

MANUFACTURING ACTIVITY EASES AGAIN

FOR THE MONTH OF DECEMBER 2003

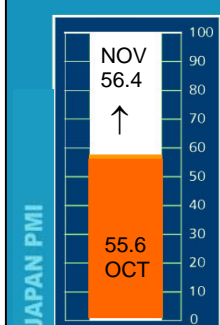
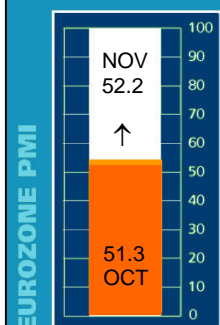
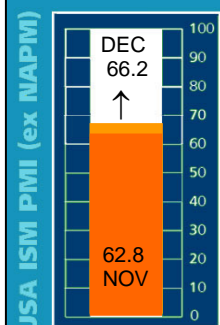
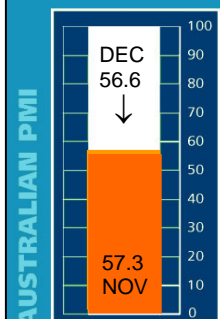
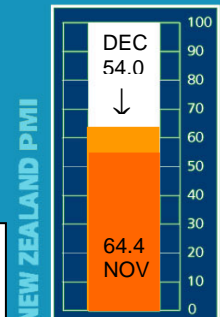
The ANZ-Business NZ Performance of Manufacturing Index (ANZ-Business NZ PMI) is a monthly survey of the manufacturing sector providing an early indicator of activity levels. The ANZ-Business NZ PMI contains data obtained through Business NZ's regional organisations: Employers' & Manufacturers' Association (Northern), Employers' & Manufacturers' Association (Central), Canterbury Employers' Chamber of Commerce 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 54.0 for the month of December. This was 10.4 points below the level prevailing in November, a slightly sharper fall than recorded in December 2002 of 8.6 points and slightly below the December 2002 index (56.4).
- *New orders* and *deliveries of raw materials* recorded the strongest value for December (both 57.3), while *production* continued to ease from its October high to stand at 54.0. *Employment* recorded a slight decline during December (49.2), the first since May 2003. *Finished stocks* also recorded a small decline (48.2) for only the second time. The previous occasion was in December 2002 indicating a seasonal stock run-down.
- Most sectors continued to record expansion during December, albeit at lower levels than in November. The *metal product* sector recorded the strongest level of expansion (58.5), while the *machinery & equipment* sector recorded a decline (46.0).
- All four regions recorded a lower index value from November to December. The Canterbury/Westland region (65.3) has recorded the highest level of expansion for four out of the last five months. Both the Northern (51.1) and Otago/Southland (54.5) regions recorded more moderate levels of expansion, while the Central region experienced a slight decline (48.7). Three out of the four regions recorded a lower value than in December 2002, with Canterbury/Westland the only exception.
- Most firms by size recorded expansion during December, although all recorded lower levels than in November. Firms of small-medium size (11-50 workers) and large size (101+ workers) jointly recorded the highest level of expansion (56.8). Firms of medium-large size (51-100 workers) largely recorded no change (50.1), while micro sized firms (1-10 workers) experienced a small decline (49.1).
- Seasonal activity dominated remarks concerning influences on business activity over the last three months. Domestic demand during the Christmas period was considered strong by many firms, although the upward movement of the New Zealand dollar against the US dollar continues to undermine export returns.

PRODUCTION

- The ANZ-Business NZ *production* diffusion index fell 12.9 points from November and 4.1 points from twelve months earlier in December 2002 to stand at 54.0.
- The *metal product* sector continued to record strong expansion in production during December (60.6), while the *machinery & equipment* sector recorded a strong decline (40.7).
- The Canterbury/Westland region recorded the highest level of expansion (70.5), followed by the Otago/Southland region (56.0). The Northern region recorded slight expansion (51.4), while the Central region recorded the lowest production index (44.1) in the series' seventeen month history.



EMPLOYMENT

- The ANZ-Business NZ *employment* diffusion index (49.2) fell 12.0 points from November to record its first decline in activity since May 2003. The December value was also 1.6 points lower than December 2002.
- Employment activity levels were mixed across sectors. The *metal product* sector recorded an increase (53.2). In contrast, the *machinery & equipment* and *petroleum, coal, chemical & associated product* sectors recorded strong declines (44.4 and 45.6 respectively), while the *wood & paper product* and *food, beverage & tobacco* sectors both recorded no change (50.0).
- Both North Island regions recorded a decline in employment activity, with the Central region having a stronger decline (46.6) than the Northern region (49.3). The Canterbury/Westland region recorded slight expansion (52.3), while the Otago/Southland region recorded no change (50.0).

NEW ORDERS

- The ANZ-Business NZ *new orders* diffusion index for December (57.3) continued to fall from a high in October, but was still strong enough to jointly record the highest value of the five diffusion indices for December. The December value was 11.8 points lower than November, and 4.4 points lower than in December 2002.
- The *food, beverage & tobacco* (62.5), *metal product* (61.7) and *wood & paper product* (61.1) sectors all recorded strong expansion in December. The *machinery & equipment* sector experienced a decline (44.4).
- The Canterbury/Westland region (70.5) recorded another strong lift in new orders, the remaining regions recorded modest levels of expansion, ranging from 52.5 to 54.2.

FINISHED STOCKS

- The ANZ-Business NZ *finished stocks* diffusion index fell 2.9 points from November and 0.8 points from December 2002 to stand at 48.2 for December 2003. This was the lowest outturn in the seventeen month history of the index and the second consecutive month during which finished stocks was the lowest component index value; but is also consistent with a seasonal run-down of finished goods in the lead-up to Christmas.
- Most sectors recorded a decline in finished stocks during December, bucking the trend the *machinery & equipment* sector recorded the strongest level of expansion (55.6).
- The Canterbury/Westland region (56.8) continued to record the highest level of expansion, while the Otago/Southland region recorded no change (50.0). Finished stocks continued to be run-down in the North Island, with the Northern and Central regions both recording declines (44.4 and 45.8 respectively).

DELIVERIES

- The ANZ-Business NZ *deliveries of raw materials* diffusion index fell 6.6 points from November, but increased 1.7 points from December 2002 to stand at 57.3 for December 2003.
- Most sectors showed moderate to strong expansion in deliveries during December, particularly the *food, beverage & tobacco* (67.2) and *metal product* (60.6) sectors.
- Deliveries of raw materials were particularly strong in the South Island, with both regions recording values above 60. North island regions recorded modest expansion.

National Indexes	Dec 2002	Oct 2003	Nov 2003	Dec 2003
ANZ-Business NZ PMI	56.4	64.6	64.4	54.0
- Production	58.1	71.1	66.9	54.0
- Employment	50.8	54.3	61.2	49.2
- New orders	61.7	70.5	69.1	57.3
- Finished stocks	49.0	56.1	51.1	48.2
- Deliveries	55.6	61.3	63.9	57.3

Regional Indexes*	Dec 2002	Oct 2003	Nov 2003	Dec 2003
ANZ-Business NZ PMI	56.4	64.6	64.4	54.0
- Northern	54.2	64.2	61.3	51.1
- Central	54.7	64.2	63.2	48.7
- Canterbury / Westland	58.8	75.0	69.1	65.3
- Otago/Southland	71.5	59.7	73.4	54.5

*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 (January results): 27 February 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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