Mint!

Business insights

with

Tony Alexander

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Mint Design

Customer retention amid economic uncertainty

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 about half of the 31,000 people on my Tony's View subscribers list inviting recipients to give insights into what is happening in their business sectors at the moment. 383 people replied from a wide variety of sectors this month. The aim is to gain real time insights into what is happening in various sectors with respondents choosing whether to focus on customer flows, pricing and cost pressures, expansion plans, and so on – whatever they consider to be the most important developments.

Key results from this month's survey include the following:

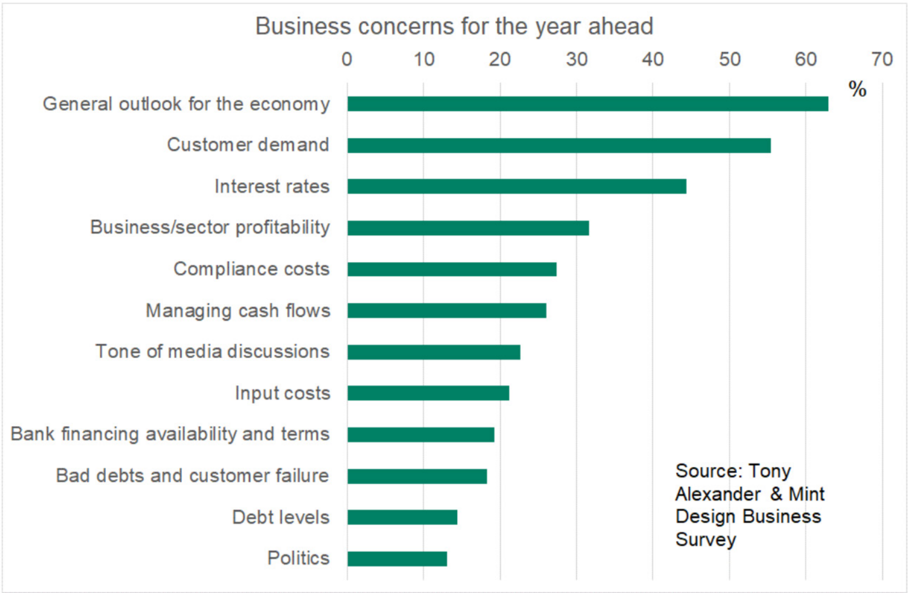
- Concerns about customer demand and cash flows are high and some areas of desired spending are having to take a back seat. These things include climate change mitigation and unfortunately spending on workplace culture.
- Fewer businesses plan raising their selling prices but as yet a killer blow against inflation necessary for the Reserve Bank to cut interest rates is not at hand.
- Labour market conditions continue to ease.

Tony Alexander
Independent Economist

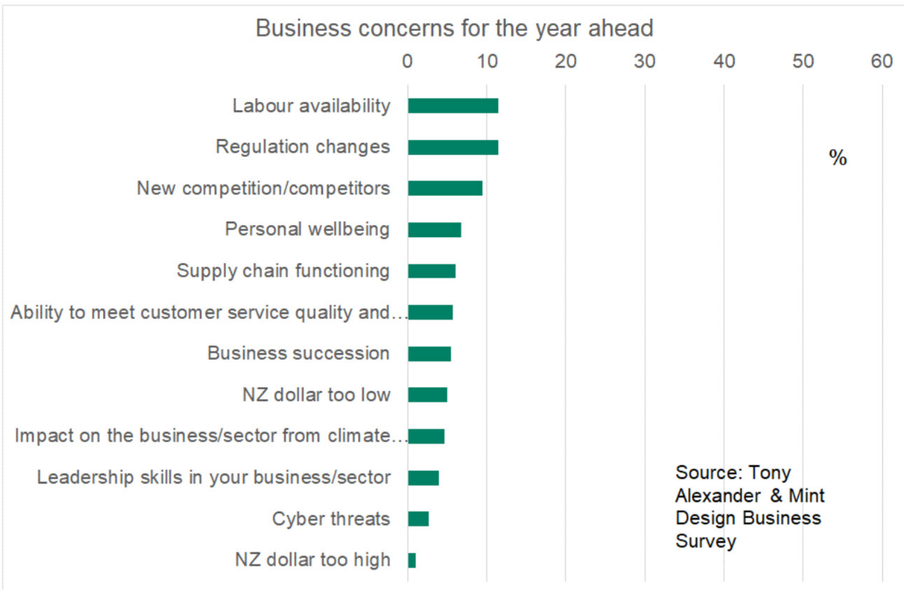
What concerns you most for the year ahead?

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 this month are again the same as most recent months – the General Outlook for the Economy, Customer Demand, and Interest Rates. These three concerns are deep and persistent.

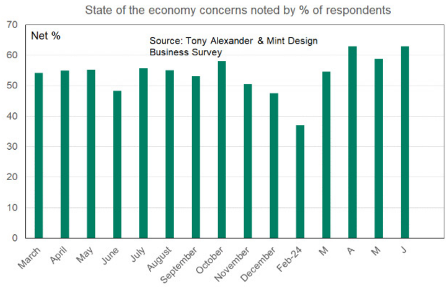


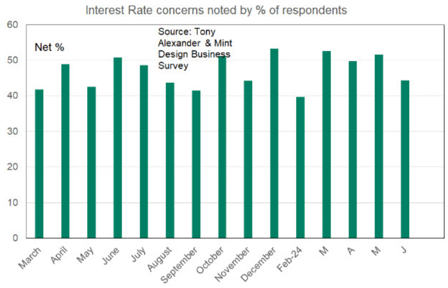
The areas of least concern are the NZ dollar being too high, leadership skills, and cyber threats.



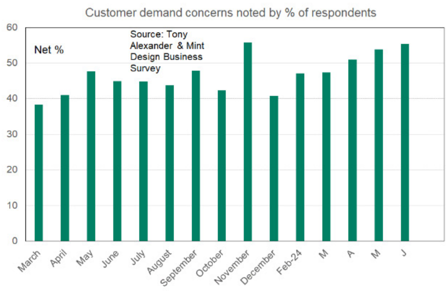
These next graphs look at changes in a selection of areas of concern for businesses since our survey started in March last year.

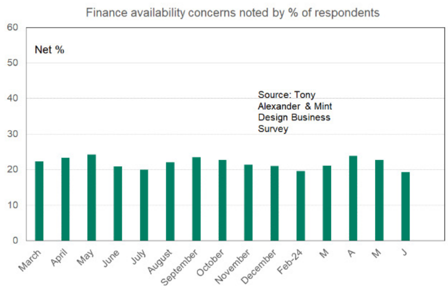
Worries about the economy have risen in recent months as winter bites and high interest rates continue to grind away at customer willingness and ability to spend. Interest rate concerns have eased slightly this month, but the level of worries remains high. This is a result I see also in my monthly survey of real estate agents. They are noting high but easing interest rate concerns held by buyers.



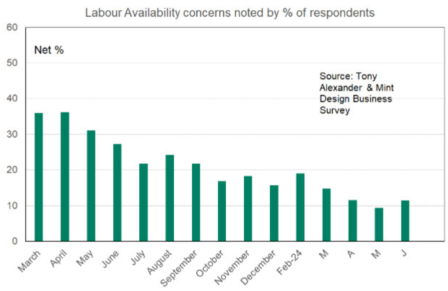


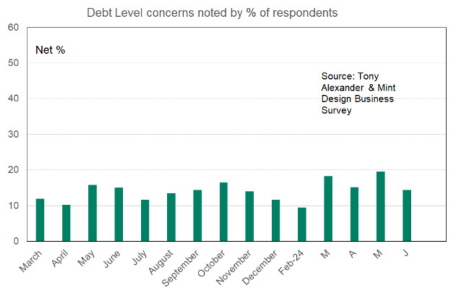
Feelings that customers are backing further and further away from making purchases are evident in this next following graph. Worries about access to finance are mentioned in the open mike comments section further on in this report. But the trend in concerns about business access to finance is very slightly downward.



