



A Changing Landscape

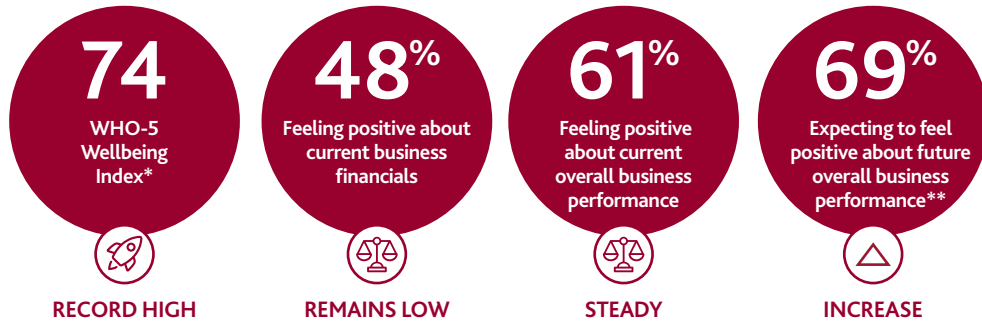


**BDO Business
Wellbeing Index**

NOVEMBER 2023

Overview

Our business landscape is changing. What does this mean for you?



Kia ora and welcome to the fourth BDO Business Wellbeing Index report - our twice-yearly study of business performance and wellbeing in Aotearoa New Zealand. Based on a nationwide survey of over 560 business leaders during the two weeks following the 2023 general election, this edition of the report offers a timely snapshot of their sentiment during a time of change – political, economic and environmental.

As advisers to more than 16,000 businesses nationally, BDO New Zealand is in a unique position to see the impacts of a wide range of factors on business leaders – and the sentiment reflected in this survey, undertaken by independent research agency Perceptive, aligns with our current observations.

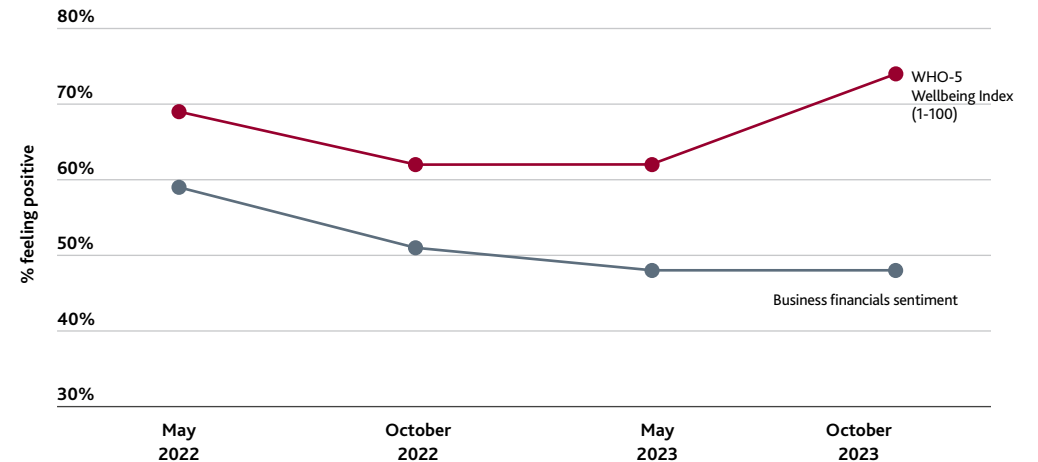
As well as highlighting the priority issues for New Zealand business leaders and how they are feeling, our Index provides practical advice to help navigate the stressors of running a business. You'll find guidance from our experts in business advisory, risk, and tax, with a range of tips to address the pressures identified in our survey. As always, details of useful contacts can be found at the end of this report and at bdo.nz/wellbeing. It's never too late – or too early – to reach out for support.

REPORT HIGHLIGHTS

Record numbers of business leaders (58%) report facing negative wellbeing in the past six months – driven by growing concern for business finances. However, this is clearly a changing landscape. While current business performance sentiment (61%) is steady and sentiment regarding financial performance remains low (48%), business leaders have scored a record high (74) on the WHO-5 wellbeing index in the two weeks following the general election.

