

BNZ-BUSINESS NZ PMI

BNZ-Business NZ 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

Manufacturing expansion highest since 2004

BNZ - Business NZ PMI for April 2010

- The BNZ - Business NZ seasonally adjusted PMI for April (58.9) increased 2.2 points from March to record its highest value since December 2004. It was also the highest April value since 2004.
- All five seasonally adjusted main diffusion indices remained in expansion – the third consecutive expansion across all main indices since the end of 2007. *Production* (63.0) was the highest value, up 2.8 points on last month. *New orders* (61.0) remain healthy and are up 3.7 points from March. *Employment* (52.2) has expanded another 2 points from March and is the highest it has been since the end of 2007. *Finished stocks* (53.4) were in positive territory for the third month running after a prolonged period in contraction, while *deliveries* (58.7) rose 1.5 points to stand at its highest result since November 2004.
- Unadjusted results by region showed all were in expansion during April. This was again led by the Canterbury region (58.0), followed closely by the Central region (56.6) which was previously in contraction. Northern stood at 54.3, while Otago/Southland (53.4) slipped from March, albeit still showing expansion.
- Manufacturing by industry sub-groups were all in expansion for April. The categories experiencing the strongest expansion included *metal product manufacturing* (57.1), *food, beverage & tobacco* (56.7) and *machinery & equipment manufacturing* (56.3). The *petroleum, coal, chemical & associated product* sector (51.0) also showed further improvement from the previous month, continuing its expansion.
- Comparing New Zealand's manufacturing activity with the rest of the world, the JPMorgan Global PMI for April (57.8) continued its march upwards, with rates of growth in production and new orders amongst the highest in the survey history. The USA PMI (60.4) rose to a 75 month high, while the Australian PMI (59.8) experienced a significant leap.
- The majority of comments were positive (52.6%), though 47.4% were negative, so there are still various issues causing some manufacturers to be cautious. Positive comments focused strongly on increased domestic and offshore confidence leading to increased business activity and quality of orders.

The BNZ - Business NZ 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 highest since 2004.

All five main indices recorded expansion for third consecutive time.

Unadjusted regional activity was in expansion across all regions.

The global manufacturing scene shows further recovery, with various countries recording boosts in activity.

**Next BNZ - Business NZ PMI:
10 June 2010**

SPONSOR STATEMENT

BNZ is delighted to be associated with the Performance of Manufacturing Index (PMI) and Business NZ. This association brings together the significant experience of leading business advocacy body Business NZ, and business finance specialist BNZ. We look forward to continuing our association with Business NZ and associated regional organisations, and to playing our part in the ongoing development of the New Zealand manufacturing sector.

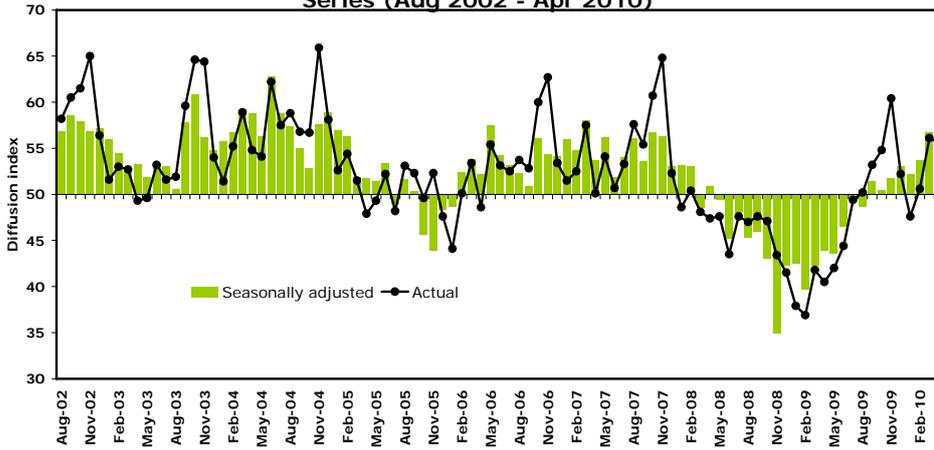
BNZ (www.research.bnz.co.nz)

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pmi

BNZ - Business NZ Performance of Manufacturing Index Time Series (Aug 2002 - Apr 2010)



April time series tables

National Indexes	Apr 2005	Apr 2006	Apr 2007	Apr 2008	Apr 2009	Apr 2010
BNZ - Business NZ PMI (s.a)	51.7	52.2	53.8	50.9	43.9	58.9
Production (s.a)	51.5	50.7	53.2	52.0	42.9	63.0
Employment (s.a)	51.3	51.5	48.6	47.6	44.5	52.2
New Orders (s.a)	52.7	53.9	57.0	51.4	43.2	61.0
Finished Stocks (s.a)	51.1	51.6	55.2	51.5	45.6	53.4
Deliveries (s.a)	51.4	53.9	54.2	51.6	43.6	58.7

National Indexes	Apr 2005	Apr 2006	Apr 2007	Apr 2008	Apr 2009	Apr 2010
BNZ - Business NZ PMI (s.a)	51.7	52.2	53.8	50.9	43.9	58.9
Northern	46.6	46.9	48.7	46.8	38.9	54.3
Central	45.4	50.7	47.7	47.7	40.4	56.6
Canterbury/Westland	53.2	44.0	52.5	46.4	44.7	58.0
Otago/Southland	51.3	56.3	57.0	52.6	40.4	53.4

(s.a denotes seasonally adjusted)

The BNZ - Business NZ PMI contains data obtained through Business NZ's regional organisations:



Northern (Employers and Manufacturers Association - Northern): Northland, Auckland, Waikato, Bay of Plenty



Central (Employers and Manufacturers Association - 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.

