

4 May 2007

IMMEDIATE RELEASE

Look beyond the factory gates.

The latest Canterbury Manufacturers' Association (CMA) Survey of Manufacturers completed during April 2007, shows total sales in March 2007 increased just over 6.7% (export sales were up just under 5.8%, with domestic sales increasing around 7.5%) on March 2006.

The CMA survey sample this month reported NZ\$470m in annualised sales, with an export content of 44%.

Net confidence was recorded at -8, a decrease from the February result which was zero.

The current performance index (a combination of profitability and cash flow) is at 94, up from the previous month's 93, the change index (capacity utilisation, staff levels, orders and inventories) dropped to 99 from 100 on the previous month, and the forecast index (investment, sales, profitability and staff) increased to 102 from 101 on February. Anything less than 100 indicates a contraction.

Constraints reported 15% production, 15% staff, markets 62% and capital 8%.

Staff numbers for March increased around 1.3%.

"The sales numbers suggest that things for manufacturers are not that bad at present, but looking deeper the performance index indicates the impact of the ongoing strength of the NZ dollar. Some companies report that demand is holding up and their factories are busy but returns are falling. The forecast index shows slight expansion but exporters have to be optimistic or mad", says Chief Executive John Walley.

"Manufacturers are living off their balance sheets; it can't go on forever."

"The full supply chain impact of recent and anticipated announcements has not yet become visible. The 350 jobs that will be lost when Fisher & Paykel relocates offshore will have a much larger fallout in their supply chains and some feel that as many as 1500 jobs will be lost as they depend on the 350 jobs lost at Fisher & Paykel".

"It is becoming increasingly clear that our leaders and so many of our business groups don't see sufficient importance in New Zealand's manufacturing and exporting capability to speak out in its defence. Should we care if New Zealand's manufacturing base fails? If we think we can have a first world future without a manufacturing base then there is no reason to be concerned. Should we be relaxed as we watch ourselves slip down the OECD rankings? If we care about living standards, we all need to care about the health of our manufacturers and exporters".

"Post float highs on the New Zealand dollar exchange rate coupled with the lack of activity from our leaders is crystallising the view that Government does not care about, or understand what manufacturing is or what manufacturing and exporting does for the economy".

“It is worth remembering that when an agricultural downturn hits, the land endures through to better times. Once our manufacturing skills and capabilities are lost, they are gone forever and we lose our capacity to respond to tomorrow’s opportunities”.

“House price inflation is driving domestic spending on cheap imports, pushing the OCR ever higher, driving the exchange rate up and making imported goods cheaper. This is a feedback system that is killing the external sector and one that will ultimately cost New Zealand a place in the developed world”.

“Domestic inflation is the problem; we need policy settings that deal with the real problem not the current policies that just make things worse for the productive sector”.

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CANTERBURY MANUFACTURERS' ASSOCIATION

Survey of Business Conditions – March 2006 compared with March 2007

SAMPLE SIZE:

The Survey respondents represent elaborate transformed manufacturers with annual sales of approximately \$470 million.

CHANGE OVER 12 MONTH PERIOD

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

<u>TOTAL TURNOVER:</u>	Export /Domestic ratio	March	Feb
	% Change in Total Turnover INCREASED	44/56 6.76	44/56 19.47
<u>DOMESTIC TURNOVER:</u>	% of respondents reporting a rise	45	40
	% of respondents reporting a fall	36	30
	% of respondents reporting no change	18	30
	% Change in Ave Domestic Turnover INCREASED	7.55	-0.14
<u>EXPORT TURNOVER:</u>	% of exporters reporting a rise	60	50
	% of exporters reporting a fall	40	50
	% of exporters reporting no change	0	0
	% Change in Average Export Turnover INCREASED	5.78	59.72
<u>STAFF NUMBERS:</u>	% of respondents reporting a rise	50	60
	% of respondents reporting a fall	33	20
	% of respondents reporting no change	16	20
	% Change in Average Staff Numbers INCREASED	1.30	3.99

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%)	
	Marc	Feb	Mar	Feb	Mar	Feb	Mar	Feb	Mar	Feb
Profitability (YoY)	17	17	58	42	8	25	8	17	8	0
Cashflow (YoY)	9	17	36	42	36	25	18	17	0	0
Exchange Rate (YoY)	18	25	18	33	45	25	18	17	0	0
Investment Forecast	8	8	8	17	23	17	31	50	31	8
Sales Forecast	8	8	38	17	8	33	46	42	0	0
Profit Forecast	8	8	25	25	33	25	33	42	0	0
Staffing Forecast	0	0	25	33	50	42	25	25	0	0
Confidence	Very Negative		Negative		Neutral		Positive		Very Positive	
	15	17	31	17	15	33	38	33	0	0
Constraint	Production		Skilled Staff		Capital		Market			
	15	9	15	18	8	0	62	72		

Net Confidence	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
2003	+21	-6	+12	-11	-5	+12	-6	0	+11	+40	+29	+33
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									

Index (base =100)	Mar 06	April 06	May 06	June 06	July 06	Aug 06	Sept 06	Oct 06	Nov 06	Dec 06	Jan 07	Feb 07	Mar 07
Performance	99	94	95	94	96	95	95	93	101	91.5	98	93	94
Forecast	99	99	98	99	97	104	100	101	108	102	101	101	102
Change	98	98	98	97	97	99	103	102	107	100	100	100	99