

Waikato Regional Business Sentiment Survey November 2023

Executive Summary

Confidence has rebounded but key priorities are unchanged: Health, Inflation, Crime, Education & Housing

Our November 2023 sentiment survey reflects a Waikato business community whose confidence has rebounded with the election of a new government. However, concerns about the delivery of core government services remain high and political uncertainty is seen as a key barrier to growth. Waikato businesses continue to prioritise roading as the most needed infrastructure investment in the region, and there has been a strong increase in those citing renewable energy infrastructure as a priority, reflecting the key role renewable energy needs to play in enabling the Waikato's transition to a low emissions economy.

Key insights

- Respondents' net confidence in their own business has lifted back to November 2022 levels, with a net score of +9, up from -13 in April 2023. Of those surveyed, 45% are extremely (9%) or fairly (36%) confident about their business prospects over the next year, compared to 35% being fairly (29%) or extremely (2%) worried. Views on the outlook for the Waikato region and national economy have also improved significantly, from net negative to net positive outlooks.
- Pressure on business profitability has eased and profit expectations are stronger, with 46% of businesses expecting a profit increase in the coming 12 months (compared to 34% in Apr-23). Growth expectations have also lifted, with 54% of businesses planning for growth in the next 12 months (compared to 45% in Apr-23).
- Labour market pressures are easing – fewer businesses believe there is a skills shortage (69% down from 78%).
- Views on key challenges facing the New Zealand economy and priorities for the government are largely unchanged from the previous survey. The top five priorities are: Health, Inflation/Cost of Living, Crime, Education, and Housing Affordability.
- Top regional infrastructure concerns remain roading (60%), health infrastructure (54%) and affordable housing (41%), however, renewable energy has grown in importance to #4 on the infrastructure priority list (22%, up from 11% in April).
- There has been a considerable increase in the percentage of Waikato businesses with a climate change policy/strategy in place, up from 24% to 44%. However, over 40% of Waikato businesses are not actively considering the risks of climate change on their business and have no plans to develop strategies to respond.
- At a sector level, the results indicate clear pressure on the Agriculture/Forestry/Fishing and Construction industries, however, their outlook for the coming 12 months is more positive, particularly for Construction. The Info/Media/Telco sector has shown strong performance for the past 12 months, but has one of the most negative sector outlooks for the coming 12 months and continues to highlight skills shortages as a major challenge.
- At a district level, sentiment and performance was strongest for businesses in the Taupō, Waikato and Ōtorohanga districts, and weakest for those in the Thames-Coromandel and Matamata-Piako districts. This reflects the ongoing impact of cyclone recovery on businesses in Thames-Coromandel and the prevalence of primary industry businesses in Matamata-Piako.
- The survey results indicate generally strong performance and positive outlooks from Māori and Pasifika businesses in the region, with Pasifika businesses rating particularly strongly for revenue and profitability.

What this means for the Waikato:

The resilience of Waikato businesses to economic challenges shows strongly in the November 2023 survey. They continue to back themselves to grow or at least maintain their position, and are positive about the future outlook for their own business, the Waikato region, and the New Zealand economy. They are increasingly planning for the impact of climate change and are clear on the key infrastructure needed in the region to enable their growth.

As the new Government establishes itself and focuses on delivery of its 100 day plan, the Waikato business community will be watching closely to see that their concerns about the delivery of core government services will be addressed and that investment is prioritised towards key growth enabling infrastructure.

Waikato Regional Business Sentiment Survey November 2023

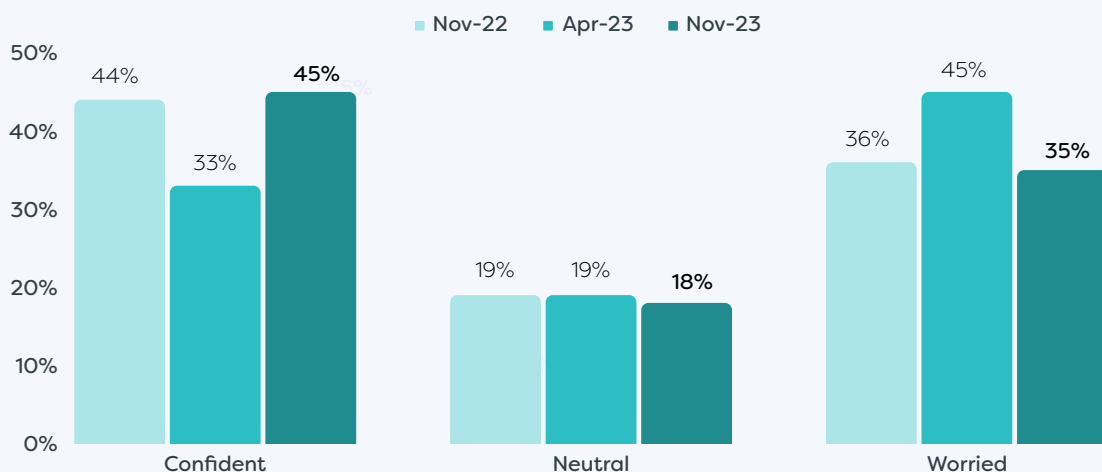
Business Confidence

Business net confidence has bounced back from April's low of -13 to +9, returning to a net positive score. Māori and Pasifika businesses have confidence levels well above average with +25 for Māori and +17 for Pasifika.

Although businesses in the Ōtorohanga district are most likely to be expecting staff decreases in the next 12 months, their confidence in their own business performance was considerably higher than average, sharing the top net confidence score with businesses in the Taupō district at +25.

At a sector level, the lowest net confidence is in Agriculture/Forestry/Fishing and Information/Media/Telco (both scoring -23). The low confidence level from Information/Media/Telco is in contrast to its above average revenue performance and strong plans for growth in the coming year.

Confidence in own business



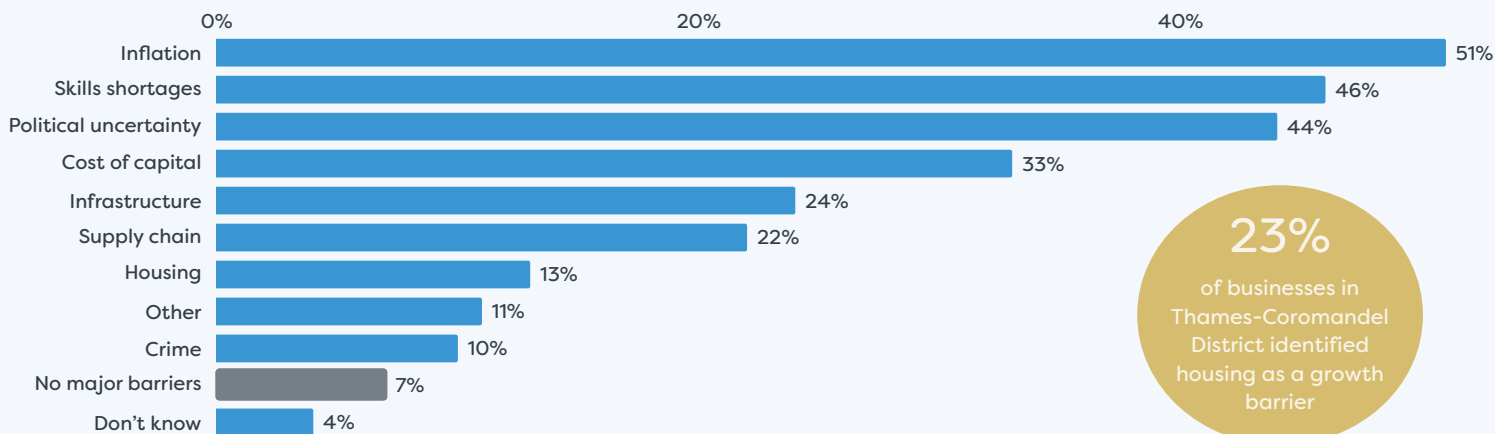
+9
Net confidence improved from -13 in Apr-23

+25
Net confidence of Māori businesses

Business Barriers to Growth

For the majority of businesses, inflation was identified as a barrier to growth (51%), followed by skills shortages (46%). The third most identified barrier was political uncertainty at 44%, capturing the sentiment of businesses during the weeks between the 2023 election and the forming of the National, Act and New Zealand First coalition government. Cost of capital is a more significant barrier for Māori businesses at 42% compared to regional average 33%, and political uncertainty is the top growth barrier for Ōtorohanga businesses at 59%. Housing is most likely to be cited as a barrier by businesses in the Thames-Coromandel district (23%) and least likely by those in Waipā district (8%).

