Mint Design

Mint Business Insights

With **Tony Alexander**

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Business economic worries deepen

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. 251 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:

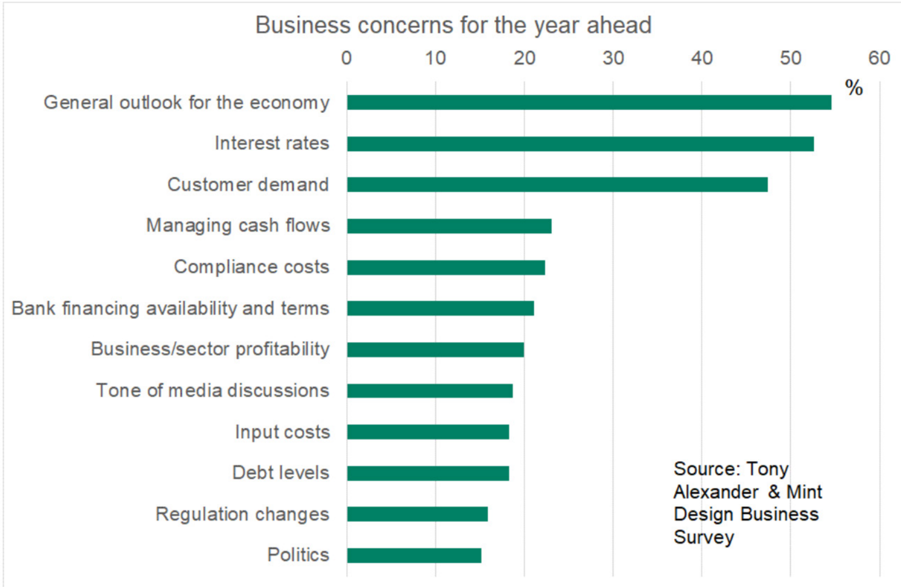
- Businesses have become more concerned about the economy and interest rates.
- Cash flow and debt level concerns are creeping higher.
- Businesses are cutting their spending on recruitment and advertising.

Tony Alexander
Independent Economist

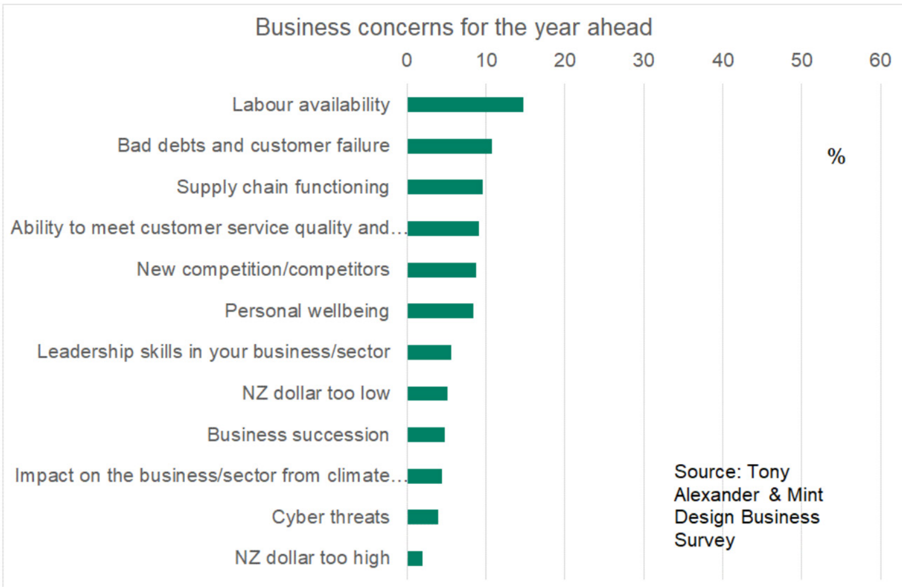
What concerns you most for the year ahead?

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 remain the same as they have been for some time with exchanges of position month to month. They are the general economy, interest rates, and customer demand. These three areas of concern well outstrip the next grouping including the likes of debt levels, compliance costs and politics.

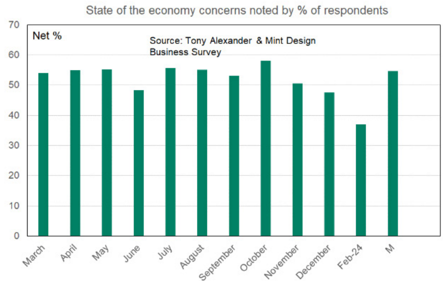


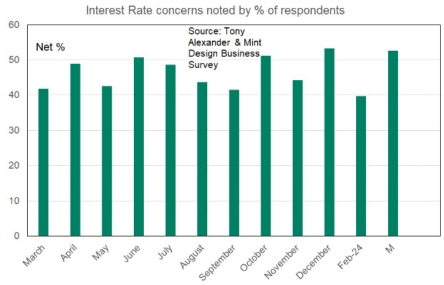
Worries about the level of the Kiwi dollar – whether being too high or too low – remain low. So too are worries about cyber threats despite the frequent media discussion of company hacks and data releases.



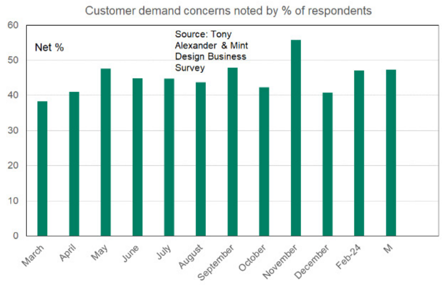
These next graphs look at changes in a selection of areas of concern for businesses since our survey started in March last year.

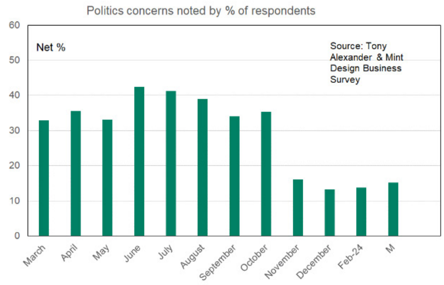
Concerns about the state of the economy have stepped up again quite strongly after a period of decline post-election. So too have interest rate concerns reappeared, perhaps motivated by the recent discussion of potential for additional monetary policy tightening.



