Mint Design

Mint Business Insights

With **Tony Alexander**

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Investment and stock levels being reduced by NZ businesses

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 30,000 people on my Tony's View subscribers list inviting recipients to give insights into what is happening in their business sectors at the moment. 325 people replied from a wide variety of sectors. 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.

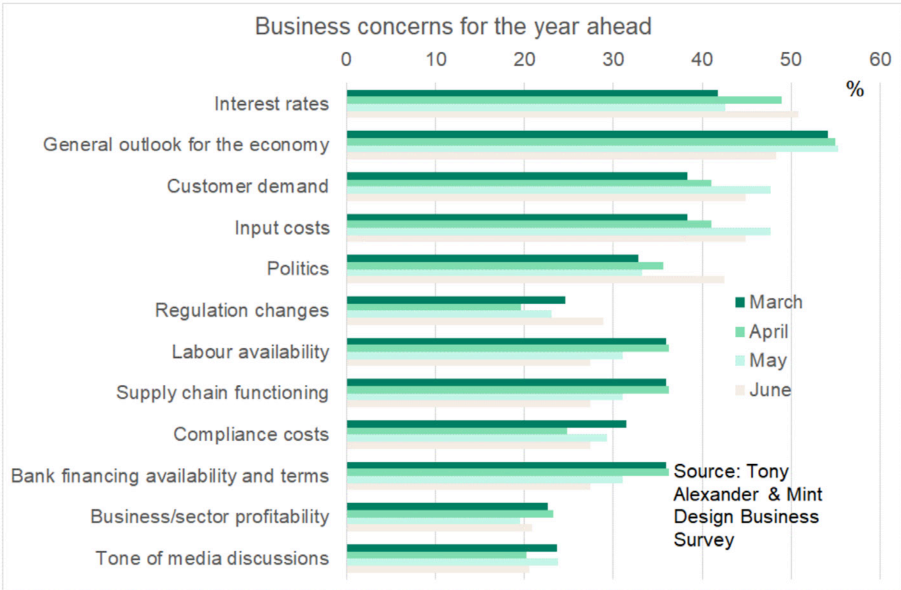
This month businesses reported that staff are still hard to find. Deep concern was expressed by many about the current government's relationship with the business sector and many businesses noted the outlook for themselves and their clients being on hold until the election outcome is known. Few people noted concern about supply chains, and cost pressures were also mentioned less frequently than in previous months though plans to raise prices have lifted.

Tony Alexander
Independent Economist

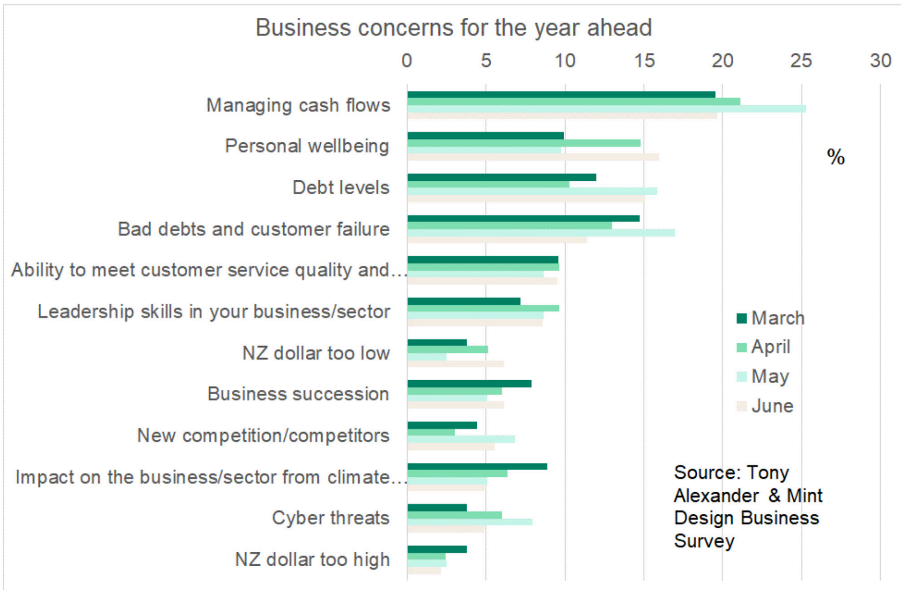
What concerns you most for the year ahead?

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. This month's results are the very light grey bars, May is light teal, April is light green and March dark green.

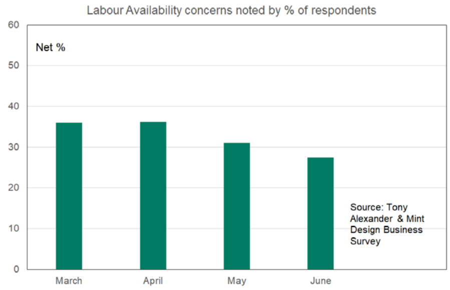
The biggest concern is the level of interest rates followed by the general state of the economy. Concerns about politics have noticeably increased this month as have worries about regulations and interest rates.

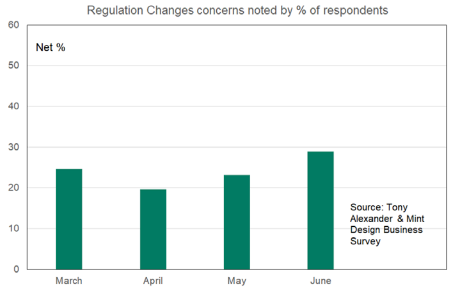


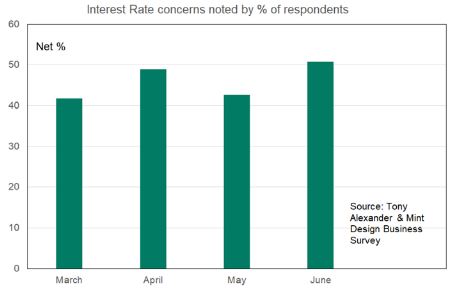
At the other end of the spectrum of concerns we have the following graph of least concerns. There remain few worries about the level of the NZ dollar being too high. But worries about it being too slow are trending upward.

