

As we approach the end of 2022 with the most recent Business Sentiment Survey in hand, the picture painted throughout 2022 remains clear, a region and nation facing significant headwinds into 2023.

Year-on-year comparisons give context to the rates of change in some of our key metrics during the last year. For example, despite a decrease in median house prices in the last quarter, these remain higher than they were one year ago. Export volumes, though up in the last quarter, remain lower than this time one year ago.

However, despite macro challenges such as high inflation, a tight labour market and increased import prices, businesspeople in the Waikato region remain confident, with more than half indicating in their response to the Business Sentiment Survey that they expect growth during the next 12 months.

Key observations from our latest reports include:

- Unemployment in the region remains very low and labour costs are increasing.
- The number of work-ready people on Jobseeker support benefits has continued to fall on an annual basis.
- Demand for the Accommodation Supplement has increased, as have Special Needs Grants for food.
- The value of building consents increased in the September quarter (14% higher than the same quarter in 2021).
- Median house prices in the Waikato region were 6.5% lower in the September quarter than in the June quarter, however, house prices across the region were 2.4% higher than in the same time period a year ago.
- Annual consumer price inflation levelled off in the September quarter. Tradable sector price increases slowed slightly, while non-tradables saw an increase. Producer prices continue to affect businesses.
- The rate of increase in food prices continues to hover between 7 and 8% per annum, while world meat and dairy prices have declined following a peak in June.
- Export price inflation has led to a divergence in export volumes and values: volumes are steady, but values are reaching new highs.
- Import prices are up 23% on the June 2021 quarter, and import volumes are 2.1% lower, the net result being a further increase in New Zealand's trade deficit.
- We are seeing an increase in COVID-19 cases following the retiring of most restrictions and the reopening of the border.

Economic conditions have continued to require businesspeople and consumers to be resilient and willing to adapt, and we hope that the upcoming holiday season presents a chance for all to rest and reflect.

The Te Waka team and I would like to thank the local business community for its engagement with the Business Sentiment Surveys during 2022 and the results of the November Te Waka Business Sentiment survey are attached.

We look forward to reconnecting with you in the new year.



Fiona Carrick | Chief Executive | Manahautū Te Waka



Executive Summary

Confidence holding in the face of challenging headwinds

We have refreshed our biannual sentiment survey to improve our understanding of business confidence and priorities in the Waikato region. This survey, conducted in November 2022, reflects a business community that is backing itself to perform in a challenging business environment marked by cost pressures, skills shortages, and ongoing supply chain challenges.

Six key insights:

- Overall net confidence was +8 based on 44% being extremely (10%) or fairly (34%) confident about their business prospects over the next 12 months against 36% being fairly (27%) or extremely (9%) worried. This is an increase on the score of +1.5 in our February 2022 survey.
- Females and the self-employed, with net confidence scores of +21 and +27 respectively, are markedly more optimistic about their business prospects than males and micro businesses which recorded scores of +5 and -14 respectively.
- Views of the NZ economy currently and for the next year are generally unfavourable. It is seen to be facing many headwinds with cost-related concerns prominent such as cost of living, inflation, fuel prices, interest rates, energy prices, and wages (costs to hire staff). Inflation will be fuelled further with most intending to lift their prices in the next year.
- Views about the economic outlook for the Waikato region are also subdued, albeit not as negative as for NZ at large. Skills shortages across many occupations are considered a major issue for the region (and nation). Calls for Government action and training initiatives are pronounced.
- Supply chain logistics/delivery times are seen as another major challenge for Waikato businesses and Government investment to facilitate movement of people and supplies is considered a high priority need. Despite this, half-priced public transport in the region has not benefitted many businesses, with far greater importance attached to spending on roads and providing affordable housing.
- A third have either taken steps to achieve targets related to climate change (14%) or are currently developing a climate change policy (20%). This is in the backdrop of 46% saying NZ government initiatives/policy/regulations related to climate change will impact their business negatively over the next year and only 9% saying positive.

