



BUSINESS SURVEY

June 2008

Featuring

Regional Activity Predictions
New Zealand China Free Trade Agreement - Taranaki Business Views

Report prepared for
Venture Taranaki

By
Red Eye Limited

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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 sent to 1000 Taranaki businesses reflecting a cross-section by industry type, location and size. A total of 172 businesses participated in the survey.

This report documents the results of the May 2008 survey. This survey investigated business views on the state of the economy and also the NZ-China Free Trade Agreement.

In terms of the New Zealand economy, the majority of responding businesses (53.2%) anticipate that general business conditions in New Zealand would decline. Only 11.1% believed that conditions would improve. This reflects greater levels of pessimism than when the survey was undertaken 6-months previously when only 16% of respondents believed conditions would deteriorate.

In terms of industry specific conditions, however, the mood was slightly more optimistic (or less pessimistic). The majority of respondents (47.3%) anticipated that stable industry conditions would prevail in the months ahead. But, 32.5% anticipate still believe conditions will contract, whilst only 18.3% foresee improvement. The agriculture industry and the oil/gas industry appeared the most optimistic in relation to their own sector conditions for the coming 12 month period, whilst the retail/wholesale industry appeared the most pessimistic.

Businesses predominantly anticipated sales will remain the same over the next six months (48.5%). However, this result was also down on the previous survey undertaken in November 2007. This was just before the Xmas and tourism season. Despite taking this season variation into account, the May 2008 result still reflects a sharp decline relative to previous years.

In terms of employment, the majority of responding businesses (75.4%) anticipated that employee numbers would remain the same in the next 6-months. 12.3 percent anticipate they will increase whilst 11.1% of respondents indicated staffing levels would decrease. This reflects a slight contraction on the employment situation 6 months ago. 38.6 percent reported they were experiencing skill shortages and/or difficulties recruiting staff. However, this result is down from the situation 6-months ago when 46.5% of respondents stated they were experiencing such problems.

Of greater significance in the minds of Taranaki businesses, however, were broader factors impacting general business growth and profitability. 66.1 percent of respondents stated growth was significantly affected by economic and business factors – up from the previous survey undertaken 6-months ago when the result was 49.9%. Rising costs – especially fuel - was the most cited reason. Other factors included wages, increasing costs of living and doing business generally, unfriendly Government policies, the exchange rate and the cost of certain supplies such as steel.

This business survey also asked Taranaki businesses about their views concerning the New Zealand-China Free Trade Agreement (NZ-China FTA). This is a treaty which the Government has entered into with China. It aims to liberalise and facilitate trade in goods and services, improve the business environment and promote co-operations between New Zealand and China in a broad range of economic areas.

This survey was interested in finding out whether Taranaki businesses supported the NZ-China FTA; whether they believed that benefits would flow to their businesses, the Region and/or New Zealand.

The results highlighted a mixed response from Taranaki businesses. Of those who responded to the survey, 90% stated that did not currently do business with China. Only 10 percent did. Of those who were not trading/exporting with China, 3.4% said they were planning to do so in the future. The balance of respondents, however, were not anticipating engaging in these types of trade arrangements. Of those who intended to do business in the future with China, only 5.3% stated that this decision had been influenced (or in part) by the NZ-China FTA.

The majority of Taranaki business respondents (78.4%) did not anticipate they would benefit directly from the NZ-China FTA. Only 6.5% anticipated they would. The balance (15.1%) stated they were unsure. However 19.5% of businesses believed that they could benefit indirectly from this Agreement. 53.7 percent did not anticipate they would, whilst the balance of respondents were unsure (26.8%).

Taranaki business support for the signing of the NZ-China FTA Agreement appeared split. 41.3 percent of respondents supported the signing of the NZ-China FTA; 30.5% did not; while the balance (28.1%) were unsure.

Will Taranaki benefit as a region? Once again, the response was mixed. 24.6 percent of respondents believed the region would benefit; 12.6% did not think it would, 35.3% stated 'maybe' whilst the balance stated they were unsure (27.5%).

Were there negatives for Taranaki which could stem from the NZ-China FTA? 18.8 percent believed that there were some significant downsides for the region as a result of the NZ-China FTA; 44.4 % believed there were some negatives; whilst the balance of respondents (36.8%) anticipated there were few/minimal repercussions for the region.

Participants provided a range of comments and feedback in relation to their views. Some felt that there could be potential gains for Taranaki's agriculture/dairy industry, opportunities for the port, possibilities for

our tourism and education sectors as well as indirect benefits which could flow to businesses as a result of having in place these types of larger country-economic ties.

However respondents highlighted concerns surrounding the Agreement. There were fears over possible floods of cheap imports. These were anticipated to be of much lower product quality and be subject to less rigorous manufacturing and labour standards. There were concerns that the deal could seriously impact upon the competitiveness of some local and national businesses. Finally, although gains could accrue from the Agreement, some businesses felt these were more for the benefit of China and less on the side of New Zealand and Taranaki business.

2.0 Introduction

Venture Taranaki is a world-class Economic Development and Regional Tourism Agency founded by the New Plymouth District Council. Established as a charitable trust with a private sector board, 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 1000 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 New Zealand-China Free Trade Agreement (NZ-China FTA).

As at February 2006 there were 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 172 completed survey forms were received by the close-off date. This equates to a response rate of 17.2 percent. 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, 61.6 percent were located in the New Plymouth District, 22.7 percent in South Taranaki and 5.8 percent in Stratford. A total of 9.3 percent of businesses operated from branches located throughout Taranaki (or didn't identify a location).

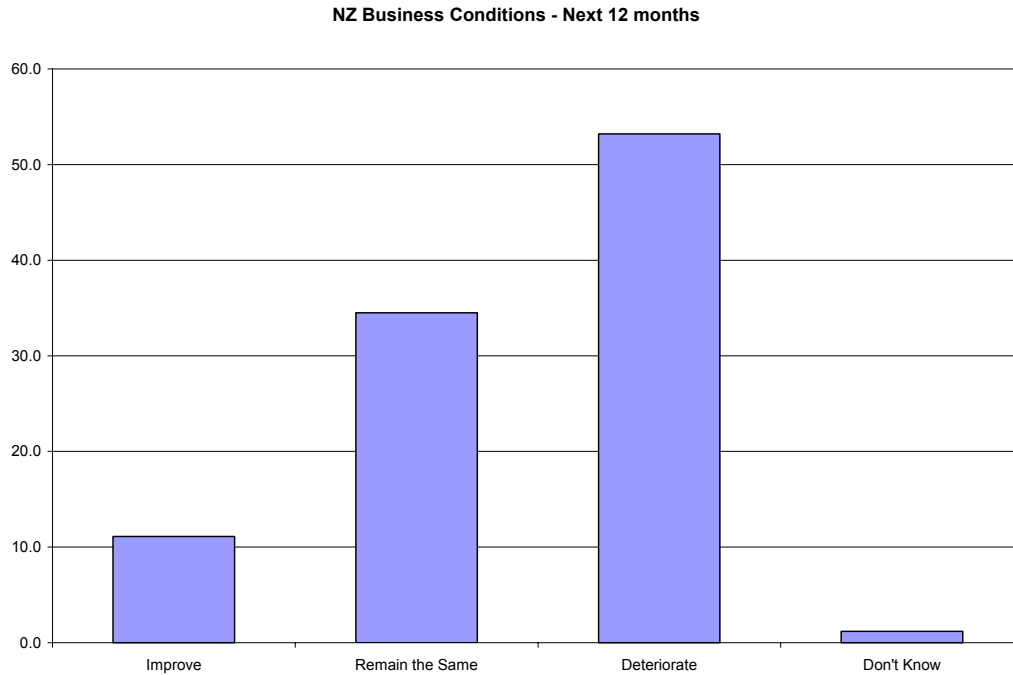
A total of 22.2 percent of respondents considered their primary business operation as 'retail and wholesale trade' while 11.1 percent reported they operated in the 'property, business, finance, insurance services' sector. 14.1 percent identified themselves as 'manufacturing' businesses, 15.7 percent in community/Government/personal services and 12.9 percent as building/construction. All other industry sectors each comprised less than 10 percent of respondents.

