

Press release

Thursday 21 June 2012

Status quo expected to prevail by businesses

The June 2012 Taranaki Business Survey has revealed that the region's businesses expect more of the same for the New Zealand economy, though a slightly tougher year ahead for their specific industry than for the nation as a whole.

At a nationwide level, 52.5 percent of Taranaki businesses expect things to remain the same over the coming year, consistent with those anticipating the same conditions at an industry level.

When it comes to optimism, 29.7 percent of Taranaki businesses expect the national picture to improve over the next year, while 27.7 percent see things in their industry as getting better.

Sale expectations over the next 6-months are again largely expected to remain the same (54 percent) while 36 percent of businesses see improvement – dropping from the Rugby World Cup spike in anticipated activity in June 2011 – and just eight percent expect sales to deteriorate over the next two quarters.

Fuel, electricity and wage costs remain the top three concerns for the region's businesses, all gaining in concern since December, while interest rates is the only aspect causing less concern now than in December.

Similarly, employee numbers remain stable, with 83 percent of businesses expecting staff numbers to remain at current levels. Around 9 percent of Taranaki businesses expect staff levels to increase, and 9 percent to decrease in the coming six months.

The survey has also identified a slight increase in the number of the region's businesses experiencing difficulties in hiring new staff - up to 23 percent.

The impact on Taranaki businesses of the European financial situation was also polled, with 58 percent anticipating an indirect impact, 10 percent a direct impact, and 32 percent either unsure as to what the impact will be or citing no impact on their business.

Special topic: Budget 2012

This survey also sought the reactions of the region's businesses to a number of the key announcements in the 2012 Budget, delivered in late May.

A range of budget initiatives were polled, with the following receiving support:

- Deferring automatic enrolment in the KiwiSaver scheme was met with mild support from Taranaki businesses. An equal 32.6 percent were neutral and 32.6 percent supportive of the change.
- Limiting student allowances to three years and undergraduate degrees was met with stronger support – 33.7 were supportive, with 16.8 percent very supportive. Comments conversely noted a clamping down on student “freeloaders” but also a lack of investment in desired qualifications that take more four years, like engineering.
- Similarly, increasing the repayment threshold on student loans was also received favourably, with 42.1 percent supportive and 24.2 percent very supportive.
- Closing tax loopholes, both in terms of those renting out their bach or boat, and around livestock valuation, was also met with strong support – 71.6 percent and 61.7 percent respectively.
- The Government’s drive to return the nation’s books to surplus by 2014/15 was also well received, with 77.9 percent support.
- The highest level of support was reserved for tax increases on cigarettes, with a staggering 45.3 percent very supportive of the initiative and 33.7 percent supportive.

Where the Government didn’t do so well, in the eyes of Taranaki businesses, was when it came to Budget initiatives around children. Increasing school class sizes – a policy which has since been reviewed - was met with very unsupportive ratings from 40 percent of the region’s businesses, and 28.4 percent unsupportive.

Almost equally unpopular was the removal of tax credits for children’s after school jobs, with 35.8 percent of the region’s businesses strongly opposed, and 33.7 percent opposed.

The Budget was viewed as a “holding” budget, in line with the Government’s own description of a “zero budget.” Consequently it wasn’t seen as containing much to stimulate growth at either a national or local level - 78 percent of the region’s businesses considered that it would have no impact on the nation’s economic recovery, while 18 percent anticipate it will stimulate recovery and 4 percent predict it will weaken the recovery.

At a local level, feelings were less supportive, with 81 percent anticipating no impact, 11 percent expecting local stimulus from Budget announcements, and 8 percent stating it will weaken regional economic recovery.

Overall, Taranaki businesses ranked the Budget 5.8 out of 10 – down from 6.5 in 2011 and 6.0 in 2010.