

Survey insights

The survey was undertaken between 1–6 May 2020 when the country was in Alert Level 3 and completed by 271 respondents, from a wide range of small, medium and large businesses across multiple industry sectors. It was targeted at New Zealand businesses, with an emphasis on their domestic operations. ~93% of respondents are business owners, board directors, or executive/senior managers.

The survey results are more representative of medium and large businesses compared to NZ Inc. in general. Around half of respondents are from small businesses with less than NZ\$10m of revenue. However, almost a quarter were from businesses generating more than NZ\$100m. Stats NZ data shows that around 90% of businesses in New Zealand have between one and five employees.

We asked five questions to respondents to gauge the impact on COVID-19 on their business, what their recovery time frame would be and what additional policy responses they believe the Government should undertake.

Additional policy response

New Zealand business wants further support from the Government and is not short of ideas as to what further policy response should be forthcoming. The open ended answers to our survey questions provided over 200 responses from more than three quarters of respondents. We've grouped responses into a number of key areas as follows:

- **Wage subsidy:** A strong desire for the wage subsidy to be extended beyond 12 weeks
- **Tax relief:** Tax cuts/relief for business, income tax and GST reductions
- **Rent relief:** Assistance provided to both tenants and landlords
- **Minimum wage increases stopped:** The final minimum wage increase is due on 1 April 2021
- **Specific assistance to small business:** In addition to IRD loan scheme with targeted tax and rent relief
- **More freedom:** Accelerate the speed of Alert Level reductions and ease the pain on business

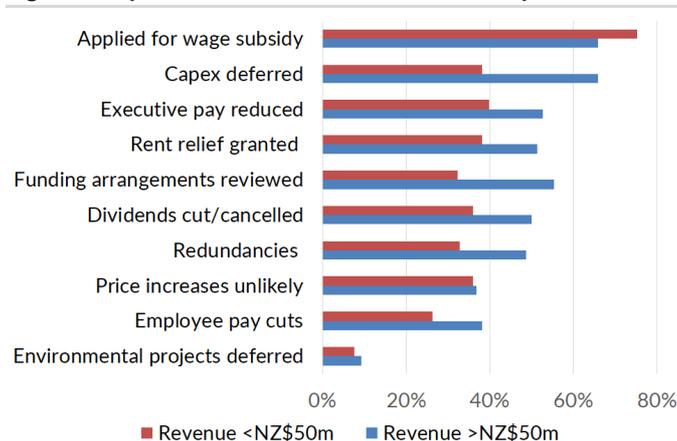
Implications for business as a result of COVID-19

We asked respondents how COVID-19 had impacted their businesses. The most common response was that the business had claimed the Government's wage subsidy; over 70% of businesses surveyed have claimed it. This is broadly consistent with overall applications according to the Ministry of Social Development (~420,000 businesses have applied thus far from a total of ~550,000), which provides us with confidence regarding survey responses being representative of business.

The next biggest impact on business is the deferral of capex with ~45% of businesses acknowledging this is happening. It's pleasing to see the social response; executive pay is being cut ahead of redundancies or employee pay cuts.

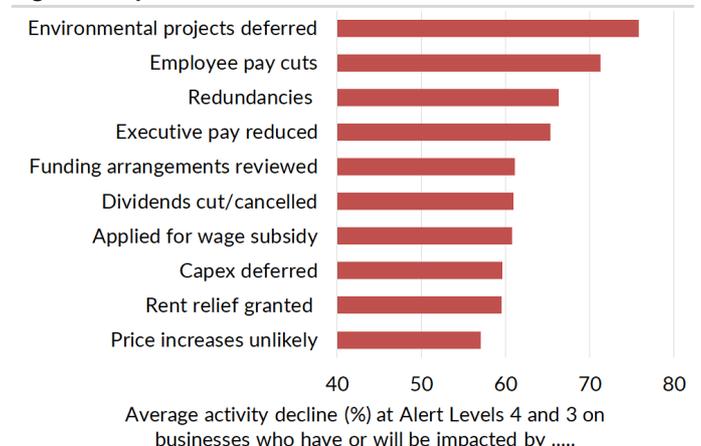
While a greater proportion of smaller businesses have claimed the wage subsidy than larger businesses (our cut-off is NZ\$50m of revenue), on most other measures larger businesses have been more impacted. This is likely to reflect the ability of larger corporates to respond to events like COVID-19 far quicker, and may be a function of a higher proportion of smaller business failures over the coming months.

