

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.



Awesome August

BNZ - BusinessNZ PMI for August 2014

- The BNZ-BusinessNZ seasonally-adjusted PMI for August stood at 56.5, which were 3.0 points higher than July, and the strongest level of activity since March. The sector has now been in expansion for two years.
- Four of the five seasonally-adjusted main diffusion indices were in expansion during August. *Production* (60.1) was at its highest level since July 2013, while *new orders* (58.3) also improved from July, rising 2.8 points. *Employment* (53.2) rose 1.7 points to reach its highest level since May, while *deliveries* (55.7) increased 2.0 points. *Finished stocks* (48.5) decreased during August, although this may have been due to increased activity levels overall.
- Three of the four regions were in expansion during August. In the North Island, the *Northern* region (60.6) showed strong growth with its first activity level over 60 for the first time since December 2013. In contrast, the *Central* region (46.3) produced another contractionary result, which was largely on par with July. In the South Island, the *Canterbury/Westland* region (54.7) rose 2.4 points, while the *Otago-Southland* region (57.9) went back into expansion after three consecutive months of contraction.
- Manufacturing by industry sub-groups were mostly positive during August. *Petroleum, coal, chemical & associated product manufacturing* (63.5) went back into strong expansion after a period of decline. *Machinery & equipment manufacturing* (52.3) continued to experience expansion, although down on the level seen in July, while *food, beverage & tobacco manufacturing* (66.9) continued to expand at strong clip. In contrast, *metal product manufacturing* (49.2) experienced its first level of contraction since December 2013.
- The proportion of positive comments for August (61.2%) was up on July (57.4%), June (55.2%) and May (60.8%). Globally, the JPMorgan Global Manufacturing PMI for August (52.6) saw the sector in a holding pattern, with the rate of output expansion broadly unchanged from those registered in June and July.

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 at highest level of expansion since March 2014.

Four of the five main indices were in expansion, with production taking the top spot in August.

Unadjusted regional activity was expansionary in three of the four regions.

**Next BNZ - BusinessNZ PMI:
16 October 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)

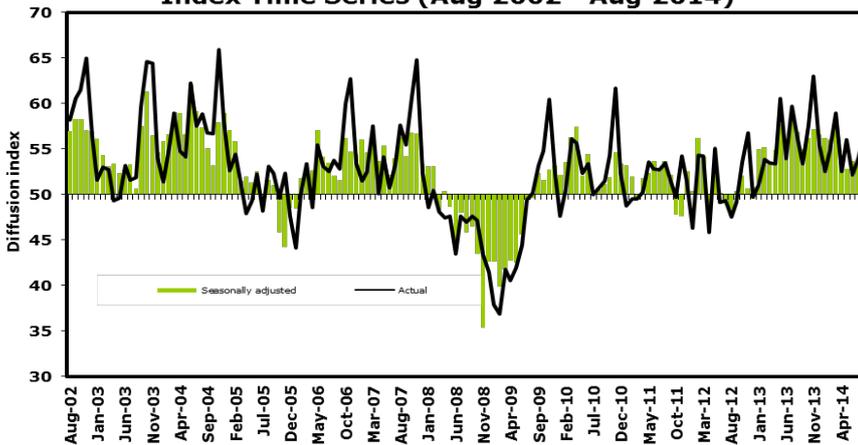
BNZ senior economist Doug Steel takes a look at what the lift in the PMI signals for production, and suggests it won't be too long before the manufacturing sector will bounce back from the Q2 softness.

BNZ-BusinessNZ PMI

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pmi

BNZ - BusinessNZ Performance of Manufacturing Index Time Series (Aug 2002 - Aug 2014)



August time series tables

National Indexes	Aug 2009	Aug 2010	Aug 2011	Aug 2012	Aug 2013	Aug 2014
BNZ - BusinessNZ PMI (s.a.)	49.6	50.5	53.7	47.7	56.8	56.5
Production (s.a.)	49.2	52.0	54.2	48.2	57.4	60.1
Employment (s.a.)	47.3	51.9	49.7	45.1	53.4	53.2
New Orders (s.a.)	52.7	49.7	54.9	48.2	59.9	58.3
Finished Stocks (s.a.)	47.4	47.5	52.6	48.2	53.5	48.5
Deliveries (s.a.)	48.8	49.1	55.1	48.1	55.3	55.7

National Indexes	Aug 2009	Aug 2010	Aug 2011	Aug 2012	Aug 2013	Aug 2014
BNZ - BusinessNZ PMI (s.a.)	49.6	50.5	53.7	47.7	56.8	56.5
Northern	47.3	53.4	51.5	45.4	53.8	60.6
Central	52.3	46.9	49.9	52.7	61.9	46.3
Canterbury/Westland	56.4	52.0	57.2	45.9	56.7	54.7
Otago/Southland	48.2	44.7	61.8	50.9	58.8	57.9

(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 September 2014

Sales

The value of manufacturing sales in the second quarter of the year fell 1.9% from the first quarter, after adjusting for usual seasonal variation. The total was pulled down by a large drop in meat and dairy product manufacturing sales. Excluding meat and dairy products, sales were about flat (-0.2%) for the quarter on a seasonally adjusted basis. This was a disappointing result, despite core manufacturing sales rising \$590 million or 3.7% compared to a year ago. Looking at sales volumes, overall these fell 0.7% in the second quarter again driven by meat and dairy products. Excluding meat and dairy products, volumes were about flat (+0.1%).

