Mint Design

Mint Business Insights

With **Tony Alexander**

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Businesses revise pricing plans

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. 353 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:

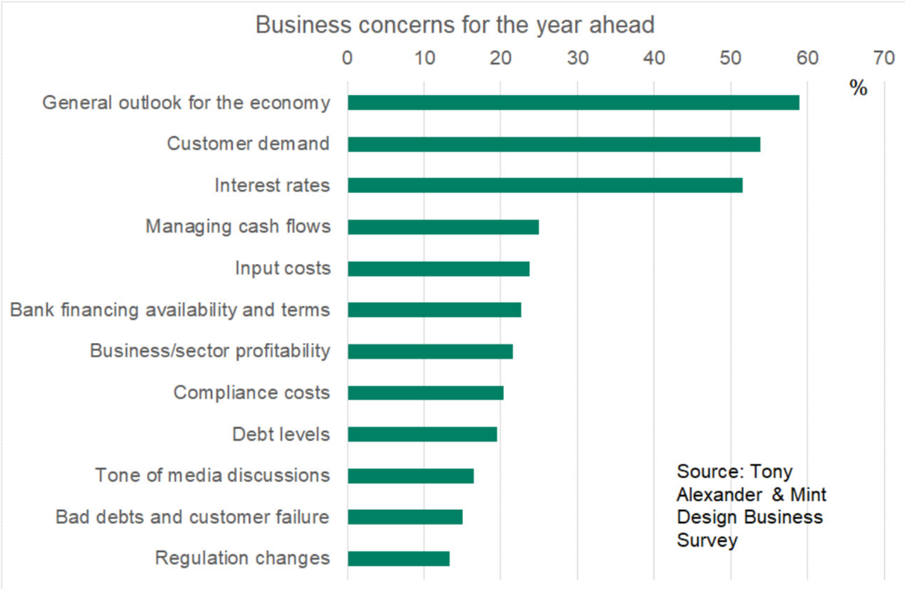
- All indicators for labour market strength have deteriorated. Firms plan spending less in all staffing areas from recruitment to workplace culture.
- In the face of weakening customer demand and despite cost pressures remaining, a net 12% of businesses now plan cutting or keeping their selling prices flat in the coming year. Monetary policy is starting to affect the Reserve Bank's ultimate target – not crunched household spending but crunched business pricing ability.
- In the face of cash flow pressures businesses are cutting back on plans for advertising, inventories, new technologies, machinery and climate change mitigation.

Tony Alexander
Independent Economist

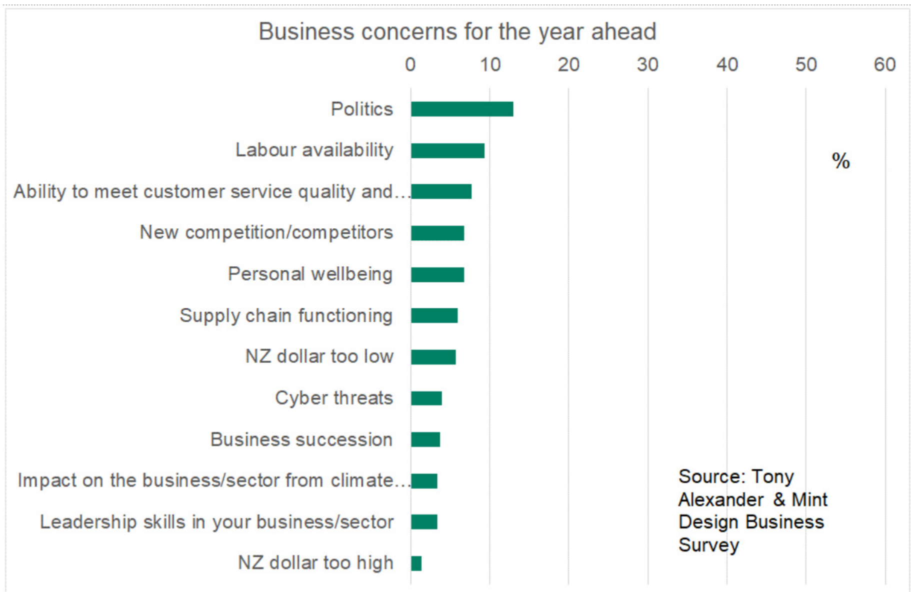
What concerns you most for the year ahead?

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.

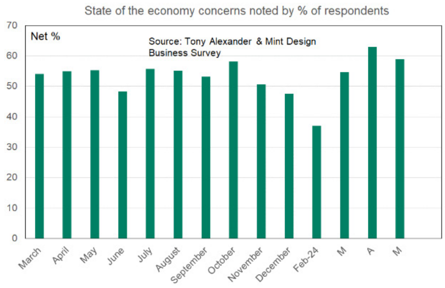
The top three concerns this month are again the same as most recent months – the General Outlook for the Economy, Customer Demand, and Interest Rates.

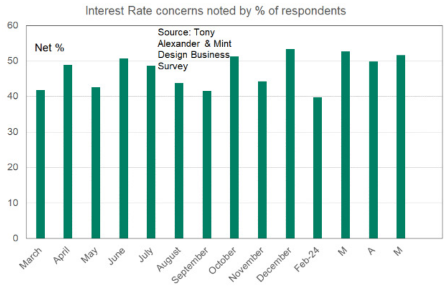


The areas of least concern are the NZ dollar being too high, leadership skills, and then climate change implications.

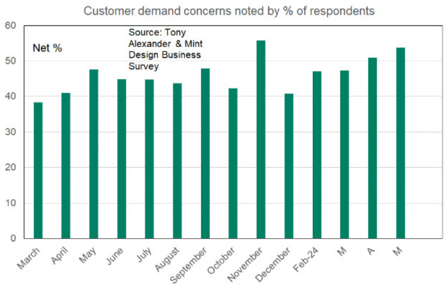


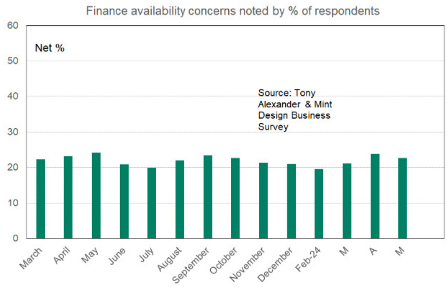
These next graphs look at changes in a selection of areas of concern for businesses since our survey started in March last year. The first two show the consistency of high concerns about the state of the economy and interest rates since March last year. That is what one would expect to see given the strong efforts of the Reserve Bank to depress the economy with high interest rates.



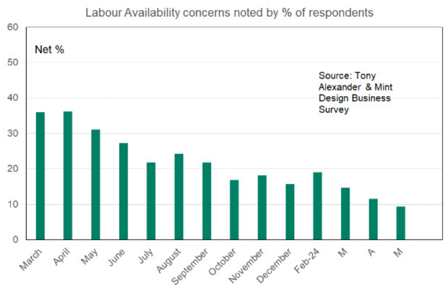


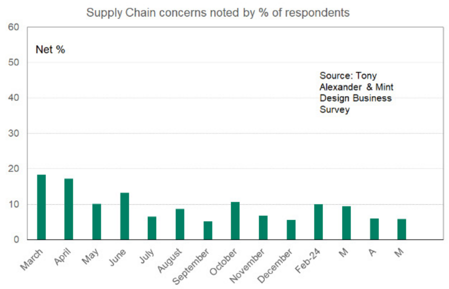
Worries about the availability of customers have taken a fresh step higher which is consistent with the many data series available showing weakness in consumer spending in particular. Worries about the availability of finance have stayed relatively low with no upward trend this past year. Businesses do not generally view banks as themselves being the cause of woe in the economy this cycle. This may be because lending was more restrained and responsible on the upward leg of the economic and credit cycle than in past years.



