



BUSINESS SURVEY

December 2008

Featuring:

Regional Activity Predictions

Special Topic: Global Economic Situation

Report prepared for
Venture Taranaki

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1.0 Executive Summary

This report summarises the results of Venture Taranaki's six-monthly survey of Taranaki businesses. Its purpose is to monitor the local economic climate and key issues that affect businesses. The survey was completed by 206 Taranaki businesses, reflecting a cross-section by industry type, location and size.

This report documents the results of the December 2008 survey. This survey investigated business views on the state of the economy and also their perceptions and experiences in relation to the global economic situation.

In terms of the New Zealand economy, the majority of responding businesses (65.5 percent) predicted that general business conditions in New Zealand would decline; 8.7 percent anticipated conditions would improve, whilst the remainder predominantly expected conditions to remain the same. This reflects greater levels of pessimism than when the survey was undertaken 6-months previously.

In terms of industry specific conditions, however, the mood was slightly more optimistic. 45.4 percent anticipated industry conditions may decline in the months ahead, 15.5 percent anticipated improvement, however 38.2 percent believe stability will prevail.

Businesses predominantly anticipated sales will remain the same over the next six months (42.5 percent). 19.8 percent anticipated sales they would increase – however this overall trend reflects a contraction on previous years.

The majority of responding businesses (67.0 percent) anticipate employee numbers will remain the same in the coming 6 months. 10.7 percent believe they will increase, however, this outcome reflects a slight contraction on the employment situation 6 months ago. Some respondents reported difficulties finding appropriately skilled staff for their business (31.7 percent). However, this outcome reflects a decline from the situation 6 months ago when 38.6 percent stated they were experiencing such problems.

Of greater significance in the minds of Taranaki businesses were factors impacting their general profitability. Whereas in the previous survey (undertaken in May 2008) the cost of fuel was at the forefront of business minds, this time the issues were more generic – general economic conditions, the mood and confidence of customers, compliance costs, the dairy payout.

In relation to the global economic situation, survey recipients provided the following feedback:

25.4 percent of respondents believed it had a serious impact on the New Zealand economy and 50.8 percent felt it had a reasonable impact. 21.8 percent believed there was some impact but New Zealand was reasonably protected from the situation. Only 0.5 percent of respondents believe it had no real impact.

The anticipated effects on Taranaki were considered less, but there would still be an impact. Only 7.6 percent of respondents believed the global financial situation was having a serious impact; However, 44.7 percent described the impact as 'reasonable' while 42.6 percent stated that there was some impact but Taranaki was relatively protected from the situation. Only 3.6 percent of respondents believed it had no real impact on the region.

In relation to their own business only 5.6 percent of respondents conveyed that the global financial situation was having a very negative impact on their business at present. Most felt it was having a moderate impact or no real impact at present – however a number of these businesses also believed that the effect was yet to come. Some businesses also highlighted that the economic down turn had proven positive for their business.

The majority of respondents (76.3 percent) believed that the Government should be responding to the situation, and 56 percent stated a regional response was required. Recommended actions included cutting interest rates and taxes, ensuring positive and proactive leadership, continuing marketing and retaining confidence and investment in infrastructure and business support.

Within their own businesses respondents stated they were implementing changes to their own business practices in response to the global financial situation such as budgetary controls, debt management, reducing stock, delaying projects and major investments. They were also investigating new opportunities, ways to diversify but also look after existing customers.

Recovery is perceived to be some time off – possibly not until post 2010. Taranaki businesses however, emphasized their pride in the region for its ability to cope, put its best foot forward and confront these testing times in a constructive, positive and proactive manner.

2.0 Introduction

Venture Taranaki is a world-class Economic Development and Regional Tourism Agency primarily funded by the New Plymouth District Council. Venture Taranaki provides a strategic and focused approach to developing the Taranaki economy. Its purpose is to foster a dynamic and innovative economy which assists regional development, tourism and sustainable wealth creation in Taranaki.

The Taranaki Business Survey has been conducted twice a year since 1999. Its function is to monitor trends, identify key issues affecting the growth of Taranaki businesses and provide timely, accurate and valuable information for Taranaki businesses and stakeholders.

This research report has been independently analysed and prepared for Venture Taranaki by Red Eye Limited.

Venture Taranaki would like to acknowledge the New Plymouth District Council for its support with this initiative.

3.0 Methodology

The Venture Taranaki Business Survey is undertaken every six months in May and November. Survey forms are mailed out to 800 Taranaki businesses throughout the region. Survey recipients were randomly selected from the New Zealand Business Directory Database (UBD), phone directory and Venture Taranaki client database, and considerable effort has been dedicated to ensuring the sample is representative of industry sector and geographic location. The survey questionnaire comprises two sections - a standard economic/business section and a special topic section. The special topic for this survey asked businesses for feedback concerning the Global Financial Crisis.

There are approximately 8,630 businesses operating in the Taranaki region (Statistics New Zealand). The distribution of businesses across Taranaki districts is detailed below:

Table 1: Taranaki Business Population

District	Number of Business Operating	Percent of Taranaki Businesses
New Plymouth	5,917	68%
Stratford	753	9%
South Taranaki	1,960	23%

The survey sample is reflective of the sub-regional business distribution between the New Plymouth, South Taranaki and Stratford Districts. In addition to business location, surveys were distributed in proportion to industry type.

In total 206 completed survey forms were received by the close-off date. The survey aims to achieve a confidence level of 95 percent (plus or minus five percent) and that survey results are representative of the entire Taranaki business population. This outcome is dependent on the willingness of participants to complete and return the postal survey forms. As analysis throughout this report is, in parts, broken down by industry sector and district, it should be highlighted that the 95 percent plus or minus five percent confidence interval is relevant to overall results and not at industry and district level. Due to the larger interval at variable level, care should be taken when interpreting some results.

4.0 Respondent Profile

Of those businesses who responded to the survey, 72.5 percent were located in the New Plymouth District, 15.5 percent in South Taranaki and 6.8 percent in Stratford. The balance operated from branches located throughout Taranaki (or didn't identify a location).

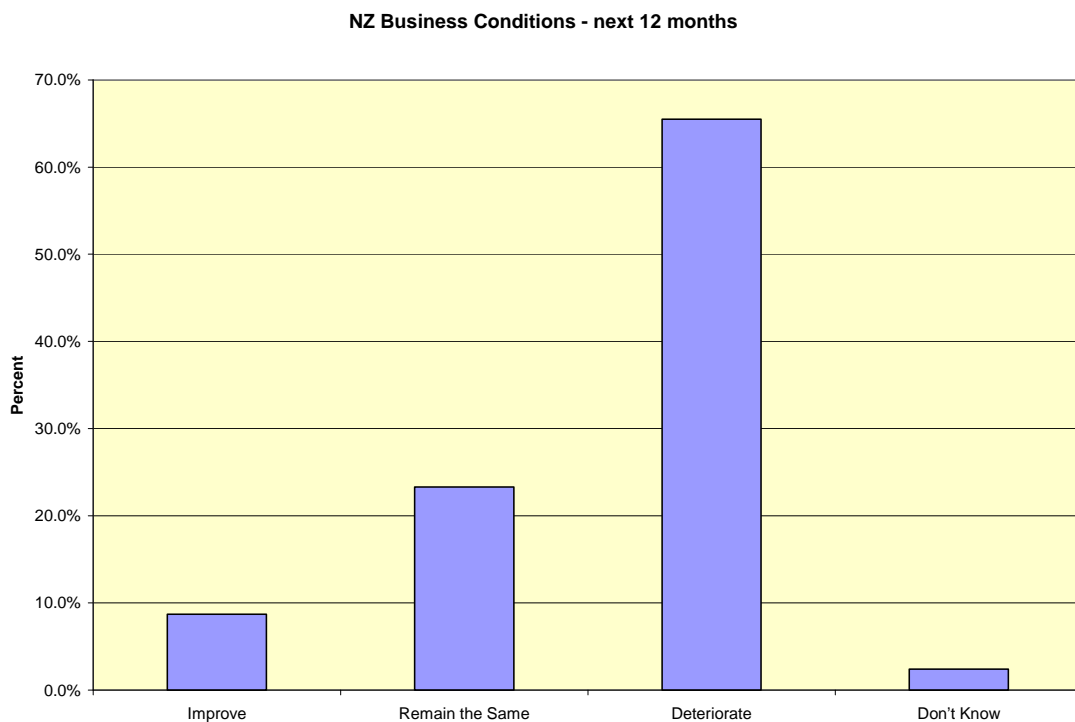
A total of 18.4 percent of respondents considered their primary business operation as 'retail and wholesale trade' while 16.4 percent reported they operated in the 'property, business, finance, insurance services' sector. 8.6 percent identified themselves as 'manufacturing' businesses, 15.0 percent in community/government/personal services and 15.9 percent as building/construction. All other industry sectors each comprised less than 10 percent of respondents.

