



3 April 2009

Sales slump in some sectors

The latest New Zealand Manufacturers and Exporters Association (NZMEA) Survey of Business Conditions completed during March 2009, shows total sales in February 2009 decreased 25.0% (export sales decreased by 15.9% with domestic sales decreasing 30.9%) on February 2008. Falls were heavily concentrated in building supply chains.

The NZMEA survey sample this month covered NZ\$504m in annualised sales, with an export content of 44%.

Net confidence rose to -42, up from the -54 result reported last month.

The current performance index (a combination of profitability and cash flow) is at 94, up from the previous month's 90.5, the change index (capacity utilisation, staff levels, orders and inventories) went down to 92 from 94 last month, and the forecast index (investment, sales, profitability and staff) is at 90.3, up on the previous month's result of 88. Anything less than 100 indicates a contraction.

Demand was the only reported constraint.

Staff numbers year on year from February 2008 to February 2009 fell by 6.85%.

"The headline shows an alarming drop in sales in February," says NZMEA Chief Executive John Walley. "The major falls are in specific areas like building and automotive supply chains, however more generally others are showing less negative impact from the turmoil in the world."

"Prospects for a recovery in sales generally are indeterminate, particularly with margins again under attack from the recent surge in the exchange rate making conditions more precarious for exporters. The less than anticipated OCR cut in March, coupled with the quantitative easing elsewhere, make further substantial cuts in interest rates essential to take the speculative pressure off the dollar."

"The reduction in staff numbers suggests that manufacturers expect to be running at reduced capacity for an extended period. Predictably markets have remained the dominant constraint."

"The upside of these results is that confidence has risen slightly again and two out of the three index numbers have risen, but it is worth noting that confidence is still heavily negative and the index numbers are still in contraction territory."

"It is difficult to predict when overseas markets will recover with the extreme measures introduced by the United States and the United Kingdom drawing mixed reactions. There is also concern with some developing economies in Eastern Europe having to be bailed out by the International Monetary Fund (IMF)."

"Domestically the situation needs to be taken more seriously. A record current account deficit and poor GDP figures have spelt out the extent of our problems. We now need to see an end to the 'keeping our powder dry' mentality; it might just be when the time comes to pull the trigger there will be nothing to shoot at."

"Minimal interest rate cuts and the Reserve Bank buying New Zealand dollars do little to support our exporters."

“So let’s not waste a good crisis; long term export development needs investment, more investment needs structural changes around balance in the tax base and a more effective way to deal with inflationary pressure in the internal sector.”

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 – February 2009 compared with February 2008

SAMPLE SIZE: The Survey respondents represent elaborate transformed manufacturers with annual sales of approximately \$504 million.

CHANGE OVER 12 MONTH PERIOD

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

		February	January
TOTAL TURNOVER:	Export /Domestic ratio	44/56	41/59
	% Change in Total Turnover DECREASED	-24.98	0.93
DOMESTIC TURNOVER:	% of respondents reporting a rise	36	36
	% of respondents reporting a fall	54	63
	% of respondents reporting no change	9	0
	% Change in Ave Domestic Turnover DECREASED	-30.87	-3.00
EXPORT TURNOVER:	% of exporters reporting a rise	27	54
	% of exporters reporting a fall	63	45
	% of exporters reporting no change	9	0
	% Change in Average Export Turnover DECREASED	-15.9	7.30
STAFF NUMBERS:	% of respondents reporting a rise	36	50
	% of respondents reporting a fall	36	33
	% of respondents reporting no change	27	16
	% Change in Average Staff Numbers DECREASED	-6.85	-5.00

CHANGE OVER 12 MONTH PERIOD

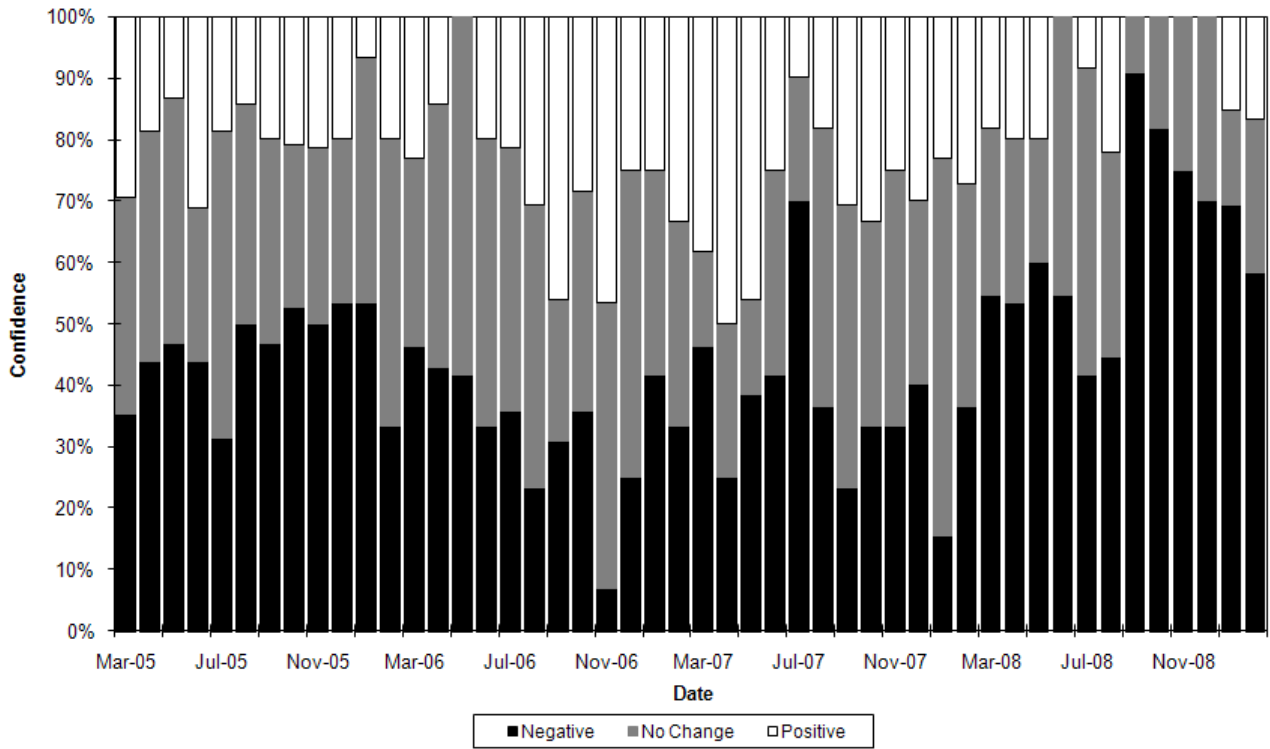
(The table below represents the above returns expressed as percentages.)

