ENTERPRISE NORTH CANTERBURY

NORTH CANTERBURY **BUSINESS OPINION** SURVEY

OCTOBER 2019

RESEARCH RESULTS

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North Canterbury Business Opinion Survey: October 2019

Contents

Key Messages

from North Canterbury businesses

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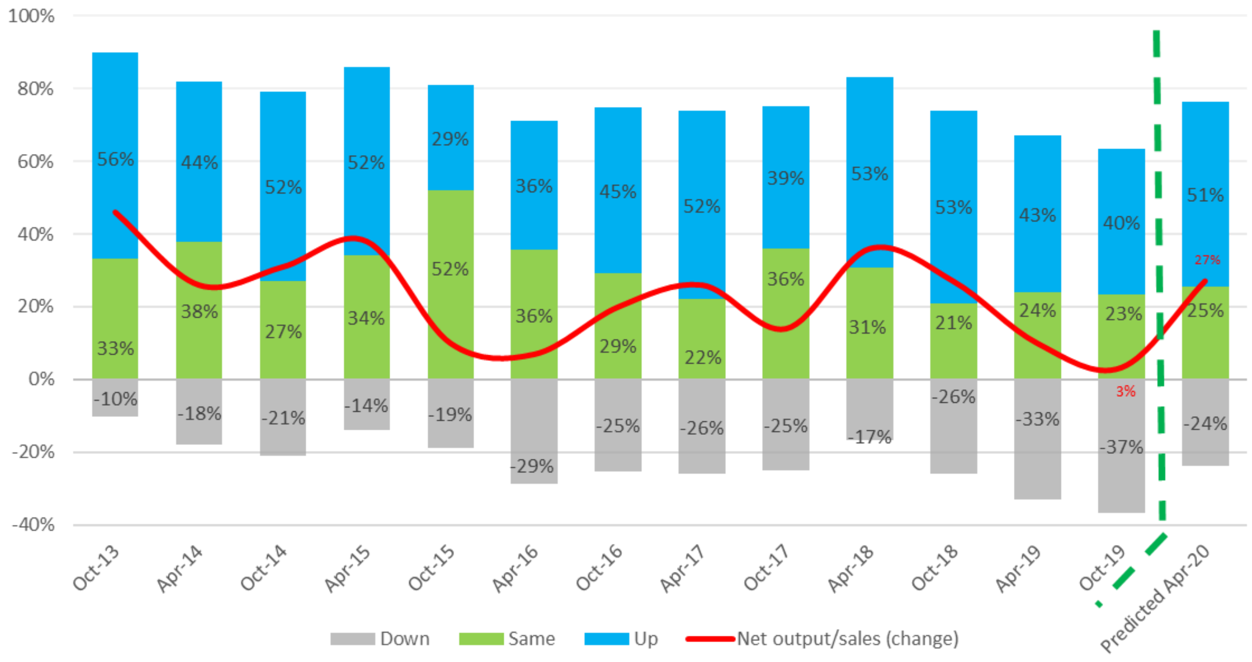
North Canterbury Business Opinion Survey: October 2019

- Sales showed a very slight increase (net +3%) but this increase was not reflected in increased profitability (net +0%). Businesses show a high level of optimism about their prospects over the next six months with a net 27% respondents predicting increasing sales and a net 25% predicting increased profitability.
- Investment in plant/machinery and buildings has sharply declined (net -19% for plant/machinery and net -21% for buildings).
- Businesses continue to take on new staff (net +8% recorded increased staffing) and expect recruitment to increase over the next six months (net +18% project an increase).
- Finding skilled and semi-skilled staff continues to be difficult (net 36% and net 31% respectively find it harder than six months ago).
- 49% of businesses expect that the business situation in New Zealand will deteriorate over the next six months compared with only 8% who expect that it will improve (net -41% confidence). This is in line with the national business confidence survey but is our worst local result since surveying began in 2013.
- Overall, North Canterbury businesses are holding their own and are optimistic about their future prospects, while remaining nervous about the wider New Zealand perspective.

Operations Outputs/Sales

Overall sales results are relatively flat (net 3% businesses report increased sales) and showing a decreasing trend

Businesses are showing a high level of optimism for the next six months with a net 27% expecting to see an increase in sales



Context

It has been a difficult winter for many North Canterbury businesses, particularly retail and hospitality, with a lot of effort needed to keep sales at a stable level. Local businesses tend to show good results where they are engaging in collaborative practices and utilising digital marketing tools well.

