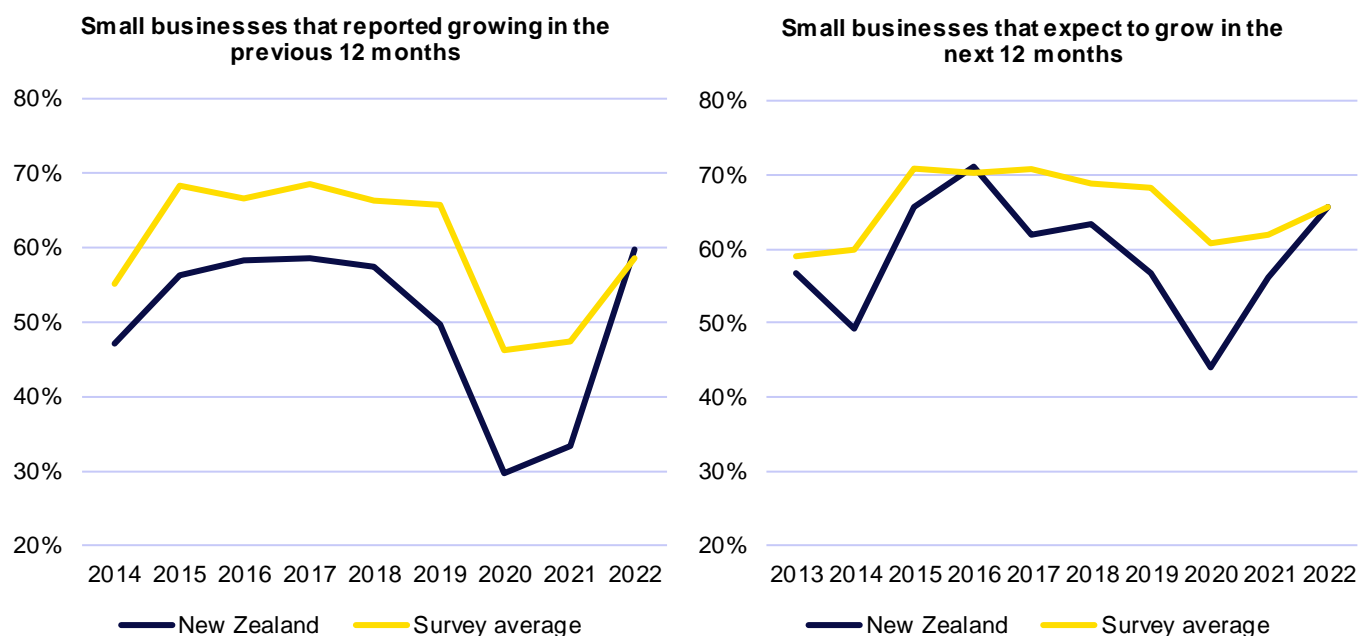


CPA AUSTRALIA ASIA-PACIFIC SMALL BUSINESS SURVEY 2022-2023

New Zealand market
summary

New Zealand

Business and economic conditions



	New Zealand 2022	Survey average 2022	Rank 2022	New Zealand 2021	Rank 2021	New Zealand 2020	New Zealand 2019	New Zealand 2018
Businesses that grew in the last 12 months	59.7%	58.6%	5/11	33.2%	10/11	29.7%	49.7%	57.4%
Businesses that expect to grow in the next 12 months	65.6%	65.7%	7/11	56.1%	7/11	44.0%	56.7%	63.2%
Businesses that expect the local economy to grow in the next 12 months	40.3%	62.5%	10/11	51.9%	9/11	41.7%	38.3%	46.5%
Satisfied or very satisfied with the financial return of the business¹	57.0%	68.9%	7/11	N/A	N/A	N/A	N/A	N/A

¹ Limited to owner, director, CEO/managing director or principal.

2022 was a noticeably stronger year for New Zealand based small businesses. 59.7 per cent of New Zealand's small businesses grew last year, up significantly from 33.2 per cent in 2021. This is the highest result on record for New Zealand.

2023 is expected to be another strong year for New Zealand small businesses with nearly two-thirds expecting to grow. However, this result is the fourth lowest out of the 11 markets surveyed.

New Zealand's small businesses are less optimistic about the state of their local economy. Only 40.3 per cent expect the economy to grow this year, the second lowest of the markets surveyed and down from 51.9 per cent last year.

The satisfaction New Zealand small business owners have with the financial return they are receiving from their business largely mirrors the percentage that grew last year.

