ENTERPRISE NORTH CANTERBURY

NORTH CANTERBURY **BUSINESS OPINION** SURVEY

RESEARCH FIRST

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RESEARCH REPORT
October 2018

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North Canterbury Business Opinion Survey: October 2018

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Key Messages

- Overall business confidence continues to decline this period following a trend since last year. Half of businesses (50%) expect no changes in the next 6 months, and only 14% of respondents expect the business situation to improve (similar to October 2017 at 19% and April 2018 at 15%). However, the proportion of those predicting a deteriorating business situation have increased to over a third (36%), bringing it to all-time low. This is in line with New Zealand wide predictions.
- Despite the decline in business confidence overall, the outlook is slightly more positive when businesses are asked about profitability. Compared to the general business outlook, only 22% believe profitability will decrease, while a third or more believe it will increase (36%) or stay the same (42%).
- However, actual reported profitability in the past 6 months remained on par with April 2018, or with a slight decrease.
- Predicted investment levels in both buildings and plant and machinery remain largely unchanged when looking at the nets of those who will invest more, less or the same amount in the next 6 months.
- In addition, much like in April 2018, over one third of businesses (36%) reported increased employment levels over the past 6 months; almost half reported the same numbers, and 14% reported a decrease. Looking at the next 6 months, nearly all expect stability or an increase in employment levels (55% vs. 38% respectively).
- On the other hand, following a relatively volatile trend in difficulty in finding staff, a few major changes have been observed. Finding semi-skilled staff has become more difficult than finding skilled specialist staff. In addition, compared to April 2018 it has become more than twice as hard to find both semi-skilled staff (38% now vs. 16% then) and unskilled staff (26% now vs. 11% then). In addition, while it has not become harder to find specialist staff, it has not become easier either. Almost a third (64%) believe the ability to find new skilled staff remains the same; and skilled staff has always been considered the most difficult type of staff to find.

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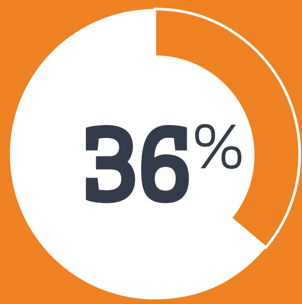
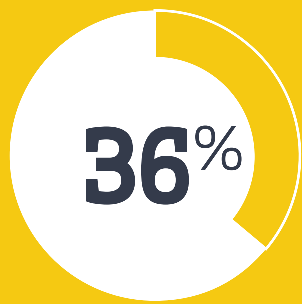
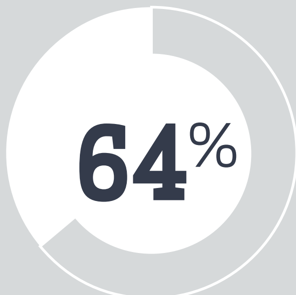
14% expecting the **business situation to improve** in the next 6 months



Expecting an **increase in sales profitability**



Reported **increased employment levels**



Reported the **ability to find new skilled staff remains the same**

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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. 164 respondents were invited to participate in October 2018 and 72 completed the survey – a completion rate of 44%.

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., October 2018 results were matched with 2018 Quarter 3 QSBO results (reported in September 2018), 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%20QSBO/

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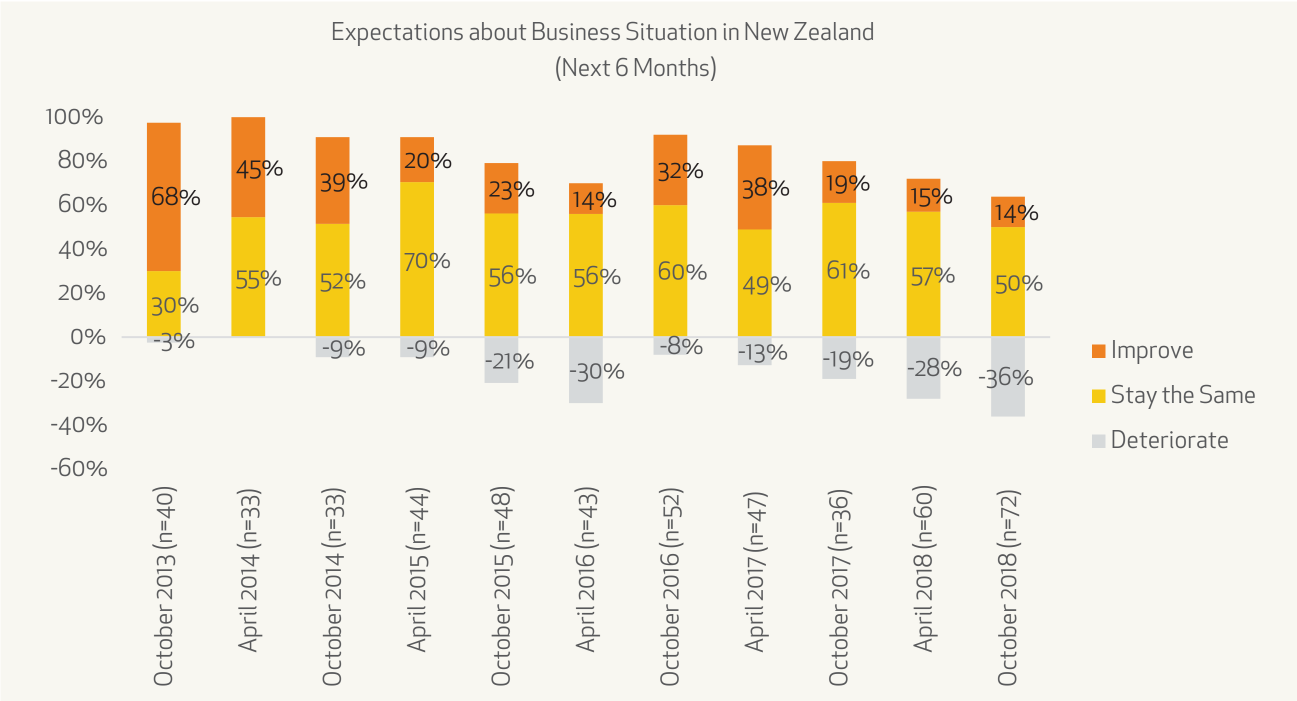
Main Findings

