Mint Design

Mint Business Insights

With **Tony Alexander**

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Challenging times remain despite election outcome

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. 189 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.

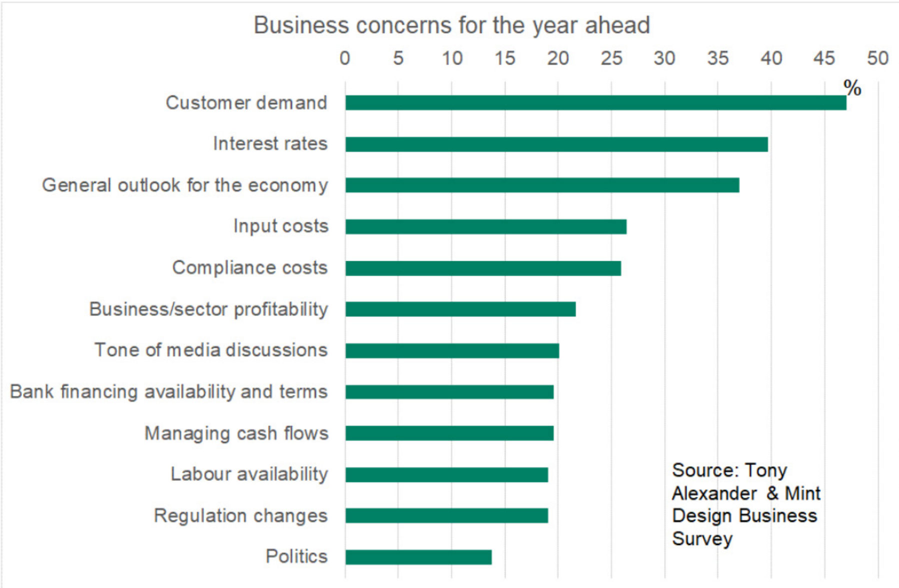
The results show strong concerns about customer demand (associated with high interest rates), but some efforts being put into acquiring new customers through advertising and acquisition of other businesses.

Tony Alexander
Independent Economist

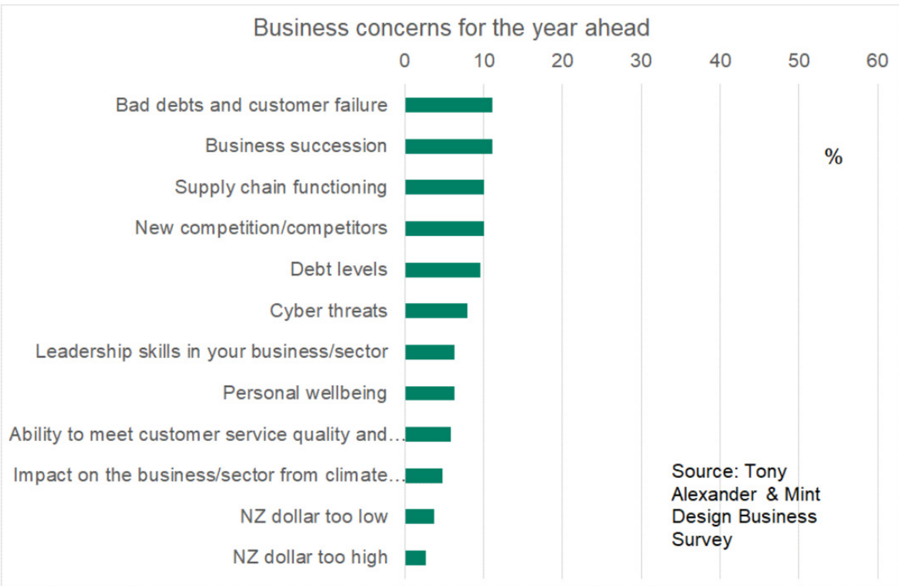
What concerns you most for the year ahead?

We ask businesses to choose the things which concern them most about the year ahead. They can choose more than one area of concern. The following two graphs show the most common and then least common areas of concern cited by business in this month's survey.

The top three concerns this month are the same as in our last survey for 2023 in December, though as has been happening for some time now the order is reshuffled slightly. Top concern at the moment is customer demand followed by interest rates and the general outlook for the economy. Given the pressure which the Reserve Bank is exerting on consumer buying through high interest rates these results are not surprising – even though recent data show that as yet this pressure has not been great enough to deliver an inflation outlook which the Reserve Bank is comfortable with. High interest rates look set to remain an issue for the first half of this year at least.

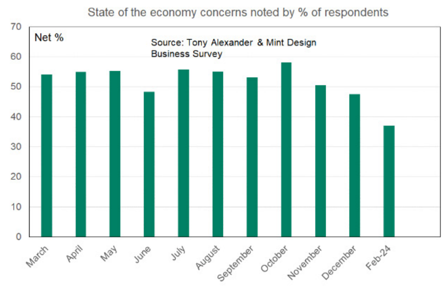


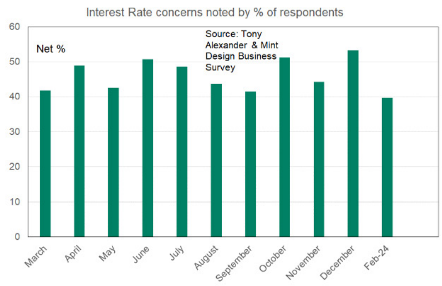
Worries about the exchange rate and climate change remain as low as ever, few businesses are worried about cyber threats or climate change impacting the business sector.

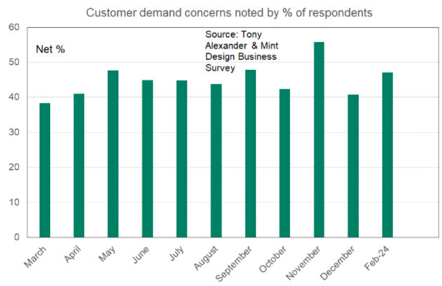


These next graphs look at changes in a selection of areas of concern for businesses since our survey started in March last year. There has been a steady decrease in worries about the economy over the past few months which is consistent with results from other surveys though not as sharply so. Some results may simply be biased by the effect of a change in government for which the macro outlook for the economy is not that much different in reality.

