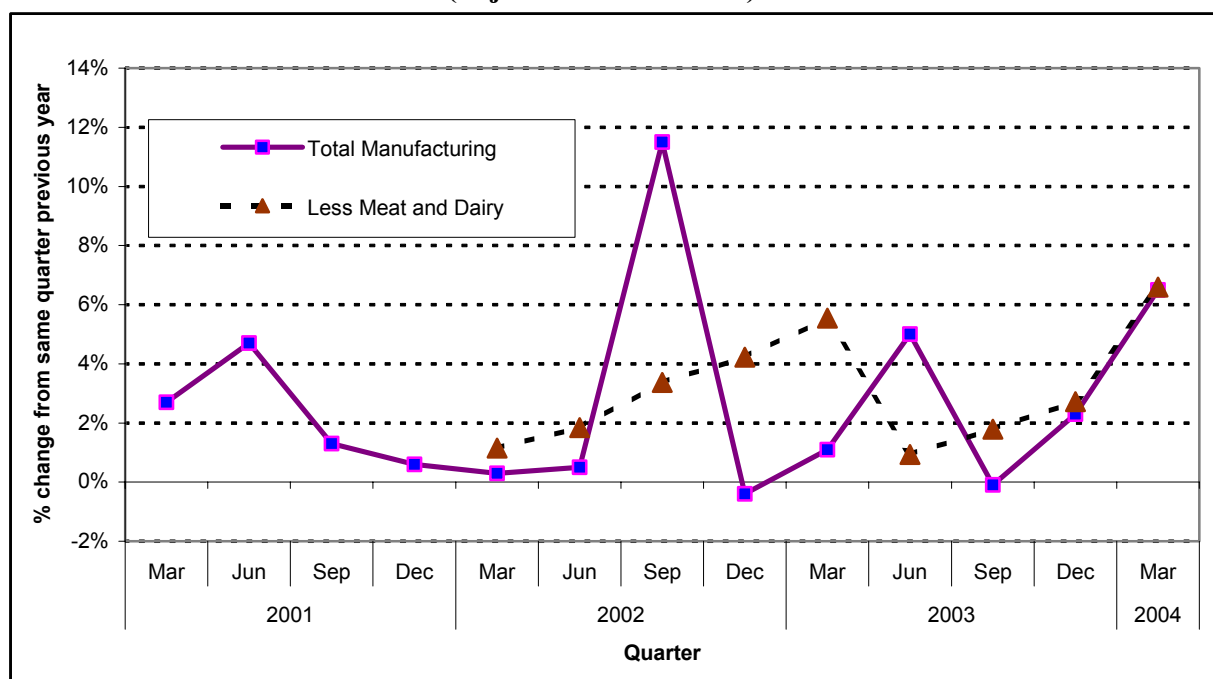


## Economic Survey of Manufacturing – March 2004 Quarter

Seasonally adjusted manufacturing sales rose by 3.2% in the March 2004 compared with the December 2003 quarter, an acceleration from the 2.5% increase recorded in December. However, after adjusting for inflation the seasonally adjusted increase in sales was 2.5% in the March quarter and 2.6% when meat and dairy sales are excluded.

### Manufacturing Sales Growth (adjusted for inflation)



Strong growth in inflation-adjusted sales was recorded in the machinery and equipment sector, rising by 15% from the March 2003 quarter in response to higher machinery and equipment investment expenditure in the quarter. Strong construction and investment expenditure also contributed to 10.5% real growth in sales in the structural, sheet and fabricated metal product sector and wood product sales rose by 13.7% in the quarter due to stronger domestic and export demand.

Only two sectors recorded a decline in inflation-adjusted sales in the quarter, with the textile and apparel sector declining by 6.6% in the March quarter and the petroleum and industrial chemicals sector declining by 3.1%.