The majority of businesses (37.8 percent) reported having between one and four staff, 24.4 percent had between five and nine staff, and 16.9 percent had between 10 and 19. The remaining 20.9 percent of businesses have 20 or more people working in the business.

5.0 Economic Findings

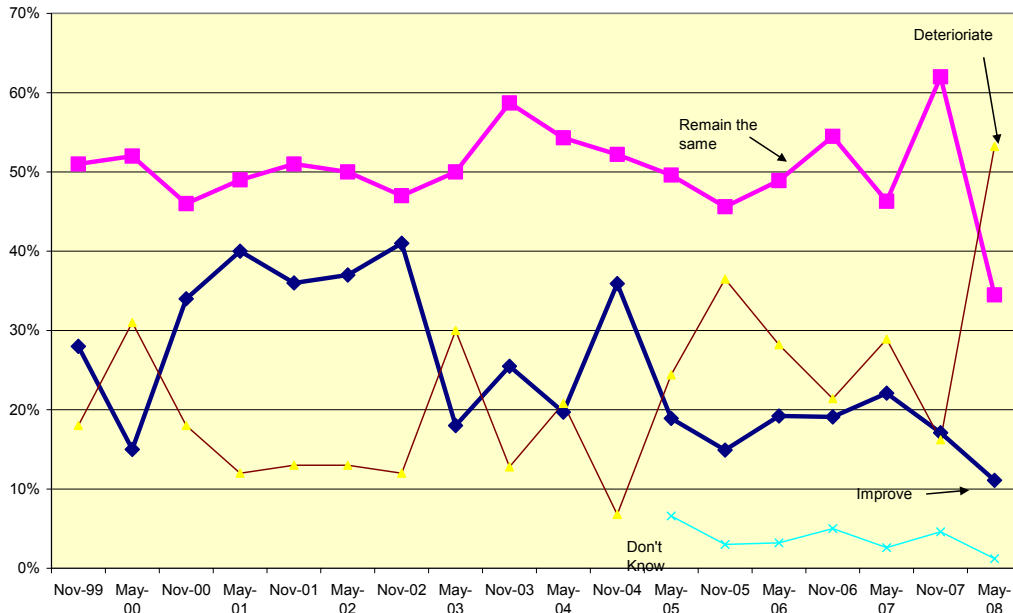
5.1 New Zealand Wide Business Conditions

Respondents were asked to predict the general business outlook for New Zealand over the next 12 months. The majority of responding businesses (53.2%) predicted that general business conditions in New Zealand would decline; 11.1% anticipated conditions would improve, whilst the remainder predominantly expected conditions to remain the same.



This is a significant shift from the situation 6 months ago when the majority of respondents considered the status quo would prevail. In November 2007 (the last survey) only 16% believed economic conditions would deteriorate.

NZ Business Conditions - 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 – especially in areas such as Stratford.

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

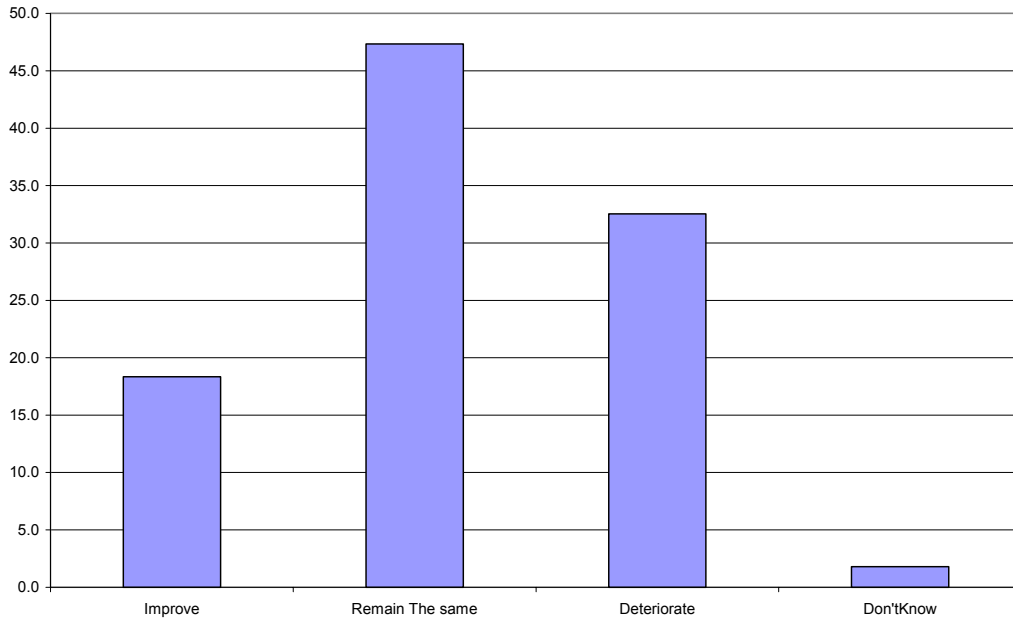
Prediction	NPD	SD	STD
Improve	10.5%	0.0%	10.3%
Remain the Same	36.1 %	50.0%	33.3%
Deteriorate	52.4%	50.0%	53.8%
Don't Know	1.0%	0%	2.6%

* 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

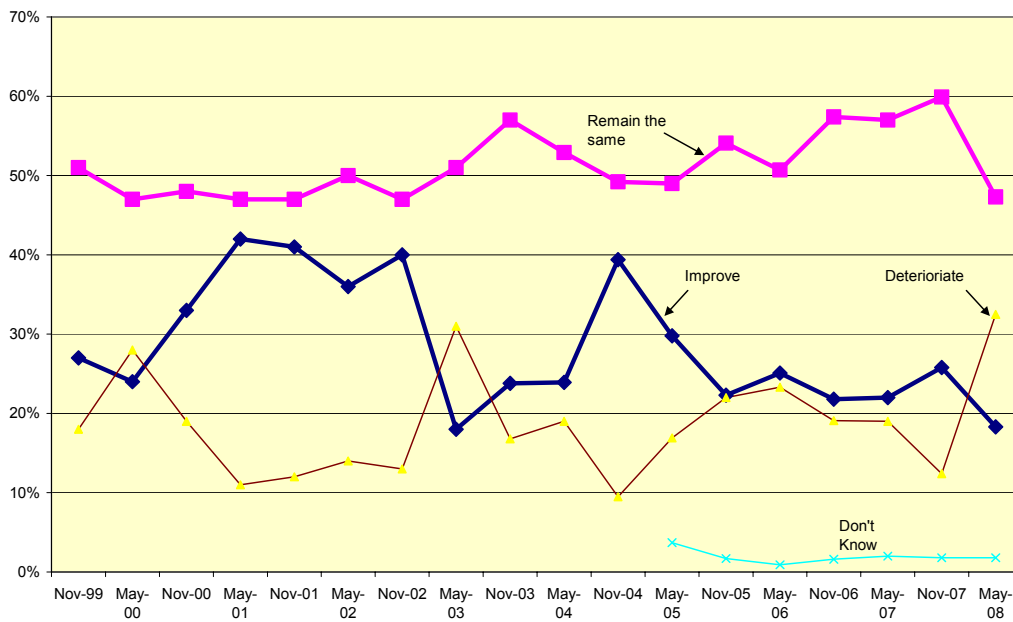
Respondents were asked to predict industry conditions for the coming 12 months with respect to their own industry sector. The mood was slightly less pessimistic. The majority of respondents (47.3%) anticipate stable industry conditions in the months ahead. However 32.5% anticipate conditions will contract, whilst only 18.3% foresee improvement. The balance were unsure.

