

Mint!

Business insights

with

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Pricing plans continue to weaken

My Aim

To help Kiwis make better decisions for their businesses, investments, home purchases, and people by writing about the economy in an easy-to-understand manner.

Each month I send an invitation to about half of the 31,000 people on my Tony's View subscribers list inviting recipients to give insights into what is happening in their business sectors at the moment. 328 people replied from a wide variety of sectors this month. The aim is to gain real time insights into what is happening in various sectors with respondents choosing whether to focus on customer flows, pricing and cost pressures, expansion plans, and so on – whatever they consider to be the most important developments.

Key results from this month's survey include the following:

- A record net 17% of businesses no longer plan price rises in the coming year.
- Concerns about the economy, customer demand and interest rates continue to track at high levels.
- Gauges of labour market plans and concerns show a clear shift in the balance of bargaining power from employees to employers.



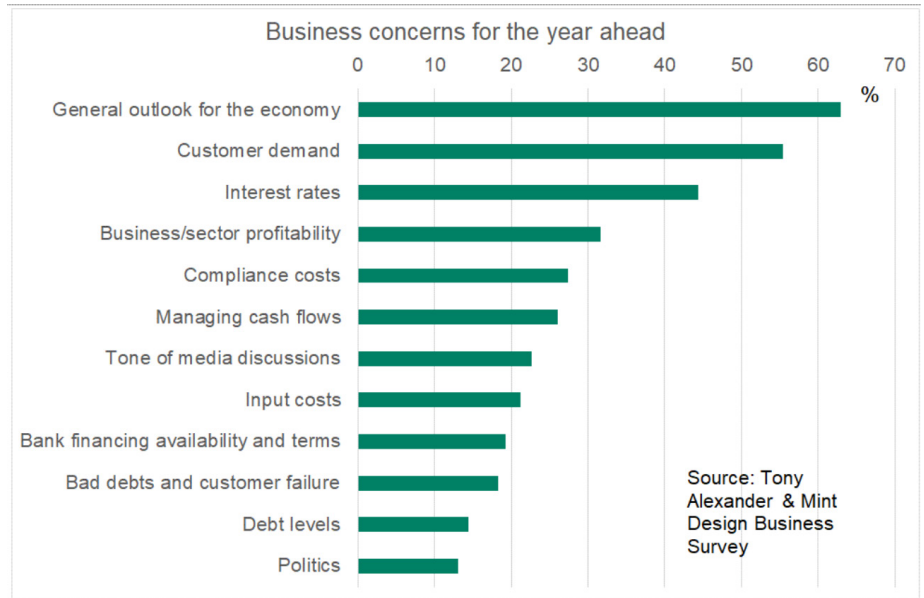
Tony Alexander
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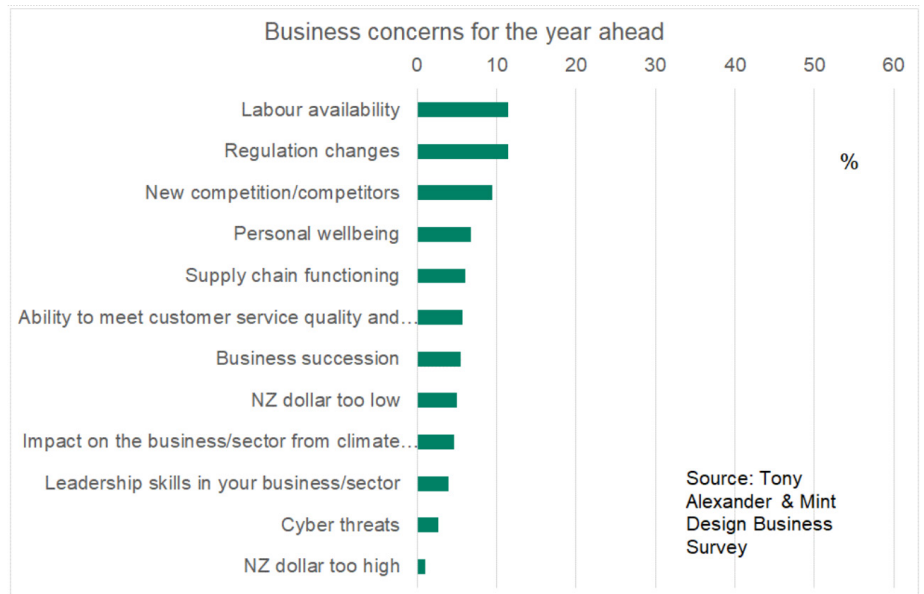
What concerns you most for the year ahead?

We ask businesses to choose the things which concern them most about the year ahead. They can choose more than one area of concern. The following two graphs show the most common and then least common areas of concern cited by business in this month's survey.

The top three concerns continue to be the general outlook for the economy, customer demand, and interest rates.



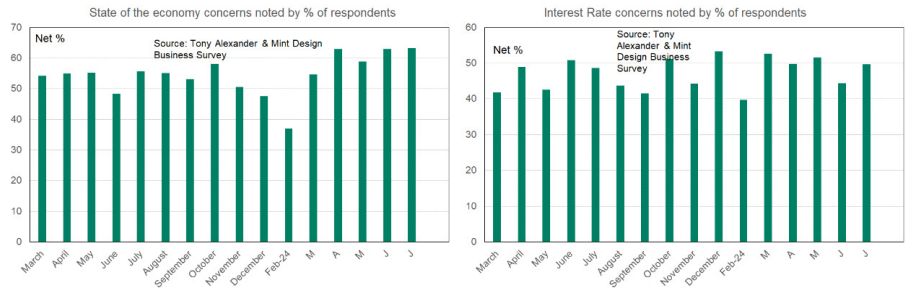
As was the case last month the areas of least concern are the NZ dollar being too high, leadership skills, and cyber threats.



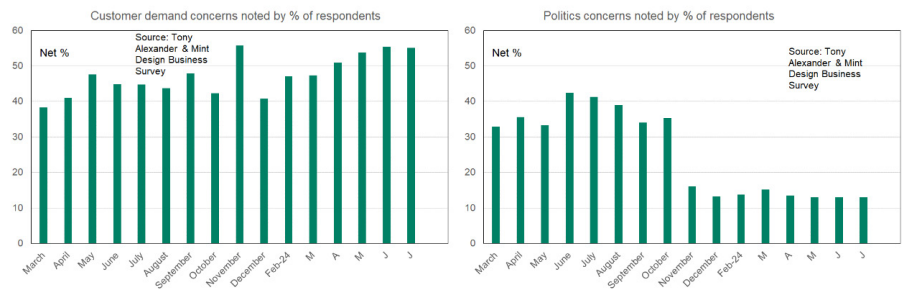


These next graphs look at changes in a selection of areas of concern for businesses since our survey started in March 2023.

