

# **Results of Napier Business Confidence Survey Undertaken March 2009**

**Report Prepared by  
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## 1.0 Introduction

This report provides the results of the early March 2009 formal survey of local enterprises on business confidence, performance and related issues in Napier City.

The six-monthly surveys are carried out for the Napier City Council by *APR Consultants* in Rotorua, a specialist survey company which has administered a number of similar and other surveys in the past for the Council and other organisations in Hawke's Bay.

The latest survey covered 200 Napier-based businesses, representative of all the main industry groups operating in the City. The businesses were contacted directly for their responses, by telephone.

The respondent firms were questioned on five main themes, these being:

- Business confidence for 2009/2010
- Current business trading performance
- Business impacts of the current major economic downturn
- Key Napier City Council business influences
- Staff recruitment trends

The survey results are referred to the Napier City Council's Economic Development Department for active follow-up, where appropriate.

## 2.0 Business Confidence

The findings of this latest March 2009 survey of business confidence in Napier are noted below. **The figures in brackets are the results from the previous (September 2008) survey:**

- **Future national business conditions:** at the time of the survey, 28% (compared to **52%** in September 2008) of all the local firms questioned expected business conditions nationally to strengthen further during the year ahead (2009/10), whilst 30% (**32%**) expected conditions to remain at their current level. The remaining 42% (**16%**) of firms were anticipating a weakening of business conditions in New Zealand over the period. Overall, Napier firms expect business conditions across the country to weaken during the coming year, whereas they were anticipating future business conditions strengthening at the time of the September 2008 survey. Napier business confidence with regard to future business conditions nationally has generally been very low since mid 2004.
- **Local business conditions:** 25% (**46%**) of Napier enterprises expect business conditions in the City to improve this coming year, whilst 38% (**15%**) anticipate conditions deteriorating. Thus, on balance, general business conditions in the City are expected to weaken over the coming year. Napier business confidence with this factor has generally been positive overall since the survey first began in the mid 1990s.
- **Local unemployment:** 81% (**43%**) of the businesses surveyed anticipate unemployment in Napier increasing during 2009/10. 13% (**48%**) anticipate it remaining around the same level this year, whilst 6% (**9%**) anticipate it falling during the coming year. Thus, an overall increase in local unemployment is anticipated by City businesses over the coming year. Napier businesses have consistently been expecting local unemployment to increase since mid 2005.

- **Local economic growth:** at the same time, stronger economic growth in the City is anticipated by just 17% (32.5%) of the firms surveyed. Weaker economic growth is anticipated by 38% (15%) of firms. On balance then, economic growth in Napier is expected to weaker over the coming year. This is the first time this sentiment has been recorded in the City since mid 1998.
  
- **Individual business performance:** with regard to expected business performance during 2009/10 for the individual firms surveyed, the March 2009 survey revealed the following overall results:
  - **Real business activity:** 28% (48%) percent of firms expect their own level of real business activity to increase this coming year, with 53% (42%) anticipating little change from the present level. 19% (10%) percent expect business activity levels to fall. This implies an anticipated overall small gain in individual business activity levels in the City, over the coming year. The level of gain has not been as low as in March this year however, since 1998.
  - **Profitability:** 26% (35%) of firms anticipate their profit levels increasing in real terms over the coming year. 36% (45%) percent expect it to remain at its current level, and 38% (20%) to fall. Thus, an overall fall in business profitability in Napier is anticipated for 2009/10. This sentiment has very rarely been expressed over the ten-year history of the survey.
  - **Staffing levels:** 14% (18%) percent of the firms surveyed in March this year felt that their staffing levels would increase this coming year, whilst 69% (75%) were of the view that they would remain the same. The remainder expected a decrease in their staffing levels, over the period. On balance then, business sector employment in Napier is expected to fall a little overall during the coming year. Again, this sentiment has not been recorded in Napier since 1998.
  - **Investment:** 18% (28%) percent of the firms surveyed consider that their investment activity would increase over 2009/10, with 64% (67%) anticipating little change in this factor. 18% (5%) anticipate their investment activity falling over the coming year. Hence, an overall very small gain in investment activity is anticipated by the City's business sector, this coming year. This is the lowest level of investment confidence in Napier since 1999.
  - **Exporting:** an overall significant increase in exporting activity from the City is anticipated by the local export sector for the next 12 months, whilst local importers are expecting little overall change during the period in importing activity. Export optimism has prevailed in Napier for much of the period since 1995, whilst the level of importing confidence was at its lowest in March this year since 1997.
  - **Construction activity:** 38% (45%) of the construction sector businesses surveyed in March this year expect the volume of building work in the City to increase this year, with 29% (32%) expecting no change in activity levels and the remaining 33% (23%) anticipating a fall in activity. Thus, on balance, an overall very small increase in construction sector activity is anticipated for the year ahead.

