

## MANUFACTURING CONTINUES EXPANSION

FOR THE MONTH OF SEPTEMBER 2002

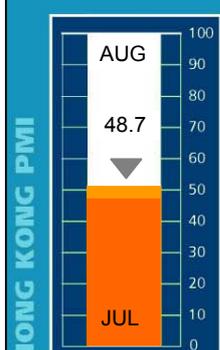
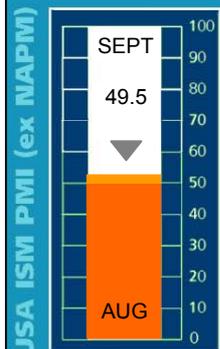
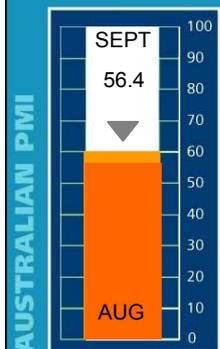
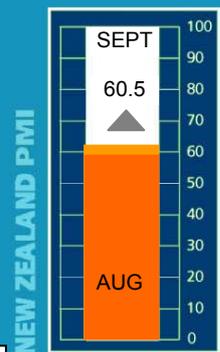
The ANZ-Business NZ Performance of Manufacturing Index (ANZ-Business NZ PMI) is a regular monthly survey that is specifically targeted at the manufacturing sector and provides an early indicator of activity levels. The ANZ-Business NZ PMI contains data obtained through Business New Zealand's five regional organisations; Employers and Manufacturers' Association (Northern), Employers and 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 that manufacturing is generally expanding, while below 50 indicates that it is declining. The distance from 50 indicates the strength of expansion or decline.

### KEY FINDINGS

- The ANZ-Business NZ Performance of Manufacturing Index was 60.5 for the month of September. This was a rise of 2.3 points from August and an indication of continued expansion in the manufacturing sector.
- Reflecting this continued expansion, four of the five component indexes showed higher levels of expansion, with new orders providing the highest value of 64.1. Employment levels had a slightly lower index value from last month, although still indicating expansion.
- All manufacturing industry sectors recorded expansion for the month of September, with half of the sectors having an index value of over 60.
- Regional index values showed that growth was evident across the country, as all four regions recorded higher values than in August. The Otago/Southland region had the strongest value of 67.0.
- Expansion was recorded for all firms by size in September, with the highest overall PMI index figure recorded by small-medium sized firms (those with 11-50 workers) of 61.7.
- Seasonality and preparations for Christmas were a major influence on firms over the last three months. While some firms reported the development of new products and searching for new markets, many were too busy with existing commitments to do so. Domestic demand was mixed, with evidence from firms that weaker dairy commodity prices were beginning to be felt in reduced spending. However, construction activity and solid retail sales growth, driven largely by household income growth associated with employment gains, relatively low interest rates and high immigration, were continuing to underpin domestic demand. Some firms were still concerned about losing competitiveness due to a higher New Zealand dollar, while others were welcoming it as it meant reduced imported input costs.

### PRODUCTION

- The ANZ-Business NZ Production diffusion index was 63.8 for September, up 4.2 points from August.
- Production was up for all industry sectors, with seven sectors having index values above 60. The lowest value was for wood & paper product manufacturing at 53.1.
- The Otago/Southland region had the highest production level figure of 70.0, while all other regions also showed strong expansion.
- Like August, firms of all sizes reported higher production levels, with the highest index value of 66.2 for small-medium sized firms.



## EMPLOYMENT

- The ANZ-Business NZ Employment diffusion index was 52.7 for the month of September, the lowest overall component index for the month. This was down slightly from 53.7 in August. Continued shortages of skilled and unskilled staff remain a major constraint for firms.
- Five manufacturing industry sectors reported strength in employment levels for September, with the machinery & equipment manufacturing sector again having the highest index value for employment (61.4). Three industry groups reported a decline, with the lowest figure of 40.6 belonging to wood & paper product manufacturing.
- Otago/Southland have gone from having the lowest employment index value for employment in August (47.6), to the highest in September (60.0).
- Large firms (those with 101+ workers) experienced a decline in employment levels during September (43.0), while employment for all other firms showed strength.

## NEW ORDERS

- The ANZ-Business NZ New Orders diffusion index rose 2.9 points in September to 64.1, again the highest overall component index for the month.
- All manufacturing industry sectors showed expansion in September, with the textile, clothing, footwear & leather manufacturing sector rebounding from showing decline in August (43.8), to showing expansion in September (58.3).
- New orders were strong in all regions, and especially picked up in the Central region from August. Overall, the South Island continues to show the strongest expansion.
- All firms by size reported an expansion in new orders, with micro firms (those with 1-10 workers) showing the largest expansion (65.4).

## FINISHED STOCKS

- The ANZ-Business NZ Finished Stocks diffusion index was 56.0 for September, up 2.7 points from August.
- Six sectors reported expansion in stock levels, with the largest expansions being in the machinery & equipment sector (63.6). Stocks remained unchanged in the petroleum, coal, chemical & associated product sector, while the only sector to show a decline was the food, beverage & tobacco sector (43.9).
- By region, the largest stocks index value was reported for the Canterbury/Westland region (60.3). All regions reported higher index values in comparison with August.
- Firms that were of medium-large size (those with 51-100 workers) showed no change in stock levels, while all other firm sizes recorded expansion.

## DELIVERIES

- The ANZ-Business NZ Deliveries of Raw Materials diffusion index rose 1.8 points in September to 60.9.
- All but one industry sector showed expansion in deliveries, with the printing, publishing & recorded media sector again reporting the lowest value (44.4).
- All four regions reported an expansion in deliveries, with the Otago/Southland region reporting the strongest gains (75.0), followed by the Canterbury/Westland region (67.6).
- All firms by size showed expansion during the month.

National Indexes	Aug 2002	Sept 2002
ANZ-Business NZ PMI	58.2	60.5
- Production	59.6	63.8
- Employment	53.7	52.7
- New orders	61.2	64.1
- Finished stocks	53.3	56.0
- Deliveries	59.1	60.9

Regional Indexes*	Aug 2002	Sept 2002
ANZ-Business NZ PMI	58.2	60.5
- Northern	57.7	58.1
- Central	56.6	60.3
- Canterbury / Westland	62.0	63.6
- Otago/Southland	58.9	67.0

\*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 (CMA and CECC): Canterbury, Marlborough, West Coast

Otago/Southland (OSEA): Otago, Southland

## 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 and expertise 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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