What this means for the Waikato:

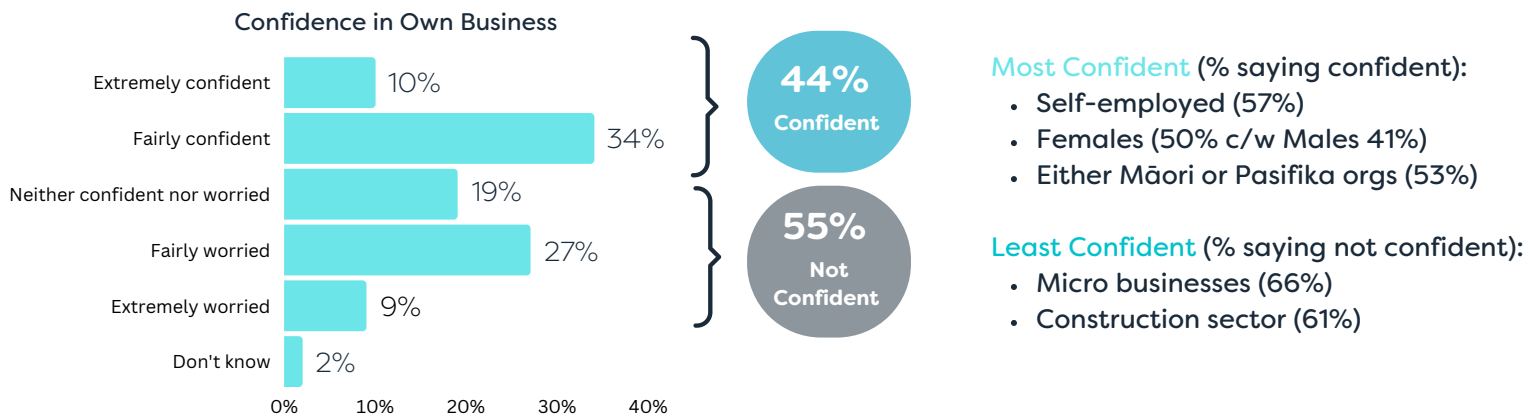
Despite significant headwinds, the Waikato region remains better placed than many, with the majority of businesses expecting stable or growing revenues in the coming year. This reflects our region's natural advantages and demographics which have helped to insulate against downward pressures, and a business community that continues to be resilient and actively pursuing growth opportunities through turbulent economic times.



Business Confidence & Economic Outlook

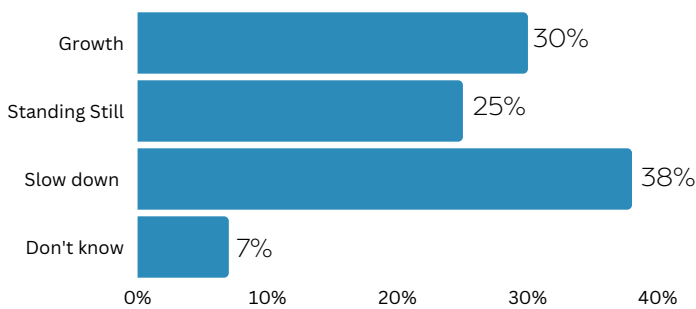
Less than half of businesses surveyed expressed confidence in their business prospects for the next year, however the confidence in own-business performance remains much stronger than views on the performance of the New Zealand economy overall. As with previous surveys, views on the Waikato economy's performance are considerably more positive than views on the New Zealand economy, with 30% expecting growth/improvement of the Waikato economy compared to <20% for New Zealand.

Business Confidence

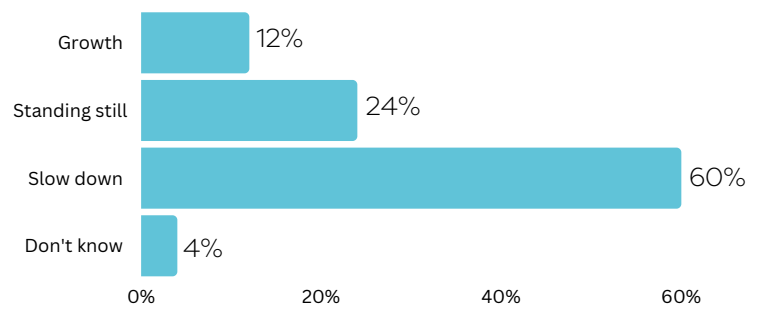


Economic Outlook

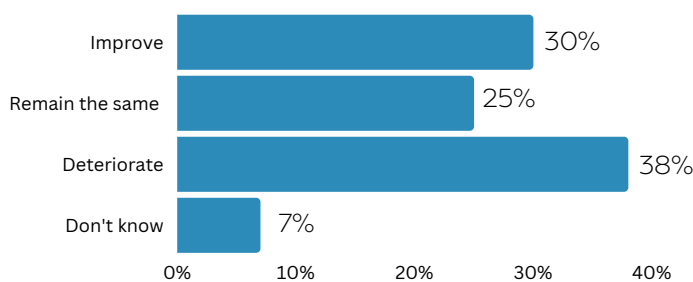
Views about current economic situation in Waikato



