



Hutt Valley Chamber of Commerce & Industry Business Confidence Survey Report

Report - December 2021

Overview

The Hutt Valley Chamber of Commerce and Industry (HVCCI) completed our third and final 2021 Business Confidence Survey in December 2021.

The region has continued to be under a cloud of Covid-19 during this period but unaffected by lockdowns. International borders continued to be closed with all visitors expected to undertake a 14-day Managed Isolation Quarantine (MIQ) on arrival into New Zealand.

On the 2nd of December at 11.59pm New Zealand moved into the Covid Protection Framework (Traffic Light System). The Hutt Valley and wider Wellington region entered the framework at Alert Level Orange. Alert Level Orange notes that 'there will be community transmission of COVID-19, with increasing risks to vulnerable communities, and pressure on the health system'.

The Vaccine Pass and Vaccine Pass Verifier have been introduced to coincide with Alert Level Orange and people can continue to do everyday activities. Most businesses can open with no restrictions on numbers if businesses choose to follow My Vaccine Pass requirements, and only allow fully vaccinated people to enter. If they choose not to follow My Vaccine Pass requirements, there will be limits on the number of people who can be in a venue at one time.

The executive summary and details of the survey responses are shown below.



Executive Summary

Key Findings from the December 2021 Business Confidence Survey

Business Confidence Outlook Indicates Change Over the Next 6-12 months

Businesses responding to the survey have indicated a change in confidence outlook for New Zealand, the Wellington region and their business compared to the previous survey. This is particularly for the 6 month and 12 month outlook where business are indicating:

- Significant increase in the businesses expecting the **New Zealand** situation to be moderately worse in 6 months (+21.95%)
- Significant decline in the businesses expecting the **Wellington region** to be moderately better in 12 months (-15.67%)
- Significant increase in businesses expecting **their business** situation to be moderately worse in 6 months (+12.31%) and 12 months (+10.65%)

Covid-19 and labour shortages remain the two biggest impediments affecting confidence. Businesses have also indicated for the first time that the current international trade environment and supply of raw products are starting to affect their businesses. The impact of uncertainty around the impact of current government policies has remained high for the business community across the Hutt Valley.

Executive Summary

Covid-19 and labour shortages remain the two biggest impediments affecting confidence. Businesses have also indicated for the first time that the current international trade environment and supply of raw products are starting to affect their businesses. The impact of uncertainty around the impact of current government policies has remained high for the business community across the Hutt Valley.

Labour Issues and Finding Staff Remain Significant Problems for Businesses

Labour shortages continue to be identified as a significant issue for businesses. Over the next 3-12 months businesses are anticipating increasing labour turnover by around 22-27% more than the previous survey. Increasing costs and supply chain issues are also seen as significant risk factors by many businesses.

Finding staff remains very difficult with no businesses expecting that it will be easier to get any type of skilled or specialist employees. Businesses are anticipating it will get harder to find both specialist, skilled and unskilled employees.

One the positive side businesses are expecting increasing number of employees over the next 6 – 12 months and increasing online sales.

Covid 19 – Impacts and Challenges

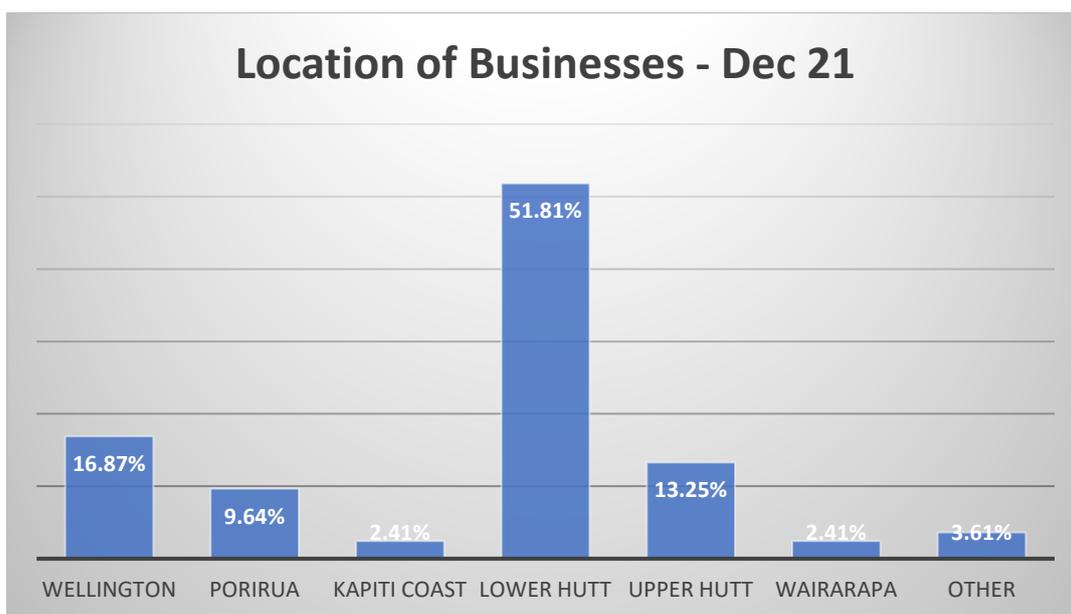
Covid-19 continues to be a driver of lower confidence with the confidence declining. A lower number of businesses feel things will get better compared to the previous survey.

