

North Canterbury Business Opinion Survey



Research Report

November 2015



Research First

Contents

North Canterbury Business Opinion Survey

1	Key Messages	03
2	Research Context	04
	2.1 Research Background	04
	2.2 Research Method	04
	2.3 Comparisons with NZIER Data	04
3	Main Findings	05
	3.1 Business Confidence	05
	3.2 Employment Trends	09
4	Who Completed the Survey?	13

Disclaimer

Research First notes that the views presented in the report do not necessarily represent the views of the Enterprise North Canterbury. In addition, the information in this report is accurate to the best of the knowledge and belief of Research First Ltd. While Research First Ltd has exercised all reasonable skill and care in the preparation of information in this report, Research First Ltd accepts no liability in contract, tort, or otherwise for any loss, damage, injury or expense, whether direct, indirect, or consequential, arising out of the provision of information in this report.

1

Key Messages

- Majority of businesses surveyed expect the general business situation in New Zealand to remain the same (56%) and one in four businesses (23%) anticipate improvement in the next 6 months. These findings are similar to April 2015 results (where these figures were 70% and 20% respectively), although the proportion of respondents expecting the situation to deteriorate has increased to 21% compared to 9% in the April survey.
- The general trend in terms of net change in business confidence over time is similar to the trend recorded nationwide, suggesting that business confidence has been steadily decreasing over the past couple of years.
- Most businesses will continue to invest into buildings, plant and machinery, and over half are expecting profitability and sales to rise in the next 6 months. Recently reported profitability levels have been consistently higher in North Canterbury compared to national results.
- Employment continues to grow with one third of respondents reporting an increase in the number of people employed over the past 6 months and a similar proportion anticipating a further increase in the next 6 months. The number of current vacancies increased from 65 to 101 since April 2015. Filling skilled positions remains challenging, with skilled and semi-skilled roles accounting for 86% of current vacancies. New employment rates over the past two years have been consistently higher in North Canterbury than nationwide.



2

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 variety 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 October 2015 and 48 completed the survey, resulting in a completion rate of 58%.

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.

