RESEARCH FIRST

ENTERPRISE NORTH CANTERBURY

NORTH CANTERBURY **BUSINESS OPINION** SURVEY

enterprise north canterbury

RESEARCH REPORT

April 2018

1

Contents

North Canterbury Business Opinion Survey: April 2018

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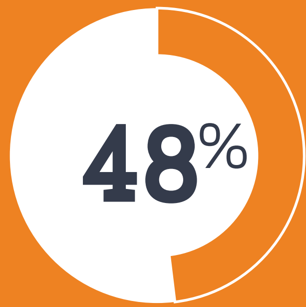
2

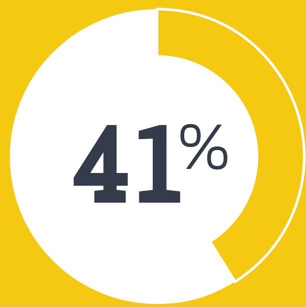
Key Messages

- Overall business confidence continues to decline this period. While majority of businesses (57%) expect no changes in the next 6 months, the proportion of respondents expecting for business situation to improve decreased to 15% (down from 19% in October 2017) and the proportion of those predicting deterioration increased to 28% (up from 19% in October 2017).
- Despite the decline in business confidence, 42% of businesses reported increased profitability in the past 6 months (up from 33% in October 2017). Sales have also increased with 53% of respondents reporting growth (up from 39% in October 2017). Businesses remain optimistic with nearly half expecting increases in sales and profitability in the next 6 months (48% for both).
- Businesses were more likely to state they will increase investments into plants and machinery (38% compared with 24% in October 2017) in the latest period. Investment levels into buildings will remain largely stable with 55% of businesses expecting no change (compared with 59% in October 2017).
- Over one third of businesses (36%) reported increased employment levels over the past 6 months (up from 20% in October 2017). Looking at the next 6 months, majority of respondents expect stability in relation to their staffing levels (64%).
- No major changes were observed in relation to reported difficulty of finding new staff. As before, filling skilled positions is more challenging (41% reported it was harder in the last 6 months) than filling semi-skilled (16% harder in the last 6 months) and unskilled roles (11% harder in the last 6 months).

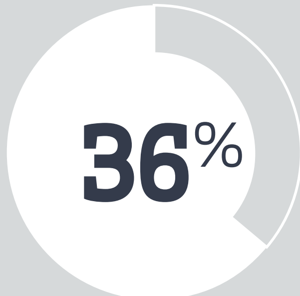
15% expecting the **business situation to improve** in the next 6 months



Expecting an **increase in sales and profitability** in the next 6 months



Reported **increased employment levels**



Reported **difficulty in filling skilled positions over the last six months**

3

Research Context

3.1 Research Background

North Canterbury Business Opinion Survey is conducted every 6 months and provides important insights into the performance of local economy and current labour market. The survey is completed by the largest businesses in North Canterbury and the results provide a valuable planning tool for councils, government departments and businesses in the region.

3.2 Research Method

North Canterbury Business Opinion Survey is administered online following an invitation to participate by email. 131 respondents were invited to participate in April 2018 and 60 completed the survey – a completion rate of 45%.

Due to the relatively small sample size, the findings of this research are indicative only and may not represent the trends for all North Canterbury businesses. Not applicable responses were excluded where appropriate.

3.3 Comparisons with NZIER Data

The results of this survey were compared with the nationwide figures collected by New Zealand Institute of Economic Research (NZIER) as part of the Quarterly Survey of Business Opinion (QSBO)1. When interpreting these comparisons, it is important to note the differences between the two surveys. Specifically, the QSBO is administered on quarterly basis rather than six-monthly basis and the trends (past and future predictions) are reported for a three-month period rather than a six-month period.

The results of the present survey were matched with those from the closest QSBO reporting period, i.e., April 2018 results were matched with 2018 Quarter 1 QSBO results (reported in March 2018), October 2017 results were matched with 2017 Quarter 3 QSBO results (reported in September 2017), and so on.

