

MANUFACTURING ACTIVITY REMAINS STEADY

FOR THE MONTH OF JULY 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.

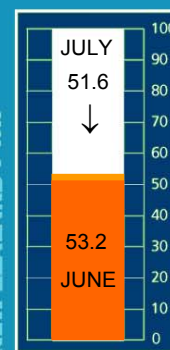
KEY FINDINGS

- The ANZ-Business NZ Performance of Manufacturing Index stood at 51.6 for the month of July. This was down 1.6 points from June, and returns the index to the level recorded in the first month of 2003. Overall, the PMI remains close to the no change mark, with a difference of only 3.9 points from the highest and lowest values recorded during 2003 to July.
- Four out of the five component indices recorded expansion during July. Stocks of finished products recorded the strongest increase (54.9), followed by New Orders (52.3), Deliveries (52.1) and Employment (51.5). Production continued to show slight contraction for the third time in four months (49.2).
- The petroleum, coal, chemical & associated product sector and the machinery & equipment sector both recorded the strongest level of expansion (55.9), followed by the metal product sector (54.3). The food, beverages & tobacco sector recorded modest expansion, while other sectors recorded contractions.
- Three out of the four regions recorded expansion during July. The Otago/Southland region continued to show improvement from earlier months by recording the highest regional value for the second consecutive month (55.0). Both regions in the North Island recorded the same level of expansion (51.5), while the Canterbury/Westland region fell 6.9 points from June to record a slight contraction (49.5) for only the second time since the survey began.
- Large firms (101+ workers) recorded the highest level of expansion (55.2), while firms of medium-large size (51-100 workers) were the only group to record a contraction in activity (45.7).
- Manufacturers generally viewed activity as benign over the last three months, as many felt they were currently in a mid-year flat period. The relatively warm winter meant some manufacturers haven't been able to maximise returns on goods sold, while at a broader level the strength of the New Zealand dollar remains a concern for those exporting. On a positive note, there had been a noticeable pick-up in demand from Australia, while continued growth in the building industry has continued to assist activity levels for some sectors.

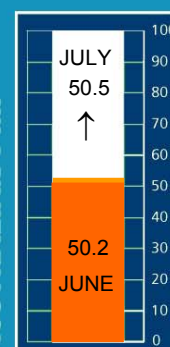
PRODUCTION

- The ANZ-Business NZ Production diffusion index was 49.2 for July, a fall of 2.2 points from June, and the second consecutive time it was the lowest of the individual indices.
- The metal product manufacturing sector again recorded the highest level of expansion (56.8), followed by the petrol, coal, chemical & associated product sector (54.7) and the machinery & equipment sector (53.7). All other sectors recorded a contraction.
- Although the production index for the Canterbury/Westland region fell 9.2 points to record only slight expansion in July (51.9), it still had the highest value of all four regions for the fifth consecutive month. The Central region recorded no change (50.0), while the Northern and Otago-Southland regions recorded contractions (48.7 and 44.7 respectively).

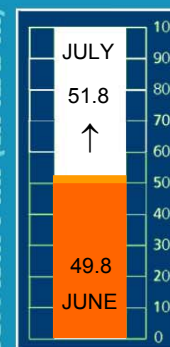
NEW ZEALAND PMI



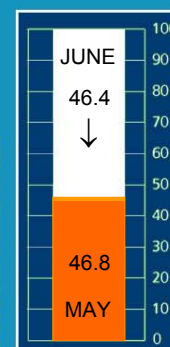
AUSTRALIAN PMI



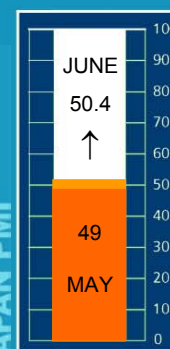
USA ISM PMI (ex NAPM)



EUROZONE PMI



JAPAN PMI



EMPLOYMENT

- The ANZ-Business NZ Employment diffusion index fell 1.1 points from June to stand at 51.5 for July. During 2003 the Employment index has remained close to the no change level of 50.0.
- The machinery & equipment sector (56.1) recorded the strongest expansion in employment for July, while the petrol, coal, chemical & associated sector (54.7) also indicated expansion. The wood & paper product sector experienced the largest contraction of any individual manufacturing sector (47.6).
- The Otago/Southland region continued to record higher employment levels during July (57.9), whereas the Northern and Central regions indicated lower rates of expansion (52.0 and 50.7 respectively). Employment levels in the Canterbury/Westland region fell for the third consecutive month to record contraction during July (48.1).

NEW ORDERS

- The forward-looking ANZ-Business NZ New Orders diffusion index decreased 1.4 points to stand at 52.3 for July. Although the index has remained above 50.0 for the first 7 months of 2003, it is still below the 60 or more values recorded during the last 5 months of 2002.
- The machinery & equipment and metal product sectors recorded the highest levels of expansion in July (59.8 and 58.1 respectively). In contrast, the wood & paper product sector recorded the strongest contraction (33.3).
- There was a sharp contrast between the two South Island regions in terms of new order activity. The Otago/Southland region indicated the highest level of expansion over the whole country (63.2), whereas the Canterbury/Westland region indicated the only contraction in new orders for a region during July (44.4). Both North Island regions experienced slight expansion.

FINISHED STOCKS

- The ANZ-Business NZ Finished Stocks diffusion index was the only component index to record an increase from last month, rising 0.3 points to stand at 54.9 for July. This was the largest component index value for July, and the first time the index has recorded the single highest value.
- There were strong build-ups of finished stocks in three sectors, lead by the wood & paper product sector (71.4), followed by the petrol, coal, chemical & associated product sector (62.5) and the food, beverage & tobacco sector (60.9). Other sectors showed either slight expansion or contraction.
- Three out of the four regions indicated expansion in finished stocks, led by the Central region, which recorded its strongest level of expansion since the survey began (58.9). While the Otago/Southland and Canterbury/Westland regions also indicated expansion (57.9 and 55.6 respectively), the Northern recorded no change (50.0).

DELIVERIES

- The ANZ-Business NZ Deliveries of Raw Materials diffusion index recorded the largest fall from June to July, decreasing 3.1 points to 52.1.
- The petroleum, coal, chemical & associated product sector recorded a strong increase in raw materials during July (60.9), while other sectors indicated more moderate levels of either expansion or contraction.
- The Otago/Southland region recorded no change in deliveries of raw materials. Other regions recorded modest expansion, ranging from 52.0 to 53.7.

National Indexes	April 2003	May 2003	June 2003	July 2003
ANZ-Business NZ PMI	49.3	49.6	53.2	51.6
- Production	48.0	49.8	51.4	49.2
- Employment	49.1	48.8	52.6	51.5
- New orders	50.7	50.3	53.7	52.3
- Finished stocks	50.0	50.3	54.6	54.9
- Deliveries	48.7	49.0	55.2	52.1

Regional Indexes*	April 2003	May 2003	June 2003	July 2003
ANZ-Business NZ PMI	49.3	49.6	53.2	51.6
- Northern	48.7	47.9	50.2	51.5
- Central	49.7	50.1	52.3	51.5
- Canterbury / Westland	53.5	53.4	56.4	49.5
- Otago/Southland	43.9	51.8	61.7	55.0

*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

Next ANZ-Business NZ PMI (August results): 26 September 2003

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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