

Selwyn Business Opinion Survey

February 2024



About the survey

The Selwyn Business Opinion Survey is a pulse check of Selwyn businesses. The Survey has been designed to help understand current and future business trading conditions at a local Selwyn District level.

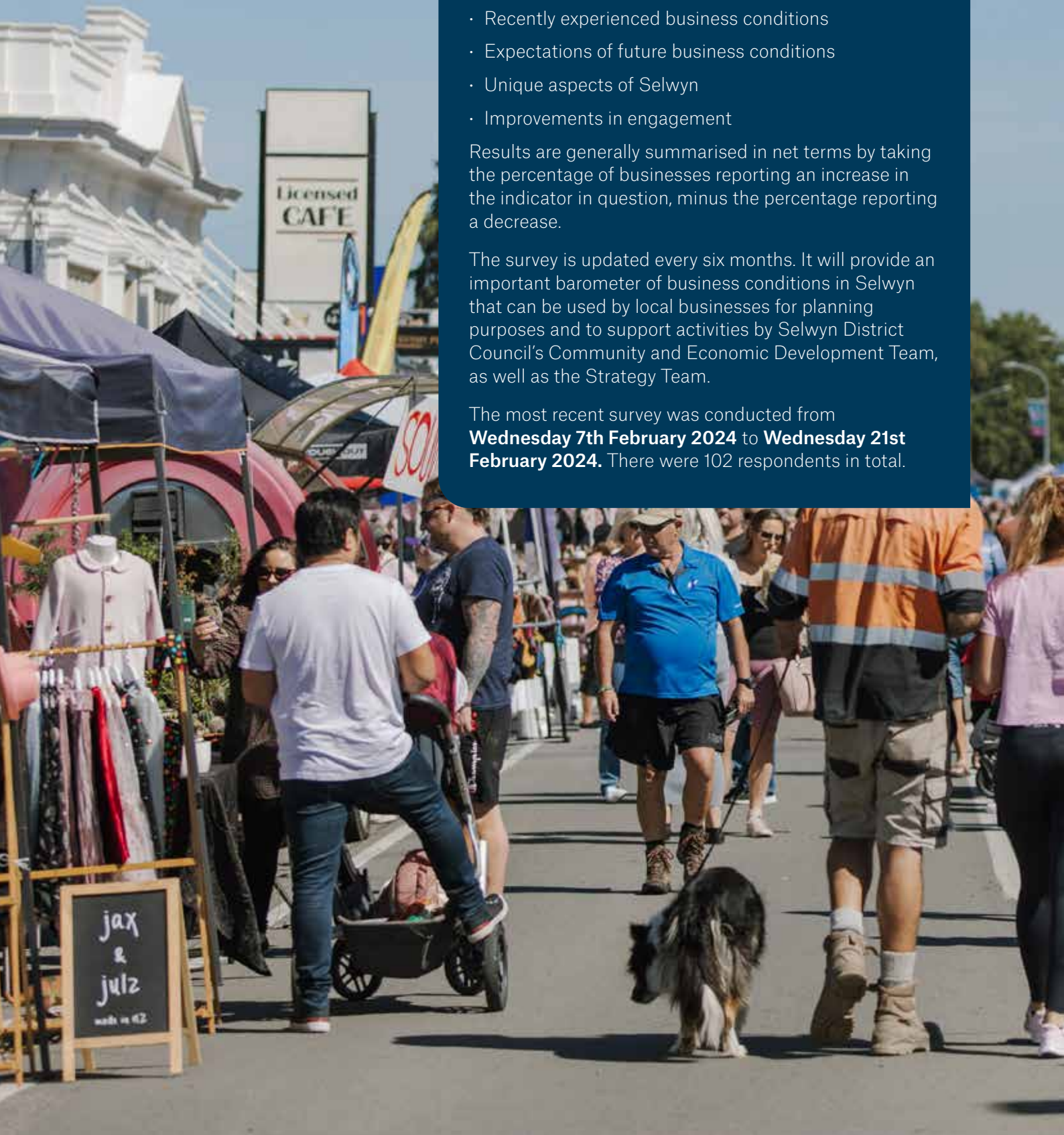
The topics covered include:

- Employment and investment trends
- Recently experienced business conditions
- Expectations of future business conditions
- Unique aspects of Selwyn
- Improvements in engagement

Results are generally summarised in net terms by taking the percentage of businesses reporting an increase in the indicator in question, minus the percentage reporting a decrease.

The survey is updated every six months. It will provide an important barometer of business conditions in Selwyn that can be used by local businesses for planning purposes and to support activities by Selwyn District Council's Community and Economic Development Team, as well as the Strategy Team.

The most recent survey was conducted from **Wednesday 7th February 2024 to Wednesday 21st February 2024**. There were 102 respondents in total.



Executive Summary

This section summarises key messages from the survey of Selwyn businesses and sets that against the general economic context.

