

Taranaki business and the global economic situation

December 2008

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Venture Taranaki Business Survey

- Surveyed over 200 Taranaki businesses
- Cross-section of industry and commerce
- Spread throughout New Plymouth, Stratford and South Taranaki districts
- Aim is to monitor key trends and impact of the current global economic situation
- Provides useful commentary to assist strategic planning and future investment decisions

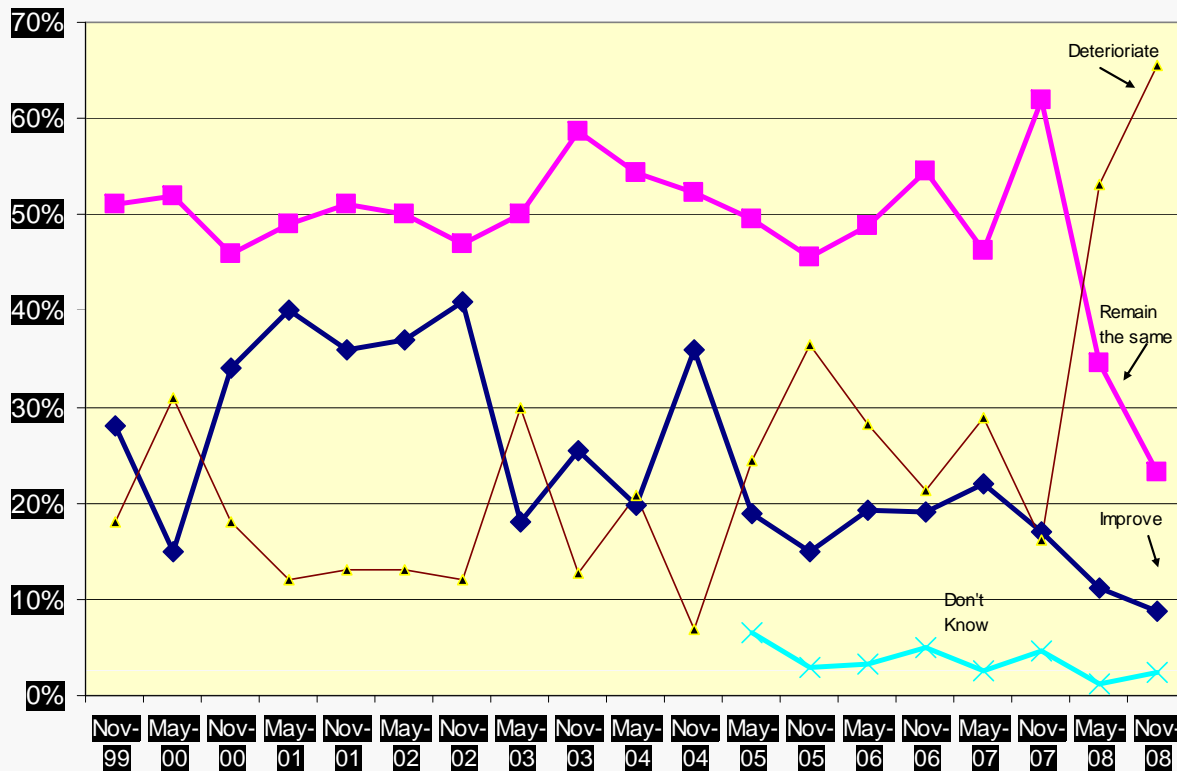
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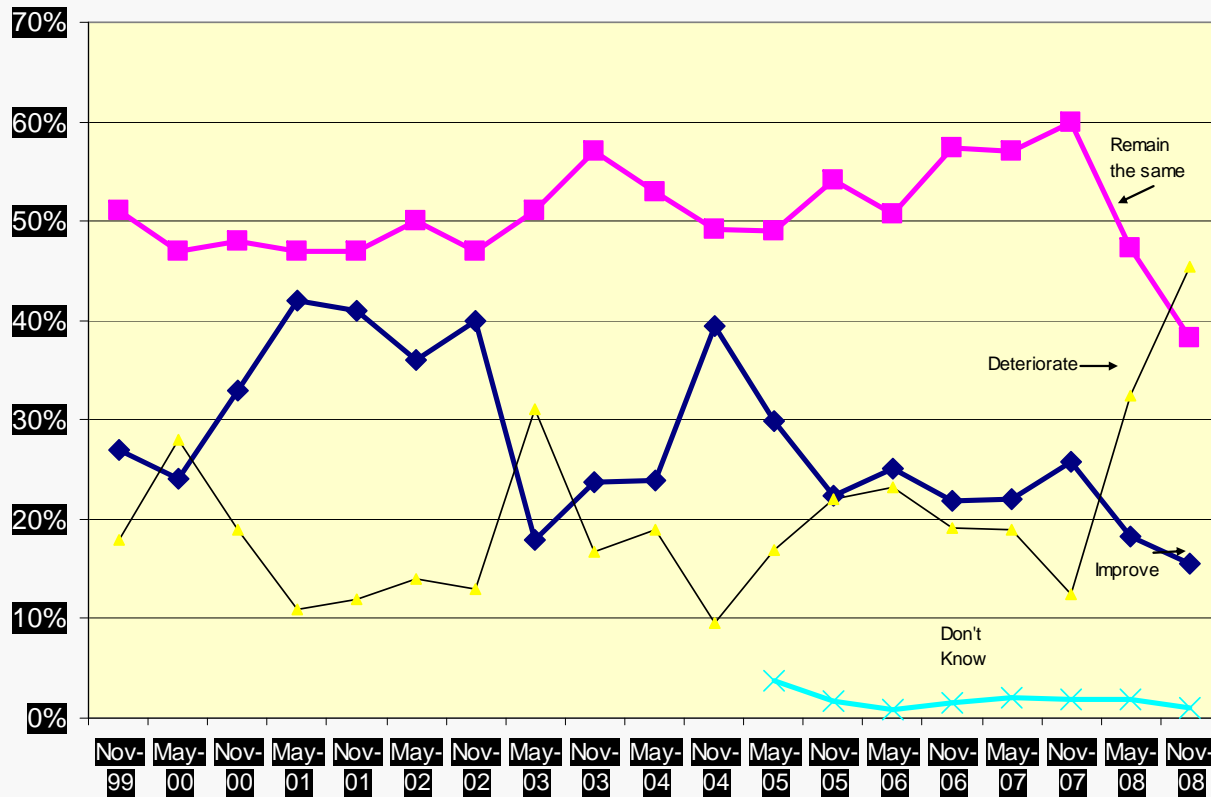
NZ wide conditions next 12 months