Figure 2. Implications of COVID-19 on business by size



Source: Forsyth Barr analysis NOTE: The Forsyth Barr survey data is from respondents answering the question "How will COVID-19 impact your business during 2020?"

Figure 3. Implications of COVID-19 on business



Source: Forsyth Barr analysis NOTE: This chart combines the data used in Figure 2 and Figures 4 and 5.

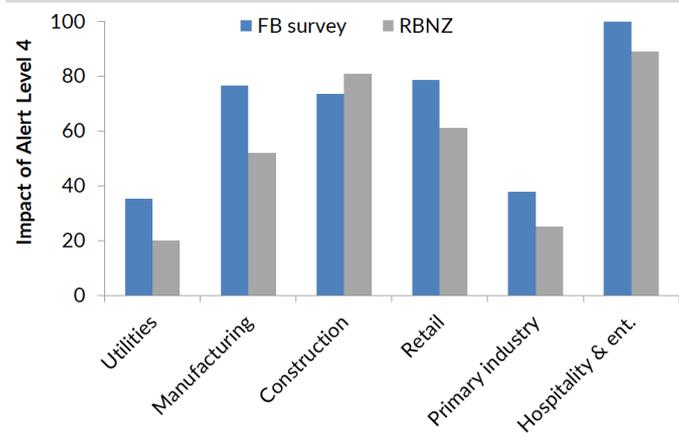
Figure 3 highlights the effective hurdle rates on companies in making decisions to protect themselves from the impact of COVID-19. Pleasing from an ESG perspective is that (1) only companies who are very severely impacted have decided to defer environmental projects, and (2) companies are much more likely to entertain other measures before cutting employee pay or considering redundancies.

Activity impact on business of Alert Levels 4 and 3

The RBNZ (Reserve Bank of New Zealand) this week published its estimates as to the economic impact of COVID-19 containment measures (<https://www.rbnz.govt.nz/research-and-publications/analytical-notes/2020/an2020-04>) during each Alert Level. It determined that at Alert Level 4 the GDP hit would be -37%, and -19% at Alert Level 3.

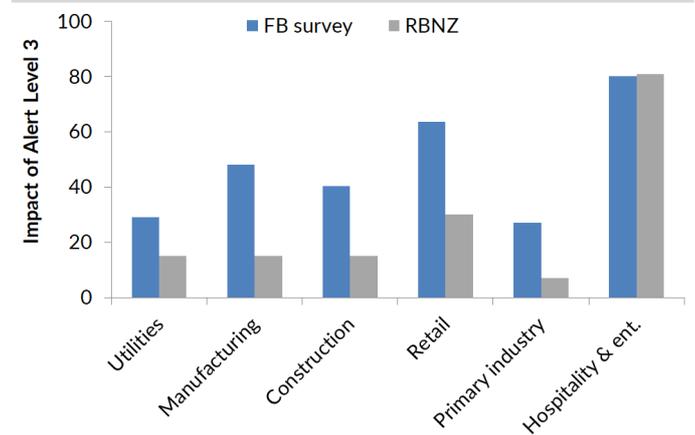
In contrast our survey suggests the impact on business will be -60% at Alert Level 4 and -40% at Alert Level 3. We recognise that these are average outcomes from our survey, and is therefore reflective of the business and industry mix of respondents. In particular, our survey only incorporates business and not the public sector. Our survey feedback suggests the RBNZ estimates may be too conservative as shown in Figures 4 and 5 for similar industry sectors. The variances appear more stark at Alert Level 3 than 4.

Figure 4. Impact of Alert Level 4 on various industry sectors



Source: RBNZ, Forsyth Barr analysis NOTE: The RBNZ data reflects proportion of pre-COVID-19 GDP. The Forsyth Barr survey data is from respondents answering the question "How much has your business been impacted by Alert Level 4 lock-down?" Survey answers may also reflect perceptions/views rather than actual economic output.

