NZ Manufacturers and Exporters Association
supporting the real economy

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Things are improving, but off a very low base

The latest New Zealand Manufacturers and Exporters Association (NZMEA) Survey of Business Conditions completed during August 2009, shows total sales in July 2009 decreased 34% (export sales decreased by 48% with domestic sales decreasing 7%) on July 2008.

The NZMEA survey sample this month covered NZ$330m in annualised sales, with an export content of 54%.

Net confidence rose to -17, up from the -27 result reported last month, the highest rating since February 2008.

The current performance index (a combination of profitability and cash flow) is at 95, up from the previous month's 91, the change index (capacity utilisation, staff levels, orders and inventories) rose to 97 from 96 last month, and the forecast index (investment, sales, profitability and staff) is at 99, up on the previous month's result of 96. Anything less than 100 indicates a contraction.

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

Staff numbers for July decreased year on year by 40%.

"Low sales numbers are persisting for manufacturers despite an expectation that things are starting to pick up," says NZMEA Chief Executive John Walley. "Lead times remain short and customers are ordering at the last minute increasing uncertainty."

"A year ago high volumes somewhat compensated for the margin erosion associated with a high dollar; today a high dollar and low sales are really, really hurting."

"There has been comment that the business mood is now positive, but saying that things are improving would be a more accurate comment. One respondent commented that things have improved, they are now just awful, an improvement on truly awful."

"The major positive in this survey is that confidence is the highest it has been in almost a year and a half. The improved rating reflects the hope that new orders are more than just restocking and that there is real demand out there. All three composite indexes showed improvement."

"The outlook for manufacturers and exporters for the rest of this year and the start of next will largely depend on New Zealand's growth pattern as we emerge from the crisis. There have been some worrying signs that the housing market is starting to pick up again and this could push interest and exchange rates up further damaging growth prospects in the tradeable sector. On the other hand, if the Reserve Bank cuts the OCR next week and takes more action on the exchange rate, and we see broader policy changes flagged by the Government, we will see a more stable growth pattern."

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.

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NEW ZEALAND MANUFACTURERS AND EXPORTERS ASSOCIATION

Survey of Business Conditions – July 2009 compared with July 2008

SAMPLE SIZE: The Survey respondents represent elaborate transformed manufacturers with annual sales of approximately $330 million**.**

CHANGE OVER 12 MONTH PERIOD

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

		July	*June*
TOTAL TURNOVER:	Export /Domestic ratio	54/46	37/63
	% Change in **Total Turnover DECREASED**	-34	-6
DOMESTIC TURNOVER:	% of respondents reporting a rise	44	30
	% of respondents reporting a fall	44	60
	% of respondents reporting no change	11	10
	% Change in Ave **Domestic Turnover DECREASED**	-7	3
EXPORT TURNOVER:	% of exporters reporting a rise	33	55
	% of exporters reporting a fall	55	44
	% of exporters reporting no change	11	0
	% Change in Average **Export Turnover DECREASED**	-48	-19
STAFF NUMBERS:	% of respondents reporting a rise	25	30
	% of respondents reporting a fall	66	60
	% of respondents reporting no change	8	10
	% Change in Average **Staff Numbers DECREASED**	-40	-19

