Mint Design

Mint Business Insights

With **Tony Alexander**

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Pre-election weakness in many business sectors

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. 230 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.

This month businesses reported that they are still deeply concerned by the state of the economy and interest rates, with frequent mention of desire for change in the political and policy arenas. Areas of strongest planned spending increases are retention of customers, development of strategy, and staff training. But there are now five areas in which more businesses plan cutbacks than increases, compared with just two last month.

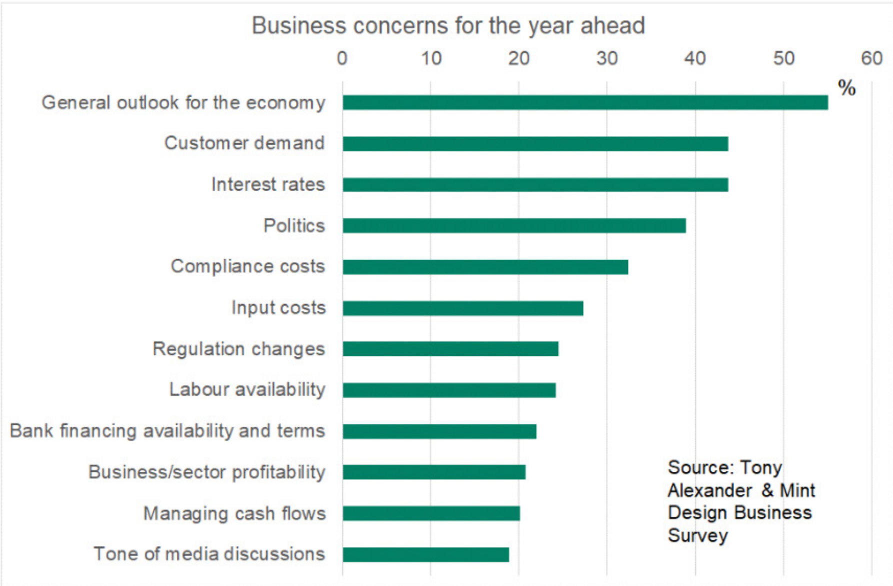
Weaker business spending itself begets weaker levels of economic activity and this alongside some clear factors such as falling export prices, rising oil prices, and falling consumer spending help illustrate why recession may return later this year.

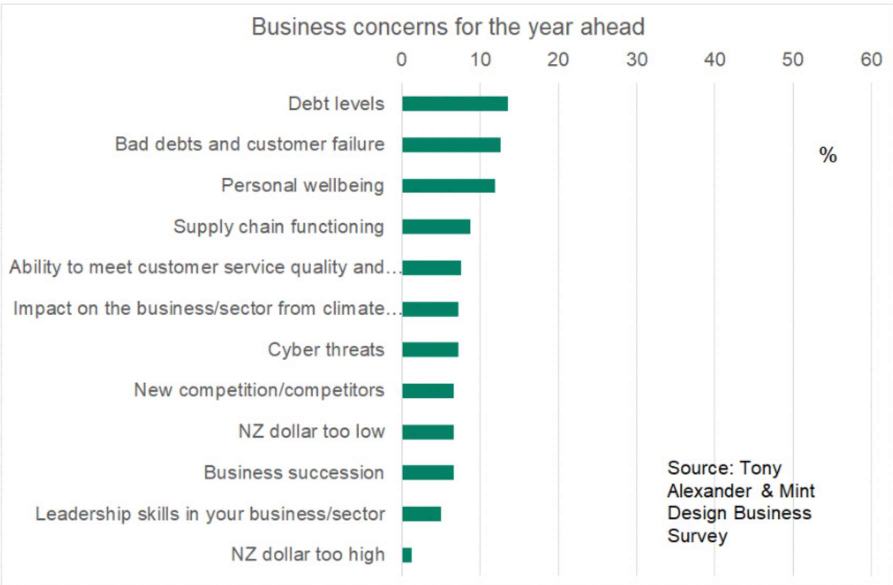
Tony Alexander
Independent Economist

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.

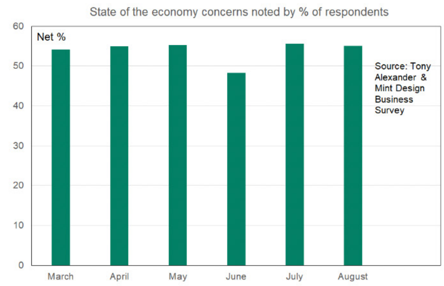
The biggest concern of businesses is the outlook for the economy with 55% citing this factor. Next most concerning is the level of customer demand followed by interest rates and then the state of politics. Least concerning are the NZ dollar being too high, leadership skills, and business succession.

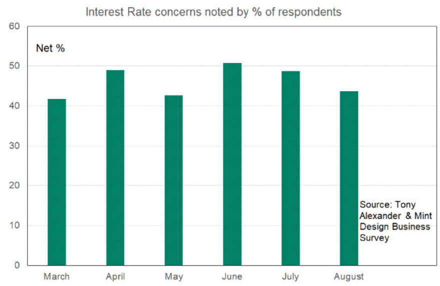




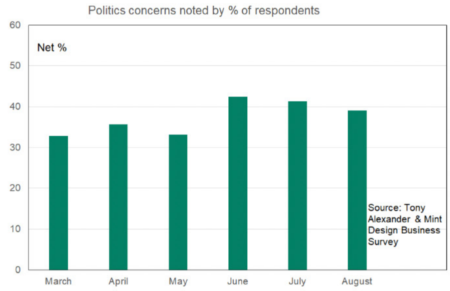
Our survey has been running for six months now and we are able to gain some useful insights into how concerns are changing over time in the following set of graphs.

