Mint Design

Mint Business Insights

With **Tony Alexander**

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Hopes of better times post-election

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. This month, 291 people replied from a wide variety of sectors. The aim is to gain real-time insights into what is happening in various sectors, with respondents choosing whether to focus on customer flows, pricing and cost pressures, expansion plans, and so on – whatever they consider to be the most important developments.

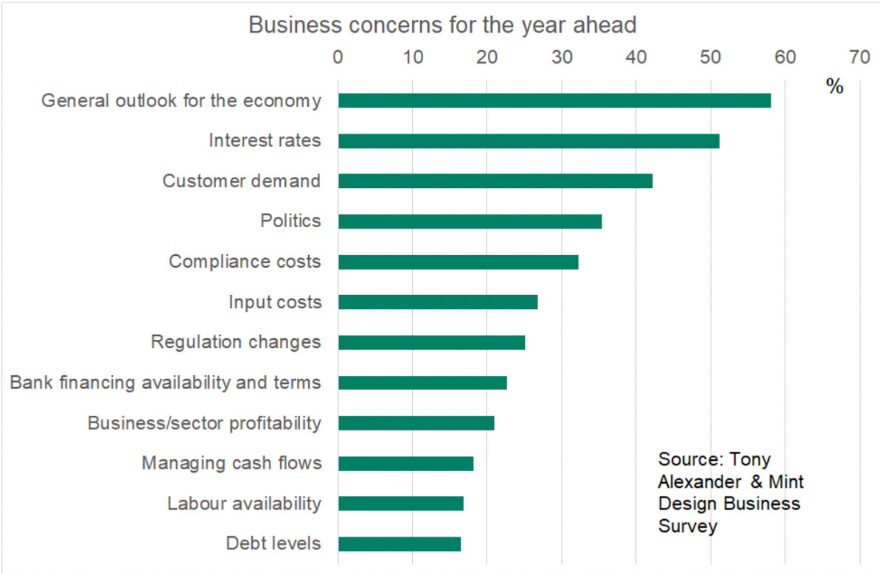
This month, businesses reported deep concerns about the economy, ranging from high interest rates to cost-of-living increases and especially the previous government now out of power. Many noted that their actions and prospects in their industries will depend a lot on who wins the election. In that regard, with a change now confirmed, it will be interesting to see if businesses look through the immediate and prospective problems in their macroeconomic operating environment or retain a focus there but without as much pointing of blame at the government.

Tony Alexander
Independent Economist

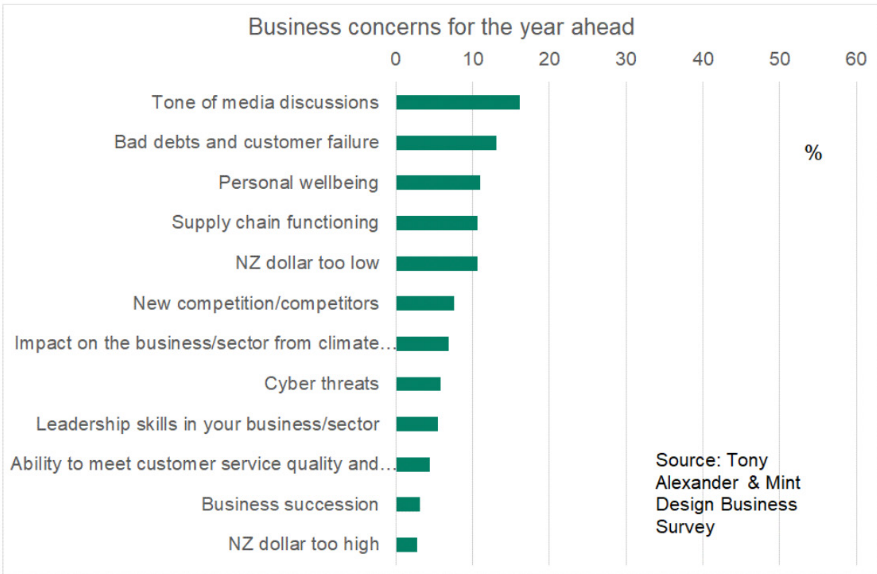
What concerns you most for the year ahead?

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

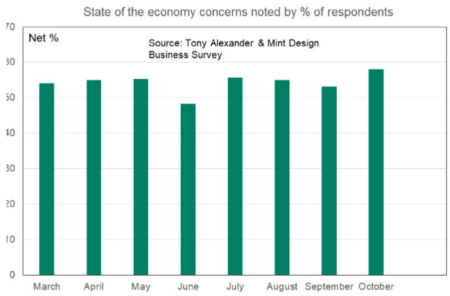
The top three concerns this month are the same as for the previous two months – the outlook for the economy, customer demand, and interest rates. Politics and compliance costs also rank as quite concerning. The levels of concern about interest rates and debt levels have gone up. But worries about labour availability have continued their downward trend.

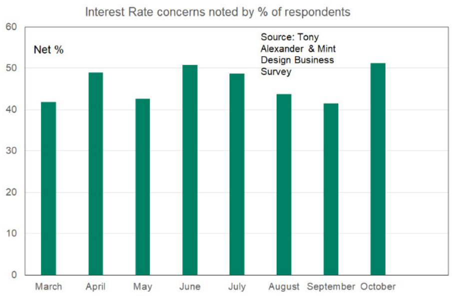


Few businesses feel that the NZ dollar is too high, and worries about business succession are low (but then that would depend upon the age of the owners and retirement plans).

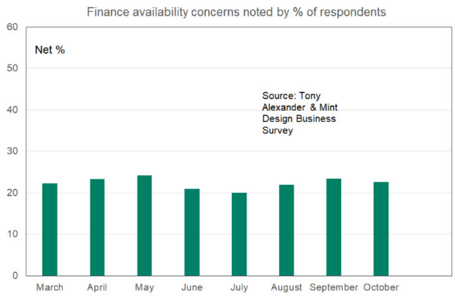


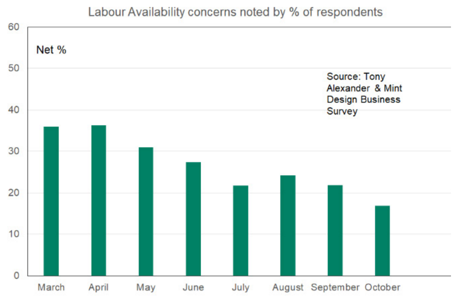
These next graphs look at changes in a selection of areas of concern for businesses since our survey started in March. Concerns about the state of the economy have lifted slightly this month to the highest level on record. This rise correlates with an increase in concerns about interest rates.



