Mint!

Business insights with

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Pricing plans still easing off

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. 538 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:

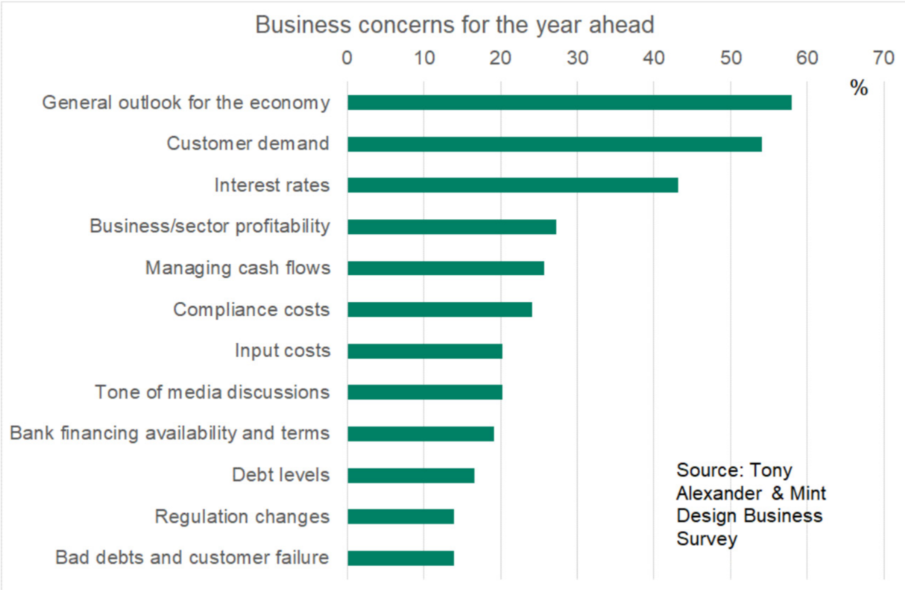
- Businesses are increasingly reacting to the depressed environment by pulling back on plans to raise their selling prices.
- The labour market is weakening further, and businesses see less need to step forward with extra spending on recruitment and remuneration.
- Cash flow positions for firms across many sectors have worsened.

Tony Alexander
Independent Economist

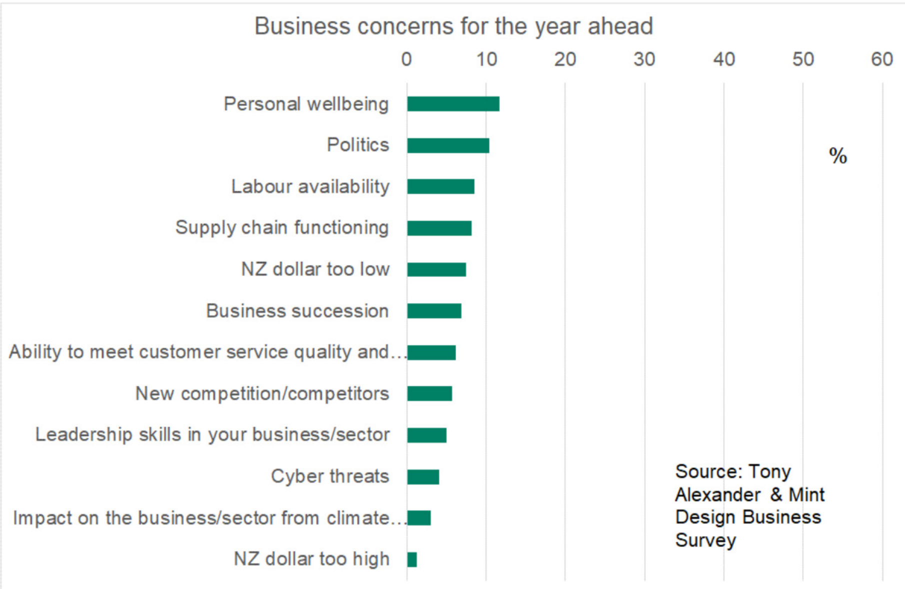
What concerns you most for the year ahead?

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 still the general outlook for the economy, customer demand, and interest rates. The crushing effect of tight monetary policy is mentioned by many businesses in their written comments.

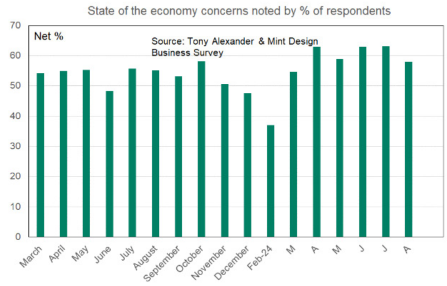


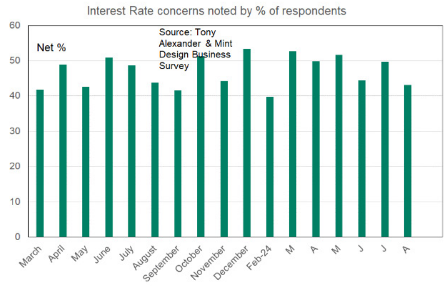
Businesses express least concern about the Kiwi dollar being too high, climate change, and cyber threats.



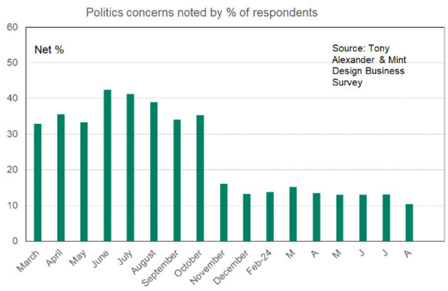
These next graphs look at changes in a selection of areas of concern for businesses since our survey started in March 2023.

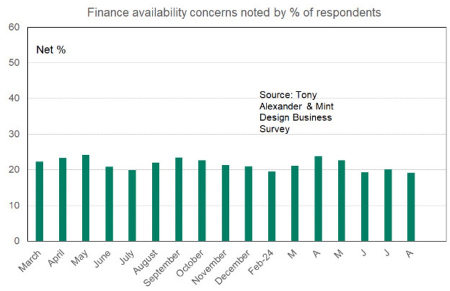
There is no improving trend yet in business concerns about the state of the economy. Concerns about the economy are slightly lower than last month but remain highly elevated.



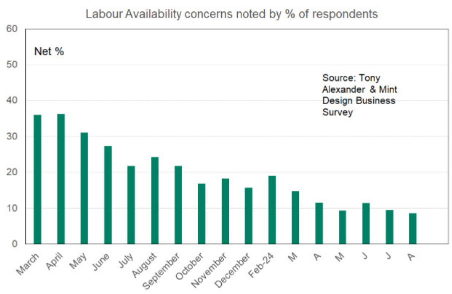


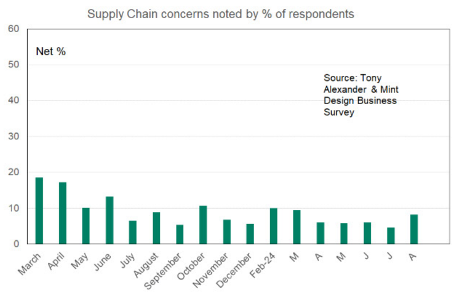
Businesses seem to feel the state of politics is not something of as much concern now as was the case when there was a Labour-dominated government. But worries about the availability of finance have yet to show much sign of easing.



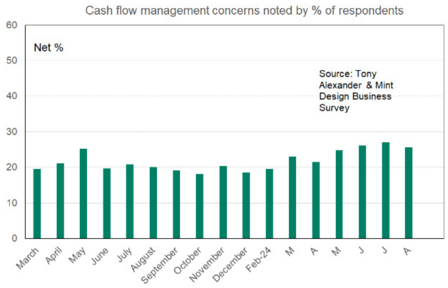


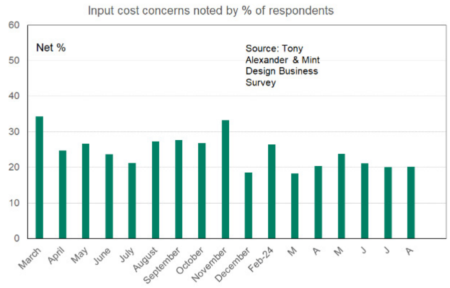
The trend of falling worries about sourcing labour remains in place. But supply chain concerns have bumped up slightly this month. This may be partly due to news of a major shipping line cutting some services to New Zealand. If electricity availability counts as part of the supply chain, then discussions about some firms closing operations because of electricity shortages may also be a factor in play.