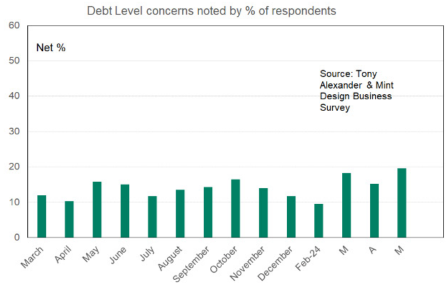


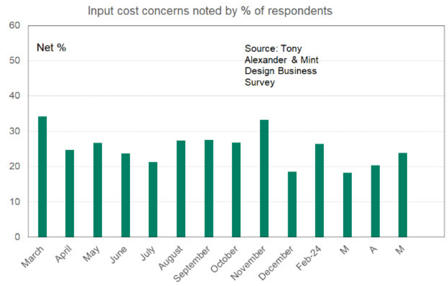
With customer demand falling it is unsurprising that fewer and fewer businesses are expressing concern any longer about the availability of staff. Supply chain worries are also trending down but less rapidly and from lower levels to start with a year ago.



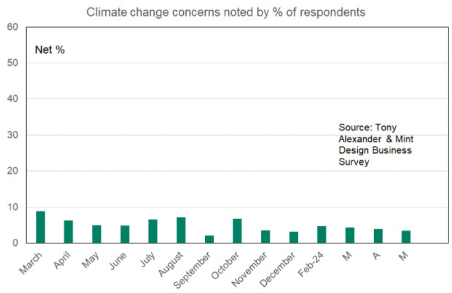


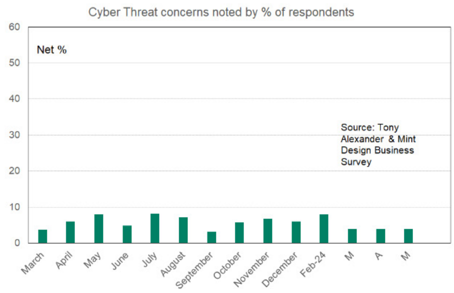
There has been a slight lift recently in the proportion of businesses worried about their debt levels. Again, this is unsurprising in the context of a revenue crunch for many. Worries about input cost changes have not unfortunately taken any particular step downward recently.





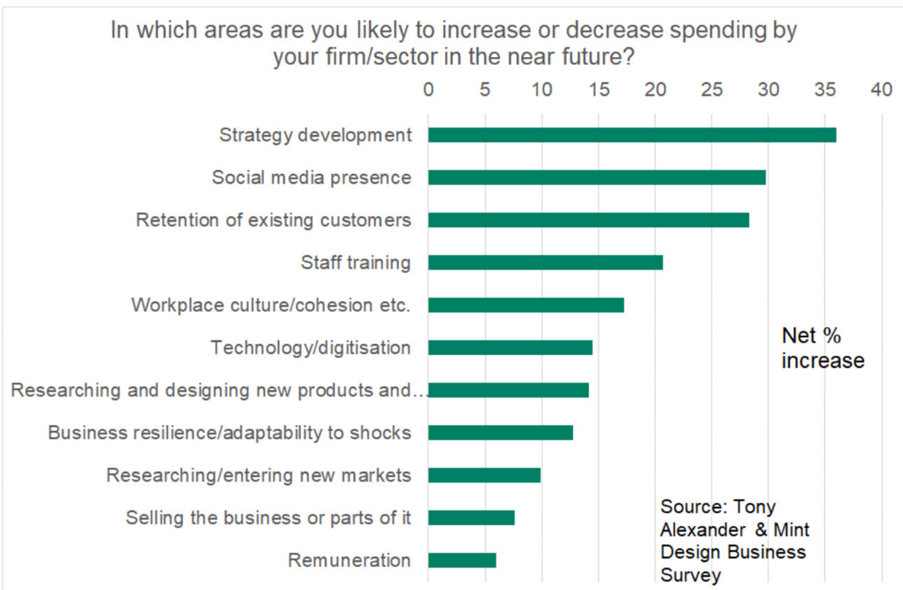
As ever the level of concern expressed by businesses about climate change remains extremely low. The same comment applies to concerns about cyber threats.



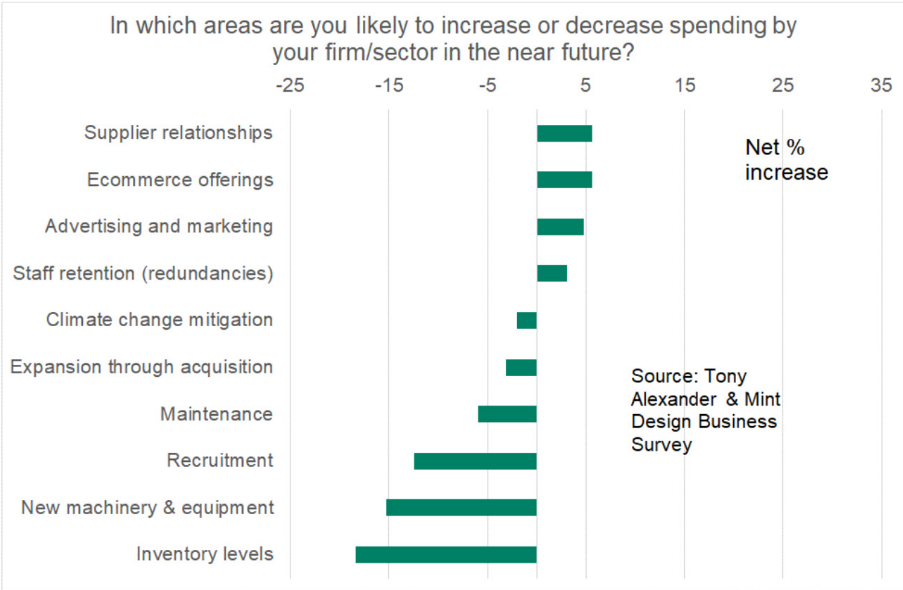


In which areas are you likely to increase or decrease spending by your firm/sector in the near future?

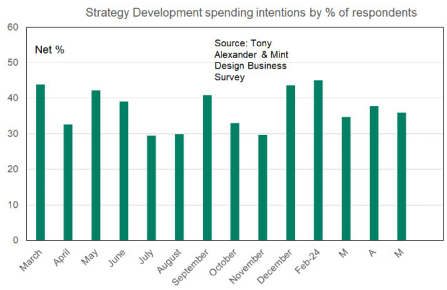
Our second main question is addressed at identifying where businesses are going to allocate their scarce funds in the coming year. As above, we split the results across two graphs starting with areas where most businesses plan greater allocation of resources. The three top areas of spending intentions are strategy development – a perennial number one – social media presence, and retention of existing customers.

