Business Survey

May 2003

Featuring:

- **Regional activity predictions**
- **Impact of Drought in Taranaki**
- **Impact of War in Iraq**

Preface

Established in 1998, Venture Taranaki is an apolitical, independent, world class, Regional Development Agency. It is the first project of its kind in New Zealand and reflects Taranaki's ability to innovate and create partnerships between Central Government, Local Government and the private sector.

Venture Taranaki is an economic development initiative founded by the New Plymouth District Council.

Venture Taranaki Trust offers a professional service for businesses and investors interested in, or based in Taranaki. Furthermore, Venture Taranaki is committed to making Taranaki industries grow.

The Trust acknowledges its major sponsor, The New Plymouth District Council.

Authorship

This research report has been analysed and prepared by Belinda Salmon, BBS (Marketing), Research Co-ordinator for Venture Taranaki. Reviewed by Anne Probert, BBS (Hons) MBS DBS, Economic Development Director.

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1.0 Executive Summary

The survey results indicate that the Taranaki business community predicts New Zealand wide business conditions are set to remain the same for the year ahead. Businesses operating within the ‘retail and wholesale trade’ and the ‘mining, oil and gas’ industries are noticeably more optimistic in their predictions for the coming period than other industry sectors. New Plymouth based businesses also tend to be slightly more optimistic in outlook than South Taranaki and Stratford based businesses.

50% of businesses surveyed reported business conditions are likely to remain the same over the coming 12 months, while 18% indicated conditions are likely to improve. Comparatively, 41% of respondents in the November 2002 survey indicated an improvement in conditions was likely. Respondents indicated this drop in optimism is largely due to the decrease in farmers payout coupled with the current drought conditions and the consequential flow on affect to business. The conclusion of the Last Samurai film and international influences such as the war in Iraq and the SARS virus were also identified as impacting on some industries (i.e. retail, tourism).

Interestingly, the large majority of businesses reported no impact on business from the affects of the war in Iraq. There was a mixed response from those that reported an affect. Approximately one-third indicated no change in sales, and one-third indicated that they didn’t know what the financial impact on business was. Overall results indicated that the war did not impact significantly on Taranaki business performance

Although a decline on the November 2002 survey results, sales predictions for the coming six month period are confident with the majority of businesses predicting sales levels either staying the same or improving over the coming period. New Plymouth based businesses are particularly confident with over 40% of businesses indicating an increase in sales is likely over the next six months. Similarly, cashflow predictions are good with over 30% of businesses indicating an improvement is likely.

Employment levels are stable with the majority of businesses predicting they will not require any additional staff over the coming six months. However, demand for skilled manual/ technical and semi-skilled staff are the most popular requested employee types with a number of respondents specifically detailing demand for qualified or apprentice tradespeople.

There is significant confidence that export levels are anticipated to remain consistent with the previous period. However a number of respondents expressed concerns about the stability of the international market with regard to the affect of the war and the SARS virus. The exchange rate was also commented on significantly by respondents; many commented on the poor US and Japan exchange and the strength of the NZ dollar against the Australian dollar.

The survey reflected that current farming conditions are impacting on over 40% of Taranaki businesses. South Taranaki based businesses reported the largest impact with over 60% of businesses in this district being either directly or indirectly affected. Collectively 57% of businesses that reported being affected by the drought and poor farming conditions indicated a consequential decline in sales.

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2.0 Methodology

Venture Taranaki's Business Survey is undertaken every six months and is mailed out to 1,000 Taranaki businesses. Survey recipients were randomly selected from the New Zealand Business Directory Database (UBD) and considerable effort has been made to gather a representative sample of industry sector, size and location. This is the eighth business survey carried out by Venture Taranaki.

The overall purpose of the survey is to monitor trends, identify key issues affecting the growth of Taranaki businesses and provide timely, accurate and valuable information to Taranaki businesses.

The survey questionnaire comprises of two sections; a standard economic/ business section and a special topic section. Two special topics were analysed in this survey; these included the affects of the recent drought on Taranaki business and the impact of the recent war in Iraq.

As at December 2002 there were 7,289 businesses operating in the Taranaki region. The distribution of businesses across the different Taranaki districts is as follows:

Region	Number of Business Operating	Percent of Taranaki Businesses
New Plymouth	4,783	65.6%
South Taranaki	1,842	25.3%
Stratford	664	9.1%
Taranaki	7,289	100.0%

In order to obtain survey results that are representative of Taranaki based businesses (i.e. 95% confidence +/- 5%) a response rate of 36.5% is required. This equates to a total of 365 completed surveys required to be confident in the findings to 95% +/- 5%.

A response rate of 37.7% was achieved therefore confirming that we can be 95% confident that the findings in this report are representative of the wider Taranaki businesses population to plus or minus five percent.

Of those businesses who responded, 68.3% are located in the New Plymouth District, 19.2% in South Taranaki and 7.7% of the businesses were from Stratford. A total of 4.8% of businesses operated from branches, located throughout Taranaki. Although this is not a largely significant difference, it should be acknowledged that this is not a perfectly proportionate representation of the different Taranaki districts, and thus this factor should be considered when interpreting results.

The largest group of respondents, 24.1%, considered their main business operations to be within the 'retail and wholesale trade' industry. A total of 9.6% reported they operated in the 'business/ property/ financial service' sector while 9.4% associated themselves with the 'agriculture/ horticulture/ fishing/ forestry' industry. All other industry sectors each comprised of less than 9% of respondents. A total of 13.9% of respondents selected the other category indicating that their main activity of business could not be adequately categorised by the survey options.

The table below details the distribution of businesses taking part in the survey by location and industry type.

Region	Ag/Hort/ Fish/Forest	Mining/ Oil/Gas	Manuf (metals)	Other Manuf	Elec/Gas/ Water	Build/ Const	Retail/ Wholesale	Rest/ Accom	Trans/ Comm	Bus/Fin/ Property	Health/ Ed	Other
New Plymouth	60.0%	100%	79.2%	71.4%	66.7%	81.3%	67.4%	70.8%	72.2%	74.2%	87.5%	71.8%
South Taranaki	33.3%	0.0%	20.8%	19.0%	33.3%	12.5%	22.1%	25.0%	22.2%	16.1%	4.2%	22.4%
Stratford	6.7%	0.0%	0.0%	9.5%	0.0%	6.3%	10.5%	4.2%	5.6%	9.7%	8.3%	14.3%

A total of 31.0% of responding businesses have 1 – 4 people working in the business, 30.7% have 5 – 9 people and 19.7% have 10 – 19 people. The remaining 18.6% of businesses have 20 or more people working in the business.

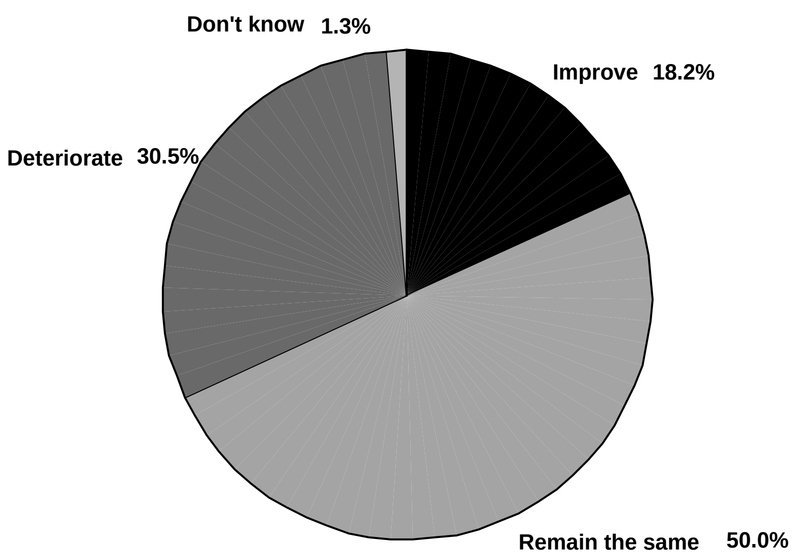
Taranaki Outdoor Adventures, kindly sponsored the survey and offered an incentive to one lucky responding business – a corporate team development package specialised to their businesses needs up to the value of $500, or a comparable one day's adventure. Venture Taranaki would like to thank Taranaki Outdoor Adventures for supporting this survey.

3.0 Economic Findings

3.1 New Zealand Wide Business Conditions

Respondents were asked to predict how they expected the general business situation in New Zealand to be over the next 12 months. Looking ahead, the majority of responding Taranaki businesses, 50.0%, predicted that general business conditions in New Zealand are set to remain the same. A total of 18.2% believed conditions would improve, while 30.5% predicted conditions would deteriorate.

