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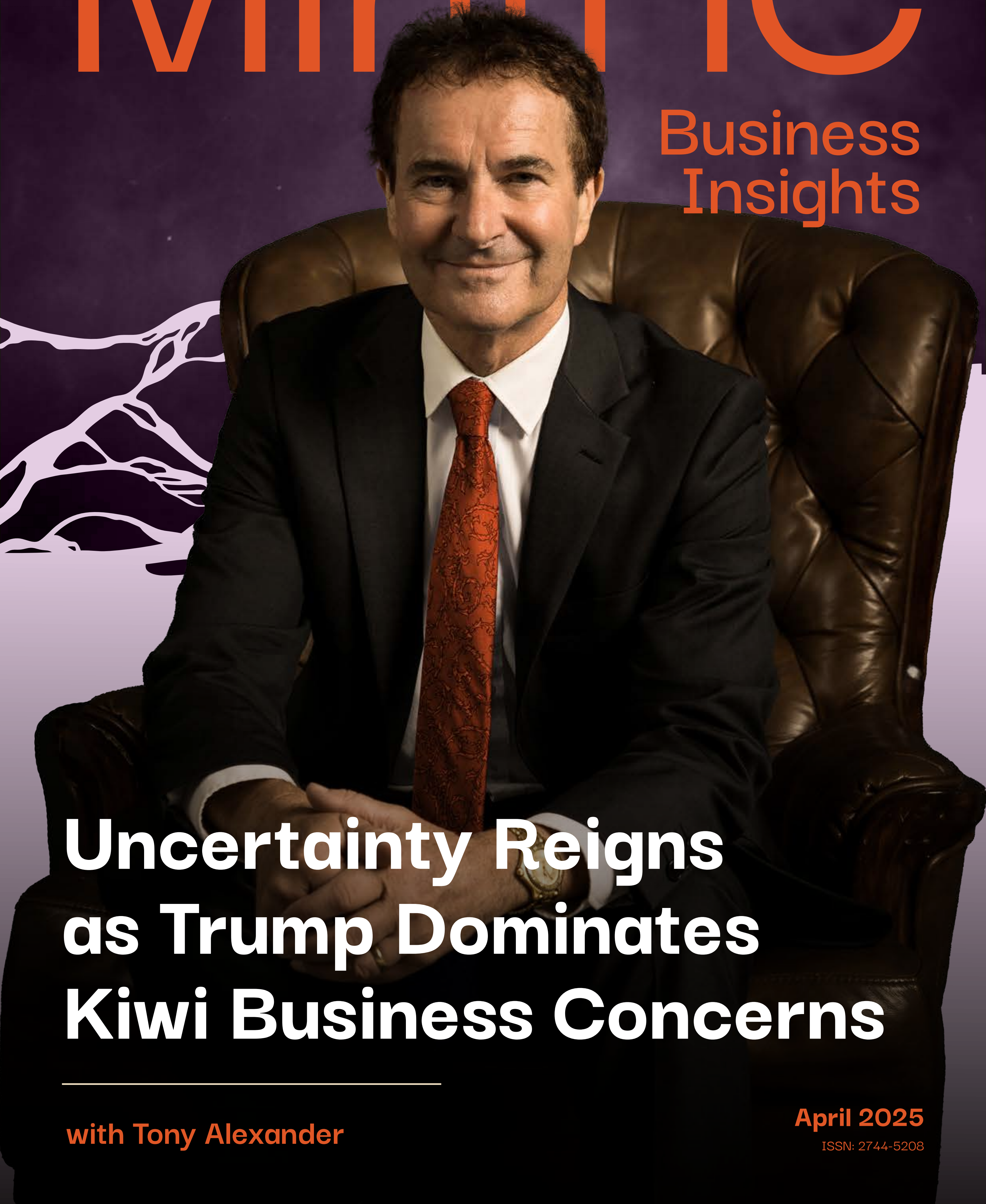
Business Insights



Uncertainty Reigns as Trump Dominates Kiwi Business Concerns

with Tony Alexander

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Optimism for 2025 dims further

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

Key results from this month's survey include the following.

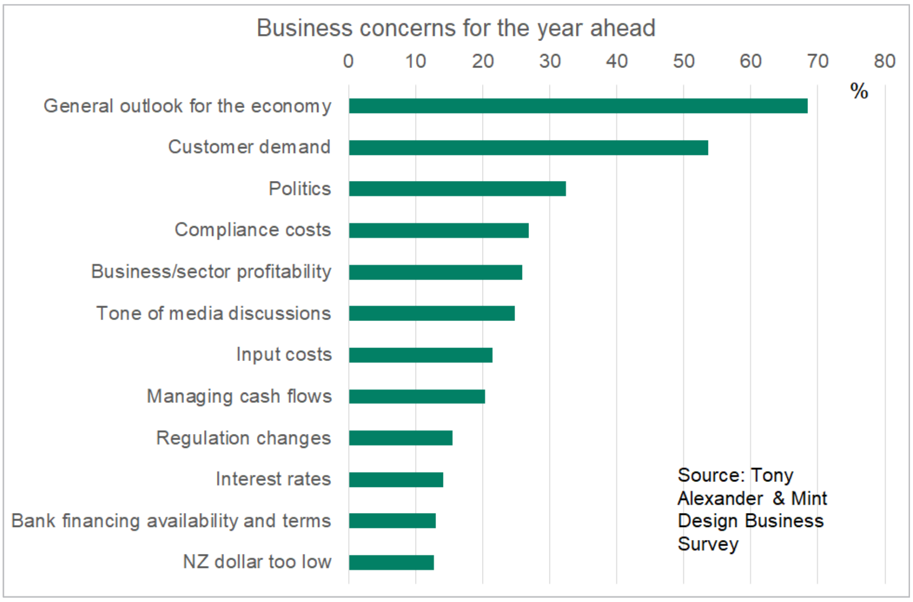
- Businesses have become more concerned about the economy's growth prospects, the political situation in NZ, and supply chain functioning amidst the tariff war offshore.
- As a result they have cut back on plans for investment in new equipment, intend further stock level reductions, and measures of employment have deteriorated anew.
- Despite the worsening outlook for 2025, the pressure on margins from rising costs is sufficiently great that plans for raising selling prices have increased.

Tony Alexander
Independent Economist

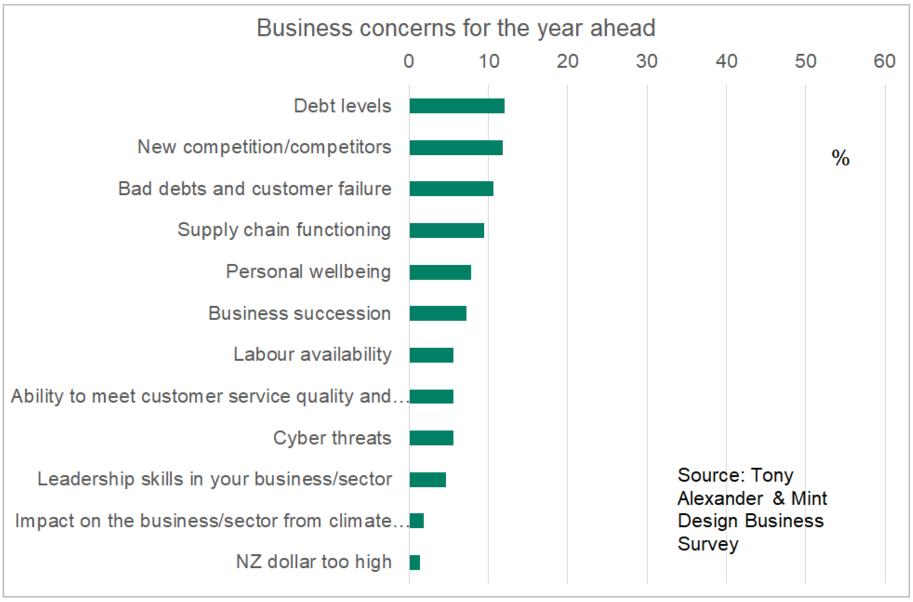
What concerns you most for the year ahead?

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 three top ranking areas of concern for Kiwi businesses are the general outlook for our economy, demand from clients, and politics.