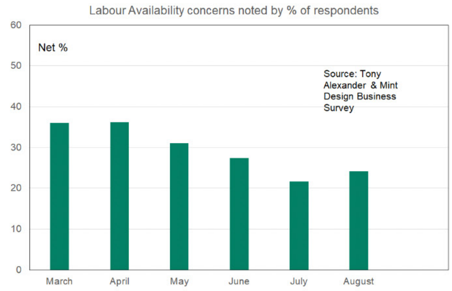
As yet there is no improving trend in concerns about the NZ economy. Migration may be booming and adding to demand for consumer goods and services, but many Kiwis are discussing leaving the country, costs continue to rise, dairy prices are falling sharply, our biggest export destination China is deteriorating, and interest rates are explicitly set by the Reserve Bank at levels intended to crunch the economy and thereby eventually suppress inflation. As the second graph here shows, there is no easing in interest rate concerns as yet underway.



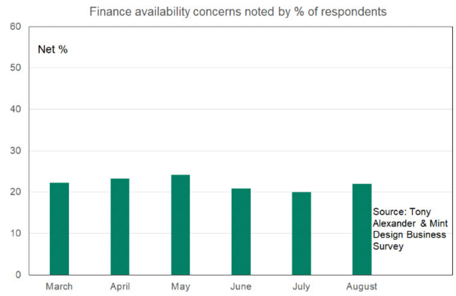


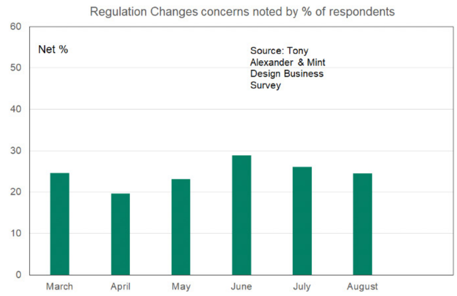
Concerns about the state of politics in the country rose in June and have remained elevated since then. Worries about availability of labour are generally easing off though not at a rapid pace. That may change as other indicators show growing numbers of job applicants and fewer positions being advertised.





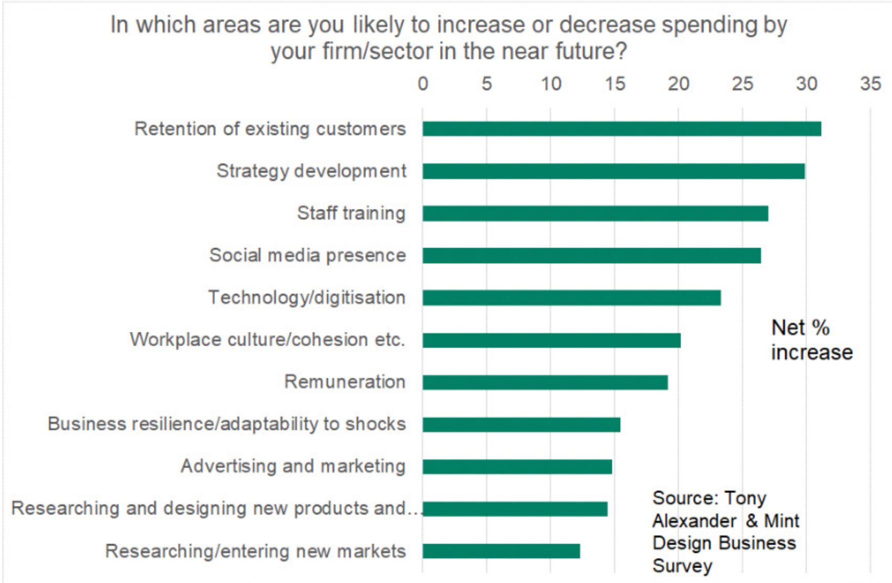
Finance may be tough to access for property developers and many home buyers, but for businesses this area does not rate as a particularly high concern and no rising trend in concerns is apparent. Concerns about regulations are greater than concerns about availability of finance.



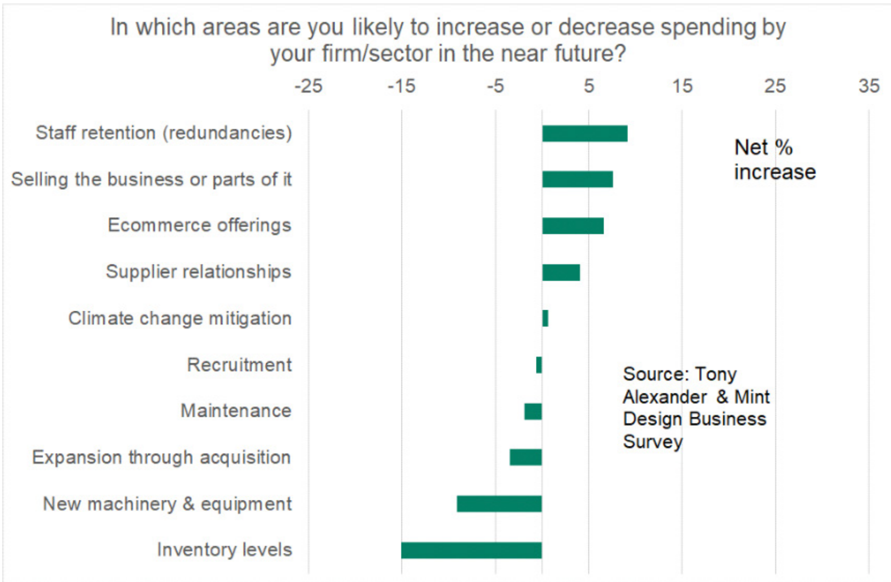


In which areas are you likely to increase or decrease spending by your firm/sector in the near future?

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 top area of planned spending increase is retention of existing customers followed by strategy development, staff training, and social media presence.

