



**1 May 2009**

## **Manufacturing sales fall again.**

The latest New Zealand Manufacturers and Exporters Association (NZMEA) Survey of Business Conditions completed during April 2009, shows total sales in March 2009 decreased 40.3% (export sales decreased by 30.9% with domestic sales decreasing 45.6%) on March 2008.

The NZMEA survey sample this month covered NZ\$530m in annualised sales, with an export content of 42%.

Net confidence remained at -42.

The current performance index (a combination of profitability and cash flow) is at 89.5, down from the previous month's 94, the change index (capacity utilisation, staff levels, orders and inventories) went down to 91 from 92 last month, and the forecast index (investment, sales, profitability and staff) is at 96.8, up on the previous month's result of 90.3. Anything less than 100 indicates a contraction.

The reported constraints were: 8% staff and 92% markets.

Staff numbers for March decreased year on year by 12.9%.

"Again, year on year sales fell dramatically," says NZMEA Chief Executive John Walley. "The domestic sector has shown the largest fall but broadly the results are bad across the board reflecting the global nature of the crisis."

"Staff numbers have also decreased around 13%. Up to early 2009 staff numbers had been holding up, even increasing, but it seems the slide in demand is now translating into a reduction in capacity and a loss of jobs."

"Comments from manufacturers suggest a real fall in demand between 40% and 60% - that does not bode well for capacity increases any time soon."

"The Reserve Bank of Australia Governor has reported that Australia is now in recession and China's growth rate is slowing markedly so there is little good news in our export markets. This has played out in the performance index which has dropped significantly."

"One positive indicator is the forecast index which has improved significantly suggesting that there may be some light at the end of the tunnel, albeit dim and distant."

"Domestically we need to take this opportunity to tackle some intractable issues that have affected our economic performance for some time. In particular we need to see the Government take some real action to move towards their stated goal of increasing exports as a percentage of GDP – it will take more than minor cosmetic changes to the grant framework to achieve this."

"It is time to get serious; the variability in the exchange rate is the most urgent matter as the recent spike over 58 cents has demonstrated. It is becoming increasingly clear that the RBNZ needs other tools to achieve broader price stability.<sup>1</sup> If the exchange rate continues to fluctuate to the extent we have seen in the past few years it is difficult to anticipate investment from exporters, and subsequently, a sustained export led recovery."

For further comment contact John Walley, 03 353 2545, or 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.**

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<sup>1</sup> A Case for Compulsory Superannuation, <http://www.mea.org.nz/document.ashx?id=36>

Would Giving the Governor Power to Vary the Excise Tax on Fuel Reduce the Amplitude of Exchange Rate Fluctuations?, <http://www.mea.org.nz/document.ashx?id=495>



## NEW ZEALAND MANUFACTURERS AND EXPORTERS ASSOCIATION

### Survey of Business Conditions – March 2009 compared with March 2008

**SAMPLE SIZE:** The Survey respondents represent elaborate transformed manufacturers with annual sales of approximately \$530 million.

#### CHANGE OVER 12 MONTH PERIOD

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

		March	February
<b>TOTAL TURNOVER:</b>	Export /Domestic ratio	42/58	44/56
	% Change in <b>Total Turnover DECREASED</b>	-40.32	-24.98
<b>DOMESTIC TURNOVER:</b>	% of respondents reporting a rise	18	36
	% of respondents reporting a fall	81	54
	% of respondents reporting no change	0	9
	% Change in Ave <b>Domestic Turnover DECREASED</b>	-45.61	-30.87
<b>EXPORT TURNOVER:</b>	% of exporters reporting a rise	36	27
	% of exporters reporting a fall	63	63
	% of exporters reporting no change	0	9
	% Change in Average <b>Export Turnover DECREASED</b>	-30.88	-15.9
<b>STAFF NUMBERS:</b>	% of respondents reporting a rise	25	36
	% of respondents reporting a fall	66	36
	% of respondents reporting no change	8.33	27
	% Change in Average <b>Staff Numbers DECREASED</b>	-12.93	-6.85

#### CHANGE OVER 12 MONTH PERIOD

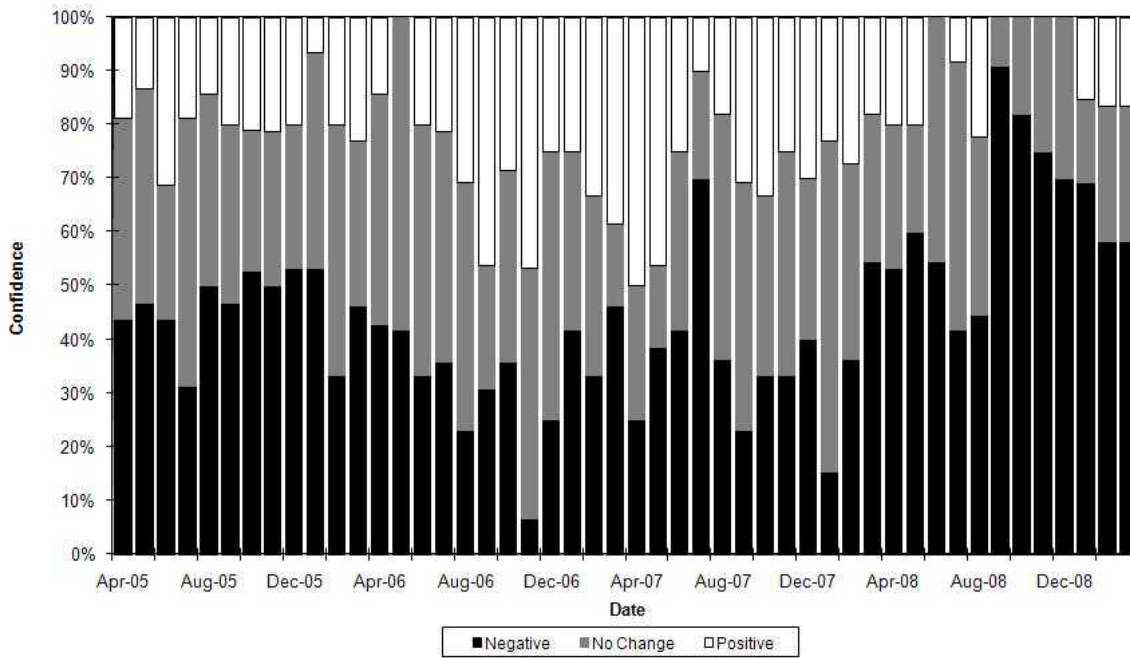
(The table below represents the above returns expressed as percentages.)

