



## Red Hot Business Coaching & Consulting

### Business Confidence Survey Report – June 2022

#### Overview

The Hutt Valley Chamber of Commerce and Industry (HVCCI) completed this Business Confidence Survey in June 2022. **The survey is completed with the support of Bronze Partner, Red Hot Business Coaching & Consultancy.**

There are some major shifts in this survey on how the Hutt Valley business community is feeling about their business confidence. There are changes in both the 3-month and 6-month confidence with movement away from feeling moderately or substantially better to moderately and substantially worse. This is particularly true for the 6-month view where there has been a swing from moderately or substantially better to moderately and substantially worse.

Whilst the clouds of COVID-19 seem to be changing somewhat and even dissipating, they are being replaced by the darker clouds of cost impacts for a business. These darker clouds of rising inflation, rising interest rates, cost of goods and services to run a business, and supply chain challenges/costs are all increasing their importance and are supporting the change in business confidence.

The executive summary and full results of the survey are detailed below.

## Executive Summary - Key Findings - June 2022 Business Confidence Survey

### Significant Decline in Business Confidence for Next 3-month & 6-Month Periods.

Businesses responding to the survey have indicated a significant movement in business confidence compared to March 2022. There have been major changes in both the 3-month and 6-month confidence with movement away from feeling moderately or substantially better, to moderately and substantially worse:

- There has been a shift overall of 19.5% in how businesses are feeling in the 3-month period with the swing from moderately better to moderately worse
- There has been a shift of around 30% in how businesses are feeling in the 6-month period with a major shift from substantially and moderately better -14.1% to moderately and significantly worse +15.4%
- 52% of the businesses feel things will be the same in the next 3-months and 35.6% feel things will be the same in 6-months. This is relatively similar to March 2022.

### Rising Inflation Now the Number One Concern for Our Businesses

Rising inflation is now the number one concern for the business community in the Hutt Valley with over 55% of businesses seeing this as an issue that is affecting their business confidence. Rising inflation has quickly become a significant challenge from a cost and impact perspective. This factor affecting businesses has risen by +14.5% over the last 3-months. Rising interest rates and the cost of goods and services to run a business ensure that these costs are a key focus for the business community.

### Labour Issues and Finding Staff Remain Significant Problems for Businesses

Labour shortages continue to be identified as a significant issue for businesses. Close to 60% say that finding staff is their biggest barrier to their business confidence. Close to 60% say that they expect it to be harder to find skilled employees and over 40% say it will be harder to find low-skilled employees. Finding talent is expected to continue to impede business success in the Hutt Valley.

### COVID-19 – Impacts and Challenges

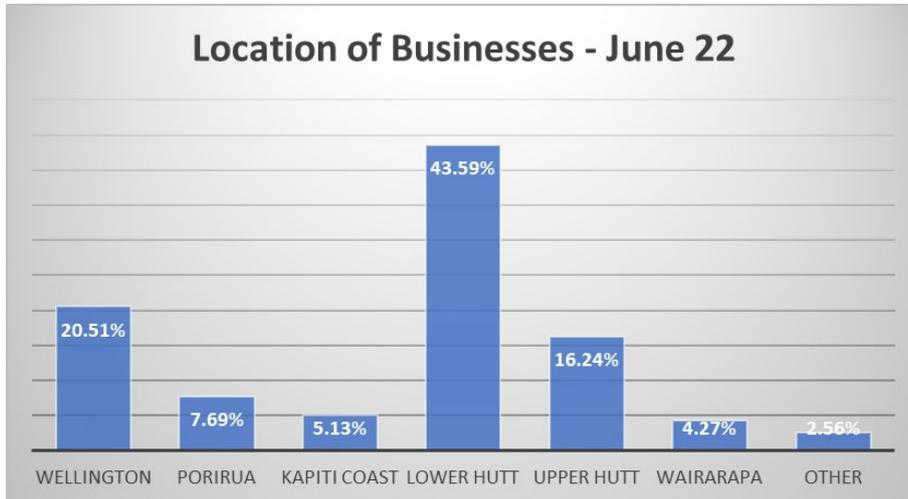
The impact of the challenge of COVID-19 has started to decline. It does continue to be a challenge with around 41% of businesses feeling things will be moderate to substantially worse but this has declined from previous surveys and significantly more businesses now feel that things will be the same in the coming months. This shift is an improvement from previous surveys; however, COVID-19 continues to be a factor for businesses.