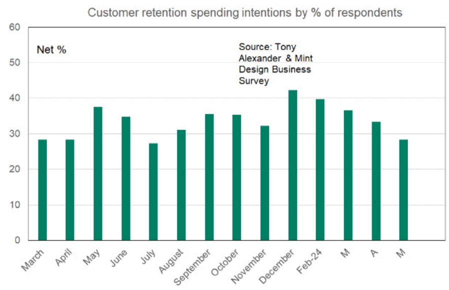


Cutbacks in spending are now planned in six different areas rather than the usual two seen in previous surveys being inventories and new machinery.

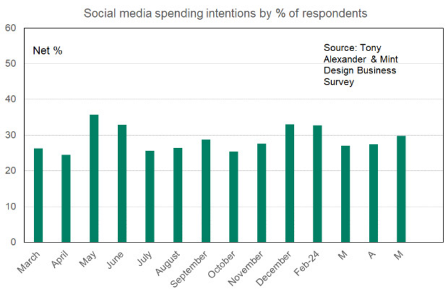


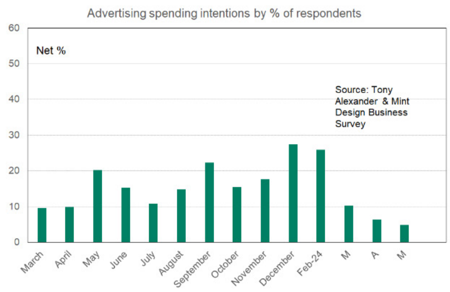
These next graphs look at how planned areas of spending change have been tracking since our survey started in March this year. Spending plans for development of one's strategy remain of high importance. But efforts to retain existing customers are being slowly pulled back.



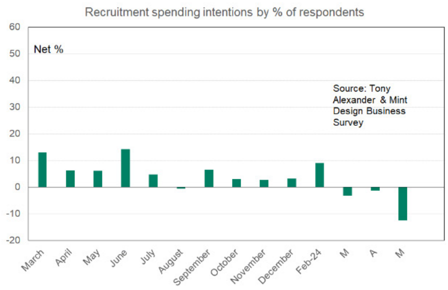


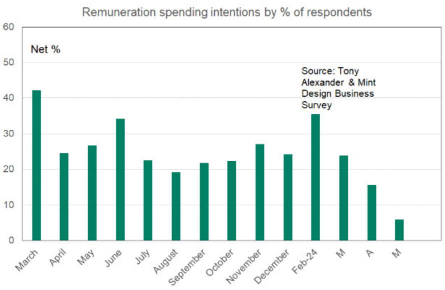
The high intentions of spending on social media are nothing new. But the tight financial times are discouraging businesses from budgeting for spending on advertising despite their still firm desires to retain customers.



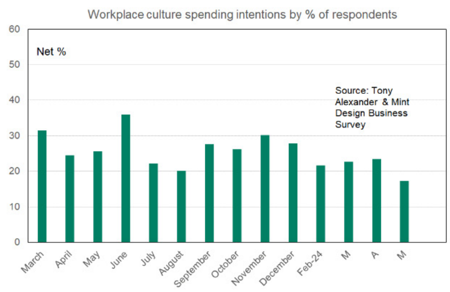


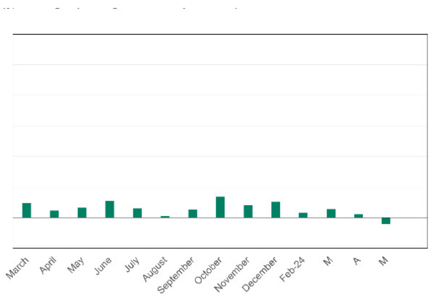
It is in the area of staffing that things have changed quite a bit in recent months. Plans for spending on staff recruitment and remuneration have noticeably declined since early this year.



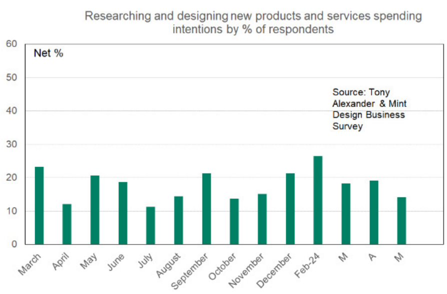


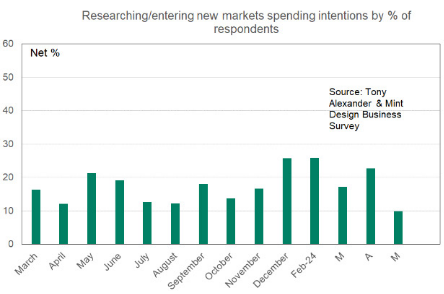
Intentions of spending also on workplace culture are trending down but have not suddenly stepped lower as is the case for the two areas just above. Climate change spending has for the first time shifted to a net negative position – meaning more firms plan cutting than increasing spending in this area.



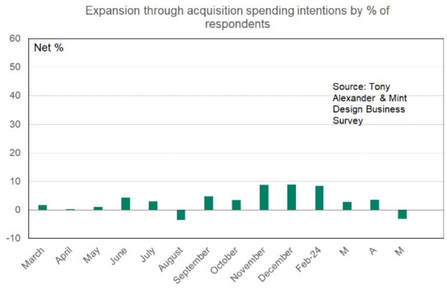


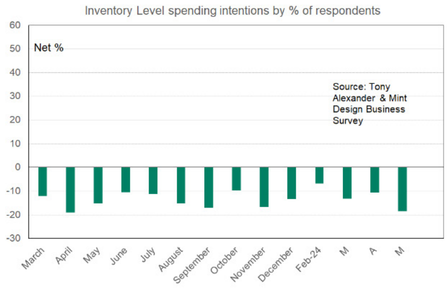
There is no particular change underway with regard to intentions of spending on new product design – which is pleasing to see. But willingness to take the risk of expanding into new markets is on a clear weakening path.

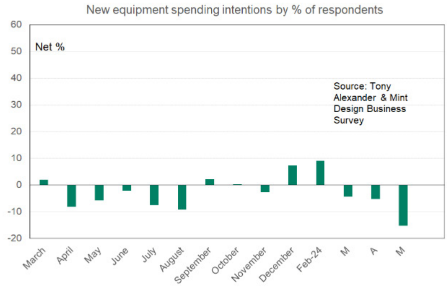




Thoughts of expanding through acquisition of another business are being placed on the back burner. Plans for inventory levels remain negative and there is a fresh deterioration underway in plans for purchasing machinery and equipment. That is concerning for growth in capacity and productivity.