Figure 5. Impact of Alert Level 3 on various industry sectors

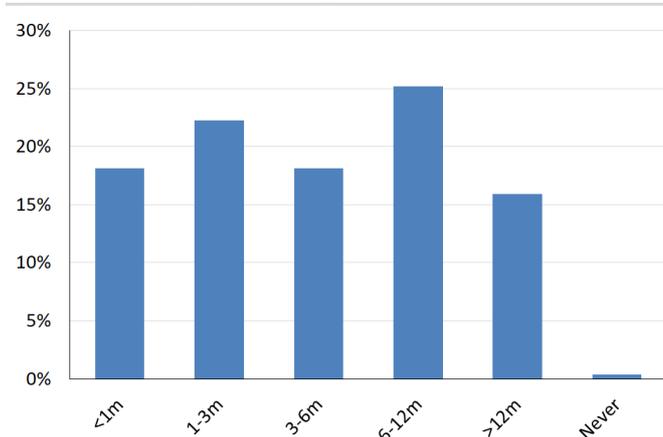


Source: RBNZ, Forsyth Barr analysis NOTE: The RBNZ data reflects proportion of pre-COVID-19 GDP. The Forsyth Barr survey data is from respondents answering the question "How much has your business been impacted by Alert Level 3?" Survey answers may also reflect perceptions/views rather than actual economic output.

Speed of recovery

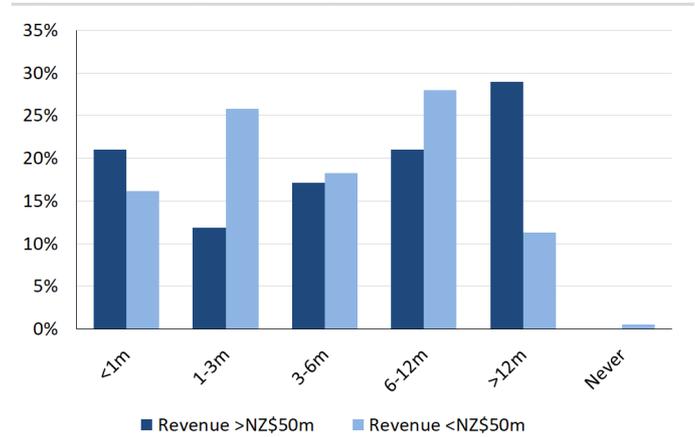
The recovery from COVID-19 will be long dated. While some businesses expect a swift shift back to pre COVID-19 activity levels, assuming a cure/vaccine is created, more than 40% expect a recovery to take at least six months. This proportion increases to ~50% for larger businesses (Figure 7).

Figure 6. Recovery time frame post COVID-19



Source: Forsyth Barr analysis NOTE: Data reflects respondents answers to "If COVID-19 were to end today (for example, a cure/vaccine became immediately available) how long would you estimate it would take for your business to get back to normal (i.e. pre-COVID-19 levels)?"

Figure 7. Recovery time frame post COVID-19 by business size



Source: Forsyth Barr analysis NOTE: Data reflects respondents answers to "If COVID-19 were to end today (for example, a cure/vaccine became immediately available) how long would you estimate it would take for your business to get back to normal (i.e. pre-COVID-19 levels)?"

Sector by sector insights

The impact of each Alert Level on industry sectors is diverse as shown in Figure 8. The impact is largely consistent with our existing sector by sector framework. The sectors that have benefited the most from the shift from Alert Level 4 to 3 are manufacturing and construction.

