Mint Design

Mint Business Insights

With **Tony Alexander**

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Businesses plan cutting investments

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.

Last week I sent out an invitation to about a half of the 30,000 people on my Tony's View subscribers list inviting them to give insights into what is happening in their business sectors at the moment. Over 330 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 continued high concerns about the outlook for the economy and interest rates, but are relatively sanguine about the currency, cyber threats, and climate change. Higher spending is targeted mainly towards strategy development, staff remuneration, and staff training. Spending cutbacks are planned not just for inventory levels as was the sole case last month, but now plant and machinery as well.

These areas of spending reduction are classic aspects of business retrenchment when tough times come along. They aggravate the extent of the downturn, then set the scene for a firm recovery – but only when economic prospects look a lot brighter, and we seem well away from that turning of the cycle.

After this new analysis we tidy up and reprint most of the insights which people have offered about conditions in their sector, grouped by the industry they assigned themselves to.

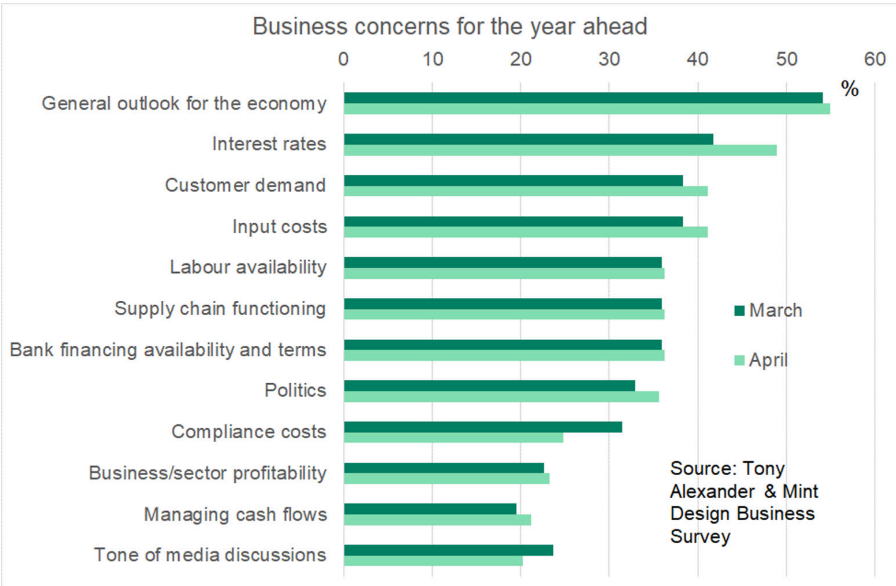
Tony Alexander
Independent Economist

What concerns you most for the year ahead?

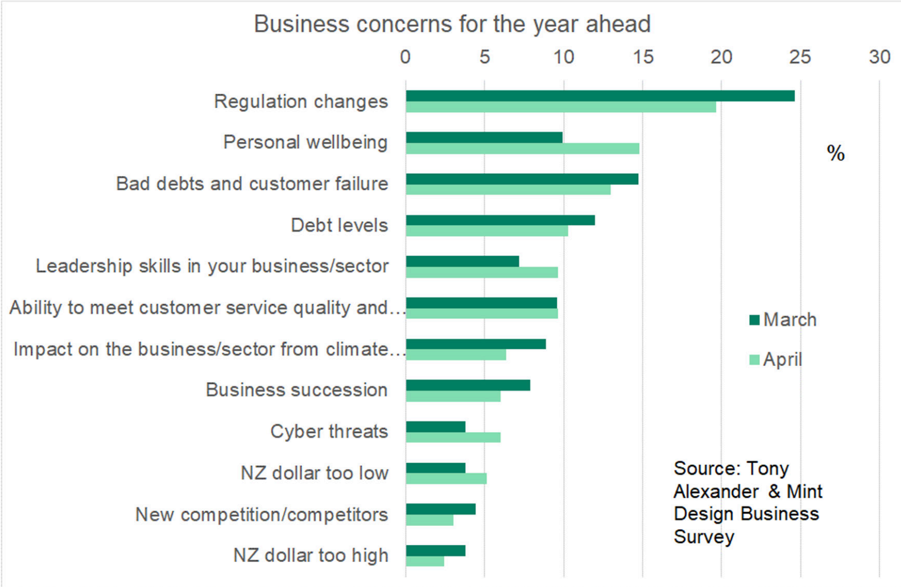
We ask businesses to choose the things which concern them most about the year ahead. They can choose more than one area of concern. The following two graphs show the most common and then least common areas of concern cited by business. This month's results are the light green bars, last month's are dark green.

We can see the top concern is the state of the economy and those concerns have increased marginally in the past four weeks. There have been noticeable rises in concerns about interest rates, customer demand, input costs, and politics.

The rise in concern about interest rate levels will likely reflect the Reserve Bank raising the official cash rate 0.5% on April 5 rather than the generally expected 0.25%. Customer demand across many sectors is being deliberately crushed by the Reserve Bank as it attempts to reverse the inflationary surge caused by the loose policy positioning of 2021-22. Input costs unfortunately continue to rise, and this is something which comes through clearly in the comments which many respondents have offered about their sectors. The rise in concern about government action and politics also comes through firmly in the responses and that is not surprising in an election year.



At the other end of the spectrum of concerns we have the following graph of least concerns. Worries about the tone of media discussion have eased slightly (above), but concerns have jumped regarding personal wellbeing. This may reflect the piling up of pressures associated with margins, below target sales, staffing etc. There remain only low worries about the Kiwi dollar being too high or too low, and concerns about cyber threats remain low even though up slightly this month.

