

MANUFACTURING ACTIVITY EASES SLIGHTLY

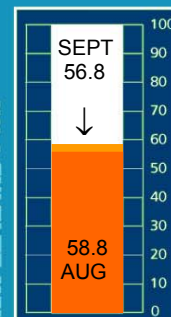
FOR THE MONTH OF SEPTEMBER 2004

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.

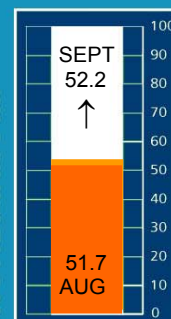
KEY FINDINGS

- The ANZ-Business NZ Performance of Manufacturing Index stood at 56.8 for the month of September. This was 2.0 points lower than in August, but continued to indicate healthy expansion in the manufacturing sector. The September 2004 PMI value was lower than that of September 2002 (60.5) and 2003 (59.6).
- Production* (59.1) was the strongest sub-index value in September, as *new orders* dropped to second (58.6) after 10 months at the top. *Deliveries* (55.1) fell 5.6 points from August, while *finished stocks* values (56.1) were similar to those in August. *Employment* for September (53.0) was the only sub-index to record higher expansion from August.
- Activity by sector was expansionary for most industries during September, with the *petroleum, coal, chemical & associated product* sector (67.2) recording the highest level of expansion. The *metal product* sector (57.1) recorded more moderate expansion, while the *textile, clothing, footwear & leather* sector (49.2) stayed relatively flat.
- All four regions recorded expansion during September. The Otago/Southland region (62.3) had the highest level of expansion for September, up 4.8 points from August. The Northern region (58.5) recorded the first sub-60 value in four months, although still showing strong expansion. Both the Central and Canterbury/Westland regions recorded similar values (54.3 and 54.9 respectively).
- All firms by size continued to record expansion for September. After recent strong expansion, micro sized firms (1-10 workers) recorded more moderate expansion for September (52.8). Both small-medium sized firms (11-50 workers, 57.1) and medium-large firms (51-100 workers, 61.3) recorded very similar values to August, while large firms (100+ workers, 55.7) experienced the only lift in expansion from the previous month.
- While manufacturing conditions continue to show expansion, ongoing issues of labour shortages and the high value of the New Zealand dollar continue to hamper increased production. Some firms have reached production capacity, while others note a fall off in orders, both domestically and overseas.
- Comments on to the exchange rate came through strongly in some sectors, such as *metal products* and *textile, clothing, footwear & leather*. Higher import prices were increasing raw material costs for the *machinery & equipment* sector and this, with a general seasonal decline was causing the level of expansion to fall. In contrast with other sectors, *petroleum, coal, chemical & associated products* continued to experience strong demand from overseas.

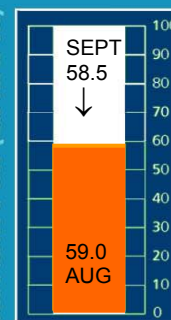
NEW ZEALAND PMI



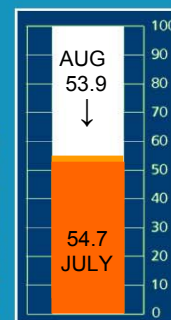
AUSTRALIAN PMI



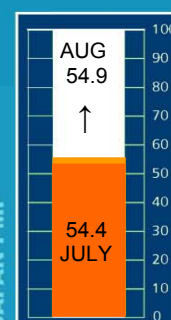
USA ISM PMI (ex NAPM)



EUROZONE PMI



JAPAN PMI



PRODUCTION

- The ANZ-Business NZ *production* diffusion index stood at 59.1 for September, the highest diffusion index value for the month. This was down 0.7 points from August, and lower than the 63.0 and 63.8 recorded in September 2003 and 2002 respectively.
- The *petroleum, coal, chemical & associated product* sector (73.9) recorded a very strong level of expansion in production during September, along with the *metal product* sector (62.8).
- The Northern region (57.4) recorded a fall from its strong expansion level in August, though still showing healthy expansion in September. Both the Central and Otago/Southland regions experienced an increase in production activity for September (56.0 and 80.0 respectively), while the Canterbury/Westland region recorded the same level of activity as in August (61.5).

EMPLOYMENT

- The ANZ-Business NZ *employment* diffusion index (53.0) for September lifted its expansion from August to record one of the highest values during 2004. However the September 2004 result was lower than that in September 2002 and 2003.
- The *petroleum, coal, chemical and associated product* sector recorded healthy expansion in September (59.8); most other sectors experienced moderate employment expansion activity.
- Three of the four regions experienced a lift in employment activity for September, led by the Central region (54.7). Both the Northern and Canterbury/Westland regions recorded similar expansion levels (53.2 and 53.8 respectively), while the Otago/Southland region experienced a decline (40.0).

NEW ORDERS

- For the first time in 11 months the ANZ-Business NZ *new orders* diffusion index (58.6) did not have the highest value of the five diffusion indexes for September. The September 2004 result was also lower than that recorded in both September 2003 and 2002 (61.8 and 64.1 respectively).
- New orders were again particularly strong for some manufacturing sectors and moderate for others. The *petroleum, coal, chemical & associated product* (70.7) and *food, beverage & tobacco* (61.4) sectors both recorded very high levels of expansion, in contrast to the *wood & paper product* sector's only slight expansion (52.5).
- Both ends of the country had strong expansion in new orders; the Northern and Otago/Southland regions recorded 63.9 and 70.0 respectively. The Central and Canterbury/Westland regions experienced only slight expansion (52.7 and 51.3 respectively).

FINISHED STOCKS

- The ANZ-Business NZ *finished stocks* (56.1) diffusion index for September was very similar to the August value and to values recorded in September 2003 and 2002.
- Both the *petroleum, coal, chemical & associated product* (60.9) and the *wood & paper product* (60.0) sectors recorded a high level of expansion for September. In contrast, the *machinery & equipment* sector (46.4) experienced a decline.
- All regions recorded moderate to strong expansion in finished stocks, with the Canterbury/Westland region (59.0) recording the highest value.

DELIVERIES

- The ANZ-Business NZ *deliveries of raw materials* diffusion index stood at 55.1 for September 2004. This was lower than both September 2003 and 2002.
- Sector results were mostly positive, with the strongest expansion in the *petroleum, coal, chemical & associated product* sector (63.0).
- Deliveries of raw materials were expansionary for three of the four regions, with the Canterbury/Westland region (50.0) recording no change.

National Indexes	Sep 2002	Sep 2003	Aug 2004	Sep 2004
ANZ-Business NZ PMI	60.5	59.6	58.8	56.8
- Production	63.8	63.0	59.8	59.1
- Employment	52.7	53.5	50.2	53.0
- New orders	64.1	61.8	63.6	58.6
- Finished stocks	56.0	57.5	56.3	56.1
- Deliveries	60.9	58.7	60.7	55.1

Regional Indexes*	Sep 2002	Sep 2003	Aug 2004	Sep 2004
ANZ-Business NZ PMI	60.5	59.6	58.8	56.8
- Northern	58.1	62.1	61.1	58.5
- Central	60.3	57.0	55.9	54.3
- Canterbury / Westland	63.6	65.2	59.6	54.9
- Otago/Southland	67.0	52.1	57.5	62.3

*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 (October results): 12 November 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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