



Red Hot Business Coaching & Consulting

Business Confidence Survey Report – October 2022

Overview

The Hutt Valley Chamber of Commerce and Industry (HVCCI) completed this Business Confidence Survey in October 2022.

The survey is completed with the support of Bronze Partner, Red Hot Business Coaching & Consultancy.

The overall picture from this survey is that cost pressures, including rising inflation, interest rates, exchange rates, and cost of goods and services to run a business are very high in the thoughts of our business community. These dominate how businesses are feeling and will continue to impact on their confidence. This is partly offset with about a quarter of businesses feeling like their income and profitability will increase in the next 6 months.

There are ongoing challenges in most areas, but a softening in some key indicators around labour, supply chain challenges, and COVID-19 impacts.

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

Executive Summary - Key Findings - October 2022 Business Confidence Survey

Shifts in business confidence for the next 3-months and 6-months

There continues to be shifts in how businesses feel about their future outlook. Changes in business confidence are most notable for the next 3 months.

- 34.15% of business feel things will be moderately better in the next 3 months. This is a significant change and improvement of +23.76% from the June 22 survey
- 43.90% of the business feel things will be the same in the next 3-months. This is a decline of -8.05% from just under 53% in June 22
- 35% of businesses consider things will be moderately better (25%) or substantially better (10%) in the next 6-months. This is a significant improvement of +11.31% compared to June 2022
- 27.50% of businesses consider things will be moderately worse (25%) or substantially worse (2.50%) in the next 6-months. This is a significant decrease of -14.61%.

All cost pressures are now of major concern for businesses

The cost of doing business dominates the landscape for the Business Owners, CEO's and General Managers that completed the survey. The cost areas that dominate the landscape for these businesses include:

- Rising inflation – over half the businesses (52.38%) indicated this was a barrier to improving confidence
- Cost of goods and services to run your business, i.e. petrol/diesel – 42.86% of businesses said these costs were affecting their confidence
- Rising interest rates – 35.71% of business said these costs were affecting their confidence
- Exchanges rates / Level of the NZ dollar – 30.95%.

Labour issues and finding staff remain problems for businesses but appear to be softening

Labour shortages are still very much on the mind of businesses who completed this survey with 42.86% of businesses still seeing issues with labour and finding the right staff. However this indicator is also falling with 10.39% of businesses completing this survey feeling like this is less of an issue compared to the June 2022. This is the first significant fall we have seen in this indicator in over 12 months.

Indications from businesses are that there is some softening in the labour market particularly for skilled specialist, and low skilled workers. However, overall more businesses continue to indicate they expect it will be hard to find all types of employees.

COVID-19 – impacts and challenges

The impact of COVID-19 has reduced significantly in this survey. No business (0%) now feel that COVID-19 is a factor from a health perspective, and there has been a significant decline (-9.30%) in how businesses feel COVID-19 might affect them from an economic perspective

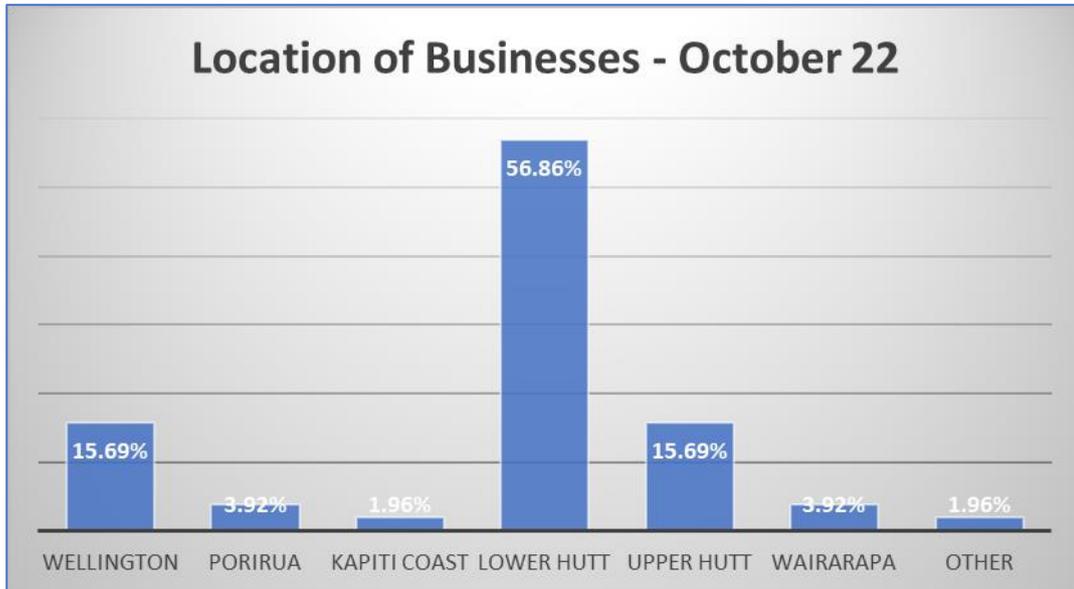
Supply chain issues are still a concern but are reducing

