



ENTERPRISE NORTH CANTERBURY

**NORTH CANTERBURY**

**BUSINESS OPINION SURVEY**

**APRIL 2019**

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RESEARCH RESULTS

[WWW.NORTHCANTERBURY.CO.NZ](http://WWW.NORTHCANTERBURY.CO.NZ)





North  
Canterbury  
Business  
Opinion  
Survey:  
April 2019

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# Key Messages

## from North Canterbury businesses

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- Sales are increasing (net +10%) but 44% of businesses report that profitability is down (net -15%). Overall, businesses expect sales and profitability to grow over the next six months (net +13% sales, net +9% profitability).
- While investment in buildings remains stable (net 0%) investment in plant/machinery is growing (net +13%).
- Businesses continue to take on new staff (net +9% report increased staffing) and expect to continue doing so.
- Finding suitable staff continues to be difficult, but finding skilled staff is particularly hard with 52% of businesses reporting increased difficulties in sourcing skilled staff, and no businesses finding it easier.
- 50% of businesses expect that business conditions in New Zealand will stay the same, but overall business confidence continues to deteriorate (net -32% confidence). This is in line with the national business confidence survey.
- Compiled survey results reflect a business community that are positive about their own prospects and that of North Canterbury, but nervous about the wider New Zealand situation.



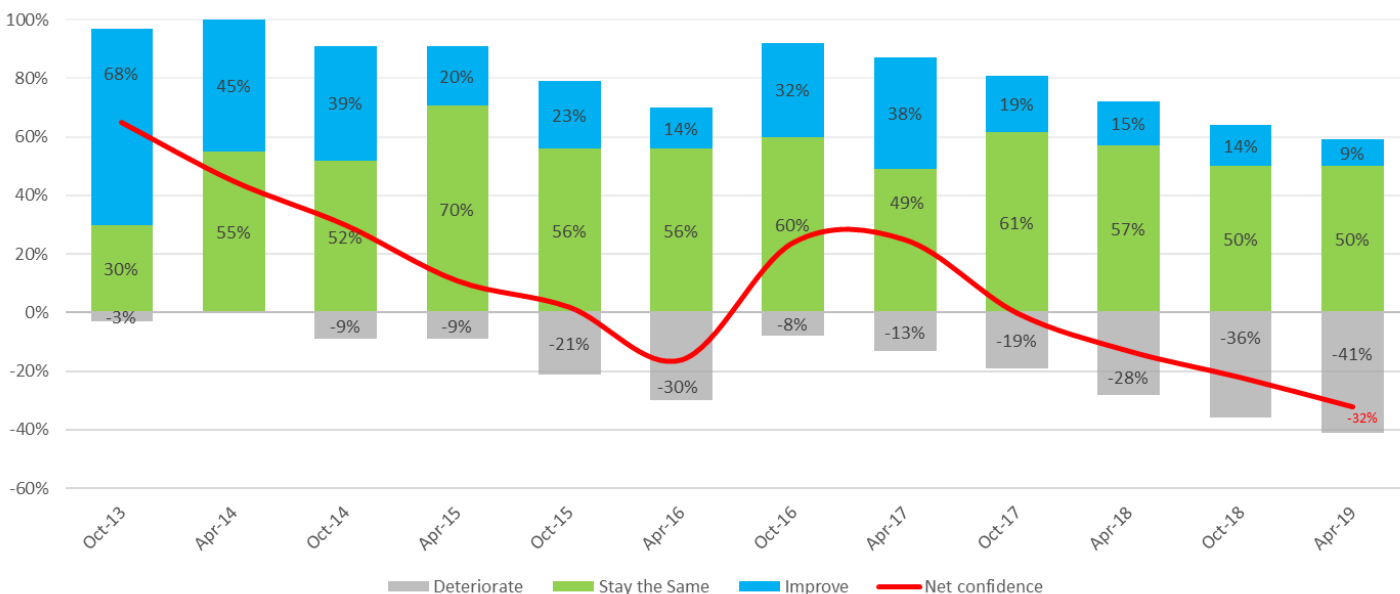
# Business Confidence



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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.

