Mint

Business Insights

with Tony Alexander

"Challenging pre-election conditions remain."

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Challenging pre-election conditions remain

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. 221 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:

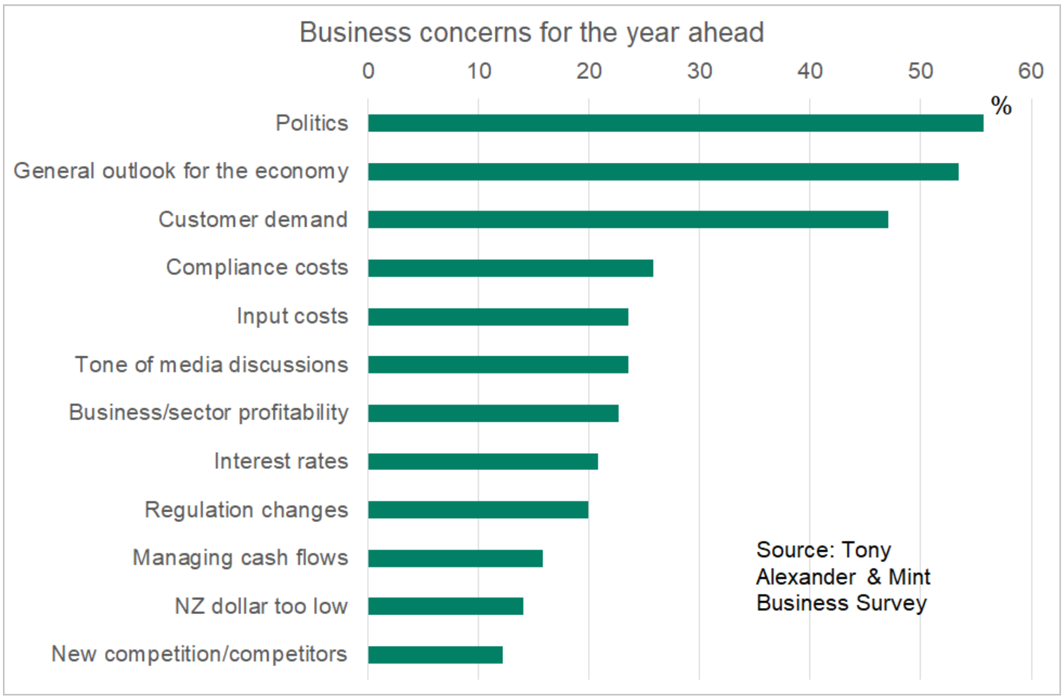
- More businesses are noting conditions improving at the moment. However, they appear to remain in the minority and most consider current conditions still to be quite challenging.
- There are strong concerns about what the November 7 general election may produce and how the regulatory environment and general confidence levels could alter.
- Despite these concerns for only the second time in our survey more businesses have said they plan raising inventory levels than lowering them. Capital expenditure plans are also becoming healthier.

Tony Alexander
Independent Economist

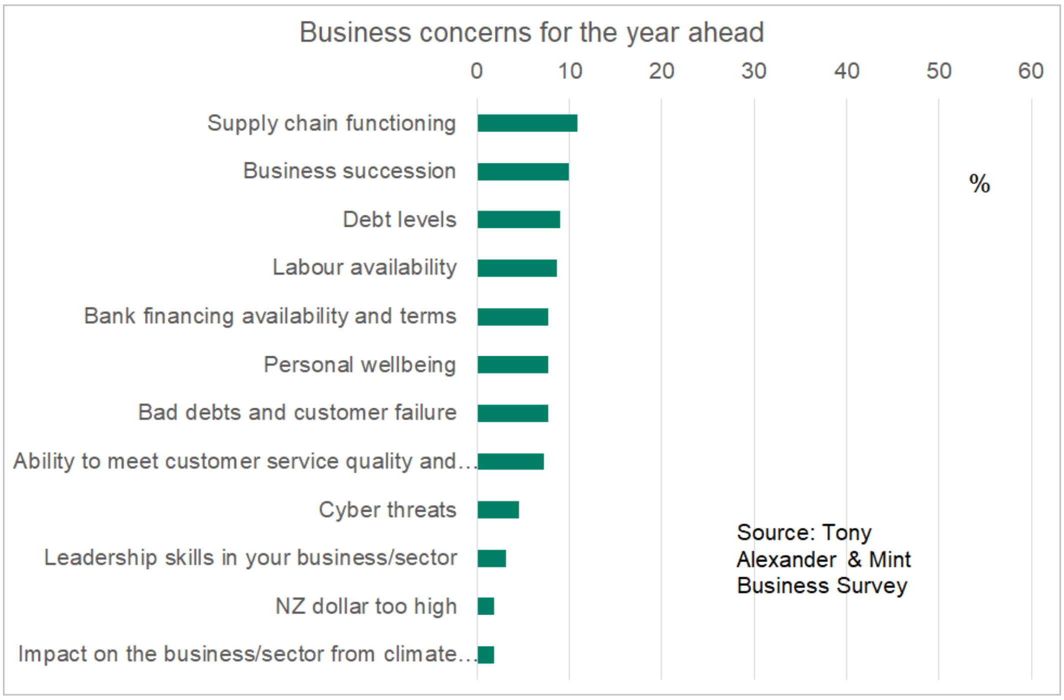
What concerns you most for the year ahead?

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 again been taken by concerns about politics, followed by the state of the economy and customer demand. The order is the same as last month.

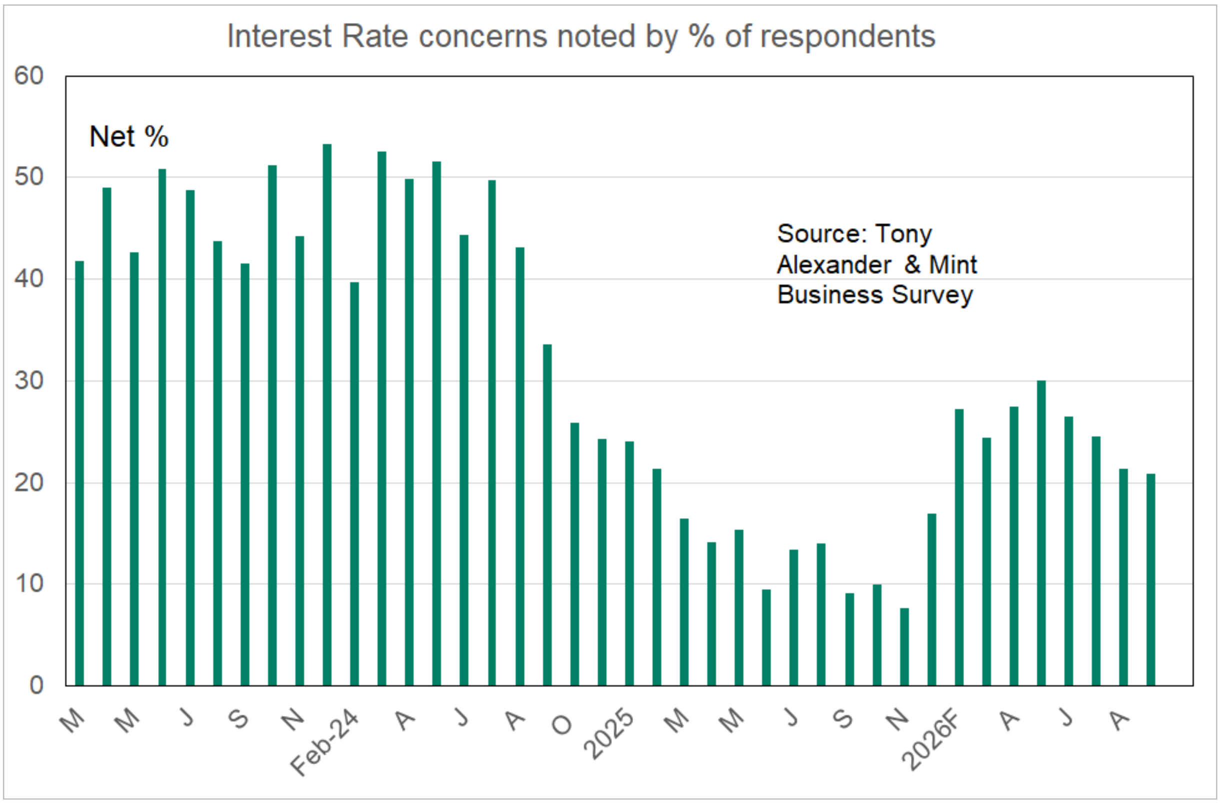


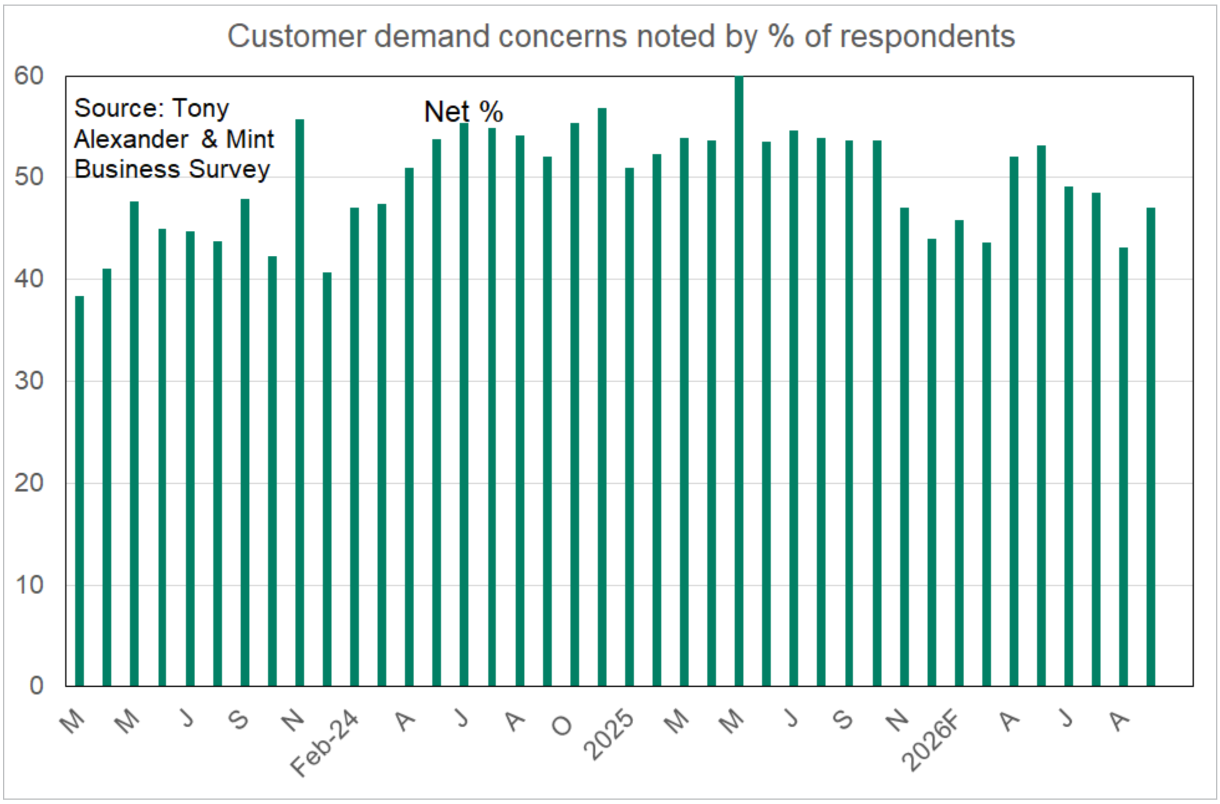
This graph shows the lesser ranked concerns.