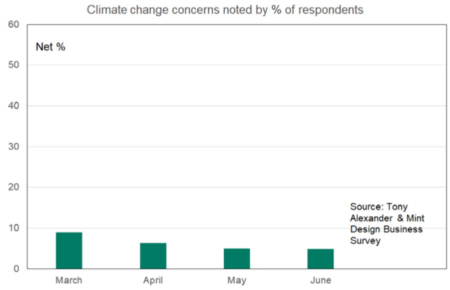


With the two above graphs starting to get harder to read now that our survey has been running for four months, we will start to introduce individual graphs of key concerns in the following format and then simplify the two main graphs.



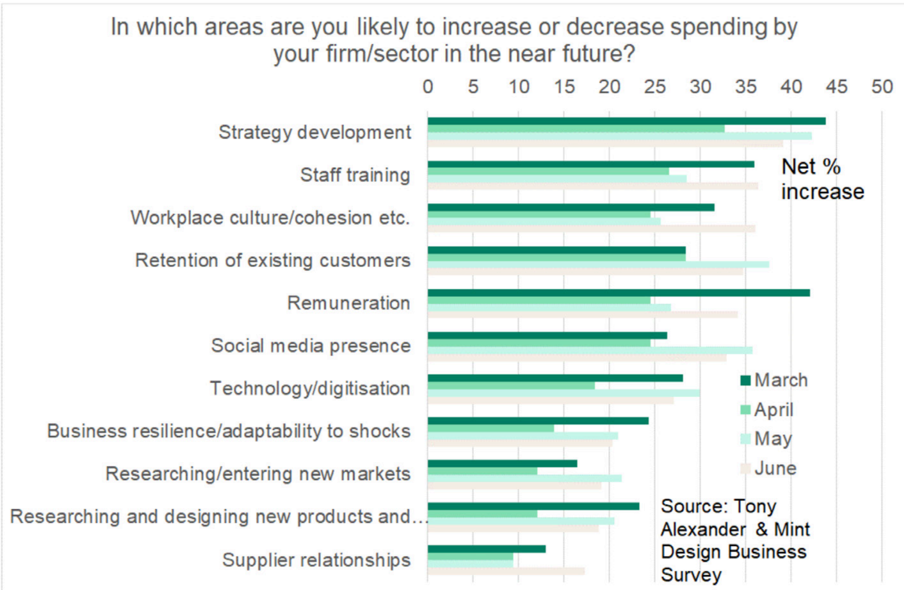




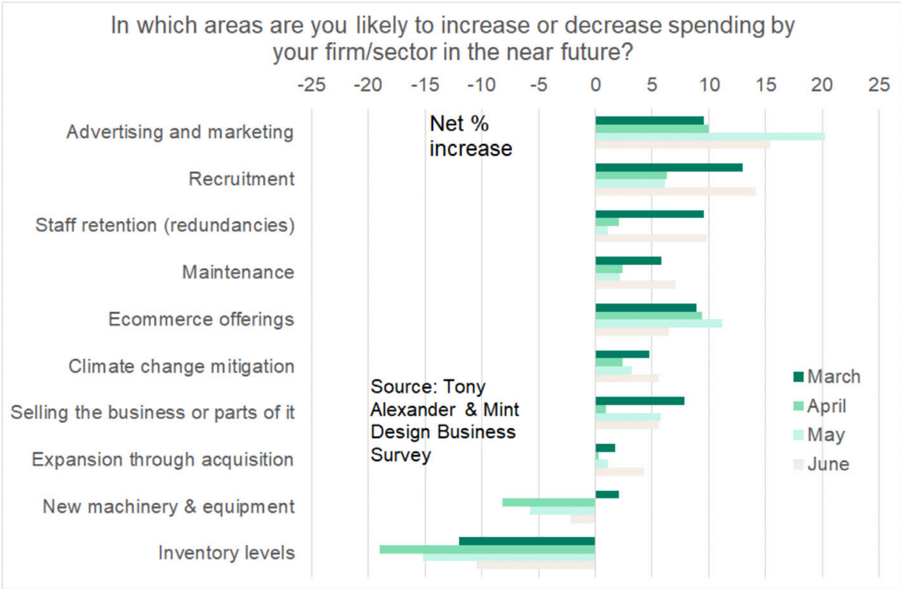


In which areas are you likely to increase or decrease spending by your firm/sector in the near future?

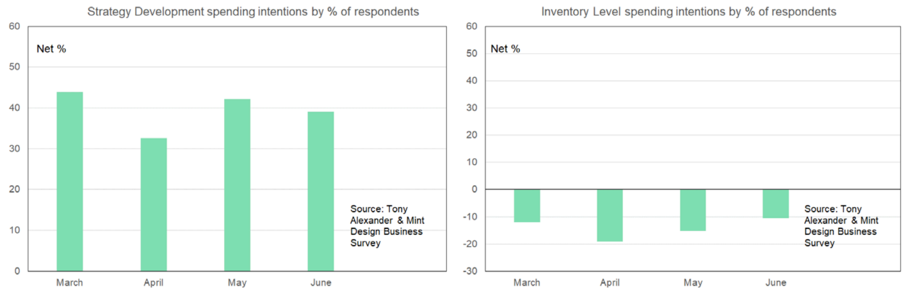
Our second main question is addressed at identifying where businesses are going to allocate their scarce funds in the coming year. As above, we split the results across two graphs starting with areas where most businesses plan greater allocation of resources. The top area of planned spending increase remains Strategy Development, followed closely by Staff Training, Workplace Culture, and Retention of Customers.