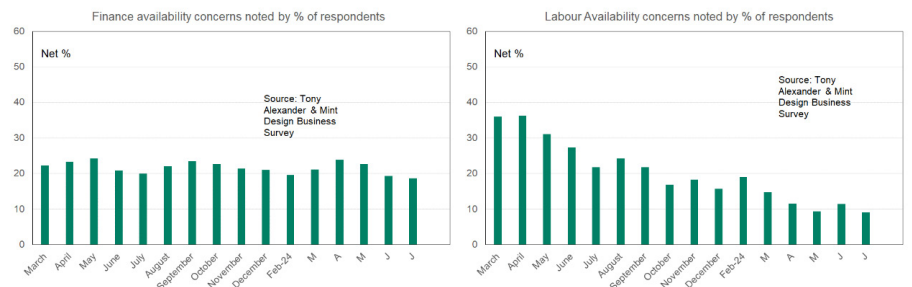
There is no easing as yet in concerns about the economy, and despite the recent more dovish than expected commentary from the Reserve Bank businesses remain deeply concerned about interest rates.



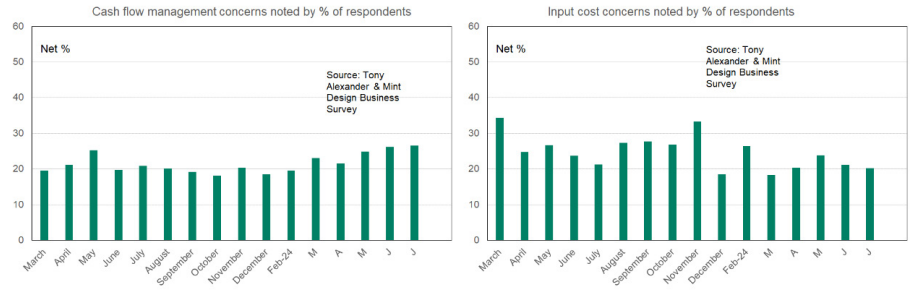
Concerns about customer demand have risen from early this year but there are signs of a plateau being reached. Since the general election last year worries about politics have eased. But no continuing declining trend is underway, suggesting that wariness still remains.



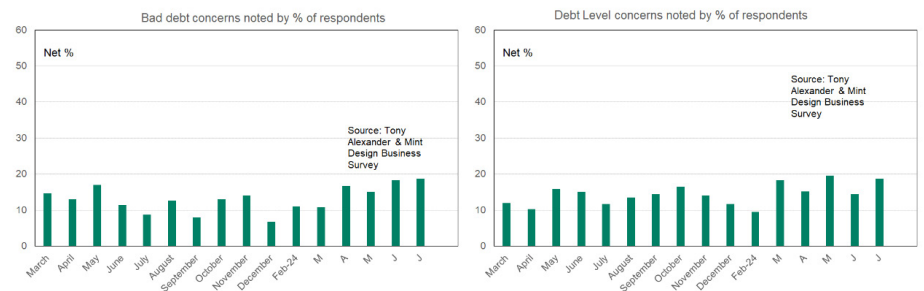
Few businesses say that they are concerned about the availability of finance. But if we were to target a survey specifically at property developers, we suspect the results would be considerably worse. Concerns about the availability of labour are still trending down though not by all that much now given the low level of such concerns with the economy weak and unemployment rising.



Managing one's cashflow is rising as an area of concern and as anyone with experience across business cycles knows, cashflow is king when economic times are tough. Input cost concerns remain elevated, and this suggests downward pressure on business profitability as the focus goes on limiting selling price increases because of customer resistance.

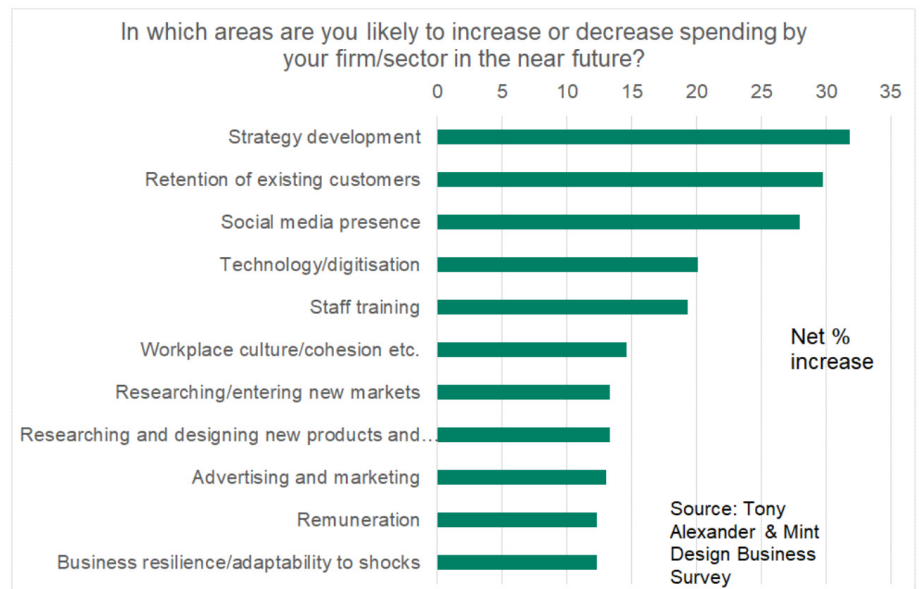


Worries about bad debts are creeping higher but concerns about debt levels generally are not rising.



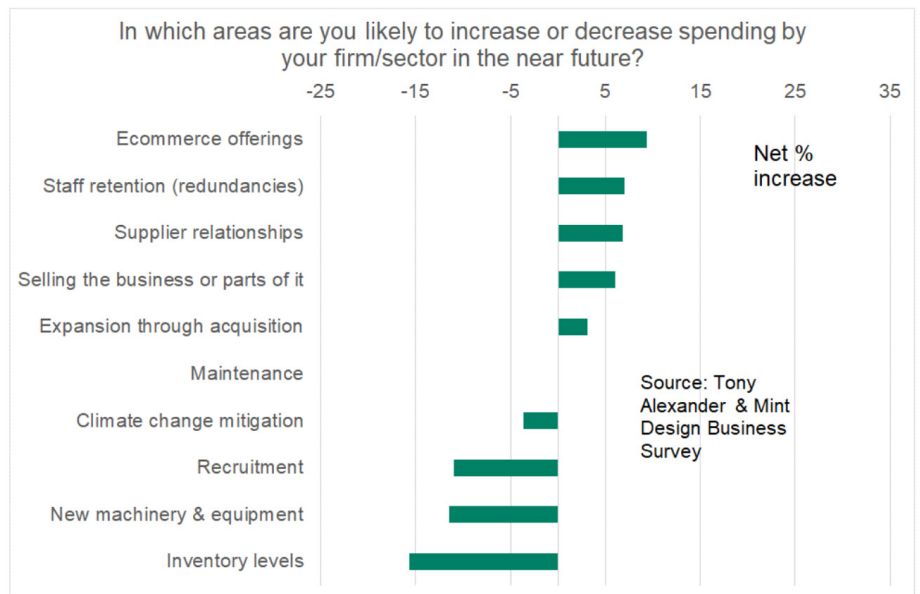
In which areas are you likely to increase or decrease spending by your firm/sector in the near future?

