

New Zealand

International Business Report 2008 – Country focus

The Grant Thornton IBR 2008 reveals that privately held businesses (PHBs) in most economies remain optimistic about economic prospects for the year ahead. For the fifth consecutive year, India tops the league table as the most optimistic economy with an optimism/pessimism balance¹ of +95 per cent with the Philippines joining them at the top for the first time (also +95 per cent). Japan is still at the bottom this year with a balance of -49 per cent, whilst PHBs in New Zealand are less optimistic about 2008 (+30 per cent) than they were about 2007 (+42 per cent).

The New Zealand economy

GDP grew at an average of 3.4 per cent in 2007, boosted by strong growth in consumer demand of five per cent. In recent times, strong growth, booming commodity prices, tight labour markets and capacity constraints have driven up inflation, requiring a very tight monetary policy stance since mid-2007.

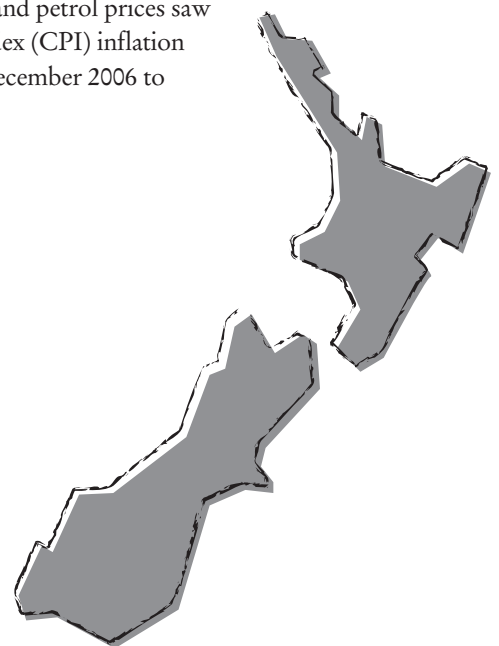
Central to the turnaround in household demand growth from 2005-06 were renewed strength in house prices, a fall in petrol prices and increases in export commodity prices. In addition, the impact of tighter monetary conditions was outweighed by the continuing support provided by the labour market and government expenditure.

The depreciation in the New Zealand dollar over the first half of 2006 and improved agricultural production helped to increase exports, although the exchange-rate depreciation proved to be short-lived and export volumes fell again in the 2nd and 3rd quarters of 2007. Higher food and petrol prices saw the annual Consumer Price Index (CPI) inflation increase from 2.6 per cent in December 2006 to 3.2 per cent in December 2007.



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¹ the balance is the proportion of businesses reporting they are optimistic less those reporting they are pessimistic.

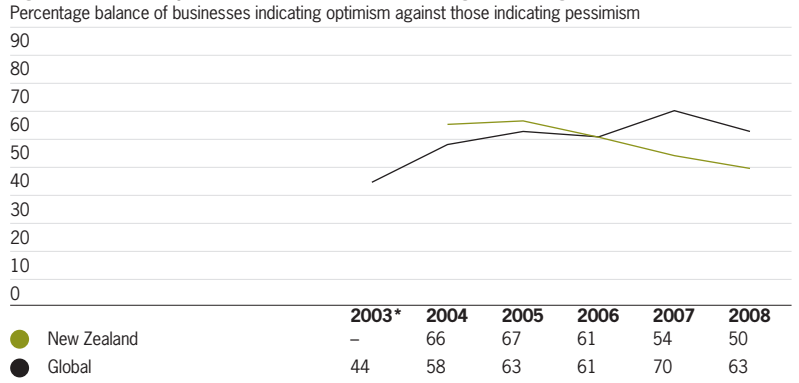
Business expectations/revenue

- PHBs in New Zealand are slightly less optimistic about their revenue prospects in 2008 (+50 per cent) compared to 2007 (+54 per cent).
- Their levels of optimism regarding revenue performance are below the global average (+63 per cent).
- The level of optimism regarding exports (+19 per cent) is marginally above the global average (+18 per cent).