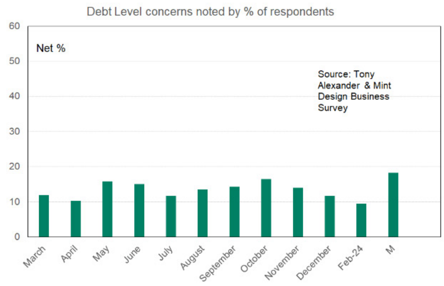


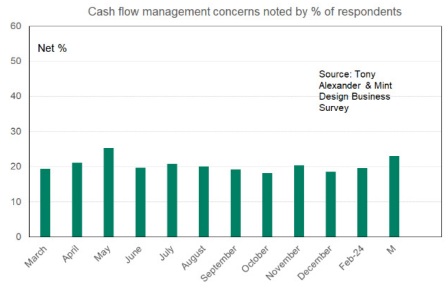
Concerns about customer demand continue to track at high levels while worries about politics took a noticeable decline after the election and have remained low.



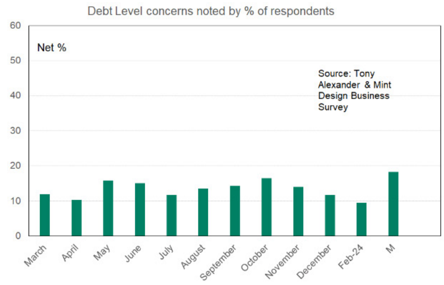


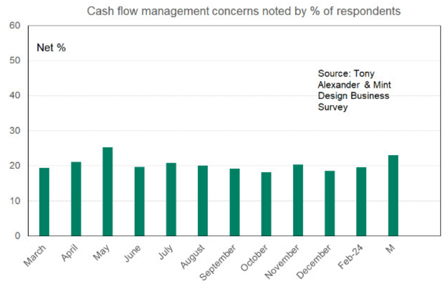
There is no evidence of any credit availability tightening from the banking sector since our survey started. Labour availability concerns meanwhile have continued to track down.



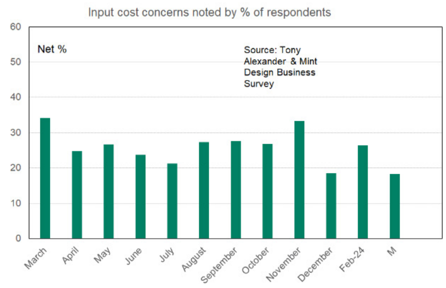


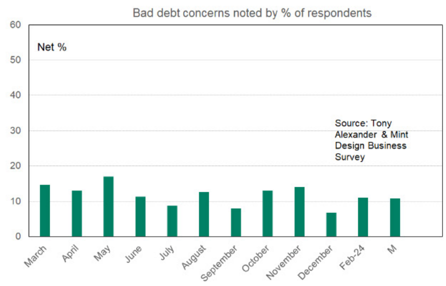
Worries about debt levels have taken a lift up this month. This has occurred at the same time as a lift in business concerns about cash flows. This is a development worth watching because cash flow problems are a key cause of business failure.





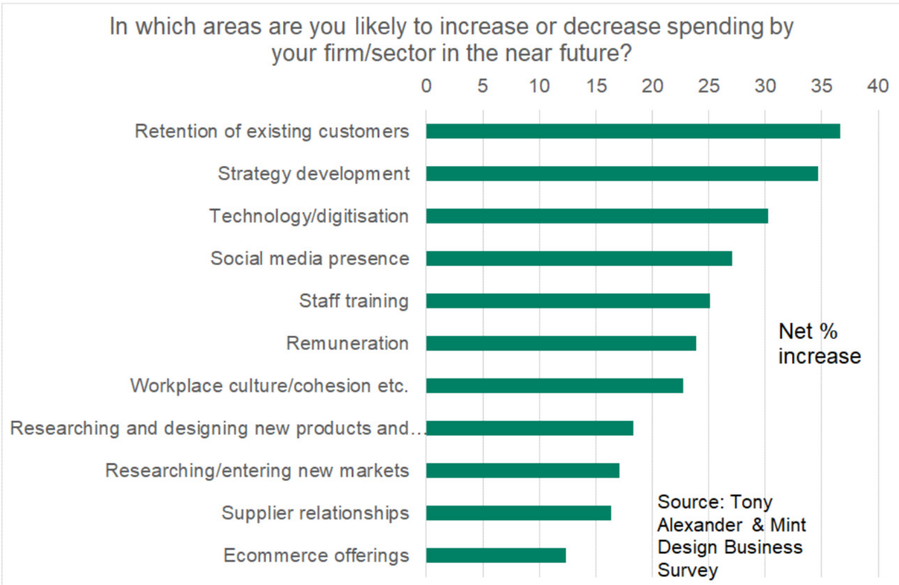
In a pleasing sign for inflation and interest rates the proportion of businesses worried about their input costs is trending downward. As yet bad debt concerns remain lowly ranked. That may change if cash flow problems noted above grow further.



