

Xero Small Business Insights

New Zealand Update

July - September 2024

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Another tough quarter for small businesses

Average results for three months to September



Sales

-2.7% y/y



Jobs

+6.6% y/y



Wages

+2.8% y/y



Time to be paid

23.7 days



Late payments

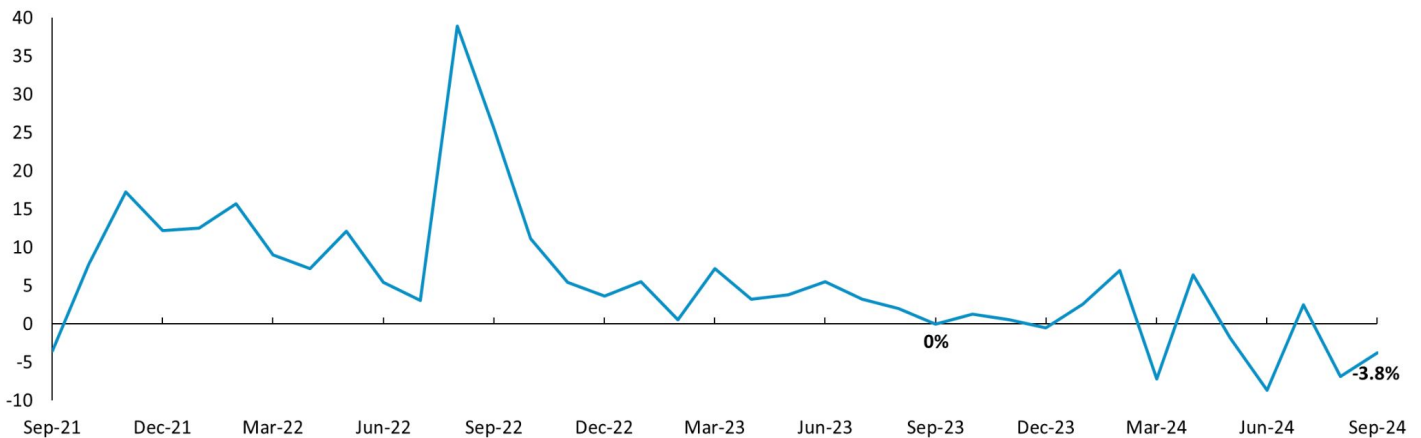
6.1 days

The September quarter Xero Small Business Insights (XSBI) data for New Zealand showed ongoing declines in sales which was reflected in smaller wage rises than in the June quarter. The tough sales conditions are also showing up in hiring patterns. The proportion of small businesses that are downsizing their workforces was at the highest rate since the initial pandemic lockdowns in early 2020. Both payment time measures improved slightly.

Sales in small businesses fell 2.7% year-on-year (y/y) in the September quarter, after declining 1.4% in the June quarter. Only two months in the past six have had higher sales than a year ago (April +6.4% y/y and July +2.5% y/y). These results suggest small businesses are yet to feel the benefit of the 0.25 percentage point cut in the official cash rate by the Reserve Bank of New Zealand in August or the income tax cuts that began on 31 July.