Major barriers to growth



23%
of businesses in Thames-Coromandel District identified housing as a growth barrier

Waikato Regional Business Sentiment Survey November 2023

Business Performance - Revenue & Profitability

In line with the increased business confidence levels, Waikato business revenue performance over the past 12 months has stabilised compared to the previous survey, with fewer businesses reporting a revenue decrease (32%) and more businesses reporting consistent revenue performance (21%).

Māori businesses experienced revenue growth in line with the regional average (40%) and Pasifika businesses are well above average with 50% reporting a revenue increase over the past 12 months.

The revenue performance figures vary across districts, with the most positive revenue performance coming from businesses in the Waikato district (45% reporting revenue growth), followed by Taupō (44%). Business in the Thames-Coromandel district were most likely to report a revenue decrease at 36%.

At a sector level, Information/Media/Telco businesses were most likely to report a revenue increase (55%) and Hospitality/Tourism was most likely to report a decline (45%). Reflecting pressure on commodity prices, the Agri/Forestry/Fishing sector was also more likely to report a revenue decline (41%).

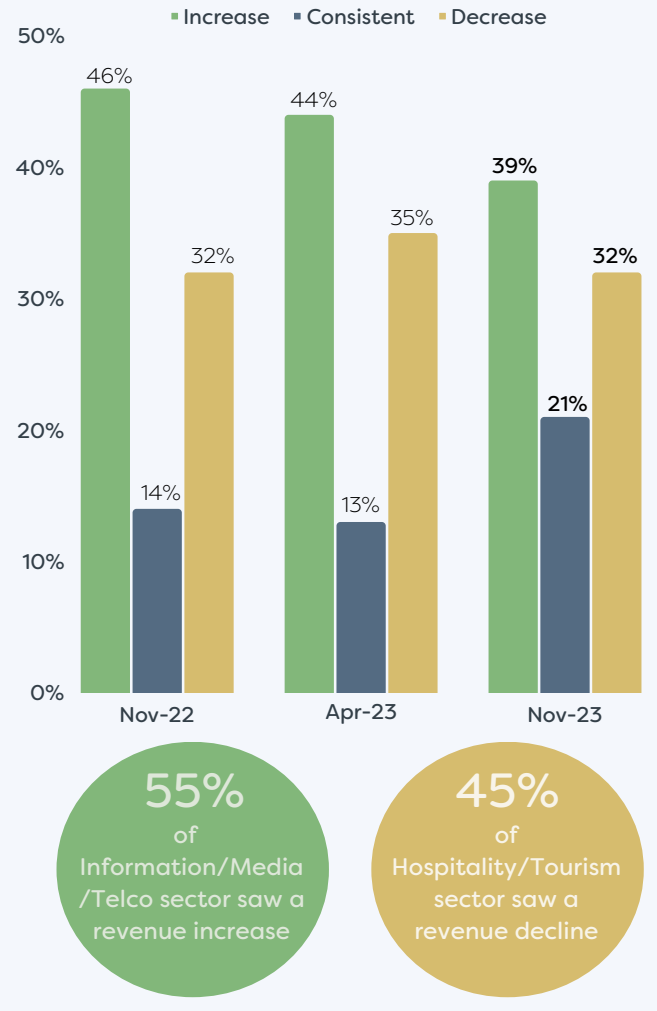
Profitability performance was generally in line with the previous survey, however there has been a small decrease in the proportion of businesses reporting profit declines over the past 12 months, from 39% to 35%.

At a sector level, Agri/Forestry/Fishing (50%) and Hospitality/Tourism (48%) businesses were most likely to have experienced a profit decrease. Sectors most likely to report a profit increase were Information/Media/Telco (50%) and Construction (48%).

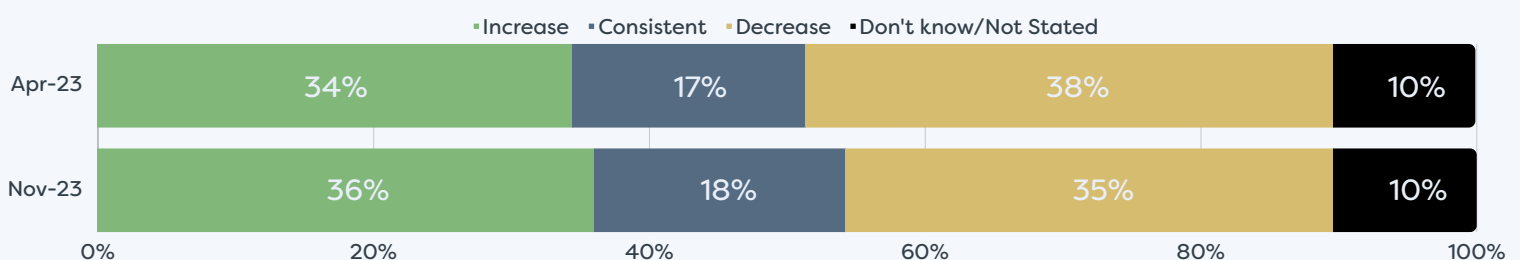
Pasifika businesses reported particularly strong profit results, with 47% experiencing a profit increase in the past 12 months. Māori business profit performance was in line with the regional average.

As with revenue, profitability varies across districts. Most likely to have experienced a profitability decline were businesses in the Thames-Coromandel district (36%). Most likely to have experienced a profit increase were businesses in the Waikato district (47%).

Business revenue performance over past 12 months



Business profitability performance relative to previous 12 months

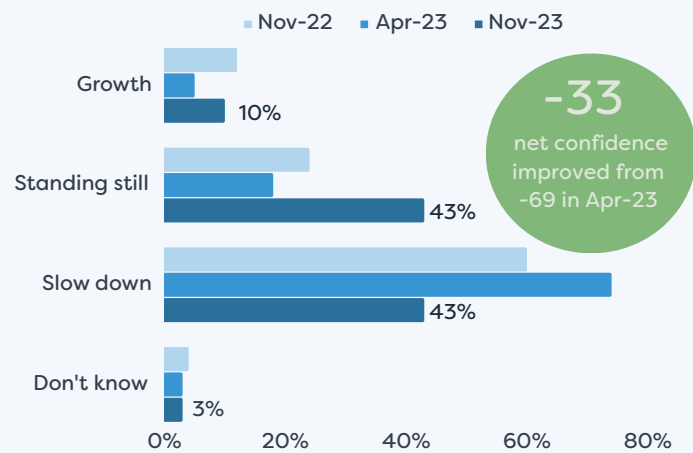


Waikato Regional Business Sentiment Survey November 2023

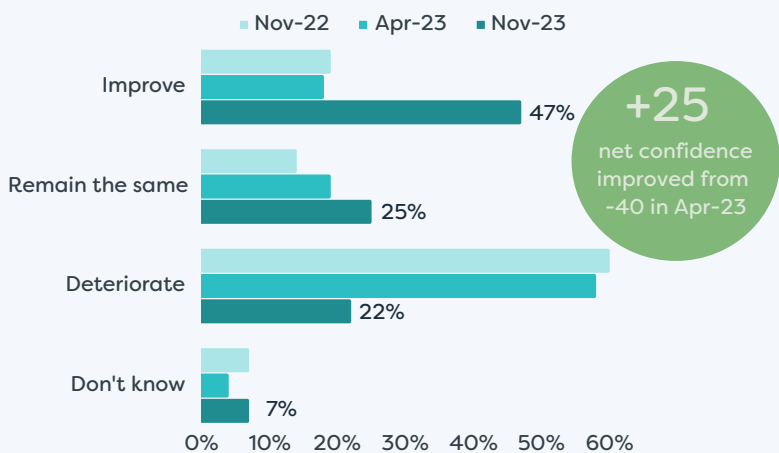
Views on the New Zealand Economy

Views on the performance of New Zealand's economy have markedly improved in the last 6 months. Net confidence in New Zealand's current economic situation has improved 36 points from -69 to -33 (still a net negative view), with the Construction sector showing the most negative view at -46. In the previous two surveys, around one in five businesses (18%) expected the New Zealand economy to improve in the next 12 months, however, this survey saw a significant positive shift with almost half of businesses surveyed (47%) expecting improvement. Notably the sector with the most positive view on the next 12 months was the Construction sector at +41.