Our second main question is addressed at identifying where businesses are going to allocate their scarce funds in the coming year. As above, we split the results across two graphs starting with areas where most businesses plan greater allocation of resources. The three top areas of spending intentions are again strategy development, retention of existing customers, and social media presence.





Cutbacks in spending are planned in four areas including climate change mitigation. This area appears to have been placed on the backburner as businesses grapple with the weak economy.

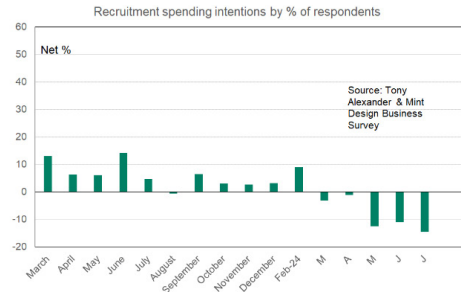
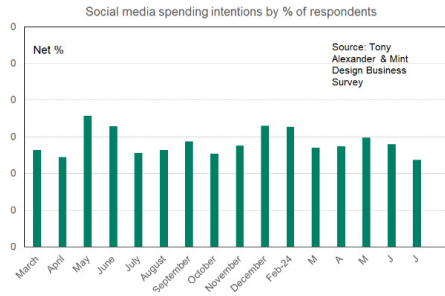


These next graphs look at how planned areas of spending change have been tracking since our survey started in March 2023.

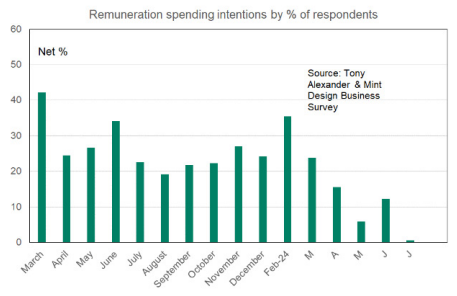
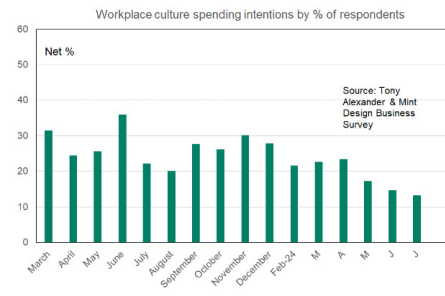
Plans for spending on strategy development and customer retention have been consistently strong since early last year.



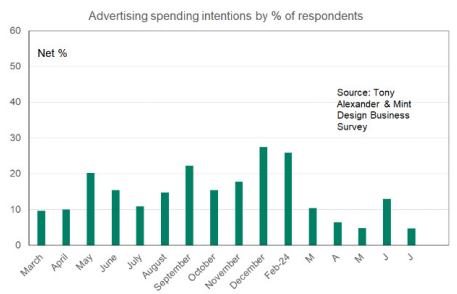
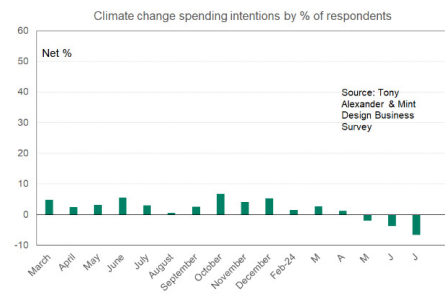
Spending plans for social media presence have been also consistently firm. But recruitment spending budgets remain on a shrinking path.



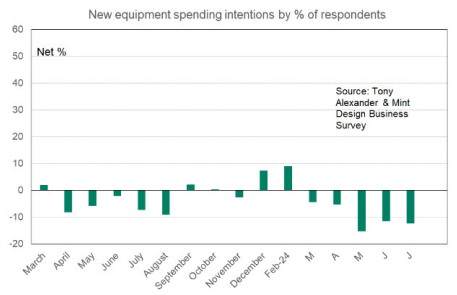
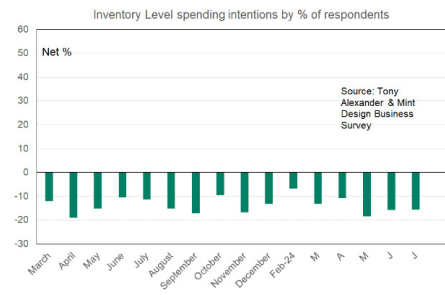
Workplace culture investment is also being deprioritised for the moment along with spending on people’s remuneration.



As noted above, climate change spending is on the backburner. Social media spending must be taking an increasing proportion of advertising budgets as plans for advertising spending are falling while intentions for social media expenditure noted above remain firm.



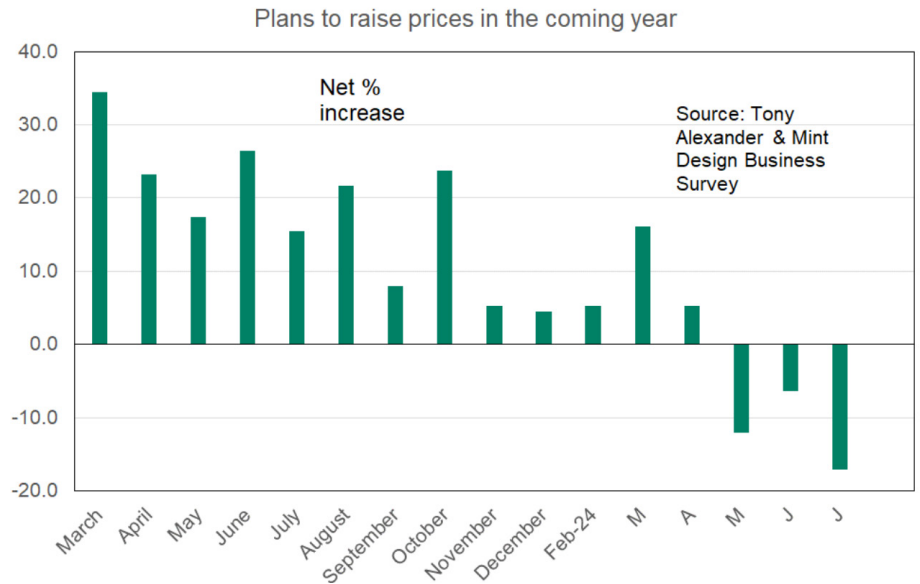
As ever, plans for inventories remain negative and intentions of investing in plant and machinery are on a shrinking track still.