The majority of businesses (33.0 percent) reported having between one and four staff, 24.3 percent had between five and nine staff, and 21.4 percent had between 10 and 19. The remaining 21.3 percent of businesses have 20 or more people working in the business.

5.0 Economic Findings

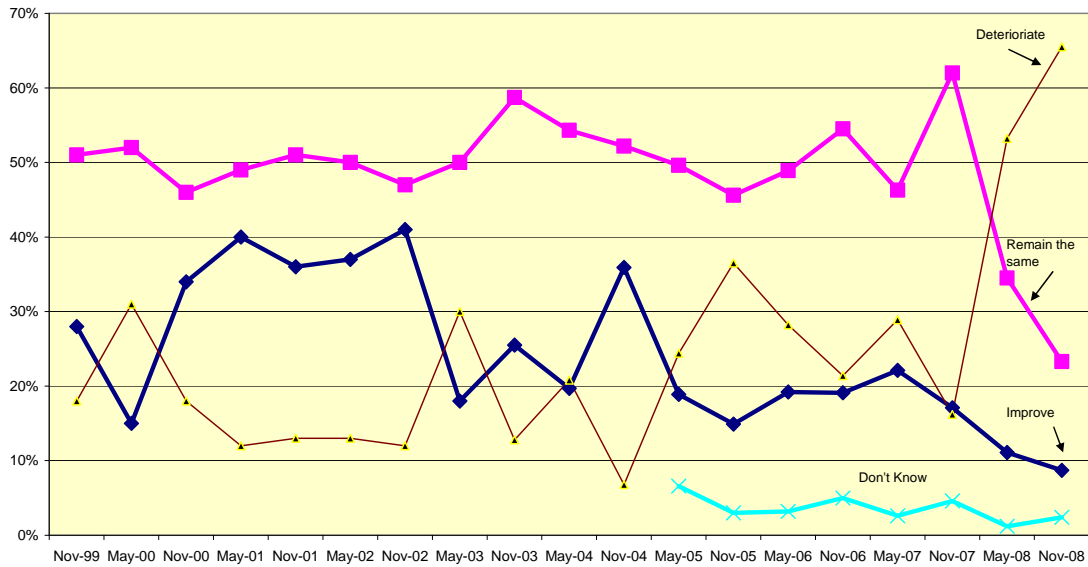
5.1 New Zealand Wide Business Conditions

Respondents were asked to predict the general business outlook for New Zealand over the next 12 months. The majority of responding businesses (65.5%) predicted that general business conditions in New Zealand would decline; 8.7% anticipated conditions would improve, whilst the remainder predominantly expected conditions to remain the same. Twenty-three percent of respondents predicted the status quo will prevail, whilst 9 percent felt it could improve. The balance of respondents were unsure.



The survey findings reflect a continuation of the increasingly pessimistic view that Taranaki businesses appear to have of the national economy. The following graph highlights that businesses anticipating New Zealand economic conditions will deteriorate over the next 12 months has increased from 53 percent (when the survey was last conducted in May 2008) to 65.5 percent (i.e. in the current survey).

NZ Economy
Taranaki Business Predictions: Next 12 months



The following table displays results based on District. Caution should be applied when considering these outcomes due to the smaller sample size.

New Zealand-Wide Conditions: Predictions for the Next 12 Months by District*

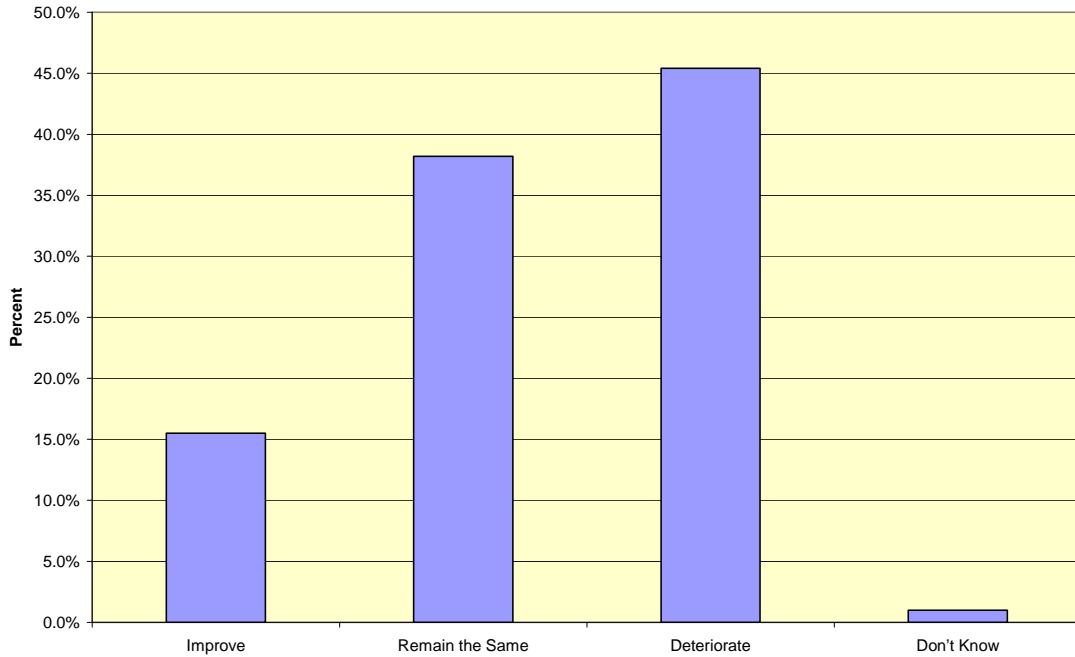
Prediction	NPD	SD	STD
Improve	9.4%	7.1%	3.1%
Remain the Same	22.8 %	28.6%	21.9%
Deteriorate	64.4%	64.3%	75.0%
Don't Know	3.4%	0%	2.6%

* Balance reflects respondents located throughout Taranaki, thus were not district specific. Due to rounding factors, some outcomes may not total 100% with precision.

5.2 Industry Conditions

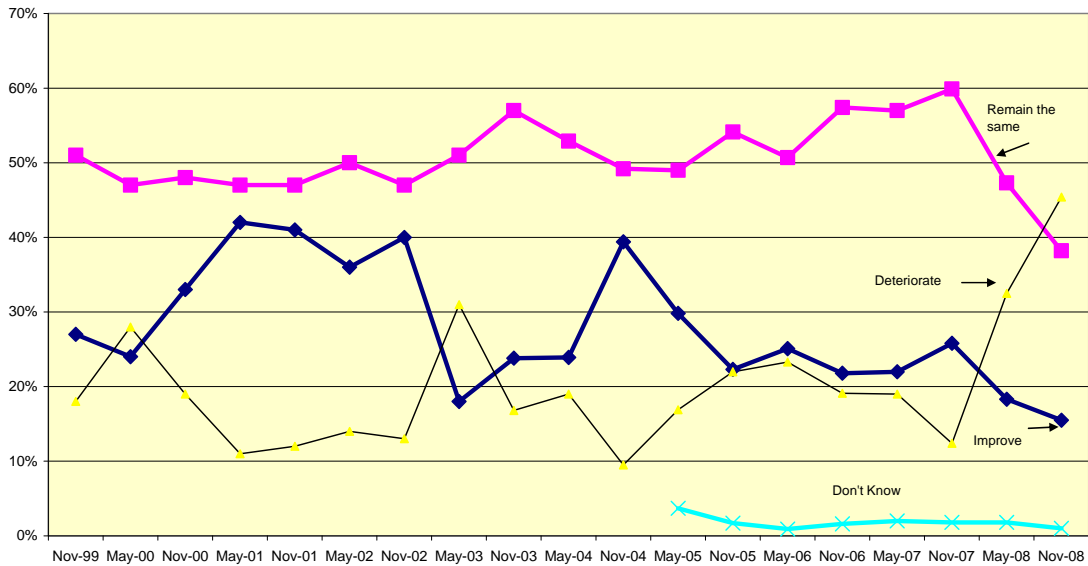
Respondents were asked to predict industry conditions for the coming 12 months with respect to their own industry sector. The mood was slightly less pessimistic than the national outlook. Although the majority of businesses anticipated tougher times, the proportion anticipating deterioration in their own industry (45.4%) reflected a lower result than their predication concerning national conditions. 38.2 percent of the respondents anticipated a continuation of similar economic conditions within their industry sector the coming year. Only 15.5 percent, however, anticipated improvement. The remaining respondents stated they were unsure and unwilling to make a predication of the future climate.