Current NZ economic outlook

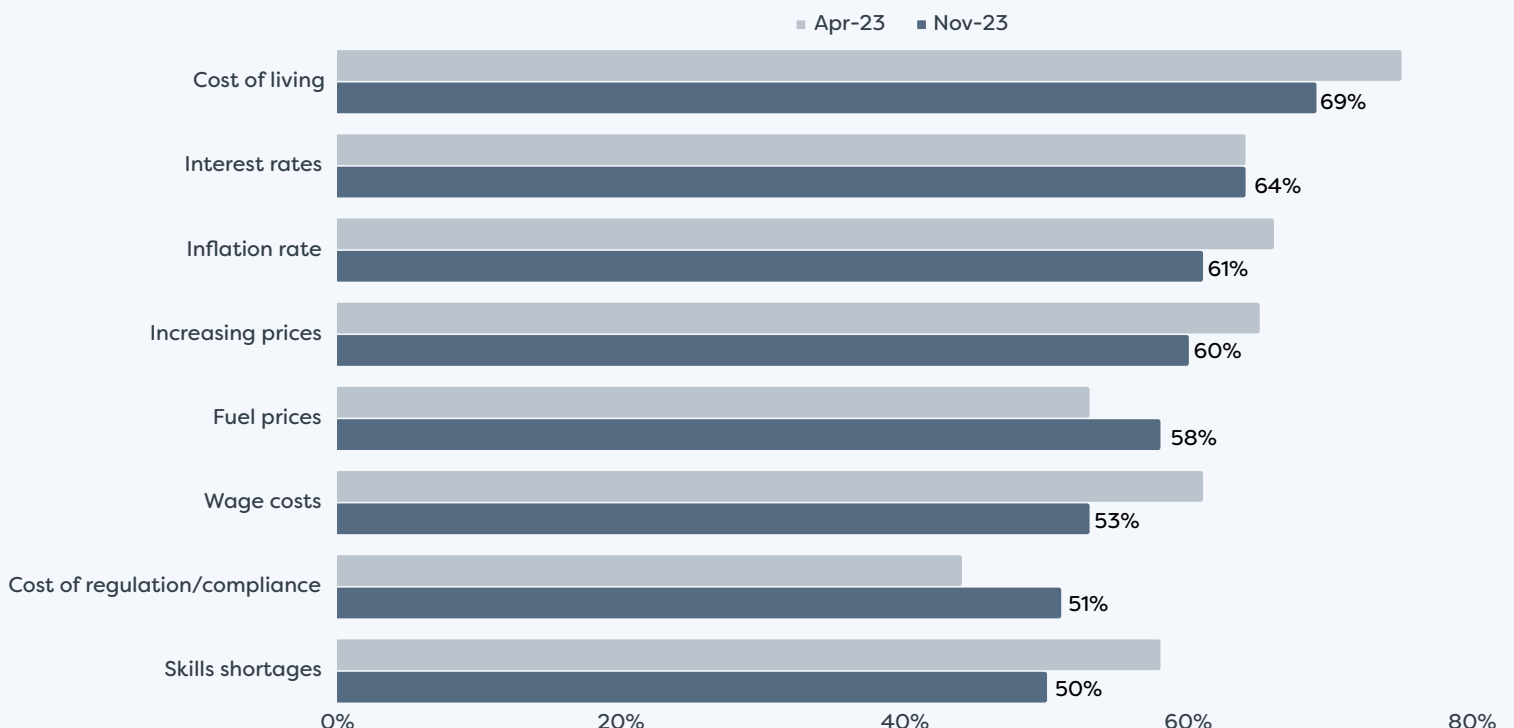


Next 12 months NZ economic outlook



When asked about the greatest challenges facing the New Zealand economy, cost of living remained the top nominated priority, although the overall percentage of businesses citing this challenge dropped from 75% to 69%. Inflation and interest rates remain significant areas of concern for Waikato businesses, however, the proportion citing wage costs and skills shortages has dropped. As with the previous survey, cost-related challenges are prominent.

Greatest challenges currently facing the NZ economy



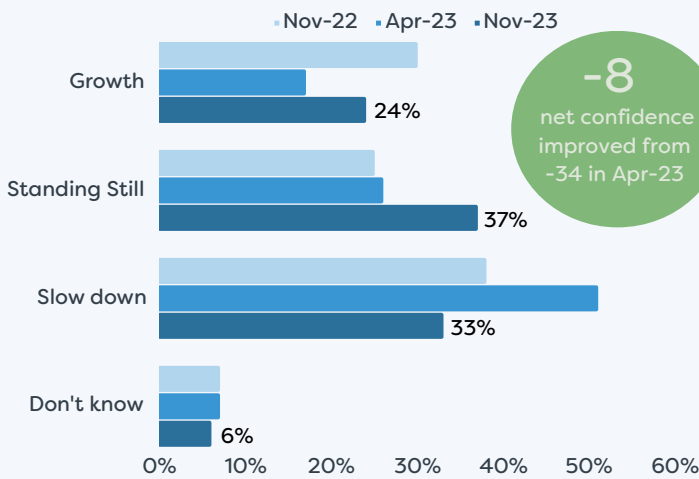
Waikato Regional Business Sentiment Survey November 2023

Views on the Waikato Economy

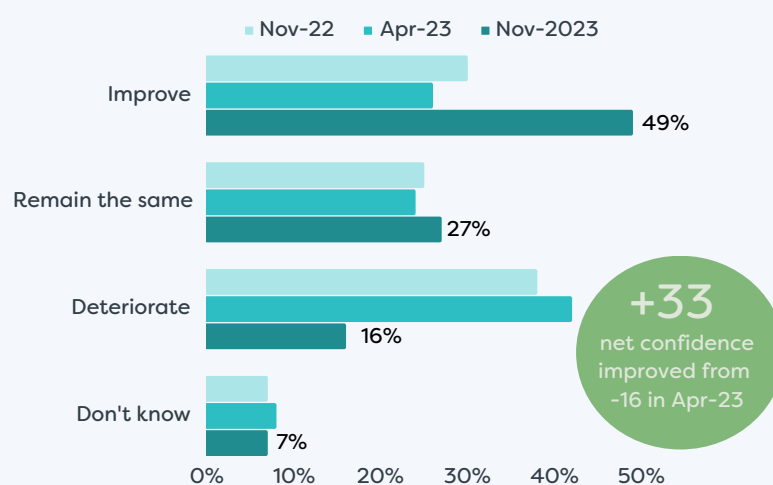
Higher confidence levels in the New Zealand economy extend to the business outlook for the Waikato region, with a net confidence of -8, improving from last survey's confidence level of -34. At a district level, the most positive view on the region's current economic outlook is Hamilton City (-6) and the most negative is Hauraki (-25).

Views on the future performance of the Waikato economy have also improved, with the percentage of businesses expecting improvement climbing significantly from 26% to 49%. Net confidence in the region's future economic outlook is +33, with the most positive net confidence score in the Manufacturing sector at +50, followed by Construction at +43. As with previous surveys, views on the Waikato economy are more positive than that of the New Zealand economy. Both Māori and Pasifika businesses have above average confidence levels for the future of the Waikato economy, with Māori businesses at +44 and Pasifika at +57.

