



BUSINESS SENTIMENT SURVEY 2025

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1. INTRODUCTION

The impacts for small businesses in NZ from the cost-of-living crisis, high interest rates, rising unemployment and disrupted global supply channels reflect that we remain in challenging times. Over the past five years, we have conducted a nationwide survey to gauge the sentiments of the small business sector within New Zealand. We know that in recent years both market conditions and customer behaviours have changed and are continuing to do so in an uncertain environment. Many small businesses are still struggling with cashflow, rising costs and have reduced access to investment opportunities. Government support for the small business sector remains limited and does not meet the expectations of small business owners.

With the coalition government, that has now been in place for two years, we have seen inflation retreat to within acceptable levels and interest rates have dropped. However, unemployment remains high and consumer spending is down. Government debt and spending demands remain extremely high and the outlook for our economy is a slow recovery. In this environment it is vital that we both understand the challenges faced by the small business sector and ensure that the sector has a strong voice that reflects its crucial role in driving our economy.

Advantage Business is a well-established business advisory company that has worked with small and medium sized businesses around NZ for twenty-eight years. We want to know, as best possible, what are the current issues impacting the SME sector in NZ. Therefore, we have conducted our sixth annual survey to collect data from small business owners about how a range of structural influences will likely affect their businesses over the coming twelve months.

We were most interested in the following issues and how they directly impact SME businesses in NZ:

- What are the changing market conditions?
- How have customer behaviors changed?
- Do SME's have enough cashflow and working capital?
- Are there new opportunities for investment?
- Are there any unexpected positive outcomes from the crisis?
- What is the climate for staff recruitment, management, culture and leadership?
- Have levels of government support for SMEs been adequate?
- Has support from the banking sector been adequate?
- What areas need most support in SME business?

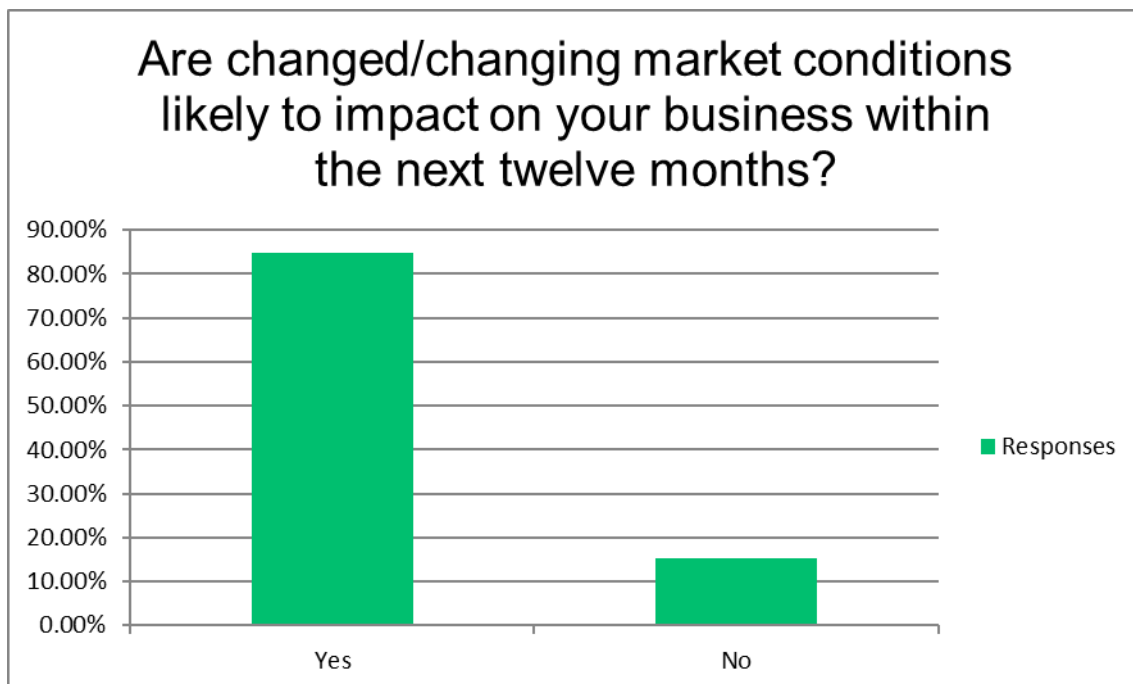
2. SAMPLE

The survey was conducted during August and September 2025 and participants were asked to provide feedback and predictions for the twelve months from August 2024 to September 2025. There were 59 respondents from the Advantage Business database with a regional spread throughout New Zealand.