Employment

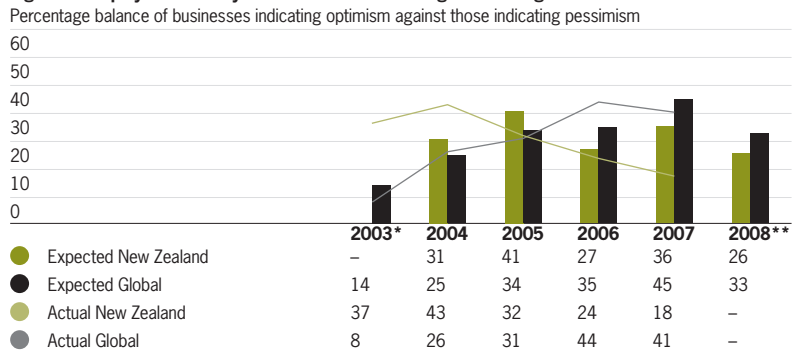
- Expected employment growth in New Zealand has fallen from +36 per cent in 2007 to +26 per cent in 2008.
- Businesses globally are more optimistic with regard to employment growth in 2008 (+33 per cent) than PHBs in New Zealand.
- Actual reported employment growth in New Zealand in 2007 (+18 per cent) was half the level expected.

Figure 1: Revenue expectations for New Zealand and the global average 2003-2008

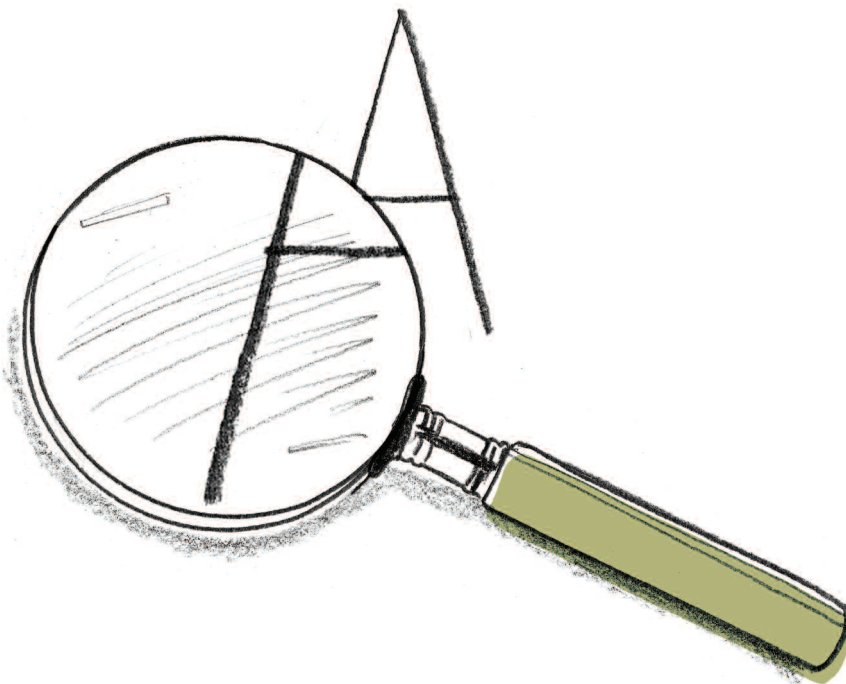


*no data available
Source: Grant Thornton IBR 2008

Figure 2: Employment history of New Zealand and the global average 2003-2008



*no data available
**2008 data will be documented in IBR 2009
Source: Grant Thornton IBR 2008



