

BNZ - BUSINESSNZ PERFORMANCE OF MANUFACTURING INDEX

56.2

June Value

-2.0

Monthly Change

expanding

Slower rate

Steady pace

14 JULY 2017

New Zealand's manufacturing sector saw expansion continue to hover around expansion levels experienced over the last three months, according to the BNZ - BusinessNZ Performance of Manufacturing Index (PMI).

The seasonally adjusted PMI for June was 56.2 (a PMI reading above 50.0 indicates that manufacturing is generally expanding; below 50.0 that it is declining). This was 2.0 points lower than May, and similar to expansion levels seen in April. Overall, the sector has remained in expansion in all months since October 2012.

BusinessNZ's executive director for manufacturing Catherine Beard said that the last four months show the sector hovering around an expansion range between 56-58, which is still positive and healthy.

"Encouragingly new orders (58.7) continues to push forward with healthy expansion, followed by production (58.0). However, one noticeable dip was for employment (49.5), which went into minor contraction for the first time since November 2016.

"While expansion eased during June, the proportion of positive comments stood at 68.2%, compared 69.4% in May and 64.7% in April".

BNZ Senior Economist, Craig Ebert, said "that while it was always going to struggle to match its 58.2 level of May, at 56.2 in June the PMI was still nicely above average".



Catherine Beard
Executive Director
ManufacturingNZ

[View PMI Time Series Data](#)



Manufacturing Snapshot



The PMI

New Zealand's Performance of Manufacturing Index (PMI) has largely maintained its solid momentum of recent months. While it was always going to struggle to match its 58.2 level of May, at 56.2 in June the PMI was still nicely above average.

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Activity

Broadly speaking, the latest PMI was expansive. Certainly, its output index was robust, at a seasonally adjusted 58.0, from 59.5 in May.

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Employment

If there was a weak spot in June's PMI it was arguably in its employment index. Indeed, it slumped to 49.5, so below the breakeven mark of 50. However, it seems too early to judge this as a genuinely negative read.

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Capacity

In any case, NZ manufacturers would appear to be having problems finding staff in the first place. We got this impression from the QSBO variables on difficulty in finding labour.

[Read more](#) →



Craig Ebert
Senior Economist

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PMI Time Series Table

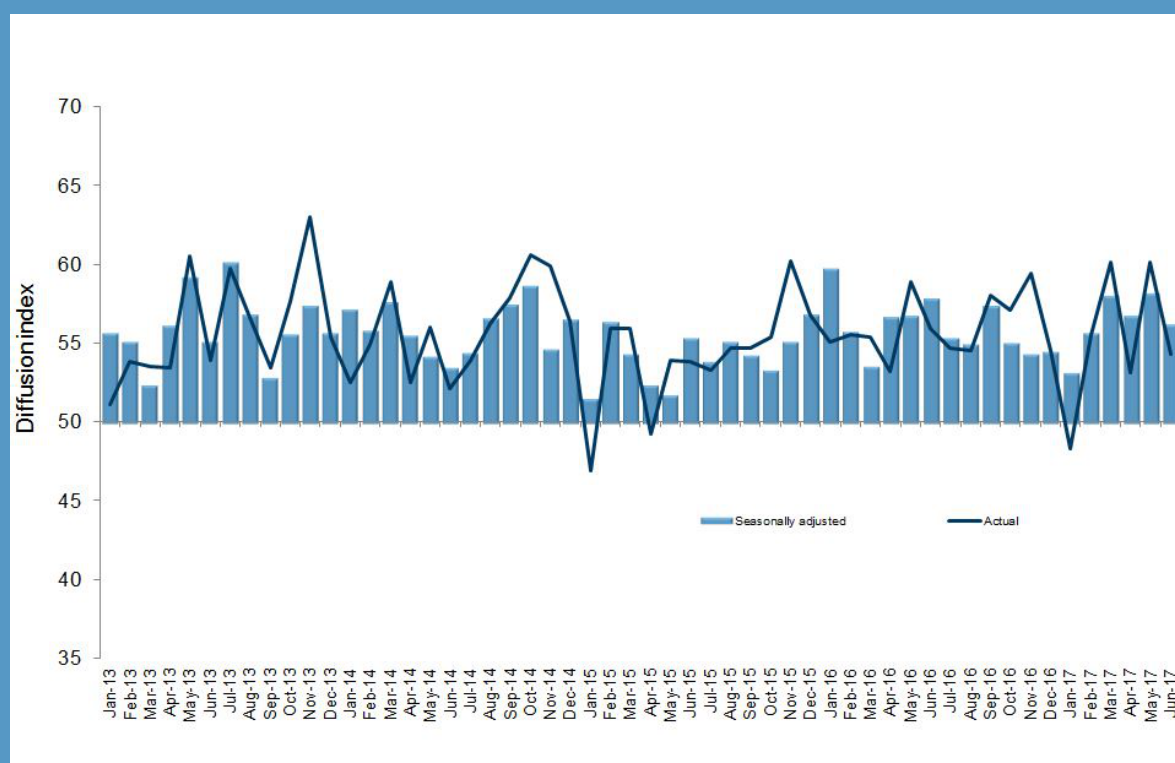
Results are seasonally adjusted.