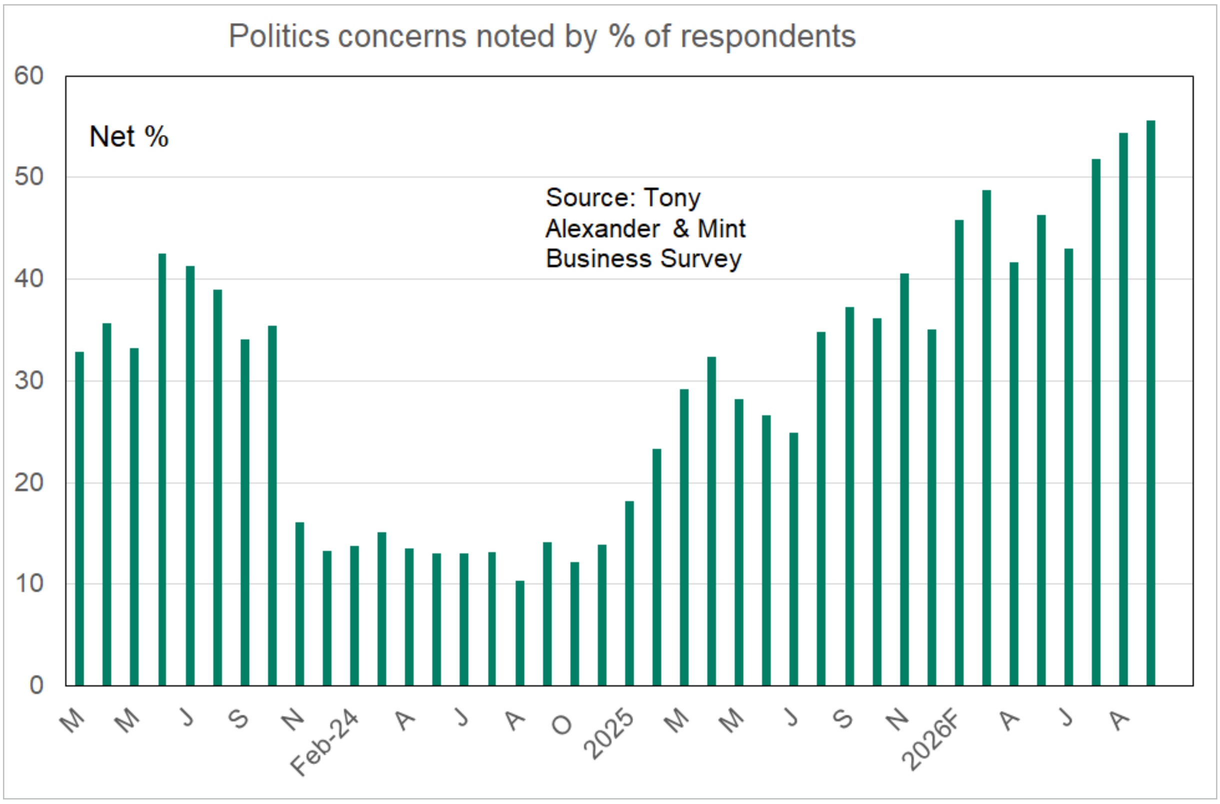
These next graphs look at changes in a selection of areas of concern for businesses since our survey started in March 2023.

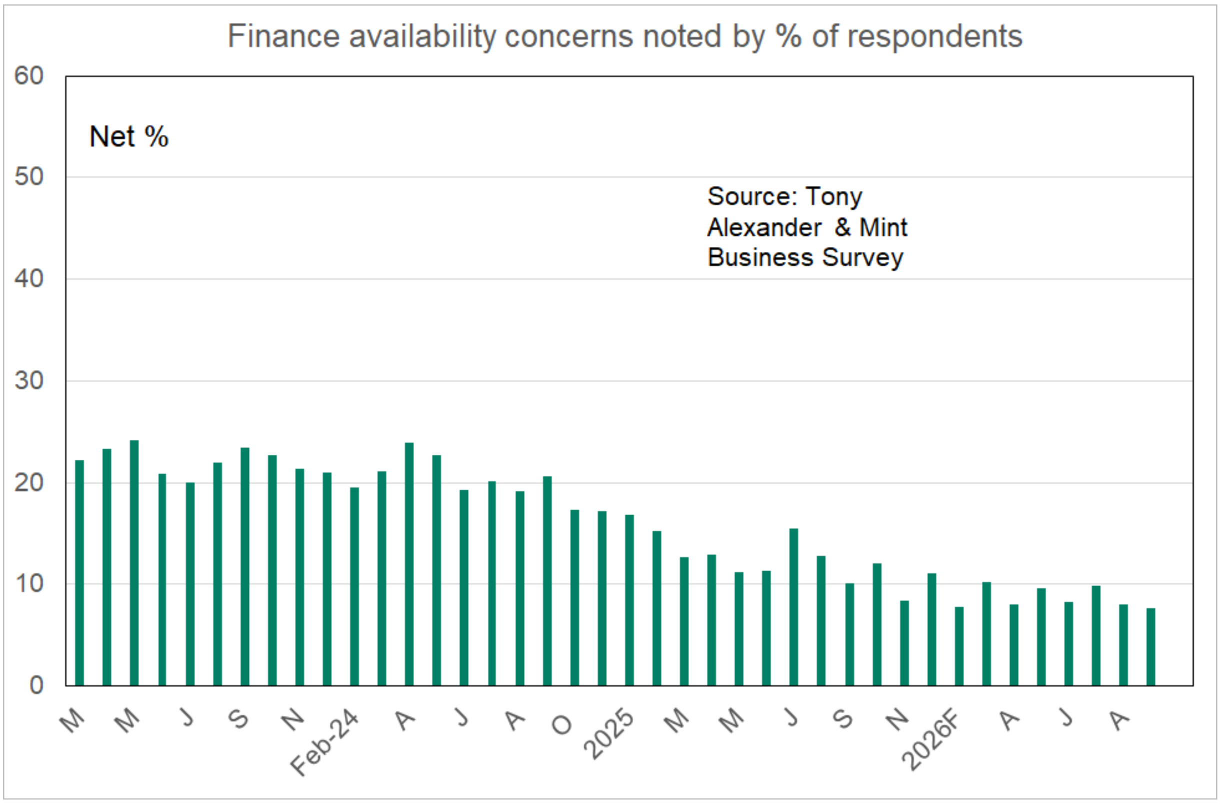
Concerns about interest rates have edged down slightly this month but worries about the strength of customer demand have risen again. The initial fall in these concerns late last year as optimism grew for 2026 gave way to higher concerns as oil prices soared. The recent retracing of those customer concerns however has not been sustained.



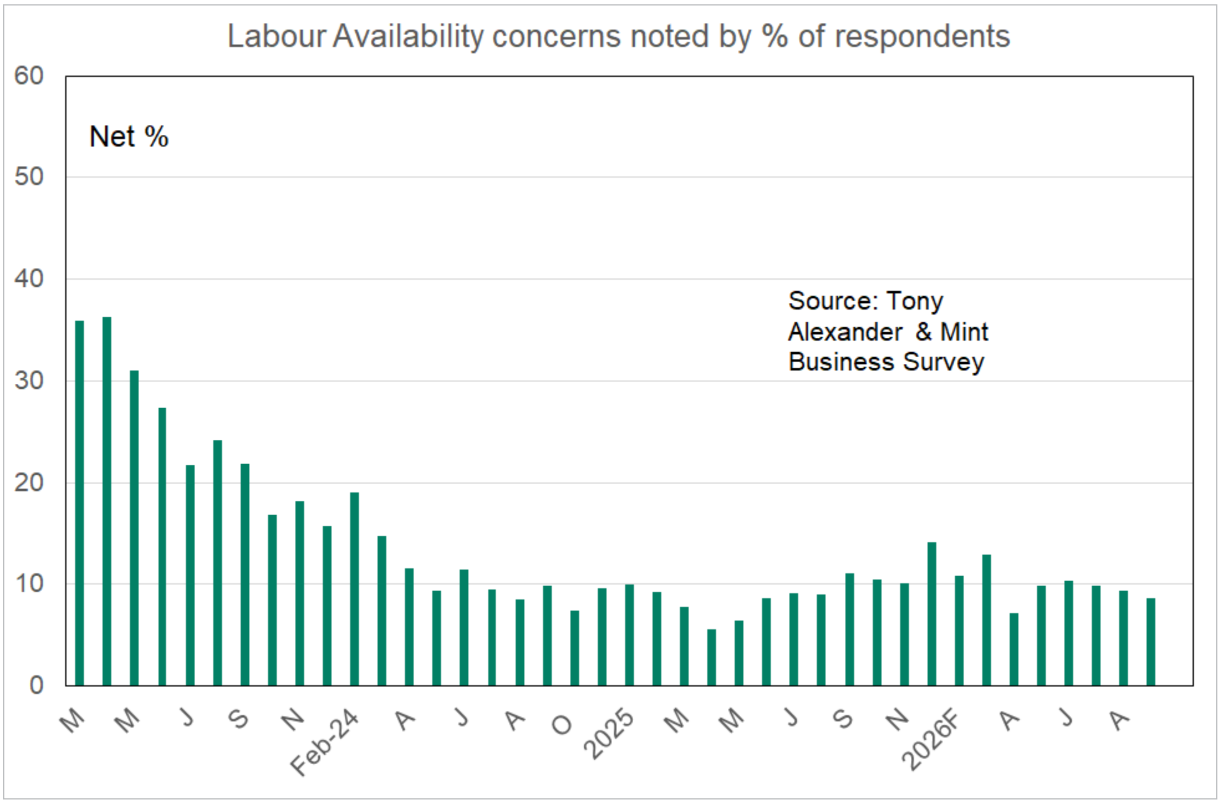


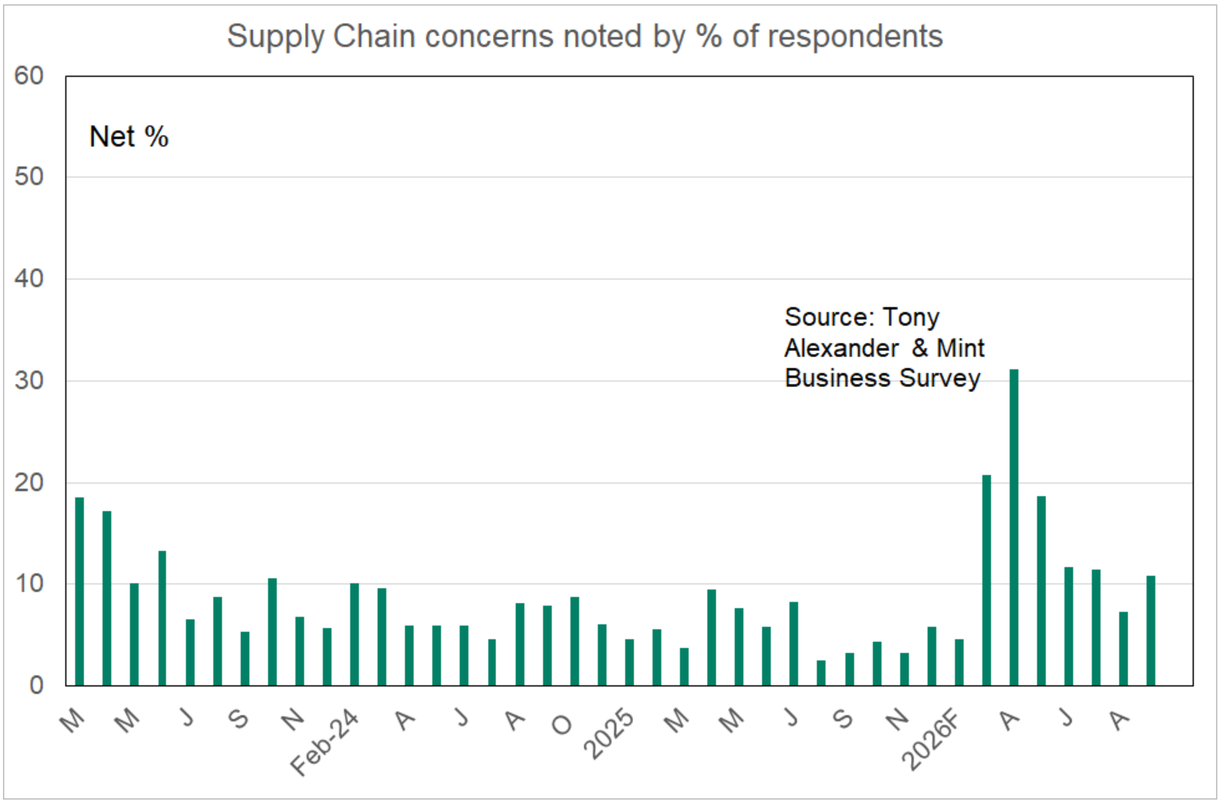
Since late-2024 the degree to which the business sector is concerned about politics in New Zealand has appreciably climbed.
As we approach the general election and in light of the outcomes of recent polls these concerns are likely to remain high.
In contrast there is a slow decline running for two years now with regard to business concerns about access to finance.