4.1 Business Confidence

Research First asked respondents about their expectations of the general business situation in New Zealand during the next 6 months. Like earlier results, half of respondents (50%) do not expect any changes in New Zealand's business situation. Only 14% expect the business situation to improve.

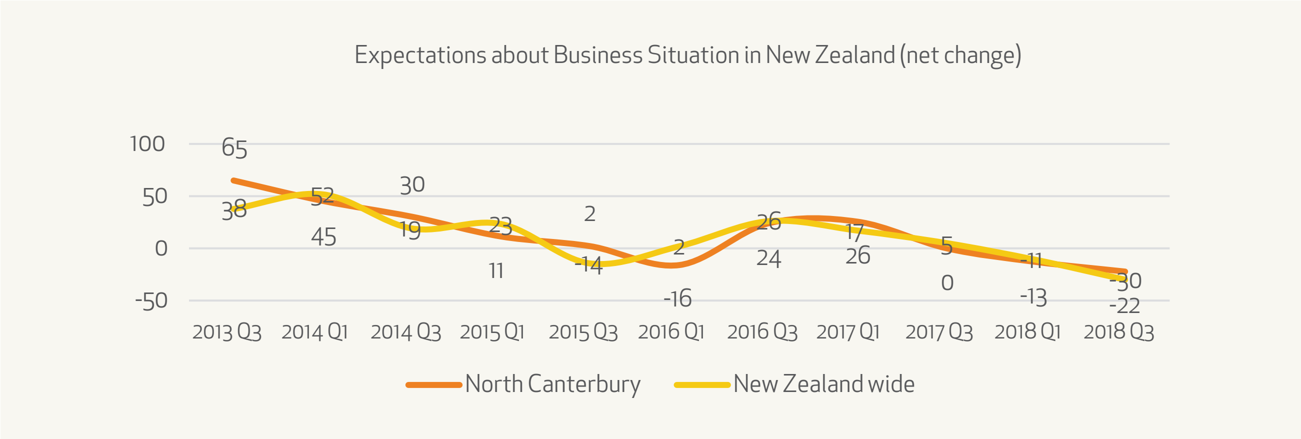
However, a third (36%) of respondents expect that the business situation will deteriorate in the next month, an all time high since October 2013, following a downward trend since October 2016.

4.1



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

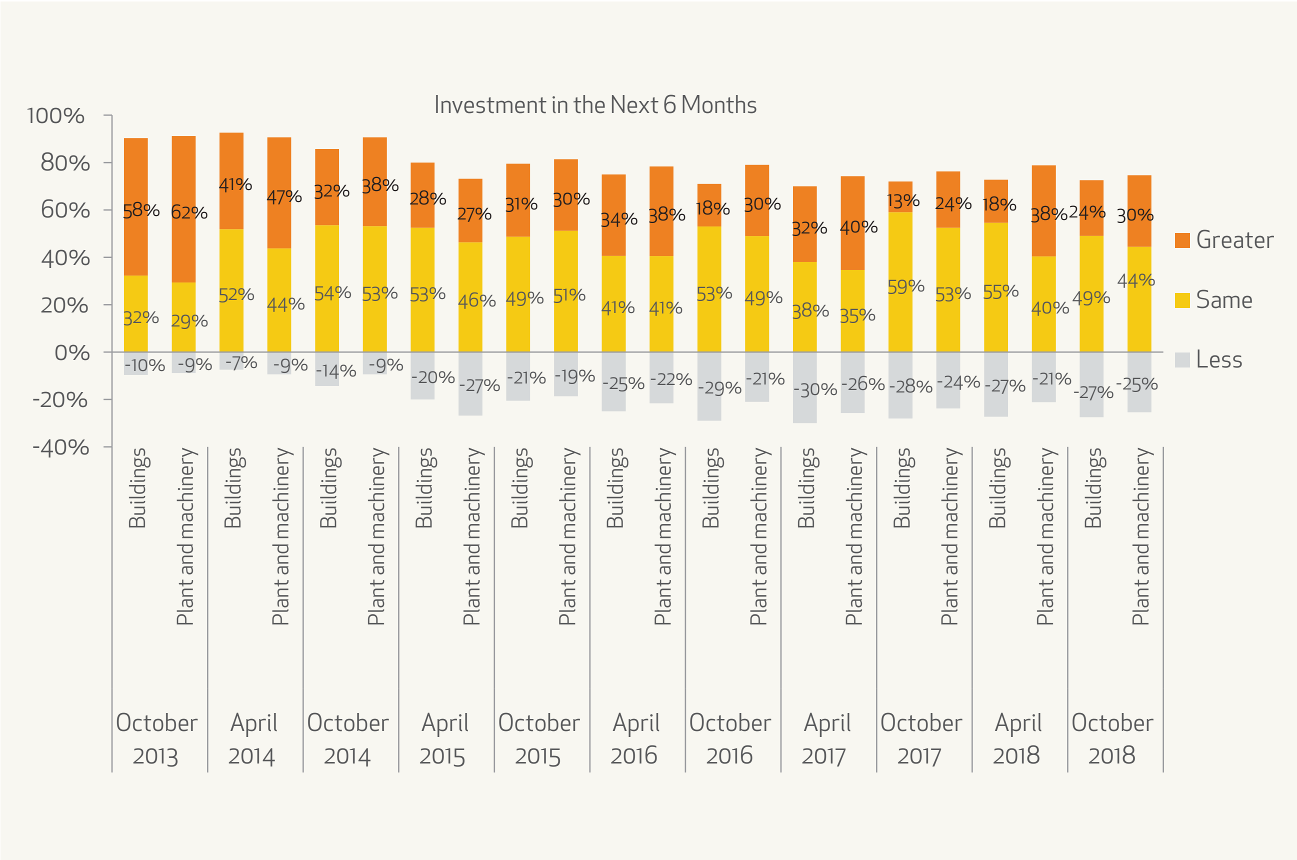
4.2[2]



