



Executive Summary

It's all about the here and now... but longer-term focus is vital in a radically different landscape

The 2022 survey is our third since August 2020, and is aimed at understanding business confidence in the Waikato region. This year's survey, conducted over the period 1st February - 6th March, paints a challenging picture for the Waikato business environment, with a significant drop in business confidence, major skills shortages, and clear pressure on input costs and pricing.

The overarching theme emerging from this year's survey is that respondents are not surprisingly in survival mode and focused on short term issues – with cost pressures front of mind for the majority. The focus on cost and inflation is a dominant theme in surveys across the board over the last month, with some firms swallowing extra costs with a material impact on margins, or increasingly, most looking at material price increases – with the resulting impact on national inflation, now picked to top 7%.

But Waikato businesses are more confident in the performance of their own businesses than they are in the regional or national economy – with a theme emerging “things are less bad in my neck of the woods”. This is a consistent theme across all the confidence surveys Te Waka has done – where people think things are going ok for their own business; not quite so well for the region/industry; and that the New Zealand economy as a whole is in a much worse state. That is a reasonable response in the current environment that reflects increasing uncertainty as businesses move from something they know well (their own business) to something they don't as much (the economy).

Encouragingly, Waikato businesses are still intending to hire despite the negative sentiment. Ultimately, when the rubber hits the road, confidence to hire is a sign of an underlying belief that ‘we'll get through this’ which is encouraging.

However, the short-term focus comes at the cost of looking to the future. A luxury perhaps, but the current environment demands innovation and brave thinking, and the survey suggests innovation is far from front of mind right now. This aligns to lessons from previous economic crisis periods, where firms that focused on fixing the old way of doing things underperformed those adopting a more transformative approach. In tough times, it's easier to put one foot in front of the other than it is to revolutionise, but experience suggests that disruption accelerates in such times.

We were also surprised to see - despite growing understanding regarding the impact of climate change - that the majority have no strategy in this area and less than half expect climate change to impact them. Perhaps this is due to respondents focusing on the immediate future rather than further afield? Either way, a passive stance from businesses could present a significant future risk for the regional economy as the impact of climate change becomes more apparent and new policies are introduced in response.

Bottom line, it's an extremely challenging time for businesses. With rapidly rising inflation, interest rates continuing to scale in response and with ongoing pressures of supply chain and people, many feel the worst is yet to come - with major impacts on cashflow, employment and asset prices. But our region remains better placed than many, with strong industry growth and natural demographics better than many. Fortune will favour the brave, and businesses that can juggle the short-term response alongside adopting a future focused approach will in our view be better placed to prosper in a period of transformation.



Waikato Regional Business Sentiment Survey February 2022

Objective The Waikato Regional Business Sentiment Survey was designed to provide a snapshot of business confidence regarding the future state of their business and the economy.

History Inaugural survey conducted August 2020. This is the third survey.

Methodology Between February 1st and March 6th 2022, responses were collected via online survey.

Business Confidence

When asked to reflect on business confidence at a national, Waikato, sector and business level - the net confidence* scores were:



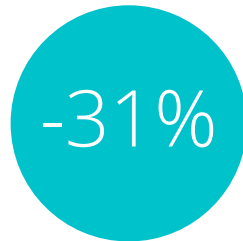
net confidence in own business

versus **34%** in the March 2021 survey



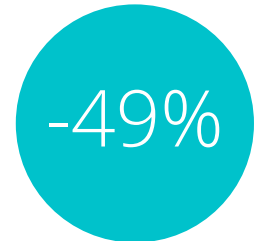
net confidence in sector economy

versus **11%** in the March 2021 survey



net confidence in Waikato economy

versus **11%** in the March 2021 survey



net confidence in NZ economy

versus **-3%** in the March 2021 survey

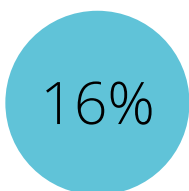
We have also calculated a weighted confidence score which takes the results for each industry and weights them according to their share of regional GDP. The 'own business' weighted net confidence score is 3.4%, which still indicates a significant drop in confidence.

