



Overview

Businesses are increasingly engaging, willing to share their expectations and experiences this quarter. Business expectations of the strength of the Southern economy continue to improve, however increased cost pressures, labour market constraints and compliance conditions continue as barriers to growth and productivity for businesses.

Finding staff is starting to become easier, although labour market shortages continue to cause challenges for southern businesses. The increase in operational costs (salaries & wages) are keeping many up at night. Compliance costs are escalating, with decisions made in silos and often with unintended consequences. SMEs are feeling overwhelmed by them. Exporters want surety for existing and future markets.

Over half indicated that inflation and interest rate rises are their biggest concern. It's the first time this issue has been top of the list in Southern region. These induced cost pressures having on businesses range from minimal up to an additional \$500 to \$1M+ per month.

When asked what is going well for the Southern region, a major theme coming through in both the February and May surveys, is the region having had no weather events or natural disasters as in the north. Having business continuity and emergency management plans in place for their staff, offices and business operations is an area where Business South will support businesses.

There is growing strength in the tourism sector with visitor numbers up, and businesses having good forward bookings. Accommodation for staff remains a big obstacle in the Central Otago and Queenstown Lakes districts.

When businesses are asked what is going well for them, it is starting to be easier to find staff, dedicated staff, good culture, and retention with the team, and along with many winning new contracts as being mentioned.

The quarter has seen another increase in businesses expecting to invest in their own business in the next 12 months. Investing in staff training was a common response across the sectors. 73% of SMEs expect to invest in their businesses over the next 12 months, compared to 88% among larger businesses, and 47% of SMEs plan to hire staff over the next 3 months, compared to 80% of larger businesses.

62%

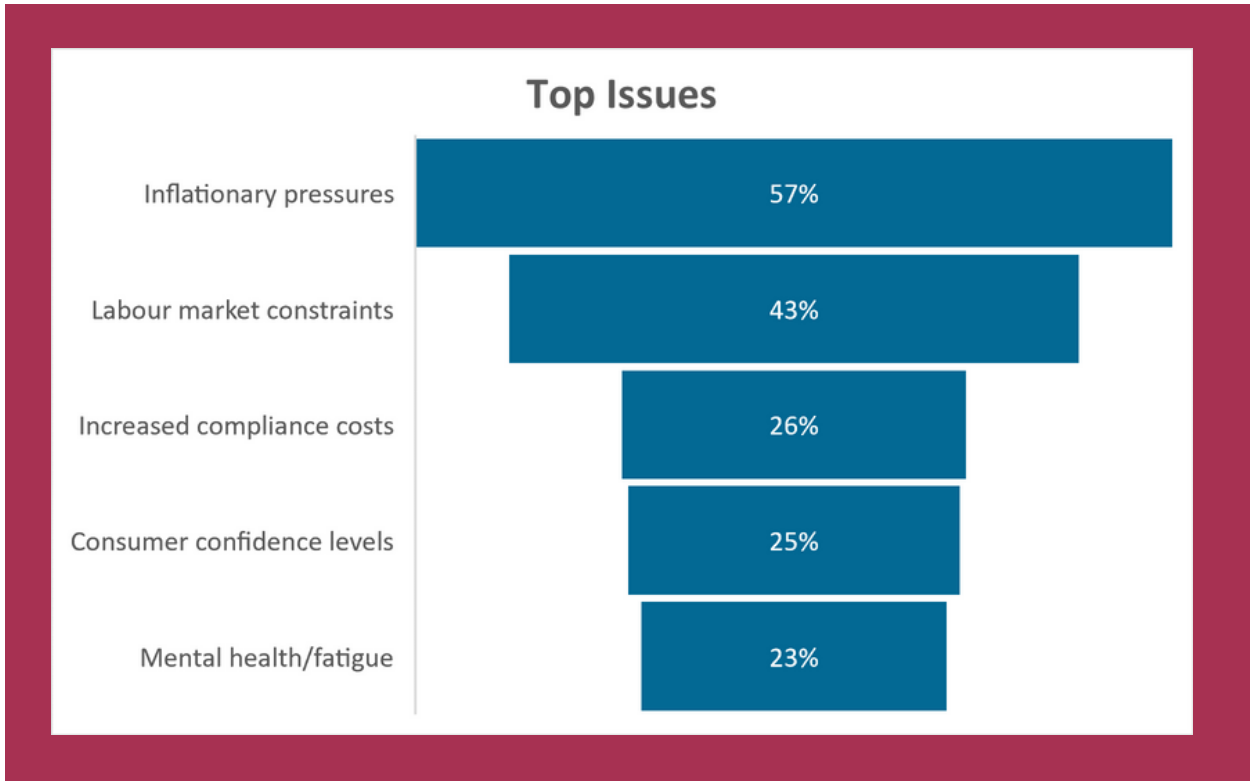
Expect the Southern economy to be the same or substantially better in 12 months.