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).

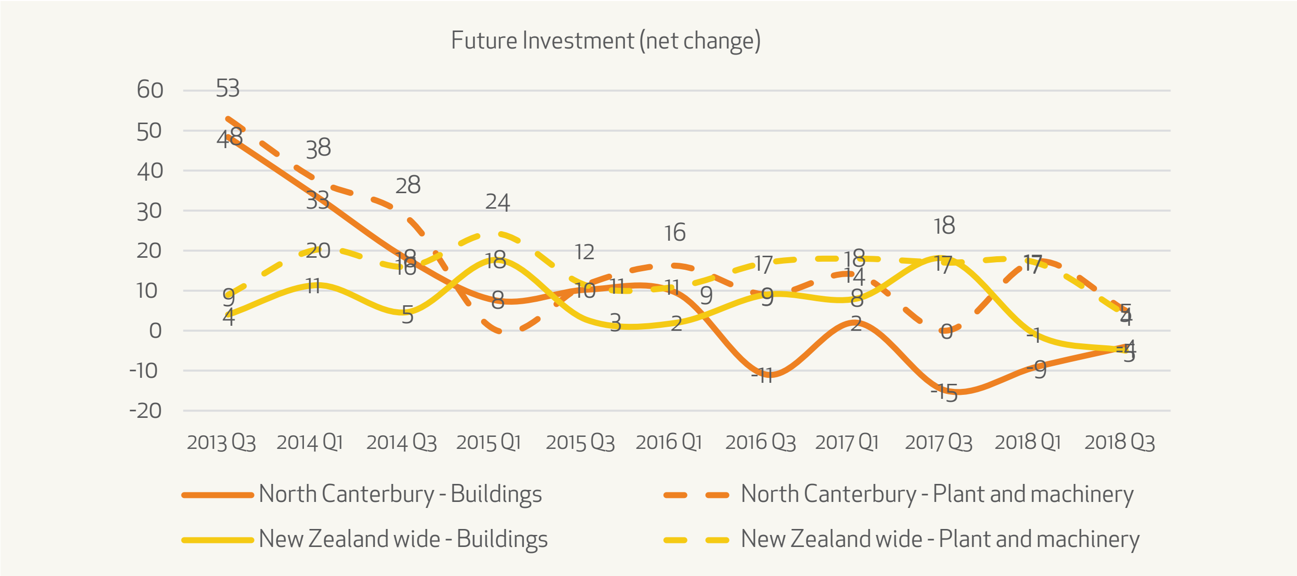
Despite the drop in businesses confidence, almost a third of respondents (30%) expect to increase investment in plant and machinery (down from 38% in April 2018, but still in the same range as in previous survey waves since 2015). Intentions to increase investment in buildings has slightly increased from April 2018 to 24% (from 18% in April 2018). However, businesses' intentions to reduce their investment for both categories has remained stable.