Half of respondents expect that conditions will remain stable but 41% of businesses expect conditions to deteriorate. Only 9% expect conditions to improve giving a net confidence of minus 32% - the lowest since this survey started.



## Context

While confidence is currently low, the North Canterbury economy is doing well. Most indicators in both districts are positive with an overall growth of 3.1% GDP in Waimakariri and 2.0% in the Hurunui. Indicators later in this document show a good level of confidence in the prospects of individual businesses and in the regional economy.

Discussions with businesses indicate that low confidence regarding the business situation in New Zealand is caused by tightening margins, nervousness regarding potential tax changes (Capital Gains Tax was still an open discussion at the time of this survey) and increased competition from new stores (particularly in Rangiora) and from online stores.

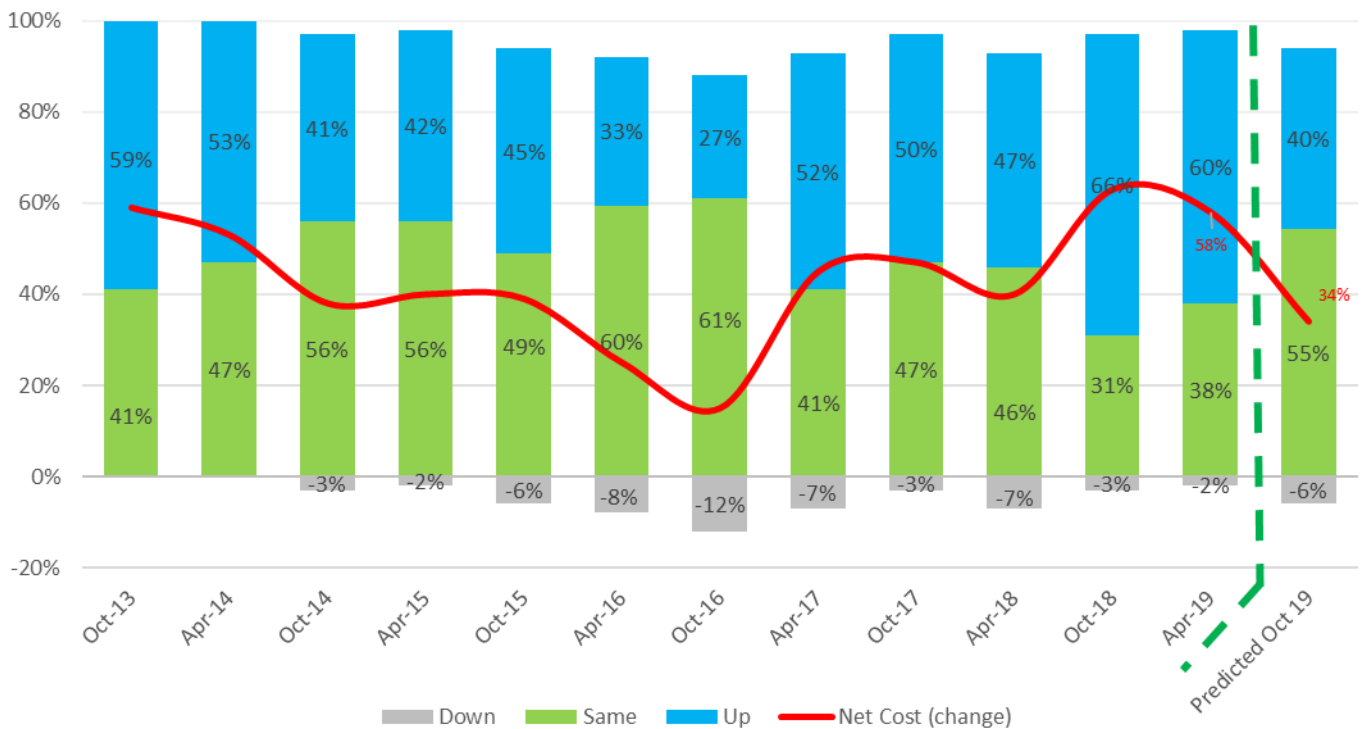
# Operations Costs



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Businesses in North Canterbury report that the costs of doing business continue to increase overall. 60% of businesses reported cost increases over the last six months.