Operations Costs

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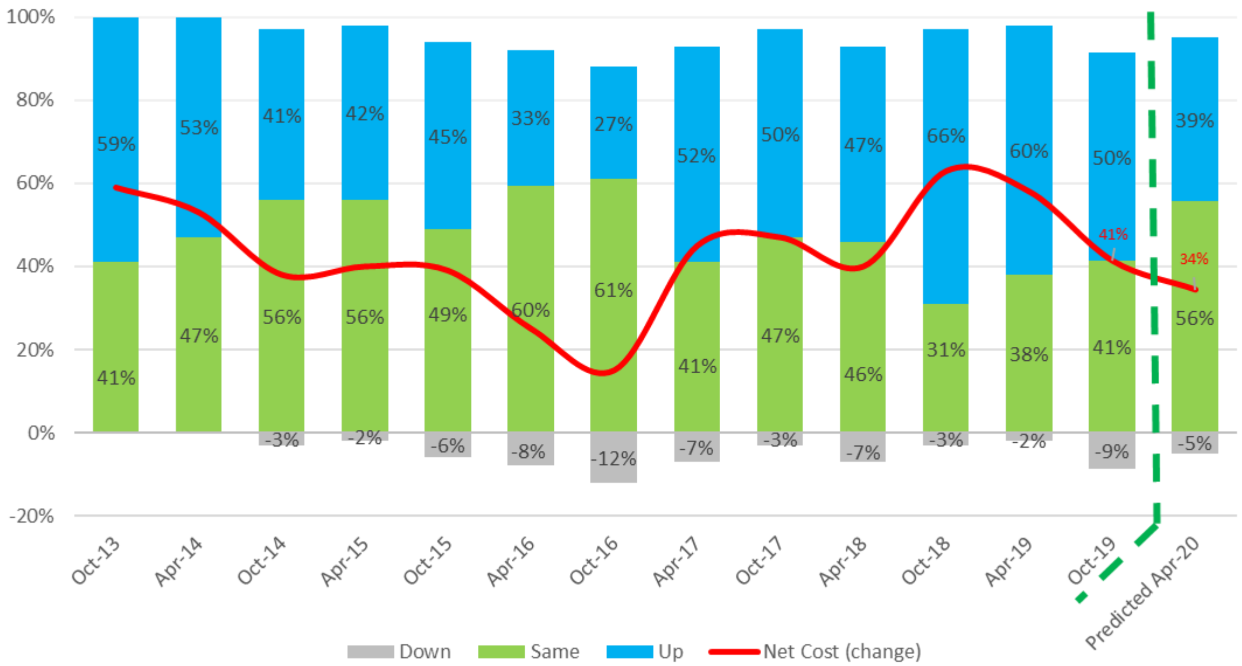
North Canterbury Business Opinion Survey: October 2019

Businesses in North Canterbury report that the cost of doing business continues to increase, but at a slower rate than last year. 50% of businesses reported cost increases over the last six months.

A majority (56%) of businesses expect costs to remain stable over the next six months, but a net 34% of businesses expect costs to continue to increase.



Context

Producer input prices across New Zealand have been relatively flat over the last six months, and commercial property managers report that commercial leases are starting to see a slight drop in price. This is mitigating other rising costs and slowing down the rate of cost increases.

The increase in minimum wage continues to be reported by employers as an impact and employers who take on migrant workers are waiting on the detail of proposed changes to immigration settings.