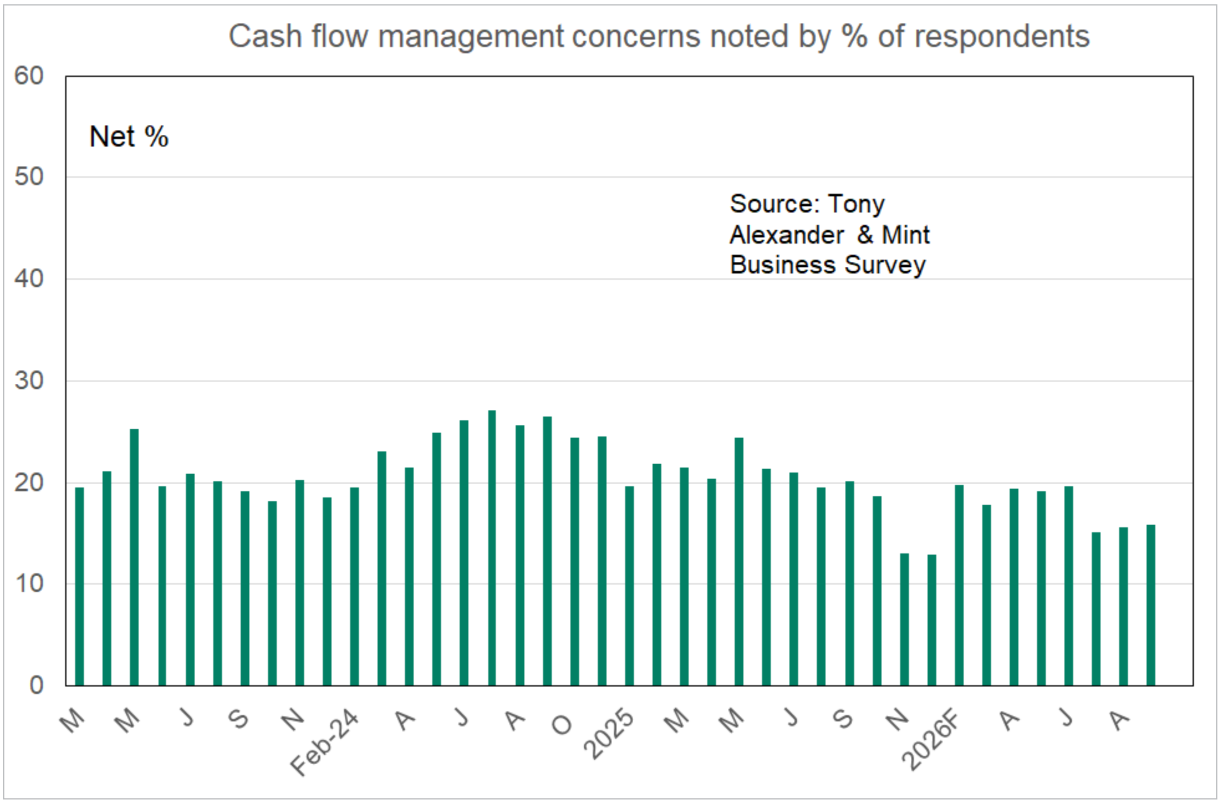


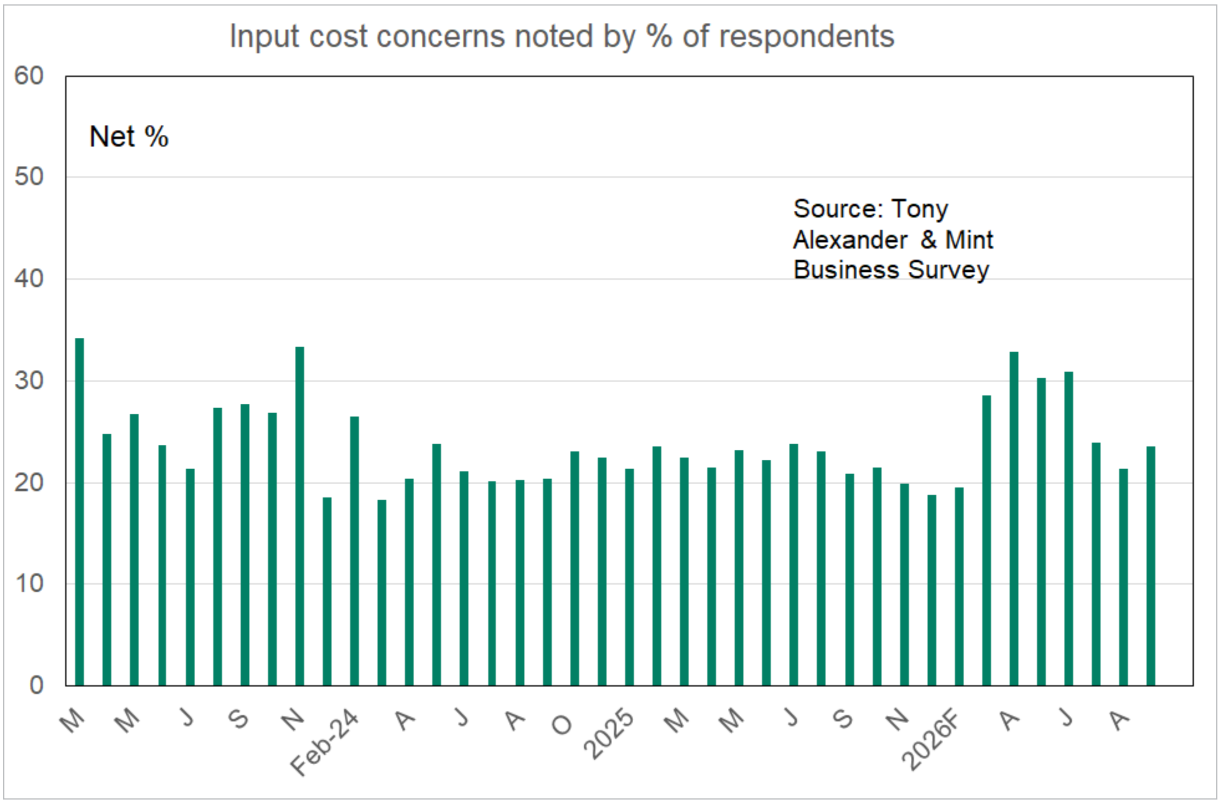
No substantial change is underway in concerns about labour availability even though below we note that since almost a year ago businesses have been reporting rising difficulties in sourcing good staff. Supply chain concerns largely remain hostage to fluctuations in news coming out of the Middle East.



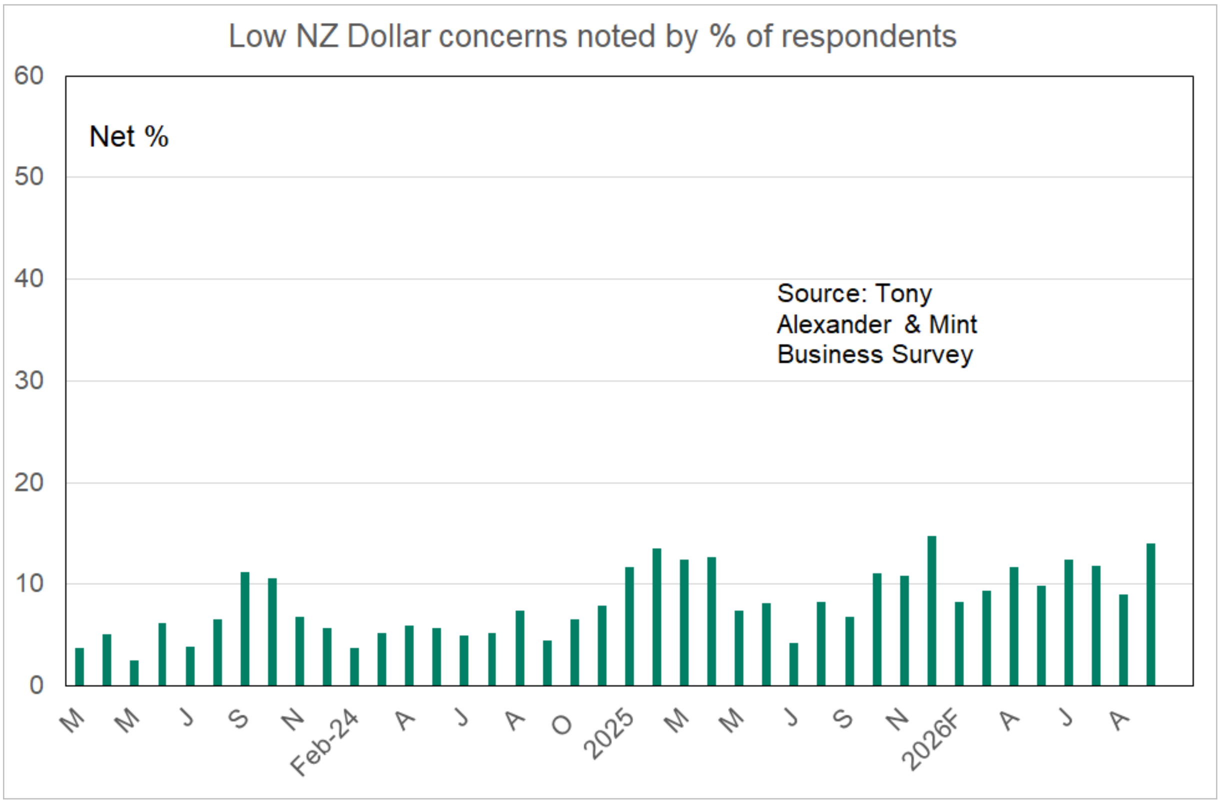


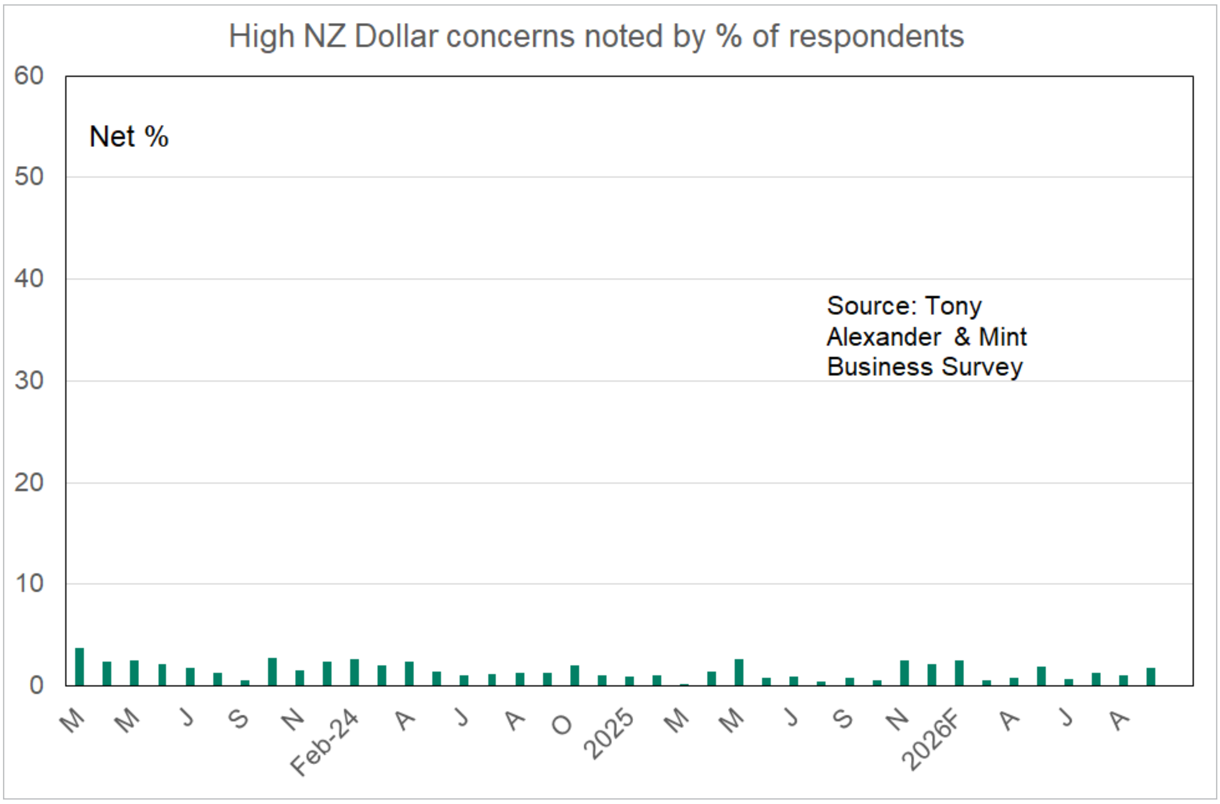
Concerns about cash flows remain muted even though many businesses are reporting still tight margins. However, apart from a lift in input cost concerns soon after war broke out earlier this year, these worries for now are not showing any strong fresh deterioration.





