Mint Design

Business Insights

Confidence vs. Reality in NZ Business

with Tony Alexander

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Business reality check for 2025 underway

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. 467 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:

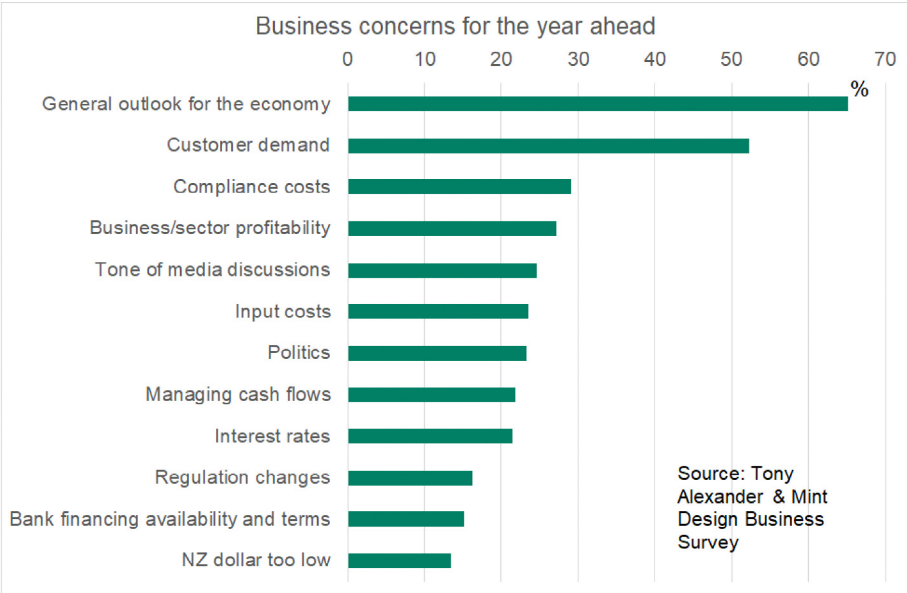
- Concerns have grown about compliance costs, the outlook for the economy, the NZD being too low, and politics in general.
- Plans for spending on advertising are muted, but more investment in technology, plant, and machinery is evident.

Tony Alexander
Independent Economist

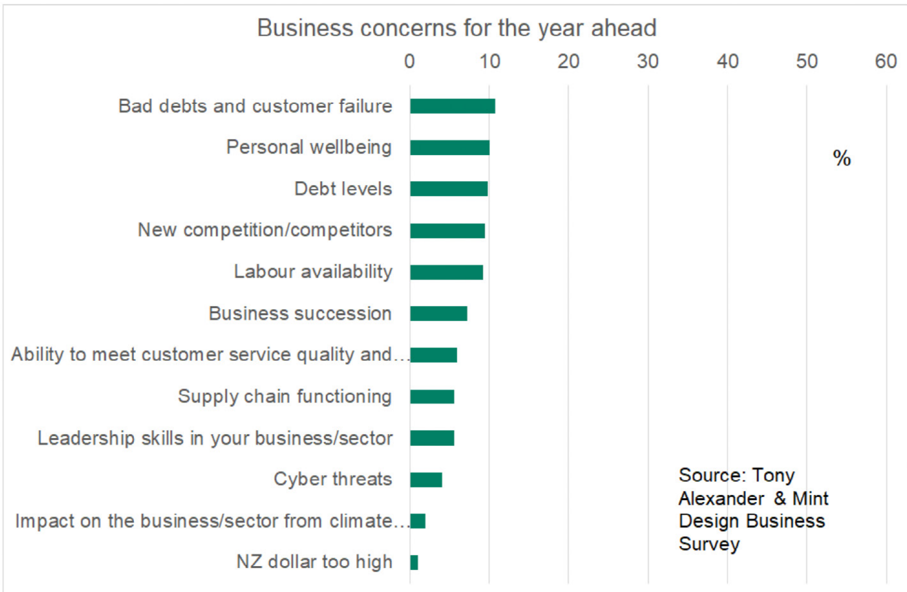
What concerns you most for the year ahead?

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 two long running inclusions of the general outlook for the economy and customer demand. But this month the oft-included concerns of business profitability and/or interest rates have been replaced by compliance costs.

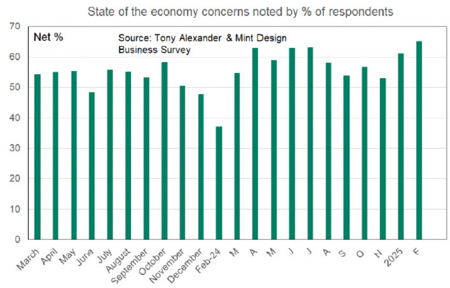


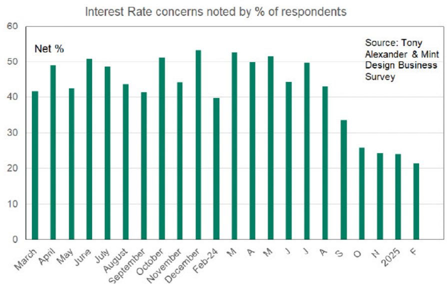
Worries about the NZ dollar being too high are almost now completely absent. But concerns about it being too low have risen as discussed below.



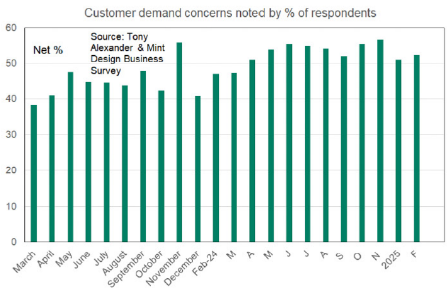
These next graphs look at changes in a selection of areas of concern for businesses since our survey started in March 2023.

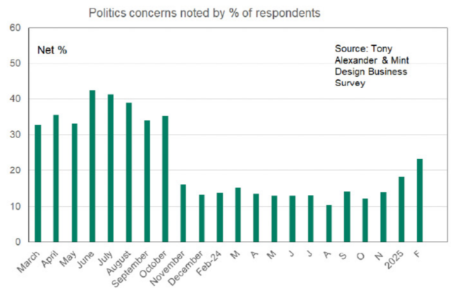
There has been a noticeable rise in concerns about the economy over the past two months. But interest rate worries continue to track down as most people expect that monetary policy easing will continue through much of 2025.



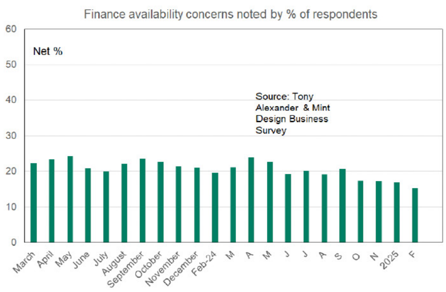


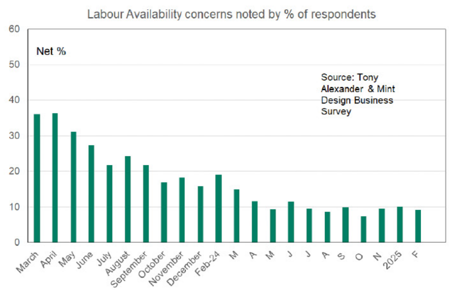
Worries about customer demand continue to track at high levels. Notably this month the jump in concerns noted in December about the political environment has been repeated. People are feeling less comfortable about the state of politics in NZ.