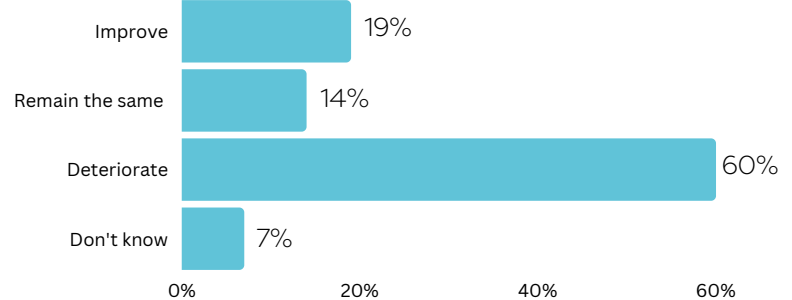
Views about current economic situation in NZ



Economic outlook in Waikato (in the next year)



Economic outlook in NZ (in the next year)

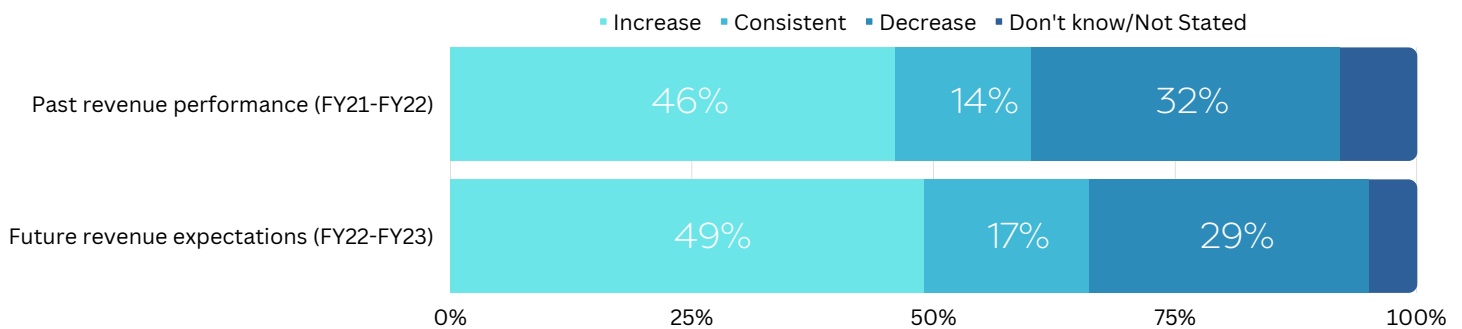




Business Performance & Expectations

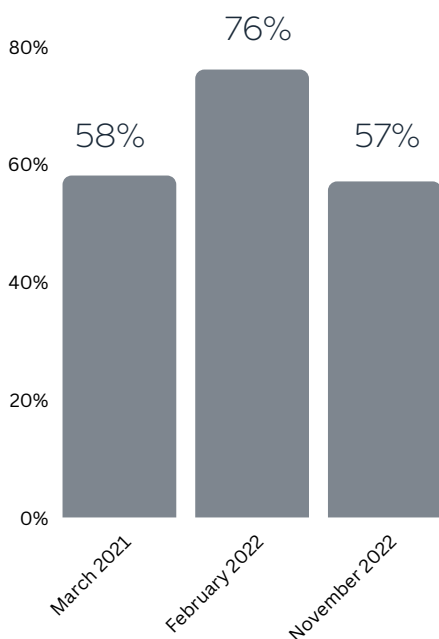
Just under half of businesses surveyed experienced revenue growth last financial year and future revenue expectations are slightly more positive. This is reflected in business growth expectations, with a slight majority having plans to grow their business over the next year. Business intentions to raise prices remain high but are markedly lower than our February 2022 survey, returning to the levels we saw in March 2021.

