Clutha Development

CLUTHA DISTRICT BUSINESS CONFIDENCE SURVEY

Business confidence, investment intentions and economic signals from across the district

JUNE 2026

Executive Summary

The June 2026 Clutha District Business Confidence Survey shows that optimism has eased from the unusually strong result recorded in December 2025, but remains well above the low point seen in 2024. Around 44 percent of respondents expect the district economy to improve over the next 12 months, compared with 68 percent in December 2025 and 43 percent in May 2025. A further 42 percent expect conditions to remain broadly unchanged.

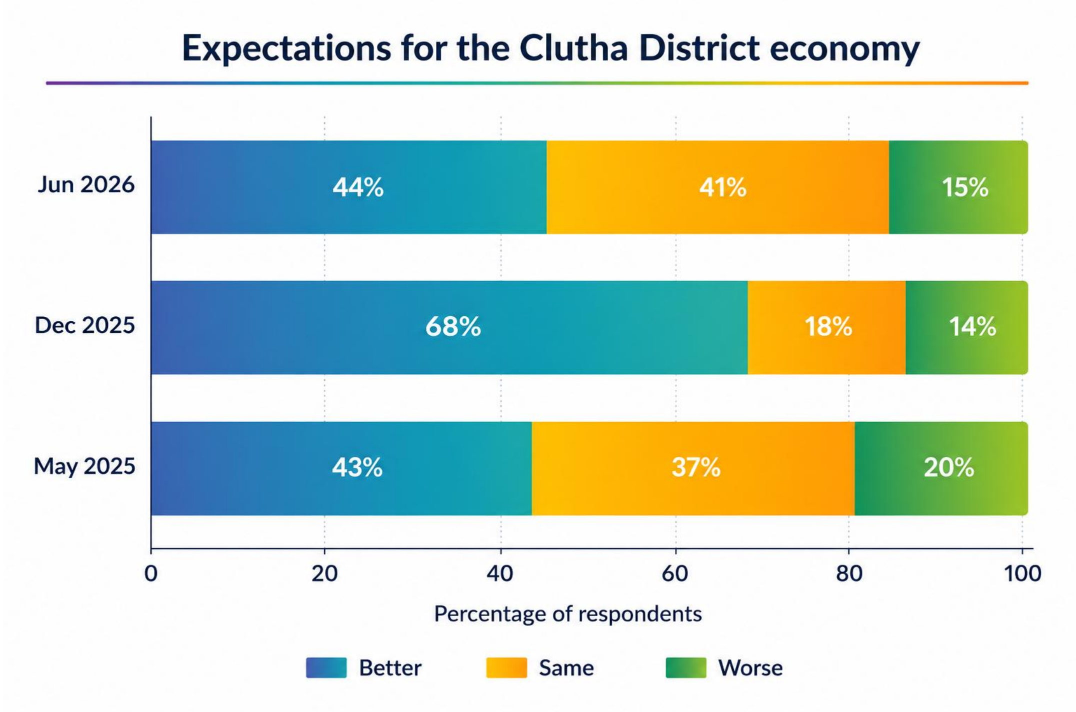
Confidence in individual business prospects is slightly stronger than confidence in the wider district economy. Around half of respondents expect their own business or organisation to improve, while close to four in ten expect little change. This is a reversal of the pattern evident in December, when confidence in the district economy was markedly stronger than confidence at firm level.

The primary sector is central to the more positive elements of the survey. Strong dairy, beef, lamb and improving wool returns are expected to flow through to rural communities and supporting businesses. However, confidence is uneven. Tourism, retail, forestry and some service businesses describe softer discretionary spending, fewer visitors, uncertain contracts and continued pressure on margins.

Rising operating costs remain the dominant concern, identified by around seven in ten respondents. Workforce attraction and retention, sales and profitability, wage pressures, reduced demand and regulatory compliance form a second tier of constraints. At district level, inflation and the cost of living remain the most frequently identified barrier, followed by local council policies and processes, labour constraints, central government settings and affordable housing.

