

MANUFACTURING ACTIVITY IMPROVES

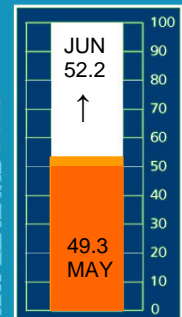
ANZ-BUSINESS NZ PMI FOR JUNE 2005

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.

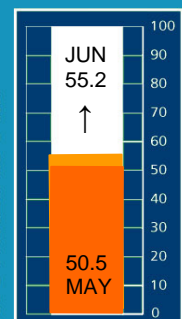
KEY FINDINGS

- The ANZ-Business NZ Performance of Manufacturing Index was 52.2 for June, the first sign of moderate expansion after two months of decline. However, the 2005 result was still lower than the June values for 2003 and 2004.
- The level of expansion was fairly similar across the country, with the exception of the Northern region. The Otago/Southland and Canterbury/Westland regions recorded very similar expansionary values (54.7 and 54.4 respectively). The Central region (53.0) recorded its highest value since December 2004, while the Northern region (50.5) was close to showing no change.
- Finished stocks* (55.8) experienced the highest sub-index value since July 2003. *Deliveries* (53.9) also recorded moderate expansion, while the rest of the sub-indexes ranged in value between 50.9 and 51.9.
- There were some industry groups that showed a healthy level of activity. The *food, beverage & tobacco* sector (58.5) recorded the highest value, followed by the *machinery & equipment* sector (57.1). In contrast, the *wood & paper product* sector (46.9) recorded a moderate decline.
- For the first time in four months, all firms by size registered an expansion in activity for June. Small-medium firms (11-50 workers) (53.3) again recorded the highest value during the month, followed by both large firms (101+ workers) (51.8) and medium-large firms (51-100 workers) (51.7). Micro firms (1-10 workers) (50.8) experienced close to no change.
- The June result represented further recovery from May, although in comparison with the same month in 2004 expansion is still very moderate. The number of new orders from both domestic and international customers continues to be low, which may affect production levels in subsequent months.

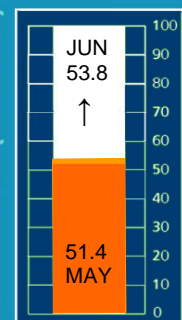
NEW ZEALAND PMI



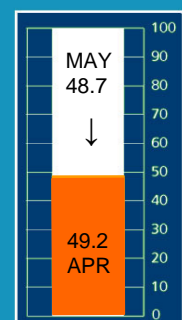
AUSTRALIAN PMI



USA ISM PMI (ex NAPM)



EUROZONE PMI



JAPAN PMI



PRODUCTION

- The ANZ-Business NZ *production* diffusion index stood at 51.5, lower than the 63.6 recorded in June 2004 and almost identical to the 51.4 recorded in June 2003.
- The *metal product* (58.8) and *machinery & equipment* (57.5) sectors showed healthy expansion, as did the *food, beverage & tobacco* (56.5) sector. In contrast, the *wood & paper product* (45.0) sector showed some decline.
- Manufacturers in the Central region (52.4) again experienced the highest value for production during June, while the Northern and Canterbury/Westland regions both recorded slight expansion (51.4). The Otago/Southland region (50.0) showed no change.

EMPLOYMENT

- The ANZ-Business NZ *employment* diffusion index (51.9) recovered from its lowest ever level of activity in May to record slight expansion in June. However, it was still lower than the values recorded in June 2003 and 2004.
- Most industries experienced expansion in activity during June, led by the *machinery & equipment* (56.3) sector. The *metal product* (49.0) sector recorded a minor decline.
- All regions except the Central region (49.2) recorded expansion in employment activity for June. The highest value was for the Otago/Southland (54.3), region, closely followed by the Canterbury/Westland (54.2) region.

NEW ORDERS

- The ANZ-Business NZ *new orders* diffusion index for June (50.9) continued to record expansion during the month, albeit at a very modest level. However, it was the first time that it recorded the lowest monthly value compared with the other sub-indexes.
- Although the *food, beverage & tobacco* (67.7) sector recorded particularly strong expansion, results for the other industries were mixed, with the *wood & paper product* (40.0) and *petroleum, coal, chemical & associated product* (42.6) sectors showing strong decline.
- Both South Island regions, as well as the Central region experienced an increase in new orders during June. In contrast, the Northern region (47.7) recorded a moderate decline.

FINISHED STOCKS

- The ANZ-Business NZ *finished stocks* (55.8) sub-index recorded the highest sub-index value in June for the first time since July 2003. The 2005 value was exactly the same as that recorded in June 2004.
- The *wood & paper product* (67.5) sector recorded the highest level of expansion, while the *food, beverage & tobacco* (46.8) sector was the only one to experience a decline.
- The Central region (60.3) experienced strong expansion in June, while the remaining regions recorded values between 52.3 and 58.7.

DELIVERIES

- The ANZ-Business NZ *deliveries of raw materials* diffusion index stood at 53.9 in June.
- The *machinery & equipment* (60.0) sector recorded strong expansion, followed by the *metal product* (57.8) sector.
- Deliveries of raw materials was close to no change for the Northern region (50.9), while the Otago/Southland region (60.9) recorded the strongest level of expansion for June.

National Indexes	June 2003	June 2004	May 2005	June 2005
ANZ-Business NZ PMI	53.2	62.2	49.3	52.2
- Production	51.4	63.6	49.7	51.5
- Employment	52.6	56.0	47.2	51.9
- New orders	53.7	67.7	50.7	50.9
- Finished stocks	54.6	55.8	48.5	55.8
- Deliveries	55.2	61.4	49.2	53.9

Regional Indexes*	June 2003	June 2004	May 2005	June 2005
ANZ-Business NZ PMI	53.2	62.2	49.3	52.2
- Northern	50.2	63.6	49.4	50.5
- Central	52.3	60.8	50.1	53.0
- Canterbury / Westland	56.4	62.4	48.9	54.4
- Otago/Southland	61.7	56.1	46.8	54.7

*Regions (grouped according to Business NZ's associated regional organisations)

Northern (Employers and Manufacturers Association (Northern)): Northland, Auckland, Waikato, Bay of Plenty

Central (Employers and Manufacturers Association (Central)): Gisborne, Hawke's Bay, Taranaki, Manawatu, Wanganui, Wellington, Nelson, Tasman

Canterbury/Westland (Canterbury Employers Chamber of Commerce): Canterbury, Marlborough, West Coast

Otago/Southland (Otago Southland Employers Association): Otago, Southland

Next ANZ-Business NZ PMI (July results): 12 August 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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