

Business Health update

Key findings and update
December 2021



ABOUT

This research, initiated and led by Better for Business (B4B) in association with Research New Zealand, paints a picture of New Zealand's business landscape, their struggles during the COVID-19 pandemic, and the current digital capabilities of businesses.

The Research

The purpose of this research was twofold: to provide an update on the overall health of NZ businesses from the impacts of COVID-19; and to track any changes in capabilities, motivations and / or barriers to becoming more digitally enabled. A report focused on these digital aspects has been produced separately to this one.

The research was conducted between 28 October and 2 December 2021, with 2,212 New Zealand businesses interviewed. Answers are weighted to be representative of industry category and business size (by number of staff).

Better for Business

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.



IN THIS REPORT

New Zealand business health – the impact of COVID-19 and other business concerns

This report consists of three sections:

- 1. Business Health update** – The current state and health of NZ businesses in December 2021 – one year on from the last Business Health research.
- 2. The concerns and difficulties NZ businesses are facing** – a look at what businesses are telling government is challenging now or could be challenging soon.
- 3. Future business intentions** – what's next and the context for NZ businesses.



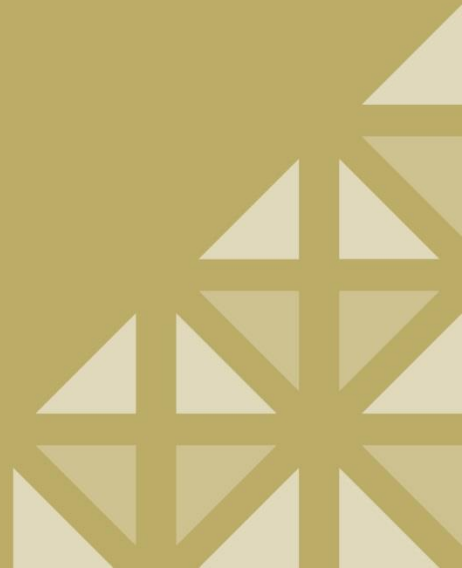
KEY TAKEAWAYS – DECEMBER 2021

Confidence of still operating in six months' time has fallen from 91% in June 2021, to 76% in December 2021. This is lower than in May 2020.

Wellbeing has deteriorated, with an increase in frequent frustration and worry from 30% in June to 47% in December.

Businesses have a range of serious concerns and issues that they feel very strongly about – a desire for certainty, reduced restrictions, and others.

BUSINESSES HEALTH UPDATE








BUSINESS HEALTH

Key results, updates and trends 2020-2021

Prior to the most recent round of restrictions, by June 2021 NZ's businesses were relatively buoyant. 91% were confident of operating in six months' time, and 30% had felt a sense of frustration or worry "many times or all the time" in the two weeks prior to responding to the survey – although optimism had fallen, perhaps a precursor to what happened next.

Roll ahead five months, and the outlook shifted considerably. Frustration and worry levels reached 47% during November/December, and just 76% of businesses were confident of operating in six months' time. Contrastingly, a similar (slightly higher) proportion of businesses reported financial resilience – with 45% indicating they could survive for several months even in the event of restrictions equivalent to a Level 3 or 4 lockdown.

This implies a business community that is coping – but struggling mentally. This report seeks to reveal what challenges may be driving this, and which businesses in particular are in the 'danger zone'.

Health metric	October 2020	June 2021	December 2021
Confidence: Businesses who are confident they will still be operating in six months' time*	78%	91% 	76% 
Wellbeing: % businesses frustrated and worried (many times or all the time in the past two weeks)	36%	30% 	47% 
Wellbeing: % businesses optimistic and hopeful (many times or all the time in the past two weeks)	36%	42% 	27% 
Resilience: % of businesses who could survive on Financial reserves for several months* (In the event of further restrictions such as lockdowns)	41%	Not asked	45% 

** Some metrics differ slightly from previously reported figures in 2020 as they excluded a small proportion of businesses expecting to cease*

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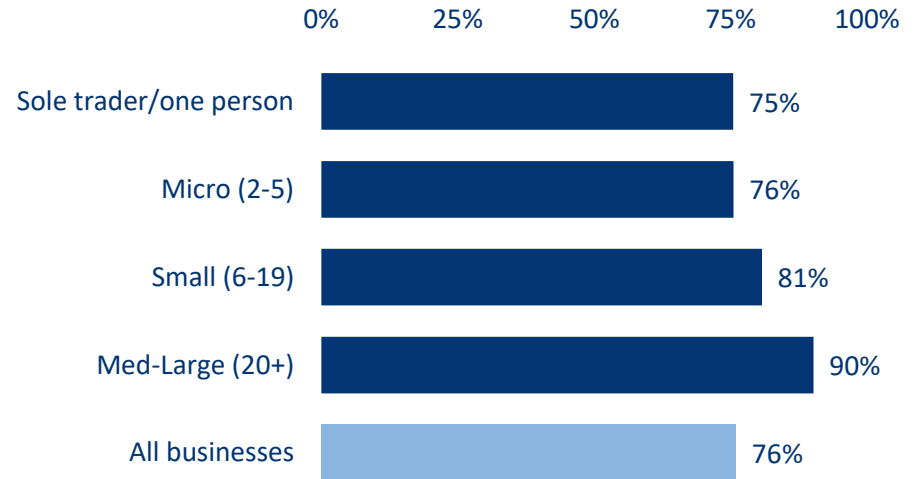
BUSINESS HEALTH

Confidence of still operating in 6 months' time

76% of businesses were “reasonably or extremely confident” their business would still be operating in six months' time. Confidence appears slightly higher for medium to large employers – but otherwise relatively similar across all size groups.

Regionally, Auckland didn't vary as much as expected – although it was 2% lower than the average at 74%.