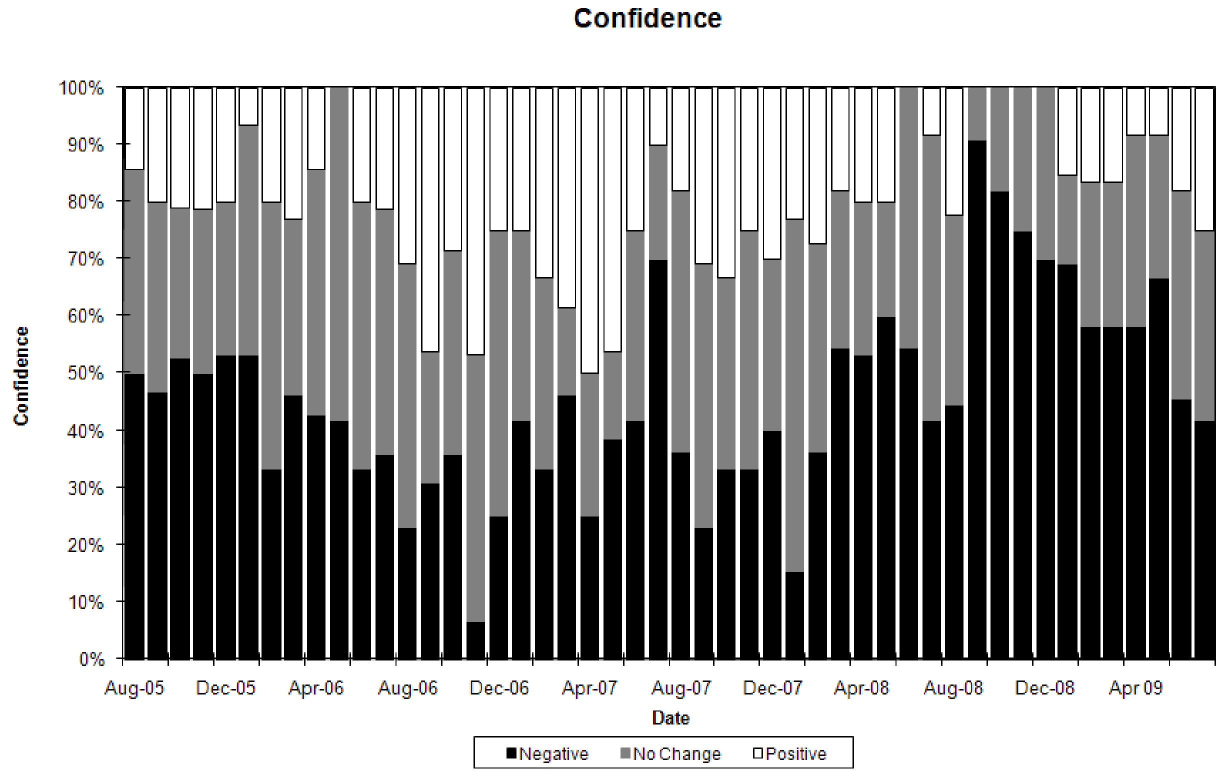
CHANGE OVER 12 MONTH PERIOD

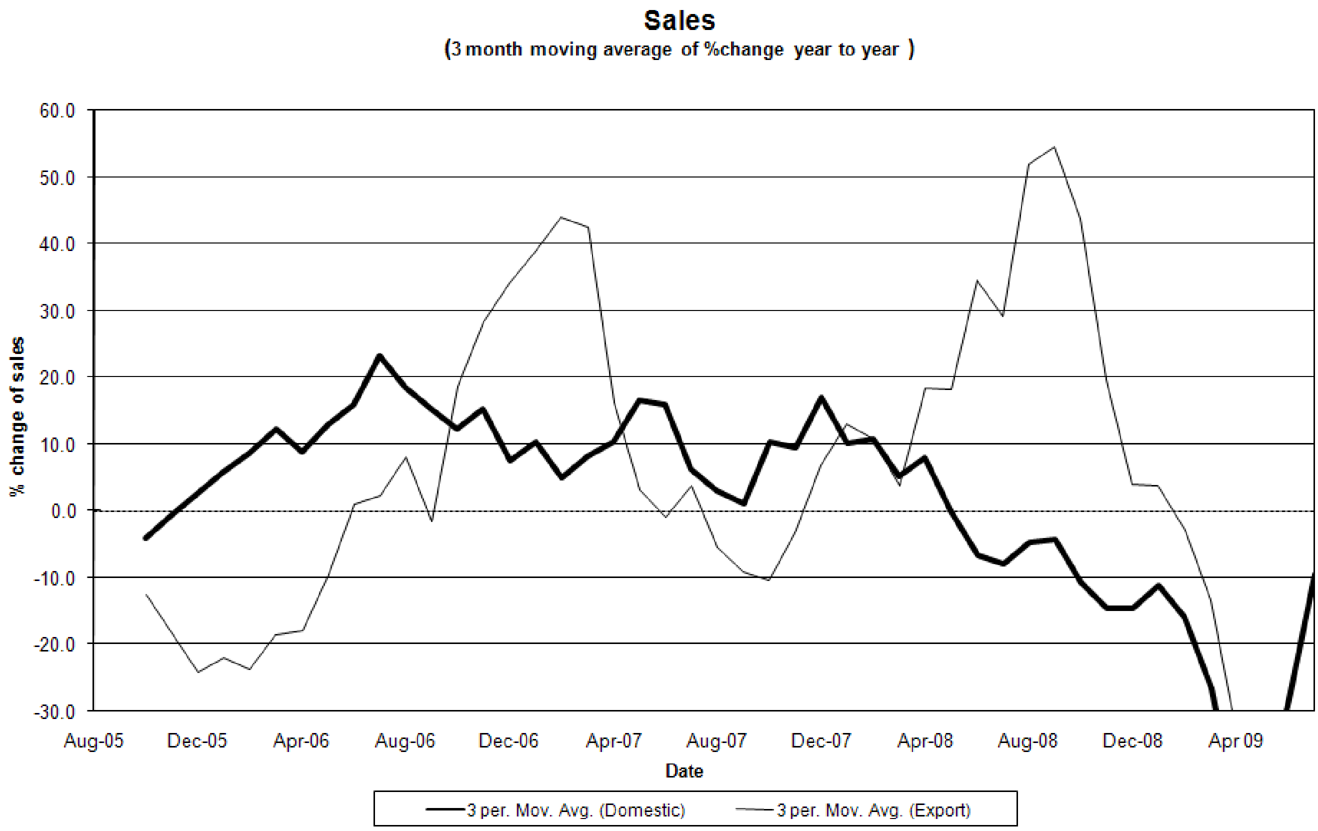
(The table below represents the above returns expressed as percentages.)