### Supply Chain Issues are Continuing to have an Impact

Businesses that are importing and exporting have continued to experience supply chain issues with rising costs, product and material shortages, and significant shipping / freighting delays. There is growing concern among businesses over the delays in international supply chains, with over 46% saying this issue is a major challenge for their business. Over 60% of businesses are indicating they have high concerns that the current international supply chains are affecting their business.

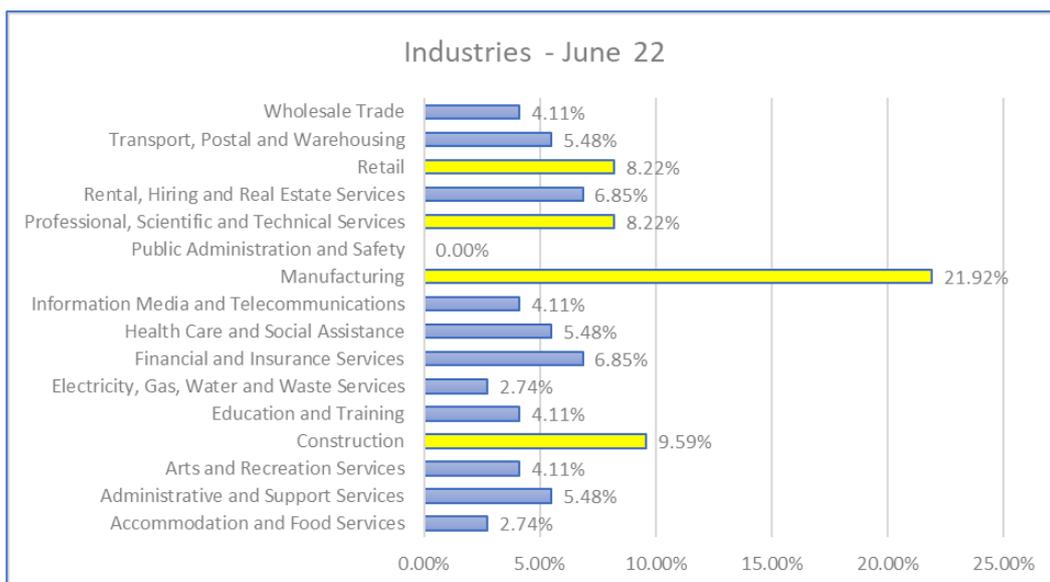
## Detailed Survey Responses

The respondents to this survey were predominantly located in Lower Hutt, Upper Hutt, and Wellington with 80% of them in these areas. This spread of response is consistent with surveys from both 2021 and early 2022.



The majority of the 91.1% respondents were Business Owners/Directors, CEO's/Managing Directors, or General Managers. This survey had a higher proportion of businesses 40% being sole traders or having between 2-5 staff, and an even spread across other business sizes.

This survey provided an even spread of industries in line with previous surveys. The main respondents for this survey, at 21.92%, were from the 'Manufacturing' industry. This reflects the work that the Chamber of Commerce has been doing in this area over the past few months. In addition to Manufacturing, the main responses were from Retail, Construction and Professional, Scientific and Technical Services.



## Business Outlook - Their Business

There has been a significant movement in business confidence compared to March 2022. There have been major changes in both the 3-month and 6-month business confidence with movement away from feeling moderately or substantially better to moderately and substantially worse. This is particularly true for the 6-month outlook where there has been a swing of -14.1% from moderately or substantially better, and a +15.5% increase to moderately and substantially worse.

