

Selwyn Business Opinion Survey



February 2021

selwyn.govt.nz



About the survey

The Selwyn Business 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
- Key business challenges
- Emerging business opportunities

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 will be 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 Selwyn District Council's community and economic development activity.

Executive summary

This section summarises key messages from the survey of Selwyn businesses, compared with the general economic context.

Key messages from Selwyn businesses

- The overarching message of the February Selwyn Business Survey was that businesses are overwhelmingly more positive about the outlook than what has been experienced over the past six months. This strength has been reported across all indicators.
- Investment and employment intentions are strong in Selwyn district for the next six months. This is also reflected nationally in both the December 2020 release of the NZIER Quarterly Survey of Business Opinion and the preliminary February release of the ANZ Business Outlook.
- Similar to the trend nationally, many Selwyn businesses are expecting an increase in operating costs. Some are hoping to pass these onto customers by raising prices. Unlike the trend nationally, this is not expected to decrease profitability due to strong output/sales predictions.
- Many Selwyn businesses have found it difficult to find skilled and semi-skilled staff over the past six months. This may be a factor which constrains growth for some industries over the coming months.
- Another key challenge for Selwyn businesses over the past six months was accessing supplies needed to operate. This reflects 'the perfect storm' created by the ongoing COVID-19 situation disrupting manufacturing, import volumes and trade patterns internationally.
- Although the outlook is more positive, many businesses are still struggling to predict six months ahead due to the continually evolving COVID-19 situation both locally and around the globe. This assertion is reinforced by the re-escalation of COVID-19 alert levels in mid-February.

Table 1 – Business experience over the past six months and expectations of the six months ahead

Net balance	Last 6 months predicted	Last 6 months reported	Next 6 months predicted
Staff numbers	-2%	-6%	7%
Investment	1%	22%	23%
Output/sales	-6%	-10%	28%
Prices	5%	19%	35%
Operating costs	45%	46%	56%
Profitability	-8%	-8%	23%

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

Data from Infometrics shows that COVID-19 had a smaller impact in Selwyn than in the rest of the country during the September 2020 quarter. Our economy grew by 2.6% compared to the September 2019 quarter, markedly better than the 3.2% decline nationally. It also appears Selwyn district recovered lost ground from the June quarter, with economic activity up 0.2% for the year to September 2020 compared to a 3.3% decline nationally.

Nationally, the December 2020 release of the NZIER Quarterly Survey of Business Opinion showed improvements in business confidence. The preliminary February release of the ANZ Business Outlook showed a net 12% of firms expecting conditions to improve. A net 71% predict higher operating costs and a net 58% plan on raising prices. Despite many expecting impacts on profitability, investment and employment intentions were higher than 2019 levels.

Employment was up across all indicators during the December quarter, with working hours up, wages up and labour underutilisation rates down. This was driven by the unemployment rate falling to 4.9% - down from 5.3% in September. In Selwyn our job market remains tight with an average annual unemployment rate of 2.3%. During the year to September 2020, we created more jobs than had been lost, with a 2.3% increase to employment.

But due to strong population growth and a large population working outside of the district, the increase in jobs did not prevent a rise in Jobseeker Support benefit recipients. Selwyn was up 58.8% in the year to September 2020, higher than the 27.3% rise nationally when compared with 2019. These numbers continued to increase during the December quarter, while COVID-19 Income Relief Payments dropped. Young people and women appear to be hardest hit by job losses in the year to September 2020. Employment was down 2.5% in the 15-24 year age group, but has risen in all other age groups. Employment growth was slightly stronger for men, up 2.6%, than women, up 1.8%.

One of the most unexpected aspects of the COVID-19 recession has been the strength of the New Zealand housing market. This has meant stronger house prices nationally. REINZ statistics show Selwyn reached a record high median house price in December 2020 of \$601,000 – and increase of 9.3% compared to December 2019. Canterbury experienced the highest number of properties ever sold in a December month, with Selwyn up 74.7% compared to December 2019. The level of demand for building consents in Selwyn has also set new records with approximately 2800 building consents issued in 2020 – above and beyond numbers from the height of the Canterbury earthquake rebuild.