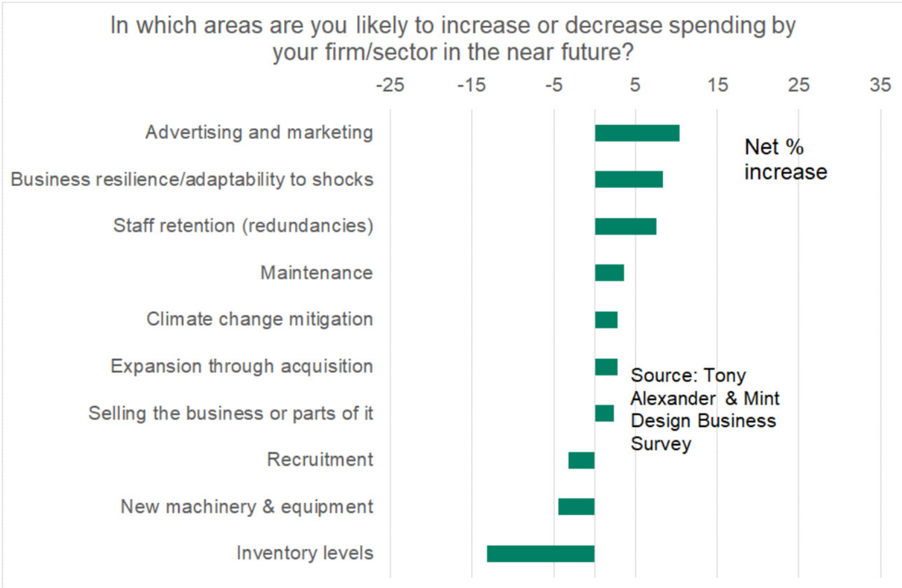


In which areas are you likely to increase or decrease spending by your firm/sector in the near future?

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. Retaining existing customers, developing one's strategy, and digitisation remain at the top of the list of areas for extra spending.

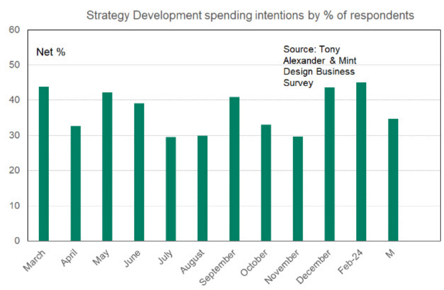


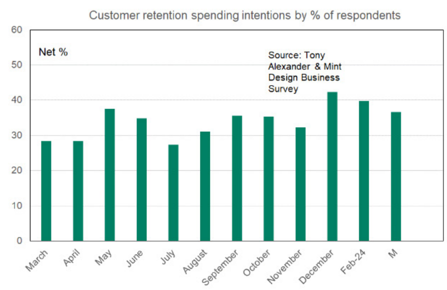
As ever, plans for inventory levels are negative, but so too are plans for spending on recruitment and capital equipment. The latter is of concern when we consider the poor level and rate of growth of productivity in New Zealand.



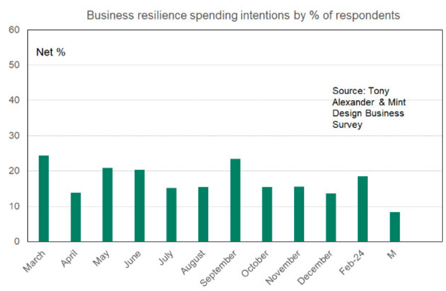
These next graphs look at how planned areas of spending change have been tracking since our survey started in March this year.

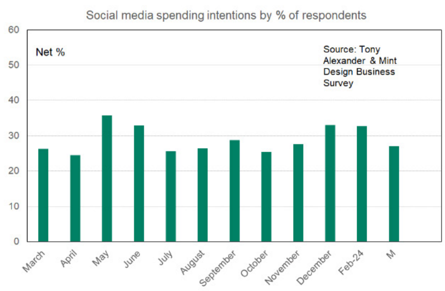
Strategy development plans have always rated highly in our survey while for customer retention the year-long trend is upward but with a small decline over the past two months.



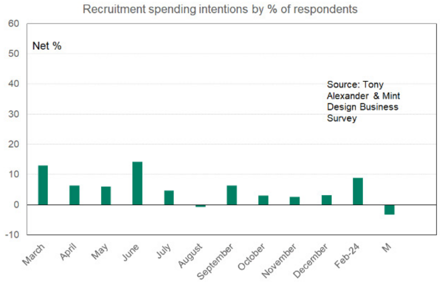


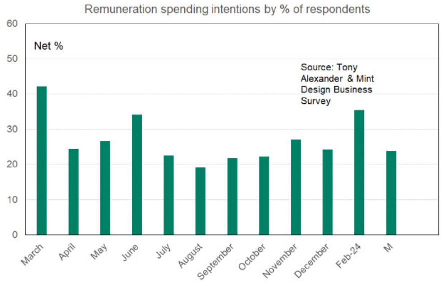
Plans for spending on business resilience appear to be taking a step back, probably encouraged by the need to focus on more immediate cash flow and profitability concerns. Plans for spending on social media have shown no trend up or down over the past year.



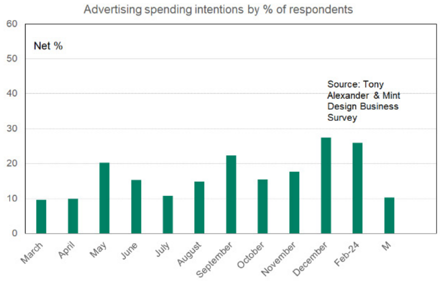


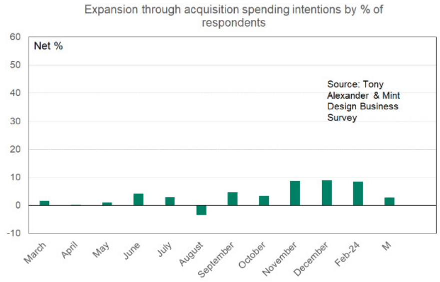
Recruitment spending plans have dipped into negative territory for the first time since August last year. But plans for spending on remuneration have yet to respond to the easing up of labour market tightness evident here and in a number of other indicators from other sources.



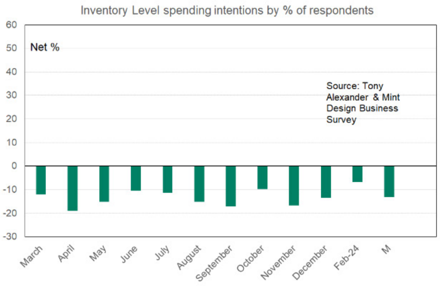


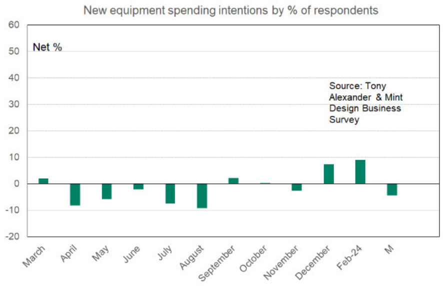
Perhaps reflecting growing worries about cash flows, business plans for spending on advertising have declined. This retreat from advertising in conjunction with dollars going to other mediums helps explain the tv sector rationalisation underway. Plans for expanding via acquisition of another business remain low.



