

BUSINESS CONFIDENCE SURVEY

Q3 2022 Results



Overview

The Queenstown Business Survey is a check on the health of local businesses. Where applicable, results are summarised in net terms by taking the percentage of businesses reporting an increase in the indicator in question, minus the percentage reporting a decrease. This approach gives a reliable indicator that can be tracked over time.

The Survey is updated every quarter, providing an important barometer of business conditions in Queenstown and surrounds that can be used for planning purposes.

This quarter demonstrates increasing activity in the district but is accompanied by increasing costs to business and challenges in recruiting staff. Cost increases are beginning to flow through to increased prices. While a net 30% of businesses are confident in their own economic outlook, a net 20% expect conditions to deteriorate in New Zealand more generally. Increasing activity and confidence is strongest in Queenstown.

Key insights

This quarter has seen a deterioration in overall confidence, as the glow of ‘returning to normal’ is replaced with the reality of high demand, increasing cost and constrained staffing.

Economic outlook	Q3 2022	Q2 2022
My business	30%	41%
New Zealand	-20%	-10%
Queenstown Lakes	17%	55%

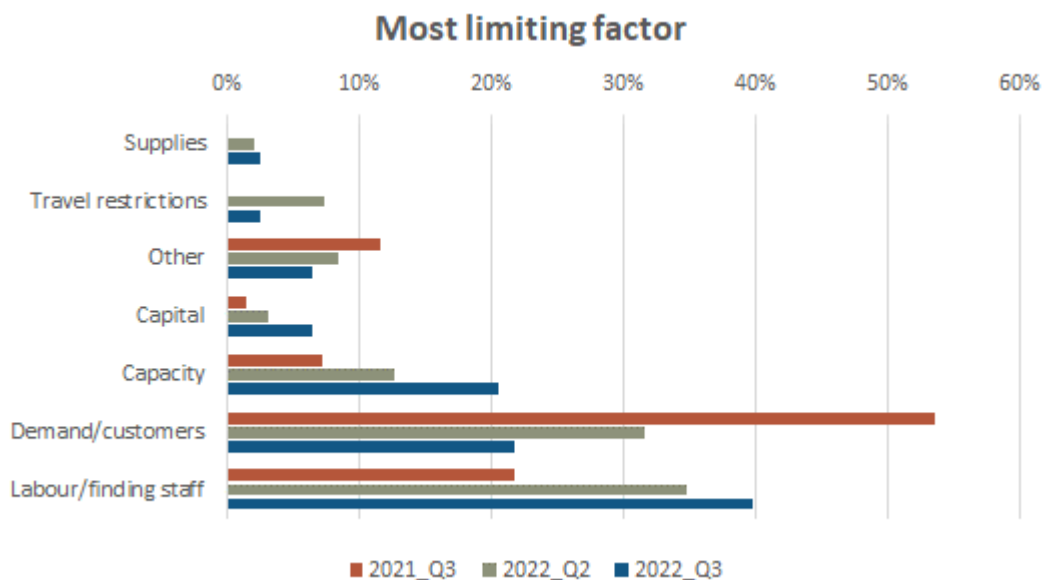
Businesses are working harder in the face of increased demand and costs, and constrained staffing. Price increases are beginning to be passed through to customers.

Net increase	Current (last 3 months)	Outlook (next 3 months)
Real activity	58%	35%
Input costs	81%	71%
Staff count	12%	21%
Operating hours	23%	12%
Investment	29%	24%
Prices	58%	45%
Profits	22%	17%

Increasing activity is pronounced in Queenstown and while businesses there see the outlook as positive, they are less positive on the outlook for the region when compared to Wanaka.

