

Selwyn Business Opinion Survey



August 2023

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 District level.

The topics covered include:

- Employment and investment trends
- Recently experienced business conditions
- Expectations of future business conditions
- Local business and industry group connections
- Artificial intelligence use

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 **Tuesday 25th July 2023 to Tuesday 15th August 2023**. There were 121 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, but that they have recently faced higher operating costs and lower profitability.
- The Selwyn business experience is generally better than what has been seen nationwide in other business surveys.
- Selwyn businesses reported carrying more staff and intend to continue increasing their headcounts.
- Recruiting staff has improved but continues to be difficult.
- Investment intentions in Selwyn have continued to increase and are tracking higher than nationally. Businesses remain confident in the long-term, with 27% expecting to increase investment.
- Output/sales have continued a steady rise over the last 12 months, with 27% expecting this to increase.
- Operating costs are continuing to remain high with 92% of businesses experiencing increases. The outlook for the next six months sees this reducing to 75%.
- Pricing intentions are remaining steady and decreasing slowly from a high of 58% in February 2023.
- Profitability has decreased further from -9% to -14% experiencing this but is expected to improve.

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	-6%	-14%	13%
Investment	21%	24%	27%
Output/sales	-1%	-11%	27%
Prices	58%	57%	56%
Operating costs	82%	92%	75%
Profitability	-9%	-14%	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 June 2023 quarter shows that the Selwyn District economy continues to grow strongly, although the rate of growth has tapered off slightly over the past year. Infometrics provisional GDP estimates indicate Selwyn grew 5.2% over the year to June 2023, however, activity in the June 2023 quarter was only 2.4% higher than June 2022. Employment of Selwyn residents continued to grow over the past year, up 6.3%, which largely reflects continued population growth. Strong population growth was a key driver of consumer spending in Selwyn, up by a strong 13% over the year to June 2023, out ahead of national growth of 12%. At the same time, the number of Jobseeker Support recipients in Selwyn has stopped declining and started rising, with a 7.2%pa increase in the June 2023 quarter.

Selwyn's housing market is showing signs of softening after years of running hot. Selwyn's house values fell 7.1% between the June 2022 and June 2023 quarters, ahead of a 6.4% fall in Christchurch City. Residential building consents in Selwyn fell 15% over the year to June 2023, compared to a 5.2% fall in Christchurch City, with Selwyn's consents falling to 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 30% over the year to June 2023. Guest nights at commercial accommodation in Selwyn have grown 64% over the year to June 2023, highlighting the importance of international visitors to the accommodation part of the tourism sector.

Weaker global dairy prices have knocked the dairy payout further, with Selwyn dairy farming revenue falling \$76m in the 2022/23 season, and forecast to fall a further \$82m in the 2023/24 season. The current forecast midpoint payout of \$6.75kgms¹ (as of 18 August 2023) is likely to be below the breakeven for some farms, and in any case is likely to drive a pullback in farm spending.

The QEM also provides a national economic outlook. The QEM notes that the economy is holding up better than expected. Rapid job and population growth is counterbalancing inflation and interest rate challenges, with 3.1% annual average growth. Spending activity is restrained reflecting squeezed household budgets and economic conditions are anticipated to remain challenging over the next 12 months.



¹ Fonterra 2023 – FY24 Forecast Farmgate Milk Price — <https://www.fonterra.com/nz/en/our-stories/media/fonterra-revises-fy24-forecast-farmgate-milk-price-august.html>

Employment trends

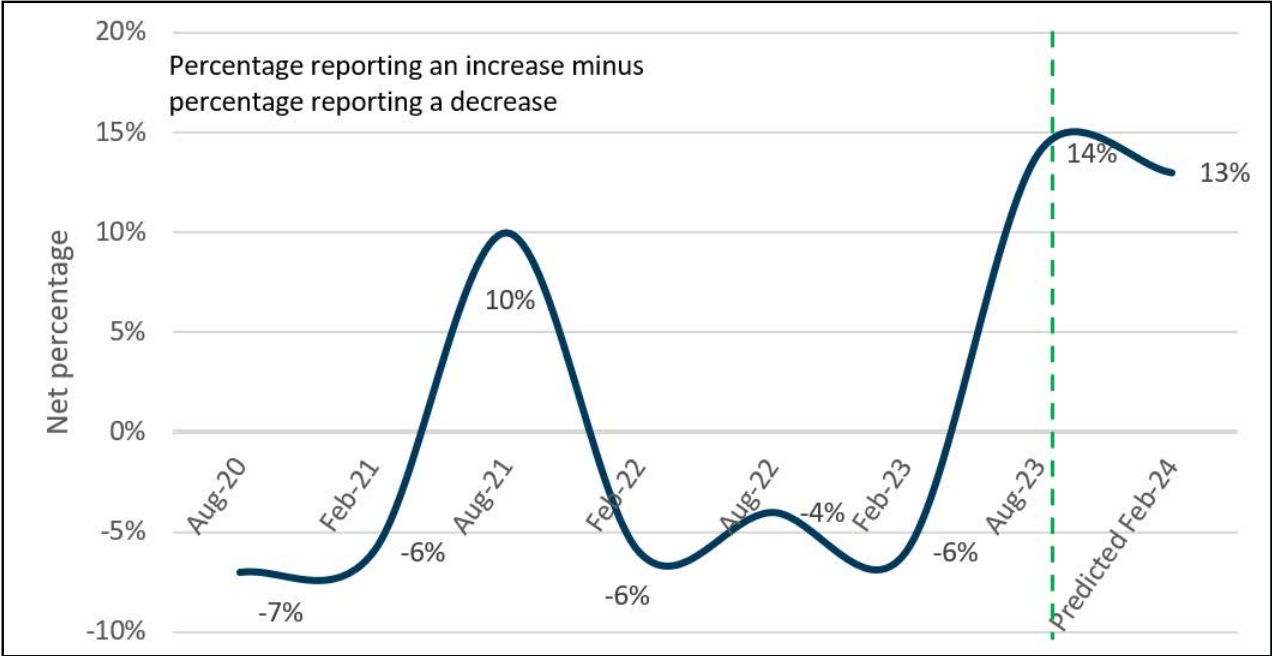
This section outlines what the Survey showed is happening for overall staff numbers at Selwyn businesses and whether businesses are facing difficulty finding staff to fill vacancies.

