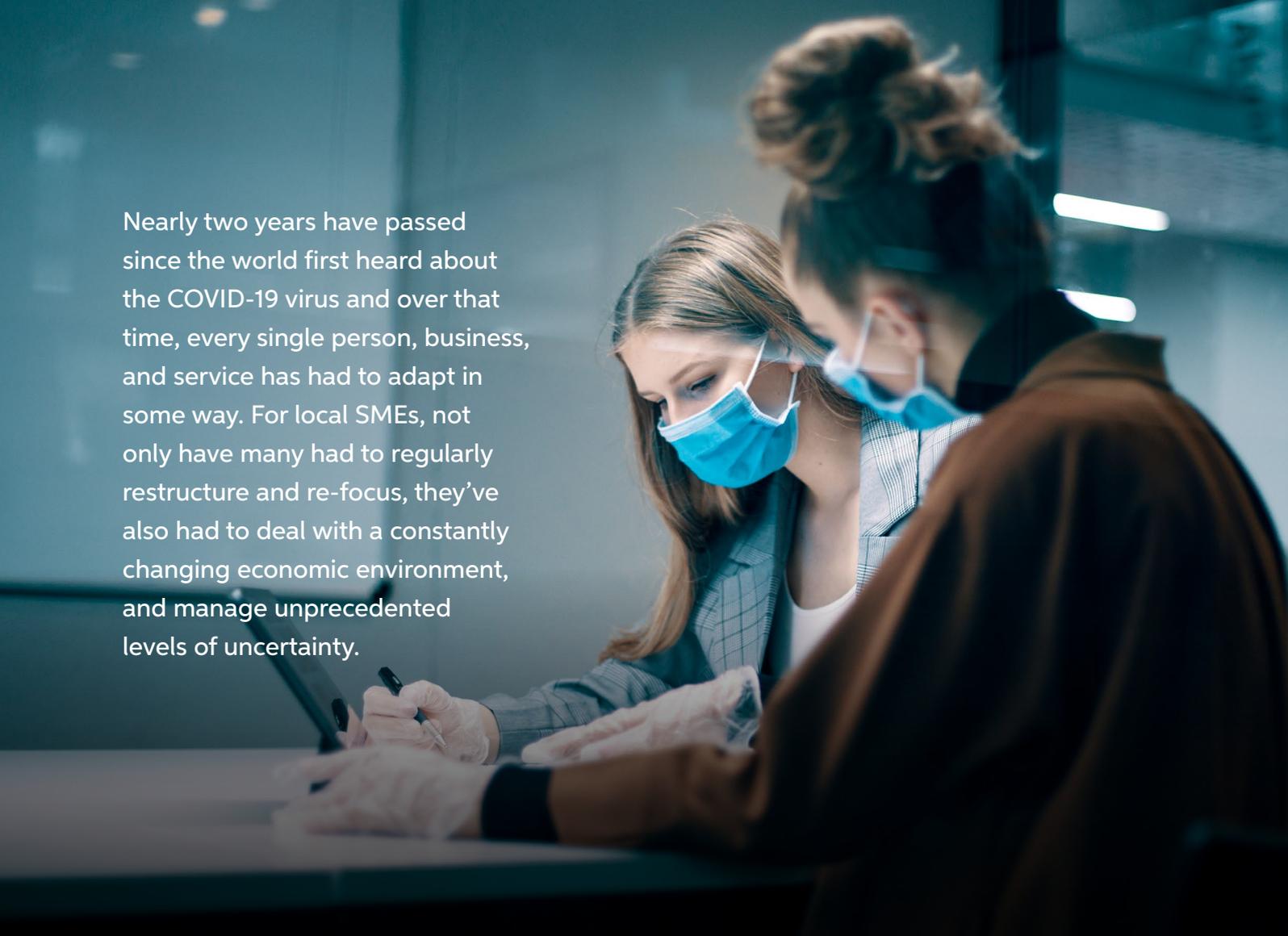




SME Economic Report:
2021 in Review



Nearly two years have passed since the world first heard about the COVID-19 virus and over that time, every single person, business, and service has had to adapt in some way. For local SMEs, not only have many had to regularly restructure and re-focus, they've also had to deal with a constantly changing economic environment, and manage unprecedented levels of uncertainty.