1 More information about this survey can be found on the NZIER website: http://nzier.org.nz/ABout%20 QSBO/

4

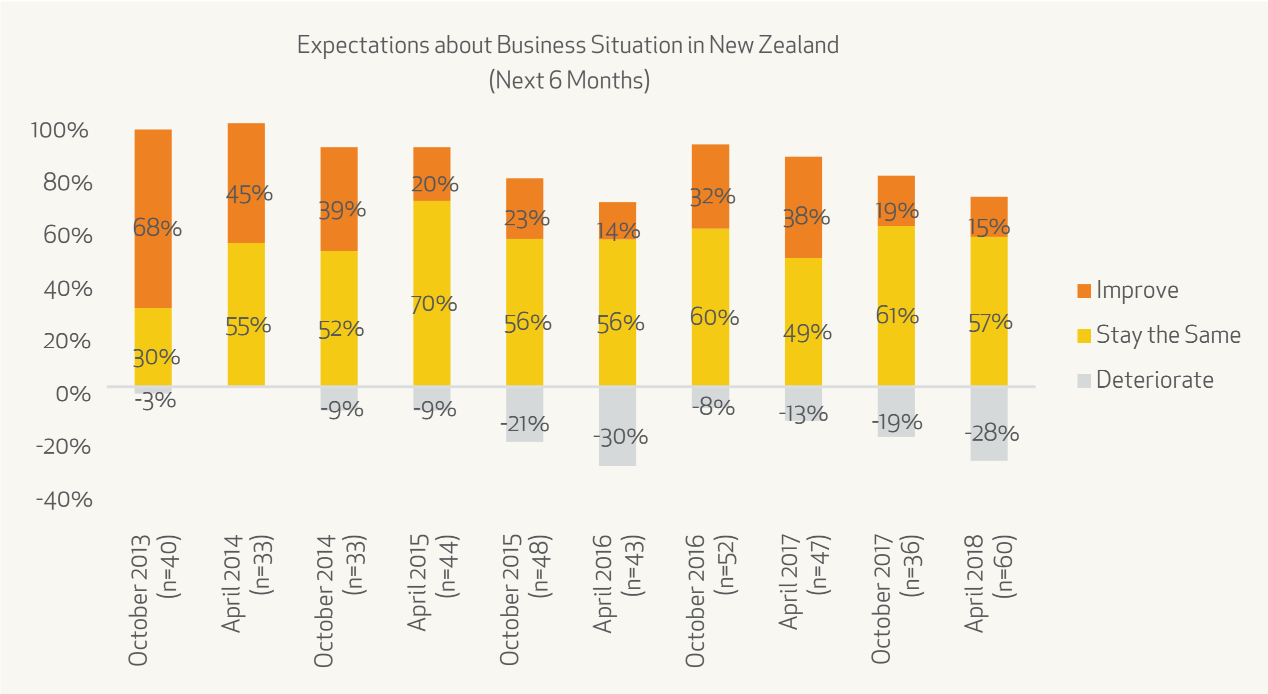
Main Findings

4.1 Business Confidence

Respondents were asked about their expectations of the general business situation in New Zealand during the next 6 months. In line with earlier results, the majority of respondents (57%) do not expect any changes in New Zealand's business situation. 28% of respondents expect that the business situation will deteriorate in the next month and only 15% anticipate improvement.

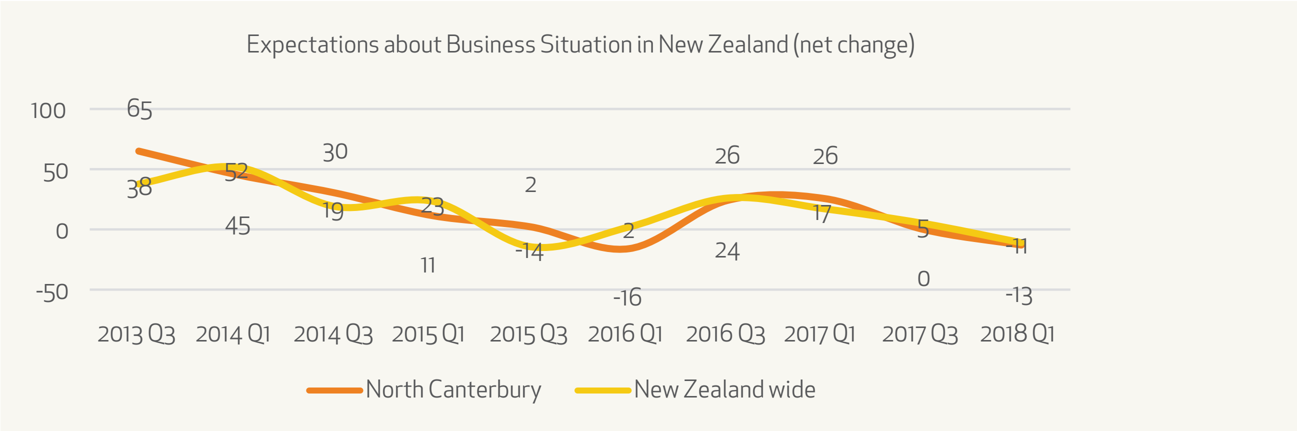
Despite most businesses predicting stability, a negative shift in business confidence overall continues, returning to the levels recorded in April 2016.

4.1



A negative shift in business confidence was also recorded in the latest NZIER data, suggesting North Canterbury perceptions continue to be largely in line with nationwide trends.

4.2[2]



2 Here and in other similar charts, the net change is obtained by subtracting the percentage of respondents saying "down / deteriorate / harder" from those saying "up / improve / easier" and dividing the value by a corrective factor (100 percent of "N/A" responses).

Despite the drop in businesses confidence, a significant proportion of respondents (38%) expect to increase investment in plant and machinery (up from 24% in October 2017). Intentions to increase in buildings remained largely stable at 18% (compared with 13% in October 2017). Little chance has been observed in terms of businesses' intentions to reduce their investment for both categories.