Employment intentions remain positive but cautious. Among businesses with employees, around 40 percent expect to hire over the next 12 months, 54 percent expect to maintain current staffing levels, and only around 6 percent anticipate reducing their workforce. Investment intentions are more restrained: half have no significant investment planned, while 43 percent are either definitely or possibly considering investment. Where investment is planned, plant and equipment, buildings and facilities, technology, and staff capability are the leading priorities.

Overall, the survey presents a business community with stronger underlying confidence than in 2024, but less exuberance than at the end of 2025. The outlook is best described as cautiously positive: supported by primary-sector returns and individual growth plans, but constrained by costs, workforce availability, housing, policy uncertainty and weak discretionary demand.

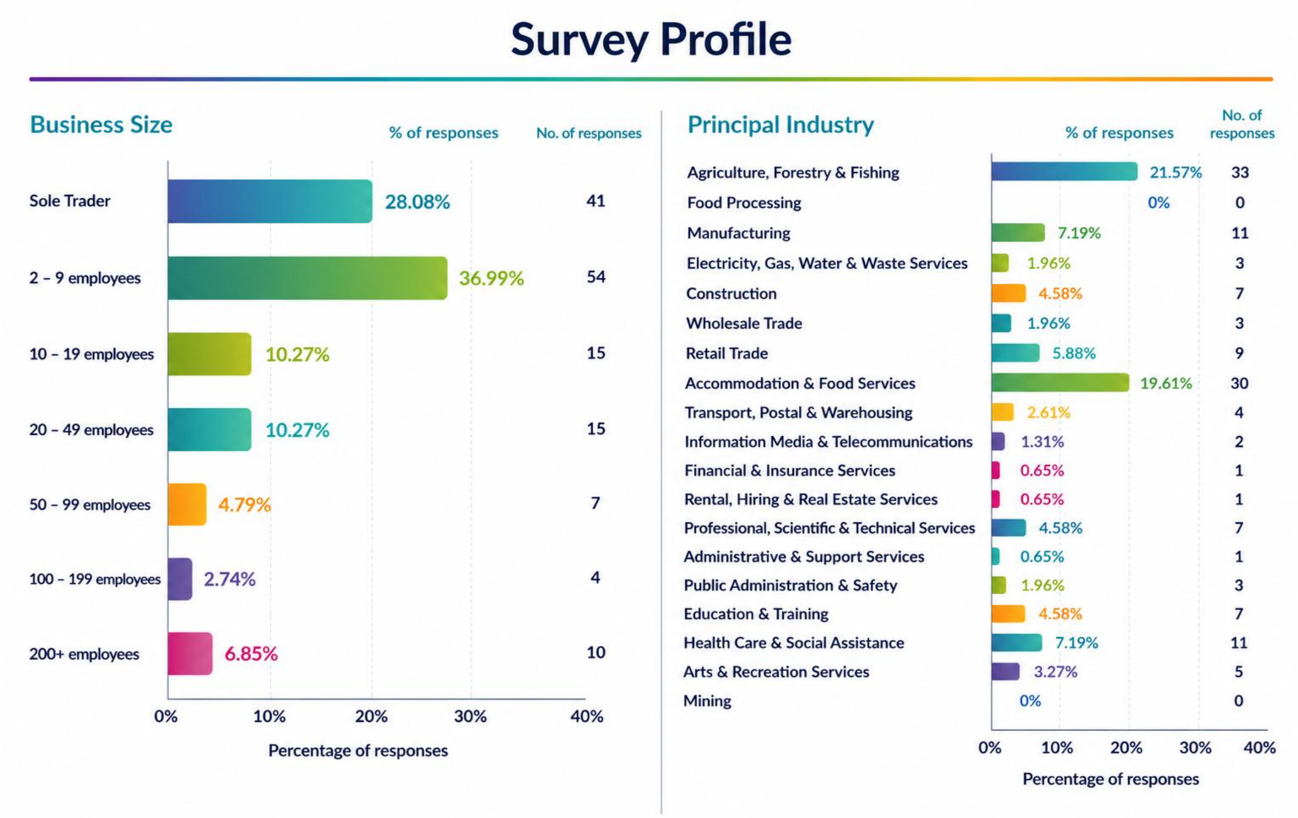


Introduction and Survey Profile

The June 2026 Business Confidence Survey attracted around 150 responses from businesses across a broad range of industries, business sizes and locations throughout the Clutha District. Response numbers varied slightly between questions but consistently provide a robust picture of local business sentiment and emerging trends.

