Selwyn Business Opinion Survey

August 2022

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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 level.

The topics covered include:

- Employment and investment trends
- Recently experienced business conditions
- Expectations of future business conditions
- Business location factors
- Climate change

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 provides 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 and Policy Team.

The most recent survey was conducted from **Friday 5 August 2022** to **Friday 19 August 2022.** There were 107 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 August Selwyn Business Opinion Survey is that businesses reported more difficult conditions than they had been experiencing in August 2021. This observation for Selwyn businesses is in line with national experiences.
- Selwyn businesses reported carrying slight 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 continued difficulties in finding staff.
- Investment intentions in Selwyn have softened since earlier in the year, but are still tracking higher than nationally. The survey shows businesses remain confident in the long-term, despite the challenges in their immediate operating environment. A net 18% of businesses are expecting to increase investment over the next six months.
- Output/sales remained soft over the past six months, however, the future outlook from businesses for the next six months is much more positive, with a net 18% of businesses expecting to increase revenue (output/sales).
- One of the most significant changes in the August 2022 survey from the February 2022 survey is the number of Selwyn businesses that experienced operating cost increases. Costs have spiralled over the past six months with both domestic and global factors at play. The outlook for the next six months is also high, indicating that businesses expect these cost pressures to persist.
- In line with increased costs, more Selwyn businesses are reporting that they have increased their prices in the last six months. The share of businesses expecting to increase prices is even higher over the next six months.
- Profitability remained soft in the most recent survey. However, looking ahead, Selwyn businesses are expecting their profitability to begin recovering over the next six months.

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

Net Balance	Previous experience (February 2022)	Current experience (August 2022)	Predicted experience (Next six months)
Staff numbers	-6%	-4%	11%
Investment	15%	6%	18%
Output/Sales	-15%	-11%	18%
Prices	41%	44%	48%
Operating costs	72%	84%	75%
Profitability	-21%	-21%	11%

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 2022 quarter shows that Selwyn's GDP grew by 6.2% over the year to June 2022. This places Selwyn as the seventh fastest growing economy over the year. Selwyn's GDP growth over the year to June 2022 is higher than the Canterbury regional average (3.6%) and the national average (0.9%). The QEM estimate for Selwyn's annual GDP for the year to June 2022 was $3,302 million (in 2021 prices). Selwyn's quarterly growth has been strong, with the June 2022 quarter GDP 6.9% higher than the June 2021 quarter, the second highest in the country.

Selwyn continues to be an attractive destination to move to for residents and businesses alike. Employment for residents living in Selwyn was up 7.7% for the year to June 2022, compared to a year earlier. Employment growth was higher than the national average at 3.2%. Residential consents have risen 10.8% over the year to June 2022, with 534 new dwellings consented in the June 2022 quarter alone. Non-residential building consents to the value of $309.4 million were issued in Selwyn during the year to June 2022. The value of consents in Selwyn increased by 123.9% over the year to June 2022, compared to a year earlier. Consumer spending continues to grow very strongly in Selwyn, with a 13.3% increase over the year to June 2022, compared to a nil increase nationally.

The QEM also provides a national economic outlook. The QEM found that despite operating under sustained limitations, national economic activity bounced back in the second quarter of 2022. The QEM considers that the economy is currently walking a tightrope between weak confidence, high inflation, higher interest rates, a tight labour market and ongoing supply chain disruptions on one side, and the border reopening and a rebound from the Omicron peak on the other.