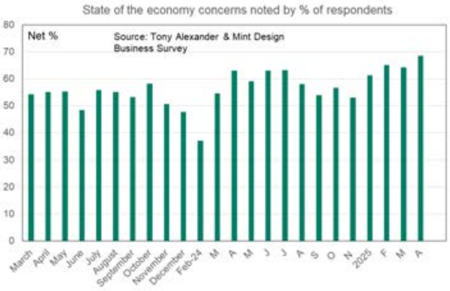


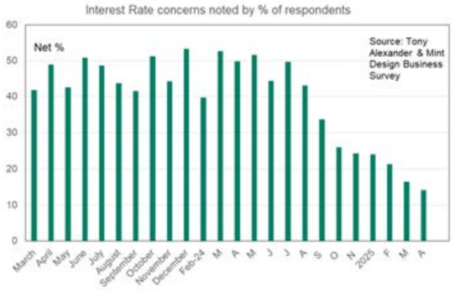
Almost no businesses feel that the NZ dollar is too high but the proportion feeling that it is too low has been rising over time.



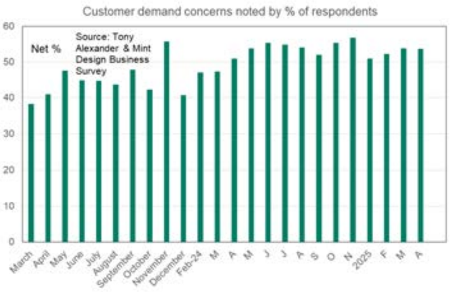
These next graphs look at changes in a selection of areas of concern for businesses since our survey started in March 2023.

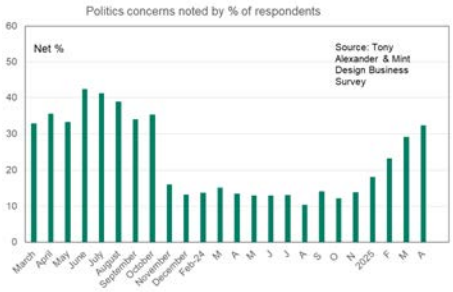
The proportion of businesses saying that they are concerned about the state of the economy is the highest in two years. This is not what one would expect to see in an environment where there is easing monetary policy and talk of improving economic growth. The second graph of the following two shows how interest rate worries have diminished strongly since the middle of last year – for the reward of no lift in optimism.



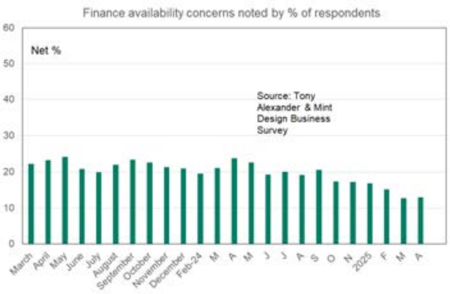


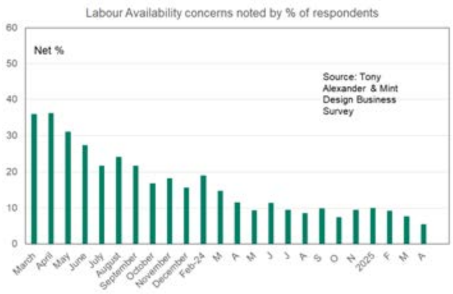
Customer demand concerns are about where they have been since the early part of 2024. Again, falling interest rates are not leading to a belief that consumers will truly start spending. A clear development in recent months has been a sharp lift in worries about politics in New Zealand.



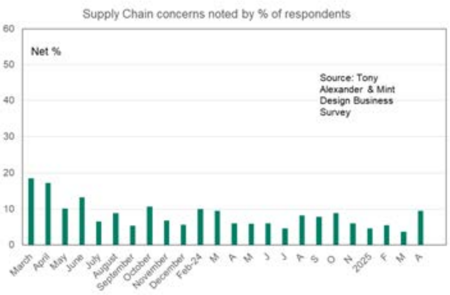


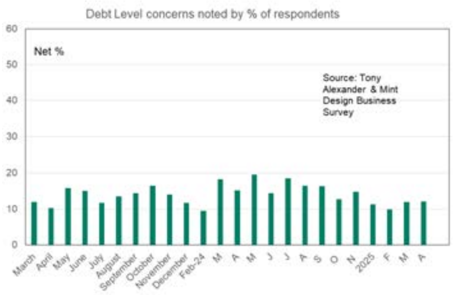
Much as there is a lot of discussion about rule changes that may free up more lending to the business sector by banks, the passage of time is bringing decreasing concern about this area anyway. Concerns about labour availability are sharply reduced from where they were in much of 2023.



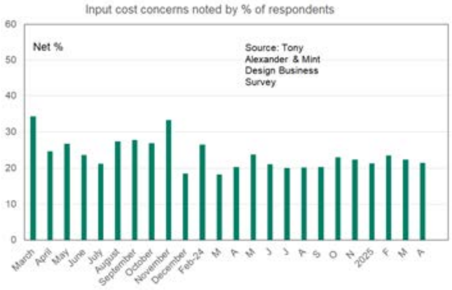


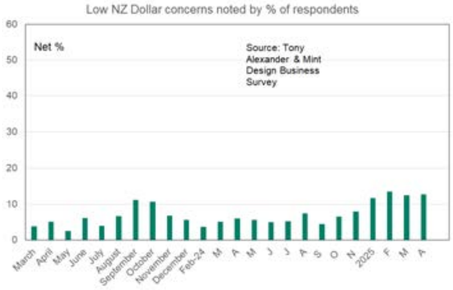
One impact of the tariff war is obvious in our survey this month. Businesses have grown newly concerned about the functioning of supply chains. Poor functioning was a prime cause of rising inflation 3-4 years ago. Concerns about debt levels are showing no trend up or down.





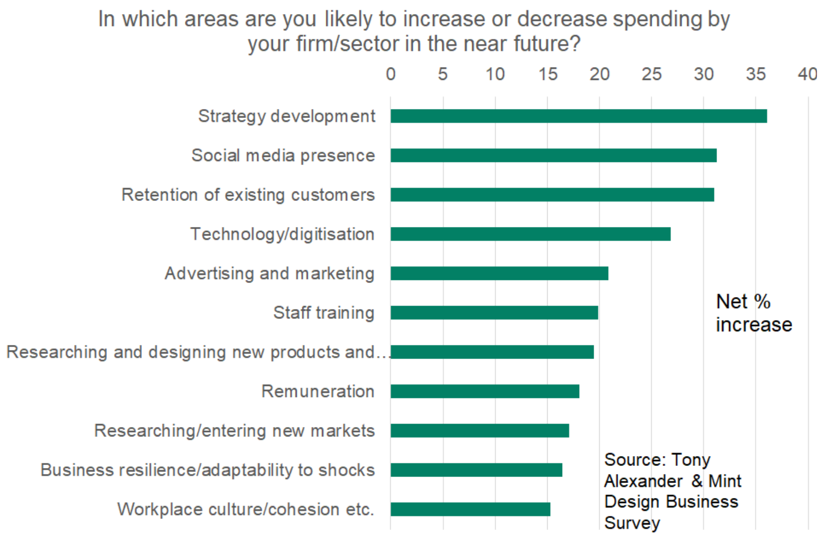
Despite the ongoing weak state of the economy businesses are not losing their concerns about rising input costs. As noted above, worries that the NZ dollar is too low are growing.



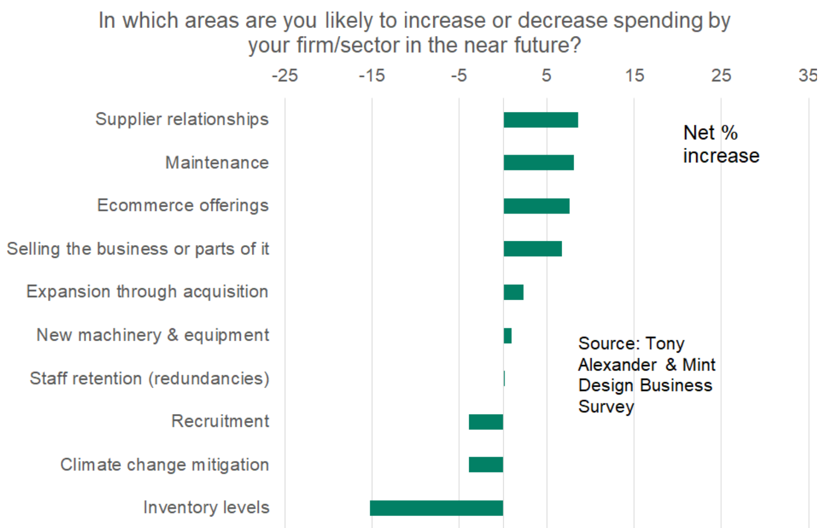


In which areas are you likely to increase or decrease spending by your firm/sector in the near future?

