Input to your Strategy for Adapting to Challenges

Feel free to pass on to friends and clients wanting independent economic commentary

ISSN: 2744-5208 Tuesday 20 July 2021

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.

Deepening problems with staffing and supplies. Costs rising

Last week I sent out an invitation to about a quarter of the people on my Tony's View subscribers list inviting them to give insights into what is happening in their business sectors at the moment. The responses show the following.

- Availability of staff has become an even deeper problem.
- Supply chain problems have worsened, pushing timetables for work completion out, raising costs, and requiring changes in work practices.
- Frustration with government regulations and unfriendly attitude towards businesses appears the same as in previous months.
- Noticeably fewer investors threatening to sell their properties.
- Still strong demand in residential real estate with anticipation of an uptick in spring, though with mild wariness regarding rising interest rates.
- Planning is very difficult in the infrastructure/civil construction sector due to government cancelling projects and high uncertainty regarding timing of many.
- All aspects of the construction sector are very strong. But delivering difficulties are deepening.
- Strong retail demand but products hard to source.

Comments are grouped in the following categories

Accounting & business advisory services incl. business broking
Advertising & marketing
Banking and finance generally
Civil construction/infrastructure
Commercial construction
Commercial Property Investment/Real Estate

Education and training
Engineering
Farming & farming services
Financial Advice/Management
Forestry
Health
Horticulture incl. viticulture
Hospitality
Information technology & telecommunications
Legal
Manufacturing (all categories)
Miscellaneous
Mortgage broking
Printing & Packaging
Property investment
Property Valuation
Recruitment
Residential Construction including section development
Residential Real Estate
Residential Rentals
Retailing
Shipping, transport, storage & distribution
Tourist accommodation & attractions
Vehicles

Accounting & business advisory services incl. business broking

- Rising costs in businesses.
- Additional admin work.
- Very busy, clients are very busy, IRD is very active plugging holes all the time, and adding more red tape, and creating extra work for taxpayers and accountants, and more vagueness, using inexperienced staff, and more difficult to work with over even simple things.
- Seems to be going ok. I'm a one man in call CFO operator and generally business is ok.
- This is the busy time of year for us with everyone wanting their annual accounts and tax returns completed. Our clients all seem to have come through Covid well and we are prioritising clients who require reports for lending.
- Exceptionally busy, lots of forecasting, high urgent demand from customers for all work, difficulty recruiting quality staff.

- Difficulty in sourcing extra experienced staff. We see our clients struggling to get enough workers to cope with demand for their services. Huge stresses on management and owners to cover for lack of staff. A seemingly complete lack of understanding from Government of how constraining the lack of staff will be on business and their ability to earn profits and pay taxes to enable the social policy to be delivered.
- Banks wanting more information before lending money. A lot of our hospitality clients have done much better in the last year than expected.
- Investor mum and dads are staying firm, but very interested in information given by government. Business owners especially those in the construction area - very busy with long pipeline of work. Economy seems stable to me, not wildly different to last year but a lot more confidence in the future.
- In my opinion, my clients are struggling to come to terms with the new economic reality of limited resource post pandemic. They are focused on growing revenue (which requires more resource) when they should focus on growing profitability, which requires them to consider profit contribution by product type or customer group. And thereby make best use of the resource they currently have.
- Plenty of buyer interest but shortage of stock to sell. Businesses suffering with staff/labour shortage.
- Delays in getting imported goods is impacting on business flow. This is impacting the bottom line.
- Strong 2021 profits coming thru for well run businesses (non tourism or hospitality) as we complete their accounts including lots of building related companies. Wage subsidies key component of this, the Covid "bounce" effect in play i.e. sales effectively weren't affected by Covid lock down, just delayed to the later part of tax year.

Advertising & marketing

- Difficulty finding good quality staff, lots of staff movement post covid year.
- Demand is remaining strong but with a focus from retail clients on advertising higher yielding products.
- Steady enough, a little quiet but I put this down to the winter season.
- In B2B research our findings indicate supply is the major concern, effective personal supply communication (as opposed to automated) differentiates the good supplier from the not so good. The role of the rep appears to have the most impact relating to communication. The rep's role in the effective companies has moved in this post Covid area to supply planning support, as opposed to business development.
- Australian clients are more cautious than Kiwi ones at the moment with marketing and advertising spend.

