



# New Zealand Market Insights for Scaling Businesses

Analysis period: Jan-March 2023

May 2023

# Sprout's Scaling Business Insights

As with last quarter we are seeing the impacts of the nervousness of the economy playing out across businesses with some major businesses undertaking **significant downsizing**. With inflation increasing, a tight labour market, and venture capitalists preferring to back existing over new ventures, this quarter could be a pressure cooker for leaders. But it is not all doom and gloom. This quarter we saw a net migration gain, time will tell whether this will continue and will serve to lessen the pressures on the labour market.

Cost of living for employees continues to be a big issue, with inflation having an impact on people's pockets. It puts employers in a tricky position, with wage pressure and increased costs against a backdrop of uncertainty.

Owing to this, job seekers are placing more importance on stability and security. If you are a venture backed business you can **expect savvy candidates to ask questions about your runway**, funding stage and plans for achieving growth. There is more opportunity to attract global talent and those businesses that can continue to scale throughout this period will be well positioned to dominate the market in the years to come.

Given the tight labour market, consider investing in growing the capability of the team you have where possible. We believe this quarter founders and CEOs will want to focus on supporting their leaders who are under immense pressure to deliver. These leaders will in turn support the engagement of the team. Where you have a gap that needs filling, consider getting creative with your talent attraction as **simple advertising strategies are unlikely to cut through** a competitive market.

– Angela Waddell, Co-founder and Director of People Advisory & Design, Sprout NZ

# Sprout's top three actions this quarter

01

## **Support your leaders**

Get your leadership team running like a well oiled machine. It could be a challenging quarter so make sure your leaders have the tools they need to support their people. Now is the time to lean on one another and build trust. Also consider if you need extra layers of support, particularly for your emerging leaders - can you connect them with a coach or a mentor in their area of expertise?

02

## **Consider planning for a black swan event**

We're not suggesting 2023 is the year of the apocalypse or anything like that but it pays to have a plan. Having a plan in place for managing times of change can help build confidence in your business now and make any changes that do come up all the easier to manage.

03

## **Get creative with recruitment**

It is likely to continue to be a challenging labour market so consider getting creative with your talent attraction. This may look like investing in your employer brand, implementing a graduate program or a peer mentoring program within your organisation to attract, and then grow, technical talent, consider alumni programs especially with talent going on their OE's. If you are engaging with a recruitment agency ask what their approach to managing this market is - if they're relying on advertising alone you may like to look elsewhere.

# The economy at a glance



**1.2%**

The New Zealand quarterly inflation rate (March 2023)



**12.1%**

Food prices rose 12.1% between March 2022 and March 2023 (groceries up 14%)



**6.7%**

The annual CPI inflation rate (NZ) for the 12 months to the March 2023 quarter (same as last quarter)



