

Business Health monitor

Key findings and update
April 2023



ABOUT

The research

This report is the first in a series of three reports to be published by Better for Business (B4B) in May 2023. It covers the first of the main topics included in our recent research:

1. **Business health and wellbeing**
2. Digital capability trends
3. Business motivations and development goals.

A survey of 2,702 businesses was conducted by Research New Zealand on behalf of B4B, using both online and phone-based interviewing. Answers have been weighted to be representative of industry category and business size (by number of staff). Respondents are business owners or managers.

Better for Business

B4B represents the voice of NZ businesses and works with a range of government agencies to make it easier and more seamless for businesses to deal with government. We do this by understanding, representing, and supporting the diverse needs of small businesses across Aotearoa, and by leading the strategic response to improving the experience businesses have when dealing with government.

Our long-term research seeks to capture the ongoing changes across the business landscape so we can identify how we can make it better for business. When we talk about putting the business customer at the centre – we really mean it.

2,702
businesses

Surveyed between:

Late November
2022
↓
Early March 2023

BETTER FOR BUSINESS

IN THIS REPORT

New Zealand business health and wellbeing

The survey included three key areas of questioning:

1. **Business Health – unprompted:** an opportunity for owners/managers to describe how their business is faring currently, in their own words
2. **Business Health – prompted:** self-reported changes in costs, revenue and other indicators of performance vs. same period last year
3. **Wellbeing:** an update on the levels of frustration/stress and optimism/hope being experienced by owners and managers.



B4B has been monitoring business health and owner wellbeing since 2020 ...

... with a varying focus to reflect changes in the business operating environment.

In late 2022/2023, we asked businesses to tell us what they are experiencing in the COVID recovery environment.

KEY SENTIMENT TAKEAWAYS

Business performance is mixed, but half report that things are harder than they were a year ago and few are finding it easier

Many business owners are feeling the squeeze of increased costs and/or reduced staff availability: both financially and mentally

Amid changing conditions and an uncertain future, caution appears to be outweighing optimism

BUSINESSES HEALTH UPDATE

"It's tough, very tough. Felt like crying. Struggling. High wage cost. Hard to get employees. High cost of goods."

*Financial services, 10-19 employees,
Auckland*

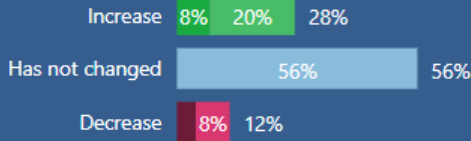
"We're doing very well ... we're seeing our competitors and other produce suppliers are struggling. So, demand is very high, and costs are increasing but we're managing to keep on top of it."

Horticulture, 20+ employees, Canterbury

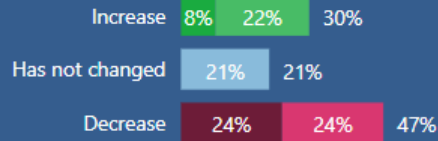
CHANGES IN BUSINESS PERFORMANCE

“Compared to the previous 12 months, has your business experienced a change in any of the following this year?”