3. RESULTS

3.1 CHANGING MARKET CONDITIONS

A strong majority (84.75%) of small business owners believe that changed/changing market conditions will impact their business in the next twelve months. This is up from 82.2% twelve months ago. 15.25% believe there will be no change (down from 17.2% last year). Overall, this paints a similar view held by respondents about current and likely market conditions for businesses in New Zealand.



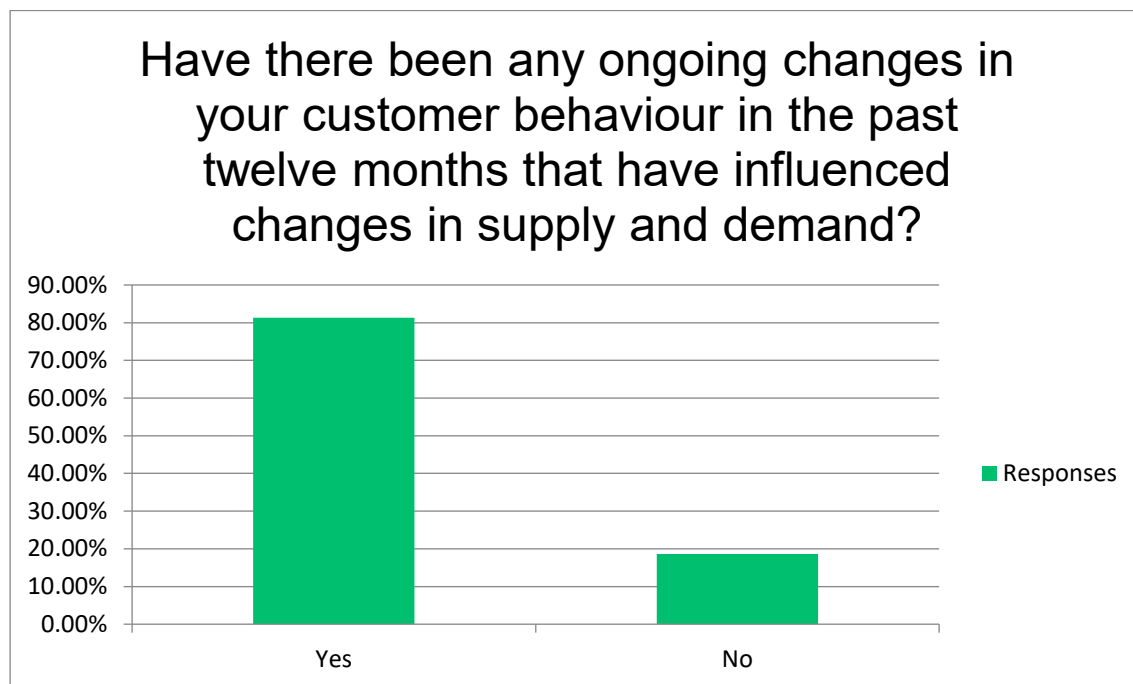
When asked for further comments, many respondents thought that changing market conditions would continue to detrimentally impact their business, although others stated that they are seeing some signs of improvement with cautious optimism. The overall message was that many market conditions are still very difficult, with more businesses closing. However, there are growing signs that things are starting to improve. For example:

- *“Costs are still rising at an alarming rate. No idea how they will be covered.”*
- *“Bad economy. Sell less luxury goods.”*
- *“The lingering tight economic conditions will mean the market will remain incredibly competitive for our business.”*
- *“No surplus spending money in most parts of the world impacts on the supply chain.”*
- *“Sales may improve if people have more disposable income via mortgage rate cuts, sales drop if unemployment increases and stock price keep rising.”*
- *“Sales may improve if people have more disposable income via mortgage rate cuts, sales drop if unemployment increases and stock price keep rising.”*
- *“Government policies will affect cash flow.”*
- *“Economy has improved.”*
- *“Hopefully for the better with stronger/better supply.”*

- *“Hopefully by improving our planning things will be better.”*

3.2 CHANGING CUSTOMER BEHAVIOUR

Respondents were asked “Have there been any recent changes in your customer behaviour that have influenced changes in supply and demand?” A large majority (81.4%) replied “Yes”, while 18.6% replied “No”.

