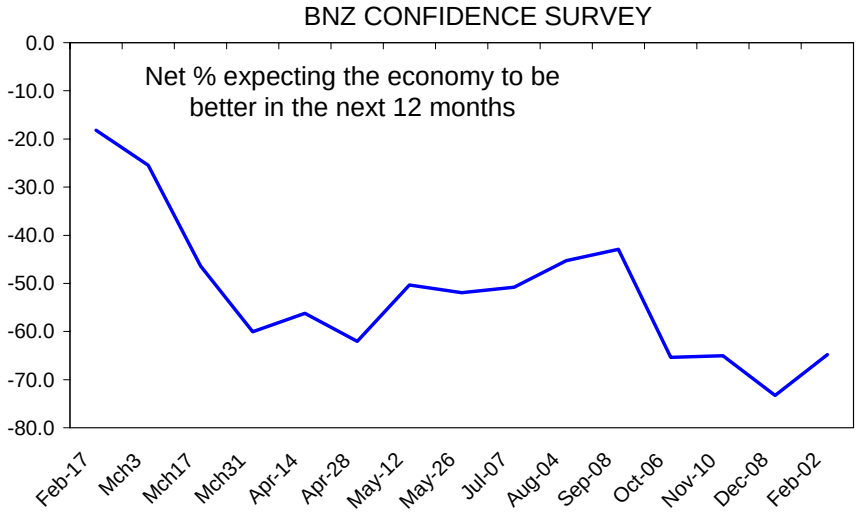
Bank of New Zealand

BNZ Confidence Survey

8 February 2006

PESSIMISM STILL DOMINANT

Our first survey for the year of how Weekly Overview readers are feeling about the economy has found a net 65% expecting things will get worse this year. This is a mild improvement from a net 73% pessimism in the December survey but in line with where readings have generally been since October.



Interesting points which we have picked up from the industry comments include the following.

- Advertising agencies are noticing some weakness.
- Farmers seem more concerned than in earlier months, most notably in the dairying sector.
- Construction continues at a high level but there are definite signs of weakening.
- Fishing is still looking as weak as ever.
- Forestry still tough but some signs of life for log exports.
- Exporters generally experiencing tough times with the high New Zealand dollar
- IT mild signs of weakness but still a lot of activity around.
- Manufacturing very tough.
- Commercial real estate still strong.
- Residential real estate mixed but with a definite downward bias.
- Retailing experiencing mild weakness.
- Tourist numbers down with some price cutting.

Survey Date	Better %	Same %	Worse %	Net %	# of respondents	# of comments
17 February	20.3	41.1	38.5	-18.2	423	-
3 March	17.2	40.2	42.6	-25.5	687	224
17 March	8.5	36.5	54.9	-46.4	550	294
31 March	6.1	27.7	66.2	-60.1	393	201
13 April	6.0	31.8	62.2	-56.3	336	165
28 April	6.2	25.6	68.2	-62.1	340	185
12 May	7.2	35.2	57.6	-50.3	304	148
26 May	6.1	35.8	58.1	-52.0	179	81
7 July	9.0	31.3	59.8	-50.8	502	279
4 August	7.2	40.2	52.5	-45.3	276	166
8 September	14.9	27.3	57.8	-42.9	289	190
6 October	5.9	22.9	71.2	-65.4	410	236
10 November	6.9	21.1	72.0	-65.0	432	263
8 December	4.3	18.1	77.6	-73.3	486	306
2 February	3.9	27.5	68.7	-64.8	517	387

INDUSTRY COMMENTS SUBMITTED BY RESPONDENTS

NOTE: THESE ARE NOT OUR COMMENTS BUT THOSE SUBMITTED BY RESPONDENTS TO OUR MONTHLY SURVEY.
We exclude comments which don't actually say anything about current business conditions in an industry and are instead mainly rants and raves. Also some comments are chopped off or indecipherable and those in capital letters are also left out.

Accountancy

- Likely to remain flat
- Clients are becoming increasingly pessimistic and the next 12/18 months look as if they are going to be extremely difficult.
- More of the same - too much work and not enough staff. Dealing with the IRD and the tax complexities never gets better.
- Public Accountants Hamilton. As busy as have been for the last few years. None of our clients are commenting to us on a lack of demand for their products/services.
- Chartered accountants. It will be harder but the Annual work will still have to be done. Some clients may change so they can get a cheaper job done. We will just have to work a whole lot smarter. That is in our planning anyway.
- Accountancy Practice - Small rural country town (Paeroa) - Will remain very busy.
- Chartered Accountant - going OK and likely to continue
- Small Business & Chartered Accountancy Practice: still seeing residential property sales & purchases, but price negotiable more obvious. Loan re-fixing more noticeable, many done earlier than roll-over date as the borrowers look at their loan profiles and repayment abilities. Good clients taking advice more readily these days.
- Expect trading to be firm over next 12months
- Chartered Accountancy, mainly compliance work - no fallout at present but certain client industry sectors such as building & construction and of course export are reporting a slowdown. Further down the track I expect it to be business as usual for us.
- More clients facing difficulties.
- Accounting industry looking to consolidate this year as business growth and investment stagnates, with staff levels remaining the same.