Retail clients have real concerns about availability of stock from China and also how to pass on rising costs of freight and other factors.

- Have seen increased spend on digital marketing such as Google ads and while some clients are more confident, they are also wanting more tracking and reporting on advertising which is driven by a combination of increased caution and also a tightening up of business practices.

Banking and finance generally

- Increased enquiry for business vehicle fleets and replacement, high demand for used utility vehicles due to new fees on new vehicles. A lot of debt consolidation as people chase a lower repayment rather than a lower interest rate, will bite the budget in the long term.
- We do asset-secured lending to business customers (and operating leases). Major banks seem to have reverted to the cycle of lesser interest in asset finance (possibly as a result of the Reserve Bank restarting their increased capital requirements previously stalled due to Covid. The demand for lending has increased this year but I do think that there's a lot of money out there looking for a home, so interest rate competitiveness is there, preventing any lifting of rates to match increased cost of swaps to fix the 4- & 5-year fixed rate lending that we do. Overall business growth is going strongly for us though.
- As a specialist property financier we're seeing residential construction is booming and we're beginning to see the supply side constraints impacting build times and costs. We're also beginning to see issues arise due to people getting into residential development who don't necessarily have the skill or experience to navigate the consent/build process. As is common knowledge, there are lack of skilled construction workers/builders which is creating inflationary pressures which in turn is impacting margins especially on fixed price build contracts.

This is leading to an increase in 'delays' from the developer which we can only interpret as a desire to allow the sunset clause to take effect so they can on-sell the property at a higher rate than the original contract.

- On the positive, as price inflation continues to cool, we're starting to see finance contracts settle earlier than at the same point last year when people were financing projects but then holding out for prices to continue to rise. This has created more certainty around the exit for residential finance agreements and is ensuring we're able to recycle money into new projects sooner which provides improved liquidity for us as a specialist property lender.

- Our clients are more profitable than they expected to be. Take out the known struggling sectors of overseas education and tourism, and client business is performing strongly. They are keen to manage cash carefully, so although there is underlying confidence, there's also a bit of residual nervousness. Professional services firms chasing talent. Big players are able to offer large salaries to attract staff. Drag on economy from government regulation. Business understands importance of AML, but the cost on intermediaries such as finance companies and banks and other players to get the watertight system that the ivory tower dwellers in Wellington require is a deadweight drag on the economy.
- Slow down in personal borrowing requirements / less enquiry. Longer term rates moving upwards.
- Supply chain is a big concern, as is letting debtors get too long - if clients cannot pay now, when will they be able to pay you? Also concerned about growth (inventories, debtors are growing like Topsy but is the business able to accommodate that growth) that is not backed by a strong balance sheet - over-trading, I guess. Some businesses are so focused on the sprint that they don't look after their hamstrings.

Civil construction/infrastructure

- Demand is very high! Getting good staff that Care is difficult!
- The Government's cancelling of large roading projects that were previously confirmed, is causing uncertainty. Large delays in processing of consents causing delays in project commencements. Significant increases in material prices from suppliers.
- Poor attention to detail, prices soaring beyond exception due to freight costs and shortages, a supplier went into liquidation on Monday.
- We are in the commercial construction field and currently busy working through existing/pre-covid projects with a good forward workload. There seems to be however, lack of large anchor projects/developments coming up in the longer term - the tenders we are currently getting tend to focus on school remediation's and apartment buildings. Material shortages are having minor impacts on our business with the procurement of timber and raw materials having to source it from all areas of the country. We will soon face challenges with regards to upward wage pressure and therefore key retainment of skilled staff.
- Capacity constraints.
- Relatively little heavy civil construction work in the South Island since the Christchurch motorways have been completed and the Kaikoura earthquake recovery project has finished up. Most of the action is in Auckland and Wellington. It's very busy up north and many workers are commuting/relocating from the South Island. Talk of shovel ready projects for the regions has come to very little and there appears to be no solid plan for delivery of the major infrastructure that NZ with its growing population needs for the future, e.g. light rail, 2nd harbour crossing (vehicle and rail) in Auckland. A good long-term pipeline of projects would allow the construction industry and its supply chain to plan and gear up for the future. The pattern of successive

governments cancelling the previous administration's projects does not help. This all makes long term planning difficult.

