

MANUFACTURING CONDITIONS REMAIN STRONG

FOR THE MONTH OF OCTOBER 2002

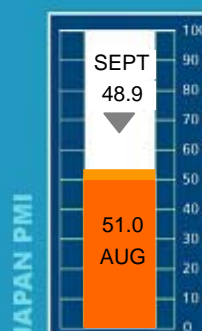
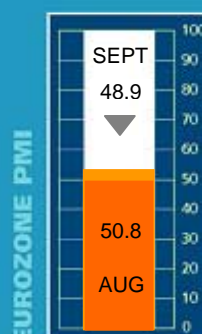
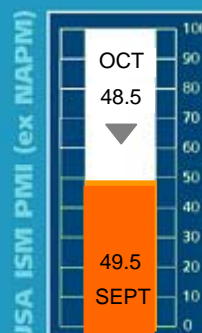
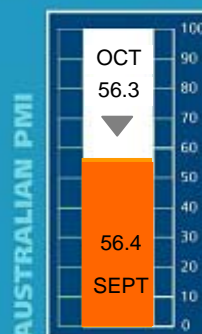
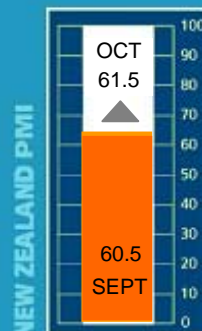
The ANZ-Business NZ Performance of Manufacturing Index (ANZ-Business NZ PMI) is a regular monthly survey that is specifically targeted at the manufacturing sector and provides an early indicator of activity levels. The ANZ-Business NZ PMI contains data obtained through Business New Zealand's five regional organisations; Employers and Manufacturers' Association (Northern), Employers and 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 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 61.5 for the month of October. This was up slightly from the September figure of 60.5 and continues the recent trend of expansion in the manufacturing sector.
- Three of the five component indexes showed higher levels of expansion, with new orders again leading the way (65.5). Stocks of finished products and deliveries of raw materials were both slightly below last month, although both still indicated expansion.
- All eight manufacturing industry sector index values recorded expansion for the month of October, although two industry sectors had a lower value from September.
- Three out of the four regions recorded higher values than in September, with the Canterbury/Westland region having the strongest value (65.3).
- Expansion was recorded for all firms by size in October, although micro sized firms (those with 1-10 workers) recorded a lower value than in September.
- With many firms gearing up for the busiest time of the year, there was still concern over finding experienced staff, either to increase staff numbers or as suitable replacements.
- Views on the recent appreciation of the New Zealand dollar were mixed: many businesses reported new or increased export orders while others raised concerns about a decline in future orders. Some firms indicated domestic demand was still strong, particularly in the building sector, while others in non-building sectors signaled a slight decline.

PRODUCTION

- The ANZ-Business NZ Production diffusion index increased 0.8 points from September to reach 64.6 for the month of October.
- Production showed expansion for most industry sectors, with seven of the eight sectors having index values above 60. The textile, clothing, footwear & leather manufacturing sector recorded no change with a value of exactly 50.
- The Otago/Southland region again had the highest production level value (67.9), while other regions also showed strong expansion.
- Firms of all sizes reported higher production levels, with the highest index value of 69.1 for medium-large sized firms (those with 51-100 workers).



EMPLOYMENT

- The ANZ-Business NZ Employment diffusion index was 55.6 for the month of October, an increase of 2.9 points from September.
- Six of the eight manufacturing industry sectors reported strength in employment levels for September, with the food, beverage & tobacco sector having the highest value (63.5).
- The Otago/Southland region again had the highest employment value (64.3), up from September (60.0); next highest was the Central region (57.1).
- Large firms (those with 101+ workers) again experienced a decline in employment levels (48.8), but not to the same extent as September (43.0).

NEW ORDERS

- The ANZ-Business NZ New Orders diffusion index rose 1.4 points in October to 65.5, and continues to be the highest overall component index for the month.
- Seven of the eight manufacturing industry sectors showed expansion, while the wood & paper product manufacturing sector recorded no change.
- New orders were again strong in all regions, and particularly so in the Canterbury/Westland region (72.1) and the Central region (69.8).
- All firms by size reported an expansion in new orders, however micro firms went from the largest increase in September (65.4), to the smallest increase in October (55.3).

FINISHED STOCKS

- The ANZ-Business NZ Finished Stocks diffusion index was 54.8 for October, down 1.2 points from September, and the lowest overall component index for the current month.
- Five of the eight sectors reported expansion in stock levels, while two other sectors experienced no change. Again, the food, beverage & tobacco sector was the only one to show decline (46.0).
- By region, the highest stocks index value was reported for the Canterbury/Westland region (75.0), which was a sizeable increase from September (60.3). The Central region showed decline at 45.8, down 12.3 points from September.
- Micro-sized firms had no change in stock levels; all other firm sizes recorded expansion.

DELIVERIES

- The ANZ-Business NZ Deliveries of Raw Materials diffusion index remained almost at the same level as September, decreasing 0.1 point to 60.8 in October.
- Six of the eight industry sectors showed expansion in deliveries, with the wood & paper product manufacturing sector recording the lowest value (37.5).
- Deliveries of raw materials were particularly strong in the South Island, with the Canterbury/Westland region having the highest value (72.7), followed by the Otago/Southland region (60.7). Both North Island regions also showed expansion.
- All firms by size showed expansion during the month.

National Indexes	Aug 2002	Sept 2002	Oct 2002
ANZ-Business NZ PMI	58.2	60.5	61.5
- Production	59.6	63.8	64.6
- Employment	53.7	52.7	55.6
- New orders	61.2	64.1	65.5
- Finished stocks	53.3	56.0	54.8
- Deliveries	59.1	60.9	60.8

Regional Indexes*	Aug 2002	Sept 2002	Oct 2002
ANZ-Business NZ PMI	58.2	60.5	61.5
- Northern	57.7	58.1	59.6
- Central	56.6	60.3	62.3
- Canterbury / Westland	62.0	63.6	65.3
- Otago/Southland	58.9	67.0	62.5

*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 PMI (November results): 20 December

WHAT IS THE PMI?

The ANZ-Business NZ Performance of Manufacturing Index (PMI) is a seasonally adjusted 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.



CONTACT

Stephen Summers
Analyst, Business NZ
summers@businessnz.org.nz

Disclaimer - The opinions, advice and information contained in this publication are provided by way of information only and no person should rely on the contents of this publication without first obtaining advice from a qualified professional. The publisher and its officers and agents expressly disclaim all and any liability and responsibility to any person in respect of any act, matter or thing done or omitted to be done by any person in reliance upon any of the contents of this publication.