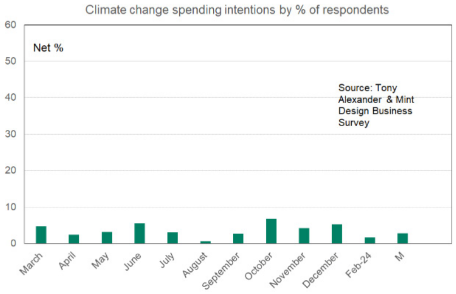


As noted above, plans for spending on inventory levels and plant and equipment are negative.





Finally for the record, plans for spending on issues of climate change are as low as ever.

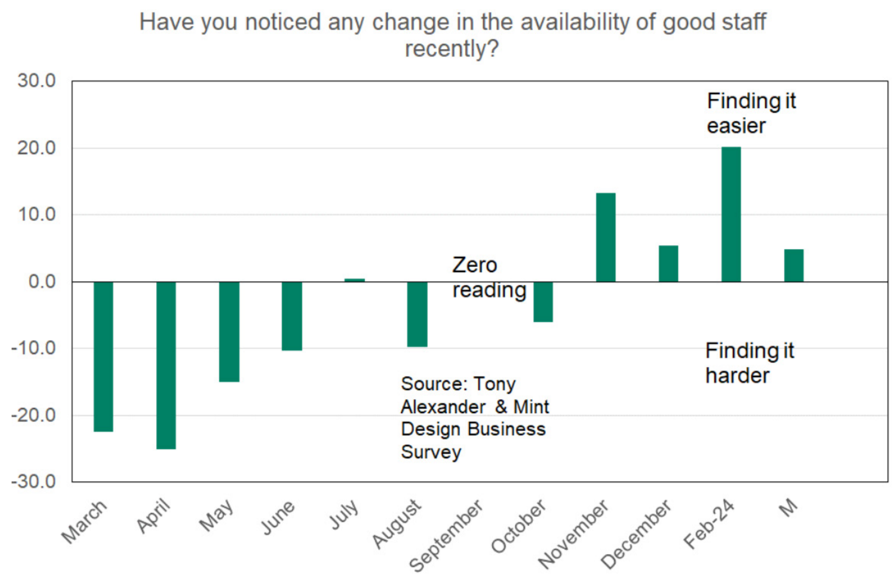


Are you planning on increasing your prices for any of your products or services this year?

In a worrying sign for the chances that inflation will consolidate near 2% within a year, the net proportion of respondents in our monthly survey saying that they plan raising their selling prices in the next 12 months has risen to 16% from 5% last month. Until the back of business pricing plans is broken the Reserve Bank will not feel that it is safe to ease monetary policy.

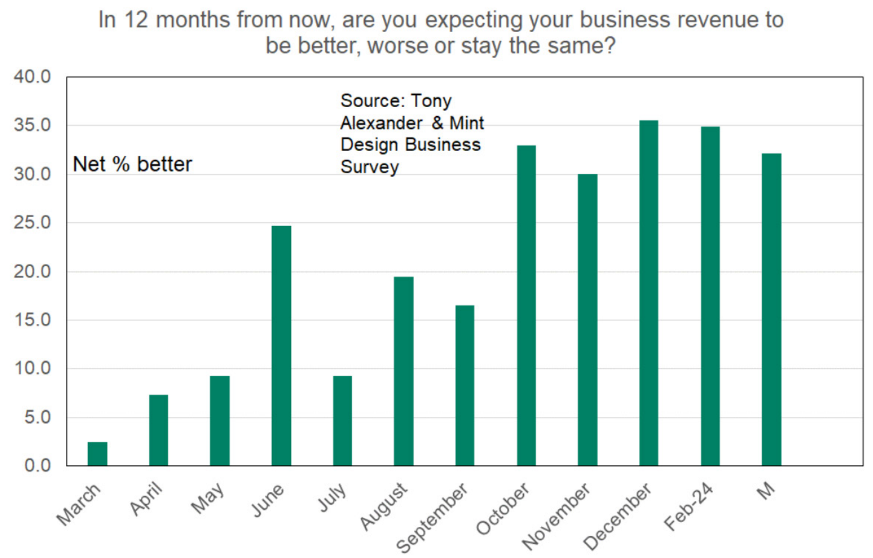
Have you noticed any change in the availability of good staff recently?

A net 4% of our survey respondents have said that they are finding it easy to secure good staff. This is not a sign that the labour market is necessarily as weak as the Reserve Bank would like and were there truly a plethora of able employees, we would expect this reading to be higher.



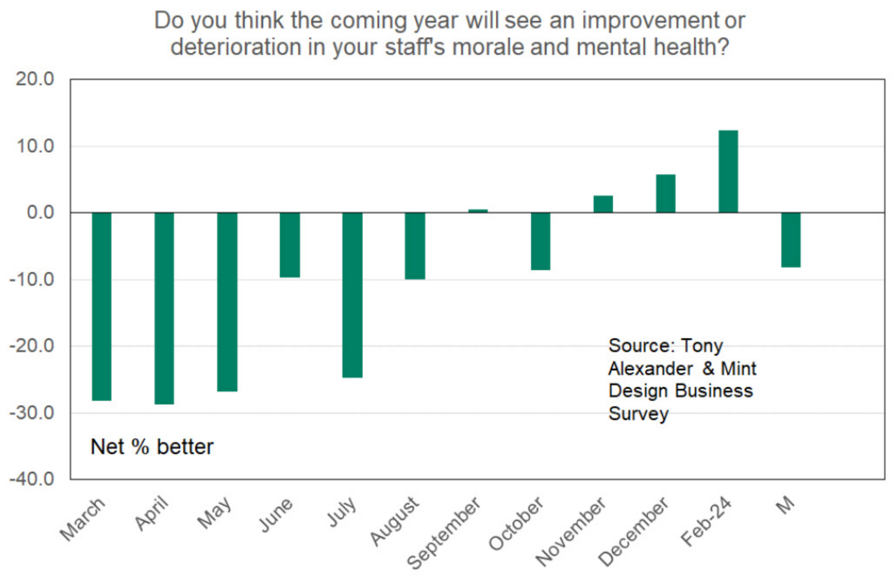
In 12 months from now, are you expecting your business revenue to be better, worse or stay the same?

