

Detailed Results of Napier Business Confidence Survey Undertaken March 2014

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Report Prepared by

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1. Summary

- This report presents the results of the March 2014 formal survey of business confidence in Napier City. The survey covers 200 businesses operating in all the different sectors of the City economy.
- Business confidence in Napier for the coming year was noticeably positive overall for all local confidence factors (national and local business conditions, unemployment, local economic growth, individual firm business activity levels, profitability, employment, exporting, investment and construction activity), in March this year.
- Business confidence also increased in the City over the past year for all the above confidence factors. Also, in March this year, the surveyed firms as a group were a little bit optimistic with regard to the local unemployment factor, compared to being a little pessimistic overall a year ago.
- In terms of individual business forecasts for change in their real level of commercial activity over the coming year, the average change amongst the 110 firms who responded on this point was a 10.5% increase in activity, with the median level of change being 10%.
- In March 2014, just under a third of the surveyed businesses reported 'average' business trading conditions at the time, 43% 'good' trading and 23% 'very good' trading, with the balance of 4% reporting 'poor' trading performance. There were increases in the proportion of businesses reporting 'very good' and 'good' trading from the March 2013 results, whilst the proportion reporting 'average' trading fell noticeably over the year. The proportions reporting 'poor' and 'very poor' trading also fell over the past year.
- Positive business influences for the March 2014 quarter survey this year reported by the firms surveyed included the recognised quality of the business and its staff, the improving national economy, increased marketing and advertising activity, seasonal upturn in business, good customer service, construction sector improvement, improving conditions in specific product and service markets and assistance from specific Government programmes. Adverse influences included the overall national economic situation, local business competition, adverse impacts of specific Government policy changes, seasonal slowdown for some businesses and staff recruitment difficulties in some cases.
- On average, the surveyed firms had increased their staffing levels over the past year by approximately 7%, with the median level of increase being in the order of 10%.
- Approximately 22% of the surveyed businesses reported current difficulty in recruiting the skilled and semi-skilled staff/skills required for their operations. A listing of the range of particular labour skills required by the firms is provided in Section 7 of the report.

2. Introduction

This report provides the results of the March 2014 survey of local enterprises on business confidence, business 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 surveys have been carried out since 1995. The latest survey covered 200 Napier-based businesses, representative of all the main industry groups operating in the district—the leading industries surveyed were, in order, retailing, manufacturing, construction, professional/scientific/technical services, accommodation and food services and transport/storage. The businesses were contacted directly for their responses, by telephone.

The respondent firms were questioned on six main themes during the survey, these being:

- Business confidence for the year ahead
- Exporting activity
- Current business trading performance
- Business performance influences
- Availability of skilled staff
- Napier City Council service influences on business.

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

3. Business Confidence

The findings of this latest survey of business confidence in Napier City are noted below:

- **Future business conditions nationally:** at the time of the survey, 53.5% of all the local firms questioned expected business conditions nationally to strengthen further during the year ahead (2014/2015), whilst 42% expected conditions to remain at their current level. The remaining 4.5% of firms were anticipating a weakening of business conditions in New Zealand over the period. Overall, Napier firms therefore expect business conditions across the country to strengthen considerably during the coming year.
- **Local business conditions:** 45.5% of Napier enterprises expect business conditions in the City to improve during the coming year, with 7.5% anticipating conditions deteriorating. Thus, on balance, general business conditions in the City are expected to improve noticeably over the coming year.

- **Local unemployment:** 15.5% of the businesses surveyed anticipate unemployment in the Napier area increasing during 2013/2014. 57% anticipate it remaining around the same level during the year, whilst 27.5% anticipate it falling during the coming year. Thus, an overall noticeable reduction in local unemployment is anticipated by local businesses during the next year.
- **Local economic growth:** at the same time, stronger economic growth in the City is anticipated by 55.5% of the firms surveyed. Weaker economic growth is anticipated by just 5.5% of the firms. On balance then, economic growth in the Napier City area is still expected to improve quite noticeably over the coming year.
- **Individual business performance:** with regard to anticipated business performance during 2014/2015 for the individual firms surveyed, the March 2014 survey revealed the following overall or collective results:
 - **Real business activity:** 56.5% percent of the surveyed firms expect their own levels of real business activity to increase during the year ahead, with 39% anticipating little change from the current level. The remaining 4.5% of firms expect business activity levels to fall. This result implies an overall significant level of confidence in the City with respect to anticipated business activity levels over the coming year.
 - *In terms of the individual business expectations for change in their real level of commercial activity over the coming year, the average change amongst the 110 firms that responded on this point was a 10.5% increase in activity, with the median being 10%.*
 - **Profitability:** 41% of firms anticipate their profit levels increasing in real terms over the coming year. 50% percent expect profit levels to remain at their current levels over the period, whilst the balance of 9% expect them to fall. Thus, on balance, an overall noticeable increase in business profitability in Napier City is anticipated for 2014/15.
 - **Staffing levels:** 24.5% percent of the surveyed firms in March this year felt that their staffing levels would increase over the coming year, whilst 72% felt that they would remain the same. The balance of 3.5% expected a decrease in their staffing levels over the period. On balance then, business sector employment in Napier City district is expected to improve a little during the coming year.
 - *The average level of business employment change in the City over the past year was 7.2%, with the median level of change being 10%.*
 - **Investment:** 28.5% percent of the firms surveyed considered that their investment activity would increase over 2014/15, with 70.5% anticipating little change in this factor. 1% anticipated their investment activity falling over the year ahead. Hence, an overall noticeable increase in investment activity is anticipated by Napier businesses as a whole, over the coming year.
 - **Exporting:** an overall noticeable increase in both exporting and importing activity in the district is anticipated by the area's business/trading sector, during the coming year.
 - *The current range of items exported overseas by the surveyed firms included beer, boats, fish, hides, lamb, paper/plastic products, newsprint, saws, scrap steel, sheepskin products, software, sound systems, swimming pool platforms and furniture, water treatment systems and wine. The range of countries exported to include Asia generally, Australia, Belgium, Brazil, China, Europe generally, Fiji, France, Germany, Hong Kong,*