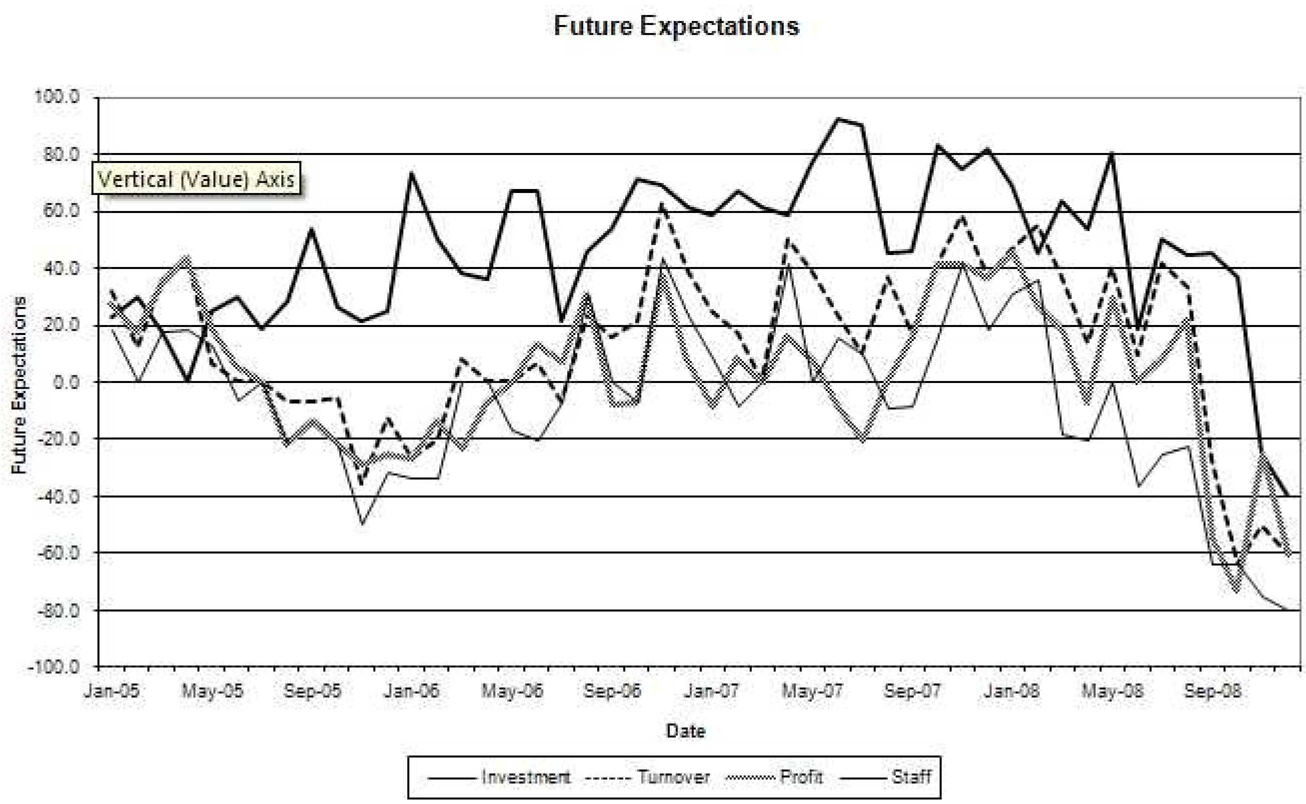
	Large Fall (Over 15%)		**Modest Fall** (2.5%-15%)		**No Change** (Within 2.5%)		**Modest Rise** (2.5%-15%)		**Large Rise** (Over 15%)	
	Jul	**June**	**Jul**	**June**	**Jul**	**June**	**Jul**	**June**	**Jul**	**June**
Profitability (YoY)	42	55	8	27	25	0	17	9	8	9
Cashflow (YoY)	17	9	25	45	25	36	33	9	0	0
Exchange Rate (YoY)	25	0	17	55	25	18	33	27	0	0
Investment Forecast	0	27	8	9	67	45	8	18	17	0
Sales Forecast	17	18	17	36	42	18	25	27	0	0
Profit Forecast	17	27	25	27	33	9	25	36	0	0
Staffing Forecast	8	9	25	18	50	55	17	18	0	0
	Very Negative		**Negative**		**Neutral**		**Positive**		**Very Positive**	
Confidence	17	18	25	27	33	36	25	18	0	0
Constraint	**Production**		**Skilled Staff**		**Capital**		**Market**			
	8	0	0	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	-50	-58	-27	-17					

Index (base =100)	**Jun 08**	**July 08**	**Aug 08**	**Sept 08**	**Oct 08**	**Nov 08**	**Dec 08**	**Jan 09**	**Feb 09**	**Mar 09**	**Apr 09**	**May 09**	**June 09**	**Jul 09**
Performance	93	98.5	97	92.5	88.5	-	96	90.5	94	89.5	91	88.5	91	95
Forecast	98	100.75	102	95	92.25	-	91.25	88	90.25	96.75	91.25	89.75	95.75	98.5
Change	99	99	99	98	96	-	96	94	92	91	94	94	96	97


Confidence
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Confidence
Aug-05
Dec-05
Apr-06
Aug-06
Dec-06
Apr-07
Aug-07
Dec-07
Apr-08
Aug-08
Dec-08
Apr 09
Date
Negative
No Change
Positive


Sales
(3 month moving average of %change year to year)
60.0
50.0
40.0
30.0
20.0
10.0
0.0
-10.0
-20.0
-30.0
% change of sales
Aug-05
Dec-05
Apr-06
Aug-06
Dec-06
Apr-07
Aug-07
Dec-07
Apr-08
Aug-08
Dec-08
Apr 09
Date
3 per. Mov. Avg. (Domestic)
3 per. Mov. Avg. (Export)



Future Expectations
Vertical (Value) Axis
100.0
80.0
60.0
40.0
20.0
0.0
-20.0
-40.0
-60.0
-80.0
-100.0
Future Expectations
Jan-05
May-05
Sep-05
Jan-06
May-06
Sep-06
Jan-07
May-07
Sep-07
Jan-08
May-08
Sep-08
Date
Investment
Turnover
Profit
Staff