Mint Design

Mint Business Insights

With **Tony Alexander**

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Economic weakness a growing concern

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.

Last week I sent out an invitation to about half of the 30,000 people on my Tony's View subscribers list inviting them to give insights into what is happening in their business sectors at the moment. Over 275 people replied from a wide variety of sectors. 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 continuing shortages of staff but some shift towards a focus on customer retention as the weakening economy hits revenues. Attention to potential cyber threats has increased. But despite recent weather events plans for spending more on climate change mitigation measures have eased. Business plans for raising their selling prices have eased slightly over the past two months.

After this new analysis we tidy up and reprint most of the insights which people have offered about conditions in their sector, grouped by the industry they assigned themselves to.

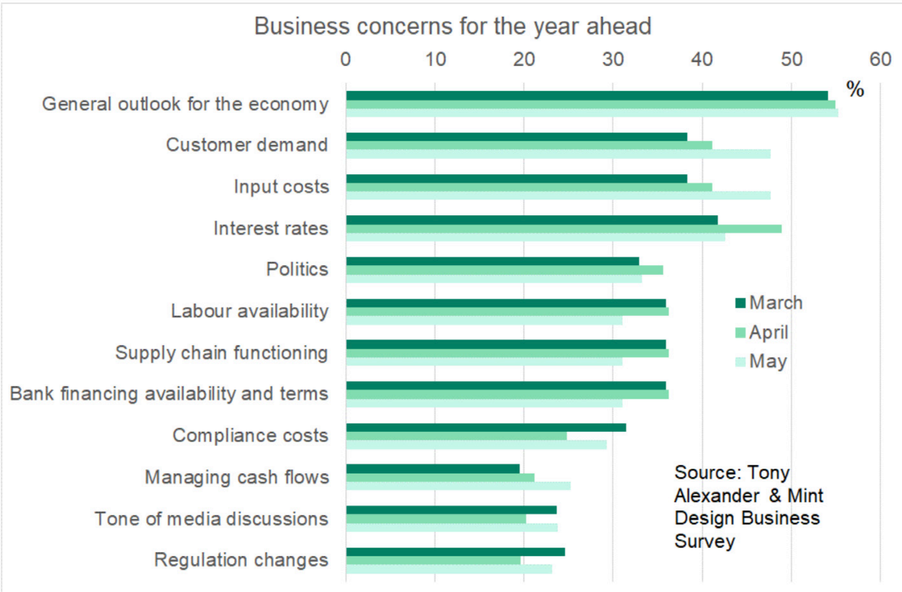
Tony Alexander
Independent Economist

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. This month's results are the very light green bars, April is light green and March dark green.

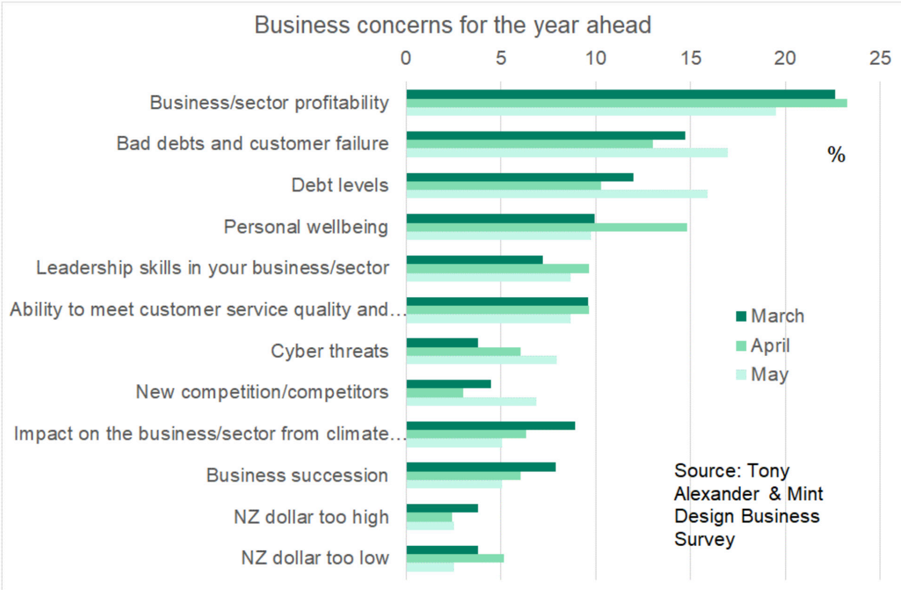
We can see that the biggest concern this month is the general outlook for the economy, and this has been the main worry for businesses for the entire three month period of our survey. Concerns have steadily grown for the second major concern of customer demand along with input costs. This latter trend is concerning when we consider the Reserve Bank's fight against inflation and the pressure which businesses are under to pass on cost increases because of profit margin squeezes.

Worries about interest rates remain high though slightly less than a month ago and one wonders if concerns about politics will grow once campaigning gets underway ahead of October's general election.



