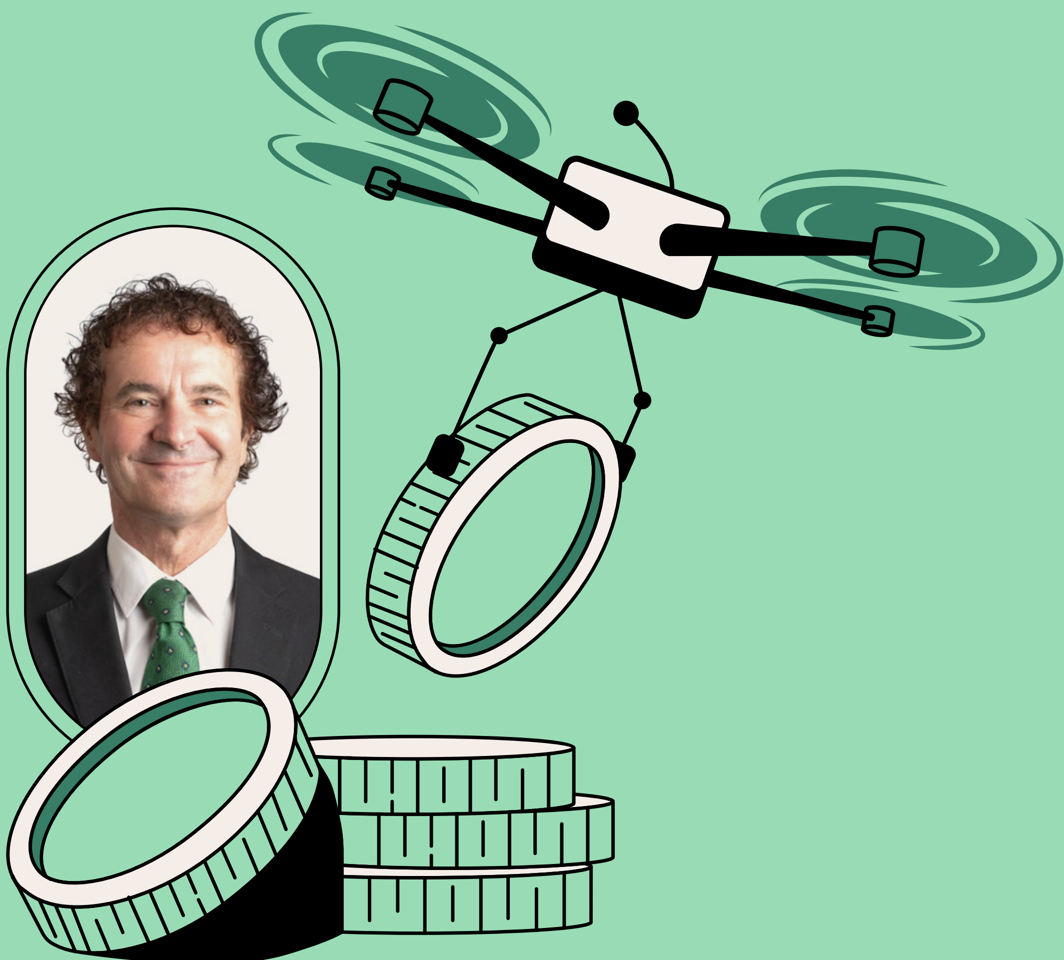
Mint Design

Mint Business Insights

With **Tony Alexander**



April 2024

ISSN: 2816-1734

Economic concerns continue to surge

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. 252 people replied from a wide variety of sectors this month. The aim is to gain real time insights into what is happening in various sectors with respondents choosing whether to focus on customer flows, pricing and cost pressures, expansion plans, and so on – whatever they consider to be the most important developments.

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

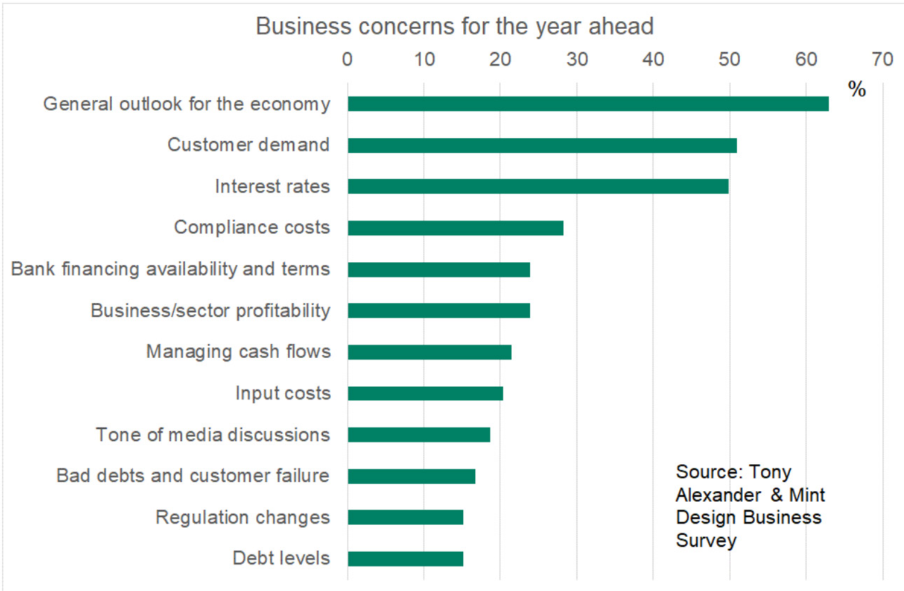
- Businesses have grown more concerned about the state of the economy. This has implications for their plans to hire people, maintain existing staff numbers, and undertake new capital expenditure and perhaps market expansion strategies.
- Businesses are cutting spending on recruitment and expect staff morale to decline. But they do not plan spending more on workplace culture. If there is an assumption that the culture will be unaffected by labour market deterioration this could represent a blindspot for businesses of high relevance to staff retention when the labour market picks up again.
- A notable difference between this monetary policy tightening cycle and those of the past is the absence of a rapid and large appreciation of the NZ dollar. For the entirety of our survey timeline respondents have rated a high NZD as one of their smallest concerns.

Tony Alexander
Independent Economist

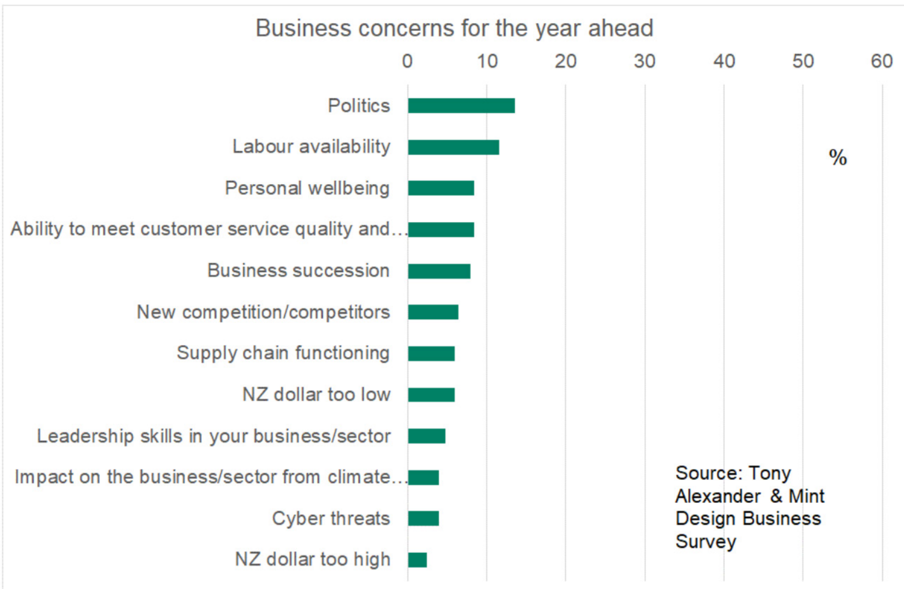
What concerns you most for the year ahead?