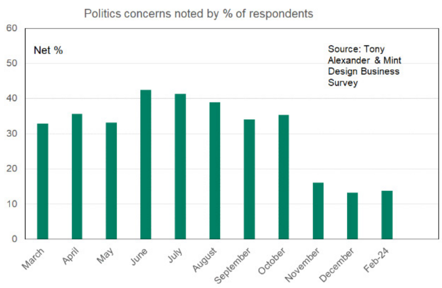
Interest rate concerns have eased off after rising in December. But 40% of businesses still rate funding costs as a major concern. However, concerns about customer buying have strengthened over summer.

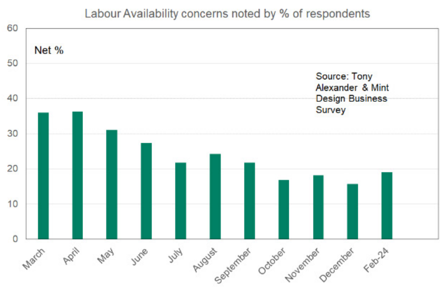




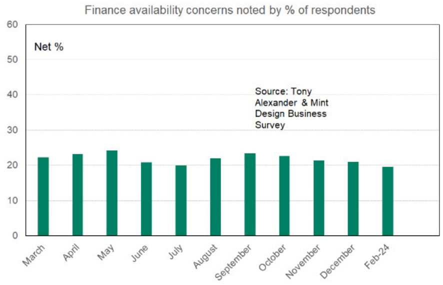


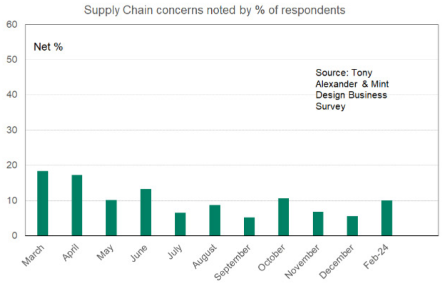
Concerns about politics eased right after the election but have since stabilised. Perhaps helping to explain some of the surprising strength seen in recent employment data, there has been a slight rise in the number of businesses expressing concern about the availability of labour.



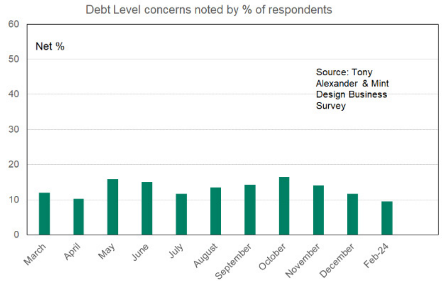


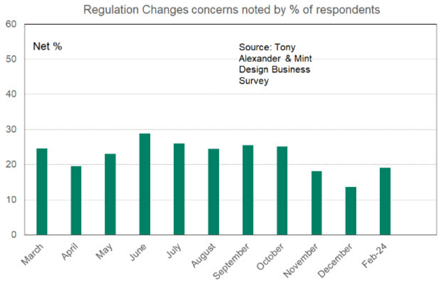
Concerns about the availability of finance have changed by little in the past year. Supply chain concerns however have blipped back up again, probably because of the problems in both the Red Sea and the Panama Canal causing a doubling of some freight costs.





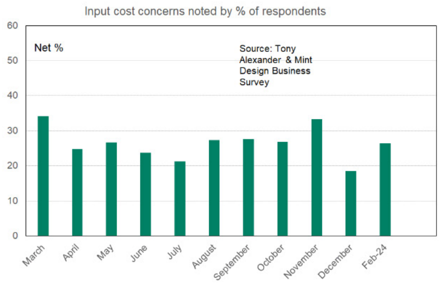
Despite still being worried about interest rates, buisnesses are showing slowly decreasing concerns about their debt levels. But there has been a blip back up in worries about regulations. Perhaps the initial election outcome euphoria has given way to the reality of the regulated world we live in not likely to be much altered.

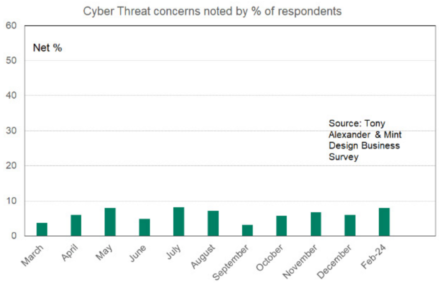




Consistent with the rise in concerns about supply chains noted above, worries about input costs have increased again. This backs up the still worrying signal about potential business selling price increases coming out of the ANZ's monthly Business Outlook Survey. However, our own pricing intentions measure discussed below has remained low. So, this probably signals some margin squeeze being anticipated by businesses.

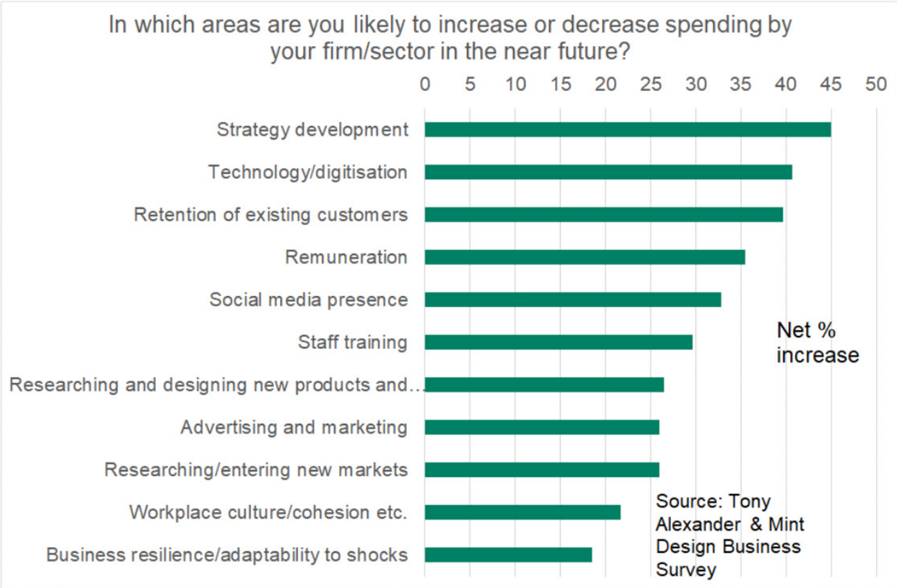
As ever, concerns about cyber threats remain low even though occasional attacks attract a lot of attention when they occur.