Graph 1: New Zealand Wide Conditions: Predictions for the Next 12 Months



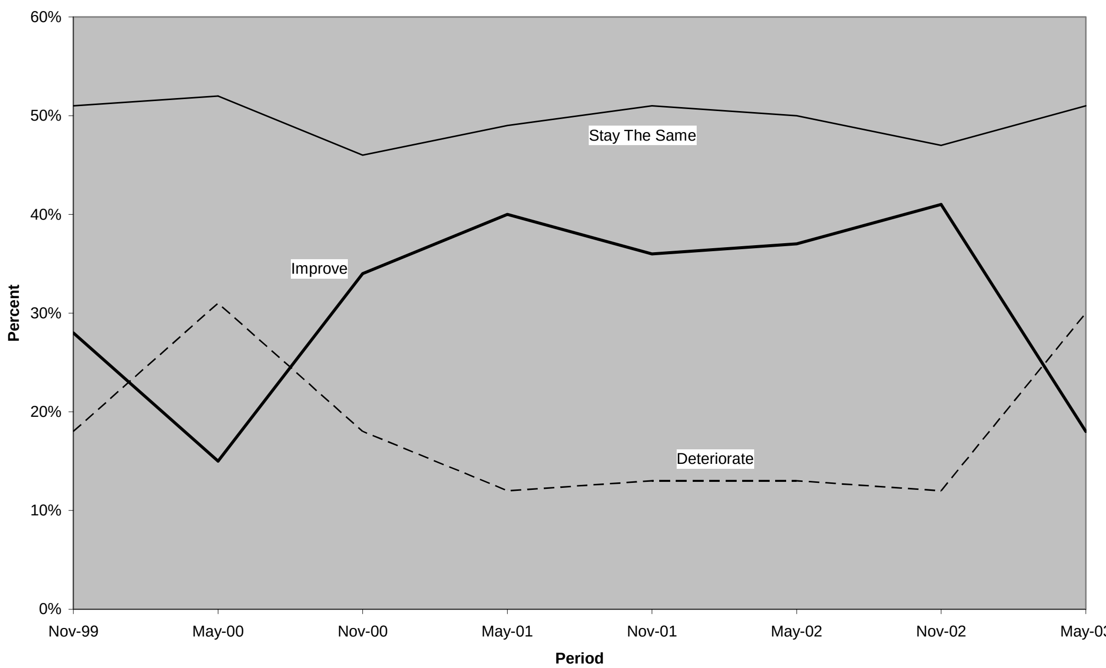
Overall a total of 30.5% of respondents indicated they believed the nation wide business conditions are set to deteriorate over the coming 12 months. In the previous business survey, November 2002, 12.0% of respondents had indicated they believed a decline in general business was evident. This indicates a significant increase in the number of respondents predicting the coming 12 months will result in the deterioration of New Zealand's general business condition.

Over time responses to this question have fluctuated. However, consistently over the past four years approximately 50% of Taranaki business owners taking part in the survey predict that nationwide business conditions are set to remain the same over the coming 12 month period.

Since the November 2002 business survey there has been a significant decline in the proportion of Taranaki business owners predicting an improvement in nationwide business conditions.

The dramatic increase in predicted deterioration evident in this survey has not been reported by businesses since May 2000.

Graph 2: New Zealand Wide Conditions: Comparison of Results



Across the industry sectors, analysis reveals some industry sectors are more optimistic in their predictions for the next 12 months.

Table 1: New Zealand Wide Conditions: Predictions for the Next 12 Months by Industry Sector

Prediction	Ag/Hort/ Fish/Forest	Mining/ Oil/Gas	Manuf (metals)	Other Manuf	Elec/Gas/ Water	Build/ Const	Retail/ Wholesale	Rest/ Accom	Trans/ Comm	Bus/Fin/ Property	Health/ Ed	Other
Improve	17.1%	30.0%	8.3%	9.5%	16.7%	12.5%	28.9%	16.7%	11.1%	16.7%	16.0%	19.2%
Remain the Same	48.6%	70.0%	25.0%	61.9%	33.3%	65.6%	41.1%	50.0%	61.1%	47.2%	56.0%	57.7%
Deteriorate	34.3%	0.0%	58.3%	28.6%	33.3%	21.9%	26.7%	33.3%	27.8%	36.1%	28.0%	23.1%
Don't know	0.0%	0.0%	8.3%	0.0%	16.7%	0.0%	3.3%	0.0%	0.0%	0.0%	0.0%	0.0%

The 'manufacturing (basic or fabricated metals)' industry is significantly more pessimistic in nation-wide business condition predictions for the next 12 months. Differing to this feedback, businesses operating within the 'retail and wholesale trade' industry are significantly more optimistic in outlook than other industry sectors with 29.1% of respondents indicating they believe nation-wide business conditions are set to improve over the coming 12 month period.

When analysing business condition predictions across the different Taranaki regions, it is evident that New Plymouth based businesses have a significantly more optimistic business outlook for the coming 12 months.

Table 2: New Zealand Wide Conditions: Predictions for the Next 12 Months by Taranaki District

		Business Location			
		New Plymouth	South Taranaki	Stratford	Total
Prediction for the next 12 months	Improve	23.0%	2.8%	17.2%	18.5%
	Remain the same	47.7%	60.6%	44.8%	50.0%
	Deteriorate	28.1%	35.2%	31.0%	29.8%
	Don't know	1.2%	1.4%	6.9%	1.7%
Total		100.0%	100.0%	100.0%	100.0%

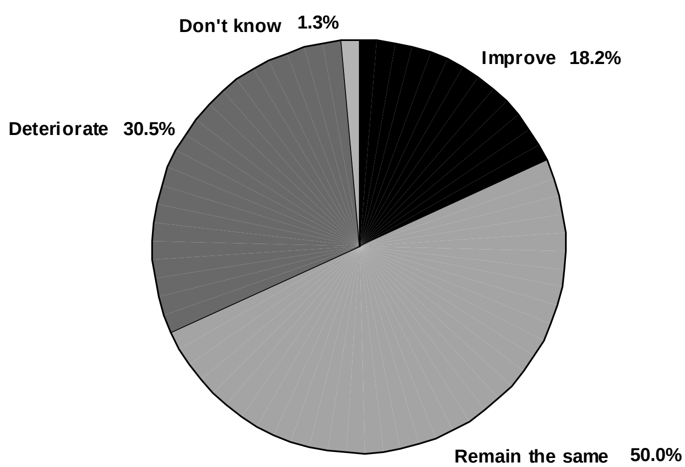
The majority of businesses in each Taranaki district indicted that nationwide businesses conditions are likely to remain the same for the coming 12 month period. A total of 23.0% of New Plymouth and 17.2% of South Taranaki based businesses predicted an improvement in general business conditions over the coming 12 months while only 2.8% of based Stratford businesses reported the same positive outlook.

When comparing predictions against the size of the business, no significant relationship is evident indicating that business size does not impact on the businesses future predictions.

3.2 Industry Conditions

Respondents were asked to predict how they believed their industry conditions would be for the coming 12 months. Once again, the majority of respondents (50.0%) predict that industry conditions will remain the same.

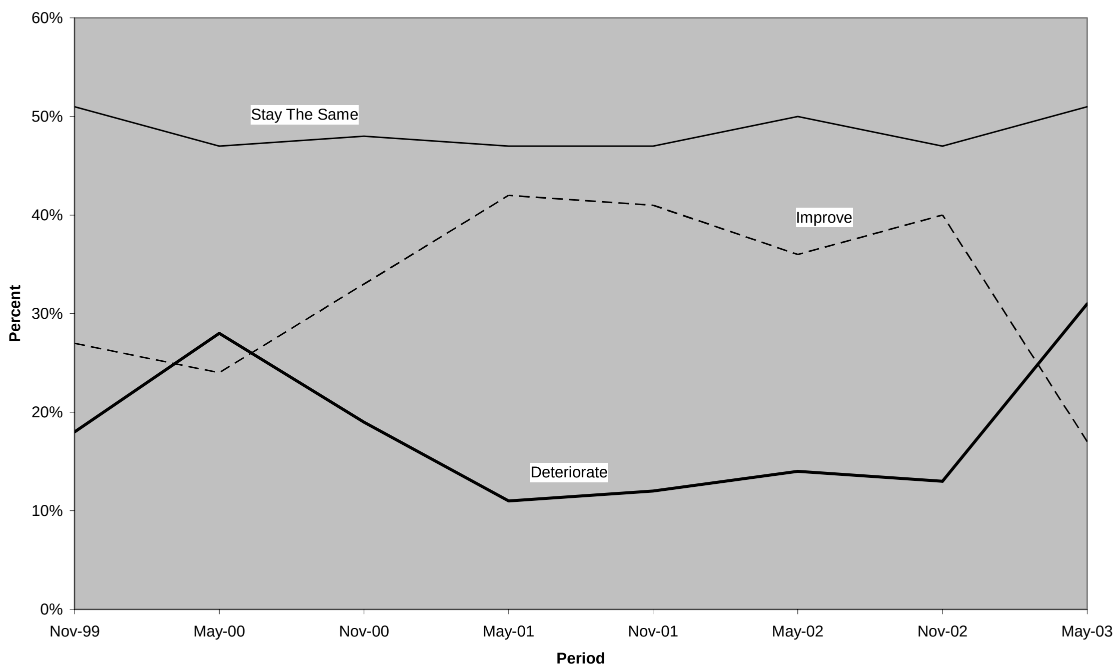
Graph 3: Industry Conditions: Predictions for the Next 12 Months



A total of 18.2 % of respondents reported believing that industry conditions will improve over the coming period while 30.9% believed conditions would deteriorate. Comparatively, in the November 2002 business survey 40.0% of respondents predicted an improvement in industry conditions over the next 6 months. This is indicative of a significant decline in industry condition optimism over the past six months.