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



3

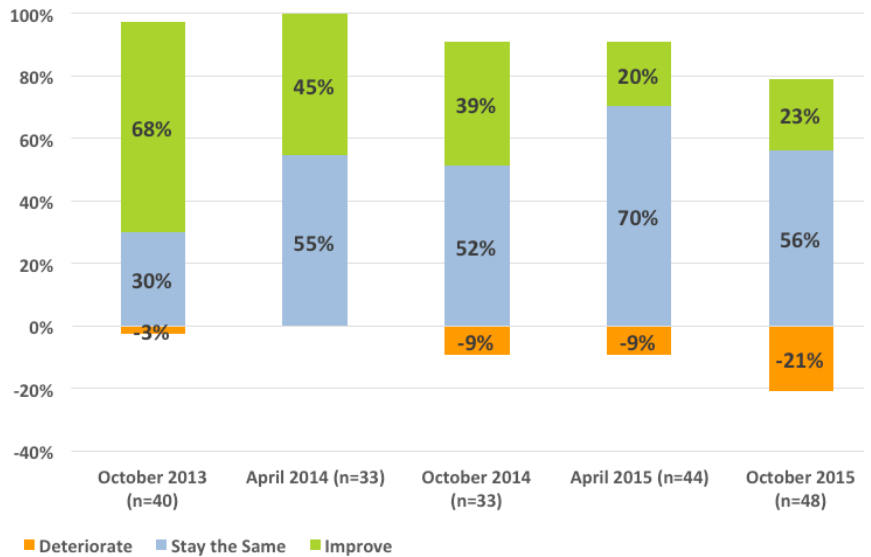
Main Findings

3.1 Business Confidence

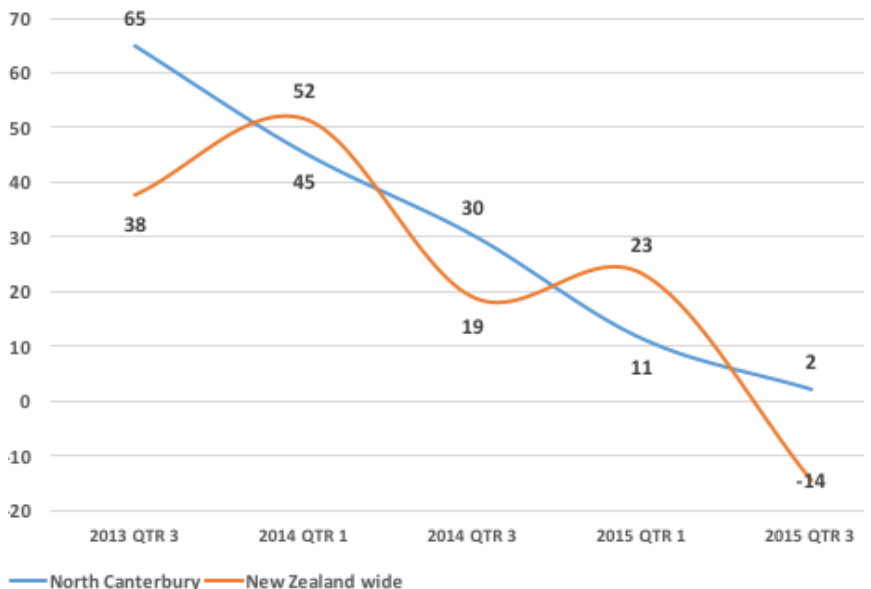
Respondents were asked about their expectations in regards to the general business situation in New Zealand during the next 6 months. In line with the findings from the earlier waves of research, the majority of respondents predicted that the business situation would remain stable. Compared to April 2015, an increase was recorded in the proportion of respondents expecting for business situation to deteriorate. Proportion of respondents expecting an improvement remained largely stable following a steady decrease over time.

The general trend in terms of net change² in business confidence over time is similar to the trend recorded nationwide, suggesting that business confidence has been steadily decreasing over the past couple of years.

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



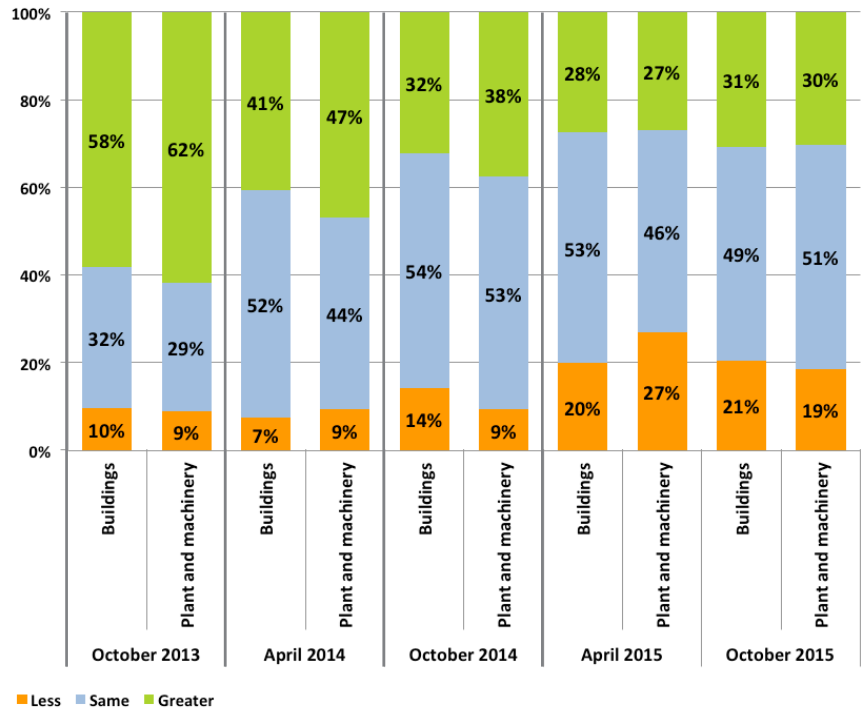
3.2 Expectations about Business Situation in New Zealand (net change)



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).

