

MANUFACTURING GROWTH SLOWS

FOR THE MONTH OF JANUARY 2003

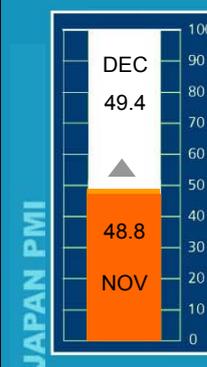
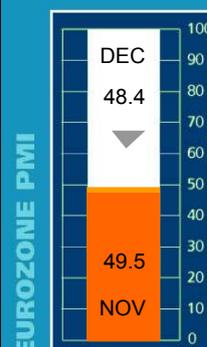
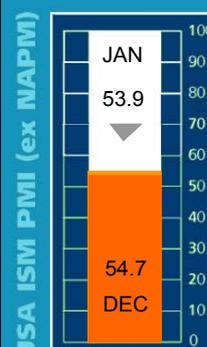
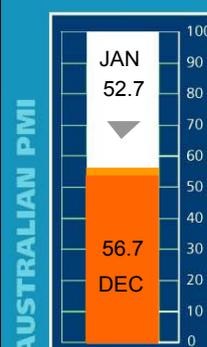
The ANZ-Business NZ Performance of Manufacturing Index (ANZ-Business NZ PMI) is a monthly survey of the manufacturing sector providing an early indicator of activity levels. The ANZ-Business NZ PMI contains data obtained through Business NZ's regional organisations: Employers' & Manufacturers' Association (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 for the month of January was 51.6. This was down 4.8 points from December and is the second consecutive month-to-month drop since the survey began. The January figure still shows expansion, although only at a moderate level.
- Four of the five component indexes showed expansion in January, with deliveries of raw materials recording the highest value (54.7). The employment index was flat (49.3).
- Six of the eight manufacturing industry sectors recorded expansion for January, with the food, beverage and tobacco sector indicating the strongest expansion (57.3).
- Although the Otago/Southland region dropped 11.6 points to be at 59.9 for January, it still recorded the highest regional level of expansion during the month. The Central region also showed expansion at 58.8, while the Northern and Canterbury/Westland regions recorded declines at 45.1 and 48.5 respectively.
- Like December, firms of micro size (those with 1-10 workers) experienced a decline in overall activity (41.3). All other firms by size recorded expansion, with medium-large sized firms (those with 51-100 workers) again recording the strongest expansion (54.6).
- Many firms commented on the typical falloff in activity after the Christmas period, with orders becoming smaller and fewer. Some firms stated that the volume of business in January 2003 was slower than during the same month over the last couple of years. There was a noticeable increase in the number of comments made in relation to the adverse effects of a rapidly appreciating New Zealand dollar, especially against the Australian dollar, given its position as New Zealand's largest export market.

PRODUCTION

- The ANZ-Business NZ Production diffusion index was 53.0 for the month of January, down 5.1 points from December.
- Five of the eight industry sectors showed expansion in production, with the 'other' manufacturing sector recording the strongest expansion during January (60.7). In contrast, the machinery and equipment sector recorded the lowest value (43.3).
- The Otago/Southland region continued to have the highest production index value (77.3), while the Northern and Canterbury/Westland regions both recorded declines in production (44.0 and 48.4 respectively).
- While firms of medium-large size indicated the highest expansion in production (60.0), micro firms experienced a very strong decline (38.5).



EMPLOYMENT

- The ANZ-Business NZ Employment diffusion index fell 1.5 points from December, to be at 49.3 for January. This was the lowest diffusion index value for the month, and the first time the employment diffusion index has dropped below the no change value (i.e. 50.0).
- Only the petroleum, coal, chemical & associated product sector and the metal product manufacturing sector recorded expansion for January (58.9 and 52.0 respectively). Of the remaining six sectors, four recorded decline and two showed no change.
- Two regions showed expansion in employment for January, with Otago/Southland recording the strongest expansion (56.8). The Northern and Canterbury/Westland regions both indicated decline.
- Micro and small-medium sized firms (those with 11-50 workers) indicated a decline in employment levels, while medium-large sized firms (those with 51-100 workers) and large sized firms (those with 101+ workers) displayed some expansion.

NEW ORDERS

- The ANZ-Business NZ New Orders diffusion index fell 11.0 points from December, to stand at 50.7 for the month of January. This was the largest point drop from December of any of the diffusion indexes.
- The new orders index showed expansion across four manufacturing industries, with the food, beverage and tobacco sector recording the strongest expansion (66.1).
- Only the Central region indicated expansion in new orders (61.5), while all other regions showed decline, even Otago/Southland, down 19.0 points for the month, which was otherwise relatively strong.
- Firms of small-medium size continued to show increased new orders for the month of January (56.3), while all other firms by size showed decline with micro firms having the lowest value (40.4).

FINISHED STOCKS

- The ANZ-Business NZ Finished Stocks diffusion index was higher in January in contrast to all other diffusion indexes, increasing 2.2 points on December to stand at 51.2. However, this is consistent with falls in the other indexes, as a general slowdown in economic activity would result in firms having more finished stocks on hand.
- Four of the eight manufacturing sectors recorded expansion during January, while the metal product sector showed no change (50.0).
- Both the Northern and Otago/Southland regions showed little or no change in stocks for January, while the other regions recorded only slight expansion.
- While small-medium sized firms recorded no change in finished stocks (50.0), firms above this size recorded expansion.

DELIVERIES

- The ANZ-Business NZ Deliveries of Raw Materials diffusion index decreased 0.9 points to be at 54.7 in January.
- Six of the eight industry sectors indicated expansion in deliveries, with the food, beverage and tobacco sector having the highest value (61.3). In contrast, the wood & paper product sector had the lowest value (39.5).
- Deliveries of raw materials were strong in the Central and Otago/Southland regions (66.9 and 65.9 respectively), while the Northern region recorded a decline (44.0).
- Only micro firms recorded a decline in deliveries for January (44.2), while firms from medium-large size upwards recorded strong expansion.

National Indexes	Oct 2002	Nov 2002	Dec 2002	Jan 2003
ANZ-Business NZ PMI	61.5	65.0	56.4	51.6
- Production	64.6	69.8	58.1	53.0
- Employment	55.6	57.8	50.8	49.3
- New orders	65.5	69.4	61.7	50.7
- Finished stocks	54.8	56.0	49.0	51.2
- Deliveries	60.8	63.6	55.6	54.7

Regional Indexes*	Oct 2002	Nov 2002	Dec 2002	Jan 2003
ANZ-Business NZ PMI	61.5	65.0	56.4	51.6
- Northern	59.6	65.4	54.2	45.1
- Central	62.3	67.1	54.7	58.8
- Canterbury / Westland	65.3	58.8	58.8	48.5
- Otago/Southland	62.5	65.2	71.5	59.9

*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 (February results): 28 March 2003

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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