Figure 8. Hospitality, tourism most impacted sectors

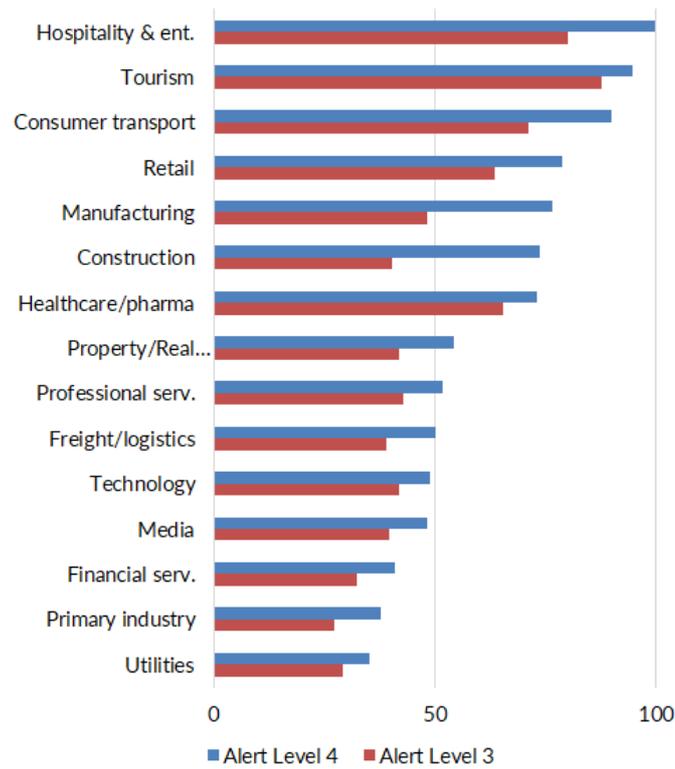
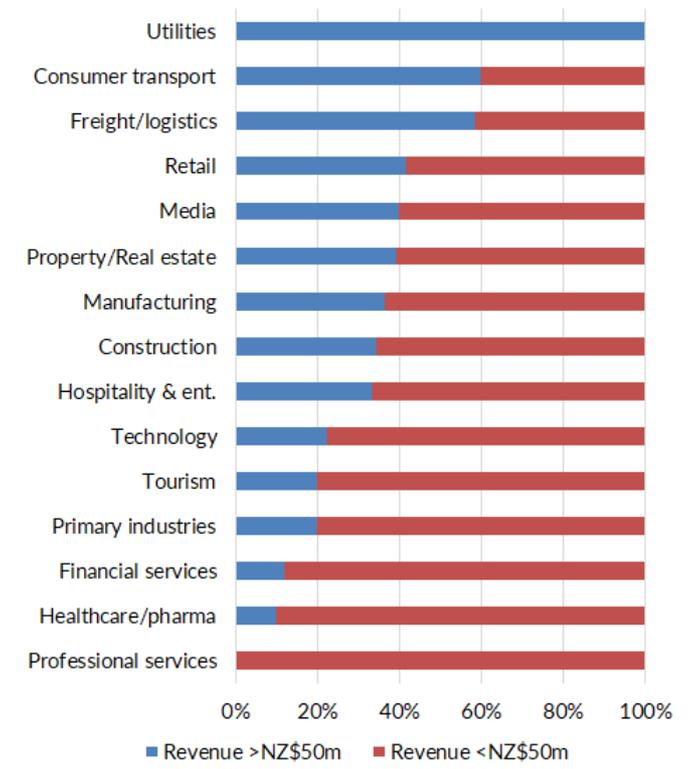


Figure 9. Respondents by sector and business size



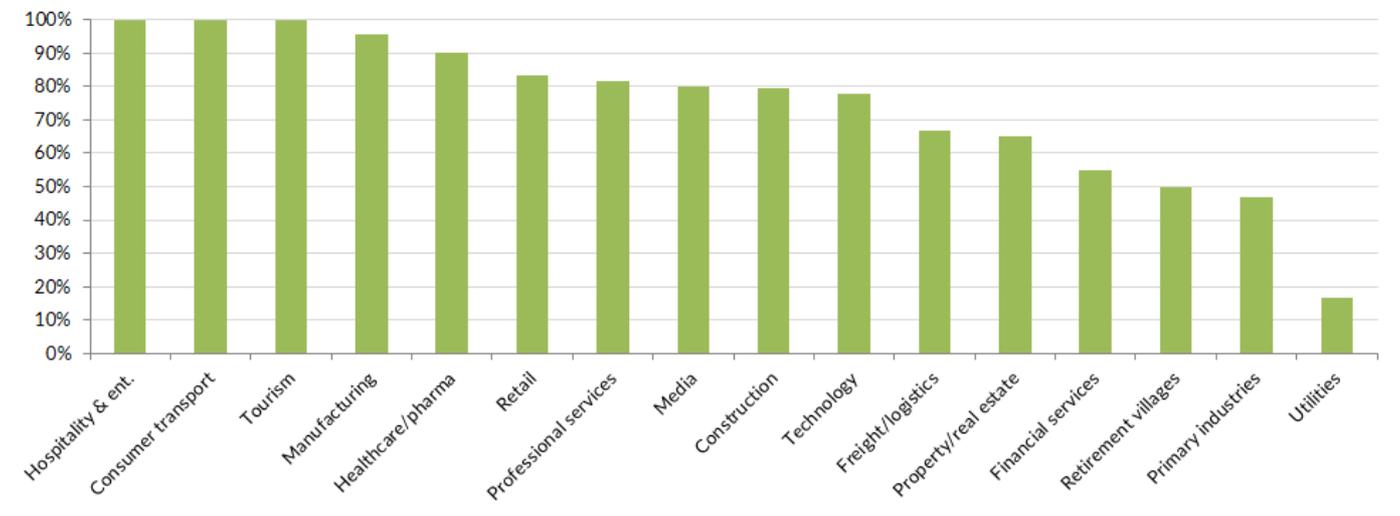
Source: Forsyth Barr analysis NOTE: The Forsyth Barr survey data is from respondents answering the question "How much has your business been impacted by Alert Level 4 lock-down?"