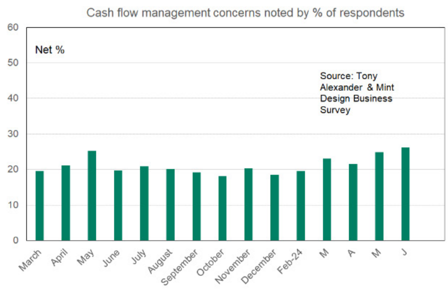


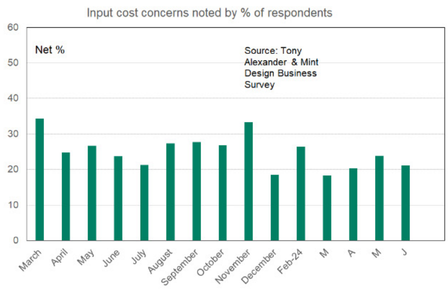
Few businesses are worried about a lack of labour now. Concerns about debt levels remain mild. This likely reflects the same factor in play in the years leading up to this recession as we have seen for housing and the reason why mortgagee sales of property remain relatively rare – far stricter bank lending rules following the GFC.



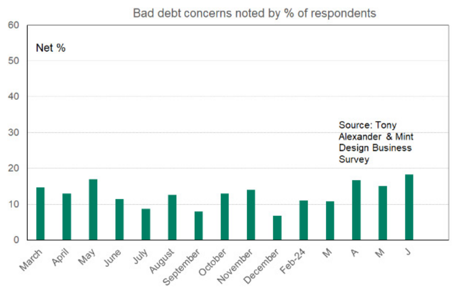


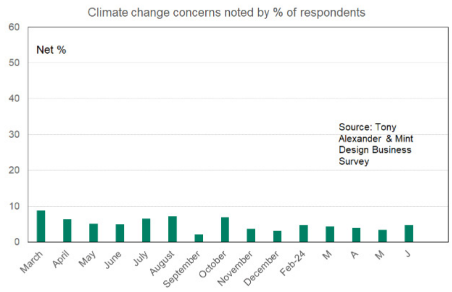
Worries about managing one's business cashflow are trending upward. Factors contributing to this will be weak sales, still rising costs, using up of pandemic savings, and new pressure from the IRD. The second graph below tells us that concerns about input cost increases eased at the end of last year but have not yet taken the sort of fresh step down which the Reserve Bank will be looking for in order to be confident that inflation is set to imminently consolidate near 2%.





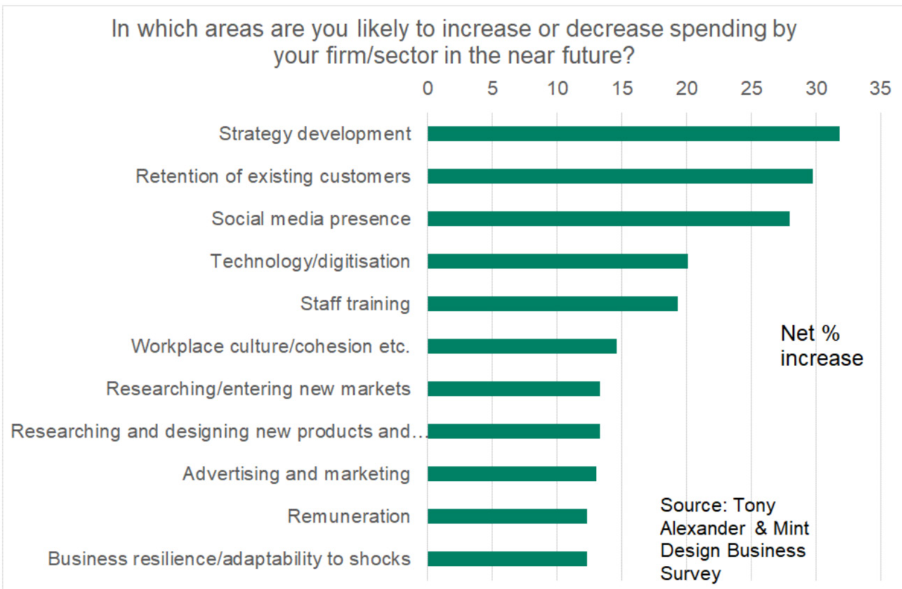
Bad debt worries are trending upward but overall remain quite low.



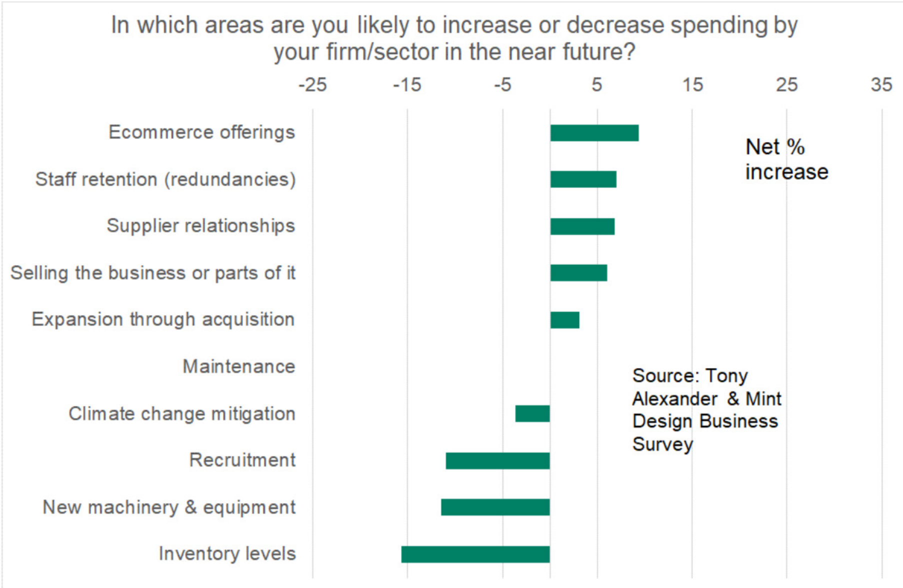


In which areas are you likely to increase or decrease spending by your firm/sector in the near future?

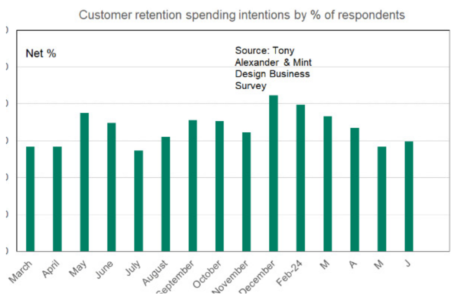
Our second main question is addressed at identifying where businesses are going to allocate their scarce funds in the coming year. As above, we split the results across two graphs starting with areas where most businesses plan greater allocation of resources. The three top areas of spending intentions are strategy development, retention of existing customers, and social media presence. It is hard to imagine that third item rating so highly five years or so ago.

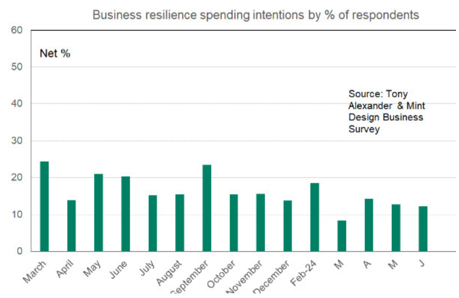


Cutbacks in spending are now planned in four areas including the two which have been negative for the entirety of our survey so far – inventories and plant & equipment.

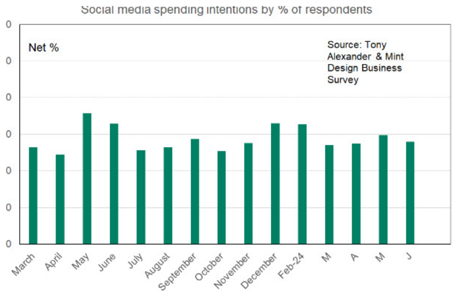


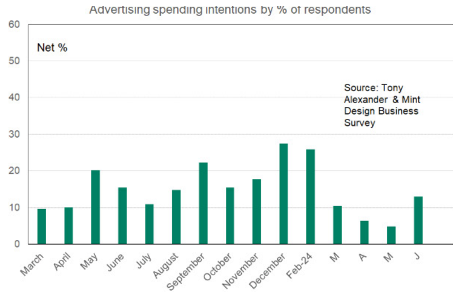
These next graphs look at how planned areas of spending change have been tracking since our survey started in March this year. Businesses are deeply concerned about customer flows. But this is not manifesting itself as yet in an upward trend in plans for spending to boost such demand. This month's slight rise may just be a blip. Spending on resilience is having to take a back seat at the moment.



