Mint

Business Insights

with Tony Alexander

Uncertainties making planning difficult

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Uncertainties making planning difficult

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 people on my Tony's View subscribers list inviting recipients to give insights into what is happening in their business sectors at the moment. 276 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:

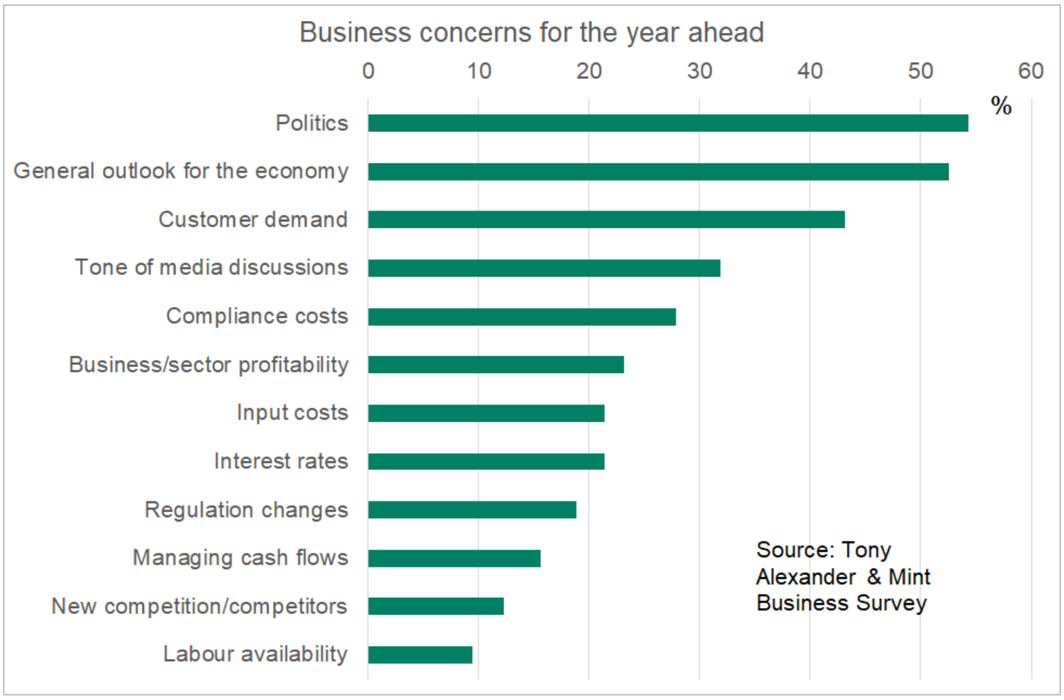
- Perhaps influenced by some recent political opinion poll results, businesses have become more concerned about the state of politics in New Zealand.
- Mixed signals have come through regarding labour availability – but this in itself is interesting in the context of a 5.6% unemployment rate. Once sustained economic growth returns labour availability may quickly become a problem for many businesses.
- Uncertainty about the true strength in the local and global economies, and with this year's general election outcome and resulting policy framework increasingly unclear, businesses are finding it difficult to undertake their planning.

Tony Alexander
Independent Economist

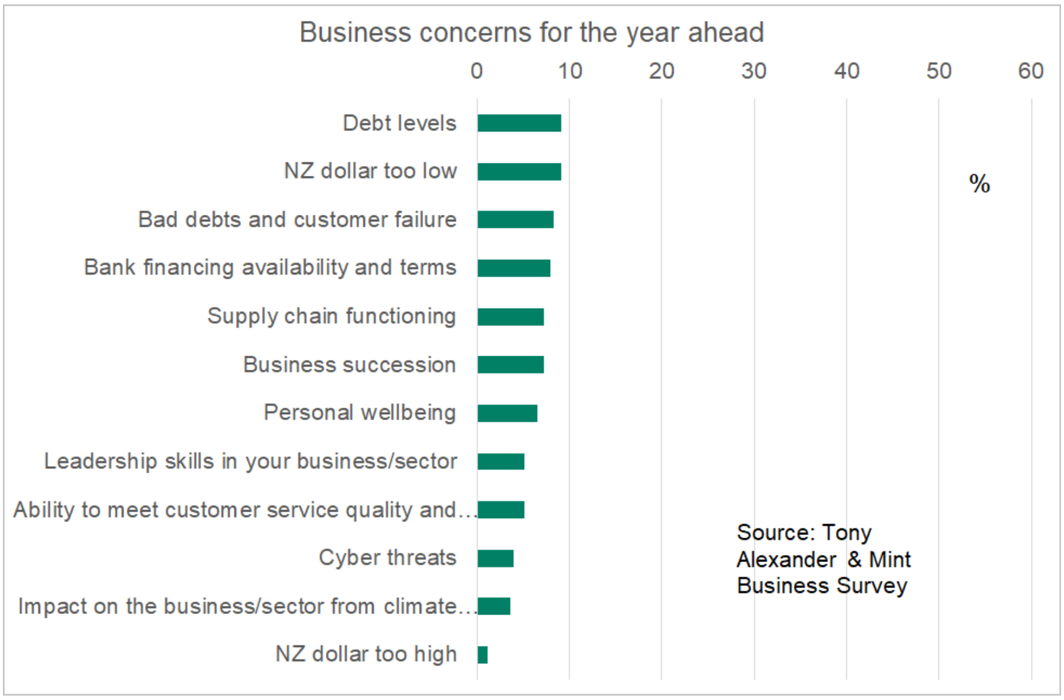
What concerns you most for the year ahead?

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 spot has been taken by concerns about politics, followed by the state of the economy and customer demand.

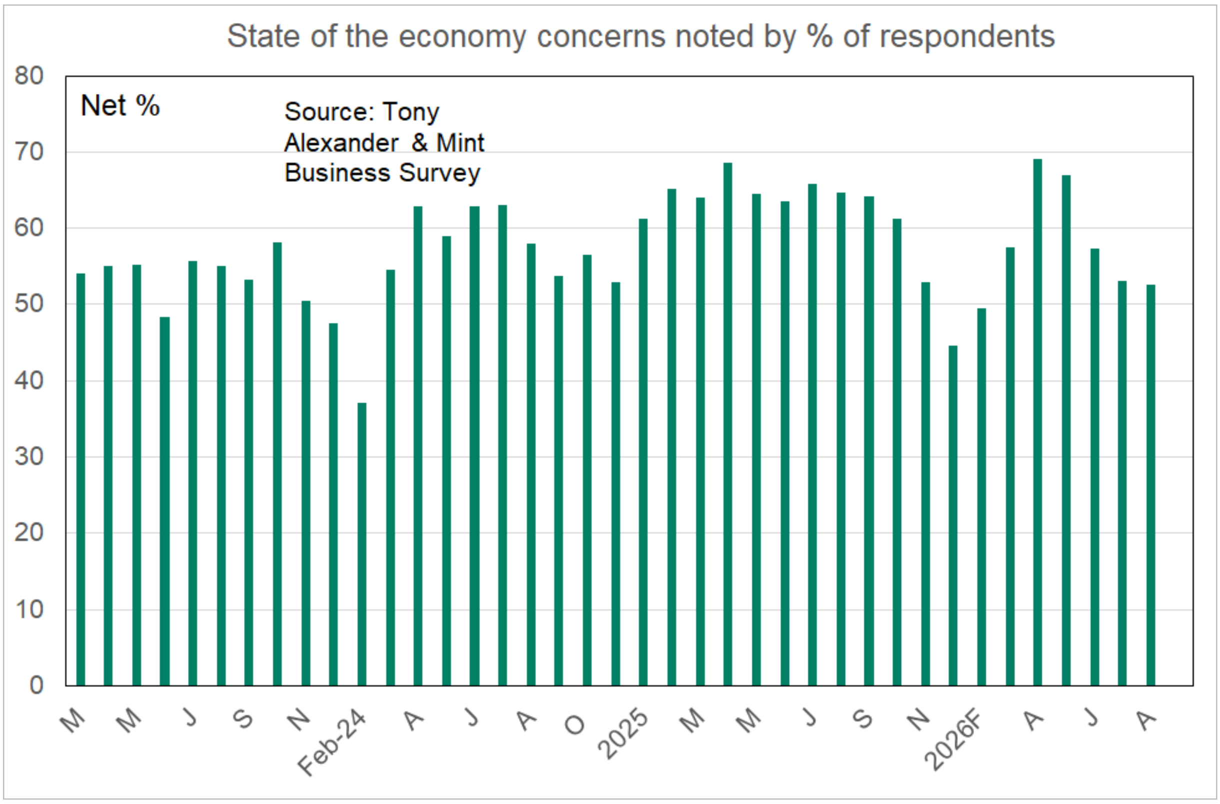


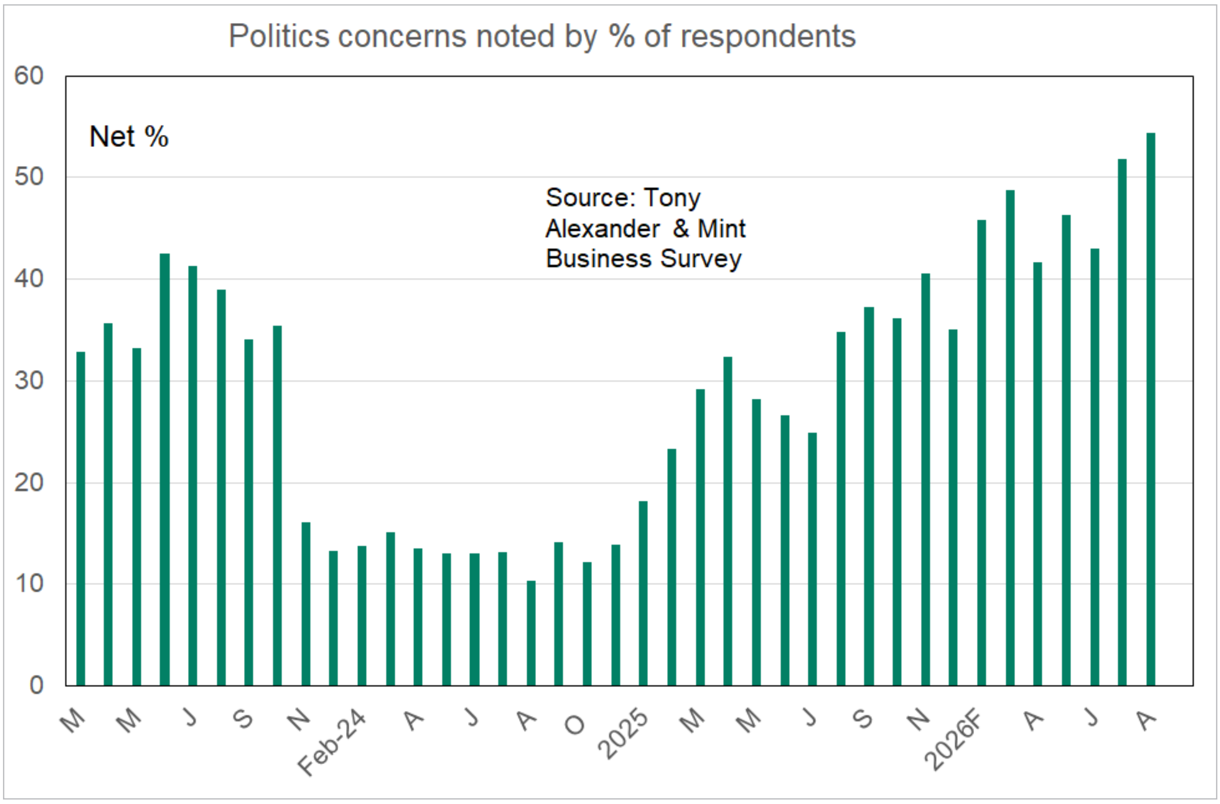
This graph shows the lesser ranked concerns.



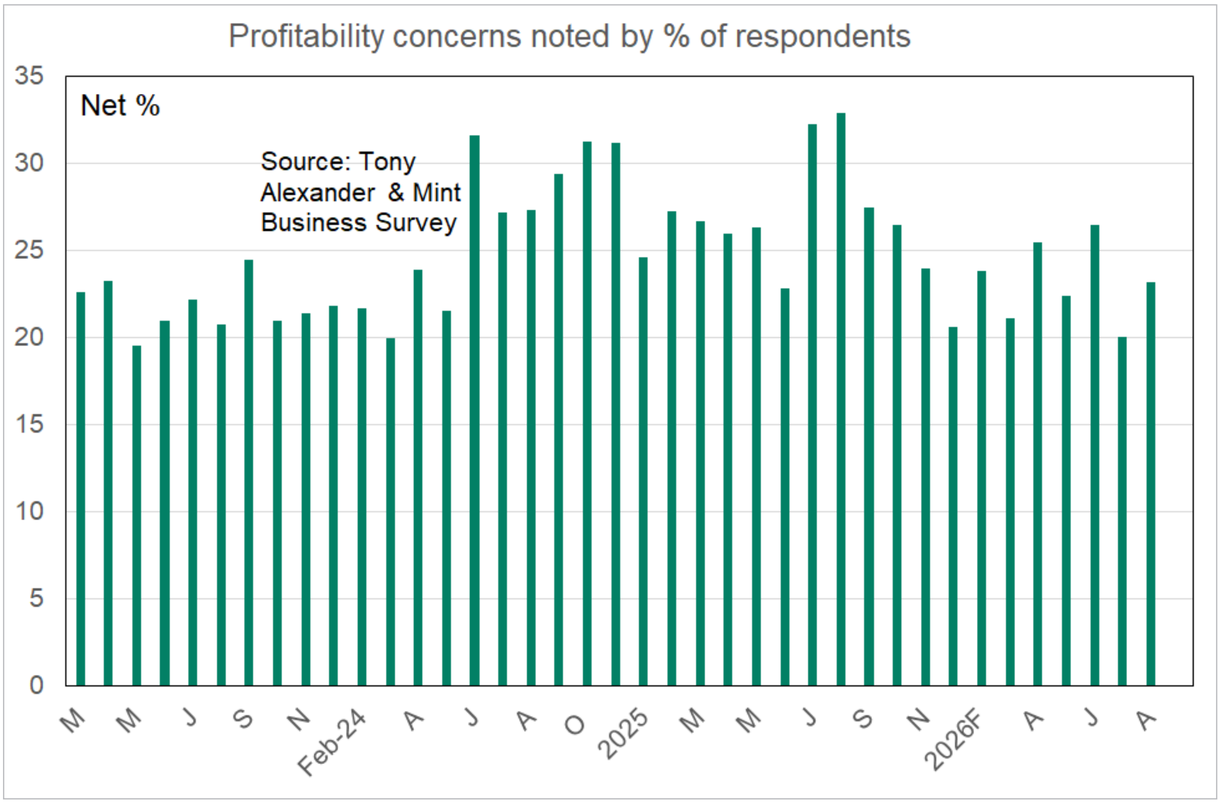
These next graphs look at changes in a selection of areas of concern for businesses since our survey started in March 2023.

