

ENTERPRISE NORTH CANTERBURY

NORTH CANTERBURY

BUSINESS OPINION SURVEY

May 2020

RESEARCH RESULTS

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Business
Opinion
Survey:
May 2020

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Key Messages

from North Canterbury businesses



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- Along with New Zealand, North Canterbury businesses have suffered a sharp and significant impact from Covid-19. We are better placed in the longer term to weather the impact due to a lower level of reliance on international tourism for our local economy.
- Business confidence has decreased, with 15% of businesses expecting the general business situation in New Zealand to improve over the next six months and 74% of businesses expecting the general business situation to deteriorate. This result (net -59%) is a higher confidence rate than New Zealand overall (net -67%).
- Businesses have continued to employ staff at the same rate as six months ago (net 0% change), but we expect recruitment to slow over the next six months (net -19% predicted).
- 93% of businesses reported reduced income as an impact of Covid-19. This contributed to a loss in overall profitability for 55% of businesses for the last six months. 20% of businesses still reported an overall increase in profit despite the impact of Covid-19.
- 6% of North Canterbury businesses surveyed report that they are facing closure due to the impact of Covid-19. 1% of North Canterbury businesses surveyed report that they have already closed as a result of Covid-19.
- It has become markedly easier to source new unskilled and semi-skilled employees (net +28% and +23% respectively) and slightly easier to source skilled employees (net +6%).
- The Hurunui has been affected more than Waimakariri by Covid-19 due to a higher reliance on tourism and export commodities. 62% of Hurunui businesses reported a major negative impact compared to 45% for Waimakariri.

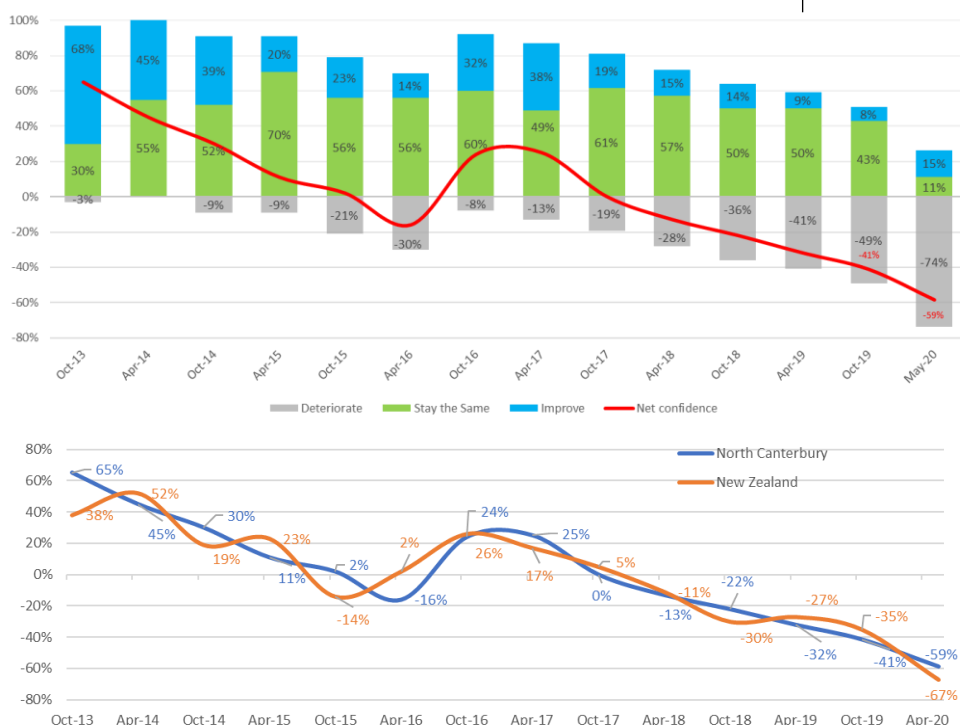
Business Confidence



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Confidence in the general business situation in New Zealand continues to fall amongst North Canterbury businesses. We have seen a lower drop (a decrease of 18%) in North Canterbury than New Zealand as a whole (a decrease of 32%).

74% of businesses expect our situation to deteriorate over the next 6 months while 15% expect our situation to improve.



Context

Covid-19 is the overwhelming factor in business confidence for this survey and before Covid-19 we had expected to see a rise in confidence for this period.

Redundancies have already occurred in North Canterbury with 8.5% of businesses surveyed releasing an average of 3.6 staff per business. We can expect to see further redundancies over the next six months with 14% of businesses surveyed expecting to release an average of 4.4 staff each.

This will be offset by 18% of businesses surveyed looking to recruit an average of 1.9 employees each but we can expect a notable increase of people accessing government support.

