



TARANAKI BUSINESS SURVEY

August 2009

Report prepared for
Venture Taranaki

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1.0 Executive Summary

This report summarises the results of Venture Taranaki's mid-2009 survey of Taranaki businesses. The purpose of these six-monthly surveys is to monitor the local economic climate and key issues that affect businesses. 207 Taranaki businesses participated in the survey.

This edition specifically investigated the views of Taranaki businesses on the state of the national and regional economy, their experiences in relation to the global financial situation and some of the government responses to the recession and perceptions about the Taranaki region.

Some of the key findings in the survey were:

- 38 percent predicted that general business conditions in New Zealand would decline, 22.9 percent anticipated conditions would improve while the remainder expected conditions to remain the same. This shows greater optimism than the November 2008 survey when 65.5 percent of respondents believed conditions would deteriorate.
- 31.4 percent of businesses anticipated industry conditions will deteriorate in the months ahead. 23.7 percent anticipated improvement, and 41 percent believe stability will prevail.
- Businesses predominantly anticipated sales will remain the same over the next six months (41 percent). 24.8 percent anticipated sales would increase.
- The majority of responding businesses (69 percent) believe that employee numbers will remain the same over the coming six months.
- Only 18 percent of businesses reported they were experiencing skills shortages and/or difficulties in recruiting staff. In November 2008 31.7 percent reported skills shortages or difficulties.

Key factors impacting on general business growth and profitability include the price of commodities such as electricity, fuel and wages, as well as government regulations.

In terms of the current global financial situation and its impact on New Zealand, 23 percent of respondents believed it was having a serious impact and 54.4 percent a reasonable impact. Only 1 percent of respondents believe it had no real impact. These numbers are similar to the last survey in November 2008.

In terms of impact on Taranaki, only 7.4 percent of respondents believed it was serious, again similar to the last survey. However, 49 percent felt there was a reasonable impact and 40.7 percent stated that there was some impact but Taranaki

was reasonably protected from the situation. Only 2.6 percent of respondents believed the global financial situation had no real impact.

In relation to their own businesses, 7.5 percent of Taranaki respondents stated that the global financial situation was having a very negative impact on their business whilst 50.7 percent described the situation as moderately negative. 34.3 percent felt the situation was having no real impact. These results are relatively similar to those reported in the previous survey.

A key difference from the previous survey however, is the decline in proportion of respondents who believed actions should be taken by the Government in relation to the global financial crisis. Whereas in November 2008 76 percent of respondents believed the Government should be responding to the situation, in May/June 09 this has almost halved to 40 percent.

Recovery is perceived by many respondents to be some time off – possibly not until post 2010.

Survey participants were asked about how they believed the region was perceived by those living in other regions. Provided with a list of items, respondents ranked Taranaki's work-life balance as being perceived the most favourably (mean score = 4.2/5) and our roading infrastructure as the least positive attribute (mean score = 3.0/5).

2.0 Introduction

Venture Taranaki is the Taranaki region's development agency. Comprising of integrated teams working across economic and business development, tourism, events and marketing, Venture Taranaki is a council controlled organisation of the New Plymouth District Council.

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.

Venture Taranaki would like to acknowledge the New Plymouth District Council and Taranaki businesses for their ongoing support of this initiative.

3.0 Methodology

The Venture Taranaki Business Survey is undertaken every six months in May/June and November/December. 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 made to ensuring the sample is representative of both industry sector and geographic location. The survey questionnaire comprises two sections - a standard economic section and a special topic section. The special topic for this survey asked businesses for feedback concerning the Global Financial Crisis and the Government's response to this.

There are approximately 8,630 businesses operating in the Taranaki region, excluding farms (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 percent
Stratford	753	9 percent
South Taranaki	1,960	23 percent

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 207 completed survey forms were received by the close-off date. This equates to a response rate of 21 percent. The survey aims to achieve a confidence level of 95 percent (plus or minus 5 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 5 percent confidence interval is relevant to overall results and not at industry and district level. Due to the larger interval at industry or district level, care should be taken when interpreting some results.

4.0 Respondent Profile

Of those businesses who responded to the survey, 62 percent were located in the New Plymouth District, 24.2 percent in South Taranaki and 6.8 percent in Stratford. The balance operated from branches located throughout Taranaki (or didn't identify a location).

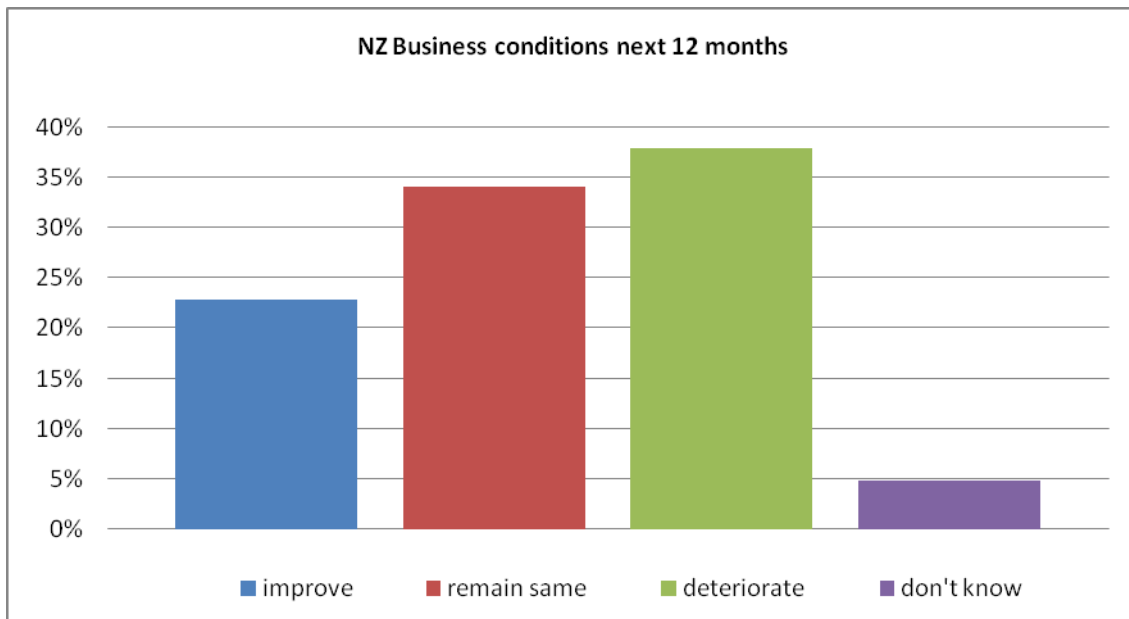
A total of 23 percent of respondents considered their primary business operation as 'retail and wholesale trade' while 12 percent reported they operated in the 'property, business, finance, insurance services' sector. 11.5 percent identified themselves as 'manufacturing' businesses, 11 percent in community/Government/personal services and 12.6 percent as building/construction. All other industry sectors each comprised less than 10 percent of respondents.

The majority of businesses (38 percent) reported having between one and four staff, 17.4 percent had between five and nine staff, and 17.4 percent had between 10 and 19. The remaining 27.2 percent of businesses have 20 or more people working in the business.

