

myob

The Bigger Picture Report

New Zealand
March 2025



Thompson Construction

Foreword

Growing revenue during recessionary conditions, bolstering the export sector, consistently investing in productivity gains, and providing jobs for tens of thousands of New Zealanders, mid-sized businesses could be considered unsung heroes of the local economy.

But too often this segment of businesses flies under the radar, missing out on some of the spotlight given to smaller and larger peers. Unfortunately, this is not helped by the fact that they are underrepresented in business data, hindering recognition of their contribution to the nation's economic performance and GDP.

That said, through our surveys of business leaders in this segment over the last few years, and in the everyday conversations with our partners and customers, it has long been evident that mid-sized businesses are a force to be reckoned with. They're also the businesses that are primed to help power New Zealand's economy forward on its path to growth - and grow with it.

Kicking into 2025, revenue increases reported by most (60% of those polled) mid-sized businesses over the past 12 months have laid an impressive foundation to build on, and a higher volume of sales and activity lined up for the next six months demonstrates this momentum isn't slowing.

At the core of this strong performance is a substantial exporting effort. Two thirds of the mid-sized businesses we polled export their goods and services across the globe, and our previous survey data has shown that plenty more have ambitions to start doing the same in the next five years. Strengthening relationships and growing exports across international markets will be vital to delivering a thriving economy, but this relies on local businesses running at full speed.

For decision-makers in mid-sized businesses, this requires a business landscape that empowers more investment in innovation and emerging technologies with new sources of capital, helps them to build and nurture a skilled workforce, removes constraining regulation, and improves competition settings. Without action in these areas, jumping on opportunities to increase their business impact locally and internationally, will be limited.

While many of these actions align with the barriers the Government has in its sights to address on its economic growth mission, we know that New Zealand's mid-sized businesses can't and won't rest on their laurels to wait for conditions to change.

Instead, as demonstrated in our latest insights, they remain steadfast in their commitment to ongoing innovation – investing in improvements that will give them an edge on competition, simplify their processes, create new efficiencies that boost productivity and help them attract more skilled talent to their business. They recognise that gains here are key to achieving their own growth goals this year.

As these mid-sized businesses continue to punch impressively above their weight and strive for better, MYOB will continue to support their bold ambitions and advocate for business conditions that will help them make their mark. It couldn't be clearer, the opportunities their success will unlock for the future of the economy, are worth pursuing.



Kim Clarke
Executive General Manager
Enterprise

New Zealand's mid-sized businesses

Despite a range of economic hurdles, many of New Zealand's mid-sized businesses (businesses with between 20-500 FTEs and \$5m+ annual revenue) continue to demonstrate resilience - and as they follow their unrelenting ambitions for growth, deliver results that highlight why their role in the economy's recovery shouldn't be underestimated.

For a lot of local businesses, the announcement of a recession in 2024 was merely confirmation

of how tough the market had been for some time, with the impact of last year's difficult trading conditions evidenced in some of the recent earnings season announcements. However, in MYOB's latest insights looking at the mid-sized business segment in particular, it's clear that their commitment to modernisation and business development, appetite for expansion, and willingness to go against the grain are working as a formula for their success.