At the other end of the spectrum of concerns we have the following graph of least concerns. There continue to be virtually no worries about the Kiwi dollar being too high or too low. Climate change concerns have declined in spite of recent weather events, but worries about cyber threats appear to be trending up.

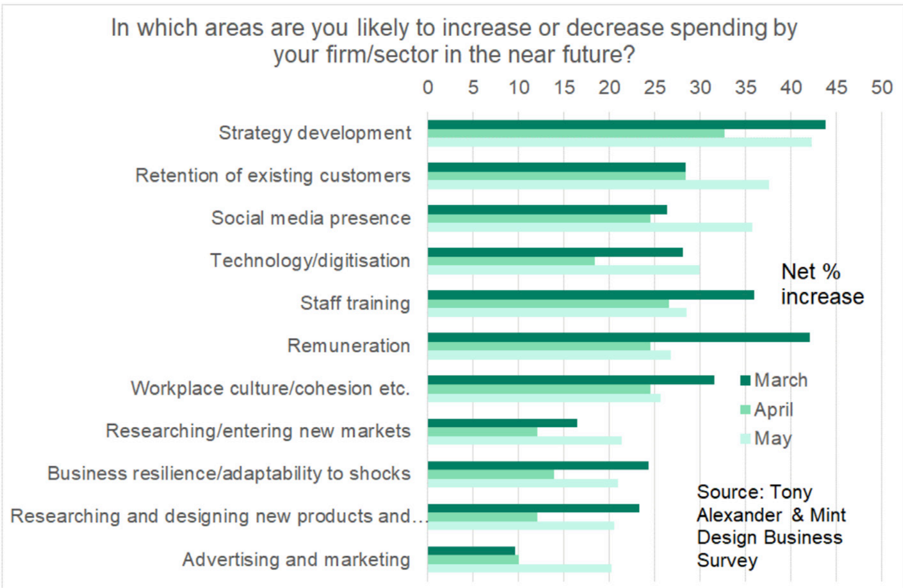
Note the firm lift this month in business concerns about debt levels alongside bad debts and customer failure. Pressures on businesses are growing.



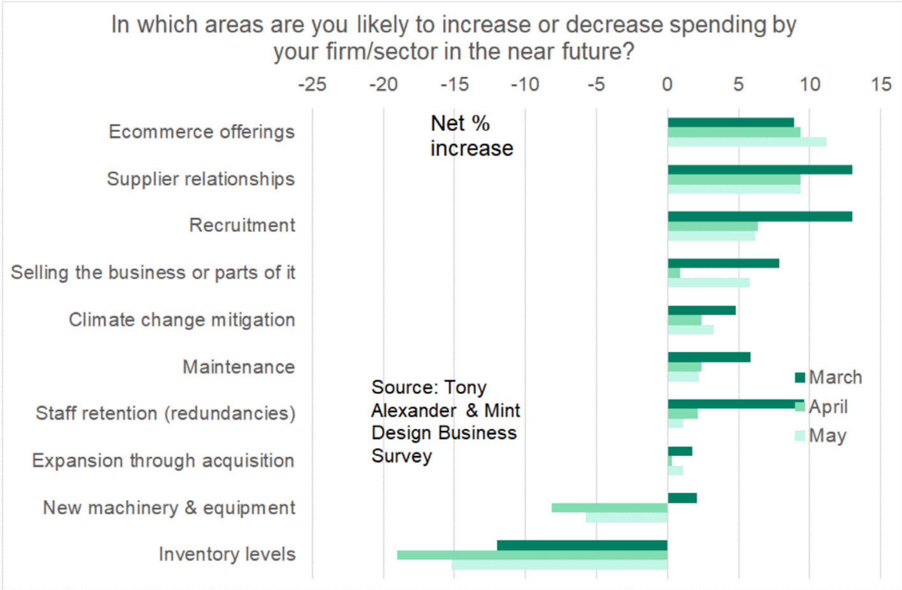
In which areas are you likely to increase or decrease spending by your firm/sector in the near future?

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 again strategy development. But note how there is a new focus on retention of existing customers and social media presence, overtaking staff training and remuneration. Spending on advertising and marketing has also gained extra importance.

This appears to reinforce the concerns noted above about business operating environments.