4.3



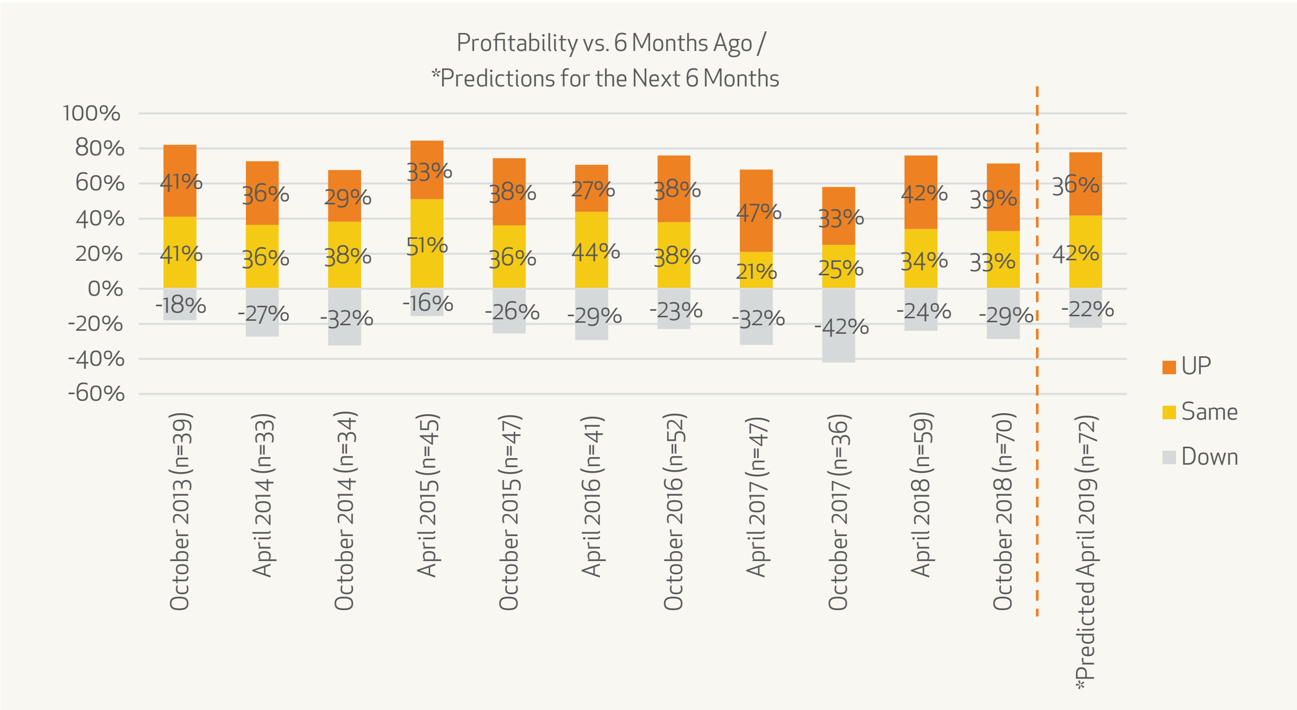
The latest predictions in terms of future investment in buildings and machinery in North Canterbury (measured as a net change in respondent proportions) are in line with nationwide figures.

4.4



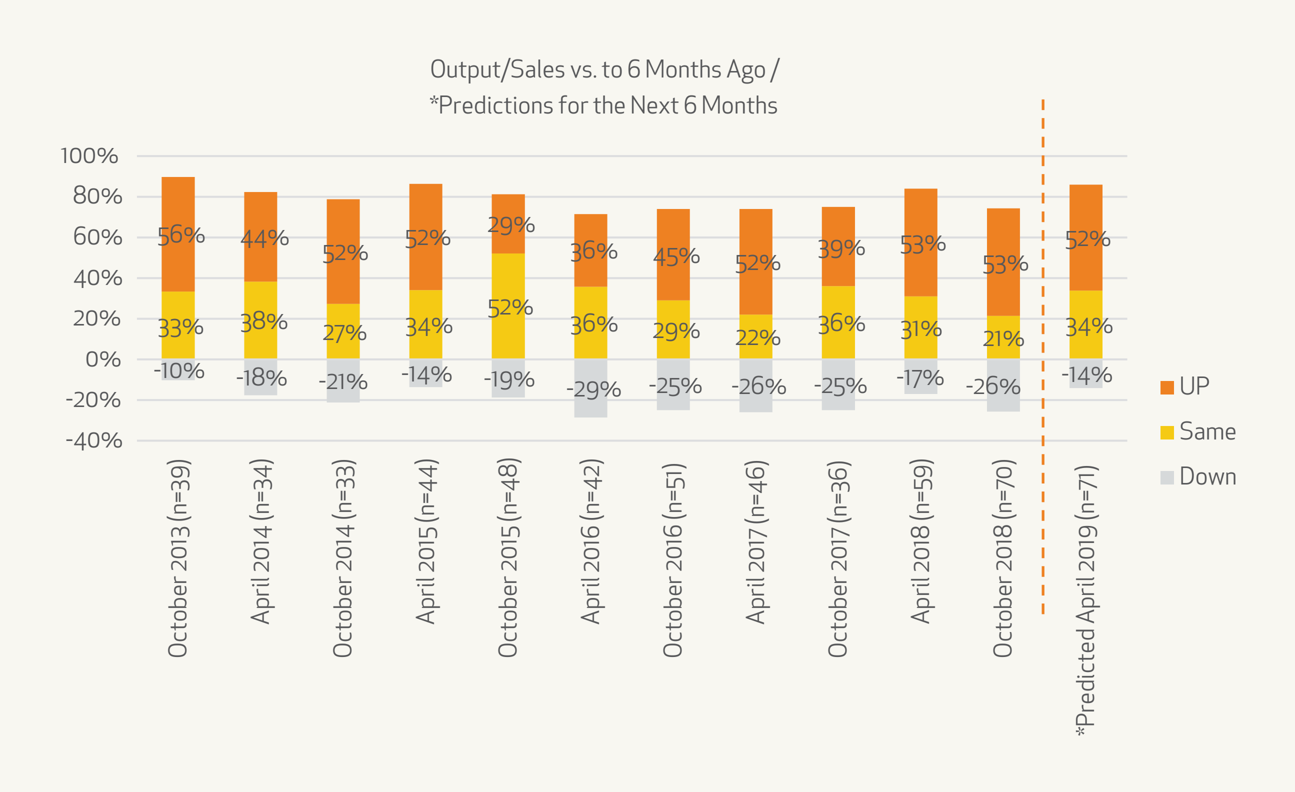
39% of respondents reported growth in profitability over the past 6 months staying in range with previous survey waves, but slightly down from April 2018. Most either believe their profitability will stay the same (42%) or increase (36%), with less than a quarter believing it will decrease (22%).