For local businesses, confidence in the economy over the last 12 months has been heavily influenced by COVID-19. Our return to “normal” in Q2 saw confidence increase, before declining rapidly again in Q3 due to the Delta variant hitting our shores and the impact of the subsequent lockdown restrictions. For many SMEs, this year’s outbreak of COVID-19 has brought increased uncertainty as we learn how to live with the virus, rather than eradicate it. This, in turn, led to the biggest decline in economic confidence that we’d seen in our MYOB SME surveys since the 2008 Global Financial Crisis.

With COVID-19 and the vaccine roll-out noted as the top local factors impacting SMEs’ view of the economy for much of the year, it’s important to understand how far-reaching the effects of the pandemic have been. From site closures, to disrupted supply chains, to critical skills shortages, COVID-19 has made it difficult – and in some cases impossible – to do business, especially for local SMEs.

While confidence has been shaken, revenue has also been significantly impacted due to lockdowns, limited customer numbers, and no international visitors – with the exception of the short-lived trans-Tasman bubble.

While new lockdowns and operating restrictions led to the Government stepping up again to support local businesses by reintroducing the wage subsidies and resurgence support payments, 2021 has been extremely challenging for our local SMEs.

However, Kiwi business owners are known for being resilient, passionate and determined, and despite the challenges of the last year, we continue to see these attributes shine through. And while consumers should expect to see price increases from the SME sector, many will be thankful that their favourite store, bar, café, auto workshop or hairdresser, is still trading.

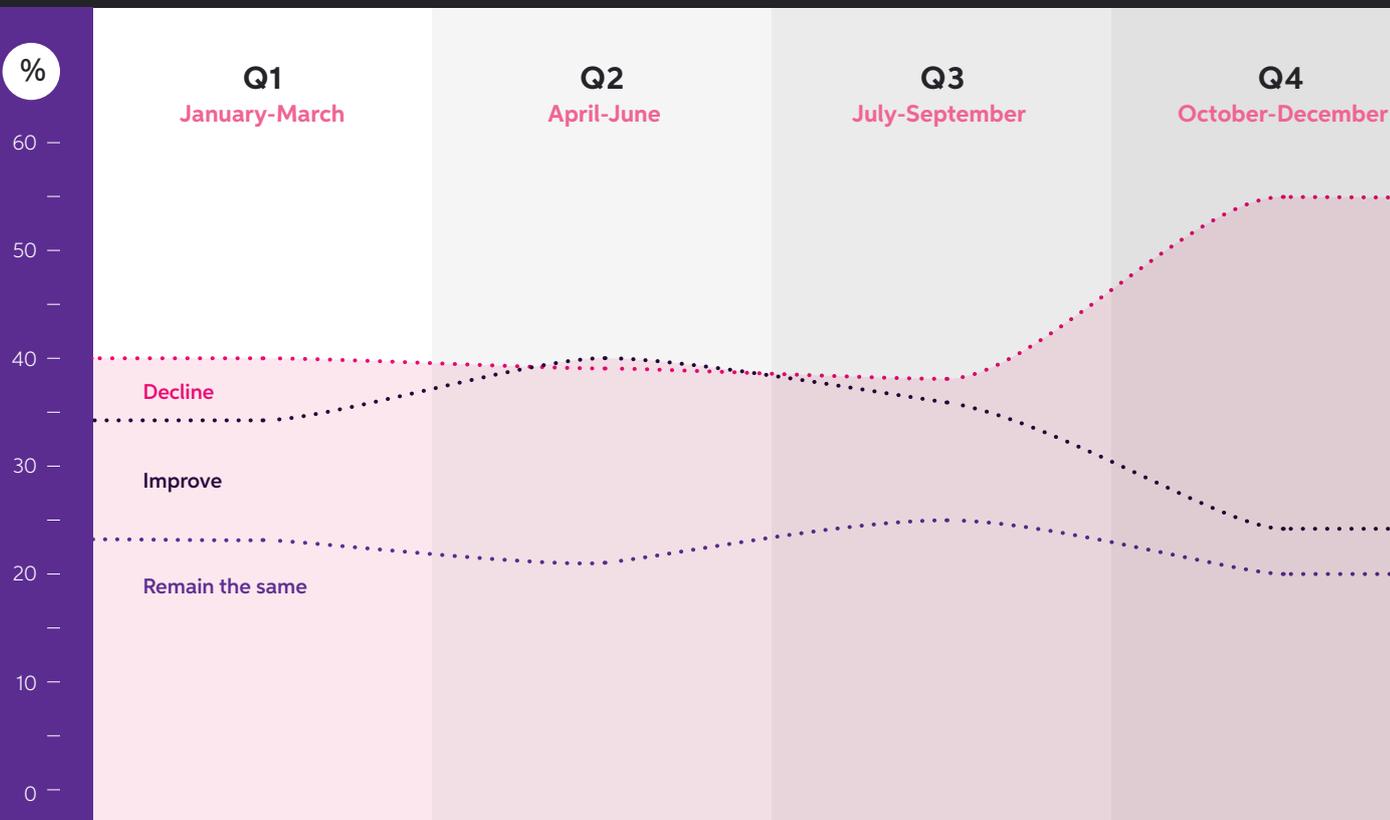
As we enter the busy holiday season and look towards 2022, encouragingly, work in the pipeline for most SMEs is looking relatively steady. Here’s hoping with continued growth in vaccine numbers and the reopening of local borders, this trend continues for a brighter year ahead.