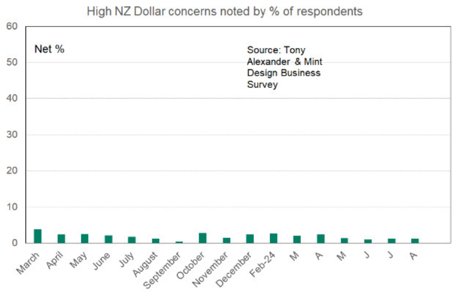


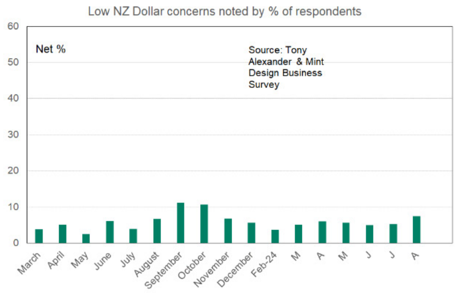
In the written submissions many businesses noted their problems with weak cash flows – expenses still rising but revenues constrained by weaker customer demand. Perhaps related to this there has been no sustained improvement in worries about growth in input costs since the drop towards the turn of the year.





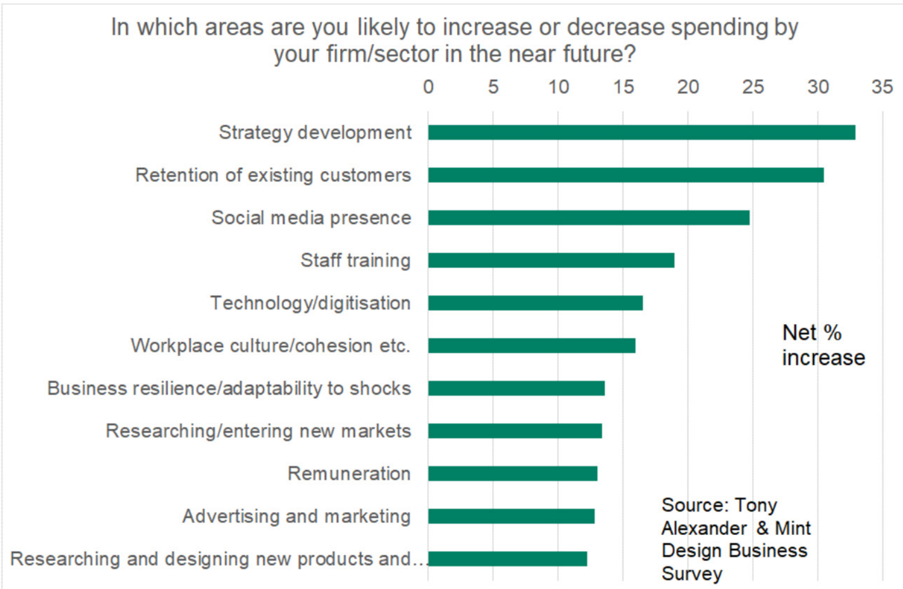
Concerns about the Kiwi dollar being too high are as weak as ever. But there has been a slight nudge higher in concerns about the NZD being low. This may reflect input cost concerns continuing alongside the NZ dollar's recent mild weakness against the US dollar and the Japanese Yen.



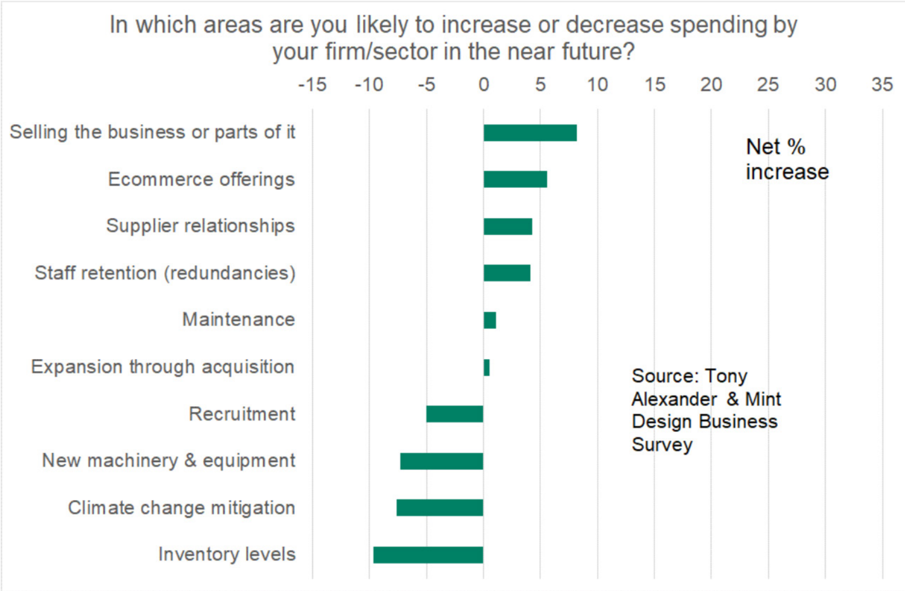


In which areas are you likely to increase or decrease spending by your firm/sector in the near future?

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

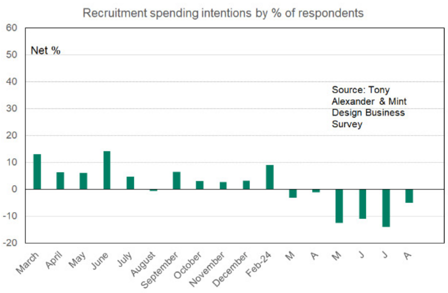


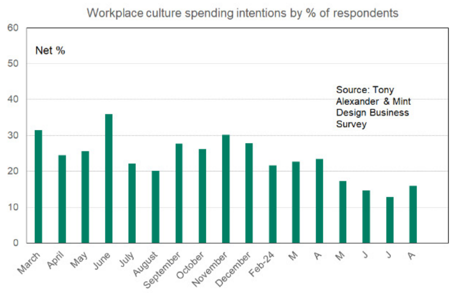
Cutbacks in spending are planned in four areas.

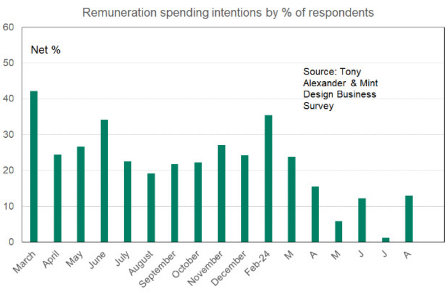


These next graphs look at how planned areas of spending change have been tracking since our survey started in March 2023.

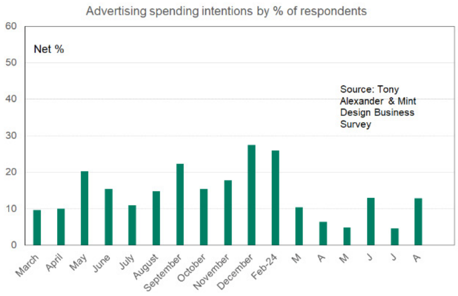
The weakness in the labour market is evident in these first graphs showing how businesses plan cutting spending in labour-related areas like recruitment spending. Each of the measures has slightly improved this month. But when we allow for inherent volatility, the results continue to bespeak of spending retrenchment.

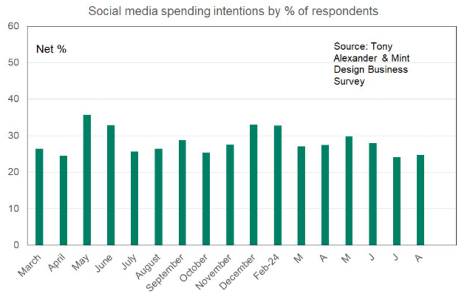




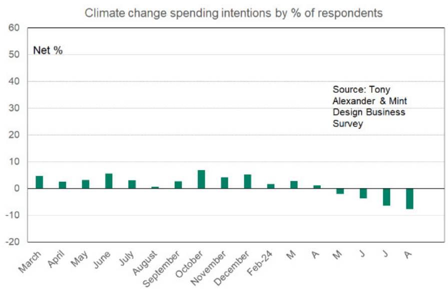


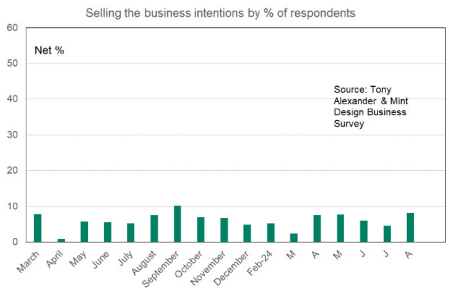
Plans for advertising spending have improved slightly but as above remain weak. Having said that, in a world where mainstream media advertising is losing out to social media, plans for spending in the latter area remain elevated.



