

## MANUFACTURING SLOWDOWN CONTINUES

MAY 2003

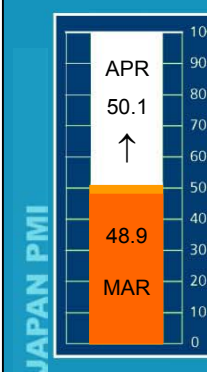
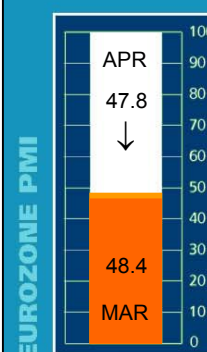
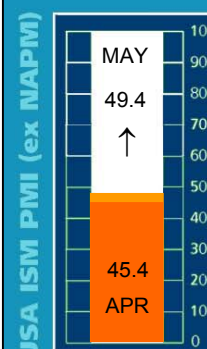
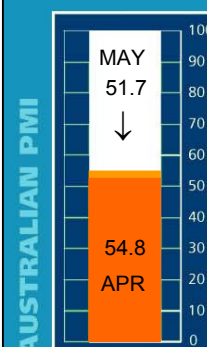
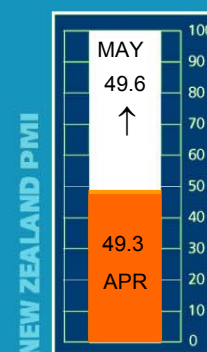
The ANZ-Business NZ Performance of Manufacturing Index (ANZ-Business NZ PMI) is a monthly survey of the manufacturing sector providing an early indicator of activity levels. The ANZ-Business NZ PMI contains data obtained through Business NZ's regional organisations: Employers' & Manufacturers' Association (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 49.6 for the month of May. This was up 0.3 points from April, but still indicates a moderate contraction in activity.
- All five of the component indices are hovering around the 49/50 level. Three again recorded contraction during May, with Employment having the lowest value (48.8), closely followed by Deliveries (49.0) and Production (49.8). While Finished Stocks and New Orders (both at 50.3) showed modest expansion, the former improved slightly from April, while the latter fell 0.4 points from the previous month to record its lowest value since the survey began.
- The food, beverage & tobacco sector continued with the strongest level of expansion (57.7). The machinery & equipment sector (54.6) and the metal production manufacturing sector (51.6) also recorded expansion. The petroleum, coal, chemical & associated product sector experienced the largest decline (42.3).
- Three of the four regions recorded expansion during May. The Northern region recorded its third consecutive contraction, falling 0.8 points from April to reach 47.9 for May. While the Central and Canterbury regions returned similar values to the previous month (50.1 and 53.4 respectively), there were positive signs from Otago/Southland region, which recorded a modest expansion in May (51.8), reversing declines during the two previous months.
- Small-Medium sized firms (11-50 workers) were again the only firms to show expansion during May (51.9), while all other firms by size recorded a decline.
- A large number of firms put the decline down to seasonal effects. However, the now fading SARS epidemic and the high New Zealand dollar were also cited as reasons for the contraction. On a positive note, other firms were more optimistic, saying they were beginning to see some pickup in activity, which may feed through into future PMI results.

### PRODUCTION

- The ANZ-Business NZ Production diffusion index was 49.8 for May, an increase of 1.8 points from April, but still the second consecutive time the component index has shown production is contracting (albeit only very modestly).
- The machinery & equipment sector recorded the highest level of expansion for May (58.7). The metal product (54.2) and food, beverage & tobacco (52.0) sectors also recorded expansion. This was offset by contraction in other sectors, notably the petroleum, coal, chemical & associated product sector (36.1).
- The Canterbury/Westland region again recorded the highest Production index value, increasing 6.4 points from April to stand at 58.0 for May. The Otago/Southland region also recorded expansion (55.0), while both regions in the North Island experienced a contraction.



## EMPLOYMENT

- The ANZ-Business NZ Employment diffusion index fell a further 0.3 points from April to 48.8 for May. This is its lowest value recorded and is the third consecutive decrease in value.
- The most significant expansion was recorded by the food, beverage & tobacco (52.0) and metal product (51.4) sectors, while the most notable contraction was recorded by the petroleum, coal, chemical & associated product sector (41.7).
- Employment activity in the Canterbury/Westland region dipped slightly during May, although still indicating expansion (54.0). The Otago/Southland region also recorded expansion (52.5), but the Northern and Central regions both recorded a contraction at 46.8 and 48.4 respectively.

## NEW ORDERS

- Despite a second consecutive fall in manufacturing activity, the forward-looking ANZ-Business NZ New Orders diffusion index continued to record expansion during May (50.3). It is the only diffusion index to remain above 50.0 for the ten consecutive months since the survey began in August last year.
- The food, beverage & tobacco (68.0), machinery & equipment manufacturing (54.3) and metal product manufacturing (51.4) sectors all recorded expansion during May. All other sectors recorded a contraction.
- Three out of the four regions recorded expansion in New Orders during May, only the Northern region (46.8) recorded a contraction.

## FINISHED STOCKS

- The ANZ-Business NZ Finished Stocks diffusion index increased 0.3 points from April to record 50.3 for May. Values around 50 for finished stocks suggest industries in reasonable balance, i.e. no excessive stock build-up or depletion.
- The most notable stock build-ups were in the metal product manufacturing (56.9) and machinery & equipment manufacturing (55.4) sectors.
- Both South Island regions indicated no change in finished stocks levels (50.0). The Northern region recorded an increase in finished stocks (52.1), while the Central region recorded a reduction (47.5).

## DELIVERIES

- May was the second consecutive month that the ANZ-Business NZ Deliveries of Raw Materials diffusion index recorded a contraction, despite increasing 0.3 points to 49.0 in May.
- The food, beverage & tobacco (58.0) and machinery & equipment manufacturing (55.4) sectors recorded the most significant expansion during May. In contrast, the petroleum, coal, chemical & associated product (40.3) and metal product manufacturing (44.4) sectors were sufficiently weak to tip the industry-wide index below 50.0.
- Canterbury/Westland recorded no change in deliveries during May (50.0). The Northern region experienced only moderate expansion (50.5). The value for the Otago/Southland region continued to indicate contraction at 45.0, while the Central region recorded a contraction in deliveries for the first time since the survey began (47.5).

## 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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National Indexes	Feb 2003	Mar 2003	April 2003	May 2003
<b>ANZ-Business NZ PMI</b>	<b>53.0</b>	<b>52.7</b>	<b>49.3</b>	<b>49.6</b>
- Production	55.1	52.4	48.0	49.8
- Employment	53.8	51.7	49.1	48.8
- New orders	51.3	54.5	50.7	50.3
- Finished stocks	54.0	51.7	50.0	50.3
- Deliveries	51.3	51.4	48.7	49.0

Regional Indexes*	Feb 2003	Mar 2003	April 2003	May 2003
<b>ANZ-Business NZ PMI</b>	<b>53.0</b>	<b>52.7</b>	<b>49.3</b>	<b>49.6</b>
- Northern	51.2	48.1	48.7	47.9
- Central	54.2	55.2	49.7	50.1
- Canterbury / Westland	50.5	63.1	53.5	53.4
- Otago/Southland	60.4	48.0	43.9	51.8

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

Otago/Southland (OSEA): Otago, Southland

Next ANZ-Business NZ PMI (June results): 1 August 2003