

9 June 2008

**IMMEDIATE RELEASE**

## **Two Sides to the Story**

The latest New Zealand Manufacturers and Exporters Association (NZMEA) Survey of Business Conditions completed during May 2008, shows total sales in April 2008 increased 27% (export sales increased by 56% with domestic sales increasing 10%) on April 2007.

The NZMEA survey sample this month covered NZ\$426m in annualised sales, with an export content of 45%.

Net confidence increased slightly to -33, up from the -36 result reported last month.

The current performance index (a combination of profitability and cash flow) is at 98, down from the previous month's 98.5, the change index (capacity utilisation, staff levels, orders and inventories) stayed at 100, and the forecast index (investment, sales, profitability and staff) is at 99.8, down on the previous month's result of 101. Anything less than 100 indicates a contraction.

Constraints reported: 27% staff and markets 73%.

Staff numbers for April increased by 8.3%.

"The survey sends mixed messages regarding conditions for manufacturers and exporters. The figures show increased turnover across the board, however confidence has only improved slightly on last month. This reflects the uncertainty within overseas markets, in particular the US and illustrates the mix of general sentiment and personal experience," says Chief Executive John Walley.

"There are divergent messages coming from the membership with domestic sectors showing positive results, however manufacturing continues to struggle due to the high US dollar, low cost imports and almost across the board cost increases. The message from the struggling industries is that government action is long overdue to provide better policy support for the external sector, before more companies follow Fisher and Paykel offshore."

"Companies moving their production offshore further dents confidence as complex supply chains are stressed making it harder for those that remain."

"Difficulties with overseas markets have also been disturbing exporters. There has been little real progress on access to the Chinese market for complex products."

"Short-term orders are holding up sales figures and the Australian cross is supporting margins for now but softening demand is causing major uncertainty amongst manufacturers and exporters."

"A major realignment of the exchange rate will happen sooner or later but it may well be too late for some."

"There has to be a better way."

*For more information contact: John Walley on 021 809 631*

**The Canterbury Manufacturers' Association (CMA) has broadened the scope of its survey to include respondents throughout New Zealand. As a result, the survey will now be released by the New Zealand Manufacturers and Exporters Association (NZMEA).**

## NEW ZEALAND MANUFACTURERS AND EXPORTERS ASSOCIATION

### Survey of Business Conditions – April 2007 compared with April 2008

**SAMPLE SIZE:** The Survey respondents represent elaborate transformed manufacturers with annual sales of approximately \$462 million.

#### CHANGE OVER 12 MONTH PERIOD

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

		April	March
<b>TOTAL TURNOVER:</b>	Export /Domestic ratio	45/55	40/60
	% Change in <b>Total Turnover INCREASED</b>	27	-1.24
<b>DOMESTIC TURNOVER:</b>	% of respondents reporting a rise	53	50
	% of respondents reporting a fall	30	50
	% of respondents reporting no change	15	0
	% Change in Ave <b>Domestic Turnover INCREASED</b>	10.35	5.05
<b>EXPORT TURNOVER:</b>	% of exporters reporting a rise	81	11
	% of exporters reporting a fall	18	77
	% of exporters reporting no change	0	11
	% Change in Average <b>Export Turnover INCREASED</b>	56.2	-9.13
<b>STAFF NUMBERS:</b>	% of respondents reporting a rise	64	40
	% of respondents reporting a fall	21	30
	% of respondents reporting no change	14	30
	% Change in Average <b>Staff Numbers INCREASED</b>	8.28	3.68

#### 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%)	
	Apr	Mar	Apr	Mar	Apr	Mar	Apr	Mar	Apr	Mar
<b>Profitability (YoY)</b>	13	18	20	45	27	9	40	9	0	18
<b>Cashflow (YoY)</b>	7	9	27	27	47	18	20	36	0	9
<b>Exchange Rate (YoY)</b>	13	18	20	18	47	45	13	18	7	0
<b>Investment Forecast</b>	7	0	20	36	33	36	33	18	7	0
<b>Sales Forecast</b>	0	0	33	18	20	27	47	55	0	9
<b>Profit Forecast</b>	7	0	33	27	27	27	33	45	0	0
<b>Staffing Forecast</b>	0	0	40	18	40	82	20	0	0	0
<b>Confidence</b>	Very Negative		Negative		Neutral		Positive		Very Positive	
	7	0	47	55	27	27	20	18	0	0
<b>Constraint</b>	Production		Skilled Staff		Capital		Market			
	0	9	27	27	0	0	73	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	-9
2008	+8	-10	-36	-33								

Index (base =100)	April 07	May 07	June 07	July 06	Aug 07	Sept 07	Oct 06	Nov 07	Dec 07	Jan 08	Feb 08	Mar 08	Apr 08
Performance	95	96	95.5	96	98.5	98	97	97	97.5	101	97.5	98.5	98
Forecast	105	102	102	99	102	101	103	106	104.2	105.75	104.25	101	99.75
Change	99	103	103	102	103	101	104	104	99	102	102	100	100