Selwyn Business **Opinion Survey**

August 2024

Selwyn DISTRICT COUNCIL

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
- Current challenges affecting Selwyn businesses
- Potential improvements to services that support the establishment of businesses

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 **Monday 5th August 2024** to **Friday 16th August 2024.** There were 110 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 generally reported expecting improved conditions over the next 6 months, despite having to continually face low sales and squeezed profitability.
- Business cost pressures continue to moderate and are at their lowest in three years – this is consistent with what has been seen nationally to inflation.
- The Selwyn business experience is variable when compared nationwide in other business surveys.
- Selwyn businesses reported a slight reduction to their headcounts over the last 6 months.
- It has generally become easier to find staff to fill unskilled and semi-skilled roles, although some challenges remain in filling skilled roles.
- Investment by Selwyn businesses has reduced slightly but is still tracking higher than nationally. Although slightly more businesses expect to invest in the months ahead, investment intentions are still below where they were a year ago.

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

Net balance	Previous Experience (February 2024)	Current Experience (February 2024)	Predicted Experience (Next 6 Months)
Staff numbers	1%	-4%	5%
Investment	21%	12%	15%
Output/sales	3%	-28%	27%
Prices	42%	39%	25%
Operating costs	78%	68%	50%
Profitability	-3%	-40%	20%

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 June 2024 provisionally estimates that economic activity in Selwyn District fell 0.2% in the year to June 2024, a marginal fall which marks the district's weakest growth since 2008. Selwyn's weakness was driven by a pullback in construction, transport, manufacturing and wholesaling. Employment of Selwyn residents rose by a strong 6.6% over the year to June 2024, accelerating from 6.2% in the year to March 2024. Employment rose in every industry, except agriculture, forestry and fishing, reflecting the pressures on the primary sector especially sheep and beef farming.

Pressure on primary producers remains high, although it's no longer getting worse. Farm input costs stopped increasing in the March 2024 quarter, and improving dairy prices mean that Selwyn dairy farmers can expect to earn $14m more in the 2024/25 season. Prices for meat and wool have recovered slightly this quarter, partially unwinding the falls of last year.

Selwyn's population has grown strongly over the past year, as indicated by health enrolment growth of 4.9% in the year to June 2024. Consumer spending in Selwyn has grown significantly faster than population growth, up 13% over the year to June 2024, indicating a real increase in spending by Selwyn residents, and perhaps a greater share of residents' spending taking place locally.

Selwyn has experienced a significant rise in the number of Jobseeker Support recipients, up 18% in the year to June 2024, the third highest rise in the country. However, the district's unemployment rate of 2.8% in the year to June 2024 remains well below the national average of 4.2%, reflecting a tight labour market, but with challenges for some members of society.

New house construction continues to ease in response to elevated interest rates, with Selwyn's new dwelling consents falling 26% over the year to June 2024. However, consents rose to 375 in the June 2024 quarter, which could signal momentum for a resurgence just as interest rates have started easing. Selwyn's house values rose 3.8%pa in the June 2024 quarter, ahead of the national average of 2.5%pa despite a strong 26% rise in sales volumes in Selwyn over the year to June 2024.

Employment trends

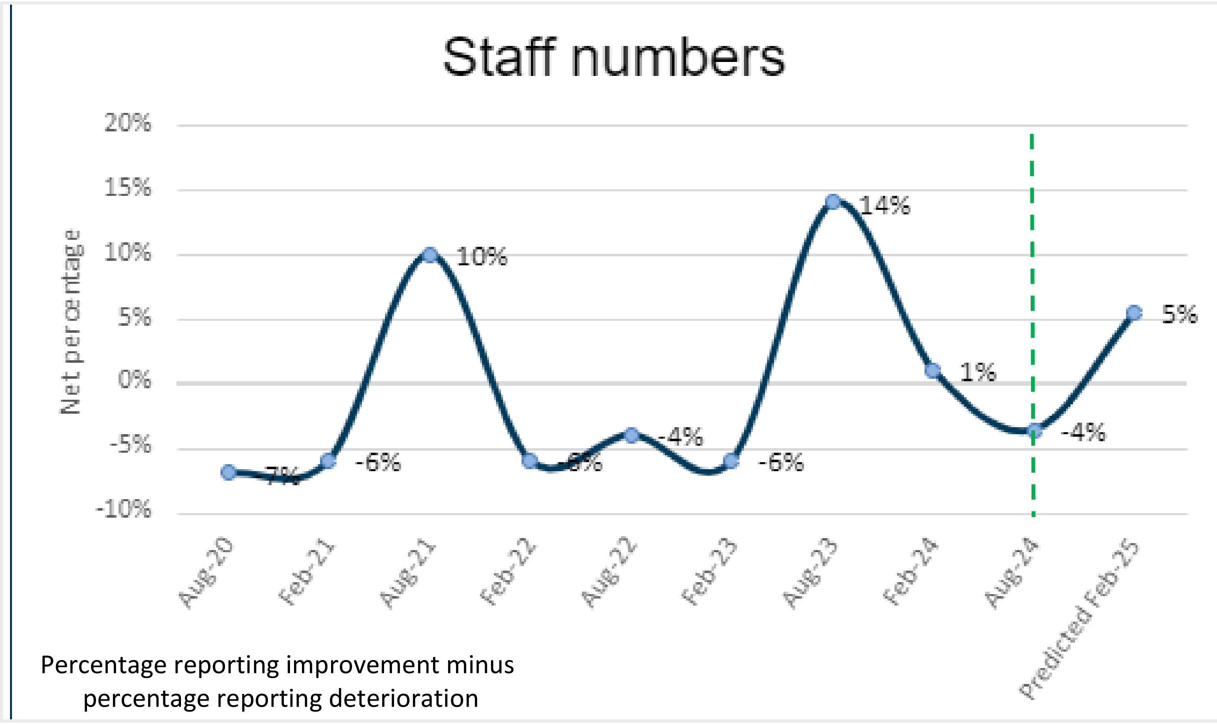
This section outlines what the Survey showed is happening for overall staff numbers at Selwyn businesses and whether businesses are facing difficulty finding staff to fill vacancies.

