

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.



Building momentum

BNZ - BusinessNZ PMI for February 2013

- The BNZ-BusinessNZ seasonally adjusted PMI for February stood at 56.3, which was 1.1 points up from January and the highest monthly result since February 2012. Compared with previous February results, the 2013 value was close to that of 2012, but higher than those from 2006-2011.
- All five seasonally adjusted main diffusion indices were in expansion for February, the first time since May 2012. *Production* (61.4) led the way with its highest result since December 2004. This was followed by *new orders* (58.2), which recorded its strongest result since February 2012. *Employment* (50.1) did not display contraction for the first time since May 2012, while both *finished stocks* (51.8) and *deliveries* (53.9) both fell back from January levels of expansion.
- All four regions experienced expansion in February. Both North island regions showed similar levels of expansion, with the *Northern* region (53.6) continuing to improve, while the *Central* region (53.8) recovered from two months in contraction. In the South Island, the *Canterbury/Westland* region (52.4) dipped 2.2 points, while the *Otago/Southland* region (57.2) returned to expansion after a sharp dip in January.
- Manufacturing by industry sub-groups was generally in expansion mode for February. *Food, beverage & tobacco* (67.8) continued its healthy position, while *machinery & equipment manufacturing* (60.2) improved markedly from January. *Petroleum, coal, chemical & associated product manufacturing* (55.3) fell back from January but remained in expansion, while *metal product manufacturing* (46.4) showed a further lift, but has now been in decline for the last seven months.
- The proportion of positive comments for February (50.7%) was generally the same as January (50.0%), but down with 56.6% in December. Globally, the JPMorgan Global Manufacturing PMI for February was 50.8, as the rate of improvement eased from the start of the year and was only modest.

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 up for February at 56.3.

All five main indices were in expansion, with production at highest level since 2004.

Unadjusted regional activity was positive throughout the country.

***Next BNZ - BusinessNZ PMI:
11 April 2013***

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)

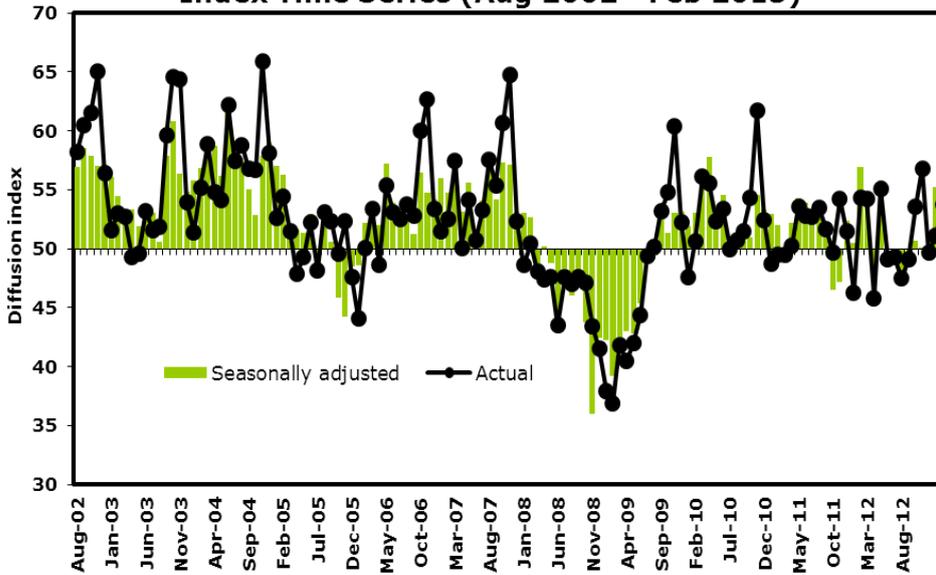
BNZ Senior Economist Craig Ebert says this month's positive result reinforces the bank's view that manufacturing is not "in crisis" as some would believe. While employment is still lagging, with production being the fastest growing in more than eight years, he is hopeful that a pick-up in jobs will follow, especially with new orders picking up as well as they are.