Business Revenue

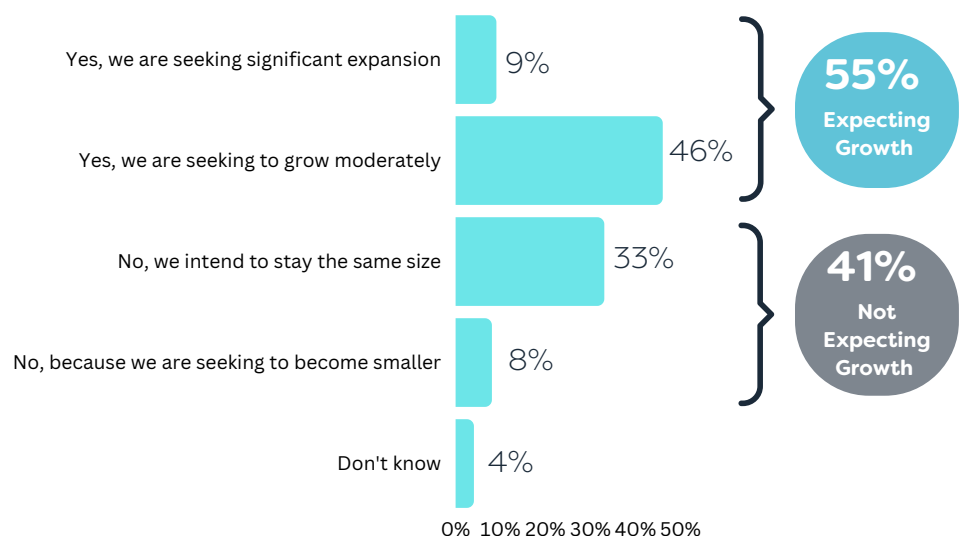


Business Expectations

% respondents intending to increase prices



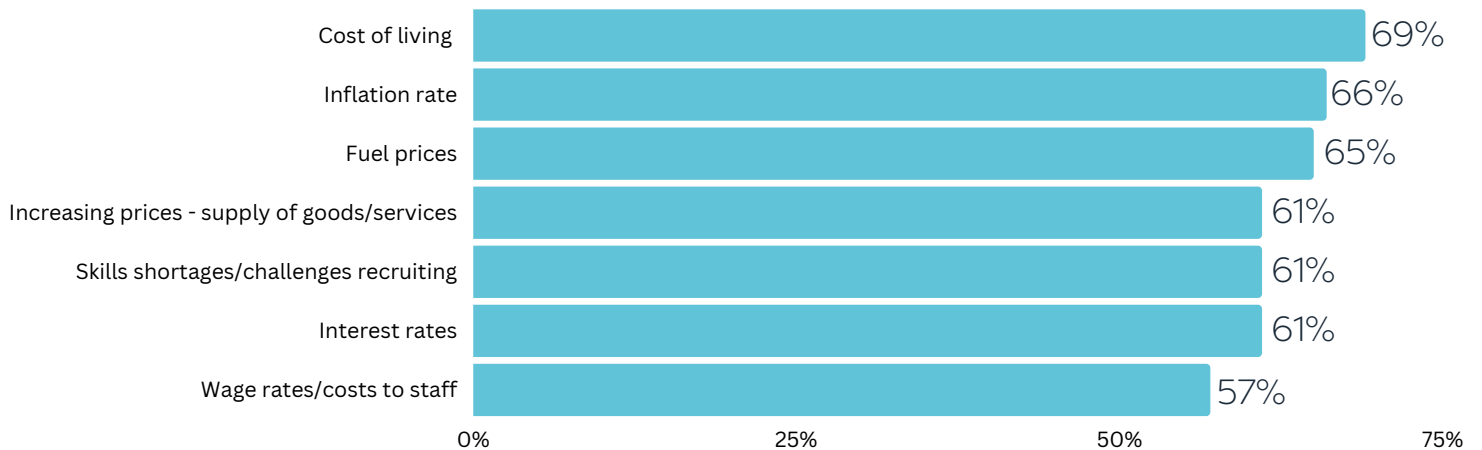
Expectations for growth in the next year