A majority (55%) 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 seen a large increase in the fourth quarter of 2018 and this is being reflected in the cost of doing business across the board.

The increase in minimum wages is concerning many retail and hospitality businesses.

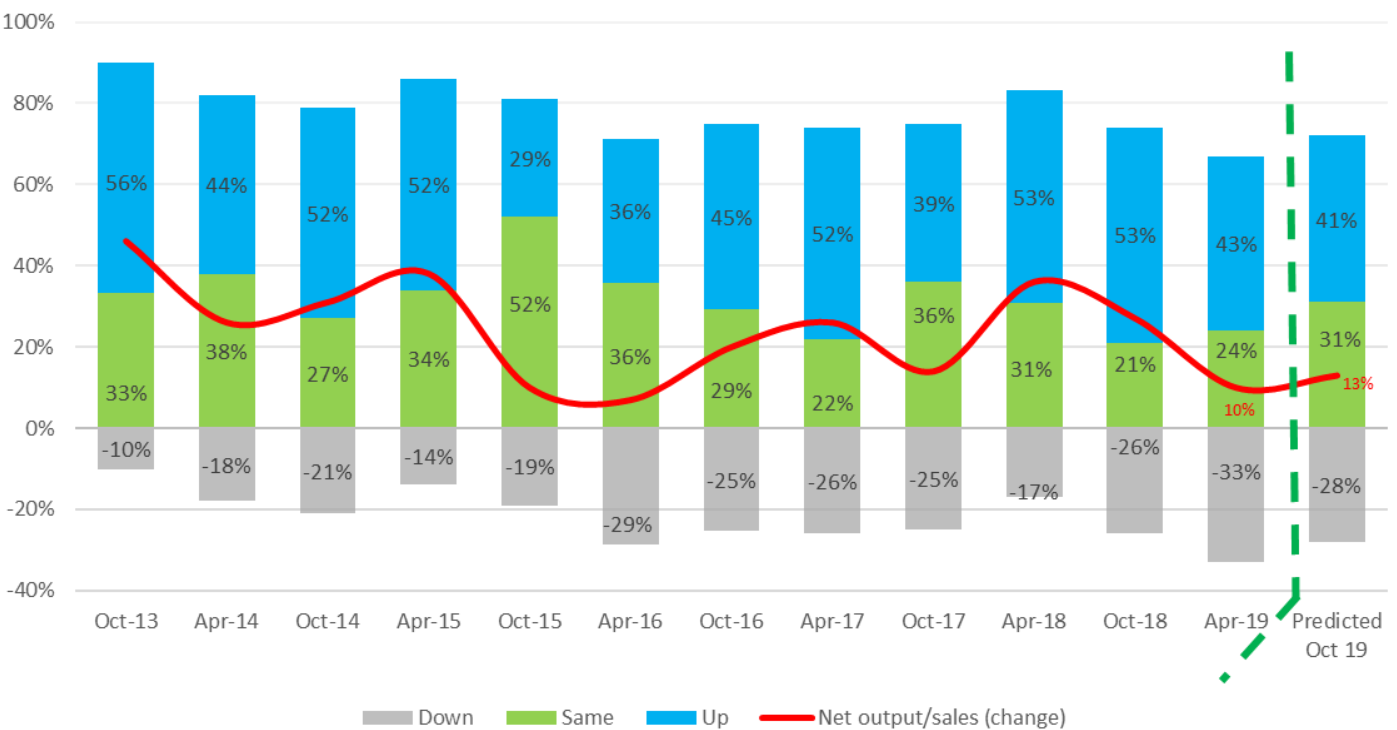
# Operations Outputs/Sales



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Overall sales results continue to be positive (net 10% businesses report increased sales) though the rate of increase has slowed since previous reports.

Overall, a similar number of businesses expect sales to increase over the next six months.



## Context

We are starting to see more businesses in North Canterbury working collaboratively with their traditional competition to grow their market or to assist each other with growing an export presence.

