

## MANUFACTURING ACTIVITY REMAINS STEADY

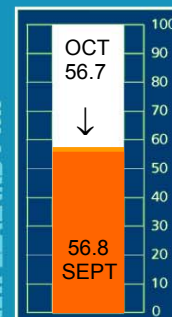
FOR THE MONTH OF OCTOBER 2004

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.

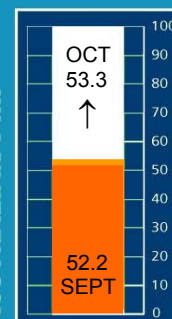
### KEY FINDINGS

- The ANZ-Business NZ Performance of Manufacturing Index stood at 56.7 for the month of October. This was virtually unchanged from September, and indicated continued expansion in the manufacturing sector. The October 2004 PMI value was lower than that of October 2002 (61.5) and 2003 (64.6).
- New orders* (60.1) were once again the strongest sub-index value in October, as *production* (59.1) returned to second place after leading the September results. *New orders* have recorded the highest diffusion index value for 11 of the past 12 months. *Deliveries* (54.5) and *finished stocks* (53.9) continued to fall from September, while *employment* (51.8) recorded the lowest value for the month.
- Activity by sector was expansionary for most industries during October. The *food, beverage & tobacco* (62.8) and *petroleum, coal, chemical & associated product* (61.3) sectors recorded strong expansion. The *metal product* sector (54.3) had lower levels of expansion from September, while the *wood & paper product* sector (45.6) recorded a decline.
- All four regions continued to record expansion during October. For only the third time during the last 27 months the Central region (57.7) recorded the highest level of expansion. This was closely followed by the Northern (56.8) and Canterbury/Westland (56.0) regions. The Otago/Southland region (54.8) had the lowest value, although still expansionary.
- All firms by size recorded fairly similar levels of expansion for October. Medium-large sized firms (51-100 workers) dipped below the 60-mark for the first time in two months, but still recorded the highest value (58.5). Micro firms (1-10 workers, 55.3) and large firms (101+ workers, 57.1) had higher expansion than in September, while small-medium firms (11-50 workers, 56.4) experienced a slight dip from the previous month.
- Although manufacturing conditions continue to show expansion, the rate has slowed over recent months, as ongoing issues of labour shortages and the high New Zealand dollar continue to hamper activity. Fewer manufacturers mentioned the Christmas build-up as a key determinant of activity levels, compared with October 2002 and 2003.

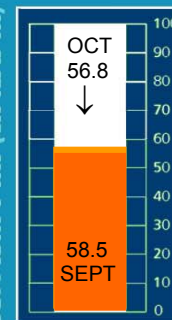
NEW ZEALAND PMI



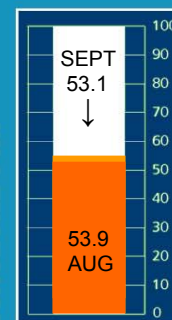
AUSTRALIAN PMI



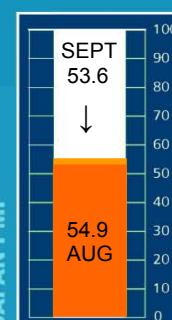
USA ISM PMI (ex NAPM)



EUROZONE PMI



JAPAN PMI



## PRODUCTION

- The ANZ-Business NZ *production* diffusion index stood at 59.1 for October, the same level as September. The October result was substantially lower than the 64.6 and 71.1 recorded in October 2002 and 2003 respectively.
- The *petroleum, coal, chemical & associated product* sector (67.4) had the highest level of expansion during October, followed by the *food, beverage & tobacco* sector (65.6).
- Both North Island regions showed increased production activity during October, with the Central region on 62.7 and Northern on 58.7. South Island regions recorded similar values to September, with Canterbury/Westland on 56.0 and Otago/Southland on 56.8.

## EMPLOYMENT

- The ANZ-Business NZ *employment* diffusion index (51.8) for October was again the lowest of the diffusion indexes. This was also lower than in October 2002 and 2003.
- The *food, beverage & tobacco* sector recorded healthy expansion in October (56.3), while most other sectors experienced either no change or decline.
- Three of the four regions had a lift in employment activity for October, again led by the Central region (54.5). The Northern and Canterbury/Westland regions continued to record similar expansion levels (51.6 and 51.2 respectively), while the Otago/Southland region experienced a decline (45.5), although less than in September.

## NEW ORDERS

- The ANZ-Business NZ *new orders* diffusion index (60.1) resumed its standing as the highest value diffusion index for October. The October 2004 result was however lower than that recorded in October 2002 (65.5) and 2003 (70.5).
- New orders were generally mixed across manufacturing sectors. The *petroleum, coal, chemical & associated product* (67.4) and *food, beverage & tobacco* (64.1) sectors had high levels of expansion, while the *wood & paper product* sector experienced a decline (47.6).
- Expansion in new orders showed greater increase from north to south, with the Northern region on 61.5, Central on 59.7, Canterbury/Westland on 59.5 and Otago/Southland on 54.5.

## FINISHED STOCKS

- The ANZ-Business NZ *finished stocks* (53.9) diffusion index for October was lower than September's, and also below values recorded in October 2002 and 2003.
- Food, beverage & tobacco* (65.6) and *textile, clothing, footwear & leather* (57.5) had the highest expansion for October, while *wood & paper products* (45.2) experienced a decline.
- Three of the four regions recorded expansion in finished stocks, with the Otago/Southland region (59.1) recording the highest value, and the Central region (49.3) the lowest.

## DELIVERIES

- The ANZ-Business NZ *deliveries of raw materials* diffusion index stood at 54.5 for October 2004. This was lower than September, as well as October 2002 and 2003.
- The *food, beverage & tobacco* and *textile, clothing, footwear & leather* sectors recorded the joint highest level of expansion for October (62.5).
- Deliveries of raw materials* was expansionary for all regions, led by Otago/Southland (61.4).

National Indexes	Oct 2002	Oct 2003	Sep 2004	Oct 2004
<b>ANZ-Business NZ PMI</b>	<b>61.5</b>	<b>64.6</b>	<b>56.8</b>	<b>56.7</b>
- Production	64.6	71.1	59.1	59.1
- Employment	55.6	54.3	53.0	51.8
- New orders	65.5	70.5	58.6	60.1
- Finished stocks	54.8	56.1	56.1	53.9
- Deliveries	60.8	61.3	55.1	54.5

Regional Indexes*	Oct 2002	Oct 2003	Sep 2004	Oct 2004
<b>ANZ-Business NZ PMI</b>	<b>61.5</b>	<b>64.6</b>	<b>56.8</b>	<b>56.7</b>
- Northern	59.6	64.2	58.5	56.8
- Central	62.3	64.2	54.3	57.7
- Canterbury / Westland	65.3	75.0	54.9	56.0
- Otago/Southland	62.5	59.7	62.3	54.8

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

Otago/Southland (OSEA): Otago, Southland

Next ANZ-Business NZ PMI (November results): 17 December 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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