



5 November 2008

Confidence hits bottom!

The latest New Zealand Manufacturers and Exporters Association (NZMEA) Survey of Business Conditions completed during October 2008, shows total sales in September 2008 increased 14.0% (export sales increased by 47.5% with domestic sales decreasing 13.4%) on September 2007.

The NZMEA survey sample this month covered NZ\$500m in annualised sales, with an export content of 58%.

Net confidence is at -91, our worst ever result, down from the -22 result reported last month.

The current performance index (a combination of profitability and cash flow) is at 92.5, down from the previous month's 97, the change index (capacity utilisation, staff levels, orders and inventories) is down to 98 from 99 last month, and the forecast index (investment, sales, profitability and staff) is at 95, down from 102 in August. Anything less than 100 indicates a contraction.

The reported constraints were: 9% staff and markets 91%.

Staff numbers for September increased year on year by 7.94%.

"The all time low confidence number for September reflected the bad news from around the world as the impact of the financial crisis threatens the real economy. This shows that even some good short-term sales results are not an antidote for more global concerns," says NZMEA Chief Executive John Walley.

"The numbers indicate good export sales growth pulling up overall sales. Staff numbers also increased, but the market and financial crisis had a severe impact on confidence. Our respondents are niche producers and can be countercyclical, doing well when most are suffering or suffering when most were enjoying a higher dollar. Nearly everyone is expecting the pain to both spread and worsen before the situation improves."

"Favourable exchange rates, falling interest rates, and falling input prices on oil and metals are being overshadowed by credit worries. Until now there has only been speculation about the affects of restrained credit, but issues with letters of credit and working capital have the capacity to really foul up trade."

"Under normal circumstances when we see the dollar falling, input prices dropping, staff increasing and sales improving, we would expect to see much more optimism, but not right now," says Mr. Walley.

"The sales numbers show that when conditions improve our exporters can respond. Unfortunately, our policy settings ensure that when international demand is strong, our overvalued currency prices New Zealand exporters out of the international market. Our dollar is less attractive when the world has credit or other worries and slows down, meaning that the benefit for exporters is limited and short-lived."

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 – September 2007 compared with September 2008

SAMPLE SIZE: The Survey respondents represent elaborate transformed manufacturers with annual sales of approximately \$500 million.

CHANGE OVER 12 MONTH PERIOD

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

		September	August
TOTAL TURNOVER:	Export /Domestic ratio	58/42	45/55
	% Change in Total Turnover INCREASED	14	19
DOMESTIC TURNOVER:	% of respondents reporting a rise	44	25
	% of respondents reporting a fall	55	62
	% of respondents reporting no change	0	12
	% Change in Ave Domestic Turnover DECREASED	-13.43	-5.57
EXPORT TURNOVER:	% of exporters reporting a rise	75	57
	% of exporters reporting a fall	25	42
	% of exporters reporting no change	0	0
	% Change in Average Export Turnover INCREASED	47.45	76.15
STAFF NUMBERS:	% of respondents reporting a rise	60	55
	% of respondents reporting a fall	40	33
	% of respondents reporting no change	0	11
	% Change in Average Staff Numbers INCREASED	7.94	2.55

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%)	
	Sept	Aug	Sept	Aug	Sept	Aug	Sept	Aug	Sept	Aug
Profitability (YoY)	36	22	27	33	9	11	27	22	0	11
Cashflow (YoY)	18	11	45	33	18	33	18	22	0	0
Exchange Rate (YoY)	18	13	18	25	36	13	27	50	0	0
Investment Forecast	18	11	27	0	18	33	27	33	9	22
Sales Forecast	9	0	36	22	36	22	18	56	0	0
Profit Forecast	9	0	55	33	27	11	9	56	0	0
Staffing Forecast	0	0	64	33	36	56	0	11	0	0
Confidence	Very Negative		Negative		Neutral		Positive		Very Positive	
	18	0	73	44	9	33	0	22	0	0
Constraint	Production		Skilled Staff		Capital		Market			
	0	0	9	22	0	0	91	78		

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	-91			

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	Sept 08
Performance	98	97	97	97.5	101	97.5	98.5	98	100	93	98.5	97	92.5
Forecast	101	103	106	104.2	105.75	104.25	101	99.75	101	98	100.75	102	95
Change	101	104	104	99	102	102	100	100	100	99	99	99	98



Confidence

■ Negative ■ No Change □ Positive

