

# Selwyn Business Opinion Survey



February 2023

[selwyn.govt.nz](https://selwyn.govt.nz)





# 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 level.

The topics covered include:

- Employment and investment trends
- Recently experienced business conditions
- Expectations of future business conditions
- Responding to recruitment and staff retention challenges
- Business innovation

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 **Friday 3rd February 2023** to **Friday 24th February 2023**. There were 90 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

- The overarching message of the February Selwyn Business Opinion Survey is that, despite economic headwinds mounting nationally, Selwyn businesses reported experiencing improved conditions over recent months than they had been experiencing in February 2022. The Selwyn business experience is generally better than what has been seen nationwide in other business surveys.
- Selwyn businesses reported carrying slightly fewer staff over the past six months but intend to increase their headcounts over the next six months.
- This recruitment process will remain difficult over the months ahead with businesses reporting increased difficulties in finding staff over the past couple of years and needing to utilise more approaches to recruit and retain staff.
- Investment intentions in Selwyn have jumped since last year and continue to track higher than nationally. The survey shows businesses remain fairly confident in the long-term, despite the challenges in their immediate operating environment. A net 16% of businesses are expecting to increase investment over the next 6 months.
- Output/sales have steadily risen over the last 12 months, with outlook for businesses continuing this trend with a modest net 6% of businesses expecting to increase revenue (output/sales).
- Operating costs are continuing to remain high with a net 82% of businesses experiencing increases. The outlook for the next six months is also high, indicating that businesses expect these cost pressures to persist.
- Many Selwyn businesses are reporting that they are no longer able to absorb their constantly increasing costs and have had to pass on these costs to their customers through increased prices. The share of businesses expecting to increase prices remains high over the next 6 months.
- Profitability remained soft in the most recent survey, however, to a lesser degree than the last two surveys. Looking ahead, a net 1% of businesses expecting their profitability to decline in the next 6 months.

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

Net balance	Previous Experience (August 2022)	Current Experience (February 2023)	Predicted Experience (Next 6 Months)
Staff numbers	-4%	-6%	-2%
Investment	6%	21%	16%
Output/sales	-11%	-1%	6%
Prices	44%	58%	56%
Operating costs	84%	82%	72%
Profitability	-21%	-9%	-1%

*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 2022 quarter shows that the Selwyn District continues to be one of the fastest growing local economies in the country. Selwyn's gross domestic product (GDP) grew by 4.4% over the year to December 2022, ahead of national growth of 2.8%. Selwyn's annual GDP provisional estimate is \$3,468 million for the year to December 2022.

Selwyn continues to be an attractive destination to move to for residents and businesses alike. Employment for residents living in Selwyn was up 6.6% for the year to December 2022, outpacing national growth of 2.5%. Selwyn's unemployment rate has held at a very low 2.2% for the year to December 2022, down from 2.5% in the previous 12 months, reflecting a tight local labour market.

Consumer spending continues to grow incredibly strongly in Selwyn, with a 15.9% increase over the year to December 2022 according to Marketview data, compared to year earlier. This compares with an increase of 10.3% in New Zealand.

A total of 438 new residential building consents were issued in Selwyn District in the December 2022 quarter, compared with 429 in the same quarter last year. On an annual basis the number of consents in Selwyn District decreased by 0.1% compared with the same 12-month period a year before. This compares with an increase of 1.1% in New Zealand over the same period. Nationally, consents are expected to nearly halve over the next two years as falling prices and high interest rates deter new builds.

Non-residential building consents to the value of \$233.3 million were issued in Selwyn during the year to December 2022. The value of consents in Selwyn decreased by 12.4% over the year to December 2022, compared to a year earlier.

The QEM also provides a national economic outlook. The QEM notes that inflation has remained stubbornly high and the Reserve Bank signalled it intends to engineer a recession to realign economic demand and supply. This recession is assumed to be relatively shallow and spread over several quarters from the middle of this year, however, there is considerable uncertainty about the timing. Cyclone Gabrielle and other recent severe weather events have had a devastating effect for the country, the implications for the national economy are still uncertain. Infometrics expects that the floods in Auckland and the massive disruptions from Cyclone Gabrielle will dampen economic activity at the start of 2023, before providing an artificial boost to growth as the recovery swings into action.