Jo Tozer
MYOB Head of Customer Service



EXPECTATIONS OF NEW ZEALAND'S ECONOMIC PERFORMANCE

Coming off the back of short, sharp lockdowns in Q1, SMEs' confidence in the economy increased in Q2 and early Q3, before declining strongly in Q4 – likely due to the ongoing spread of the COVID-19 Delta variant in the community and the subsequent impacts of local lockdowns.



In the next 12 months, do you believe New Zealand's economy will:

Decline

Slightly
30%
Significantly
10%

Improve

Slightly
28%
Significantly
6%

Decline

Slightly
25%
Significantly
14%

Improve

Slightly
32%
Significantly
8%

Decline

Slightly
27%
Significantly
11%

Improve

Slightly
28%
Significantly
8%

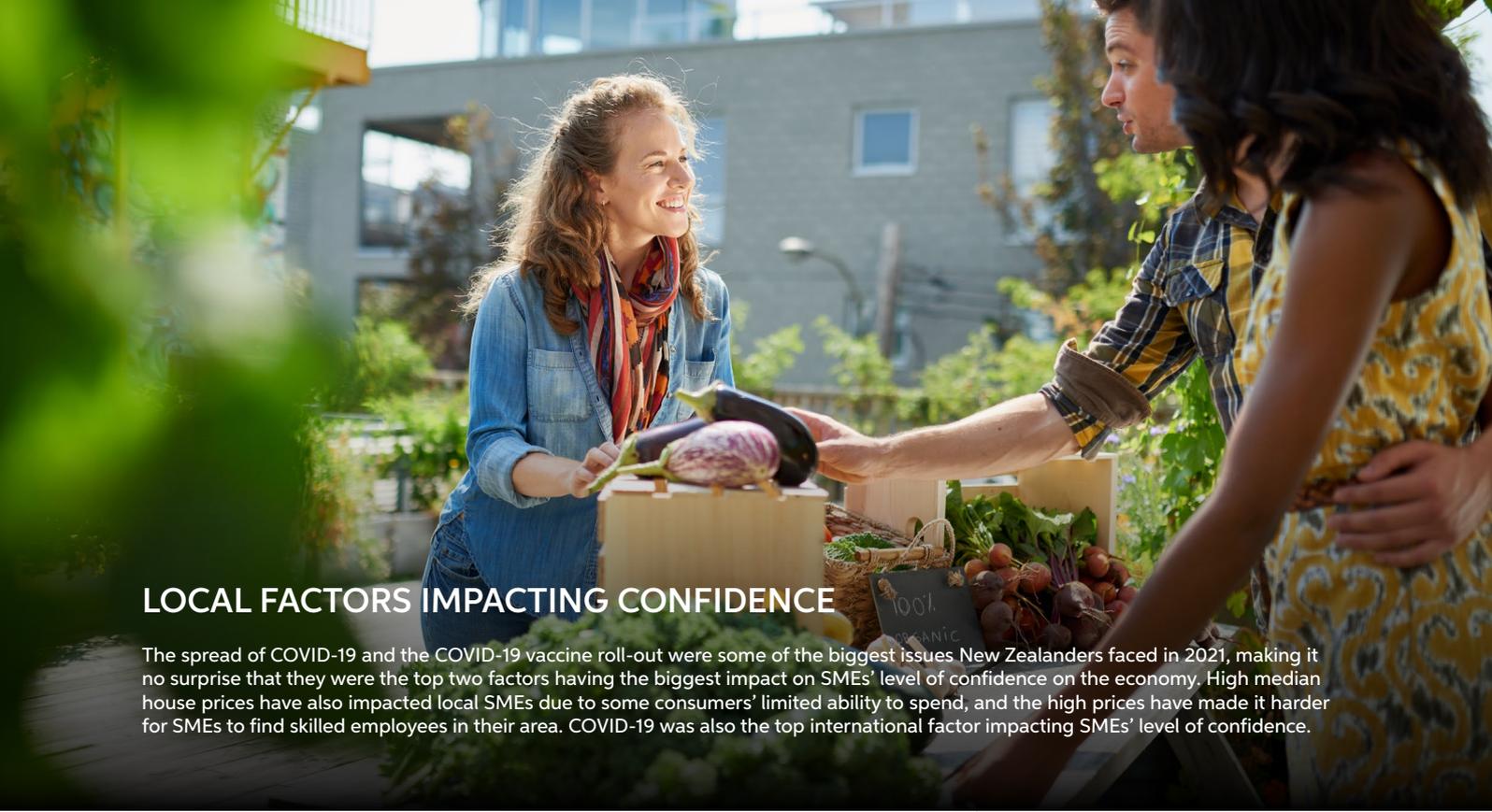
Decline

Slightly
31%
Significantly
24%

Improve

Slightly
21%
Significantly
3%

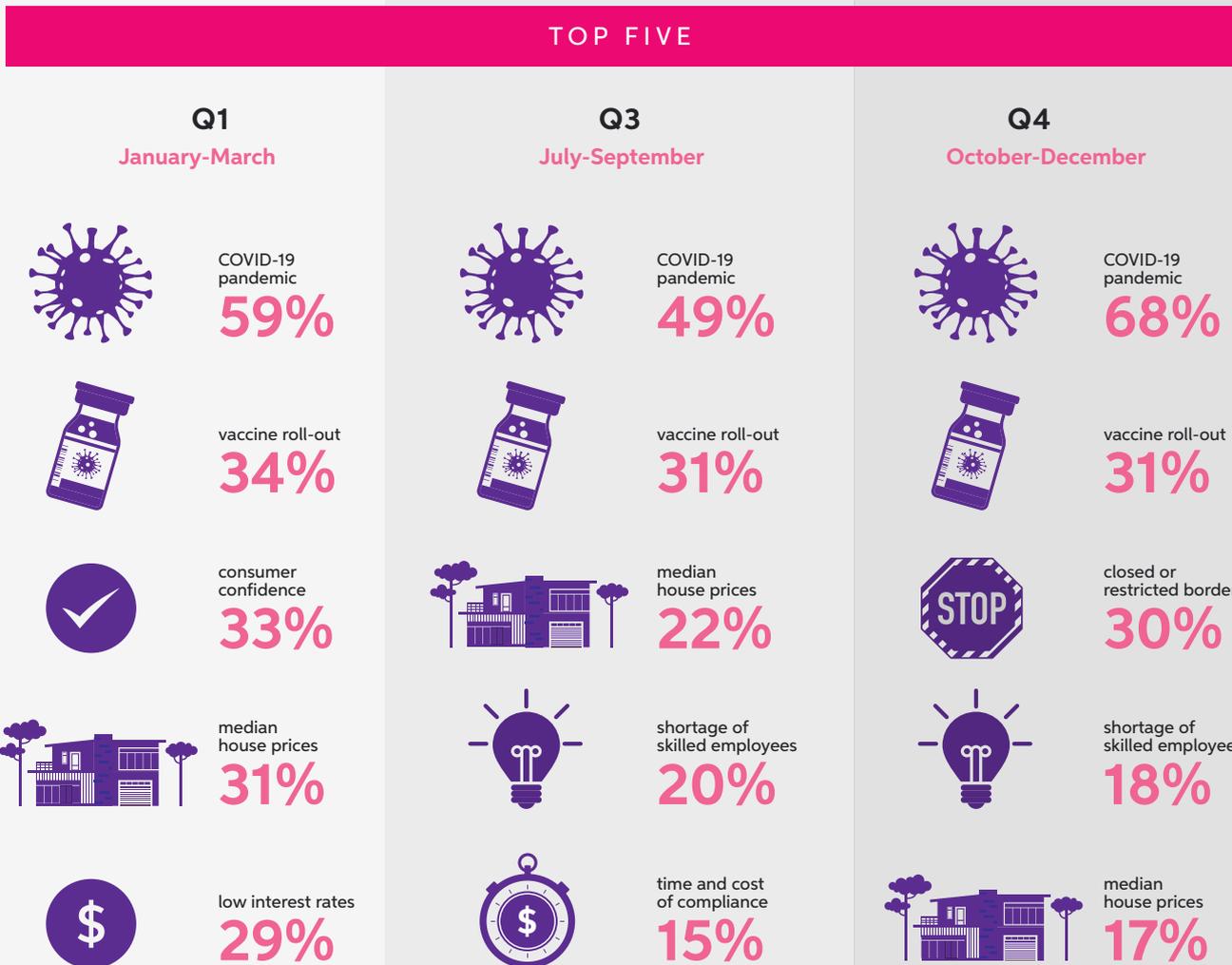
*The remainder of respondents answered 'don't know'.



LOCAL FACTORS IMPACTING CONFIDENCE

The spread of COVID-19 and the COVID-19 vaccine roll-out were some of the biggest issues New Zealanders faced in 2021, making it no surprise that they were the top two factors having the biggest impact on SMEs' level of