Operations
Selling Prices

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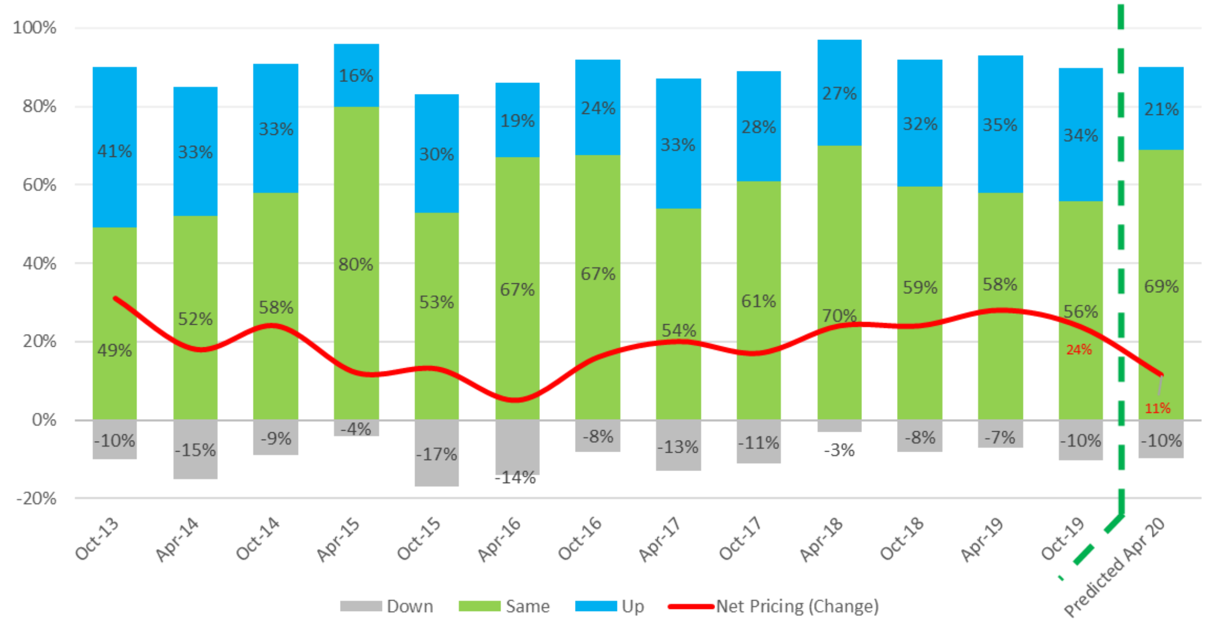
North Canterbury Business Opinion Survey: October 2019

34% of businesses report that they have increased their prices over the last 6 months, for a net result of +24%. This continues a trend of price rises over the last couple of years although fewer businesses predict they will rise prices over the next six months.



Context

With a continual increase in the cost of business over the last several years and a flattening in sales levels, we continue to see increases in prices. Businesses we talk to continue to struggle with very tight margins but are nervous about raising prices due to a high level of competition (online and physical).

We have noticed that new businesses (particularly in hospitality) are starting off with a higher price point than existing businesses as it is not feasible for them to compete on a price basis when margins are as tight as they are.