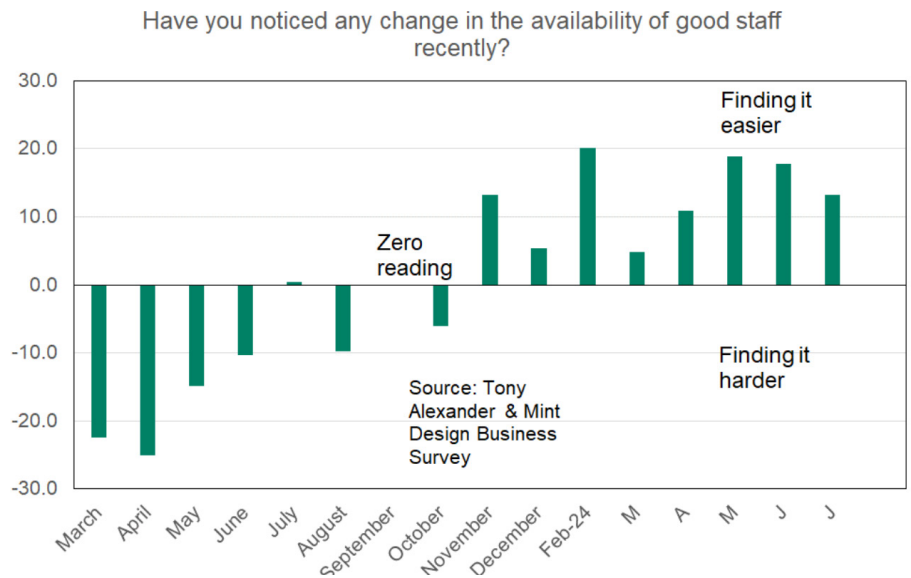
Are you planning on increasing your prices for any of your products or services this year?

A key result of importance in our survey is the shift of business pricing intentions in May towards more firms planning to not raise prices than increase them. This month a net 17% of firms have reported this. The result is important because it has implications for monetary policy – specifically that it is increasingly valid to think in terms of the Reserve Bank cutting the official cash rate from 5.5% well ahead of its planned date of about August last year.



Have you noticed any change in the availability of good staff recently?

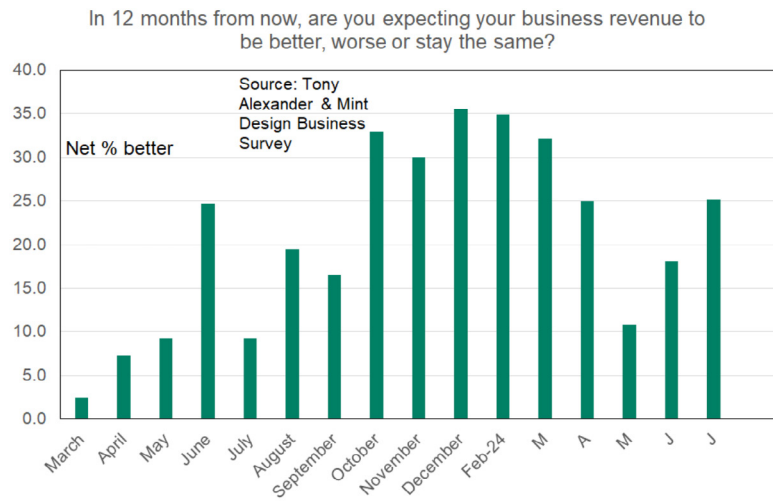
Staff availability shifted towards the positive for businesses late last year and that availability overall remains good.





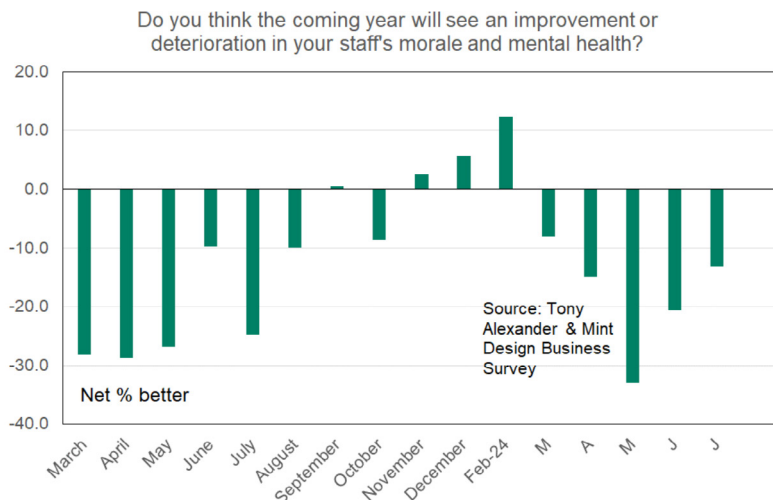
In 12 months from now, are you expecting your business revenue to be better, worse or stay the same?

A high net 25% of businesses expect their revenue to deteriorate over the coming year. The improvement in this measure early this year is well on the way to being wiped out.



Do you think the coming year will see an improvement or deterioration in your staff's morale and mental health?

A net 13% of our business respondents expect staff morale to deteriorate in the coming year. This is an unsurprising result considering the deepening weakness in the labour market which will be a new experience for many young employees.





Respondent Insights

Following are most of the comments submitted by survey respondents, grouped by the industry they allocated themselves to from a list of over 30 sectors. These are the comments of the respondents.

Main points which we are able to glean from these responses include the following.

- Despite the easing labour market many firms continue to report that finding the skilled people they need is not easy.
- Margins are generally under downward pressure.
- There is clear weakness in sectors such as manufacturing, IT and residential construction – among others.

