

## MANUFACTURING ACTIVITY DECLINES

FOR THE MONTH OF APRIL 2003

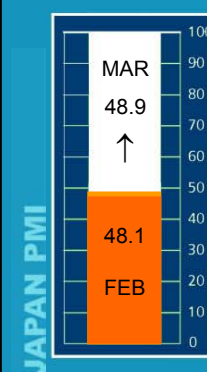
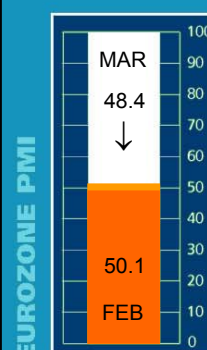
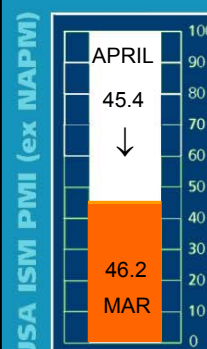
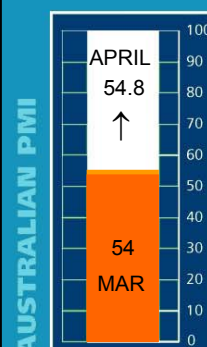
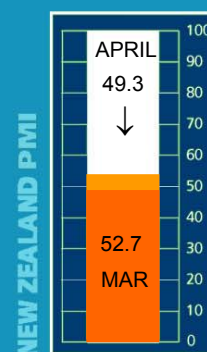
The ANZ-Business NZ Performance of Manufacturing Index (ANZ-Business NZ PMI) is a monthly survey of the manufacturing sector providing an early indicator of activity levels. The ANZ-Business NZ PMI contains data obtained through Business NZ's regional organisations: Employers' & Manufacturers' Association (Northern), Employers' & Manufacturers' Association (Central), Canterbury Employers' Chamber of Commerce, Canterbury Manufacturers' Association and Otago Southland Employers' Association. When interpreting the data, a PMI reading above 50 points indicates manufacturing is generally expanding; below 50 indicates it is contracting; the distance from 50 indicates the strength of expansion or contraction.

### KEY FINDINGS

- The ANZ-Business NZ Performance of Manufacturing Index was 49.3 for the month of April. This was down 3.4 points from March and is the first time since the survey began in August 2002 that the PMI has fallen below 50 to indicate a general contraction in activity, albeit at a modest level.
- Three of the five component indexes recorded contraction during April, with Production having the lowest value (48.0), followed by Deliveries (48.7) and Employment (49.1). Finished Stocks recorded no change (50.0). There was some encouragement with the forward-looking New Orders index recording expansion, although at a very modest level (50.7). With the exception of New Orders and Finished Stocks, all other component indexes recorded their lowest values over the nine months of the index.
- The food, beverage & tobacco sector recorded the strongest level of expansion (54.0), followed closely by the petroleum, coal, chemical & associated product sector (53.9). In contrast, the wood & paper product sector had the largest decline (38.1).
- Three of the four regions recorded contraction in the month of April. The Otago/Southland region (43.9) continued to trend downwards, while the Northern region (48.7) and Central region (49.7) also recorded a decline. The Canterbury/Westland region showed expansion (53.5), and had the highest regional value for the second consecutive month.
- Small-Medium sized firms (11-50 workers) were the only firms to show expansion during April (51.7), while all other firms by size recorded a decline.
- The New Zealand dollar's continued gains against the American dollar and recent high levels against the Australian dollar were viewed as the largest obstacle to increased business activity by firms over the last three months, followed by SARS. Both SARS and the high value of the New Zealand dollar were blamed for reducing export earnings. Some said uncertainty over issues abroad was clouding future planning; others mentioned current and upcoming legislative changes by the Government that directly affect employers.

### PRODUCTION

- The ANZ-Business NZ Production diffusion index was 48.0 for April, a fall of 4.4 points from March and the lowest component index value for the month. It is also the first time the component index has shown a decline.
- Two of the five manufacturing sectors recorded expansion for April, with the petroleum, coal, chemical & associated product sector (58.8) having the strongest expansion, followed by the food, beverage & tobacco sector (57.4).
- The Canterbury/Westland region continued to record the highest Production index value (51.6), and was the only region to record expansion. The Otago/Southland region slipped a further 2.1 points to stand at 40.0, the lowest production level for any region.



## EMPLOYMENT

- The ANZ-Business NZ Employment diffusion index fell 2.6 points from March to 49.1 for April. This is its lowest value recorded and is the second time it has shown a contraction.
- The food, beverage & tobacco sector had the highest level of expansion (57.4), followed by the petroleum, coal, chemical & associated product sector (52.5) and the metal product sector (52.0). The remaining two sectors showed contraction, most notably the wood & paper product sector (30.6).
- The Canterbury/Westland region continues to point to higher levels of employment, with the April value being the highest ever for the region (56.3). Employment in the Central region was largely unchanged (50.6), while both the Northern and Otago/Southland regions recorded declines (45.7 and 47.5 respectively).

