

Selwyn Business Opinion Survey



February 2022

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
- Business Premises and remote working trends
- Whether workforces reflect the changing nature of the community.

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 and Policy Team.

The most recent survey was conducted from 3 to 18 February 2022. There were 105 respondents.



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 businesses reported experiencing more difficult conditions than they had been experiencing in August 2021. This observation for Selwyn businesses is in line with national experiences.
- Looking ahead, Selwyn businesses are expecting their profitability to continue to decrease over the next six months, with escalating costs outweighing price expectations.
- Nevertheless, the employment outlook is optimistic despite the recent reported downturn. Labour sourcing challenges have also eased for all skill levels.
- Encouragingly, a net 12% of businesses are still expecting to increase investment over the next 6 months.
- Taken together, the employment and investment intentions are encouraging as they show businesses remain confident in the long-term, despite the challenges in their immediate operating environment.
- Workforce flexibility is becoming increasingly important, however, 70% of businesses still have less than 10% of staff who can work from home.
- Most businesses have appropriate premises with 55% of respondents believe their premises meets their needs, with 34% partly agreeing, while 11% do not believe their premises meet their needs. Key issues facing businesses and their premises are not enough floorspace or not the right location.

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

Net Balance	Previous Experience (August 2021)	Current Experience (February 2022)	Predicted Experience (Next 6 Months)
Staff numbers	10%	-6%	3%
Investment	28%	15%	12%
Output/sales	23%	-15%	-5%
Prices	38%	41%	42%
Operating costs	72%	72%	74%
Profitability	-5%	-21%	-12%

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 December 2021 Quarterly Economic Monitor (QEM) showed that Selwyn's economy strengthened through to the end of the year, with GDP growth sitting at 7.8%pa, which was higher than in New Zealand (5.5%pa) and Canterbury (7.2%pa). The monitor highlighted that employment of Selwyn residents has been relatively strong too, up 2.9% over the past year, compared to a 1.3% increase for the Canterbury region.

Selwyn continues to be an attractive destination to move to for residents and businesses alike. The QEM noted that residential building consents for the quarter was 429 following on from 443 in the same quarter last year. This shows the continued growth. Non-residential consents remain solid, at \$266m for the year. Selwyn's population growth continues to support consumer spending, with retail spending on cards in Selwyn up 10.6% for the year.

Despite the positive observations highlighted in the QEM, heightened concerns around a resurgence of Covid-19 (omicron variant) are continuing to create uncertainty for businesses. Inflation, as shown by the Consumers Price Index (CPI), is also running hot at 5.9%pa and the Reserve Bank is responding by raising the Official Cash Rate. This situation of rising costs and interest rates continues to put pressure on businesses.



Employment trends

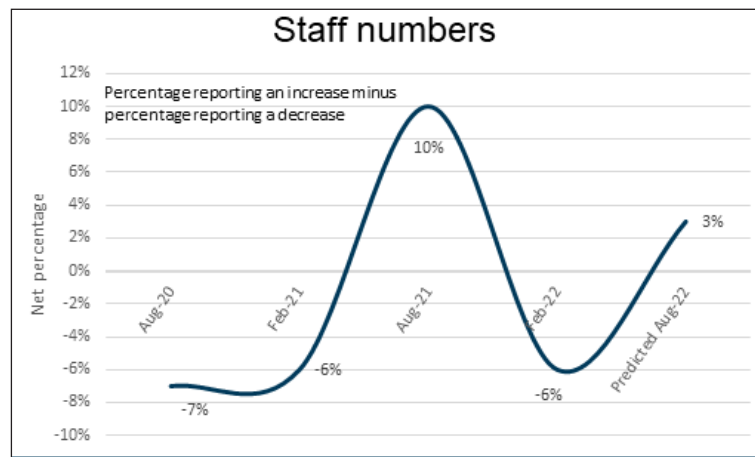
This section outlines what the Survey showed is happening for overall staff numbers at Selwyn businesses and whether businesses are facing difficulty finding staff to fill vacancies.

