Mint!

Business insights

with

Tony Alexander

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Interest rate relief welcomed

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 people on my Tony's View subscribers list inviting recipients to give insights into what is happening in their business sectors at the moment. 352 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:

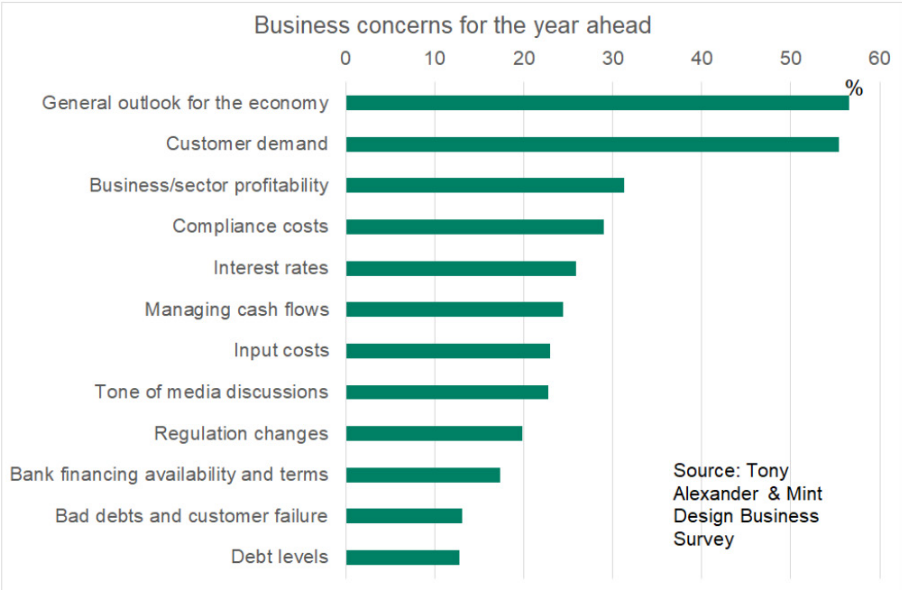
- Concerns about interest rates are falling away quite quickly.
- After a decline following last year's general election, businesses once again are becoming concerned about their regulatory burdens.

Tony Alexander
Independent Economist

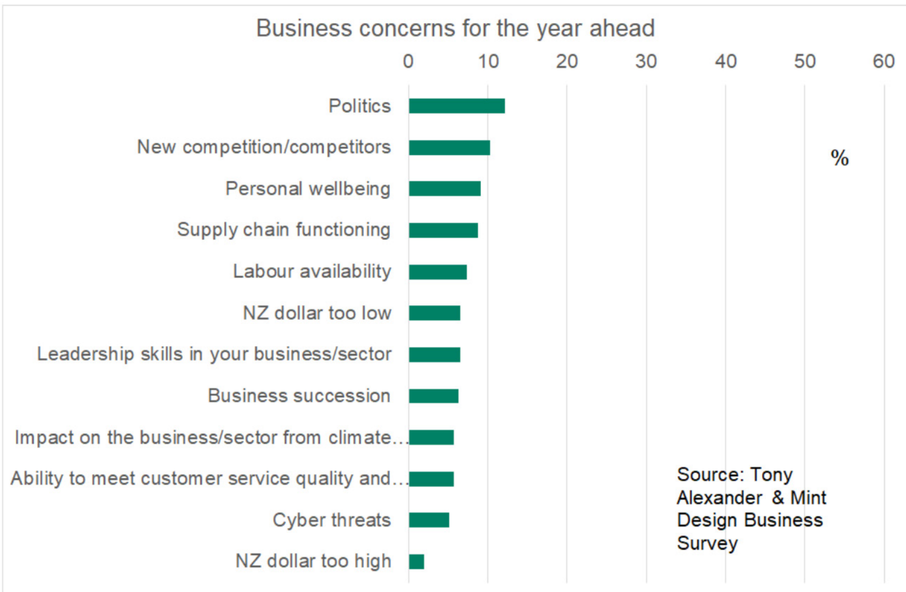
What concerns you most for the year ahead?

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 top three concerns are the general outlook for the economy, customer demand, and business profitability. This is the first time in many months that interest rates have not been amongst the very top concerns.

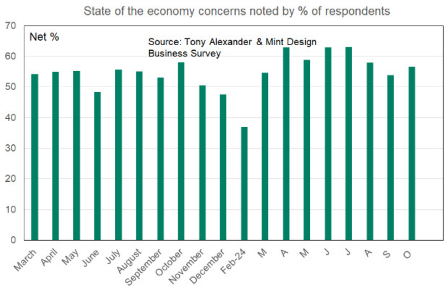


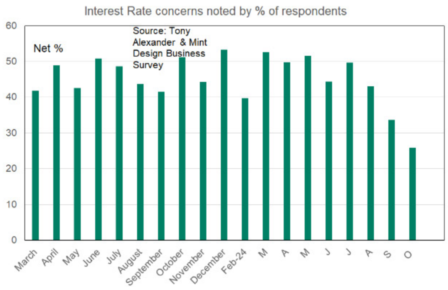
Very few businesses are concerned about the currency or cyber threats.



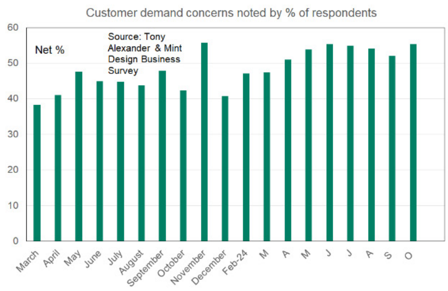
These next graphs look at changes in a selection of areas of concern for businesses since our survey started in March 2023.

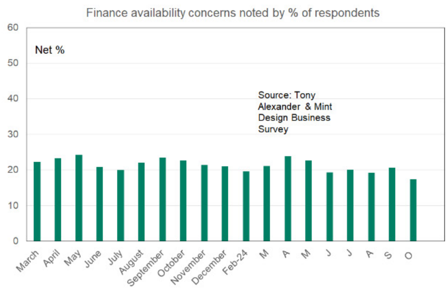
Concerns about the state of the NZ economy have eased slightly over the past three months but remain at elevated levels with 57% of business respondents noting this concern. The proportion of businesses saying that they are concerned about interest rates has also declined over the past three months but to a far greater degree with now some 26% citing this concern as compared with the peak of 53% in February this year.





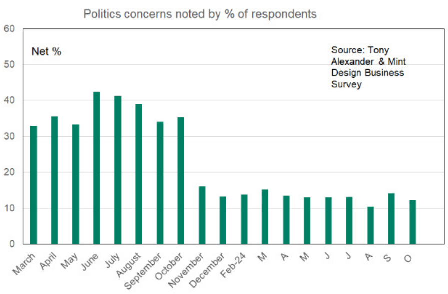
Businesses are still struggling with a deficiency of customer numbers. 55% of respondents rate this as a key concern. Availability of finance often becomes an item of discussion in the media. However, only 17% of our respondents currently rate this as a key concern and this is down from 24% in April.

