Mint!

Business insights

with

Tony Alexander

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High uncertainty remains

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. 528 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:

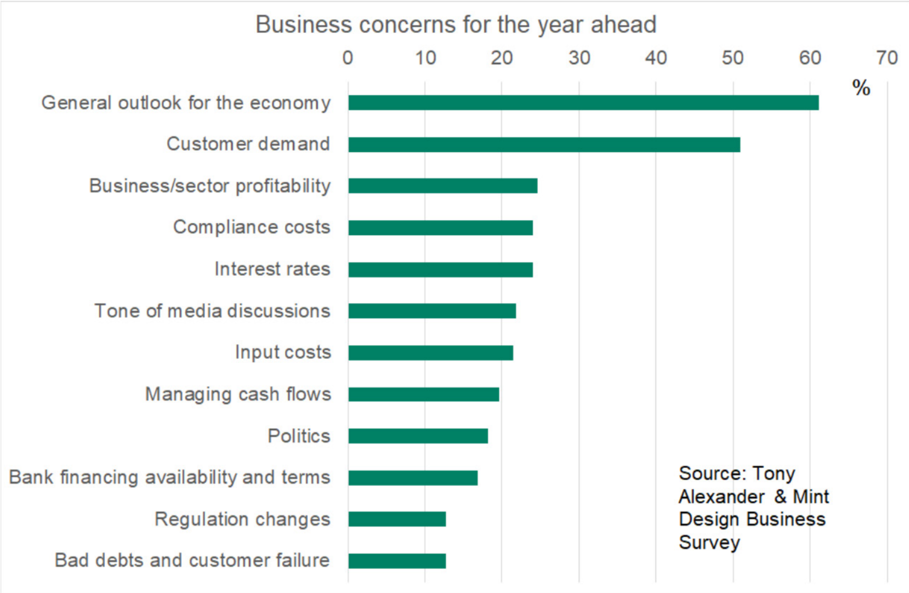
- Businesses are broadly hopeful of better activity levels this year, but few are yet seeing improvement and considerable uncertainty exists about what exactly lies ahead.
- Consumers are still exercising restraint with their spending.
- Costs are generally still going up and concerns about local and central government regulations remain strong.

Tony Alexander
Independent Economist

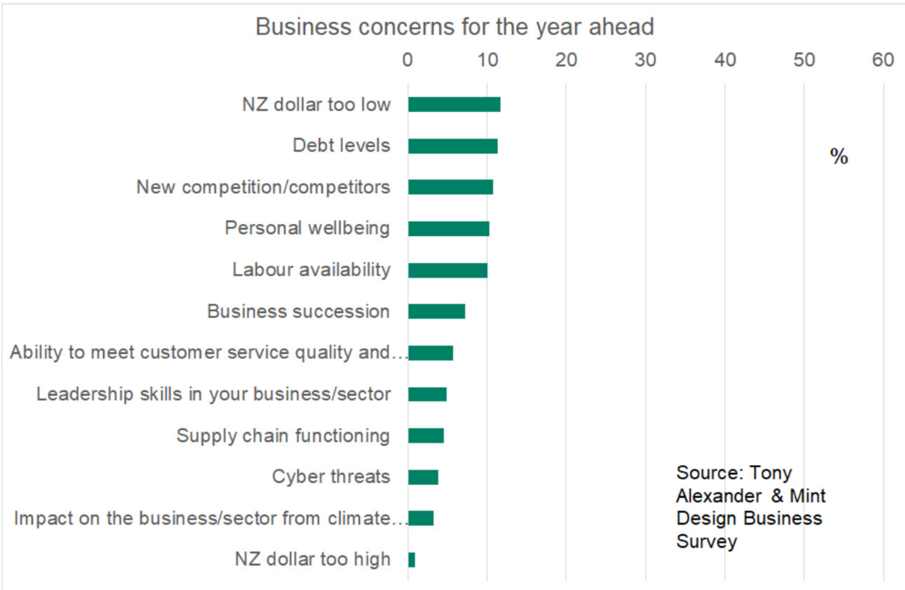
What concerns you most for the year ahead?

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 have remained the same for many months with slightly changing places – namely, the general outlook for the economy, customer demand, and business profitability. Interest rates dropped out of this top tier of concerns three months ago.

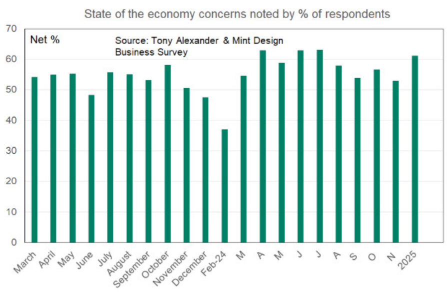


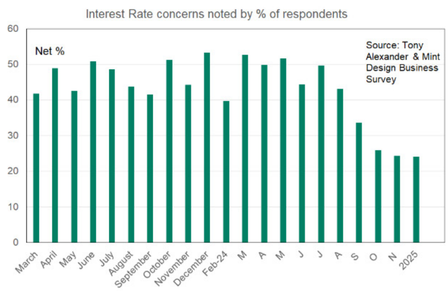
Few businesspeople are worried about the NZ dollar being too high, cyber threats, and climate change impacts.



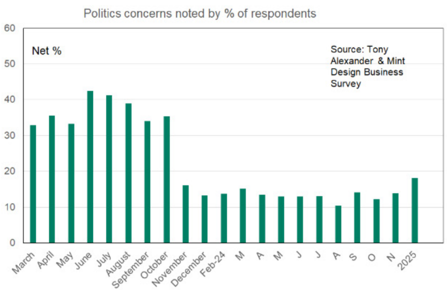
These next graphs look at changes in a selection of areas of concern for businesses since our survey started in March 2023.

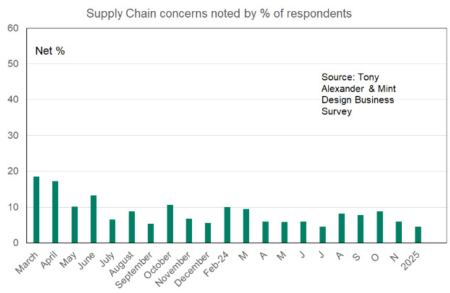
Businesses have consistently expressed concern about the state of the economy since our survey started in March 2023. Those concerns have just increased over the summer break, possibly encouraged by the very weak NZ economic growth data released just before Christmas and maybe some downward revenue surprises for some during Christmas trading. Interest rate concerns fell strongly in September and remain low.



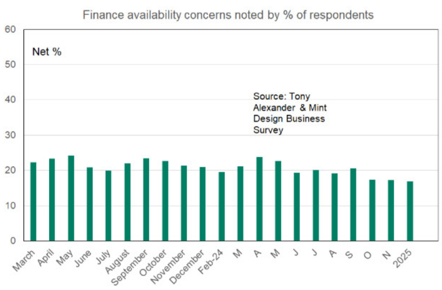


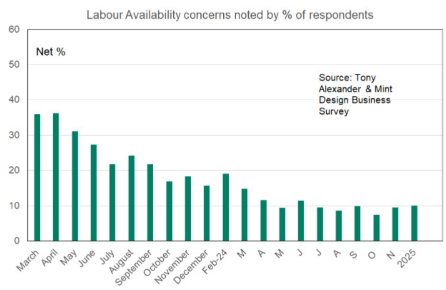
One interesting recent development is a rise in concerns about politics. The Treaty debate may account for this. Despite problems with ships transiting the Red Sea businesses are generally not concerned about supply chain functioning.



