

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.



End of year cheer

BNZ - BusinessNZ PMI for December 2014

- The BNZ-BusinessNZ seasonally adjusted PMI for December stood at 57.7, which was 2.1 points higher than the previous month, and still showing solid expansion. The PMI averaged 56.0 for 2014, which was exactly the same as 2013. The sector has now been in expansion for 27 consecutive months.
- Despite the pick-up in expansion, four of the five seasonally adjusted main diffusion indices were in expansion during December. *New orders* and *production* (62.0 and 61.7 respectively) led the way during the last month of 2014, with both returning to post-60 point values. *Deliveries* (58.7) rose for the second consecutive month, while *finished stocks* (50.4) dropped to its lowest value since August. *Employment* (49.4) was in slight decline, ending a 14 month expansion streak.
- Three of the four regions were in expansion during December, with mixed results across the country. In the North Island, the *Northern* region (56.9) fell back from 62.0 in November, while the *Central* region (49.3) experienced contraction for the first time since August. In the South Island, the *Canterbury/Westland* region (60.0) experienced its third consecutive 60+ point value, while the *Otago-Southland* region (66.0) built on its November result.
- Manufacturing by industry sub-groups were mostly positive during December. *Food, beverage & tobacco manufacturing* (69.4) remained strong given the time of year, while *machinery & equipment manufacturing* (56.6) continued to show healthy levels of activity. *Metal product manufacturing* (54.7) dipped slightly from November in terms of expansion levels, while *petroleum, coal, chemical & associated product manufacturing* (52.5) also experienced a drop.
- The proportion of positive comments for December (64.3%) was up on November (61.4%), but still lower than October's (68.7%). Globally, the JPMorgan Global Manufacturing PMI stood at 51.6 for December, which was its lowest result since August 2013.

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 December PMI expansion levels rise from the previous month.

Four of the five main indices were again in expansion, led by new orders and production.

Unadjusted regional activity was expansionary across most parts of the country.

***Next BNZ - BusinessNZ PMI:
12 February 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)

Inside BNZ Commentary this Month (page 3)

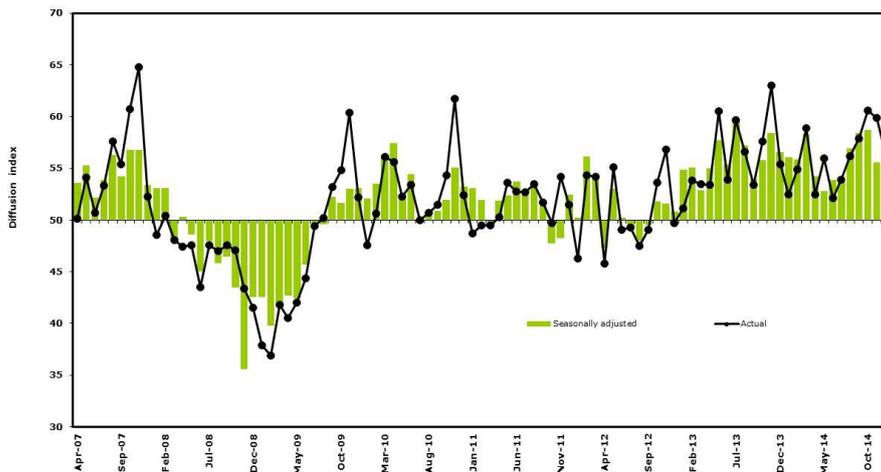
BNZ Senior Economist, Doug Steel, discusses the latest PMI and QSBO business survey results. Expanding output is putting pressure on existing capacity with associated positive intentions to invest in plant and machinery. And despite a flat PMI employment reading in December, manufacturers' employment intentions in the QSBO are at their highest since 2004.

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pmi

BNZ - BusinessNZ Performance of Manufacturing Index Time Series (Apr 2007 - December 2014)



December time series tables

National Indexes	Dec 2009	Dec 2010	Dec 2011	Dec 2012	Dec 2013	Dec 2014
BNZ - BusinessNZ PMI (s.a.)	53.1	53.2	52.4	50.8	56.6	57.7
Production (s.a.)	54.5	53.2	51.5	53.3	57.5	61.7
Employment (s.a.)	48.8	50.8	52.7	48.9	55.6	49.4
New Orders (s.a.)	57.0	54.7	53.4	49.9	60.9	62.0
Finished Stocks (s.a.)	47.5	51.6	52.5	50.0	49.2	50.4
Deliveries (s.a.)	52.5	54.8	51.7	51.5	52.8	58.7

National Indexes	Dec 2009	Dec 2010	Dec 2011	Dec 2012	Dec 2013	Dec 2014
BNZ - BusinessNZ PMI (s.a.)	53.1	53.2	52.4	50.8	56.6	57.7
Northern	52.6	51.9	51.9	48.4	60.1	56.9
Central	51.7	53.1	42.7	46.3	48.8	49.3
Canterbury/Westland	52.2	48.4	54.2	53.4	49.9	60.0
Otago/Southland	52.2	61.3	65.6	60.0	58.3	66.0

(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.