4.5



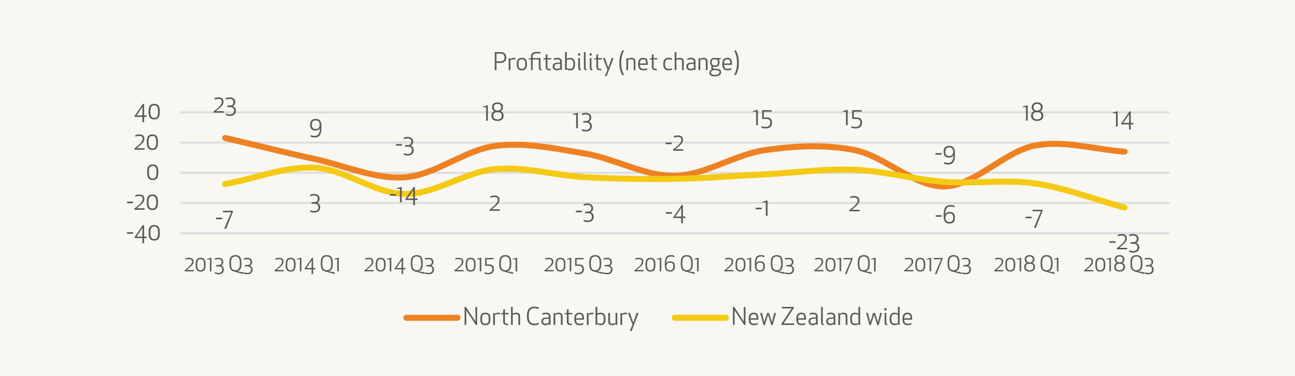
Like in the previous survey wave, over half of businesses (53%) also reported increases in their sales and output; however, at the same time the proportion of respondents reporting lower sales increased to 25% (from 17% in April 2018). The future predictions remain optimistic with half expecting the outputs to increase, a third to remain the same, and only 14% expecting the situation to decrease.

4.6



Despite periodic fluctuations North Cantabrian businesses continue to be more positive about profitability than New Zealand overall, where profitability seems to be at an all time low.

4.7



Orders / Sales continues to be the most significant barrier for increasing production, with 42% reporting it as a single most important factor. The perceived impact of capacity and labour remained largely stable at 18% for both (comparing to 22% and 20% respectively in April 2018).

