

6 November 2009

Domestic sales recovering, but dollar constrains exports

The latest New Zealand Manufacturers and Exporters Association (NZMEA) survey of Manufacturers and Exporters completed during October 2009, shows total sales in September 2009 decreased 9% (export sales decreased by 35% with domestic sales increasing 18%) on September 2008.

The NZMEA survey sample this month covered NZ\$373m in annualised sales, with an export content of 38%.

Net confidence rose to -17, up from the -27 result reported last month.

The current performance index (a combination of profitability and cash flow) is at 98, up from the previous month's 96, the change index (capacity utilisation, staff levels, orders and inventories) fell to 95 down from 101 last month, and the forecast index (investment, sales, profitability and staff) is at 98.5, up on the previous month's result of 97.25. Anything less than 100 indicates a contraction.

Markets were the only reported constraint.

Staff numbers for September decreased year on year by 21%.

"A rebound in retail sales and housing consents has meant that any manufacturers supplying those markets have seen sales pick up in the last month; it is worth noting that even in the domestic economy sales are sporadic. Exporters are continuing to struggle with the high dollar," says NZMEA Chief Executive John Walley.

"Firms such as Bridgestone moving offshore and others downsizing shows that a recovery in the real economy is not yet with us."

"Manufacturers and exporters remain sceptical of returns from investment, so most remain on hold at this point. The talk of a 'W' shaped recovery with another down period in prospect, as opposed to sustained recovery, is sufficient to keep most firms wary. The unpredictable direction of the dollar is possibly the key inhibitor for investment."

"There needs to be some quick and decisive action on the dollar as this would be the major driver of a locally exaggerated downturn. Efforts to lower the currency in the short-term and to stabilise it over the long-term are vital. Treasury's Long-term Fiscal Statement demonstrates that urgent work is needed to lift our output if we are to maintain our living standards. A stable currency is a precursor to any sustainable real economy recovery, so a solution to this volatility is a vital part of the policy framework needed to lift productivity."

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

Auckland Office: P O Box 25310, St Heliers, Auckland 1740
Christchurch Office: 253 Cambridge Terrace, Christchurch 8013, P O Box 13-152, Armagh, Christchurch 8141
Phone: +64 3 353 2540, Fax +64 3 353 2549, Freecall: 0800 353 2540, mea@mea.org.nz, www.mea.org.nz

NEW ZEALAND MANUFACTURERS AND EXPORTERS ASSOCIATION

Survey of Business Conditions – September 2009 compared with September 2008

SAMPLE SIZE: The Survey respondents represent elaborate transformed manufacturers with annual sales of approximately \$373 million.

CHANGE OVER 12 MONTH PERIOD

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

		September	August
TOTAL TURNOVER:	Export /Domestic ratio	38/62	40/60
	% Change in Total Turnover DECREASED	-9	-26
DOMESTIC TURNOVER:	% of respondents reporting a rise	44	33
	% of respondents reporting a fall	44	55
	% of respondents reporting no change	11	11
	% Change in Ave Domestic Turnover INCREASED	18	-8
EXPORT TURNOVER:	% of exporters reporting a rise	44	44
	% of exporters reporting a fall	55	55
	% of exporters reporting no change	0	0
	% Change in Average Export Turnover DECREASED	-35	-43
STAFF NUMBERS:	% of respondents reporting a rise	20	27
	% of respondents reporting a fall	80	72
	% of respondents reporting no change	0	0
	% Change in Average Staff Numbers DECREASED	-21	-21

CHANGE OVER 12 MONTH PERIOD

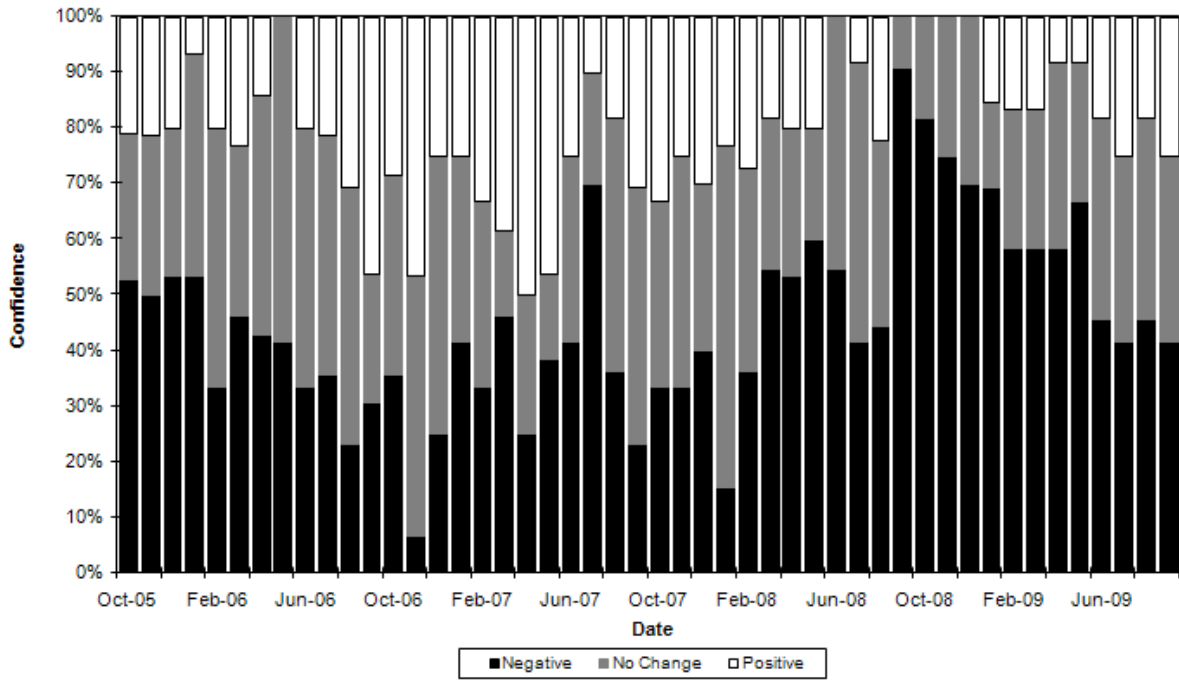
(The table below represents the above returns expressed as percentages.)