Our November report also shows improving sentiment regarding key factors including regulations and compliance (including tax) and ESG business impacts. An increasing number of business leaders have positive expectations for business performance in six months' time (69%), with Māori business leaders, retail (perhaps surprisingly) and tourism sectors showing most optimism. This suggests that while many business challenges remain, the election outcome has provided greater clarity regarding economic policy settings – fostering a growing sense of optimism regarding a change in our economic fortunes.

WELLBEING LIFTS POST ELECTION WHILE BUSINESS FINANCIAL SENTIMENT REMAINS LOW
 WHO-5 Wellbeing Index* vs % feeling positive about business financials (last 2 weeks)



WHAT'S IN THIS REPORT?

KEY FINDINGS

- BUSINESS PERFORMANCE 3
- SECTORS AND MARKETS 5
- WELLBEING 6

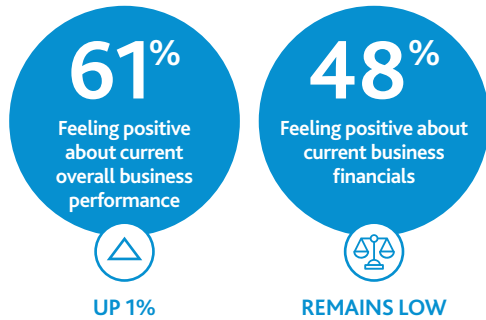
BUSINESS TIPS 9

*World Health Organisation measure of wellbeing over last 2 weeks (refer to page 12 for details).

** In six months' time

Business performance

Business financial sentiment at a low point?



Despite ongoing economic challenges, an uncertain political landscape, and increasingly frequent adverse weather events, business performance sentiment has remained relatively steady since our first survey wave in May 2022. 61% of business leaders felt positive about their business performance all or most of the time in the last two weeks and 69% expect to feel positive about business performance in six months' time.

This optimism is in contrast with the proportion of respondents (48%) feeling positive about their business financials in the last two weeks. Business financial performance continues to be the attribute which business leaders feel least positive about – and scores significantly lower than all other attributes, with sentiment declining by 11% since May 2022. However, current business financial performance sentiment has remained steady since our previous survey in April 2023, suggesting possibly this attribute has reached a turning point.

We're also seeing business leaders feel less positive about their risk management profile. This is the second-lowest business performance attribute from our survey, with 57% of respondents feeling positive about this measure all or most of the time. This result is unsurprising in the face of New Zealand's changing landscape, where unexpected risks have impacted countless businesses in the past few years.

On the upside, there are several business performance measures that leaders are feeling positive about. Progress in meeting regulations and compliance is a standout, climbing to a record high level of 69%. With responses collected in the two weeks following the election – and both National and ACT campaigning around reducing compliance and regulatory red tape – this optimism among business leaders may be partly attributed to the change in government.

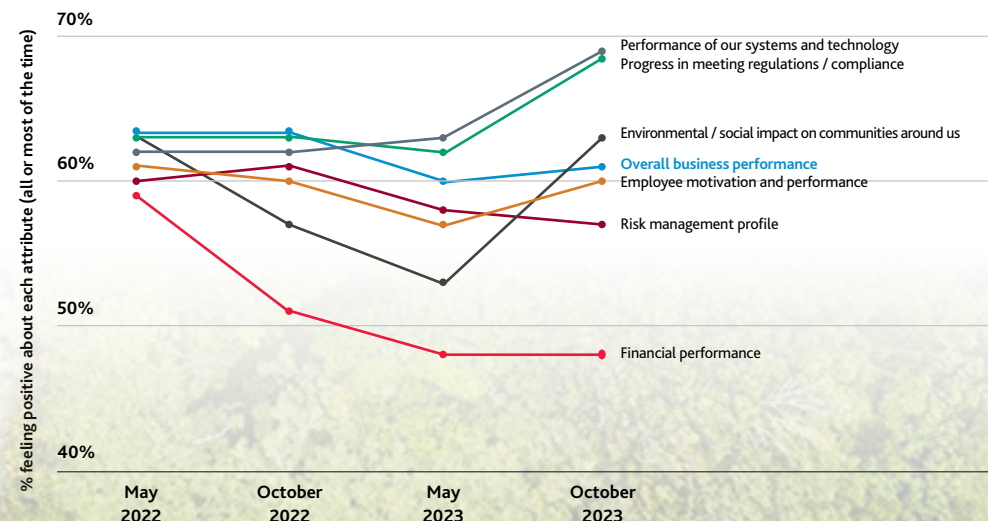
There has also been a significant spike in business leaders feeling positive about their environmental and social impact on communities around them. Again, National and ACT have pointed to reviewing and relaxing certain climate-related measures, which may be contributing to this positive outlook among business leaders.