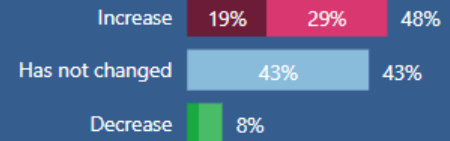
Ability to adapt to unexpected change



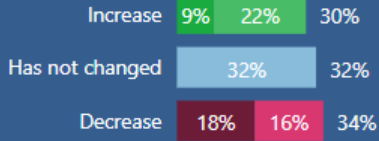
Revenue



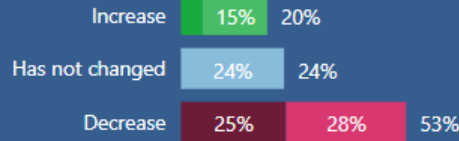
Time spent on admin tasks



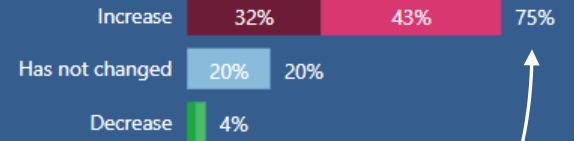
Interest from potential new customers



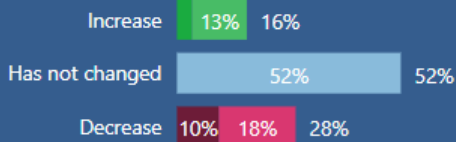
Profitability



Cost of running the business



Business with existing customers

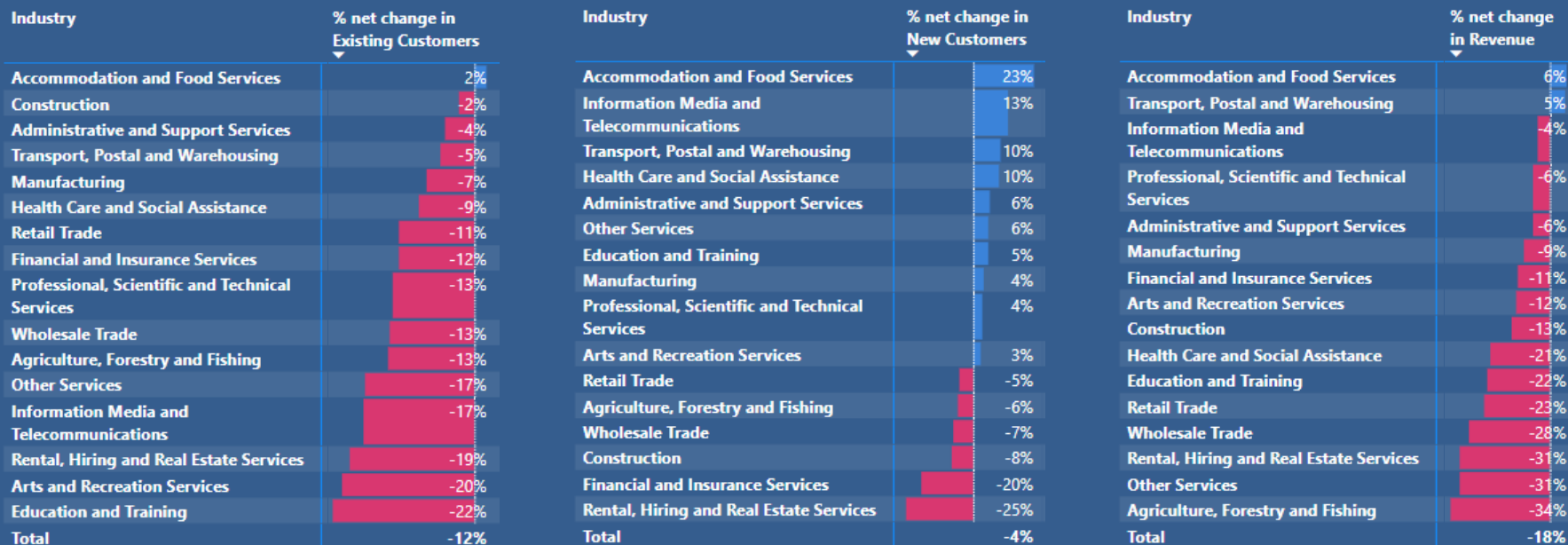


These charts are arranged (from top left to bottom right) in order of the net change reported by businesses, from positive to negative. 75% of business say the cost of running the businesses has increased year on year, including 32% who report a *significant increase of 20% or more*. We can also see that:

- Business performance is mixed on most dimensions, with the exception of cost increases
- More than half of all businesses are experiencing reduced profitability
- Self-reported adaptability has improved.

CHANGES BY INDUSTRY

- On balance, businesses in most sectors are more likely to report a decline in business from existing customers than an increase. The charts below show net changes (% reporting increase minus % reporting decrease) on each dimension
- And similarly in almost all sectors, there are more businesses reporting a decline in revenue than there are businesses reporting an increase
- Following a very difficult period for the tourism and hospitality sectors, there are signs of improvement for some businesses.



CHANGES BY INDUSTRY – CONTINUED

- There is some clear variation across industry sectors when it comes to changes in the amount of time spent on administration – even though all sectors are reporting a net increase
- There is less industry-level variation regarding cost increases, and few businesses appear to have avoided rises in the cost of running their business
- Wholesale trade and agriculture, forestry and fishing stand out as industries where costs have widely increased while revenue has also fallen for many.