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 decreased their headcount over the past six months. This matches the February 2021 percentage and is a switch from August where a net 10% of businesses expanded. Employment demand is anticipated to strengthen though in the months ahead, with a net 3% of Selwyn businesses expecting to expand their headcount over the next six months.

Graph 1
Staff numbers



Note, a positive percentage reports an increase, while a minus percentage reporting a decrease.

At a national level, the February ANZ Business Outlook shows a net 2.3% of businesses have positive employment intentions, down from 10.5% in December.

Difficulty of finding staff

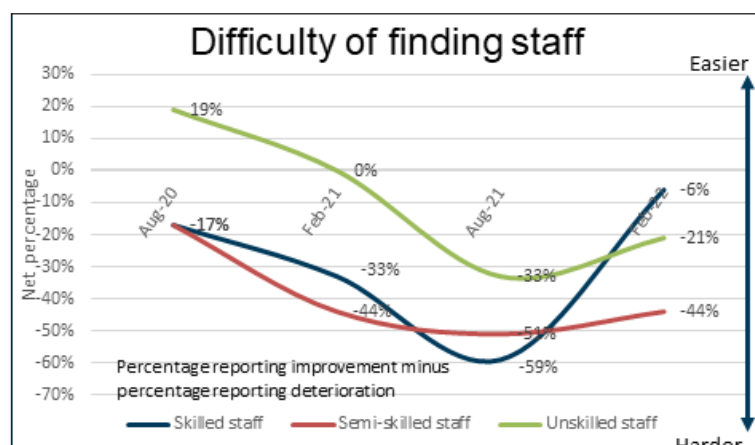
Making decisions about staff numbers is only half the challenge, finding workers to fill any vacancies that emerge is the other. Consequently, it is also important to assess how easy it has been for Selwyn businesses to find staff.

As employment demand grows, at a time when border closures have disrupted access to migrant workers, labour shortages nationally have become very acute. These challenges are also apparent in Selwyn District with a majority of businesses reporting difficulty in finding staff.

A net 6% of businesses reported that it was harder to find skilled staff over the past six months and a net 44% struggling to find semi-skilled staff. Both of these measures however, have improved over the last 6 months. Employers are also still experiencing widespread difficulty finding labour for unskilled roles. Nevertheless, this difficulty in finding workers for unskilled roles has improved marginally since last year (from -33% to -21%).

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

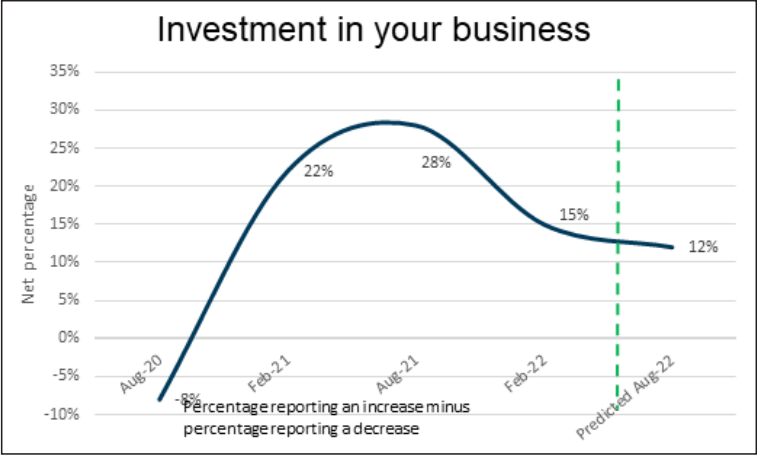


Investment trends

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 15% of Selwyn businesses increased their level of investment over the past six months, which is down on the previous result of 28%. Business investment is anticipated to ease slightly over the months ahead, with a net 12% 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 in line with the national average. The February ANZ Business Outlook shows a net 4.5% of businesses nationally intend to increase their investment. These investment intentions are at odds somewhat with an expectation of higher costs, interest rates and debt servicing costs ahead, as well as lower profitability.