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 14% of Selwyn businesses reported increasing their headcount over the past six months, a result that coincides with a relative improvement to the availability of workers to fill roles. The August result is much improved than the February 2023 result (-6%). Employment demand is anticipated to stay similar in the months ahead, with a net 13% of Selwyn businesses expecting to increase their headcount over the next six months.

Graph 1 — Staff numbers



At a national level, the ANZ Business Outlook also shows signs of improvement. The July 2023 ANZ Business Outlook showed that a net 1.6% of businesses have negative employment intentions, compared to 3.5% of businesses having negative employment intentions in June 2023. This is the strongest result since October 2022.

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.

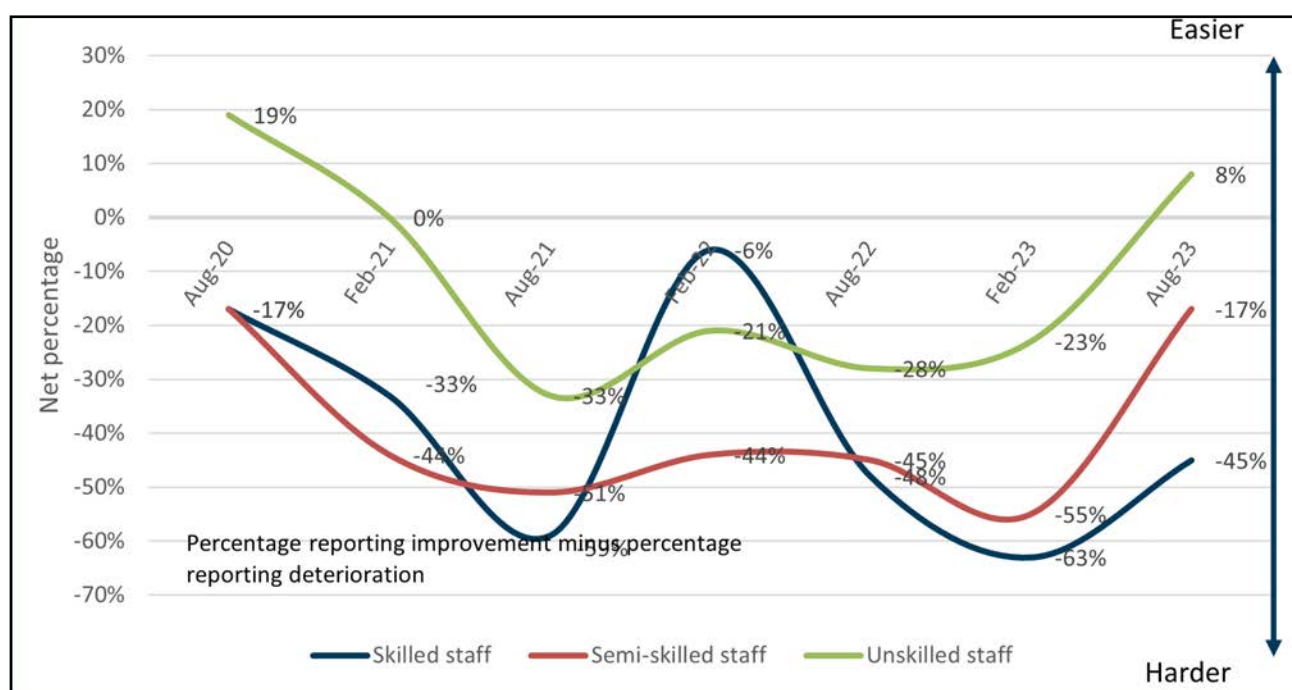
The national economy has been constrained over recent years by persistent labour shortages, but the situation has dramatically improved over the past six months across the country. A sharp increase in migration into New Zealand, coupled slight declines to job advertisements, has meant there is a lot more labour available for each vacancy — particularly for unskilled roles. Statistics New Zealand estimates that New Zealand gained a net 86,772 migrants over the June 2023 year, while the June 2023 Household Labour Force Survey showing an increase in underutilisation of labour.