- Conditions set to deteriorate: up to 65.3% from 53.2% in June 2008
- Remain the same: 23.1%
- Optimists: 9.0%, down from 11.1%



Industry Conditions



- Majority predict deterioration: 45.5%, up from 32.5% in June 2008
- Improvement: 14.5%, down from 18.3%
- Remain the same: 38.0%, down from 47.3%



Industry Conditions

Challenges:

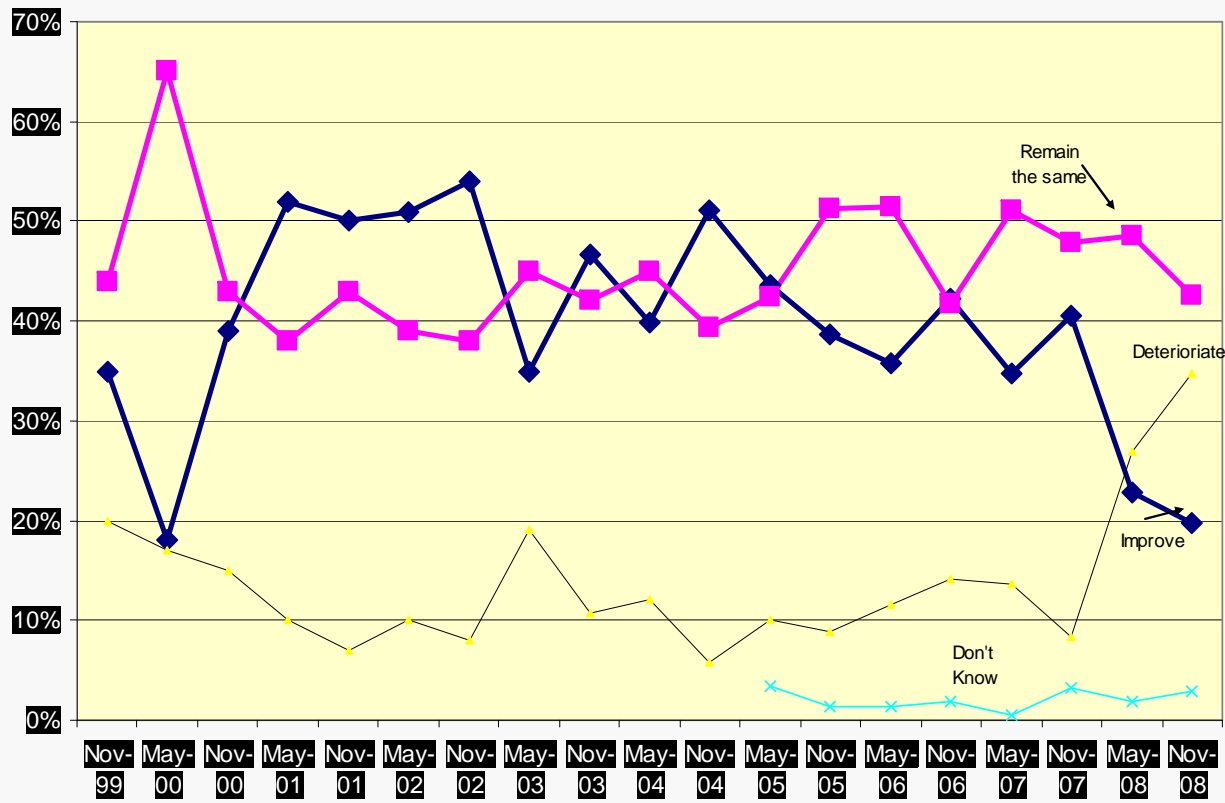
- Most industries

Specifically:

- Restaurant and accommodation providers - change in discretionary spend
- Some elements of manufacturing – those reliant on foreign exchange