The respondent profile remains weighted towards small businesses. Sole traders represented approximately 28 percent of responses and businesses with two to nine employees approximately 36 percent. Agriculture, forestry and fishing was the largest individual sector at around 21 percent, closely followed by accommodation and food services at around 20 percent. Manufacturing, health care and social assistance, retail, professional services, education, construction and other sectors were also represented.

The sector mix differs somewhat from earlier surveys, particularly through the strong accommodation and food services response. Comparisons over time should therefore be treated as directional rather than as a fixed panel measure. Even so, the persistence of the same broad themes across three survey rounds provides confidence that the major trends are genuine.



Economic Confidence and Outlook

District economy

Around 44 percent of respondents expect the Clutha District economy to be better in 12 months, including approximately 6 percent who expect it to be substantially better. Forty-two percent expect conditions to remain the same, while approximately 14 percent expect deterioration.

This represents a clear moderation from December 2025, when 68 percent expected improvement, but is broadly consistent with the May 2025 result of 43 percent. The result suggests that the surge in optimism recorded at the end of 2025 has not been sustained at the same level, rather than indicating a return to the pessimism of 2024.

Comments show that improved rural returns are the main positive influence. Respondents repeatedly referred to dairy payouts, high beef and lamb prices, improving wool prices and the expected flow-on effect of farmer spending. Against this, respondents identified fuel prices, the cost of living, global uncertainty, election-related policy risk, reduced visitor spending and a lack of major infrastructure projects as reasons for caution.

Own business outlook

Around 51 percent expect their own business or organisation to improve over the next 12 months, with 39 percent expecting conditions to remain unchanged and around 10 percent expecting deterioration. Unlike December 2025, confidence in respondents' own businesses is now stronger than confidence in the district economy.

This pattern points to selective rather than broad-based growth. A number of respondents described reinvestment, property improvements, service expansion, stronger forward workbooks and anticipated enrolment growth. At the same time, others referred to survival, reduced discretionary spending, uncertainty in tourism, pressure on specialist services and rising fuel, electricity and operating costs.

Challenges and Pressures

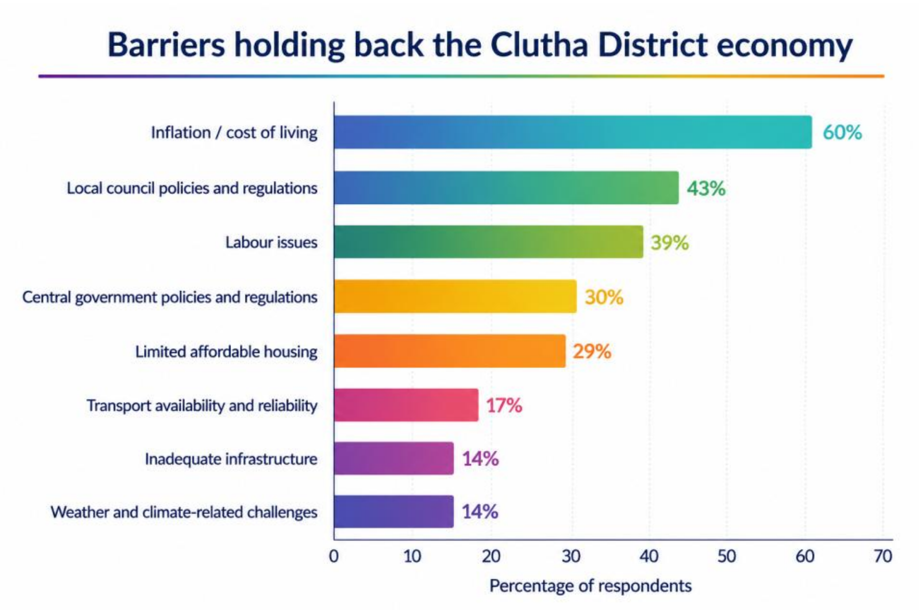
General business cost increases remain the dominant challenge, selected by around 71 percent of respondents. Although this is slightly below the 76 percent reported in December 2025, it remains above the approximately 70 percent recorded in May 2025 and confirms that cost escalation is an entrenched feature of the operating environment.