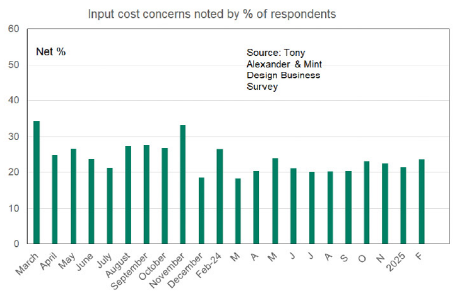


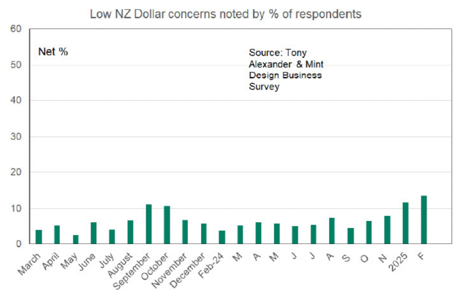
Consistent with the results from my survey of mortgage brokers which shows strong perceptions that banks are more willing to lend, businesspeople are becoming less concerned about the availability of finance. There are few concerns about the availability of labour.





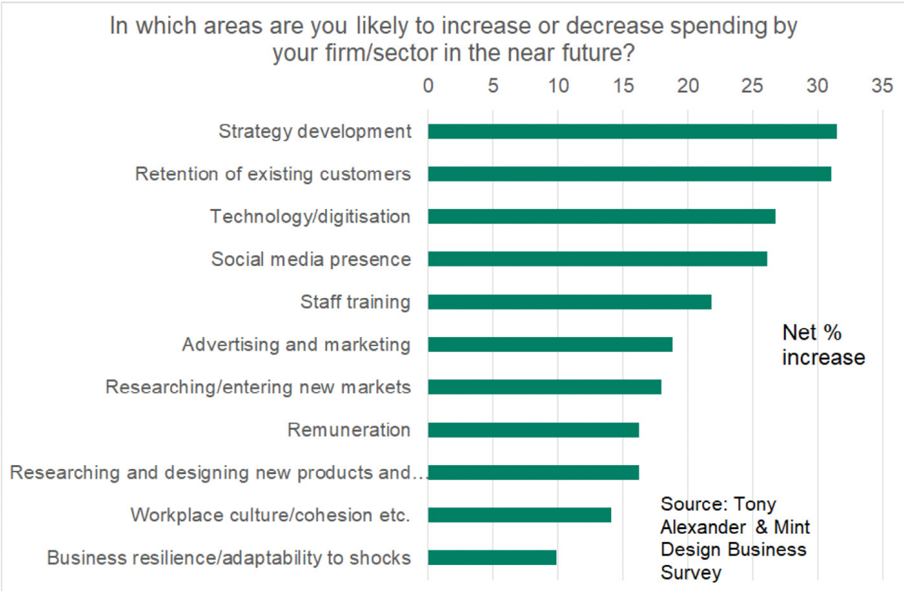
There is a slight upward move in concerns about input costs which has been underway since about the middle of last year. Thankfully this drift upward is quite mild and not a strong indicator of a new inflation problem as yet. As noted above, concerns are growing that the NZ dollar may be too low.



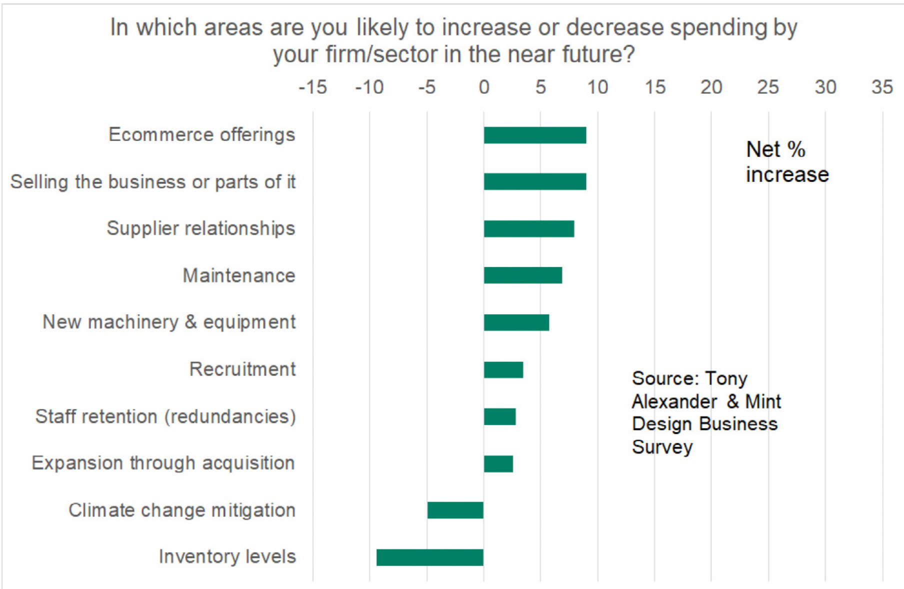


In which areas are you likely to increase or decrease spending by your firm/sector in the near future?

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 strategy development and retention of existing customers. Interestingly, and positively from a productivity growth point of view, third place now goes to technology/digitisation. This displaces social media presence as a spending priority.

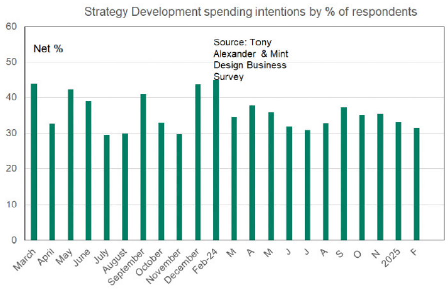


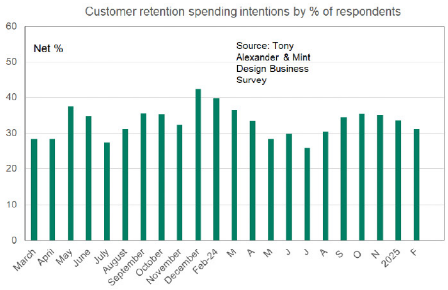
Plans for spending on inventory levels remain negative and again the only other area where spending cutbacks are planned is on climate change mitigation.



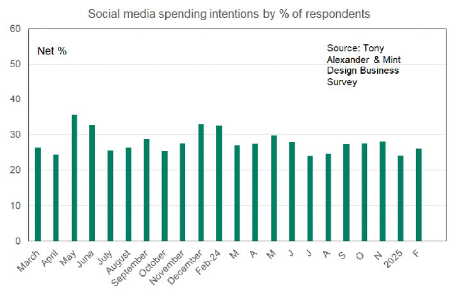
These next graphs look at how planned areas of spending change have been tracking since our survey started in March 2023.

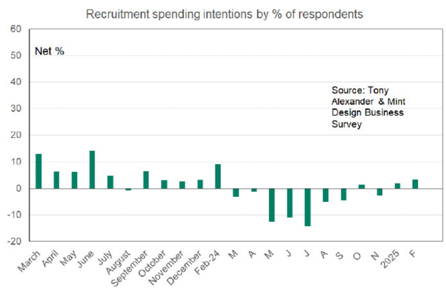
Development of one's strategy has always in our survey ranked highly as a focus of future spending. Similarly for customer retention.



