



Aotearoa Business Confidence & the Challenges Ahead

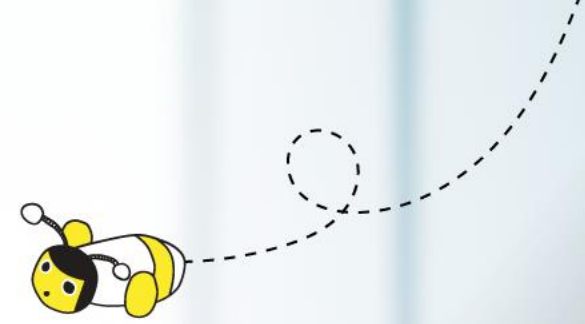
Economy & Talent Shortages

Beyond Recruitment Economic & Labour Report 2022/23



Beyond Recruitment Economic & Labour Report Key Findings

Thriving as a Business



- **Business Climate 2022:** It's become harder to thrive as a business. Indeed, this was the hardest year in which to thrive than any we've reported in the last five years.
- **Business Confidence:** Business confidence remains normal, relative to 2020 and 2021, suggesting that Kiwis feel this year's difficulty is temporary.
- **Barriers to Business Success:** The cost of living has risen sharply and is seen as a key barrier to business success, climbing 26 percentage points since 2021.
- **Trading Partners:** China and the US continue to drop in perceived importance to NZ. Meanwhile, Europe and the UK have grown year on year.

Finding and Retaining Talent



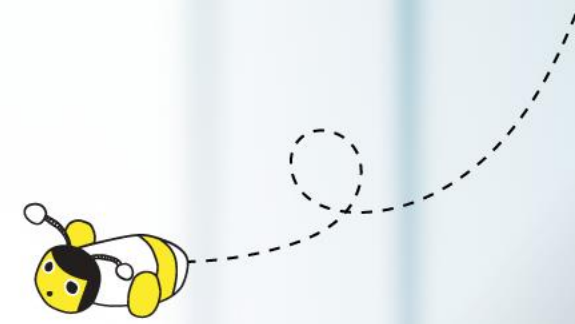
- **Talent Sourcing:** 95% of respondents said it is harder to find suitable talent now than prior to the pandemic - a figure that has risen from 86% in 2021 and 27% in 2020.
- **Quality of Kiwi Talent:** Two-thirds of employers are not satisfied with the quality or suitability of Kiwi talent on the market.
- **Retaining Employees:** Retaining employees has also gotten harder: 83% of respondents said it's trickier to retain staff now than it was in 2021.

Working in the New Normal



- **Remote Working:** More organisations this year than last are embracing remote working. 52% weren't even considering it last year - this dropped to 37% in 2022.
- **Flexible Work Policies:** Flexible work policies are still popular, being included in the majority (80%) of employee engagement programmes.
- **Flexible Work vs Flexible Hours:** Flexible working locations remain more popular than flexible work hours, although the former is still predominantly offered on a case-by-case basis.

Employee Engagement & Culture



- **Employee Engagement:** Time (46%), money (41%) and people resources (40%) are the top three barriers to improving employee engagement.
- **Employee Engagement:** The number of respondents who claimed they had no employee engagement issues to fix dropped from 49% in 2020 to 13% in 2022.
- **Absenteeism:** Respondents are feeling an above-average impact from COVID-related absenteeism. Most (54%) are coping by spreading the workload around other employees.
- **Company Culture:** Instant messaging/chat platforms have grown in popularity and are now the top-cited means of maintaining company culture.

Looking Ahead

- There is an encroaching power shift
- Economic uncertainty, housing nervousness, cost of living rising
- Starting to see business tightening their belts, cutting costs and responding to talent shortages by recalibrating
- Candidates – realization grass isn't greener/ boomerang effect
- The year ahead will be tough



Introducing Shamubeel Eaqub, CFA

Sense Partners

Economy in turmoil



Economy slowing sharply; inflation up



Record labour shortages + immigration policy



Sharp policy reversal; political uncertainty



What it means for you:

Retention

Planning for uncertainty & rebound



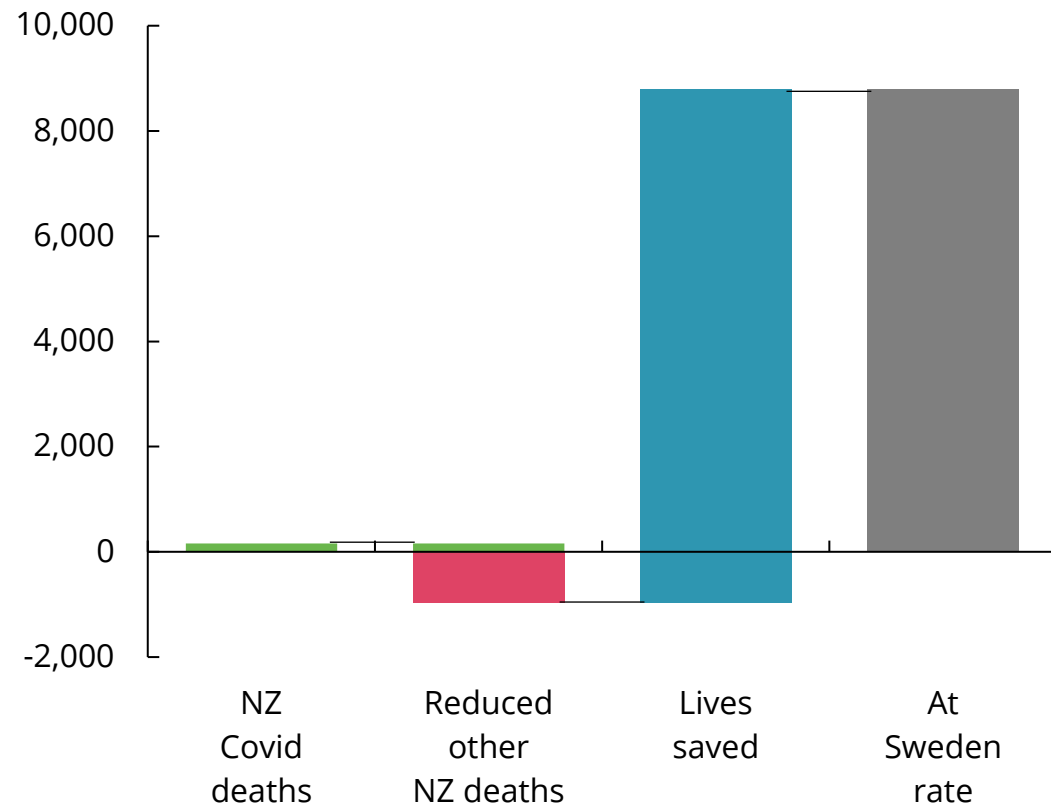
Covid

Beyond public health response

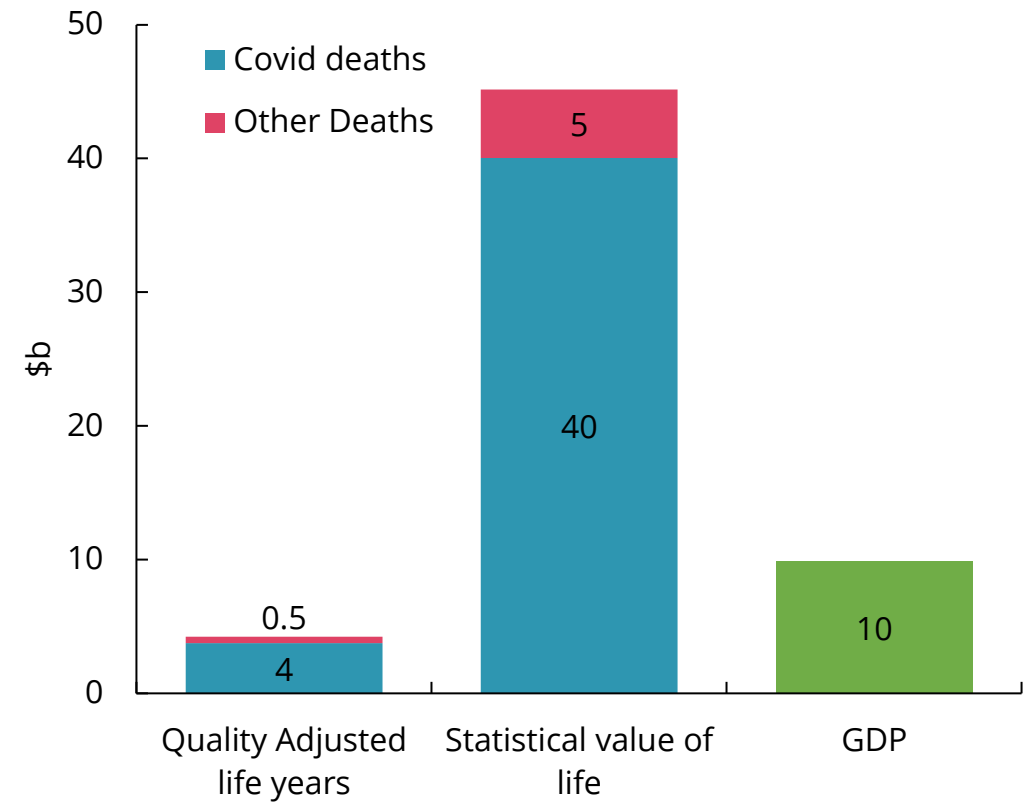
Past pandemic success. 10k lives saved; \$10b GDP gained.