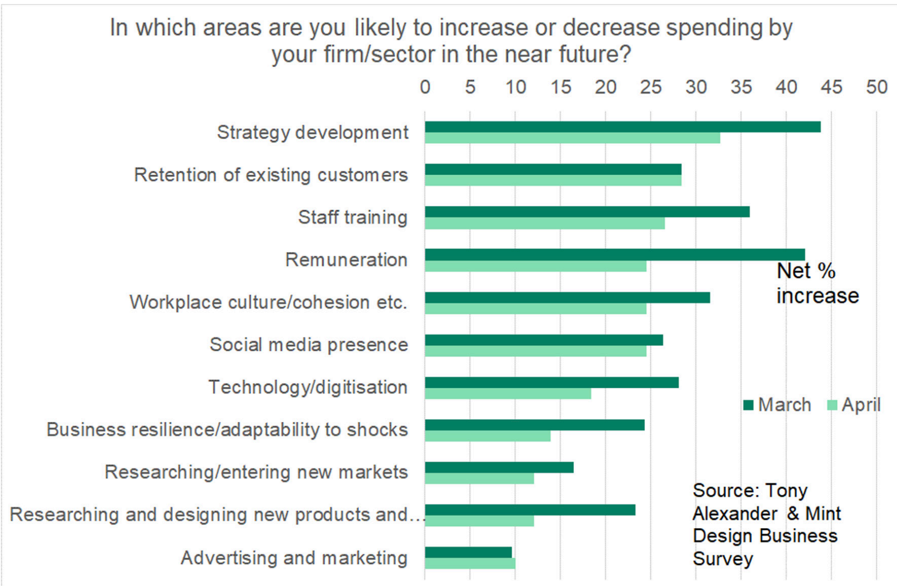


In coming months as data points increase, we will be able to track trends in areas of concern more than just over this two month period.

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. Top of the list for this month shown as the light green bar remains strategy development – but not to the same degree as last month. Over time we will learn if this sort of shift in spending plans from a net 44% of businesses citing it to a net 33% is normal volatility or a solid shift.

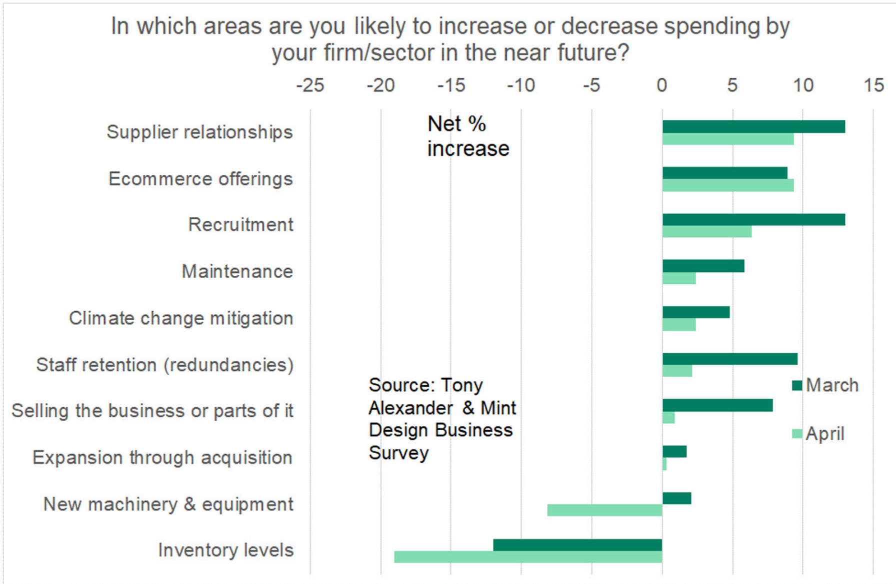
In an interesting development which gels with some other indicators of labour market pressures easing we can observe some fairly strong reductions here in plans for spending more on remuneration, staff training and in fact staff generally.



This next graph shows the areas of lesser planned spending increases. There are now two categories where businesses plan spending less. Additional businesses are saying they plan cutting inventory levels, and this is to be expected as the stocks cycle adjusts through the overall economic cycle. It is one of the key factors which add extra downward pressure to activity when the economy is weakening, and upward pressure when it is recovering as businesses scramble to place extra orders for products.

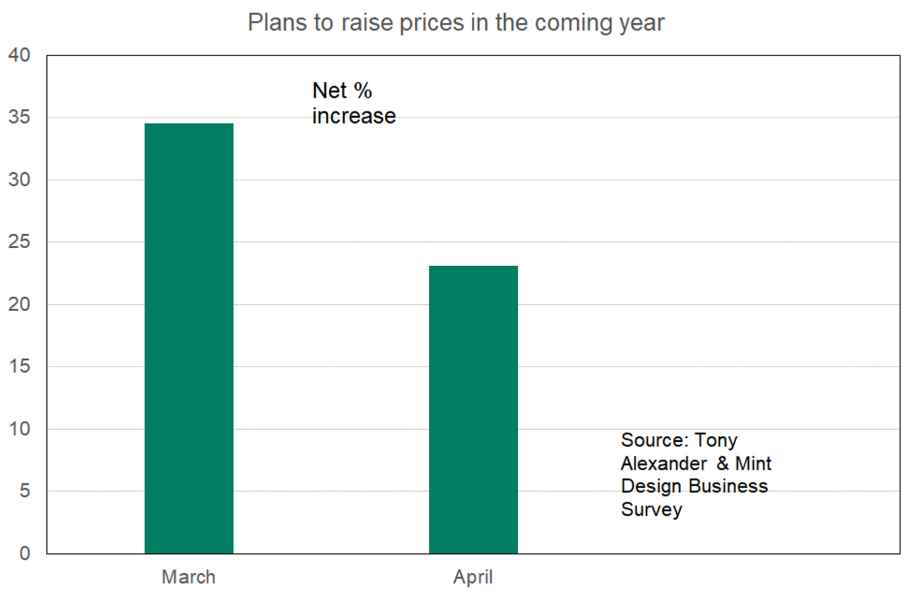
Of concern is the shift to more businesses planning to cut spending on new machinery and equipment than increase it. In an environment of a structurally tight labour market this means reduced scope for productivity gains needed to pay rising labour costs.