Industry	% net change in Admin Time
Financial and Insurance Services	71%
Agriculture, Forestry and Fishing	60%
Other Services	59%
Accommodation and Food Services	53%
Manufacturing	48%
Education and Training	46%
Wholesale Trade	45%
Retail Trade	44%
Transport, Postal and Warehousing	43%
Health Care and Social Assistance	41%
Administrative and Support Services	39%
Arts and Recreation Services	39%
Rental, Hiring and Real Estate Services	37%
Construction	34%
Information Media and Telecommunications	28%
Professional, Scientific and Technical Services	27%
Total	41%

Industry	% net change in Cost
Accommodation and Food Services	86%
Wholesale Trade	85%
Transport, Postal and Warehousing	83%
Retail Trade	82%
Agriculture, Forestry and Fishing	82%
Arts and Recreation Services	81%
Financial and Insurance Services	81%
Manufacturing	80%
Other Services	80%
Construction	73%
Information Media and Telecommunications	71%
Administrative and Support Services	70%
Rental, Hiring and Real Estate Services	68%
Health Care and Social Assistance	67%
Education and Training	57%
Professional, Scientific and Technical Services	56%
Total	71%

Industry	% net change in Profitability
Financial and Insurance Services	-14%
Transport, Postal and Warehousing	-16%
Information Media and Telecommunications	-22%
Professional, Scientific and Technical Services	-22%
Education and Training	-22%
Manufacturing	-22%
Arts and Recreation Services	-24%
Accommodation and Food Services	-25%
Administrative and Support Services	-26%
Construction	-28%
Retail Trade	-33%
Health Care and Social Assistance	-36%
Rental, Hiring and Real Estate Services	-42%
Wholesale Trade	-45%
Other Services	-48%
Agriculture, Forestry and Fishing	-60%
Total	-34%

CHANGES BY INDUSTRY AND SIZE

- Industries where businesses are most likely to report improvements in their ability to adapt to change are those that were particularly impacted by COVID-19 restrictions. When last surveyed in late 2021, those sectors were also least confident about their continued operation
- When we look at changes by business size, larger businesses were more likely to experience increases in costs and administration time, but were also more likely to report increases in business from existing and new customers.

Industry	% net change in Adaptability
Financial and Insurance Services	31%
Education and Training	30%
Manufacturing	30%
Accommodation and Food Services	26%
Retail Trade	26%
Administrative and Support Services	26%
Health Care and Social Assistance	24%
Wholesale Trade	19%
Rental, Hiring and Real Estate Services	16%
Construction	15%
Other Services	13%
Professional, Scientific and Technical Services	13%
Arts and Recreation Services	12%
Information Media and Telecommunications	4%
Agriculture, Forestry and Fishing	-0%
Transport, Postal and Warehousing	-1%
Total	16%

Business size (number of staff)	% net change in Adaptability	% net change in Admin Time	% net change in Cost	% net change in Existing Customers
One employee/sole traders	9%	31%	64%	-18%
Small (2-5)	25%	51%	78%	-6%
Medium (6-19)	26%	64%	88%	-3%
Large (20+)	31%	67%	88%	14%
Total	16%	41%	71%	-12%

Business size (number of staff)	% net change in NewCustomers	% net change in Profitability	% net change in Revenue
One employee/sole traders	-10%	-35%	-23%
Small (2-5)	-2%	-33%	-16%
Medium (6-19)	11%	-31%	1%
Large (20+)	22%	-27%	6%
Total	-4%	-34%	-18%

“It has been incredibly hard work managing this business over the last two years and every day throws up new challenges. A lot of forward planning has to be done constantly and you need to be able modify plans in changing environments.”

Manufacturer, 2-5 employees, Waikato



BUSINESSES MENTAL WELLBEING

“It has been hard on me, affects your mental health, lots of sleepless nights, to keep your business afloat.”

*Freight forwarder, 10-19 employees,
Auckland*

“I have been working 7 days for almost a year. Having to cover for staff shortages.”

Restaurant, 20+ employees, Auckland

OVERVIEW

Frustration and stress is outweighing optimism and hope

Businesses were asked how often they had felt frustration and worry, or optimism and hope in the previous two weeks.

20% had frequently experienced optimism and hope (i.e. 'many times' or 'all the time'), while 37% had frequently experienced frustration and stress.

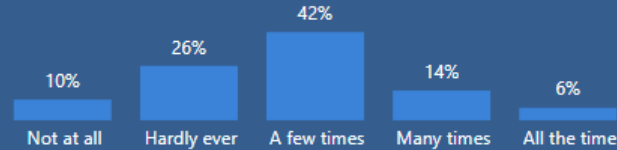
The 2020 and 2021 surveys were completed towards the end of those calendar years: the latter coinciding with the COVID-19 Delta outbreak and a heightened level of frustration and stress.