Key messages from Selwyn businesses

- Selwyn businesses reported expecting improved conditions over the next 6 months, despite having continued to face relatively high operating cost pressures and squeezed profitability.
- The Selwyn business experience is generally better than what has been seen nationwide in other business surveys.
- Selwyn businesses reported staff numbers generally remaining the same over the last 6 months.
- Recruiting staff has improved but continues to be difficult.
- Investment intentions in Selwyn have slightly decreased to 21% but remain to be tracking higher than nationally. Businesses however appear to not be confident in the long-term, with only 12% expecting to increase investment.
- Output/sales have dropped 8% in the last six months however they are projected to recover to 16%.
- The operating costs have reduced from 92% in August 2023 to 78% for February 2024 and this is expected to continue on a downward trend to 69% over the next six months.
- Pricing intentions are decreasing slowly from a high of 57% in August 2023 and this is expected to remain similar over the next six months.
- Profitability has increased from -14% experiencing to -3% experiencing, and this is projected to improve to 8% over the next six months.

Table 1 – Businesses’ recent experience and expectations of the six months ahead

Net balance	Previous Experience (August 2023)	Current Experience (February 2024)	Predicted Experience (Next 6 Months)
Staff numbers	14%	1%	5%
Investment	24%	21%	12%
Output/sales	11%	3%	16%
Prices	57%	42%	46%
Operating costs	92%	78%	69%
Profitability	-14%	-3%	8%

Results are summarised in net terms by taking the percentage of businesses reporting an increase in the indicator in question minus the percentage reporting a decrease.



Background context to the survey

Infometrics Quarterly Economic Monitor (QEM) for the December 2023 quarter shows that the Selwyn District economy grew 1.2% in the year to December 2023, outpacing the national average of 0.7%, however this is recorded as the slowest growth for the district in over a decade. Strong population growth was a key driver of consumer spending in Selwyn, up by a strong 12.7% over the year to December 2023, out ahead of national growth of 4.3%. The number of Jobseeker Support recipients in Selwyn had been falling but notched up 8.1%pa in the December 2023 quarter, reflective of a turning point in the labour market, as more people seek work compared to new job opportunities being created.

Selwyn's housing market is showing signs of softening after years of running hot. Selwyn's house values fell -1.5% between the December 2022 and December 2023 quarters, compared to a 3.9% rise in Christchurch City. Residential building consents in Selwyn continue to decrease and fell 30.4% over the year to December 2023, compared to a 20.5% fall in Christchurch City, with Selwyn's consents falling to some of their lowest quarterly level since 2019. Non-residential building consents remain elevated, which should maintain workloads for the construction sector.

Tourism activity in Selwyn has benefited from the return of international visitors to New Zealand over the past year, with tourist electronic card spending in Selwyn up 11.9% over the year to December 2023.

Continued strengthening in dairy demand globally has helped raise the farmgate milk price, with Fonterra recently increasing the mid-point pay-out 30c to \$7.80/kgMS for the current 2023/24 season, however the Selwyn District total payout for the 2022/2023 season is estimated to be on track to sit approximately \$26 million less than the previous season. Strong results in the Global Dairy Trade actions recently suggest that there may be some upside with a potential \$8 pay-out which would further limit this shortfall. Farm input costs for the December quarter were flat which is positive given the increase in costs, however lamb prices are at a 7 year low and beef prices are at a 3 year low with results in challenges felt across the primary sector.

The QEM also provides a national economic outlook. The QEM notes that high inflation and higher interest rates have moderated the strength in the economy, however continued jobs and population growth has provided necessary support to balance. Provisional estimates from Infometrics show a 0.2%pa fall in economic activity in the December quarter which takes the annual average growth to just 0.7%pa. Construction activity is lower too, and future intentions to build continue to fall too. Jobs activity remains firm, but wider slack in the labour market has seen the unemployment rate increase as migration fuels growth in the labour force, but businesses are hiring less.