Net increase expected	Queenstown	Wanaka	Other
Real activity	39%	17%	38%
Input costs	73%	64%	71%
Staff count	16%	9%	29%
Operating hours	9%	9%	15%
Investment	33%	18%	18%
Prices	48%	36%	44%
Profits	15%	8%	21%
Economic outlook:			
My business	39%	33%	21%
New Zealand	-9%	-17%	-32%
Queenstown Lakes	16%	25%	15%

Single most limiting factor to growth



Businesses were asked "What single factor is most limiting your ability to grow your business?". The most common response was "Labour, finding and employing the right staff", with 40% of respondents.

Two significant changes from the same time last year have been the reduction in businesses citing demand as a limiting factor, reflecting open borders, and the increasing difficulty in finding staff in the face of increasing demand.

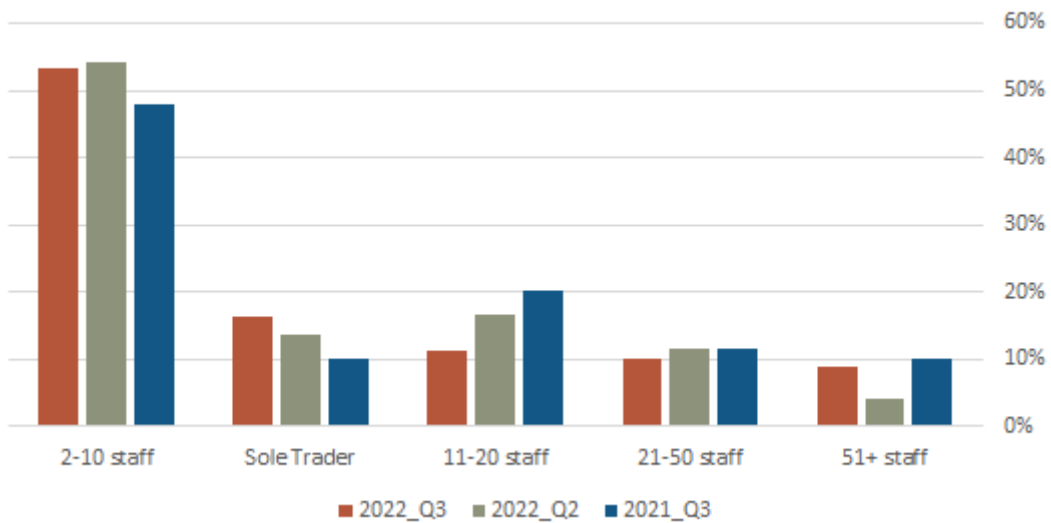
Results

Labour market insights

This section outlines survey findings regarding overall staff numbers, and difficulty filling vacancies. Staffing decisions are an important gauge of businesses' confidence in their own near-term prospects.

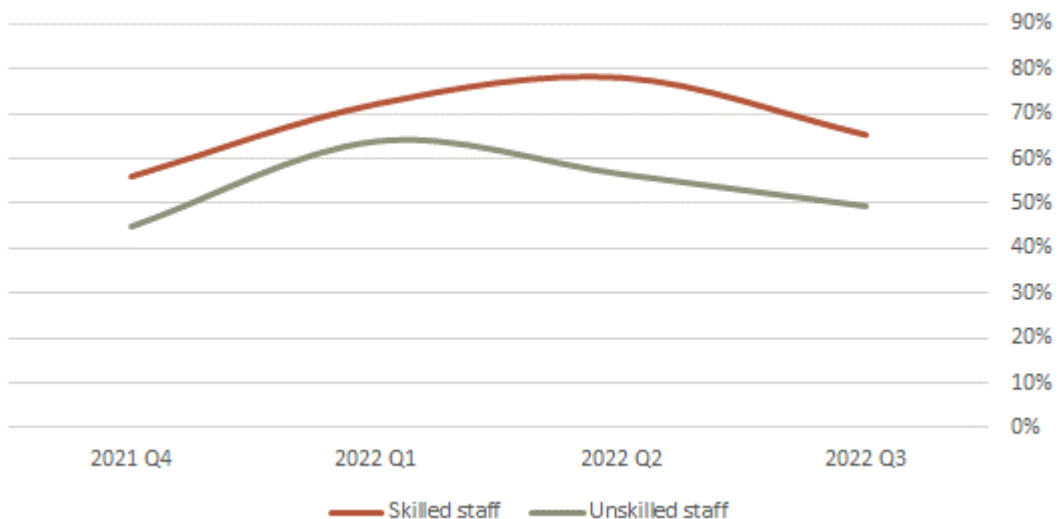
Sole traders made up 16% of respondents in the latest quarter, compared to 14% last quarter. The most common size category was 2-10 staff, with 53% of responses in the latest quarter.