Employment trends

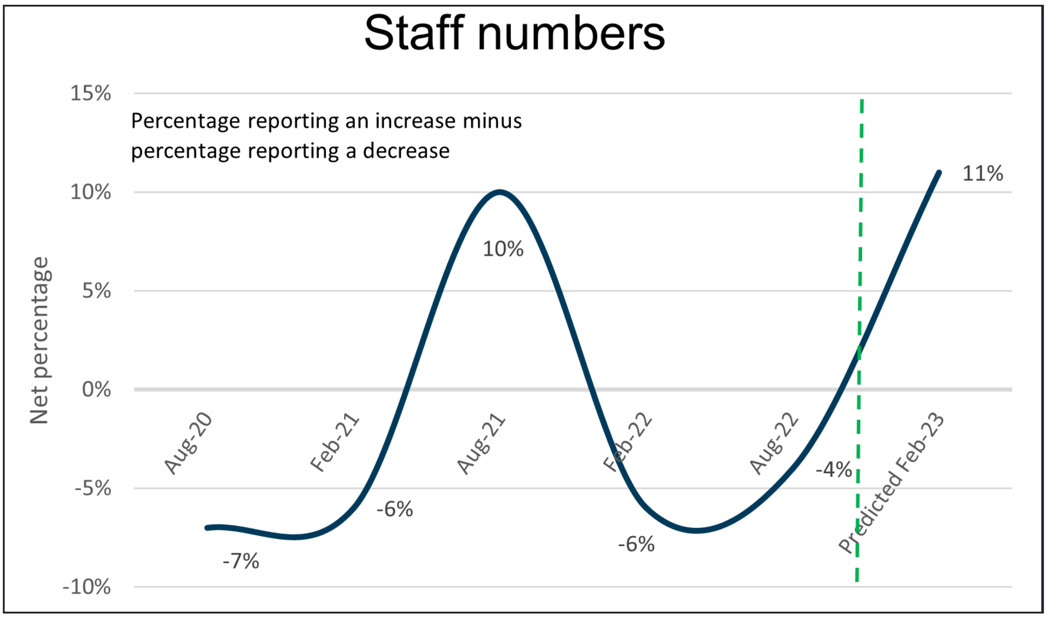
This section outlines what the survey showed is happening for overall staff numbers at Selwyn businesses and whether businesses are facing difficulty finding staff to fill vacancies.

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 decreased their headcount over the past six months. This is similar to the February 2022 result. Employment demand is anticipated to strengthen considerably in the months ahead, with a net 11% of Selwyn businesses expecting to expand their headcount over the next six months.

Graph 1
Staff numbers



At a national level, the July ANZ Business Outlook shows a net 1.1% of businesses have positive employment intentions, down from 2.3% in February.

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.

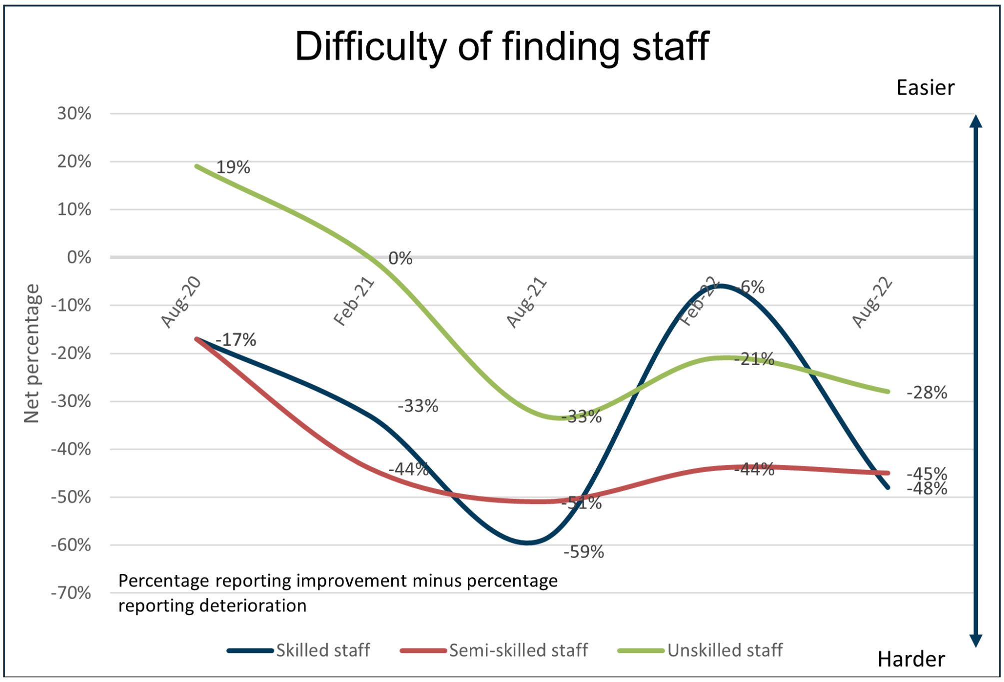
The national economy is still severely constrained by acute labour shortages. The tightness of the present labour market is partially attributable to earlier lockdowns and border restrictions. However, migration outflows have continued since border restrictions eased. The situation is placing upward pressure on wages and adding to business costs. Staff turnover has increased and many businesses are finding it increasingly difficult to retain staff.