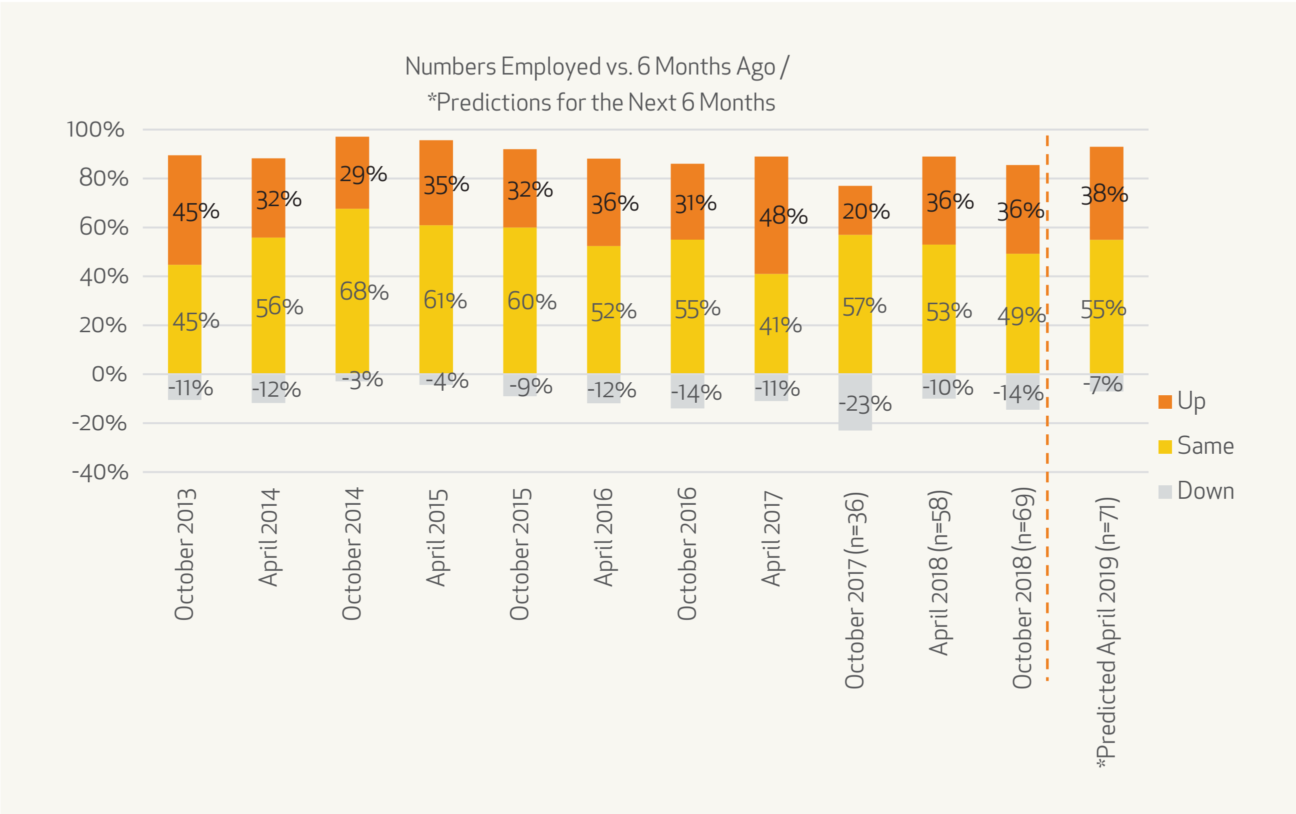
4.8

	October 2013	April 2014	October 2014	April 2015	October 2015	April 2016	October 2016	April 2017	October 2017	April 2018	October 2018
Orders/Sales	28%	26%	31%	47%	39%	40%	31%	30%	43%	39%	42%
Labour	28%	33%	27%	26%	5%	17%	17%	11%	20%	22%	18%
Capacity	35%	22%	27%	21%	27%	20%	27%	28%	20%	20%	18%
Finance	0%	26%	23%	26%	17%	11%	10%	4%	7%	14%	15%
Materials/ Components	5%	26%	12%	18%	-	-	-	4%	-	-	-
Other	23%	15%	15%	3%	12%	11%	2%	2%	10%	6%	8%
Total	**40**	**27**	**26**	**34**	**41**	**35**	**52**	**47**	**30**	**51**	**62**

4.2 Employment Trends

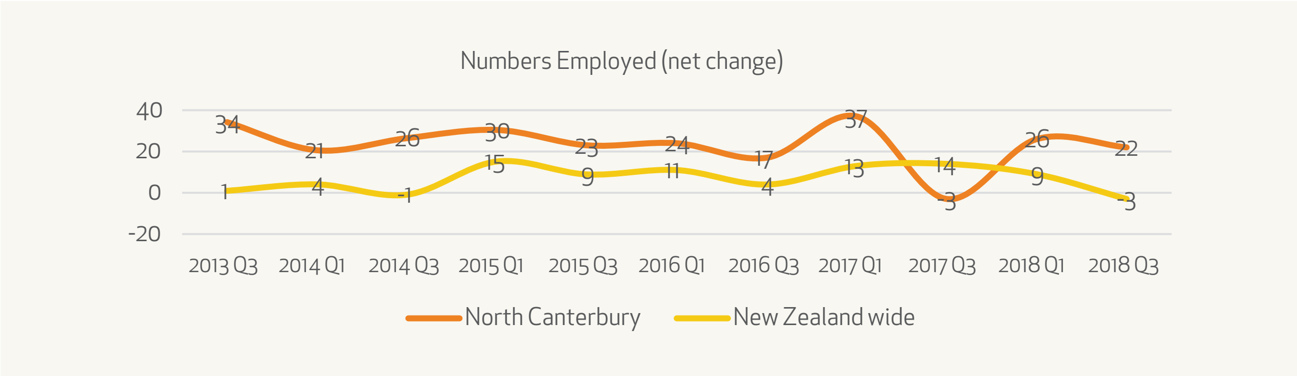
Employment trends over the past 6 months look similar to the 6 months previous to that. Around half (49%) of businesses report no change in employment numbers over the past 6 months and over one third (36%) say their employment numbers have increased. Most businesses expect staffing numbers to remain positive: over half predict employment will stay the same (55%) and over a third think it will increase (38%).

4.9



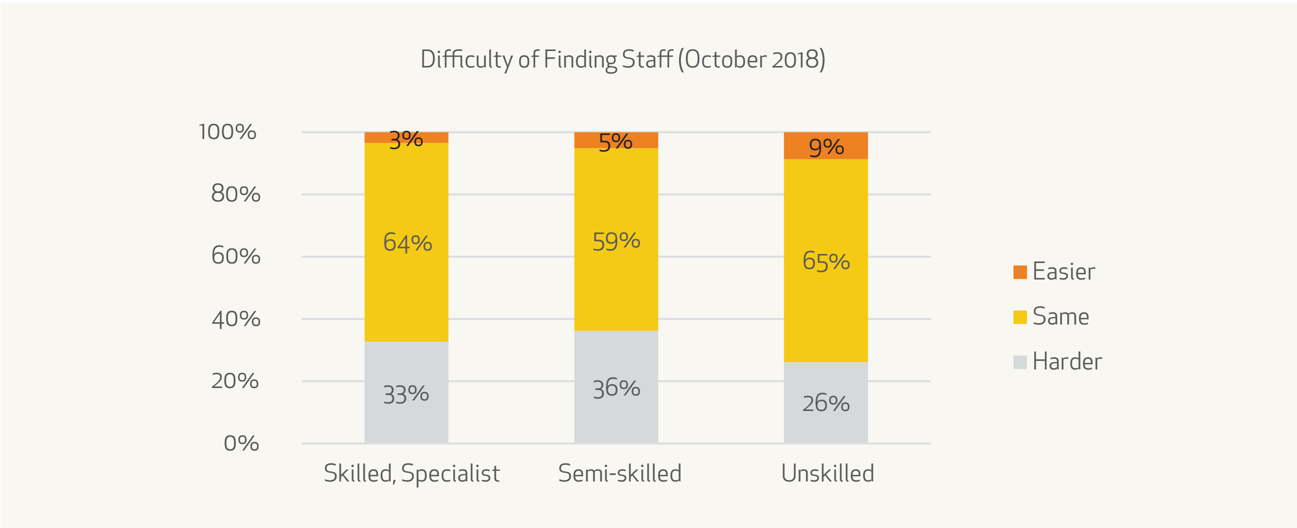
North Canterbury net employment levels remain higher than New Zealand overall.