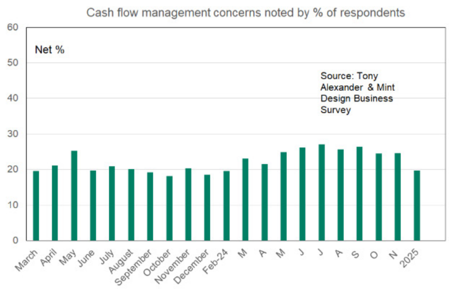


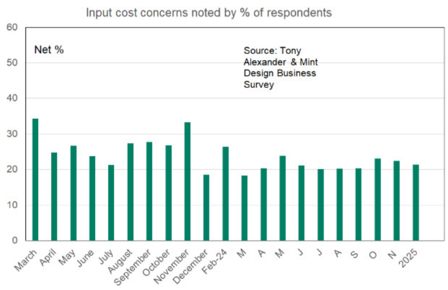
With regard to other business inputs of finance and labour concerns are also at low levels.



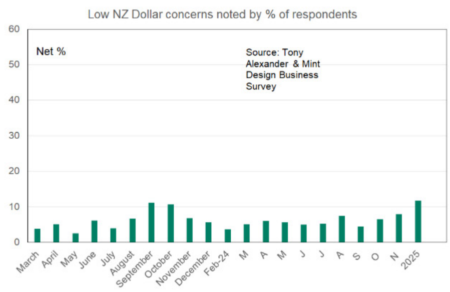


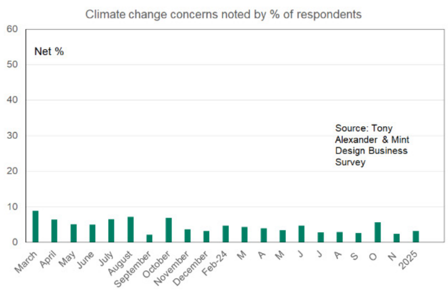
Worries about cash flow management have recently decreased. This is an interesting development in light of the pressure on businesses coming from the IRD along with still weak consumer spending. Perhaps budgets have been sufficiently adjusted over the recent weak period that these problems are being more easily accommodated. No fresh concerns are apparent regarding input costs – something positive for inflation and interest rate levels.





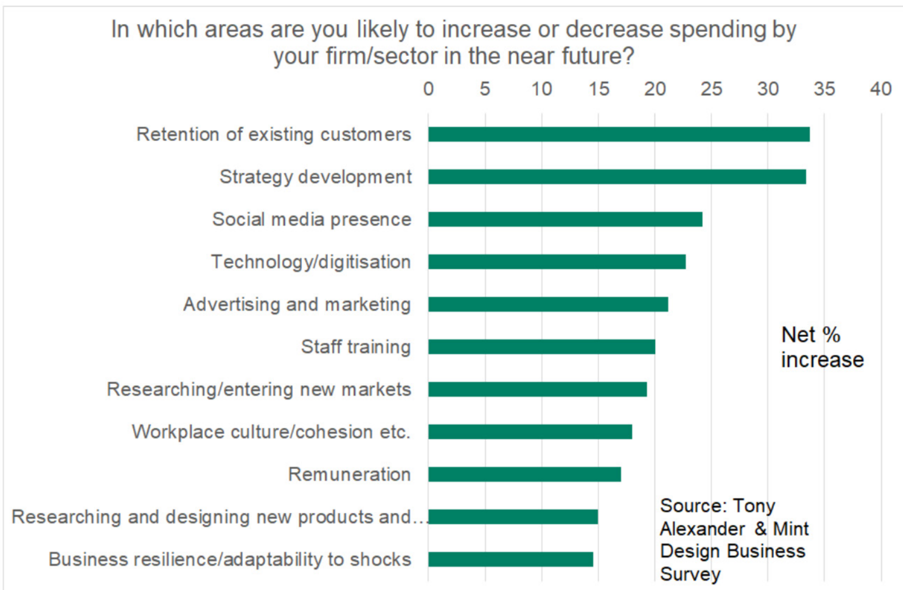
The recent fall in the Kiwi dollar to a two year low against the greenback near 55.5 cents has been accompanied in our survey by a rise in the proportion of businesses feeling that the NZD may be too low. One suspects not many exporters feel this way, however. Finally, despite widespread media focus on the issue, few businesses are expressing concern about the impact of climate change. More immediate issues attract focus.



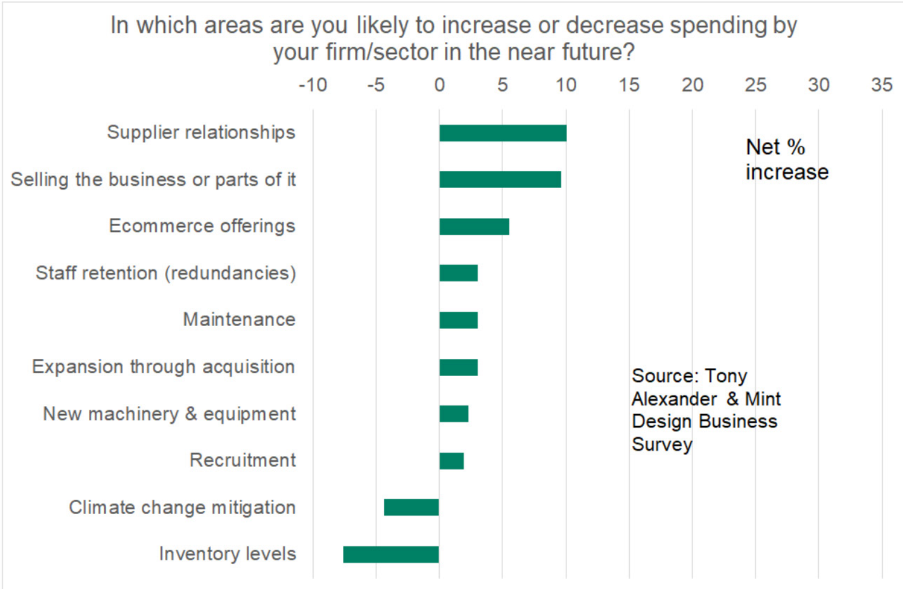


In which areas are you likely to increase or decrease spending by your firm/sector in the near future?

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

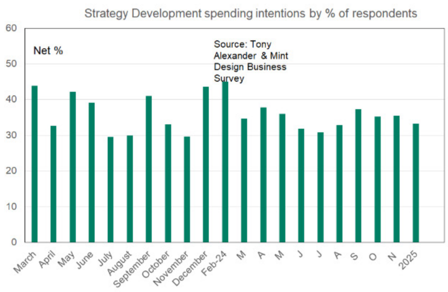


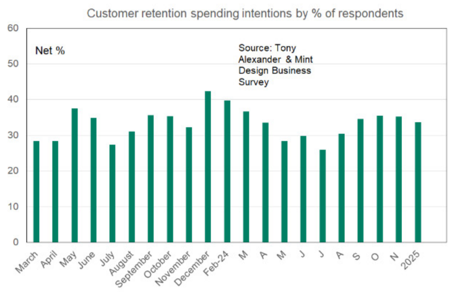
Plans for spending on inventory levels remain negative and the only other area where spending cutbacks are planned is on climate change mitigation.



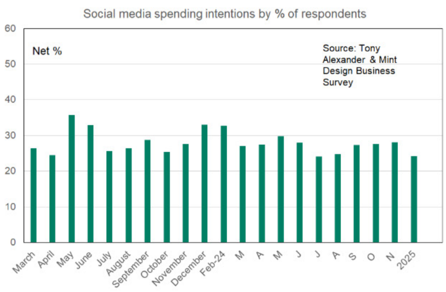
These next graphs look at how planned areas of spending change have been tracking since our survey started in March 2023.

