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29 January 2008  
**IMMEDIATE RELEASE**

### **“Agenda for Change”.**

The latest Canterbury Manufacturers' Association (CMA) Survey of Business Conditions completed during January 2008, shows total sales in December 2007 increased 16.6% (export sales increased by 12% with domestic sales increasing 21.77%) on December 2006.

The CMA survey sample this month covered NZ\$425m in annualised sales, with an export content of 51%.

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, up from the previous month's 97, the change index (capacity utilisation, staff levels, orders and inventories) decreased to 99 from the previous months 104, and the forecast index (investment, sales, profitability and staff) is at 104.2, down on the previous month's result of 106. Anything less than 100 indicates a contraction.

Constraints reported 18% production, 18% staff and markets 64%.

Staff numbers for December increased by just over 4.8%.

“December's results are very similar to the previous month in that short term results are showing improvement in the manufacturing sector yet confidence continues to drop. This survey also shows a drop in the index change below 100 for the first time since April 2007. The sentiment around this survey is that in the short term, things are OK with some respondents saying that orders and sales numbers are improving early in the New Year. However further out our respondents foresee problems, due to high interest rates, strong dollar, the gap between the two economies and the possible impacts of the global credit crunch”, says Chief Executive John Walley.

“Respondents report that they do not expect the OCR to be lowered this year and already this year, the NZD has pushed back towards the USD.80 mark. This cycle will continue to have the inevitable effect on exporters. Humanware has announced its relocation plans and the Reefton sawmill has said it is closing in March. These announcements show that both elaborate and basic manufacturers are under pressure. The losses will further impact on local supply chains, skills base and the loss of Humanware further illustrates the fallacy in the argument that you can lose production yet generally retain R&D indefinitely”.

“Although the indicators are showing that 2008 will be a repeat of last year, we hope that policy makers will embrace an ‘Agenda for Change’ in election year and provide policy support for firms investing in new equipment, developing new products and investment in overseas markets. Policies need to change so that the New Zealand economy operates with differences between inflation and the base interest rate closer to the OECD average, otherwise we can anticipate a protracted and artificially high exchange rate as global liquidity chases New Zealand's higher interest rates laying waste to returns for our exporters”.

In an election year, the prospect of yet more “buy now pay later policy” looms large – but it does not have to be that way, we can change”.

*For more information contact:*

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## CANTERBURY MANUFACTURERS' ASSOCIATION

### Survey of Business Conditions – December 2006 compared with December 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)

		Dec	Nov
<b><u>TOTAL TURNOVER:</u></b>	Export /Domestic ratio	51/49	44/56
	% Change in <b>Total Turnover INCREASED</b>	16.6	9.80
<b><u>DOMESTIC TURNOVER:</u></b>	% of respondents reporting a rise	60	70
	% of respondents reporting a fall	40	20
	% of respondents reporting no change	0	10
	% Change in Ave <b>Domestic Turnover INCREASED</b>	21.77	6.35
<b><u>EXPORT TURNOVER:</u></b>	% of exporters reporting a rise	44	66
	% of exporters reporting a fall	44	33
	% of exporters reporting no change	11	0
	% Change in Average <b>Export Turnover INCREASED</b>	12.11	14.55
<b><u>STAFF NUMBERS:</u></b>	% of respondents reporting a rise	45	80
	% of respondents reporting a fall	36	10
	% of respondents reporting no change	18	10
	% Change in Average <b>Staff Numbers INCREASED</b>	4.82	9.62

#### 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%)	
	Dec	Nov	Dec	Nov	Dec	Nov	Dec	Nov	Dec	Nov
<b>Profitability (YoY)</b>	27	33	27	8	18	25	27	25	0	8
<b>Cashflow (YoY)</b>	10	8	20	25	30	42	30	25	10	0
<b>Exchange Rate (YoY)</b>	20	0	20	17	30	50	30	17	0	17
<b>Investment Forecast</b>	0	0	27	17	18	25	18	42	36	1
<b>Sales Forecast</b>	0	0	18	8	27	25	55	67	0	0
<b>Profit Forecast</b>	0	0	18	17	27	25	55	58	0	0
<b>Staffing Forecast</b>	0	0	18	8	45	42	36	50	0	0
<b>Confidence</b>	Very Negative		Negative		Neutral		Positive		Very Positive	
	0	8	40	25	30	42	30	25	0	0
<b>Constraint</b>	Production		Skilled Staff		Capital		Market			
	18	8	18	17	0	0	64	75		

Net Confidence	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	No v	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

Index (base =100)	Dec 06	Jan 07	Feb 07	Mar 07	April 07	May 07	June 07	July 06	Aug 07	Sept 07	Oct 06	Nov 07	Dec 07
Performance	91.5	98	93	94	95	96	95.5	96	98.5	98	97	97	97.5
Forecast	102	101	101	102	105	102	102	99	102	101	103	106	104.2
Change	100	100	100	99	99	103	103	102	103	101	104	104	99