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North Canterbury Business Opinion Survey

Final Report

April 2016

Research First

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Contents

North Canterbury Business Opinion Survey

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Key Messages

- Business confidence is in decline as proportion of respondents expecting for business situation to deteriorate increases to 30% (up from 21% in October 2015) and is now higher than proportion of businesses expecting an improvement in the next six months (14% compared with 23% in October 2015).
- More businesses experienced a decrease in profitability and sales in the past 6 months (29% for both compared with 26% and 19% respectively in October 2015). However, a number of businesses remain optimistic and are expecting to see higher profits and sales in the next 6 months (37% and 41% respectively).
- The overall investment levels into buildings, plant and machinery will remain largely stable over the next 6 months, with over a third of businesses expecting to increase their investments. 34% will invest more into buildings (compared with 31% in October 2015) and 38% will invest more into plant and machinery (compared with 30% in October 2015).
- Employment continues to grow with 36% of respondents reporting an increase in the number of people employed over the past 6 months and 31% anticipating a further increase in the next 6 months.
- While filling skilled positions remains more challenging than filling semi-skilled and unskilled roles, the pressure has eased somewhat in the past 6 months with fewer businesses reporting increased hardship in recruiting skilled employees (23% compared with 41% in October 2015). The uplift in ability to find new skilled staff in North Canterbury did not reflect the nationwide trend, which continued to move downward.

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Research Context

2.1 Research Background

North Canterbury Business Opinion Survey is conducted every 6 months and provides important insights into the performance of local economy and current labour market. The survey is completed by a range of businesses in North Canterbury and the results provide a valuable planning tool for councils, government departments and businesses in the region.

2.2 Research Method

North Canterbury Business Opinion Survey is administered online following an invitation to participate by email. 83 respondents were invited to participate in April 2016 and 43 completed the survey, resulting in a completion rate of 52%.

Due to relatively small sample size the findings of this research are indicative only and may not represent the trends for all North Canterbury businesses. Not applicable responses were excluded where appropriate.

2.3 Comparisons with NZIER Data

The results of this survey were compared with the nationwide figures collected by New Zealand Institute of Economic Research (NZIER) as part of the Quarterly Survey of Business Opinion (QSBO)[1]. When interpreting these comparisons, it is important to note the differences between the two surveys. Specifically, the QSBO is administered on quarterly basis rather than six-monthly basis and the trends (past and future predictions) are reported for a three month period rather than a six month period.

The results of the present survey were matched with those from the closest QSBO reporting period, i.e., October 2015 results were matched with 2015 Quarter 3 QSBO results (reported in September 2015), April 2015 results were matched with 2015 Quarter 1 QSBO results (reported in March 2015) and so on.

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1. More information about this survey can be found on the NZIER website: http://nzier.org.nz/ABout%20QSBO/

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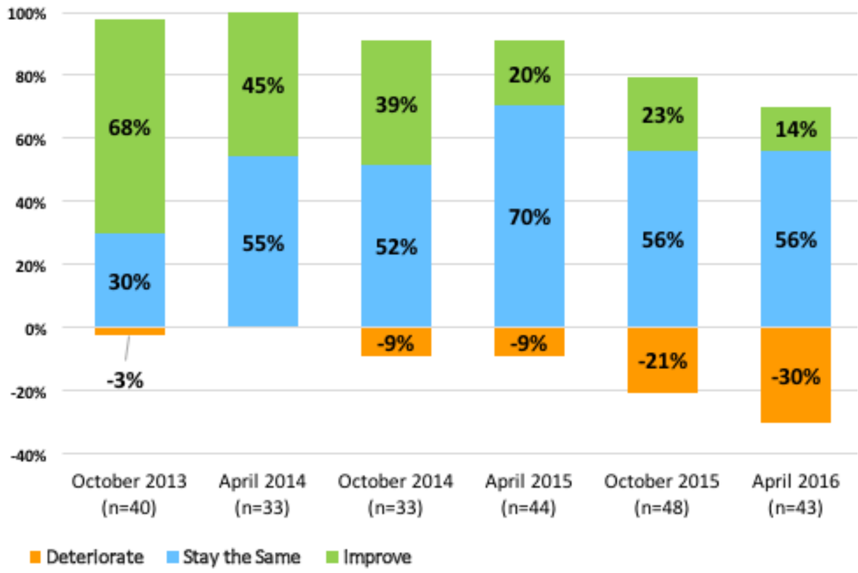
Main Findings