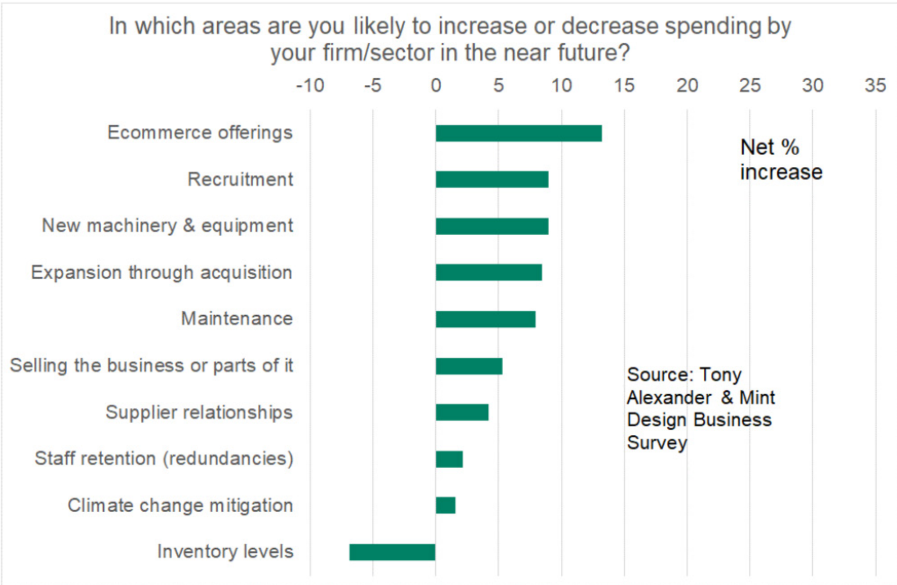


In which areas are you likely to increase or decrease spending by your firm/sector in the near future?

Our second main question is addressed at identifying where businesses are going to allocate their scarce funds in the coming year. As above, we split the results across two graphs starting with areas where most businesses plan greater allocation of resources. The top area of planned spending increase is strategy development, followed by technology/digitisation and then retention of existing customers. Social media presence has fallen out of the group of top three planned areas of spending.

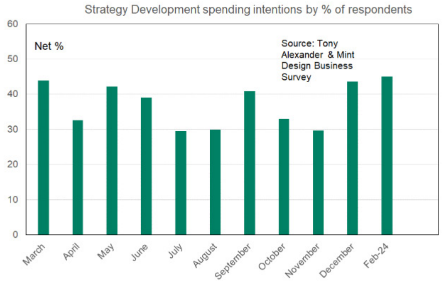


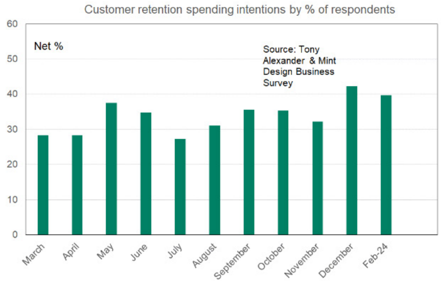
Plans for inventory levels remain firmly in the negative.



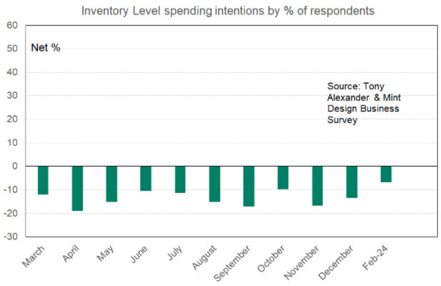
These next graphs look at how planned areas of spending change have been tracking since our survey started in March this year.

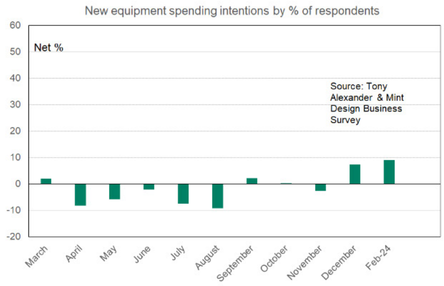
Plans for strategy development have been high since our survey began and have risen slightly over the past two months. Associated with this has been a rise in plans for retaining customers – a wise approach when new customer flows are a high cause for concern as discussed above.



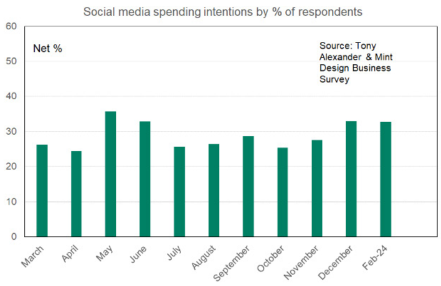


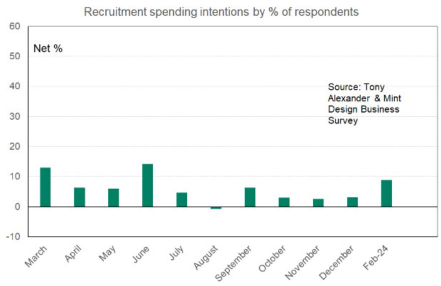
Plans for spending on stock levels remain negative. It will be interesting to see if this measure in fact turns positive once the economic climate is much better. The very low proportion of businesses planning to spend more on equipment bodes poorly for potential productivity growth in the economy and that in turns suggests a risk that underlying inflation continues to surprise on the high side through 2024. At least the trend in these measures appears one of improvement.