confidence on the economy. High median house prices have also impacted local SMEs due to some consumers' limited ability to spend, and the high prices have made it harder for SMEs to find skilled employees in their area. COVID-19 was also the top international factor impacting SMEs' level of confidence.

Thinking about your view of the economy for the next 12 months, which of the following local factors are having the biggest impact on your level of confidence?

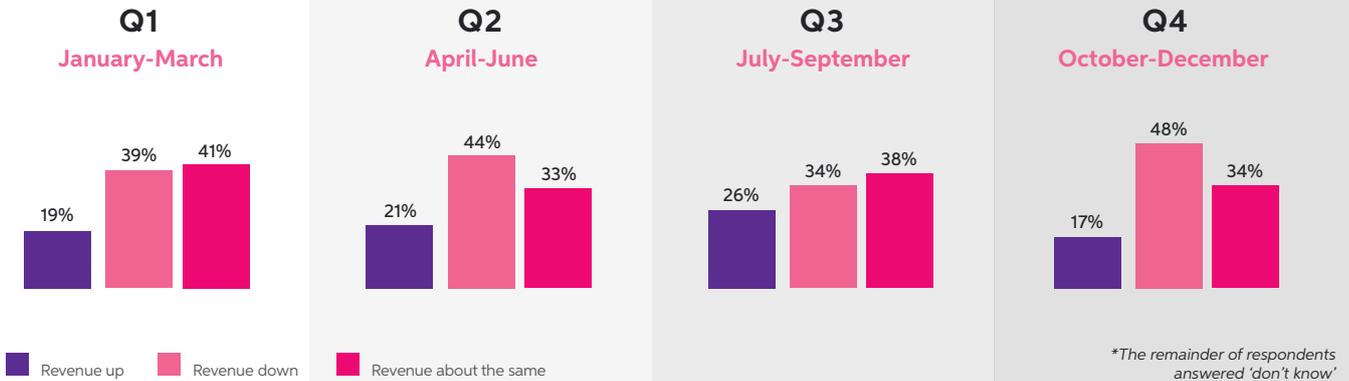


*Question not asked in Q2.
**Respondents could select more than one answer.