Business performance and outlook

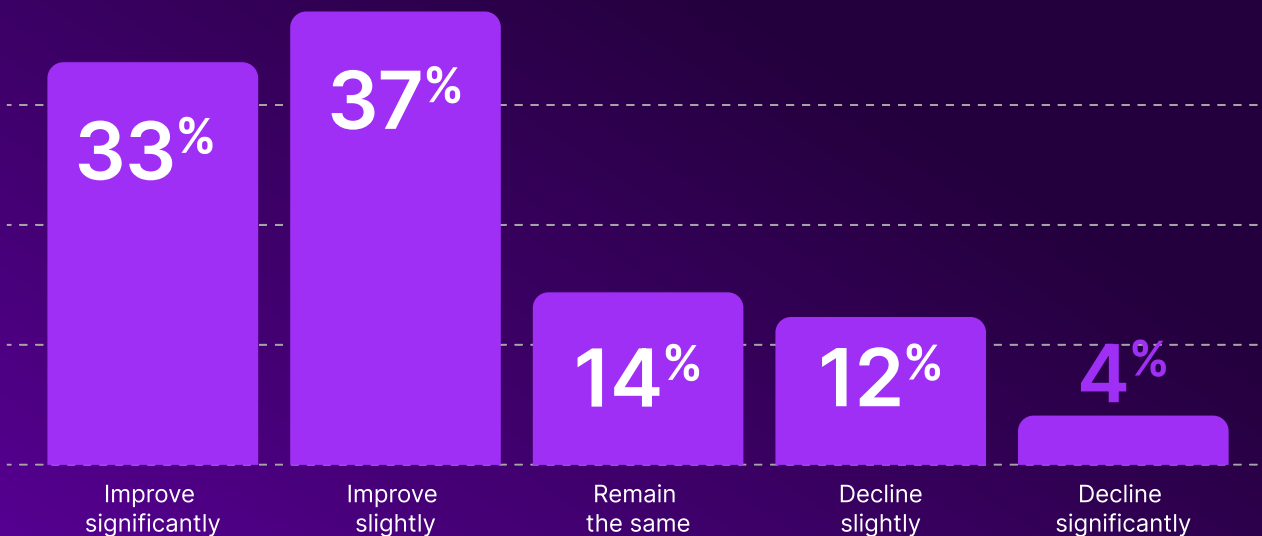
After entering recession in 2024, with the biggest drop in GDP (excluding the Covid-19 lockdowns) since 1991, many leading indicators are now pointing to gradual improvements in the New Zealand economy.

According to predictions so far, 2025 is likely to be characterised by a shallow, rather than stellar recovery. While 'green shoots' are appearing in many areas, lagging indicators like unemployment - which

reached 5.1% in January - highlight the lingering pain being felt across the economy.

In this environment, New Zealand's mid-sized businesses continue to demonstrate why they are among some of the more optimistic businesses around the local economy. This is highlighted in MYOB's latest polling, with 70% of business leaders surveyed expecting the economy to improve over the next 12 months.

In the next 12 months, New Zealand's economy will...



Business performance and outlook

The high confidence of mid-sized businesses in an economic turnaround coming to fruition could be partly attributed to their own strong performance and work pipelines. More than 60% of the business leaders surveyed reported that their revenue is up over the year to January 2025, with just 16% seeing revenue fall over the period.

Despite continued pressures in the local economy, coupled with rising global insecurity, mid-sized businesses are optimistic about sustained revenue growth, with 58% expecting revenue to be up in 12 months' time.

Business revenue in comparison to a year ago

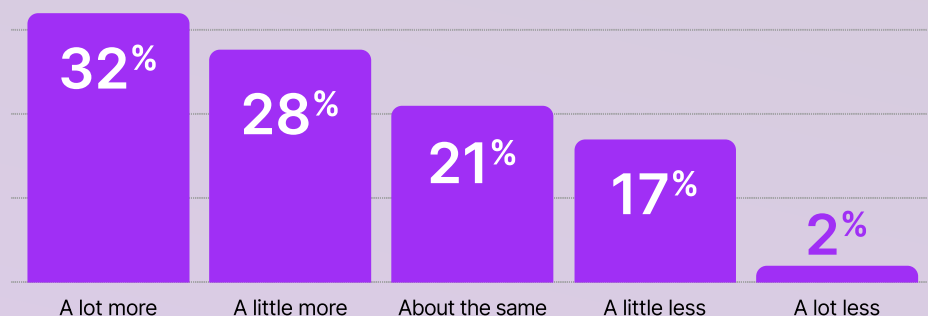


Business revenue expectations for 12 months' time (compared to now)



Volume of work/sales lined up for Jan - Jun (compared to usual)

Although significant recovery across the New Zealand economy will continue to take some time, mid-sized firms continue to focus on executing their growth plans. With a strong level of activity expected throughout the first half of the year, many appear to be shifting into a high gear early in 2025.