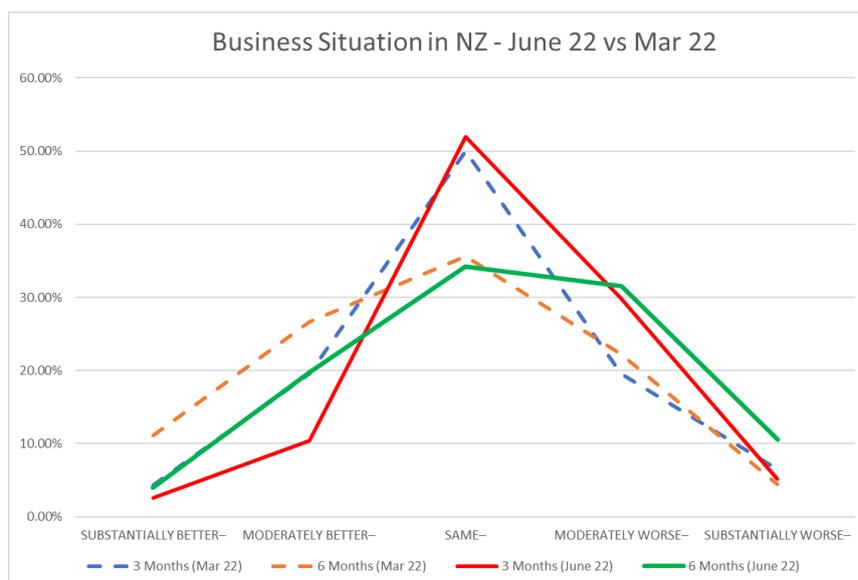
The major indicators businesses are anticipating over the coming 3-month and 6-month period include:

### 3-month outlook

- 51.95% of the business feel things will be the same in the next 3-months. This is a small increase of 2% from March 2022
- 30% of businesses consider things will be moderately worse in the next 3-months. This is a significant increase of 10.3% from the previous survey in March 2022
- Only 10.4% of businesses consider things will be moderately better in the next 3-months. This is a significant decrease of 9.2% compared to March 2022.

### 6-month outlook

- Only 34.2% of businesses feel that things will remain the same over the next 6-months. This is about the same as the previous survey but significantly less at -17.7% than the 3-month outlook
- Only 23.7% of businesses consider things will be moderately better or substantially better in the next 6-months. This is a significant decrease of -14.1% compared to March 2022
- Now 42.11% of businesses consider things will be moderately or substantially worse in the next 6-months. This is a significant increase of 15.5% compared to March 2022.



## Barriers to Improving Confidence

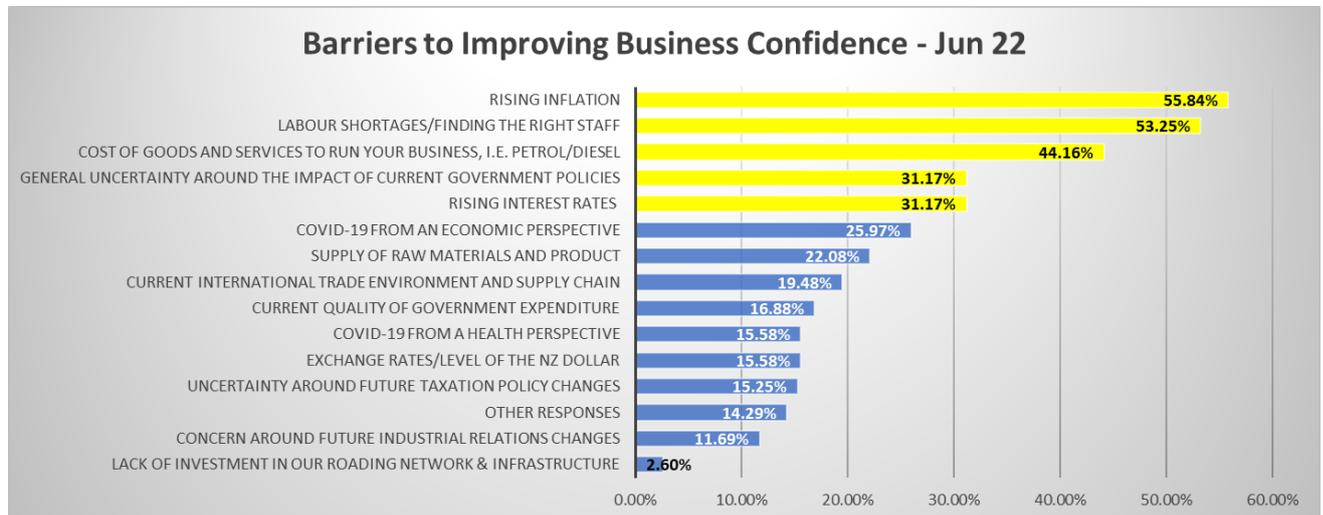
Rising inflation and labour shortages are the two biggest impediments to business confidence. Rising inflation, a new category in the March 2022 survey (and an indication on how quickly this issue has risen for businesses), is now the number one issue affecting business confidence across the Hutt Valley. This factor has increased by over 14.5% to close to 56% of businesses saying this is a major issue affecting their confidence.

