

7 December 2008

Manufacturers still edgy

The latest New Zealand Manufacturers and Exporters Association (NZMEA) Survey of Business Conditions completed during November 2009, shows total sales in October 2009 decreased 13% (export sales decreased by 20% with domestic sales decreasing 7%) on October 2008.

The NZMEA survey sample this month covered NZ\$616m in annualised sales, with an export content of 44%.

Net confidence fell to -23, down from the -17 result reported last month.

The current performance index (a combination of profitability and cash flow) is at 98.5, up from the previous month's 98, the change index (capacity utilisation, staff levels, orders and inventories) went up to 101 from 95 last month, and the forecast index (investment, sales, profitability and staff) is at 103.8, up on the previous month's result of 98.5. Anything less than 100 indicates a contraction.

The reported constraints were: production 23% and markets 77%.

Staff numbers decreased year on year by 13%.

"The mood has remained fragile among manufacturers and exporters in October. Confidence and sales have remained low," says NZMEA Chief Executive John Walley. "That said the composite index numbers suggest that improvement may not be too far away and conversations with a number of firms indicate some patchy improvements."

"The improving index numbers reflect a feeling that conditions are improving albeit off a very, very low base. Year on year numbers are still tracking downwards but better news from overseas, an encouraging cross rate with the Australian dollar, and some repeat orders all make for a better feeling in the run up to the year end."

"There remains a stark contrast between the non-traded and traded economies with export sales declining further than domestic sales, and the strong improvement emerging from the housing market speaks to an unbalanced and unsustainable recovery."

"Sales and staff have now declined for a sustained period causing a wind down of capacity; this means that any short term demand then leads to capacity problem as reflected in the capacity constraint reported. Investment continues to slow and firms are reluctant to invest when the returns are so uncertain; it will take some major changes to the policy framework before exporters commit to investment and growth."

"Manufacturers and exporters continue to be disappointed by the Government's inaction over policy reform. The Tax Working Group and the 2025 Productivity Taskforce have discussed our poor growth record, but the Government seems reluctant to engage in the discussion at this point. One thing is certain, unless the policy framework changes, investment by those operating in the tradeable sector will continue to slow and productivity growth will continue to fall. Our climb back up the OECD rankings can only get harder the longer we wait."

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 – October 2009 compared with October 2008

SAMPLE SIZE: The Survey respondents represent elaborate transformed manufacturers with annual sales of approximately \$616 million.

CHANGE OVER 12 MONTH PERIOD

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

		October	September
TOTAL TURNOVER:	Export /Domestic ratio	44/56	38/62
	% Change in Total Turnover DECREASED	-13	-9
DOMESTIC TURNOVER:	% of respondents reporting a rise	41	44
	% of respondents reporting a fall	58	44
	% of respondents reporting no change	0	11
	% Change in Ave Domestic Turnover DECREASED	-7	18
EXPORT TURNOVER:	% of exporters reporting a rise	33	44
	% of exporters reporting a fall	58	55
	% of exporters reporting no change	8	0
	% Change in Average Export Turnover DECREASED	-20	-35
STAFF NUMBERS:	% of respondents reporting a rise	23	20
	% of respondents reporting a fall	61	80
	% of respondents reporting no change	15	0
	% Change in Average Staff Numbers DECREASED	-13	-21

CHANGE OVER 12 MONTH PERIOD

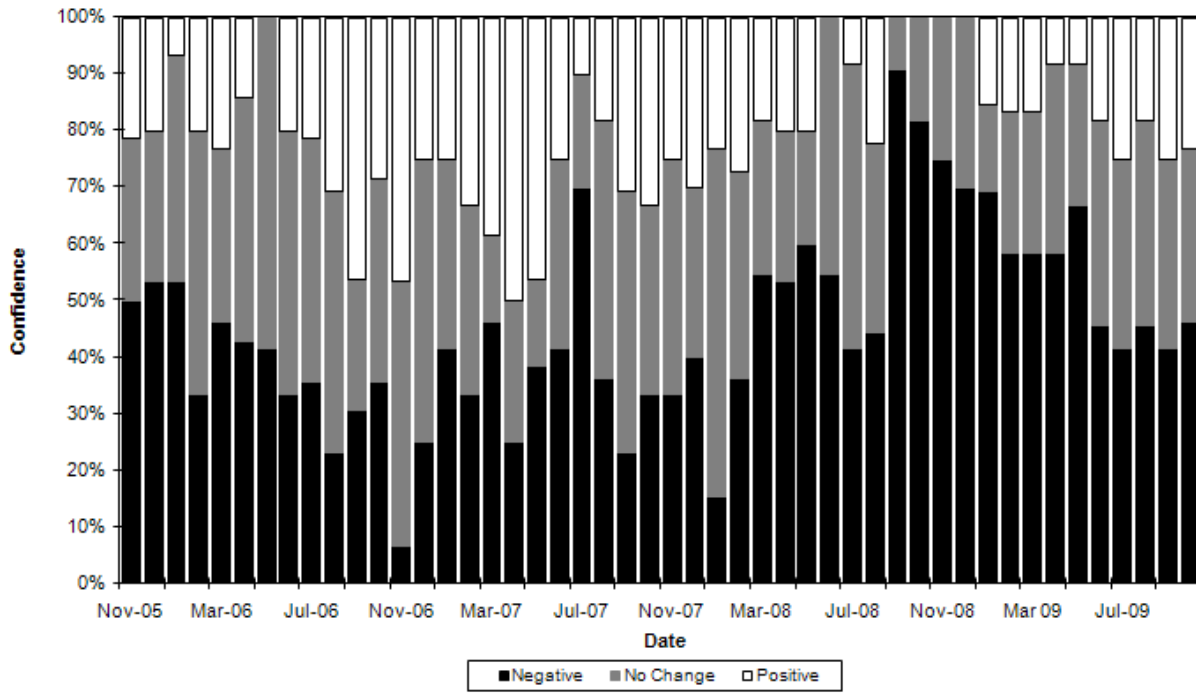
(The table below represents the above returns expressed as percentages.)

