

## PERFORMANCE OF MANUFACTURING INDEX

**MANUFACTURING ACTIVITY PICKS UP**

FOR THE MONTH OF MARCH 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.

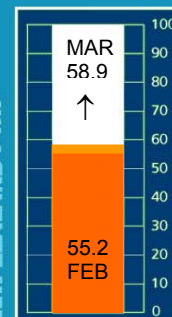
**KEY FINDINGS**

- The ANZ-Business NZ Performance of Manufacturing Index stood at 58.9 for the month of March. This has increased 7.5 points from January (51.4), and continues the improvement recorded in February (55.2). In contrast with March 2003 (52.7), the 2004 value shows much stronger activity than a year ago.
- New orders remained the strongest value, recording 64.3 for February. For the last five months, the new orders sub-index has recorded the highest value of all the sub-indices. Production increased a further 4.4 points from February to stand at 61.2, while deliveries of raw materials also increased (59.6). There was little change in finished stocks (52.7), while employment (51.6) also increased slightly, the first increase since November.
- Activity by sector increased more evenly. The metal product sector continued to record a significant level of expansion (60.1), while the wood & paper products sector also recorded stronger growth (62.8). The petroleum, coal, chemical & associated product (including plastics) sector went from a decline in February to expansion in March (59.7), partly due to seasonal production of packaging products for the food processing sector.
- Three of the four regions recorded expansion during March. The Canterbury/Westland region (64.6) showed a strong rise in activity from February to record the highest level for March. The Central region (60.0) recorded the next highest level of activity, while the Northern region also experienced expansion (58.3). Activity declined slightly in the Otago/Southland region (49.1).
- All firms by size recorded expansion for March. Large firms (101+ workers) (61.1) recorded the highest level of expansion for the third consecutive month, closely followed by firms of small-medium size (11-50 workers) (60.9).
- Seasonal factors, such as the start of the processing season in parts of the food processing sector were noted as influences on activity in March, while a few firms noted the impact of the February floods and livestock shortages in some regions.
- Export activity remains mixed, with some firms noticing a pick-up in new orders from Australia, while others were finding export orders difficult due to the value of the New Zealand dollar, especially to the US. Impacts from greater import competition were also noted in some sectors, while strong building activity supported activity levels in others.

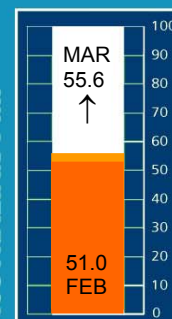
**PRODUCTION**

- The ANZ-Business NZ production diffusion index stood at 61.2 for March. This was 4.4 points higher than February and 8.8 points higher from March 2003.
- Production expanded strongly across most sectors. The petroleum, coal, chemical & associated product (including plastics) (67.6) sector recorded the strongest level of expansion, following a decline in February.

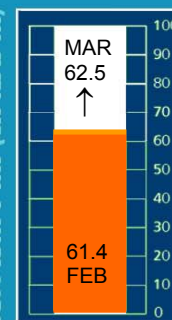
NEW ZEALAND PMI



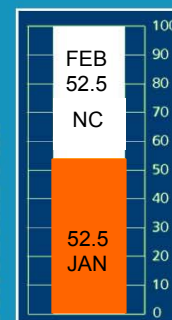
AUSTRALIAN PMI



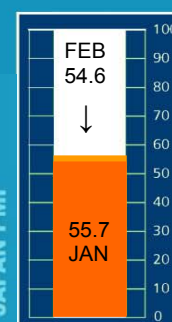
USA ISM PMI (ex NAPM)



EUROZONE PMI



JAPAN PMI



- The Canterbury/Westland region had the highest level of expansion (68.4), followed by the Central region (64.1). The Otago/Southland region (45.2) recorded a third Month of decline.

## EMPLOYMENT

- The ANZ-Business NZ *employment* diffusion index (51.6) increased during March, reversing declines in the three previous quarters.
- Employment activity levels remained subdued across many sectors. However, the *metal product* sector continued to expand (55.0), while the food processing sector also increased employment in the quarter (54.4).
- Three of the four regions recorded an increase in employment during March. The Central region (52.1) recorded slight expansion, while the Canterbury/Westland (53.1) and Northern regions (53.4) both recorded slightly stronger increases. The Otago/Southland region (43.5) recorded a third consecutive fall in employment activity.

## NEW ORDERS

- The ANZ-Business NZ *new orders* diffusion index (64.3) strengthened from the 59.1 recorded in February. The upswing in activity ensured that it remained the highest value of the five diffusion indices for March. The March value was also 9.8 points higher than in March 2003.
- All sectors recorded strong expansion in new orders during March. The *wood and paper product* sector recorded the highest level of expansion (74.1).
- The Canterbury/Westland regions (74.5) continued to record the highest level of expansion, returning it to levels recorded towards the close of 2003. The Northern (60.3) and Central (66.2) regions recorded higher levels of expansion than in the previous three months, while the Otago/Southland region (53.2) also recorded a small increase having sat on 50.0 the previous two months.

## FINISHED STOCKS

- The ANZ-Business NZ *finished stocks* diffusion index declined 1.8 points from February to stand at 50.9 for March 2004, reflecting good stock control in the month.
- The *metal product* sector (57.0) again recorded the highest values for the month of March. Only food, beverage and tobacco manufacturing (39.7) and machinery and equipment manufacturing (45.5) recorded significant declines.
- The Northern region (54.8) recorded the highest level of expansion in finished stocks, slightly up from February (52.2). Canterbury/Westland (52.0) followed, down slightly from 53.1 in February. The Central (47.9) and Otago/Southland (46.8) regions recorded moderate declines in stock levels.

## DELIVERIES

- The ANZ-Business NZ *deliveries of raw materials* diffusion index increased 3.0 points from February and 8.2 points from March 2003 to stand at 59.6 for March 2004.
- All Sectors recorded significant increases.
- Deliveries of raw materials were particularly strong in the Canterbury/Westland region (62.2). The Northern (59.6) and Central (59.2) regions recorded similar levels of expansion, followed by the Otago/Southland region (56.5).

National Indexes	March 2003	Jan 2004	Feb 2004	March 2004
ANZ-Business NZ PMI	52.7	51.4	55.2	58.9
- Production	52.4	51.4	56.8	61.2
- Employment	51.7	47.3	47.7	51.6
- New orders	54.5	54.1	59.1	64.3
- Finished stocks	51.7	50.2	52.7	50.9
- Deliveries	51.4	52.3	56.6	59.6

Regional Indexes*	March 2003	Jan 2004	Feb 2004	March 2004
ANZ-Business NZ PMI	52.7	51.4	55.2	58.9
- Northern	48.1	50.0	54.1	58.3
- Central	55.2	51.0	58.1	60.0
- Canterbury / Westland	63.1	54.9	57.1	64.6
- Otago/Southland	48.0	48.7	47.1	49.1

\*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 (April results): 21 May 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 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 and Otago Southland Employers' Association, and to playing our part in the ongoing development of New Zealand manufacturing.



## CONTACT

Stephen Summers  
Analyst Business NZ  
ssummers@businessnz.org.nz

**Disclaimer** - The opinions, advice and information contained in this publication are provided by way of information only and no person should rely on the contents of this publication without first obtaining advice from a qualified professional. The publisher and its officers and agents expressly disclaim all and any liability and responsibility to any person in respect of any act, matter or thing done or omitted to be done by any person in reliance upon any of the contents of this publication.