

## Executive Summary

Confidence has fallen, priorities for the incoming Government are clear: Health, Inflation, Crime, Education

Our April 2023 sentiment survey reflects a business community whose confidence has fallen significantly since our November 2022 survey, in a challenging business environment that continues to be marked by cost pressures, the impact of severe weather events, and significant concerns about the delivery of core government services. The investment in infrastructure announced as part of the 'no-frills' Budget 2023 is welcomed, however is unlikely to shift the business concerns identified, with little to suggest transformational change will be achieved in the top concern areas of health, crime and education.

### Six key insights:

- Confidence has fallen significantly since November 2022. The Net Confidence level dropped from +8 to -12 with 33% being extremely (5%) or fairly (28%) confident about their business prospects over the next year compared to 45% being fairly (30%) or extremely (15%) worried.
- Although businesses assessment of their revenue performance remained consistent with the last survey, the proportion expecting to grow has decreased (from 55% to 45%). Most identified various barriers limiting business growth, with uncertainty about demand and ability to meet demand being major concerns. Supply chain and resourcing difficulties are also key factors.
- Most believe the NZ economy is currently in a period of economic slowdown (74%, up from 60%) and will deteriorate (58%) over the next year. Apparent challenges are many, with cost-related factors more pronounced now.
- Expectations for the Waikato region's economy are more negative and the gap between those who feel Waikato is growing or slowing is wider (from -8 to -34). Skill shortages remain a critical issue across the industry divide, with education, immigration and government action featuring prominently in commentary received about skill shortages. Concerns about transport infrastructure also feature strongly, particularly regarding the maintenance, capacity and resilience of roading in the region.
- Businesses are more likely to have a climate change policy in place (24%, up from 19%) with a further 13% still developing one. These businesses welcome support to achieve climate change goals, such as guidance on best practice and innovative approaches, improvements in local infrastructure, technology solutions, financial support, and regulatory change.
- The top five priorities from Waikato businesses for the incoming government are: health, inflation/cost of living, crime, education and skill shortages. Improving transport and housing affordability would also be welcomed by many.

### What this means for the Waikato:

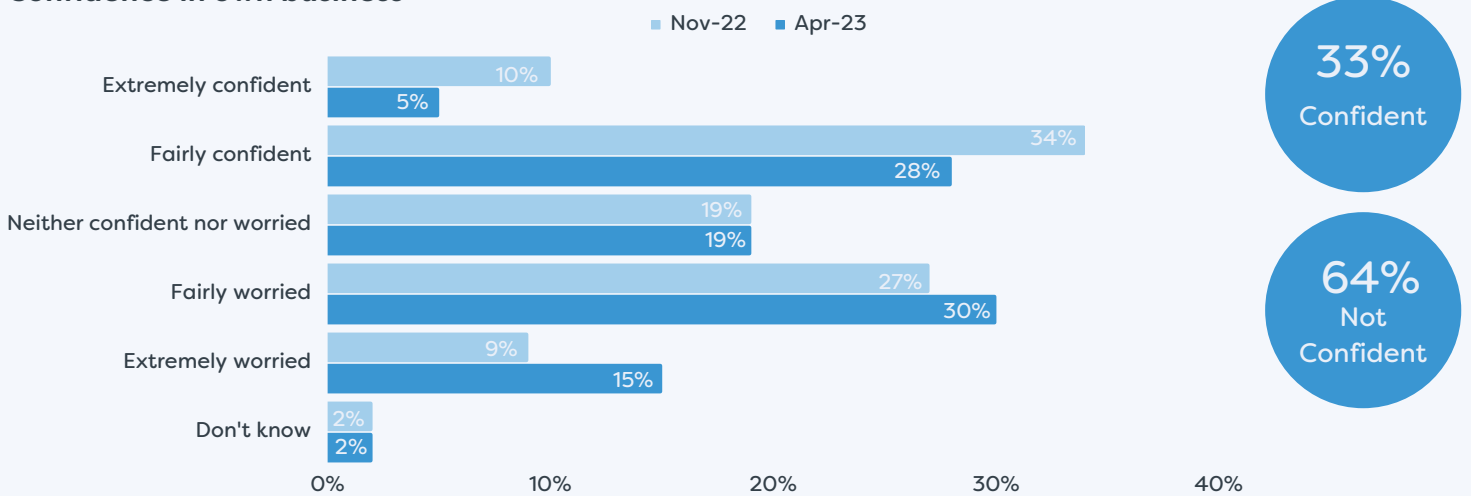
Despite significant challenges, particularly in cyclone-impacted areas of the region, the vast majority of Waikato businesses surveyed believe they will be able to maintain their position or achieve modest growth in the coming year. This reflects a resilient business community operating in a region with natural advantages and favourable demographics.

The commitments from Government to 'Build Back Better' and prioritise investment in resilience will be welcomed by many in the Waikato business community, but we expect to see our local business leaders continue to push for policies to better enable their growth as we head towards the 2023 general election.