- Looking ahead to increasing price sensitivity from clients - with perhaps a small easing of the tight skilled labour supply problems of the present. Chartered Accounting practice.
- About the same for me but I have a very small private practice with clients in a strong financial position.
- Still seem to be busy however we are wary of a likely increase in price sensitivity

Advertising

- Slowing but not dramatically.
- Advertising still continues to grow.
- We are seeing some early signs of a downturn. Our clients are cutting their marketing budgets, looking for efficiencies and savings NOW in anticipation of a future tightening in their marketplace.
- Television Broadcasting. As National Sales Manager I am seeing a drop in spend at a national and local level. The local advertisers are a good indicator as to whether the till is ringing or not.
- Weak conditions (media/communications)
- We've experienced growth in the last month after a soft end quarter 2005, and forward bookings are up YOY
- Printing & Advertising - Very Buoyant...Plenty of work around

Agriculture

- Looking at reducing profits. Forestry Can it get any worse!!
- Dairy, unless there is a downward movement in the dollar soon business will get much worse. We need the OCR to fall before long also.
- Dairy ..... Dollar too high as well as interest rates
- Sheep & Beef. Outlook has become somewhat gloomy. Considerable drop in lamb returns, wool well down and beef prospects looking uncertain. We have seen considerable cost increases in areas of govt compliance and input costs generally and now with potential for considerable drop in incomes these costs will really be noticed. Time for some belt tightening. Expect little relief from the strong dollar.
- Dairy farming - expecting a drop in commodity prices, fall in payout, higher fuel prices.
- Dairy farming $4 payout not enough as all costs are going onwards and upwards.
- Dairy - prices sliding a bit but still way above 10 year trend. Dollar important but industry well placed.
- Will only improve if the dollar takes a significant slide...Dairy Farming.
- Dairy - not good.
- Sheep & Beef Farming - Prices have dropped considerably over last month combined with ever increasing costs wreaking havoc on budgets and potential profit going forward.
- Dairy Farm owner - Income should improve as $ drops over coming months. Rural land prices seem to be well over priced at present.
- Sheep and Beef farming; stock prices seem to have settled to the levels predicted for some time, any further downside in these should be countered by the dollar over the next 12 months. Interestingly, if you were to make money out of buying a farm you would have to turn land prices back 2-4 years with current stock prices, which probably accounts for some of the current buyer reticence.
- Livestock handling equipment manufacturer. Increasing nervousness in rural economy and depressed commodity prices are starting to show in reluctance to invest in on farm equipment. However our niche markets overseas (Agri technology)have never had higher inquiry as EID compliance overseas moves closer. Overall however, we expect overall conditions to worsen.
- Sales & exports prices look good (mohair). Compliance costs look terrible
- Agriculture. South East Marlborough has had a wonderful season, so that has helped to off set the down turn in lamb prices. We produced 600 more lambs from the same number of sheep, and grew them to the same quality, but will end up with a cheque about the same as last year. Very disappointing
- Sheep & Cattle sector - increased costs are biting, lower lamb prices provided a shock, there will be a lot less cash in the system this year.
- Advisor to rural industry, sagging returns, esp. lamb schedules, cheque books being put away already, downstream impact to come.
- Dairying, Clients are now questioning the profitability of buying in feed for next season[Maize Silage]

Apples

- Apple grower, fruit sold below cost production esp. braeburn. Present outlook extremely concerning, equity being eroded, land capital gain has saved us for present.

Automotive parts

- Sales down against last year - over 15%. Difficulty recovering debt, 60 and 90 day debt increasing dramatically.

Bakery

- The increased cost of freight is hurting real bad

Beauty therapy

- Although I consider things will be slightly worse, I also think there is a tendency to 'talk down' the environment & make negative things happen. My industry is Beauty Therapy - an area in the district I am operating (Nelson region) which is largely seen as a luxury purchase (unlike Auckland which is where I operated previously). Consequently my industry will be affected by people's confidence

Building Materials supply

- Building consents are down but sales are above last year's levels. Expect progressive decline in last quarter 2007.
- We are in the building materials export industry. Unless the NZ dollar comes back against the USD we expect to see further decline in our already declining export sales.