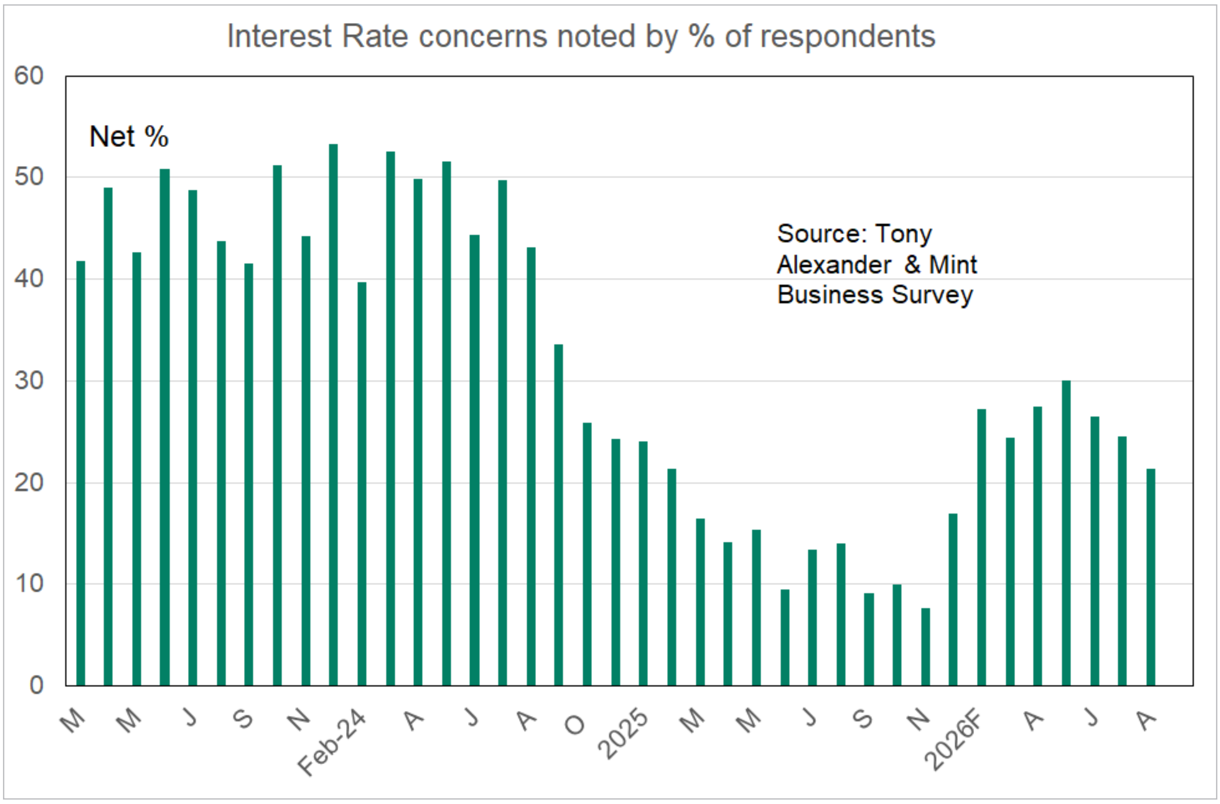
For four months in a row worries about the economy have eased. But much of this will reflect a pulling back from worries about the worst case scenario of extensive and extended fuel shortages following the US attacks of February 28. Worries about the state of politics in New Zealand however have risen to a record level. Our survey covered the period immediately after the National Party leadership confidence vote.



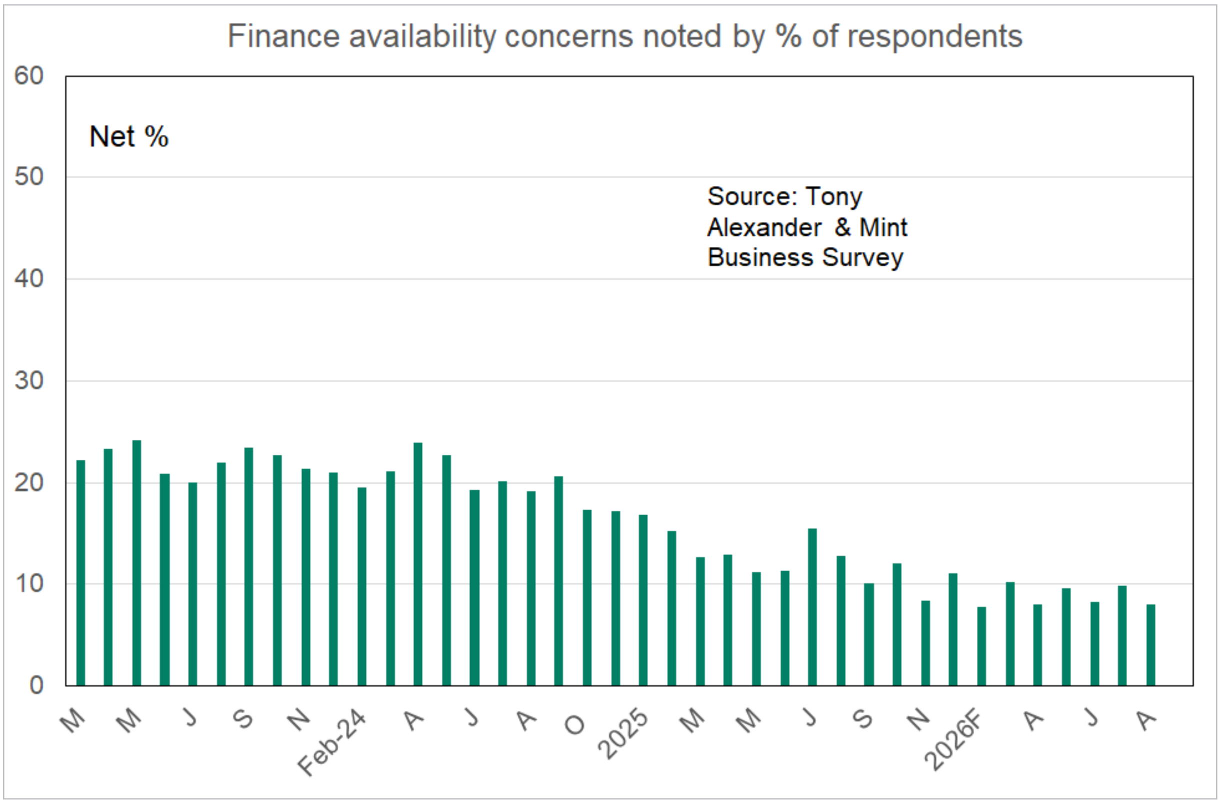


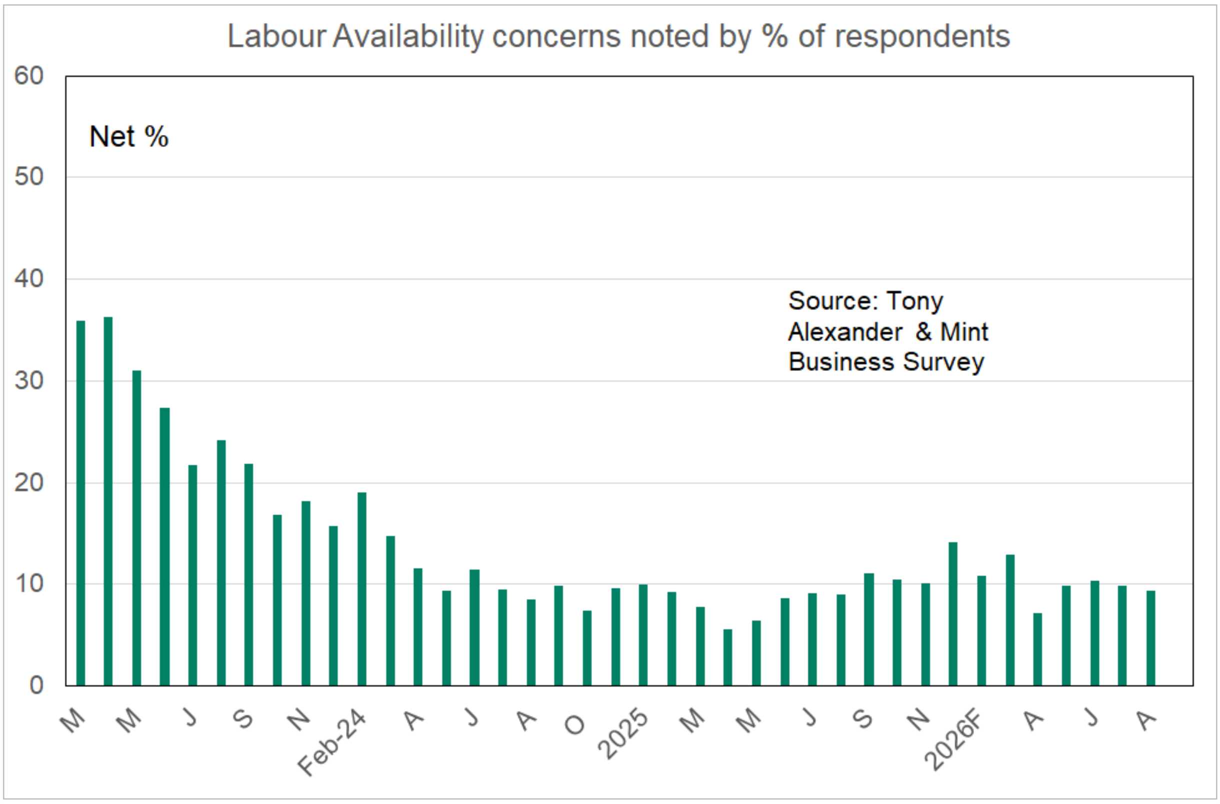
No clear trend is underway with regard to business worries about their profitability. But there has been a slight easing in concerns about interest rates for three months in a row now. It will be interesting to see how this measure changes after the Reserve Bank's next cash rate review on September 2.



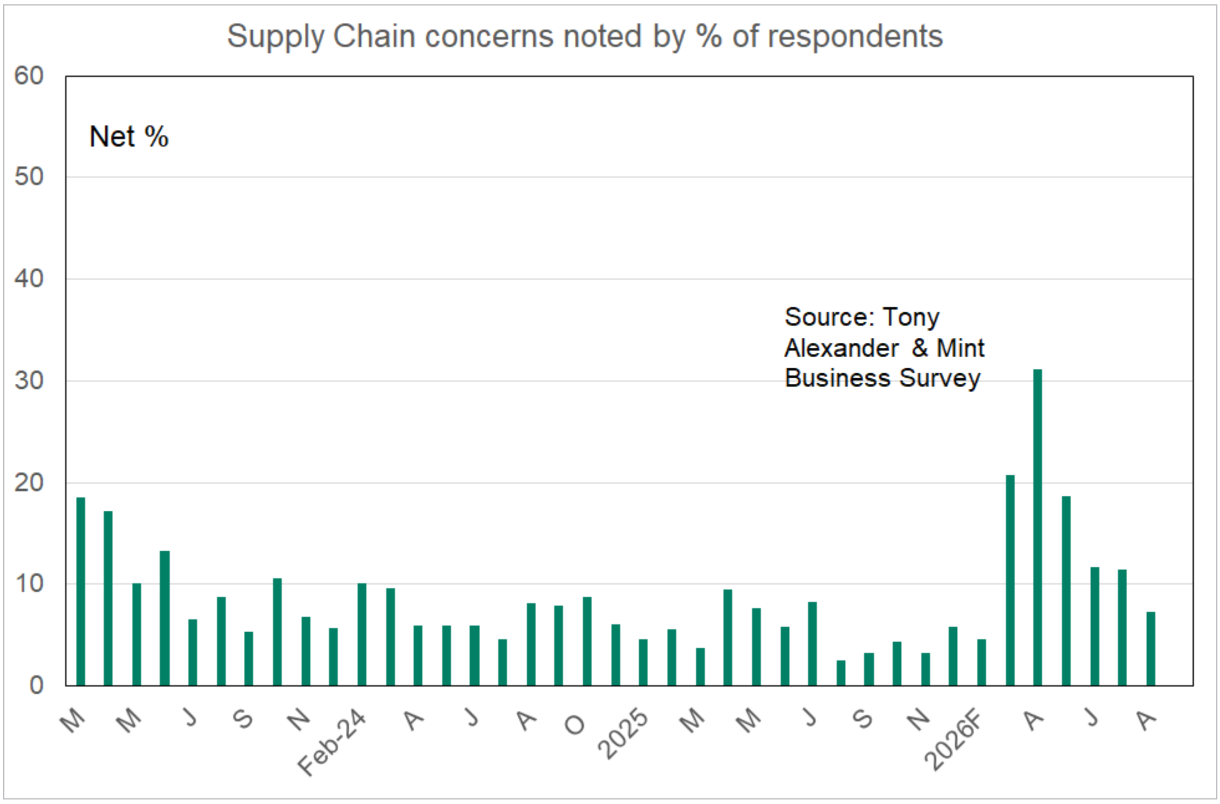


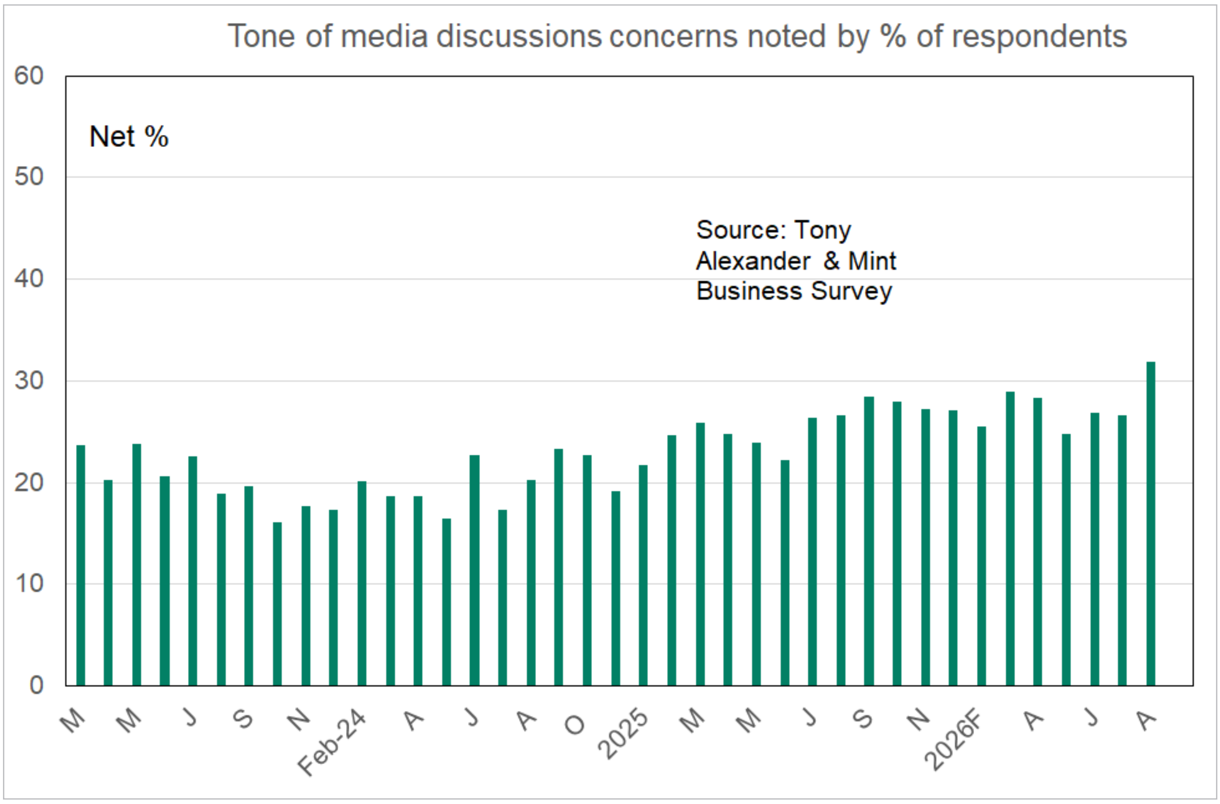
The availability of finance in New Zealand continues to be of little concern for the majority of businesses. Labour availability worries remain contained for now though there is an indication of some concern appearing in our specific question focussed on this issue discussed later in this paper.