Industry Conditions - next 12 months



The findings indicate that relative to six months ago, when the survey was last conducted, respondents have a less optimistic picture of future industry conditions (see following graph).

**Industry Specific Conditions
Taranaki business predications - next 12 months**



Analysis of the survey results discovered that few sectors could be described as optimistic in relation to conditions within their industry. Accommodation and restaurant trade, as well as elements of manufacturing appeared more pessimistic about upcoming industry conditions.

The following table displays the survey results concerning industry economic conditions results based on District. Caution should be applied when considering these outcomes due to the smaller sample size.

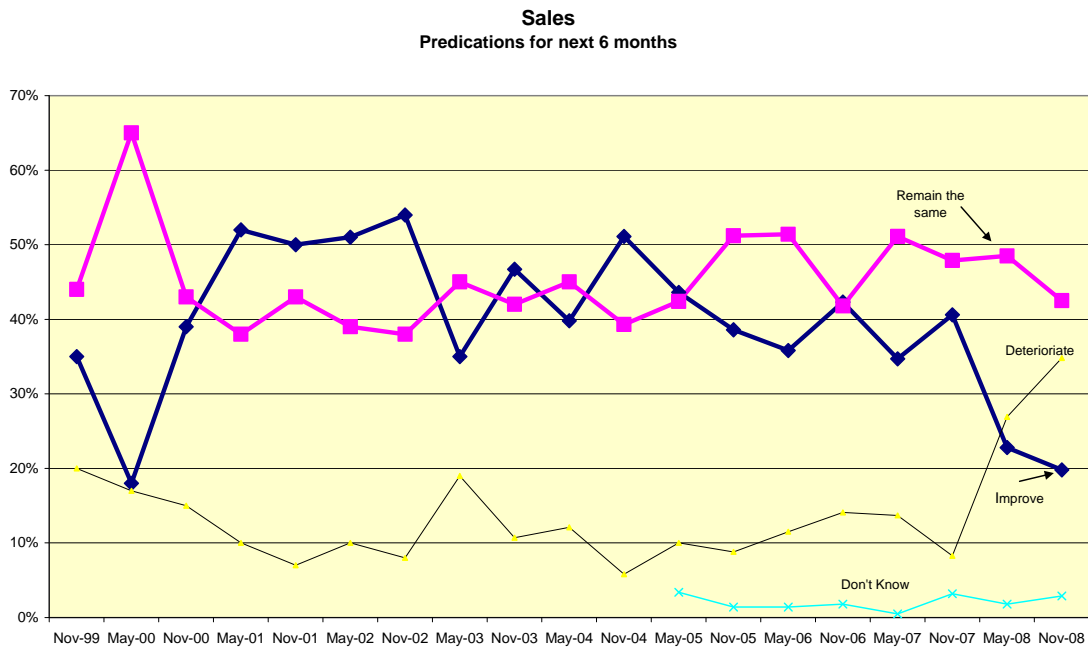
Industry Conditions: Predictions for the Next 12 Months by District

Prediction	NPD	SD	STD
Improve	15.3%	7.1%	12.5%
Remain the Same	38.7%	50.0%	31.3%
Deteriorate	44.7%	42.9%	56.3%
Don't Know	1.3%	10.0%	0.0%

*Balance reflects respondents located throughout Taranaki, thus were not district specific. Due to rounding factors, some outcomes may not total 100% with precision.

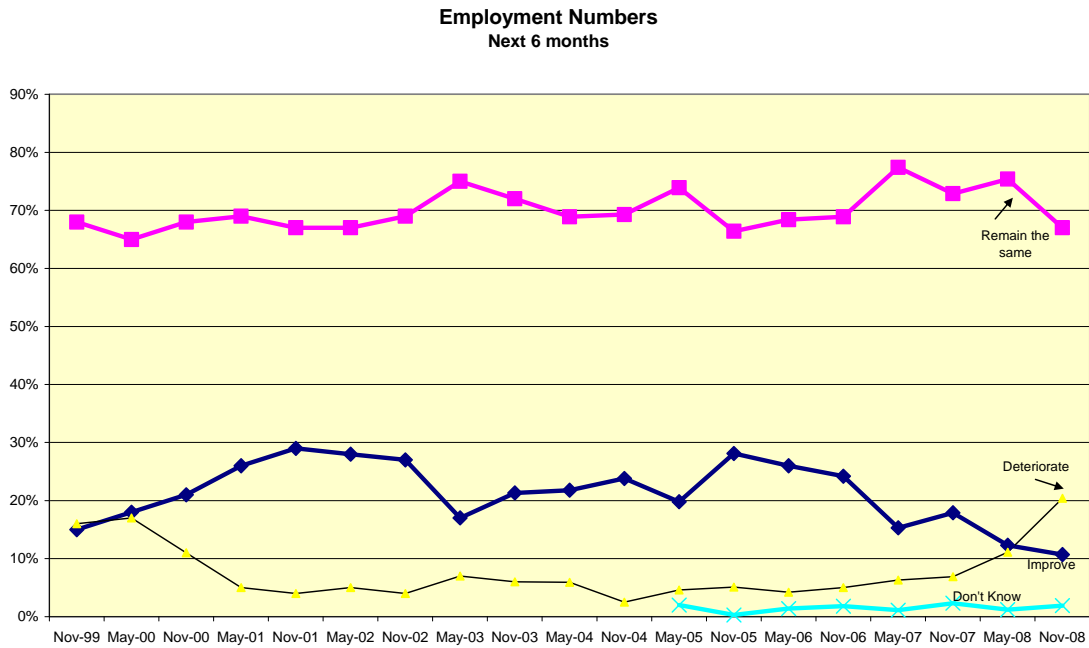
5.3 Sales/ Customer Levels

19.8% anticipated sales would increase. However, as displayed in the following graph this outcome is a sharp decline from the previous survey undertaken in May 2008. Businesses predominantly anticipated sales will remain the same over the next six months (42.5%). 35 percent of respondents indicated that they believed sales would decline in the coming 6-months. As these survey results are not seasonally adjusted, responses are often not only reflective of economic conditions but seasonal factors as well.



5.4 Employment Levels

Respondents were asked whether they expected employment levels to change over the next six months. The majority of respondents (67.0%) believed that employee numbers would remain the same; however, 10.7 percent indicated they were likely to increase employee numbers. 20.4 percent of the respondents felt that staffing levels could decrease and this outcome reflects a continuation of a less bullish employment climate, as highlighted in the following graph.



The following table displays these results based on District. Caution should be applied when considering these outcomes due to the smaller sample size.

Employment Levels: Predictions for the Next 6 Months by District

Prediction	NPD	SD	STD
Improve	11.4%	7.1%	9.4%
Remain the Same	67.8%	71.4%	68.8%
Deteriorate	19.5%	14.3%	18.8%
Don't Know	1.3%	7.1%	3.1%

**Balance reflects respondents located throughout Taranaki, thus were not district specific. Due to rounding factors, some outcomes may not total 100% with precision.*

5.5 Difficulties finding skilled staff/recruiting those with appropriate skills

Respondents were asked whether they were experiencing any significant skill shortages and/or difficulties recruiting appropriate staff. 31.7 percent stated they were, whilst the balance (68.3%) conveyed they were not.

A cross section of skill shortages/occupations where respondents were experiencing difficulties are listed below:

- Block layers.
- Qualified refrigeration engineers.
- Medical doctors.
- Storemen and drivers - class 2 & 4.
- Mechanics.
- Shortage of trade certified trades people.
- Technicians.
- Civil/structural engineers.
- Tractor and truck drivers.
- Water treatment consultants.
- Machine operators and tradespeople.
- Bakers.
- Librarians.
- Experienced commercial professional staff.
- Relief staff.
- Skilled carpenters.
- Insurance/invest salesperson.
- Vets.
- Cook/chef.
- Honest bar staff willing to work the unsociable hours.
- medical staff, doctors and nurses.
- Staff able to cope with students.
- Management.
- Tradespeople.
- Physiotherapists.
- Community registered nurses with tikanga skills.
- Looking for trained technicians available in NZ.
- Skilled drivers for livestock cartage.