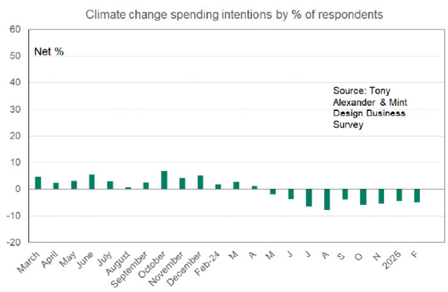


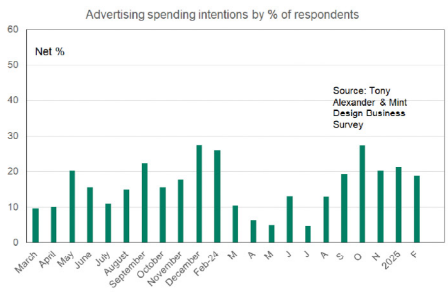
Social media looks like it will continue to attract more and more of the advertising dollar. A few more firms are thinking about recruitment – but not to a meaningful degree which would tell us something new may be happening in the labour market.



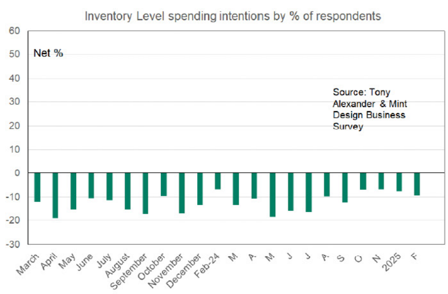


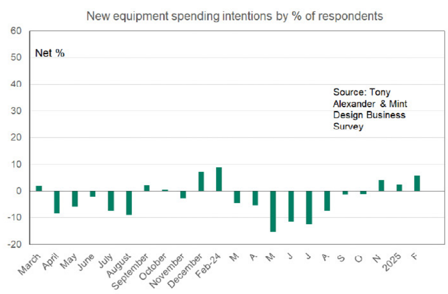
Climate change spending remains on the backburner in these cash-constrained times. And there is no clear sign yet that businesses are willing to back up the positivity they display in other sentiment surveys by allocating more attention and spending towards advertising.





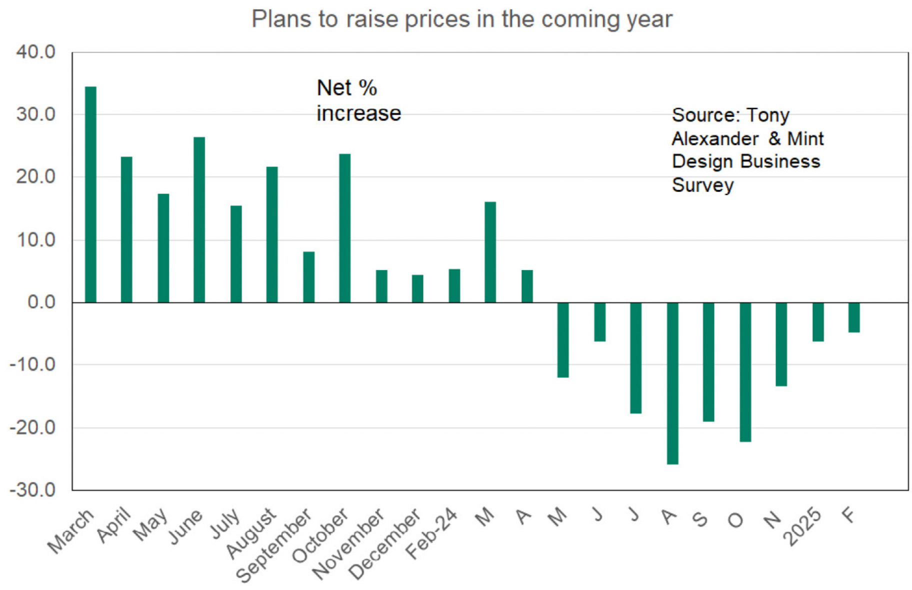
As mentioned above, stock holding plans remain negative. But plans for spending on new equipment appear to be firming and that is good for the solidity of the coming recovery in economic activity in New Zealand.





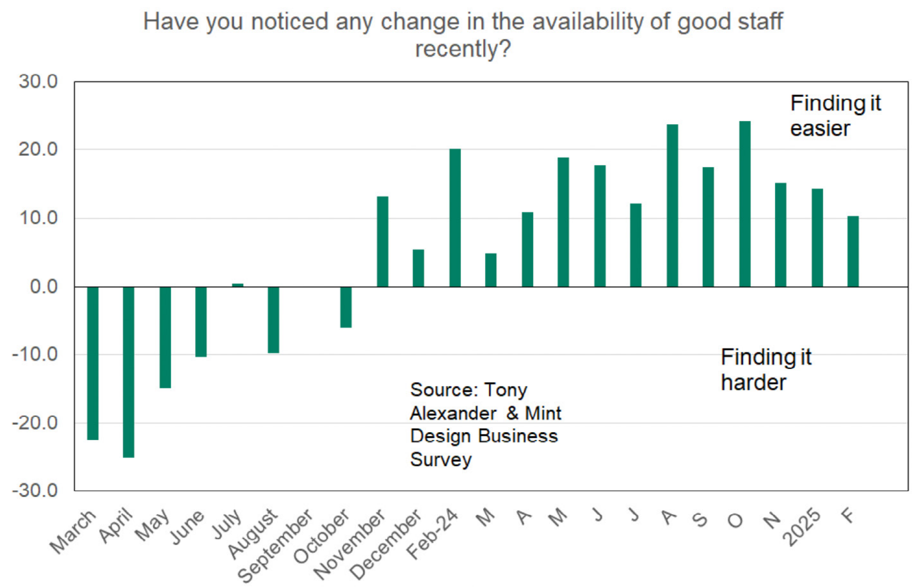
Are you planning on increasing your prices for any of your products or services this year?

A net 5% of our survey respondents this month have indicated they do not plan raising their prices in the coming 12 months. This is little changed from 6% last month but still suggests an easing trend in this disinflationary gauge. This trend indicates why planners need to think about how the cyclical recovery in economic activity will eventually be accompanied by a cyclical recovery in inflation. The cyclical interest rates rise is what follows after that.



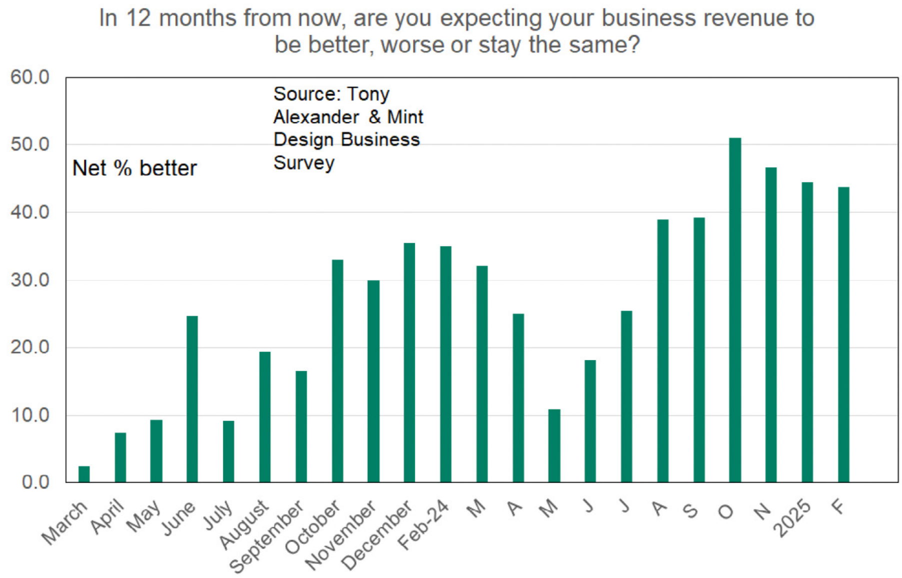
Have you noticed any change in the availability of good staff recently?