Additionally, labour shortages continue to be a dominant factor affecting business confidence. This too has increased, by 3.25%. Whilst this is a lower increase the starting point for this factor has been high for a number of surveys and continues to be affecting business confidence.

The impact of COVID-19 is starting to reduce, or maybe just replaced by other factors such as interest rates and inflation. There has been a significant fall in how businesses feel about how 'COVID-19 from an economic perspective' (-19.68% to -25.97%) and how 'COVID-19 from a health perspective' (-6.16% to -15.58%).

Other factors affecting business confidence are 'Rising interest rates' which has seen an increase of 11.60% to over 31% affecting businesses, and 'Exchange rates/level of the NZ dollar' which has seen an increase of 9.06%.

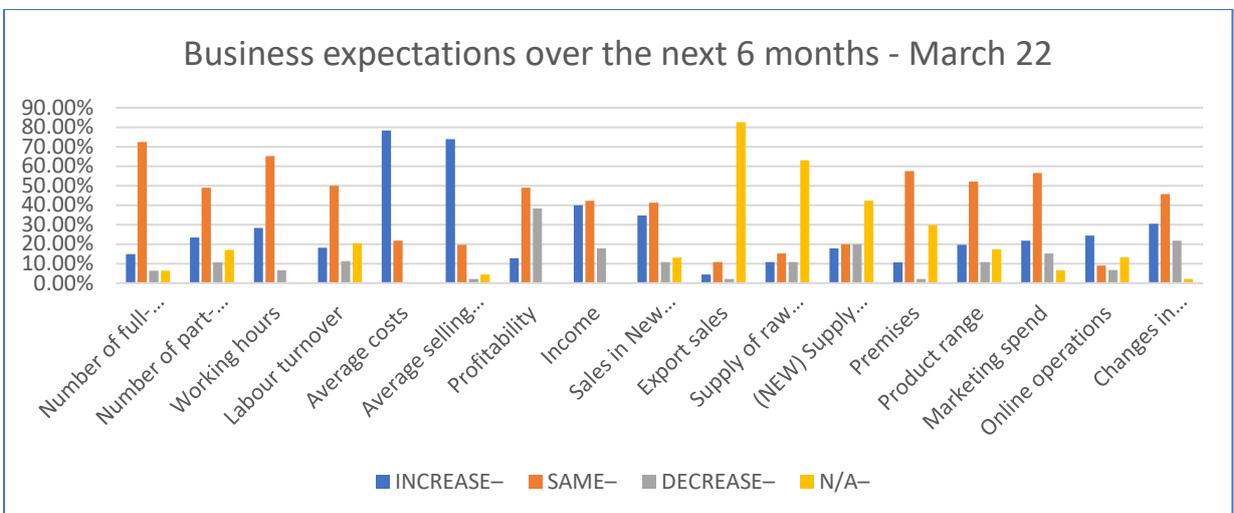
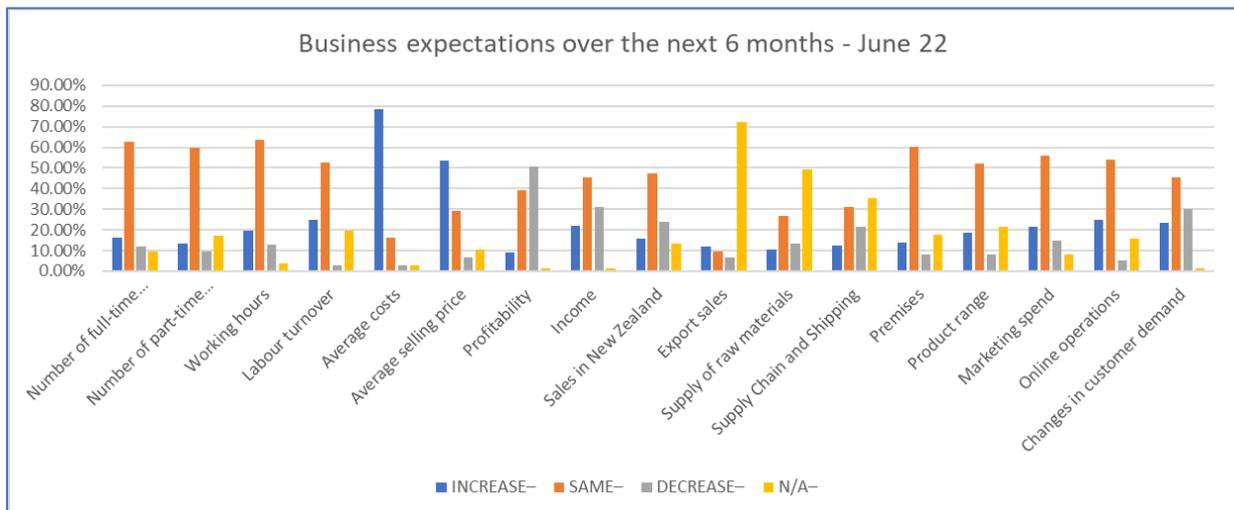
Businesses are feeling more confident about 'Current international trade environment and supply chain' issues with a drop of close to 11% to just over 31%. Whilst this is still relatively high this reduction is a positive sign.