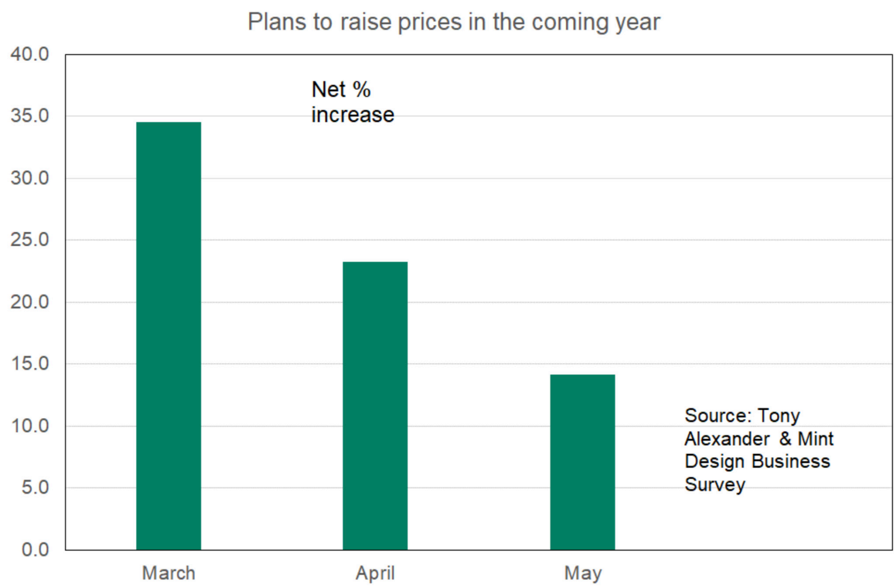


This next graph shows the areas of lesser planned spending increases. It looks like businesses plan that their extra spending on customer retention and continued high spending on staffing matters be financed by cutting spending on stock levels and equipment and machinery. Plans for spending on climate change mitigation and maintenance have reduced in importance and thoughts have grown about selling the business or part of it.



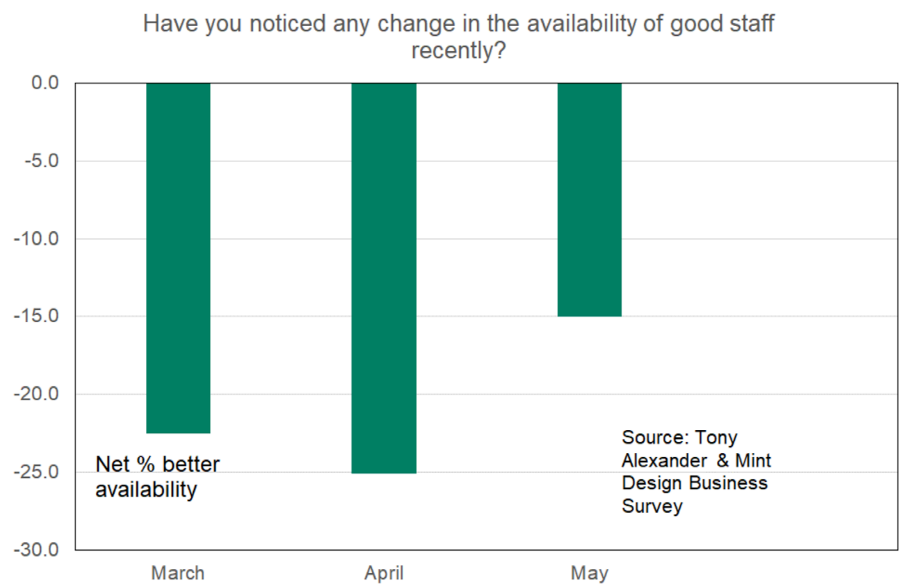
Are you planning on increasing your prices for any of your products or services this year?

We noted above that business concerns about rising costs have grown and wondered if this would mean extra upward pressure on prices to try and maintain margins. However, when we ask firms directly what they are planning to do with prices we this month see a fall in the net percentage planning increases to 14% from 23% in April and 35% in March. Our survey is new so we should not expect the Reserve Bank to look at these results and conclude that the inflation fight is being comfortably won. But things are moving thankfully in the right direction.



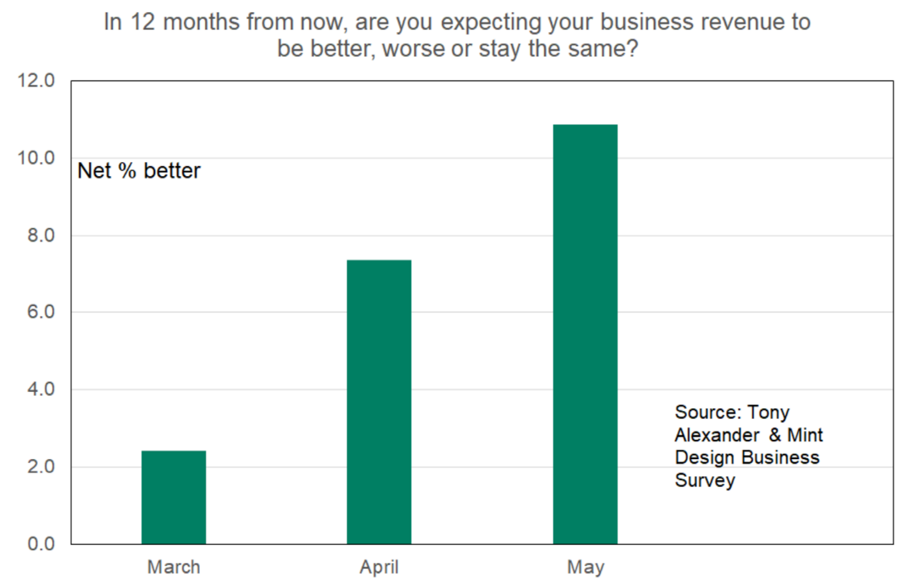
Have you noticed any change in the availability of good staff recently?

