

MANUFACTURING CONDITIONS EASE

FOR THE MONTH OF DECEMBER 2002

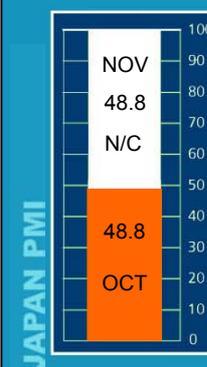
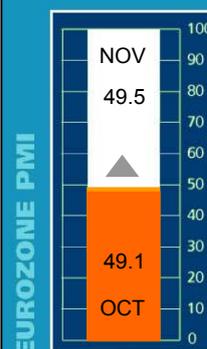
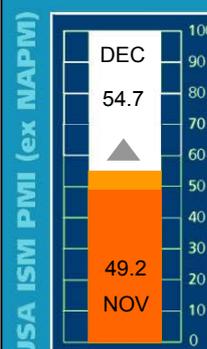
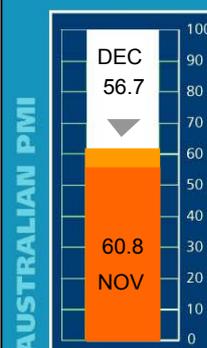
The ANZ-Business NZ Performance of Manufacturing Index (ANZ-Business NZ PMI) is a monthly survey of the manufacturing sector providing an early indicator of activity levels. The ANZ-Business NZ PMI contains data obtained through Business NZ's regional organisations: Employers' & Manufacturers' Association (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 for the month of December was 56.4. This was down 8.6 points from November and shows an easing of manufacturing conditions for the first time since the survey began in August 2002. It is important to note however that the December value still indicates expansion, although weaker than in previous months.
- Four of the five component indexes showed expansion in December, with new orders and production especially strong (61.7 and 58.1 respectively). The finished stocks index was largely unchanged (49.0).
- Seven of the eight manufacturing industry sectors showed expansion for the month of December, with only one sector (petroleum, coal, chemical & associated products) recording a decline (45.4).
- The Otago/Southland region recorded higher expansion than the previous month (71.5), while the two North Island regions experienced a lower level of expansion than in November. The Canterbury/Westland region remained unchanged (58.8).
- Firms of micro size (1-10 workers) experienced a decline in activity (45.0). All other firms by size recorded expansion, led by medium-large sized firms (51-100 workers), which recorded strong expansion (62.0).
- The beginning of the holiday break during December meant production levels were traditionally lower for many firms than in previous months. Some companies commented on the rising New Zealand dollar's negative impact on exports, particularly in Australian and Asian markets, however, other companies were taking the opportunity to import cheaper raw materials. There were hints that recent increases in compliance costs were affecting firms, while some expressed the need to lift wage rates due to an inability to attract suitable applicants.

PRODUCTION

- The ANZ-Business NZ Production diffusion index fell 11.7 points from November to reach 58.1 for the month of December. This was the largest fall of any of the component indexes, although the December result still indicates expansion.
- Seven of the eight industry sectors showed expansion in production, with the petrol, coal, chemical & associated product sector being the only sector to experience a decline (40.9).
- The Otago/Southland region had the highest production index value (80.0), while the Central region showed virtually no change (49.3).
- Firms of medium-large size had the highest value for production levels (64.9), while only micro firms showed a decline (45.2).



EMPLOYMENT

- The ANZ-Business NZ Employment diffusion index was 50.8 for the month of December, down 7.0 points from November.
- The food, beverage & tobacco sector had the highest expansion in employment levels (60.9); by contrast the wood & paper product sector displayed a relatively large decline in employment (37.0).
- Only two regions showed expansion in employment, with Otago/Southland recording the strongest expansion (63.3). The Northern region indicated no change (50.0), while the Canterbury/Westland region declined (43.3).
- Micro and small-medium sized firms (11-50 workers) indicated some decline in employment levels, while medium and large sized firms displayed slight expansion.

NEW ORDERS

- The ANZ-Business NZ New Orders diffusion index fell 7.7 points in December to 61.7. Despite the drop, the value still indicated healthy expansion, and was the strongest component index for December.
- The new orders index was the only one to show expansion across all manufacturing industries, with over half having values of 60 or more.
- All regions indicated expansion in new orders, with the Otago/Southland region having the highest value (66.7).
- Micro-sized firms showed some decline in new orders (47.6), while all other firms indicated expansion.

FINISHED STOCKS

- The ANZ-Business NZ Finished Stocks diffusion index value for December was down 7.0 points from the previous month to be at 49.0, indicating mostly unchanged conditions for the current month. This was again the lowest overall component index for the month, but a low value for finished stocks is an indication of high inventory turnover due to strong sales.
- Four of the eight manufacturing sectors recorded expansion during December, while the petrol, coal, chemical & associated product sector showed a large decline (36.4).
- The Northern region indicated a sizable decline in finished stocks (37.8), while all other region displayed expansion.
- Micro-sized firms had a large swing in finished stocks, falling 23.2 points from November to show a substantial decline for the December month (38.1). Large sized firms (those with 101+ workers) also showed decline (38.8), while other firms by size showed expansion.

DELIVERIES

- The ANZ-Business NZ Deliveries of Raw Materials diffusion index decreased 8.0 points to 55.6 in December.
- Six of the eight industry sectors indicated expansion in deliveries, with the petrol, coal, chemical & associated product sector having the lowest value (43.8). The 'other' manufacturing sector again recorded no change (i.e. exactly 50.0).
- Deliveries of raw materials continued strongly in the Otago/Southland region (76.7), while all other regions also indicated expansion.
- Firms of medium-large size had the highest value for deliveries (62.2), with only micro sized firms showing decline (40.5).

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 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	Sept 2002	Oct 2002	Nov 2002	Dec 2002
ANZ-Business NZ PMI	60.5	61.5	65.0	56.4
- Production	63.8	64.6	69.8	58.1
- Employment	52.7	55.6	57.8	50.8
- New orders	64.1	65.5	69.4	61.7
- Finished stocks	56.0	54.8	56.0	49.0
- Deliveries	60.9	60.8	63.6	55.6

Regional Indexes*	Sept 2002	Oct 2002	Nov 2002	Dec 2002
ANZ-Business NZ PMI	60.5	61.5	65.0	56.4
- Northern	58.1	59.6	65.4	54.2
- Central	60.3	62.3	67.1	54.7
- Canterbury / Westland	63.6	65.3	58.8	58.8
- Otago/Southland	67.0	62.5	65.2	71.5

*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 (January results): 28 February 2003