

## Press release

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### **Taranaki businesses positive about economy, less convinced about budget.**

The mood of Taranaki businesses remains positive, with 91.2 percent expecting the national economy to remain the same or get better over the coming 12 months, but the region scored the government's budget 6 out of 10.

Within their own industry sectors, Taranaki's businesses are also positive, though slightly more reserved than in the national outlook – 43.7 percent expect an improvement over the coming year, and 45.6 expect things to remain the same.

The results come from the 2010 mid-year Taranaki Business Survey, which sought the responses of 1,000 local businesses to a range of standard economic questions and special topics on the Emissions Trading Scheme and impacts of Budget 2010.

There is stability predicted for employment, with 78.4 percent of local businesses expecting to neither hire nor fire any staff in the coming six months, while 13.7 percent are expecting to increase employee numbers. 7.4 percent expect to see a decline in employee numbers.

"Taranaki businesses are telling us that they are starting to grow again, though not enough to warrant staff expansion," says Venture Taranaki chief executive Stuart Trundle.

"This situation offers a potential challenge for local businesses – balancing the demands of a return to growth without bringing in additional staff numbers can put pressure on the work-life balance that Taranaki is renowned for."

"When added to the results of the December 2009 Survey there's a strong picture emerging that the region is heading in the right direction again, a view reinforced by the National Bank's May 2010 Regional Trends report that found that Taranaki's surge in economic activity was of 'epic proportions'."

## **Budget 2010**

Taranaki businesses were also asked about the impacts of the key initiatives included in the Budget. A change to the rate of GST will have little or no effect on 58.7 percent of the region's businesses, a negative impact on 31.4 percent and 5 percent expect a positive impact.

Conversely, and perhaps unsurprisingly, changes to the corporate tax rate will be considerably more favourable to local businesses. 55.2 percent expect a positive or very positive impact, 34.2 percent see it as having little or no impact, and just 3 percent see it as impacting negatively on their business.

The personal tax rate cuts announced were felt to have a similarly positive impact on Taranaki's businesses, with 46.8 percent expecting a positive outcome, 43.8 percent anticipating little or no impact and only 2.0 percent a negative impact.

In response to the increase in funding for research and development announced in Budget 2010, while 66.4 percent of respondents were supportive of the announcement, 73 percent thought it was unlikely to directly benefit their business. 17 percent expected some or strong benefits and 9 percent were unsure.

Taranaki businesses ranked the Government, on average, 6 out of 10 for the broader suite of initiatives announced in Budget 2010.

## **Environment and the Emissions Trading Scheme**

Interest in environmental issues amongst the region's business leaders and managers is relatively high, with 43.2 admitting a fair amount of interest, 25.7 indicating a strong interest and 31.1 percent indicating little or no interest.

A total of 81.1 percent of Taranaki businesses felt that New Zealand's 'clean green' image is beneficial to selling our products and services globally.

In terms of media representations, 51.7 percent of local businesses think that the media has exaggerated the seriousness of climate change, 39 percent have it about right, and 4.4 percent think the media has underestimated the threat.

49.5 percent of Taranaki businesses believe they have a general understanding of the Emissions Trading Scheme, 44.2 percent concede the 'don't know much at all' and 6.3 percent have a high level of understanding.

When asked if they believe the introduction of an emissions trading scheme would be an effective response to climate change, 39.4 percent stated that it would be effective to some degree, 42.4 percent stated it would not be that effective, and 17.7 predict it will be very ineffective. Only 0.5 percent through it would be extremely effective.

That hesitance is compounded when it comes to the impact of an ETS on the New Zealand economy. 41.2 percent believe it will be detrimental or extremely detrimental, and 16.7 percent think it will deliver positive economic benefits. 26 percent don't see it having an economic impact.

In terms of the impact the ETS will have on their own business, 31.1 percent anticipate a negative financial impact, 26.6 don't see it as having any impact, and 4.9 percent see a positive financial impact for their business. 18.2 percent are unsure of what impact the ETC is likely to have on their business.

“Both the outcomes of the Budget, its new tax regime and to a lesser extent, the pending Emissions Trading Scheme, are seen as offering growth opportunities to Taranaki's businesses that will further aid the region's economic recovery,” Stuart says.

“There is a clear desire for more information, particularly around the ETS, to be communicated to the region's businesses, and this is something Venture Taranaki will be passing on to the Government.”