



23 March 2021

New Zealand

Covid slashes Kiwi small business growth by 40 per cent

- Kiwi small business growth below Asia-pacific average in 2020.
- E-commerce complacency a key factor in under-performance.
- Government urged to increase focus on small business sector.

The first comprehensive survey of New Zealand small businesses under Covid revealed significant impacts on growth and performance, which is expected to continue in 2021.

CPA Australia's Asia-Pacific Small Business Survey, New Zealand's longest running longitudinal study of small business performance, shows nearly two-thirds were negatively impacted by the pandemic.

Only 29 per cent of Kiwi small businesses reported growth in 2020, compared with 49 per cent in 2019. This represents a 40 per cent reduction. The average growth rate for the Asia-Pacific region was 46.2 per cent (compared with 65 per cent in 2019).

Of the 11 Asia-Pacific markets we surveyed, New Zealand small businesses performed third worst for growth in 2020. Only Australian and Hong Kong businesses performed worse on this measure.

Rick Jones, CPA Australia New Zealand Country Head, said the results starkly illustrate the economic significance of Covid on small business performance: "The impacts of the pandemic on small businesses were significantly greater than those following the Great Recession of 2008-2009."

Jones highlights e-commerce complacency as a key contributing factor. In 2020, New Zealand ranked last out of 11 markets for earning revenue in online sales. This was compounded by limited uptake of social media, numbers of SME export businesses and investment in innovation and technology.

"Small businesses which were more integrated in the digital economy fared better than those with little online capability and correspondingly few online sales," Jones said.

"This shows how vulnerable New Zealand businesses are to economic shocks like COVID-19 because of their lack of participation in the digital economy."

Jones noted that during the 11 years the CPA Australia small business survey has run, New Zealand has consistently lagged its Asia Pacific neighbours for investment in innovation and participation in the digital economy.

"In 2020, the chickens came home to roost," said Jones. "It is deeply troubling that a quarter of all businesses made no major changes to their business as a result of the pandemic, the third worst result across the surveyed Asia-Pacific markets, and only 9.3 per cent reported an increase in focus on online sales.

"If any event were to shake Kiwi businesses out of their e-commerce complacency, then surely it should have been Covid."

This year's small business performance is also likely to be subdued at best. Only 44 per cent of New Zealand small businesses expect to grow during 2021, a 27 per cent reduction on last year. The



average growth expectation for the survey is 60.8 per cent. The December quarter saw a one per cent drop in GDP, according to Statistics NZ, which indicates a softening in business activity.

Jones says the survey results demand a strong policy response and increased government focus on the small business sector, including measures to promote participation in the digital economy beyond the present voucher system.

“We now know more about the long-term physiological impacts of Covid on human health. Small businesses are the backbone of the New Zealand economy. The CPA Australia small business survey shows the pandemic will have lingering impacts on the economic health of our small businesses too,” he said.

Download [CPA Australia Asia-Pacific Small Business Survey 2020-21](#)

Media contact: Nick Smith on 021 0553644 or nick.smith@sweeneyvesty.com

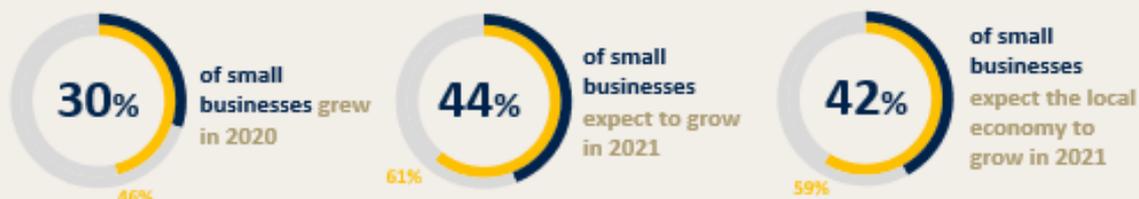
About CPA Australia

CPA Australia is one of the largest professional accounting bodies in the world, with more than 168,000 members in over 100 countries and regions, including more than 2,600 members in New Zealand. CPA Australia has been operating in New Zealand since 1992 and our New Zealand office opened in 2005. Our core services include education, training, technical support and advocacy. CPA Australia provides thought leadership on local, national and international issues affecting the accounting profession and public interest. We engage with governments, regulators and industries to advocate policies that stimulate sustainable economic growth and have positive business and public outcomes. Find out more at cpaaustralia.com.au

