

TARANAKI BUSINESS SURVEY RESULTS

June 2021

TARANAKI BUSINESS SURVEY

The Taranaki Business Survey monitors the economic confidence of Taranaki enterprises and canvasses their views on key business issues. It has been undertaken by Venture Taranaki 6-monthly since 1999

The survey is sent to more than 1700 enterprises throughout Taranaki, and includes a cross-section of industry type, location and business size.

Each year we ask standard questions about perception of the current economic state, and confidence for the future. This enables us to compare year-on-year the business confidence and outlook for our region.

For each survey, we also ask some special topic questions, specific to an issue relevant to the business community. The special topics for this survey are **COVID-19 Impacts** and **Budget 2021**.

If you have questions about this survey, please contact Venture Taranaki Business Analyst Jennifer Patterson

Jennifer@venture.org.nz

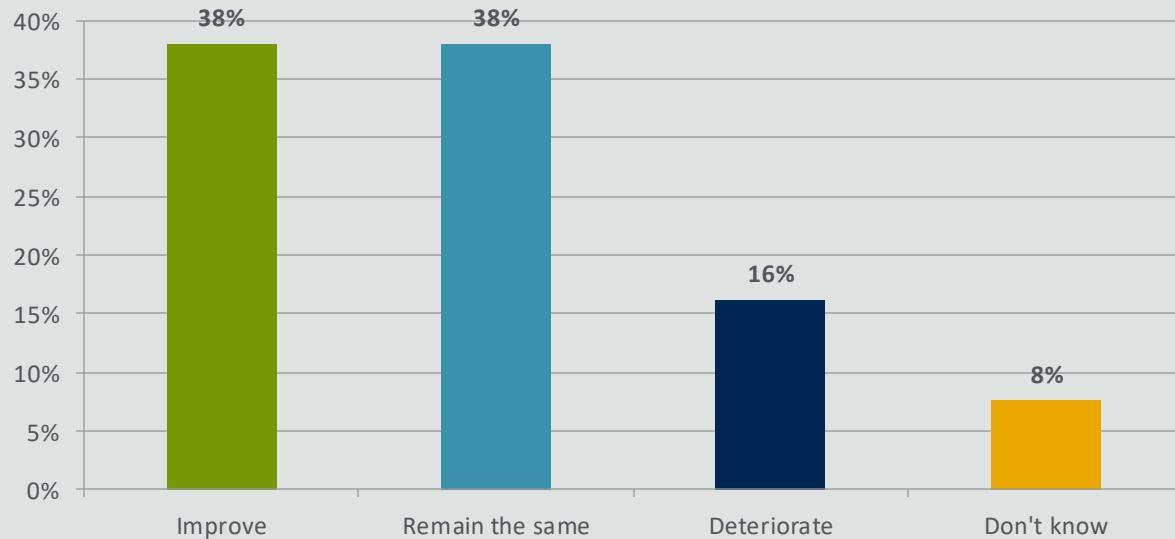


A photograph of a woman with long dark hair, smiling, standing in the ocean. In the background, there are several large, dark, jagged rock formations and a tall, cylindrical industrial tower on a hill. The sky is blue with some wispy clouds.

ECONOMIC CONDITIONS

NEW ZEALAND

In the next 12 months, do you expect the general business situation **in New Zealand** to:

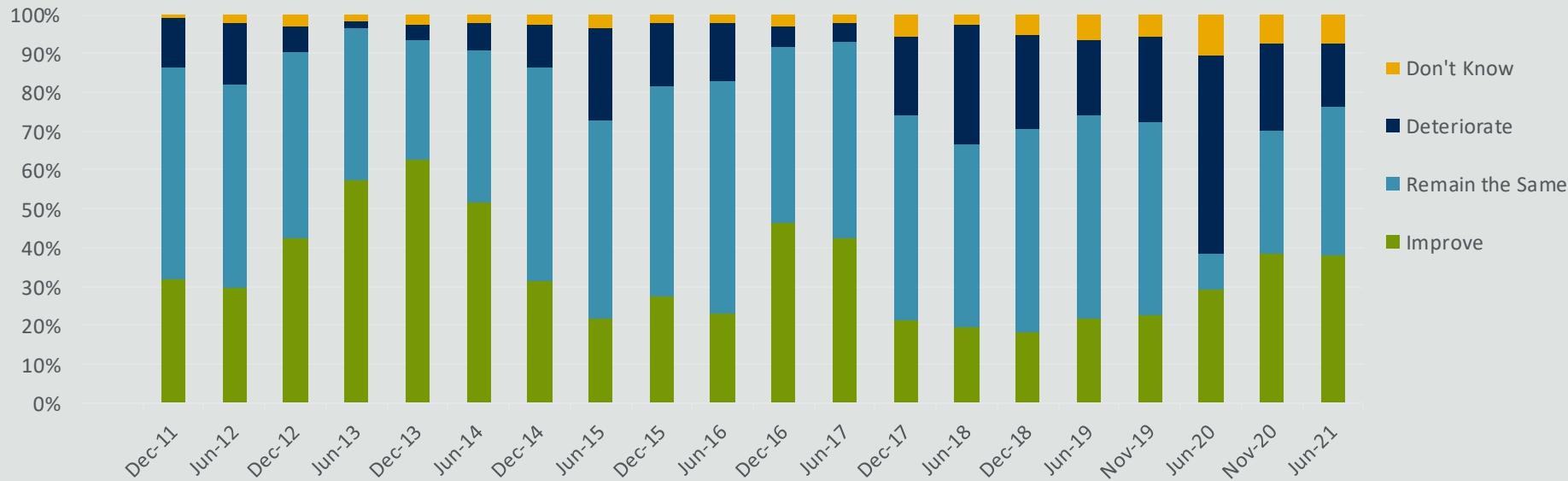


Most respondents expect the national economy to remain stable over the next 12 months.

This is a significant shift from the June 2020 results, which showed only 29.3% of respondents thought NZ's conditions would improve, and 51.2% thought they would deteriorate over the next 12 months.

NEW ZEALAND

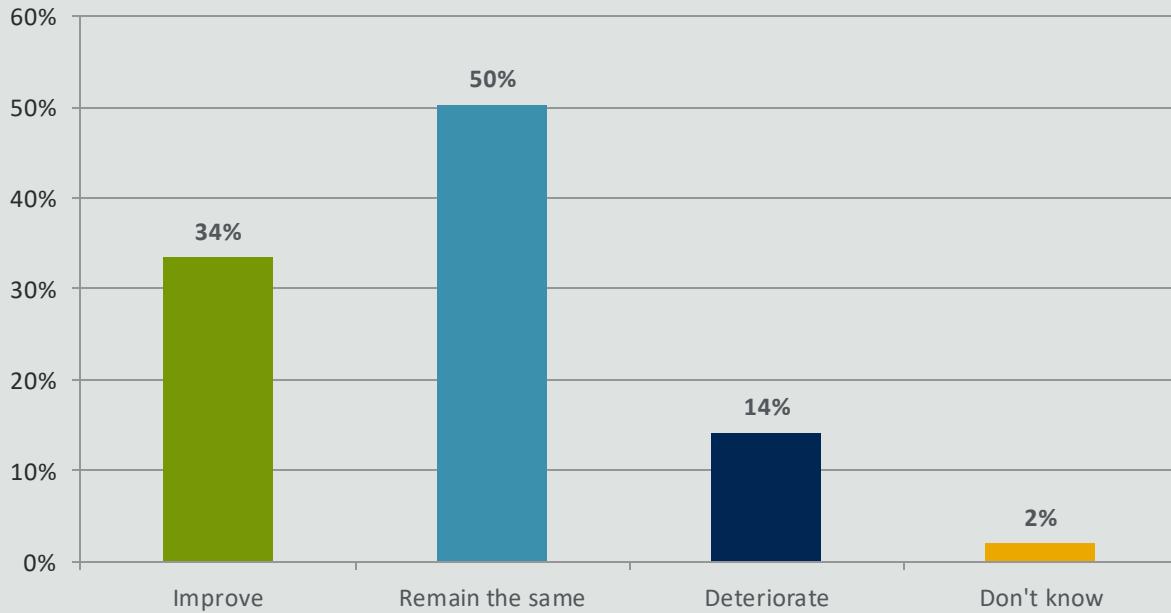
In the next 12 months, do you expect the general business situation in New Zealand to:



There has been a slight shift in sentiment over the past six months, with fewer respondents anticipating a deterioration in conditions.

INDUSTRY OUTLOOK

In the next 12 months, do you expect business conditions **in your industry sector** in New Zealand to:

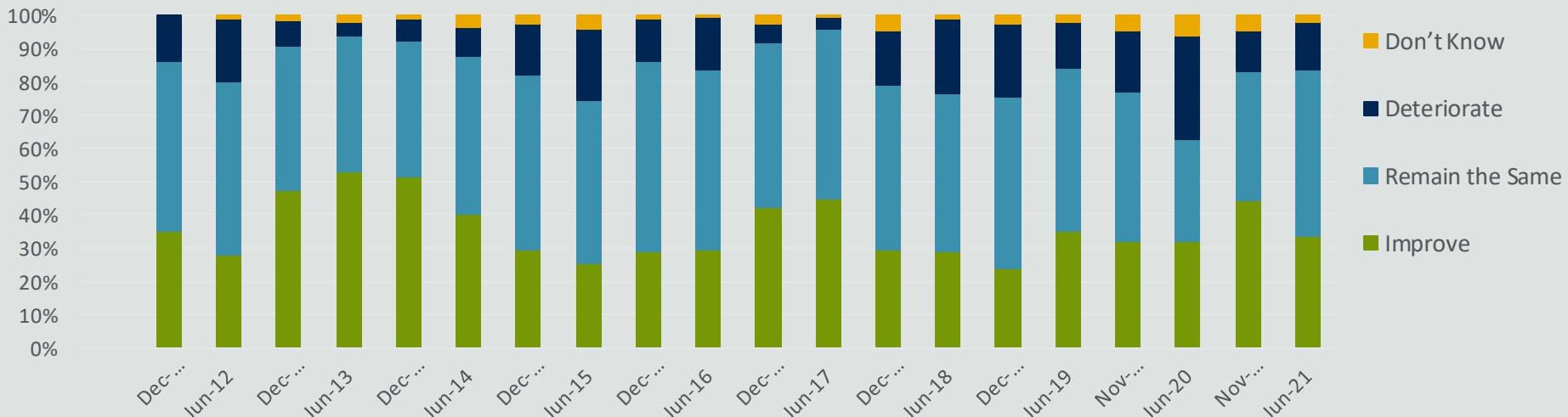


Most respondents expect conditions in their own sector to remain stable over the next 12 months.

This is a significant shift from the June results, which showed only 29.3% of respondents thought NZ's conditions would improve and 51.2% thought they would deteriorate over the next 12 months.

INDUSTRY OUTLOOK

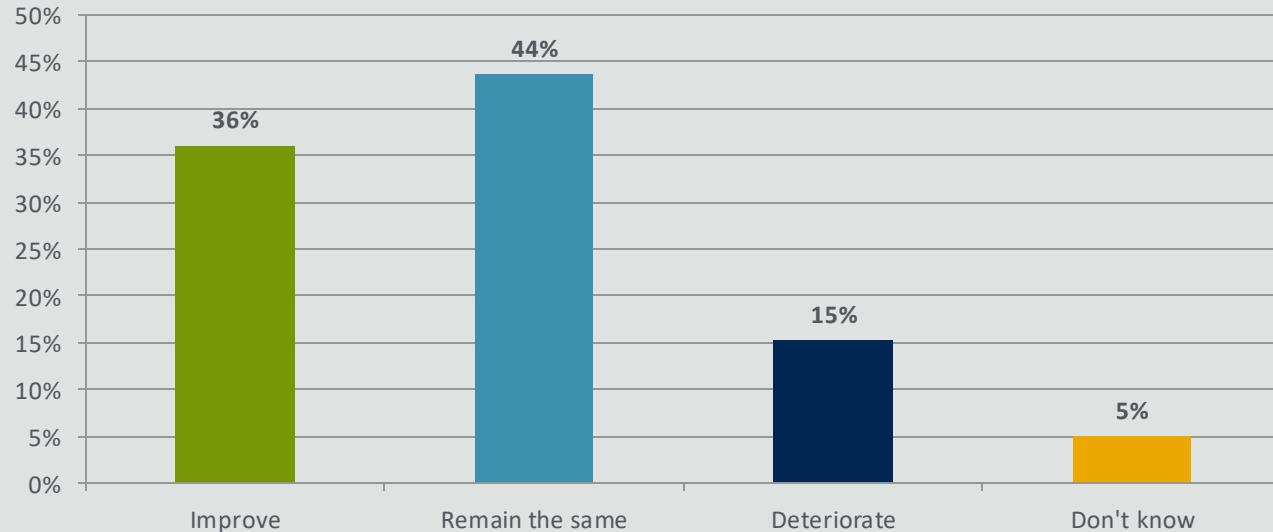
In the next 12 months, do you expect business conditions **in your industry** sector in New Zealand to:



Respondents are feeling mostly optimistic in their views towards their own industry, with most expecting conditions to remain stable compared to earlier in the year.

TARANAKI OUTLOOK

In the next 12 months, do you expect the general business situation
in Taranaki to:

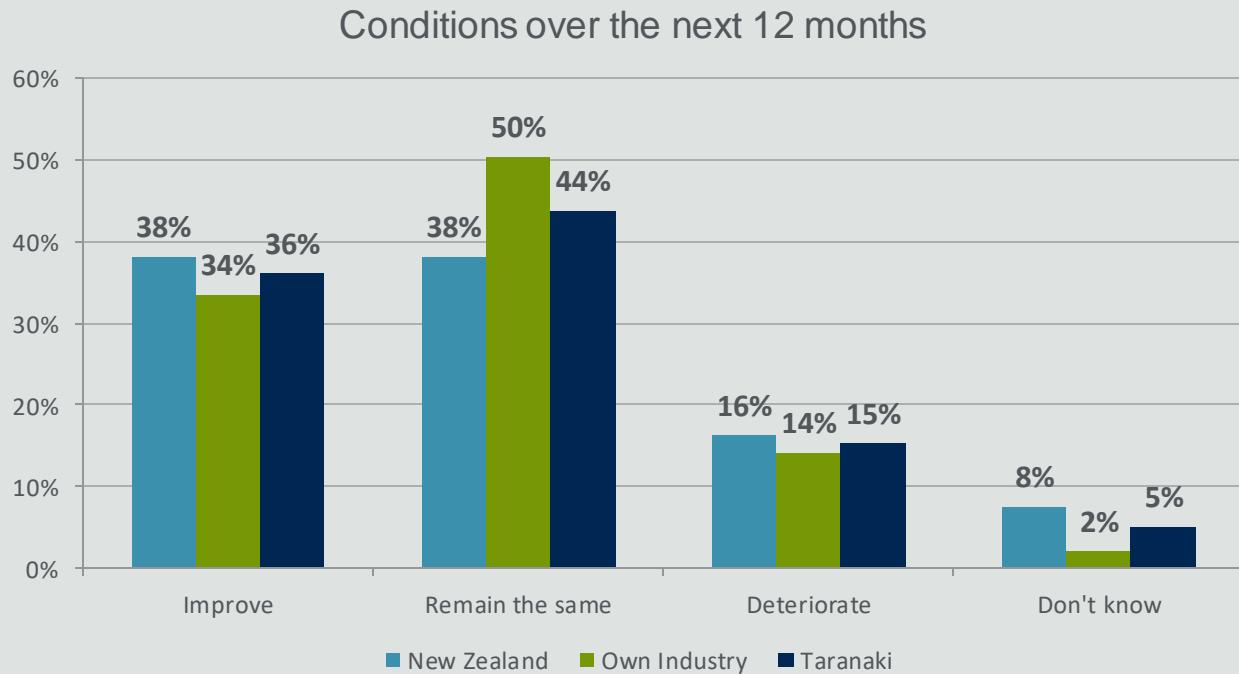


Relatively positive and stable outlook for the Region over the next 12 months.

Last survey showed that only 40% of respondents thought the regional outlook would improve, and 20% thought it would decrease.

Respondents were more certain in June 2021, with 44% thinking things would stay the same, up from 36% six months ago.

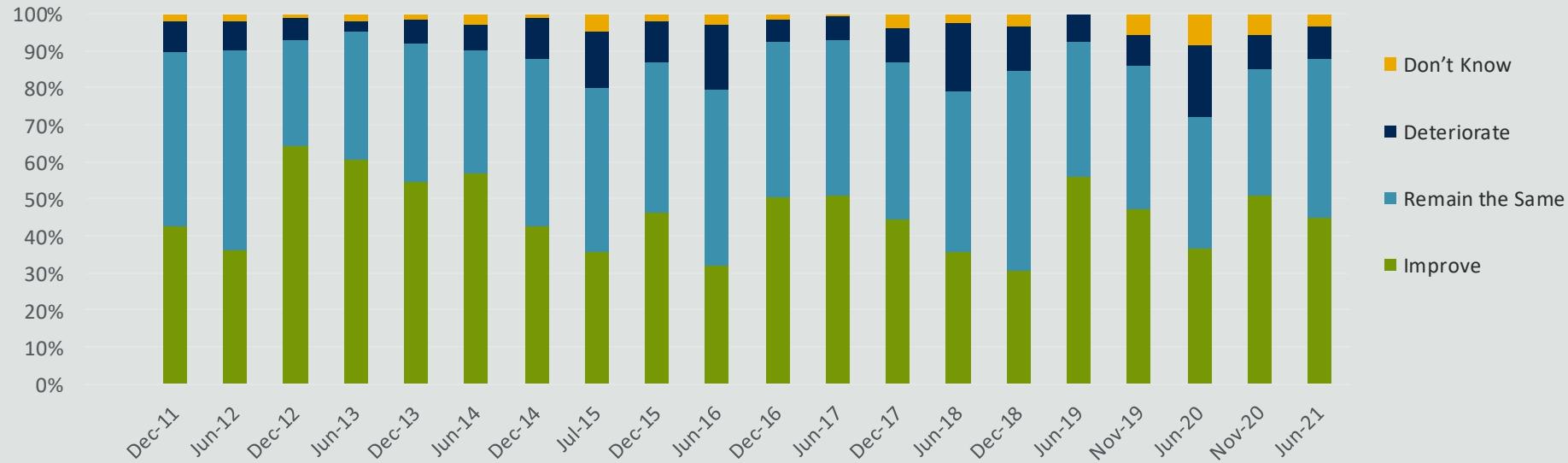
NZ VS. INDUSTRY VS. TARANAKI



Respondents were feeling mostly positive towards the national, regional and their own industry's economic outlook, and expecting greater stability than the prior 6 months.

SALES FORECAST

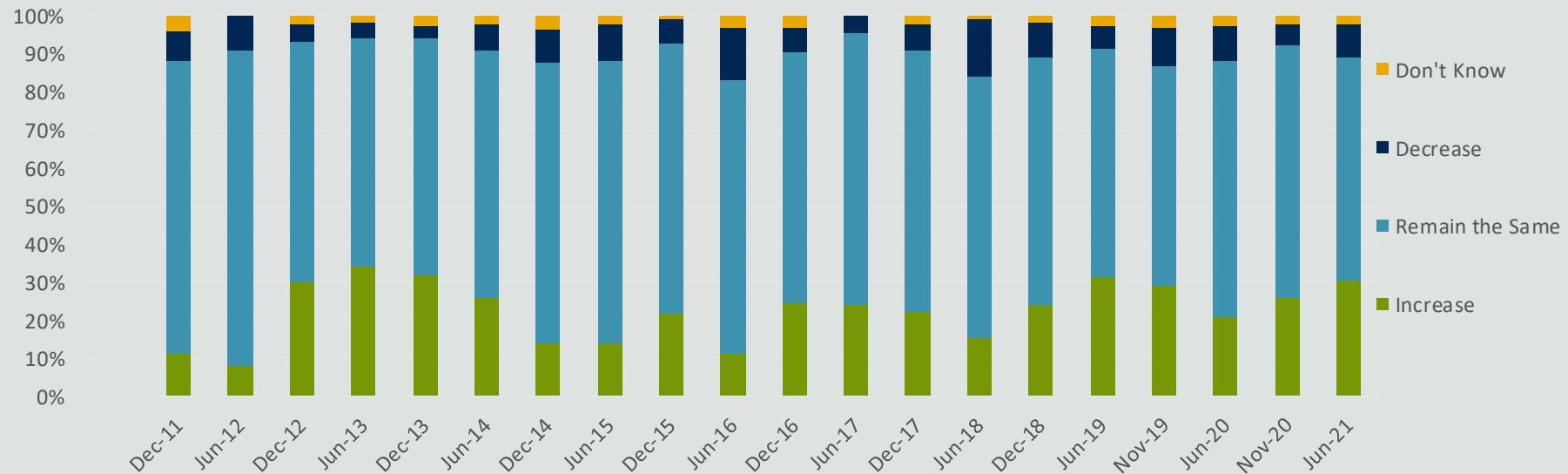
In the next 6 months, do you expect your company sales/customer levels/bookings to:



The sales forecast also shows an expectation of stability for the next six months, with more respondent expecting sales to stay the same (43%), compared to 34% of respondents in November 2020.