Accounting & business advisory services incl. business broking

- My clients are laser focussed on cash flow; any other conversation is a distraction for them.
- I work with a lot of businesses, and many are at a knife edge. The only thing keeping many in business is the fact that they are locked into a lease, and they need to keep the business going to pay that lease. Many are making no profit or slowly bleeding money. We can see that there is light at the end of the tunnel, but many business owners (particularly in retail and hospo) will not survive that long.
- Business Failures
- I'm seeing my provincial tradie clients struggling, there seems to be a real slow down in building and related trades. Cash flow is tight for a lot of them. Also in the farming sector, less sheds/tunnel houses being built or repaired and less fencing occurring, I'm starting to see rural trade/contractors out of work.
- Slow debtor collects. Greater support for clients.
- I've answered this survey with clients in mind rather than just the impact of the economy on the practice I work for. Many clients have hit the "glass ceiling" of what they can charge, however the same can't be said for their suppliers - particularly in the business of monthly subscriptions. It's "creep" a little here, a little there, and it's all affecting the client's bottom line. Many of our client's received less remuneration than their staff (if any at all) last year; and it isn't looking too promising into the 1st quarter of a 31 March balance date financial year for many clients.
- Difficult to obtain quality / knowledgeable staff at an economically viable price point. We have no issues with client demand and are turning away work as we do not

have the quality staffing to adequately meet new client needs. We service smaller SME clients and do not wish to use price increases as a way of 'weeding out' clients.

- Hunkering down to minimize damage
- Customers having to cut back on advisory services.

Advertising & marketing

- Only good customers are spending. As in, clients who want long term results, not a quick fix. Salespeople are having to really hustle to get deals over the line. Deals are dropping, but perhaps not at the rate the output usually returns. A focus on relationships and customer service is vital, and is the glue that is holding our business together.
- Falling demand as the market is squeezed
- Clients continuing to look for ways to not spend budgets however some new work means we are looking to increase activity this year.
- As a marketing agency I am finding it easy to maintain and get more clients and work. However my clients are struggling. Tourism is struggling, ecommerce is struggling. The only client that isn't struggling is recruitment/job site in the trades industry
- We have seen an increase in debtor days meaning clients are taking longer to pay and this puts pressure on cashflow.
- Lessening of customer spending and risk taking

Cafes, bars, and restaurants

- Margins are super tight impacting on business profitability due to increasing labour and produce costs
- Interest rates are killing our business. The disposable income people used to spend with us is going straight to the banks owing to the difference in mortgage rates they now pay.
- Sales very soft. Marketing not working as well as it used to.
- A lot of talk of a slow winter in retail, interest rates expected to start cutting in September giving some relief.

Civil construction/infrastructure

- Things are very quiet in the civil and construction space and all of the main engineering and construction firms we talk to paint a pretty bleak picture. The common theme seems to be "survive until '25".
- Lack of central government leadership for long term infrastructure planning. Too much political interference, including the short 3-year political cycle for infrastructure. Not a lot of focus on asset management. Too much focus on new, shiny projects (ribbon cutting ceremonies). Need to get back to basics, maintain what we have. I'm not convinced we're growing as (much) as the projections suggest. Need to focus on recovery too. How do we recover



our infrastructure quickly after an event (e.g. storm surges, high winds, cyclone/flooding, earthquakes). No acknowledgement about the impact and mitigation of climate change by this government. Very short sighted.

- The big worry in our sector is that the current cohort of salaried staff have been hired over the last few years at too high a price point that is now unsustainable, and a big down-cycling is needed. Redundant candidates are having to swallow 20/30 percent salary decreases to find work. Maybe this is all healthy?
- Uncertainty due to govt decisions
- Price cutting to secure work, retention of key workers even if workload doesn't support it.
- There is still plenty of work in construction but finding the right skills is hard to come by.

Commercial construction

- I can see the majority of good businesses using this time to improve their businesses, alliances, systems etc. The businesses that are struggling, are struggling to use this opportunity with what appears to be a lack of confidence or cash maybe?
- Architects - the canary in the gold mine. Turnover is half what it was two years ago and down significantly on the last decade. Clients are waiting for interest rates and construction inflation to drop; they're also sitting on inventory (empty or unsold real estate). The Government wallet has closed with a resounding 'SNAPI!' too. A Quantity Surveyor mate told me recently that his biggest concern a year ago was cost increases, now it's subcontractor failure - a massive shift in a short time.
- We see a shrinking margin as main contractors battle for a smaller pool of work; everyone I speak to has the same story. When asked how are you going "we are OK but could do with some more work" This is code for we are concerned! Either our current or forward workload is to light and we cannot see anything coming down the pipeline.
- Reduced demand and increased costs - Kianga Ora reduction in work - impact on sector huge
- Limited new projects starting with most clients sitting in a hold pattern
- All our suppliers and competitors are chasing work.
- Forward workloads are looking promising but the journey to get there is looking a tough one.
- Significant increase in uncertainty and competition across the board (clients, consultants, subcontractors and suppliers).

Commercial real estate

- Commercial & Residential property services - Customer retention is a grind although the worst might be over but obtaining any new business is still very challenging.

- Tenants are in no rush now to lease industrial premises even though there is still a relative shortage of space.
- Interest costs are crippling.
- An increase in distressed owners, especially those who purchased at the peak of the industrial market a few years ago, there is a big gap between what owners will sell for vs buyers are willing to pay. Bank funding is hard to secure, with huge equity requirements for Design and Build customers, also creating an investment through building is currently not economically viable, with Interest rates outstripping the return from rental income.
- The market is very cautious
- Tight. Need to retain every customer because new ones are hard to find.
- Risk of tenants in financial strife.
- Industrial Leasing - Tenants are quiet, business has dropped off. They will do anything to stay in business, however. High interest rates are hurting.

Education and training

- I operated through the GFC, and had family operate through the '87 crash...This is worse than the GFC. Adrian Orr has a hell of a lot to answer for.
- Parents trying to save money and unable to afford what is required.
- Decline in key personnel replacements.

Energy

- A slowing of training/upskilling on employees but with a focus on compliance training only. Supplier products with increased prices and longer lead times.
- A tightening of the belt, by reviewing all current/future costs and putting a hold on unnecessary spending. We have been told by the powers-that-be, for all of the business sectors within the company (nationwide) to pull in the strings and only spend on necessities that are paramount to Production.
- Lack of customer demand & recruitment of skilled staff

Engineering

- Clients seem to be holding off capital projects at the moment. The alternative to this is they need to spend more on maintenance although these done provide as much work for our industry.
- Lack of component availability. Slow supply chains. Constant cost of goods sold price increases.

Farming & farming services

- A little more optimistic in the farming sector
- Cautious Optimism



- Hopeful with the new government that the restrictions and unrealistic expectations are reduced from the farming sector.
- Interest rates are staying stubbornly high, and costs are still increasing. This is seriously squeezing the profitability. The outlook was looking better until the last GDT dropped 6.9%
- Being a net exporter of food products we are seeing sluggish economies with modest demand in most markets. Price is always key to securing sales. Shipping schedule disruption, port congestion, transit delays, are our biggest challenge.
- Lack of confidence.
- Survive to 25! Farming folk are hunkering down. Kiwifruit (our Biz) not so bad.
- Increasing input costs in all areas. Reduced profit on cattle sales.
- Difficult to recruit and retain good staff.