Industry Conditions - Next 12 months



Relative to six months ago, this is a less optimistic picture of future industry conditions.

Industry Conditions - next 12 months



The agriculture and oil/gas industries appeared the most optimistic in relation to conditions within their own sector in the coming 12 months. Retail and wholesale trade were amongst the most pessimistic about upcoming industry conditions.

The following table displays results based on District. Caution should be applied when considering these outcomes due to the smaller sample size – especially in areas such as Stratford.

Industry Conditions: Predictions for the Next 12 Months by District

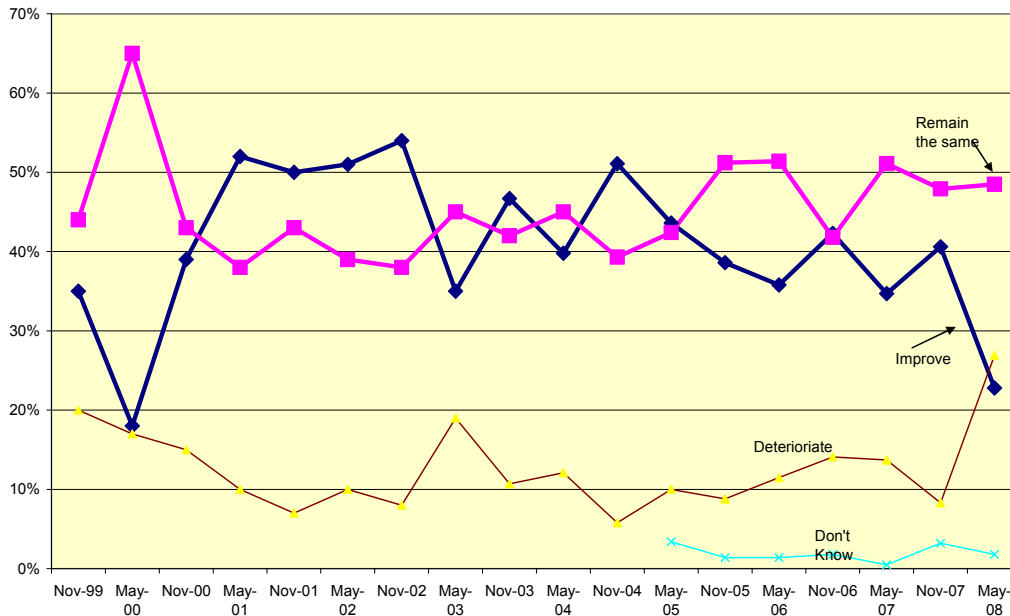
Prediction	NPD	SD	STD
Improve	16.2%	10.0%	18.4%
Remain the Same	48.6%	40.0%	52.7%
Deteriorate	34.2%	40.0%	28.9%
Don't Know	1.0%	10.0%	0.0%

**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

Businesses predominantly anticipated sales will remain the same over the next six months (48.5%). 22.8% anticipated sales would increase – however, this is a sharp decline from the previous survey undertaken in November 2007. At that time region was also heading into the Xmas, major events and tourism season – thus a period of anticipated heightened retail sales. Despite this season variation, the May 2008 outcome still reflects a decline based on comparisons with previous years. Approximately 27% of respondents indicated that they believed sales would decline in the coming 6-months.

Sales - Next 6 Months



The following table displays results based on District. Caution should be applied when considering these outcomes due to the smaller sample size – especially in areas such as Stratford.

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

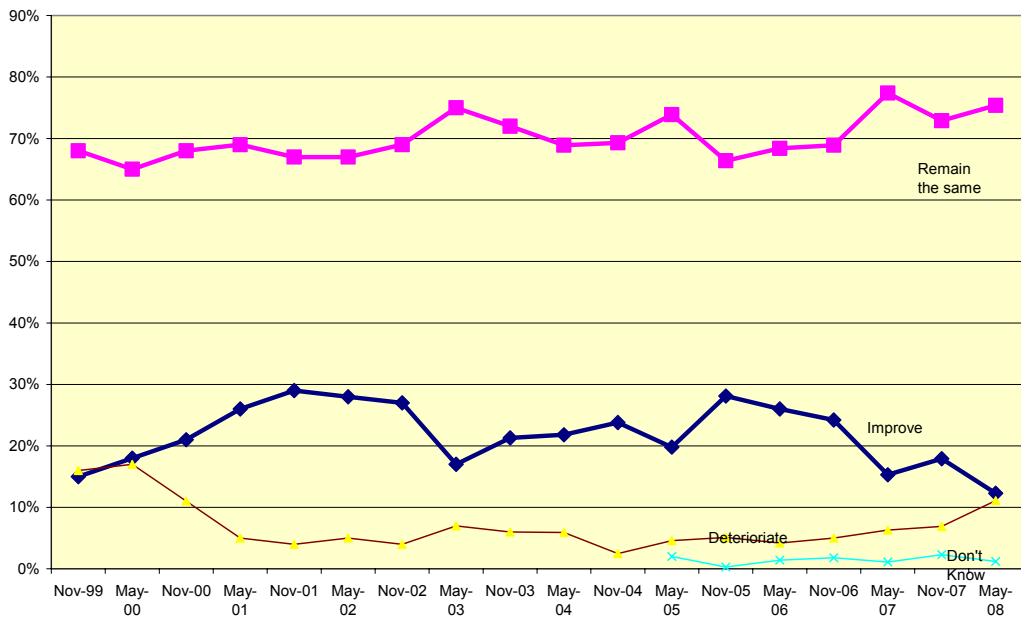
Prediction	NPD	SD	STD
Improve	18.9%	40.0%	20.5%
Remain the Same	47.2%	40.0%	59.0%
Deteriorate	31.1%	20.0%	20.50%
Don't Know	2.8%	0.0%	0.0%

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

5.4 Employment Levels

Respondents were asked whether they expected employment levels to change over the next six months. The majority of respondents (75.4%) anticipated that employee numbers would remain the same, whilst 12.3% anticipated a need to increase employee numbers within their own businesses in the next six months. 11.1 percent of respondents indicated staffing levels would decrease. The balance were unsure/did not know. These outcomes reflect a slight contraction on the employment situation 6 months ago.

Employment Numbers - Next 6 months



The following table displays results based on District. Caution should be applied when considering these outcomes due to the smaller sample size – especially in areas such as Stratford.