The industry predictions over time follow the same trend as that of the nation-wide prediction; an increase in the proportion of businesses predicting a decline in industry conditions over the coming period. The proportion of businesses feeling that conditions will remain the same has fluctuated at around 50% throughout the total reporting period.

Graph 4: Industry Conditions: Comparison of Results



When analysing predicted industry conditions across various industries, with the exception of the 'agriculture, horticulture, fishing and forestry' sector, the majority of businesses believed the industry conditions they are presently operating under are set to remain the same over the coming period. A total of 45.7% of businesses operating in the 'agriculture, horticulture, fishing and forestry' sector predict a decline in industry conditions.

Table 3: Industry Conditions: Predictions for the Next 12 Months by Industry Sector

Prediction	Ag/Hort/ Fish/Forest	Mining/ Oil/Gas	Manuf (metals)	Other Manuf	Elec/Gas/ Water	Build/ Const	Retail/ Wholesale	Rest/ Accom	Trans/ Comm	Bus/Fin/ Property	Health/ Ed	Other
Improve	14.3%	30.0%	4.2%	23.8%	16.7%	12.5%	23.9%	21.7%	15.8%	13.9%	4.0%	26.9%
Remain the Same	40.0%	50.0%	41.7%	52.4%	66.7%	56.3%	51.1%	39.1%	42.1%	69.4%	48.0%	46.2%
Deteriorate	45.7%	20.0%	50.0%	14.3%	16.7%	31.3%	23.9%	39.1%	42.1%	16.7%	44.0%	26.9%
Don't know	0.0%	0.0%	4.2%	9.5%	0.0%	0.0%	1.1%	0.0%	0.0%	0.0%	4.0%	0.0%

A regional breakdown reveals that businesses operating in the South Taranaki District are more pessimistic, with 40.8% feeling that their industry conditions will deteriorate over the next 12 months.

Table 4: Industry Conditions: Predictions for the Next 12 Months by Taranaki District

		Business Location			
		New Plymouth	South Taranaki	Stratford	Total
Prediction for the next 12 months	Improve	20.1%	9.9%	20.7%	18.1%
	Remain the same	49.6%	49.3%	62.1%	50.6%
	Deteriorate	28.7%	40.8%	13.8%	29.9%
	Don't know	1.6%		3.4%	1.4%
Total		100.0%	100.0%	100.0%	100.0%

The majority of all businesses in each location predicted that industry conditions are likely to remain the same over the coming period.

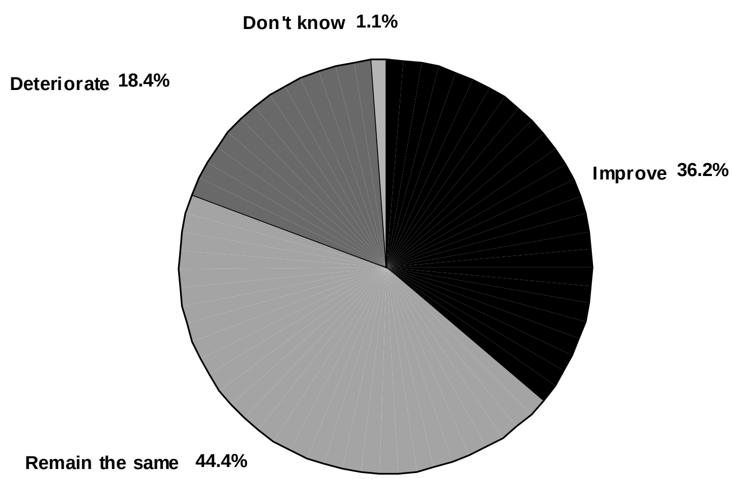
South Taranaki based businesses are significantly more pessimistic in outlook. A total of 40.8% of South Taranaki based businesses predicted a decline in industry conditions compared to New Plymouth and Stratford based businesses reporting 28.7% and 13.8% respectively.

Analysis indicates that business size does not impact on industry related predictions for the next 12 month period.

3.3 Sales/ Customer Levels

The majority of responding businesses, 44.4% judge that sales/ customer levels are going to remain the same for the coming six month period. A total of 36.2% predict an improvement in sales/ customer levels while 18.4% predict a decline. 1.1% of respondents said they did not know what the next six months would bring.

Graph 5: Sales/ Customer Levels: Predictions for the Next 6 Months



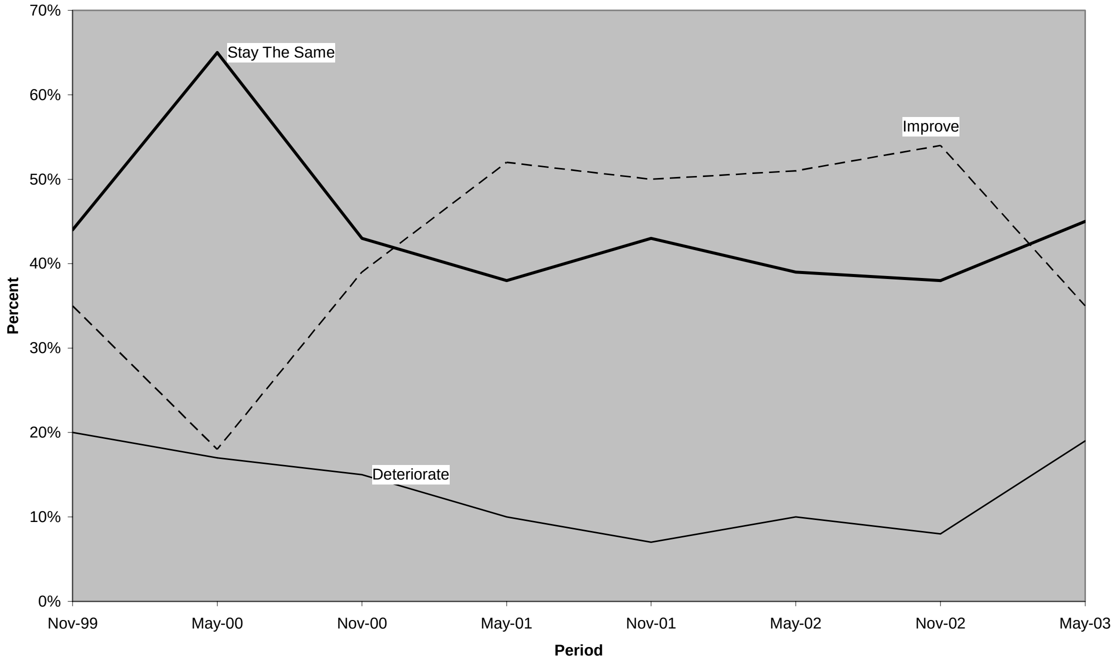
Since the last survey in November 2002, responses have become more pessimistic with an increase in the number of respondents indicating that deterioration over the coming period is likely. There is also a significant decrease in the number of respondents who believe that an improvement in sales/ customer levels is likely.

Over the past four years responses to this question have fluctuated significantly. Since the May 2000 business survey an increasing trend has evolved in the number of businesses predicting an improvement in sales/ customer levels. This trend has not been continued into the May 2003 survey.

The majority of respondents indicated this decline in optimism was due to the affect of a poor farming year and the conclusion of the Last Samurai movie. Some specific comments relating to these issues were:

- 'drought conditions for farmers and the drop in milk payout to dairy farmers has and will affect sales'
- 'the drop in the dairy payout, also the 'last Samurai' has been a short term boost to sales'

Graph 6: Sales/ Customer Levels: Comparison of Results



When comparing sales/ customer level predictions for the coming six months against business location, it is evident that businesses operating in the South Taranaki region are significantly more pessimistic. A total of 36.6% of South Taranaki based businesses predicted deterioration in sales/ customer levels over the next six months while New Plymouth and Stratford based businesses were less pessimistic reporting 14.1% and 10.3% respectively.