Current Waikato economic outlook



Next 12 months Waikato economic outlook

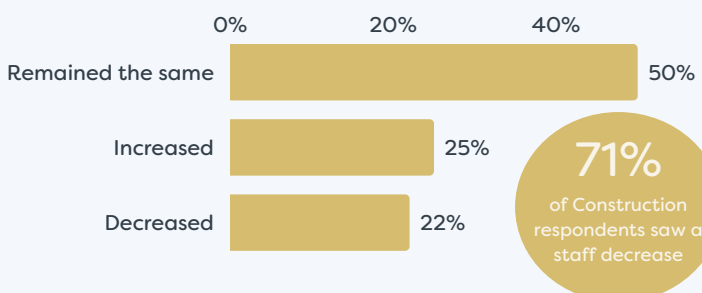


Staffing Levels

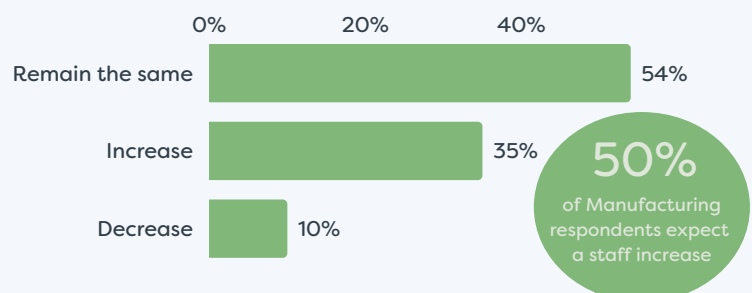
Half of the businesses surveyed maintained consistent staffing levels in the past 12 months. In line with their relatively negative view on the current Waikato economy, the Construction sector was the most likely to have reported a staffing decrease (71%). At a district level, businesses in Matamata-Piako were mostly likely to report staff decreases (29%) and Taupō businesses were most likely to report staff increases (35%) in the past 12 months.

Looking ahead to the next 12 months, 35% of businesses are expecting to increase their staff numbers, with Pasifika businesses most likely at 53%. Businesses in the Taupō district are most likely to expect increased staff numbers in the future (42%) and those in the Ōtorohanga and Waitomo districts are most likely to be expecting future staffing decreases (16%).

Previous 12 months staffing level changes



Next 12 months expected staffing level changes

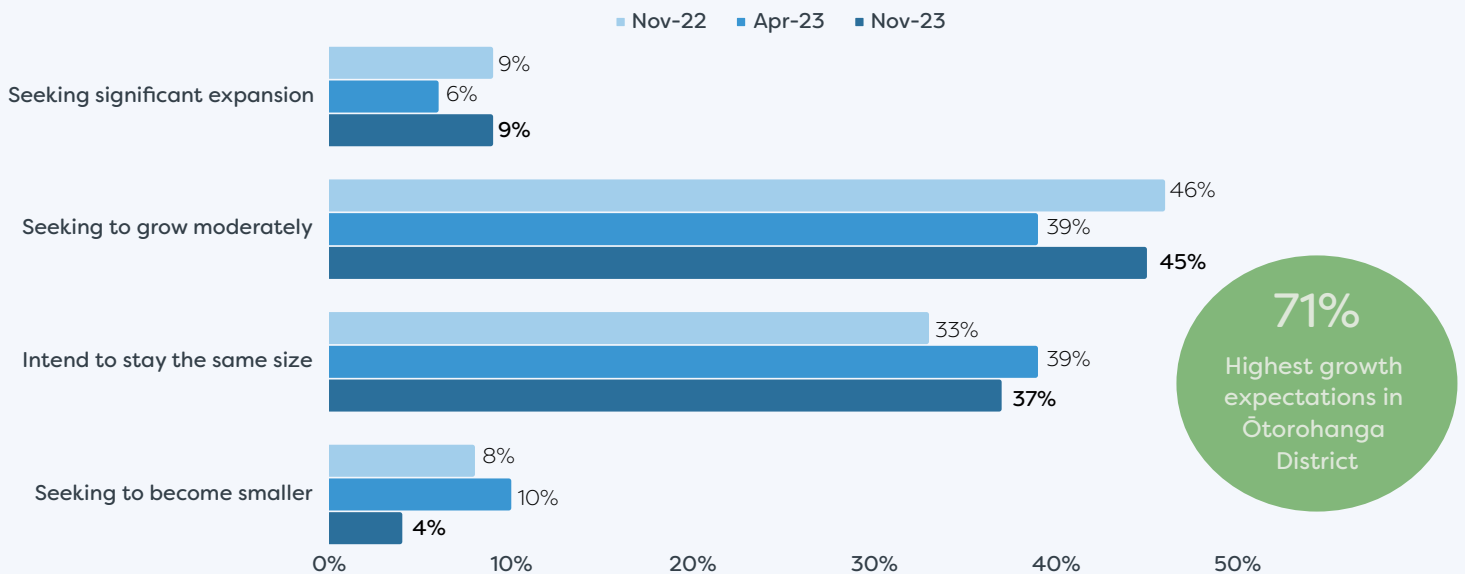


Waikato Regional Business Sentiment Survey November 2023

Expectations for the Future

More businesses are expecting to grow over the next year (54%) compared to our last survey (45%), reflecting the overall increase in business confidence. Māori and Pasifika businesses both have above average growth expectations with Pasifika at 77% and Māori at 64%. Businesses in the Ōtorohanga district are most likely to expect growth (71%), followed by South Waikato and Waikato district both at 68%. The district most likely to expect a decrease in growth is Thames-Coromandel (41%). At a sector level, Information/Media/Telco is most likely to be expecting growth (68%), followed by Manufacturing (67%) and Professional/Scientific/Technical services (65%).

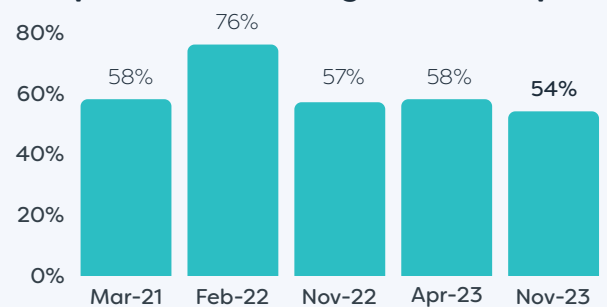
Growth expectations for the next 12 months



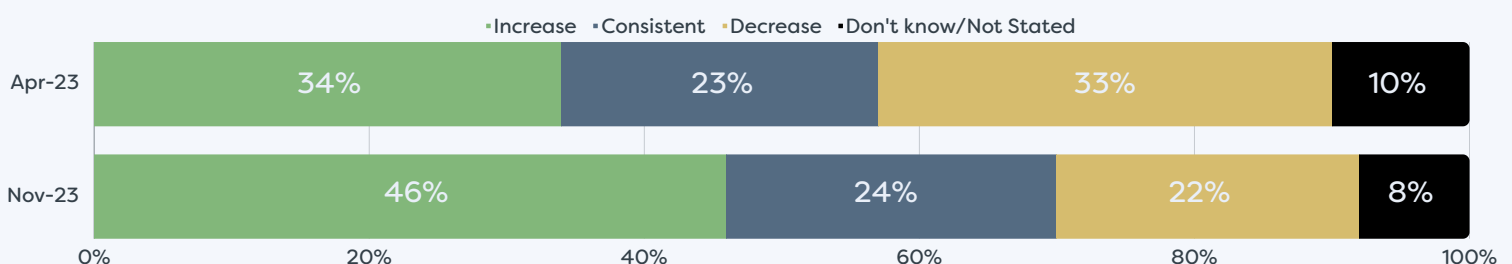
Business intentions to raise prices dropped slightly from 58% to 54%.

Profitability expectations are considerably more positive, with 46% expecting profits to improve compared to 34% in Apr-23. Māori and Pasifika businesses are more likely to expect profit improvements (60%), and businesses in the Ōtorohanga district are the most positive with 51% expecting profits to increase. Waipā district businesses are the most likely to expect a decrease in profitability in the coming 12 months at 26%.