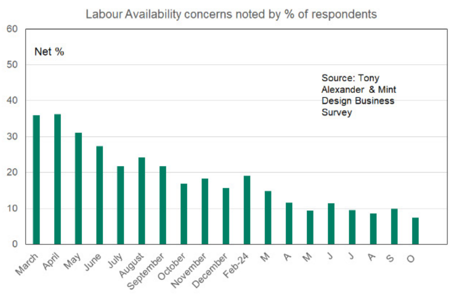




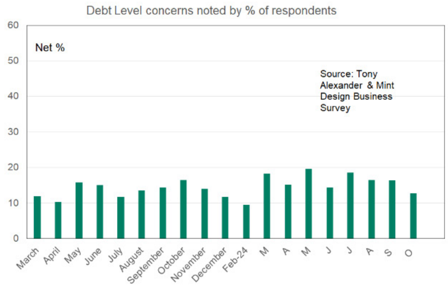
Here is a reminder of the political leanings of people in the business sector. Confirmation of a National-led coalition after the general election last year produced a substantial decline in business concerns about politics in New Zealand. But note the recent small rise in this measure. With regard to the labour market, all indicators available to us from numerous sources indicate that the situation has changed in favour of employers.

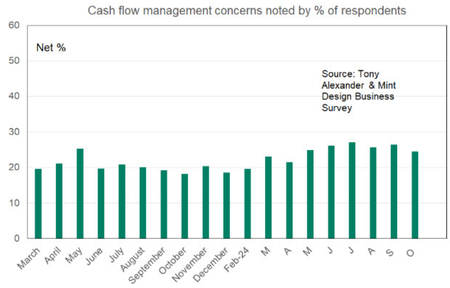
However, it pays to note in the comments section below that many businesses have continued to indicate that they are experiencing difficulty in finding the skilled people that they want and they are concerned about the loss of young people in particular to Australia. One suspects that once the interest rate-driven upturn in the economy gains momentum from late next year, worries about labour availability might resurface relatively quickly.



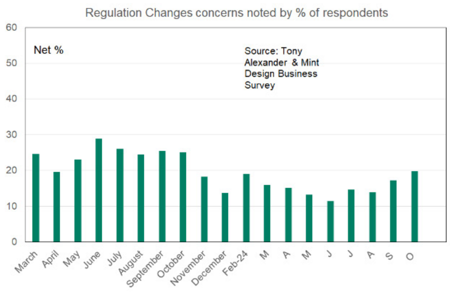


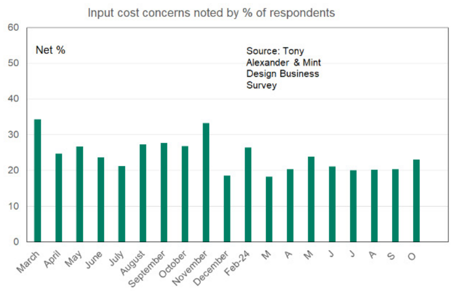
There has been a general rise in the proportion of businesses indicating they are concerned by their debt levels in recent months. This coincides with concerns about the factor which ultimately can cause the demise of any business – deficiency of cash flow. At this stage it may be premature to extrapolate the slight October improvements in these measures into downward trends.



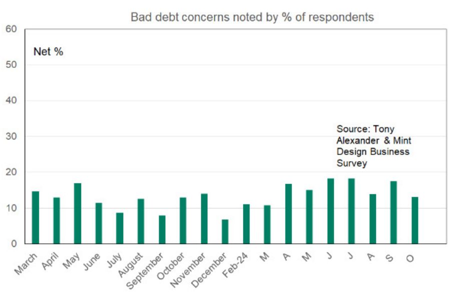


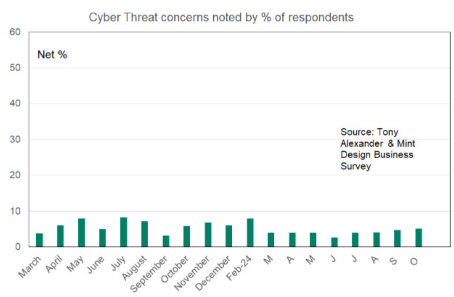
This perhaps is something worth keeping an eye on. The new government is focussed on reducing the regulatory burden on businesses and the economy. But since June the proportion of businesses in our survey saying that they are concerned about regulations has risen from 11% to 20%. In addition, with relevance to monetary policy and the extent to which interest rates will fall over the coming year, it is worth noting that 20% of businesses remain concerned about rises in their input costs. There is no decline underway in this measure since December last year.





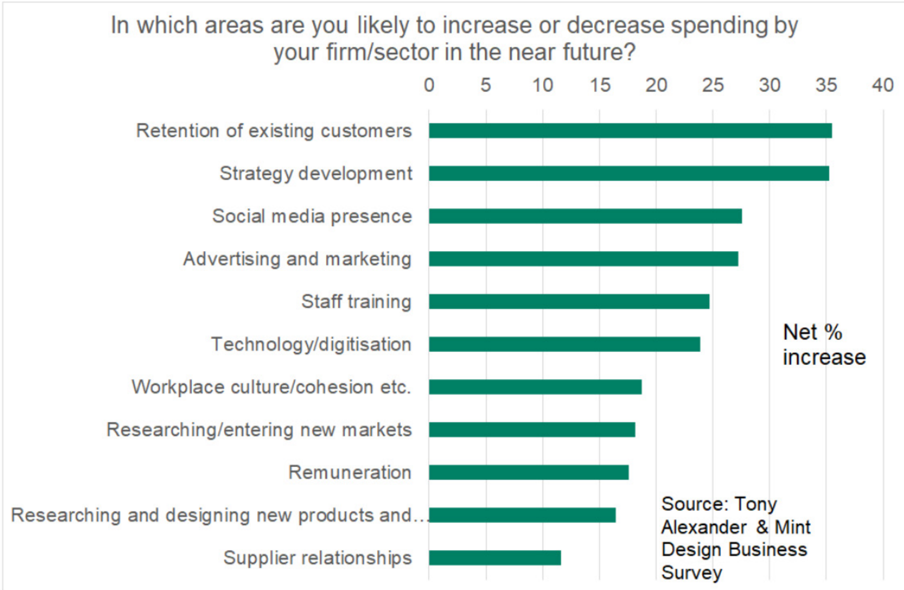
Late in the economic cycle's downturn it is normal for businesses who have hung on desperately to finally cave in to their reality of insufficient spare cash flow to allow continued operations. A key driver of this problem is non-payment of invoices by clients and our latest survey has shown that whereas back in December just 7% of businesses expressed concerns about their debtors, that now stands at 13%. The trend is not up but it is also not yet down. Finally, as has been the case since our survey started, few businesses are concerned about cyber threats.



