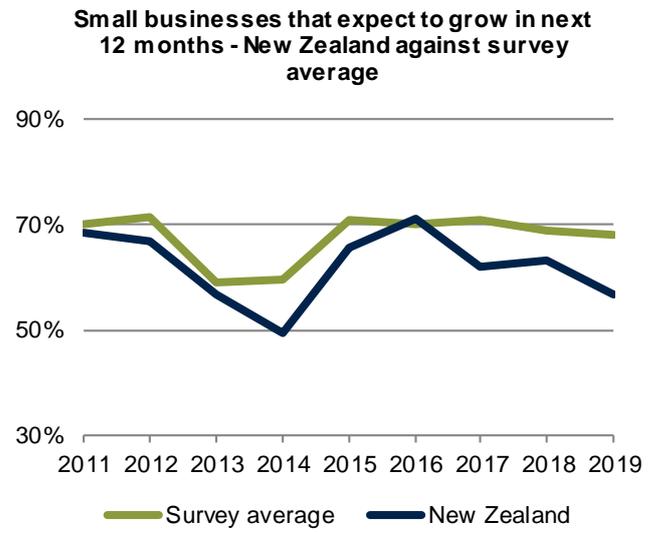
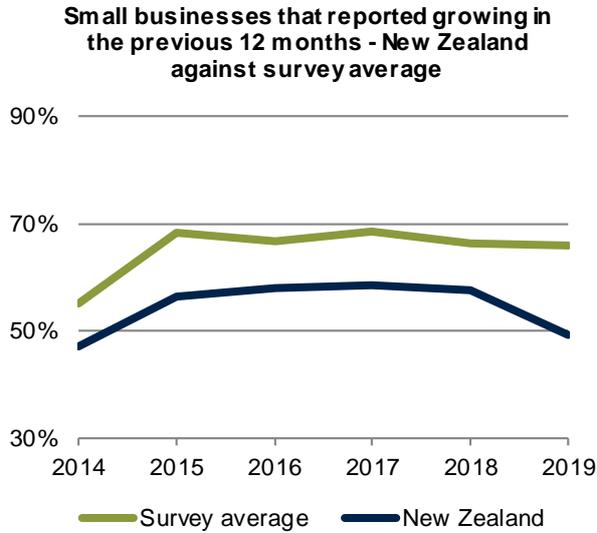


New Zealand market summary

Business and economic growth



	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
Businesses that grew in the last 12 months	49.7%	65.8%	9/11	57.4%	7/10	58.5%	58.1%	56.3%
Businesses that expect to grow in the next 12 months	56.7%	68.2%	7/11	63.2%	6/10	61.8%	71.1%	65.6%
Businesses that expect the local economy to grow in the next 12 months	38.3%	59.1%	9/11	46.5%	7/10	39.9%	61.5%	53.1%

Business activity over the past 12 months

	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
Increased employee numbers	14.7%	32.5%	9/11	18.4%	8/10	14.1%	19.6%	16.4%
Improved business management had a major positive impact on their business	11.7%	17.6%	9/11	10.6%	9/10	12.7%	15.6%	15.4%
Increasing costs had a major negative impact on their business	33.7%	33.8%	6/11	38.4%	7/10	27.5%	26.6%	25.1%
Required funds from an external source	28.7%	52.2%	10/11	25.2%	9/10	31.7%	25.2%	27.0%
Sought external funds for business growth	31.4%	54.0%	10/11	37.2%	9/10	32.0%	36.8%	25.0%
Found it easy or very easy to access external finance	41.9%	31.6%	3/11	51.3%	1/10	42.3%	48.7%	50.0%
A bank was the business's main source of external finance	47.7%	36.2%	2/11	57.7%	1/10	45.4%	48.7%	41.7%

Planned business activity over the next 12 months

	2020	Survey average	Rank 2020	2019	Rank 2019	2018	2017	2016
Expect to increase employee numbers	19.3%	42.7%	9/11	21.0%	9/10	17.6%	24.3%	19.9%
Will introduce a new product, service or process unique to their market or the world	7.3%	25.8%	10/11	7.7%	9/10	9.2%	10.6%	6.8%
Expect revenue from overseas markets to grow strongly	7.7%	17.1%	8/11	5.5%	9/10	8.2%	6.0%	7.1%
Will seek external funds	9.7%	23.3%	8/11	5.8%	10/10	9.8%	8.6%	8.0%
Expect easy to very easy access to finance	32.2%	27.4%	3/11	30.2%	3/10	26.7%	24.5%	39.1%

Social media, e-commerce and technology

	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
Did NOT earn any revenue from online sales	55.3%	26.2%	2/11	50.6%	2/10	52.6%	59.1%	58.2%
Did NOT use social media for business purposes	39.3%	18.9%	2/11	38.1%	2/10	40.8%	40.2%	41.2%
Investment in technology by the business over the past 12 months has improved profitability	23.0%	48.9%	10/11	25.8%	9/10	26.8%	N/A	N/A
Technology the business invested in most heavily over the past 12 months	Computer equipment	Computer equipment	N/A	Computer equipment	N/A	N/A	N/A	N/A
Consider the business likely to be cyberattacked in next 12 months	18.7%	37.5%	10/11	19.0%	9/10	19.6%	N/A	N/A
Reviewed the business's cybersecurity protections in last six months	35.0%	45.9%	9/11	39.0%	8/10	N/A	N/A	N/A
More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay	42.1%	60.1%	9/11	39.1%	8/10	33.0%	N/A	N/A