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 three top areas of spending intentions are the same as last month – retaining existing customers, development of strategy, and social media policy.

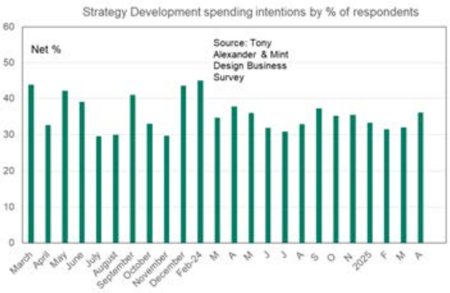


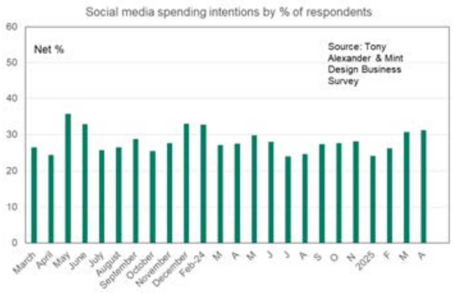
Businesses still plan to reduce their stock levels along with spending on recruitment and areas to do with climate change.



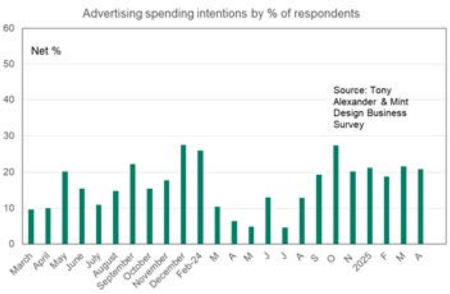
These next graphs look at how planned areas of spending change have been tracking since our survey started in March 2023.

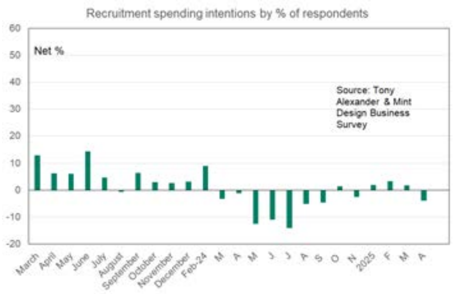
Development of a strategy for growth and handling the many uncertain factors which businesses must face these days has been a strong priority for the entirety of our survey period. Investing in social media seems to be attracting more attention.



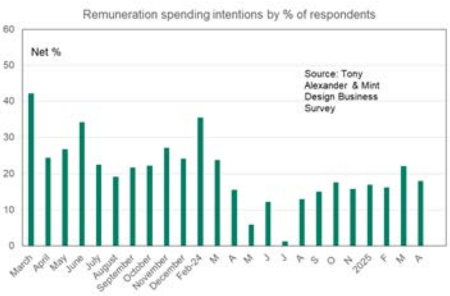


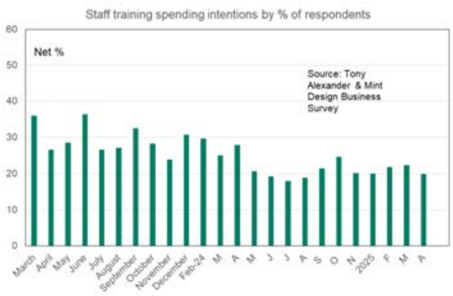
Apart from a bump up when interest rates started falling, we cannot yet say that the outlook businesses have is sufficiently positive that they intend spending more on advertising. Budgets remain constrained in this area. Worryingly from a job seeker's point of view, plans for spending on recruitment are now back in the negative.



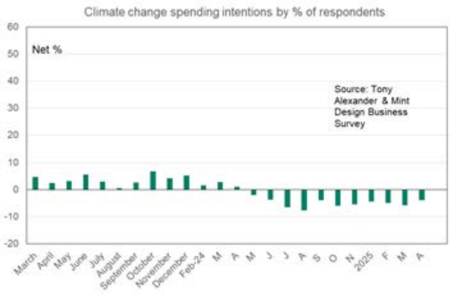


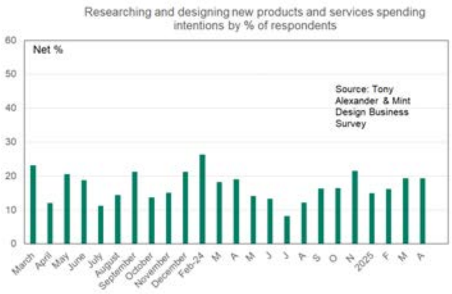
Similarly to the above, plans for higher remuneration of staff are not moving upward. Businesses do not perceive the labour market as likely to tighten up enough to warrant budgeting for much extra cost in this area. The same goes for staff training expenditure plans.



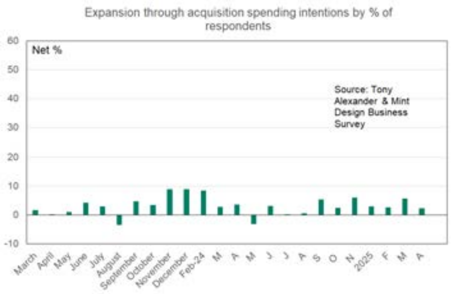


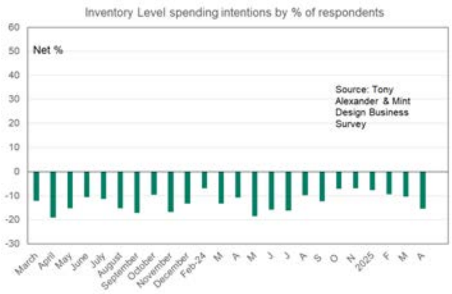
Climate change related spending receives very little attention and that attention is diminishing. New product design plans are not trending upward unfortunately.



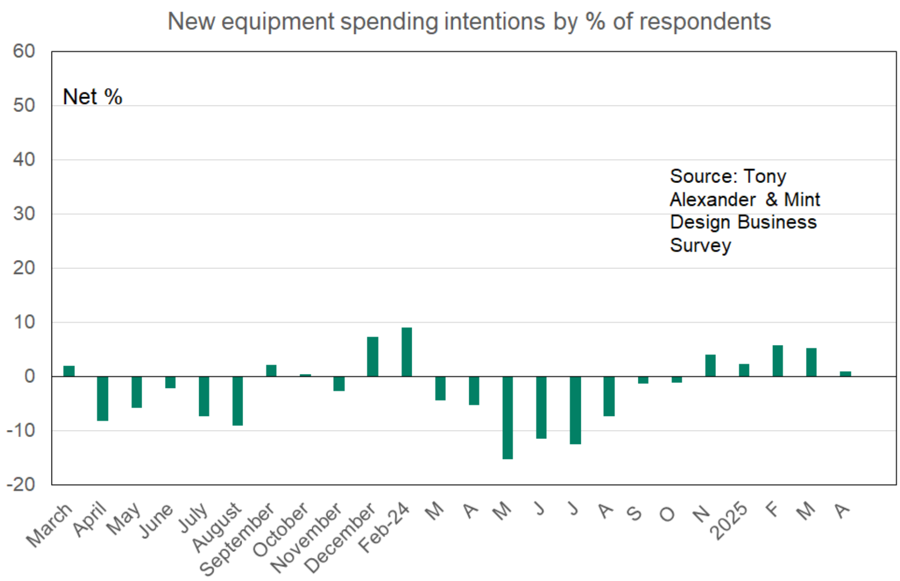


As yet the level of optimism about the future does not seem great enough to encourage firms to consider acquisition of competitors. In fact, optimism about what lies ahead is becoming so poor that earlier plans for inventory spending are being pared back further.