Source: Forsyth Barr analysis

Changes to business as a result of COVID-19 by sector

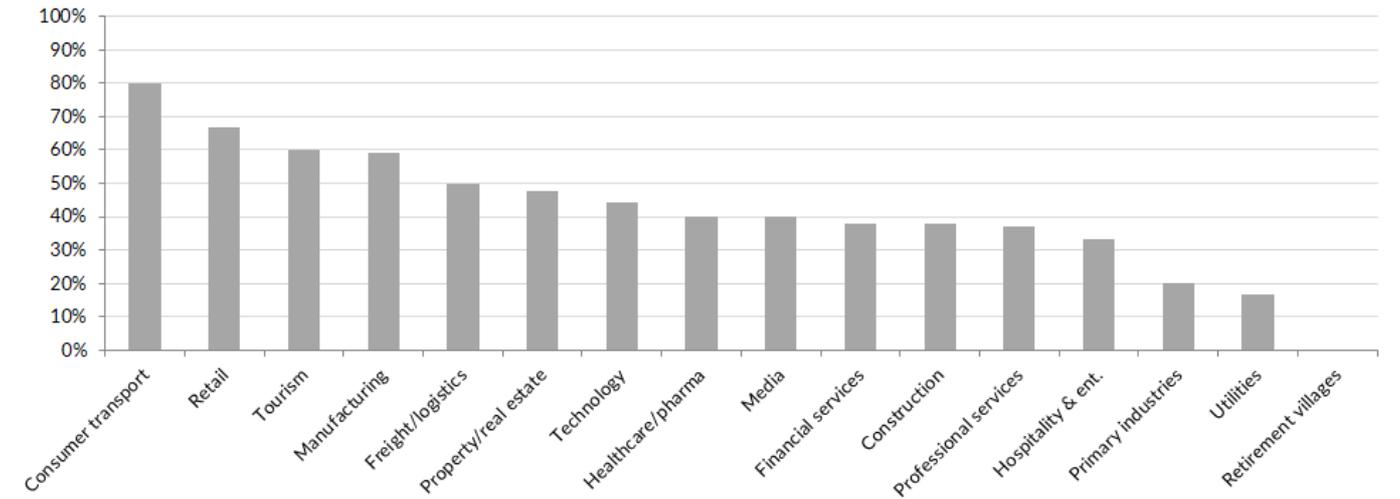
The following charts show the sector-by-sector impact of key implications of COVID-19 on businesses. The sectors most impacted by these measures are tourism, consumer transport, freight/logistics, and retail.

Figure 10. Wage subsidy: Proportion of businesses by industry sector that have claimed the government's wage subsidy