This next graph shows the areas of lesser planned spending increases. Cutbacks are still planned for what must surely be much needed machinery and equipment (to boost labour productivity), along with inventory levels. It is likely that the high degree of hoarding of scarce staff during this period of economic challenge is causing businesses to seek cost savings to a greater than usual degree in these other two discretionary areas.

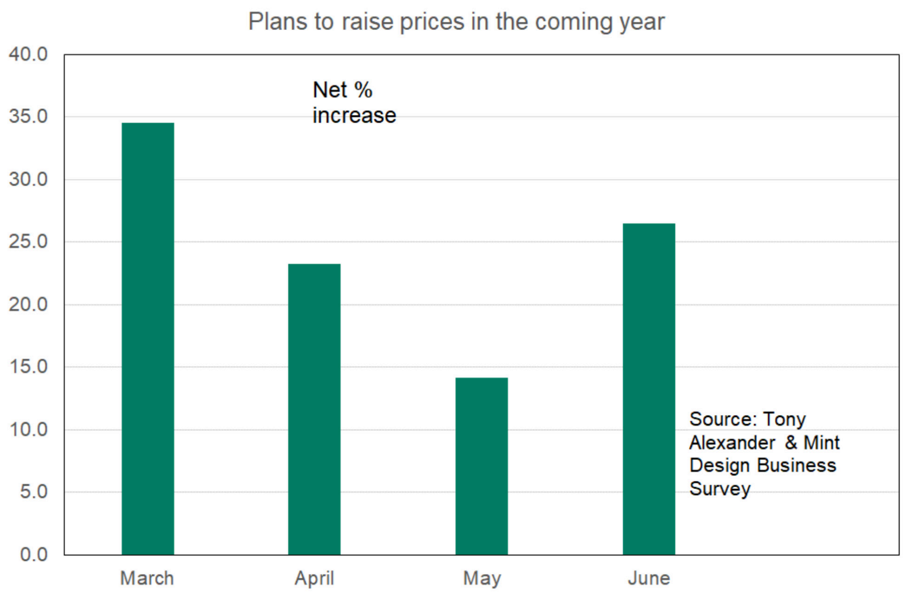


As is the case for our initial analysis of business concerns, the two graphs we use for intended areas of higher spending are now getting messy. From next month a shift to an alternative format will be undertaken.



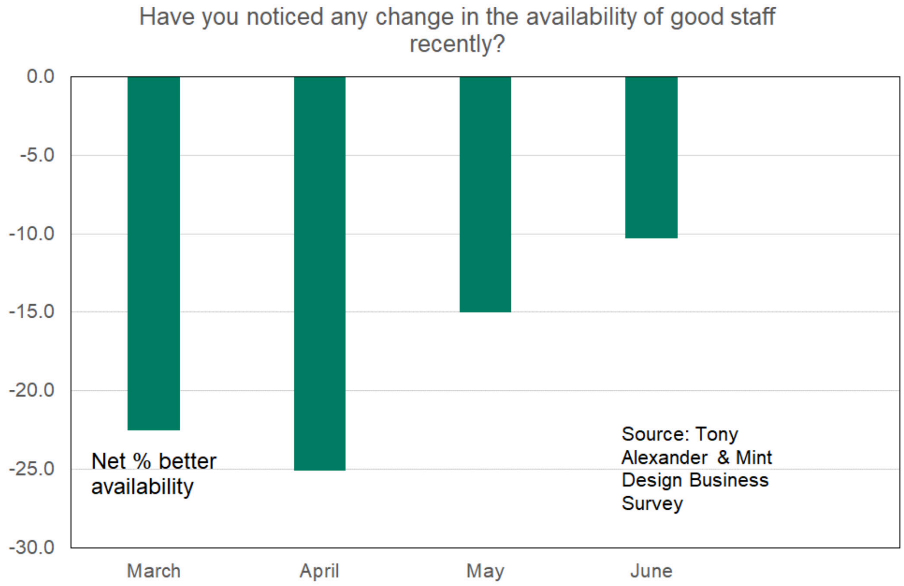
Are you planning on increasing your prices for any of your products or services this year?

This month there has been a bounce up in the net proportion of respondents planning to raise their selling prices, to 27% from just 15% last month. The result challenges the view that pricing pressures are trending downward, or at least that they are trending downward at a comfortable pace. Any easing of monetary policy in New Zealand is likely to be some time from now.