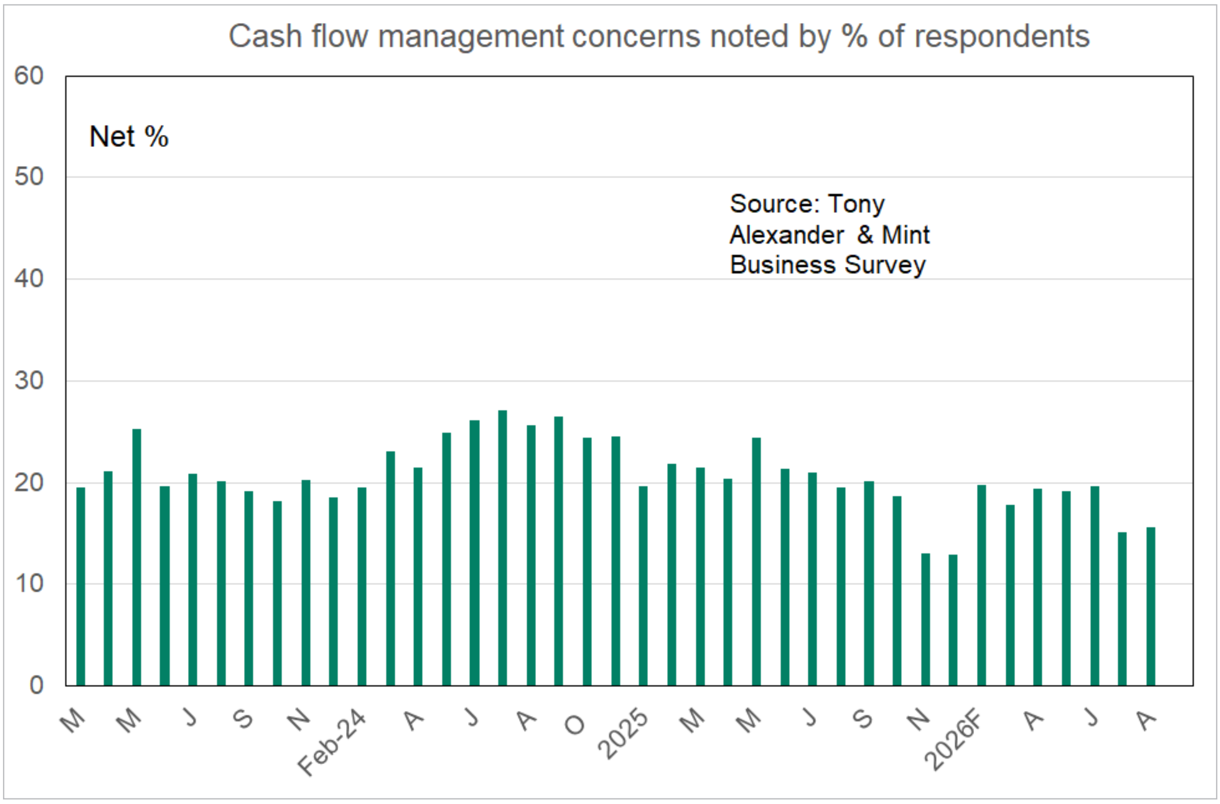


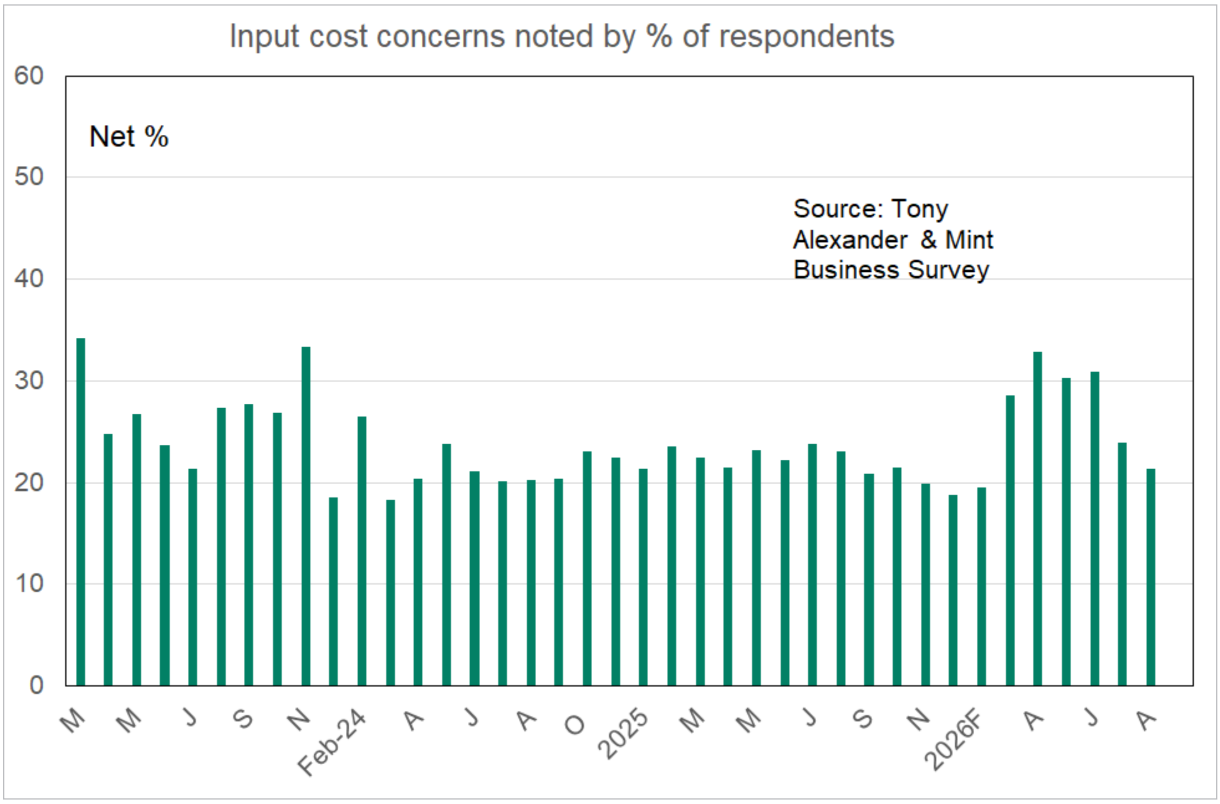
Supply chain concerns naturally spiked upward following the outbreak of war on February 28. But since then those concerns have substantially ebbed away. Over the past month businesses have become much more concerned about the tone of media discussions in New Zealand – perhaps related to some of the trends in political opinion polls.



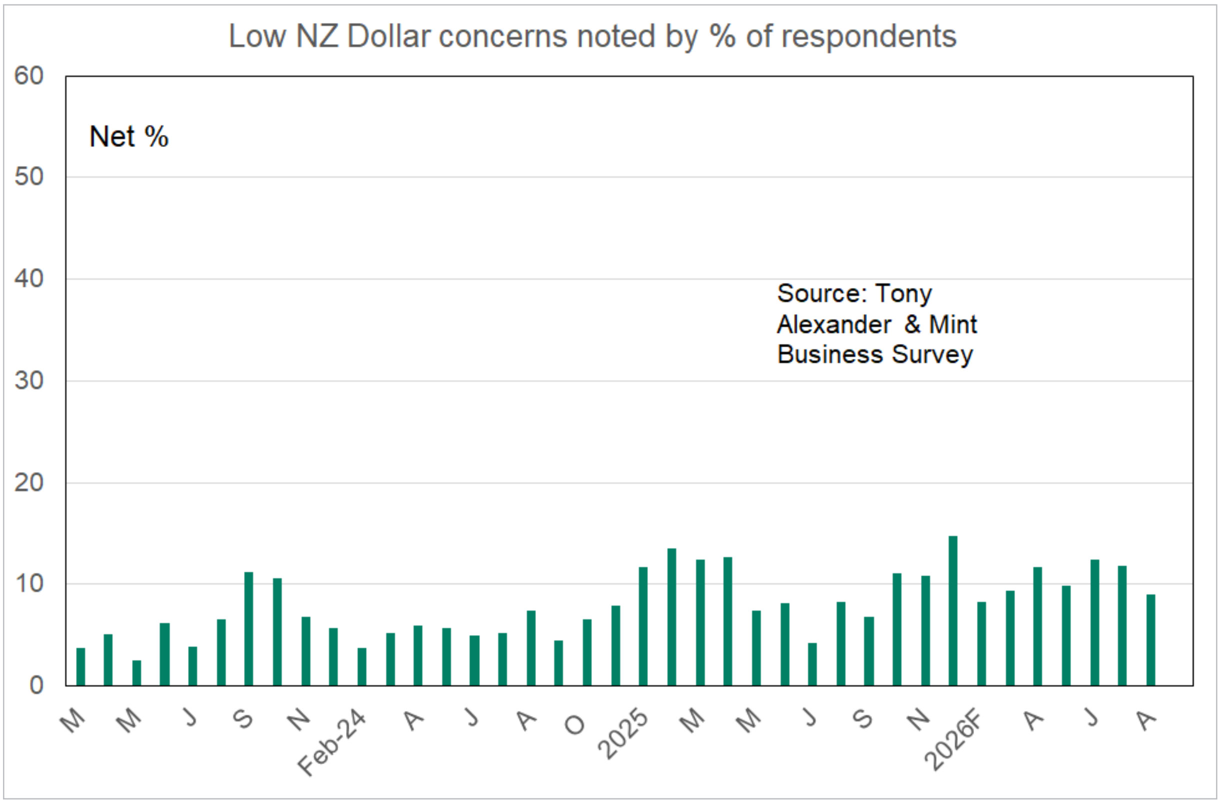


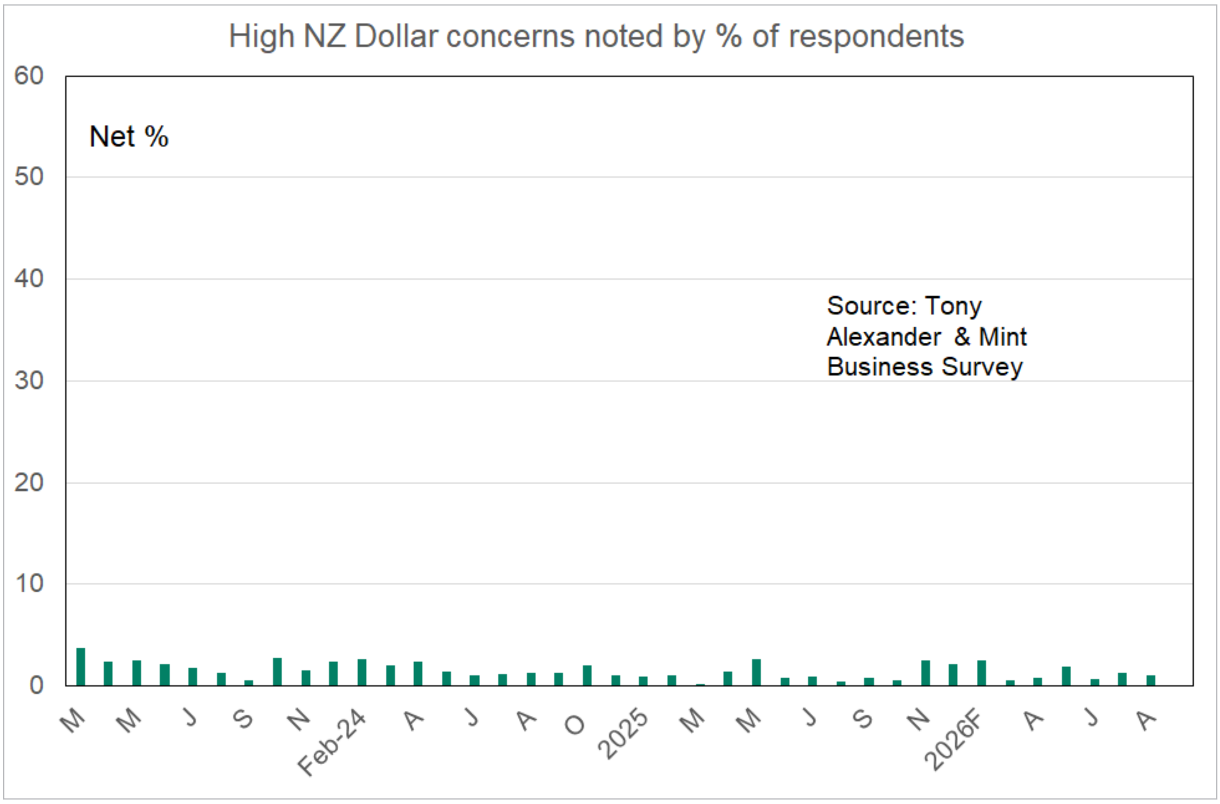
Despite all the uncertainties in play, fewer businesses are expressing concern about their cash flows. Perhaps associated with the reduction in supply chain worries, concerns have also eased regarding cost changes.