Supply Chain Issues are Starting to Have an Impact

Businesses that are importing and exporting have also experienced supply chain issues with rising costs, product and material shortages and significant delays. Over 50% of businesses are highly or very concerned about how the international supply chains affecting their business.

Detailed Survey Responses

The respondents to this survey were located predominantly located in Lower Hutt, Upper Hutt, and Wellington with 82% of them in these areas. This is consistent with earlier surveys in 2021.



The majority of (95%) the respondents were Business Owners/Directors. This survey had a more even spread of business size including 27% from businesses with over 51 staff.

This survey provided an even spread of industries in line with previous surveys. Businesses from two new categories, Public Administration and Safety, and Transport, Postal and Warehousing also responded. The main industry continued to be manufacturing, consistent with one of the Hutt Valley's main business areas. The main responses were from:

- Manufacturing
- Construction
- Information, Media, and Telecommunications
- Education and Training

These was a positive increase in businesses responding from Construction, Information, Media and Telecommunications, Manufacturing and Wholesale Trade, compared with less respondents from the Professional, Scientific and Technical Services businesses.

Industries - Dec 21



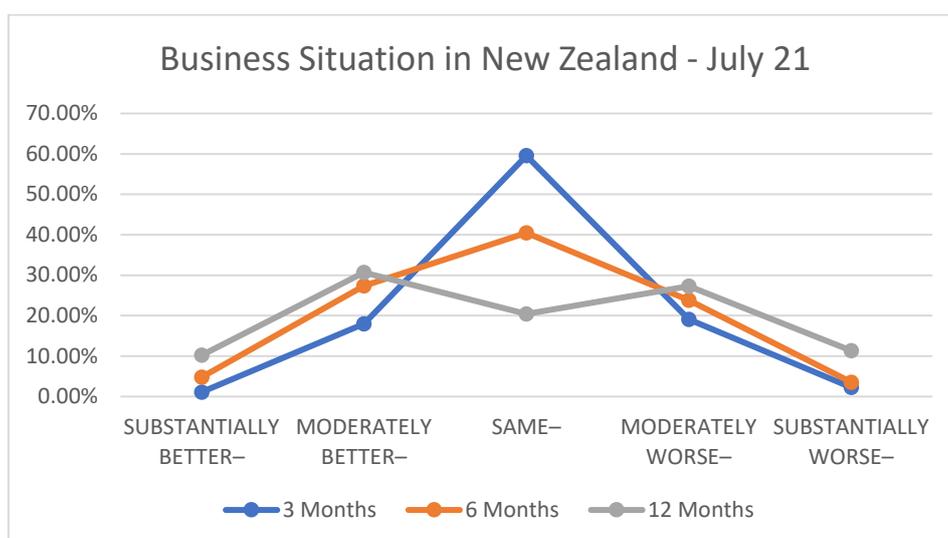
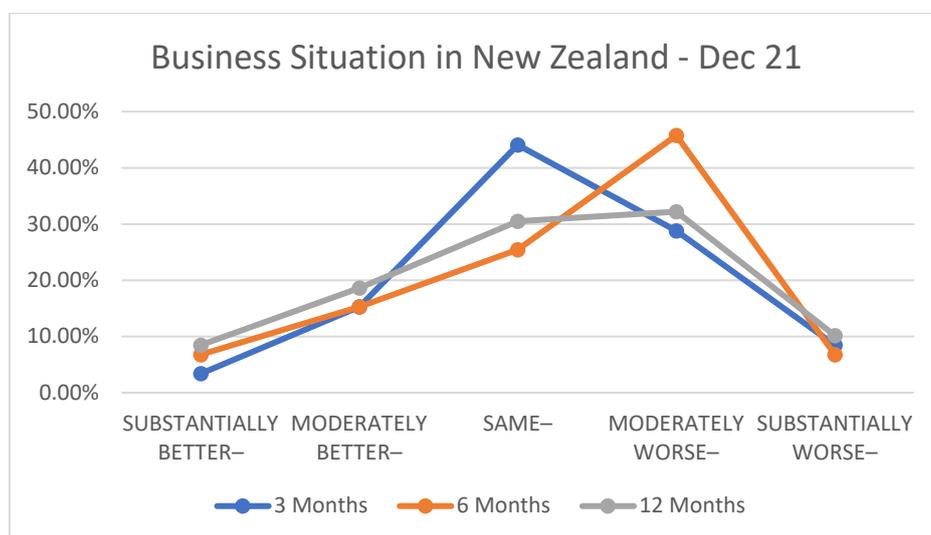
Business Outlook – New Zealand, Wellington Region and their Business

In general we have seen a very different picture in the December 2021 survey compared to the last survey posted 5 months ago. To highlight this we have shown both the current data and previous data as a comparison.