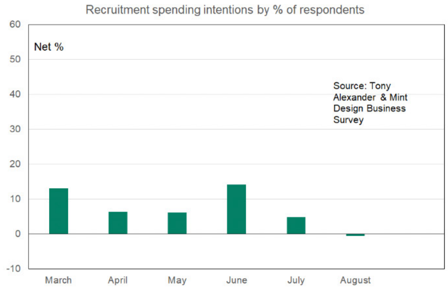


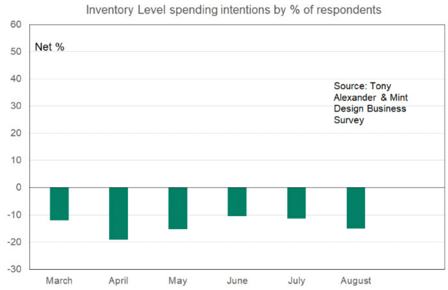
There are now five areas where businesses plan to cut back on spending, led by inventories and new equipment, then expansion through acquisition, maintenance, and for the first time recruitment.



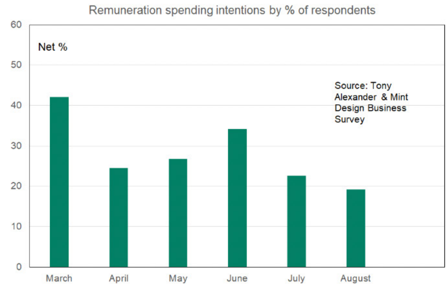
These next graphs look at how planned areas of spending change have been tracking since our survey started in March this year.

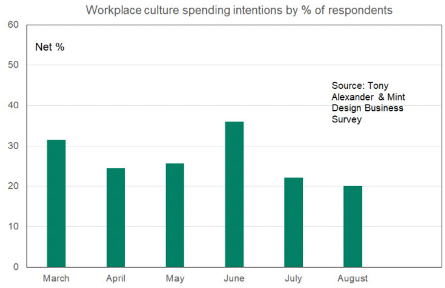
Recruitment spending intentions have turned negative. But not by as much as cutbacks planned for holdings of stock. High interest rates and concerns about the economic outlook traditionally cause stock levels to be reduced.



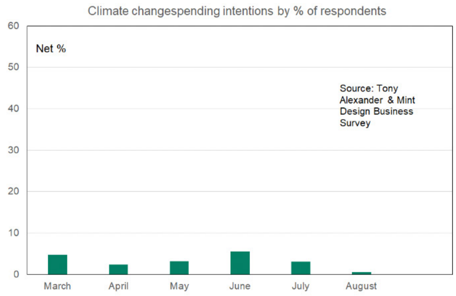


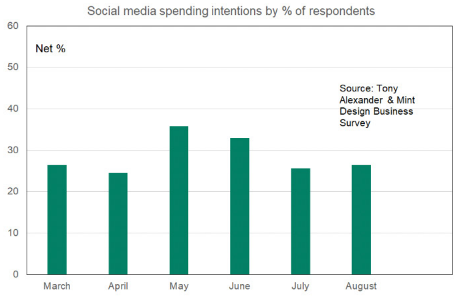
As the labour market eases off businesses are showing decreasing plans for paying people more and for spending on issues of workplace culture.





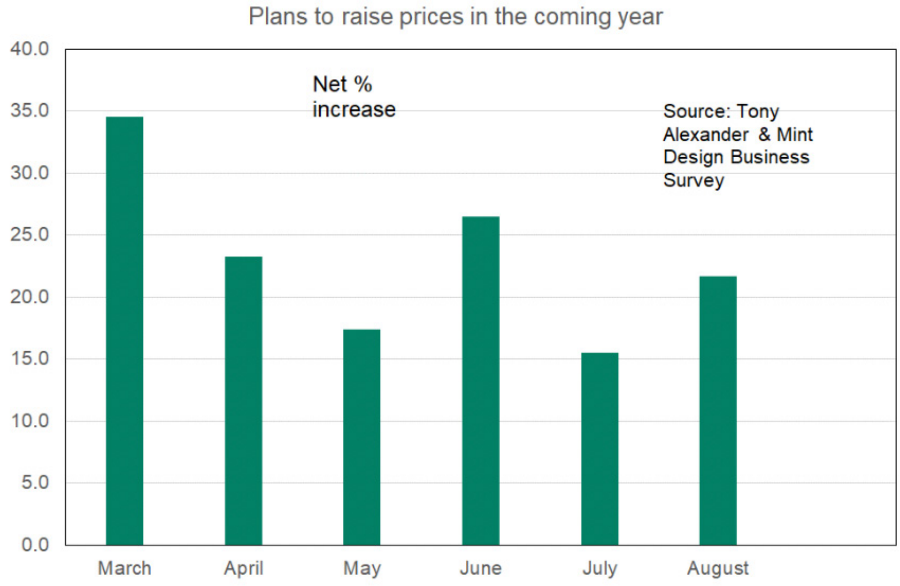
Most weeks bring evidence from somewhere around the world of the impact of climate change. But business plans for spending in this area are low and in fact near zero in this month's survey. Social media presence spending is considered far more important.





