders were flat and inventory jumped. This is not a good mix. It all smells of an involuntary inventory build caused by insufficient demand. If so it does not bode well for production ahead, short of a bounce back in demand. We'll see. One reason to not get too downbeat on the PMI headline numbers is that manufacturers themselves, on balance, remain distinctly optimistic. Firms' positive comments far outnumbered negative comments in January's survey.

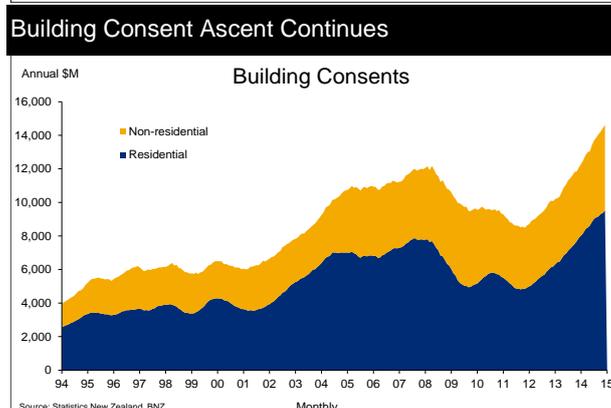
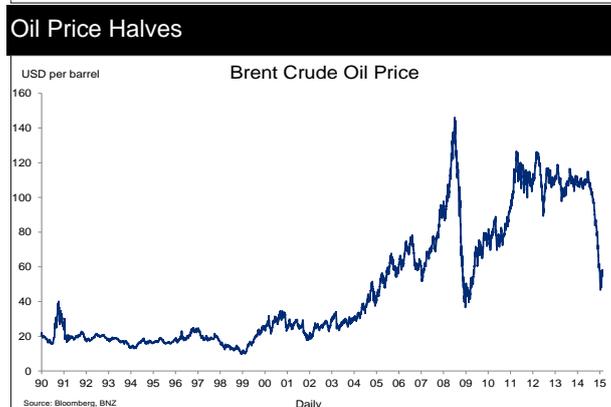
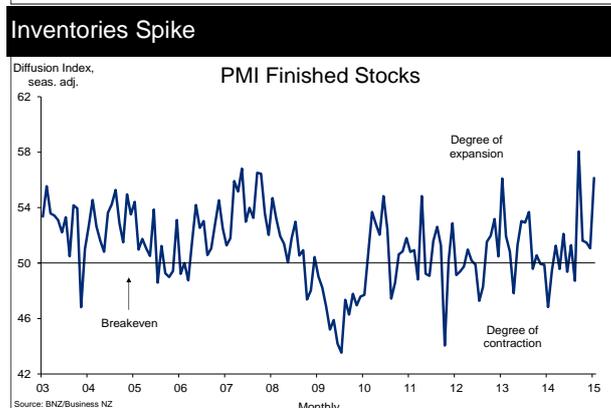
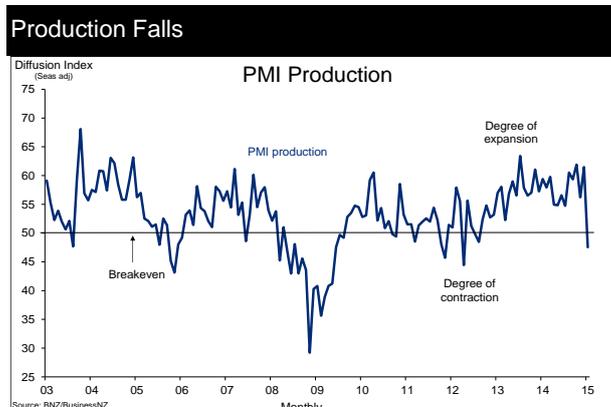
## Oil slumps

World oil prices have halved over the past six months, as supply has increased. This is positive for NZ, as a net oil importer, but it is not uniformly so. While lower fuel prices is lowering costs for many in NZ and will generally lift domestic demand over time, there were some negative respondent comments regarding the oil slump in this month's PMI survey. This coincides with its weakest reading for the petroleum, coal, chemical and associated products industry since 2009. Energy prices are but one of many external influences on manufacturing moving around at present. Another is foreign exchange rates drawing mixed comments from manufacturers this month. In general, manufacturers view the NZD's strength against the AUD, EUR and JPY negatively from an exporting and import-competing point of view, but also see the recent decline in the NZD/USD as positive.

## Construction

Construction indicators remain positive, including building consents. The value of residential and non-residential building consents in 2014 was a cool \$2.5 billion (or 21%) higher than a year earlier. The level is well through the previous pre-GFC peak. Lead indicators remain positive suggesting construction will be a solid brace under domestic demand ahead. As positive as the construction outlook remains, we are conscious that the speed of expansion is likely to slow.

[doug\\_steel@bnz.co.nz](mailto:doug_steel@bnz.co.nz)



## Contact Details

### BNZ Research

**Stephen Toplis**

Head of Research  
+(64 4) 474 6905

**Craig Ebert**

Senior Economist  
+(64 4) 474 6799

**Doug Steel**

Senior Economist  
+(64 4) 474 6923

**Kymerly Martin**

Senior Market Strategist  
+(64 4) 924 7654

**Raiko Shareef**

Currency Strategist  
+(64 4) 924 7652

### Main Offices

**Wellington**

60 Waterloo Quay  
Private Bag 39806  
Wellington Mail Centre  
Lower Hutt 5045  
New Zealand  
Phone: +(64 4) 473 3791  
FI: 0800 283 269  
Fax: +(64 4) 474 6266

**Auckland**

80 Queen Street  
Private Bag 92208  
Auckland 1142  
New Zealand  
Phone: +(64 9) 976 5762  
Toll Free: 0800 081 167

**Christchurch**

81 Riccarton Road  
PO Box 1461  
Christchurch 8022  
New Zealand  
Phone: +(64 3) 353 2219  
Toll Free: 0800 854 854

### National Australia Bank

**Peter Jolly**

Global Head of Research  
+(61 2) 9237 1406

**Alan Oster**

Group Chief Economist  
+(61 3) 8634 2927

**Ray Attrill**

Global Co-Head of FX Strategy  
+(61 2) 9237 1848

**Skye Masters**

Head of Interest Rate Strategy  
+(61 2) 9295 1196

**Wellington**

Foreign Exchange +800 642 222  
Fixed Income/Derivatives +800 283 269

**Sydney**

Foreign Exchange +(61 2) 9295 1100  
Fixed Income/Derivatives +(61 2) 9295 1166

**London**

Foreign Exchange +(44 20) 7796 3091  
Fixed Income/Derivatives +(44 20) 7796 4761

**New York**

Foreign Exchange +1 212 916 9631  
Fixed Income/Derivatives +1 212 916 9677

**Hong Kong**

Foreign Exchange +(85 2) 2526 5891  
Fixed Income/Derivatives +(85 2) 2526 5891

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