Net confidence score calculation:

$$\frac{(\text{Positive responses} - \text{Negative responses})}{\text{Total responses}}$$

Staff Numbers

Overall number of staff changes since this time last year

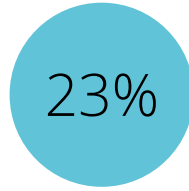


Increased employees

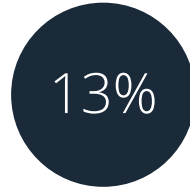


Decreased employees

Respondent employee change looking ahead to the net six months for 1-10 FTE

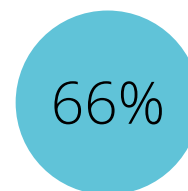


Will increase employees in the next six months

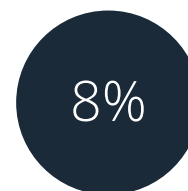


Will decrease employees in the next six months

Respondent employee change looking ahead to the net six months for 20+ FTE



Will increase employees in the next six months



Will decrease employees in the next six months



Skills Shortages

Skills Shortages remain a key theme in 2022



71%

of respondents believe there is a skills shortage

versus 67% in the March 2021 survey

91%

of respondents with 11+ FTE's are more likely to say that there is a skills shortage

versus 79% in the March 2021 survey

Key Sectors with Skills Challenges

Construction	95%
Agriculture	82%
Hospitality	80%
Manufacturing	77%

When considering the type of skills shortages businesses have, **management / leadership, trades & technology** feature prominently in responses.

Greatest Challenges Businesses are facing:

Top 3 challenges for respondents in the current economic environment:

73%

Covid-19 impact

55%

Increasing prices

55%

Wages / Staff costs

Top Infrastructure Challenges

18%

Roading

13%

Housing

9%

Land

Employee Work Patterns

22%

of respondents with staff continuing to work remotely

versus 8% in the March 2021 survey

19%

of respondents have some staff on reduced hours

versus 7% in the March 2021 survey

Supply Chain Disruption



65%

of respondents reported disruption with **imported product** distribution

54%

of respondents reported disruption with **NZ purchased product** distribution

20%

of respondents reported disruption with **NZ sold product** distribution



Sales

July to December 2021

Forecast January to June 2022



35%

of respondents had an increase in revenue growth

Top 3 sectors:

- 53% Manufacturing
- 52% Logistics*
- 49% Professional, scientific and technical services

34%

of respondents are expecting revenue growth

Top 3 sectors:

- 56% Manufacturing
- 52% Logistics*
- 47% Agriculture, forestry and fishing

*Logistics includes the Transport, Postal, Warehousing & Wholesale Trade sectors

Climate Change

69%

of respondents do not have any kind of climate change strategy or policy in place or under development

12%

had an up-to-date climate change strategy or policy in place

38%

are anticipating a negative impact on their business from climate change or related policies

Innovation

49%

Invested in innovation in the past 12 months



Price Changes

76%

of respondents are considering raising prices

The most common forms of innovation referenced were the **adoption of remote/flexible working**, **adoption of video-conferencing technology**, and generally **increased usage/application of technology** within business operations

versus **58%** in the March 2021 survey



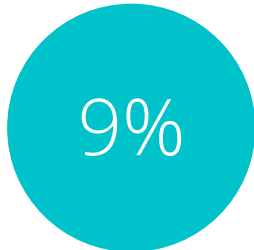
Key Sub-Regional Results

Eastern: Hauraki, Matamata-Piako, Thames-Coromandel
FutureProof: Hamilton CBD, Hamilton non-CBD, Waikato, Waipā
Southern: Ōtorohanga, South Waikato, Taupō, Waitomo

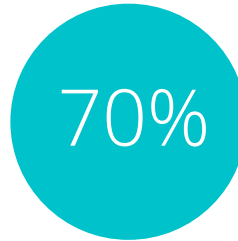
Eastern



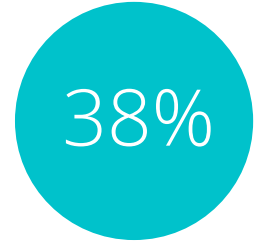
net confidence in own business



increased staff numbers in past 12 months



have no climate change strategy or policy in place



invested in innovation in the past 12 months

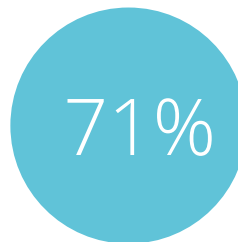
FutureProof



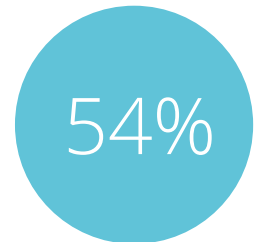
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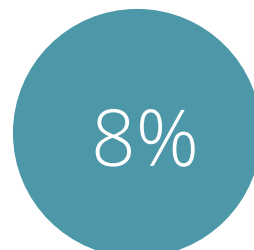


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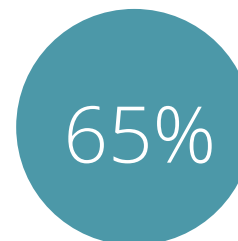
Southern