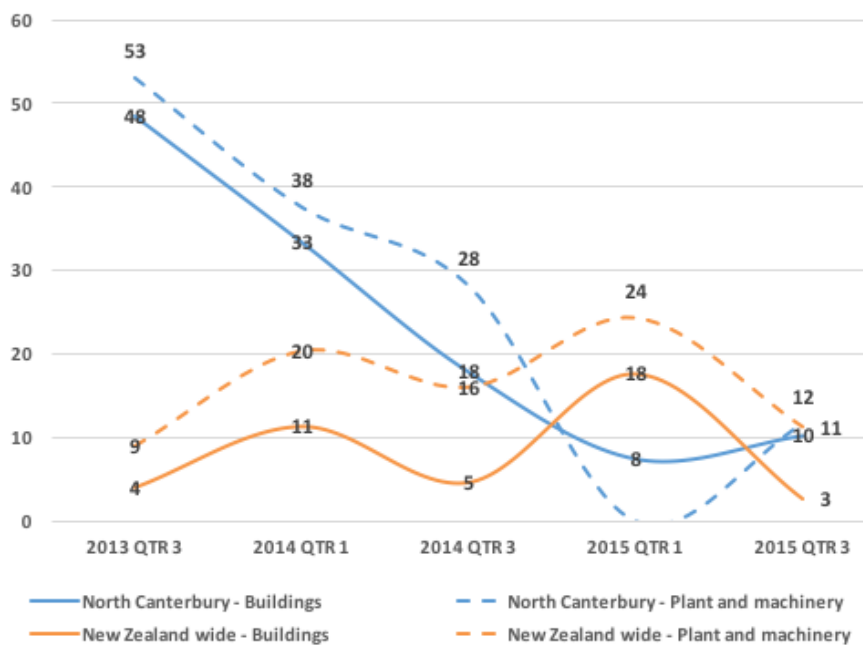
Investment intentions among North Canterbury businesses surveyed remain similar to those recorded 6 months ago, with about half expecting to maintain the same investment level and just under one third anticipating to increase their investment into buildings and machinery.

3.3 Investment in the Next 6 Months



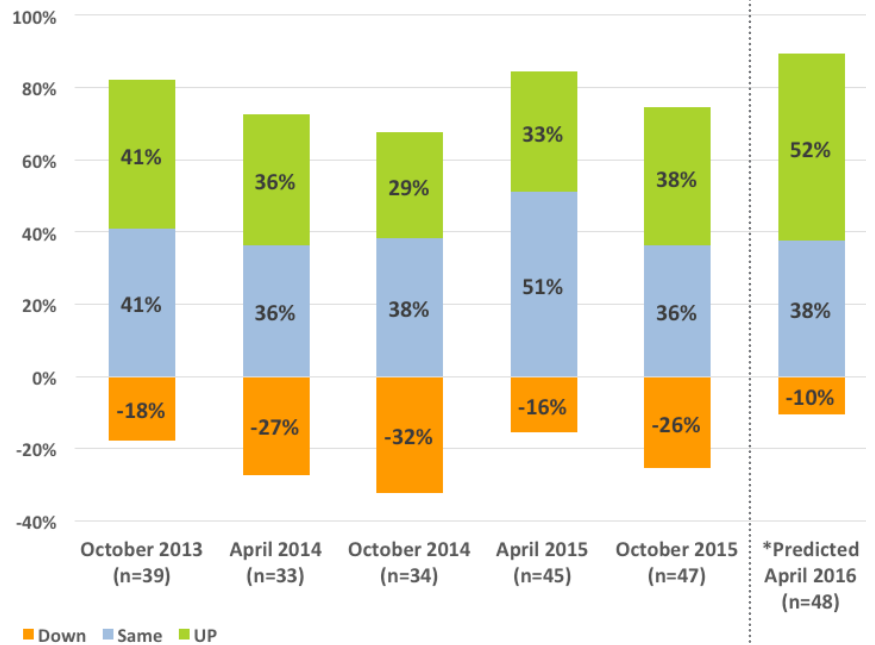
The latest predictions in regards to future investment in buildings and machinery (measured as a net change in respondent proportions) are in line with investment levels predicted nationwide. At the end of 2013 local investment levels were notably higher than those recorded nationwide. Following a period of steady decline the predicted local investment levels have now stabilised.