Number of staff employed



Difficulty finding staff

Net difficulty finding staff



Difficulty is also measured in net terms, but a positive number means higher difficulty. Net difficulty can turn negative if more businesses are finding it easier on average to fill vacancies. While net difficulty is declining it remains high for both skilled and unskilled labour.

A net 65% of businesses reported that it was harder to find skilled staff over the past three months and a net 49% found it harder to find unskilled staff.

Wages

For businesses with employees, 46% expect to increase wages over the next three months, with 43% reporting having increased wages over the last three months.



Of all businesses surveyed in the latest quarter, 96% reported paying their employees a living wage (at least \$22.75/hr).

Activity indicators

This section contains information on how businesses have performed over the last three months, and how they expect to perform over the next three months.

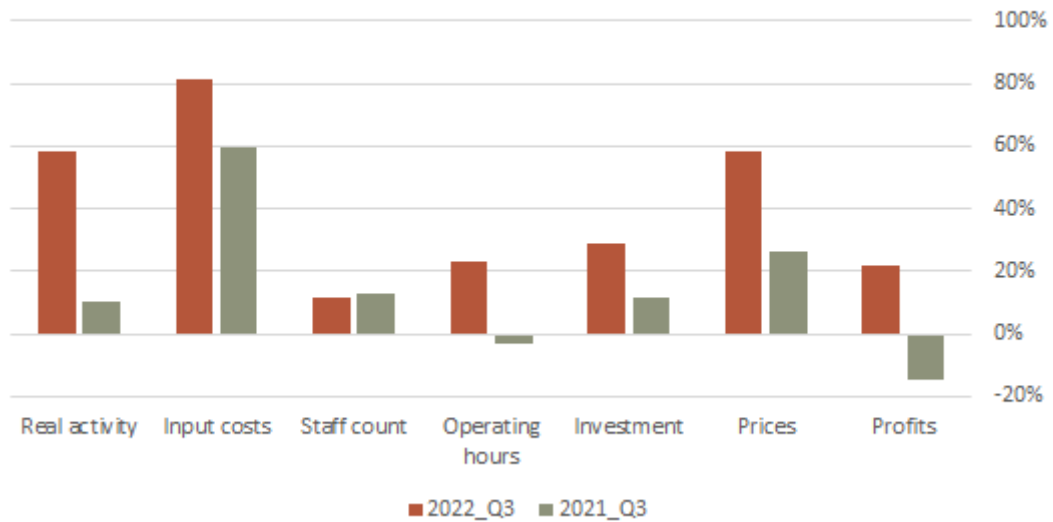
Activity indicators, Q3 2022

	Increased	Remain the same	Decreased	Net increase
Real activity	24	28	17	10%
Input costs	42	26	1	59%
Staff count	23	32	14	13%
Operating hours	11	45	13	-3%
Investment	19	39	11	12%
Prices	20	47	2	26%
Profits	17	25	27	-14%

The table above shows how businesses are reporting their own activity by indicator. A negative net percentage indicates more businesses are reporting a decrease over the last three months.