A net 10% of businesses have reported that good staff are getting easier to find. This is unsurprising considering the 5.1% unemployment rate. But there is a trend away from good people being extremely easy to find.



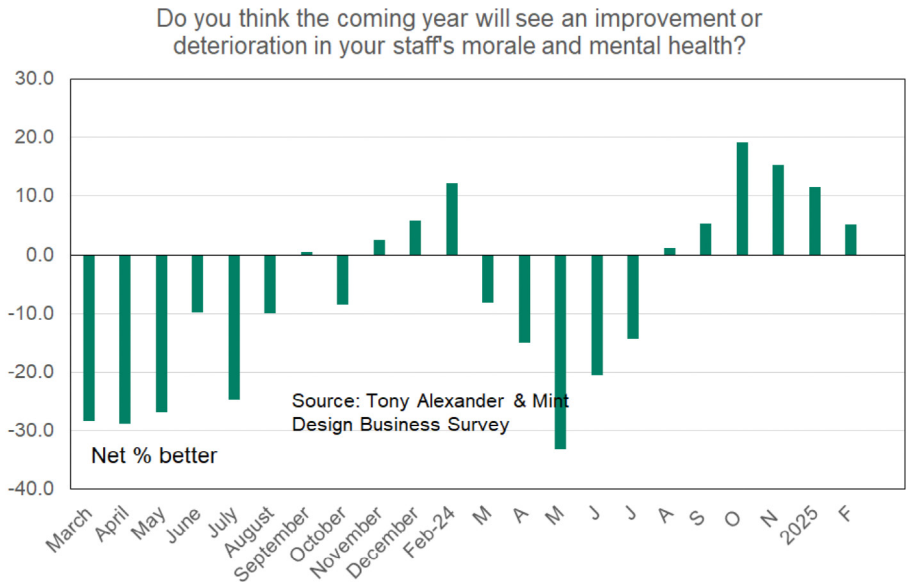
In 12 months from now, are you expecting your business revenue to be better, worse or stay the same?

A net 44% of businesses anticipate that their revenues will improve in the coming year. This is unchanged from a month ago and up 10 points from a year back. The main change in this measure happened in the three months after the Reserve Bank signalled its intention to cut interest rates in July last year.



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

Only a net 5% of businesses feel that staff morale will improve in a year's time. While businesses continue to face rising costs and constrained margins pressure is applied one way or the other down to staff. Businesses expect this pressuring to continue is one interpretation of this low result.



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. The responses have been reviewed and refined for clarity and relevance.

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

- Expectations for the strength of growth in the economy are being pared back amidst some deep disappointment at the political climate.
- Conditions in the retail sector look especially tough with a recent compounding of low net revenues by higher import costs due to the weaker NZ dollar.
- Many criticisms were submitted about the current government and PM. Only relevant commentary that specifically addresses current market trading conditions has been included in this report.

Accounting & business advisory services incl. business broking

- Political uncertainty leading to business uncertainty and buying decisions are being put on hold.
- A lot more confidence, however there is little trust in the new coalition Govt.
- Business Finance Adviser - still lots of enquiry but clients remain cautious about interest rates & geopolitical factors. Noticing an increase in loan approvals (business, consumer or mix) that do not proceed as clients decide against additional debt & borrowing costs.
- I'm in an office with people who raise capital and sell businesses, and they are finding the economic situation challenging.
- Some green shoots and confidence appearing. This is getting undermined by poor political leadership.
- Lots of cashflow issues.
- Uplift in quality leads however price sensitivity remains strong. The next AI wave is here, there seems to be a race with our SaaS suppliers to offer the latest and greatest in AI technology. We are bookkeepers.
- More business activity - succession and equity movements.
- Growth but not as much as was predicted.
- Confidence lacking - need to see evidence of turnaround & things actually happening. Too much Government hollow talk and tinkering around the edges.
- General uncertainty or unease with where sentiment is heading. People are searching around for some evidence to gain hope of better times ahead.
- A period of continued instability with a swing to improving conditions later, rather than sooner.
- Worst 'Doom and Gloom' I've seen since the 1990's. A lot of small businesses winding up or quietly quitting, lack of sales or no longer worth the risk reward.
- Retail is terrible. Clients slower to pay. Increase in clients looking to exit businesses due to age.
- Incredibly difficult to find experienced staff.
- Some more client projects starting, or picking up momentum, but the spectre of further government spending priorities/cuts still trundling along in the background (Wellington-based consultancy).
- Restructure and 10% job cuts in December.

Advertising & marketing

- Pessimism in retail clients' outlook is making conversations difficult and stifling their willingness and motivation to do anything proactive to help their business. Many seem to be waiting for change by itself - positive or negatively - rather than making decisions or taking action.
- Businesses starting to spend marketing money again as they see green shoots in the economy.
- New business is picking up now but was very quiet in Jan, as it was for a lot of our clients.
- Tough trading environment. Clients not ready to commit to campaigns of significance.

Banking and Finance

- There's the spark of increased interest in equipment investment and a lift in borrowing interest. This is the time in the cycle though when some businesses run out of steam and fall over - and the IRD is also being brutal in its' debt management (after too many years of ignoring it).
- Businesses struggling with cashflow; a lot of interest only requests.
- Our sector (property finance) has been through a tough couple of years with higher interest rates and lower activity levels compressing margins and overall profitability. Some confidence is re-emerging however real activity requires lower interest rates, a significant lift in transactions, and the backlog of housing stock, especially townhouses, to be reduced.
- Hesitancy to enter property market with interest rates falling, economy not preforming, property prices falling. Expect to see change in 6-12 months with controlled catchup.

- In the Financial Advice Mortgage Broking sector, enquiries have significantly picked up compared to mid last year. The key factor to this is the decrease in borrowing rates, and customer perception that now is a good time to buy a house. Last time we had demand high, there were significant time delays with banks processing applications blowing out to 4 weeks at one stage. In the Personal Financial Planning Space, enquiries have also increased significantly with more clients reaching out to professionals to get a road map for their financial future. Making sure they are taking informed action to achieve their goals, which will led to an increase in both Property Investors, as well as regular savings into Managed Funds. It will be an interesting time for investment markets, there are a lot of things going on globally that are impacting financial markets. Active Fund Managers will need to earn their keep.
- Banks are preserving margin, except Westpac. Something will give. It's a test of competition.

Cafes, bars, and restaurants

- Hospo is focused on survival nowadays. We are, but coffee bean cost is currently a major issue and beyond our control. Significant road works, orange cones by the 100s and traffic light controls are annoying / deterring customers outside our immediate catchment who have to travel through the mess.
- High Interest rates are taking up all the disposable income, hence people are not going out to restaurants or bars as they can't afford to. Especially noticeable in the provinces.
- Slight improvement in sales and demand. But still tough.
- People are waiting for, and expecting things to get better.
- Coffee bean prices are going up significantly as is dairy. We have changed our coffee supplier who has given us more efficient equipment, enabling us to get more coffee per kilo. Despite that coffee and food prices will have to increase this year. Not entirely sure how other cafes manage with their antiquated equipment.
- Managing creeping domestic costs insurance, wages rent. We import in $US which is strong, and combined with shortages in certain food commodities driving raw material prices up, and balancing consumer expectations with retail pricing.
- People just not spending.

Civil construction/infrastructure

- Continual rising costs to build a new house are making land development not a viable option; the margins for profit don't stack up. Council increasing Development Contributions will kill land development in Auckland. Council's inefficiencies & time delays to process resource consent applications are putting people off developing. Property investors are not in the market & if they are they're not prepared to play the long term game to realise future profits.
- Things seem to be picking up in the last month or two; so we are hoping that this is not just a temporary/seasonal improvement but a sign that the economy is recovering and investment in infrastructure has recommenced.
- Steady investment, policy and regulation intentions from the Government would go a very long way for the infrastructure sector to invest and grow with the economy.
- Lack of work starting. Market pricing below cost to secure work.
- Still in decline. 2025 is going to be tough.

