

MANUFACTURING EXPANSION SLOWS

FOR THE MONTH OF MAY 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.

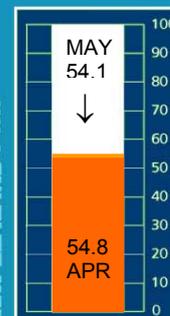
KEY FINDINGS

- The ANZ-Business NZ Performance of Manufacturing Index stood at 54.1 for the month of May. This was down just 0.7 points from April, but was 4.8 points lower than in March. In comparison with May 2003 (49.6), the 2004 value showed stronger activity.
- New orders (58.2) remained the strongest value in May. For the last seven months the new orders sub-index has recorded the highest value of all sub-indexes. The production index increased 0.9 points from April to stand at 55.6, while the deliveries of raw materials index was down to 52.2 for May. Finished stocks declined slightly in May, again recording 48.4, while employment was unchanged (50.4).
- Activity by sector was mixed, but most recorded a moderate level of expansion. The food, beverage & tobacco sector reached the lowest point (49.8) since the survey began in August 2002. The strongest result was again for wood & paper products (58.9), while the machinery and equipment sector was the next highest with 55.9.
- All four regions recorded expansion during April. Canterbury/Westland (57.3) continues to lead the other regions, again recording the highest level for May. The Northern region (55.7) recorded the next highest level of activity, while the Central (52.0) and Otago/Southland (51.3) regions also experienced a slight expansion. For the Otago/Southland May was the first month of expansion in 2004.
- Large firms (101+ workers) continued to record the highest level of expansion for the month (60.3), followed by small-to-medium firms (11-50 workers), on 55.0, and medium-to-large firms (51-100 workers) on 53.6. Micro firms (1-10 workers) again declined marginally in May (49.4).
- Seasonal issues were noted in the food, beverage & tobacco sector, with a slowing in meat processing the main factor noted. This also had impacts on the petroleum, coal, chemical & associated product sector, a supplier of plastic packing to the meat processing sector.
- Export activity remains mixed, with more firms reporting a pick-up in new orders from Australia, Japan and the US, while others were still finding export orders difficult due to the value of the New Zealand dollar. Competition from imports and higher raw materials prices in the chemicals sector continue to be reported as concerns. Improving export markets contributed to very strong growth in new orders in the wood & paper product sector.

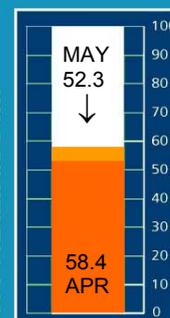
PRODUCTION

- The ANZ-Business NZ production diffusion index stood at 55.6 for May. This was 0.9 points higher than April and 5.8 points higher than in May 2003, but well down on the 2004 peak of 61.2 in March.
- The wood & paper product sector (60.0) recorded the strongest level of expansion in production during May, followed by the machinery & equipment sector (56.9). All other sectors expanded in May.

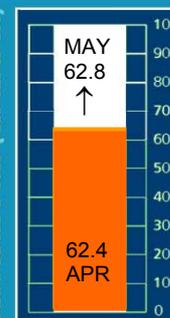
NEW ZEALAND PMI



AUSTRALIAN PMI



USA ISM PMI (ex NAPMI)



EUROZONE PMI



JAPAN PMI



- The Northern region (58.6) recorded the highest level of expansion of the four regions, the first time since February 2003. Canterbury/Westland region (58.2) followed slightly behind, while the Central (52.9) and Otago/Southland (51.9) regions recorded a slight increase in production.

EMPLOYMENT

- The ANZ-Business NZ *employment* diffusion index (50.4) was stable in May, an insignificant movement from 50.2 recorded in April. It was 1.6 points higher than in May 2003.
- Employment activity levels were subdued across sectors. The food, beverage & tobacco sector (43.6) had the highest level of decline, reversing the expansion recorded in April (53.4). The machinery & equipment sector (48.3) again recorded a slight decline, while small increases were recorded in the wood & paper product (52.5) and metal product (52.0) sectors.
- Two of the four regions recorded declines in employment during April. The Northern (53.9) and Canterbury/Westland (51.0) regions recorded weak expansion in employment, while the Central (49.4) and Otago/Southland (44.2) regions recorded declines.

NEW ORDERS

- The ANZ-Business NZ *new orders* diffusion index (58.2) remained the highest value of the five diffusion indexes for May. The May value was 1.4 points lower than April (59.6) but was 7.9 points higher than in May 2003 when an index of 50.3 indicated no growth in orders.
- The wood & paper products (70.0), machinery & equipment (60.3), and metal product (58.2) sectors all recorded a high level of expansion. In contrast, the food, beverage & tobacco sector (53.8) recorded a slight expansion in new orders, and the petroleum, coal, chemical & associated product sector recorded no change (50.0).
- The Canterbury/Westland region (64.3) recorded the highest level of expansion, followed by the Northern region (59.4), Otago/Southland (57.7) and the Central region (54.1).

FINISHED STOCKS

- The ANZ-Business NZ *finished stocks* diffusion index remained at 48.4 for May 2004, indicating a slight reduction in finished stock levels. This is the first time in the 22 months the survey has been running that finished stock levels have fallen in consecutive months.
- Declines were recorded in the petroleum, coal, chemical & associated product (46.6), metal product (46.9) and food, beverage & tobacco (48.7) sectors
- Canterbury/Westland (52.0) recorded a slight expansion in finished stocks. All other regions recorded declines, with the biggest fall in the Otago/Southland region (46.2).

DELIVERIES

- The ANZ-Business NZ *deliveries of raw materials* diffusion index declined 3.6 points from April to stand at 52.2 for May 2004 but was 3.2 points higher than May 2003. The May result was the weakest since August 2003.
- Sector results were mixed. The strongest expansion was in the machinery & equipment sector (56.9), while declines were reported in the food, beverage & tobacco (46.2) and wood & paper products (47.5) sectors
- Deliveries of raw materials were again strongest in the Canterbury/Westland region (54.1). The Central (52.3) and Northern (51.6) regions reported slight expansion while the Otago/Southland (50.0) region recorded no change.

National Indexes	May 2003	March 2004	April 2004	May 2004
ANZ-Business NZ PMI	49.6	58.9	54.8	54.1
- Production	49.8	61.2	54.7	55.6
- Employment	48.8	51.6	50.2	50.4
- New orders	50.3	64.3	59.6	58.2
- Finished stocks	50.3	50.9	48.4	48.4
- Deliveries	49.0	59.6	55.8	52.2

Regional Indexes*	May 2003	March 2004	April 2004	May 2004
ANZ-Business NZ PMI	49.6	58.9	54.8	54.1
- Northern	47.9	58.3	53.7	55.7
- Central	50.1	60.0	54.4	52.0
- Canterbury / Westland	53.4	64.6	59.8	57.3
- Otago/Southland	51.8	49.1	49.6	51.3

*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 (June results): 16 July 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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