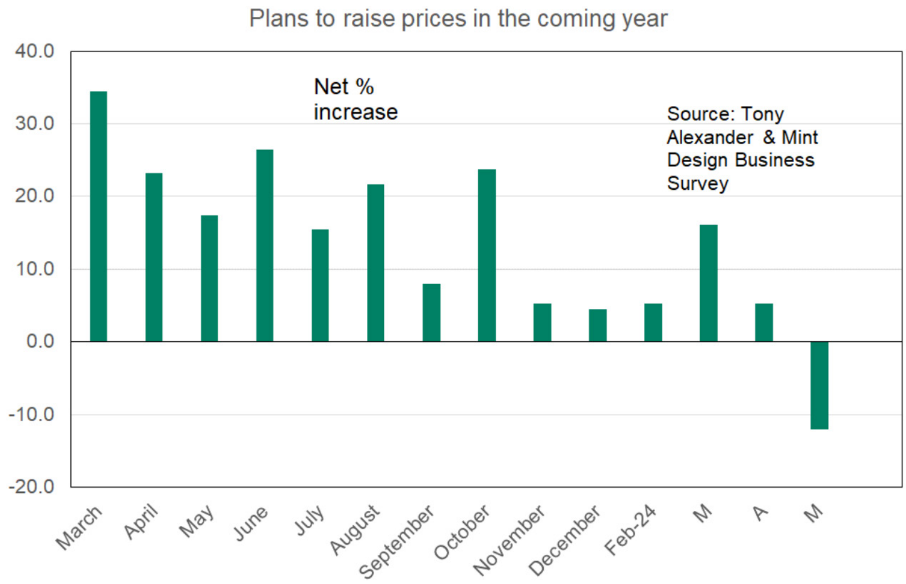




All up, businesses are seen in our survey to be pulling back on their spending plans amidst deep concerns about weakness in the economy.

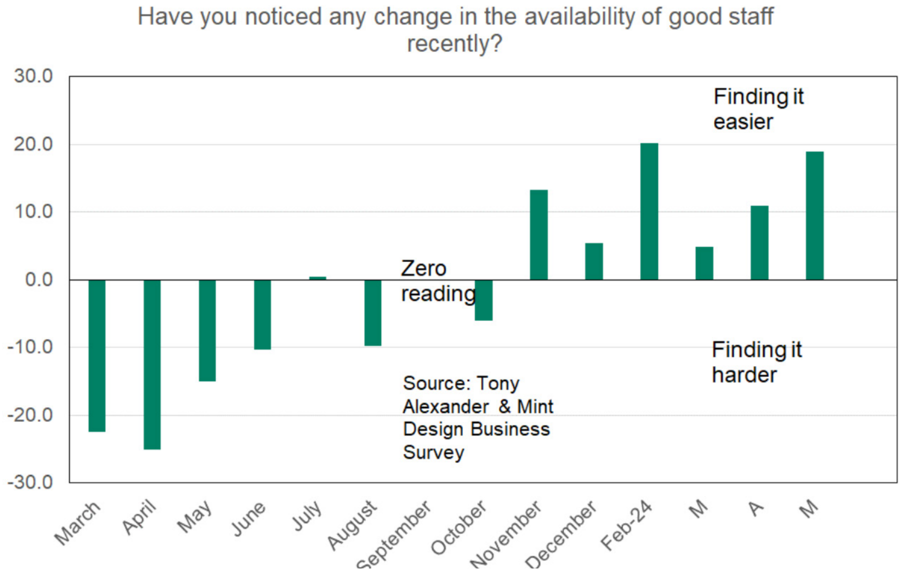
Are you planning on increasing your prices for any of your products or services this year?

The Reserve Bank has tightened monetary policy aggressively in order to crunch household spending and take away the ability of businesses to comfortably raise their selling prices (even when costs go up) without suffering a hit to their bottom line. For the first time our survey is showing that this policy is gaining substantial traction. A net 12% of businesses say that they plan cutting their selling prices in the coming year. A year ago a net 17% planned raising them.



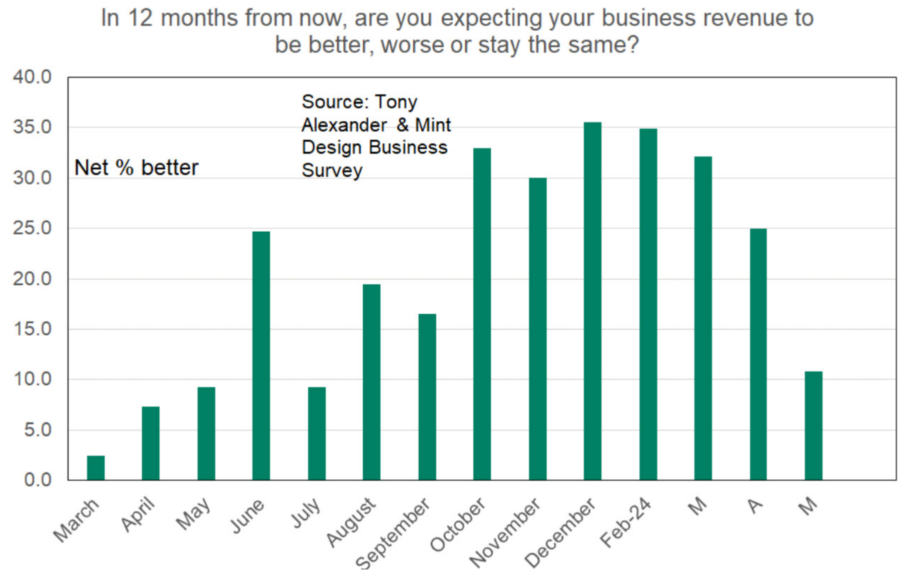
Have you noticed any change in the availability of good staff recently?

Businesses report that the availability of good staff is strong and getting stronger. This situation changed in November last year.



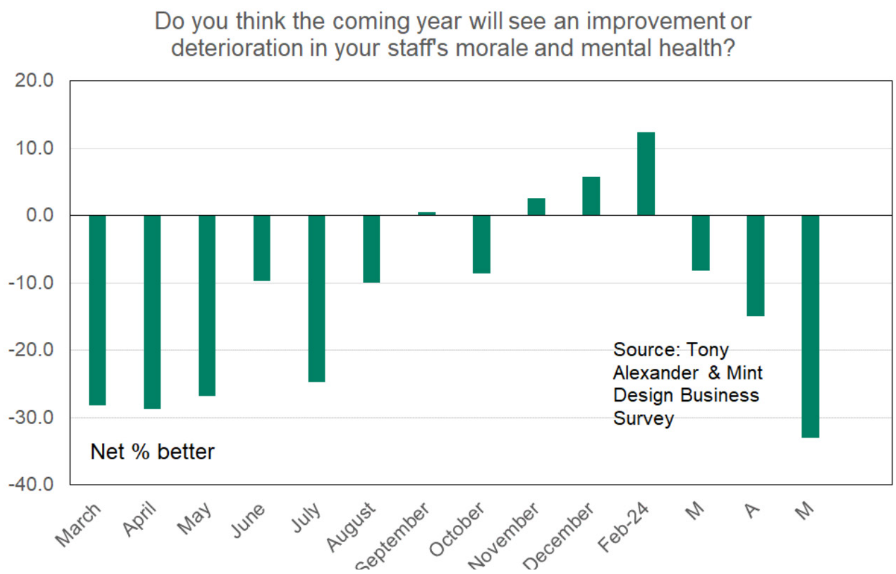
In 12 months from now, are you expecting your business revenue to be better, worse or stay the same?

Businesses are decreasingly hopeful of revenue growth in the coming year. Only a net 11% in this month's survey reported that they expect higher receipts as compared with a net 36% in December. Optimism about 2024 has declined quite sharply since the turn of the year.