3.1 Business Confidence

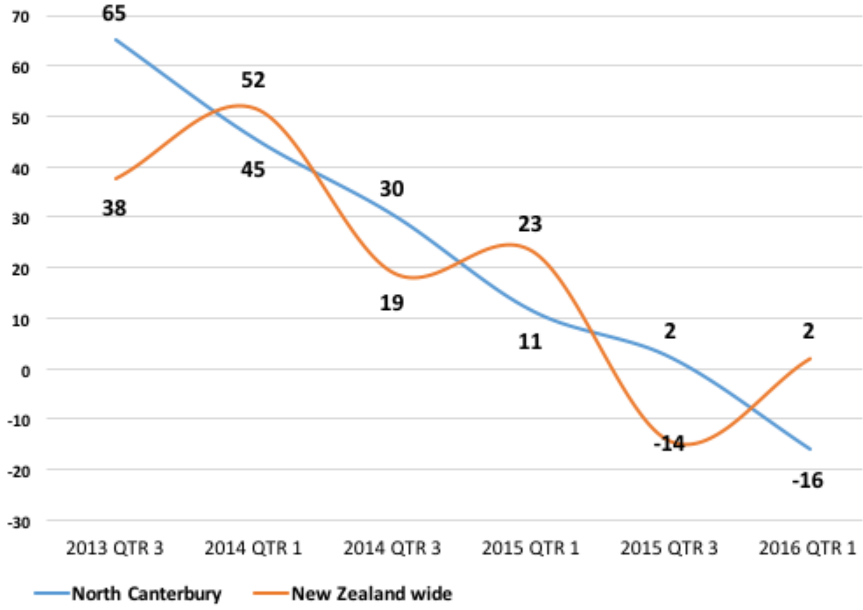
Respondents were asked about their expectations in regards to the general business situation in New Zealand during the next 6 months. Business confidence is in decline as proportion of respondents expecting for business situation to deteriorate increases to 30% (up from 21% in October 2015) and is now higher than proportion of businesses expecting an improvement in the next six months (14% compared with 23% in October 2015). Similarly to the previous quarter, the majority of respondents (56%) are anticipating no change.

3.1 Expectations about Business Situation in New Zealand (Next 6 Months)



The general trend in terms of net change[2] in business confidence over time is in line with nationwide figures, showing a steady decrease over time.

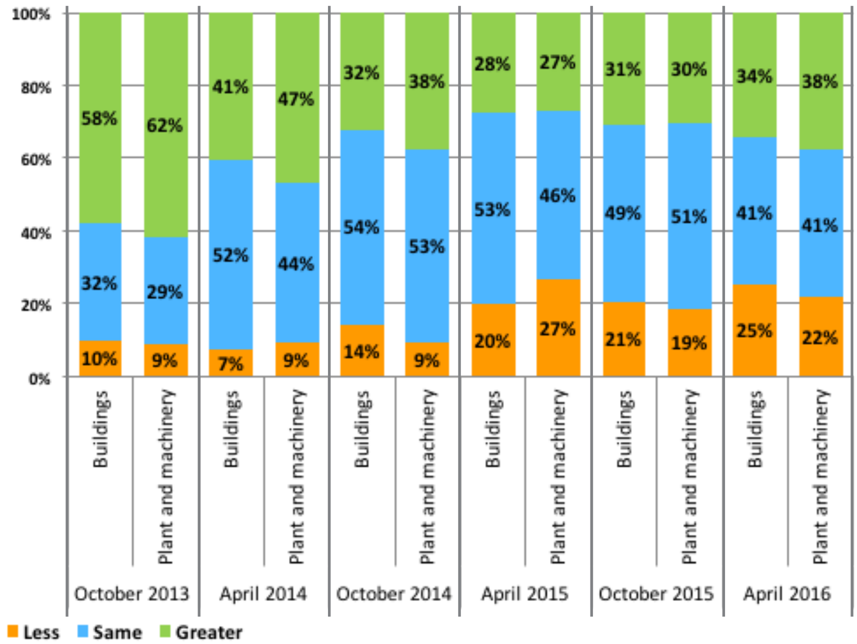
3.2 Expectations about Business Situation in New Zealand (net change)



2. Here and in other similar charts, the net change is obtained by subtracting the percentage of respondents saying "down / deteriorate / harder" from those saying "up / improve / easier" and dividing the value by a corrective factor (100 percent of "N/A" responses).