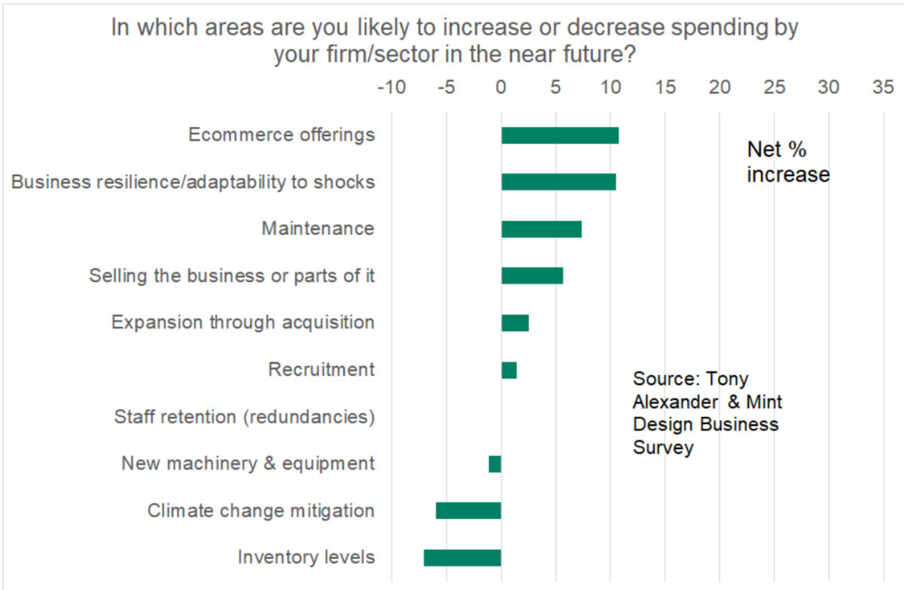


In which areas are you likely to increase or decrease spending by your firm/sector in the near future?

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 yet again retention of existing customers, strategy development, and social media presence.

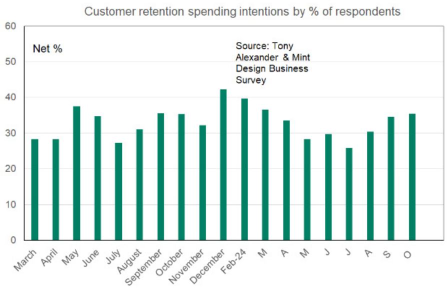


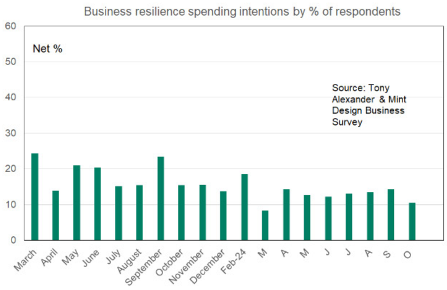
Cutbacks in spending are again planned in three areas of new machinery, climate change mitigation, and as ever, inventory levels.



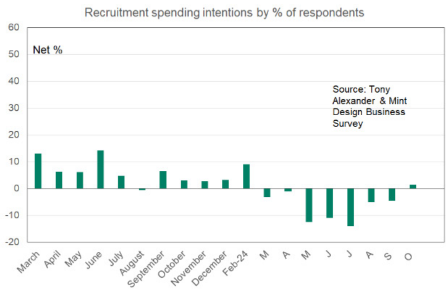
These next graphs look at how planned areas of spending change have been tracking since our survey started in March 2023.

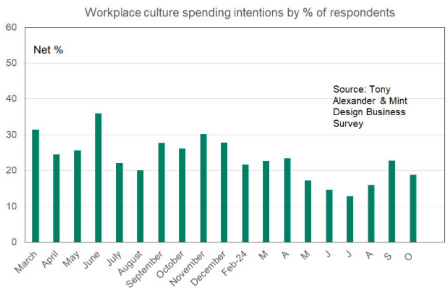
Consistent with some of the feedback in our comments section below, respondents in our survey are indicating that they intend spending more on the retention of their existing customers. But spending on building up the resilience of one's business to shocks is having to take a back seat for the moment as owners focus on cash flows as noted above.



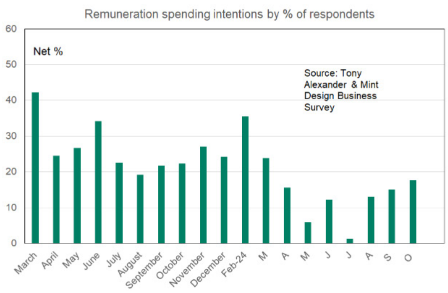


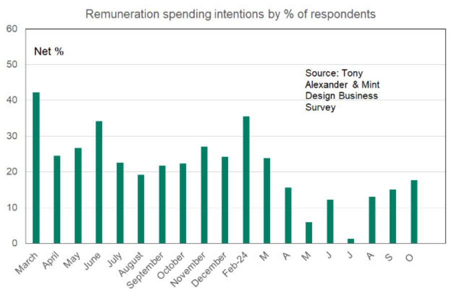
At some time in the past it is certain that business plans for spending on social media would have been zero or negligible. But nowadays with so many people gaining insight into developments in the world around them from social as opposed to traditional mainstream media, business intentions of spending in this area rate consistently highly in this survey. One interesting recent development discovered from our survey is that hopes of an improved economy next year may be encouraging businesses to think more about their staffing levels and quality. A net 1% of our respondents have indicated that they intend spending more on recruitment and this is the strongest result since February this year. Maybe forward thinking is also driving a recent trend improvement in plans for spending on workplace culture.



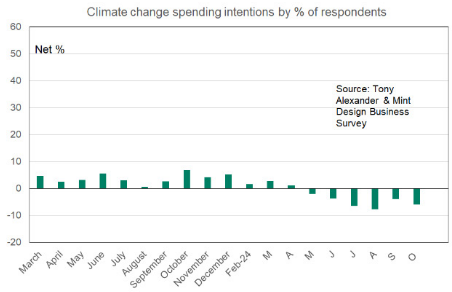


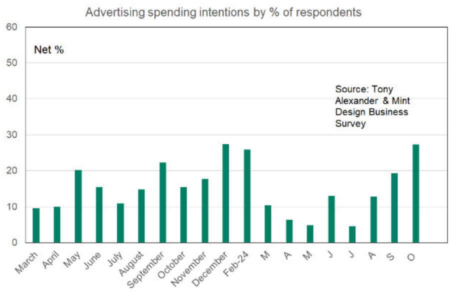
Plans for spending on staff remuneration have recovered over recent months. Also, intentions of spending on staff training are trending upward. These are positive developments but one suspects it will take some time for these indications of awareness of a greater need for staffing investment to in fact manifest themselves as businesses grapple with still tight cash flows generally.