Commercial construction

- Smaller players are still cutting prices below cost to get cash in door.
- The construction industry is the quietest it has been.
- Difficulty dealing with freighters, and couriers, due to AI taking over from local staff ● Decreasing commercial projects in our field.
- Projects just not happening as fast as they should be. Frustrated owners and contractors waiting for red tape to happen.
- A pickup of work late last year has now resided to a quiet start to the year. Still a lot of uncertainty with our clients and their forward workload for the year.
- There are more enquiries out there in the last 4 weeks that should lead to a pickup at some stage this year.
- Everyone is undercutting each other which is become harder for sales employee to keep up their jobs.
- Lack of government initiative towards leading growth is not supporting their wish for the private sector to lead.

Commercial real estate

- Tepid investor & tenant demand in many industry sectors (big box retail excluded), over-capacity, no meaningful government strategy to achieve real growth.
- Many properties for lease or sublease with businesses closed or retrenching.
- Interest rates diminishing cashflow.
- Very weak demand in big ticket items round the home are putting tenants in this space under extreme pressure.
- The Owner Occupier market for vacant commercial and industrial buildings appears to be quite solid although the investor market is still a bit fickle. Possibly another OCR drop next week might entice a few more investors off the sidelines.
- There is certainly optimism in the Commercial real estate sector, especially in the industrial space. Office and retail are dead with little demand, but industrial space enquiry is high. Residential developers are just returning to the market as well.

- Increasing headwinds for all businesses, with carbon tax and compliance poised to wreck further havoc on our already struggling Country, we will be joining the leaving crowd.
- Global uncertainty, inflation, NZ Govt soft measures on stimulating economic growth and international investment.
- Retail very weak, industrial quite resilient and commercial (office) tracking the same. Are expecting overall a marginally better year this year than last. Lower interest rates a big plus for our sector.
- The market is on the rise now the short weeks (Auckland) are behind us. Tenant demand has increased which is a closely aligned feedback indicator to business confidence. The OCR cut this week will help.

Education and training

- Education - Many prospects contacting us haven't got the funds to commit to our offerings.
- Lots of interest but parents holding off due to job concerns.
- Most welcome easing and rationalisation of crazy regulations.
- The education sector remains overloaded with curriculum changes, some which are well overdue, others remain in ignorance of key deficiencies, mainly due to NZ geographical isolation. Other factors which are putting pressure on this sector is the decline in availability of relief teachers, the aging workforce and the limited intake of young NZ teachers.
- International tertiary student numbers are increasing, domestic student tertiary numbers decreasing. Increasing difficulty for students looking to juggle work, life and study.
- Tightening up of spending on training and support across many organisations in public service.

Energy

- Some key clients are not spending. Slow start to 2025.
- Energy chaos. The last governments climate agenda is impacted the energy industry long term. Security of supply is now a real challenge - and therefore the cost of energy is highly volatile, making margins difficult to maintain.

Engineering

- Lack of long term investment in infrastructure in NZ. Lack of government spending, if they aren't spending then businesses will not spend.
- The grind continues - slight uptick in projects going into full design - but clients still tentative. Going to be a slow recovery in construction - but a lot of positive energy going into trying to get stuff moving.
- Government spending on infrastructure is taking too long to get going and negatively impacting the engineering sector (good people are being laid off and heading offshore - not in our business but in general). Infill land development projects are few and far between. Well funded developers are still going strong and starting new projects, but no urgency to bring the finished product to market.
- Uncertainty about future demand.
- Pre-Christmas the industry had a real buzz around the 'green shoots' we were seeing for 2025. However, come February, that buzz has not realised, and we are progressively in need of more work. This may be at large a result of the promised OCR drop next week where businesses are awaiting one last nod from interest rates to 'pull the trigger' on spending intentioned - only time will tell but the outlook for the year ahead is no longer as good.
- Cash flows, economic downturn and lack of current investment in industry constraining future economic development.

Facilities management

- Very slow for any signs of improvement; we've survived to '25 - what now?

Farming & farming services

- The psychological effect on people of a long, tough spring in Southland.
- Ag supplies. Strong forward sales. Though there are repairs to customers balance sheets and catching up on R&M we are finding the dairy market in good heart again with a positive horizon and the red meat sector picking up well. No major storms and the Summer conditions reasonable in most regions. No such thing as normal anymore so doing a lot more planning for unseen events that can derail a business in this wider industry.
- Input Costs still increasing. Revenue stagnant.
- Noticing tough times still for manufacturers and retail with consumer sales still slow. It requires patience which requires capital, which is at a low level.
- Compliance overkill and escalating costs. Inadequate offshore marketing. Lack of industry strategic planning.
- Improving global commodity prices, but sticky domestic costs.
- 12 months of waiting on RMA reform is causing frustration and disengagement within primary sector industries. Farmers and growers just want to know what they have to do and get on with doing it.
- Increasing dairy confidence and farmer sentiment will make a big difference.

Financial advice/wealth management

- Pricing expected to be flat this year with modestly higher staff costs offset by lower costs elsewhere. Overall cost base flat to slightly down. Competition could see some downward pressure on our pricing which we would hope to make up for with volume growth to see very modest increases to margins.
- Investment returns have doubled in past 12 months. Clients happy after three years of poor returns.
- Compliance costs increasing - slower turnover in transactions due to banks workflow. Also slower transactions due to more purchases being conditional on a sale.
- Just a general feeling of malaise. Everyone is over the chaos and hoping more than expecting things to improve.
- Cashflow issues with businesses we work with are getting worse, not improving - and there is a general optimistic view or desire for things to get better in 2025 but few, if any, signs of anything better than in 2024 so far.
- A degree of confidence returning with a continued focus on the economy looking for positive growth signs.
- The bigger players growing bigger through acquisitions.
- Educating potential customers to a new product to NZ.

Forestry

- Low domestic demand for wood products, uncertainty re log export market direction.
- NZ Pine Log and Lumber export trading. Customer Demand for NZ Pine Logs and Lumber is likely to remain soft due to poor and highly uncertain global market conditions.

Health

- Ongoing struggle to close out a sale. Customers still playing a wait-and-see with their spend currently.
- Erosion of margins from funding not keeping up with compliance changes.
- Growing demand, falling provider numbers.
- Clients are hesitant to book our service until things 'turn a corner'. At best we are hoping to match our profit from last year - if profit improves this year, I think I would consider it a miracle!
- General feedback from friends with businesses in other sectors is that their NZ markets are dead - and have been for the past 12 - 18 months. If it were not for their offshore markets, these friends' businesses would be 'toast'. Most friends do not have high hopes of a turnaround in their NZ fortunes this year.
- \People are seeking health support when needed.
- We used to grow from Feb to November (health care). Now it's hard to predict/plan.
- Lack of consumer confidence due to economy Outlook.
- We are seeing a strong move towards online sales with customers looking for cost savings.
- GP sector is highly government regulated and there is no clarity from the government on the future
- Our customers are happy about the service we provide.