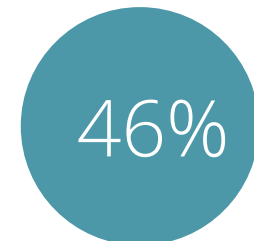
net confidence in own business



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Respondant Overview

413

respondents

81%

of respondents are from a limited liability company

8%

of respondents identified as Māori or Pacific businesses

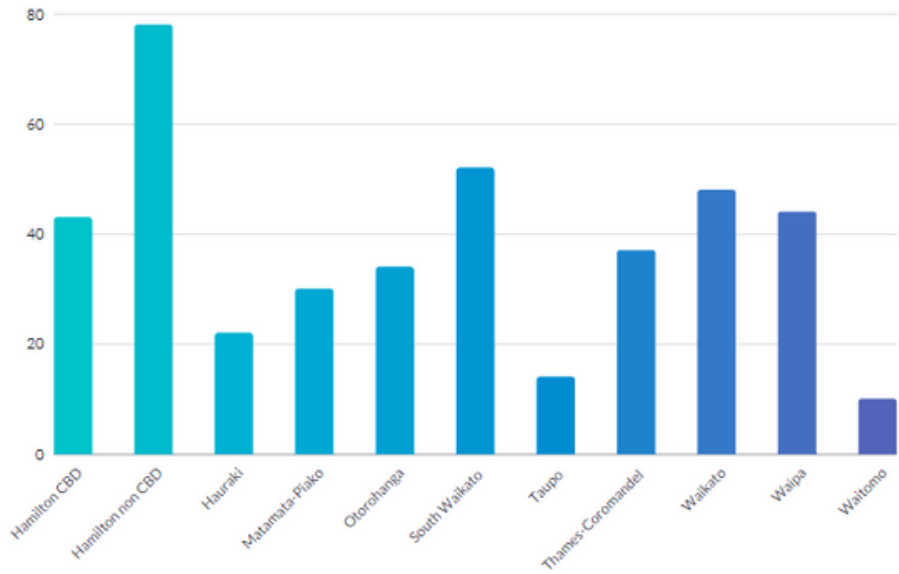
97%

of respondents are business owners or senior management

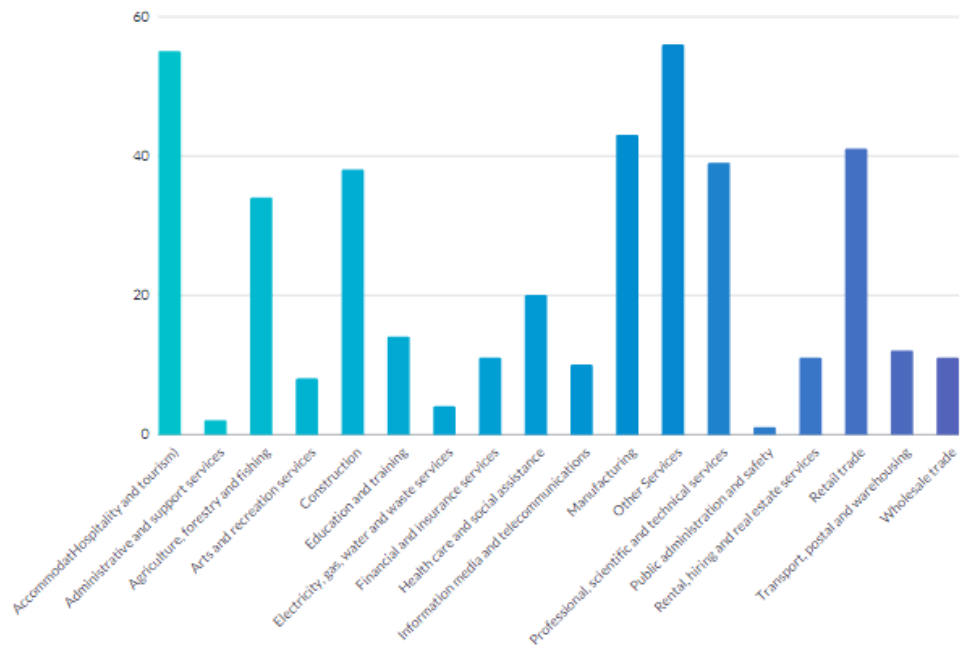
74%

of respondents have 1-10 FTE

By District



By Sector



FOOTNOTES:

- Respondents profiles do not align to either district population contribution or sector GDP contribution, results are indicative only
- Sector refers to the primary sector in which the business operates
- Results have been rounded to enable summation of data, some rounding errors may occur
- All insights and observations from 413 samples received
- Surveys were conducted by online survey