% respondents intending to increase prices



Profitability expectations for the next 12 months



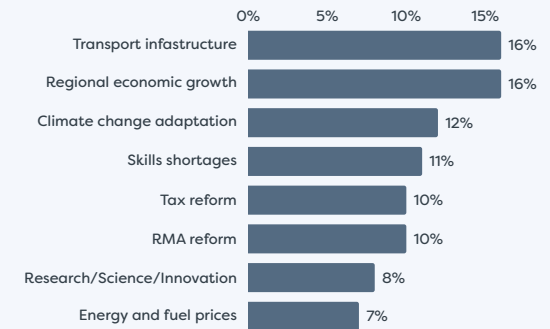
Waikato Regional Business Sentiment Survey November 2023

Priorities for Government

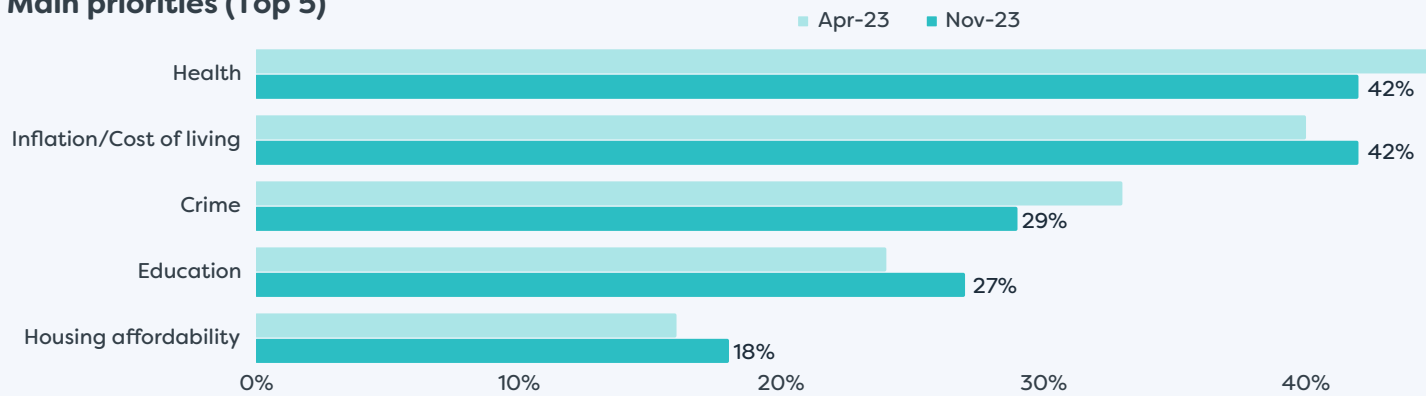
When asked about their top three priorities for the incoming government, we saw a similar response to our last survey, with the top 5 priorities largely unchanged: Health and Inflation/Cost of Living are both the top priority (42%), followed by Crime (29%), Education (27%) and Housing Affordability (18%). The need to improve delivery of core government services remains top of mind for Waikato businesses.

Note: this survey took place from 1-17 November 2023, during the post-election coalition negotiations.

Secondary priorities



Main priorities (Top 5)



Infrastructure Priorities

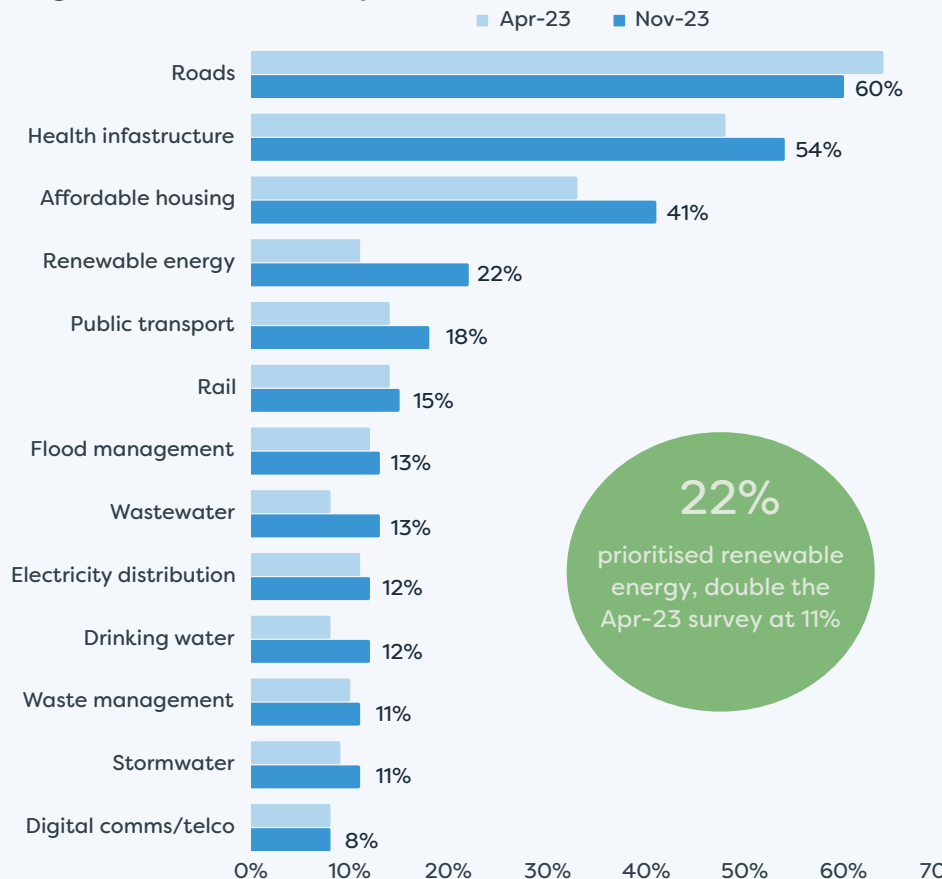
When asked about where the Government should prioritise infrastructure investment in the Waikato region, Roads remained the top priority for the third survey in a row (60%). Notably, Renewable Energy has moved into the top 4 priorities at 22%, up from 11% in Apr-23.

The top priority for Pasifika businesses was Affordable Housing (53%) which ranked third regionally (41%).

22% of businesses in the Thames-Coromandel district prioritised Flood Management, considerably higher than the regional average (13%), reflecting the heightened impact and risk of extreme weather events in the district.

Reflecting the rural nature of the district, 16% of businesses in Ōtorohanga prioritised Digital Comms/Telecommunications, double the regional average of 8%.

Regional infrastructure priorities



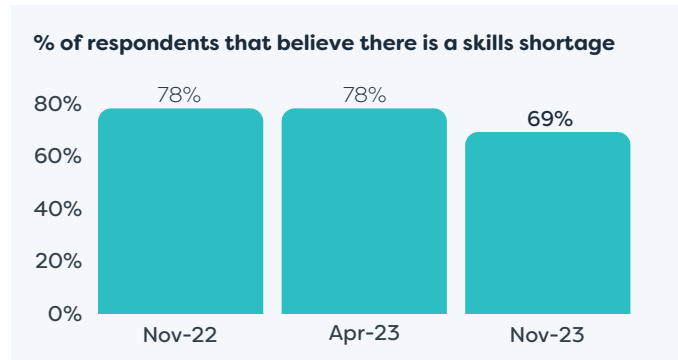
22%
prioritised renewable energy, double the Apr-23 survey at 11%

Waikato Regional Business Sentiment Survey November 2023

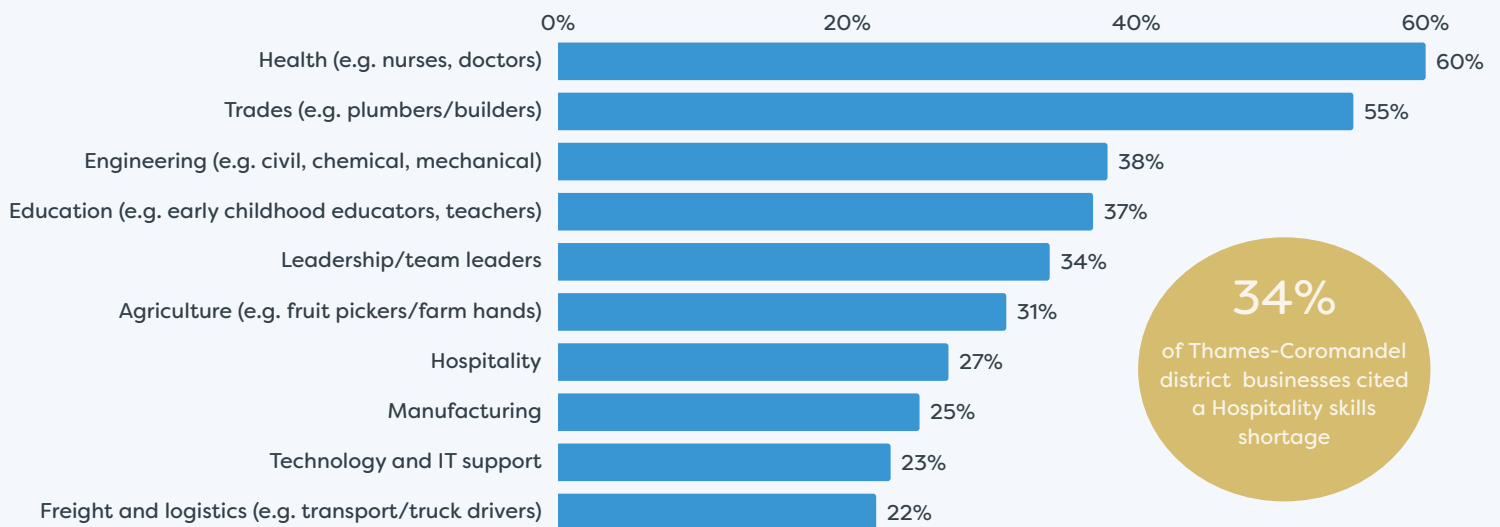
Workforce Development

The percentage of respondents that believe there is a skills shortage in the Waikato region has dropped from 78% to 69%, reflecting a softening in labour market pressures, likely supported by increased immigration levels.