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 again replicate the key concerns for the past few months – the General Outlook for the Economy, Customer Demand, and Interest Rates.

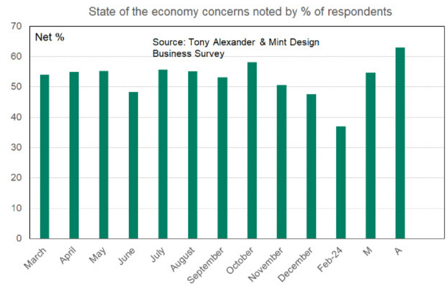


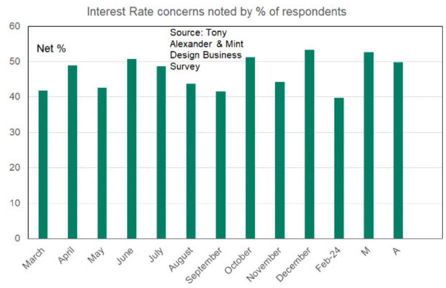
The areas of least concern are climate change, cyber threats, and that the NZ dollar is too high. Were this one of the earlier monetary policy tightening cycles then concerns about the NZD would have been a lot higher. This time around the NZD's appreciation has been suppressed by rapid policy tightenings in other countries at the same time – notably the United States and Australia.



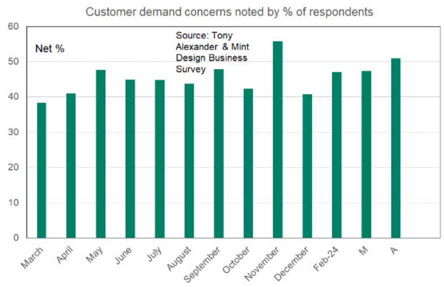
These next graphs look at changes in a selection of areas of concern for businesses since our survey started in March last year.

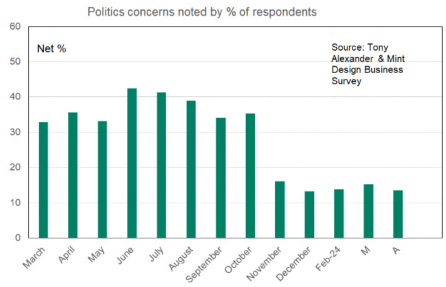
Concerns about the economy have notably risen over the past two months. The lift in worries coincides with confirmation from Statistics New Zealand that the economy is back in recession again, and widespread announcements of redundancies in the public sector and media, alongside general restructuring and closures in the business sector. Concerns about the level of interest rates are about where they have been for the past year. Note that the Reserve Bank's official cash rate has been unchanged at 5.5% since May last year and since February the Reserve Bank have pulled back from warning that additional rate rises may be required.





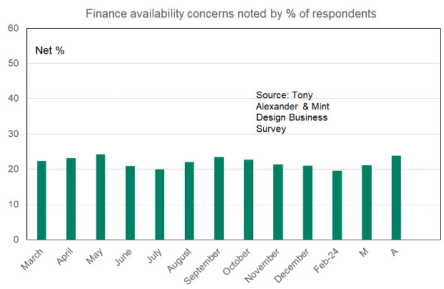
Worries about customer demand have edged higher over the past three months though have yet to become as great as they were in November. That earlier surge in concern is unusual in the context of a drop in business worries about the political environment following the mid-October general election.

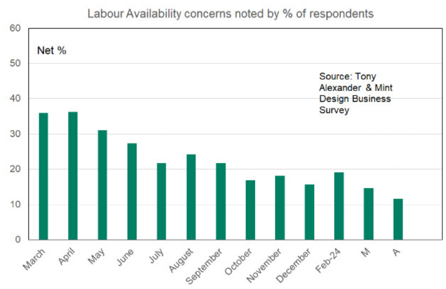




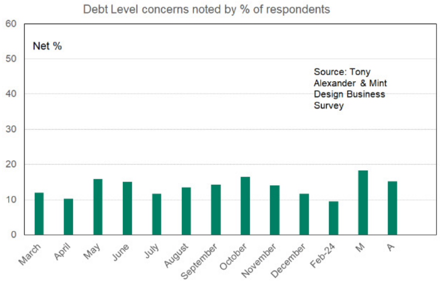
There has been very little change in the extent of business concern about finance availability since our survey started. Maybe that is because demand is relatively weak and business credit growth reported by the Reserve Bank has been just 1.6% this past year. A year earlier growth was 5.8% and before that 7.9%.

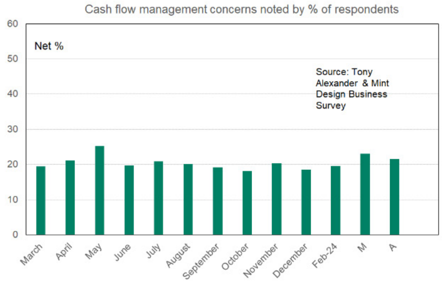
In contrast and reflecting perhaps the population boom and recession, business concerns about labour availability have trended firmly downward over the past year.



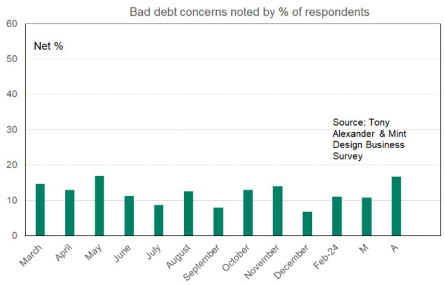


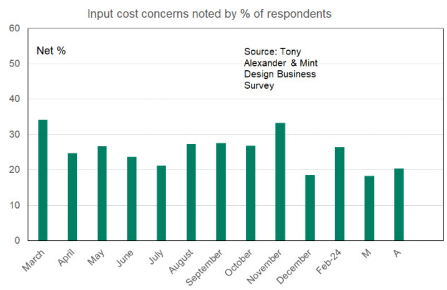
Debt worries have been stronger in the past two months than for the previous year, perhaps because of the slight upward trend in concern about cash flows seen in the second graph below.



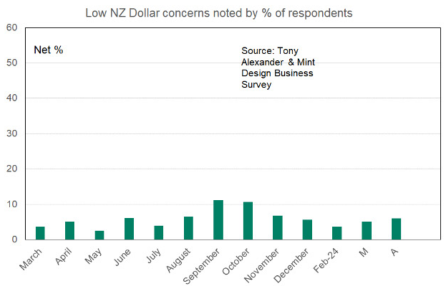


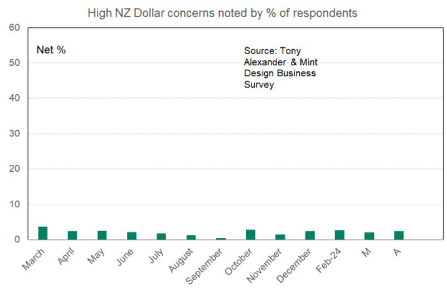
Worries about bad debt levels have crept higher and so far, the decline in concerns about input costs is quite small. This is a cause for concern with regard to the outlook for inflation and the timing of monetary policy easing.