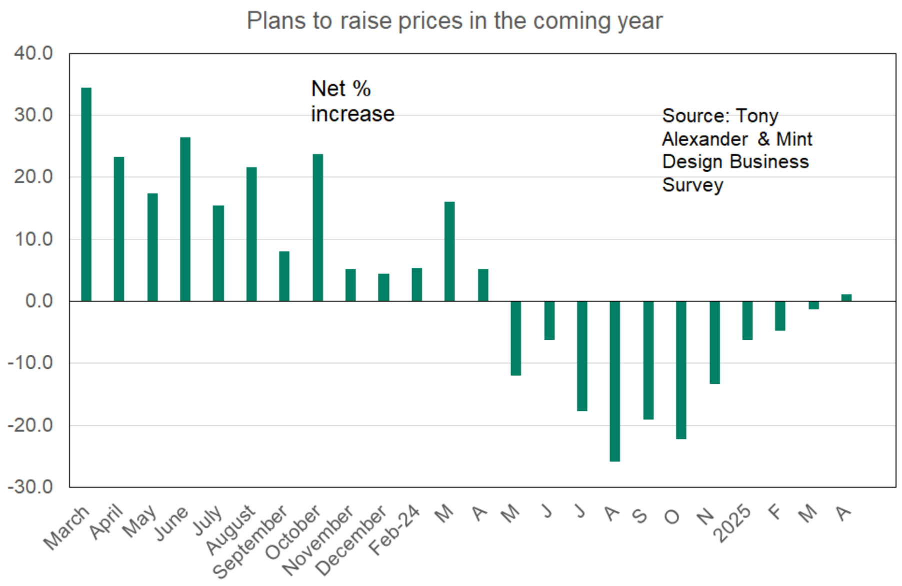


Most concerning of all, plans for spending on new equipment and machinery are being shelved amidst the many new uncertainties about what lies ahead.



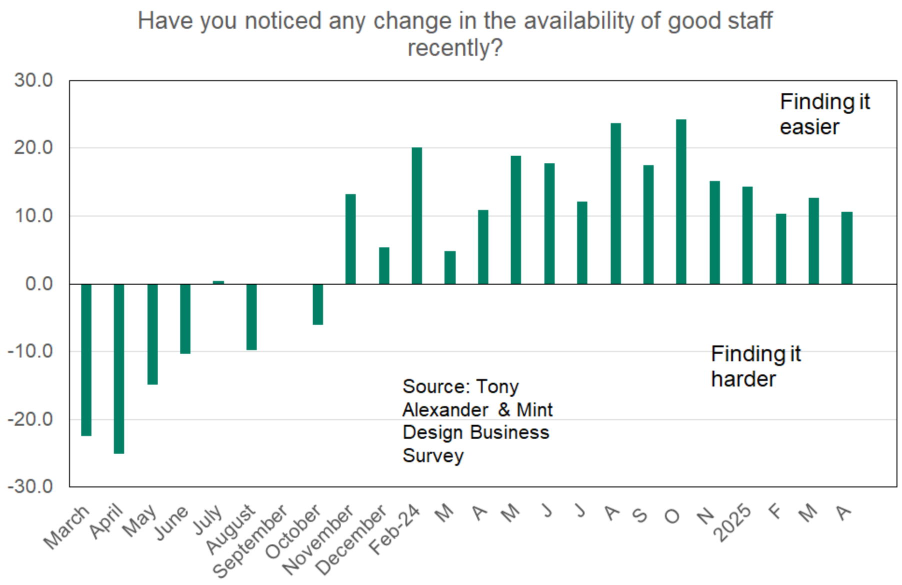
Are you planning on increasing your prices for any of your products or services this year?

A net 1% of our business respondents have this month indicated that they plan raising their selling prices over the coming 12 months. This is a low result. However, the trend in this measure has been upward since November last year and this tells us that despite the deterioration in economic growth hopes, cost rises are forcing businesses to plan for price increases.



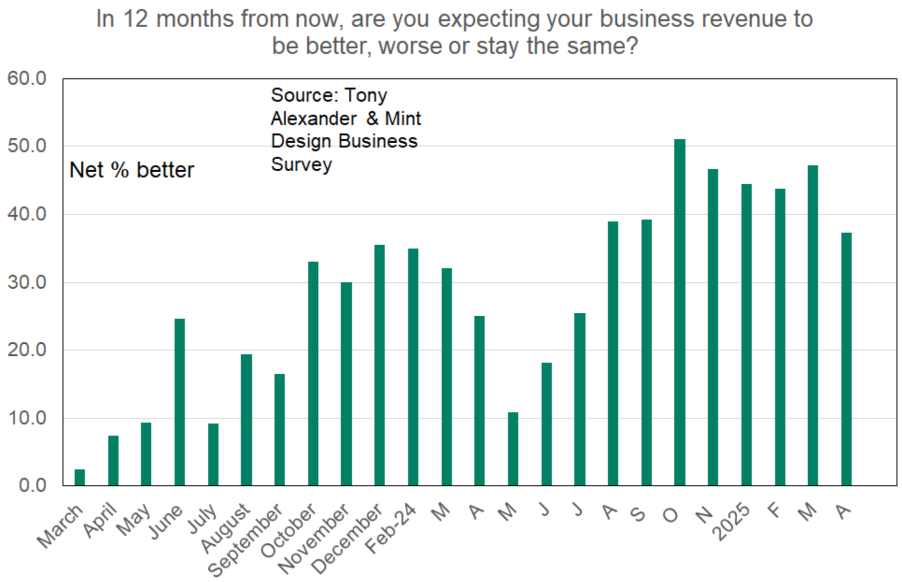
Have you noticed any change in the availability of good staff recently?

A net 11% of respondents have reported that they are finding it easier to secure good staff. This result is broadly consistent with others since November. Most firms are finding labour to be readily available. But it is clear from discussion with some businesses around the country that shortages definitely exist in many areas including accountants and mechanics.



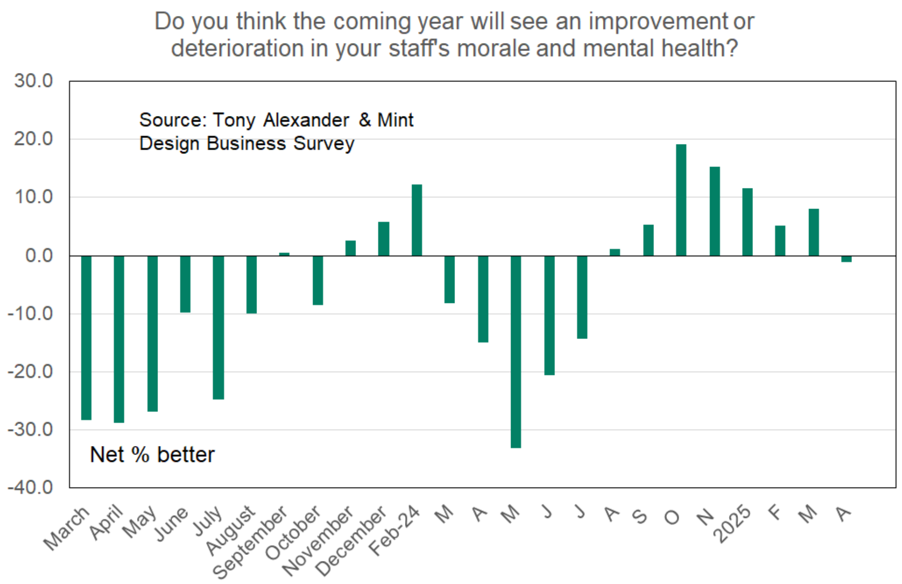
In 12 months from now, are you expecting your business revenue to be better, worse or stay the same?

There has been a decrease in the net proportion of businesses expecting their revenue to improve over the coming year to 37% from 47% last month. This is the weakest result since just before the Reserve Bank in July last year signalled that they would be cutting interest rates soon.



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

The deterioration in business hopes for the economy is seen in the net 1% of our survey respondents expecting staff morale to deteriorate in the coming year. This is down from the net 8% who last month expected improvement and again is the weakest result since just before the easing monetary policy signals from our central bank.



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.

