



MANUFACTURING ACTIVITY CONTINUES TO INCREASE

FOR THE MONTH OF OCTOBER 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 64.6 for the month of October. This is the highest value recorded so far for the 2003 year, 5 points higher than September 2003 and 3.1 points higher than October 2002.
- All five component indices continued to show expansion during October. *Production* again recorded the strongest value for the month (71.1), closely followed by *new orders* (70.5). Both *employment* and *deliveries of raw materials* showed higher expansion from September to October (54.3 and 61.3 respectively). *Finished stocks* fell slightly in October, though still showing expansion (56.1).
- All sectors continued to record expansion in October, as occurred in October 2002.
- All four regions had strong levels of expansion during October, again led by the Canterbury/Westland region (75.0). The Central region increased 7.2 points from September to reach the same level as the Northern region (64.2). Otago/Southland had the smallest increase but still showed strong expansion (59.7)
- All firms by size group again recorded expansion for the month of October. Firms of medium-large size (51-100 workers) recorded the strongest level of expansion (69.8), followed by small-medium (11-50 workers) firms (65.0). All values by firm size were stronger than that recorded in October 2002.
- Increased manufacturing activity in October is underpinned by the approaching Christmas season. Improving weather conditions have assisted some firms in production, however exchange rate issues continue to affect competitiveness in export markets. Hiring qualified staff remains difficult while skilled labour shortages persist.

PRODUCTION

- The ANZ-Business NZ *production* diffusion index recorded its highest value since the survey began (71.1), up 8.1 points from September and 6.5 points from October 2002.
- All sectors recorded expansion in production during September, with the *petroleum, coal, chemical & associated products* sector showing particularly strong expansion (72.7), along with the *machinery & equipment* sector (72.2).
- The Canterbury/Westland region again showed very strong production levels during September (85.3), followed by the Northern region (72.9). Both the Central and Otago/Southland regions recorded similar values (66.1 and 68.0 respectively).

EMPLOYMENT

- The ANZ-Business NZ *employment* diffusion index increased 0.8 points from September to stand at 54.3 for October 2003. Although this was the highest value so far recorded for 2003, it remained 1.3 points lower than October 2002.
- Most sectors showed moderate to strong levels of expansion in employment during October. The *metal product* and *machinery & equipment* sectors went from slight declines in September to record expansion in October (52.8 and 57.4 respectively). The *food, beverage and tobacco* sector also recorded strong expansion (56.5).
- Both the Canterbury/Westland and Central regions recorded the highest level of employment growth for October (55.9). The Northern region experienced slightly smaller expansion (54.2), while the Otago/Southland region stabilised following consecutive monthly declines in employment to record no change during October (50.0).

NEW ORDERS

- New orders* have lifted sharply as Christmas approaches recording a value of 70.5 in October. The lift in October meant the index eclipsed the previous peak in November 2002 (69.4) pushing it 5.0 points higher than twelve months earlier in October 2002 (65.5).
- All sectors recorded strong expansion in new orders during October. Both the *metal product* sector and *petrol, coal, chemical & associated product* sector recorded strong expansion levels of 75.0 and 74.2 respectively. The *food, beverage and tobacco* sector recorded the lowest level of expansion (60.9), although still at a strong level.
- The highest regional value was recorded in Canterbury/Westland (79.4), followed by the Central region (71.2) and the Northern region (70.1). Otago/Southland went from recording no change in September to strong expansion in October (64.0).

FINISHED STOCKS

- The ANZ-Business NZ *finished stocks* diffusion index (56.1) increased 1.3 points from October 2002, but fell 1.4 points from the peak finished stock value recorded in the previous September 2003 survey (57.5). Last year there was a similar slight drop in the index between September and October.
- Most sectors recorded expansion in finished stocks during October, with the *petrol, coal, chemical & associated product* sector recording strong expansion (59.1).
- All but one region recorded expansion in finished stocks. The Canterbury/Westland region recorded the highest level of expansion (67.6), while the Central region value recorded its second consecutive increase (58.5). The Northern NZ region fell 3.9 points to 56.3, while the Otago/Southland region recorded its lowest ever value (42.0).

DELIVERIES

- The ANZ-Business NZ *deliveries of raw materials* diffusion index increased 2.6 points from September and 0.5 points from October 2002 to stand at 61.3 for October 2003.
- All sectors showed expansion in deliveries during October. The *petrol, coal, chemical and associated product* sector again experienced stronger expansion than most other sectors. (74.2).
- All four regions recorded expansion in deliveries during October, although the Northern region (56.3) was the only one to experience a drop in expansion from September (61.1)

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	Oct 2002	Aug 2003	Sep 2003	Oct 2003
ANZ-Business NZ PMI	61.5	51.9	59.6	64.6
- Production	64.6	48.9	63.0	71.1
- Employment	55.6	50.8	53.5	54.3
- New orders	65.5	56.1	61.8	70.5
- Finished stocks	54.8	51.6	57.5	56.1
- Deliveries	60.8	50.3	58.7	61.3

Regional Indexes*	Oct 2002	Aug 2003	Sep 2003	Oct 2003
ANZ-Business NZ PMI	61.5	51.9	59.6	64.6
- Northern	59.6	52.2	62.1	64.2
- Central	62.3	48.6	57.0	64.2
- Canterbury / Westland	65.3	60.2	65.2	75.0
- Otago/Southland	62.5	53.4	52.1	59.7

*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 (November results): 18 December 2003