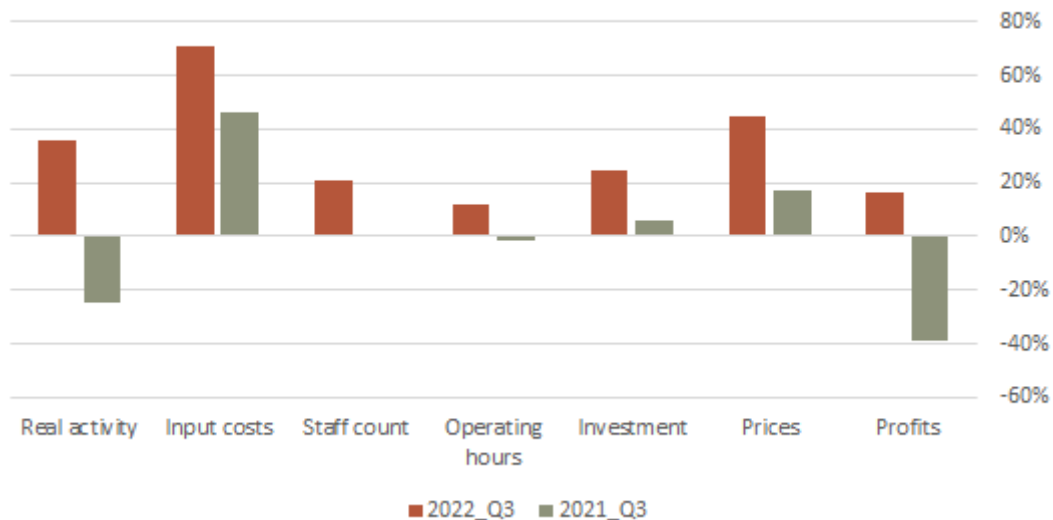
Slightly more businesses are reporting a decrease in operating hours, likely in the face of constrained staffing. A net 14% of businesses are reporting a decrease in profits, likely underpinned by the increase in input costs reported by a net 59% of businesses.

Net increase last three months



Businesses were asked about the same activity indicators for the next three months. The net increase is therefore a forward-looking indicator based on the average expectations of businesses surveyed. There is a significant increase in activity, input costs, prices, and profits relative to the same quarter last year.

Net increase expected, next three months



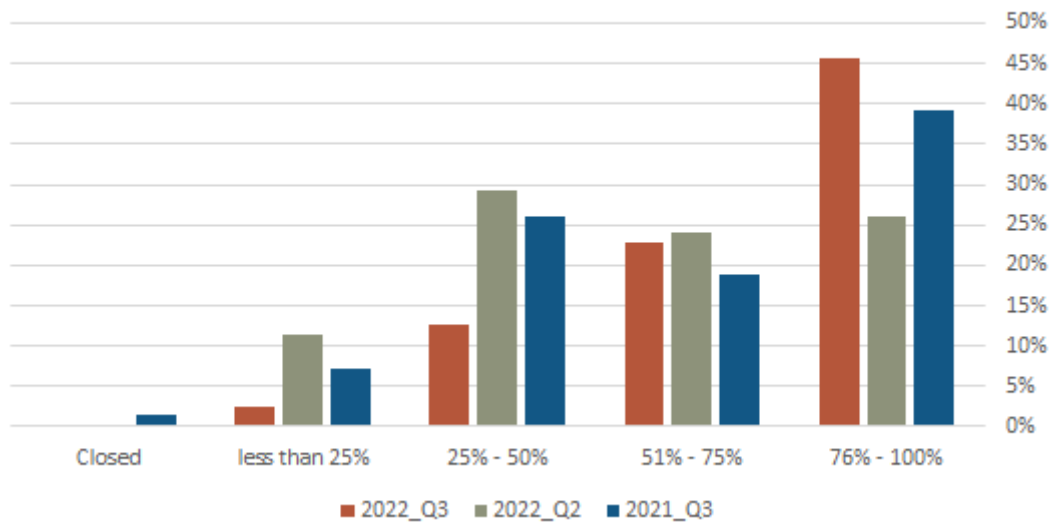
Businesses expect demand to continue to increase in the coming months and that input costs will continue to rise. Businesses also expect to increase prices as a result.