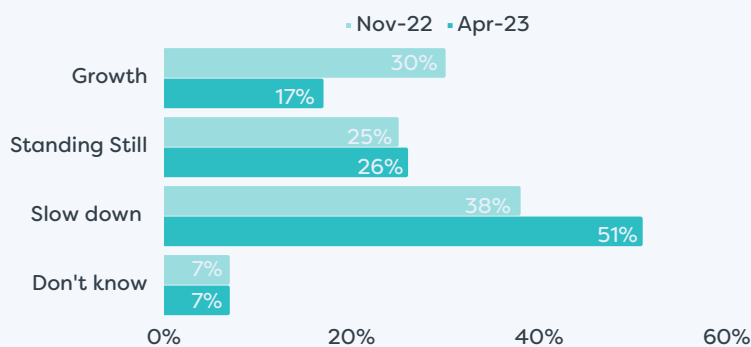
## Business Confidence & Economic Outlook

Business confidence has fallen markedly over the last six months. Only a third of businesses surveyed expressed confidence about their prospects for the year ahead (down from 44%) while those who are worried grew from 36% to 45%. However, the confidence in own-business performance remains 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 26% expecting growth/improvement of the Waikato economy compared to 18% for New Zealand.

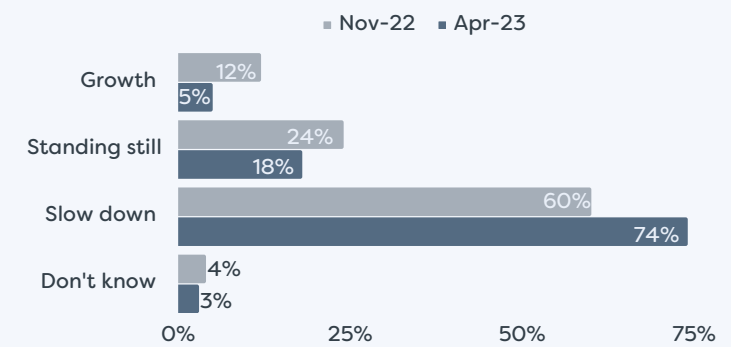
### Confidence in own business



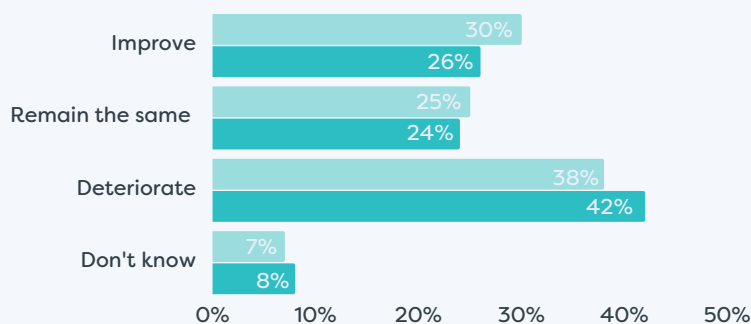
### Views about current economic situation in Waikato



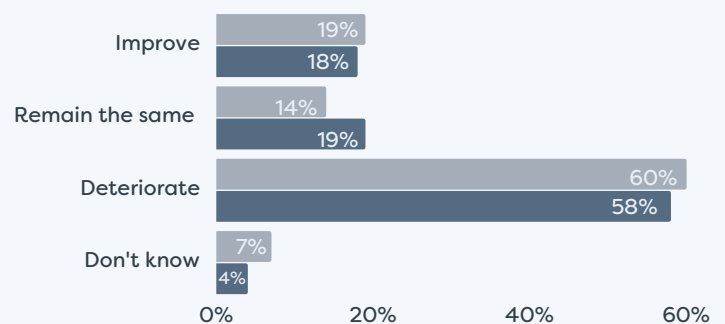
### Views about current economic situation in NZ



### Economic outlook in Waikato (in the next year)



### Economic outlook in NZ (in the next year)



## Business Performance

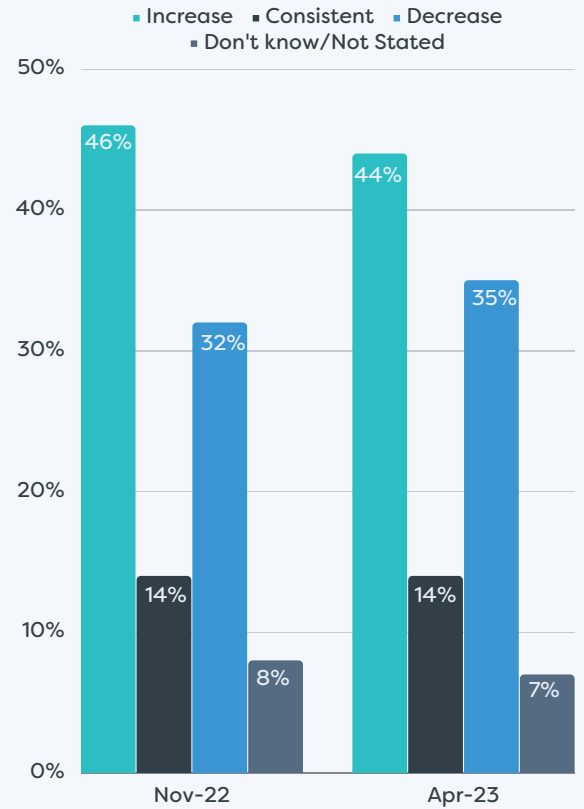
As with the previous survey, fewer than half of the businesses surveyed experienced revenue growth over the past 12 months, with 35% recording lower sales. The net balance for revenue performance is +9, down from +14 in the last survey. The poorer revenue performance figures from this survey are reflected in the overall drop in business confidence levels.

