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# The Annual MYOB Business Monitor

New Zealand

April 2024





# The economy





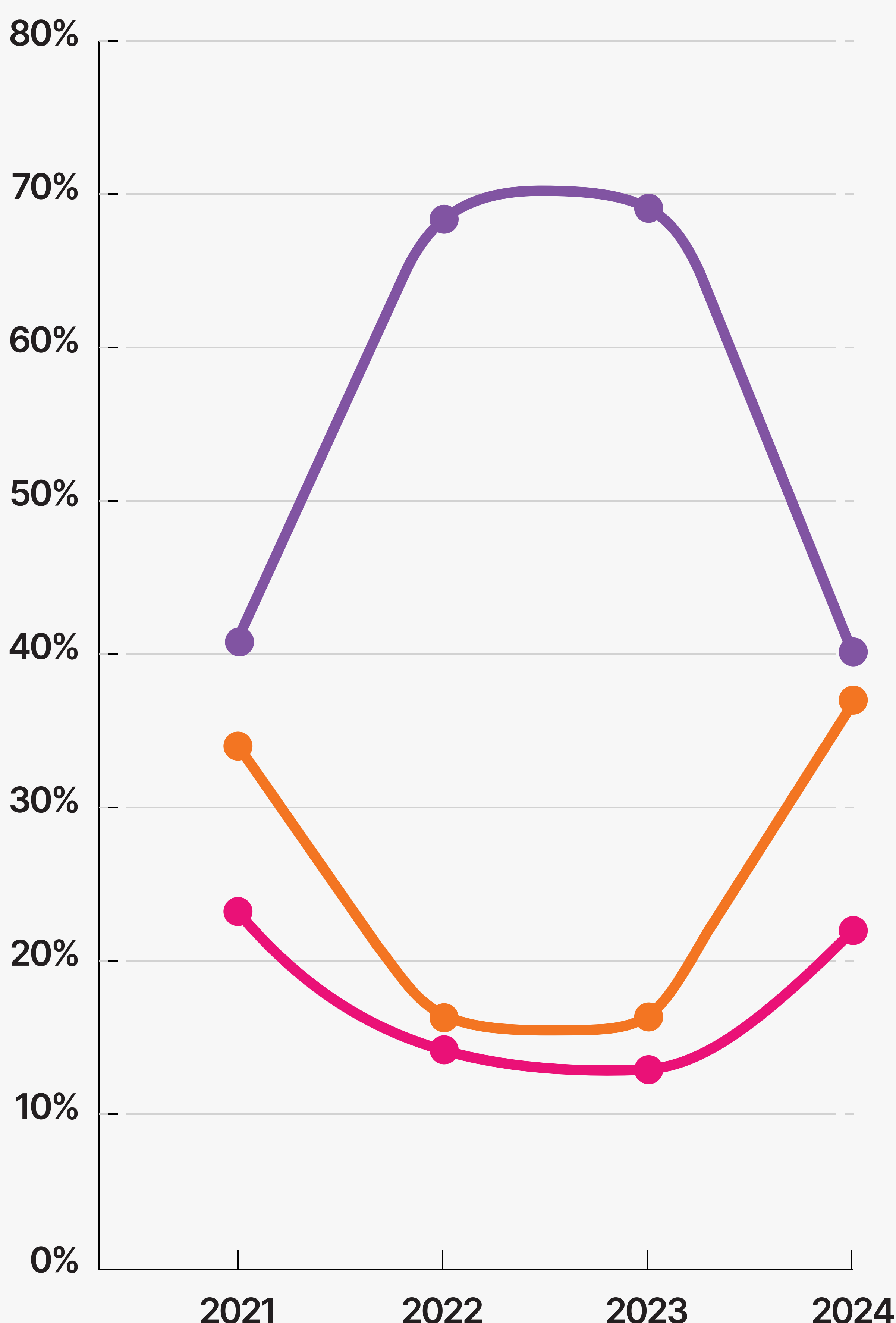
# The economy

Despite the New Zealand economy slipping into a recession in the second half of 2023, more local SME owners and operators expect to see the local economy improve over the next 12 months, in comparison to the confidence lows seen last year when 69% of SMEs expected the economy to decline.

