

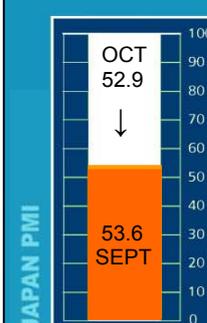
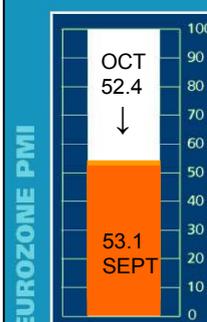
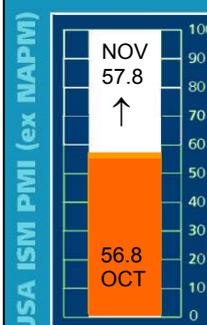
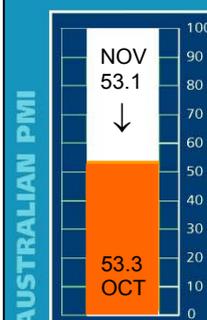
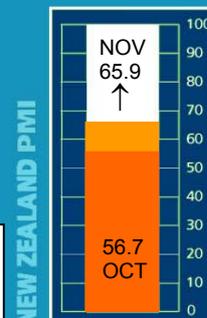
CHRISTMAS BUILD-UP BOOSTS MANUFACTURING

FOR THE MONTH OF NOVEMBER 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 65.9 for the month of November. This strong expansionary level reversed a gradual easing over the previous few months, and is consistent with an upswing in activity typically recorded in November as firms enter the Christmas season. The November 2004 PMI value was the highest recorded since the survey began in August 2002, and eclipses the previous highest figure recorded in November 2002 (65.0).
- New orders* (69.8) and *production* (69.5) were again the strongest sub-indexes in November and achieved the highest values for either sub-index since October 2003. *Deliveries* (66.9) scored above 60, and *finished stocks* (59.3) and *employment* (58.2) also recorded expansion.
- Activity by sector was expansionary for all industries during November. The *petroleum, coal, chemical & associated product* sector (73.7) led the way, with most other sectors gaining values over 60. The lowest value was for the *wood & paper product* sector (59.6), which still represented a healthy level of expansion.
- All four regions continued to record expansion during November, led by the *Northern* (68.0) and *Otago/Southland* (67.9) regions, with the value for the *Northern* region being the highest since the survey began. Expansion in all regions was several points higher than in October, including the *Central* (62.2) and *Canterbury/Westland* (61.0) regions.
- Expansion generally increased by size of the firm for November, with large sized firms (101+ workers) recording significant expansion (74.5). Both medium-large sized (51-100 workers) and small-medium sized (11-50 workers) firms recorded high levels (66.3 and 65.1 respectively), while micro firms (1-10 workers) had higher expansion than in the previous two months (61.7).
- As with November in 2002 and 2003, November 2004 represented a strong seasonal pattern for manufacturing, with increased activity for the Christmas period and in advance of plants shutting down over the New Year period, and increased orders coming through. Manufacturers' comments indicate the high New Zealand dollar is still hampering activity (despite cheaper capital imports), while improved weather conditions have been positive for some manufacturers.



PRODUCTION

- The ANZ-Business NZ *production* diffusion index was 69.5 for November, the highest value for 2004, and the highest since October 2003. The November result follows four months of values around the 59-point index level.
- The *petroleum, coal, chemical & associated product* sector (76.7) recorded most expansion, followed by the *textile, clothing, footwear & leather* (72.9) and *metal product* (71.3) sectors.
- The top of the North Island and the bottom of the South Island recorded strong activity levels (71.5 and 71.1 respectively). The Central and Canterbury/Westland regions had slightly lower expansionary values (66.0 and 64.8 respectively).

EMPLOYMENT

- Although the ANZ-Business NZ *employment* index (58.2) for November was again the lowest of the diffusion indexes, it was the highest value since November 2003 and contrasted with previous months in 2004 that largely showed no change or decline.
- The *petroleum, coal, chemical & associated product* sector (64.7) recorded expansion in November, while the *textile, clothing, footwear & leather* sector (50.0) recorded no change.
- All four regions had a lift in employment activity in November, led by the Otago/Southland region (63.2). The Northern region recorded exactly 60.0, while the Central and Canterbury/Westland regions had more moderate expansion levels.

NEW ORDERS

- The ANZ-Business NZ *new orders* index (69.8) continued to record the highest value of all five diffusion indexes for November. The November 2004 result was also higher than recorded in both November 2002 and 2003 (69.4 and 69.1 respectively).
- New orders were strong across all manufacturing sectors. The *petroleum, coal, chemical & associated product* (77.6) and *textile, clothing, footwear & leather product* (72.9) sectors were particularly strong.
- The Northern and Otago/Southland regions again jostled for the top slot in new orders, recording 71.7 and 71.1 respectively for November. The Canterbury/Westland region (63.6) had the lowest level of new orders, though still in expansionary mode.

FINISHED STOCKS

- The ANZ-Business NZ *finished stocks* (59.3) diffusion index for November was the highest value recorded since the survey has been running. The previous highest was during September 2003 at 57.5. The high value represents the typical build-up of stocks in readiness for the Christmas/New Year period.
- The *non-metallic mineral product* (65.0) and *metal product* (63.2) sectors had the highest levels of expansion for November, while the *wood & paper product* sector (42.6) experienced another decline.
- All four regions recorded expansion in finished stocks, with the Otago/Southland region (63.2) again recording the highest value.

DELIVERIES

- The ANZ-Business NZ *deliveries of raw materials* diffusion index stood at 66.9 for November 2004. Like *finished stocks*, this was the highest value recorded since the survey began.
- The *petroleum, coal, chemical & associated product* sector recorded the highest level of expansion for November (81.9), while most other sectors recorded values in the 60-70 range.
- Deliveries of raw materials were expansionary for all four regions, with the Northern region (69.4) out in front.

| National Indexes | Nov 2002 | Nov 2003 | Oct 2004 | Nov 2004 |
|----------------------------|-------------|-------------|-------------|-------------|
| ANZ-Business NZ PMI | 65.0 | 64.4 | 56.7 | 65.9 |
| - Production | 69.8 | 66.9 | 59.1 | 69.5 |
| - Employment | 57.8 | 61.2 | 51.8 | 58.2 |
| - New orders | 69.4 | 69.1 | 60.1 | 69.8 |
| - Finished stocks | 56.0 | 51.1 | 53.9 | 59.3 |
| - Deliveries | 63.6 | 63.9 | 54.5 | 66.9 |

| Regional Indexes* | Nov 2002 | Nov 2003 | Oct 2004 | Nov 2004 |
|----------------------------|-------------|-------------|-------------|-------------|
| ANZ-Business NZ PMI | 65.0 | 64.4 | 56.7 | 65.9 |
| - Northern | 65.4 | 61.3 | 56.8 | 68.0 |
| - Central | 67.1 | 63.2 | 57.7 | 62.2 |
| - Canterbury / Westland | 58.8 | 69.1 | 56.0 | 61.0 |
| - Otago/Southland | 65.2 | 73.4 | 54.8 | 67.9 |

*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 (CECC): Canterbury, Marlborough, West Coast

Otago/Southland (OSEA): Otago, Southland

Next ANZ-Business NZ PMI (December results): 28 January 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.



CONTACT

Stephen Summers
Analyst Business NZ
ssummers@businessnz.org.nz

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