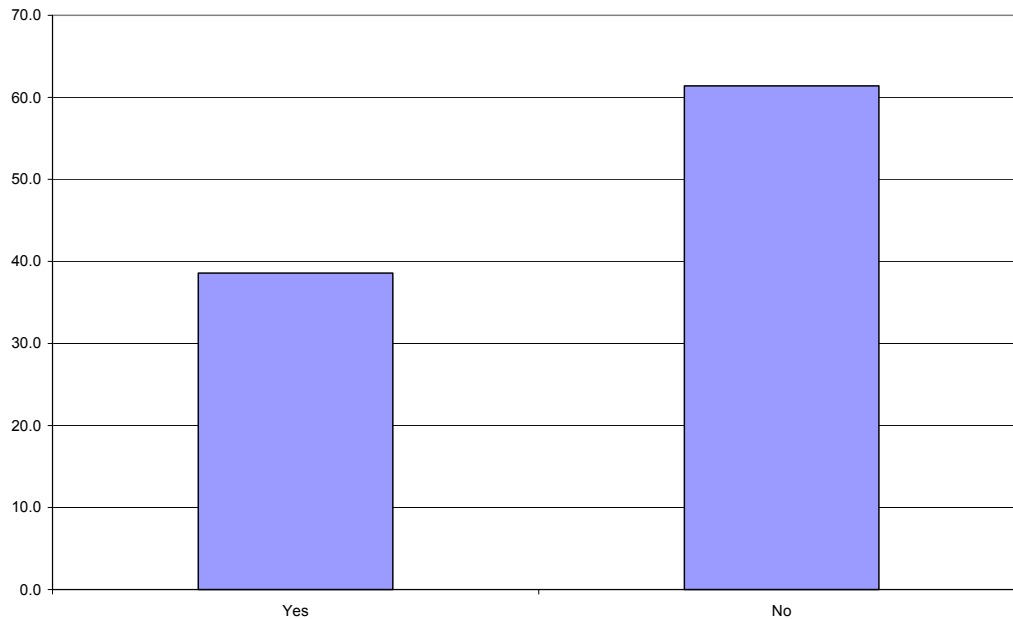
Table 5: Employment Levels: Predictions for the Next 6 Months by District

Prediction	NPD	SD	STD
Improve	11.3%	0.0%	10.5%
Remain the Same	73.6%	90.0%	84.2%
Deteriorate	13.2%	10.0%	5.3%
Don't Know	1.9%	0.0%	0%

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. 38.6 percent stated they were, whilst the balance (61.4%) said they were not.

Experiencing Skill Shortages



This is a decline from the situation 6 months ago as displayed in the following table of comparison:

Skill Shortages	Nov-07	May-08
Yes	46.5	38.6
No	53.5	61.4

A cross section of skill shortages/occupations were cited – teachers, accountants, butchers, gas fitters, lawyers, taxi drivers, teachers, engineers, fitters/turners, nurses, electricians. However many respondents highlighted that they simply wanted experienced people with a good attitude and a willingness to work.

Selected extracts are as follows:

Just finding staff with an IQ more than their shoe size and prepared to do a day's work.

Skilled staff - most are with Methanex or Kupe.

It's very hard currently holding onto employees and staff.

Can not get NZ- trained GP's. We recruit from overseas.

We always find it hard to find skilled employees.

Advertised for staff but no really experienced staff applied.

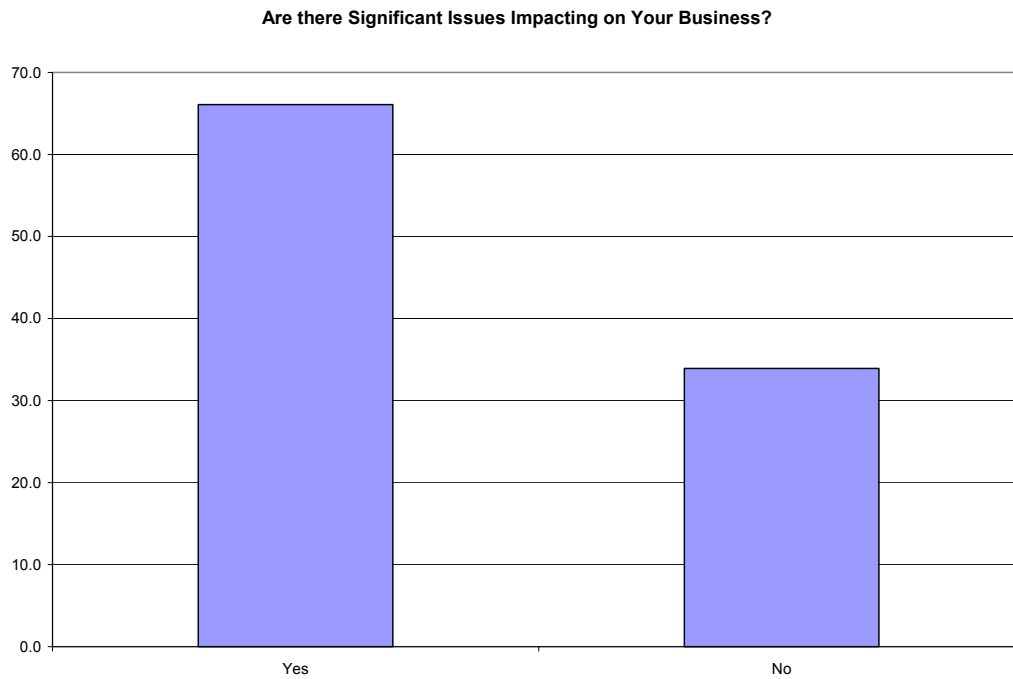
There is a huge lack of suitably qualified accounting staff in Taranaki.

Difficult to recruit motivated young (mid 20's) sales people.

5.6 Issues impacting on Business Profitability at Present

Respondents were also asked whether they were experiencing any significant issues/factors impacting on their business profitability at present.

66.1 percent stated there was, whilst the balance (33.9%) said there were not.



This is a sharp increase from the response 6 months earlier to the same question (In the November 2007 Business Survey). This change is reflected in the following table of comparison:

Are Significant issues Impacting on Business?	Nov-07	May-08
Yes	49.9	66.1
No	50.1	33.9

Costs – especially the price of fuel, was the most frequently cited factor impacting on business profitability at present. Over 25% of respondents specifically raised this issue.

Selected comments from respondents in relation to factor impacting on business profitability and functioning are listed below:

Cheap machines that customers expect us to repair but we can't source parts.

Rising transport costs. Rising wages costs.

Diesel and power prices and materials.

Fuel costs.

High interest rates causing low sales.

General tightening in the economy - fuel, food etc takes away disposable income. I think people are putting their cheque books away. I have.

Isolation, freight costs. Govt charges.

Wage costs have increased as has cost of fuel but our margins are not increasing.

Shortage of work.

Rampant inflation in all areas despite what Central Government says.

Recruitment fees.

Economic climate, interest rates and people have less disposable income, food prices, high dollar Exchange rate.

Staff shortages and NZ dollar.

Trained staff.

Parking meter changes, turn over reduction of 20%.

Courier costs. Raw material - paper.

Inflated prices due to current economy and petrol rises.