- Costs continue to rise, and this is bringing more business closures as raising selling prices is difficult while customer demand still remains poor.
- New global uncertainties have cause some businesses to press pause on spending plans.
- Negative conditions still prevail in the hospitality and retail sectors as well as residential construction, real estate turnover, and tenancies.
- Despite the extensive public discussion about infrastructure, growth in the sector overall still appears weak and maybe negative.

Accounting & business advisory services incl. business broking

- Businesses have to be flexible & quick moving & not rely upon others to survive. Actual leadership from central government would be good
- Still taking a long time to get to buying decisions, even for high priority projects, which then creates a squeeze on delivery timescales.
- Certain clients seem more focused on professional fees so are sensitive to CPI increases being applied by for the work we perform for them
- Increasing costs.
- Overall steady as she goes. However, we are noticing staff are having unrealistic pay increase expectations.
- Lack of demand. Clients delaying purchasing. Uncertainty leading to a reduction in sales demand. Cascading effect of business failures with a resultant impact on cashflow by not getting paid due to bad debt.
- Customer demand for all my clients. For some of those clients the demand outlook is not promising.
- More uncertainty and global effects on business and general economy
- The most resilient businesses have good managers that easily adapt to change and embrace technology.
- Many clients are moving overseas in the hope of more money and better work/life balance.
- Destabilisation of the world economy, and world politically leading to more nationalism that leads to aggression.
- Competition dropping prices to retain customers. Overstaffed.
- Clients who have been tardy in paying us and tax are now catching up. The handout mentality from Covid seems to be wearing off and clients are dealing with their issues.
- Getting a little easier to hire new staff. Still a gap in the middle meaning existing managers above are feeling the pinch and stress. Customers less considerate likely because feeling the pressure.
- Lack of leadership in Govt
- Uncertainty relating to global conditions
- Clients have been struggling with low sales; however things appear brighter for the current quarter.
- I do not see AI having a major impact this year, but it will impact in a couple of years.
- General improvement in sentiment. Our price increases this year will be small.

Advertising & marketing

- Prior to tariff announcements we were seeing a growing optimism from clients. More uncertainty has paused implementation of marketing plans – hopefully only temporarily.
- Clients who are retailers are really struggling, and some have gone out of business. Have been hanging on for a long time and finally can't do it any longer.
- Hard to keep up with costs but also charge clients reasonably and fairly
- There are increased supplier costs coming through as legacy contracts come to the end of the term. We need to pass these on.
- We're currently seeing a significantly higher volume of applicants than we initially anticipated for our job ads, which offers an interesting insight into the talent market right now. It suggests there's a growing pool of professionals actively seeking new opportunities, possibly driven by wider market uncertainty, restructuring, or a desire for more flexible work.
- Service-based business generally have low barriers to entry, and our industry is no exception. I am seeing increasing competition from new entrants who have set up shop after leaving their job – either voluntarily or after a redundancy.

Banking and Finance

- People beginning to invest in replacing outdated equipment.
- Green shoots from the Ag sector. Aged receivables a concern in the business sector as businesses manage cashflow.
- Think we'll see a consolidation – getting harder to be a small fish
- Clients struggling with market volatility. Business not investing in new staff while they navigate these tough economic times

Cafes, bars, and restaurants

- Declining sales. Hopefully this year we start to see our customer count start to grow, after three very average years.
- Lack of disposable income stopping people from spending. We would love to pay higher wages so people can spend more but it's a revolving situation. Get paid more, spend more, companies do better from more spending with them which allows them to increase wages.
- Wages, COGS and regulatory costs all far too high now to maintain a profitable, healthy and sustainable hospitality industry. Frustrating also to see the US tariff economic chaos currently underway, knowing that realistically this will likely lead to a much deeper and longer recession.
- Very quiet shoulder seasons. NZ nationals unwilling to spend
- Our turnover has come up to about 60 percent of prerecession which is profitable without staff. Coffee bean prices are going up by $5 per kilo for competing brands. Our supplier is warning of increases as well which we will have to pass on. I'm hoping that the overseas turmoil will not scare customers into staying home as they watch their KiwiSaver balances get hammered.

Civil construction/infrastructure

- Lots of people pricing work. Council funding coming back but they find money too late in the financial year for it to be spent properly
- National and international sentiment causes reluctance to invest in infrastructure. NZ needs sustained commitment to replacing, upgrading and building new infrastructure. This includes sustained commitment to affordable infrastructure financing. There has been plenty of talk about this, but actions are still to follow.
- The government is not spending money on necessary infrastructure improvement and seems to have diverted funds to defence instead.
- We still have too big a pipeline for our workforce still a lack of technical expertise
- Lowest price wins contracts

Commercial construction

- Margins remain competitive as firms compete for reduced work volume. Good staff easy to find. Elevated bad debt risk. Capital reserve key to managing this part of the cycle
- There is a more positive outlook for increased development, but Government is going too slow to make things happen.
- Overseas trade war creating uncertainty. Customers nervous in making decisions to develop land and assets. Flat and stagnant residential market plus immigration also deterring development decisions.
- Increasing tender opportunities.
- A longer dip in business activity than anyone expected, and it will take some additional capital to get out of the current position for the business.
- There appears to be more front-end activity however there is a lot of uncertainty as to whether the projects will go ahead anytime soon
- Lack of govt leadership to lead the market in development

Commercial real estate

- The state of the economy is still impacting on tenant profitability and their ability to pay their rent and outgoings.
- Improving buyer and Tenant confidence. Investors still a bit cautious especially the uncertainty now created around the idiotic Trump/USA nuclear bomb which they have let off on world trade and if they continue or not down that hugely destructive path.
- More optimism from customers.

Education and training

- Demand drop off, Government to review the training process for our sector leading to uncertainty.
- Private ECE sector. A change in focus from increasing registered teacher wages at the cost of other stakeholders to one that is more laissez faire. Uncertainty around what sector deregulation will look like. Increasingly complex government funding rules and funding streams for the sector, including the new Family Boost subsidy.
- Many people are finding it difficult to afford private education
- If we relied on the retail side of our business things would be really tough. Concentrating on growing the training side is seeing us able to retain staff and ride out the economic downturn.
- I sense some in this sector are struggling and trying to attract customers with marketing techniques that will further decrease their viability.
- Govt no longer driving up wage costs. Demand is steady in childcare.
- Government cuts are having a huge impact, and more cuts are coming
- The higher education sector has too little differentiation between providers and students are generally sticking close to home to keep costs down and distance education is increasing with students having to work while studying to keep their future manageable. Business as usual rather than innovation.

Engineering

- Radically increased competition and devaluing of the fine service we deliver
- Seeing improvement but hard to see sustained recovery given the extra hoops and hurdles that have incrementally crept in during the Covid Frenzy.
- Uncertainty over declining work volume and future pipeline. Pressure on fee levels and profit margin.
- Limited new projects and highly competitive pricing environment
- Lack of customers spending
- An uncertain supply chain and continued flux from various sources in the marketplace!
- Tighter margins, trying to squeeze out more efficiencies

Farming & farming services

- Maintaining or enhancing productivity amongst staff is becoming more and more challenging
- Input costs going up. The recent notification from our electricity supplier is for our annual cost to increase by 27%.
- Very up and down demand. No sign of a steady improvement yet
- Ag sector confidence was building but with the tariffs and exchange rate yo-yo things have gone quiet and confidence has dropped
- Concern regarding the economic impact on New Zealand of USA tariff changes and general policies.
- High input costs eroding profit.
- Uncertain regulation, fear of impractical & fiscally fatal regulation, good prices for sheep & beef – supply & demand effect, uncertain global response to USA affecting export markets on the horizon, increased costs for rates, insurances, fertiliser etc. Very dry conditions, but rainfall is starting to come, which will lead to better pasture/feed supply for the stock in time.
- Limited amount of farm development/ maintenance work so very competitive and squeeze on margins.
- Grape Growing for wine – New USA Tariffs, cost of living, glut on market of wines, dumping of European wines on NZ Market all has an effect on the local market to make wine.
- Horticulture/Viticulture – Thanks to global politics and tariff warfare, the level of uncertainty is off the Richter, and this is causing our clients to push pause on capital spend. Last year was bad enough- this year will likely see a harder landing for our business than we experienced during the GFC (which- as a capital goods supplier- was very hard indeed- think 70+% down). The next few years will certainly sort the wheat from the chaff in terms of who is committed to the long haul and who is ready to call time- the last 5 years have been challenging enough in our industry, the next five will likely be "next level"

Financial advice/wealth management

- Increasing insurance premiums are leading to slight increase in client loss. Regulation still impacting business due to extra workload.
- Biggest issues are uncertainty with the US and the impact in the New Zealand economy over the short to medium term. Be great if they could get their act together and create some certainty moving forward.
- Consumer still hurting and cutting back where they can or cancelling altogether
- Continued focus on costs and investor returns.
- Uncertainty around effect of Trumps tariff proposals on investment markets
- The lack of confidence in the financial sector. Clients are nervous when share markets are volatile.
- Financial markets are very unstable economically and the threat of wars
- Capital markets are in a state of flux – both on-shore and globally. Slow (halting) decision making on capital projects / investment will manifest in slowing GDP growth.
- Financial pressure on people and businesses with the sustained cost of living increases and high number of redundancies within the government sector
- Uncertainty, geopolitics and impacts to wealth.
- Uncertainty is driving everything. It is insane!