Some respondents commented on their frustration trying to secure people with the right skills in the region and the strategies they have used.

- Current future employment in region means difficulty to recruit staff of calibre we require.
- Finding English speaking and experienced staff is a problem.

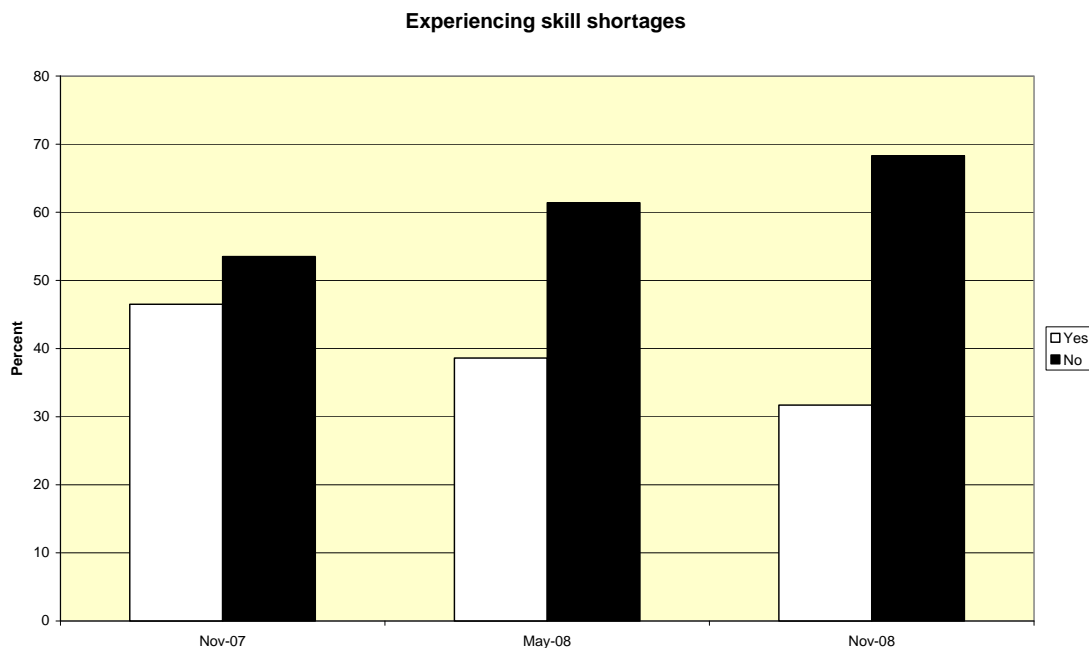
- There is no skilled labour around at present.
- Well training experienced staff are hard to find.
- We have been advertising for more agents – but no one is suitable.
- There is a shortage of qualified staff in our field of work.
- There are not enough apprentices.
- We have been advertising for 6 weeks – but no replies yet.
- We have needed to go global.
- Ours reflects a very specialist need and there are higher global salaries.

Respondents also conveyed highlighted that they simply wanted experienced people with a good attitude and a willingness to work, while others were finding it difficult to retain staff.

Selected extracts are as follows:

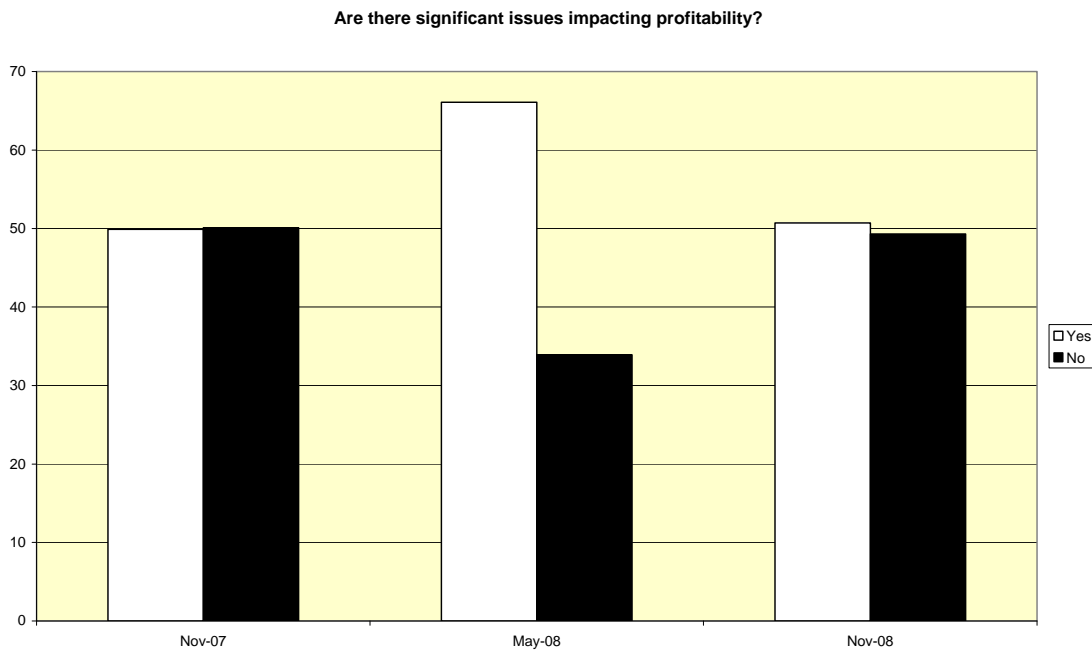
- Retail wages are poor so they train and move on.
- Employees are not being honest about their health and/or police record. Referees are not honest either.
- We employ people part time and we find that if we employ someone who is working part time somewhere else they have to pay secondary tax so they won't work
- It is hard finding staff prepared to work and not just fill the day in.
- It is difficult to find people keen to work - qualified or unqualified.

The following graph highlights that the current level of 'skills shortage' (31.7 percent) reported in this survey, however, is less than that reported 12 months previously in the November 2007 Business Survey. At that time 46.5 percent of respondents were experiencing skill and/or staffing shortages.



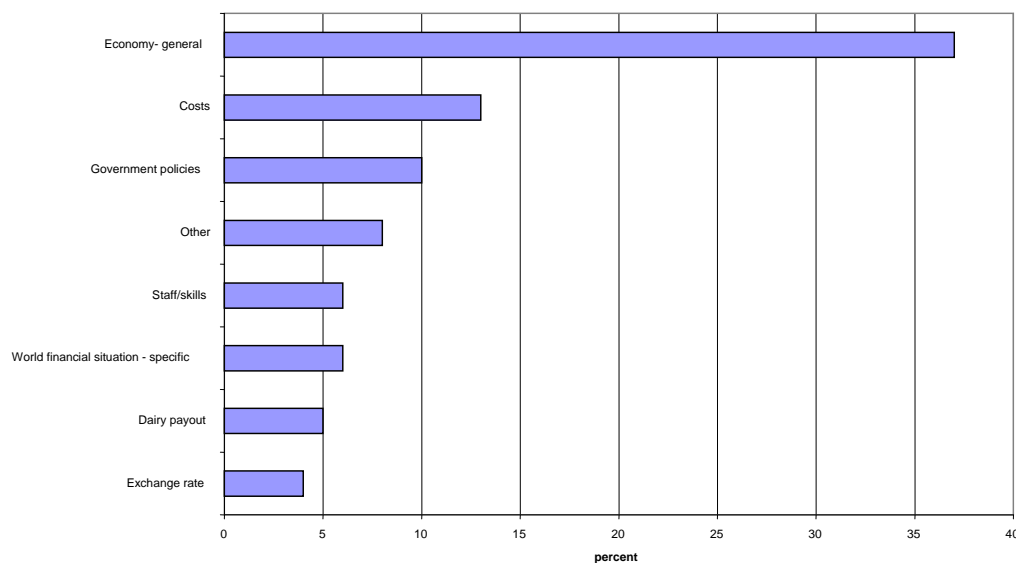
5.6 Issues impacting on Business Profitability at Present

Respondents were also asked whether there were any significant issues/factors impacting on their business profitability. 50.7 percent stated 'yes', whilst the balance (49.3%) indicated there were not. As highlighted in the following graph, this reflected a decline from the previous survey (undertaken in May 2008) when 66.1 percent of businesses reported that significant issues were impacting on business profitability. At that time, the heightened price of fuel was of concern.