There has been softening of what businesses expect around supply chain challenges.

Whilst businesses (45%) are still highly or very highly concerned this is lower by just over 15%. More businesses are expecting the outlook to be the same. The number of businesses that are expecting the outlook to be less concerning is now 25% which is a small increase of 2.64%.

Detailed Survey Responses

The respondents to this survey were predominantly located in Lower Hutt, Upper Hutt, and Wellington. Just over 88% of them in these areas. This spread of response is consistent with surveys from both 2021 and through 2022.



The majority of the respondents (97.62%) were Business Owners/Directors, CEO's/Managing Directors, or General Managers. There was a relatively even spread of business size represented in this survey. The most prominent group (33.33%) were businesses of between 2-5 staff.

This survey provided an even representation of industries in line with previous surveys. The main respondents for this survey were from the 'Manufacturing' industry (20.45%). This reflects the predominant industry in the Hutt Valley and recent work undertaken by the Hutt Valley Chamber of Commerce. In addition to Manufacturing the main responses were from Professional, Scientific and Technical Services which is also significant in the Hutt Valley region.



Business Outlook - Their Business

There continues to be shifts in how businesses feel about their future outlook. Changes in business confidence are most notable for the next 3 months when compared to how business felt about the previous 3 month period (July – September 2022).

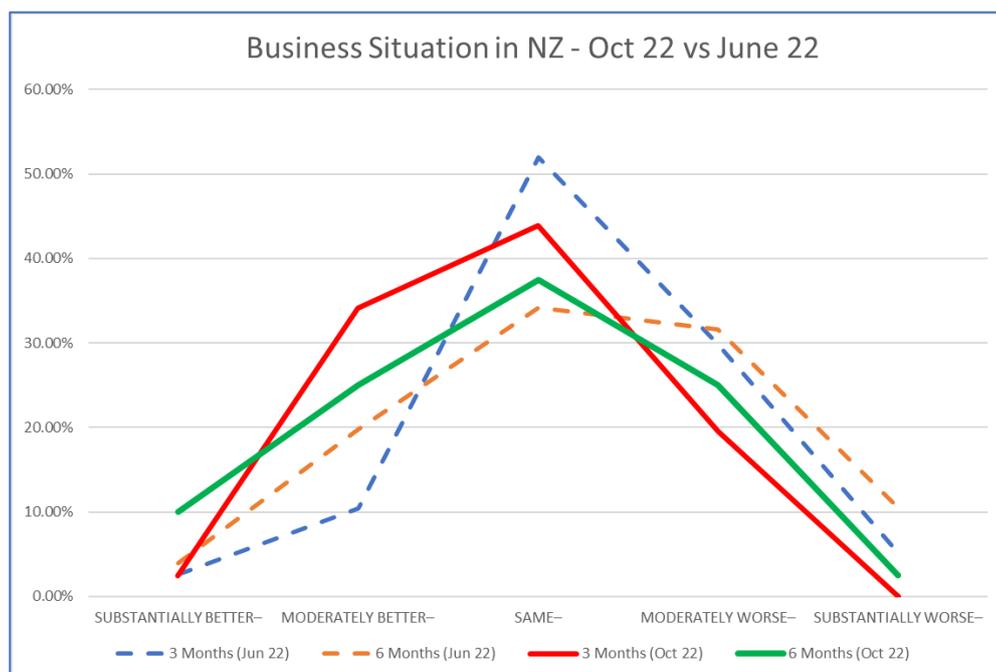
The major indicators businesses are anticipating over the coming 3-month and 6-month period include:

3-month outlook

- 34.15% of business feel things will be moderately better in the next 3 months. This is a significant change and improvement of +23.76% from the June 22 survey.
- 43.90% of the business feel things will be the same in the next 3-months. This is a decline of 8.05% from just under 53% in June 22
- 19.51% of businesses consider things will be moderately worse in the next 3-months. This is a significant decrease of 10.36% from the previous survey in June 2022

6-month outlook

- 37.50% of businesses feel that things will remain the same over the next 6-months. This is about the same as the previous survey
- 35% of businesses consider things will be moderately better (25%) or substantially better (10%) in the next 6-months. Overall this is a significant improvement of +11.31% compared to June 2022
- 27.50% of businesses consider things will be moderately worse (25%) or substantially worse (2.50%) in the next 6-months. This is a significant decrease of 14.61% compared to June 2022.



Barriers to Improving Confidence

The June 2022 survey of businesses indicates that the cost of doing business dominates the landscape for the Business Owners, CEO’s and General Managers that completed the survey. The cost areas that dominate the landscape for these businesses includes:

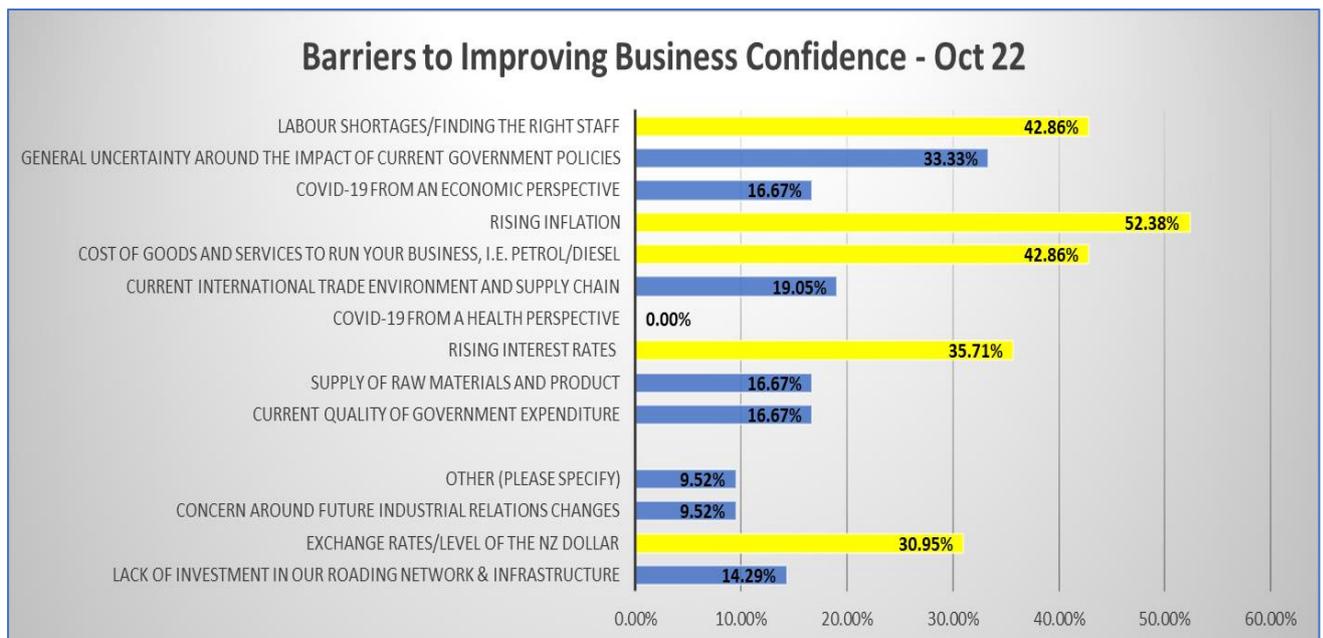
- Rising inflation – over half the businesses (52.38%) indicated this was a barrier to improving confidence
- Cost of goods and services to run your business, i.e. petrol/diesel – 42.86% of businesses said these costs were affecting their confidence
- Rising interest rates – 35.71% of business said these costs were affecting their confidence
- Exchange rates / Level of the NZ dollar – 30.95%