Covid-19

Impact on Business



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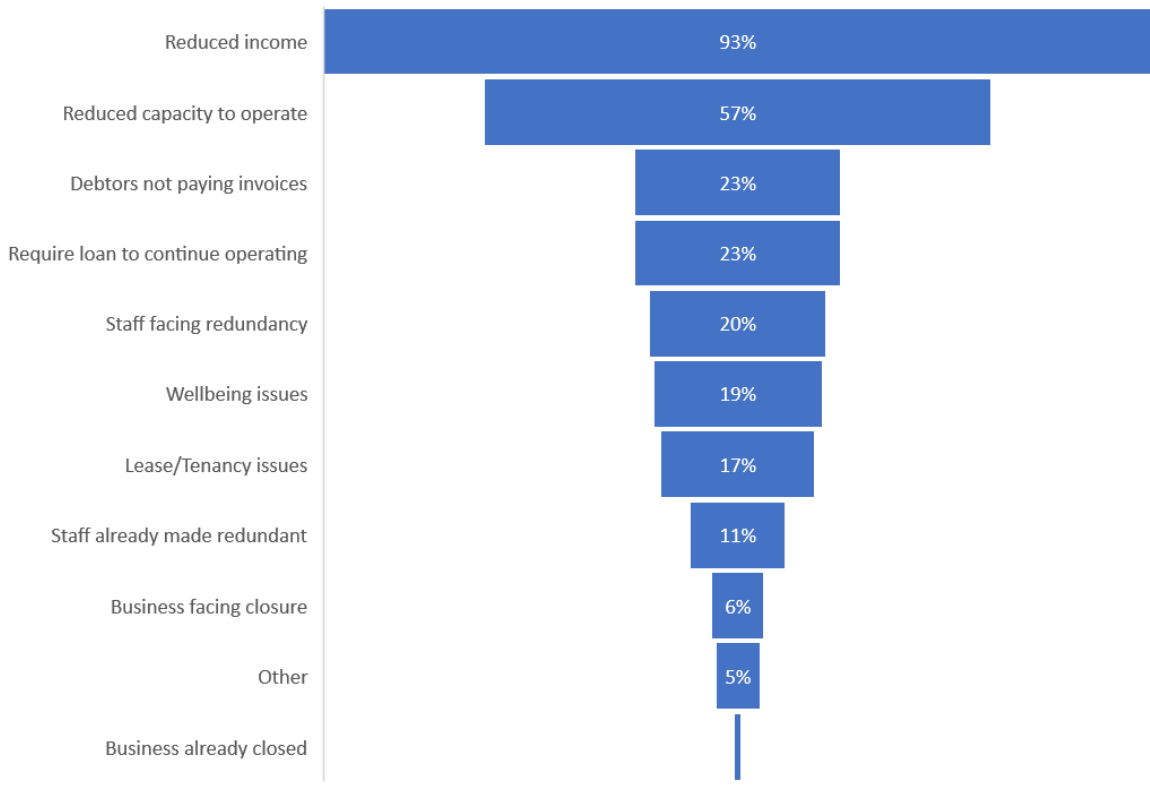
As part of the May 2020 Business Opinion Survey we asked businesses to identify what negative impacts they had experienced as a result of Covid 19.

While 57% of businesses noted a reduced capacity to operate, 93% of businesses experienced reduced income.

A smaller but still notable number of businesses are facing non-payment from debtors (23%), staff redundancy (20%), wellbeing issues (19%), and/or closure (6%). 1% of North Canterbury businesses have already closed as a result of Covid-19.

23% of businesses reported requiring a loan in order to continue operating.

Negative impacts of Covid on North Canterbury Businesses



Covid-19 Impact on Business



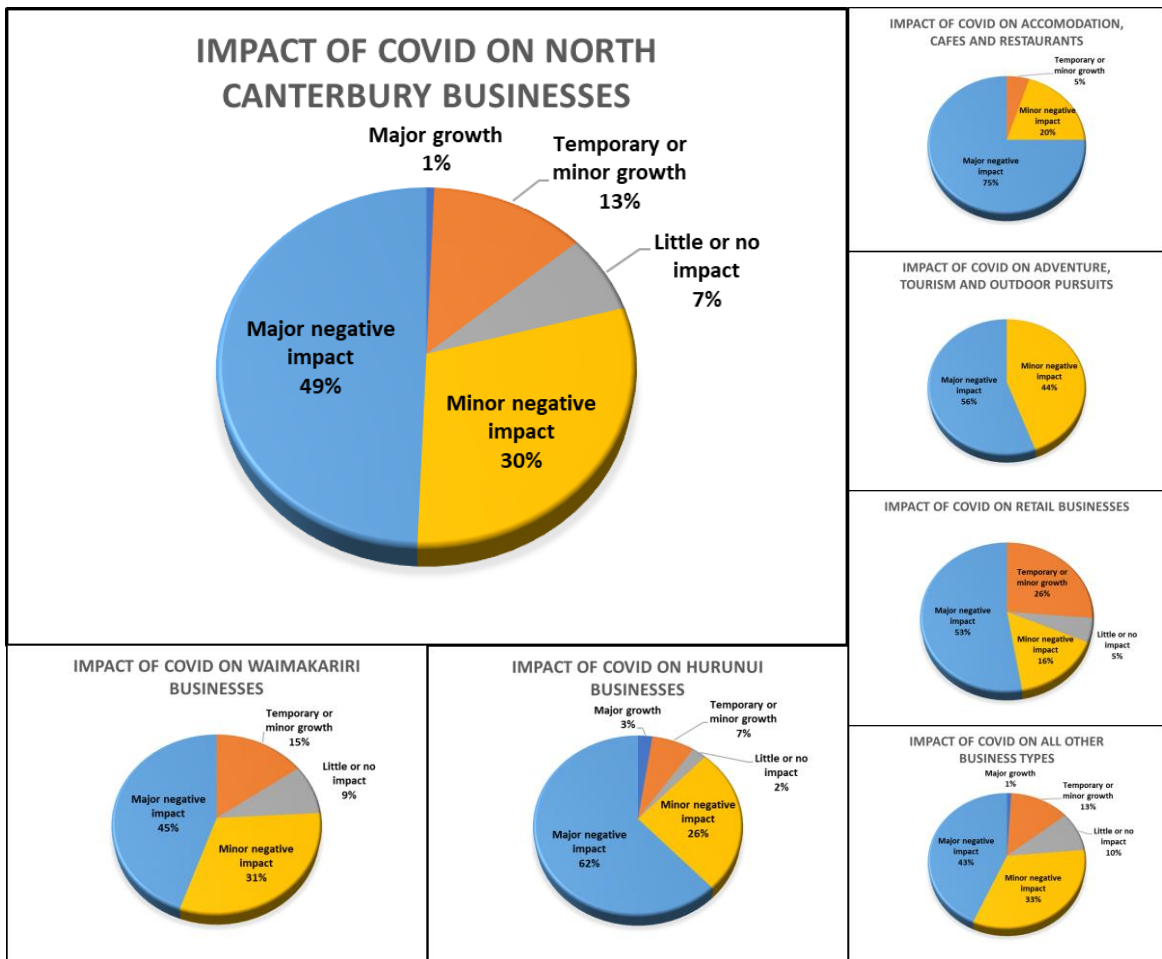
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The Hurunui has been more severely impacted than Waimakariri due to its greater reliance on tourism and export commodities.

