ANZ Business NZ pmi NEW ZEALAND

PERFORMANCE OF MANUFACTURING INDEX

MANUFACTURING ACTIVITY EASES SLIGHTLY

FOR THE MONTH OF MARCH 2003

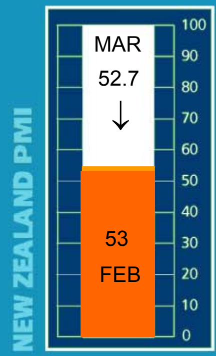
The ANZ-Business NZ Performance of Manufacturing Index (ANZ-Business NZ PMI) is a monthly survey of the manufacturing sector providing an early indicator of activity levels. The ANZ-Business NZ PMI contains data obtained through Business NZ's regional organisations: Employers' & Manufacturers' Association (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 declining; the distance from 50 indicates the strength of expansion or decline.

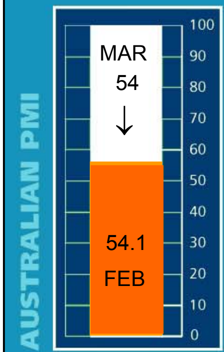
KEY FINDINGS

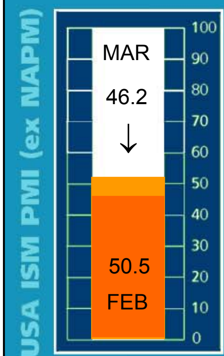
- The ANZ-Business NZ Performance of Manufacturing Index was 52.7 for the month of March. This was down 0.3 points from February, the smallest change since the survey began in August 2002. The March figure consolidates modest expansion, also recorded during the first two months of 2003.
- All five component indexes showed expansion during March, led by new orders (54.5) and production (52.4). Although the index value for new orders continues to gain strength, it is still below the 60+ values recorded during the five months of PMI values for 2002. The other three indexes ranged in value between 51.4 and 51.7.
- The petroleum, coal, chemical & associated product sector recorded the strongest level of expansion (57.6), followed by the food, beverage and tobacco sector (55.7).
- Two of the four regions recorded modest contractions in the month of March. The Otago/Southland region (48.0) and the Northern region (48.1). It is too early to tell if the sharp drop in activity in the Otago/Southland region was an anomaly, seasonal, or a more enduring drop in expansion. In contrast, activity in the Canterbury/Westland region jumped to 63.1 and the Central region gained slightly over the month, to reach 55.2.
- Micro firms (1-10 workers) continue to show a decline, while all other firms by size recorded expansion.
- Many firms noted that activity had been quiet for the first three months of 2003, but could not provide definite reasons why. Some alluded to the conflict in the Middle East disrupting the level of new orders while others commented that the high New Zealand dollar was starting to significantly reduce export revenues. Some noted that their activity had fallen in tandem with Australia's (the New Zealand and Australian PMI have tracked a similar path since August 2002, highlighting similarities in the manufacturing environments on both sides of the Tasman, Australia's heavier reliance on minerals notwithstanding).

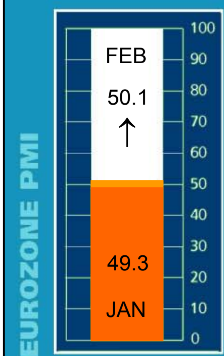
PRODUCTION

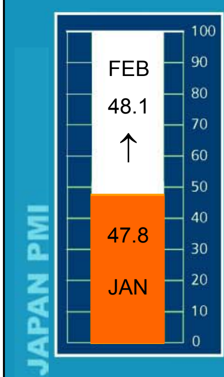
- The ANZ-Business NZ Production diffusion index was 52.4 for March, a fall of 2.7 points from February and the lowest production value since the survey began.
- Five of the seven manufacturing sectors recorded expansion for March, with the food, beverage & tobacco sector again having the strongest expansion (57.1), followed closely by the metal product sector (57.0).
- The Canterbury/Westland region recorded their highest production index value since the survey began (67.9), while the Otago/Southland region recorded their lowest (42.1).











EMPLOYMENT

- The ANZ-Business NZ Employment diffusion index fell 2.1 points from February to reach 51.7 for March.
- The wood & paper product sector had the highest level of expansion (58.3), followed by the food, beverage & tobacco sector (55.4). Only the textile, clothing, footwear & leather sector (44.4) and the machinery & equipment sector (47.6) recorded declines, with 'other' manufacturing recording no change (50.0).
- As well as reaching its highest production value, the Canterbury/Westland region also recorded its highest employment index value since the survey began (55.4). Otago/Southland experienced no change (50.0) for the second consecutive month. Both the Northern and Central regions had similar values to the previous month (51.1 and 51.3).

NEW ORDERS

- The ANZ-Business NZ New Orders diffusion index was one of only two indexes to show further strength from February to March, increasing 3.2 points to reach 54.5. This was the largest index value change either positive or negative for any of the diffusion indexes from February to March.
- The petroleum, coal, chemical & associated product sector (64.5) and the food, beverage & tobacco sector (60.7) recorded strong expansion for March. Three other sectors showed expansion, while two experienced a decline.
- While the Northern region experienced a decline in new orders for the month of March (44.9), all other regions showed expansion, with the Canterbury/Westland and Central regions recording values above 60 (67.9 and 60.5 respectively).

FINISHED STOCKS

- The ANZ-Business NZ Finished Stocks diffusion index fell 2.3 points from February to stand at 51.7 for March.
- While the metal product sector experienced a strong expansion in finished stocks (60.5), two other sectors recorded more modest expansion, three recorded a decline, and the wood & paper product sector recorded no change (50.0).
- The Otago/Southland region recorded a decline in finished stocks for March (42.1), while all other regions had moderate levels of expansion with values ranging between 51.3 and 53.6.

DELIVERIES

- The ANZ-Business NZ Deliveries of Raw Materials diffusion index showed a slight increase, rising 0.1 points from February to March to stand at 51.4 for the current month. Despite the rise, the deliveries index recorded the lowest value of the five diffusion indexes during March.
- Five of the seven manufacturing sectors recorded expansion for March, with the metal product sector recording the strongest expansion (58.1). The food, beverage & tobacco sector recorded no change (50.0), while both the wood & paper product sector (44.4) and the machinery & equipment sector (47.6) experienced a decline.
- The Canterbury/Westland region indicated strong expansion in deliveries of raw materials for March (62.5), while the Northern and Central regions were largely unchanged (50.6 and 50.0 respectively). The Otago/Southland region was in decline (44.7).

National Indexes	Dec 2002	Jan 2003	Feb 2003	Mar 2003
ANZ-Business NZ PMI	**56.4**	**51.6**	**53.0**	**52.7**
- Production	58.1	53.0	55.1	52.4
- Employment	50.8	49.3	53.8	51.7
- New orders	61.7	50.7	51.3	54.5
- Finished stocks	49.0	51.2	54.0	51.7
- Deliveries	55.6	54.7	51.3	51.4

Regional Indexes*	Dec 2002	Jan 2003	Feb 2003	Mar 2003
ANZ-Business NZ PMI	**56.4**	**51.6**	**53.0**	**52.7**
- Northern	54.2	45.1	51.2	48.1
- Central	54.7	58.8	54.2	55.2
- Canterbury / Westland	58.8	48.5	50.5	63.1
- Otago/Southland	71.5	59.9	60.4	48.0

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 (April results): 30 May 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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