Although finding labour remains a challenge for many Selwyn businesses, the situation in Selwyn has also shown some signs of improvement over the past six months.

A net 8% of Selwyn businesses reported that it was easier to find workers for unskilled roles — the first positive result for finding workers for unskilled roles since August 2020.

Finding semi-skilled and skilled workers remain relatively difficult, but the situation for both has also improved. For example, A net 45% of businesses reported that it was harder to find skilled staff over the past six months, which is better than a net 63% of businesses reporting difficulty finding skilled staff in February 2023.

Graph 2 — Difficulty of finding staff

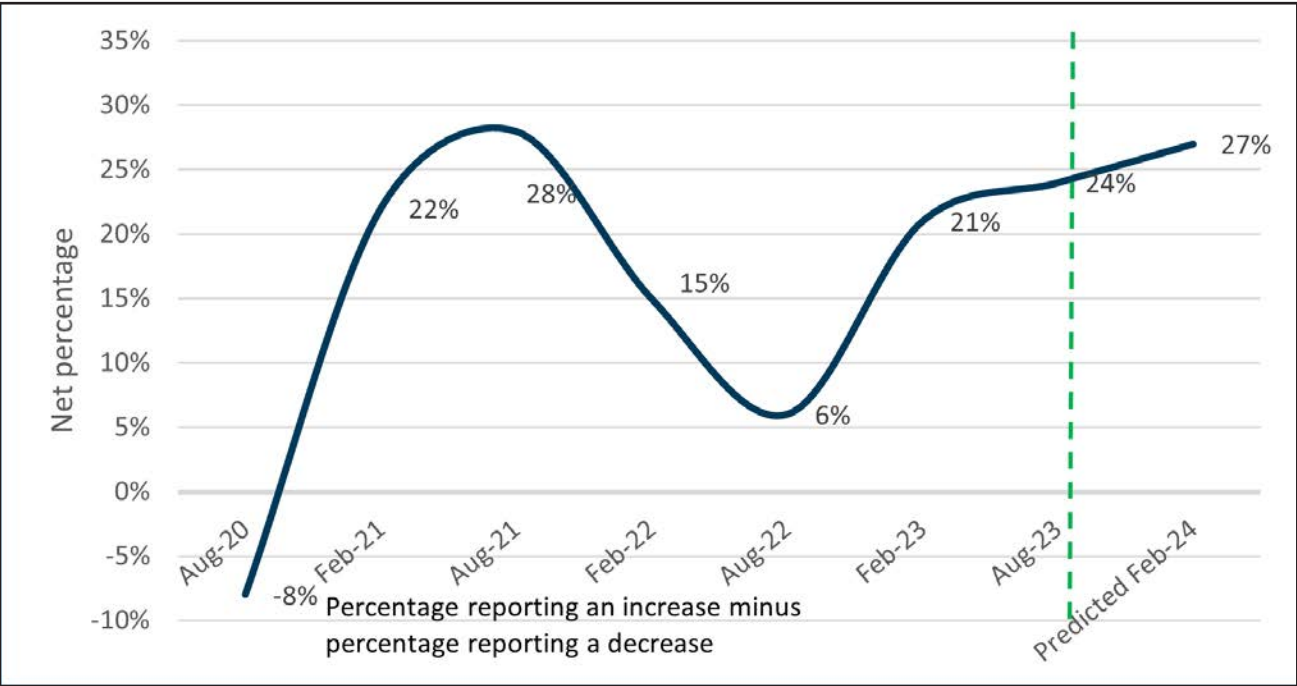


Investment trends

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 24% of Selwyn businesses increased their level of investment over the past six months, which is an increase on the previous result of 21%. Business investment is anticipated to increase further over the months ahead, with a net 27% 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 (-3.3% July 2023). The ANZ Business Outlook is showing no clear trend in recent months (February 2023 -4.9%, April 2023 -6.8%, -2.7% June 2023).