But again, this is something which happens when economic conditions get tight. Businesses seek to protect cash flows by cutting capital expenditure, assisted by banks who cut their funding amidst deeper credit risk concerns.



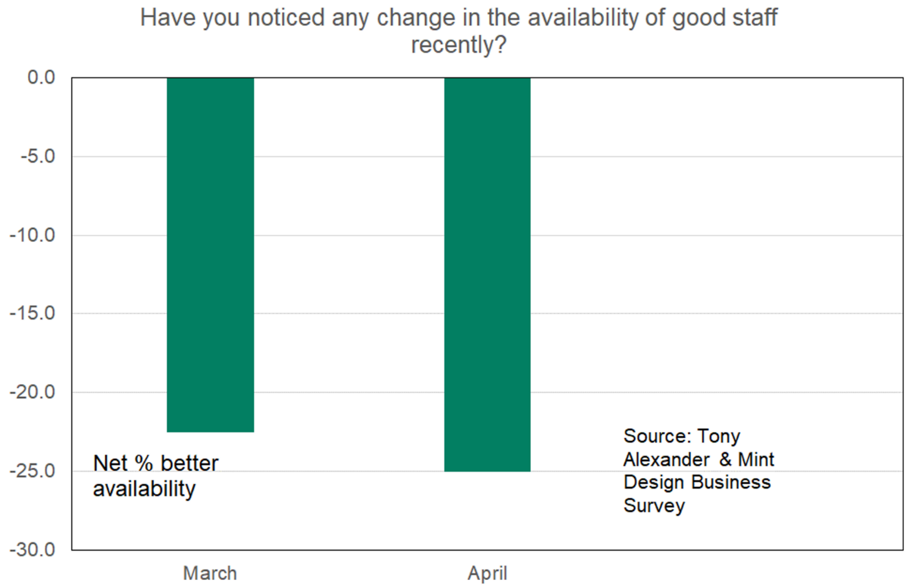
Are you planning on increasing your prices for any of your products or services this year?

A net 23% of our survey respondents have said that they plan raising their selling prices in the coming year. This is pleasingly down from a net 34% in March. But our survey has only been running for two months, so it would not be wise to automatically read this as a sign that the key pricing aim of the Reserve Bank is being met - namely crushing business selling price rises.



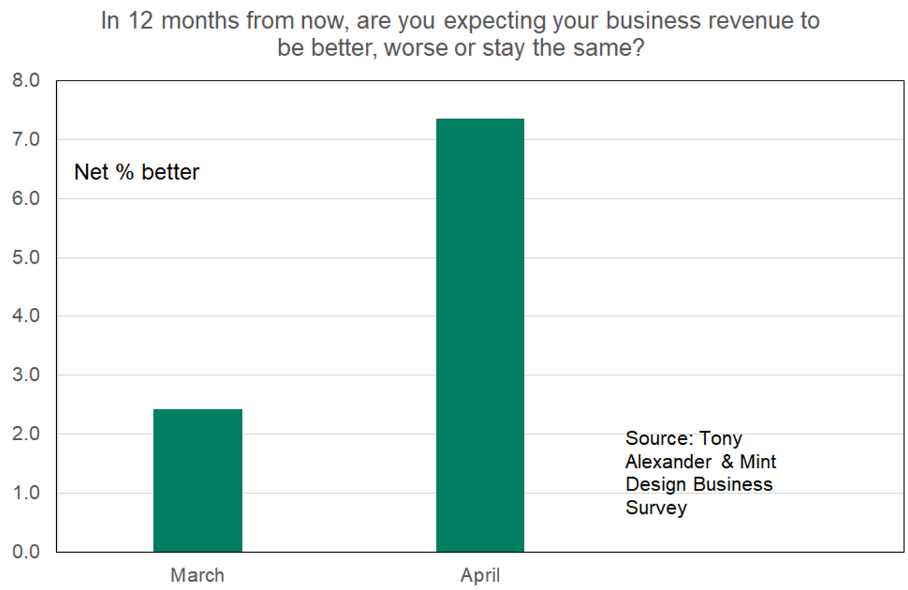
Have you noticed any change in the availability of good staff recently?

A net 25% of respondents have said that they are finding it harder to get staff. This is a small deterioration from the net 22% of March. Given that plans for spending on staff matters have decreased this suggests that much as businesses recognise getting staff is hard, they are pulling back from spending up to address the situation.