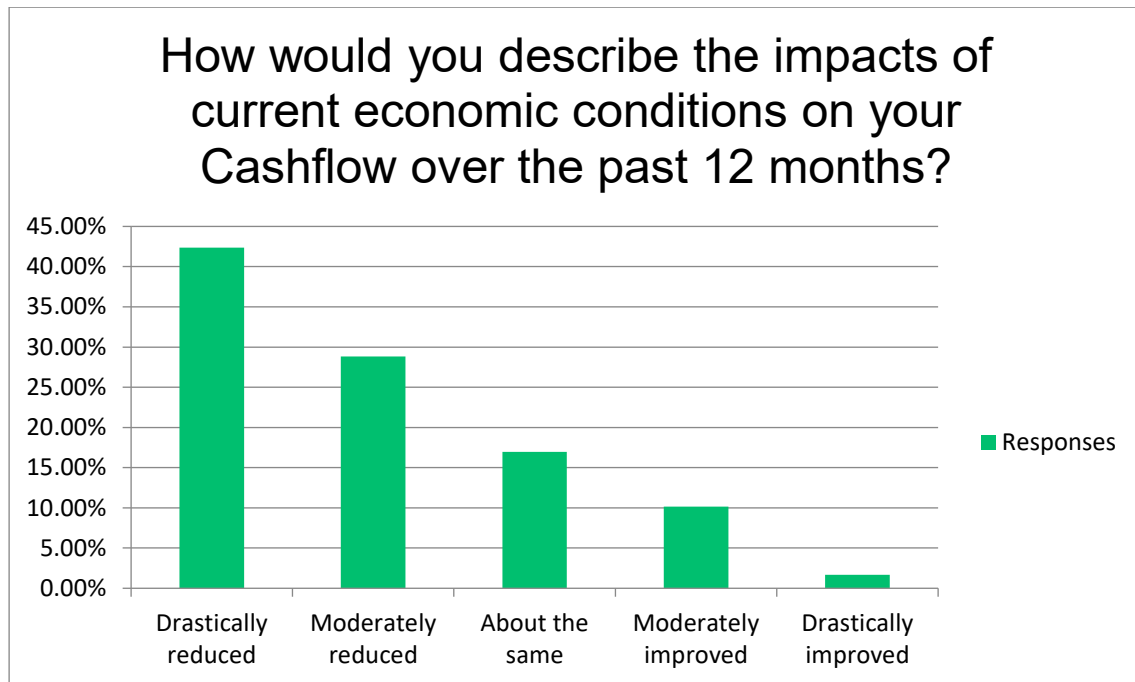


During the past two years respondents reported changes in customer behaviours that included customers becoming more demanding and stressed, some are spending less, and there is more “price” based buying. In 2024, these patterns have become even more entrenched with customers continuing to spend less, delaying purchases and shopping around on price. For example:

- *“Greater service quality and support demands.”*
- *“With the skyrocketing costs of the construction industry we are finding more customers seeking quicker and cheaper options which does not align with our company ethos.”*
- *“Everyone wants everything for nothing and immediately.”*
- *“Customers are looking for products that are at our cheaper scale, reducing profit margins”*
- *“Argue about prices, customers shop around for the cheapest deal at the expense of quality.”*
- *“Competition is tighter, more than ever quoting against each other.”*

3.3 CASHFLOW AND WORKING CAPITAL

Seventy-one percent of small businesses expect their cashflow to reduce either drastically (42.4%) or moderately (22.8%) during the next twelve-month period. Last year, those expecting a drastic reduction was 24.4%. 27.1% expect their cashflow to be either about the same or moderately improved and 1.7% percent expect a drastic improvement.