EMPLOYEE NUMBERS IN THE NEXT 6 MONTHS

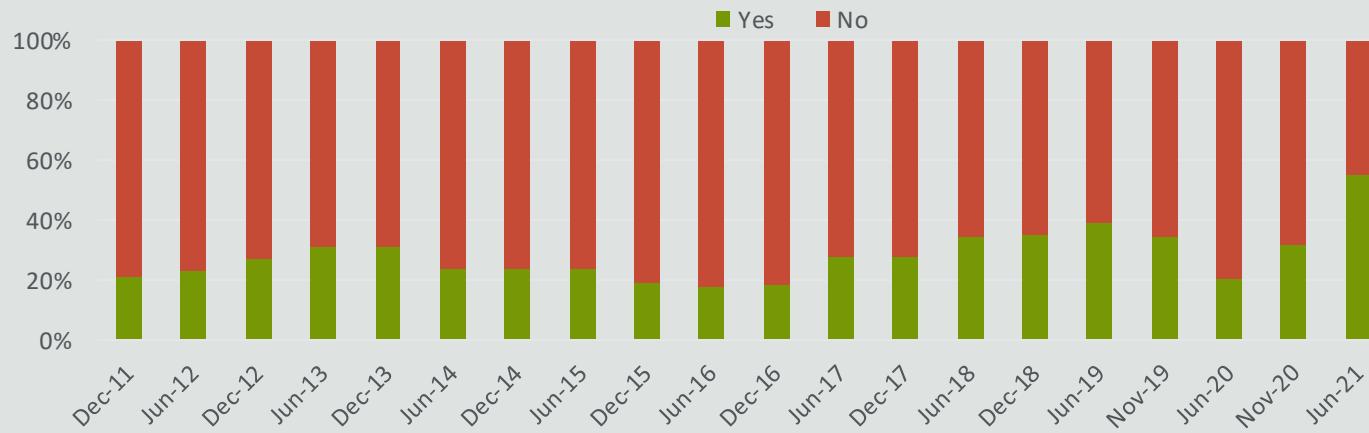
In the next 6 months, do you expect employee numbers in your business to:



58% of enterprises anticipate no changes to staffing levels. From the last survey we are seeing confidence begin to return when it comes to increasing staffing numbers in the next six months. 30% of enterprises now anticipate increases in employee numbers compared to 26%

SKILLS SHORTAGE OR DIFFICULTY HIRING?

Are you experiencing any significant skill shortages and/or difficulties recruiting appropriate staff?

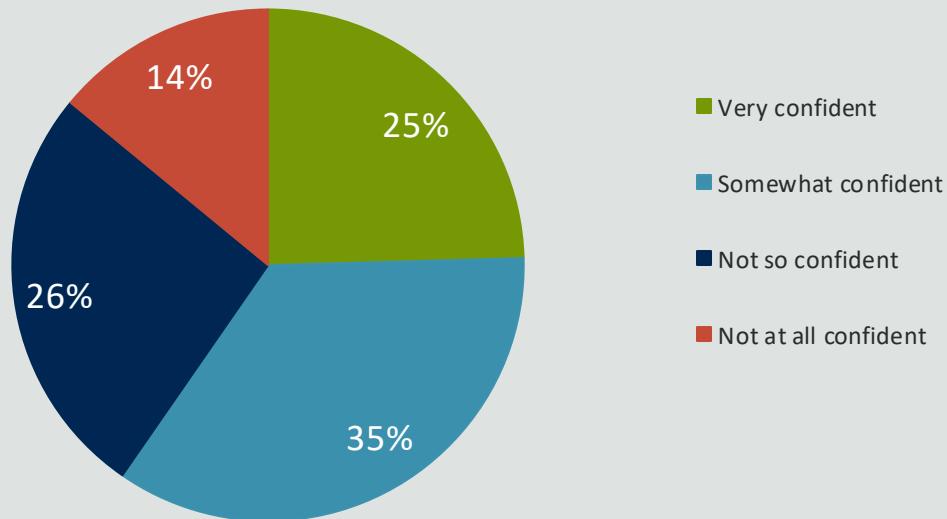


Of those currently recruiting staff, 45% are experiencing difficulty*.

*This question was offered to only those respondents who answered "increase" to Question 5 (in the next 6 months, do you expect employee numbers in your business to...). In previous surveys, all respondents have been offered this question. For this reason, the increases shown in the graph may not be a true comparison with previous surveys.

SKILLS SHORTAGE OR DIFFICULTY HIRING?

Given the recent reductions in migrant numbers, how confident are you that the New Zealand labour force can fill your needs?



60% of Taranaki enterprises that are looking for more staff are confident they can find people in New Zealand to fill their needs.

SKILLS SHORTAGE COMMENTS

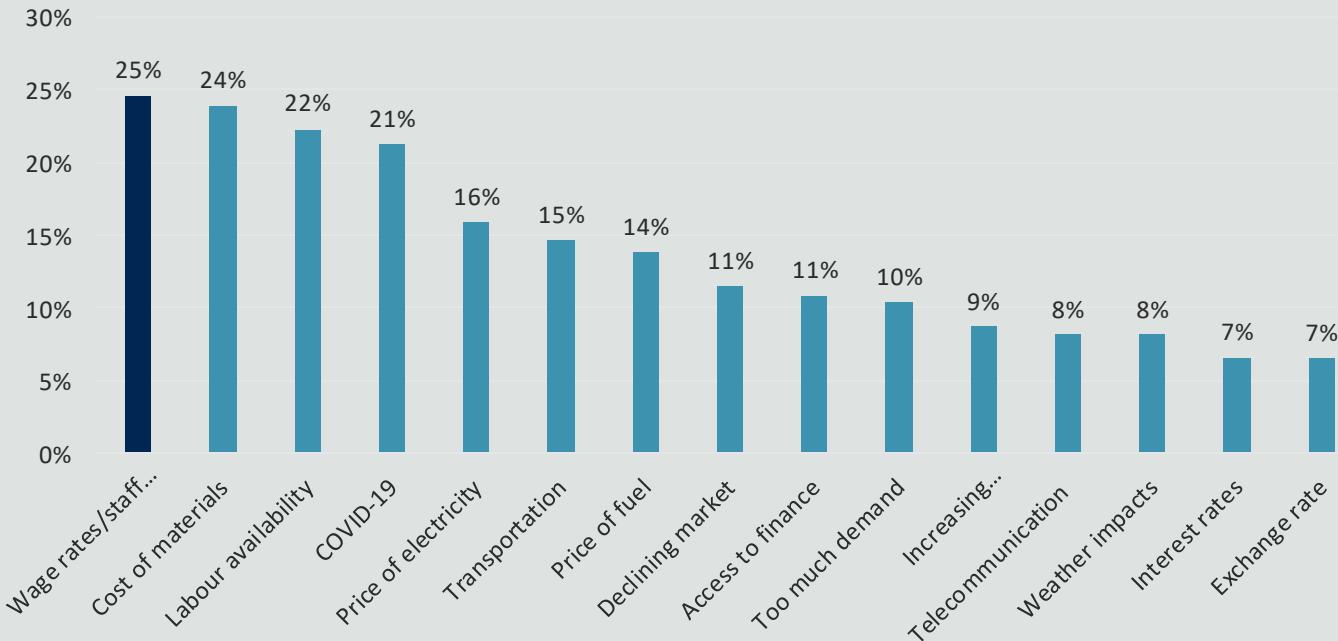
- Some respondents expressed concern about not being able to find highly skilled and/or specialist workers.
- This includes many types of high skilled workers, including marketing specialists, designers, software developers and engineers.
- Finding hospitality workers and trade workers were also common themes.