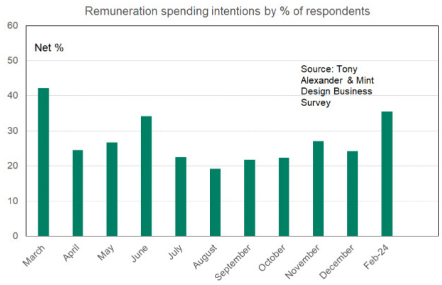


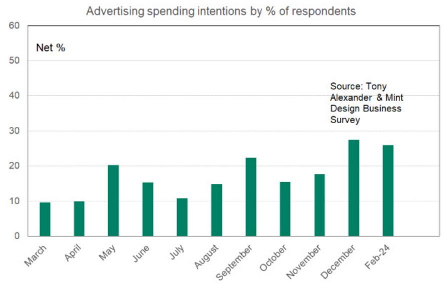
Plans for spending on social media have gone down the list of priorities for businesses but nonetheless remain quite firm. And perhaps backing up the labour hiring difficulties noted above, plans for spending on recruitment have l ifted this month.



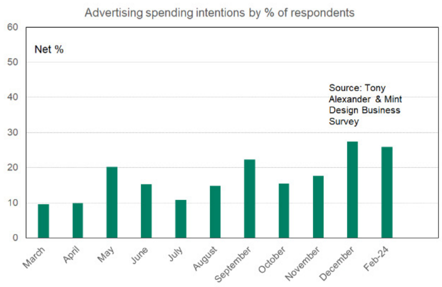


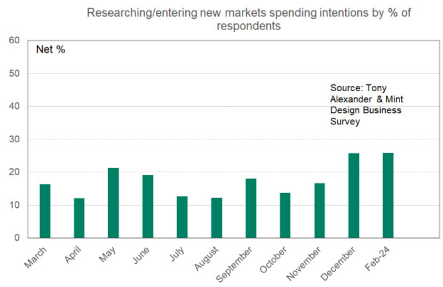
So too have plans for remuneration spending gone up. This will again cause the Reserve Bank some concern because it implies a less rapid easing of wage growth pressures than they are likely to be aiming for in order to help suppress inflation. Plans for spending on advertising jumped up in December and have remained high. This seems logical given the concerns about customer acquisition





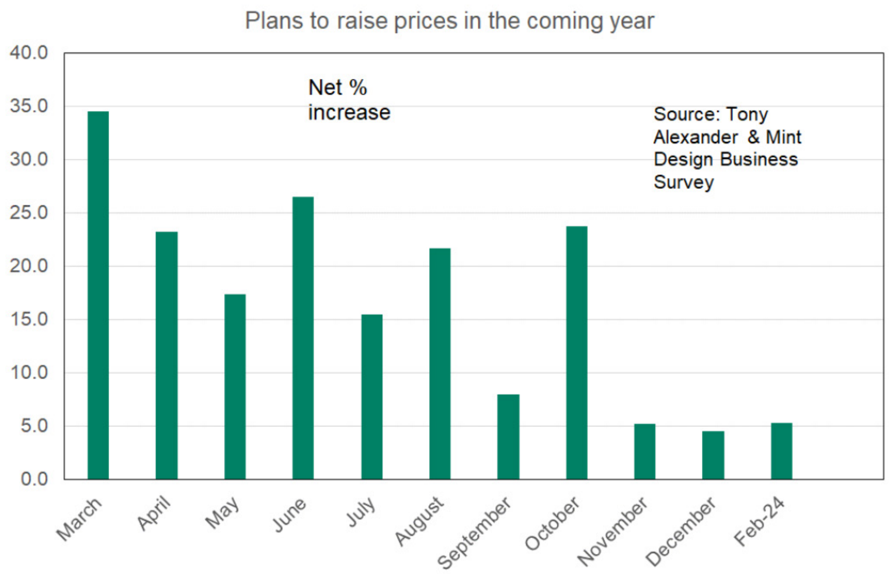
There is a small upward trend in the proportion of businesses looking to expand through acquiring another business. Again, this make make sense in the context of low flows of new customers in an economy constrained by tight monetary policy. The same comment applies regarding the rise in plans for spending on new markets. The search for extra revenue is on apace.





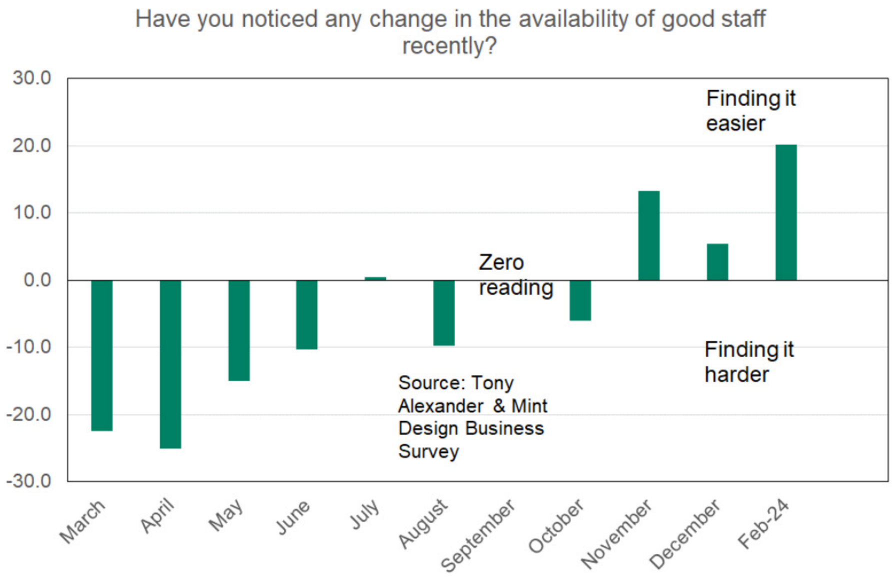
Are you planning on increasing your prices for any of your products or services this year?

A net 5% of respondents say that they plan raising their selling prices in the coming year. This is the same result as in our December and November surveys and consolidates a sharp reduction in such pricing intentions. This signals that perhaps the strong easing in inflationary pressures the Reserve Bank seeks is happening but not yet showing up in the measures generally tracked.