# Employment trends

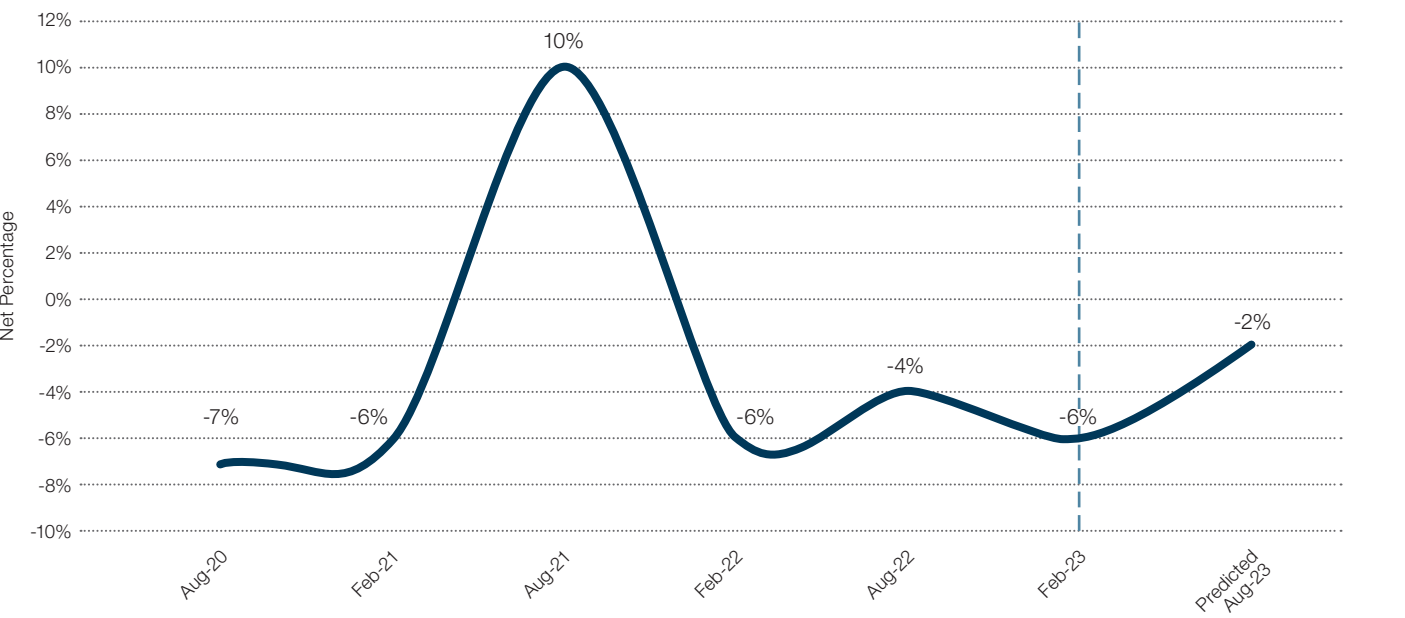
This section outlines what the Survey showed is happening for overall staff numbers at Selwyn businesses and whether businesses are facing difficulty finding staff to fill vacancies.

## 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 6% of Selwyn businesses reported decreasing their headcount over the past six months. This is slightly larger decrease than the August 2022 result (4%). Employment demand is anticipated to remain soft in the months ahead, with a net 2% of Selwyn businesses expecting to decrease their headcount over the next six months.

Graph 1 – Staff numbers



At a national level, the ANZ Business Outlook also shows a subdued outlook, despite recent signs of improvement. The February 2023 ANZ Business Outlook showed that a net 3.4% of businesses have negative employment intentions, compared to 11.1% of businesses having negative employment intentions in January 2023.

# 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 is still severely constrained by acute and persistent labour shortages. Labour shortages remain a significant constraint on national economic activity and is contributing to heightened wage inflation. Labour shortages have held back business activity across most industries, regions and skill levels. Staff turnover remains high, and many businesses are finding it increasingly difficult to find and retain staff.

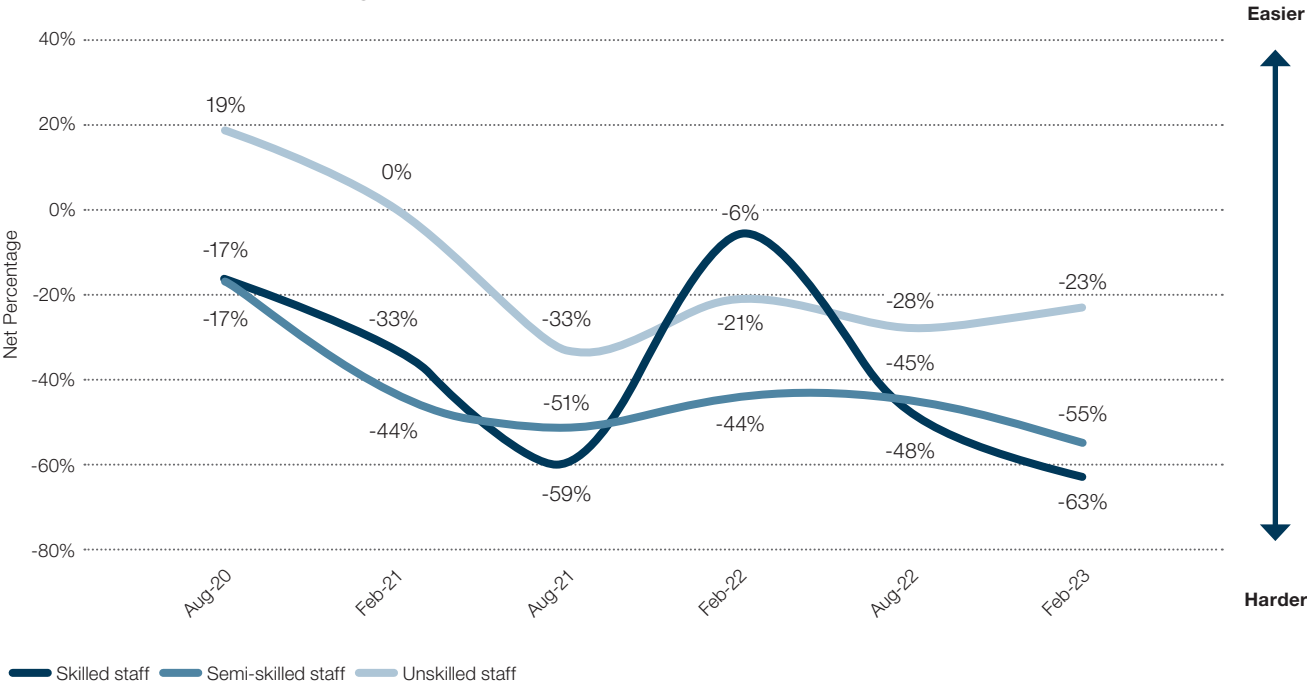
These challenges are also apparent in Selwyn District with a majority of businesses reporting difficulty in finding staff.

