

5 February 2010

Sales flatten out but jobs still under threat

The latest New Zealand Manufacturers and Exporters Association (NZMEA) Survey of Business Conditions completed during January 2010, shows total sales in December 2009 decreased 6% (export sales decreased by 7% with domestic sales decreasing 4%) on December 2008.

The NZMEA survey sample this month covered NZ\$482m in annualised sales, with an export content of 42%.

Net confidence rose to -11, up from the -23 result reported last month.

The current performance index (a combination of profitability and cash flow) is at 101.5, up from 98.5 in October, the change index (capacity utilisation, staff levels, orders and inventories) went down to 101 from 103.75 in the last survey, and the forecast index (investment, sales, profitability and staff) is at 98, down on the previous October's result of 101. Anything less than 100 indicates a contraction.

Markets were the only reported constraint.

Staff numbers for December decreased year on year by 17%.

"Sales look to be bottoming out for manufacturers, with markets picking up, albeit in patchy fashion," says NZMEA Chief Executive John Walley. "However, staff numbers are continuing to track down as those firms in poorer performing markets continue to shed staff and those in better markets take advantage of spare capacity rather than hiring. The higher than expected unemployment rate of 7.3% announced by Statistics New Zealand yesterday reflected this trend."

"Confidence has improved again but comments about uncertainty still dominate. The uncertainty surrounding the recession means that purchase orders generally remain short-term. This leaves many firms living on a month to month basis. On the investment side many firms have identified research and development projects, but remain unwilling to invest while policy settings hold up the currency."

"The Government's intentions to follow through on the advice given by the Tax Working Group in this year's budget to broaden the tax base to include property, and to incentivise saving with a higher GST rate are a start. Hopefully we will see more action around the findings of the Capital Market Development Taskforce as well, because these are the sort of changes that encourage firms to invest further – the real economy matters and policy has long ignored that point."

"The glaring omission from advice sought by the Government last year was any effort around stabilising the New Zealand dollar. It is notable that as the dollar has become increasingly volatile over the past decade, investment intentions and confidence throughout the tradeable sector have slowly ebbed away."

"A more even-handed tax system and monetary policy reform are necessary to see firms investing in export development and jobs."

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 – December 2009 compared with December 2008

SAMPLE SIZE: The Survey respondents represent elaborate transformed manufacturers with annual sales of approximately \$482 million.

CHANGE OVER 12 MONTH PERIOD

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

		December	October
TOTAL TURNOVER:	Export /Domestic ratio	42/58	44/56
	% Change in Total Turnover DECREASED	-6	-13
DOMESTIC TURNOVER:	% of respondents reporting a rise	50	41
	% of respondents reporting a fall	37	58
	% of respondents reporting no change	12	0
	% Change in Ave Domestic Turnover DECREASED	-4	-7
EXPORT TURNOVER:	% of exporters reporting a rise	25	33
	% of exporters reporting a fall	62	58
	% of exporters reporting no change	12	8
	% Change in Average Export Turnover DECREASED	-7	-20
STAFF NUMBERS:	% of respondents reporting a rise	11	23
	% of respondents reporting a fall	66	61
	% of respondents reporting no change	22	15
	% Change in Average Staff Numbers DECREASED	-17	-13

CHANGE OVER 12 MONTH PERIOD

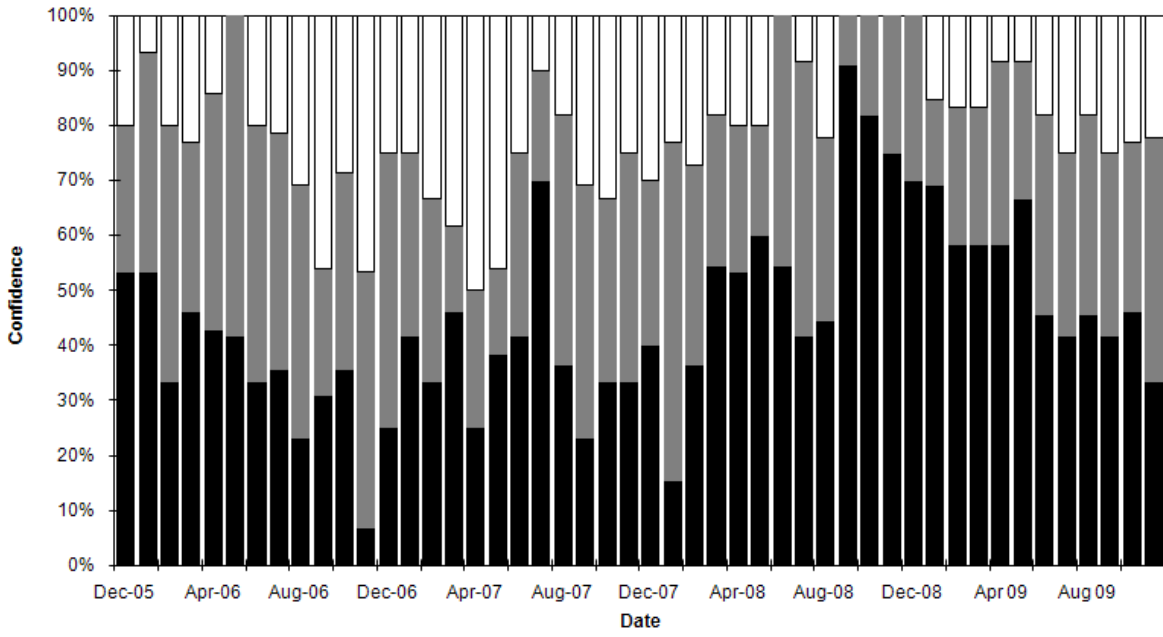
(The table below represents the above returns expressed as percentages.)