Business Conditions

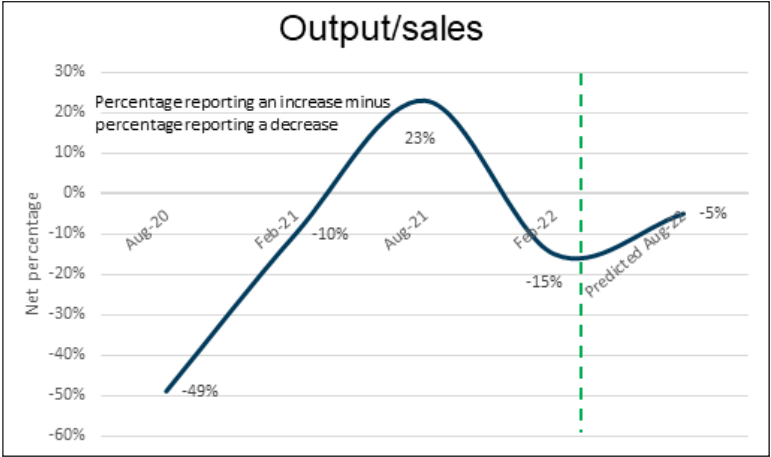
This section outlines what the Survey showed the conditions faced by Selwyn businesses in terms of sales, costs, prices and profitability.

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 15% of businesses experienced a reduction in sales over the past six months, compared to a net 23% who experienced an increase in the previous six months. Businesses are, however, a little more optimistic about their sales pipeline will improve into the future, with only a net 5% expecting sales to decrease over the next six months.

Graph 4
Output/sales



The February ANZ Business Outlook showed a net -2.2% of businesses nationally expect their own activity to rise over the year ahead.

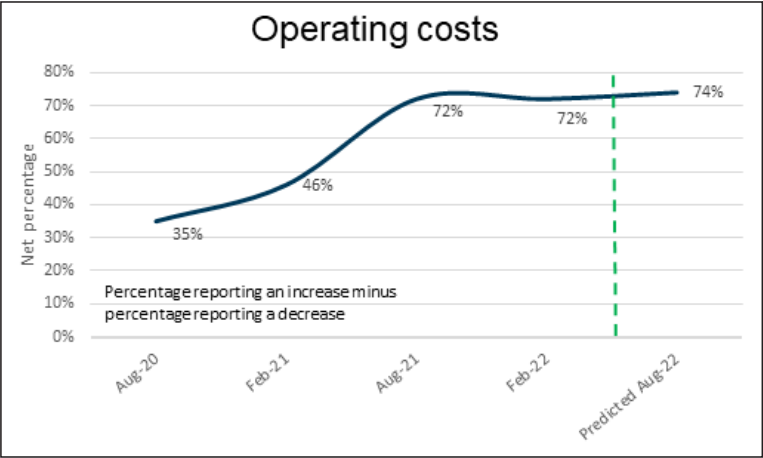
Operating costs

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 continue to be acute for businesses. In our inaugural survey in August 2020, a net 35% of businesses reported an increase in operating costs, while in the most recent February 2022 survey, a net 74% of businesses reported cost increases over the past six months. This is a similar number to the last survey (72%).

Cost pressures are anticipated to remain high over the next six months, with a net 74% 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 February ANZ Business Outlook reporting a net 92.0% of businesses nationally expect an increase in operating costs.

Graph 5
Operating costs

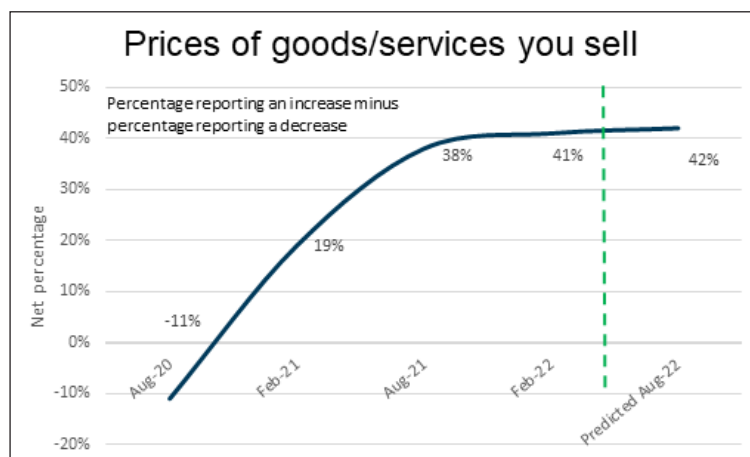


Price of goods/services sold

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 41% of Selwyn businesses increased prices over the past six months, slightly up from 38% at the August survey.

