



Growing your people and business in Q1 FY 2024

New Zealand Market Insights for Scaling Businesses

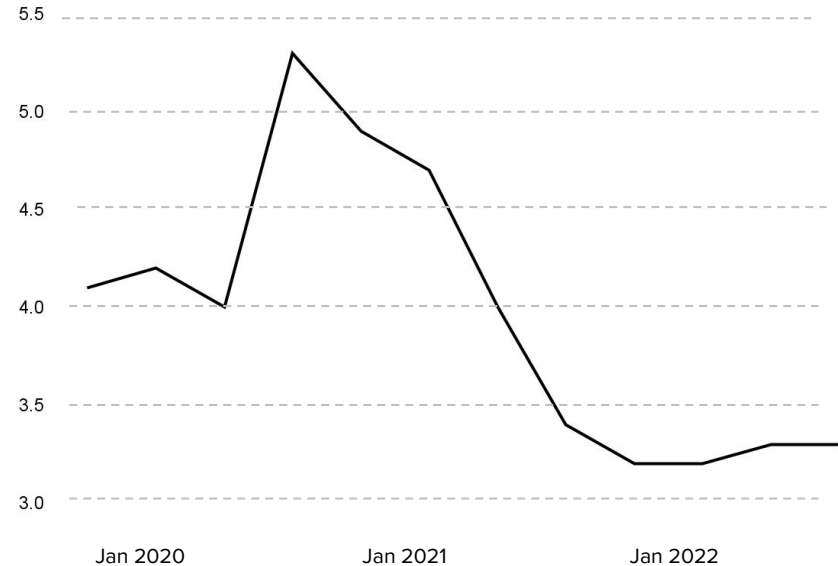
February 2023

Unemployment is very low

3.40%

As of February, the unemployment rate has lifted slightly from 3.3% to 3.4% in the current quarter, still historically very low.

This means it's still a very tight market, difficult to find talent. Our recommendation is to look beyond job board advertising to find the best people.





69,100

Migrant arrivals

77,500

Migrant departures

Kiwis are on the move

Migration patterns are returning to pre-Covid levels, with a net migration loss of 8,400 in the year ended September 2022. This was made up by a net migration of 12,700 New Zealand citizens leaving New Zealand and a net migration of 4,200 non-NZ citizens arriving during the same period.

Young kiwis are leaving for travel and to experience OEs, so we are seeing a gap in junior to mid-management level candidates to reflect this negative migration statistic, key is to attract incoming talent to your company from the UK and other markets.

Inflation at a glance



1.4%

The New Zealand quarterly inflation rate (December 2022)



1.8%

Food rose 1.8% in the December 2022 quarter (meat, poultry & fish up 4.2%)



7.2%

The annual inflation rate (NZ) for the 12 months to the December 2022 quarter



3.1%

New Zealand's annual increase was 3.1% lower than the OECD average of 10.3%

Cost of living continues to rise

Stats NZ indicated that quarterly living costs rose an average 2.1% for all household groups in the September 2022 quarter.

While global food prices are starting to moderate, here in New Zealand the situation is remaining tough. Product supplier costs increased by 24% in December alone due to a number of factors including Cyclone Hale, staff shortages, supply challenges and interest rates. Although inflation is believed to have frozen at 7.2%, economists suggest that the Reserve Bank will continue to keep hiking interest rates to get runaway prices under control and this will continue to hit kiwi families in the pocket, particularly when it comes to household lending.

Petrol tax cuts have been extended to the end of June as has half price public transport, so the **cost of living is expected to increase** by the end of next quarter. Additionally, the Treasury is expecting this to impact inflation by at least 0.5%.

\$4787

Estimated monthly costs for a single person, living in Auckland

\$8498

Estimated monthly costs for a family of four, living in Auckland

Employers are budgeting higher this year

WTW's Salary Budget Planning Report revealed that employers in the Asia Pacific region are budgeting much higher for salary increases this year - the highest in nearly 20 years - with an overall **median increase of 5.1% projected**. The main driver behind this projection was employer's desire to stay competitive in tricky economic conditions and a tight labour market.