Small business sales

% , year-on-year, monthly



Source: Xero Small Business Insights

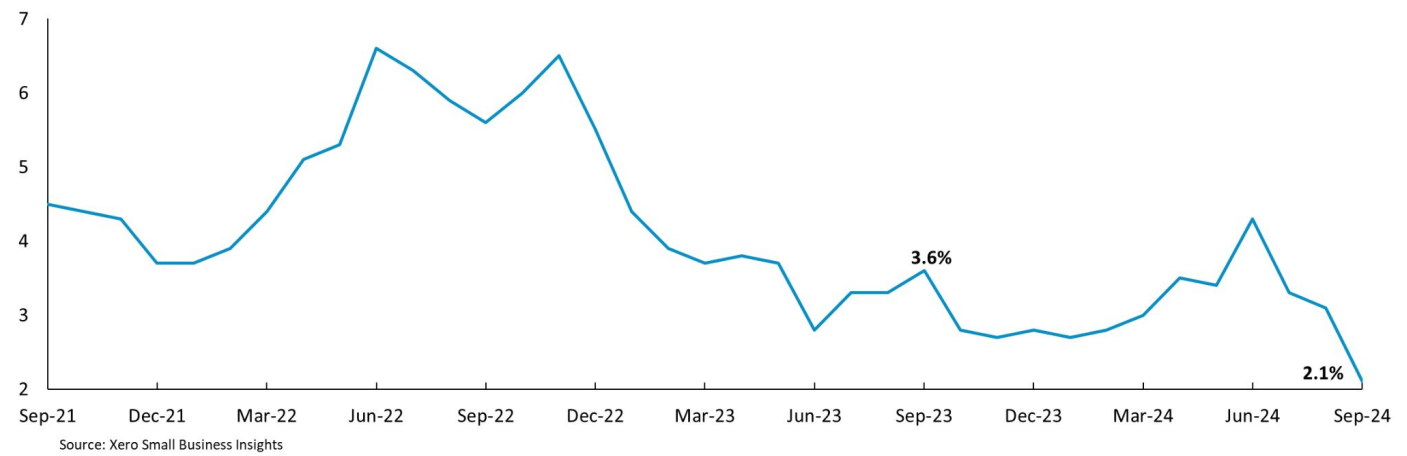
All industries, except other services (+1.3% y/y), experienced lower sales in the September quarter¹. The largest falls were in construction (-5.1% y/y), agriculture (-4.1% y/y) and retail trade (-4.0% y/y). **All regions had a decline in sales in the quarter**, ranging from a 6.0% y/y fall in Taranaki to a 0.9% fall in Northland.

The persistently weak sales results mean small businesses are likely finding it increasingly difficult to pay wage increases. **Wages rose 2.8% y/y in the September quarter**, after a 3.7% y/y rise in the June quarter. The latest quarterly result is the same as the March 2024 and December 2023 quarterly results and is below the pre-pandemic average of 3.9% y/y growth for this series.

¹Other services includes a range of personal services such as hair, beauty, weight management, funerals and religious services