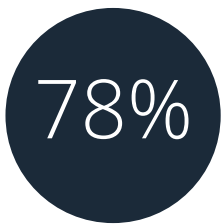
Key Business Challenges

When asked about the greatest challenges currently facing the NZ economy, seven challenges stood out, with each nominated by a majority. Cost-related issues are prominent:



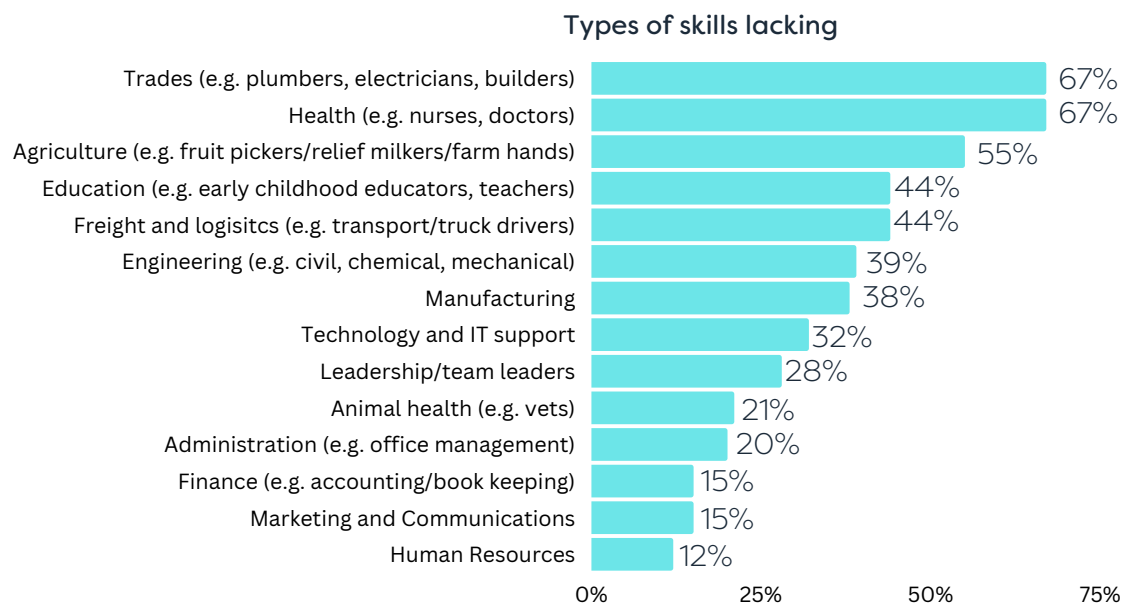
Skills

Unsurprisingly, the vast majority of businesses surveyed feel there is a skills shortage in the Waikato region at 78% (up from 71% in our February 2022 survey). Skills most in demand are in the trades, health and agriculture fields, but the need for workers in other fields is also relatively pronounced such as education, freight and logistics, engineering, manufacturing, technology and IT support.