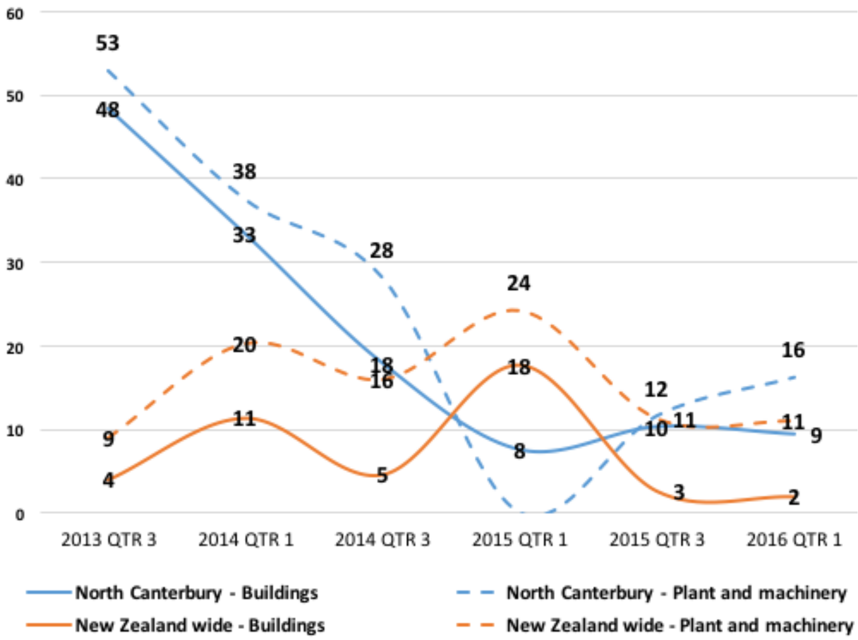
Higher proportion of business are expecting to increase their investment in buildings and machinery in the next 6 months. 34% will invest more into buildings (compared with 31% in October 2015) and 38% will invest more into plant and machinery (compared with 30% in October 2015).

3.3 Investment in the Next 6 Months



The latest predictions in regards to future investment in buildings and machinery (measured as a net change in respondent proportions) are in line with investment levels predicted nationwide, suggesting the investment levels will remain largely stable.

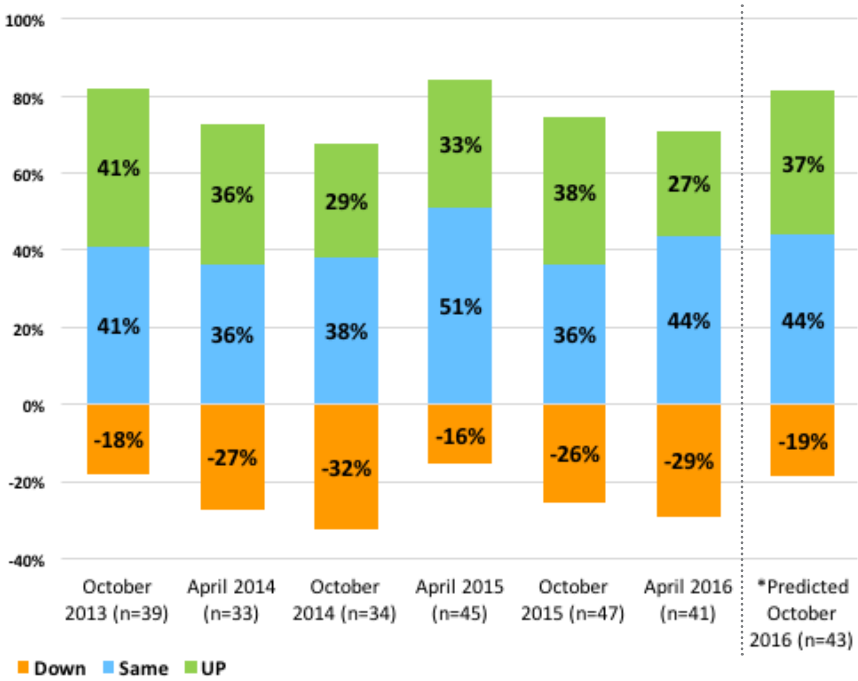
3.4 Future Investment (net change)