Production

Combined with a run-down inventory, weak sales imply a clear dip in manufacturing output during the quarter, of around 1.5% we'd say. This encapsulates a strongly negative contribution from agriculture processing in the quarter, to finish off last season's (generally good) production year, but also lower core manufacturing output. This proved quite a bit worse than we expected. It's probably mostly a timing thing but the disappointment was enough to pull our estimate for Q2 GDP growth down to +0.5% from +1.0% previously (that data is due next week). Reasons to believe that some of Q2's softness might be a timing issue include: a decent bounce in August's PMI, manufacturers' confidence above-average, generally low inventory-to-sales ratio, a strong rise in building activity and more to come, an improving Australian housing market and an NZD pulling back from extreme highs. Markedly lower dairy revenues and anticipated slower retail sales growth ahead will be headwinds for the manufacturing sector.

PMI

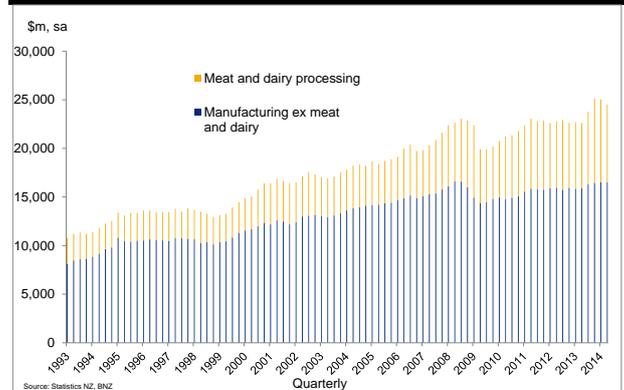
Today's Performance of Manufacturing Index, overall and in its detail, offers support to the idea that the manufacturing sector will bounce back from the Q2 softness before long. The PMI averaged 53.5 in Q2 and matched that level in July. The lift in the PMI index to 56.5 in August is encouraging, even if it is only one month's data. The improvement includes a lift in the production component to a very strong 60.1; its highest level for over a year. The combination of a solid lift in new orders and a drop in inventories is also a pointer to more production ahead.

Building

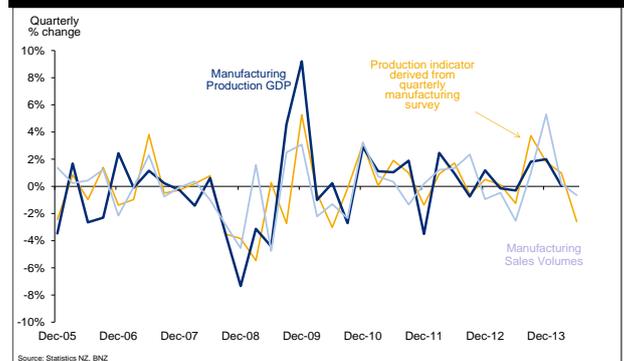
It didn't look much, but the 1.0% increase in Q2 building activity was effectively a boomer given it followed a 15% jump in Q1. It puts annual growth at 17%. With building consents for both residential and non-residential building tracking even stronger, construction sector growth is expected to remain a significant positive influence on local manufacturing.

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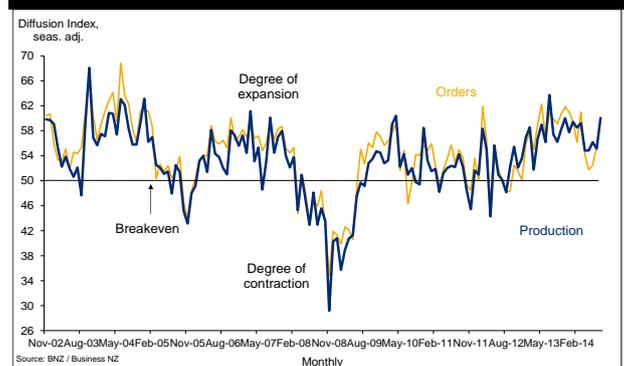
Manufacturing Sales



Production Looked Weak In Q2



PMI Bounces In August



Building Work Suggests Manufacturing Improvement



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