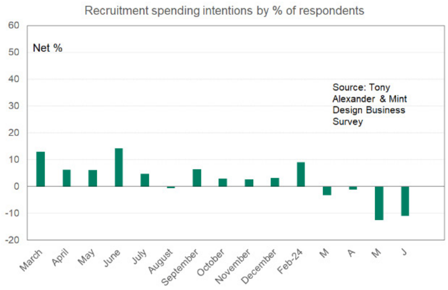


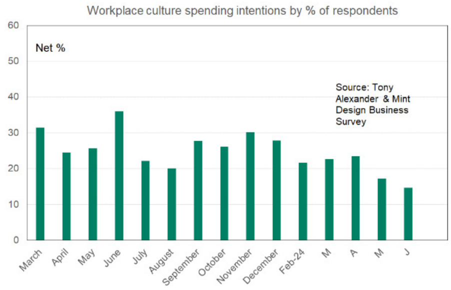
Intentions of spending on social media continue at strong levels. Spending on advertising this month has taken a sizeable jump up. But this is at odds with comments from respondents in the sector and could just be a statistical blip. As one respondent below notes, businesses tend to cut discretionary spending in areas like advertising when times get tough. Yet as folk in the sector point out, there are long-term benefits to be derived from maintaining a strong brand presence and awareness through difficult economic conditions.



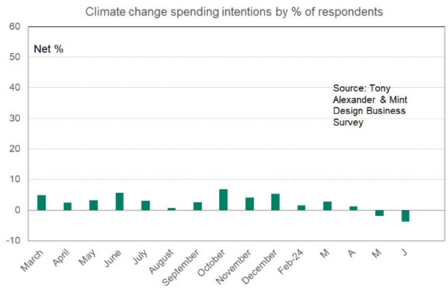


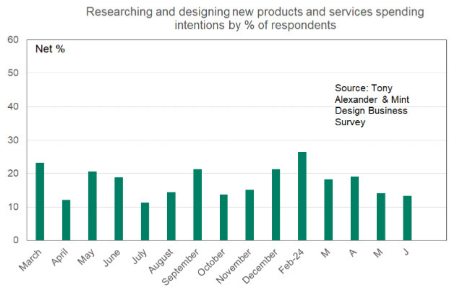
Consistent with all other labour market measures, plans for spending on recruitment are decidedly weak. Workplace culture plans are also having to take a back seat in the current tight environment for cash flows.



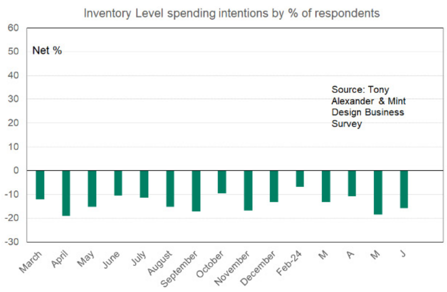


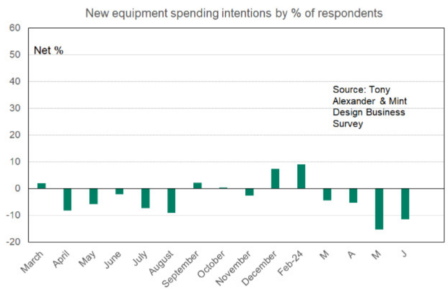
Speaking of taking a back seat – businesses have decided that spending on climate change has to be pushed aside for the moment. The situation is less bad for spending on the development of new products. But restrain is nonetheless evident.





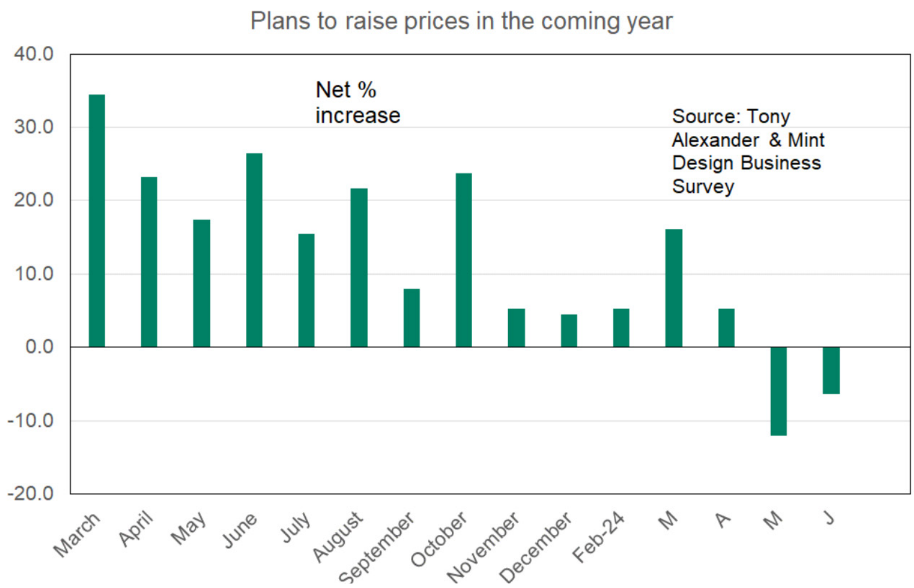
As ever, plans for stock levels lie in the negative. And if the route to higher productivity relies on increased business investment, the outlook is bad.





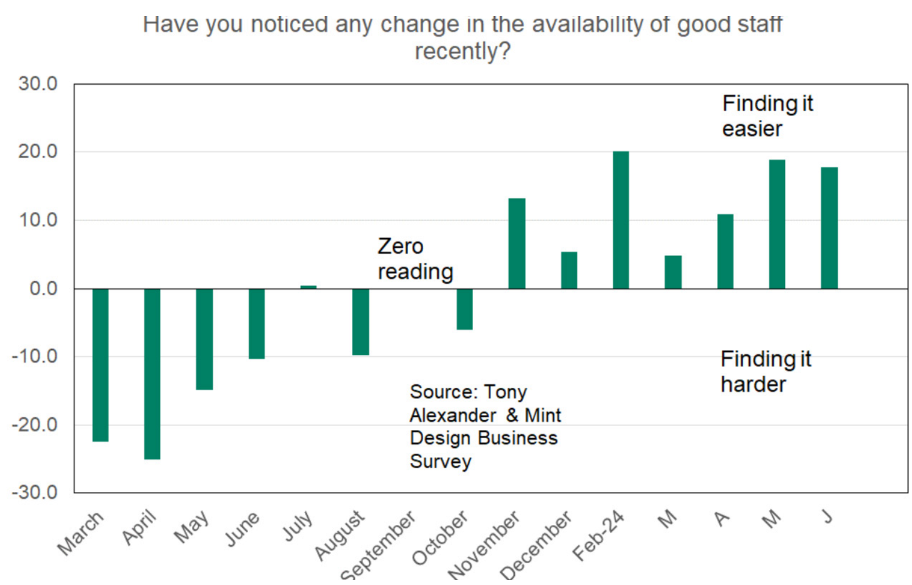
Are you planning on increasing your prices for any of your products or services this year?

A net 6% of respondents in this month's survey have said that they do not plan raising prices in the coming year. This is not as good from an inflation point of view as last month's net 12%. But it is the broad trend which matters and for now it seems reasonable still to believe that the trend is downward. This is the sort of thing the Reserve Bank needs to see to a far greater degree before it can contemplate easing monetary policy.