National Indices	Jun 2016	Feb 2017	Mar 2017	Apr 2017	May 2017	Jun 2017
BNZ - BusinessNZ PMI	57.8	55.7	58.1	56.7	58.2	56.2
Production	60.5	57.8	60.1	56.9	59.5	58.0
Employment	53.6	51.5	53.5	53.0	55.0	49.5
New Orders	61.4	59.0	63.0	61.7	60.6	58.7
Finished Stocks	51.3	55.7	53.0	54.0	54.6	54.5
Deliveries	56.3	54.3	54.4	54.9	58.2	57.2

[View PMI Time Series Data](#)

BNZ - BusinessNZ PMI Time Series

January 2012 – June 2017

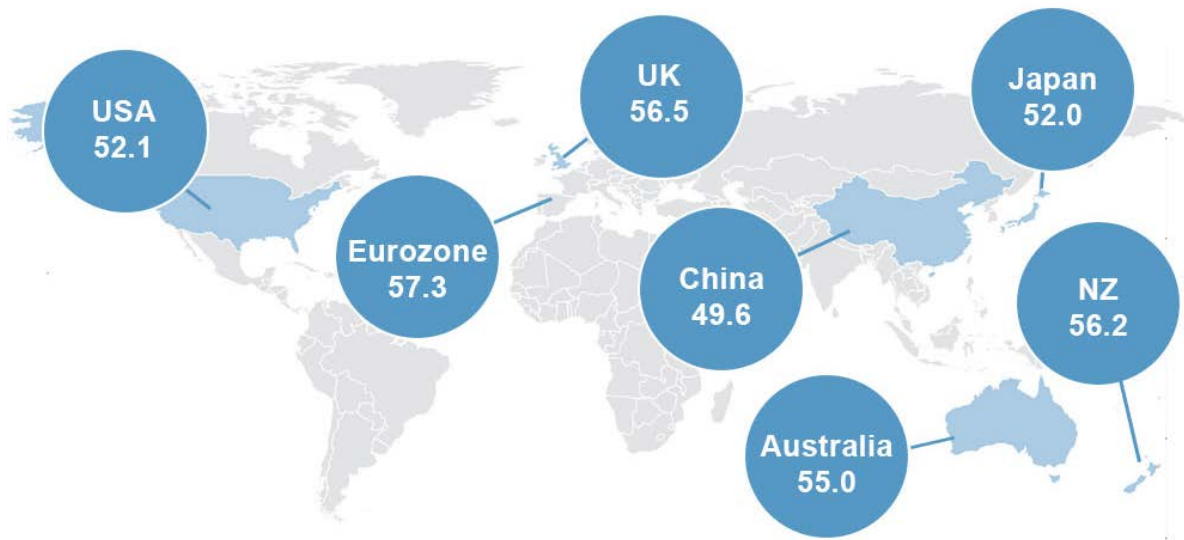


International Results

J.P. Morgan Global Manufacturing PMI™

3 July 2017

52.6



Sponsor Statement

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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Technical Comment

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14 July 2017

The PMI

New Zealand's Performance of Manufacturing Index (PMI) has largely maintained its solid momentum of recent months. While it was always going to struggle to match its 58.2 level of May, at 56.2 in June the PMI was still nicely above average. By region, Canterbury was the principal drag in the month, albeit having been better than most in May. By industry, there was a greater range of difference in fortunes – based on non-seasonally adjusted indices, at least. On this basis, Food Beverage and Tobacco (62.3) was notable as a positive, while Wood and Paper Products (46.0), along with Textile, Clothing, Footwear and Leather (47.9), captured a negative hue.

Activity

Broadly speaking, the latest PMI was expansive. Certainly, its output index was robust, at a seasonally adjusted 58.0, from 59.5 in May. This was also the general message from manufacturing firms in the early-July NZIER Quarterly Survey of Business Opinion (QSBO). Granted, there was a moderation in the net number reporting increased output – down to +5, from +20. However, with respect to the coming 3 months, output expectations edged up to +29, from +28. The long-term average for this QSBO series is +17. With all of this we can believe that manufacturing output will register further expansion, after having increased 1.0% (2.1% y/y) in the Q1 GDP accounts.