Overall profitability has decreased to the level recorded at the end of 2014, with 29% of businesses reporting a decline over the past 6 months (compared with 26% in October 2015). Similar trend was observed in relation to outputs and sales, whereby a higher proportion of businesses reported a decrease (29% compared with 19% in October 2015). At the same time, the proportion of businesses who have grown their outputs and sales has increased from 29% in October 2015 to 36%.

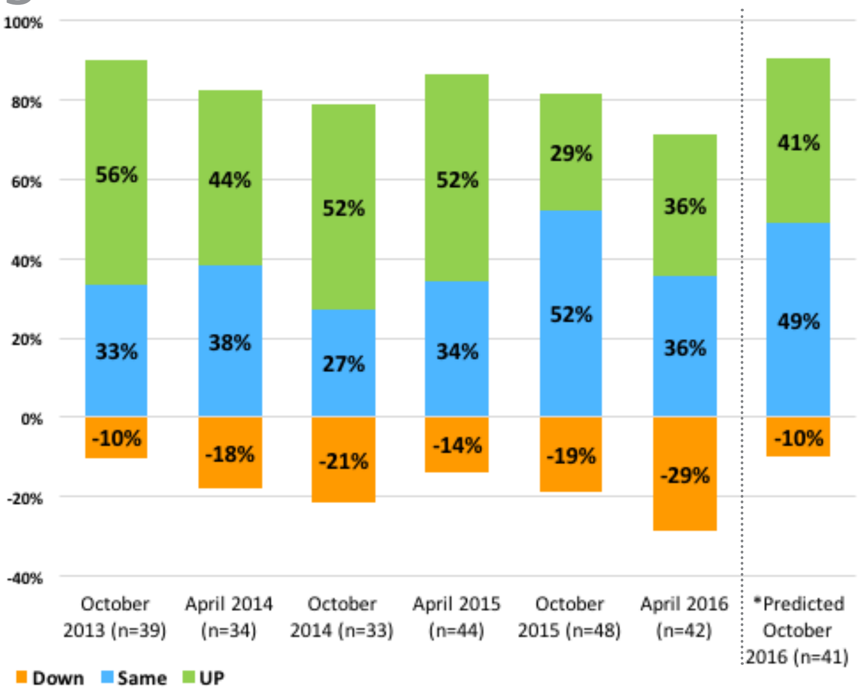
A number of businesses remain optimistic and expect an increase in profitability (37%) and outputs/sales (41%) in the next 6 months. These figures are down from 52% and 56% respectively in October 2015.

3.5 Profitability vs. 6 Months Ago



*Predictions for the Next 6 Months

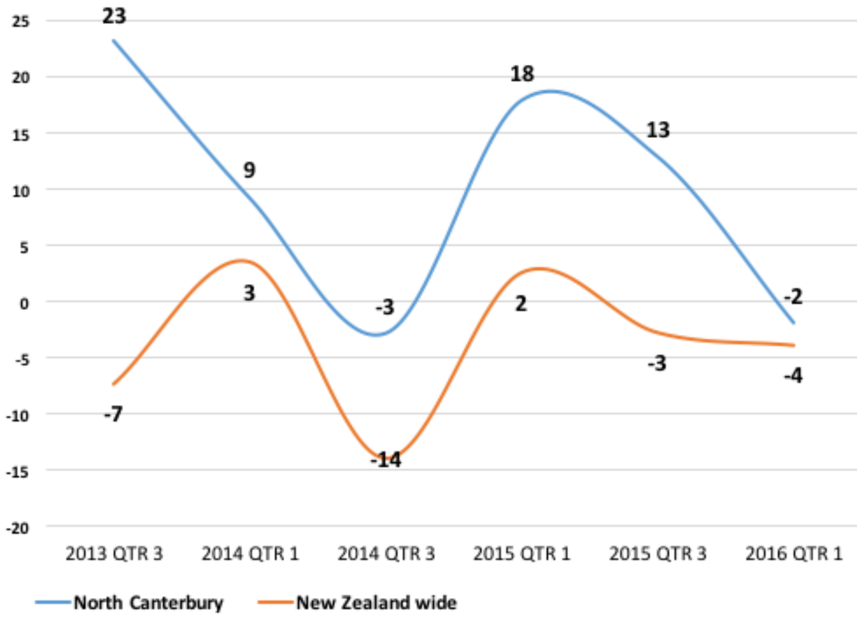
3.6 Output/Sales vs. to 6 Months Ago



*Predictions for the Next 6 Months

The latest reported profitability levels from North Canterbury are in line national results.