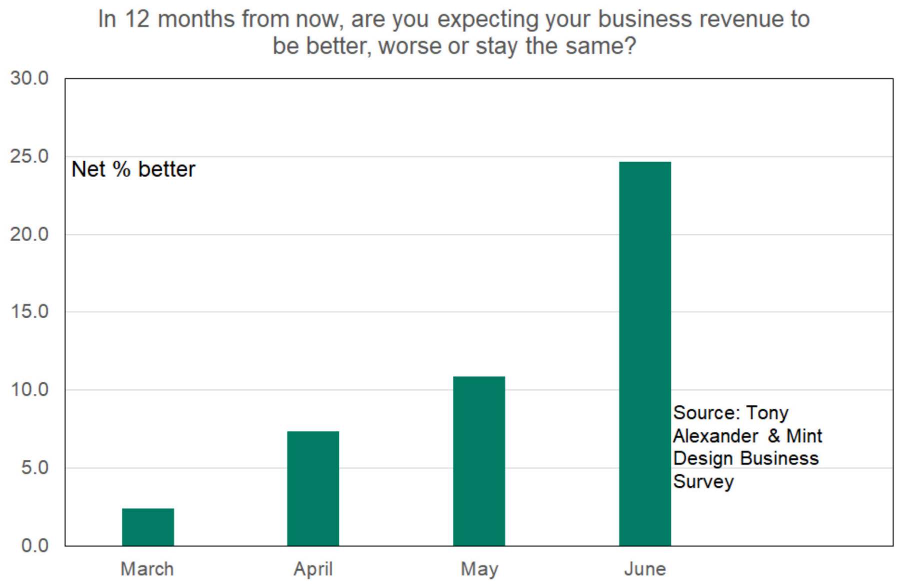
Have you noticed any change in the availability of good staff recently?

Perhaps assisted by the migration boom, businesses are slowly expressing decreasing concern about finding the staff they want. Still, a net 10% say that staff remain difficult to source. There are many implications of the continued tight state of the labour market. The extent to which consumers rein in spending on goods and services will be more than usually constrained because of high feelings of job security.



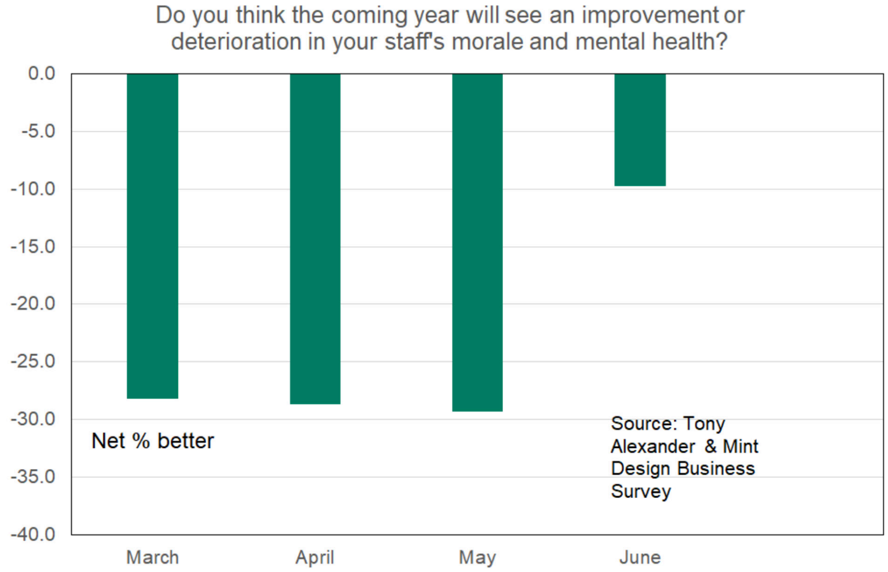
In 12 months from now, are you expecting your business revenue to be better, worse or stay the same?

Businesses are deeply concerned about the economy, interest rates, politics, and customer flows. But they nonetheless expect that things will be better in a year's time and those feelings of improvement have risen in each of our most recent three surveys.



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

A net 10% of our survey respondents are of the view that staff morale will worsen over the coming year. But this is the least pessimistic outlook for this important consideration in the four months during which our survey has been run.



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.

1. Many respondents expressed extreme discontent with government policies and attitudes. More comments on this issue were supplied than are reproduced here.
2. Some comments were made about business owners and staff shifting to Australia, but not an overwhelming number.
3. Construction activity is weakening off – principally residential but commercial also with projects on hold awaiting the election outcome.
4. Retail spending is being reined in by consumers.
5. Staff shortages are still prevalent with only slight improvements in some sectors.
6. This month far fewer comments than before were made about supply chain and cost issues.

Accounting & business advisory services incl. business broking

- Businesses struggling as customers stop spending and new employees struggle to find accommodation in smaller towns.
- Clients are getting less committed and unsure about the market sentiments.
- Sales static, rising costs, wages rising, interest costs rising, margin and profit squeezed.
- Availability to meet clients
- Reduced demand for services

Advertising & marketing

- Staff morale seems to be low as they feel they are working really hard but still can't seem to get ahead due to the current economic situation. We have had 2 young team members leave to head overseas recently as they see the grass as being greener over there.
- Less demand in construction sector - especially residential.
- Seems to be some green shoots spouting in the shorter term, but we are focused on longer term transformational projects and have backing to continue to invest in those projects for the longer term, while the BAU remains challenged
- Reduced advertising due to winter.
- Revenue is very challenged.

Architecture

- Job enquiry is nil the last 6+ months. Greater north island before the Napier and Coromandel floods was on a wind down due to 2+ booming years where double the number of consents were done than what could be built. (ignore supply of material problems). we lost a lot of work on the books due to floods. Starting to see evidence that it is creeping into the south island. (builders are saying they need work as getting quiet) which has held up very well until now. North island Waikato it started tapering off Feb '22). cyclical pattern. I would describe current market conditions as tough, about to get tougher, and monthly fixed costs > monthly income. i.e. not sustainable. Living off equity.