Constraints

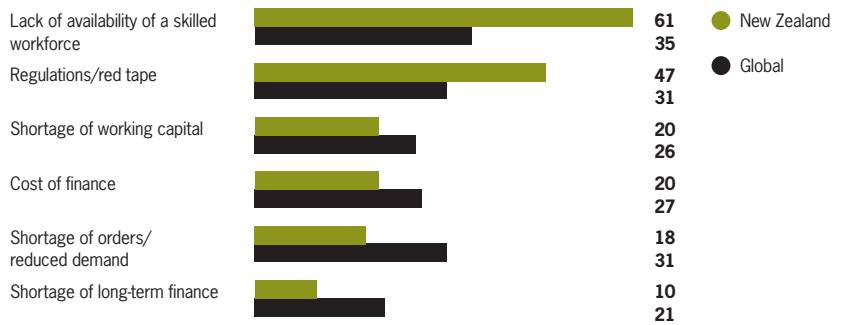
- The availability of a skilled workforce is the constraint restricting expansion cited most by PHBs, both in New Zealand (61 per cent), and globally (35 per cent).
- Regulations/red tape is cited by 47 per cent of PHBs in New Zealand, compared to 31 per cent of businesses globally.
- The shortage of long-term finance is viewed as a constraint restricting expansion by 21 per cent of businesses globally, but by just ten per cent of PHBs in New Zealand.

Emerging markets

- The most important factor for PHBs in New Zealand when determining whether to invest internationally is market size and growth potential (61 per cent).
- The proportion of PHBs in New Zealand which export (38 per cent) has risen ten per cent since 2007.
- 40 per cent of PHBs in New Zealand import, which is marginally above the global average of 39 per cent.
- More than half of PHBs in New Zealand see their main competition coming locally. This is above the global business average of around one third.

Figure 3: Largest constraint on growth for New Zealand businesses compared to the global average

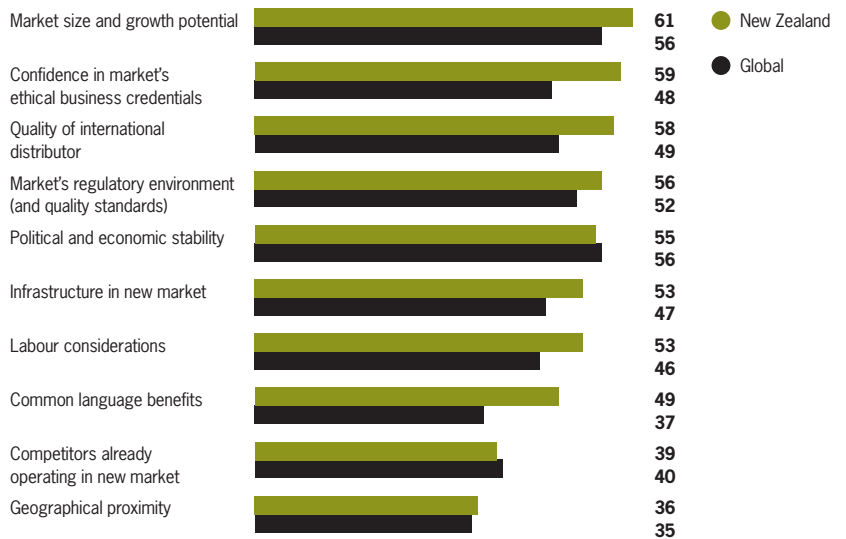
Percentage of businesses rating constraint 4 or 5 on a scale of 1 to 5 where 1 is not a constraint and 5 is a major constraint



Source: Grant Thornton IBR 2008

Figure 4: Importance of factors determining foreign investment

Percentage of businesses rating level 4 or 5 on a scale of 1 to 5 where 1 is a low priority and 5 is a high priority