Across North Canterbury, 79% of businesses saw a negative impact and 14% of businesses experienced growth.

The most negatively impacted businesses were tourism businesses (100% negative, 49% major impact) hospitality businesses (95% negative, 75% major impact) and retail businesses (69% negative, 53% major impact).

26% of retail businesses experienced growth as a result of Covid-19.



Employment Trends



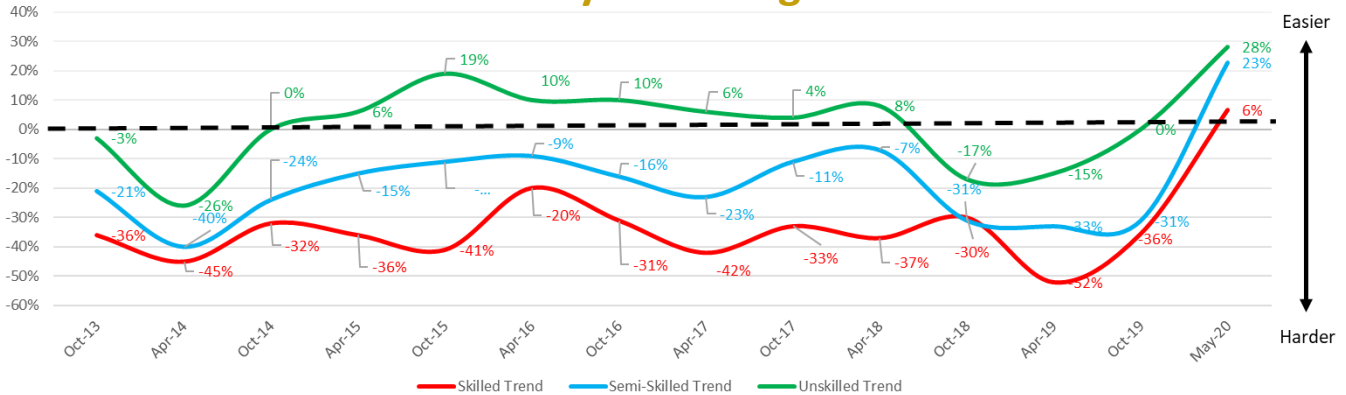
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A bright point in our survey is that businesses now find it easier overall to find staff at all skill levels.

This is reflected in a much lower proportion of businesses (8%) reporting barriers to finding staff than in previous surveys (35%).

Difficulty of finding staff



Barriers to sourcing staff

	Apr-14	Oct-14	Apr-15	Oct-15	Apr-16	Oct-16	Apr-17	Oct-17	Apr-18	Oct-18	Apr-19	Oct-19	May-20
Lack of required training / skills	4	4	5	7	7	11	7	3	6	9	5	2	6
Fewer Applicants/Supply Shortage	-	-	-	-	-	-	-	2	6	7	7	5	-
Competition with other industries	5	4	7	4	2	2	2	-	-	2	1	5	-
Location too far from main centres	2	1	2	1	1	2	4	1	4	7	-	3	2
Lack of accomodation	-	-	-	-	-	-	-	-	-	-	2	-	-
Immigration policy issues	-	-	-	-	-	-	-	-	-	-	3	2	-
Other reasons	-	-	2	4	-	2	-	4	3	7	3	5	3
Total	11	9	16	16	10	17	13	10	19	32	21	22	12