3.4 Future Investment (net change)



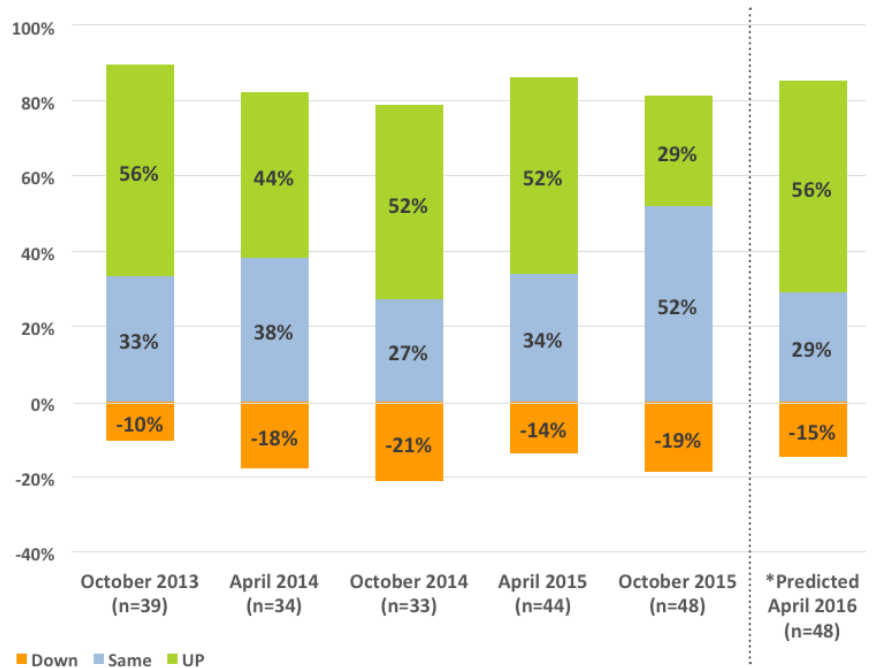
38% of businesses surveyed have seen an increase in profitability over the past 6 months and 29% have grown their outputs or sales (compared with 33% and 52% respectively in April 2015). Over half of businesses expect increase in profitability (52%) and outputs/sales (56%) in the next 6 months. These figures are up from 36% and 54% respectively in April 2015.

3.5 Profitability vs. 6 Months Ago



*Predictions for the Next 6 Months

3.6 Output/Sales vs. to 6 Months Ago

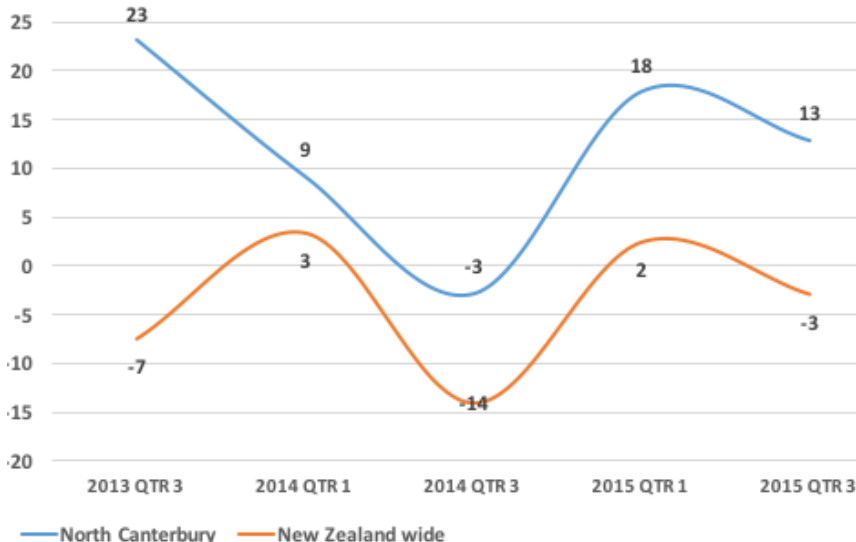


*Predictions for the Next 6 Months

Reported profitability levels over time have been consistently higher in North Canterbury compared to national results.

Similarly to April 2015 results, orders/sales was again identified most frequently as the single factor most limiting businesses' ability to increase productivity (39% compared with 47% in the April survey). Capacity (27%) has replaced finance (down from 26% to 17%) and labour (down from 26% to 5%) as the second most commonly mentioned factor.