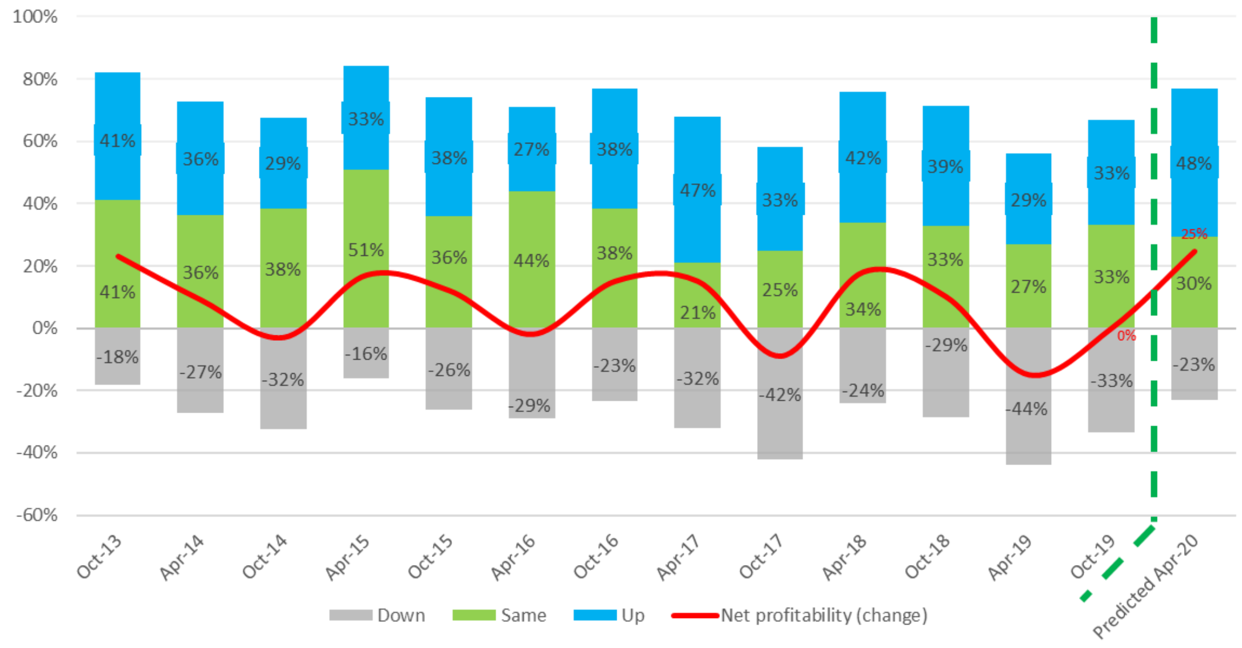
Operations

Profitability

North Canterbury Business Opinion Survey: October 2019

Profitability in North Canterbury appears to be flat, which is a better result than six months ago. If numbers follow previous trends, we can predict a year of increased profitability in the year ahead, although at a lower level than in previous profit cycles.

This is backed up by business predictions where 48% of business owners expect their profits to increase over the next six months (a net 25% predict an increase in profit levels).



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.

Investment

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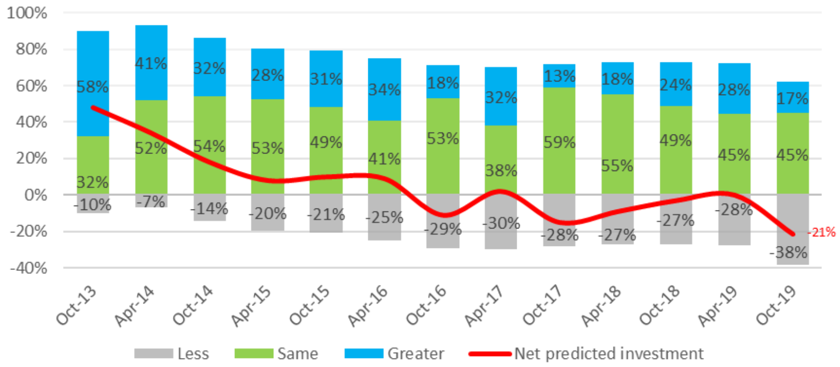
North Canterbury Business Opinion Survey: October 2019

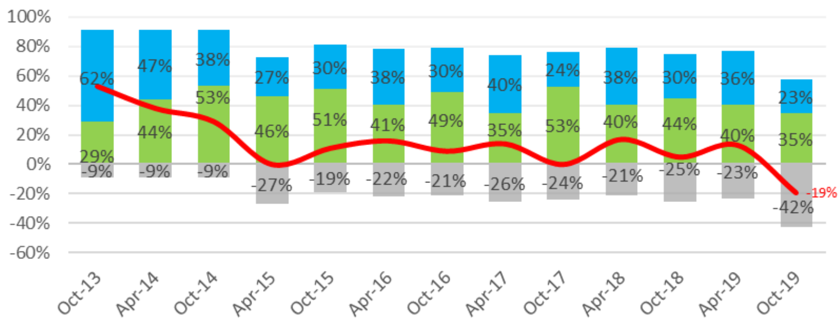
There has been a sharp decrease in the level of investment being made in both buildings (net -21%) and plant/machinery (net -19%).

This is not surprising given that we have seen a flat level of both sales and profitability over the last six months. Businesses become more hesitant to invest when they are not currently seeing growth.

Investment in Buildings



Investment in Plant and Machinery



Context

Compared to pre-earthquake levels, the amount of investment going into buildings is very high and commercial consents granted are 44% higher than a year ago.

There is plenty of activity going on that will generate new business in the region, but existing businesses are more likely to hold off on investment at this stage while sales levels and profits are flat.

Limiting Factors

Difficulty attracting more orders or sales is by far the most limiting factor for businesses in North Canterbury with 59% of businesses identifying this as the single most limiting factor to their growth. When this survey began in 2013, the most limiting factor was business capacity to take on more work.

This survey revealed a new concern with 5% of respondents identifying new government policies as being their primary limiting factor.

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

Context

It is not surprising that orders/sales are considered the most limiting factor for most given the current sales and profit trends. While North Canterbury is seeing rapid growth (particularly in Waimakariri) this has been accompanied by a high number of new businesses starting in the area. Higher spending levels in the district have been accompanied by an increase in competition.