New Zealand

Businesses responding to the survey have indicated a very changed picture for the outlook for New Zealand compared to the previous survey. As shown below this is particularly for the 6 month and 12 month outlook where business are indicating:

- Significant decline in businesses expecting the New Zealand situation to be moderately better in 6 months (-12.13%) and 12 months (-12.04%)
- Significant decline in businesses expecting the New Zealand situation to be the same in 3 months (-15.48%), 6 months (-15.06%) and 12 months (-10.06%)
- Significant increase in the businesses expecting the New Zealand situation to be moderately worse in 3 months (+9.71%) and 6 months (+21.95%)



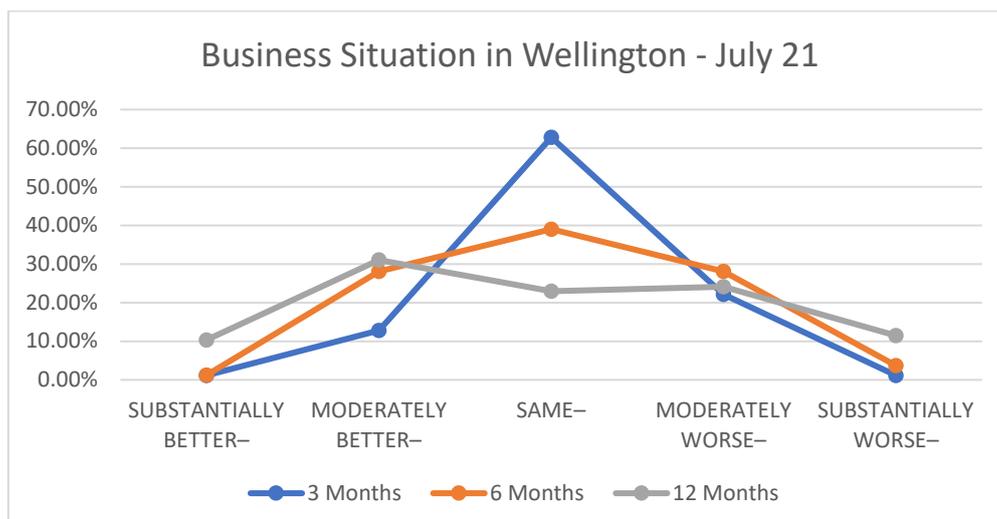
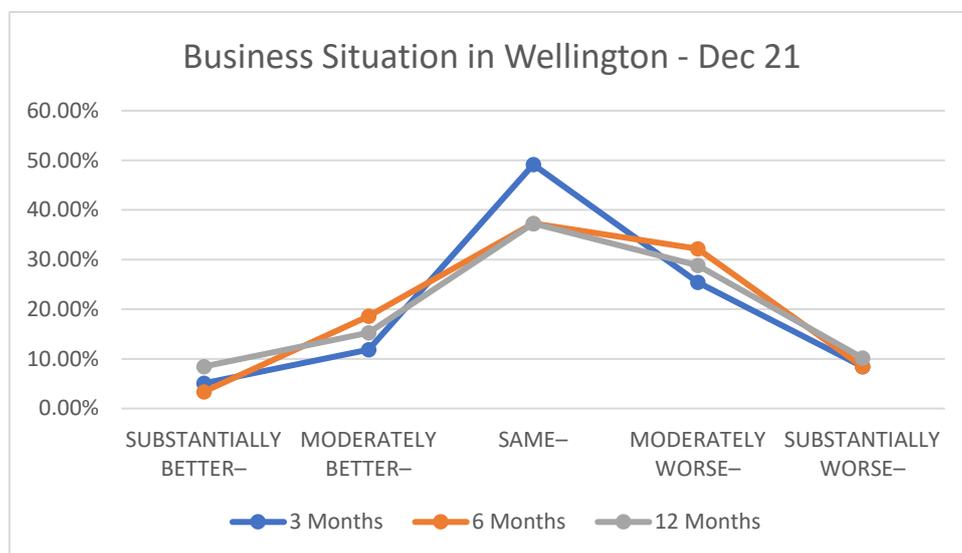
One possible explanation is likely to be a direct result of the Auckland lockdown and the possible flow-on effect to their business.

Wellington Region

The outlook for the Wellington region including the Hutt Valley has changed but not as dramatically as it has for New Zealand.

Businesses responding to the survey have indicated a change for the outlook for the Wellington region compared to the previous survey. Most concern focused towards the next 3 months and the 12 month outlook where business are indicating:

- Significant decline in businesses expecting the Wellington region situation to be the same in 3 months (-15.48%)
- Significant decline in the businesses expecting the Wellington region to be moderately better in 12 months (-15.67%)
- Significant increase in the businesses expecting the Wellington region to be the same in 12 months (+14.30%)