## NEW ORDERS

- It is encouraging that the forward-looking ANZ-Business NZ New Orders diffusion index continued to record expansion during April (50.7). While not as strong as the previous two months', it has managed to maintain a value above 50 throughout the year to date.
- The food, beverage & tobacco sector (59.3) and the machinery & equipment sector (57.4) recorded strong expansion for April. The petroleum, coal, chemical & associated products sector also showed expansion, while two experienced a decline.
- An index value of 55.0 for new orders in Otago/Southland stands in contrast to weakness in other indexes for the region, and points to an upturn in activity if they materialise. The Canterbury/Westland region (53.1) and the Northern region (51.1) also recorded expansion.

## FINISHED STOCKS

- The ANZ-Business NZ Finished Stocks diffusion index fell 1.7 points from March to record 50.0 for April, indicating little change in stock levels.
- Only two sectors recorded expansion in finished stocks during April, with the machinery & equipments sector having the highest value (55.9). The food, beverage & tobacco sector recorded the lowest value (37.0).
- The Otago/Southland region recorded another sharp fall for finished stocks, decreasing 12.1 points from March to reach 30.0 for April. Both the Central and Canterbury/Westland regions recorded expansion (53.6 and 54.7 respectively), while the Northern region showed modest decline (49.5).

## DELIVERIES

- The ANZ-Business NZ Deliveries of Raw Materials diffusion index fell 2.7 points from March to reach 48.7 for April, the first time the component index has recorded a contraction.
- The petroleum, coal, chemical & associated product sector was the only manufacturing industry to show expansion (56.3). The metal product sector recorded stable raw material deliveries during April (50.0), while all other sectors showed a decline.
- Delivery levels for the Canterbury/Westland region fell back to February's levels, falling 9.4 points to stand at 53.1. The Central region was the only other region to record expansion (50.6), while both the Northern and Otago/Southland regions experienced a decline (48.9 and 32.5 respectively).

## WHAT IS THE PMI?

The ANZ-Business NZ Performance of Manufacturing Index (PMI) is a composite index based on the diffusion indexes for production, new orders, deliveries, inventories and employment, with varying weights.

A PMI reading above 50 points indicates that manufacturing is generally expanding; below 50, that it is declining. The distance from 50 is indicative of the strength of the expansion or decline.

## SPONSOR STATEMENT

ANZ Banking Group (NZ) Ltd is delighted to be associated with the survey of NZ Manufacturing and Business NZ. This association brings together the significant experience of leading advocacy body Business NZ and business finance specialist ANZ Banking Group. We look forward to continuing our association with Business NZ and associated regional organisations EMA (Northern), EMA (Central), Canterbury Employers' Chamber of Commerce, Canterbury Manufacturers' Association and Otago Southland Employers' Association, and to playing our part in the ongoing development of New Zealand manufacturing.



## CONTACT

**Stephen Summers**  
Analyst Business NZ  
ssummers@businessnz.org.nz

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National Indexes	Jan 2003	Feb 2003	Mar 2003	April 2003
<b>ANZ-Business NZ PMI</b>	<b>51.6</b>	<b>53.0</b>	<b>52.7</b>	<b>49.3</b>
- Production	53.0	55.1	52.4	48.0
- Employment	49.3	53.8	51.7	49.1
- New orders	50.7	51.3	54.5	50.7
- Finished stocks	51.2	54.0	51.7	50.0
- Deliveries	54.7	51.3	51.4	48.7

Regional Indexes*	Jan 2003	Feb 2003	Mar 2003	April 2003
<b>ANZ-Business NZ PMI</b>	<b>51.6</b>	<b>53.0</b>	<b>52.7</b>	<b>49.3</b>
- Northern	45.1	51.2	48.1	48.7
- Central	58.8	54.2	55.2	49.7
- Canterbury / Westland	48.5	50.5	63.1	53.5
- Otago/Southland	59.9	60.4	48.0	43.9

\*Regions (grouped according to Business NZ's associated regional organisations)

Northern (EMA Northern): Northland, Auckland, Waikato, Bay of Plenty

Central (EMA Central): Gisborne, Hawke's Bay, Taranaki, Manawatu, Wanganui, Wellington, Nelson, Tasman

Canterbury/Westland (CMA and CECC): Canterbury, Marlborough, West Coast

Otago/Southland (OSEA): Otago, Southland

Next ANZ-Business NZ PMI (May results): 27 June 2003