

MANUFACTURING ACTIVITY PICKS UP

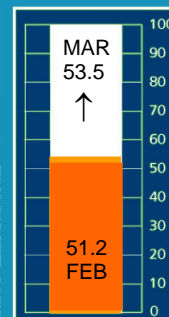
BUSINESS NZ PMI FOR MARCH 2006

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.

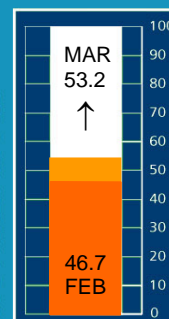
KEY FINDINGS

- The Business NZ seasonally adjusted Performance of Manufacturing Index increased 2.3 points from February to stand at 53.5 for March. This was the second consecutive increase in manufacturing activity after a five-month period of decline. In comparison, the March 2006 result was the second highest of the four March results so far recorded.
- Activity by region was generally similar across the regions, with the exception of the Central region (50.8), which was close to no change in activity. The highest result was for the Otago/Southland region (55.8), followed by the Canterbury/Westland and Northern regions (54.2 and 53.8 respectively).
- Three of the five seasonally adjusted main diffusion indexes recorded very similar levels of expansion for the March 2006. Both *production* and *new orders* (54.5) recorded the same highest value for the month, closely followed by *deliveries* (54.3). *Employment* (50.0) experienced no change after nine of the last ten months in decline, while *finished stocks* (49.0) continued to show a decline.
- Results by industry groups showed general expansion for March. The *food, beverage & tobacco* sector (57.2) rebounded from recent declines to display healthy expansion for the month, closely followed by the *metal product* sector (56.8). The *petroleum, coal, chemical & associated product* sector (50.1) was almost unchanged in activity for March.
- Micro sized firms (1-10 workers) (54.6) displayed the highest level of expansion of firm group by size for March, followed by small-medium firms (11-50) (53.7). All other firms by size also showed some expansion during March.
- The March result builds on slight improvement in the manufacturing sector for February, and was relatively in line with previous March results. Comments from manufacturers were almost equally split between positive and negative factors influencing main activity for their business. Of those that mentioned the value of the NZ\$, around 60% saw the dollar's recent decline as a positive influence, while a small fraction (around 9%) saw it as a negative influence given the increased cost of imports. Around 33% were still negatively influenced by the NZ\$ as its value was still considered too high in the competitive export market.

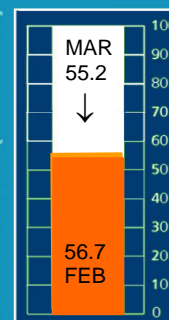
NEW ZEALAND PMI



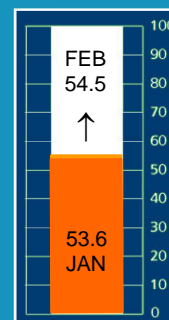
AUSTRALIAN PMI



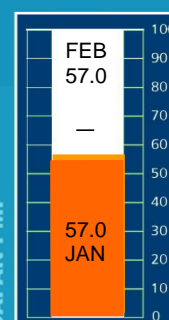
USA ISM PMI (ex NAPMI)



EUROZONE PMI



JAPAN PMI



PRODUCTION

- The seasonally adjusted Business NZ *production* diffusion index stood at 54.5, up from 52.3 in January and the strongest value since February 2005. The 2006 result was also higher than all but the March 2004 result of 61.2.
- The *metal product* sector (64.2) showed particularly strong expansion for March, although the *machinery & equipment* sector (48.0) was in decline.
- Production in the Northern region stood at 56.2 for March, which was the highest value for the region since February 2005. The Central region (50.0) was the only one not to experience expansion in production during the month.

EMPLOYMENT

- The seasonally adjusted Business NZ *employment* diffusion index (50.0) for March showed no change, but was still the highest result since August 2005. Of the four March results, the 2006 result followed a similar pattern of previous years indicating almost no change.
- Results by industry were generally mixed, with the *food, beverage & tobacco* sector (55.4) recording the strongest level of expansion, while the *petroleum, coal, chemical & associated product* sector (45.2) displayed a strong decline for the month.
- The Otago/Southland region (56.8) was the only region to show healthy expansion during March. The Canterbury/Westland region (51.3) produced the second highest result, while the remaining regions were unchanged.

NEW ORDERS

- The seasonally adjusted Business NZ *new orders* diffusion index for March (54.5) continued to build on expansion from February, after lacklustre results during the second half of 2005. The March 2006 result was also higher than March 2003 and 2005.
- Both the *metal product* and *food, beverage & tobacco* sectors (58.5 and 56.8 respectively) recorded healthy levels of expansion, while the *petroleum, coal, chemical & associated product* sector (51.2) showed only slight expansion.
- The Otago/Southland region (59.1) showed strong expansion for March, with all other regions showing varying levels of expansion.

FINISHED STOCKS

- The seasonally adjusted Business NZ *finished stocks* (49.0) sub-index value for March continued to show a decline, although the March figure was the highest for 2006 so far. The March 2006 result was also the lowest of the four March months recorded.
- Results for finished stocks were mixed by industry, with the *food, beverage & tobacco* sector (55.4) recording the strongest result.
- Finished stocks in the Canterbury/Westland region (52.5) were again the only sub-index by region to show any expansion for March. All other regions experienced a decline in activity, with the Otago/Southland region (45.5) again producing the lowest value.

DELIVERIES

- The seasonally adjusted Business NZ *deliveries of raw materials* diffusion index stood at 54.3 in March, which for March values was only bettered by the March 2004 result (59.6).
- The *food, beverage & tobacco* sector (62.2) showed strong expansion in deliveries during March, while the *wood & paper product* sector (50.0) showed no change.
- Both South Island regions recorded similar levels of expansion to delivery activity during March, while both North Island regions also showed expansion to a lesser degree.

National Indexes	Mar 2003	Mar 2004	Mar 2005	Mar 2006
Business NZ PMI (s.a)	52.8	59.0	51.6	53.5
- Production (s.a)	52.4	61.2	53.1	54.5
- Employment (s.a)	50.9	50.8	48.2	50.0
- New orders (s.a)	53.3	63.1	50.7	54.5
- Finished stocks (s.a)	53.1	52.3	51.6	49.0
- Deliveries (s.a)	51.4	59.6	52.3	54.3

Regional Indexes*	Mar 2003	Mar 2004	Mar 2005	Mar 2006
Business NZ PMI (s.a)	52.8	59.0	51.6	53.5
- Northern	48.1	58.3	52.6	53.8
- Central	55.2	60.0	47.8	50.8
- Canterbury / Westland	63.1	64.6	50.6	54.2
- Otago/Southland	48.0	49.1	54.3	55.8

*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 (April results): 12 May 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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