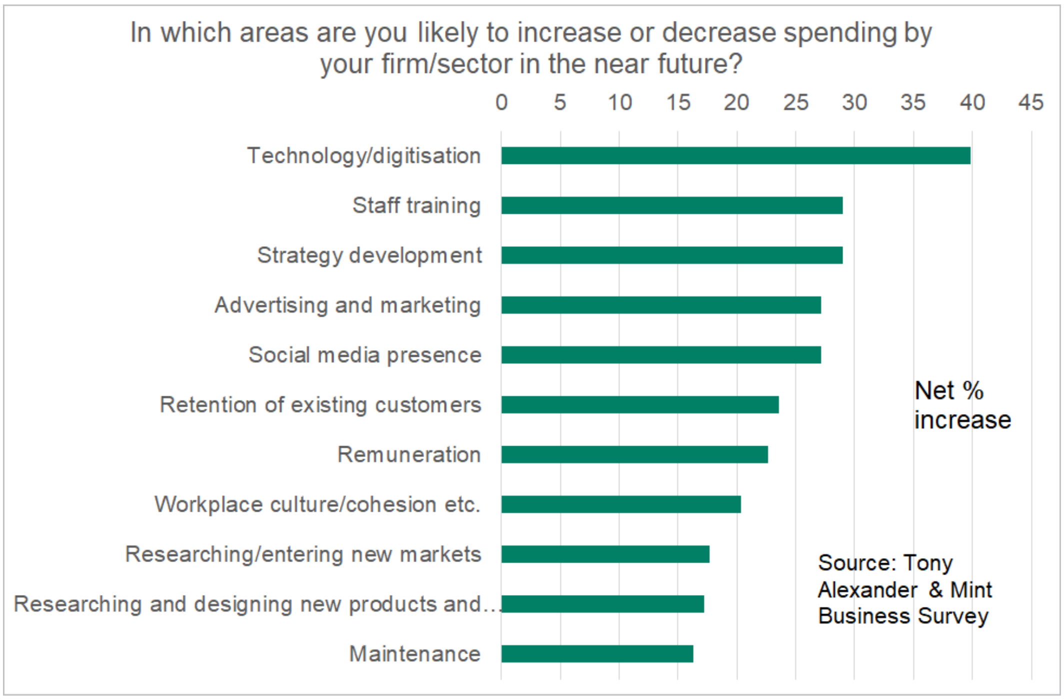
Concerns about the Kiwi dollar being too low have risen this past month but worries that the currency is too high remain very muted.



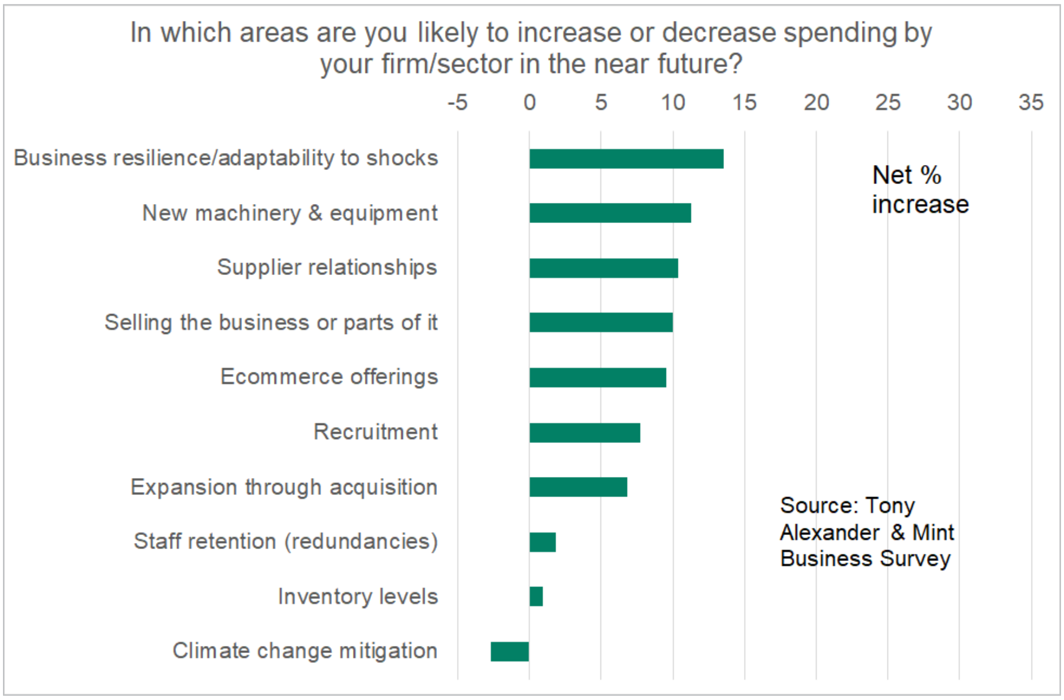


In which areas are you likely to increase or decrease spending by your firm/sector in the near future?

Our second main question is addressed at identifying where businesses are going to allocate their scarce funds in the coming year. Technology ranks highest but interestingly this month staff training has risen strongly.

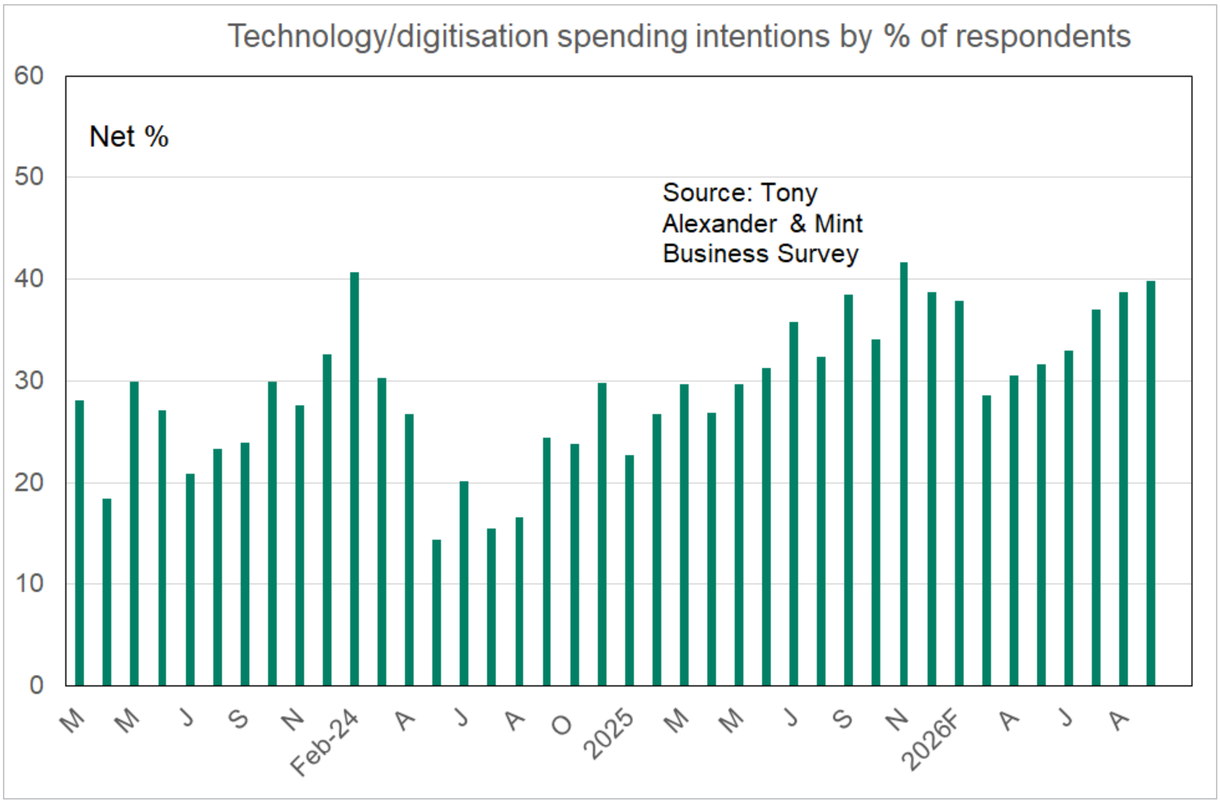


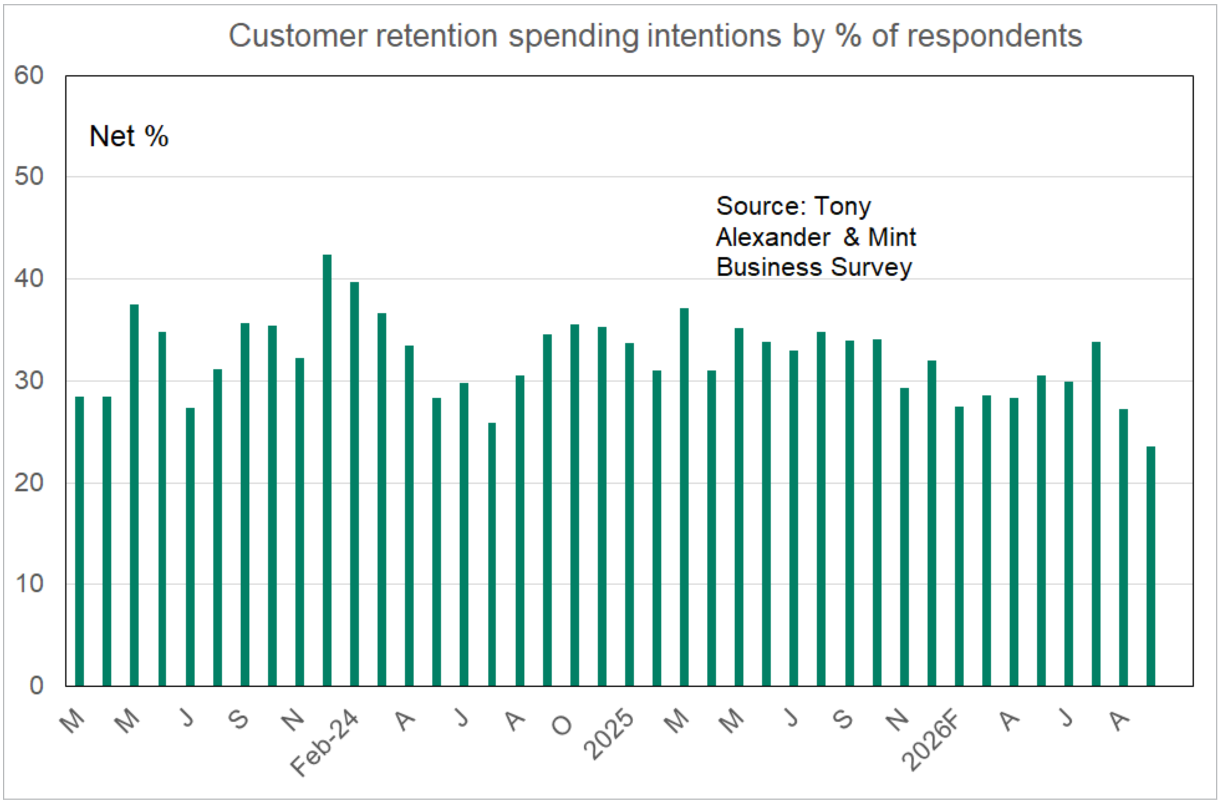
Net inventory spending plans have shifted back into positive territory again – a rare development.