5.0 Economic Findings

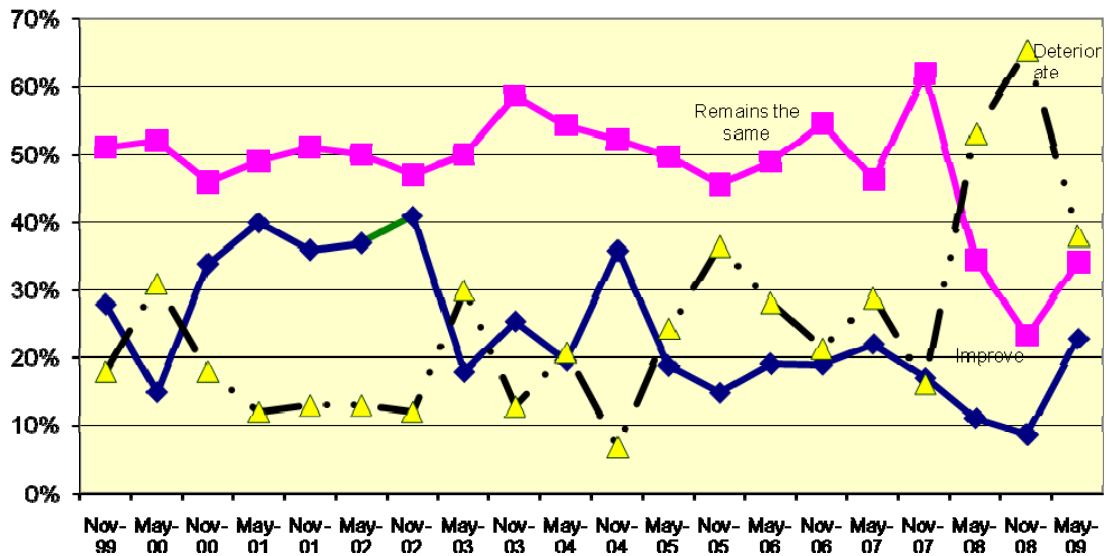
5.1 New Zealand Wide Business Conditions

Respondents were asked to predict the general business outlook for New Zealand over the next 12 months. The majority of responding businesses (38 percent) anticipated that general business conditions in New Zealand would decline; 23 percent believed conditions would improve, whilst the remainder predominantly expected conditions to remain the same.



Relative to the situation 6 months previously (November 2008), this reflects increasing optimism (or fewer pessimists). As highlighted in the following graph, the percentage of respondents predicting deterioration has declined from 66 percent (Nov 08) to 38 percent (May 09); those anticipating the NZ economic climate will remain the same has increased from 23 percent (Nov 08) to 34 percent (May 09); those predicting improvement has also increased (from 9 percent - Nov 08 to 23 percent - May 09).

General NZ Wide Conditions Next 12 months



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

Prediction	NPD	SD	STD
Improve	24 %	21 %	18 %
Remain Same	37 %	36 %	30 %
Deteriorate	33 %	43 %	46 %
Don't Know	6 %	0 %	6 %

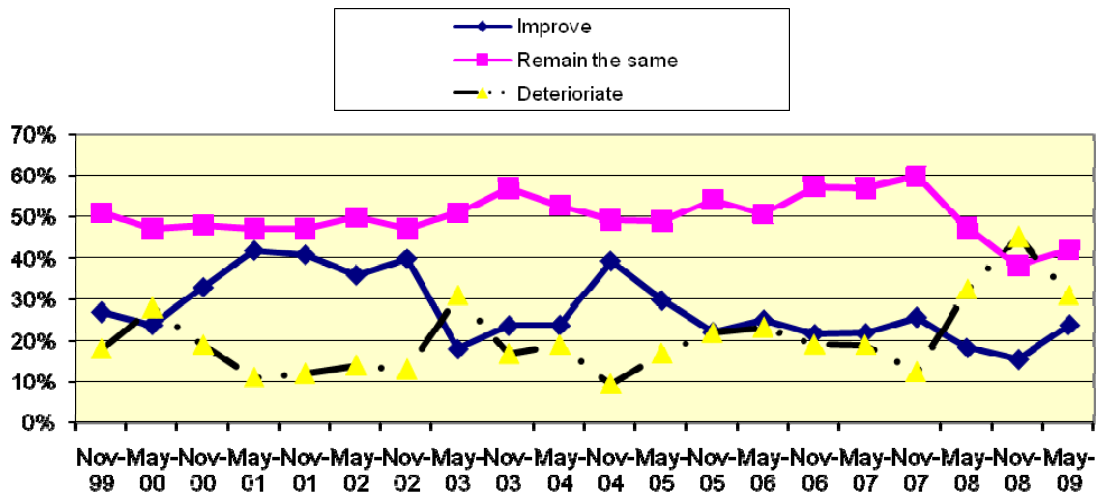
*The above table displays results based on District. Although it indicates New Plymouth District is most optimistic, followed by Stratford and then South Taranaki, caution should be applied when considering these outcomes due to the smaller sample size of respondents.

5.2 Industry Conditions

Respondents were asked to predict conditions for the coming 12 months with respect to their own industry sector.

23.7 percent believed conditions would improve and this presents a more optimistic picture than November 2008 when 16 percent predicted improvement. 41.5 percent anticipated conditions would stay the same relative to 38 percent 6 months previously. 31.4 percent expected a deterioration of conditions which is less than the previous survey of November 2008 when 45.5 percent of respondents believed conditions would deteriorate.

Industry Conditions



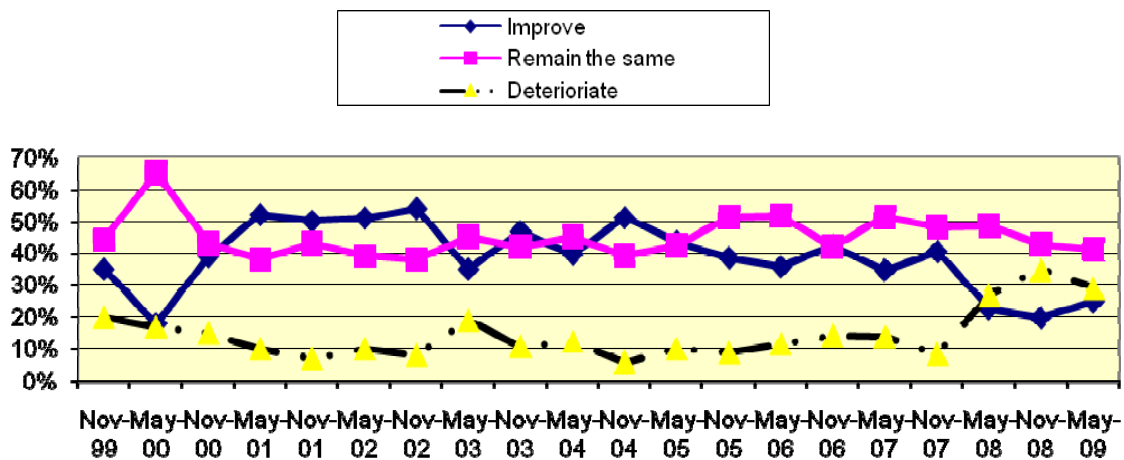
Industry Conditions: Predictions for the Next 12 Months by District

Prediction	NPD	SD	STD
Improve	27 %	21 %	16 %
Remain the Same	42 %	36 %	48 %
Deteriorate	27 %	36 %	36 %
Don't Know	4 %t	7 %	0 %

*The above table displays results based on District. Although it indicates New Plymouth District is most optimistic, followed by Stratford and then South Taranaki, caution should be applied when considering these outcomes due to the smaller sample size of respondents.