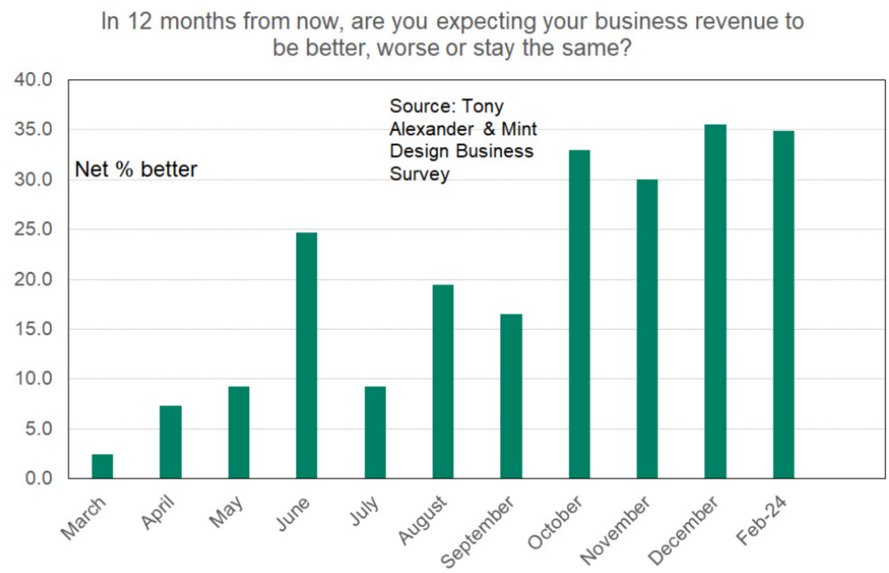
Have you noticed any change in the availability of good staff recently?

There is an upward trend in the ease with which businesses say they are able to find good staff. Taken in conjunction with plans to spend more on remuneration and recruitment noted above this tells us that many businesses may be looking to take advantage of the easing in the labour market to improve their staff levels and/or quality mix. They are leaning into the easing labour market.



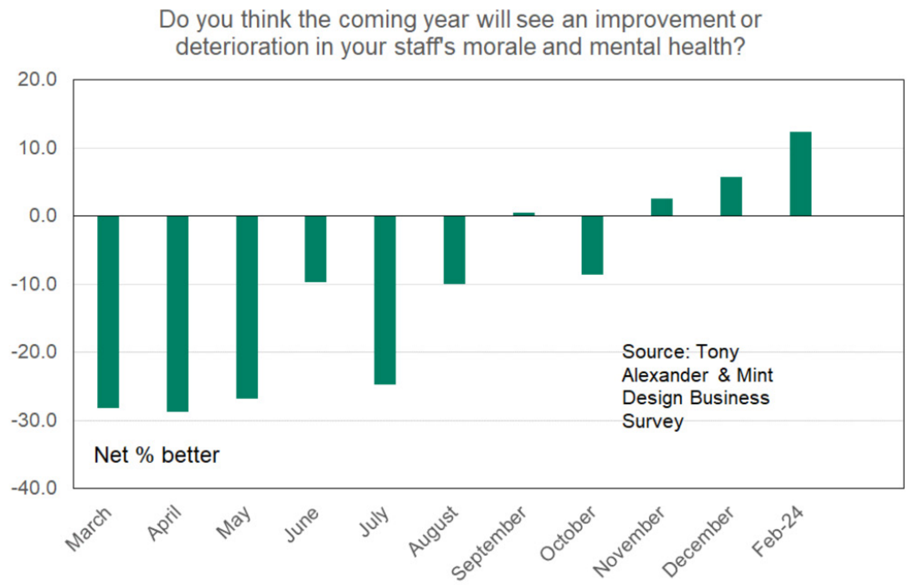
In 12 months from now, are you expecting your business revenue to be better, worse or stay the same?

The improvement in revenue outlook which occurred after the election has been sustained in our most recent survey. A net 35% of businesses expect their revenue to improve compared with a net 2% only in our first survey back in March last year.



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

The ease of finding good staff may be improving, but businesses do not expect the situation is one in which staff will become increasingly concerned about their jobs. Perhaps this signals that while businesses are looking to spend more on recruitment, they are not looking to offset this by much laying off of existing employees.



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.

- Staff availability has improved.
- Costs remain a key source of concern alongside generally weak customer demand in many sectors.
- Residential construction is looking particularly weak, and retailing is very constrained also.

Accounting & business advisory services incl. business broking

- Very competitive and customer cost conscious.
- Plenty of work, the rural industry under pressure in terms of commodity prices, interest rates and weather conditions, needing a higher level of interaction and review of how things are going.
- We have a steady stream of new clients. Payments have slowed up. Some businesses are really struggling now and there is not much room to move.
- Increase in compliance / regulation.
- Qualified staff are hard to find.
- The change of government is a huge boost to confidence in most business sectors, as it provides certainty that business will not get shafted by dumb ideas. Provide confidence to businesses and they will do the rest.
- Professional staff resourcing remains key across the accounting sector leading to retention and increased cost issues.
- Clients are pulling back from taking professional advice and representation because of cost and quality concerns and going it alone.
- Good level of both new vendor and purchaser enquiry after the Xmas break, which is what we would expect, and hoped for. Whilst we are business as usual, the risks are that overtly negative economic commentary, or shrill anti-Govt sentiment does moderate purchaser enquiry.
- A number of businesses mentioned a slow down over the last 2 months - common for the time of year, but most are slower than expected.
- Few new accountants have been trained and retained in the sector over the past 5 years, Average age of practitioners is a concern, with a demographic lump looking to retire in the next 5 years. Compliance costs and poorly drafted tax legislation from the Govt make the work less attractive.
- Uncertainty is driving potential interest in business strategy consulting.
- Retaining staff whilst minimizing cost increases.
- Uncertainty and increasing costs.
- Our small/medium sized clients seem to need more help and support at the moment - a lot of time is being invested with these clients to try and help them regain confidence in themselves and their businesses.
- Well led businesses with strong balance sheets still doing well, business exposed to construction and DIY struggling.
- Increase in number of businesses prepared to pay for reputable bookkeeping services.