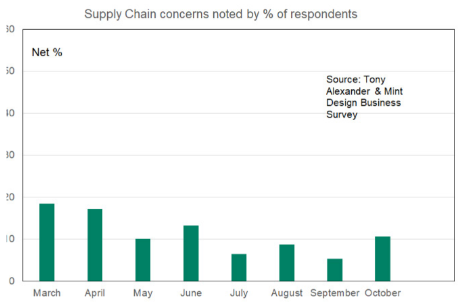


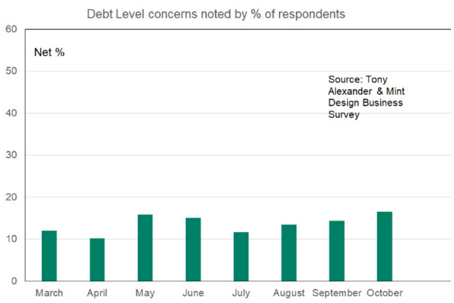
There is no improving trend underway with regard to perceptions of bank finance availability. But worries about the availability of labour have continued their downward trend. This likely reflects a combination of the migration boom alongside reduced demand for labour in some sectors due to factors such as the crunch on consumer spending being sought by the Reserve Bank, alongside the cyclical downturn in the residential construction sector.



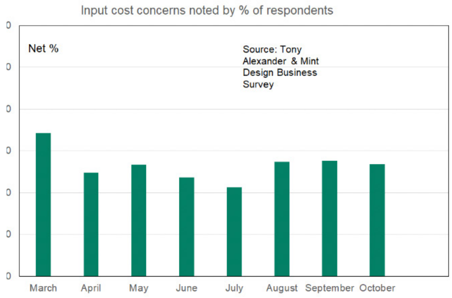


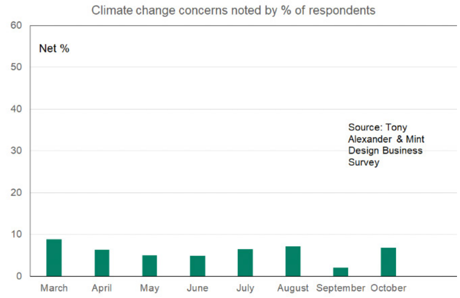
Supply chain concerns have eased from their levels earlier this year, but the blip up slightly this month and one or two comments from survey respondents tell us that the situation is still not necessarily back to where it was pre-pandemic. Perhaps commensurate with the rise in interest rate concerns noted above, worries about business debt levels are on an upward trend.



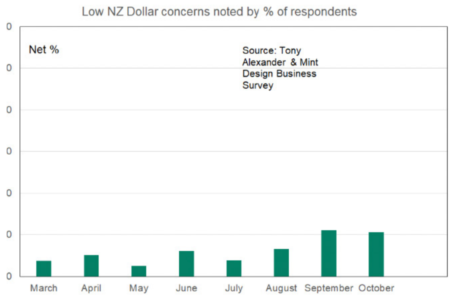


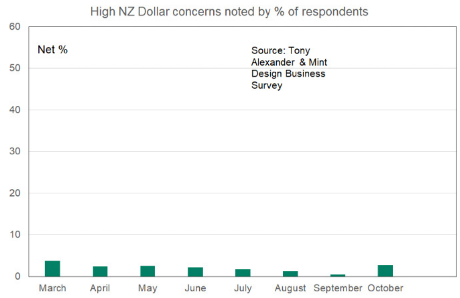
Concerns about rising input costs have yet to show any discernable decline. This is one of many indicators across my surveys and others showing that the Reserve Bank cannot in any way as yet feel confident that the cost-push inflation genie is back in the bottle. Climate change concerns have gone up this month. But we cannot yet call this a trend.





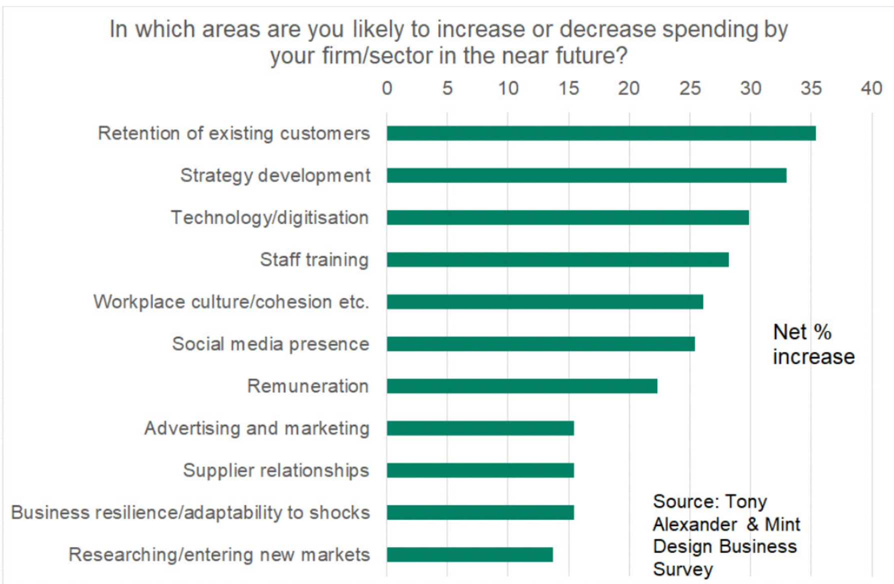
There is a slight trend up from low levels in the proportion of businesses saying that they are concerned about the low NZD. Very few businesses feel that the NZD is too high. The exchange rate has not ranked as a particularly large concern for the entirety of this current monetary policy cycle which is unusual in the context of the past four decades, often seeing big currency movements.