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

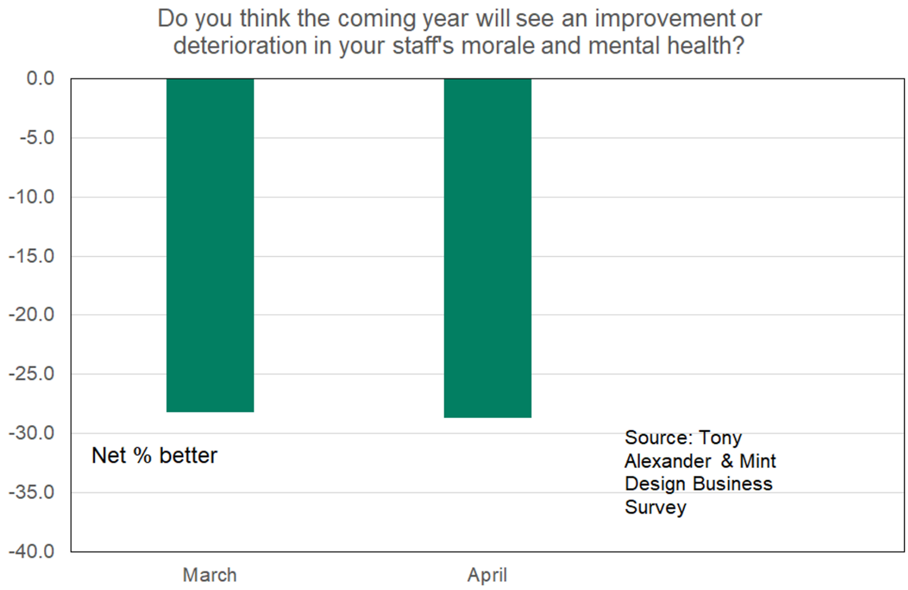
A net 7% of businesses expect their revenues to improve in the coming year. This is up from 2% last month but both responses essentially say there are as many businesses expecting no improvement as some improvement. Many in fact expect things to be the same.



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

We track this measure because in an environment of staff shortages there are special pressures going on business owners and staff not often seen in past decades when the labour market was generally less tight over the economic cycle.

This month a net 29% of respondents have reported that they expect a deterioration in mental health over the coming year. This is statistically the same as the net 28% of last month's survey.



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. Substantial discontent is being expressed about the government, policy uncertainty, regulatory pressures, and the Reserve Bank's poor monetary policy conduct in recent years.
2. Cost pressures are generally still growing.
3. The outlook for residential construction is deteriorating but for infrastructure remains relatively firm. Feedback from architect firms is particularly negative.
4. Labour availability remains tight but slightly less so than before.
5. There is firm evidence of consumers cutting their spending on many things.

Accounting & business advisory services incl. business broking

- Pressure on the business cashflow from customer business pressures, the impact of high interest rates, and ongoing difficulties finding quality staff at all levels in our team.
- Very busy at the moment with end of year work - some clients in the construction industry are saying there's not as much work out there.
- An impasse like waiting for a big tsunami to hit...
- More overseas employees are available, business stays the same.
- For many accounting firms the biggest issue is the ability to attract & retain good staff.
- Some clients struggling with Gov't changes to their business methodology.
- I am busy because my clients are finding it harder to raise working capital and want more actionable insights from the data coming out of their business operations. Clients are also referring me to their network, so I' m picking-up new clients at an accelerating rate.
- Lack of good staff
- New skills required for current job market
- M&A activity in the sector as a result of contraction of the market, alongside businesses without a meaningful succession plan.
- Clients are waiting with lots of uncertainty. Opportunities are starting to appear.

Advertising & marketing

- After a very quiet Jan Feb we have really seen an increase in clients looking for digital advertising support. Also, the majority of our clients' results have improved around the same time (mid March.)
- We suspect the floods and storms held back the normal kick start to the year in Feb, and just delayed that to mid March.
- As a graphic designer I'm finding travel agents looking to come back into advertising post COVID. Other clients are increasing their advertising for new staff and to encourage customers to spend with them in this tough climate.
- Recruitment has been a serious challenge for us, it seems like all the top specialists are hunkered down and are not willing to risk changing companies at the moment. The majority of talent applying for our job openings is not capable to do the jobs they are applying for and we have had to become increasingly strict with our recruitment process and skills assessments.

Architecture

- With continuing increases in costs in the building sector, whether it be material or labour, increases in borrowing costs and the subsequent decrease in building sale value, our clients are no longer in a position to progress a lot of building projects. Hence our forward workload has reduced dramatically.
- We are a young (2 years old) 2 person Architectural firm with all current work completing in the next 6-8 weeks.
- All our clients have either, put on hold or cancelled future projects from June 2023 onwards. A few of our clients have indicated slow sales in their own businesses and subsequent cash flow issues as their main cause.
- We are an architecture practice and we have just made 61% of our team redundant in order to match our teams resources with our forecasted pipeline and hopefully survive what is about to come. Everyone we talk to say agrees its going to get pretty nasty over the next 12 to 18 months. We are also swiftly looking for efficiencies in what we do and the tech we use so we can going forward do what we do with materially less people.

Banking & Finance generally

- A drop in farmer confidence, their need to focus on costs and the uncertainty of the upcoming election- with the challenger leaving their run quite late to release meaningful policies that will make a difference over a first term.
- High interest rates causing a lot of financial stress to households.

Cafes, bars, and restaurants

- Fish and chip shop - xxx our main supplier is always running out of things. 2022 was really bad. Slightly better now. Business trading well. Closed Mondays to avoid overworking staff and keep them happy. Everyone paid living wage here. Cost per hour to run shop isn't that much more and it helps them feel valued. Box of chips from xxx (about 45 scoops) was $28 in 2021. Now hovering around $47 ex gst. Our scoop has gone up from $3.50 to $4.50 currently - might raise it to $5 in spring - will see how we go.

- Staffing levels are a concern particularly in winter when students are back in University. Customer spending with the doom and gloom out there at the moment and compliance/ wage costs e.g., recent sick pay increase, minimum wage increase, extra public holiday all takes its toll on small businesses
- No qualified or reliable staff. Younger generation seem to be picky with jobs and hours and then quit when it gets too hard. Also, since Covid lots of people left hospitality so there is no one with experience which puts pressure on those of us that are still here.
- With inflation, food prices are increasing and thus increasing the prices of food we have on our menu, but this can only go so high as then it just becomes unaffordable for anyone to eat out.

