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

Australia provides stability through choppy seas

BNZ - BusinessNZ PMI for July 2011

- The BNZ-BusinessNZ seasonally adjusted PMI for July stood at 53.2, which was down 1.1 points from June, and an exact match for activity during the end of 2010 and start of 2011. However, the July figure represents another solid level of expansion, and compared with previous July results was the highest since 2007.
- Despite the slight dip in expansion, all five seasonally adjusted main diffusion indices were in expansion during July. Encouragingly, *new orders* (56.0) led the way for the second consecutive month, followed by *deliveries* (53.7) and *employment* (52.2) which reached its highest result since March 2011. *Production* (51.8) slipped 0.6 points from June, while *finished stocks* (50.7) went back into expansion for the first time since April 2011.
- Unadjusted results by region showed three of the four main regions again in expansion, with the *Canterbury/Westland* region (56.3) leading the way after recovering from its dip in June. Both the *Northern* (53.3) and *Central* (50.8) regions fell back from June, while the *Otago/Southland* region (48.5) reached its highest value since January 2011, although still in contraction.
- Manufacturing by industry sub-groups remained a mix of expansion and contraction during July, with *machinery & equipment manufacturing* (57.9) falling back from its post-60 result in June. *Food, beverage & tobacco* (54.1) continued on its road to improvement, while *petroleum, coal, chemical & associated products* (45.4) improved slightly from June but still in contraction.
- The slight dip in the level of expansion in July saw a corresponding increase in the number of negative comments for July (54.2% compared with 52.2% for June and 52.8% for May). Exchange rates played a dominant role in terms of the number of negative comments, while on the positive side there remained various references to increased orders from and sales to Australia.

Inside BNZ Commentary this Month (page 3)

Bank of New Zealand's Economist, Doug Steel, looks at the latest NZ economic data including the PMI and finds some decent underlying momentum. It seems both domestic demand and sales to Australia have helped maintain manufacturing momentum. This is important to confirm, prior to the most recent bout of anxiety in world financial markets.

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 stood at 53.2 for July, slightly down on the June result.

All five main indices recorded expansion, led by new orders.

Unadjusted regional activity showed all but the Otago/Southland region again in expansion.

The exchange rate was the dominant negative comment, although conversely positive comments were again led by stronger orders from Australia.

Next BNZ - BusinessNZ PMI:
15 September 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.

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

BNZ-BusinessNZ PMI

BusinessNZ

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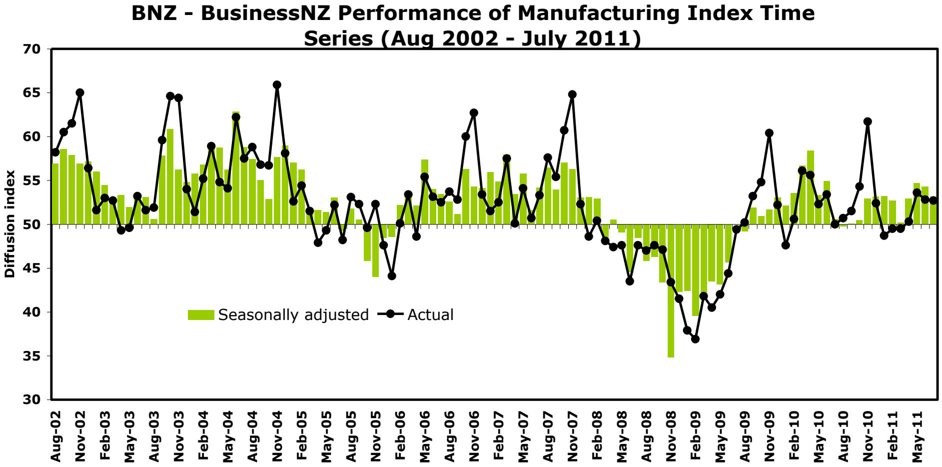
pmi



July time series tables

National Indexes	July 2006	July 2007	July 2008	July 2009	July 2010	July 2011
BNZ - BusinessNZ PMI (s.a.)	53.5	54.2	48.4	50.1	50.6	53.2
Production (s.a.)	53.8	53.2	48.2	49.8	51.0	51.8
Employment (s.a.)	50.0	50.1	45.9	44.0	51.9	52.2
New Orders (s.a.)	56.5	57.3	48.6	57.2	49.0	56.0
Finished Stocks (s.a.)	53.0	53.9	52.8	43.0	51.6	50.7
Deliveries (s.a.)	53.5	55.9	49.1	48.7	50.8	53.7

National Indexes	July 2006	July 2007	July 2008	July 2009	July 2010	July 2011
BNZ - BusinessNZ PMI (s.a.)	53.5	54.2	48.4	50.1	50.6	53.2
Northern	54.7	54.5	46.8	47.4	47.8	53.3
Central	48.4	54.4	44.9	52.7	56.0	50.8
Canterbury/Westland	48.8	50.9	52.5	54.9	49.4	56.3
Otago/Southland	61.6	49.0	47.5	39.8	48.3	48.5

(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

11 August 2011

Manufacturing Momentum Maintained

- World financial wobbles grab headlines, cause worry
- But don't overlook solid domestic momentum
- July's PMI the latest example