REVENUE PERFORMANCE IN 2021

Over a quarter (26%) of SMEs had said their revenue was up on a year ago in early Q3 during the time of our polling – the highest of all quarters for local SMEs. But with COVID-19 lockdowns and restrictions soon to follow in August and then occupying most of Q4, it was no surprise that nearly half (48%) of respondents in Q4 reported that their revenue was down on a year ago.

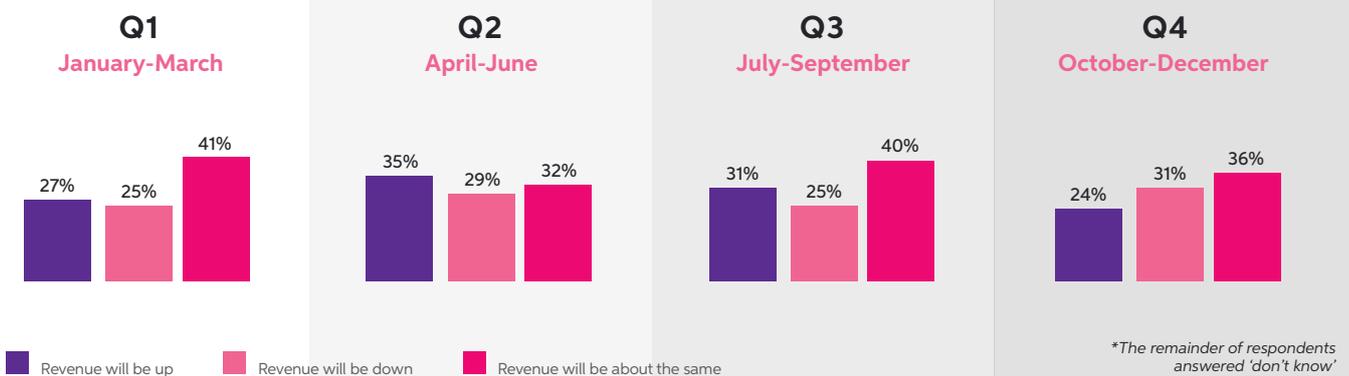
At the present time, is your business revenue (or gross turnover or sales) up or down on a year ago, or about the same?



REVENUE PREDICTIONS FOR 12 MONTHS' TIME

For a majority of 2021, most SMEs were positive that their revenue would be up or about the same in 12 months' time, compared to the present time. However in Q4, nearly a third (31%) of SMEs expected their revenue to be down in 12 months' time – reflecting the difficulties of navigating a business during a time of high uncertainty.