Although stress levels had improved by late 2022/early 2023, results suggest that some businesses have been experiencing heightened stress for some time. And this has been accompanied by a gradual reduction in optimism.

In the latest survey, almost half (47%) of all businesses said they were neither experiencing frequent stress nor frequent optimism, while 4% were frequently experiencing both.

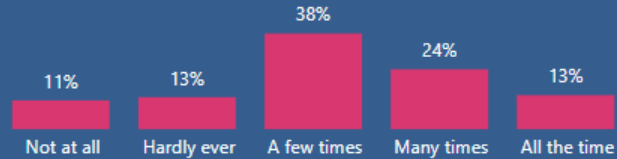
Optimism levels improved slightly *during* the latest surveying period: from 19% in November/December to 24% in January-March

Feeling optimistic or hopeful in last two weeks



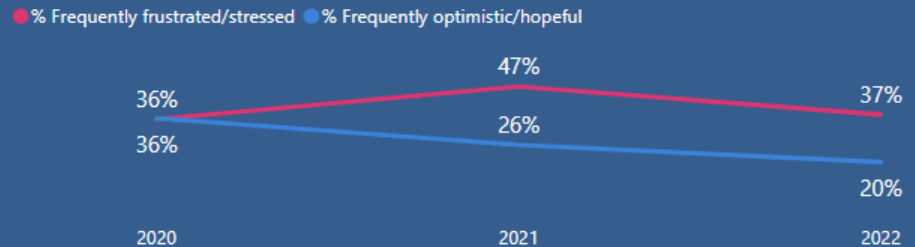
Frequently optimistic
20%

Feeling frustrated or stressed in last two weeks



Frequently frustrated
37%

Wellbeing over time



WELLBEING BY INDUSTRY

Frustration and stress levels vary by sector

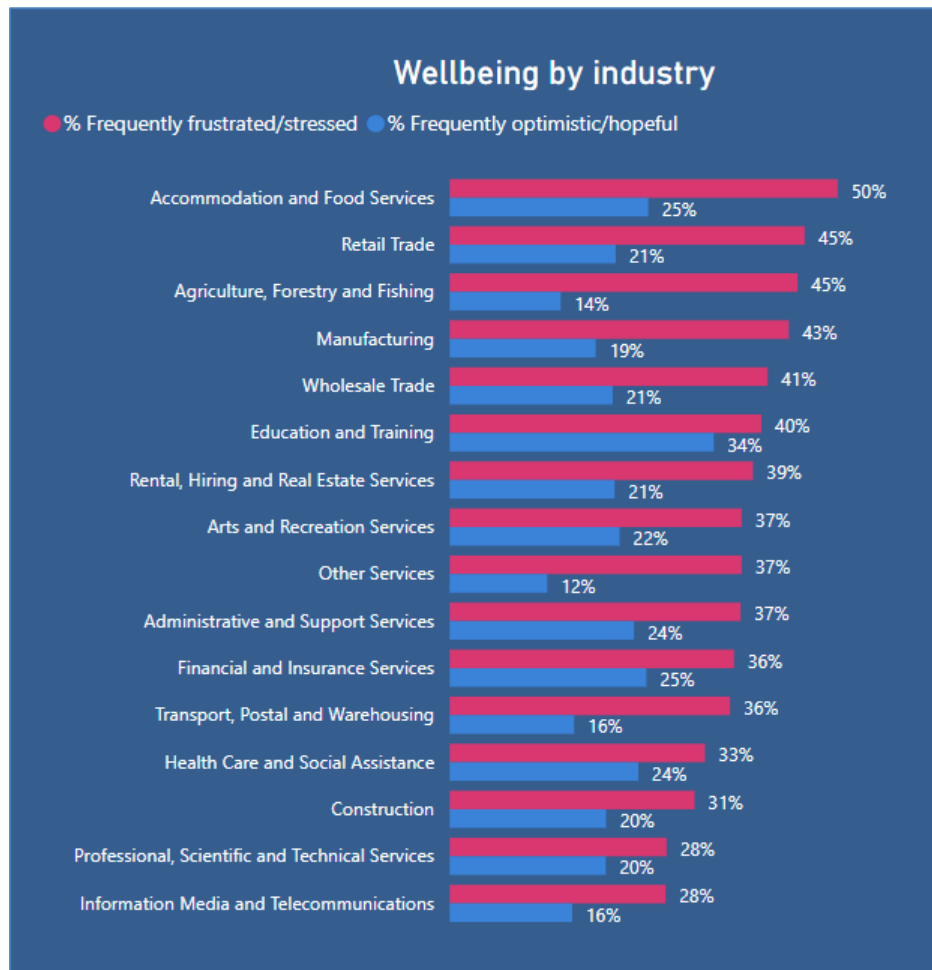
Compared to the previous survey in late 2021, most industries have seen a reduction in the proportion of businesses reporting frequent frustration and stress.