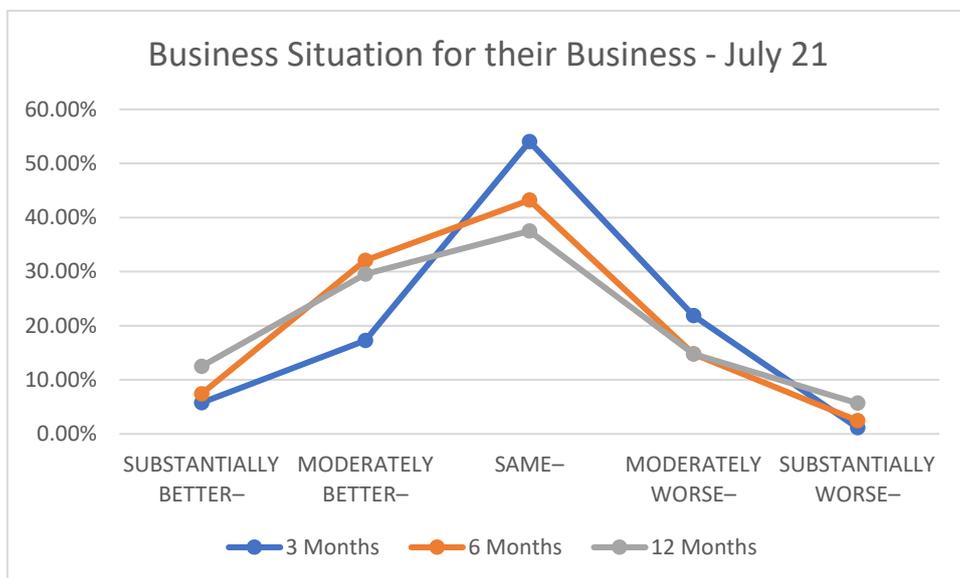
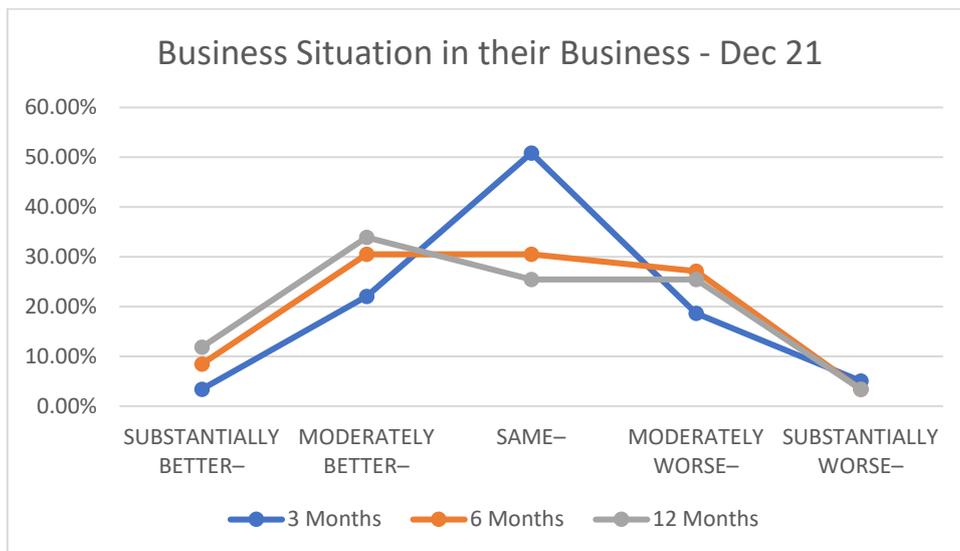


Their Own Business

There has been a slight flattening of business confidence for their own businesses over the next 3 months compared to the previous period.

The major changes businesses are anticipating over the coming 6 month and 12-month period are indicated as :

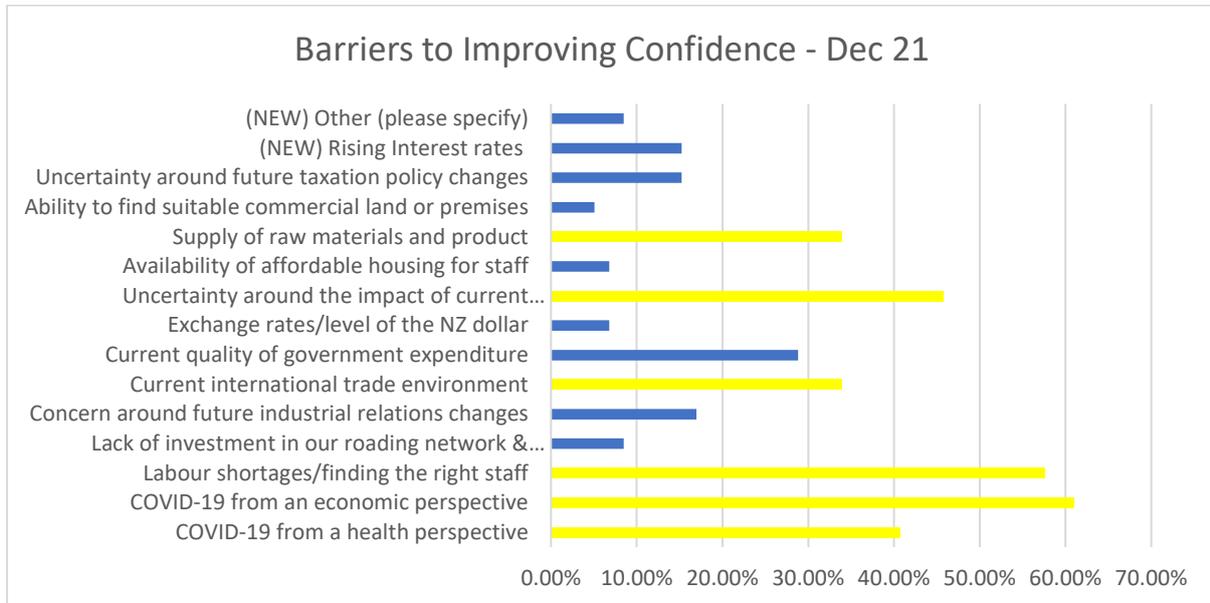
- Significant decline in businesses expecting their business situation to be the same in 6 months (-12.70%) and 12 months (-12.08%)
- Significant increase in businesses expecting their business situation to be moderately worse in 6 months (+12.31%) and 12 months (+10.65%)



Barriers to Improving Confidence

Covid-19 and labour shortages remain the two biggest impediments to improving confidence. Businesses have also indicated for the first time that the current international trade environment and supply of raw products are starting to affect their businesses significantly.

It should also be noted that the uncertainty around the impact of current Government policies has remained high for the business community across the Hutt Valley.