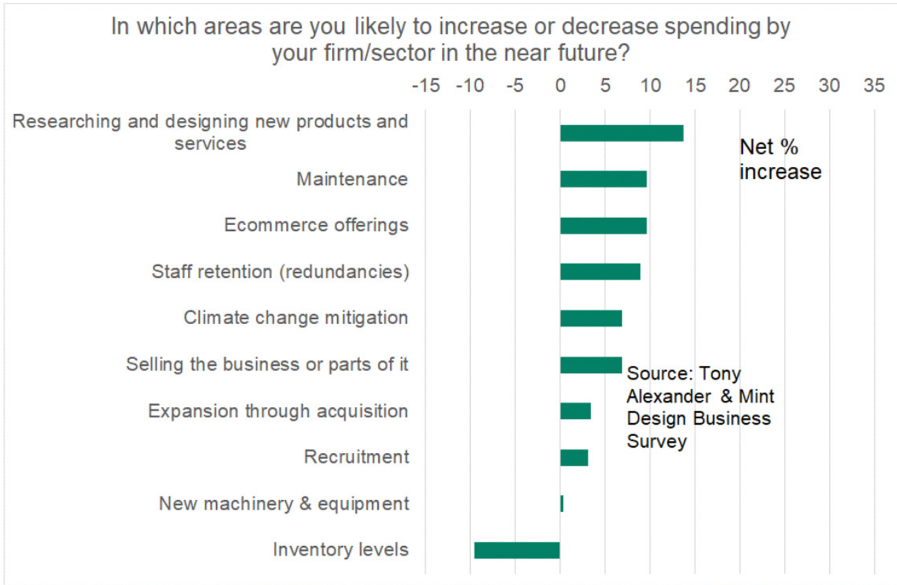


In which areas are you likely to increase or decrease spending by your firm/sector in the near future?

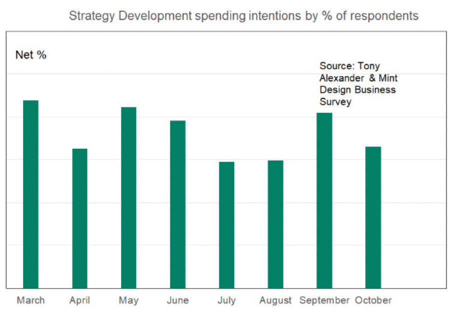
Our second main question is addressed at identifying where businesses are going to allocate their scarce funds in the coming year. As above, we split the results across two graphs, starting with areas where most businesses plan greater allocation of resources. The top area of planned spending increase is the retention of existing customers. In an environment of slowing growth in economic activity, the focus shifts from acquisition to retention.

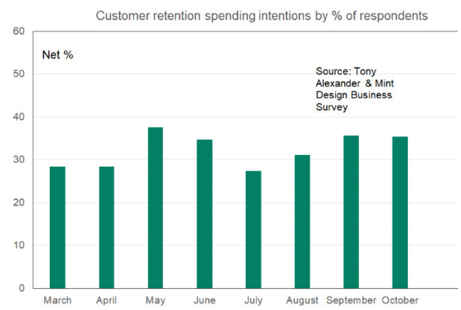


Businesses still indicate that they plan to cut their inventory levels. This makes sense in the context of worries about interest rate levels and the level of customer demand.

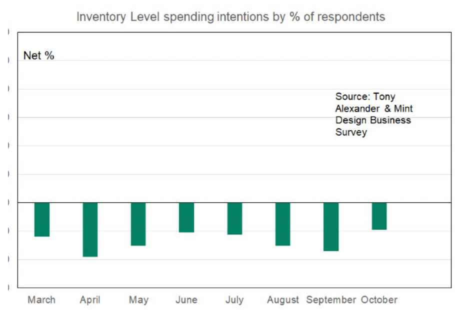


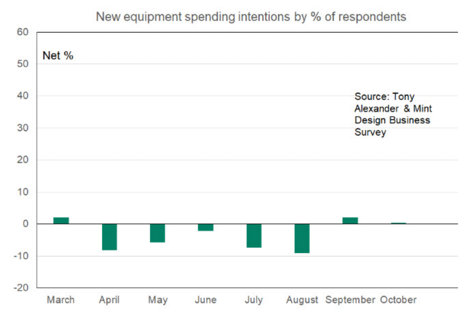
These next graphs look at how planned areas of spending change have been tracking since our survey started in March this year. First, for the top two areas of planned spending increase. Note the upward trend in plans to spend more on retaining existing customers.



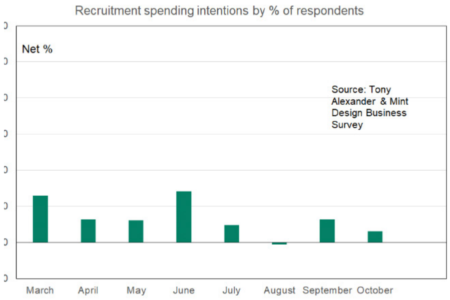


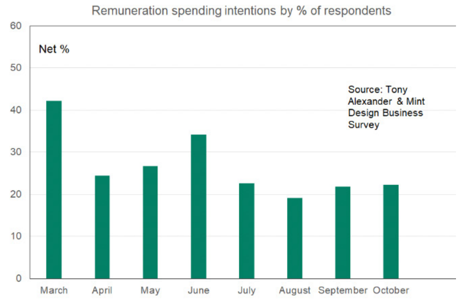
Plans for shrinking inventory levels have existed since our first survey in March this year. Of deep concern is the continuing low level of intentions of spending on new equipment. Without a surge in business capital expenditure, productivity will continue to grow only slowly. Reliance on more readily available migrant labour only reinforces this aversion to investment. But it will be interesting to see in the coming months if the change in government can bring hope, which offsets further weakness in immediate trading conditions.