Banking & Finance generally

- Some softness in revenues and continued cost pressure. Revenues now stabilising but certain costs are creeping. We are now starting to push back harder on any supplier/ provider price increases.
- Poor quality of applicants seeking funding. Highly geared with some in desperate situations

Cafes, bars, and restaurants

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- Sales very soft despite a lot of marketing.
- Compliance costs going up

Civil construction/infrastructure

- Reduced spending around the country on construction and infrastructure which impacts our sales.
- We are noticing heavy spending on government infrastructure and very little in residential. Our focus in the next 6 months is on what we are good at, and do it extremely well.
- Downturn in work in the residential land development sector. Upturn in work due to recent disasters
- Conservative house builds, renovations. Slow down of new home buyers.

Commercial construction

- Currently too busy with not enough staff available. However it is more the tail end of meeting the pent up demand. The govt created headwinds from over regulation (needless, punitive and ill advised to be more precise) is making projections look far less positive. Less important is who gets in in Oct as opposed to just getting a more common sense and business focused approach.
- Things do seem slightly more positive for the period after the next 6 months but still need to get through the next 6 months.
- Diversification to spread risk of construction downturn.

- Many projects are on hold with the election coming. Most decision makers seem to want a change in govt, but they may just be disappointed and if they are, I suspect building will fall off a cliff.
- Lack of skilled contractors with good supervision
- Lack of financial and general direction from central government. Not enough trained staff and over the top bureaucrats meddling in business to justify their jobs.
- Supply chain issues from overseas, still hard to source materials & equipment, long lead times. Quality staff with experience are hard to find and retain.
- Uncertainty and Australia seems to be a much better option. Staff demanding increases as inflation is killing us all slowly.
- Demand has dropped significantly, and more projects are being put on hold due to cost escalations or concerns about revenue expectations and cost of financing.

Commercial real estate

- Some retail tenants just not pulling through.
- Investors are nervous and are waiting to see what happens at the election and the economy. Many developers have pulled back from purchasing land for pipeline development with enough property on their books that they are having trouble moving. Banks are still playing hard ball with funding for Commercial property tight.
- Negative outlook and expectation of worsening business climate
- Commercial property turnover is at a stalemate at the moment because sellers want last years prices and buyers want a bargain.
- We are starting a new business, so the outlook is mostly positive, however the approach is one of patience in the CRE investment space to see how the economy fairs in the aftermath of what has been a turbulent 18 months.

Education and training

- I'm seeing big demands for wage increases, with little offer of increased output. It is driving a big push for automation as a strategic objective, so as to remove some demand for labour, as well as to alleviate some of their bargaining power. This would help us preserve our position as marginally profitable, it would not be for the enhancement of profit.
- Our industry was one of those hit hard by border closures. As soon as students were able, they started to return. Visa approvals are up significantly. Interest from all our key markets is increasing, and there is opportunity to develop new markets. Returning to pre-covid levels was expected to take until 2030, but this seems a conservative estimate. The outlook is very positive.
- Educational work class is getting stronger to face inflation and possible changes that are coming soon, like climate change and new technology, not counting uncertainties relate to humankind issues, like conflicts and pandemics crises.

Energy

- Increasing base costs, staff movements

Engineering

- A decrease in workflow from our regular customers.
- Uncertainty regarding three waters reforms. It would be good to have more info out to the market about each of the 10 entities now.
- Engineering consultancy - Still very busy and possibly picking up steam after a bit of a lull of new work in the last few months. Even some new residential developments
- Reduced demand
- Trying not to read too much into the news, at the moment my business is steady, and I intend to work to business as usual until I see changes in the market that affect me
- Staff shortages, higher labour hourly rates offered
- Reduction in productivity due to staff experience, compliance costs and motivation
- Lack of resourcing to deliver on client expectations, staff wellbeing

Entertainment

- I work in the Film and Television industry. I have strong concerns over the reduced pipeline of International Screen production due to US labour actions such as the US Writers strike, and due to a relatively uncompetitive NZ film incentive. The recent review of the incentive by MBIE/MCH has not resulted in a competitive incentive compared to other filming destinations such as Europe, Canada and most notably Australia. 23,000 NZ industry jobs and $3.5 billion of annual contribution to GDP are at stake.
- Ability to recruit staff and retain and increase client base.

Farming & farming services

- General pessimism over farm gate returns and higher debt servicing, both of which means it's harder to generate profit. Neighbour who leases farm hasn't seen rising interest rates before and is exiting industry as he can't turn a profit with higher debt servicing and doesn't have land ownership to (a) derive capital gain at some point (b) keep his debt servicing costs low.
- Our export business is strong, with customers accepting of pressure to improve pricing. However, the domestic business is not so good, with customers slow to pay accounts and suppliers putting their prices up, with our largest supplier putting his up 25%.
- With the rising production costs and cost of labour and interest rates combined with a forecast drop in the milk price for the 23/24 dairy season and likely beyond it will make the coming few years hard for dairy farmers
- Farming has been hit by a double whammy. Interest rates doubling and product prices dropping. The cost of doing business has gone up significantly as all our suppliers have passed on the costs to us so we are getting squeezed from

both directions. Our budgets for 23-24 season have had to be cut right back and no new development will be done.

- Our dairy farm clients are struggling with multiple challenges of rising interest cost, rising farm input costs, declining milk income, staffing challenge and unrealistic regulatory pressure, an unenviable position!
- Cost of production from our suppliers has increased significantly meaning we are required to sell those products at higher prices. Margins are being squeezed through competition and subdued consumer spending/demand
- All costs are increasing, some substantially while traditional markets are depressed by cheap international competitors and import protectionism is also gaining traction

Financial advice/wealth management

- House prices stabilising, but interest deductibility rules have a lot of clients hanging on for the election.
- Less consents means less projects to fund. Biggest risk is this anti business government.
- Improvement in business and private sector.
- Hesitant introduction of first home buyers to the property market, lots of give and take from the banks, hardship, panic and worry amongst homeowners having to refix on higher rates with the aftermath of the cyclone.