22 January 2015

Economic expansion

Stagflation is the economic term used for an economy with no growth and high inflation; think of NZ in the 1970s and 1980's. We have the exact opposite of that at present. NZ's economic expansion is in good heart. We estimate the economy grew 3.5% through 2014 and anticipate 3.2% through 2015. There is nothing in today's PMI survey or Tuesday's NZIER Quarterly Survey of Business Opinion (QSBO) to alter that view. Economy wide business confidence sits at +23, with manufacturers' confidence at +18. While business confidence is above average, so too is activity growth, and new orders buoyant. Meanwhile, CPI inflation looks set to be very low over coming quarters.

Output, capacity and investment

Manufacturing is part of the expansion, with recent output growth looking particularly strong. The PMI production index has been strong over recent months, even poking back up above the 60 mark in December. The QSBO results agree with the notion of a rise in output into the end of 2014. Moreover, the manufacturers responding to the QSBO anticipate more gains over the coming quarter. Production increases are putting pressure on capacity. Capacity utilisation rates have pushed further above average and the share of manufacturers' reporting capacity as the single factor most limiting their ability to increase turnover has increased to its highest level since 2004. No wonder that plant and machinery investment intentions remain strong.

Employment

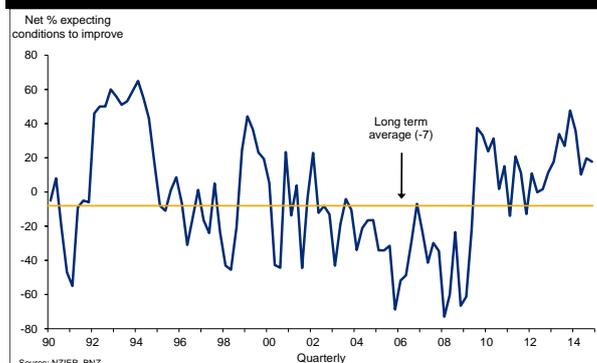
NZ employment indicators are generally strong at present. We are not concerned about a flat PMI employment reading for December, given it follows many months of strong expansion. The three month average remains firmly expansive, a view supported by the QSBO result for the past quarter (although it follows a weak previous quarter). Importantly, manufacturers' employment intentions in the QSBO for the coming quarter have lifted to their highest level since 2004. It fits with rising production and pressure on existing capacity. The trick might be in finding the required staff with manufacturers' reporting difficulty in finding labour – both skilled and unskilled. It all provides a positive backdrop heading into the official Q4 labour market figures due on 4 February.

Domestic Demand and Exports

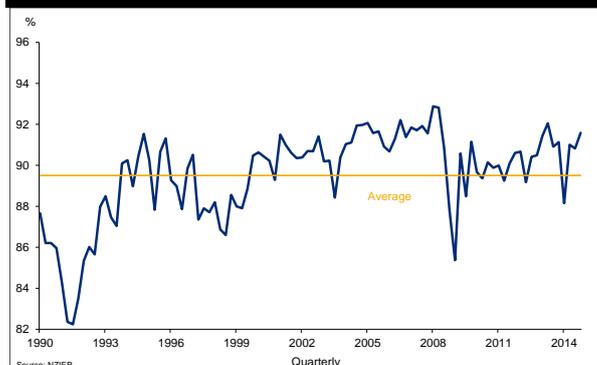
It is worth noting manufacturers' expectations for domestic and export sales. Both are still positive, but not as much as before. This was a softer looking part of the QSBO regards the manufacturing sector, amid a generally positive survey both for the sector and the economy as a whole.

doug_steel@bnz.co.nz

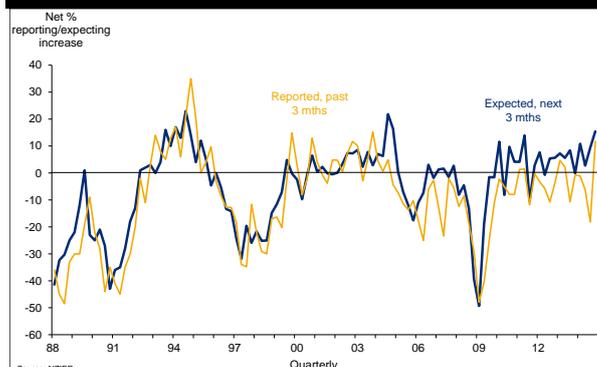
Manufacturers Confident



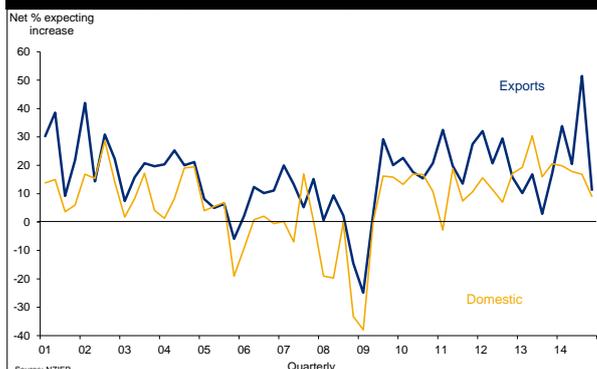
Manufacturers' Capacity Use High



QSBO Manufacturing Employment Strong



Domestic and Export Sales Expectations



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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