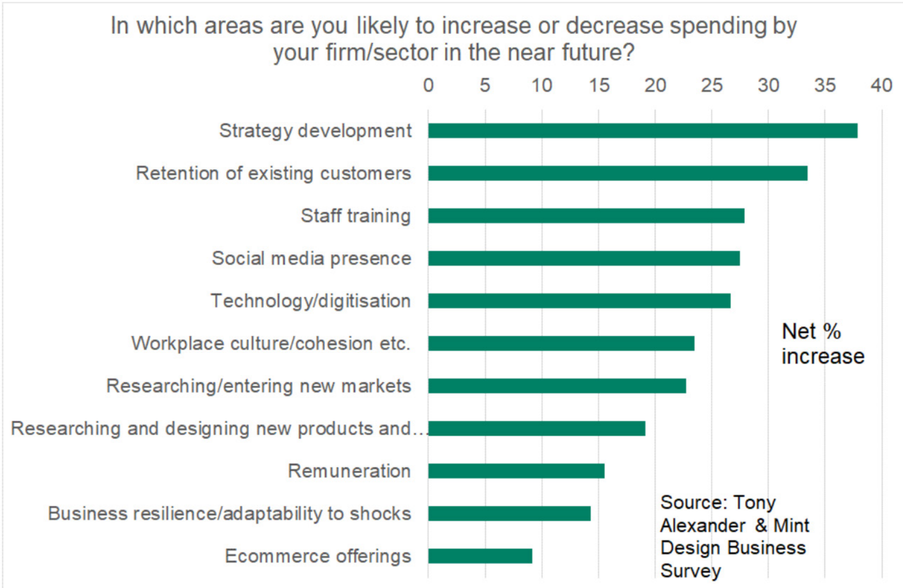
Very few businesses are concerned that the NZD is either too high or too low. The currency is not an issue this recession. But that tells us that the burden of monetary policy tightening is having to be borne more intensively than usual by the household sector as compared with past periods when a soaring NZD would depress export sector incomes and spending plans.



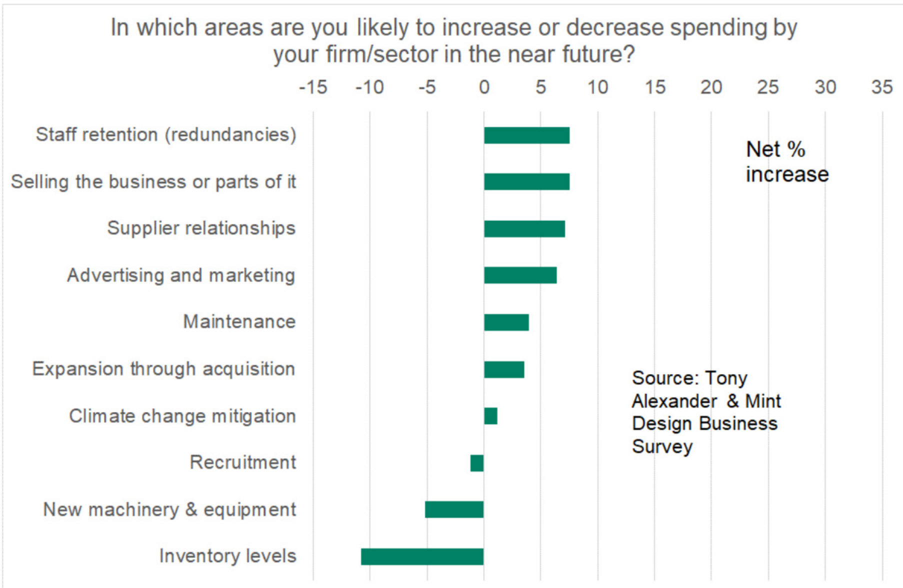


In which areas are you likely to increase or decrease spending by your firm/sector in the near future?

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. Strategy development is usually the number one area for extra spending listed by our respondents. Customer retention and staff training also usually rate highly.

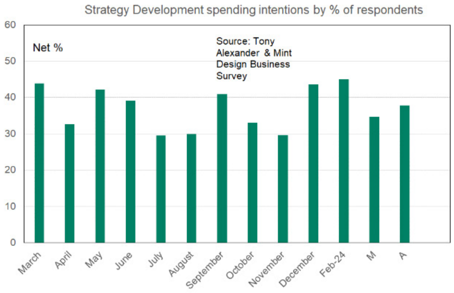


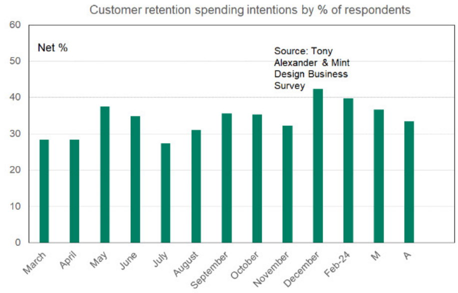
Outright cutbacks are planned in areas of recruitment, new machinery & equipment, and inventories.



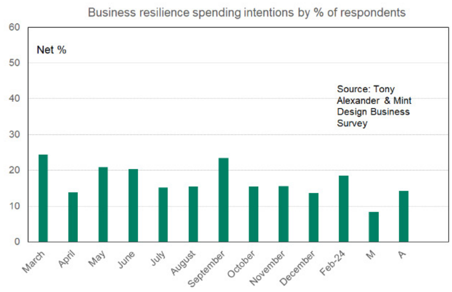
These next graphs look at how planned areas of spending change have been tracking since our survey started in March this year.

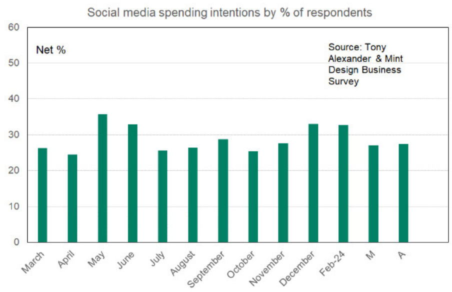
As noted, spending plans are always strong for strategy development and customer retention.



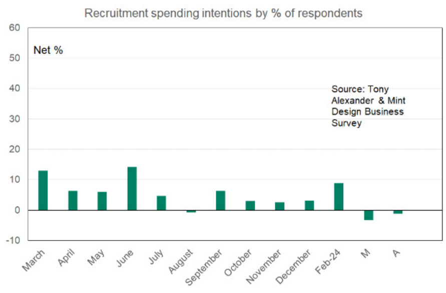


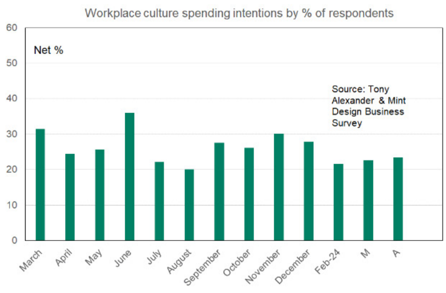
There are no clear up or down trends evident for business intentions of spending on their resilience or social media presence. Social media exposure is seen by businesses as a key means of promoting brand and products and as people move increasingly to gaining information from streaming and online networking services presumably even more advertising spending which may have gone to linear tv will shift online.