5.3 Sales/ Customer Levels

Sales Outlook - next 6 months



41 percent of businesses anticipated sales would remain the same over the next six months. 25 percent anticipated sales would increase (compared with 20 percent in Nov 2008). Approximately 29 percent of respondents indicated sales would decline in the coming 6-months which is less than the 35 percent recorded in the last survey. As highlighted in the following graph, a slightly more optimistic picture was recorded for May/June 09.

5.4 Employment Levels

Respondents were asked whether they expected employment levels to change over the next six months. The majority of respondents (69 percent) anticipated that employee numbers would remain the same, whilst 13 percent anticipating a need to increase employee numbers within their own businesses in the next six months. 16 percent of respondents indicated staffing levels would decrease. The outcome indicates overall employment levels are likely remain at similar levels, with some companies taking on additional staff, and others reducing in the coming 6-months.

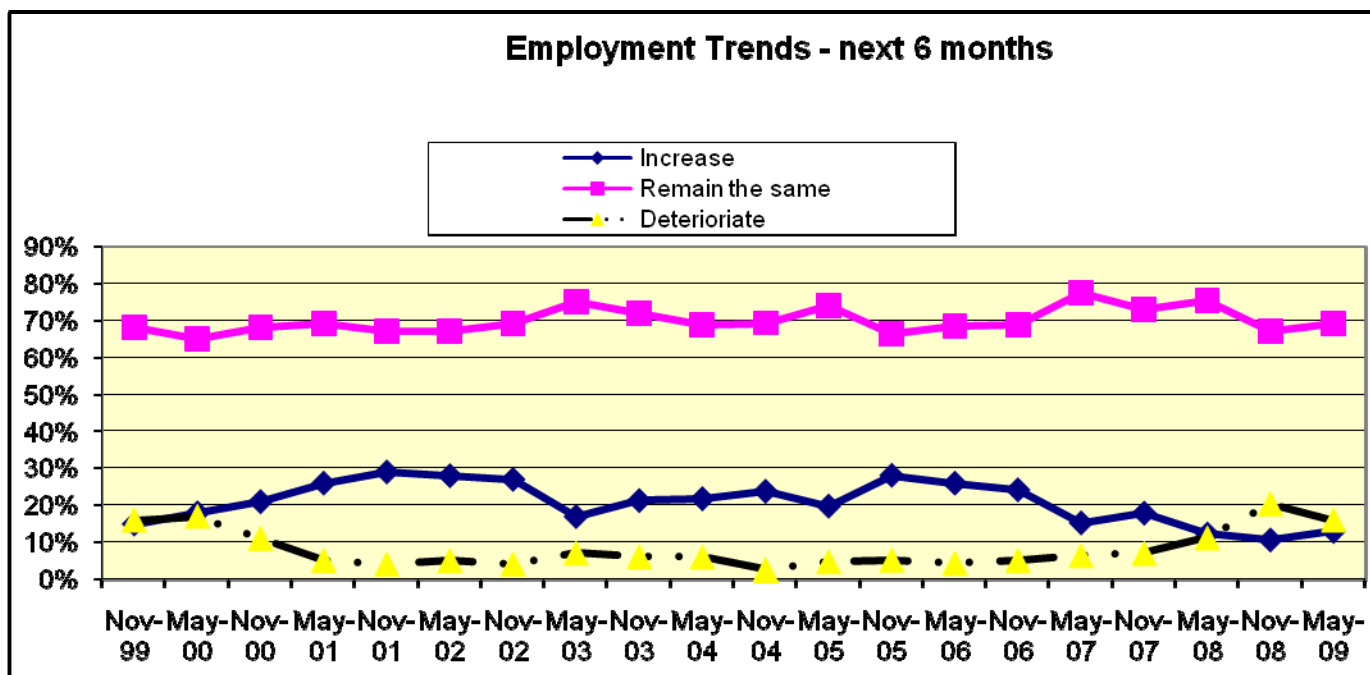


Table 4: Employment Levels: Predictions for the Next 6 Months by District

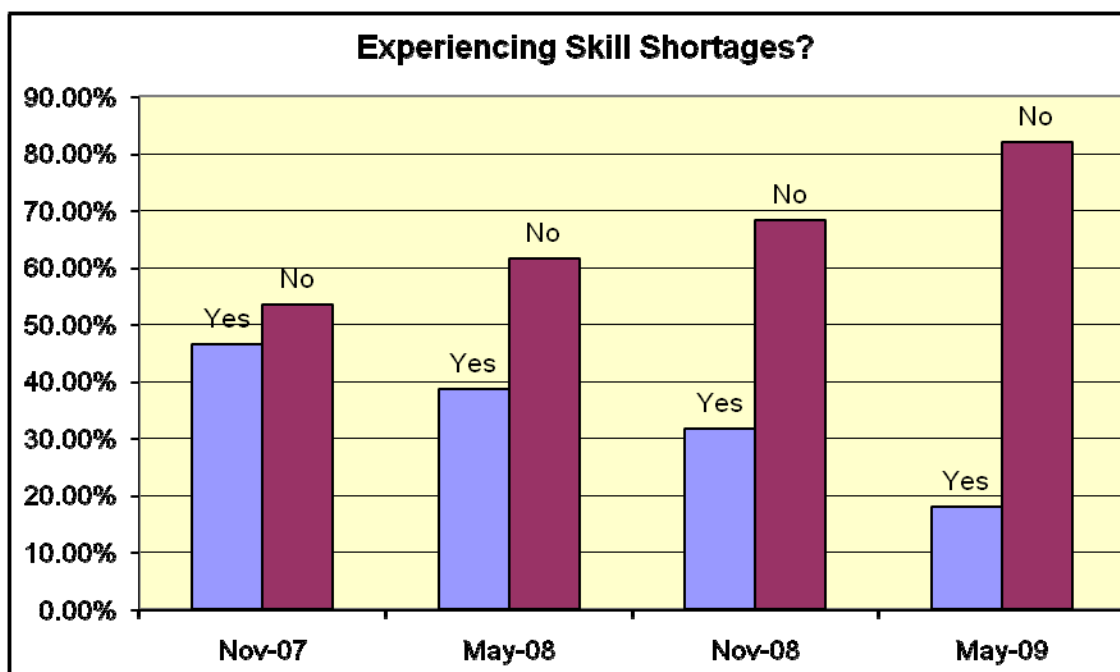
Prediction	NPD	SD	STD
Improve	14 %	14 %	10 %
Remain the Same	72 %	50 %	68 %
Deteriorate	12 %	35 %	20 %
Don't Know	2 %	0 %	2 %

*The above table displays results based on District. Although it indicates New Plymouth District is most optimistic, followed by Stratford and then South Taranaki, caution should be applied when considering these outcomes due to the smaller sample size of respondents.

5.5 Difficulties finding skilled staff

Respondents were asked whether they were experiencing any significant skill shortages and/or difficulties recruiting appropriate staff. 18 percent stated they were, whilst the balance (82 percent) said they were not.