Use of technology

	New Zealand 2022	Survey average 2022	Rank 2022	New Zealand 2021	Rank 2021	New Zealand 2020	New Zealand 2019	New Zealand 2018
More than 10 per cent of revenue came from online sales	35.7%	67.9%	11/11	40.0%	10/11	25.7%	26.0%	26.5%
Did not use social media for business purposes	34.1%	15.4%	1/11	36.8%	1/11	38.3%	39.3%	38.1%
Investment in technology by the business over the past 12 months has improved profitability	36.7%	55.2%	9/11	32.3%	10/11	17.7%	23.0%	25.8%
Technology the business invested in most heavily over the past 12 months	Website	Computer equipment	N/A	Computer equipment	N/A	Computer equipment	Computer equipment	Computer equipment
Consider the business likely to be cyberattacked in next 12 months	31.2%	47.2%	9/11	30.3%	9/11	16.3%	18.7%	19.0%
Reviewed the business' cybersecurity protections in past six months	46.4%	46.0%	6/11	42.6%	7/11	33.3%	35.0%	39.0%
More than 10 per cent of sales is received through digital payment options such as PayPal, Google Pay, Apple Pay, Klarna, Alipay	42.3%	73.7%	11/11	39.7%	11/11	37.9%	42.1%	39.1%
Sought advice from IT consultants/specialists	17.2%	28.6%	10/11	12.9%	9/11	11.3%	N/A	N/A
Business operation is frequently or very frequently affected by internet connectivity issues	16.6%	30.5%	10/11	N/A	N/A	N/A	N/A	N/A

The use of technology stands out as an area in need of improvement for many New Zealand small businesses. They significantly lag their counterparts in Asia in the following areas:

- New Zealand small businesses are the most likely to report *not* using social media for business purposes (34.1 per cent compared with the survey average of 15.4 per cent).
- New Zealand's small businesses continue to be significantly less likely to earn revenue from online sales (35.7 per cent earned more than 10 per cent of revenue from online sales compared with the survey average of 67.9).
- New Zealand had the lowest percentage of small businesses that increased their investment in technology as a response to the COVID-19 pandemic (6.2 per cent compared with the survey average of 19.1 per cent).
- New Zealand's small businesses were the least likely to receive more than 10 per cent of sales through new digital and payment technologies such as Apple Pay and PayPal (42.3 per cent compared with the survey average of 73.7 per cent).

One possible explanation for this lag is the poor short-term returns achieved on technology investment. Only 36.7 per cent of New Zealand's small businesses reported their investment in technology last year improved their profitability. This is the third lowest of the markets surveyed and compares to 82.7 per cent of small businesses from India.

New Zealand's small businesses are generally concerned about cyber security. 46.4 per cent reviewed their cybersecurity measures in the past six months. However, only 31.2 per cent believe an attack on their business is likely this year compared with the survey average of 47.2 per cent.

Business activity over the past 12 months

	New Zealand 2022	Survey average 2022	Rank 2022	New Zealand 2021	Rank 2021	New Zealand 2020	New Zealand 2019	New Zealand 2018
Increased employee numbers	31.8%	35.0%	5/11	22.3%	5/11	9.3%	14.7%	18.4%
Improved customer satisfaction had a major positive impact on the business	20.8%	27.0%	9/11	14.1%	8/11	11.0%	24.7%	24.5%
Improved business management had a major positive impact on the business	15.6%	22.0%	9/11	12.3%	8/11	11.3%	11.7%	10.6%
Increasing costs had a major negative impact on the business	37.0%	31.1%	3/11	28.7%	6/11	18.0%	33.7%	38.4%
Required funds from an external source	44.2%	62.5%	10/11	45.5%	9/11	39.7%	28.7%	25.2%
Sought external funds for business growth	28.7%	52.1%	11/11	24.8%	11/11	11.8%	31.4%	37.2%
Sought external funds for business survival	24.3%	44.3%	11/11	40.4%	9/11	49.6%	31.4%	37.2%
Found it easy or very easy to access external finance	25.7%	45.9%	10/11	61.0%	2/11	52.9%	41.9%	51.3%
A bank was the business' main source of external finance	37.5%	38.2%	5/11	24.1%	9/11	21.8%	47.7%	57.7%
Did not spend any time and resources on ESG practices	42.2%	21.4%	2/11	N/A	N/A	N/A	N/A	N/A

Impacts of COVID-19

	New Zealand 2022	Survey average 2022	Rank 2022	New Zealand 2021	Rank 2021	New Zealand 2020
COVID-19 had a major negative impact on the business in the past 12 months	40.9%	36.7%	5/11	53.5%	7/11	60.0%
My business' major reaction to COVID-19 was to begin or increase its focus on online sales	11.4%	24.8%	11/11	13.5%	9/11	9.3%
My business' major reaction to COVID-19 was to increase investment in technology	6.2%	19.1%	11/11	12.6%	9/11	8.7%

Planned business activity over the next 12 months

	New Zealand 2023	Survey average 2023	Rank 2023	New Zealand 2022	Rank 2022	New Zealand 2021	New Zealand 2020	New Zealand 2019
Expect to increase employee numbers	34.1%	44.9%	8/11	28.1%	8/11	11.3%	19.3%	21.0%
Will introduce a new product, service or process unique to their market or the world	24.0%	34.4%	8/11	23.2%	7/11	8.7%	7.3%	7.7%
Expect revenue from overseas markets to grow strongly	20.1%	23.7%	5/11	17.1%	4/11	4.7%	7.7%	5.5%
Will seek external funds	22.7%	33.6%	9/11	18.4%	9/11	9.0%	9.7%	5.8%
Expect easy to very easy access to finance	20.5%	42.3%	11/11	41.5%	4/11	25.9%	32.2%	30.2%

COVID-19

Like 2021, New Zealand's small businesses considered "COVID-19" their biggest challenge last year. 40.9 per cent thought it had a negative impact on their business, a large drop from 53.5 per cent in 2021 and 60 per cent in 2020.