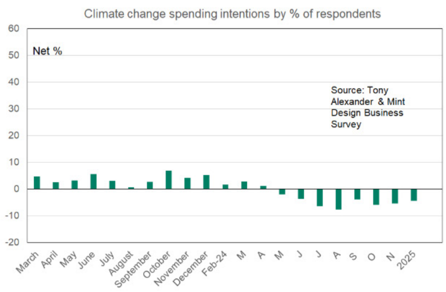
Spending on strategy development has shown surprisingly little change over the past couple of years and has been quite steady in recent months. In contrast plans for spending on customer retention fell away towards the middle of last year but have been climbing since as hopes for better economic conditions lie ahead assisted by easier monetary policy.



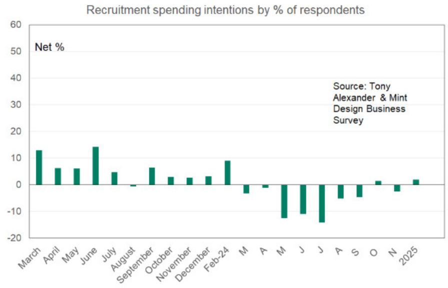


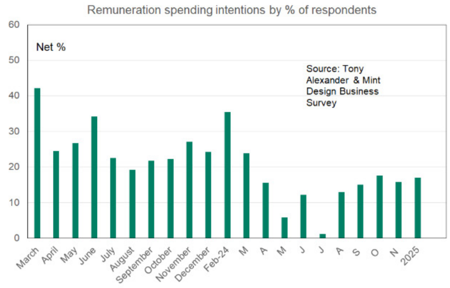
Businesses are highly aware of the amount of time people spend cruising social media these days and advertising on the many platforms is a prime focus. Climate change spending – not so much.



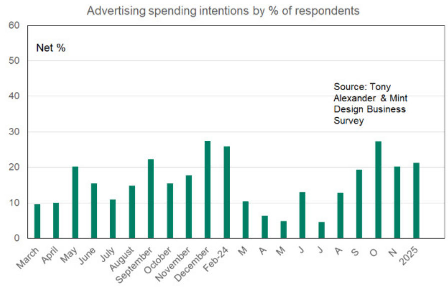


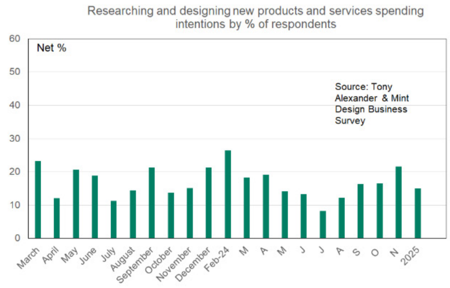
With regard to labour force management, plans for spending on recruitment were quite weak for much of last year but are now slightly in positive territory as hopes grow for better customer flows through 2025. Plans for spending on remuneration however have yet to start trending up given that the weak July 2024 result was probably an outlier result.



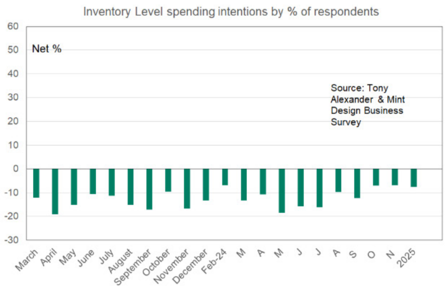


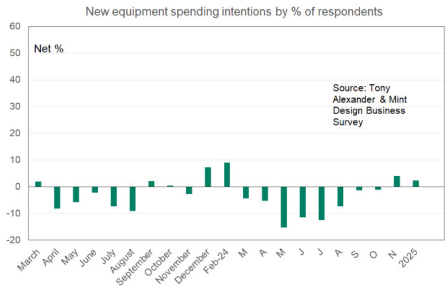
Plans for spending on advertising have been trending back up in recent months. But willingness to commit to new research shows no improving trend as yet and perhaps that reveals some tentativeness to the beliefs businesses hold regarding economic strength just ahead.





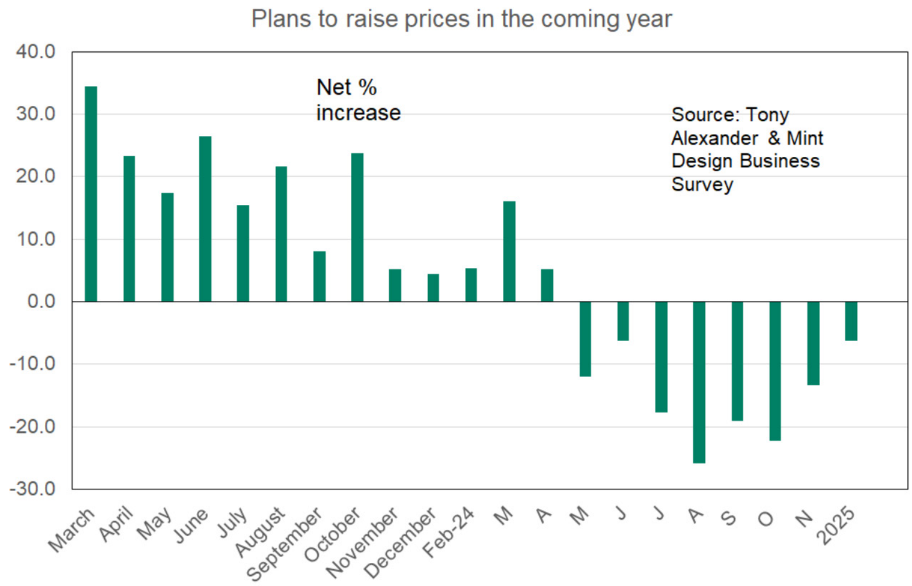
Businesses still plan cutting inventory levels, and we can't yet know if this measure in fact ever will spend time in positive territory. If not, then we can at least permit ourselves to say that cutback plans have eased slightly in recent months but not by enough to signal a true sea change in business sales expectations. Plans for spending on capital equipment are positive but only just. Again, perhaps some tentativeness is revealed.





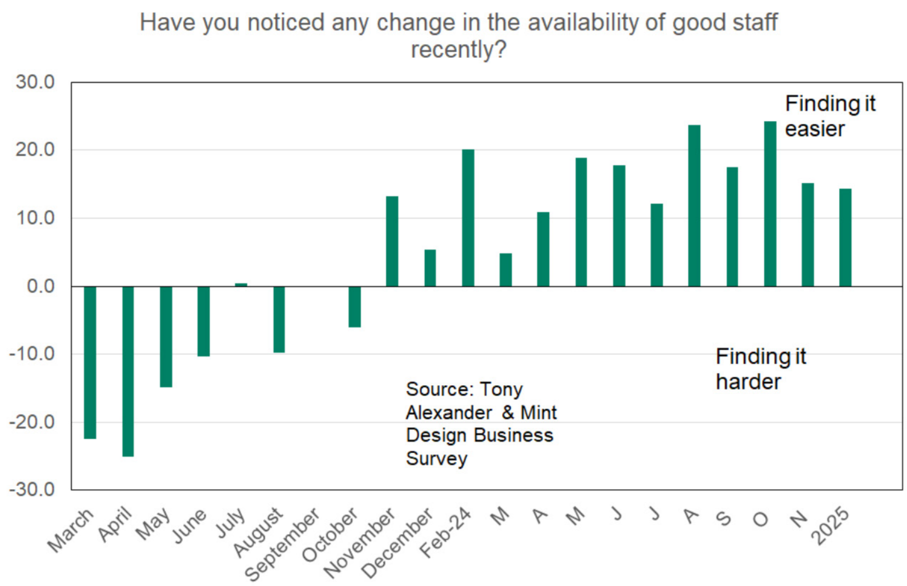
Are you planning on increasing your prices for any of your products or services this year?