The revenue performance figures varied materially across Districts, with the most positive revenue performance in Hauraki (+37) and South Waikato (+33) and the lowest in Thames-Coromandel (+4). This reflects the significant impact of extreme weather events on business performance in parts of the Waikato region.

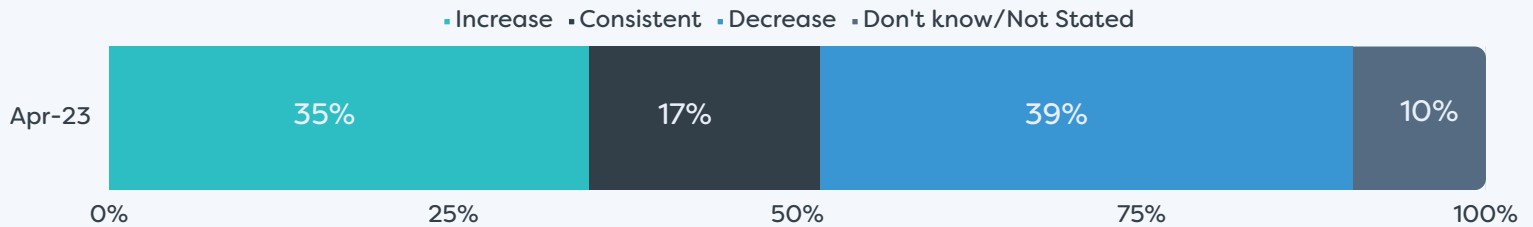
We included questions on business profitability for the first time in our April 2023 survey. Slightly more businesses recorded a decrease in profitability over the last year (39%) than an increase (35%). Profit expectations for the coming year are neutral overall - just as many businesses are expecting profits to increase as decrease.

As with revenue, profitability varies across Districts. The highest net balance was in Hauraki (+22) and the lowest in Thames-Coromandel (-5). Across industry sectors the best scores were seen from Information, Media & Telecommunications (+37), Education & Training (+26) and Professional, Scientific & Technical Services (+25).

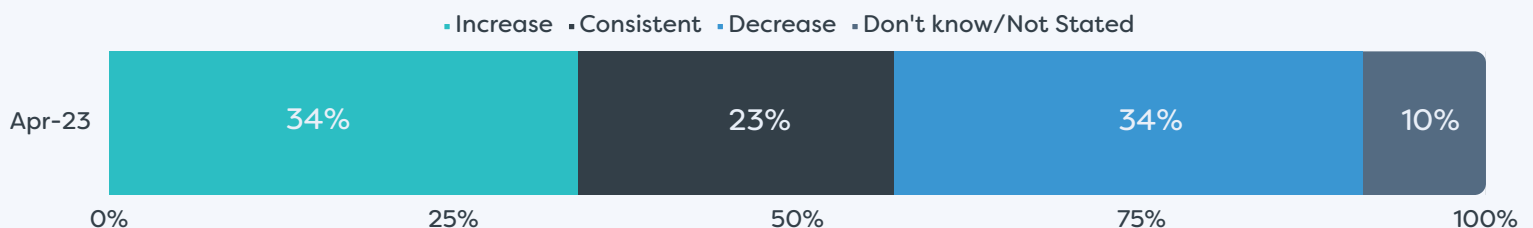
### Business revenue performance over past 12 months



### Business Profitability Performance Relative to Previous Year



### Business Profitability Expectations for the Coming Year



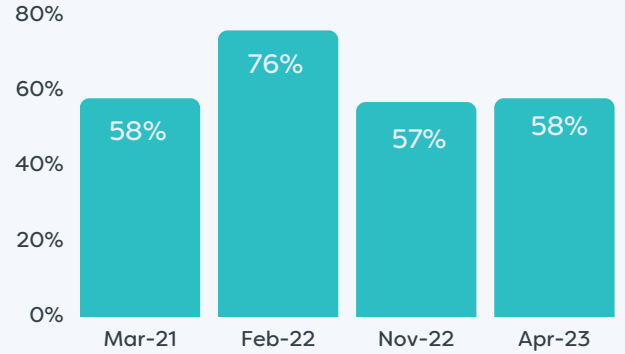
# Waikato Regional Business Sentiment Survey April 2023