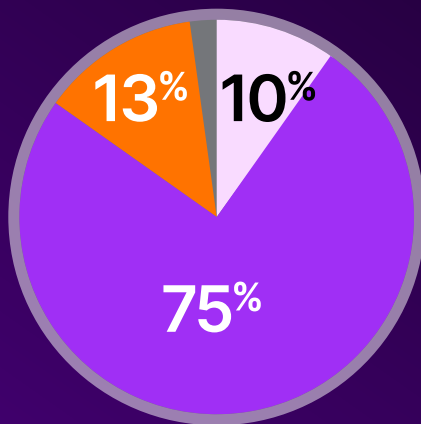


Business performance and outlook

Across the sectors, the agricultural and retail industries look to be in for a particularly active start to the year. Perhaps as a flow-through from front-line retail, the wholesale industry is also expecting a strong first half of 2025, while more construction businesses appear to be recovering from the recent building downturn.

However, the improving pipeline trend has failed to reach some key sectors, with the business, professional services and property sector pipelines signalling a modest improvement in activity, and the volume of new work/sales for manufacturing continues to remain unsteady.

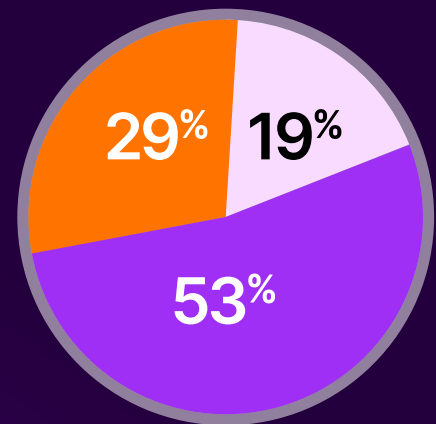
By industry - volume of work/sales lined up for Jan - Jun (compared to usual)



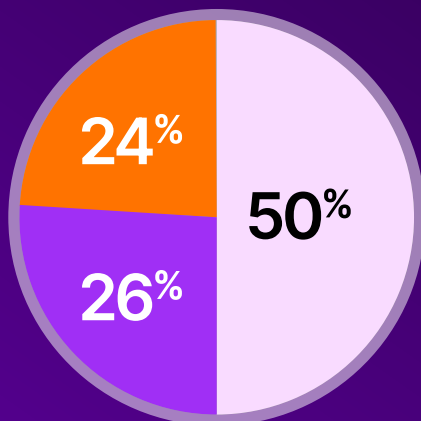
Agriculture, forestry & fishing



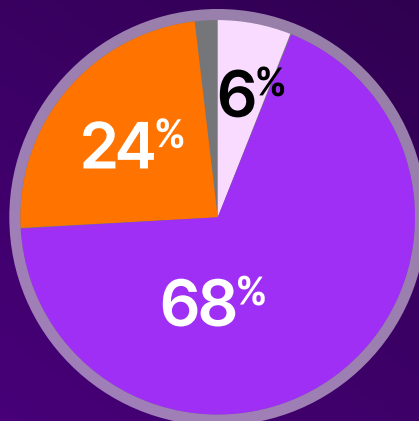
Business, professional services & property



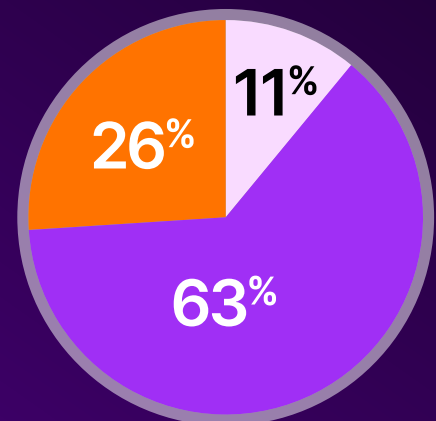
Construction & trades[^]



Manufacturing



Retail



Wholesale

● More than usual
 ● Same as usual
 ● Less than usual
 ● Don't know

[^] In instances where the total percentage value adds to 101%, this is due to rounding of some response figures (decimals) by the research unit.