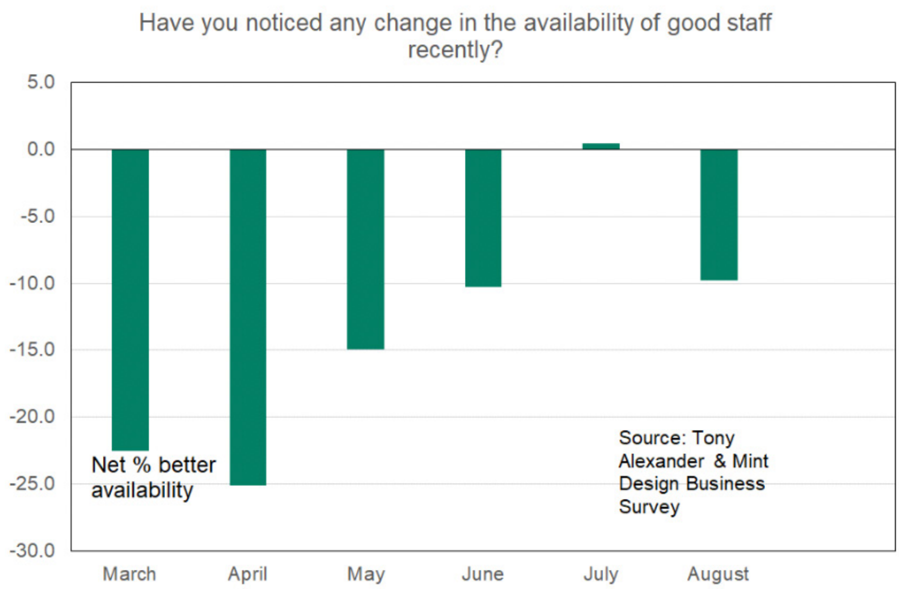
Are you planning on increasing your prices for any of your products or services this year?

The net proportion of businesses planning to raise their prices in the coming year has risen to 22% this month from 15% in July. The underlying trend appears to be down, but it is very gradual and not evident enough to deliver much if any comfort to the Reserve Bank as it considers prospects for inflation.



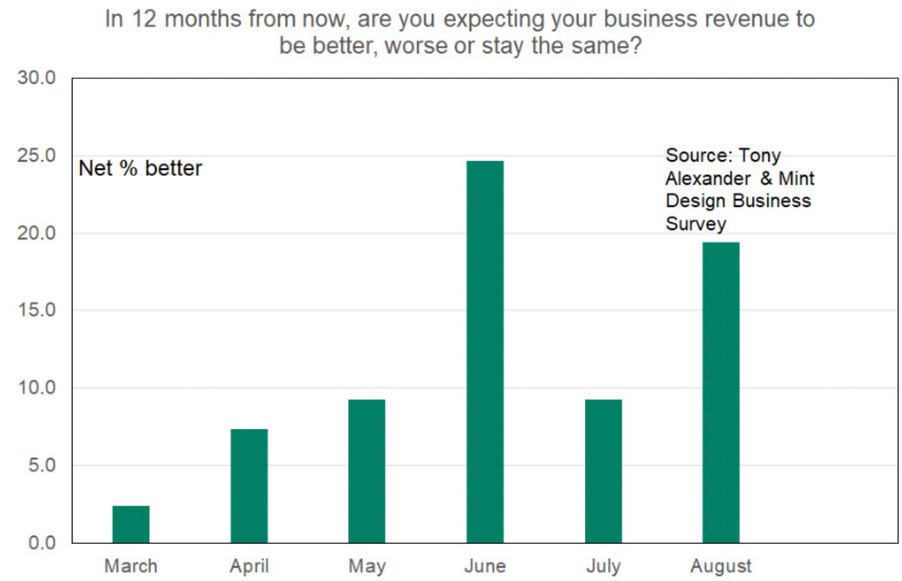
Have you noticed any change in the availability of good staff recently?

Virtually all of the measures of spending related to the labour market and discussed above have shown signs of easing off. But a net 10% of businesses still say that when they go looking for staff it is difficult to find what they want. Improvement here has occurred since the March – May period but the trend is not direct.



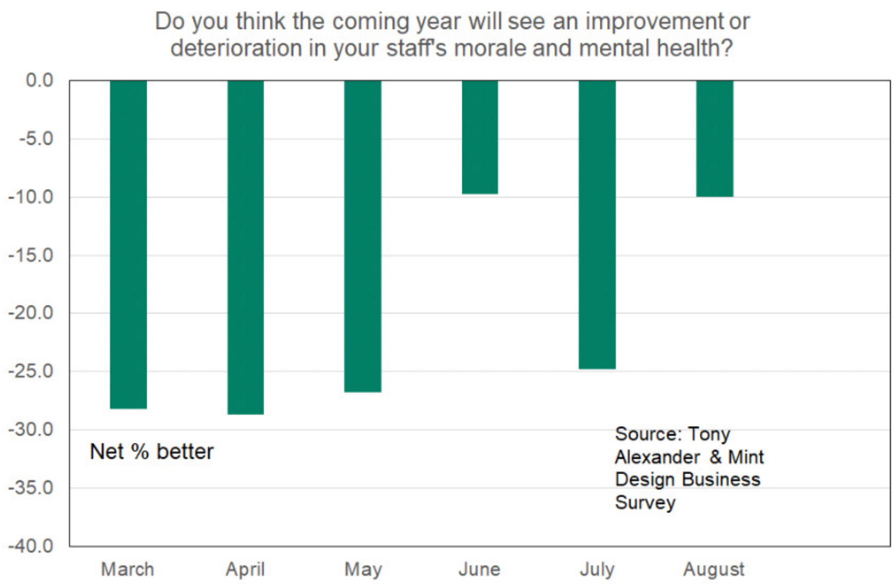
In 12 months from now, are you expecting your business revenue to be better, worse or stay the same?

Business revenue expectations have jumped this month after easing off in July. We will monitor this variable over time to see if it settles into a steady pattern.



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

A net 10% of businesses expect staff morale and mental health to deteriorate over the coming year. Yet as discussed above, a shrinking proportion of businesses plan spending more on workplace culture. At 20% this proportion is however still relatively high, and it may take a while before we can make any solid statements about the relationship between expectations for staff mental health and plans for spending in that area.



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.