BNZ-BusinessNZ PMI

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.

pmi

BNZ - BusinessNZ Performance of Manufacturing Index Time Series (Aug 2002 - Feb 2013)



February time series tables

National Indexes	Feb 2008	Feb 2009	Feb 2010	Feb 2011	Feb 2012	Feb 2013
BNZ - BusinessNZ PMI (s.a.)	52.7	39.2	53.0	52.0	56.9	56.3
Production (s.a.)	52.9	34.5	52.5	52.4	60.3	61.4
Employment (s.a.)	48.4	39.4	50.8	52.8	50.4	50.1
New Orders (s.a.)	55.3	39.8	56.3	52.4	62.0	58.2
Finished Stocks (s.a.)	53.1	48.2	50.6	50.9	49.3	51.8
Deliveries (s.a.)	53.8	41.7	53.7	50.8	53.9	53.9

National Indexes	Feb 2008	Feb 2009	Feb 2010	Feb 2011	Feb 2012	Feb 2013
BNZ - BusinessNZ PMI (s.a.)	52.7	39.2	53.0	52.0	56.9	56.3
Northern	48.9	33.2	49.1	52.4	53.0	53.6
Central	48.9	38.7	48.3	53.1	61.4	53.8
Canterbury/Westland	57.0	41.5	59.2	42.0	52.0	52.4
Otago/Southland	52.4	44.5	49.5	44.3	44.7	57.2

(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.

15 March 2013

Manufacturing: There's No Might About It

- February's PMI strengthens to 56.3
- Production, new orders, leading the way
- Just not spread around, while jobs flat
- Still, PMI positive regards Q1 manufacturing-GDP
- As drought impinges dairy processing

We were pleased to see the further strengthening in February's Performance of Manufacturing Index (PMI). Not just because we've been going out of our way to highlight the sector's positives, when others have been declaring an industry-wide crisis (see our research note of a week ago, entitled "[Manufacturing in Crisis!?!](#)"). But for the very fact the latest PMI, up at 56.3, suggests the manufacturing industry is now expanding at a decent clip, albeit in a still-piebald fashion, and with jobs lagging for the meantime.

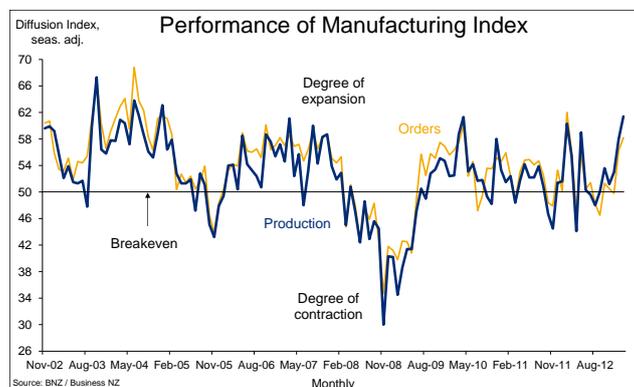
The headline numbers were certainly very encouraging. The summary PMI result – of a seasonally adjusted 56.2, following 55.2 in January – puts it comfortably above the 52.3 average since inception (August 2002). One swallow doesn't make a summer. But two increase the chances.

Momentum appeared even stronger when it came to the production component of the PMI. It leapt to 61.4 (for the record, the fastest in more than eight years). The new orders component enlarged to 58.2, from 56.3. This is obviously a good pointer to ongoing production gains.

This strength is all the more welcome, after the less-than-overwhelming data we saw in last week's December quarter manufacturing survey. While its sales volumes were up a good-looking 1.5%, inventories were soft. The implications for non-food manufacturing production were slightly negative. Even adding in our estimates of booming food processing in the (pre-drought) December quarter left us judging a 0.3% increase for manufacturing output in Q4 overall.

A better result in Q1 manufacturing growth is given purpose by today's PMI. However, its strength is not without a number of caveats.

One is that the PMI momentum is not evenly spread around. Indeed, the gap between the best and worst performing industries remains relatively high. The best (based on a three-month rolling average) was food



beverage and tobacco manufacturing, with 66.0. This might, to some extent at least, reflect greater than normal meat processing, on account of the drought, although the dry weather will, by the same token, be crimping the manufacture of dairy products.