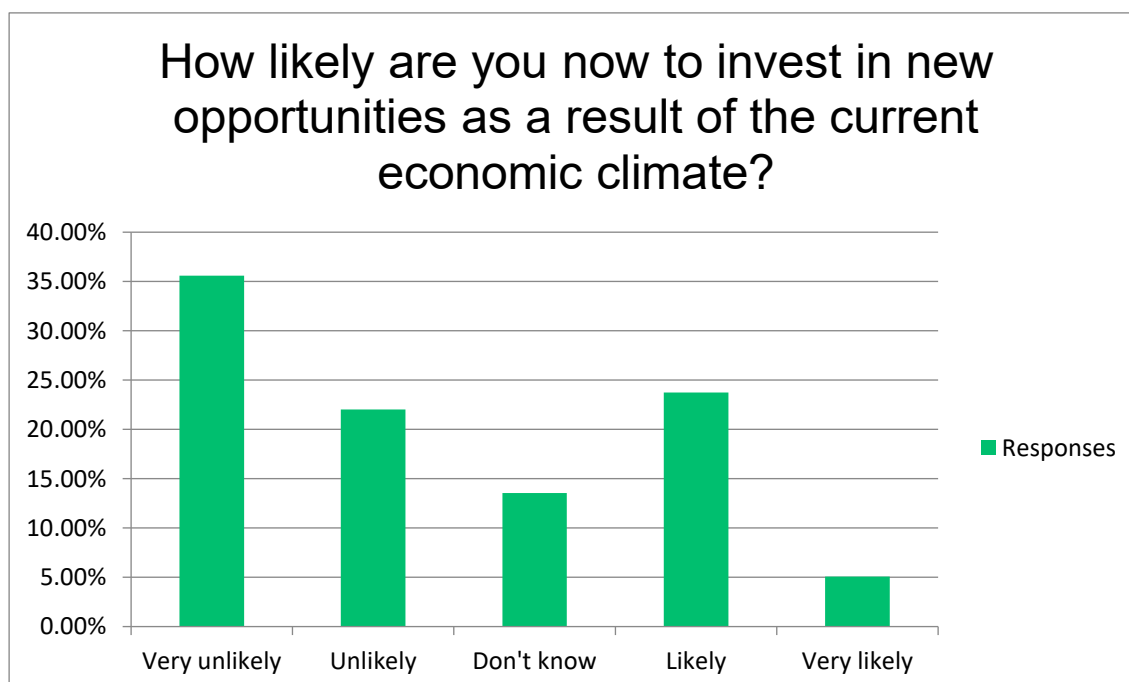


In terms of the working capital that businesses can make available to both keep operating and/or take advantage of any growth opportunities, 45.8% of respondents think they will have adequate amounts to invest in plant, equipment and other assets during the next twelve months. This is lower than last year (57.8%) and it remains concerning that 54.2% think they will not have enough working capital in the next twelve months. The current pattern is more pessimistic than the past two year's results where, in 2024, 24.4% indicated that they would not have enough capital and 17.8% didn't know. In 2023, 35.5% indicated that they would not have enough capital and 20.1% didn't know.



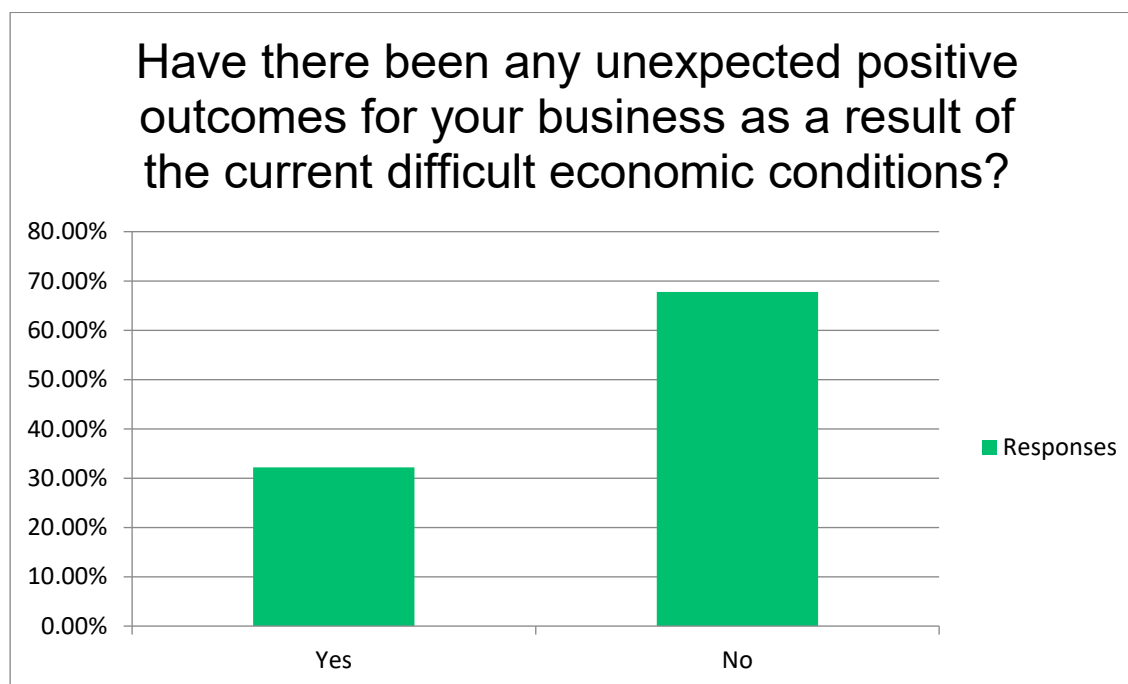
3.4 INVESTMENT OPPORTUNITIES

As with the global economy, New Zealand has faced the challenges of high inflation and higher interest rates during the past four years. This has meant that investment opportunities for small businesses have remained difficult. When considering how likely, or not, small business owners in New Zealand are to invest in new opportunities in the current economic conditions, 57.6% stated that they were either unlikely, or very unlikely to do so. 23.7% were “Likely” to invest and 5.1% were “Very likely” to invest. In 2024, 24.4% were “Likely” to invest and 11.1% as “Very Likely”.