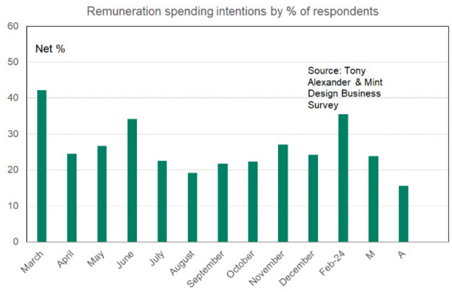


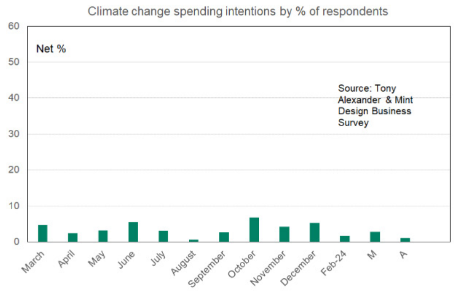
Plans for spending on recruitment are negative, but there is no sign of a lift in plans to spend on workplace culture. This perhaps is a blindspot for businesses – thinking that seeing others being made redundant will not negatively affect the attachment feelings of retained employees.



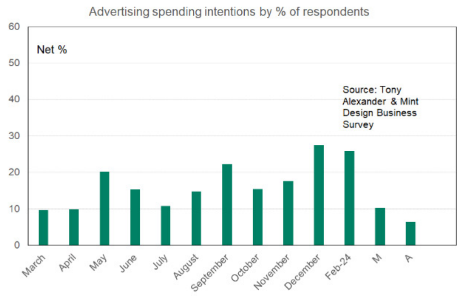


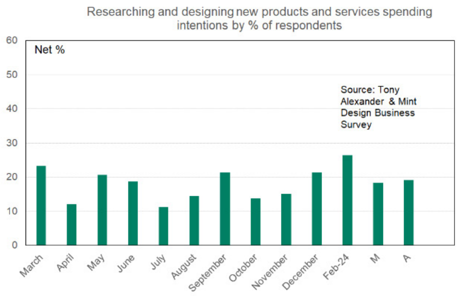
The next graph shows a trend which will please the Reserve Bank in its inflation fight. Businesses are decreasingly planning to spend money on lifting remuneration. Those concerned about the climate however may be disappointed that plans for spending in areas which will mitigate the effects of climate change or slow it are so low.



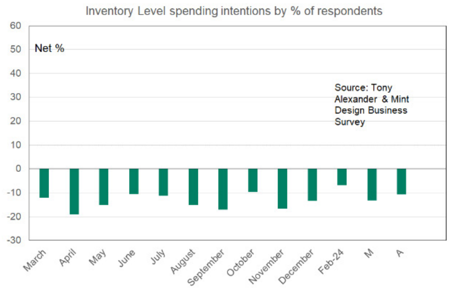


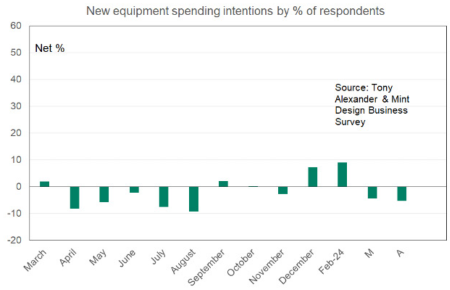
At a time when businesses are growing more concerned about their operating environments, expectations of the payoff which may come from advertising would be expected to decline. This perhaps alongside cash flow concerns helps explain the recent firm decline in plans for spending on advertising. But an eye is still being kept to the future with no evidence of cutbacks in spending on new product design.





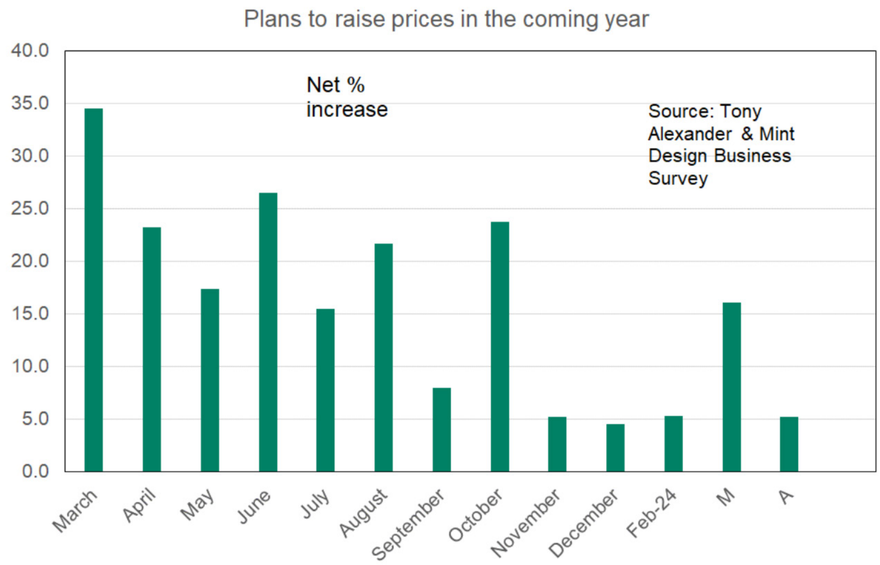
To finish off, here are the two areas for which spending intentions have largely been negative for this past year – capital expenditure and inventories.





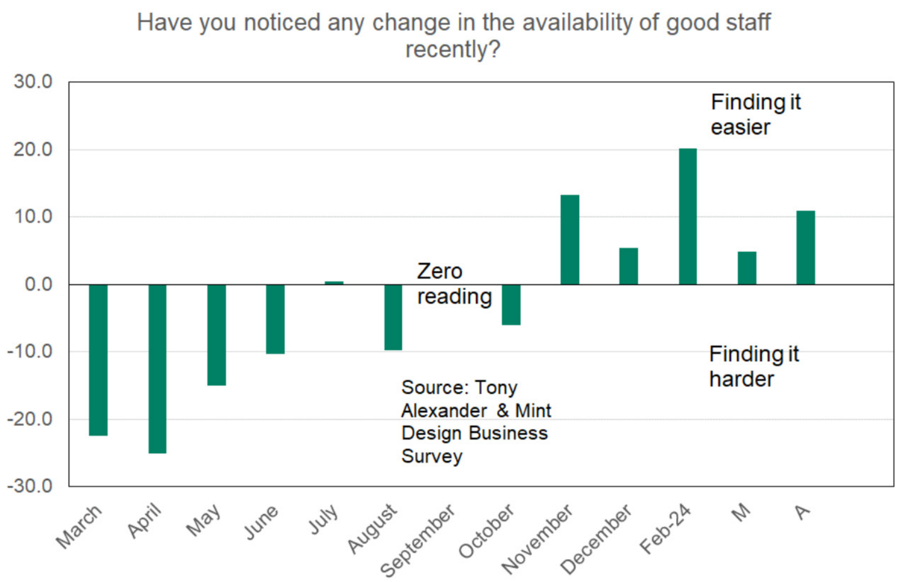
Are you planning on increasing your prices for any of your products or services this year?

Thankfully, it looks like the sharp blip upward in the net proportion of businesses planning price rises last month was just a statistical wobble. Those plans are back to the low levels of November through February and hopefully this will soon be reflected in a stronger decline in the ANZ's measure of business pricing intentions which are still running at about twice long-term average levels.