## Business Experiences for the Next 6-Months

The outlook for 6-months is a story of increasing average costs, increasing average selling price, and a continued flattening in businesses expecting to take on more staff. Overwhelmingly the biggest factors businesses see themselves facing are around their costs. Over the next 6-months businesses are predicting:

- 78.67% are expecting average costs to increase (+0.41%)
- 53.33% are expecting average selling price to increase (although this is down from March by 20.55%)
- 50.65% are expecting their profitability to decrease (+12.35%)
- 53.95% are expecting their online operations to be stagnant (+44.95%)
- 31.17% are expecting their income to be decreasing (+13.39%), and only 22.08% expect their income to increase (-17.92%)
- 23.68% are expecting their sales in NZ to be decreasing (+12.81%) and only 15.79% are expecting their sales to be increasing (-18.99%)
- 31% expect supply chain and shipping to remain the same (+11.08%).



## Finding Staff

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

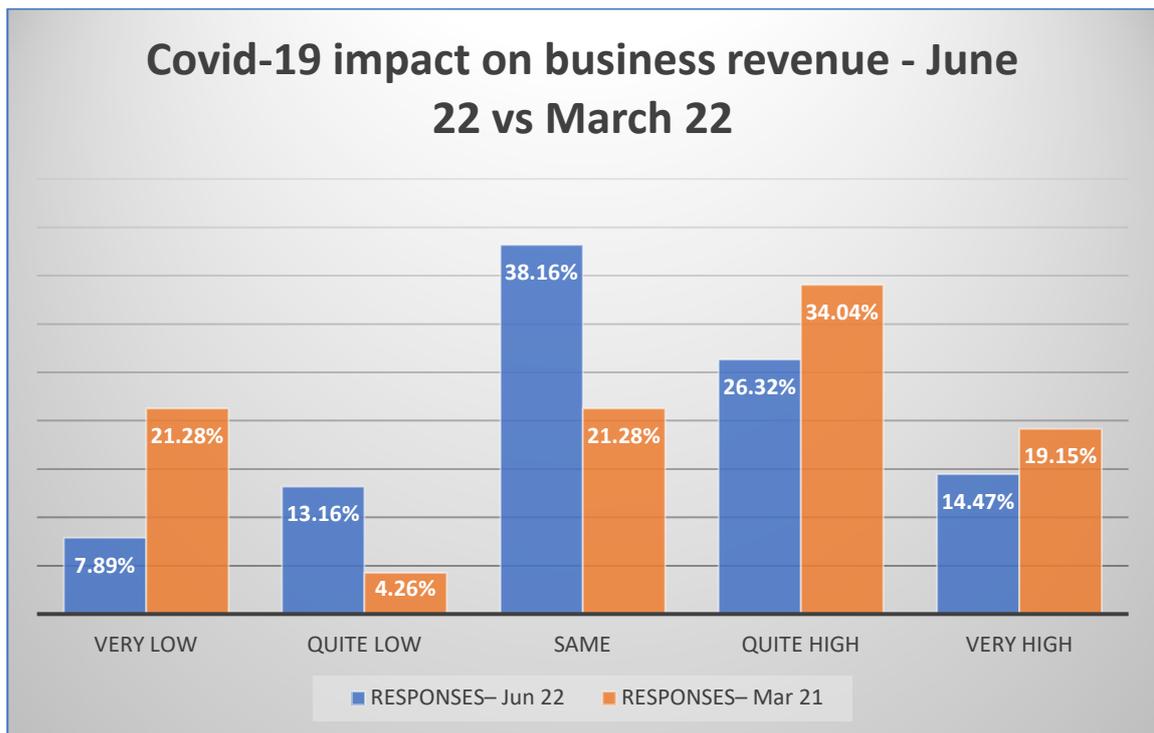
- 0% of businesses expect that it will be easier to get any type of employee
- Most businesses (57%) expect it to be harder to get skilled or specialist employees. This is a small decrease from March 2022 of 1.56%
- More businesses expect it will also get hard to find Low Skilled and Unskilled employees
- There has been a movement in how organisations feel about the ability to find Low Skilled and Unskilled employees. These results show an increase of people who think it will be the same for Low Skilled Employees (+12.16%) and Unskilled Employees (+10.64%).