82%

Expect earnings to be the same or better in 12 months.

75%

Expect to invest over the next 12 months.



34%

Expect the Southern economy to be moderately or substantially stronger in 12 months.

50%

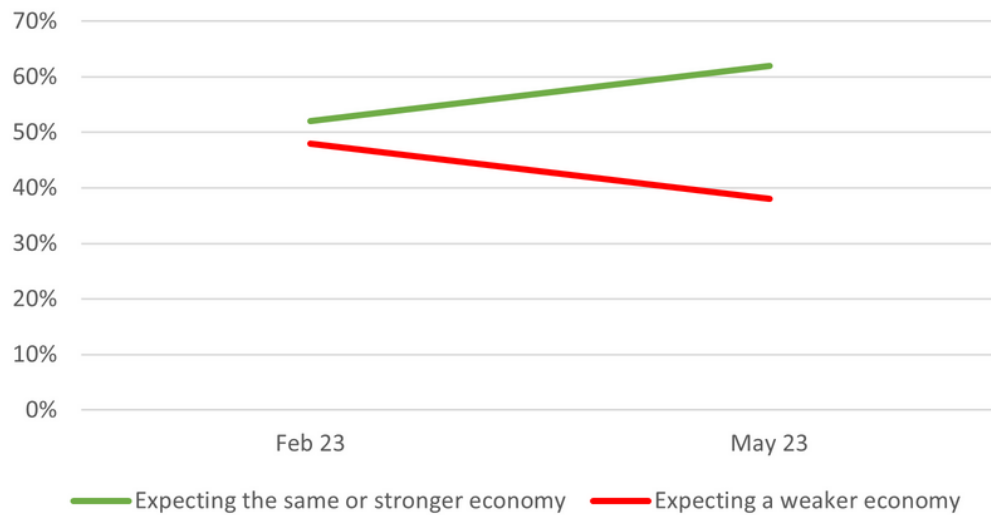
Expect earnings to be moderately better or substantially better in 12 months.

53%

Intend to hire staff within the next three months.

Businesses expecting to <u>invest</u> over the next 12 months	Businesses expecting to <u>hire</u> new staff over the next three months
All respondents: 75%	All respondents: 53%
SMEs: 73%	SMEs: 47%
Large businesses: 88%	Large businesses: 80%

Expectations of the Southern economy in 12 months

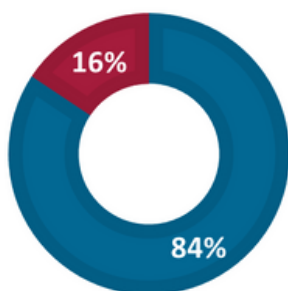


Expectations of own earnings in 12 months

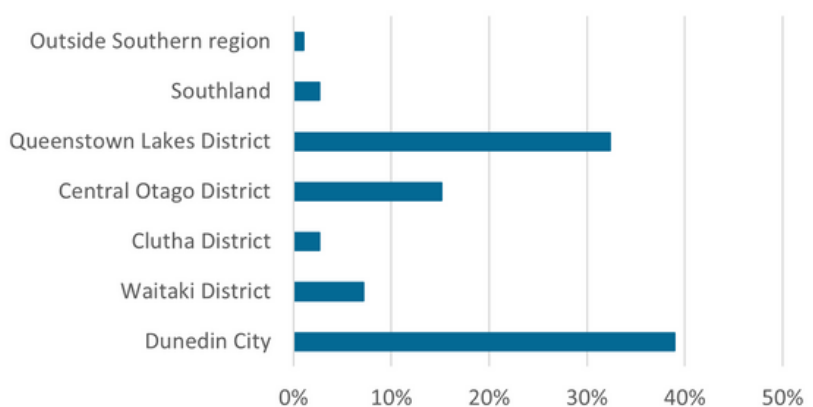


Respondent size

■ SMEs ■ Large Businesses



Respondent location



Further results from the May QSBS will also be included in Business South's *Sector Engagement Plan* being released in upcoming election leader and candidate sessions around the region.