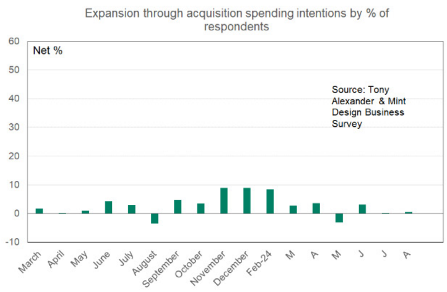


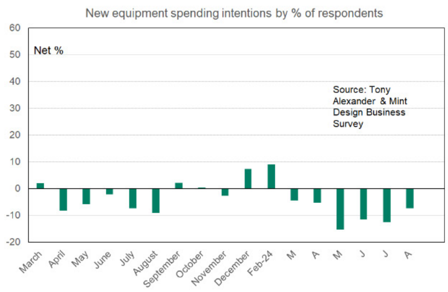
As noted above, climate change expenditure is having to take a back seat to more pressing issues of immediacy. Maybe one of which is planning to sell one's business. But at the near worst point of the economic cycle?





Few businesses are currently thinking about expanding by acquiring another business. As has been the case since we started our survey, businesses are not in a mood to spend extra on plant and machinery.

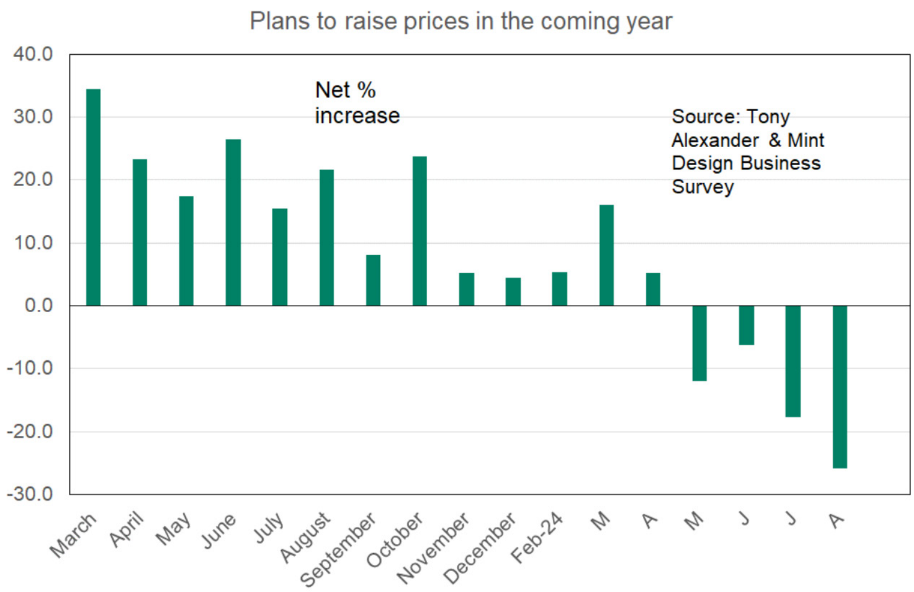




Are you planning on increasing your prices for any of your products or services this year?

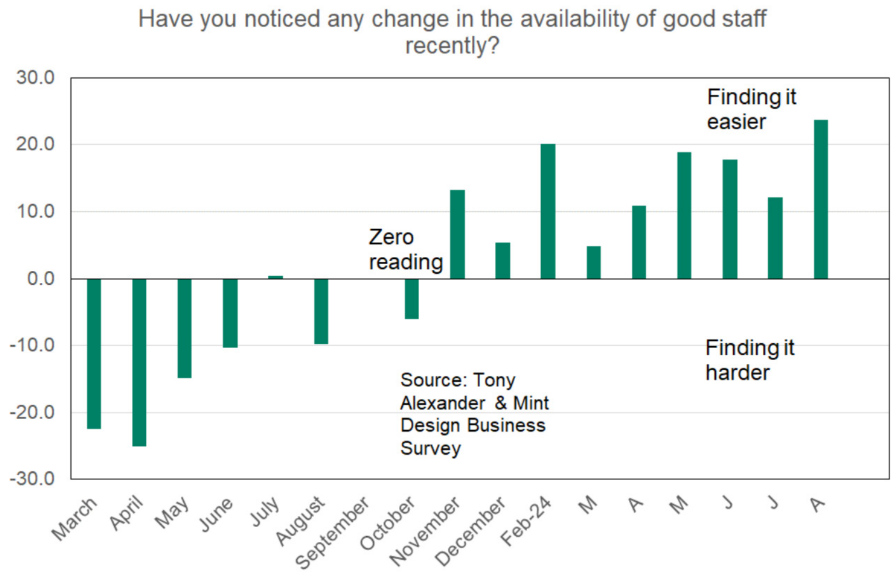
The Reserve Bank have reacted to the plethora of data showing the economy tanking since early this year by cutting the official cash rate one year earlier than they indicated in May. They project that the now 5.25% rate will fall to under 4% by the end of 2025 then near 3% by the end of 2026. But they stressed in their Monetary Policy Statement that rate cuts will be highly dependent on business pricing behaviour becoming more consistent with inflation holding near 2%.

Thankfully, the net proportion of businesses in our survey saying they do not intend raising their selling prices in the coming year has reached a record net 26%. A year ago a net 22% planned raising their prices.



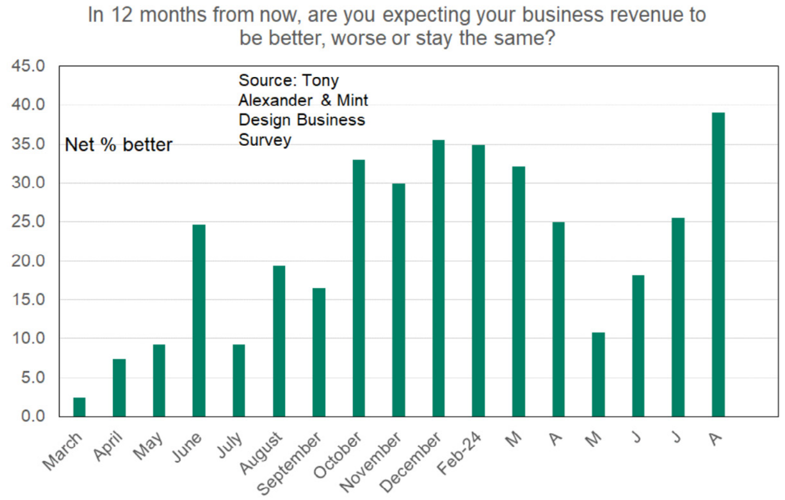
Have you noticed any change in the availability of good staff recently?

A net 24% of our over 500 respondents this month have said that they are finding it easier to get good staff. This is important for exercising downward pressure on the pace of wages growth and inflation but does reinforce the fact that for retailers the outlook remains challenging. That is because consumer feelings of job security are likely to remain depressed through into 2025.



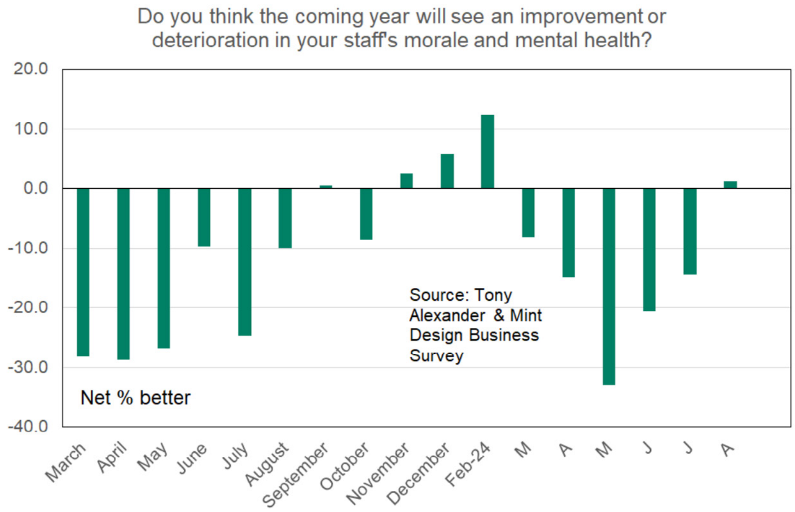
In 12 months from now, are you expecting your business revenue to be better, worse or stay the same?