Source: Grant Thornton IBR 2008

Competitiveness

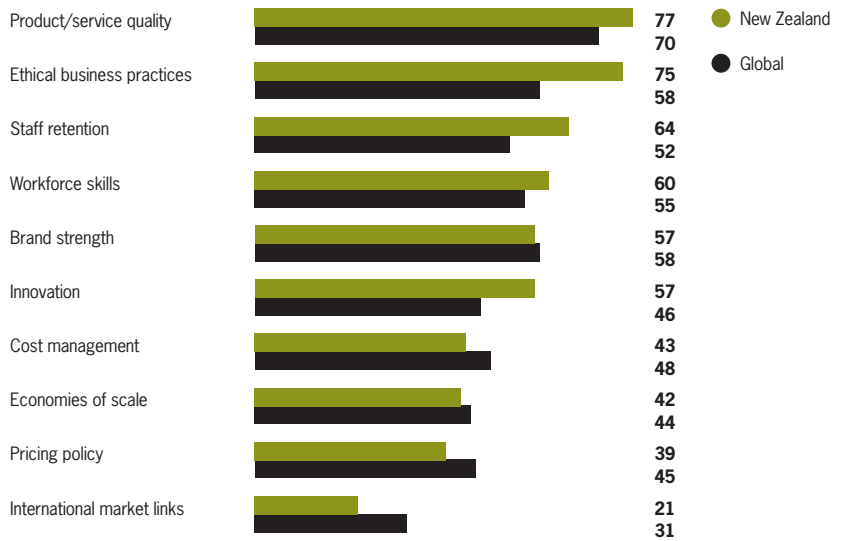
- PHBs in New Zealand see their greatest source of competitive advantage as product service quality (77 per cent), as is true of businesses globally.
- 75 per cent of PHBs in New Zealand see ethical business practices as a source of competitive advantage. This is well above the global business average of 58 per cent.
- 21 per cent of PHBs in New Zealand cite international market links as a source of competitive advantage compared to 31 per cent of businesses globally.

Corporate social responsibility (CSR)

- Recruitment/retention of staff is viewed as the biggest driver towards more ethical practices by PHBs in New Zealand (82 per cent), and by businesses globally (65 per cent).
- 91 per cent of PHBs in New Zealand donated to community causes/charities in the past year, compared to 65 per cent of all businesses.
- 35 per cent of PHBs in New Zealand have incorporated their policies in to a written CSR document. This is below the global average of 56 per cent.

Figure 5: Main sources of competitive advantage for New Zealand businesses compared to the global average

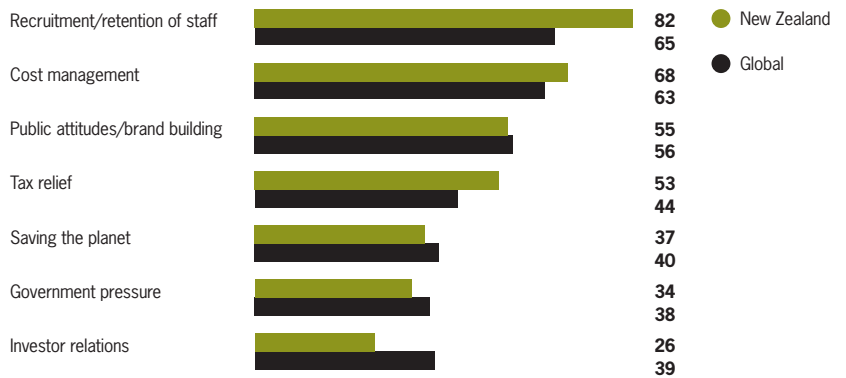
Percentage of businesses rating strength of the advantage 4 or 5 on a scale of 1 to 5 where 1 is not very strong and 5 is very strong



Source: Grant Thornton IBR 2008

Figure 6: Importance of drivers to more ethical practices for New Zealand businesses compared to the global average

Percentage of businesses rating the importance 4 or 5 on a scale of 1 to 5 where 1 is not very important and 5 is very important



