

## North Canterbury Business Confidence October 2009 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 current economic situation. Key results are compared below with the views expressed six months earlier in April 2009.

***There has been a major turnaround to positive sentiment in the last six months.***

- Two thirds of firms in April 2009 were negative rather than positive about the effects of the economic situation on their business over the next twelve months.
- By October that has turned around a half feeling positive about the next 12 months while most of the rest expecting no change.

**However:**

- **Little net employment change expected** - Two thirds of employers continue expected no change in employment over the next 12 months. The rest were divided among those who expected a decline and those looking to increase staff – although now more than in April expect some lift in jobs;
- **Modest job growth** - Among the quarter of firms likely to increase staff, expected gains will generally be small;
- **“Right sized” employment levels** - 80% of firms continue to feel they had the right number of staff for now and the majority also say they expect this to continue – up from half in April 2009;
- **Redundancy not a preferred response** - Among the 20% of businesses that continue to be overstaffed the preferred responses are reductions in overtime and attrition as employees leave - redundancy as a response doesn't now figure;
- **Skill shortages persist** - 60% responding firms did not have skill shortages, but those that did increased a little compared with April;
- **Turnover expectations up** - While half of the firms expected turnover to decline in the coming year last April, by October this had fallen to 30% while then over 40% expected an increase - up for 15% six months earlier
- **Key business constraints ease** - In April around two thirds of firms reported market demand and compliance costs/regulatory issues as key business constraints. By October this had fallen to about half, while access to finance (20%) and skill shortages (30%) were more evident than in April

***Overall firms have weathered the business downturn and uncertainty of the last year and are now expecting more positive trading conditions, consistent with wider recovery. While profitability may improve, job growth will likely be modest.***

*These conclusions are based on the views of 25 of the region's largest employers accounting for around 1000 jobs and may be seen as indicative of change in situation and sentiment among North Canterbury business.*