3.5 UNEXPECTED OUTCOMES

The necessity for businesses to transform their business operating models in response to uncertain economic times has continued and grown stronger during 2025. When asked about any unexpected positive outcomes for their business, as a result of difficult economic conditions, 32.2% replied that they had experienced unexpected positive outcomes compared with 57.8% a year ago. 67.8% stated that they had seen no positive unexpected outcomes, compared with 42.2% a year ago.



3.6 RECRUITMENT & STAFF MANAGEMENT

In the past three years, we asked questions about how the current economic conditions were impacting recruitment, staff management, culture and leadership for small businesses. In terms of recruitment and staff management, the central theme during 2025 was of businesses not employing more staff and, in many cases, letting go of existing staff under the current conditions. For example:

- *"We've downsized so have no need or intent to recruit staff for the foreseeable future."*
- *"Have had to make redundancies."*
- *"We are not taking on any new staff and, in some cases, reducing our parttime employees' hours."*

Many businesses noted that it is not necessarily easier to recruit new staff, as many entering the job market have a more blasé attitude than in the past.

- *"It is getting harder to get good people, especially younger people."*
- *"Lack of people wanting to work."*

Although the recruitment market may have eased overall, many small businesses are still experiencing a tight recruitment market for skilled workers. For example:

- *"Qualified reliable staff are still hard to find, if not impossible."*
- *"Management staff are still difficult to find as many suitable candidates have moved offshore. Training as always is difficult due to lack of training facilities."*

3.7 CULTURE & LEADERSHIP

In response to the question, “How are current conditions affecting staff culture, leadership and performance in your business?” there were some evident patterns in the feedback. Tough economic times have meant re-structuring and downsizing in some businesses. This has also had an impact on staff morale and increased uncertainty. For example:

- *“I see lost trust due to a dead flat market.”*
- *“It's made it very difficult to keep spirits up.”*
- *“Staff feel not sure what's tomorrow, so very low in confidence and it's affecting the workmanship.”*
- *“We have worked hard to maintain staff moral which is very hard when we have been short staffed for so long. Lead times to get finished product to customers are longer and we are forever apologizing for this inconvenience. Most of our staff have been with us for more than 10 years so we work to keep them.”*

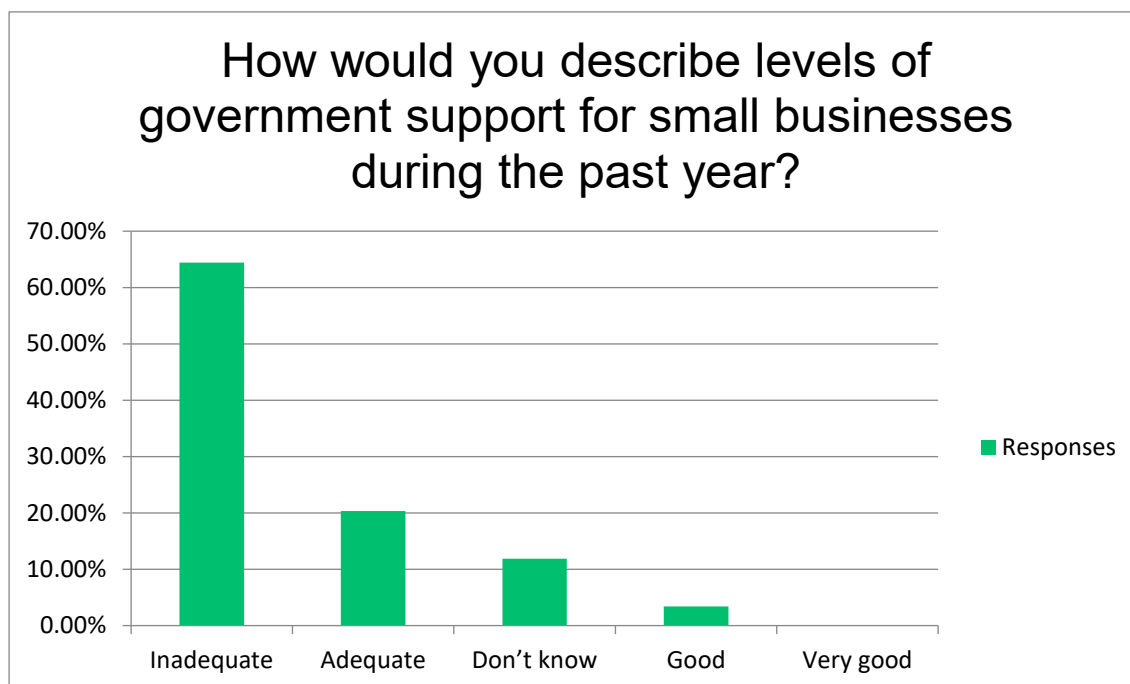
Some business owners have recognised that they need to work extra hard to communicate and keep staff feeling valued during tough times.

