

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.



Firm grip on expansion

BNZ - BusinessNZ PMI for November 2013

- The BNZ-BusinessNZ seasonally adjusted PMI for November stood at 56.7, which was 0.8 points higher than October. The sector has now been in expansion for 14 consecutive months, and averaging 56.0 over 2013.
- All five seasonally adjusted main diffusion indices were again in expansion for November, again led by *new orders* (62.0) which recorded consecutive post-60 point values. *Production* (59.4) increased 2.0 points to record its highest level of activity since July, while *deliveries of raw materials* (56.7) did likewise. *Employment* (53.3) experienced further increases in activity, while *finished stocks* (50.2) experienced a decrease, although remained in slight expansion.
- Expansion was across the entire country during November, and the first time since November 2010 that all areas displayed post-60 levels of expansion. In the North Island, the *Northern* region (62.2) recorded its highest level of activity since November 2009. The *Central* region (64.6) rose 11.0 points from October, and the highest level of activity in that region since November 2002. In the South Island, the *Canterbury/Westland* region (62.0) continued its onwards momentum, while the *Otago-Southland* region (65.7) also built on its October result to show a similar result around the same time last year.
- Manufacturing by industry sub-groups were again all at various levels of expansion during October. *Metal product manufacturing* (65.5) picked up 13.6 points from the previous month, and recorded its highest result since November 2004. *Petroleum, coal, chemical & associated product manufacturing* (62.6) recorded its highest result since July, while *machinery & equipment manufacturing* (55.3) fell back to levels of expansion seen in August.
- The increased level of expansion for November also saw the proportion of positive comments for the month (66.2%) again increase from 63.8% in October and 58.1% in September. Globally, the JPMorgan Global Manufacturing PMI for November was 53.2, which resulted in the highest level of activity since February 2011.

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 expansion rises again to 56.7.

All five main indices were in expansion, with new orders and production strong.

Unadjusted regional activity positive throughout all of the country, with all showing post-60 point values.

***Next BNZ - BusinessNZ PMI:
23 January 2014***

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)

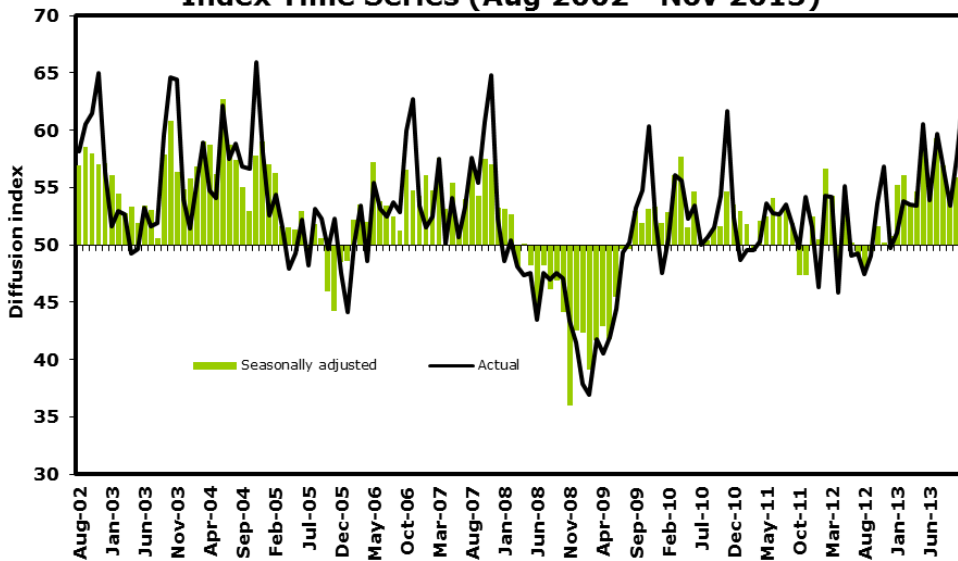
In this edition, BNZ senior economist, Craig Ebert, notes the combination of high orders and lean inventory, suggesting manufacturing production will continue to post a strong expansion, following great gains over recent months.

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



November time series tables

National Indexes	Nov 2008	Nov 2009	Nov 2010	Nov 2011	Nov 2012	Nov 2013
BNZ - BusinessNZ PMI (s.a.)	36.0	53.2	54.7	47.3	50.2	56.7
Production (s.a.)	30.2	55.2	58.2	44.7	51.5	59.4
Employment (s.a.)	39.8	51.0	51.6	50.8	48.6	53.3
New Orders (s.a.)	34.9	57.9	55.8	48.7	51.7	62.0
Finished Stocks (s.a.)	48.0	46.9	50.9	50.3	53.4	50.2
Deliveries (s.a.)	38.0	51.5	58.6	48.8	51.8	56.7

National Indexes	Nov 2008	Nov 2009	Nov 2010	Nov 2011	Nov 2012	Nov 2013
BNZ - BusinessNZ PMI (s.a.)	36.0	53.2	54.7	47.3	50.2	56.7
Northern	41.6	62.9	61.5	54.9	56.6	62.2
Central	43.8	58.9	60.6	43.2	51.7	64.6
Canterbury/Westland	43.4	54.4	61.0	56.9	62.0	62.0
Otago/Southland	51.6	61.9	66.0	71.0	65.0	65.7

(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.