Financial advice/wealth management

- Expect to see an increase in investment enquiries when bank term deposits start to drop.
- Using tech and rationalizing processes and staff utilization.

Health

- More people putting off spending money on their healthcare unless critical.
- Despair.
- Many Staff moving overseas - mostly to Australia.
- Limited spending by government putting pressure on the profitability of our contracts, plus the struggle to get qualified staff.
- General downturn, amplified by a downbeat media.
- Uncertainty and increased workload as savings through staffing are made to improve the bottom line. Not replacing, merging roles, increasing KPIs, not increasing salaries which in effect is a pay cut.

Horticulture

- Record Kiwifruit harvest for 2024 has revitalised the sector after 2 extremely difficult and challenging years, with increasing levels of investment already evident. Labour availability is back to pre Covid levels.

Information technology

- IT projects on hold. Strong vendor competition for available business. Job redundancies.
- Adoption of AI.
- We largely serve a global customer base and provide a product which enables cost savings (but can also be avoided) so this helps ride out regional economic bumps.

I think the current climate is definitely influencing us to be more restrained and careful with spending though.

- Long decision cycles, multiple levels of approval required to get customers to a point of signing up to a new service.
- IT sector is the worst I have ever seen it in my 25 year career.
- A need for eliminating waste.

Insurance

- Increase in business failures.
- A general negative outlook on the year ahead. Businesses are very nervous about the coming year the lack of work in the economy meaning they are reluctant to take on increased risk or spend more.
- An aging adviser fraternity and difficulty in recruitment and increased costs of training. Compliance and regulatory costs are expensive and impacting upon productivity.

Legal

- General slow down in property sales and lack of confidence to spend.
- In Litigation law we are getting more inquiries from people in trouble, both on business and relationship level; staff are leaving to pursue other options (not because of morale reasons); difficulty in getting professional legal staff has been a long term issue.

Manufacturing (all categories)

- Low demand.
- All major customers are going through layoffs. Customer payments are stretching out as cashflow challenges hit. Most in the furniture sector (commercial and residential) are reporting revenues of 25 - 35% below last year.
- Everyone waiting.
- Some tough challenges as a manufacturer, both externally (customer demand), and internally (staff turnover and resulting manufacturing issues / write-offs).
- Slowing NZ Demand but Australia steady.
- Positivity, but not translating to new sales.
- Drop off this year but a turn up for the good moving forward, I don't believe it will happen quickly, maybe another 18 months away.
- Harder to find new customers, price increases from suppliers are impacting our ability to sell to offshore markets with NZ's high inflation.
- General confidence to invest for future growth.
- Devaluation, commoditisation, simply no one spending.
- Sales promotion and discounts are now tools to maintain Customer demand rather than promoting more sales - i.e. volume stay the same while promoting.



- Retail very poor.
- My SME clients seem to be hanging on by their teeth, but are still resilient.
- Difficult trading conditions for commodity products - both demand and pricing with continued supply chain issues.
- There is structural change occurring on our sector, we are trying to ride wave or be slightly ahead, we have strategy and plans in place to support this and have positive investment intentions in staff development/culture, technology and market to support this. We see some B2B customers adapting or being disruptors others are losing market share or going out of business. We are attempting to gain market share and avoid bad debts! Also trying to encourage some of our B2B customers that are slow to change to adapt as we have had a long relationship with them. But some horses just dont want to drink!
- We pay wages near min wage, very hard to get staff now. Hence cutting back on staff needs is key to our strategy moving forward. Driving costs down in all areas have been occurring last 18 months and will continue to be a priority. Investment into CAPEX has dried up.
- I'm in the luxury goods manufacturing industry, and I've seen a stark decline in younger customers (<50). If it weren't for the loyal older demographic adopting a 'you can't take it all with you' mindset, my business would have folded long ago. From my perspective, the current inflationary environment poses a significant challenge. The hurt to the bottom line of consumers (cost of living) has changed their shopping decisions away from items that might have been more attractively packaged to budgetary low cost items. FMCG items which might be considered a luxury, or a nonessential are being left on the shelf. Liquidations are coming!
- Slowdown in some areas, customers taking this time to undertake maintenance and buying parts. More quoting before confirming purchase.
- Business failures and closures.
- Slow buying decisions from customers, deals taking longer to close than normal. Lower levels of general customer enquiries.
- Customers are slower to accept quotes which in general are a lot smaller than what they were.

Miscellaneous

- Charity providing free financial assistance. Loss of govt funding in an area that urgently needs assistance.
- Facilities Management We only operate in the B2B market, and most customers want to reduce service levels to reduce costs, unfortunately, that always leads to complaints from the customer's staff, resulting in more time spent dealing with complaints, rather than value. Often the customer's procurement team just want the savings and doesn't communicate the changes to their staff effectively. i.e. they

want to pay for a Suzuki Swift but need a Toyota Rav, and expect a BMW X5....

- Forestry - Depressed domestic and international markets for wood products, China economy improvement uncertain.
- General maintenance work handyman on rental properties, landlords. A lot of my clients are stretching out payments and only doing what has to be done i.e. healthy homes compliant other don't want to pay until they get tenants in the property and rent in. which tells me they don't have surplus funds.
- Immigration adviser government policy changes are generally extremely unhelpful.
- Marine surveyor My workflow is steady.
- Market research Government spending has been reduced and this has flowed onto businesses who provide services to Government Departments. Currently we are reliant on work flowing in from our international clients as opposed to work we would usually do for Government Departments or New Zealand businesses.
- Mineral exploration and mining. With the change in government and high gold price the minerals sector in NZ is generally buoyant. The sector is optimistic we will see mature conversations around NZ's mineral use and national supply opportunities.
- Miscellaneous - Customers spending less.
- Miscellaneous There has been a big drop in discretionary spending and that has impacted the business of our tenants severely.
- Office supplies - 800+ active business customers survive to 25.
- Personal services - Customers are not spending; they are happy to attend trade shows to look at products and will snap up a bargain if it suits their needs, but overall sales are flat. I am not buying new stock, as the import costs are too high given the value of the NZ dollar.
- Property Maintenance - I work in Hamilton. This year my price increases due to inflation/supply pressures/ local governments costs etc, are overshadowed by the large increasing time to travel to/from workplaces. Previously I visited an average of 12 properties a day, but now struggle to visit 10. A 16% drop in revenue if I don't increase prices above the inflation/costs alignment. I hear there are a few small jobs Property Maintenance Operators have had enough and moved on. I would say there are other industries affected as well, such as Courier Drivers, Emergency Services, etc. The cause of the problem is blamed on increased population growth, but the biggest factor is the change in road infrastructure design. Reduced speed limits. increased on-road cycle lanes, fewer free left hand turns or restricted by cycle lane bollards at intersections, narrowing with speed calmers at roundabouts, redesigned bus stops cutting off one road lane, increasing removal of roadside parking. Summary: If I quit this industry, it won't be so much due to the worsening economy but mostly due to Local Government actions.