Sales outlook – next 6 months

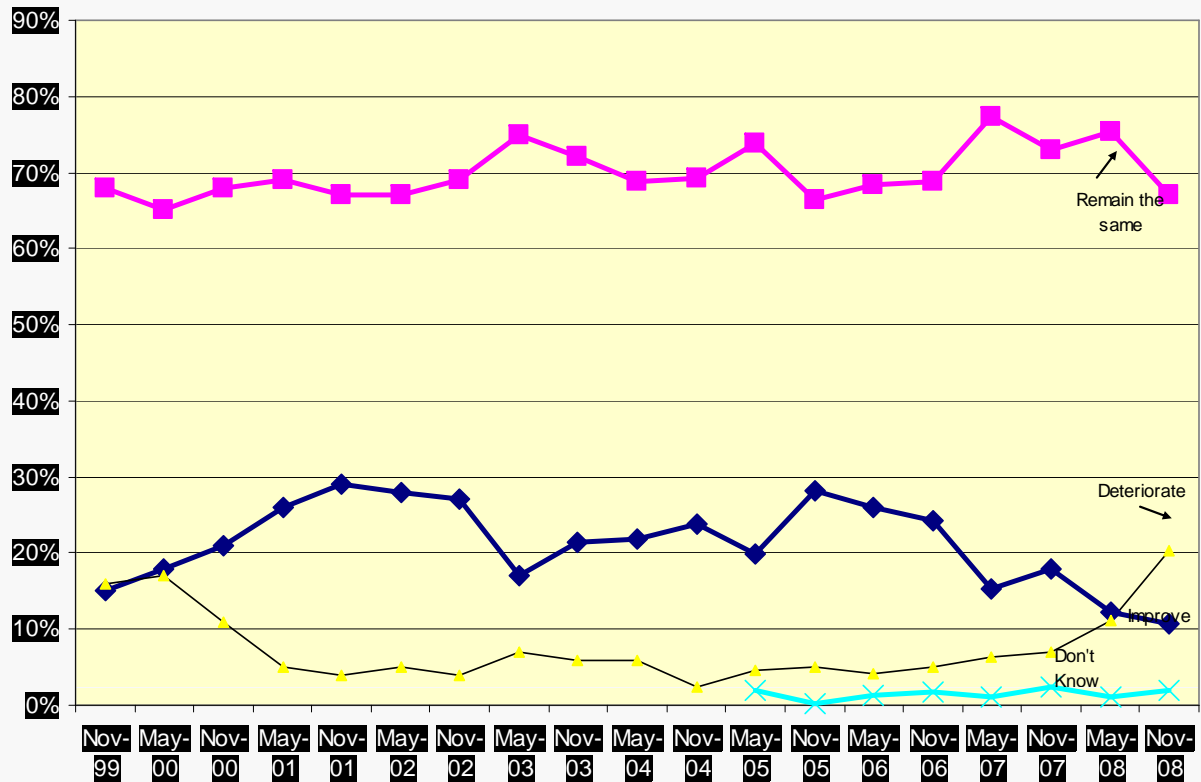


Tightening.

- Increase: 19.8%, down from 22% in June
- Status quo: 42.5%, down 6% since June
- Decline: 34.9%, up from 27%



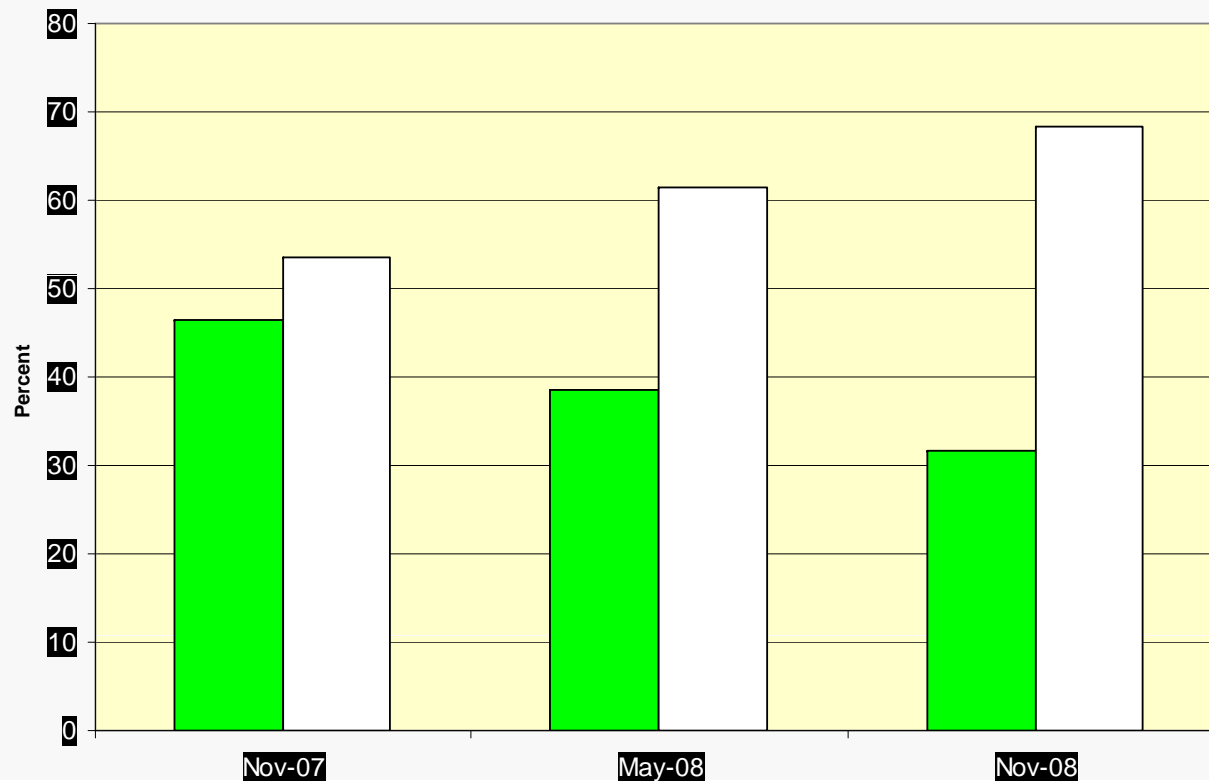
Employment trends next 6 months



Some deterioration in employment, though conditions predominantly stable.

