

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.



Time to go steady

BNZ - BusinessNZ PMI for June 2011

- The BNZ-BusinessNZ seasonally adjusted PMI for June stood at 54.3, which was down 0.4 points from May but represented an ongoing and steady level of expansion for the second month running. Compared with previous June results, the 2011 figure was slightly below the 2010 result (55.0), but up on 2008 and 2009.
- Four of the five seasonally adjusted main diffusion indices were in expansion during June, with *deliveries* (56.1) again leading the way, followed by *new orders* (55.6) and *production* (52.4). *Employment* (51.7) experienced its second consecutive increase in expansion, while *finished stocks* (48.4) continued to slip lower.
- Unadjusted results by region showed three of the four main regions in expansion, with the *Northern* region (55.2) leading the way, followed by the *Central* region (53.9). The *Canterbury/Westland* region (52.1) dropped 5.6 points from May, although encouragingly remained in expansion. In contrast, the *Otago/Southland* region (41.3) sunk deeper into contraction during June, with now five consecutive months in contraction.
- Manufacturing by industry sub-groups remained a mix of expansion and contraction during June, with *machinery & equipment manufacturing* (62.4) leading the way and almost identical to May's result. *Food, beverage & tobacco* (49.3) improved from May, although still in contraction, while *petroleum, coal, chemical & associated products* (44.7) fell into contraction for the first time since January 2011.
- Comments about market conditions saw the proportion of negative comments remained roughly the same as last month (52.2% for June compared with 52.8% for May). Earthquakes and exchange rates were again included in a number of negative comments, while on the positive side there were 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, finds that despite the many clear threats to exports, they remain a net positive for the manufacturing sector at present. The outlook is also positive, despite the many risks still lurking about. Meanwhile, expectations of domestic sales have lifted and are now on a par with export sales expectations, suggesting a bit more balance to the growth that appears ahead.

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 54.3 for June, slightly down on the May result.

Four of the five main indices again recorded expansion.

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

Increased number of positive comments from manufacturers regarding stronger orders from Australia.

**Next BNZ - BusinessNZ PMI:
11 August 2011**

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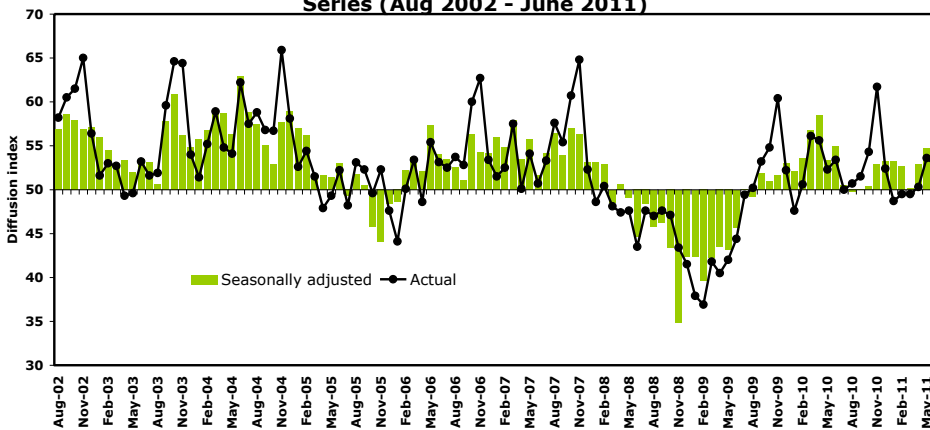
BNZ is delighted to be associated with the Performance of Manufacturing Index (PMI) and BusinessNZ. This association brings together the significant experience of leading business advocacy body BusinessNZ, and business finance specialist BNZ. We look forward to continuing our association with BusinessNZ and associated regional organisations, and to playing our part in the ongoing development of the New Zealand manufacturing sector.

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pmi

BNZ - BusinessNZ Performance of Manufacturing Index Time Series (Aug 2002 - June 2011)



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

June time series tables

National Indexes	June 2006	June 2007	June 2008	June 2009	June 2010	June 2011
BNZ - BusinessNZ PMI (s.a.)	54.0	51.7	44.6	45.7	55.0	54.3
Production (s.a.)	54.5	48.8	43.4	48.0	54.7	52.4
Employment (s.a.)	47.6	48.9	46.0	38.8	51.9	51.7
New Orders (s.a.)	56.2	54.8	42.9	49.4	55.1	55.6
Finished Stocks (s.a.)	52.6	53.0	51.5	43.7	54.2	48.4
Deliveries (s.a.)	55.5	52.6	43.3	43.0	54.7	56.1

National Indexes	June 2006	June 2007	June 2008	June 2009	June 2010	June 2011
BNZ - BusinessNZ PMI (s.a.)	54.0	51.7	44.6	45.7	55.0	54.3
Northern	53.2	49.3	42.2	41.7	51.6	55.2
Central	53.6	50.0	45.6	44.7	53.8	53.9
Canterbury/Westland	46.7	56.2	42.2	48.8	53.4	52.1
Otago/Southland	60.4	48.3	47.9	48.8	58.4	41.3