A net 63% of businesses reported that it was harder to find skilled staff over the past six months and a net 55% of businesses reported that it was harder to find semi-skilled staff. Employers are also still experiencing widespread difficulty finding labour for unskilled roles.

These challenges in finding labour will constrain some businesses' abilities to expand and may fuel investment in productivity boosting technologies. How businesses have approached staff recruitment and retention, as well opportunities and barriers to innovation activity is the subject of the additional questions of this business survey in light of these ongoing and persistent labour challenges.

Nationally there are positive signs that staff shortages may begin to ease, with the December 2022 Household Labour Force Survey showing a slight lift in underutilisation of labour.

Graph 2 – Difficulty of finding staff



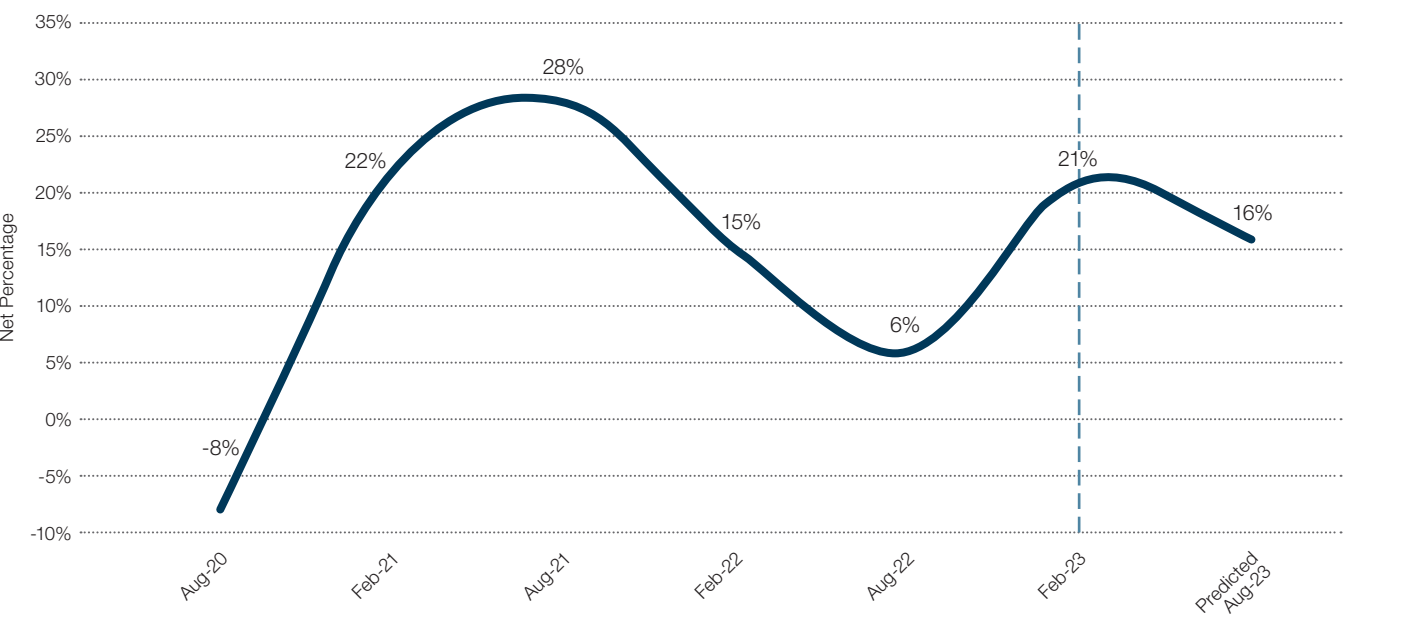
Percentage reporting improvement minus percentage reporting deterioration

# 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 an increase on the previous result of 6%. Business investment is anticipated to dip but remain relatively strong over the months ahead, with a net 16% of Selwyn businesses expecting to increase investment over the next six months.

**Graph 3 – Investment in your business**



*Percentage reporting improvement minus percentage reporting deterioration*

Selwyn businesses’ level of investment intentions remain more positive than the national average. Investment intentions have been low with the ANZ Business Outlook recording a downward trend in recent months (November 2022 -8.1%, December 2022 -20.5%, January 2023 -13.7% and February 2023 -4.9%. At a national level, high global uncertainty, higher interest rates and weakening business confidence are contributing to a decrease and/or delay in businesses’ investment intentions.