India, Italy, Malaysia, Pacific Islands generally, Rarotonga, Russia, Samoa, Scandanavia, Switzerland and the USA.

- **Construction activity:** 54% of the construction sector businesses surveyed in March this year expect the volume of building work in the City to increase over the year ahead, with a further 37% expecting no change in activity levels and 9% expecting building activity to fall. Thus, on balance, an overall noticeable increase in local construction sector activity is anticipated for the coming year.

Table 1 below indicates the comparative Napier City business confidence situation for the March 2014 survey versus the March 2013 survey a year earlier and the trend in confidence over the interval in respect of each confidence factor. The March 2014 quarter results indicate overall Napier business confidence with respect to economic and business conditions in the district for the coming year. In addition, the overall net level of confidence or optimism has increased noticeably over the past year for virtually all of the listed indicators.

Table 1: Napier Business Confidence Results March 2013 and 2014 Quarters

Confidence Indicator (Next 12 Months)	Net % ¹		Result/Change
	March 2013	March 2014	
National Business Conditions	28.5	49.0	Increase in overall business confidence
Local Business Conditions	12.5	38.0	Increase in overall business confidence
Local Unemployment	-16.5	10.7	Change to overall confidence
Local Economic Growth	19.0	50.0	Increase in overall business confidence
Own Real Business Activity	29.0	52.0	Increase in overall business confidence
Own Business Profitability	8.0	33.3	Increase in overall business confidence
Own Employment	6.5	21.0	Increase in overall business confidence
Own Investment	18.1	27.5	Increase in overall business confidence
Own Exports	25.9	28.6	Small gain in net business confidence
New Building Construction	29.0	45.8	Increase in overall business confidence

Note: % forecasting increase in the indicator minus % forecasting decrease in the indicator

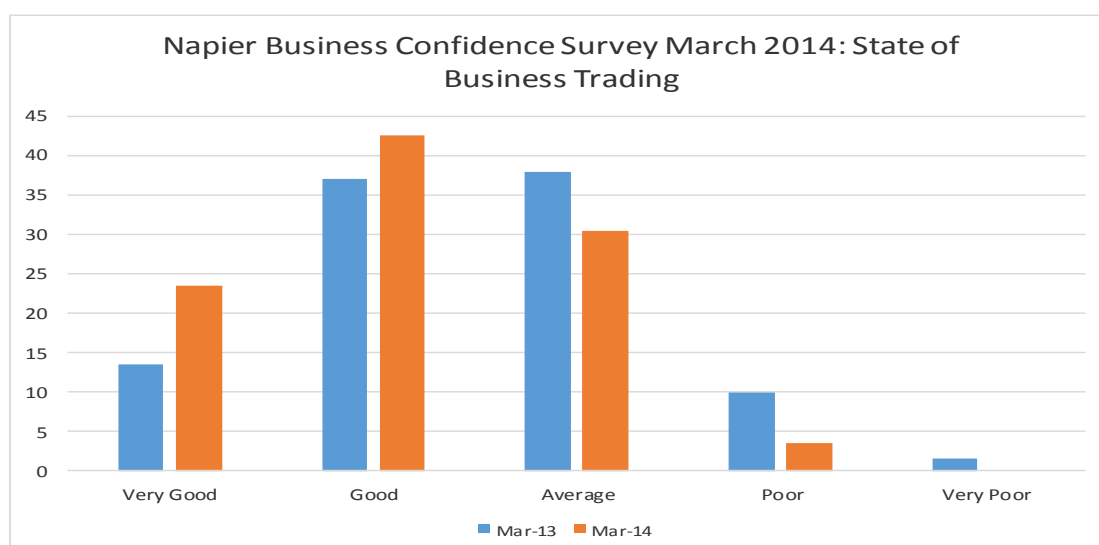
Appendix 1 indicates the longer-term trends in Napier business confidence since later in 2009, in respect of the main confidence indicators. In the charts, where the blue graph line lies above the horizontal zero or x-axis, this indicates an overall positive or optimistic outlook held by local businesses as a group, with respect to the particular confidence factor being considered. Where the graph line lies below the horizontal x-axis, this indicates an overall negative or pessimistic outlook held by local businesses as a group with respect to the particular confidence factor being considered. Short trend summaries are provided below:

