

PERFORMANCE OF MANUFACTURING INDEX

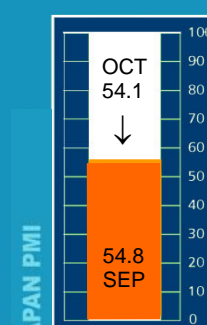
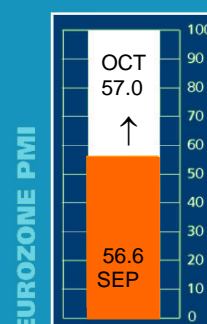
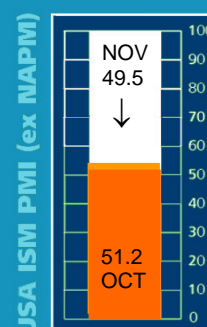
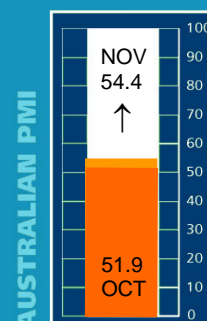
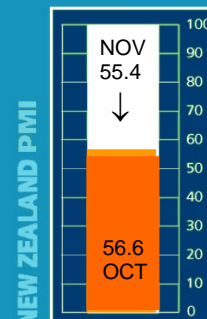
CHRISTMAS CHEER FOR MANUFACTURERS

BUSINESS NZ PMI FOR NOVEMBER 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 PMI for November (55.4) is a welcome result compared with this time last year, as the PMI produced a consecutive healthy value leading into Christmas. Although the November PMI value showed a slightly smaller increase in activity than October (down 1.2 points), it represented a two-month period of expansion not equaled since early 2005. Looking over the history of the survey, results for November 2002-2004 ranged between 57.0-58.5.
- Given the continued positive national result, unadjusted activity was both expansionary and consistent across the country. Results between the four Regional Associations ranged from 61.5-64.3, with the Canterbury/Westland region again leading the charge. November 2006 was particularly good for North Island participants. Both the Northern (63.1) and Central (61.5) regions displayed the highest level of activity since November 2004, with strong production levels helping to drive activity. Lastly, the Otago/Southland region (61.8) continued to show post-60 results leading into Xmas.
- All seasonally adjusted main diffusion indexes again recorded expansion for November 2006, the first time this has happened in consecutive months since April-May this year. Consistently high levels of *production* continue to be the key element in boosting activity, with the November result (58.7) almost identical to October. At the same time, *new orders* (57.0) remained healthy during this period. The remaining three indexes remain relatively stable from last month, while the five positive index results contrasted sharply with the five negative results for November 2005.
- The level of expansion was generally strong across all industry groups. The *petroleum, coal, chemical & associated product* and *food, beverage & tobacco* sectors produced almost identical results for November (66.9 and 66.8 respectively). While the *wood & paper product* sector (58.5) produced the lowest result for November, it was still the highest result for that sector since September 2005.
- There was a strong shift towards positive comments by manufacturers during November, up from 49.5% in October to 57.1% in November. With general indicators showing a slow but sure changeover period for the economy of moving away from consumer driven demand and more towards exporting, manufacturers are at the forefront of that change. However, the continued upward movements of the New Zealand dollar still leaves room for concern, especially when 35% of PMI respondents site the high New Zealand dollar as a key inhibitor on increasing activity during November.



PRODUCTION

- The seasonally adjusted Business NZ *production* diffusion index for November stood at 58.7, which was almost identical to the October result of 58.6. The 2006 value was also higher than the 2003 value.
- The *petroleum, coal, chemical & associated product* sector (76.4) produced a significant result to lead production levels for November. The remaining sectors also showed healthy levels of expansion.
- All regions produced post-65 results for November, led by the Canterbury/Westland region (73.4). The remaining regions all had very consistent results, ranging between 65.4-68.3.

EMPLOYMENT

- The seasonally adjusted Business NZ *employment* diffusion index (50.2) for November produced a result very close to 'no change'. However, given the largely negative results in employment over the last two years, any value on the up side is encouraging.
- Most industries experienced minor increases in employment during November. The strongest result was for the *food, beverage and tobacco* sector (63.0), which is largely unsurprising given this time of year.
- The Otago/Southland region (59.6) again led the way in terms of employment activity for November, followed by the Central region (56.1). The remaining regions showed moderate increases in activity.

NEW ORDERS

- The seasonally adjusted Business NZ *new orders* diffusion index for November (57.0) slipped to the second highest sub-index value for the month, and the first time it has not been the single highest index since December 2005.
- The *food, beverage & tobacco* sector (68.5) continued to record strong expansion during November, followed by the *machinery & equipment* sector (65.5).
- The level of new orders across the regions was fairly similar, led by the Canterbury/Westland region (68.8). The remaining regions had levels of expansion ranging from 62.2-65.3.

FINISHED STOCKS

- The seasonally adjusted Business NZ *finished stocks* (53.9) sub-index value for November showed the third consecutive increase in activity, showing moderate expansion. It was also the second highest result for a November month.
- The *petroleum, coal, chemical & associated product* sector (65.3) again showed healthy expansion in stock levels, while the remaining sectors produced results in the mid to late 50s.
- Finished stocks were in positive territory for all regions (led by the Northern region at 59.9), with values decreasing the further down the country one travels.

DELIVERIES

- The seasonally adjusted Business NZ *deliveries of raw materials* diffusion index stood at 55.8 in November, which was the second highest result since January 2005, and only bettered during that period by the October 2006 result.
- The *food, beverage & tobacco* sector (70.4) result for November produced an almost identical value to the previous month in terms of deliveries.
- The Northern region (63.4) experienced the highest level of expansion during November, closely followed by the Canterbury/Westland region (62.5).

National Indexes	Nov 2003	Nov 2004	Nov 2005	Nov 2006
Business NZ PMI (s.a)	57.0	58.5	44.9	55.4
- Production (s.a)	57.3	59.9	44.3	58.7
- Employment (s.a)	56.4	53.4	46.5	50.2
- New orders (s.a)	61.2	61.9	44.5	57.0
- Finished stocks (s.a)	46.6	54.8	49.2	53.9
- Deliveries (s.a)	57.4	60.4	43.5	55.8

Regional Indexes*	Nov 2003	Nov 2004	Nov 2005	Nov 2006
Business NZ PMI (s.a)	57.0	58.5	44.9	55.4
- Northern	61.3	68.0	50.7	63.1
- Central	63.2	62.2	57.7	61.5
- Canterbury / Westland	69.1	61.0	54.3	64.3
- Otago/Southland	73.4	67.9	46.5	61.8

*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 (December results): 26 January 2007

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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