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 4% of Selwyn businesses reported decreasing their headcount over the past six months. Businesses have been relatively reluctant to hire over recent months, which marks a sharp turnaround on a year ago when they were still rapidly increasing their headcounts. Despite an ongoing squeeze to profit margins, businesses are anticipating gradual increases to staff numbers in 2025 in response to growing sales pipelines.

Graph 1 — Staff numbers



Selwyn businesses' recent experiences are similar to the rest of New Zealand. At the national level, the ANZ Business Outlook shows recent signs of a decrease in employment intentions, with a net 3.6% of businesses reducing their headcounts in July 2024, down from 0% in June 2024.

Difficulty of finding staff

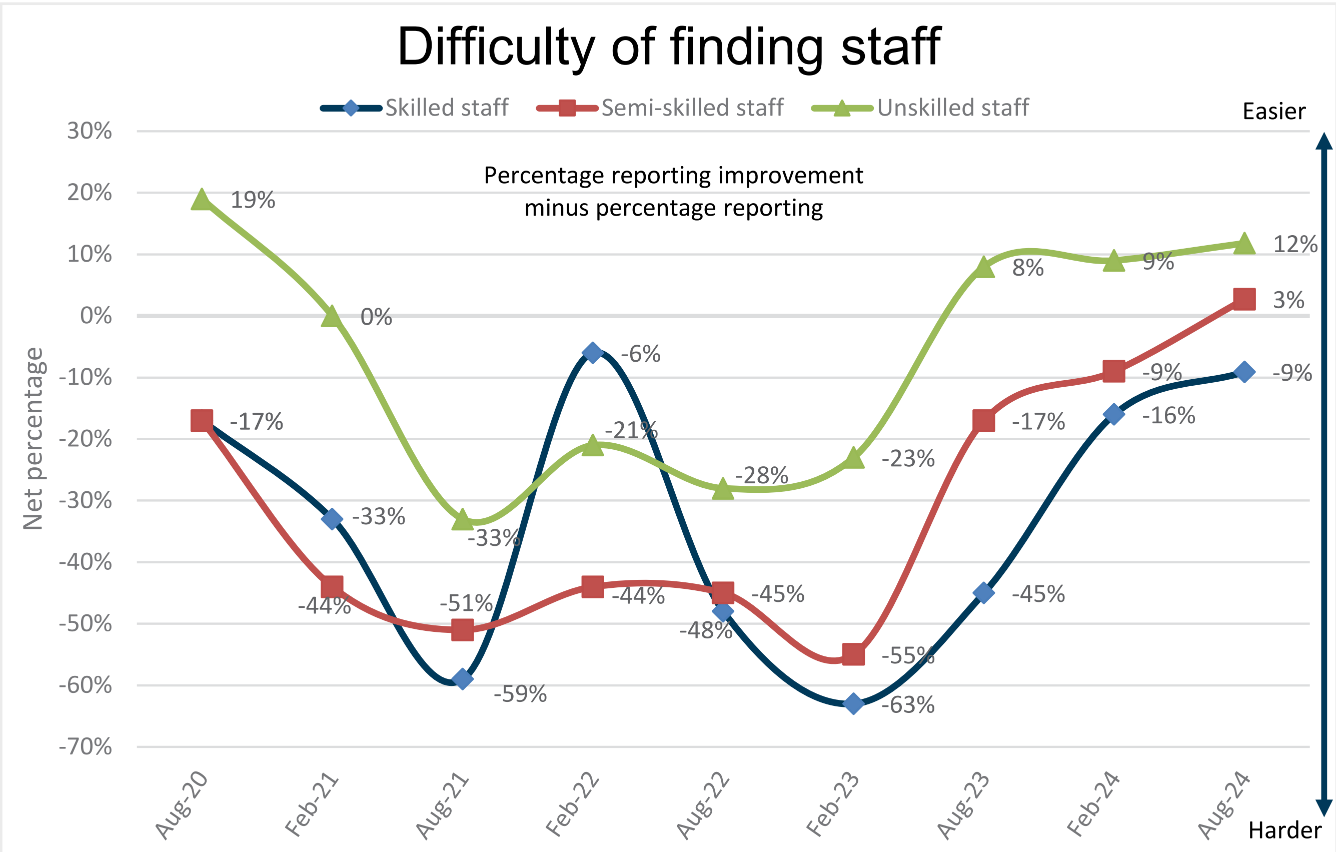
Making decisions about staff numbers is only half the challenge, finding workers to fill any vacancies that emerge is the other. Consequently, it is also important to assess how easy it has been for Selwyn businesses to find staff.