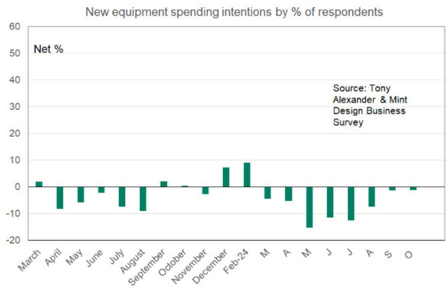


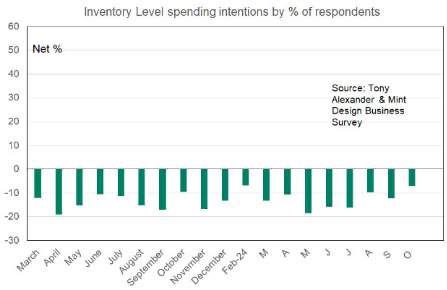
As has been the case for some time now, plans for spending on climate change mitigation are overall negative. But perhaps reflecting expectations that customer flows will soon improve as interest rates decline, businesses are indicating that they plan to spend more on advertising.





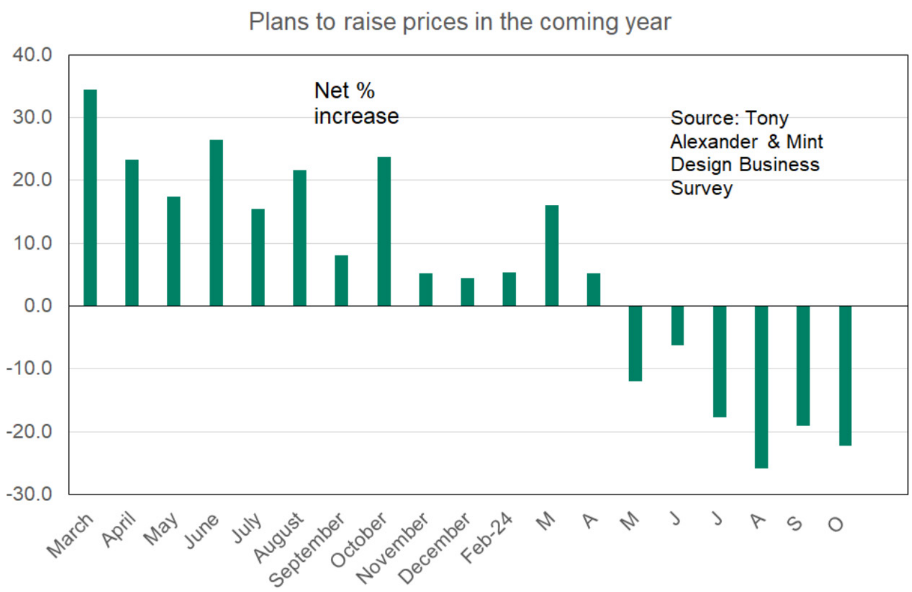
Productivity growth is often driven by business investment in new plant and machinery. The trend in this regard is positive but we still have a net 1% of businesses saying they plan to cut spending in this vital area. Also, a net 7% of our business survey respondents still say they plan cutting their inventory levels.





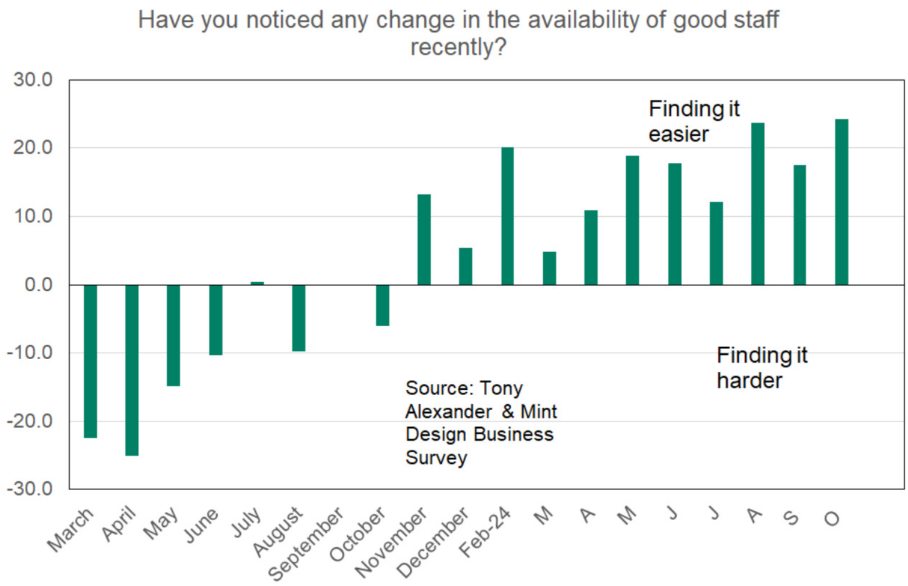
Are you planning on increasing your prices for any of your products or services this year?

A net 22% of the respondents in our monthly survey have said that they plan cutting or not raising their prices in the coming year. This measure has been firmly in negative territory since May this year and provides a good justification for the Reserve Bank's easing of monetary policy.



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

A net 24% of businesses this month have said that they are finding it easy to secure good staff. This result is consistent with other gauges in our survey showing that dynamics in the labour market have shifted quite strongly in recent months. This suggests slowing growth in wage increases and greater ability of employers to source the exact staff that they are looking for.