In the current survey, economic conditions, changing consumer spending patterns and costs of a more general nature have been emphasized more, along with policy issues (e.g. compliance, taxation issues) and possible affects from a reduced dairy payout. The respondent comments were broadly categorized and displayed in the following graph:

Commentary analysis – significant issues impacting on profitability



Commentary from respondents provide additional insights of their concerns and these included the economic climate has impacted customer numbers, sales and financial management (e.g. debt collection, ability to pay). Businesses also believed that the media was not helping the situation through it 'negative' reporting, as this simply added to the perception of doom and gloom, leading to a self-fulfilling prophecy.

Extracts are as follows:

- Gross margins are declining due to increased discounting on our top line sales. Cost of sales was an issue, however we are looking forward to reduced beef/milk prices as commodities fall.
- The US dollar and steel price increase.
- The increasing cost of labour.
- Rising costs and less customers.
- The downward trend of payout for dairying is a worry.
- The decrease in Fonterra payout for the 08 09 season will impact on us. Already have had jobs cancelled.
- Lack of customers through the door. Confidence has dropped in terms of the public prepared to commit forward on HP.
- The customer count per day has decreased. Sales returns have declined due to people thinking twice about their retail spending trends.
- There are slow payments from debtors.
- A lack of sales. Lack of good staff. Lack of money in economy. Lack of confidence in economy.
- There is a building and construction downturn. No houses being built means no joinery or kitchens being made. Commercial building still good so we are changing focus and putting our efforts there.
- Long term debtors are increasing and suppliers payment terms are tightening up.
- People are putting away their cheque books and waiting to see any positive changes to the

financial forecast.

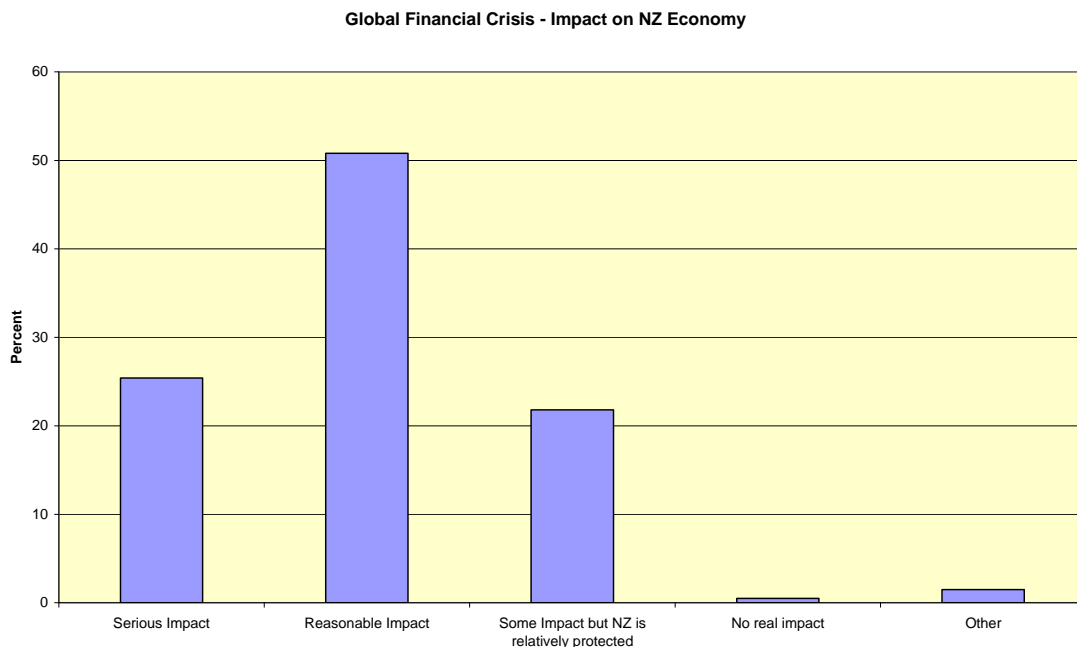
- Our year to 31 Dec 2008 will be a record year mainly due to the commercial and rural property markets. These sectors are expected to decline in 2009.
- Being in a service industry people still need our services however they are taking longer to pay and our bad debt is increasing.
- The community has closed their cheque books and are carrying out maintenance by themselves or using us as a last resort.
- Exchange rate affects us as we are importers.
- Favourable exchange rate for exports.
- The perceived doom and gloom in the business sector is impacting us.
- The collapse of the finance company industry and negative view of the share market.
- Funding shortages in the banks. Property values are down. There are less property sales.
- World finance and negative media. Exchange rate. Less people travelling. However buoyant Taranaki is positive for business.
- Credit squeeze making people more jumpy.
- Ongoing negative publicity around financial situation.
- Drop in value of investments (client panics)
- The negative vibes given by the media re; the economy. If we could keep them quiet, we would all be a.o.k
- Lack of funding for offshore oil and gas exploration and development. Labour Government attitudes to exploration.
- Change of Govt - possible review of ACC.
- Failure of previous Government to support primary health outside their PHO model.
- Govt. interference. Taxation - excessive GST.
- Too much bull shit around RMA - so called work place safety - building codes - minimum wage - 4 weeks holiday - cost increases. Costs forced on everyone by the nana state have to be taken out quickly.
- Consumer protectionism. Compliance. Bureaucracy. Over regulation. Exit to Australia.
- Business taxation - GST, FBT, Cash flow, Kiwisaver, PAYE.
- Road conditions travelling North.
- Oil & gas fields moving from development phase reduces spend. Cut backs on financial and engineering projects.
- Competition.
- Competing with salaries in the private sector.
- Trade skill shortage to meet consumer demand.
- Low unemployment.

6.0 The Global Financial Crisis

This section provides survey feedback in relation to the global financial situation. Participants were asked for their views and experiences in relation to this economic impact – nationally, regionally and on their own businesses.

6.1 How significant do you believe the global financial crisis is to the New Zealand economy?

25.4 percent of respondents believed it had a serious impact on New Zealand; 50.8 percent felt it had a reasonable impact; 21.8 percent thought there was some impact but New Zealand was relatively protected from the situation. Only 0.5 percent of respondents stated the international situation had no real impact on the country.



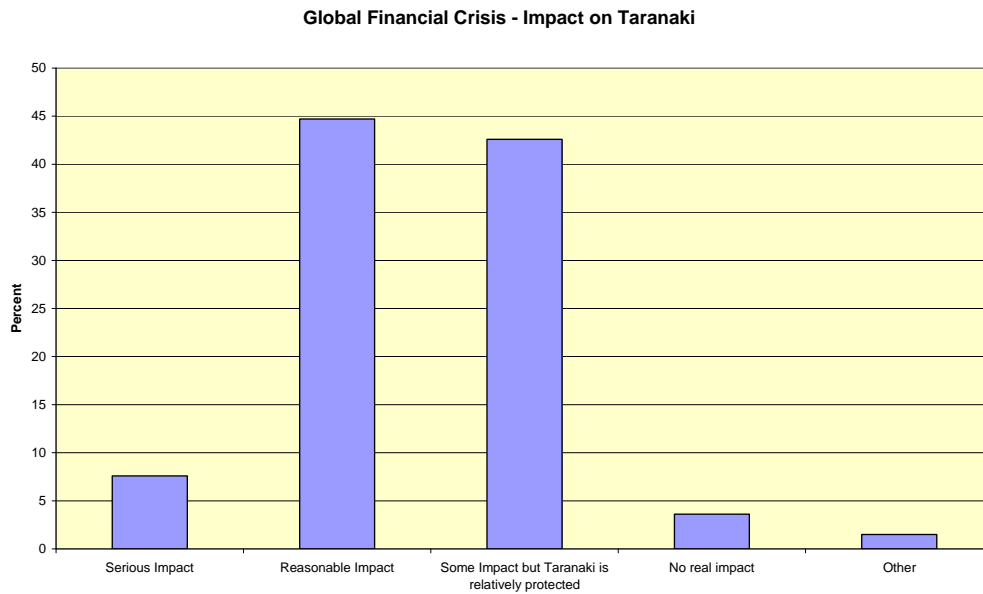
6.2 How significant do you believe the global financial crisis is to the Taranaki economy?

The impact of the global financial crisis on Taranaki, was perceived to be less than that experienced nationally. Only 7.6 percent of respondents believed it had a serious impact on the region, however, 44.7 percent felt it was having a reasonable impact. 42.6 percent stated that there was some impact but Taranaki was relatively protected from the situation. 3.6 percent of respondents believed it had no real impact and the balance made alternative comments – preferring not to tick any of the above options.