Finding staff has become relatively easier across New Zealand over the past year. 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 overall net migration gain of 111,100 migrants in the March 2024 year. At the same time, with fewer new jobs being advertised there has been a sharp increase in applicants per role.

A net 12% of Selwyn businesses reported that it was easier to find workers for unskilled roles and 3% for semi-skilled roles – a trending increase over the past 18 months.

Finding skilled workers remains relatively difficult, but the situation has improved. A net -9% of businesses reported that it was harder to find skilled staff over the past six months, which is better than a net -16% of businesses reporting difficulty finding skilled staff in February 2024.

Graph 2 — Difficulty of finding staff

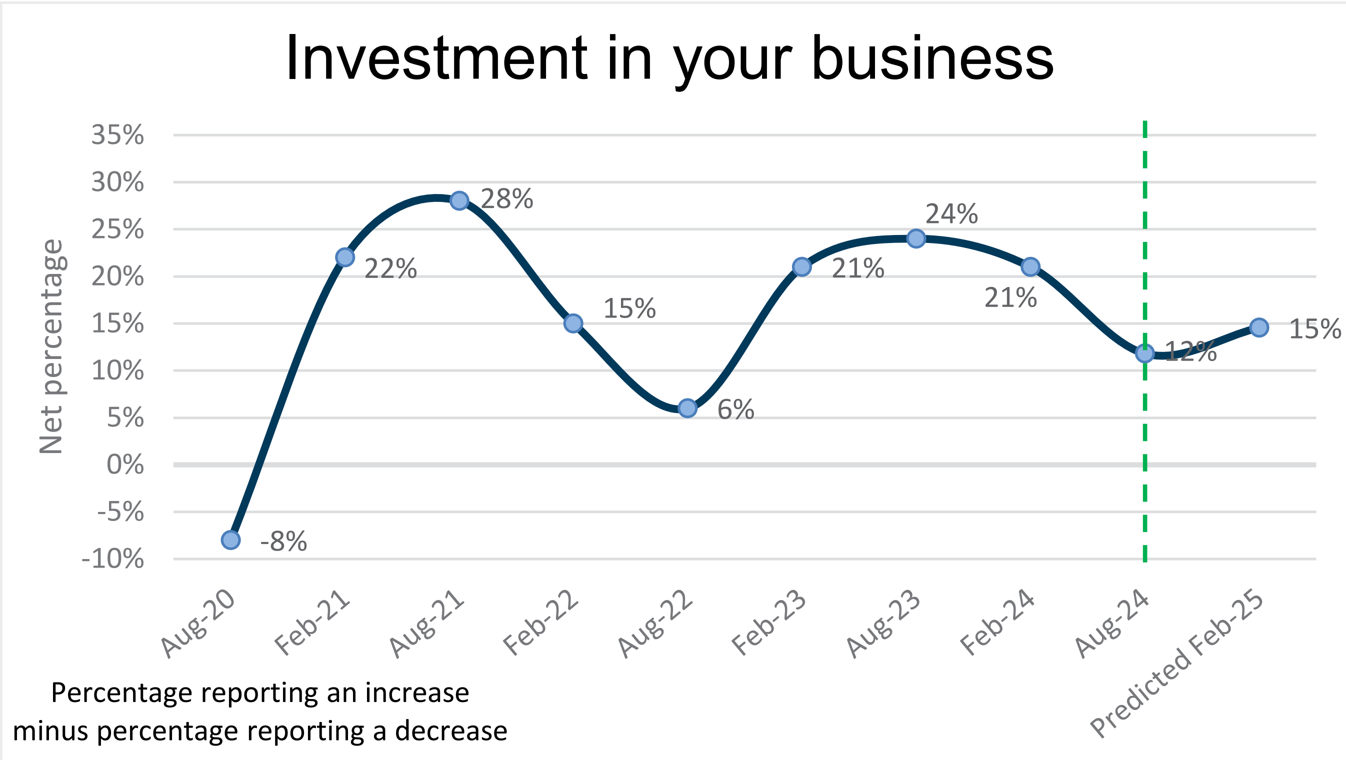


Investment trends

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 12% of Selwyn businesses increased their level of investment over the past six months, which is a slight decrease on the previous result of 21%. This situation is reflective of an ongoing squeeze to profit margins in many industries, coupled with relatively high interest rates. But business investment is anticipated to increase over the months ahead, with a net 15% of Selwyn businesses expecting to increase investment over the next six months.