	Large Fall (Over 15%)		Modest Fall (2.5%-15%)		No Change (Within 2.5%)		Modest Rise (2.5%-15%)		Large Rise (Over 15%)	
	Feb	Jan	Feb	Jan	Feb	Jan	Feb	Jan	Feb	Jan
Profitability (YoY)	33	46	25	23	17	0	17	15	8	15
Cashflow (YoY)	25	38	17	23	33	23	25	8	0	8
Exchange Rate (YoY)	17	15	8	15	25	8	33	54	17	8
Investment Forecast	42	38	8	38	33	0	17	23	0	0
Sales Forecast	42	31	17	31	33	31	8	8	0	0
Profit Forecast	17	31	50	54	17	8	17	8	0	0
Staffing Forecast	25	8	42	69	33	23	0	0	0	0
Confidence	Very Negative		Negative		Neutral		Positive		Very Positive	
	8	15	50	54	25	15	17	15	0	0
Constraint	Production		Skilled Staff		Capital		Market			
	0	0	0	0	0	0	100	100		

Net Confidence	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
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	-82	-	-73
2009	-54	-42										

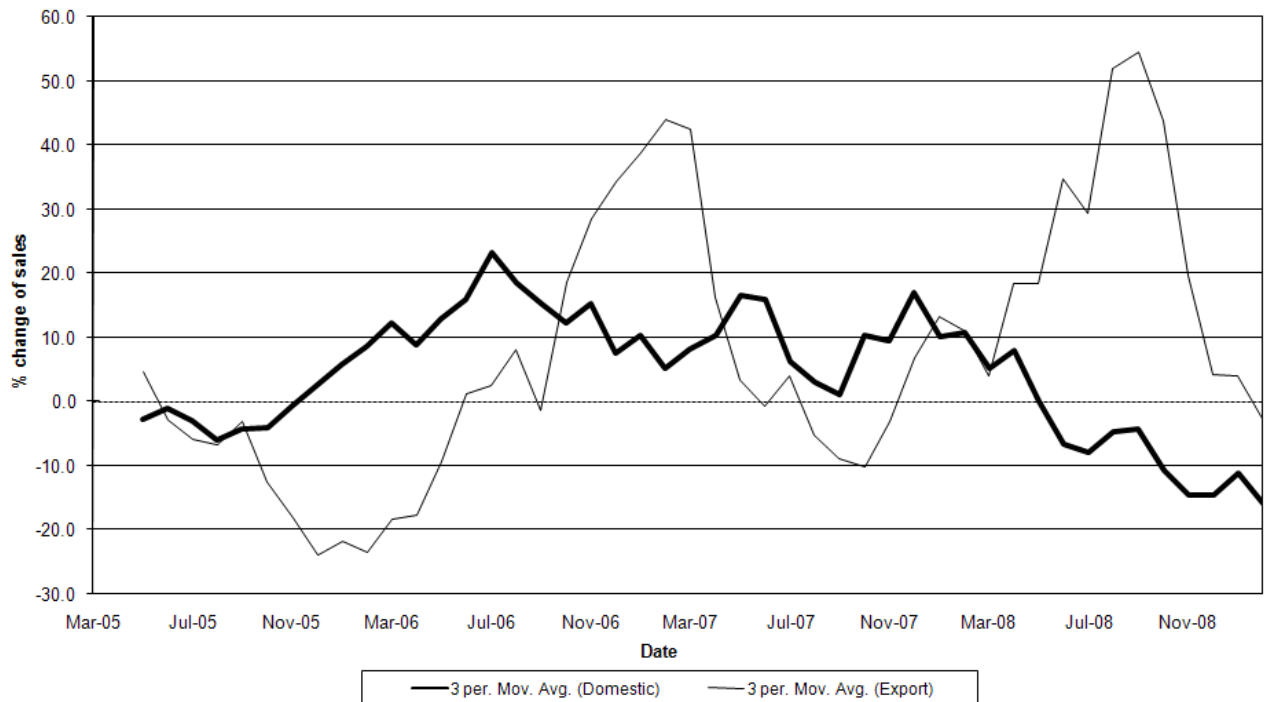
Index (base =100)	Jan 08	Feb 08	Mar 08	Apr 08	May 08	Jun 08	July 08	Aug 08	Sept 08	Oct 08	Nov 08	Dec 08	Jan 09	Feb 09
Performance	101	97.5	98.5	98	100	93	98.5	97	92.5	88.5	-	96	90.5	94
Forecast	105.75	104.25	101	99.75	101	98	100.75	102	95	92.25	-	91.25	88	90.25
Change	102	102	100	100	100	99	99	99	98	96	-	96	94	92

Confidence



Sales

(3 month moving average of %change year to year)



Future Expectations