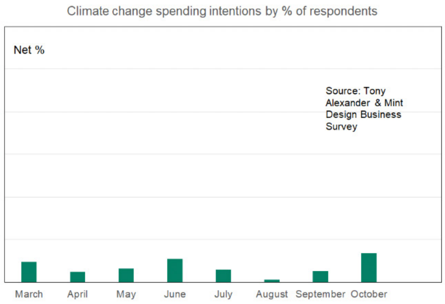


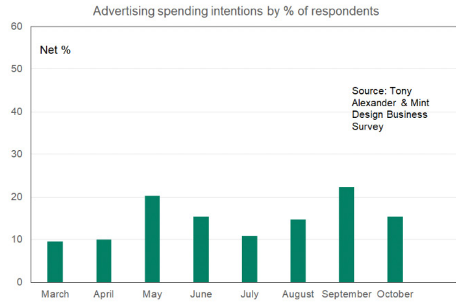
Likely reflecting the sharp improvement in staff availability, plans for spending on recruitment are being pared back. As yet, the easing off of plans for boosting staff remuneration looks fairly small. Slower wage growth (unless productivity surges) is a necessary condition for the Reserve Bank to plan a period of easing monetary policy, given the relationship between wage growth and inflation.





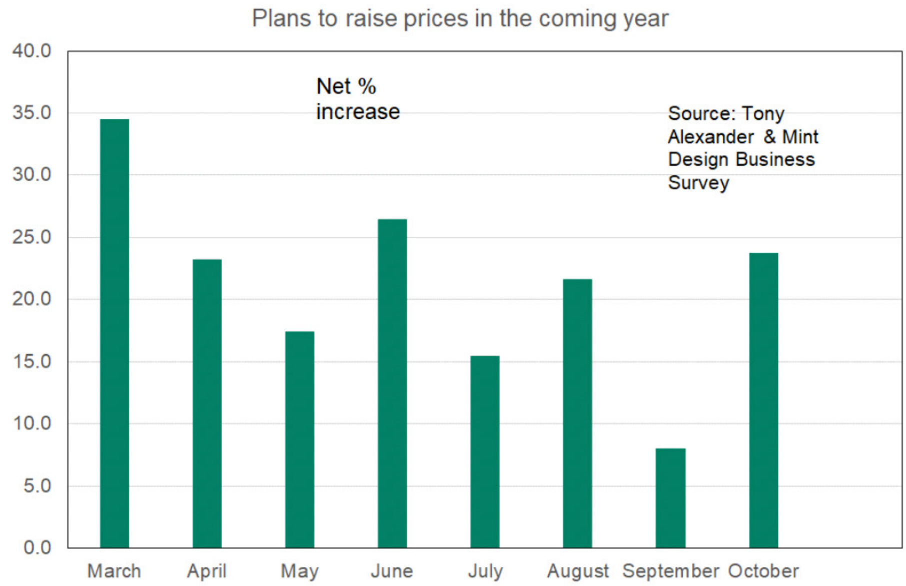
Plans for spending on matters related to climate change are rising but at a very slow pace. Reflecting tight budgets and poor expectations for the economy's prospects, businesses are not showing any general intention to lift advertising budgets. But the lack of decline in this area suggests cash flows, while tight, are not crushingly negative.





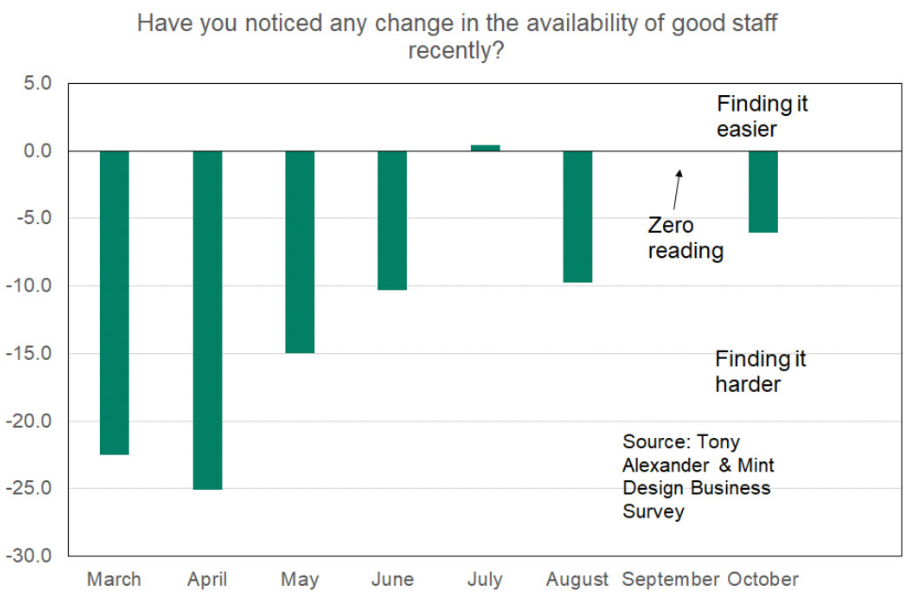
Are you planning on increasing your prices for any of your products or services this year?

The Reserve Bank's intention when raising interest rates is that consumers pull back on their spending. That in itself does not cause the rate of inflation to fall. What does is businesses reacting to the loss of sales by either cutting their prices or failing to pass on cost increases. As yet, the evidence that this second and vital step is happening is not clear in our survey. A net 24% of businesses have said that they plan to raise their selling prices in the coming year, up from 8% last month.