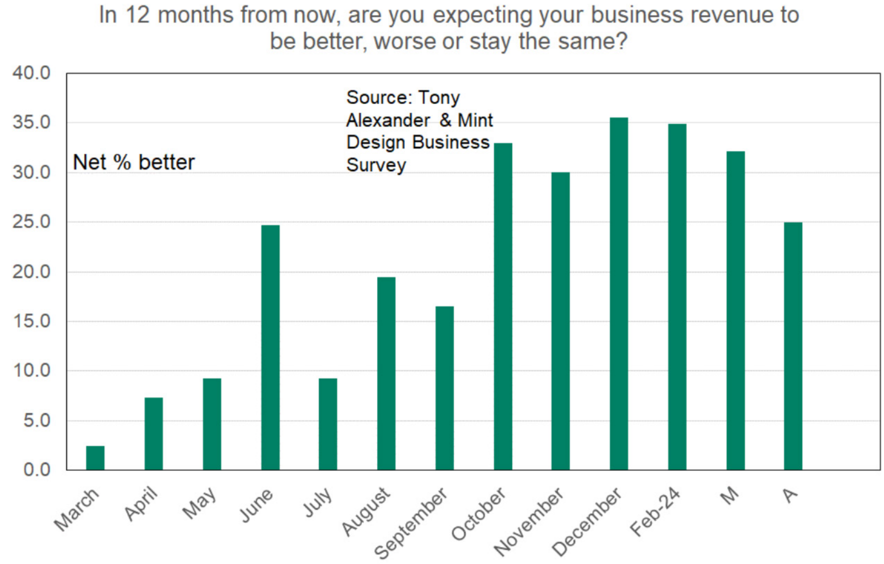
Have you noticed any change in the availability of good staff recently?

Since November last year a majority of businesses have reported that they are finding it easier to source good staff. This is consistent with data from other sources such as ANZ and NZIER and unsurprising considering the population boom and recession causing the unemployment rate so far this cycle to rise from 3.2% to 4%.



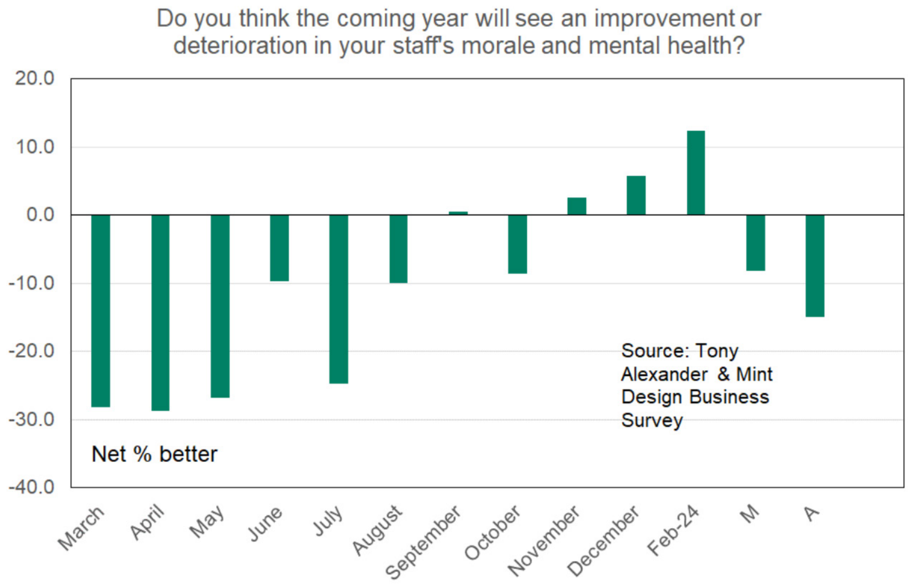
In 12 months from now, are you expecting your business revenue to be better, worse or stay the same?

It is not surprising that business revenue expectations have declined at a time when they have deep concerns about the economy and retention of customers. Perhaps the surprise is that the decline is not stronger.



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

Businesses may not be getting more concerned about their workplace culture, but they do expect deterioration in staff morale and mental health. This again suggests there is a blindspot. It is difficult to imagine workplace culture will not suffer if people are becoming demoralised. This perhaps is setting the scene for an intense period of staff shifting employers when labour market conditions improve from either late-2025 or some point in 2026.



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.

- Demand is noted as weak across most sectors and especially retailing and housing activities.
- Government policy changes have encouraged firms in some sectors to put projects on hold as they wait to see where things will settle down.
- Comments from the commercial property sector are unusually negative this month.

Accounting & business advisory services incl. business broking

- Lack of trained staff to recruit. Clients' forward work is more patchy.
- Reduced demand as clients cut what they see as non-essential consulting and other services.
- Have noticed an uplift in enquiry from Government workers looking into business buying opportunities.
- Businesses at the end of projects are busy as most look to finish off long run projects and get them sold or to market asap. Businesses at the front end (architects, engineers, planning consultants) seem to have demand drying up and laying off team members. The recession seems worse than the headline.
- Clients in industries that have discretionary spend are finding revenue decreasing.
- Quality of staff concerns - however we can mitigate this effectively by increasing outsourcing.
- Quality and availability of potential staff is still an issue. Salaries seem to have stabilized, but you still don't seem to get a lot of experience for what you need to pay in salary.
- Higher debt (bank & IRD) levels, slower demand especially those who are heading towards deciding whether the business is viable or not. Those who have manageable debt, good cash levels, good management practices, etc. are doing well.
- Household disposable income has dried up. Business owners in the new build developments are struggling for work or it is lumpy.
- Business Finance Adviser role. No issues with activity / deal flow, however it remains difficult to place proposals with lenders. Main banks remain risk adverse & non-banks have also tightened up on their lending policies. Many clients are experiencing severe cash flow issues (including tax, GST).
- Clear slowdown across the board. Winter trading outcomes will be a deciding factor for a number of hospitality and retail businesses. Starting to see construction employees investigating self employment.
- Clients struggling with profit and cashflows due to increased interest rates and economic downturn, and increasing tax debts.
- Extra time for compliance costs.
- Uncertainty for clients leading to nervousness in decision-making and less risk taking.
- Future uncertainties for business and families. Concerns over too many government regulations.
- Quality staff is really hard to find. This appears to be less choosing to enter the sector and greater competition for those that are.
- There are significant challenges in the rural sector, with increased costs & interest rates, issues with commodity prices, drought in South Island, putting farmers under pressure.

Advertising & marketing

- Clients are having their margins squeezed through cost increases and soft consumer demand, leading to a trimming of marketing budgets among other things, to try and maintain profitability.
- Advertising is a flow-on industry - when times are tight, marketing budgets shrink (across commercial and government) and that has a direct impact on our business health. Waiting for the tide to turn!

Banking and finance

- Taps turned off for property development funding and cashflow lending is harder to get - I'm seeing some banks competing only on price now to drive volume - serve delivery ignored.
- Uncertainty about economy and regulatory changes.
- Increasing investment in technology and infrastructure after a prolonged period of under-investment in the banking sector. Higher capital cost for banks will flow on to borrowers.

Cafes, bars, and restaurants

- Coffee is a very challenging industry to be in at the present time. Very high prices and a lot of churn. Cafes are struggling to survive.

- Unpredictable!
- Big downturn in customer demand in past few weeks. Expecting tightening to continue for another 6-9 months. Likely to lay off 5-10 staff shortly.
- Customers are tightening up the purse strings, visiting less regularly.