- Remain the same: 67.3%, down from 75.4% in June 2008
- Increase: 11.1% , down from 12.3%
- Deteriorate: 19.6%, up from 11.1%

Experiencing skills shortages?



Skills shortages exist but situation not as significant as previous 12 months

- Yes: 31.7%
- No: 68.3%



Skills shortages:

Where are the current difficulties?

Range of occupations:

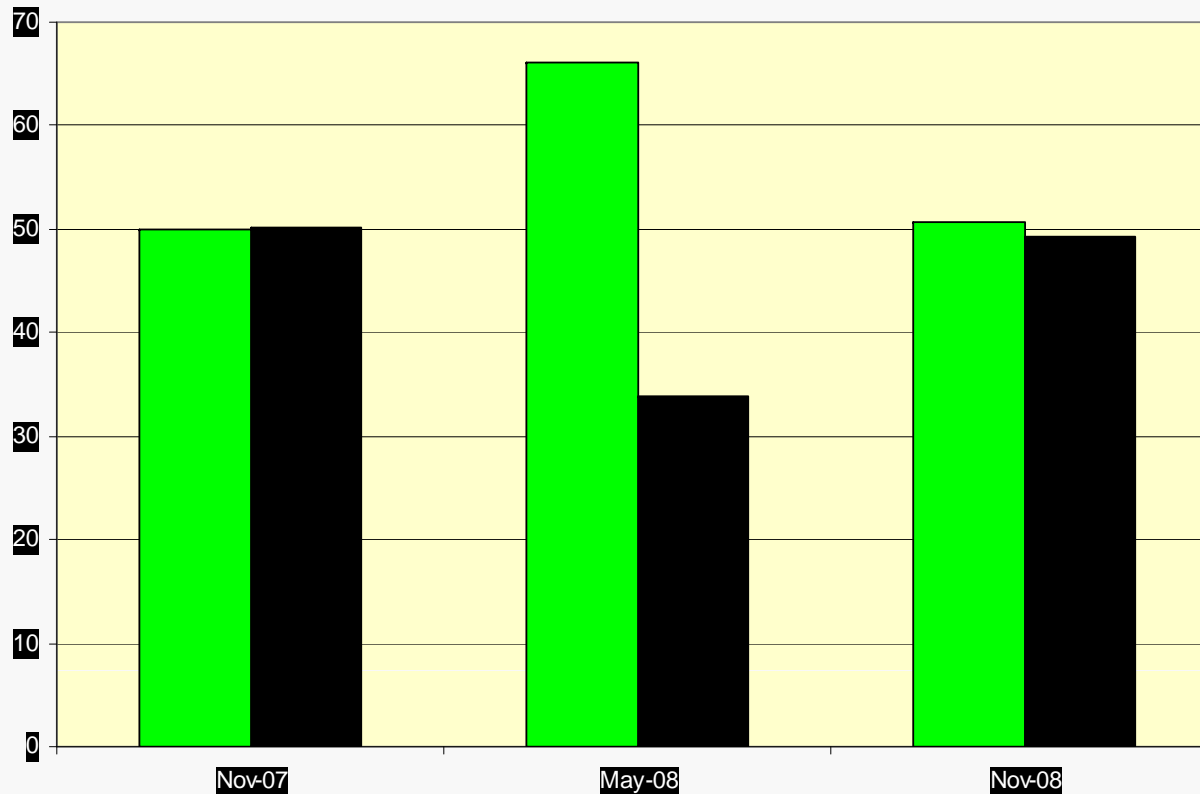
- Vets
- Health professionals
- Librarians
- Tradespeople
- Sales
- Casual/temporary staff
- Apprentices

But also looking for:

- People with a good attitude who want to work.



Experiencing other significant factors impacting on profits?