Business revenue expectations took a step up in our October survey from relatively depressed levels earlier in 2023. But no further gains have accrued since October, and this seems logical considering the high concerns which businesses have about the economy and customer demand.



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

Probably reflective of the awareness that the unemployment rate is rising and expected to go up further, businesses expect staff morale to deteriorate in the coming year.



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.

- Many businesses are struggling managing cash flows.
- A lot of uncertainty about where the economy is going.
- Deepening weakness in residential construction and related services.
- Weak retailing activity.

Accounting & business advisory services incl. business broking

- A lot of worry in the contracting space with much lower demand and falling pay rates.
- Looking across a wide variety of businesses we are seeing certain sectors struggling (construction) while hospitality is starting to bounce back on the wave of positive migration and consumer confidence with potential for interest rates to drop in next 12 months+. Bank risk appetite appears to be improving with increased terms for lending and expect the banks will be chasing more new business as the economic factors continue to see a positive trend. Businesses for sale are achieving good results with several multi-million dollar results being achieved for clients. We are still seeing a record number of enquires from buyers.
- High interest rates and tougher bank lending to clients is an issue.
- Positive sentiment for increasing sales in the second half year but it is going to be a consolidation year in most businesses with any new growth to be low risk.
- Massive financial pressure on some clients. A combination of high operating costs, high interest rates and demand dropping off a cliff. Seeing a few businesses fail as a result.
- Still demand pressure, lack of good candidates for roles and still increasing costs.
- Cash flow issues for businesses we deal with.
- Hard to get suitable staff at the higher end of the skill set.
- Business Advisory, Health and Manufacturing. - I see cautious optimism. Collaborative adaptability and low-key innovation are crucial.
- Management consulting and training. - Uncertainty leads to indecision. We try to encourage clients to take steps - any steps to retain momentum. That way, they're better placed as the economy recovers (as it will).

Advertising & marketing

- Stagnant and depressing mixed with uncertainty. Feels like we're at the bottom of the cycle.
- After a busy start the year, new clients and quantity of work seems to be reducing.
- Customer consideration window is taking longer to purchase.

Banking and finance

- Worry about interest rates
- Client demand is a bit patchy at the moment mainly caused, I believe, by the uncertainty that still exists in the economy. Once interest rates start to reduce in a meaningful way and we get a bit more certainty that house prices have bottomed out I think my industry will start to see the benefits.

Cafes, bars, and restaurants

- We are not seeing the decrease in sales that people are talking about. We expected lower sales, but they are seemingly keeping up with the 12 months prior. We fit in the middle of the market in Hospitality. During the GFC we tended to get people with money drop from fine dining to the middle, I assume we are going through a bit of that now as our customer base has changed a little too.
- Business in the Hospitality industry is tough at the moment. Customers have had mortgage rates double in some instances and that extra money used to be disposable income to spend on meals etc. It's now all gone on mortgage payments.

Civil construction/infrastructure

- Our business is heavily reliant on government spending on infrastructure projects. We are currently hearing a lot of talk from the government but yet to see much action. So far, the cancelling of projects seems to be outweighing the implementation of new projects.

Commercial construction

- The previous 12 months have been extremely difficult in passing on significantly increased costs to the market. Budgets have shrunk and discretionary dollars disappeared. Many customers have not accepted increases and found other suppliers, although price-based relationships generally don't last.

- Uncertainty around Government spending, timing and prioritisation of projects. Waiting and hopeful that the tap will be turned on soon.
- Uncertainty across the board. Harder for longer-term projects to get approval and underway.
- Slow pick up in new residential building. Increases in freight. Increased 'one man band' businesses struggling. More competitive pricing across the board. More demanding customers wanting greater bang for buck...need to understand value for money. Less certainty around govt contract numbers.

Commercial real estate

- Retention of existing tenants by trying to hold the operating costs & being very reactive with repairs/ maintenance & any defects in our properties.
- Huge debt problems, lots of people in trouble, business owners scrambling to save money or sell off unneeded assets.
- Try to hang on with high interest costs. Business as usual.
- I'm faced with the unpleasant necessity of finally raising a commercial rent to try to get it back in line with market values. I've put this off for a long time, as I know it will put my tenant of nearly 8 years out of business.
- Post covid recovery and now cost inflation including interest rates are all concerning, wrapped up the government's ability to control or influence these issues.

Engineering

- Looking forward to the reduction in red tape so planned work can progress earlier.
- Government legislation and decision making is making us uncertain.
- There have been very few new job queries since new year.
- Demand is decreasing.
- There is a significant lack of high quality manufacturing staff available across all sectors. Immigration numbers are high, but their abilities are low. Business is now paying more for lower grade workers. NZ best are leaving for Australia and global best are by passing NZ as we are a tiny country that is drowning in a bureaucratic swamp.
- Reduced demand for new buildings to design (our business speciality) both private and public sector.

