

MANUFACTURING ACTIVITY SUBDUED

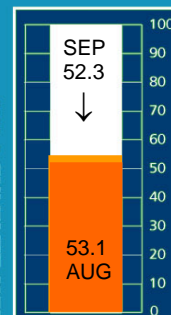
BUSINESS NZ PMI FOR SEPTEMBER 2005

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.

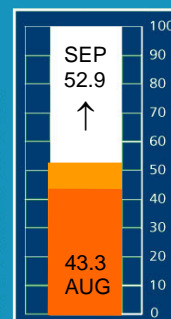
KEY FINDINGS

- The Business NZ Performance of Manufacturing Index was 52.3 for September; down 0.8 points from August and almost identical to the level of activity experienced in June. The September 2005 result was considerably lower than the previous three September results, ranging between 56.8-60.5 for 2002 to 2004.
- The level of activity by region was very similar to the August results. The Otago/Southland region (59.8) continued to record the highest level of expansion, followed by the two North Island regions with the Central region (53.1) slightly ahead of the Northern region (52.1). The Canterbury/Westland region (46.7) was the only region to record a fall in activity, the strongest level of decline since the survey began, for the second consecutive month.
- Production* (53.9) experienced its highest level of activity since February, and led the sub-indexes in September. All other sub-indexes displayed relatively similar levels of expansion, with *employment* (48.8) experiencing the only decline.
- Results by industry groups were generally mixed during September, with the *food, beverage & tobacco* sector (60.3) showing a strong level of expansion, compared with the *petroleum, coal, chemical & associated product* sector (50.0) showing no change.
- All firms by size showed expansion during September, which had not been the case for the previous two months. Medium-large sized firms (51-100 workers) (54.3) recorded the highest level of activity for the month, while large firms (101+ workers) (50.9) recorded the lowest level of expansion.
- The lacklustre September result shows a continued softening in the manufacturing sector compared with previous years. Comments from manufacturers have again centred on a lower number of orders for this time of year, with many stating the uncertainty surrounding the general election playing a part in unseasonably flat activity. Exchange rate issues and difficulty in obtaining staff still persist.

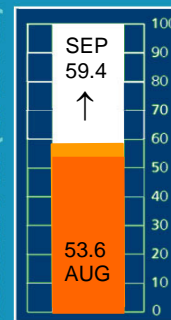
NEW ZEALAND PMI



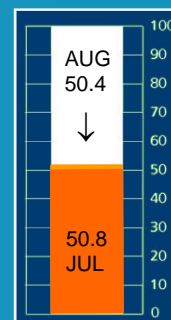
AUSTRALIAN PMI



USA ISM PMI (ex NAPM)



EUROZONE PMI



JAPAN PMI



PRODUCTION

- The Business NZ *production* diffusion index stood at 53.9, which was almost identical to the August value, and the highest value of the major sub-indexes for the month. However, the 2005 result was well below the values recorded for the previous three September results.
- The *food, beverage & tobacco* (63.5) and *machinery & equipment manufacturing* (54.3) sectors showed healthy levels of expansion during September, while the *petroleum, coal, chemical & associated product* sector (47.7) was in decline.
- The Otago/Southland region (63.3) displayed a strong level of expansion for September that was also similar to the August result. The Canterbury/Westland region (44.2) was the only one to record a decline.

EMPLOYMENT

- The Business NZ *employment* diffusion index (48.8) continues to change from month to month in terms of slight expansion and decline, with the September result showing a minor decline. The September 2005 value was the first time a September value recorded a decline.
- Industries tended to exhibit lower values for employment, with only the *food, beverage & tobacco* sector (55.4) showing moderate expansion. The *metal product* sector (41.0) recorded a strong decline.
- All regions recorded a decline in employment activity for September. The highest value was recorded by the Northern region (49.3), closely followed by the Central region (49.2).

NEW ORDERS

- The Business NZ *new orders* diffusion index for September (53.5) was almost identical to the August result, although significantly down from previous September values.
- The *food, beverage & tobacco* sector (63.5) showed healthy expansion, while the *petroleum, coal, chemical & associated product* sector (50.0) showed no change.
- Both North Island regions again showed expansion in September, while the South Island was split with the Otago/Southland region (66.7) continuing to record the highest value throughout the country and the Canterbury/Westland region (48.1) showing the lowest.

FINISHED STOCKS

- The Business NZ *finished stocks* (52.3) sub-index value for September was exactly the same as August, although below the previous September results.
- The *metal product* sector (59.0) continued to record strong expansion during September, closely followed by the *food, beverage & tobacco* sector (58.1).
- All regions with the exception of the Canterbury/Westland region (50.0) recorded expansion in September, led by the Otago/Southland region (53.3).

DELIVERIES

- The Business NZ *deliveries of raw materials* diffusion index stood at 51.7 in September, which was below previous results for September.
- While the *petroleum, coal, chemical & associated product* sector (56.8) continued to show healthy expansion; most other industries displayed only minimal levels of expansion.
- All regions except the Canterbury/Westland region (44.2) recorded an expansion in deliveries. The highest level of expansion was recorded in the Otago/Southland region (66.7), while the Central region (50.8) was close to showing no change.

National Indexes	Sep 2002	Sep 2003	Sep 2004	Sep 2005
Business NZ PMI	60.5	59.6	56.8	52.3
- Production	63.8	63.0	59.1	53.9
- Employment	52.7	53.5	53.0	48.8
- New orders	64.1	61.8	58.6	53.5
- Finished stocks	56.0	57.5	56.1	52.3
- Deliveries	60.9	58.7	55.1	51.7

Regional Indexes*	Sep 2002	Sep 2003	Sep 2004	Sep 2005
Business NZ PMI	60.5	59.6	56.8	52.3
- Northern	58.1	62.1	58.5	52.1
- Central	60.3	57.0	54.3	53.1
- Canterbury / Westland	63.6	65.2	54.9	46.7
- Otago/Southland	67.0	52.1	62.3	59.8

*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 (October results): 11 November 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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