Businesses are becoming increasingly hopeful that things will get better next year. The mantra "survive to '25" appears to be embraced.



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

For the first time since February a net positive proportion of our business respondents have said that they see staff morale improving a year from now.



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 cashflows are tight with costs still rising.
- Many businesses are concerned about the tightness of monetary policy – so hopefully the large change in predicted rates track by the Reserve Bank on August 14 will have a good sentiment impact.
- Comments from the tourism sector have noticeably deteriorated.
- Early groundwork (literally and figuratively) is being undertaken for an upturn in residential construction. But the immediate situation and outlook remain poor.

Accounting & business advisory services incl. business broking

- MCompanies going into liquidation/administration etc.
- Reduced demand arising from declining customer confidence in their own outlook and customers' desire to preserve cash.
- Costs of goods and suppliers
- Pressures on cashflow due to customer slow payments
- 9-12 month lag to recovery stemming from consumer confidence and reduced interest costs impacting disposable income. Every business we deal with turnover down.
- Lower revenue causing cashflow problems
- Many businesses realise that now is a good time to take advantage of the market and get a step ahead of the competition. The ones that are seeking advice and support to do this are making impressive gains.
- The pessimistic business outlook is resulting in many projects been canned. The budget cuts demanded from Treasury has a knock-on effect on consulting for the public sector, widespread culling of projects and consulting opportunities
- Access to business finance remains difficult. Main banks & finance companies remain "risk adverse". Many businesses are also struggling with cash flow issues (including GST / tax) including reduced profits and/or losses for FYE.
- We are CA firm, increased workload and surprise ad hoc jobs from our clients causing stress in our workflow.
- Client businesses are struggling with lower revenues and are cutting operating costs where they can.
- Everyone is slogging hard yet treading water.
- In the Chartered Accountancy & Business Advisory sector we are seeing growing demand from clients, especially in relation to Budgeting, Forecasting, Funding Assistance, Restructuring and Commercial Dispute Assistance. When times are tougher this demand seems to increase significantly.
- Lack of confidence with a failing market. Reluctance to spend and worries re interest rates
- Seeing more small businesses failing, shutting down, hibernating, or taking early retirement. Most won't hit the official statistics for another 3 - 12 months. Reducing staff over next 6 months. RBNZ too late yet again.
- Life goes on - end of year compliance work is steady state.
- Clients challenging invoices, but demanding more service
- Customers desperately hanging out for interest rate cuts to help cashflow and hopefully boost consumer spending.
- A number of staff leaving for Australia. Seeing a reluctance to spend and looking for ways to save $.
- Still hard to hire quality staff, cost of accommodation is biggest barrier. Still ticking along well enough.
- Autumn and winter relatively quiet but starting to see some green shoots, with good new listings and slightly improved demand from business buyers
- Businesses struggling with increased costs and less demand resulting in cash flow issues.
- Improved client confidence following the change in government, but they are still struggling from the economic malaise caused by the last one.
- We see good businesses accepting that the next 12-18 months will be quiet, so they are preparing for the upturn envisaged to start from around this time next year. Primarily led by an increase in civil construction, leading onto increased building construction.
- Economy has stalled, clients much slower to pay, many businesses relying on discretionary spend are struggling.
- Our compliance is ever increasing so I hope that it is now plateauing so that we can act for our clients in the most cost efficient (timely) way possible. Clients come and go but we are mostly steady with a slight increase year on year.
- Continual overloading of compliance related changes and requirements.

Advertising & marketing

- Decrease spend
- Low business confidence means spending on marketing is low.
- Unease from customers wishing to spend money on marketing efforts

- Clients are finding it very tough at the moment and some are having to pull back on advertising. Leads that are coming through advertising are converting at lower rates as well making roi lower. We are still seeing new business wanting help though who have either not advertised before, are self managing advertising and needing things to perform better or are looking for a new agency and better results.
- As a marketing company, there has been a noticeable and significant shift by our clients from acquisition targeting advertising to customer retention personalised marketing. With easy sales gone and no longer 'papering over the cracks', clients are also "getting back to basics" and taking an interest in service and customer satisfaction above all else.
- Halt in advertising spending
- The clients we work with have higher expectations for our services and their results for the same budget and new clients are expecting a lot for every dollar they spend.
- Things seem to be loosening up and we are getting more inquiries from our online marketing - there's some light at the end of the tunnel.

Banking and Finance

- Businesses are facing pressure from high interest rates. The longer this goes on the number of failures will rise. Seeing lots of requests from businesses for support to get them through this period.
- Banks dithering in the asset finance space, don't really want to be in it but volume of funds not being lent out in mortgages means it has to go somewhere - some banks offering crazy asset finance rates. Businesses generally are starting to think about new finance on equipment - seeing interest rates past their peak.
- Reduced demand, business activity is light as no one has any money.
- Due to the recent down fall in the market, there are more desperate business owners who take unethical route to do business now. This pushes us honest ones behind and makes it harder to make margin.
- We can see our clients with decent incomes are also struggling to keep with their financial commitments

Cafes, bars, and restaurants

- Hospitality thrives on tourism. I'm glad the current tourism minister seems to have a clue and is moving the tourism ad budget to the quieter/shoulder seasons. Makes very good sense and can't happen soon enough. So many Queenstown retailers and hospo hanging on by their fingernails
- Lack of tourists and local customers being careful about spending, however things have improved for this time of year comparing to the last 6+ years
- Business is very flat, and good strategy outside of normal activity is needed. I feel if you get it right in these times you will be much stronger on the rebound.
- Input costs are out of control, staff attitudes & expectations are over the top. We essentially run a weekend trading business, but staff don't like weekend work – it's all about their lifestyle requirements firstly.
- Still high numbers, but lower spending per head.
- We need inbound tourism spending, we need to be encouraged, we need confidence, we need less cost escalation, we are exhausted financially and feel beaten down, even though we are skilled and experienced and were well financed.
- People are budgeting their spare money
- Just returned from overseas. NZ is now horrifically expensive. Wages too high, cost of living too high, excessive regulation costs, tiny industry margins.
- We're about to lose our last staff member and it's not looking like we will replace her. 5 staff to 2 (both owners) in the space of 2.5 years. There is no consistent customer demand. We went mortgage free 2 years ago and if not for that, we would have been history by now. It's still not looking pretty.

Civil construction/infrastructure

- Slow down of government spending in the infrastructure area.
- Workload is very patchy, spending a lot of time on pricing, and lowing the price during negotiations to secure work.
- Reduced local authority and infrastructure spending is starting to have a significant impact on the industry as projects/ work secured previously is coming to an end.

Commercial construction

- Contract labour and on call services are getting easier to book, but hourly rates are too high for basic services and skilled alike. Am not motivated at work and looking to start my own business as I see no growth in wages for 2yrs, but costs for employing people to manage rental operational and maintenances exceeds my fairly good construction management salary.
- Slow progression. Hope that we are through the worst. The outlook seems a bit grim at the moment.
- Race to the bottom in pricing. Fierce price cutting to win t he work. Lack of projects.
- A downturn in projects but see this as short term which should improve next year.
- Deferral of government spending on social infrastructure (schools, hospitals etc) but this is likely to lead to more effective spend and better projects of more value.
- There is activity however its make up is different (lots of smaller opportunities as opposed to lesser larger ones). They are also tending to drag on indefinitely. It is a long painful process to convert opportunities in to work at present.
- Uncertainty. However, there are green shoots showing with the promise of interest rate cuts.

- We are tidying up Systems and getting our house in order ready for more work in 2025.
- Uncertainty with near and medium term interest rates and all construction costs.
- Market correction around pricing and staff/contracting.
- Across our sector workload has normalised from covid highs. This means that those in the sector who increased capacity now have spare capacity and we are seeing a significant increase in competition for work, as well as other builders targeting our industry specialties and market sectors (e.g. residential builders targeting commercial work). There is also increased competition from out-of-town players who have spare capacity following the slowdown in the city markets.
- Gone from extremely quiet to picking up, albeit slowly. Spadework done over the last 8 months of quiet time has led to a number of projects slowly taking shape. Field is architecture.
- Commercial architectural projects are slow to start and slow to go through RC/BC. Clients are taking longer to make decisions. Construction industry is very slow right now and there are redundancies being made.
- More tenders coming through.
- More price competition.
- Slow progress of projects which seems to be driven by project management incompetence.
- Construction industry (design side) is looking very poorly at present and has a poor outlook. Heard of a number of skilled people leaving for Australia - more than normal.