The next group of challenges is more evenly distributed. Workforce attraction and retention was selected by around 29 percent, sales and profitability concerns by 26 percent, wage pressures by 24 percent, reduced demand by 23 percent, regulatory compliance by 23 percent and commodity price fluctuations by 22 percent. Mental health and wellbeing, access to capital, workforce housing, supply chains, sustainability and technology adoption were less frequently selected but remain material for particular businesses.

The commentary gives added weight to fuel, electricity, software subscriptions, council rates and the cost of travel. Some businesses are experiencing a divergence between stronger rural demand and weaker consumer or visitor spending. Others described difficulty absorbing the cost of training, technology and compliance while maintaining acceptable margins.

Broader Barriers to Economic Growth

When respondents were asked to consider the Clutha District economy more broadly, rather than their own business, inflation and the cost of living remained the most significant perceived barrier, selected by around 60 percent of respondents. This was followed by local council policies and regulations (43%), labour issues (39%), central government policies and regulations (30%), and the limited availability of affordable housing (29%).



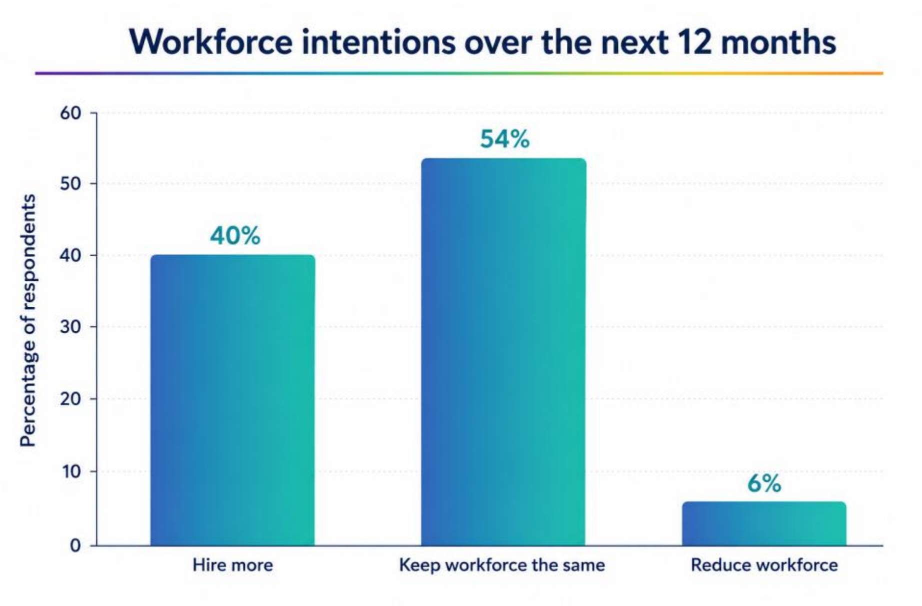
Compared with the December 2025 survey, concern around local council policies and regulations has become more prominent. Many respondents commented on consenting timeframes, building and signage requirements, rates, perceived regulatory complexity, infrastructure priorities, and the responsiveness of council processes. These comments suggest that businesses see planning and regulatory settings as having a direct influence on investment decisions and the ease of doing business within the district.

Housing also continues to be viewed as an important enabler of economic growth. Respondents frequently linked the availability and affordability of rental accommodation with their ability to attract and retain employees from outside the district. Several also highlighted a shortage of suitable commercial premises, industrial land, and modern business facilities as constraints on expansion and investment.