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

Times are tough for households, businesses, and employees this year as a result of tight monetary conditions. Businesses are increasingly of the view that staff morale will deteriorate in the coming year. The lift in this reading to a net 11% positive in February has quickly reversed in the face of newly challenging operating environments for businesses.



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

- Profitability in primary sector.
- Fear in clients leading to trepidation in new ventures.
- My business is counter cyclical, the more clients struggle the busier I get.
- Those clients that have worked to put their business in a good position over the last few years are now actively looking to acquire and expand their business in the current environment.
- Reduced cashflow - clients struggling to meet tax obligations. Lower consumer demand.
- We run a small business accounting service in Wellington. We are seeing an increase in client with concerns of cashflow and lack of work. Especially in the building/ home improvement/general maintenance sector. Increase in clients struggling to pay tax on time and concerns with cashflow/profit over next 6 months
- We are seeing increased tax debt due to the soft approach IRD took over the COVID period. Businesses have delayed paying taxes and now that IRD are calling in the debt we expect to see many businesses put themselves into Voluntary liquidation.
- There remains a fundamental constraint on access to quality staff which is compounded by reduced engagement / wellbeing observed in the sector
- Businesses closing down or liquidating.
- Lack of staff, higher expectations of clients. Increased workload on other staff due to lack of available staff, concerns re staff wellbeing and stress levels
- Difficulty in getting committed people and increase productivity per person hour.
- Steady growth. A few more clients are winding up. Not many active new business purchases. However, a lot more rentals coming up with people move up the ladder and use previous owner occupied houses as rental property.
- Improve our service level to clients, go hard with bad debts at the expense of losing clients, huge potential marketing in the advisory space; get rid of the crap and go with clients who want the value-add, and will pay for it.
- Falling customer purchasing and demand, high interest rates and the need to reduce inventory and maintain tight control of debtors' days.

Advertising & marketing

- Good size businesses are keen to spend. Small businesses are on the rocks.
- Low business confidence, fewer start ups, less e-commerce, optimism for new govt that actually understands business but low capital and difficult to fund new ventures & ideas.
- Reduction in real estate activity.
- Client uncertainty around committing to advertising expenditure due to the slowdown in consumer spending and the question around how the long it will take the economy to recover (need those RBNZ cuts sooner rather than later)
- Expected more of a downturn due to the current economy but currently holding steady but seeing less new enquiries. Retention of current clients is my key focus for this year.
- Businesses continuing to look for savings where they can find them. Also in comparison to previous 3 years companies are a lot more confident in planning ahead for up to 12 months of marketing activity.
- This whole year will be a grind, only made worse by an event such as wars or supply shocks.
- Clients are really struggling so we are seeing some drop off. But at the same time businesses that have never advertised are now coming on board (mostly building sector)
- Net our business is even at the moment.

Banking and finance

- Clients withdrawing more funds for living costs at the moment. Some using investments to pay off last of their mortgages before refixing on higher rates.
- Severe stress in SME sector, hearing architecture firms dropping to 4 day weeks and lots of plans for redundancies.
- Tension between complex regulatory requirements and the drive to simplify end-to-end processes.

Cafes, bars, and restaurants

- We have had the usual summer to winter dip in sales but nothing too major with regard to the current economy outlook and what this generally brings with customers. Supplier pricing is steady at the moment
- Interest rate increases have hit our customers very hard. They have no discretionary income to spend on restaurants and bars, all their excess money is being sucked up by the banks who are making bigger profits than ever. Can see difficult trading for the next twelve months, just got to try and get through this bad time.
- As an events centre we are struggling to book events.

Civil construction/infrastructure

- Costs are significantly higher than they were pre covid, with similar trading patterns. The two easiest ways to reduce costs are marketing reductions and reducing labour or employees. Its easy to make a bunch of people redundant however I view that as lazy executive leadership. Businesses need to innovate and find new efficiencies particularly with digital assets. That way you retain good people and your IP as well as reducing marketing spend through traditional channels.
- We are waiting for the government to commit to spending on major infrastructure projects that are much needed, but the current focus seems to be on cost cutting.
- General lack of work in the construction sector is worrying
- The NZ economy is a lot worse than the date the RBNZ / Govt have currently. We are seeing contractors enter contracts with little or no margin simply to keep staff going. In construction it is as bad or worse than the GFC.
- Lack of funding for infrastructure projects, clients hesitant to spend. Slow down in new tenders with nearly double the number of tenderers per project... price war.
- More competition with only the same number of opportunities.
- A very flat construction market. The worse I have seen in 40 years.

Commercial construction

- More debtors taking longer to pay, and or going into receivership.
- Mass slowdown in demand. Cost of funding, materials and labour not reducing enough to make developments or transactions/deals stack up. How long until it does - months/years?
- Significant constraints on budgets now apparent, demand dropping off a cliff.
- Interest rates and slowing economy, business failures
- Construction is down in Auckland, Hamilton and Wellington. Tauranga is still trickling along, not sure how long this will last. Hopefully things will pick up again in other parts of the country or many construction companies will default.
- General lack of projects with govt departs cost cutting and seeking new budgets. Private sector is inactive due to project feasibility not stacking up
- Increasing competitiveness, hearing of slow downs in parts of industry with reduced hours, redundancies etc. Workload looking ok, with types of work the main focus now to diversify revenue.
- Demand is seriously increasing in the last month and looks to be likely to carry on increasing.
- Crane Hire & transportation - Economy, therefore consumer confidence & spending is low/stuck. It's hard not to feel very negative about the state of our nation & business in NZ. outlook depressing.
- Electrical contractor - More competition from other companies as their workload decreases

Commercial real estate

- Commercial property management - Pressure on cash flows
- The interest rate environment is playing a huge role in financing of real estate. This is having material changes in returns to investors. An easing of bank margins would go a long way to helping with this
- Investors are sitting on their hands, so a lot of developers have mothballed projects. Its going to take a long time to crank up construction again once the economy recovers and investors gain confidence to invest.
- Commercial tenants are finding things tough at the moment. Those with well established businesses are holding there own. Some of those with newer businesses are struggling.
- More commercial tenants defaulting, and legal action resulting in bankruptcy.
- Increase in rental income
- Interest rates are stalling development
- Likelihood of businesses retrenching and/or failing

Education and training

- Slow down in training, slightly lower skills levels reflected in new hires. New hires are hard to obtain with right skills sets and remuneration expectations to skills.
- Uncertainty due to lack of direction from government
- Hesitancy to spend on non-essentials
- We have recently looked at changes that bring our fee structure in line with others, have slightly reduced our training costs and the staff parent discount offered to 20% of our staff. This will have a significant effect on our bottom line. This will be implemented from 1st June 2024. The banking sector are not supportive of this sector.
- It is almost like things have settled down in the ECE sector (if our business is anything to go by) in terms of just getting use to higher interest rates and the broken funding model

(people are pretty good at adapting). However, this could be a fleeting feeling if anything else went wrong or there was any additional bad news/impacts reflecting that the sector is still very vulnerable.