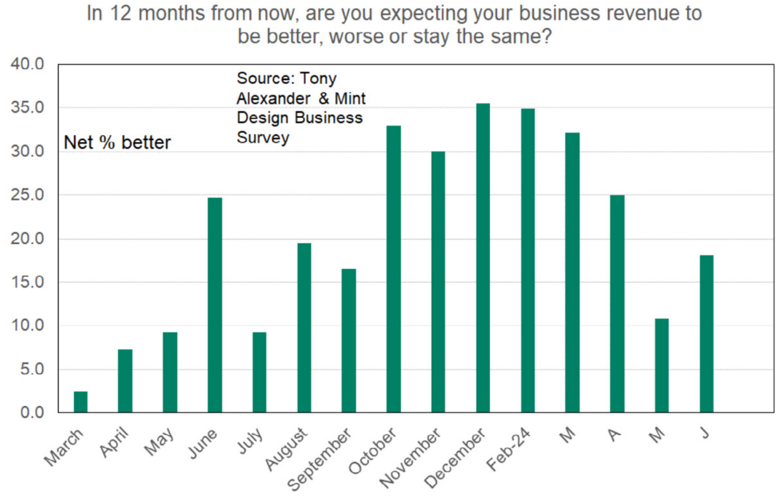
Have you noticed any change in the availability of good staff recently?

A net 18% of businesses report that it is getting easier to secure good staff. This is basically the same as last month and my personal expectation is that things will get even easier through the rest of this year as the unemployment rate climbs from the current 4.3%.



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

The trend in business revenue expectations is understandably downward and for the moment I interpret this month's slight recovery as a blip. If it isn't then that will become a problem for monetary policy as the Reserve Bank needs depressed businesses in order to get altered pricing behaviour.

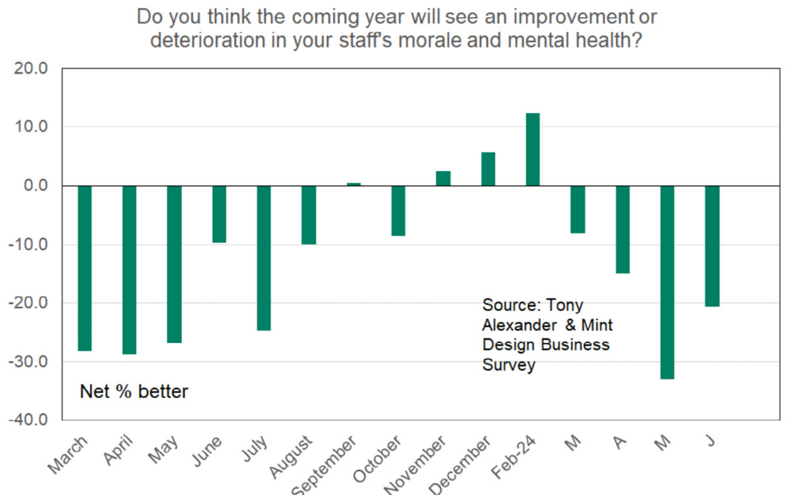


Do you think the coming year will see an improvement or deterioration in your staff's morale and mental health?

There are many things which a great number of people these days deride as being pc, woke or something similar. But when it comes to the change in people's psychological state during an extended period of economic weakness one cannot understate the risk to people's health. In the coming year as has been the case for the past year businesses will fail and people will lose their wealth including the family home. Dreams of advancement and providing for one's family will be shattered and not everybody has yet had the opportunity to develop the strong resilience required to handle such circumstances.

Of particular note for this period of restraint is that unlike the shocks of the GFC and pandemic, no-one is stepping forward to help those affected. The Reserve Bank is not slashing interest rates, easing lending restrictions, and printing money. The government is not boosting spending. Such is the unfortunate blowback following a period of fiscal and monetary ineptitude over too long a period of time.

Firms have shown a tendency to embrace a focus on mental health and workplace culture – when times are good. But now times are bad and the need for extra focus is rising. Yet affected by cash flow concerns businesses as noted above are pulling back on plans for spending in this area. The onus increasingly falls on us individuals to spot stress in our family, co-workers and friends, and at a minimum ask someone how they are doing.



Respondent Insights

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

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

- There is weakness in sales across most sectors with concerns about the state of the economy.
- Cost increases have eased but the level of costs remains a problem for many.
- Residential construction and retailing look especially weak with liquidations expected.

Accounting & business advisory services incl. business broking

- Heavily reduced demand for consulting services, both from government and large corporates. Lower profits mean we can't give our people the remuneration increases or bonuses they deserve.
- Hard to find good quality staff to join the team at a senior level. Younger team members seem to be leaving to move to Auckland or Australia (Chch based company).
- Rural industry under a lot of pressure re commodity prices, global economy, interest rates, labour, succession options and implications of District and Regional Council rules in relation to climate change etc.
- Negative sentiment from left leaning media frustrating work by Govt to get things sorted.
- Inland Revenue very unforgiving and relentless in their follow up. Even when a taxpayer is working closely with a trusted advisor to try and get their business back on track (i.e. to generate income to ensure a future for the business), Inland Revenue's persistent requests for follow up and information from the trusted advisor simply adds unnecessary time and cost for the taxpayer. Pressure on accountants is huge, which is not taken into account by Inland Revenue. Clients' inability to pay invoices in full by the due date. Delayed payments and payment plans being requested.
- Rising costs have yet to level out. The impact of new technology is getting more difficult to keep up with (especially with AI). Climate changes has been put on the back shelf (politically), despite bad weather shocks increasing. This does impact the economy, such as insurance premiums being too high. Staff and people in general may be becoming too numb to take any positive action.
- Still hard to get good staff. Work still coming in. There is a feeling of expecting interest rates to bite harder, but not seen too much yet. Retail/hospitality clients quite in April/May.
- Business sales are hard to get over the line, business finance is hard to come by despite the banks saying they are looking to invest more in business.
- Cash flow pressure for existing and new clients will translate to reluctance to seek help from consultant experts even though it is needed and wanted.
- Sale of businesses are steady. Contact from distressed business owners up. Banks are saying they are lending but still hard.
- Slowing profits in client base.
- Clients are finding business harder to find/win, and then taking longer to get paid. This combined with increased costs is making business harder.
- There is still good buyer demand for businesses that have a proven track record. Anecdotally the banks seem more inclined to fund purchases, and the biggest bottleneck is convincing vendors that is still actually a positive time to sell. A good business within the 4-5 major cities, that is market-priced, will sell - we just need more of them.
- Business revenues and profits are well down. Cashflows are deteriorating. Unless we urgently get the economy growing and consumer confidence back, there will be business failures.
- Work required to be done by clients urgent.
- Margins are getting squeezed in some industry sectors. Some companies falling behind budget, industry specific. Other companies are doing very well, on budget or ahead of budget YTD. Companies with expansion plans are pushing ahead with these, mostly offshore. Customer demand for us is at usual levels.
- Construction sector continuing to slow down and suffer from increasing pessimism in the short term.
- A lack of focus on the coming disruption of AI and other technologies. Too much looking in the rear view mirror. A lot of stressed business owners.
- Change in government and negative outlook on economy has only increased the demand on our services.
- Some business owners looking to sell as a result of company performance declining post the covid boost and subsequent recessionary impacts. They need to rebuild which means another 18-24 mths or so to re-establish and prove maintainable earnings before selling at expectation. This looks like a repeat of the post GFC situation.... vendors needed to rebuild from that decline to prove the business earnings all over again. This has impact on those owners in their mid 60's and older as their plans for retirement funds from a business sale are foiled. IMO, this is nearly always the case, i.e. that the best time to sell at optimum value is when business is going well and either steady or growing. A declining performance is hardly an attractive

proposition...especially when vendor expectations are driven by a previously golden age.

- This continued flat trading period will see an increase in near shore / off shoring of non-core functions particularly for smaller businesses who are struggling to find or retain quality employees.
- Not hiring or replacing staff. Using inhouse technology to offset key supplier continual price increases.
- Clients very fee sensitive- issues paying fees & taxes.

