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IMMEDIATE RELEASE

Confidence Drops Again

The latest New Zealand Manufacturers and Exporters Association (NZMEA) Survey of Business Conditions completed during April 2008, shows total sales in March 2008 decreased -1.2% (export sales decreased by -9% with domestic sales increasing 5%) on March 2007.

The NZMEA survey sample this month covered NZ\$374m in annualised sales, with an export content of 40%.

Net confidence dropped to -36, down from the -10 result reported last month.

The current performance index (a combination of profitability and cash flow) is at 98.5, up from the previous month's 97.5, the change index (capacity utilisation, staff levels, orders and inventories) dropped to 100 from 102 the previous month, and the forecast index (investment, sales, profitability and staff) is at 101, down on the previous month's result of 104. Anything less than 100 indicates a contraction.

Constraints reported 9% capacity, 27% staff and markets 64%.

Staff numbers for March increased by just over 3.6%.

"These results from this survey now mirror the weaknesses that are spreading throughout the New Zealand economy, as well as the manufacturing and exporting sectors. A number of the respondents report that sales figures are holding up, although forward orders have slowed. Domestic sales have also slowed from the previous month, although not as sharply as export sales", says Chief Executive John Walley.

"The availability of skilled staff remains a concern, as do exchange rates, although the NZD/AUS is providing some relief. Respondents report significant lifts in the cost of materials, especially steel, and other metal prices have risen significantly, adding further pressure to margins".

"There are also worries around the breakdown of complex supply chains with the continued loss of activity offshore, and these factors have combined to push confidence levels down even further; a trend for most of this year".

"We had anticipated some feedback on the China FTA from respondents. However, at this point; it appears that the Mutual Recognition Agreement will make no practical difference to how New Zealand manufacturers of elaborately transformed product can access the Chinese market. Unless this is rectified, the agreement will be pretty well empty for elaborately transformed manufactures and exports".

"The continued loss of top tier companies such as Fisher and Paykel is having an inevitable impact on what remains of the manufacturing sector, and some respondents report that the viability of their suppliers might be in doubt".

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The Canterbury Manufacturers' Association (CMA) has broadened the scope of its survey to include respondents throughout New Zealand. As a result, the survey will now be released by New Zealand Manufacturers and Exporters Association (NZMEA).

NEW ZEALAND MANUFACTURERS AND EXPORTERS ASSOCIATION

Survey of Business Conditions – March 2007 compared with March 2008

SAMPLE SIZE: The Survey respondents represent elaborate transformed manufacturers with annual sales of approximately \$374 million.

CHANGE OVER 12 MONTH PERIOD

(The table below represents the above returns expressed as percentages)

		March	Feb
TOTAL TURNOVER:	Export /Domestic ratio	40/60	64/36
	% Change in Total Turnover DECREASED	-1.24	8.31
DOMESTIC TURNOVER:	% of respondents reporting a rise	50	60
	% of respondents reporting a fall	50	30
	% of respondents reporting no change	0	10
	% Change in Ave Domestic Turnover INCREASED	5.05	6.45
EXPORT TURNOVER:	% of exporters reporting a rise	11	62
	% of exporters reporting a fall	77	37
	% of exporters reporting no change	11	0
	% Change in Average Export Turnover DECREASED	-9.13	8.24
STAFF NUMBERS:	% of respondents reporting a rise	40	70
	% of respondents reporting a fall	30	20
	% of respondents reporting no change	30	10
	% Change in Average Staff Numbers INCREASED	3.68	5.11

CHANGE OVER 12 MONTH PERIOD

(The table below represents the above returns expressed as percentages.)

	Large Fall (Over 15%)		Modest Fall (2.5%-15%)		No Change (Within 2.5%)		Modest Rise (2.5%-15%)		Large Rise (Over 15%)	
	Mar	Feb	Mar	Feb	Mar	Feb	Mar	Feb	Mar	Feb
Profitability (YoY)	18	27	45	9	9	18	9	36	18	9
Cashflow (YoY)	9	18	27	27	18	27	36	27	9	0
Exchange Rate (YoY)	18	9	18	36	45	9	18	36	0	9
Investment Forecast	0	9	36	18	36	36	18	9	0	27
Sales Forecast	0	0	18	9	27	27	55	55	9	9
Profit Forecast	0	0	27	27	27	18	45	55	0	0
Staffing Forecast	0	0	18	9	82	45	0	45	0	0
Confidence	Very Negative		Negative		Neutral		Positive		Very Positive	
	0	0	55	36	27	36	18	27	0	0
Constraint	Production		Skilled Staff		Capital		Market			
	9	0	27	55	0	0	64	40		

Net Confidence	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
2003	+21	-6	+12	-11	-5	+12	-6	0	+11	+40	+29	+33
2004	+5	+19	+41	+41	+36	+50	+12	+20	+7	0	-7	+5
2005	+13	-13	-6	-25	-33	-13	-13	-36	-27	-32	-29	-33
2006	-47	-13	-23	-29	-42	-13	-14	+8	+15	-7	40	0
2007	-17	0	-8	25	8	-17	-60	-18	+8	0	-8	-9
2008	+8	-10	-36									

Index (base =100)	Mar 07	April 07	May 07	June 07	July 06	Aug 07	Sept 07	Oct 06	Nov 07	Dec 07	Jan 08	Feb 08	Mar 08
Performance	94	95	96	95.5	96	98.5	98	97	97	97.5	101	97.5	98.5
Forecast	102	105	102	102	99	102	101	103	106	104.2	105.75	104.25	101
Change	99	99	103	103	102	103	101	104	104	99	102	102	100