Commercial real estate

- Commercial Property Advisory - clients/suppliers going into receivership & losing money with them.
- Some businesses are under financial pressure, symptomatic of strategic decisions made some years ago. We'll see more failures in the CRE space. As cash term deposit rates come down (quickly), we expect to see investors rebalance out of cash and into yield and growth stocks. CRE will likely see growth in capital flows in coming 12-24 months. There remains a weight of capital sitting on the sidelines.
- Tenants are downsizing GLA post staff reductions and are shy of signing to leases of decent tenor leading to unattractive funding terms. Government leases (being gross) are destroying many assets (particularly in Wellington) ability to upgrade and keep pace with seismic regulation and afford rates. With insurance costs escalating, council rates increasing, there are many locations in serious risk of decline. Wellington in particular is on life support. I suspect mortgagee sales will dictate the back half of 2024 and well into 2025. Even well heeled investors would struggle to see any value in buying the debt from many landlords.
- Lack of activity / demand.
- Commercial real estate sector is still tough although there is light on the horizon. Biggest problem is going to be the lag once interest rates come down and business starts picking up. Consents, supplies, staff etc takes time to get production rolling again.
- Stabilization in yields also the effect on cash flows with the change in building depreciation allowance.
- Reduced demand.
- With the banks starting to reduce interest rates (even if the RBNZ can't) it is indicating strongly to our market that the bottom of the market has definitely occurred, and we are now moving into the recovery phase. This has resulted in an increase in inquiries especially from anticyclical buyers and investors who have been sitting on the sidelines until now, as they realise that this is about as low as the market will get, as the economy and business confidence starts to recover. The only negative commentary in the country seems to be coming from Wellington (and the Wellington based political reporters) which to be fair was the last area to go into recession and will be last out following the governments required rebalancing of the bloated public sector.
- A renewed confidence is emerging. Buyers are coming back into the market and yields are slowly compressing.

Education and training

- Education quite often gets busy during recessions, but this one is different, it is a lot quieter.
- Cash flow is tough, not sure if we're going to survive. Sale potentially on the horizon.
- Increased competition, students staying close to home rather than moving away in order to stay with parents and get support, some interesting moves to try to give the market what it asks for leading to wider choice but without numbers to back it up and turn a profit, Boards scrambling around for excuses.
- Early Childhood Education - continued over-regulation of the sector, for example the latest is the person responsible must be hands on supervising staff and children, a manager doing other tasks must be replaced by a back-up. It is stupidly circular and pointless, one of many examples of poorly written or poorly interpreted (by MoE) regulations.
- Everything is in fight and flight mode - which means in business they all freeze and do nothing and hope that it doesnt it them. Particularly within government departments.

Energy

- Stress from weather related risk and how some companies poor risk strategies have been exposed. Now they are blaming market failings.
- Lower demand from some Customers. Hire Industry - Temporary Electricity.

- We have plenty of capital and a large team trying to build new generation projects, but it's extremely difficult to get permission to consent and actually build anything, even when you're genuinely trying to do everything right. Which makes current media headlines about energy companies profiteering incredibly frustrating.

Engineering

- Improved sentiment in land development, but that's not turning into new work just yet. Existing land development projects not stopping, but still not many new ones coming through.
- Customer Demand has crashed due to Government Policy - We are a Defence Supplier.
- A reduction in demand.
- Reduced government investment.
- Hesitancy in committing to capex.
- Focusing on market diversity, top end clients and one's core profitable customers is a key factor to ensure stability and growth.
- Its good to have good quality trades people looking for employment and available immediately rather than having to go through the protracted process that we have experienced over recent years with NZ Immigration.
- Banks remain hard work, it seems they are still particularly cautious and slow to act, however it could be the level of staff or their skill set creating this opinion.
- Staff seem much easier to manage in this phase of the economic cycle, much less entitlement and much more respect for the company and their employment.
- We have a solid forward workload and its looking like it will be another busy summer. We are hearing though that there are other firms who are having redundancies, so while things look good for us, we are cautious.
- Trying to recover - but, still patchy. Certainly a bit more effort to ensure client and supplier relationships are sustainable for all and enduring. The lure of unsustainable pricing is tempting mind.

Farming & farming services

- Positivity in the dairy farming sector. Finding good, experienced staff is going to a huge problem as the dairy industry is so reliant on immigrant staff.
- Compliance costs and input costs continue to lead the charge.
- A sector under pressure financially as banks ensure their spending is targeted and minimised to enable bank debt servicing.
- Positive global customer demand (Kiwifruit), but rising domestic costs (electricity / freight / packing / labour).
- Inventory levels are consuming profit by the cost of interest. The ag market lacks confidence and we hope to see interest rates drop which will increase confidence.
- Prices are poor, although there has been a wee bit of improve lately. Costs are still high especially insurance and rates.
- Sheep farming has been tough and spend well down however some green shoots showing. Beef and dairy steady but spend on our products is back in aggregate. Supply chain is the most difficult area at present, really hard going and pushing up cost to end users.
- Hope interests rate goes down. Macroeconomics are getting worse.
- Oversupply of honey and low price (not meeting production costs) = pain to come.
- We are Kiwifruit Orchardists, Zespri have their biggest crop ever to sell which is going to be a challenge, early cash flow so far this season has been lower than normal.
- Like a lot of businesses mine is in a holding pattern waiting on government to announce changes to regulations. My business and its clients can't move forward until we know where we are going. It's like looking through a translucent pane of glass. I can see shapes, but they have no definition.
- Increased input costs especially rates and insurance.

Financial advice/wealth management

- Volatility.
- Business is quiet.
- Business sentiment is finally getting better; lower interest rates will help but we won't see the positive effects of this on the High Street for 9-12 months. Mid 2025 before things actually get better.
- Nervousness. Clients not making firm commitments due to uncertainty.
- Rising costs.
- Regulation sector employing more staff and pushing up annual registration fees. Despite new flash regulation professional indemnity insurance has gone through the roof.

Fishing

- Lower demand out of China reduces finished prices.

Forestry

- Log processing customers are closing shop due to high power prices, power shortages major concern from October onwards.

Health

- Weakness in demand due to the economy.
- Hoping for increased consumer confidence.

- Angry demanding patients and frazzled irritated burnout staff.
- Local government reluctance to change, or ability to effect change, is decreasing from an already low level due to local government elections in a years' time. Already this is causing an even more limited ability to get projects funded or supported as councillors and leaders start sitting on their hands.
- Concerns re when and how to retire (2 health professionals in this house, both aged 63).
- New government changes and savings.
- Ongoing staff shortages in primary Healthcare leading to staff burn out, lack of motivation and enjoyment of work. Huge concern of negative feedback loop where continued negativity around healthcare will deter future generation from entering health sector.
- The commissioner is going through a significant restructure at Te Whatu Ora. We are reducing costs, cutting or decreasing contracts with external operations. I would say staff morale is pretty low in many areas, obviously including down to the frontline in the hospital setting. I'm one of the last standing contractors but working a good 10+ hours a day (charging for 8) just to keep the contract, it would appear no one is safe and lots scrambling to secure their position in the hierarchy / politically.

Horticulture

- Horticulture. Gold kiwifruit confident of good returns but interest rates hurt, and refinements required in spending to balance recent cost increases.

Information technology

- Government sector cutbacks have at best stalled the Wellington economy. In reality it's much worse. The business may struggle to survive past June 2025.
- Acquisition is strong, retention of customers is steady, more money of consulting to customers invested, AI is disrupting the general status quo.
- Government spending has stalled and big banks offshoring
- Demand is low and there is general uncertainty about future economic conditions.
- Just tough times. Customers reluctant to make commitments to new contracts and extensions to existing contracts are for shorter terms than usual. People have no confidence.
- We are an SME working as both a services provider in the data, analytics and tech space, and as a reseller of software. Over the last few years the services side has increased markedly via number of clients and revenue, with a fall off in the software space, as a lot of budgets have been pumped into digital transformation. Overall we seem to be excelling in our sector compared to what we are hearing from competitors, though we are not highly exposed to central and local gov. It's now much easier to find talent which was restricting our growth for a few years. On the downside, margins have been affected as rate cards have not kept up with wage growth, and decision are taking a lot longer, with a lot more gates, procurement processes, governance, etc in play now. Overall our industry seems to be doing well compared to the average.
- Job security has been undermined by poor economy.
- Increased competitive activity, particularly throwing in a lot of value adds to deals, to win back market share. A continued slow down in customers purchasing ad hoc, somewhat discretionary, solutions.
- There is still plenty of work out there. It's just having the time to get to it all while keeping the business running optimally at the same time.
- Customers have cut staff even when they didn't need to - seems like a lot of profiteering going on taking advantage of the state of the economy - small minded greedy people making it harder for the community - sad really.
- Reduced vendor margins; significant drop in software subscription renewals & sales.
- Reducing risk of being hacked a common thread amongst all clients.
- Projects on hold, delays on projects, a lot more red tape for approvals.