Advertising & marketing

- Working solely in the tourism sector it's great to see our 1st good season in 4 years. This is lifting the industry's morale and ability to reinvest. Interest rates remain the biggest challenge that will constrain growth and investment.
- Revenue environment is extremely challenging. Difficulty reducing costs at the same pace as revenues are declining. Continue to be able to access capital to invest in the future but this is predicated on a stable operating platform which is not present in recent months.
- Client budgets are down, for a few reasons - political uncertainty of late, the ongoing recession and the (business) health of each individual client. Ad agencies working with government entities in particular are struggling.
- Cost of living pushing up cost of everything. Min wage increase has a flow on effect to push up salaries/ push up cost of doing business.
- Clients are seeing weaker customer demand, placing pressure on cashflows throughout the value chain.

Banking and finance

- Demand has fallen off the cliff 7 months ago in commercial property and related sectors. Those with resources are stirring awaiting the bargains they hope will soon be in the market as the interest rate increases & tenant failures or inability to pay more rents take effect.
- Customer reticence to commit to new equipment purchases (and the finance to achieve them) - interest rates too high, concern about the direction of the economy, and inflation has increased the replacement cost of the assets significantly.

- Cautious optimism in the business sector. Companies spending and borrowing where it makes sense to do so.
- Increase in returning to office when we as employees prefer working from home.

Cafes, bars, and restaurants

- Consumer demand is down and that is impacting Trade customers to reduce stock holdings - Major international Brands / Companies are chasing volume at any price. Just another 7 year itch cycle.
- Flat sales compared last 6 months compared to last year but would be negative if inflation adjusted. Some better signs of improvement in January, however.

Civil construction/infrastructure

- Increased competition leading to tighter pricing.
- Working in the water sector in Auckland. Watercare is one of our largest clients, but they notified us that they have run out of budget this year for renewals due to cost overruns on large projects and additional costs associated with the Parnell wastewater tunnel collapse. We hear that all this infrastructure needs renewing but there is no budget to complete works!
- New Government taking time to bring projects to market, Local councils have reduced capabilities to due to staff shortages, compliance and time to bring projects to market is taking longer, housing boom is over and section turnover is low, so development has slowed in the region.
- We work in a heavily regulated sector. Government policy and regulation changes will impact on workload and requirements.
- The game is waiting for better times ahead.
- Hysteria around political agendas seems to be increasing resulting in considerable opportunity for consultants in Engineering and Land Development space. It is likely that further house price growth will occur on the back of this additional cost and the associated increase in timeframes caused.

Commercial construction

- Lack of activity.
- Steady as she goes, with a high level of uncertainty/mixed messages coming through from media/commentators which then affects everything else.
- Securing sufficient forward work
- A cautious approach taking things slowly in manageable chunks!
- Competition dropping price to try & win work.
- As a contractor (2-person team) we have concern about drop off in work. Its unprecedented. The markets are very hard to read.
- Projects remain difficult to stack up financially. Financing restrictions, cost of funding plus high material and labour costs still proving a big challenge for the industry. Occupiers far more cautious to move or commit.
- Strong tenant demand but land prices and construction costs are making projects harder to stack up.

Commercial real estate

- There is a steady and improving lift in business confidence with some looking to take on new markets and new premises, especially by leasing new premises. Unfortunately for owner occupiers and investors, banks still remain in a defensive position and continue to be risk adverse, with reports from purchasers that their bank will only provide them lending up to 40% of the value and interest rates charged at or around 10%.
- Commercial rents stagnated during to Covid era and some of our tenants got lazy in their duty to reappraise the suitability of their premise.
- New recent rent reviews with considerable uplift are catching them unprepared. They will either continue paying a new rent they cannot afford or look for more appropriate premises, only to find that other, more forward planning tenants have taken such space a year ago.

Education and training

- Anecdotally cost of living, certainly a softening in our market. Experienced staff availability a challenge.
- Staff training and development still in demand but may see a slow-down while businesses tend to other economic issues. The realisation that development is connected to retention and growth is here to stay in most sectors.
- Leaders looking to the government for an answer to financial woes rather than doing the in depth work to understand the customer demand.
- The education sector was hammered by Labour with constantly increasing regulatory changes and compliance documentation demands. Hopefully National/Act will bring some sanity back and allow my teachers to spend their time actually teaching children and not spend the whole day on ticking boxes and writing reports.
- Improved product offering and customer service.
- Early Childhood - wages will continue to increase due to fair pay agreement tables which increase annually, without equal / adequate government funding. Masters graduates and experienced teachers will continue to be discriminated against until funding is linked to teachers experience rather than to child numbers.

Engineering

- Difficulty of customers to gain finance, uncertainty in future Government spend on housing (KO)
- Stock holding is very high but will decrease. All of our friendly competitors report this. We are expecting consolidation as the Mum and Dad businesses look to sell or close down. This due to the aging of players in our market who are looking to exit. The expectation of their company's value is likely to be excessive. Our industry will rapidly lose knowledge as this cohort retires and will be difficult to replace.
- Lots of opportunity, in NZ and overseas.
- General slow down in the wastewater sector - policy issues. Looking to find alternative ways to deliver specialist technologies that could benefit both small/medium councils and some industries.
- Greater uncertainty. Not going to replace leaving staff until the picture becomes clearer.
- Those investing in new products and services are thriving while those who have not innovated are languishing.

