

MANUFACTURING CONDITIONS REMAIN STEADY

FOR THE MONTH OF FEBRUARY 2003

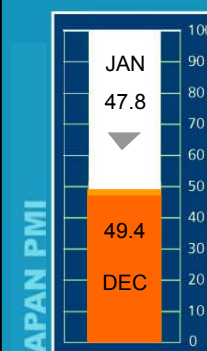
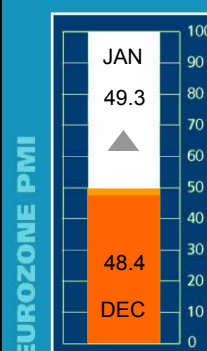
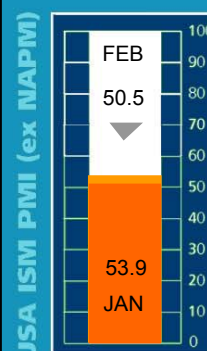
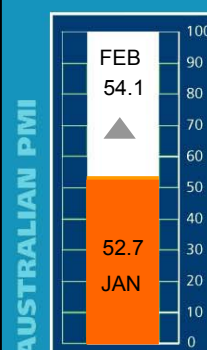
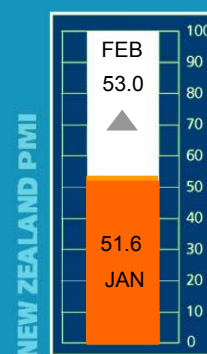
The ANZ-Business NZ Performance of Manufacturing Index (ANZ-Business NZ PMI) is a monthly survey of the manufacturing sector providing an early indicator of activity levels. The ANZ-Business NZ PMI contains data obtained through Business NZ's regional organisations: Employers' & Manufacturers' Association (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 declining; the distance from 50 indicates the strength of expansion or decline.

KEY FINDINGS

- The ANZ-Business NZ Performance of Manufacturing Index was 53.0 for the month of February. This was up 1.4 points from January and follows two month-on-month falls (believed to be largely seasonal). The February figure, like January's, still shows expansion although only at a moderate level.
- All five component indexes showed expansion during February, with production levels recording the highest expansion (55.1), followed by finished stock levels (54.0).
- The food, beverage & tobacco sector again recorded the strongest level of expansion (59.1), followed by the metal product sector (57.6).
- For the third consecutive month, the Otago/Southland region had the highest overall expansion (60.4). The Central region was the only region to experience a fall from January, down 4.6 points to 54.2, although still indicating expansion.
- With the exception of micro firms (those with 1-10 workers), all other firms by size recorded expansion.
- Seasonal factors continued to play a part in a slowdown in general business activity. More generally, the rising value of the New Zealand dollar and the drought in Australia are viewed as major concerns for manufacturers. In the North, firms reported a post-America's Cup fall off in activity, while throughout the country others are taking a wait and see approach in response to the war in Iraq. Comments were also received about high and volatile electricity prices creating uncertainty about future business costs.

PRODUCTION

- The ANZ-Business NZ Production diffusion index was 55.1 for February, which was an increase of 2.1 points from January and the highest diffusion index value for February.
- Five of the seven manufacturing sectors recorded expansion for February, with the food, beverage & tobacco sector experiencing the strongest expansion (68.8), followed by the metal product sector (60.5). The wood & paper product sector had the largest decline (40.7).
- The Otago/Southland region continued to have the highest production index value (68.4), followed by the Central region (56.3).



EMPLOYMENT

- The ANZ-Business NZ Employment diffusion index rose 4.5 points during February, to reach 53.8 for February, similar to levels experienced when the survey first began in August 2002.
- Of the seven manufacturing sectors, six experienced expansion for February, although the food, beverage & tobacco sector was the only sector to record a value above 60 (60.4). The textile, clothing, footwear & leather sector remained unchanged (50.0).
- The Northern region showed the strongest expansion (58.5), while all other regions showed slight expansion with employment index values that fell between 50.0 and 51.5.

NEW ORDERS

- The ANZ-Business NZ New Orders diffusion index increased 0.6 points from January to stand at 51.3 for February. This was the smallest index value change either positive or negative for any of the diffusion indexes from January to February.
- Five of the seven manufacturing sectors recorded expansion for February. Only the wood & paper product sector (40.7) and the machinery & equipment sector (48.3) recorded declines in new order levels.
- Both the Central and Otago/Southland regions showed similar expansion in new orders (57.1 and 57.9 respectively), while the Northern and Canterbury/Westland regions both recorded a decline (46.5 and 47.0 respectively).

FINISHED STOCKS

- The ANZ-Business NZ Finished Stocks diffusion index was up 2.8 points from January to stand at 54.0, the second highest diffusion index value for February.
- Only the food, beverage & tobacco sector recorded a decline in finished stocks for February (47.9). However this indicates strong economic activity, particularly given the other indexes for this sector are consistent with expansion.
- The Northern region experienced no change in finished stock levels for February while all other regions showed expansion, with the Otago/Southland region the strongest (68.4)

DELIVERIES

- The ANZ-Business NZ Deliveries of Raw Materials diffusion index fell 3.4 points from January to stand at 51.3 for February.
- Three manufacturing sectors recorded no change for February (i.e. exactly 50.0), three sectors recorded expansion and the wood & paper product sector indicated a decline (38.9).
- The Northern region experienced a slight fall in delivery levels (49.3), while the Central region recorded no change (50.0). All other regions showed expansion.

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	Nov 2002	Dec 2002	Jan 2003	Feb 2003
ANZ-Business NZ PMI	65.0	56.4	51.6	53.0
- Production	69.8	58.1	53.0	55.1
- Employment	57.8	50.8	49.3	53.8
- New orders	69.4	61.7	50.7	51.3
- Finished stocks	56.0	49.0	51.2	54.0
- Deliveries	63.6	55.6	54.7	51.3

Regional Indexes*	Nov 2002	Dec 2002	Jan 2003	Feb 2003
ANZ-Business NZ PMI	65.0	56.4	51.6	53.0
- Northern	65.4	54.2	45.1	51.2
- Central	67.1	54.7	58.8	54.2
- Canterbury / Westland	58.8	58.8	48.5	50.5
- Otago/Southland	65.2	71.5	59.9	60.4

*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 (March results): 29 April 2003