

North Canterbury Business Confidence May 2010 Update



Recently ENC again sought the views of a range of North Canterbury's larger businesses on the effects of and their response to the economic situation. Key results are compared below with the views expressed seven months earlier in October 2009.

The major turnaround to a positive outlook for business conditions in October 2009 has generally continuing in the last seven months.

In October around a half of surveyed businesses were feeling positive about the next 12 months while most of the rest expecting no change.

By May again around a half were positive about the near term outlook with a quarter expecting no change and a quarter less optimistic.

However:

- **Some net employment change expected** - While two thirds of employers continue to expect no change in employment over the next 12 months, a majority of the rest were looking to increase staff - a more positive recruitment intent than was recorded in October 2009.
- **“Right sized” employment levels** - Almost all survey respondents said they had the right number of staff for now and the majority also say they expect this to continue – up 15% on the response given in October 2009;
- **Modest job growth** - While there has been an increase from a quarter to a half of firms saying they are likely to increase staff over the next six months, expected gains will generally be small;
- **Risk of further redundancies reduced** - Among the 5% of businesses (20% in October) that reported being overstaffed, redundancy as a response doesn't now figure - the preferred response being reductions in overtime;
- **Skill shortages still evident** - 70% of responding firms did not have skill shortages and those that did reduced a little compared with October;
- **Turnover expectations up** - In October 2009 30% of the firms expected turnover to decline in the coming year while over 40% expected an increase - by May 2010 about half of firms were expecting no change over the coming six months and most of the rest a modest increase;
- **Key business constraints ease** - In October 2009 about half of firms reported market demand and compliance costs/regulatory issues as key business constraints while access to finance (20%) and skill shortages (30%) also figured. In May 2010 market demand and compliance/regulatory issue were at similar levels, but access to finance (33%) had overtaken skill shortages (17%) as constraining factors.

Generally the survey suggests that firms have weathered the ‘big recession’ and are now experiencing more positive trading conditions, consistent with a return to moderate growth in the wider economy. While profitability will likely improve, job growth will continue to be modest.

These conclusions are based on the views of 20 of the region's small and larger employers accounting for around 600 jobs and may be seen as indicative of change in situation and sentiment among North Canterbury business.