

Robust manufacturing survey coming

Business NZ is working with its five constituent organisations (Employers and Manufacturers Association (Northern), Employers and Manufacturers Association (Central), Canterbury Manufacturers' Association, Canterbury Employers' Chamber of Commerce and Otago-Southland Employers Association) to launch a monthly PMI (Performance of Manufacturing Index) survey in New Zealand and a high quality quarterly survey of the manufacturing sector.

The New Zealand PMI is being developed to coordinate existing regional surveys of manufacturers and expand coverage to regions that currently do not have a regular manufacturing survey. The coordination of the survey will also allow us to combine the regional data to produce a new national manufacturing index.

The PMI is modeled on the former United States National Association of Purchasing Managers – Purchasing Managers Index, commonly referred to by economic commentators as the NAPM index. This has recently changed to the ISM index as a result of the National Association of Purchasing Managers changing its name to the Institute for Supply Management.

The PMI format has been adopted by the Australian Industry Group and is also under consideration in several other countries. The New Zealand and regional PMIs will therefore be part of a growing range of manufacturing index measures released in a range of major economies and already have a high level of recognition internationally. The US and Australian PMIs are recognised as providing a good indicator on future manufacturing economic levels so we believe the survey will be of high value to firms within the sector

Manufacturers participating in the survey will automatically be provided with a copy of the detailed analysis prepared for their region and for New Zealand as a whole. Access to survey results for other regions will also be available.

The monthly survey contains the following five activity questions:

Monthly Survey of New Zealand Manufacturing and New Zealand PMI

Q1	Please indicate the changes your company experienced during the <u>LAST MONTH</u> in respect of (CIRCLE):									
	Up	Signif-	Up	Moder-	No	Down	Mod-	Down	Sig-	
	1	icantly	ately	ately	Change	erately	erately	nificantly	Sig-	
Production Levels.....	1		2		3	4		5		
Employment Levels.....	1		2		3	4		5		
New Orders.....	1		2		3	4		5		
Stocks Of Finished Products	1		2		3	4		5		
Deliveries Of Raw Material .	1		2		3	4		5		

Participants will also be asked for information on their region, staff numbers and industry sector.

The longer quarterly survey has similarities to the Quarterly Survey of Business Opinion run by the Institute of Economic Research but the new PMI quarterly survey is significantly superior from a technical viewpoint. Nationally 300 companies will be surveyed.

Details of the more comprehensive quarterly survey are on <http://www.cma.org.nz/index.cfm/Surveys/Manufacturing%20Survey.html>

Technical Paper on the Performance of Manufacturing Index (PMI)

The index is a weighted average of responses to the following five questions in the monthly manufacturing member survey: production, new orders, deliveries, inventories and employment. As such, the composite index provides a summary headline impression of the strength of manufacturing activity.

The result is presented as a diffusion index. It is obtained by summing one half of the “no change” responses and the percentage recording an improvement. For example, if the responses were 40% unchanged, 30% higher, 30% lower, the index would be 50, while a 40/40/20 split generates an index of 60. A reading of 50 implies no growth, while a result above (below) 50 indicates growth (contraction) in activity. The further from 50 the stronger are the changes.

The PMI presents an additional and alternative picture of manufacturing activity to that contained in the Statistics New Zealand gross domestic product manufacturing series in the quarterly national accounts, providing more timely data and summary trend information on a monthly basis.

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