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## *IMMEDIATE RELEASE*

### **Look behind the numbers.**

The latest Canterbury Manufacturers' Association (CMA) Survey of Business Conditions completed during December 2007, shows total sales in November 2007 increased 9.8% (export sales increased by 14.5% with domestic sales increasing 6.3%) on November 2006.

The CMA survey sample this month covered NZ\$425m in annualised sales, with an export content of 44%.

Net confidence decreased to -8, down from the zero result reported last month.

The current performance index (a combination of profitability and cash flow) is at 97, on par with the previous month, the change index (capacity utilisation, staff levels, orders and inventories) is also steady at 104 on the previous month's result, and the forecast index (investment, sales, profitability and staff) is at 106, up on the previous month's result of 103. Anything less than 100 indicates a contraction.

Constraints reported 8% production, 17% staff and markets 75%.

Staff numbers for September increased by just over 9.6%.

"You could look at these numbers at face value and say that life is a breeze for manufacturers, except for confidence and performance, and perhaps we should only play up the positive?. This survey is positive in many respects as both export and domestic turnover increased in November, as did staff numbers, and a strong end of year is normally the case for the manufacturing sector. However, a different picture emerges when you mix where we are now, where we are going and where we could be going, if the right support mechanisms were there", says Chief Executive John Walley.

"While turnover has increased, performance (a combination of profitability and cashflow) continues to show a contraction and only a minor improvement on the trend for the year. Whilst forecasts anticipate an expansion, they are not solid enough to have a positive impact on confidence".

"Respondents say that the pressures on the sector are still there. Increased cost of holidays and KiwiSaver has been identified this month, along with rising volume of imports and the ongoing strength of the dollar."

"There are some positive signs reflected in this survey; there are some opportunities that manufacturers are taking advantage of, such as investing in new equipment, developing new products and investment in overseas markets. However, if policy settings do not change, then we can anticipate more of what happened this year, in 2008; more manufacturing activity, skills and capability being lost offshore, simplifying exports and a growing current account deficit that will result in comparative living standards being eroded".

"The warning signs are there; when we only play to the positive, we do so at our peril."

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## CANTERBURY MANUFACTURERS' ASSOCIATION

### Survey of Business Conditions – November 2006 compared with November 2007

**SAMPLE SIZE:** The Survey respondents represent elaborate transformed manufacturers with annual sales of approximately \$425 million.

#### CHANGE OVER 12 MONTH PERIOD

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

		Nov	Oct
<b><u>TOTAL TURNOVER:</u></b>	Export /Domestic ratio	44/56	44/56
	% Change in <b>Total Turnover INCREASED</b>	9.80	8.09
<b><u>DOMESTIC TURNOVER:</u></b>	% of respondents reporting a rise	70	80
	% of respondents reporting a fall	20	20
	% of respondents reporting no change	10	0
	% Change in Ave <b>Domestic Turnover INCREASED</b>	6.35	22.89
<b><u>EXPORT TURNOVER:</u></b>	% of exporters reporting a rise	66	66
	% of exporters reporting a fall	33	33
	% of exporters reporting no change	0	0
	% Change in Average <b>Export Turnover INCREASED</b>	14.55	-6.18
<b><u>STAFF NUMBERS:</u></b>	% of respondents reporting a rise	80	81
	% of respondents reporting a fall	10	18
	% of respondents reporting no change	10	0
	% Change in Average <b>Staff Numbers INCREASED</b>	9.62	6.88

#### 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%)	
	Nov	Oct	Nov	Oct	Nov	Oct	Nov	Oct	Nov	Oct
<b>Profitability (YoY)</b>	33	33	8	8	25	25	25	25	8	8
<b>Cashflow (YoY)</b>	8	6	25	33	42	33	25	17	0	8
<b>Exchange Rate (YoY)</b>	0	17	17	17	50	25	17	33	17	8
<b>Investment Forecast</b>	0	0	17	42	25	17	42	33	1	8
<b>Sales Forecast</b>	0	0	8	25	25	8	67	67	0	0
<b>Profit Forecast</b>	0	8	17	17	25	8	58	67	0	0
<b>Staffing Forecast</b>	0	0	8	17	42	50	50	33	0	0
<b>Confidence</b>	Very Negative		Negative		Neutral		Positive		Very Positive	
	8	0	25	33	42	33	25	33	0	0
<b>Constraint</b>	Production		Skilled Staff		Capital		Market			
	8	17	17	25	0	0	75	58		

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	

Index (base =100)	Nov 06	Dec 06	Jan 07	Feb 07	Mar 07	April 07	May 07	June 07	July 06	Aug 07	Sept 07	Oct 06	Nov 07
Performance	101	91.5	98	93	94	95	96	95.5	96	98.5	98	97	97
Forecast	108	102	101	101	102	105	102	102	99	102	101	103	106
Change	107	100	100	100	99	99	103	103	102	103	101	104	104