Information technology

- Wellington is a hard market, but improving.
- We are a global seller of products; it is increasingly difficult to find and sell to international buyers.
- Increasing R&D more than usual - hopefully to at least keep up with technological changes. especially AI.
- It is still tough out there but there are some green shoots starting to emerge, so we are looking forward to more activity being driven off that. We are planning for a better budget from Government if they are to be re-elected at the end of this term.
- Rapid adoption of AI.
- Reduced amount of work due to government decision to stop or delay IT projects.
- New IT projects that were pencilled in to start 2024, now starting late 2025. This is causing a lot of skilled IT staff to leave as no work currently or last 6 months. With key staff leaving when these projects do kick-off there won't be the talent available. I feel in this sector it will then quickly switch to an employee market, and higher rates demanded from those with the right skills.
- In the Far North there appears to be a general slow down of building so tradies are not busy carpet installers have noticed a drop off in quoting. Automotive are down a bit on normal workload but still busy.
- Hesitation on ROI realization, overseas contract bidding where salaries are lower, shortage of true skill levels (many scattergun applicants) and reflection of generally poor economy outlook.
- We have more aged debtors than we have ever seen, by quite a margin, since we started operating 20+ years ago. More customers asking us to help them reduce their costs. We still see customers deferring investments even when there is a clear risk to not doing the work, possibly starting to see a change in the right direction. But we also see growth and a brighter horizon. We should finish up ~9% improved over last fin year - so its not all bad. But out NP is down as a %.
- The market for our software is mainly in the airline industry. The passenger numbers in the industry this year will be close to 2019 (pre-Covid) levels. Industry still suffering lack of capacity due to supply chain problems and debt incurred during the Covid period hence higher fares. Just beginning to drop as capacity increases.
- Talent moving offshore.
- A slow start to the year compared to last year.

- We're in the SaaS area, and the world is our market - so we're externally focused, and the opportunity to grow is significant. If NZ was our market my positive answers would be very different.
- Very limited net new enquiry for IT managed services. Existing customers are not spending. Vendors are increasing prices forcing us to do the same soon. No growth in the last 12 months.
- Significant increase in input costs have a major impact on gross profit. Not being able to easily increase prices charged to our customers also puts pressure on profitability.
- Customers are distracted by having to take costs out of their orgs. Dairy picking up.

Insurance

- In the general insurance industry, profitability has returned to insurers. This will lead to premiums stabilising and even reducing as insurers begin to compete more with each other, as the strategy becomes more growth orientated as opposed to focusing on profitability.
- Customers continue to be very price focused, and many will forego extra quality or value to keep costs down.

Legal

- Business is generally flat but have good long term clients still needing our services. Noticeable closing down of Real Estate Agencies and stress apparent in the Wine Industry.
- Ongoing redundancies across all sectors, including several businesses moving offshore and winding up operations in NZ.
- Operating costs continuing to increase with flat, bumpy revenues and little forward certainty re work volumes.
- Still very hard to find good, experienced lawyers. The Anti-Money Laundering burden imposed on us by the Government continues to be a significant drain and cost on our Business. Talk from the Government of charging us a levy on top of the existing costs is worrisome. We have had to increase our fees significantly to cover these costs. Property market appears to be awakening.
- A general air of malaise and no real excitement at present about the economy or business opportunities.
- Changes in offshore availability of insurance for NZ - decrease in offshore insurers willingness to invest in NZ.

Manufacturing (all categories)

- Business is definitely slowing down though we are hoping to see an uptick in the 2nd half of the financial year (we're tied to the building sector). Staff morale is of concern as our people have lost a lot of their resilience since COVID and we're having to work harder to keep sick leave and absenteeism down.
- Demand increasing but very slowly from a very low base. Expecting recovery to continue throughout the year but no big boom in 2025. Govt policies will start to work but it's going to be a slow grind back.
- Volume of work, businesses doing work for cost or less (they can't retain that for too long) when margins are already low.
- Lots of enquiry & quoting, but no one is pushing the "go" button. Very high levels of uncertainty. Feels like Depression era times.
- Late last year was good, Australian sales have tanked a bit this year.
- This year is a year of recovery for us, we made heavy losses last year and need to lighten the ship.
- Cautious optimism, not yet backed by actual results.
- We export niche products into international markets, current exchange rates are in a sweet spot at the moment given our balance of imported material inputs versus eventual end sale prices received on our finished products.
- Clients are shopping around a bit more, companies are buying work at ridiculous undercut pricing, we are finding that years in the industry, reliability and consistency are definitely helping.
- to secure some work for us. Our team is working harder for less sales, staff are on reduced hours and this is tough, lets hope this improves soon.
- Concerns that the global trade war will spill over to NZ.
- A sense everyone is holding back. No commitments as to when orders and projects will go ahead.
- Compliance cost, government pushing costs onto us e.g. carbon credits on our products.
- We are planning around the general economy continuing to bump along the bottom and then gradually improve from late in the year.
- As a manufacturer we find that overhead costs, compliance costs and staff related costs are steadily increasing, there seems to be no lull in this. There is a lot of talk from politicians about reduced red-tape, but we are seeing very little tangible evidence of this. Importing parts and products in their finished form rather than manufacturing them in NZ is on a steady rise for us (even with the low NZ dollar) - and once we start down that track the option to return to locally manufacturing products is unlikely to happen.
- Consumer demand seems to be picking up slightly vs last year but no sign of great improvement. Challenge is to move consumers back from low margin mass market offerings to the premium higher priced and margin products they were purchasing 2 - 3 years ago...
- Very difficult to forecast demand. Traditional buying patterns based on seasonal factors no longer apply.
- There is low morale amongst staff at all levels. There are a multitude of staff in the office who seem to have not much to do. Draw down pay checks for appearance.

- Confidence has still not returned. Sales are still a battle. I feel a number of colleagues, including myself, are a little worn down with the ongoing pressure to keep businesses afloat and staff employed. We made it to 25....now what...is it more of the same?
- We have too much compliance. Many of those who run the plant are over the 'tick box' compliance.
- Customers looking for cheaper options.