Table 5: Sales/ Customer Levels: Predictions for the next 6 Months by Taranaki District

		Business Location			
		New Plymouth	South Taranaki	Stratford	Total
Prediction for the next 6 months	Improve	41.4%	12.7%	37.9%	35.4%
	Remain the same	43.4%	50.7%	48.3%	45.2%
	Deteriorate	14.1%	36.6%	10.3%	18.3%
	Don't know	1.2%		3.4%	1.1%
Total		100.0%	100.0%	100.0%	100.0%

Overall there was no significant relationship evident between industry sector and sales/ customer level predictions. Interestingly however, the 'building and construction' industry reported a lower proportion of businesses predicting an improvement in sales/ customer levels. Respondents in this category indicated this was likely due to the recent downturn in the housing market. Some specific comments from these respondents include:

- ‘the end of the property cycle is coming around’
- ‘building boom within Taranaki region coming to an end’
- ‘we have benefited from the healthy local housing market, with many people requiring temporary housing’

Table 6: Sales/ Customer Levels: Predictions for the Next 6 Months by Industry Sector

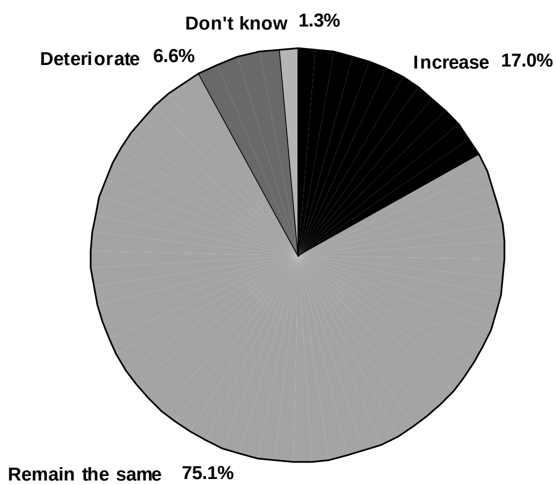
Prediction	Ag/Hort/ Fish/Forest	Mining/ Oil/Gas	Manuf (metals)	Other Manuf	Elec/Gas/ Water	Build/ Const	Retail/ Wholesale	Rest/ Accom	Trans/ Comm	Bus/Fin/ Property	Health/ Ed	Other
Improve	17.6%	50.0%	16.7%	16.7%	33.3%	12.5%	48.9%	25.0%	52.6%	41.7%	48.0%	38.5%
Remain the Same	44.1%	40.0%	50.0%	50.0%	50.0%	68.8%	35.6%	41.7%	31.6%	50.0%	36.0%	46.2%
Deteriorate	32.4%	10.0%	10.0%	33.3%	16.7%	18.8%	14.4%	33.3%	15.8%	16.0%	16.0%	15.4%
Don’t know	5.9%	0.0%	0.0%	0.0%	0.0%	0.0%	1.1%	0.0%	0.0%	0.0%	0.0%	0.0%

Businesses operating within the ‘agriculture, horticulture, fishing and forestry’, ‘manufacturing (basic or fabricated metals)’ and ‘restaurant and accommodation’ industries reported a higher proportion of businesses predicting deterioration over the next 6 months than other industry sectors. Approximately 30% of businesses within these industries indicating deterioration is likely.

3.4 Employment Levels

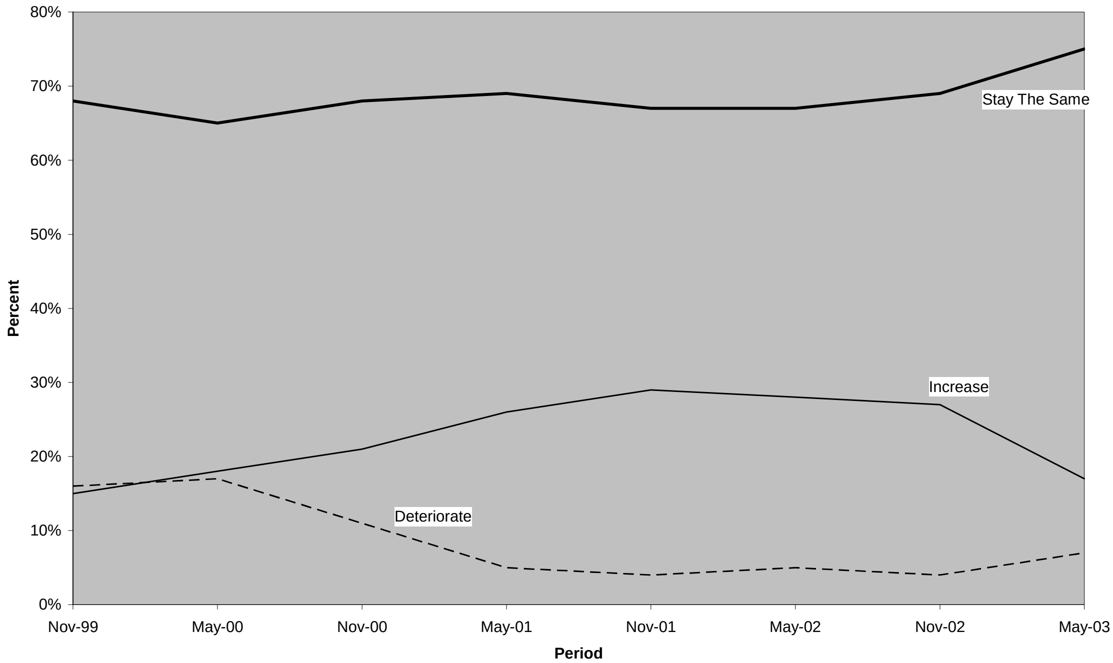
Respondents were asked to indicate how they expect employment levels to change over the coming six month period. Most respondents, 75.1%, reported that they expected employment requirements to remain the same over the coming six month period. 17.0% indicated they expected employee numbers to increase over the period and 6.6% indicated that employee levels will deteriorate.

Graph 7: Employment Levels: Predictions for the Next 6 Months



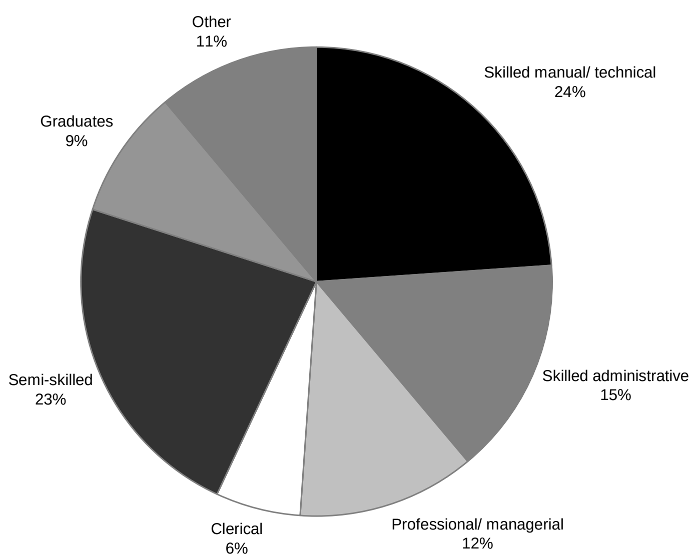
Over time the majority of respondents have consistently indicated that they believe their staffing requirements for the coming period are likely to remain the same. Since the previous survey completed in November 2002, there has been a significant decrease in the number of respondents expecting an increase in staffing requirements over the coming period; on the other hand there is an increase in the proportion of respondents predicting requirements will remain the same.

Graph 8: Employment Levels: Comparison of Results



Of those businesses indicating that an increase in employee levels was likely over the coming six months, ‘skilled manual/ technical’ and ‘semi-skilled’ workers were among the most requested employee types. A total of 22.2% of respondents indicated that each of these employee types will be required.

Graph 9: Employment Levels: Required Employee Types for the Next 6 Months



When analysing employment demand across the industry sectors, it is evident that businesses operating within the ‘mining or oil/gas exploration’, ‘business, property or financial services’, or ‘health and education’ industries are significantly more optimistic. Approximately 30% of businesses reported operating within these industries an expected increase in staffing levels over the coming period.

Businesses operating within the ‘restaurant or accommodation’ industry sector reported the highest proportion of businesses predicting a decrease in employment levels over the next six month period.