of respondents believe there is a skills shortage

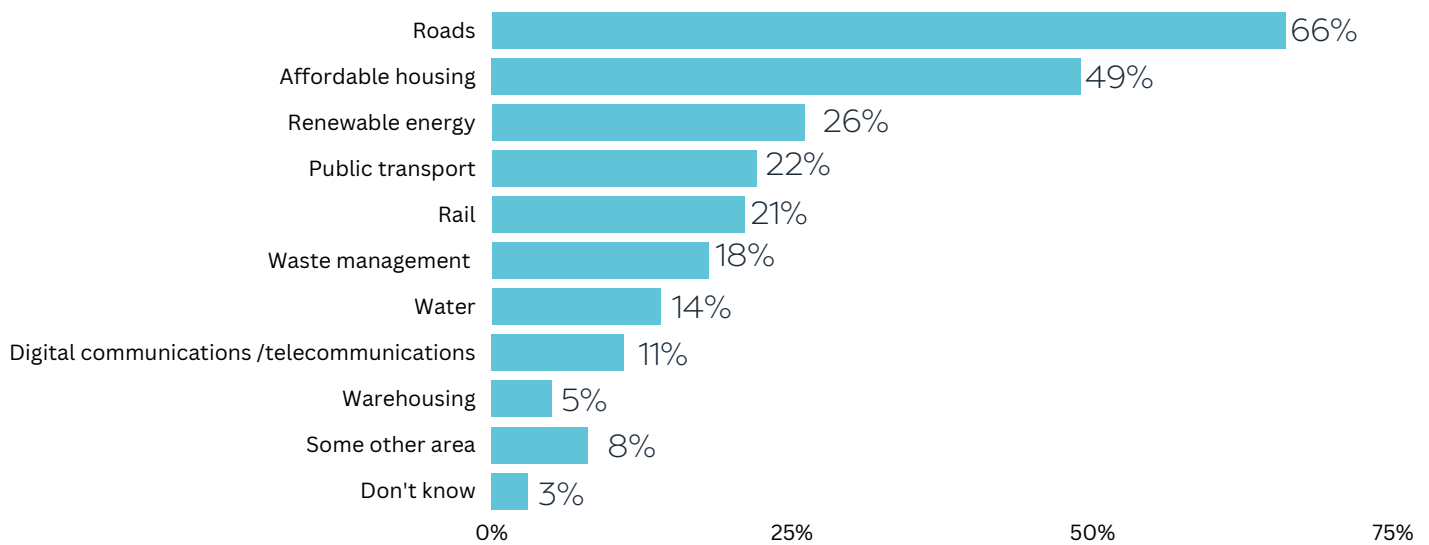
versus 71% in the February 2022 survey





Infrastructure Priorities

Respondents identified two priorities where infrastructure investment by the Government is most desired: roads and affordable housing. It is notable that roading and affordable housing are the leading infrastructure priorities for all segments in the survey. Facilitating movement of people and supplies in the region is clearly an important need, with roads, public transport, and rail in the top five priorities identified. This is further reflected with 57% of respondents stating that supply chain and logistics delivery times in the Waikato region have gotten worse over the past 12 months.



Public Transport

For the November 2022 survey we included specific questions about the impact of public transport initiatives in the Waikato region. Less than one in ten respondents feel that half-priced public transport in the Waikato region has benefitted their business. However, one in five acknowledge that public transport links in the region help to attract and retain staff. These results suggest that the Government’s recent decision to shift to a more targeted approach to public transport subsidies is unlikely to materially impact Waikato business outcomes (positively or negatively).

91%

of respondents say half priced public transport has had **no impact on their business**

20%

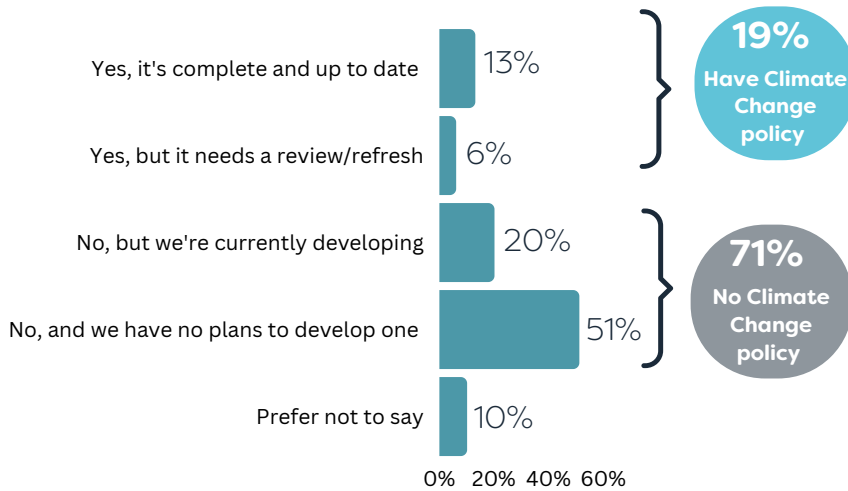
of respondents say public transport links within the wider Waikato region have a **positive impact on attracting and retaining staff**