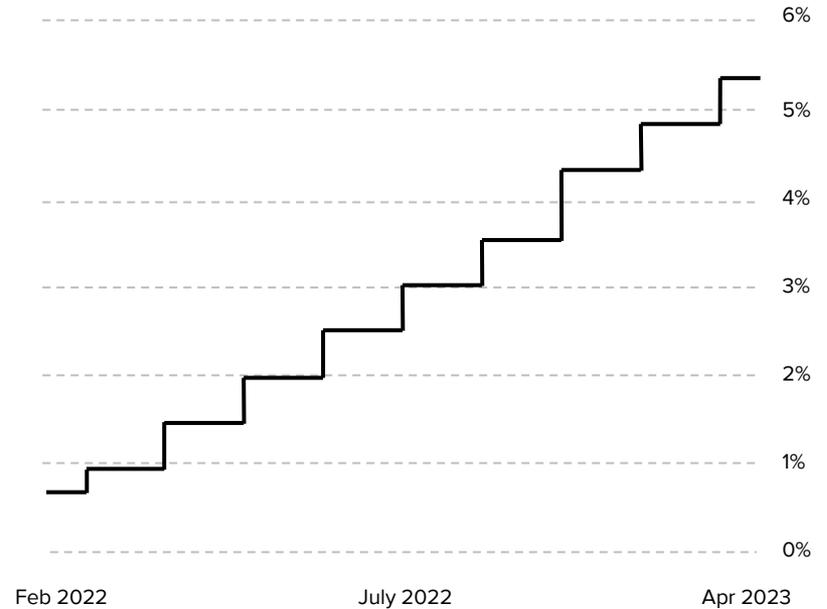
**3.4%**

New Zealand's quarterly unemployment rate

# The OCR continues to climb

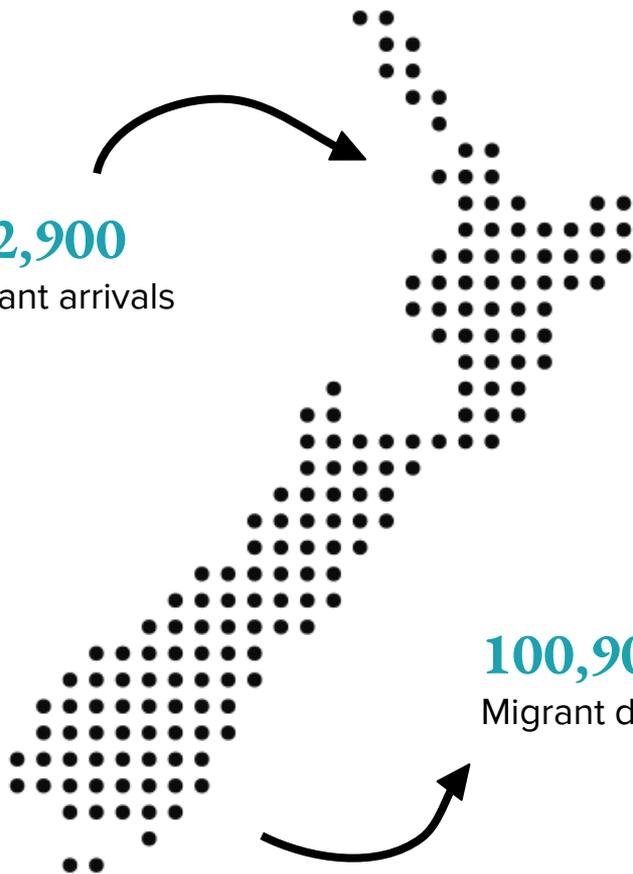
**5.25%**

In April the Reserve Bank of New Zealand lifted the official cash rate to 5.25%, the highest rate since December 2008, defying market expectations of a smaller base point increase. With employment beyond its maximum sustainable level and consumer inflation persistently high, this OCR aims to ease domestic demand and slow down inflation.



152,900

Migrant arrivals



100,900

Migrant departures

## Migrant arrivals are increasing

Migration patterns are turning, with a **net migration gain of 52,000** in the year ended February 2023. This is well above the long-term average pre-covid and was made up by a net migration of 17,300 citizens leaving New Zealand (departures up 75% compared to Feb 2022) and a net migration of 69,300 non-NZ citizens (arrivals up 343% compared to Feb 2022) arriving during the same period.

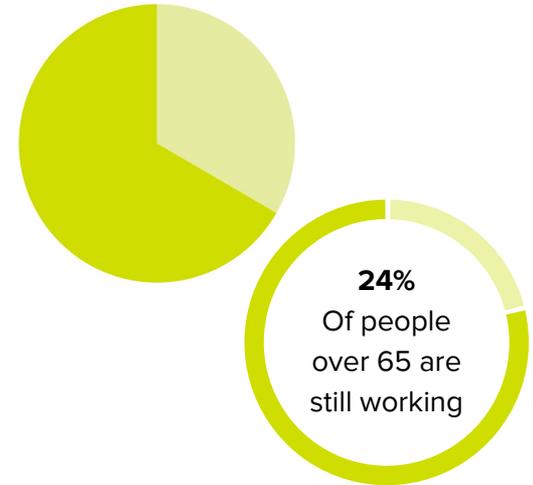
Young kiwis are still leaving for travel so we are **continuing to see a gap in junior to mid-management level candidates**. However, we are also seeing people coming into the country on working holidays, as well as professionals at all levels joining our workforce. Now is the time to **get accredited** for the Accredited Employer Work Visa (AEWV) to bring in exciting new talent to your business.

# Our workforce is getting older

As of 2019, one third of the New Zealand workforce is aged over 55 - a huge percentage of our workforce. We also have one of the highest rates in the world of people above retirement age still working at **24%**, and when compared to Australia at 12% and the UK at 10%. People are working for longer, all while navigating a changing landscape of technology (just look at the launch and evolution of ChatGPT at work over the past few months) and a gig economy. According to Te Ara Ahunga Ora, **33% of 500 employers surveyed were concerned** about the impact on their business with an aging workforce, sighting existing **skill shortages** as the core of these concerns.

The ratio of workers <65 is projected to continue to decline from 4:1 to 2:1 by 2039. So it is key for businesses to keep succession planning front of mind and have plans in place for knowledge transfer to harness the power of our workforce. There is an opportunity for businesses to look critically at their middle management teams and work to elevate them, which in turn will allow junior staff to learn from experienced leaders, gain vital skills and rise through the ranks.

**One third** of the NZ workforce is aged over 55, as of 2019



# Mental wellbeing is top of mind for leaders

The Development Dimensions International Global Leadership Forecast 2021 revealed that almost 60% of leaders are showing strong indicators of burnout - reporting that they feel used up at the end of the workday. As we head into an economic downturn and macroeconomic pressures increase this concern is only growing, as more and more businesses have to look to cost cutting and efficiencies to maintain business performance. Now is the time to support your leaders, encourage them to talk about mental health in the workplace, and put plans in place to support those who are struggling (such as an EAP).