Employee hourly earnings

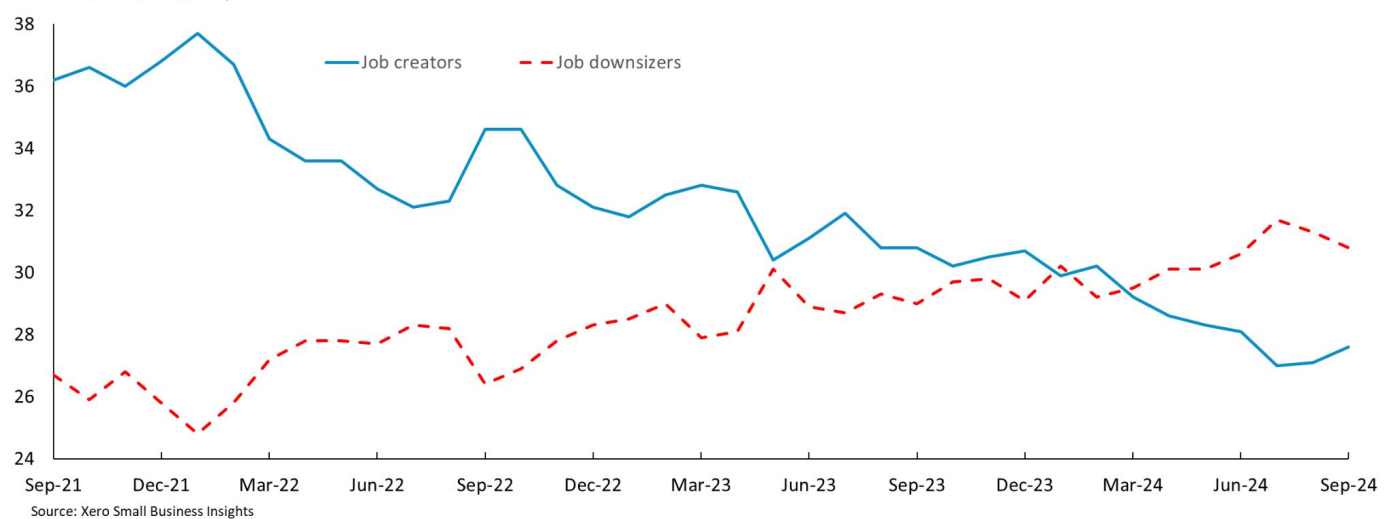
% , year-on-year, monthly



Jobs rose 6.6% y/y in the September quarter, the same as in the June quarter. This result is surprisingly strong given the weak sales outcomes. The XSBI job downsizer and job creator data shows that **this jobs growth is concentrated in an increasingly small proportion of small businesses.** The job downsizer data measures the proportion of firms who downsized their workforce over the past year and the job creator data shows the proportion of firms who grew their workforce over the past year. In the September quarter 31.3% of firms downsized their workforce in the past year and fewer, only 27.2%, increased their workforces. These results were 30.3% and 28.3% respectively in the June quarter. The job downsizer result is the highest proportion of firms reducing their workforces since early 2020, during the initial pandemic-related lockdowns.

Small business job creators and downsizers

% of small businesses, monthly

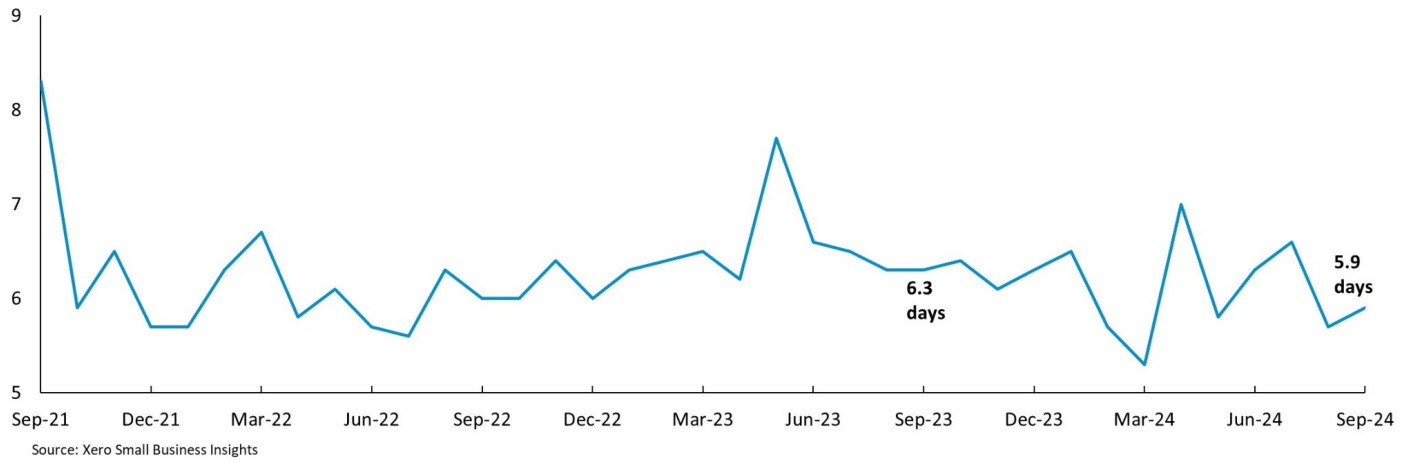


This finding, that jobs growth is concentrated in certain small businesses, is supported by the industry data which shows a wide range of results. Hospitality jobs are only 2.3% higher than a year ago compared to professional services (+8.7% y/y) and other services (+9.4% y/y). There was less of a range across regions, with Hawke's Bay (+8.9% y/y) and Otago (+8.0% y/y) leading the way and Auckland (+5.0% y/y) recording the smallest rise.

Both measures of **payment times improved slightly during the September quarter.** Payments to small businesses were made, on average, 6.1 days late in the September quarter compared to 6.4 days in the June quarter. The average time small businesses waited between issuing an invoice and getting paid was 23.7 days in the September quarter, similar to the 23.8 day wait in the June quarter.