While the impact of inflationary pressures on SME confidence is somewhat reduced from 2023, the cost of living, rising interest rates, consumer confidence and spending, and the cost of fuel and transport continue to weigh on business operators, along with the emergence of concerns about the stability of the new coalition Government.

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

- Decline
- Improve
- Remain the same





Which of the following local factors are having the biggest impact on your level of confidence?

**65%** Rising inflation/cost of living 

**55%** Interest rates 

**46%** Consumer confidence/spending 

**41%** Cost of fuel/transport 

**32%** Stability of the new coalition Government 



# Revenue





# Revenue

**Although confidence is improving, revenue growth in the SME sector has remained largely static over the past 12 months, with performance sitting at similar levels to 2023 but with a slight increase in the number of businesses who have seen revenue increase.**

There are, however, green shoots emerging amongst SMEs, as a larger proportion of businesses expect their revenue to improve or stay the same, rather than decline, over the coming year.

Businesses in the main centres are likely to be leading that growth, with Canterbury predicting the strongest revenue performance over the next 12 months to March 2025, slightly ahead of Auckland.

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

	2024	2023
Revenue is up	25%	22%
Revenue is about the same	41%	43%
Revenue is down	33%	34%

**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?**

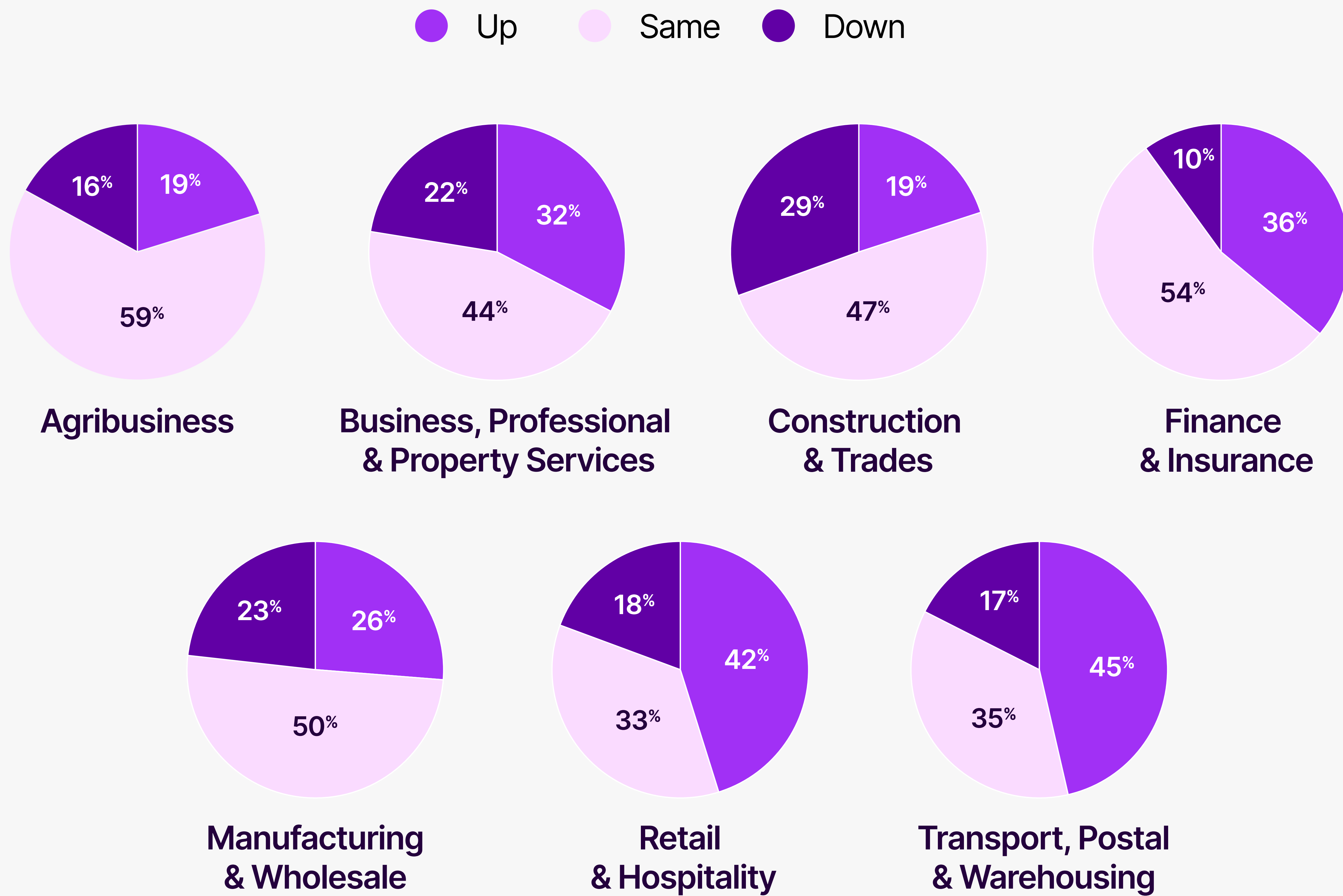
	2024	2023
Revenue will be up	29%	17%
Revenue will be the same	47%	43%
Revenue will be down	21%	36%