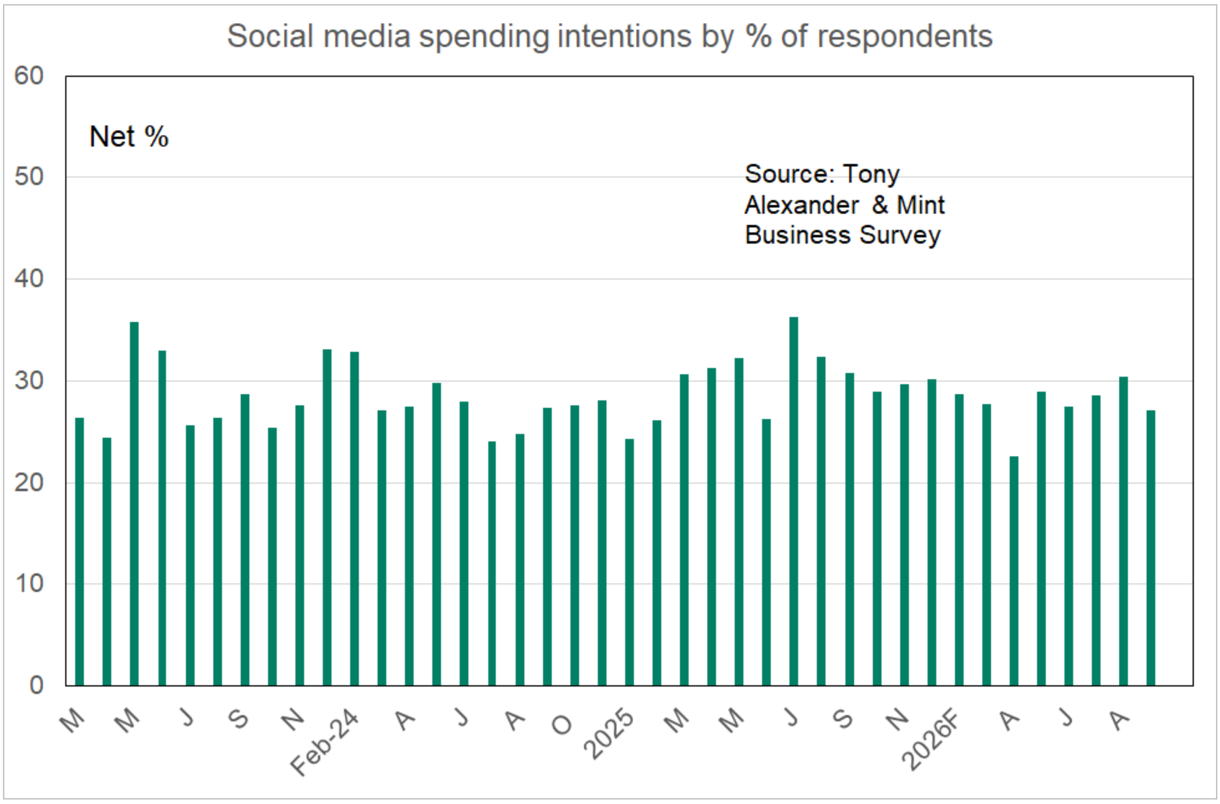
These next graphs look at how planned areas of spending change have been tracking since our survey started in March 2023.

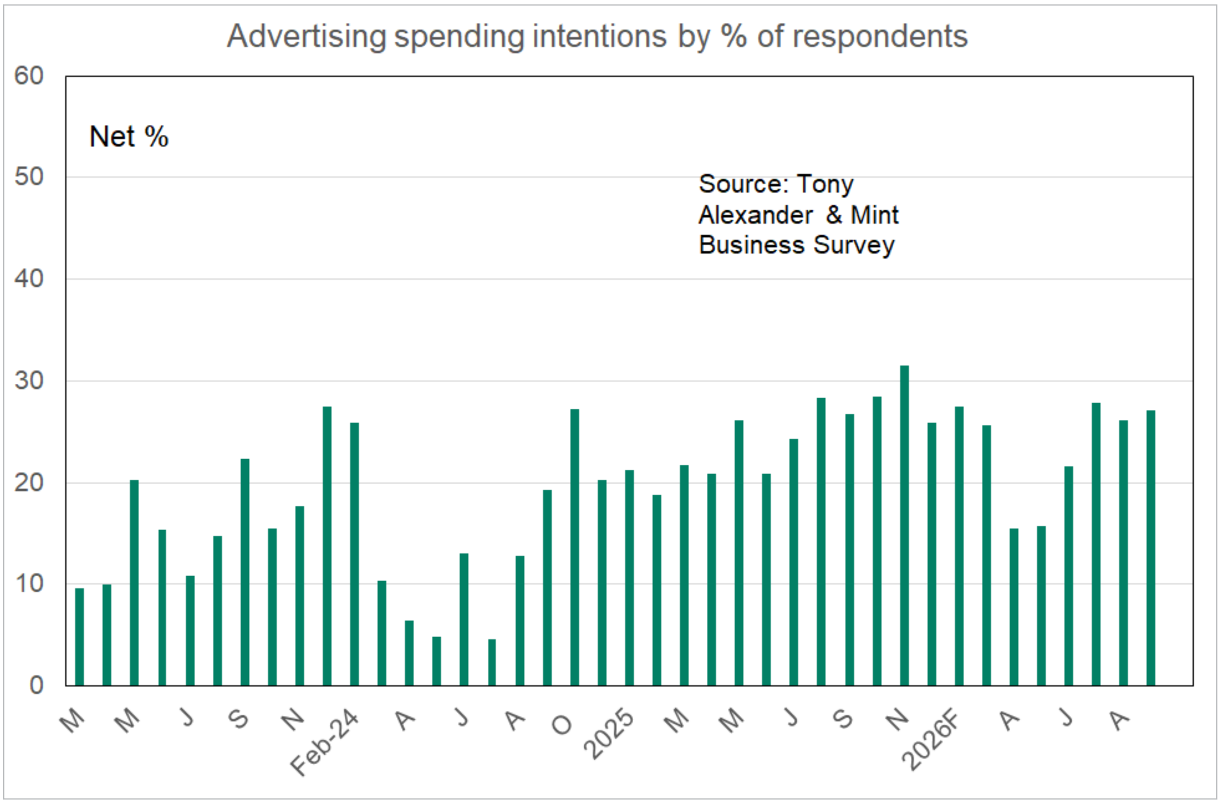
Technology spending plans have firmed considerably since falling away early this year after war broke out in the Middle East. But there is an interesting decline underway in plans for focussing on customer retention even though businesses have expressed high concerns about customer flows. Attention may be increasingly going on new customers.



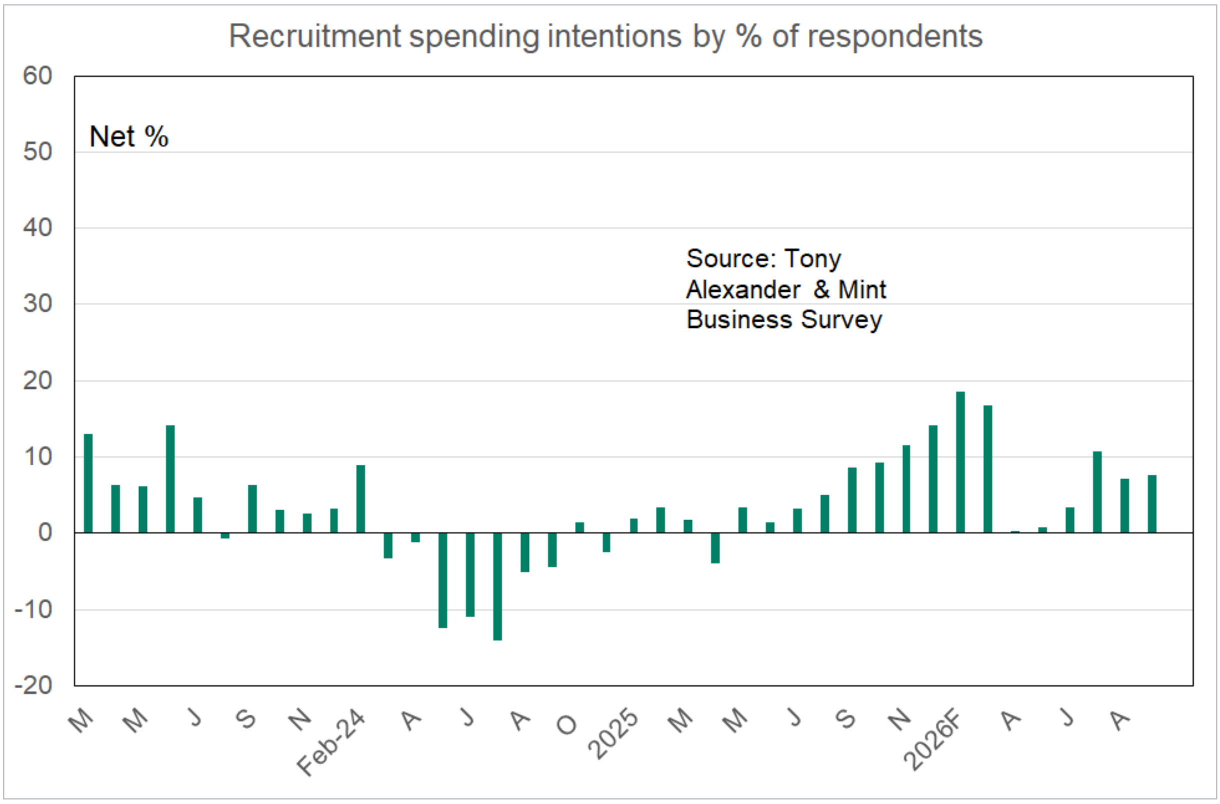


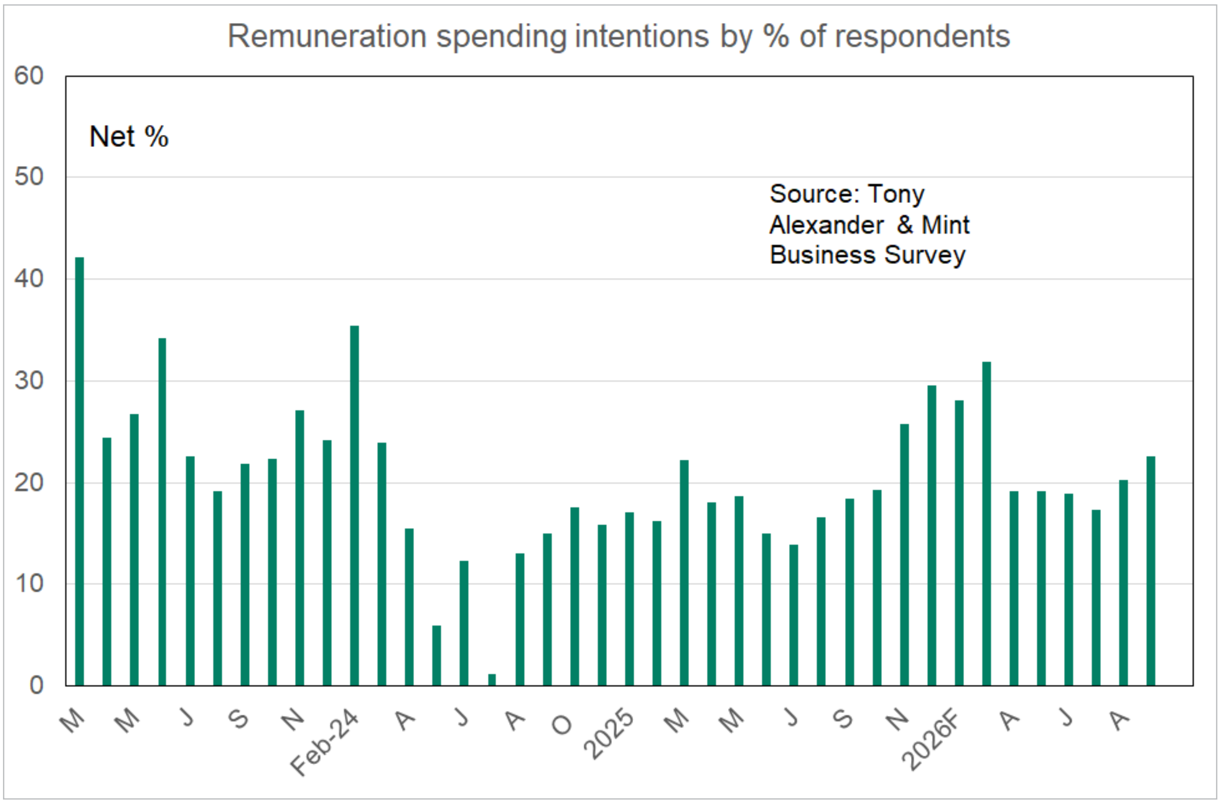
No fresh trend is underway with regard to plans for spending on social media – those plans remaining relatively firm compared with many other areas of spending. Advertising spending intentions bounced back quickly after the initial Middle East shock passed through.