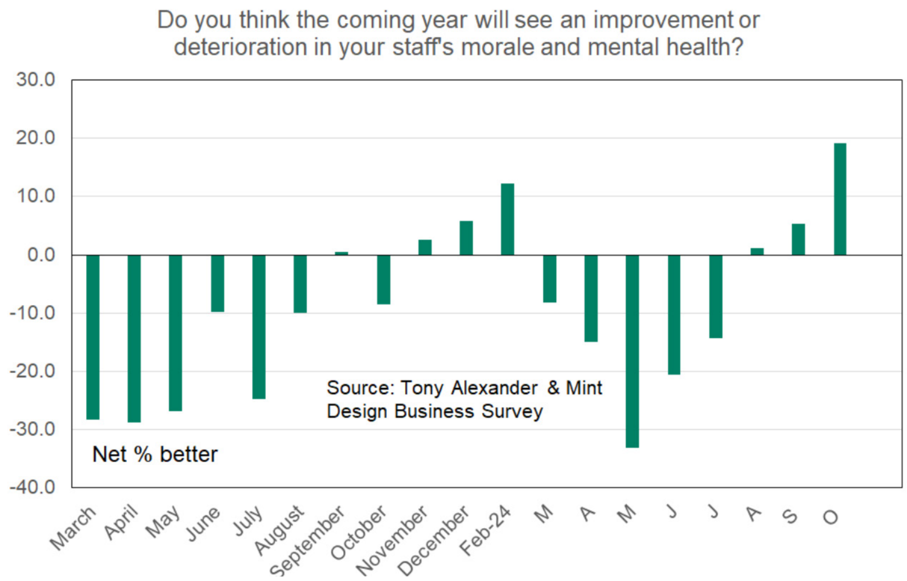


In 12 months from now, are you expecting your business revenue to be better, worse or stay the same?

A strong net 51% of businesses have indicated that they expect their revenue levels to improve in the coming year. This is the highest result since our survey started and is consistent with business comments along the lines of conditions being tough currently but expected to improve through 2025 as interest rates decline.

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

A strong net 19% of businesses expect that staff morale will improve over the coming year. This is the best result on record and a substantial on the net 33% back in May who indicated that they expect staff morale to decline.



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 tidied up comments of the respondents.

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

- Businesses are still very focussed on getting cash flows in order with generally weak demand yet still rising costs and growing problems getting bills paid.
- There are hopes of better times ahead as interest rates fall but a feeling that we are still well away from such improved conditions.
- Some 65% of economic activity in a modern mixed economy like New Zealand's is driven by consumer spending. In that regard the comments in the Retailing section are of greatest importance. They speak of still closed wallets.

Accounting & business advisory services incl. business broking

- ALack of business confidence, less demand and cash flow issues.
- Some businesses are doing very well and some are really struggling even in the same industry. Client payments have significantly slowed. IRD is chasing the long overdue amounts.
- General lack of skilled staff has resulted in many firms looking at outsourcing/offshoring solutions. However, that only makes the problem worse as they aren't much better, they are only cheaper and at a low level. The accounting industry still has a problem with attracting and retaining skilled staff.
- Since the 0.5 interest rate drop we have found business confidence improving.
- We are a small firm with no/little staff turnover. The key things I see are the continued need to increase compliance with our professional body and Inland Revenue. We have seen massive changes over the past few years. We have steady work with little change in clients and are always open to buying a block of fees provided they are not overpriced and of good quality.
- I call it "Control Alt Delete" at the moment as businesses are resetting their strategies to match demand changes particularly in the retail / service space. The one sector that is going to continue to struggle is hospitality.
- Some green shoots. Trying to stay positive.... Survive to 25.
- As an HR consultant I am seeing a lot of companies making redundancies, increasing focus on poor performance, and increasing their focus on customer service/retention.
- Oversupply of demand & under supply of firms wanting to listen to business clients.
- Succession is a problem as there are fewer young people prepared to take on the responsibility/liability of ownership. More businesses like this one will get absorbed into bigger organisations.
- Keeping up to date.
- Wildly swinging opinions by those within certain industry sectors as to the direction things are heading. Some see decline, others see growth, no consistent perspectives or opinions.
- A crisis of confidence in a climate of uncertainty about the future.
- Receivables balances are on the rise. Credit control is more important now than it ever was.
- Impacts of Govt reallocation of spending - not a bad thing, but definitely evident.
- No staff, self retiring, a few jobs to finish and clients to move on.
- Shortage of highly skilled labour.
- Prospects are finding workflows are reducing, their cash management skills are really minimal, and they do not seem to know how to plan for the future.
- Businesses are struggling but they see a ray of hope now Labour has gone but progress is slow.
- Shortage of staff, decline in quality of service provided, difficulty in client cash flows, but opportunities to grow with offering specialist areas of advice.
- A little more activity in both inbound and outbound sales leads.
- I expect to see more of my clients exit their businesses.
- Increased on-line sales in NZ but spending lots to break into new markets offshore.
- Still hard to find labour in the industry.

Advertising & marketing

- Clients (in the web design industry) are less willing to spend, and are wanting to spend less when they do.
- Suppressed consumer demand.
- Clients are spending more on targeted advertising towards their existing customers (i.e. on customer retention) than they have for at least 4 years. This is a reaction to the dampened current demand they are experiencing and in preparation for an expected small improvement in retail discretionary spending leading into summer.

- Globalisation (offshoring) and AI are hammering sector profitability for those who keep their heads stuck in the sand.
- Still tough economic conditions - everybody doesn't want to spend, and everybody looking for discounts
- There is still a reluctance for businesses to spend on marketing agencies.
- Clients have morphed into seeing marketing spend as a cost rather than an investment due to budget constraints.
- Short runways for workflow. Clients are releasing budget late because they are too reactive, which means it's all hands to the pump to get the work done in a short timeframe, then the work drops away again because we've been too busy to prospect.

Banking and Finance

- Economy has slowed significantly resulting in surplus capacity / supply and increase in redundancies.
- Decrease in demand, increase in operating costs, overall negative sentiment across the economy.
- Cafes, bars, and restaurants.
- Devastating lack of tourists.
- Sales are getting softer, not better. Disposable money is still dropping.
- After thinking that revenue had plateaued, we've just had our three worst days on record, leading to our worst week ever. Business hasn't improved and if it doesn't by Christmas, we will have to seriously consider how to exit our business. We are still getting customers, but they're not spending like they used to. It's soul crushing.
- Catering company mainly to business clients. Forward bookings are up quite strongly.
- Business is showing some green shoots and improving since daylight saving. Business is stabilising from negative sales, and showing some small increases in sales which I hope starts to increase further now that OCR is dropping.
- Lack of demand, lack of overseas and domestic tourism, can't show a cash profit.

Civil construction/infrastructure

- The recent government announcement of fast-tracking large infrastructure projects is great news for us and our industry and has improved the sentiment we are hearing from our customers.