Graph 3 — Investment in your business



Selwyn businesses' level of investment intentions remain more positive than the national average – a net 1.4% of businesses nationally expected to reduce investment in the July 2024 Outlook. The ANZ Business Outlook is showing an increasing trend in business investment in recent months (for example it sat at a net -4.0% in June 2024 and 4.9% in May 2024). Although economic conditions remain currently tough, there is anticipation that better times will emerge in 2025 as interest rates come down.

Business Conditions

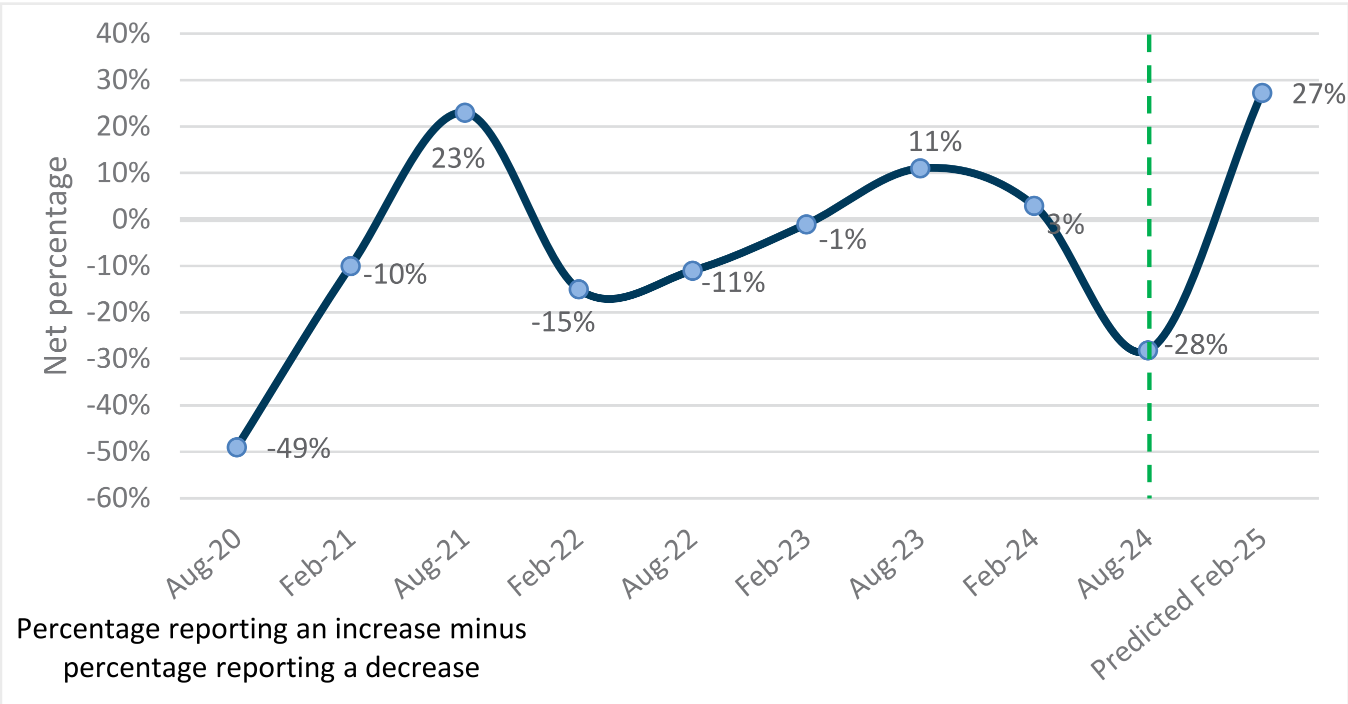
This section outlines what the Survey showed regarding the conditions faced by Selwyn businesses in terms of sales, costs, prices and profitability..

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 28% of businesses experienced decrease in sales/output over the past six months, compared to a net 3% of businesses experiencing an increase in sales/output in the six months prior. Businesses, however, do expect their sales/output to improve significantly with a net 27% of businesses expecting an increase over the next six months.

Graph 4 — Output/sales



The July 2024 ANZ New Zealand Business Outlook showed a net 16.3% of businesses nationally expect their own activity to increase over the year ahead with services higher but retail more downbeat. Compared to the national average, Selwyn businesses remain more optimistic about their own activity outlook with a projected 27%..