Business have also identified a range of other issues which they have suggested are a problem for their businesses. These re:

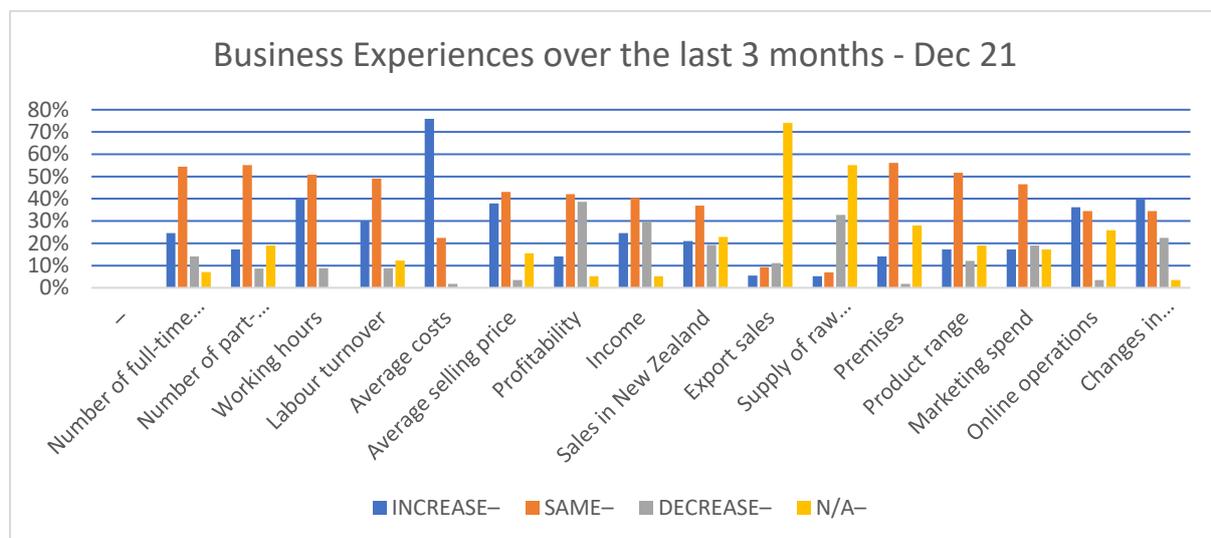
- Capital in the business
- Border access, incoming skills, and crew to NZ
- General uncertainty and lack of confidence in the quality and lack of urgency of Government decision making
- MIQ and the perceived lack a system

Business Experiences Over the Last 3 Months and for the Next 3, 6 and 12 Months

Last 3 months

As with business confidence the experience of business over the last period is also showing significant change in some areas. These include:

- Significant increase to the number of part time employees (+11.62%)
- Significant increase to labour turnover (+10.93%)
- Significant increase to their business average costs (+15.42%).
- A positive and significant increase in their product range (+11.68%)
- A positive and significant increase to business online operations (+11.77%)

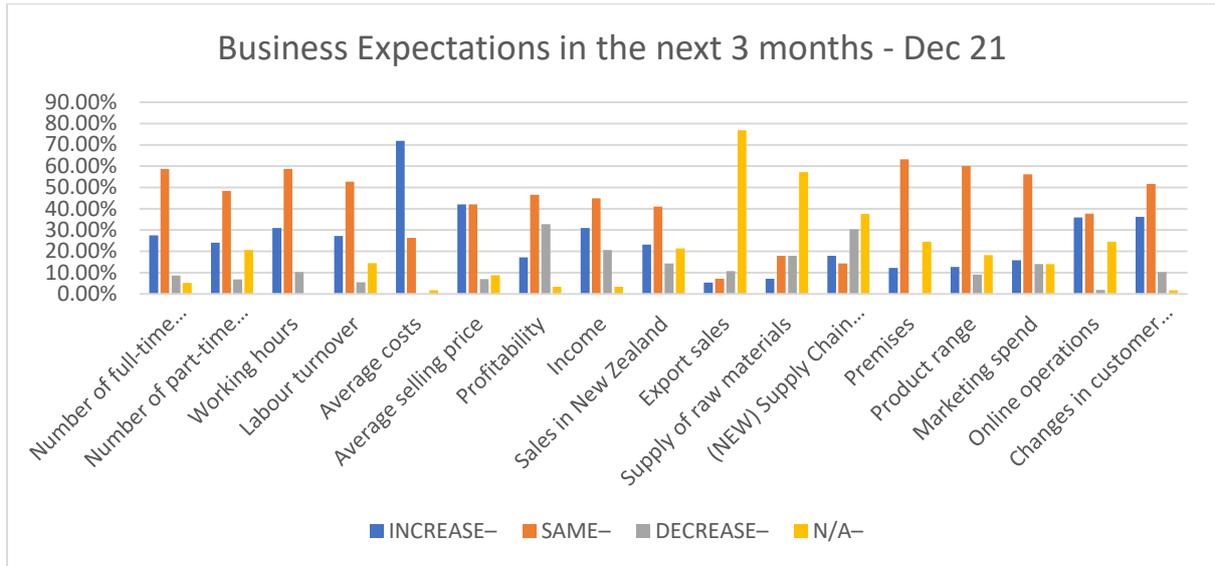


Next 3 months

The outlook also sees some areas of change and concern from the previous survey for the short term (3 month) outlook. Over the next 3 months businesses are predicting issues compared to the last survey as:

- Increasing labour turnover (+21.17%)
- Increasing average costs (+15.26%)
- Lower marketing spend (-11.18%)
- Positive online sales increase (+16.75%)
- Lower sales in NZ (-11.15%)

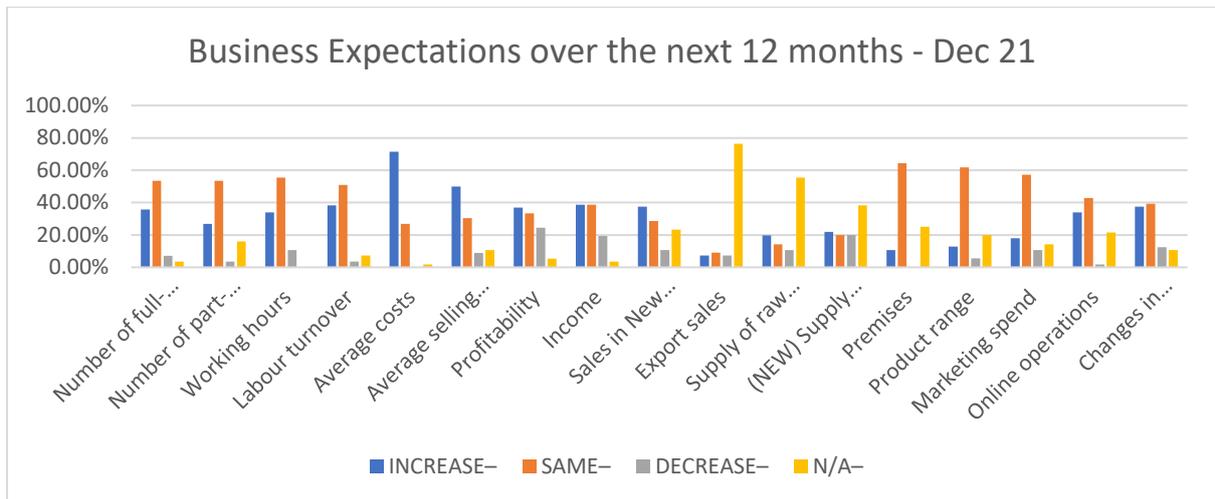
We have also begun measuring the potential challenges with Supply Chain and Shipping. Whilst the situation is mixed and challenging, more businesses are expecting an issue in this area over the next 3 months.



Next 6 months

The outlook for 6 months also sees some areas of change and concern from the previous survey, but also some areas of positivity. Over the next 6 months businesses are predicting issues compared to the last survey as:

- Increasing number of full-time employees (+17.02%)
- Increasing working hours (+10.78%)
- Increasing labour turnover (+22.26%)
- Increasing average costs (+22.06%)
- Increasing online operations (+15.11%)

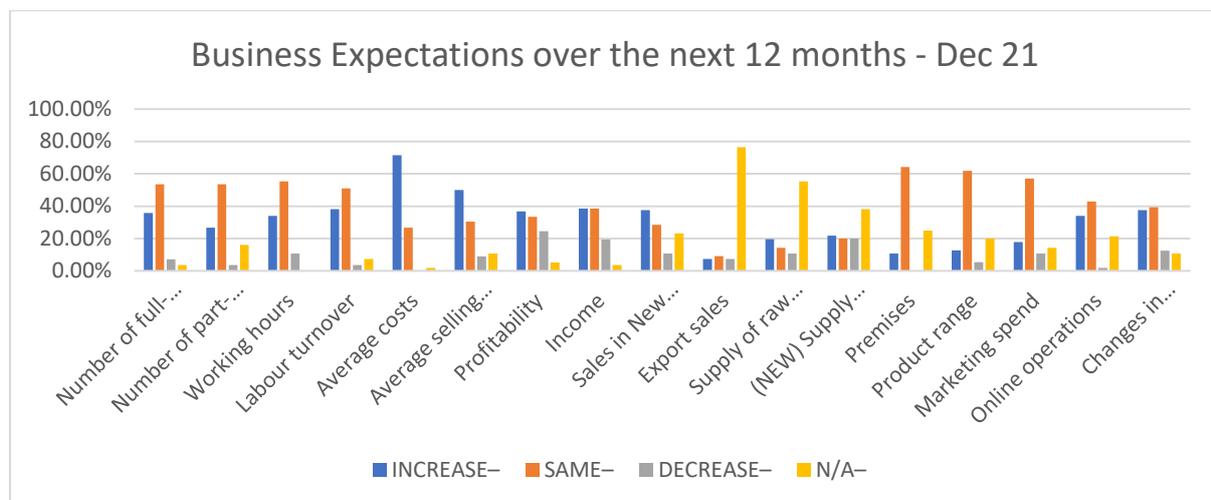


We have also begun measuring the potential challenges with Supply Chain and Shipping. Whilst the situation is mixed more businesses expecting a decrease in this area over 6 months.

Next 12 months

The outlook for 12 months also sees some areas of change and concern from the previous survey, but also some areas of positivity. Over the next 12 months businesses are predicting issues compared to the last survey as:

- Increasing number of full-time employees (+14.53%)
- Increasing number of part-time employees (+11.50%)
- But an increase in labour turnover (+27.47%)
- Increasing average costs (+16.14%)
- Increasing profitability (11.31%)
- Increasing online operations (+15.11%)
- Decrease in their same volume of raw materials (-15.83%)



We have also begun measuring the potential challenges with Supply Chain and Shipping. As many businesses expect the outlook to increase, be the same or decrease. This is likely to be a result of the current volatility and unpredictability of the international supply chain and shipping situation.