NZ Covid Death Toll vs Sweden: 2020-21



Value of Covid Response vs Sweden: 2020-21

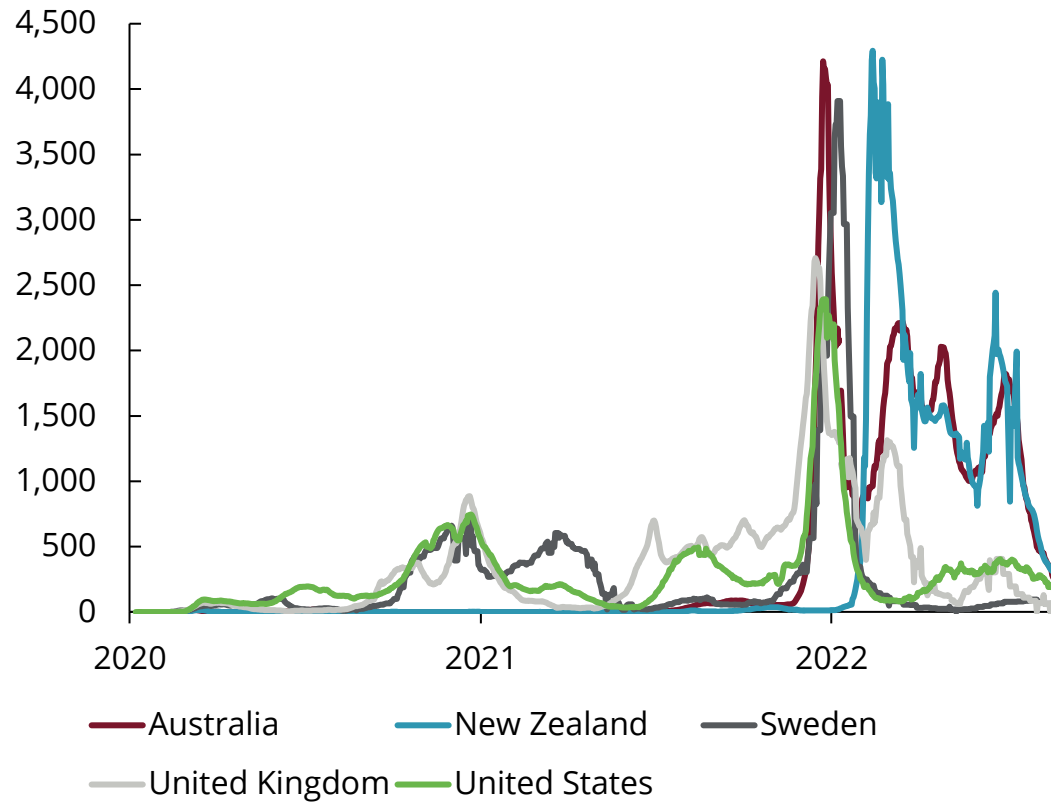


Source: Sense Partners calculations

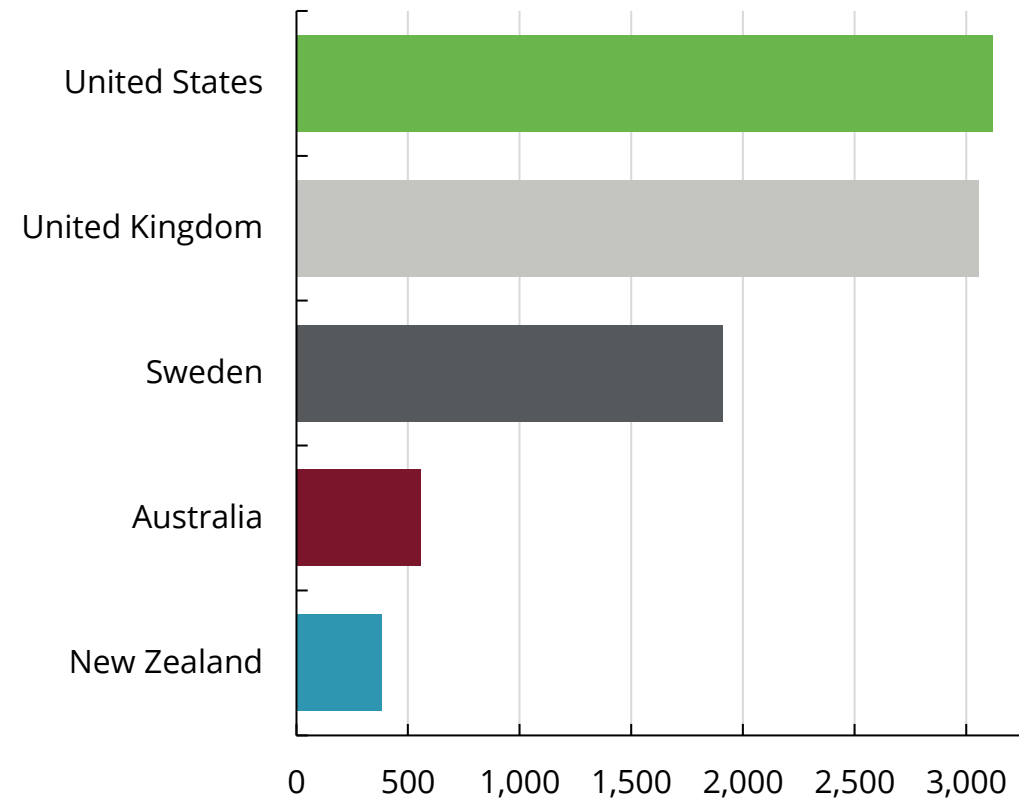
Past public health measures



New covid cases per million



Total covid deaths per million



Source: Our World in Data



Key insights from pandemic

- Public policy can be large and effective
- Social license and cohesion are big factors