Employment trends

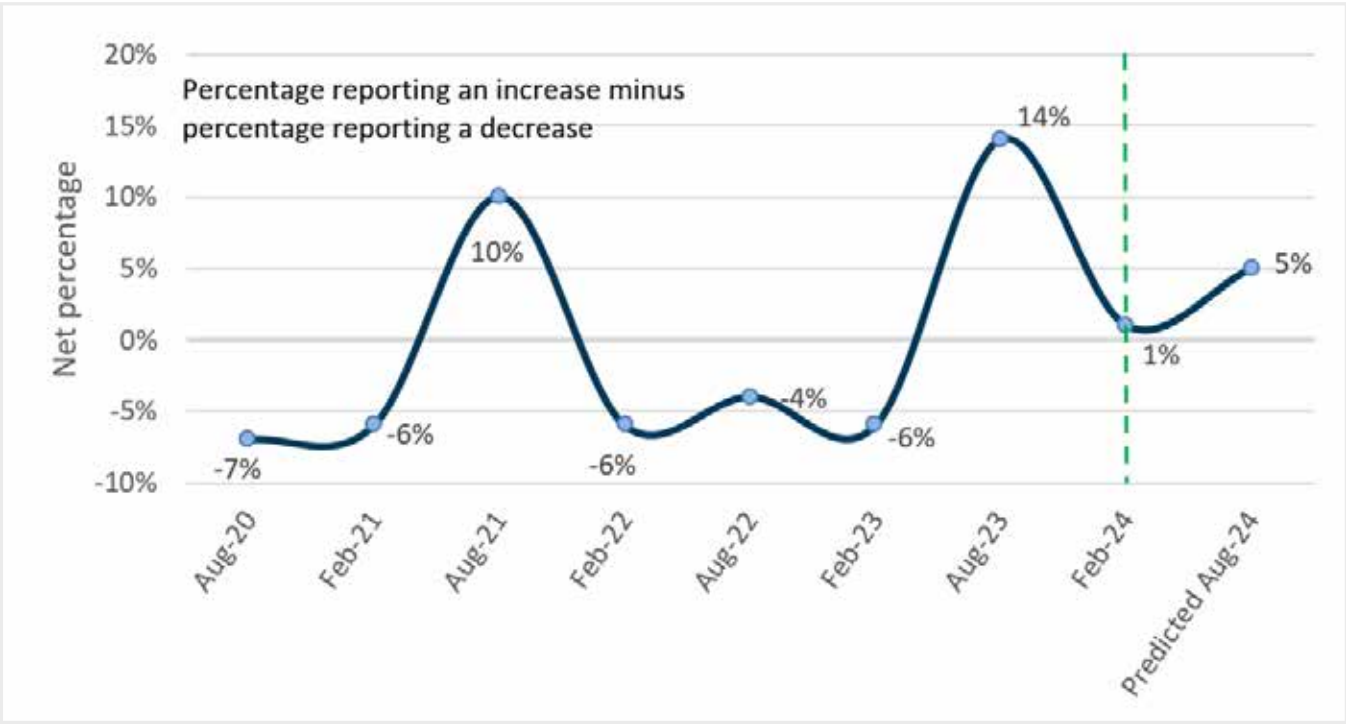
This section outlines what the survey showed is happening for overall staff numbers at Selwyn businesses and whether businesses are facing difficulty finding staff to fill vacancies.

Total employment

Employment trends are an important barometer of businesses’ confidence in their own activity outlook. Staffing decisions are not made based on day-to-day activity — instead decisions reflect how businesses expect conditions to unfold over a more sustained period.

A net 1% of Selwyn businesses reported increasing their headcount over the past six months. Businesses have been relatively reluctant to hire over recent months given after rapidly increasing their headcounts during the first half of 2023. Despite an ongoing squeeze to profit margins, businesses are anticipating gradual increases to staff numbers in 2024 in response to growing sales pipelines.

Graph 1 — Staff numbers



At a national level, the ANZ Business Outlook shows recent signs of a decrease in employment intentions, with a reported net 4.6% of businesses in January 2024 anticipating increasing their headcounts in the months ahead, down slightly from 7.0% in December 2023. Construction and agriculture are the key detractors nationally.

Difficulty of finding staff

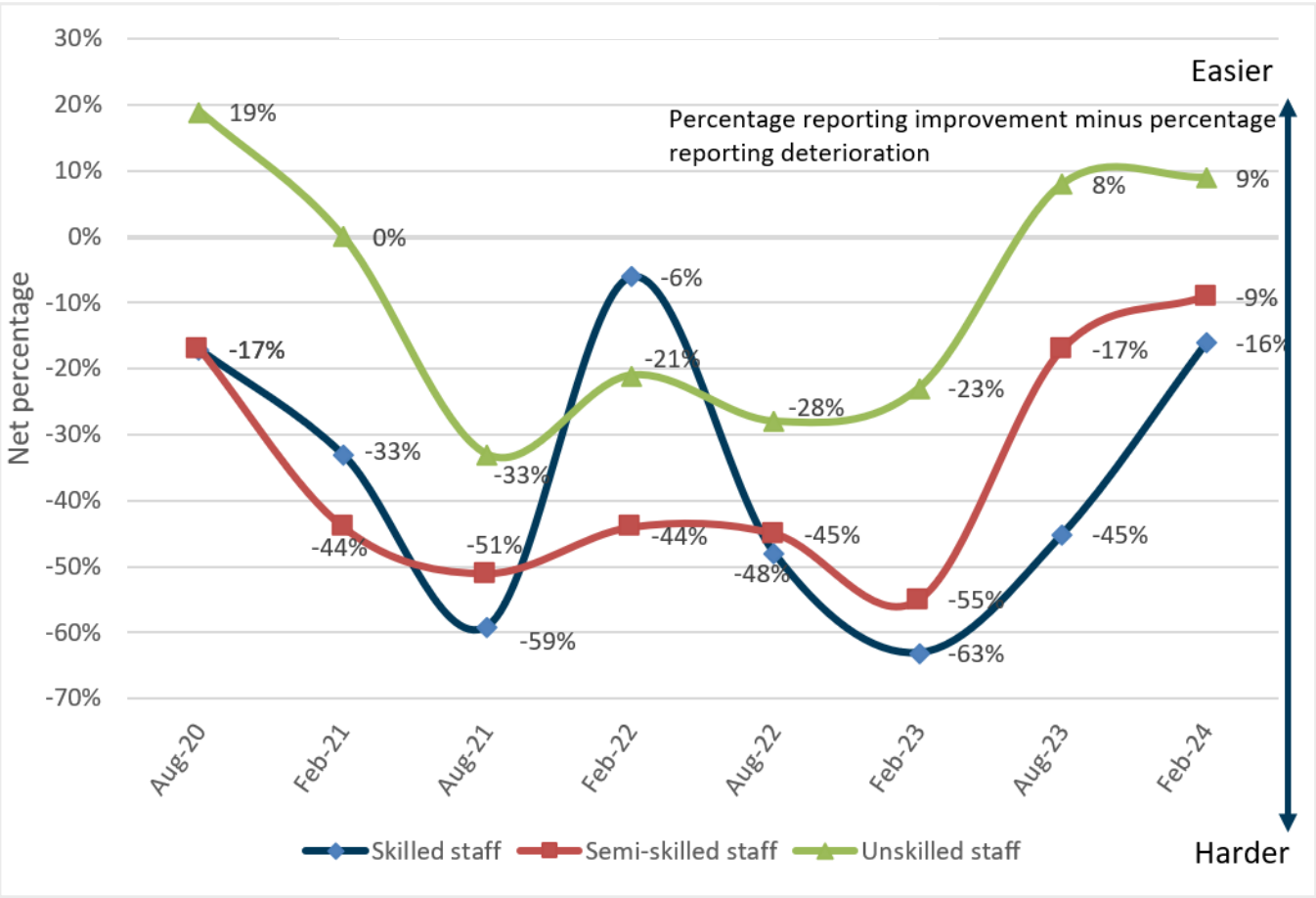
Making decisions about staff numbers is only half the challenge, finding workers to fill any vacancies that emerge is the other. Consequently, it is also important to assess how easy it has been for Selwyn businesses to find staff.