Business consultancy

- Outlook is steady, modest growth for business consultants. I think the confidence survey responses are biased as they get seized upon by the rate cut lobbyists.
- Consultancy business - things are looking fine with lots of opportunity for work and all my clients are growing their business and spending money for growth - people should stop reading the newspapers & listening to the news.
- Business Advising industry is still strong with icon business solutions clients understanding the value of getting professional help vs. investment for long term benefits. Strong systems create better ability to manage changes in the business cycle.
- Business adviser to Family Businesses. All predicting a downturn. Being very careful re hiring new people. Sales are flat even in those businesses where this should be the busy time. Lot more work for us re debt restructuring which is negative. Very few clients where we are having to revise prov tax upwards.
- Management consulting - clients still out there demanding services but demand significantly lower fees than they were prepared to accept previously. Clients from the education sector (both public and private) are suffering a staggering downturn.

Childcare

- Early Learning Childcare Steady

Civil Engineering

- Contractor - Roading, Infrastructure Renewal, Greenfield development etc. I think things will get worse overall, but we are v busy. No sign of let up for us.
- Civil contracting is experiencing a noticeable slow down, particularly in the larger contract workload.
- In roading construction significant projects have been deferred in recent weeks by government departments this will lead to a much reduced workload later in the year.
- Engineering (Civil Consulting) - Work loads are currently good. Client perception is for a downturn in the economy and this is reflected in the timescales imposed to complete current projects and their willingness to embark on new projects.
- Roading construction industry - project has been planned, approved and budgeted in advance, so there may be minimal impact on this project, but may impact on future timing of projects - could be held back to apply short term savings.

Commercial cleaning

- Not too bad - should not be any concern (I hope) in the near future.

Construction

- Work will be slower but we are coming off an incredible high.
- Building Materials Distribution. Things are holding in some segments like infrastructure but others like new residential are declining with a lot of current activity based on a demand backlog.
- Busy - new civic centre under way, new libraries being constructed plus other recreation facilities, town centre developments and transport developments.
- I am a Modern Apprenticeship Co-ordinator based in Central Otago and my area also covers Queenstown & Wanaka. I am for the first time in many years finding it difficult to place young people in the building industry.
- Building, residential and light commercial. Generally, larger residential projects are being put on hold, what res. work we do get is mainly maintenance work. Very few sets of plans being offered for pricing. We expect to have to reduce staff numbers in the near future to cope with the downturn.
- Building industry with high quality products: Our business level dropped off in the second half of 2005 as builder's tender prices came back at much higher levels than the clients expected. Now there is less work about the tender prices are much lower, clients are looking at proceeding and we should maintain a good level of business. Mortgage interest rates are not a cause for concern as our clients think that they will not be going much higher.
- Supply the construction industry - flat but at very high levels.
- Building Industry - all the economic factors seem to be pointing to things getting worse but all of our builder clients still have plenty of work on and can not see any slow down for the next 6 months.
- Construction Industry: Current levels of activity extremely high & little sign of demand reducing.
- Building - demand slowing down
- We experienced a noticeable slowdown in January (apprx - 20% sales)
- Painting & Decorating work has not slowed this year, still getting regular inquires and contracts
- Construction and property industry: No indications of slowing up yet with labour and materials in high demand, and vendors with high expectations.
- Building in the "Bay of Plenty" still looks great!
- In the construction industry Interior fix plaster and paint, things have eased but still flowing
- We have noticed that tendering is once again become extremely competitive probably due to all the gloom spin and companies looking for forward workload in uncertain economic times. As a result margins are becoming very small in the face of other rising costs.
- Building, worse.

Debt Recovery

- January 06 was definitely busier than Jan 05. We are receiving a much increased number of enquiries from new customers. Some enquiries are a result of businesses feeling less positive of the economy & not wanting to miss out on their debt. Quite a few enquiries are coming from the building industry with comments of my debtor can't pay me until he is paid by someone else.

Education

- There is no sign of the current severely depressed conditions changing. The high NZ$ is the primary cause of NZ becoming so unpopular because of the cost of studying here relative to our competitors.
- Education (tertiary): There was a fall off in numbers in 2005. The causes are twofold 1) IT fell in popularity, despite being increased job prospects 2) Foreign student numbers are down - exchange rate and bad press. There has been subsequent restructuring of staff and layoffs. A lot of this is knee jerk. e.g. if you dismantle the structures in response to this, how do you ramp up when numbers increase again. The actual causes have not been addressed, only the symptoms.
- Tertiary Education: 2006 looks like it is going to be a lean year.

- Export Education. With dollar looking weaker and a less "interfering" Minister in charge there are early signs of reasons for some optimism. By mid to late 2006 we will know if export education is once again a growth industry.
- Tertiary Education. Enrolments slower than last year for all students. International enrolments much lower than last year and also below targets. Students are slower and slower to enrol each year despite the availability of a greater variety of paths such as web tools. Not seeing a huge uptake of interest free loans yet but still early days.
- Private education rolls are dropping a little, fewer people able to afford private education for their children.