Beyond traditional business issues, respondents also raised the availability of health services, school transport, town-centre vibrancy, recreational amenities, and the overall attractiveness of the district as a place to live and work. While these matters extend beyond the immediate operating environment of individual businesses, they reinforce the close relationship between economic development, workforce attraction, liveability, and long-term business confidence.

Labour, Workforce and Housing

Skilled and specialist recruitment remains more difficult than unskilled recruitment. Among respondents who expressed a view, the balance of responses indicates that finding skilled staff has become harder rather than easier over the past 12 months. Unskilled recruitment appears more mixed, with a larger proportion reporting that conditions are unchanged and a smaller share reporting improvement.



The qualitative feedback illustrates considerable variation. One employer reported receiving three times the usual number of applicants, while others described persistent difficulty finding reliable casual labour, skilled professionals and people willing to relocate. Several businesses reported operating short-staffed rather than accepting unsuitable applicants. Health care and specialist roles were identified as particularly difficult to fill.

Employment intentions remain generally positive. Among businesses with employees, around 40 percent intend to hire additional staff over the next 12 months, while 54 percent expect to maintain current staffing levels. Only around 6 percent anticipate reducing their workforce. This suggests that, despite ongoing economic pressures, most employers remain focused on maintaining or modestly expanding their workforce rather than downsizing.

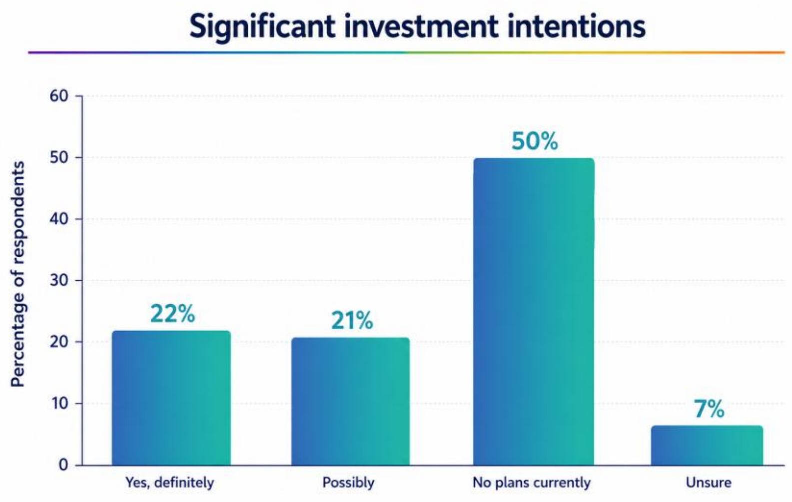
Housing continues to sit behind many recruitment challenges. Employers described accommodation for incoming staff as an ongoing battle and identified both short- and long-term rental shortages. The issue is not always captured fully by the headline statistics, but the consistency and specificity of comments indicate that it remains a material barrier for growth-oriented employers.