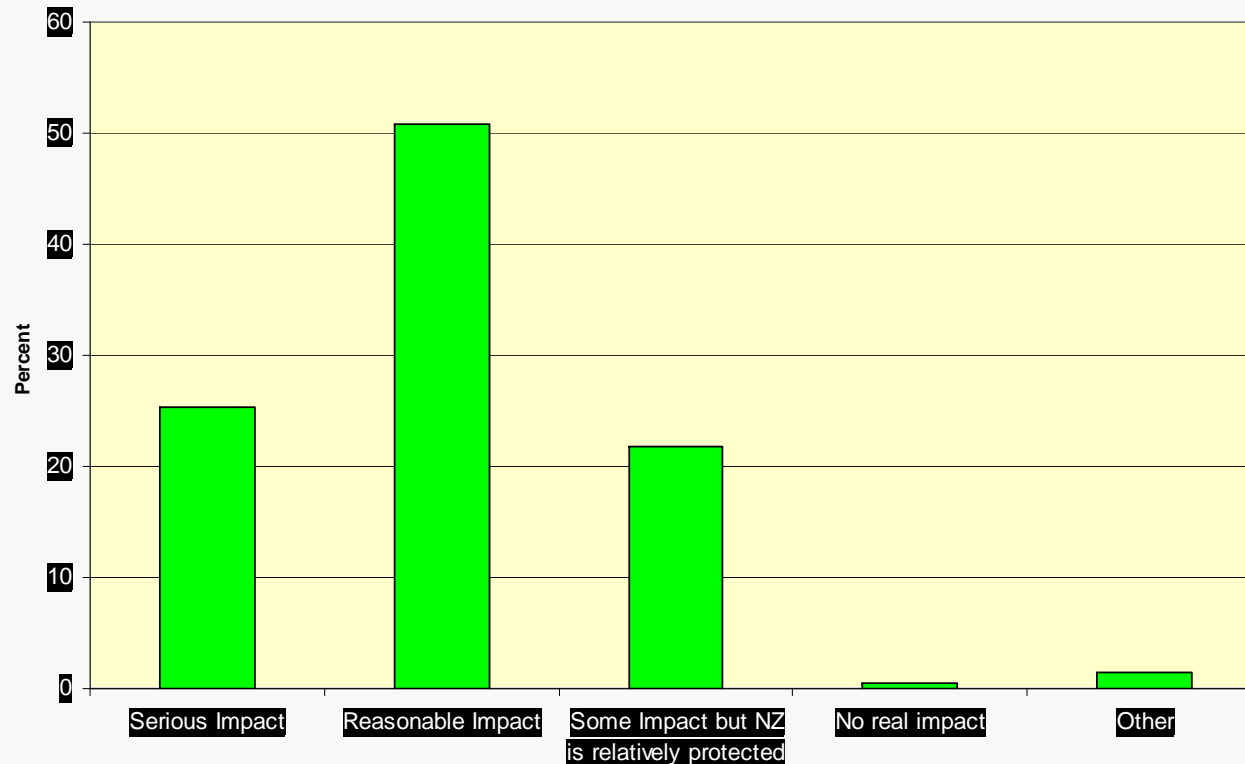


Economy replaces fuel costs as primary concern.
Government policy and dairy payout also feature.

- Yes: 50.7%
- No: 49.3%



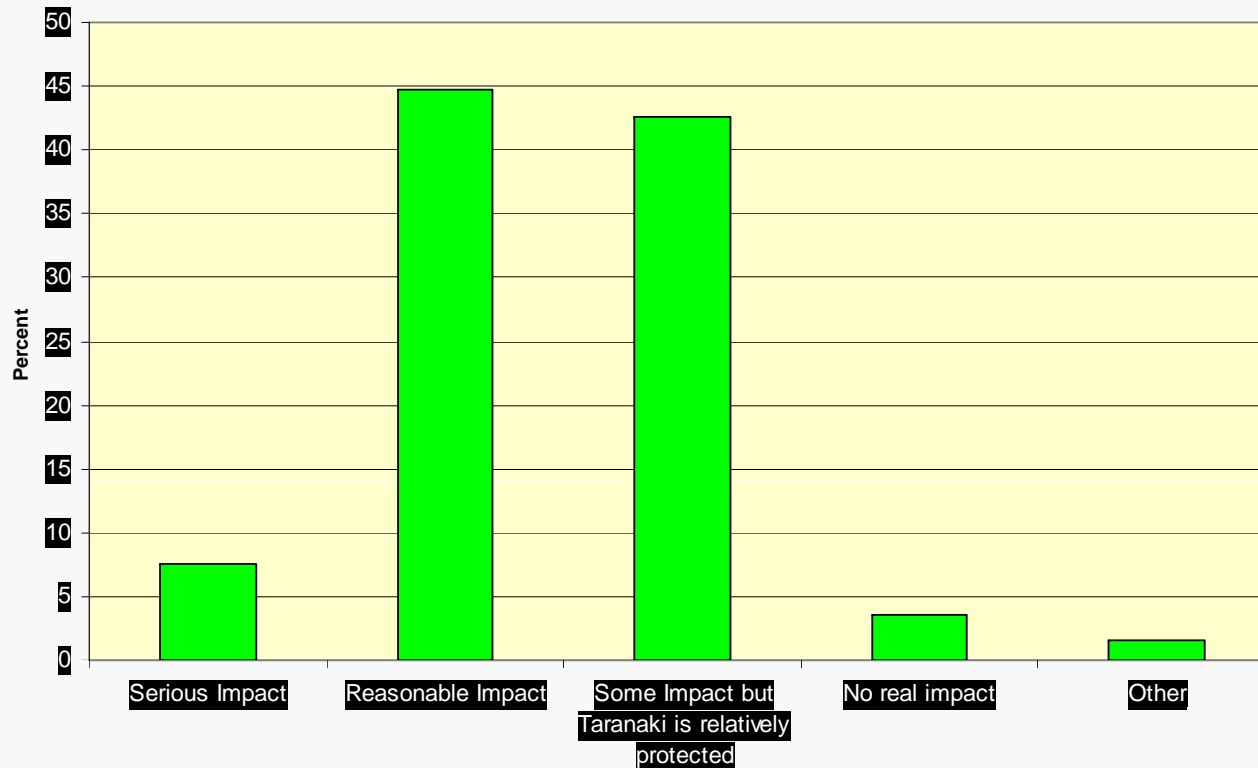
Current impact of global financial situation on New Zealand?



- Serious impact: 25.4%
- Reasonable impact: 50.8%
- Some, but NZ protected: 21.8%
- No real impact: 0.5%



Current impact of global financial situation on Taranaki?