Health

- Veterinary practice – a shortage of vets.
- A lack of government / Callaghan support for my start ups. Everything seems to be on a slow slippery slope. Lack of Govt clarity on supporting productivity.
- No leadership to seek increase in wages for disability healthcare service providers
- Reduced profits due to increase in wages not being able to pass on increased costs to consumers.
- Optometry – Business has bubbled up in April- buoyant times!
- Pharmaceuticals -More perceived value in the importance of medicines, given NZ is ranked at the bottom of the OECD for access to new medicines.

Information technology

- Tightening of the belt. Maximizing output/value for money spent.
- Spending in sector stagnated, but shoots of optimism are always round the corner
- The trend line is going in the right direction since early Sept 2024, this is not a dramatic move but is in the right direction
- Trump's behaviour is having a negative impact on business confidence just as it felt like the economy was getting started again – this will impact revenues negatively again...
- Most of our business is offshore and most of our growth is also offshore as we have developed a SaaS product that is geography agnostic. Hiring skilled staff has become easier more recently, which has improved growth capability. The trade Tariff wars are likely to have a downstream impact though. Banks won't lend to SaaS companies, and don't price/value – so funded growth is all though introduced capital.
- AI starting to become very powerful and both a threat and an opportunity
- Work for a health IT company. The government's funding cuts in health mean we have barely any projects with DHBs now. There used to be a lot of project revenue from NZ previously. Our business is growing well in AU which will keep things going well for the company
- Struggling to connect the promise of AI with business usage and impact. Working in a space that requires confidence in reporting, auditability is a big driver in innovation and client needs for new technology like Harmoni. Showcasing real-world examples of innovation that is free from any smoke and mirrors is critical.

- We pride ourselves on being the best standard in the industry, which comes at a cost (more people, more tech etc). I'm starting to notice clients saying they would like the best but can't afford it in this environment, so they have to make compromises. In the safety world that's not ideal and in 10 years of business, I've never heard that or had to buy business but we're having to face the fact that this year, we'll have to reduce our margins and run some special sales campaigns to retain and replace revenue. We do a lot of work with Local Government, and they are being audited for spend so are all reviewing what's necessary and what "will do".
- It's tough to get new leads and when you do price is always driven down to point of no margin
- Generally seeing projects and works for customers getting moving again. I feel like that quote "Survive To 25" became a mantra that drove behaviours of kicking the can down the road. Customers that delayed works are now seeing the same thing costing more and regret not getting on with it last year. Financial prudence is a good thing, but that mantra above I feel encouraged companies to hunker down that perhaps did not need to…
- Government organisations are resuming or trying to resume work that were put on hold in the last year.

Insurance

- Everyone is still doing it tough, people's cashflows have really taken a hit, and even with some interest rate relief, it's still not enough. The cost of living remains high, and many households are just trying to keep their heads above water.
- Client financial stability
- Customer aggression to employees if outcome is not what they want
- Small business owner clients are struggling with lack of work and are having to make staff redundant, and their revenue is down
- Increasing competition and lowering prices. Companies looking for growth and therefore pressure on pricing will follow.

Legal

- Client uncertainty over NZ politics and cost of living/doing business
- The uncertainty in the economic and geopolitical outlook restricting demand and impacting profitability.
- Lower interest rates have spurned a bit of interest in property market

Manufacturing (all categories)

- Decreasing demand
- Definitely seeing more activity. All external lead measures are up. Will be a slow grind back, and concerned about bad debts / smaller customer stability (many with evident cashflow issues), but it's definitely moving in a positive direction again.
- We are finally starting to see customers buying behaviour improving. For a long time people have been "looking" but there are definite signs that these customers are now wanting to purchase which is great. It will be interesting to see if this confidence continues with recent events in the USA.
- Steady demand most markets, domestic very weak, and strong USA demand but a lot of uncertainty around tariff impact.
- Big spend items are very low in demand. Within our range of products sold, the consumer is purchasing more mid to low end. Our more commodity-like products are also having the effects of low demand and all the retailer sales that are going on are not having much of an uptake in volume.
- Customer confidence taking more hits (Trump Tariffs) – a lack of Govt leadership and direction in giving public confidence – Reserve Bank acting far too slowly in a recession – Media far too negative and talking down the economy. Going to be a long hard winter.
- We are a manufacturer of steel buildings. The low NZ dollar is making an impact on base costs and ultimately this is feeding through to our product sale price. Select industries that are export based may benefit from the low NZ $ but the bulk of trading businesses in NZ don't export their goods. Unfortunately there is no real practical solution to buying materials locally as that horse has bolted and the items we use in our manufacturing are no longer manufactured in NZ. There appears to be an "air of optimism" reported in MSM – but our guess is that businesspeople (who by their nature are generally positive thinking individuals), are thinking that because the economy has been flat for so long – that then by default it must be about to improve… However we are not really seeing that as yet.
- Low customer demand and low price expectations. High input costs – especially electricity which is significant in our industry. The impact of the "Liberation Day" tariffs and the effect they will have on the global economy.
- Uncertainty
- Customers struggling to get enough work to keep them busy.
- Still a lack of new homes being built despite reasonable consent numbers.
- Currently retail demand on an annualised basis is flat, dead flat. Did show some signs of life last Nov/Dec but then nosedived in January & crawled back in Feb/March. It's a tough consumer market at the moment.
- When sharemarkets crash people feel less wealthy and tourism into NZ decreases or they spend less when they are here. Trump might have delayed the recovery in tourist numbers.
- Australian companies under financial pressures looking to create and expand operations in NZ. It's an obvious transition to observe. NZ Govt needs to access the Trans Tasman balance of trade from Banks, Food, transport, to Chemists etc.
- My trade clients rely on reliability of supply, and at the moment this is our greatest concern

- We have new suppliers knocking on our door trying to incentivise us to jump ship. Pays not to get too comfortable with your current customer base as competitors are ready to offer better terms. We moved to few new suppliers that approached us last year and cost savings along with service they have provided has significantly improved our bottom line. This showed us it isn't always about chasing more sales but looking for efficiency's that are not realised.
- Business as usual. Reactive. Never proactive. Easy job. Groundhog day. We are led by deer. Fearful. Cowardly men.
- The tariffs will affect our business, lots of unknown and uniseriately out there
- Still finding things tough and the I don't think we'll ever see 2022 levels of spending in the construction industry in the next few years. Focusing on new markets and opportunities while maintaining positive cashflow over the next year will be key. Some positive shoots coming through which is encouraging, however the pull of Australia is increasingly stronger especially if a sensible government is elected in May.
- There were signs before the trade war kicked off that inbound tourism numbers were going to drop, and this could now be locked into people's behaviour until the whole sorry mess is sorted out.
- Volume has been steady, better than the industry overall, but value is lower due to customers going with cheaper options
- Financially optimistic business owners leaving New Zealand to be with their tribe.