Employment Trends



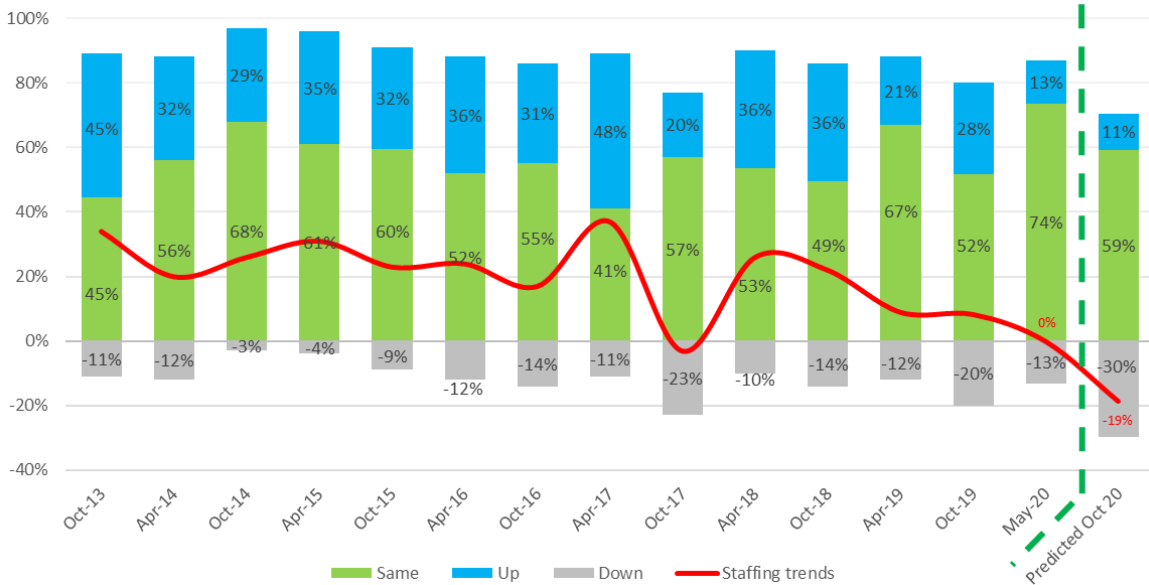
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Recruitment appears to have stalled in North Canterbury with a net 0% growth in staff numbers over the last six months.

Businesses expect staff numbers to reduce in the next six months with 30% of businesses expecting their staffing levels to decrease and only 11% expecting to take on new staff.

Word of mouth continues to be the main method of finding employees (50% of employers use this method), followed by internet advertising (38%), social media (28%) and friends/family (21%).

Staff Employed over last 6 months



Where staff are sourced

	Apr-14	Oct-14	Apr-15	Oct-15	Apr-16	Oct-16	Apr-17	Oct-17	Apr-18	Oct-18	Apr-19	Oct-19	May-20
Word of Mouth	56%	59%	69%	56%	60%	65%	74%	58%	60%	67%	63%	65%	50%
Internet Advertising	59%	47%	56%	56%	51%	56%	70%	64%	57%	71%	56%	60%	38%
Newspaper Advertising	38%	38%	33%	35%	26%	27%	21%	25%	17%	13%	16%	11%	7%
Friends/Family	18%	21%	29%	27%	23%	13%	38%	14%	22%	21%	29%	35%	21%
Recruitment Company	15%	9%	11%	25%	16%	10%	13%	6%	17%	21%	18%	19%	12%
Immigration/Skills Hub	6%	6%	4%	10%	5%	10%	6%	14%	8%	6%	7%	3%	3%
Social Media	-	-	-	-	-	-	-	-	7%	3%	38%	35%	28%
Government Department	-	-	-	-	2%	2%	-	6%	3%	1%	2%	5%	0%
Other	6%	9%	16%	13%	9%	6%	-	8%	10%	11%	5%	3%	3%
Not applicable/Don't Know	3%	6%	2%	6%	12%	2%	-	14%	12%	7%	11%	11%	27%
Total	34	34	45	48	43	52	47	36	60	72	55	63	149