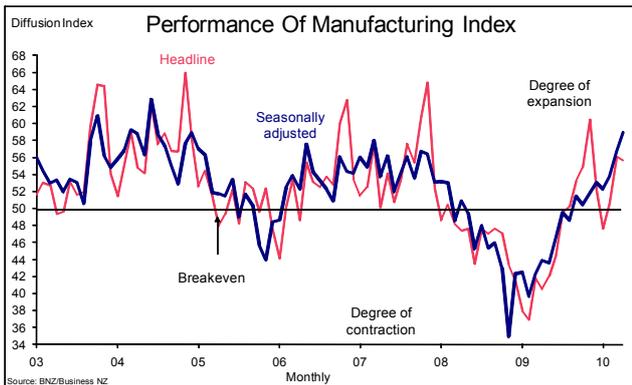
13 May 2010

Manufacturing Charging Ahead

- Manufacturing growth strengthens, again
- Widespread turnaround from year earlier
- A major contributor to economic growth
- More than offset weakness elsewhere

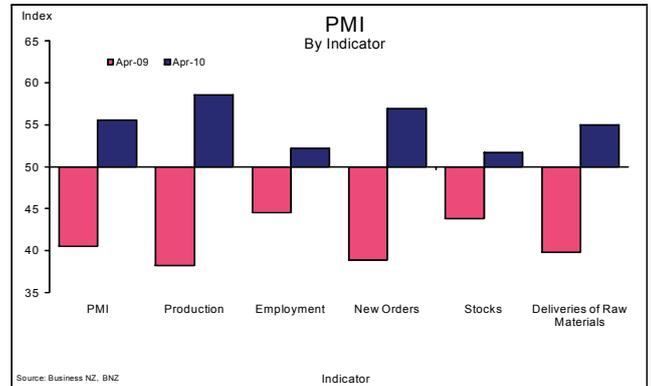
The manufacturing sector recovery is in full swing. Following relatively modest steps out of recession in late 2009 and early 2010, larger strides forward have been taken in March and April.

The Performance of Manufacturing Index rose to 58.9 on a seasonally adjusted basis in April, up 2.2 points from March and up a substantial 5.2 points over the past two months. Being well above 50, this suggests the manufacturing sector is growing at pace. In fact, underlying growth is likely to be the strongest for sometime with the PMI hitting its highest level since 2004.



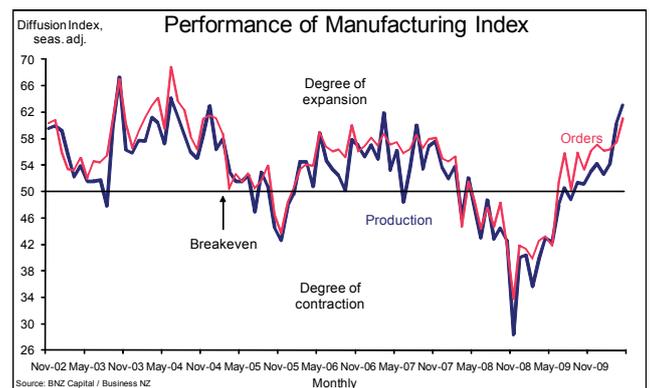
The latest national accounts show manufacturing was the strongest contributor to economic growth in the final quarter of last year. The buoyant PMI in April sets up manufacturing to make a strong contribution to Q2 GDP growth, pushing on from what we think was a solid contribution in Q1. This all fits with our forecast of strong manufacturing growth through 2010. We currently expect annual growth in manufacturing production to exceed 8% by Q3 this year, as the sector puts the previous two horror years behind it. Moreover, risks to this view are getting tilted to the upside, given the strength of the upward trend in the PMI over recent months.

Current conditions are in stark contrast to this time last year. Twelve months ago manufacturing was facing very weak sales, excessive inventory and poor profitability. Firms were shedding labour apace.

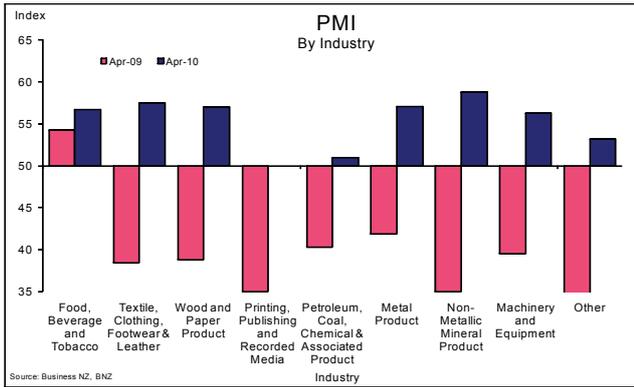


What a difference a year can make! The detail of the PMI shows a marked turnaround from the truly terrible trading conditions of 12 months ago. Encouragingly, this improvement is widespread occurring across all components, industries, regions and firm-size categories.