Table 7: Employment Levels: Predictions for the Next 6 Months by Industry Sector

Prediction	Ag/Hort/ Fish/Forest	Mining/ Oil/Gas	Manuf (metals)	Other Manuf	Elec/Gas/ Water	Build/ Const	Retail/ Wholesale	Rest/ Accom	Trans/ Comm	Bus/Fin/ Property	Health/ Ed	Other
Increase	20.0%	30.0%	8.3%	9.5%	16.7%	3.1%	16.7%	16.7%	15.8%	27.8%	28.0%	15.4%
Remain the Same	71.4%	70.0%	83.3%	76.2%	83.3%	87.5%	77.8%	62.5%	78.9%	66.7%	60.0%	80.8%
Deteriorate	8.6%	0.0%	8.3%	9.5%	0.0%	6.3%	5.6%	20.8%	5.3%	5.6%	8.0%	0.0%
Don’t know	0.0%	0.0%	0.0%	4.8%	0.0%	3.1%	0.0%	0.0%	0.0%	0.0%	4.0%	3.8%

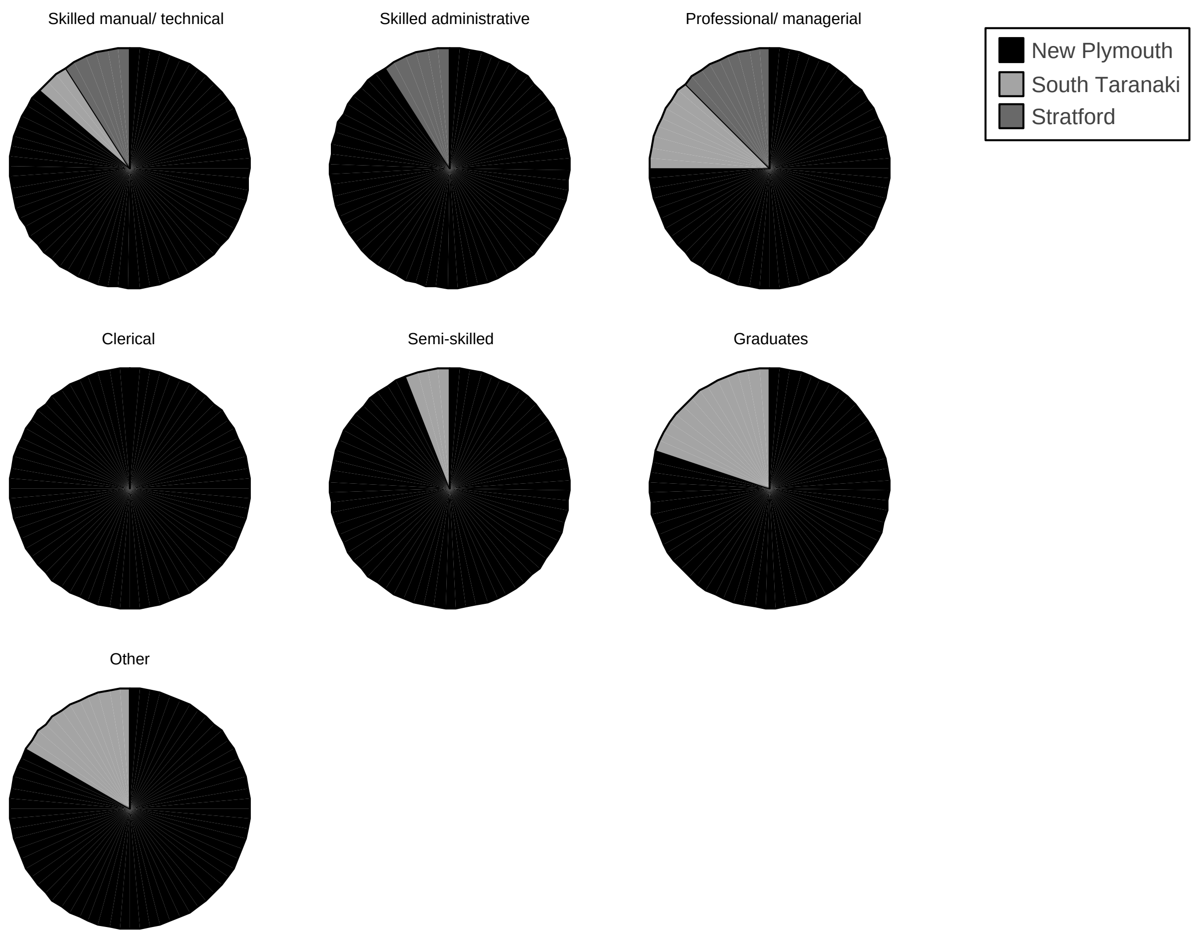
When comparing predicted employee requirements for the coming six month period across the Taranaki regions, the majority of businesses predict employment requirements are set to remain the same. Interestingly however, a higher proportion of New Plymouth based businesses believe an increase is feasible. A total of 19.5% of New Plymouth based businesses believe an increase in employee levels will be required over the coming period. Comparatively only 5.6% and 10.3% of South Taranaki and Stratford businesses (respectively) indicated an increase is likely.

Table 8: Employment Levels: Predictions for the Next 6 Months by Taranaki District

		Business Location			
		New Plymouth	South Taranaki	Stratford	Total
Prediction for the next 6 months	Increase	19.5%	5.6%	10.3%	16.0%
	Remain the same	73.0%	83.3%	86.2%	76.2%
	Deteriorate	5.9%	9.7%	3.4%	6.4%
	Don't know	1.6%	1.4%		1.4%
Total		100.0%	100.0%	100.0%	100.0%

Respondents that indicated an increase in staffing levels was likely over the coming six month period were also questioned on the type of employee they are likely to be requiring. The below graphs illustrate the type of employees required, and the region they are required in.

Graph 10: Employment Levels: Type of Employee Required by Taranaki District



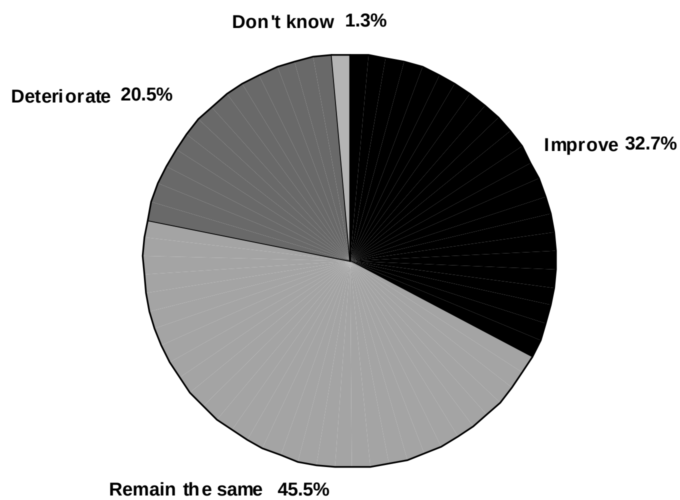
New Plymouth based businesses dominated demand in each employment category. Stratford district businesses predominantly require 'skilled manual/ technical', 'skilled administrative' and 'professional/ managerial' employees while South Taranaki businesses expressed a need for employees in the 'skilled manual/ technical', 'skilled administrative', 'professional/ managerial', 'semi-skilled', and 'other' categories. A number of respondents made note that qualified tradesmen and apprentice tradesmen were in particular demand. (NB: only businesses that indicated an increase in staffing levels over the next six months were questioned on the type of employees they require).

No significant relationship was found between the type of employee required and the businesses size.

3.5 Cashflow Levels

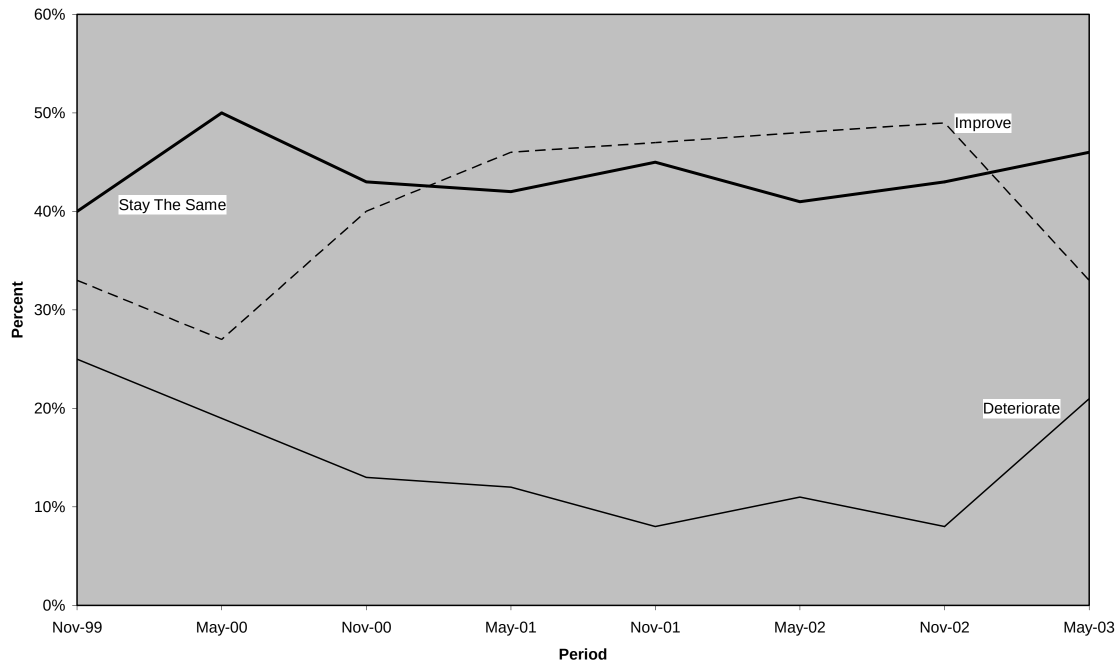
A total of 45.5% of Taranaki businesses believe that Cashflow levels are likely to remain the same for the coming six month period. 32.7% predict Cashflow will increase while 20.5% reported an expected deterioration over the period.

Graph 11: Cashflow Levels: Predictions for the Next 6 Months



Since the November 2002 survey, predicted cashflow levels have deteriorated significantly with the proportion of respondents indicating an increase in cashflow levels decreasing considerably.

