

FURTHER FALL IN MANUFACTURING ACTIVITY

FOR THE MONTH OF JANUARY 2004

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.

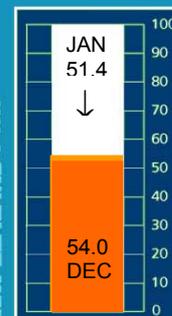
KEY FINDINGS

- The ANZ-Business NZ Performance of Manufacturing Index stood at 51.4 for the month of January. This was 2.6 points below the level prevailing in December, and the third consecutive month the PMI has fallen. However, it is consistent with the pattern recorded last year and with the level prevailing in January 2003.
- New orders and deliveries of raw materials again recorded the strongest values for January (54.1 and 52.3 respectively), while production fell a further 2.6 points from December to stand at 51.4. Employment continued to record a decline during January (47.3), which was also the lowest value for employment over the 18-month history of the survey. Finished stocks increased 2 points from December to stand at 50.2, indicating little change.
- Activity by sector was mixed during January. The metal product sector recorded the most significant level of expansion (57.7), while both the petroleum, coal, chemical & associated product sector and the machinery & equipment sector recorded the same level of moderate decline (47.0).
- Two out of the four regions recorded expansion during January. The Canterbury/Westland region (54.9) has recorded the highest level of expansion for five out of the last six months, while the Central region went from slight decline in December to slight expansion in January (51.0). The Northern region recorded no change (50.0), while the Otago/Southland region recorded a slight decline for the first time since April 2003.
- Firms of micro size (1-10 workers) were the only group by size to record a modest decline (48.3). Firms of small-medium size (11-50 workers) largely recorded no change (50.8), while medium-large firms (51-100 workers) experienced slightly stronger activity levels (52.9). Lastly, large firms (101+ workers) recorded the highest level of expansion for the month (55.0).
- The increasing value of the New Zealand dollar, especially against the U.S, was a key feature of comments by manufacturers during January. In addition, with labour shortages persisting (despite a slight increase in the official unemployment rate), some firms have found that the shortage has inhibited their ability to respond to new orders.

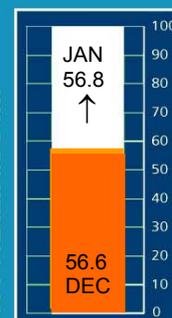
PRODUCTION

- The ANZ-Business NZ production diffusion index fell 2.6 points from December and 1.6 points from January 2003 to stand at 51.4 for January 2004.
- The wood & paper product sector recorded the highest level of expansion in production during January (59.1), followed by the food, beverage & tobacco sector (55.7).
- Canterbury/Westland had the highest level of expansion (57.3), followed by the Central region (50.7). Both the Northern and Otago/Southland regions recorded a decline (48.5 and 48.1 respectively).

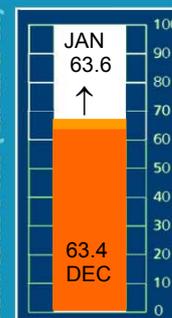
NEW ZEALAND PMI



AUSTRALIAN PMI



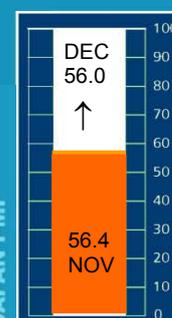
USA ISM PMI (ex NAPM)



EUROZONE PMI



JAPAN PMI



EMPLOYMENT

- The ANZ-Business NZ *employment* diffusion index (47.3) fell 1.9 points from December and 2 points from January 2003 to record its lowest value over the 18-month history of the survey.
- Employment activity levels were generally in decline across sectors. While the *machinery & equipment* sector recorded moderate expansion (53.6), the *wood & paper product* sector and *petroleum, coal, chemical & associated product* sectors jointly recorded the largest decline (40.9).
- All regions recorded a decline in employment during January. The Northern and Canterbury/Westland regions both displayed moderate levels of decline (49.3 and 49.1 respectively), while the Central and Otago/Southland regions both recorded their lowest values for employment since the survey began (46.5 and 40.4 respectively).

NEW ORDERS

- The ANZ-Business NZ *new orders* diffusion index (54.1) has edged consecutively lower in November, December and January, but was still strong enough to continue to record the highest value of the five diffusion indices for January. The January value was 3.2 points lower than December, but 3.4 points higher than in January 2003.
- The *metal product* and *wood & paper product* sectors recorded a high level of expansion (both at 65.9), while the *petroleum, coal, chemical & associated product* sector recorded no change (50.0). The *machinery & equipment* sector again experienced a strong decline (41.7).
- Both the Canterbury/Westland and Central regions recorded moderate levels of expansion (56.4 and 55.6 respectively). The Northern region (52.2) recorded lower levels of expansion than in the lead-up to Christmas, while the Otago/Southland region recorded no change (50.0).

FINISHED STOCKS

- The ANZ-Business NZ *finished stocks* diffusion index rose 2 points from December but was down 1 point from January 2003 to stand at 50.2 for January 2004. This was the lowest component index value for the month; but is consistent with a seasonal run-down of finished goods in the lead-up and aftermath of Christmas.
- Results by sector were generally mixed for January, with the number of sectors recording expansion matched by those recording a decline. The *metal product* sector recorded the highest value (55.7).
- The Otago/Southland region experienced the highest level of expansion in finished stocks (57.7), while the Canterbury/Westland region recorded a slight increase (50.9). Both regions in the North Island recorded a decline.

DELIVERIES

- The ANZ-Business NZ *deliveries of raw materials* diffusion index fell 5 points from December and 2.4 points from January 2003 to stand at 52.3 for January 2004.
- The *petroleum, coal, chemical & associated product* sector and *metal product* sector both recorded moderate levels of expansion in deliveries during January (56.1 and 56.8 respectively). In contrast, the *wood & paper product* and *machinery & equipment* sectors recorded declines (40.9 and 44.0 respectively).
- Deliveries of raw materials were again stronger in the South Island, particularly Canterbury/Westland (58.2). The North Island regions recorded no significant change.

National Indexes	Jan 2003	Nov 2003	Dec 2003	Jan 2004
ANZ-Business NZ PMI	51.6	64.4	54.0	51.4
- Production	53.0	66.9	54.0	51.4
- Employment	49.3	61.2	49.2	47.3
- New orders	50.7	69.1	57.3	54.1
- Finished stocks	51.2	51.1	48.2	50.2
- Deliveries	54.7	63.9	57.3	52.3

Regional Indexes*	Jan 2003	Nov 2003	Dec 2003	Jan 2004
ANZ-Business NZ PMI	51.6	64.4	54.0	51.4
- Northern	45.1	61.3	51.1	50.0
- Central	58.8	63.2	48.7	51.0
- Canterbury / Westland	48.5	69.1	65.3	54.9
- Otago/Southland	59.9	73.4	54.5	48.7

*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 (February results): 26 March 2004

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 and Otago Southland Employers' Association, and to playing our part in the ongoing development of New Zealand manufacturing.



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