Growth, innovation and productivity

As New Zealand continues to look for opportunities to drive growth and improve productivity, with the country consistently performing below the OECD average on the latter¹, cost, competition and red tape are amongst the key factors leaders of mid-sized businesses believe are keeping their companies from reaching their full potential.

Factors impacting the ability for leaders to maximise business potential (most selected)*



*Respondents were able to select more than one option

¹ https://www.oecd.org/en/publications/improving-productivity-in-new-zealand-s-economy_8071e193-en.html



Growth, innovation and productivity

As well as concentrating on reducing regulation constraints, decision-makers surveyed highlight other ways in which Government action could support the performance of mid-sized businesses and in turn, fuel their contribution to the economy over the next five years. According to the insights, improving foreign relations and negotiating new free trade agreements, like the recently announced Comprehensive Economic Partnership Agreement (CEPA) with the UAE, should be a top policy priority.

While decisions to lower interest rates is a task for the Reserve Bank, leaders of local mid-sized businesses will be celebrating a further reduction in the Official Cash Rate. Cut by 50 basis points to 3.75% by the Reserve Bank in February, this has reinforced that inflation is under control (for now), stabilising costs and making borrowing more affordable.

The possibility of an adjustment to the corporate tax rate which has been raised in recent discussions, will have also piqued the interest of many business operators.

Policies or actions that would positively impact business growth or success over the next five years (most selected)*



71%

Improving relations with foreign governments (e.g. new FTAs, reducing tariffs)



65% =

Adjusting competition settings to allow for greater collaboration and cooperation between mid-sized businesses

Government-backed or government-subsidised loans for businesses to finance growth, innovation and digitisation

A reduction in the company tax rate to 25%



69%

Lowering interest rates and inflation



68%

Government programmes to support businesses to upskill digitally and build cyber resilience



64%

Support for businesses to improve energy efficiency and lower their emissions

*Respondents were able to select more than one option

Growth, innovation and productivity

In terms of their focus on innovation, while improvements in productivity are an underlying theme, achieving growth and streamlining processes are key drivers for local business leaders. Building a competitive edge also influences innovation activities among mid-sized businesses, particularly given competition is seen as one of the barriers to maximising business potential.

Top motivators/drivers behind the current approach to innovation in the business (most selected)*



41% =

To achieve our growth goals
.....
To improve or simplify our current processes



40%

To increase our competitiveness/
gain an edge on competition



38%

To build new processes that
improve productivity



32%

To attract more skilled talent
to our business



30%

To be the first to use new
technology

*Respondents were able to select more than one option



Growth, innovation and productivity

While the OECD highlights externally-focused factors including the size of the local market, geographical distance and weak investment as part of a pattern of 'sustained, low multi-factor productivity growth' within New Zealand², within their own businesses the leaders and decision-makers polled identify systems and skills as key factors limiting productivity.