Confidence of operating in six months time - by size



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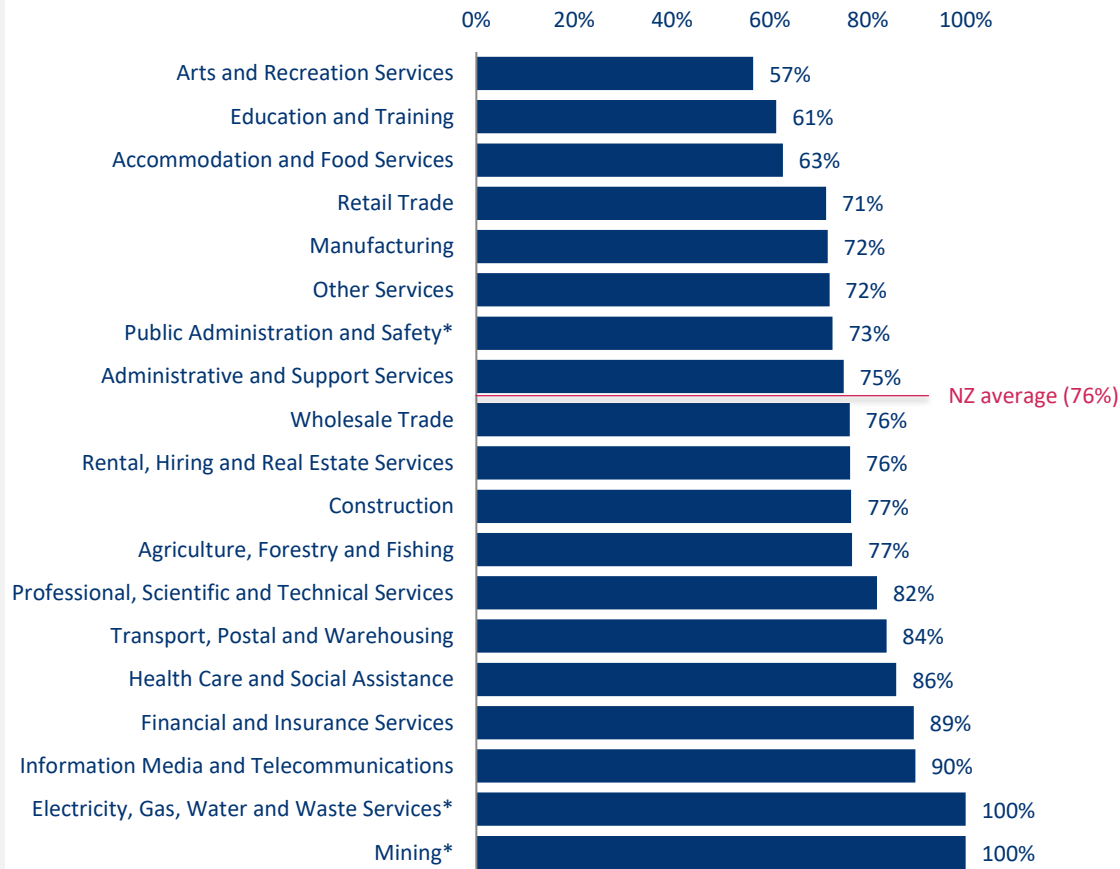
BUSINESS HEALTH

An industry perspective

Confidence does appear to vary more markedly by industry – with arts/recreation (which includes many Tourism-focussed businesses), Education and Training and Hospitality reflecting lower confidence of operating in six months' time.

Conversely, Information Media and Telecommunications, Finance and Insurance Services and Health Care and Social Assistance reflected the highest confidence of operating – indicative of either being essential businesses, or a higher likelihood of being able to work remotely very effectively.

Confidence of operating in six months time – by industry



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* Indicates very small sample size, therefore results are indicative only

BUSINESS HEALTH

Financial resilience

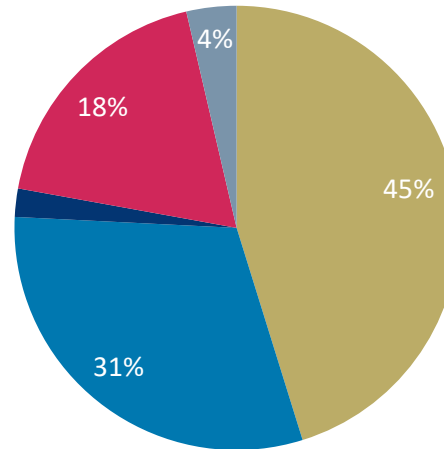
45% of businesses state that they have suitable financial reserves to continue operating for several months if faced with similar restrictions equivalent to Levels 3 and 4 under the old COVID-19 Alert Level system.

However, a further 31% indicated their reserves would last only a matter of weeks – and a concerning 18% of businesses have no cash or financial reserves available to them.

These results are similar to those of 2020 – with a slight increase in those who could continue for several months (+2%); although this is not statistically significant.

Financial reserves

% of businesses

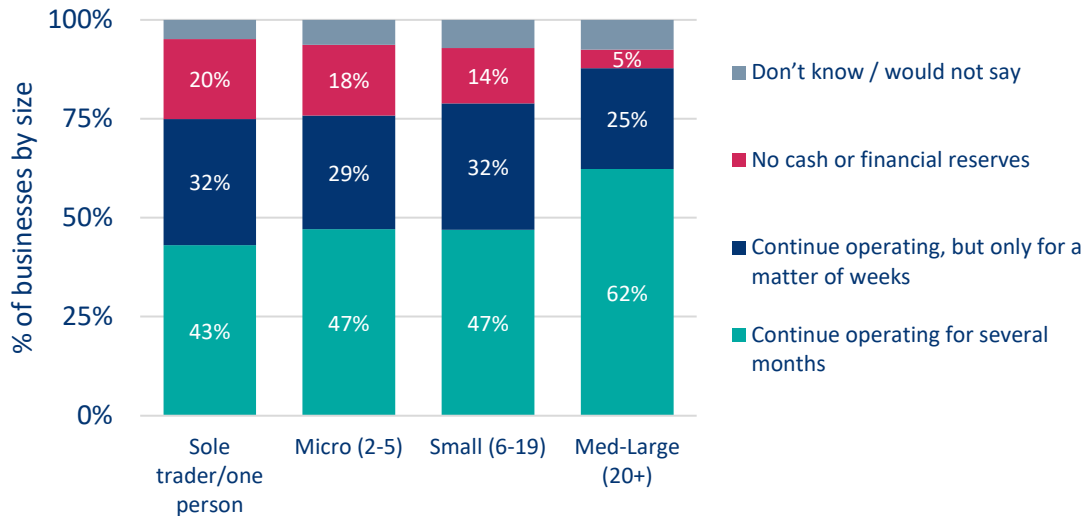


- Continue operating for several months
- Continue operating, but only for a matter of weeks
- Don't know
- No cash or financial reserves
- Prefer not to say

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BUSINESS HEALTH

When asked about cash reserves or finance to survive further restrictions



Looking through the lens of business size (by number of employees) we see that the smaller the operation, the less likely they are to have financial reserves. This is consistent with previous research; businesses with lower revenues are typically unlikely to have significant financial reserves.