Research from the Mental Health Foundation in late 2022 also found that levels of distress, depression, stress and suicidality are alarmingly high for kiwis generally too - with 73% of people aged 18-34 saying they felt stressed to the point they felt they could not cope, and 61% of people aged 35-49 saying the same.

**60% of leaders are showing strong indicators of burnout**



# Preventing leadership burnout



## Ask for help

Don't be afraid to delegate work effectively and ask professionals for help when you may need it.



## Recognise the signs

Low energy, brain fog, exhaustion, lack of control over your moods and low internal enthusiasm are all signs of leadership burnout.



## Set boundaries

Know the line between commitment and overcommitment. Set boundaries so you can do things you enjoy.



## Reflect

Take time to remember your purpose, why this work is important to you and your goals.

# Sector insights

## Deep tech

With around 2,500 digital tech jobs open at any one time across LinkedIn and Seek, and about **5,000 new digital tech jobs being created each year** (and growing), the competition for talent is continuing to heat up. Even going into a time of economic shock and potential recession, there is understanding that during a recession our government will increase funding in this sector to stimulate economic growth and create jobs. This will continue the **demand for highly-skilled candidates** and despite the bleak economic future for New Zealand, deep tech is still **showing robust signs** and is expected to hold better than other sectors.

There have been huge advances in the deep tech sector over the past quarter, and they are making waves throughout the entire economy - such as AI advancements with tools like ChatGPT.



Amazon investment into New Zealand projecting to be **\$7.5 billion** over the next 15 years

## Software

Over the past quarter we've seen market adjustments especially in software, with a number of companies globally making redundancies in response to the changing market conditions. **Xero cut about 16% of their workforce in March**, New Zealand's first real taste of this market shift. Also in the news, **Amazon has just launched their AWS Lift Programme locally** with the aim to help NZ SMEs access cloud services, with the investment into New Zealand projecting to be **\$7.5 billion over the next 15 years**. This investment will create 1000 new jobs through local offices and infrastructure and is an indication by Amazon of the future growth of our software industry in New Zealand.

Looking ahead, we are continuing to see skill shortages in New Zealand's tech sector, though the staff cuts and freezes overseas have the potential to work to our benefit. **Now is a great time for smaller businesses and startups to attract global talent** that was not previously available, whether remotely or through relocations, and to take on graduates who are emerging from universities across New Zealand post-Covid.

# Sector insights

## Advanced manufacturing

The newly launched [Industry Transformation Plan](#) aims to accelerate the transformation New Zealand's advanced manufacturing sector into a globally competitive low emissions sector through increased productivity and higher skilled, high wage jobs.

As a first step, the government have committed \$30 million to upskill workers in digital skills, and give companies access to advice on adopting advanced technologies and processes, particularly circular low-emissions processes.

**\$30 million**  
committed to  
upskill workers  
in digital skills

## FMCG

Automation in the supply chain and deep tech advances are calling for new skills in FMCG employees, and continued ecommerce growth and change is continuing to drive talent and skill shortages in the sector according to FMCG Business. This coupled with mounting cost pressures on businesses and the recent Cyclone Gabrielle, Foodstuffs' has reported that they are expecting a tough winter for kiwis both from a personal but also professional perspective with [supplier costs up 10.3% in March](#) alone. There is increased pressure in the supply chain with recent weather events too.

Elsewhere in FMCG, [Unilever has expanded their New Zealand 4 day work week pilot](#) to their Australian business, as they saw a 34% drop in absenteeism and less stress overall in their team. The pilot allowed team members to retain 100% of their salary while working 80% of a normal work week. We're also seeing a number of businesses consider if a B Corp certification is for them, particularly in FMCG. A [B Corp](#) certification is a designation that a business is meeting high standards of verified performance, accountability and transparency on factors from employee benefits to supply chain practices.

# Sector insights

## Retail & distribution

Despite a perceived softening market, New Zealand saw a slight increase in card transactions in March 2023 - up 0.7% - compared to the month prior. Colliers links this to an increase in travel and events, but a decrease in retail spending generally, and additionally we're seeing lower consumer demand through reduced building consent applications as investors are approaching the rest of the year with caution and slowing expansion plans.

The Warehouse has already proposed cuts that could affect up to 190 employees, and this aligns with the predictions for companies such as Westpac that unemployment will rise before 2025.

## Professional services

According to research undertaken by [IBISWorld](#), industry revenue has been growing at an annualised 0.7% over the past five years – including an anticipated 2.2% rise in the current year.

However, faltering business confidence is already impacting the demand for consulting services with many businesses tightening their belts and reducing their spend on consulting services. This is likely to have a negative impact on smaller NZ businesses.



Faltering business confidence impacting the demand for consulting services

# Ready to grow? Get in touch



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Disclaimer:

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