The national economy has been constrained over recent years by persistent labour shortages, but the situation has dramatically improved over the past year across the country. A sharp increase in migration into New Zealand, has meant there is a lot more labour available for each vacancy — particularly for unskilled roles. Statistics New Zealand estimates that New Zealand gained an annual net 126,000 migrants over the 2023 year.

A net 9% of Selwyn businesses reported that it was easier to find workers for unskilled roles — a trending increase since August 2022.

Finding semi-skilled and skilled workers remain relatively difficult, but the situation for both has also improved. For example, a net 16% of businesses reported that it was harder to find skilled staff over the past six months, which is better than a net 45% of businesses reporting difficulty finding skilled staff in August 2023.

Graph 2 — Difficulty of finding staff

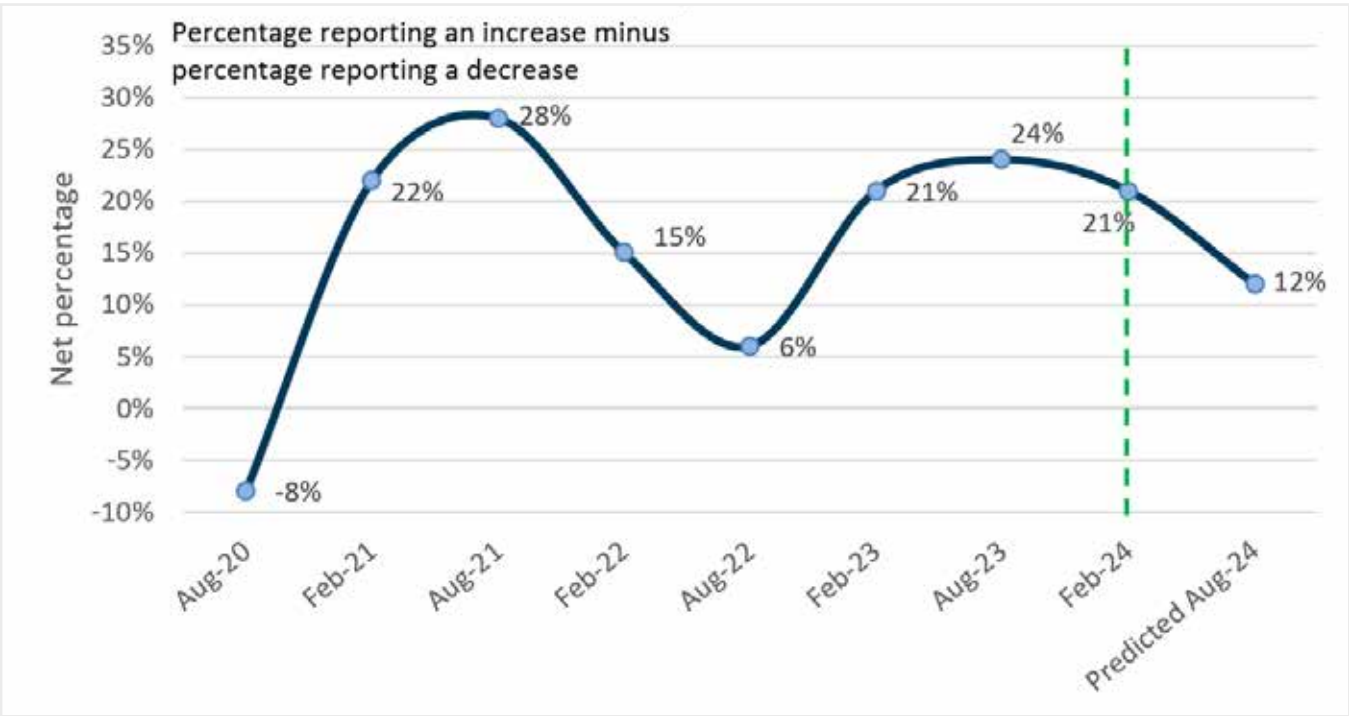


Investment trends

Current and intended investment is another important barometer of confidence by Selwyn businesses in their outlook. Business investment is typically quite volatile across the economic cycle.