- Business morale is low and spending decisions often on hold awaiting the election outcome.
- Many construction projects – residential and commercial – no longer stack up financially due to high costs.
- Deepening primary sector weakness amidst falling output prices, rising costs, and more regulations.
- Manufacturing sector activity is weakening off.
- Widespread weakness in retailing.

Accounting & business advisory services incl. business broking

- Strong competition, need to constantly develop USP and communicate with the market.
- Consumer confidence and staff retention are very high issues.
- Pressure on business owners is intense. Feels like 2024 could be full of opportunities.
- Short-term anxiety and uncertainty are impacting my clients' willingness to spend on necessary areas of their business, delaying their ability to recover as the economy turns in the medium term.
- A slower pace of activity and response time to request for tax compliance information due to concerns over rising business and personal costs, cashflow constraints, and uncertainty with the coming General Election.
- I am a tax specialist - sole practitioner. Significant increase in new legislation and huge compliance costs increase for clients (interest deductibility, ring-Fencing, trust disclosure etc.). Ok for my business, but this is sunk money and precious lost capital to NZ.
- A lot of clients are now reaching out for accounting and business support.
- The realities for the current economic climate are being felt across a wide range of sectors and that is leading Business Owners to seek better information about the performance of their largest investment.
- In the construction industry I am seeing our margins being squeezed, labour retention is tough with many going on their OE (including those in the 30-35 year old bracket) and our business has seen a strong focus on cashflow.
- Lack of experienced staff and grad placements.
- A lot of players in a retracting market.
- Business morale among clients is still pretty low. Normal uncertainty due to election.
- Business Broking - Economic and Election uncertainty negatively affecting decision making and confidence.

Advertising & marketing

- Business Confidence is unsettled, and hopefully a new government will bring confidence.
- 0 tolerance for poor client service from customers. Staff switching roles for large pay rises.
- Economic headwinds mean tightening spend on marketing limiting growth often. A circular downswing if interest rates continue to rise and consumer sentiment softens.
- I am seeing the impact of AI in our sector big time. Many low-quality cold outreaches driven by AI content/tools. The goldrush is on but most users of the tools are opportunistic and using them unthinkingly. I hope businesses on the receiving end of these approaches are savvy enough to realise what's happening.

Architecture

- We are the canary in the gold mine. Winter is coming.
- More enquiries and general uplift in positivity with clients.

Banking & Finance generally

- Markets softer - but asset prices look through near term impacts on the real economy. Profitability weaker near term, looking for efficiencies and savings.
- Rural finance sector - profitability for clients and their ability to manage their way through this cycle - including well-being, so we can have an export led recovery for NZ.

Cafes, bars, and restaurants

- Corporates have reduced their spending.
- Costs are going up, staff are expecting more pay.
- With more people available now we are starting to transition from younger people that employed when there were no staff available last year into a more professional older team. We frequently find it hard to source essential products such as fries, eggs and cooking oil due to production shortages, regulation changes or supply chain issues. Rising costs such as minimum wage has a ripple effect pushing the wages higher of everyone above minimum wage. 10 sick days a year have cost a lot of money which was put in play for Covid but now that it is not as deadly as it was, will it change back to 5 days.

Cost of goods have risen, and we pay particular attention to this and utilise multiple suppliers to ensure we get the best deal possible. We rely on immigration and cost us approx. $6k to implement with the employer accreditation but are seeing the benefits with regard to Chefs. We employed a lot of backpackers pre-covid and are seeing them return but not in so much numbers as there were before. We are hoping for a government change.

Civil construction/infrastructure

- A softening of the market, lack of good quality staff.
- Still problems getting good technical staff.

Commercial construction

- Very concerned about the climate change impact being forced on business. I see carbon reporting filtering down to SME and then who knows what they will do with that information from there. We see a massive slow down in residential/development however see the commercial and industrial sector staying steady. We are in EV and renewables and see this increasing.
- Government sector is currently holding off proceeding with new projects pending the election and certainty of direction. Private sector is not proceeding due to projects not stacking up financially.
- A lot more tradesman & companies are short on work, this will inevitably lead to companies undercutting prices to get work, the race to the bottom begins. Good staff are still incredibly hard to come by.
- The Government has stopped spending in areas that we have worked in for years, namely building educational buildings like classrooms and schools. They are spending on big project school rebuilding, but this is not being done by local builders, the big firms come in from Auckland etc and are doing us out of work.
- Lack of willingness on applicants to put in the extra effort to carry out their required work tasks.
- Retention of younger generation staff. Lots heading to Australia for more $$. Still uncertainty at Board level as to whether to hire new staff now in anticipation of an improved outlook, or wait to make sure things actually improve.
- Waiting for a change in Government.
- Uncertainty.
- There are more inquiries coming in but still very little commitment to do anything and still finding it a challenge to get people to pay their bills on time with a lot looking for something for nothing.

Commercial real estate

- Everyone is cautious and waiting for signals.
- Many global issues affecting NZ Business confidence - Too much debt, public, Local Gov and private. Confidence levels appear to be dropping across the board. Contingency plans are becoming more important.
- Finance is hard to secure, and a lot of deals are falling over because of it. Average Real Estate agents are struggling to make a living at present.
- As an investor and Developer, the profit will be very low of selling of real estate due to various reasons.
- Trying to run a business under the burden of a mountain of compliance that isn't sustainable.