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

A net 48% of businesses reported that it was harder to find skilled staff over the past six months and a net 45% 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.

Graph 2
Difficulty of finding staff

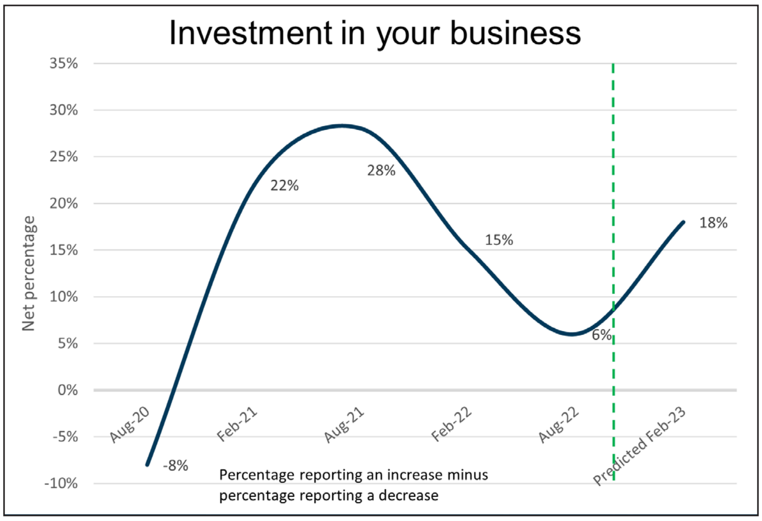


Investment trends

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 6% of Selwyn businesses increased their level of investment over the past six months, which is down on the previous result of 15%. Business investment is anticipated to ramp up over the months ahead, with a net 18% of Selwyn businesses expecting to increase investment over the next six months.

Graph 3 Investment in your business



Selwyn businesses' level of investment intentions are more positive than the national average. Investment intentions have been slipping at the national level, with the June ANZ Business Outlook recording the first negative read (-3.2%) since August 2020. The July ANZ Business Outlook shows little change with investment intentions at -2.6%. The June ANZ Business Outlook found that businesses intending to cut their investment were influenced by the domestic economic outlook, interest rates, skilled labour shortages, central government policy and the global economic outlook. High global uncertainty, higher interest rates and weakening business confidence are contributing to a decrease in businesses' investment intentions.

Business conditions

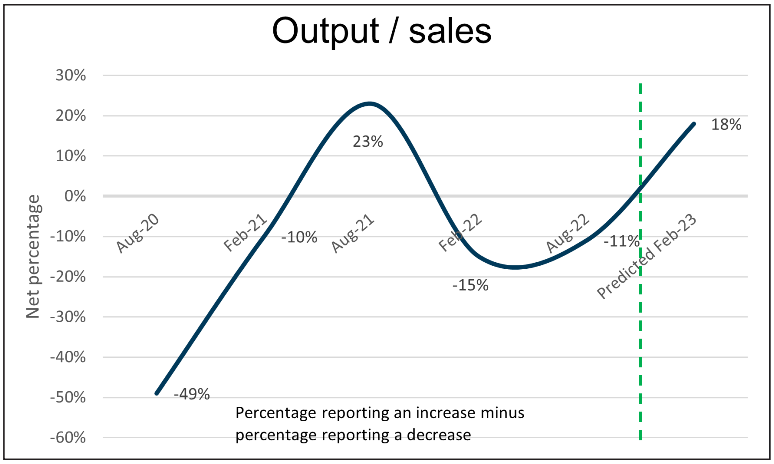
This section outlines what the survey showed the conditions faced by Selwyn businesses in terms of sales, costs, prices and profitability.