Forestry

- Lack of growth in the Chinese construction/ economy that we supply 60% of our NZ raw logs to meaning the price of our product is reducing by the day.

Health

- Additional positions being created to fill needs
- I am still fully booked. As clients have finished with my services, I have had new clients reach out for my services. But even saying that, I still feel concerned about people being able to afford my services ongoing with the interest rates high, inflation, goods so expensive, so this feels like constantly being a bit on edge. I would adjust my fees accordingly to make sure clients can afford my services and so that I keep steady income.
- I have decided to open new premises (on a couple of days a week) to be more centrally accessible to the city, so it is less travel for my city-side clients. This is more expense on my business but ultimately helpful to keep my client base humming.
- Skilled staff shortage (doctors, general practice).
- Low morale due to wages, cost of living etc.
- Supplier of medicines. Fragmentation within the health sector. Impact of health reforms, and staff shortages i.e. doctors, nurses, pharmacists.

Horticulture

- Cost increases are putting pressure on margins, which is in turn putting pressure on banking facilities.
- A tough couple of years, but there is a reasonable level of resilience in our sector. Expect to be back to full capacity 2024 onwards so feeling positive once we clear this year.

Information technology

- Uncertainty in the government sector due to the upcoming election.
- Staff fatigue setting in, delinquencies are rising - not bad yet but rising
- Cost of living is biting but we can't increase our prices as people can't afford to pay, there's the conundrum
- Genuine concern over Labour retaining power, with Greens and Maori party. Potential local investors we are working with for a capital raise are suggesting with a level of seriousness that they will leave New Zealand should this happen.
- The ability to attract qualified staff and on a positive note a lot of our SMB partners are extremely busy to the point of not taking on new customers due to capacity, despite the economic commentary we hear from the mainstream media.
- Tightening of belts still going on.
- Upward pressure on salaries with challenge to pass on these costs to our customers. Intermediate candidates demanding senior level salaries with no evidence to support request. Resistance to return to office working.
- We're a growing online business with presence in the USA where we have just won a large enterprise customer. We invested in people ahead of the win and we're looking forward and watching closely the timing for revenue growing and currently running a sinking lid for staff.

Insurance

- High voluntary turnover means constant recruitment & investment in product training and real pressure on customer service levels. We are still struggling to get staff back into the office for a suggested 2 days a week (Auckland commuting issues are blamed).
- Increasing premium prices and certain risks becoming much harder place
- Stress as clients are needing funds for their business & their expectations aren't informed.
- Insurance market for commercial property is tight, with little competition due to rising costs of insurers reinsurance, especially for Wellington. Premiums will continue to rise in response to Auckland floods and cyclone impact. Good for our business but not for clients.
- We are witnessing a significant retrenching of capital on a global scale which is shrinking supply of reinsurance capacity and forcing unprecedented pricing increases which unfortunately will end up hammering the end customer.

Legal

- Uncertainty due to changing political policies. Even the opposition are flip-flopping so it is unclear what the future holds.
- Massive budget pressures. Reduce spend on nonessential items. Uncertainty with technology developments (AI). Professional staff shortage.

Manufacturing (all categories)

- Supply / regulatory issues that are completely unforeseeable and that just happen to affect competitor products and not ours. Struggling to keep up manufacturing to meet the resulting demand. Also seeing demand start to slow in certain segments where spend is more discretionary.
- There is a slow down in customer demand, forecast sales are starting to drop off in single percentage terms but a drop off. Election time will 'stall' all purchasing decisions by key large customers. There is a lack of confidence going beyond about September this year.
- Customers are finishing their destocking and we have stabilised at about 80% of the pandemic boom. Staff is very hard to find still, we look like we are close to the bottom.
- We are still finding it very difficult to recruit skilled staff, there are none available in New Zealand and recruiting offshore is still a nightmare
- Slowing construction sector demand.
- Manufacturing for construction ind. residential demand is poor.
- Overall outlook is good, although local sales have become harder to close, particularly in the construction sector for smaller operations, who seem to be feeling the pinch more than anyone. There's still big govt contracts to be got, as well as endless and ever growing opportunities overseas.
- Slowdown in unit demand for those supplying products to businesses is steeper than many are acknowledging, as it is being masked by the price increases that have been widely implemented over the past 12 - 24 months.
- Disruption, uncertainty, supply chain issues, issues finding good staff is encouraging us to do more digitisation in low skill areas, and upskill existing staff
- Suppliers are finally coming to the party with regards to their pricing. Customers are demanding sharper pricing to book-in work with us. Demand has fallen, so stronger competition for work from our competitors, mainly with regards to pricing and less customer loyalty. A total contrast compared to 12 months ago when everything was costing more and we cold not make orders fast enough.
- Dropping sales
- Uncertainty re next govt is contributing to customers keeping hands in pockets
- Increasing input and freight costs put pressure on margins
- Punters sitting tight not spending