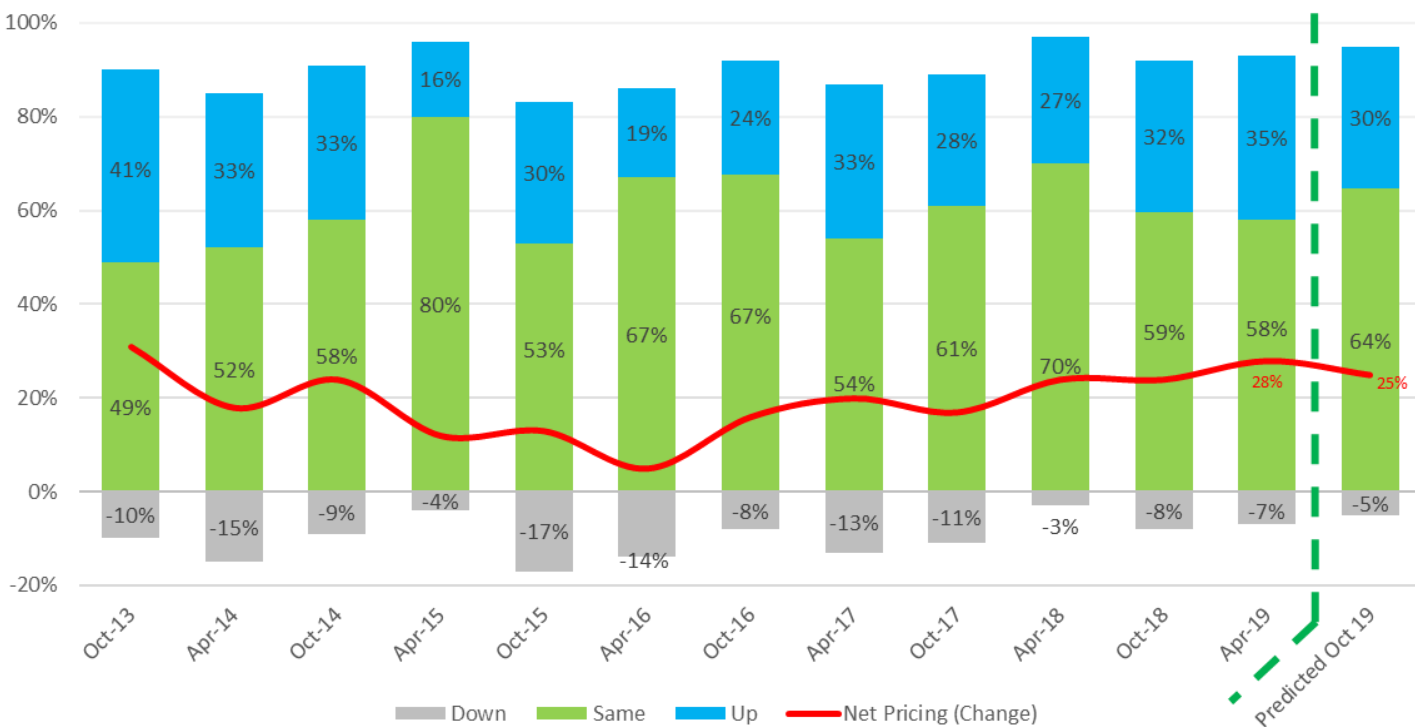
Businesses also seem to be getting better at utilising digital marketing tools and in building a network of useful relationships. In smaller communities we see mutual referrals occurring. All of this is healthy for the growth of a business community

# Operations Selling Prices



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35% of businesses report that they have increased their prices over the last 6 months, for a net result of +28%. This is slightly above (but similar to) results from over the last year and not far off projections for the next 6 months.



## Context

With a continual increase in the cost of business over the last few years we are seeing more businesses increasing their prices as margins tighten.

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.