- *“We are meeting more often to discuss the current market conditions and together looking for ways to save money, minimise expenses and see where we can improve profitability.”*
- *“Staff numbers have reduced. However, overall, we have a more skilled workforce.”*
- *“Everyone is concerned about the ever-increasing cost of living so stress levels are up. Having open discussion with staff at breaks seems to help.”*
- *“Staff culture is good now but that is after a restructure and a reset. Leadership is focussed but it is hard to put resources into employee growth. The business' performance overall has dropped significantly in the past three years.”*

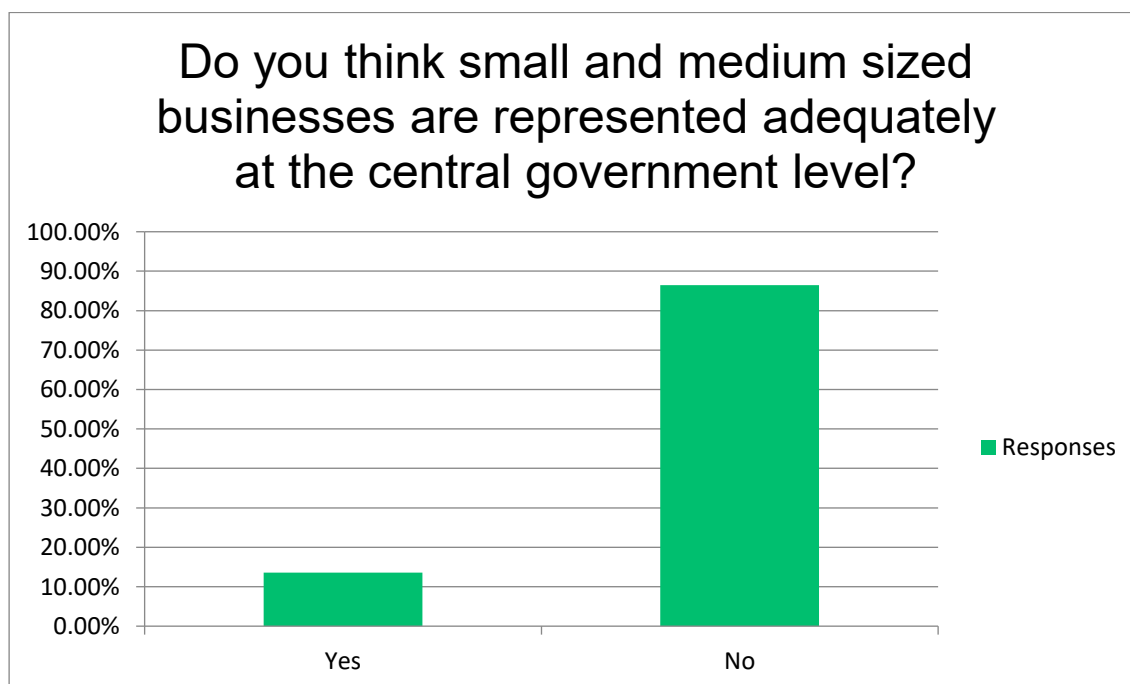
3.8 GOVERNMENT SUPPORT

In 2024, and a year into the coalition government, 55.6% of respondents stated that government support was inadequate for small and medium sized businesses. 24.4% thought it was adequate and 13.3% didn't know. A total of 6.7% thought that government support was either “Good” or “Very good.”

In 2025, and with a year before the next election, 64.4% of respondents thought government support was inadequate for their sector. 20.3% thought support was adequate and 11.9% didn't know. Just 3.4% thought that government support levels were good.

