

MANUFACTURING SHOWS EXPANSION

FOR THE MONTH OF AUGUST 2002

This is the first ANZ-Business NZ Performance of Manufacturing Index (ANZ-Business NZ PMI), which will be a regular monthly survey. The survey is specifically targeted at the manufacturing sector and provides an early indicator of activity levels. The ANZ-Business NZ PMI is a composite index based on diffusion indexes for production, employment, new orders, finished stocks and deliveries, with varying weights on each diffusion index. A PMI reading above 50 points indicates that manufacturing is generally expanding, while below 50 indicates that it is declining. The distance from 50 indicates the strength of expansion or decline.

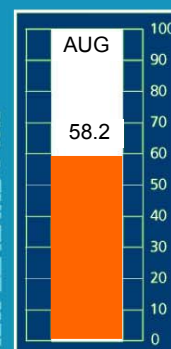
KEY FINDINGS

- The ANZ-Business NZ Performance of Manufacturing index was 58.2 for the month of August, and is consistent with other indicators that the manufacturing sector has been relatively buoyant during recent months. For example, Statistics New Zealand's Quarterly Manufacturing Survey showed a 2.9% increase in sales during the June 2002 quarter.
- All five component indexes showed expansion, with new orders particularly strong at 61.2.
- The food, beverage and tobacco manufacturing sector displayed the highest overall PMI figure of 65.5, which is indicative of continued growth in consumer demand and high levels of production for that sector. However, the textile, clothing, footwear and leather sector and non-metallic mineral product sector both showed weakness at 44.1 and 46.9 respectively.
- All four regions experienced a rise across the various components, with the Canterbury/Westland region having the strongest value at 62.0.
- Firms of all sizes reported expansion in August, with the highest overall PMI index figure recorded by medium-large sized firms (those with 51-100 workers) at 61.7.
- Firms reported a range of influences affecting business activity during the last three months. Seasonality and weather conditions were seen as a key issue, especially over the recent winter period. While many firms reported strong export demand from Australia, there were signs of demand weakness from other countries. Firms still viewed the exchange rate as positive for exports, but fluctuations had caused concern. Also, firms reported strong local demand that was driving sales, particularly from the construction sector. The rural sector also reported strong growth, but many expressed concerns over the future. Skill shortages were still evident, which were not helped by compliance costs for employing workers.

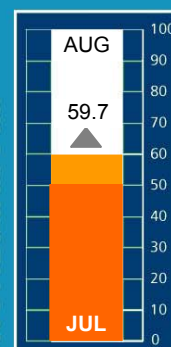
PRODUCTION

- The ANZ-Business NZ Production diffusion index was 59.6 for August.
- Production was up for seven of the nine sectors, with metal product manufacturing having the strongest value at 69.4.
- Printing, publishing and recorded media, and textile, clothing, footwear and leather manufacturing were the two sectors that showed weakness, at 48.0 and 46.9 respectively.
- All regions showed strength in production during the month, with the Canterbury/Westland region having the highest index value at 63.6.
- Firms of all sizes reported higher production levels, with the highest index value of 65.7 for large firms (those with 101 or more workers).

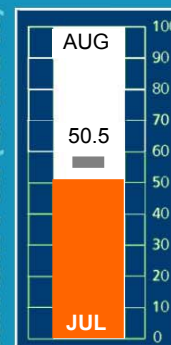
NEW ZEALAND PMI



AUSTRALIAN PMI



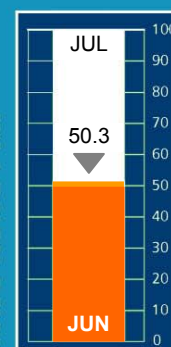
USA ISM PMI (ex NAPM)



EUROZONE PMI



HONG KONG PMI



EMPLOYMENT

- The ANZ-Business NZ Employment diffusion index was 53.7 for the month of August. There have been skill and labour shortages throughout the country recently, which have led to firms being unable to increase their staffing levels to any great extent.
- Five of the nine manufacturing industry groups reported strength in employment levels for August. The machinery and equipment manufacturing industry sector had the highest index value for employment (60.9), whereas the textile, clothing, footwear and leather manufacturing sector had the lowest (31.3).
- Pressing skill and labour shortages in Otago/Southland have led to weakness in employment for that region in August, while the rest of NZ showed slight expansion.
- Micro firms (those with 1-10 workers) experienced no change in employment levels during August, while employment for all other firms showed strength.

NEW ORDERS

- The ANZ-Business NZ New Orders diffusion index was 61.2 for August, the highest overall component index for the month. This result should flow on into the other indexes over time, as firms require more resources to increase production.
- The Food, Beverage and Tobacco manufacturing industry had the highest new order index value (71.7). Non-Metallic Mineral Product Manufacturing was lowest (38.9).
- New orders strengthened among all regions, especially in the South Island.
- All firms by size reported an expansion in new orders, with medium-large firms showing the largest expansion.

FINISHED STOCKS

- The ANZ-Business NZ Finished Stocks diffusion index was 53.3 for August, and the lowest overall component index for the month. During times of growth, the level of finished stocks would not be high given the increased turnover of stock by firms.
- Four sectors reported expansion in stock levels, with the largest expansions being in the food, beverage and tobacco sector at 63.0, and the other manufacturing sector at 60.7.
- Stocks remained unchanged in the non-metallic mineral product sector, while the lowest stocks index value was for the petroleum, coal, chemical and associated product sector.
- By region, the largest stocks index value was reported for the Central region at 57.4. In comparison, the other regions only reported slight expansion.
- Firms that were of medium-large size (those with 51-100 workers) showed slight weakness in stock levels, while all other firm sizes recorded expansion.

DELIVERIES

- The ANZ-Business NZ Deliveries of Raw Materials diffusion index was 59.1 for August.
- Seven sectors showed expansion in deliveries in August, with the strongest gains in the 'other manufacturing' sector (64.0), and the food, beverage and tobacco sector (62.1). The non-metallic mineral product sector was unchanged, while the printing, publishing and recorded media sector reported the lowest value (46.2).
- All four regions reported an expansion in deliveries, with the Canterbury/Westland region reporting the strongest gains (64.1), followed by the Central region (58.9).
- Deliveries rose among firms of all sizes during the month, with medium-large sized firms having the highest value (65.5).

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 and expertise 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	August 2002
ANZ-Business NZ PMI	58.2
- Production	59.6
- Employment	53.7
- New orders	61.2
- Finished stocks	53.3
- Deliveries	59.1

Regional Indexes*	August 2002
ANZ-Business NZ PMI	58.2
- Northern	57.7
- Central	56.6
- Canterbury / Westland	62.0
- Otago / Southland	58.9

***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