BUSINESS PERFORMANCE SENTIMENT				
	MAY 2022	OCTOBER 2022	MARCH 2023	OCTOBER 2023
% Feeling positive about overall business performance (last 2 weeks)*	63%	63%	60%	61%
% Feeling positive about business financials (last 2 weeks)*	59%	51%	48%	48%
% Expecting to feel positive about overall business performance (6 months' time)*	71%	67%	66%	69%

*All or most of the time

FINANCIAL PERFORMANCE LOWEST ATTRIBUTE.

Key business performance attributes - current sentiment (last 2 weeks)



Business performance

Current business performance sentiment remains steady, but optimism is growing

It is apparent from previous survey waves that business leaders are typically more positive about future business performance than current business performance. Our latest measure further highlights this trend. At 8%, the gap between current business performance sentiment and future expectation has widened. We're seeing this optimism reflected even more significantly within the retail and tourism sectors, as well as among Māori business leaders.

This positive outlook contrasts with the general economic landscape in New Zealand, where a stretched economy and slow growth are seeing households and businesses grapple with financial pressures. What's likely moving the needle for business leaders is the change in government. Recent economic measures show that business and consumer confidence has improved in New Zealand since the election, which we can see reflected throughout our survey.

The likelihood of a more right-aligned government, with both National and ACT campaigning heavily on economic and business-forward policies, may be giving business leaders confidence in their financial future. After the months of uncertainty and limbo during pre-election campaigning, a growing number of business leaders may simply be feeling assured that a decision has been made and there is increased clarity regarding economic policy moving forward.

TOP 3 OPTIMISTIC SECTORS & MARKETS

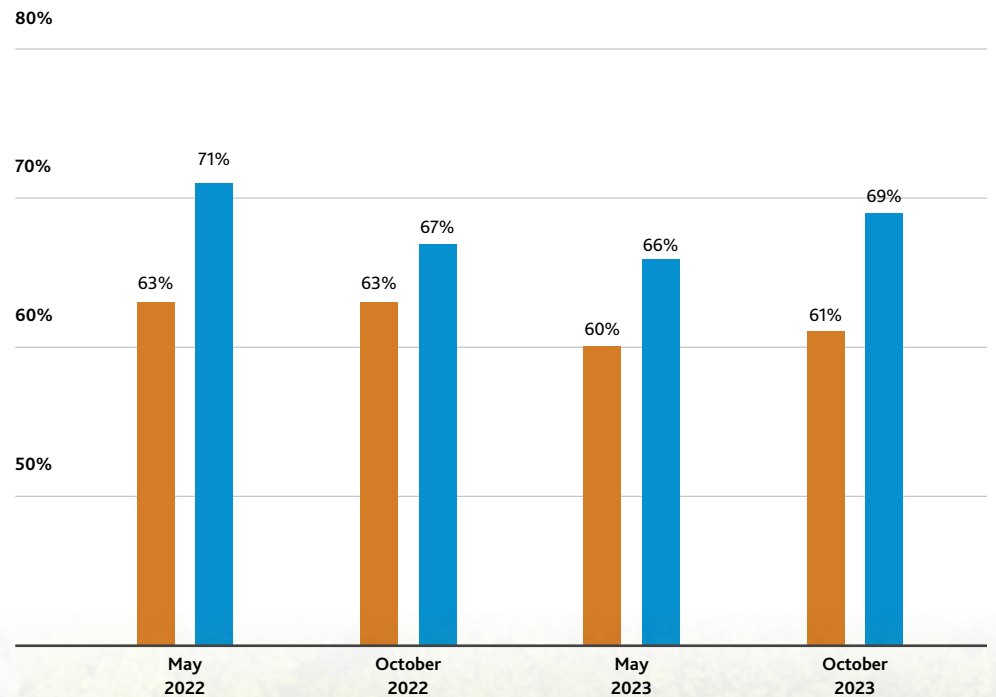


See next page for more sector and market insights.