Farming & farming services

- Agriculture still fails to attract young people into the industry. Lack of flexibility around work/life due to the 24/7 nature of the business and poor working conditions is a turn off for many. The few that step forward are more interested in the accommodation/housing aspect that is provided with job mostly. Thanks to the high rental prices and low availability thereof. This is the only carrot that the industry can other above all other industries, particularly in dairy. But in the long run I don't believe this will even help.
- Not enough effort or importance applied to debt reduction to strengthen business in the event of a possible downturn or unexpected event. I am in a farm equity partnership and maybe am just too conservative. Having farmed on own account for many years and have never found having too much equity created a problem. Lack of equity a different situation, however?
- Trying to stay positive about the industry and looking after our people is and must be at the forefront, From these we will be better positioned to move forward and take advantage of any opportunities that will come in the next two years .
- Depressed conversations.
- Very high on farm costs are making it difficult for many farmers to make a decent profit.
- Working on wish, want or need, Definitely only spending in sector on needs.
- Massive focus on cost out and people losing their jobs.
- I am a Kiwifruit orchard owner. High level of optimism after two tough years for the sector (supply side impacted).
- Rising costs; limited profitable markets; good labour availability.
- The decline in lamb, mutton having big impact on income. Wool just a shambles. Talking with various businesses that service sheep & beef farmers directly as well as those that do it indirectly are going to have a tuff 18 months to two years.
- Uncertainty with new government. Interest rates.
- Horticulture - Improving grower sentiment in terms of future earnings, recovery from the cyclone of 2023 is progressing well, positive outlook for current harvests.

Financial advice/wealth management

- Concentrating and more attention from clients of short term interest rates cause of fixed rates decreasing in past few months.
- Increase in insurer premiums and affordability for clients.
- Investors are hesitant to invest in new property due to market and economy uncertainty and high interest rates.
- Outlook for decreasing interest rates and increasing optimism about investment markets.

Health

- Poor career commitment due to lack of support and guidance because of the current educational system structure causing the minimal amount of next generational in medicine from New Zealand.
- People relying on my support and advice.
- The system is broken, and Australia is looking very appealing.

- Healthcare sector is deteriorating.
- Mass layoffs, 90 people applying for roles, uncertainty & unclear direction.
- Uncertainty around care and support workers pay equity claim and associated crown funding is a big issue. We want a better deal for our staff, and we need it to be funded. How the current government views vulnerable workers is uncertain.
- Cost of doing business.

Information technology

- IT is a sector that is constantly changing. Only 5% of our business (which is B2B) is in NZ so economic effects tend to be evened out by such a spread of markets that we are in (we are only a small 30 person NZ business but through our established channel are in 120 countries). We tend to thrive in periods of uncertainty due to the nature of our business being in business continuity, but it will be interesting to see how the coming year unfolds.
- Lack of large projects.
- Customers are lethargic and tight on budget.
- Greater pressure on cost within client base driving more review of the existing agreements and costs. nonessential projects deferred or cancelled. Introducing greater levels of competition. Understanding and responding the both the emergence of AI and security continues to expand.
- Not enough clarity and direction from new government, thus translating into a lack of business confidence.
- The public sector is still very quiet for us, private sector almost normal. Hopefully, the government shifts from undoing to doing things at some stage.
- Customer purchasing will reduce this year. Political issues are a concern too.

Insurance

- Negative impacts of high interest rates.
- Regulation overload.
- Lack of expertise by Senior Leaders, hard to find experienced staff, hard to find good work ethics, poor moral, stress re size of workloads, pressure on employees to take on more, long work hours.

Legal

- Property market resilient and prices increasing.

Manufacturing (all categories)

- General slow down in residential construction.
- Nervousness around spending.
- B2B customers are shopping around for cheaper prices. Loyalty no longer a thing. Cheapest seems to win jobs regardless of quality.
- Businesses that are doing well are cutting out the noise and focusing on consumer needs, new product offerings or services. Market conditions are tough. Lots of competition and more cautious consumers. Lack of Policy Direction by Government when it comes to Natural Health Products, but that has been lacking in successive governments. In general be good to see a cohesive positive direction set for NZ Inc., We will continue trying to navigate the roadblocks & inefficiencies to provide the products consumers want and need while looking after People, Planet & profit (small P on purpose).
- Big opportunities in Australia.
- Despondency.
- Uncertain demand, competitors dropping prices to get sales - so we are in the cycle of lower volumes and lower margins due to squeeze on demand.
- Manufacturing in the textile industry is getting harder. Sandwiched with increased labour and raw material costs and what we can sell at the end point. We are green but the competition is from green washing and those who have resources to market stories to sound like us. We are getting older and working harder than ever to maintain our survival. Seems to be the norm in small NZ business.
- Some areas are slowing especially
- Uncertainty Internationally. In some ways this makes things easier.
- The company sanitises comments on its staff website so only effusively optimistic comments are allowed. Fear, force and punishment are business as usual. petty bureaucratic oxygen thieves at all levels within the organisation. operators running plant are at fault for everything. They ask for input, then gaslight the person who speaks up.
- Decline in customer spending - leading to a decrease in sales
- We sell to health services and are fortunate to be ending FY24 with revenue growth. However as a B2B business we have struggled to pass on cost increases and achieve equal growth in net profit.
- Developers going bust and Builders getting late on payments / debtors increasing pressuring cashflow. Banks are stalling on new project funding for our customers, constraining the pipeline of new building/ developments. For our exports China is dumping excess manufacturing capacity in all markets, except USA where the Trump era tariffs seem to help us.
- So many opportunities just hard to find the time.
- Marine trailer boats manufacturing. - Marine business going into receivership, or contracting in size. Summer is supposed to be our busy season, can wait for the winter blues to hit.