Civil construction/infrastructure

- Costs increasing - especially labour - which is a significant input cost for us. We are able to recover most of this through pricing, but pricing cannot continue to go up without dampening demand.
- Ongoing difficulties in finding staff. Ongoing margin pressure with cost increases and difficulty recouping these through increased pricing.
- Political party uncertainty over three waters reform. We need a stable sector.
- We are in heavy equipment supply, demand exceeding supply still. Many projects still pushing on.
- High interest rates - Tentative property developers / home builders holding off commitment. The few people with real money (in the bank) are going ahead with their projects.
- Plenty of work in three waters infrastructure coming up.
- A slow down in new builds, our phones don't ring like they used to. Sentiment we get from clients is the cost of construction is expensive, banks are incredibly hard to deal with and don't make it easy for our clients or for us. And there is a general worry about our economy.
- Too much work and not enough good guys to get it done .
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- Commercial construction
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- Clients who were regular payers pushing out to 40-60 days meaning cash flow is getting tight. More customers paying debt off slowly including some big corporates. There is still high demand for our sector (Electrical maintenance/ contracting) I see the spec build and town house market dropping away substantially.
- Challenging profitability and cashflow management.
- My people are worried that they cannot afford to live despite huge wage increases. There is a lot of talk of leaving for Australia.
- We are seeing a large drop in forward work opportunities in the short term but see better things late in the year and are making plans to suit this situation.
- Getting the right staff is still a major problem for the construction sector. This is being helped slightly by new recruits coming from overseas but existing staff have started to head to Australia, so we are just treading water. Can't' compete with the money offered in OZ.
- Stand still in demand. Deferral of projects.
- Lack of confidence in the construction sector due to the effects of inflation.

Commercial real estate

- Caution in business spend, delaying capital expenditure but still a willingness to invest where it benefits the long term benefit for the business
- Impact of interest rates on businesses and pressure on commercial landowners - we are seeing it as a time to review and relook at new opportunities of which there seem to be plenty.

Education and training

- Coping with the disruption of a protracted and difficult change management process that has led to a drop in staff morale and engagement, an increase in stress and uncertainty, and decreased wellbeing.
- Burnout and resignations
- Low demand = more competition for customers. Business pivoting to meet customers whims and demands in short term instead of focusing on B2B and what we could do long term together to gain and retain customers while supporting industry needs.
- Base cost inflation.

Engineering

- Still good demand for our professional engineering services by private clients in the construction industry. Industrial / commercial clients still going strong. Multi-unit residential still quiet (has been for over 6 months). A lot of extra work from recent storm events also.
- General workload in our industry. It seems the developers are sceptical about the real estate market, and many are either deferring the projects or cancelling them altogether.
- Regulatory change over next couple of years is consuming hard to find resource.
- Quality staff are still hard to come by, another round of price increases is imminent due to supplier cost increases flowing through and our GP% decreasing
- Chaos caused by over selling. Missing deadlines and delivering rushed, incomplete and untested machinery which performs poorly. Poor leadership and no planning. Unrealistic goals and timelines.
- Very volatile, still new work but harder to get things done.

- Quality of recruits and number of applicants has improved for many positions but at skilled trades level sparseness continues and may be worsening as employees retire with little interest from school leavers in "dirty hands" work.
- Fewer jobs and clients due to tougher economy.
- A restructure process is occurring due to the weakness in the economy and the reduction in production. We have been told the changes are based on our profitability pre and post covid.

Entertainment

- Maintaining revenue income is tough and budgeted spend is tighter than usual.
- I'm anticipating a possible downturn in the screen industry due to 1) uncertainty in the New Zealand film tax incentive, and it's percentage rebate being uncompetitive , 2) offshore labour actions, most notably the impending US Writers Guild strike, 3) lowering of production levels due to fears of a recession and rising costs, 4) instability at the US Studios and streamers, where large layoffs and cutbacks have already taken place.
- People not spending because they feel like they shouldn't
- The phasing out of older technology and the need to keep up with new technologies and payment options for market share. Also, retention of existing clients in the face of options and competition.

Farming & farming services

- As a dairy farmer we are price takers, and have concerns over the unfavourable trend in global commodity prices as they collide with continuously increasing interest rates. Can also only hope for unit cost reductions in necessary inputs. Concerned also in the potential economic volatility now and in the future as a result of the current political direction and unaffordable election year handouts.
- Clients looking for cost savings or not renewing contracts.
- Business is horticulture - Kiwifruit orcharding. Labour accounts for 70% of input costs. Key business challenges are rising labour costs and finding the necessary labour. Customer demand is holding up and prices at retail (export) are lifting with some costs in the value chain falling (e.g.: freight or targeted to dramatically fall (e.g.: losses due to quality issues).
- Enquiry has stopped. No reason to make a decision now
- Everyone working hard in a whirlwind of change, yet farmers still criticised and having to defend
- Dairy Farming is getting hit really hard with the double of rapidly increasing interest rates and declining milk payments. Most of us have high tax bills on last year's good payout.
- Concerns around increasing compliance and regulatory costs.
- Income relatively stable, but costs through the roof.
- Finding it tougher with rising costs and bottom line shrinking

- A lack of confidence and concern for future.
- Wine industry Customers in the economy segment of our market have declined and growth has been seen in the premium segment.

Financial advice/wealth management

- No significant panic regarding markets as they adjust to new norms of market conditions and seeing some clients peg back on spending on insurance due to premium increases, and general cost of living constraints
- I am a mortgage and Commercial advisor - already seeing the numbers of enquiry/business drop off. Only me in my business so staff increases etc. - not using support staff now - was a user pays model.
- Lots of distressed clients due to impacted refix rates.