- Public policy can make mistakes
- Public policy mistakes are not always fixed

- Politics is a critical force
- Our understanding of the economy is uncertain



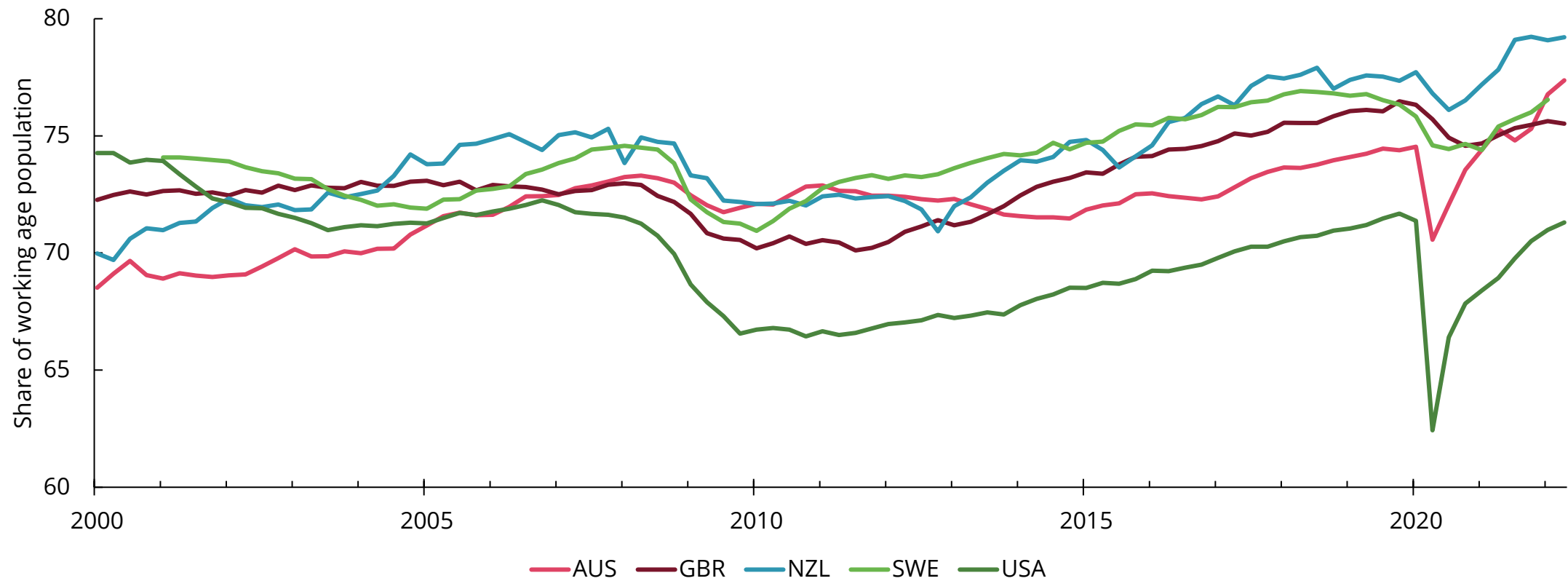
Post covid

Back to (new) reality

Economy peaked high



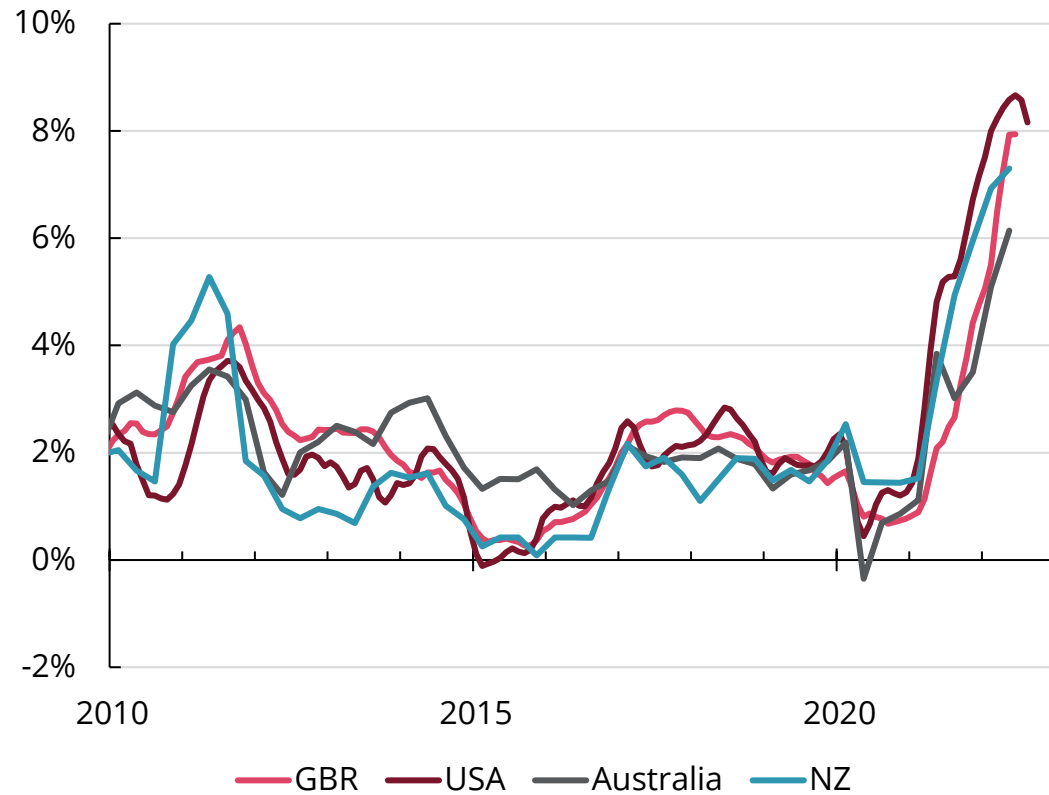
Employment rate



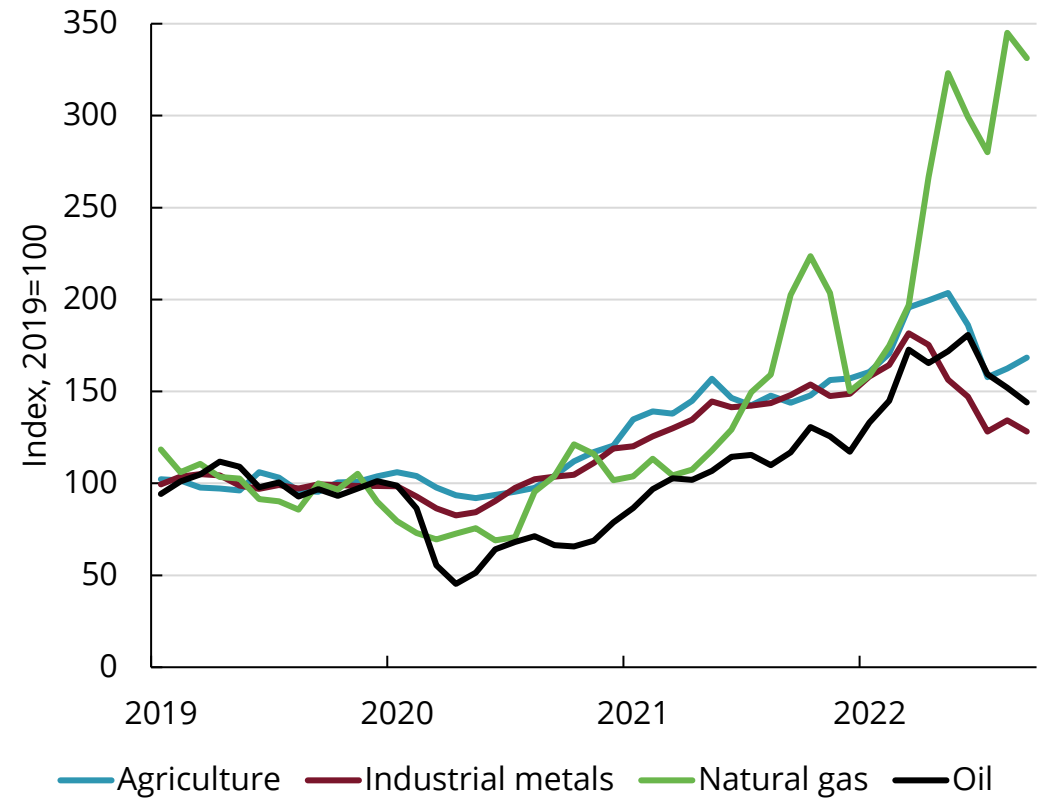
Inflation shock; some relief



Inflation: selected countries



Selected Commodity Prices

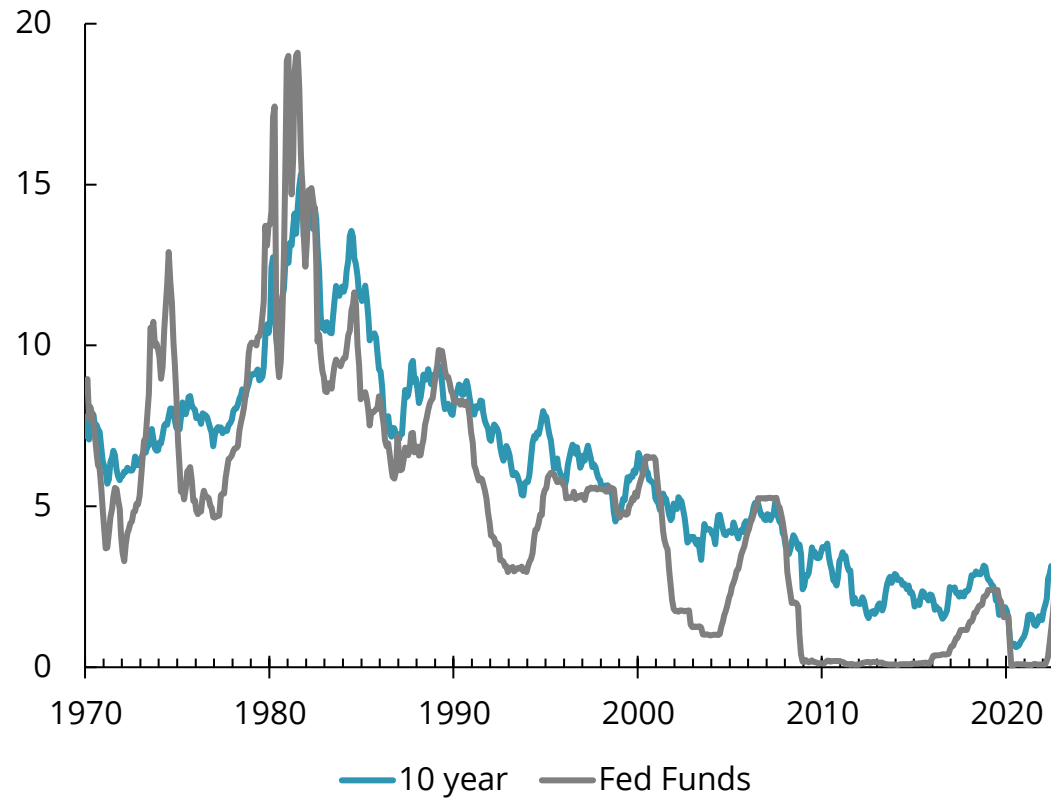