## Covid-19 – Impacts on My Business

The impact of COVID-19 is starting to decline. Whilst COVID-19 continues to be a challenge, with close to 41% feeling the impact will be moderately worse or substantially worse, the biggest change has been the number of businesses feeling like things will be the same. There are now 38.16% of businesses feeling like things will be the same which is an increase of 16.88% from March 2022.

We continue to see some softening of businesses who are feeling like the impact will be Quite High or Very High with an overall reduction of 12.4%.



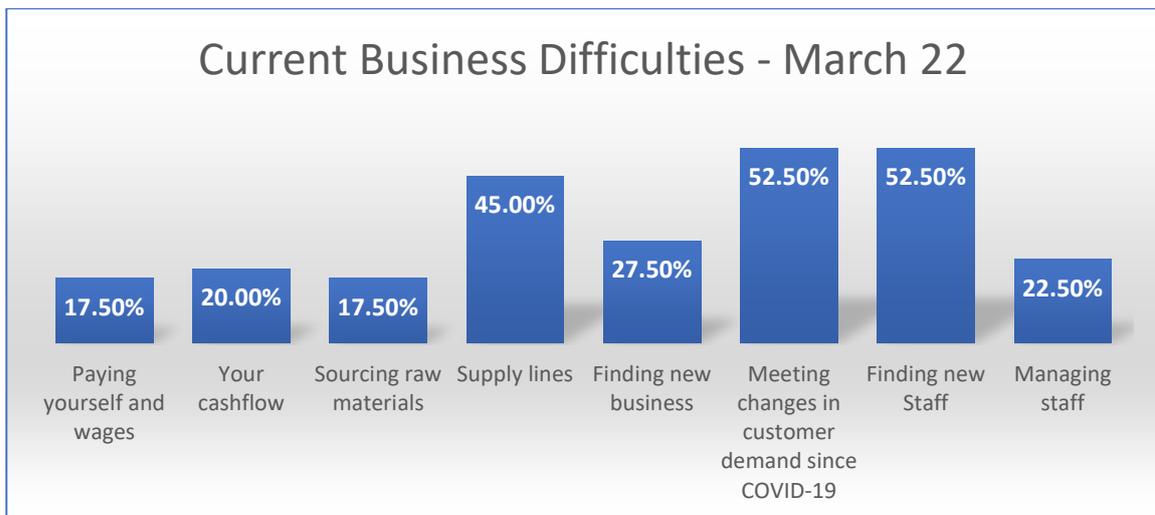
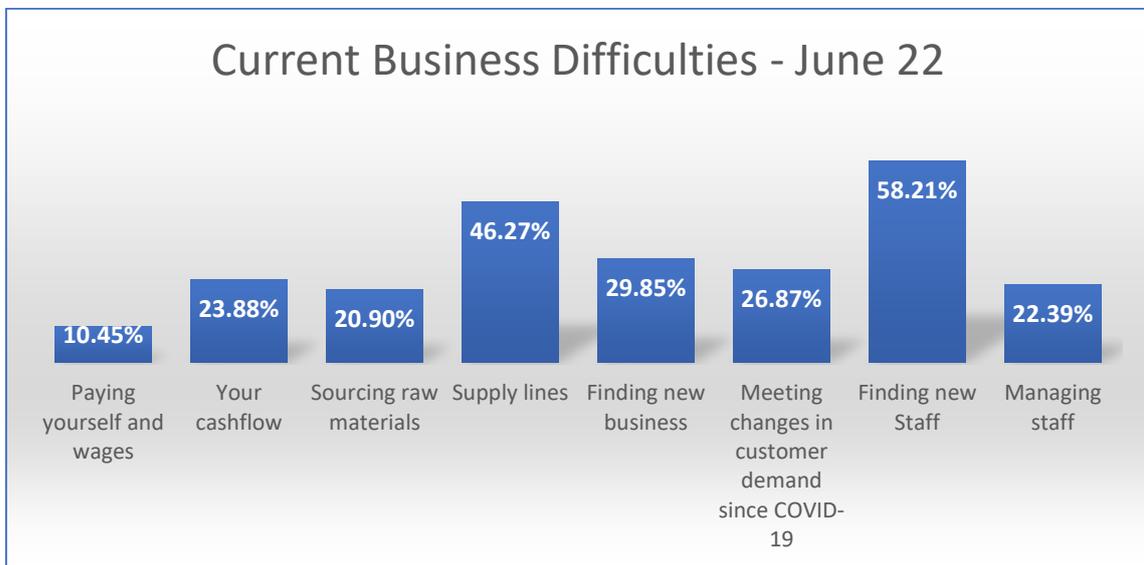
## Current Difficulties / Challenges for Businesses