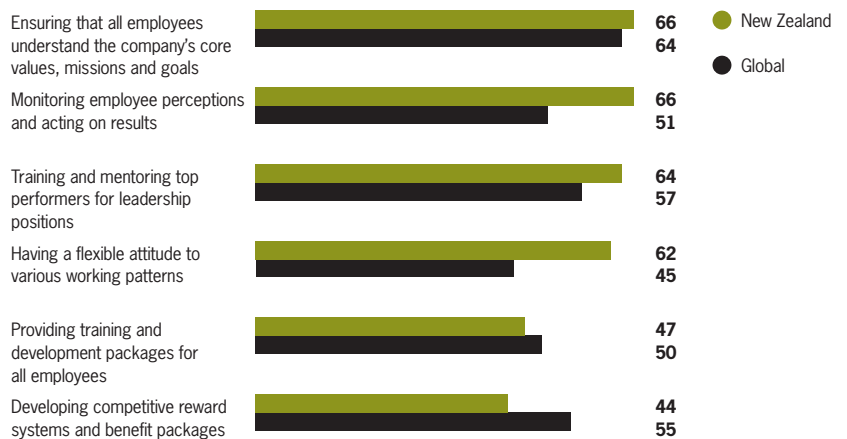
Source: Grant Thornton IBR 2008

Recruitment and retention

- The balance of PHBs in New Zealand more focused on retention than one year ago is 70 per cent. This is above the global business average (59 per cent).
- Similarly to businesses globally, 66 per cent of PHBs in New Zealand ensure that all employees understand the company's core values, mission and goals to aid recruitment/retention.
- Cited by 69 per cent of PHBs in New Zealand, an increased workload for remaining staff is viewed as the major problem staff retention issues have caused.
- It is costing 79 per cent of PHBs in New Zealand significantly more to pay their staff than it was 12 months ago. This is above the global average (63 per cent).

Figure 7: Usage of recruitment and retention tools for New Zealand businesses compared to the global average

Percentage of businesses rating the level 4 or 5 on a scale of 1 to 5 where 1 is not at all and 5 is a great deal



Source: Grant Thornton IBR 2008

Outlook for the New Zealand economy

Real exchange rate appreciation, tight credit and widening credit spreads, together with drought conditions, are provoking slower growth in 2008, which is expected to average out at 1.3 per cent for the year. A widening output gap should reduce inflation pressure by year-end, allowing monetary policy to be eased and growth to pick up to around 2.1 per cent in 2009.

The resurgence in investment (as well as private consumption), coupled with the high exchange rate, means import volume growth is likely to remain strong in the year ending March 2008. After this, slowing domestic activity should dampen import growth. A high exchange rate, coupled with slowing price growth for some exports, is expected to mute export volume growth in 2008 and 2009. However, export volume growth is expected to recover further out in response to a falling exchange rate.

Uncertainty surrounding the outlook for the New Zealand economy relates to volatility in global financial markets and international commodity prices. The resilience of household behaviour to oil price shocks, along with continued appreciation of the exchange rate, will also be important.

The Grant Thornton International Business Report (IBR) 2008 examines the attitudes, plans and trends of 7,800 privately held businesses in 34 economies across six continents. The Grant Thornton IBR builds on data collected in previous surveys and boasts 16-year trend data for European Union (EU) countries and six year trend data for international economies.

To find out more about the Grant Thornton IBR and to obtain copies of reports, including focuses on emerging markets, corporate social responsibility and recruitment and retention, please visit www.internationalbusinessreport.com.

Focus reports are also available for each of the 34 participating economies, as well as regional and global summaries. You can also complete the questionnaire online and benchmark your answers against PHBs around the world by industry, size and geographical location.

Participating economies

Argentina	Hong Kong	Singapore
Armenia	India	South Africa
Australia	Ireland	Spain
Belgium	Italy	Sweden
Botswana	Japan	Taiwan
Brazil	Malaysia	Thailand
Canada	Mexico	Turkey
Mainland China	Netherlands	United Kingdom
Denmark	New Zealand	United States
France	Philippines	Vietnam
Germany	Poland	
Greece	Russia	



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