



3 October 2008

We need more exporters and exports

The latest New Zealand Manufacturers and Exporters Association (NZMEA) Survey of Business Conditions completed during September 2008, shows total sales in August 2008 increased 19% (export sales increased by ~76% with domestic sales decreasing ~6%) on August 2007.

The NZMEA survey sample this month covered NZ\$596m in annualised sales, with an export content of 45%. Net confidence increased to -22, up from the -33 result reported last month.

The current performance index (a combination of profitability and cash flow) is at 97, down from the previous month's 98.5, the change index (capacity utilisation, staff levels, orders and inventories) static at 99. The forecast index (investment, sales, profitability and staff) increased to 102 from 100.75 last month. Anything less than 100 indicates a contraction.

The reported constraints were: 22% staff and markets 78%. Staff numbers for August increased year on year by 2.55%.

"This month's results have reinforced the divide between the domestic and export economies. Export sales have continued to grow on the back of a weaker dollar while the domestic economy feels the pain of contraction. This is a manifestation of our policy settings, which exacerbate to the impact of falling interest and exchange rates and the liquidity crisis in global debt markets," says NZMEA Chief Executive John Walley.

"The big jump in exports is not across the board, some substantial respondents have reported some huge increases, however, even when these are removed, we would still be reporting over a 40% increase in export sales."

"The drop in the New Zealand dollar after the Official Cash Rate (OCR) cut in July started to come into affect in August, making exporting worthwhile again as forward cover works through. However, domestic contraction across the economy hurt local sales. The 50-point cut in September was too late for this survey, but troubles in the US will make the Kiwi dollar bounce around until the US politicians settle on a mechanism to deal with the toxic assets choking the credit markets."

"Worries around the financial sector causing comments in the US such as, "if we don't unblock credit markets, payrolls might not be met", are creating a lot of uncertainty for the US and the world. Globally such comments will hit consumer confidence," says Mr. Walley.

"The prospect of another 50-point OCR cut and the tax cuts in October may see some improvement in local consumer confidence, but the effects of the financial crisis elsewhere will also play a part. Changes to policy settings could buffer or further expose our economy; it will be interesting to see how much of an election issue this becomes."

"More investment in export activity will follow better margins and profits, so we need to stabilise returns. Exchange rate stability and policies to promote long-term productive investments are needed to support our economy in a difficult world."

"The financial crisis has shown that we need more focus on our export sector to reduce our exposure to foreign debt. Hopefully we will see some political leadership on this issue in the run up to the election."

For further comment contact John Walley, 03 353 2545, 021 809 631.

The New Zealand Manufacturers and Exporters Association survey gathers results from members around New Zealand. It provides a monthly snapshot of manufacturers and exporters' sales and sentiment.



NEW ZEALAND MANUFACTURERS AND EXPORTERS ASSOCIATION

Survey of Business Conditions – August 2007 compared with August 2008

SAMPLE SIZE: The Survey respondents represent elaborate transformed manufacturers with annual sales of approximately \$596 million.

CHANGE OVER 12 MONTH PERIOD

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

		August	July
TOTAL TURNOVER:	Export /Domestic ratio	45/55	51/49
	% Change in Total Turnover INCREASED	19	21
DOMESTIC TURNOVER:	% of respondents reporting a rise	25	60
	% of respondents reporting a fall	62	30
	% of respondents reporting no change	12	10
	% Change in Ave Domestic Turnover DECREASED	-5.57	6.59
EXPORT TURNOVER:	% of exporters reporting a rise	57	66
	% of exporters reporting a fall	42	22
	% of exporters reporting no change	0	11
	% Change in Average Export Turnover INCREASED	76.15	40.14
STAFF NUMBERS:	% of respondents reporting a rise	55	63
	% of respondents reporting a fall	33	18
	% of respondents reporting no change	11	18
	% Change in Average Staff Numbers INCREASED	2.55	6.06

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%)	
	Aug	July	Aug	July	Aug	July	Aug	July	Aug	July
Profitability (YoY)	22	17	33	25	11	25	22	33	11	0
Cashflow (YoY)	11	17	33	17	33	17	22	50	0	0
Exchange Rate (YoY)	13	0	25	27	13	27	50	36	0	9
Investment Forecast	11	8	0	25	33	33	33	25	22	8
Sales Forecast	0	0	22	8	22	42	56	50	0	0
Profit Forecast	0	0	33	33	11	25	56	42	0	0
Staffing Forecast	0	0	33	42	56	42	11	17	0	0
Confidence	Very Negative		Negative		Neutral		Positive		Very Positive	
	0	0	44	42	33	50	22	8	0	0
Constraint	Production		Skilled Staff		Capital		Market			
	0	0	22	17	0	0	78	83		

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	-40	-55	-33	-22				

Index (base =100)	Sept 07	Oct 06	Nov 07	Dec 07	Jan 08	Feb 08	Mar 08	Apr 08	May 08	June 08	July 08	Aug 08
Performance	98	97	97	97.5	101	97.5	98.5	98	100	93	98.5	97
Forecast	101	103	106	104.2	105.75	104.25	101	99.75	101	98	100.75	102
Change	101	104	104	99	102	102	100	100	100	99	99	99