# Business conditions

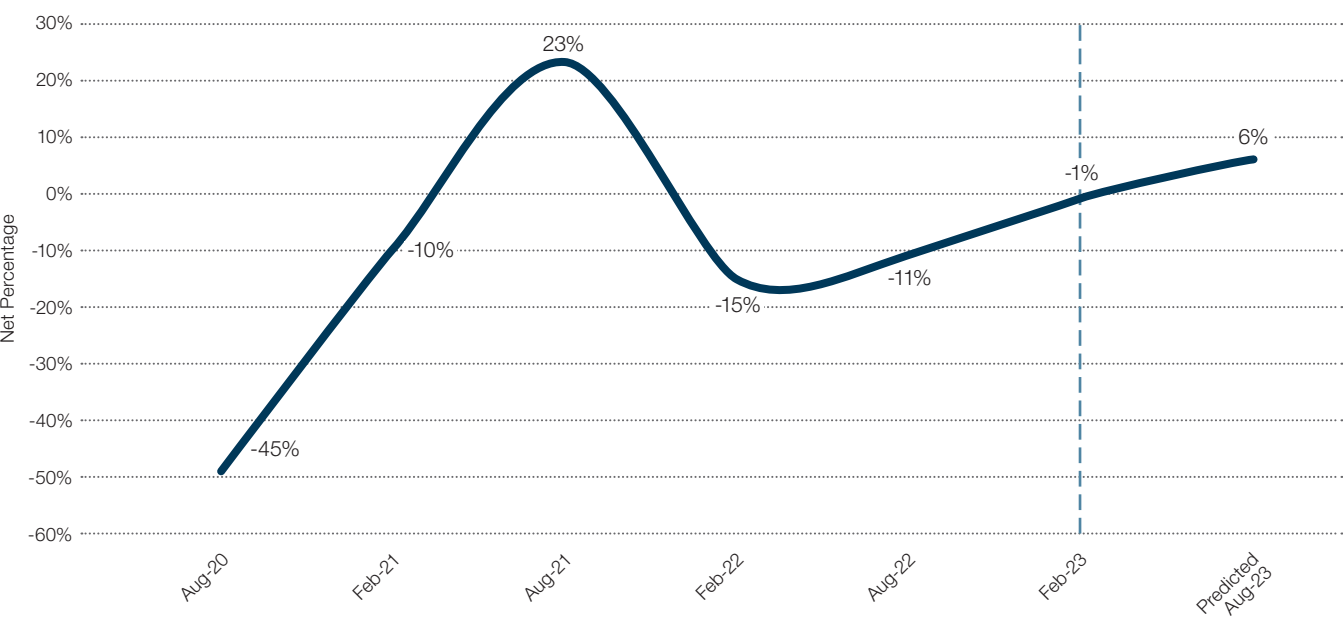
This section outlines what the Survey showed regarding the conditions faced by Selwyn businesses in terms of sales, costs, prices and profitability.

## 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 1% of businesses experienced a reduction in sales/output over the past six months, compared to a net 11% of businesses experiencing a reduction in sales/output in the 6 months prior. Businesses are more optimistic about their sales/output conditions with a net 6% of businesses are expecting sales/output to increase over the next six months.

Graph 4 – Output / sales



Percentage reporting an increase minus percentage reporting a decrease.

The February ANZ Business Outlook showed a net 9.2% of businesses nationally expect their own activity to fall over the year ahead. Compared to the national average, Selwyn businesses remain more optimistic about their own activity outlook than businesses nationally.

## Operating costs

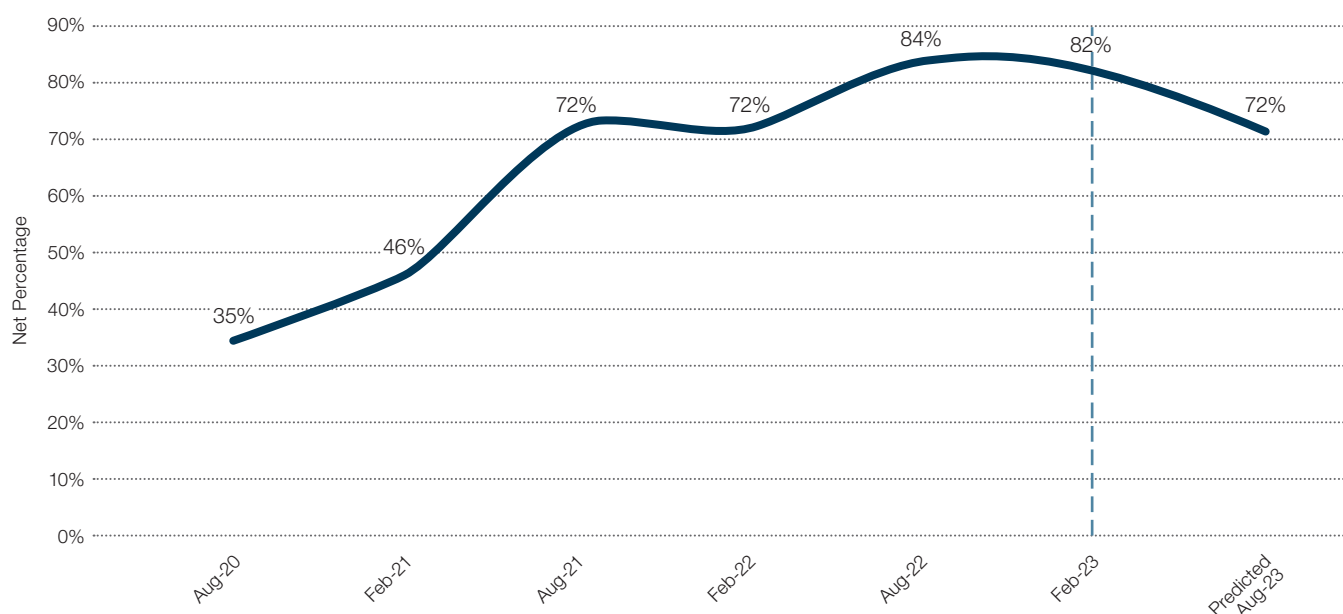
Selwyn businesses were asked about whether their operating costs had increased over the past six months and whether they expected their operating costs to increase over the next six months.