Source: ONS, ABS, Federal Reserve of St Louis, Statistics NZ, S&P Global, Sense Partners

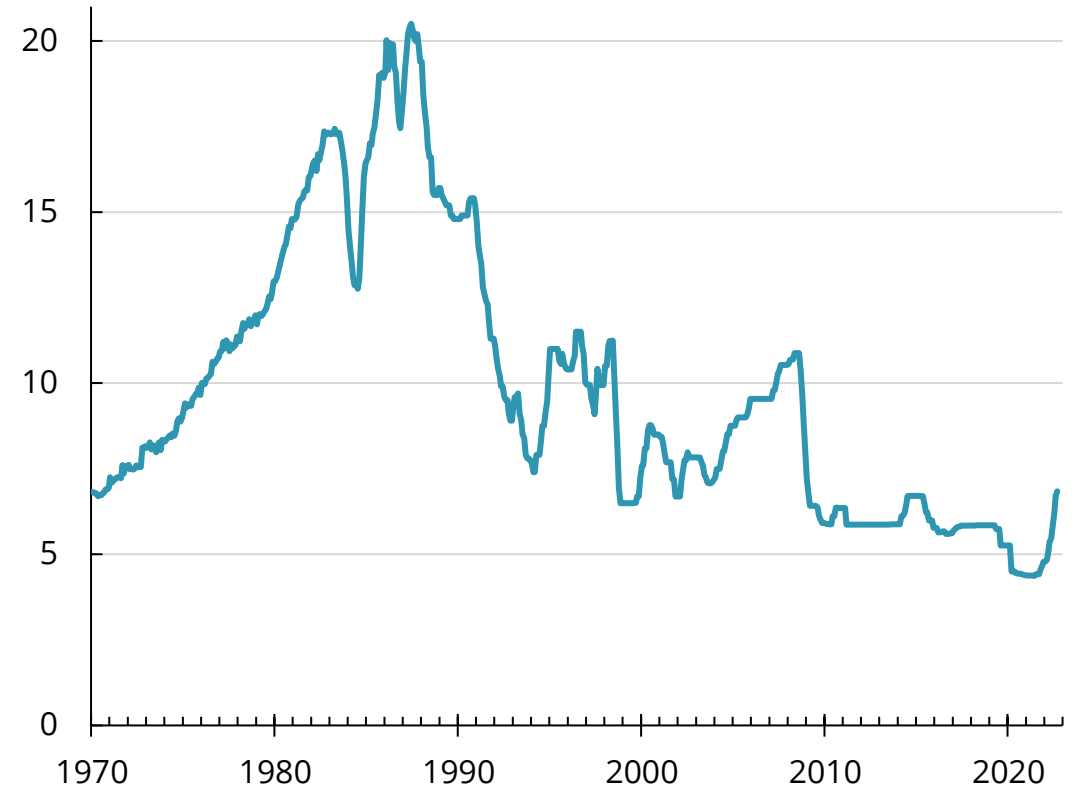
Policy reversal



US Interest Rates

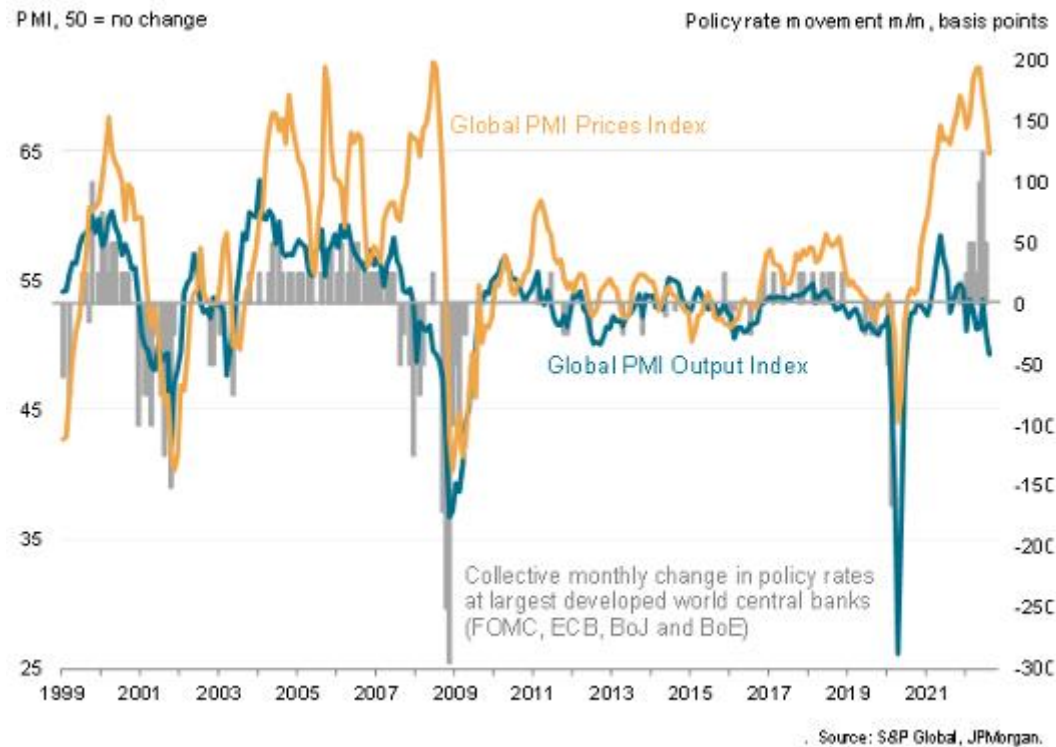


NZ Floating Mortgage Rate



Source: Federal Reserve of St Louis, RBNZ, Sense Partners

Global economy slowing & hitting brakes



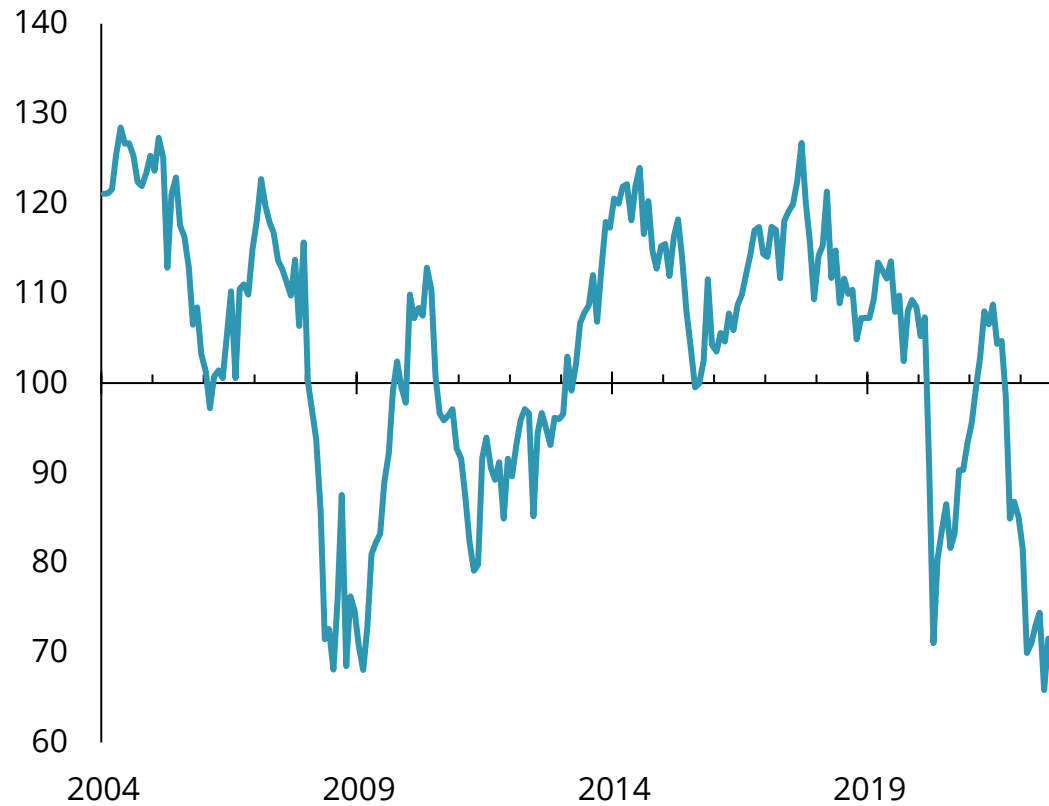
Source: S&P Global

- Inflation is high
- Activity is falling
- Build up of inventory
- Policy rates are increasing
 - Unusual when activity is falling
- Risk of doing too much or not enough.