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 11% of businesses experienced a reduction in sales over the past six months, compared to a net 15% of businesses experiencing a reduction in sales in the six months prior. Businesses are considerably more optimistic about their sales/output conditions into the future than at the time of the previous survey. In the survey, a net 18% of businesses are expecting sales to increase over the next six months.

Graph 4
Output/sales



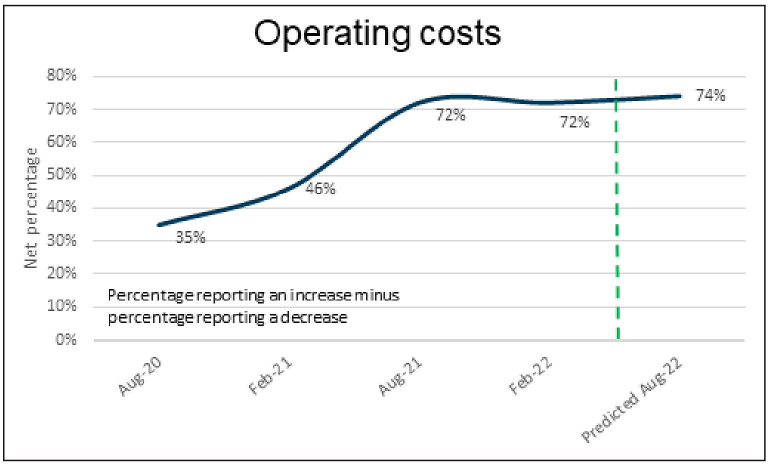
The July ANZ Business Outlook showed a net -8.7% of businesses nationally expect their own activity to rise over the year ahead. Compared to the national average, Selwyn businesses are more optimistic about their own activity outlook.

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 for businesses in Selwyn. In our inaugural survey in August 2020, a net 35% of businesses reported an increase in operating costs, two years on, the August 2022 survey recorded a net 84% of businesses reporting cost increases over the past six months. This is a notable increase from the February 2022 survey (72%), with an additional 12% of Selwyn businesses reporting cost increases than the previous survey. Cost pressures are anticipated to remain 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. Cost pressures nationally are even more acute, with the July ANZ Business Outlook reporting a net 91.3% of businesses nationally expect an increase in operating costs.

Graph 5
Operating costs

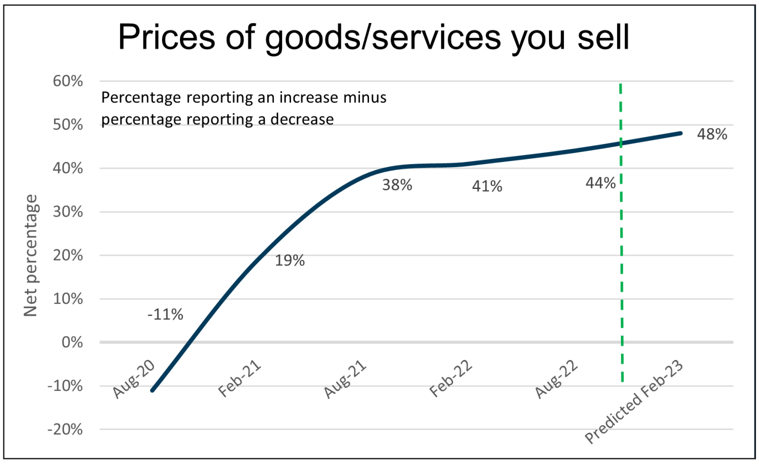


Price of goods/services sold

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 44% of Selwyn businesses increased prices over the past six months, slightly up from 41% at the February survey. With higher operating costs, continuing cost pressures and sustained demand, cost-push inflation will mean that higher costs continue to be translated into higher prices. This is confirmed by the proportion of Selwyn businesses reporting that they intend to increase their prices even higher over the next six months, sitting at a net 48% of businesses.