Education and training

- Teacher shortages and staff retention are key issues. Australia is very attractive for some.
- Staff morale is at a low level despite efforts to care for them.
- Government ideology is crippling educational achievement

Engineering

- General workload decreasing with budgets getting looked at harder with low tolerance to going over budget.
- General negative outlook for NZ economy.
- Still busy but profit well down compared with the last two financial years. Clients more cost sensitive and slower / more considered with progressing development projects (if at all). Multi-unit residential still very slow but a number of players are trying to get the numbers to work to get developments to stack up (i.e. they are keen to develop and in a position to, but costs vs prices mean there is no margin currently).
- Business confidence low. Developer sector not investing due to political environment and interest rates.
- Budget cutbacks, with less maintenance budgets to keep factory running 100% all the time.
- Business confidence is slowing so projects are not getting done. We generally see this in an election year though, as big companies don't like to spend money, till they know who is in power.
- More work that we can deal with, with current staffing levels. Opportunities are not able to be maximised. Hard to get good staff.
- Lack of qualified tradesmen & a lack of skilled labour.

Farming & farming services

- Too much bureaucracy. We need less, not more.
- Debt reduction / equity strength improvement by prudent financial management. Should be a top priority and should have been already implemented in recent years.
- Farming is going through a massive decline in earnings from product prices. At the same time inputs have risen at an unprecedented rate. Interest rates are killing farm cash flows, so we are being squeezed at both ends of income and expenses.

- Increased regulation and costs are making farmers cautious in decision making. Cashflow is key and pressure from banks around debt management are tough with interest rates very high. It appears many aged farmers looking to exit the industry however are constrained by lack of buyers in the market. The increase in trees planted is just now coming to fruition with regard to a decrease in stock numbers.
- Stronger than expected start of the year but demand seems to have suddenly hit a wall. Waiting for election?
- Depressed farming sector, with decreasing prices for agricultural products, lamb, wool, dairy, therefore less tax take for the government, less money spent by farmers in their local regions.
- The high cost of farming inputs, lowering returns. Compliance costs and regulations are inhibiting growth in the farming sector. Times are difficult but despite all, we need to press on do our best to get through.
- Mental health will be a problem for the 7 day a week business whose operators can't get time off because of staff shortages and the high cost of getting them which is fast becoming a barrier.
- The agriculture sector is under pressure from increased costs and compliance requirements. Margins are becoming lower each month and putting stress on the sector.
- Commodity prices are falling through the floor most in the agricultural sector (input prices have seen inflation 13-16% yr on yr) will be making losses.
- Customers are struggling and money is tight.
- Income down and costs up.
- Veterinary equine. August is moderately quiet.

Financial Advice/Wealth Management

- Customer confidence taken a hit. Uncertainty about a wide range of issues, some warranted, some just built up from media hype.
- Many people are in financial difficulty and cannot afford the basics.
- The banks insistence of direct comms through the app is reducing our ability to engage effectively with the client directly.

Health

- Dentistry - Slight decline to stable.
- Government funding increases are not keeping up with cost of living increases and the costs to operate a business.
- Slightly tighter approach to spending by patients.

Information technology

- I see many contractors fearful of what lies ahead later in the year. Tightening of belts underway and contracts being pulled or paused.
- Increasing acceptance of AI.
- Immigration roadblocks are still a major issue in meeting customer need.
- Better availability of people but still hard to find good people. We have a lot of government contracts so there is growing uncertainty with upcoming election.
- A general hold on for a change of government in the hope of improvement.
- Some replicated jobs would be gone. People who know AI tools and how to use them would have the advantage of productivity and income boost.
- Our customers are experiencing ongoing regulatory changes which is disruptive and prevents resource being used on product or customer experience. Lots of talk about operational efficiencies / increasing productivity.
- At the forefront of our sector, we're witnessing an increasing demand for intuitive and dynamic user experiences, heightened by the integration of AI functionalities. There's also a marked shift towards responsive and mobile-first designs, as businesses prioritise reaching users on handheld devices. Additionally, there's a burgeoning demand for systems tailored to optimise business operations and workflows. As companies grapple with the complexities of a rapidly evolving digital landscape, the need for streamlined processes, data-driven decision-making tools, and integrated platforms has become paramount. Customised web solutions, which cater to these specific needs, are playing a crucial role in enhancing operational efficiency, facilitating better customer engagement, and ensuring that businesses can scale and adapt to future challenges.
- Government in reset mode moving on from covid, trying to get back to business as usual. Tightening up on contractors and slowing down big projects till election is done - there appears to be a general expectation of change of government.

Insurance

- Clients are getting desperate to exhaust their insurance limits without being able to support it.
- Cost increases and staff going overseas.

Legal

- Downturn in property based legal work.

Manufacturing (all categories)

- Tough time.
- Very quiet, lack of demand - elections are never good for business.
- Animal health supplier - Possibly a severe flow-on impact from the reduced payout on our production animal products, although treatment based products should be

insulated. Already seeing pressure on companion animal products with less new pets with cost of living.

- The inevitable stagnation of business expenditure due to the uncertainty of an election year is compounding overall weak demand for products and services, at least in B2B. Expecting to have to batten down the hatches for at least the next 9 months. Expenses to stimulate growth will need to be targeted and a focus on sales and marketing effectiveness will be of key importance.
- Customers are not buying at the rate they were, they don't want to hold lots of inventory.
- More competition at lower end of market. We are holding firm to our customer promise around service levels and not over promising.
- I work in manufacturing. The business is management top heavy. Far too many paper pushers. Doing a whole lot of not much. As an example our maintenance department has two people on the tools and, in varying roles, 8 people in the office, all with job titles. Managers who, due to the entrenched 'systems' doggedly hold on to what they have always done with no want or desire to be proactive. Only ever reactive.
- Lumpy enquiry, more customers wanting a bargain, pressing for tighter pricing, staff not wanting to work longer hours, all staff seem ok dollar wise as ALL booked overseas holidays this year, as owners we are working twice as hard and no holidays booked, thank goodness the covid restrictions lifted as staff taking the mickey, largish projects still confirmed, lead up to Xmas unknown workloads.
- Significant decrease in sales due to high farm input costs, high interest rates, and now the Fonterra payout decrease to below many farmers' breakeven point.
- Definite drop in sales - partially due to weather, but also outlook for farmers and construction.
- Most business look to be pretty resilient and just getting on with it. We are managing to grow through increasing market share with a growth product. Our standard products are in decline as consumers look for cheaper alternatives. When was the last time we heard someone in govt lay out a vision for how our country is going to be successful and ride out this difficult period?
- Cancelled orders. Dairy payout is affecting outlook a lot.