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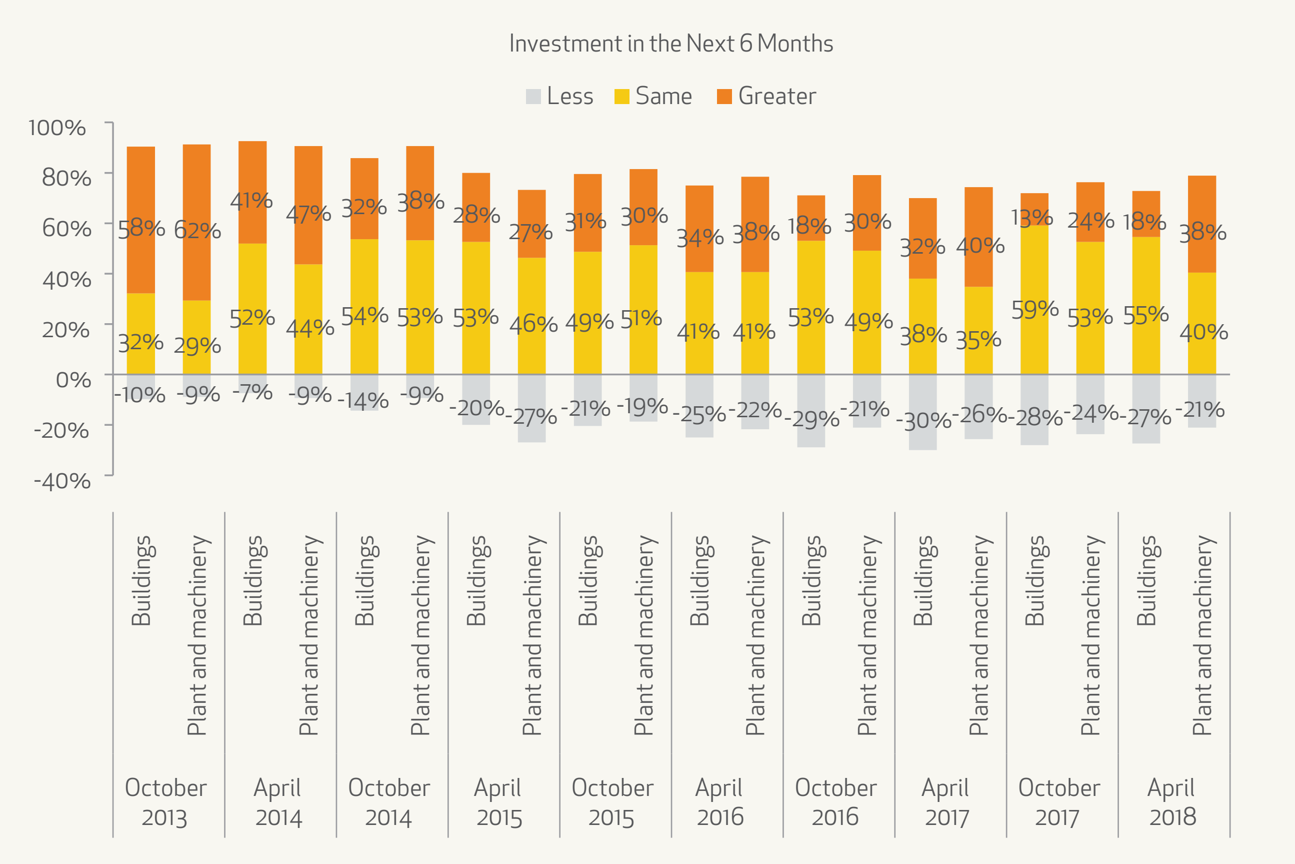
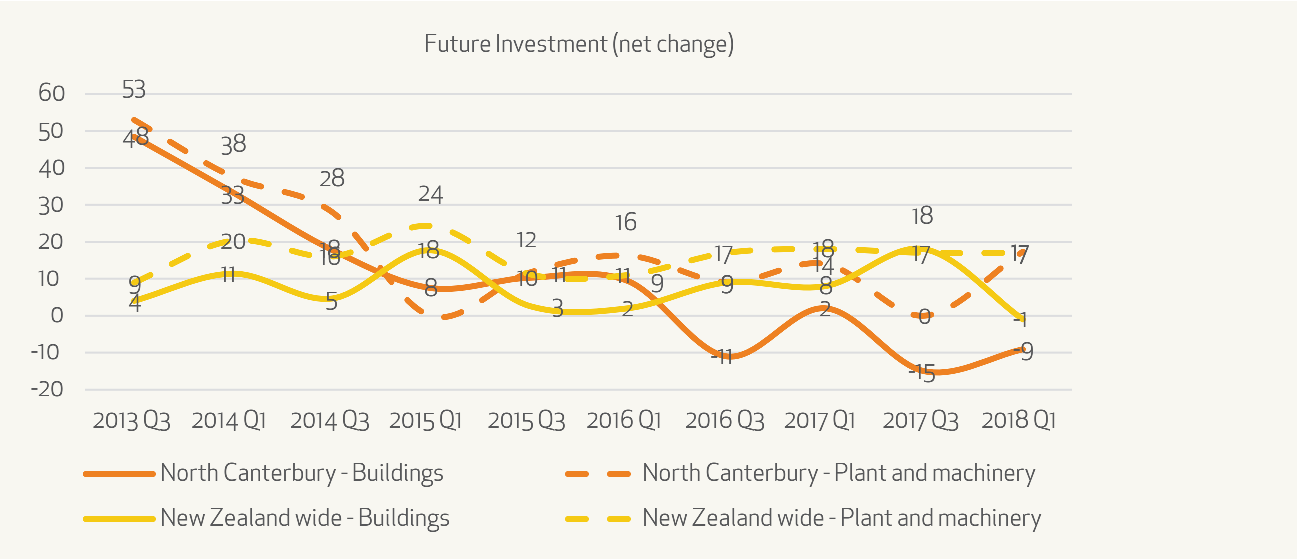


The latest predictions in terms of future investment in buildings and machinery in North Canterbury (measured as a net change in respondent proportions) are largely in line with nationwide figures.

4.4



42% of respondents reported growth in profitability over the past 6 months (up from 33% in October 2017). In addition, nearly half of businesses (48%) expect further increases in their profits over the next 6 months.