# Revenue

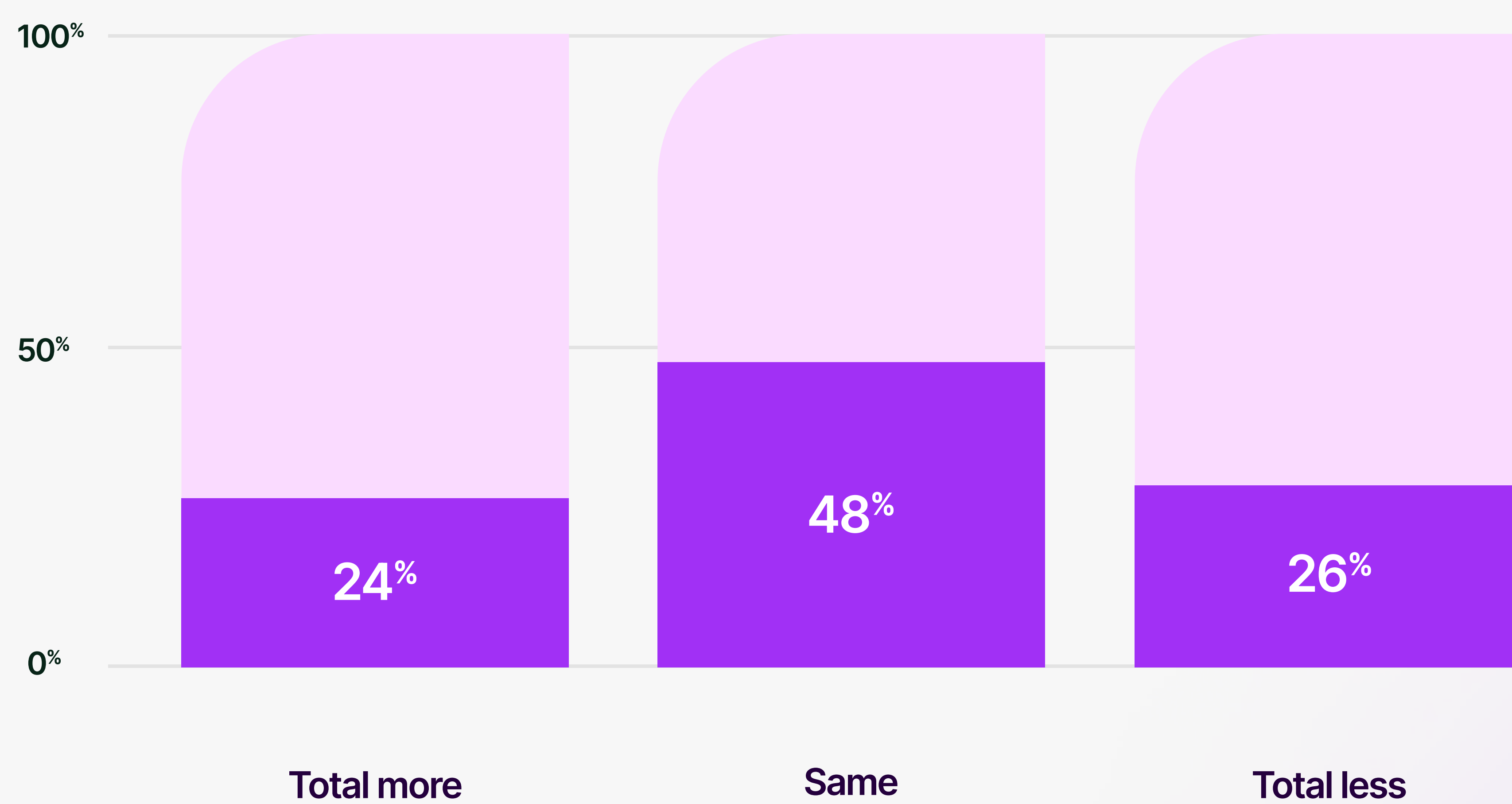
Across the sectors, retail and hospitality businesses are more confident they will continue to see improvements, while a more subdued construction industry is reflecting the end of the recent building boom.