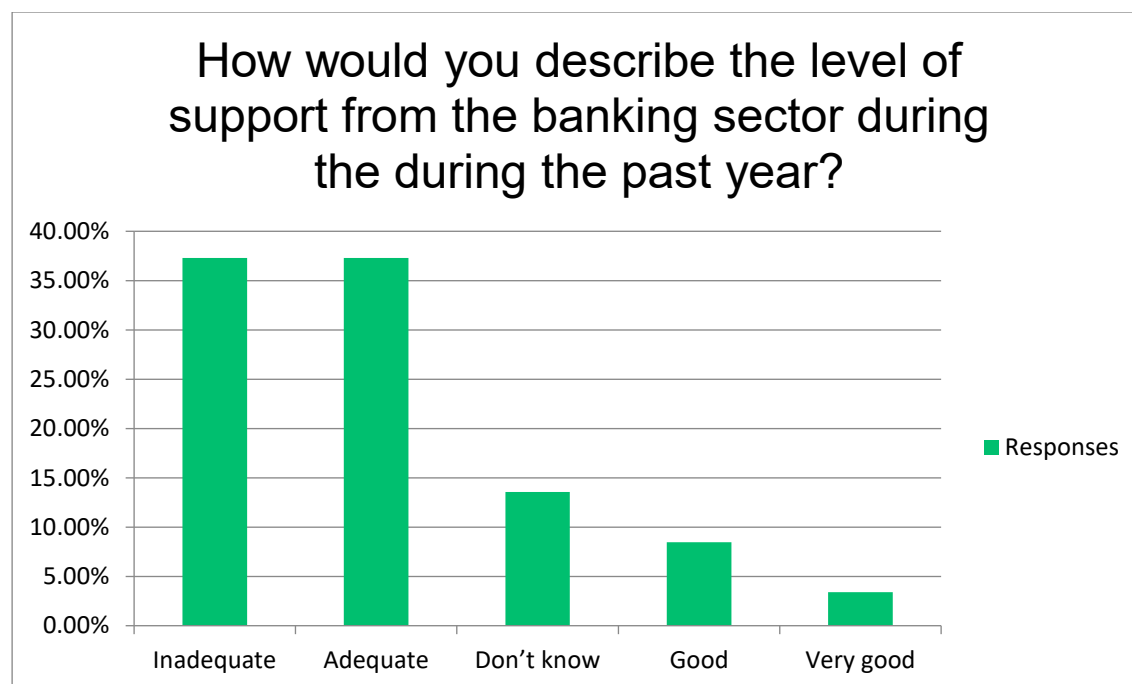


New Zealand businesses continue to strongly think that they are not well represented at the central government level. Respondents were asked “Do you think small and medium sized businesses are represented adequately at the central government level?” Only 13.6% replied “Yes”, while 86.4% said “No”. This compared with 11.1% who replied “Yes” and 88.9% who replied “No” in 2024.



