

MANUFACTURING SLOWDOWN CONTINUES

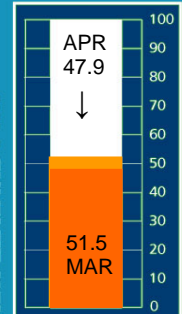
ANZ-BUSINESS NZ PMI FOR MAY 2005

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.

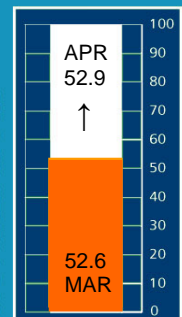
KEY FINDINGS

- The ANZ-Business NZ Performance of Manufacturing Index was 49.3 for May; the second consecutive decrease in manufacturing activity and lower than the May results for 2003 and 2004.
- In contrast to April, the South Island was the main driver of the overall decline, with the Otago/Southland (46.8) and Canterbury/Westland (48.9) regions both recording significant falls from April. The Central region (50.1) was close to recording no change, while the Northern region (49.4) experienced a relatively small decline.
- New Orders* (50.7) experienced slight expansion after a decline in April, and improved sufficiently to lead the sub-indexes for May. *Production* (49.7) experienced little change, while *employment* (47.2), *finished stocks* (48.5) and *raw materials* (49.2) showed slight declines.
- Manufacturing activity was generally mixed across industries. The metal *product* (53.8), machinery & equipment (52.0) and food, beverage & tobacco (51.5) all recorded expansion, while those industries recording a decline ranged from 39.7 to 49.5.
- Most firms by size registered a decline in activity for May. Small-medium firms (11-50 workers) (50.8) recorded the only expansion during May, while both large firms (101+ workers) (49.0) and medium-large firms (48.7) showed similar levels of decline. Micro firms (1-10 workers) (46.7) experienced the strongest level of decline since April 2003.
- The May result represented somewhat of a small recovery from April, which many manufacturers considered a difficult month in terms of activity. The high value of the New Zealand dollar continues to cause strong concern for those manufacturers who predominantly export their goods, although recent softening of the New Zealand dollar may ease concerns as long as further depreciation takes place.

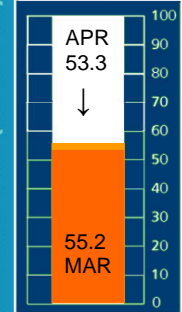
NEW ZEALAND PMI



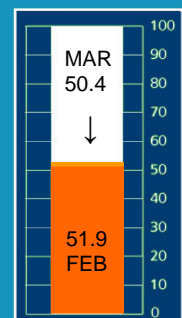
AUSTRALIAN PMI



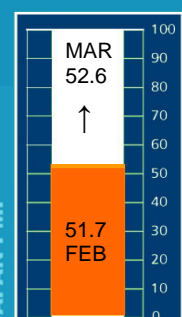
USA ISM PMI (ex NAPM)



EUROZONE PMI



JAPAN PMI



PRODUCTION

- The ANZ-Business NZ *production* diffusion index stood at 49.7, the third lowest production value on record. The May 2005 result was also lower than both May 2003 and 2004.
- The *machinery & equipment* (57.5) sector showed healthy expansion, as did the *metal product* (56.1) sector. In contrast the *textile, clothing, footwear & leather* (36.5) sector showed a strong decline.
- Manufacturers in the Central region (52.3) experienced some expansion in production, while the Northern region (50.0) showed no change. Both South Island regions showed some decline.

EMPLOYMENT

- The ANZ-Business NZ *employment* diffusion index (47.2) recorded its lowest ever level of activity, narrowly eclipsing the January 2003 result (47.3). This is in contrast to the April 2005 result where the *employment* index experienced the strongest level of expansion amongst the major indexes.
- All industries experienced a decline in activity during May, led by the *wood & paper product* (43.8) sector. The petroleum, coal, chemical & associated product (49.0) fared the best with a minimal decline.
- All regions except the Canterbury/Westland region (51.1) recorded a decline in employment activity for May. The lowest value was for the Otago/Southland region (43.8), while both North Island regions experienced relatively similar levels of decline.

NEW ORDERS

- The ANZ-Business NZ *new orders* diffusion index for May (50.7) was the only major index to record expansion during May, although at a modest level. The new orders index has tended to provide the highest value over the history of the survey.
- Both the 'other' manufacturing sector (57.1) and the *metal product* (57.0) sector showed similar levels of expansion during May, followed by the *machinery & equipment* (55.8) sector.
- Both the Central (53.8) and Northern (50.3) showed some expansion in new orders during May, while the Canterbury/Westland (47.8) region was the only one to experience a decline.

FINISHED STOCKS

- The ANZ-Business NZ *finished stocks* (48.5) sub-index continued to record a decline after experiencing its lowest ever value during April.
- The *metal product* (58.8) and 'other' manufacturing (52.4) sectors were the only two to record expansion during May.
- The Canterbury/Westland region (54.4) was the only region to experience expansion in May, while the Otago/Southland region (35.4) recorded its lowest ever result for finished stocks since April 2003

DELIVERIES

- The ANZ-Business NZ *deliveries of raw materials* diffusion index stood at 49.2 for May.
- The *metal product* (53.5) sector was the only one to record expansion during May.
- Deliveries of raw materials experienced no change for the Northern, Canterbury/Westland and Otago/Southland region (all 50.0), while the Central region (46.2) experienced a decline.

National Indexes	May 2003	May 2004	Apr 2005	May 2005
ANZ-Business NZ PMI	49.6	54.1	47.9	49.3
- Production	49.8	55.6	46.1	49.7
- Employment	48.8	50.4	50.7	47.2
- New orders	50.3	58.2	47.9	50.7
- Finished stocks	50.3	48.4	48.1	48.5
- Deliveries	49.0	52.2	47.2	49.2

Regional Indexes*	May 2003	May 2004	Apr 2005	May 2005
ANZ-Business NZ PMI	49.6	54.1	47.9	49.3
- Northern	47.9	55.7	46.6	49.4
- Central	50.1	52.0	45.4	50.1
- Canterbury / Westland	53.4	57.3	53.2	48.9
- Otago/Southland	51.8	51.3	51.3	46.8

*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 (June results): 15 July 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.



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