Agriculture, forestry and fishing is one exception. Stress levels have remained similar, and this means the sector is now among those most likely to report stress.

Like last year, accommodation/food services, retail trade and manufacturing remain at the top of the list and for some this likely means a prolonged period of stress. Staff shortages, costs and supply issues are key challenges facing those sectors.

There is less variation by industry when it comes to optimism and hope.

Wellbeing is clearly related to business performance. Of all the business changes reported previously, **profitability** is the one that has the strongest relationship with frustration and stress – followed by **cost changes**. Businesses that have seen a decrease in profitability are twice as likely to report being frequently frustrated/stressed as those who have not.



WELLBEING VARIATIONS

Frustration and stress levels have dropped significantly year on year among small and large employers, but they remain at concerning levels.

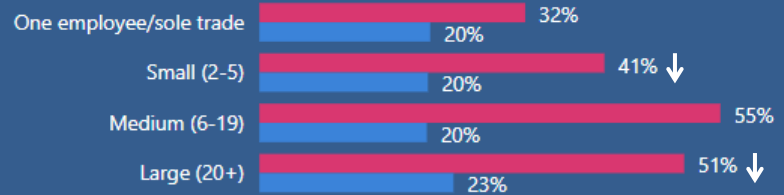
There are some other business descriptors that show variations in stress levels, for example:

- Younger business owners/managers are more likely to report frustration and stress. However, this does not appear to be a question of business experience or industry.
- As might be expected, there is a strong correlation between the degree of recent severe weather impacts and level of frustration/stress*.

* Businesses that completed the survey in February/March 2023 were asked how severely they had been impacted by recent weather events. 15% reported being either moderately or severely impacted.

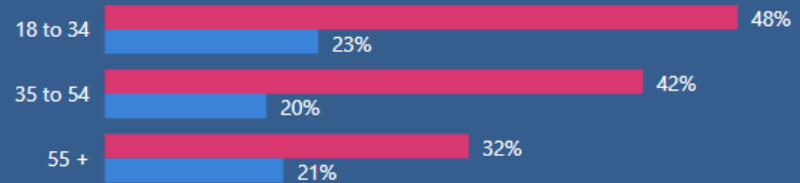
Wellbeing by business size

● % Frequently frustrated/stressed ● % Frequently optimistic/hopeful



Wellbeing by age of owner/manager

● % Frequently frustrated/stressed ● % Frequently optimistic/hopeful



APPENDIX: COMMENTS FROM BUSINESSES

Respondents were asked: “How is your business managing in the current environment?”

Comments are organised into key themes, and presented in approximate descending order by volume of comments received.

DOING OKAY/SURVIVING

"We have had to consolidate and lower our overheads as much as we can to be able to survive."

Construction services, 6-9 employees, Canterbury

"Month by month with a lot of factors to assess and address as we go. Uncertainty underpins the current recessionary climate."

Manufacturer, 20+ employees, Auckland

"We are managing but it is tough."

Manufacturer, 20+ employees, Manawatu

"We are keeping calm and carrying on!"

Engineering, 2-5 employees, Auckland

"Challenging, however I have a niche market, so am doing ok."

Retail, Sole trader, Canterbury

THINGS ARE GOING WELL

"Couldn't be going better, I'm booked up until an end of the year. I have to make choices, who to book up."

House construction, Sole trader, Canterbury

"Going well. Cash flow can have its ups and downs as a result of supply issues etc. but we are finding there are a lot of opportunities out there for us despite the lockdowns and cost of living crisis. Business diversified prior to Covid."

Equipment rental, 2-5 employees, Wellington

"We are very lucky, since Covid we have never been busier."