Electricity

- The currently high spot market prices may fall marginally in the next few weeks if the South Island lake levels continue to rise - but there is still a concern that electricity supplies in winter 2006 could be tight resulting in spot market spikes and industrial production constraints.
- Electricity industry consulting - very buoyant, shortage of skills, lots of work coming up in both generation and transmission.
- Electricity/Energy: structural uncertainty & risk of ill-conceived political intervention is a concern and potential brake on investment. Qualified staff difficult to attract in several disciplines/skills within our business (although retention pretty good). Increasing interest in informed public debate over future of energy supply/delivery in NZ is good to see - hard decisions are needed if we are to avoid problems in near future.

Engineering

- Machinery builder - very few orders for the coming year after a year of strong capital projects.
- Engineering Supplies: We have again broken our sales record but in part it is due to development in the district which is forecast to continue. Other regions may not have fared as well.
- At present business is going well. There are a lot of redundancies in the area which must have an impact on spending power. I think people are going to have to tighten their belts over the coming year. The dollar at present isn't helping with exports.
- Electrical Engineering. Focusing on collecting outstanding payments, specifying progress payments on all new projects regardless of size. Expecting a slow down in project work. Not planning to buy any new plant or equipment. Looking to use contractors, not employing any staff
- Engineering and environmental consultancy. Still fairly constant work stream from both public and private clients; but quite a lot more competition for work which suggests that some competitors (larger consultancies who do not normally chase the $5-25k projects that are our mainstay) are starting to feel a pinch.
- Engineering & architecture - still very busy.
- While we predict that it will be harder for us, we still anticipate growth for our business. This as a result of work done in positioning ourselves over the last five years
- We are engineering consultants. Presently very buoyant with a lot of Infrastructure upgrade work.

Financial Planning

- Seems to be more of a desire than previously to get money offshore, which has been building for the last 6 months or so, & to move money away from finance coy products, which is quite a new phenomenon. Definite anxiety in the state of the NZ economy, housing, govt, blah blah!

Finance

- Not very healthy.
- Financial Services - no change expected
- Mortgage finance. Higher interest rates, together with general economic pessimism plus Bollard and others talking 'off' the real estate market is and will impact on a shrinking total market plus increased competition to maintain market share will drive margins lower and add (at lender cost) increased use of incentives.
- Tight margins, business quiet - financial services.

- Second tier financier. Loan applications a little patchy possibly due to the Xmas/New Year break. Brokers report a reasonable level of activity.
- F & I (Car Finance and insurance) A bit uncertain with retail car sales volumes down on last year.
- Financial Services - clients like high interest rates.
- Building Society - margin squeeze on.
- Looking good. Personal loans & Mortgage broking. Still plenty of interesting deals to look at.
- Finance - very quiet at the time of writing. A dramatic slowdown appears to be in effect.
- Although it is still holiday time I believe inquiries have slowed.

Fishing

- We are all desperate in this industry! I'm glad I no longer live in Auckland, otherwise I would most probably jump off the Harbour bridge to end the pain!
- The fishing industry in the top of the South Island is in a very depressed state with the high dollar value impacting heavily on prices paid to fishermen. Finfish prices are very poor and do not reflect the costs involved in catching fish. Lobster prices improved by about NZ$5-00 per kg. due to the recent easing of the dollar value, but most quota has now been caught so there will be little flow on effects until the new quota year on 1st April. Unfortunately both finfish and lobsters are fetching top prices overseas, but this is all lost in the exchange rate. Many industries are only now being affected by this but the fishing industry has been affected for at least two years now, and it is beginning to lower the price of quota shares as there are just not the returns to support high quota prices.
- Seafood-same story as before with impacts from high dollar and rising costs eg fuel and labour costs making business difficult

Food Production

- Import and distribution of scientific equipment. We expect to show slight growth this year as we deal mainly with the food industry
- Meat / seafood exports. Commodity prices are coming off peaks and look to be headed for troubled times ahead. USA Beef re entering Asian mkts etc will add to this. Sheepmeat prices and demand are in correction. There is perhaps an argument that the high NZD has meant we have become overpriced in some export markets over past say 24 months. NZ Dollar continues to defy gravity and exporter logic (and their pleadings, prayers or cult rituals to reverse this.
- Meat Processing. Dollar will eventually weaken substantially which will impact on imported meat prices.
- Meat. No doubt that unless the NZ dollar drops, the meat industry faces farmer returns reducing substantially with the end result being a slowdown within rural economies.
- Food Industry. Exporting will mean that if the dollar does devalue there will be more $$ around. However, really sick of the media and speculation on a slump etc - we need to stay positive.
- Pretty bleak, high dollar and lower commodity prices. I am in the meat processing industry
- Meat Industry. Much worse - world prices falling faster than exchange rate can possibly compensate so no good outlook for some time - bad times ahead for farmers and further processors