Percentage expecting to feel positive about business performance in 6 months' time (all or most of the time)

FUTURE VIEW MORE POSITIVE

Overall business performance (current sentiment vs future expectations)



KEY

- Current sentiment: In the last 2 weeks, I have felt positive about our business performance (all or most of the time)
- Future expectations: In 6 months' time, I expect to feel positive about our business performance (all or most of the time)

Sectors and markets

Māori businesses, retail and tourism sectors most optimistic

Looking more closely at our main sectors, agribusiness leaders continue to feel the pressure, with a record-low future business performance sentiment of just 59%. Many farm businesses have been struggling due to weather events, increasing costs, and falling commodity prices, so it's unsurprising to see this reflected in our survey. More positively, all other sectors and markets are expecting improved business performance compared to March 2023.

Māori business leaders are the most optimistic, and from a sector perspective we're seeing retail and tourism business leaders feeling especially positive about their business performance in six months' time.

The optimism felt by retail sector business leaders is interesting given their ongoing challenges faced in recent years - including the high cost of living, labour supply constraints and supply chain challenges. Along with the change in government, this positive outlook could be associated with the upcoming Christmas shopping season and summer holidays, accompanied by synergies with the booming tourism sector.

With New Zealand tourism volumes inching nearer to pre-COVID levels this year, it's unsurprising to see this sector feeling bright about the months ahead.

CONSTRUCTION				
	MAY 2022	OCTOBER 2022	MARCH 2023	OCTOBER 2023
WHO-5 Index (last 2 weeks)	82	68 ▼	64 ▼	78 ▲
Future wellbeing sentiment	91%	74% ▼	70% ▼	93% ▲
Future business performance sentiment	88%	78% ▼	68% ▼	75% ▲

RETAIL				
	MAY 2022	OCTOBER 2022	MARCH 2023	OCTOBER 2023
WHO-5 Index (last 2 weeks)	56	62 ▲	56 ▼	61 ▲
Future wellbeing sentiment	51%	66% ▲	61% ▼	57% ▼
Future business performance sentiment	38%	58% ▲	55% ▼	81% ▲

AGRIBUSINESS				
	MAY 2022	OCTOBER 2022	MARCH 2023*	OCTOBER 2023
WHO-5 Index (last 2 weeks)	80	62 ▼	N/A ▬	74 ▲
Future wellbeing sentiment	87%	77% ▼	N/A ▬	69% ▼
Future business performance sentiment	92%	77% ▼	N/A ▬	59% ▼

*Not surveyed in March 2023 due to flood impacts

MĀORI BUSINESS				
	MAY 2022	OCTOBER 2022	MARCH 2023	OCTOBER 2023
WHO-5 Index (last 2 weeks)	73	64 ▼	62 ▼	76 ▲
Future wellbeing sentiment	78%	80% ▲	68% ▼	89% ▲
Future business performance sentiment	75%	83% ▲	72% ▼	88% ▲

TOURISM				
	MAY 2022	OCTOBER 2022	MARCH 2023	OCTOBER 2023
WHO-5 Index (last 2 weeks)	63	60 ▼	66 ▲	79 ▲
Future wellbeing sentiment	76%	79% ▲	71% ▼	86% ▲
Future business performance sentiment	64%	60% ▼	70% ▲	79% ▲

Future wellbeing sentiment: % of people expecting to feel generally satisfied with life all or most of the time in 6 months' time.
 Future business performance sentiment: % of people expecting to feel positive about business performance all or most of the time in 6 months' time

Wellbeing

Wellbeing spikes post-election after six-month low



In tracking business leader wellbeing, our report applies the World Health Organisation's internationally recognised WHO-5 Index (measuring wellbeing over the last two-week period). The WHO-5 Index has reached record levels in our most recent survey, likely reflecting a change in outlook among business leaders following the 14 October 2023 general election. However, more business leaders than ever have said they've been feeling less mentally healthy than normal over the last six months. At 58%, this is the highest response to this measure since our first report in May 2022.

The uplift in wellbeing over the last two weeks compared to the past six months carries through into future sentiment. The number of business leaders expecting to feel generally satisfied with life in six months' time is up to 71%, showing a very clear trend of increased optimism post-election and into the future.

Looking at what's causing concern for business leaders, business financial pressures have continued to be the main driver of negative wellbeing in business life in the past six months, steadily climbing to their highest levels at 49%. This reflects what we've seen elsewhere in our survey, where business leaders feel least positive about their finances compared to all other business performance attributes.