Graph 6
Prices of goods/ services sold

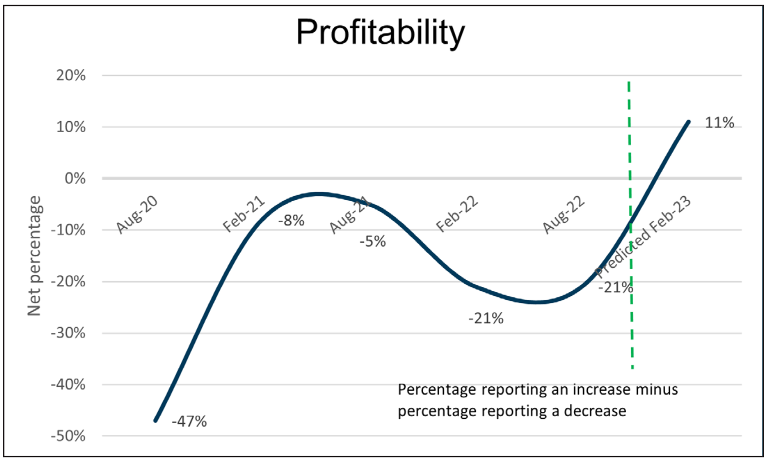


The Selwyn result remains below the national trend, with the July ANZ Business Outlook reporting a net 74% of businesses nationally intend to increase their prices.

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.

Graph 7
Profitability



A net 21% of Selwyn businesses experienced a decline in profitability over the past six months. This result is consistent with the previous survey. Promisingly, Selwyn businesses are more optimistic about their outlook, with a net 11% of businesses expecting their profitability to improve over the next six months.

This situation in Selwyn is more optimistic than what is occurring nationally. The July ANZ Business Outlook reported that nationally a net 34.1% of businesses expect their profit to decrease in the year ahead.

Business location factors

In the last survey, we asked businesses about the suitability of premises in Selwyn. To supplement the previous survey, the August 2022 survey asked questions regarding business location factors to ascertain why Selwyn businesses have chosen and/or continue to choose Selwyn as the place for their business. It is important for Selwyn District Council and the businesses within Selwyn to understand the district's competitive advantage which can continue to help the district grow and attract employment and customers.

The survey asked businesses to consider a number of business location factors and the influence of that factor on the decision of their business location. The survey also provided the option for respondents to provide additional comments on any other important business location factors that either positively or negatively influence the operation of their business in the Selwyn district.

The survey made eight statements and asked respondents to consider to what extent did they agree or disagree with the statement.

Business Location Factor Statement	Strongly Agree and Agree	Neither Agree nor Disagree	Disagree and Strongly Disagree
a personal connection to the Selwyn District as a long-term resident, newcomer or migrant	80%	13%	7%
the proximity of our business to markets and customers	49%	40%	11%
the desirability of the Selwyn District as a place to live which helps to attract and retain staff	47%	46%	7%
the Selwyn District's strategic position as the 'gateway to the South Island' and supporting infrastructure (State Highways, Christchurch International Airport, Sea Ports)	35%	47%	18%
the presence of mutually supporting / complementary businesses	34%	41%	25%
the proximity of our business to suppliers	20%	56%	24%
the affordability of land / property / rents	18%	55%	27%
the local business environment, local regulations and compliance costs	17%	58%	25%

The survey found that the key business location factors are a personal connection to the Selwyn district, proximity to markets and customers, the desirability of the Selwyn district as a place to live as well as the district's strategic position. A personal connection to the Selwyn district was by far the most important business location factor for respondents. Other business location factors were found to have less of an influence on the business location decisions of respondents.

The survey provided an opportunity for respondents to comment on any other important business location factors not included in the survey question. A strong theme emerged from respondents on the importance of digital connectivity for enabling economic activity and lifting productivity.

