

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.



Solid end to manufacturing activity for 2010

BNZ - BusinessNZ PMI for December 2010

- The BNZ - BusinessNZ seasonally adjusted PMI for December (53.1) built on an improvement in activity in November to end the year with its third consecutive month in expansion. The December monthly value was also on par with what was experienced in 2007 and 2009.
- All of the five seasonally adjusted main diffusion indices were in expansion for the second consecutive month – the first time this has occurred since the start of 2008. *New orders* (54.3) experienced its highest value since June 2010, while *production* (52.6) dipped slightly from November, albeit still showing expansion.
- Unadjusted results by region showed three of the four regions in expansion during December, although all showing lower values than November. The *Northern* region was down 9.6 points (51.9), while the *Central* region was down 7.5 points (53.1). In the South Island, the *Otago/Southland* region was down 4.7 points (61.3), while *Canterbury/Westland* (48.4) fell back to levels similar to October.
- Manufacturing by industry sub-groups tended to be a mixture of expansion and contraction during December. The categories experiencing the strongest expansion again included *food, beverage & tobacco* (68.9), *machinery & equipment manufacturing* (53.9) and *petroleum, coal, chemical & associated products* (51.4). Of those in contraction, *metal product manufacturing* (45.3) showed a sizeable drop from November.
- The comments about market conditions showed the proportion of positive comments (54.5%) continuing to improve from the previous month. Positive comments focused on a pick-up in offshore orders, along with the typical Christmas rush. Negative comments were again short and sharp, focusing on the general economic climate, including a lack of activity in other sectors hampering further orders coming through.
- The Australian manufacturing sector was again more subdued than New Zealand and in contraction (46.3) for the fourth consecutive month. The JPMorgan Global Manufacturing PMI ended 2010 on a six-month high, with indexes for output and new orders push further away from recent lows.

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 again in expansion, leaving a solid end for manufacturing activity in 2010.

All of the five main indices recorded expansion for the second consecutive time.

Unadjusted regional activity showed three of the four regions in expansion.

The proportion of positive comments again outnumbered negative ones.

Global manufacturing scene ends 2010 at a six-month high.

***Next BNZ - BusinessNZ PMI:
17 February 2011***

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.

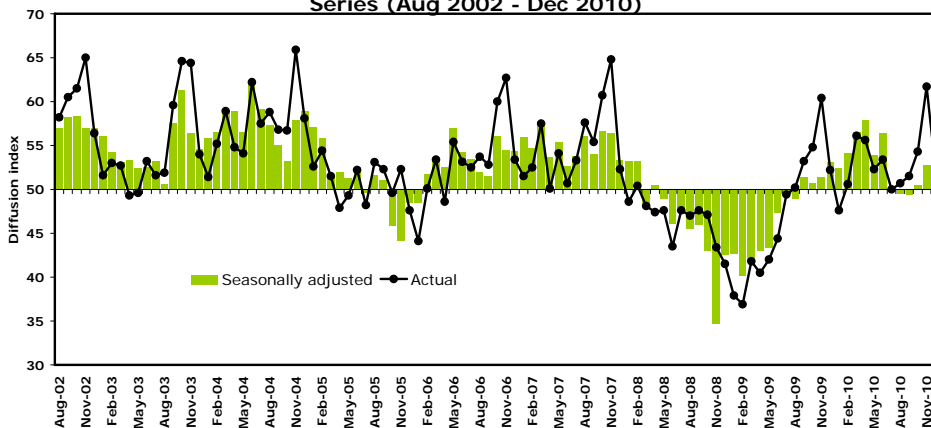
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BNZ - BusinessNZ Performance of Manufacturing Index Time Series (Aug 2002 - Dec 2010)