Advertising & marketing

- More customers asking for discounts. Customers of ours are reducing their marketing spend and they shrink their business due to lower demand from their customers.
- Difficult to get clients to commit. Marketing spend being seen as a discretionary cost not an investment.
- Reduced spending in economy is putting pressure on profitability for a lot of business's.
- Less spend in consumer marketing, more budget cuts in marketing, restructuring of teams, marketing agencies looking at new markets for clients.
- Marketing is tough at the moment as budgets have been cut. Time to be different by developing a brand voice that customers can identify with and see a partner that can help them achieve their goals. Being different from other agencies - offering something new that has your customer stand out from the noise.
- All our clients, large, medium and small, have cut spending dramatically, including the Government.
- Lack of business and consumer confidence. The Reserve Bank governor over cooked the economy and now he is strangling it.

Banking and finance

- We are a Commercial & Asset finance broker business. Business confidence is well down, with a material reduction in business investment in new plant & machinery and other growth type funding. We are seeing more requests for debt restructure to align with clients having weaker cash flow, which in many cases is sensible, but in some cases, businesses hold too much debt relative to their current workflow and will be unsustainable unless they deleverage. There is good lender appetite for well presented funding proposals as lenders compete for business in a quieter market.
- Increasing local body costs, high interest rates for longer and soft property investment values . Hard to make anything work banking wise.
- Being a 2nd tier business lender we are seeing the 1st tier banks having less appetite for asset lending, so we are getting business from that. Also seeing SME customers wanting to build working capital by leveraging the borrowing on assets. This has helped mitigate the slowing business volumes from higher interest rates and economic downturn.
- Finding quality people to fill vacancies continues to be a challenge despite the changing labour market.
- Lack of transactions across all sectors in real estate.

Cafes, bars, and restaurants

- People are not spending so hard to operate with lack of cashflow.
- As a national food retail group, we are seeing sales declines and reduced average customer spend in all areas of NZ. Consumer wallets are tightly held.
- Hospitality - the forgotten industry, yet again. Big reductions in customers' discretionary income have led to big reductions in restaurant sales, while costs continue to rise. Tiny margins. High compliance costs. Not looking good for the next 12-18 months. Time for change I reckon.

Civil construction/infrastructure

- Lots of challenges but also lots of opportunities. We could do without the constant doom saying from the media.
- Decrease in overall spend. Builds are being pushed out to a later date or being cancelled all together. Renovations have been suspended due to job losses. Builders who are usually booked 12 months in advance are struggling to find consistent work. Developers who in the past would have 3-4 projects on the go are waiting until 50% of the current build is sold before starting new build. Delaying projects and pipeline. Will be interesting to see how many of the consents approved for this year actually get built.
- We supply the infrastructure (pipelines, power utilities and roading) market and we are already seeing positive feedback from our customers on their order books being better than last year.
- The civil construction industry is currently facing significant challenges. Work volumes are dropping, leading competitors from major centres pushing into regional areas. This increased competition has resulted in some companies taking on projects at cost just to maintain cash flow. Additionally, we're seeing potential employees moving out of major centres and returning to the regions for cheaper housing, further impacting the industry landscape. Recently, we've lost a few projects due to these competitive pressures, highlighting the tough environment we are navigating.
- Lower customer demand, poor response from senior management.
- A lack of confidence that the economy will change any time soon. How long to hang on to staff when the cashflow is tight. It is frustrating that businesses get punished for the powers in Govt or Reserve Bank's poor decision making. Businesses need to be thinking strategically not emotionally in the tough economic climate. Better times will come again so now is the time to be prepared.

Commercial construction

- Delays in project starts, lower number of government contracts, increased competition including out of region builders.
- Govt freezing building projects - its causing stress in the industry. Feels like a knee jerk reaction, not a long term strategy to reduce costs.
- Imported product dumping
- Very little new work to price currently and what is there is being aggressively priced by competitors to the point of buying work to keep people busy waiting for better times to come
- The specific sector of the business I'm involved in is experiencing a recent rift of resignations which is resulting in more work for those that were lighter. Looks as though the next 6 months are going to be better than anticipated as a result. However, the primary concern is the number of large construction projects to get involved in and if there will be large ones coming online in 6-12months or whether there will be a 'recovering' period after interest rates drop. At this stage we will ride out okay on existing work.
- Worst market I've ever seen at 54 years old
- Most we speak to are hunkering down, for what sounds like a slow few months ahead. Customers are more non-committal with signing new contracts.
- Generally business's I am talking to are seeing their market and sales down on average 30% for the last 12 months.
- Government stopping spending.
- Serious slow down
- Negative sentiment abounds and the profit margin squeeze is well underway. Some businesses in our sector are really busy however as more liquid clients take advantage of the competitive pricing. Medium term prospects look good for less price sensitive more technical projects. At the budget end of the market its hard to say if it's a game of last man standing or a race to the bottom. Smart clients are on the look out for financial security in their service providers now
- A failing construction market, the cost of building is not being helped by the implementation of new insulation requirements and a recent push from AT on Traffic Management Requirements for all deliveries.
- Commercial developments are impossible at the moment. Forward workload is of concern. very much in survival mode at the moment. Closing office and requiring the team to work from home for the next 6 to 12 months.
- Seems to be a lot of builders looking for work around the place. Recruitment agent emailed today trying to offload 8 builders which is more than I've seen. Still sounds like there's plenty going on in Chch and Queenstown though.

Commercial real estate

- It's getting progressively more grim out there. Still have some clients that are flat out, but a lot that are really struggling.
- Work in the building sector is drying up, yet most seem unaware of how deep this downturn will be. We will be paying for Labour's fiscal illiteracy for decades!
- Good businesses in good locations will continue to do ok.
- High interest rates continue to hamper development and deter investors. There is also a noticeable decline in confidence to increase the size of premises. Small retail is stuffed. I don't think the Reserve Bank knows how bad the economy is right now.
- Compliance and Council cost also time delays to get consents through Council's are frustrating and in some cases cause deals to fall over. If only Council's understood business more clearly especially the timing constraints such that projects could proceed, we would be in a better space.
- With unemployment on the rise there is a good selection of staff, you just need to spend the time going through all the CVs to find those worth employment.
- Quiet. Uncertainty as to risk parameters leading to inaction.
- Increasing number of business tenants struggling to pay their rent and outgoings. Some landlords are being constructive helping the Tenant to either; sublease/assign their leases or negotiate with the tenant suitable terms to downsize the premises or terminate their lease if a new lease can be negotiated with a suitable replacement Tenant.
- Yields on commercial investment property are starting to spread again which better reflects the actual tenant risk, lease covenants and asset class involved for each individual property sale.
- I am in commercial space leasing and sales, and business sales. These are impacted by overall economy and /or people's impressions of the economy. The reality is Vendors are advising being 20% down in revenues and corresponding profits; and those that want to buy or lease are being held back or stopped by the financial institutions' requirements.

Education and training

- More completion and less frequency of customers
- Leadership at the institution is starting to wake up to the requirement to provide the customer what they want but it is not going anywhere fast. There is no use of demographics, customer survey or useful information gathering to inform strategy, provide insights or be useful to future focus.
- Riding out 2024, getting on top of maintenance items while things are quiet.
- Bank financing is a real issue in the sector. Getting skilled workers from overseas remains a challenge due to immigration NZ
- In education, getting quality and experienced staff. Current climate is a limited amount of high functioning teachers. Sometimes you have to take what is available.

Engineering

- It's tough out there and it looks like many are just holding on and some may well fail over coming months.
- Engineering Consultancy - Consultancies are reducing their fees to secure business, often pricing at very low margins. There have already been redundancies and talking to other business owners I expect significant further downsizing.
- Workload has been consistent but there has been a large increase in having to price jobs before starting them. Uncommon in my experience.
- Decrease in spending from clients resulting in a significant drop is work.
- As always, finding good people is a challenge. Possible sale or closing of our smaller competitors as their principles reach retirement and they have not sorted succession. If this happens it will create opportunities for us. Over stocking could cause discounting which is a long term negative for our industry as it takes a long time to claw back margins. Interest costs are hurting and preventing us from longer term capex for growth.
- A significant slow down in residential developments. Commercial is steady.
- Demand for our structural design services has dropped to 60% of normal so far this year. It certainly seems that the construction sector has to bear the pain of having an excess of public servants via high interest rates. The sector not only has to suffer reduced demand via high interest rates, but we are also burdened by excess requests for information and ongoing arguments over petty points by Public Servants. This ruins any hope for increasing the house supply.
- A few small sprouts of positiveness emerged from the budget, but nothing meaningful yet to commence. A lot of North Island projects in the pipeline (for when the tap is opened) but few opportunities in the South Island at this stage.
- Re-calibration in progress - construction and property sectors are refinding their new equilibriums. Still a bit of pain to work through
- Work in food industry related projects, not yet seeing downturn other sectors are reporting.