A net 6% of our survey respondents have reported that they do not plan to raise their prices in the coming year. The negative result is good for inflation. But notice the way in which this measure has become less negative in recent months. This is a very early sign of the return of cyclical inflationary pressures. These pressures will be a key factor in curtailing the extent of extra monetary policy easing from current levels.



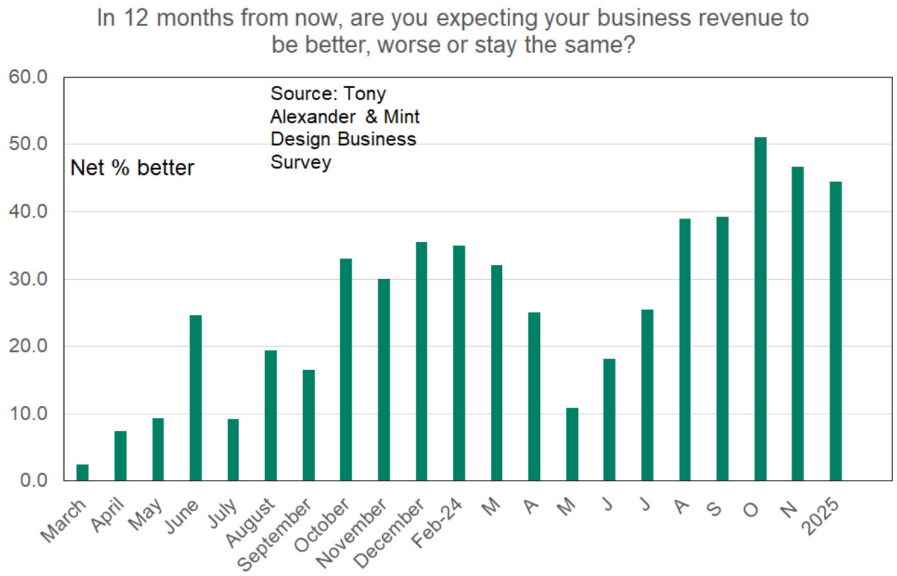
Have you noticed any change in the availability of good staff recently?

A net 14% of businesses have reported that staff are getting easier to find. The result is consistent with most others through 2024 and as yet does not provide evidence of any tightening in the labour market.



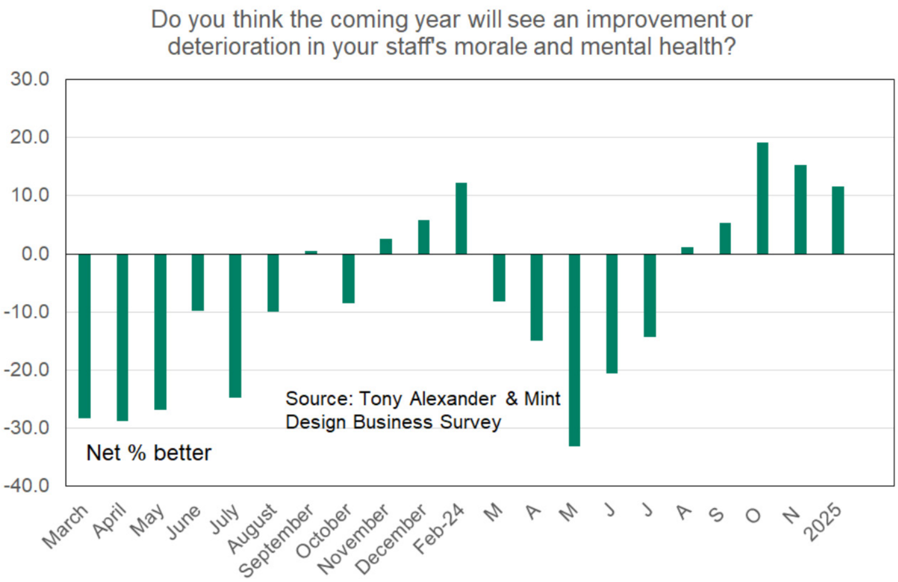
In 12 months from now, are you expecting your business revenue to be better, worse or stay the same?

A net 45% of businesses expect their revenues to improve in the coming year. This is little changed from November's net 47% result but note the small easing trend underway which might suggest that earlier euphoria regarding the improvement in the pace of economic growth to come may have pulled back to become slightly more realistic.



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

A net 12% of our business respondents expect staff morale etc. to improve in the coming year. The main change in this measure occurred in the second half of last year and the upward trend over that period appears to have plateaued.



Respondent Insights

Following are most of the comments submitted by survey respondents, grouped by the industry they allocated themselves to from a list of over 30 sectors. These are the tidied up comments of the respondents.

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

- Across most sectors businesses see stronger revenue growth as an article of faith so far rather than a fact on the ground.
- Many respondents have expressed concern about the uncertainty political environments here and offshore.

Accounting & business advisory services incl. business broking

- High govt compliance costs and legislation costs.
- Holding steady for the first 4 months, resisting the necessity to increase prices by sacrificing margin, grew aggressively in the last 8 months.
- Continued staffing shortages at reasonable price points.
- Residual negative business confidence after the decline in the post-Covid years and concern about the state of the nation, our economy and the level of crime and violence.
- Workload and finding staff.
- A bit early in the year to judge the vibe.
- Businesses are holding tight, waiting for the economic tide to change. Most have cut the fat, but some are really struggling with the lack of revenue flow...
- We are in a recession and the new future does not look bright. For advisers in more cyclical sectors such as M&A this year looks tough. For those working in sectors where work is more recurrent, this year looks about the same as last.
- Many businesses are struggling with sales and margins. Locally Hibiscus Coast has ceased new sewage connections for seven years until a new plant is built, meaning house construction is severely disrupted. Likely longer than seven years going by past performance.
- Tougher year! A very slow momentane after new years spending all companies/providers had put price up USA's New elections effect etc.
- Ongoing uncertainty amongst clients regarding short\ medium term economic conditions. Lack of clarity regarding government policy.
- Fear and uncertainty.
- Losing a lot of talent, especially post graduation, to overseas, this is concerning in terms of the future of my profession in NZ (Chartered Accountancy).
- Massive increase in bad debts, clients slow to pay, no new clients, more businesses closing than opening.
- Still constrained with finding quality staff with appropriate levels of experience to fill the roles that we have vacancies for.
- Economic uncertainty.
- Business confidence is low. So slow activity in new investment decisions.
- Competitor activity growing particularly in social media, but ultimately we are all judged on outcome delivery, in which we are maintaining our competitive advantage. The team is growing so we will be investing in ways to assist this.
- Our clients are staying optimistic about an improvement in economic conditions, but they can't point to any new developments that could underpin their enthusiasm.
- Overall fairly consistent. Seeing overseas persons/entities looking at opportunities in NZ to support their growth by acquisition. A major issue for industry is drop off in graduates which is also impacting on the quality of new staff.
- Too many long established businesses are struggling with cash flow. All caused by the previous Govt policies.
- Good staff shortage.
- Over the past couple of years post covid staff availability was an issue, We have invested in technology and systems improvements. This has now improved overall efficiency and the need to recruit is now reducing - staff are not moving the same as previous and salaries have now settled.
- Many small businesses still struggling with cashflow and increasing tax debts.
- As an Accountant the number of clients is staying the same but the ones with Rental Properties are getting hit hard with a big decrease in viability.
- A lot of general and financial pressure on smaller business owners.
- Even when you manage to grow revenue, it gets eaten by increased costs in the business and personally.
- Many companies have put projects on hold and are not starting new ones although a backlog of projects is building up. Most are cautious and first want to see real improvement numbers before kicking off projects. It is the lowest level of project management recruitment activity I have seen in 15 years.
- Still tricky finding new opportunities in and around Wellington, though they are there; positive "it's a new year" sentiments are starting to come through for 2025 - though the elephant in the room is a potential/feared next round of government cuts.