External economic pressures remain the second-highest contributor to negative wellbeing in business life. However, concern around this has declined since March 2023, potentially reflecting a sense of optimism around the renewed economic focus brought about by the change of government.

Elsewhere, supply chain issues have reached the top five causes of negative wellbeing in business life for the first time since our BDO Business Wellbeing Index launched. As with previous surveys, resourcing - both workload and labour supply - remains a key concern for businesses. This could reflect the ongoing labour shortage felt across the country and suggests increased migration numbers may not yet be having an impact.

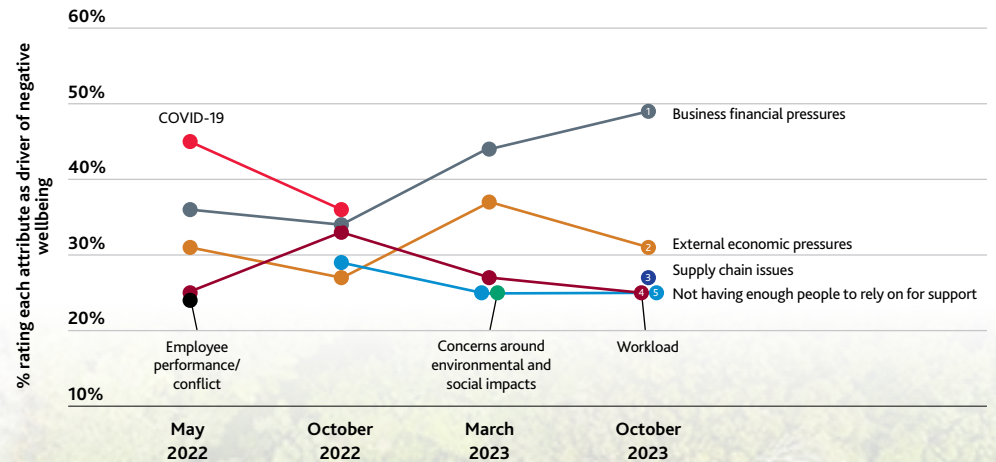
* World Health Organisation measure of wellbeing over last two weeks (refer to page 12 for details).

BUSINESS LEADER WELLBEING				
	MAY 2022	OCTOBER 2022	MARCH 2023	OCTOBER 2023
WHO-5 Index (last 2 weeks)	69	62 ▼	62 ▬	74 ▲
% Feeling less mentally healthy than normal (last 6 months)	44%	46% ▲	48% ▲	58% ▲
% Expecting to feel generally satisfied with life (6 months' time)**	73%	72% ▼	65% ▼	71% ▲

** All or most of the time

BUSINESS FINANCIALS – A GROWING CONCERN FOR BUSINESS LEADERS

Top 5 causes of negative wellbeing in business life (last 6 months)



