

MANUFACTURING EXPANSION STILL STRONG

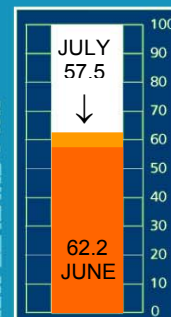
FOR THE MONTH OF JULY 2004

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.

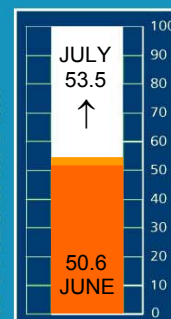
KEY FINDINGS

- The ANZ-Business NZ Performance of Manufacturing Index stood at 57.5 for the month of July. Although this was 4.7 points down from June, it was still 3.4 points up from May and an indication of continued expansion in the manufacturing sector. In comparison with July 2003 (51.6), the 2004 value showed much stronger activity, as well as a tendency for the results for July to be slightly lower than for June.
- New orders (61.6) remained the strongest sub-index value for the ninth consecutive month, although this was down 6.1 points from June. Three of the four remaining sub-indices also recorded lower activity from June to July, as the *production* index decreased 4.3 points from June to stand at 59.3, while the *deliveries of raw materials* index dropped 6.9 points to stand at 54.5. The *employment* sub-index fell from its relative high value in July to stand at 52.1, while *finished stocks* remained unchanged for July (55.8).
- Activity by sector was expansionary for most industries during July. The *metal product* sector (63.2) recorded the highest level of expansion for July, closely followed by the *machinery & equipment* sector (62.8). The *textile, clothing, footwear & leather* sector (47.4) experienced the only decline for July after steady growth for the first half of 2004.
- Three of the four regions recorded expansion during July. The Canterbury/Westland (60.9) and Northern (60.6) regions continued to jostle for the highest level of expansion, while the Central region (55.2) also experienced expansion for July. The Otago/Southland region (45.8) recorded a decline in July, which was the lowest value since April 2003. With the exception of the Otago/Southland region, all other regions experienced a stronger level of expansion than July 2003.
- All firms by size continued to record expansion for July, although large firms (101+ workers) recorded lower expansion than in July 2003. Micro sized firms (1-10 workers) recorded the highest level of expansion for July 2004 (59.7), closely followed by small-medium sized firms (11-50 workers) at 59.5. Both medium sized firms (51-100 workers) and large firms displayed more moderate expansion levels (53.0 and 54.3 respectively).
- Seasonal patterns had resulted in the *textiles, clothing, footwear & leather* sector recording an overall decline for July, with comments again reflecting a quiet winter. The *metal product* sector noted a particularly strong pick up in new orders from overseas, while the *machinery & equipment* sector commented on the stable flow of new orders, both from domestic and overseas customers.
- Although seasonal activity had caused a fall in expansion for some firms, most were still faring better than the same time last year. Some firms had reached production capacity, while others were planning ahead for the timing of new contracts to avoid over commitment. Generally, labour shortages and exchange rates played a minor role in affecting activity in July.

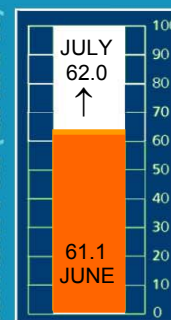
NEW ZEALAND PMI



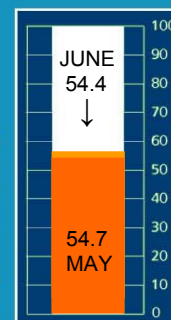
AUSTRALIAN PMI



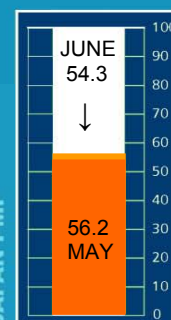
USA ISM PMI (ex NAPM)



EUROZONE PMI



JAPAN PMI



PRODUCTION

- The ANZ-Business NZ *production* diffusion index stood at 59.3 for July. This was 4.3 points lower than June, but 10.1 points higher than in July 2003.
- The *machinery & equipment* sector (66.7) again recorded the strongest level of expansion in production during July, followed by strong activity in the *metal product* sector (64.4).
- The Canterbury/Westland region (66.0) continued to record the highest level of expansion for July. The Northern (62.4) and Central (54.5) regions also recorded growth, while the Otago/Southland region again experienced no change (50.0).