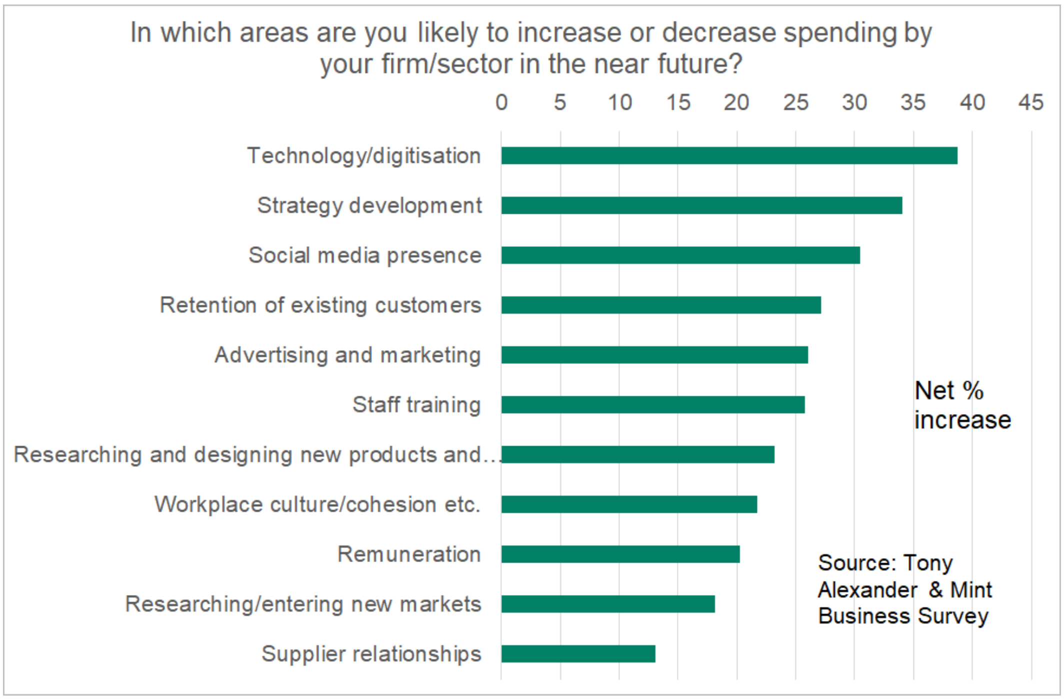
As has been the case for every month since May 2023, more businesses have concerns about the NZ dollar being too low than have concerns about it being too high.



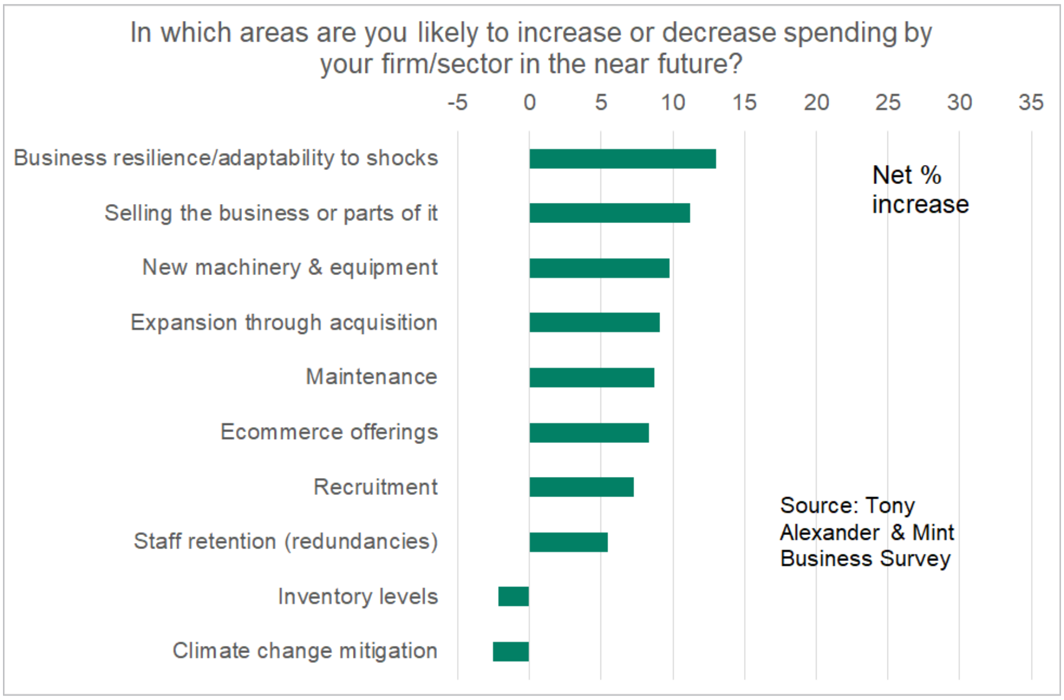


In which areas are you likely to increase or decrease spending by your firm/sector in the near future?

Our second main question is addressed at identifying where businesses are going to allocate their scarce funds in the coming year. Technology ranks as the biggest area of spending plans, followed by strategy development and social media presence – something which did not exist until recent years.

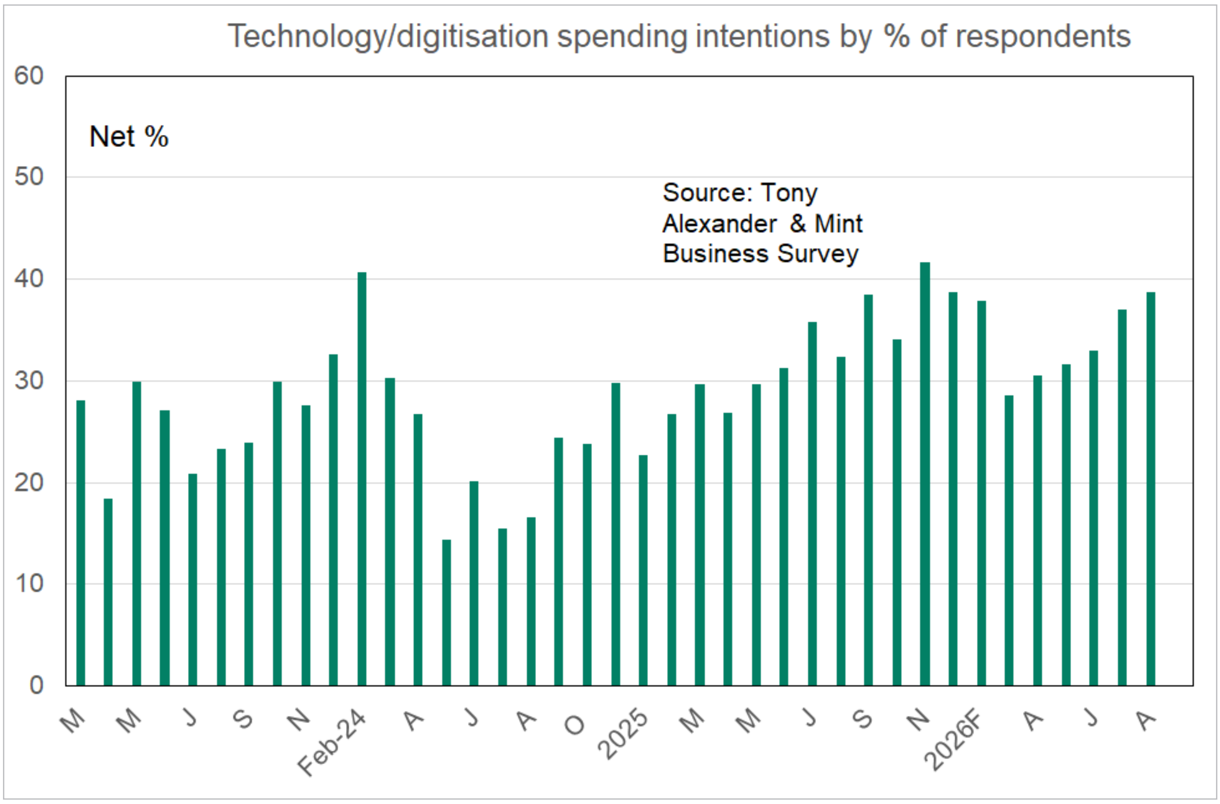


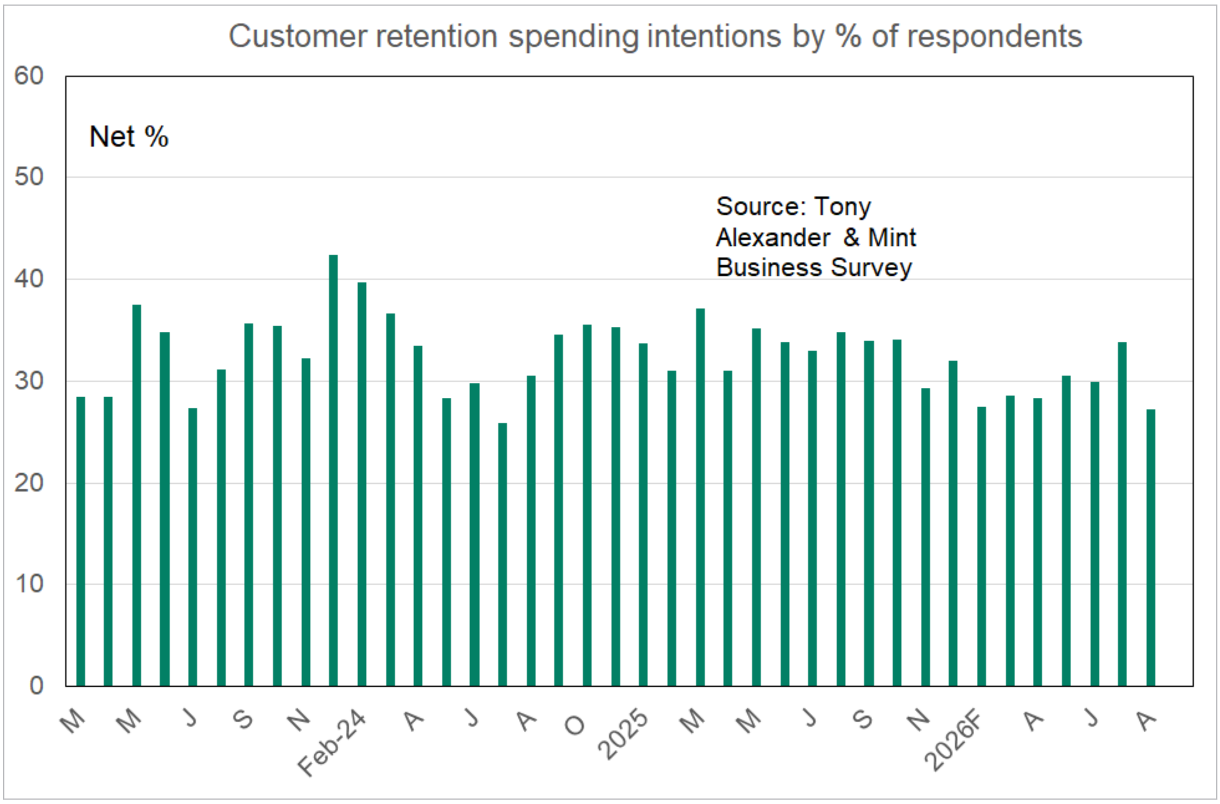
Decreased spending again is still planned on climate change and inventory levels.



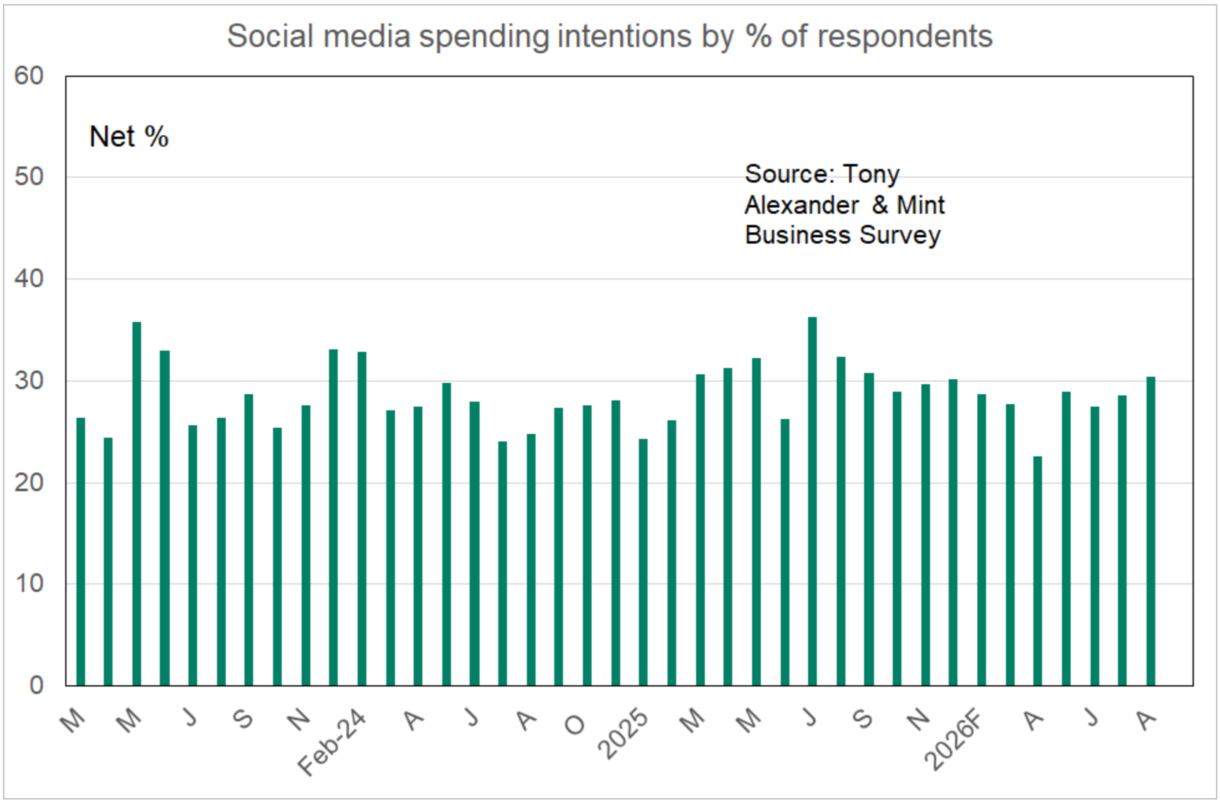
These next graphs look at how planned areas of spending change have been tracking since our survey started in March 2023.

