

4 March 2008

IMMEDIATE RELEASE

If you are not selling to Australia, it's getting worse

The latest Canterbury Manufacturers' Association (CMA) Survey of Business Conditions completed during February 2008, shows total sales in January 2008 increased 8.55% (export sales increased by 12.9% with domestic sales increasing 2%) on January 2007.

The CMA survey sample this month covered NZ\$258m in annualised sales, with an export content of 62%.

Net confidence increased to 8, up from the -10 result reported last month.

The current performance index (a combination of profitability and cash flow) is at 101, up from the previous month's 97.5, the change index (capacity utilisation, staff levels, orders and inventories) is at 102, up on the previous month's result of 99, and the forecast index (investment, sales, profitability and staff) is at 105.75, up on the previous month's result of 105.75. Anything less than 100 indicates a contraction.

Constraints reported 8% production, 31% staff and markets 62%.

Staff numbers for January increased by just over 2.9%.

"The feeling amongst respondents is that if you are not exporting to Australia at present, you are likely wondering why you are exporting at all. A good number of our respondents see Australia as a significant market, so with a stronger Australian dollar and maybe a set of input cost in US\$, it is not hard to see why sentiment has improved a bit", says Chief Executive John Walley. "There has also been a faster start to the year as the extra week of holiday period pushed more work into the New Year".

"Freight volumes are holding up although respondents report that costs are increasing, and there is still strength in construction and infrastructure projects in New Zealand. There is concern as to the brittleness of the domestic economy. With the building sectors expected to cool, this will have an impact on some domestically focused manufacturers".

"On the export side, Australia is one of the most robust economies in the world right now and that presents opportunities for New Zealand companies that sell there. Export turnover increased in January. For those selling beyond Australia the pressure on margins and revenues continue to mount. It is worth noting that the survey was closed before the latest record breaking NZ\$ cross on the US\$ and we expect more New Zealand based manufacturers to downsize and move offshore".

"There is no denying that the problems within the US economy and world-wide credit fears are having an impact on New Zealand, and an increasing number of people are now recognising that the two economy problem cannot continue. New Zealand has the largest spread between the rate of inflation and interest rates in the OECD and as interest and exchange rates bite, the Government must provide some answers".

“A possible solution is a variable rate compulsory superannuation scheme, similar to the model used by Singapore, that could replace or work alongside the OCR as a monetary policy tool. This is a solution that could benefit all of us, yet politicians refuse to reset policy frameworks to reduce the interest rate spread and provide assistance and support for the overall economy”.

“One respondent to our survey pointed to Dr. Cullen’s comments this week that relief for local exporters will have to wait until global investors regain confidence in the US economy. It is a sure sign that politicians are out of ideas or unwilling to show leadership when they claim nothing can be done, or it is someone else’s fault”.

For more information contact:

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CANTERBURY MANUFACTURERS' ASSOCIATION

Survey of Business Conditions – January 2007 compared with January 2008

SAMPLE SIZE: The Survey respondents represent elaborate transformed manufacturers with annual sales of approximately \$258 million.

CHANGE OVER 12 MONTH PERIOD

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

		Jan	Dec
<u>TOTAL TURNOVER:</u>	Export /Domestic ratio	62/38	51/49
	% Change in Total Turnover INCREASED	8.55	16.6
<u>DOMESTIC TURNOVER:</u>	% of respondents reporting a rise	45	60
	% of respondents reporting a fall	54	40
	% of respondents reporting no change	0	0
	% Change in Ave Domestic Turnover INCREASED	2.11	21.77
<u>EXPORT TURNOVER:</u>	% of exporters reporting a rise	40	44
	% of exporters reporting a fall	60	44
	% of exporters reporting no change	0	11
	% Change in Average Export Turnover INCREASED	12.90	12.11
<u>STAFF NUMBERS:</u>	% of respondents reporting a rise	67	45
	% of respondents reporting a fall	25	36
	% of respondents reporting no change	8	18
	% Change in Average Staff Numbers INCREASED	2.92	4.82

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%)	
	Jan	Dec	Jan	Dec	Jan	Dec	Jan	Dec	Jan	Dec
Profitability (YoY)	23	27	0	27	31	18	46	27	0	0
Cashflow (YoY)	15	10	8	20	23	30	54	30	0	10
Exchange Rate (YoY)	15	20	8	20	46	30	31	30	0	0
Investment Forecast	0	0	23	27	31	18	31	18	15	36
<i>Sales Forecast</i>	0	0	8	18	38	27	46	55	8	0
Profit Forecast	0	0	15	18	23	27	54	55	8	0
Staffing Forecast	0	0	0	18	69	45	31	36	0	0
Confidence	Very Negative		Negative		Neutral		Positive		Very Positive	
	0	0	15	40	62	30	23	30	0	0
Constraint	Production		Skilled Staff		Capital		Market			
	8	18	31	18	0	0	62	64		

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	-10
2008	+8											

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