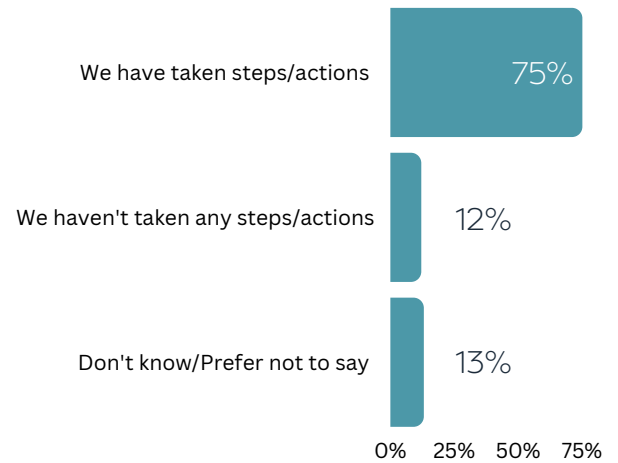
Climate Change

Almost one in five respondents have a climate change policy and similar proportion claim to be developing one now. Three quarters of those with a policy in place have taken steps/actions to achieve targets (14% of total respondents). The results demonstrate a material shift from our February 2022 survey, where 69% of respondents had no climate change policy in place and no plans to develop one, which has dropped to 51% in this survey. Comments shared by respondents indicate a strong focus on transport related activities to achieve climate change targets (e.g. moving to EV/hybrid fleets), along with investment in planting and reducing energy usage and waste.

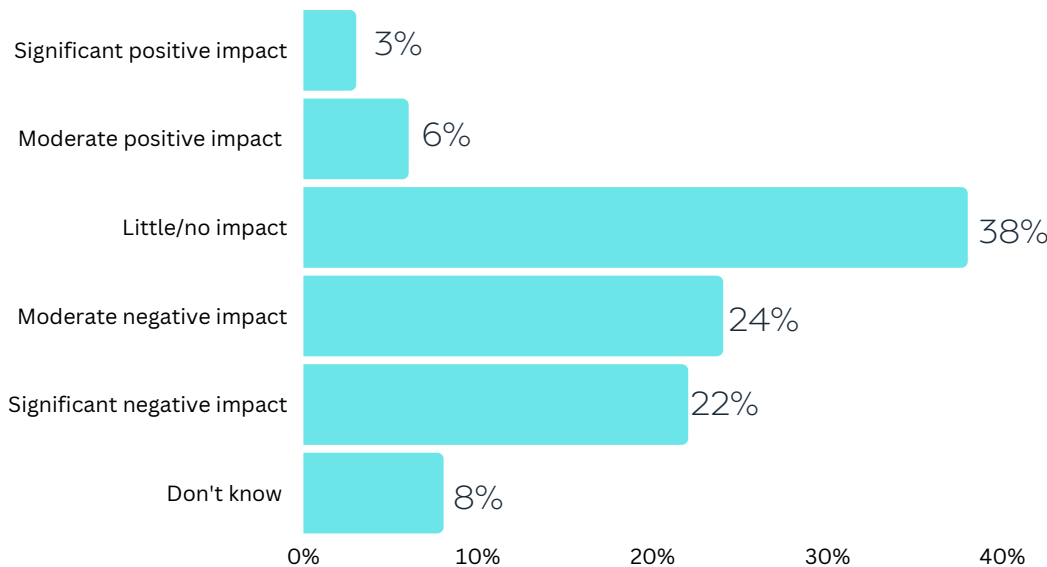
Business has a climate change policy?



Any steps/actions taken to achieve climate change policy targets



Perceived impact of NZ Government climate change initiatives



The perceived impact of NZ Government policy and initiatives relating to climate change is much more likely to be regarded as negative than positive on the respondent's business.

This is the case in all segments, and the level of negative expectations has increased from 38% in our February 2022 survey to 46%.