## Business Expectations

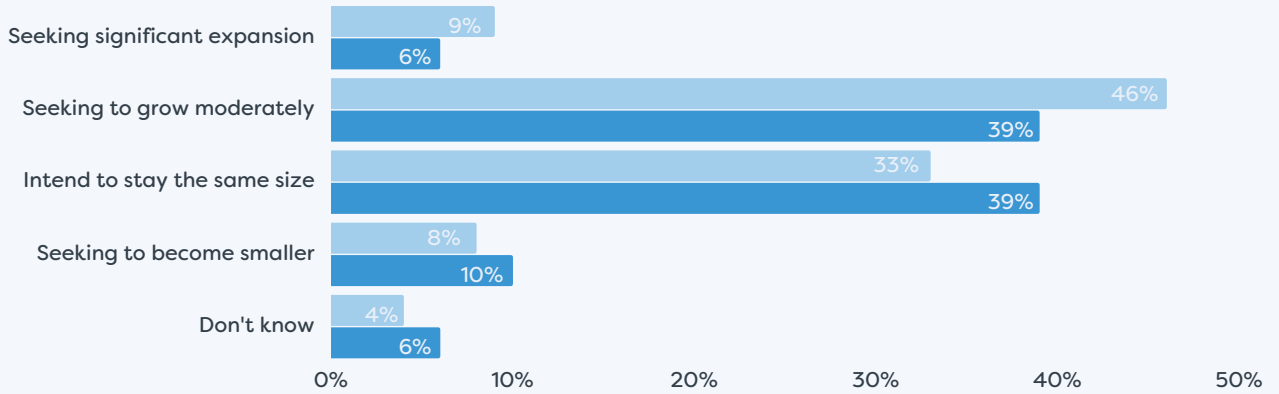
Fewer businesses are expecting to grow their businesses over the next year (45%) compared to our last survey (55%), reflecting the overall drop in business confidence. Business intentions to raise prices remain high at 58%, stable from our last survey.

Our younger survey responders (under 40s) are much more likely to be expecting growth (78%) and are the least inclined to raise prices (49%).

% respondents intending to increase prices



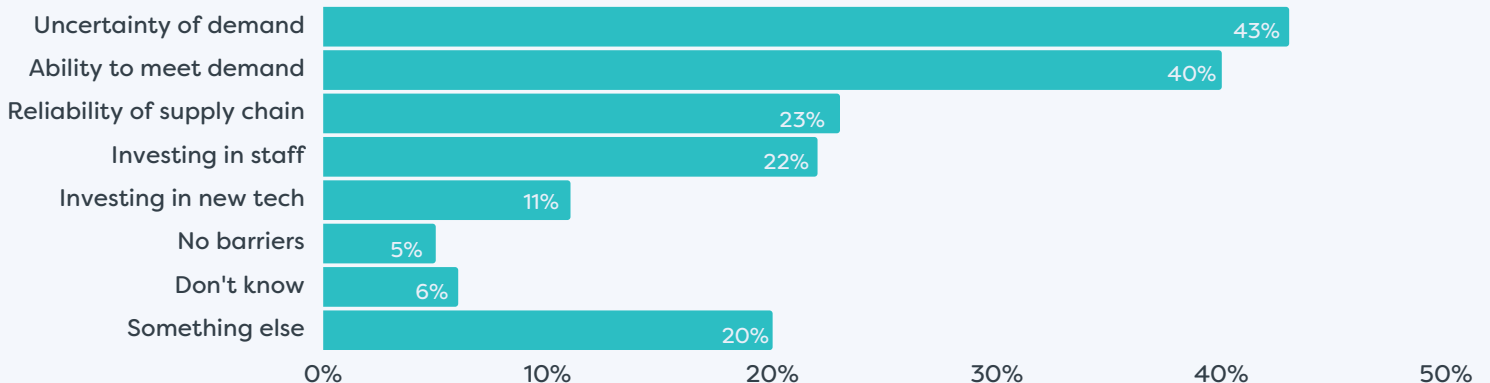
### Expectations for growth in the next year



## Barriers to Growth

Another addition to our survey was to ask businesses about barriers to growth. Only 5% of businesses said they don't experience major barriers to growth. For the vast majority several factors are limiting their growth, with uncertainty about demand and concerns about being able to meet demand being the leading barriers. Concerns about meeting demand are associated with supply chain/logistics difficulties and resourcing challenges, especially relating to workforce and enabling technology. Other barriers shared in the survey comments included challenges with government regulation, input cost increases, and issues with the roading network.