Data from the most recent survey shows that a net 21% of Selwyn businesses increased their level of investment over the past six months, which is a slight decrease on the previous result of 24%. Business investment is anticipated to drop over the months ahead, with a net 12% of Selwyn businesses expecting to increase investment over the next six months. This situation is reflective of an ongoing squeeze to profit margins in many industries, coupled with relatively high interest rates on debt compared to interest rates that persisted over recent years.

Graph 3 – Investment in your business



Selwyn businesses’ level of investment intentions remain more positive than the national average — a net 1.7% of businesses expect to lift investment in the January 2024 Outlook. The ANZ Business Outlook is showing no material trend in business investment in recent months (for example it sat at a similar net 2.7% in December 2023).

Business Conditions

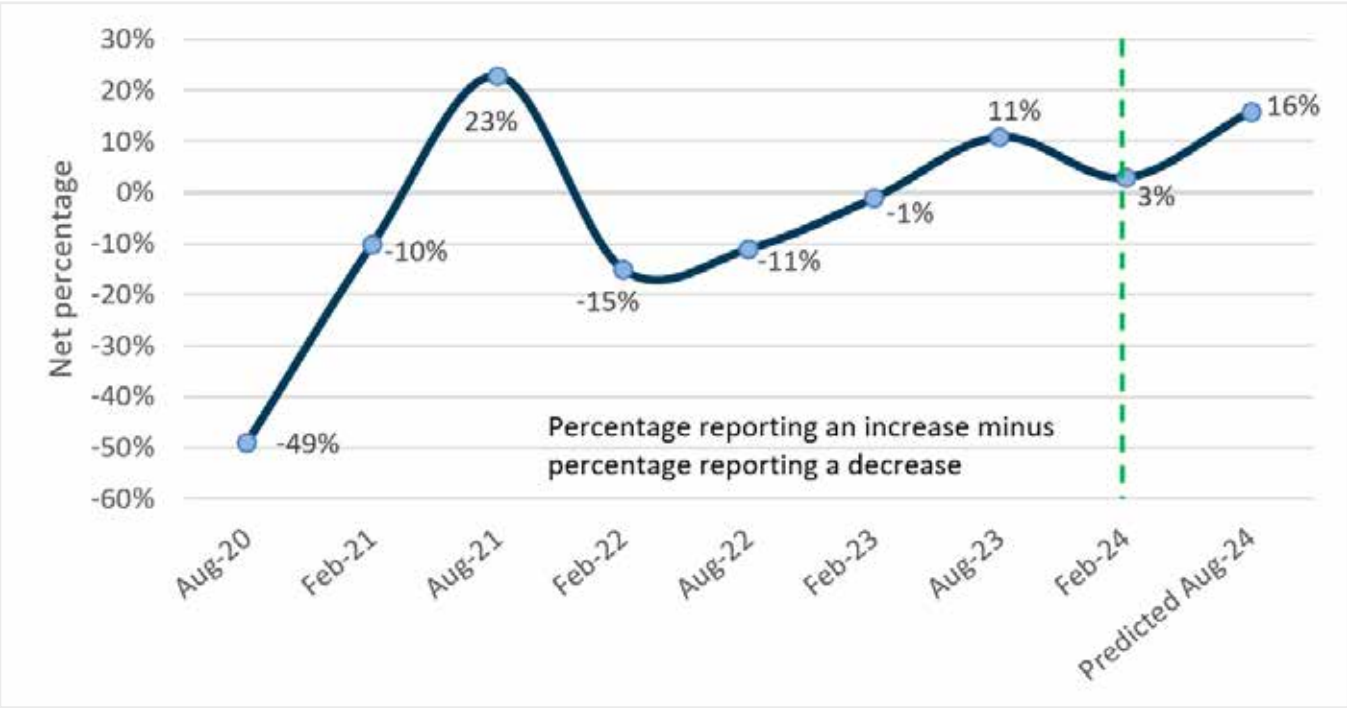
This section outlines what the survey showed regarding the conditions faced by Selwyn businesses in terms of sales, costs, prices and profitability.

Sales

Selwyn businesses were asked about how their revenue had performed over the past six months and how it is expected to perform over the next six months.

The survey showed that a net 3% of businesses experienced an increase in sales/output over the past six months, compared to a net 11% of businesses experiencing an increase in sales/output in the six months prior. Businesses however, do expect their sales/output to improve with a net 16% of businesses expecting an increase over the next six months.

Graph 4 – Output/sales



The January 2024 ANZ Business Outlook showed a net -5.7% of businesses nationally expect their own activity to increase over the year ahead. Compared to the national average, Selwyn businesses remain more optimistic about their own activity outlook than businesses nationally.