Finding Staff for the Last 12 Months

Labour shortages continue to be identified as a significant issue for businesses:

- No businesses expect that it will be easier to get any type of skilled or specialist employee's
- Most businesses (66%) expect it to be harder to get skilled or specialist employees. This is an increase of 6.44% from the last survey
- Over 50% of businesses also consider it will be harder to get low skilled employees. This is an increase of 10.71% from the last survey
- Over 40% of businesses also consider it will be harder to get unskilled employees. This is an increase of 11.46% from the last survey



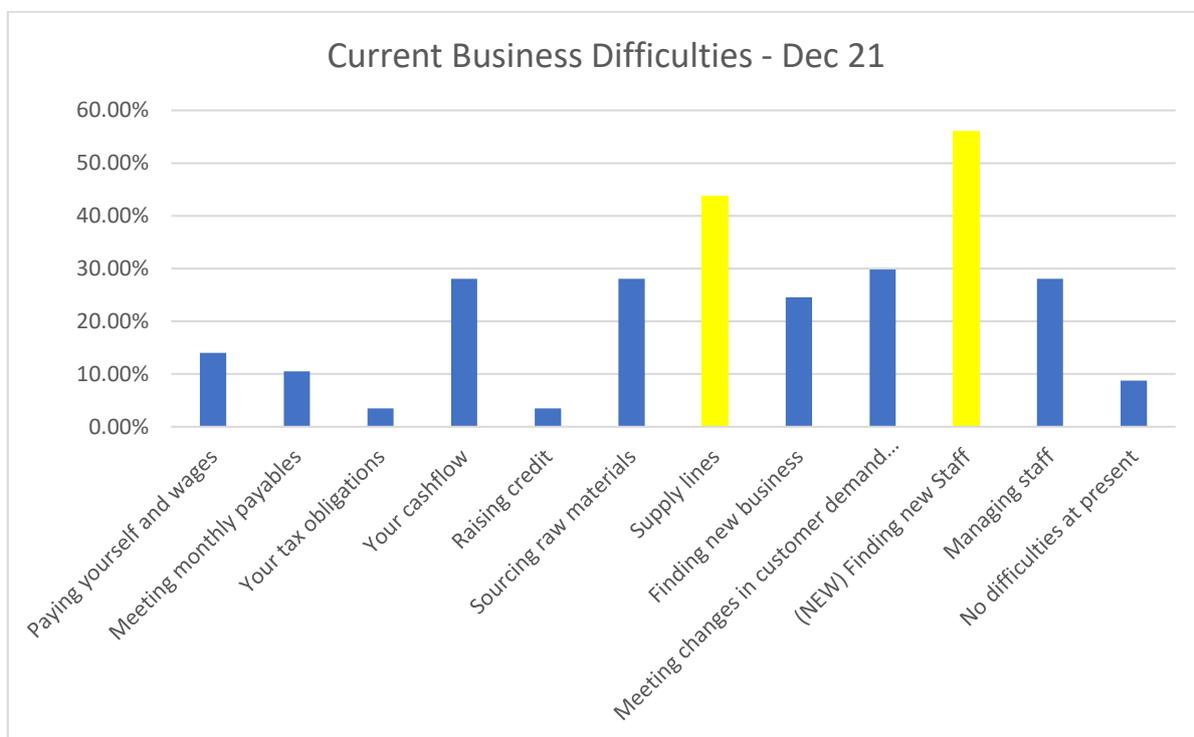
Current Difficulties / Challenges for Businesses

Businesses are experiencing a range of different challenges as would be expected in the current environment. The main challenge is 'finding new staff' which is a new category for this survey. Over 50% of businesses find this a challenge.

The major change from the last survey is 'Supply Lines' with an increase of 13.63% of businesses indicating this is a significant challenge

Other challenges include:

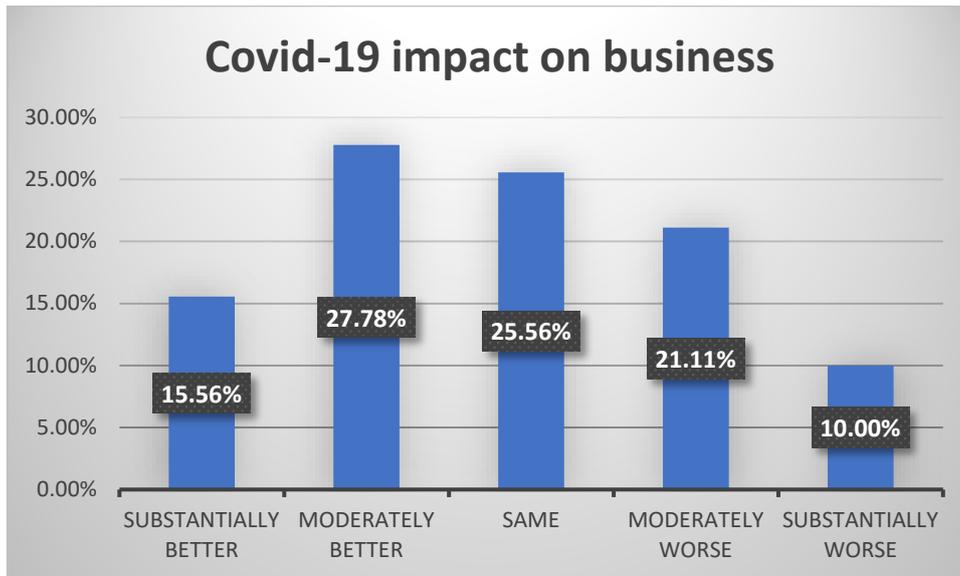
- Meeting changing customer demand
- Managing staff
- Cashflow



Covid-19 – Impacts and Challenges

Covid-19 continues to be a significant conversation with businesses across the region as would be expected. The change to the Covid Protection Framework (Traffic Light System) has been a significant challenge as some of the information has not been as clear as it could have been.