Farming & farming services

- Unnecessary compliance costs. Council rates far exceeding inflation. Standard of road maintenance.
- Very negative sentiment in rural sector, particularly sheep and beef which is predominantly in our area. Wellbeing is being prioritised which is great but perhaps at the expense of having some difficult conversations about the viability of some businesses going forward.
- Our sheep and Beef sector is in deep despair with the perfect storm of very high on-farm inflation - 16% against collapsed sheep meat prices 25/30%
- Lack of reasonable forward contracts, both pricing and quantity
- Increase in compliance costs in areas that don't improve business processes or profitability.
- More competition from other industry members due to less sheep and cattle available as pastoral land has been lost to trees
- The importance of having good communication and a good relationship with your bank manager is extremely high. They are there to help you through any tough times or tricky situations i.e. periods of short cash flow. However, with banks tightening and adding certain restrictions, it could be a good time to introduce some competition to your set up - go and talk to another bank.
- Climate change is affecting our farming operations negatively. Our commercial tenants are becoming quite negative in their attitude.
- Tight markets. Domestic and international. People not willing to invest or spend. Overseas shipping, markets and requirements very unstable in regard to global onion supply. A lot of talk on forward dairy price which as a wider impact on the overall Agricultural industry and general NZ economy. Globally things are tough, hoping 12 months from now there will be a bit more stability.
- Prices and demand at low point; improvement looks 12 to 18 months away ; general lack of confidence in sheep and beef industry; Co-op's not delivering - a major strategic shift needed; succession a real problem as profit not in business and capital value high; to attract bright young thing's into farming a transition of some ??? needs to occur.
- Horticulture - Consumers need a clear reason to part with their money - if the reason is there they are still buying.
- Horticulture - Gold kiwifruit awaiting first estimate of returns in August. Looks ok for now

Information technology

- Software technology industry - losing staff to Australia with aggressive moves to acquire NZ software developers, offering 30% increase in salary, moving costs plus Super. It's really hard for me to retain my 60 developers, especially the young ones which can pick up and leave within the month. It's equally hard to find good talent, so we're intending to recruit abroad.
- We've laid off some staff recently and some of them particularly in Wellington are not finding it easy to get work, and these are our top people. We laid off all the average ones last September and they found it easier to get another job then.
- Government stupid decisions regarding reduction of headcount rather than figuring out who doesn't do the mahi and what agencies are overstepping what they should be doing. Constant giving work to the big 4 agencies and offshore organisations is ruining NZ for small businesses

- Finding skilled staff is our biggest issue. We have customer demand but insufficient resources to deliver it.
- Increased customer churn and contraction particularly in hospitality and recruitment
- Growth has slowed vs normal year on year. Clients are hesitant to commit to spend, or the team leads/managers confirm contract will go ahead and board/CEO slow it down. We are focusing on the AU market which has larger opportunities thus we need to win less new business.
- General fear of the state of the economy supported (in Wellington) by cancellation of Govt. consulting contracts and FTE reductions. This tied with staff continuing to work from home has a serious impact on small businesses - especially F&B.
- Restructuring to maintain cash
- Business activity is slowing. Qtr 4 of this year and Qtr 1 of next year seem likely to be challenging. Christmas will be bleak, but there will be plenty of time for sandcastles.
- Tough times. Our business customers are all trying to reduce costs while we need to increase prices to offset our own cost increases. These opposing forces are squeezing margins which is making the road ahead look very uncertain
- Clear drop in customer demand month on month
- Continued investment in productivity improving software, for the most part.
- Long lead time from contract to implementation and payment
- Our focus is international - fortunately - NZ market has stalled, retracting - however the international opportunities are there and growing. Our investment, growth, and focus is all offshore now.

Insurance

- Huge automatic price increases. Fire levy, natural disaster, everything.
- For the insurance sector, given the stable 12 months since the floods there's likely to be a softening of the market in low risk areas but no change for Chch, Wellington etc where caution remains

Legal

- Qualified labour hard to find.
- Increase in volume of buying and selling of houses, lifestyle blocks, farms and businesses.
- Economic uncertainty, businesses struggling, empty shops, property market uncertainty, stress levels higher.
- I work in the immigration industry, so a lot of migrants are not finding work.
- Business is a bit up and down in the conveyancing sector, not a steady flow of sale and purchases. Family law remains steady and getting staff in that area is hard.
- Tumbleweed blowing down the property market street at the moment. Considerable amount of titled and unbuilt sections around which is the complete opposite of 2 years ago. Building companies over committed from the boom 2 years ago and now paying the price. I suspect some won't make it.

Manufacturing (all categories)

- Customer commitment is taking longer as they review and rereview every purchasing and investment decision, putting strains on cash flow and supply chains.
- Retailers are on their knees and very reluctant to spend any money on product which has a flow on affect to the wholesaler market, everyone is hurting, this is worse than GFC, interest rates have to come down immediately.
- Consumer demand weak in most hardware categories, albeit some of them still well elevated versus pre Covid levels, so hard to really complain.
- People choosing cheaper options
- A distinct lack of demand.
- We're seeing M&A activity, a consolidation of competitors through takeovers. Ecommerce offerings are increasing, some that were late into getting into this space are aggressive in catching up but those that have capital constraints will struggle and there is likely to be more consolidation over the next 2 to 3 years.
- Building sector under strain but we are adapting with new improved manufacturing capability and automation and are looking to an increase in sales as a result. We are in a sector where our products fit the emphasis on sustainability and healthy home construction.
- Work is slowly picking up. Our main focus is on engineering drawing updates. Everything is done on CAD systems. We also create customized cutting tool management systems. Shops are slowly starting to realize that machine tool is where the money is made or lost. You will lose money every time by running the machines flat out. Throwing drawings at a machinist and telling him to make it just doesn't cut it anymore.
- We feel there is a slight uptick in the confidence levels out there.
- Clients being more demanding, Money getting tighter, so everyone wants something for nothing
- Increased costs, and lack of discretionary spending, impacting adversely on the market and business
- paranoia about being paid and whether to grant new clients payment terms
- Seeing a decline across all retail clients and don't see this improving until public sentiment around the economy improves (interest rate decreases and rate of inflation slowing further; have noticed F&V prices in supermarkets starting to increase).
- In the food manufacturing business. We have noticed bars and restaurants that service tourists market are holding

up well compared to those with domestic clients that are struggling. Several of the larger freight companies are knocking on our door to try to entice us to jump ship over to them. We have also just done a round of price increases to all customers including the duopoly with no push back.

- We supply the grocery sector amongst others. Channel partners are rationalising lines they are carrying in the interests of profitability with the spin of being customer driven. New data models have yet to be refined to weight NZ made, sustainability credentials or a host of other desirable value points. This is leading to a loss of diversity in larger channels.
- Industry as a whole is under severe pressure with customers not rushing to buy and holding out for the best deal. Companies becoming desperate and selling at cost or below to keep short term cashflow coming in. Have also noticed builders dragging their heels on current jobs as little to no additional work in the pipeline.