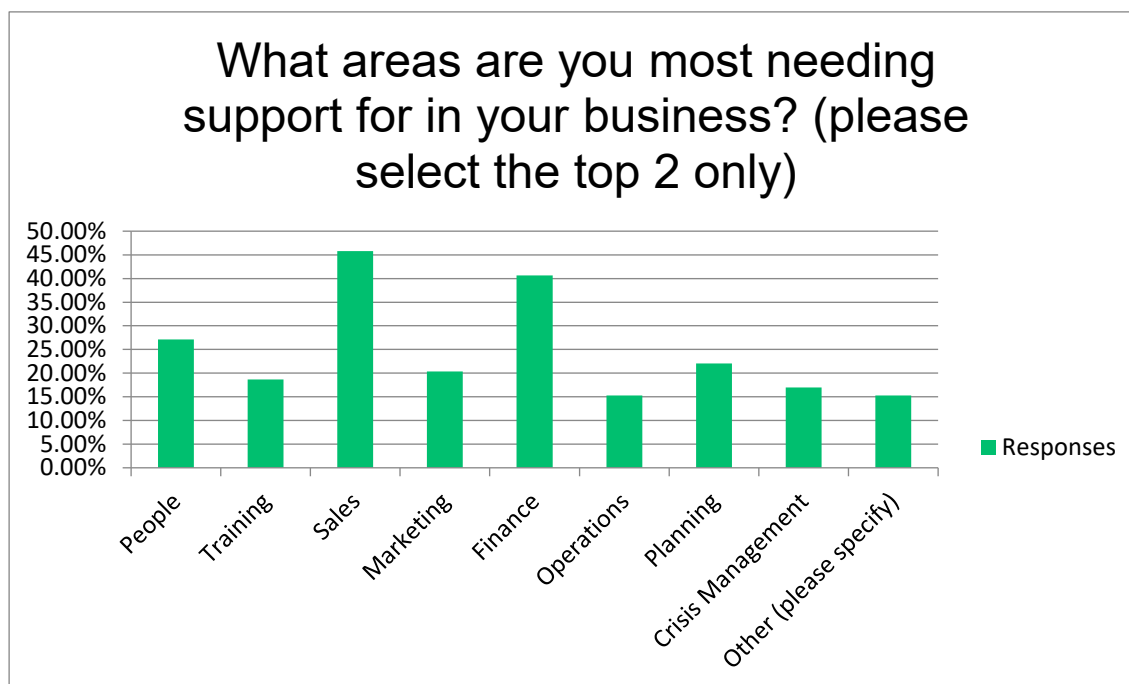
3.9 BANKING SECTOR SUPPORT

There has been a slight decline in perceptions from businesses around how much support they have received from the banking sector in 2025. When asked to describe the level of support from the banking sector, there even split of respondents who thought the response was inadequate (37.3%), and those who thought it was adequate (37.3%). 13.6% didn't know, 8.5% thought it was good and 3.4% thought it was very good. In 2024, 37.7% thought that support was inadequate, 40% that it was adequate, 8.9% didn't know, 13.3% thought it was good and 0% thought it was very good.



3.10 BUSINESS SUPPORT NEEDS

In 2025, small businesses identified their main needs in support as the following. Sales (45.8%), finance (40.7%), people (27.1%), finance (26.7%), planning (22%), marketing (20.3%) and training (18.6%). This differs from 2024 when the priorities were sales (51.1%), people (35.6%), marketing (26.7%), finance (26.7%), operations (17.8%), planning (17.8%) and crisis management (4.4%). People are, of course, central to any business operation but the tougher times mean that sales, once again, need to be top of mind for businesses to survive.



4. CONCLUSION

In late 2025, we have seen the return of inflation to acceptable levels, a drop in interest rates and some signs of economic recovery in the farming sector. However, unemployment remains high, consumer spending stagnant and sluggish progress in building, construction, hospitality and retail. Overall, our economy is showing some green shoots of recovery, but the effects of the cost of living crisis, lingering unemployment along with global pressures indicate that the recovery will continue to be a slow process.

Most business owners believe that changed/changing market conditions will impact their business in the next twelve months and the majority are not yet seeing sustained improvement in their trading conditions. Key concerns are focused on reduced demand, less customers and a lagging economy.

Business owners again reported changes in consumer behaviour in 2025, and these are having an impact on supply and demand. These include customers continuing to spend less, delaying purchases and shopping around on price. Competition is harder and high levels of service are expected.

Business cashflow has tightened again over the past twelve months, with sixty-five percent of respondents reporting either a drastic or moderate reduction on cashflow. Working capital expectations have diminished with 45.8% reporting adequate working capital with 54.2% not expecting to have enough. This compares with 57.8% expecting to have adequate working capital during 2024 and 24.4% did not expect to have enough working capital.

Small businesses attitudes towards investment opportunities have tightened in 2025, with 57.6% either “Unlikely” or “Very unlikely” to do so. 23.7% were “Likely” to invest and 5.1% were “Very likely” to invest. In 2024, 24.4% were “Likely” to invest and 11.1% as “Very Likely”.

The effects of difficult economic conditions have flowed into staff recruitment, management, culture and leadership. Although recruitment has eased across the recruitment market, it remains very difficult to recruit skilled staff. Many staff are worried about job security and management are struggling to deal with low staff morale and lower sales revenue. Many business owners are working hard to communicate better and support their staff morale during tough times.

Two thirds of respondents stated that the current government provides inadequate levels of support for small businesses in NZ in 2025. Just 3.4% thought that support was “Good”. However, a year out from the next election has seen a small increase in the sentiment for how small businesses feel they are represented within government. In 2025, 86.4% stated there is not adequate representation of small businesses at central government level (compared to 88.9% in 2024).

Overall, the feedback from small businesses in New Zealand is that conditions for doing business remain very tough. Whilst the impacts of inflation have eased and interest rates have dropped, there is still high unemployment, uncertain global conditions and reduced demand for many goods and services. There are signs of economic recovery in some New Zealand regions, largely driven by the farming sector, but we await the impacts of improvements in retail, tourism, hospitality, construction and manufacturing.

Many New Zealand businesses are still struggling in 2025. With perceptions of limited support from both central government and the banking sector, it is now even more crucial that small businesses seek independent advice and support to guide them through the difficult times they currently face and provide clear pathways to consolidate, develop and grow their people, markets and efficiencies in performance. In our daily interactions with small businesses across New Zealand, those who utilise an Advantage Business advisor are more likely to recover and grow faster than average through support in adapting to more flexible business models and efficient operations.

For more information, contact Advantage Business Ltd
www.advantagebusiness.co.nz