Labour shortages are still very much on the mind of businesses who completed this survey with 42.86% of businesses still seeing issues with labour and finding the right staff. However, this indicator is also falling with 10.39% of businesses completing this survey feeling like this is less of an issue compared to the June 2022. This is the first significant fall we have seen in this indicator in over 12 months.

Possibly rather surprisingly a lack of investment in our roading network and infrastructure has been identified by a small number of businesses (14.29%) as an issue. This survey was completed just before the announcements on the Infrastructure Fund and the RiverLink RFP release.

The impact of COVID-19 has reduced significantly in this survey. No business (0%) now feel that COVID-19 is a factor from a health perspective, and there has been a significant decline (-9.30%) in how businesses feel COVID-19 might affect them from an economic perspective.

There continues to be high concern (33.33%) of businesses feeling like there is general uncertainty around government policies. This has increased by 2.16% from the June 2022 survey.



Business Experiences for the Next 6-Months

The outlook for 6-months across a range of factors shows more stability in some areas but greater variation in others. Labour market indicators generally show more stability with businesses feeling that their staff numbers for both full-time and part-time employees will be the same over this period. Very few businesses are indicating a decrease in full-time and part-time staff during the next 6 months, and over two thirds of businesses expect their labour turnover to be stable. However, with this stability of labour also comes the expectation that businesses will see a small increases to their working hours.

Whilst there are small movements in the increasing average costs businesses consider this is still very high. Three quarters of businesses see increases to average costs, and over 60% of businesses indicating increases to average selling prices. This seems to be in line with inflationary pressures that New Zealand is currently experiencing.

On the positive side there are a greater number of businesses indicating they will see increased profitability. This appears to be as a result of sales within NZ, driven by increased customer demand. There is also a correlation between with an increased product range and marketing spend. The details for business experiences over the next 6 months include (change from previous survey in brackets):