Civil construction/infrastructure

- Clients' cash flow is reduced, and the cost of money is still high which means they are not reinvesting into construction projects. There's no specific sector, our clients come from all sectors and the commonality is the requirement for either new build design, existing asset maintenance or upgrade, or asset sale/purchase with due diligence requirements. All of these things have tighter margins from a viability perspective which means projects either don't stack up or they can't do as many at once.
- Too much uncertainty over funding from govt.
- Lack of available money from the government for infrastructure projects.
- The government stopping major infrastructure projects without replacing them with new ones is having a big impact on the infrastructure sector at the moment. They need to get their priority projects into design and construction before we lose a lot of talented people to overseas projects.

Commercial construction

- For our little niche I think we've seen the bottom of the trough. I think that generally in the construction industry there is a lot more pain to come.
- There appears to be a downturn in training.
- Its the calm before the storm - the market will come back strong.
- General market conditions are extremely bad!
- Haves and have nots - generally more contact from people looking for work, but some pockets where things are cranking along.
- Government has caused insecurity in the large commercial construction area- with many tenders sitting in limbo until the investors get comfortable enough to push the go button

Commercial real estate

- High interest rates have had a significant impact on the commercial property sector. Owners and developers are selling property to retire debt due to cost of debt. Pre-acquisition TDD work is muted but there is some activity as market appears to have bottomed out attracting those with cash looking for a home.
- Despair. Nervousness. No confidence to spend.
- High interest rates are killing this sector. Sales volumes are well down from 2 years ago as Vendors are prepared to wait for lower interest rates and cap rates. Leasing volumes also down as business confidence is uncertain. Developers are unwilling or unable to provide rental rates that are viable for tenants to pay so very little construction taking place. Unless interest rates fall soon there will be a significant downturn in the industry.
- Many businesses we deal with are hurting and just hanging on by the skin of their teeth. So some are in the unenviable position of being forced into making the hard decisions of selling their premises with a leaseback in place, subleasing space or closing down completely. If interest rates continue to remain high there will unfortunately be a lot of carnage as a result, especially with SMEs who have run out of equity, sold their homes and have run out of options to be able to continue. Some larger businesses which are well capitalised are looking to make the strategic move now, to secure newer or larger premises so as to be well positioned for the recovery in the business cycle.
- Growing rental arrears with tenants and an increasing number of small businesses under pressure and closing down. Commercial property values declining as interest rates remain high. Vendors have taken time to accept that the market is not improving with many regretting their decision to reject previous offers. Bank funding difficult to obtain and general buyer/investor interest has declined.

Engineering

- Small upturn in new business and export enquiries.
- Technical service staff still have an air of entitled arrogance with limited skilled resources available. However with increasing softening of the general economy I suspect the entitled attitude will slowly dissolve and productivity and motivation will increase.
- Auckland Council continues to be a bottleneck causing significant cost overruns for developers. Financing is getting harder to get for developers as the risks and costs of Council delays are rippling through the sector.
- Engineering consultancy - future workload is more unpredictable than ever. Many projects not going ahead. Councils are becoming even more difficult and unreasonable which is adding to our clients' and our costs.
- Clearly in a recession. As an engineering design company specializing in wastewater we feel the effects of a recession first. Our expectation is that things will not improve for around 12 months.
- Uncertainty. Government of stop infrastructure is losing credibility on their election promises on delivery.
- There's a big difference between companies that have work and those that don't, most likely due to their customer bases. Some customers have stopped spending, and some haven't.
- Reducing compliance costs in all areas, building code, Employment Act, WorkSafe and generally taking the corruption and segregation of society out of the mix.

- We are busy with a solid pipeline of work for the remainder of the year and existing land and housing developer clients continuing to be active. We are actively recruiting staff and purchasing new equipment. At times I am totally confused (and somewhat concerned) as to how to marry up what we are experiencing with the picture presented in the media as to an economy well into recession. We will continue proceeding based on what we see but with a weather eye to the doomsday merchants!
- Nervousness at Govt inspired turn down.

Entertainment

- Pull back in discretionary dollar spend.
- I work in the film industry. I've pretty much given up on tv commercials which were once my bread and butter. Drama is the main form of work for many these days, covid then the actor strikes hit hard but after years it feels as though there might be continuity of work in this discontinuous industry.
- Most people have less money. We have a large network, and we continue to hear stories of hardship out there and businesses struggling. The top end of the consumer market still has money though and will spend it on great experiences.

Farming & farming services

- There's little profit in Sheep and Beef at the moment and it's going to be difficult to stay out of the red as next season appears to be shaping up no better than this season.
- There are some positive signs regarding the dairy payout for next season. With the recent cost inflation a higher payout is needed to maintain sector profitability.
- Climate change has affected us quite badly, especially with the extreme weather events.
- Concern about meat prices (far too low) and drought.
- Product prices too low - unsustainable ; costs pared back hard = break even at best / loss. Succession / generational change looks difficult but is needed. Supermarkets/ food retailers dominate price ; no transparency in cost of production to consumer ; NZ ag. bus.model= shrinking its way to success.
- High cost of living for staff meaning we must increase their wages/salaries, so their living standards don't drop.

Financial advice/wealth management

- As a mortgage broker, I have observed an increase in inquiries since the 2nd half of 2023, which was notably the lowest in the past decade. However, should the current inflationary trend persist, and high interest rates prevail, maybe there is a subsequent decline in the demand for new home loans.
- The compliance costs and processes have become extraordinary. This means less time ironically advising and more time making sure your boxes are ticked. Combine this with financial suppliers and turnaround times become almost farcical to anyone from the outside looking in. This means productivity in general will continue to suffer. Businesses and households need cashflow security and flexibility along with advice on how to navigate the next 12 months. Unfortunately through a serious of ignorant and well meaning idealists the FS sector has found itself in the perfect storm of overreaching regulations, and hesitation from mainstream suppliers to assist advisors and therefore customers. After 25 years in my sector I have never seen anything quite like where we are now.
- Over regulation, poor investor confidence because of higher interest rates and a flat property market.
- The elevated OCR + higher interest rates + higher cost of living has crushed the life out of the market - it's the official Covid QE party hangover.
- Busy time, demand for service. Challenge is to be able to meet demand and maintain high level quality service.

Health

- Fitness - We are seeing the lower income members cancel their memberships, however those who have higher disposal able incomes are still signing up. Focus has changed from body beautiful to mental health and health as a focus for signing up. We see the industry looking at discounts to attract income, but then stuck in the cycle of discounting and needing more members to cover the operational costs. I'm expecting a flat few months ahead in the fitness industry.
- Fitness - Cutting spending across the board, disestablishment of positions, constant change, and restructure. Low staff morale and burnout.
- Health, government - Government spending cuts having major impact on business viability and employment amongst SMEs and consultancies, well over and above the direct redundancies within core public service that are being widely tracked in the media.
- Health, government - We are seeing better than expected demand - especially given the negative media attention to the economic outlook and despite raising our prices this year. We introduced a premium priced product - with an increased margin - that approx. 20% of clients have chosen, so while our volume will remain static this year, our margins and profit will increase.
- Healthcare, not Government - Customers are not spending like they used to.