Capacity

Business operating at over 75% capacity made up 68% of respondents in the latest quarter, compared to 50% last quarter. Businesses operating at less than 25% capacity made up 0% of responses in the latest quarter.

The number of businesses now reporting at operating at close to capacity reflects the increases in business activity also reported.

Current operating demand vs capacity



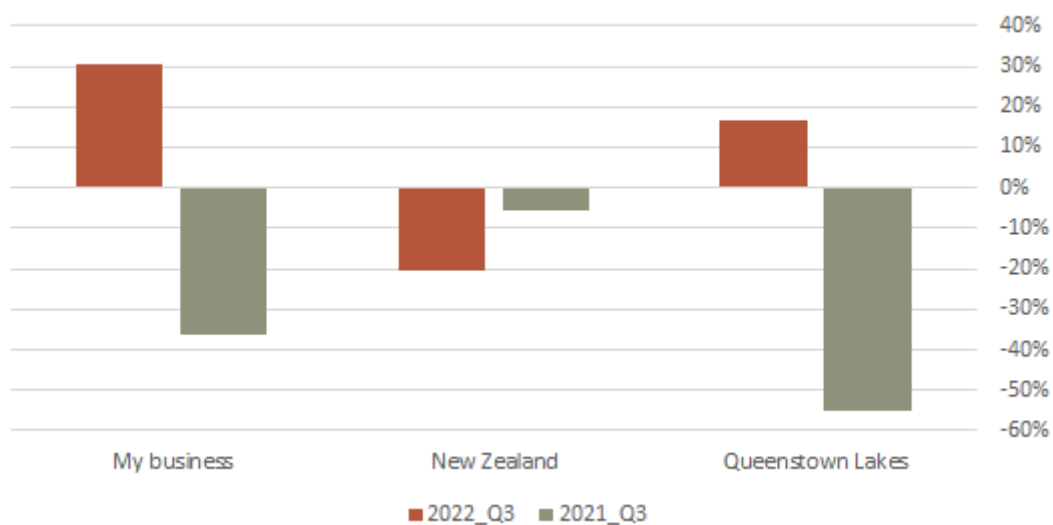
Economic activity

Businesses were asked about their expectations about economic conditions in their own business, the Queenstown lakes economy, and New Zealand as a whole. While a net 30% expect conditions to improve in their business, a net 20% expect conditions in New Zealand generally will deteriorate.

Expected change in economic conditions, Q3 2022

	Improve	Remain the same	Deteriorate	Net expectation
My business	30	39	7	30%
New Zealand	19	25	35	-20%
Queenstown Lakes	26	38	13	17%