- **(Chart 1):** *National business conditions outlook* – a general improvement in confidence since early 2011 and particularly so since later in 2012.
- **(Chart 2):** *Local business conditions outlook* – a general fall in confidence until early 2013 but a relatively sharp improvement since then.
- **(Chart 3):** *Local unemployment outlook* – generally net overall employment pessimism since early 2005 but a change to net optimism in the March 2014 quarter.
- **(Chart 4):** *Local economic growth outlook* – general pickup in overall optimism since March 2013.
- **(Chart 5):** *Business activity outlook* – general fall in confidence over 2009- September 2012 quarter but gradual recovery since then.
- **(Chart 6):** *Profitability outlook* – declining overall profitability expectation during 2009 to late 2010, followed by generally recovering expectation since then.
- **(Chart 7):** *Staffing Levels* – a relatively low level of overall business confidence with this factor throughout the full monitoring period but improving situation since early 2013.
- **(Chart 8):** *Investment outlook* – overall small pick-up in investment confidence since late 2009.

4. Current Business Trading Performance

Figure 1 below indicates the comparative overall business trading performance of the 200 Napier firms surveyed in the March quarters of 2013 and 2014. The proportion of all the firms surveyed reporting ‘average’ business trading in March this year was noticeably down on March 2013 as was the proportion reporting ‘poor’ business trading. The proportions reporting ‘good’ and ‘very good’ business trading in March this year were significantly up on last year. The reduced proportions for the ‘average’ and ‘poor’ categories have been replaced by the increased proportions for the ‘good’ and ‘very good’ trading categories, reflecting the overall improved business trading situation in the City. The combined proportion in March this year for the below average groups was 3.5%, compared to 11.5% in March last year.

Figure 1:



5. Business Influences

5.1 Positive Business Influences

The Napier firms surveyed are routinely requested to indicate the factors having a significantly positive impact on the recent performance of their enterprises. The range of factors mentioned in the March 2014 survey responses included:

- Recognised quality of the business and staff
- Improving national economy
- Increased marketing and advertising activity
- Seasonal upturn in business
- Good customer service
- Construction sector improvement
- Improving conditions in specific markets
- Assistance from Government policy changes and programmes.

5.2 Negative Business Influences

Adverse business influences or challenges mentioned by the survey respondents in March this year included:

- The overall national economic situation
- Adverse Government policies
- Competition
- Construction industry slowdown
- Seasonal downturn for some businesses
- Staffing challenges.

6. Napier City Council Business Influences

6.1 Positive factors in this regard mentioned by the March 2014 survey respondents included:

- More business friendly Council
- Council out-sourcing of working
- Council related construction and earthquake strengthening work
- Council promotion of the City
- Local business purchases by the Council.

6.2 Perceived adverse business related factors mentioned by different survey respondents included:

- Tightening of a number of Council related compliance requirements
- Purchase of some Council requirements from outside the region
- Inadequate signage for tourists in some parts of the City
- Parking meters in Taradale
- Recycling costs for businesses
- Impacts of road works
- Commercial rating levels.

6.3 It should be noted that only some 21% of the businesses surveyed offered comment on Council related issues impacting their operations.

7. Recruitment of Skilled Staff

22% (44 firms) of the surveyed Napier businesses indicated difficulty in recruiting some of their skilled labour needs. The range of specific labour needs of the businesses includes as indicated in the box below:

<ul style="list-style-type: none"> • Accounting skills • Audiologists (qualified) • Automotive engineers • Customer service skills/engineering • Computer draughting experience • Drivers & Driving instructors • Drillers • Furniture removal skills • Engineering skills • Hairdressers • Industrial electrical tradesmen • Licensed heavy truck/forklift drivers • Loggers • Industrial machinists • Insurance assessors 	<ul style="list-style-type: none"> • Laminate fabricators • Locksmiths • Marine mechanics • Plumbing and roofing skills • Refrigeration engineers • Retail skills • Saw doctors • Sales and service skills • Support staff skills • Technical staff • Trade skills • Travel agents • Tyre fitters • Welders for transport engineering work • Wool industry expertise
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APPENDIX: Napier Business Confidence Trends 1995-2014