A net 15% of our survey respondents have said that the are finding it hard to get good staff. This is of concern, but the degree of tightness in the labour market does appear to have eased with last month's result being a net 25% saying things were tight. These are early days yet for a potential turning in the labour market.



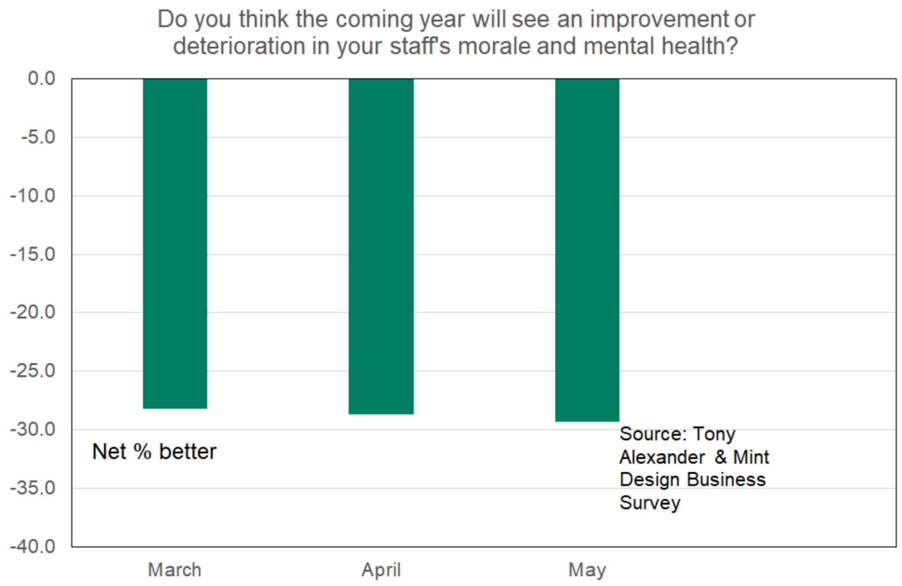
In 12 months from now, are you expecting your business revenue to be better, worse or stay the same?

A net 11% of businesses expect their revenues to improve in the coming year. There is an upward trend in this measure and maybe this reflects the fact that the pain and concerns which businesses have for the coming year are not expected to persist into the second half of 2024.



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

For each of the three months of our survey a net 28% or 29% of respondents have said that they expect a deterioration in their staff's morale and mental health. The pressures which families are under from the soaring cost of living are there for all to see and experience unfortunately.



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.

1. Staff remain in short supply and firms are under pressure to continue to boost remuneration or lose people.
2. Discontent with the government is very high in some business sectors.
3. The residential construction sector looks poised for a substantial decline in activity.
4. Consumers are further reining in their spending.

Accounting & business advisory services incl. business broking

- Uncertainty over cyclone relief initiatives here in Hawkes Bay. Flow on effect from higher interest rates and reduced economic activity.
- Increasing number of clients struggling as revenue and cashflow dry up.
- Not as many people coming through from university - so focus is on getting good interns in and keeping them.
- Credit availability (especially for business, commercial & Property lending) is tightening. In addition to business failures, there have been a couple of finance companies fail as well.
- A lot of uncertainty. Feels like we have been standing on the edge of a cliff sliding slowly down. Not sure if this is going to accelerate down or skid and then hopefully rise.
- Expectation that there will be a slowdown in the economy, but we don't see it in their ongoing forward work.
- More clients are struggling with cashflow.
- Helping farming clients plan to identify opportunities, challenges and threats.
- Underservicing in the sector, lack of required skills
- Fairly constant pressure trying to service client needs with no sign of new HR resource becoming available. Has been a very tough few years working under constant pressure and staff feeling burnt out.
- Clients' inability to recruit and keep staff; poaching of labour by large businesses is an issue
- Cash flow anxiety, mental health, harder to source products and services.
- Getting harder to make a decent return with the increasing costs of raw materials continuing to accelerate. Election jitters will see a continued lack of decisive decision making and people will remain on the margins until there is a clear outcome, perhaps lagging till Q1 24
- More urgent demands from clients.
- Clients a lot slower to pay. Increased use of tax pooling as a funding option. Provisional tax management taking more time with fluctuating profit over the last couple of years. Plenty of new clients, so clearing out less favourable ones.
- Staff shortage due to fewer university graduates. Staff is a major issue across the accounting sector and across the entire country.

Advertising & marketing

- A lot of movement and concern. Budgets decreasing.
- Customers reducing marketing/engagement budgets due to "recession"
- I'm a media provider to the Real Estate industry. It has been a difficult 18 months at the coalface for many agents and also for those who feed off these agents. There are green shoots appearing and buyer interest (especially first home buyers) is up, but we have a quiet Winter ahead. I think things will be more optimistic as we move into Spring though.
- Customers are slower to pay. Customers are reporting lower sales.
- Clients having margin squeeze, with costs increasing and inability to push price increases too far for fear of falling customer demand.