Engineering

- As we are involved mainly in infrastructure project delays in getting projects off the ground is a major concern as we cannot plan around future work
- Architect - perception that construction inflation is decreasing, and debt cost stabilised with reduction sometime. Corporates and govt still working through the tails of committed projects (still some loony govt initiatives in play) and their staff scratching around to make themselves look valuable in the face of likely restructuring. Solid clients still deferring projects so still a way to go - we think it's a great time to get consents so that developers can be first to market when conditions improve.
- High demand for our product from overseas. NZ tech, Engineering and manufacturing of machinery being excellent quality and competitive against US and European competition.
- Big drop off in clients investigating decarbonisation projects, due in large part to new govt ending the GIDI Fund. Expecting an increase later in 2024 in businesses seeking help to comply with new resource consent requirements for moderate size boilers that use fossil fuels.

Farming & farming services

- Dairy Farming is starting to look better in the future. GDT is improving. High interest rates are still a brake in financial progress.
- Cost of supplies still going up significantly
- Lack of customer confidence to spend or invest
- Maintaining profitable returns and managing Cash Flows
- Reduced spending from customers who are using up existing stock rather than purchasing new stock (where possible). We are doing more for less turnover but increasing market share as others bury their heads in the sand.
- Seeing a real lack of certainty and a tendency to react negatively to all government news
- I'm the owner/manager of my orchard and do the majority of the work myself. I use contractors when necessary and have not noticed any issues with availability. I have, in the last 6 months gained part time employment off orchard as cashflow is severely negative. Whilst the crop for the coming season looks good, we are price takers and supply and demand will dictate returns. Long term, 5 years I'm positive about our sector.
- Farming is in a difficult place, as a service operation we are struggling to maintain our business
- Farms are not selling; the market is dead. Capital entry costs are far out of reach for millennials and Gen X'ers.
- The huge capital gains on land and cheap money over the last 2 decades has robbed agriculture of next enthusiastic go-getter generations that the boomer and pensioner aged farmers desperately need to exit.
- With no new blood and capital these guys will be left holding the bag.
- Customers stop spending, stock price has increased sharply, and managing cash flow is difficult.
- Horticulture - Improving levels of confidence as market conditions return to normal (Kiwifruit sector)
- Horticulture / viticulture - All our clients feeling intense cashflow pressures so cutting back on all non-essential spending. Consumers around the world are under intense pressure and this is affecting export demand/ vols/ their pricing power being eroded. It's really tough out there.
- Fewer buyers

Financial advice/wealth management

- Uncertainty in the market with high interest costs, and lowering property values, thereby restricting further borrowing using existing equity (and uncertain future equity growth)
- Uncertainty in most aspects of the business
- Business is steady but that's more to do with illness
- Wait and see approach

Health

- Health & Meditation - My clients are investing in their Health and benefits
- Health sector changing model of primary care. Deluge of elderly with complex and multiple chronic conditions. Cannot afford doctor care model so looking at having multiple people trying to look after a little bit of each person as emergencies arise. Preventative health is out the window unless you are prepared to pay i.e. have health insurance. The equity divide is only going to magnify unless the government chops out the access to private healthcare.
- Uncertainty and anxiety about the direction from the government
- Increase in compliance costs.
- Our staff wages and salaries are too low, but we can't get enough efficiencies and price increases to materially offer better.
- Decrease in revenue, cost savings needed.
- Healthcare equipment supplier - Our sector is doing ok but the government does need to reassess the medical system as it is falling apart. People have long waiting times to be assessed and the hospitals and staff are completely underfunded. The population is growing, and some hospitals are old, small and unsafe.

Information technology

- While the potential market for computer security services should be rising customers are attempting to keep their heads low rather than addressing the need to spend to secure their IT presence.
- New client queries because of dissatisfaction with high existing IT Provider costs.
- Cost cutting, deferring spending, everyone competing for a smaller amount of business.
- Uncertainty. Therefore people not willing to commit to or make decisions.
- Low optimism, uncertainty. Reluctance in spending.
- Our overseas customers (which make up 95% of our business) seem to be planning for the effects of climate change much more proactively than our NZ customers, who are more likely to be in the she'll-be-right camp
- Decrease in demand due to government priorities. Downward pressure on rates and subscriptions.
- Clients are slow to sign off work and spend a lot of time ensuring it is exactly what they need
- Bigger projects harder to get approved, and have to be delivering relatively short-term financial benefits. Customers breaking projects into smaller stages to keep momentum going but without taking on too much risk.
- Cost of living impact on staff, making the need for higher income greater to offset
- We work with large companies that are impacted directly or indirectly by climate regulation. There is a lot going on and growing well, but wary of client financial challenges and governmental deprioritisation.
- De ja vu of the late 1980's

Insurance

- Uncertainty and affordability
- Retention is the main concern. Finding willing new clients who want Risk Insurance are few and far between.

Legal

- Property sales declining
- In legal (litigation) workload increases to navigate disputes, relationship breakdowns etc. Workloads are already overwhelming, the wait time for clients gets longer.

Manufacturing (all categories)

- Building material supplies / frame and truss manufacturing - Whilst the Government are making rapid changes accepted for the good of the economy business investment is hesitant waiting for more certainty.
- We have the "double hit phenomena" - low volumes & low margins - caused by market behaviour changes as competitors try to retain volumes by dropping price.
- Increasing input cost in relation to ingredients and packaging will require price increases that may test the price-elasticity point of our brand/product offerings
- There is no consistency between competitors, and some are winning, and others are losing, it is all over the place with no real reason for the variations.
- Lack of demand
- The wine industry is very challenging for everyone
- Uncertainty, tightening of market and business are looking to cut costs where they can.
- We've seen a slowing of enquiries and conversion of sales in the last three months. The value of forward quoted work is lower than the same time last year. Customers are more price conscious and shopping around more to ensure they are getting good value for money
- Very very weak demand currently - lack of investment from private sector compounded by govt spending cuts.
- We are dependent on the residential building market. The quantity of new builds and upgrades has reduced in the last year, and I can see no immediate improvement. what work that's around is fiscally completed for and very slim on margins.
- Procrastination
- Consistent demand for basic items. Customers negotiating harder for price reductions
- Electricity prices, Council charges, Insurance all hurting. Cannot raise prices and still need to give some wage increases though less than inflation. All squeeze margins but we are having some success in finding efficiencies and waste after years of plenty. The business feels stable after a year of uncertainty.
- Is a real challenge manufacturing for the NZ/AU construction market currently. Sales team has been very proactive and smashing their numbers which is the only reason we've kept afloat. Had to take a more innovative approach into new industries to help mitigate the revenue loss which resulted in us level pegging with last year. We should see some growth this year but only because we've outworked the competition and diversified our range. Will be challenging year ahead but potentially green shoots showing for 2025 or 26.
- Lack of sales
- Manufacturing NZ: Increased competition and a willingness by the competition to seek a lift in market share by reducing price...they should be putting the prices up not pulling the market down!
- Our clients are all forecasting reduced sales, which means that feeds back to less sales for us.

- Tied to residential building sector so seeing a softening in market. Still opportunities present themselves. Tightening belt around all spending and chasing harder for customers. Expecting market to get worse this year before it eventually turns. Will find it tough to keep current staff levels if market drops another 10%. With planned activity we are hoping to remain even in regard to turnover by increasing customer base and hunting harder for sales.
- Lack of demand, and failure by people to commit to following up with placing orders.
- No one buying boats, new or second hand, OCR has dried up all the spare cash
- All of our customers and suppliers are having cash flow problems.