	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)	33	36	8	9	17	9	25	36	17	9
Cashflow (YoY)	17	27	17	9	33	45	33	18	0	0
Exchange Rate (YoY)	33	18	33	36	8	18	25	27	0	0
Investment Forecast	25	27	8	9	42	36	25	18	0	9
Sales Forecast	25	27	8	0	33	27	25	36	8	9
Profit Forecast	25	27	0	9	17	27	58	36	0	0
Staffing Forecast	17	27	17	9	25	45	42	18	0	0
Confidence	Very Negative		Negative		Neutral		Positive		Very Positive	
	33	9	8	36	33	36	25	18	0	0
Constraint	Production		Skilled Staff		Capital		Market			
	0	9	0	0	0	9	100	82		

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	-27	-17			

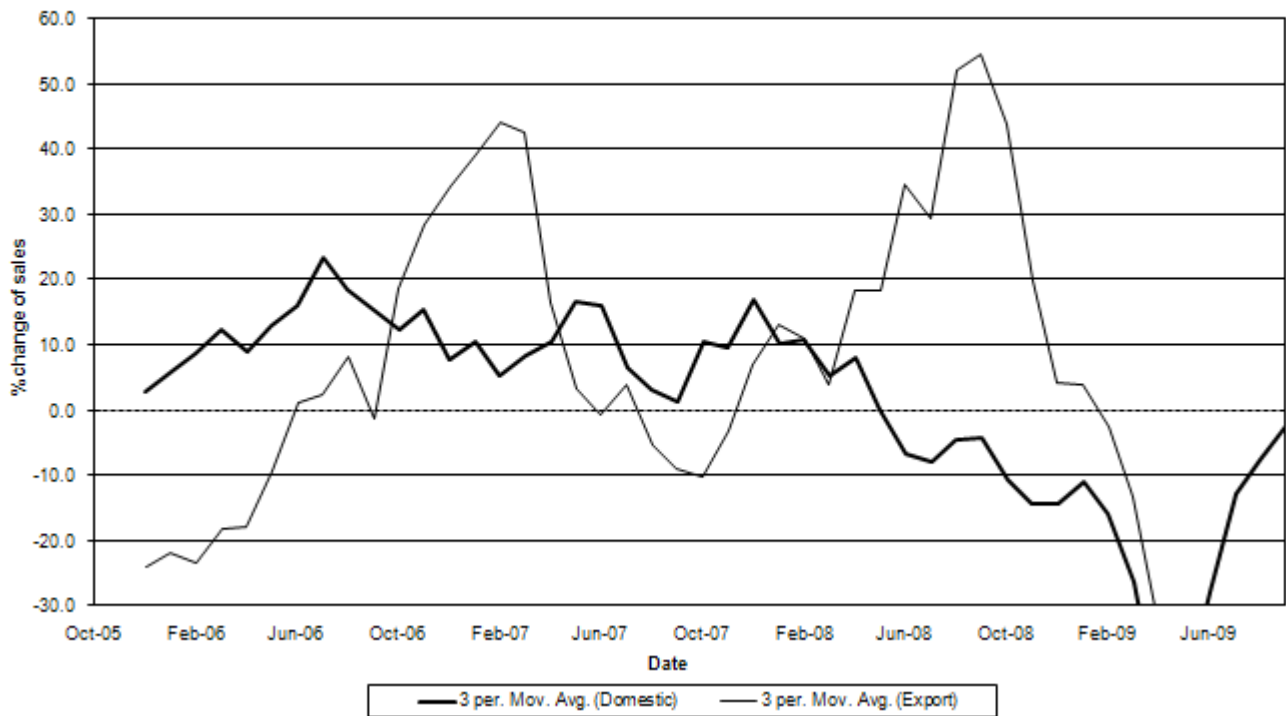
Index (base = 100)	Aug 08	Sept 08	Oct 08	Nov 08	Dec 08	Jan 09	Feb 09	Mar 09	Apr 09	May 09	June 09	July 09	Aug 09	Sept 09
Performance	97	92.5	88.5	-	96	90.5	94	89.5	91	88.5	91	95	96	98
Forecast	102	95	92.25	-	91.25	88	90.25	96.75	91.25	89.75	95.75	98.5	97.25	98.5
Change	99	98	96	-	96	94	92	91	94	94	96	97	101	95

Confidence



Sales

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



Future Expectations

