

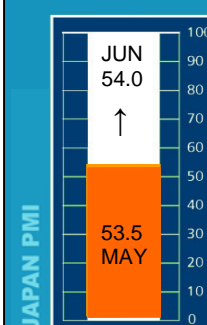
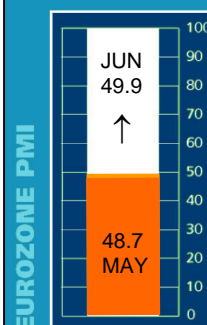
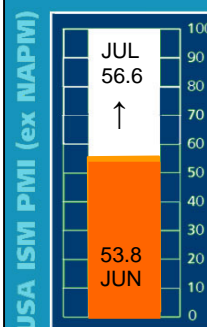
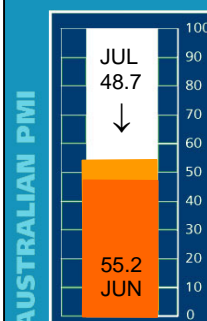
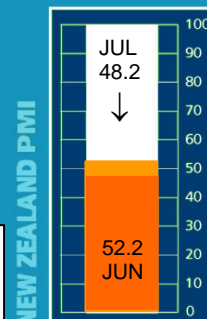
MANUFACTURING ACTIVITY AGAIN IN DECLINE

ANZ-BUSINESS NZ PMI FOR JULY 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 48.2 for July, indicating a decline for the third time in four months. The July 2005 result was also lower than the two expansion values recorded for July 2003 (51.6) and 2004 (57.5).
- The level of decline was centered on the Northern region (44.8), the only region recording a fall in activity. This was the lowest value the region has experienced since the survey began. The Canterbury/Westland region (54.6) experienced moderate expansion, while the Otago/Southland (50.7) and Central (50.6) regions were close to no change.
- Finished stocks* (50.2) again experienced the highest sub-index value. All other sub-indexes were in decline, with *production* (45.6) experiencing its lowest ever result. The remaining sub-indexes ranged in value between 48.6 and 49.4.
- Overall, most industry groups showed decline in July, although the *petroleum, coal, chemical & associated product* sector (51.0) showed slight expansion. The *machinery & equipment* sector (49.3) was close to no change, while other industries experienced values around 47.
- By size, the only firms experiencing expansion in July were large ones (101+ workers) (52.5). The remaining groups recorded very similar levels of decline, with medium-large firms (51-100 workers) (47.3) showing the lowest level of activity for the month.
- The July result continued the general trend of declines in activity over recent months, symptomatic of an overall decline in the economy. Many manufacturers are in the midst of a seasonal slowdown, with a drop off in orders both from domestic and overseas customers. Manufacturers have also noted increased competition from imported goods.



PRODUCTION

- The ANZ-Business NZ *production* diffusion index stood at 45.6 – the lowest ever value for this sub-index. The result was substantially below the July 2003 (49.2) and 2004 (59.3) figures.
- The *petroleum, coal, chemical & associated product sector* (46.5) and *the metal product sector* (46.1) sectors fared better than other industries in terms of the level of decline. Four other industries recorded values around 45.
- The Canterbury/Westland region (59.1) displayed a strong level of expansion for July, while the Otago/Southland region (50.0) indicated no change. Both North Island regions were in decline, as the Northern region (41.3) experienced its lowest ever level of production.

EMPLOYMENT

- The ANZ-Business NZ *employment* diffusion index (48.8) went back into decline after a slight recovery from its lowest ever value in May. The July value for 2005 was lower than both 2003 (51.5) and 2004 (52.1).
- Most industries experienced a decline in activity during July, although the *machinery & equipment manufacturing* sector (60.2) displayed strong expansion, followed by the *petroleum, coal, chemical & associated product sector* (53.5).
- All regions except the Central region (54.7) recorded a decline in employment activity for July. The lowest value was recorded by the Northern region (46.5), followed by the Canterbury/Westland region (47.0).

NEW ORDERS

- The ANZ-Business NZ *new orders* diffusion index for July (48.6) recorded a decline after two months of slight expansion in May and June. It was also the second consecutive time it recorded the lowest monthly value compared with the other sub-indexes. A low new orders value generally means a corresponding drop in production for the future.
- Results across industry groups were generally mixed. While the *metal product* sector (52.0) showed an expansion in activity, the *wood & paper product* sector (40.5) showed a very low level of activity.
- Both South Island regions experienced an increase in new orders during July. In contrast, the two North Island regions recorded moderate declines.

FINISHED STOCKS

- The ANZ-Business NZ *finished stocks* (50.2) sub-index again recorded the highest sub-index value in July. However, the 2005 value was lower than both 2003 (54.9) and 2004 (55.8).
- The *wood & paper product* (73.8) sector again recorded the highest level of expansion, while the *food, beverage & tobacco* (50.0) sector recorded no change.
- The Central region (57.0) recorded the only expansion in finished stocks for July, while finished stocks showed a strong decline in the Otago/Southland region (39.6).

DELIVERIES

- The ANZ-Business NZ *deliveries of raw materials* diffusion index stood at 49.4 in July.
- While the *petroleum, coal, chemical & associated product* (53.5) and *wood & paper product* (52.4) sectors showed some expansion, other industries showed no change or decline.
- All regions except the Northern region (41.3) recorded an expansion in deliveries. The highest level of expansion was recorded in the Canterbury/Westland region (60.6).

National Indexes	July 2003	July 2004	June 2005	July 2005
ANZ-Business NZ PMI	51.6	57.5	52.2	48.2
- Production	49.2	59.3	51.5	45.6
- Employment	51.5	52.1	51.9	48.8
- New orders	52.3	61.6	50.9	48.6
- Finished stocks	54.9	55.8	55.8	50.2
- Deliveries	52.1	54.5	53.9	49.4

Regional Indexes*	July 2003	July 2004	June 2005	July 2005
ANZ-Business NZ PMI	51.6	57.5	52.2	48.2
- Northern	51.5	60.6	50.5	44.8
- Central	51.5	55.2	53.0	50.6
- Canterbury / Westland	49.5	60.9	54.4	54.6
- Otago/Southland	55.0	45.8	54.7	50.7

*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 (August results): 16 September 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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