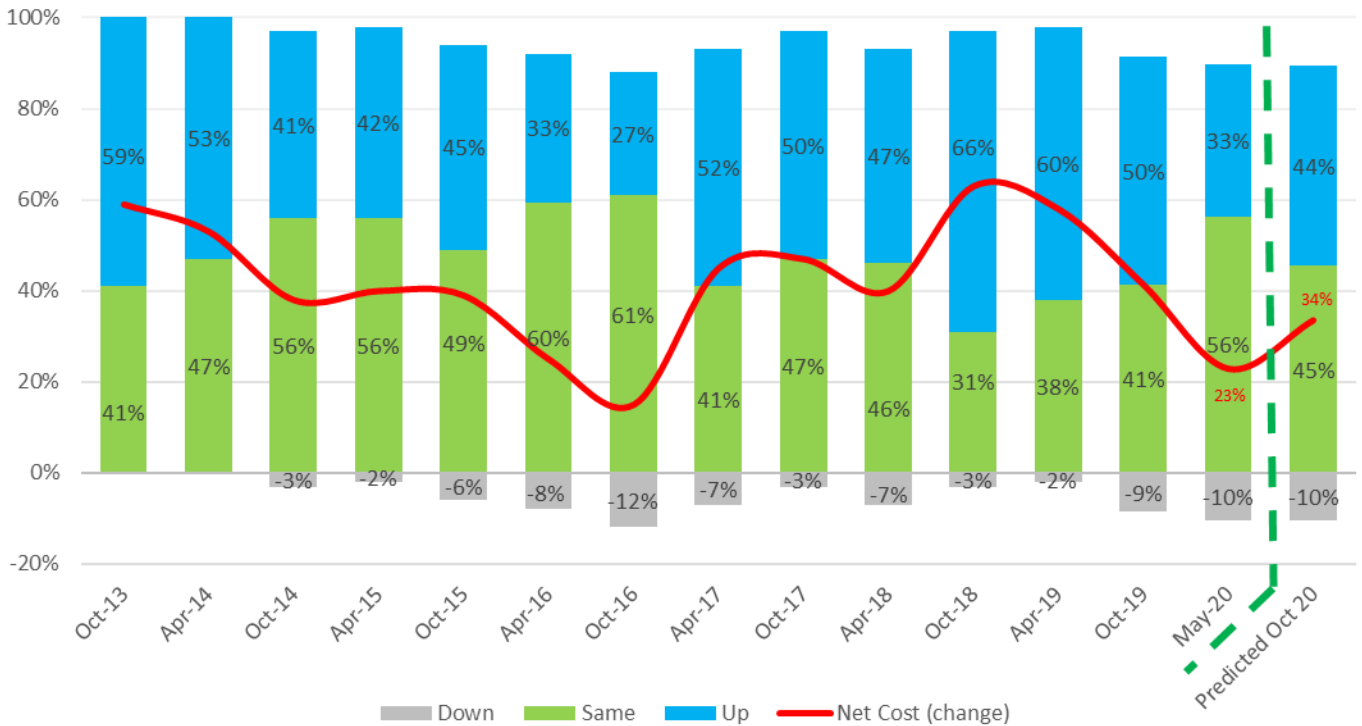
Operations Costs



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Businesses in North Canterbury report that the cost of doing business continues to increase, but at a slower rate than last year. 33% of businesses reported cost increases over the last six months.

There is an almost even split between those who believe that costs will remain stable over the next six months (45%) and those that expect costs to rise (44%). A small minority think that costs will decrease (10%).



Context

Commodity prices have dropped over the last six months and businesses report that a reasonable proportion of commercial landlords lowered their lease costs to help businesses through the lockdown period. This has helped to ameliorate other price rises and kept the overall increase of the cost to operate a business to a more manageable level.

Some businesses found that their costs to operate lowered considerably due to being unable to operate, but that was cold comfort for a business unable to generate revenue.

