stuff.co.nz

BUSINESS DAY

Manufacturing the road to recovery

BY ROELAND VAN DEN BERGH - BusinessDay.co.nz   Last updated 05:00 16/07/2010

Manufacturing has become an economic "sweet spot", expanding for a tenth consecutive month in June as the sector leads the economy out of recession, according to the latest industry survey.

The Bank of New Zealand-BusinessNZ Performance of Manufacturing Index for June increased to 56.2 seasonally adjusted, up 2.2 points from May. It was the second-highest June result since the survey began in 2002.

A PMI reading above 50.0 indicates that manufacturing is generally expanding.

Business New Zealand executive director for manufacturing Catherine Beard said the results showed a slow and steady path to recovery.

Manufacturers were cautiously optimistic, even if recovery had been slower than expected coming out of a recession.

BNZ economist Doug Steel said the rebound in manufacturing production had been a major thrust behind the economic recovery.

Manufacturing gross domestic product was up 4.3 per cent on a year ago, and growing at more than twice the pace of the economy overall.

"Manufacturers' growing confidence suggests the sector has become a relative sweet spot, with more growth around the corner."

Wellington region manufacturers appeared to have been able to adapt to survive the downturn.

Metal Art general manager Carl Longstaff said the commercial furniture maker had seen an improvement in business conditions in the last three months.

"We rode out the recession pretty well since we took over a like-sized company and diversified our product portfolio. Over the last three months things have started to track upwards. Not significantly, but there is a definite change in the wind," Mr Longstaff said.

Metal Art makes office furniture and council park furniture, including street bollards and benches, and imports pot plant holders leased to corporates and government departments.

Production had returned to levels of about 18 months ago and Metal Art was also in recruitment mode after allowing staff numbers to reduce to 20 through natural attrition during the recession.

Up to 10 more staff would be added to three new recruits taken on in the past three months, Mr Longstaff said.

Though trading conditions continued to be challenging, with most customers price sensitive, the number of tenders had increased as had price inquiries.

Label and Litho general manager Camilla Welch said the adhesive label printer had barely noticed the recession.

Turnover last year was up 20 per cent on the previous year although profit did not increase by as much.

Looking after customers during the downturn had been the key to winning work from competitors, Ms Welch said.

When the economy looked like it might begin to deteriorate Label and Litho found ways to be more efficient without cutting any of its 40 staff, who received a 3 per cent pay increase.

"We have just put in a lot of really good solid ground work over the past five or six years, and it just happens that it is starting to pay off now," Ms Welch said.

But Fraser Brown and Stratmore owner John Stratmore said his company's fortunes were tied to the construction industry which was still "fairly flat".

The high exchange rate made it more difficult to compete with foreign manufacturers.

"When you try and compete with the dollar as it is, you can actually import from Australia cheaper than we can make, which is cruel," Mr Stratmore said.