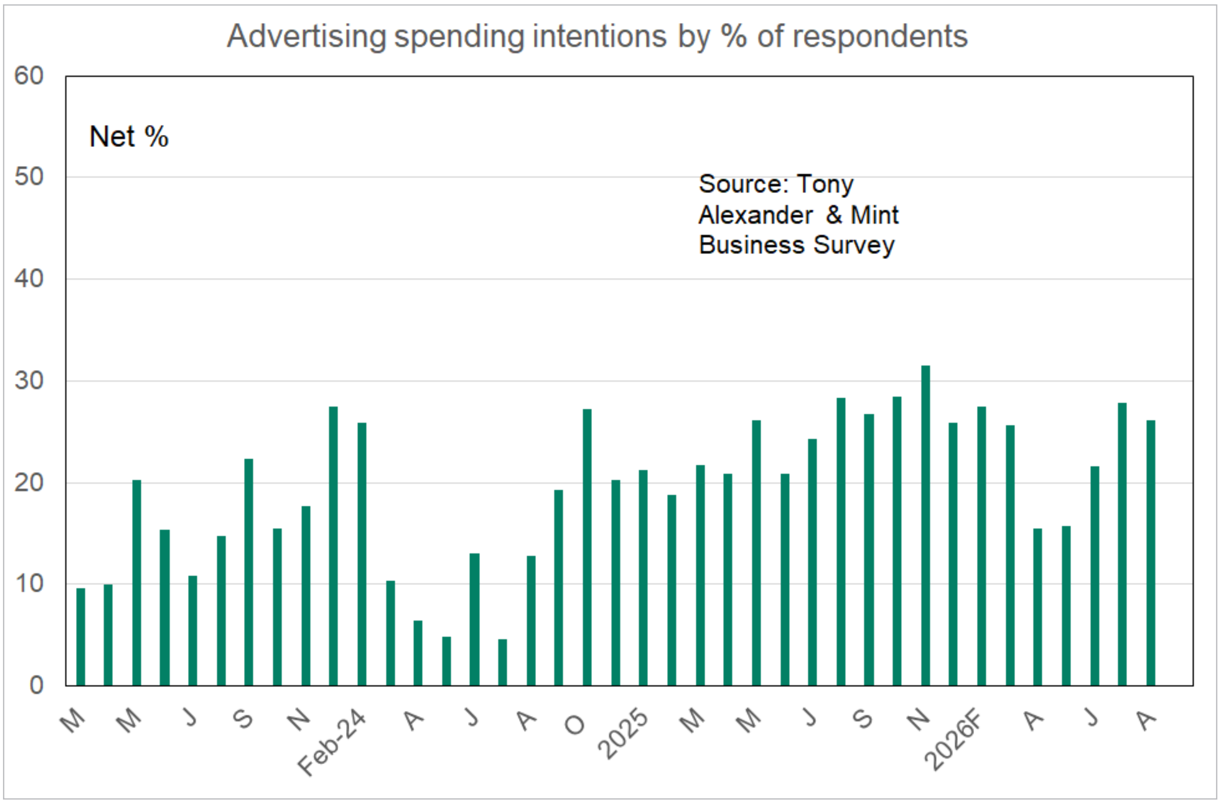
Spending on technology is increasingly being targeted by businesses. But for the moment customer retention expenditure is taking a step back.



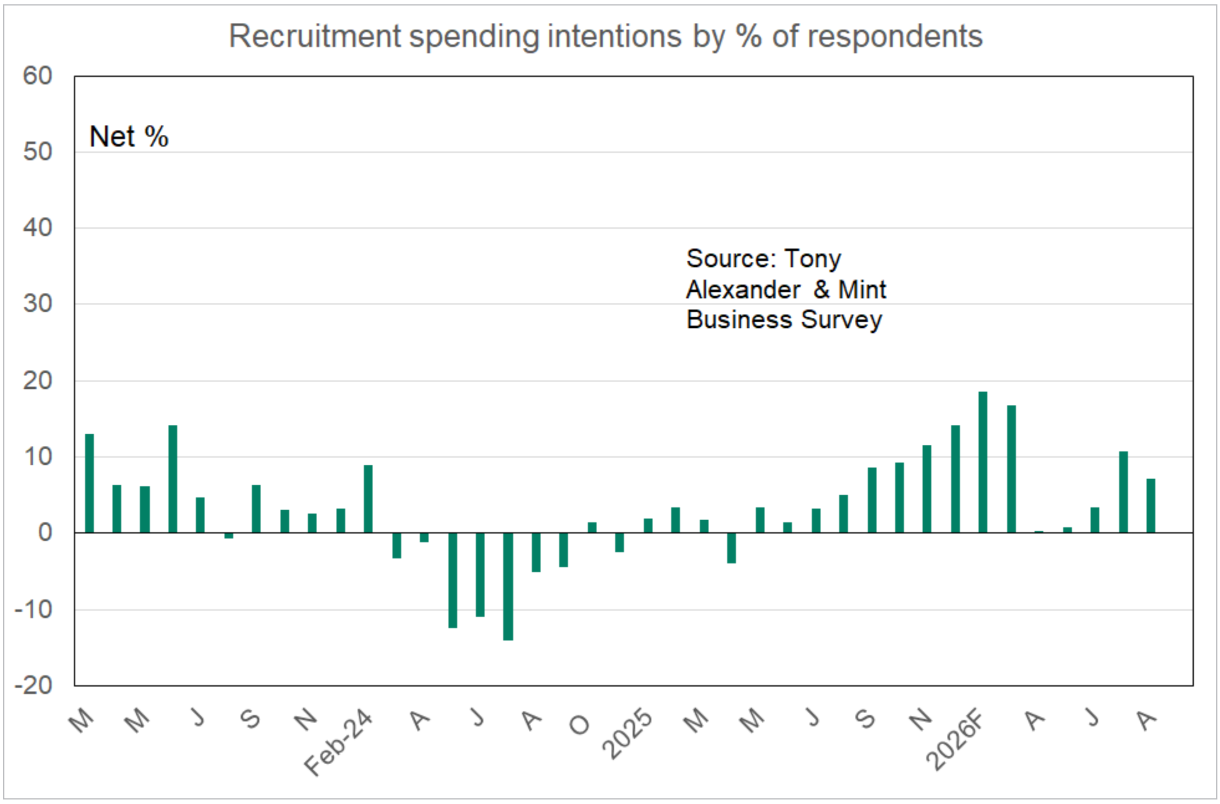


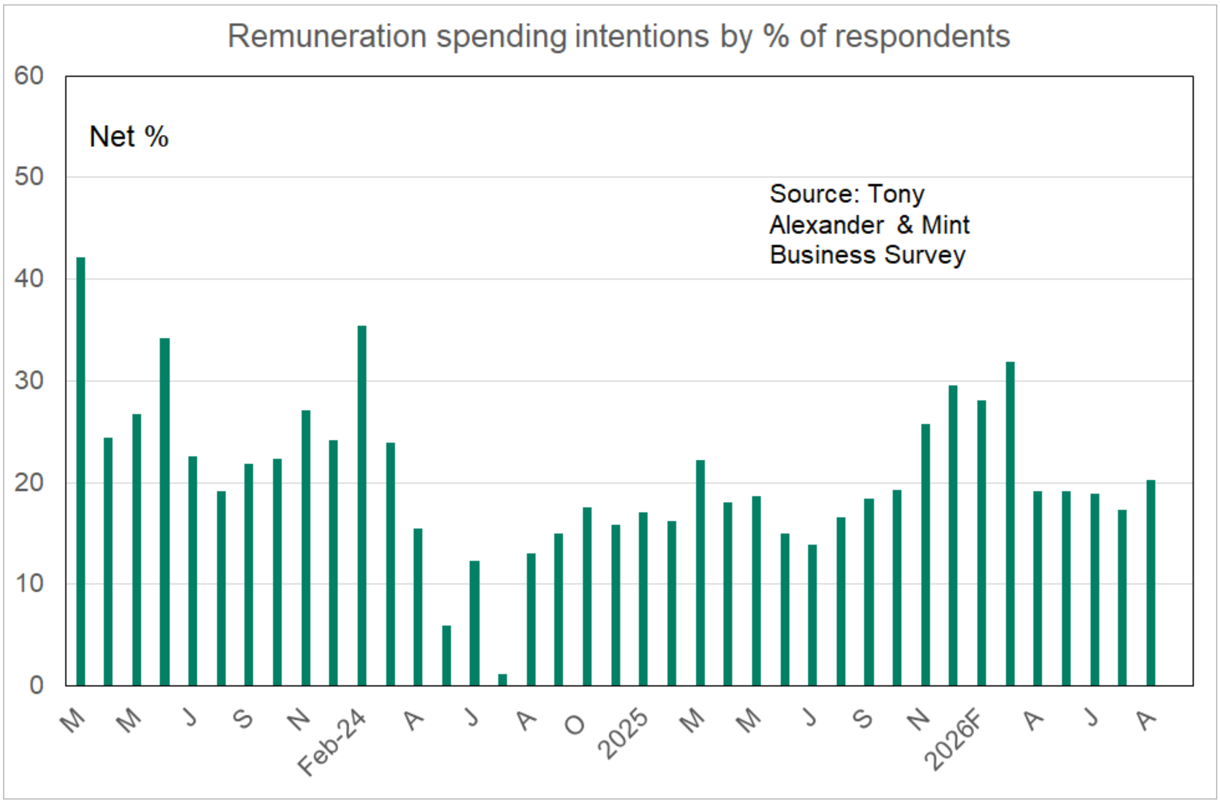
Since the start of our survey businesses have indicated strong intentions of spending in the area of social media. But plans have also firmed recently for general advertising spending.



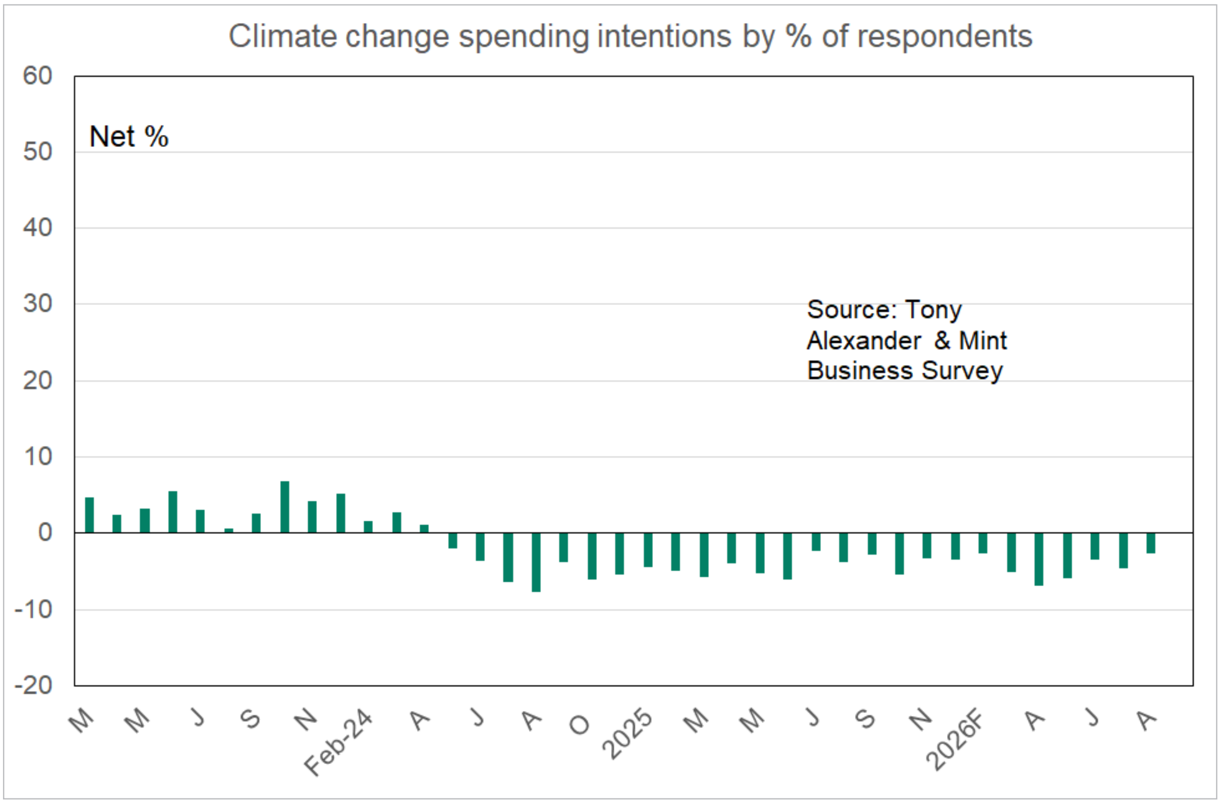


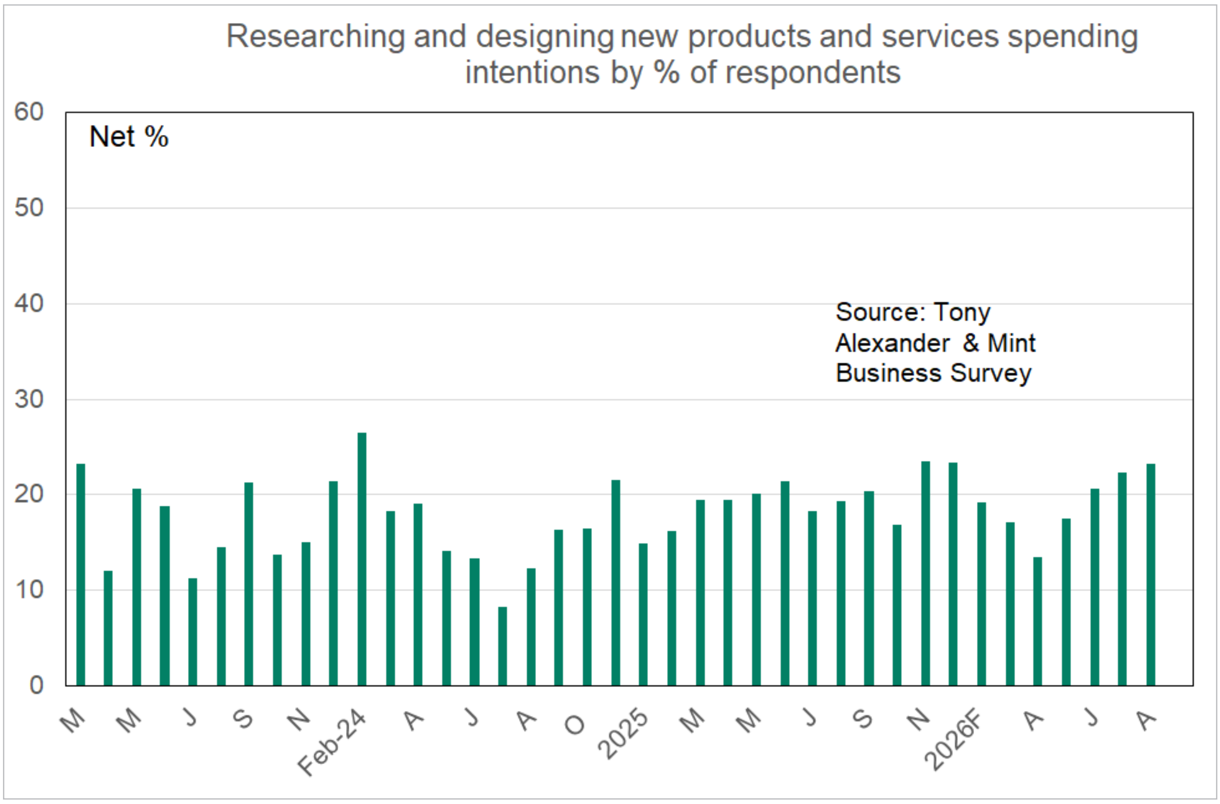
The collapse in recruitment plans following the outbreak of war in the Middle East has yet to be entirely erased, and when it comes to remuneration plans things have barely changed since that war impact occurred.