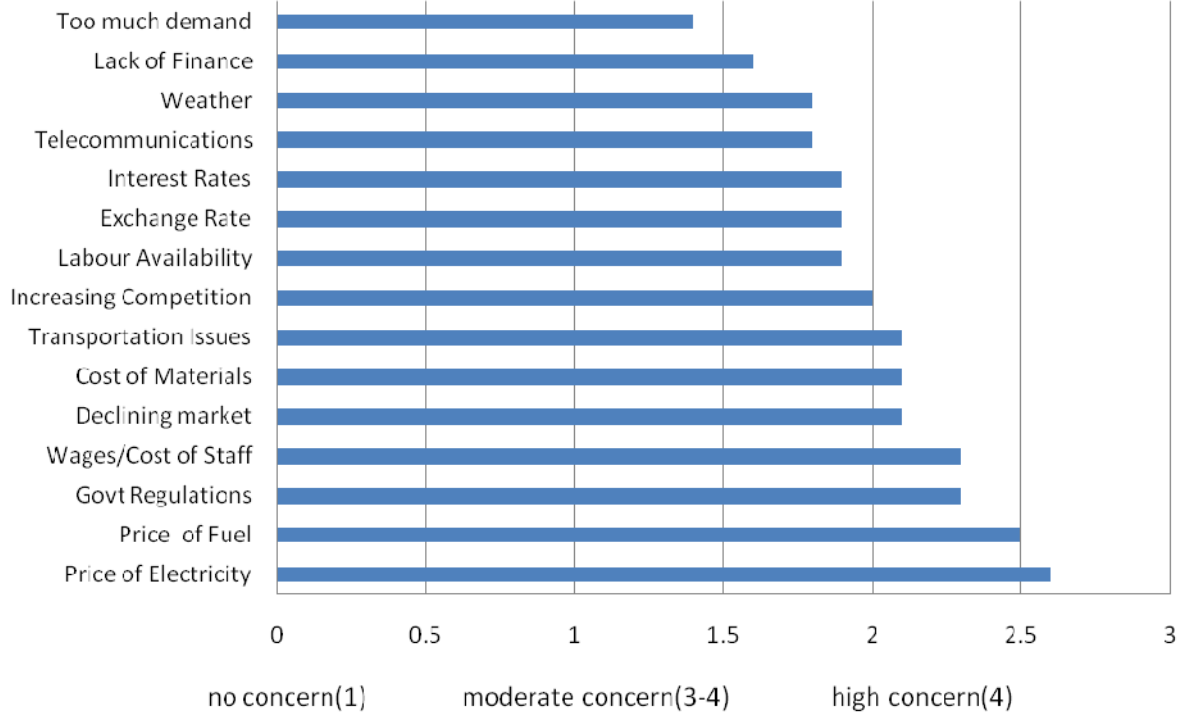
As highlighted in the following graph, the proportion of respondents experiencing skill shortages has decreased. In November 2007 in the past 1.5 years, 47 percent of respondents stated they were experiencing skills shortages (relative to 18 percent in May 09 the current survey).



5.6 Factors impacting your business

Respondents were asked to rank (1= no concern; 4= high concern) from a provided list, the extent that various factors were impacting upon their business. As indicated below, of highest concern were items such as the price of electricity and fuel. Of lowest concern was too much demand and lack of finance.

Factors impacting your business



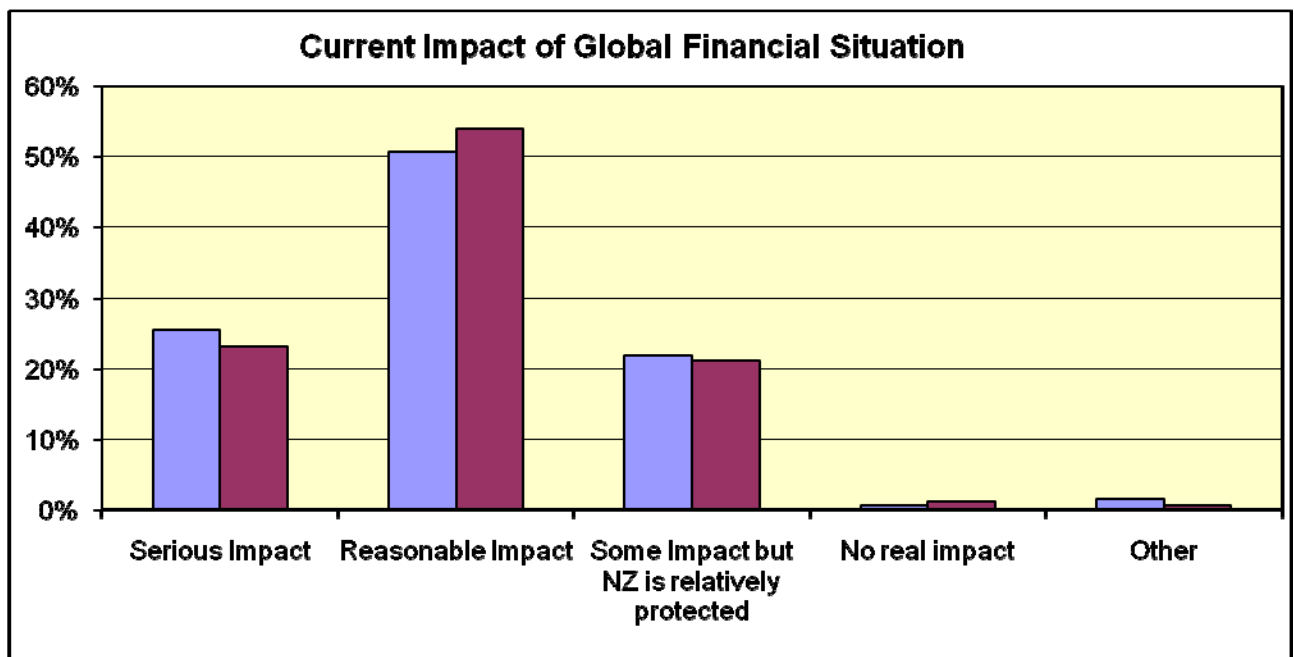
6.0 The Global Financial Crisis

Businesses were asked about the impact of the global financial situation on the New Zealand economy, Taranaki economy and their own business. As similar questions were also asked in the previous survey, comparisons could be made.

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

In the May 09 survey 23 percent of respondents believed that the Global Financial Crisis (GFC) was having a serious impact on the New Zealand economy (compared with 25 percent in Nov 08); 54.4 percent felt it was having a reasonable impact (51 percent in Nov 08); 21.1 percent stated there was “some impact but NZ is relatively protected” (22 percent in Nov 08).