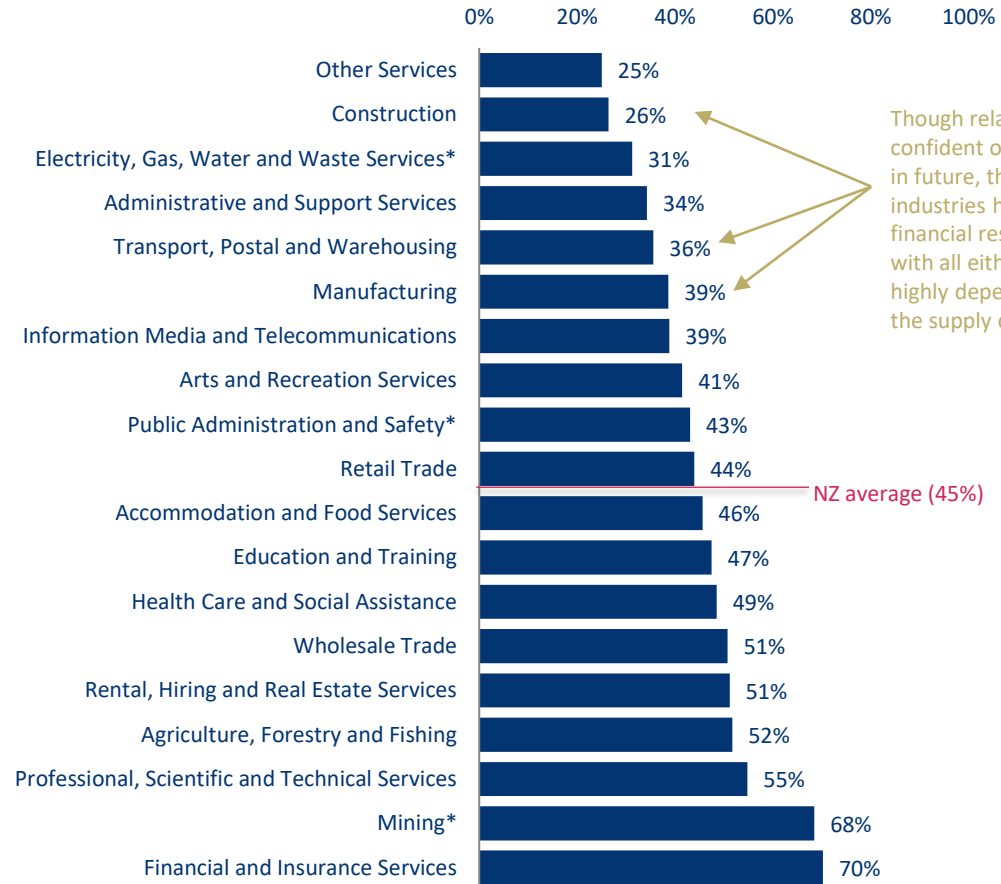
BUSINESS HEALTH

When asked about cash reserves or finance to survive further restrictions – by industry

Financial reserves by industry reveals another layer of variation, with Construction the most notably exposed industry (which is likely also a function of the proportion of self-employed/micro businesses within the Construction industry).

Of potential concern is the logistics sector (Transport, Postal and Warehousing). Though they are confident of operating in six months' time (84% are confident) just 36% have financial reserves. Should there be disruptions to these businesses (such as staff shortages) this could potentially have widespread impacts on the supply chain. Similar sentiment could be shared about the Manufacturing sector.

Have financial reserves to last several months - by industry



Though relatively confident of operating in future, these critical industries have lower financial resilience – with all either part of or highly dependent on the supply chain

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* Indicates very small sample size, therefore results are indicative only

BUSINESS HEALTH

Wellbeing

Businesses reported notable and significant changes in their wellbeing compared to October 2020 and June 2021 – with frustration and worry up by 17% from 30% in June to a concerning 47% of businesses feeling frustrated and worried many times or all the times in two weeks prior to responding to the survey.

Feelings of optimism and hope were lower at 27% – compared to June 2021 where they were at 42%. This shows that optimism is fluctuating along with frustration and worry levels, suggesting relatively low mental resilience.

Businesses were asked how often they had felt frustration and worry, or optimism and hope in the past two weeks. The percentages below are those who felt this “all the time” or “many times”:

Frustration and worry **47%**

Optimism and hope **27%**

WELLBEING

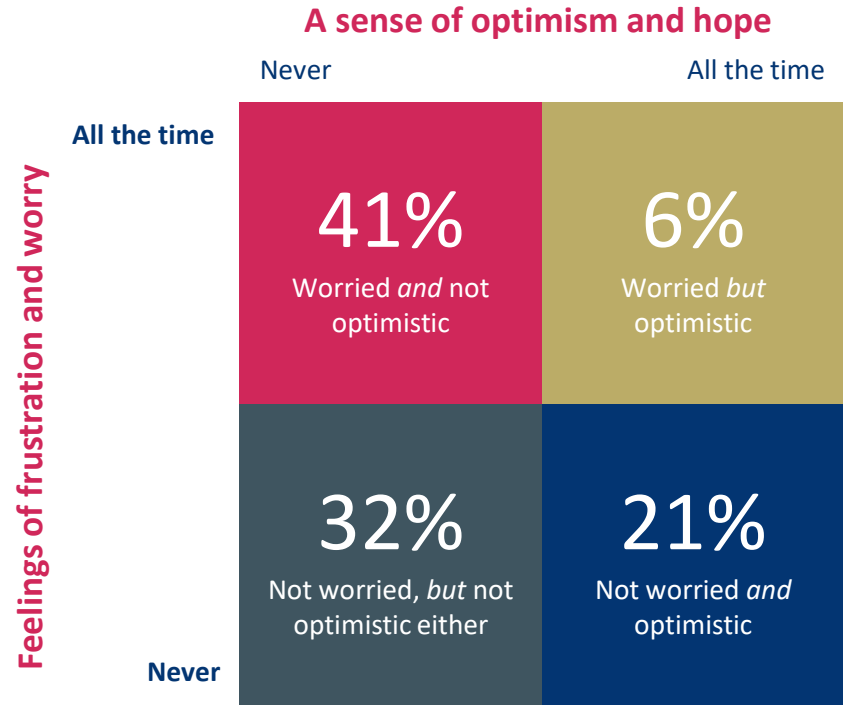
The shifting of business wellbeing

We asked businesses to tell us how often in the previous two weeks they had experienced feelings of frustration and worry, or a sense of optimism and hope.

By combining the results from these two questions, we see an even starker view of the wellbeing of Kiwi business owners and managers.

Unfortunately, the largest quadrant is in the “severely stressed” zone – 41% of all businesses are both frustrated and worried as well as not being optimistic or hopeful. The “resigned” zone of not worried, but not optimistic either holds the next largest at 32%.