Insurance

- Cost of living is a constant theme with clients but impact on us not too bad so far.
- Customers closing down

Legal

- People are having to cover work of those who've been made redundant, very overworked.
- The lack of optimism, never ending road works that take forever, the withdrawal of offshore insurers leaving councils at risk of increasing liability claims in the hundreds of millions which can only be passed on to ratepayers.
- Good clients thriving. Average clients treading water. The idiots go elsewhere as they don't like our advice.
- Slower conveyancing so slower work flows and slower income.
- Challenges in the construction industry and the Government's pause on many projects having a ripple affect through the construction industry.

Manufacturing (all categories)

- Demand is at rock bottom - no one spending any capex. Some customers having more noticeable cash flow issues.

- We supply construction companies. Some are still shaky with slow payments coming through. Need to watch credit limits very closely.
- Retail remains tough, consumer budgets are squeezed. We anticipate an uplift in tourism this summer which will help us.
- Demand continues to be strong, but additional costs are leading to work being turned away that would have previously been profitable. Not worth taking risks and growing for minimal gain overall!
- Weak customer demand in construction and retail spending. Increased compliance and bureaucratic nonsense from local council which increases the cost to operate while making little practical sense and providing no benefit and reducing competitiveness. The new government is making the right noises to cut through this rubbish, but it needs to do it faster.
- Reduction in Demand (and resultant inability to take price) placing pressure on ability to invest in key Capital programme and placing pressure on short/medium term costs.
- Loss in sales and a decrease in average price of per unit.
- Increased competitiveness through lower pricing which is absolute madness!!
- Local markets are very sober. We have had exceptional export orders just now though which is stretching our capacity. Nice problem to have now.
- I have seen some of the big temperature controlled freight transportation companies sniffing around looking to undercut one another and improve their dwindling sales numbers. Interestingly there are also those that took advantage of price increases and are presenting new client opportunities to their competitors.
- Lack of sales.
- Cautious consumer spending on our products in hospitality, despite carrying increased costs over the last few years is creating a tight picture. We look forward to the positive flows of summer tourism and less doom and gloom in the media!
- Muted demand. Supply chain times extending leading to outages.
- High costs to fund and operate the business. Uncertainty in global markets.
- Trying to develop a proven product internationally, unfortunately Government policies restrict this.
- Input costs, specifically electricity is impacting manufacturers locally and are cause for concern beyond general seasonality.
- Our business is classic husband and wife with 6 -10 staff. I chose to leave working in the business September last year as it could not afford me and seek work elsewhere. I'm very glad that I did. It hurts our business not having my skills available 24/7 for growth and development , but it improves the well being of our family through not being dependent on business income. I expect most small business owners are doing or feel the same.
- We have a two speed market with the haves (still enough work to keep going) and the have nots (little or no work and having to pivot). Large players are coming down the stack and bidding for smaller jobs.
- We are concerned that there will be a slowdown in commercial construction activity in the next 12 to 18 months.
- Cost of living squeeze continues for those on lower wages. Those on higher wages are not feeling it, so seem surprised at the pain some staff are under. Supply chains ex Asia starting to congest, adding cost and delays, which will have to be passed on.
- Large customers not paying on time or at all in New Zealand. We are diversifying offshore to spread our risk
- Same story as the past year or so, things are tough but there's still opportunities out there, especially in the export market. Good news on interest rates which has helped business confidence, but we realistically won't see the trickle down effect of this in the NZ market until late this year.
- Print is used by every business in New Zealand and so a downturn in general business conditions has a flow-on effect to most printing businesses as costs are cut.
- Customers are not spending. Every order is a battle.
- Challenges finding reliable trainable manufacturing staff at an acceptable pay rate - the goal posts seem to keep moving in this regard.
- A good portion of our industries struggles relates to a lack of confidence from our customers in their immediate future prospects.
- Half our business is in supplying Tourism based retailers. This has been increasing the last two years. We see further growth happening and the retailers seem very positive as well. Hopefully this upward trend continues to fill the capacity available. Costs - Insurance renewal up 20% from last year for the same cover, Electricity 19% from two years ago, Rates more than 10%. Advertised for a role recently, lots of good applicants and many are desperate for work. Immigrants needing work visas are struggling to get accredited employer roles now. I think a lot will be leaving NZ - I do not think we have the mix right around who we have let in.
- Disconnect between suppliers' views on the ability to pass on price increases and the customers' ability to take price increases.
- Falling demand overall and consumers that do buy trading down from premium to lower price brands.
- Low consumer demand, Purchase delay, extremely poor retail sales.
- Our business is updating, upgrading, and in some cases modifying engineering drawings. All the drawings we receive from our customers are generated by CAD and are in GT&D form. All our customers are US aerospace manufacturers, they don't want to tie up CAD/CAM systems doing updates when required for new work. They are required to keep all drawings, as well as documentation

in their shops updated. Thanks to Boeing and the FAA the aerospace industry has had to clean up its act.

- Customer demand slowly increasing but seems very fragile at the moment
- Lack of customer demand and confidence.
- Competitors are slashing prices dramatically to secure business. Increase in good people in the available workforce. Noise around wage increases has died down. Retail customers starting to come back and enquiry rate slowly increasing.
- Manufacturing for Residential, Commercial & Infrastructure Construction (Pipes & Fittings) - Softening demand, feels like May thru July softened further.

Miscellaneous

- Commercial and Residential property services - Squeezed margins with customer budgets having shrunk, although most of the shrinking would appear to be done and its now about surviving on what is available.
- Commercial Furniture - large projects are continuing, but fewer smaller ones on the go.
- Companion driving service - Performing as expected, nothing out of the ordinary apparent.
- Construction, regulatory - I am just waiting for the population to have the confidence to build the houses that are still needed to meet the demand.
- Entertainment - We are seeing a number of businesses collapse, events cancelled and people losing their jobs. Many are saying survive to 25 but we feel it may be more like stay in the mix until 26.
- Exhibition, event and trade show builder - Not enough quality people available working in our sector to make it more appealing to others to join. This results in mediocre outputs by our competitors who are focused on just doing the bare minimum to get the job done and get paid because their staff aren't skilled enough to care, but doesn't help our firm promote the value our sector can bring to marketers of products and services. So it's a quality of available talent issue, I guess.
- Film equipment supplier - Small shoots, TVC's very quiet. Studios busy in Auck. Wgtn is very inconsistent.
- Fitness - Customers in holding pattern spending minimum required to keep membership open given the uncertainty around job security and decreased cashflow available for discretionary spending.
- Import/Wholesale - High interest rates reducing consumer spending power.
- Import/Wholesale - Retail customers are deep discounting.
- industrial plant and equipment - Signs of a pickup but mostly from our Australian side. NZ is busy asking for quotes but spending little. Every single business we are in touch with is openly taking about lack of customers / sales, very unusual for people to be so honest. Customers (especially Government ones) spending more on consultants than on product and solutions. Problem is that the consultants are full of staff with little / no experience.
- Land and Engineering Surveying - Exceptionally high workload, having steadily built for the past 6 months or so. Biggest difficulty is finding suitably qualified and experienced staff to cope with the increasing workload. And there is no scope for that pressure easing anytime soon - unless we attempt to lure staff from competitors which is not a preferred option at all.
- Lawn mowing contractor - I see more and more professional family's cutting back on my services due to their income being swallowed up by ever increasing cost of living and interest rates. They are not cancelling my service but are cutting back on frequency of service. I.e. instead of weekly visits going out to fortnightly.
- Marine Sales - There is a glimmer of optimism on the horizon. Mortgage interest rates need to drop sooner rather than later.
- Miscellaneous - Our costs are increasing but have resistance from clients will try to lift prices March /April next year.
- Miscellaneous - Government maintenance work being put on hold or until further notice and a few clients delaying work, still opportunity if you go and look for it.
- Miscellaneous   Good increase in demand from existing clients/markets (from a low base) and enquiries from new export markets.
- Mixed retail/manufacturing/services/construction - quiet one minute - nuts busy the next. Not predictable.
- Professional services – consulting. Leads are getting harder to find, contracting market has dried up.
- Publishing - Cautious optimism, but things are still quite flat. There does seem to be a feeling that the worst is behind us.
- Residential house painting - Very little enquiries for quotes, little or patchy work, low profit on jobs we do.
- Shopping centre owner   - Retail property is good for us because our local population is growing well.
- Trades/plumbing - Commercial is dead. Residential builds are dead. Those guys are elbowing back into the maintenance/Reno market, underpriced with poor quality results and then bugger off again when the economy improves. Staff need/want pay increases next year but these are only possible with price increases and the market won't bear them. I have businesses in multiple locations and Wgtn is definitely being hit hard.
- Tree Services - Business is slow. Definitely feeling the strain as we are pretty reliant on the strength of the construction industry which has definitely decreased in demand. It's a fight to make a dollar.
- Used whiteware dealing - Inventory deterioration.