Graph 6
Prices of goods/
services sold

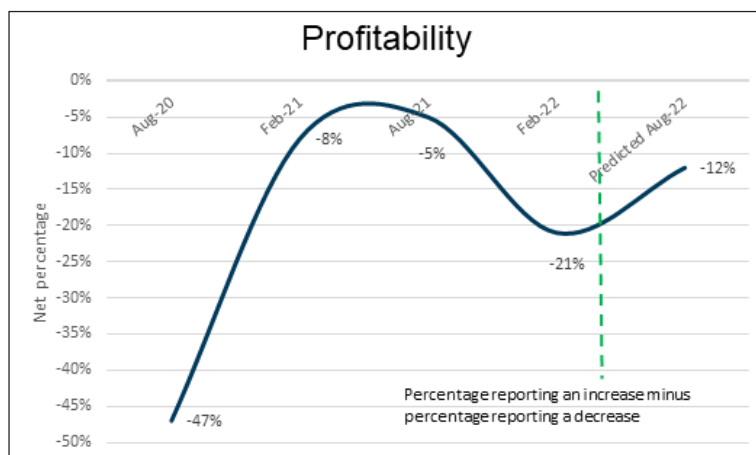


Over the next six months, the proportion of Selwyn businesses reporting that they intend to increase their prices is even higher, sitting at a net 42% of businesses. Nevertheless, this result is still below the national trend, with the February ANZ Business Outlook reporting a net 74.1% of businesses 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 slight decline in profitability over the past six months, as sharply higher operating costs outweighed increased sales. Encouragingly, Selwyn businesses are slightly less pessimistic about their outlook, with only a net 12% of businesses expecting a decrease in profitability over the next six months.

This situation in Selwyn is more optimistic than what is occurring nationally. The February ANZ Business Outlook reported that nationally a net 32.7% of businesses expect their profit to decrease in the year ahead.

Premises

Having the right premises is critical to improve productivity and provide connection to the community, customers, and other businesses. 55% of respondents believe their premises meets their needs, with 34% partly agreeing, while 11% do not believe their premises meet their needs.

The main reasons given for premises not meeting a business's needs were as follows:

Table 2 – Premises suitability reasons

Reason	Percentage
Floorspace too small	56%
Not in preferred location	32%
Lease has become too expensive	20%
Not accessible to customers	15%
Specifications of premises unsuitable	10%
Floorspace too large	2%
Insufficient clustering of key suppliers	2%
Other	10%

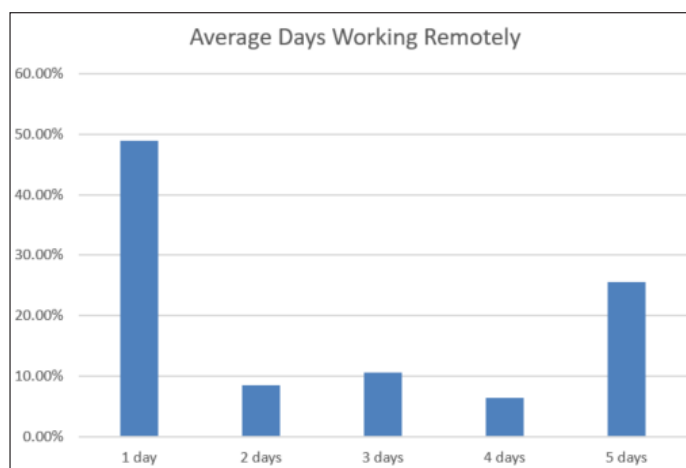
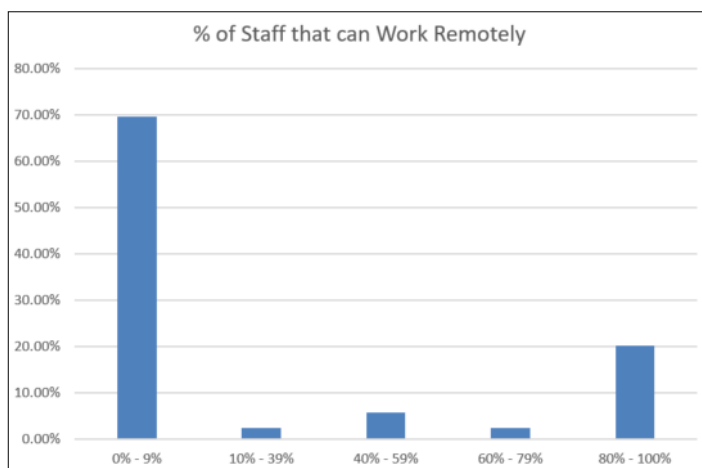
Note: respondents could select multiple reasons. Other responses included safety, insulation, and adjoining yard space.