**By industry- 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?**



Turning attention to the next quarter, the workload overall is relatively steady, however more than a quarter of SMEs have less work or sales in the pipeline than they'd expect at this time.

**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?**



Despite existing headwinds and another bumpy quarter ahead, local SMEs remain ambitious, with nearly half (46%) of those surveyed in this year's annual Business Monitor stating that 'increasing revenue' is their main goal over the next two years, and more than a quarter (29%) say they want to grow their business.



# Profitability, financial position and cashflow





# Profitability, financial position and cashflow

## New Zealand SMEs have struggled to maintain or improve profitability over the last quarter, as high costs and pared-back consumer spending continue to take their toll.

While more are reporting some growth in their profit compared to this time last year, predictions for the next quarter are also only marginally brighter. For those who have experienced a dip or yet to see growth, no changes in profitability signals another challenging quarter ahead for many businesses.

How has the profitability of your business changed over the last three months?

	2024	2023
More	22%	13%
Same	37%	41%
Less	41%	45%

How do you expect the profitability of your business to change over the next three months?

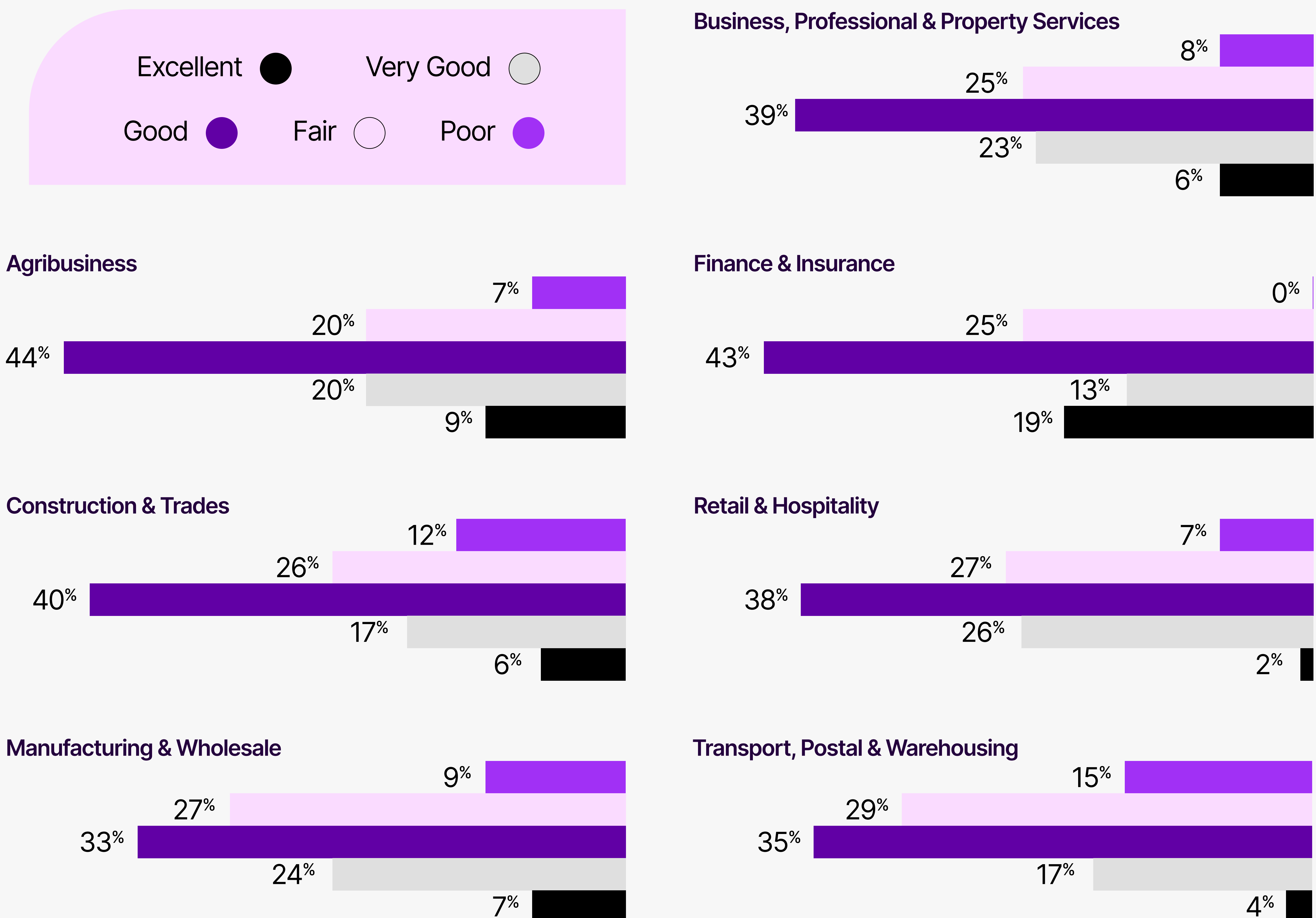
	2024	2023
More	26%	15%
Same	47%	41%
Less	25%	42%



# Profitability, financial position and cashflow

Despite the squeeze on profitability, most businesses are reporting a solid overall financial position. In this year's Business Monitor, one-in-five SMEs report their financial position as 'very good' and even 6% say 'excellent', while a further 39% view their financial position as 'good', 26% describe theirs as 'fair' and 8% say theirs is 'poor'.

## By industry – How would you describe the overall financial position of this business currently?



Playing a key role in an organisation's financial position and likewise profitability, SME leaders were also asked about their cashflow levels. Encouragingly, the proportion of local businesses reporting their current cashflow levels as 'good' or 'very good' has increased by eight percentage points on last year.

## How would you describe your current cashflow levels?

	2024	2023
Good/very good	43%	35%
Satisfactory	39%	44%
Poor/very poor	17%	21%

There is also a slight decrease in those reporting their cashflow as 'poor' or 'very poor'. Half of SME operators are also confident they can sustain their operation for over six months in the current environment without requiring an additional capital injection.



# Business pressures





## Business pressures

The familiar mix of inflation issues are expected to continue to put the most pressure on SMEs over the coming year. The cost of living is not only the top challenge impacting businesses' economic confidence, it also remains the top pressure for SMEs - followed by the cost of fuel, interest rates and maintaining or improving profitability.