Labour Indicators

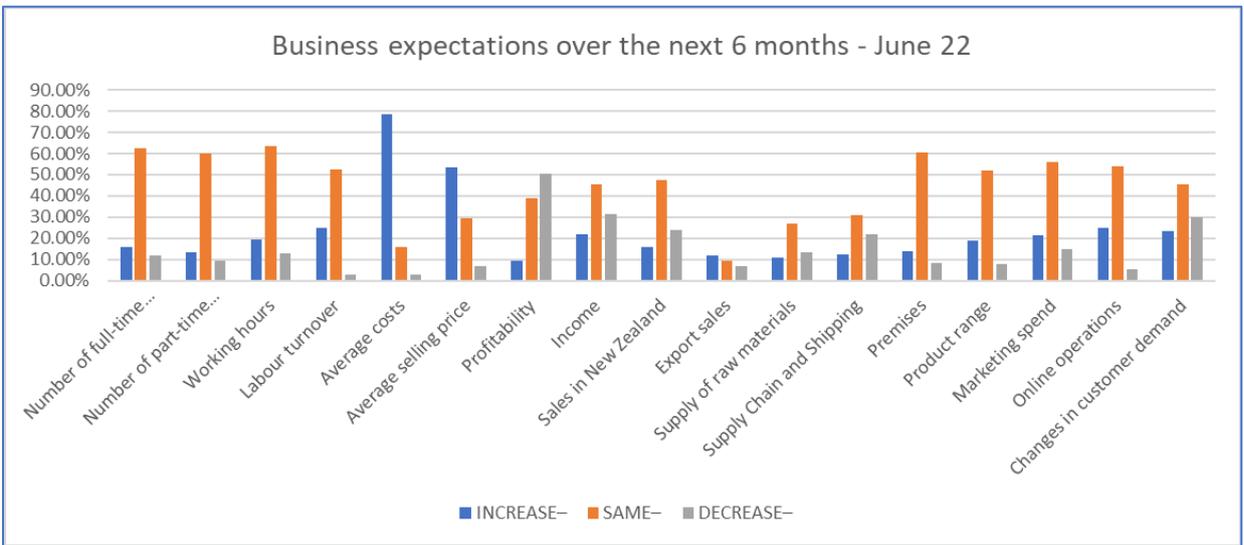
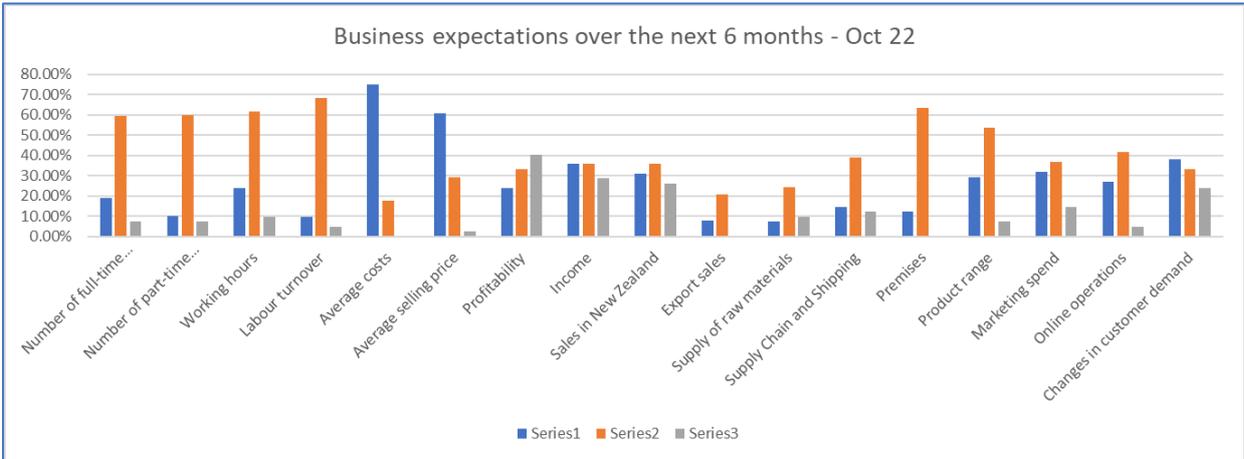
- 59.25% are expecting number of full-time employees to remain the same (-3.15%)
- 60% are expecting the number of part-time employees to remain the same (no change)
- 61.90% expecting their working hours to have to increase (-1.74%)
- 68.29% expect their labour turnover to be stable

Cost and Sales Indicators

- 75.00% are expecting average costs to increase (-3.67%)
- 60.98% are expecting average selling price to increase (+7.65%)
- 23.81% are expecting their profitability to increase (+14.72%)
- 35.71% are expecting their income to increase (+13.63%)
- 30.95% are expecting their New Zealand sales to increase (+15.16%)