Information technology

- Our focus has moved from a weighted NZ focus to expanding offshore markets where economically growth and investment is more prevalent, decisions are made more quickly, and the exchange rate is more favourable.
- Slow market and cautious spending.
- We see opportunity in the changes being made in Central Government which will flow through all sectors of the business landscape so the next key date for us is the Budget.
- In my area, technical recruitment has got harder. There are 4× more applicants for jobs than 18 months ago, but only a few suitable. Majority require sponsorship.
- ERP & CRM - is a bit all over the place, some sectors (anyone involved in or supplying to the construction industry or retail) are not spending, others are trading as normal. Many organizations are also waiting to see what impact AI will have on them and their industry.
- Slow down in inquiries, less enthusiasm for new projects even though software solutions increase productivity, efficiency etc... you gotta have the cashflow to build 'em in the first place and it feels like people are battening down with what they've got than making bold moves to improve.
- Generally very challenging times with tough competition. All too many customers are making decisions to minimize their costs in the short term and often not taking a longer term view based on value for money.
- Almost total pause on government customers spending.
- We work a lot with the Local Government sector and we're seeing them really scrutinise their invoices and stalling on projects or cancelling them. We've shifted our marketing spend and focus to the Australian market which is more buoyant and more mature in the world of H&S.
- Restructuring to meet market conditions, increase in AI testing to replace staff.

Insurance

- We are insurance brokers and insurers are having to price for greater volatility (margin spend needs to be higher). That said since the two key weather events they have enjoyed a good run and hence are currently profitable. Customers / businesses are getting over the sob story and will increasingly push back going forward.

Legal

- Plenty of litigation chasing old money.

Manufacturing (all categories)

- Customers are taking longer to confirm orders for projects, as they put them on hold while waiting for concrete improvements in the economy.
- Reduced demand compared to last year.
- We make "craft" spirits. Demand in the premium sector is depressed and is likely to continue to decline. We are having to pivot to lower margin, price fighter brands and products to keep revenue and cashflows up but the consequence is much lower margins and profitability. We need to develop significantly better efficiency to make the high volume low value business model work.
- Lack of work in the pipeline, lessoning confidence in the Government. Expecting more liquidations and bed debts.
- Customers report subdued residential construction activity. Looks like it will be a quiet winter.
- After 107 years, employing qualified engineering staff is our biggest problem. NZ home grown tradesmen that are well trained and with good work ethics is in free fall. The best are heading to AUS and they are being replaced with mostly incompetent peoples from abroad. We can no longer entice Samoans to work in NZ, they now prefer AUS. Second big business problem is NZ employee can dump employer in a heartbeat but employer costs to remove a employee that falsified their CV, steal's goods or time, does not show up for work, cannot understand instructions, cannot comprehend heath and safety is a very expensive, near impossible exercise, hence employers are currently very hesitant to hire from the current group of peoples.
- Things have become easier as we've now moved out of peak tourist season, gives us chance to focus on recruiting for the uptick later this year and get some other things in place.
- There is no urgency, everyone has a reason to wait!
- Challenges with demand as customers continuing to struggle.
- Things are getting better, but they could slip back. Offshore supplies are taken longer to receive.
- We are noticing a decrease in activity; we are closer to our pre-covid levels now (after a big increase in demand over covid) and finding this much more sustainable. There are some slower payers putting pressure on our cashflow. Our recruitment recently had many more applicants, but we are still struggling to find candidates with the right fit.
- Less consumer demand which is putting pressure on cash-flow. Increased costs are also impacting cash-flow.

Miscellaneous

- Aquaculture - Unable to innovate or expand due to RMA local and regional council regulations and restrictions.
- Aviation - Decreasing demand and therefore less revenue, combined with increasingly complex costs and supply chain issues. Consequently more competition in the market - fear that something has to break soon.
- E-Commerce - "Decrease in demand. I'm assuming this is because of the cost of living crisis and people having less disposable income to spend on luxury goods. This means I am not able to get the same number of sales as I would have last year or the year before. This decreasing down trend means I may need to shut down my business in the coming months.

- Education and training - Lack of a clear plan to achieve a vision.
- Energy - Regulators too slow to acknowledge and respond to fundamental industry change.
- Leadership development - The government's focus on cost reduction is impacting a number of our clients, which has a flow on effect to our business. Corporate clients are unwilling to commit to longer term programmes. The conference keynote market is showing signs of improving although recovery to pre-lockdown levels is a long way off.
- Plant and Machinery Valuation - As a valuer my interactions with my clients have shown across a number of sectors and locations a lack of availability of staff, even in unskilled roles in places like Te Kuiti and Levin. I believe, from these discussions, that our unemployment levels have been too low and a percentage of 4-4.5% of the current unemployed are simply not looking to work full time. I have seen more investment in automation to combat staff shortages and the use of RSE workers in roles within sawmills and transport.
- Signage Design Make and Install - Decision to progress work on hold or delayed.
- Training and charters - Those without ability to train at tertiary level with funding available will disappear. Cost of compliance and insurance are through the roof. Seem to spend more time paying taxes, gst, insurance and compliance costs than anything else.
- Wholesale Metals Trade - Demand has fallen to levels last seen GFC, great uncertainty across multiple manufacturing sectors. Cash has dried up.

Mortgage broking/advisory

- Hard work making the same dollar, no certainty as poor messaging by RBNZ has markets and business confused. Need change at RBNZ.
- Higher use of Afterpay Laybuy etc in customers accounts, little to no savings, clients with no emergency funds, clients thinking twice before spending, clients also getting rid of unnecessary luxury items, such as Netflix, hairdresser appts, beauty appts, eating out and coffees etc. Everyone I have seen is being cautious, making meals at home with friends and family rather than going out.
- Interest rate flow on effect has not really hit home with defaults but it will happen.
- Compliance is having too much of an influence on outcomes.
- Growing number of people just hanging on with current mortgage payments. Borrowers need relief from lower interest rates and suspect Banks are keeping deposit rates high to justify mortgage rates. They have a bigger pool of money in home loans so keeping these high is the strategy!!
- Decline in property sales.

Motor vehicle sales/parts

- Hesitancy due to economic outlook.
- There appears to be an increase in competition from start up / work from home type people, meaning more choice for the consumer leading to lower prices / less margin. The reality is none of them have any inventory, which will lead to a disappointing experience for the consumer, having to wait for their order to arrive after they advertise as being "in stock".

Printing and Packaging

- No confidence in market because they don't have confidence either.
- My main printer failed recently. Business had been falling off rapidly the last 2 years (home based). I decided to not replace the printer and concentrate on some online touch-up work, but am essentially now semi-retired with no debt. I can only see things getting progressively worse with the economy and see no reason to continue as before.

Property valuation

- Property & Construction Project management consultancy - Lack of clarity on project pipeline from central and local government. Slow/cautious decision making procedures. Difficultly to accurately forecast future revenue.
- Property Development & Professional Services - Construction & Property - Low interest rates/monetary expansion/irresponsible govt fiscal policy led to inflated residential/commercial/industrial property prices and an unsustainable building boom. Inadvertently, this allowed the public sector and particularly Territorial Authorities to continually add and compound compliance hurdles (adding time) and cost. The needle has moved exponentially and despite the new government's intentions - I'm afraid a lot of this won't be reversed and will be key reason why productivity in sector will take a long time to recover if it ever does. Equilibrium is a long way away.
- High interest rates are stopping buyers. A lack of confidence, consumer retail demand and job security are making for a weak market. Lower student numbers are further undermining confidence in our University sector.