3.7 Profitability (net change)



Orders/sales was again identified most frequently as the single factor most limiting businesses' ability to increase productivity (40% compared with 39% in the October survey). Capacity (20%) was in the second position and labour bounced back up from 5% to 17% taking the third place.

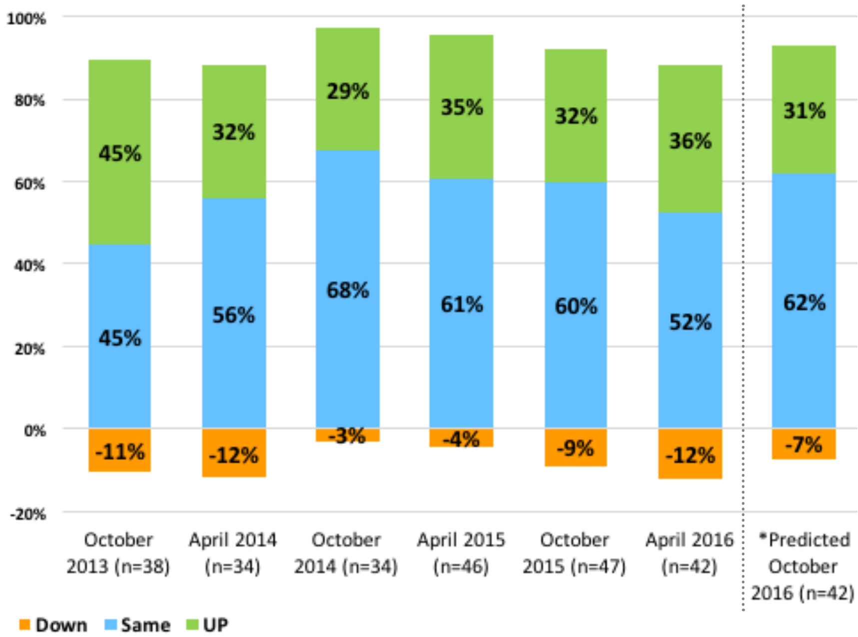
3.8 Single Factor Most Limiting the Ability to Increase Production

	October 2013	April 2014	October 2014	April 2015	October 2015	April 2016
Orders/Sales	28%	26%	31%	47%	39%	40%
Capacity	35%	22%	27%	21%	27%	20%
Finance	-	26%	23%	26%	17%	11%
Climate	-	-	-	-	7%	-
Labour	28%	33%	27%	26%	5%	17%
Materials/Components	5%	26%	12%	18%	-	-
Other mentions	23%	15%	15%	3%	5%	11%
Total	**40**	**27**	**26**	**34**	**41**	**35**

3.2 Employment Trends

Employment in North Canterbury continues to grow with about one third of respondents (36%) reporting an increase in the number of employments in the last 6 months. This is consistent with trends recorded in the earlier waves of research (32% reported growth in the October survey), albeit a slightly larger proportion (12%) reported a decrease in employment numbers (compared with 9% in October 2015). It is predicted that the employment growth will continue during the next 6 months, with 31% respondents expecting to increase the number of staff employed (compared with 38% in October 2015) and only 7% expecting a decrease (compared with 4% in October 2015).