Commercial construction

- Supply chain issues are causing us issues in construction. Materials shortages across the board. Price escalation hitting hard. Longer term concern around wider market stability, house price stability, interest rate rises.
- Flat out. bought more gear, hired more staff to keep up.
- Competent Players all have full order books, be that designers or main contractors. Material supply constraints starting to impact, tight labour market making it hard for growth.... material cost rises are rife ...... Supply chain risk is hard to tie down.... inflation has definitely arrived on the commercial construction scene. Feels like we are 6 months away from Auckland's classic overheating mode from cycles of old.

Commercial Property Investment/Real Estate

- Commercial sales are very robust.
- Can run hot and cold from week to week. Significant shortage of "A grade" investment properties for sale to meet investor demand. Located in a provincial city with major capital works being underway and fuelling activity across all sectors.
- Yields are continuing to compress to ridiculous levels, massive demand, cautious lenders, growth in syndicators, owners unwilling to see as there's nowhere else to put their sale proceeds. Massive demand and limited stock.

Education and training

- Increased wage costs and the intrusion of the government in the running of our business i.e. new funding model linked to a collective wage agreement.
- Extraordinarily difficult to find qualified staff.
- Declining number of PhD students due to border closures.
- Lack of government direction.
- Experiencing major shortage of qualified teachers, with an over supply of ecc centres in many areas. Burgeoning continuation of regulatory and procedural changes, with many long terms experienced and caring operators exiting the field.
- Labour Government exercising undue influence over all private sector markets.
- Good level of interest in investing in people development to enable business to grow for future.
- Frustration of no plan on how and when we are going to reconnect with the world and learn to live with covid

Engineering

- Supply issues.
- Higher demand than capacity in Consulting Structural Engineering in Auckland & Waikato regions.
- Building materials increasing, huge residential enquiry, residential sector booming (how long? supply vs demand whilst locked down?). Construction costs generally rising. Greater high end residential construction.

- Ongoing obstacles to Resource Consent approvals for land development by Auckland Council and the Central Government despite a housing shortage bordering on a crisis.
- Staff shortages are a real problem, Tradesman are like hens' teeth, even labourers with enough skills to train remain near on impossible to find, this has resulted in increased pressure on the wage bill. Next problem is materials required are in short supply causing delays, added to the rising cost of all materials is seriously impacting the bottom line. Only solution is to increase charge-out rates to our customers, so begins the cycle of inflation. This will be new to Generation X Y Z etc.

Farming & farming services

- Increasing governmental rules and requirements putting extra pressure for compliance on our rural sector.

Solid dairy payout means farmers have a positive outlook, spending money. Farm input prices rising particularly fertiliser and chemical. Major labour shortage across the industry.

- High concern about environmental legislation and effect on farm system operation and economic sustainability. Returns are cyclically high driving farmer and rural supplier capital expenditure. Debt is low by historic standards, so liquidity is high.
- Staff shortages, positive sentiment due to current market pricing, environmental regulation concerns.

Financial Advice/Management

- Busy. Steady flow of new clients seeking professional investment advice and alternatives to bank term deposits. As always managing risk is key. Even conservative investors need equity and growth investments for income as well as capital growth. Fund selection with low beta is of greater importance.
- Long term Investors generally happy with where things are at given markets. Experience of previous markets and movements has been beneficial for them and their expectations. Biggest issue will be managing expectations going forward.
- Lots of growth with people wanting advice due to low interest rates and high property prices so selling rental properties. A lot of interest in KiwiSaver also with people who have higher balances wanting advice and to maximize their situation.
- Sustained increase in interest in investment alternatives to term deposit/ fixed interest (& sometime property). Seeking higher returns and willing to accept greater volatility in order to achieve desired returns.
- Funds management & Investment. A significant inflow of funds from those ordinary investors disenchanted with bank returns. Ongoing yield compression on commercial property assets makes sourcing such assets on an historically economically justifiable basis increasingly difficult and there appears to be no end in sight to the compression on yields. The other very noticeable issue in our sector is the difficulty in finding new staff but this appears to be true of all businesses at the moment from horticulture to construction. We do not see this changing for the foreseeable future either.