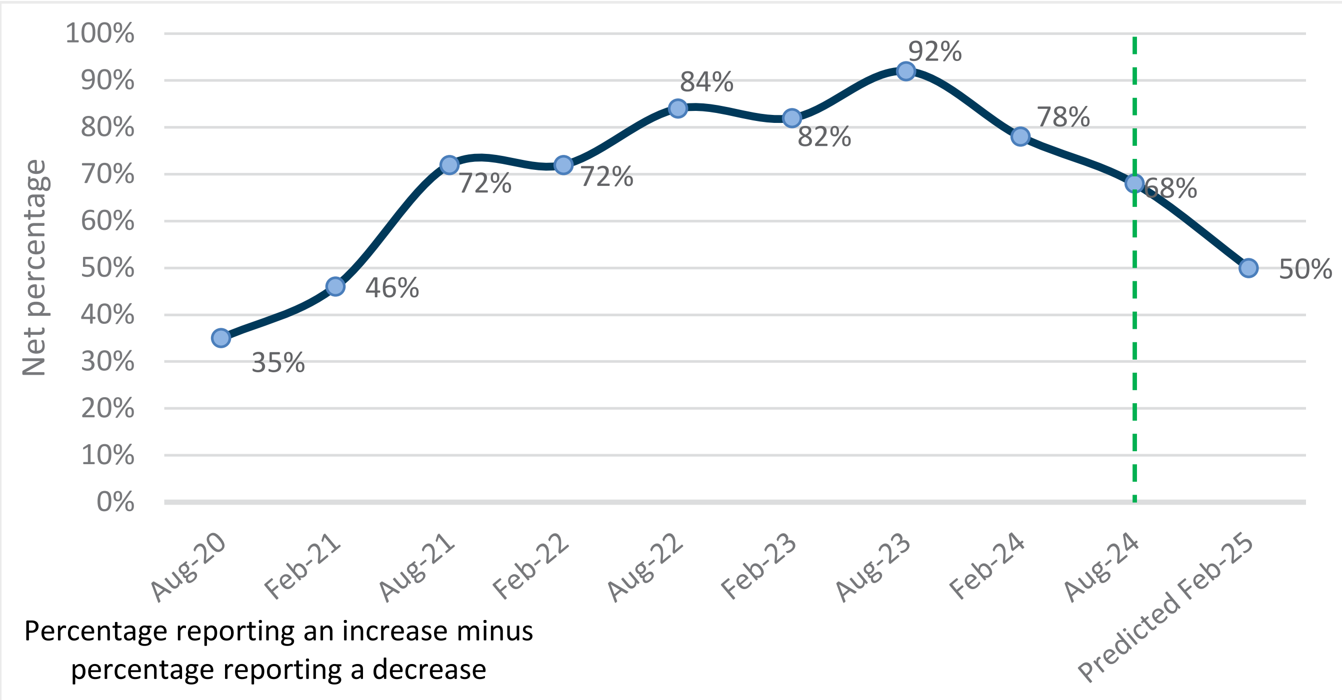
Operating Costs

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 although two thirds of Selwyn businesses in August faced increases to their operating costs, these cost pressures still fell significantly since February and were at their lowest in three years

Cost pressures are anticipated to continue moderating, with a net 50% of Selwyn businesses expecting their operating costs to continue rising.