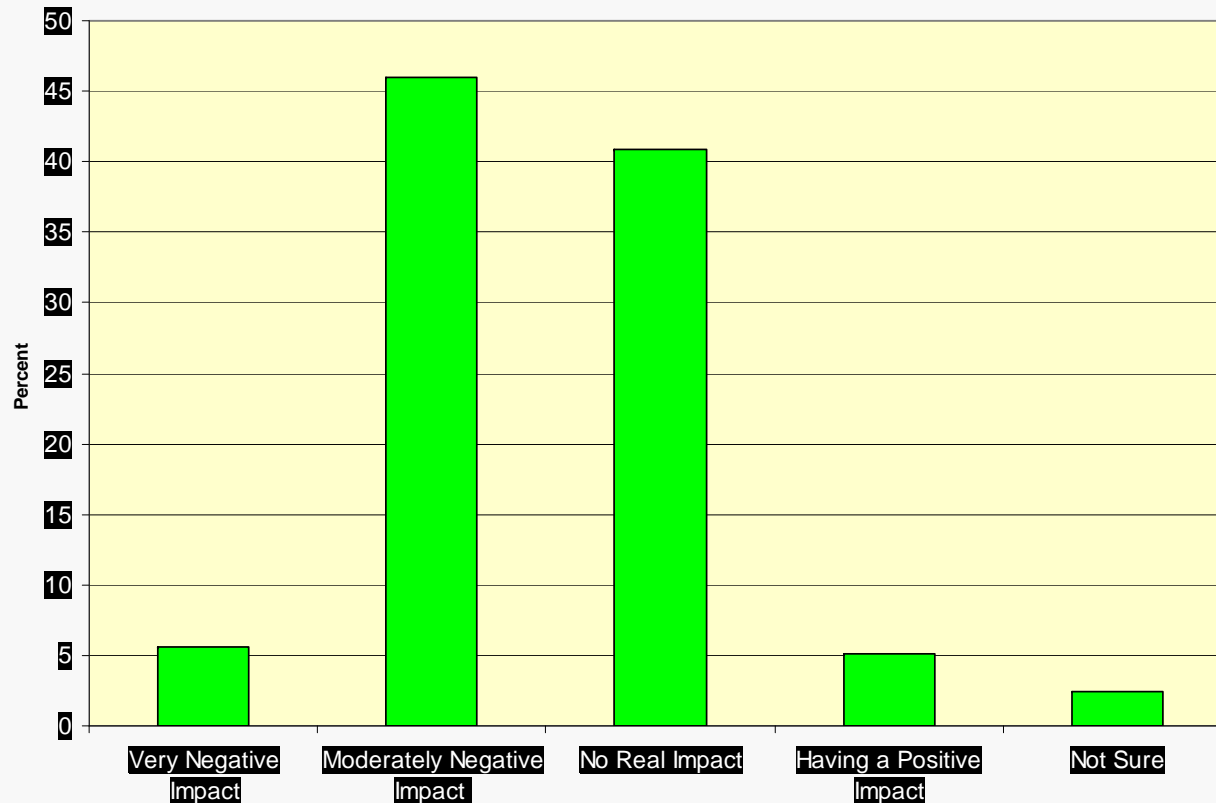


Not as bad as national impact, but some impact is likely.

- Serious impact: 7.6%
- Reasonable impact: 44.7%
- Some, but Taranaki protected: 42.6%
- No real impact: 3.6%



Current impact of global financial situation on own business?



- Very negative: 5.6%
- Moderately negative: 46.0%
- No real impact: 40.9%
- Positive impact: 5.1%



Impacts already noticed by Taranaki businesses:

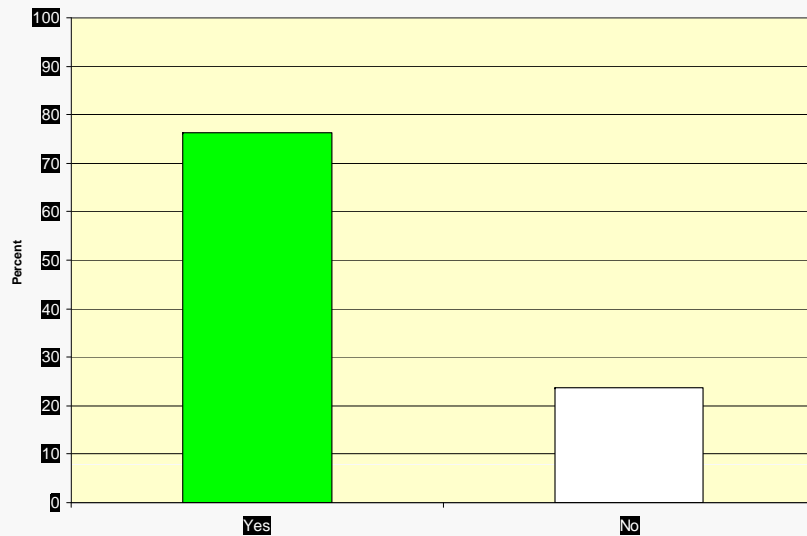
- Customers - decreased spending and/or changes in their expenditure patterns, lack of confidence, ability to pay.
- Projects being put on hold/cancelled.
- Flow-on effects - to housing, construction, job security, the health of people.
- International impacts - those who exported and/or imported; those with international owners.
- Sales – some 10%-20% decline although some reported increases.