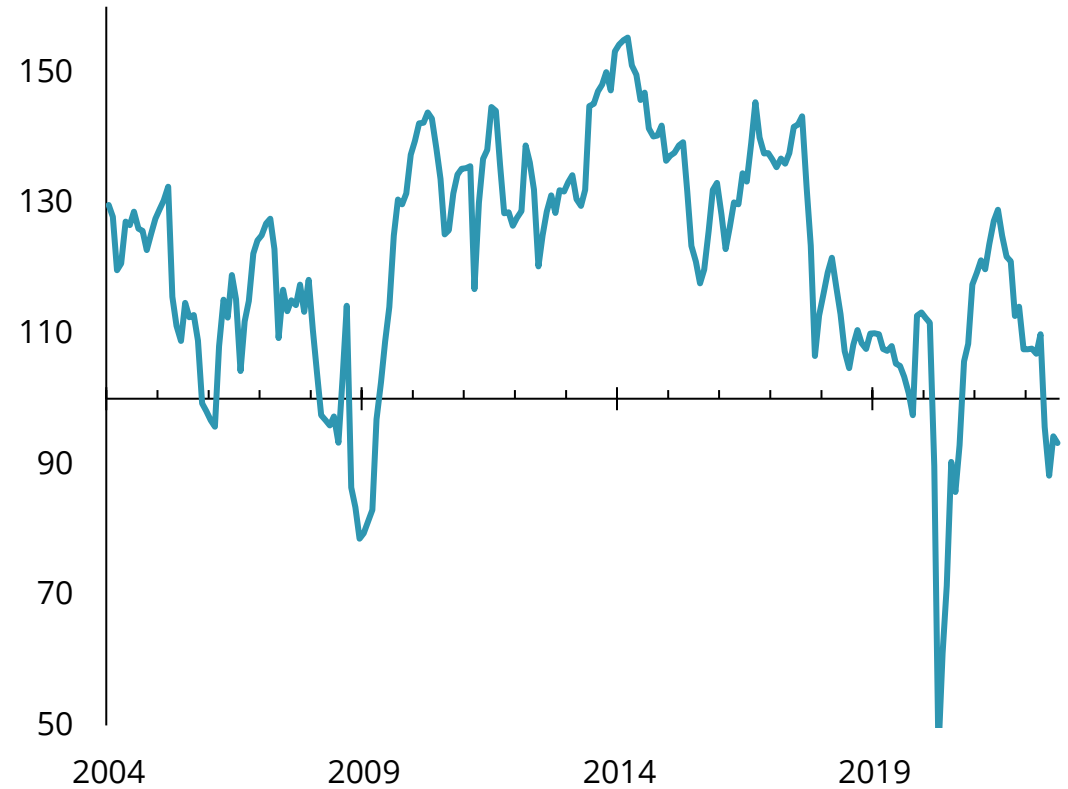
NZ peaked in June 2021



Consumer Confidence



Business Confidence

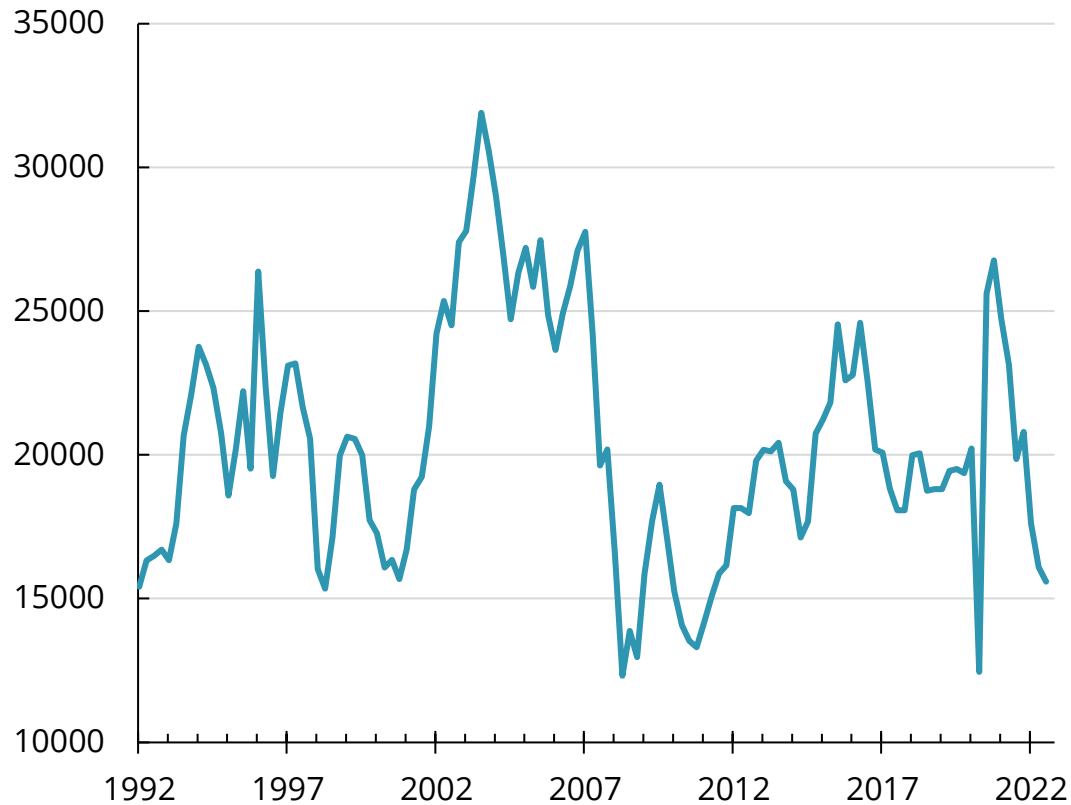


Source: ANZ Bank

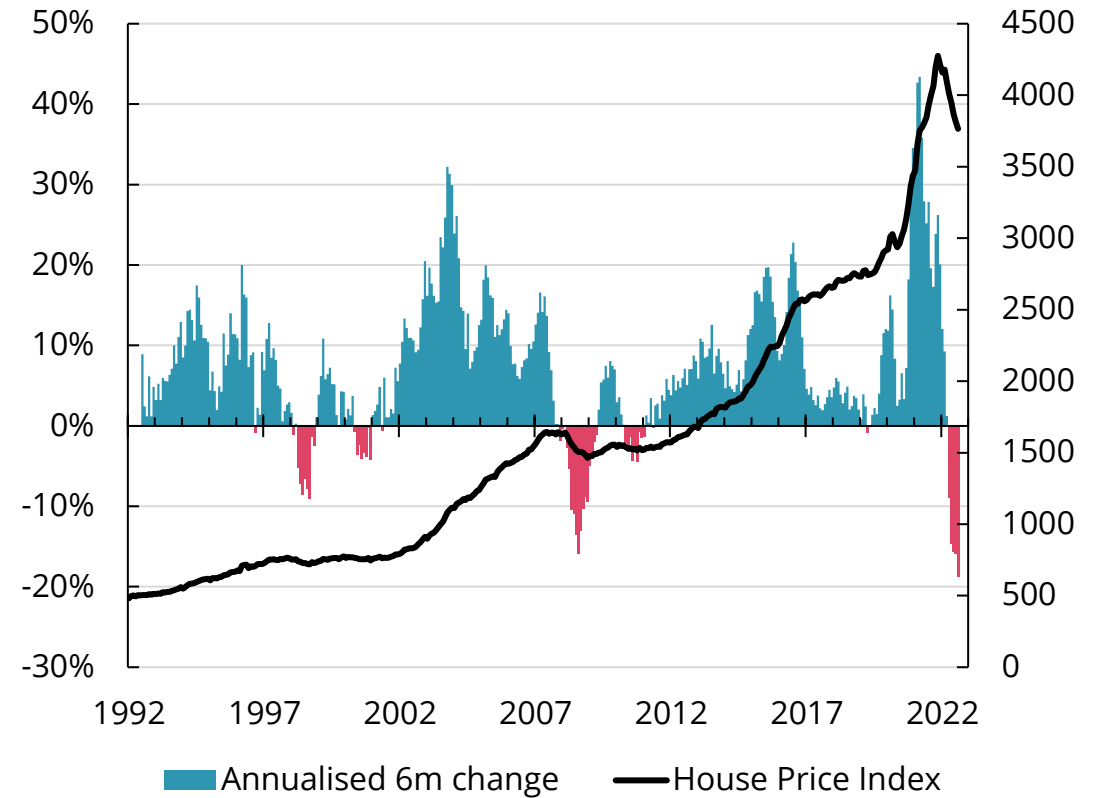
Housing sudden stop



House sales



House price index

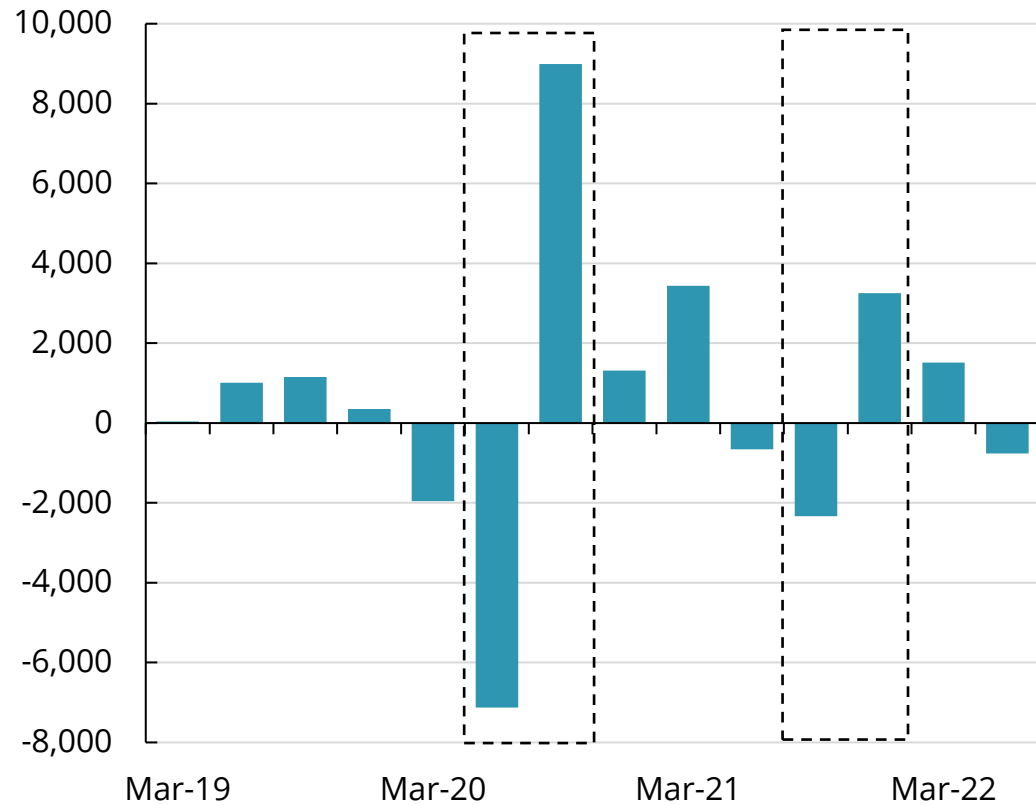


Source: REINZ

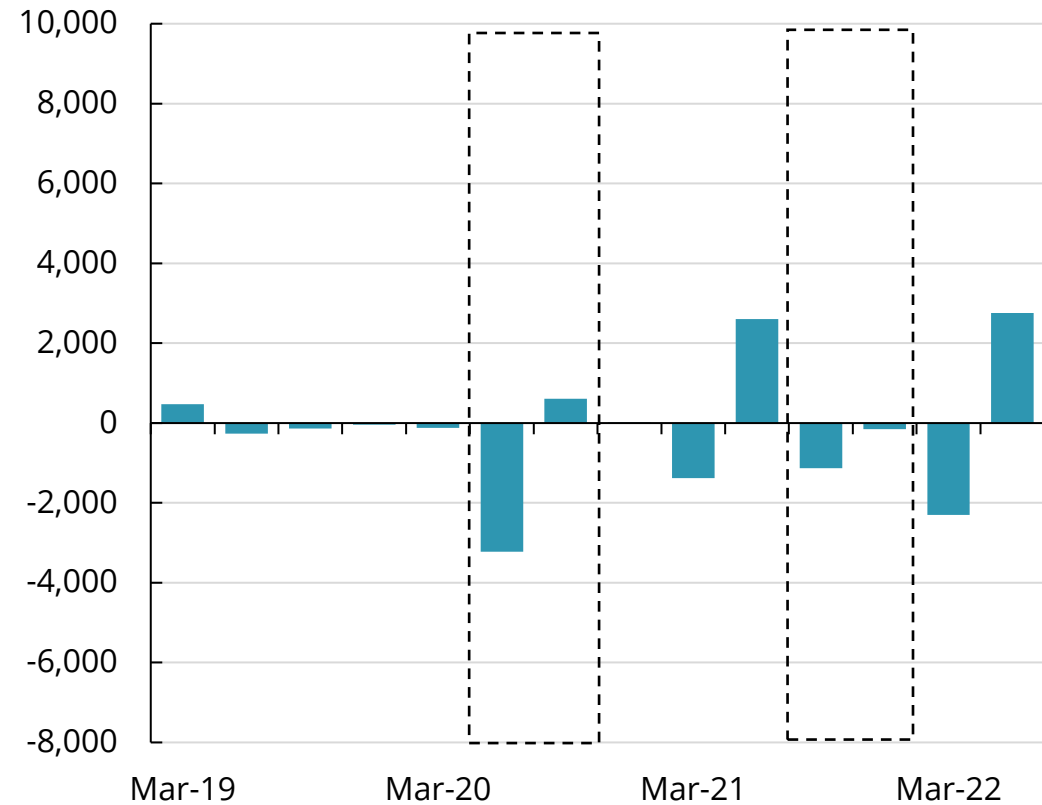
Domestic economy has stalled



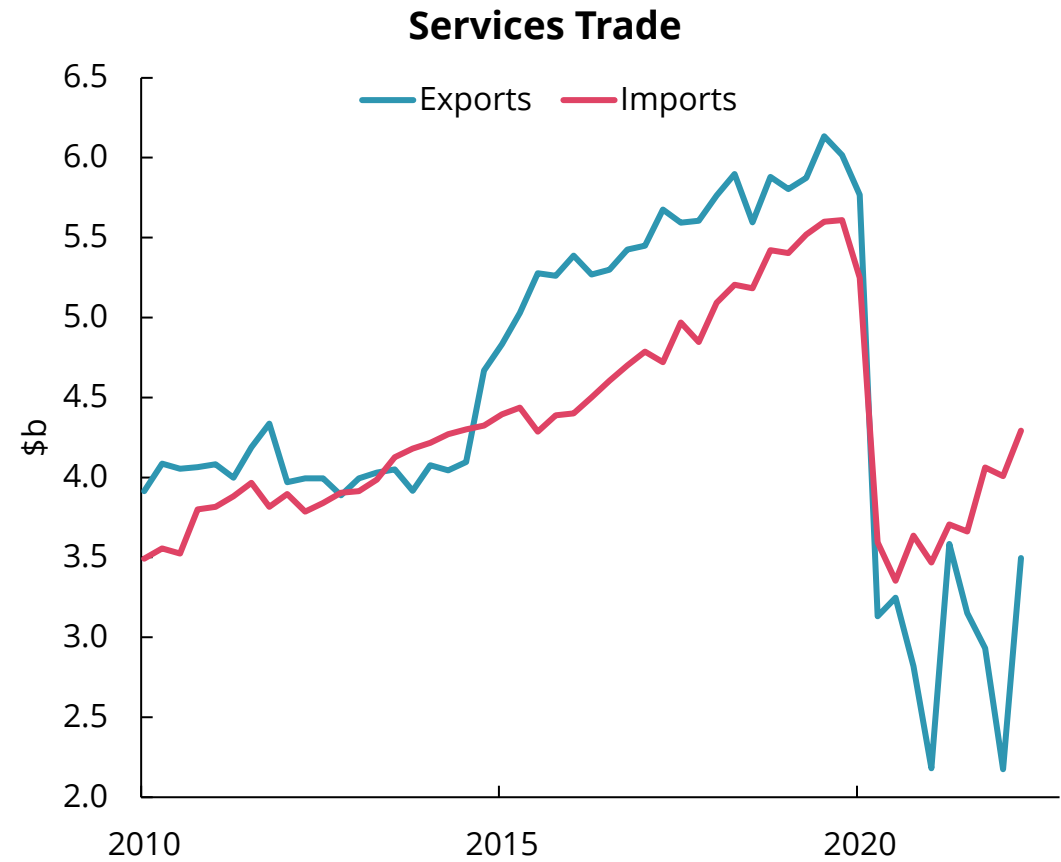
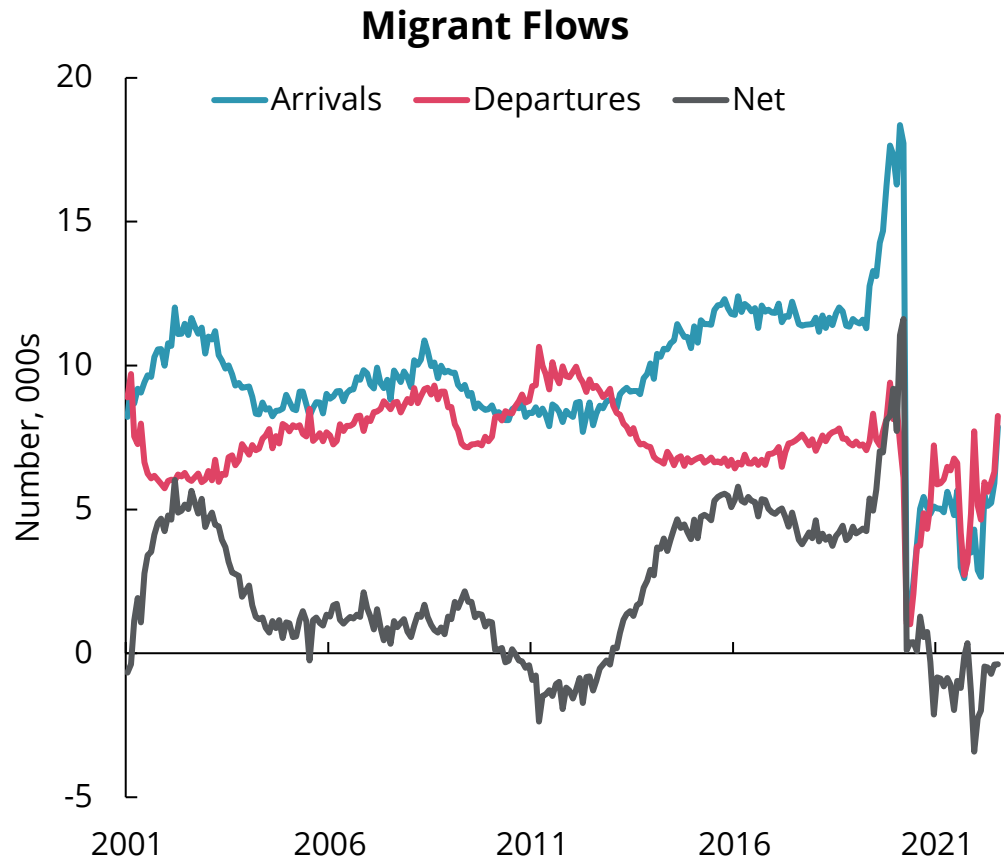
Domestic Economy Quarterly Growth