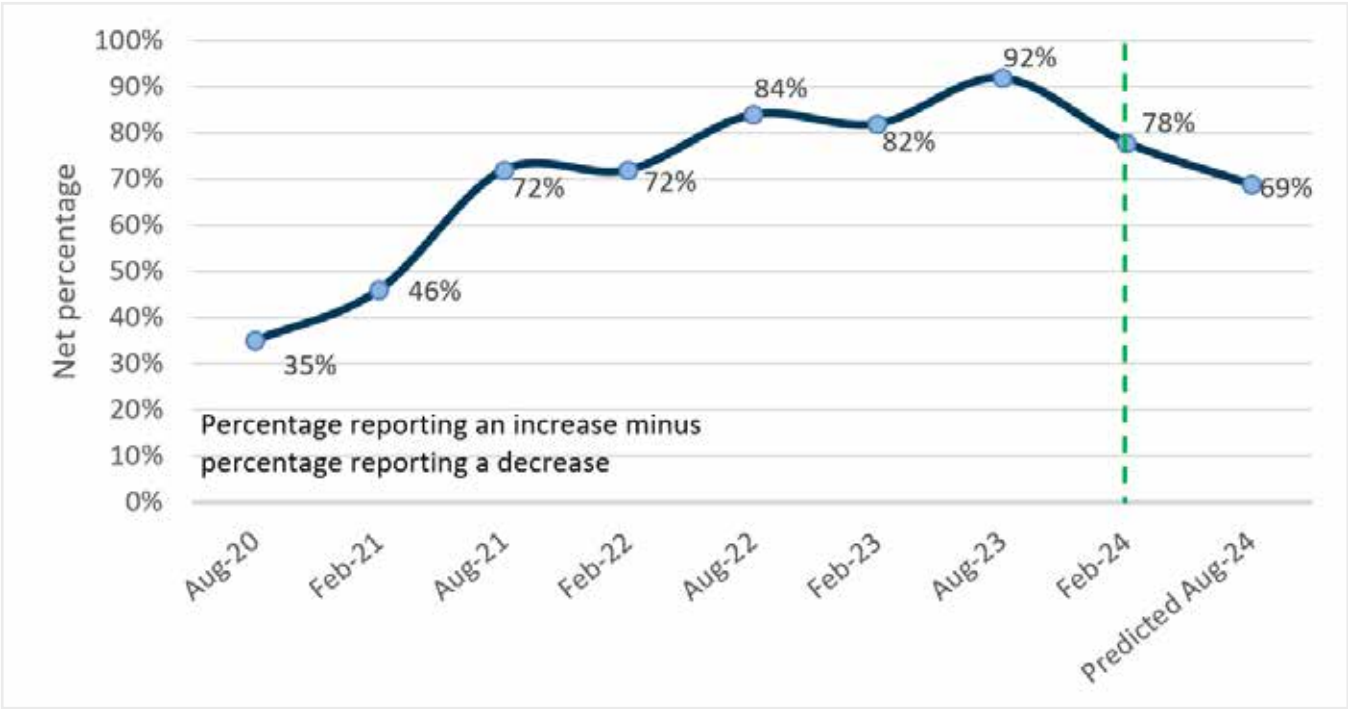
Operating Costs

Selwyn businesses were asked about whether their operating costs had increased over the past six months and whether they expected their operating costs to increase over the next six months.

The data shows that cost pressures remain acute and persistent for businesses in Selwyn, however, it is noted that there was a slight decrease in operating costs from August 2023 (92%). The February 2024 survey recorded a net 78% of businesses reporting cost increases over the past six months.

Cost pressures are anticipated to decrease from current levels, but still remain relatively high over the next six months, with a net 69% of Selwyn businesses expecting their operating costs to continue rising. These cost pressures are not just occurring in Selwyn, nor are they limited to specific sectors. Cost pressures nationally remain acute despite some tentative softening to cost expectations, with the January 2024 ANZ Business Outlook still reporting a net 75.6% of businesses nationally expecting an increase in operating costs.