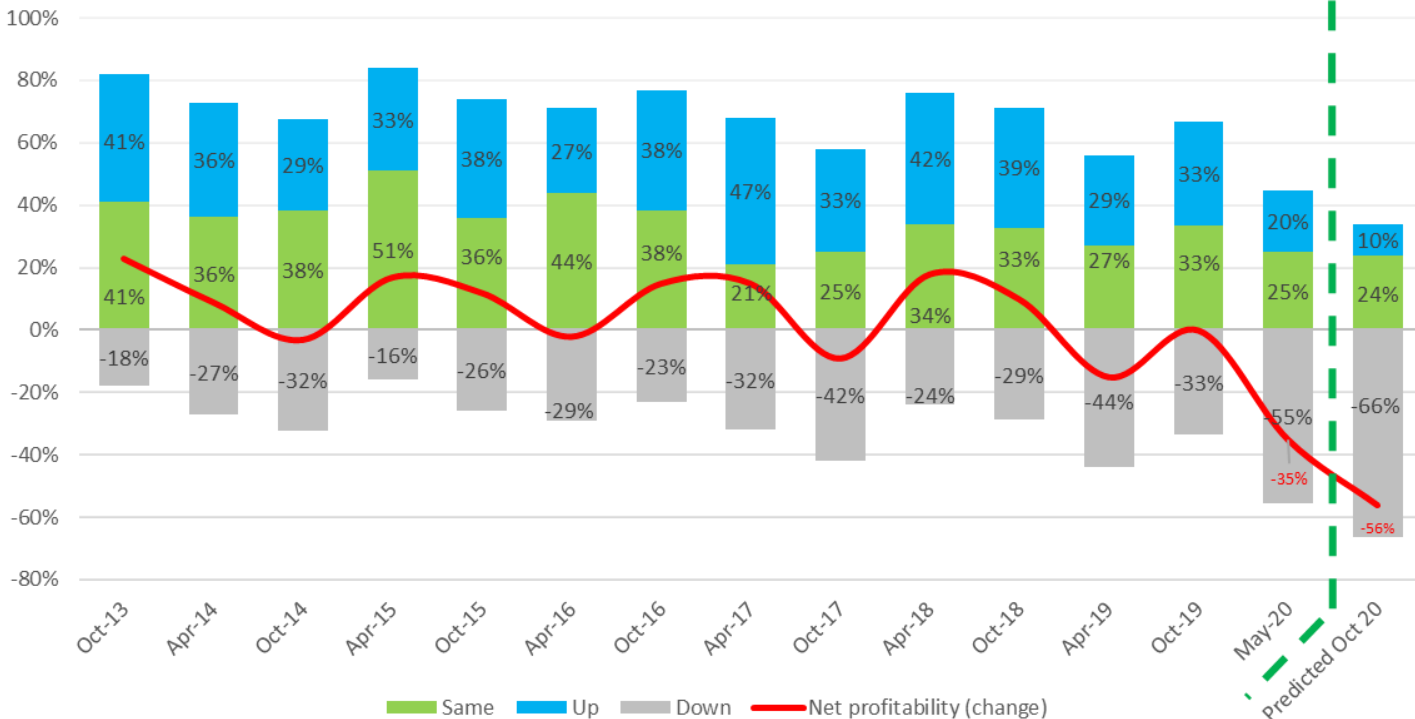
Operations Profitability



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55% of businesses saw a drop in profits over the last six months while 20% saw an increase (net -35%)

Businesses are pessimistic overall about their individual prospects for the next six months with only 10% expecting growth and 66% expecting a further decrease in profit (net -56%)



Context

With sales flat (page 6) and costs rising (page 5) businesses have had to raise their prices to remain at a stable level of profitability.

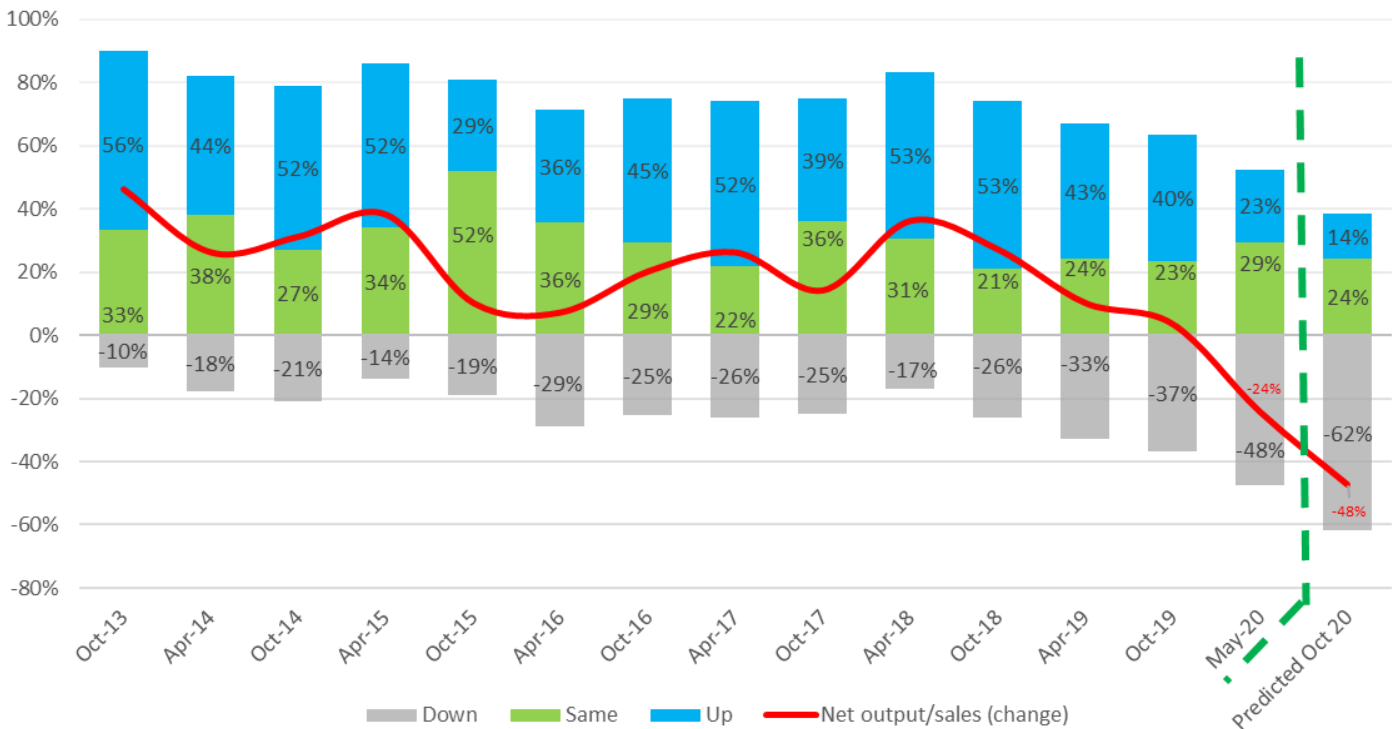
Businesses have reported finding it tough going over the last year, but on the whole there is a level of positivity about individual business prospects in the short-term future.

Operations Outputs/Sales



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Over the last six months sales dropped dramatically. This is the first time that this survey has seen a decrease in the number of sales, but not surprising given that 79% of businesses reported being affected negatively by Covid-19.



Context

This survey took place during level 2 of the Covid-19 lockdown and at a time when it was unclear when restrictions would be eased. This is reflected in the level of pessimism seen in the predictions businesses made for their coming six months of operation.