Banking & Finance generally

- Concern over government direction and taxes over people with money to invest
- Competition for investment funds with high bank term deposit rates, regulatory pressure
- Increase in bad debts.
- Natural hesitancy for people to take up finance in current environment - interest rates are up, and the cost of the equipment has gone up, so the repayments are much higher overall.
-

Cfes, bars, and restaurants

- Sales are holding above 2019, but uncertain it will continue with winter approaching. Labour market is improving, easier to find permanent staff, with exception of Queenstown which is still a challenge. We are multi unit business.
- Lack of customers due to rising living costs/inflation. Hawkes Bay tourism has dried up because of cyclone damage and lack of short term accommodation. Not enough customers and not enough staff

Civil construction/infrastructure

- Skilled staff are the constant problem for growth. In my 12 years of employing we've had no one leave at their own will, so it's not a retention problem. Probably should be doing more training.
- Customers do not wish to spend the same value of money on house renovations and services. Also, supplies are getting more expensive. Overall, I have less revenue with higher costs.
- We're in Hawkes Bay where some huge $$ numbers are being bounced around about the cost of recovery from Gabrielle and how it will lead to boom times similar to the CHCH earthquakes - but here its different. Many of the major losses are in primary industries where most of it won't be covered by insurance. Future earnings loss also huge as it will take many years for orchards etc to return to full production.
- We expect some consolidation of the business level before any improvements.
- Our forward workload has increased with some good projects on the horizon. Some large & small civil construction companies have folded. The key is to be careful who you work for & de risk onerous contract conditions.
- Slowing property market, infrastructure constraints at Council, bank funding handbrakes are the key issues.
- As a small to medium size business owner our margins have gone from 50% to 30% due to overhead increase, labour shortage and less productivity. It is tough to own a business right now as there is little respite whether it be labour shortages, staff wanting pay increases despite overheads climbing. You cannot continue to push prices higher as we are already one of the most expensive countries in the world to build houses in, therefore you can not grow, rather shrink till the cost of sales decrease.
- Main focus property renovations and maintenance. A decrease in demand. Those needing maintenance work ok (all clouds have a silver lining even in this weather) but new renovations and expenditure on property improvements a massive drop off.

Commercial construction

- Downturn in sales, nervous sector, no forward project of size. NZ has talked itself into a recession.
- Inconsistent workflow. The work is there but the start dates due to client funding, client staff resourcing, and consent delays are uncertain. This could result in working capital fluctuations that will require increased management focus taking us away from productive work.
- A little uneasiness about forward workload
- Commercial is strong
- Margins tightening up as competition for work increases. Labour availability steadily improving. Pace of slowdown in our industry increasing now with subsequent increased risk of bad debts. Expect experienced well capitalised operators will manage Ok. We will build a leaner fitter business throughout this process
- Finding hard to locally find skilled labour in our industry despite all the indentures we give.
- Clients very slow to sign agreements
- We hire access equipment which is dropping off with the building industry slowing down so working hard to retain customers without dropping hire rates

Commercial real estate

- We are still experiencing vendors stuck at last year's prices and buyers wanting to get a bargain, resulting in sales basically on pause.
- Tenants are getting more scratchy about paying rent increases, but they have no choice.
- Property values are declining as a result of the heightened inflation. Investors are wanting higher returns when considering any prospective purchases. Deleveraging is the main means of being able to consider any investments as lending ratios have tightened
- A lot of commercial transactions (sales and leases) are entered into based on confidence and confidence seems to be quite erratic at the moment, depending on the latest bad news the media can pump out.

Education and training

- Higher wage expectations
- Seems to be a constant chase to keep up with play, a number of headwinds pushing against my organisation.
- Helping business leaders to improve sales growth and effectiveness.
- My university lacks the business skills necessary to be proactive in the market and prefer not to provide exceptional customer focus to students to allow them to finish their qualifications in minimum time, instead preferring to take 3 years to achieve a qualification that could be achieved in 2 years or less of continuous study.

Engineering

- Concerned that exporter sales (esp. forestry) may slow which will impact the maintenance support we provide that sector
- Lack of customers and profitability
- Just hard to know what's going to happen. Finally getting stock back to where it should be and there is probably going to be a recession.
- Gradual slowing in demand for our services due to property market conditions
- Reduced workloads but at a rate that we can handle which was not the case previously

Entertainment

- People are weary, and tired of three years of struggles. Waiting for the tide to turn. Staffing issues and the expectations of employees who know the market is tight. And honestly, the weather isn't helping!
- Ticket sales are down for many promoters, anywhere from 20% to 80%. Some events are still doing well but the majority are down on ticket sales.