Forestry

- Challenging export market on the horizon.

Health

- Plenty of new customers enrolling.
- Slight decrease in demand.

Horticulture incl. viticulture

- Shortages in seasonal labour are preventing winter pruning being completed and the view into next year is looking worse than this year. There will be suboptimal decisions made in the orchards that will impact next year's crop because we can't get enough skilled labour. Shipping is another big issue, but kiwifruit is in a relatively good position compared with other industries.
- Global shipping is extremely challenging and expensive at the moment.

Hospitality

- Period of rapid change, particularly in the employment space where a number of operators are looking back at the past instead of looking to the future. Consequently they are blaming anyone but themselves for their current predicament (especially around the "lack" of immigration which actually translates to cheap labour).

Wages will only continue to rise so now it's a time to adapt or go out of business.

- While this sounds harsh it's always good to remember that change also means opportunity, and that in every business looking after your employees is the best defence.
- Winter is a very hard time of year for us; too cold for locals to go out at night and no tourists here.
- Lack of staff applications. Wage inflation.
- Demand is strong, consumers eating out and seem undeterred about spending. Food costs increasing as are wage costs, so margins slightly tighter. Price increase inevitable.

Information technology & telecommunications

- We are an international software vendor, interest in our product has accelerated in the last 6 months as the US and Europe come out of lockdown. We are looking to hire offshore mostly as skilled people are both hard to find and expensive. NZ high exchange rate is not helping.
- Lots of talk about skills shortages, but fortunately not impacting on us yet. The main thing would be people delaying purchasing decisions. So they are not saying no, just not yet and kicking decisions down the road.
- Business is busy but very price competitive which is strange in ways considering the supply constraints we are all facing. Getting stock is a real challenge due to issues all the way through our supply chain. We have also had all too many staff changes with people lured away by bigger

pay cheque's then finding suitable replacements is yet another challenge. Overall business is going well but far from plain sailing.
- Growing demand for good quality time driven data.
- No change, still really busy with growth and a strong desire to hire people, while not being able to find any. While contractor rates seem to have skyrocketed, the same doesn't seem to have occurred for full time employees.

Legal

- First home buyers still looking at and securing homes in Auckland. Investors still looking at property. Slight lessening of property work - conveyancing - usual winter quiet patch. Otherwise clients still doing the usual things.
- Business and private sector activity levels high even for School Holidays. Capacity constraints covering all existing work in a timely fashion to required professional standard. Very hard to find capable staff in legal or administration fields.
- Lots of M&A activity.
- Less turnover in conveyancing as house sale numbers decline.

Manufacturing (all categories)

- HR Shortage, Material Procurement speed.
- Marine, Manufacturing (Boat Building), retail, after sales service. Strong Domestic and International demand, Pressure on logistics and shipping
- Increasing costs of supply. Our business is still severely affected by closed borders. We supply consumable products that while still valued by the domestic market, they were also embraced by international tourism. The pivot to e-sales has been difficult to gain market share as shipping costs make overseas sales on small items challenging.

Huge demand. Huge supply issues. Impossible to recruit staff. All staff expecting pay increases. Management tired.

- Consumer demand still remains strong post the Covid stampede, albeit off the insane heady highs. Supply disruption has improved from where it was say 6 months ago (helped by Auckland Ports finally getting under control) but still a challenge. Price however is out of control, just getting pummelled on all fronts by increases, many sizeable and being forced on us with immediate effect in a "take it or leave it" attitude.
- We are busier than we were pre-pandemic and the only thing slowing things down is supply constraints on source materials.
- Record demand levels for building products means we are running at full capacity currently.
- Employee movement.
- Crazy busy, raw material supply sketchy at best. We have enough staff right now with some good temps in board. Lucky.
- Strong global prices for our commodity, with rising raw material input prices and definite issues with recruiting of labour.
- We are seeing sustained demand both in NZ and Australian sales for our products. Supply of raw materials is a constant problem, and we are buying larger and storing more stock to overcome

delays and shortages. Also freighting to AU is becoming more of a logistical problem, FCL and now also LCL are having to be booked further ahead.