The data shows that cost pressures remain acute and persistent for businesses in Selwyn. In our February 2022 survey a net 72% of businesses reported an increase in operating costs, one year on, the February 2023 survey recorded a net 82% of businesses reporting cost increases over the past six months. This is similar to the last survey in August 2022 where 84% of businesses reported an increase in operating costs.

Cost pressures are anticipated to moderate slightly from current levels, but still remain relatively high over the next six months, with a net 72% 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, with the February ANZ Business Outlook reporting a net 88.3% of businesses nationally expecting an increase in operating costs.



## Graph 5 – Operating costs



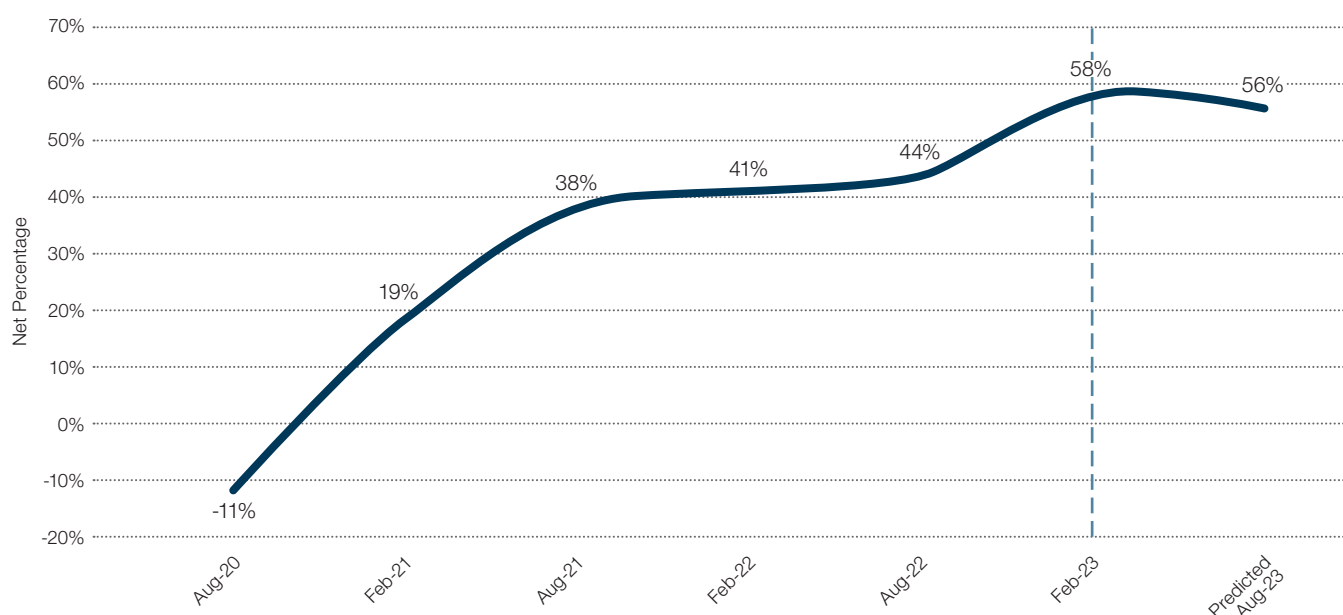
Percentage reporting an increase minus percentage reporting a decrease.

## 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 58% of Selwyn businesses increased prices over the past six months, a sizeable jump from 44% of businesses at the August 2022 survey. With higher operating costs and sustained demand, these increases in prices are likely to persist. A net 56% of Selwyn businesses are intending to increase their prices even higher over the next 6 months.

## Graph 6 – Prices of goods / services sold



Percentage reporting an increase minus percentage reporting a decrease.

