

# MANUFACTURING ACTIVITY DECREASES

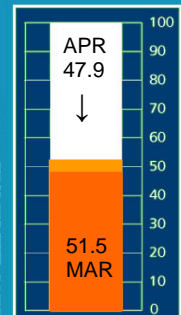
## ANZ-BUSINESS NZ PMI FOR APRIL 2005

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.

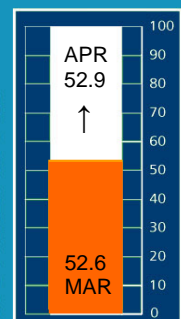
### KEY FINDINGS

- The ANZ-Business NZ Performance of Manufacturing Index was 47.9 for April, the first time the index has shown a fall in activity since May 2003 and the lowest value the main index figure has recorded since the survey began in August 2002.
- The North Island was the main driver of the overall decline, with the Northern (46.6) and Central (45.4) regions both recording significant falls from the previous month. The South Island regions, Canterbury/Westland (53.2) and Otago/Southland (51.3), had modest expansion.
- Employment* (50.7) was largely unchanged from March, but recorded the strongest value of all sub-indexes for the first time. *New orders* (47.9) experienced a decline for the first time, while *production* (46.1), *deliveries of raw materials* (47.2) and *finished stocks* (48.1) also recorded their lowest ever values.
- Manufacturing activity was generally down across industries. Only the *wood & paper product* (52.5) and *food, beverage & tobacco* (51.6) sectors showed any increase in activity. The *machinery & equipment* (50.4) sector was close to no change, while other industries ranged from 43.9 to 47.8.
- Only the largest firms registered expansion during April. Large firms (101+ workers) recorded 50.8, followed by small-medium firms (11-50 workers) (48.2) and micro firms (1-10 workers) (47.6). Medium-large firms (51-100 workers) (45.9) recorded the lowest level of activity since the survey began.
- Although April tends to show a lowered level of activity, the fall for 2005 contrasts with continued expansion during April 2004.
- Manufacturers cited concerns over the high dollar, falling export and domestic orders, and the difficulty of finding staff in a tight labour market.

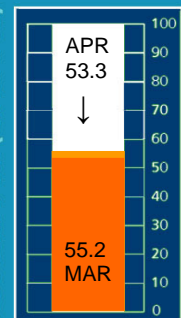
NEW ZEALAND PMI



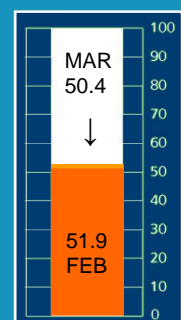
AUSTRALIAN PMI



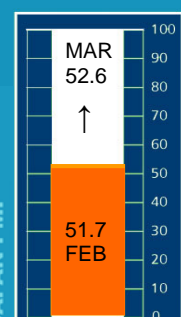
USA ISM PMI (ex NAPM)



EUROZONE PMI



JAPAN PMI



## PRODUCTION

- The ANZ-Business NZ *production* diffusion index stood at 46.1, the lowest production value on record. Although the April 2003 figure also showed a decline (48.0), it was not as bad as the 2005 result.
- The *wood & paper product* (58.9) sector showed healthy expansion, followed by the *food, beverage & tobacco* (52.9) sector. All other sectors recorded a decline.
- Manufacturers in the Otago/Southland region (57.4) again showed healthy levels of expansion, although down on the level experienced in March. The Canterbury/Westland (53.5) region also recorded expansion, while both North Island regions showed strong decline.

## EMPLOYMENT

- The ANZ-Business NZ *employment* diffusion index (50.7) recorded a slight expansion in activity for April, and was the highest diffusion index value for the first time. The April 2005 result was also higher than those recorded in April 2003 and 2004.
- The *machinery & equipment* sector (59.2) had the strongest expansion in employment during April, followed by the *petroleum, coal, chemical & associated product* (53.3).
- Two of the four regions experienced a decline in employment activity during April, with the Otago/Southland region (44.4) showing a stronger level of decline than the Central region (48.0). Both the Northern (52.0) and Canterbury/Westland (53.5) regions showed moderate expansion.

## NEW ORDERS

- The ANZ-Business NZ *new orders* diffusion index for April (47.9) was the first *new orders* value to experienced a decline since the PMI began.
- The level of activity for new orders was generally mixed across the manufacturing sectors, with the *machinery & equipment* (54.1) sector again recorded strong expansion, while the *petroleum, coal, chemical & associated product* (43.3) sector experienced a strong decline.
- The Canterbury/Westland region (53.5) was the only region to show expansion in new orders for April. The remaining regions ranged in value between 46.3 and 48.1.

## FINISHED STOCKS

- The ANZ-Business NZ *finished stocks* (48.1) sub-index recorded its lowest value since the survey began.
- The *wood & paper product* (55.4) and *food, beverage & tobacco* (52.9) sectors both recorded expansion during April, while all other sectors experienced a decline.
- The Otago/Southland region (61.1) experienced strong expansion in finished stocks during April. The Canterbury/Westland region (52.3) was the only other region to record expansion.

## DELIVERIES

- The ANZ-Business NZ *deliveries of raw materials* diffusion index stood at 47.2 for April 2005, which was its lowest ever result.
- The *food, beverage & tobacco* sector (51.4) recorded the highest level of expansion for April, while all other sectors recorded either no change or decline.
- Deliveries of raw materials were only expansionary in the Canterbury/Westland region (52.3). The Otago/Southland region (50.0) showed no change, while all others experienced a decline.

National Indexes	Apr 2003	Apr 2004	Mar 2005	Apr 2005
<b>ANZ-Business NZ PMI</b>	<b>49.3</b>	<b>54.8</b>	<b>51.5</b>	<b>47.9</b>
- Production	48.0	54.7	53.1	46.1
- Employment	49.1	50.2	49.0	50.7
- New orders	50.7	59.6	51.9	47.9
- Finished stocks	50.0	48.4	50.2	48.1
- Deliveries	48.7	55.8	52.3	47.2

Regional Indexes*	Apr 2003	Apr 2004	Mar 2005	Apr 2005
<b>ANZ-Business NZ PMI</b>	<b>49.3</b>	<b>54.8</b>	<b>51.5</b>	<b>47.9</b>
- Northern	48.7	53.7	52.6	46.6
- Central	49.7	54.4	47.8	45.4
- Canterbury / Westland	53.5	59.8	50.6	53.2
- Otago/Southland	43.9	49.6	54.3	51.3

\*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 (May results): 10 June 2005

## 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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