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IMMEDIATE RELEASE

Selling better for now, but concerned for the long term

The latest Canterbury Manufacturers' Association (CMA) Survey of Business Conditions, completed during November 2007, shows total sales in October 2007 increased 8.09% (export sales dropped by 6.2% with domestic sales increasing 22.89%) on October 2006.

The CMA survey sample this month covered NZ\$418m in annualised sales, with an export content of 44%.

Net confidence came out at zero, down from the 8 reported last month.

The current performance index (a combination of profitability and cash flow) is at 97, down from the previous month's 98, the change index (capacity utilisation, staff levels, orders and inventories) increased to 104 from the previous months 101, and the forecast index (investment, sales, profitability and staff) is at 103 up on the previous month's result of 101. Anything less than 100 indicates a contraction.

Constraints reported 17% production, 25% staff and markets 58%.

Staff numbers for September increased by just over 6.8%.

"This latest survey, and the sentiments expressed around it, say that although manufacturers report short term gains, there is still concern regarding longer term pain within the sector", says CMA Chief Executive John Walley.

"Confidence for October slipped on September's result, yet while domestic sales increased and export sales fell, the overall trend in sales, rather than one months result, seems to be driving sentiment. Manufacturers are reporting that they are busy at present and that they are looking ahead towards the summer months, however, serious long term worries remain".

"The strong NZD/USD cross rate continues to be a major concern for exporters, especially the impact it is having on their customer base. Respondents are busy at present but order books are not strong with some surviving on work already in the system, or the backlog of work that has built up over the past couple of months. Tough times ahead are anticipated as holes in demand appear".

"New Zealand companies are not just losing orders and customers to China but also management and workplace skills as well. Even as more questions are being asked regarding the quality and safety standards of so many Chinese made products, more New Zealand companies and personnel are committing themselves to China and other low-cost sources".

"Overall, this is a survey that reflects the uncertainty facing our manufacturers and exporters at present. There has been some consolidation and minor improvements in trading conditions in recent months. The view within the sector is that the cycle might be turning, not only for manufacturers, but also the economy as a whole. The 'China price' effect continues to gather momentum, despite recent product safety scares, and the question now is whether the prospect of a preferential trade agreement with China will offer anything to our manufacturing exporters, or just more of the same unequal playing field that exists right now".

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CANTERBURY MANUFACTURERS' ASSOCIATION

Survey of Business Conditions – October 2006 compared with October 2007

SAMPLE SIZE: The Survey respondents represent elaborate transformed manufacturers with annual sales of approximately \$418 million.

CHANGE OVER 12 MONTH PERIOD

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

		Oct	Sept
<u>TOTAL TURNOVER:</u>	Export /Domestic ratio	44/56	48/52
	% Change in Total Turnover INCREASED	8.09	-9.49
<u>DOMESTIC TURNOVER:</u>	% of respondents reporting a rise	80	36
	% of respondents reporting a fall	20	45
	% of respondents reporting no change	0	18
	% Change in Ave Domestic Turnover INCREASED	22.89	-16.0
<u>EXPORT TURNOVER:</u>	% of exporters reporting a rise	66	30
	% of exporters reporting a fall	33	50
	% of exporters reporting no change	0	20
	% Change in Average Export Turnover DECREASED	-6.18	-17.59
<u>STAFF NUMBERS:</u>	% of respondents reporting a rise	81	54
	% of respondents reporting a fall	18	18
	% of respondents reporting no change	0	27
	% Change in Average Staff Numbers INCREASED	6.88	3.53

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%)	
	Oct	Sept	Oct	Sept	Oct	Sept	Oct	Sept	Oct	Sept
Profitability (YoY)	33	15	8	31	25	23	25	31	8	0
Cashflow (YoY)	6	0	33	31	33	46	17	15	8	8
Exchange Rate (YoY)	17	15	17	38	25	31	33	15	8	0
Investment Forecast	0	8	42	23	17	38	33	8	8	23
Sales Forecast	0	0	25	25	8	33	67	33	0	8
Profit Forecast	8	8	17	17	8	33	67	42	0	0
Staffing Forecast	0	0	17	25	50	58	33	17	0	0
Confidence	Very Negative		Negative		Neutral		Positive		Very Positive	
	0	8	33	15	33	46	33	31	0	0
Constraint	Production		Skilled Staff		Capital		Market			
	17	8	25	15	0	0	58	77		

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		

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