Graph 5 — Operating costs

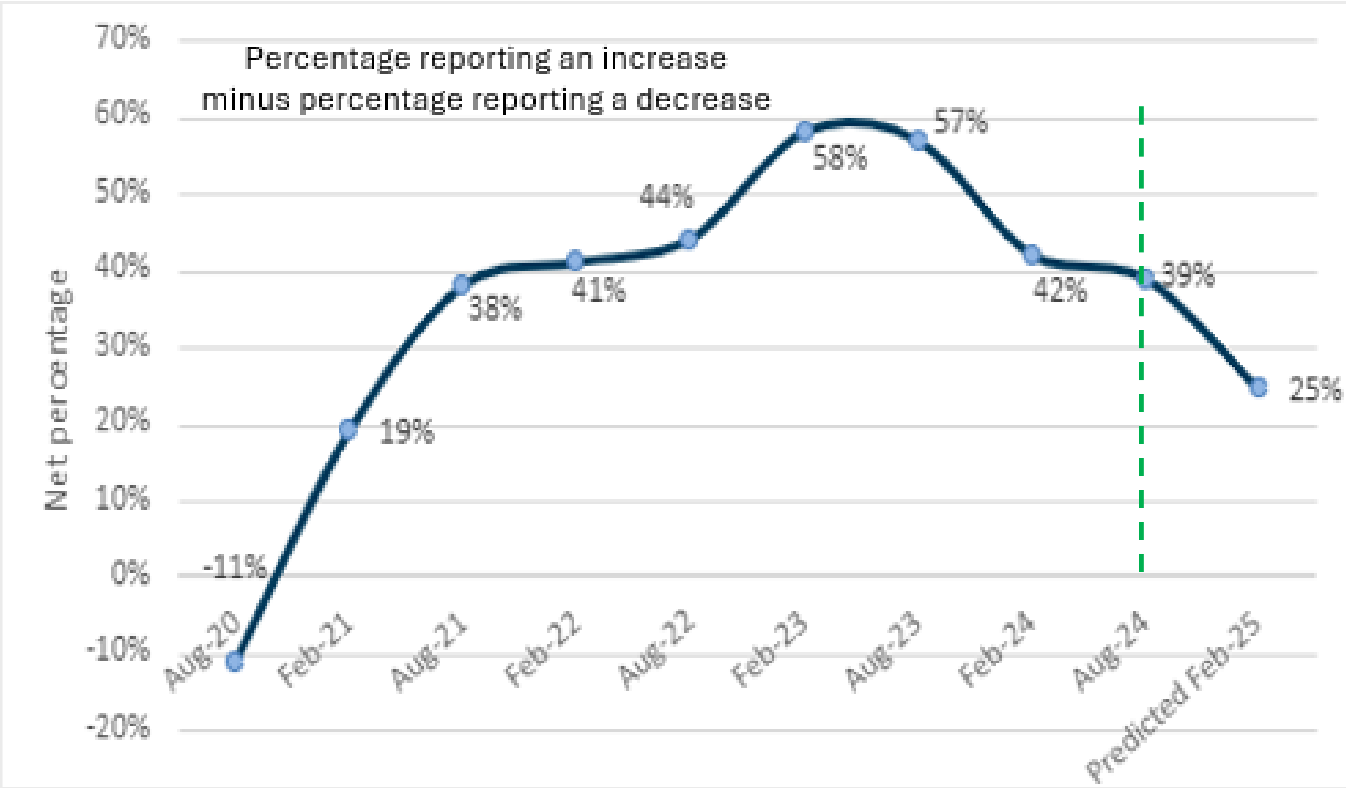


Price of goods/services sold

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 39% of Selwyn businesses increased prices over the past six months, slightly down from 42% of businesses at the February 2024 survey. With cost pressures easing, and consumer demand still relatively weak, fewer businesses are expecting to put through price increases in the months ahead. A net 25% of Selwyn businesses are intending to increase their prices even higher over the next six months.

Graph 6 — Prices of goods/services sold



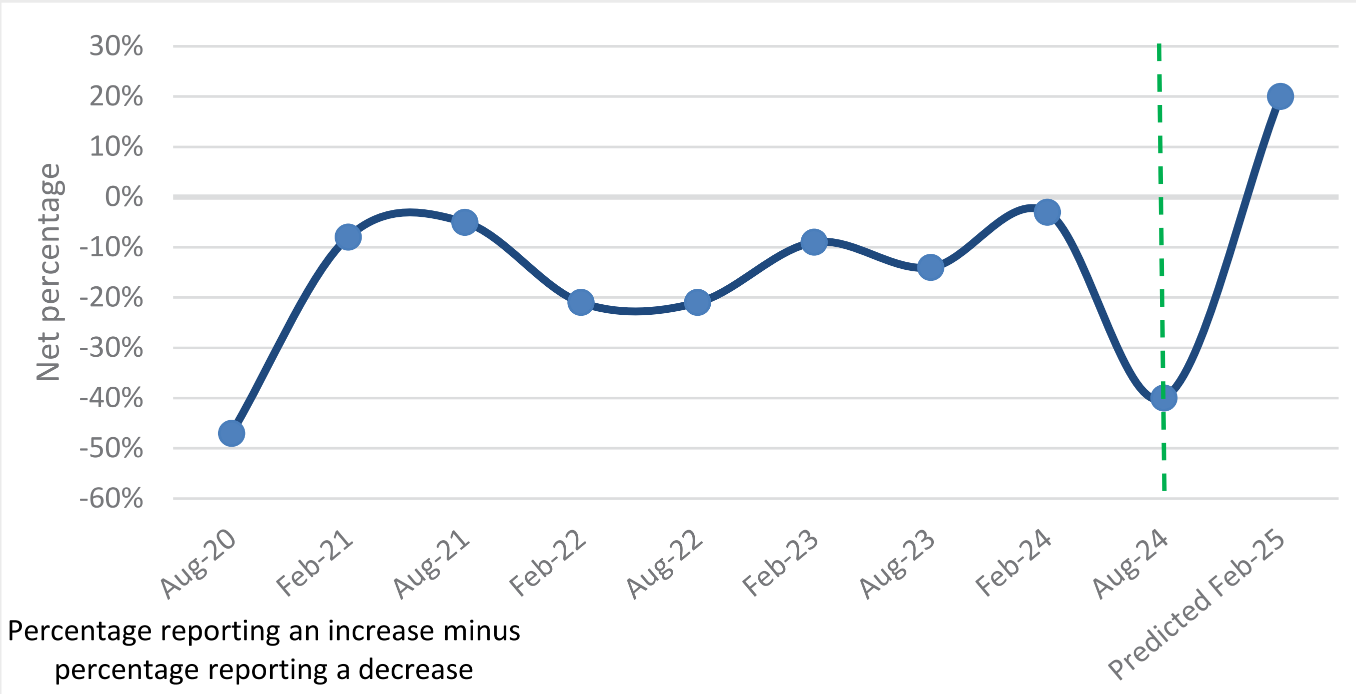
The pricing outlook for Selwyn businesses is slightly lower than the national average, with the July 2024 ANZ Business Outlook reporting a net 37.6% of businesses nationally intend to increase their prices, compared to a net 25% of Selwyn businesses intending to increase prices.