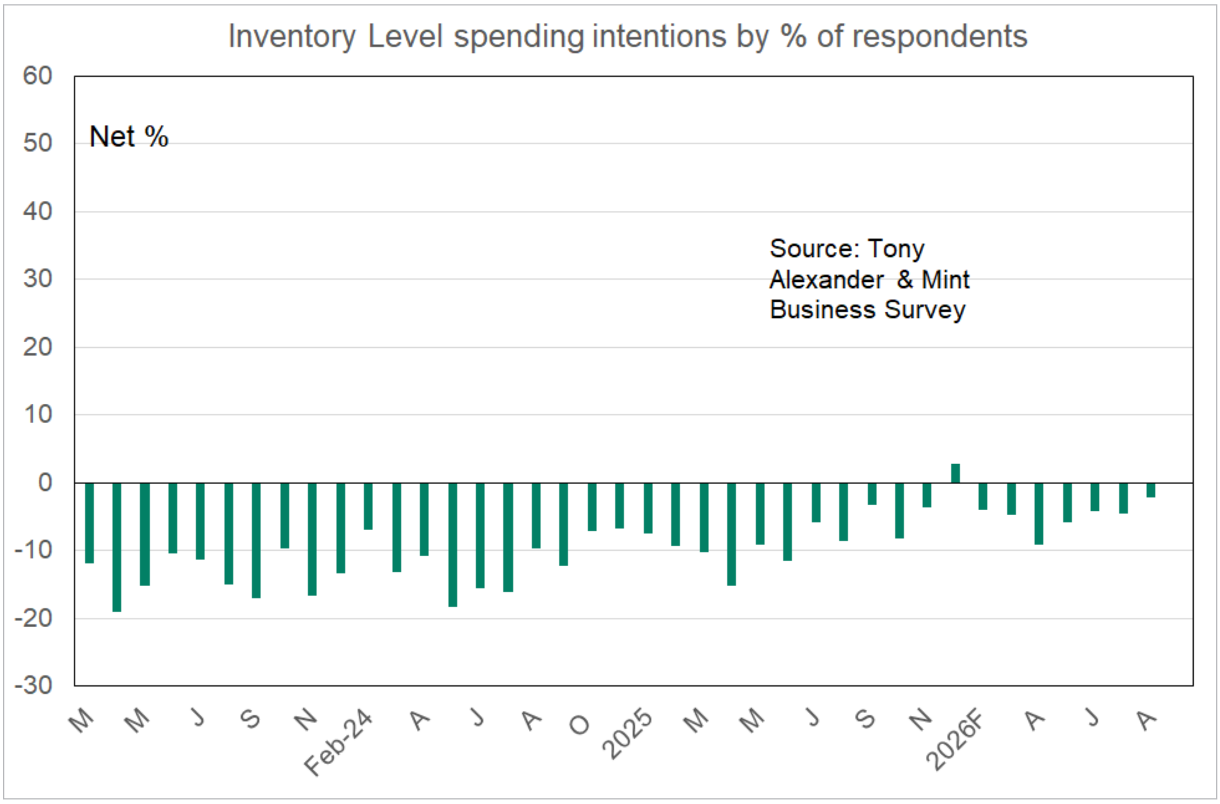


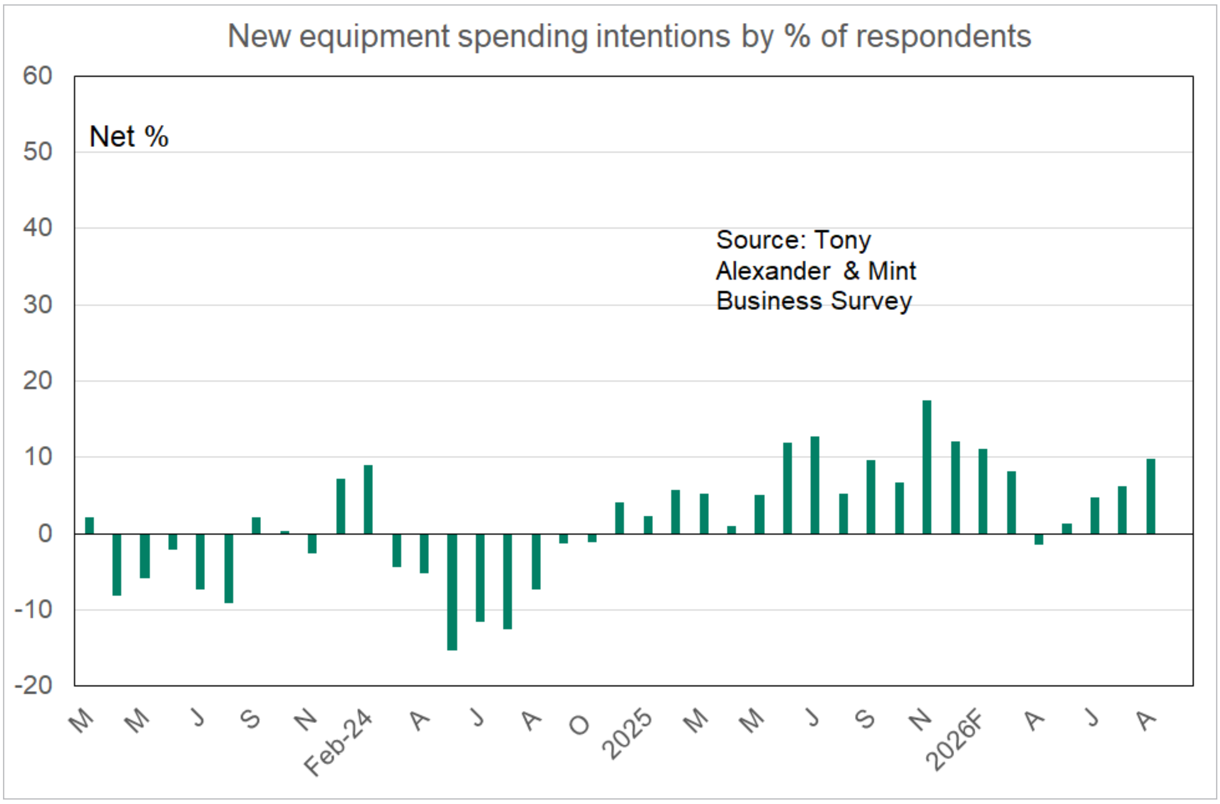
Early in 2024 business plans for spending in areas related to climate change turned net negative and they have held that way ever since. But there has been a lift recently in plans to place resources into new products.





There are still more firms planning to reduce their inventories than increase them. But of most pleasing appearance in this month's survey is a further small improvement in the net proportion of businesses planning to boost investment in new equipment.

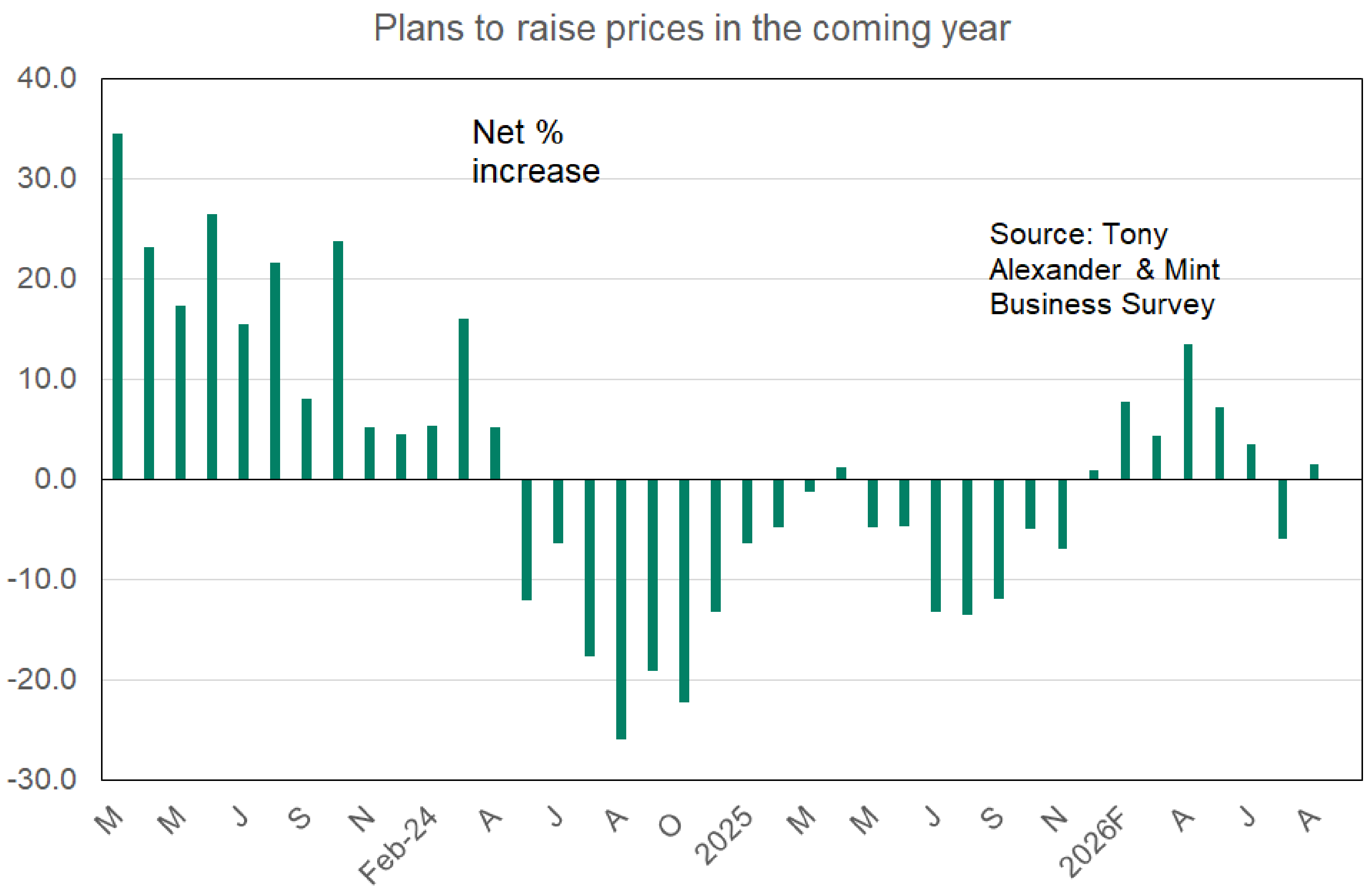




Are you planning on increasing your prices for any of your products or services this year?

The return of growth in the New Zealand economy last year and then the spike in fuel prices caused by the US attacks on Iran from February 28 initially spurred a rise in business pricing plans following an extended period of crunched margins. But the recent lift in uncertainty regarding NZ politics and events offshore has given firms pause for thought and pricing plans have been pared back.

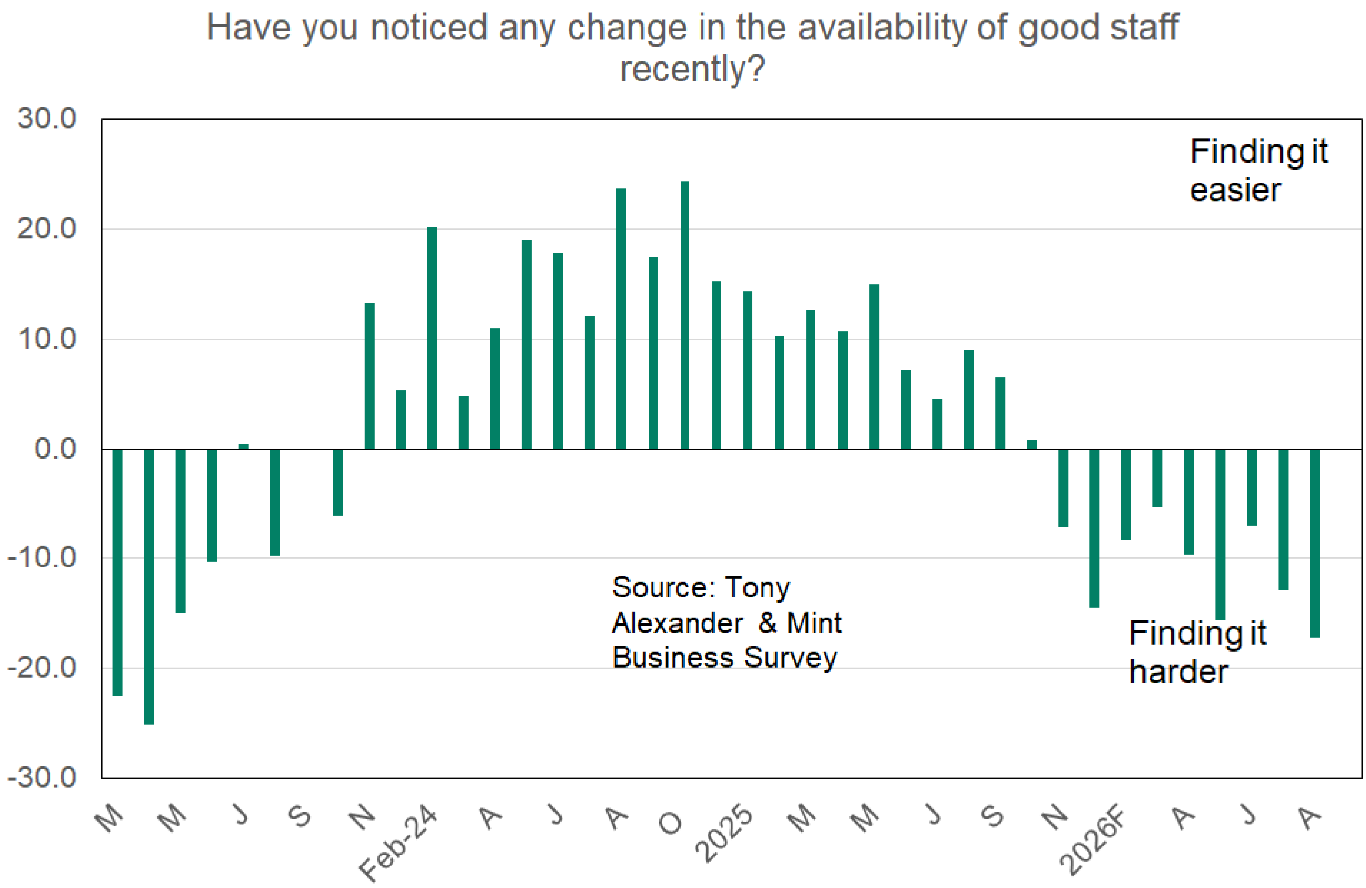
Just a net 1% of our survey respondents say they plan raising their selling prices in the coming year. This is a firm lift from -6% last month but cannot at this early stage be interpreted as a shift back to an upward trend in this pricing measure.



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

A net 17% of businesses this month have reported that they are facing increased difficulties in sourcing the staff they want. This is a rise from 13% last month and the strongest such reading since April 2023 just after our survey started. In August last year a net 9% of businesses reported that staff were relatively easy to find.