December time series tables

National Indexes	Dec 2005	Dec 2006	Dec 2007	Dec 2008	Dec 2009	Dec 2010
BNZ - BusinessNZ PMI (s.a)	48.5	54.4	53.3	42.5	53.1	53.1
Production (s.a)	48.0	55.6	53.9	40.1	54.1	52.6
Employment (s.a)	46.9	50.4	51.1	42.2	48.9	51.1
New Orders (s.a)	48.3	56.9	55.0	41.7	56.7	54.3
Finished Stocks (s.a)	53.3	52.7	52.2	50.6	47.7	51.6
Deliveries (s.a)	49.6	55.2	53.5	43.4	52.8	54.9

National Indexes	Dec 2005	Dec 2006	Dec 2007	Dec 2008	Dec 2009	Dec 2010
BNZ - BusinessNZ PMI (s.a)	48.5	54.4	53.3	42.5	53.1	53.1
Northern	47.3	51.8	52.0	35.4	52.6	51.9
Central	45.1	50.4	44.9	45.4	51.7	53.1
Canterbury/Westland	54.6	59.4	57.5	49.4	52.2	48.4
Otago/Southland	44.5	59.5	60.9	51.1	52.2	61.3

(s.a denotes seasonally adjusted)

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



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



Central (Employers' Chamber of Commerce 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.

21 January 2011

PMI Echoes Positive QSBO Manufacturing Tones

- PMI suggests manufacturing rebound
- So too does the QSBO
- On resumed activity growth, higher new orders
- With PMI/QSBO also attuned on staffing robustness
- Along with scant sign of over-stocking problems

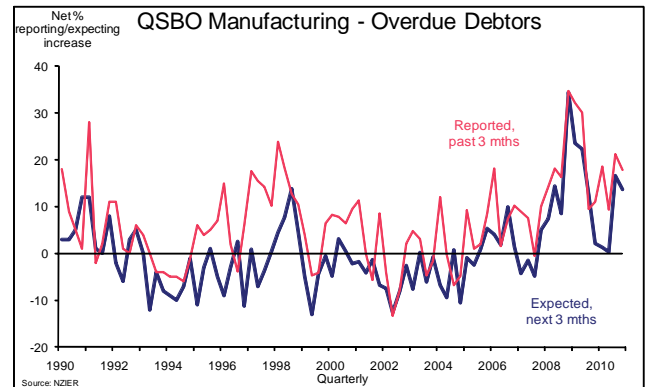
The ongoing slump in manufacturing during the September quarter was a real blow. It was central to the slippage in Q3 GDP and raised questions about the economic recovery process. We took the view that manufacturing, while down, was not out for the count. Indeed, that it would probably still strengthen over the closing stages of 2010, and into 2011.

December's Performance of Manufacturing Index (PMI) gives us good reason to believe we're on the right track. So do the equally positive tones apparent in the manufacturing section of the recent Quarterly Survey of Business Opinion (QSBO).

Importantly, given recent wobbles, manufacturers are now reporting a lift in production. In this respect, December's PMI registered an expansionary 52.6, following on from 55.1 in November. In the QSBO, a net 13% of manufacturers reported increased output in the previous three months, while a net 15% expected further expansion in the coming three months. Of note, domestic deliveries had done the biggest bouncing back, although export sales remained the stronger, relatively speaking. Such things shore up our belief that manufacturing will post expansion in Q4 and Q1, which will help restore some growth in overall GDP.

New orders for manufactured goods were similarly improved over recent months. In the case of the PMI, its orders component hit a seasonally adjusted 54.3 in December, having been below the 50 breakeven level back in July/August. The manufacturing category of the QSBO reported a net increase in new orders, for the first time in nine months, while expecting further pick-up in the coming few months.

These results brought home the fact that the employment indicators in the PMI, and manufacturing area of the QSBO, while not exactly strong, remained positive right through the period of output decline. This, at the time, was a sign to us that the production weakness was not viewed by manufacturers as the end of the road to recovery, more a discomfiting pothole.



And so the manufacturing sector's staffing indicators continue to hold up. For the PMI it was 51.1 in December, while the latest QSBO employment reports were about average (-8) and expectations (+4) were actually a bit above their long-term norm. It could have been worse.