Miscellaneous

- Aluminium louvre supply/install - Not easy out there, working harder to convert quotes to jobs.
- Aviation - A lack of experience in areas. Fuel costs are increasing. Supply chain is crushing our business with multiple machinery defects.
- Beauty - Staff concern
- Commercial & Residential property services - Margins are squeezed with full recovery of input price increases impossible. Customer buying intentions have generally decreased.
- Distribution - Deteriorating business environment.
- Energy - Slow down of jobs & spending
- Exterior cleaning - Enquiries are fewer but ok with reoccurring workflow, will be interesting to see how winter goes for smaller firms/one man band with less contracts in place.
- Miscellaneous - Lack of consistency in demand. Households with less money to spend.
- Nit for profit - MSD have just pulled their funding for charities that provide free Financial advocacy, when the economy is dire
- Personal services - Demand has dropped as discretionary income has dropped and customers are lengthening the time between visits. Aiming to decrease stock levels and not add new ones as the NZ dollar is too low and buying in niche products from the USA is a 40% price differential before you even consider shipping and taxes. We've dropped bookings for events that are expensive in favour of local events that have more reasonable stallholder fees. We are also working to build and strengthen relationships with related local providers so we can cross-refer to each other and support one another.
- Petcare - Demand for our services is driven by clients' holiday plans - our clients are generally well-heeled but have been taking noticeably shorter and fewer trips in the last few months.
- Retirement Village - Retirement Village sales are in the main dependent on house sales, and currently, houses are staying on the market for longer periods and taking more time to settle. We have noticed that prospective residents are showing interest in signing up but are unable to proceed with settling due to their inability to fund the move caused by their unsold houses.

Mortgage broking/advisory

- A lot of wait and see both on house prices and where interest rates are going. Failure to commit - reminds me of my twenties
- The cost of doing business has increased significantly without income levels increasing at this point
- Fiscal policy is feeling hawkish, with government sector downsizing fuelling fears of job losses NZ-wide. Wage inflation has stopped dead in its tracks. Many businesses are in survival mode, but can see the light at the end of the tunnel from responsible government and falling interest rates as the year progresses.
- Clients are being impacted by negative media reports and are stepping back due to concerns over job security.
- Interest rates, quality and pricing of homes on the market, funding rules by the bank DTI ratio coming into play, cost of living - all holding clients back from purchasing making changes to their home, upgrading, buying investment properties etc.

Motor vehicle sales/parts

- Consumer and business spending reluctance partly driven by constant negative sentiment from traditional media outlets.
- Customers stopped servicing vehicles
- Overheads are too high, sales low. Finding the sustainable model is the challenge, and I've been in business 22 years
- Hard times ahead. I'm in parts, which is quite consistent, but the vehicle sales side is taking a beating, and when the pointy end gets tight, parts get the squeeze... Can't see vehicle sales showing any kind of growth until interest rates fall and house prices start to rise, going to be a very rough couple of years still
- B2B Sales are ok, but the retail side of the business is very quiet, and even workshop demand in quieter than usual.
- Supplier RRP staying the same, but my buy price is increasing. Some suppliers are slow in restocking us due to supply chain issues.

Property valuation

- Less demand and turnover due to uncertainty in the property market and surplus listings

- Demand is tempered by relatively high interest rates and concerns over employment stability in particular.

Recruitment

- Lack of confidence in the market. General acceptance that the rest of the year is going to be very challenging.
- Government staff reductions having significant negative impact on business confidence in Wellington. Seems to be the "easy out" as opposed to addressing actual productivity, structure, systems etc.
- High saturation of candidates on the market, little to no jobs for them. Employers are putting a hold on recruiting and reducing recruitment spend. General risk aversion to hiring right now. Only receptive to hiring highly experienced / senior people with ability to bring work/clients/IP etc. Far less receptiveness to junior - intermediate level people.
- We're seeing very high level of younger professionals leaving for Australia (more than I've ever seen) in the last 6.5 years recruiting in NZ. We're not seeing the same numbers of kiwi's returning back to NZ, citing better economic opportunities overseas, and setting up for good in Aussie.
- Uncertainty from clients on volume of spend, local government policies, housing affordability
- Lack of government commitment to election promises. It's having an effect on the wider market.
- Recruitment is definitely feeling the pinch, employers have more choice, rely on us less, and when they do, they are more critical in their hiring, conscious of the economy, offering less and being less flexible. Employees/job seekers have little/no options and unfortunately have higher salary expectations than before due to inflation, which is not aligned with what employers are looking to offer.

Residential construction incl. section development

- Import-wholesale residential - 1st Q was a slower start than last year, ETA for shipping now 6 months, expecting from 3rdQ increase in sales.
- Interest rates are stifling the residential construction market. However we note that NZ still has a major housing shortage, so we expect it to pick up relatively quickly once interest rates start to drop
- The residential market remains soft. The residential construction market will be a while from recovery , once we see interest rates fall, Govt changes start taking effect on the wider economy as it starts to grow, and consumer confidence increases hopefully we see a bounce back.
- Declining volume of new homes being built/consented is impacting our workload (Consulting Engineering - Geotechnical, Civil & Environmental)
- Residential construction projects are on hold because of funding scarcity. Builders are cold-calling asking if any jobs are available.
- No new housing and decreased government work
- High interest rates are significantly affecting inquiry for larger renovation projects. Inquiries are now really only bathroom upgrades and maintenance/repair work with very tight budgets which makes 'keeping the lights on' much, much harder. Builder only social media pages are littered with builders looking for work because they have either been made redundant or their own pipeline of work has dried up. It's going to be a very long, dark winter for most of us in the residential building industry.
- Uncertainty, construction work drying up becoming more competitive and a bigger race to the bottom.
- It's very quiet, enquiries have reduced, and acceptance of quotes is slow.
- Lack of customer and people wanting quotes for work but not committing to purchase
- An overall reduction in government spending is impacting our typically consistent project deliverables. We are finding apprehension with residential spending and key private contracts are being put on hold.
- Unfortunately this has resulted in recent redundancies and a 'cover costs' approach while this change is navigated. We are using this time to improve process through investment in technology and reduce lost time with a focus on staff wellbeing.
- Enquiry for new builds has mostly stalled for months, everyone remaining positive that interest rates will keep coming down and we'll be able to get more builds soon
- Slow down, finishing projects off then changing tact until the market picks up
- The market is tanking - interest rate increases have been too severe. Very very disheartening and it makes no sense to tip the construction sector over.
- Very low demand with lots of competition. I think the next 6-12 months will see a lot of firms going out of business
- The trades are getting more reasonable to work with again. It's slowly going back to pre-covid times with trades actually giving quotes again and being more professional with their attitudes to the jobs.
- Cost to build is too expensive, land prices are a big part of that aswell as labour cost. Lack of interest for people to spend money in our sector. No real capital gain currently
- Planning on a longer slow down in construction/building
- More positivity around residential builds
- Lack of good staff. Decreasing availability of land to build new houses
- New house building is stalling
- More competition coming in from out of town, reduced demand in construction sector
- As more building companies fall over, customers become more cautious and therefore less are likely to purchase, Auckland land still overpriced compared to other areas, and hasn't come down to meet today's market,

- High interest rates and difficulty in finance still a problem for the first home or home. Buyers in the $900k -1.2mil range which is most properties north of Auckland and between kaiwaka.
- There are still people will money and high-end projects they want to do. Customers are being more selective with who they engage with the failure of a few businesses. Leads have decreased, but quality of leads is good with realistic expectations of the cost of projects.
- Queenstown construction going strong still, labour still hard to find and staff needing higher wages for cost of living.
- Economy slowing leading to reduced confidence and increased procrastination. Reluctance to make investment decisions due to cost of capital and market uncertainty. Still seems to be plenty of big private money around for the right opportunities.

