



Optimism, hope and prosperity

Season's greetings to all our members and businesses around New Zealand!

It's the season for optimism, hope and prosperity in the business sector no less than any other.

2016 has generally been good year for business and many enterprises have experienced success and growth.

Various business confidence surveys agree that over 20 percent of New Zealand businesses now expect the economy to improve over coming months – compared with around 10 percent earlier in the year. Confidence in their own business prospects is even higher - over 30 percent.

BusinessNZ's major survey of companies in September, the *Mood of Boardroom*, showed an optimistic frame of mind. Business leaders surveyed reported feeling more upbeat about their prospects than a year ago – "serious optimism breaking out," the NZ Herald reported.

BusinessNZ's monthly surveys of companies in the manufacturing and service sectors show similar optimism.

The Performance of Manufacturing Index (PMI) and Performance of Services Index (PSI) track of hundreds of businesses on their monthly performance to set a score for their sector indicating whether it is expanding, and by how much.

Any score over 50 indicates expansion, with a score in the low fifties - indicating moderate expansion - being common.

During 2016 the PMI and PSI both averaged over 56 percent – significantly strong results.

Each monthly survey also asks the question: *What has been the major influence on business activity in your firm over the last three months?*

This open-ended question is valuable in revealing the sentiments, intentions and confidence levels of the businesses surveyed.

Each month this question delivers a number of positive and negative comments, and a rough total gives an indication of how positive or negative the sector overall is.

During 2016 the services sector produced twice as many positive as negative comments, while the manufacturing sector produced nearly twice as many.

The comments themselves give a fascinating glimpse into the business sector in New Zealand. They show businesspeople grappling with exporting, with compliance issues and difficulties finding staff. They also show the success that is coming the way of many businesses through dedication and hard work.

Some of the comments are below.

What has been the major influence on business activity in your firm over the last three months?

- *Tourist season better than normal*
- *Increased sales in domestic and export markets*
- *Upswing in orders from Australia*
- *We are seeing a lot of quoting and a lot of orders being placed which is nice*
- *Difficult to compete with low cost imports from Asia with lower quality product*
- *Issues with suppliers underperforming and failing to deliver*
- *Small precast companies are undercutting prices*
- *Growth in requirement for fruit storage coolstores*
- *The US dollar is still good for us as a large exporter, but compliance demands are increasingly drawing resources away from key projects*
- *Very good demand for wool but not enough wool to meet demand!*
- *Low priced imported product continues to put pressure on pricing*
- *Increased market share and brand recognition but regulatory challenges making it hard to do business*
- *Problems with trade with Russia*
- *Commissioning of new plant*
- *High Kiwi dollar against Aussie is pressuring margins on exports*
- *Lack of available staff*
- *Project delays in commercial construction*
- *Slight increase in demand from US export market*
- *Construction starting on major retirement village*
- *Competing against cheap imported product*
- *Napier becoming more popular as a destination to visit and more conferences happening*
- *Christchurch market picking up*
- *Continuing low investment in NZ dairy industries*
- *Production efficiency – lack of*
- *Cruise ships, new events*

- *Land development in Auckland, infrastructure in Wellington and earthquake rebuilding in Christchurch*
- *Fonterra announcement of organic milk prices being decoupled from conventional milk prices shows the real premiums*
- *Very strong tourist demand*
- *Increased business confidence in the finance industry*
- *Hard to recruit new sales staff*
- *Problems with quality of imported steel which will be affecting production*
- *Getting more skilled staff*
- *Existing customers picking up large government contracts and ordering parts from us*
- *Chinese visitors buying our product in Australia and NZ*
- *Fuel dropping in price*
- *More people moving to work/live/study in Hamilton*
- *Defence spend in Australia and NZ*
- *People becoming more comfortable with outsourcing*
- *People are travelling more-people realising they need someone to manage their travels for them and to do it well*
- *Horticulture and viticulture markets are strong*
- *High cost of overtime*
- *Catching up on sales that we were down from the previous quarter*
- *Large orders for export to China cancelled due to the tax changes recently implemented in China*
- *Strong tourism growth and strength of aviation sector*
- *Expansion in USA market*
- *Stadium activities, Dunedin busy*
- *Commenced major development*
- *Demand for new vehicles and accessories*
- *New players in the aviation market and tourism levels*
- *Conversions of software*
- *Strategic consulting work*
- *Tourism visitor numbers*
- *Our sales and marketing internationally starting to be more effective*
- *Increased US and European visitor numbers following major marketing effort in 2015*
- *Money owing for months now being paid*
- *Buoyant construction industry*
- *Continued record breaking summer season, huge increase in visitors to Queenstown Lakes*
- *High Kiwi dollar relative to Aussie is not helping margin, they have good growth, higher inflation, lower interest rates and a housing bubble but NZ still shoots itself in the foot by keeping our rates higher, thereby overvaluing the dollar.*
- *Ongoing compliance pressures*
- *Problems completing sales to Turkey due to their issues dealing with Russia*
- *Purchased Auckland company*
- *Finally won some tenders and got work!*
- *Increased demand from Europe*
- *Significant pick up in building related product*
- *Steady but not spectacular*

- *Overseas orders from parent company*
- *Similar product from US is as cheap as our raw product to manufacture the same product, we are a dumping ground??*
- *More orders as customers happy with the state of the economy*
- *Mild winter has hurt our heating business*
- *Pick up in construction projects in both Auckland and Christchurch*
- *Inability to employ top class labour*
- *Change to Chinese tax on imported goods in September*
- *Strong demand for pruned wood products continues to outstrip ability to supply*
- *Reduction in oil and gas exploration activity*
- *Crazy busy, don't know why*
- *Starting to supply Countdown supermarkets*
- *New Zealand dollar against Japanese Yen declined a little*
- *Banks in NZ are making things tighter*
- *Difficult customer access to the central city*
- *Lack of visitors to region, due to non-existent regional marketing*
- *Property market uncertainty*
- *A very pleasing market for selling wool, pity the currency markets are fluctuating so much*
- *Continued strength of inbound tourism visitor numbers*
- *Cost of compliance with Holidays Act in particular the directive from IR as to how employees are to be taxed on their holiday pay*
- *Lots of construction*
- *New building projects including 2 new rest homes*
- *The continuation of the building boom in the Bay of Plenty*
- *Staff who can drive trucks - most seem to be on restricted licences and the process to get them to HT is time consuming and costly*
- *We had our web site redesigned and are receiving on average 2 enquiries each day from this*
- *Banks not wishing to fund more property development*
- *Impact of social detriments including addiction, use of "P" on housing*
- *Wine industry spending money and making large growth improvements*
- *Trying to get new qualified staff very difficult*
- *Lack of business from China, they have stopped buying wool from NZ*
- *Very buoyant apple, kiwifruit and grape markets*
- *The Auckland market is very positive at present and our clients are taking on more staff*

These are the words of businesses large and small from all around New Zealand – businesses we are proud to represent.

Season's greetings to all.

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