Miscellaneous

- Clients are slow to green light projects. It feels as though a lot of important work has been delayed to try to cut spending. Hopefully clients will have the confidence to bite the bullet by midyear.
- Businesses deferring upcoming work because of their financial position.
- Need to be careful where you spend money and think hard before investing. I feel that we will have to wait until late 2025 for any real economic pickup, the government really needs to cut back its expenditure, the racial tension is worrying.
- Mixed, retail construction & manufacturing - Our rent is sucking out a lot of the profit in our business, rising prices is too dangerous. We working towards downsizing the physical area we require so that we can move into smaller premises. This takes time.
- Biotechnology - Market is very quiet and venture capital source of funds is still tight.
- Boarding Kennels - 10% down on expectation this year.
- Catering - Corporates have reduced their entertainment and meeting/training budgets significantly. The flow on has led to a 60% decrease in business over the last quarter. Current quarter is not looking any better, even accounting for the holiday period.
- Electrical contractor - The building sector in Whangamata had stayed very buoyant but is know showing signs of weakness.
- Entertainment International Screen Sector - Uncertainty in the pipeline of offshore production remains, as US Studios continue to pursue the best filming incentives on offer. New Zealand is unquestionably running behind Australia and the UK, due to the cap in place on above the line (talent) rebates. The New Zealand Screen Production Rebate is due for a refresh of its settings to ensure NZ remains competitive. Support from Government is essential.
- Equipment rental - No improvement in turnover at present but belief we are at the bottom and things will improve slowly.
- Fitness, gym - Discretionary spend remains under pressure for most customers impacting our income levels and general confidence within local economy remains at lower levels which makes it difficult to increase prices. Rent and other opex are still increasing, looking to be another tough year.
- Flower Trader - Lumpy sales, market doesn't know what its doing.
- Garden Maintenance - Virtually impossible to find suitable staff.
- Global fresh produce trading - Shipping product globally has become very challenging - delays, schedule changes, port congestion. Global markets are exhibiting signs of caution verging on weakness. Debtors are slow to pay.
- Home renovations - Competitors "buying" business to keep the doors open.
- Home Staging - Interior Design Given our sector relies heavily on Millennials and Gen Z labour, arguably the biggest issue we face is moderating their expectations. Wage, workplace conditions and environment and work loads are all becoming issues we haven't faced previously. What used to take us 1 person, now takes us 1.3.
- Landscaping and grounds maintenance - Ongoing maintenance work steady, new work slow, all new work is from wealthy customer, not joe average.
- Personal services - Whether it will be a good week or a bad one for takings is a crap shoot. Trade has been strong since the holidays with a strong January which was unexpected. But February has been off to a slower start and so perhaps the honeymoon period of the holidays lasted longer this year, but it is still hitting hard? I have given up on collaborating with other businesses in the sector; small business owners are not following through on their commitments and only costing me more time and frustration.
- Printing & packaging - People have adopted a wait and see attitude.
- Property maintenance and renovation - Long term clients getting more quotes as price is much more of an issue than it used to be. The dire state of the economy - or at least how it is portrayed in the media- had a significant effect on trading last year and it's not looking great for this year.
- Property maintenance - Too few contractors doing maintenance, prices constantly rising, clients delaying necessary work.
- Residential painting - Prices are lower for labour, but paint costs have all risen, so profit is down, will tweak prices up but there will be more people trying to enter our sector thinking they can cut prices for work, having little experience in the work or no idea with business costs or managing end profit (annual profit), dragging profitability & quality down (same thing happened last recession).
- Sandblasting - Lack of work.
- Trades (plumbing) - Demand has not yet returned in Wellington after a sharp downturn in 2024. Regional branches largely unaffected, probably as customer base less reliant on govt.
- Veterinary Service - A brighter outlook across the farming sector; dairy and beef have been lifting since last year but more recently returns for sheep are more positive. Urban spend still restrained and expected to be so until second half of CY25. This is flowing into lower spend on pet services and products.

- Wholesale and retail - Competitive pricing and discounting, it appears a number of competitors are targeting who gets to the bottom first. Often after discount the replacement cost will be very close to the net sales price. No wonder sales are down when discounts are 20% plus.

Mortgage broking/advisory

- Commerce Commission pressing unrealistic adviser regulation onto an already heavily regulated mortgage industry. Totally unrealistic and completely unnecessary!
- Banks are currently competing for business and paying cash for new clients but not really willing to pay to keep existing clients, a lot of refinancing happening due to banks not wanting to offer retention cashback to the level that will keep clients. A lot more enquiries into refinancing and also upgrading homes and first home buyers, I feel like people are more hopeful now they can see interest rates reducing although still concerns around job security holding some back from buying.
- Lack of interest among investment property buyers. Vendors not doing enough to make their properties attractive to first time buyers. Slow response by banks in assessing applications.
- We require quicker response times from lenders, more relaxed assessment criteria with lower.
- Debt servicing test rates and a common sense approach adopted by bank assessors when assessing all applications.
- Outlook looks promising, especially if interest rates keep coming down. This will ease a lot of pressure for many of my clients. Hard to predict, when the rates will be their lowest.
- Banking compliance is a hindrance to all, ComCom is out of touch and red tape that is ineffective.

Motor vehicle sales/parts

- There is a general air of uncertainty with a lot of clients watching and waiting.
- Decreasing lack of enquiry due to current economy.
- Auto parts is a very tough market at the moment, mostly due to sector specific circumstances. However the general downturn in all things automotive certainly doesn't help, and shows no signs of improving.
- Availability of qualified and experienced staff a problem
- Government regulatory oversight creating excessive complications in operations.
- A little more choosy.
- Hard to find suitably qualified tradesman for job vacancy. Getting to the stage where my mindset will have to change from 'needing qualified staff' to 'we are one of the few garages still operating successfully with adequate staffing levels of qualified technicians'. Roll on Q4.

Recruitment

- More optimism about future but not backed up by any recent improvement. Suspect growth will be patchy and slower than many think or hope.
- While the market still seems a little sticky/uncertain business overall is trying hard to get on with it. Great talent is hard to find and secure, so our value proposition needs to be good. This market has weeded out average performers and sharpened up service delivery which is great. We have retained great people and taken the market uncertainty to hire new quality talent. We expect an inconsistent 6 months but a very strong second half to this calendar year.
- Recruitment generally looks like it will continue the trend of the past 4 months and stay flat through to deep into 2Q.
- We do well when jobs are hard to find here as we find them jobs overseas.
- High levels of business uncertainty impacting in investment in new staff hires.
- Increased desire from companies to recruit new staff.
- Very cautious approach to hiring (i.e. many steps in hiring process, indecision, delays, changes to briefs during recruitment process), increased competition from internal recruiters.

Residential construction incl. section development

- Continues to decline.
- A slow increase in projects getting underway, cautiously optimistic that things are picking up, pipeline of jobs ahead still not very full.
- Revenue remains subdued but steady. Margins are a lot lower than a year ago. Labour costs need to reduce through redundancy.
- Lack of demand for construction / lack of confidence in our industry.
- Optimism struggling to keep up with reality.
- Increased enquiry for new builds since Christmas, still issues with converting to contracts.
- Slow sales of property will slow construction of new projects.
- People/ builders/developers hesitant.
- We have had more enquiry in the first two months of 2025 than we had in probably the last half of 2024 which has been great, planning earlier is always best but everyone was too uncertain to even think about what to do let alone plan for it. Just means the process will be a bit longer.
- Lower margins, less workload, people taking longer to make a decision. There are still decent projects out there just a fight to secure them!

- High demand for house design.
- Uncertainty prevails in the construction industry.
- December and January worst in years for everyone we talk with. most had longer shut down due to workload which impacted. Higher enquire for services in Jan and Feb. signs look good but has not transformed to invoicing yet.
- It's pretty tight in residential construction following a sustained period of less sales, less construction, increased costs, tighter margins and settlement obligations for sections. You need to run a tight ship. Sales and sales enquiry is better than it was but still pretty slow.
- Need people to start spending on home improvements and for more homes to be built.
- Continued high competition as many companies all trying to secure work from a smaller pool of available work in less sectors of the industry.
- Definitely more positive, slow & steady incline of work.
- Starting to see improvement in customer sentiment which removes the reluctance to commit to projects.
- Pricing plenty of jobs but not many clients are committing or still want to hold off for whatever reasons.
- Enquiries have noticeably increased and past prospects are returning now to re-engage.
- The residential real estate market for new cheap housing is still very bad here in Katikati Western Bay of Plenty. No signs of improvement as yet (dated 14th February).
- Generally clients are slow to commit or move forward and have low urgency. On the other hand, those that do have the confidence and capacity to commit are moving through the process quickly with very competitive prices.
- People holding off doing work or doing the bare minimum required.
- Hobbled by bureaucrats exploiting government regulations to say no.
- Seeing more new house plans coming through for pricing.
- Increase of material prices not enough work too much competition.
- A real mixed bag, some trades are busy, others not so much. House plans are few and far between. Local consent numbers are down which will only slow things down more in the coming months. Just got to ride the wave.