So, adding up the leftmost quadrants, 73% of businesses are either severely stressed or somewhat ‘throwing their hands in the air’.



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WELLBEING

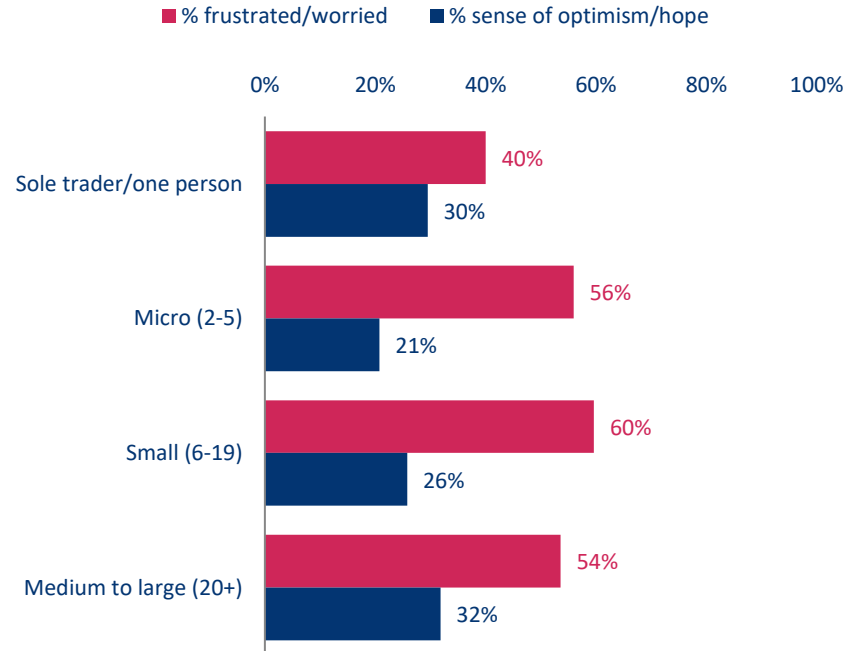
Results by size

Levels of frustration and worry are highest for employers – but particularly for micro (2-5 staff) and small (6-19 staff).

This is echoed in the proportion of employers reporting difficulties – with their staff wellbeing being the top difficulty/concern with 40% of all employers having this concern.

This suggests that the most important areas of focus to support wellbeing are likely in the small to medium employer space – with a separate focus on the owners/managers – then on their employees.

Wellbeing metrics by size of business



WELLBEING

Variation by industry

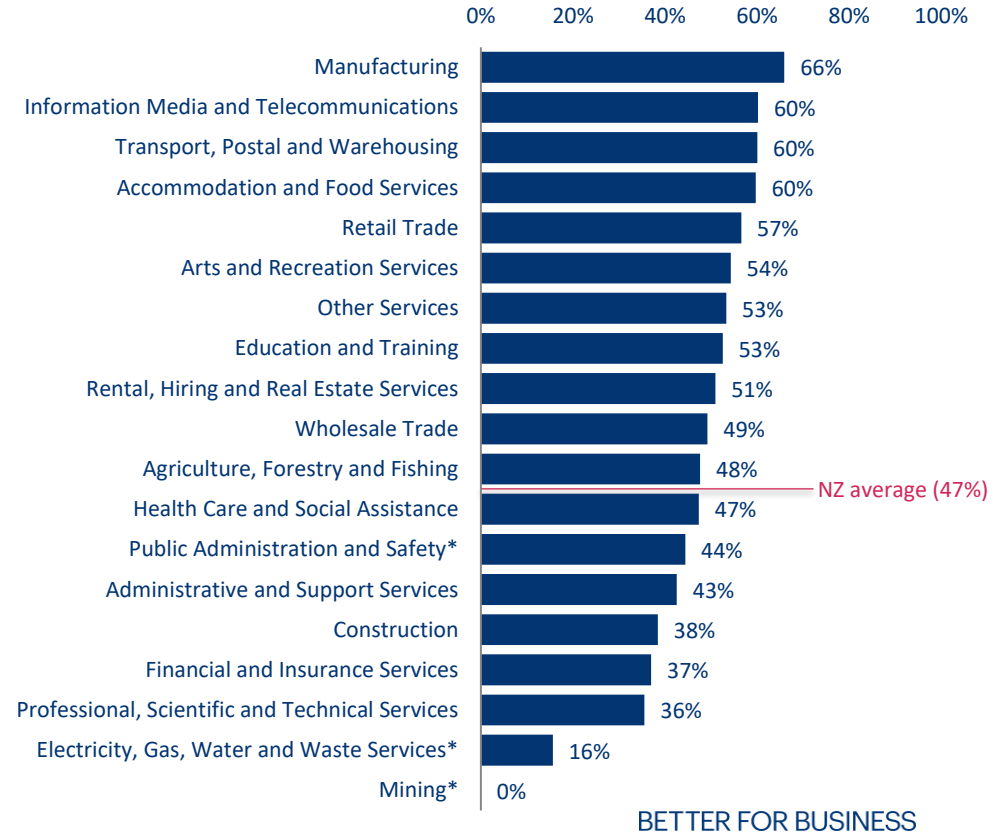
As with business confidence of operating and financial reserves, we see notable variation across industry categories. Many industries are well above the overall average, with the most concerning being Manufacturing at 66%.

Information Media and Telecommunications, and Transport, Postal and Warehousing, perhaps surprisingly, reflecting the next highest frustration and worry at 60%.

Perhaps more expected, Hospitality (60%) and Retail (57%) also have particularly concerning wellbeing indicators.

The following slides look at key business concerns and difficulties. Key industries reflecting lower confidence and/or poorer wellbeing indicators are profiled to identify any challenges or opportunities to better support these sectors.

% of businesses "frustrated and worried" Many times or all the time in the past two weeks



* Indicates very small sample size, therefore results are indicative only

BUSINESSES CONCERNS & DIFFICULTIES

BUSINESS CONCERNS

Categorised from over 1800 individual comments

To avoid pre-supposing what the key concerns for businesses might have been in the November – December 2021 period, businesses were asked to describe their current concerns in as much detail as possible and in their own words.