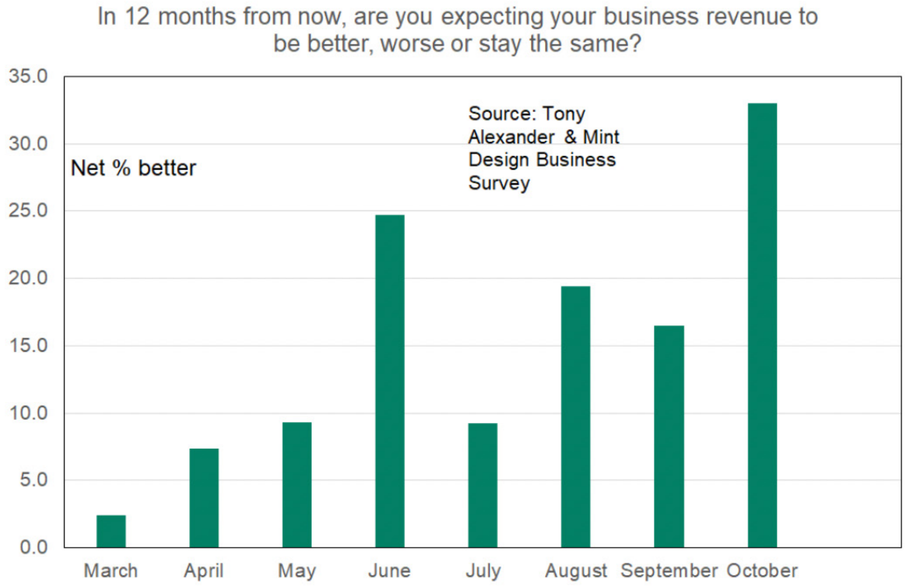
Have you noticed any change in the availability of good staff recently?

There is an improving trend in the net proportion of businesses saying that they are finding it easy to get good staff. But the latest reading of -6% tells us that overall, businesses still do not feel it is, in fact, easy to secure the people they want. In a volume sense, the migration boom is supplying labour for businesses. But it is not necessarily the type of labour with the experience, etc., which businesses would most like to have.



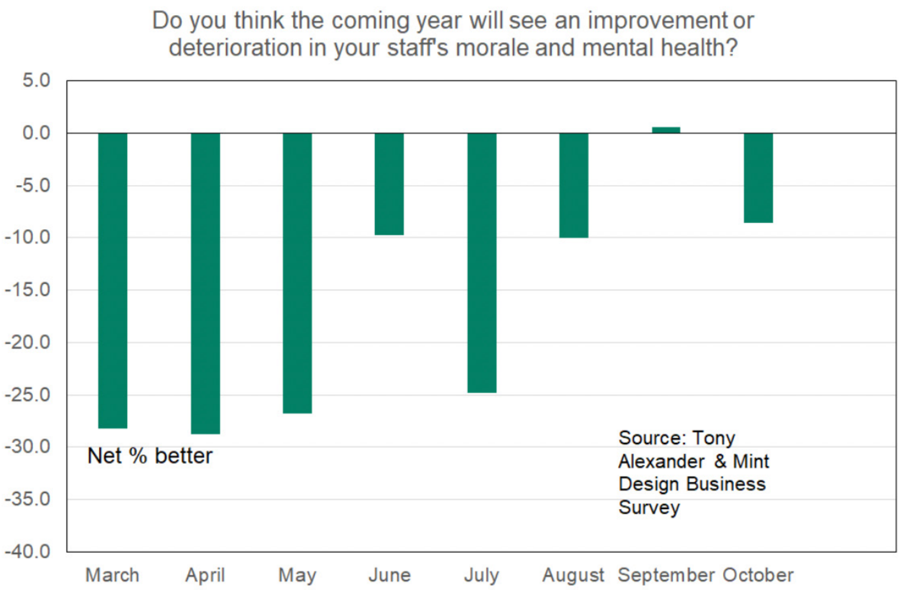
In 12 months from now, are you expecting your business revenue to be better, worse or stay the same?

Despite current business conditions being very challenging and concern about the political and policy environment high, a strong net 33% of businesses expect improved revenues a year from now.



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

Last month, we noted a small net positive outlook held by businesses for their staff morale and mental health in the coming year. But in this month's survey, a net 8% have reported that they expect a deterioration. The underlying trend is one of improvement. But challenging conditions for households are clear to see, and challenges for businesses tend to translate through to extra pressures on staff.



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.

The main points which we are able to glean from these responses include the following.

- Discontent about the previous Labour government has been exceptionally high. The test now will be whether the change to a National-led government causes much change in businesses' attitudes about their operating environments.
- Interest rate levels are cited as a key area of concern by many businesses.
- Margins generally are being squeezed.
- Residential construction continues to weaken.

Accounting & business advisory services, incl. business broking

- Increasing confidence coming into Summer. Concern about when rates will fall, labour market tight.
- Businesses struggling and owners' mental health is a concern. Expectations of major changes with a new government, which we do not believe will be the case. Small business owners are selling now that the COVID subsidies, which were in many instances fortifying the business and now the inevitable is happening. Concern over yet more changes in legislation and tax in our business sector.
- For our business, our focus is on being efficient - more work with the same staff and to try and please our clients by turning around their work. We are noticing pressure on our clients' cashflow, particularly in the residential construction section. We are in a regional centre. Other businesses seem to be trading OK.
- Still hard to find talented staff who know what a 40-hour week looks like and what excellent client service is.
- Nervousness about the outcome of the election, there is good rationale for change, but unclear whether the election will deliver it. It will take a long time to sort out the current mess.
- Confidence. My clients are all high-growth businesses that are clear on their global strategies, they understand how to ride the tough times. They are resilient and have built A-player teams and strong cultures; they aren't caught in the panic of 'now' and BAU, they are thinking and looking ahead; all whilst watching the cash and finding ways to bring it in quicker.
- Increasing costs that will be passed on in higher prices. Reduced customer demand reflecting high interest rates and cash flow pressure from slower debtors' collections.
- Need stability and certainty of regulations; been very difficult to plan.
- Times are as tough as they have been for clients for as long as I can remember.
- There has been a lot of talk of post-election activity, but nothing quantifiable at this stage.

Advertising & marketing

- Only excellence being paid for.
- Business confidence is low, and no one is spending due to the elections. Bring on October 14.
- Clients are wanting to get the most out of their advertising budget. Trying to stretch it further by using social media.

Architecture

- New industrial types of building projects are increasing slowly, and easier to find good team members in our business.

Banking & Finance generally

- Changes driven by compliance, which are being implemented without adequate staff training.