Recruitment

- Business inertia due to uncertain economic environment and Govt Sector restructuring.
- Many of my workforce were still at school or uni during the GFC (they're in their 30's) They didn't build the resilience, grit and perseverance that the GFC instilled, and we've just come out of a booming time for recruitment. This is a confronting market for many who can be influenced and distracted by negative economic commentary. Internally our message is quality of work on e.g.- just 4 jobs that you will fill - focus is on fill rates and days to fill, not job volume.

- There are more candidates available but as in the GFC this doesn't mean that the increased job applicants are any good. When remuneration levels rose on the back of covid many candidates were hired on increased remuneration but are light on skills expected by employers.
- It's interesting times, fortunately we had a very tough time in the GFC but the lessons we learned were invaluable and we're focusing on these with intensity in the current market.
- The imbalance in quality and quantity of people leaving and coming to NZ is concerning, raising echoes of the Muldoon quote about the raising and lowering of country IQ's. I have enough roles on the go at the moment to keep my recruitment business very busy but the overall lack of good quality candidates making themselves available to change jobs looks like it will continue through Q3.

Residential construction incl. section development

- Building Compliance – consenting - New building consents have slowed greatly over the past 6 months in both Residential and Commercial. We have had to find new workstreams with local government in areas other than consents. In addition to this, one of the big challenges are finding suitably qualified staff to undertake high level consenting work, as typically these types of projects still go ahead as opposed to the "mum & dad" style residential builds. Developers in the residential market are also holding off due to increasing planning rules and regulations around medium density housing i.e. government is pushing in this area to intensify but local councils' infrastructure is not capable of servicing the extra load, and development contributions are increasing to help councils service sky rocketing debt levels. Overall, it is not looking positive, and I expect that growth will slow further and therefore as a business we will hold tight to the reins and sit and watch what happens.
- The residential sector has slowed due to high interest rates.
- The waste of time responding to Local Government and Government staff queries, form, consultants, and having to employ consultants to answer many questions. The building industry is hamstrung by government rules and regulations that do not improve the standard of living of New Zealanders. Instead of making more Acts and Regulations, this Government should be pruning the rules which would remove the need for half the nonproductive staff employed by Government and L.A.
- People can't borrow money because interest rates are too high, and banks are being very restrictive.
- Market for residential property/development is dicey at best!
- Construction is going to see more small, medium & large business go under in the next 6-12 months. This will result in redundancies, with few companies hiring people are either going to leave the country or the industry. When construction picks up again in 6-12 months there will be a shortage of skilled/quality carpenters and hammer hands to fill these roles. This will result again in higher wages that business are going to have to pay if they want to complete their contractual obligations.
- A big slowdown in housing construction.
- Survive until 2025.
- Much reduced confidence in the 3-6 month outlook.
- Still getting quality clients wanting to build (Not relying on banks or borrowing). Group Home builders building entry level builds will be struggling!
- Town planner / Town planning/ RMA consultant - New work is slower than the last 3 years, Council's planning approval process is still slow nationwide, clients are more cautious before proceeding with planning approvals and they are uncertain that there is a profit at the end of their building projects at the moment. Going to a be a tough year, I think.

Residential real estate

- Topsy turvy market at the moment.
- Times are tougher with peoples' incomes dropping, fewer hours and people are being tougher on their spending, preferring to hold onto what money they can.
- Businesses are tightening their belts on spending and taking on new staff.
- This next 12 months will just make us more resilient, focused and stronger.
- Depressed housing market.
- Business being purchased by competitors and then letting clients down when they are not able to deliver.
- Oversupply of property, buyers getting confused by viewing too many properties. Buyers making very low offers vs list prices. Our competitors buying listings. Low fees from little agencies

Residential rentals/Investment

- I am a retired Civil Engineer involved in residential rental property investment and property management. I expect residential property prices will drop as the winter and a recession grow - then I will buy more residential investment property.
- In my business residential real estate rentals, the continual government policy changes do nothing for the confidence of future investors. The country has a shortage of good rental stock as we know. Why not support the industry and allow investors to run their businesses like any other business.
- Shortage of good quality tenant applications and previously very good tenants missing rent payment. Thinking of selling up rentals into next strong market upswing, especially if a leftie government looks set to return.
- Doesn't make sense to own a rental property in Auckland anymore.
- Investors receding. More opportunities for those with capital and finance.
- Oversupply of new housing for sale. Land prices still too high to make new development feasible even if I wanted to develop.

Retailing

- FMCG Wholesale sales - Weakening consumer demand. Major retailers putting pressure on their suppliers.
- Importer/ Wholesaler - High interest rates reducing consumers discretionary spending.
- Decrease in Customer Demand, with cost of living having a huge impact on disposable income
- A major reduction in spending causing cash flow issues.
- We rely upon expenditure in our clients' businesses, and we expect this to be pared back this year. We believe within 12 months, if we can retain clients through some difficult times, we will return to 'normal'. Increased running costs, shipping, packaging etc hit margins and we are fearful of increasing our own prices due to potential competitor advantage.
- As an ecommerce retailer, we can see that people are still shopping and interested in our brand. Conversion rates are lower, but this is supplemented with more in-person opportunities which also grow our customer base.
- Economic conditions getting worse as more people get onto higher mortgage rates and watch property values decline in short term. Anxiety about flow on effects from all the government workers made redundant. Including effects on many recent grads not able to land a job in their area of training after all that study and debt! This will take years to recover from.
- Customer transactions are holding up; it is the average sales that is in decline. We are experiencing margin erosion across the business as we compete for sales.
- Many tourists are budget conscious, quite a number consider NZ accommodation and food costs are expensive.
- Sales 20% down comparatively this quarter, overheads stabilized, stock shrinkage / shoplifting now a material concern, an increase in anti-social behaviour instore increasing. There is still a core loyal portion of the customer base spending well and some regional sales across the group are performing above average.
- Strong demand for travel still. More flights into NZ starting to put downward pressure on international flights, domestic costs still high. Still some disruptions globally as airlines settle into new norms.
- More price sensitive buyers.
- Price increases and slow down in sales.
- Reduced demand.
- Decreased demand, decreased profitability, increased costs.
- Economic headwinds blowing stronger, meaning less disposable income.

Shipping, transport, storage & distribution

- Everyone is focused on stock holdings to keep costs to a minimum but can't afford stock outs so supply lines and stocking levels being regularly challenged and looking for cheaper services. 3PL providers being squeezed to retain clients.
- Huge drop off in inventory holdings.
- Pretty much all connected to the country's financial situation!
- Customers (retail) are finding it tough and small operators closing shop -expect further deterioration.
- Customer cash flow is very tight, and they are looking to save money everywhere they can therefore a storage unit is no longer affordable.

Tourism & accommodation

- International tourism organisation - Increase in compliance and operational costs for business and housing, inflation ongoing concerns for team on a personal basis.
- Business is Motel/Apartment accommodation in Wanaka. Demand has been very strong and appears it will continue to be strong for the next 12 months. Room rates have increased 10-15% this past year and similar increases are planned for the next year. Good staff (overseas travellers are back)) have been easier to find this past year and looks like this will continue.
- Weak demand from NZer's but strong international growth which is resulting in a net positive outcome in our business (tourism).
- Tourism is going well but concerned it may not continue as this year may have been due to unmet demand during covid. We are bucking the belt tightening trend so not sure it can continue. Tourism is also notoriously sunny in their forecasts.
- Travel agent - My key clients continue to travel, some even more so, in spite of the increased cost and poor exchange rates.

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

Subscribe here https://forms.gle/qW9avCbaSiKcTnBQA