

May merry for manufacturers

Alan Wood

The manufacturing sector is expanding at the strongest pace for almost a year despite the recent high in the New Zealand dollar, with even quake-hit Canterbury manufacturers relatively upbeat about the road ahead.

The BNZ-Business NZ Performance of Manufacturing Index for May was 54.7, up from 52 in April. The May figure was the highest since June last year.

An index above 50 indicates that the sector is expanding and under 50 it is contracting.

Unadjusted results by region showed three of the four main regions in expansion, with Canterbury/Westland leading the way with 57.7 – its highest value since November.

This was mainly due to improved production and new order results, domestically and overseas.

Manufacturers spoken to by *The Press* agreed May had



David Hawes

been a relatively good month for sales, though they suffered delays and damage from Monday's severe aftershocks.

BusinessNZ executive director for manufacturing Catherine Beard said the second month of improvement in manufacturing activity was in line with other recent positive signs, despite some job layoffs.

BNZ economist Doug Steel said the May PMI was further evidence of the economic

recovery gathering momentum.

"Surging commodity income is starting to filter through the economy, and appears to be one factor behind a lift in manufacturers' new orders," Steel said. "There are also encouraging signs that domestic consumer demand is improving."

Carlton Taylor Industries general manager and part owner David Hawes said his sheet metal fabrication and die casting products operations were hit by the quakes, with significant damage to die casting machinery in Bromley.

That machinery could be out for weeks as the usual supplier was a Japanese firm that had been destroyed by the March tsunami.

But May had been a good month for sales.

The company's exports – 40 per cent of production – went mainly into Australia, with the favourable cross-rate helping returns.

"Everybody talks about the high kiwi dollar and how it's no good on exports, but in actual fact it's keeping the cost of all our raw materials down – all those are imported. The other thing is what we don't sell in New Zealand we sell in Australia," Hawes said.

"Going forward it is looking very good as well (for sales)."

Gordon Sutherland, managing director of metal foundry A W Fraser, said his firm had also seen positive trading in recent months.

The operation in Lunns Road had lost some days of production following the aftershocks, but May had been "absolutely better" compared to a year earlier.

Sutherland said care needed to be taken with statistical results like the PMI reading. While the firm's production was ahead of May 2010 it was still well behind May 2009, he said. "Our business is relatively strong, but we are affected by the US dollar."