These findings are reflected in the following graph, coupled with commentary from survey respondents:

- No body can truly predict the outcome but we are more insulated than most.
- It will have a significant impact on the NZ economy over the next 12 months.
- The impact is only just starting.
- It will have a serious impact but will take time to be felt.
- It will have an affect but if fuel prices stay low, interest rates drop, business may maintain their profitability.

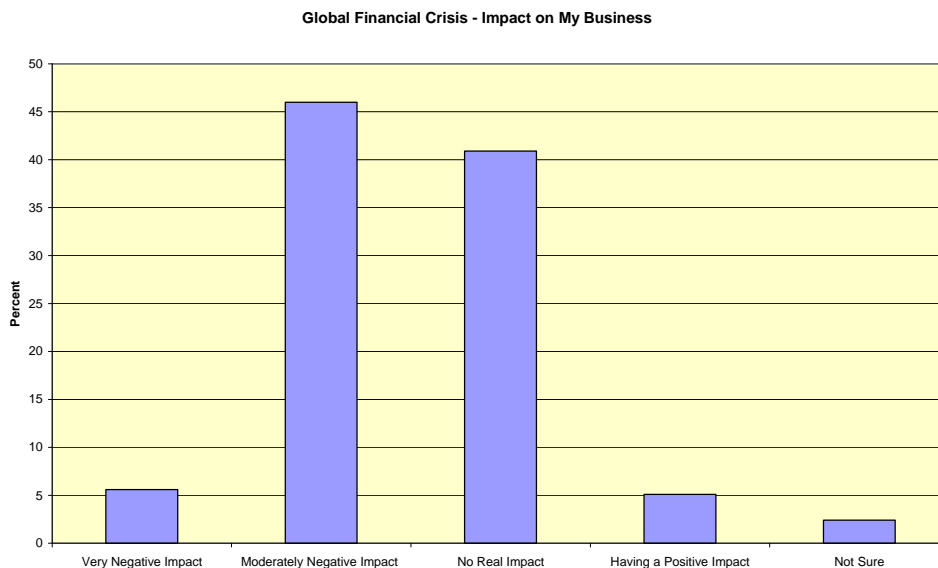
- It will have increasing impact over next two years.
- A global credit crisis will impact on our ability to sell internationally.



6.3 Is the global financial situation having an impact on your business?

Only 5.6 percent of respondents stated that the global financial situation was having a very negative impact on their business at present. However, 46 percent conveyed it was having a moderate impact. 40.9 percent of respondents indicated it was having no real impact at present – however a number of these businesses also qualified this response by highlighting that they anticipated the negative flow-on effects were yet to hit them.

5.1 percent of Taranaki businesses highlighted that the financial situation was having a positive effect on their business. These were businesses that benefited from tougher times as consumer purchasing patterns changed in ways which favoured their products and services e.g. their outlets may specialize in certain types of lower priced goods, or products which people may require more of when experiencing harder times.



Businesses commented on impacts they were experiencing. Many of these related to:

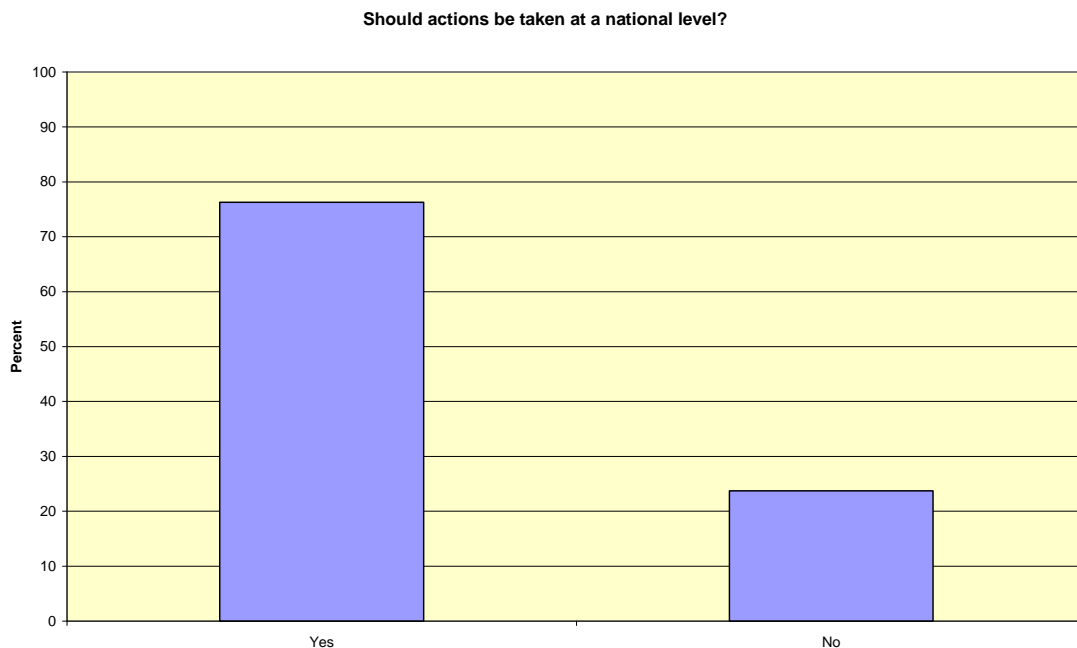
- Their customers (e.g. decreased spending and/or changes in their expenditure patterns; lack of confidence; payment policies);
- The negative publicity and perceptions about the situation; projects being put on hold/cancelled; flow-on's (e.g. to housing, construction, job security, the health of people);
- International impacts (e.g. those who exported and/or imported; those with international owners) and,
- Effect 'delays' (e.g. whether Taranaki and/or New Zealand is in a 'bubble' at present – and the worst will come in 2009).

Selected comments are as follows:

- Customers are shopping local instead of heading into town.
- Some of our clients are experiencing difficulties with exporting which in turn affects amount of work we receive from them.
- Have had lack of work and some outstanding debts.
- Finance harder to get making real estate sales slower.
- Financial institution collapse has impacted on some clients ability to progress/complete projects.
- A lot less work at the moment - having to advertise more.
- People have less money so they spend more on non luxury items.
- NZ has not had the full effect of this yet.
- We believe that the negative impact will be more in 2009.
- It is not hitting yet. We feel that in 6 months we will notice a slowing down. Tourism will be down as less dollars to spend.
- Being \$US based company management overseas have implemented restraints.
- Imported product increasing in price due to dropping \$. Margins being squeezed.
- Exports to Australia are down. Recent high dollar killed off some of own exports. It is now a battle to get that business back.
- One side of our business being domestic sales has slowed slightly, however the average sale value has increased so bigger ticket items are still moving.
- Reduce volumes. Increased equipment cost (\$); nervous funders.
- Financial or emotional stress increases need for primary health care services.
- Everyone is looking after their assets and not spending.
- increases unemployment. Margins tightened. Less building. Projects being deferred.
- Training budgets are the first to be cut in times of financial stress.
- Less spending and hold off on spending and expanding as was planned. Cancellation of jobs.
- The builders have definitely slowed down and spending less. The commodities slow down has affected/impacted on the dairy payout.
- A deteriorating economy or recession improves the demand for our services and therefore has a positive impact.
- Increased use of library and information services likely as people take advantage of free broadband. Useful for job seekers and business opportunities.
- Remember the bird flu panic? People forget fear is a state of mind not reality. NZ needs training in transitioning through inevitable change which we can proactively manage.
- Reduced sales figures. Down 15% YTD on last year.
- Predicting a 20% reduction in sales which will have a corresponding impact on staff numbers.
- Downturn in turnover. Believe serious depression likely.
- 10% reduction in sales.
- Sales down approx. 10% due to caution in customers capital spending.
- Experiencing greater than 25% growth - a lot of which can be attributed to the perceived effects of a recession.
- Cattle prices are low. No one wanting to buy with uncertainty for prices in future. So little stock moving.
- Slight impact as people are being cautious re; waiting to see what happens. Some national chains telling branches to 'tighten belts'
- Just negative thinking.
- Four projects cancelled due to downturn.

6.4 **Should any actions be taken in response to the current global financial situation at a national level?**

The majority of respondents (76.3%) believed that the Government should be responding to the situation. Only 23.7 percent stated they should do nothing – many of these respondents commenting that they felt there was little the Government could do as the situation was simply out of the Government's control.