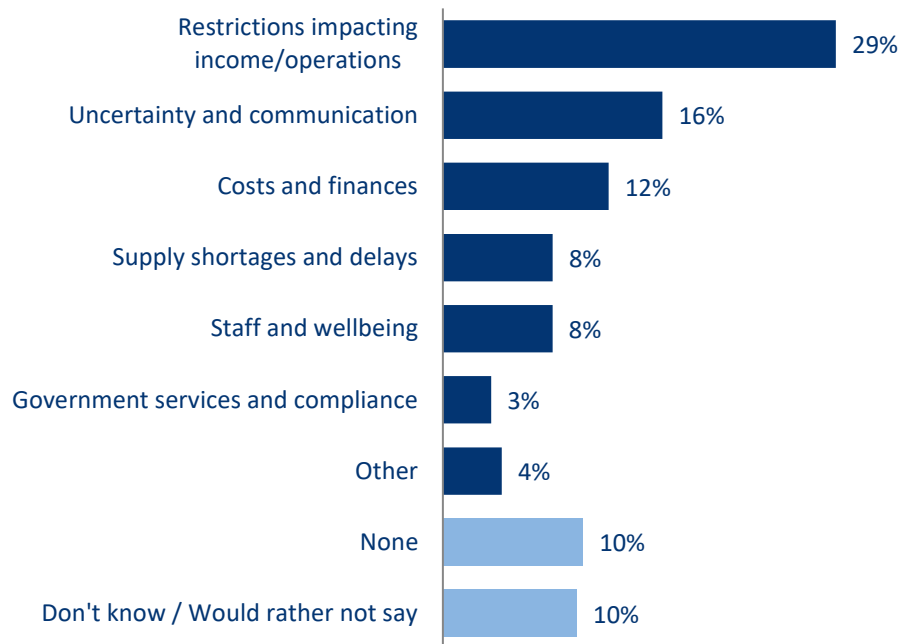
The overwhelming number and length of responses was quite unprecedented in B4B's research of this type. The chart at right reflects these comments once coded into categories. However, some illustrative comments for the larger categories follow on the next slide.

Please note that these comments came in throughout all of November 2021. During this time, different announcements were being made, and before the COVID-19 Protection Framework came into effect.

A final key point is that although comments have been assigned one category, most comments expressed a variety of concerns and challenges – an indication of the complex landscape that businesses find themselves operating in.

Specific concerns as described by business owners and managers

% of all businesses



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BUSINESS CONCERNS – ILLUSTRATIVE COMMENTS

Restrictions impacting income/operations

“As a small wine producer, we rely entirely on the hospitality trade, restaurants, and bars as an outlet for our product. Without the hospitality trade being able to open we have no sales.” – Agriculture (Wine), One-person/No employees

“Cash does not seem to be flowing. With the borders shut we are short on qualified staff. Freight is an issue. We are trying to plan the next few months - will essential service staff who are close contacts have to isolate? Does that mean we have to shut a workshop down for 2 weeks? What if we can't shut down because of essential work required for animal welfare etc.?” – Manufacturing, 6-19 employees

Uncertainty and communication

“Over-micromanagement – using levels and steps has become confusing and widely ignored. Vaccine passport will deliver many more problems than solutions. Being held to ransom by a few fuels anger.” – Hospitality, 6-19 employees

“A clear plan from the government of what they are doing to open up Auckland, New Zealand, and timeframes, CLEARLY communicated. Currently all wishy washy, and communicated with the government always patting themselves on the back and that much drive – you have no idea what any of the plans are.” – Transport, Postal and Warehousing, 6-19 employees

Staff and wellbeing

“1. Recruitment and retention of suitably qualified staff. The loss of available immigrant staff on student, working holiday, or work visas has had a significant effect on this. 2. Lack of clarity about the start of the Traffic Light System is making decision making hard. In addition, businesses will have to administer and police this system, which will be stressful, and we don't have staff or the resources to do this. 3. Although mandating vaccinations for high-risk workplaces such as hospitality is a welcome move, it has set up potential conflict between employers and staff, and between staff members who resent having to share what they see as lifestyle decisions with the workplace.” – Retail, 20+ employees

Costs and finances

“Cash flow, uncertainty, inflation, theft, robbery, lack of suitable staff, supply chain issues, government red tape, vaccine mandates.” – Retail (Fuel), 6-19 employees

“Debtors. We have a reasonable workload, but getting paid by others is becoming harder, so a lot more chasing debtors is involved. So we don't need direct support, but our debtors seem to. Not sure if they are having the same problem.” – Professional, Scientific and Technical services, 2-5 employees

Supply shortages and delays

“Building material supplies with half the country locked down plus shipping delays, country needs opening up so materials don't keep going up - if it keeps on going the building industry will come to a grinding halt.” – Construction, One-person/no employees

“Getting enough stock in (stock delays). Paying the monthly running costs. Enforcing COVID-19 rules (signing in & mask wearing). Dealing with frustrated, abusive clients.” – Retail, 2-5 employees

OTHER DIFFICULTIES

From prompts

As well asking in their own words, the research also sought to quantify a few other key difficulties raised either previously or anecdotally.

As we see, again given the timing of the research, the clarity of frameworks, supply chain and restrictions affecting businesses were the largest difficulties.

A concerning 24% were very concerned that they may potentially have to downsize or close their business – similar to those who felt they may not be able to pay back current or additional loans. ie. one in four businesses are concerned they'll need to retract or close.

Difficulties facing businesses % of all businesses



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EMPLOYER DIFFICULTIES

Specific challenges for those employing staff

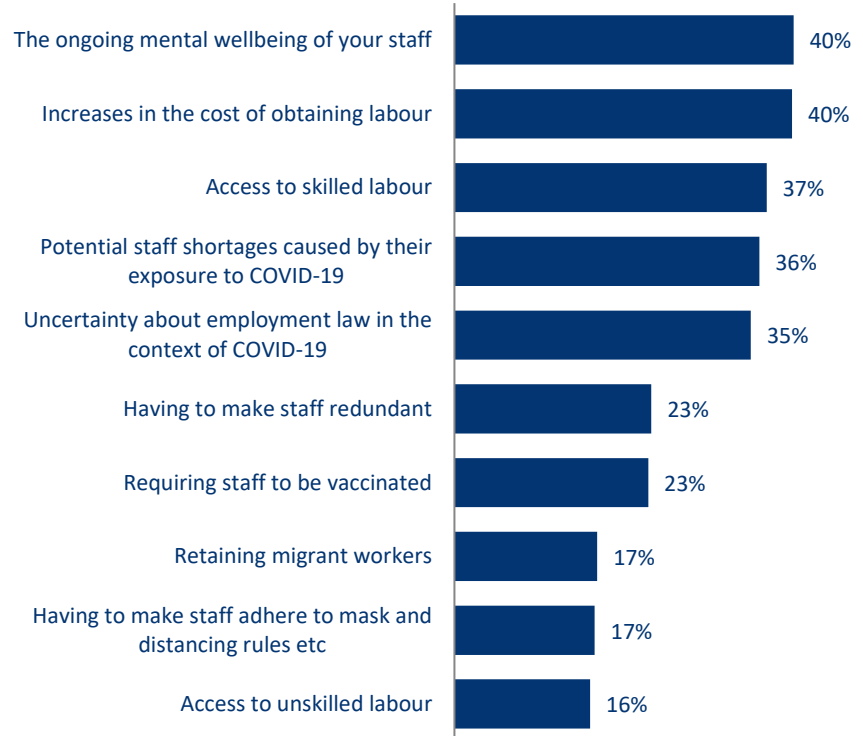
In addition to the difficulties faced by all businesses, those employing staff face some particular – and widespread – challenges.