"We have staff shortages and are having a hard time finding people who want to work. We have offered contracts to three people - One lasted one day and resigned, another decided not to take the job and we are hoping the third will work out."

"Skills in marketing and web development are a constant struggle as people don't want to move to the region and those in it that we have interviewed are not skilled enough or don't want to move."

TARANAKI BUSINESS CONCERNS

Issues that are of most concern to Taranaki enterprises

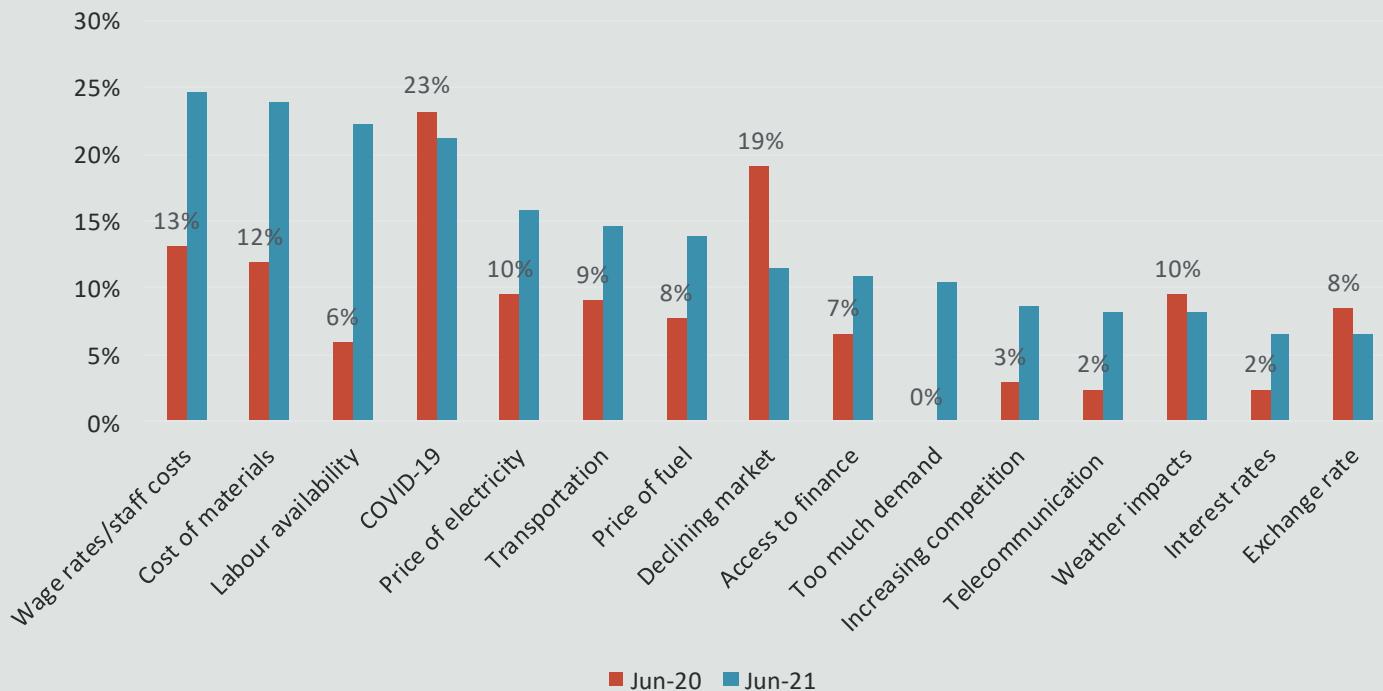


Wage rates, cost of materials and Labour availability are the three biggest concerns for Taranaki enterprise.

COVID-19 remains a significant concern.

TARANAKI BUSINESS CONCERNS

Issues that are of most concern to Taranaki enterprises



Compared to June 2020, few enterprises are concerned about declining markets.

Concerns are now more spread across a number of issues, rather than just COVID-19.

FACTORS IMPACTING TARANAKI ENTERPRISES

- There are concerns expressed about the rising cost of staff as a result of government changes in sick leave and union/fair pay agreements. Businesses feel they are often unable to increase pay or leave entitlements.
- Worker shortages, including uncertainty for current visas for foreign staff, and skilled workers are a recurring theme.
- Many respondents felt the Government was not taking business needs into account with changes in legislation, and that they are not being consulted.
- This concern also extends to the oil and gas sector. Respondents don't feel that the Government has a good plan for the transition to a low emissions future.
- Lack of visitors from overseas is a concern for some respondents.



FACTORS IMPACTING TARANAKI ENTERPRISES

"Rising costs of staff will cripple small businesses... 10 days sick leave even for part timers doing 16 hours per week? It's unbelievable..."

"Being an early childhood service, we are always trying to manage at the mercy of government funding without passing too many costs onto our families or having impacts on the quality of our service. This is a constant worry and concern."

"Concerned that wage rates have increased, and income will decrease if Covid presents itself again. Will there be another wages subsidy, to cover 100% of wages? As I don't think we'll get approval from staff to drop hours again."

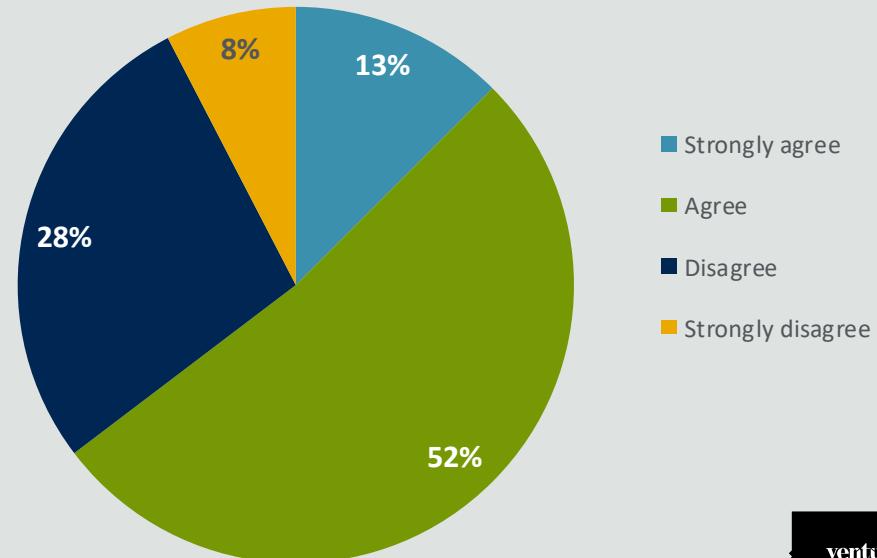
"Demand outstripping supply in building industry, potential issues with supply and cost of materials"

INFRASTRUCTURE

Please rate the following statement:

Taranaki has all the infrastructure required for our enterprise or organisation to flourish:

- Most respondents (65%) consider that Taranaki infrastructure meets their needs, however some expressed concerns about the quality of roads, and the fact that roads are always being worked on.
- There were concerns about not having the required infrastructure to respond to housing demands.
- Lack of public transport was seen as a major obstacle for some respondents.
- Access to broadband in rural areas was a constraint to farmers.
- Lack of cellphone coverage along SH3 was a frustration for some.