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 40% of Selwyn businesses experienced a decline in profitability over the past six months. This result is a significant decrease from the February 2024 survey where a net 3% of businesses experienced a fall in profitability. Selwyn businesses are optimistic about their future profitability with a net 20% expecting their profitability to increase over the next six months, which is consistent with the higher sales pipelines being anticipated by local businesses at a time when cost pressures are easing.

Graph 7 — Profitability



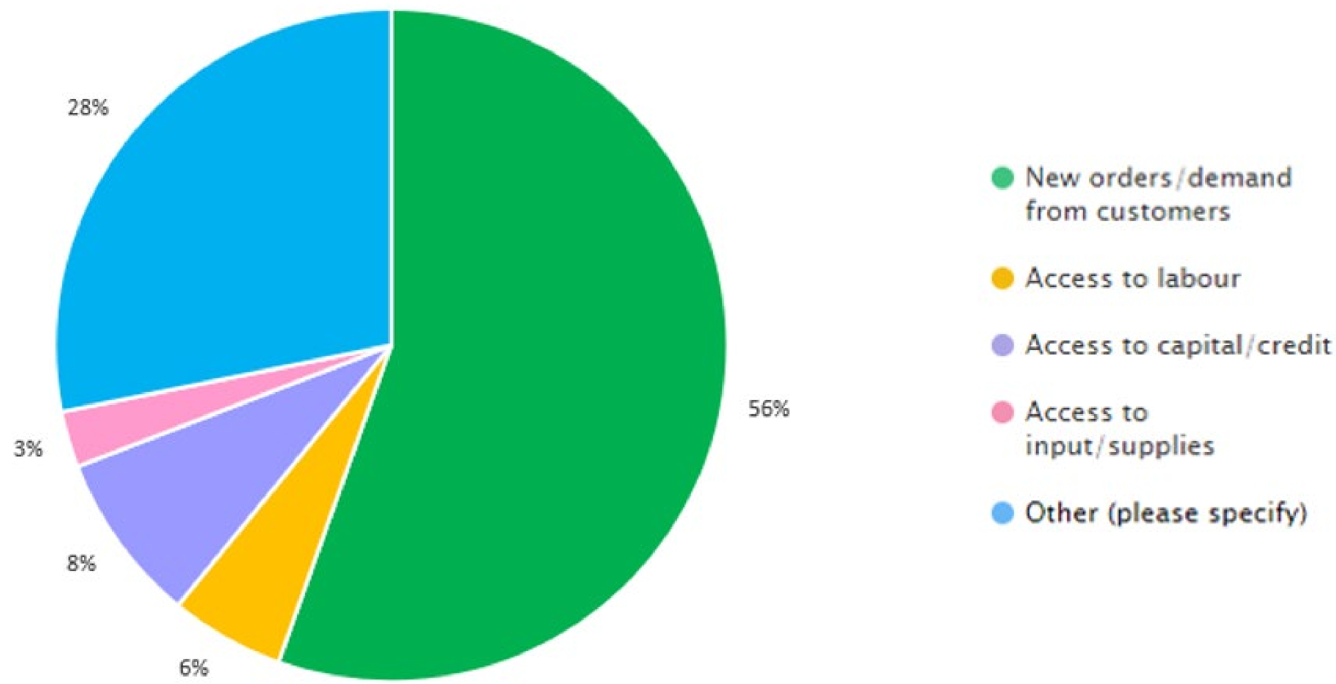
Selwyn businesses continue to be more optimistic than national expectations. The July 2024 ANZ Business Outlook reported that nationally a net 3.6% of businesses expect their profit to increase in the year ahead.

Business Limitations

In the August 2024 survey, Selwyn businesses were asked what factor is most limiting their business's ability to thrive at present. This allows Council to better understand what factors are impacting Selwyn businesses the most. Council can then use this to inform economic development activities and support.

The biggest limiting factor reported by Selwyn businesses were new orders/demand from customers (56% of responses), followed by 'other' (28%). A wide range of responses were specified for the 'other' response, with rising costs and government regulation being a common theme.