In particular, fuel prices are expected to put significant pressure on a number of New Zealand's productive industries. In the agribusiness sector, almost half (47%) of SME operators surveyed predict fuel prices will place 'extreme' or 'quite a lot' of pressure on their business, while construction and trades businesses (45%) and the manufacturing sector (36%) are also predicting sizeable pressure driven by prices at the pump.

### Top 5 factors likely to cause extreme/quite a lot of pressure

Please rate each of the following on how much pressure they will likely put on your business over the next 12 months.

**39%**

**Inflation and  
cost of living**



**32%**

**Fuel  
prices**



**27%**

**Interest  
rates**



**26%**

**Price margins  
and profitability**



**25%**

**High cost of  
travel and freight**





# Employment and wages





## Employment and wages

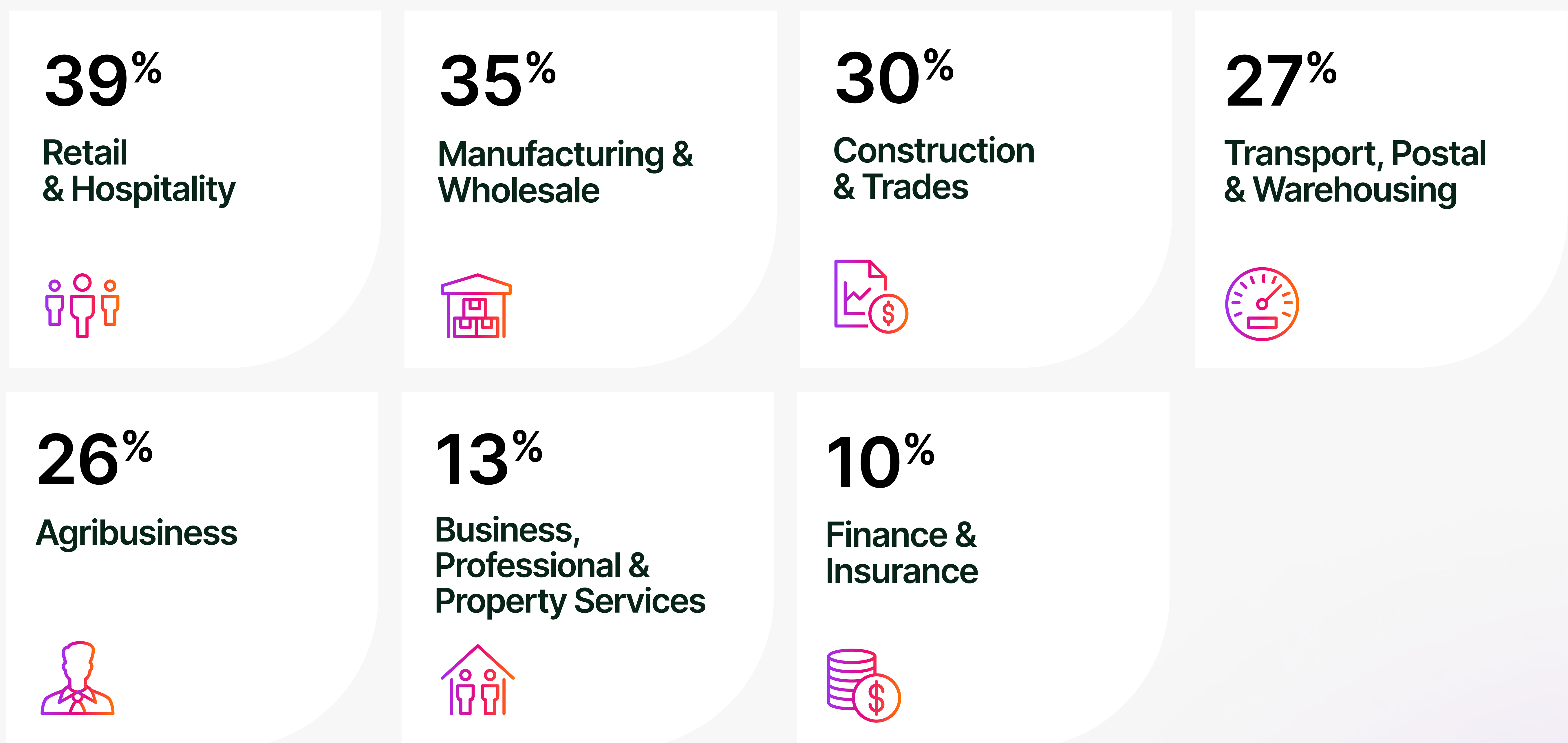
Looking at employment levels across New Zealand businesses, the majority of business owners and leaders polled in this year's Business Monitor currently describe their staffing levels as 'about right' (70%), based on what they need to operate successfully. A small number even describe their staffing levels as 'high' (9%).