	Large Fall (Over 15%)		Modest Fall (2.5%-15%)		No Change (Within 2.5%)		Modest Rise (2.5%-15%)		Large Rise (Over 15%)	
	Dec	Oct	Dec	Oct	Dec	Oct	Dec	Oct	Dec	Oct
Profitability (YoY)	33	31	11	23	0	15	11	15	44	15
Cashflow (YoY)	22	8	0	15	33	38	33	31	11	8
Exchange Rate (YoY)	22	31	22	15	11	31	33	15	11	8
Investment Forecast	22	15	11	8	33	31	22	38	11	8
Sales Forecast	11	0	11	23	22	31	33	15	22	31
Profit Forecast	11	0	22	31	22	23	22	38	22	8
Staffing Forecast	11	0	11	23	56	31	22	46	0	0
Confidence	Very Negative		Negative		Neutral		Positive		Very Positive	
	11	15	22	31	44	31	22	23	0	0
Constraint	Production		Skilled Staff		Capital		Market			
	0	23	0	0	0	0	100	77		

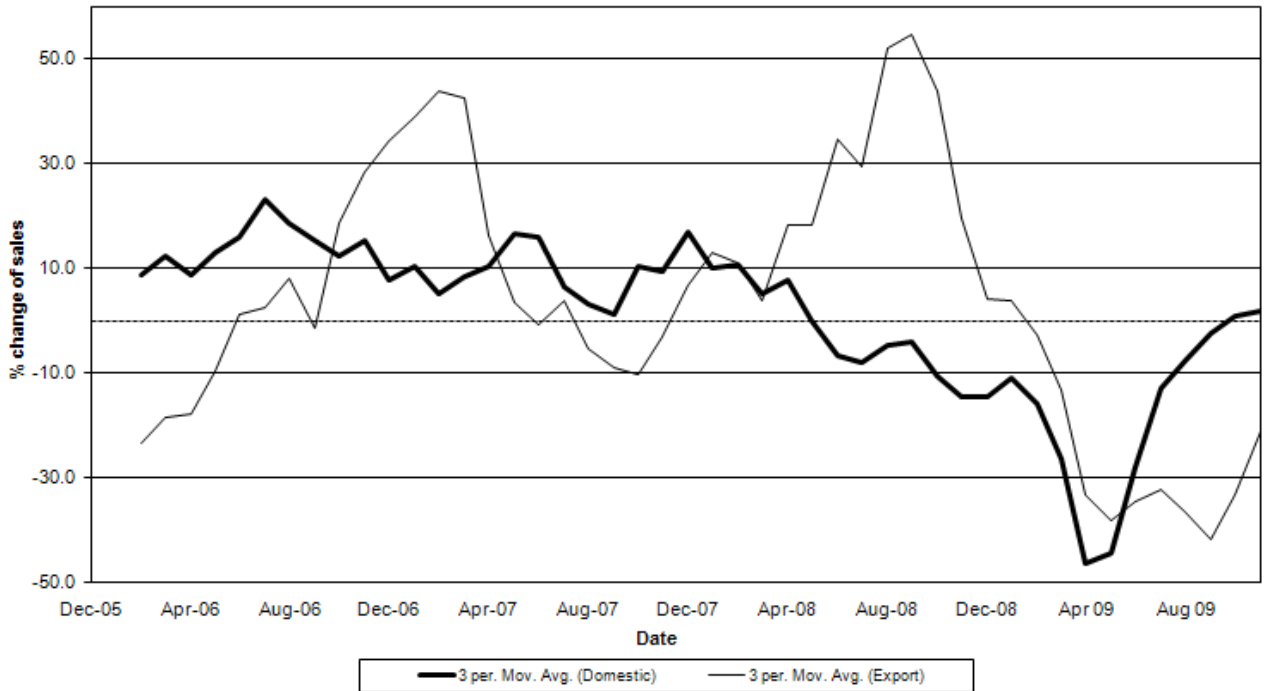
Net Confidence	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
2004	+5	+19	+41	+41	+36	+50	+12	+20	+7	0	-7	+5
2005	+13	-13	-6	-25	-33	-13	-13	-36	-27	-32	-29	-33
2006	-47	-13	-23	-29	-42	-13	-14	+8	+15	-7	40	0
2007	-17	0	-8	25	8	-17	-60	-18	+8	0	-8	-9
2008	+8	-10	-36	-33	-40	-55	-33	-22	-91	-82	-	-73
2009	-54	-42	-42	-50	-58	-27	-17	-27	-17	-23	-	-11

Index (base = 100)	Nov 08	Dec 08	Jan 09	Feb 09	Mar 09	Apr 09	May 09	June 09	July 09	Aug 09	Sept 09	Oct 09	Nov 09	Dec 09
Performance	-	96	90.5	94	89.5	91	88.5	91	95	96	98	98.5	-	101.5
Forecast	-	91.25	88	90.25	96.75	91.25	89.75	95.75	98.5	97.25	98.5	103.75	-	101
Change	-	96	94	92	91	94	94	96	97	101	95	101	-	98

Confidence



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



Future Expectations