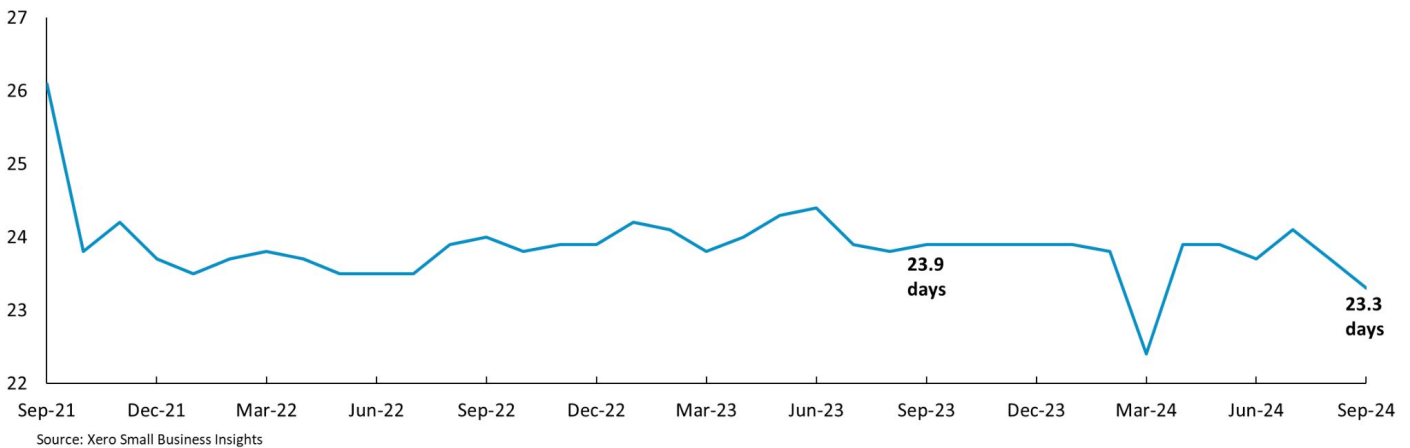
Average late payments

Days, seasonally adjusted



Time to be paid

Days, seasonally adjusted



Overall, **the latest XSBI results are an early indication that the New Zealand economy remained weak** in the September quarter, following the [decline in GDP](#) in the June quarter (official September quarter GDP data is not released until December). This is broadly in line with the [Reserve Bank of New Zealand's](#) view that: "economic growth is weak, in part because of low productivity growth, but mostly due to weak consumer spending and business investment. High-frequency indicators point to continued subdued growth in the near term." Since the end of the September quarter the RBNZ has cut the official cash rate a further 0.5 percentage points to 4.75%. Small businesses will be hoping that this additional cut in interest rates encourages consumers to spend a little more in their local businesses heading into the important end of year festive season and summer holiday period.

Additional details about Xero Small Business Insights

About Xero

Xero is a global small business platform with 4.2 million subscribers. Xero's smart tools help small businesses and their advisors to manage core accounting functions like tax and bank reconciliation, and complete other important small business tasks like payroll and payments. Xero's extensive ecosystem of connected apps and connections to banks and other financial institutions provide a range of solutions from within Xero's open platform to help small businesses run their business and manage their finances more efficiently.

About Xero Small Business Insights

The aim of Xero Small Business Insights is to create insights to help inform decision makers in support of the small business economy as a whole. The principal source of small business insights in this report is customer data from Xero - a small business platform that supports online accounting and a range of other applications. Xero is a responsible custodian of our customers sensitive data and does not release any data that could identify individual businesses. The data used is aggregated and anonymised to ensure the privacy of Xero subscribers, and their counterparts.

As part of the program, we publish regular blogs and research notes and deep-dive Special Reports on specific small business topics. These can all be found at xero.com/xerosbi.

Methodology

Full details of the methodology used to construct Xero Small Business Insights can be found [here](#).

Disclaimer

This report was prepared using Xero Small Business Insights data and publicly available data for the purpose of informing and developing policies to support small businesses.

This report includes and is in parts based on assumptions or estimates. It contains general information only and should not be taken as taxation, financial, investment or legal advice. Xero recommends that readers always obtain specific and detailed professional advice about any business decision.

The insights in this report were created from the data that was available as at the date it was extracted. Data used was anonymised and aggregated to ensure individual businesses can not be identified.