- Retention of Staff & remuneration levels / technology advances / resistance to price increases.
- I have lots of work but finding consistently motivated staff is hard & management of that is tiring.

Advertising & marketing

- Marketing budgets have been restrained, and many clients are running on the bare minimum to get by at the moment while customer demand is low.
- Clients are optimistic heading into '25. Partly because they see signs of hope (mainly interest rates coming down, which they expect to result in stronger consumer spending power), but mainly because '24 was such a shitter they think it couldn't get worse so the trough must be behind us and we're in for strong growth now. Things feel quite fragile right now, so I worry about the impact of what I expect to be a long hard grind back up in '25. I suspect there's more fallout to come.
- Some green shoots are starting to emerge in some selective sectors, while clients in other sectors are still sitting on their hands.
- More willingness by the market to advertise and be seen online - a loosening of the marketing purse strings.

Banking and Finance

- Despite Govt and media communication saying we are still in the doldrums, we are seeing more market and customer positivity, we are predicting a strong year.
- Some sectors (construction, transport) are seeing increasing stress in terms of defaults and seeking repayment relief. Others generally holding up well.
- Volatility and government intervention

Cafes, bars, and restaurants

- Considerably lower alcohol sales (restaurant, bar and bottle store). Lower general food and beverage turnovers, approx. 30% decline from May 2024 until now.
- The last 2 weeks before Christmas saw a big increase in sales, (an increase on the previous year). Hopefully this will continue when we come back from holidays!
- The overall picture is looking more positive, but we remain vulnerable/exposed to the unknown outcomes of the economic transformation taking place both domestically and internationally, making any forecasting incredibly difficult.
- Our staff outgoings for wages have ballooned significantly, whilst we are facing increasing competition in a crowded market, which will result in a decrease in sales.
- Tourism has increased back to levels we had pre covid in Hawkes Bay. Locals are still feeling the pinch and not spending as freely as years gone by.
- Hospitality - The economic outlook continues to be very tough for NZ businesses in the short to medium term.
- Business is still flat, but not a disaster, costs are creeping up and prices need to move up marginally very soon, as customer numbers are not growing to cover cost rises.

Civil construction/infrastructure

- We are still seeing delays in progressing large infrastructure projects.
- Few project wins, pipeline of work has decreased.
- Continued lack of customer spend.
- In the infrastructure consulting sector a key factor is policy and budget consistency. This has still to settle with the change of government. Policy and budget consistency encourages more investment certainty.
- Still short of skilled technicians.
- Continued subdued demand in housing.
- Slow demand for earthworks for housing and infrastructure.
- Frustrated and the slowness in the economy.

Commercial construction

- Price pressure due to declining demand.
- Competitors reducing prices to suspect below cost to get cash in the door.
- I think business optimism is improving but it will still be a challenge to turn this into business sales and cash in the bank. Will have to spend more money to stay in front of those that win the contracts.
- Good early signs of confidence picking up in the market, projects previously on hold now looking to restart.
- Stagnant.
- Projects being deferred.
- Still a grind.
- The state of the economy is a constant handbrake on the general flow of my business, whilst fully realising that it is going to take some considerable time to unwind the catastrophic diminishing of our economic strength. Time is money!
- A lag in flow of large construction projects still making subcontracting (my business) a bit lumpy.
- Estimating seeing revival to the drawing board of some very old tenders. Vibe is more positive. 2026 looks to be great going by tender values.
- The corner isn't as close as previously thought. There is still a lot of uncertainty and projects are still sitting on hold / coming on later than expected. Things in a lot of respects appear to have got harder in the market. It continues to be highly (and unsustainably) competitive.
- Lack of new commercial construction projects, mainly due to reduced Government spending.

Commercial real estate

- Clients are definitely taking more time to make expenditure decisions. General feeling that things can only get better.
- Very little enquiry for commercial space and vacant lots.
- Business closures dampening demand.
- Stability & more positive direction from government, they appear to be rudderless.
- Substantial increases in input costs (repairs & maintenance), very weak retail sector with no sign of abatement there, general concern about the state of the economy and worse to come with unemployment numbers lagging.
- Finding good office tenants.
- Developers are still nervous about development projects and people having the ability to purchase/lease new builds. Developers will also have to replenish staff after trimming staff levels back throughout recession. A lag between when developments start and when they are ready for sale is also a concern. Very few developments are underway.
- Struggling to fill vacant office space for lease and keeping a very close eye on interest rates.
- Just wish to see a strengthening of the economy, so as to attract new businesses / tenants.
- Some excellent opportunities in the Industrial property market, especially with interest rates reducing.
- Business confidence remains weak...some have real, justified concerns, others have unjustified negative perceptions based on what they hear from mainstream and social media commentary. Stirrings of "it's got to be better this year".
- Generally seeing a recovering normal market across all asset types in both sales and leasing.
- I am seeing everyone holding out for interest rate decreases. They think they are the answer to all their problems however they won't help nearly as much as they think they will.
- Cancelling of contracts. Demand for building services has dropped away.
- The market is on the move (slowly, but surely). As interest rates drop, the bid gap between buyers and vendors is closing enough for property deals to make financial sense again. Bring it on!

Education and training

- Increased Government focus on privatisation without allowing incumbent organisations to increase fees to ensure sustainability.
- To see some economic benefits appearing, which will improve our financial situation.
- Need for positive proactive leadership.
- Education-many people we speak to can't afford to upgrade their skills.
- Schools are under sustained pressure with Government initiatives which is overloading their capacity, and which reduces discretionary spending on Professional Development.
- Some staff and customers are looking for greener pastures and some clients have already returned to NZ and our services after going to Aust in the last 6 months.
- Quality, experienced & Capable staff - there exits a shortage in education.
- General economy and perspective that unemployment will limit the need for childcare services.
- Move to Australia is more on my mind.

Engineering

- Slowdown/ Uncertainty due to Trump president of USA.
- Avoid the building industry which is in fight to the bottom mode at present, target manufacturing, industrial and bespoke work.
- Engineering consultancy - very quiet out there at the moment. Larger projects are on hold and competition is dropping its fees to rates of 5 - 10 years ago. It will be a tough 6 months to a year ahead.
- We are seeing increased interest in machinery investment and increasing expenditure on plant maintenance.
- Enquiry and quote levels are slower and the rate these are turning into orders is glacial. Customers holding the capex purse strings tightly closed.
- Increasing confidence and positivity.
- Business in our sector (consulting engineer) is worse than my recollection of the GFC and in fact, since I started working in the 1990's.
- Slow down in new projects, though still fairly steady enquiry albeit at a lesser rate. Remedial maintenance works steady but delayed if possible. I hear high end architects are busy with high net worth individuals pushing ahead on projects, likely making the most of reduced trade costs and motivated resources before the next cycle upswing comes in.
- Reduced projects for quoting and increased competition on quotes.
- Business customers closing for longer Christmas breaks. We are all hoping for improved business activity but realistic we may need to wait a few months yet.
- In the construction engineering industry. Upcoming work forecast is poor, and I can't see an improvement soon.
- Still work for specialised areas. Lower margins due to increased costs unless costs are passed on. Bank interest rates will stay around 5-6%.