Selwyn generates a large share of income from farming, food manufacturing and logistics, which continue to face strong demand. Farm gate prices for New Zealand meat and dairy products are above long-term averages, defying expectations of economic fallout from the global pandemic during the 2020/21 season. As a result of recent increases at dairy auctions, Fonterra has increased its 2020/21 forecast milk price range for the season which finishes at the end of May 2021.

Despite these positive observations, global supply chain issues are also putting pressure on returns. Access to new customers and markets has been limited, with outbreak scares threatening the prospect of trans-Tasman and Pacific Island travel bubbles. Closer to home we have seen heightened concerns around a resurgence of COVID-19, with cases of the new highly contagious new strains arriving at our border. However, there is renewed optimism in 2021 with vaccines rolling out across the world.



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 businesses shed workers over the past six months, higher than the 2% of businesses who had anticipated a reduction. Employment usually falls during autumn and winter, particularly in the agricultural, hospitality and retail sectors when compared to the busier spring and summer periods. This is why it is particularly pleasing to see a net 9% of businesses anticipating an expansion to their headcount over the next six months.

Table 2 – Staff numbers over the past six months and expectations for the next six months

Net balance	Last 6 months predicted	Last 6 months actual	Next 6 months predicted
Staff numbers	-2%	-6%	9%

Nationally the ANZ preliminary February Business Outlook shows a net 10% of businesses have positive employment intentions. Despite weak profitability, due to increased operational costs and raised prices, many are still looking to hire and invest.

Difficulty in finding staff

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

As employment demands grow, labour shortages have become more acute nationally. The ANZ preliminary February Business outlook survey states this is particularly the case for skilled labour.

Table 3 – Difficulty of finding staff

Difficulty of finding staff:	August 2020 Net balance over past 6 months	February 2021 Net balance over past 6 months
Skilled	-17%	-33%
Semi-skilled	-17%	-44%
Unskilled	19%	0%

In Selwyn a net 33% of businesses found it harder to find skilled staff over the past six months and a net 44% were struggling to find semi-skilled staff. This may be a factor which constrains growth for some industries over the coming months as they are unable to lift supply.

In our August 2020 Survey a net 19% of businesses had found it easy to find unskilled staff. However this has become more challenging over the summer period with increased demand for such workers in agriculture, retail and hospitality. This was exacerbated over the 2020/21 summer due to border closures inhibiting the flow of itinerant workers on temporary visas and intensifying competition between regions for unskilled workers.

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 22% of Selwyn businesses increased their investment level over the past six months, which was significantly higher than the net 1% who predicted such an increase. This unexpected increase is likely due to greater certainty, and a more positive recovery outlook than what was initially expected.

This trend is predicted to continue with a net 23% of Selwyn businesses expecting to increase investment over the next six months.

Table 4 – Investment over the past six months and expectations for the next six months

Net balance	Last 6 months predicted	Last 6 months reported	Next 6 months predicted
Investment	1%	22%	23%

Nationally the ANZ preliminary February Business Outlook shows business investment intentions were up 9 points to a net 17.8%, well above where they ranged in 2019 pre-COVID. These improvements to the investment outlook are a result of a stronger than expected recovery since the initial COVID-19 lockdown and sharply lower interest rates.

Business conditions

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 10% of businesses experienced a decline in sales over the past six months, slightly higher than the number of businesses who anticipated this drop. However, there is optimism for the future with a net 28% of businesses expecting sales to increase in the next six months.

Table 5 – Output/sales over the past six months and expectations for the next six months

Net balance	Last 6 months predicted	Last 6 months reported	Next 6 months predicted
Output/sales	-6%	-10%	28%

Selwyn businesses are slightly more confident in their sales outlook than businesses nationally. The preliminary February 2021 result from ANZ's Business Outlook showed a net 22% of businesses nationally expect their trading activity to increase 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 are continuing to rise for businesses. A net 46% of Selwyn businesses reported an increase in operating costs over the past six months, while a 56% net share of businesses expect costs to increase over the next six months.

Table 6 – Operating costs over the past six months and expectations for the next six months

Net balance	Last 6 months predicted	Last 6 months reported	Next 6 months predicted
Operating costs	45%	46%	56%

These increased cost pressures have been echoed in national surveys. A concern is that these will flow through into higher prices. The Reserve Bank will need to take into consideration pricing pressures when it sets the official cash rate. Some economists are even anticipating that the Reserve Bank will begin raising interest rates as early as 2022.