Business conditions

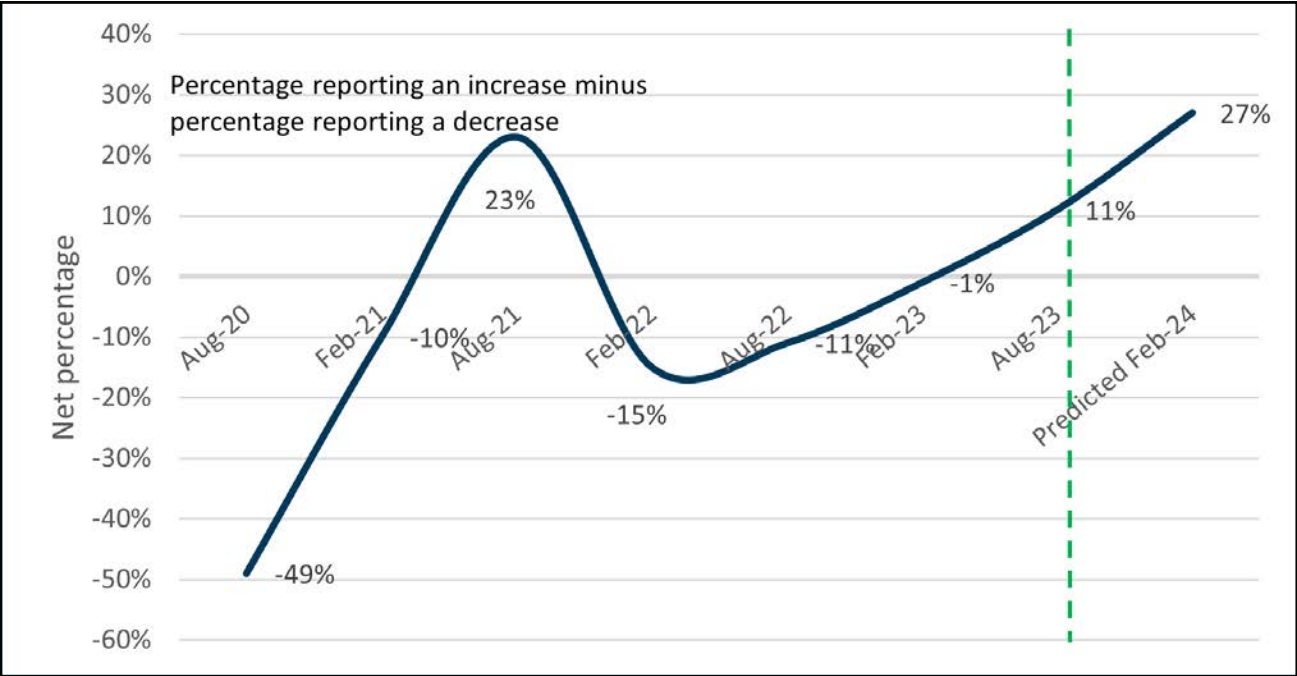
This section outlines what the Survey showed regarding the conditions faced by Selwyn businesses in terms of sales, costs, prices and profitability.

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 11% of businesses experienced an increase in sales/output over the past six months, compared to a net -1% of businesses experiencing a reduction in sales/output in the six months prior. Businesses expect their sales/output to increase with a net 27% of businesses expecting an increase over the next six months.

Graph 4 – Output / sales



The July ANZ Business Outlook showed a net 0.8% 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.