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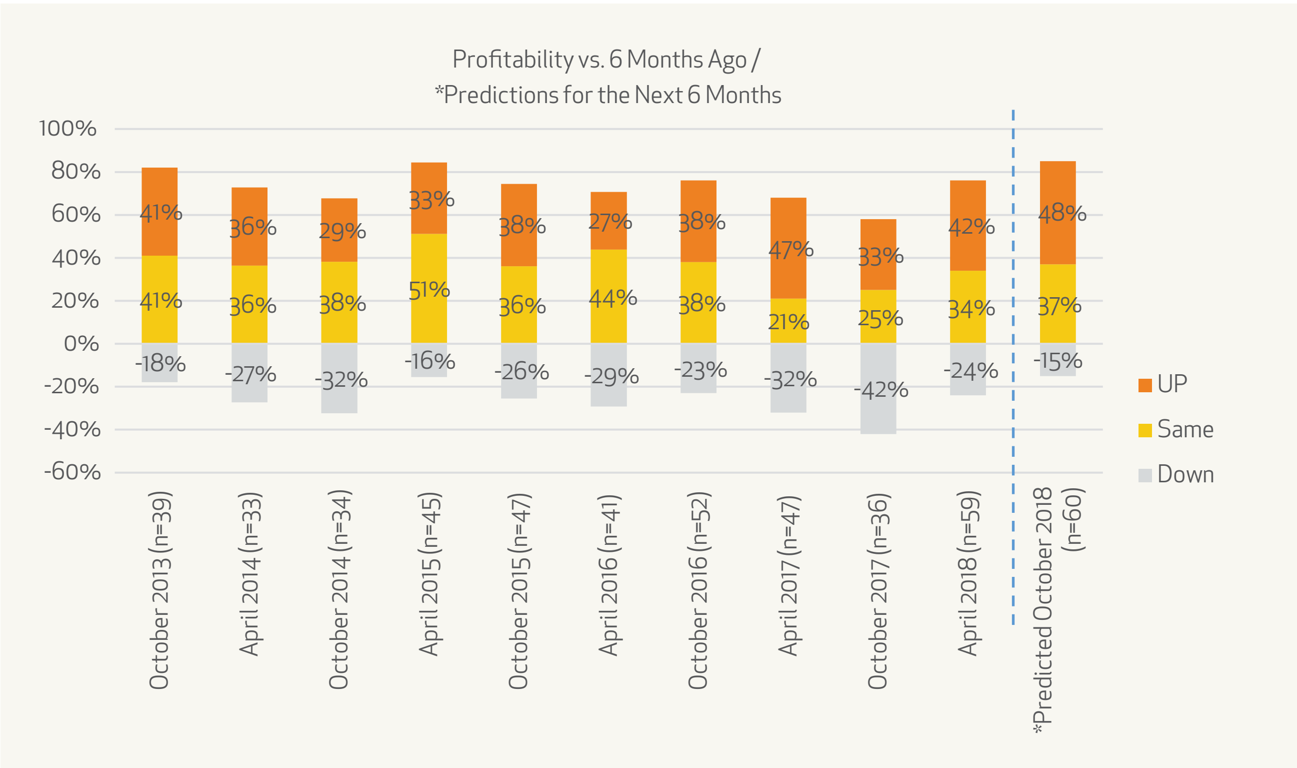
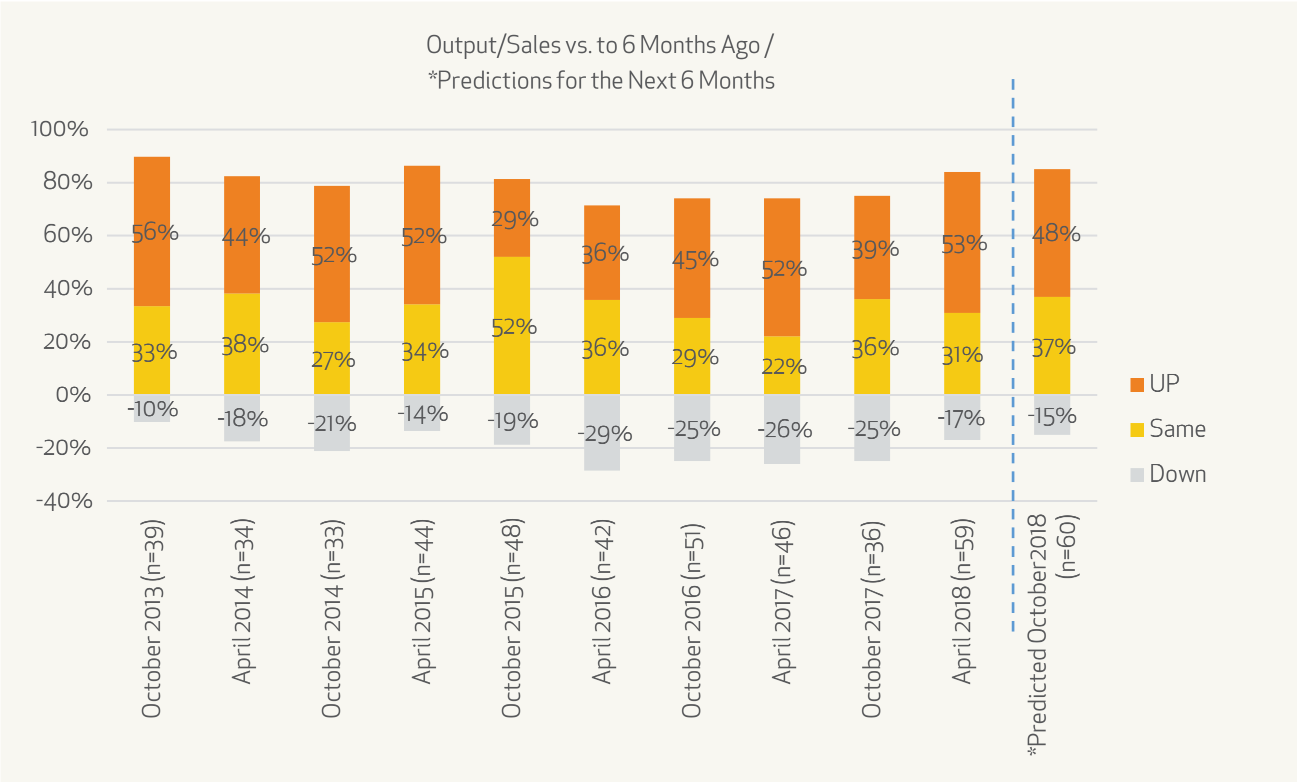