Miscellaneous

- Accommodating RSE kiwifruit workers - Personally, accommodating RSE workers is limited to the amount of accommodation available. Numbers are steady, there appears to a good crop this year, so numbers are steady.
- B2B supply of toilet paper hand towels and cleaning products. - Because we supply products that every business needs, we are a good litmus test for how the economy is going and at the moment business is going well and sales are increasing.
- Business services, coworking spaces. - Move away from fixed leases to more flexible coworking spaces to support teams who are WFH part of the week (hybrid working).
- Energy - Improving business climate.
- Entertainment - With the closing of news hub and other similar TV productions on top of depressed film business and greatly reduced corporate events sector, we will see even more supply of media production people which will likely result in further discounting of the already low rates. Looming Ai text to video services are also set to disrupt the content production sector early next year, post USA elections. Upskilling experienced personnel rather than working unprofitable jobs will be the only way out of this one.
- Entertainment Overall cost of living putting reducing the money available for discretionary spending, especially on entertainment.
- Equipment rentals - Less discretionary spending.
- Exterior cleaning and maintenance. - No new customers, mainly servicing existing customers.
- Interior design stylist - In my workplace it is evident internally that many staff are struggling financially with increased costs. On a freelance basis outside of my 9-5 (yes, I couldn't get by without a side hustle even though the tax and acc compliance makes it seem futile) the interior sector in the mid =high end is still committed to completing scopes.
- Media & Publishing - In our sector (media) we are seeing massive layoffs and reductions in cost due to a challenging advertising market. We know many of our clients are finding things particularly difficult and are cutting ad budgets across the board. We expect things to improve later this year and into next year as interest rates drop but are not really expecting things to improve significantly until well into 2025.
- Miscellaneous. - Some areas of work have been put on hold with no change planned. Income less than half of two years ago.
- Personal services. - Clients are changing appointments frequently, delaying appointments by weeks or more. Markets have dried up as a revenue source. You can spend an entire day at a community market, and you'd be lucky to get your stall fee back in terms of earnings.
- Seasonal workers accommodation. – A lot of change. Sale or acquisition of orchards.
- Sales & Marketing - Awareness to cyber attacks, computer security, imported shipments hampered due to no Tauranga Wharf expansion approvals since 2018.
- Sport and Recreation - Lack of spending on employee wellness. Finding the right candidates for the jobs with the skills and experience needed.
- Wholesale & distribution. - Very erratic day-to-day sales, time between quoting and delivery/invoicing decreasing due to price increases.

Mortgage broking/advisory

- Business volumes up and down. Flat out one minute dead quiet the next.
- A lack of buyers apart from the FHB market
- The entire sector rich or poor is suffering financially and mentally.

Motor vehicle sales/parts

- Automotive Workshop - More hesitancy in general maintenance and upkeep. This has helped us in some way as we are continuing to see bigger and more expensive jobs due to this lack of maintenance. However it is always difficult to see staff idle, which never happened for us pre '20. Our revenue remains slightly better year on year but, as per above, not so busy on the floor. I am now shifting my "tunnel light" to 2025 when I hope to see busier staff And higher margins, etc...
- Costs of materials and compliance costs, more administration but the insurance companies haven't changed their rate for a couple of years and they opening insurance owned repair hubs in all the major cities
- Still lack of customer demand and people price sensitive, feels as though activity is improving though.
- This year is off to a slow start
- Car sales have slowed down, car servicing demand has dropped.

Property valuation

- Dead as a dodo. Unprecedented since the Great Financial crisis. Something big is happening re commercial / industrial property, hardly and acquisitions and clients requiring to sell. Expectations were for interest rates to decline mid 2024 i.e. in a couple of months, but that has now pushed out and businesses and property owners from 100 sqm units to 10,000 sqm property funds are underwater.

Recruitment

- Still some pain to go in the labour market before we are out of the woods. Recruitment volumes are down and the number of applications per role are up. Salary expectations are still quite high. Fewer contracting opportunities around.

- Pain of hiring freezes, economy at all time low in the sector, morale down across the board.
- Business uncertainty due to economic conditions globally and locally.
- Expectations are that we do what we do for next to nothing. Clients moan there is no staff yet when we have good staff, they dont want to pay for them.

Residential construction incl. section development

- Architectural Design - Residential construction (our primary sector) is almost non-existent.
- Electrical contracting. Delays for projects to start. I expect to see more competition in pricing as the building sector slows down.
- Planning / Consulting . - Slow down of consents, customers shopping around. Hesitation to commit. Projects stalling due to financial uncertainty.
- Trades are struggling, the fact is we are mostly self employed with small teams. The banks are super tough on us in regards loans. Trades are always treated like 3rd class workers in NZ.
- Non-viable building company liquidations.
- The construction sector particularly residential needs a serious boost from government before another slight predicted rise in 2025, otherwise there will be too many good businesses that will no longer exist in the short term.
- Continued softening in new build starts. Completed stock still being retained at above market values. Well priced new stock (below 900K in Auckland) selling. Low to no interest by residential investors in new property. Councils still fail to meet processing time frames with no valid reason. RMA regulation processing poorly administered and inconsistently applied - high level of personal bias in the processing.
- With no residential investors around, the design service industry for housing stopped 18 months ago and has not yet restarted. Our fingers are crossed, but the wheels of change are moving too slow to encourage positive thinking in the residential building sector. Some colleagues have not seen it this bad since the late 90's.
- New house construction definitely slowed but there is talk of the second part of the year to be better.
- We specialise in home renovations. The level of inquiry is still ok, but the size and value of the potential projects is significantly smaller than a year ago. Homeowners are also very slow and cautious in their decisions at the moment - the work is just not guaranteed. It is pretty tough market conditions.
- Our spending will increase this year over previous although these will be mainly long term investments.
- Reduction in demand, price pressure from competitors
- Consents are down. Interest rates are still high, and sections are too expensive, keeping new builds down.
- Uncertainty of economy heading with interest rates showing slow movement down. Overseas current events causing cautiousness.
- Things are looking very positive.
- Still more cost efficient to buy existing house than to build new, new home builders going into liquidation make new home buyers apprehensive about building, the longer the economy takes to get healthier, the more construction costs increase, new LVR lending rules are not in line with average income.
- Has quieted down from last year. Are getting a lot more enquiry for parties wanting to subcontract to us, both builders and other subcontractors. Parties are a lot more polite in regarding their supplies whereas a couple of years ago it was a very "take it or leave it" approach.

