

MANUFACTURING ACTIVITY PICKS UP STRONGLY

FOR THE MONTH OF SEPTEMBER 2003

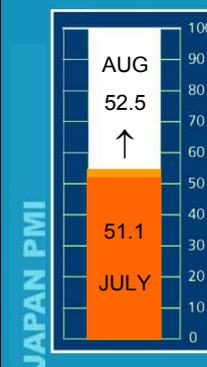
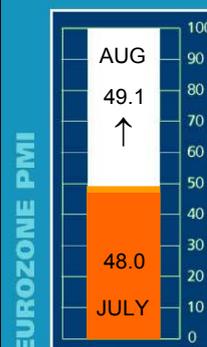
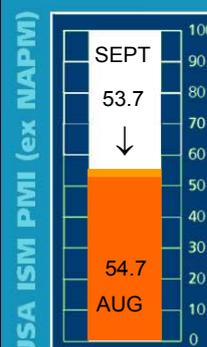
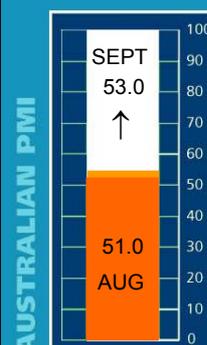
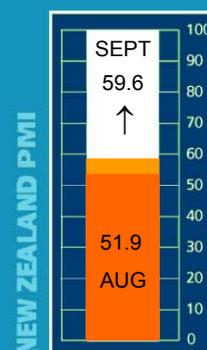
The ANZ-Business NZ Performance of Manufacturing Index (ANZ-Business NZ PMI) is a monthly survey of the manufacturing sector providing an early indicator of activity levels. The ANZ-Business NZ PMI contains data obtained through Business NZ's regional organisations: Employers' & Manufacturers' Association (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 contracting; the distance from 50 indicates the strength of expansion or contraction.

KEY FINDINGS

- The ANZ-Business NZ Performance of Manufacturing Index stood at 59.6 for the month of September. This was 7.7 points higher than August, and the highest PMI value so far for 2003. The sharp improvement in September 2003 returned the index to a level close to that prevailing in September 2002 (60.5).
- All five component indices showed expansion during September. Production led the way with the strongest value for the month (63.0), while a strong value for *new orders* in August was backed up with a higher value in September (61.8). *Finished stocks, deliveries of raw materials* and *employment* all showed higher expansion for September (57.5, 58.7 and 53.5 respectively) than in August.
- For the first time since November 2002 all sectors recorded expansion.
- All four regions recorded expansion during September, again led by the Canterbury/Westland region (65.2). The Central region went from slight contraction in August, to record its highest level of expansion since January (57.0). The Northern region recorded a value of 62.1 for September, while the Otago/Southland region continued to record moderate expansion (52.1).
- For the first time since November 2002 all firms by size group recorded expansion. Firms of medium-large size (51-100 workers) recorded the strongest level of expansion, with a value of 61.5, closely followed by small-medium firms (11-50 workers) at 60.9.
- The upcoming Christmas season had started to play a significant role in the manufacturing sector by September, with firms citing a build up of stocks in preparation for increased seasonal demand. Some sectors continued to struggle in the face of a strong New Zealand dollar, however a number of respondents reported that their current international customer base was not eroding any further, and increased demand from domestic customers was sustaining current activity levels.

PRODUCTION

- The ANZ-Business NZ *production* diffusion index recorded its highest value for 2003 (63.0), returning it to a level just 0.8 points short of that prevailing in September 2002.
- Most sectors recorded expansion in production during September, with the *petroleum, coal, chemical & associated products* sector showing particularly strong expansion (67.1).
- The Canterbury/Westland region showed very strong production levels during September (72.0), followed by the Northern region (65.7). The Central region stood at 58.8, while the Otago/Southland region remained at the same level as August (53.6).



EMPLOYMENT

- The ANZ-Business NZ *employment* diffusion index increased 2.7 points from August and 0.8 points from September 2002 to stand at 53.5 for September 2003.
- Metal products* and *machinery & equipment* were the only two sectors to record a decline in employment for September (both at 48.5). The *petroleum, coal, chemical and associated product* sector recorded the highest value for the month (62.9).
- The Canterbury/Westland region recorded its highest level of employment growth since the survey began in August 2002 (58.0), while its southern neighbour Otago/Southland, recorded the same value of decline as last month (46.4). Both the Northern and Central regions recorded similar levels of moderate expansion (53.7 and 53.1 respectively).

NEW ORDERS

- New orders* continued to show strong expansion recording a value of 61.8 in September, its highest value since November 2002. However, the value for the September remained 2.3 points lower than twelve months earlier in September 2002.
- Most sectors recorded strong expansion in new orders during September. The *metal product* sector recovered from a slight decline in August to record expansion for (64.7). The *machinery & equipment* sector dropped slightly from August, but continued to record expansion for September (52.9).
- The highest regional value was recorded in Canterbury/Westland (66.0), closely followed by the Northern (65.7) and Central (60.0) regions. The Otago/Southland region recorded no change for September (50.0).

FINISHED STOCKS

- The ANZ-Business NZ *finished stocks* diffusion index increased 5.9 points from August and 1.5 points from September 2002 to record the highest level of finished stocks since the survey began. One possible reason for this is that firms are starting to build up stocks in preparation for the Christmas season.
- Most sectors recorded expansion in finished stocks during September, while the *metal product* sector went from a slight decline in August to record no change for September (50.0).
- All four regions recorded expansion in finished stocks. The Northern region recorded its highest ever level for finished stocks (60.2), while the Central region went from no change in August to expansion in September 2003 (57.5). The Canterbury/Westland region and the Otago/Southland region recorded values of 56.0 and 53.6 respectively.

DELIVERIES

- The ANZ-Business NZ *deliveries of raw materials* diffusion index bounced back from two consecutive monthly falls, increasing 8.4 points from August to stand at 58.7 for September. Despite a sharp recovery the index remained 2.2 points lower than the value recorded for the same month in 2002.
- Apart from a slight contraction in deliveries for the *machinery & equipment* sector (48.5), all other sectors recorded moderate to strong expansion for the September month.
- All four regions recorded expansion in deliveries during September, led by the Canterbury/Westland region (68.0).

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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National Indexes	Sep 2002	July 2003	Aug 2003	Sep 2003
ANZ-Business NZ PMI	60.5	51.6	51.9	59.6
- Production	63.8	49.2	48.9	63.0
- Employment	52.7	51.5	50.8	53.5
- New orders	64.1	52.3	56.1	61.8
- Finished stocks	56.0	54.9	51.6	57.5
- Deliveries	60.9	52.1	50.3	58.7

Regional Indexes*	Sep 2002	July 2003	Aug 2003	Sep 2003
ANZ-Business NZ PMI	60.5	51.6	51.9	59.6
- Northern	58.1	51.5	52.2	62.1
- Central	60.3	51.5	48.6	57.0
- Canterbury / Westland	63.6	49.5	60.2	65.2
- Otago/Southland	67.0	55.0	53.4	52.1

*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 ANZ-Business NZ PMI (October results): 28 November 2003