

MANUFACTURING EXPANSION DWINDLING

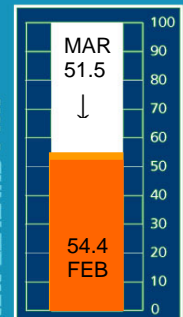
ANZ-BUSINESS NZ PMI FOR MARCH 2005

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.

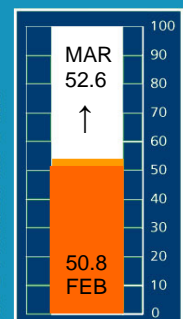
KEY FINDINGS

- The ANZ-Business NZ Performance of Manufacturing Index stood at 51.5 for the month of March, a lower rate of expansion than in February. This was also lower than March 2003 and 2004.
- Of the sub-indexes, *production* (53.1) recorded the strongest value, closely followed by *deliveries of raw materials* (52.3). The *new orders* sub-index declined to its lowest value in close to two years, though still in expansion territory at 51.9, while *employment* and *finished stocks* showed relatively little change.
- Manufacturing activity was mixed across industries. The *machinery & equipment* (60.8) sector showed strong expansion, while *food, beverage & tobacco* (53.0) had a lower level of expansion compared with previous months. *Petroleum, coal, chemical & associated products* (47.2) and *metal products* (47.2) both experienced a decline.
- The Otago/Southland region (54.3) had a higher level of expansion in March than in February, while other regions recorded lower values than in February, but all regions except Central (47.8) remained in expansion territory.
- Expansion levels were similar across firms of all sizes. Large firms (101+ workers) recorded 52.1, just ahead of small-medium firms (11-50 workers) (52.0) and micro firms (1-10 workers) (51.9). Medium-large firms (51-100 workers) (49.4) recorded the first decline since July 2003.
- Although there are still manufacturers with increased activity, many firms cited falling orders from both domestic and overseas customers. The high exchange rate is still causing uncertainty for many firms, with overseas markets difficult to sustain.

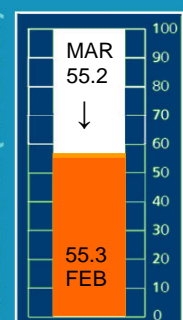
NEW ZEALAND PMI



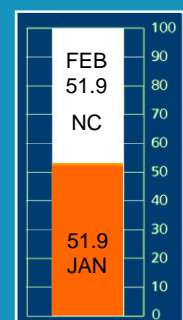
AUSTRALIAN PMI



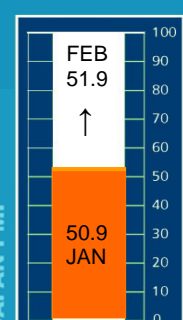
USA ISM PMI (ex NAPM)



EUROZONE PMI



JAPAN PMI



PRODUCTION

- The ANZ-Business NZ *production* diffusion index stood at 53.1, well below the March 2004 value but up slightly on March 2003.
- The *machinery & equipment* (64.0) sector showed strong expansion, while the *petroleum, coal, chemical & associated product* (47.7) sector recorded the strongest decline.
- Manufacturers in the Otago/Southland region (62.5) showed healthy levels of expansion. The Northern (54.8) and Canterbury/Westland (51.3) regions also recorded expansion, while the Central (45.7) region experienced a decline for the second time in three months.

EMPLOYMENT

- The ANZ-Business NZ *employment* diffusion index (49.0) recorded its first decline in activity since February 2004. The March 2005 result was also lower than those recorded in March 2003 and 2004.
- The *food, beverage & tobacco* sector (60.7) had the strongest expansion in employment during March, while the remaining sectors varied between expansion and decline.
- Two of the four regions experienced a decline in employment activity during March, with the Northern (48.2) and Canterbury/Westland (48.7) regions experiencing similar levels. The Otago/Southland (52.5) region had a slight increase, while the Central (50.0) region recorded no change.

NEW ORDERS

- The ANZ-Business NZ *new orders* diffusion index for March (51.9) was the first new orders value since June 2003 that was not in the top two sub-index values. The 2005 value was also lower than in March 2003 and 2004.
- New orders were either strong or in decline across most manufacturing sectors, with the *machinery & equipment* (65.1) sector again recording strong expansion. In contrast the *metal product* (43.5) sector had the biggest decline.
- The Otago/Southland region (55.0) had the strongest level of expansion in new orders during March, while the Central region (48.9) recorded the only decline.

FINISHED STOCKS

- The ANZ-Business NZ *finished stocks* (50.2) sub-index recorded largely no change during March (results for March 2003 and 2004 both indicated slight expansion).
- The *metal product* (57.4) and *machinery & equipment* (55.8) sectors recorded expansion during March. The *food, beverage & tobacco* (39.3) sector recorded a strong decline.
- The Northern region (53.3) was the only region indicating expansion in finished stocks during March. The Otago/Southland (37.5) region again displayed the strongest decline in activity.

DELIVERIES

- The ANZ-Business NZ *deliveries of raw materials* diffusion index stood at 52.3 for March 2005, falling between the results for March 2003 and 2004.
- The *machinery & equipment* sector (61.6) recorded the highest level of expansion for March, while the *food, beverage & tobacco* (50.0) sector recorded no change.
- Deliveries of raw materials were expansionary for most regions, as the Central region (45.7) recorded the only decline.

National Indexes	Mar 2003	Mar 2004	Feb 2005	Mar 2005
ANZ-Business NZ PMI	52.7	58.9	54.4	51.5
- Production	52.4	61.2	56.5	53.1
- Employment	51.7	51.6	50.6	49.0
- New orders	54.5	64.3	56.9	51.9
- Finished stocks	51.7	50.9	48.6	50.2
- Deliveries	51.4	59.6	54.7	52.3

Regional Indexes*	Mar 2003	Mar 2004	Feb 2005	Mar 2005
ANZ-Business NZ PMI	52.7	58.9	54.4	51.5
- Northern	48.1	58.3	53.8	52.6
- Central	55.2	60.0	51.0	47.8
- Canterbury / Westland	63.1	64.6	63.1	50.6
- Otago/Southland	48.0	49.1	51.0	54.3

*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 (April results): 13 May 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.



CONTACT

Stephen Summers
Analyst Business NZ
ssummers@businessnz.org.nz

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