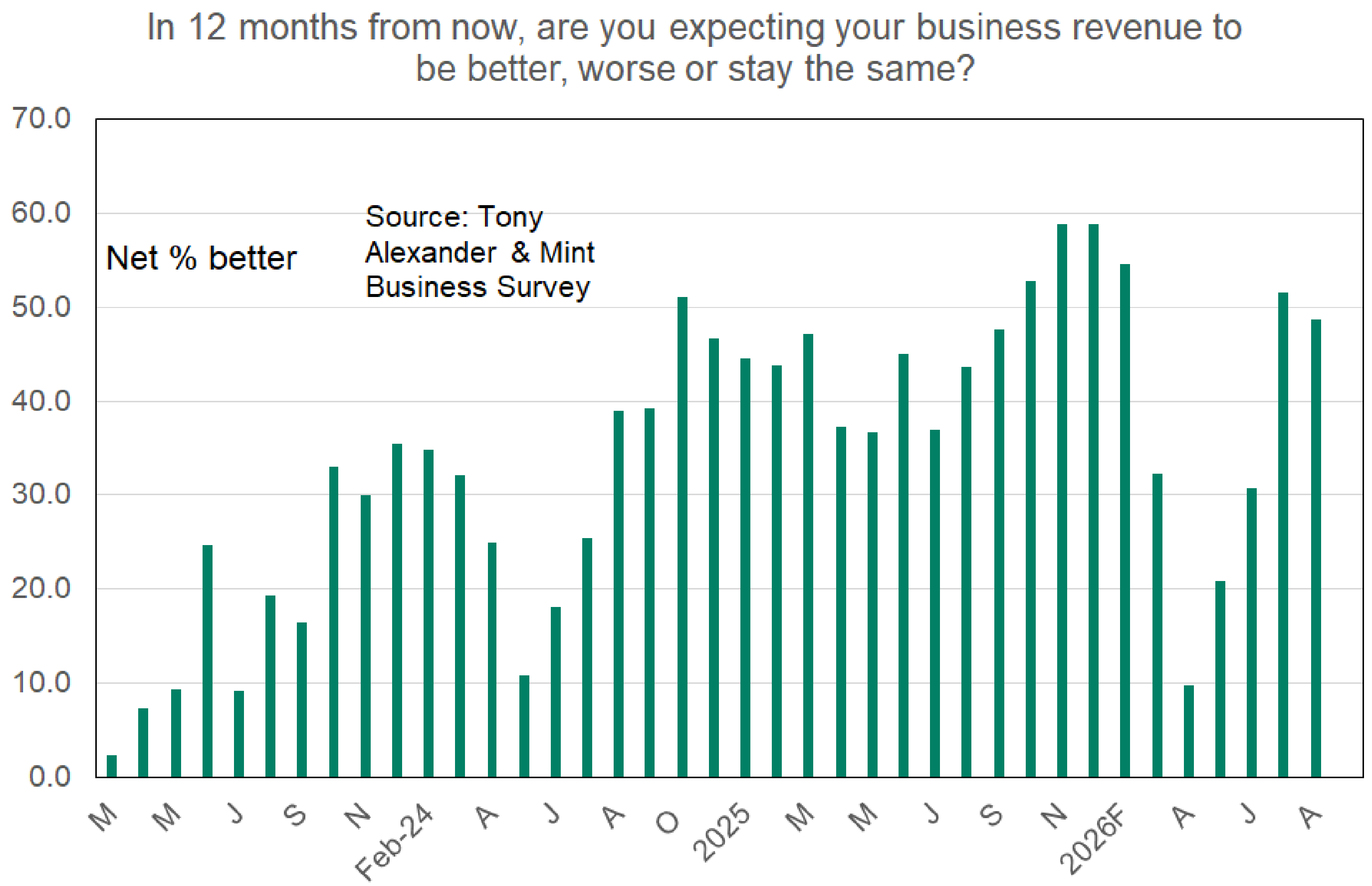
The deepening shortage of staff and comments of such by a number of respondents in our open mike section is an interesting development considering the recent rise in the unemployment rate to 5.6%. Once sustained growth fully returns to the NZ economy labour shortages could become of major concern for businesses across many sectors, potentially especially manufacturing, farming, and construction.



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

A net 49% of businesses have hopes that their revenue will be higher in a year's time. This is virtually unchanged from the net 51% result last month which was up from 31% in June and the low of just 10% in April.

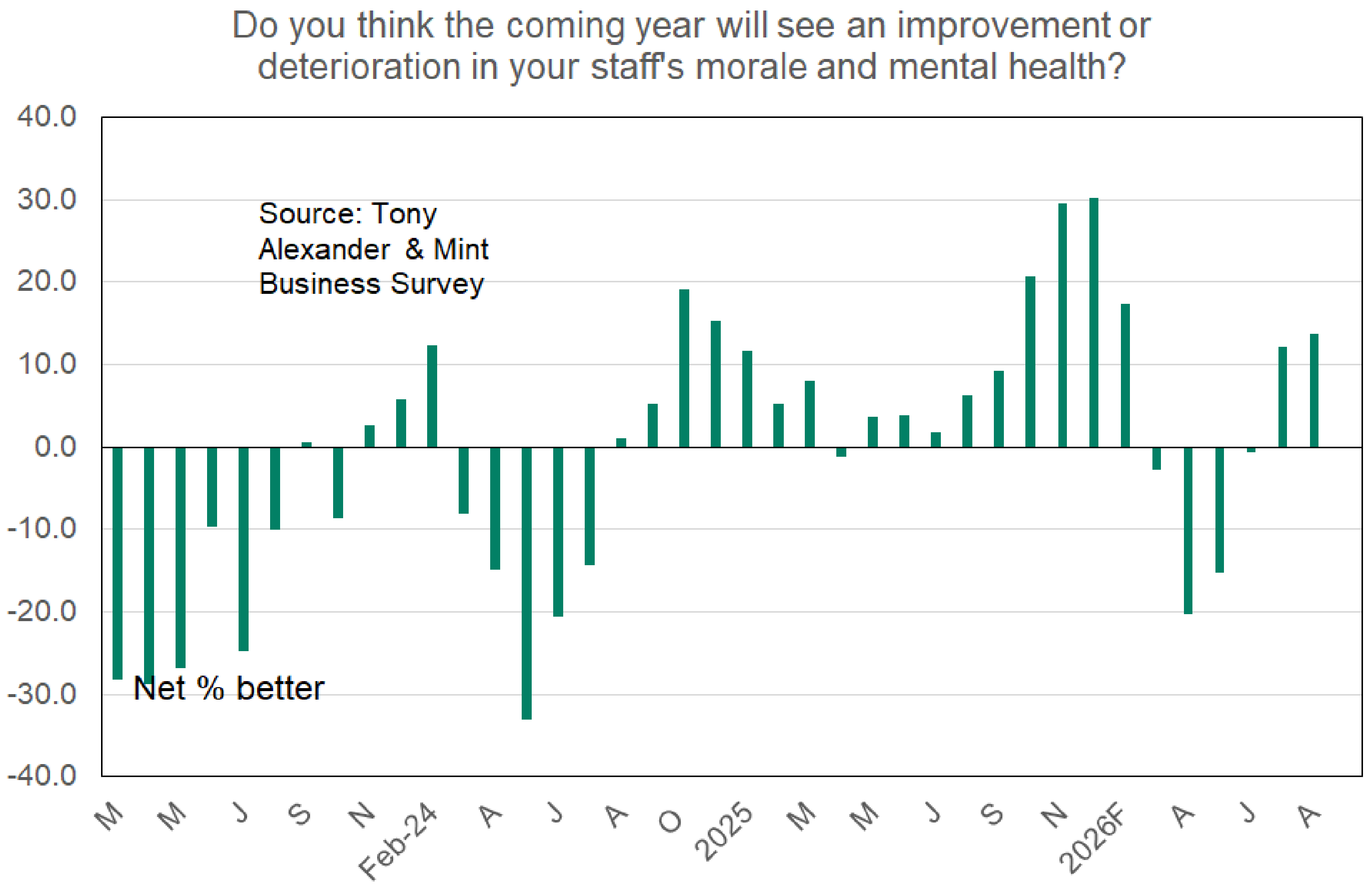
The common story across the past three years has been that things will be a lot better in the following year. But reality has so far disappointed.



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

Along with expectations that revenue will improve businesses also feel that staff morale will improve. A net 14% felt this way in this month's survey from 12% last month and a poor net 20% in April who expected staff feelings to be worse.

Perhaps what is notable here is that although businesses have in their written comments expressed a lot of concern about the current economic environment, the state of politics and discussions in New Zealand, and events offshore, they are confident that things will get better and staff will benefit from this improvement.



Respondent Insights

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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 tidied up comments of the respondents.

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

- Negative commentary continues to dominate with deepening concerns about potential policy changes detrimental to businesses and investors after the upcoming general election. While many businesses and property investors "naturally" favour the current governing coalition, many also feel let down by them and that they are a factor contributing to the current weak economy.
- Businesses are finding it hard to make plans with so many uncertain factors in play.
- Margins in general remain squeezed, costs continue to rise, and some businesses note they will have to raise selling prices again.

Note, because of the intensity of some political comments all party references have been removed but each affected comment remains.

Accounting & business advisory services incl. business broking

- Business is tight/competitive. However the recession in terms of clients making business decisions and stasis is in a perpetual holding pattern is over.
- Caution.
- The economy is slowly improving with signs of more robust growth emerging. Our construction related businesses are starting to see some good orders coming off resurrected projects that had previously been shelved for a couple of years.
- Most small business clients went backwards last year. Bright spot is medical. Numerous zombie businesses out there just waiting for the IRD axe to fall. Messy.
- We are gaining a lot of new clients via word of mouth. Subjectively I think things are getting a little harder for clients overall.
- If government changes make business life too hard for too little reward, I will close down.
- Lower ticket sales.
- I think the main aspect is the dynamic, changing business environment. It is difficult to plan with any confidence given the current political outlook and the regular shocks occurring outside our shores. Despite the predicted increase in business confidence I find my clients are unable to make plans with any certainty as to what we will face before Xmas let alone in 2027.
- Lack of confidence in the economy, US/Iran war major impact & our local unstable political scene
- Some potential new hires. Working with AI but issues persist with competency and cost.
- Significant demand from clients that we lack are struggling to meet due lack of experienced staff and partners being overworked
- Crazy positioning re politics
- Excessive layers of bureaucracy and compliance procedures.
- Stressed business owners with squeezed profit margins, caused by central and local politics corruption, future uncertainties and increasing cost of living.
- Technological change is happening very fast. Effect of new technology on ability to maintain revenue is a concern as is falling behind while competitors move ahead.

Banking and Finance

- Businesses are still sitting on their hands worried about the next "thing" - investment decisions deferred again and again - reducing the appetite for finance.
- Indecision and commitment are limited

Cafes, bars, and restaurants

- No real changes... just steady tight market
- We are a small business with a mortgage and staff. Our greatest concern is the upcoming general election.
- Too much debt for the size of the business. Lumpy sales.
- Uncertainty across the board
- Strong last 10 months, but some recent slow down in growth last 2 months
- Definitely an improvement as we recorded our busiest day and week this year in July. Went down last week with the "adults" in Wellington bickering while everyone was watching. Improved again after the squabbling stopped. And they want our votes. On another curious note, our cash turnover has abruptly dropped to about 3% of turnover (from 7%. It was 30% 15 years ago). I'm getting 1 to 2 cashless days per week now. Don't know why.

Civil construction/infrastructure

- It's very busy at the moment. Finding skilled trade staff is difficult which is creating a challenge when it comes to meeting client demand. We will be looking at more staff training and development initiatives to try and bring NZers up to speed. The new immigration guidelines will make it harder for us to bring staff into the country, so we need to train our own

Commercial construction

- Business is still slow, but we are starting to see an increase in requests to tender and are looking forward to more work later this year and into 2027
- Our outlook is steady at the moment. Short term opportunities filling in the gaps with good prospects ahead
- As a country we need to get on with finding a way to build essential infrastructure and to find a way to have more local construction companies getting access to the pipeline. A lot of large Teir 1 construction companies without local resource taking a margin on the way through, adding no value to the project and trying to push risk on to local providers
- Most people talked to are concerned about the upcoming election. If a left Government was formed, it would be disastrous for hard working companies who are just holding their own at present.
- Projects very slow to go from tender to live work, lots of stops and starts where it can drop away or be undercut post submission
- Business environment is more competitive than has been in past, we just need to adapt. Still a shortage in lower SI for good trades staff - so if anyone up North wanting a lifestyle change for the better then head South.
- Architects, engineers, council personnel lacking skills resulting in increased costs time wasting
- Big pause on local spending due to pending election
- Construction is depressed. Orders are harder to get; project time frames are being push out. It very tough.
- Tough market out there with few inquiries. Lower margins combined with liquidations and receivership of clients and longer times to get paid makes things tough. Concern about the economy and taxation depending on the election results.
- Rapidly improving forward workload with less availability of good staff. In the electrical trade, it feels there will be shortage of tradesmen shortly

Commercial real estate

- Commercial property Glimmers of positivity re Auckland property and even the CBD. Development of an attitude that business somehow has to "get on with life no matter what" rather than always hanging out for conditions to improve.
- There is a slowing in monthly payments due at the beginning being received later and later in the month.
- Too much compliance cost. A lot of talking and no decisions being made. Very frustrating in my 45 years of property development
- Steady as she goes. The market appears to be in a holding pattern. Poised for action, but no immediate action is apparent yet.
- Hospo struggling
- A slow 2 steps forward, 1 step back, kind of market. Although, with the feeling of spring just around the corner, that should inject some more optimism into consumer and business confidence, just before the politicians start recommending scary solutions for non-existent problems and try and derail the improvements already starting to occur in the economy.
- I have sympathy for the cost pressures of my clients, but as I too am faced with increasing costs, I cannot endlessly extend charitable support - costs must be passed on. And I chafe at being characterised as a rapacious landlord for this reality.
- Enquiry increasing but general market conditions still cautious
- There is no confidence in the market.

Education and training

- We are seeing a bit more interest in our offerings in the last few months.
- Fantastic start to the rationalisation of ECE Regulations by the Assoc Minister of Education.
- Laissez faire attitude among senior leadership teams
- Tired and stressed

Engineering

- I think the sector is turning at last

Farming & farming services

- Finding skilled staff remains a challenge. While the domestic economy feels slightly improved, significant uncertainty persists regarding fuel pricing and the post-election landscape.
- Optimism in kiwifruit just keeps on chugging; hunt for land and water continues, avocado orchards in Bay of Plenty fast going extinct, and grape land in Gisborne attracting kiwifruit developers' attention also
- Tough times still in companion animal vet practices which is in contrast to busy rural vets.
- Increasing input costs

Financial advice/wealth management

- Concerns about rising interest rates and an overheated investment market.
- The influence of AI across all aspects of the business
- Stability of policy settings to form a solid base to grow and invest on.
- The house buying market is quiet right now, but usually picks up in spring.
- Customer uncertainty is dampening the appetite to invest. People are overwhelmed by the never ending global volatility, rising cost of living and locally the potentially damaging results for business and the economy if there is a change of government in November.