4.10



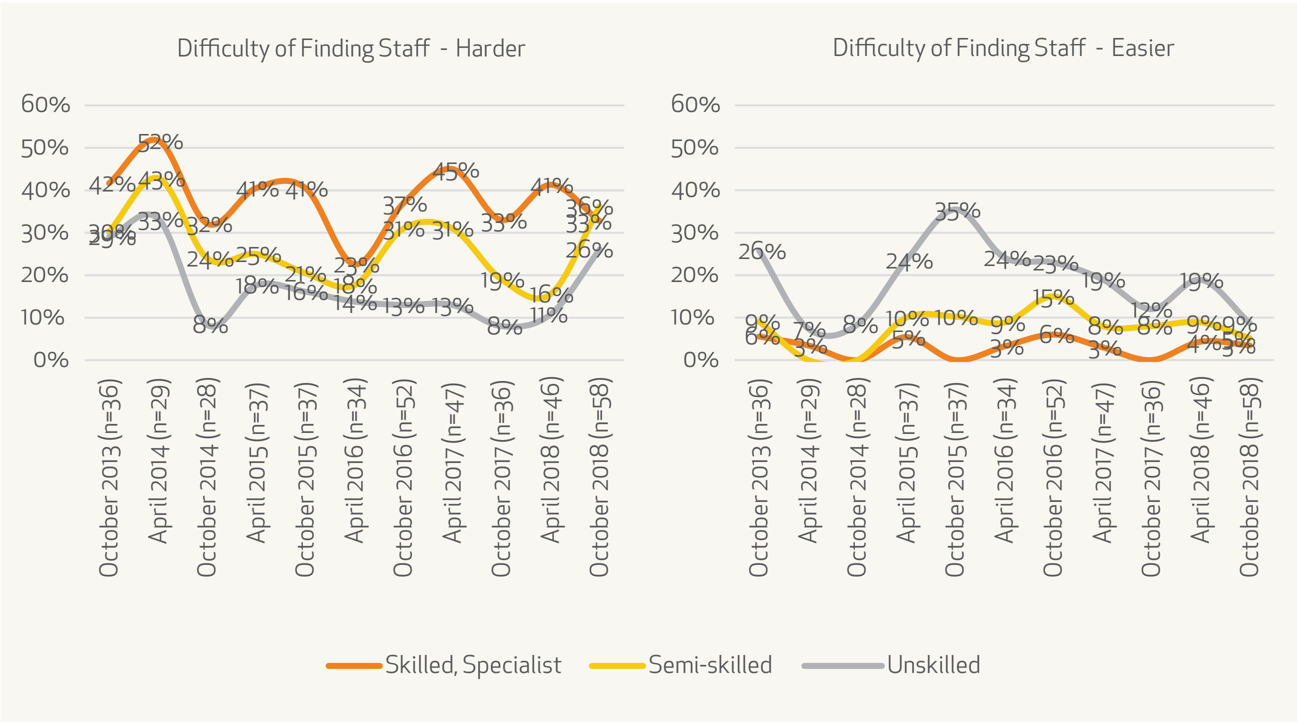
When asked to rate the difficulty of finding new staff compared to 6 months ago, over half of the respondents thought it was about the same (59-65%). However, unlike the previous survey waves, the proportion of those finding it harder to find semi-skilled staff was higher than the proportion of those finding it harder to find skilled staff (36% and 33% respectively). Furthermore, only a few thought it was easier to find staff (3-9%) and respondents found it was almost equally difficult to find any type of staff (26-36%).

4.11



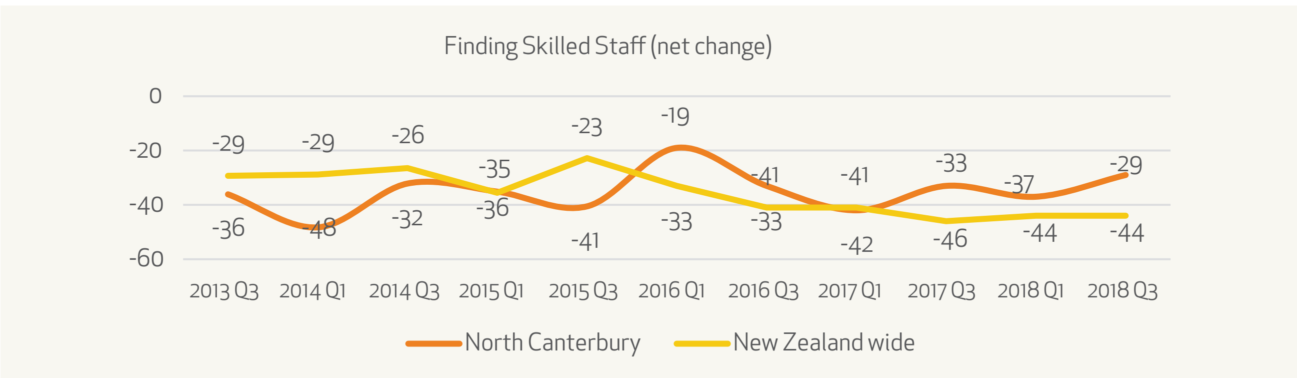
Difficulty in finding staff has a general tendency to fluctuate, but in this survey period the differences in difficulty / ease in finding skilled, semi-skilled or un-skilled staff are getting smaller.