EMPLOYMENT

- The ANZ-Business NZ *employment* diffusion index (52.1) experienced lower expansion in July after stronger growth in June and sluggish expansion from December to May. The July 2004 result was also slightly higher than that recorded in July 2003.
- The *metal product* sector (57.8) had the highest level of expansion, followed by the *food, beverage & tobacco* sector (56.3). Most other sectors experienced moderate expansion, while the *wood & paper product* sector (50.0) recorded no change.
- The Northern region (55.9) recorded a slight drop in its level of expansion for July, but still recorded the highest value for the month. Both the Central and Canterbury/Westland regions recorded no change (50.0), while the Otago/Southland region experienced a moderate decline (47.8).

NEW ORDERS

- The ANZ-Business NZ *new orders* diffusion index (61.6) remained the highest value of the five diffusion indexes for July, despite the July value being 6.1 points lower than June. The July 2004 value was still 9.3 points higher than in July 2003.
- New orders were particularly strong for some manufacturing sectors. The *metal product* (70.0) and *machinery & equipment* (69.2) sectors both recorded a very high level of expansion. The *textile, clothing, footwear & leather* sector (52.4) recorded the lowest value, albeit still showing expansion.
- Unlike June, there was a fairly large spread of values between the regions for July. The Canterbury/Westland region (71.3) continued to show strong expansion, followed by the Northern region (64.4). The Central region (58.3) still experienced expansion, while the Otago/Southland region (41.3) fell sharply from June to record its lowest value for new orders since the survey began in August 2002.

FINISHED STOCKS

- The ANZ-Business NZ *finished stocks* (55.8) diffusion index experienced no change from June. However, the July value was 0.9 points higher than July 2003.
- The *machinery & equipment* sector (60.3) recorded the highest level of expansion for July, followed by the *petroleum, coal, chemical & associated product* sector (59.8).
- Both North Island regions recorded moderate to strong expansion in finished stocks, with the Northern region (57.4) recording the highest value across New Zealand. The Otago/Southland region (47.8) again recorded a decline for the fifth consecutive time.

DELIVERIES

- The ANZ-Business NZ *deliveries of raw materials* diffusion index fell 6.9 points from June to stand at 54.5 for July 2004. However, this was still 2.4 points higher than in July 2003.
- Sector results were mostly positive. The strongest expansion was in the *metal product* sector (62.2), while the *textile, clothing, footwear & leather* sector (50.0) recorded no change.
- Deliveries of raw materials were expansionary for both North Island regions, with the highest being the Northern region (58.5). Both South Island regions experienced a decline.

National Indexes	July 2003	May 2004	June 2004	July 2004
ANZ-Business NZ PMI	51.6	54.1	62.2	57.5
- Production	49.2	55.6	63.6	59.3
- Employment	51.5	50.4	56.0	52.1
- New orders	52.3	58.2	67.7	61.6
- Finished stocks	54.9	48.4	55.8	55.8
- Deliveries	52.1	52.2	61.4	54.5

Regional Indexes*	July 2003	May 2004	June 2004	July 2004
ANZ-Business NZ PMI	51.6	54.1	62.2	57.5
- Northern	51.5	55.7	63.6	60.6
- Central	51.5	52.0	60.8	55.2
- Canterbury / Westland	49.5	57.3	62.4	60.9
- Otago/Southland	55.0	51.3	56.1	45.8

*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 (August results): 17 September 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 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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