

LITTLE CHRISTMAS CHEER FOR MANUFACTURERS

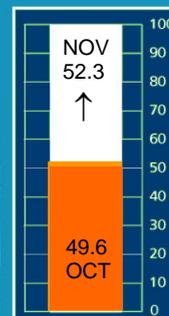
BUSINESS NZ PMI FOR NOVEMBER 2005

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 52.3 for November; up 2.7 points from October and reversing the fall from the September to October month. Despite the November 2005 value showing slight expansion, it was considerably below the consistent values of 65.0, 64.4 and 65.9 for the 2002-2004 November results, which have shown a strong pick up in activity that is typical in the lead up to Christmas.
- Activity by region did not show any real pattern between the two islands for November. The Central region (57.7) recorded the highest level of expansion for the first time since May 2005, while the Otago/Southland region (46.5) went from leading the regions for the previous three months to recording the lowest value in November. Both the Canterbury/Westland (54.3) and Northern (50.7) regions recorded some expansion during the month.
 - Production* (53.9) led the sub-indexes in November, closely followed by *stocks of finished products* (53.7). Both *new orders* (52.4) and *employment* (51.3) showed some expansion, while *deliveries* (50.0) showed no change.
- Results by industry groups showed considerable variation during November. The *petroleum, coal, chemical & associated product* sector (61.0) showed strong expansion, followed by the *food, beverage & tobacco* sector (57.9). In contrast, both the *metal product* (42.5) and *wood & paper product* (46.8) sectors showed a decline in activity.
- Small-medium sized firms (11-50 workers) (55.0) again displayed the strongest level of expansion during November. Other firms with the exception of micro firms (1-10 workers) (47.4) also showed some expansion.
- The 2005 November result was in stark contrast to those of the previous three years, when activity generally picked up due to seasonal influences. Comments from manufacturers show that the continued high value of the New Zealand dollar is causing significant issues for export oriented manufacturers, with some now finding their exports unprofitable. There is little mention of the Christmas period leading to increased activity, instead a period of further slowing.

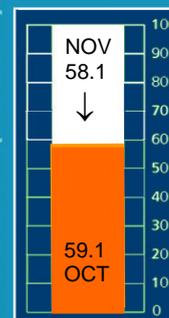
NEW ZEALAND PMI



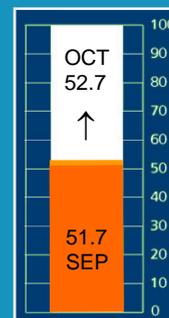
AUSTRALIAN PMI



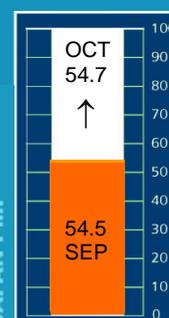
USA ISM PMI (ex NAPM)



EUROZONE PMI



JAPAN PMI



PRODUCTION

- The Business NZ *production* diffusion index stood at 53.9, which was the leading sub-index for the month. However, the 2005 result was well below the values ranging from 66.9-69.8 for the previous three November months.
- The *petroleum, coal, chemical & associated* sector (62.5) recorded strong expansion during November, followed by the *food, beverage & tobacco* sector (60.0).
- The Central region (58.5) led the way in terms of production activity during November, while the remaining three regions had almost identical results, ranging from 52.5-52.7.

EMPLOYMENT

- The Business NZ *employment* diffusion index (51.3) experienced some expansion during November, but well below the previous results for the November month, which is typically a time when extra workers are bought in for the seasonal pickup.
- Results were spread in terms of industry performance, with the *food, beverage & tobacco* sector (61.4) showing strong expansion. However, the *metal product* sector (46.0) recorded another decline.
- The Central region (59.6) was the only one to experience expansion in employment during November. Both South Island regions showed no change (i.e. 50.0), while the Northern region recorded a slight decline (48.8).

NEW ORDERS

- The Business NZ *new orders* diffusion index for November (52.4) improved from the October result, but was still significantly down from the values at the 69-point level for the previous three November months.
- The *petroleum, coal, chemical & associated product* sector (66.7) showed healthy expansion, compared with the *metal product* sector (39.0) which showed its lowest ever level of activity for new orders.
- The Otago/Southland region (45.0) was the only one that showed a decline in new orders during November, while the Central region (58.5) displayed the strongest level of expansion.

FINISHED STOCKS

- The Business NZ *finished stocks* (53.7) sub-index value for November was at its highest since June 2005, and unlike the other sub-indexes did not record it's lowest result of the four November month values recorded so far.
- The *wood & paper product* sector (63.6) again recorded strong expansion during November, followed by the *machinery & equipment* sector (56.0).
- The Canterbury/Westland region (59.5) continued to record particularly strong expansion in November, which has been typical of the region in previous years. The Central region (57.4) recorded the same result as October, while the Otago/Southland region (42.5) experienced the only decline.

DELIVERIES

- The Business NZ *deliveries of raw materials* diffusion index stood at 50.0 in November, indicating no change for the month. The value was also down on previous November months.
- The *petroleum, coal, chemical & associated product* sector (65.3) showed healthy expansion for November, while most other industries generally displayed various levels of decline.
- The Otago/Southland region (37.5) displayed its second ever lowest level of decline, while the Northern region (49.2) showed a minimal decline.

National Indexes	Nov 2002	Nov 2003	Nov 2004	Nov 2005
Business NZ PMI	65.0	64.4	65.9	52.3
- Production	69.8	66.9	69.5	53.9
- Employment	57.8	61.2	58.2	51.3
- New orders	69.4	69.1	69.8	52.4
- Finished stocks	56.0	51.1	59.3	53.7
- Deliveries	63.6	63.9	66.9	50.0

Regional Indexes*	Nov 2002	Nov 2003	Nov 2004	Nov 2005
Business NZ PMI	65.0	64.4	65.9	52.3
- Northern	65.4	61.3	68.0	50.7
- Central	67.1	63.2	62.2	57.7
- Canterbury / Westland	58.8	69.1	61.0	54.3
- Otago/Southland	65.2	73.4	67.9	46.5

*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 (December results): 27 January 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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