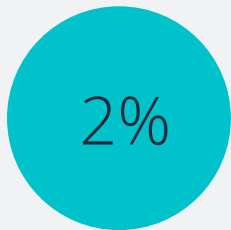
Respondant Overview



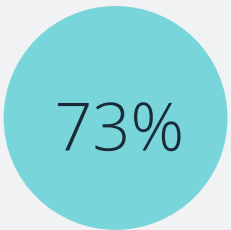
total respondents



of respondents identified as a Māori businesses

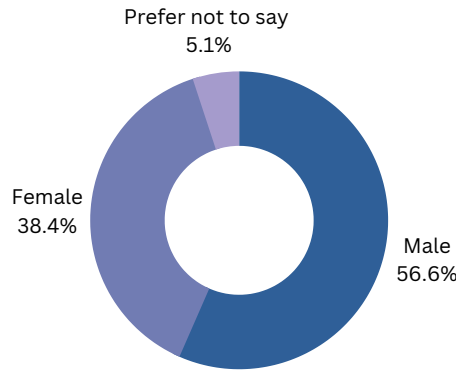


of respondents identified as a Pacific businesses

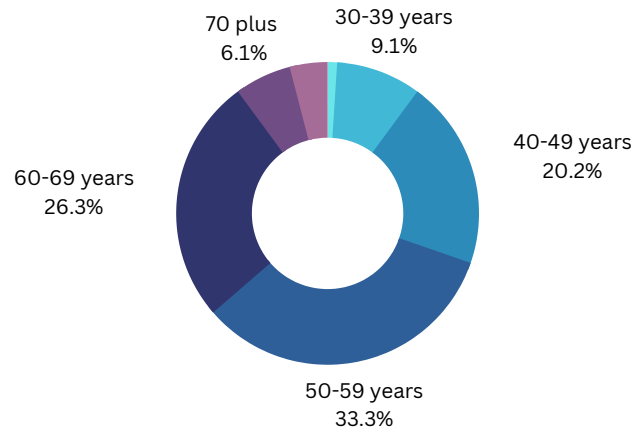


of respondents are from a Limited liability company

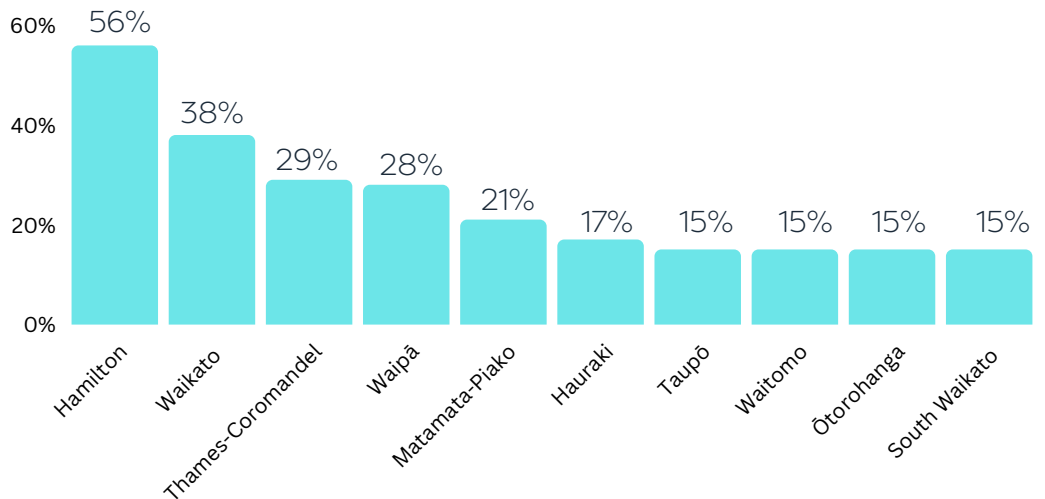
Gender



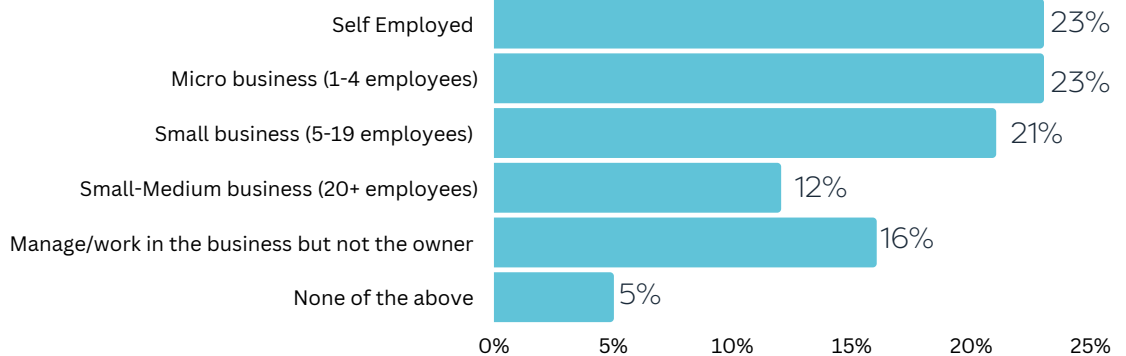
Age



District business operates



Business Category



FOOTNOTES:

- Respondents 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 300 samples received
- Surveys were conducted by online survey during November 2022