Businesses continue to experience a range of different challenges as would be expected in the current environment. The main challenges are ‘supply lines’ and ‘finding new staff’.

The biggest change in how business are feeling centers on ‘Meeting changes in customer demand since COVID-19’ which has declined by over 25% since the March 2022 survey. This is consistent with the previous measure on COVID-19.

Whilst ‘finding new staff’ has remained relatively static there has been an increase of 5.71% since March 2022. This issue continues to dominate the challenges for businesses, in addition to the previously noted issue of rising inflation and interest rates.

Supply Lines are continuing to be an issue for business with 46.27% experiencing this issue. This is another small increase of 1.27% from March 2022.



## International Supply Chain Concerns

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

There has been an increase in the number of businesses that have High or Very High concern over the delays in international supply chains +7.34%. Now over 60% of businesses have High or Very High concern that these supply chain issues will impact 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 & Local Government

- Keep up the voice of local business with central government, with regard to staff shortages and continued cost pressures expected from Fair Pay Agreement legislation
- Advocate for an increase in immigration, tax relief like incentives for capital expenditure, remove this poorly performing govt
- Lobbying for this so-called fair pay agreement policy be dropped
- Get the council to focus on service - get it back into the office and open to the public - move on from their covid negativity- OPPOSE 3 WATERS
- Get behind the efforts to change the government and to force the media to stop blindly ignoring issues for their kickbacks, and talking up recessions, which become a self-fulfilling outcome.

### Business Impacts & Opportunities

- You are doing a great job. easily understood communications on all levels. But as for NZ confidence for the future, I think we will all be doing it tough. thanks for the updated support all the time. but perhaps its best that you delete us from future info. And good luck to all those struggling out there, extra pays, extra days off and no skills coming through
- Participation of members on proposed Pacific Export trade missions
- Buy local

### General

- Keep the upskilling coming!
- Just keep the information flowing to businesses.
- Continue your good work :-)
- The Chamber Staff are dynamic, and I appreciate everything they do for us. Thank You.
- Keep supporting with promoting members, this helps.
- Free Business Mentoring
- Keeping us informed
- More free training events
- Can't think of anything. They have been very helpful.
- In general, keep the information flowing
- Refer labours and unskilled workers to assist us get through our huge workload.
- Talk to businesses about certain property and infrastructure matters
- Not sure what can be done about shipping as it is controlled by offshore companies
- Provide more suitable staff
- Keep providing positive feedback and insights, keep doing what you are doing!
- Happy where we are at. Obviously, staff issues a concern and raw materials a big issue with the demand in construction still being high. But feel this will ease over the next 6-12 months.
- Network assistance around Membership Organisation
- Release a local suppliers index which connects producers with buyers.