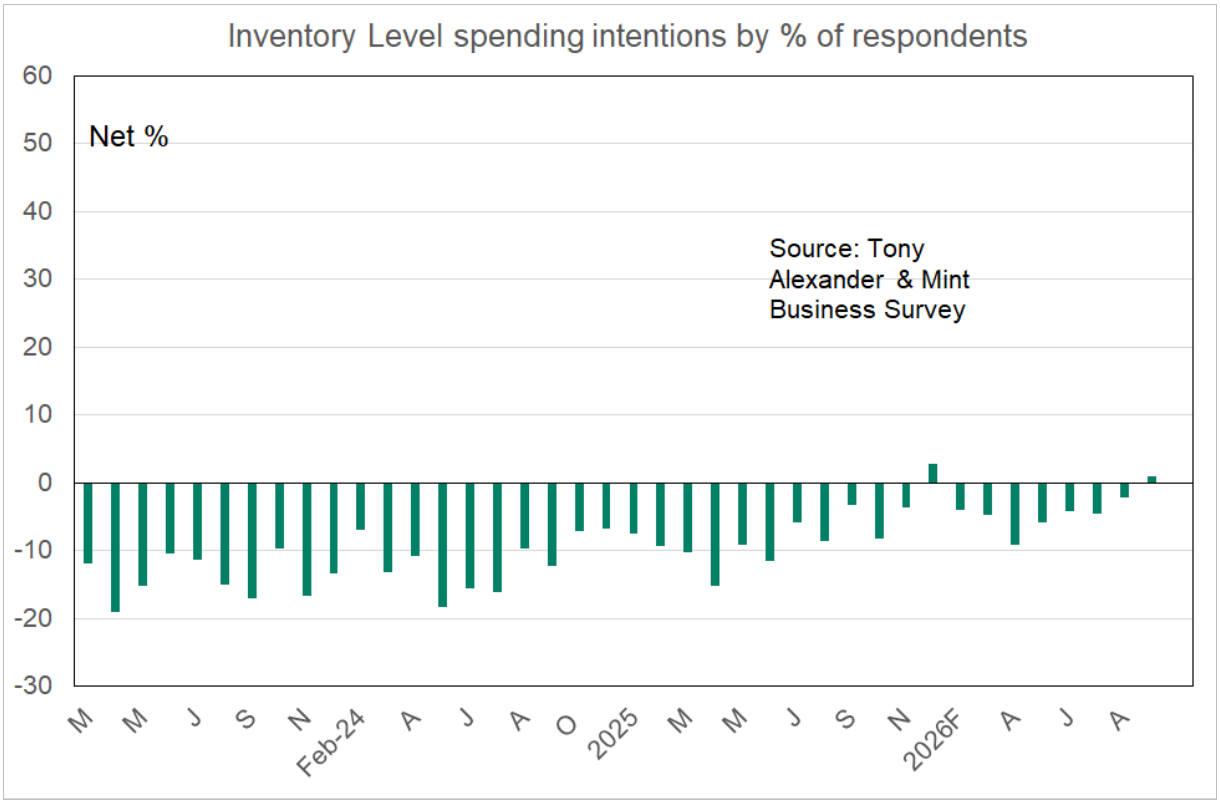


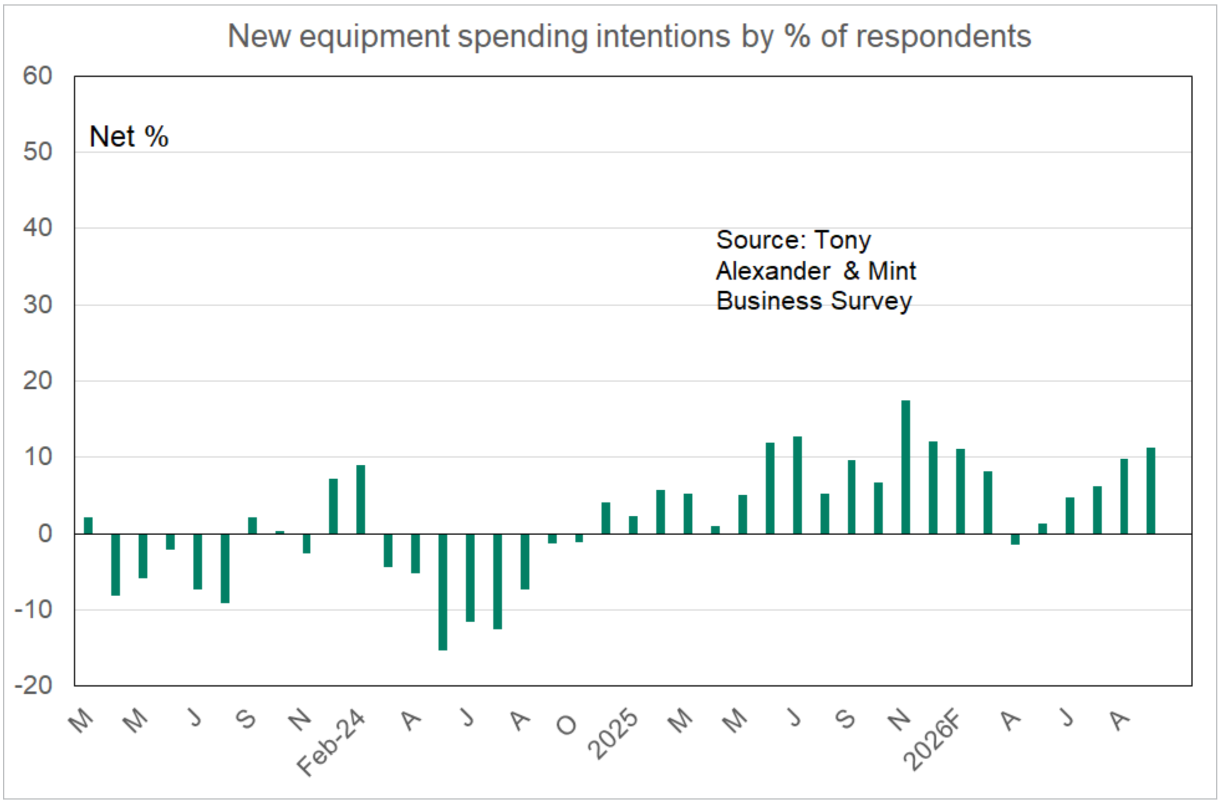
In contrast to advertising plans the intentions businesses have for spending on staff recruitment have yet to recover their pre-war levels. Similarly for spending on employee remuneration.





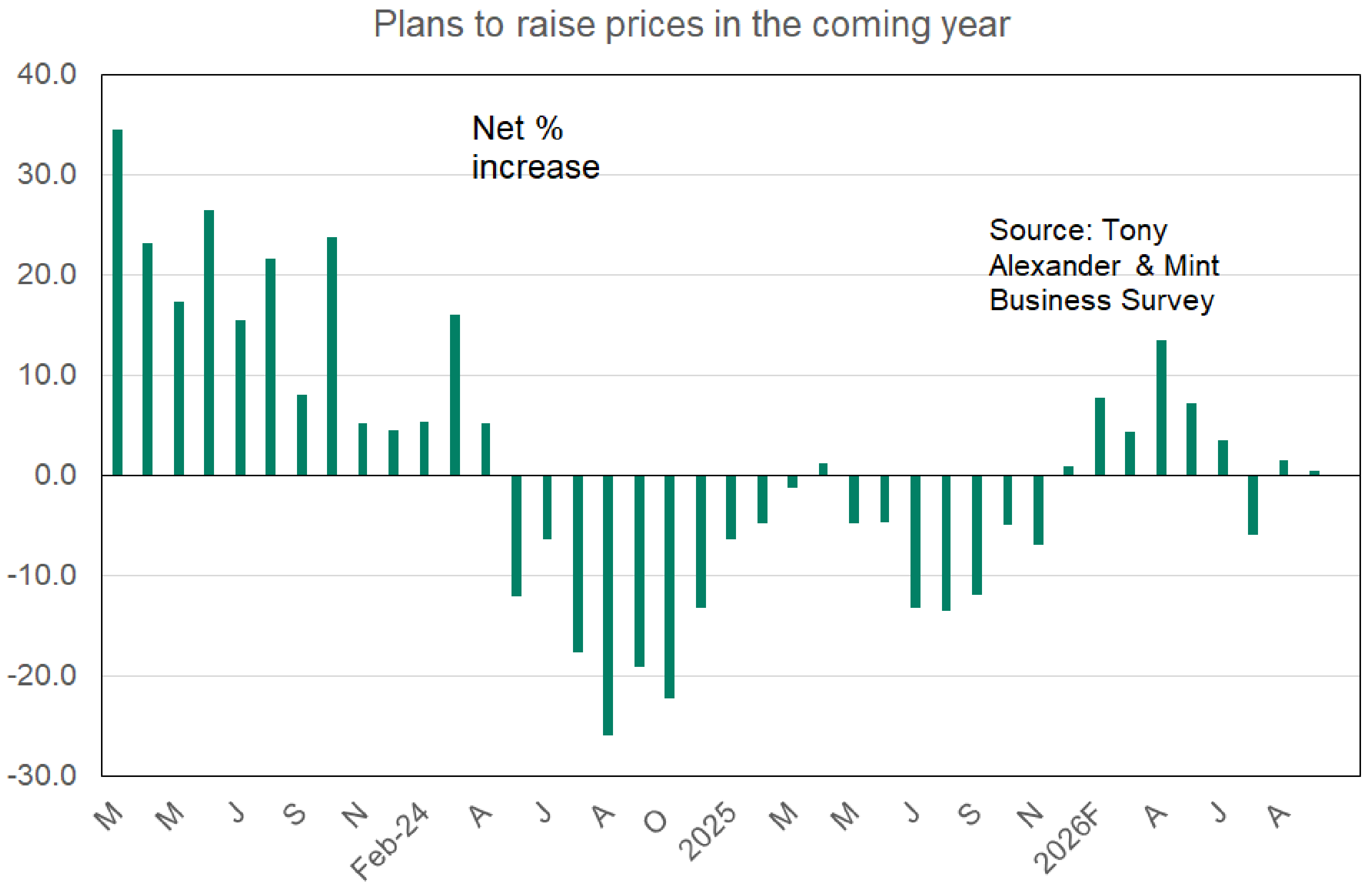
Only on two occasions since we started our survey have more businesses said they plan raising their inventory levels than lowering them. The net positive result seen in December last year disappeared as things deteriorated in the Middle East. But now, even though the situation there remains highly concerning, inventory plans have once again improved into positive territory. On a further positive note plans for capital spending are recovering quite well as businesses look to back their view of an improving economy.





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

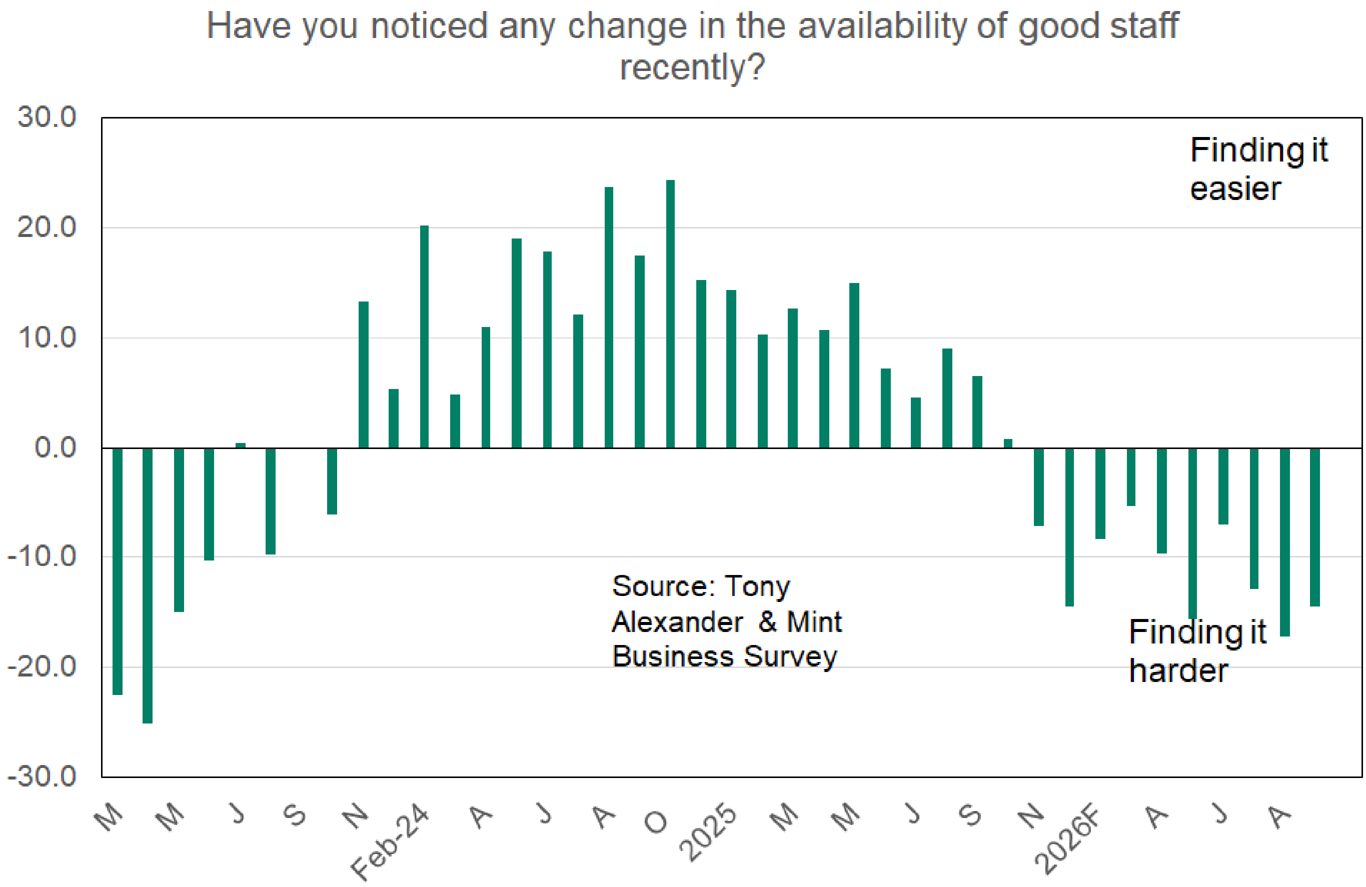
Costs continue to rise for businesses, but it remains the case that the net proportion planning to lift their selling prices in the next 12 months is low. As yet there is no sign that the latest kick up in international oil prices and some local fuel prices is producing the sort of jump in pricing plans seen earlier this year soon after the February 28 outbreak of war.