Employment Trends

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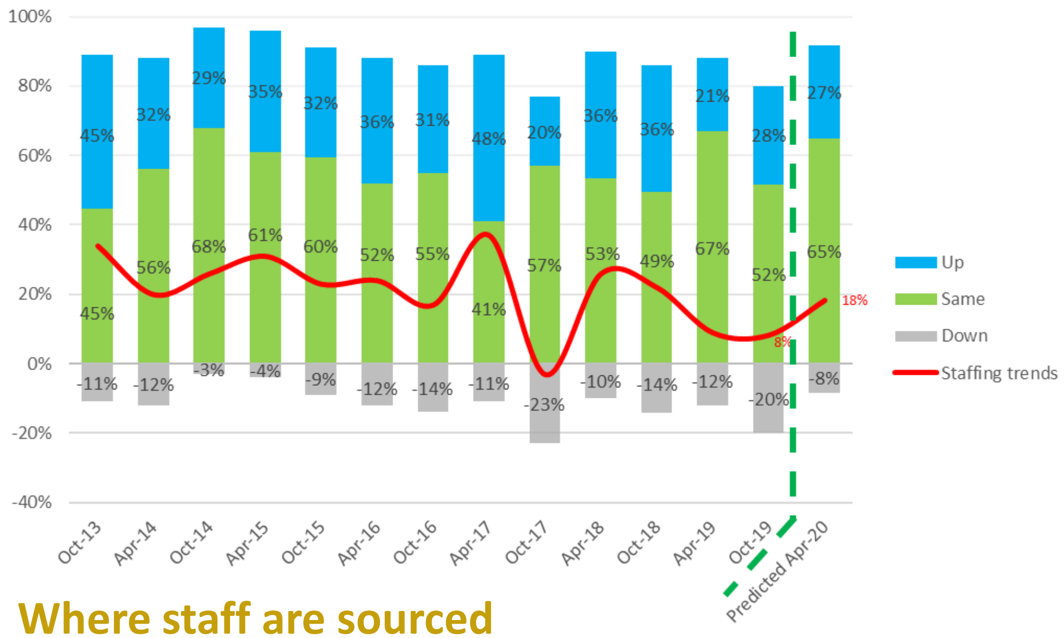
North Canterbury Business Opinion Survey: October 2019

Staff numbers continue to increase with a net +8% of employers taking on more people.

Word of mouth continues to be the main method of finding employees (65% of employers use this method), followed by internet advertising (60%), friends/family (35%) and social media (35%)

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

Employment Trends

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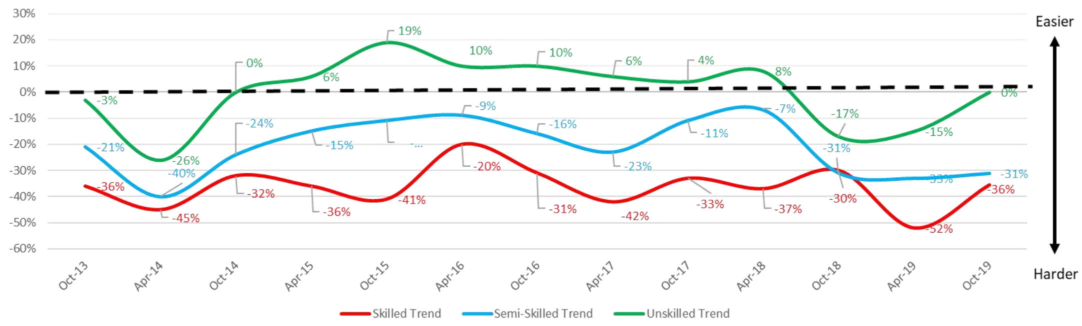
North Canterbury Business Opinion Survey: October 2019

Finding suitable staff continues to be more difficult, particularly finding skilled and semi-skilled staff. 40% of respondents reported finding skilled staff being more difficult over the last 6 months and only 4% reported finding it easier to source skilled staff.

The difficulty of sourcing unskilled staff seems to have levelled out with an equal number of businesses finding it harder or easier than six months ago.