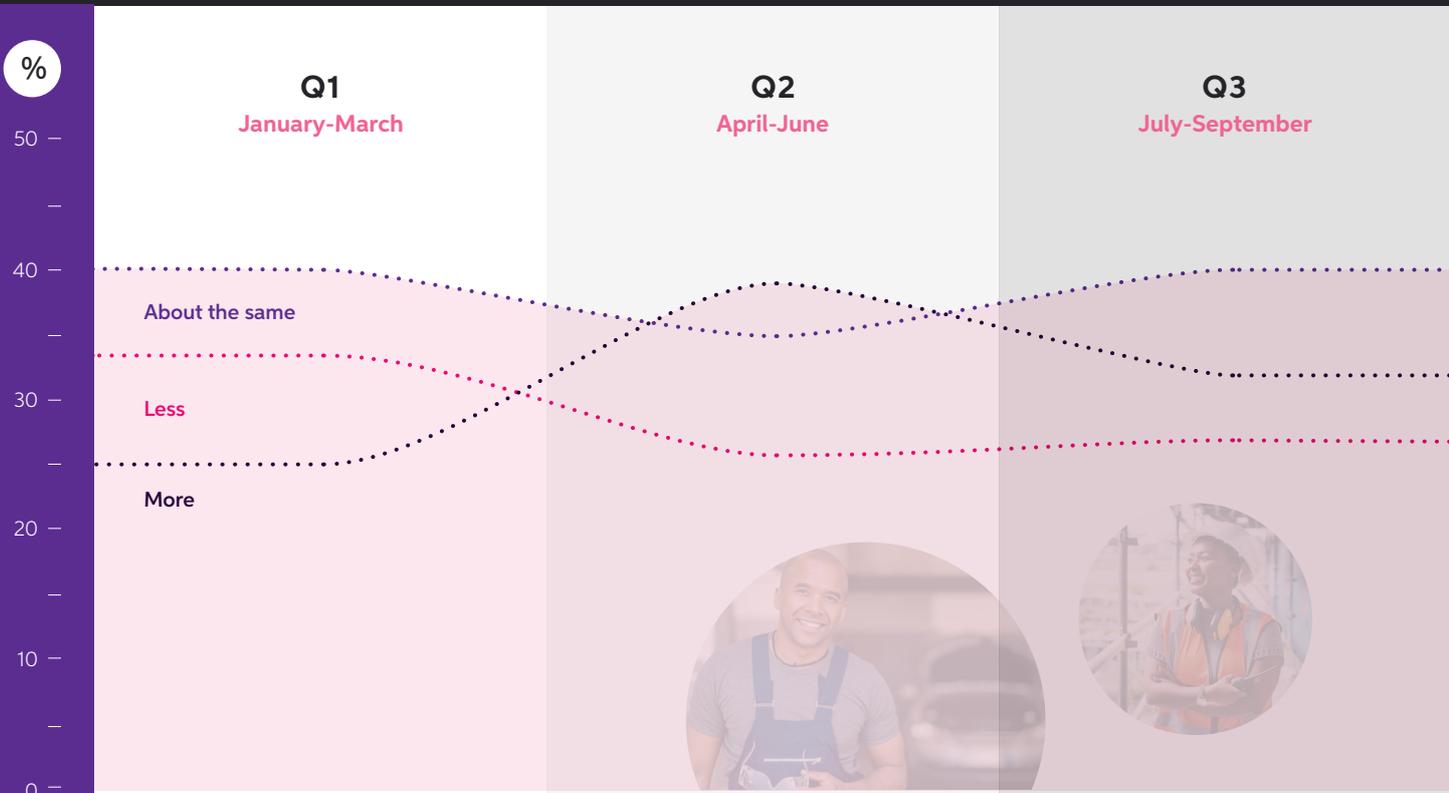
How do you expect your business revenue [or gross turnover or sales] in 12 months' time to compare with your business revenue at the present time?





WORK IN THE PIPELINE

Q2 proved to be a good quarter for business, with nearly two-in-five (39%) SMEs saying they had more work in the pipeline in the next three months, compared to what they would usually expect. Perhaps responsible for increased revenue predictions we saw in early Q3, this was a significant improvement from Q1 – increasing by 14 percentage points.



Please indicate how much work you have got on, or what sales you have in the pipeline, in the next 3 months, compared to what you would usually expect?

Less		More		Less		More		Less		More	
A little less	22%	A little more	20%	A little less	17%	A little more	24%	A little less	20%	A little more	22%
A lot less	11%	A lot more	5%	A lot less	8%	A lot more	15%	A lot less	7%	A lot more	10%