Exports Quarterly Growth



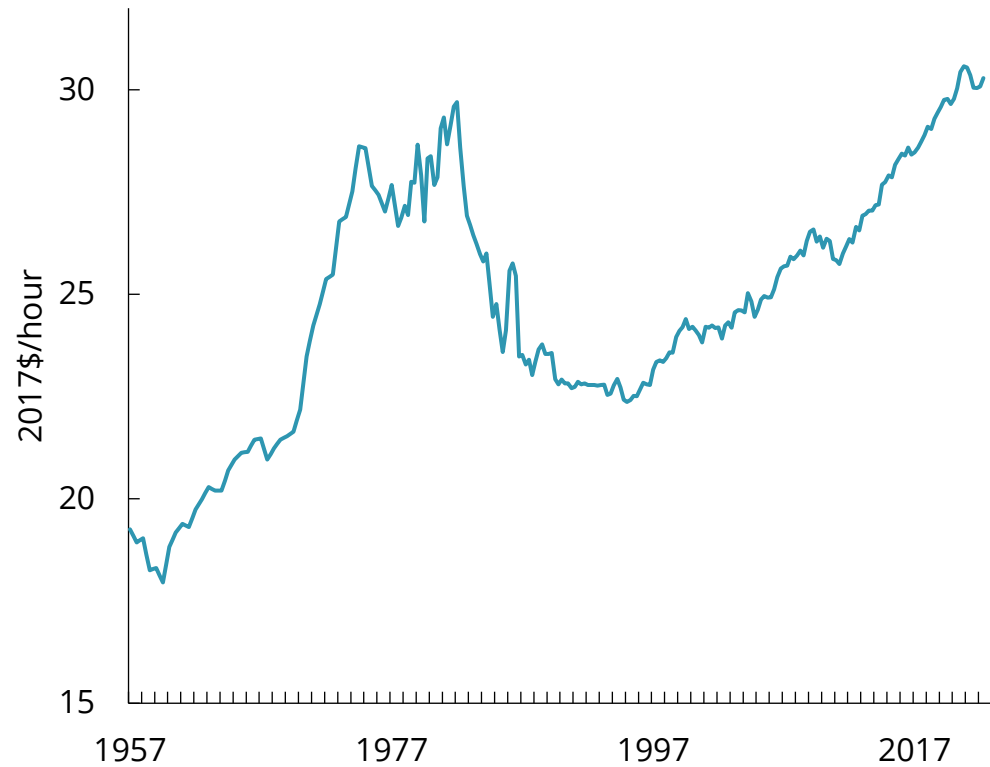
Border reopening will help



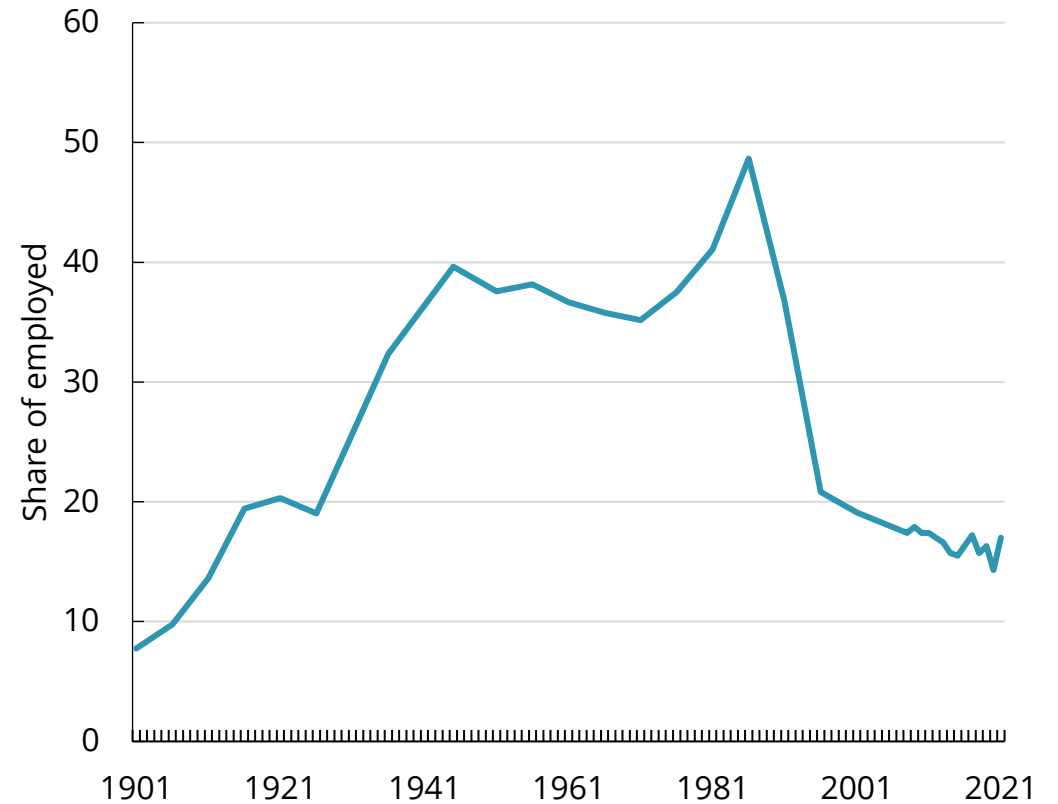
Wage pressures, but changed context



Real Wage Level



Union membership

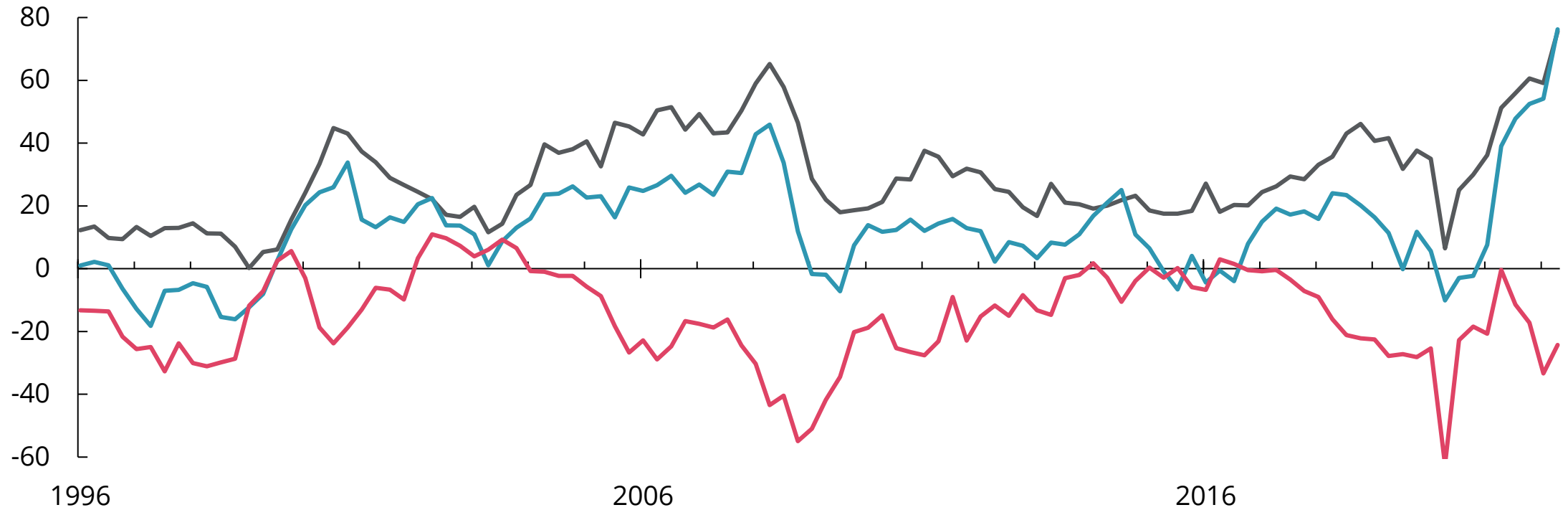


Costs, volumes and pricing power



Cost, prices and profits

— Costs — Prices — Profits

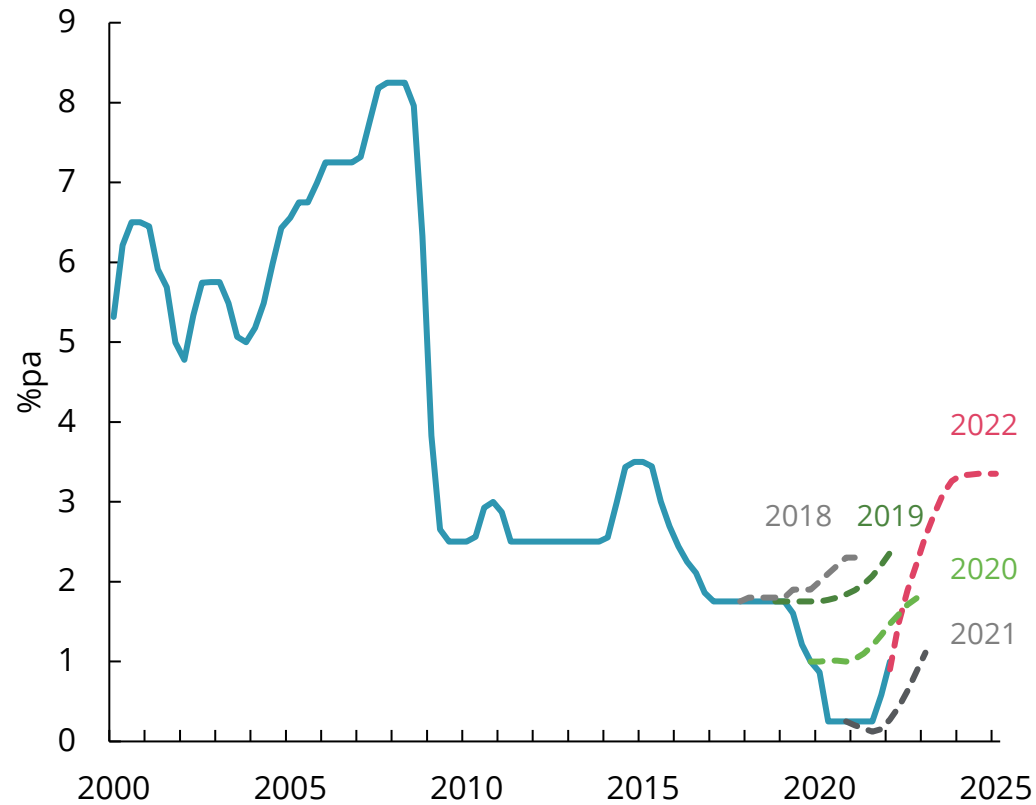