4.12



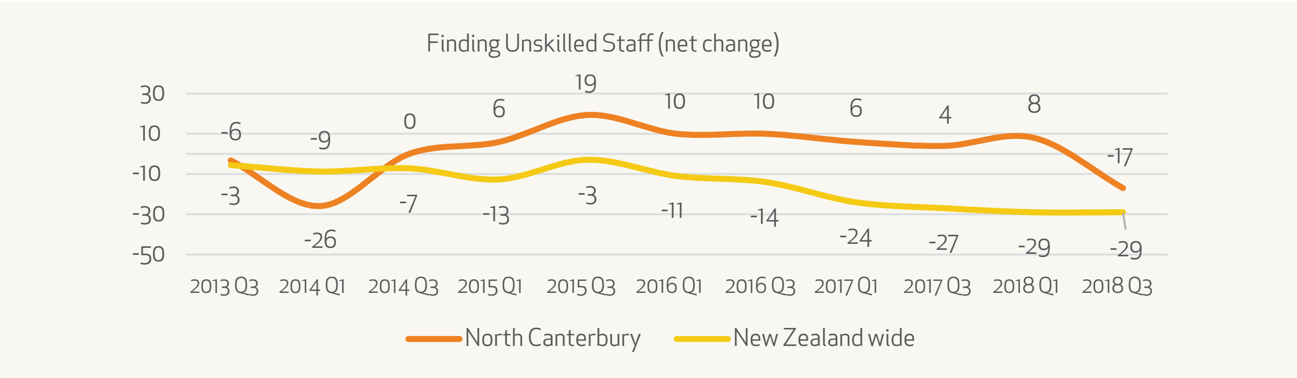
Much like in the previous survey wave, North Canterbury businesses found it easier to find skilled staff this period than New Zealand overall. Numbers for New Zealand and North Canterbury have experienced little change, continue to be in the negatives, and as such reflect a nationwide difficulty to find skilled staff.

4.13



North Canterbury businesses continue to find it easier than New Zealand overall to find unskilled staff but have experienced a drop since April 2018.

4.14



Lack of required training / skills and shortage of supply / applicants remained the most commonly mentioned barriers to finding new staff and employees have seen an increased barrier in their location being too far from main centres.

4.15

	April 2014	October 2014	April 2015	October 2015	April 2016	October 2016	April 2017	October 2017	April 2018	October 2018
Lack of required training / skills	4	4	5	7	7	11	7	3	6	9
Fewer applicants / supply shortage	-	-	-	-	-	-	-	2	6	7
Competition with other industries	5	4	7	4	2	2	2			2
Business location too far from main centres	2	1	2	1	1	2	4	1	4	7
Competition with construction / Rebuild	4	2	2	-	-	-	1	1	-	
Other mentions	-	-	2	4	-	2	-	4	3	7
Total	**15**	**11**	**18**	**16**	**10**	**17**	**18**	**9**	**18**	**24**

Word of mouth and Internet advertising remain the most popular methods of finding new staff though the usage of it continues to fluctuate. Similar to April 2018, about one in 5 respondents reported using friends / family, and recruitment companies.

4.16

	April 2014	October 2014	April 2015	October 2015	April 2016	October 2016	April 2017	October 2017	April 2018	October 2018
Word of mouth	56%	59%	69%	56%	60%	65%	74%	58%	60%	67%
Internet advertising	59%	47%	56%	56%	51%	56%	70%	64%	57%	71%
Newspaper advertising	38%	38%	33%	35%	26%	27%	21%	25%	17%	13%
Friends / Family	18%	21%	29%	27%	23%	13%	38%	14%	22%	21%
Recruitment company	15%	9%	11%	25%	16%	10%	13%	6%	17%	21%
Immigration / Skills and Employment Hub	6%	6%	4%	10%	5%	10%	6%	14%	8%	6%
Social media	-	-	-	-	-	-	-	-	7%	3%
Government department	-	-	-	-	2%	2%	-	6%	3%	1%
Other	6%	9%	16%	13%	9%	6%	-	8%	10%	11%
Not applicable / Don't know	3%	6%	2%	6%	12%	2%	-	14%	12%	7%
Total	**34**	**34**	**45**	**48**	**43**	**52**	**47**	**36**	**60**	**72**

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Who Completed the Survey?

5.1: Industry

Retail Trade	11
Agriculture	10
Construction	9
Manufacturing	8
Property and Business Services (incl. property development)	7
Accommodation, Cafes and Restaurants	6
Education, Health and Community Services	6
Veterinary	2
Automotive	2
Viticulture	1
Communication Services	1
Horticulture	1
Wholesale Trade	1
Forestry, Fishing and Mining	1
Other (please specify)	6
TOTAL	**72**

5.2: Number of employees in business

1-20	57
21-50	9
51-100	3
101-200	1
201-500	2
Over 500	-
TOTAL	**72**

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