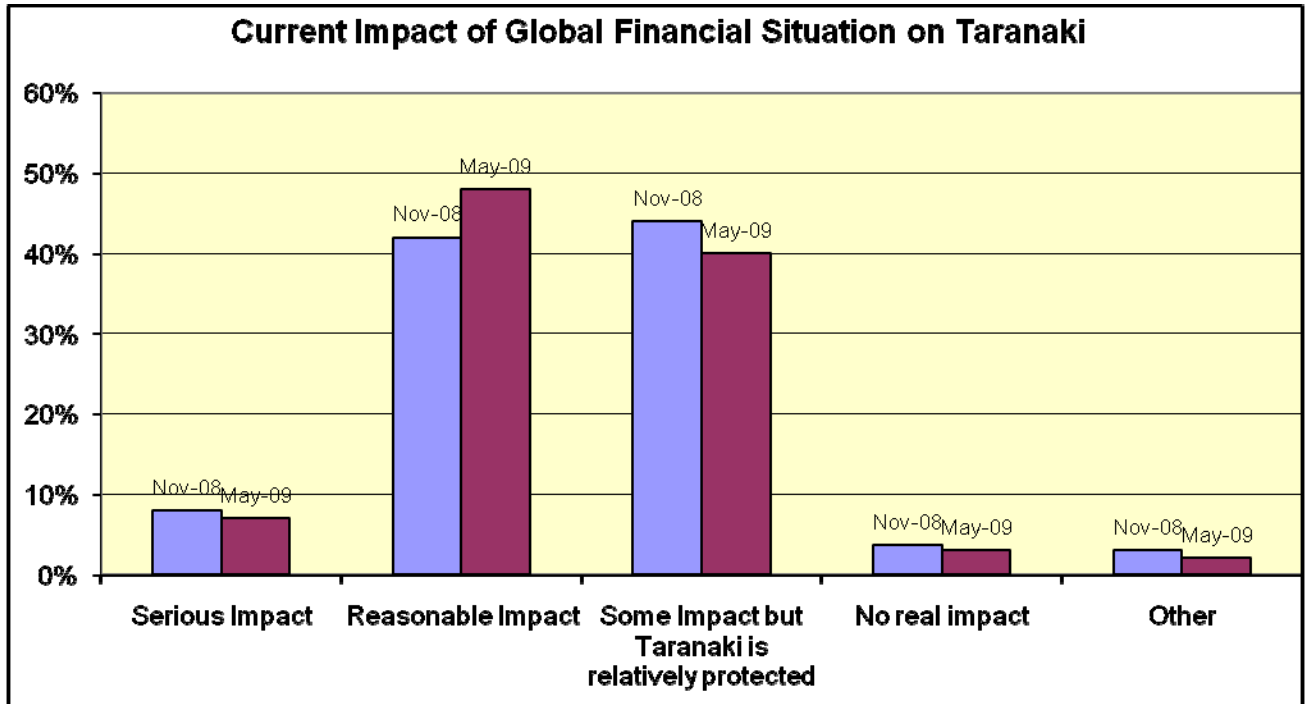
Overall the result was similar to the previous survey.



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 7.4 percent of respondents believed it had a serious impact on the Taranaki economy; 49 percent felt it was having a reasonable impact; 40 percent stated that there was some impact but Taranaki was reasonably protected from the situation. 2.9 percent of respondents believed it had no real impact.

These outcomes are similar to the results from the previous survey, although it appears that more respondents now believe Taranaki is being affected (and not as protected from) the global financial crisis.

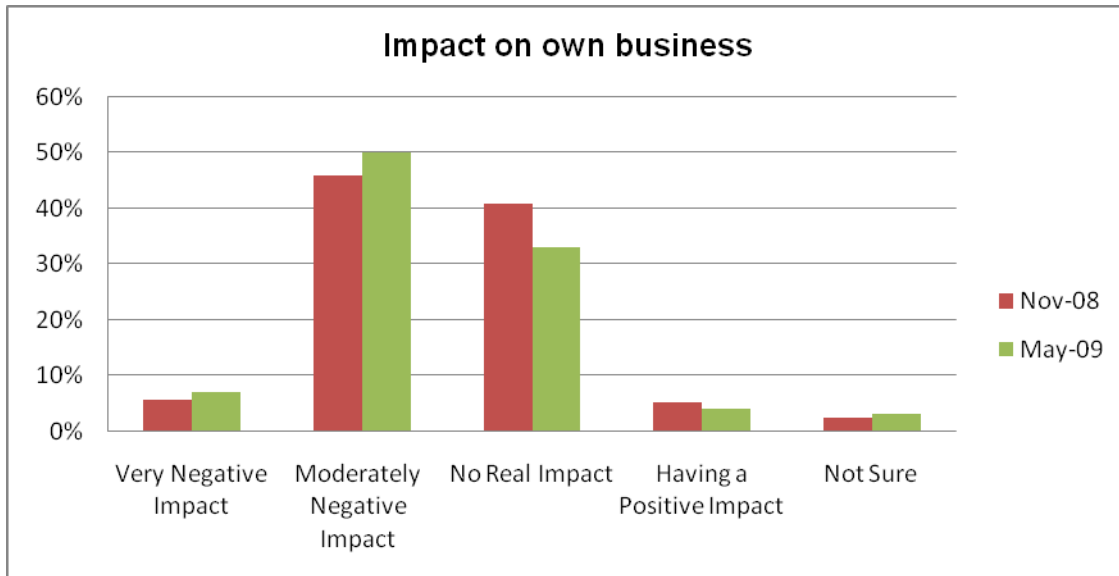


6.3 Is the global financial situation having an impact on your business?

7.5 percent of respondents stated that the global financial situation was having a very negative impact on their business (compared with 6 percent in Nov 08). 50.7 percent indicated it was having a moderate impact (46 percent in Nov 08), whilst 34.3 percent of respondents believed it was having no real impact (41 percent in Nov 08).

4 percent of Taranaki businesses mentioned that the financial situation was actually having a positive effect on their business (5 percent in Nov 08).

These results appear similar to the outcomes from the previous survey, although it suggests that Taranaki business respondents are now feeling the effects of the recession slightly more directly than may have been the case 6-months ago.



Comments from businesses included:

“Fewer visitors are evident. Customers are spending less”.

“No money for non-urgent work “

“The export sector is affected. Govt spending affected”

“Work load is down. Customers not ready to commit to projects”.

“No spending on non-essential items like gardens”.

“We produce and pack eggs. People always buy eggs. People are doing more home cooking”.

“Payments are coming in later and clients are asking for more time extension. There are less tender opportunities as companies are putting work on hold. More time spent on revising downwards quotes at customer’s requests”.

“We are still busy - 5 days a week”

“There has been a drop off of export sales and this necessitated a reduction in staff by 20 percent”

“Compared to last year this year is showing an improvement”.

“There will be more impacts within the next 12 months as it flows through the agriculture industry. Prices are being driven down by lack of demand for products”.

“People are having clothes repaired rather than buying new”

“There is a lower level of disposable income for dairy farmers”

“Very few new investments or investors”

“One area of the business is insulated but our property arm is being impacted as the squeeze hits our offshore clients.”

“The Tyre business will proceed as normal as will all other auto industry trades”

“Farmers are being more frugal with their spending, waiting to see what happens”.

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

Respondents were asked whether there should be action taken at the national level in response to the GFC.

40 percent stated there should be actions taken at a national level in response to the financial situation – a result which is down from the Nov 08 result when 76.3 percent was reported. 60 percent felt in the May/June 09 survey that nothing should be done (more than 23.7 percent reported in Nov 08).



6.5 To what extent do you support/not support the following central Government initiatives in response to the Global Financial Crisis?

The Government has already launched a series of initiatives in response to the global financial situation.

These include:

- Bringing forward infrastructure projects
- Construction of The NZ cycle way
- Introduction of the nine-day fortnight
- The funding of a guarantee scheme
- Additional tourism funding for Australian initiatives

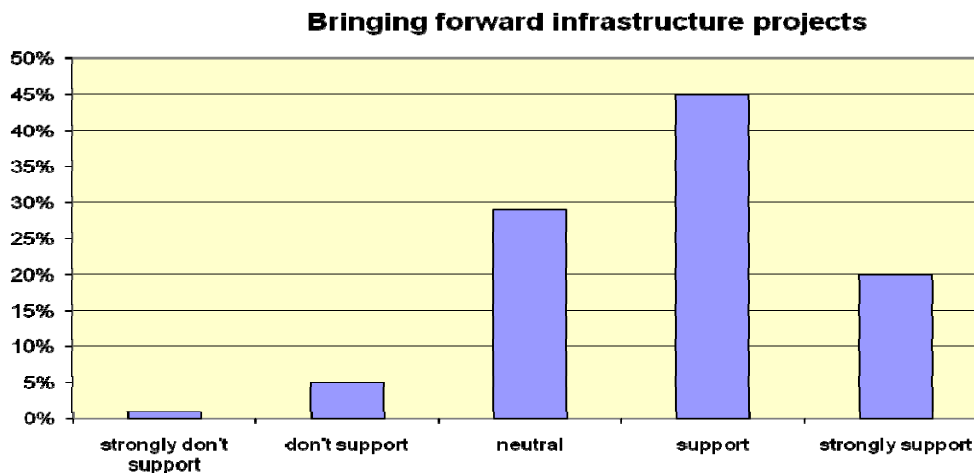
Respondents were asked to indicate the extent of their support for these initiatives.