Information/Media/Telco businesses were most likely to cite a skills shortage (77%) and Retail Trade the least (46%). Health workers continue to be the top cited skill lacking in the region.



Types of skills lacking in the Waikato region



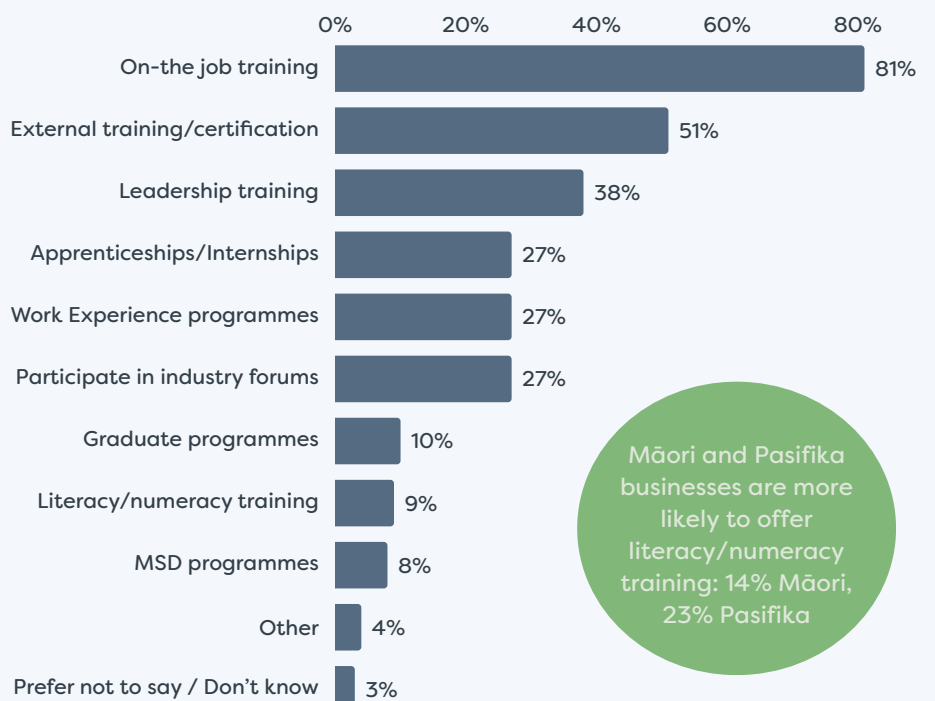
34%
of Thames-Coromandel district businesses cited a Hospitality skills shortage

We added a new question to the survey to build our understanding of business-led workforce development activities in the region.

As expected, the vast majority of businesses offer On-the-job Training. Nearly a third of businesses offer Apprenticeships/Internships, and these are most common in the Construction (48%) and Manufacturing (40%) industries.

The Manufacturing sector is also much more likely to offer Literacy and Numeracy Training at 19%, more than double the regional average of 9%. Māori and Pasifika businesses are also more likely to offer Literacy & Numeracy training to staff.

What workforce development activity does your business offer?



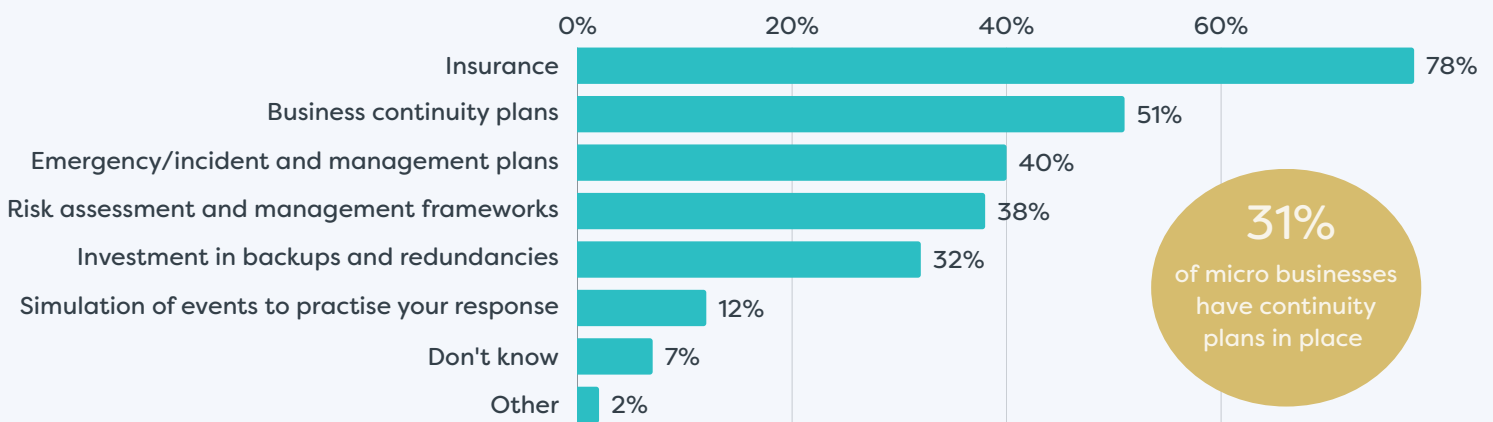
Māori and Pasifika businesses are more likely to offer literacy/numeracy training: 14% Māori, 23% Pasifika

Risk and Resilience

New risk questions were asked in this survey to gain insight into the specific risk management strategies adopted by Waikato businesses. As expected, the vast majority of Waikato businesses have insurance (78%). Half have business continuity plans in place, however only 12% simulate events to practise their response to unplanned events.

Only 31% of Micro Businesses and 40% of Self-Employed Businesses have business continuity plans in place. Pasifika businesses are most likely to have risk management/assessment frameworks in place at 53%.

What measures does your business have in place to respond to significant unplanned events e.g. natural disasters, major business disruptions?



When asked about specific action being taken to manage the risk of climate change on their business, over 40% of businesses stated that they are not considering the risks or impacts of climate change on their business. Of those taking action (57%), the most common activity is to include climate change risks in their strategy/plans.

Businesses most likely to be taking some form of action to manage climate change risks or impacts were from the Education & Training sector (74%), Māori businesses (66%), large businesses with 100+ staff (75%), and businesses in the Waitomo (62%), Waikato (61%) and Thames-Coromandel (60%) districts.

Businesses least likely to be taking action were from the Construction (46%) and Retail Trade (47%) sectors, small businesses with 5-19 staff (53%), and businesses in the Matamata-Piako (51%) and South Waikato (53%) districts.

How is your business managing the risk of climate change?



Waikato Regional Business Sentiment Survey November 2023

Responding to Climate Change

There has been a considerable increase in the percentage of Waikato businesses with an up-to-date climate change policy at 30%, double the previous survey. The proportion of businesses with no plans to develop a climate change policy/strategy has dropped below 50% for the first time in this survey.

Māori and Pasifika businesses are more likely to have a climate change policy/strategy in place, with Māori at 55% and Pasifika at 48% compared to the regional average of 44%. Agri/Forestry/Fishing businesses are also more likely at 41%.