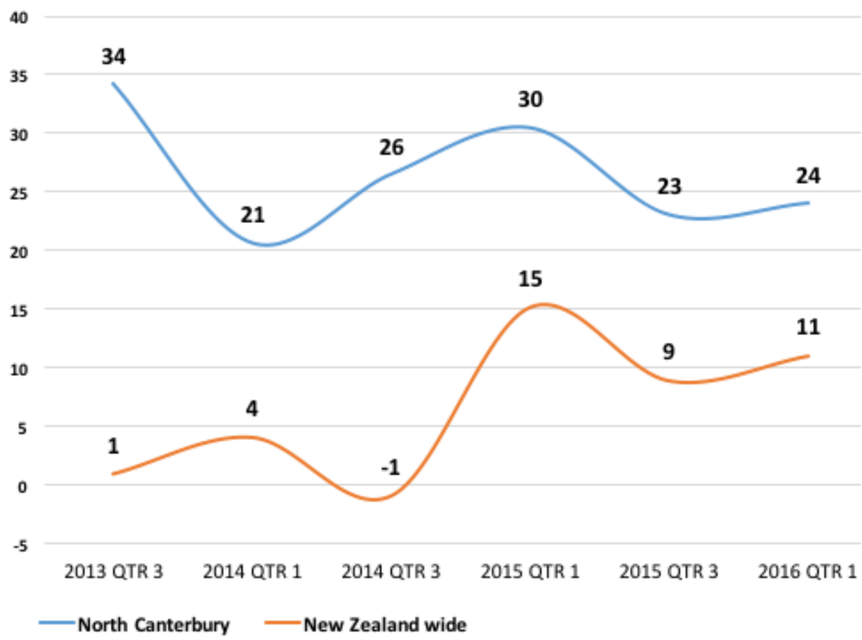
3.9 Numbers Employed vs. 6 Months Ago



*Predictions for the Next 6 Months

New employment rates over the past two years have been consistently higher in North Canterbury than nationwide.

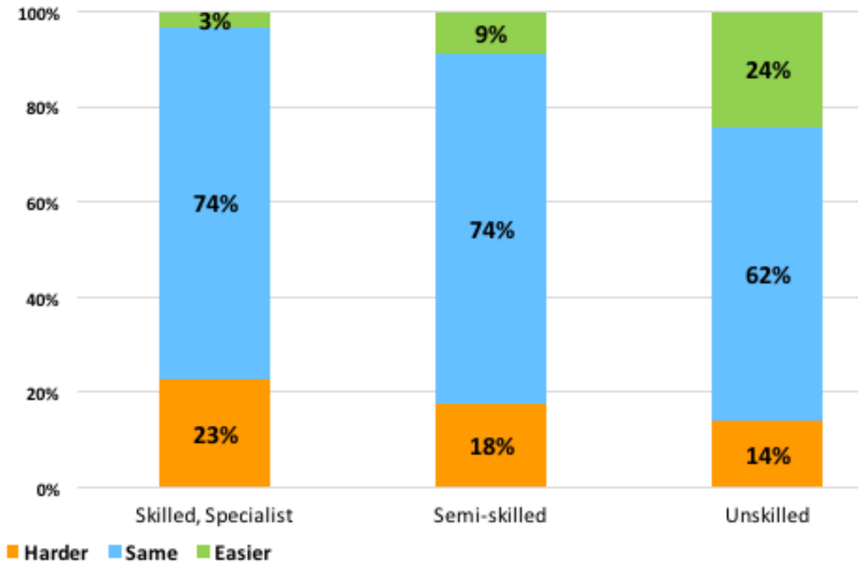
3.10 Numbers Employed (net change)



Businesses participating in the latest survey reported 84 current vacancies in total (compared to 101 in October 2015). Of these, 34 vacancies were for skilled, 29 for semi-skilled and 21 for unskilled positions. Similarly to the previous survey, businesses with vacancies were looking for 3 skilled employees, 2 semi-skilled and 2 unskilled employees.

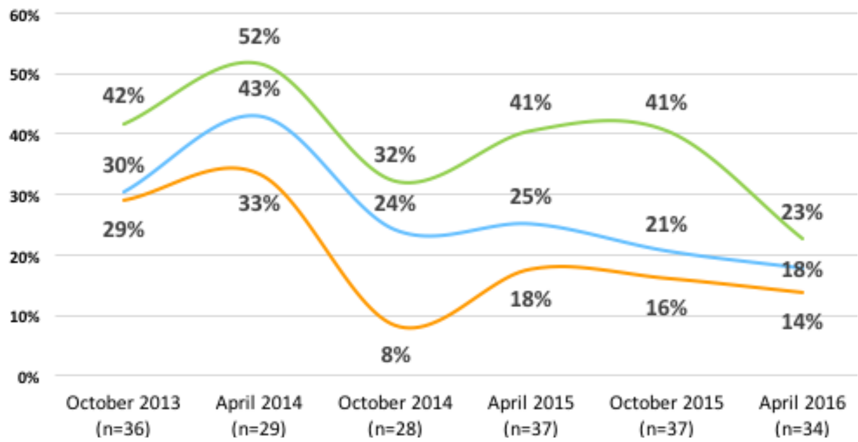
When asked to rate the difficulty of finding new staff compared to 6 months ago, most respondents thought it was neither easier nor harder. Respondents were more likely to state that it was harder to find new skilled staff (23%), but easier to find new unskilled staff (24%).

