

## MANUFACTURING EXPANSION LIFTS

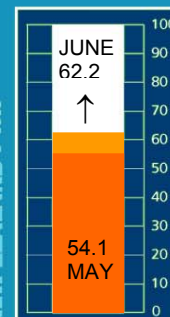
FOR THE MONTH OF JUNE 2004

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.

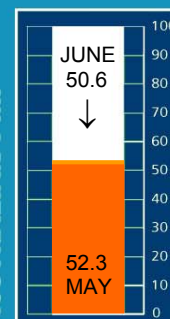
### KEY FINDINGS

- The ANZ-Business NZ Performance of Manufacturing Index stood at 62.2 for the month of June. This was up 8.1 points from May and up 7.4 points from April. In comparison with June 2003 (53.2), the 2004 value showed much stronger activity, although a pick up in activity from May to June was also evident in 2003.
- New orders* (67.7) remained the strongest sub-index value for the eighth consecutive month. The other four sub-indexes also recorded higher activity from May to June, as the *production* index increased 8.0 points from May to stand at 63.6, while the *deliveries of raw materials* index rose 5.6 points to stand at 61.4. *Finished stocks* went from decline in May to expansion in June (55.8), while expansion in *employment* was recorded in June (56.0).
- Activity by sector was expansionary for all industries during June, with some sectors recording a strong level of expansion. The *machinery & equipment* sector reached its highest point (70.3) since the survey began in August 2002, and was also the strongest sector result for June. The *metal product* sector also recorded strong activity (65.1), while the *food, beverage & tobacco* sector recovered from a slight decline in May to record a moderate level of expansion for June (56.1).
- All four regions recorded expansion during June. The Northern region (63.6) recorded the highest level of expansion for June, closely followed by the Canterbury/Westland region (62.4). The Central region (60.8) recorded its highest level of expansion since November 2003, while the Otago/Southland region (56.1) continued to show higher activity levels after a lacklustre period earlier in the year.
- All firms by size recorded higher values for June in comparison with May 2004 and June 2003. Small-to-medium sized firms (11-50 workers) recorded the highest level of expansion for the month (64.0). This was followed by micro firms (1-10 workers) on 61.8, and large firms (51-100 workers) on 60.8. Medium-to-large firms (101+ workers) rounded off the last group with a value close to 60 (59.4).
- The *machinery & equipment* sector noted a strong increase in orders during June, notably from overseas. A lack of raw materials was hindering the *metal product* sector from further expansion, and although the *textiles, clothing, footwear & leather* sector recorded overall expansion for June, comments reflected a seasonal fashion cycle as sales had dropped from May.
- Export activity was generally positive across firms for June, with many reporting a pick-up in new orders from standard exporting countries such as Australia and the US, as well as emerging markets such as China. Increases in the cost of raw materials from abroad in the chemicals sector continue to be reported as concerns, while exchange rate growth had cooled off any further gains in exports for the wood & paper product sector.

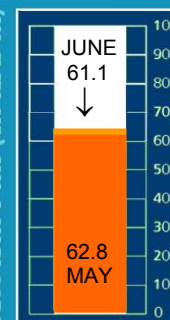
NEW ZEALAND PMI



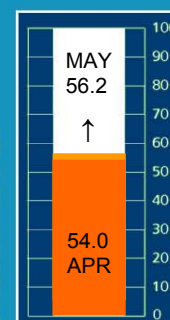
AUSTRALIAN PMI



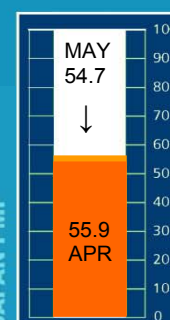
USA ISM PMI (ex NAPMI)



EUROZONE PMI



JAPAN PMI



## PRODUCTION

- The ANZ-Business NZ *production* diffusion index stood at 63.6 for June. This was 8.0 points higher than May and 12.2 points higher than in June 2003. The June production result was the highest for 2004 so far.
- The *machinery & equipment* sector (72.5) recorded the strongest level of expansion in production during June, followed by strong activity in the *metal product* sector (68.8).
- The Canterbury/Westland region (68.2) recorded the highest level of expansion of the four regions after consecutive falls in expansion for April and May. The Northern (64.2) and Central (63.5) regions also recorded strong growth, while the Otago/Southland region experienced no change (50.0).

## EMPLOYMENT

- The ANZ-Business NZ *employment* diffusion index (56.0) experienced moderate growth in June after recording declines and sluggish expansion for the previous six months. The June 2004 result was also higher than that recorded in June 2003.
- Employment activity levels were generally mixed across sectors. The *machinery & equipment* sector (67.4) had the highest level of expansion, followed by the *food, beverage & tobacco* sector (58.3).
- The Northern region (58.4) was close to recording its highest level of expansion for employment activity since the survey began. The remaining three regions all recorded similar expansion levels, ranging between 52.3 and 54.2.

## NEW ORDERS

- The ANZ-Business NZ *new orders* diffusion index (67.7) remained the highest value of the five diffusion indexes for June. The June value was 9.5 points higher than May and 14.0 points higher than June 2003.
- The *machinery & equipment* (73.2) and *metal product* (72.7) sectors both recorded a very high level of expansion. Most other sectors also experienced strong expansion.
- The level of expansion in new orders was fairly close throughout the regions. The Otago/Southland region (68.8) recorded the highest level of expansion, closely followed by the Northern (68.4), Central (66.9) and Canterbury/Westland (65.9) regions.

## FINISHED STOCKS

- The ANZ-Business NZ *finished stocks* diffusion index increased 7.4 points from May to stand at 55.8 for June, indicating a moderate expansion in finished stock levels. This is 1.2 points higher than June 2003, and the strongest level of expansion since October 2003.
- Expansion in finished stocks was recorded in five sectors, led by the *machinery & equipment* sector (60.9). The *food, beverage & tobacco* sector recorded the only decline (48.3).
- Canterbury/Westland (58.0) recorded the strongest expansion in finished stocks, while the Central and Northern regions recorded similar values of 56.8 and 56.6 respectively. The Otago/Southland region recorded a decline for the fourth consecutive month (43.8).

## DELIVERIES

- The ANZ-Business NZ *deliveries of raw materials* diffusion index increased 5.6 points from May to stand at 61.4 for June 2004 and 6.2 points higher than June 2003.
- Sector results were positive throughout. The strongest expansion was in the *machinery & equipment* sector (71.0), while the lowest was for the *food, beverage & tobacco* sector (51.7).
- Deliveries of raw materials were strongest in the Northern region (64.5), followed by the Canterbury/Westland region (62.5).

National Indexes	June 2003	April 2004	May 2004	June 2004
ANZ-Business NZ PMI	53.2	54.8	54.1	62.2
- Production	51.4	54.7	55.6	63.6
- Employment	52.6	50.2	50.4	56.0
- New orders	53.7	59.6	58.2	67.7
- Finished stocks	54.6	48.4	48.4	55.8
- Deliveries	55.2	55.8	55.8	61.4

Regional Indexes*	June 2003	April 2004	May 2004	June 2004
ANZ-Business NZ PMI	53.2	54.8	54.1	62.2
- Northern	50.2	53.7	55.7	63.6
- Central	52.3	54.4	52.0	60.8
- Canterbury / Westland	56.4	59.8	57.3	62.4
- Otago/Southland	61.7	49.6	51.3	56.1

\*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 (July results): 13 August 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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