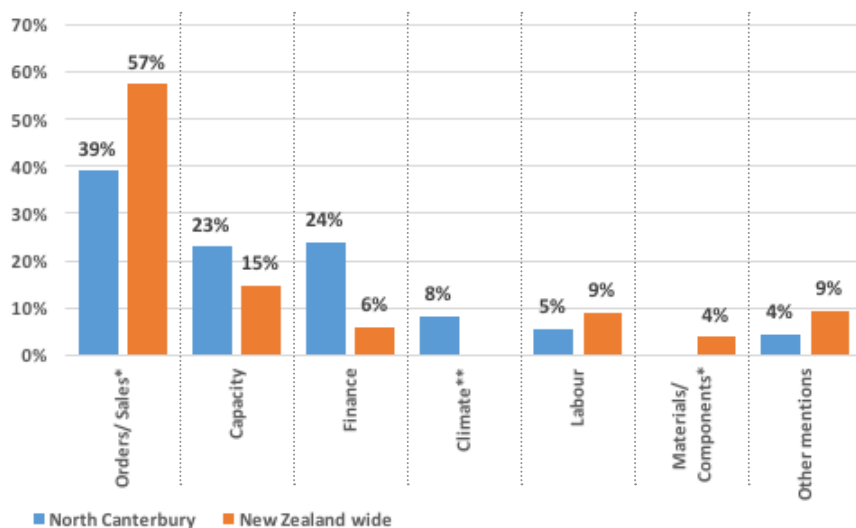
3.7 Profitability (net change)



3.8 Single Factor Most Limiting the Ability to Increase Production

	October 2013	April 2014	October 2014	April 2015	October 2015
Orders/Sales	28%	26%	31%	47%	39%
Capacity	35%	22%	27%	21%	27%
Finance	0%	26%	23%	26%	17%
Climate	0%	0%	0%	0%	7%
Labour	28%	33%	27%	26%	5%
Materials/Components	5%	26%	12%	18%	0%
Other mentions	23%	15%	15%	3%	5%
Total	40	27	26	34	41

3.9 Single Factor Most Limiting Increase in Production (2015 QTR 3)



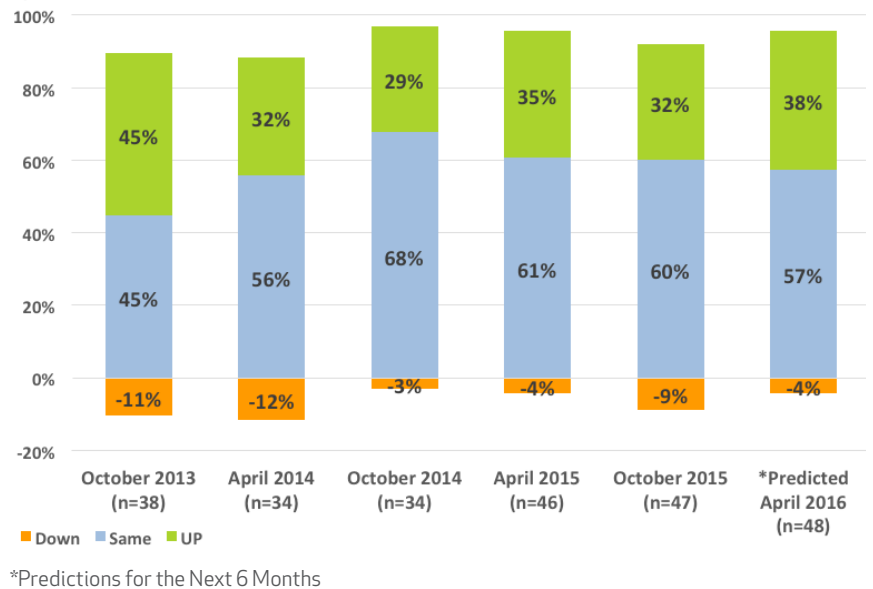
* Labelled differently in the NZIER QSBO: 'Orders/Sales' are compared with NZIER category 'Demand' and 'Materials/Components' are compared with NZIER category 'Supplies'.