INFRASTRUCTURE

"Broadband is still an issue across the region"

"Cell phone related communications are very poor across many areas of the province. Rail needs upgrading to enable much improved utilization"

"Telecommunications are sorely lacking in rural areas"

Road maintenance seriously needs looking at. Mainly State Highways. They're in a disgraceful condition.

"Public Transport is a major obstacle. Everything is dependent on private motor vehicle"

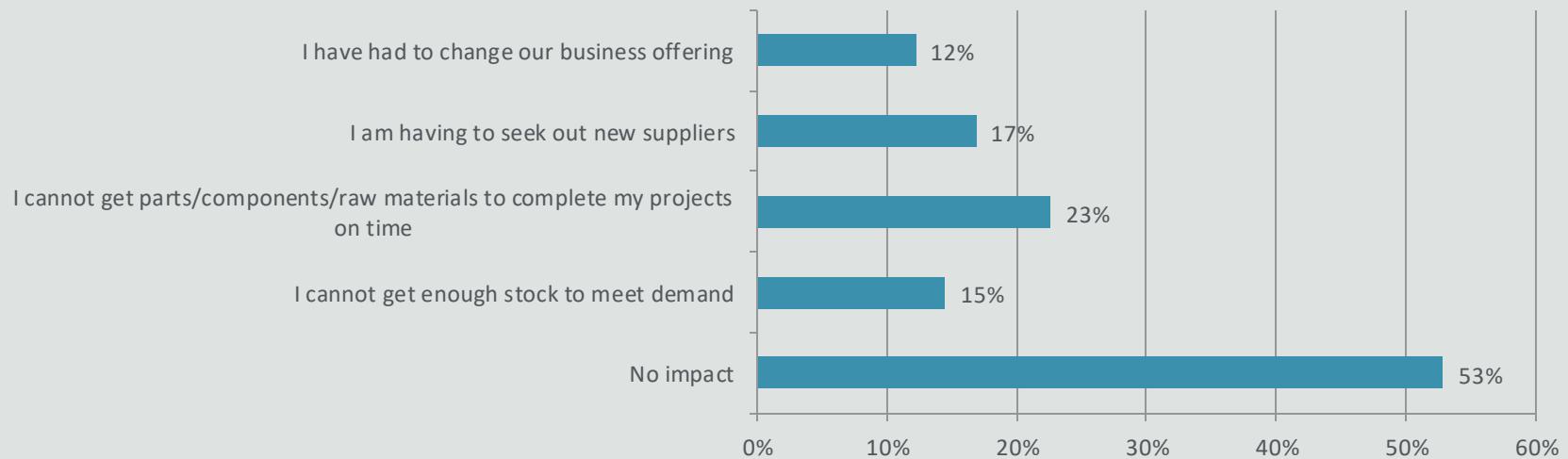
"Roads are substandard in some areas. Rural sector is getting left behind"



COVID-19 ongoing impacts

SUPPLY CHAIN CONSTRAINTS

To what extent are supply chain issues affecting your ability to complete projects and/or provide goods and services to your customers?



Almost half of all respondents are affected in some way by supply chain issues. Respondents were able to choose more than one option.

SUPPLY CHAIN CONSTRAINTS

- Global supply chain issues are affecting a wide range of Taranaki businesses.
- The building industry is affected, as demand outweighs supply of materials, goods and labour, and is proving to be a massive problem.
- This is also impacting businesses access to packaging, raw materials and IT components. There is little to no stock of new computers/laptops etc.
- Shipping delays are also affecting our exporters.
- Products are costing more as a result, and businesses are having to get more creative around solutions in this area, e.g., sourcing more expensive local materials.

"Manufacturing supply chains too heavily dependent on importing both raw material and finished product - this should be a huge government priority to rebalance manufacturing in NZ"

"We still get what we need. Was always a battle with shipping etc even before covid so no change there"

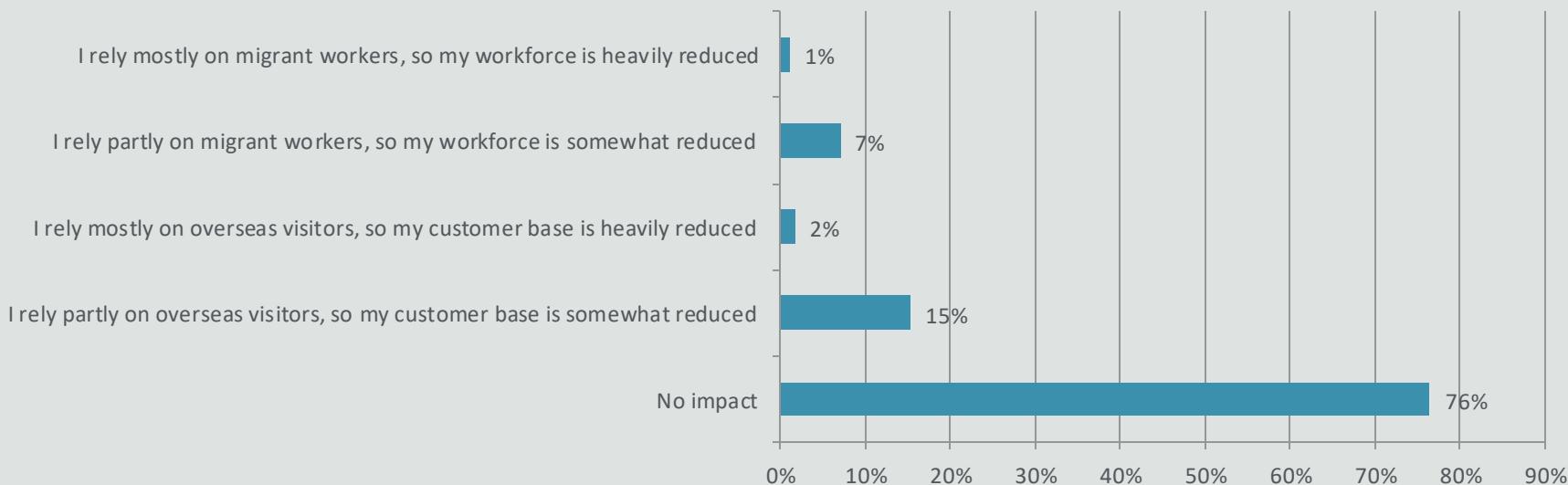
"I've had to source local alternatives and pay far closer attention to our offerings. Replacement parts for equipment or new equipment has been difficult to source on occasion"

"Clients are deferring engineering & design work due to significant cost increases in construction (materials and labour)."