Graph 8 – Factor Most Limiting Businesses Ability to Thrive at Present.

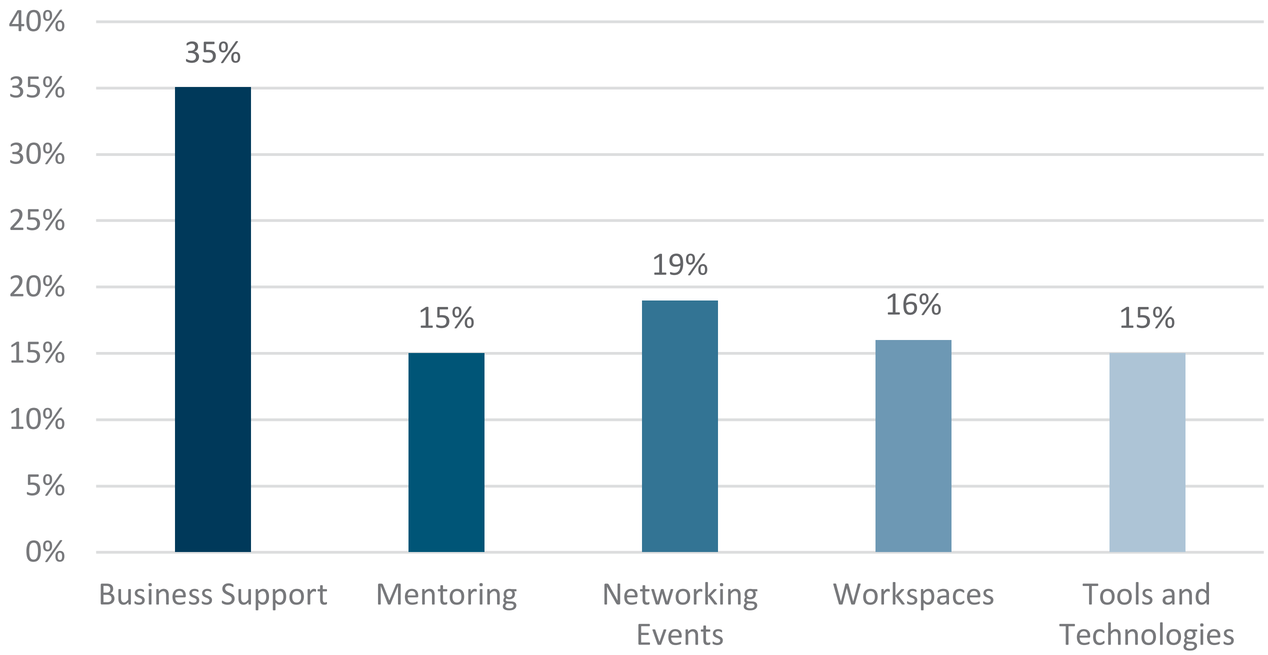


Support Services or Facilities

In the August 2024 survey, Selwyn businesses were asked what support services or facilities are needed for businesses looking to relocate, start up or scale up in Selwyn. This allows Council to understand what the respondents perceived to be challenges and gaps in supporting businesses wishing to establish or upscale in the Selwyn district, and Council can then use this to inform the development of initiatives within the Economic Development Strategy.

The survey provided the five headers below and the respondents picked the category they considered was most needed. Some respondents selected more than one category. Business support was listed as the most needed service (35% of respondents). The other options had similar ratings, with 19% wanting to see networking events, 16% workspaces, and 15% for both mentoring and access to tools and technology.

Graph 9 – Support Services or Facilities Needed for Businesses Looking to Relocate, Start Up or Scale Up in Selwyn.



Who responded to this survey?

Table 2 – Industry of survey respondents

Industry	Count
Agriculture, Forestry and Fishing	8
Tourism	4
Mining	0
Manufacturing	4
Electricity, Gas, Water and Waste Services	6
Construction	15
Wholesale Trade	3
Retail Trade	10
Accommodation and Food Services	15
Transport, Postal and Warehousing	1
Information Media and Telecommunications	3
Financial and Insurance Services	3
Rental, Hiring and Real Estate Services	3
Professional, Scientific and Technical Services	15
Administrative and Support Services	3
Public Administration and Safety	2
Education and Training	1
Health Care and Social Assistance	12
Arts and Recreation Services	2
Total count	**110**

Table 3 – Size of survey respondents measured by employee count within business

Number of employees in business	Count
1–5	70
6–9	16
10–19	10
20–49	11
50–99	2
100+	1

Table 4 – Length of time survey respondents' business has been operating

Length of time business has been in operation	Proportion
<6 months	1%
6–11 months	2%
1–5 years	25%
6–9 years	23%
10+ years	49%

E24/20579_1

Selwyn
DISTRICT COUNCIL

selwyn.govt.nz