Forestry

- Poor commodity prices. Unfavourable exchange rate. Increased freight costs. Competition from log dumping (Russia). Increased competition domestically with exporters seeking better returns by redirecting to domestic. Decreased demand from customers. Higher debt servicing costs.
- Timber Industry - export side still hoping for change in dollar, domestically - plenty of demand.
- Logging Industry (Canterbury) Demand for most log grades is good. The first quarter is looking very positive.
- Forestry - very soft.
- Forest industry is in tough times -low market prices, high transport, land and strong competition for land. A lowering in the exchange rate will benefit pulp and paper but will take longer to benefit the plantation side of the business.
- Forestry is tight but there are no players who are not serious.
- Going from bad to worse - forestry and wood processing.

- Forestry - seeing local industry really struggling now as domestic demand starts to slow. Export still hard so the real squeeze is coming in the next 12 - 18 months as domestic demand falls away and no return in exporting.
- Economy will get worse, but in my industry, export of logs, things appear to have bottomed out and fresh orders to the main destinations are in the pipeline. From March onwards I am optimistic and expect to see a 20% increase in log exports.
- Sawmilling, local market.. Probably the worst trading period in many years. Competition from exporters badly affecting local prices. Sales and production down hence income down: result misery.
- Forestry - The entire industry bleeding out waiting for the dollar to fall.

Freight

- International transport operator. Will continue to tighten financially based on the high USD/NZD fx rate and forecast increases in fuel.
- Road Transport. Activity has continued to decrease with consumable goods freight noticeably weaker. Freight associated with the forestry sector of the industry show no signs of improvement but there are encouraging signs for increased volumes of horticultural and other seasonal products. Signs are commencing to appear of supply exceeding demand.
- Getting squeezed by customers wanting our services at lower prices because of their trading predicament, loyalty has been shown the door,..... transport industry
- Margins are getting tighter
- Business is struggling due to high fuel costs, material costs and competition in the market.
- Shipping and transport :- we are still getting reasonable margins but our transport costs, labour costs rental costs etc are killing our profitability so we may have to downsize this coming financial year.

Gold

- Gold mining. The increase in spot gold prices will see a significant increase in revenues in the short term and also allow better hedges to be entered into over the next 1-4 year period. Higher energy costs such as diesel and electricity reducing operating margins.

Grass

- Professional turf installation and maintenance domestic market. Client base keeps increasing all the time as too does the work. The higher end of the market continues to construct and landscape and require professional services. The problem lies in the lack of additional skilled professionals in the market.
- Lawn care and Property Maintenance. Very dry summer-some clients slower to pay but majority are still good.

Health

- Excellent - Medical practice
- Health-Pharmacy - retail down compared to Nov/Dec ...expected though ..prescriptions numbers still average...
- Health - Tough times ahead with salary expectations higher than expected revenue increases.
- Under-resourced with increasing demand
- Health, continues steadily, ageing population means long term confidence in this sector.

Hospitality

- Hospitality seems to be riding OK in the warm summer months. It will be interesting to see how it fairs as weather changes with economy.
- Continues to grow as tourism grows - training and development critical to keep up with international standards and to run businesses effectively. We have the 2011 World Cup to focus on too.

Human resources

- Recruitment-excellent-still a tight labour market, specific skills in demand-don't see any negative effect for us at all.

- Executive Recruitment - For the first time noticing a marked slowdown. Business seems to have become much more cautious about investing in all types of capital, including now human capital. Starting to see more candidates come onto the market as companies quietly move people on.

Ice Cream

- Very busy at present -great weather!

Imports

- Sales & Marketing of imported goods. While the dollar remains high we continue to make hay but are starting to prepare for what we think will be a prolonged recession in NZ. We are therefore focusing on our Australian market where we see a more stable and predictable future.
- importing- steady.