"In some instances I have had to improvise and use different products or change our approach"

BORDER CLOSURE CONSTRAINTS

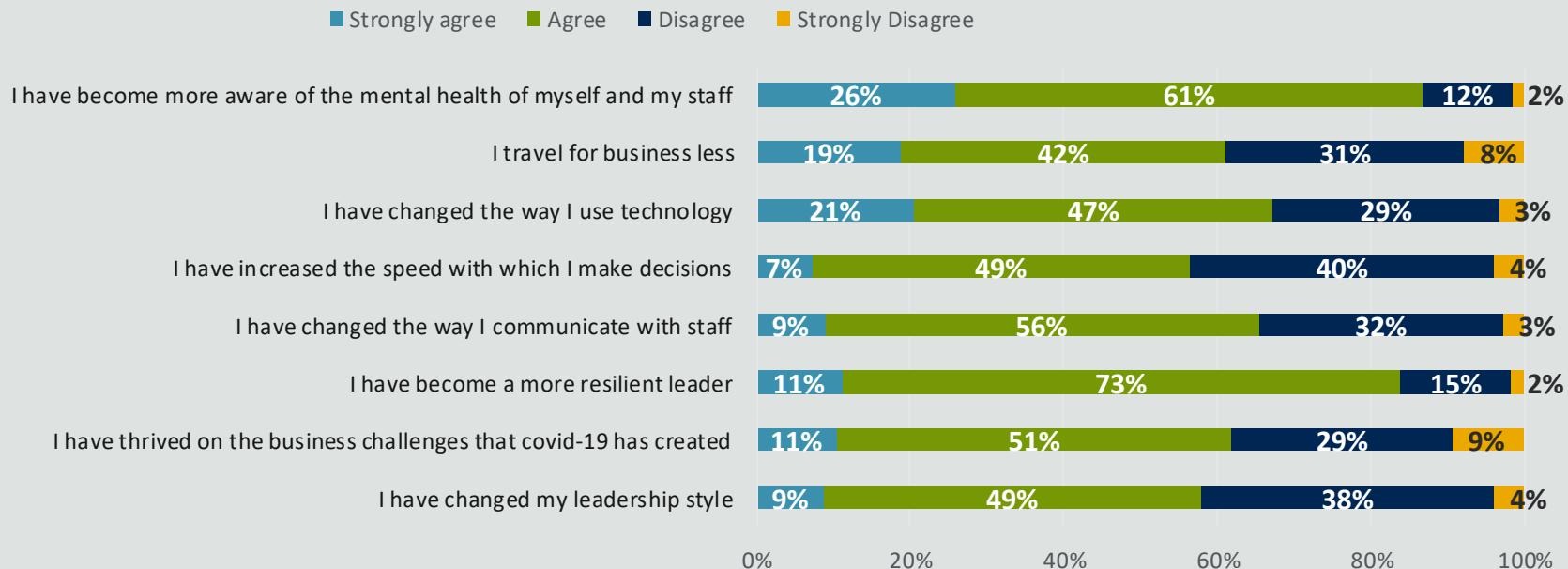
To what extent are border closures affecting your ability to complete projects and/or provide goods and services to your customers?



Border closures are impacting some businesses by making it harder to find migrant workers and making it harder to do international business. However, some businesses have also found that the increase in domestic demand has made up for this.

COVID-19: IMPACTS ON LEADERSHIP

How has COVID-19 affected you as a business owner, manager or leader?



COVID-19: IMPACTS ON LEADERSHIP

How has COVID-19 affected you as a business owner, manager or leader?

87% of respondents agreed that they had become more aware of mental health issues for themselves and their staff as a result of COVID-19. 84% agreed that they had become more resilient leaders. Every statement in this question received agreement from more than 50% of respondents.

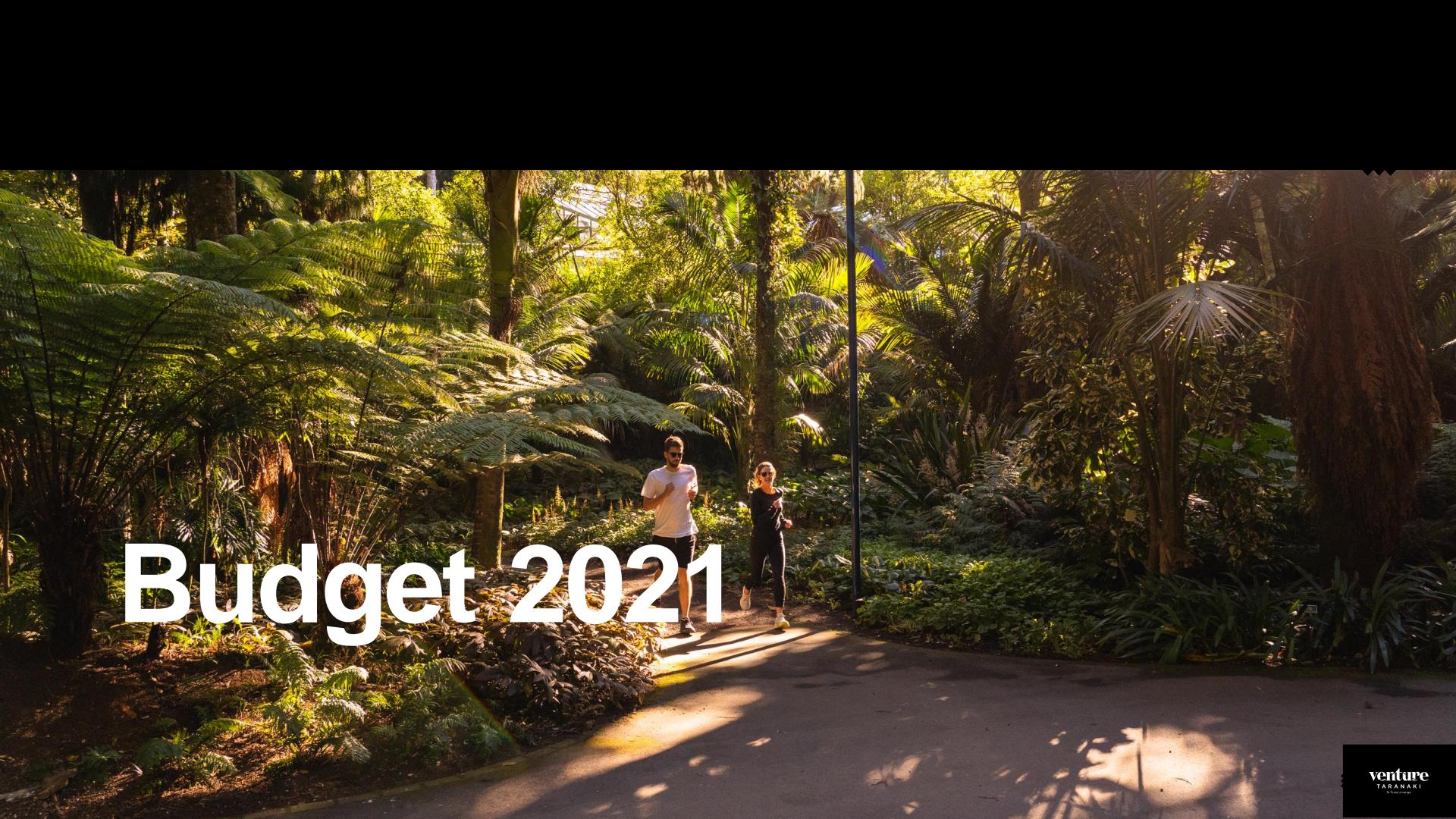
- The results indicate COVID has changed the way we work.
- Many respondents are focusing on mental health support more than ever before.
- Some businesses feel like their staff have become more of a close-knit team as a result.
- Owners have also suggested there should be more support for business owner mental health, not just staff.

“Government initiatives for Covid have been all about employees and not about helping small businesses stay in operation”

“Mental health awareness as a business owner has been huge in the past 12 months, it's very stressful”

“I have to care more about them than myself - more so than ever before ! It's making me want to get out of business!”