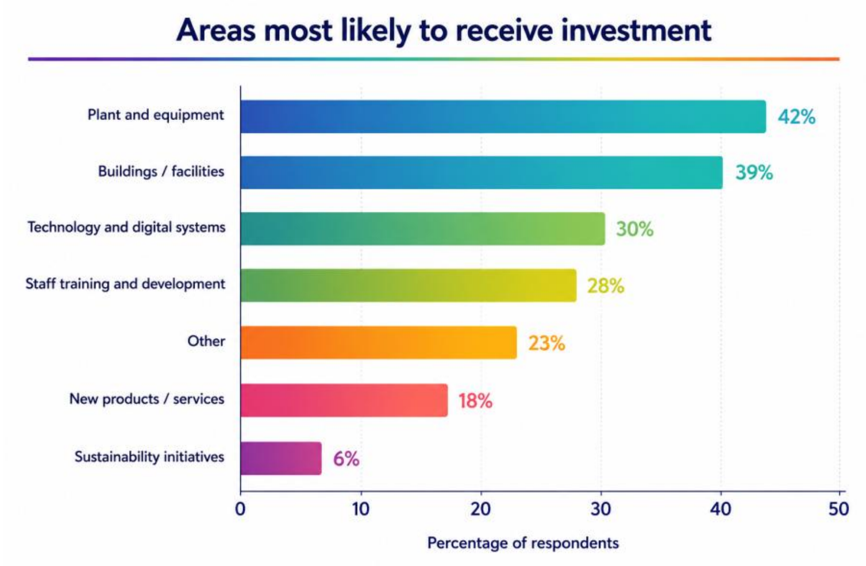
Investment and Growth Intentions

The June survey introduced a stronger focus on investment intentions. Half of respondents reported no current plans for significant investment over the next 12 months. Around 22 percent definitely plan to invest, a further 21 percent may invest, and 7 percent remain unsure. The combined definite and possible investment share of approximately 43 percent indicates a meaningful pipeline of potential activity, although much of it remains conditional.

Plant and equipment and buildings or facilities are the leading investment areas, selected by approximately 42 percent and 39 percent respectively. Technology and digital systems were selected by around 30 percent, staff training and development by 28 percent and new products or services by 18 percent. Sustainability initiatives attracted a comparatively low 6 percent.

Investment decisions are being shaped by necessity as much as expansion. Respondents referred to maintenance, ageing buildings, water systems, fencing, productivity, replacing manual labour with technology, staff capability and flood resilience. Growth, market opportunities and service diversification also feature, but are balanced by concerns about cashflow, rising input costs, interest rates, access to skilled staff, housing, insurance, policy uncertainty and return on investment.





Sector and Community Perspectives

Primary industries

Agriculture is the strongest source of confidence in the survey. Improved meat returns, strong dairy conditions and better wool prices are expected to increase spending in rural communities and supporting businesses. However, respondents remain conscious of fuel and fertiliser costs, weather risk, commodity volatility, regulation and labour availability. Forestry comments were less positive, with references to policy change and businesses considering diversification away from the sector.

Tourism, hospitality and retail

The strong response from accommodation and food services gives greater visibility to tourism-related conditions than in previous rounds. Comments indicate that visitors are still travelling but are reducing discretionary spending once transport and accommodation are paid for. Fuel costs, distance, global uncertainty and uncertainty about the coming season are contributing to a wait-and-see outlook. Retail responses also suggest that stronger agricultural activity is not yet translating evenly into household spending.

Services, education and community organisations

Professional and specialist services reported mixed conditions, ranging from stronger forward work and service expansion to funding uncertainty and the potential withdrawal of specialised services. Education providers linked future staffing and investment to enrolment growth. Some community and not-for-profit organisations raised ageing membership, health and succession concerns.

Community mood

The narrative responses are more polarised than the headline confidence results. Many comments are hopeful and forward-looking, particularly where businesses are investing or benefiting from rural returns. Others express marked frustration with government, council, costs and the availability of essential services. The overall mood is therefore not uniformly positive: it combines optimism about opportunity with fatigue over structural barriers and the cumulative cost of operating.

Summary and Outlook

The June 2026 survey indicates that business confidence in Clutha remains positive but has normalised after the strong uplift recorded in December 2025. The district outlook is now close to the May 2025 level, while confidence in individual businesses is somewhat stronger than it was a year ago.

Primary-sector returns provide a favourable foundation and are expected to generate wider flow-on benefits. At the same time, the recovery is uneven. Cost escalation, weaker discretionary demand, labour constraints, housing, regulation and policy uncertainty continue to limit the confidence of many businesses and delay investment decisions.

The most important emerging signal is the combination of positive hiring intentions and conditional investment interest. A substantial minority of businesses want to grow, upgrade facilities, adopt technology or expand services, but many require greater certainty, suitable staff, accommodation, capital and responsive regulatory pathways. Whether these positive intentions translate into tangible investment and employment growth will be an important indicator of Clutha's economic performance over the next 12 months.