

## MANUFACTURING EXPANSION STEADIES

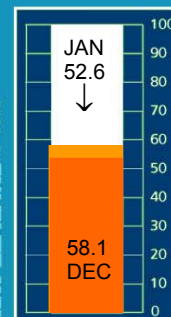
FOR THE MONTH OF JANUARY 2005

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.

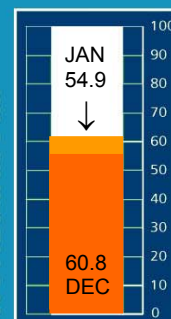
### KEY FINDINGS

- The ANZ-Business NZ Performance of Manufacturing Index stood at 52.6 for the month of January, indicating expansion though at a lower rate than in December. A post-Christmas drop in expansion has been a standard feature of the survey so far. However, the January 2005 PMI value was still the highest of the three January months surveyed since the PMI began.
- New orders* (56.2) continued to deliver the strongest sub-index value. The other sub-indexes showed either slight expansion or no change. *Employment* (52.4) had the next highest level of expansion, followed by *finished stocks* (51.5). *Deliveries* (50.9) and *production* (49.8) were close to no change, with the latter experiencing its lowest value since August 2003.
- Manufacturing activity was expansionary for most industries during January. The *food, beverage & tobacco* sector (58.4) continued to record strong expansion, while *petroleum, coal, chemical & associated products* (50.3) was largely unchanged and *metal products* (48.3) had its first decline in activity since August 2003.
- A four-month period of expansion for all regions came to an end in January, with Canterbury/Westland recording a slight decline (49.4). Otago/Southland scored 54.9, Northern 53.8, and the Central region (51.2) reached its lowest level since the previous January.
- Expansion tended to be strongest for the largest and smallest firms during January. Large firms (101+ workers) recorded 57.1, followed by micro sized firms (1-10 workers) on 54.9. Medium-large firms (51-100 workers) recorded slight expansion (52.1), while small-medium firms (11-50 workers) registered little change (50.4).
- Many firms mentioned the typical falloff in activity after the Christmas period but said orders were still coming through at a steady pace. The high value of the New Zealand dollar was still a concern, although some manufacturers noted that apart from seasonal activity, conditions for business had changed little over recent months.

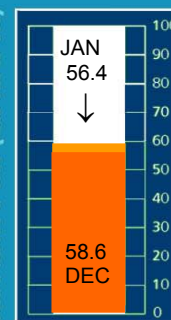
NEW ZEALAND PMI



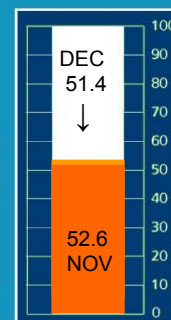
AUSTRALIAN PMI



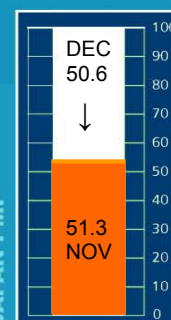
USA ISM PMI (ex NAPM)



EUROZONE PMI



JAPAN PMI



## PRODUCTION

- The ANZ-Business NZ *production* diffusion index stood at 49.8 for January, showing little change. It was the lowest value for a January month and the lowest of any month since August 2003.
- The *wood & paper products* (62.5) sector showed very strong expansion for January, while most other sectors experienced moderate expansion or decline.
- Manufacturers in the Otago/Southland region (58.8) showed healthy levels of expansion, while the Northern region (51.0) displayed relatively little change in activity. The Central and Canterbury/Westland regions had similar levels of decline (46.7 and 46.4 respectively).

## EMPLOYMENT

- Although the ANZ-Business NZ *employment* diffusion index (52.4) for January was again lower than the previous month, it showed expansion as opposed to decline in January 2003 and 2004.
- The *machinery & equipment* sector (59.6) had the strongest expansion in employment during January, while most other sectors experienced little change.
- Employment results were fairly similar across most regions, with Central on 53.3, Northern on 53.1, and Canterbury/Westland on 51.2. Otago/Southland had a moderate decline (47.1).

## NEW ORDERS

- The ANZ-Business NZ *new orders* diffusion index (56.2) continued as the highest of the sub-indexes, and was higher than in January 2003 and 2004.
- Activity in new orders was mixed across manufacturing sectors, with *food, beverage & tobacco* (68.9) continuing with the highest values.
- The Northern region (60.2) had a strong level expansion in new orders during January. Other regions recorded values between 52.9 and 48.8.

## FINISHED STOCKS

- The ANZ-Business NZ *finished stocks* (51.5) diffusion index indicated a slight increase in expansion from December, and a similar level to January 2003 (51.2) and 2004 (50.2).
- The *wood & paper product* (67.5) sector rebounded from a decline in December to record a strong expansion in finished stocks in January. Most other sectors either recorded strong expansion or decline during January.
- Three of the four regions increased their stock levels during January, led by the two South Island regions. Canterbury/Westland (56.0) and Otago/Southland (55.9) displayed moderate expansion, while the Northern region experienced a slight decline (49.3).

## DELIVERIES

- The ANZ-Business NZ *deliveries of raw materials* diffusion index stood at 50.9 for January 2005, lower than both January 2003 and 2004.
- The *food, beverage & tobacco* sector continued to record a high level of expansion for January (59.5), while most other sectors recorded either no change or a decline.
- Deliveries of raw materials were expansionary for the Otago/Southland (61.8) and Central (52.5) regions while the other two regions experienced a modest decline.

National Indexes	Jan 2003	Jan 2004	Dec 2004	Jan 2005
<b>ANZ-Business NZ PMI</b>	<b>51.6</b>	<b>51.4</b>	<b>58.1</b>	<b>52.6</b>
- Production	53.0	51.4	61.3	49.8
- Employment	49.3	47.3	54.3	52.4
- New orders	50.7	54.1	61.6	56.2
- Finished stocks	51.2	50.2	50.9	51.5
- Deliveries	54.7	52.3	55.5	50.9

Regional Indexes*	Jan 2003	Jan 2004	Dec 2004	Jan 2005
<b>ANZ-Business NZ PMI</b>	<b>51.6</b>	<b>51.4</b>	<b>58.1</b>	<b>52.6</b>
- Northern	45.1	50.0	58.8	53.8
- Central	58.8	51.0	56.8	51.2
- Canterbury / Westland	48.5	54.9	56.5	49.4
- Otago/Southland	59.9	48.7	58.2	54.9

\*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 (CECC): Canterbury, Marlborough, West Coast

Otago/Southland (OSEA): Otago, Southland

Next ANZ-Business NZ PMI (February results): 18 March 2005

## 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 National Bank 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 National Bank Ltd. 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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