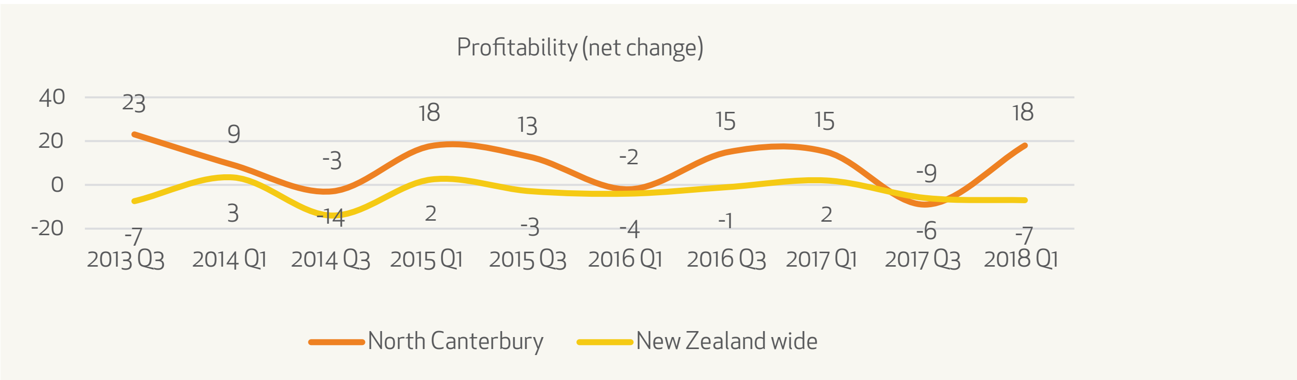
Over half of businesses (53%) also reported increases in their sales and output (up from 39% in October 2017). At the same time the proportion of respondents reporting lower sales decreased to 17% from 25% in October 2017. The future predictions remain optimistic with 48% businesses expecting increased sales in the next 6 months.

4.6



Despite periodic fluctuations North Cantabrian businesses continue to be more positive about profitability than New Zealand overall.

4.7



Orders/Sales continues to be the most significant barrier for increasing production, with 39% reporting it as a single most important factor. The perceived impact of capacity and labour remained largely stable (22% and 20% respectively compared with 20% for both in October 2017).