	Large Fall (Over 15%)		Modest Fall (2.5%-15%)		No Change (Within 2.5%)		Modest Rise (2.5%-15%)		Large Rise (Over 15%)	
	Oct	Sept	Oct	Sept	Oct	Sept	Oct	Sept	Oct	Sept
Profitability (YoY)	31	33	23	8	15	17	15	25	15	17
Cashflow (YoY)	8	17	15	17	38	33	31	33	8	0
Exchange Rate (YoY)	31	33	15	33	31	8	15	25	8	0
Investment Forecast	15	25	8	8	31	42	38	25	8	0
Sales Forecast	0	25	23	8	31	33	15	25	31	8
Profit Forecast	0	25	31	0	23	17	38	58	8	0
Staffing Forecast	0	17	23	17	31	25	46	42	0	0
Confidence	Very Negative		Negative		Neutral		Positive		Very Positive	
	15	33	31	8	31	33	23	25	0	0
Constraint	Production		Skilled Staff		Capital		Market			
	23	0	0	0	0	0	77	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	-27	-17	-23		

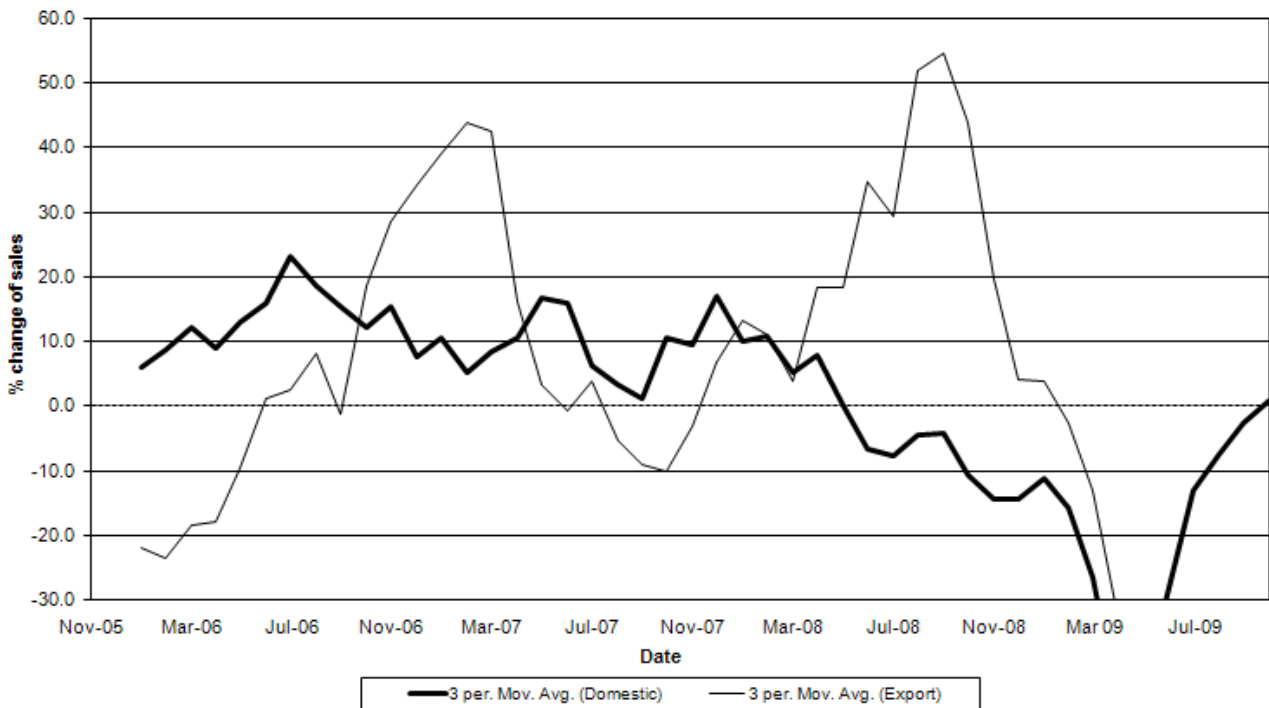
Index (base = 100)	Oct 08	Nov 08	Dec 08	Jan 09	Feb 09	Mar 09	Apr 09	May 09	June 09	July 09	Aug 09	Sept 09	Oct 09
Performance	88.5	-	96	90.5	94	89.5	91	88.5	91	95	96	98	98.5
Forecast	92.25	-	91.25	88	90.25	96.75	91.25	89.75	95.75	98.5	97.25	98.5	103.75
Change	96	-	96	94	92	91	94	94	96	97	101	95	101

Confidence



Sales

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



Future Expectations