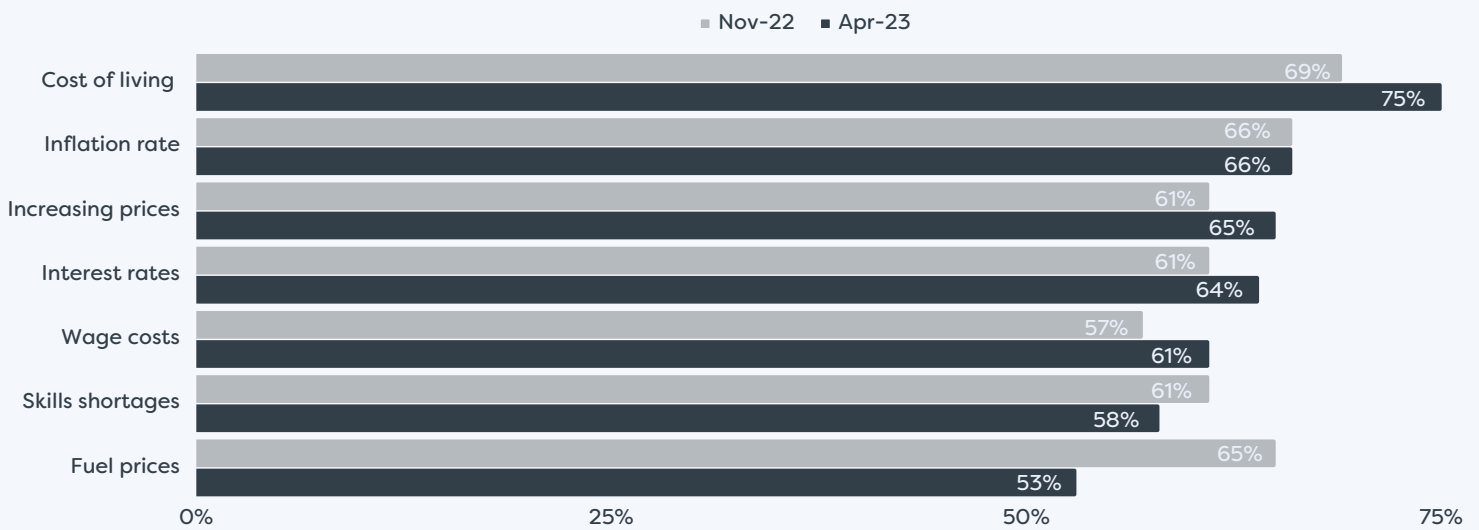
### Major barriers to growth



## Key Business Challenges

As with the previous survey, when asked about the greatest challenges facing the NZ economy, seven challenges stood out, with each nominated by a majority. The order has changed however, with concerns around fuel prices and skills shortages moving down the ranking. Cost-related issues remain very prominent:

### Greatest challenges currently facing the NZ economy

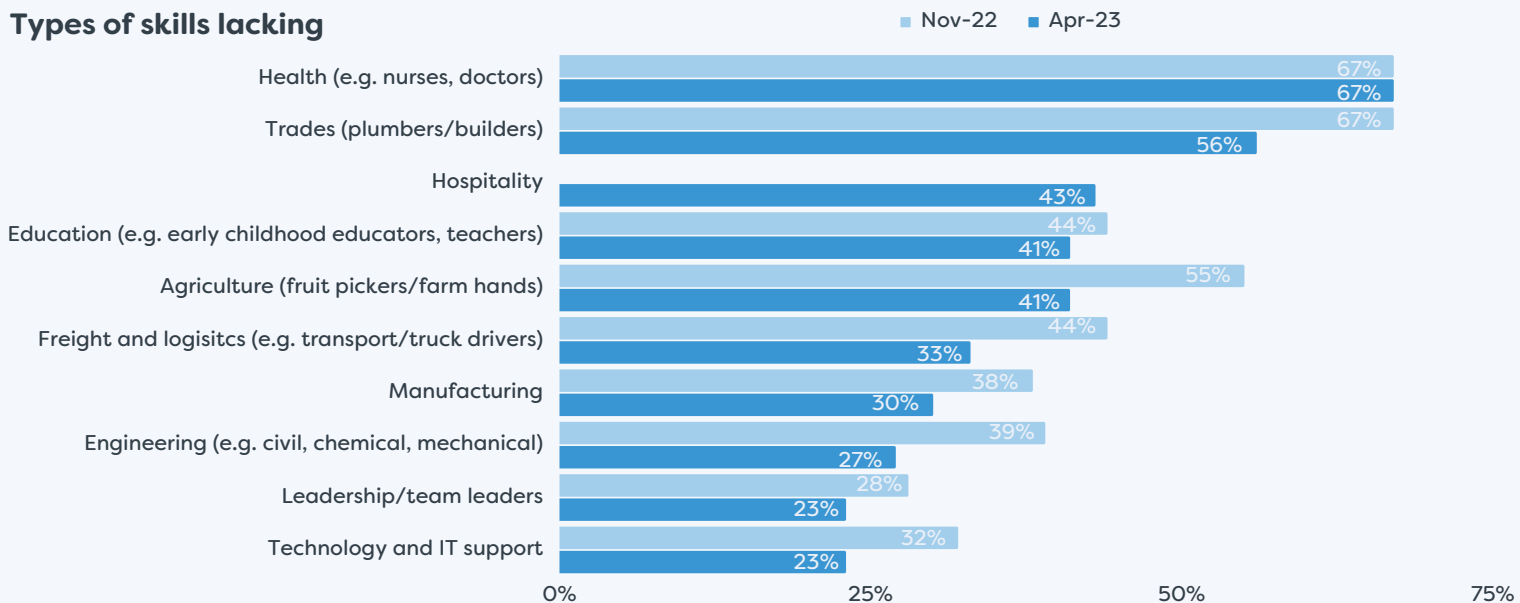


## Skills

Consistent with the previous survey, 78% of businesses surveyed feel there is a skills shortage in the Waikato region. Skills most in demand are in the health, trades, hospitality, education and agriculture fields. The need for workers in other fields is also pronounced, including freight & logistics, manufacturing and engineering.

**78%**  
of respondents believe there is a skills shortage

### Types of skills lacking



# Waikato Regional Business Sentiment Survey April 2023

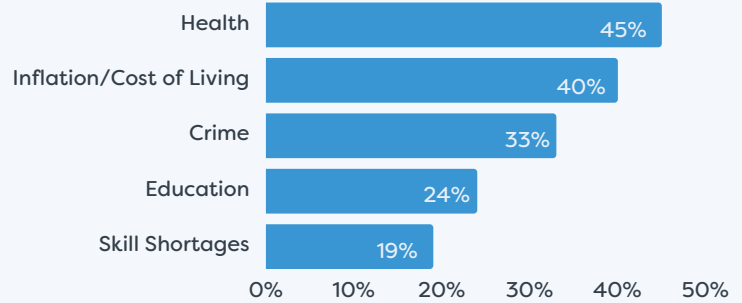
## Priorities for Government

With an election coming this year, we added a question to our survey to ask businesses about their top three priorities for the incoming Government.