OF SURVEY RESPONDENTS EITHER STRONGLY AGREE OR AGREE THAT A PERSONAL CONNECTION TO THE SELWYN DISTRICT AS A LONG-TERM RESIDENT, NEWCOMER OR MIGRANT HAS INFLUENCED THEIR DECISION TO LOCATE THEIR BUSINESS WITHIN SELWYN.

49%

OF SURVEY RESPONDENTS EITHER STRONGLY AGREE OR AGREE THAT THE PROXIMITY OF THEIR BUSINESS TO MARKETS AND CUSTOMERS HAS INFLUENCED THEIR DECISION TO LOCATE THEIR BUSINESS WITHIN SELWYN.

47%

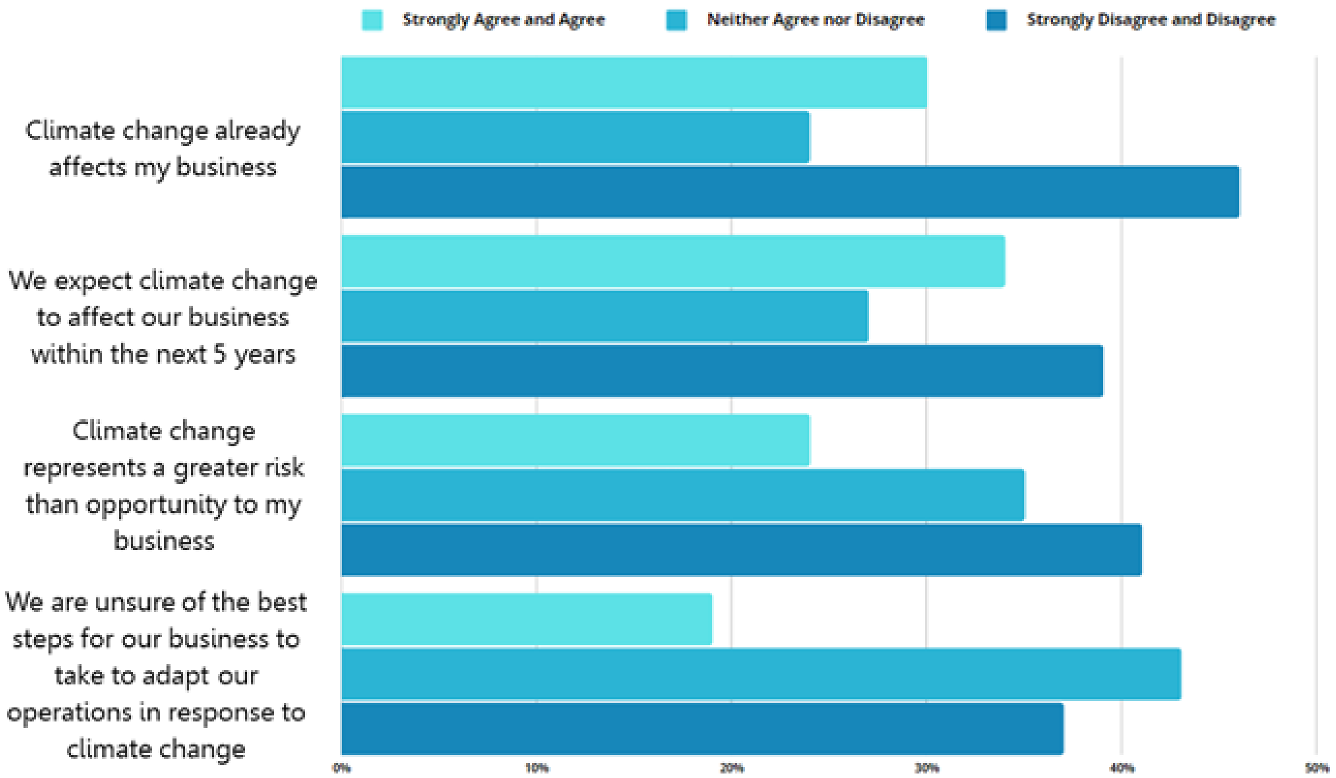
OF SURVEY RESPONDENTS EITHER STRONGLY AGREE OR AGREE THAT THE DESIRABILITY OF THE SELWYN DISTRICT AS A PLACE TO LIVE HAS INFLUENCED THEIR DECISION TO LOCATE THEIR BUSINESS WITHIN SELWYN.