Farming & farming services

- Underlying confidence, still worry about political/cultural impacts on farming.
- Upward pressure in supply chain & freight costs resulting from the conflicts in the Red Sea, Israel/Gaza & Ukraine. Stubbornly high interest rates.
- The dairy payout looks better next season, but it is early days. This will be welcomed if it eventuates as there is no space cash around at the moment.
- Sheep farming still shocking with no green shoots showing just yet.
- We are kiwifruit Orchardists and this year Zespri are expecting a large growth in production so will be interesting how the market handles the increase.
- Transparency with media showing a balanced approach.
- Horticulture. Staff across all levels are very weary from having to navigate four years of rapidly changing business dynamics- first came the COVID lockdowns/ order cancellations, then the labour crisis (an own goal by a Labour govt no less?!), then climate change driven challenges (Cyclone Hale, Cyclone Gabrielle, double our average annual rainfall, spring from hell- what next? The results of this relentless pressure?- several of our senior leadership team have tapped out and left our industry, putting yet more pressure on us all - interesting times indeed!
- Supply chain concerns packhouses (kiwifruit) infrastructure and labour. Orchard gate return via Zespri (world economy) and hopefully weather will cooperate for a good outcome after 2 crappy seasons.

Financial advice/wealth management

- Staffing issues and new hope of better things with a new government. Unless the Treaty issue blows up.
- review and changes due to new government and new regulation through the reserve bank.
- A wish to see the new coalition Government settle down, without misgivings about conflicting views among the coalition partners.

Health

- I'm in Family Violence Support. There's a greater need to supply the basics, food boxes, school items, furniture & access to support services. Far more now than 5 years ago.

Information technology

- I support lots of small businesses with their IT issues. Last year it was Aug-Sep, and the owners of small businesses were "I have had enough, I'm over it" . This year only 2-3 weeks back at work and I'm hearing the same thing. There are a lot of mentally unwell people out there.
- IT sector is seeing some consolidation, and a race to incorporate AI, and modernisation around cloud offerings.
- Hesitance on committing to new capital spending, especially on technology projects that are not considered a must have.
- We are very lucky that we operate across both NZ and Australia. The rate of enquiry/lead generation for NZ customers has maintained/lightly dropped over the past 12 months, however at the same time we have seen an increase in Australian customers. 80% of our revenue would now come from Australian based clients, 18 months ago it was roughly 50%.
- Cost of living is still biting. Local governments, which is our main target market, are hesitant to start new projects/ invest in new solutions as they are all having to cut budgets. Despite an increased need for our solutions. Our expectation is that we will grow from existing customers mostly, and we will focus on Australia for the next couple of years. Their economy is more vibrant (they seem better at getting out of their own way!)
- Definitely seen an increase in past 12 months of customers paying late, as little as a few days and as much as a month. This is new for us. Generally seeing an increase in awareness and worry around Cyber Risk, although translating worry to action is still well behind where it needs to be.
- As other companies downsize, we see an opportunity to bring more staff onboard and grow.
- Customers are resizing their businesses to meet the current market rather than holding out for old levels of demand to return.

Legal

- Uncertainty more than ever from climate change, international conflagrations, Covid, our Treaty disputes, and our economy.
- Conveyancing is steady and I have noticed an uptick after Christmas but not sure if it will hold. Family Law is crazy busy, and more complex, and we can't take on more due to lack of staff.
- Property market is slowly improving following the change of Government.

Manufacturing (all categories)

- It's getting harder to give staff salary increases to keep up with inflation, customer orders are falling and because of growing competition we don't have the same ability to increase prices. We have had to restructure and make some people redundant so we can hire other people that better suit the changing needs of the business. Thats eroding staff morale.
- Population growth sustaining demand.
- It is getting a lot harder to convert leads into sales even though we are getting better quality leads because we are concentrating on re-defining our marketing.
- As businesses get short of work, they drop their prices to secure jobs, removing the ability to make the required profit to run the business. And it becomes a race to the bottom.
- Compliance and regulatory changes, particularly in the northern hemisphere. Increased competition in our niche given we've been constrained by capital (until recently) and our competitors haven't been. We're now playing catch up in marketing / brand strengths messaging and getting in front of prospects.
- During the shortage of labour crisis we employed & put up with a lot of bad behaviour from employees, better having someone as against having no-one and not being able to supply. We opted to focus on culture and creating a great work environment. Of course that only works so far with too many, we had huge amounts of sick leave being taken, all types of excuses for unplanned leave. With the drop in demand in construction manufacturing we are now able to clean our workforce with discipline procedures which is improving the workplace culture. Saying that NZ workplace laws makes it very slow and difficult to progress, good process consumes Managers time & energy to complete cleanly.
- We're in the building sector and we're starting to notice signs of the sector slowing. Staff absenteeism is a real issue with the amount of sick leave being well above pre COVID levels and staff's mental wellbeing feeling distinctly flat.
- I can palpate the tension and exhaustion amongst other business owners. Especially the small business they are struggling to wear all the hats in financial tough times.
- Commercial construction sector demand is soft but improving.
- Labour availability is still tight in the manufacturing sector. The cost and availability of inputs continues to affect our operations.

Miscellaneous

- 24/7 Gym - The discount model for gyms is in the psych of kiwis. We are pushing back against that, so rather than chase the sale, we chase the quality member. The low-cost market is flooded, and more coming into NZ, Planet Fitness as an example. As people realise you get what you pay for, they are willing to spend a few bucks more. A week at a quality gym is slightly more than an hour at the minimum wage. I can see growth for quality providers who are willing to hold their position and not discount. It's a slow grind but pays off over time.
- Beauty Therapy - Clients are frequently cancelling or pushing out their regular appointments due to increased cost of living.
- Building Design - An upturn in confidence and mood.
- Carbon Farming - Slow start to the year, most people seem to have taken extended holiday. Should get back to normal next week after short weeks.
- Entertainment   Calibre of individuals buying licensed premises. Most are not New Zealand born and have no idea what they are doing and are very much against spending money to make money.
- Exterior services - Labour availability via AEWV scheme has been a huge help to our Company & others in our co- op!
- Fuel Wholesale & Distribution - Input prices (oil prices) volatility due to NZ$ fluctuations, govt. fuel excise taxes, the ongoing various conflict/wars around the globe.
- Hydraulic Service, Repairs and new build - Industry recognition, with a brand new L3 qualification in Fluid Power training being available. With more promotion of our industry seeing more people entering this space, improving the quality and quantity of people available.
- Industrial plant and equipment - Gradual improvements in the market. Market increasingly looking at our high quality European products. The sector buying cheap Chinese products is decreasing due to past experiences of quality and no ongoing support plus China's recent aggressive political stance hasn't helped themselves here. Move into Australia offering opportunities to grow business at a different level and pace compared with NZ's limited market size.
- Leadership strategy - Inquiries from government agencies have dried up - previously about a third of our business. Many organisations choose in-house strategy or speakers to reduce costs - a cost-saving fallacy when their need for external perspective is greater than ever. Trying to ride out the damage caused by lockdowns but seriously concerned about how much longer we can hold on.