Café, 2-5 employees, Manawatu

"We've had to change our target market and how we reach out to customers. Initially we lost about 70% of our income, but after adjusting to a different climate and different spending habits we're now looking to do a massive leap forward for next tax year."

Manufacturer, 2-5 employees, Auckland

STRUGGLING / MULTIPLE CHALLENGES

"Challenging. Staffing shortage. No qualified tradesmen. Raising costs. Customers struggling to pay their invoices etc. It's a rollercoaster."

Automotive repair, 2-5 employees, Auckland

"Finding it hard with multiple aspects of the business being affected by things like cost of materials, employees being sick, the financial situation means people want to spend less money and all of our overhead costs are increasing."

House construction, 2-5 employees, Auckland

"Really struggling as the freezing works are so short of staff there is a backlog so have to wait longer for space which then effects cash flow and feed reserves."

Agriculture, 2-5 employees, Canterbury

"I started my business in February this year and it has been a huge struggle, people are not wanting to spend money on product development and research etc. which means there is less work coming my way. Additionally, there are no grants to start a new business unless you are already on a benefit. Personally, costs of living are increasing and as a solo parent times are extremely tough."

Sole trader, Bay of Plenty

"Significant revenue reductions being experienced this season, coupled with cost of inputs to production and operating commitments are undergoing price hikes from most suppliers. Some alternatives to suppliers are having to be considered but not always feasible or available. Staffing is still very problematic with skills shortages across most positions recruited for."

Horticulture, 20+ employees, Nelson/Tasman

"Income is down and costs have gone up, so we are struggling."

Horticulture, 6-9 employees, Bay of Plenty

COST /INFLATION PRESSURES

“Due to the extremely tight labour market, we had to increase our wage to existing and new staff to stay competitive ... In addition, we have been experiencing a lot of increases in costs of material/ingredients ... Moreover, our rents for the shops have increased due to the increase of rates ... Let alone the increase of commercial insurance ... All these increases happened within the past 12 months! With the announcement of another minimum wage increase on 1st April 2023, we'd have no option but to put up our price again this April ...”
Restaurant, 6-9 employees, Wellington

“Struggling with wage demands. Costs of production rising. Interest costs are increasing concerningly.”
Agriculture, 6-9 employees, Canterbury

STAFF SHORTAGES

“Doing better than before but staffing shortages are creating staff burnout and customer frustration all around our town.”
Accommodation, 2-5 employees, Southland

“We are desperate for staff, either fully trained or part trained. We are training now 3 new employees we have taken on, but not much help as takes 3 years before they are of any benefit.”
Construction, 10-19 employees, Auckland

“We continually lack enough registered nurses, so the stress level remains constant ... The stress level, especially amongst unit managers ... is often too high, too demanding.” – xxx

“We are struggling with the rising cost of labour and the availability of quality people.”
Freight forwarder, 20+ employees, Auckland

FUTURE OUTLOOK/UNCERTAINTY

“Obviously with the cost of living rising, this has a significant impact on me and my family. It's also brought uncertainty to the longevity of my clients who are also being impacted by the rise in costs. Therefore, the need to create more business opportunities with more clients is increased but this can be difficult with making sure my own ability to service them [and] not be weighed down or overwhelmed ... I'm reluctant to employ a worker as the uncertain and unstable economic environment is also difficult to forecast.”
Courier, Self-employed, Wellington

“We are doing ok at the moment but are very concerned about next year.”
Property operator, 2-5 employees, Auckland

ADAPTING TO CHANGING CONDITIONS

“Being a highly dynamic business as the environment changes so does our business. Flexing with the changes as they arise, either expanding or contracting aspects of the business to respond to the changes.” *Property operator, 20+ employees, Auckland*

“It has been incredibly hard work managing this business over the last 2 years and every day throws up new challenges, a lot of forward planning has to be done constantly and you need to be able modify plans in changing environments.”
Manufacturer, 2-5 employees, Waikato

“Ever since Covid I just branched out in different ways and went online with the personal training.”
Personal services, Sole trader, Hawke's Bay

CASH FLOW

“Tough. Our cash flow is a constant challenge and we are struggling to find enough staff to support our workload. We are currently in the process of major changes personally to try to reduce our debt and survive as a business.”

Engineering, 2-5 employees, Canterbury

“Really difficult. High interest rates and weather conditions have impacted out cash flow significantly.”

*Horticulture, 6-9 employees,
Bay of Plenty*

“Orders for materials have to be done much earlier now so that things are ready to go when we need them which puts pressure on cash flow, and we also have to just turn work away due to the lack of staff.”