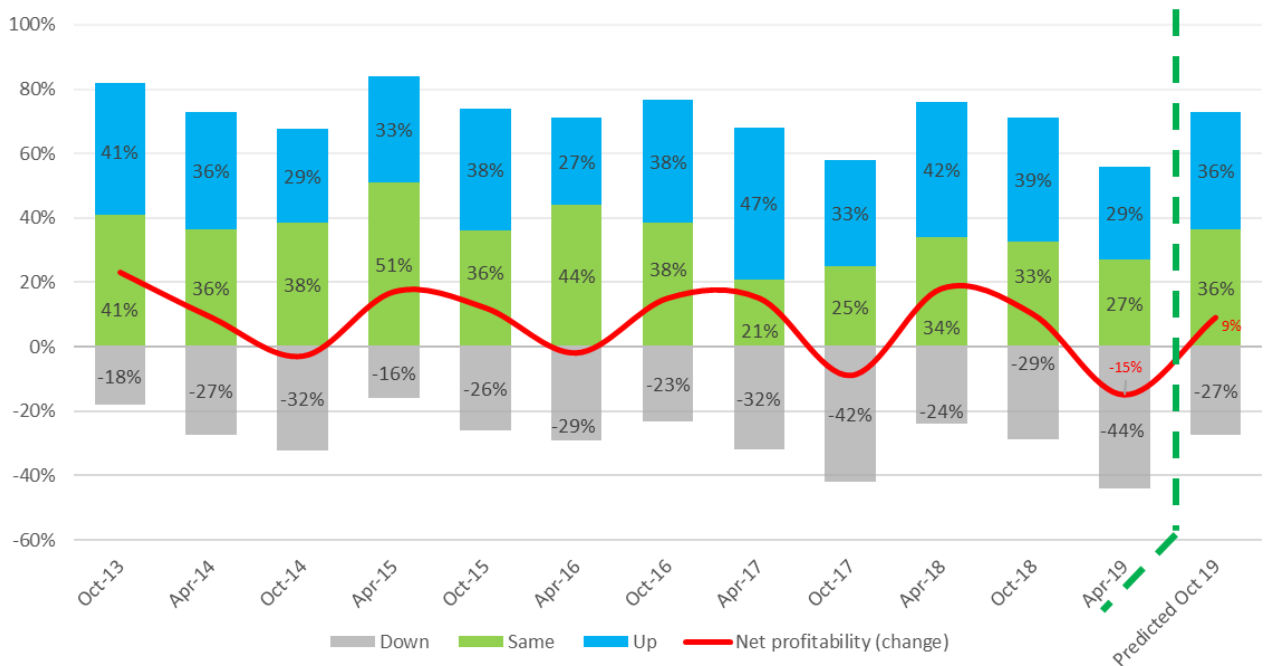
Businesses have tried to hold their prices stable for some time now and for many this is no longer an option.

# Operations Profitability



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Profitability in North Canterbury appears to be at the low part of its cycle with net 15% of respondents reporting decreased profitability. Projections for the next 6 months are more positive with net 9% of respondents expecting an increase in profit.



## Context

Even though respondents reported increased sales overall (page 6) this is not reflected in profitability and the most likely cause of this is an increase in the cost of doing business (page 5).

The results of pages 5-8 along with discussions with business owners indicate that many businesses currently have seen their margins decreasing as costs go up, but competition has made them wary of increasing their own prices.