Commercial construction

- We have enough work in the short term and are converting leads to sales, but margins are lower, and the type of work is changing meaning that we continue to have staff skill shortages in most departments as not all staff skills are fully transferable. This is why we are increasing our focus on training. Some staff are struggling for non-work reasons which is impacting the workplace, so we are spending more on workplace culture and cohesion. Things are steady but there is still the feeling of the great unknown out there, and internally the belief that we will need to continue to evolve to survive the current business environment.
- General market uncertainty, partly fuelled by on-going negative media stories surrounding governments and their practices both in NZ and overseas. Also perceptions of inefficient local government, civil servants, and SOE's etc appear to assist further with a general on-going "malaise". We're not our own though, as when recently travelling in Australia the topics of the economy pretty much mirror our own.
- The biggest challenge for my business at present is the stalled economy. Buying and Leasing is on hold with most companies. The drop in OCR yesterday should signal a decline in finance costs, and another 50 points next month should see some activity come back into the property market.
- Customers scrimping and late to pay, competitors slashing prices to win work.
- Waiting for the public sector to initiate investments leading up to the next election.
- Lack of operational business knowledge.
- Health NZ projects almost all on hold with no time frames provided and lots of uncertainty. Lots of competition for projects.
- Reluctance for customers to make decisions to get going again.
- In design end. Down 25%+ this year on year and I can't see much after some current projects finish.

Commercial real estate

- Lack of hope for the future.
- Commercial property yields should hopefully decrease in concert with interest rates.
- Some commercial tenants are struggling more than others and we continue to help out the odd one that needs relief, as long as we see them being viable in the long term.
- Job losses are really hurting the economy with households tightening their belts.
- Lack of confidence. Low liquidity. Lack of demand.
- Prevailing uncertainty amongst customers around the economy leading to them not making investment decisions but rather simply sitting on funds until they are certain that things are all moving in the right direction.
- My main concern is the rising costs of insurance, rates and compliance cost that my commercial tenants have to bare.
- Steadying industrial rents in Chch, increased buyer demand and more confidence in general.
- Significant concern with getting bills paid e.g. debtors.
- People holding on to cash, only paying when they are forced to.

Education and training

- Regulation change is good.
- Developing and sourcing new products and improving strategies to better serve customers.
- The Government funds ECE and dictates teacher wages. It is an ongoing issue that it increases teacher wages without consulting ECE owners and then fails to contribute its fair portion of that increase, meaning higher parent fees which reduces demand (which in turn has contributed to solving the teacher shortage crisis).
- Fundamentals: Inability to translate strategy into operational success are holding back the organisation. Understanding the need to close a sale to get a bum on a seat and the processes to achieve that are also lacking.
- Parents still trying to save cash where they can by shopping around and using extended families, plenty of competition.

Energy

- Slow or cautionary approach to the last quarter this year as well as the first quarter next year. Looking forward, mid or end of the third quarter for growth and stability to increase workforce and customer base.

Engineering

- As design engineers we normally see an increase in work about a year before the economy in general starts to improve - and we have a small uptick at present.
- My small-scale engineering design and consulting business in the residential market has been slow since the beginning of the year. There isn't enough work, and I don't see much improvement in the foreseeable future.
- Confidence levels are rising, but there's still hesitation when it comes to investing in new equipment. We're seeing record levels of inquiries, which presents a great opportunity for resilient businesses to stay the course, streamline operations, and cut unnecessary costs.
- Lack of projects from both government / public sector and private sector works. Developers are aware that projects are now not financially viable in the current economic environment and public sector clients are cutting back expenditure (although communications through media outlets are stating huge expenditure - this expenditure is variations on current billion dollar major projects like Central Interceptor and Central Rail Loop - the variations on these projects are soaking up budget for the regular infrastructure upgrade projects).
- There is less work available with greater competition
- We work for Defence and severe spending caps have been imposed. Challenge is to get through this time so we are still in operation when the government gets back to business. We have seen this before (Mother of all Budgets) and it took a few years to stabilise.
- Also we are losing our best young engineers and our second challenge is to retain or lure Kiwis home and offer them an attractive future. We are not supporting our young people anything like enough to achieve this, especially when they compare to Australia.
- Still not much work around. Lots of external noise around things improving but we haven't seen that in any meaningful way as yet. We've already cut deep and will need to consider further job losses if things don't pick up soon.

Farming & farming services

- Some green shoots but a lot of bank pressure and lack of Ag sector confidence - deferred/lack of maintenance is going to cause some opportunities through forced maintenance and upgrades.
- Continued frustration with the RMA and its interpretation. Local authority compliance costs and the increasing financial burden on ratepayers - particularly those on low and/or fixed incomes who cannot increase their income to offset these rises. There's still far too 'nice to have' decision making rather than caring for peoples' practical needs (welfare, health etc. etc.).
- Input costs through the roof.
- Farming sector continues to be challenged by increasing input costs and uncertain market demand
- Everything seems to be on 'pause' waiting on the government and its reformation of regulations. There is no clear future direction. The future looks grey and murky making it difficult to plan.

Financial advice/wealth management

- Consumer investment confidence being maintained with dropping OCR rates.
- Clients are concerned about losing jobs and reluctant to spend money.
- Some clients are more resilient than others. The ones that have budget pressures tend to be the ones that make fundamental decisions that have a long term impact on their financial freedom.
- A lot of pain with business clients with minimum cash flow and a lot of arrears.
- Lack of vision and petty point scoring from our politicians is detrimental to our nation's economy and wellbeing. The flow down effect from good governance will put our economy in a better position to prosper.

Forestry

- Many sawmills are reducing hours or shutting altogether. Our sawmill is doing massive upgrades hence increase in spending on new technology and infrastructure.

Health

- Competent people in the 27-45 year group are leaving NZ fast and these are the people I want more of in the business.
- Mixed messaging on how everyone is really doing.
- Customers are still present, but less willing to open their wallets. Sponsors, partners and suppliers are all passing on impacts of tightened margins, with new money (for cultural sponsorship) largely non-existent.
- Steady as she goes.

Information technology

- Greater acceptance of SAAS and AI.
- The single biggest challenge is demand. Customers are sweating their technology assets which will eventually cost them more in the long run. This cycle will eventually revert as it will create productivity impediments to their business.
- Business are spending if they have to, otherwise just generally quiet.
- Demand is fickle given people need to update to tread water economically there is a tendency to procrastinate until things need to be completed is a rush. While there are many more IT specialists available it is not easy to find quality candidates who have diminished expectations inline with customer demands when addressing remuneration.

Insurance

- Clients are conscious of cost and many looking to reduce cover.

Legal

- People are really struggling and voicing they are hurting. Endless roadworks in my suburb, the health sector is in crisis. Universities are struggling - wealthy people are sending their kids to overseas universities as a result.
- Customers / Clients in the SME space are doing it tough atm. Supporting them through this period and out the other side while preserving cash key and keeping a lid on costs key focus areas over the next 12 months.
- We are maintaining a steady as he/she/it goes attitude and situation despite the present economic environment.
- Government processing backlogs causing major delays in visa processing for migrant labour - likely to be a big cause for slower economic development and growth, especially given the Government's ambitious capacity building projects. Currently taking up to 6 months end to end for work visa processes including employer accreditation and job checks.