Miscellaneous

- Arts. Writer - People setting up direct sales channels instead of paying a middleman to deliver products.
- Capital equipment distribution - Strong market demand for equipment with plenty of work around. Seems to be a poor media assessment of business conditions.
- Hairdresser - It's very stable for my salon and I'm sure it will continue that way with the things I've put in place.
- Hairdressing - Lack of skilled staff. Staff making more lifestyle choices, asking for reduced hours for balance. Young staff think 20 hrs is a full week, worried about future productivity. Government interference in private business, FPA unionising with false promises...probably will manifest in more layoffs.
- Importing and distribution - Hesitancy to plan ahead and poor knowledge of financial strategy planning and budgeting along with a reluctance to spend on staff upskilling.
- Marine surveyor - The immediate future appears steady.
- Miscellaneous   Staff looking for full time hours when many of our shifts to meet customer demand are part time. Staff accept jobs then move on when they can find longer hours elsewhere.
- Outbound Volunteering and Working Holidays - Young people are travelling again but the costs have increased so it's harder for them.
- Personal services - Customer behaviour is getting worse, short tempers, random and short notice cancellations. I attribute this to the economic stress everyone is under.
- Quarrying - Reduced customer spending leading to pressure on services supply. General tightening of belts. Workload still steady, concern of recession (concrete aggregate usage dropping) but still reasonably steady month to month.
- Safety compliance technician - A general lack of business confidence in the contractor space and a wait and see outlook regarding the general election outcome.
- Screen Industry - The International Screen Industry is at a crisis point due to strike action in the US, coupled with a very disappointing revision of the New Zealand Screen Production Rebate by MBIE/MCH. Once the strike actions have ended, New Zealand will fail to compete for offshore productions compared to other filming destinations, most notably Australia, Canada and the UK, all of which offer significantly higher incentives. Thousands of NZ film crew will be unemployed, and facilities will be empty. This is already happening. Literally billions of dollars of foreign exchange are at risk.
- Security Industry - Alarm, Camera, Gates Security is extremely important to both residential and commercial customers. The mood of our clients is very negative on NZ (scathing of the current government, unsure how we will get country back on track, worried for our children and expect them to move to Australia) Seeing a lot of other businesses going into liquidation daily also is not good for confidence or for being sure you will get paid for work!
- Waste and recycling - I think the challenge of reinventing how we do business in line with ESG is a huge challenge.

Mortgage broking/advisory

- Rising Interest rates and Housing Affordability.
- Lack of quality new clients.
- Fear of where things are heading, people are scared to spend money but are increasing insurance.
- Ot is getting busy in line with housing market warming.

Motor vehicle sales/parts

- Automotive Repair - The dust appears to be settling. We've lost customers, we've gained customers. The old (pre covid) patterns are certainly gone but we are noticing more consistency with our bookings - ratio of maintenance/servicing to repairs is steadying. We are doing slightly more repairs with customer supplied parts but as we charge more for this, and discourage it due to liabilities, it is not as high as other workshops seem to suffer. A job position was recently filled, and the calibre and number of job seekers was better than in February. Still not as busy as we used to be, but a corner has been turned.
- In general sales are good and our culture is great, I am hesitant to spend on growth because of the uncertainty in the current economic outlook.
- We need to onboard next large customer to restore our growth and it's taking longer and costing more to get them onboard. Otherwise general economic will be pluses and minuses and we'll carry on anyway.
- In the past years since the second lockdown August 2021 we continued to experience massive fluctuations in sales resulting in a 30% drop in overall turnover year end 2023 and this has continued through to 50% drop for the first 4.5 months in this financial year.
- Lack of retail spend.
- Shortage of the right stock, cost of getting product to market cutting into margins, costs rising, margins shrinking due to demand for stock.
- We are still selling new and used cars and hitting out targets. We are having major supply chain issues for car parts and new cars. Supply chains seem to be taking a longer and having more issues causing delays.
- After a fairly good first half the local supply chain issues (shopping to NZ and port transit), and issues higher up the manufacturing/distribution chain seem to be re-emerging, at much lower levels.

Printing and Packaging

- Customers cautious. Lower demand from new customers. Materials and import costs still high or increasing.
- Clients spending less, turnover down.

Property Maintenance

- Considering the media says we are in a cost of living crisis, I have yet to see evidence of this effect in my Lawn mowing Contractor business in Hamilton.
- Some customers are not able to afford services to their property, reducing the business volume.
- More people shopping around to get the cheapest price - more dollar driven than previously. Existing customer base is gold to us.

Recruitment

- Still steady/busy but definitely a slow down coming as we head into election and likely to get worse unless government changes!