Farming & farming services

- Ag sector, the dairy payouts have been a good boost to that portion of our customer base. Still some ongoing cyclone recovery propping up contractors.
- Low prices for bee products - high input costs. Over-supply of honey, very limited export growth.
- Input costs still out of control.
- Increased confidence in farming.
- Market pricing will be the largest influencer for us.
- Milk price has released a bit of pressure. Significant increase in small dairy farm sales/purchases. Still no buyers for larger farms due to lack of NZ capital.
- Improvement overall in confidence with hope government get second term.
- uncertainty in ag sector particularly dairy confidence.
- Less wool(sheep) production. High competition for products meaning survival of the fittest.
- The continued imposition of threats from external parties who have little understanding of and appreciation of the importance of outdoor pastoral livestock farming to Aotearoa New Zealand's social and economic future.
- Grain & seeds...lack of forward contracts/demand.
- Small improvement in positivity in dairy sector with higher outlook for payout hopeful this will lead to better spending.
- Horticulture - Can see a steady increase in volume growth over the next 5 years and beyond. This is great, but have to spend heavily on capital investment to meet this demand. While this is achievable, it does put pressure on shareholder dividend expectations.
- Horticulture - Improving grower confidence in both domestic (supply chain) issues and improving demand and returns for fruit produced.

Financial advice/wealth management

- KiwiSaver balances are steadily growing, driving increased demand from clients for quality advice and access to suitable products and funds. Many individuals who previously had limited investments now find themselves with significant savings, prompting greater engagement in their financial decisions, the advice they seek, and the funds they choose to invest in. As a result, advisers and fund managers are experiencing more work and managing larger pools of funds.
- Stead economy, Find ways to cut over heads, be very careful with finances.
- A less challenging year than last year. A gradual improvement.
- Fund Management - Clients sitting back waiting to see how the year unfolds and general uncertainty around both the local economy and globally as well.

Forestry

- Flat domestic and International economy, concerns what Trump will do with China and how that will impact export log prices.
- We are steady at the moment with Log demand looking ok, but the odd ripple looking to appear mid first quarter.
- Waiting for the economy to get going.

Health

- People still tentative about spending - lack of confidence that worst is over.
- Central government opposition to expenditure which supports the wellbeing of our communities alongside growing community opposition to the role of local government.
- Pay equity, if not funded appropriately could see us going out of business. Health NZ new funding models if not done right risks crippling the Home Care industry. Disability Support Services received no funding increase last year meaning some providers are looking at going out of business.
- General medical practice and veterinary practice- ageing of clinicians and difficulty recruiting is similar in both fields (we are a married couple in our 60s, one GP one vet).
- Increasing demand.
- We wonder how much of the past years negative economic news is self fulfilling... We are aware of friends (in a variety of businesses owned for 20+ years) who are experiencing (and have experienced during the past year) some of their most challenging times in the domestic market. The main thing offsetting the poor NZ economic environment is the more positive markets that they sell into offshore.
- In Wellington hiring and hiring costs are reduced. Previous job restructures. Employees are being given more work or parts of other roles that were disestablished. People are leaving due to stress levels of increased workloads. Office location change effecting employees, and more staff leaving due to this. Employees are feeling like money is more important than people/clients. More staff retention initiatives are required. Healthcare is not stable, due to high demand and not enough local skilled staff, as overseas recruitment is cut due to costs.
- Lack of staff, staff wanting to work less, patient who need more care due to waiting longer.
- Health sector seems to be deteriorating - losing staff and those who remain are burning out.

Information technology

- Business is tough but if you do a good job, you retain clients. We have held our prices for the last couple of years until businesses were in a better situation to take a price increase, but we can't hold them much longer so will have to increase soon.

- Political climate is hindering projects.
- Optimism + positive messaging from govt.
- Businesses do not have the funds to pay their bills, hence they can't keep their customers and end up going bust. There aren't enough people spending at present due to the interest rates being high and that is taking up cashflow. The impact from the reduction late last year will take some time to flow through. International pressures on componentry costs means our prices are increasing and hence we will need to pass these through to our Reseller network.
- Covid money has all run out Businesses are only spending if they have to on IT.
- IT ERP/Business Software & Services provider. Many smaller businesses still keeping projects on hold pending the hopefully positive economic upturn.
- The rate of change of technology is massive. Keeping up is demanding.
- Low levels of demand and price pressure.
- Significant activity in technology and cloud services, but decision cycles for any major investment are long and challenging.
- Customer retention and new & current customer demand for services.
- Even though we work with H&S, and the need is increasing, companies are trying to do the minimum to save costs. They're scaling back as much as possible. And taking longer to pay. Staff are more appreciative of the things we do to look after them, and of having a job! However trying to find a new admin/finance person when our requirement is that everyone is in the office every day is proving a challenge! People still want to work from home. I'm not a fan. You can't build culture, collaboration, shared learning and cohesion in a small team if you're not together.
- Ongoing concerns over the economy continues to constrain activity.

Insurance

- Customers downsizing assets and values.
- We operate in a very competitive market and are unable to increase pricing at due to the risk of losing clients.
- Previous government legislative compliance issues have crucified much for many, particularly small operators.

Legal

- General sentiment is positive for the year ahead, especially with an expectation for reducing interest rates.
- A focus on evading prompt payment.
- We are not taking anything for granted and will continue to spend cautiously while aiming to increase revenue.

Manufacturing (all categories)

- We export 80% to the US and the Trump factor is negatively affecting our business in the immediate future.
- Cautious optimism among our customers, they are hoping for and expecting improvement, but are unsure to what extent they'll see it in the short term. Competitors are still pricing very aggressively.
- Seeing a return in demand for capital items, but it's extremely slow. Massive pressure from clients for lower cost options in projects, due to construction budget over runs. Project timeframe pushouts/delays are still pervasive. Small business spending still extremely tight. Starting to see customer payments slipping out, expecting bad debts and customer liquidations to increase over the coming months. Not forecasting a meaningful increase in invoiced revenue until April/May now.
- The market is still very tight with potential customers taking longer to make purchasing decisions. I hate to be pessimistic but feel the next six months will remain tight. Global politics could also influence the market hugely (positive or negative).
- Our customers are for the most part just "holding on", looking forward to more buoyant times. However, for all their doom and gloom, customer purchasing over the last year has been well ahead of forecast, although down on the previous year.
- We sell in summer to the Tourist Market, so it is great that that segment is rebuilding. Still has a long way to go to return to inflation adjusted pre covid levels.
- As an agricultural buildings manufacturer we see no change (as promised) in the processing time or costs related to compliance for new buildings construction. Local councils appear to prefer placing barriers in place for construction projects and new-business development as a 1st option rather than welcome development in their regions on behalf their rate payers.
- Slowdown in construction reducing demand.
- The strategy of trying to have 25% of our 800 staff female is severely impacting our business due to the fact there is a lot of manual intervention and shift work.
- Slow payments from large retail clients.
- Business, freighting is getting more difficult, due to others reliance on AI , having less staff.
- Continuing poor consumer confidence.
- The ratio of rent to revenue has dramatically increased. Going forward we will be looking at options which could include downsizing premises. It is just plain tough in business. we have decided to pay staff turnover bonuses rather than pay rises this year to help mitigate risk.
- Lack of demand and interesting competition in some areas.
- Some competitors faltering indicating possible acquisition opportunities.

- Thinking a quiet January for us but expect the market to improve this year.
- Staff turnover has stabilised. Volume throughput is good currently, expect a small dip a little at the end of the summer season. Price increases are needed but by how much will to some extent be determined by elasticity in RSPs.
- A continued presence in the marketplace of inferior cheap products imported from countries with no compliance costs or fair pay agreements etc. These products are regularly not true to manufacturer certification.
- Squeezing of margins as overheads (rent, rates, insurance etc) continue to rise whilst at the same time we valiantly try to avoid putting up our prices.
- Sales price pressure from large corporate customers.
- Continued depressed demand for premium market segment products (craft spirits) and a swap in consumption to lower priced alternatives, often mainstream and imported brands.
- We are a Premium smallgoods manufacturer - still finding our business revenue improving slightly - however costs of staffing have been driven so high under the previous government. We have removed staff that we can not afford the luxury of carrying to avoid lifting our prices.