Farming & farming services

- We are seeing a push from staff to ask for more money. Also, accommodation in our area is a real problem, as we use backpacker staff for season requirements when we need big numbers. It works well for them and us, as they continue to travel after, but its hard for them to find a place to stay and local government rules restrict the ability for people to provide a place for them to stay.
- Nervousness, concern of effects of govt policies - climate/ waters/co-governance.
- Farming sector is under huge pressure, agricultural servicing companies are therefore also under huge financial pressure. Redundancies are commonplace, when we can recruit good staff are impossible to find. Its really hard out here.
- Farmers with debt are cutting back on spending to pay interest which must affect the farm service sector.
- Less sales
- Tough going in farming at present with interest rate rises and lower income really hitting the bank balance now.
- A decrease in production

Financial advice/wealth management

- Business activity currently buoyant but waiting for the inevitable election slow down.
- Concern with effects of inflation.
- Slow down in mortgage requests and tighter willingness for lenders to approve home loans.
- Consumer confusion re where to invest with confidence and how best to plan for the future
- Tentativeness but moving in a positive direction as the current cycle consolidates and improves
- Crypto is doing well this year and looks likely to continue. Regulatory uncertainty and the Fed are the major dependencies
- Inflation, across the economy.
- Sky rocketing compliance costs

Forestry

- Impossible to plan ahead with govt policy consistently up for review.
- Revenue is down 30% due to lack of government commitment to the ETS creating uncertainty & causing NZU price to crash. This disincentive's companies to stop polluting and reduces our chances of meeting our net zero obligations even further.
- Cyclone Gabrielle disaster recovery
- Market down due cyclone impact, supply chain is broken

Health

- Massive shortage of nurses and health care staff.
- More players in the market.
- Shortage of skilled staff and mass exodus of young, qualified people to overseas markets is the greatest challenge.
- Rising inputs including staff cost and staff shortages and mental health deterioration

Information technology

- Seeing a soften of demand due to business confidence and interest rates starting to take effect
- Job losses, uncertainty, cashflow concerns
- Some potential overseas clients are "waking" up after a long covid slumber. That said, it may still take us 12+ months to convert a few into regular clients.
- Cloud services are taking over from on-premises infrastructure/support everywhere therefore margins are getting much tighter
- Lots more labour in technology thanks to big layoffs. EG, we did no pay rises and no one left. Staff are more worried about a job. Staff are not understanding AGI is going to require a lot of new training and new skills. A big shock is coming to average white collar workers
- Some uncertainty brought on by redundancies overseas and general slowing of business
- Skill shortages of IT professionals with technical/ software engineering expertise.
- No new entrants but increasing competition between existing market players
- Busy right now but feeling uneasy about the next 6 months. Some large clients are starting to in-source their IT, including the government i.e., health sector. Anyone's guess as to where we will all be by Xmas.
- Hesitancy from clients to start projects
- Seeing lower levels of professional behaviour and workplace standards. Employees seem to target minimum acceptable outputs given job market and cpi and cash positions.

Insurance

- Potential impact of AI is interesting but not something I think a lot of my industry peers are looking at
- Clients looking at costs and looking to cut back if there is a feeling that personal insurance no longer needed or priced above their perceived value.
- Regulation and compliance issues
- In the financial sector it seems to be settling into the new regulations now. However, I personally feel there is uncertainty around the ongoing changes that keep

happening and more than once have I felt it is time to move on from the sector. Seems to be a lot of compliance work and costs that takes time away from helping clients.

- Insurance market becoming harder and insurance premiums increasing significantly

Manufacturing (all categories)

- Inputcosts not increasing as much as last year
- Supply chain: early ordering and overstocking to mitigate delays and surges. Cashflow is the key to onward progression.
- Shipping has improved, both in cost & travel time.
- Residential stand-alone house construction has declined though townhouse and apartment consents remain steady as does commercial construction.
- Lack of demand. Businesses not committing to stock, buying only for confirmed order, increasing our stock on hand by c. 30%
- While business is good at the moment, we can feel a general softening. Not just in our industry.
- Shipping costs in the Pacific are not going down like the rest of the world. Port congestion is reducing but ships still cannot keep schedule. Raw material costs increasing disproportionally to selling prices. Significant increase in staff turnover and increased difficulty finding replacement staff. There are still limited signs that the post pandemic world will return to pre pandemic, so we are learning as we go.
- Customer demand reduced as they look to reduce inventories
- Still hard to find good staff
- Meat processing companies throughout provincial NZ struggle to attract young people who are motivated and want to work.
- We provide goods and services to water and infrastructure utilities and head contractors. With changes to planned 3 Waters legislation and the uncertainty of a potential change in govt and therefore what the new policy agendas will be, we are starting to see projects being deferred or slowed. Meanwhile our direct and indirect costs continue to rise (but not as quickly as before). Managing cash flow is becoming harder!"
- Supply challenges and sustainability requirements e.g., SEDEX, modern slavery statements etc
- Weather bombs (once in a hundred year events) are having a major negative impact on our business, together with a continual tightening of consumer spending as cost of living increases take hold.
- Lack of competent production staff that have a real interest in what they are doing. Also, the need for significant price increases and the impact this will have on customer demand
- Demand is still strong for goods, but lack of forecasting accuracy and control is causing high stocks of the wrong products. Consumer volatility is being blamed, however turnover of sales staff is as bigger part of the problem. Supply chains are improving, allowing better planning for arrivals. Fuel costs / FAF etc. is starting to bite, and this will only get worse. Shipping NI to SI is also very challenging.
- Softening demand and reduced profitability
- Foot traffic is down. New builds are well down. Consumers shopping around
- Tourism uptick starting to have a positive knock on effect
- In Grocery channels where profitability is getting squeezed... keeping business viability gets into more question