The other strong industry performers right now according to the latest PMI are non-metallic mineral products (61.6) and "other" manufacturing (61.6). But spare a thought for printing publishing and recorded media (42.9), textile clothing and footwear (43.4) and metal product manufacturing (44.0).

It was also the case in February that only the very largest of firms were going for broke. Businesses employing more than 100 staff registered a PMI of a whopping 76.3. Micro firms (1 to 10) were at 53.7, small-to-medium (11-50) at 51.0 while medium-to-large sized firms (51-100) were at 50.0.

The other caveat to the latest PMI is that its reported production increases, overall, are not translating into more jobs (yet). February's employment index, while improved at 50.1, only really stabilized, having been below the breakeven mark of 50.0 for the prior 8 months.

Nonetheless, we have to take today's PMI as encouraging. It outlines that production is picking up, and will keep doing so if new orders are any guide. This, in due course, can be expected to drive a recovery in employment. The way some people are talking, we should be witnessing a very weak, to plunging, PMI. In fact, it's improved to a more positive level.

craig_ebert@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

Economist
+(64 4) 474 6923

Mike Jones

Strategist
+(64 4) 924 7652

Kymerly Martin

Strategist
+(64 4) 924 7654

Main Offices

Wellington

60 Waterloo Quay
Private Bag 39806
Wellington Mail Centre
Lower Hutt 5045
New Zealand
Phone: +(64 4) 474 6145
Fl: 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

Head of Research
+(61 2) 9237 1406

Alan Oster

Group Chief Economist
+(61 3) 8634 2927

Rob Henderson

Chief Economist, Markets
+(61 2) 9237 1836

Ray Attrill

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

Wellington

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

Sydney

Foreign Exchange +800 9295 1100
Fixed Income/Derivatives +(61 2) 9295 1166

London

Foreign Exchange +800 333 00 333
Fixed Income/Derivatives +(44 20) 7796 4761

New York

Foreign Exchange +1 800 125 602
Fixed Income/Derivatives +1877 377 5480

Hong Kong

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

24 HOUR FOREIGN EXCHANGE SERVICE

Phone Toll Free 6am to 10pm NZT – Wellington Office

0800 739 707 10pm to 6am NZT – London Office – Sam Hehir

ANALYST DISCLAIMER: The person or persons named as the author(s) of this report hereby certify that the views expressed in the research report accurately reflect their personal views about the subject securities and issuers and other subject matters discussed. No part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the research report. Research analysts responsible for this report receive compensation based upon, among other factors, the overall profitability of the Markets Division of National Australia Bank Limited, a member of the National Australia Bank Group ("NAB"). The views of the author(s) do not necessarily reflect the views of NAB and are subject to change without notice. NAB may receive fees for banking services provided to an issuer of securities mentioned in this report. NAB, its affiliates and their respective officers, and employees, including persons involved in the preparation or issuance of this report (subject to the policies of NAB), may also from time to time maintain a long or short position in, or purchase or sell a position in, hold or act as advisors, brokers or commercial bankers in relation to the securities (or related securities and financial instruments), of companies mentioned in this report. NAB or its affiliates may engage in these transactions in a manner that is inconsistent with or contrary to any recommendations made in this report.

NEW ZEALAND DISCLAIMER: This publication has been provided for general information only. Although every effort has been made to ensure this publication is accurate the contents should not be relied upon or used as a basis for entering into any products described in this publication. Bank of New Zealand strongly recommends readers seek independent legal/financial advice prior to acting in relation to any of the matters discussed in this publication. Neither Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication.

USA DISCLAIMER: If this document is distributed in the United States, such distribution is by nabSecurities, LLC. This document is not intended as an offer or solicitation for the purchase or sale of any securities, financial instrument or product or to provide financial services. It is not the intention of nabSecurities to create legal relations on the basis of information provided herein.

National Australia Bank Limited is not a registered bank in New Zealand.