Miscellaneous

- Architecture - Developers need their feasos to work. For mixed use/multi-res projects, they need presales. presales rely on both interest rates and buyer confidence in their projected sale price. Neither are there yet. Commercial developers need businesses hungry for quality new premises. The spend in that market remains subdued.
- Businesses to businesses sales-hardware - Slow return to work with business outside the big boxes being quieter than usual.
- Cabin hire - Continued new competition buying business by undercutting established rental levels, along with idle builders building to sell cabins to keep their staff employed.
- Carer - disability services - ACC news creates doubts about security.
- E-commerce - Lack of confidence leading to lack of investment and apprehension.
- Electrical contractor - Things are quiet, and I don't expect demand to pickup for at least six months.
- Energy - The energy sector is a mess - renewables can't provide firming, we are running out of gas, and there is no green and sustainable replacement at a reasonable cost.
- Entertainment - Consumer spending seems to be well down in our sector, the Christmas/New Year period was much more quiet than expected.
- Equipment Hire - Continued lack of new infrastructure projects by government will continue to adversely impact the sector.
- Exhibitions and events - Apprehension to engage and commit to spend from some customers.
- Importing/wholesale Clothing - Positivity that 2025 is going to be better/busier.
- Media research - Market is tough.
- Property & facilities services - A long, slow climb out of a very tough period of soft demand and intense price pressure.
- Residential house painter (of existing houses, not new builds) - charge rate less to clients, our labour rate has gone down, materials cost has gone up, which equates to less profit.
- Resource Consents - Planning and Subdivision - Renewed interest in commercial and residential development, but developers are more cautious. Still looking to undertake development work but just more mindful of costs and likely demand. Residential investors are still around in smaller numbers, but are more positive with falling interest rates, but are taking more time to do robust due diligence and conscious of rising costs.
- Tender production - my clients are generally not spending money.
- Vehicles rental - The vehicle rental business sector, we're currently seeing a significant focus on customer negotiation and demand. The housing market is experiencing a slowdown due to high interest rates, coupled with rising maintenance and insurance costs . These factors are shaping the current business landscape.
- Wellness - Increase in awareness of wellness and intention to spend more on this.
- Wholesale building materials supplier - Low demand but some positive signs as interest rates decrease.
- Wholesale Trade - Manufacturing continued low demand, many customers still right sizing businesses, clear lack of capital works from both Government and Private. economy is stagnant.
- Wine brokerage and export - Soft market continues.

Mortgage broking/advisory

- Really busy.
- Compliance and regulation continue to be a barrier to progress in financial services space. Too many policy makers in Wellington with zero real world experience.
- Lack of confidence in employment continuity, expectation interest rates will drop substantially.
- Increase in client activity and competition for banks increasing.
- We are doing well and continuing to grow despite an average market and work environment. Have just relocated to larger premises and hoping to employ 3 new people this year (8 staff now).
- Sense that banks are creaming it, while the rest of NZ still struggles. But better times ahead given the RBNZ took a wrecking ball to the NZ economy in 2024.

Motor vehicle sales/parts

- Big insurance companies opening their own repair shops and directing customers to them.
- It appears that there may be some green shoots appearing! January 25 seems to be tracking better than the same period in 2024, however, there is now a lot less confusion in the new car market in NZ.
- Good stock very hard to get, costs continue to increase. I have just sold my high profile commercial car yard for 2 million to pay down debt. I'm leasing a cheap site to continue trading as I move more to internet selling(90% of my business is coming online). Puts me in a position to increase inventory, and run on lower overheads. The old retail model is broken. I have been in business for 23 years, 30 in the industry and have never seen it so bad. Rising costs from every angle to unsustainable levels.
- Costs of doing business a key concern with pressure on margins.
- People are still delaying their spending if they can. There is not confidence in consumer spending and the lack of spending by consumers is really hurting your "mum & dad" businesses and we are seeing a lot of business closures.
- Customer demand improving but still too sporadic. Interest rates reducing and economic confidence need to kick in asap.
- Defiantly a downturn in sales.

Property valuation

- Less property investment reduces my turnover.
- The residential property market is on the improve despite lagging data not showing this yet.
- More compliance requirements. Slow market due to high interest rates and a poor economy.

Recruitment

- Things are OK but at historically a very low level. Country feels directionless.
- Some sectors doing well e.g. Medical , most however very uncertain and recruitment and on-hire staffing reflecting business conditions of client businesses. No improvement in the near future.
- Increasing demand for staff in blue collar sectors such as manufacturing and flooring.
- In Wellington, Central and Local government (WCC) cost cutting and inadequacies are playing the most significant role in keeping confidence and opportunity at the lowest level seen for many decades. Considerably more challenging than GFC given the longevity of the downturn facilitated by these two factors. There is no confidence as to when an upturn may occur.
- We recruit into the infrastructure sector, and we saw a noticeable change in sentiment/hiring intentions just before Xmas.
- The increased availability of candidates has not translated into quality recruitment options for my clients; still too many candidates chasing any and all jobs and hoping something 'sticks'.
- Job levels - hopefully they will pick up. Last 6 months have been quiet. Government needs to spend some money on infrastructure, etc. rather than just make cuts the whole time. Shortage of good people in the market too...a lot of prime candidates have gone offshore, it seems.

Residential construction incl. section development

- People/ clients are significantly more picky and involved in the finances of their projects.
- We are keen to build more but are worried about the still-high land prices, the increasing charges from Council/ Watercare etc and the interest rates remaining high, so uncertain what will happen 2025.
- Demand has slid back again.
- The housing market has died, squeezed between labour and material prices, and sale prices. At present a 40 year old house sells for about the same as a new house. Very strange.
- More compliance/political BS. Finance getting easier. Land costs holding firm, construction costs slightly cheaper. Slim margins. Sales still difficult.
- Low level of demand for new build homes.
- Reduced interest rates. People can plan better if interest rates are below 5%.
- Customers are shopping around for more competitive pricing on products & having to trim prices to get the work to keep staff busy, thus bringing margins down.
- Better enquiry but not yet translating to sales.
- Uncertainty.
- Residential construction is oversaturated with building companies often undercutting each other in order to get sales. We are also seeing pricing from companies that appear to be running less than cost and we have grave concerns that these companies will go into liquidation as they simply should not be building at such a low rate. Or they will be hitting clients with many variations for overspends and that will make the building industry appear to be without ethics. Either way the end result will be bad for the clients that have no idea what these costs will actually be at the end of the build.
- Very patchy.
- Building industry will be slower this year than last. May start to pick up around Spring, but that remains to be seen. Interest rate decreases don't seem to have helped much so far.
- Customers reluctant to make decisions due to high cost of finance.

- Of concern, the uncertainty particularly in Wellington, is meaning that people are reluctant to commit to the relatively big-ticket items we supply (new kitchens and bathrooms). That is making business slow, and it would be great if the government (local and central) could signal their direction better, and invest in the right kind of stuff to give us all room to plan.
- It's a waiting game until enough confidence returns to the housing market either via further interest rate decreases, increased immigration, reduction of current stock but ideally all three.
- Business is suppressed. I'm hoping things will pick up rather than deteriorate further this year.
- Confidence from investors to get back into spec market for building homes with interest rate drops.
- Lack of pride in workmanship by staff.
- Slow burn recovery, with small incremental improvement in the liquidity of the property market over next 12-18 months. Strong relationship with bank will be tested again if real-estate sales do not become more liquid. We would take liquidity over volume, i.e. converting assets to cash.
- Clients still curious about making a decision to commit.
- More enquiries so we are expecting future workload to increase.
- Steady but potentially issues coming at us.
- Customers are showing a lot more restraint on spending.
- We are seeing an increase in residential building consents which should reflect increased demand for our products 6-12 months time. Low NZ dollar will mean pricing will need to increase in 2025 to protect margins.
- Limited quality land supply and high section prices make it harder to find viable building sites in prime locations.