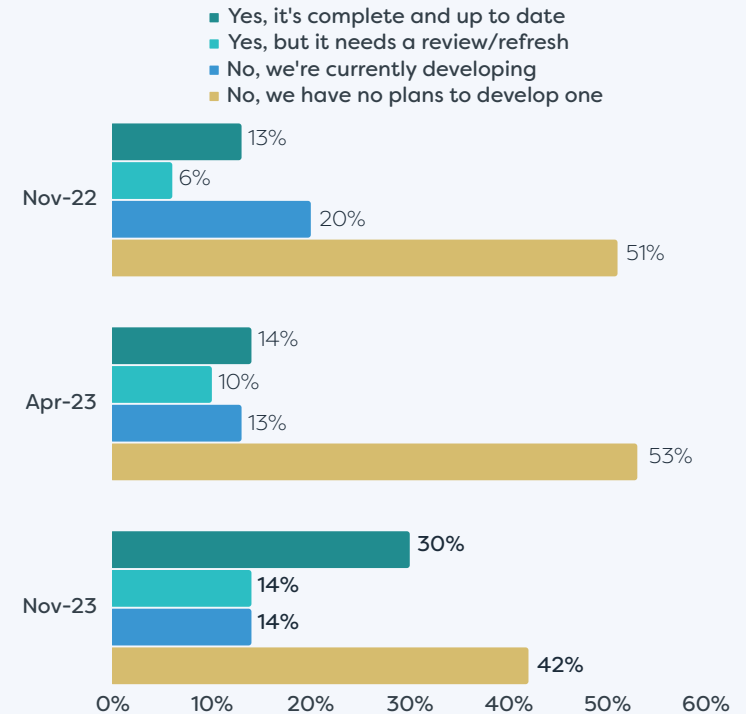
At a district level, businesses in Waikato and Waipā district are most likely to have a climate change policy/strategy in place at 51%. Businesses in the Thames-Coromandel district are least likely to have a climate policy/strategy in place at 39%.

For the first time we asked businesses about the actions they are taking to reduce emissions, in line with EECA's November 2022 'Climate change and NZ business' survey.

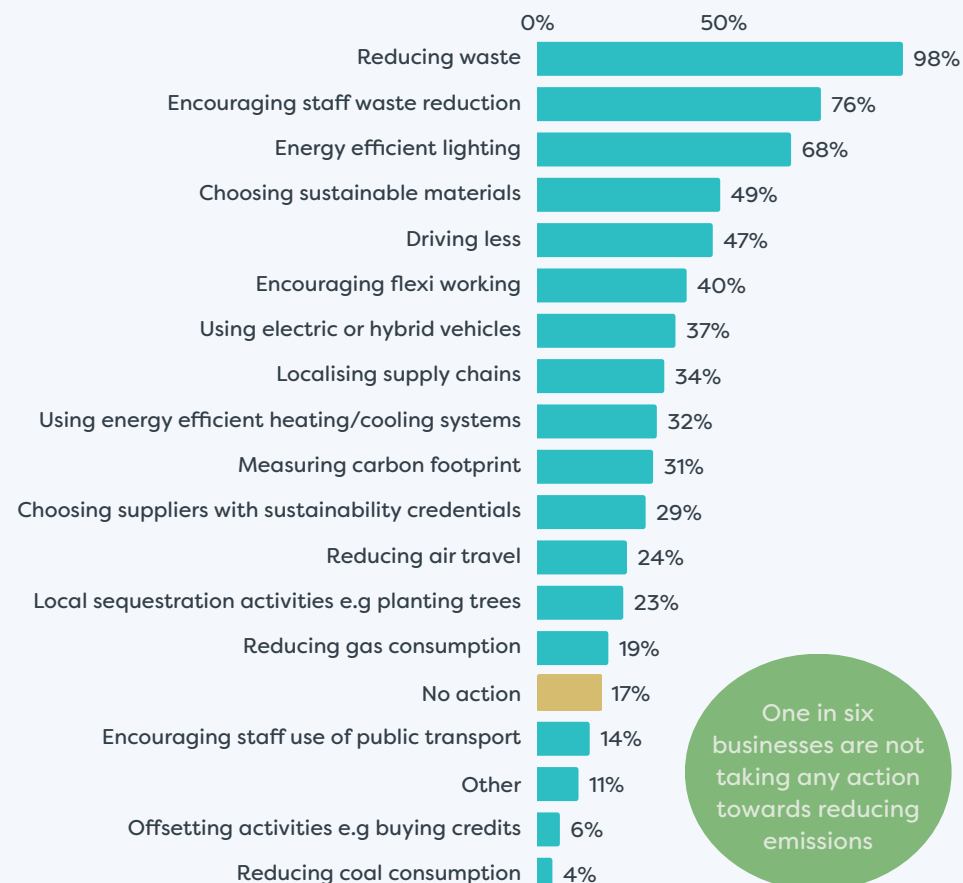
Waikato businesses were more likely than EECA's NZ average to use electric vehicles/hybrid cars and almost three times more likely to measure their carbon footprint. We look forward to reviewing the EECA survey results for 2023 once published for a more time-relevant comparison of these results.

A majority of Waikato businesses said actions they were taking to reduce emissions included reducing waste (98%), encouraging staff waste reduction (76%) and using energy efficient lighting (68%). A small percentage of businesses indicated they were not taking any action to reduce emissions (17%).

Business has a climate change policy/strategy?



What action is your business taking towards reducing emissions?



One in six businesses are not taking any action towards reducing emissions

Waikato Regional Business Sentiment Survey November 2023

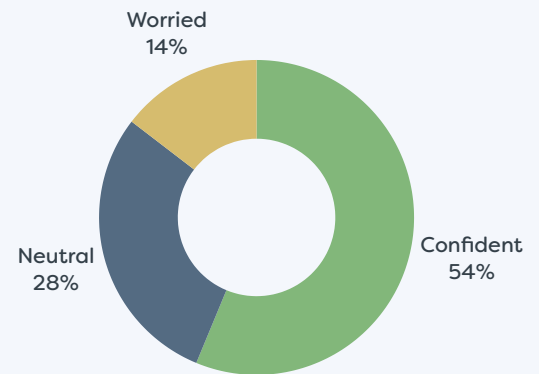
Energy

Questions on business confidence in future energy availability and security were added to the survey. The net confidence of Waikato businesses in energy supply is +40. Māori business confidence in energy was lower than average (+29).

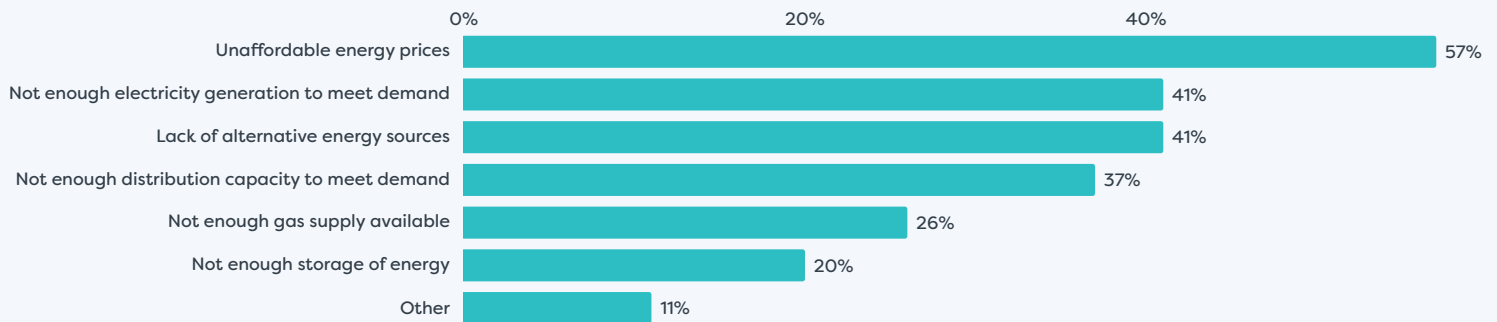
The districts with businesses that have the highest levels of energy confidence are Waikato +50 and Waipā +48. Matamata-Piako district was the most likely to be worried about the availability and security of future energy supply with a net confidence of +31.

The aspect of future energy supply and security of biggest concern was energy prices, followed by generation capacity and lack of alternative energy sources.

Confidence in availability and security of future energy supply



What aspects of future energy supply and security are of concern?



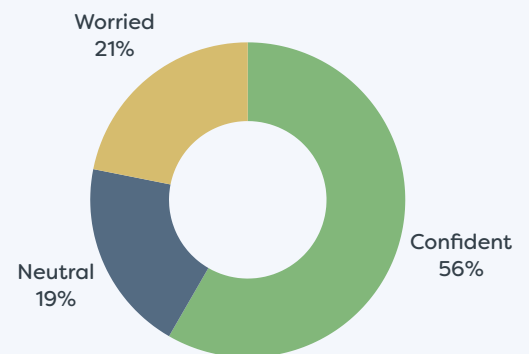
Water

We also added questions to assess the region's confidence on the availability and security of water. The net confidence of Waikato businesses for water was +35, a little lower than energy (+40). As with energy, Māori business confidence in water was lower than average (+24).