3.11 Difficulty of Finding Staff (April 2016)

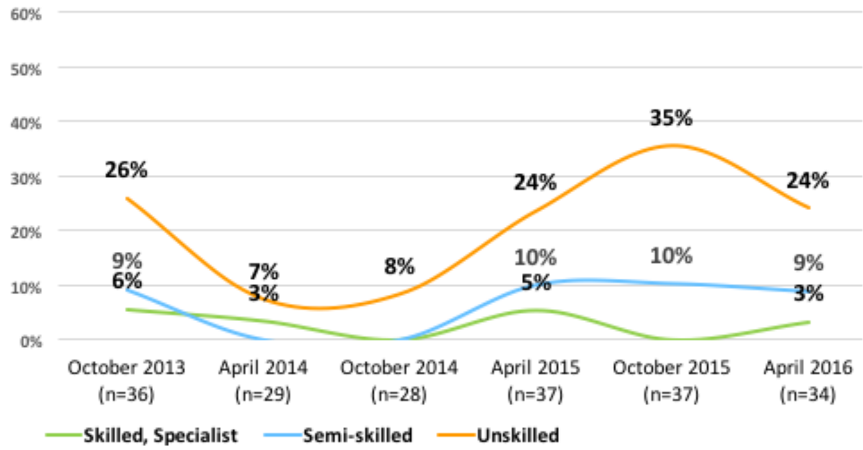


A lower proportion of businesses reported increased hardship in finding new skilled staff (23% compared with 41% in October 2015) and a small proportion reported that finding new skilled staff was easier (3%).

