

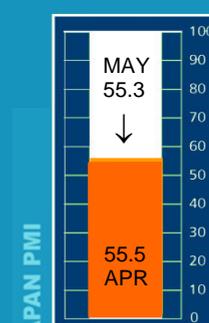
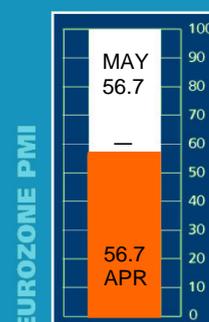
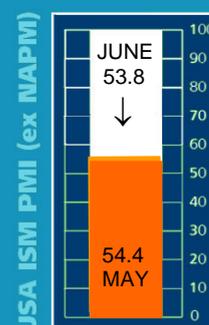
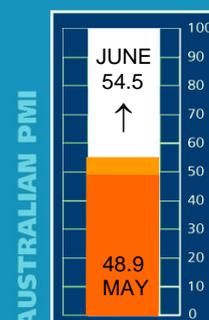
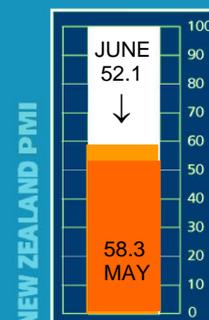
MANUFACTURING ACTIVITY DIPS BUT STILL POSITIVE

BUSINESS NZ PMI FOR JUNE 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 experienced a dip in activity in June to stand at 52.1, down 6.2 points from May. However, the result still showed positive expansion at levels similar to April. When compared with previous June figures, the 2006 result was higher than 2005, but lower than 2004 and almost identical to 2003.
- Activity by region showed a consistent pattern in the North Island but contrasting results in the South Island. The Canterbury/Westland region (46.7) continued to sway from positive to negative results, indicating a decline during June after a strong May value. In contrast, the Otago/Southland region (60.4) experienced its fourth consecutive increase in activity to show the highest level of expansion for June. The Central (53.6) and Northern (53.2) regions experienced similar levels of moderate expansion for the month.
- Four of the five seasonally adjusted main diffusion indexes recorded expansion for June 2006, with most values indicating moderate expansion. *New orders* (55.2) again recorded the highest value for the month, while *employment* (46.0) experienced its lowest ever value, just eclipsing the 46.2 recorded in November of last year.
- Results by industry groups showed varying levels of expansion. The *petroleum, coal, chemical & associated product* sector (60.4) showed the strongest expansion for the month, followed by the *food, beverage & tobacco* sector (56.2). The *metal product* sector (49.9) hovered around the no change mark.
- Results by firm size showed micro sized firms (1-10 workers) (46.5) as the only group in decline during June. The remaining firms increased in activity by increase in size, led by large firms (101+ workers) at 55.9.
- The 2006 June result was certainly not as strong as May, as expansion tended to fall back to similar levels in previous June months. Despite the dip, the percentage of positive comments (45.3%) compared with negative comments (54.6%) from manufacturers was almost unchanged from May. The reversing of trends over the last two years continues, with the domestic economy slowly softening but activity in the export market lifting. Given the lack of comments it appears that the recent adverse weather had only a minor impact on activity.



PRODUCTION

- The seasonally adjusted Business NZ *production* diffusion index for June stood at 53.6, down from 59.0 in May. The 2006 result was the second highest for a June month, only bettered by the 2004 (63.4) result.
- The *petroleum, coal, chemical & associated product* sector (64.1) showed very strong expansion in production for June, while the *metal product manufacturing* sector (50.0) went from a decline in May to no change for June.
- Production in most regions was relatively similar during June. The Otago/Southland region (57.5) experienced the strongest result, while the Canterbury/Westland region (42.9) experienced its worst ever production activity level.

EMPLOYMENT

- The seasonally adjusted Business NZ *employment* diffusion index (46.0) for June was down 7.5 points from May, and the lowest result for employment since the survey began. The previously lowest result was 46.2 in November 2005.
- Most industries experienced a decrease in employment during June. The *petroleum, coal, chemical & associated product* sector (50.0) was the best performing sector for the month, while the *machinery & equipment* sector (47.1) experienced the strongest decline.
- The Otago/Southland region (50.0) showed no change in employment during June, while the remaining regions all experienced moderate levels of decline.

NEW ORDERS

- The seasonally adjusted Business NZ *new orders* diffusion index for June (55.2) was again the highest sub-index value for the month. The June 2006 result was also higher than for the June 2005 and 2003 results, but still below the 2004 figure.
- The *petroleum, coal, chemical & associated product* sector (65.4) showed significant expansion during June, followed by the *food, beverage & tobacco* sector (60.0).
- The Otago/Southland region (67.5) continued to show strong expansion in June, while the Northern and Central regions (54.6 and 54.4 respectively) produced almost identical levels of expansion.

FINISHED STOCKS

- The seasonally adjusted Business NZ *finished stocks* (51.0) sub-index value for June showed slight expansion, but down compared with the previous two months. The 2006 result was also the lowest for a June month.
- The *food, beverage & tobacco* sector (60.0) continued to show expansion in stock levels, while the *machinery & equipment* sector (48.5) showed the strongest decline.
- Finished stocks in the Central region (48.2) continued to show decline for June. The Otago/Southland region (60.0) experienced the strongest result.

DELIVERIES

- The seasonally adjusted Business NZ *deliveries of raw materials* diffusion index stood at 53.6 in June, which has been relatively steady for the last four months.
- The *food, beverage & tobacco* sector (64.0) continued to show strong expansion in deliveries during June, followed by the *petroleum, coal, chemical & associated product* sector (61.5).
- The Canterbury/Westland region (48.2) experienced the only decline during June, while the Otago/Southland region (65.0) showed healthy expansion.

National Indexes	June 2003	June 2004	June 2005	June 2006
Business NZ PMI (s.a)	52.2	61.2	51.2	52.1
- Production (s.a)	51.2	63.4	51.3	53.6
- Employment (s.a)	50.5	53.9	49.8	46.0
- New orders (s.a)	54.5	68.5	51.7	55.2
- Finished stocks (s.a)	51.6	52.8	52.8	51.0
- Deliveries (s.a)	53.1	59.3	51.8	53.6

Regional Indexes*	June 2003	June 2004	June 2005	June 2006
Business NZ PMI (s.a)	52.2	61.2	51.2	52.1
- Northern	50.2	63.6	50.5	53.2
- Central	52.3	60.8	53.0	53.6
- Canterbury / Westland	56.4	62.4	54.4	46.7
- Otago/Southland	61.7	56.1	54.7	60.4

*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 (July results): 11 August 2006

WHAT IS THE PMI?

The Business NZ Performance of Manufacturing Index (PMI) is a composite index based on the diffusion indexes for production, new orders, delivered, inventories and employment with varying weights.

A PMI reading above 50 points indicates that manufacturing is generally expanding; below 50 that is declining. The distance from 50 is indicative of the strength of the expansion or decline.

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