It is clear that the next six months of business will be a difficult period for many businesses in North Canterbury.

Operations Selling Prices

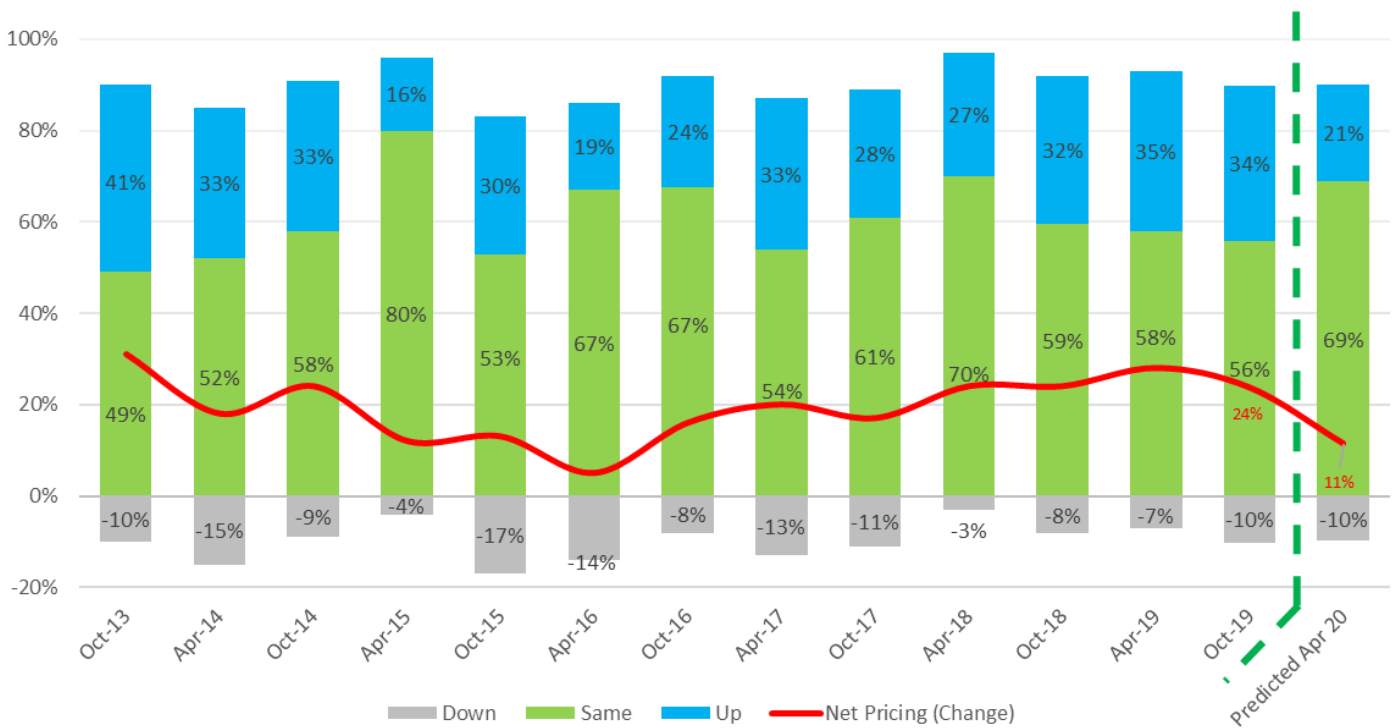


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The level of price increases by North Canterbury businesses remained fairly stable over the last six months, with a net +24% of businesses increasing their selling prices.

A greater proportion of businesses expect to hold prices steady (69%) over the next six months leading to a predicted +11% of businesses increasing their prices.

While slightly more businesses than usual lowered their prices or expect to lower their prices the difference from the previous year is statistically insignificant.



Context

Businesses we talk to have struggled with very tight margins before the period of this survey, particularly in the hospitality and retail sectors. These businesses were very nervous about raising prices due to a high level of competition (online and physical).