Miscellaneous

- The weak NZ dollar makes import of food product costs higher for our consumers
- Business Brokerage – A difficulty for business to maintain profitability with increased compliance and inventory costs and wage increases needed for staff retention. Worries about the global economy and the negative effects from Trumpism.
- Business services (commercial laundry) – General slow down in the economy has directly impacted hospitality / accommodation sectors which in turn impacts us
- Commercial and residential property services – The recent uncertainty driven by tariff introduction is very unwelcome as 2025 had started to show green shoots. Yikes!
- Commercial property and investments – Agricultural investments doing very well. Commercial property in central Auckland struggling.
- Entertainment – There are major concerns from many business owners I speak with about Trump's Trade War and the deteriorating geopolitical environment. Just when NZ was trying to emerge from its downturn, we are about to get hit with yet another shock.
- Equipment Hire – No government spending for infrastructure projects
- Film & Television – Complete lack of NZ funded, and Studio funded projects coming down the pipe.
- Film / TV & TV commercial production – international & local – Global uncertainty translates to US film studios (e.g.: Netflix / Apple / Sony Pictures etc) nervousness / fear of commitment to bringing large scale filming projects to NZ, plus local economy downturn translates to reduced advertising spend, so less tv commercials being made.
- Franchise sales and support – Migrants of 2-5 years wanting to get out of their unpleasant jobs and aiming for their own small business in order to get better quality of life and earnings.
- Industrial plant and equipment – Increased rate of expansion into Australia, NZ seems to have reached a plateau for the moment.
- Landscaping and grounds maintenance – Taking deposits upfront and progress payments on work, mainly existing or returning customers.
- Mixed, retail, wholesale, manufacturing and glass services – Our staff know that times are tough, and they worry like we do. The instability coming from the USA affects our supply chain. Raw materials come from China mostly and then manufactured in the USA. Very nervous about the future. May be forced to change to getting product out of China but this is so much more challenging.
- Renovations – Increased foreign imports.
- Residential house painting – Suppliers increasing their prices again, bringing our prices up slightly from a low point since August last year.
- Service. Really up and down. Staffing is a constant issue.
- Supply & Install Garage Doors – Residential & Commercial – Retro fitting and repairs are the business right now, new builds are scarce. Customers are shopping around more than normal. Repairs are now rarely done on the first visit, repeat visits are more travel time. Considering charging a call out fee to assess, although at the moment no competition charges a call out fee to assess.
- Trades – Glazing – Very aggressive pricing from large opposition national companies which is making it hard for us to maintain margin, the big companies seem to be racing each other to the bottom and in turn is hurting everyone else along the way!
- Tree Services – A combination of slowed construction and the cost of living crisis has really struck our industry. It's a fight for every dollar; I wonder how much longer we can keep on keeping on?
- Veterinary – Consolidation in veterinary practices, less willingness from animal owners to spend.

Mortgage broking/advisory

- Still too much red tape, banks need to earn their banking licence by providing level playing field to all channels.
- Slow progress in confidence

Motor vehicle sales/parts

- Automotive repair – People don't have spare money, further interest rates cuts are required to give household relief.
- Offshore developments have slowed demand
- Wellington seems to be doing it harder than other areas
- We're an import business, so low NZD has great impact. Also, general business / consumer sentiment obviously has a large effect on revenues and profitability. The higher input costs in terms of labour, compliance and interest means margins are consistently squeezed, which is compounded when faced with lower NZD.
- We are at the start of a growth cycle however current geopolitical concerns may impact the speed of recovery.
- Automotive parts into the collision repair market is still very tough, somewhat due to overall activity being down but largely due to sector specific factors. A lot of uncertainty and change happening with insurers consolidating, and new trading platforms utilizing AI entering the market.
- A marginal increase in enquiry from Rural sector. Lots of talk about new Chinese brands coming into NZ and the possibility of cheap product being dumped here with the Tariffs being introduced by the US

Printing & packaging

- Anxiety and stability concern
- The Wellington market is very quiet, other areas are seeing pockets of improvement but nervousness that the US tariffs will put paid to any gains made.

Recruitment

- Both candidates and other recruiters are saying there has been little change in the job market in 2025 to this point. However, I do feel we may start to see an uptick in activity before the end of 2Q.
- Following a good start to the year, the international economic situation has put the brakes on businesses expanding and taking on new staff. Projects are once again on hold although there continues to be a demand for staff in the "blue collar "occupations such as flooring installers, wood doctors and miners.
- Engineering recruitment is still a battle for most, however, there have been some signs of improvement pre the US tariff debacle…now it's anyone's guess. The government better start "really" opening the purse strings otherwise we may be in for another tricky 12 months. Things should pick up if the global shocks drop off.
- Businesses are not recruiting; they are muddling through with the staff they have and holding on to their money. Things are tight.

Residential construction incl. section development

- Building materials Supplier – Very slow recovery, really just holding our own. What green shoots?
- Property development – Very tough conditions. Huge disconnect between media and reality on the ground for the worse.
- Customer taking longer to come to final decision, delay in signing contracts.
- With the reduction in interest rates, we were seeing more activity and had confidence in a good recovery this year. However, tariffs have thrown a real curve ball in, and we are now playing it safe, cutting back on costs and trying to run a lean operation as not sure where the market will be in 12 months.
- I am waiting for a buyer so I can clear the debt and start fresh.
- I have recently terminated a contractor for poor performance and cost. His attitude was bewilderment that I would do such a thing. Some people expect the world owes them a living.
- It's chaos. The government is ignoring all advice in order to make decisions to help their mates. That is leading to huge uncertainty and will undoubtedly have negative outcomes in the medium to long term. Leaky Homes 2.0, here we come!
- The market is flat.
- We manufacture and supply joinery items to residential new builds. Market is still slow but has appeared to even out, and our orders in over the last few months have been tracking back towards budget. We think that over the next few months we'll get on track or ahead for sales. A lot of our growth is coming from expanding to new regions, not necessarily a lift in the market size. We are still seeing about 22% of quoted projects being cancelled, which is higher than historical of around 15%.
- Still very tough in residential building, not helped by local council incompetence on not keeping up with essential infrastructure
- Good availability of land (In Hawkes Bay). Councils are still hard to deal with. Prices are stable.
- Inquiry for new builds has improved, but is taking time to take to contract
- We won't see any momentum in new residential builds until real estate prices start to show steady increases. Gap is too big between existing prices and new build costs
- Interest rates are dropping, but customers don't know if they will keep their job, and what is going to happen internationally and the effect that will have on us.
- Uncertainty of improvement in demand in the light of American led economic volatility. Now thinking it's "survive the dive in 25". Minority shareholder in Hibiscus Coast carpet/wood flooring business. With last 6 months pretty much hand to mouth – trading to retain key staff.
- Urgent need for Government Projects to get started. The engineering and construction sector is being decimated by government inertia.
- Based in Wellington. Currently, clients are being very cautious before committing to spend, but there are leads out there. Conversion is the issue. There is a sense that optimism is returning, but who knows what the American developments will mean. Fingers crossed that we as a country, and we as a business, will be able to weather the storm and get through it.

- Over regulation by Government and Local Authorities.
- Uncertainty on a global scale is playing a part for clients and their decision process, on how to plan for the future.
- Continued cost escalations due to increased processing times, increased regulation and increased compliance from the territorial authority. This has squeezed our margins to the point where it is very difficult to build profitable housing at a sale point that the market will pay.
- Busy here in Selwyn
- Council overreach
- Availability of contractors has increased
- Huge unknown in terms of customer demand. Continued falling margins to win business. Highly competitive.
- Customers that were finally looking to move forward have gone back into a more cautious mode since the US tariffs and are less motivated to move forward.
- Consumers still nervous, job security still most concerning, now tariff talk increasing uncertainty, neutralizing any positivity coming out of reduced OCR rate.
- Architecture – Consumers are taking too long to make final decisions, and we cannot account or factor in the standard of ethics from competitors e.g. heavy discounts to secure work as they appear to be low on cash. As we try to phase out of lower pricing to incentivise faster purchases, we notice the competitors who still operate this way.
- Builders have many projects on hold