**Table 1** over-page below indicates the comparative Napier business confidence situation for the March 2009 survey versus the September 2008 survey. Apart from the unemployment factor, the negative sign before a number indicates overall business pessimism with regard to the particular business confidence factor being considered. In the case of the unemployment factor, it indicates increased unemployment being anticipated.

**Table 1: Napier Business Confidence Results March/September 2008**

Confidence Indicator (Next 12 months)	Net % <sup>1</sup>		Result/Change
	March 2009	September 2008	
National Business Conditions	-12.7	35.0	Significant fall in business confidence
Napier Business Conditions	-13.1	31.5	Falling local business confidence
Local Unemployment	-74.4	34.0	Major unemployment pessimism locally
Local Economic Growth	-21.1	18.0	Significant fall in confidence
Own Real Business Activity	9.5	37.5	Noticeable fall in confidence
Own Business Profitability	-12.6	14.5	Decline in confidence
Own Employment	-3.5	10.5	Reduction in confidence
Own Investment	1.0	21.5	Significantly reduced confidence
Own Exports	26.9	47.9	Lower confidence
New Building Construction	4.2	22.6	Much lower business confidence

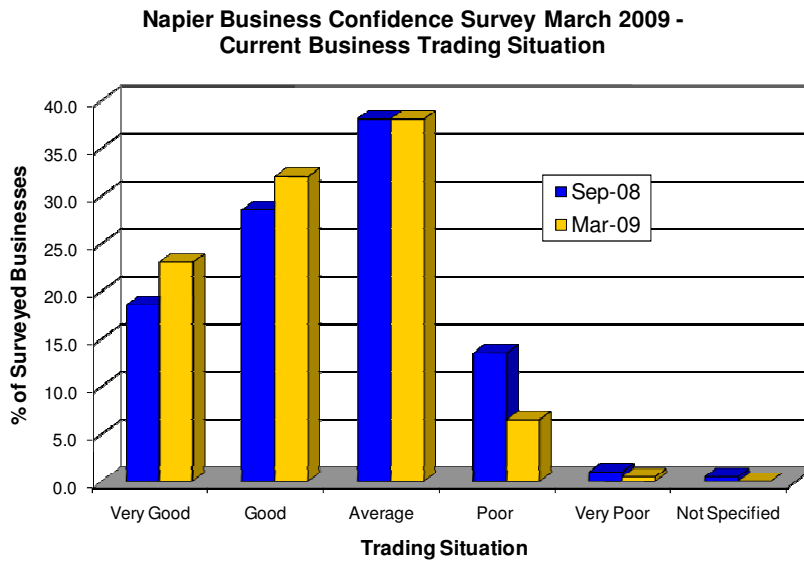
**Notes:**

1. % forecasting increase in the indicator minus % forecasting decrease in the indicator

### 3.0 Current Business Trading Situation

Figure 1 below indicates the overall current business trading performance of the 200 Napier firms surveyed in March 2009. The figures in brackets indicate the comparative September 2008 survey result. Some 55% (**48%**) of those surveyed were experiencing above-average trading conditions at the time with 23% (**19%**) reporting 'very good' performance and 32% (**29%**) 'good' performance. 38% (**38%**) of the local businesses surveyed reported 'average' trading conditions and 7% (**14%**) 'below average' trading conditions.