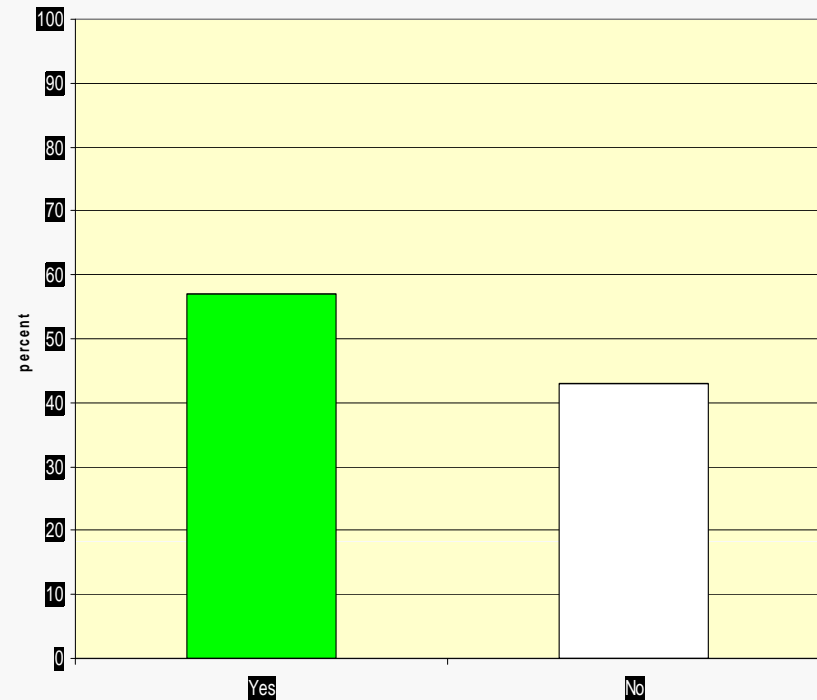
Should actions be taken at a:

National level

Regional level



■ Yes: 76.3%
■ No: 23.7%



■ Yes: 56.9%
■ No: 43.1%

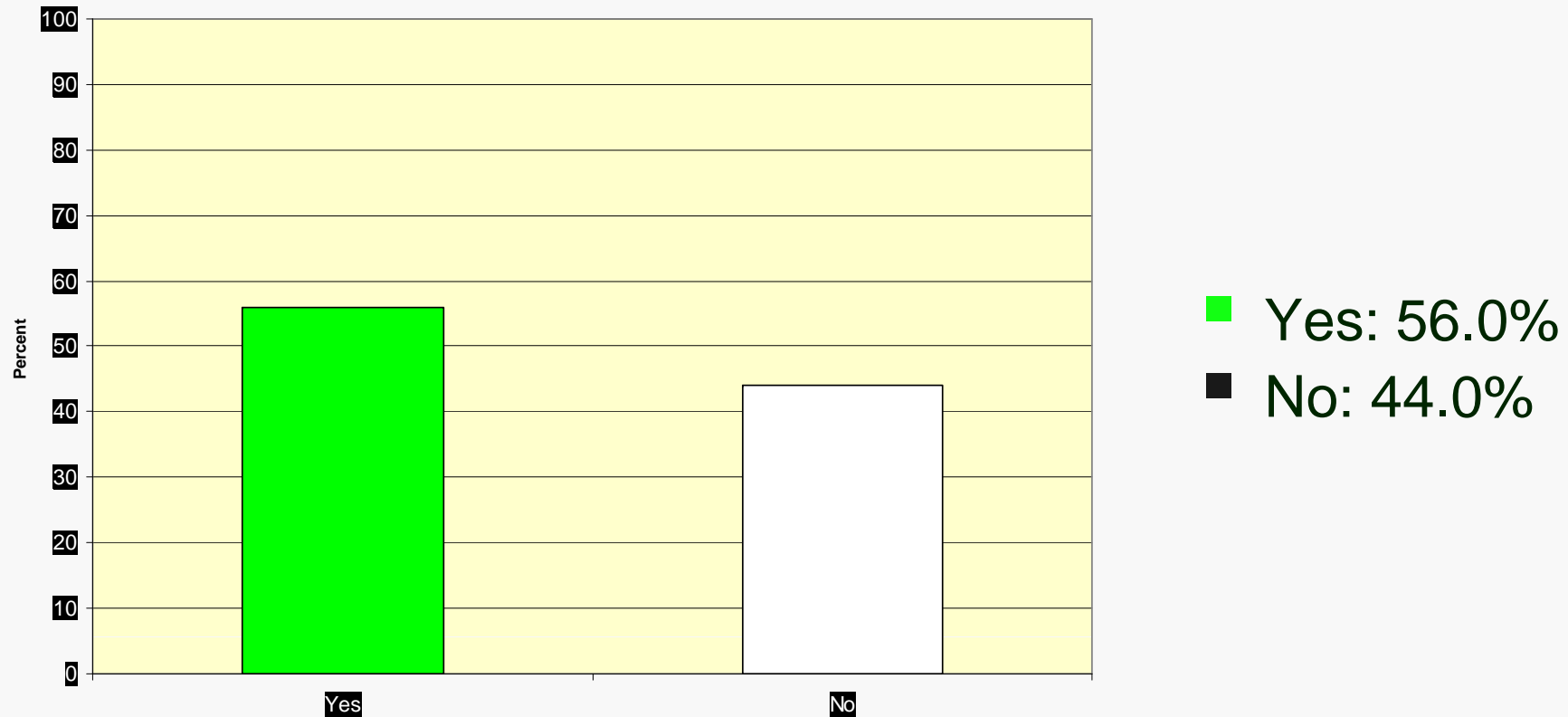


What action should be taken?