Product and Supply Indicators

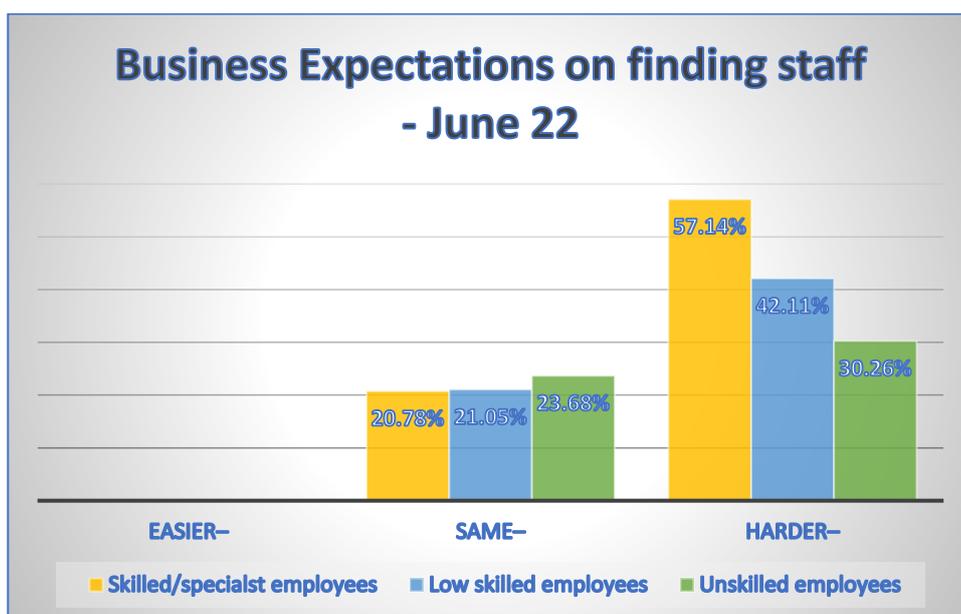
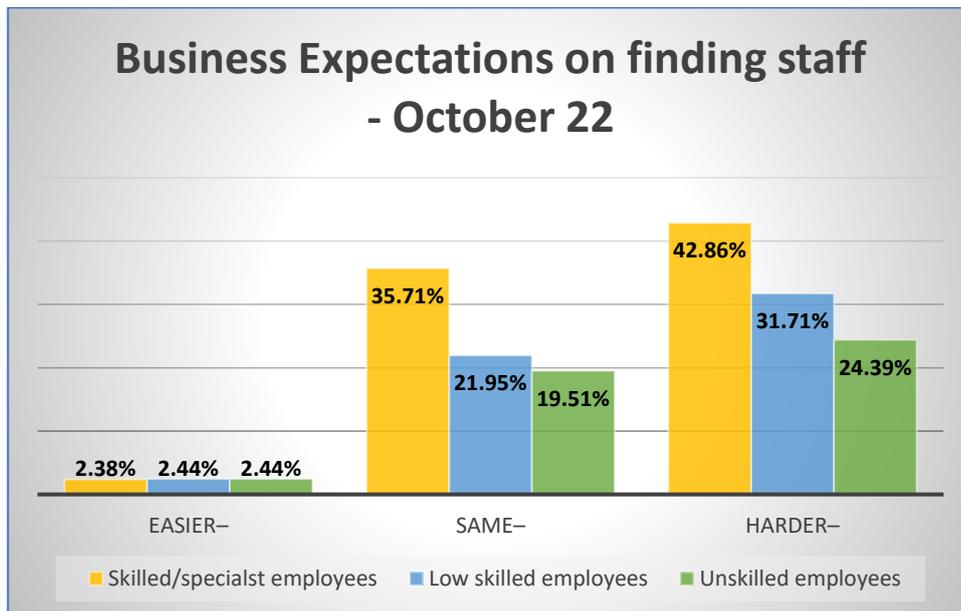
- 20.51% expect their export sales to remain stable (+11.18%)
- 29.27% expect their product range to increase (+10.60%)
- 31.71% expect their marketing spend to increase (+10.38%)
- 38.10% expect increases to their customer demand (+14.72%)



Finding Staff

Indications from businesses are that there is some softening in the labour market particularly for skilled specialist and low skilled workers. However more businesses continue to indicate they expect it will be hard to find all types of employees.