Of highest concern was staff wellbeing – with 40% of all employers expressing this. Unsurprising in the context of their own deteriorating wellbeing, though a positive reflection on the caring nature of New Zealand’s employers. A similarly high number were concerned about increasing labour costs and finding skilled staff.

Other concerns of note were staff shortages due to isolation requirements and employment law as it pertains to the COVID-19 context.

Nearly a quarter of all businesses were concerned about the potential of having to make staff redundant.

Difficulties facing Employers % of all Employers



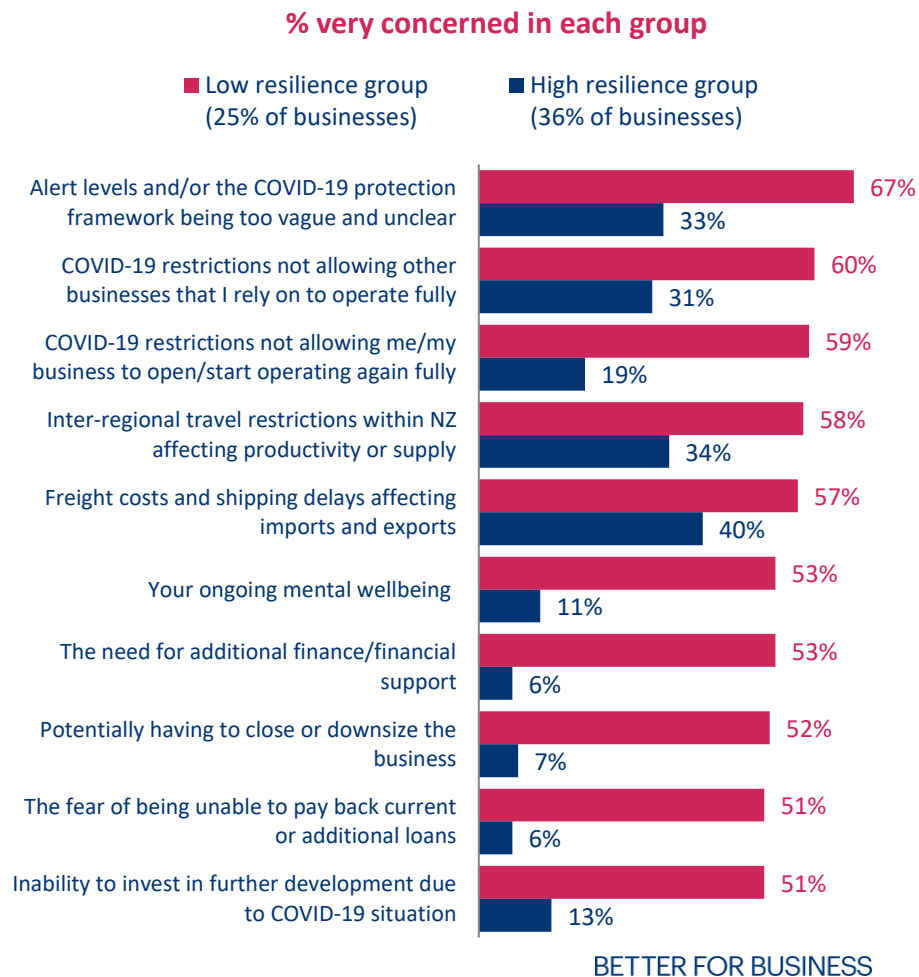
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THE LEAST RESILIENT

Have the highest levels of concerns

25% of all businesses reported higher levels of frustration and worry, low levels of optimism and hope, as well as having little or no financial reserves. Statistical testing sets these businesses quite apart from all others.

They share the concerns of all businesses but are much more likely to have concerns in general and have the largest difference in concerning metrics such as mental wellbeing (53% concerned of low resilience, and just 11% have high resilience).



FUTURE BUSINESS INTENTIONS

CONTEXT

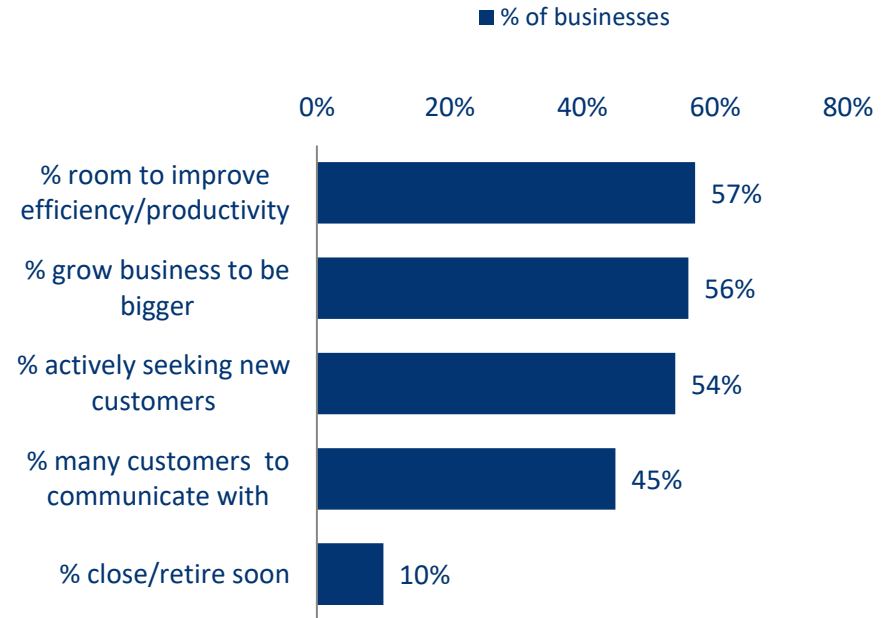
What are the intentions of businesses?

To provide some context to the Business Health results – and indeed the subsequent digital capability questions (available in a separate report) – businesses were asked a few questions about their general business context and intentions.