Graph 5 – Operating costs

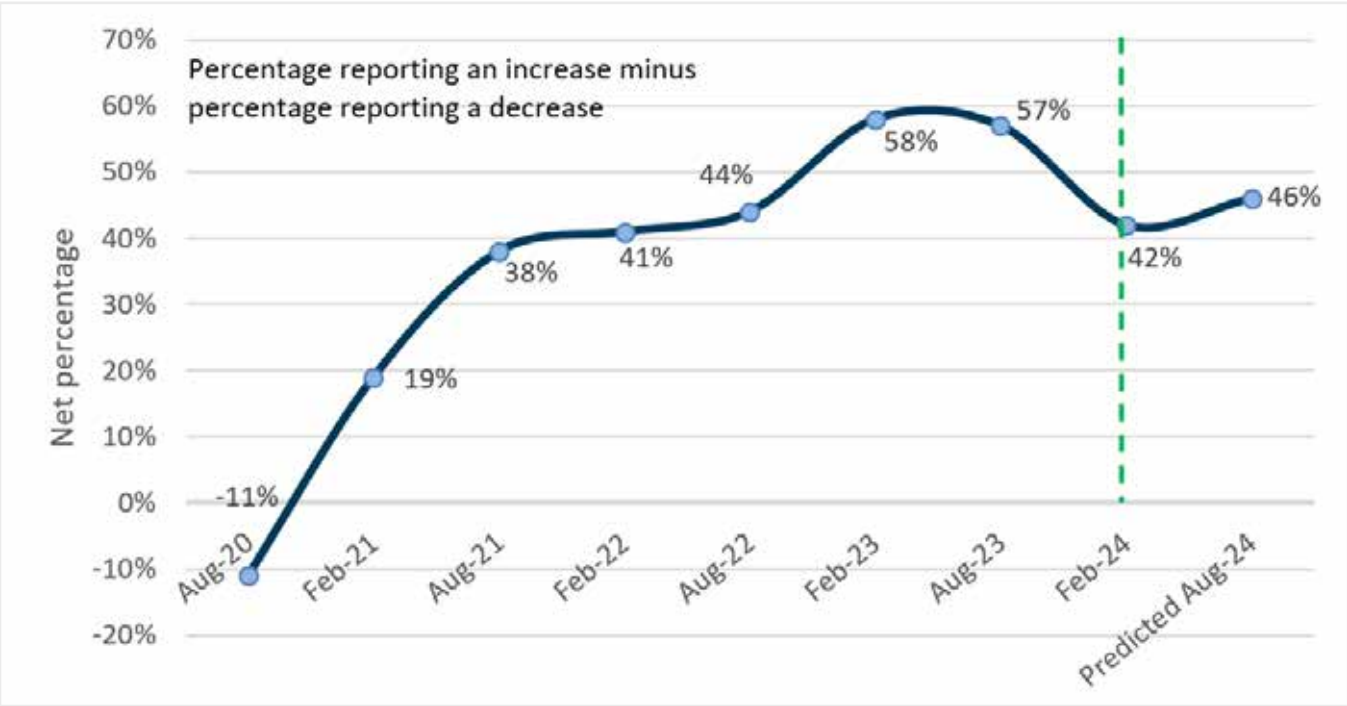


Price of goods/services sold

Selwyn businesses were asked about whether they had increased their prices over the past six months and whether they intend to increase their prices over the next six months.

A net 42% of Selwyn businesses increased prices over the past six months, down from 57% of businesses at the August 2023 survey. With higher operating costs and businesses still expecting sustained demand, businesses are anticipating that their price increases will persist. A net 46% of Selwyn businesses are intending to increase their prices even higher over the next six months.

Graph 6 — Prices of goods/services sold



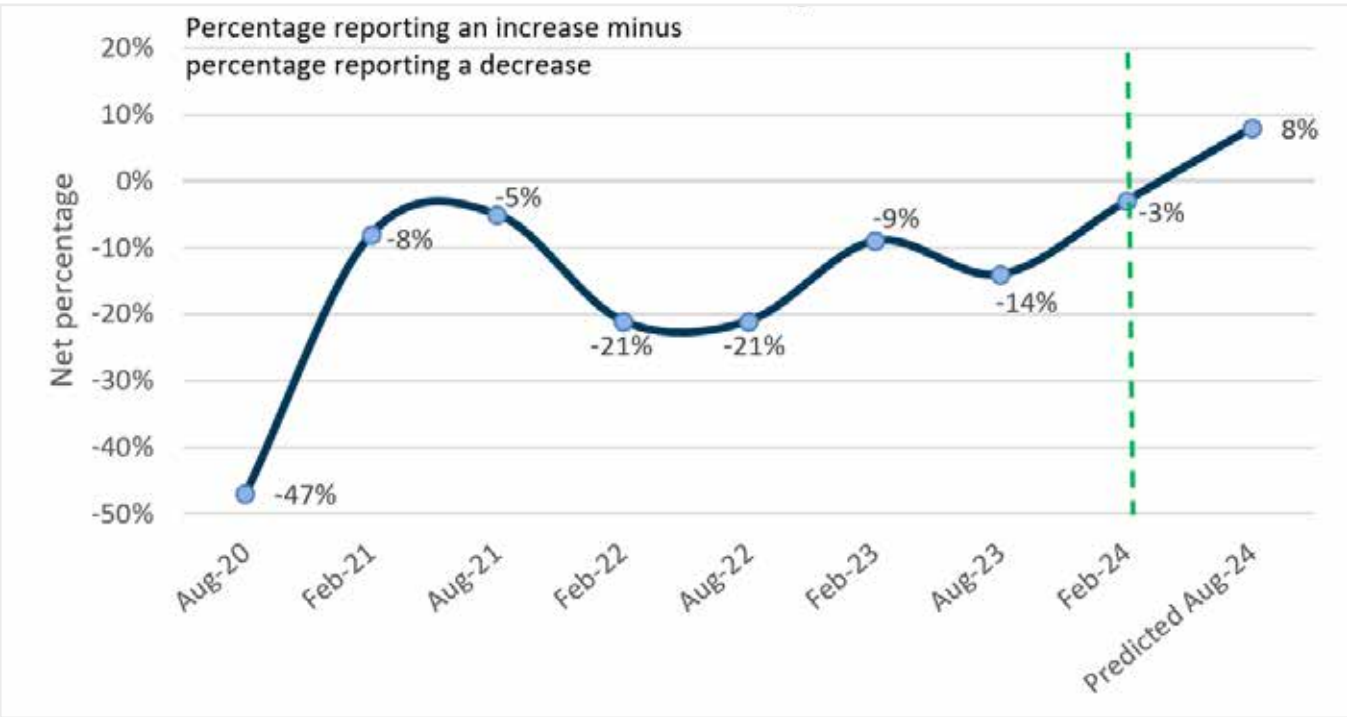
The Selwyn result is slightly lower than the national trend, with the January 2024 ANZ Business Outlook reporting a net 49.7% of businesses nationally intend to increase their prices, down from 50.2% in December 2023. There has been a tentative decrease to this over the past 6 months, with pricing expectations coming down from their peak.

