

MANUFACTURING EXPANSION SLOWS

FOR THE MONTH OF APRIL 2004

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 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.

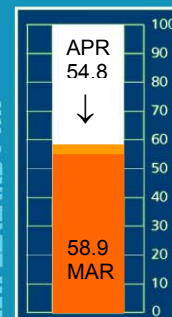
KEY FINDINGS

- The ANZ-Business NZ Performance of Manufacturing Index stood at 54.8 for the month of April. This was down 4.1 points from March, and also lower than February (55.2). In comparison with April 2003 (49.3), the 2004 value showed stronger activity.
- *New orders* (59.6) again recorded the strongest value in April. For the last six months, the new orders sub-index has recorded the highest value of all the sub-indices. The *Production* index fell 6.5 points from March to stand at 54.7, while *deliveries of raw materials* was also down to 55.8 for April. *Finished stocks* declined slightly in April (48.4), while *employment* was unchanged (50.2).
- Activity by sector was more even, with most recording index results close to 55, a moderate level of expansion. The *metal product* sector continues to expand but the 55.8 result for April was the lowest since August 2003. The strongest result was for *wood and paper products* (56.8), while the machinery and equipment sector was close behind with 56.6.
- Three of the four regions recorded expansion during April. The Canterbury/Westland region (59.8) continues to lead the other regions, again recording the highest level for April. The Central region (54.4) again recorded the next highest level of activity, while the Northern region (53.7) also experienced expansion. The Otago/Southland region (49.6) recorded its smallest decline in 2004.
- Large firms (101+ workers) (59.7) again recorded the highest level of expansion for the month, followed by firms of small-medium size (11-50 workers) and medium-large size (51-100 workers) which both recorded 55.4. Micro firms (1-10 workers) (49.7) declined marginally in April.
- Seasonal issues were mixed, with some firms reporting increased autumn investment in the rural sector, while others reported lower activity due to the weather. Export activity continues to be mixed, with some firms reporting a pick-up in new orders from Australia, Japan and the U.S., while others were still finding export orders difficult due to the value of the New Zealand dollar. Competition from imports and higher raw materials prices in the chemicals sector were also reported as concerns. Increased domestic investment expenditure contributed to stronger growth in new orders in the *machinery & equipment* sector.

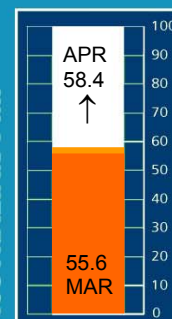
PRODUCTION

- The ANZ-Business NZ *production* diffusion index stood at 54.7 for April. This was 6.5 points lower than March but 6.7 points higher than in April 2003.
- The *machinery & equipment* sector (60.9) recorded a strong level of expansion in production during April, followed by the *wood & paper product* sector (56.8), which has recorded a strong level of expansion during the past nine months, following a dip early last year. All other sectors expanded in April.

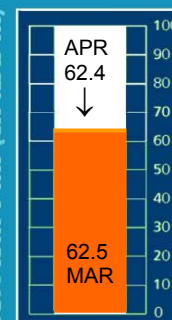
NEW ZEALAND PMI



AUSTRALIAN PMI



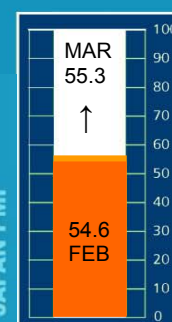
USA ISM PMI (ex NAPM)



EUROZONE PMI



JAPAN PMI



- For the first time in 2004 production increased in all regions. The Canterbury/Westland region had the highest level of expansion (60.2), followed by the Northern region (55.6). The Otago/Southland region improved from 45.2 in March to 52.1 in April.

EMPLOYMENT

- The ANZ-Business NZ *employment* diffusion index (50.2) was stable in April, down slightly from 51.6 recorded in March. Nevertheless, it remained 1.1 points higher than in April 2003.
- Employment activity levels were subdued across sectors. The *food, beverage & tobacco* sector had the highest level of expansion (53.4), while the *petroleum, coal, chemical & associated product* (47.7) and *machinery & equipment* (46.9) sectors recorded declines.
- Three out of the four regions recorded a decline in employment during April. While the Canterbury/Westland region recorded a moderate expansion (55.1), the Central (49.4), Northern (48.6) and Otago/Southland (47.9) regions all recorded small declines.

NEW ORDERS

- The ANZ-Business NZ *new orders* diffusion index (59.6) remained the highest valued of the five diffusion indices for April. The April value was 4.7 points lower than March (64.3) but was 8.9 points higher than in April 2003 when an index of 50.7 indicated almost no growth in orders.
- All sectors recorded expansion in new orders during April. The *machinery & equipment* (64.1), *metal product* (61.8) and *wood and paper products* (61.4) sectors all recorded a high level of expansion.
- The Canterbury/Westland region (64.3) recorded the highest level of expansion, followed by the Central region (60.8) and the Northern region (58.5), while the Otago/Southland region again recorded no change (50.0).

FINISHED STOCKS

- The ANZ-Business NZ *finished stocks* diffusion index declined 2.5 points from March to stand at 48.4 for April 2004. This was only the third time in the 21 months the survey has been running that finished stock levels have fallen (the two previous declines were in December 2002 and December 2003, when manufacturing sales are usually at a peak).
- Most sectors recorded no change in stocks in April while declines were recorded in the *food, beverage & tobacco* (46.6), *wood and paper products* (45.5) and *machinery & equipment* (45.3) sectors
- The Canterbury/Westland region (51.0) recorded a slight expansion in finished stocks, although this value was down from March (52.0). All other regions recorded declines, with the biggest fall in the Otago/Southland region (41.7), the lowest index number since April 2003.

DELIVERIES

- The ANZ-Business NZ *deliveries of raw materials* diffusion index declined 3.8 points from March to stand at 55.8 for April 2004 but remained 7.1 points higher than April 2003
- All sectors reported an expansion in deliveries during April. The strongest expansion was in the *wood and paper products* sector (61.4), while the smallest increase was in the *petroleum, coal, chemical & associated product* sector (51.1).
- Deliveries of raw materials were again particularly strong in the Canterbury/Westland region (62.2). The Central (57.0) region recorded solid expansion while the Otago/Southland (52.1) and Northern (51.4) regions reported modest expansion.

National Indexes	April 2003	Feb 2004	March 2004	April 2004
ANZ-Business NZ PMI	49.3	55.2	58.9	54.8
- Production	48.0	56.8	61.2	54.7
- Employment	49.1	47.7	51.6	50.2
- New orders	50.7	59.1	64.3	59.6
- Finished stocks	50.0	52.7	50.9	48.4
- Deliveries	48.7	56.6	59.6	55.8

Regional Indexes*	April 2003	Feb 2003	March 2004	April 2004
ANZ-Business NZ PMI	49.3	55.2	58.9	54.8
- Northern	48.7	54.1	58.3	53.7
- Central	49.7	58.1	60.0	54.4
- Canterbury / Westland	53.5	57.1	64.6	59.8
- Otago/Southland	43.9	47.1	49.1	49.6

*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 (CECC): Canterbury, Marlborough, West Coast

Otago/Southland (OSEA): Otago, Southland

Next ANZ-Business NZ PMI (May results): 11 June 2004

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 and Otago Southland Employers' Association, and to playing our part in the ongoing development of New Zealand manufacturing.



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