Initiatives viewed more positively included bringing forward infrastructure projects and additional tourism funding to encourage more off shore visitors from Australia.

Full results are as follows:

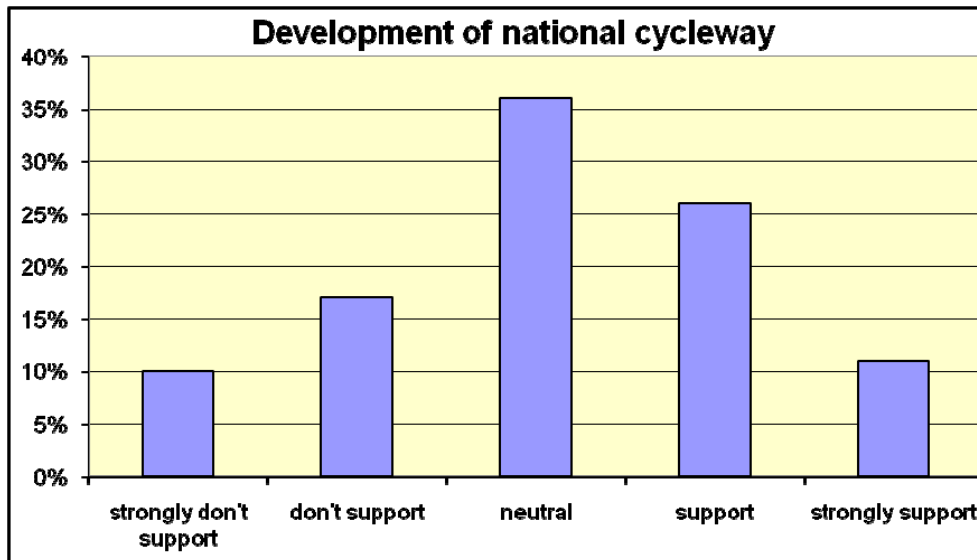
a. Bringing forward infrastructural projects:

- 1 percent - Strongly don't support the initiative
- 5.4 percent - Don't support
- 28.9 percent - Neutral
- 45.1 – Support
- 19.6 percent - Strongly support



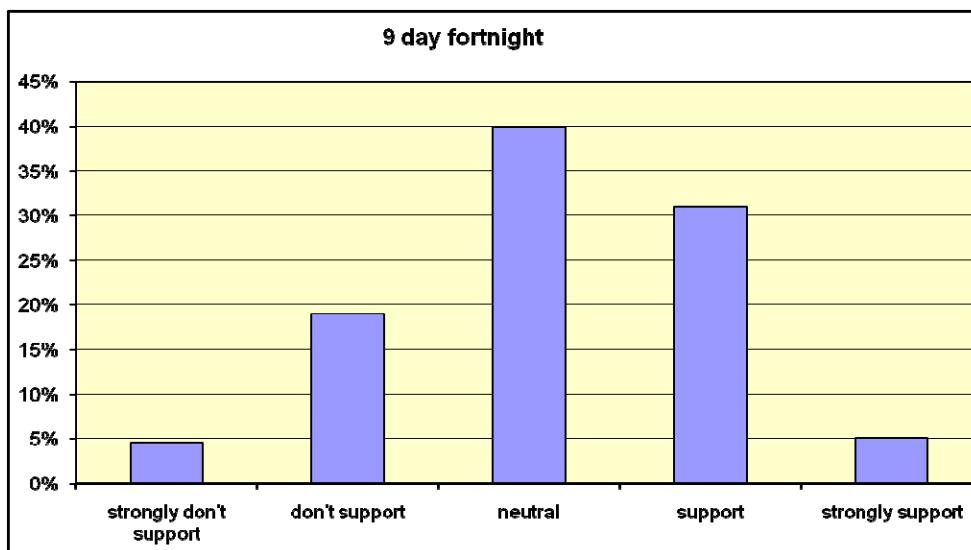
b. Development of national cycle way:

- 9.9 percent - Strongly don't support the initiative
- 16.8 percent - Don't support
- 35.6 percent - Neutral
- 26.2 percent – Support
- 11.4 percent - Strongly support



c. Nine day Fortnight:

- 4.5 percent - Strongly don't support the initiative
- 18.8 percent - Don't support
- 40.1 percent - Neutral
- 31.2 percent – Support
- 5.4 percent - Strongly support



d. Tourism Funding:

- 4.5 percent - Strongly don't support the initiative
- 12.5 percent - Don't support
- 37.5 percent - Neutral
- 39.5 percent – Support
- 6.0 percent - Strongly support



e. Funding guarantee:

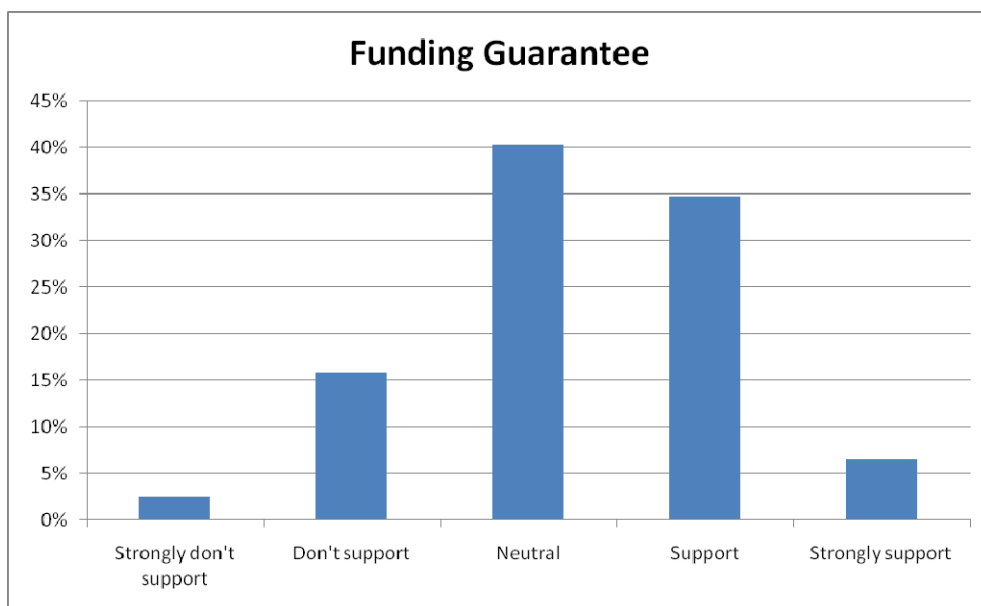
2.5 percent - Strongly don't support the initiative

15.9 percent - Don't support

40.3 percent - Neutral

34.8 percent – Support

6.5 percent - Strongly support



Comments in relation to these projects were as follows:

Bring forward infrastructure projects:

I support this if it concerns infrastructure projects across all NZ

Infrastructure projects should open up roading north and south from Taranaki.