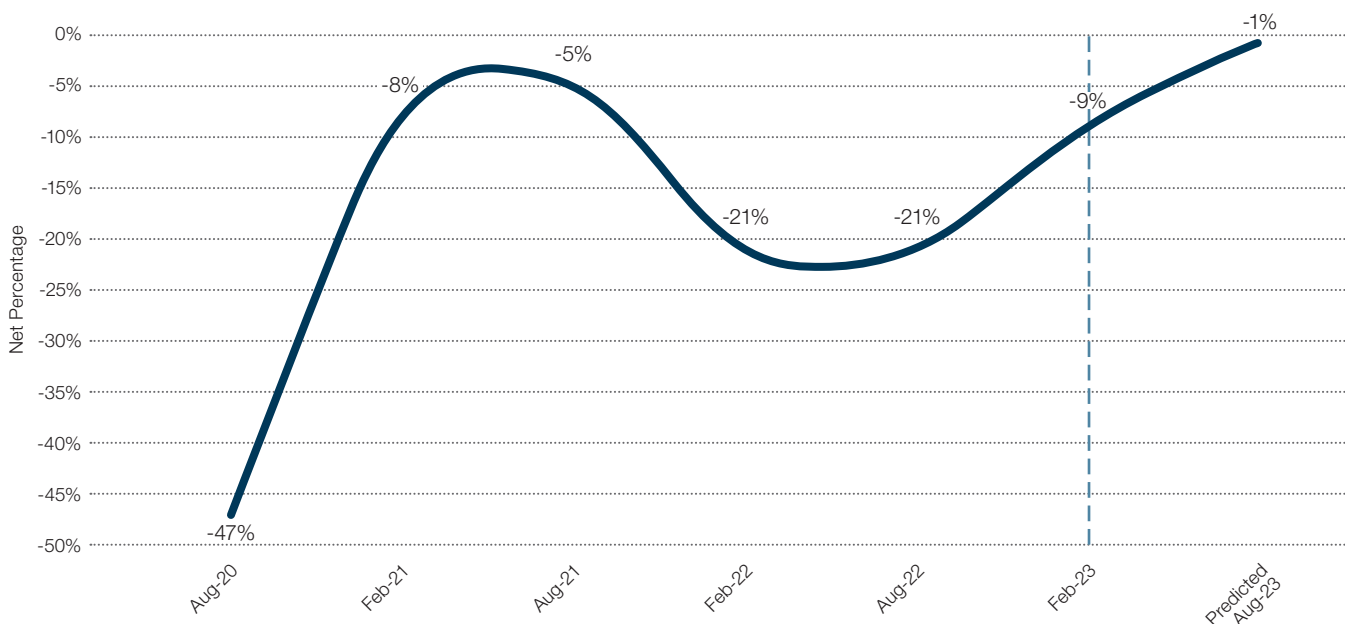
The Selwyn result is in-line with the national trend, with the February 2023 ANZ Business Outlook reporting a net 58.8% of businesses nationally intend to increase their prices.

## 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 9% of Selwyn businesses experienced a decline in profitability over the past six months. This result is less dramatic than the February 2022 and August 2022 surveys where a net 21% of Selwyn businesses had experienced a decline in profitability. Selwyn businesses are more pessimistic about their profitability outlook compared with their responses from the survey 6 months ago. In the August 2022 survey a net 11% of business expected their profits to *increase*, compared with this survey where a net 1% of businesses expecting their profitability to *decline*.

Graph 7 - Profitability



Percentage reporting an increase minus percentage reporting a decrease.

Profit expectations in Selwyn are less pessimistic than what is occurring nationally. The February 2023 ANZ Business Outlook reported that nationally a net 37.7% of businesses expect their profit to decrease in the year ahead.



# Recruitment and staff retention challenges

Over recent surveys, many Selwyn businesses have reported difficulty finding workers. These trends are echoed across New Zealand.

In the current survey, Selwyn businesses were asked how they have responded to recruitment and staff retention challenges.

With further decrease in national unemployment, and continued global shortages in talent, the challenges in recruitment and retention continues to be an issue. The original question was asked during the middle of the pandemic period. By re-asking the questions we can compare how the challenge has changed now that we are under a less constrained period.

Some 38.5% of businesses reporting no challenges in finding or retaining workers, which suggests nearly two thirds (61.5%) of businesses did experience these challenges, up from 54.6% in August 2022. Of those reporting staffing challenges, some 42.3% (up from 29.9%) of businesses reported offering higher wages in response, while 35.9% (up from 24.7%) have offered more flexible working arrangements.

16.7 % of businesses also reported mitigating recruitment or retention challenges by attempting to develop a better workplace culture. This was barely changed from the 16.5% reporting such mitigations last time we asked. Many businesses have also been forced to compromise, with 30.8% (up from 21.7%) reporting they hired someone without all the desired skills for the role. 16.7% of businesses have tried to close skills gaps by investing in upskilling of existing staff, down from 19.6%. A further 11.5% of businesses have incorporated a new apprenticeship scheme, up from 4.1%.

Most businesses have reported playing fair with competitors, with just 3.9% having recruited staff locally from competitors (down from 5.2%). More common has been luring staff from other industries (9.0%, up from 7.2%) or from other regions (7.7%, up from 7.2%).

Of the businesses that selected other, several noting that they were taking on the extra work themselves, working harder and longer hours.