CPA AUSTRALIA ASIA-PACIFIC SMALL BUSINESS SURVEY 2020-21 NEW ZEALAND

BUSINESS AND ECONOMIC CONDITIONS

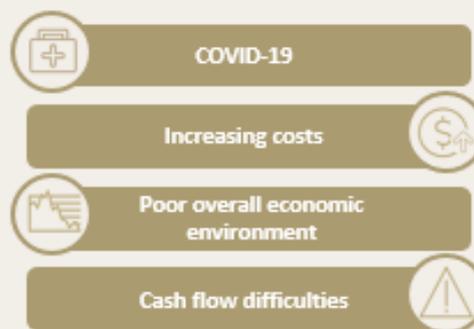
New Zealand 2020 | Survey average



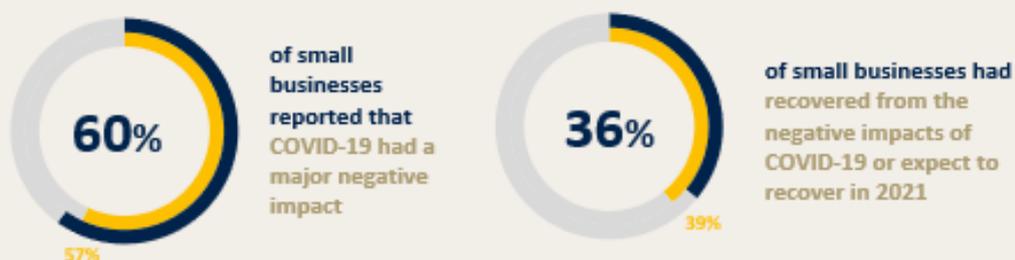
POSITIVE FACTORS IN 2020



NEGATIVE FACTORS IN 2020



IMPACTS OF COVID-19



TOP-THREE ACTIONS IN RESPONSE TO COVID-19

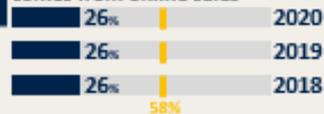


CPA AUSTRALIA ASIA-PACIFIC SMALL BUSINESS SURVEY 2020-21 NEW ZEALAND

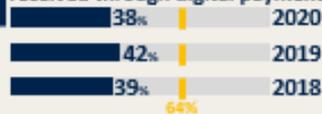
BUSINESS ACTIVITY IN 2020

Survey average

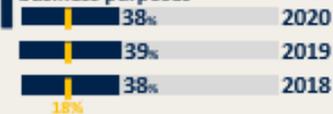
More than 10 per cent of revenue comes from online sales



More than 10 per cent of sales is received through digital payment



Did not use social media for business purposes



Found it easy / very easy to access external finance



Government grant was the main source of external finance



Sought external finance for business survival



PLANNED BUSINESS ACTIVITY IN 2021

EMPLOYEE NUMBERS

11%

of small businesses expect to increase employee numbers

(Survey average: 36%)

DEBT REPAYMENTS

21%

of small businesses expect repayment of debts to be difficult or very difficult

(Survey average: 23%)

EXTERNAL FINANCE

37%

of small businesses expect accessing external finance to be difficult or very difficult

(Survey average: 36%)

REVENUE

46%

of small businesses expect revenue to grow

(Survey average: 64%)

OVERSEAS REVENUE

21%

of small businesses expect overseas revenue to grow

(Survey average: 41%)

INNOVATION

9%

of small businesses will introduce a new product to New Zealand or the world

(Survey average: 23%)

RECOMMENDATIONS FOR SMALL BUSINESSES



Develop your capability to identify and implement the right technologies for your business



Expand your e-commerce presence and use new payment technologies to make it easier for customers to pay online



Invest in learning more about your customers and potential customers