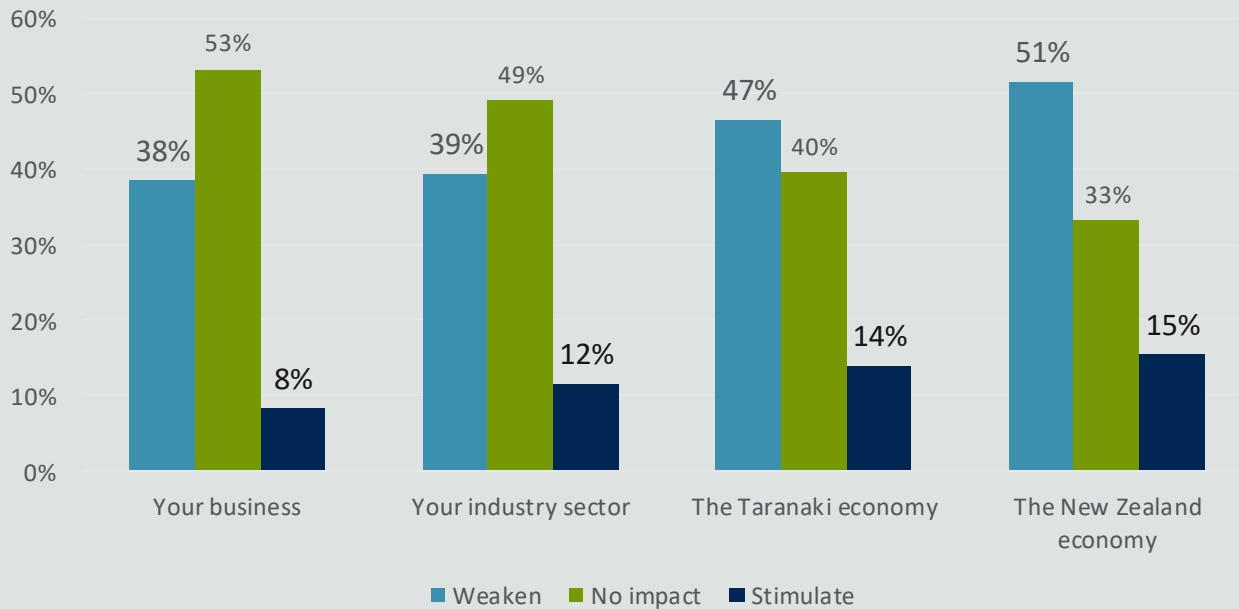
“The reality is COVID has changed the way we work. The impact of the last 15 months are still hidden and wont surface for many years ahead”

A wide-angle photograph of a lush, tropical-style forest. A paved path cuts through the center of the frame. Two people are jogging on the path: a man in a white t-shirt and black shorts, and a woman in a dark long-sleeved top and dark pants. Sunlight filters through the dense canopy of tall trees and large ferns on either side, creating bright highlights and deep shadows. The overall atmosphere is vibrant and active.

Budget 2021

IMPACT OF BUDGET 2021 ON TARANAKI ENTERPRISE

What impact do you think the 2021 budget will have on...



Most Taranaki enterprises anticipate the 2021 Budget will not affect their own business, however there are concerns that the regional and national economies will be weakened.

COMMENTS

Positive

- Positive responses include budget announcements on climate change funding, healthcare, benefits, improving living standards for the middle and lower class, and housing.
- Many respondents are happy to see more families being supported.

“Giving more families a chance to be able to provide the basics for their whanau”

Negative

- Around half said that there is nothing good in the budget and it is bad for business. These Taranaki business owners don't feel supported by the Government.
- A common complaint was there is not enough support for small businesses.
- Some business owners also think that there is not enough being put into our healthcare system.

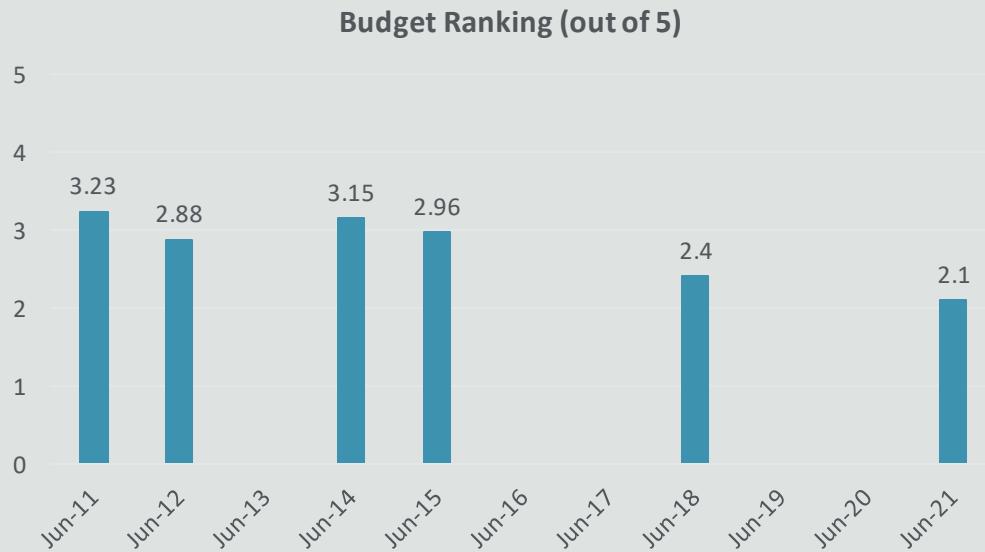
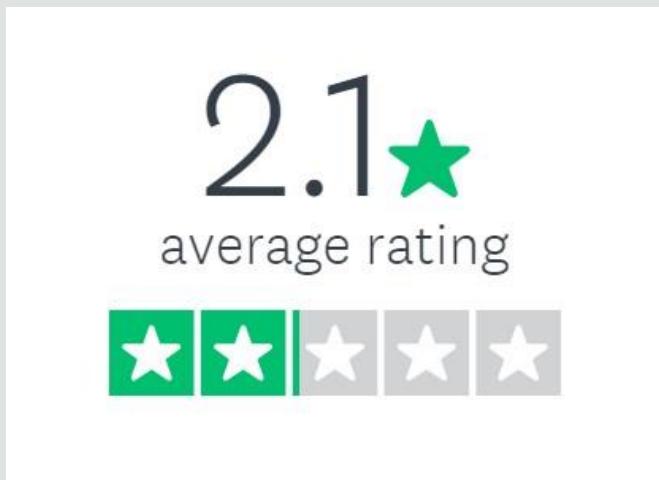
“No support for massive change bought on by regulation in the Primary sector”

“Supporting more people into careers and training to grow our own rather than bring in immigrants”

“Restrictions on farmers and things definitely seem to get tougher and tougher on small businesses particularly re staff. We have to put the cost back onto clients now”

IMPACT OF BUDGET 2021 ON TARANAKI ENTERPRISE

How would you rate the 2021 Budget overall in terms of "business friendliness"?



A photograph of a man with dark hair and a beard, wearing an orange jacket and a backpack, standing in a dense, green forest. He is looking upwards towards the canopy. The forest is lush with various trees and foliage.

Ngā mihi

venture.org.nz