Figure 1:



### 4.0 Business Influences

#### 4.1 Positive Business Influences

The firms surveyed are routinely requested to indicate whether there are any locally-originating factors having a significantly positive impact on the performance of their enterprises, at the time of the survey. The most mentioned factors were:

- Increased promotion and advertising
- Seasonal peak for the business
- More careful prudent business management
- Strong customer focus
- Real focus on quality
- Positive proactive business approach
- Competitive pricing policies
- Providing the right product and service
- Favourable market conditions at present

#### **4.2 Negative Business Influences**

Negative business influences in Napier mentioned by the survey respondents in March this year include:

- Major building industry slowdown
- Major economic slowdown internationally and within New Zealand
- Other (e.g. staff shortages, increasing competition, climatic factors, decreasing cash flows/slow payers, increasing costs)

## **5.0 Business Impact of Financial and Economic Downturn**

In the March 2009 business confidence survey, firms were asked to indicate whether or not their operations had been significantly affected by the current economic downturn, precisely how their business operations had been affected and how they were responding to the situation.

5.1 30% of the businesses surveyed indicated that they had been affected by the downturn, with virtually all of the remaining firms indicating no significant impacts from the downturn.

5.2 The specific impacts of the downturn on the individual businesses surveyed had included:

- Major project delays and associated delays in project funding
- Impacted by the downturn in the building industry
- Export sector difficulties-lower commodity prices and export volumes
- Credit restrictions and reduced lending/borrowing/investment
- Reduced consumer spending
- Slow payments of monies owed
- Increased business for some firms e.g. education, training, security services
- Tighter profit margins
- Membership fall for some organisations
- Work slowdown

5.3 The various ways in which local businesses affected by the downturn are responding to its impacts include as follows:

- At this stage, just riding out the downturn as much as possible
- Taking a proactive approach, seeking new opportunities, increased business quality, etc
- More competitive pricing
- Cost/spending reductions within the business; bulk purchasing to reduce costs
- Working smarter and more strategically; increasing productivity

- Business restructuring; reduced staffing levels and work hours
- Increased marketing and promotional activity
- Chasing up slow payers

## 6.0 Napier City Council Business Influences

6.1 **Positive** factors in this regard mentioned by the March 2009 survey respondents included:

- Local Council contract work opportunities for some local businesses
- Council support for some local events that attract more visitors to the City
- Provision of recreational infrastructure e.g. cycle and walkways
- Council's positive City promotions

6.2 Perceived **negative** business influences mentioned by the survey respondents included:

- Building consent processing issues
- Inner City roading/parking restrictions
- Rating and charging levels
- Signage requirements

6.3 It should be noted that only 12% of the businesses surveyed commented on Council related issues impacting their operations.

## 7.0 Staff Recruitment

7.1 The March 2009 Napier business survey again included a set of questions relating to skilled staff recruitment issues. The aspects of this covered in the survey were:

- Current difficulty in attracting skilled staff
- Specific work skills required
- Desire for assistance from the Council's Enterprise Unit, in addressing this matter

7.2 The key results in relation to these matters were:

- (i) 19% of the firms surveyed in March this year indicated difficulty in recruiting suitably skilled staff for their business, compared to 21% in the September 2008 survey.
- (ii) The range of specific job skills required by these enterprises included as indicated in the box over-page:

- Analytical chemists
- CAD qualified kitchen joiners
- Casual farm labour with skills
- Clearing/housekeeping staff
- Clockmaker
- Customer service skills
- Drivers with local knowledge
- Electrical/ technical staff
- Electricians
- Electronic technicians
- Engineering staff
- General labourers
- General hospitality staff
- Industrial painters
- Intermediate solicitors
- Kitchen staff
- Industrial painters
- Intermediate solicitors
- Kitchen staff
- Registered nurses
- Retail staff
- Qualified caregivers
- Qualified fitness instructors
- Qualified legal staff/solicitors
- Qualified packers
- Qualified managers
- Qualified motor cycle mechanic
- Qualified registered valuer
- Sales staff/ consultants
- Sheetmetal trades people
- Tutors
- Waiting staff

- (iii) 68% of the businesses reporting skilled-staff recruitment difficulties also indicated that they would be happy to be contacted about the matter by the Napier City Council's Enterprise Unit (which the Unit will be doing), compared to 59% in September 2008.
- (iv) 81% of all the firms surveyed indicated no current difficulty in attracting skilled staff, compared to 79% in September 2008.

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