OF SURVEY RESPONDENTS EITHER STRONGLY AGREE OR AGREE THAT THE STRATEGIC POSITION OF THE DISTRICT HAS INFLUENCED THEIR DECISION TO LOCATE THEIR BUSINESS WITHIN SELWYN.

Climate change

Climate change and its potential impacts are becoming increasingly important factors in the economy. These include climate-related impacts such as extreme weather and storm events, sea-level rise, prolonged drought and increased flooding in both severity and frequency. It also includes climate risks from government policy changes, such as adaptation requirements, emissions reduction targets and carbon pricing.

The survey asked respondents to consider what extent do they agree or disagree with statements concerning climate change and their business.



Presently, 30% of respondents consider that their business is affected by climate change. However, a larger number (34%) of respondents anticipate that their business will be affected within the next five years. The survey found that 41% of respondents either disagreed or strongly disagreed that climate change represents a greater risk than opportunity to their business. This indicates that businesses in the Selwyn district recognise that there are opportunities presented by the transition to a low-carbon economy. A large portion of respondents (43%) neither agree nor disagree as to whether they are unsure of the best steps for our business to take to adapt our operations in response to climate change.

The uncertainty in the responses to the survey questions on climate change reflects inherent uncertainty presented by the effects of climate change on businesses and the economy. Building climate resilience and reducing emissions are integral to the productivity, sustainability, success and inclusivity of a local economy. Selwyn District Council's Climate Change Policy (2020) outlines Council's leadership role in preparing businesses and communities to be responsive, resilient and ready for a carbon-neutral future. Engaging with businesses on climate change mitigation and adaptation is critical part of Council's role now and into the future.

Additional comments

The 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:

- Many respondents continue to be affected by COVID-19 for a number of reasons, such as staff sickness, delays and other supply-chain issues, restrictive public health measures and reduced visitor numbers.
- The cost-of-living crisis, soaring inflation and reduced consumer spending is affecting many businesses.
- A number of respondents are facing rising costs as well as material/supply shortages.
- The majority of respondents are facing delays and other supply-chain issues.
- Wage growth is increasing in response to a tight labour market, respondents are finding it difficult to find suitable staff and are paying higher wages which translates to reduced profits or higher prices.
- Respondents are optimistic about the border reopening and future visitor numbers.
- Respondents are facing poor digital connectivity inhibiting productivity, especially in remote and rural areas.
- Respondents consider that global events are affecting their operations as well as domestic events.
- Respondents are facing increased regulation, taxation, compliance and other hurdles from both local and central government which places their businesses under increased pressure affecting its viability.
- Promoting and marketing a business is becoming increasingly important in light of greater competition and unfavourable economic conditions.

Who responded to this survey?

Table 3 – Industry of survey respondents

Industry	Count
Agriculture, Forestry and Fishing	10
Mining	0
Manufacturing	8
Electricity, Gas, Water and Waste Services	7
Construction	6
Wholesale Trade	0
Retail Trade	13
Accommodation and Food Services	7
Transport, Postal and Warehousing	3
Information Media and Telecommunications	5
Financial and Insurance Services	3
Rental, Hiring and Real Estate Services	3
Professional, Scientific and Technical Services	10
Administrative and Support Services	0
Public Administration and Safety	0
Education and Training	5
Health Care and Social Assistance	6
Arts and Recreation Services	8
Other Services	13
Total count	107

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

Number of employees in business	Count
1-5	91
6-9	9
10-19	4
20-49	3
50-99	0
100+	0

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

Length of time business has been in operation	Proportion
< 6 months	4.72%
6 - 11 months	5.66%
1 - 5 years	28.3%
6 - 9 years	11.32%
10 + years	50%

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