Healt

- Shortage of young pharmacists entering the community pharmacy space.
- Mainly seeing the squeeze on family cashflow with cost of living increases.
- I am seeing more stress, anxiety and depression in clients due to financial stressors, COVID aftermath, and general concerns and fears about what is happening in the world. Practitioners seem to also be more stressed and anxious, for the same reasons, with more need for solid practices of self-care.
- Staffing is still the area that takes up significant resources to manage and is resulting in lower productivity and morale. We have seen some/sporadic easing in certain roles, however skilled staff in our sector are leaving to Australia and immigration back fill that would traditionally fill this void are not in the country ready to work. Local trained pipeline vastly insufficient. Lower skilled staff often unwilling to work more hours or even go fulltime due to penalties with welfare support and lifestyle clashes.
- Enormous churn of staff, causing loss of institutional knowledge, and loss of trust and belonging in others - snowballing effect.

Information technology

- We've been developing new software for the past year or so to better optimise the business - I even setup the office to only house a certain number of desks to ensure I couldn't hire more staff; this has forced me to change the way we work to get the most out of what resources (staff) I have. We're now on the cusp of big change and our build times have almost halved for projects and require less skilled people to carry them out. Having had to fork out the higher salaries over the past couple of years has been tough on cash-flow and adding more staff to an increased workload didn't seem like a good idea, let alone the management of more employees. We're now on track to produce more work faster at the same high quality and with less staff. I have noticed an increase in enquiries from existing clients starting to think the same way (a little delayed to be honest) but with the current environment its hard to not be thinking like this - well hopefully businesses are...

- People generally nervous looking at the second half of the year, costs starting to be cut.
- Margin destruction from global players, with increased cost of human capital
- Our industry has already had a big slowdown over approx. 1 year, in particular last 3 months. So optimistically expecting a slow recovery from here. Against a 30% drop in profitability vs the 2022 year payroll is increasing. Increasing all lower salaries for cost of living reasons, while higher salaries are the same - but total income effectively reduced (their 'at-risk' bonuses down). Labour market is freeing up very fast for skilled/experienced people. Seeing redundancies across industry, especially global corporates. We are trying to find productivity improvements when people leave in non-strategic positions, but are taking some risks in new strategic hires, opportunistically taking up the good people who became disestablished and can likely add new to our business. Pricing-wise, we're too diverse to say that prices are going up or down - I'd say there is more downwards pressure overall with global inventory glut & demand drop, and price increases from manufacturers are fought much harder than any time in last ten years.
- Construction industry is booming in Southland region, slow in Canterbury.
- Pressure on costs in the business in areas that are not easily recovered.
- Skills shortages continue to plague us all - our core customers are continuing to experience compliance headaches, and arrears are on the rise.
- Tightening of belts all across the board.
- Restructuring - uncertainty about job security
- Leadership burnout & overwhelm. Lack of focus & delivery. Disruption, intense media attention/ sentiment.
- Input prices are still increasing. Labour continues to be challenging to find. Staff are concerned about interest rates increases. Business opportunities are available, but difficult to crystallise due to staff shortages and cost increases.

Insurance

- Climate changes and effect on insurer premiums
- Huge increases and clients not liking the price increases.
- Companies lacking people resources and employers.

Legal

- New work in March 2023 down 35% from March 2022 - but that is ok as we struggled to service all the new work in March 2022
- Greatly decreased activity in the property sector.

Manufacturing (all categories)

- Large price movements, products jumping into new price tiers rapidly
- Businesses tightening belts, looking for cost savings
- Sales tanking
- Uncertainty - impact of minimum wage increase flow on effects to entire business model
- A substantial easing in demand for cat and dog health products - reductions in pet ownership following the boost during COVID-19 and due to cost of living concerns. Fewer pets in puppy pre school and an increase in SPCA, pet food shortages meaning less traffic in vets and resulting lower sales of other animal health products. Increased competitor activity/discounting due to a shrinking market.
- Input costs well above inflation and government contributing to these with minimum wage increases
- Customers reducing capital expenditure and/or delaying non-critical plant maintenance. Resistance to any price increase (as opposed to acceptance 6 months ago) combined with pressure for improved terms. Specific to our debtors ledger customers who operate in construction sectors have shown a slowing in account payments through the recent 3-months claiming delays in contract payments at their end.
- Demand is still strong, but will it last the year because of the current Macro environment
- We are seeing the domestic housing market reducing and feel that in 6 months we will see the major effect of the recession.
- Things are tightening up in the construction sector, however there's still plenty of opportunities out there. Businesses that are liquid are doing well but others are struggling. As a supplier of the industry, we have to be more careful than ever about choosing who to supply and what relationships to enter. Having said that, we are in a good position and there are enough opportunities out there to grow further in FY24.
- Reduced demand for our services so we have to work harder to find new customers and to retain the ones we have

- Building sector slowdown is affecting sales. High aging inventory levels are a big concern as market prices fall.
- Construction sector slowing.
- There is a great deal of injection moulding capacity now. The excess production from mid 2020 to mid 2022 due to supply chain concerns has ceased. This coupled with a reduction in international demand means that the downturn won't be short lived. We have recently restructured and could have done so earlier. Many have done or a re doing the same.