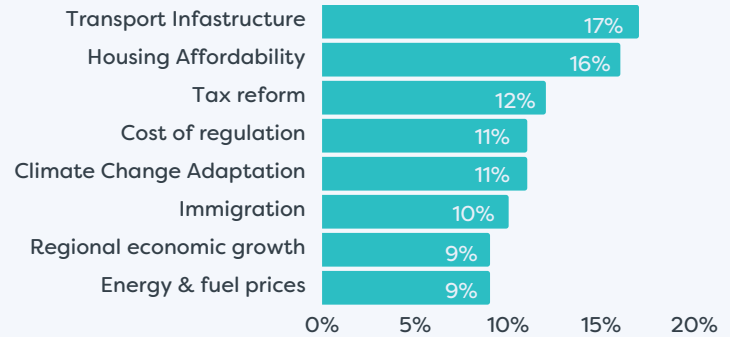
The highest rated priorities reflect the wide-ranging needs and desires of New Zealanders at large more so than business-specific concerns, indicating strong general concern about delivery of core government services relating to health (46%), crime (33%) and education (24%). Addressing inflation/cost of living pressures is also a clear priority (40%).

The more directly business-related priorities that stand out are skill shortages (19%) and transport infrastructure (17%).

### Main Priorities (Top 5)



### Secondary Priorities

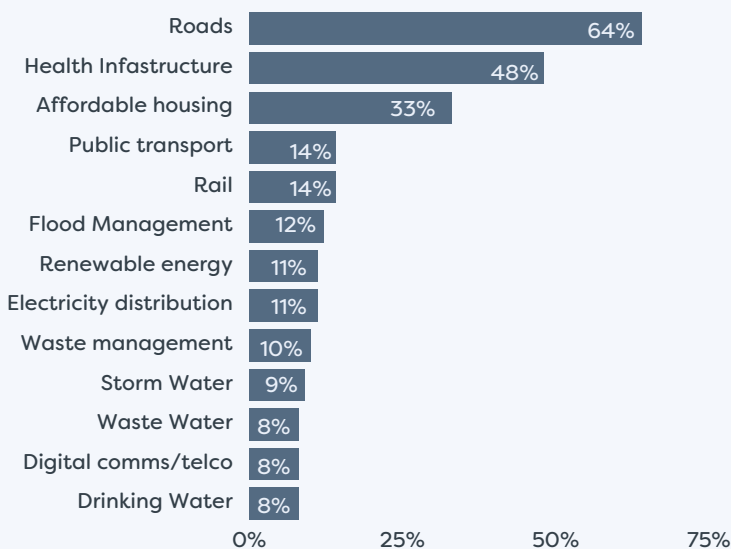


## Infrastructure and Transport Priorities

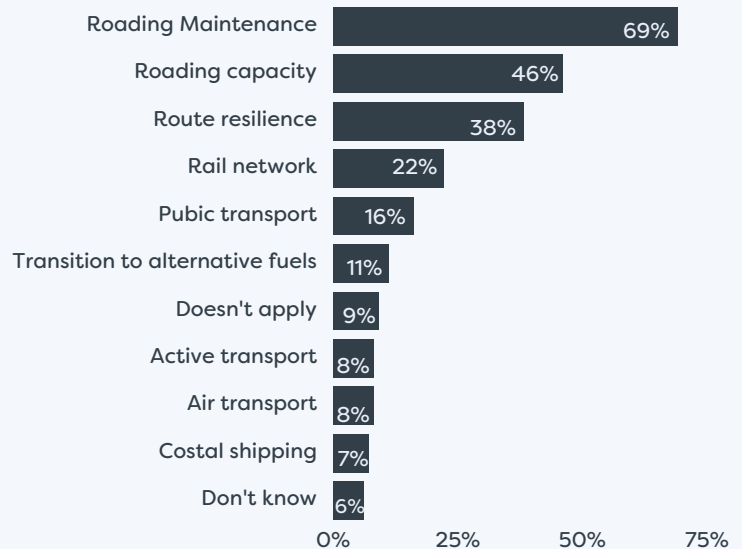
When asked about where the Government should prioritise infrastructure investment in the Waikato region, roading remains the clear top priority (64%) followed by health (48%) and housing (33%). Roading was the leading response in all segments and districts, reflecting the importance that Waikato businesses place on the movement of people and supplies.

Another addition to the survey was to seek more specific business feedback on regional transport priorities. Nearly 70% of respondents prioritised roading maintenance, almost half mentioned roading capacity, and nearly four in ten highlighted route resilience. Roading maintenance was the most common call of all segments and districts.