# Investment

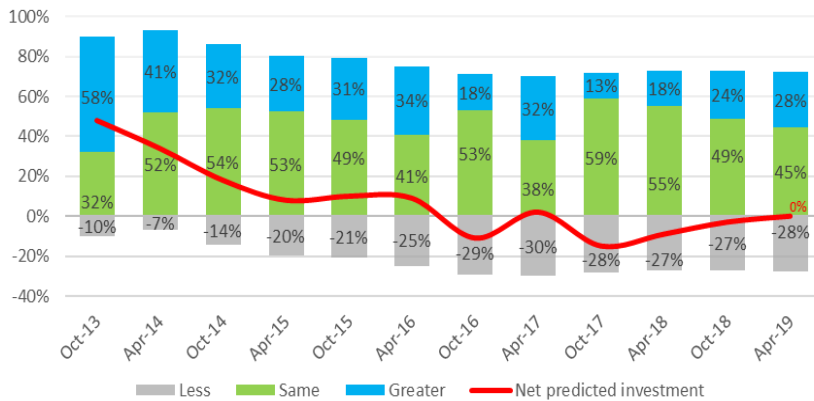


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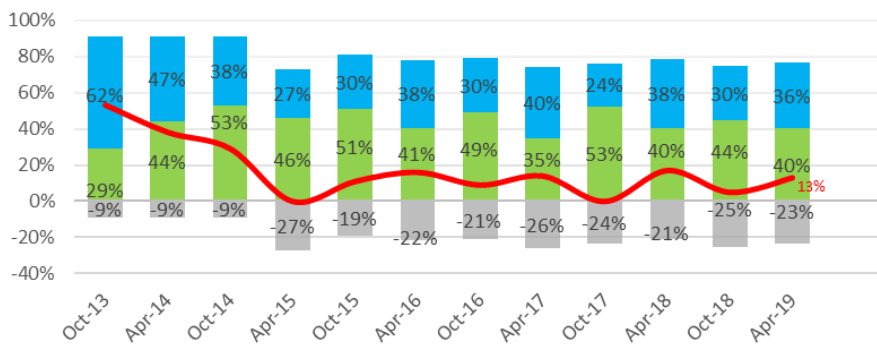
Investment in buildings is now stable with 28% of respondents planning to increase investment, 28% planning to reduce investment and the largest proportion (45%) planning on maintaining investment levels.

Investment in plant/machinery has grown to net +13%

## Investment in Buildings



## Investment in Plant and Machinery



## Context

Compared to pre-earthquake levels, the amount of investment going into buildings is very high with the number of non-residential consents being issued being approximately double the average level before the earthquakes occurred.

Along with an ongoing increase in investment in plant and machinery, this reflects a confidence of individual business owners and a confidence in the region that is not reflected in the opinions of New Zealand's business prospects as a whole

## Limiting Factors



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Attracting more orders or sales continues to be the most limiting factor to business growth with 50% of businesses reporting that this is affecting them. Capacity issues have dropped, with only 13% reporting a lack of capacity compared to 35% in 2013.

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

### Context

Many of the businesses we talk to discuss the difficulty of attracting more work, but in many cases these businesses have not considered the digital opportunities for their business.

Marketing and Sales online continues to become more of an essential aspect of business growth, along with good relationship and database management.

# Employment Trends

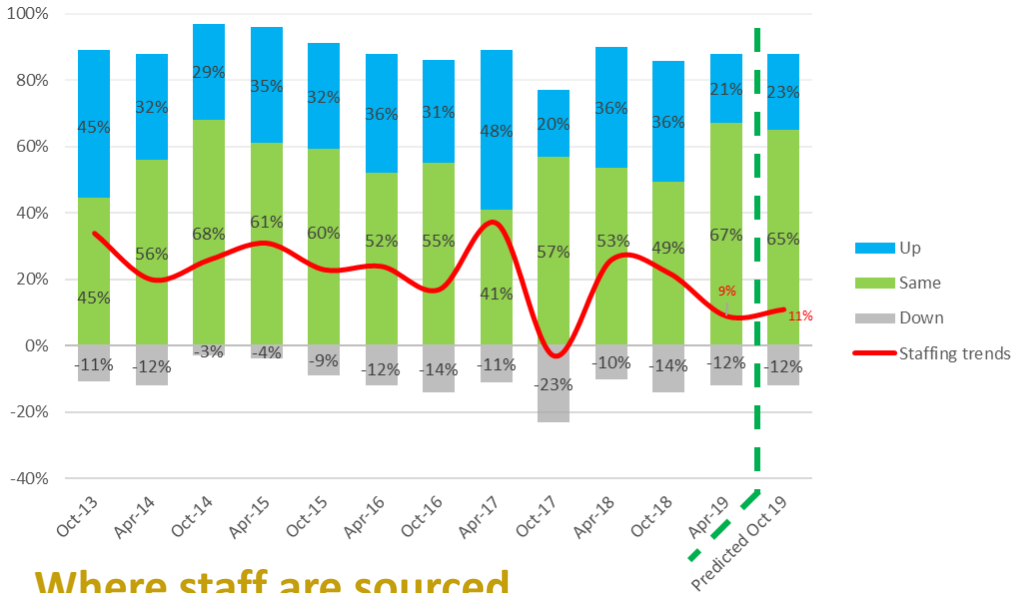


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Staff numbers continue to increase with a net +11% of employers growing employing more people.