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
Lack of required training / skills	4	4	5	7	7	11	7	3	6	9	5	2
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
Lack of accomodation	-	-	-	-	-	-	-	-	-	-	2	-
Immigration policy issues	-	-	-	-	-	-	-	-	-	-	3	2
Other reasons	-	-	2	4	-	2	-	4	3	7	3	5
Total	**11**	**9**	**16**	**16**	**10**	**17**	**13**	**10**	**19**	**32**	**21**	**22**

Context

Increasing staff numbers is an indicator of business owners' confidence in their own futures. A number of larger businesses we talk to mention an inability to source suitable staff as being one of their largest barriers to growth.

With a lower level of unemployment and a greater distance from Christchurch, the Hurunui district finds staffing a more difficult proposition than Waimakariri.

Business Confidence

Confidence in the general business situation in New Zealand continues to fall amongst North Canterbury businesses. This is in line with the confidence shown by New Zealand businesses overall.

Nearly 50% of North Canterbury businesses expect conditions to deteriorate and only 8% expect conditions to improve giving a net confidence of minus 41% - the lowest since this survey began.

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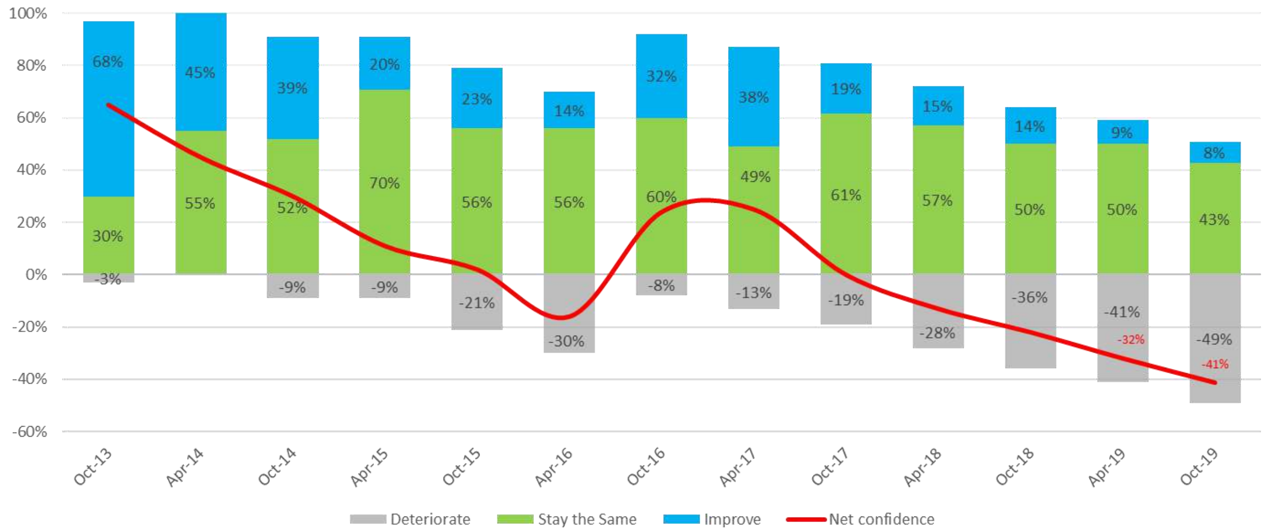

Context

The North Canterbury economy is performing in line with the wider New Zealand economy. Waimakariri yearly GDP grew by 2.6%, the Hurunui GDP grew by 2.3% and New Zealand GDP grew by 2.5%. We are performing well compared to the wider Canterbury region which grew by 1.7%. Consumer spending in Waimakariri grew by 5.5%.

Discussions with businesses indicate that low confidence regarding the business situation in New Zealand continues to be influenced by tightening margins and increased competition (online and physical), but minimum wage rises and changes to immigration laws are also mentioned as factors causing concern.

Who completed the survey?

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The North Canterbury Business Opinion Survey is administered online every 6 months with respondents invited by e-mail to participate. 149 respondents were invited to participate in October 2019 and 63 completed the survey – a completion rate of 42%.

42 respondents were from Waimakariri and 21 were from the Hurunui.

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

Industry

Accommodation, Cafes and Resturants	10
Agriculture	9
Retail Trade	8
Professional Services	7
Education, Health and Community Services	7
Manufacturing	5
Property	5
Construction and Trades	4
Horticulture	3
Arts and Recreation	2
Wholesale Trade	2
Forestry, Fishing and Mining	1
Total	**63**

Number of Employees

1-20	51
21-50	7
51-100	3
101-200	1
201-500	1

*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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