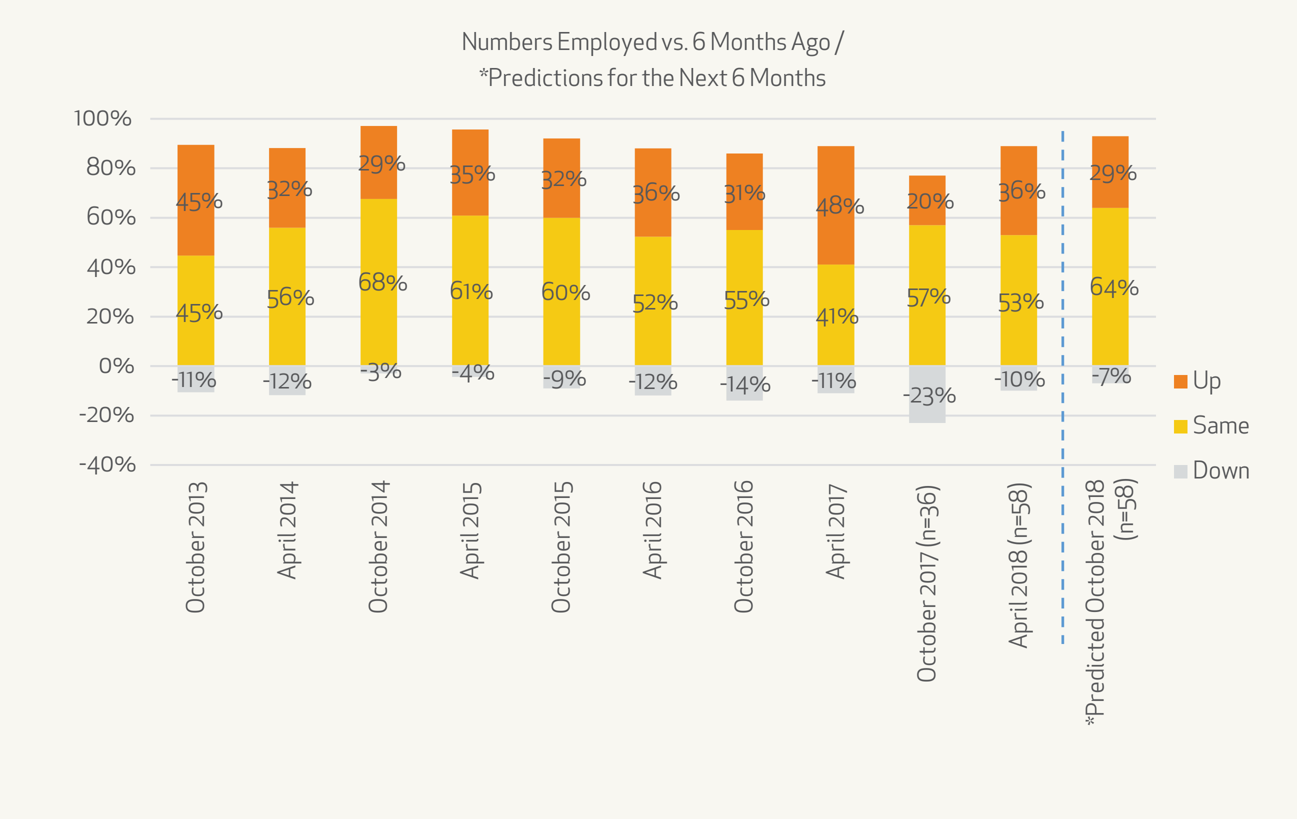
4.8

	October 2013	April 2014	October 2014	April 2015	October 2015	April 2016	October 2016	April 2017	October 2017	April 2018
Orders/Sales	28%	26%	31%	47%	39%	40%	31%	30%	43%	39%
Labour	28%	33%	27%	26%	5%	17%	17%	11%	20%	22%
Capacity	35%	22%	27%	21%	27%	20%	27%	28%	20%	20%
Finance	0%	26%	23%	26%	17%	11%	10%	4%	7%	14%
Materials/ Components	5%	26%	12%	18%	-	-	-	4%	-	-
Other	23%	15%	15%	3%	12%	11%	2%	2%	10%	6%
Total	**40**	**27**	**26**	**34**	**41**	**35**	**52**	**47**	**30**	**51**

4.2 Employment Trends

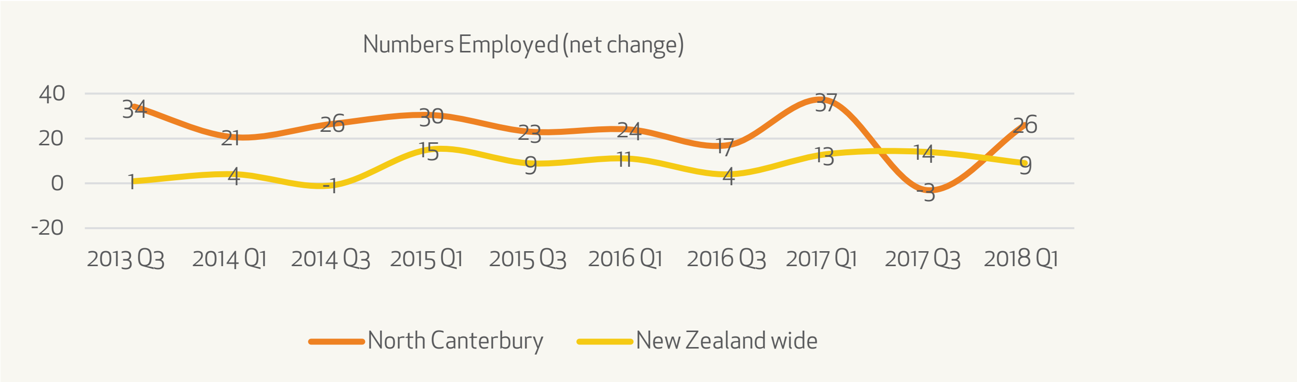
While over half (53%) of businesses report no change in employment numbers over the past 6 months, over one third (36%) stated their employment numbers have increased. Most businesses (64%) expect their staffing numbers to remain stable in the next 6 months and just under one third (29%) predict increases.

4.9



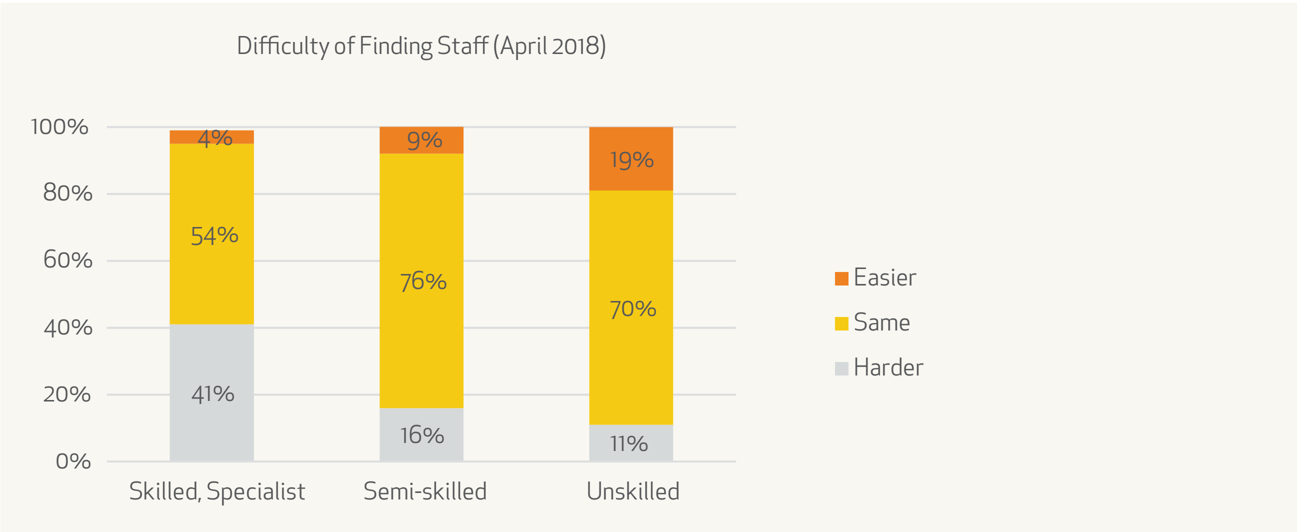
North Canterbury net employment levels remain higher than New Zealand overall.