Employment

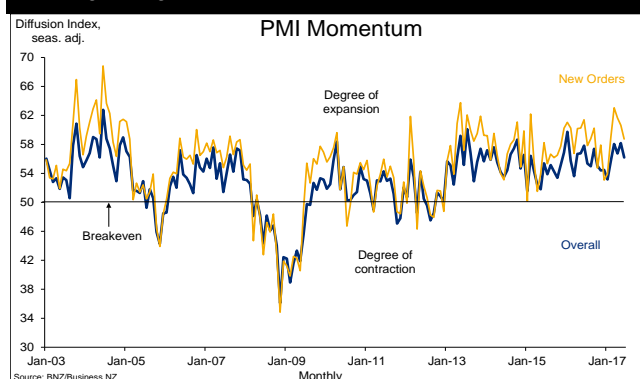
If there was a weak spot in June's PMI it was arguably in its employment index. Indeed, it slumped to 49.5, so below the breakeven mark of 50. However, it seems too early to judge this as a genuinely negative read. For starters, we note the PMI employment index came off a 31-month high in May (55.0) and we know how it can bounce around quite a bit from month to month. Averaging over the last 3 months, the PMI jobs index is 52.5. We did also see manufacturers in the latest QSBO tone down their reports of staffing over the last 3 months, and expectations for the coming 3 months. Nevertheless, they were each still positive and above normal.

Capacity

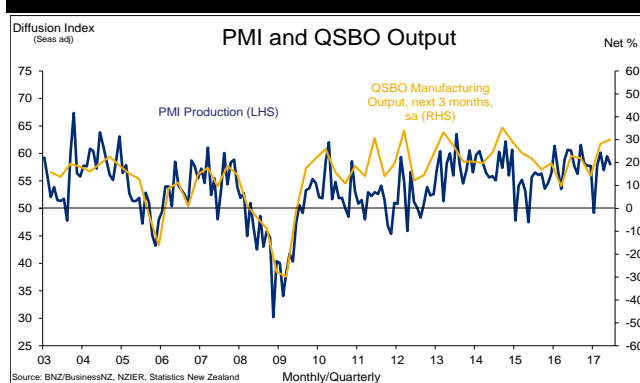
In any case, NZ manufacturers would appear to be having problems finding staff in the first place. We got this impression from the QSBO variables on difficulty in finding labour. These, much like for the economy in general, have become relatively high – whether in terms of skilled or unskilled staff. The other QSBO indicator saying that manufacturers are feeling constrained from the resources side of their business was the capacity utilisation measure, CUBO. This, for manufacturers, was 91.7% with respect to the June quarter. While this is off its peak of 93.4% of early 2016 it's still well above its long-term norm of 89.8%.

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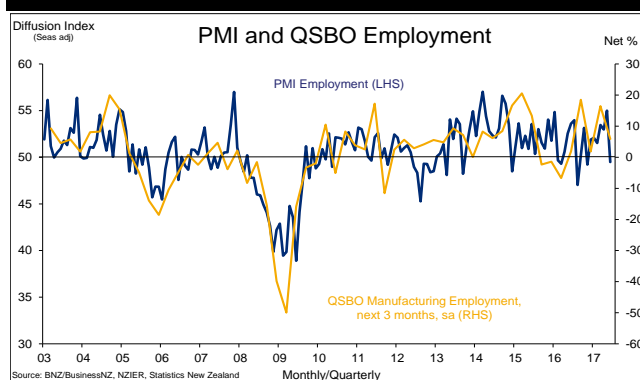
Honking Along



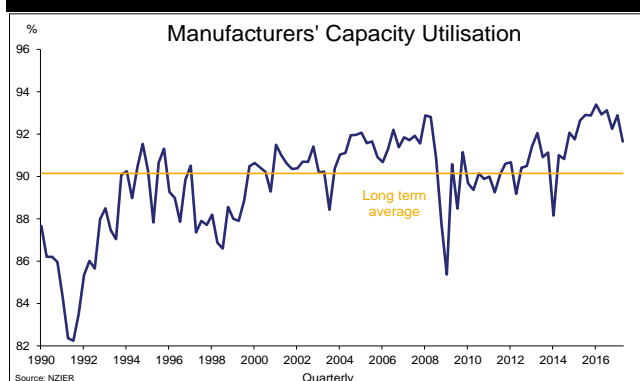
Still Looking Good



Choppier



Still Relatively Stretched



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