**Not captured in the NZIER QSBO.

3.2 Employment Trends

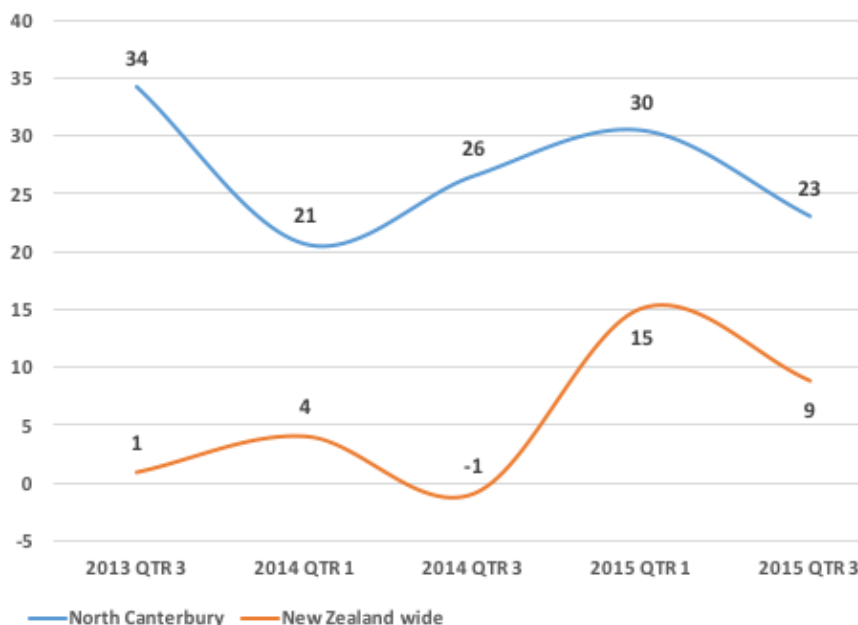
Employment in North Canterbury continues to grow with about one third of respondents (32%) reporting an increase in the number employed in the last 6 months. This is consistent with trends recorded in the earlier waves of research (35% reported growth in the April survey) and it is predicted that the employment growth will continue during the next 6 months, with 38% respondents expecting to increase the number of staff employed (compared with 33% in April 2015) and only 4% expecting a decrease (compared with 2% in April 2015).

3.10 Numbers Employed vs. 6 Months Ago



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

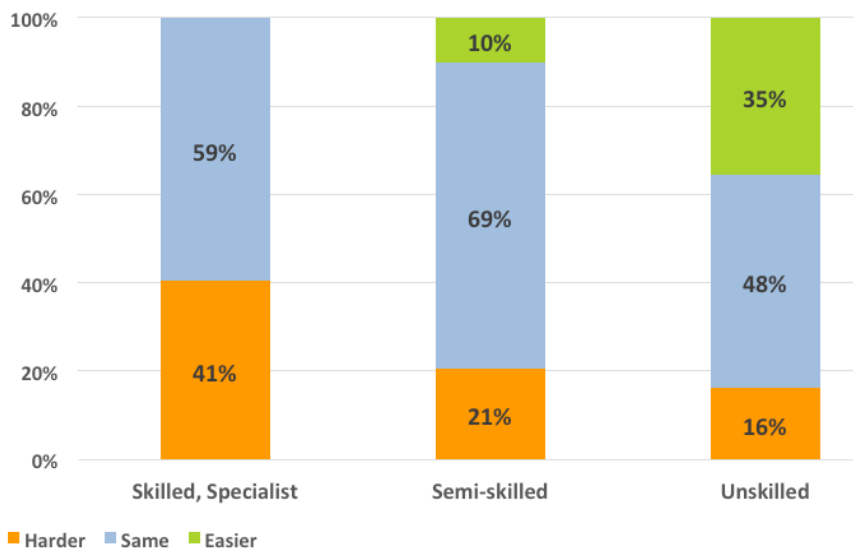
3.11 Numbers Employed (net change)



Businesses participating in the latest survey reported 101 current vacancies in total (compared to 65 in April 2015). Of these, 50 vacancies were for skilled, 37 for semi-skilled and 14 for unskilled positions. On average, each business was looking for 3 skilled employees, 2 semi-skilled and 2 unskilled employees.