Wellbeing

Business financials expected to be a growing driver of negative wellbeing

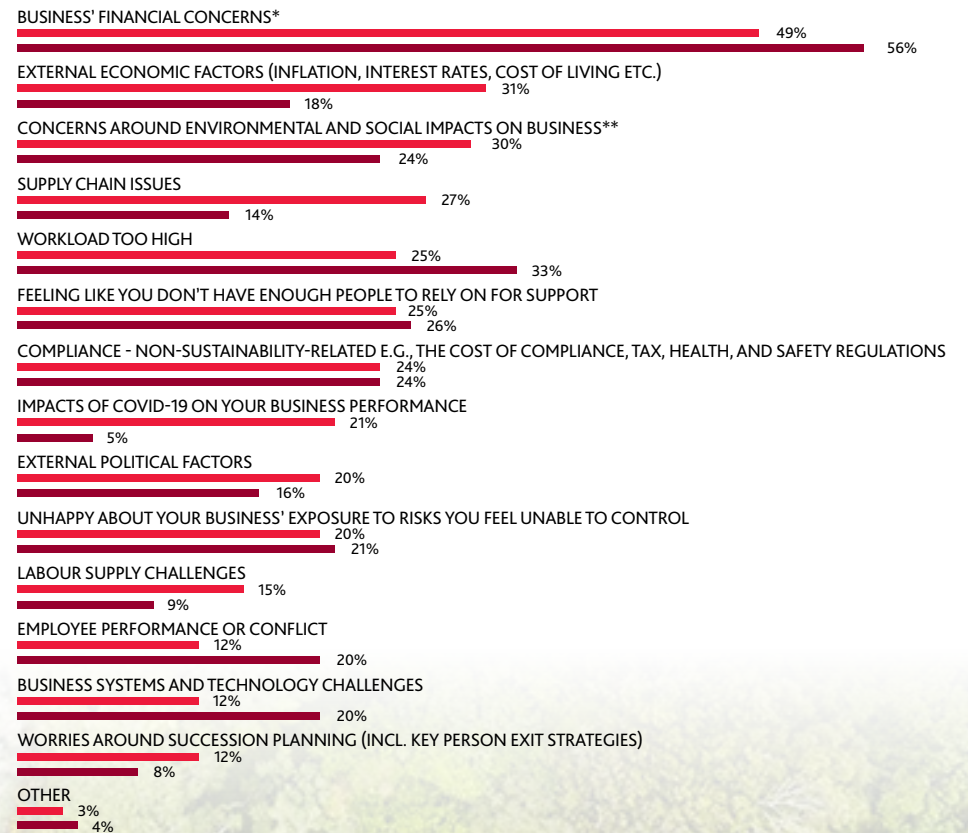
Business financial concerns are not only the standout driver of negative wellbeing right now, but are also expected to have further impact in six months' time. This is despite a degree of optimism around future external economic factors and supply chain issues, with business leaders expecting these measures to have less impact on their mental wellbeing in six months' time than currently. Government stability and policies focused on economic growth may be behind the more positive outlook for the measures we see here.

Tax policy was an area of much discussion during the recent general election campaign and is a consistent driver of negative wellbeing in leaders' business lives. Compliance concerns (non-sustainability related), including tax, remain one to watch with 24% of business leaders saying this has been and will continue to be a driver of negative wellbeing.

While labour supply is expected to be less of a concern in six months' time (with just 9% of business leaders expecting this to be a driver of negative wellbeing), one-third of respondents still expect to be challenged by high workloads in the future – up from one-quarter in the last six months. This suggests business leaders expect to have a lot on their plate in tackling business finances and other priorities, despite improving labour market supply. Possibly some businesses simply don't expect to have funds or capacity to grow their workforce.

We can see concern about external political factors declining from 20% in the last six months to an expected level of 16% in six months' time. This is most likely a post-election reaction where more certainty is felt by business leaders about the national political situation. As seen elsewhere in our survey, business leaders are becoming less worried about the environmental and social impacts they're having on their communities - perhaps due to both National and ACT pledging to revise or remove some climate-related taxes and initiatives.

Drivers causing business leaders to feel less mentally healthy than normal in their business lives



KEY
█ LAST 6 MONTHS █ EXPECTATION FOR 6 MONTHS' TIME

*Combined score based on respondents who selected the following two drivers: Business' financial performance challenges + Cash flow problems

** Combined score based on respondents who selected the following three drivers: Concerns around physical risks to infrastructure caused by natural disasters and climate change + Concerns around transition risks (non-physical) associated with climate change + Compliance – Sustainability/ESG-related

Wellbeing

Business leaders setting boundaries to protect their wellbeing

Business leaders are not always feeling positive about their wellbeing in their business and personal lives, but many are taking active steps to look after their mental health at work and at home.

More than half of business leaders are managing boundaries in their business lives, including having dedicated time to switch off from work. This is closely followed by respondents adopting flexible work practices, which reflects a wider societal shift towards hybrid and flexible approaches to work.

MANAGING BOUNDARIES AND FLEXIBLE WORKING COMMON TACTICS ADOPTED BY BUSINESS LEADERS

What business leaders do to stay mentally healthy in their business lives



In their personal lives, business leaders are focussing on getting more sleep and socialising to stay mentally healthy. Regular exercise is also being adopted by more than half of business leaders, followed by recreational activities and mindfulness measures. It's great to see our business leaders implementing practices to help look after their wellbeing.

MORE SLEEP AND SOCIALISING KEY TO POSITIVE WELLBEING IN PERSONAL LIFE

What business leaders do to stay mentally healthy in their personal lives



FOR MORE WELLBEING SUPPORT, VIEW PAGE 11

Business tips

Practical tips for business leaders

Financial performance and **risk management** are the lowest scoring business performance attributes among New Zealand business leaders. Compliance, including **tax**, remains a consistent driver of negative wellbeing in business lives. However, these challenges are not new, and there are people and practical steps to help manage these effectively.