6.5 **Should any actions be taken in response to the current global financial situation at a regional level?**

The majority of respondents also believed that regionally there were actions that could and should be taken in response to the financial situation (56%). Although the expectation was less than that of the New Zealand Government Taranaki businesses perceived this was warranted.

What should be done – nationally and/or regionally?

Participants provided comments on what these actions should entail. Key themes included:

- Ensuring public monies were spent wisely – prudently managed and invested in areas which contributed to confidence and growth.
- Reducing red tape
- Policies, services and support and assist industry growth and retention (e.g. reduction in taxation and interest rates, helping people and businesses with their needs),
- Policies and assistance packages such as bank guarantees,
- Monitoring the situation and ensuring effective communication and coordination links
- Being responsive and positive
- Positive promotion of the country and region
- Proactive leadership.

Taranaki companies felt the positive, active marketing of the region should be continued and that local leaders should be commended for their initiatives in this regard. There appeared a lot of pride about how Taranaki generally was dealing with the difficult financial situation, and that the region was better placed than many, in terms of its future prospects.

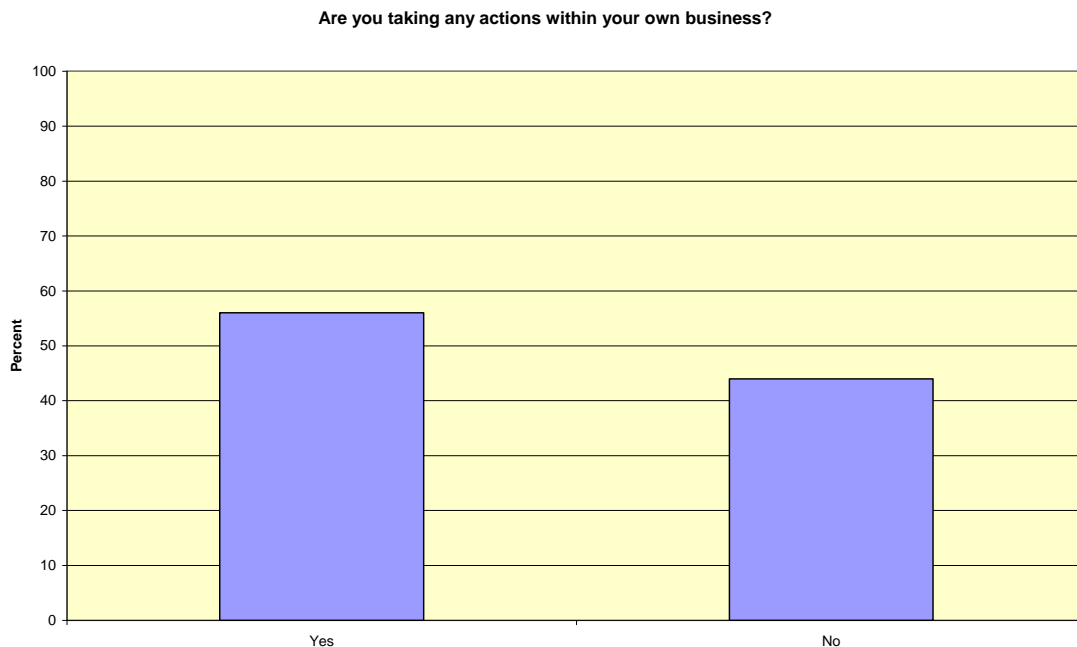
A cross section of comments is as follows:

- The Government needs to take action to reenergize the economy.
- Current spending needs to be monitored – not halted. \$'s in keep the economy functioning.
- Need to convince the media to stop the negativity - people will still spend for essentials and will make money go round. Taranaki is a great place to be and live - let's be positive.
- Reduce debt.
- Like everyone, slow up on project spending.
- Climate/policies to continue to encourage growth.
- Interest rate cuts & tax cuts will help. This happens with interest and hopefully will with tax.
- Local Government must spend.
- Monitor closely; having contingency plans in place.
- Protection to businesses needing help. Need access to borrowing to fund R&D, exports etc.
- Try to hold overhead expenses.
- Develop strategies to keep NZ self sufficient. Awareness of the true situation. Communicate together to help each other out.
- Where possible outside costs/limitations should be examined and adjusted to encourage business growth.
- Support businesses before they get into trouble.
- Change of Government should provide better options and leadership. Encourage growth.
- More positive news. Media too negative.
- Bank deposit guarantee scheme is good.
- Restore confidence in financial sector. Look at opportunities to reduce investment risks in e.g. regulation, consenting processes...
- Hold onto the purse strings. Spend where it makes a difference not for a monument.
- National: Read the obvious signs – encourage safe off-shore investment. Local: Keep up the brilliant marketing of New Plymouth.
- Analyse the actions of other nations and how they are dealing with the options.
- Central Govt. must continue to lower interest rates and invest in the infrastructure. Local Government must cut expenditure.
- We need to be aware of any implications and adopt or adjust as appropriate.
- Increase infrastructure spending.
- We just need to ride this out.
- Get politicians and media to be more positive. Talking doom and gloom all the time makes believers out of the public.
- Support those worst affected. Growth in business.
- No unnecessary spending - ride out the storm.
- Reduce unnecessary cost on all sectors - local and national Govt.
- Support for vital sectors of the economy.

- Govt. must reassure public. Regional Government should go all out to attract new business.
- Labour Government gone - already done!
- Re: Region - Taranaki is already positive. Nationally: Lower interest rates. Positive marketing.
- Restore confidence in financial institutions.
- Keep promoting Taranaki as progressive province, which makes residents feel more positive.
- Our Government needs to look after business better.
- Get rid of the emissions trading scheme and/or carbon tax if it is being contemplated.
- Get the new Government to settle in, meet world leaders.
- Slash red tape and regulation at all levels. Support SME's to create employment. Spend tax on supporting SME's not wasteful Govt.
- Infrastructure spending to stimulate economy.
- Councils and Government must remain positive and keep on with current spending.
- Keep Mayor Pete.
- Public funding to NZ businesses. Local body spending to local businesses.
- National - beef up support for exporters. Regional: continue to promote Taranaki as a travel destination.
- Securing people's savings. Reduce interest rates on mortgages. Reduce GST - take off groceries altogether.
- National: Instill confidence. Regional: Encourage people to support local industry.
- Cut taxes, rates, other costs of bureaucracy. Drive our major income earners hard. Secure banks for people.
- Tighter lending controls.
- If changes are made at national level then it will filter down to regional levels making everyone living more affordable for all.
- Employment should be protected.
- Give out better advice as to how to cope - make reliable forecasts.
- Stimulate growth. Councils can help slash the red tape from building consent approvals.
- Plans to help redundant staff are good. Need to help businesses stay open.
- Move towards the country being self-sufficient. Keep money from flowing out of the country.
- Ensure spending etc not cut to the point where self-fulfilling prophecy.
- Local and national leaders need to work together to improve the situation.
- Cut back on over spending - taxes - GST - rates.
- Do not over react May cause self-fulfilling prophecy.
- Currency, interest rates, debt management.
- Opportunities to up skill and retrain staff laid off.
- Exchange rate (OCR) needs to be reduced. Locally we need to be proactive and sell our great province.
- Companies should not stop spending but focus on spending on growth.

6.6 Are you taking any actions/responses within your own business in response to the current global financial situation?

56 percent of respondents stated they were implementing changes to their business practices in response to the global financial situation. 44 percent stated they were not.



Key changes include:

- Monitoring expenditure and managing budgets more prudently.
- Reducing stock levels.
- Placing projects on hold.
- Addressing staff management such as downsizing, doing jobs themselves, not replacing employees, and reducing hours.
- Reviewing credit policies, outstanding accounts.
- Increasing marketing, diversifying, seeking new opportunities.
- Managing existing clients to best effect/service improvements.