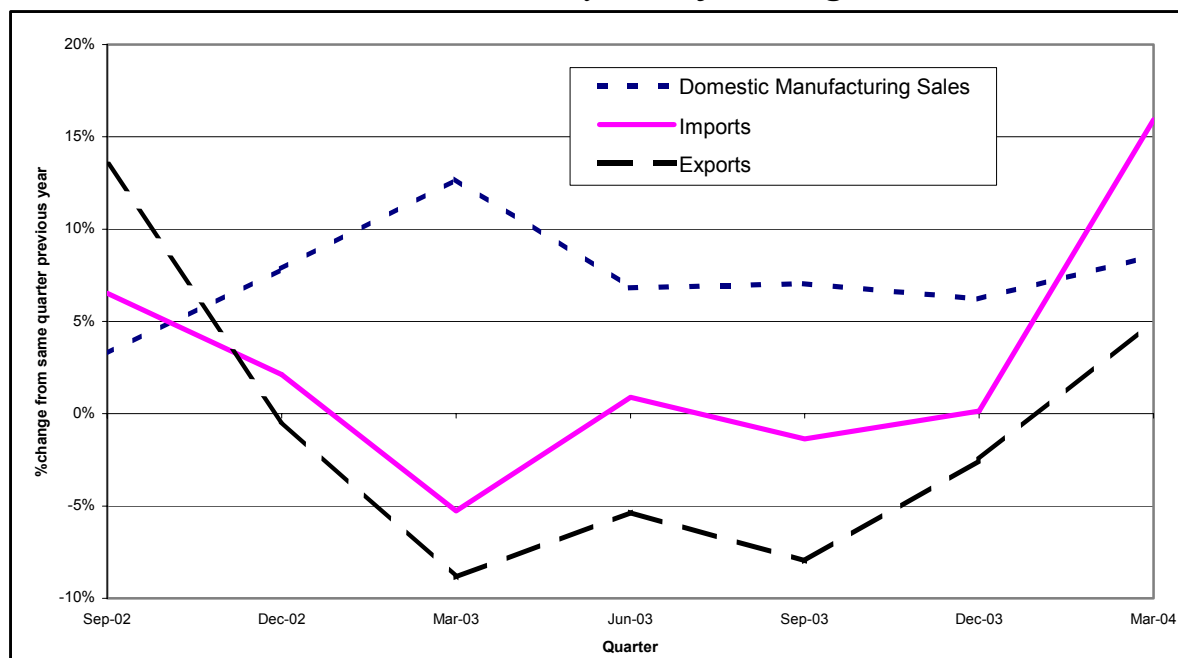
Inflation adjusted stock levels declined by 0.4% in the March quarter (compared with March 2003), primarily due to a 8.1% decline in stocks in the meat and dairy sector. The sector accounted for over 40% of total finished stocks in the manufacturing sector in the March quarter. Excluding the meat and dairy sector, finished stock levels were 5.5% higher than in March 2003, an improvement from the 6.8% stock growth recorded in September 2003.

Nominal sales for the Basic Manufacturing Sector (BMS) were \$11.9 billion, an increase of 6.8% from March 2003. Domestic BMS sales rose by 9.1% in the March quarter while BMS exports declined by 0.3% in the quarter. The domestic market for

manufactured goods is estimated to have grown by 10.5% in the March quarter, with imports growing by 12.5% to meet the strong growth in domestic activity. The operating surplus for the sector was estimated to be \$1.6 billion in March, a 17% increase from March 2004 but increased by just 0.8% in the 12 months ended March 2004.

The balance between domestic and export sales was more even for the non-commodity manufacturing sector, with domestic sales growing by 8.6% in March while export sales grew by 5.1%. Imports increased by 15.9% in the quarter in response to an estimated 11.8% increase in domestic demand for non-commodity manufactured products. Total sales for the non-commodity manufacturing sector for the year to March 2004 were \$37.5 billion while exports were \$8.5 billion, 22.5% of production. Salaries and wages paid by the sector were \$6.9 billion, an increase of 8.6% from the previous year and 10.9% higher in the March 2004 quarter

### *Non-commodity manufacturing*



The latest manufacturing survey results are very consistent with the PMI survey, which showed an acceleration in activity levels in the March quarter. The more recent surveys for April and May suggest that growth has slowed in the June quarter but manufacturers have been able to make faster progress in getting finished goods stock levels under control, recording falls in both the April and May surveys. Export data for April improved quite strongly, suggesting a rebalancing may be occurring between domestic and export demand, with domestic growth slowing while export growth has been improving.

The recent data also raises some doubt about Reserve Bank concerns about excessive domestic demand fuelling increased inflation. While construction costs have risen in response to increased domestic demand, the data shows that increased domestic demand for manufactured goods has been met through a sharp increase in imports. Import growth slowed a little in April so it will be interesting to see if imports slow further in the May import data released on 28 June.