Word of mouth continues to be the main method of finding employees, followed by internet advertising. However over the last 6 months social media has become the third most popular method with 38% of businesses advertising positions on social media compared to 7% in April 2018

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

# Employment Trends

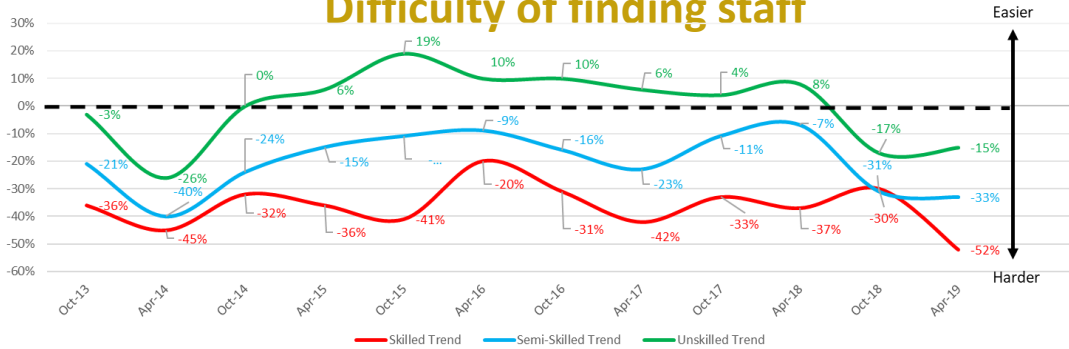


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Finding suitable staff has become more difficult, particularly finding skilled staff. 52% of respondents reported finding skilled staff being more difficult over the last 6 months and no-one reported finding it easier to source skilled staff.

Immigration policy settings have emerged as a new issue with 14% of respondents giving this as a barrier to finding suitable staff.

## 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
Lack of required training / skills	4	4	5	7	7	11	7	3	6	9	5
Fewer Applicants/Supply Shortage	-	-	-	-	-	-	-	2	6	7	7
Competition with other industries	5	4	7	4	2	2	2	-	-	2	1
Location too far from main centres	2	1	2	1	1	2	4	1	4	7	-
Lack of accommodation	-	-	-	-	-	-	-	-	-	-	2
Immigration policy issues	-	-	-	-	-	-	-	-	-	-	3
Other reasons	-	-	2	4	-	2	-	4	3	7	3
<b>Total</b>	<b>11</b>	<b>9</b>	<b>16</b>	<b>16</b>	<b>10</b>	<b>17</b>	<b>13</b>	<b>10</b>	<b>19</b>	<b>32</b>	<b>21</b>

## Context

Increasing staff numbers is an indicator of business owners' confidence in their own futures. However finding suitable staff continues to become more difficult and current immigration policies appear to have made this issue worse for employers seeking skilled staff. These policy settings are under review and ENC feel that the proposed changes by Immigration New Zealand are positive.

Isolation appears to be a factor in the Hurunui, making it harder to source staff than in the Waimakariri. In the Hurunui the results were – Unskilled Staff: net -30%, Semi-Skilled Staff: net -50%, Skilled Staff: net -55%



## 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. 141 respondents were invited to participate in April 2019 and 56 completed the survey – a completion rate of 40%.

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 Restaurants	7
Agriculture	8
Automotive	1
Communication Services	1
Construction	2
Education, Health and Community Services	9
Horticulture	4
Manufacturing	6
Property and Business Services (inc property development)	9
Retail Trade	7
Viticulture	1
Wholesale Trade	1
<b>Total</b>	<b>56</b>

### Number of Employees

1-20	42
21-50	8
51-100	3
101-200	1
201-500	2

\*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](mailto:miles@enterprisenc.co.nz)

# 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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