Sources: NZIER

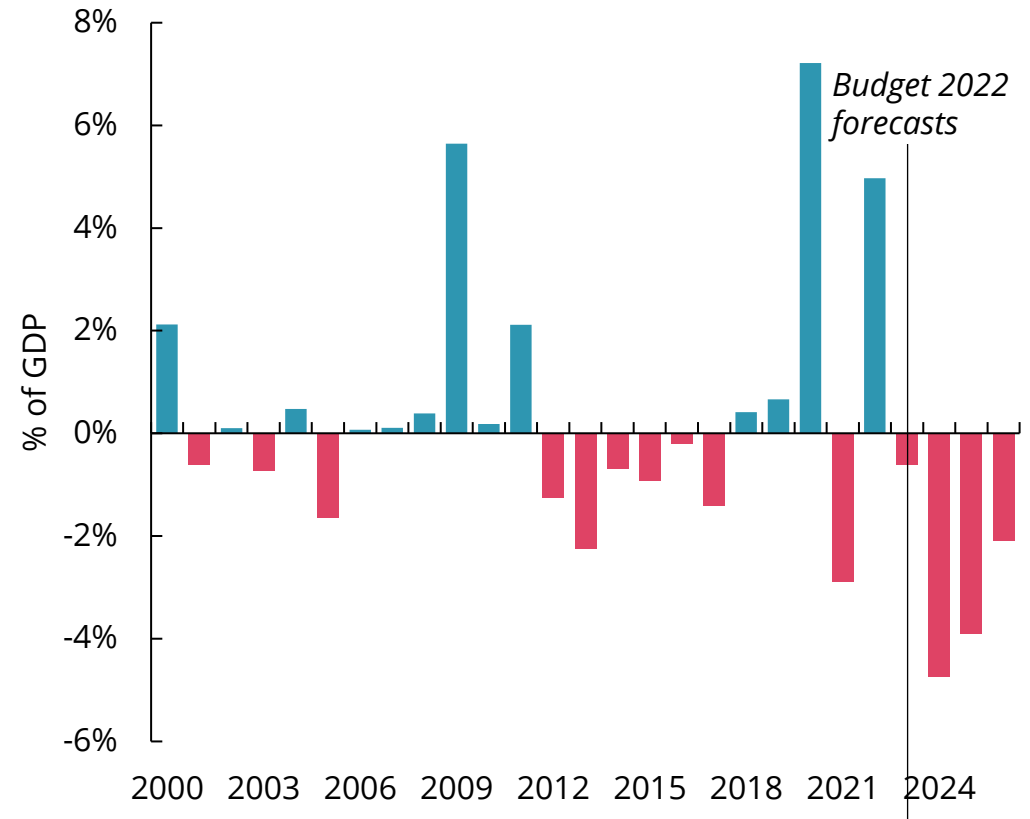
Central bank vs politics



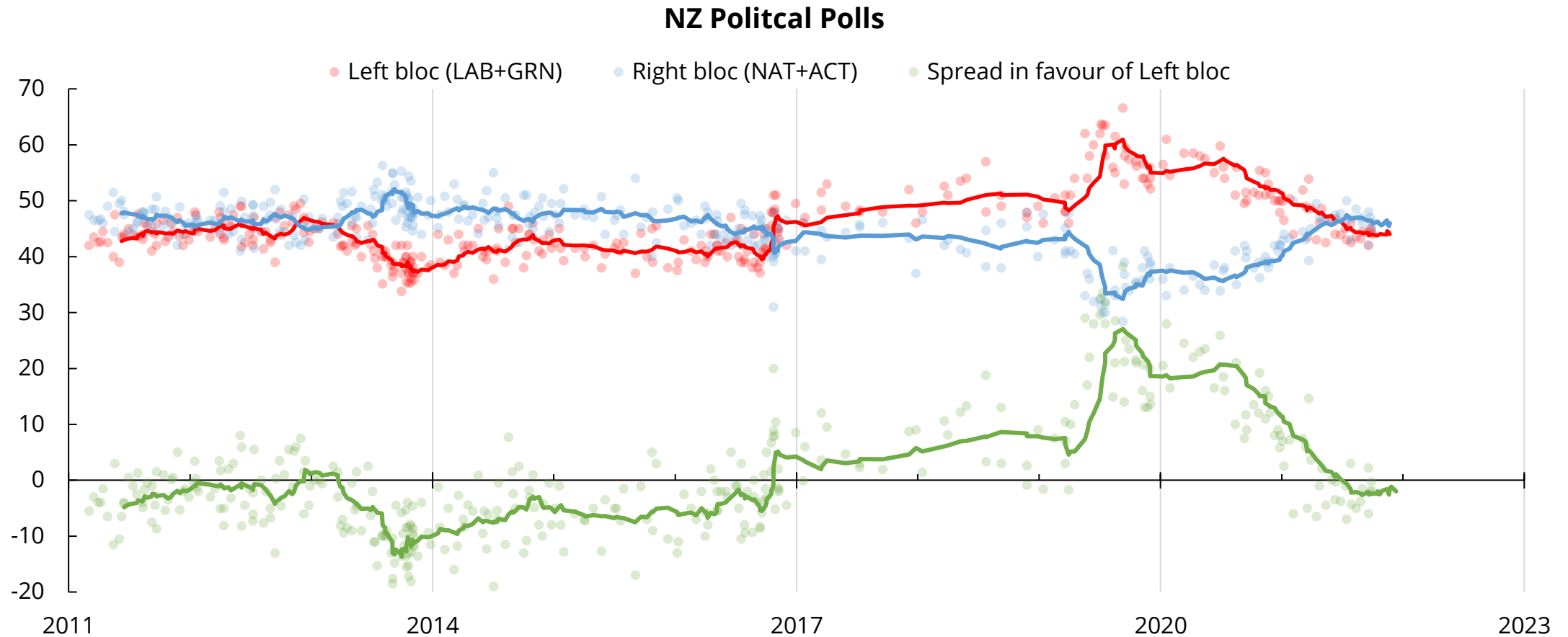
OCR - Actual & RBNZ Forecasts



Fiscal Stimulus



New political phase



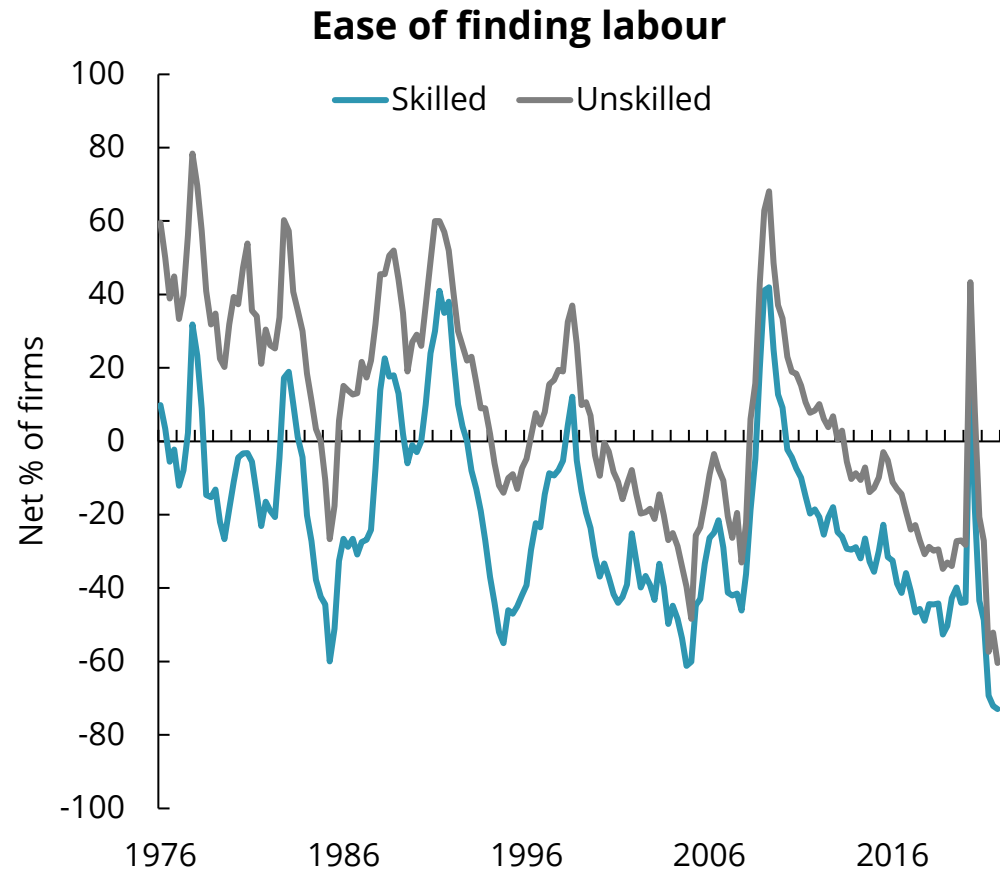
Source: Sense Partners calculations from Roy Morgan, 1 News-Kantar, Taxpayers' Union-Curia, Talbot-Mills, Newshub-Reid Research



