

Henry Sole Trader Pulse

New Zealand

June 2024



How the Henry Sole Trader Pulse was conducted

Henry commissioned Resolve Strategic to conduct polling to measure and regularly track the sentiment, views and experiences of sole traders in Australia and New Zealand. This report contains the results of the latest track in New Zealand, with methodology and topics as follows:

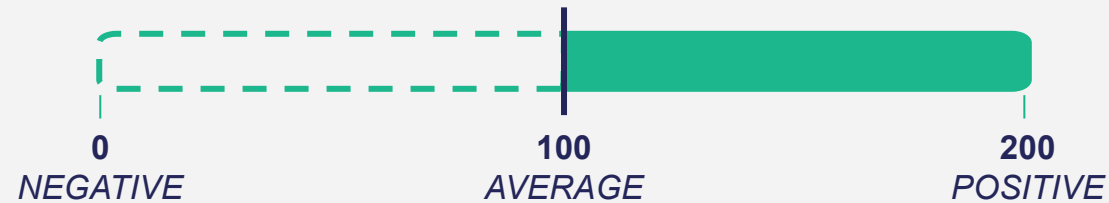
This Pulse was conducted between 4th to 15th July 2024.

- The survey polled 503 sole traders across New Zealand, with a maximum error margin of +/-4.4%.
- The poll was conducted online via reputable business and general population panels, with respondents screened to ensure they are sole traders (including contractors, consultants, freelancers, gig economy workers, tradies, etc.).
- A representative sample by age, sex, area and tenure when compared to known population parameters using minimum quotas and/or weighting where required.
- In this pulse, the poll also asked a series of ad hoc questions about the Government and sole trader policies, the impacts of inflation, working overseas, GST thresholds and KiwiSaver.

How the Henry Sole Trader Pulse works

The questionnaire employs several core questions asked in every track, notably:

- A pulse figure of sole trader sentiment, with 100 being 'average', 0 'negative' and 200 'positive', that can be tracked over time and broken down by sole trader groups. It is calculated using 12 variables, each grouped into current / future business performance, personal factors, business / economic conditions, and past business performance (using an average weighted in descending order).
- A series of attributes, such as sex, age, area, tenure, turnover, industry and whether have another job.



The headline measures include:

- Past financial performance: A combination of sole traders' financial performance in the last 12 months and the last quarter
- Current/future financial performance: A combination of sole traders' financial performance right now and expectations for financial performance in the next quarter and the next year
- Economic conditions: A combination of sole traders' perspective on business conditions right now, economic conditions right now and expected economic conditions in 6 months
- Personal conditions: A combination of sole traders' personal satisfaction, mental well-being, work life balance and degree of freedom

June 2024 Sole Trader Pulse Overview - NZ

	<i>LAST PULSE (Mar 2024)</i>	<i>TOTAL</i>	<i>INDUSTRY</i>						<i>BUSINESS TENURE</i>			<i>GENDER</i>	
	<i>Index Result</i>	<i>Index Result</i>	<i>Tradie</i>	<i>Freelancer / Creative</i>	<i>Consultant</i>	<i>Contractor</i>	<i>Health / Wellness</i>	<i>Others</i>	<i>< 2 years</i>	<i>3-10 years</i>	<i>11+ years</i>	<i>Males</i>	<i>Females</i>
Past Financial Performance													
Financial Performance - Last Quarter	132	116	119	99	121	130	132	104	113	124	110	116	117
Current / Future Financial Performance													
Financial Performance Right Now	136	119	119	99	133	127	133	114	121	121	112	123	116
Financial Performance Next Quarter	144	130	135	117	142	133	145	117	131	137	118	131	128
Business & Economic Conditions													
Health of the Economy Right Now	104	82	87	65	99	76	92	84	82	92	66	90	70
Health of the Economy in 6 Months	117	105	111	93	111	100	115	110	105	110	96	111	96
Personal Factors													
Personal Satisfaction and Enjoyment	159	145	144	141	141	148	153	146	143	142	152	145	145
Wellbeing	145	139	132	124	158	137	146	153	132	141	150	145	130
Work-life balance	156	148	142	142	159	150	143	163	141	150	159	152	141
Financial Security	143	126	125	110	143	129	136	132	115	132	142	135	114
Job Security	144	138	136	124	149	136	153	156	128	143	153	143	132
Total Index	138	125	125	111	136	127	135	128	121	129	126	129	119

Executive Summary (1/3)