### Infrastructure priorities

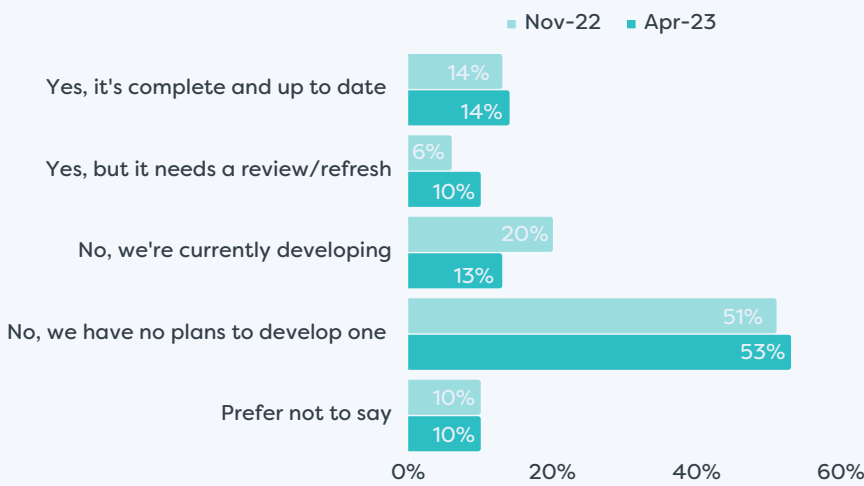


### Transport priorities



## Climate Change

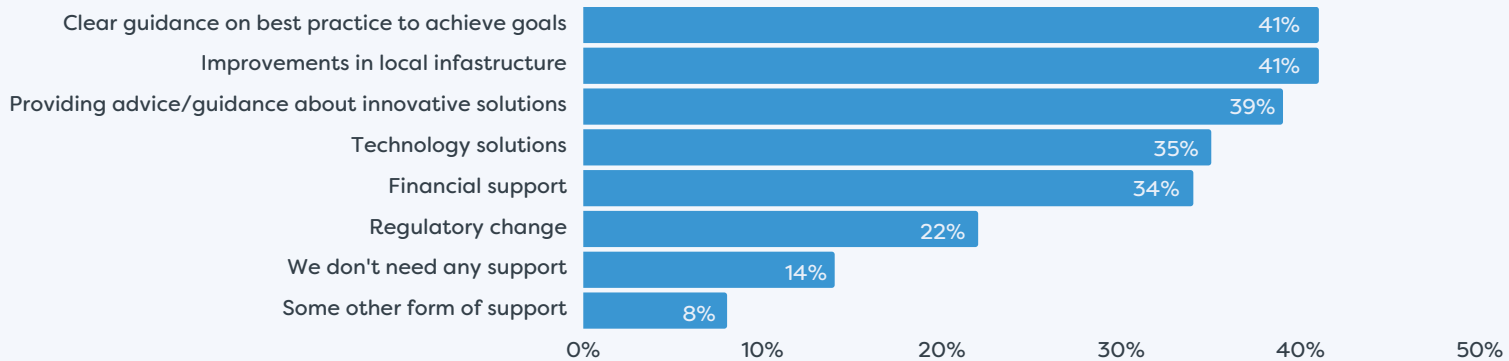
### Business has a climate change policy?



There has been a small increase in the proportion of Waikato businesses with a climate change strategy/policy in place since the last survey, up from 19% to 24%. However, over 50% of businesses surveyed continue to have no plans to develop any climate change strategy/policy.

We asked a follow-up question of those 24% of respondents with a strategy/policy in place, to understand what forms of support they most desire to help them achieve their climate change goals. It is notable that non-financial support tops the list, including guidance on best practice and innovative approaches, improvements in local infrastructure, and technology solutions.

### What forms of support would help your business achieve its climate change goals?

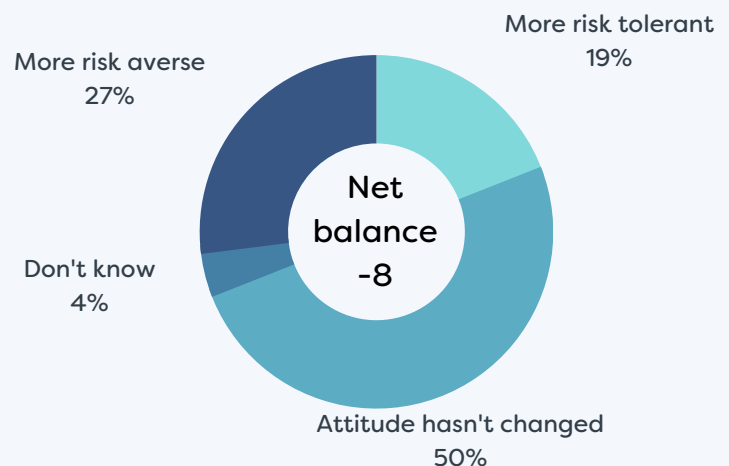


## Risk

A further addition to our survey was to start tracking views on business attitudes to risk. For half of the businesses surveyed their risk appetite has not changed in the past year, with nearly 30% becoming more risk averse.

Segments more likely to have increased their risk tolerance include Māori & Pasifika organisations and those operating in Matamata-Piako, Hauraki, and Waikato. Understandably, businesses in the cyclone-affected Thames-Coromandel District were more likely to have become more risk averse.