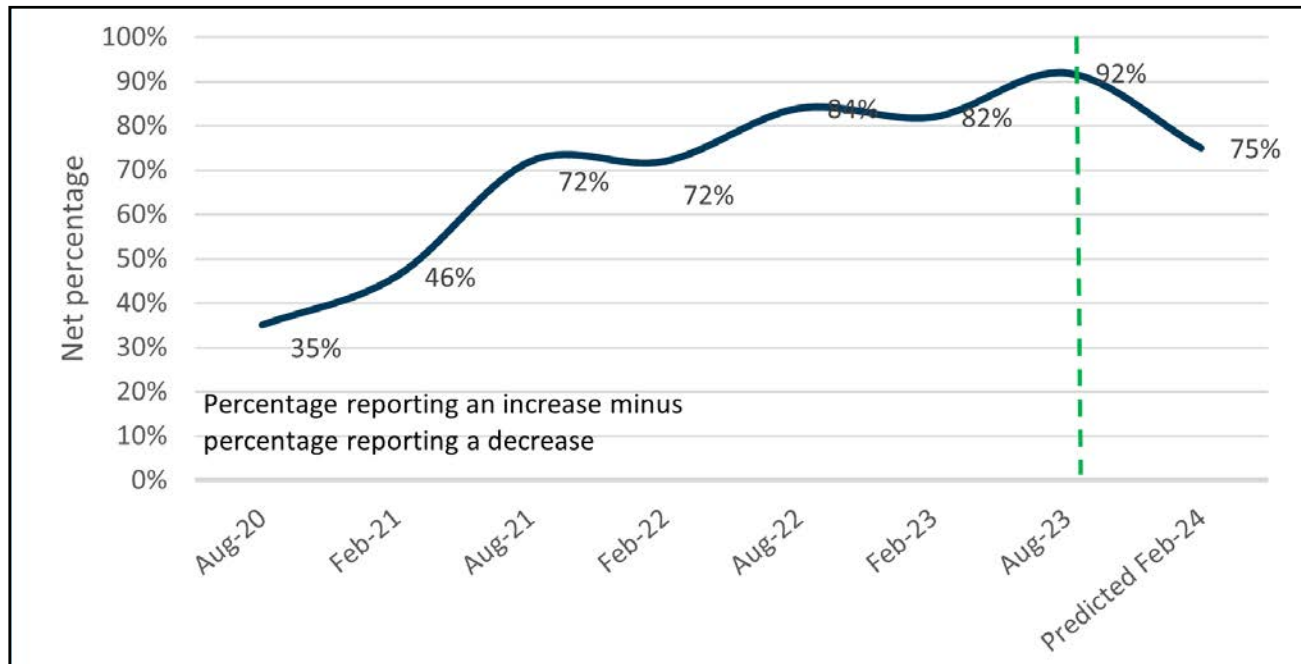
Operating costs

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. In our August 2022 survey a net 84% of businesses reported an increase in operating costs, one year on, the August 2023 survey recorded a net 92% 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 75% 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 July ANZ Business Outlook still reporting a net 80.6% of businesses nationally expecting an increase in operating costs.

Graph 5 – Operating costs

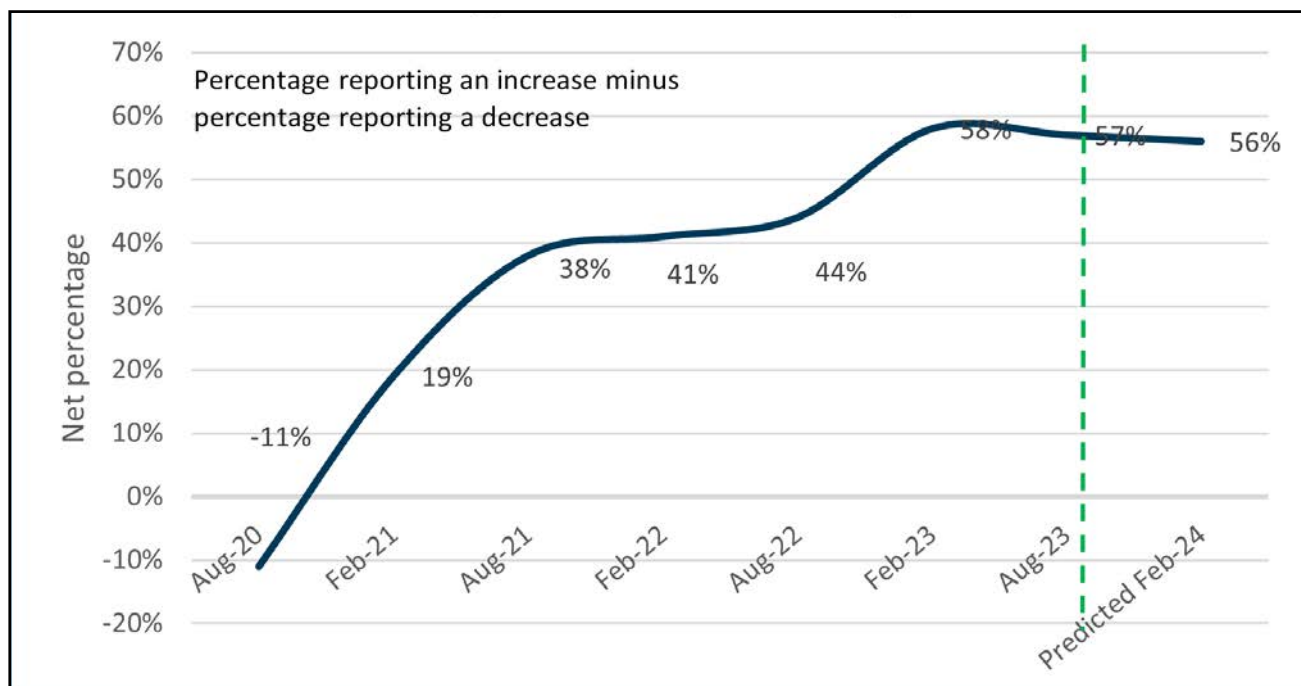


Price of goods/services sold

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 57% of Selwyn businesses increased prices over the past six months, a similar increase from 58% of businesses at the February 2023 survey. With higher operating costs and businesses still expecting sustained demand, businesses are anticipating that their price increases will persist. A net 56% of Selwyn businesses are intending to increase their prices even higher over the next six months.