(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

18 July 2011

When the Trend is Your Friend

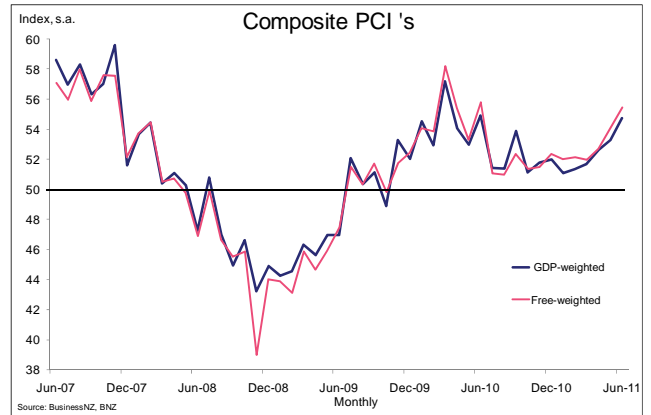
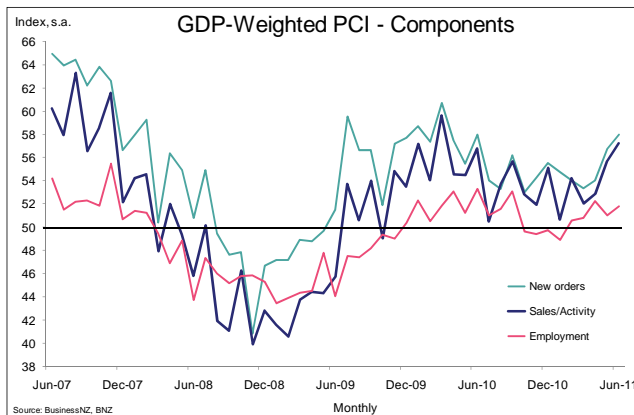
- NZ economic trends keep improving
- PSI, of 54.7, echoes solid PMI
- New orders still leading the way
- Composite PCI summarises the pick up

There is a saying in the financial markets that “the trend is your friend”. In this respect, the New Zealand economy is looking more congenial by the day. Not for everyone, by any stretch. But the trends are definitely pointing in the right direction. The strong GDP figures of last week should hopefully start convincing people of this.

While the last year or so has certainly been a testing time, with many folk fretting about double dips, we have stuck to our judgement the economy was firmly in recovery mode. Through the bumpy GDP numbers mid last year; through the global vicissitudes; even through the trauma of Canterbury’s earthquakes. Underneath it all, we always thought there was a national recovery budding in a cyclical fashion.

One of the things that stood us in good stead throughout was reference to the business survey indicators, which showed resilience. Yes, they did shift gears, here and there. However, never did they suggest things were shifting into reverse, the way they did during the 2008/09 recession. For the most part they were consistent with reasonable, if unspectacular, growth.

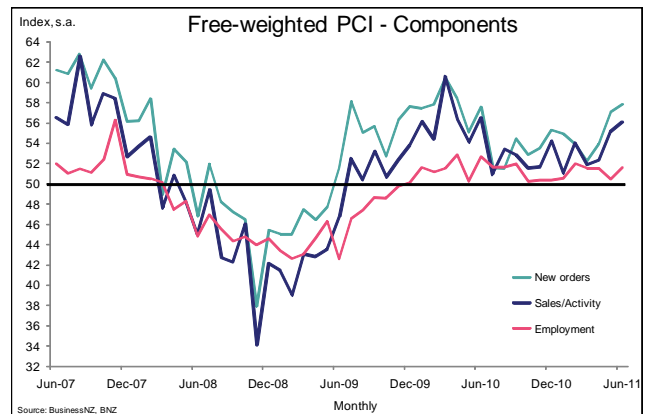
As part of this collection we include the Performance of Manufacturing Index (PMI) and its cousin the Performance of Services Index. They held up through a turbulent and uncertain 2010. And, following an understandable soft point immediate after the February earthquake, have maintained a firm tone over recent months.



Recall, from last Thursday, the PMI sustained a level of 54.3 in June, consolidating the gains it made since the earthquake-impacted 50.1 back in March. Today’s Performance of Services Index essentially matched that robustness, with 54.7.

Moreover, new orders continue to lead the way for both the PSI and PMI, further bolstering the improving trends we detect. In the case of the PMI, new orders were a solid 55.6, and for the PSI lifted to 58.0. The employment indices, at only modestly positive levels, were lagging, but then they usually do.

To best summarise the messages from the latest PMI and PSI, however, we thought it opportune to revisit the amalgam of the two - namely the Performance Composite Index (as was first presented back in February). Without wanting to put a fine point on it, the friendly trends should be clear from the PCI and the illustrations of it provided herein. Next please.



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