- Not-for-Profit - Working harder for the same fundraising dollar.
- Plumbing maintenance, (service industry) - I feel clients under 50 went loose with borrowing after lock down and paying for it now, stop spending due to commitments. Our older clients are spending when needed but are careful on how much.
- Retirement/aged care - Government funding unrealistic for aged care. Property prices uncertain.

Mortgage broking/advisory

- The last six years has seen more and more red tape for no benefit to business or consumers. The quicker the Minister for Regulation unties this the better for all concerned.

Motor vehicle sales/parts

- Automotive Repair - Significant pressures in getting good staff. Very concerning succession from apprentices coming through. Uneconomical to train apprentices now as new generation will leave once trained.
- Finding an eligible buyer with sufficient capital to buy out our existing business.

Printing and packaging

- I have a home based business mainly printing art reproductions in Northland. On the whole business is down approx. 15% for the current financial year to end January. With a great summer, business seems to have picked up - for how long who knows. Big concern is the closing of Brynderwyns SH1 for 9 weeks from the end of Feb and how this will affect tourist movements and people's discretionary income...

Property valuation

- For now at least, the continuation of the relatively low levels of market activity for commercial and industrial property that we have seen for over a year now. New builds don't stack up which suggests we will see: a) land values drop or b) building costs drop or c) a bit of both or d) none, but rather inflation eventually catching up (may take some time).
- I have also noticed a growing number of owners/purchasers putting the pressure on us to increase values just to suit their own specific needs, often regarding (re)finance and at times these conversations can get quite stressful.
- Finding a good quality Registered Valuer to assist with unprecedented demand for services.

Recruitment

- Still early in the year but getting good quality people for the core Finance and Accounting roles is ever-more difficult. A lot of employers are not open to immigrants from non-English /European countries.

Residential construction incl. section development

- Property Development is dependent upon the building Industry and bank mortgage lending. Present interest high rates are driving suppression with demand. The existing housing market pricing is now recovering, and this will help to counterbalance in part buyer demand.
- Uncertainty in the upcoming financial year due to the economy, customer confidence will be key and that depends on many personal financial factors which seem 'iffy' at best currently. The growing issue with the Panama canal and thus global shipping remains a concern, which inevitably means higher import costs.
- Interestingly, falling consents over the last year have not fed through to our business yet. Presumably this happy state of affairs will not last indefinitely and we are planning accordingly.
- Interest rates are too high for people to be able to afford to build. Developers bought land expensive, and the infrastructure costs are so high that the cost of sections won't come down.
- Building costs won't go up for the next 12 to 18 months but they won't come down either. Not with the new building code requirements. We will be stuck in a holding pattern for the next 18 to 24 months while consent numbers continue to plummet. Everyone will start to talk about the housing shortage. Then when banks decide to lend again, we will all be scrambling trying to build the houses we should have kept building during 2023 to 2025. Developers who have shelved projects mid 2022 due to the costs being unviable in the falling market will start up again but from the moment you put a spade in the ground to getting a titled section is 18 to 36 months, so new supply won't pick up until late 2026.
- I expect to see an increase in demand for new builds on the back of population increase. I'm also expecting to see the continuation of interest in the renovation market.
- Lack of demand because of the cost of new builds. Existing houses being more economic to buy.
- Market is dead, sales budgets hitting 50-60% of targets, redundancy process has started.
- Slowing in turnover next 3 - 4 months, improving toward mid to end of year.

Residential real estate

- Increased demand outweighs supply.
- Volume is low and remaining so till about mid year it looks like. Digital marketing costs due to monopoly type effects are raising costs and forcing offices to subsidise.
- Gov't policy will have a big effect and our clients are currently waiting to see what is coming that will affect the Real Estate market.
- The complete slow down and lack of new residential building throughout Auckland.
- Lack of buyer confidence.

Residential rentals/Investment

- Higher customer service expectations, sometimes unrealistic, with a touch of arrogance.
- A return of investors to the marketplace. A rapid increase in rents.

Retailing

- Import, web sales & distribution - Resistance to commit to purchase, reduction in volume and frequency of ordering. Will need to consider batch offerings at a discount.
- Importer wholesaler - High interest rates and insurance increases are sucking the cash out of the NZ consumer's pocket. Demand in our sector will be slow until the consumer starts having more cash to spend.
- Catering and retail business: seems to be ever increasing demand since borders reopened, which is keeping pressure on resources.
- Huge increase in thefts.
- Increased customer counts, decrease in average sale. Overall decline in sales and GP$.
- Customer demand significantly decreased, retailers destocking to manage cashflow.
- Political uncertainty.
- Still strong demand for international travel - bigger/ longer trips, and focus on new experiences (wide range of destinations).
- People shopping around more. Increasingly price conscious

Shipping, transport, storage & distribution

- International sourcing / FOB agent - Higher freight costs on supply chain disruption.
- Transport and moving services - Reduced retail spend. Flat property market.
- Capital expenditure deferral, anticipating a bumpy year as some customers struggle.

Tourism & accommodation

- A reluctance by accommodation operators to invest in their existing properties as inbound tourists continue to lag pre covid, in particular, the Chinese market.
- Outbound Tourism Marketing - The Outbound Travel Market is very strong and shows no signs of slowing down as people that didn't travel in 2023 plan to travel this year. In addition, the 50's plus that are debt free are continuing to spend up large to travel and explore the world.
- Drop in volume resulting in poor use of resources (economies of scale) Clients are a lot more cost conscious.
- Demand is still good but competition is increasing.
- I deal mostly in high end travel (Business Class, First Class and high end cruises) - Airlines are still very bullish with pricing and are doing more with sophisticated pricing models.

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

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