Residential construction incl. section development

- Aluminium louvre supply/install - Building sector still slow, starting to see top end slowing a touch too. Need govt change to help stimulate the economy.
- Land Development - Expansion opportunities, stable staff retention, strong public sector enquiry over private.
- Still massive delays in construction sector and hard to staff to consistently turn up. This seems to be a problem across the sector with a number of other people I know in the industry putting their staff turnout rates at 50-60%. It's shocking.
- Slow Down.
- Continued uncertainty due to rising inflation and thus interest rates. recipe for a disaster.
- Still busy.
- Work for new housing has dried up so more companies go after re roof work so much more competition, pricing starting to get more competitive and customers more picky with quotes.
- Almost zero demand. Hard to get finance, lots of competition from people willing to work for nothing and people prepared to take their time to make a buying decision. Very large hurdles with finance compliance.
- New house builds are slowing, cost of money for mortgages.
- Residential construction stopped; big project investors have gorse in their pockets

Residential real estate

- Procrastination to list their homes for sale waiting for change in government and hopefully lift in confidence from buyers.
- Central Otago - the market is starting to pick up now and maybe 6, 12 or 18 months before boom times - but I believe they are coming.
- Real estate stock levels still low, but more home buyers competing for properties.
- Political and economic incompetence, manifesting in buyer hesitancy.
- A reticence to invest in the future.
- Supply of property for sale.
- The real estate market in the far north is completely stagnant. Online viewing is at a high, actual viewing appointments are few and far between, vendors are being patient, buyers are cautious, bring on the elections and some sunshine!

- Normally difficult period prior to election but seems to be an increase in purchasers across the board with more inspections and multiple offer situations. There is an acceptance, the market maybe near the bottom.
- Lack of buying confidence and buyers unsure about overextending their financial commitments or paying too much.
- We have had 9 months in Feilding where the median residential sale price, calculated quarterly, has been reasonably steady, indicating that the market has bottomed out.
- A gradual but noticeable turn-around in house sales numbers and a slight increase in West Auckland prices which has jollied-up potential vendors so more properties are starting to come to market. All good indicators that things are on the turn, despite ongoing bank rate rises!
- Fear of the outcome of the upcoming election mitigated by coming into spring which traditionally helps real estate.
- The overall economy and in particular the coming general election looms large on most people's minds in regard to any form of future planning.
- In real estate there are very few listings at present. I am doing appraisals but not sure if the properties will actually come to market this year. Interest rates remain a concern. First home buyers should be ahead with the fall in prices, however the interest rate rises negate any gains that were possible. The greatest concern is people leaving New Zealand to find better opportunities overseas. New Zealand will become the free training ground of quality tertiary education and overseas employers will cherry pick our graduates. The second group of people to leave will be anyone with assets of $4m who could be charged a wealth tax - the new Australians of the future, ex-Kiwis.
- Takeovers of smaller operators and staff changing jobs.
- Most buyers are uncertain of the future and are influenced by the expectations of rates to increase, job security, salaries that do not keep up with living costs and more and more young potential buyers with the skills think it would be better to go to Australia for a better balance. Furthermore I hear more and more discontent with the direction that the current government is going, and most buyers and sellers hold of to see what is going to happen with the election before they make decisions.
- Support for first home buyers may open up with Kainga Ora Partnership First Home Buyers new loan. 14/8 launch. $200000 or 25%. Applies to existing homes as well. Will help the regions.
- Vendors won't list & sell their house because there's little chance of finding another suitable house - low stock level.

Residential rentals/investment

- Interest rates / council rates / accountant fees etc costs all rising to fast so even modest to small rent rises can't keep up. May force our hand to sell properties.
- The impact of cost of living, this is having a huge impact on our customers (tenants) as well as owners with regards to maintenance expenses. Owners are also continuing to be hurt by the lack of interest deducibility and raising interest rates.
- Government Regulations negatively impacting business growth and profitability.
- Good residential tenants easier to find.
- I'm in residential property investment. Government changes to interest deductibility have destroyed this industry and owners are desperately putting rents up as much as possible in order to cope with the upcoming and substantial tax increases. Unfortunately it's tenants that are getting slammed by this policy and as new building numbers decreases and immigration continues to increase, the steadily increasing shortage of rentals means that tenants are effectively having to pay whatever rental increase is asked.

Retailing

- 12% decline in sales and beginning of pressure on margins with wage costs especially rocketing up.
- Consumers are reluctant to spend.
- Customer spend is very cautious and cost of living pressures are evident in spend per customer. Cashflow pressures are a major concern.
- Basically Retail Sales are down around 16-18% and the business needs to adjust to reduce costs.
- Retail sales very soft and pricing from big box guys chasing market share is threatening locally owned and operated provincial models.
- In Wanaka we are seeing a flatting of enquiry but are expecting this to turn in the coming 6 to 12 months as we feel this region will see sustained growth.
- Lot less sales, we design, make and sell NZ made women's clothing.
- Customers are holding on to their money, because the cost of living is so high. They are happy to look, they try and take photos of stock so they can see if they can find it elsewhere for cheaper. Attitudes from customers have deteriorated over the last two years, and they are demanding, rude to employees, and there are more people trying to get things for big discounts. Getting payments from other (larger) businesses is difficult.

- Lack of customers and general confidence.
- Economic slow down in consumer spending. Increased costs to run the business. Quality labour shortage in the market.
- Customers spending less. Pessimism. Employees are expecting higher wages, but our retailers are worried about putting prices up, so less margin and profit.
- Theft.
- Customers are not spending; we have desirable stock but it's much harder work to make sales of full priced items.

Shipping, transport, storage & distribution

- Decreased customer volume.
- Customers are holding off purchases or looking for bargains as the simply can't afford it. After the soccer world cup there isn't much going on.
- Reduction in demand in the transport industry as a whole which might continue through until next year.
- Waiting for outcome of election / change of Government.
- Reduction in product movements.

Tourism & accommodation

- Really low tourism numbers internal and overseas tourists visiting, and flight costs are expensive.
- Interest rate to increase slightly coupled with continued and significant increases in staff costs impact profitability; uncertainty for tourism sector 2024.
- Customers are being very cost conscious, travel costs a concern, number of attendees dropping.
- It's been very quiet compared to the same period last year.

This publication is written by Tony Alexander, independent economist. You can contact me at tony@tonyalexander.nz

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