Miscellaneous

- Animal care - People cancelling trips abroad and reduction in business travel customers. We're seeing at least a 50% reduction on bookings compared with last year for June. Possibly some due to new competition but mainly I think people are not travelling much.
- Architects - Hard to make developments stack up
- Art and Culture sector - New ways of funding are required. Growth is impossible.
- Car Detailing - Pretty consistent bookings. Customers still want their vehicles looking good. Have regulars and new customers. Car yard work has decreased a bit due to lower vehicle sales.
- Commercial Textiles - It's very unpredictable, some months up followed by a month of nothing, very difficult to plan for the future, extremely difficult managing such extremes with finances.
- Energy - Being able to deliver all the work we need too, to support electrification of the economy.
- Entertainment - We have a large network across many industries and people. We are hearing about a lot of businesses in financial trouble and households really feeling the pinch. Redundancies have started and will likely ramp up over the coming months. Many hope for a recovery in 2025 and that could happen unless we get more global shocks. Unfortunately the deteriorating global geopolitical situation means we are going to be in for a bumpy ride for years to come.
- Fishing - A drop in end prices for our lobster into China due to much increased volumes of lower quality lobster from other nations tending to push our prices 30%+ lower
- Forestry - Lack of climate policy direction
- Health, government - Government spending dropping off a cliff and going to accelerate recessionary climate.
- Helicopters - Consolidation and monitoring costs closely, have been told by client to downsize but suspect will be expanding after another 12 months if govt continues its path.
- Homebrewing - Significant drop in consumer demand over the past 6 months despite being in an industry that, in the long run, saves consumers money. Customers are shopping around trying to find the best deal resulting in lower gross profit percentage and increased pressure on cashflow.
- Importer - Softening of retail sales , lack of confidence
- Industrial plant and equipment - Sales to consumer product manufacturers (kitchens / joinery etc) are very reduced but this is offset by the larger multinational companies and the food / agri business who are still producing and need to maintain and invest. Our main problem now, while business is steady, our ability to increases prices is very limited while all government controlled costs - rates, water, interest rates etc are still increasing well above inflation.
- Landscaping and grounds maintenance - Customer demand still steady but we are working hard to keep them happy and their properties looking sharp. We will provide suggestions on work that will need doing shortly so client can plan ahead. We are a labour based business so being more productive means looking at any machinery that can make our jobs easier
- Landscaping, building, gardening, ... Lack of forward work, other business not knowing their true cost, thus under pricing and loosing money or doing a substandard job with no winners. It is going to be a tough 6 months for all. Not Good.
- Laundry services - staff, supply costs and interest rates
- Lawn mowing contractor - All the contractors are either lowering their prices or holding at level seen last year. Pretty much no enquiry for new work so trying hard to keep the clients we've got to hunker down until enquiry picks up in year or two.
- Marine Ai Technology - Uncertainty. Signs are the coalition govt are on the right track, but global events will dictate how fast the economy improves and confidence returns. Currently we are seeing an unwillingness to invest and spend across the board.
- Miscellaneous - Cost creep and reduced customer demand
- Miscellaneous - Client businesses spending less. Turnover down by half. Looking overseas at more optimistic forward thinking markets.
- Mowing Contractor - Consumers are increasingly cost conscious, which limits ability to recover increased operating costs.
- Museums (GLAM sector) - Serious lack of funding and especially lack of interest from government to assist
- Office Furniture - May was the worst month for sales since lockdown, however sales orders (forward work) are strong.
- Overseas Superyacht Project Management - Excessive compliance and road safety costs around any development - private, local councils & government.

- Photography - Real Estate and Commercial - Decrease in demand for my services. A depressed economy means small businesses are 'doing it hard' and don't want to spend money on marketing and advertising when they should be doing just that. Some businesses are doing their own photography instead of hiring a professional and others just don't have the money to spend.
- Plant Hire and Garden Maintenance - NZ market steady and competitive, but we have exciting international opportunities.
- Recreation - We have lots of members who are in the trades, all are speaking of a decrease in work, or no work in construction. People seem to be holding on their cash and not spending in retail or hospitality, but will keep the gym going. A lot of people still see the gym as good for their mental health and the push is more about mental health as opposed to how you look, apart from the people who think they are influencers. They live in their own self absorbed world. We aren't trying to attract them.
- Trade Supplier - low lumpy demand, customers struggling with cash flow, large scale redundancies across the multiple sectors. Businesses can no longer carry excess staff, they tried to hang on as getting good staff the last 5 years has been problematic.
- Trader / dealer - Decreasing customer base with rising costs.
- Trades Services - Central and Local Government clients spending decreasing. Private business clients deferring planned CAPEX spending.
- Waste Collection - We are in waste / construction waste and the economy is in a lot worse state than I think people realise. Its quite scary how bad it is but the powers that be don't seem to notice.
- Wholesale - Retail stores closing or struggling to pay debts. The toughest economy since the early 1990s.

Mortgage broking/advisory

- Low home buyers in the market, and a reluctancy to spend from consumers.
- Outsourcing offshore as NZ staff too expensive for level of skill / motivation.
- High interest rates and low property sales.
- The key areas of concern are the ongoing overpriced housing market, lack of desire by banks to lend and continued excessive debt servicing test rates used by mainstream lenders which is preventing many applicants from buying their personal residence

Motor vehicle sales/parts

- An oversupply of stock and prices too high for the market to absorb in this part of the economic cycle.
- Depressed economy impacting sales demand, and higher input costs effecting profitability.

Printing and packaging

- Businesses running hand to mouth, only buying what they need, when they need it. All oping for interest rates to come down.

Property valuation

- People are reluctant to accept house prices falling, even though the market is still substantially overvalued. Hopefully this will happen in 2025 and beyond, with less people attracted to property speculation.
- High demand for services with the inability to undertake all assignments requested due to time pressure.
- As soon as we see some interest rate relief, that will create optimism, buyers will have FOMO again and we should see some positivity.
- CHCH based. Higher/softening of yields in comparison to last year. Significant change from the peak. Appears to be hard to sell secondary stock. Concerns for retail sector and logistics. Significant growth in industrial rental rates over the past year - how much longer can it go on for/is that sustainable? Still lots of residential work appears to be coming through. Concerns over potential increases in mortgagee sales. Still lots of townhouses being built. Older guys retiring/reducing work (across our sector). Lots of travel from staff over the past year and continuing (old and young)... Managing workloads while people are away...
- Uncertainty fuelled by poor/inaccurate market commentary/media reports.

Recruitment

- The skilled international migrant sector has been hit hard by 'bad players' in our field exploiting migrants. This has shone a massive spotlight on all international recruitment agencies and rightfully so. However, the lack of rules around immigration have caused this and yes the rules have been adjusted to better reflect solid channels of recruitment and ensure that migrants only enter NZ with the correct skills including spoken & written English, however, this will only start to come to fruition (especially in healthcare) once the existing and not well versed migrants disappear to Australia with a job offer or return to their home of origin as visa's begin to expire. This is also coupled with lack of funding particularly in the private healthcare sector e.g. Aged care.
- Too many competitors dropping their prices to secure the business. will never get them back up again. its a race to the bottom. In recruitment, its hard to compete with struggling companies that need to hire and our competitors dropping their prices significantly. Better to have than have not.
- The job market is very quiet, and I see it staying that way through the winter. Candidates are plentiful in volume but not so much in quality/appropriateness for the role, and they are applying for roles whether or not they see themselves as a good match for the position.

Residential construction incl. section development

- Land Consultants (Surveyors, Planners and Engineers). New Subdivision inquiries have stopped as costs have become too high, and the majority of new projects aren't feasible.
- Land Surveying, Town Planning, Land Development - There is a considerable amount of Planning work occurring and workloads in this area are high suggesting that developers perceive improving demand for property going forward.
- Reducing margins and higher costs putting pressure on profitability.
- New house sales are still dead. Renovations up slightly. Unlikely to see more house sales for 12 months.
- High interest rates, coupled with media scare stopping people from purchasing new homes.
- Weak demand.
- Struggling financially.
- Starting to see confidence in the new home building market particularly for clients that already have land.
- Construction is slow. Greater competition. More tradesman available.
- Hearing a lot of chatter from the trade that they are letting staff go, which is creating uncertainty within our own business. It will take a long time before construction is on the up again.
- Very inconsistent demand, clients struggling to get finance. Tradies noticing decreased workloads.
- Have noticed far more uncertainty in the construction market in the last 3 months and lack of solid pipeline, affected by the national party hold on spending and uncertain outlook for the short and long term with govt projects, we don't expect any change in this till March 2025 at the earliest if interest rates reduce around then considerably more people looking for work and record amount of applicants for new roles never seen before.
- A lot of competition in the handyman industry and minimal expenditure by landlords.
- Slowdown in construction trades.
- Most calls are from builders looking for plans to price or any projects available soon!
- I am changing our product range so I will not be competing with other builders on price or product range.
- Lack of local / central government investment in infrastructure and slow delivery of what is proposed holding back development / the economy.
- Low volume of available work.
- Business is slower, and customers are more hesitant to commit to renovations.
- Lack of developers' ability to get finance is delaying the start of residential construction projects.
- Demand for new build construction has almost disappeared. Would usually draw 1 × new house per month, currently have drawn up one house in 2024, with only one more in the pipeline¦ slow like molasses.