However, one-in-five businesses are still dealing with 'low' or 'very low' staffing levels, and overall, around a quarter (26%) of business leaders surveyed also say they are finding it difficult to fill job vacancies.

After facing several years of significant skills shortages, most business operators surveyed plan to maintain staffing levels as they are (84%) for the next 12 months, while 9% are planning to increase the number of full-time employees (FTEs) in their business and just 5% are planning to make cuts.

Despite an easing labour market, just over a fifth (21%) of SME owners say they will increase wages and salaries this year, while 68% will maintain the amount they pay employees at current levels, and 4% of those surveyed are looking at decreasing some wages.

Thinking about the progress or state of your business this year, do you expect the amount paid to employees in your business to increase? (proportion who answered 'yes')



Most businesses, however, are struggling to keep pace with the rate of inflation, with an average planned wage increase of 2.2%. Just 11% of SME employers plan an increase in line with the Consumer Price Index (6 – 8%), and 3% of those surveyed will look at increases higher than 8%.



Spotlight:

# Business costs





## Spotlight: Business costs

**Over the past 12 months, more than four fifths (82%) of local SMEs have seen their business overheads increase. For many, those costs have been significant, with SMEs surveyed reporting an average increase of \$1490 per month in the past year.**

While the rate of increase is slightly down on last year, when overheads rose by an average of \$1532 per month, the compounding impacts of inflation over the last two years on local businesses have been considerable.

Rising regulatory and compliance costs are also contributing to the pressure on local businesses, with 39% saying the cost of business regulation and compliance has increased for them over the last year.

Unrelenting inflation has put significant pressure on businesses to review their pricing strategies as they seek to offset the cost pressures they are facing and improve profitability. As a result, more than half of SMEs (54%) plan to increase their prices over the next 12 months – news that won't offer much comfort to consumers also feeling the cost crunch.

Larger businesses have been particularly affected by rising compliance costs, with medium-sized (20+ FTEs) enterprises seeing average increases of \$3234 in the past year compared to smaller businesses with 6-19 FTEs experiencing an average jump of \$2187 in costs, and those with 1-5 FTEs seeing compliance costs increase by an average of \$1067.







## About the Annual MYOB Business Monitor

Running since 2009, The Annual MYOB Business Monitor is a national survey of 1,000+ New Zealand small and medium business owners, managers and directors, from sole traders to mid-sized companies, representing the major industry sectors. The Monitor researches business performance and attitudes in areas such as profitability, cash flow, pipeline of work, technology usage and the government.

The 2024 MYOB Business Monitor survey was conducted by the Online Research Unit – a division of Kantar. The survey comprised a national sample of 1041 New Zealand business owners, managers and directors (operators) and was conducted from January 26th – March 8th 2024. All data has been weighted by industry type, location and number of employees, which are in line with Statistics New Zealand (New Zealand Business Demography Statistics: At February 2023: ISSN 1174-1988). The margin of error for the total sample is + 3.1%.

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