Manufacturing (all categories)

- Very low profitability.
- Slight improvement in optimism, and a very slight uptick in the forward order book, but not expecting real momentum to rebuild until March/April 2025.
- Steady as she goes. Light at the end of the tunnel.
- Poor demand is the greatest issue by far. Trying to keep core skilled staff for better times.
- Green shoots in commercial interiors market.
- There is a gradual increase of micro managing.
- Unstable development of freighter and courier Companies, due to take-up of AI resulting in much lower staff levels.
- Cost of rent keeps going up, now a large percent of expenses.
- The lack of orders from our retail channel are dire.
- There is a definite resistance to price increases, our margins have taken a huge hit due to raw material increases in the last 3 years (covid /supply chain issues) and they have not come back to where they were. We did not increase our prices enough.
- Customers are struggling and we still have cost pressures. Spending downtime looking for more business, maintenance and riding through until there is an improvement. Great news and much needed relief with interest rates.
- Building Materials Supply. Market softened further around May '24. Hopeful with OCR reducing & Gov't heading to 2nd year hoping there is some recovery in the building & construction market.
- We rely largely on the Chinese market in China and Chinese in other countries so their position is vital for our business as an exporter. Lots of eggs in one basket type business.
- Consumer demand will likely be constrained. We will see some seasonal uplift over Nov - Mar but feel it will be fairly muted compared to historical due to lack of large numbers of inbound tourists.
- Slow demand and orders.
- Challenging year with natural health products due to tightening of spend in retail sector.
- Lack of sales, still. Lot of weakness in Ag sector.
- Currently we are experiencing a decline of new orders, however, the outlook seems to be improving, we just need customers to commit and issue the orders.
- We foresee more significant civil and engineering failures for NZ.

Miscellaneous

- Costs are increasing - rent, insurance, utilities but due to this current environment with reduced demand/price sensitivity we are unable to increase prices to pass these costs on. The extra week's sick pay that employees have now is also adding a large cost to the business, feels like they are taking advantage of this and look at it as a use it or lose it benefit rather than what it was actually intended for.
- Architecture - Client confidence is improving but presales remain a big restraining factor to development of multi residential projects. Government policy has meant public sector projects are scarce and highly contested with little confidence they will proceed.
- Electrical and security contractors - It would be nice to see more customers, and potential customers, loosening their purse strings to spend money on trades products and services more, to fill the gaps we have in our weekly workload.
- Electrical contractor - Out of town contractors coming to town for work.
- Plumbing gas fitting drainage - Unrealistic pricing by competitors just to keep busy.
- Plumbing Maintenance/Renovations - We see a lot of similar businesses undercutting our pricing by huge amounts that we are not sure how they are doing the work for the price they have given. We are in maintenance so we are still steady but not as busy as the last few years. We definitely still have maintenance work from existing and new clients. Looking into other avenues of increasing our revenue with different service options, so there are still opportunities out there.
- Residential House painting - We had no work for 4 weeks or so, then in the last 5-6 weeks we are getting work - definitely with much tighter pricing.
- Screen Production Industry - The Screen Industry in New Zealand has remained buoyant since the end of US Union strikes. The general trend from Hollywood has seen a reduction in both streaming service production and budgets, and North America has been particularly impacted. The major production centres of Los Angeles, New York, Vancouver and Toronto have all been operating at 50%, while Australia and New Zealand are basically at capacity. But the pipeline of production for the next 12 months remains uncertain, and the low level of the New Zealand filming incentive (especially compared to Australia) continues to be concerning.
- Steel, stainless , aluminium Distribution and Processing - No actual improvement in demand and unsustainable competitor pricing out of desperation. We are cautiously optimistic that demand will improve steadily in 2025.
- Trader of Sugar & Importer of consumer goods. - Good growth in the commodities business, completion is hard due to dollar values and customers ability to set the necessary bank instrument in place and these to be validated.

Mortgage broking/advisory

- Extremely busy.
- Ongoing reluctance of lenders to reduce their interest test rates for debt servicing assessment purposes to a sensible level compared to actual interest rates and their continued tight lending criteria with pedantic requirements regarding borrowers discretionary expenditure.

Motor vehicle sales/parts

- More stability.
- Customer demand in NZ is probably not enough to sustain the business long term so we will need to move into other countries to gain critical mass (the business is only a year old).
- Automotive finance - Values of loans are down (people financing have higher deposits or trade in values are high) compared with the last few years. Younger buyers are missing (likely dealing with mortgage blowout). Industry for new vehicles is down 25% year on year (despite clean car removal leading to a surge in ute sales, this has not been enough to counteract the drop in all other models). Plug in hybrids are hard to sell now that no one wants to pay road user charges on them.
- Inconsistency - need consumer optimism to return, less time wasters and more serious customers who don't muck you around.
- The bottom has been reached and the industry is ready for slow recovery.

Printing and Packaging

- Reduced activity across many key sectors flows on to a reduction in print ordered.
- Supply chain disruption.
- Property valuation.
- Lower interest rates are helping stimulate the market.
- Shortage of valuers and increasing demand increasing fees.

Recruitment

- Nervousness of customers to increase staff levels.
- Recruitment and hiring activity has been extremely low / the lowest since covid where recruitment stopped overnight. Many clients are waiting until they see some positive signs before investing in new staff, or replacing staff that have left. Typically after periods like this demand ramps up quickly once the confidence comes back.
- Clients believe the availability of candidates has increased and salaries have gone down; whereas the quality of good applicants has gone down and those candidates' salary expectations have increased.

- Lots of candidates but most are not suited to jobs available. Many overseas applicants do not have the correct Visa's to put forward for jobs.
- Government attitude and policy is creating fear and insecurity in the business sector and the public, this is causing retrenchment and fear of growth.