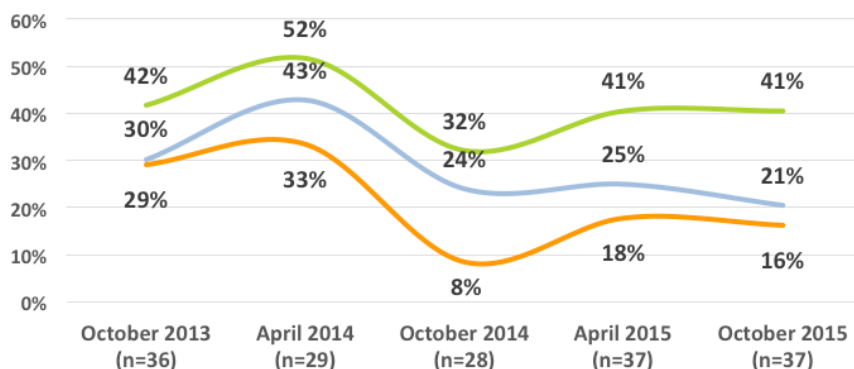
When asked to rate the difficulty of finding new staff compared to 6 months ago, most respondents thought it was neither easier nor harder. Respondents were more likely to state that it was harder to find new skilled staff (41%), but easier to find new unskilled staff (35%).

3.12 Difficulty of Finding Staff (October 2015)

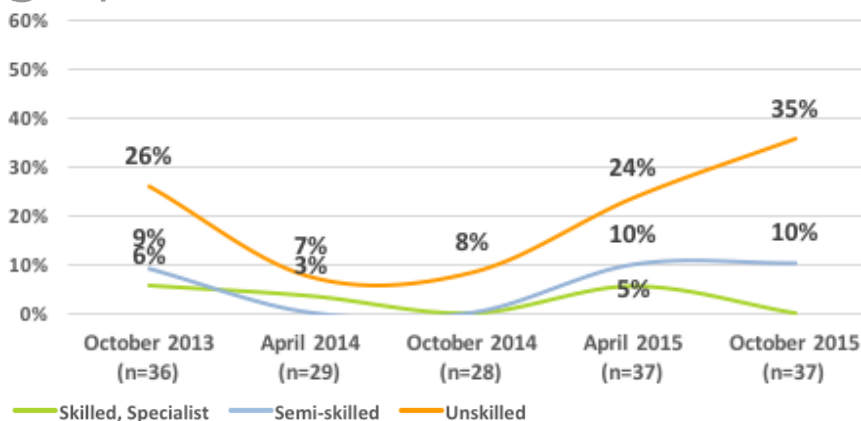


Looking at employment trends over time, it is apparent that finding new skilled staff remains difficult for two in five businesses (41%), while finding unskilled staff has become easier.