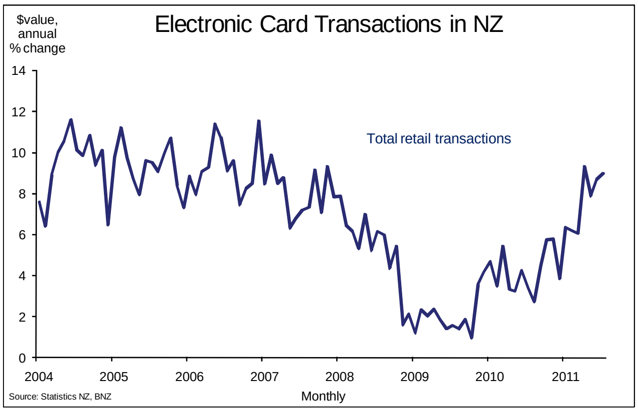
Financial markets have got themselves into a tizz – worried about the likes of European sovereign debt, US credit downgrades and inflation in Asia. As markets jostle to figure out the implications for world growth, there have been some wild price swings across most asset classes. Over the past few days volatility has been extreme, even by the new standards set over recent years.

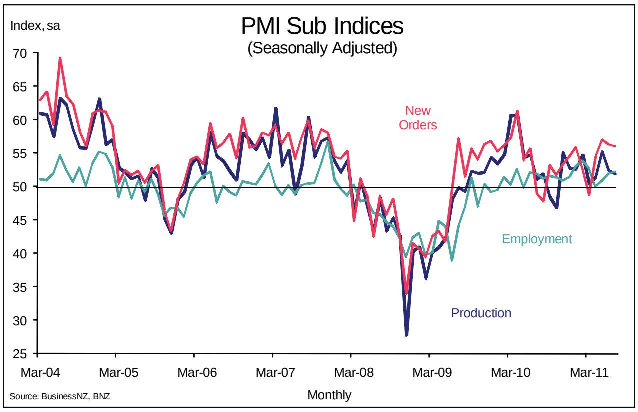
Amidst these gyrations, it pays not to lose sight of what the real economic indicators are saying. In New Zealand at least, the latest data have been solid. Take July's Electronic Card Transactions figures, which were released on Tuesday, for example.

The total value of transactions rose 0.2% in the month, with the retail component up 0.4% and the core retail category 0.5% higher. Perhaps nothing to get too excited about at face value, but these positive increments follow hefty gains in June. Moreover, this continues the positive trend over recent months, with the value of retail transactions now 9% higher than a year ago.

Importantly, these moves imply ongoing retail sales volume growth through the middle of this year. We reckon something in the order of 0.5% to 1.0% growth per quarter in Q2 and Q3. This, in turn, will flow back through the supply chain, providing some support to domestic manufacturing.

Indeed, this improving domestic demand is likely one factor underpinning the positive results in today's PMI.





Sure, the headline index eased a touch to 53.2 in July from 54.3 in June. But, at these levels, the PMI still indicates a healthy rate of expansion in the manufacturing sector is in progress.

The PMI details also offer positive signals. New orders remain the strongest sub component of the PMI and are firmly in expansion territory at 56.0, virtually unchanged from June's 56.2. Meanwhile, the employment index has posted its third consecutive monthly gain to record 52.2 in July. All good stuff for real economic growth calculations through mid-year.

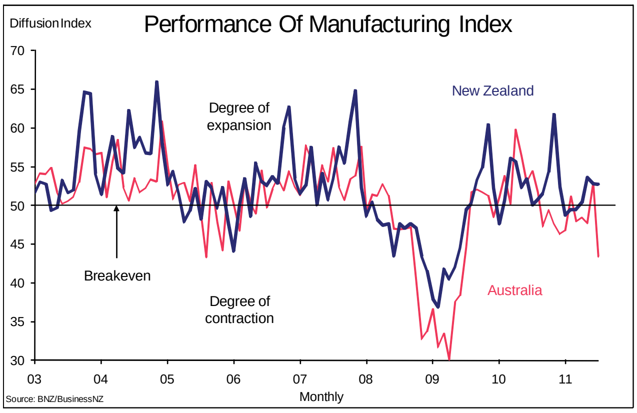
This is important momentum to confirm, especially in the event that the latest world financial market wobbles dent confidence as it well might. Judging by the likes of the ECT data and the PMI, as well as knowing a strong demand impulse from the Rugby World Cup is just around the corner, the NZ economy has a decent amount of momentum to carry it through at least some short term nervousness in world financial markets.

The international market place has a multitude of moving parts for domestic manufacturers. Not surprisingly, many have serious concerns about the strength of the NZ dollar, especially against the US dollar and Euro. This is still likely to be the case even with the top being knocked off the NZD in recent days. Even in this case, for any relief given via the dip in the currency, the underlying cause is hardly a reason to lift optimism for those exporting to the US or Europe.

Meanwhile, it is interesting to note that NZ manufacturers still seem to see Australia as a source of strength. Of the PMI respondents that mentioned Australia in comments on the major influence on their business – all of the comments were positive. This is despite deterioration in many of Australia's domestic indicators including consumer confidence, retail sales, various housing market metrics, and their own PMI.

The still relatively favourable NZD/AUD cross-rate is no doubt helping NZ manufacturers generally, while there may be specific support to those linked into the mining boom, the related strong Australian terms of trade (read national income) and rebuilding in Queensland. It is important to note that the NZD/AUD cross-rate may not only be assisting NZ exports to Australia, but also helping domestic manufacturers that compete with imports from Australia.

So while a lot of market attention is focused on the ills of the US and Europe, we need to also keep a close eye on developments elsewhere. While there are certainly many areas of concern around the world, there are some strongly positive aspects dotted around too. To date, at least, NZ manufacturers seem to be finding some joy across the Tasman.



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