Information technology

- We have been busy over the last few weeks and are looking forward to the rest of the year.
- Industry specialist software (sales, support and development) - The last two months have been more than a little quiet. Unusually very silent as far as activity from prospective customers. Just recently spoke to another specialist software company (different software specialty - same target audience) they had noticed (in the same time period) a disturbing quiet in the market and they were talking about the Australian and New Zealand markets. These are large ticket software purchases and a quiet time now can lead to (if quiet period extended) difficult times for our companies in 18 months.
- Web, internet, software - getting tighter.
- IT. Hard to say - more roles for consultants now after an unusually quiet January.
- IT consulting - Asia based. Looking very good, about to commit to major new contract - but setting up new Thai company to get excellent tax incentives offered - NZ govt could take note...
- IT; Although January is traditionally slow, actual projects and ensuing work in the pipeline are progressing well. At this stage there does not appear to be any brake on spending and the outlook for the next six months at least is positive.
- Pandemic Planning has started kicking in and more companies want remote access so knock on effect for our industry.
- IT Contracting. Many contracts not being extended
- Electronic Content Management (ECM)product and Services - prospects for new systems are sparse. Expect that we will need to rely on existing consulting revenue streams over most of the year.
- IT - at this stage our customers are still looking to invest in their infrastructure - particularly around Disaster Recovery, Business Continuity and hardware refreshing. $$$ spend appears to be steady on last year at this stage
- IT sales and support. If the general Business feeling is that consolidation and wariness is prudent, then capital upgrades and enhancement will make it difficult for service and support industries

Insurance

- Intense pressure on commercial premiums will keep insurance costs low for most businesses but this typical for the industry that has had a 3 year cycle of high and low rates since Adam was a cowboy.

Kiwifruit

- Growing, packing and export. Current exchange rate has had a devastating affect on our profit. The situation would be worse but for continued good sale prices within our export markets.
- Kiwifruit industry continues to suffer from high exchange rate, as do all other exporters.
- With the over valued NZ$ it has been a dismal season for the Kiwifruit grower.
- While some crops are up most appear to be down a little. Dollar needs to fall more and overseas returns rise to return profitability at orchard gate.
- Kiwi fruit exporters looking good

Legal services

- Much the same as last year: High levels of M&A and related financing activity, a lot of government funded projects (roading etc) in the pipeline.
- Legal same but change in mix eg property conveyancing possibly down a little but other areas improved
- Legal - have been noticing a current high demand for people seeking asset protection regimes(Trusts) now, to safeguard themselves against an impending downturn in the economy.
- Legal - expecting conveyancing to show signs of slowing, and from the 'talk' about it does appear that many firms are already experiencing this..
- Legal industry: We remain reasonably busy, but an increasing amount of work is restructuring or insolvency related. We are also being told by our finance sector clients to gear up for insolvency/recovery work.
- Legal. While the economy may get worse because we deal largely in family law we see no lessening of work.
- Legal services (commercial). Less transactional work around and forecast. Anticipating a scratchy revenue year, with little prospect of growth.

Local Government

- The coming downturn in the economy does not directly affect us, as to a large extent we have a "captive' customer base. However we are noticing increased cost pressures well above the CPI inflation rate because our cost structure does not mirror the components of the CPI. This is leading towards higher levels of rates which in turn add to the pressure on the final consumers, in our case ratepayers.
- Local Government - Business as usual. We've a steady income stream (rates). Our greatest threats are political, not economic.

Machinery

- Capital equipment machinery sales. Auckland market has flattened, but still good sales and sales people meeting targets in the other regions. For larger pieces of equipment, still good enquiry levels, just having to work harder to convert to sales.
- Farm machinery - sheep & beef farmers talking doom & gloom, we are expecting a drop in sales over the next 12 months - ag contractors are having a better year.

Manufacturing

- The outlook is for quieter times, but still OK. We have been flat out over the last 5 years, so quieter times will give us the opportunity to catch up on things that we have needed to do but never had the time. It will be a period of consolidation for us.
- Manufacturing for domestic and export. Can only help exports if the rates fall.
- Manufacturing and exporting. A period of consolidation for us here, including some job cuts, but looking forward to some relief from the dollar hopefully. The job market prospects look good for those released.
- Electronics Manufacturing. Tough times, with the high NZ dollar, increasing costs (wages, freight, fuel, power, phone...) and competition from cheap imports.
- Margins down due to increased wage costs, low value of exports, increasing oil costs filtering through everywhere from services to packaging. Business now for sale.
- Local sales slowing down, particularly tourist related. Debtor payments also slowing down.
- Manufacturing (Engineering) Good forward orders for the next three months coming from Australia but preparing for a tightening later this year.
- Although my attitude is shaped to a large extent by the media quoting the BNZ economist, I have a positive feeling about the coming year. We are a small manufacturer employing 11 people and 1/3 of our business is exported to the USA. Orders have been steady to positive for both our export and local business.
- Aluminium joinery – Manufacturing. Developer Business confidence is down.
- Equipment Manufacturing that utilises technology. High dollar does not help profitability but we are continuing to sell, the sky has not fallen.
- Fashion apparel manufacturer. Our customers (retail) have had another less than perfect season but that is more a result of a late summer and early sales and these are issues that have plagued us for the

last couple of years and they have adjusted. However if they get even more cautious as a result of all this doom and gloom they might as well just stop breathing

- Exporter - manufacturing. Until exchange drop drops good margins will be difficult to achieve.
- Manufacturing exporter. Having to adapt to the China affect and the continuing pain of the USD, I don't know if I really believe that the USD is ever going to go down again.
- Food manufacturing, exporters, feeling the pain from high NZD and facing increasing pressure from competitors (importers), losing market share in NZ to imports.
- Manufacturing (electrical components. Steady growth
- Manufacturing - four week holiday from 1 April 06 will hurt - those on four already making noises re moving to five! Expected but costly.

