

MANUFACTURING ACTIVITY CONTINUES TO BE LACKLUSTRE

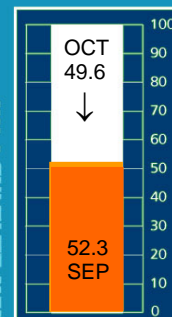
BUSINESS NZ PMI FOR OCTOBER 2005

The Business NZ Performance of Manufacturing Index (Business NZ PMI) is a monthly survey of the manufacturing sector providing an early indicator of activity levels. The 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.

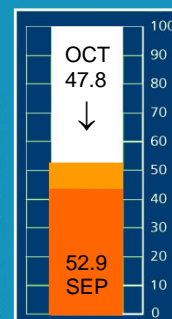
KEY FINDINGS

- The Business NZ Performance of Manufacturing Index stood at 49.6 for October; down 2.7 points from September and showing a slight decline in activity for the month. The October 2005 result continued the trend of considerably lower values than the previous three October results, ranging between 56.7-64.6 for 2002 to 2004.
- The level of activity by region was higher in the South Island than the North Island. The Otago/Southland region (54.9) recorded the highest level of expansion for the third consecutive month, and was the only region not to experience its lowest ever value for an October month. The Canterbury/Westland region (52.7) recorded expansion for the first time since July. Both the Northern (48.4) and Central (48.8) regions recorded similar levels of decline for October.
- Finished Stocks* (51.5) led the sub-indexes in October, which is the third time this has occurred during 2005. *New Orders* (50.5) showed slight expansion, while the remaining sub-indexes ranged in value from 47.6 to 49.8.
- Results by industry groups were spread during October, with the *food, beverage & tobacco* sector (56.3) showing the strongest level of expansion (although lower than September), while the *textile, clothing, footwear & leather manufacturing* sector (42.5) showed a strong decline.
- Only small-medium sized firms (11-50 workers) (50.4) showed any level of expansion during October, with the remaining firms showing a small decline. Large firms (101+ workers) (47.1) felt the strongest level of decline during October.
- The October result continues the 2005 trend of softening in the manufacturing sector compared with previous years. Comments from manufacturers showed uncertainties during the post-election period continuing to affect activity. Exchange rate issues still persist, while high fuel prices are also causing increases in costs.

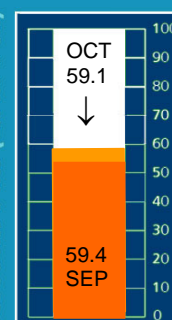
NEW ZEALAND PMI



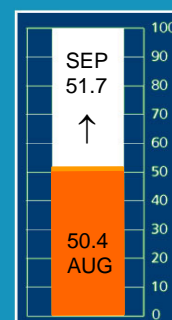
AUSTRALIAN PMI



USA ISM PMI (ex NAPM)



EUROZONE PMI



JAPAN PMI



PRODUCTION

- The Business NZ *production* diffusion index stood at 49.0, which was the fifth time in 2005 that it experienced a decline. The 2005 result was also well below the values recorded for the previous three October results.
- The *food, beverage & tobacco* sector (54.5) continued to show healthy levels of expansion during October, while the *metal product* sector (41.4) was in strong decline.
- The Canterbury/Westland region (54.7) recovered from a strong decline in September to display the highest level of expansion for October. The Otago/Southland region (50.0) showed no change while all others recorded a decline.

EMPLOYMENT

- The Business NZ *employment* diffusion index (47.6) experienced a higher level of decline than September for the month of October. The October 2005 value was also the first time employment activity in a recorded October month actually fell.
- Industries tended to exhibit declining activity for employment, with only the *food, beverage & tobacco* sector (53.4) showing some expansion. The *metal product* sector (41.4) again recorded the strongest decline.
- Despite the overall decline in employment activity, the Otago/Southland region (59.6) experienced its highest level since November 2004. The Central region (50.0) experienced no change, while both the Northern and Canterbury/Westland regions (45.3) recorded the same level of decline.

NEW ORDERS

- The Business NZ *new orders* diffusion index for October (50.5) fell below the level of activity experienced during the previous two months, and was also significantly down from previous October values.
- The *food, beverage & tobacco* sector (60.2) showed healthy expansion, while all other industries displayed values between 45.0 and 51.1.
- Most regions again showed expansion in October, with the exception of the Central region (49.3) that showed a slight decline. The Otago/Southland region (55.8) led the way but was still down on the values for the previous two months.

FINISHED STOCKS

- The Business NZ *finished stocks* (51.5) sub-index value for October was slightly less than September, but was still the leading sub-index for the month.
- The *wood & paper product* sector (65.9) recorded strong expansion during October, followed by the *metal product* sector (56.4).
- The Canterbury/Westland region (65.6) recorded particularly strong expansion in October, which has been typical of the region in previous years. The Central region (57.4) also recorded a strong result, while the remaining regions recorded a decline.

DELIVERIES

- The Business NZ *deliveries of raw materials* diffusion index stood at 49.8 in October, which was also below most previous results and almost identical to the October 2004 result.
- The *food, beverage & tobacco* sector (56.8) showed healthy expansion for October, while most other industries displayed only minimal levels of expansion or were in decline.
- All regions except the Central region (43.4) recorded an expansion in deliveries. The highest level of expansion was again recorded in the Otago/Southland region (59.6).

National Indexes	Oct 2002	Oct 2003	Oct 2004	Oct 2005
Business NZ PMI	61.5	64.6	56.7	49.6
- Production	64.6	71.1	59.1	49.0
- Employment	55.6	54.3	51.8	47.6
- New orders	65.5	70.5	60.1	50.5
- Finished stocks	54.8	56.1	53.9	51.5
- Deliveries	60.8	61.3	54.5	49.8

Regional Indexes*	Oct 2002	Oct 2003	Oct 2004	Oct 2005
Business NZ PMI	61.5	64.6	56.7	49.6
- Northern	59.6	64.2	56.8	48.4
- Central	62.3	64.2	57.7	48.8
- Canterbury / Westland	65.3	75.0	56.0	52.7
- Otago/Southland	62.5	59.7	54.8	54.9

*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 Business NZ PMI (November results): 16 December 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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