Miscellaneous

- Textiles importing. Being an importer of textiles, market conditions are difficult, demand has dropped since Covid, shipping from Asia is a nightmare. No defined dates shipments will arrive. There may be sectors in the marketplace doing tremendous business in the current environment, but our sales are 40% down. Factories cannot supply, deliveries are shocking.
- Kitchen Cabinetry doors. Plenty of demand, no skilled or unskilled staff available.

Retirement Villages. Demand exceeding supply. Prices moving at or ahead of real estate price growth.

- Eftpos and Payments. Strong activity, we are B2B and experiencing a lot of inquiry from new and existing customers.
- Importing & wholesaling. Sales are very good but getting stock from overseas is a major issue. There are two problems: 1) Getting a booking on a vessel is very difficult and the rates have increase substantially. 2) The overseas factories are operating at capacity and lead times are very long.
- Import & Wholesaling. I have been hit hard by a combination of [understandable] product cost increases, but also with an [IMO unreasonable] increase in freight costs. Some containers are now costing as much as 60% - 80% the value of the products inside to ship from the Far East to NZ. Currently reviewing all aspects of operation to see if any savings can be made, otherwise will have to keep increasing prices due to freight and re-evaluate on an on-going basis if freight keeps increasing. Only good thing is that our competitors are (bad pun alert!) in the same boat as us, so grudgingly being accepted by customers. As mentioned, our price increases are due solely to costs, i.e. Freight, not consumer demand, so not sure what the RBNZ raising the OCR will do to dampen this type of inflation.
- Helicopter Pilot. A lot of work overseas opening up - especially Australia. NZ rumour mill has a number of new jobs in the next year as well. Many countries opening up to vaccinated travel allowing the Touring pilot jobs to reopen. A number of older pilots taking the opportunity to retire - leaving a lot more jobs available compared to a year ago! Wage demands going up (as is everything else I can see)
- 24 Hour Gym – Recreation. A change in focus from looking good to using the gym as a wellness outlet and for mental health. A lot more couples joining the gym, and training at the same time, but not together. A move from long term commitment to open term memberships or 6-month memberships (houses being built and delays so staying in this area longer than planned). and happy to pay a higher price for that flexibility. Higher expectation of the business as well. Members want to make a connection with the business and feel part of its growth, not just another customer = support beyond being a customer. Younger members looking at job opportunities opening up so see 6 months as the time to move from this area to another part of Auckland or NZ, OE overseas. Winter is usually a quiet period, but there seems to be some growth coming through. Increased suspension from members who have had babies - possibly part of the first few lockdowns.

- Uber eats. Fluctuations all over the show in terms of demand being lodged via app and a massive oversupply of drivers.
- Difficulty in recruitment.
- Website for International RV Travel. Nothing happening. Dead! And will be for some time yet.
- Steel and stainless steel distribution. Very strong demand across all segments of manufacturing, rural and vertical construction. A number of Govt sponsored hospitals are quoted. The outlook for the next 6 months is high. Labour shortages are widespread as are material delays, but this is not reducing the appetite of many investors.
- Property maintenance. More work than I can handle. Apparently, it is physically too hard for our delicate unemployed as they last a day at most, so have stopped even trying to hire staff. Starting to see some resistance to increasing prices but will continue to increase my pricing. I would rather have less work than a lower profit margin.
- Importer. Supply delays and price increases
- Commercial grounds maintenance. Cannot get good staff for love nor money. All the good people are already employed, the only people applying for jobs are lovers who don't want to work but need to tick the "I'm applying" box to get their dole. And people with cannabis or meth addictions.
- Entertainment. Revenue is slowly normalising.
- Public transport. Like many businesses we are seeing massive wage pressure and a desperate shortage of skilled and unskilled staff. Changes to immigration settings are a very real problem and higher wages for locals won't fix it. We are also seeing increased Union activity with some becoming very aggressive. Government adding huge impost in the form of additional compliance for our government contracts, additional staff leave entitlements, rest and meal break changes to ERA, work safe etc. This together with supply line issues makes getting anything done very difficult.