Infrastructure locally is important - road north bridge over Waiwhakaiho and also the ferry to Nelson

Regional agencies are going to have to lobby strongly to secure a share of the stimulation packages being offered for infrastructural improvement.

Although needed, the infrastructure spending assists only a narrow sector

Cycleway

I Support for the cycleway in a time of strong financial conditions in the country
I don't consider the cycle way will generate much employment

Funding guarantee

Funding guarantee was necessary short term but now it needs to be stepped back from.
The financial institution guarantees should be limited - to withdraw now would worsen public outlook.

Tourism

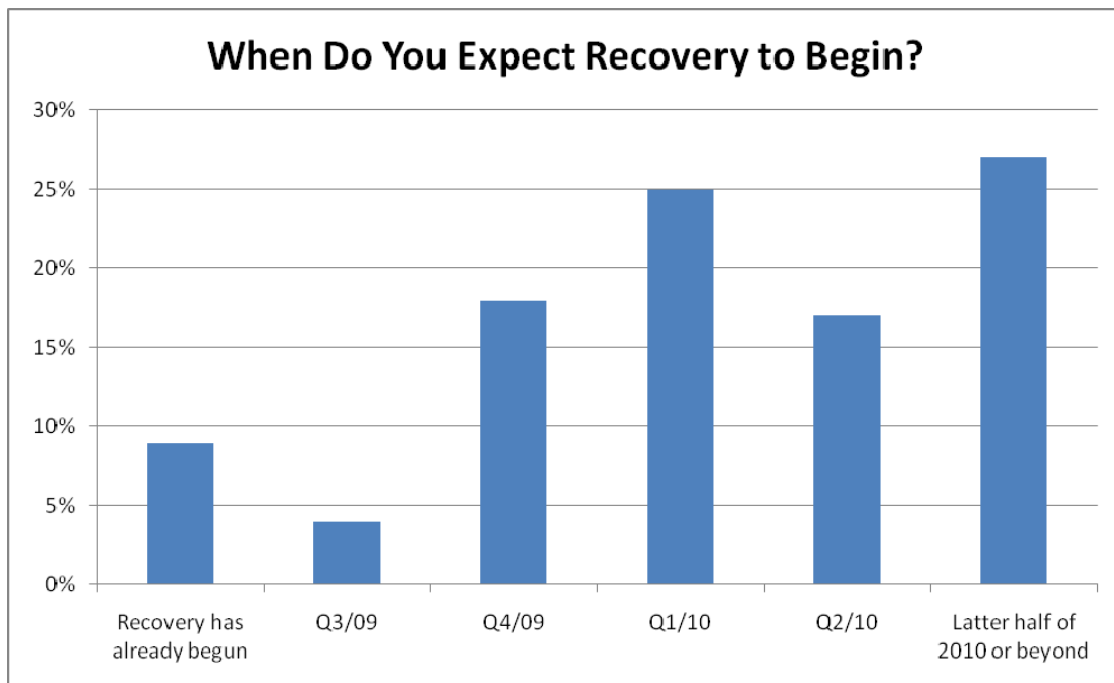
Increase promotion in Japan for tourism. They stay a shorter time and spend more!
Tell the Kiwis to come home for a visit
Taranaki needs to focus on domestic market as well as Australian

General

These are window dressing and stupid nonsense.
None will make any significant change

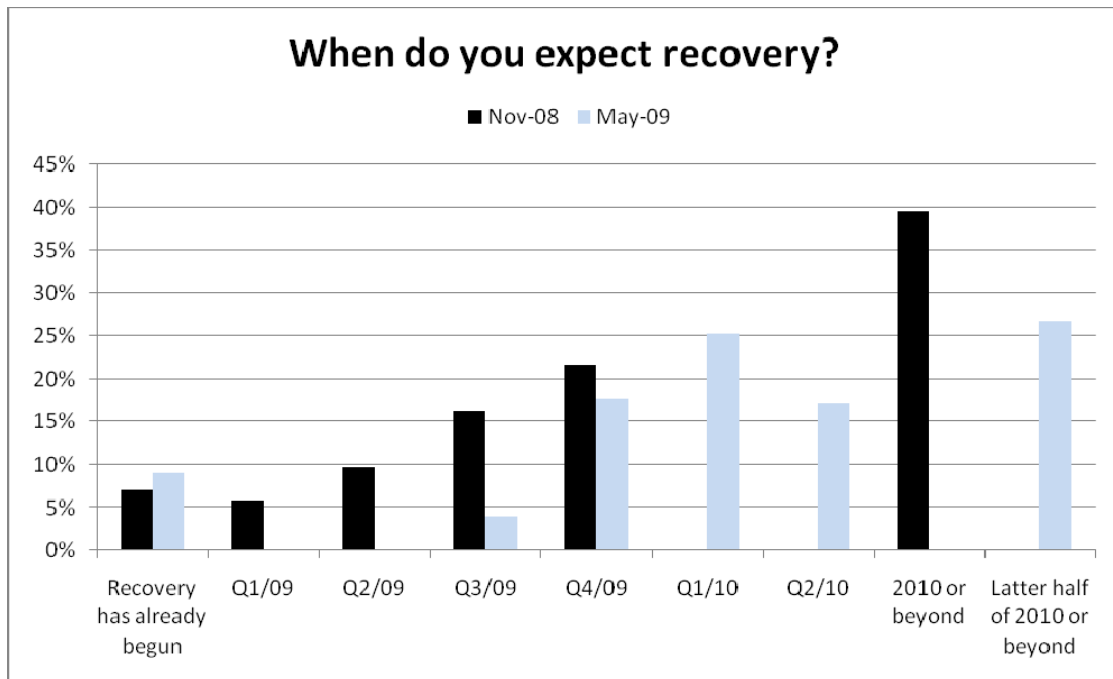
6.6 When do you expect the New Zealand/Global economy to recover?

Respondents were asked when they expected recovery of the economy to commence. 9.1 percent believed that the recovery process had already begun; 4 percent anticipated this would start in Q3/09; 17.7 percent anticipated at the end of 2009 there would be economic recovery; 25.3 percent believed that recovery would not commence until the first quarter of 2010 whilst 17.2 percent anticipated this would happen in the second quarter of 2010. 26.8 percent believed however, that recovery would not begin until the latter half of 2010



A similar question was also asked in the previous survey undertaken in November 2008. The following graph combines those outcomes with the current findings.

In the November 2008 survey 40 percent of respondents believed at that time that recovery would not begin until 2010 or beyond. However, 23 percent of respondents anticipated that by Q2/2009, recovery would have commenced (i.e. this outcome reflects the combined results from the November 2008 survey of “recovery has begun”, with recovery will commence in “Q1/09” and “Q2/09”).