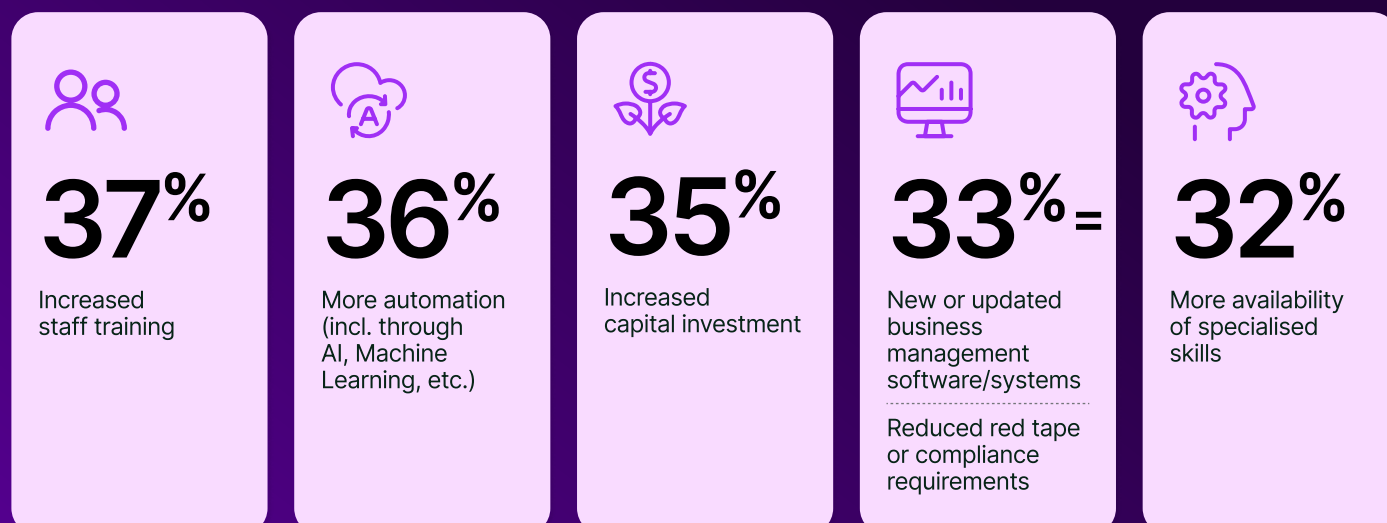
To meet these challenges, decision-makers in mid-sized businesses surveyed believe a combination of training, increased capital investment, technology – including automation and business management systems - coupled with reduced 'red tape', could be the critical puzzle pieces to help address this decades-old issue.

Factors business leaders believe are most likely to be limiting the productivity of their business (most selected)*



*Respondents were able to select more than one option

Factors business leaders believe would have a positive impact on business productivity (most selected)*



*Respondents were able to select more than one option

² https://www.oecd.org/en/publications/improving-productivity-in-new-zealand-s-economy_8071e193-en.html

Global commerce

New Zealand's mid-sized business segment is dominated by exporting businesses. More than two thirds (67%) of the business leaders surveyed say their organisation sells goods and services overseas - and exporting is fundamental to the growth of many of these businesses, with traditional industries, such as the manufacturing sector (82%), the agricultural industry (78%), and wholesalers (74%) in particular, highly engaged with international markets.

These businesses also make a significant contribution to New Zealand's offshore earnings, with the business leaders polled estimating an average value of NZ\$18.1m of goods and services are exported by their business each year. Almost one-in-five (19%) claim the value of their exports is between NZ\$20-30m per annum.

Proportion of mid-sized businesses that export their goods and services overseas

Export

67%

Don't export

33%

\$18.1m

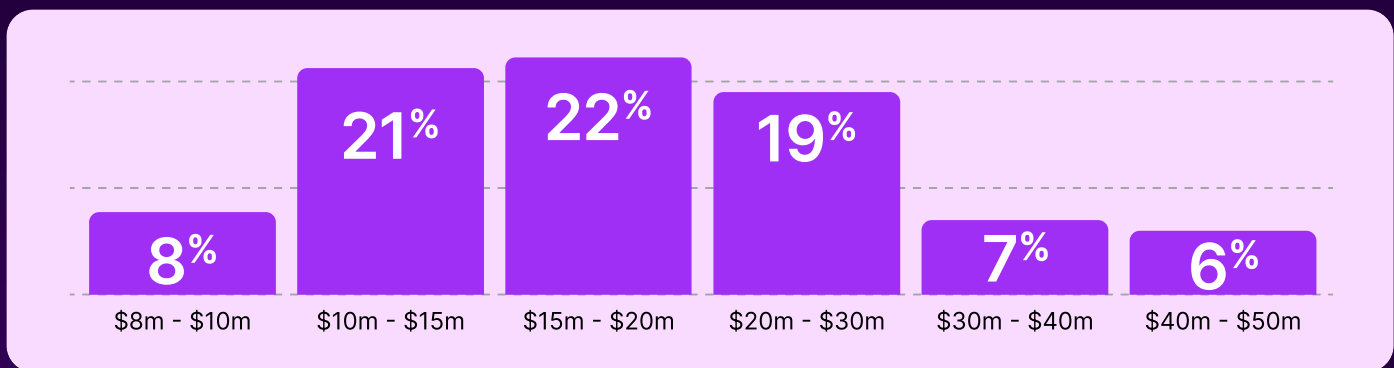
Average value of goods and services exported each year (NZD, per business)



