

WEAK END FOR MANUFACTURING IN 2005

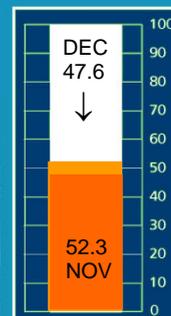
BUSINESS NZ PMI FOR DECEMBER 2005

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.

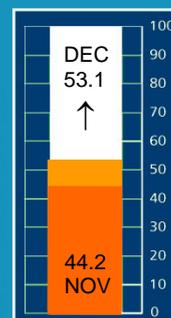
KEY FINDINGS

- The Business NZ Performance of Manufacturing Index stood at 47.6 for December, down 4.7 points from November. The December 2005 value was considerably lower than the values of 56.4, 54.0 and 58.1 for the 2002-2004 December results, and the lowest overall PMI result since the survey began in August 2002.
- Activity by region showed a general decline during December. The Otago/Southland region (44.5) recorded the lowest level of decline for the month, followed by the lowest ever result for the Central region (45.1). The Northern region (47.3) also showed a fall, although the Canterbury/Westland region (54.6) showed expansion, despite being the lowest result for that region for a December month.
- Finished Stocks* (50.8) was the only sub-index to show expansion during December, although hovering close to the level of no change. Both the *deliveries* (48.3) and *new orders* (48.1) indexes displayed similar levels of decline, while the *employment* and *production* indexes (46.2) experienced the same level of decline.
- Results by industry groups showed most in decline during December. The *food, beverage & tobacco* sector (55.8) showed the strongest level of expansion for the month, followed by the *petroleum, coal, chemical & associated product* sector (50.4). In contrast, both the *metal product* (37.1) and *wood & paper product* (43.7) sectors continued to decline.
- Micro sized firms (1-10 workers) (53.2) fared the best of firms by size during December. All other firms showed some decline, with the worst being large firms (101+ workers) (45.0).
- The 2005 December result continues the recent trend of activity at a much lower level than in previous years. Comments from manufacturers confirm a much quieter period of activity in the build-up towards Christmas. The high value of the New Zealand dollar remains the prime issue for manufacturers across most sub-sectors, while the fall in new orders, both at a domestic and international level, raises concerns for the direction of manufacturing in 2006.

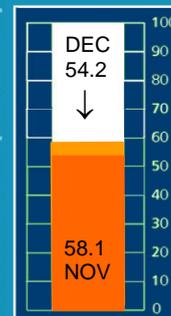
NEW ZEALAND PMI



AUSTRALIAN PMI



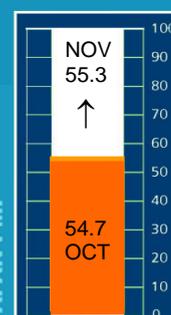
USA ISM PMI (ex NAPM)



EUROZONE PMI



JAPAN PMI



PRODUCTION

- The Business NZ *production* diffusion index stood at 46.2, which was the joint lowest sub-index for the month. The 2005 result was well below the values ranging from 54.0-61.3 for the previous three December months, and third lowest for any month on record.
- The *food, beverage & tobacco* sector (59.4) displayed the strongest level of expansion during December, followed by the *petroleum, coal, chemical & associated product* sector (52.5).
- The Canterbury/Westland region (50.0) showed no change for the month, while the remaining three regions all showed a decline, ranging from 43.5-46.3.

EMPLOYMENT

- The Business NZ *employment* diffusion index (46.2) experienced its lowest ever result since the survey began, although the December 2003 result also showed a decline suggesting that the December month is not normally known for strong employment activity.
- The *food, beverage & tobacco* sector (51.6) was the only sector to display any expansion during December.
- All regions experienced a decline in employment activity during December. The Central region (49.1) was close to no change, while the Otago/Southland region (38.9) experienced a very strong fall in employment activity.

NEW ORDERS

- The Business NZ *new orders* diffusion index for December (48.1) was the second lowest on record, only 0.2 points from the lowest ever result recorded in April 2005. Other December results have ranged from 57.3-61.7.
- The *wood & paper product* sector (54.8) showed some expansion, as did the *petroleum, coal, chemical & associated product* sector (52.5). Most other sectors experienced a decline.
- The Canterbury/Westland region (58.3) was the only one that showed expansion in new orders during December, while the remaining regions displayed differing results, ranging in value between 45.4-48.1.

FINISHED STOCKS

- The Business NZ *finished stocks* (50.8) sub-index value for December showed only slight expansion, although relatively consistent with values recorded during 2005. The December 2005 result was almost identical to the 2004 figure.
- The *food, beverage & tobacco* sector (57.8) recorded strong expansion during December, followed by the *machinery & equipment* sector (53.1).
- The Canterbury/Westland region (56.9) continued to record particularly strong expansion in December. The Central region (54.9) also recorded expansion, while all other regions showed strong declines.

DELIVERIES

- The Business NZ *deliveries of raw materials* diffusion index stood at 48.3 in December, which was down on previous December months and the second lowest value recorded since the survey began.
- The *food, beverage & tobacco* sector (62.5) showed healthy expansion for December, while most other industries displayed various levels of decline.
- The Canterbury/Westland region (61.1) displayed strong activity for December, while all other regions were in decline.

National Indexes	Dec 2002	Dec 2003	Dec 2004	Dec 2005
Business NZ PMI	56.4	54.0	58.1	47.6
- Production	58.1	54.0	61.3	46.2
- Employment	50.8	49.2	54.3	46.2
- New orders	61.7	57.3	61.6	48.1
- Finished stocks	49.0	48.2	50.9	50.8
- Deliveries	55.6	57.3	55.5	48.3

Regional Indexes*	Dec 2002	Dec 2003	Dec 2004	Dec 2005
Business NZ PMI	56.4	54.0	58.1	47.6
- Northern	54.2	51.1	58.8	47.3
- Central	54.7	48.7	56.8	45.1
- Canterbury / Westland	58.8	65.3	56.5	54.6
- Otago/Southland	71.5	54.5	58.2	44.5

*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 (January results): 17 February 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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