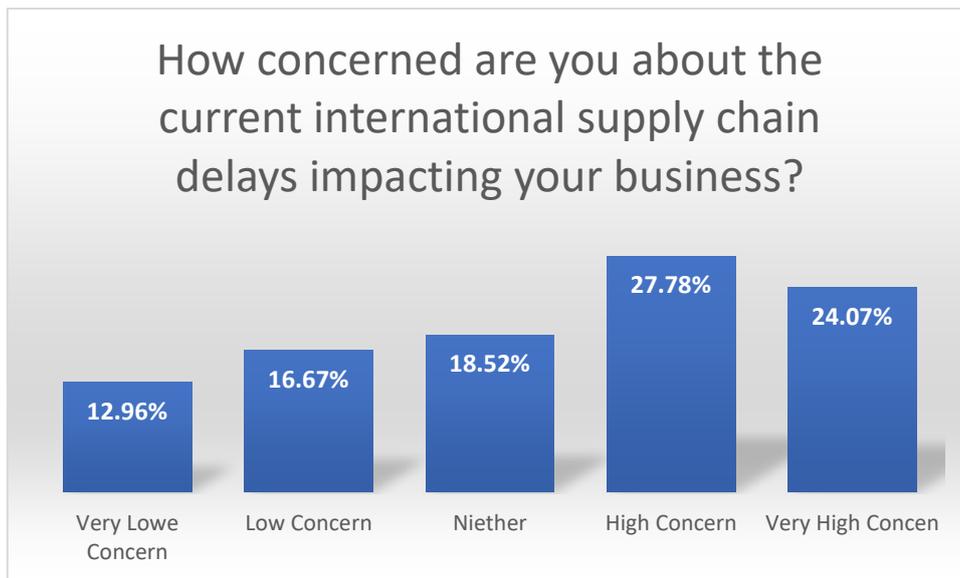
In terms of the impact of Covid-19 there has been a significant change (-15.50%) of businesses that feel things will be moderately better and an increase in business (+11.28%) of businesses that feel the situation has and will remain the same.



International Supply Chain Concerns

Businesses across the Hutt Valley involved in importing and exporting come from a range of industries.

Over 50% of them are highly or very concerned about how the international supply chains are affecting their business.



Comments from Survey Respondents

Survey respondents had a range of comments in addition to their survey responses. We have categorised these as follows:

Government

- Lobby for changes in the tax system that have been problematic since the advent of GST and are having an ever-increasing but unrecognised effect on all businesses.
- Keep abreast of employment and immigration legislation changes and educate employers
- Keep lobbying Government for sensible business support.
- Help advocate with Government to plan towards opening border for key skilled workforce, crew and production teams to enter NZ safely.
- Get the Government to face reality and deal with the Covid problem in a way that enables business to operate effectively within sensible rules. Cut out the controlling we know best communication style.
- Work for solution that help keep businesses open and trading but also supporting the government to provide valid solutions to dealing with staff, contracts and obligations when facing Covid-19.
- Lobby the govt to open-up the borders and disband MIQ.
- Our business is involved in construction, and we have had the best 18 months trading in our 30-year history. We would like to see some clarification around procurement policies from government and if they intend to reward those businesses who are investing in apprenticeships. Although we are well aware of how lucky we are - construction is going, for want of a better description - gang busters.
- Bring the focus back to the economic/infrastructure/social fundamentals and the Government's performance on those (which I'd rate as poor). COVID is providing too much of a smoke screen of those issues.
- Keep advocating for more business autonomy from Government.
- Get rid of the current Government, it is very very anti-business.
- Lobby Government to bring back in house training schemes with an incentive, either money or a tax break so we can start training people to have skills. Clearly the present system is not working with a chronic shortage of anyone with any skills.
- Change the Government.

Covid-19

- Greatly clarity around covid legislation from Government.

Business Impacts & Opportunities

- Contribute to the message to the public (therefore customers) that meeting their demands is difficult in this current economic environment and to be patient.
- Re-invigorate "Technology Valley" and manufacturing networking and collaboration.
- Build general business confidence in the valley.
- Unite businesses and their people to counter the divide being created by central Government.
- Business Mentoring, Promote more cash flow support.
- Providing links to similar minded members for business development opportunities.
- Keep creating the platforms to connect businesses.

- Improve networking opportunities.
- Put us in contact with new customers.

General

- Allow roadside signage to capture the potential clients who don't know what business exist in this city. Digital advertising has its limits, and many people are weary of papers since lockdown.
- Nothing at this stage – HVCC comms are great, and we know there is support there, if required.
- Provide a pool of outstanding intermediate/senior accountants for the Hutt Valley!
- Remain positive and encouraging.
- Build connections with upper valley businesses.
- Help getting skilled staff into the country.
- Supporting role if needed.