Residential real estate

- Lack of listings and lack of buyers
- Major lack of confidence to purchase
- Not enough turnover of stock, treading water but it will recover, so carrying on. Fingers crossed Spring/Summer brings hope and the wheel starts turning at a faster rate.
- Lack of sales across the board, increase listings but purchasers delaying putting offers in and become extremely picky in general
- A large pull back on purchasing. The market is flooded with stock. Banks stress test is high. interest rates are high.
- As a real estate agent, I am seeing a lot of listings being withdrawn, some within only 4 or 5 weeks of been on the market. It's not because there are no buyers but because owners are unable to obtain the price that they believe their property to be worth.
- Nervousness to commit. Focused on getting through to next year.
- Recruitment of good agents is hard. Compliance issues are getting more expensive and law changes are pushing up already high PI Insurance premiums
- Client confidence is very low, and buyers are not in a hurry to engage
- Uncertainty in jobs due to redundancies, high interest rates causing financial strain, houses worth less now than 3 months ago, a lot of deals with conditions falling over builders subject to sell
- Buyer resistance
- The reluctance by banks to process loans in a timely manner. We are seeing 15 working days for finance pushed out to 21 working days (usually on day 13 the bank request this extension). No urgency by buyers to decide on making offers and vendors being obstinate about what their property is worth - just normal real estate issues
- Purchasers are confused due to amount of choice, and conflicting media stories. Lending criteria is causing hesitancy & sellers still unrealistic.
- Buyers are very low in numbers and are offering very low prices, it is a buyer's market,
- Fall off of enquiry
- Clients are becoming very weary of their own situation and hearing of redundancies around the place now means most people are not willing to take risks buying more property and would rather batten down the hatches. This is not good for a trading business.
- $$ are hard to find. Lending from the banks is tougher
- Buyers are waiting for bargains
- Buyers are becoming scarce and have no urgency to purchase.

Residential rentals/Investment

- Poor demand for rentals
- Maintaining current clients at our current margins.
- Significant input cost increases, particularly, council rates, insurance premiums, interest and building maintenance, are forcing us to pass these costs on to our tenants in the form of rent increases.
- For us its the cost on business of ever increasing regulations and increasing costs.(insurance e.g.)
- Increase in Mortgage sales.
- As a landlord, the extremely fast rising costs from every angle over last 3 years have outpaced fair rent rises. We have hard choices to make if interest rates don't fall soon
- Farming input costs rising. Reduced stock sale prices.
- Lack of affordability
- As a property investor, having to use second tier lenders to get funding.
- As an accommodation provider tenants stable at present.

Retailing

- FMCG Wholesalers - Consumer spending being down, leads to a lack of sell in from the wholesaler/supplier. On a daily basis seeing and interacting with customers who are
- reducing sales staff hours (minimum hrs only). Adding in sell through support (via supplier). Full of fear and lack of preparation for the bust which follows a boom
- Lack of customer demand.
- Ongoing economic pressure on households leading to focus on needs and deferral of wants. Increasing concern on retail crime becoming more prevalent and more blatant.
- People are not spending even if they have the money, fearful of what is ahead, heeding calls to stop spending, not even coming in. More returns from online store clothing purchases, things have to be perfect, lots of people thinking about things before buying, not coming back to complete a purchase, hard work to sell, no one is free with their money. Price increases from suppliers are still common and we have to decide can we absorb or do we pass on.

- More and more levies being imposed on us.
- SME down-spending, longer invoice to cash cycle becoming evident, customers shopping around more, slower pace of converting enquiries to orders.
- Reduced customer demand as a result of high interest rates not dropping
- Public customers are definitely tightening their belts; whether it is due to personal changes or sensationalising by the media everyone seems dubious about spending money
- Significant decline in discretionary spending by customers driven through cost of living, high interest rates and uncertainty as to when the economic environment is going to improve
- I'm in retail. People are coming in and trying stuff on then going out to find items for cheaper. Many take photos of the labels we stock and then try and find them elsewhere. Also customers seem lonely. We have found they are venting to staff about how difficult life is currently, the cost of living, and using us as unpaid counsellors.
- Soft retail sales environment. Customers reducing basket size and overall spend.
- Reports are consistent that the jewellery market is soft with a lack of demand, and some stressed out suppliers.
- Costs are getting higher; won't be able to increase retail price much. Employment laws are too heavy for business. Will cut business size to reduce staff, reduce risk. Or maybe close down.
- Revenue from international tourism continues to be strong, even in the shoulder season. Currently posting all time record revenues & improving gross margins. Year end March revenues 26% above previous high - a remarkable recovery from parlous covid-era numbers. Investing increased funds in upgrading product offerings & store presentation.
- Hardware Retail is a tale of two halves, toughest conditions in "retail", fighting for 1% growth, "trade" going strong in some regions still, and better overall.
- Wholesale fruit and veg - The value of the product has crashed yr on yr but all running costs have increased

Shipping, transport, storage & distribution

- A lot of debt and interest to pay down but not enough work to get the profits needed. will be a challenging year for most businesses.
- Demand is tight. Customers buy what they consider essentials - sales in other areas have plummeted. Have to keep hold on costs as much as possible to keep profitable. Inventory levels are being managed down to fit the new normal sales levels.
- Prolonged Stress from Covid, staffing issues and inflation/ interest rates . This is creating Cashflow and profitability concerns. Many business loans are tied in with their mortgages. If one goes down the other goes with it!
- Divergence of regulators and legislations, having no common goal and entities running in their own direction to the detriment of the industry/sector as a whole
- Drivers are approaching me about driving jobs now.
- Wholesale/Distribution. Its very quiet. Demand way down, mostly just the necessities ticking away. It seems people are waiting for something to happen. Redundancies at other businesses in our industry are ramping up as they have for the past 18 months. We have excessive staffing for these business levels, and have to find ways to use that time. A good time to work on improving processes and building maintenance for now - wouldn't want it to get much worse.
- A marked change in customer demand. Moving away from value drivers (eh sustainability) and towards lower cost alternatives.
- Business as usual. Good staff are becoming harder to find
- Demand is uncertain as people await the budget to be released, once we have that businesses will plan for the coming months.
- Transport - Stagnation. When roading & infrastructure projects are quiet.

Tourism & accommodation

- Prices of everything increased. Unable to increase prices because customers not prepared to pay more. Less bookings and income = a perfect storm!
- The slowdown in the Economy is biting and also with high Interest rates the next 12 months will be tough
- Business is markedly down in the last three months, like 60pct down.
- Still challenging to find experienced staff, this has been constant for the last couple of years post-COVID. Travel lost a lot of experienced staff who pivoted, and dont wish to return to the travel industry.

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

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