

PERFORMANCE OF MANUFACTURING INDEX

MANUFACTURING ACTIVITY PICKS UP

FOR THE MONTH OF FEBRUARY 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.

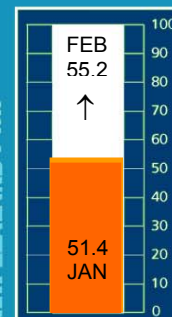
KEY FINDINGS

- The ANZ-Business NZ Performance of Manufacturing Index stood at 55.2 for the month of February. This was up 3.8 points from January, and is the first time the PMI has shown a month-on-month increase since October 2003. In comparison with February 2003 (53.0), the 2004 value showed slightly stronger activity.
- *New orders* recorded the strongest value for February (59.1). For the last four months, the new orders sub-index has recorded the highest value of all the sub-indexes. *Production* increased 5.4 points from January to stand at 56.8, while *deliveries of raw materials* was close behind on 56.6. *Finished stocks* showed moderate expansion (52.7), while *employment* recorded its third successive decline in activity (47.7).
- Activity by sector was again mixed during February. The *metal product* sector continued to record a significant level of expansion (62.1). The *machinery & equipment* sector recorded a turnaround in February (56.7) following a couple of quiet months over the Christmas/New Year period.
- Three of the four regions recorded expansion during February. The Central region (58.1) showed a strong rise in activity from January to record the highest level for February. The Canterbury/Westland region (57.1) recorded the next highest level of activity, while the Northern region (54.1) also experienced expansion. In contrast Otago/Southland (47.1) recorded a second monthly decline following eight consecutive months of expansion in the region.
- All firms by size recorded expansion for February. Large firms (101+ workers) again recorded the highest level of expansion for the month (58.3), followed by firms of small-medium size (11-50 workers) (56.5).
- Seasonal issues had been evident at the beginning of the year and the February results showed firms returning to typical levels of activity. Seasonal issues aside, some firms reported a slower start than usual to the year, some of these citing insufficient staff numbers or recent weather conditions as a reason. Export activity was mixed, with some firms noticing a pick-up in new orders from Australia and the U.S., while others continue to struggle in the face of a strong New Zealand dollar.

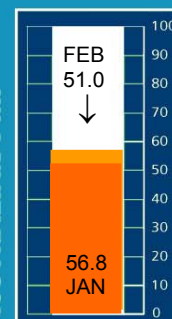
PRODUCTION

- The ANZ-Business NZ *production* diffusion index stood at 56.8 for February. This was 5.4 points higher than January and 1.7 points higher than the level prevailing in February 2003.
- The *wood & paper product* sector (66.7) continued to record a strong level of expansion in production during February, followed by the *metal product* sector (63.3).
- The Central region (61.3) had the highest level of expansion, followed by the Canterbury/Westland region (57.3). The Otago/Southland region (44.6) recorded a second monthly decline following a strong third quarter 2003.

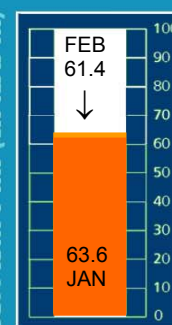
NEW ZEALAND PMI



AUSTRALIAN PMI



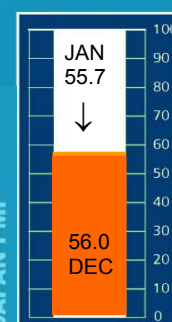
USA ISM PMI (ex NAPMI)



EUROZONE PMI



JAPAN PMI



EMPLOYMENT

- The ANZ-Business NZ *employment* diffusion index (47.7) continued to record a decline during February. While it was up 0.4 points from January 2004, it was still 6.1 points lower than in February 2003.
- Employment activity levels were again subdued across sectors. Bucking the trend, the *metal product* sector (56.6) recorded continued to record significant expansion.
- Three out of the four regions recorded a decline in employment during February. The Central region (51.3) recorded slight expansion following two consecutive falls. The Canterbury/Westland (49.0) and Northern (47.8) regions recorded second consecutive modest monthly declines. The Otago/Southland region (35.7) likewise recorded a second consecutive monthly fall. However, the outturn was particularly weak recording the lowest value during the 19-month history of the survey. This follows a brief lift in employment activity prior to Christmas.

NEW ORDERS

- The ANZ-Business NZ *new orders* diffusion index (59.1) reversed the recent trend of lower expansion levels by recording a 5.0 points increase from January. The upswing in activity ensured that it remained the highest value of the five diffusion indices for February. Encouragingly, the February value was also 7.8 points higher than in February 2003.
- Most sectors recorded expansion in new orders during February. The *metal product* (62.2) and *machinery & equipment* (60.5) sectors both recorded a high level of expansion, while the *food, beverage & tobacco* sector (54.0) showed more moderate levels of expansion.
- Both the Central (63.3) and Canterbury/Westland (60.4) regions recorded higher levels of expansion from January. The Northern region (57.2) recorded higher levels of expansion than in the previous two months, while the Otago/Southland region (50.0) recorded no change for the second consecutive month.

FINISHED STOCKS

- The ANZ-Business NZ *finished stocks* diffusion index rose 2.5 points from January to 52.7. Although the level of expansion was slightly more modest than recorded in February 2003, it was the highest value recorded since October 2003.
- The *metal product* (64.4) and *machinery & equipment* (57.0) sectors recorded the highest values for the month of February. *Food, beverage & tobacco* (48.0), *wood & paper product* (47.2) and *petroleum, coal, chemical & associated product* manufacturing (45.1) all recorded a contraction in finished stocks.
- The Otago/Southland region (57.1) continued to record the highest level of expansion in finished stocks, although this value was down slightly from January. All other regions recorded moderate levels of expansion.

DELIVERIES

- The ANZ-Business NZ *deliveries of raw materials* diffusion index increased 4.3 points from January and 5.3 points from February 2003 to stand at 56.6 for February 2004.
- The *metal product sector* (66.7) recorded the highest level of expansion in deliveries during February in what was a broad-based outcome.
- Deliveries of raw materials were particularly strong in the Canterbury/Westland region (63.5), followed by the Central region (56.0). The Northern (53.6) and Otago/Southland (53.6) regions recorded the same moderate level of expansion.

National Indexes	Feb 2003	Dec 2003	Jan 2004	Feb 2004
ANZ-Business NZ PMI	51.3	54.0	51.4	55.2
- Production	55.1	54.0	51.4	56.8
- Employment	53.8	49.2	47.3	47.7
- New orders	51.3	57.3	54.1	59.1
- Finished stocks	54.0	48.2	50.2	52.7
- Deliveries	51.3	57.3	52.3	56.6

Regional Indexes*	Feb 2003	Dec 2003	Jan 2004	Feb 2004
ANZ-Business NZ PMI	51.3	54.0	51.4	55.2
- Northern	51.2	51.1	50.0	54.1
- Central	54.2	48.7	51.0	58.1
- Canterbury / Westland	50.5	65.3	54.9	57.1
- Otago/Southland	60.4	54.5	48.7	47.1

*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 (March results): 30 April 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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