Cafes, bars, and restaurants

- Still getting or about to get hits from every direction. Fairpay. Costs increasing. Crime. Soft customer demand.
- We have increased beer prices for the first time in 18 months. High end products - some change. People still coming through the doors, special occasions no change.
- In servicing the hospitality industry, the daytime attendances (punters) are markedly lower, while evenings are as busy as ever.

Civil construction/infrastructure

- Capital equipment procurement is steady; however, there is some uncertainty due to the election, causing delayed decision making.
- Waiting for a change of government.

Commercial construction

- Some uncertainty in forward workloads, perhaps yet to see the flow-through of decreased availability of finance given the longer life cycle of commercial projects.
- Very limited enquiries for new projects. Things have slowed down for the whole of 2023.

- Overall slowdown in housing and construction. Chasing a lot more late payers who, in turn, are waiting to be paid. Using Stop Credit more often on slow payers.
- There are a lot of construction projects that seem to be pausing or delaying due to an uncertain economic and political environment. Hopefully, these areas start to settle and provide certainty to continue. Everyone is talking about the disruptive impacts of AI on all sectors, and construction is the same. This could change labour shortage dynamics very quickly.
- A squeeze of margins.

Commercial real estate

- The availability of funds and land is stifling development.
- A slight uptick in enquiries for property and construction-related professional services from the private sector.
- Everything in limbo until after the election.
- Challenging sustaining commercial bank interest, trying to grow the business and still meeting expenses.
- Lack of commitment due to government instability.
- Interest rates are killing business.
- Most retail tenants are commenting on the tough trading conditions at the moment.
- Downturn in trade, customer business slowing.

Education and training

- The increase of costs plus the government-driven ideology changes are putting the brakes on core educational practices and growth.

Engineering

- Lack of clarity around major infrastructure projects. Risk of significant cutbacks in government spending.
- New enquiries started to disappear a few weeks ago. Have enough work to go on for another four weeks, then we will see.
- Waiting to see the election results before making any new financial commitments or strategy decisions.
- Uncertainty around the extent to which our customers will keep investing in plant maintenance, equipment capital investment and reducing carbon footprint, which fundamentally drives our business.

Farming & farming services

- Access to a viable alternate product supply.
- Proposed regulation and compliance costs.
- Farmers are still struggling, but there is a glimmer of hope for next year. Interest rates are still sucking all the profit. A drought season will be disastrous.
- Market value of produced fruit (avocados) this past few years has been on the decline. International markets took a downturn and returns with it. This, coupled with big losses during recent weather events, led to a year of picking/packing costs and compliance costs being greater than the return on the fruit itself.
- Sheep & Beef Farming: Wool is almost un-saleable, despite the lower NZ dollar. Lamb is not selling well as the price has decreased per kg @<$7 per kg, yet in supermarkets, loin lamb chops were advertised for sale at $63kg recently. Farm costs increasing (fuel prices, fertiliser, freight, transport of animals, farm consumables, etc)
- Compliance and over-regulation are tying up so much time.
- The sector is battling high debt/high interest costs and low profitability after a period of heavy capital investment predicated on increasing supply, which then failed to materialise for two consecutive growing seasons. Immediate capital plans have had to be delayed/shelved, and when supply rebounds and continues to grow, the industry will move from excess capacity to a significant shortfall!
- Environmental and legislative changes impacting Business as Usual assumptions.

Financial Advice/Wealth Management

- Adaptation by the public to 'the new normal', particularly around borrowing money. Customers being driven by reducing costs, rather than focussing on forward-looking strategies (i.e. clients wanting to cut costs on their life insurance rather than actually cover their risks). Gut feeling is that people have cut costs and pulled back drastically - and if this doesn't get inflation under control, what will?
- Commercial property values have all decreased, with industrial properties the least affected, due in part to the continual strength in industrial rent increase. New construction and vacancy rates are both very low, so can't see things easing for some time.
- Over-compliance and regulatory burden to business operation.
- Interest rates for debts and bonds is having a big effect on investment in multiple areas such as property, shares, etc. A lot of nervous people out there with little faith in government or RBNZ.
- Maintaining client confidence in our ability to improve their financial wellbeing.
- Too much time dealing with compliance and regulation. A noticeable move to reduce expenditure from clients who are experiencing tighter monetary conditions.

Health

- If there is a change in government, we need to assess their changes and build on the confidence that should come with the change. Tech innovation in the medical field is going to become key, and MOH needs to be driven by tech savings & innovation versus cuts that do not provide a cost-savings analysis.

- Very hard to find qualified pharmacists to work in Palmerston North.
- Medical staff shifting to Australia.
- Increased costs - stock, rates, insurance, wages.
- Uncertainty about the political environment.
- Decrease in the standard of living of employees.

Information technology

- Customers are delaying capex for business-as-usual support while prioritising projects with only very big or fast returns. A hand-to-mouth/wait-and-see environment.
- Cost crunch.
- Increased competition within a small market, challenges with staffing costs and difficulties with offshore suppliers.
- Unpredictable demand, increased costs, with less profits.

Insurance

- Lack of general confidence across the market. Spending is down, people are looking to reduce, contract, not expand. So, if you follow Buffet, we should expand - grow now for future growth opportunities.
- High staff costs with a lack of skilled staff, therefore having to do more with less

Manufacturing (all categories)