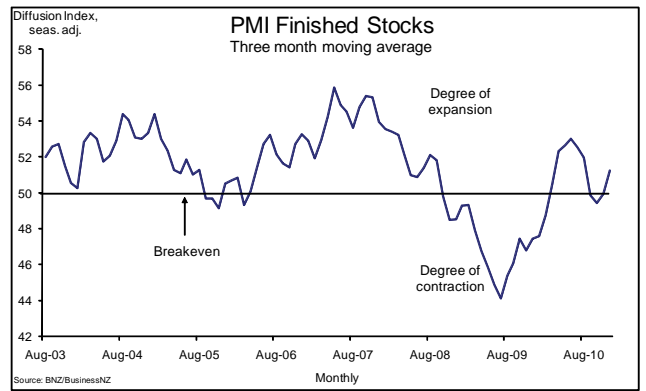
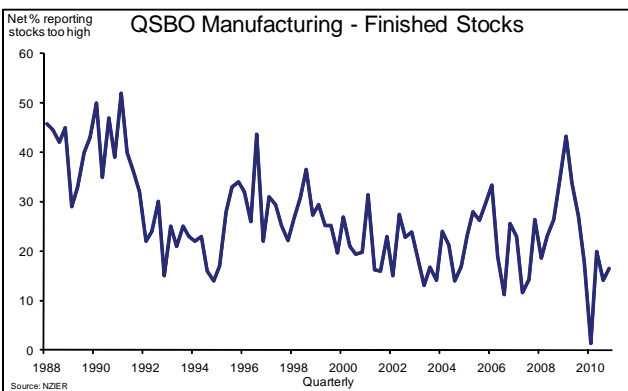
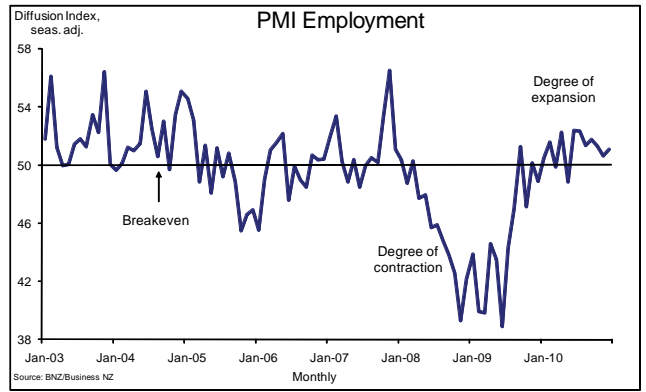
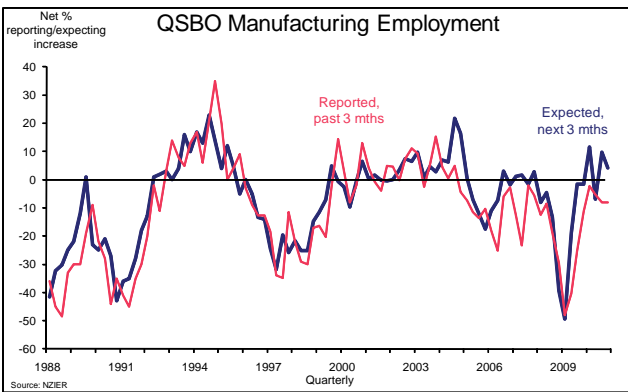
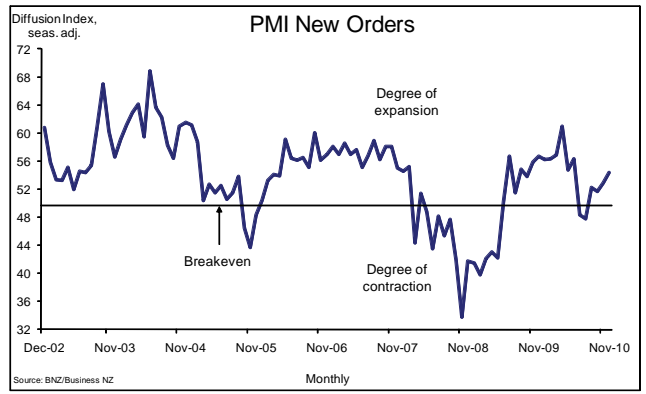
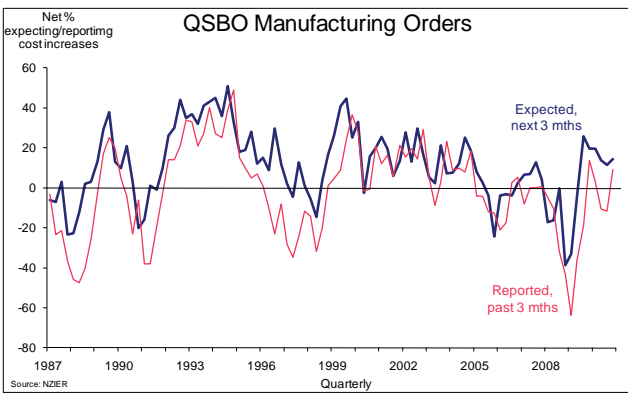
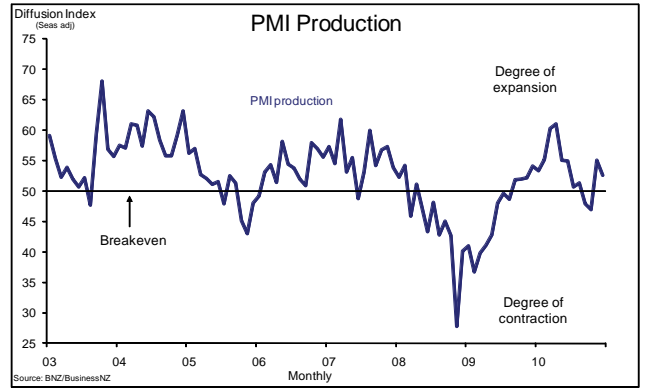
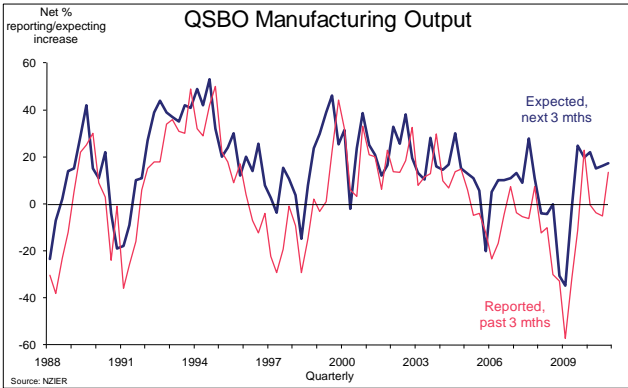
The other detail that gives us some comfort is that there has been little sign that inventories have blown out – even though that was clearly the risk, given the terribly depressed activity over Q2/Q3. QSBO respondents instead reported a general comfort with the level of finished stocks in the closing stages of 2010, while the PMI indicators suggest the same, as well as ongoing expansion in raw materials delivery (54.9) to boot.

The QSBO went on to suggest manufacturing company profits were battling higher again, after a bit of a weak patch over recent months, albeit that costs pressures were far from dead, amid tepid trends in final-prices. Commodity prices may well up the ante in this respect – something to watch carefully this year.

The only obvious niggle for the moment in the manufacturing area of the QSBO, however, was that overdue debtors seemed to have picked up a bit over the last three to six months. However, the readings in this regard were still well below the point of maximum distress, which occurred way back in late-2008.

Overall, then, we glean from the QSBO an impression of New Zealand's manufacturing sector as moderately positive as that portrayed in the latest PMI. In large respect, the surveys are singing from the same song-sheet. This gives us added confidence that manufacturing activity is probably picking up now, having hit a weak patch over the six months to September last year.

Agreement on Manufacturing Mending



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