4.10



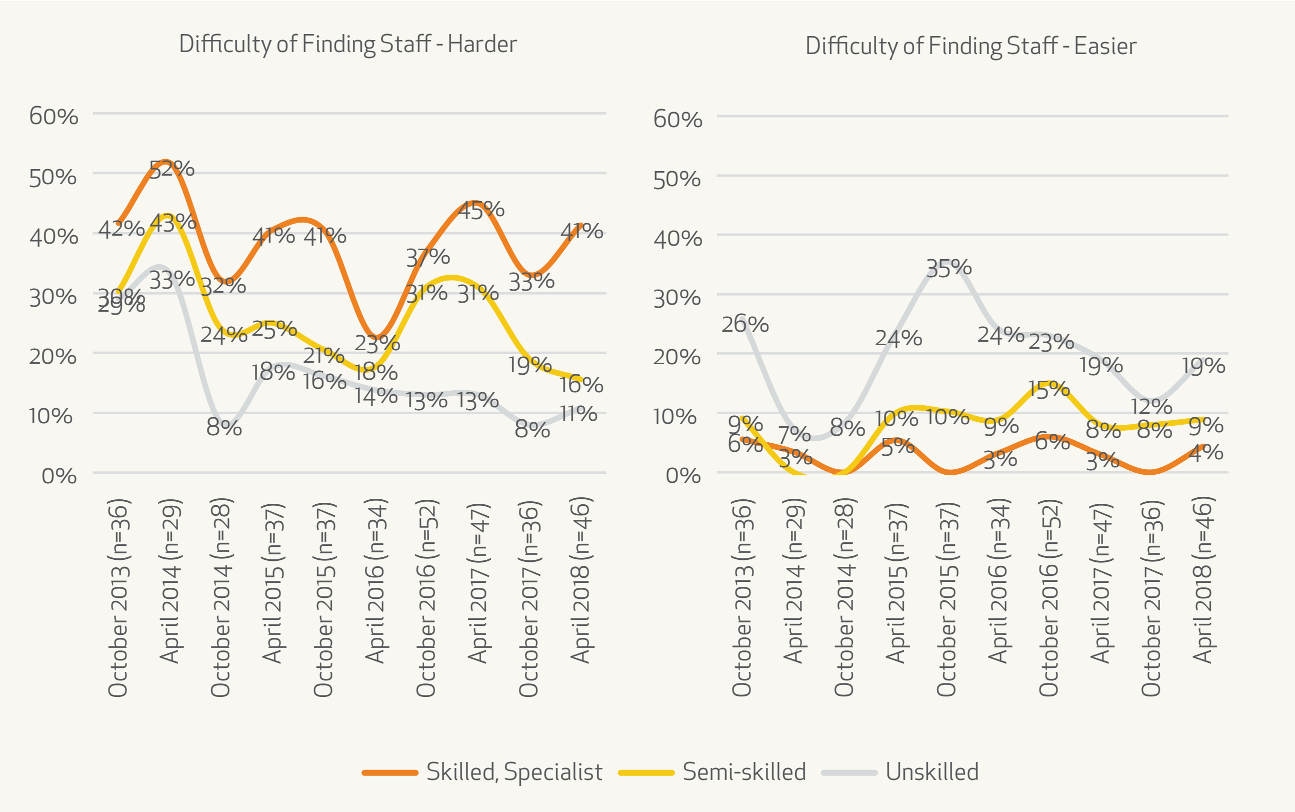
When asked to rate the difficulty of finding new staff compared to 6 months ago, most respondents thought it was neither easier nor harder. In line with previous survey waves, respondents were more likely to state that it was harder to find new skilled staff (41%) compared with semi-skilled (16%) or unskilled staff (11%).

4.11



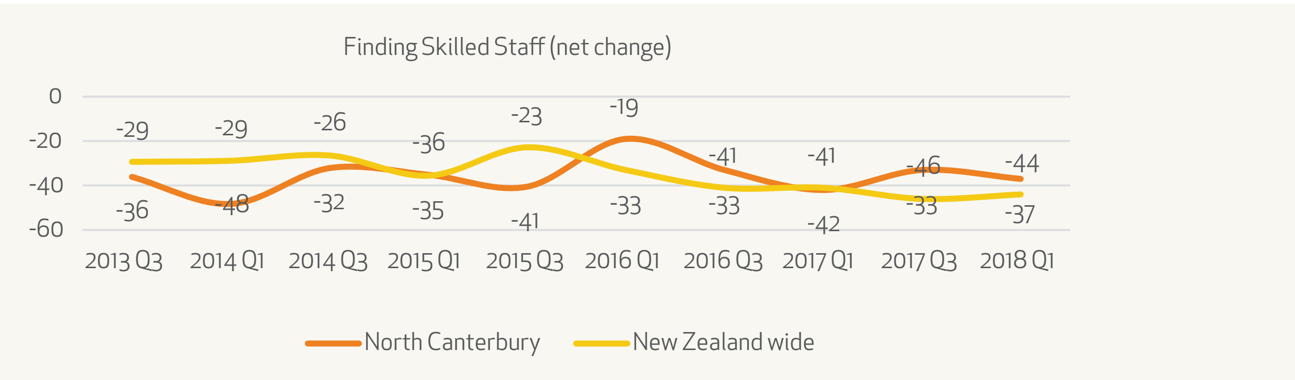
41% of respondents reported increased hardship in finding new skilled staff (compared with 33% in October 2017). This in line with general trend over time, despite periodic fluctuations.

