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Positivity still reigns, though caution edging in

While some of the gloss of 2013's "rock-star economy" may have faded, there's still a strong sense of optimism amongst the region's business owners, the latest Taranaki Business Survey has found.

The survey is sent to over 1,500 of Taranaki's 14,488 businesses, and covers a cross section of business sectors and business sizes throughout the region. It has been conducted every six months since 1999.

This June 2014 edition found that 52 percent of businesses anticipate national economic conditions will improve, though there has been a slight decline in optimism. Those anticipating economic decline or the status quo have risen slightly.

Optimism within respondent's own industries is still strong at 41 percent, though drops below those anticipating the status quo for the first time in two years. Nine percent expect industry conditions to worsen over the coming year.

By contrast, sales outlooks over the next six months have risen, with 57 percent of local businesses expecting growth, while 33 percent anticipate constant sales and 7 percent see sales as declining over the remainder of 2014.

"This survey demonstrates that Taranaki businesses continue to do well, as does the region, though it does signal that a more conservative and cautious view is creeping in to business outlooks," says Venture Taranaki Chief Executive Stuart Trundle.

"While this is likely a reflection of a range of external factors, including the upcoming election, interest rate and currency uncertainty and a possible move back from record dairy prices, it does reinforce the need for solid medium and long-term planning and constant review of how successfully businesses are aligning to their markets."

The biggest issues weighing on the minds of business owners and managers are the prices of fuel and electricity, though both are less concerning than in December last year. By contrast, wage costs, interest rates, declining markets and material costs are all causing greater concern to businesses than they were in December.

Two thirds of businesses anticipate that staff numbers will remain constant over the next six months, with a declining 24 percent projecting staff growth, down from a record high of 34 percent in June last year. The number of businesses experiencing skill shortages has declined from 31 percent in December to 23 percent in this survey.

"This reinforces the cautious outlook, but is also a reflection of stronger inward migration numbers over the last year. Data shows that as a region we have stemmed the flow of long-term

departures, particularly to Australia, which will have impacted the local labour market,” Stuart says.

“While demand is less pronounced for skilled people in the energy and engineering sectors, respondents have indicated a looming shortage in the digital and ICT sectors, as well as a need for skilled people with the flexibility to fill short-term roles.”

Budget initiatives for business

The mid-year survey gives a chance for the region’s businesses to review the Government’s annual budget initiatives. The survey polled eight key of the key budget announcements, seeking favourability and ranking them.

The extension of paid parental leave entitlements from the current 14 weeks to 18 weeks was met with the lowest level of support from the region’s businesses, with a final ranking of 2.94 out of 5.

Increased capital – by way of an interest free loan – for projects to fix Auckland’s transport woes rated 3.07, while additional funding for the design and construction of agricultural immigration schemes rated 3.35.

Allowing loss-making start-up companies to cash out all or part of their tax losses from research and development expenditure was rated marginally higher at 3.45/5, while expanding the New Zealand Trade and Enterprise presence in China, South America and the Middle East was seen more favourably, ranking 3.66 out of 5.

Increased tuition subsidies for science, agriculture and health science was ranked 3.83 out of 5, while the removal of cheque duty was seen as the second most popular budget announcement, rating 3.88 out of 5, an indication that businesses still see cheques as an important payment method. The most popular of the budget announcements was an extension of funding to enable the creation of an extra 6,000 places for apprenticeships, which was judged 4.37 out of 5 by our region’s businesses.

“Taranaki businesses have given a timely reminder that vocational skills are vital to growth at both a business and regional level, Stuart said.

“Overall, the region’s businesses rated the 2014 budget 3.2 out of 5, on par with 2011, and more favourably than in 2012. There would seem to be a trend emerging in the rankings of election year budgets.”

View the full results at www.business.taranaki.info