- Business broking - Serious potential Business purchasers and existing Businesses looking to acquire, however softer than usual potential seller and new listing activity
- Charity - Due to financial pressure people are not giving as generously to our charity.

Mortgage broking/advisory

- Lots of confusion and hesitation from clients and industry with the uncertainty of what is to come. Some optimistic some definitely not.
- I see recent changes for the positive in the property sector meeting decreasing interest rates providing an uptick in property sales later this year into 2025, however this will be tempered by DTI's.
- Lower volumes.
- First home buyers are the only active market in Real Estate. No one has any money and I have never seen so many people so disillusioned with the economy and the direction of the country. It feels more systemic than cyclical.
- Reduction in enquiries.

Motor vehicle sales/parts

- Auto Electrical An increase in WINZ quotes requests. An increase in requests to pay off repair costs over a period of time. An increase in consumers looking for technicians that can actually do what they purport - fix cars. Some very shoddy workmanship in the industry.
- Insurance owned shops deferring customer straight to them.
- Very slow June, like Christmas-time levels of business. Low road traffic means fewer accidents and less servicing = fewer parts sales. July not looking promising with school holiday effect. Decreased vehicle sales over the last 18 months will start to have an affect on UIO, are we starting to see the outcome of this now? Parts sales likely to stay relatively flat until such a time as vehicle sales have been on the increase for a year or two. So likely another 2 years of hard times at least.
- Increasingly squeezed margins from our principal supplier, coupled with increasing staff costs (demand far outstripping supply in this space) are challenging the viability of our business (Motorcycle retail and repair).

Property valuation

- A lack of activity as buyers pick their moment to pull the trigger.

Recruitment

- Recruitment Sector - Staff shortages easing in pockets here and there but quality staff in specialist fields are still very hard to find, and even harder to move. Especially as we see

record outflows of Kiwis and hardly anyone returning home, coupled with a bleak outlook in the employment market. Less confidence in the market means less candidates willing to risk a move to a new employer.

- Coalition led government redundancies are having significant impact across the WLG market. While needed to some degree, they have been "brutal" and major impact right across the WLG business sectors.
- Lack of investment by government and the private sector is not creating jobs and opportunities for someone like myself in recruitment. Lots of concern and worry from people and business owners.
- Competition instigating a race to the bottom on price. Key customers giving a careful first glimpse of hope; most saying the worst is behind them. The recruitment industry is the thermometer of the economy and will know first when optimism is up or down - in either situation temporary staffing is the go-to solution for businesses if they still have product to manufacture or transport, buildings and roads to build, etc, whilst having not enough confidence to hire permanent staff. Based on what my customers tell me, I'm optimistic that come November our industry will be tracking rather well again.

Residential construction incl. section development

- Architectural design feels like bottom of U end of this year. 1-2 years to climb back out. still renovation/new homes jobs out there for clients like doctors etc who aren't exposed too much to the economy like the rest of us. just got to find them clients, eh? normal advertising waste of time. Word of mouth is king.
- Architecture Services - Competitor reducing their fees to buy projects.
- Building material supplies - Hesitation from property developers / housing owners due to uncertainties around cost and availability of finance, employment, changes government policy etc. creating a general loss of confidence to commit.
- Electrical contractor - We are based in Whangamata and have noticed a large number of out of town contractors in town chasing jobs as their work has died off at home.
- Electrical maintenance - competition from the cash , black market economy. regulation and compliance costs.
- Residential construction dead, await reduction of interest rates.
- Zero demand for new work. Focused on repairs, service or improvement work.
- Taking longer for clients to pay.
- Customers reluctance to spend money.
- This is the worse I have ever seen the drop off of new builds in the residential sector. 35 years in the industry.



- Generally depressed environment with clients nervous to commit.
- Liquidations, there is a purging of developers and so called “construction companies” going on that will inevitably drag down good hardworking small businesses.
- Downturn in demand. People pricing around more/ delaying projects.
- Very difficult market - GFC-like. We have an architecture business - residential and commercial. Developments are either stalled or delayed. While the change of Government has been a godsend, the uncertainty with the repeals and lack of replacements, along with land costs & bank financing costs, has the market sitting on its hands. Like many others in our industry, we are having to lay off staff. Down South seems to have more green shoots, so we are investing there. We believe it will take more than a couple of OCR cuts to get the market going again. ‘survive to 25’! (Or is that 26?!).
- Sales are easing. Clients are taking longer and are less confident signing up for new properties. We are making adaptations to increase our market size.
- No new build enquires for some time now. People are very price driven over quality.
- No buyer enquiries. Still high building costs not seeing much drop. Still increasing compliance costs with legislation from previous gov. Margins very squeezed.
- The economy seems to have ground to a halt over the last few months. High interest rates having a huge impact on everyone we talk to. Our business is struggling. The Reserve Bank has clearly gone too hard for too long and they seem to have very little idea of what’s actually happening in the real economy right now.
- The material costs for residential construction in NZ are way above other OECD countries. productivity is terrible due to regulations both local council and government.
- Supply of resources greater than demand. Greater number of supply chain insolvencies. Reduced product demand.
- I’m seeing subcontractors and suppliers approaching me more than usual to include them on the current project and next project.
- Home sales are more difficult, however seeing improvement through bright line reduction and investors gearing up to re-enter the market.
- Business is slower than it has been, but we are getting more enquiries than we have for new builds than we have done in the past 6 months.
- We are busy but others are not.
- Most companies are very light on work but there are regular exceptions to this. Doesn’t seem as bad as reported with sign already showing of more work coming online.
- Resi construction, new business enquiry is at an all-time low, people’s wallets are hibernating for the winter, and restrictions on new public wastewater connection serious

concern for our industry, can’t build new houses without new WW connection, building companies going under, all creating nervous hesitant market.

- High interest rates and building costs suppressing demand for new builds/ renovations.