Miscellaneous

- Aluminium louvre sales/installs. There has been a massive slow down, people are not walking in the door this year. We are working harder to secure jobs. Interesting to see what happens the rest of the year and into next year.
- Aviation. Still significant staff shortages within the aviation industry. Overseas airlines are beginning to offer big money so will likely see a large number of NZ based pilots head overseas.
- Flood Restoration services. Ongoing work from Auckland Floods but expect Insurers to change their appetite for risk which will see further insurance cost increases across businesses.
- NFP - residential care. The biggest challenge is finding quality staff and retaining them. Sector set wages are no longer above the minimum wage, not helpful. Rising costs of living without increases in benefits and income for our people with disabilities we support make it extremely challenging to provide a life fully lived.
- Staff do not have the same resilience as before covid and this impacts business costs dramatically via sick leave, discretionary leave, investigations, recruitment etc "
- Steel Pipe Supplier. Finding it really hard to get good staff. Our sales are reliant on spending on infrastructure and construction. With the elections coming up we are expecting spending on major infrastructure projects to be reduced, although the recent flooding and cyclone may lead to increased spending in this area.
- Waste & Recycling. Definite slow down in product coming through, slowing of building and construction.
- Waste Management and Metal Recycling. We collect and deliver waste and recycled material, so we have been significantly impacted by infrastructure damage from climate events e.g., closed roads, detours. From a business perspective it is difficult to pass these additional costs on to our customers who are already struggling with other recent price increases from us which came about from our business experiencing increased labour costs, increased cost to take waste to landfill, increased finance costs, large increases in cost of replacing or buying additional assets like new trucks and the general day to day increased costs like fuel and power. To help combat rising costs for our customers and grow our business we are investing in alternative solutions for waste management. We are also investing in satellite yards so we are less reliant on transportation and can consolidate our products locally. We have also invested in business technology apps and customer services apps that helps maximise resource utilisation.
- Working Holidays abroad and voluntarism. Young people are less resilient after COVID and many now are not equipped to handle a working holiday.

Mortgage broking/advisory

- Property market is slow, generating new leads is difficult.
- Increased regulation and high interest rates and high servicing test rates have led to a slow down in the real estate and mortgage broking industries

Motor vehicle sales/parts

- Not getting ahead.
- Slowing down of purchases.
- I think the customers are getting more demanding.
- Supply chain is getting better. Costs are a major concern, property rental up nearly 40%! Having to get innovative on ways to recover costs/increase revenue
- Supply chain for automobiles is terrible. Especially non-ICE vehicles.
- Increased amount of work with less staff.
- Automotive workshop. Customers wanting to spend less on maintenance even though it will cost them more later. Modern cars need regular servicing or bigger issues arise...
- We wholesale to other businesses. They are resigned to cost blow-outs caused by escalating cost of freight, delays in receiving goods (especially in the SI due to ferry issues), lead time for ordering parts from overseas (8 to 14 weeks). These costs are passed on to insurance companies, who are accepting them at the moment, and to customers who are often cancelling repairs due to cost/time. The businesses often finish with remarks like "I don't know how much longer we can operate like this". Our own cash flow is in jeopardy because we have to pay for goods overseas up front, wait for 2 months for inwards freight, wait for another month for customs clearance and outwards freight, and then wait for the customer to pay on invoice.

Printing & packaging

- Difficulty hiring experienced tradesmen and women. The youth of NZ have been turned away from apprenticeships, and we can't hire easily.

Property valuation

- Declining property values particularly the effect on the marketplace and clients where proposed terrace townhouses purchase off plans between 6 months to 24 moths ago have up to $200K value decrease when assessed at current market value levels.
- Although recent residential property market falls are well publicised, many civilians seem oblivious to it. Either that or something they have seen, been told, leads them to think they are exempt. "No, the market's not falling at all, just slowing down;" "Yes, we know the market is falling but not for this place" are comments I have heard more than once (each).
- Inability for clients to get finance

Recruitment

- Clients are still in a bit of a holding pattern with regards to starting projects & staff hiring. There isn't a lot of visibility beyond the end of their current financial year end.
- Still extremely busy despite negative media sentiment doom and gloom.

Residential construction incl. section development

- Consultant land development. Uncertainty that land developments will sell so holding off / slowing down. Majority of developers have made good returns previous 24 months so are not panicking but pacing themselves to see how markets respond to interest rates and election later in the year.
- Enquiry drop, which is a good thing after two-three years of unprecedented workload (unsustainable). Client uncertainty (Market, interest rates) Government policy changes (NPS)(huge effect on subdivision).
- New development slowing down, council being more difficult with spending/support/making decisions
- Lack of interest in new build construction
- Subcontractors are freeing up a little now and easier to find
- Massive drop in confidence across the board. Sales have stopped dead
- Still high input costs - but we are starting to have suppliers calling looking for business. So potential to see a fall in input costs later this year.
- Lack of new enquiries. Costs still increasing
- Still busy but talk of things slowing down
- Homeowners are putting home renovations on the back burner while they wait for interest rates to go back down.
- Virtually zero demand for new build housing driven by higher living costs, ability to secure mortgage lending at all or lending to an appropriate amount & higher interest rates - reduces amount that can be borrowed due to ability to service the lending repayments.
- Staff wellbeing/culture & clear, open communication will be even more paramount to ride out the next 12-18 months
- Slowing of customers wanting to spend
- Reduction in customer confidence so they don't spend.
- Spending more time chasing up slow payers. More people going on stop credit. We are relatively small so very nervous when large building/construction clients don't pay on time.
- More external consultants; more time for approvals; more holding costs = less profitability and loss of downstream opportunity.
- Slow enquiry, supply costs still high, land prices high, people opting to buy existing houses out of fear of a new build taking too long / costs going up
- Reluctance by clients to embark on a new build due to uncertainty around pricing and interest rates. There is also concern about housing holding value and many consider it a better investment to purchase an existing home rather than build.
- Lack of work coming along -big jobs have started to disappear
- Slow down of people able to purchase housing.
- I renovate houses (to a high standard), which is almost impossible now, due to bank restrictions, high interest rates, lack of good workers, supply chain issues and rising prices, as well as decreasing house prices.
- Decline in developer activity and decline in spending on new builds
- Less consistent workload, more ups and downs. With more downward pressure on prices from clients.
- A drop off in the mainstream group housing type construction, but steady demand for high end bespoke residential.
- Staff attitudes and moral are very low. They're getting fed up with working hard and not going forward or being able to save money etc.
- Trade sales (all sectors). Dramatic reduction in residential projects. KO buying most developments before & after starting. Commercial going downhill before the end of

the year.