Mortgage broking

- Slow down in actual business but a lot of clients asking questions and seeking advice.

Printing & packaging

- Print work has definitely slowed down compared to this time last year, now experiencing price rises from 5% to 25% for printer consumables, which will need to be passed on to my customers.

Property investment

- Improving every day, People confidence is massive at the moment.
- Lack of enquiry from tenants for good located well appointed commercial premises.
- FOMO, lack of stock, fast/hot market, higher than normal prices for Winter.
- Bogged down in delay of planners, resource consent and trades because everyone is super busy.

Property Valuation

- We have been very busy all year. Builders are struggling to keep up and agents are making the most of the demand while also realising this craziness must come to an end. Talk of mortgage rates rising are beginning to affect some clients and the buying frenzy appears to be showing signs of fading. Tougher times are expected next year as people begin to realise that we are not going to be "post-covid" for a good while yet.

- Some slowing of job requests but from a very high level. Limited staff available - but this is an ongoing issue for the valuation industry.
- Massive shortage of skilled, qualified valuers and plenty of work so generally unable to complete work in short timeframes. Most clients are not overly price sensitive at the moment.

Recruitment

- Increasing cost pressures like Wage inflation, challenging to find labour and overall global uncertainty.
- Candidates short across all the executive role types we recruit for. Business is good across all sectors we recruit in. Market very buoyant - competitors are just as busy. I think lack of immigration will lead to salary increases - which are already happening, in reality.
- The job market has rebounded but we are seeing the beginnings of extreme candidate shortage, which is likely to get a lot worse with borders closed to non residents coming here (particularly in skill short areas like technology, specialist trades, teaching etc), but effectively 'open' for those who may be keen to leave having delayed their OE for the last couple of years. That's a double brain drain!

Residential Construction including section development

- Good demand.
- Increased spend and material shortages.
- Land Surveyors. Plenty of good work but shortage of skilled staff at all levels.
- We are just now experiencing a plateau in building section prices. Local Authority processing of resource consents has slowed to a crawl, and in ground pipes and fittings are becoming difficult to source various sizes.
- Inability of Auckland Council to issue compliance documents in a commercially acceptable time.
- As Architects in the Multiple Housing sector we have never been this busy before. Ours and most consultant lead-times are now stretching out to 4-6 months +.
- Seems to be no stopping this boom and no limits to what people will pay to secure a section.
- There are three main issues we are facing - staff (training and competency), supply chains (slowing productivity down), and bureaucracy (again slowing productivity down).
- Uncertainty, caution, heavy workload, hard to find good labour, material supply uncertain, watching cashflow.
- Frustration in regard to supply, demand very high, unreliable shipping timelines and ongoing shipping price increase.
- We are busy but finding things a bit difficult in terms of building supplies and sub contractors' availability, however we do order well in advance. Some suppliers now have a lead time of up to 12 weeks where previously they were around 5 weeks.
- No slow down in sales if we want them, in fact we are slowing sales down ourselves as we have already sold houses which won't be completed until early 2023. Significant increase in the cost of land. We purchase sections 50 at a time and the cost increase from one our land developers has been 46% within 8-month, scary stuff. Materials inflation is out of control, due to transportation cost increase but also due to suppliers taking additional margin because they can.
- Increased pressure caused by roadblocks everywhere.

Easy to sell homes but very difficult to build.

- Hard to get working drawings done, impossible to get a resource or building consent, then can't get materials anyhow, or if you can they are 20% more expensive than last year. No one seems to care. The builder now earns less than his subbies, something has got to change.
- We are very busy at the moment and continue to receive projects for pricing with little or no competition. Costs are escalating at an alarming rate however and we can see this eventually putting projects out of reach for some clients which will slow things down but not for 12 months at least. Hopefully by then supply issues have been sorted, the borders re open and demand continues. Worry is borders won't reopen, prices will rise to unsustainable levels and lots of people head for Australia.
- Supply issues and Price increases from further up the supply channel - all COVID related.
- Building industry is booming! Non-travelling people are cashed up and wanting to spend money on alterations. Not too many new builds - still waiting on the outcome of the NZ Govt taxation rules.