Global commerce

The success of New Zealand’s exporters could play a critical part in ensuring the country’s economic growth given the significant contribution of exports to our GDP and the potential to improve on current performance. New MFAT data shows the value of goods and services exported from New Zealand continued to lift in 2024 – albeit at a slower pace in the second half, while the [World Bank](#) highlights that exports account for just over 24% of GDP.

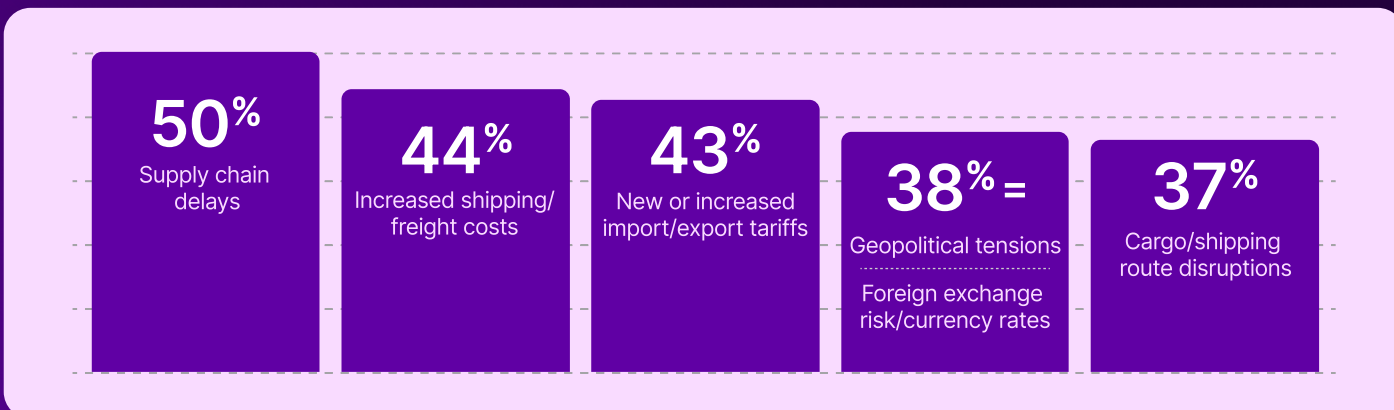
Estimated value of goods/services exported by mid-sized businesses each year (most commonly selected values)



Given the importance of export trade, a reshaping of international relations and the growing unpredictability in the global economy could have significant implications for local mid-sized businesses and in turn, New Zealand’s own economic performance.

The possibility of new or increased tariffs is concerning for 43% of the business operators surveyed. However, a myriad of variables with the potential to cause operational disruption, from workforce shortages and extreme weather, to port congestion and system breakdowns, are all top of mind.

International/global factors of most concern to business leaders for the potential impact on their business (most selected)*



*Respondents were able to select more than one option



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Survey methodology

These insights are from MYOB's latest survey of mid-sized businesses, polling a representative sample of 503 business leaders and decision-makers (*with between 20-500 FTEs and \$5m+ annual revenue) in New Zealand. Research for this survey took place from 6 – 30 January 2025 and was conducted by independent research agency, Dynata. Respondents were sampled randomly from the Dynata online panel and screened to ensure they met the qualifying criteria. Quotas were maintained on industry sector and business size/FTEs to ensure a reliable and diverse cross-section of business opinions from mid-sized firms were obtained.