Graph 12: Cashflow Levels: Comparison of Results



When analysing cashflow predictions regionally, the majority of businesses across the three Taranaki districts believe that cashflow levels are set to remain the same over the coming six month period.

Consistent with the sales/ customer level predictions, South Taranaki based businesses are significantly less optimistic in their predictions of cashflow levels for the next 6 months. A total of 12.5% of South Taranaki businesses indicated an improvement is likely. This compares with 38.7% of New Plymouth and 31.0% of Stratford based businesses.

Table 9: Cashflow Levels: Predictions for the Next 6 Months by Taranaki District

		Business Location			
		New Plymouth	South Taranaki	Stratford	Total
Prediction for the next 6 months	Improve	38.7%	12.5%	31.0%	32.8%
	Remain the same	44.5%	48.6%	51.7%	45.9%
	Deteriorate	15.2%	38.9%	17.2%	20.2%
	Don't know	1.6%			1.1%
Total		100.0%	100.0%	100.0%	100.0%

Across the industry sectors, the 'restaurant or accommodation' and ' health or education' sectors reported the most optimistic predictions with regard to cashflow levels for the next 6 months with 41.7% and 48.0% of respondents within these sectors, respectively, reporting an improvement in cashflow levels.

The 'electricity, gas or water supply' industry predicted the highest deterioration in cashflow for the coming period with 66.7% of businesses operating within this sector reporting this.

Table 10: Cashflow Levels: Predictions for the Next 6 Months by Industry Sector

Prediction	Ag/Hort/ Fish/Forest	Mining/ Oil/Gas	Manuf (metals)	Other Manuf	Elec/Gas/ Water	Build/ Const	Retail/ Wholesale	Rest/ Accom	Trans/ Comm	Bus/Fin/ Property	Health/ Ed	Other
Increase	22.9%	40.0%	12.5%	33.3%	33.3%	18.8%	37.8%	41.7%	31.6%	34.3%	48.0%	36.5%
Remain the Same	42.9%	50.0%	50.0%	57.1%	0.0%	71.9%	42.2%	20.8%	47.4%	48.6%	32.0%	48.1%
Deteriorate	31.4%	10.0%	29.2%	4.8%	66.7%	9.4%	20.0%	37.5%	21.1%	17.1%	20.0%	13.5%
Don't know	2.9%	0.0%	8.3%	4.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.9%

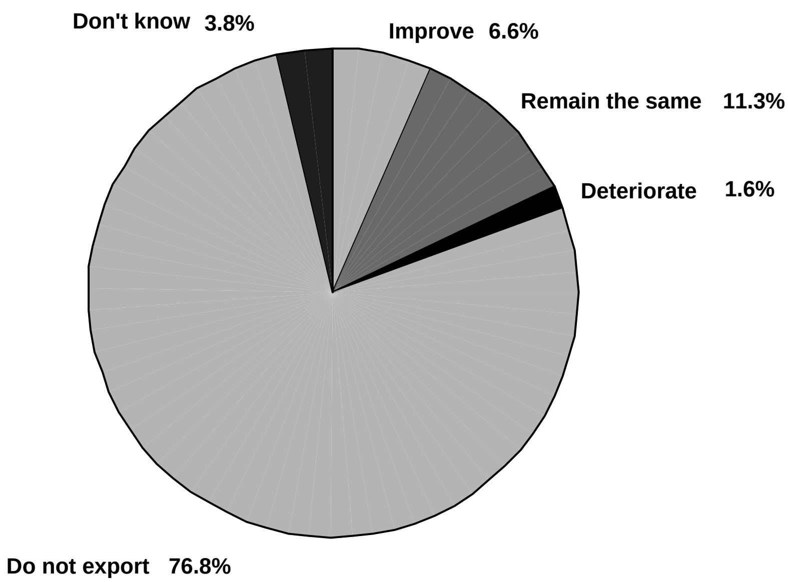
When comparing predicted cashflow levels with business size, the majority of businesses predict cashflow levels will remain the same over the coming six months; no significant relationship is evident between these two variables.

3.6 Export Levels

Of all respondents who took part in the survey, a total of 65.0% reported that they did not export while 15.4% did not answer the question. This high non-response is likely to be largely due to the fact that a large proportion of respondents do not export and thus skipped over the question.

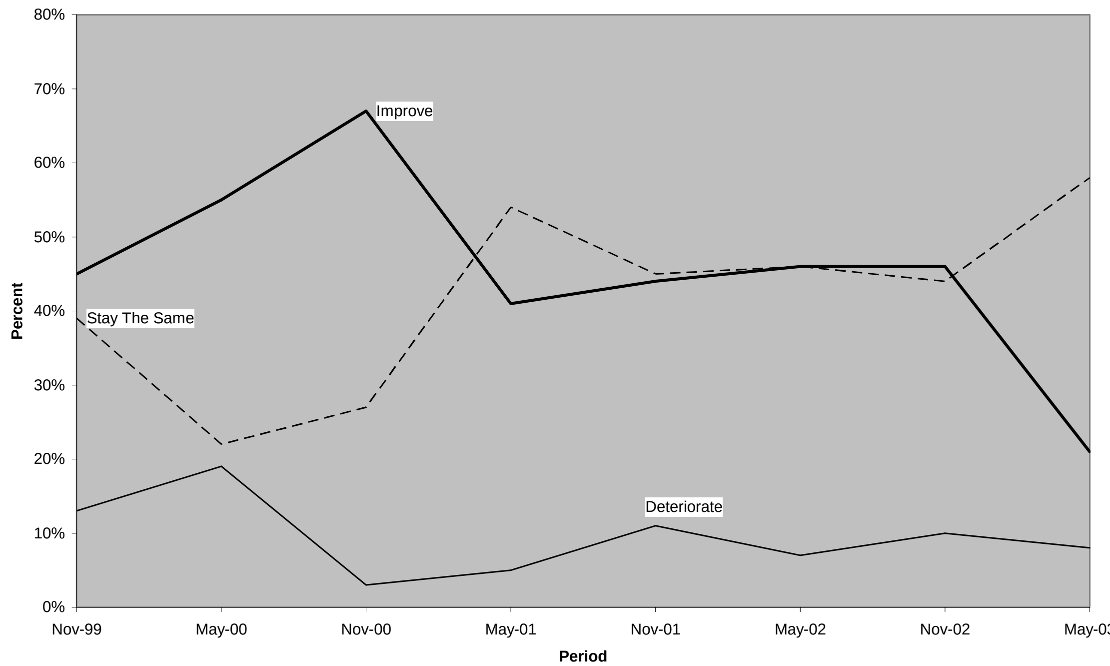
Of those respondents who answered the question, a total of 11.3% expect export conditions to remain the same over the coming six month period.

Graph 13: Export Levels: Predictions for the Next 6 Months



Over time, export levels have fluctuated. Since the last business survey in November 2002, an increase in the proportion of respondents predicting export levels will remain the same is evident. This trend is coupled with a decrease in the proportion predicting an increase in export levels.

Graph 14: Export Levels: Comparison of Results



Broken down regionally, 92.6% of Stratford based businesses reported not exporting at all, while 3.7% predicted deteriorating export conditions and 3.7% indicated that they could not predict the next six months exporting conditions.

The majority of New Plymouth and South Taranaki based exporting businesses predict that export conditions are likely to remain the same over the coming six months. (NB: the limited number of respondents answering this section indicates results will not be 95% confident to +/-5%).

Table 11: Export Levels: Predictions for the Next 6 Months by Taranaki District

		Business Location			
		New Plymouth	South Taranaki	Stratford	Total
Predictions for the next 6 months	Improve	8.8%	3.3%		7.0%
	Remain the same	12.6%	11.7%		11.3%
	Deteriorate	1.9%		3.7%	1.7%
	Do not export	71.6%	85.0%	92.6%	76.2%
	Don't know	5.1%		3.7%	4.0%
Total		100.0%	100.0%	100.0%	100.0%

Analysing export levels across the industry sectors, it is evident that the majority of industries do not export. Of those industries that do, the mining or oil/ gas exploration and manufacturing industries reported the most optimistic outlook for the coming six month period.

Table 12: Export Levels: Predictions for the next 6 Months by Industry Sector

Prediction	Ag/Hort/ Fish/Forest	Mining/ Oil/Gas	Manuf (metals)	Other Manuf	Elec/Gas/ Water	Build/ Const	Retail/ Wholesale	Rest/ Accom	Trans/ Comm	Bus/Fin/ Property	Health/ Ed	Other
Improve	9.7%	11.1%	8.3%	26.3%	0.0%	0.0%	5.6%	0.0%	5.9%	0.0%	10.0%	7.0%
Remain the Same	19.4%	66.7%	37.5%	10.5%	0.0%	3.7%	6.9%	5.6%	0.0%	6.7%	5.0%	4.7%
Deteriorate	3.2%	0.0%	8.3%	0.0%	16.7%	0.0%	1.4%	0.0%	0.0%	0.0%	0.0%	0.0%
Do not Export	64.5%	22.2%	45.8%	52.6%	83.3%	92.6%	84.7%	88.9%	82.4%	86.7%	80.0%	86.0%
Don't know	3.2%	0.0%	0.0%	10.5%	0.0%	3.7%	1.4%	5.6%	11.8%	6.7%	5.0%	2.3%

4.0 Comments on Taranaki Business Conditions

The survey provided respondents a section to express any pressing opinions or concerns relating to Taranaki business conditions.