Petrol, interest rates, rising food costs, Kiwi saver contributions, rise in minimum wage especially for under 18yrs, difficulty in getting rid of bad staff due to overly friendly employment laws.

Increasing living costs.

Media coverage of recession/impending recession - we have no reason to believe a recession is in effect.

High cost of living impacting on business.

General economic trends, increasing costs and reducing customer spending power.

America exchange rate.

Collapse of finance sector/institutions has impacted on development funding sources for clients.

Lack of staff. Fuel prices increases cut into profit margins, especially when a contract has been quoted.

The general cost of food. People are struggling at present, so eating out is one of the treats they cut out extra spending, therefore effecting the income of food businesses.

Steel price increase.

Compliance costs and general increase in living costs where staff are expecting the employer to be social services.

Cheap imported items.

Fuel margins for retailers. Commission on fuel cards and credit cards.

Finance company liquidations, global credit crunch, economic outlook.

Interest rates and media negativity.

Vehicle fuel costs. Increased capital required to meet rising stock prices.

Interest rates, high fuel costs, present Govt attitudes toward business in general especially small to media business.

MAF is stopping a lot of organic stuff coming into the country.

Compliance costs.

Increased interest rates. Kiwi saver.

Low NZ dollar V Euro.

Less work.

Slower payments.

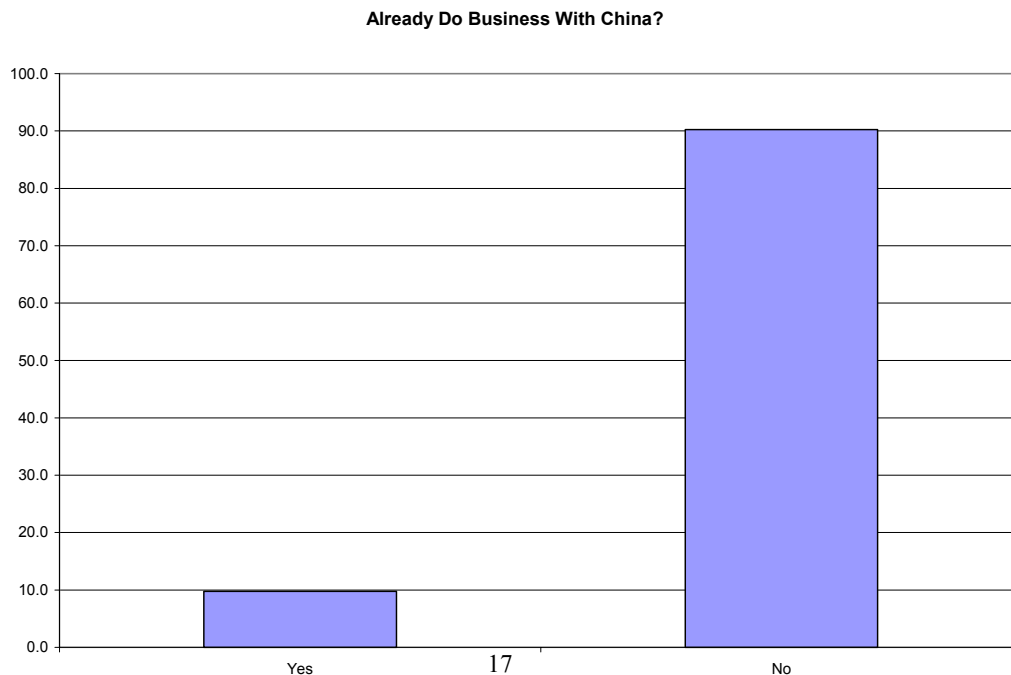
6.0 The New Zealand-China Free Trade Agreement

This section provides survey feedback in relation to the New Zealand-China Free Trade Agreement.

The Free Trade Agreement between New Zealand and China was signed on 7th April 2008. It is a treaty which aims to liberalise and facilitate trade in goods and services, improve the business environment and promote co-operation between the two countries in a broad range of economic areas. Taranaki businesses were asked for their views and opinions on this agreement; whether they supported it and if it would be of benefit to New Zealand, Taranaki and their business.

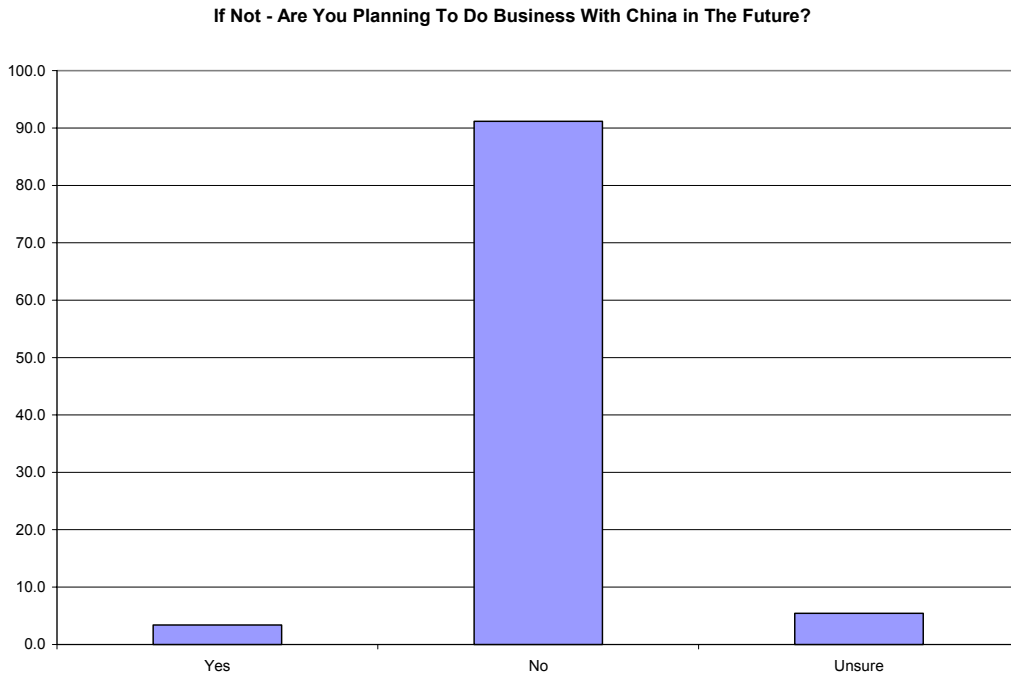
6.1 Do you already do business/have business dealings with China?