Implications for you

- Perfect storm

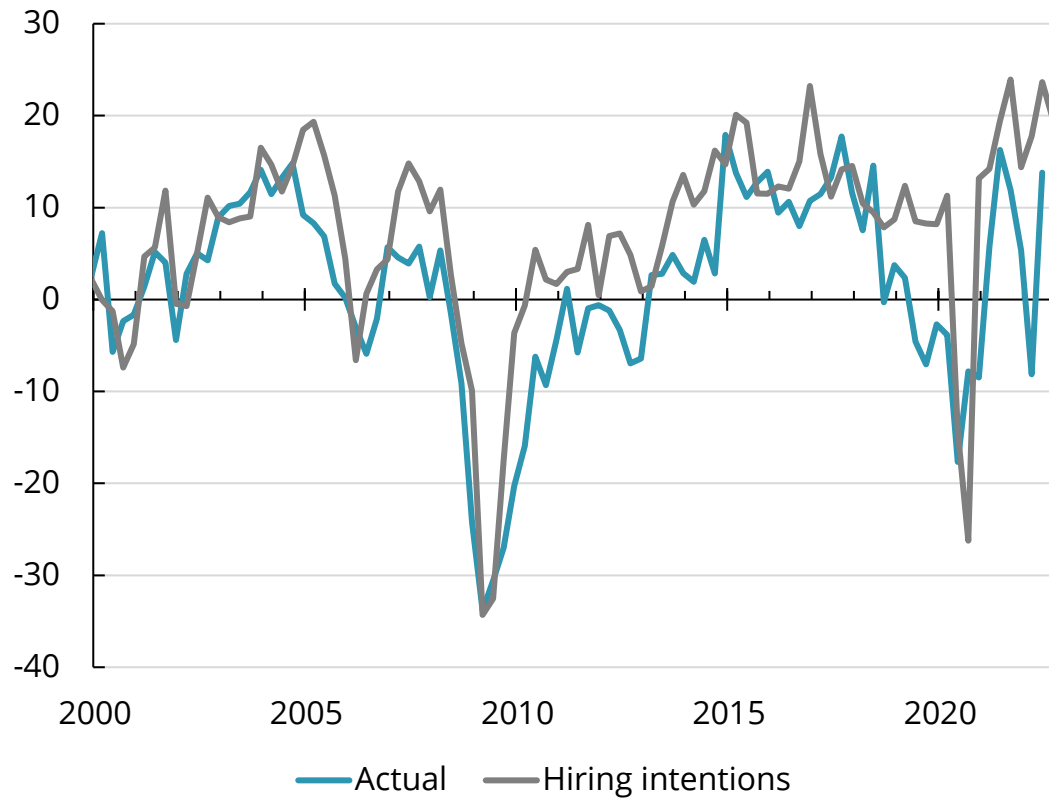
Record labour demand & shortages



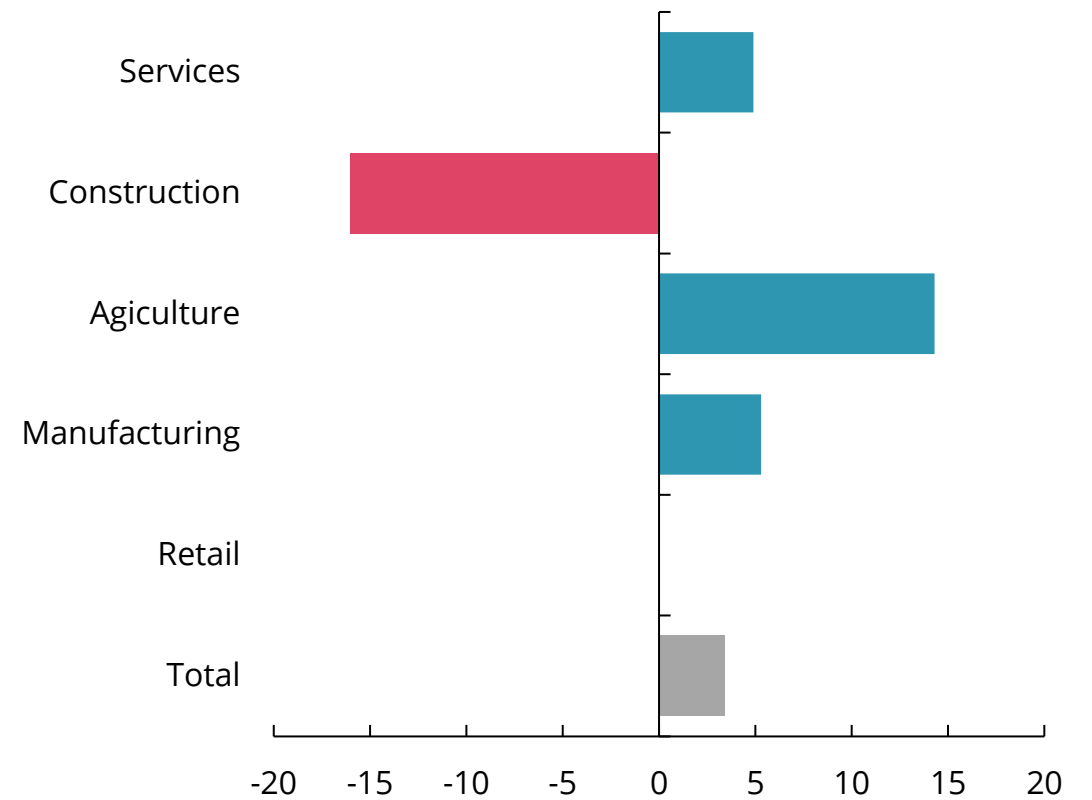
Intentions vs action



Hiring: Intentions & Actual



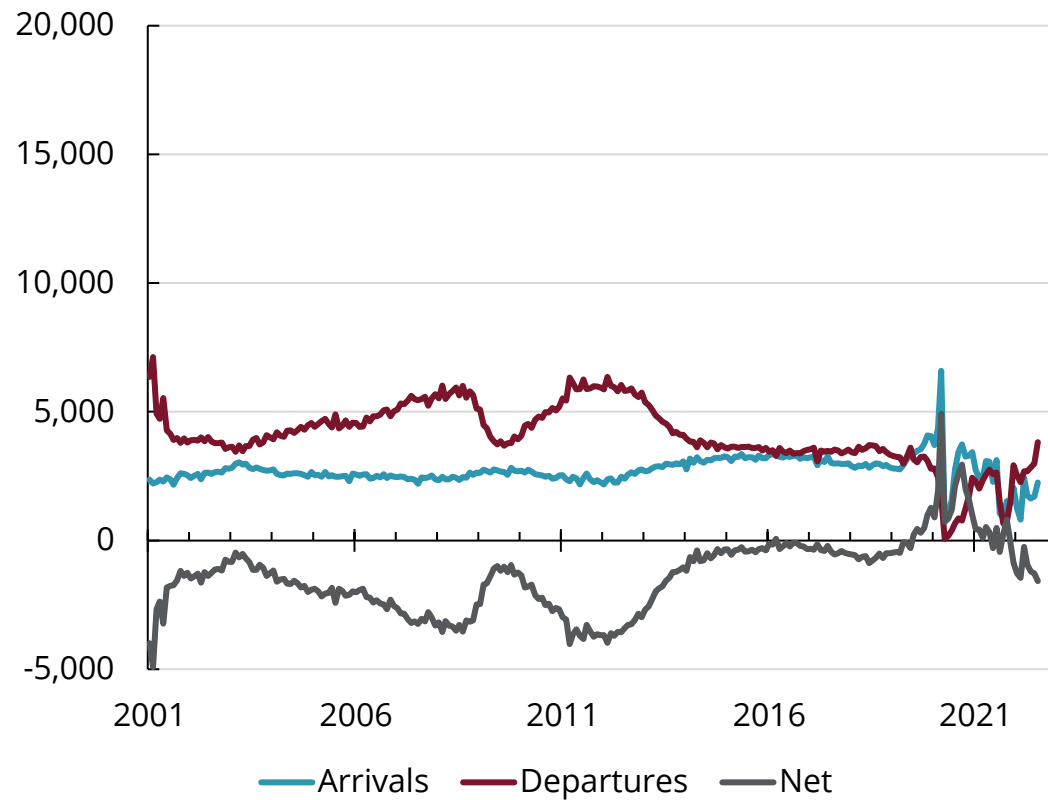
Hiring Intentions



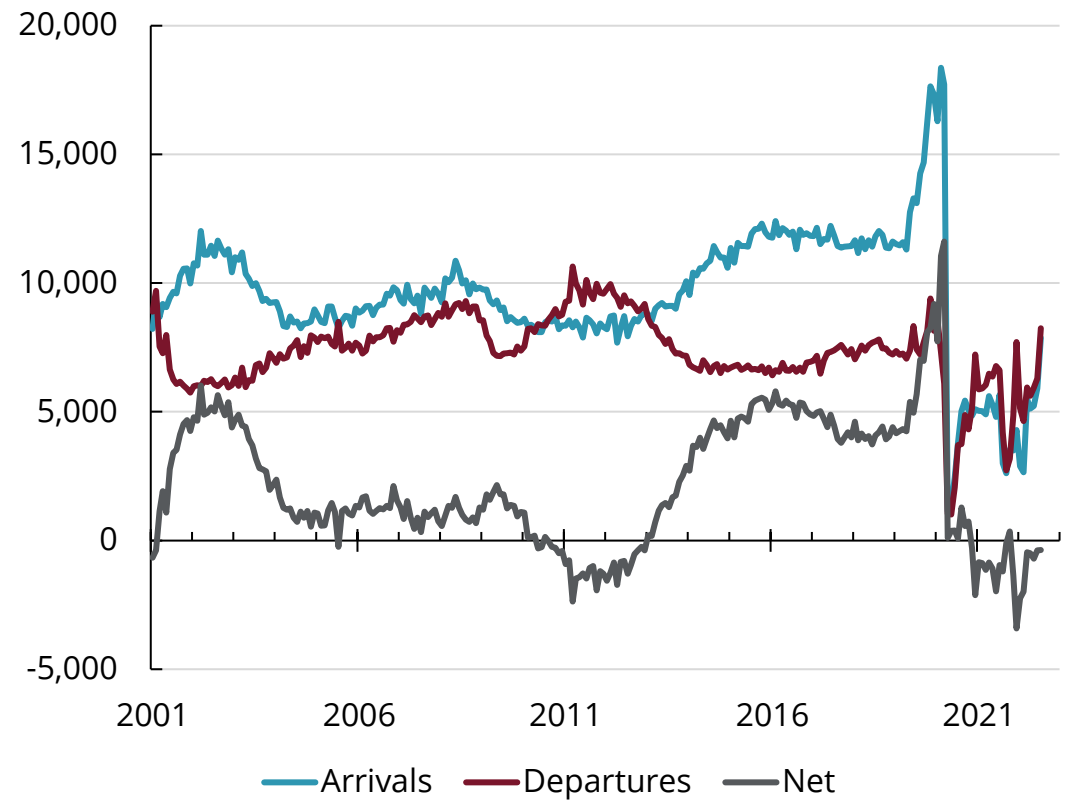
Open borders = double edged



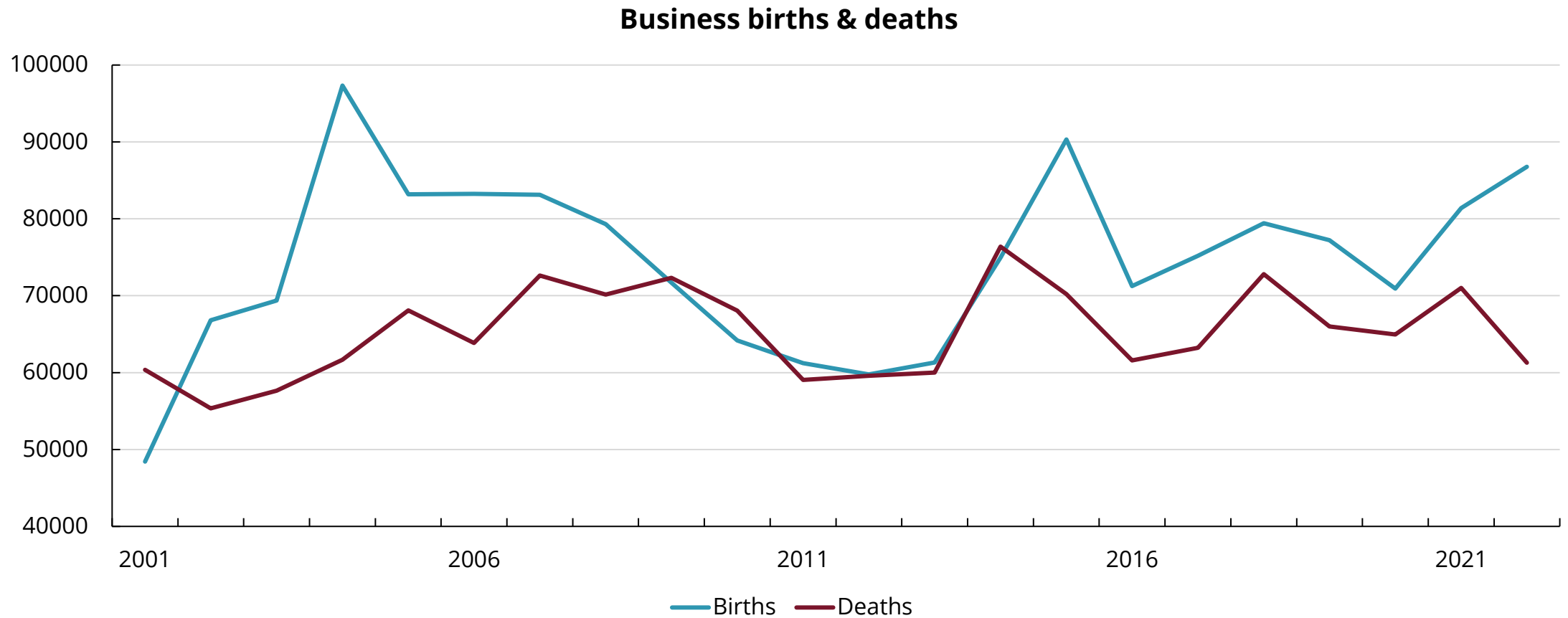
Migration of NZers



Migration of Non-NZers

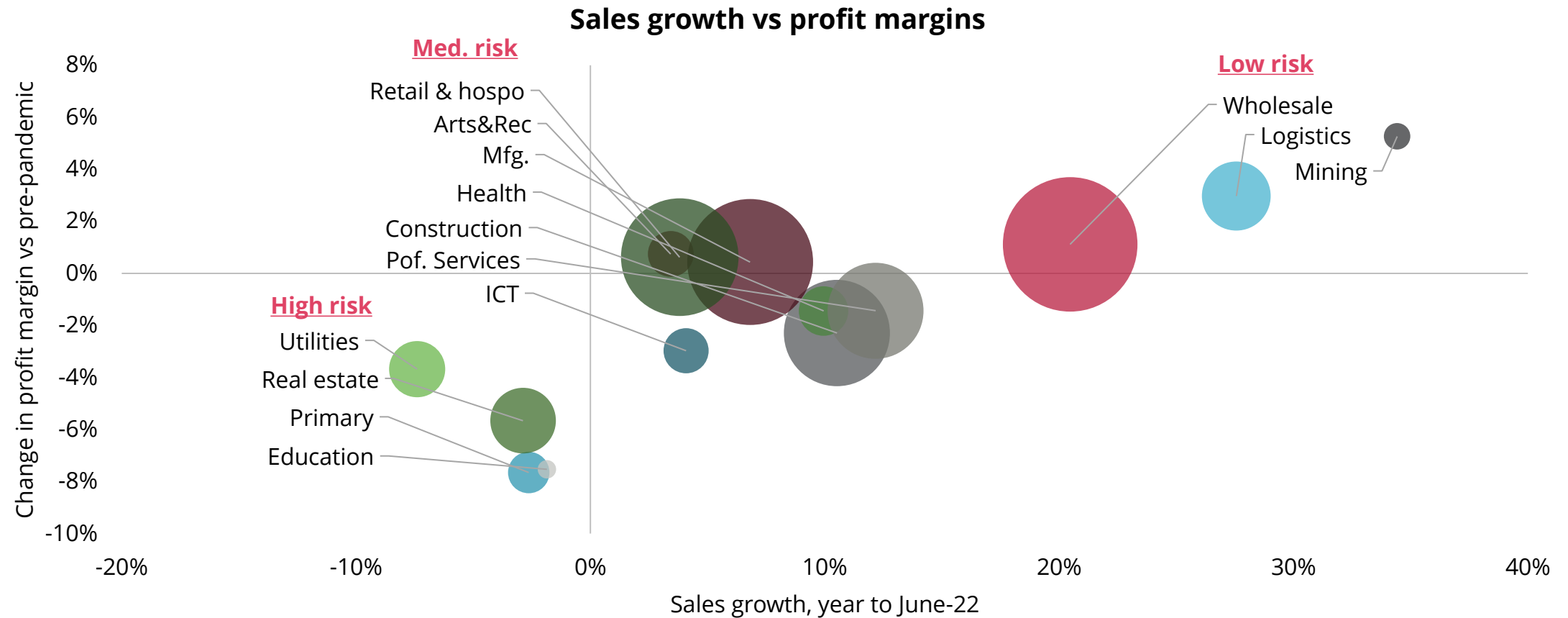


Business closures more likely



Sources: Statistics NZ, Sense Partners

Some sectors are vulnerable





Key issues

- Economic uncertainty
- Cost pressures
- Retention/recruitment/retrenchment
- Record labour shortages
- Planning for recovery/riding out the storm
- Financial & non-financial incentives

Economy in turmoil



Economy slowing sharply; inflation up



Record labour shortages + immigration policy



Sharp policy reversal; political uncertainty



What it means for you:

Retention

Planning for uncertainty & rebound

Beyond
Recruitment



Thank You