Residential real estate

- Pretty grim outlook
- People are holding off putting their houses on the market. There are a few first home buyers but slow to make buying decisions
- Buyers too scared to make a decision
- Uncertainty over upcoming election and over likelihood of a recession and major economic slowdown
- People are waiting on election results, people nervous about banking and how its policy affects them
- Bank lending rates are taking potential real estate buyers out of the market. May be more sellers this year due to unaffordable mortgages. Current vendors finding it difficult to accept that the value of their home has decreased in past 15 months.
- At the moment it is very slow
- Desperation to find a buyer. Falling away of interest in making a decision. A wait and see mentality.
- Many agents having secondary incomes and reducing costs significantly. Buyers not willing to commit due to uncertainty and good quality listings hard to come by as many homeowners are sitting and waiting to see who wins the election and what happens with interest rates.
- The uncertainty with the deterioration of the economy.
- Purchasers' fear of overpaying in what could continue to be a declining market. Vendors not fully understanding there has been a shift in prices which also impacts their property.
- A continued slow down of house sales. Perhaps some distressed sellers later this year.
- General lack of activity, fewer buyers.
- Difficulty getting a mortgage. A lack of tax deductibility for genuine expenses for landlords. Taxation and indirect taxation now too high. A Government that incentivises people to live off the state.

Residential rentals/investment

- Inflation of costs and higher interest rates with substantially erode profits.
- I provide rental accomm, rent increases are keeping pace with increased charges for R&M
- Clearer, more structured path going forward.
- We really need the election out of the way to allow clients to feel some sense of stability or at least know what they are dealing with. They are all sitting on their hands not wanting to transact right now.
- Concerned about the changes to tax regarding rental properties.
- Finding quality tenants!
- More tenants chasing less property.
- There are lots of people needing properties appraised for rent due to refinancing - with a turn around time of 24/48hrs, these can prove vital for clients. With less properties selling, owners are now looking to place their investments into residential rentals and seeking security of income - especially with the forecasted financial climate.

Retailing

- Electronics. Consumer demand for our products continues to be lower compared to what it was during the pandemic.
- Other businesses seem to be struggling more in recent times, we aren't (actually thriving) but expect the headwinds to eventually hit us too.
- Retail spending actually started to slow in Nov 2022 but in Feb it really slowed down and has continued the trend through March and so far this April. I suspect time will show we are well into recession already.
- We are retail to mid to high end consumers, and are generally noticing a large decline in big spend which I attribute mostly to interest rate rise and media portraying a fear of a recession.
- Lots of negative sentiment in the media. We are watching for waves, but business is proving quite stable. Some weakness in mid-market customer base, customers shopping around more rather than using us as a demand aggregator - winning and losing business this way so net net not a huge impact.
- Customers have less discretionary spend or more cautious as to how they spend.
- A lack of spending and demand in general from consumers
- Retail is tough therefore costs need managed down and cashflow tightly controlled. It's not going to get any easier for the next 12 months.
- Discretionary spending is dropping off, some are buying less stationary, essentials and groceries are up, more businesses are holding on to seasonal goods instead of burning up. Unit sales are predicted to be down, so we are increasing unit prices, footfall is slightly down, shrink is up, theft is a major concern.
- Our sector is fuel retailing and unlikely to be a fair representation of the wider economic headwinds. Cost of new construction has been a challenge considering the time lapse between budgeting and physical construction.
- Customer demand dropping off mainly because of shrinkage in disposable income. Mortgage rates increasing is reducing customers' disposable incomes
- Supplier costs getting out of control.
- Cumulative growth of costs leading to the price of goods rising quickly. We haven't seen the worst of price rises yet.
- Labour and housing shortages
- Lack of foot traffic and customers are conservative about spending on anything that's not completely necessary.
- Dampening on consumer demand feels like it really starting to hit now
- Drop in customer demand along with tightening of Supplier wallets to spend in more direct channels.

Shipping, transport, storage & distribution

- Tourism is heading up so as a tourism wholesale supplier this is good post covid. Staffing has been our main issue, would be great to have more immigrant workers again
- Lots of demand but unable to take on new customers due to staffing issues. i.e., good performers, and absenteeism.
- Lack of good drivers
- Lack of business acumen and anti business attitude by government
- Tighter margins to help keep competitive for our clients so they can remain competitive to their customers. Inflation needs to be tamed on everyday items to keep the population happy.
- Still seeing steady demand
- Two economies this year. Our transport business will thrive as rail and coastal shipping are dead. Consumers and industry demand quick response and will pay for high service standards.
- Slow down in demand of customers wanting rental vehicles; difficulty to find staff in certain location, particularly in Queenstown and Wellington. Major interest rate increases for acquisition of vehicles and funding. Market is unsure what is going to happen next.
- Slight decline in demand from mid-market - more “price-hunting” , surprising ongoing capital spend, filling vacancies is a little easier, price increases for products and services continuing to climb, some easing in overseas supply chain leading to a little more confidence in reducing “security” inventory built up over the last 3 years.

Tourist accommodation & attractions

- Motel – not tourists. Recruitment of good staff is an on-going battle. Guests are more demanding, and we live in a ‘time of outrage’!
- 2/3rds of the volume of business compared to same period last year
- Tourism On the way up after closed borders reopened. Great for tourism operators and the country. Spill over is important.
- Better than expected recovery of hotel sector outside CBD.

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

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