### How business general attitude to risk has changed in the past 12 months



# Waikato Regional Business Sentiment Survey April 2023

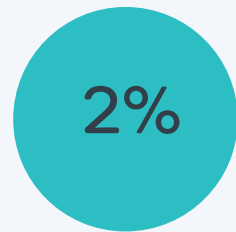
## Respondent Overview



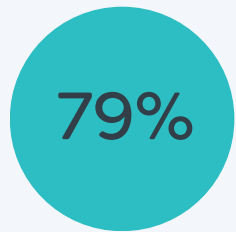
total respondents



of respondents identified as a Māori businesses

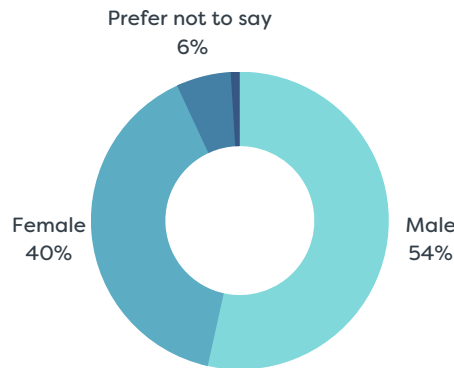


of respondents identified as a Pacific businesses

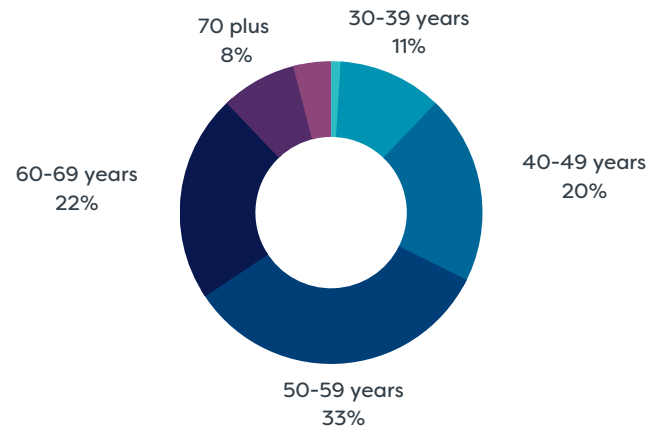


of respondents are from a Limited Liability company

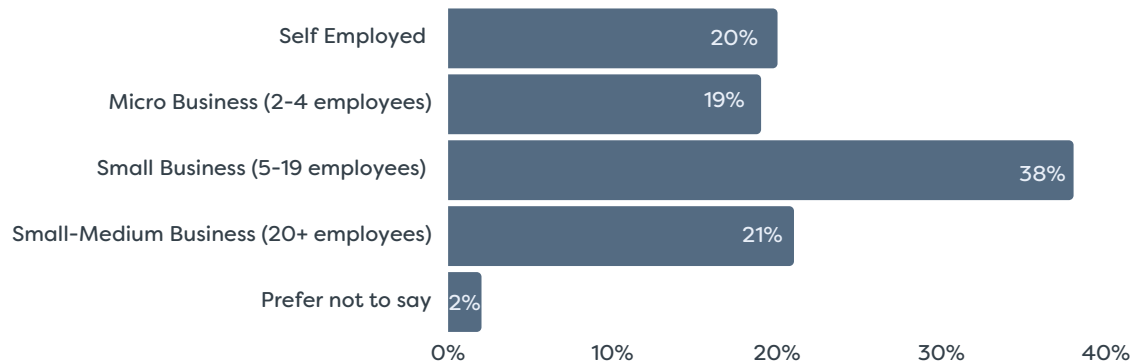
## Gender



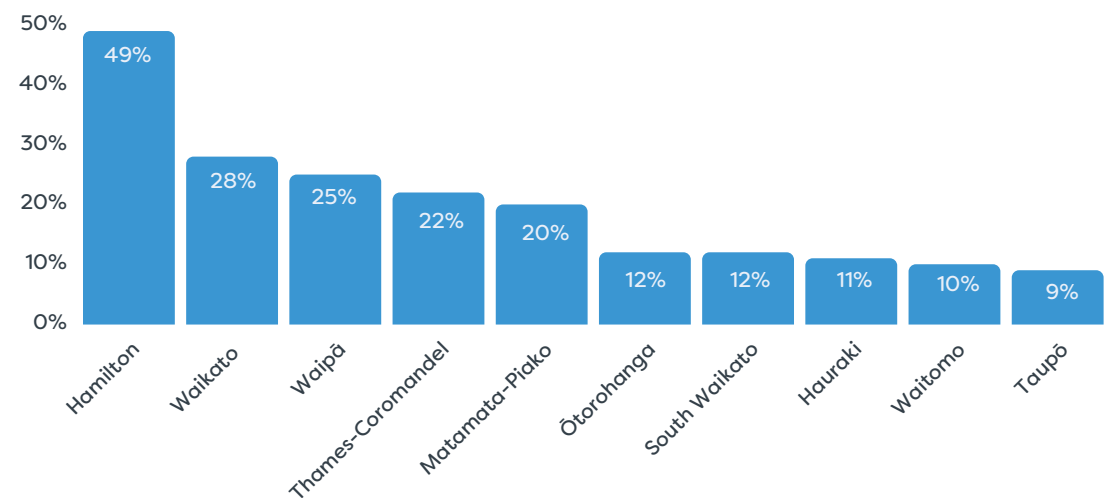
## Age



## Business Category



## Business District



### 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 360 samples received
- Surveys were conducted by online survey during April 2023