The survey also asked whether there was sufficient supply of premises within Selwyn, with 58% agreeing and 42% disagreeing. The main reason given believing there is insufficient supply was a lack of competition between landlords (44%) and lack of land or buildings available (29%).

Some businesses commented that the situation can lead to higher prices, which can keep some business from transitioning from home-based to commercial premises. A few responses saw a benefit in co-location and meeting spaces available on an ad-hoc basis.

Working remotely

Being able to adapt to Covid and having workforce flexibility is important for businesses to be resilient and to be able to continue operating. Some businesses are able to work remotely more so than others. Survey responses showed that 70% of businesses have less than 10% of staff who can work from home, while there are 20% of businesses where everyone could work from home.



But whether or not you can work remotely doesn't mean people do. Responses show that nearly half (49%) of people who can work remotely do so on average work only one day a week, with a further 19% working only two or three days per week remotely.

Diversity and inclusion

The survey asked businesses whether their workforces are reflecting the changing nature of the community, with 72% of respondents confirming that their workforce was reflecting the changes. Businesses were also asked about some of the ways they are supporting diversity and inclusion, with many commenting they were doing so through offering flexible working hours and remote working. Other responses suggested that hiring the right person is the most important factor and that they were less concerned with age or place of birth. Some responses suggested that diversity and inclusion were less relevant to them because of being a sole-trader or family-based business.

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:

- Most responses are concerned about the impacts of omicron, with events being postponed or cancelled and general activity slowing down, as well as the uncertainty of the response
- Others noted the potential impact on business if staff get sick and need to isolate
- The post-lockdown recovery is taking a while with continuing supply chain issues increasing uncertainty and costs. For example, sourcing certain building materials is getting difficult
- The inability to find staff compounds the issue
- Increasing costs from legislations, like changes to minimum wage and sick leave as well as increasing compliance costs are putting businesses under pressure
- Several responses noted roadworks reducing business
- The lack of tourism
- Rising fuel prices
- Business pivoting to online



Who responded to this survey?

Table 3 – Industry of survey respondents

Industry	Count
Agriculture, Forestry and Fishing	3
Mining	0
Manufacturing	7
Electricity, Gas, Water and Waste Services	5
Construction	12
Wholesale Trade	3
Retail Trade	12
Accommodation and Food Services	17
Transport, Postal and Warehousing	0
Information Media and Telecommunications	3
Financial and Insurance Services	0
Rental, Hiring and Real Estate Services	4
Professional, Scientific and Technical Services	9
Administrative and Support Services	2
Public Administration and Safety	0
Education and Training	2
Health Care and Social Assistance	6
Arts and Recreation Services	3
Other Services	17
Total count	105

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

Number of employees in business	Count
1-5	72
6-9	17
10-19	9
20-49	4
50-99	3
100+	0

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

Length of time business has been in operation	Proportion
< 6 months	0%
6 - 11 months	4.8%
1 - 5 years	33.3%
6 - 9 years	19.0%
10 + years	42.9%