Our BDO experts share some helpful tips below. Reach out to your adviser for more support.

FINANCIAL PERFORMANCE

"Business financial pressures are the leading cause of negative wellbeing among business leaders, so it's important to focus on activities that can relieve these. Often taking small, measured steps, with the right support around you, can help business leaders feel more confident and in control."



KIMBERLEY SYMON,
BDO Advisory Partner



Refresh your business strategy. The business landscape has changed significantly in the past few years, but your strategy might not have. It's important to sit down and examine your business strategy to make sure it still aligns with the reality of today's operating conditions. Things to consider include what your overall business vision is and how you'll get there, what your business strengths and weaknesses are, and any potential opportunities or threats.



Consider your cash flow. Questions to ask in the short term include whether you can afford to pay your bills and how much money is in your business bank account. In the long term, think about areas where you can predict fluctuations in cash flow. This type of analysis and planning should be done regularly with the cadence depending on what's going on in your business and the wider economy. A close relationship with your bank can be key in getting through a cashflow crunch.



Think about the "what-if's". The business landscape can change rapidly, and it's important that your business is able to adapt to meet the market. When forecasting, ensure you understand your potential financial position under a number of scenarios, and plan what you would do to mitigate risk or maximise opportunities in each.



Look at your financials holistically. You should be as familiar with your overall financial picture as you are with your products and services, market, and industry. Review every metric, from net profit and gross margin to expenses, cash flow, and sales. Look at how these combine to build an accurate picture of how your business is performing.



Review your pricing and margins to manage inflation. Increased business costs can squeeze your margins, so take the time to regularly review and update your pricing as necessary with a view to your competitive landscape. This is especially important at the start of any significant project. Consider adding clauses to your contracts to help you adjust prices according to inflation.



Balance your workload. Workload is a constant juggle for business leaders and their teams. It's important for business leaders to consider if some of their current projects, roles, and tasks could be outsourced rather than assigning them to employees. Virtual CFO services are a great example of a resource outsourcing solution that can take stress out of business financial management – offering ready access to specialist expertise in cases where businesses don't have the funds or means to effectively recruit this resource in a tight labour market.



Manage your stock. Supply chain issues are considered to be a driver of negative wellbeing for business leaders, and while there's no easy solution, you can start by forecasting future sales to help determine what you need to buy now.



Keep a close eye on debtors to collect cash within reasonable timeframes. Debtors can let payments drag out in a bid to manage their own cost pressures. Look at your terms of trade and, if feasible, consider providing incentives for prompt payment.







Business tips

TAX AND COMPLIANCE

"The likelihood of significant tax changes being included in the Government's expected mini-budget in December remains high. With tax, the devil is often in the detail, so the impact on business and business owners of those tax changes - and any ongoing policy announcements - will need to be carefully assessed."



IAIN CRAIG
BDO Tax Partner





- 
Consider the impact of the new trustee tax rate. Look at your dividend policy and establish whether it's suitable to declare and pay dividends before the Trustee tax rate changes to 39% on 1 April 2024. Similarly, taxable income from the sale of land is recognised on settlement, so there will be a 6% tax saving if the vendor is a Trust and the taxable land sale is settled before 31 March 2024.
- 
Beware of the bright-line test trigger dates. The National Party has promised to take the bright-line test on land sales back from 10 years to two from 1 July 2024. If you are looking to sell land which would be taxable under the 10 year bright-line test, it is not as simple as deferring settlement until after 1 July 2024. This is because the bright-line test kicks in at the point of when you enter a contract for sale. So do not enter into a contract for the sale of land before 1 July 2024, if the land would not be taxed other than because of the bright-line dates. Be aware of these dates and how they could impact any property sales.
- 
Understand the changes to deductibility of interest for residential rental properties. National has indicated they will reverse the denial of deductions on interest on money borrowed to acquire residential property. The reversal will not however be instant as it is to be reversed over time.
- 
Assess the impact of tax depreciation on commercial property. National has indicated they will remove tax depreciation deductions from commercial buildings. If your business owns commercial property, you should assess the potential impact of the lack of tax depreciation moving forward and what this means for your business.
- 
Look at ESG benefits for employees – Consider opportunities to reward employees and improve their wellbeing by taking advantage of ESG concessions, such as the FBT exemption for E-bikes, scooters and bicycles.
- 
Get your compliance right first time. Keep on top of all the reporting and governance issues, stay up to date with PAYE and GST obligations, and do not let important dates slip by.