Graph 6 – Prices of goods / services sold



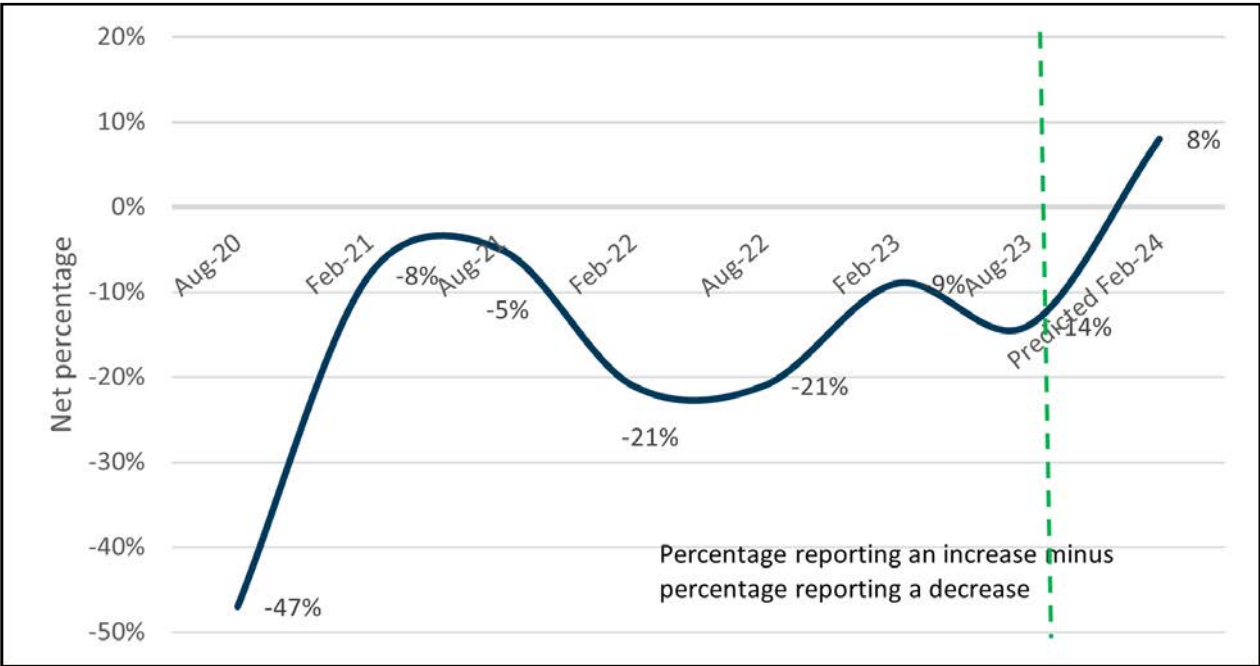
The Selwyn result is higher than the national trend, with the July 2023 ANZ Business Outlook reporting a net 48.1% of businesses nationally intend to increase their prices. There has been a tentative easing to this over the past 6 months, with pricing expectations coming down from their peak.

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 14% of Selwyn businesses experienced a decline in profitability over the past six months. This result is worse than the February 2023 survey, but better than the August 2022 survey. Selwyn businesses are more optimistic about their profitability with a net 8% expecting their profitability to increase.

Graph 7 — Profitability



Profit expectations in Selwyn are less pessimistic than what is occurring nationally. The February 2023 ANZ Business Outlook reported that nationally a net 24.5% of businesses expect their profit to decrease in the year ahead.



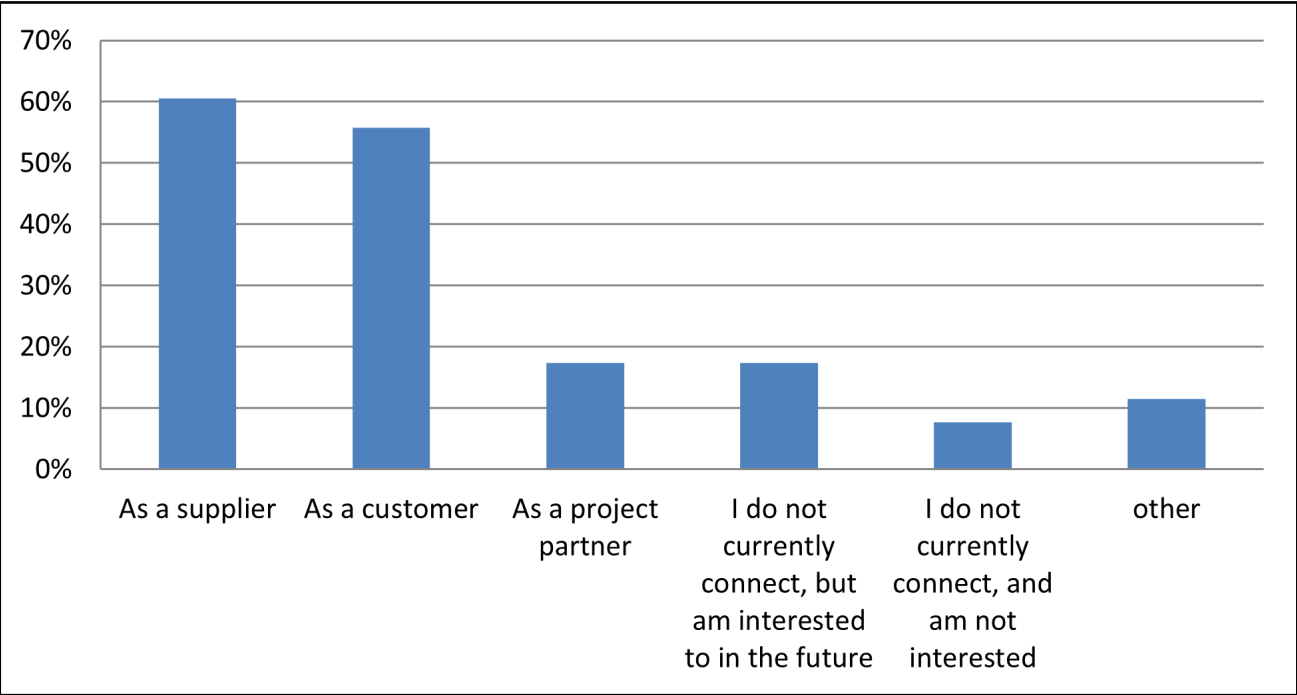
Local area business connections

Local business connections and relationships are helpful for success. In the August 2023 survey, Selwyn businesses were asked how they connect with businesses in their local area. This allows Council to better understand interrelationships within the local business ecosystem. Council can then use this to target support in the right areas and have a better understanding of local business resilience.