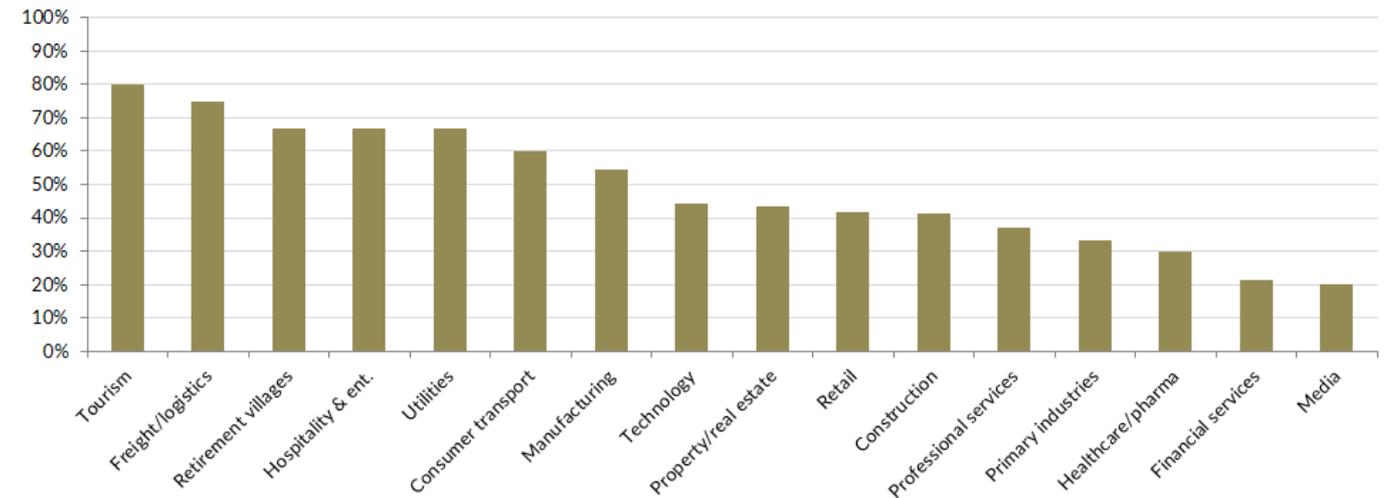
Source: Forsyth Barr analysis

Figure 11. Rent relief: Proportion of businesses by industry sector that have received rent relief from landlords



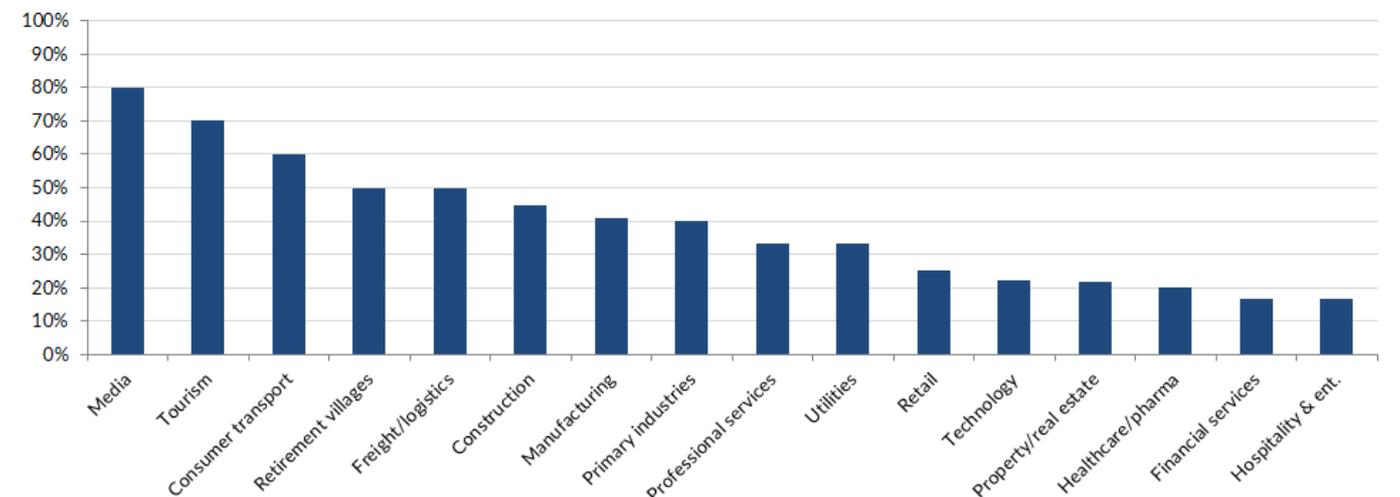
Source: Forsyth Barr analysis

Figure 12. Capex deferrals: Proportion of businesses by industry sector that will, or have already, deferred capex