- Some materials pricing is easing, which would normally assist in maintaining margins, though wage growth is always a challenge to retain good staff, so any margin gains are currently eaten up with wage increases.
- Profit & margin will be squeezed by rising costs.
- A big slowdown in primary industry supply after the reduction in milk payout forecast (on top of pressures already existing on farmers with input costs and interest rates).
- Our group services four totally separate market sectors - one is incredibly busy and growing, another is steady, the other two are showing distinct signs of slowing down for 2024.
- Input costs, including labour are still rising and will cause a flow through on output pricing and inflation for longer than excepted, exacerbated by government spending and public sector collective agreement trends.
- A lot of pessimism in the current construction market and a real yearning for a change of government. If we don't get this, we may as well give up and move to Aussie, current situation is an absolute joke and desperately need some adults in charge. Having said this, there are still a few opportunities out there, but need to fight much harder to get them. Increased need to watch aged debtors' ledger as many companies' cashflow is under pressure with the high interest and labour rates. Thankful to still be in a reasonable position despite loss of sales but hasn't been an easy ride.
- We serve the agri industry and they have stopped spending. Having a flow on to our business. Much uncertainty around the election and future economy.
- Increased demand of product (building product), harder to get raw product at times, hard to find and keep production staff.
- Stagnant customer demand due to constrained construction markets.
- Uncertainty about the election outcome, compounded by broader economic concerns is placing sustained downward pressure on demand. Domestic demand tapered off faster, but now we're seeing spending restrictions across corporate and government having an impact.
- Uncertainty and lack of clear future pathway, more and more time having to be spent on compliance and non-productive aspects of business, very draining and hard work, not enjoyable like it was a few years ago.
- Poor dairy payout stopping all but the essential farmer spending.
- We are a circa $4m turnover NZ manufacturer competing with imports. Demand is soft while costs continue to escalate, making margin management challenging. While private sector demand is slowing, Government procurement is a potential opportunity for us however, even if product quality and price are competitive, NZ Government procurement teams often favour overseas suppliers.
- Very unpredictable, compared to pre Covid, our customers (retailers & distributors) find forecasting demand more difficult, resulting in large variances (both positive & negative) in actual compared to forecast, for the most part we cover with increased stock variance tolerance (stock holdings) but its an extra cost to our business.
- Decrease in orders, uncertainty re outcome of election means customers keeping hands in pockets. Working hard to get new jobs.

Miscellaneous

- Commercial Design and Project Management - Uncertainty. Loss of business confidence, and indecision across many of our commercial clients.
- Entertainment International Screen Industry - Positive signs as a result of the end of the US Writers strike, and encouraging indications that the Actors strike will also end soon. It remains to be seen whether or not New Zealand will be able to attract international screen business because other filming destinations now offer better incentives (most notably Australia).
- Food Importation - General spend down, customers consolidating and looking for cheaper options.
- House flipper - I am seeing a boost in the price of housing stock that require renovations (houses in poor condition). I haven't seen a similar boost in the price for home buyer house stock. This is inevitably squeezing profit margins for traders such as myself.

- Legal - The continuing pinch on people's pockets as the cost of living continues to make it more difficult for clients and staff. The uncertainty of a new government, and implications of that change, also weigh on minds and wallets.
- Local government – Downsizing.
- Market Research - Global economic downturn will negatively impact market research industry. Layoffs and salary freeze in place.
- Nutritional Therapies - People reluctant to spend on services due to less money in their kitty.
- Outbound Volunteering and working holidays - Young people are still eager to see the world.
- Personal services - Good service providers are holding on but none of us are thriving. It is difficult in the personal services sector when there are people who 'practice' as a sideline or don't really need to earn a living wage because they rely on a husband/partner who is the main income earner. They undercut us on price, do not have the same compliance costs because they are not a real business, and they rarely have the same commitment to continuing professional education. It's quite frustrating.
- Property & facilities services - Customers and prospects tightening belts and shrinking budgets - many tire kickers. Staff marginally easier to find than 6-12 months ago. Interest rates on debt now a significant impact on profitability.
- Vehicle repairs - Insurance company's also becoming the repairer with big shops and endless funds.

Mortgage broking/advisory

- First home buyers returning to the market, clients are more insurance savvy/seeking advice.
- Acceptance of interest rates.
- Banks are acting like police officers questioning how clients spend money.

Motor vehicle sales/parts

- Consumer demand being stifled due interest rate pressures.
- Significant reduction in people wanting to purchase new motor vehicles.
- Supply chain issue, we are waiting 3 weeks to get car parts and 6 - 12 months to get the cars that are in demand.
- Our sales are increasing, our costs are increasing, we are having to work harder for the same amount of profit we made 2 years ago.
- Supply chain getting better. New car sales are terrible, and this will have a knock-on effect in the next year in parts revenue through servicing.
- There is an obvious increasing shift towards EV/Hybrid vehicles, so upskilling is important. This is made harder by the vehicle manufacturers not sharing information. Australia has successfully won this case and is assisting NZ in making it legal to access the dealer information.
- The market is becoming more unpredictable. We are not booked out days in advance as we used to be. Selling discretionary services is getting more difficult.

Printing and Packaging

- Slowed down.

Recruitment

- Election having adverse effect on Wellington market... as it always does. If there is a culling of government staff numbers as per ACT's determinations, then WLG will be adversely affected.
- Businesses continue to struggle to find highly specialised skills within NZ and are reluctant to find offshore talent due to not understanding the immigration process, cost of relocating someone and not having specific NZ experience. We see many candidates from South Africa and the Philippines wanting to relocate to NZ due to better standard of living and better opportunities. Although employers' preference is for candidates from the UK, USA and other similar countries however these candidates are not as interested in moving due to the remoteness of NZ, salaries on offer and cost of living.
- Uncertainty due to the upcoming election. Businesses appear to be putting growth on hold.
- It's been a steady year for the recruitment market with plenty of white collar hiring still happening but without last year's unsustainable money offers. Talent is marginally easier to source but great people still in short supply generally. We have seen a slow down in the last 6-8 weeks which we're putting down to pre election uncertainty across both public and private sectors.

Residential construction incl. section development

- We supply materials to the building industry with the major focus on apartments and residential. We are increasing sales ahead of last year by 7% which largely accounts for inflation. There is some evidence of price reductions appearing in certain materials whilst others are increasing.
- The market demand for rental accommodation and new residential builds remains unsatisfied despite economic restraints and regulations and the uncertainty of future government direction with election day looming this weekend. Much of this being driven by immigration. Commercial construction opportunities being created due to high occupancy rates creating demand for office accommodation industrial space.
- We believe there will be pressures on staff as competition is likely to increase with a reduction in margins and personal incomes being under pressure due to cost of living inflation, increased interest rates and compliance costs etc.