12 December 2013

A Stocking Filler in the Making

- PMI maintains loud purr, with 56.7
- In spite of headwinds from higher NZD/AUD
- PMI solid in detail too
- Orders-to-inventory ratio especially upbeat
- Suggesting manufacturing surge in H2 2013

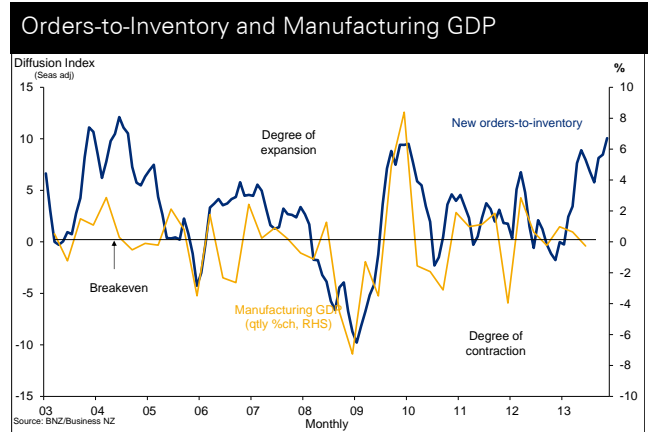
The main message from November's Performance of Manufacturing Index (PMI) was that it kept on keeping on. Not even the 10% rise in NZD/AUD this year has stopped it maintaining a clearly expansive level, of 56.7 – a touch above the solid average of 56.0 this year to date.

The robustness in the latest PMI was also evident in its detail. Every region was registering strong expansion, for example. The days of it being just Canterbury would appear to be long gone (something we've seen in many other business surveys besides).

All industry types, meanwhile, were comfortably above the breakeven 50 mark too. It wasn't just food and beverage manufacturing, although its (unadjusted) index of 68.2 fitted hand in glove with reports that rural production has bounced back well from the drought earlier this year.

Also, it was good enough that the employment index in November's PMI picked up the pace, to 53.3. And that production, at 59.4, was going for it. The most encouraging dynamic, however, was arguably that new orders were racing away in November, at 62.0. This, in combination with signs of lean inventory, suggests the pick-up in production will likely be maintained for a while yet.

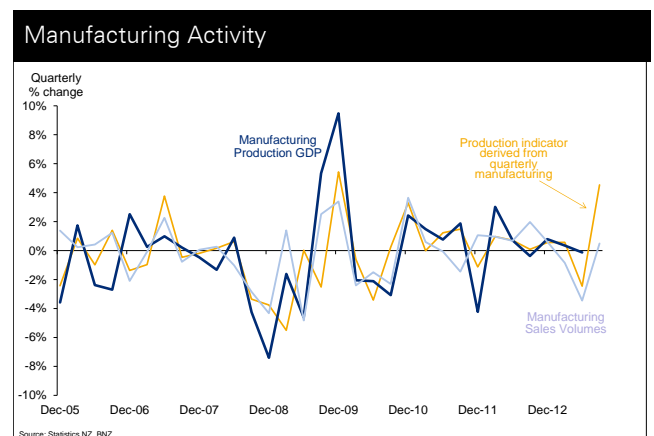
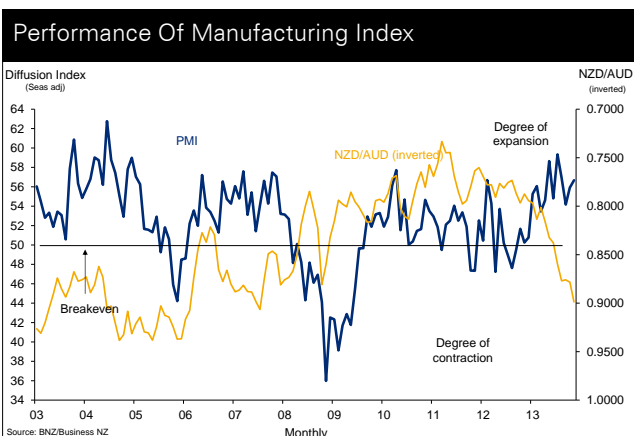
We're certainly looking for manufacturing activity to log a strong expansion over the second half of 2013, after a June quarter that was knocked by the lagged effects of the early-2013 drought.



The September quarter manufacturing sales and inventory data inferred a decent rebound in output. Indeed, it gave no reason for us to change our assumption that Q3 manufacturing production increased about 2.5% in real, seasonally adjusted, terms, mainly on the back of a bounce-back in dairy food processing (post drought) while the industry's output ex-meat-and-dairy rose around 1.0% (for about 2.5% y/y).

There were also clear signs of stock-building of rural produce in Q3, with Statistics NZ, unusually, using the phrase "very high" in this regard. This is an important offset to the disappointing news on rural export volumes as per the Q3 Overseas Trade Indexes, leaving us of the view that farm production, per se, has indeed been very strong, post drought.

We'll get the "official" word on manufacturing production in the Q3 GDP report, due 19 December. From this we expect to just fine-tune the extent of further advance likely for Q4.



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