Industry	2022 APAC Actual Salary Increases	2023 APAC Projected Salary Increases
Construction, Property & Engineering	4.9%	2.1%
Consumer Products	4.6%	4.6%
Retail	4.9%	4.9%
Energy & Natural Resource	4.7%	4.9%
Financial Services	4.1%	5.1%
Fintech	6.1%	6.1%
High Tech	5.1%	5.2%
Business & technical Consulting	4.9%	4.7%
Leisure & Hospitality	4.2%	4.3%
Manufacturing	4.9%	5.1%
Media	4.9%	5.0%
Pharmaceutical	4.8%	5.0%
Semiconductor	4.8%	5.9%

Sector employment insights

Tech

With flexibility and remote working cementing themselves in the tech/IT sector, talent is arriving from overseas to help with the skills shortage and those who are choosing to leave are remaining with their APAC based businesses and working remotely. **Wages are continuing the upward trend as shortages continue**, but while large tech businesses have been making large layoffs due to over-hiring during the pandemic, this is a fantastic opportunity for smaller businesses to attract great talent.

Sales

The sales sector saw a huge period of growth throughout the pandemic and **many sales leaders are still upbeat about growth in 2023**. A key challenge they identify though is finding good talent - Mood of the Sales Leader reported that **40% feel that it has never been harder to find good sales people** despite wanting to increase the size of their teams. They also found that over half of sales people are looking to leave - reflecting the need for businesses to look to engage their current teams so they don't feel the need to engage with recruiters who approach them.

Construction

Strong growth in household spending, residential investment and tourism is underpinning growth in the construction sector, with **employment growth projected at 1.3%** for 2023-2028. Project Managers are in high demand, as are Architects, Engineers and Trades/Labour so the major challenge facing the sector in the coming quarter will be **talent shortages**, therefore pushing wages up as businesses compete for talent.

Sprout's Scaling Business Insights

This quarter has been busy one, we have seen a combination of the nervousness in the economy, with the impact on inflation result in venture capital funded companies either delaying or downgrading their fundraising efforts.

Globally we have seen large consolidation of technology teams (i.e Google, Amazon etc.). In New Zealand, whilst we have seen some redundancies, the challenge of finding great people is inhibiting growth. This challenge is being fueled by low unemployment rate combined with net migration losses to New Zealand. Given this, retaining great people is going to be key to success in this quarter and 2023. There is likely to be three years of those that haven't been able to leave NZ for their 'OE' moving out of the country which will continue to impact the employment market.

We believe savvy founders and business leaders will focus on retention and growth of their existing team. This might mean looking to support those wanting to go overseas to allow them to work remotely. Cost of living for employees is a big issue, with inflation having a real impact on people's pockets. It puts employers in a tricky position, with wage pressure and increased costs against a backdrop of uncertainty. Key trends in the next few months will be ensuring you are being closely connected to your team, setting clear expectations about what needs to be achieved and looking after the wellbeing and happiness of your team.

February and March are traditionally months that see a lot of people movement, we predict that this will continue to be the case this year. However, we are already seeing that job seekers are placing more importance on stability and security. Those growing businesses that can create confidence in this area by having clarity around their purpose and direction, and have leaders that are empathetic, communicative and responsive to their teams will be well placed for success in the coming quarter.

– Brien Keegan, Managing Director Sprout NZ

Sprout's top three tips for next quarter

01

Connect with your team

Understand what their goals and vision for this year is. What does success look like for them? What would have to happen in the coming 12 months for them to look back and feel like they have had a fantastic year?

02

Build out your employer brand for this year

Factor in areas like your stability and security as a business. Be clear on whilst it is a tough doing business, it is still a great time to look for a job. Finding talent will be hard, make sure you look at options to attract talent beyond online job boards.

03

Individuals in your team will go overseas, how can you support them?

Are there companies you could partner with that are in the UK? Have you created an environment with your team where they can be open with you about going overseas, this greatly assists with planning. Make sure you keep in contact with them, it would be great if they returned to you with more work (and life!) experience.

We want this report to be useful to you, if there is an area you would like us to focus on please get in touch.



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Disclaimer:

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