Miscellaneous

- Culture consulting An internal business shift from employee wellbeing during the pandemic to a focus on culture, particularly psychological safety, ways of working and understanding the organisational impacts of AI/ ChatGPT.
- E-commerce - online retailing Over regulation - poorly thought out new rules and bureaucracy that do nothing but add cost to businesses with no benefit to society. These can create regulatory capture favoring large existing businesses and create barriers for smaller younger businesses and new entrants into a market.
- Environmental consultant A surprising resilience with usually smaller businesses and landowners wanting to do different things with land
- Strong forward workload in the electronic security sector, our time to be concerned about is 12-18 months away as the tender market has stopped dead in the commercial / government space
- We work with clients to think differently – we're seeing an uptick in the need to bring people together to (re)form cohesive teams while encouraging diversity of thought in an increasingly siloed world.
- NFP - Sports Trust Trying to find sponsorship for events that we run in the community for sports is proving very tough. If it was a year ago, they would have been in boots and all, this year they are being very selective in who they support financially, if at all.
- Renewable Plastic raw material supply. A modest but steady increase in opportunities based on the superior environmental sustainability opportunity we offer.

Mortgage broking/advisory

- An absence of investor purchasers. Intending new owner occupiers finding interest rates make debt servicing a struggle even though prices have fallen massively in Wellington.
- Increased interest costs impacting financially and mentally on clients

Motor vehicle sales/parts

- Flat revenue, increasing costs = less profit
- Increasing interest rates / high fuel costs are leading to a reduction in disposable income, meaning we are having to work harder to maintain our monthly turnover goals.
- Business lending - especially cashflow/unsecured lending - virtually impossible. Businesses are struggling to access capital.
- Trade customers are very price sensitive and resistant to recent price increases for our services.

Printing & packaging

- Pricing becoming even more competitive even as input costs rise. Expect to see some competitor failures or sales/mergers over the next twelve months.

Property valuation

- Slowing of the property market is negatively affecting workload.
- Continued political uncertainty greatly affects buyer confidence
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Recruitment

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- Job flow has decreased but quality of candidates is about the same. Candidate motivation to move is money above other benefits.

Residential construction incl. section development

- Smaller developers and mum/dad developers have all but disappeared. Infrastructure work from local and central government has increased. Although the media hammering central govt on employing consultants has seen a pull back in spending from Kainga Ora - impacting the readiness of future government housing projects (not the current projects that are under way). Large scale developers are carrying on even though sales are not there to support the immediate returns - they are future focused and cognizant of how long it takes to get new product to market, for when things do turn positive.
- Residential sections are experiencing very low levels of inquiry and sales are even harder to close. Creating new sections is being hampered by the inclement weather conditions this season. Funding developments are quite a challenge.
- Lack of forward work
- Tightening margins and less work around
- Very quick slow down of new housing. Developers putting projects on hold and some stopping completely.
- No consistency, very low invoicing months (IE net loses of several thousand) followed by in some cases near record months.
- Huge drop in new home sales which we are starting to see filter through in less consents. Worse to come.
- No one can get finance for a construction loan. I know multiple home builders who haven't signed up a customer at all this year.
- Consumer confidence is very low - particularly in relation to building residential houses. Together with lending constraints and price falls in existing housing stock, the demand for new homes has dropped significantly. This is partially offset by the surge in consents, over and above the capacity of the industry to build, which will continue to hold up a core level of activity.
- Not focusing too much on today, demand for residential should be ok in a year or so
- Decline in equity, better skilled builders becoming available as developments wind down
- General slow down, developers are spooked.
- Very little forward work in residential design sector. First time in ten or so years I have had other designers calling looking for work.
- Less pessimism now than at the start of the year, but still a lot of caution about how the building sector will look 12 months from now
- Development for profit has dried up a lot, projects remaining are long term or for personal (renovation/family etc).
- Govt. upping the standard of buildings and ignoring the costs. A good example is doubling the insulation in house ceilings at minimal saving in heating costs. Payback period in a typical house is 30 years ignoring inflation.
- New Homes In Taupo - Group Builders are struggling getting new builds in the low end and a drop off in enquire in the Middle to Upper builds. Hawkes Bay is resilient even after the floods
- Young builders focusing on the here and now projects. Not focusing on what's happening in 8-12months time+
- Upwards pressure on pricing due to inflation, which will make competitive pricing a challenge.
- Government and councils are continuing to drive up the cost of new housing development. More regulation e.g., increased insulation and thermally broken joinery $15-20,000 extra per house from 1 May 23. Much more uncertainty around development feasibility as much of city has limited 3 waters infrastructure.
- Trade – Glazing. It is still very hard to find skilled staff, we are constantly having to increase wages to keep good staff and we cannot increase our selling price to reflect this which is putting pressure on the bottom line. We still have plenty of forward work for now, but it takes a while for the work to trickle from the architecture stage (which is quietening down) to installation (we are almost always the last trade involved)