Mortgage broking/advisory

- Anticipation of a cut in the OCR and a flow-on increase in real estate and mortgage activity is high. In the meantime, it's a pretty sombre economic situation for NZ. However, the sector is being supported by high levels of refinancing as customers struggle to find ways to make ends meet.
- Wages are too high relative to skill/experience/attitude will push more roles offshore.
- Increased interest from buyers. V slow turnaround times from banks. Some optimism with the promise of rate drops.

Motor vehicle sales/parts

- People's resistance to spending.
- Very low sales on all price points, some yards are now dropping prices below replacement car cost (high floor plans and Japan is starting to demand payment!) Expect much of the same until 2025.
- After 22 years in business, banks are too hard to deal with, you sell off parts of your business and they put you back through credit even though you're repaying debt, then tell you the servicing is an issue. Under the high rate stress testing no one stacks up, therefore proceeds of any sale pays down debt so no easing of cashflow. New business banker every 5 minutes doesn't help.
- Need a glimmer of hope, spring is in the air and so are the much needed rate cuts. Our town is hurting beyond belief, shops closing down, business owners selling their homes, so many raw emotions....it's heartbreaking.
- We are an automotive parts supplier primarily selling to the panel beating industry. Our revenue is only marginally down on last year but with costs up across the board we are feeling the pinch. We have heard from some panel beaters that people are so hard up right now they can't afford the excess to have their car repaired. Car yards are also very quiet, so we aren't getting much enquiry from them. I am using this quieter period to pivot into new product lines, investing in staff training and in general focusing on operational improvement.
- We are seeing buyers really shop harder and press for better purchases. Also as a sector, just holding on through the tight period with positive outlooks on the future.
- Enquires are picking up, people are bargain hunting. Good Staff are getting easy to find.
- Lack of customer demand, therefore, lack of sales and income leading to cashflow challenges.
- Car part sales are still tough. Panel jobs available to quote are at holiday-season type lows... Vehicle sales low and I expect these to be so for the next year. Lower number of units in operation will mean flat sales for the medium-term (1-2 years) future.

Printing and Packaging

- Currently overstocked owing to stock sales reduced in 24, but stock orders ETA now and booked 4 to 5 months ago means payment to be made now with out usual generous stock sales to cover effecting cash flow.

Property valuation

- Survive until 2025, or 'It's worse than the GFC'.
- Investor and owner occupier interest markedly increased.

Recruitment

- Resilience required by everyone. Debtors are slipping and we're having to get firmer.
- A challenging market for us - hiring managers want to use us (recruitment agency) but are not allowed to as are mandated to use internal recruitment teams which ultimately costs my client more money in poor quality hires, delays and reliance on the hiring manager to verify technical expertise.
- Executive recruitment. V slow but it feels like the worst is behind us.
- Recruitment. The market remains saturated with candidates chasing roles, many of which they are totally inappropriate for. On the flip side there is still a reduced number of jobs being advertised by clients who still think there is a perfect person for the position.

Residential construction incl. section development

- Surveying, Planning, Civil engineering, Land development - Clients in a holding pattern, many only doing enough to have projects consented and ready to start, waiting on interest rate drops to hopefully spur an increase in demand for sections/the market before starting the next stages of developments, which is spending the big dollars.
- General plumbing and drainage - Starting to see a shift in new housing at last. Jobs companies held off starting to come through. More positive talk.
- Things going to get a lot worse before they get better
- Low staff Morale with winter associated with cost of living crisis. Affecting staff mental health. Been working on muddy site for last couple of months. Less mud now so morale starting to improve. Weather been a big issue affecting deadlines and meeting finance targets. Starting to improve now. We cater to first home buyer market in Wellington. Hoping to see some improvement in the next 3 to 6 months.
- Reasonable levels of demand for our new build houses but clients struggling to sell their older homes and/or get finance to buy ours.
- Holding tight until the housing market picks up again.

- I was in construction and have been forced into accommodation while government intervention plays out. My view is positive if rates come down sooner than later, and negative if they don't. It's been a long four years.
- Everybody is looking for more work in the residential building industry.
- As we are in residential services maintenance and construction the work is still coming in steadily. It's definitely not as busy as it has been over the last 5 years but still ok for now.
- Increased enquires. More cost comparison when quoting. Clients negotiating a lot more.
- We are located in Katikati, WBOP. Residential construction. Customer demand /residential sales are completely dead. Worst it's been since GFC. Subcontractors easy to get because they have no work and will generally quote or come over the same day.
- Everyone else is quiet, so time for us to take advantage of that.
- Low demand, still unrealistic pricing, high interest rates is killing business.
- Reduced house prices are making new builds a poor investment in comparison. Bank lending still appears restricted.
- More interest in starting new projects as each one is a 3 year process so clients realising they need to start now.
- After a short lived flurry of inquiry in late July, the phone has stopped ringing again. The last decent inquiry (large scale renovation) was some weeks ago. Homeowners are very slow to make decisions and to progress their projects making managing forward cashflow much harder.
- Competitors pricing cheaply to gain or buy work. Customers shopping around a lot more and gaining more quotes before making a decision. Customer decisions and time to purchase has increased. We are asked a lot more about finance options than previous.
- Hesitation of customers to commit to starting projects.
- Still plenty of resource consent applications and this has been a very strong year, but that is because our share of the market has increased rather than the overall market increasing. Most of the sector is very quiet but we are in a unique and strong position to capture more of the work through 2 years of building a solid reputation and looking after existing customers to get significant numbers of referrals across all of NZ.
- Demand has decreased. Many homeowners are 'off to the bank' with their quotes...they never come back to confirm. I'm expecting they are waiting until interest rates come down. Workload is no more than 4 months ahead.
- Banks have made it very difficult for people to obtain mortgages however, this appears to be slowly improving. Builders being over leveraged & signing new customers up without sufficient margin. This leads to more going broke over the coming twelve months as the residential market sector slowly improves. Product prices appear to be stabilizing and, in some cases, have declined leading to improved margin. As the residential sector improves important to keep wages under control.
- Margins are getting squeezed. Good labour available due to companies cutting back, I see this been flipped on its head in a year and there will again be a shortage of good labour.
- Drop-in interest rates to allow spending and give confidence.
- The residential construction sector in Canterbury is reasonably strong and we are managing to still have a solid year despite economic crisis around us. Supply and availability of skilled trade is good, and Canterbury has available land to continue. The challenges we face are regulations, rule changes and differing interpretations of the rules between local district councils.
- Customer demand for new stock and ability to settle existing contracts in a timely manner.
- Downturn in the entire building industry from the top of the food chain to the bottom.
- Very limited demand for our services in a severely constricted market.
- Lower margins, fighting for work, clients slow to make decisions. Lots of negativity.
- Seems to be a very low motivation for people to build new homes. Hopefully we see some change for the better come spring/summer.
- Ticking along.
- New home construction slowly getting slower, but being replaced by more renovation work with lesser dollar value. More contractors looking for work, except to see more of this over the next 12 months before signs of improvement. Maybe. Pricing holding steady on the very few plans coming through, but suppliers aren't dropping prices so labour will be the only savings that can be made, but that's not a solution. It's actually a good time to get work done.
- Land and infrastructure cost still prohibiting new home construction, IE cheaper and less risk to buy existing.