90 Percent of respondents did not do business with China. Only 10 percent did.



6.2 If not – are you planning to do business with China in the future?

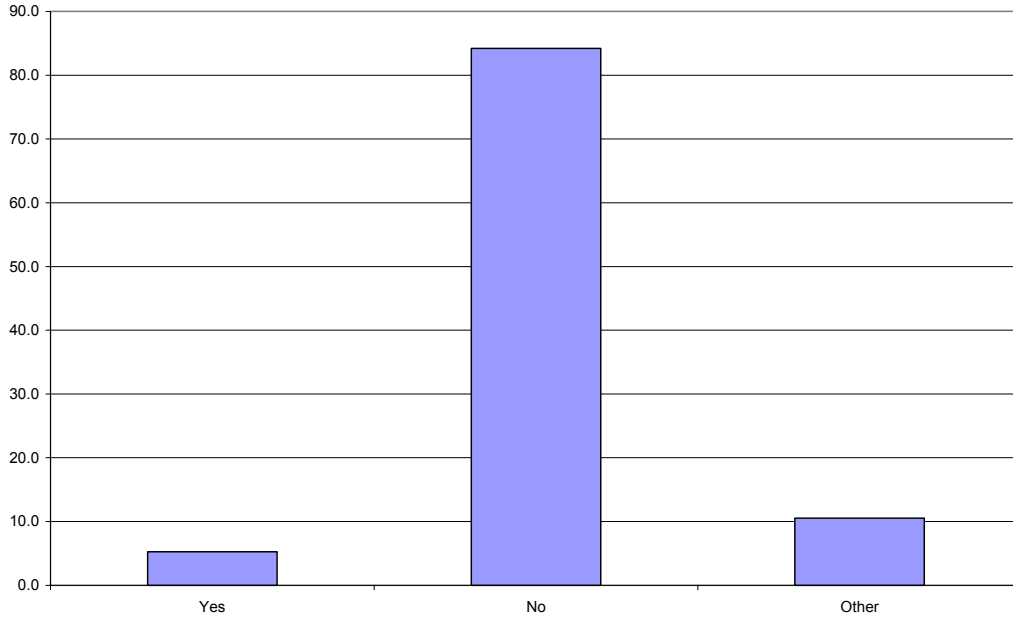
91.2 percent stated they were not planning to do business with China in the future; 3.4 percent said they would whilst 5.4 % were unsure.



6.3 If you are planning to do business with China – has this decision been influenced (or at least partially made) as a result of the NZ-China FTA?

Only 5.3 percent of respondents who planned to do business with China stated that this decision had been influenced by the FTA (or at least in part).

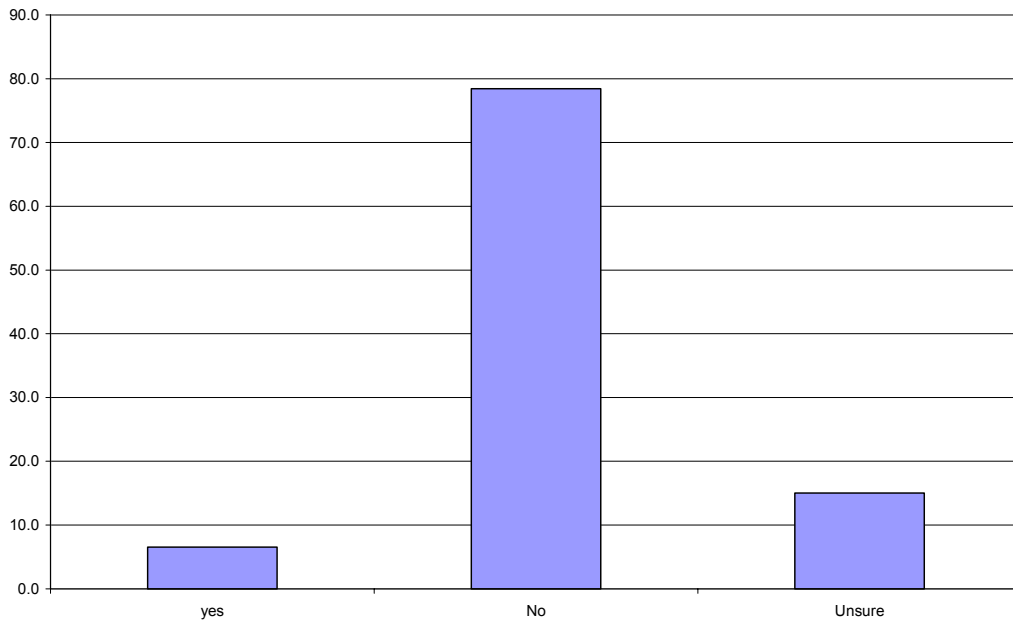
Has This Decision Been Influenced By The NZ-China FTA?



6.4 Do you anticipate your business will benefit directly from the agreement?

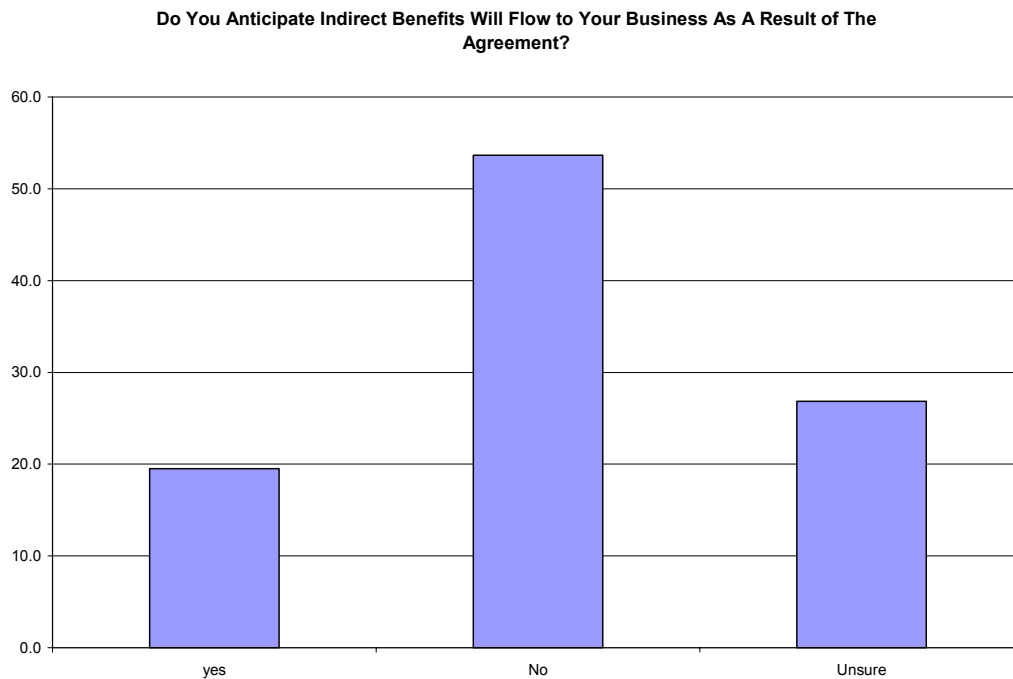
The majority of responding businesses (78.4%) did not anticipate they would benefit directly from the NZ-China FTA. Only 6.5 percent of respondents anticipated they would, with the balance (15.1%) stating they were unsure.

Do You Anticipate Your Business Will Benefit Directly From The Agreement?



6.5 Do you anticipate your business will benefit indirectly from the agreement?

However 19.5% felt that they could benefit indirectly from the Agreement. 53.7% did not believe they would and the balance of respondents were unsure (26.8%).



Comment on the NZ-China Free Trade Agreement

In terms of feedback, businesses provided additional comment on the benefits and/or negative impacts of the Agreement on their business.

Comments and feedback on the positives and benefits included:

Hopefully we will all benefit by increased trade in agricultural products with China.

It may make medical supplies more affordable.

A good thing. Chinese businesses now know NZ exists and will have warm fuzzies for NZ - they still cannot comprehend how small we are as a market.

If we are smart we will sell our strengths e.g. IP and specialist knowledge.

Growth in clients with improved access and use of Chinese resources/manufacturing etc.

Possibly will have flow on affect if dairy product exports to China increase.

More people moving to District. More money in area.

China has ensured the most benefit. However it is an important step in working with and building relations

with such a large and powerful nation.