Investment



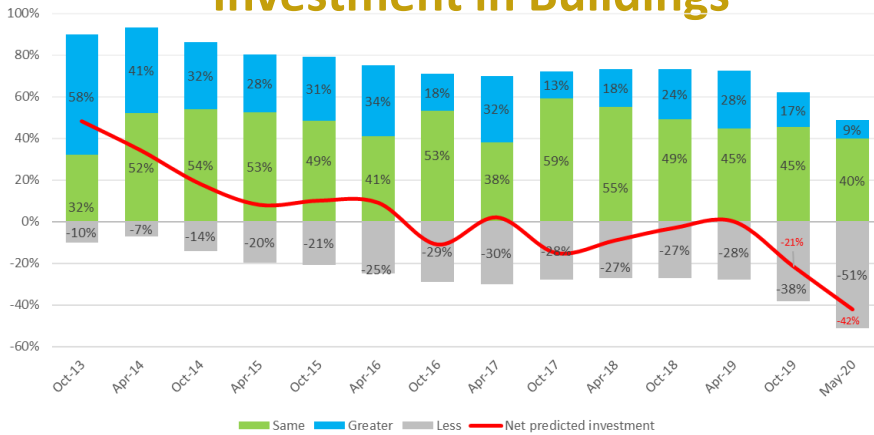
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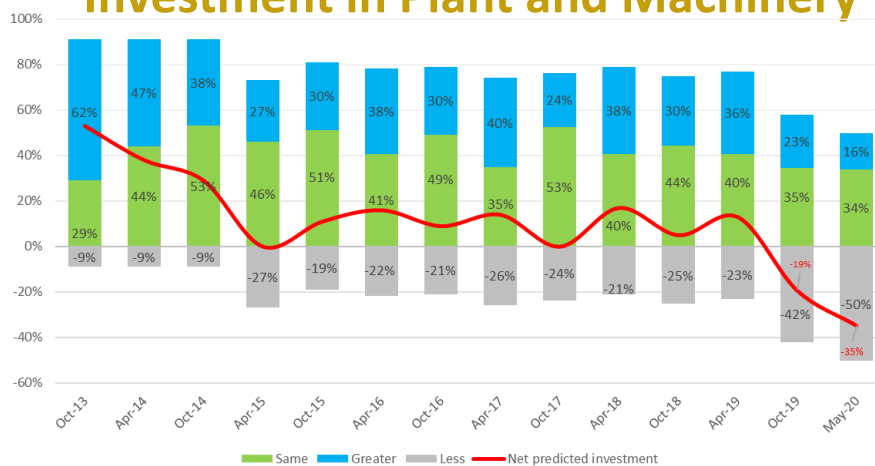
There has been a sharp decrease in the level of investment being made in both buildings (net -42%) and plant/machinery (net -35%).

It is not surprising, given the current circumstances, that businesses are holding back on making investment decisions.

Investment in Buildings



Investment in Plant and Machinery



Context

While existing businesses are holding off on new investment there is a high level of interest in establishing new businesses in the region in a range of industries, but notably in manufacturing and in value-added primary production. This new investment should offset some of the possible closures and hopefully slow the growth of unemployment in North Canterbury.

Limiting Factors



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This survey was taken during level 2 of the Covid-19 lockdown. As such it is not surprising to see Covid-19 restrictions as the largest concern for 34% of respondents.

The largest concern was around a lack of sales or orders for sales (38%) and all concerns around capacity to produce were lower than usual.

Concerns around finance were slightly higher than last year, but still much lower than in previous years.

	Oct-13	Apr-14	Oct-14	Apr-15	Oct-15	Apr-16	Oct-16	Apr-17	Oct-17	Apr-18	Oct-18	Apr-19	Oct-19	May-20
Covid-19 restrictions	-	-	-	-	-	-	-	-	-	-	-	-	-	34%
Orders/Sales	28%	26%	31%	47%	39%	40%	31%	30%	43%	39%	42%	50%	59%	38%
Labour	28%	33%	27%	26%	5%	17%	17%	11%	20%	22%	18%	21%	14%	5%
Capacity	35%	22%	27%	21%	27%	20%	27%	28%	20%	20%	18%	13%	11%	8%
Finance	0%	26%	23%	26%	17%	11%	10%	4%	7%	14%	15%	6%	7%	10%
Materials/Components	5%	26%	12%	18%	0%	0%	0%	4%	0%	0%	0%	2%	2%	2%
New Government policy	-	-	-	-	-	-	-	-	-	-	-	-	5%	-
Other	23%	15%	15%	3%	12%	11%	2%	2%	10%	6%	8%	8%	2%	3%
Total	40	27	26	34	41	35	52	47	30	51	62	48	56	131

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Who completed the survey?



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The North Canterbury Business Opinion Survey is administered online every 6 months with respondents usually invited by e-mail to participate. As we were responding to Covid needs in our community this survey was sent out a month later than usual.

For this survey we opened up the survey to our wider database including our core businesses that have taken part in the past.

We expected that this would give us a larger sample size but a less consistent spread of businesses and business numbers. We have ended up with a good spread of businesses but a larger proportion of our results from small businesses.

112 respondents were from Waimakariri and 42 were from the Hurunui.

Industry

Accommodation, Cafes and Restaurants	20
Retail Trade	19
Property	17
Education, Health and Community Services	16
Manufacturing	14
Agriculture	14
Other	13
Tourism and Outdoor Pursuits	9
Communication Services	8
Construction	7
Horticulture	5
Viticulture	3
Finance and Insurance Services	2
Professional Services	2
Wholesale Trade	2
Forestry, Fishing and Mining	1
Transport and Storage	1
Government, Administration and Defence	1
Total	154

Number of Employees

0-20	134
21-50	12
51-100	1
101-200	4
201-500	2
Over 500	1

This survey provides insight into a range of business types and sizes and provides a useful planning tool for councils, government departments and businesses

*In many charts and explanations in this document a “net change” figure is given. This obtained by subtracting the percentage of respondents who give negative feedback from those who give positive feedback

The author of this document is available to assist with any questions or information. Please contact us at miles@enterprisenc.co.nz

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ENC Sponsors



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We would like to thank our ENC sponsors. Our sponsors support ENC's mission to assist businesses in the North Canterbury region to grow and thrive and to bring new investment into the area. The funding they provide assists us greatly in making North Canterbury a better place for business.

We encourage you to use our sponsors' services.



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