3.12 Difficulty of Finding Staff - Harder

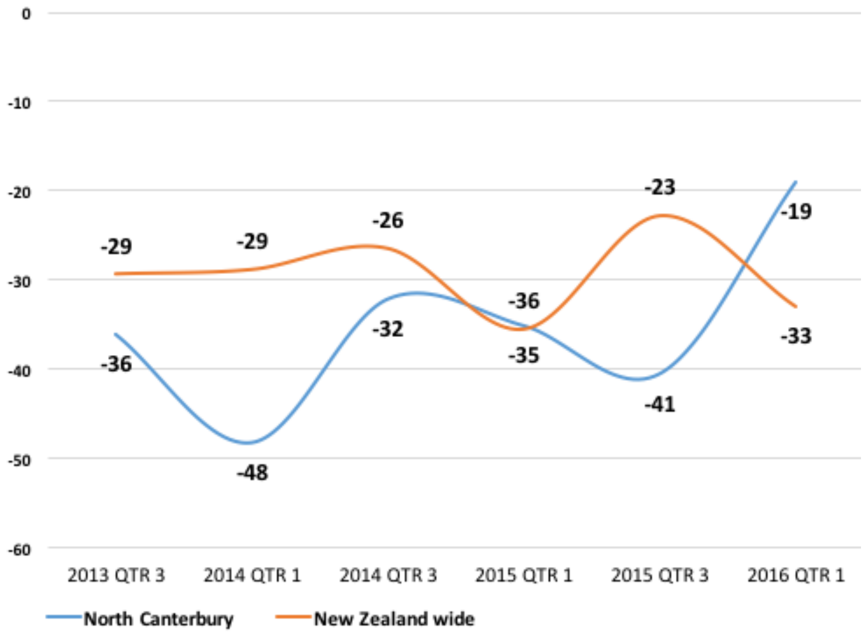


3.13 Difficulty of Finding Staff - Easier

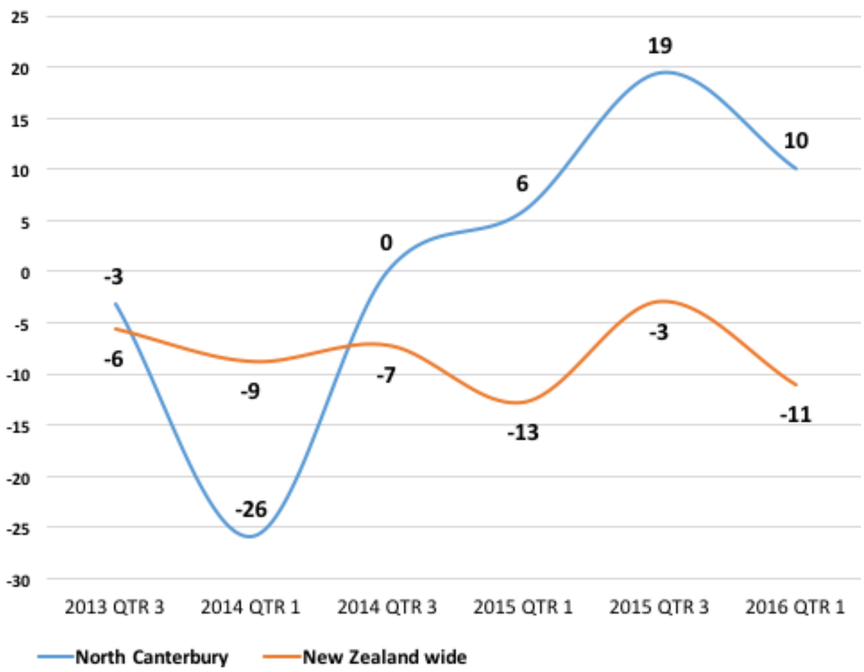


The uplift in ability to find new skilled staff in North Canterbury did not reflect the nationwide trend, which continues to move downward.

3.14 Finding Skilled Staff (net change)



3.15 Finding Unskilled Staff (net change)



When asked to specify the reasons for increased difficulty finding staff, in April 2016 respondents were again most likely to cite lack of required training or skills.

3.16 Reasons for Difficulty in Finding New Staff

	April 2014	October 2014	April 2015	October 2015	April 2016
Lack of required training/ skills	4	4	5	7	7
Competition with other industries	5	4	7	4	2
Business location too far from main centres	2	1	2	1	1
Competition with construction/ Rebuild	4	2	2	-	-
Other mentions	-	-	2	4	-
Don't know	-	-	-	-	-
Total	**15**	**11**	**18**	**16**	**10**

Word of mouth and internet advertsing continue to be the preferred ways of recruiting new staff in North Canterbury.

3.17 Main Method for Finding New Staff

	April 2014	October 2014	April 2015	October 2015	April 2016
Word of mouth	56%	59%	69%	56%	60%
Internet advertising	59%	47%	56%	56%	51%
Newspaper advertising	38%	38%	33%	35%	26%
Friends/Family	18%	21%	29%	27%	23%
Recruitment company	15%	9%	11%	25%	16%
Immigration/Skills and Employment Hub	6%	6%	4%	10%	5%
Government department	-	-	-	-	2%
Other (please specify)	6%	9%	16%	13%	9%
Not applicable/ Don't know	3%	6%	2%	6%	12%
Total	**34**	**34**	**45**	**48**	**43**

9 businesses participating in the April 2016 survey employ migrant workers. Of these, over half found the immigration process difficult to handle.

3.18 Straightforwardness of the Immigration Process

	n
Easy	0
Relatively easy	2
Average	2
Difficult	3
Very difficult	2
Total	**9**

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Who Completed the Survey?

4.1 Industry

	n
Retail Trade	7
Agriculture	4
Accommodation, Cafes and Resturants	4
Property and Business Services (inc property development)	4
Construction	3
Manufacturing	3
Education, Health and Community Services	3
Horticulture	2
Wholesale Trade	2
Communication Services	1
Adventure, Tourism/Outdoor Pursuits	1
Government, Administration and Defence	1
Transport and Storage	1
Other	7
Total	**43**

4.2 Number of Employees

	n
1-20	31
21-50	7
51-100	1
101-200	3
201-500	-
Over 500	1
Total	**43**

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