Chinese tourists

However concerns and negatives were also cited below. Many relate to concerns over cheaper products (which were also perceived to be of poorer quality and made by less qualified/paid labour) and competing against local products:

NZ Govt Policy has priced business into an uncompetitive position in trading with a developing country.

The manufacture of our product is cheaper in China, making it easier for people to buy direct. This will be detrimental to our current business.

Cheap fake imports that are of poor quality. You can't trust the contents. This will impact badly on NZ manufacturers.

We will have to deal with all the shit products they make.

We have already been approached by customers/clients asking us to assure them that we are not dealing with China or Asian products.

If imported product, the same as we make keep arriving - we are finished.

Too much one way for China benefit.

There will be little benefit that I see

I hope there won't be a flood of cheap goods dropped into our market.

This is a dumb decision as we are already seeing foreign imports from China that are putting New Zealanders at risk.

Chinese clients are not a population priority.

It will impact on our existing NZ based trade suppliers and push down profitability.

Cheap imported items coming into the country. We are unable to manufacture goods to compete.

The cheaper goods that will be available from China will impact on our industries heavily.

Cost may come down with quality.

The quality of manufactured products is the cause of considerable safety hazards hence of great concern.

Products we manufacture have to compete with possibly cheaper imports of similar or similar.

An FTA with a country that has a low cost structure and no ethics on patents etc can not be good.

Will not benefit the greater number of NZ businesses.

Flooding of cheap goods which will not meet stringent NZ regulations.

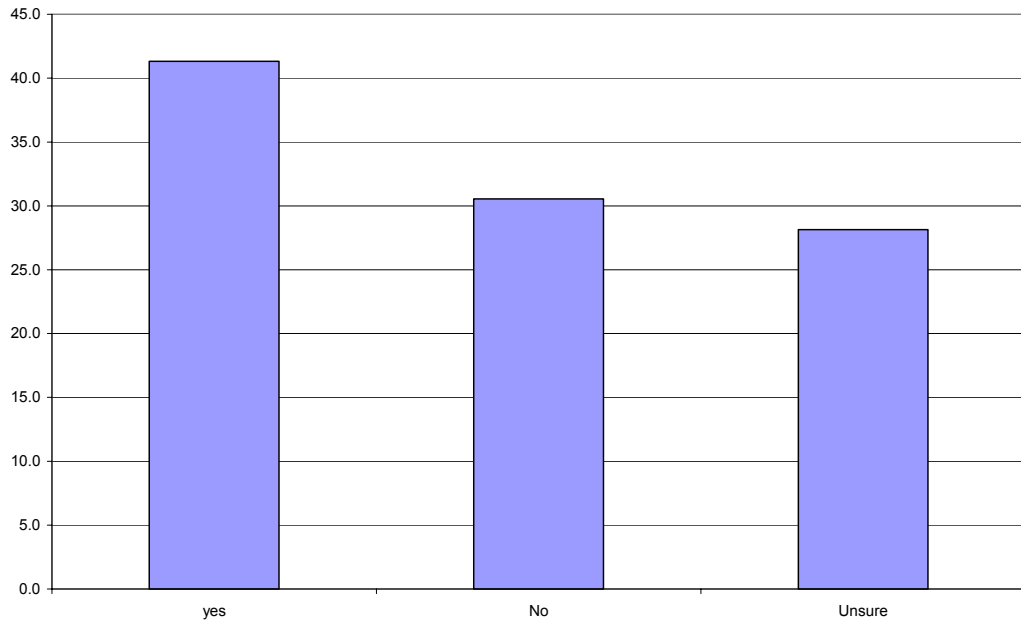
Will make it harder for us to compete in the industry due to the use of unskilled labour and cheaper/poorer quality materials.

Labour will not be to NZ standards.

6.6 Do you support the signing of the NZ-China FTA?

Support for the signing of the agreement was split. 41.3 Percent supported the signing of the NZ-China FTA; 30.5% did not; with the balance unsure.

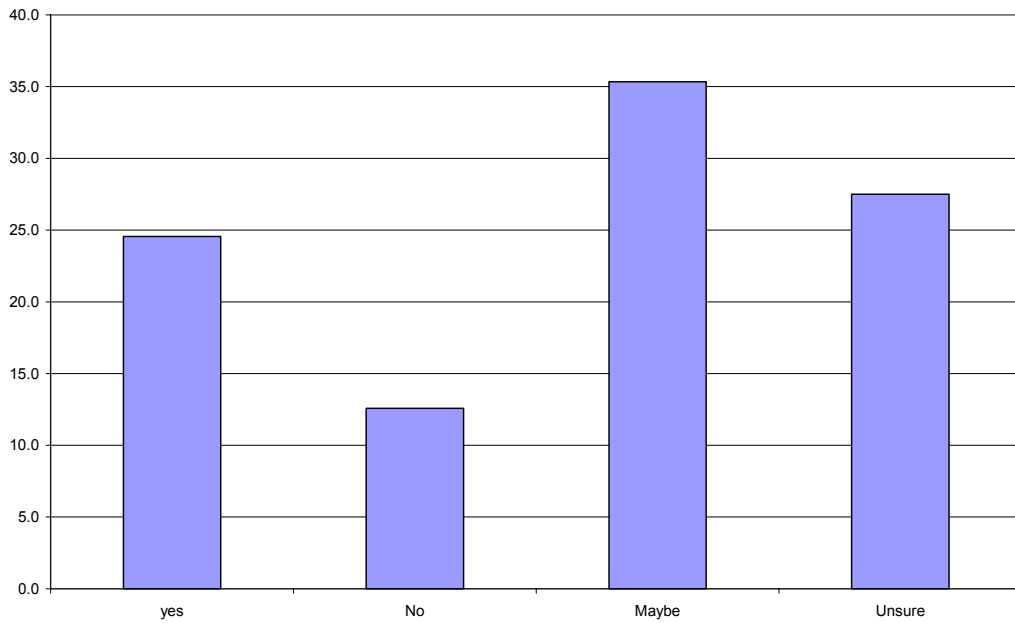
Do You Support The Signing Of The NZ-China FTA?