Despite the impact COVID-19 had on New Zealand small businesses last year, 19.8 per cent of respondents made no major changes to their business in response to the pandemic. Another 19.8 per cent closed temporarily, the second highest of the markets surveyed.

Employment

The higher number of New Zealand small businesses that experienced growth in 2022 is reflected in the increase in those that created new jobs. 31.8 per cent added to their headcount in 2022, the highest result on record for New Zealand.

2023 is looking like a strong year for small business employment growth in New Zealand despite a weakening economy. Over a third (34.1 per cent) expect to increase employee numbers this year. However, this may be difficult to achieve due to skills and labour shortages.

Innovation

Small businesses in New Zealand remain relatively unlikely to innovate. Nearly a quarter (24 per cent) will introduce a new product, process or service that is unique to their market or the world in 2023, compared with the survey average of 34.4 per cent. This may affect the growth of many New Zealand small businesses, as the survey results have shown over many years a correlation between innovation and business growth.

Access to finance

New Zealand small businesses are still less likely to seek external finance. 44.2 per cent required external finance last year, the second lowest result of the markets surveyed. Possible reasons for this include the relatively smaller proportion that said they were:

- investing into technology
- innovating
- expanding into new markets.

Another reason could be the significant increase in New Zealand's small businesses reporting difficulty accessing finance. Of those businesses that needed external funds last year, 53.7 per cent said they found the experience difficult, compared to 18.4 per cent in 2021. That difficulty is expected to continue this year, with 49.7 per cent forecasting the experience will be tough, well above the survey average of 27.4 per cent.

Exports

20.1 per cent of New Zealand small businesses expect their revenue from overseas sales to grow strongly in 2023. This is the highest result on record for New Zealand. Seeking alternative markets is one way of growing business and diversifying revenue streams in difficult conditions. Exporting also exposes businesses to more competition and innovative ideas. It's therefore not surprising that businesses experiencing growth are much more likely to expect to grow their revenue from exporting.

Environmental, social, and governance (ESG)

New Zealand small businesses could do more on ESG. 42.2 per cent did not spend any time and resources on ESG practices, the second worst result among the 11 surveyed markets.

Factors that had positive and negative influences on business

Top four factors that had a positive influence on New Zealand small business in 2022	Top four factors that had a positive influence New Zealand on small business in 2021	Top four factors that had a positive influence on New Zealand small business in 2020
Customer loyalty	Customer loyalty	Customer loyalty
Good staff	Good staff	Good staff
Improved customer satisfaction	COVID-19 Improved business strategy^ Improved customer satisfaction^	Government support / incentives
Cost control		Cost control

Top four factors that had a negative impact on New Zealand small business in 2022	Top four factors that had a negative impact on New Zealand small business in 2021	Top four factors that had a negative impact on New Zealand small business in 2020
COVID-19	COVID-19	COVID-19
Increasing costs	Increasing costs	Increasing costs
Poor overall economic environment	Government regulation	Poor overall economic environment
Rising interest rates	Poor overall economic environment	Tax

^equal rank

Like previous years, New Zealand small businesses found that “customer loyalty” had the most positive influence on their business in 2022. What is encouraging is the increase in New Zealand small businesses choosing “improving customer satisfaction” – this is a factor more strongly associated with high growth businesses.

While “increasing costs” was the second strongest negative factor in 2022, the number of businesses that chose this concern was up strongly – from 28.7 per cent in 2021 to 38 per cent last year. Small businesses chose “fuel for vehicles, machinery etc.” and “staff costs” as the most detrimental costs in 2022.

Demographics

	New Zealand 2022	Survey average 2022	Rank 2022	New Zealand 2021	Rank 2021	New Zealand 2020	New Zealand 2019	New Zealand 2018
Respondent aged under 40	43.5%	47.6%	7/11	24.8%	11/11	26.0%	25.0%	27.1%
Business established for less than 11 years	57.1%	61.1%	8/11	51.0%	10/11	52.0%	49.3%	51.3%
Respondent is the business owner	48.4%	36.9%	6/11	49.0%	6/11	61.0%	62.7%	63.9%
Business has 10 to 19 employees	29.5%	37.1%	6/11	19.7%	9/11	13.0%	12.0%	10.3%

New Zealand has the second highest percentage of respondents aged 50 and over. This may contribute to the market’s lower digital capability. The survey results show that the use of digital technologies falls for respondents aged 50 and over, and falls sharply for respondents aged 60 and over, regardless of market. The survey data also shows that respondents aged 50 or over are less likely to own or work in a business that is growing.

Policy suggestions

For policymakers looking to support New Zealand’s economy and increase its competitiveness, improving the sector’s digital capability is essential. With most of New Zealand’s small businesses having fewer than five employees and the owners being time poor, external advisers will play a critical role in helping the sector’s digital transformation. Another policy question is how to encourage more young New Zealanders to start or buy their own small businesses.