Profitability

Selwyn businesses were asked about how their overall profitability had changed over the past six months and whether they expected profits to change over the next six months.

A net -3% of Selwyn businesses experienced a decline in profitability over the past six months. This result is an improvement from the August 2023 survey (-14% net), and so while there is still clearly a profit squeeze, at least things are trending back towards improving territory. Selwyn businesses are more optimistic about their future profitability with a net 8% expecting their profitability to increase.

Graph 7 – Profitability



Selwyn businesses continue to be more optimistic than national expectations. The January 2024 ANZ Business Outlook reported that nationally a net 3.1% of businesses expect their profit to increase in the year ahead.

Unique aspects of Selwyn

In the February 2024 Selwyn Business Survey, businesses were asked what unique aspects of Selwyn they believe should be highlighted in Selwyn’s business story to attract visitors, talent, and investment. The responses allow Council to better understand the distinctive strengths that are important to the business community, as well as the factors that attracted existing businesses to the district. Council can then use this to inform the Economic Development Strategy — and design a compelling narrative that underlines Selwyn’s competitive edge, and why Selwyn stands out as a destination to live, work, play, and do business.

The response from the participants highlighted that Rolleston and Selwyn, presents an appealing package of amenities and lifestyle advantages. As it boasts well-developed facilities and infrastructure, the area offers residents a comfortable living environment. Developments like the Health Hub, IZone and IPort, attract both residents and businesses.

Notably the proximity to Christchurch, the South Island’s largest city, was identified as a strength and participants noted Selwyn’s increasing population allows for people to seek employment within the district, as well as a large customer base in which they can market to. With a growing population, strong education system, and community facilities, Selwyn provides a blend of rural charm and urban conveniences. It emphasises community, diversity, and industrial development, supported by unique road and rail access. Its proximity to both scenic mountains and lakes allows for abundant outdoor recreation opportunities. The community, consisting of a mix of locals and newer residents, fosters a strong sense of belonging.

Word cloud showing frequency of keywords received in responses.



Engagement improvements

In the February 2024 Selwyn Business Survey, businesses were asked in what way the Council can improve its engagement with businesses and enable a more business-friendly environment. The responses allow Council to understand what the respondents perceived to be challenges, as well as what challenges new and existing businesses face when establishing and working within the Selwyn district.

Concerns were raised about the strained resource, such as roading infrastructure, due to growth experienced in the district. There were frustrations regarding the rising costs associated with establishing or owning a business as well as the timing around the consent processing which added financial pressure. The importance of focusing on core Council responsibilities, such as infrastructure and reducing rates, was emphasised.

Key ideas expressed include the need for improved infrastructure to support Rolleston's growth as a hub, calls for lower rates and reduced compliance costs, suggestions for a smoother consenting process and greater environmental focus, and requests for more engagement with local businesses, including using them as suppliers.

Additionally, there's a strong sense of community spirit, with calls for more support for businesses and initiatives that promote a thriving local economy, including co-working spaces, and promoting local businesses to residents. Comments were shared about recent business forums being well received, requests for more facilitated workshops for small businesses to engage with one another, and for the Council to be more visible in the business community as much as possible.



Who responded to this survey?

Table 3 – Industry of survey respondents

Industry	Count
Agriculture, Forestry and Fishing	9
Mining	1
Manufacturing	5
Electricity, Gas, Water and Waste Services	3
Construction	13
Wholesale Trade	3
Retail Trade	10
Accommodation and Food Services	10
Transport, Postal and Warehousing	2
Information Media and Telecommunications	5
Financial and Insurance Services	0
Rental, Hiring and Real Estate Services	5
Professional, Scientific and Technical Services	11
Administrative and Support Services	5
Public Administration and Safety	1
Education and Training	4
Health Care and Social Assistance	8
Arts and Recreation Services	7
Total count	102

Table 4 – Size of survey respondents measured by employee count within business

Number of employees in business	Count
1–5	66
6–9	16
10–19	7
20–49	8
50–99	1
100+	4

Table 5 – Length of time survey respondents' business has been operating

Length of time business has been in operation	Proportion
<6 months	6%
6–11 months	8%
1–5 years	28%
6–9 years	15%
10+ years	44%