Market research

- Market research is rocking as businesses realise they're going to have to be a lot smarter in the forthcoming year if they're going to continue to grow in size and / or profitability.
- Things are still looking OK but we anticipate a slowdown later in the year based on current financial news. Job market is still tight for good people; similarly clients who want quality are still prepared to pay for it.

Milling

- Corn milling for breakfast food snack food and baking industries. High fuel prices will affect distribution costs and cost of production of raw product suppliers. The high dollar will assist the threat of cheaper imports of both competitive and substitute products.

Music Teaching

- Things are very busy, but get even busier in a down turn.

Oil

- Oil industry has never looked better with perfectly legitimate excuses to keep increasing prices!!
- Engineering and design for the oil and gas industry. Pohokura design finished and Kupe design being done off shore. Maui and current industry stable or in decline. No major projects in the pipeline except for the possible future NZRC expansion (for which much of the design will be carried out overseas)

Paint

- Wholesaler. Demand is steady against 12 months ago but has dipped from the heady days of 18 months. This decline is largely the lack of big budget movies and commercials currently in Australasia.
- Slight downturn due fewer new buildings but more refurb's of older. Prices of paint starting to rise due NZ$ falling (almost all RM's are imported) but more due to increasing RM costs which we hear are going to continue to rise.

Plumbing Industry

- Busy and will be hard pressed to undertake the planned future work - lacking qualified staff to undertake the work available, the result is businesses are vulnerable.

Printing and publishing

- Digital print and copy centre. The market over the past few months has tightened up. However, we feel reasonably confident that the slow-down has plateaued. Just makes a little keener in our pricing and purchasing.
- Publishing. High exchange rate is affecting the cost of producing books.
- Printing Industry in Auckland (we have an 8% market share in our segment) - very soft sales - started easing November.

Public Relations

- Private sector clients are clearly not increasing budgets

Public Sector

- Increased throughput, tight labour market and fiscal tightening placing pressure on all aspects of the service. Does this mean yet another restructure?
- We are a union organising predominantly in the public sector. However, we anticipate that projected budget deficits, for example in the local health board will lead to so called cost cutting and measures such as contracting out and an attempt to stall any attempts to improve terms and conditions.
- Government sector. Less growth in public sector employment..

Real Estate -- Commercial

- Extremely active commercial market. Valuers under huge pressure to complete work before Christmas and to meet new reporting requirements. A lot of "off market" transactions as buyers scramble for unlisted commercial property. Residential activity has slowed at the lower end (for those who need to borrow) but the top end is very much in demand and some big sales are being made. Two markets have emerged.
- Commercial Real Estate Sales: industry reasonably well balanced with buyers & sellers, well positioned and located properties still getting premium under bank rates but 2nd rate properties a little hard to sell. Primary investment stock selling at between 7% & 8% yield. Its a busy market.
- Commercial Real Estate (Tourism Properties) Am experiencing good to better than average enquiry levels, good amount of stock at all levels available for buyers, no downturn in the market at this stage.
- Wellington commercial property will strengthen.
- Looking ok at present with heaps of investors but later in the year things look as though they will tighten with a few mortgagee sales.
- Investors still out there but cautious as to quality. Tenants still interested - mainly smaller emerging ones. Owner-Occupiers buying to avoid Landlords. Business sales still good on profitable ones, unprofitable ones priced realistically going OK. There are bargain hunters sharpening their swords!
- In Taranaki the commercial/industrial sector remains very buoyant, with land in the New Plymouth and Bell Block sectors, in particular being very tightly held. On average land prices have at least doubled in 3 years, and there is no sign of this trend abating. Building costs have escalated considerably, too. Rentals in all sectors have shown lifts of 10% to 50%, with returns on sales declining markedly at the same time. The prospect is these capitalisation rates have bottomed out at an all-time low of mainly 8.5% to 9.5% (some outside this range). Expectations are for the momentum in the North Taranaki commercial market to continue for at least the remainder of 2006.
- The Wellington commercial construction market is strong and the medium term outlook is good with several major projects underway including the hospital. Capacity is limiting opportunities.
- Investors are becoming more cautious and are demanding higher returns on their investment. The general feeling is that the leasing market will become a lot tougher over the next 6-12 months.
- Commercial property - change in the economic wind will bring opportunity, yields are low in comparison to bank deposit rates and I expect to see some 'cashing up' from investors whilst those in on a highly leverage basis may need/have to retire debt...
- Commercial Real Estate, Auck City. Strong buyer demand for good property but limited sellers. CBD/Fringe leasing; Steady demand, reduced vacancy.
- Business will be good as there will be turnover. Prices will and are stabilizing so owners will sell properties that have no capital growth.

