CANTERBURY MANUFACTURERS' ASSOCIATION

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IMMEDIATE RELEASE

Business Re-engineering

The latest Canterbury Manufacturers' Association (CMA) Survey of Business Conditions completed during March 2008, shows total sales in February 2008 increased 8.3% (export sales increased by 8.2% with domestic sales increasing 6.45%) on February 2007.

The CMA survey sample this month covered NZ$263m in annualised sales, with an export content of 64%.

Net confidence dropped to -10, down from the 8 result reported last month.

The current performance index (a combination of profitability and cash flow) is at 97.5, down from the previous month's 101, the change index (capacity utilisation, staff levels, orders and inventories) remained at 102 from the previous month, and the forecast index (investment, sales, profitability and staff) is at 104.2, down on the previous month's result of 105.75. Anything less than 100 indicates a contraction.

Constraints reported 0% production, 55% staff and markets 40%.

Staff numbers for September increased by just over 5.1%.

"The sales numbers have held up on last month's survey. Once again, confidence has slipped. Some of our respondents report that activity levels remain strong and that their markets are buoyant, while others continue to struggle due to the exchange rates and competition from low cost imports. Overall, margins have been squeezed and there are concerns around tightening credit liquidity and a slowdown in the domestic sectors; all have impacted confidence", says Chief Executive John Walley.

"Perhaps the main concern for manufacturers at present is the shortage of skilled and semi skilled labour. The overall labour market remains tight and respondents tell us that they are focusing on hiring staff for key areas of their operations. We are not seeing the numbers of people coming into the work forces to replace those people who are lost, often to Australia".

"A question frequently asked of manufacturers and exporters, is if things are so bad, then how do companies in the sector still manage to remain in business. The sentiment expressed around this survey is that manufacturers and exporters have been through tough times in recent years and they must consistently re-evaluate and re-engineer their business models to deal with the pressures".

"Manufacturing activity requires companies focus on longer term planning and they are not always in a position to exploit short term opportunities, or conversely, immediately respond to shocks".

"The survey shows that the margin pressure still exists, and highlights a forward concern for the domestic economy, and pressure on the external sector from the combination of high interest and high exchange rates".

"While our respondents re-engineer their businesses, it is time for the Government to re-engineer monetary policy".

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CANTERBURY MANUFACTURERS' ASSOCIATION
Survey of Business Conditions – February 2007 compared with February 2008

SAMPLE SIZE: The Survey respondents represent elaborate transformed manufacturers with annual sales of approximately $263 million.

CHANGE OVER 12 MONTH PERIOD
(The table below represents the above returns expressed as percentages)

		Feb	Jan
TOTAL TURNOVER:	Export /Domestic ratio	64/36	62/38
	% Change in **Total Turnover INCREASED**	8.31	8.55
DOMESTIC TURNOVER:	% of respondents reporting a rise	60	45
	% of respondents reporting a fall	30	54
	% of respondents reporting no change	10	0
	% Change in Ave **Domestic Turnover INCREASED**	6.45	2.11
EXPORT TURNOVER:	% of exporters reporting a rise	62	40
	% of exporters reporting a fall	37	60
	% of exporters reporting no change	0	0
	% Change in Average **Export Turnover INCREASED**	8.24	12.90
STAFF NUMBERS:	% of respondents reporting a rise	70	67
	% of respondents reporting a fall	20	25
	% of respondents reporting no change	10	8
	% Change in Average **Staff Numbers INCREASED**	5.11	2.92

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%)	
	Feb	**Jan**	**Feb**	**Jan**	**Feb**	**Jan**	**Feb**	**Jan**	**Feb**	**Jan**
Profitability (YoY)	27	23	9	0	18	31	36	46	9	0
Cashflow (YoY)	18	15	27	8	27	23	27	54	0	0
Exchange Rate (YoY)	9	15	36	8	9	46	36	31	9	0
Investment Forecast	9	0	18	23	36	31	9	31	27	15
Sales Forecast	0	0	9	8	27	38	55	46	9	8
Profit Forecast	0	0	27	15	18	23	55	54	0	8
Staffing Forecast	0	0	9	0	45	69	45	31	0	0
	Very Negative		**Negative**		**Neutral**		**Positive**		**Very Positive**	
Confidence	0	0	36	15	36	62	27	23	0	0
Constraint	**Production**		**Skilled Staff**		**Capital**		**Market**			
	0	8	55	31	0	0	40	45		

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										

Index (base =100)	**Feb 07**	**Mar 07**	**April 07**	**May 07**	**June 07**	**July 06**	**Aug 07**	**Sept 07**	**Oct 06**	**Nov 07**	**Dec 07**	**Jan 08**	**Feb 08**
Performance	93	94	95	96	95.5	96	98.5	98	97	97	97.5	101	97.5
Forecast	101	102	105	102	102	99	102	101	103	106	104.2	105.75	104.25
Change	100	99	99	103	103	102	103	101	104	104	99	102	102