- **We have seen a reduction in the index from the last pulse (conducted in March 2024), with lower levels of financial performance, personal satisfaction and work life balance. Freelancers and creatives have again returned the lowest index, driven by a decline financial performance**
 - In the last pulse we observed the most positive levels of financial performance, economic outlook, personal satisfaction and work-life balance we have seen since we started running the Sole Trader Pulse (in Oct 2021). After three pulses in New Zealand showing gains in the index figures, in this pulse we now have a modest drop backwards, signalling an end to increasing optimism among sole traders.
 - In particular, it is noted that the decline in the index is driven by the recent and current final performance of sole traders, (9 point decline in the index for both recent and current financial performance) suggesting at least some of these sole traders have experienced a drop in sales and turnover. While opinions of the NZ economy are also subdued, this is something we have seen in the past in NZ.
 - As with the last pulse (March 2024), Freelancers have once again returned one of the lowest index ratings (111 compared with the average of 125), suggesting they are most exposed to all the poorer economy. We also find that younger businesses are least likely to report positive financial and job security, with index scores for financial security of 115 (compared with the average of 126) and index scores for job security of 128 (compared with the average of 138).
 - Personal satisfaction and work life balance index scores also declined from March 2024 with index scores for personal satisfaction down 15 points (now 145) and and index scores for work life balance down 5 points (now 148).
- **Despite a decline from March 2024, the index for this pulse remain the second highest for NZ across all categories from when we started the Sole Trader Pulse in October 2021**
 - The June 2024 index scores for recent and current financial performance were 116 and 119 respectively. While this is a drop from the all time high figures in March, they are still higher than all other index scores, suggesting that while optimism might be declining, the situation isn't as bad as it has been in the past for NZ.
 - This is reinforced by the contrast between the index, which currently shows a growing pessimism for business performance, and an uptick in actual income (only 27% of sole traders report lower income from the previous quarter, compared with 38% in March 2024 that said the same thing). This is a repeated finding, and suggests that there is a 'lag effect' at play, where NZ sole traders may well have experienced a modest uptick in turnover over the first six months of the year, but their perceived position right now may be worsening.

Executive Summary (2/3)

- **Positively, the majority of sole traders in NZ continue to report that they feel secure about their job and financial position. This is an observation that has been consistent over the past few Sole Trader Pulses**
 - Most sole traders have not changed their views of their financial security, with almost half (45%) still rating it as good and only the minority rating their financial security as poor (19%). This result is fairly consistent across all the groups we surveyed, but is slightly below that of sole traders in Australia
 - Similarly, just over half of all sole traders (51%) feel their job is secure, with this being consistent across all professions and demographics.
- **Sole traders' confidence in the Government fulfilling its promises has steadily fallen since the election and change of Government. This may be driven by a lack of awareness of government policies aimed at helping sole traders**
 - Around half of sole traders (53%) lack confidence in the government's ability to meet its election promises of building the economy and reducing red tape and inflation.
 - Looking over the long-term, a decline in positive opinions on the Government is observed. Confidence in the government fulfilling its promises drops from 51% (Oct 2023) to 42% (June 2024) and lack of confidence consequently rises from 40% (Oct 2023) to 53% (June 2024). This general trend is most observed among contractors, those working in health and wellness, as well as tradies.
 - This may be due to a lack of awareness of government policy for sole traders. Only around half of all sole traders (42% to 50%) are aware of the various supports available to them, and only 4-6% have used them. Even taking into account eligibility, it is clear that many sole traders have missed out on supports that may have helped them establish and grow their businesses.
- **New Zealand sole traders are contributing less to their retirement than their Australian peers. Importantly, the proportion of them that have cancelled or have deferred planned contributions is on the rise**
 - 62% of sole traders who were in business a year ago have made a contribution to their retirement via KiwiSaver or some other super fund in the past. This is a similar level to that reported previously and is on a par with Australia (59%) where super contributions are compulsory for employees.
 - However, New Zealand sole traders are, on average, contributing only 3% of their income, whereas Australian sole traders report contributing 15% of their income. Importantly, almost a third (31%) of NZ sole traders have cancelled or deferred planned contributions. This is a steady increase from only 22% who said the same thing in June 2023.

Executive Summary (3/3)

- **Inflation continues to be a concern for the majority of sole traders. Freelancers are most likely to report tighter market conditions, likely explaining their low index scores compared to other professions**
 - The vast majority of sole traders continue to be affected by inflationary pressures, with the most common measures taken by sole traders reported to be reduction in additional debt (87%), an adjustment of discretionary spending (83%), cutting of business costs (78%) and paying themselves more to cover the higher costs of living (77%).
 - Helping to explain their lower ratings, freelancers and creatives are more likely to report tighter market conditions (83% compared with the average of 74%). Older and established sole trading businesses are less likely to be adapting to pressures via education, reskilling, marketing, selling assets or working as an employee.
- **New Zealand sole traders are spending much more time and money to manage their tax and financial affairs. Programs and apps are the most time and cost effective means of paid assistance for managing tax and financial affairs.**
 - New Zealand sole traders are spending 8 hours a week and \$572 per month managing their financial and tax affairs. This is a significant increase from the figures reported in March 2024 (4 hours a week and \$202 per month) and is in fact the highest ever figures reported by New Zealand sole traders.
 - While a potential reason for this is the recent end of financial year period, in which sole traders will have spent more time on their tax and financial admin, this doesn't explain the historical high.
 - A major selling point for programs and apps in New Zealand is that they reduce time and money spent on financial and tax affairs compared to all other paid assistance - with sole traders that use them reporting they pay \$465 per month and 7 hours a week.