Residential real estate

- The next 6 months could be very dire indeed for the residential real estate sector, with a large number of salespeople leaving the industry, offices merging or closing and generally tough times with nationwide sales volumes well down.
- Very slow real estate market - as business owners we are steady and run a tight ship - we will feel the downturn financially but will still ride through comfortably
- In real estate, we are all waiting for the RBNZ to reduce the cash rate.
- Seeing finance interest rates making a move downwards,

making money cheaper to borrow, stimulating the residential real estate market upwards in volume and price. Cheaper borrow costs but happily pay higher house price... go figure, it seems to be way for most.

- Uncertainty based on our industry Supply and Demand environment.
- There is a real lack of confidence in the country at the moment. People are scared their employers will have to close their businesses and fear of job loss is real.
- We are near the bottom of the cycle so now is the time to start looking for opportunities.
- More buyer activity but very discerning when dealing with price factors. Offers still well below Sellers' expectations.
- Cost of living and interest rates affecting residential sale transacting.
- We are seeing growth due to customer service - communication- experience. Buyers and sellers want the above and need to trust you.
- Regulation overreach by local councils.
- Very challenging environment
- Provided the economy starts to improve we are probably at the bottom of the real estate cycle. It could be a long time before we move up the other side.
- Buyers holding off making purchasing decisions.
- The local rates increases are on people's minds in our community.
- Feels like we are at the bottom of the hardest part of the economic cycle. Survival mode currently.
- I see the business is starting to improve and hoping for a more profitable new year.
- Everyone in business is doing it tough, often hear "no one has any money". In real estate, lending is a mayor factor.
- Stress and uncertainty driven by a longer than anticipated real estate market 'slump' - a lot of unpaid salespeople in the first half of the year, due to market conditions and vendors reluctant to meet the market, and buyers failing to finalise signed agreements. Those that can see the long game are resilient but still tired.
- "I'm seeing business confidence retracting and as staff leave, they are not employing more staff. New businesses are struggling which is a huge concern.
- Optimism, energy and hard work is essential to get through these times.
- Everyone is waiting to see the outcomes of the next 18 mths. We have no debt and have a large cash buffer, so our largest challenge is patience. Feel for more adolescence business owners as we have felt their pain in 2008.
- Prices are less inflated and are more realistic. Contractors have less work so are being more competitive which is great.
- Turnover and time to sell are our basic problems along with requiring twice the listing levels to achieve the same numbers as last year (not happening atm).
- Buyer activity is picking up.
- There are some green shoots starting to appear in the Realty market, but how things advance will depend on RB lowering interest rates. The Real Estate market can be a big contributor to inflation, so we hope the early signs of a market improvement does not lead to an over stimulated recovery, and then, the RB reacts negatively again.
- The slightly more frequent positive media chatter about inflation, mortgage interest rates reducing , moving into Spring season etc seems to be filtering through to increased buyer interest and open home attendance. Still nowhere near a normal market but the economic outlook seems to be a little brighter.
- General slowness of real estate. Everyone holding their breath for interest rate (OCR) cuts with hope buyers come out in force.
- Sharpening our offer and minimizing costs.
- Slow residential sales and still a pressure on sales prices, this impacts all parts of the business.
- South Auckland Residential Property Management going well. No issue closing new business at higher fees. Maintaining standards and constantly improving team performance essential.
- More people looking at property, higher price expectation from vendors, tougher price points from purchasers.

Residential rentals/Investment

- Body Corporate Management - Increasing compliance costs are causing cost increases with no corresponding value for our clients.
- The rental market is under pressure due to unsold stock going into the rental pool. The tired properties are sticking and rents across the board have had to drop.
- Construction costs have gone through the roof in the last two years . its currently unprofitable to build residential properties to rent .so much so I will invest in completely non-property ventures in the coming years.
- Increase in properties available to rent, decrease in quality tenants looking for rental properties.
- People make shorter term commitments. It takes them longer to decide. Less organised/focused than pre-COVID.
- Difficult to ascertain if contractor is capable of delivering on time without blowing budget.
- Pretty grim.
- People are spending less and worried about the future of the economy.
- Improving bank lending criteria.
- Council Rate increases and Insurances.

- More rental property listings probably due to difficulty in selling the properties.
- Interest rates and access to bank funding. Finding good tenants is taking longer now.
- Lots of movement with customers wanting better service after choosing lower prices (we know you can't have both).
- Waiting. Waiting for house prices to rise and then will unload a rental as its input costs i.e. council rates AGAIN have risen, maintenance, accountant etc all piling up faster than I can fairly recoup with rent rises which still are not covering it all.
- Rising compliance costs - rates and insurance.
- People in the property sector are either 'holding on' for better days or going backwards. There's no business progress at present.
- High costs of living pressures to both landlords and tenants
- Interest rates and employment security.
- Reduction in quality of tenants due to rubbish property market which is increasing rentals availability.

Retailing

- Lower sales, squeezed margins and cost of business higher. Concern is online retailers and suppliers adding direct channels and/or widening distribution.
- People are looking on my website and, in my shop, but often not spending, except for products ranging from between $1 to $10.
- Shop lifting and store security is the main concern.
- Very close margins at the moment and pricing is a challenge to meet most weeks, with general public sentiment unsympathetic.
- Retail is tough but awaiting better times, hopeful interest rates easing will increase demand, tax bracket adjustment does seemed to have changed much yet.
- People are still shopping online, FB ads are bringing new customers.
- The retail sector is very selective when buying stock and keeping stock levels low which has a negative impact on wholesalers.
- Customer counts line ball with last year. Average sale still $2-$3 down per customer. Looking forward to warmer weather to lift customer morale.
- Cost of living hitting consumer disposable income.
- Still very subdued retail sales. Margins tight with price competition.
- Building consents affecting commercial pipeline, available cash flow affecting residential cash flow.
- The continuing decline in Retail Spending is creating significant financial stress and will probably result in Business failures.
- Still getting hurt by people refinancing at higher mortgage rates so cancelling their membership with us until rates come down.
- Customers simply not purchasing or when they do, failure to actually complete purchase. Also they are demanding further discounts and expect everything for nothing squeezing any profit out of the business as sales are needed so cashflow can meet compliance costs.
- Signs are showing improvement in the economy which has lean to a change in media tone, which in turn lifts customers' outlook.
- A slow down in projects in the public sector is causing a lot of pain for our customers.
- Retail sales are down on last year to about 2019 levels, expenses continue to rise.
- We are starting to see a slight improvement in the spend per customer, but margins remain extremely tight.
- Constrained discretionary spending is evident in all sectors. Not expecting that to change until at least 2nd or 3rd quarter next year.

Shipping, transport, storage & distribution

- Fickle buyers limiting repeat purchases.
- It's at a low point, looking forward to recovery over next 1 to 2 years.
- Nothing new in the last couple of months, just quietly surviving, focusing on doing a good job with the business that is available and looking forward to better times.
- Cost of living and high interest costs affecting consumer spend.
- our customers retail customers are closing up and/or cash flow is deteriorating.
- Industry as a whole has slowed right down. People not spending, interest rates too high.
- Customer leaving purely for price reasons affecting morale. Coupled with the cost of living catastrophe and staff still working through 2023 flood repairs, spending more time addressing staff wellbeing and mental health.
- Trying to expand but RMA process and councils are a nightmare!

Tourism & accommodation

- Lack of guests... local and foreign tourists are still back compared to pre COVID rates.
- Domestic tourism activity very slow over winter 24, good forward bookings for the upcoming summer from internationals giving us some hope that trading conditions will get to similar levels to the past year.

- The economic uncertainty and continuing soft tourism numbers is causing customers to defer or only undertake partial projects in which we supply, making it difficult to retain existing supply chains, and reducing revenues.
- Lack of quality people, customers reduced retail spending.
- International security is an issue, now a major consideration compared to the last 10 years.
- Continued demand for travel from the younger (OE) and older demographics (retirees with higher interest incomes) whilst continued pressure on family holidays due to increased mortgage interest rates extinguishing any disposable income.

Wholesaling

- Very, very quiet. Consumers not spending.
- The general deterioration in our sales in this sector needs to improve greatly with major boost in consumer confidence, NZRB needs to take off the pressure and resort some market confidence.
- Lack of customer demand and failing businesses.
- Extremely competitive market as everyone fights for a bigger slice of a reducing consumer pie.
- Interest rates lower and demand increasing.
- luxury/business-first class travel and there is a steady to increasing demand for that.

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

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