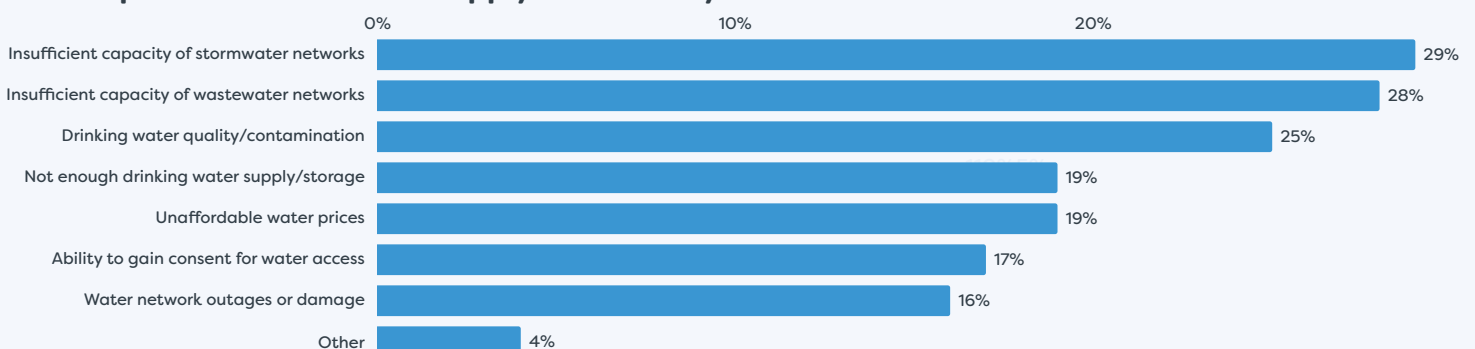
The district with businesses most confident on water is Thames-Coromandel (+45) and the least is Hamilton (+24).

The aspects of future water supply and security of biggest concern to Waikato businesses are insufficiency of both stormwater (29%) and wastewater (28%) networks.

Confidence in availability and security of future water supply



What aspects of future water supply and security are of concern?

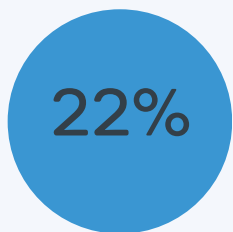


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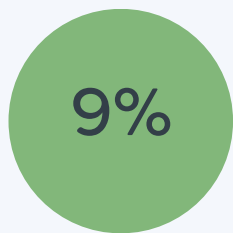
Respondent Overview



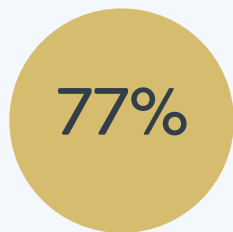
total respondents



of respondents identified as a Māori business

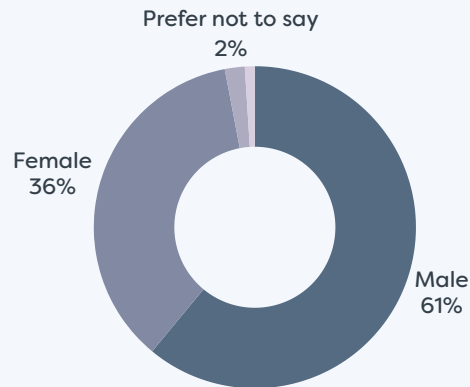


of respondents identified as a Pasifika business

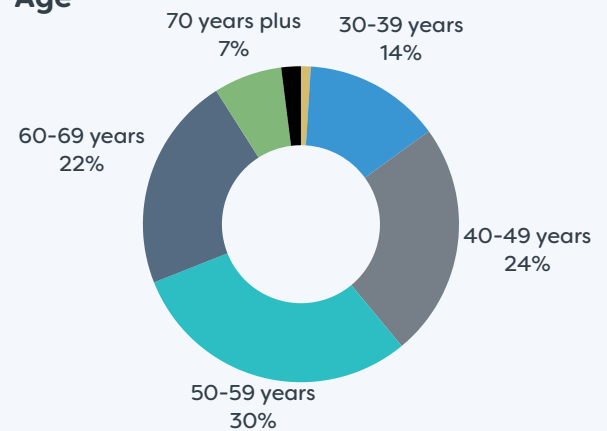


of respondents are from a Limited Liability Company

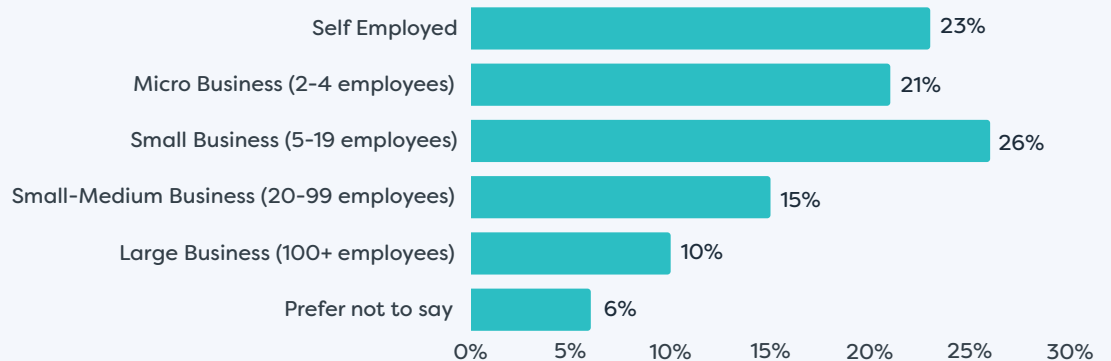
Gender



Age

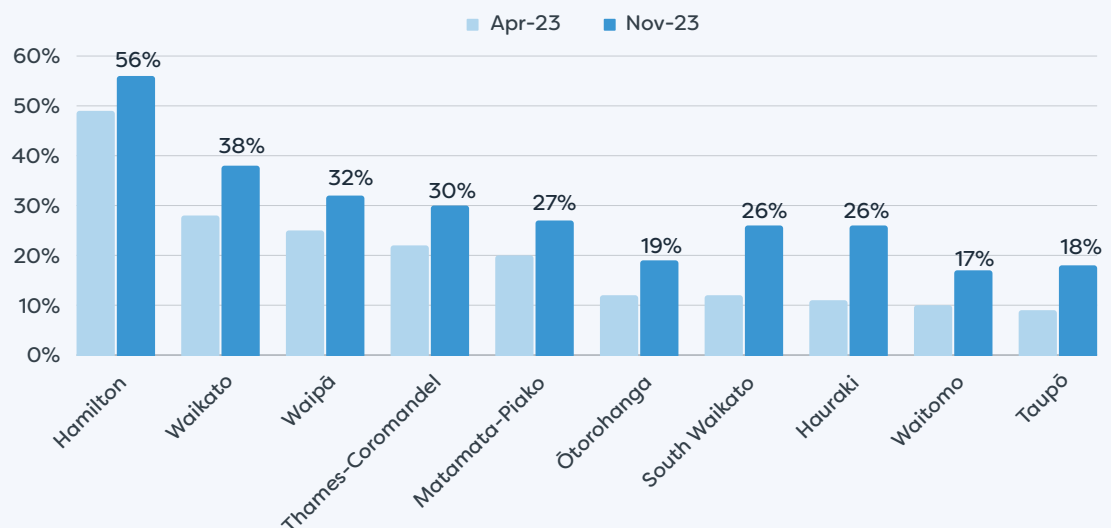


Business Category



Business District

NOTE: Businesses could identify as operating in several districts



FOOTNOTES:

- Respondent profiles do not align to either district population contribution or sector GDP contribution, results are indicative only
- Results have been rounded to enable summation of data, some rounding errors may occur
- All insights and observations from 325 samples received
- Surveys were conducted by online survey from 1 - 17 November 2023
- Net confidence scores are calculated by subtracting the % of negative responses from the % of positive