

North Canterbury Business Confidence November 2011 Update

Recently ENC sought the views of a range of businesses in North Canterbury on the economic situation they face a year on from the last survey completed just after the first of the major earthquakes - as well as their views on the outlook for 2012. Key results are compared below with the results and opinions recorded in November 2010.

The positive outlook for business conditions early in 2010 turned down dramatically as a result of the earthquakes and stayed down through much of the last year - but business confidence is on the improve, albeit cautiously as we head into 2012.

In November 2011 around 40% felt the economic climate over the next six months would be positive, a third envisages no change and 25% expect business conditions to deteriorate - although unlike a year before no respondents were very negative.

Also:

- **Expected employment change more positive** – A year ago most firms were evenly divided on job growth or losses but the actual result for a majority of them was that job numbers remained pretty constant. Around 40 % of firms now anticipate modest job growth going into 2012 although 25% anticipate some reduction in staffing levels over the next 6 months;
- **Most business right sized but skills shortage growing** – A clear majority of responding businesses didn't believe they were overstaffed – consistent with previous surveys – but the proportion of respondents reporting a skills shortage at 35% was double that a year ago;
- **Turnover results less than expected – more of the same anticipated** – while close to a half of businesses surveyed in November 2010 expected turnover growth in the following six months the actual result a year on was only a third reported such growth - another third reported no change and the other third experienced revenue decline. Firms are more cautious going into 2012 with over 50% expecting no change in the next six months- but 20% are expecting to boost sales;
- **Lack of local customers still a concern but skills shortage an increasing business constraint** – nearly 50% of responses indicated lack of local customers as the key business constraint – down from over 60% a year ago – while skill shortages are a concern for 40% of firms which was double that in November 2010. Conversely compliance costs & regulatory issues declined from over 40% to less than 20% as a constraint. Access to finance is still a concern for 25% of firms.

Generally the survey suggests that firms have weathered a very difficult trading period as result of the Earthquakes and the uncertain international situation as well as if not better than could be expected. They are cautiously optimistic about more positive conditions but realistic about how this might translate into actual results.

These conclusions are based on the views of 20 of the region's employers accounting for around 1250 jobs and may be seen as indicative of change in situation and sentiment among North Canterbury business.