	Large Fall (Over 15%)		Modest Fall (2.5%-15%)		No Change (Within 2.5%)		Modest Rise (2.5%-15%)		Large Rise (Over 15%)	
	Mar	Feb	Mar	Feb	Mar	Feb	Mar	Feb	Mar	Feb
<b>Profitability (YoY)</b>	67	33	8	25	8	17	0	17	17	8
<b>Cashflow (YoY)</b>	25	25	33	17	25	33	17	25	0	0
<b>Exchange Rate (YoY)</b>	17	17	25	8	25	25	33	33	0	17
<b>Investment Forecast</b>	25	42	25	8	33	33	0	17	17	0
<b>Sales Forecast</b>	8	42	33	17	25	33	25	8	8	0
<b>Profit Forecast</b>	8	17	42	50	33	17	8	17	8	0
<b>Staffing Forecast</b>	0	25	42	42	50	33	0	0	8	0
<b>Confidence</b>	Very Negative		Negative		Neutral		Positive		Very Positive	
	8	8	50	50	25	25	17	17	0	0
<b>Constraint</b>	Production		Skilled Staff		Capital		Market			
	0	0	8	0	0	0	92	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	-42									

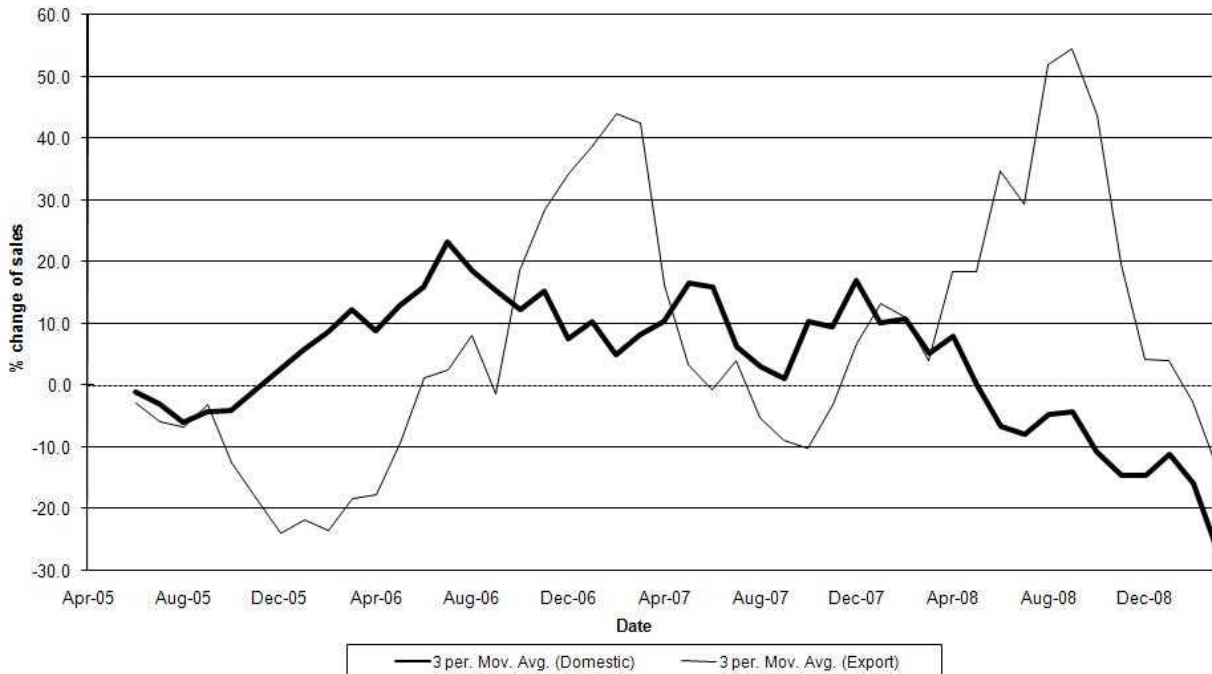
Index (base =100)	Feb 08	Mar 08	Apr 08	May 08	Jun 08	July 08	Aug 08	Sept 08	Oct 08	Nov 08	Dec 08	Jan 09	Feb 09	Mar 09
Performance	97.5	98.5	98	100	93	98.5	97	92.5	88.5	-	96	90.5	94	89.5
Forecast	104.25	101	99.75	101	98	100.75	102	95	92.25	-	91.25	88	90.25	96.75
Change	102	100	100	100	99	99	99	98	96	-	96	94	92	91

### Confidence



### Sales

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



Future Expectations