3.13 Difficulty of Finding Staff - Harder

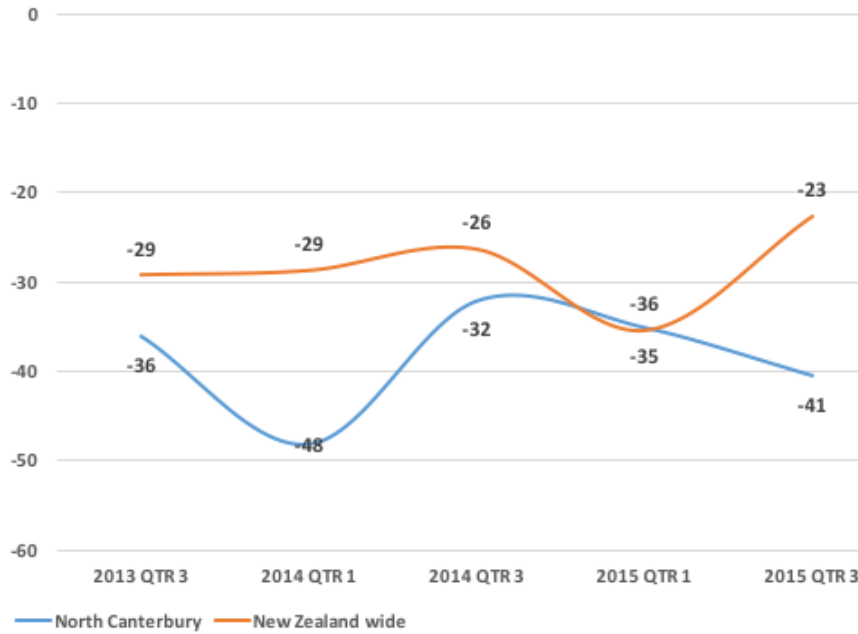


3.14 Difficulty of Finding Staff - Easier

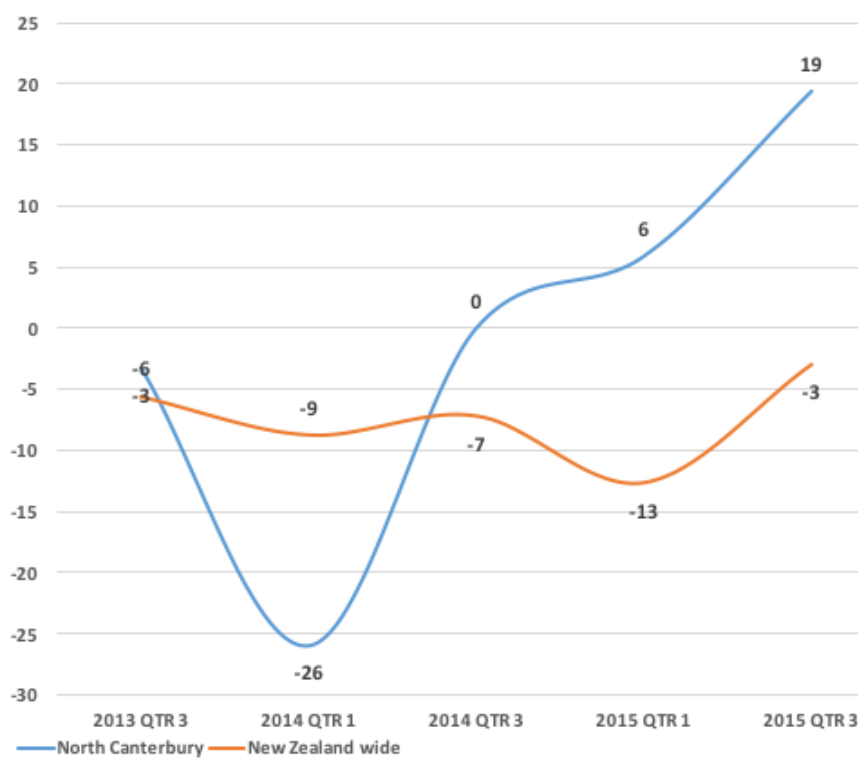


Local trends in terms of difficulty of finding new skilled staff are similar to those recorded nationwide. However, North Canterbury businesses have better access to unskilled labour supply.

3.15 Finding Skilled Staff (net change)



3.16 Finding Unskilled Staff (net change)



When asked to specify the reasons for increased difficulty finding staff, in October 2015 respondents were most likely to cite lack of required training or skills.

3.17 Reasons for Difficulty in Finding New Staff

	April 2014	October 2014	April 2015	October 2015
Lack of required training/ skills	4	4	5	7
Competition with other industries	5	4	7	4
Business location too far from main centres	2	1	2	1
Competition with construction/ Rebuild	4	2	2	0
Other mentions	0	0	2	4
Don't know	0	0	0	0
Total	15	11	18	16

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

3.18 Main Method for Finding New Staff

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

12 businesses participating in the October 2015 survey employ migrant workers. Of these, three quarters found the immigration process difficult to handle.

3.19 Straightforwardness of the Immigration Process

	n
Easy	0
Relatively easy	2
Average	1
Difficult	7
Very difficult	2
Total	12

4

Who Completed the Survey?

4.1 Industry	n
Accommodation, Cafes and Restaurants	7
Adventure, Tourism/Outdoor Pursuits	5
Agriculture	4
Construction	4
Retail Trade	4
Property and Business Services (incl. property development)	4
Manufacturing	3
Education, Health and Community Services	3
Horticulture	2
Communication Services	1
Wholesale Trade	1
Forestry, Fishing and Mining	1
Transport and Storage	1
Other (please specify)	8
Total	48

4.2 Number of Employees	n
1-20	34
21-50	10
51-100	2
101-200	1
201-500	-
Over 500	1
Total	48



Research First