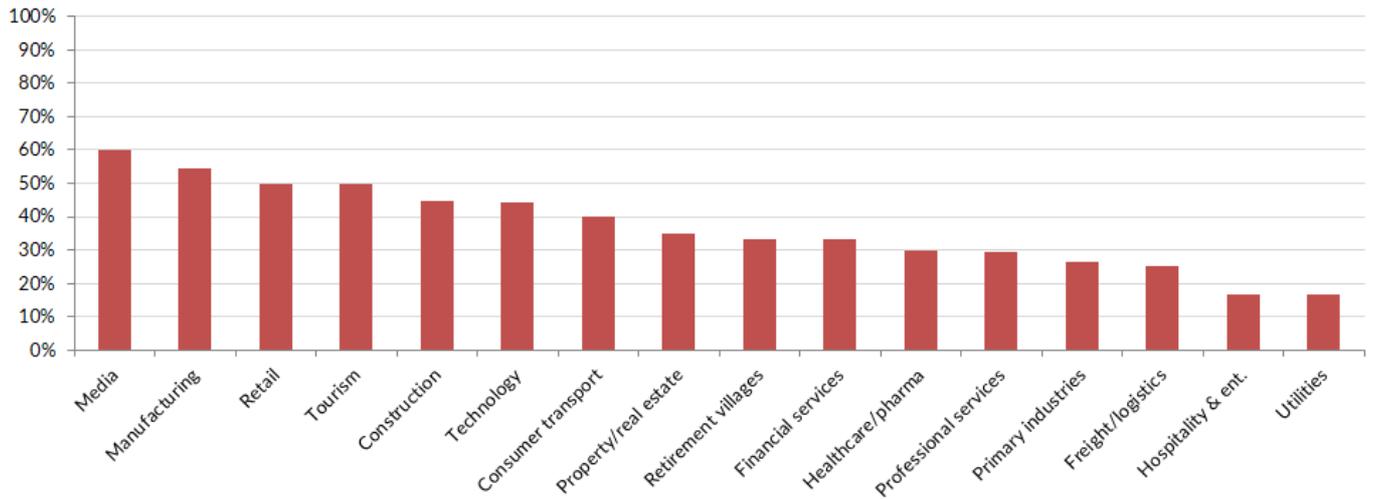
Source: Forsyth Barr analysis

Figure 13. Pricing environment: Proportion of businesses by industry sector that expect it will be difficult to action price increases



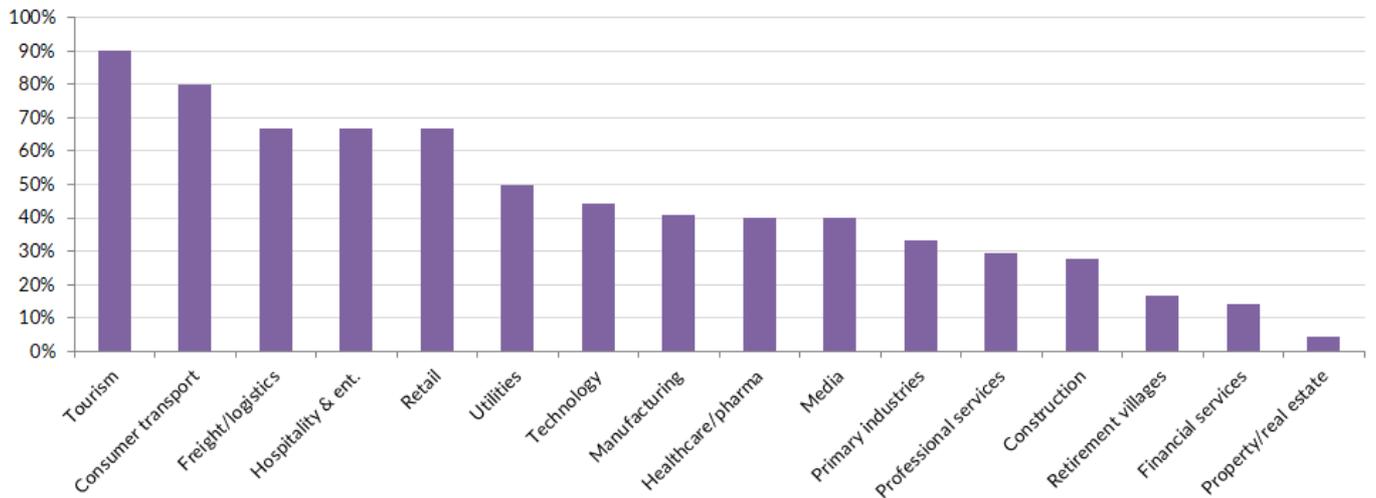
Source: Forsyth Barr analysis

Figure 14. Dividends or distributions: Proportion of businesses by industry sector that have cut or cancelled dividends



Source: Forsyth Barr analysis

Figure 15. Redundancies: Proportion of businesses by industry sector that expect job losses in their business



Source: Forsyth Barr analysis

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