Residential real estate

- Inflation, interest rates, cost of living, business confidence are all major factors in the overall change in the Real Estate industry. Government policy bringing back tax deductibility & Bright line test important not only for owners but also for prospective tenants. More investors give us the supply of properties which counters out the increasing rent rises.
- There is not a lot of money out there buyers are sitting on their hands.
- Homeowners bringing their properties to market and thinking they’ll achieve the price they would have 2 to 3 years ago. They’re ‘On The Market’ not ‘In The Market’.
- Over supply of stock, buyers wanting a bargain, sellers slowly realising real estate wasn’t a great investment if purchased 3 years ago.
- I work in Residential Real Estate in Christchurch. The property market itself is still really steadily moving and a lot of us agents have confidence going forward. Our office has been outperforming the results of our 2022/23 FY so far. We are cautiously awaiting the changes in the coming months/ years, but I am hopeful that CHCH is yet again, on the way back up.
- More vacancies in commercial real estate longer time to fill, residential margins down due to rates insurance increase rents still need to catch up.
- Retail spend is down and people are holding back to see what is going to happen. The media don’t help with this.
- Buyers are very selective, and procrastination is common. To create competition, interest rates need to decrease.
- First home buyers keeping us in work, higher end properties are a tuff sell, interest rates need to come down, everyone hurting, except the banks.
- Steady trickle of buyers, more local and in lower price ranges. Bare land sales and new home construction slowing significantly. Prices down and expecting to drop further and flatten out for rest of 2024.
- Lack of customers.
- No spending, an air of depression, too much media negativity.
- I feel now is a good time to reinforce the foundations of our business, and this will help leading into the new year.
- A lot of Vendor clients still expecting old prices for their properties, but it is slowly changing, and they are becoming more aware of the buyer climate. Buyers are slowly coming back and more willing to complete contracts than before, but certainly no rush to do so. Staff morale is ok, and they



understand this is a time to knuckle down and keep pushing forward. Business costs are being kept to a minimum while we survive this.

- Resistance to making offers on property - that FOMO is not there. Vendors price expectations are higher than what the market is prepared to pay. Buyers are playing safe with concern of retention of employment and are holding back from upsizing due to cost of living and the difficulty in lending. More people downsizing homes and mortgages.
- The property market is poised to move again with good listing numbers, but fewer buyers prepared to engage
- Less subject to sale buyers. People are making sure they have the money before proceeding in property transactions. They want certainty in uncertain times.
- Lots of people wanting to sell, however the buyers are not motivated to purchase and are in no rush to engage. Just waiting on the tide to turn and hope green shoots of spring will bring motivation as well as daffodils.

Residential rentals/Investment

- Steeply rising costs continue to be a concern.
- Rental incomes, both residential and commercial, are decreasing, but expenses increasing.
- Everyone fairly cautious, not a lot of risk taking as uncertainty in the market. In saying that there's always opportunities to be had in a up or down market.
- Overwhelming stock levels, too many rentals on the market in wellington, tenants got lots of choice, prices coming down - longer vacancies - reduced labour in wellington due to govt redundancies easing market pressure.
- Tough going.
- Selling property to divest debt issues.
- Lack of confidence in customers to spend even if they have the money to spend.
- Good tenants are not that hard to find. Rents have a lot of upside. Rates and insurance now form more than 12% of the rent.
- The cost of Interest rates is being passed on to tenants with high rent increases.
- Massive squeeze coming from regulators, staff/contractors hate it and want out of the sector or just charge more for services.

Retailing

- Lack of customer engagement and spending.
- Low sales rates. Lots of competitors putting stock on sale. Nearby businesses leaving or closing down affecting foot traffic.
- Trading is terrible, customers simply are not willing to spend due to cost of living, general uncertainty over their employment, high interest rates and inflation. Don't expect

to see an improvement until 25. Just a matter of trying to survive until things change and manage the expenses of the business ruthlessly. In the past 10 years, have never seen it this bad, even worse than the Covid years.

- Consumers are only buying the essentials, nice to have things are getting past over.
- Lack of demand from consumers, general reluctance for people to spend.
- Revenue continues to decline, and the business is running out of ways to reduce costs, if the RBNZ doesn't cut rates soon to stimulate demand it will be late. We have owned the business since 2017 and have never experienced such a dramatic decline in cashflow, it is now much worse than covid trading.
- I'm in Home improvement/Hardware, and retail side is very flat, the trade side has been good till now, but is feeling like we are hitting a plateau. GP% on turnover has been heavily eroded the last 12 months with the need to stay price competitive, very little relief in cost prices from suppliers at the same time. Next 12 months will be challenging.
- Sales decreasing.
- There is increased sickness among our team, with many of them being out for over 10 days YTD. We are noticing a rise in "buy now, pay later" (BNPL) transactions in the grocery categories, Technology sales, particularly laptops & office equipment, are declining, and sales of clothing, home decor are slow. Additionally, our profit margin is being compressed due to market trends and competition.
- Retail crime is affecting our business due to inability of police and justice system in dealing with thugs.
- Increased theft and poor customer behaviour.
- Import freight costs & low NZ dollar value.
- A building wave of work that just keeps getting kicked down the road. We can't get to it due to compliance issues or people being ready to go but waiting to pull the trigger. Because it hasn't been lost the wall of work keeps growing but remains elusively just out of reach.
- Our customers are very affected by inflation and high interest rates so their ability to spend is diminishing.
- Worse than GFC - higher costs and lower demand from customers leading to low profitability.
- A value-based mindset is changing the product mix that customers are tending towards. Premium products are still being purchased, but likely a trade down from other higher value channels.

Shipping, transport, storage & distribution

- Been in a slowdown since late '22, but last quarter was slower still. Tough times for many of our customers.
- People are very price conscious at the moment. Compliance costs and most running costs keep on rising.



Tourism & accommodation

- Lack of events in Auckland this year plus an increase in hotel supply has resulted in more competition, lower room rates compared to last year.
- Things are quiet, there is a lack of customers - mostly domestic, internationals are trickling in. We are still behind vs. pre Covid and yet costs have skyrocketed.
- It is exceptionally quiet - there has been at least 60pct drop in custom.
- Domestic demand is the worst we have seen, and the off-season is soft. International demand and forward bookings are strong and at record levels this far out giving cause for optimism.
- Significant lack of bookings for accommodation. Nearby cafes, restaurants and retail all reporting weak business times with no / little customers. Some cafes reduced days open. No future bookings for accommodation in place for next 12 months.
- I have an Airbnb and there are definitely fewer customers than this time last year. Less kiwis travelling and less international tourists. Especially Chinese. Also the government GST add to Airbnb has hiked prices for the tourists, so the hotels are probably getting some business back. But I see their prices are low atm also.
- Increased desire for travel and overseas experiences. People willing to pay for high end travel, accommodation and services. Our customer base is more skewed to luxury/business-first class travel and there is a steady to increasing demand for that.

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