68 respondents expressed direct concerns about the negative impact that **the drought and lower dairy payout** is having on Taranaki's economy. Some particular comments were:

- 'Within Taranaki a large percent of our patients are farmers who are in a financially depressed state at present. Many farmers come to us as patients; they are less frequent because of the effect of the drought and decreased payout'
- 'A downturn in dairy payout has a trickle down impact to contract work the farming sector that farmers have previously employed over the past few years'
- 'Clients in dairy sector with high tax bills to meet'
- 'Low dairy payout, farmers not spending money on upgrading'

Numerous respondents believed the presence of **The Last Samurai film** in Taranaki has impacted on business.

- 'The Last Samurai movie has resulted in large project for us'
- 'We have been at an artificial high for the last four months - 'Samurai''
- 'New Plymouth has been buoyant because of The Last Samurai etc so there has been a flow on to us'
- 'The departure of Warner Brothers (pending)'

Many respondents commented on international concerns with regard to the impact of **war in Iraq and SARS** on the New Zealand economy:

- 'SARS epidemic with regards to Asia sales in New Zealand and Asian visitors'
- 'SARS, possible impact for tourism industry'
- 'SARS and the War – political instability'
- 'War in Iraq and SARS virus impacting world wide markets'

One theme consistently coming through from respondents was **tourism in Taranaki**. Respondents attributed an increase in visitors to a number of factors including worldwide conditions such as war and SARS, the presence of The Last Samurai film visitors. Some comments relating to this theme are as follows:

- 'Inbound tourism is being affected by SARS virus - but domestic tourism and corporate business is still strong'
- 'New Zealand people are holidaying in New Zealand making my business a popular attraction and bringing in a lot more people to Taranaki and my business'

A significant number of respondents commented on current issues surrounding **government legislation**. Some specific comments were:

- 'Government needs to push companies to drill for oil/ gas. They are getting good dollars at present because of supply/ demand'
- 'Changes in government policy affecting remuneration to pharmacists is drastic and far reaching'
- 'If government removes moratorium on GE organisms our business should increase'
- 'The change in ACC policy'
- 'New regulations that may be introduced by Pharmac that will halve the number of prescriptions I dispense and halve my income'
- 'Gaming machine review bill could have a significant impact'

Consistent with past business surveys, a number of respondents commented on the need for more **qualified staff** and training facilities in the Taranaki region. Typical comments were:

- 'Lack of skilled trades people'
- 'Lack of skilled staff'
- 'Cheap, non-industry specific training needed'

Other minor topics touched on by a number of respondents included:

Issues surrounding upgrading the **main roads** into and out of Taranaki; some typical comments were:

- 'road blocks are leading to delays in business expansion and growth efforts'
- 'road funding is all being funneled to Auckland and Northland'
- 'being an earthmoving contractor, the lack on money for road improvements[is an issue]'

The current **exchange rate**:

- 'The cost of import against the yen (Japan) dollar'
- 'Volatile overseas prices, high American dollar'
- 'Strong exchange rate with Australia'
- 'Strong New Zealand dollar'

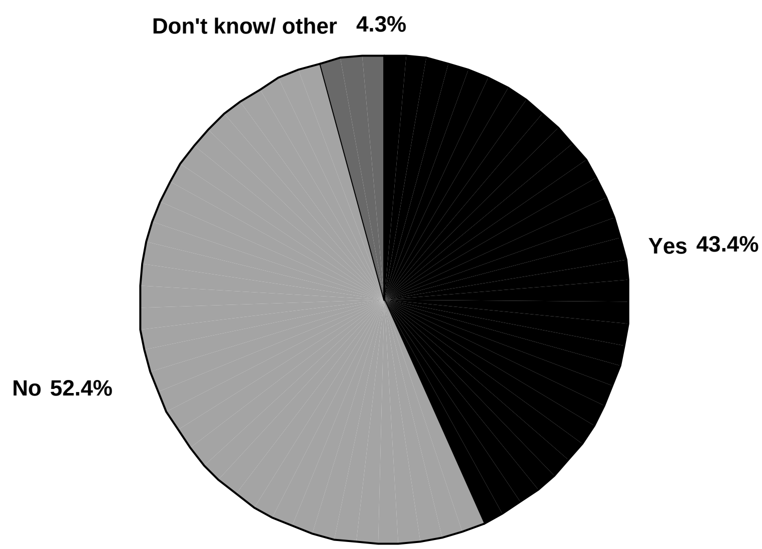
5.0 Special Topic

5.1 Drought in Taranaki

Respondents were asked a number of questions relating to the affects of the recent drought in Taranaki, and the associated impacts (directly or indirectly) it has had on their business.

Overall 43.4% of respondents indicated that they believed the drought had impacted on their business. 52.4% reported that the drought had no affect on business and 4.3% didn't know.

Graph 15: Drought in Taranaki: Affect on Business



Many respondents made comments in this section on how the drought had impacted their businesses. Some specific responses were as follows:

- "Herds drying off early affect farmers expenditure"
- 'Too early to measure the affect of the drought as yet as winter work will be the greatest affected'
- 'Cashflow hindered by farmers lack of funds'
- 'Farmers are paying slower'
- "Good year for camping!"

When analysing the perceived impact of the drought on businesses across the different industry sectors, it is evident that some industries have been affected more than others.

Table 13: Drought in Taranaki: Affect on Business by Industry Sector

Has the drought impacted business?	**Ag/Hort/ Fish/Forest**	**Mining/ Oil/Gas**	**Manuf (metals)**	**Other Manuf**	**Elec/Gas/ Water**	**Build/ Const**	**Retail/ Wholesale**	**Rest/ Accom**	**Trans/ Comm**	**Bus/Fin/ Property**	**Health/ Ed**	**Other**
Yes	80.0%	40.0%	39.1%	28.6%	50.0%	37.5%	46.7%	33.3%	26.3%	55.6%	16.0%	40.4%
No	20.0%	60.0%	56.5%	66.7%	50.0%	59.4%	47.8%	58.3%	68.4%	41.7%	76.0%	55.8%
Don't know/ other	0.0%	0.0%	4.3%	4.8%	0.0%	3.1%	5.6%	8.3%	5.3%	2.8%	8.0%	3.8%

The majority of businesses operating within the 'agriculture, horticulture, fishing and forestry' and 'business, property, or financial services' industries reported the drought had directly or indirectly impacted on business.

Regionally the majority of New Plymouth based businesses, 59.4%, indicated that the drought had no affect on business where as the majority of South Taranaki based businesses indicated the opposite. A total of 64.8% of South Taranaki respondents indicated that the drought directly or indirectly impacted on business.

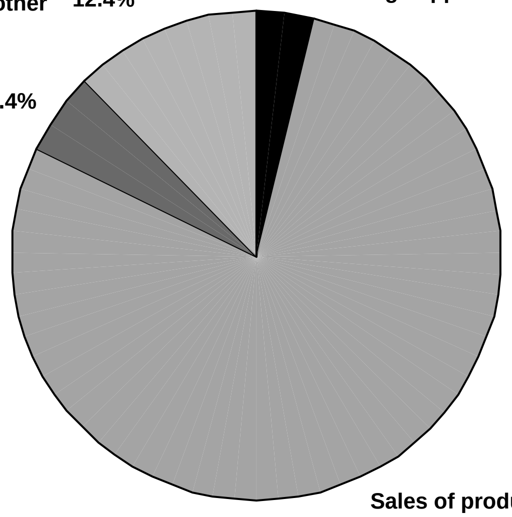
Stratford based businesses indicated a more even spread in the proportion of businesses affected by the drought with approximately an even fifty-fifty distribution.

Table 15: Drought in Taranaki: Affect on Business by Taranaki District

		Business Location			
		New Plymouth	South Taranaki	Stratford	Total
Has business been affected by the Drought?	Yes	35.5%	64.8%	48.3%	42.4%
	No	59.4%	33.8%	48.3%	53.4%
	Don't know/ other	5.1%	1.4%	3.4%	4.2%
Total		100.0%	100.0%	100.0%	100.0%

Respondents that indicated the drought had impacted on business were further questioned on which specific elements of business they believed were affected. The majority of these respondents, 78.5%, reported the sales of products/ services were affected the most.