The majority of businesses (61%) connect with other local businesses as a supplier, with a similar proportion (56%) connecting as a customer. A smaller amount (17%) team up with others to connect as a project partner. These findings suggest that there are relatively strong connections between local businesses in Selwyn, despite concerns that recent high population growth rates could have fragmented connections within the local business community.

A small number of businesses (8%) do not currently connect and are not interested, while a further 17% of businesses are not currently connected, but are interested to in the future. This identifies where support is needed and informs which businesses can be directly assisted. Some businesses who responded with 'other' connect socially, as part of the Selwyn Business Ladies Group or through networking groups such as BNI or Networkers. There were also suggestions for an online forum or group among those not currently connected.

Graph 8 – Connections with local businesses

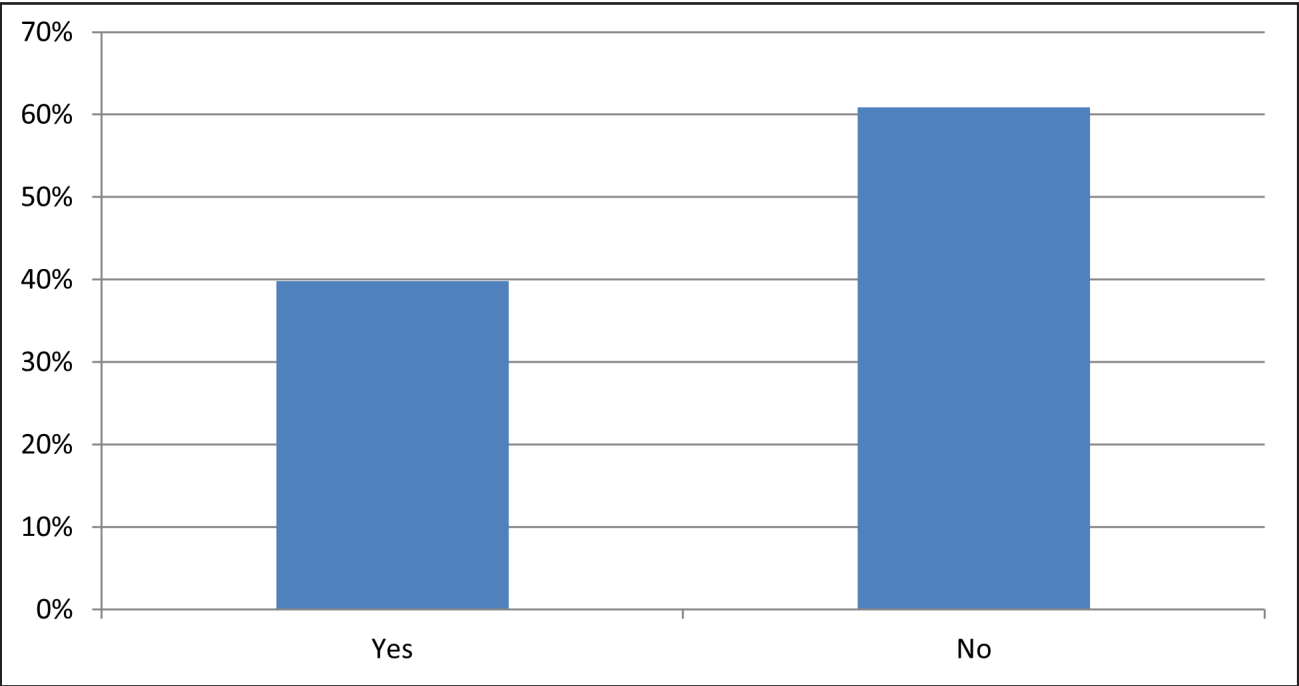


Industry body connections

In the August 2023 survey, Selwyn businesses were asked if they are connected with an industry body. This allows Council to understand who is connected and where to target initiatives for helping businesses find the right industry body.

About 39.81% responded they are connected with an industry body, while 60.19% responded they were not connected.

Graph 9 – Industry body connection



How frequently do you use artificial intelligence such as ChatGPT?