Residential real estate

- We are very upbeat in the boutique aspect of our business
- Negativity at all levels, agents leaving for other sectors, lack of buyers and vendors leaving overseas
- We're property related. We're seeing inventory levels high, with certain sectors such as town house and apartment sales being very slow. Interestingly, we're seeing developers who have had inventory off market for 2-3 years, are now bring it to market. Pressure from Funders?
- 2025 looks like another hard year in Real Estate
- Oversupply of stock in the marketplace
- Mid range properties selling well, while higher end properties are taking longer.
- Still a Buyers market with plenty of choice, first home buyers the most active.
- Buyers have a lot of choice, slow to decide
- Tough times ahead
- Lack of buyers – huge sales downturn
- We offer pre purchase house inspections. Banks are now requiring reports for almost all house buyers, even if borrowings are minimal... Red Tape !
- Challenging real estate market and concerns about the current US political impact on markets
- Residential real estate in Christchurch is lucky in that we seem to be insular from what is happening in the Auckland and Wellington markets. We are 'steady as she goes' at the moment and hoping for a lift in our business income as confidence continues to grow in our sector in our region.
- The key things I am seeing in my business/sector at the moment is a lack of confidence in the market moving forward. People across all sectors are struggling financially and they appear not to have the confidence that their personal financial situation is going to improve in the foreseeable future.
- Ability to be busy in any market, it's what you make it. Some concerns about the impact of the global tariff volatility and the subsequent economic consequences.
- An increase in buyers attending open homes.
- Challenging times are here and more to come
- Some very financially stressed Vendors out there!! Buyers quite happy to shop till they drop!! No hurry to commit.
- Lack of commitment
- Implementation of AI saving time for repetitive processes
- Hopefully we will see some stability and an improved outlook for the NZ economy within the next few months leading to improved buyer confidence in the real estate market.
- Rural and Lifestyle Real Estate – Stress levels are higher. The competition is becoming more aggressive and pushing the line of not looking after vendors interests. Vendors are tougher and resistant to meet the market.

Residential rentals/Investment

- Tenants are more difficult to find and holiday park staff as well. Tourists who were back now might stay home with increasing global dramas.
- In the rental market with 600 odd tenancies. Slightly concerned there may be an oversupply of apartments in Christchurch as many apartments are currently being built. However a lot of new ones will be less desirable due to no parking and very small in size
- Still very busy in Queenstown
- Tenants more demanding and asserting their rights, even when they are wrong. Diminishing returns as rent increases will not cover the increasing cost of Insurance, Rates, Repairs and maintenance. DTI ratio will limit capital gains, and the yields are so low as to make residential rental investment unattractive.
- Many are sitting tight or thinking about selling all/part to retire or avoid unfavourable government polices
- Dead in the water and no sign of land in sight
- Shortage of good tenants, issues with people paying rent
- Hoping demand for rentals homes will pick up. Concerns around funds being worth less no future strategy for improvements at the moment because of that
- Drop in demand for residential property rentals and sleepout rentals. Anecdotally because of so many younger people who have headed off to Aussie.

- Oversupply of rentals, which may push prices down
- Pressure on staff. They are dealing with clients who are under pressure and my staff need to manage this stress.
- Buttoning down the hatches as a storm is coming
- Its harder to find quality tenants quickly. We're working with tenants to move them between properties, offering additional services/renovations/improvements, to ensure we achieve a result for owners. Once we have the tenancy contact, we don't want to lose them. Owners are beginning to spend again on their properties.
- Supply of rental properties is increasing, rent increases are reducing.
- There was a shortage of rental properties a year ago, and finding good tenants was easy. That is no longer the case, and we are having to be a lot quicker to reduce rents to attract discerning tenants. The hard part is explaining that to our owners who face increased compliance costs around Healthy Homes compliance.
- A steady sell off by other investors of their residential rental stock
- Lots of opportunities about, just require capital.
- Rates and Insurance costs well above inflation and rental prices
- Cost increases from local and central govt especially rates above the rates of inflation
- Property being used as a political football. It's good that we have clear and better direction for landlords and tenants under the current government. We just need a steady run of it, which then gives us more certainty to reinvest in our properties for our tenants.
- In residential rentals I am seeing less tenants applying for houses.

Retailing

- In the Manufacturing and retail space. Constantly fighting cost increases from major suppliers. Margin being eroded quickly and at the same time we are finding it harder to keep customers without offering specials. Going to have to look at increasing prices soon and hope people continue to purchase based on brand loyalty
- Margin erosion due to competition from Aussie retailers
- Fashion retailing – Cost of importing higher due to USD, we have to pass it on as we have no capacity to absorb it. Sales down since mid-Dec except for major discount weeks. Getting pretty dire and talk of global recession thanks to US trade war is spooking everyone. We don't seem to have got out of our own 2-year recession per capita yet.
- A slight improvement with customer inquiries, but still customers are looking for the cheapest options and generally seek to repair what they have rather than purchase new.
- A lot of negativity driven mainly by the media
- Been focusing on business fundamentals and setting up for success when the recovery comes for some time now. Huge uncertainty into the mix with global developments over past few weeks. Continuing to base plans on the former but who knows what is coming next. Trying to spend less time doom-scrolling trade news!
- The public needs to be happy interest rates are better and fix, then move on with living!
- Increased competition is significantly compressing our margins, a trend that is likely to continue. While we observe considerable consumer spending, customers are discerning and will only invest if the value proposition is compelling. Therefore, proactive engagement and preparedness are essential daily. Foot traffic patterns remain variable, fluctuating between quiet and high-volume periods.
- Economic depression.
- Rising cost of goods due to low NZ dollar and slow improvement in economy
- Higher costs, less customers
- I sell hobby supplies and sales have dropped to lowest in many years, average sale value also significantly down, my goods are discretionary, so buyers are simply not buying as much.
- No better than last quarter of last year – no real evidence of recovery in customers spend. Still surviving not thriving mindset!
- Slow sales
- There's a general apathy around spending and decision making at all levels and sectors. Trump's derailment of the world economy couldn't be timed much worse. Time to see how resilient we can be (again!) I guess
- We are fashion accessories wholesalers more and more shops are closing or waiting for leases to end. The likes of Temu and international websites are causing a lot of pain for NZ retailers.
- More customers looking online instead of instore
- Consumer confidence improving slowly. Seeing slightly more transactions year-on-year.

Shipping, transport, storage & distribution

- Logistics is very flat, profit hard to come by and competitors prepared to underbid just to get the work…is race to the bottom. Not much sun on the horizon.
- Demand better than expected. Unsure of the effects of the US worldwide tariffs
- General market volume is very low. Ocean Freight prices are consequently very low making it very hard to make margin. Silly behaviour by competitors in under-pricing to win work.
- In short, more "Cowboys" within our industry that don't necessarily comply with the regulation within our industry. I would like to think with this Government that this will be addressed in time.

Tourism & accommodation

- We are a quality commercial accommodation provider. Our biggest threat is Airbnb in that they are able to operate without the compliance costs and commercial accountability that we face and are able to advertise widely through Expedia and Booking.com and act without the local councils bringing them into line as they all could, if they imposed the rules of The District Plan
- Struggling SMEs – tourism is not what it was pre-COVID no matter what the government says – we are at the coal face. Compliance for council is the most challenging part facing the business currently – councils are out of control
- Demand for our products, particularly in the North Island has all but dried up. The South Island has some opportunities. We are actively pursuing developing offshore opportunities. The volatility of the low NZ$ dollar is making it hard to compete and price our projects.
- Ongoing lack of demand during winter and overall decrease in demand as a result of the recessionary economic environment.
- Still uncertainty around domestic travellers and cost of living pressures – anticipating the US tariffs and politics may cause lower growth especially domestically over the next year and possible increases (or less decreases) in interest rates which will continue to hamper domestic spending. Outlook for high season and internationals still looks positive with the low dollar making NZ more attractive for international visitors
- Concern about the economy and domestic demand. There is still a reluctance by kiwis to spend. This is an issue in our off-season. we are also watching with concern developments internationally. International demand drives our business and industry and any signs of a reduction in this would be a major concern for a recovery and even survival for many businesses.
- Increasing apprehensiveness from international visitors – North America and Europe all due to the uncertain economic outlook in those countries. However, increased enquiry from Australia, NZ potentially a less risky option. Domestically, demand is soft with clients looking for concessions.
- Significant drop in nightly stays at our short term holiday lets. We've had to drop prices and reduce the minimum number of nights (which increases our servicing costs) to attract more guests.

Wholesale

- Customers are struggling and many are trading on the edge of insolvency.
- Slight lift in Q1 volumes over expectations.
- Building hardware – Weak consumer demand from our retail customers – margin weakening.
- Wholesaling imported electric bikes – potential supply change disruption due to Trumps tariffs, consumer uncertainty hence low demand.

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

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