**Table 2 – Recruitment and staff retention challenges faced by Selwyn businesses**

Recruitment/Staff Retention Approach	Responses		Percentage Point Change
	August 2021	February 2023	
My business has not faced challenges finding or retaining workers	45.4%	38.5%	-6.9
Offered higher wages	29.9%	42.3%	12.4
More flexible working arrangements	24.7%	35.9%	11.2
Employed someone without all the desired skills	21.7%	30.8%	9.1
Invested in upskilling	19.6%	16.7%	-2.9
Developed a better workplace culture	16.5%	16.7%	0.2
Improved non-cash compensation (perks and employee benefits)	8.3%	12.8%	4.5
Incorporated a new apprenticeship scheme	4.1%	11.5%	7.4
Recruited staff from other industries	7.2%	9.0%	1.8
Recruited staff from other regions	7.2%	7.7%	0.5
Recruited staff locally from competitors	5.2%	3.9%	-1.3%
Other	10.3%	14.1%	3.8%



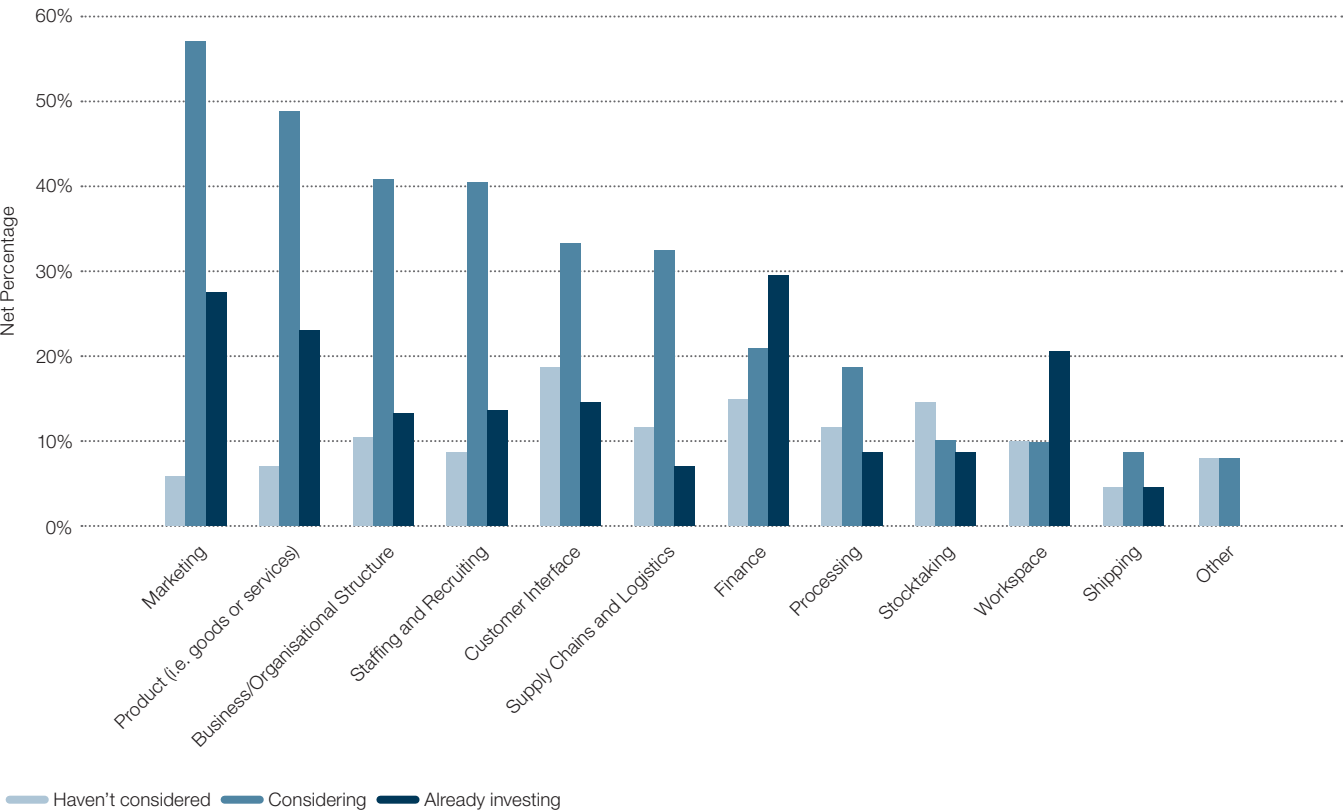
# Business Innovation

Innovation is vital to economic growth, through its influence on productivity, incomes, living standards and well-being. The most widely used definition of innovation is from the Oslo Manual (2018) which defines business innovation as “a new or improved product or business process (or combination thereof) that differs significantly from the firm’s previous products or business processes and that has been introduced on the market or brought into use by the firm”. The February 2023 Business Survey asked respondents to consider in what areas of their business they have innovated, are presently innovating or are considering innovating in the future. This is supplemented by a further question to understand what barriers businesses have faced, or continue to face, in the undertaking of business innovation.

Of the 75 responses received, 43 business identified that they were already investing in one or more area. 67 businesses identified that they were considering investing in one or more area, of which, 32 are not currently investing. This shows that nearly all businesses are considering, or are already, investing in some form of innovation. Marketing was the business area subject to the highest level of innovation with 85% of respondents identifying that they were already were investing in marketing or were considering it. The next highest area was innovation to the business’s product, at 71% of responses. The area that was most actively being innovated in, as opposed to being considered, was finance.