4.12



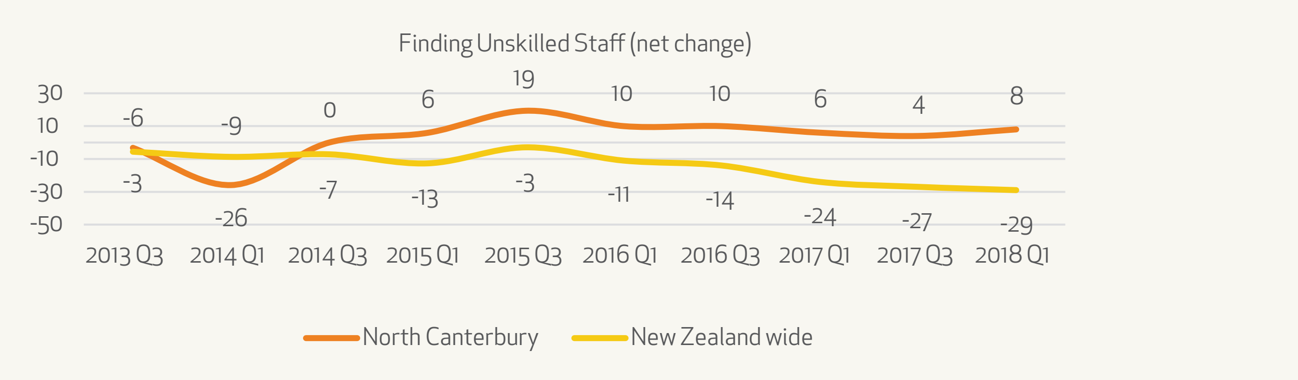
North Canterbury businesses found it easier to find skilled staff this period than New Zealand overall. Numbers for New Zealand and North Canterbury continue to be in the negatives, reflecting a nationwide difficulty to find skilled staff.

4.13



North Canterbury businesses continue to find it easier than New Zealand overall to find unskilled staff.

4.14



Lack of required training/skills and shortage of supply/applicants remained the most commonly mentioned barriers to finding new staff.

4.15

	April 2014	**October 2014**	**April 2015**	**October 2015**	**April 2016**	**October 2016**	**April 2017**	**October 2017**	**April 2018**
Lack of required training/ skills	4	4	5	7	7	11	7	3	6
Fewer applicants / supply shortage	-	-	-	-	-	-	-	2	6
Competition with other industries	5	4	7	4	2	2	2		
Business location too far from main centres	2	1	2	1	1	2	4	1	4
Competition with construction/ Rebuild	4	2	2	-	-	-	1	1	-
Other mentions	-	-	2	4	-	2	-	4	3
Total	**15**	**11**	**18**	**16**	**10**	**17**	**18**	**9**	**18**

Word of mouth and Internet advertising remain the most popular methods of finding new staff. Friends/family, newspaper advertising and recruitment companies are also used by about one in five respondents each.

4.16

	April 2014	October 2014	April 2015	October 2015	April 2016	October 2016	April 2017	October 2017	April 2018
Word of mouth	56%	59%	69%	56%	60%	65%	74%	58%	60%
Internet advertising	59%	47%	56%	56%	51%	56%	70%	64%	57%
Newspaper advertising	38%	38%	33%	35%	26%	27%	21%	25%	17%
Friends/Family	18%	21%	29%	27%	23%	13%	38%	14%	22%
Recruitment company	15%	9%	11%	25%	16%	10%	13%	6%	17%
Immigration/Skills and Employment Hub	6%	6%	4%	10%	5%	10%	6%	14%	8%
Social media	-	-	-	-	-	-	-	-	7%
Government department	-	-	-	-	2%	2%	-	6%	3%
Other	6%	9%	16%	13%	9%	6%	-	8%	10%
Not applicable/ Don't know	3%	6%	2%	6%	12%	2%	-	14%	12%
Total	**34**	**34**	**45**	**48**	**43**	**52**	**47**	**36**	**60**

5

Who Completed the Survey?

5.1: Industry

Retail Trade	9
Manufacturing	8
Accommodation, Cafes and Resturants	6
Property and Business Services (inc property development)	6
Professional services	6
Construction	5
Agriculture	4
Education, Health and Community Services	4
Adventure, Tourism/Outdoor Pursuits	2
Wholesale Trade	1
Finance and Insurance Services	1
Forestry, Fishing and Mining	1
Other / unspecified	7
TOTAL	**60**

5.2: Number of employees in business

1 - 20	50
21 - 50	5
51 - 100	2
101 - 200	3
201 - 500	0
Over 500	0
TOTAL	**60**

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