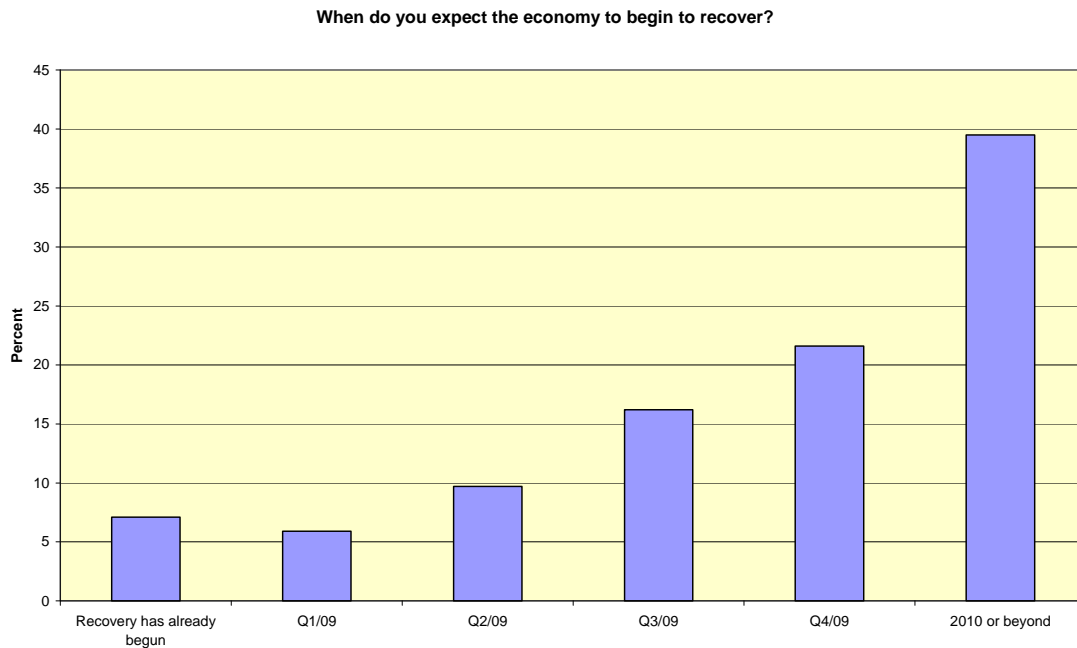
Selected comments which expand on these findings are documented below:

- Restraints have been imposed by overseas management - curb travel and social spending.
- Reduce inventory. Reduce debtors with costs, delays and capital expenditure.
- Keeping less stock on hand.
- Have to watch my buying.
- Future expansion on hold.
- Suspending all future development until a clearer picture emerges of what impact crisis will have.
- Keeping an eye on budgets.
- Restraints on R&D and expenses.
- Depending on what our customers needs and wants are.

- Reducing staff by attrition. Considering further cuts. Conserving cash. Staying closer to funders.
- Lay staff off.
- Careful about giving credit. Careful on our spending.
- Immediate debt reduction- achieved, economising and shopping around to save \$ on expenses, rationalising staff.
- Trying to look after existing customers and gain new ones.
- Minimising costs, reviewing operations generally, reviewing stock-takings.
- More marketing, focus on services etc.
- Reduce costs. More competitive pricing.
- Buying selected capital items before falling exchange rates increases prices.
- Caution around investment and also scrutinising expenses.
- Tightening up and stock control. Purchasing stock when we receive orders.
- Monitoring spending closely especially wages and materials.
- Retaining cash by reducing employee bonuses and shareholder withdrawal.
- Being much more cautious on buying - putting halt on capital expenditure.
- Capitalising on the opportunities.
- Reducing staff hours. Diversifying.
- Closing factories. Buy product off shore and better prices.
- Systems in place - time management. More efficient work practices.
- Watching who we allow, and how much, people are wishing to put on invoice.
- Slowing up on replacement fleet.
- Staff cuts and looking at ways to cut operating costs.
- Redesigning our budget and building in various scenarios to respond.
- Tightening our credit terms.
- Pushing recycling more.
- We have been conservative with our spending. No capital upgrade of any sort until things have settled down on financial markets.
- Decreased length of commitments going forward e.g. lease periods etc.
- Advertise more on a consistent basis - this is the first time in years.
- Closing down smaller stores.
- Providing client reassurance all will come good long term.
- Specials and promotions.
- Will not be spending unnecessarily on new vehicles - no alterations to buildings - will lay off part time staff.
- Holding staff wages. Not replacing some as they leave.
- Reduce stock orders. Reducing immediate credit to newer customers.
- Looking at wages, staffing. Make sure people are happy in their work.
- Reducing casual team members and are doing it myself.
- Keeping little stock on hand. Buying stock when needed.
- Being more positive and proactive.
- Looking for further opportunities. Out of adversity comes opportunity!
- Reviewing all capital expenditure. Holding staff no's.
- Managing outstanding accounts more effectively.
- Not spending.

6.7 When do you expect the New Zealand/global economy to begin recovery?

As highlighted in the following graph, the majority of respondents felt that recovery would take some time. 39.5 percent believed this will not begin until 2010. 21.6 percent anticipated recovery would commence in late 2009, while 16.2 percent of respondents believed it would commence mid 2009.



Final comments from businesses were noted as follows:

- It is impossible to predict [when recovery will commence]. Too many variables and outside controls
- Who knows? I hope and pray.
- Good luck to you all!
- This is new territory for all. As mentioned we are experiencing a decline in sales. It is early days and hard to make an accurate assessment to date.
- We will have to follow the rest of the world.
- I believe the real impact will take 6-12 months to hit as services are reduced through lack of funds. We have a few hard years ahead.
- The new Government needs a chance to make changes and they can't happen overnight.
- Steady as we go.
- Keep up the good work
- Stop media reporting doom and gloom.
- Expect a depression similar to 1929-35 - 10+ unemployment.
- Very difficult to predict as driven by external events and risks to banks.
- 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.
- Smile - petrol prices and interest prices look great!
- This is a long term global melt down. The financial power base is changing.

7.0 CONCLUSIONS

To summarise the findings from the November 2008 survey:

- In terms of the New Zealand economy, the majority of responding businesses (65.5%) predicted that general business conditions in New Zealand would decline. Only 8.7% anticipated conditions would improve, whilst the remainder predominantly expected conditions to remain the same.
- The majority of respondents (45.4%) anticipated industry conditions would also decline in the coming year, however 38.2% believe the status quo would prevail.
- No industries portrayed themselves as particularly bullish in relation to future conditions. Many were pessimistic about the year ahead - the restaurant and accommodation industries, as well as aspects of manufacturing appeared slightly more so than other industries.
- Sales are predicted to remain at relatively similar levels over the next six months (42.5%).
- Employee numbers are also anticipated to remain at similar levels. Although 10.7% believe they will increase, this outcome reflects a slight contraction on the employment situation 6 months ago.
- Some businesses are experiencing skill shortages and/or difficulties recruiting staff (31.7%) however the proportion reflects a decline from levels 6-months ago.
- Key factors impacting general business growth and profitability include economic conditions, the mood and confidence of customers, compliance costs and flow-ons from the possible reduction in dairy payout.

In terms of global financial situation, respondents stated:

In terms of its impact on New Zealand: 25.4 percent believed it had a serious impact and 50.8 percent felt there was a reasonable impact. 21.8 percent believed there was some impact but New Zealand was reasonably protected from the situation. Only 0.5 percent of respondents believe it had no real impact.

In terms of its impact on Taranaki – the anticipated effects were predicted to be less, but there would still be an impact. Only 7.6 percent of respondents believed it had a serious impact; 44.7 percent felt there was a reasonable impact and 42.6 percent stated that there was some impact but Taranaki was reasonably protected from the situation. Only 3.6 percent of respondents believe it had no real impact.

Only 5.6 percent of respondents stated that the global financial situation was having a very negative impact on their business at present. The Taranaki businesses predominantly conveyed the effect was moderate – however a number of these businesses felt the effect was minimal at present and potentially yet to come. Some local businesses highlighted that it had proven positive for trade.

Respondents felt the Government should be responding to the situation, and also regional responses were necessary and/or appropriate. Positive proactive leadership, prudent financial management without compromises to continued investment in growth, such as infrastructure, marketing, business assistance

and support, policy changes to reduce red tape, providing assistance, good communication and instilling confidence were encouraged.

Within their own businesses respondents stated they were implementing changes such as tighter budgetary controls, debt management, reducing stock, staff reductions and changes, delays to projects and major investments, increasing marketing, investigating new opportunities and ways to diversity yet retain and look after existing customer s.

Economic recovery is expected to be some time off – possibly not until post 2010. In the meantime, Taranaki businesses emphasized their pride in the region for its ability to cope, put its best foot forward and confront this difficult situation in a positive, constructive, and proactive manner.

APPENDICES

a. Disclaimer

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b. About this Report and Its Authorship

This Business Survey and analysis is an independent report commissioned by Venture Taranaki (Taranaki's regional development agency) and undertaken by Red Eye Limited. Red Eye Limited is a Specialist Projects and Research Company, based in Taranaki.

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