Residential Real Estate

- A marked slow down in listings thus maintaining prices at a high level.
- Residential real estate Hastings/Havelock North - low sales volume and high prices. Still a great time to sell here.
- Demand far exceeds supply - values strong and getting stronger.
- More downsizers coming to market.
- Demand still strong on Auckland North Shore, but listings very tight. Buyers indicating that getting finance is becoming more and more difficult with banks seemingly looking for ways not to lend.
- Reluctance to list and there is nothing on the market to buy.
- A pause from the housing announcements has not resulted in anything other than a shortage of housing supply and a build up of buyers who will shortly realise their hoped 'drop in prices' and increase in supply is only a fantasy and they will start to participate in the market again. This will create a Spring market here in Christchurch similar to the one we came back from Christmas to, 50 plus groups of buyers through one open home etc. The first home buyers cap to $500,000 for existing homes is creating a glut of buyers using this as a ceiling, others are forgoing the top up and shopping upwards from this to have a chance and try and lose some of the competition. Ironically there are plenty of units and small entry level properties well under that $500k mark but buyers are not prepared to compromise and drop their three-bedroom bungalow dreams, even though if you are shopping up to $500k this is what it is.... a dream. We are also experiencing a high volume of out of Christchurch buyers, it seems like half of the rest of NZ wants to buy and live or invest here!
- Buyers are still moving very quickly, but becoming a little more choosy, not quite the desperation we saw a few months ago. Vendors are hesitant, have spoken to lots of people keen to sell their home but sitting waiting as they are concerned they won't find anywhere to purchase. Everything feels a bit 'stuck' at the moment, but I think the floodgates will open on spring. I'm also noticing a bit of resentment towards real estate salespeople out there due to a perception that the massive sales price over the last 18 months have translated into huge fees for us - almost as if we are speculating on the situation. Not many people realise that over this same period competition for listings is so fierce that our fees are reduced to sometimes record lows.
- A lot of indecisiveness & buyer belief that the selling price to be in excess of latest CVs.
- Lack of Stock.
- Prices going up; FOMO around predicted interest rate rises; shortage of listings to sell - people waiting until Spring and/or waiting for their home to go up further in value. More apartment/townhouse complexes coming to the market.

- Massive cost escalation.
- Low supply, high demand still.

Residential Rentals

- Owners staying put. All those who knee jerk reacted to the removal of Interest Tax Deductibility have gone, for now. When the capital growth stalls, we no doubt will see heavy attrition.
- Rentals steady, no further increases for 12 months. Expenses like rates and insurances are increasing by 5% and 14% respectively, therefore further rent increases for next year. Replacement stove increased by further $500 to $1900. Non deductibility of 50% of interest will affect tax for Y/E 31/03/2022. Lucky to have good tenants.
- 15 years in the property management industry and never before have I seen so much pressure being put on Property Managers due to the changes in legislation, shortage of properties and a Tenancy Tribunal system that is tenant biased more than ever before. Mental health and staff retention are going to be the biggest challenges our industry faces in the future.
- Had residential rentals 41 years, seen the cycles come/go. Biggest boom in that time at beginning of end. What astonishes me most is same old cliched bleeding gums & bed wetting every time - "Property prices out of control, young people shut out, they'll never own their own home, where will it all end? Greedy property investors responsible for all worlds troubles," etc, etc, Heard it all 1970's, 80's and every decade since. In other words - business as usual.