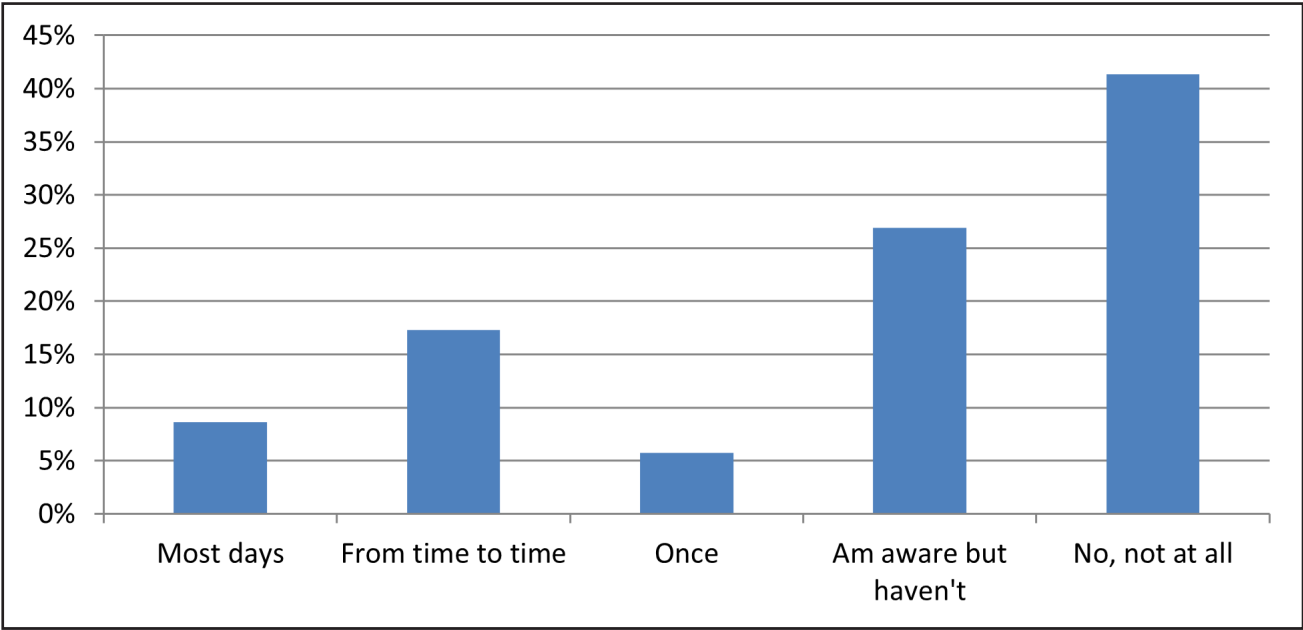
Artificial Intelligence (AI) refers to the ability of computer systems to perform tasks that typically require human intelligence.² Generative AI tools such as ChatGPT use prompts or questions to generate text or images that closely resemble human-created content.³

Artificial intelligence is becoming more accessible and growing in mainstream use amongst businesses. In the August 2023 survey, Selwyn businesses were asked how frequently they use Artificial Intelligence such as ChatGPT and what it is used for. This allows Council to understand how prevalent its use is, identify opportunities and how to support this.

Most businesses are not using Artificial Intelligence frequently, with only 9% using it most days and 17% using it from time to time. A further 41% do not use artificial intelligence at all. There is however good awareness with 27% being aware, but haven't used it for business purposes yet.

For those who do use artificial intelligence the most common uses were for tasks such as writing content/reports, advertising, marketing, and social media.

Graph 10 – Frequency of artificial intelligence use



² NewZealand.AI 2023 - <https://newzealand.ai/what-is-ai>
³ DIGITAL.GOV.T.NZ 2023 - <https://www.digital.govt.nz/standards-and-guidance/technology-and-architecture/interim-generative-ai-guidance-for-the-public-service/what-is-generative-ai/>

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:

- Operating expenses and the cost of purchasing products and goods have increased
- The cost of living crisis, high interest rates and reduced consumer spending is continuing
- Increased regulatory reporting/compliance requirements and 'red tape' is challenging
- The effect of both the current Government and potential change of parties
- Desire for more advertising, promotion and greater awareness of local businesses.



Who responded to this survey?

Table 3 – Industry of survey respondents

Industry	Count
Agriculture, Forestry and Fishing	14
Mining	0
Manufacturing	4
Electricity, Gas, Water and Waste Services	3
Construction	2
Wholesale Trade	0
Retail Trade	11
Accommodation and Food Services	16
Transport, Postal and Warehousing	4
Information Media and Telecommunications	3
Financial and Insurance Services	5
Rental, Hiring and Real Estate Services	4
Professional, Scientific and Technical Services	11
Administrative and Support Services	1
Public Administration and Safety	1
Education and Training	5
Health Care and Social Assistance	4
Arts and Recreation Services	8
Other Services	25
Total count	121

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

Number of employees in business	Count
1 – 5	82
6 – 9	13
10 – 19	6
20 – 49	13
50 – 99	1
100+	6

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

Length of time business has been in operation	Proportion
< 6 months	8.26%
6 – 11 months	2.48%
1 – 5 years	23.14%
6 – 9 years	18.18%
10+ years	47.93%