Though trends aren't yet available for this line of questioning, we can see just over half of all businesses would like to grow, see potential for efficiencies or productivity improvements, and are seeking new customers.

However, 10% are of the view that they will either close their business or retire soon. This is broadly in line with business closure indicators from StatsNZ – although lower than the 24% indicating their concern at downsizing or closing as mentioned earlier in this report.

Business context and intentions



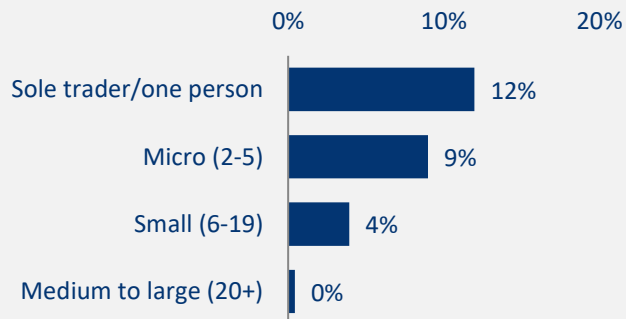
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INTENTIONS LENS

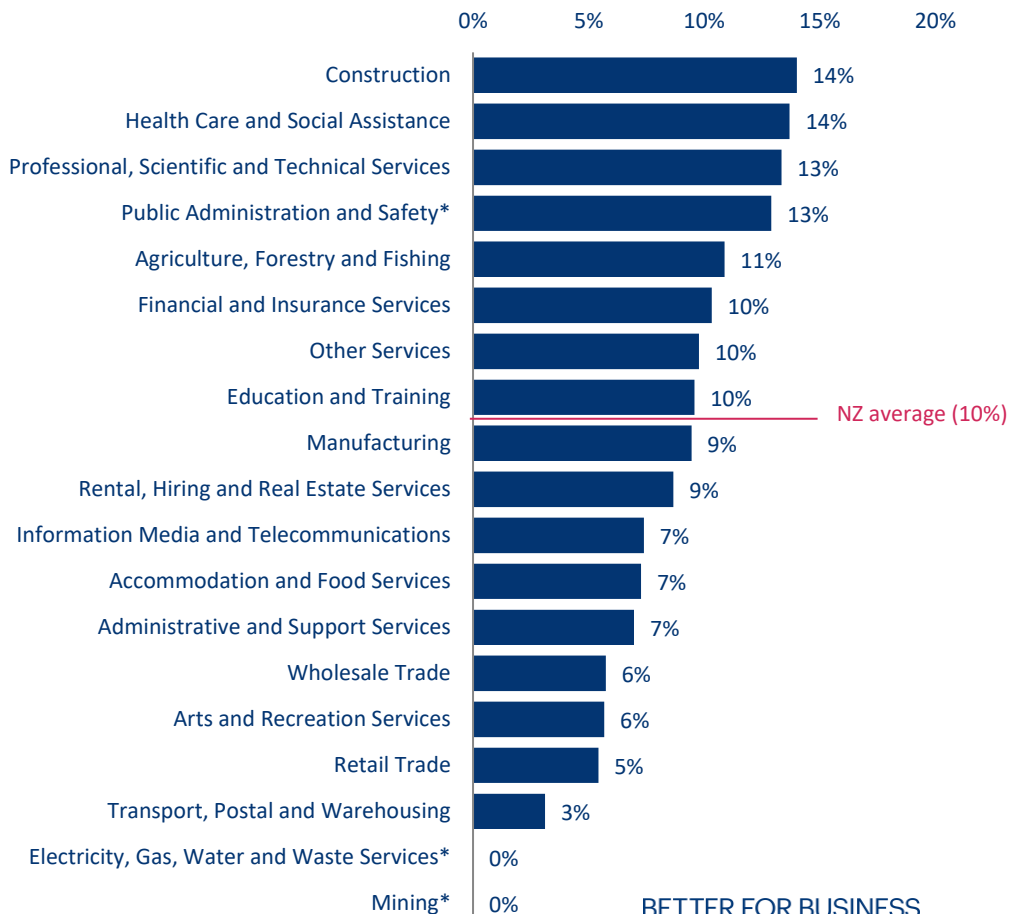
Expected closures/retiring by industry

The Construction industry has the highest expectation of closure or retiring soon, equal with Health Care and Social Assistance. We also see this is more prevalent for smaller businesses.

