

MANUFACTURING ACTIVITY PICKS UP

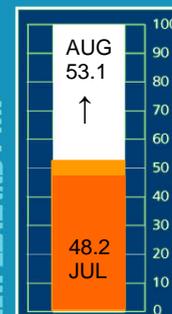
ANZ-BUSINESS NZ PMI FOR AUGUST 2005

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.

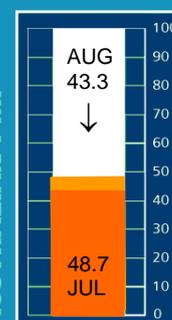
KEY FINDINGS

- The ANZ-Business NZ Performance of Manufacturing Index was 53.1 for August; indicating expansion after a lackluster period of small declines. The August 2005 result was towards the bottom end of the four values recorded for August, with the highest value being 58.8 in 2004.
- There were considerable differences between the regions in terms of the level of activity. The Otago/Southland region (60.9) recorded the highest level of expansion since November 2004. The Northern region (54.0) recovered from a strong decline in July, while the Central region (51.3) showed slight expansion. The Canterbury/Westland region (47.6) was the only region to record a fall in activity, which was its strongest level of decline since the survey began.
- Deliveries of raw materials* (55.4) experienced the highest sub-index value for the first time since December 2003. All other sub-indexes displayed relatively similar levels of expansion, with *employment* (50.5) experiencing the lowest value.
- Overall, most industry groups showed expansion in August, particularly the *petroleum, coal, chemical & associated product sector* (56.7). The *metal product sector* (50.4) recorded the lowest value for August, albeit showing slight expansion.
- The only firm by size to experience a decline in August was large firms (101+ workers) (48.0), which was the complete opposite from July when it was the only group to show expansion. The remaining groups varied in terms of their level of expansion, led by micro firms (1-10 workers) (61.1) recording the highest level of activity for the month.
- Comments from manufacturers during August were similar to previous months, with the persistent high New Zealand dollar and skills shortages affecting activity. There was still the view that the economy was definitely slowing, causing a drop in orders. The coming months tend to show a pick up in activity as the build up for the Christmas period takes place, so future results will provide an indication of how strongly the slowdown continues to affect manufacturers.

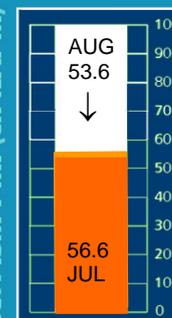
NEW ZEALAND PMI



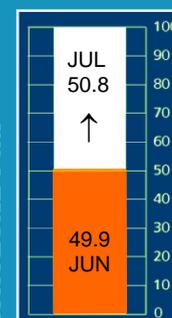
AUSTRALIAN PMI



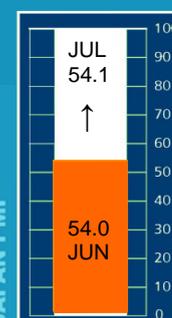
USA ISM PMI (ex NAPM)



EUROZONE PMI



JAPAN PMI



PRODUCTION

- The ANZ-Business NZ *production* diffusion index stood at 53.8 – an improvement on July when it was the lowest sub-index value recorded. The result was below the values recorded in 2002 and 2004, but stronger than the decline experienced in 2003.
- The *petroleum, coal, chemical & associated product* (61.2) and *food, beverage & tobacco* (55.4) sectors showed strong levels of expansion, while the *metal product sector* (45.5) was in decline.
- The Otago/Southland region (62.5) displayed a strong level of expansion for August. The remaining regions experienced values ranging from 51.5 to 53.7.

EMPLOYMENT

- The ANZ-Business NZ *employment* diffusion index (50.5) continues to change from month to month in terms of slight expansion and decline, with the August result showing small expansion. The August value for 2005 was generally consistent with previous August values.
- Industries tended to be mixed whether they showed expansion or decline in August, with the *metal product sector* (54.5) showing moderate expansion, while the *petroleum, coal, chemical & associated product sector* (48.0) showing a decline.
- All regions except the Canterbury/Westland region (45.6) recorded expansion in employment activity for August. The highest value was recorded by the Otago/Southland region (56.3), followed by the Central region (50.9).

NEW ORDERS

- The ANZ-Business NZ *new orders* diffusion index for August (53.4) recorded its strongest level of expansion since February, after 5 months of values indicating close to no change. The 2005 value for new orders was the lowest recorded for August since the survey began.
- The *petroleum, coal, chemical & associated product* sector (59.2) showed healthy expansion, while the *metal product sector* (48.9) showed a slight decline.
- Both North Island regions showed expansion in August, while the South Island was split with the Otago/Southland region (64.6) recording the highest value throughout the country and the Canterbury/Westland region (44.1) showing the lowest.

FINISHED STOCKS

- The ANZ-Business NZ *finished stocks* (52.3) sub-index improved on its value recorded in July to show a stronger level of expansion for August.
- The *metal product* sector (58.0) recorded strong expansion during August, while the *food, beverage & tobacco* sector (48.2) slipped further down from July to record a decline.
- All regions with the exception of the Central region (48.2) recorded expansion in August, led by the Otago/Southland region (56.3).

DELIVERIES

- The ANZ-Business NZ *deliveries of raw materials* diffusion index stood at 55.4 in August, to record the highest sub-index value for the month.
- While the *petroleum, coal, chemical & associated product* sector (61.2) again showed strong expansion, most other industries displayed only minimal levels of expansion.
- All regions except the Canterbury/Westland region (48.5) recorded an expansion in deliveries. The highest level of expansion was recorded in the Otago/Southland region (60.4).

National Indexes	Aug 2002	Aug 2003	Aug 2004	Aug 2005
ANZ-Business NZ PMI	58.2	51.9	58.8	53.1
- Production	59.6	48.9	59.8	53.8
- Employment	53.7	50.8	50.2	50.5
- New orders	61.2	56.1	63.6	53.4
- Finished stocks	53.3	51.6	56.3	52.3
- Deliveries	59.1	50.3	60.7	55.4

Regional Indexes*	Aug 2002	Aug 2003	Aug 2004	Aug 2005
ANZ-Business NZ PMI	58.2	51.9	58.8	53.1
- Northern	57.7	52.2	61.1	54.0
- Central	56.6	48.6	55.9	51.3
- Canterbury / Westland	62.0	60.2	59.6	47.6
- Otago/Southland	58.9	53.4	57.5	60.9

*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 ANZ-Business NZ PMI (September results): 14 October 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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