Miscellaneous

- Catering. Customers are tightening their belts.
- Equipment hire. Less residential building partly offset by commercial building and larger long term projects. As these slow down and if they are not replaced by new ones, we see major problems 12 months out.
- Industrial franchising. Availability of replacement staff is woeful. Lots of applicants but 0.01% quality responding.
- Import/wholesale building. Supply of product to improve slightly. An increase in freight costs, leading to price increases, & retention of good staff with improved wages, or offer of increase in sick-leave or kiwi-saver contribution.
- Outbound Working Holidays and Volunteering After 2 years of ZERO revenue during COVID people are finally relaxed enough to book overseas trips.
- Personal services. As discretionary income is squeezed, clients are extended the time between appointments and cancellations are up too. Bookings for events are becoming hard because venues want us to confirm bookings and people are not booking until the very last minute. It's a real risk to cash flow.
- Private Equity. Very few transactions happening. Value gap between buy and sell side has increased significantly since 2021/early 2022.
- Recycling and Waste It is extremely difficult to find staff who want to work and those we do employ are unlikely to consistently turn up to work, no matter what we offer in terms of remuneration/training/development. Sick/personal leave is at a record high, and we have many staff members who are just so unhappy with life/their personal financial situation/high cost of living that if they do turn up for work they are disinterested and have no motivation. As a result as owners we are working 80 plus hours a week and can't carry on. We are considering just shutting the door and selling the assets.
- Sport and recreation The cost of delivery of sport and recreation activities is a concern. Input costs are increasing, and the risk is the sector becomes too expensive for most families.
- Wholesale – Construction. Softening across a number of markets.

Mortgage broking/advisory

- Customers are expecting more from us digitally. So many technology options out there to help with this and the options are only increasing further with AI integration

Motor vehicle sales/parts

- Automotive Workshop. We have had to pay our staff considerably more to retain them. This will mean a substantial reduction in my earnings and so strongly considering selling. My view is that having Staff headaches is no longer worth the stress of the last 3 years and also the immediate future.
- Big reduction in new car sales

- Costs are beginning to bite, vehicle sales side is hurting, which means aftersales tightening the belts. Costs all round have been increasing. Headcount freezes, retirement incentives.
- Slow down overall.
- Sales numbers are good, easier to find good staff, customers are taking more work to get them across the line, the increase in immigration is helping with staffing and an increase in clients

Recruitment

- HR Consultant/Executive Assistant (self employed). We have seen more people reaching out looking for work, which we have not seen for a while now. But we have also seen our clients put on hiring freezes, which are still in place.
- White collar recruitment: Significant increase in application numbers for many roles but often that is driven mostly by high numbers of overseas applications. There are a few more of the right people applying vs the last 2 years but it is still a candidate's market vs historical levels. Some clients are getting lucky and finding talent themselves, others are taking more time to weed through twice the response only to be frustrated, or being ghosted by their preferred option mid process. Demand for talent noticeably softer in a few sectors like construction and tech but other areas are holding up ok. The biggest impact to recruitment is client and candidate behaviour - more candidates continuing to interview after accepting (or even starting in a new role) in the hope of higher offer. Hiring managers a but more discerning when hiring vs last year, plus distracted with other priorities - overall a lot more coaching, pushing, and expectation management needed to close a placement in 2023.

Residential construction incl. section development

- Steady activity - new subdivisions to clear debt, more developer interest.
- Lack of productivity in most sectors. Our company has a lot of work due to the range of customer base/size of company. There have been vacancies due to how much work but the jobs have been filling. Some locations that are typically harder to find staff are becoming easier to find staff.
- We supply residential builds - sales are very slow at the moment, lot of project delays. Cost pressure is high, contracts being awarded on lowest cost. Service/Quality taking a back seat.
- Residential construction has stopped!
- Recent building code changes have been expensive and time consuming. High interest rates and building costs have kept some consumers out of the market.
- Higher interest costs and subsequent cash flow and liquidity are a risk. Asset string, cash flow poor.
- Am seeing more builders with gaps in their schedule, this appears to be stronger in Christchurch. Pressure to pay exorbitant labour rates is easing. Pipeline is also easing.
- Slow down of prospects. Tightening of pricing.
- Confidence and the ability to secure finance is down, interest in building has remaining, creating an overabundance of 'tyre kickers'. Starting to see increase in confidence and genuine interest. Input costs have plateaued, dropping in some areas. Actually a great time for someone passionate to build a new home with the freeing of good labour etc.
- From mid-May there has been a noticeable pickup in new-build residential housing inquiries although active buyers are preferring newly completed or nearly completed new build homes, or existing property, rather than buying off the plans.
- There are more sections available to build on due to the downturn & from people walking away from their planned new home builds because they can no longer afford to build. This has left some building companies & developers exposed to additional debt. Developers are wary of beginning work on new development stages due to the current market & finance for new developments is more difficult to secure for some.
- Demand still high but talk of a slow down
- Climbing interest rates, increased regulations, declining real estate values and increased costs all contribute to a coming perfect storm in the residential construction sector
- Employees expecting more money but with no increase in productivity
- Residential new build inquiries are still very low. I don't see it improving this year.
- Customers enquiring but not committing to our chasing as quickly as they once were
- Difficulty in obtaining finance for those wanting to build. People waiting for interest rates to improve before proceeding. Lack of enquiry, partly due to aforementioned issues.
- Previously we have seen a slow down in our sector, with developers choosing to wait a year or so before greenlighting further subdivision development due to a decrease in sales. This has meant entire teams (civil engineers, surveyors and planners) in the org have had to look for work elsewhere. Thankfully we have been able to add a few new big clients and get repeat work from smaller brownfield developers - keeping things ticking over. Unsure what the lay of the landscape is with other similar businesses.