Construction services, 2-5 employees, Gisborne

COMPLIANCE / REGULATORY SETTINGS

“It is really hard. The government has so much unproductive and unnecessary and not well thought out legislation and it is so time consuming. They are making it so hard for people in business today.”

*Accounting services, Sole trader,
Waikato*

“Income is similar to average, but expenses are up 20% on normal. Compliance costs have added 4-5% to business expenses and also increased capital costs. The proposed Greenhouse gas levy will potentially be 5-10% of my taxable income.”

Agriculture, Sole trader, Hawke's Bay

“We are doing ok. Could do better if the government immigration policies allowed our company to secure the skilled resources in a timely manner - taking 6-12 months and longer to secure job tokens and then be at the mercy of INZ to issue visa.”

Safety service, 20+ employees, Auckland

SUPPLY ISSUES

“In some parts it has been challenging in the long lead times for materials from suppliers.”

Roofing services, 6-9 employees, Taranaki

“Not so easy at all. I think the main issue is the lack of stock and the construction business is really hard and the recession in construction and real estate and reduction with the prices of houses.”

*House construction, Sole trader,
Auckland*

“Hard to get supplies, spare parts. Major delays holding up keeping machinery working. Costs going up, wages going up, hard to find staff. In short - difficult to supply.”

Site preparation services, 20+ employees, Bay of Plenty

WELLBEING IMPACTS

“It has been hard on me, affects your mental health, lots of sleepless nights, to keep your business afloat.”

Freight forwarder, 10-19 employees, Auckland

“I have noticed sales have declined since Covid began ... with increased prices, wage increases I have found myself asking, ‘Why am I doing this?’

My health has suffered because of the stress.”
Retailer, 2-5 employees, Canterbury

“Very stressed with irregular cash flow. Less clients coming in the door.”

*Architect, Sole trader,
Auckland*

“In crisis, major issues employing staff & staff shortages. Extreme pressure put on management supervisors and other loyal staff. To the point that I have serious concerns regarding the mental wellbeing of my senior and long-term loyal staff.”

Cleaning services, 20+ employees, Waikato

SLOW PAYMENTS

“Very difficult, lots of customers struggling and owing money for services therefore are behind with payments. Hospitality struggling.”
Food manufacturing, 10-19 employees, Nelson/Tasman

“We are struggling a bit. Some customers are not paying their invoices on time, so that is also stretching cash flow. Overall things are tight, and we need to act cautiously.”
Repairs, 2-5 employees, Canterbury

“We're finding business 'tighter' this year with increased uncertainty affecting our clients' confidence with committing to projects. Also, we've noticed a big issue emerging around client payments and a general slowdown in cash flow.”
Engineering, 20+ employees, Auckland

THE CYCLE OF REDUCED SPENDING

“It is a struggle at the moment as people are tightening their belts due to the cost of living”
Manufacturer, 2-5 employees, Auckland

“Trying to minimise expenses. As a business owner, I reduced employee's working hours but increased working hours for myself.”
Manufacturer, 2-5 employees, Auckland

“We have seen a real slowdown in sales as consumer spending reduces. We have actively cut out any costs we can to help our profit figure. We are also capitalising on any new retail customers we can acquire and working hard to help our current customer base.”
Wholesale trade, 10-19 employees, Auckland

VOLATILITY

“The business is fluctuating. We are just trying to create consistency - there is a bit of uncertainty with the clients we deal with.”
Manufacturer, 2-5 employees, Wellington

“High stress due to varying pricing, product availability and workflow but due to changes in our processes and margins we have still been profitable.”
Equipment rental, 20+ employees, Waikato

“Fluctuating and uncertain funds coming in.”
Admin services, Sole trader, Waikato

“Very changeable, volatile. The last three months have been the worst turnover we've had in the last 5 years.”
Architectural services, 6-9 employees, Waikato

PRICING CHALLENGES

“Material and labour costs have gone up significantly making pricing for house construction difficult as there is a lag between pricing and building due to the time it takes to start and finish a project.”
House construction, 2-5 employees, Christchurch

“We are doing alright; pricing has become tougher and managing stock availability can be a challenge.”
Electrical services, 2-5 employees, Northland

“Trying to absorb increased costs without having to pass on to customers but it is difficult to do this.”
Equipment rental, 20+ employees, Waikato