Residential real estate

- Buyers trying to time/catch the bottom of the market. Only way to know is when it recovers.
- People are hesitant spending money.
- Buyers are taking insurance against further price falls in property by making low offers which reflect their perception that there will continue to be a further loss of value. However expect listings volumes to drop as vendors become reluctant to sell into a soft market.
- Purchasers not rushing in to buy a property. No interest in investment properties or sections.
- Tough times ahead as homeowners struggle with increased mortgages , buyers happy to sit until there is blood in the water. Prices to drop significantly to pre Covid levels.
- Uncertainty in the market from buyers who are concerned about interest rate increases and cost of living going up.
- Buyers of homes putting in low ball offers that are insulting to vendors
- Times are very tough for all. Staff wellbeing is showing signs of stress and incomes from a commission only industry significantly reduced. Pay rises are not happening for employed staff yet the cost of living has increased to unsustainable levels for NZer's who should have been on good incomes over $100k.
- Uncertainty in the economy and election year creating indecision in the market.
- More buyer activity people readjusting to the new norm
- Sellers reluctant to list. Some first home buyers back but few others. Investors absent.
- I work in real estate (house flipping, not an agent) but have noticed some agents are becoming more underhanded in their ethics, some are working harder, and some have just plain disappeared.
- Costs rising
- Residential Property and the buying and selling of it is influenced by what is happening in people's lives. Death and relationships aside - generally if the population is feeling positive and motivated by life, work, income, opportunity then appraisal/listing opportunities flow in and my business ticks over. Right now, there just seems to be so much negativity in this country - weather events, strikes, employees feeling under valued in NZ, more regular people experiencing elevated anxiety, poor public health experiences...a general "dis-ease" seems to be prevalent. Time will tell if those more emotionally driven human responses are impacting house sales - specifically my own business.
- Not being able to deduct interest on investment property is killing the industry

Residential rentals/investment

- Inconsistent demand for rental properties
- A combination of increasing mortgage interest rates and the reduction in mortgage interest deductibility mean that I have preserved my profitability by increasing the rentals this year (by 15%) for the first time in 5 years. Some of my tenants live from week to week, and so in hitting landlords with this selective tax policy, the government is mostly hurting the very people for whom it supposedly advocates. A totally inappropriate policy penalizing a group of people who, in the main provide good service to an essential industry.
- Slow payments.

Retailing

- Residential Flooring Dealer Homeowner clients sitting on their wallets pending reduction in interest rates. Residential Builders slowing down. However, the Top End Homeowners and Top End Builders are still active. Commercial New Build & Refurb still very active.
- More focus on strategy, aligning on a clear direction for the business units within the company and prioritization of tasks across the portfolio.
- Employees are wanting more renumeration, but wanting to do less work and hours. Employees are happier working from home, but in a big business it means less visibility and less opportunity for showing your worth
- Recruiting remains our biggest challenge together with the rapidly rising wage and salary costs.
- Huge competition from local as well as international retailers with very aggressive pricing activity. While the best product is still retailing well, the need to quickly move the not-so-hot products is very important in order to keep up with clearance activity from competition. Australian businesses targeting the NZ market the biggest culprit.
- Seeing a reduction in customer willingness to spend and more price aware. Competitors are becoming increasingly aggressive & proactive for little or no profit gain all in the aid of market share.
- Harder times for retail being felt but also gives us an opportunity to take a step back and fully assess the business and where we can look to grow
- Our buying prices in China are on their way down as international demand slackens off. As retail trading last year was dire with masks etc, this year is actually an improvement!
- More shopping around for deals
- Reduced consumer demand amid economic conditions
- We are in apparel and footwear retail and while retail sales remain buoyant operating costs have increased moderately impacting on profitability. Retail theft is now occurring heavily in the business and emerging as a significant issue .
- Increase in costs while maintaining sales stability will be a challenge

Shipping, transport, storage & distribution

- Customers (retailers) are cautious, reducing stocks and OTB
- Lack of staff
- Things are ticking along, my customers are hunting for better deals and looking at their bottom lines for savings. We are cheaper than our competitors so are seeing more enquires for our services.
- Suppliers and associated businesses struggling to deliver/meet expectations. Cost increases far exceed the inflation rate - insurance, payroll, govt services and power in particular

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

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