

## MANUFACTURING ACTIVITY STEADY

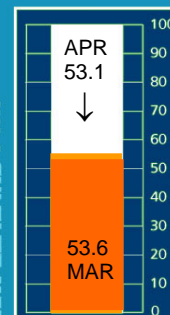
### BUSINESS NZ PMI FOR APRIL 2006

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. The main PMI and sub-index results are shown on a seasonally adjusted basis.

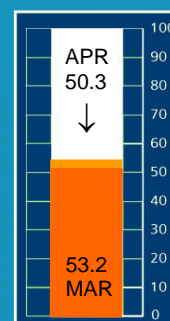
#### KEY FINDINGS

- The Business NZ seasonally adjusted Performance of Manufacturing Index remained largely unchanged from March, decreasing 0.5 points to stand at 53.1 for April. The result is the second highest value since May 2005, which also stood at 53.1. The April 2006 result was also higher than in 2005, but still lower than the 2004 and 2003 figures.
- Activity by region remained largely unchanged for the Central (50.7) and Otago/Southland (56.3) regions, but there was a noticeable dip for the Northern (46.9) and Canterbury/Westland (44.0) regions. In fact, the Canterbury/Westland result was the worst on record, with their previous low-point being in September 2005 (46.7).
- All five seasonally adjusted main diffusion indexes again recorded very similar levels of expansion for April 2006. Both *deliveries* and *new orders* (53.8) recorded the same highest value for the month, while the remaining indexes ranged in value between 52.0-52.2. Interestingly, the employment index saw its highest value since February 2005, as the 10 months after that date were in decline.
- Results by industry groups were mixed for April. The *textile, clothing, footwear & leather* sector (54.3) showed the strongest expansion for the month, followed by both the *food, beverage & tobacco* and *wood & paper product* sectors (51.5). The *metal product* sector (41.2) experienced the worst result for April.
- Results by firm size were mixed, with large firms (101+ workers) (51.0) showing minimal expansion, while small-medium sized firms (11-50 workers) (50.4) almost unchanged. All other firms by size were in decline.
- The April result follows two previous months of positive results, which highlights further recovery into 2006 after poor results during the later half of 2005. Comments from manufacturers were generally more negative (58%) than positive (42%), with the recent falls in the New Zealand dollar continuing to lead to outcomes across the board. Domestic manufacturers have found a lift in import prices, whereas some export orientated manufacturers have experienced a pick up in orders from offshore. However, the muddled picture of the New Zealand economy at the moment has meant domestic orders for certain firms have been sluggish as consumer confidence remains low.

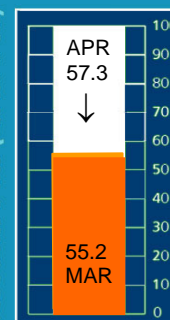
NEW ZEALAND PMI



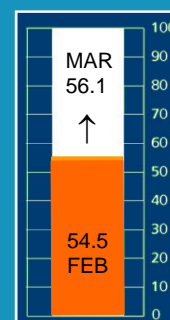
AUSTRALIAN PMI



USA ISM PMI (ex NAPM)



EUROZONE PMI



JAPAN PMI



## PRODUCTION

- The seasonally adjusted Business NZ *production* diffusion index for April stood at 52.2, down from 54.3 but the second highest result since August 2005. The 2006 result was the lowest for April, with previous values ranging between 52.6-61.2.
- The *textile, clothing, footwear & leather* sector (55.3) showed healthy expansion for April, while most other sectors were in decline.
- Production in the Otago/Southland region stood at 56.0 for April, which has kept at a consistent level for the last three months. The Central region (50.0) again displayed no change for the month, whilst all other regions were in decline.

## EMPLOYMENT

- The seasonally adjusted Business NZ *employment* diffusion index (52.0) for April was up 1.8 points from March, and the highest value since February 2005. The 2006 result was also the highest recorded for an April month.
- Both the *textile, clothing, footwear & leather* and *petroleum, coal, chemical & associated product* sectors (55.3 and 55.0 respectively) led employment movements during April, while the *metal product* sector (45.8) experienced the strongest decline.
- The Otago/Southland region (54.0) again showed expansion during April. The Canterbury/Westland region (43.1) was the only one in which to experience a decline.

## NEW ORDERS

- The seasonally adjusted Business NZ *new orders* diffusion index for April (53.8) was slightly down from the March result, but co-led as the highest index value for the month. The April 2006 result was also higher than April 2005.
- The *wood & paper product* sector (61.1) showed strong expansion during April, closely followed by the *textile, clothing, footwear & leather* sector (60.5). In comparison, the *metal product* sector (34.4) suffered a very low result.
- The Otago/Southland region (60.0) experienced another strong expansion in April, while all other regions showing either slight expansion or stronger levels of decline.

## FINISHED STOCKS

- The seasonally adjusted Business NZ *finished stocks* (52.1) sub-index value for April showed the first level of expansion for 2006. The 2006 result was only bettered by the April 2003 value (53.2).
- Results for finished stocks by sector were generally in a state of no change or decline, with the only exception being the *food, beverage & tobacco* sector (54.4).
- Finished stocks in the Northern region (51.3) were the only sub-index by region to show any expansion for April. All other regions experienced a similar level of decline.

## DELIVERIES

- The seasonally adjusted Business NZ *deliveries of raw materials* diffusion index stood at 53.8 in April, which was the co-leader with *new orders* in terms of recording the strongest result for the month.
- The *food, beverage & tobacco* sector (58.8) again showed strong expansion in deliveries during April, while the *machinery & equipment* sector (40.5) recorded the strongest decline.
- The Otago/Southland region (58.0) experienced healthy expansion during April, followed by the Central region (53.9).

National Indexes	Apr 2003	Apr 2004	Apr 2005	Apr 2006
<b>Business NZ PMI (s.a)</b>	<b>53.8</b>	<b>59.3</b>	<b>52.4</b>	<b>53.1</b>
- Production (s.a)	54.5	61.2	52.6	52.2
- Employment (s.a)	50.0	51.1	51.6	52.0
- New orders (s.a)	55.6	64.5	52.8	53.8
- Finished stocks (s.a)	53.2	51.6	51.3	52.1
- Deliveries (s.a)	52.3	60.1	51.5	53.8

Regional Indexes*	Apr 2003	Apr 2004	Apr 2005	Apr 2006
<b>Business NZ PMI (s.a)</b>	<b>53.8</b>	<b>59.3</b>	<b>52.4</b>	<b>53.1</b>
- Northern	48.7	53.7	46.6	46.9
- Central	49.7	54.4	45.4	50.7
- Canterbury / Westland	53.5	59.8	53.2	44.0
- Otago/Southland	43.9	49.6	51.3	56.3

\*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 (May results): 16 June 2006

## 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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