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

A net 14% of our business sector respondents have reported that they are finding it harder to get the good staff they want. This result is consistent with those recorded in the previous two months and there is no sign that the switch to relative staff shortages seen in November is accelerating away.

The unemployment rate for New Zealand sits at a cyclically high level currently of 5.6% and as yet job advertisements have not begun rising in a consistent manner. This suggests that once the economy is seen as stronger in 2027 and the search for staff intensifies, shortages may become an issue to a greater degree and earlier on than many could currently be thinking.

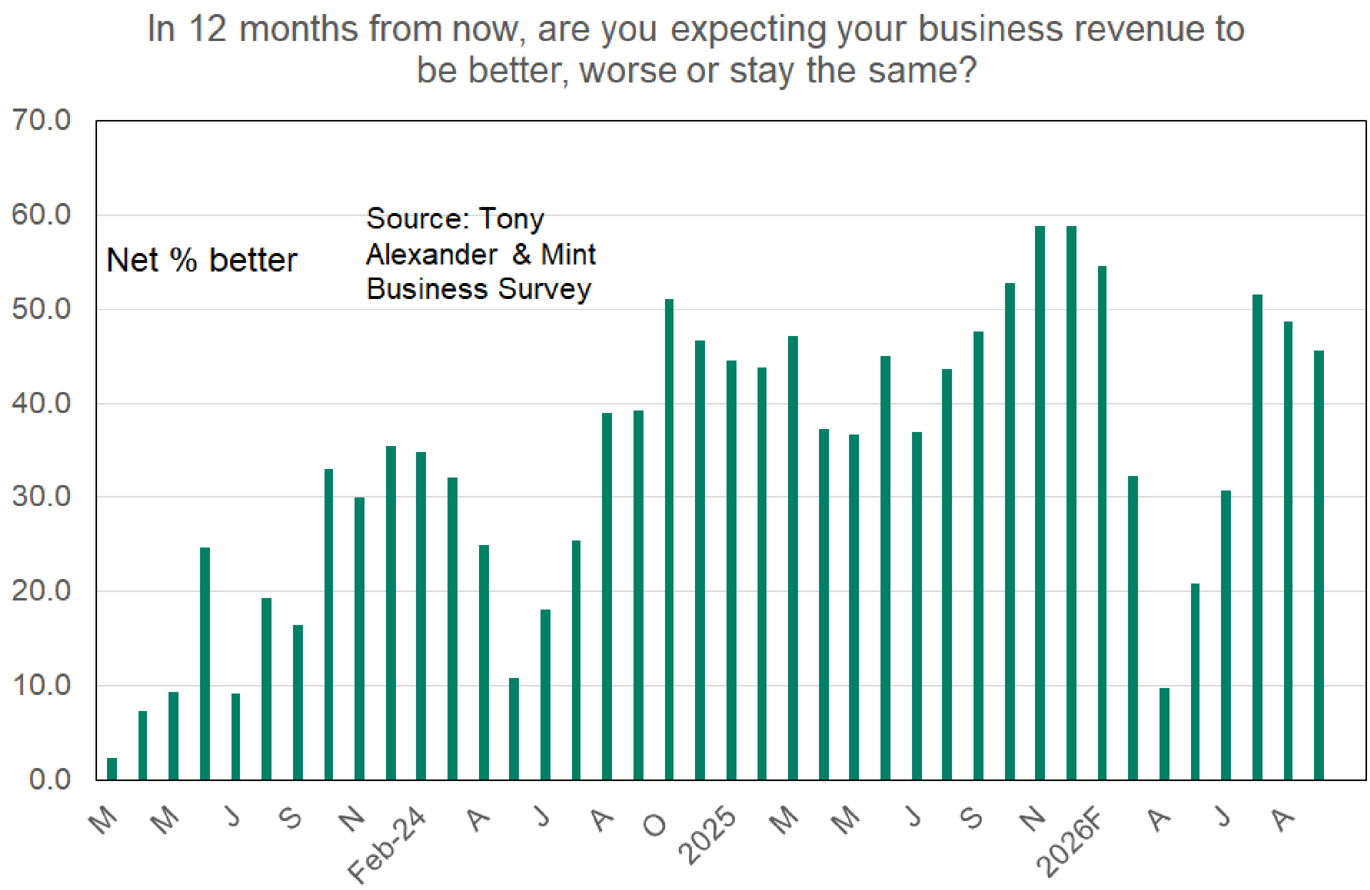


In 12 months from now, are you expecting your business revenue to be better, worse or stay the same?

After falling away following the onset of the latest Middle East war at the end of February the net proportion of businesses anticipating better revenue flows recovered back to levels seen before the war started.

But as yet there is no clear fresh upward movement in revenue expectations underway despite widespread hopes revealed in community discussions generally that 2027 will show some good economic improvement.

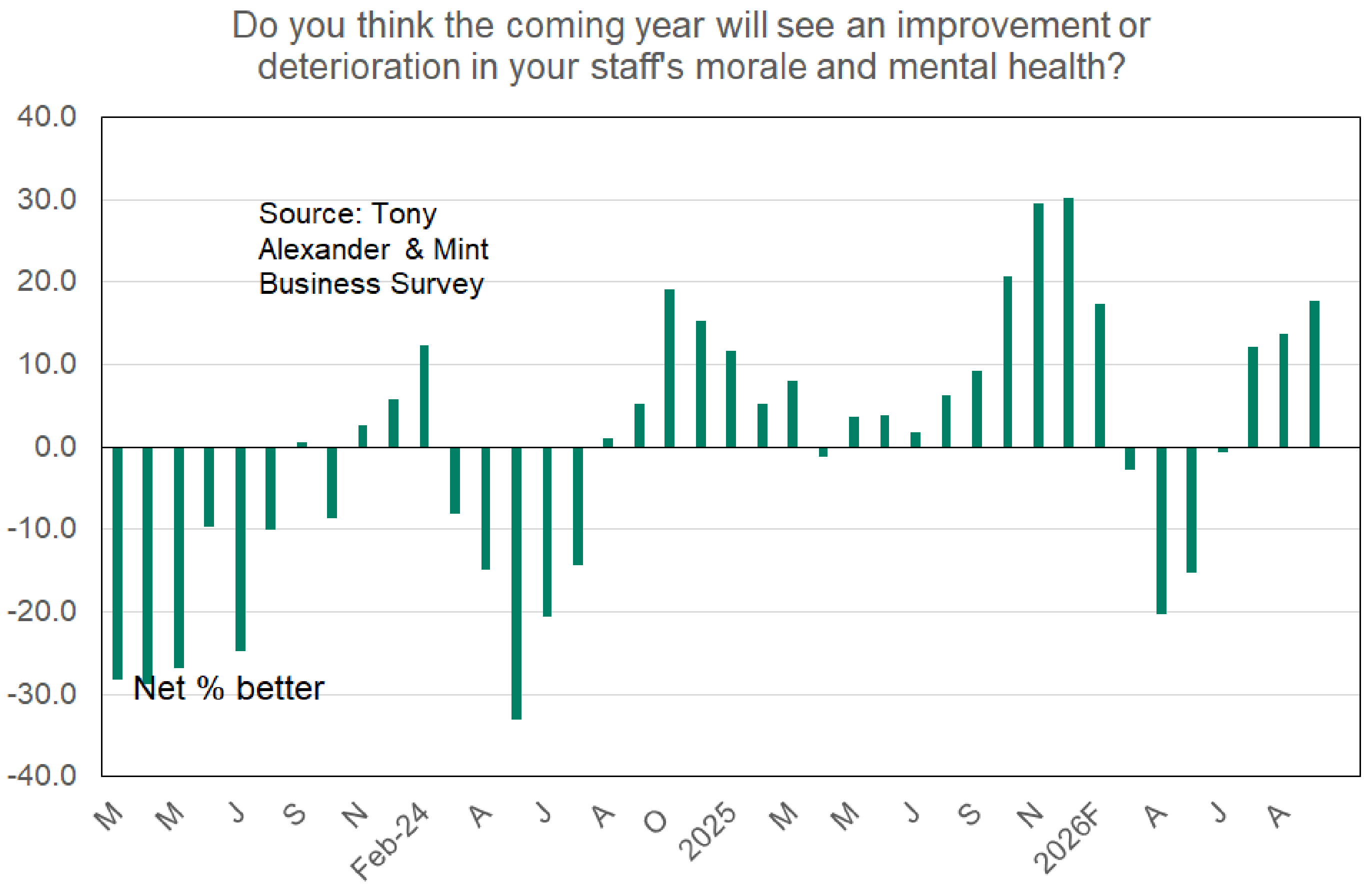
Perhaps this expectation is already present in the likes of the latest net 46% of businesses anticipating better revenues.



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

A net 18% of our survey respondents have indicated that they anticipate some improvement in staff morale over the coming year. This is the best result since the end of 2025 and well away from the net 20% in our mid-April survey who said they anticipated worsening employee satisfaction feelings.

The situation however is not back to optimistic expectations for morale seen late last year before interest rates were more widely recognised as on the way back up again.



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 tidied up comments of the respondents.

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

- More signs of the economy improving but substantial concerns about the outcome of the general election and impact on the policy environment.
- Margins appear still generally tight with pricing power for businesses still constrained at the moment.
- Flat real estate activity and an over-supply of rental accommodation which is suppressing rents and reducing investor interest in property.

Accounting & business advisory services incl. business broking

- Concern about the upcoming election. Policies of the left-bloc are concerning.
- Increasing customer demand for business advisory services
- Signs the business economy is on the improve with more optimism prevalent. Energy costs though are probably the biggest concern affecting business overheads.
- Customer retention, cyber threats, funding
- Incremental improvements in financial performance for most of our clients but coming off a low base so there is a long way to go before we could refer to the improvement being robust.
- Sentiment is cautious - too much past talk of green shoots that no one believes it now. Businesses are suffering because people are not spending as much with them out of fear of not having a job if govt make more redundancies.
- Holding pattern with an eye on AI developments.
- Capacity restraints are limiting my business's growth
- Business uncertainty and caution. Slower business momentum. Lack of business cashflow.
- Slowed as per all election years - around September
- We are gaining a lot of new clients from referrals. Many clients slow to pay.
- Clients' businesses not growing, activity going sideways. Councils' compliance v costly.
- business profitability is challenging
- Concern for the election outcome. The mess that is Auckland CBD and Queen Street. Retail in trouble. A big change in the level of interest in owning property.
- Still strong demand in Southern region for assistance. Plenty of work going on. Demand on key staff is a concern to trying to manage workloads.
- Business Broking - The usual annoying stalling of activity and decision making ahead of the election.

Advertising and Marketing

- Customer demand is 'choppy'. All our clients are reporting high demand, followed by almost zero demand, then high again. There's some optimism that this is indicative of a positive breakout in demand coming, but most have a 'wait and see' approach when it comes to spending on marketing.
- Businesses still very late at paying bills.

Banking and Finance

- Businesses still trying to defer decisions re investments
- Some consolidation amongst competitors and possible exits from the market. This will provide an opportunity for new entrants / possible disruptors.
- More generally positive sentiment tempered with slight trepidation around the outcome of the NZ election
- People appear to be looking through geopolitical issues and putting faith that an economic recovery will arrive.