% expecting to close or retire from business soon



% expecting to close or retire from business soon

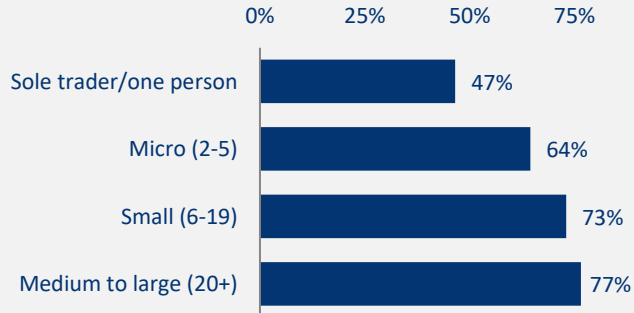


INTENTIONS LENS

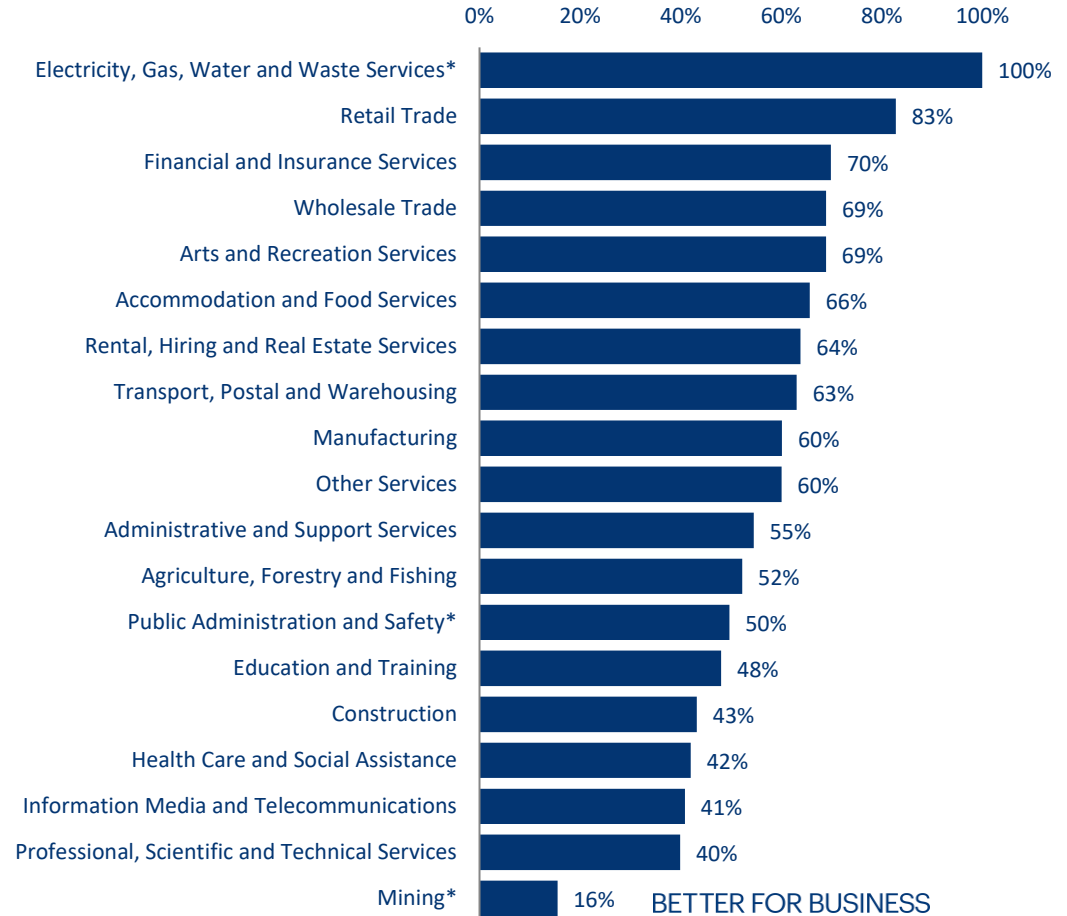
Desire for growth by industry and size

Notwithstanding the difficulties and challenges businesses have faced in the past two years – or perhaps even exacerbated by it – the desire for business growth in many sectors remains relatively strong, with 83% of retailers reporting a strong desire to grow.

% want their business to grow bigger than it is now



% desire to grow the business to be bigger than it is now



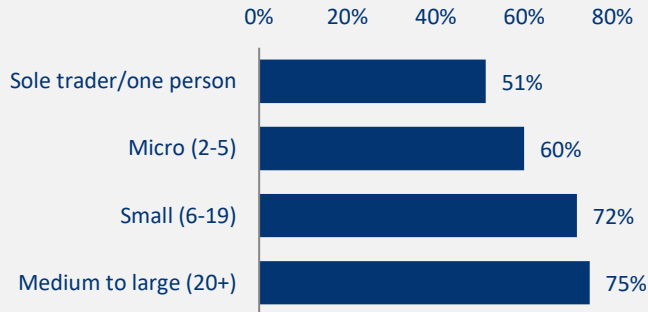
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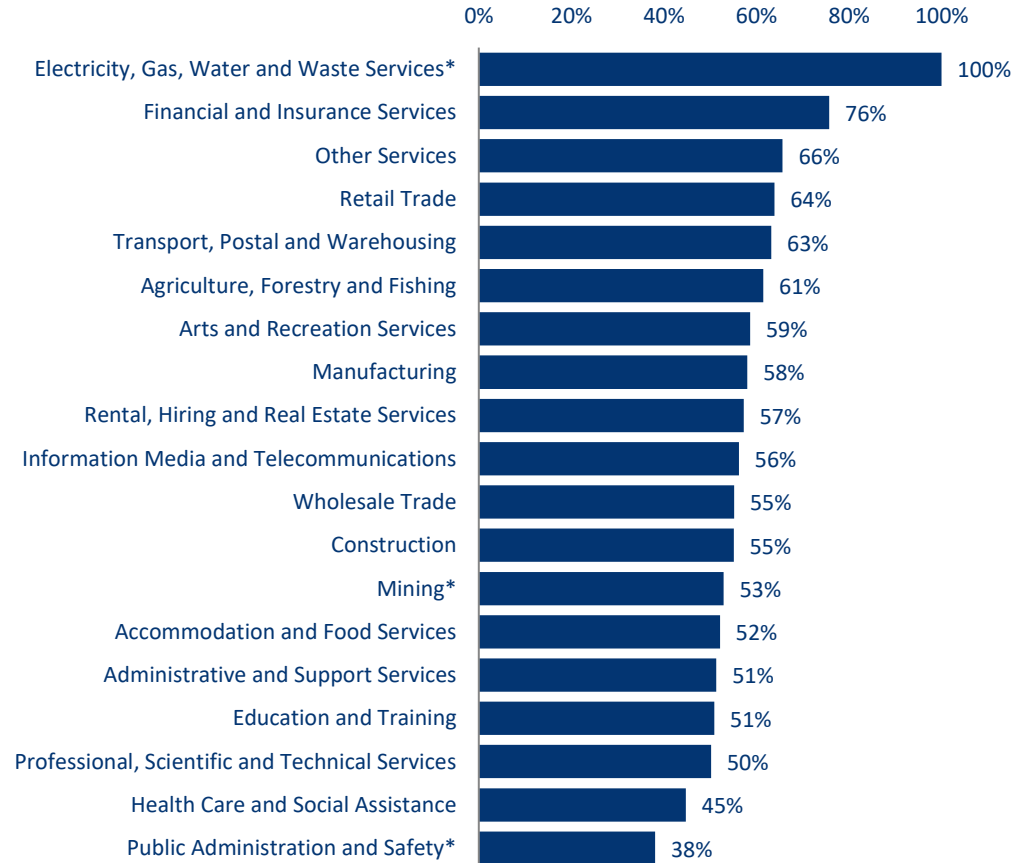
Things could be better

Aligned with the desire for growth, similar trends across industries and business size exist in terms of where there might be opportunities to be more efficient or productive.

% feel there is room to improve efficiency/productivity



% believe their business could be more efficient/productive



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Summary

Wellbeing has suffered, despite financial resilience and confidence holding – for now

Businesses are still seeking further clarity, a sense of having a plan and wanting to open up

Current or potential supply chain issues are already beginning to affect businesses – particularly import/export

THE QUESTIONNAIRE

And the raw data

If you have future questions or are interested in the raw data, please talk to the Better for Business team. We're happy to help.

The full set of tables with responses to each question produced by Research NZ is also available on request. These are broken down by high level industry, size, and NZ geographic region.

Finally, an online self-service interactive insight tool (Qlik) including these results is in development. Please contact us if you would like access and/or training in using this tool.

Email: betterforbusiness@mbie.govt.nz