RISK

"While there are many risks for businesses to consider in this changing landscape, we have seen most of them before. This means there are strategies and solutions in place to help businesses address these risks."



TARUNESH SINGH
BDO Risk Assurance and Consulting Partner

- 
Ensure people work within their capacity. An overstretched team is unlikely to perform at its best, which can further expose you to risks. Make sure you and your people aren't exceeding capacity.
- 
Start simply. We know the climate agenda is a significant focus for many businesses, but it can be difficult to know where to begin. A simple baseline analysis and materiality assessment can help to establish where you are now and where you want to be in the future.
- 
Put business continuity plans in place. The past few years have taught us that the unexpected can happen. Solid business continuity plans help your business to carry on even if a major event occurs.
- 
Seek help. This could be from your board, industry peers, or professional advisers, including accountants and lawyers. There are people out there who have not only seen these challenges before but can provide practical guidance specific to your business situation.



SPOTLIGHT ON AGRIBUSINESS:

Our Index shows agribusiness leaders are finding the market conditions particularly challenging at present. Scan the QR code here to view practical tips to help feel more in control of your farm finances.

Further support

More information and further support

We hope you have found this report of value – stimulating ideas and conversations to foster your wellbeing and business performance, which often go hand in hand. Business leaders play such a vital role in our economy, community and planet. We hope to continue to grow the Wellbeing & Business Performance Index as a reference point and resource, providing extra support as you navigate the rewarding and challenging task of running a business.



Scan the QR Code or visit bdo.nz/wellbeing for the latest video insights, sector reports and more on the BDO Wellbeing & Business Performance Index – including previous results of our biannual survey.

It's important to lean on your trusted team for the support you need in managing your wellbeing and business - whānau, friends, colleagues and professional advisers, including your accountant. Your local BDO team are always on hand with professional business advice and accounting solutions to help you stay on top of your business finances.

VIEW OUR VIDEO INSIGHTS



WELLBEING SUPPORT

For wellbeing support, please don't hesitate to reach out to your trusted contacts or one of the sources below.



XERO ASSISTANCE PROGRAMME (XAP)

BDO is proud to be the first Xero Global Partner. Xero provide Xero small businesses, their employees, and their families access to the Xero Assistance Programme (XAP). XAP offers free, confidential access to face-to-face, telephone, live chat, and online counselling. [Find out more here.](#)



1737

1737 is a free Government-run advice line for anyone who is feeling stressed or just needs someone to talk to. You can ring them for free or text on 1737. [Find out more here](#)



FIRST STEPS

Find targeted resources for New Zealand business owners, leaders, and entrepreneurs, at [First Steps here.](#)



MENTAL HEALTH FOUNDATION OF NEW ZEALAND

For further support, for yourself or others, visit the [Mental Health Foundation of New Zealand website.](#)

About the report

The BDO Business Wellbeing Index – BDO Te Rangahau o ngā hauora pai - collates feedback from a total of 562 business owners and leaders across Aotearoa who completed our digital survey in October 2023 (conducted by an independent research agency). Respondents span a wide range of industries and business stages, based on a market-representative sample of New Zealand's businesses sector. The survey targeted business leaders and owners (anyone who was not an owner, General Manager, CEO or Director was excluded from results). For the purpose of the report, we have referred to all respondents generically as "business leaders".

SURVEY METHODOLOGY

The World Health Organisation's 'WHO-5 Index' score, adopted in this survey, is a point in time measure – reflecting wellbeing as experienced by respondents over the past two weeks. For this reason, wellbeing is best tracked over time. Respondents were also asked to share where they expect their business performance and wellbeing to be in six months' time – and the key drivers for this.

The survey collects details of why respondents might have been feeling less mentally healthy recently. We also ask what they do to stay mentally healthy, both in their business and in their personal life.

THE WHO-5 WELLBEING INDEX - STATEMENTS

I have felt cheerful, in good spirits

I have felt calm and relaxed

I have felt active and vigorous

I have woken up feeling fresh and rested

My daily life has been filled with things that interest me

[BDO.NZ/WELLBEING](https://www.bdo.co.nz/wellbeing)