Residential real estate

- House inspection - Very slow market mainly due to high interest mortgage rates.
- High interest rates will deter people buying property.
- Very cautious marketplace.
- A big increase in homes coming onto the market, but not an increase in buyer numbers.
- Lower interest rates and inflation.
- Past fortnight things have picked up. Purchasers making commitment at last.
- Confidence in Real Estate market would be good if it returned.
- Slow sales - my income is down 1/2.
- With such a flat buyer market, there are concerns about how to make this year's targets. However we are expecting to see a lot of forced sales by clients needing to sell as they come off low interest rates, deal with compliance costs or deteriorate in their own personal position, such as job loss or business failure. There will likely be hard conversations with clients this year instead of happy ones.
- Clients not making a decision.
- Vendors with properties on the high 1Millions are not happy getting unreasonable offers; would rather wait it out when the market rebounds.
- People are becoming more in tune with outside challenges and meeting them.
- Very slow improvement in getting customers to commit to build a house.
- Fewer buyers and more vendors wanting to list their properties.
- A split (not good) in how the staff relate to each other & a lot of poaching of staff by other companies occurring as real estate co's scramble for the best. Plenty of listers with buyers appearing to hold off or be very choosy. Bankers don't seem to be increasing lending to staff or management.
- More listings coming on, but buyers slow to make buying decisions. Vendors need to meet the market to get sold.

- The investment in house especially can have steady cash flow in is still welcomed , especially in Christchurch market.
- Lots of listings coming to market. Buyers taking their time to make a buying decision.

Residential rentals/Investment

- Increased costs and returns not nearly matching same.
- Lot of uncertainty.
- It's tough out there.
- I am trying to sell 3 rentals after 20 years for family reasons. Not good timing! This is why we got into rental properties to enjoy the benefits and not to just give them away! I am hoping that after this month things may get better.
- High costs in interest rates, council rates, insurance and maintenance are forcing even established landlords with relatively lower debt, to increase rents just to stay in business.
- With our business being residential rental properties even with increasing rents by 5% in F25 we will only break even with F24. This is due to increases in building insurance, Council rates and our loans coming off low interest rates re-fixing at around 6-7% in October 2024. The new Government rules around offsetting mortgage interest rates against income will help. If it wasn't for the capital gain, we would be looking at other business opportunities that return a better result. Even though we may never realise these capital gains our children will giving them better retirement choices.
- Price of residential housing looking soft. Lots of stock and not many buyers.
- Higher costs , rates insurance maintenance so rents have to increase.
- There seems to be a lot of media coverage regarding the interest deductibility which is anti landlord.in the reporting. The way this is reported it sounds like it is a completely new income source for landlords, No mention that it is gradually returning the deductibility to what it was 2 years ago.
- The increase in rates and insurance.

Retailing

- Larger trade slowing down which increases pressure on smaller trade business.
- People are buying more promos, instead of buying a pp bag of carrots they are just buying what they actually need e.g. 3 carrots.
- Customers are very careful with budgets and spending amounts have become smaller gradually.
- Working harder to win business but there are opportunities out there. Mid market customer segment is the most challenging for us right now.
- In the end our biggest problem is resistance, by that we mean a typical client that may have visited our clinic (Beauty clinic) once a month is now coming in every 6 to 8 weeks which effectively has hit our turn over quite hard this has been consistent now for at least the last 12 months, and this fact can be seen in our bookings 12 months ago we were fully booked out for at least 4 weeks in advance with a reasonable good waiting list, today we are booked out at best 3 weeks and always there are gaps or cancellations with only a small waiting list, if anyway, as they say, it is what it is, and our goal is to see this year out and at the end of it if my P&L shows a zero I will consider that a win.
- Significant decline in new customer sales which are typically the big ticket purchases. This has put serious pressure on cashflow after stock levels were increased during COVID. Costs are increasing in all areas of the business which is contributing to the cashflow pressure.
- A deep general optimism for the future.
- Reduction of competition due other store failings and competitor poor performance.
- Customers wanting cheaper options.
- Smaller business customers feeling the pain, ordering less and paying more slowly. New Government beginning to push on departments to spend less showing through as looking for more economical solutions. Supply chain starting to be impacted by overseas factors .
- Retail: High mortgage rates having a significant impact on household confidence and spending. Invoice count remains stable, but basket size decreased due to poor performance of big ticket items. Margin erosion due to competitiveness in the market and increased shrinkage due to increasing retail crime. High labour cost carried through from Covid and inflationary increases on expenses is outpacing sales and margin and eroding profits. Several businesses being caught out by the boom and bust cycle.
- Decline in average spend, decline in repeat customers. Retail continues to do it tough with cost of living. Rent, mortgage, food and utilities come before discretionary household spending.
- Reduction in higher end sales of bikes, feel discretionary spend on higher value leisure items is reduced, this has been offset by increase of tourists renting bikes, overall revenue is almost same as last FY, but cost of labour etc have increased, so margin slightly eroded.
- Less discretionary spending all round dampening demand.
- Customer disposable income is drying up. Customers targeting essentials only and looking for value.
- Wholesale prices are increasing faster than we can pass on to the consumer. When we do eventually pass the increase on, customers are leaving us for a cheaper product accepting the lower quality trade-off.
- Hesitate to say it, but business at all time record high (+26% up on best previous year, & 79% up on year ago). Tourism market has rebounded strongly with excellent high quality visitors. My store's rebranding (as a result of covid) is linking well with my customer demographics & my supply chain glitches are now resolved. The planets have lined up & business is flourishing.

Shipping, transport, storage & distribution

- Distribution / Import. There is a retail recession at play and will only get worse before it gets better. It is going to be a challenging business environment until at least Dec 2024.
- Import & wholesale distribution - Decrease in demand.
- Wholesale/Distribution - Hoped for March to really show the tide turning after some tentatively positive trends since election, but that positivity is being eroded pretty quickly.
- Downturn in economy is affecting sales of new & used vehicles which affects the transportation of vehicles which is our business.
- I'm normally a positive person and this goes against my nature, but the market is so slow, and customers don't have the capacity to lend or spend. It looks like the next year will be terrible.

Tourism & accommodation

- Holiday homes being sold by owners.
- Gears over economy meaning people are hesitating on outlaying big dollars in advance on holidays.

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

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