Residential real estate

- A little early to say but good optimism amongst everyone in these early days.
- Confidence level is low, however there is some activity in the lower end of the market $500,000 to 1 million dollar. Houses selling quickly.
- Buyer confidence returning, some vendors losing money on the sap transaction as purchased in the height of the market.
- There is very little motivation to act, I think buyers were disappointed the recent OCR rates were not passed on in full...banks are still slow to approve loans.
- Increased listings past week more enquiry.
- The massive oversupply of shoe box apartments with no parking. The huge increase of infill suburban housing that is causing car parking and traffic issues, instead of being restricted to town centres and public transport hubs.
- Real Estate market and oversupply of stock should ease in 2025 making for a better year.
- Steady improvements month by month for last 6 months and hopefully that will continue.
- Reduction in interest rates is giving sellers and buyers more confidence.
- From Pre Xmas activity lift now very quiet but expected at this time.
- Commission based so expect under performers to exit the industry as competition ramps up.
- The lack of buyers for our overstocked residential market of stock in Ohakune.
- Customers are extremely frugal.
- Vendors waiting for price increases, while buyers are still holding out for "a better deal" - it feels like a bit of a stalemate in the marketplace quite often.
- Lower interest rates and the prospect of further reductions are providing some optimism for an improvement in buyer demand, but we are not seeing it yet in the trenches. Job security is now the biggest concern of customers. Residential property values have been level for 2 years (but with ups and downs) and values are the same as April 2021, after increasing strongly for the rest of 2021 before dropping in 2022. House sales volume has been at about 80% - 85% of a long term average, and properties are taking twice as long to sell or longer. I expect 2025 to bring an improvement in volume of sales and a reduction in the time to sell, but don't expect to see an increase, or decrease in values. 2026 may see some modest increase in values according to my crystal ball.
- Market still sluggish - reluctance to partake but expecting an overflow of listings.
- Growing confidence in residential property market.
- General feeling that the property market will improve, this year, but just steadily - no major surge. An increase in city dwellers (retirees & families) looking to move up to the northern regions of Auckland - Matakana, Warkworth & surrounds (especially due to the new motorway) - close enough to the city but gaining lifestyle choices.
- Property market improving and residential house prices increasing.
- Many purchasers holding off and waiting to see improvement in business confidence or general economic news before committing.
- Real Estate. Holding pattern early 2025 with demand increasing end of 2025. Price rises limited/nil until employment and confidence in the economy improves. Interest rates having a limited effect currently.
- People are ready to go after a period of downturn - subject to stable business/job security.
- People feel that house prices are trickling up. There does seem to be more buyers about.
- Lack of urgency in buyers considering a property purchase
- Buyers are slow to make decisions.

- Some optimism towards the end of 2024. Not expecting any material change to the market for the next 6 months.
- People are cautious of spending and homes that need some TLC need to meet the market to reflect this.
- Would be purchasers are mobilising further as they become more confident that whether the house price index is bumping along the bottom or not, now is the time to buy. This is being assisted by expected OCR cuts, relaxing loan criteria and competition between the banks. No breaking news there but it surprises me how long this takes to filter through the buyer market.
- Customer getting impatient on staff due to their personal real estate financial crisis.
- Year started consistently with positive buyer interest. Still a high total number of properties for sale.

Residential rentals/Investment

- Insurances and rates are out of control. Demand has weakened.
- Residential rental demand had been flat until Dec but has since picked up noticeably.
- Investment in marketing strategy and social media presence.
- Lack of tenants in Wellington city for rental flats.
- Harder to get good tenants. I have noticed a lot more WINZ tenants applying for our houses.
- Property market bottomed out, time to buy for long term.
- Increasing compliance and overhead costs .... not keeping up with product pricing.
- Banks test rates are a difficult hurdle to overcome.
- Has been more difficult to get good tenants. Lots of uncertainty around interest rates and property prices making it hard to plan.
- The availability of skilled contractors has increased giving better quotes and prices. More competition has been great to decrease inflated prices from the past economy.

Retailing

- Retail Centre – Outdoor. We are blessed to have an outdoor retail centre in an affluent high growth area.
- Consumer reluctance to spend on larger home appliances in last 12mths has meant destocking and special deals.
- The number of sales and average spend per sale are both lower than previous years. More customers are electing to spread their purchase out over a period of time, starting with the bare minimum and then adding items over time rather than placing one large order.
- Customer demand is still fairly high which is great. Supply chain has not improved much since 2023 which has led to me having to increase my stock holding by 50% at least.
- Customer confidence is slow. Trade retail sector has followed general retail and is well behind last year figures. Quotes rarely turning into sales and market disruptors / undercutting is at an all time high.
- Insipid consumer confidence and demand for big-ticket discretionary items. Expecting it to remain that way until summer 2025/26.
- Decreased customer demand, more competitor activity as we chase a shrinking pie in the short term. A few signs of life in the market pre-Xmas so fingers crossed for 2025. Looming procurement cost challenges as the NZD depreciates.
- Positive December trading has been overshadowed by a soft start in the FH of January. Cold weather has not helped sales.
- December and November sales were extraordinarily slow compared to last year (which we thought was already slow). From where we are sitting, things are getting much worse before they get better. As an importer, the recent dramatic NZD drops, well below the mean against USD will force price increases, which will exacerbate the lack of demand we are already facing from NZ economy weakness.
- Demand for travel is still strong (back to more normal traveller patterns). Less gloomy media commenting on economy is positive!
- Customers very cautious with their spending, only purchasing bare essentials.
- Need more customer demand for products and services. Tightening up on costs.
- Finding it harder to maintain profitability. Consumers are being very selective on purchases which is driving down prices and reducing gross profit margin. Stuck between wanting to maintain some sort of margin whilst also conscious of the fact that if we don't increase revenue and drive cashflow we may not be here in 6 months time.

Shipping, transport, storage & distribution

- Less spending.
- Business is flat but showing some signs on improving. Increase in late payments and negotiating payments.
- We are an import/export transport co. There is strong resistance re pricing increases even though our costs have risen over the last 3-4 years, I suspect these tough times will be here for most of this year.
- Customer activity has steadily increased from September following a tight first 3/4. January activity has been promising, leading to increased stock shipments from overseas with 2-4 month lead times.
- Ongoing weakness until bigger construction projects start to come through. Probably at least a year away.
- drop in demand over last 1-2 yrs and greater churn of occupancy due to reduced ability to pay / lower discretionary income.

Tourism & accommodation

- Passenger Transport, Tourism - Being a Tour operator
  I need to review and reconfigure some of my offering. Some sectors e.g. Cruise Ship tours, some passengers are looking for shorter excursions which is due to cost and time available, with some ships not being in Port for a substantial amount of time. The Local passenger transport market with events, weddings and private tours is still busy. Though Winter may be rather quiet which is expected.
- Continued strong demand at peak periods (school holidays, Xmas/NY, Easter, Matariki etc) coupled by cost of living suppressed demand for the "stolen weekend away" outside of the key travel periods. Continued shortening booking lead times with impact on planning, resourcing etc.
- Tourism not as good as last...maybe 80% of pre covid.
- Weather conditions. Cruise ships decline due too.
- Visitor numbers and accommodation bookings are still subdued.
- GST on Airbnb has raised prices with no gain for us. Auck Council limits letting days to 28 (or they double your rates).

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

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