Residential real estate

- Many clients deciding to hold off selling. This year, compared to last year has been for me personally a lot of appraisals but owners deciding to hold off and wait.
- Terrible conditions for real estate up here. Hoping the change of government will ignite some action come October.
- A change in buying sentiment & home prices plateauing/lifting slightly. More sales in the area.
- Real estate remains subdued, with both vendors and

purchasers taking time to act.

- From current sales I am noticing a slight improvement in prices. For example an apartment in Christchurch when it first came to market, received an offer of $400K. It subsequently languished on the market for 6 months and finally sold in May for $413K.
- Less listings. Houses take more time to sell. Banks still have restrictions on lending. Sellers want more for their house, buyers are looking for a bargain. Tough market out there.
- Mortgagee sales dramatically increase
- In real estate in my area, there is a reluctancy to place their home on the market until a property becomes available to purchase. This is making a shortage of quality properties available to sell. A bit of a catch 22.
- Homeowners not selling because they are downsizing and feel they will come out with less for retirement or achieving their goals. First home buyers can't afford to buy, job insecurity, high interest rates and general pessimism in the market. Landlords not seeing any benefit to being a landlord anymore with Govt Financial disincentives, if not sold already then they will sell if they see an upturn in house prices.
- Things appear to look a bit better in the Real Estate sector . But mortgage rates and being able to get a mortgage are of concern. Crime is still a major factor as is social housing.
- Buyers too uncertain to make a decision
- Confusion as to where the property market is heading and issues around compliance cost and policy by government.
- The market is getting better with more incentives to purchase, especially down the bottom of the market
- Uncertainty, lack of listings and people just not making decisions!
- Improvement
- The market is pretty tough, with a lack of customers. Don't see much change likely until interest rates come down.
- Lack of new property to the market. Buyers becoming more demanding.
- Slow down currently in the sector, signs of speeding up in the near future. Hold out till then.
- Looks like an increase in buyer interest and buyer activity. However sellers are still very cautious, and many have said they aren't selling unless they have to, due to great uncertainty in the market.
- Low number of sales

Residential rentals/investment

- Concern about government policy tax deductibility.
- For rental property investment the biggest issue is the non-deductibility of interest. But this is leading to a reduced number of new builds, which when combined with rapidly increasing net migration is leading to significantly increased rents
- Very hard to get awesome staff; have had to revert to expensive contractors which when O worked it out more was less in dollar cost terms.
- Staff mentally affected by personal cost of living. Staff proactively taking up additional paid jobs
- Increase in homeowners moving to Australia for work because of interest rates
- Stress due to non deductibility of Interest
- Frustration - Stress, impact on income (business and person)
- I'm a Landlord and this labour govt is pushing us even though we dont want to, to increase rents.
- Clients adjusting to interest rates. Market is swung weekly by media.
- Endless changes and more interference in business by Labour and Councils which is just adding paperwork, time, and cost to everything.
- Uncertainty around tax laws for investment property post-election. Uncertainty around interest rates for debt
- People are spending less on home improvements
- Too much bureaucracy and government regulations.
- Good demand for rentals means we are able to increase rent to meet increased costs.

Retailing

- FMCG Sales. Some increased costs being passed onto consumers but also where the full increase cannot be passed on (price increase fatigue) a review of our portfolio offered to NZ market.
- Faltering demand due to mortgage rates affecting disposable income of households
- Market is harder, longer customer decision making cycle, GHB customers slowing.
- We are seeing a slow down in retail spend, with Auckland region particularly tough. There is a clear trend toward discount shopping's household spend tightens, and we are seeing declining conversion rates and average transaction values. At the same time there is an increase in retail crime and shoplifting with increased stock shrinkage. To top it off margins are being squeezed through a soft USD exchange rate and business operating costs have increased significantly, which will in turn see us trim business expenditure including staffing levels to manage cost creep and protect profit.
- Customers are shopping around for the lowest price even if they have been introduced to that product in our stores. Average spend per customer is down reflecting customers tighter cashflow.
- Lack of customers with discretionary spending most likely caused by interest rate rises
- Customers taking longer to make decisions. No change in spending with higher-end 55+ year old customers but younger demographic not spending as much.
- Freight costs and logistics still a huge problem.
- Surprising resilience in demand, some easing in the availability of staff especially in the unskilled sector, better quality candidates in the market in other areas, sea freight reliability continues to improve.

- Regulatory Compliance costs are making it very expensive and slow to do business in NZ.
- Regulation in my business sector is very poor. The govt are either useless in this matter which is of their own making, or they benefit from the current set up
- Customers who think that it is their God given right to thieve items constantly.
- Increased crime/theft
- Consumer demand softening=> Sales run rate slows=> SOH increases ....
- Cost of inputs continue to rise which will see the prices of products on shelves continue to climb.

Shipping, transport, storage & distribution

- Low standards and unreliable shipping as well as low levels of competence and lack of focus from the regulator.
- Hard to find good staff that will stay with us.
- Consolidation of current clients and cost improvements.
- Increased price sensitivity from customers when making their decisions.
- Lower demand in construction sector.
- I see the transport industry tightening the belt this year with suppliers spending less due to customer demand. In turn directly effecting efficiency and profitability of our sector.
- Opportunity to capitalise on staff shortages in other businesses.
- General slow down

Tourism & accommodation

- Rebuilding business base post-Covid, particularly with return of China market
- Lack of government understanding/appreciation of the sector as a major export earner for New Zealand. The revolving door and flip-flopping of Tourism Ministers undermines continuity. Tourism Ministers (esp. the current one) seem to show favouritism towards one segment of the sector which is neither healthy nor fair. The major challenge for the outbound sector is lack of outbound carrier capacity to meet customer demand. Thank you for the opportunity.

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

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