Gardening

- Gardener/Landscaping - Customers unwilling to commit to quotes; customers not willing to spend more on improvements or further work.
- Gardening and cleaning -There is more demand for reliable, trustworthy service providers especially as the population ages

Health

- Staff security and confidence amongst so much negativity in the media.
- Government cutbacks causing decreased activity.
- Digitisation

Information technology

- Politics and global instability
- Slow and steady improvement in new sales and existing customer uplift and improvement projects.
- Demand from existing customers is picking up a bit over the last few months. Not seeing much demand from new customers. Some smaller businesses taking a 'do it yourself' approach to software development by utilising AI.
- Biggest challenge for us today is rampant out of control inflation for Technology Hardware - this is driven by huge demand to feed the "AI Data Centres" and taking up all current and future manufacturing capacity. It takes 5 - 10 years for a new manufacturing facility to produce this hardware (CPU, Memory & NAND etc) and so we are unlikely to see a change anytime soon - unless there is a massive AI Bubble burst and investors pull back from forward purchase commitments. 300 - 400% price increases in 18 months and total lack of guaranteed delivery until its actually shipped.
- In the technology space, calendar Q2 was a grind, with revenue well down. Customers have been conservative with spend, while input costs to technology solutions have steadily increased through the year, resulting in price rises. Q3 shows slight improvement as deferred activity is slowly moving ahead, however the impact from cost increases across the industry is still affecting the ability of budgets set in previous years to meet current expectations.
- Clients holding off until election in November for some projects as uncertain of outcome. Not clear if current coalition will be in after election.
- Business in Christchurch is pretty good and steady, and must surely head upwards when the Middle East is sorted and hopefully when the current government is re-elected.
- Most businesses (other than those supplying into the agricultural sector (are sitting on their hands until after the election and waiting/hoping for the economy to pick up by early next year.
- We have had a very fast start to the new financial year. Customers are very concerned about tech cost increases which are going to be substantial. Some have moved early to avoid price shock. A number of customers are very worried about significant and uncontrollable cost increases from Public Cloud providers so are seeking to slow the move to Public Cloud. Cost of AI tokens is already hurting a number of customers, so they are seeking methods in which to manage these costs given their results are yet to materially improve but they want to embed AI more deeply into their organizations.

Insurance

- Excess capacity (global insurers) continues to a soft market

Legal

- Never been busier. Struggling to keep up with demand in Christchurch
- Stop start nature of the economy. Lack of improvement on the systemic productivity issues leading to long term issues with income growth. Inability to value add and innovate. Feels like the handbrake has been pulled hard on the economy with various unproductive drags from a bloated and inefficient public sector. A lot of entitlements to unpick.
- Residential property seems pretty slow at present. Have noticed less agreements coming through our office in the last few weeks, but this can always change quickly.
- Employing staff with the required skills; retirement of lawyers and law firms merging.

Manufacturing (all categories)

- Lack of margin. Corporate businesses undercutting with no accountability to shareholders. Unregulated unproven untested imported product entering the market.
- Strong upward pressures on cost of imported parts due to lingering low NZ dollar (or NZ peso we like to call it)
- Energy and Freight costs are having significant negative impacts upon the business.
- Demand for our products and services are generally driven by infrastructure spending which has been low in the last 18 months, this looks to be picking up as the local water done well implementation in councils is rolled out and projects released.
- More competition driving prices down, squeeze margin
- Staff availability and skill set.
- NZ demand flat
- Cheap imports, increasing costs to manufacturing such as energy and labour shortages.
- Decrease in customer demand, tightening of consumer spending
- Muted demand.
- Customer demand is still low. Customers hesitant to commit to larger purchases. Pent up demand may happen once the election is out of the way and the world stabilises.
- Still uncertainty in the market but feel more positive. Getting increased calls for sales enquiries. Everyone still very mindful of cashflow and reducing costs.
- AI is removing barriers and increasing profitable opportunity
- Some transport providers are not being transparent with their FAF and some are taking the [micky]. Time to call them out!
- Many opportunities and challenges at the same time

Miscellaneous

- Advertising & marketing - There is still demand for marketing services here in Christchurch. The demand has not dropped for our offerings; however some clients are certainly reducing their spend.
- Arts and Recreation - Possible change from one ruling party to another and increased costs to SME. One member in, one member out, people looking for deals, slow growth but I think it will improve as summer comes being a gym based business
- Asset Valuation- Plant/Equip- not Land & Buildings - Dichotomy- some clients are refinancing for liquidity, others are expanding and looking at opportunities.
- Cabin hire - Out of town suppliers of Cabins traveling from far and wide to deliver at crazy low levels.
- Commercial & residential property services. Price is still the main decision-making driver. Green shoots have withered. It continues to be excruciatingly hard doing business.
- Compliance in banking & insurance - Regulatory blindness and blocks to revenue generation via poor legislation insight and unintended consequences
- Entertainment International Screen Industry - There is zero activity. Studios, Crew, Machinery and other resources are at a stand still. Changes to the filming incentive have not had any positive effect.
- Miscellaneous - Mainly export which means we are dependent on international activities to drive demand.
- Personal services - NZ Politics at the moment isn't helping anyone. The squabbling, the point scoring between parties, and some of the crazy election promises are de-stabilising to the buying public. Businesses are waiting to see what happens and what flavour of coalition we end up with; the public is hesitant at best to spend. We take care of our existing client base very well as they are keeping the business afloat. On the brighter side, trade always picks up in the spring when households aren't spending as much on power/electricity.
- Printing & packaging - Some turning on the tap of project work that has been on hold. A little more of the "let's just get on with it" attitude.
- Veterinary - More sale to international chains and increasing prices for services
- Wholesale Trade - Groundhog Day - no impetus in any sector.

Mortgage broking/advisory

- Locally in the regions, economy is tight. People are not spending, and confidence is low regardless of what the data is showing us. Outside of the South Island and Auckland, we are in it deep and will probably stay here until post election.
- Large decline in inquiries, sector slow with no urgency
- Most activity in the last month since the start of Iran war. People getting on with it with a view of no government change at the election. If government changes, we may as well pack up shop - look at Aus.
- Lacklustre property market

Motor vehicle sales/parts

- Increased competition from Australian competitors, potential margin erosion
- Sales and leads are inconsistent; customers are not in a hurry to make decisions.
- Lack of new customer enquires & repeat servicing & parts sales due to the state of the NZ economy with our business customers

Recruitment

- Recruitment demand was strong in June and July but has dropped off in August. Overall I'm feeling positive about the direction business confidence (demand) is heading in.
- Politics is doing my head in! Client uncertainty about the election is giving rise to hiring hesitancy

Residential construction incl. section development

- Architecture - Remains very patchy though we are having a good year. Well overdue after 3.5 years of [hard] times. Wish I could say the same for the fortunes of some of my peers. A lot of uncertainty remains in the commercial construction market.
- Consultant - property development & subdivision Political influence, compliance changes & costs meaning a lot of projects are not going ahead as they aren't financially stacking up for clients. Exploration of development within areas outside of main cities, with lower development contributions / compliance costs and barriers.
- Land Surveying, Land Development - Auckland land development market is still stagnant. All associated costs (Council, Watercare, Vector, building costs, time delays etc.) vs. selling price make most developments unfinancial propositions.
- Quarrying - Growth and picking up in the south, still patchy though.
- Flat or deteriorating property values
- Customers still slow to make decisions
- Political uncertainty. Left getting into Govt.
- No long term work security in residential construction
- Over regulation by local authorities.
- Liquidations
- Market remains same next 12 months our prediction. Clients very cautious to commit to projects. They are expecting low rates still for homes when suppliers are increasing prices, banks conditions remain the main barrier for clients in most cases stalling projects, retired clients not able to sell causing inability to buy new smaller homes de-sizing.
- Being in Wellington, there does feel to be a bit of hibernation due to the election. However, there feels like a light at the end of the tunnel. Looking at our leads, many enquiries, and some of those likely to come through after clarity on the election is given. This gives us a bit of hope.
- Residential Land Developer Residential building lot sales is influenced to a large extent from the existing dwelling market, particularly when house sales fall substantially

below new construction costs. Currently Residential existing House sales have seen price retrenchment whereas building materials escalate in price driven by inflation pressure. First Home buyer activity in the new build market has been positive in some regions.

Residential real estate

- Uncertainty from the buying audience, continual over expectation from owners, more mental pressure and expectation to provide additional service outside the traditional components of the role, for a longer expected timeframe as properties take longer to sell.
- Lack of commitment and no hurry to transact.
- Very slow
- Fortunately, we live in the North Islands brightest spots (real estate-wise and also positivity and 'enterprise' - wise), long may it continue. Some of our buyer clients are uncertain given the medias 'spin' on the negativity of the economy and sellers confused that Economists and Surveys say things are 'on the up' and the media paints a different picture.
- Lack of confidence and uncertainty in the market is making a lot of people scratchy.
- Very flat in higher value properties
- I'm seeing a complete lack of understanding of the current market by some sellers. Many seem to be holding on to last year's values rather than facing the reality that house prices are declining at the moment. In my 33 years in real estate, I haven't seen market conditions this challenging. Sellers need to recognise where the market is today, rather than where it was, and adjust their expectations accordingly.
- Buyers are there in the market but slow to make decisions based on a range of economic uncertainties. Sellers living in hope that the market is somehow going to go into a major upswing thus recovering their recent fall in realizable values. Half the problem with the market is woefully inexperienced and part time sales agents with not a clue on how to value property in the current market and the prolific use of "By Negotiation" as a default position. Buyers simply click until they find a price guide. Price it realistically and it will not only attract multiple buyers but will usually sell within 30 days. Real Estate industry the Author of its own Woes and costing Vendors thousands of $$$ as each month on market sees prices fall further. So it's not just economic effects. Time for a shake-up and clean out in the industry.
- There feels like a pause happening. Hopefully by spring things will start to pick up with property sales and the average day to sell starts dropping.
- We are seeing a challenging market from the perspective of reluctance from vendors deciding to list their property for sale and buyers who are unrealistic on price, thinking they can always get a bargain.
- Lack of stock
- Residential rentals don't stack up anymore. It only works for us as we hold properties for a very long time, but changing rules to bias towards tenants particularly the pets situation. No pets should be respected if you don't want them in your property.
- Many home buyers finding finance difficult to obtain.
- No reason for people to act
- Less stock and good motivation from buyers and sellers to transact so optimistic spring will bring some confidence back
- Strategy based on stats and experience is vital combined with well maintained and best presented properties in every sense of the word (also the technical aspects of a property such as the property documentation).
- Decrease in property prices and slower sales. Good for buying new projects but not good for selling
- Remains challenging
- It's been a tough 3+ years and it getting harder and harder to be enthusiastic. Mental health (around the business) is a big issue right now for both my partner and me.
- House insurance becoming huge barrier to selling for more and more Christchurch homeowners. Many potential upcoming sales for older folk downsizing will highlight the challenges and may cause huge stress.
- People are waiting and see for the outcome of the election in November.

Residential rentals/Investment

- A change to an extremely left government could mean the removal of interest deductibility and a land tax as well as a CGT.
- Compliance and building costs.
- When will governments realise that if private landlords exit the sector they will have to step up their housing provision a huge amount?
- Increasing costs
- Political interference
- Slowly improving mindset, cash flow, positive thoughts.
- A very soft market, so we have and continue to look to acquire more stock
- Wariness of the risk of a change in government and a desire to liquidate before the election
- There is an oversupply of new residential rentals on the North Shore of Ak. Tenants want new places, no lawns and some wreck the place. Due to age, we are getting out of rentals. Just too much hassle.
- Starting to slowly get better inquiry from prospective tenants.
- Changes in rental property taxation; decline in rental property values
- Retiring owners cashing up regardless of the price.
- Rents are no longer declining. There is now slight pressure upwards.
- We have an expectation of a change in government at the coming election. The coalition has signalled substantial tax increases and changes which will make it difficult to continue our investment strategy. We anticipated a change two years ago and have been steadily divesting.

Retailing

- Customers are all looking for a bargain/discounts (main market is an older demographic). Shipping costs are getting higher, and we will have to pass that on soon, can't continue to absorb the loss differential. Our suppliers have already increased their shipping costs.
- Still seeing growth, but margin squeeze and overhead costs (rates insurance compliance etc) reducing profitability. Staff availability improvement from people wanting to move to Christchurch. Significant factor, getting some great hires at managerial level.
- Retailers buying the minimum requirements instead of buying in volume. Retailers hesitant to try new products, sticking to core range. Retailers constantly asking for extra discount, improved terms. Retailers aren't in the frame of mind to forecast and risk being caught out come Christmas. This is largely due to the upcoming election and ongoing uncertainty.
- Retail is still tough with consumers only buying when on promo. We need to get out of this cycle of promo however difficult when trying to manage cashflow.
- Prospects are experimenting with AI to see if it makes a better video that we do (it doesn't, but it's cheaper).
- High ticket items are difficult to sell. Customer's initial approach is to repair the product rather than purchasing new products to minimize the expense. Margins being squeezed with competitors discounting price.
- Reduced demand, power order value, variability in sales volume
- We seem to be in the election mode when it comes to demand - people seem to be playing the 'wait and see' when it comes to spending. Consumer demand/spend has not been following any sort of pattern since the Middle East events.
- Our Small Town is divided: Central and Westward. Central is slowly redeveloping out of town and impacts on Central retail and property values. Business is slowing to a halt with many shops and businesses with fewer and fewer customers.
- Extreme focus of sector - regulation and compliance

Shipping, transport, storage & distribution

- Fluctuation in demand, hard to predict. As we import, we have seen large increases in raw material cost, shipping and a declining exchange rate. Reluctant to continue passing on cost, yet need to add something as not sustainable to absorb costs long-term. Tax relief at the point of entry would help, as tax would still be paid on sales. Belt tightening all around.
- Margin Squeeze
- Static - still feels like NZ Inc is waiting for something to happen. Need to increase prices just to stand still
- Customer demand has fallen through the floor due to increased uncertainty of cost of fuel, who will lead our government after the election and cost of living pressures. Nobody is taking ownership of the issues (Government or businesses), they seem to merely be pushing the recovery further down the road to 2028 and beyond.
- Lack of retail confidence, lack of disposable income for impulse purchases
- A slow improvement in confidence

Tourism & accommodation

- Things are picking up in tourism in the lakes District - we are enjoying having so many overseas guests again. Things are recovering from COVID finally and feeling positive about the future. The fuel crisis has not been as bad as anticipated and the government has done a good job w fuel management, overseas trade agreements etc.
- Fear of the next government being left wing, fiscally irresponsible leadership NZ can't afford
- An increase in compliance /council and government costs in excess of inflation
- Domestic uncertainty. A slight softening in international demand.

Disclaimer

This publication is written by Tony Alexander, independent economist.
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