

Firms Preparing To Deal With Zero Growth, Survey Shows

Most South Island firms are reviewing their internal structures to cope with anticipated zero or negative growth over the next two years, according to a business leaders survey.

The five-year outlook is more positive, however, with three-quarters of all respondents expecting their business to grow, the survey found.

It is the third South Island business leaders survey by accounting firms Polson Higgs and McCulloch and Partners and was completed in early December.

It found that more than half the 55 respondents expected zero or negative growth in their markets through to the end of 2010.

Compared to six months ago, business optimism had slumped from 30% expecting high market growth in the next five years to just 16%, said McCulloch partner, Ross Jackson.

“In May only 4% of respondents expected business to contract over the next five years, but this has jumped to over 18% currently,” Mr Jackson said.

“Over 70% of firms are reviewing internal structures to deal with the expected downturn, with the main challenges perceived as cutting costs and retaining talent.

“Only 6% had no specific actions planned to cope with the economic difficulties foreseen.”

The survey also showed businesses expect customers to be more price sensitive and have higher service expectations and added value expectations.

Mr Jackson said previously high concern expressed over regulatory burdens on business had fallen from 60% of respondents to 40%.

“Clearly this is a response to the National Government coming to power, which is perceived as being more business-friendly.

“However, half the respondents expected no significant effects from Government initiatives on tax reform, emissions trading, RMA overhaul, new infrastructure and R&D tax credit removal.

“Only 10% expected these initiatives to have a negative impact,” he said.

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The survey also showed businesses now attributed less importance to environmental issues, two-thirds saying they are not significant, compared to just over half in May.

Copies of the full results are available on request from the local McCulloch and Partners office.

Ends

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