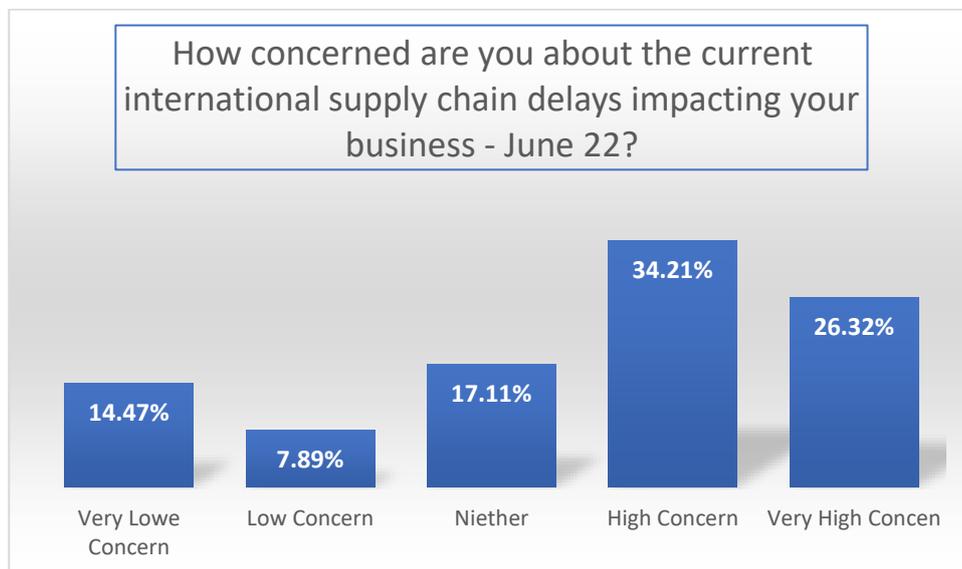
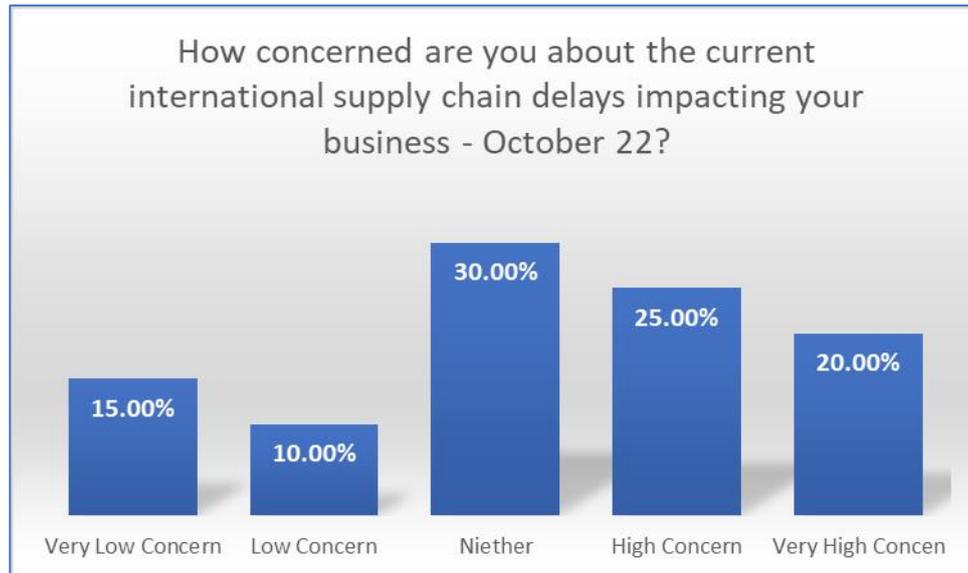
- Just under 2.5% of businesses expect that it will be easier to get any type of employees. This is a small change from the June 2022 survey where no businesses expected it to be easier.
- Many businesses (42.86%) expect it to be harder to get skilled or specialist employees. This is a significant decrease from June 2022 of -14.28%
- More businesses expect it will also get hard to find Low Skilled and Unskilled employees



International Supply Chain Concerns

There has been softening of what businesses expect in their supply chain challenges.

Whilst businesses (45%) are still highly or very highly concerned this is lower by just over 15%. More businesses are expecting the outlook to be the same. The number of businesses that are expecting the outlook to be less concerning is now 25% which is a small increase of 2.64%.



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

- Confront the local council as to their appalling service and no accountability for either timeframes or the poor quality of information
- Pressure the council to reduce rates through trimming their expenditure.
- Work with Pacific Export Network to provide more Pacific Islands exporters to lend a voice with PEN particularly around MFAT policies

Business Impacts & Opportunities

- Maybe not yet, but I used to love the Speed Networking events 😊
- Help find more opportunities within the region
- Advocate for banks to share the burden by reducing interest rate increase margins as the treasury rates rise
- Get staff for us