Residential real estate

- Increase in mortgagee sales, fewer buyers, lots of 'subject to sale' contracts!
- Buyers are showing no urgency to purchase and are waiting for house prices to keep falling. Some vendors are unrealistic in the current market and are being overlooked by buyers.
- Yesterday I was talking to the owner of a popular food stall in Bayfair Mall. He said he is down 40% from the same time last year. This country has come to a grinding halt. If the banks don't loosen the lending restrictions soon to allow money to flow, we are in big trouble. No one can get finance at present this is worse than the previous recession.
- A sluggish market that is not helped by the negative media - this then has a negative impact on team mindset and morale.
- In the midst of the current buyer's real estate market, sellers are looking for agents that they can trust and rely on their expertise to negotiate for the best possible outcome. We are already seeing that impatient newbies do not survive in this tough market.
- Slow moving market. Hesitant buyers and vendors waiting for spring.
- Across the board, vendors/buyers appear very disappointed with the lack of confidence in the current National Government after a very optimistic win. This uncertainty has impacted on the real estate market with a significant drop in sales and an overall lethargy in all sectors.
- Fear of commitment.
- No confidence, unemployment, inflation.
- Less experienced estate agents are finding it difficult as they have not experienced a market oversupply both in agents and properties.
- A lot of wait and see going on so no real urgency to transact.
- I think the media have an increasing amount to answer for in the Real estate industry in New Zealand. There are many fundamentals that drive the industry up or down, however most people will listen to doom and gloom that leads to their own potential loss in the industry. There is some incredible buying at the moment- well below build ability, this will have to correct itself.
- Caution from buyers. Sellers under financial stress.
- Being in control, being strategic and thinking outside of the square are going to be critical for some businesses. We can't control the stupidity of the corporation aka government, but we can choose how we react.

Residential rentals/Investment

- I've owned a residential property management business for 14 years. In the last month there has been a noticeable slow down in how quickly properties are renting. Tenants have a lot of choice and aren't in a hurry to make a decision. Higher end properties are taking a lot longer to rent. We have had a number of owners put their property on the market to sell and then a few weeks later come back to us because they had no interest or were offered a really low price so decided to put the property back into the rental pool.
- Negative sentiment in the media about landlords generally and specifically about rent increases without providing balance as to why rents have increased, such as legislative changes over the last 6+ years, compliance costs, big increases in rates, insurance and interest costs.
- Economic climate is affecting both tenants and landlords.
- Frustrated government is not fast tracking less compliance needs to happen yesterday.
- Tendering picking up again.

Retailing

- FMCG Wholesale - Food & Beverage - Consumer demand remains subdued - wallets are staying closed due to general economic conditions - high interest rates and deteriorating job security. Despite that, our business is growing strongly on the back of launching new products. We supply Supermarkets and it continues to be difficult to reach fair trading agreements at sustainable margins. Woolworths and Foodstuffs use their market power to take the greatest share of the value chain for the products on their shelves.
- Garden care - Market tightness due to customer confidence dropping.
- Giftware & Homeware Import wholesaler - Retail has been crushed by the interest rate increases and knock on effect on the disposable dollar spend, however it feels like there is stagflation as many other input costs are still rising like, electricity, insurance, freight, packaging, finance cost. Therefore, the reality of keeping customers will mean dropping prices to compete yet still bearing high costs. This then equals profit down and realizing a loss. This is the reality of Adrian Orr printing a decade worth of money and allowing a reckless government to spend it all in 2 years!! More pain yet to come.
- Seeing more opportunities in our sector.
- Retail is very up and down currently making things uncertain for the future.
- Consumers are not spending at all.
- Sales in June to date are the worst in 10 years. We are in survival mode.
- Outboard Travel is still strong. Older people (or those with financial means) are still travelling, and going on longer/bigger trips and often doing more high-end trips. While demand has been very high, now seeing signs of it levelling - hopefully to a new normal and no dips in demand!
- Retail demand has dropped significantly in the last 4-6 weeks having declined already since February with consumers delaying significant purchases and cutting back on impulse buying, on the trade side new house builds have almost halted completely and builders are pivoting to alterations, decks, fences and maintenance. We don't expect our overall revenue to flatten out from negative until April next year earliest.
- Customers are less likely to spend due to cost of living constraints.
- Retail still suffering, even online.
- Dwindling customer demand and more 'shopping around'
- Politics of disruption.
- Less retail spending/trade spend holding; retail customers price checking/more cautious
- Apparel retailing is difficult currently and it has been a tough winter. We should have a good winter sale to shift stock but at lower margins.
- Worsening situation in terms of both customer numbers and budgets.

Shipping, transport, storage & distribution

- Increased competition and resulting lower pricing in the short term alongside some retrenchment for businesses as the pipeline of work continues to shrink. We are importers and costs are increasing and will be passed on but perhaps not as quickly as previously.
- A significant drop in consumer spend.
- 20% decrease in logistics nationwide.
- Inconsistency. It is becoming more and more difficult to forecast volumes in the transport sector, and day by day we are seeing 25% fluctuations.
- We are 21% down in revenue re import cargo, export cargo going well.
- Rate pressure.
- Low inventory levels so less demand
- Customer reordering at a much slower rate. Some seeking lower cost and less effective alternatives.
- Very cautious spending. Spending is targeted only to where it's needed and nothing more.

Tourism & accommodation

- A distinct lack of confidence. While the Govt must get costs under control it also has to have vision, passion and plans to re-ignite the economy.
- No overseas tourists, mainly work related stays.

- Tourism is still looking strong and our upcoming season bookings are looking better than last year but we don't know how long before tourism will be affected from cost of living challenges.
- Lack of customers.
- Domestic enquiry at very low levels, International enquiry up - hoping the dollar doesn't improve too much! Competition started to play "silly buggers" by discounting and offering "freebies" - a race to the bottom.
- Massive reduction in corporate travel and weekend event/demand for accommodation. New/Refurbished hotel opening in our area late 2024 (been under re/construction for 3 years) will cannibalise current repeat guests until the town grows - they have indicated they are going after the core corporate/sporting business that comes into the town which will be to the detriment of other accommodation businesses. Short term Airbnb availability impacting on commercial accommodation businesses - we can't compete when they're paying residential rates etc and something needs to be done to ensure commercial businesses don't just survive but are profitable... We work too hard, we've got too much on the line and we're the ones that employ the locals (not Air B&B'ers making a quick buck.
- Seasonal downturn in tourists at present but apparently Australian tourists are in decline and Chinese are up. Australian tourists are likely to be stronger supporters of our ski industry.
- Decrease in per head spending by New Zealanders and international tourists. Tough labour market. Increasing costs across all areas. Road closures causing real impact and likely to result in redundancies.
- Tourism market has not come back. Others trying to exploit same market.
- Outbound International Travel is still in hot demand particularly from Boomers who are still either catching up from Holidays not taken due to Covid or have retired and wish to travel as much as they can whilst their health is good. People in their mid 20's to mid 30's also continue to travel, mainly the ones that cannot afford a dwelling. Live for the day seems to be a catchphrase I hear!
- NZ was slow to return to the world stage, Covid and Post Covid - It has seriously damaged NZ and we will take years (if not decades) to recover.

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

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