Businesses were innovating in shipping and stocktaking to a far lesser degree, at 13% and 19% respectively. This may, in part, be due to these areas only being relevant to businesses that offer goods, as opposed to services.

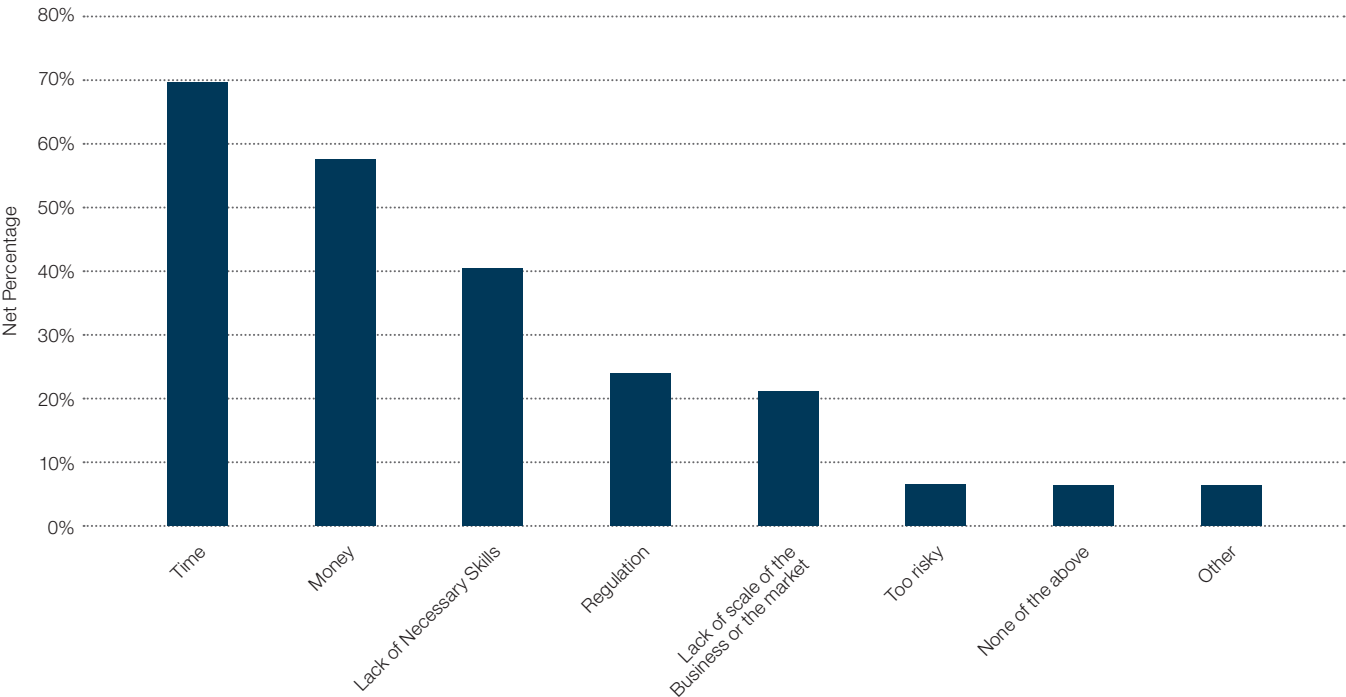
Graph 8 – What areas of business have you considered innovating?



The largest factor holding back innovation for businesses was time, with a 69% response. Money and lack of required skills were also identified by a large proportion of businesses, at 57% and 40% respectively. The potential risk of innovation was only identified by 7% of businesses, suggesting that it is the practicalities that are preventing innovation rather than lack of desire.



**Graph 9 – What barriers have you experienced in investing in these innovations?**





# Additional comments

This survey also gave respondents an opportunity to share qualitative feedback. We asked businesses to share areas of their business that had either been positively or negatively affected over the past six months or are expected to be over the coming six months.

Here are some of the aggregated themes from these comments:

- The cost of living crisis, soaring inflation and reduced consumer spending is affecting many businesses
- Respondents consider that global events are affecting their operations as well as domestic events, such as the North Island flooding.
- The effect of both the current Government and potential change of parties.
- Competition from home businesses with low overheads are hard to compete with.





# Who responded to this survey?

**Table 3 – Industry of survey respondents**

Industry	Count
Agriculture, Forestry and Fishing	10
Mining	0
Manufacturing	4
Electricity, Gas, Water and Waste Services	3
Construction	8
Wholesale Trade	2
Retail Trade	11
Accommodation and Food Services	13
Transport, Postal and Warehousing	1
Information Media and Telecommunications	3
Financial and Insurance Services	3
Rental, Hiring and Real Estate Services	5
Professional, Scientific and Technical Services	5
Administrative and Support Services	1
Public Administration and Safety	0
Education and Training	3
Health Care and Social Assistance	5
Arts and Recreation Services	2
Other Services	12
<b>Total count</b>	<b>90</b>

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

Number of employees in business	Count
1-5	58
6-9	14
10-19	11
20-49	5
50-99	1
100+	1

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

Length of time business has been in operation	Proportion
< 6 months	3.33%
6 - 11 months	5.56%
1 - 5 years	35.56%
6 - 9 years	14.44%
10 + years	41.11%