Cafes, bars, and restaurants

- Still painful. Lumpy, unpredictable sales. IRD continuing to attack hospo.
- After 10 months of solid sales growth it's recently stagnating. I'm guessing cost of living fuel costs and elections.
- Steady as she goes. Turnover increasing, especially the slow days are up. Lower turnover than last year but profit is up thanks to cost cutting.
- AKL CBD returning to normal trade, with services complete and train line running

Commercial construction

- Recovery is still showing no signs of becoming embedded. Price is still the main customer decision driver
- Electrical Contractor - busy, demand is increasing
- A lot of new one man band outfits popping up offering lower pricing but also devaluing the trade. Increased competition from these one man bands that are difficult to complete with on price.
- It continues to be niggly, as we deal with the national contractors swamping the regions looking for work.
- Business is hard with low demand in the design end of commercial construction. Customers are more price sensitive and slower moving.

Commercial real estate

- Small businesses are struggling. Quality of services is declining. Costs are increasing. Compliance costs and complexity is increasing.
- Uncertainty created by the upcoming of the election and the threat of a slide towards socialism.
- Lack of spare dollars.
- It's difficult to say. The activity is very patchy.

Education and training

- Steady demand for our services in the last 3-4 months.
- Difficult for students requiring internships or work integrated learning to get placements due to significant retrenchment of industry. Graduates in some disciplines are also finding it difficult to get starter jobs with AI taking over a lot of the bottom rung jobs and students lacking experience for next level. Dilemma for education re level of industry expectation of graduates and industry not willing to assist with training

Engineering

- Patchy

Farming & farming services

- Tough trading conditions still in the domestic economy and some nervousness emerging in the rural economy around the potential impacts the Super El Nino weather pattern may have later this year and into 2027.
- Political uncertainty until post-election. Local authority rates still increasing unnecessarily.
- Kiwifruit just keeps powering on - existing players wanting to expand are finding there's plenty of capital knocking on the door looking for a piece of the action, and becoming a war of attrition; who has the lowest required rate of return on capital wins the bid
- Dairy prices are holding up which is great. The risk of a change of Government is concerning.

Financial advice/wealth management

- Lack of consumer confidence
- Feel we are on the cusp of a lift in our economy, so things will start to pick up later this year (post election)… fingers crossed!
- A failure of regulation follow through and poor public sector governance not focussed on the essentials but rather their own sector
- Consumers looking for security against market downturns for their investments. Looking to reduce life insurance premiums
- People tired of uncertainty and volatility both at home and globally.

Health

- Not enough GPs
- People are concerned with the cost of living

Information technology

- So much uncertainty and hard to make medium term plans
- Political uncertainty is making decision making challenging.
- Still slow to secure new work. Holding pattern by many clients.
- Business is pretty good here in Christchurch. We just need a positive election outcome and the Iran situation to be resolved to give everyone certainty and optimism.
- Business is still tough with customers slow or postponing decisions due to the ongoing economic, geopolitical and political uncertainty.

Insurance

- Holding back until the election result
- Plenty of demand. Compliance is slowing us down especially for small transactions

Legal

- Still very patchy opportunities and demand in our client's businesses, which is largely commercial infrastructure and construction.
- Private and Business clients are wanting to move forward. Most are concerned about the potential of the left of the political spectrum to derail NZ's recovery.
- Legal - Regulation overreach and never-ending compliance cost increases. Most unwelcome AML Tax (Levy) just introduced by the Government which we will pass on through fee increases.

Manufacturing (all categories)

- Economy seeing some improvement in some areas. It is regional.
- This is just the new normal. For a while we were only surviving and hoping for a new boom to lift everything back up again, but the reality is that by working hard on cost and service we have pulled ourselves up and are getting back to a healthy business in todays economy. We now accept that we won't have pricing power for a while, so we need to improve and get more efficient to grow - not just complain about the economy/government/China etc.
- The demand for beef in the USA, however fuel prices and tariffs remain a talking point
- A general reluctance to commit while there are political and economic uncertainties
- Customer demand and confidence to spend is still subdued. I am hearing a lot about the economic recovery being in full swing, just not seeing it yet.
- Unanticipated hand grenades continued to be lobbed at us.
- We cover both foodservice and retail channels within our business. Foodservice indicators are positive for the summer season while retail remains tough.
- Auckland retail outlets flat for last 13 weeks; rest of country is starting to flatten over last 4 weeks.
- Seems to be more opportunities in the construction sector recently, however, still not enough to keep some smaller fish from going out of business.
- Pessimism
- Lack of customer spending.
- The costs of shipping, domestic transport costs and importing raw materials is far beyond CPI and is difficult to pass on in full. We are still being charged surcharges from suppliers. Costs will need to be passed on eventually.

- Hesitation from customers to make spending decisions or they reduce the amount they spend. There is still a lack of spending confidence and the uncertainty is not helped by the upcoming election.
- Cheap low quality imports are saturating the market and the Aluminium industry. With little to no tariffs, no product quality monitoring and consumers having low budgets due to the cost of living, these cheap alternatives are proving popular.

Miscellaneous

- Arts and recreation - Gym, members looking for the next big fitness fad, Hyrox, and recovery centres. Expect a high uptake as its in the news, but people will bail if they don't use recovery or doesn't give them that extra lift. Slow down of young members leaving NZ, still happening, but steady. Expect gradual growth as people start to spend on quality, those who can afford as opposed to those who circumstances can't.
- Biosecurity (DoC contractor) - Increased Govt funding after 3 years of underfunding. We're playing catch up (but better late than never). This might encourage some new entrants to the market but so far we're seeing regional councils keeping faith with those that have stuck it out in the programme through the leaner years.
- Franchise Sales and Support - Green shoots from an early spring and green shoots of emerging optimism with franchise enquiry numbers increasing (from very low numbers over Autumn & Winter)
- Industrial plant and equipment The recovery for us is finally here, we have seen more orders in the last 4 weeks than the 6 months prior. But much of this growth is from Australia. The NZ markets still problematic but even here, we finally see some movement.
- Personal services - Every year when the heating bills decrease, we see more client activity because they can spend on other things.
- Personal training - Existing bank not interested in funding this type of business despite growth so they will lose entire banking relationship with us. Unreliable brokers causing delays. New broker getting traction. Positive signs but we need to keep pushing.
- Residential Painter - There is some increase in new clients asking for quotes, however charge-out amount still low, same as last year
- Retired accountant with property investments - Still plenty of good tradies, however taxation at local and central level is getting out of hand. Potential capital gains tax policy is a guaranteed loose option for labour.
- Trade supply of building materials to the construction industry - Low demand, excess capacity, intense and cut-throat competition.
- Veterinary - It's still tough out there with discretionary spending down.

Mortgage broking/advisory

- Oil prices are a concern
- Rising costs of living.
- Pause in lead up to election. Bloody oil prices!

Motor vehicle sales/parts

- Continued lack of regular customer enquiry due to the current economic environment in NZ.
- Collision repair market is very flat and there is so much competition. The large wrecking yards who primarily focus on export are struggling to get product into Dubai with the war, and so are dumping product cheap on the NZ market. Insurers/Panelbeaters expect good local suppliers to compete with these guys on price, whilst maintaining much higher quality levels. It's very challenging and frustrating.
- Election apathy
- Extreme margin compression due to commercial desperation triggered by sustained economic challenges

Property valuation

- Market uncertainty regarding the economic climate. Government seemingly content to wait and see rather than proactively try to improve the NZ economy.
- A strong rural sector at present with increasing land values driven by improved profitability and increased demand and competition.
- Lack of confidence re election

Recruitment

- Business confidence in the SME market is growing, resulting in more of an appetite to recruit.
- Immigration NZ typically making things difficult

Residential construction incl. section development

- Land Surveying, Town Planning. Land Development (subdivision) in Auckland is a minefield, inexperienced new consultants in the market are dragging prices down; it's become a 'race to the bottom'.
- Continued market uncertainty impacting sales and input costs
- Residential design/construction is still flat, still no confidence in the economy and the threat of a left wing government possibly getting back in have spooked developers etc.
- Lead up to the election & the lack of a clear picture re who will govern or the formation of a coalition. Then what Trump & his idiot mates might do.
- Building merchant, margins still very tight, opposition still buying work
- Busy but profits down
- Lack of demand
- Supply price increasing, making it hard to quote for the future
- The uncertainty in the economy
- Buyer inquiry remains flat with no improvement over the past 6 months. Higher interest costs will further subdue demand.

Residential real estate

- Continued apathy and a lack of direction in the market that is causing a general paralysis for both buyers and sellers.
- Many clients are awaiting the outcome of November 7, which will have a huge impact on the housing market.
- Net migration and Interest rates seem to be the big driver in our industry
- We are seeing a large increase in the number of complaints being made about salespeople. Many unjustified - perhaps complainants should have to put up a bond so that vexatious claimants are deterred
- Many vacant buildings in need of tenants
- Small/large business staying afloat in which they have been struggling since covid. From a real estate point of view we are going ok, but we see a lot of businesses just hanging in there.
- The Real Estate market is slow, and unless vendors are prepared to meet the market, they're not getting sold.
- Very slight lift in interest from buyers
- Uncertainty. Customers and clients are becoming harder to deal with - no urgency. Many customers are demanding or impatient at the beginning then ghost or don't bother to reply once we have provided the information.
- Finding quality staff remains a challenge. Finding good people is difficult enough anywhere, but considerably harder when you operate outside the major centres. I'm also concerned about the impact of geopolitics and the New Zealand election on the property market.
- Years of miserable trading conditions taking their toll
- In real estate we are seeing fewer listings come to the market and with that some big discounts being offered by the bigger brands to get the listings.
- Sales, if any, are taking longer to achieve
- Increase in residential construction that could provider other options for the tenant pool I draw from for my rental properties.
- Stressed owners who want to sell. Frustrated Buyers who cannot find what they are looking for!

Residential rentals/Investment

- A glut of investment properties for sale. Most with no parking.
- Rent levels continue to be flat, there is a slight improvement in finding quality tenants
- Can't wait for this election to be over so can just get on business is dreadful
- The potential upheaval if the left get to run the country.
- Risk associated with parties from the left winning the election, particularly tax changes.
- Finding reliable tenants with good credit scores

Retailing

- Retail Centre Selwyn District We are fortunate to have greater than 10% increase in annual turnover
- People are taking their time before purchasing
- Overall the retail sector is mixed, with some regions doing better than others. We'd look for an increase in performance in the next 12 months - post election.
- Demand is still flat and down about 20% year on year. There have been less actual customer purchases, but the value of purchases has risen. So the high value customers have softened the drop in sales.
- The falling NZD exchange rate may begin to have an impact on demand for travel overseas if it stays low for too long, coupled with what appears to be an escalation of the Middle East Conflict and the impact on fuel pricing, customer demand may stay muted for the rest of the year.
- Exchange rate is against us, as are rising resource costs. Too much to pass on 100% in one go and have to absorb for now.
- Growing competition in food retail as new offerings arrive from overseas. A lot of new openings, which flies in the face of all the media's economic 'doom & gloom'.
- Retail is very slow. Internet sales are making a huge impact. The cost of living is too high for many.
- It's election year when wallets are closed or very cautious. Our town [Blenheim] is partly closed off for an upgrade, and some retailers are closing permanently as customers find access to shops too challenging. Interest rates are heading up, and taking away the family's discretionary dollars, diverting into essential spending. You can only spend a dollar once.
- Uncertainty of economic recovery. Political uncertainty.
- Supplier price increases
- Small supermarket with people spending less than ever. Roll on the Election
- Continuing strong visitor inflows with commensurate strong above-budget revenues.

Shipping, transport, storage & distribution

- Lots of fence sitting while people wait for election day - both here and in USA
- Been busy with retention, slowing down now. New opportunities have gone quieter more recently.
- Maintaining profitability with the ability to pass on costs to customers
- Really anxious about outcome of election.

Tourism & accommodation

- Home market decrease, as last year.
- Things are looking up - people have more money and are spending more, despite constant media rhetoric to the contrary. Govt doing a great job turning the ship around - more new car sales than ever etc. and projected growth to the economy - and their tourism campaigns are working overseas as we are seeing tourism numbers start to build. We spend more on inventory and staff now to EOY in prep for a busy summer
- Tourism expected to grow
- Things have picked up, got through the winter ok as never lost money like the last 2 years
- Local demand is still severely depressed due to lack of discretionary spending for average people. Foreign demand is better but is seasonal (warm weather).
- Significant increase in downward price pressure due to competition from both new entrants and existing players

Wholesale trade

- Import & wholesale - Lack of expendable income making overall spending on non necessities lower that we would like.
- Import Distribution linked to a number of above - Patchy demand after a very poor April and May

This publication is written by Tony Alexander, independent economist.
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