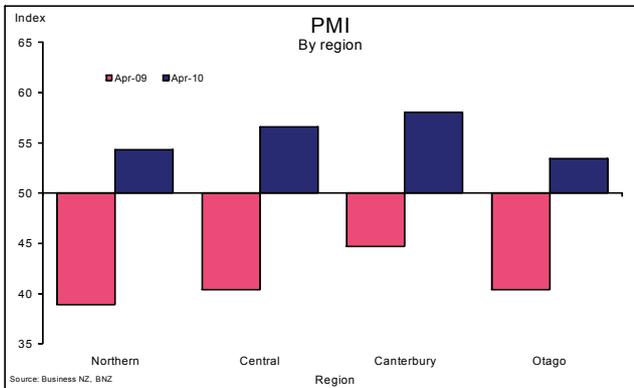
First, looking at the component indicators, all have swung from deep contraction mode (index well below 50) in April 2009 to expansion in April 2010. The largest turnaround has been in production and new orders. In fact, these components have gone from being the weakest a year ago to now leading the recovery charge. The employment and restocking phase of recovery has kicked in over recent months, with a slight acceleration occurring in April.



Second, the breakdown by industry shows a similar picture. A year ago, all-but-one (food, beverage and tobacco manufacturing) were deeply in contraction territory as firms battled with weak domestic and external demand. Nowadays, while there is still variation across industries, not one is below the breakeven 50 line.

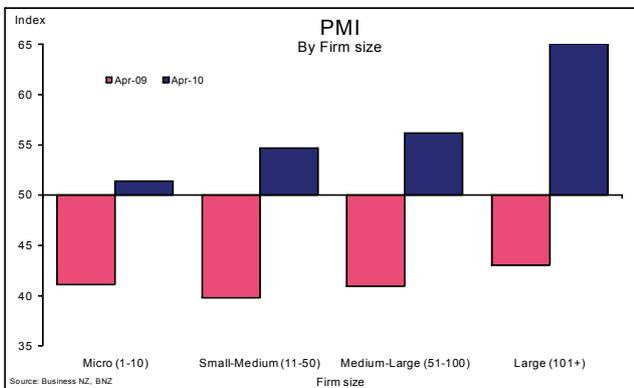


Third, the same pattern exists across the regions. All four PMI region indices have swung materially into expansion having been firmly in contraction 12 months ago as the recession did not discriminate by area.



Fourth, the breakdown by firm size completes the picture of a widespread improvement within the manufacturing sector over the past 12 months. Manufacturing firms of all shapes and sizes were contracting, on average, last April. This year, all firm size categories are moving forward.

Interestingly, the pace of expansion is currently positively related to firm size. Large firms (those employing more



than 100 people) are expanding at the fastest rate with a PMI value of 65.1, while micro firms (those employing 10 people or less) are growing the slowest with a PMI value of 51.4. Even so, both large and micro firms posted their highest April PMI value since the survey began in 2002. This is also true for medium-large firms, with a reading of 56.2 in April 2010. Small-medium firms, at 54.7, were within a whisker of their all-time high of 55.4 recorded back in 2004.

Even though the headline figures and details show a stunning turnaround from last year, we should note that these indicators are still averages. Despite the suite of positive indicators, not every business is going forward.

We know this from the still significant number of negative comments added to survey responses. Indeed, there are negative comments in the most buoyant categories (as well as positive comments in the least buoyant ones). Even so, on the whole, there is clearly a strengthening, and broadening, recovery going on in the manufacturing sector.

The advancing manufacturing sector will help offset patchiness or even outright weakness in some other parts of the economy. Falling house sales, dropping non-residential building consents, a weak rural property market and easing net migration are clear indicators that recovery is not yet economy wide. Not to mention the immediate and downstream negative impact of drought on the agriculture and related sectors. Or, from a looking forward perspective, how the sovereign debt crisis in Europe will ultimately play out.

Meanwhile, consumers remain cautious even though retail sales data for March, released tomorrow, will likely show a very strong gain in the month, bouncing from a soft February. Even with strong sales in the month of March, sales volumes for Q1 are expected to be sluggish. Moreover, a slump in the value of electronic transactions in April suggests consumer spending continues to lag the recovery and certainly continues to disappoint given the high level of consumer confidence.

Despite the variation across sectors, the economic recovery remains on track. The lagged impact from low interest rates continues to filter through. Elevated levels of business and consumer confidence continue to promise better times ahead and the income pulse from record high commodity export prices should not be underestimated. Certainly the vastly improved PMI from 12 months ago is indicating that robust growth is underway in the manufacturing sector.

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