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 19% of Selwyn businesses increased prices over the past six months. Over the next six months, a net 35% of businesses expect to increase their prices.

Because employment conditions have been better than expected, consumers have been able to withstand the price increases and businesses have had more ability to pass on the cost to customers.

These results are similar to the national trend demonstrated in the ANZ preliminary February business outlook with a net 49% of firms looking to increase their prices, up 13% from December.

Table 7 – Pricing over the past six months and expectations for the next six months

Net balance	Last 6 months predicted	Last 6 months reported	Next 6 months predicted
Prices	5%	19%	35%

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.

Table 8 – Profitability over the past six months and expectations for the next six months

Net balance	Last 6 months predicted	Last 6 months reported	Next 6 months predicted
Profitability	-8%	-8%	23%

Over the past six months a net 8% of firms experienced reduced profitability, but over the next 6 months a net 23% expect to increase their profit levels. Despite higher expected costs, businesses are increasingly able to raise prices to recoup cost pressures. Many Selwyn businesses are also reporting higher expected demand. Both of these factors are flowing through to better profitability expectations.

This situation in Selwyn stands in contrast to what is occurring nationally where businesses are continuing to anticipate a squeezing of profits due to increased operating costs.

Operational challenges

Public health measures and economic uncertainty because of COVID-19 have presented Selwyn businesses with a range of challenges. Selwyn businesses were asked to report on these challenges.

The most frequently identified challenge was trying to find new markets/customers, which is likely linked to our closed borders. This is one of the few operational challenges to have increased over the past six months.

The other challenge to have increased in Selwyn over the past six months is accessing supplies needed to operate. This reflects 'the perfect storm' created by the ongoing COVID-19 situation disrupting import volumes and patterns. Combined with industrial action in Australia, soaring consumer demand and Port of Auckland congestion, this is having ripple effects nationwide.

It is positive to hear from businesses that they are finding it easier to service debt, are receiving payments on their invoices, are in a better position to pay their suppliers and can pay rent. All of this suggests a healthier situation, so it is no surprise they are also reporting fewer concerns regarding other operational challenges.

The number of businesses reporting that they are finding it challenging to hold onto their staff has decreased from 53.7% to 33.7%. Although this remains high, it is encouraging to see such a decrease in the number of businesses facing challenges trying to provide employment to their current staff.

Some 5.1% of businesses identified no operational challenges as a result of COVID-19.

Table 9 – Operational challenges that businesses expect to face over next 6 months

Challenge	August 2020	February 2021
Finding new markets and customers	68.3%	70.4%
Ensuring myself and staff have jobs	53.7%	33.7%
Adopting new systems/ practices to remain operational	35.4%	34.7%
Servicing debt	34.2%	23.5%
Accessing supplies needed to operate	29.3%	31.6%
Chasing up overdue accounts receivable	28.1%	21.4%
Paying other suppliers	23.2%	15.3%
Paying rent	14.6%	6.1%
No operational challenges	6.1%	5.1%
Other	6.1%	8.2%

Proportions add to >100% as it was possible to identify multiple operational challenges.

Some of the 'other' challenges mentioned included finding skilled staff, not keeping up with demand and trying to navigate the building consent process.



Additional comments

This survey also gave respondents an opportunity to share qualitative feedback. We asked businesses to share areas that had either been positively or negatively affected over the past six months. We also asked if businesses could see any specific opportunities for new or existing businesses in Selwyn that are arising as a result of the current situation.

Here are some of the aggregated themes from these comments:

- Lack of international tourists has affected the customer base of many local businesses. Many are commenting on the need for a trans-Tasman bubble. This message was echoed not just by the accommodation and food services industry but also by businesses in manufacturing and other services.
 - Another effect of COVID-19 was an increase in the number of businesses, causing an influx of new competitors. Both new and old businesses are reporting they are struggling to get traction with less work available. Others are commenting that work is available, but there is a view that cheapest price wins rather than fair price for a job well done.
 - Business support services are finding that businesses are trying to cut costs by managing necessary business tasks in-house or finding the lowest price possible if outsourcing. Some are cutting spending on traditional advertising methods while spending more on online marketing.
 - With a growing population more people are looking for services, but it is hard to get the message about what is available to everyone. Businesses are sharing that their Regional Business Partners are a great help with sales and marketing.
 - Some businesses are reporting issues with cash flow. They believe that customers are more cautious about spending as they are unsure what the future holds, particularly since Christmas. For example, more customers are wanting quotes, rather than just going ahead with the work – decreasing profitability.
 - Another direct global impact of COVID-19 was supply chain issues with international shipping – decreasing profitability. Some are also concerned about the availability of local resources.
 - Some businesses have commented that they deeply appreciate referrals and support from the local community. Others are reporting positive impacts from government support, such as the regional business partner network.
 - Some businesses are reporting an increase in rent, others are struggling to find space for commercial rent at a reasonable price (outside of Rolleston).
 - Shortage of skilled staff is a major concern for some businesses.
 - Another lockdown is a real concern of many businesses, with comments that a drop in income will be much harder to balance this time around. For many, the next six months depends on COVID-19 both locally and around the globe.
 - Minimum wage increases are having a widespread effect on businesses. Higher paid staff are also getting pay increases so their rate isn't eroded, and prices rise to help cover costs - impacting profitability.
 - Some have suggested co-working spaces as a potential opportunity arising from population growth, greater acceptability of flexible working and changes to permissible home office sizes under the district plan.
 - Some businesses are currently working through the consent process to improve their existing premises.
 - Some businesses are leveraging online tools for sales, mentioned as a great opportunity arising out of our current situation.
 - Some comments that the planned expansion of Rolleston will create new opportunities for some businesses.
 - Businesses have highlighted the role of Selwyn District Council to support local through procurement activities. Businesses have also suggested greater opportunity by encouraging residents to buy local.
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Operational benefits and emerging opportunities

Not everything to do with COVID-19 has been bad for businesses. Many businesses have been forced to improve their practices and systems. Changes to business practice, supply chains, and consumer behaviour because of the pandemic may also create space for new entrepreneurial ideas.

The most frequently identified operational benefit continued to be a wider acceptance of digital or online delivery of meetings, goods and services, with 44.3% of businesses identifying this benefit. Many also commented on a closer relationship with customers, more flexible work arrangements, increased use of local suppliers and more efficient use of staff and resources. All of these mentioned benefits have increased since the August 2020 survey.

This is a fantastic outcome as it suggests that some of the structural changes that we adopted during lockdown have stuck. Digital delivery, remote working and videoconferencing can enable productivity improvements and better work-life balance. This shows Selwyn businesses have embraced change, an important factor for withstanding the aftermath of a crisis.

Some of the 'other' benefits mentioned by businesses included moving out of traditional offices and having access to mentoring/funded training to help with growth.

Some 32% of the businesses surveyed experienced no operational benefits as a result of COVID-19.

Table 10 – Operational benefits that have arisen for business due to COVID-19 or other factors

Benefit	August 2020	February 2021
Wider use of digital/online meetings and delivery of goods/services	42.5%	44.3%
No operational benefits	36.3%	32.0%
A closer relationship with customers	31.3%	35.1%
More flexible work arrangements	18.8%	21.7%
Increased use of local suppliers	15.0%	17.5%
More efficient use of staff and resources	13.8%	16.5%
Other	10.0%	6.2%
Improved supply chains	3.8%	3.1%

Who responded to this survey?

Table 11 – Industry of survey respondents

Industry	Count
Agriculture, Forestry and Fishing	7
Mining	0
Manufacturing	8
Electricity, Gas, Water and Waste Services	5
Construction	13
Wholesale Trade	2
Retail Trade	13
Accommodation and Food Services	12
Transport, Postal and Warehousing	1
Information Media and Telecommunications	2
Financial and Insurance Services	4
Rental, Hiring and Real Estate Services	5
Professional, Scientific and Technical Services	11
Administrative and Support Services	1
Public Administration and Safety	0
Education and Training	6
Health Care and Social Assistance	5
Arts and Recreation Services	6
Other Services	19
Total count	120

Table 12 – Size of survey respondents measured by employee count within business

Number of employees in business	Count
1–5	96
6–9	11
10–19	6
20–49	6
50–99	0
100+	1

Table 12 – Length of time survey respondents' business has been operating

Length of time business has been in operation	Proportion
<6 months	3%
6–11 months	9.2%
1–5 years	32.7%
6–9 years	13.3%
10+ years	41.8%