- Consumer confidence is at an all time low, with little to no prospect of improvement even with a different government.
- Supply chains are becoming more reliable again.
- Uncertainty, hopefully we get some after the weekend.
- It's a bit of a perfect storm in residential building at the moment - increasing mortgage rates and lower house values. So the number of people looking to increase their debt to build a new home or to do home renovations has significantly reduced. Inquiry levels are currently very low which is a concern for the year ahead.
- Low uptake due to interest rates.
- It is still a very slow market, and we are battling against compliance changes that are driving costs up making it less attainable for people to buy and build. The implemented code changes are out of touch with the market.
- Still plenty of work.
- Interest rates are the biggest barrier to getting things moving. Need to focus hard on keeping staff focused on getting sales over the line even at further erosion of margin. Sales are key. We have trimmed the fat out of the business and are doing everything we can to survive by all hands on deck.
- High interest rates and media are negating sales. Rising cost of product.
- Change of government, political stability with a clear vision on housing.
- Lack of available cash, either in clients own bank accounts or readiness of banks to loan. Decreased interest in building a new home due to cost of living.
- Property investors selling property that would like to keep due to high interest rates preventing access to refinancing options.

Residential real estate

- Increased interest, still just looking. Buyers wanting a deal, hopefully this Labour government gets tossed out that will give the market confidence.
- A change in government will be positive overall.
- A turn around - numbers, dollar value and general enthusiasm.
- Finance is difficult for clients and interest rates too high.
- Election year uncertainty and risk averse buyers concerned about interest rates.
- Uncertainty remains an issue - economic and political.
- The biggest influence on my business is political. If we have a National lead government, particularly in my market geography, I think the changes to overseas investment and the bright line test will drive significant increase in demand and lead to an increase in supply. I operate in the high end of the marketplace for a global company so in spite of ideological challenges I believe this will have the most significant impact on my business.
- Real estate market is quiet in terms of volumes - it will pick up and my job is to raise quality of the platform our agents use, to keep them happy and to attract good agents to the office. The quality of the experience we offer our clients will be 2nd to none!
- Confidence in the market, too much uncertainty. Change of government would help.
- Election hold backs, People need confidence to move forward.
- There is a distinct improvement in enquiries and confidence amongst customers and this is reflected in the business.
- Costs are high, for consumers ,and the cost of debt and food is starting to have a momentum impact.
- Lack of confidence in the economy which will hopefully improve with a new government.
- Political uncertainty has certainly impacted buying and selling plans in the residential property market. New build costs have risen sharply, and budgets remain tight.
- Low morale.
- Hideous state of non-decision making therefore no income.
- We currently see a lot of extremes and volatility.
- Property valuation. The need of adaptation to the fearful behaviour of the customers and clients.

Residential rentals/investment

- High demand - low stock (not enough houses) - Landlords don't want to risk taking on less desirable tenants because you can't get rid of them.
- The current economy is having an effect on the wellbeing of my staff, in their personal lives - an extension of the cost-of-living crisis. This is having a follow-on effect in terms of their attitudes/behaviours, so we are needing to put more focus on culture development.
- Increased interest and acceptance that capital values will continue to rise, probably significantly faster than inflation.
- Increasing costs cannot all be passed on and so it is harder to make a reasonable return too much misinformation about tax.
- The mood of investor clients is improving with the lead up to the election and a potential change in government. I expect to see a lot more transactions and activity after the election, despite who gets into power. However, the amount of transactions and prices that follow in investment real estate will be dramatically different with each party taking power.
- Good real-estate is being held back from the market awaiting outcome of election results, plus nervousness over building immigration demand may have a shock upward value spike impacting on current owners who have prematurely exited the market.
- Not able to give a definite answer as feel it depends on who gets into power.
- Regulation impacts (interest deductibility), availability of construction staff.

Retailing

- Very much a wait-and-see approach with the elections heading in.
- Stability. Trying to find a comfortable balance and a new "average" in our business from a peak profit through COVID and then a decrease due to inflation.
- Slower customer decision making (pre-election fears), more pressure on price - customers want reductions/ suppliers want increases, lower spending in SME especially, investment in making the office a more attractive place to be (than home!).
- Costs going up still. Demand decreasing.
- Optimistically cautious until April 2024, sweating of assets, reducing of inventory levels, investment in technology tools and people.
- Drop off of enquiries.
- My market is essentially high-end FMCG, and the prime reason given by customers leaving relates to affordability. Other than that, the niche that we live in seems to be growing in as a whole.
- Revenue down and costs up, especially for staff and rental, but businesspeople in our sector are positive.
- Larger customers still spending, challenges in mid-market. Feel we have focused too much on retaining large customers. We need to do a better job of looking after our smaller more profitable customers who have borne the brunt of cost pass-throughs over the past 18 months.
- Rising costs from supplier and everyone still laying into supermarkets!
- Local people are not spending on going out to restaurants/ bars. They don't have the disposable income to spend after paying their mortgage loan interest increases.

Shipping, transport, storage & distribution

- It is becoming challenging to pass our full input cost increases onto our customers as the majority of them are at the price point for the consumer now, and any further market increases will impact their sales revenue substantially ... this is resulting in a restriction on our ability to operate LTL units and maintain an on-time service while still achieving break-even status.
- Election is a handbrake to business due to uncertainty. Mortgage Interest rates are starting to bite, and will continue to which impacts directly on our sales.
- People generally holding off and uncertain whether it will get better or worse. Still plenty of larger projects in pipeline, but not landing. The run-rate (consumer & SME) business has definitely softened, people prefer to make do. Hope that the election season ending is a turning point.
- Retail soft. Housing market strengthening.
- We supply into the manufacturing sector - this is not what it used to be.
- Difficulties surrounding international shipping has been very hard on cashflow this year. Lack of confidence from retail customers has also been low, resulting in lower spending.

Tourism & accommodation

- Interestingly there is a lot of a return to bad behaviour and driving prices downwards. This is unproductive, and unsustainable. While we operate at the lower price market in our industry, the margins are low. An unhealthy decline in those margins is really the last thing we need to keep us sustainable as a sector moving forward.
- Increase in guest days.
- Rebound of inbound tourism after the toughest years on record.

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

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