Retailing

- There has been plenty of demand for our products, but it is more difficult to secure stock due to factories being closed in Asia.
- Declining foot traffic - middle NZ doing it pretty tough. Still some good sales going through - mid-high-income earners still spending (limited travel opportunities and equity in homes making them feel good). Rolling stock shortages - varies between segment/brand/model. Price rises across the board: part raw materials; part inbound freight.
- Lead times continue to increase due to offshore suppliers having difficulties obtaining production materials and then we face issues in moving the product once it's ready. Freight costs increasing.
- Strong demand of all products. Supply chain and availability causing headaches and set to get much worse.
- Continued strong retail sails, significant product delivery delays caused by international supply chain issues, reduction of full and part time staff due to higher minimum wage, increased sick leave entitlements and public holiday.
- Good trade conditions currently but more conservative future expectations with anticipated rising interest rates and ongoing risk from covid and lack of vaccination progress.
- Increasing labour costs and still major issues getting stock.

Shipping, transport, storage & distribution

- High levels of demand for our service.
- Major logistics issues causing uncertainty of delivery dates.
- Massive delays in shipping and unprecedented cost increases by shipping lines which have to be passed on. Severe lack of air freight options due to limited flights into and out of out of NZ huge putting further pressure on sea freight plus huge price hikes by airlines on air freight rates.
- Infinite demand constrained supply, numerous supply Chain challenges.

Tourist accommodation & attractions

- Troubled bubble, lack of Kiwis travelling to the outer regions on NZ, tough times.
- Very few passengers internationally. We mainly carry about 25 Tonnes of freight to and from Asia, produce from NZ and Electronics etc into NZ.
- Strong demand for holiday activities from Kiwi travellers - though this market tends to book and/or cancel at the last minute based on the weather which makes staffing a real challenge. Australians are keen to holiday here, they have confidence to book travel for Feb & March 2022, not before Christmas 2021. Australians are very nervous about COVID-cancellations and require a lot of encouragement and booking guarantees. They are calling first to check we are still in business before they will book online, so phone availability is now required 12 hours per day. We are looking forward to a really promising summer season, which is a huge relief after a nightmare 18 months. We are terrified of more COVID-19 lockdowns - when lockdowns happen, we lose 5-figure sums, yet the Government covers only 3-figure sums. Carrying a slush fund to cover refunds for cancellations has become both an accounting liability and a hinderance to reinvesting in our business across all areas.
- Enquiries starting to come in from further afield, from the USA and UK. These travellers (people as young as 30 years old) have had their full vaccinations and are simply waiting for our borders to open further. Some are checking our newspapers online every day for announcements. There is an expectation from international travellers that the tourism industry has intimate knowledge of the Governments border plans and that is simply not the case. As the rest of the world progresses their vaccination programmes and we fall behind, potential visitors will prioritise other destinations and New Zealand will not capitalise on pent-up demand.
- Cycle Trail Operator. Very very strong forward summer bookings which have often been upgraded. Increased yield value significantly.
- Forward bookings for home in Ohakune are good. Plenty of interest already at the beginning of the ski season.
- Declining Business confidence - particularly driven by Govt's lack of policies. A depressed market with increasing expenses. Resulting in not meeting budgets, therefore reduced serviceability with annual bottom line forecasting a serious hit.

Vehicles

- We are an automotive dismantler and sell second vehicle parts and panels. Our sales are up and have been consistently so for 2-3 months now. We are being both helped and hindered by the global supply chain situation - helped because panel beaters who might typically prefer new parts can't get them quick enough so are being forced to go second hand and hindered because we ourselves are struggling to get used parts in from Japan. This is forcing us to buy more end-of-life cars locally, and we are competing against the ever-increasing number of exporters setting up shop to export engines etc to Dubai. So while sales are up, our margins are being squeezed.
- Increasingly difficult to purchase and ship vehicles from Japan, expect more increases in price on used vehicles over the next 6 months due to lack of good stock at the auctions and shipping issues. (Pre-Covid 4 weeks to purchase/ship/arrive in NZ, now 8-10 weeks). Plus all shipping companies increasing their rates this week between 10%-20% depending on carrier. I don't even want to start on the emissions mess....
- We retail second hand utes. Our sales have tapered off a little over the last couple of months. We feel that our pricing is in line with similar vehicles on trade me.
- Motoring parts and services. Increased pressure on compliance and H&S

Links to publications

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Spending Plans Survey

mortgages.co.nz & Tony Alexander Mortgage Advisors Survey

Tony's View Business Survey

Business Survey

Tony Alexander Regional Property Report

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