Residential real estate

- More faith that the real estate market has bottomed out and the slow recovery is on its way.
- NZ increasingly unattractive v Australia.
- Very negative view of what's ahead for next few years and a reluctance to commit to any major financial inputs.
- Lots of homes on the market in Timaru, not many buyers and unrealistic price expectations by vendors especially in the middle third of the market.
- A general pessimism out there, with slow but steady increases in all costs of living across the sectors. Middle income and Seniors are feeling it the most. Our umbrella business and our local owners are well prepared to weather the downturn, but many are not.
- We are in Real Estate in the Far North, we expect this year to be better than last year, but maybe not by much. Purchasers are being understandably very financially conservative.
- Buyers being very cautious and reluctant to rush any decisions. Some very financially stressed vendors out there and hobbled mentally when it comes to decision making. The year has had a mixed start, but the fact interest rates have been dropping and with another 0.5 OCR adjustment in the offing people might start making buying decisions with a bit more confidence. As a veteran in the Real Estate world when the property market is moving comfortably the economy at large performs quite nicely.
- There is a distinct lack of buyers and any sales at present are way below asking price.
- We are still seeing a lot of purchasers/buyers that think they can by a property for half the advertised price. This is frustrating and time wasting. In saying that our sales in the Coromandel region have increased immensely in the last 3 months in comparison to the last 2 years.
- Real estate market seems very balanced at present. Good active buyers and sellers willing to transact.
- Real estate: qualified buyers waiting for OCR/interest rate adjustments. People who have delayed coming onto the market now entering market. No price increase if anything steady - but anticipate decrease as motivated vendors meet the market or must sell.
- Over supply of houses and not enough buyers ready to go.
- No fear of missing out.
- Positivity with caution.
- Trying to stay positive in a struggling marketplace.
- Buyers slow to make decisions about buying property.
- People are very conservative with the decisions they are making due to the impact of high redundancies and the volatility in the economy created by the current government and its policies.
- A lot of businesses are really hurting with long standing businesses closing their doors!
- I'm expecting a bumper year in residential real estate!
- More confidence in the property market but property prices to be steady/sideways, rather than up or down.
- Increase in property listings, but also an inability of vendors to pay for marketing or struggling to pay. Still a shortage of buyers, which is being impacted by more listings. Economic pressures are also impacting our business both from the perspective of buying and selling - buyers unable to afford to buy; sellers unable to afford mortgages.
- Sales slow, prices a bit high.

- Key factors seen at the moment in our sector include stress, increased compliance costs, uncertainty in the marketplace, overload of work with ever-increasing detail and time spent on non-dollar-productive control measures and reporting required.

Residential rentals/Investment

- Property investment decision making seems to be hard at board level.
- We need to maintain our portfolio numbers as we are seeing a number of owners selling up.
- The outlook for property management in New Zealand appears cautiously optimistic, despite the ongoing challenges posed by market fluctuations and regulatory changes. With the demand for rental properties remaining strong in key urban centres like Auckland and Wellington, property management companies are likely to continue thriving, particularly as more people turn to renting due to high property prices and limited housing affordability. However, property managers will need to adapt to new changes to the Residential Tenancies Act, which place additional responsibilities on landlords and property managers. The increasing adoption of AI technology, including property management software and online platforms, is also reshaping the industry, providing opportunities for greater efficiency and communication. Overall, while the market may face pressure from economic factors and regulatory shifts, the long-term demand for rental properties in New Zealand should sustain a solid outlook for the sector.
- Not as bad as 2008 but not far off it. Makes me want to leave.
- Vacancy has been growing. Quality tenants getting harder to fine. Gone to Australia?
- Insurance and rates expenses continue to hurt.
- Continued increases in costs. Insurance & rate increases stand out.
- Increased costs are a worry.
- With OCR dropping today I expect the real estate market to improve. If more migrants are allowed into the country, the real estate market would improve.
- Investors sitting on the sidelines.
- Good long term tenants harder to find.
- Lack of purchaser's confidence.
- With the government removing some of the restrictions on landlords that were put in place by labour there is a way more positive attitude from Landlords.
- As a landlord, will have to cull property/s to reduce debt and give us some options. Input costs killing us.
- Market is pretty flat and looking to the Coalition Government making decisions and actions to create material improvement to the economy over the 2025 year.
- Increases in insurance and local body rates.
- Rental property - happy to see interest rates come down. Concern around the inflation with rates and insurance costs and rents softening. Expansion will be minimal as supply seems to be meeting demand.
- After the biggest lack in demand we have ever seen last Oct/Nov demand has picked up again.
- Tightening of finance and availability of credit, general cost increases of day to day expenses.

Retailing

- Import /Distribution (Lighting) Ongoing suppressed demand with the problem compounded by the erosion in the value of the NZD. It's an unsustainable scenario.
- Huge pressure on price in market, competitors tanking pricing in order to fill the gap.
- Fewer customers in the market and those that we are seeing are more focused on cheaper alternatives.
- Demand for big ticket discretionary items (appliances/beds/furniture) continues to be extremely poor. Expecting a bleak year, with a return to some sort of equilibrium in 2026.
- Cost of imported goods increasing due to the dollar. Council rates, insurance costs increasing all the time.
- A general lack of motivation by the public to spend. Quite a depressing feeling.
- Sales volumes down consistently by 15% - 20% per month, overheads have stabilised, difficult trading conditions. Increased competition from Australian companies, the worst I have seen the retail apparel and footwear industry in 25 years.
- It's a struggle in retail at the moment because of the cost of living. Wallets are shut.
- Customers spending less, import costs going up as exchange rate drops.
- Customers only spending on essential items. An increase with inquiries to repair high value items rather than replace. Customer loyalty no long applies with the customers shopping for the best price.
- Getting really keen to see the talked-up recovery actually arrive!
- Business is still pretty flat to Q4 2024 and hoping for a better second half to 2025. The low dollar is hurting imported product prices and ultimately will transfer to customers. Sea freight rates stable and may come down as part offset? International supply chain is more stable so pressure on inventory is a little reduced. Input costs especially electricity look destined to increase further in 2025. SME customers seem to be at a low ebb and just holding on. Driving hard on market share and productivity improvements.
- A significant reduction in the number of tourists with money and willing to spend it.
- Slow start to the year so our focus is on our customer service starting with developing a happier environment and more positive culture with my staff.

- Customer spend has not improved since Covid as high unemployment, increased cost of living, and just general tightening of the belt is meaning that many of our customers are living day to day. As our business also has a discretionary spend component by customers, that spend has significantly deteriorated with no signs of improvement. In my view, it will be not until 2026 that we will see some improvement.
- Very pleased with the way things are tracking. Will post record revenues, profit & net margins this financial year after 17 years in business.
- Struggling to get foot traffic /customer looking for cheap items.
- Low customer demand plus low NZD will increase costs - fairly negative outlook.

Shipping, transport, storage & distribution

- Negative sentiment across all touch points / business owners' mental health being challenged.
- Uncertainty and lack of demand/new projects.
- Australian companies entering NZ within our industry with aggression, import volumes still about 12-14% down.
- Customers are chasing cheaper providers after being burnt by high import, logistics and fuel costs since Covid.
- Ongoing cost increases above inflation levels and rising for imported supplies.
- Willingness to consider change - better, ethical and effective market options over banging the same drum.

Tourism & accommodation

- Tourism is delivering for those that survived Covid era.
- Continued price pressure in the market, particularly around discretionary spending. Difficulty in recruiting quality staff in Northland continues.
- Increased activity versus this time last year.
- Govt needs to spend more on marketing NZ as a destination to key markets. We need more events and airline connectivity. Increased supply of hotel rooms to open this year.
- Travel Agency - Still strong demand for international travel. People wanting to use the expertise of an agent - lots of online fraud and 'fake' insta holidays (where reality is not like the pictures) means people what a trusted source of information that can coordinate trips to make life easy. We have seen a younger demographic wanting services (as they see the value now).

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

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