

## MANUFACTURING PICKS UP

FOR THE MONTH OF JUNE 2003

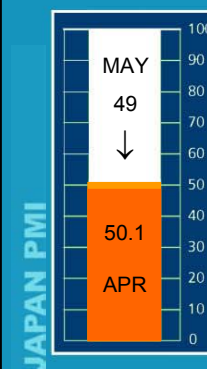
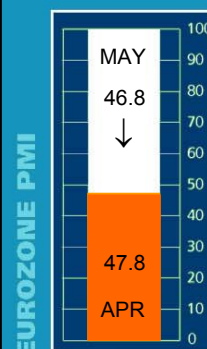
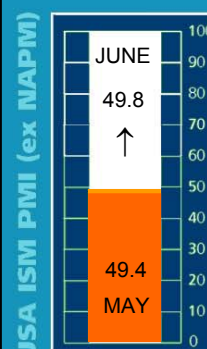
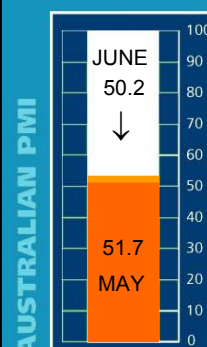
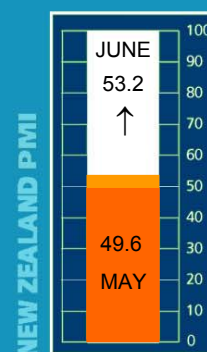
The ANZ-Business NZ Performance of Manufacturing Index (ANZ-Business NZ PMI) is a monthly survey of the manufacturing sector providing an early indicator of activity levels. The ANZ-Business NZ PMI contains data obtained through Business NZ's regional organisations: Employers' & Manufacturers' Association (Northern), Employers' & Manufacturers' Association (Central), Canterbury Employers' Chamber of Commerce, Canterbury Manufacturers' Association 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 53.2 for the month of June. This was up 3.6 points from May, and the first time since March that manufacturing has shown an overall expansion.
- All five of the component indices recorded expansion during June. The Deliveries index (55.2) experienced the highest value, followed by Finished Stocks (54.6), New Orders (53.7) and Employment (52.6). Production (51.4) recorded the lowest value, but still showed modest expansion.
- The food, beverage & tobacco sector continued to show the strongest level of expansion (63.4). The machinery & equipment (56.7) and metal production manufacturing (55.9) sectors also recorded strong expansion. In contrast, the petroleum, coal, chemical & associated product sector experienced a decline (47.0).
- All four regions recorded expansion during June. The Southern region reversed results from earlier in the year to record the highest rate (61.7), while the Central (52.3) and Canterbury (56.4) regions showed higher expansion levels than May. Although results for the Northern region increased 2.3 points during June, its value still hovers around the no change level at 50.2.
- Firms of small-medium size (11-50 workers) or larger recorded expansion during June, while micro sized firms (1-10 workers) were close to recording no change (49.5).
- Firms were able to look through a cold snap and compliance costs to record expansion in June. The question some posed was whether this could be continued in the face of a generalised slowdown as the economy moves off last years high. Despite some easing during the last few weeks, the high value of the New Zealand dollar against the U.S dollar remains a problem for exporters. In contrast, other firms were concentrating on importing raw materials as they become more affordable.

### PRODUCTION

- The ANZ-Business NZ Production diffusion index was 51.4 for June, an increase of 1.6 points from May, and the first time the index has recorded expansion since March.
- The metal product manufacturing sector recorded the highest level of expansion for June (61.4), followed by the food, beverage & tobacco (56.3) and machinery & equipment sectors (53.4). These increases were offset by contraction in other sectors, notably the petroleum, coal, chemical & associated product sector (43.5).
- The Canterbury/Westland region recorded the highest Production index value for the fourth consecutive month, increasing 3.1 points from May to stand at 61.1 for June. The Otago/Southland region also recorded expansion (59.4), while the Central region (50.0) showed no change. The Northern region (45.7) continued to record a contraction.



## EMPLOYMENT

- The ANZ-Business NZ Employment diffusion index increased 3.8 points to an expansionary level (52.6) in June. During 2003 the Employment index has remained close to the no change level of 50.
- The food, beverage & tobacco sector (60.4) recorded strong expansion in employment for June, while the next highest result was for the machinery & equipment sector (53.4). Other industries recorded little or no change.
- The Otago/Southland region recorded higher employment levels during June (62.5), while the Central region (52.9) also recorded expansion. Following consecutive monthly falls, the Canterbury/Westland region joined the Northern region in recording no change during June (50.0).

## NEW ORDERS

- The forward-looking ANZ-Business NZ New Orders diffusion index increased 3.4 points to stand at 53.7 for June. During the first half of 2003, the index has remained fairly consistent with values ranging from 50.3 to 54.5.
- Notable increases in new orders came from the food, beverage & tobacco (75.0), which has consistently recorded results at above 60, with the exception of February, machinery & equipment manufacturing (60.3) and metal product manufacturing (55.7) sectors. The petrol, coal, chemical & associated product sector again recorded a decline in new orders (45.2).
- Three out of the four regions recorded expansion in new orders during June. Although new orders for the Northern region increased 2.1 points from May, the index still showed contraction at 48.9 for June.

## FINISHED STOCKS

- After two months of showing no excessive stock build-up or depletion, the ANZ-Business NZ Finished Stocks diffusion index increased 4.3 points to stand at 54.6 for June. This is the largest monthly increase in finished stocks since the survey began in August 2002.
- The most notable stock build-ups were in the machinery & equipment manufacturing (55.2), petroleum, coal, chemical & associated product (54.8) and food, beverage & tobacco (54.2) sectors.
- All four regions indicated expansion in finished stock levels for the first time since February, with the South Island regions recording the highest expansion. The Northern region (51.1) recorded the lowest level of expansion.

## DELIVERIES

- The ANZ-Business NZ Deliveries of Raw Materials diffusion index recorded the largest increase from May to June, increasing 6.2 points to 55.2. This was both the highest value of the five diffusion indexes during June, and the highest value for deliveries during the first half of 2003.
- The food, beverage & tobacco (62.5), metal product manufacturing (61.4) and machinery & equipment manufacturing (60.3) sectors all recorded strong expansion during June. In contrast, the petroleum, coal, chemical & associated product sector continued to record a decline (45.2).
- All four regions recorded expansion in raw materials, with the Northern and Canterbury/Westland regions experiencing similar values of 59.8 and 59.3 respectively. The Central region (51.2) recorded the lowest value, but still indicated slight expansion.

National Indexes	Mar 2003	2003	2003	2003
ANZ-Business NZ PMI	52.7	49.3	49.6	53.2
- Production	52.4	48.0	49.8	51.4
- Employment	51.7	49.1	48.8	52.6
- New orders	54.5	50.7	50.3	53.7
- Finished stocks	51.7	50.0	50.3	54.6
- Deliveries	51.4	48.7	49.0	55.2

Indexes*	Mar 2003	2003	2003	2003
ANZ-Business NZ PMI	52.7	49.3	49.6	53.2
- Northern	48.1	48.7	47.9	50.2
- Central	55.2	49.7	50.1	52.3
- Canterbury / Westland	63.1	53.5	53.4	56.4
- Otago/Southland	48.0	43.9	51.8	61.7

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

Otago/Southland (OSEA): Otago, Southland

Next ANZ-Business NZ PMI (July results): 29 August 2003

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



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