

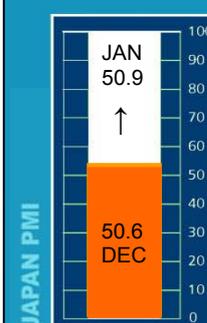
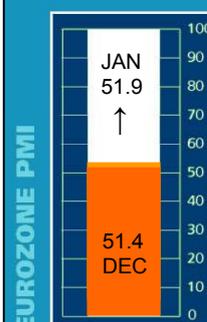
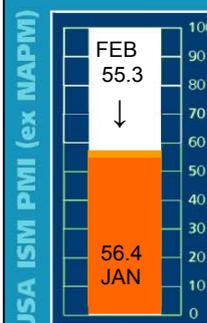
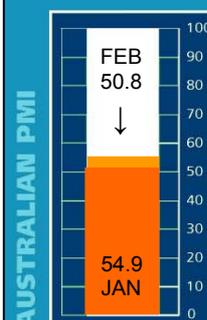
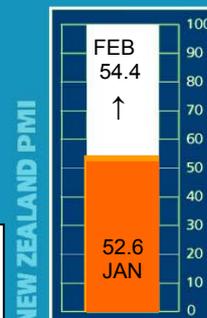
LIFT IN MANUFACTURING ACTIVITY

FOR THE MONTH OF FEBRUARY 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 54.4 for the month of February, a higher rate of expansion than in January. A lift in activity after the holiday season is usual. The February 2005 PMI value fell mid-way between the results for February 2003 and February 2004.
- Of the sub-indexes, *new orders* (56.9) again recorded the strongest value, closely followed by *production* (56.5). *Deliveries* (54.7) showed increased activity from January, while *employment* (50.6) was close to no change. *Finished stocks* (48.6) was the only sub-index to record a slight decline.
- Manufacturing activity was again expansionary in most industries, led by *food, beverage & tobacco* (57.1) and *machinery & equipment* (56.3). *Metal products* (50.7) recorded little change and *wood & paper* (49.1) had a slight decline.
- The Canterbury/Westland recovered from a slight decline in January to record the highest level of expansion in February (63.1). Northern scored 53.8, while both the Central and Otago/Southland regions showed slight expansion (51.0).
- Expansion again tended to be strongest for the largest and smallest firms during February. Micro firms (1-10 workers) recorded 57.8, followed by large firms (101+ workers) on 56.3. Small-medium firms (11-50 workers) recorded an increase in expansion compared with January (54.1), while medium-large firms (51-100 workers) registered little change (50.7).
- Many firms experienced a lift in activity after the Christmas period, although the continuing increase in the value of the New Zealand dollar (especially against the U.S. dollar) meant export returns are continuing to drop. As the labour market remains tight, some firms commented that they decided to invest in capital equipment to ease production constraints.



PRODUCTION

- The ANZ-Business NZ *production* diffusion index stood at 56.5, very close to the February results for 2003 and 2004.
- The *food, beverage & tobacco* (60.0) sector showed strong expansion, while the *wood & paper product* (47.8) sector recorded a decline.
- Manufacturers in the Canterbury/Westland region (67.1) showed very healthy levels of expansion, followed by the Northern region (56.6). The Otago/Southland region (54.2) was also in positive territory, while the Central region (50.0) displayed no change.

EMPLOYMENT

- The ANZ-Business NZ *employment* diffusion index (50.6) continued its steady fall in expansion from November to record a value close to no change for February. This result was higher than February 2004, but lower than February 2003.
- The *machinery & equipment* sector (55.1) again had the strongest expansion in employment during February, while most other sectors experienced little change.
- Employment results were fairly similar across most regions, with the highest value recorded in the Northern region (51.9). However, Otago/Southland recorded a stronger decline from January (43.8).

NEW ORDERS

- The ANZ-Business NZ *new orders* diffusion index (56.9) continued as the highest valued of the sub-indexes, but was lower than in February 2004.
- New orders were generally strong across most manufacturing sectors, with the *machinery & equipment* (62.2) and *petroleum, coal, chemical & associated product* (62.0) sectors recording high activity levels.
- The Canterbury/Westland region (69.5) had a very strong level of expansion in new orders during February. Other regions recorded more moderate levels of expansion.

FINISHED STOCKS

- The ANZ-Business NZ *finished stocks* (48.6) diffusion index recorded the only decline amongst the main sub-indexes during February. Results for 2003 and 2004 both indicated slight expansion.
- The *machinery & equipment* (55.1) and *food, beverage & tobacco* (55.0) sectors recorded almost identical levels of expansion during February. Most other sectors recorded a decline during the month.
- The Canterbury/Westland region (57.3) was the only region indicating expansion in finished stocks during February. The Otago/Southland region (37.5) displayed the strongest decline in activity.

DELIVERIES

- The ANZ-Business NZ *deliveries of raw materials* diffusion index stood at 54.7 for February 2005, falling mid-way between the results for February 2003 and 2004.
- The *food, beverage & tobacco* sector (61.7) again recorded the highest level of expansion for February, while some other sectors showed a decline.
- Deliveries of raw materials were expansionary for all regions, led by the Canterbury/Westland region (63.4).

National Indexes	Feb 2003	Feb 2004	Jan 2005	Feb 2005
ANZ-Business NZ PMI	53.0	55.2	52.6	54.4
- Production	55.1	56.8	49.8	56.5
- Employment	53.8	47.7	52.4	50.6
- New orders	51.3	59.1	56.2	56.9
- Finished stocks	54.0	52.7	51.5	48.6
- Deliveries	51.3	56.6	50.9	54.7

Regional Indexes*	Feb 2003	Feb 2004	Jan 2005	Feb 2005
ANZ-Business NZ PMI	53.0	55.2	52.6	54.4
- Northern	51.2	54.1	53.8	53.8
- Central	54.2	58.1	51.2	51.0
- Canterbury / Westland	50.5	57.1	49.4	63.1
- Otago/Southland	60.4	47.1	54.9	51.0

*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 (March results): 15 April 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.



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