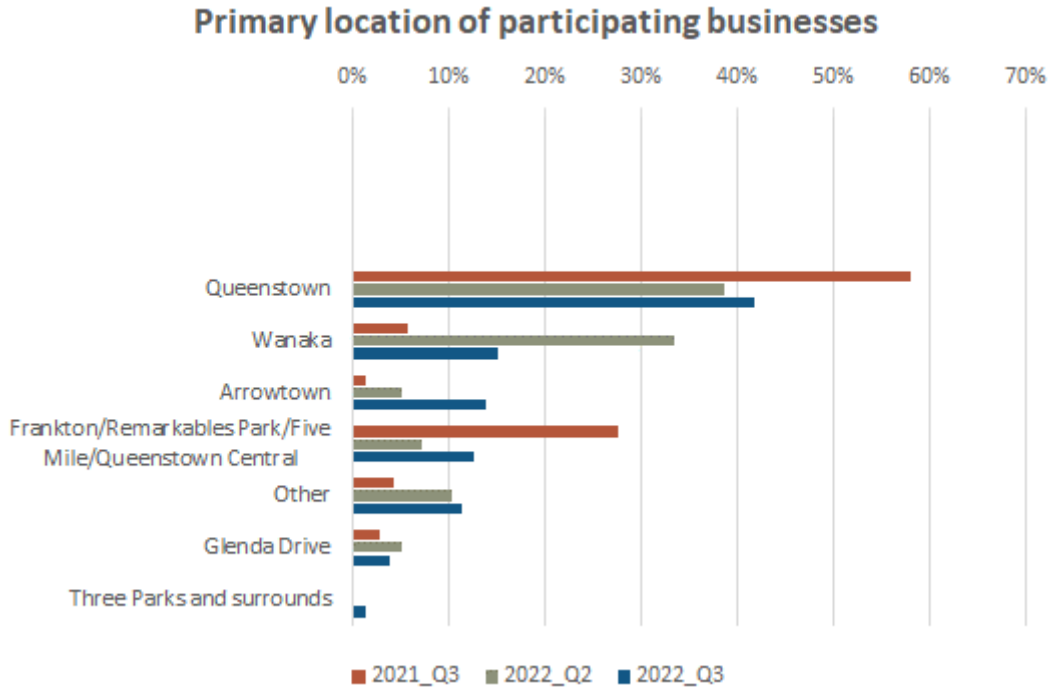
Net economic expectation



Other information

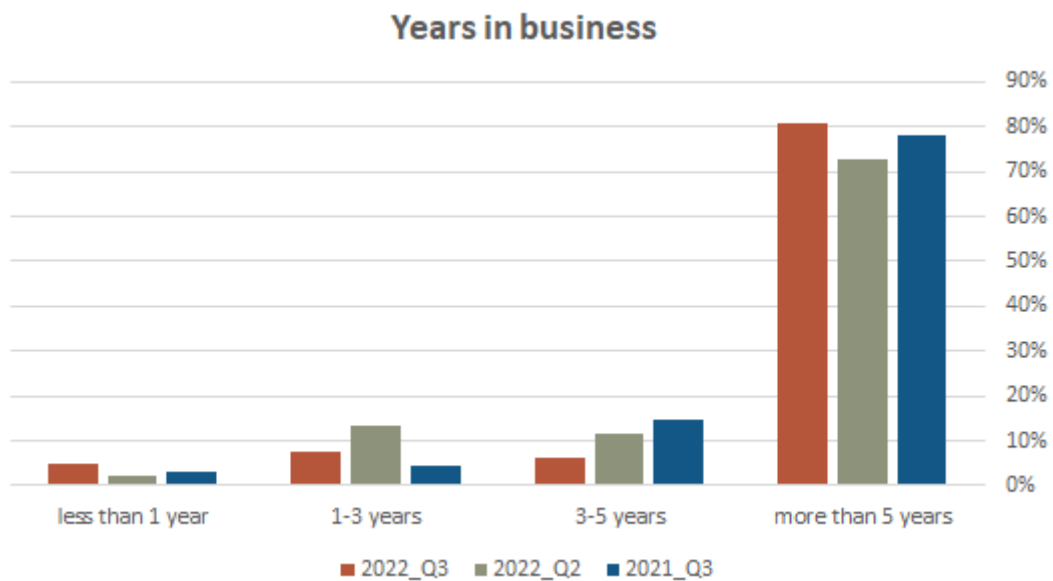
This section provides further information about the characteristics of businesses surveyed.

Location



Queenstown was the primary business location for 42% of respondents in the latest quarter, compared to 39% last quarter and 58% a year earlier. The second most popular location was Wanaka with 15% of responses in the latest quarter.

Years in business



More businesses reported operating for more than 5 years than other categories, with 81% of respondents in this category. Businesses operating for less than a year made up 5.1% of respondents in the latest quarter, compared to 2.9% in Q3 2021.