Graph 16: Drought in Taranaki: Elements of Business Affected



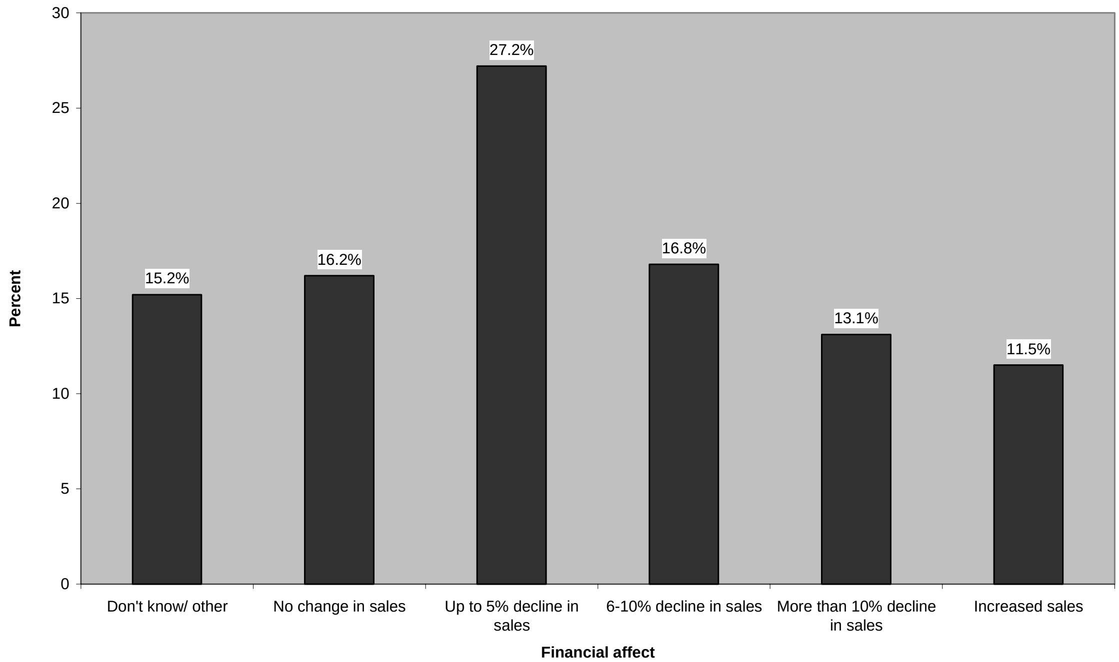
A total of 12.4% of respondents selected the 'don't' know/ other' category indicating respondents either didn't know how the drought was impacted business, or another factor relating to the drought was affecting business.

Some comments made by respondents when answering this question were:

- "Decreased sales to farmers – they are spending less"
- "Farmers have less funds to invest and some need short term cover from their investment"
- 'Reduced farm income, therefore reduced commission'
- 'Our customers are starting to feel the affects and therefore we do too'
- 'Less function and restaurant bookings'
- 'Increased work – it has been a positive effect'
- 'Calm weather, no rain better than on the west cost suits us - 50% up!'

Respondents were subsequently asked to broadly quantify how their business has been financially affected by the drought.

Graph 17: Drought in Taranaki: Financial Affect on Business



Of those who indicated that the drought either directly or indirectly affected business, a total of 27.7% indicated either no change in sales or an increase in sales as a result of drought conditions. A sum of 57.1% indicated some degree of decline in sales they attributed to the drought.

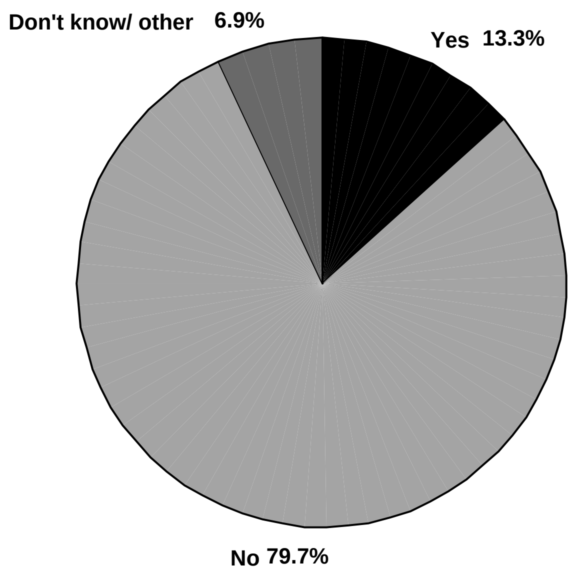
When analysing the impact of the drought on business by business size, no significant relationship was evident.

5.2 War in Iraq

Survey respondents were asked whether they believed that the war in Iraq was affecting either directly or indirectly on their business in Taranaki.

The majority of respondents, 79.7%, indicated that they did not believe the war in Iraq affected either directly or indirectly on business.

Graph 18: War in Iraq: Affect on Business



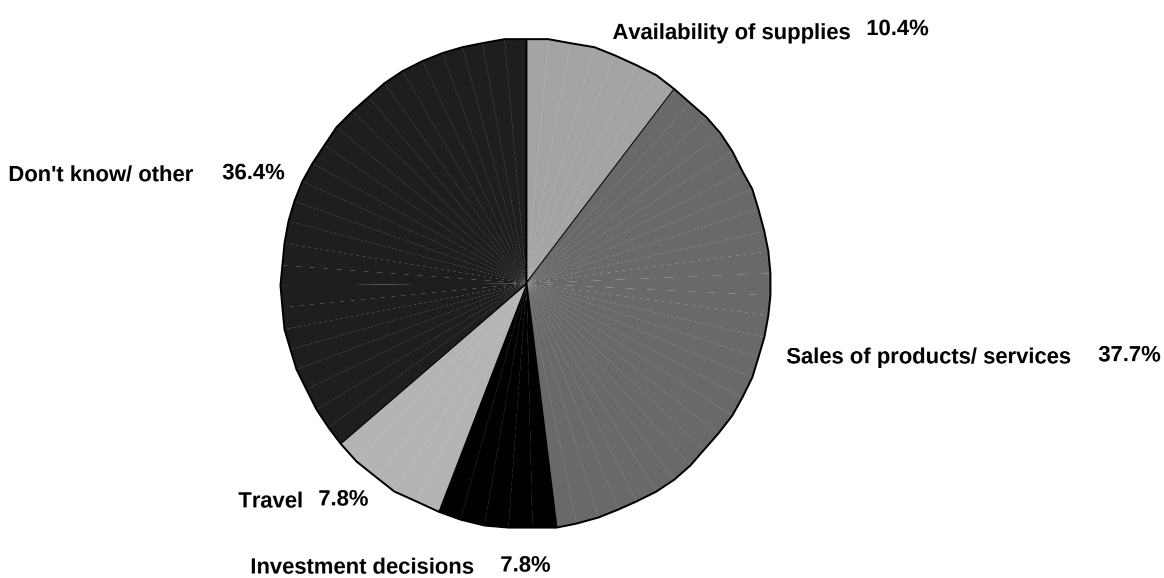
Of the 20.3% of respondents who indicated that they either thought the war had impacted on business, or didn't know, 37.7% reported that they thought the war had affected the sales of products/ services. 10.4% reported the war had affected the availability of supplies, investment decisions and travel. 36.4% indicated that they didn't know the affect of the war on business.

Many respondents made comments in this section on the type of impact the war has had on business. Specific comments include:

- ‘Increased costs’
- ‘Less people into New Zealand, tour work has decreased’
- ‘Uncertain oil and gas markets’
- ‘Unavoidable rise in the cost of certain products for our customers’
- ‘Mainly productivity due to lowered energy levels’
- ‘Fuel prices’
- ‘Decreased margin in New Zealand sales’
- ‘Increased revenue via higher oil price for a time’
- ‘SARS has impacted on trade, will fully understand over the next 6 months whether the war will affects us’
- ‘Jobs overseas not going ahead’
- ‘no sales growth’

Respondents were further questioned on which elements of their businesses they felt were affected the most by the war.

Graph 19: War in Iraq: Elements of Business Affected



When asked to quantify this affect, 33.7% reported no change in sales and 33.7% specified that they didn't know the financial affect of Iraq war on their business.

Table 15: War in Iraq: Financial Affect on Business

	Frequency	Percent of total respondents	Percent of respondents who answered the question
No change in sales	28	7.4	33.7
Up to 5% decline in sales	11	2.9	13.3
6-10% decline in sales	3	.8	3.6
More than 10% decline in sales	5	1.3	6.0
Increased sales	8	2.1	9.6
Don't know/ other	28	7.4	33.7
Total	83	22.0	100.0
Respondents who did not answer the question	294	78.0	
Total	377	100.0	

The high proportion of respondents, 33.7%, reporting that they did not know the financial affect of the war on business indicates that business owners tend to believe that the war has a negative affect on business, although not directly affecting sales.

Across the industry sectors, the majority of businesses operating within each sector indicated that the war had no affect on business. The highest proportion of businesses indicating that an affect was apparent is the 'mining or oil/ gas exploration' industry with 30.0% of oil and gas related respondents indicating this.

When analysing results across the Taranaki regions, no significant relationship was found. Similarly, no relationship was found between businesses size and the reported impact.