Residential construction incl. section development

- Land Development - RMA Planning, Surveying, Civil Construction design engineering. We are being contacted by good staff looking for roles, usually we have to try to find them. Councils, TA's and agencies like NZTA are not getting any easier to deal with. There is an unnecessary amount of process and policy compliance from these organisations combined within an inability to assess and agree to pragmatic solutions for individual site issues which stray from the norm covered by plans, policies or guidelines. (Not helped by continual turnover of staff leaving these orgs chasing new roles/higher pay grades). This is difficult for a solutions based business such as ours, as it adds to time/cost which cannot always easily be passed on to clients.
- Land Surveying. - Reduction in the number of development projects.
- Council Red tape is killing the development industry 4 years on one project only to get rug pulled out at last minute. This govt better get on with change very quickly or its lights out for the economy.
- People are sitting on their hands (& wallets) for products like ours in the "nice to have" category.
- Interest rates - rate of decrease to assist first home buyers & investors purchase our residential new builds. Cost of Financing - rate of decrease to lower our own current high cost of borrowing. Cost of Construction - stable at the moment and high availability of contractors and suppliers - am able to build quickly.
- Large downturn in demand but locally it's turned the corner Kaipara is growing rapidly.
- The demand is subdued because the interest rates on mortgages remains high, job security risk has elevated, and new construction of housing & land packages exceeds the value of existing comparable properties.
- New home sales are still very slow across the board. Renovations are steady but very competitive.
- Lack of reasonably priced land for development, not enough construction projects to keep all trades busy.
- Vibe is slightly more positive, at least 4 months before we notice an improvement in sales, then the incline will be steady. Having to have a tight control on all areas of business.
- The myriad of changes this government is proposing is both horrifying and heartening. There is so much regulatory uncertainty at present that it is not feasible to make predictions with any certainty. Even when we get more certainty from Wellington, we will still need to wait on the insurance markets before we know what the new normal will look like.
- Clients seem to be more focused on quality finishing rather than near enough is good enough.
- Still plenty of work here in Selwyn.
- Difficult getting sales but we are getting better inquiry levels.
- Customers taking a very long time to make a decision to purchase.
- Resi Construction Auckland, Land prices still high in relation to rest of the country, high infrastructure cost and uncertain availability increasing nervousness in market.

Residential real estate

- The OCR drop, whilst good for buyers, has made vendors more bullish in their price expectations Suppliers are increasing their cost, with no corresponding increase in benefits.
- Uncertainty by buyer.
- Customers have been slow to make decisions but since the OCR drop this week a flurry of activity. Too soon to say if the two are linked or whether it is coincidental.
- More positive media releases.
- Clients making long term decisions based on short term indicators.
- Massive amount of stock, buyers not in a hurry to make a decision, marketing costs going up. 50% down on last year. In a discretionary spend area.
- I am a house flipper based in Auckland finding the market is picking up in prominent areas, which is good for business.
- Investment property sales are on the rise with access to finance improving and mortgage interest rates reducing.
- Buyers are still uncertain in a lot of cases.

Residential rentals/Investment

- Input costs still biggest issue facing viability of rentals.
- Still too many unscrupulous management companies in operation dragging down the overall reputation of property management. Also seem to be taking on more self managed properties where private landlords come unstuck not understanding processes.
- High interest rates are preventing people from keeping their rentals. Unemployment and business confidence is also having an impact on how long people can ride the storm.
- Rates and Insurance increases.
- Property owners who are in financial difficulty are selling their rental properties even though the sales prices are low. Rents are down month on month, good quality tenants are hard to find, tenant defaults on rents are up.

- Tight rental property market, rents increasing at a slower rate.
- Migrating New Zealanders and decreasing the number of immigrants is likely to decrease the demand for housing (both purchase and rental), thus decreasing demand for our product/service.
- Getting harder to find good tenants. We are lowering our rents to secure tenants.
- Cost of compliance, mental health of staff
- Dropping interest rates and the slow upturn of property prices.

Retailing

- Jewellery retailing has fallen off a cliff over the last 3 months. The spring bounce we had hoped for has not eventuated. Getting very discouraging. Hopefully lower interest rates lead to more discretionary spend.
- Customer foot traffic in store is well down and customers that do turn up are purchasing bare essentials only. Customers are also seeking to repair equipment before considering to purchase a new replacement.
- Low customer spending.
- Low demand.
- Lower margins and increased competition. Subdued customer demand.
- Foot traffic coming into our furniture and homeware store is drastically down for this time of year. Customers that do come in are still not spending big sums. I expect improvement when the housing market improves.
- Large customers are not paying on time, opportunity to grow as competitors fall and leave shelf space for us to grow into. We use a mix of income streams to fuel retail supply growth for business value growth. Our goal is to build low or no tax asset structure, i.e.: increase brand values to maximise business values.
- More hope of a brighter commercial tomorrow but no change in ordering behaviour. Increased levels of sales activity but slower decision making by customers. price resistance and shopping around more. More focus on price and less on sustainability. Higher level of competitor activity on price.
- Customer sentiment seems to be improving as a consequence of OCR cuts even if sales are still lagging last year due to the weather.
- International visitation is strong & predicted to improve further, providing there are no international incidents. Well stocked & prepared for a strong summer. Already posting all time record revenues & gross/net margins in the 15 year history of the business.
- Customer reluctance and reduced product buying, a flow-on from their own reduced sales. Month by month variables affect future planning for stock resupply - hedging.

Shipping, transport, storage & distribution

- Demand is very low.
- Overseas demand sluggish.
- Logistics - costs still climbing and infrastructure failings causing real issues - e.g. ferry delays result in product spoilage. Incompetence in local bodies and Govt service providers is a real problem - too many managers with no specialist expertise.
- Lots of staff around, but low quality.
- Things are pretty tight out there, import cargo we are 21% down, mainly re-sea-freight, export numbers are holding, talking with our clients, their thoughts are that things should be somewhat back on track 12 months from now.
- It's not easy out there. Everything is under review all the time.
- Cost pressures from suppliers, and our ability to offset inflation.

Tourism & accommodation

- Domestic business very flat; International business up. Compliance costs disproportionate to revenue especially in vehicle management.
- Negative reporting from media does not help for spend on travel.
- A decrease in domestic demand. An increase in pay expectations from employees, and an increase in costs overall.
- Two speed economy. Sluggish in Auckland while the South Island, Queenstown Lakes in particular is accelerating.
- I have a tourism property. As the outward flow of Kiwis continues, fewer people arrive, and people have generally stopped spending, bookings are well down, and we're moving to lower-paid, long-term accommodation for predictability.
- The RBNZ's target 7% stress tests are achievable when sales are present, but without sales, it's 2 - 4 times worse.
- More tourism support. Marketing and money!
- We are doing okay. Forward bookings look good. We have to keep improving and diversifying the ways we can attract clients. We are subject to other people we cannot control.
- Demand for high-end accommodation is down - without US visitors, and local weddings, we'd be well down.
- Slower but continued growth in international leisure and corporate travel, travel & tourism suppliers under margin pressure after a period of post-covid recovery, increasing demand for professional travel services and agents.
- Outbound Travel. Global events have an impact on travellers - Conflicts, Storms, US elections. Creates uncertainty so travellers defer plans, or are more conscious about destinations to travel too.

Wholesaling

- Customers tightening their belts and reluctant to spend.
- Reduced spend in retail negatively impacting my profits.
- Year has been tough, next year will be easier for those that are ready for the upturn.
- Concerns about new tourism taxes impacting international visitor numbers.
- Low domestic demand as impact of reduced spending and interest rates cycles through the economy.
- Tourism is recovering slower than expected however it is recovering. IVL increase to $100 is not helpful.

Wholesaling

- Wholesale Fuel Distribution - A lot of businesses are looking to reduce costs through better pricing for their inputs.

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

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