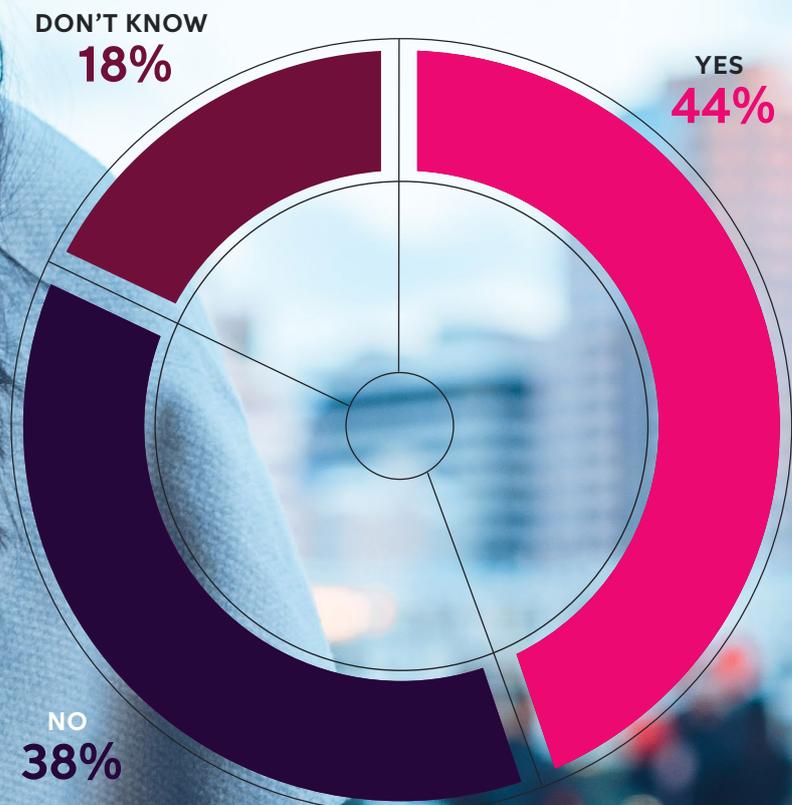
*This question was not asked in Q4.

**The remainder of respondents answered 'don't know'.

PRICE INCREASES

Responding to inflationary pressures and a range of increasing costs, including minimum wage rises, increased shipping costs, losses from COVID-19 or product increases from suppliers, nearly half (44%) of SMEs we polled in Q4 plan on increasing their prices in the next six months.

Will you be increasing the prices you charge for your business's goods or services in the next six months?



*The remainder of respondents answered 'don't know'.

Q1

About the MYOB Business Monitor

The MYOB Business Monitor is a national survey of 1,000+ New Zealand small and medium business owners and managers, from sole traders to mid-sized companies, representing the major industry sectors. It has run since 2009, commissioned to independent market research firm Colmar Brunton. This most recent survey ran from February 4th to March 8th 2021. The Monitor researches business performance and attitudes in areas such as profitability, cashflow, pipeline, technology usage and the government. The weighting of respondents by both geographical location and sector is based on overall market proportions as established by Statistics New Zealand and is drawn from an independent survey group, which includes both MYOB clients and non-clients.



Q2

About the MYOB April SME Snapshot

Research for MYOB's April SME Snapshot was conducted for MYOB by Dynata between 8th-23rd April 2021. In total, 503 SME owners and decision-makers were invited to complete the online survey which was conducted to achieve a nationally representative sample from across New Zealand.

Q3

About the MYOB July SME Economic Snapshot

Research for MYOB's July SME Economic Snapshot was conducted for MYOB by Dynata between 1st-27th July 2021. In total, 523 SME owners and decision-makers were invited to complete the online survey which was conducted to achieve a nationally representative sample from across New Zealand.

Q4

About the MYOB October SME Economic Snapshot

Research for MYOB's October SME Economic Snapshot was conducted for MYOB by Dynata between 1st-16th October 2021. In total, 503 SME owners and decision-makers were invited to complete the online survey which was conducted to achieve a nationally representative sample from across New Zealand.



About MYOB

MYOB is a leading business platform with a core purpose of helping more businesses in New Zealand and Australia start, survive and succeed. MYOB delivers end-to-end business and accounting solutions direct to businesses, as well as a network of accountants, bookkeepers and consultants. MYOB operates across three key segments: Small and Medium Enterprises (SME), Enterprise, and Financial Services.

For more information, visit myob.co.nz or follow @MYOB on Twitter.

myob