### *Non-commodity Manufacturing Sector*

		Sales and Other Income \$ Million	Exports \$ Million	Domestic Sales \$ Million	Imports \$ Million	Estimated Domestic Market \$ Million	Exports Share of Production %	Imports Share of Market %
<b>Year Ended:</b>								
	Jun-02	34,269.5	8,630.0	25,639.5	24,717.1	50,356.6	25.2%	49.1%
	Sep-02	34,776.5	8,927.0	25,849.5	25,130.0	50,979.5	25.7%	49.3%
	Dec-02	35,295.5	8,918.5	26,377.0	25,274.4	51,651.4	25.3%	48.9%
	Mar-03	35,873.4	8,741.5	27,131.9	24,976.4	52,108.3	24.4%	47.9%
	Jun-03	36,199.5	8,622.7	27,576.8	25,028.6	52,605.4	23.8%	47.6%
	Sep-03	36,469.2	8,423.2	28,046.0	24,936.9	52,982.9	23.1%	47.1%
	Dec-03	36,865.5	8,368.4	28,497.1	24,946.6	53,443.7	22.7%	46.7%
	Mar-04	37,531.5	8,460.2	29,071.3	25,801.7	54,873.0	22.5%	47.0%
<b>Quarter Ended:</b>								
	Sep-01	8,655.1	2,200.1	6,455.0	6,333.9	12,788.9	25.4%	49.5%
	Dec-01	8,938.5	2,211.3	6,727.2	6,829.3	13,556.5	24.7%	50.4%
	Mar-02	7,934.0	1,994.2	5,939.8	5,667.0	11,606.8	25.1%	48.8%
	Jun-02	8,741.9	2,224.4	6,517.5	5,886.9	12,404.4	25.4%	47.5%
	Sep-02	9,162.1	2,497.1	6,665.0	6,746.8	13,411.8	27.3%	50.3%
	Dec-02	9,457.5	2,202.8	7,254.7	6,973.7	14,228.4	23.3%	49.0%
	Mar-03	8,511.9	1,817.2	6,694.7	5,369.0	12,063.7	21.3%	44.5%
	Jun-03	9,068.0	2,105.6	6,962.4	5,939.1	12,901.5	23.2%	46.0%
	Sep-03	9,431.8	2,297.6	7,134.2	6,655.1	13,789.3	24.4%	48.3%
	Dec-03	9,853.8	2,148.0	7,705.8	6,983.4	14,689.2	21.8%	47.5%
	Mar-04	9,177.9	1,909.0	7,268.9	6,224.1	13,493.0	20.8%	46.1%
<b>Percentage Change from March 2003</b>								
Quarter		7.8%	5.1%	8.6%	15.9%	11.8%	-2.6%	3.6%
Annual		4.6%	-3.2%	7.1%	3.3%	5.3%	-7.5%	-1.9%

### *Non-commodity Manufacturing*

	Income \$'000	Expenditure \$'000	Salaries & Wages \$'000	Raw Materials Stocks \$'000	Finished Goods Stocks \$'000	Additions to Fixed Assets \$'000	Disposals of Fixed Assets \$'000	Value Added \$'000	Operating Surplus \$'000	Stock to Sales ratio %
<b>Year Ended:</b>										
Jun-02	34,269,468	23,500,113	6,061,905	1,797,863	2,747,137	C	C			
Sep-02	34,776,491	23,940,470	6,136,126	1,849,950	2,932,087	C	C	10,359,822	4,223,696	
Dec-02	35,295,539	24,227,270	6,248,928	1,844,949	2,746,298	C	C	10,784,587	4,535,659	
Mar-03	35,873,406	24,519,808	6,357,525	1,830,280	2,836,462	C	C	11,058,136	4,700,611	
Jun-03	36,199,532	24,707,464	6,478,247	1,876,603	2,889,374	C	C	11,271,091	4,792,845	
Sep-03	36,469,219	24,768,700	6,602,462	1,862,476	3,042,994	C	C	11,577,086	4,974,624	
Dec-03	36,865,500	25,015,675	6,737,648	1,829,932	2,870,327	C	C	11,740,813	5,003,165	
Mar-04	37,531,547	25,335,841	6,906,213	C	C	C	C	C	C	
<b>Quarter Ended:</b>										
Sep-01	8,655,072	5,882,417	1,522,411	1,715,302	2,590,536	C	C			50%
Dec-01	8,938,472	6,033,833	1,542,651	1,712,826	2,594,739	C	C	2,902,912	1,360,260	48%
Mar-02	7,934,003	5,582,201	1,432,064	1,737,376	2,633,904	C	C	2,288,087	856,023	55%
Jun-02	8,741,922	6,001,662	1,564,778	1,797,863	2,747,137	C	C	2,566,540	1,001,761	52%
Sep-02	9,162,094	6,322,774	1,596,632	1,849,950	2,932,087	C	C	2,602,284	1,005,652	52%
Dec-02	9,457,520	6,320,634	1,655,453	1,844,949	2,746,298	C	C	3,327,676	1,672,223	49%
Mar-03	8,511,870	5,874,738	1,540,661	1,830,280	2,836,462	C	C	2,561,636	1,020,974	55%
Jun-03	9,068,047	6,189,318	1,685,500	1,876,603	2,889,374	C	C	2,779,495	1,093,995	53%
Sep-03	9,431,782	6,384,010	1,720,847	1,862,476	3,042,994	C	C	2,908,279	1,187,432	52%
Dec-03	9,853,801	6,567,609	1,790,640	1,829,932	2,870,327	C	C	3,491,403	1,700,764	48%
Mar-04	9,177,917	6,194,905	1,709,226	C	C	C	C	C	C	C
<b>Percentage Change from same quarter of previous year</b>										
Mar-03	7.3%	5.2%	7.6%	5.3%	7.7%			12.0%	19.3%	-0.5%
Mar-04	7.8%	5.4%	10.9%							
<b>Annual Change</b>										
Dec-03	4.4%	3.3%	7.8%	-0.8%	4.5%			8.9%	10.3%	
Mar-04	4.6%	3.3%	8.6%							