Factors that had positive and negative influences on business

Top four factors that had a positive influence on small business in 2019	Top four factors that had a positive influence on small business in 2018
Customer loyalty	Customer loyalty
Good staff	Good staff
Improved customer satisfaction	Improved customer satisfaction
Cost control	Cost control Introduced a new product or service [^]

[^] equal fourth

Top four factors that had a negative impact on small business in 2019	Top four factors that had a negative impact on small business in 2018
Increasing costs	Increasing costs
Tax	Increasing competition
Government regulation	Tax [^]
Increasing competition	Cash flow difficulties
Poor overall economic environment	Government regulation [#]

[^] equal second [#] equal fourth

Impact of a trade war

	2019	Survey average 2019	Rank 2019	2018	Rank 2018
Possible trade war between the US and a range of other economies will have a negative impact on your business in next 12 months	26.3%	33.1%	8/11	19.7%	10/10

Demographics

	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
Business has been established for 10 years or less	49.4%	65.4%	10/11	51.3%	9/10	51.6%	50.8%	55.6%
Respondent is aged under 40	25.0%	54.7%	10/11	27.1%	9/10	24.8%	17.9%	25.7%
Respondent is the business owner	62.7%	42.5%	4/11	63.9%	3/10	63.4%	58.5%	57.6%
Business has 10 to 19 employees	12.0%	34.6%	10/11	10.3%	9/10	14.4%	11.3%	12.2%

Summary

Small business conditions in New Zealand were generally weaker in 2019 than in 2018, with less than half of respondents stating their business grew. 49.7 per cent of businesses reported that they grew in 2019, higher than Australia (35.3 per cent) and Hong Kong (37.0 per cent) but lower than the survey average of 65.8 per cent and significantly less likely than Vietnam (95.0 per cent).

Reflecting generally weaker business conditions in 2019, 14.7 per cent of New Zealand's small businesses reported that they added to their employee numbers in 2019, compared with 18.4 per cent in 2018.

A greater number of New Zealand's small businesses would experience growth if they increased their focus on innovation, technology, social media and exporting. While there are examples of innovative, tech-savvy and outward-looking New Zealand small businesses, the survey results show that they represent only a small number of small businesses, especially in comparison to small businesses from Mainland China, Indonesia and Vietnam.

New Zealand's small businesses continue to lag competitors from Asia in the application of technology in their business. For example:

- New Zealand's small businesses continue to be significantly less likely to use social media for business purposes, compared with businesses from Asia, with 39.3 per cent stating that they do not use social media for business purposes, compared with only 1.7 per cent of businesses from Mainland China.
- New Zealand's small businesses continue to be significantly less likely to earn revenue from online sale, with 55.3 per cent stating that they do not earn any revenue from online sales, compared with only 2.1 per cent of businesses from Mainland China. However, we expect this result to improve due to COVID-19 and New Zealand's small businesses being the most likely to nominate website as the technology they invested in most heavily during 2019.
- While New Zealand's small businesses are one of the least likely to rely on cash sales, this is not translating into the adoption of new digital payment technologies, such as Apple Pay, Alipay and WeChat Pay, with only 42.1 per cent of New Zealand businesses generating more than 10 per cent of their sales from such payment technology, compared with 91.4 per cent of businesses from Mainland China.
- The lack of focus on technology is flowing through to only 18.7 per cent of New Zealand small businesses expecting a cyberattack in 2020, the second lowest result of the markets surveyed. Despite this, 35.0 per cent reviewed their cybersecurity in the past six months

A possible explanation for the relatively lower use of technology is the lack of return many are receiving on their investment in technology. Only 23.0 per cent of New Zealand's small businesses reported that their investment in technology in 2019 had already been profitable, compared with the survey average of 48.9 per cent. Another explanation is the age profile of New Zealand's small business owners, which is significantly older than in Asia, with over half of respondents (55.3 per cent) aged 50 or over and a third aged 60 or over. The survey results show that those aged 50 or over are significantly less likely to be using technology, such as social media, or selling online.

Policymakers and others seeking to promote growth in New Zealand's small business sector should consider how to improve the digital capability of small business owners. With small business owners being time poor and often reluctant or unable to bring in expertise, professional advisers such as accountants should be supported by the government to improve capabilities of the small business sector.

Small businesses in New Zealand remain significantly less likely to expect to invest in innovation than small businesses from the Asian markets surveyed. This may be impacting the growth of some of New Zealand's small businesses, with the survey results showing that businesses which stated that they will undertake innovation in 2020 being significantly more likely to expect their business to grow.

New Zealand's small businesses remain much less likely to expect to earn revenue from exporting than their peers from Asia. The survey results show that businesses which are expecting to grow their revenue from overseas sales are significantly more likely to forecast that they will grow. Again, the government – with the assistance of professional advisers, can help to build the export capability of some small businesses.

New Zealand's small businesses continue to remain significantly less likely to have sourced funds from an external lenders and investors than small businesses from Asia (28.7 per cent, compared with the survey average of 52.2 per cent). The low number of small businesses accessing external finance in 2019 is primarily driven by a lack of need for finance and does not appear to be the result of difficult lending conditions. Of those New Zealand small businesses that accessed external finance in 2019, 41.9 per cent found the

experience easy or very easy; the third highest result of the markets surveyed.

With a significant percentage of New Zealand's small business owners close to, or at, retirement age, the lack of focus on new technologies, innovation and new markets may mean that many may experience a long and difficult recovery from COVID-19.