6.7 Will the Taranaki Region benefit from the signing of the NZ-China FTA?

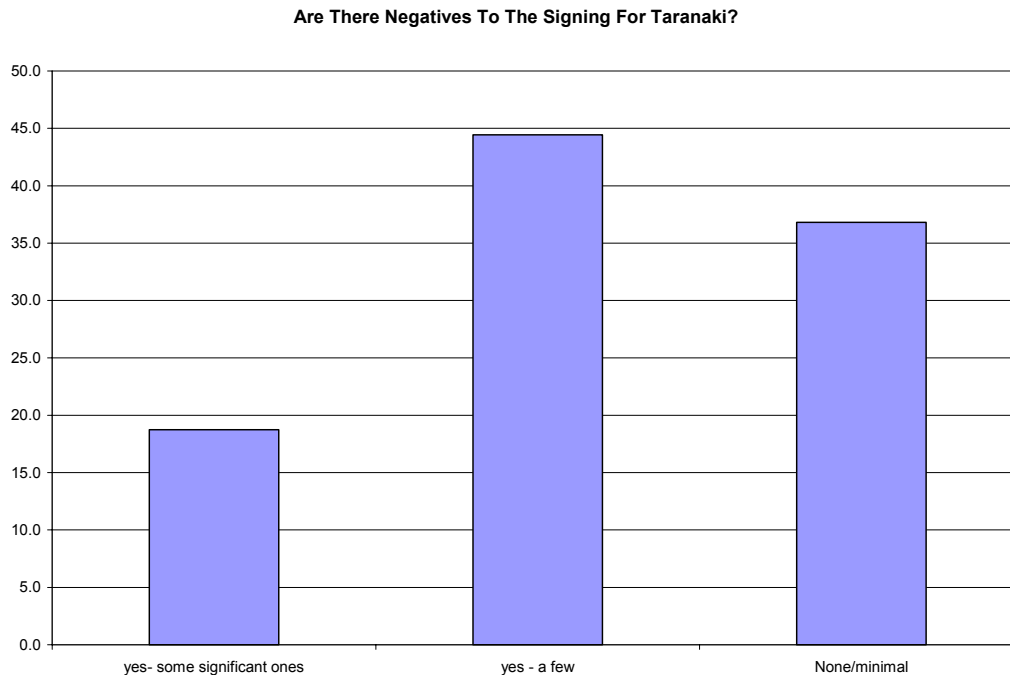
Anticipated benefits for Taranaki as a result of the Agreement also generated a mixed response from respondents. 24.6% believed the region would benefit; 12.6% did not believe the region would benefit; 35.3% felt it might (maybe); whilst the balance stated they were unsure (27.5%).

Will Taranaki Benefit From The Signing of the NZ-China FTA?



6.8 Are there negatives/a downside to the signing of the NZ-China FTA for Taranaki?

18.8 percent felt there were some significant downsides for Taranaki as a result of the Agreement; 44.4% believed there were some (a few); whilst the balance (36.8%) felt there were few/minimal negatives for the region.



Comments in relation to the NZ-China FTA On Taranaki

Some respondents felt the proposal was positive for the region. Extracts from survey forms are documented below:

Some will be losers, but farming could benefit.

Has to be all good.

China may be a stronger competitor in business but it is also a huge developing market which we need to pursue.

Positive for most businesses, primary sector and consumers.

Long term should improve the prosperity of Taranaki.

May enhance competition in the heavy engineering sector from China. May bring in more English language learners.

Maybe retail sales will be up if goods from China are cheaper.

For our industry the lower duty has a significant benefit. The flow on for us and for Taranaki is more employment from us and bringing into Taranaki extra funds.

More Chinese immigrants.

Collaboration and co-operation with global powers has risks but they are worth taking.

*Returns for farmers may improve as export markets open up.
Good impact for dairy. Some worries with Chinese intentions.
Has to be better as price rises are out of control - fuel has a big impact on everything.
Perhaps Port Taranaki will benefit through extra cargo.*

However other respondents emphasized the potential negatives and downsides for the Taranaki from the Agreement.

*Effect on manufacturing who will have more competition from Chinese imports.
Very little impact on the region.
Morally not that great.
Any manufacturer should be worried. We may see more operations move to China.
I am concerned with doing business with a country where they put profit over health and safety and where they don't have the same checks as we do in NZ.
The major benefits will be received by China not NZ. As with any Agreement the strongest receives the most. The impact of importing cheap Chinese labour on a large scale should be of concern to everyone.
Cheap imports could impact local manufacturers.
Risk of imports carrying environmental downsides - NZ becoming more bicultural - losing its own culture/identity to other cultures taking stronghold.*

Businesses also highlighted they were unsure, felt they lacked adequate information to make an assessment and/or it was too soon to know with any certainty what the impact will be for Taranaki.

Selected extracts from the survey respondents are as follows:

*Unsure of the impact on Taranaki. Any +'s and -'s may balance out in the end.
Some industries will experienced a downside or finish altogether. Some will benefit.
Unsure. Not enough details have been released.
Have not had enough time to study up on it to be able to comment.
Not sure - need to look for positives and learn to understand China more. It will have an impact - just don't know how.
Wait and see.*

7.0 CONCLUSIONS

Outcomes from the May 2008 survey highlighted:

- In terms of the New Zealand economy, the majority of responding businesses (53.2%) predicted that general business conditions in New Zealand would decline; 11.1% anticipated conditions would improve, whilst the remainder predominantly expected conditions to remain the same.
- The majority of respondents (47.3%) anticipate stable industry conditions in the months ahead. However 32.5% still anticipate conditions will contract, whilst only 18.3% foresee improvement. The balance were unsure.
- The agriculture industry and the oil/gas industry are the most optimistic sectors; the retail industry was the most pessimistic.
- Businesses predominantly anticipated sales will remain the same over the next six months (48.5%). 22.8% anticipated sales they would increase – however this overall trend reflects a contraction on previous years.
- The majority of responding businesses (75.4%) anticipate employee numbers will remain the same in the coming 6-months. Although 12.3% believe they will increase, this outcome reflects a slight contraction on the employment situation 6 months ago.
- Although 38.6% of businesses reported they were experienced skill shortages and/or difficulties recruiting staff, this result reflects a decline from the situation 6-months ago when 46.5 % stated they were experiencing such problems.
- Of greater significance in the minds of Taranaki businesses are factors impacting general business growth and profitability. 66.1 percent of respondents stated that growth was now being significantly impacted by economic and business factors – a result significantly up on the previous survey (49.9%). Rising costs – especially fuel - was the most cited reason. Other explanations included wages, cost of living, unfriendly Government policies, the exchange rate, costs of supplies such as steel, problems with skills/labour.

In terms of Taranaki businesses views in relation to the New Zealand-China Free Trade Agreement (NZ-China FTA), survey recipients provided the following feedback:

- Overall, support for the signing of the NZ-China FTA Agreement was split. 41.3 percent of respondents supported the signing of the NZ-China FTA; 30.5% did not; while the balance (28.2%) unsure.

- Of those who responded to the survey, 90% did not currently do business with China. Only 10 percent did.
- Of those who were not currently doing businesses with China, 3.4% said they were planning to do so in the future. The balance, however, were not anticipating entering into any new trade arrangements.
- Of those who intended to do business in the future with China, only 5.3% stated this decision had been influenced (or in part) by the China Agreement.
- In terms of feedback from all survey respondents, the majority (78.4%) did not anticipate they would benefit directly from the NZ-China FTA.
- However 19.5% of businesses felt that they could benefit indirectly from the Agreement. 53.7 percent did not believe they would, whilst the balance of respondents were unsure (26.8%).
- Would Taranaki benefit from the NZ-China FTA? The response was mixed. 24.6 percent believed the region would benefit; 12.6% did not feel it would, 35.3% thought 'maybe' whilst the balance stated they were unsure (27.5%).
- Were there negatives for Taranaki which could flow from this Agreement? 18.8 percent believed that there were some significant downsides for the region; 44.4% believed there were a few; whilst the balance of respondents (36.8%) anticipated there were few/minimal negatives to the Region from the signing of the Agreement.
- The anticipated positives which could flow to business and/or the region included potential gains for the agriculture/dairy industry, opportunities for the port, tourism and education as well as general leverage for businesses as a result of doing trade with a much larger country-economy.
- However negatives included concerns that cheap, low quality imports could flood into the country/region. These were anticipated to have less rigorous manufacturing and labour standards. It could impact upon the competitiveness of local and national businesses. Some respondents also believed that the gains which stemmed from the treaty were more in favour of China and less to the benefit of New Zealand and/or local business.

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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