- Ensuring public monies spent wisely – prudently managed and invested in areas which contributed to confidence and growth.
- Government policies - assist industry growth and retention (lower tax and interest rates, help businesses and cut red tape).
- Policies and assistance packages such as bank guarantees.
- Effective communication and coordination to businesses.
- Proactive leadership - being responsive and positive
- Positive promotion of the country and region.
- Taranaki companies felt the active marketing of the region should be continued and local leaders should be commended for initiatives.
- A lot of pride about how Taranaki is dealing with the financial situation, and that the region was better placed than many.



Are you taking actions in your own business?

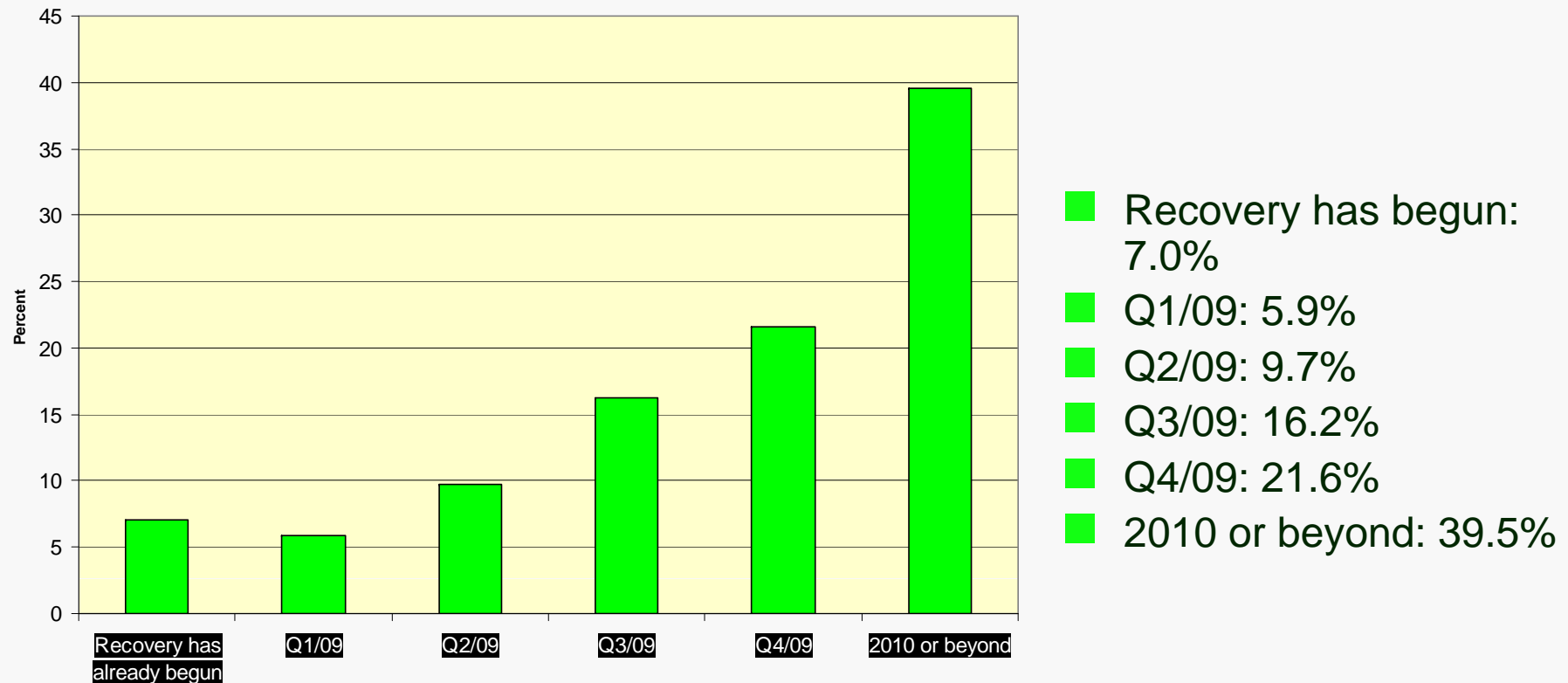


What action in own business?

- Monitor expenditure and manage budgets prudently
- Reduce stock levels.
- Place projects on hold.
- Staffing - downsizing, doing jobs themselves, not replacing employees when they leave, reducing hours.
- Reviewing credit policies, outstanding accounts.
- Increasing marketing, diversifying, seeking new opportunities
- Managing existing clients to best effect.
- Service improvements.
- Keep spending - focus spending on growth.



When do you expect economic recovery?



The last words...

- *This is new territory for all.*
- *Stop the media reporting doom and gloom.*
- *This is a long term global melt down. The power base is changing.*
- *The new Government should change things.*
- *We are lucky. It could be a lot worse.*
- *To all New Zealanders - "chin up" - don't look back or grumble - move ahead.*
- *Keep up the good work!*



The last words...

- Avoid the global crisis becoming a self-fulfilling prophecy
- Maintain a positive outlook
- Keep up investment in infrastructure
- Keep investing in promotion
- Keep up the momentum



The last words...

Based on the region's industry structure, we project the Taranaki economy to grow at a faster rate than nationally over the next 20 years.

The Taranaki region is benefiting from a fundamental shift in the global economy. The region, with its agriculture, food processing and energy focus, is well placed to take advantage of this shift.

Employment is expected to grow by 2.0 percent per annum to 2026, while labour productivity gains could see GDP grow by 4.7 percent per annum.

- **Taranaki Industry Projections 2006-2026, BERL 2006**



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