7.0 Perceptions about the Taranaki region

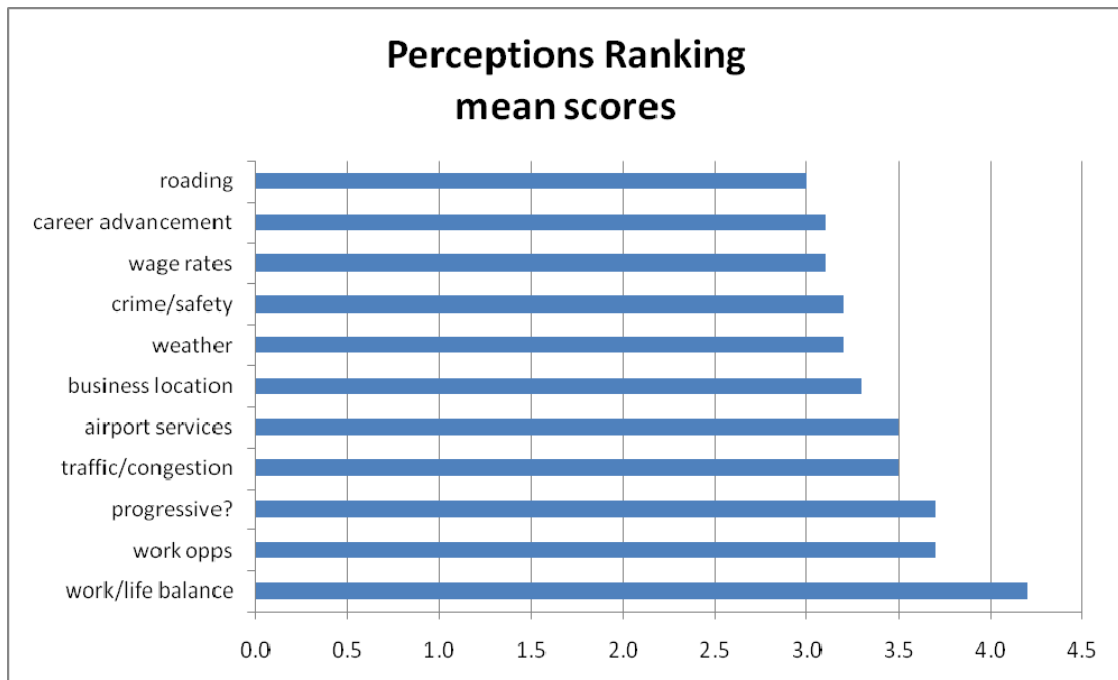
A further special topic section within the survey asked respondents about how they perceived people *not* living in our region, viewed Taranaki as a place to live, work and or visit.

The survey provided participants with a list of factors to be ranked in relation to such perceptions on a 1-5 scale (1= very poor, 3= average, 5= excellent).

Factors included:

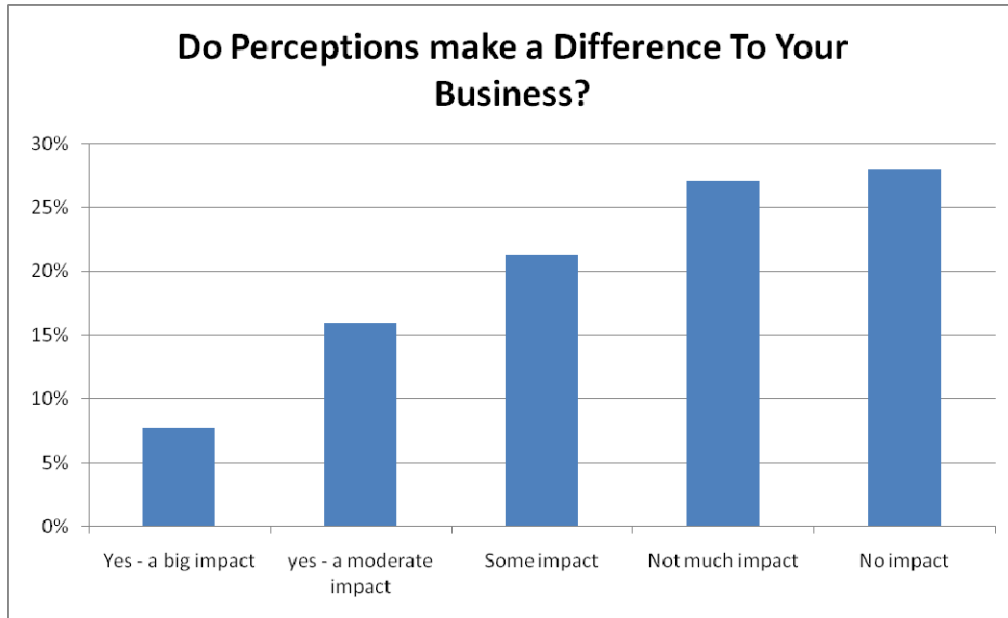
- Weather
- Crime and safety
- Traffic and congestion
- Airport
- Roading
- Work opportunities
- Wage rates
- A place for career advancement
- A place for business/set up a business
- A progressive place
- Offering a work/life balance

Taranaki's work/life balance was scored by respondents as the most attractive feature with a mean score of 4.2 (out of 5), and roading the least favourable factor.



Do perceptions make a difference to your business?

Respondents were asked whether perceptions about the region made a difference to their business. 44.9 percent of respondents believed that perceptions made an impact on their business (some, moderate or a big impact). 27.1 percent stated that perceptions did not make much of an impact whilst 28 percent felt perceptions made no impact.



Selected comments about regional perceptions include:

Most perceptions focused on attracting and retaining potential employees in the region.

Some perceptions stated that Stratford being a cold wet place, and fairly conservative.

People who visit love the place and are often surprised. People who have not been here can be negative about weather and isolation.

New Plymouth is perceived as progressive. The addition of a marina complex and a runway extension (to allow jets to land in NP) are seen as the major needs of the region.

I believe perception has a huge impact on the region – but not necessarily on business.

Taranaki is positive and a go-ahead place that continues to grow.

The regional perception is that it is primarily involved in the oil industry and farming.

Friends are surprised by cosmopolitan nature of New Plymouth and amazed at the buoyant economy and number of job vacancies. Surprise at house and rental accommodation costs.

A long way to travel to visit, transport in/out of NP terrible, Northern access a nightmare.

National awards have raised awareness of region.

8.0 CONCLUSIONS

Outcomes from the June 2009 survey highlighted:

- In terms of the New Zealand economy, the majority of respondents (38 percent) predicted that general business conditions in New Zealand would decline; 22 percent anticipated conditions would improve, and the remainder expected conditions to remain the same. The mood is more optimistic than the 2008 survey.
- 32 percent of businesses anticipate industry conditions may decline in the months ahead. 24 percent anticipate improvement, and 42 percent believe stability will prevail. Again, compared to the 2008 survey, a more optimistic mindset prevails.
- Businesses predominantly anticipated sales will remain the same over the next six months (42 percent). 25 percent anticipated sales they would increase.
- The majority of responding businesses (69 percent) anticipate employee numbers will remain the same in the coming 6-months.
- 18 percent of businesses were experiencing skill shortages or difficulties recruiting staff. 82 percent stated they were not experiencing skill shortages.
- Factors impacting on business growth covered a range of issues; increased price of fuel and electricity were among the key issues.

In terms of the impact on the New Zealand business environment or the Global financial crisis: 23 percent of respondents believed it had a serious impact and 54 percent felt there was a reasonable impact.

In terms of its impact on Taranaki – only 7.4 percent of respondents believed it had a serious impact. 49 percent felt there was a reasonable impact and 40 percent stated that there was some impact but that Taranaki was reasonably protected from the situation. Only 2.9 percent of respondents believe it had no real impact.

In relation to their own business: Only 7.5 percent of respondents stated that the global financial situation was having a very negative impact on their business at present. Most felt it was having a moderate impact (50.7 percent) or no real impact (34.3 percent).

The majority of respondents (60 percent) now believe that the Government does not need to take action at a national level, whereas 40 percent believed they should.

Recovery is perceived to be some time off – possibly not until post 2010. Almost 45 percent of respondents believe that perceptions about the region make a difference to their business. They anticipate Taranaki's work-life balance is perceived favourably whilst roading less favourable.

APPENDICES

Disclaimer

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