Real Estate – Residential

- Real Estate - Confusing with some parts of the country showing good activity levels while others are quieter than normal. This is also true within the Auckland area.
- Property Valuation - Decrease in numbers of valuations being requested, perhaps that is seasonal (holiday time) fewer are being requested for sale of properties, predominantly requested for re-finance.
- Property Dev. Lifestyle land subdivision. Sales very quiet.
- Ponsonby. Cumulative effects of Reserve Bank pronouncements, industry layoffs, interest rate hikes, petrol prices etc are making both vendors and purchasers nervous and therefore hesitant to make decisions. What I personally find interesting is that both P and V are happy to take action in an actively

escalating market when purchasers have to pay more and the cost of stepping up is more expensive for vendors.

- Land development, Kapiti. Despite the doom and gloom preached in the media, the reality is little noticeable change.
- Still quite buoyant. Ashburton Real Estate
- Real estate Wanaka, still busy, lots of buyers about, vendors more negotiable, but market still busy. Strong demand still for property - have not noticed it quieting down.
- Much the same as last year - Property Valuation.
- Real estate (rural and lifestyle) South Canterbury. Any property priced too high is sitting with no calls. But still good interest in fair market priced properties. Valuers are starting to have trouble putting values on.
- Real Estate in Hamilton. Still very busy with good activity - expecting to slow gradually over the winter months ahead.
- Land Development - reasonably steady at present due to the longer term view that is required to produce new titles. Lack of available land and RMA delays are the biggest issues leading to a supply side driver as the demand side weakens resulting in a steady position.
- A lot of listings coming on - Real estate Queenstown.
- Stock is coming available at more realistic prices, pressure of interest rate hikes will stimulate the market. We will see some pressured selling over 2006.
- Initial signs now evident that the residential property market in Taranaki is slowing.
- I have a boutique Real Estate company with a property management division. Since returning from holiday (07 Jan 06) I have been extremely busy with the rental side. Both with new landlords coming on board plus more interest from tenants.
- Property Investor/Developer. Compared to the last 2 years it has slowed, but from a longer historical perspective we are still rolling along nicely. We have great difficulty finding favourably priced property, but still buying about one a month, some for resale, some to hold long term. Expect about 5% capital gain this year to December
- Whilst numbers of sales continue to be behind those of the boom years (04...05) prices are holding and in some areas are slightly ahead. Therefore we are holding at the same income level of last year. In summary higher prices are offsetting lower numbers of sales. Still tough for first home buyers!!
- Property appears to be selling well and their appears to be a level of supply and demand that has kept our market buoyant.
- Things looking more pessimistic due to increase in interest rates, lower commodity prices (esp. lamb) and a perception the property cycle has reached its peak
- Real Estate marketing, I believe that in the last too weeks buyer inquire has improved, but the offers are a little lower and in some cases are being accepted. Negative reporting is what is creating this. As the fix term mortgages come up for review I expect more properties competing for the purchasers.
- Steady
- Residential real estate, Wellington. Supply of stock is improving as people get back from holiday, and buyer activity remains strong. Good competition to buy means prices are still holding.
- We are valuers, and after a slightly slow start in January, we have been rushed off our feet over the last two weeks (Kapiti area).
- Palmerston North is still going ahead, still many buyers, still having the multiple offers, not really a slow down here.
- Lots of lookers, people slow to make offers, listings slow to come in, seems a like a bit more investment property is being quit. I think some of the slow phase could be put down to excess spending from Xmas, Kids home for holidays, and the holiday weekends breaking up the month, expect things to improve for February.
- There are few changes through our office - West Auckland, which is very much a growth area. I personally think there are great challenges ahead in spite of the media doom & gloom.
- Real Estate - Eastern Beaches. Still a real shortage of stock available to sell. Prices firm and plenty of unsatisfied buyers!

- The residential property development industry is looking nervous, however most astute purchasers believe prices are unlikely to drop much if any. The sales market is thus steady and smart buyers are getting good deals.
- Property valuer/consultant ChCh. Clear signs of slowing market, lot fewer sales and early signs of price easing. We are seeing some anxious vendors and resolute buyers.
- New house building. Cant sell any house over 1400000
- Real estate and property maintenance industry. Definite tightening up in real estate with purchasers wanting value for money. Property maintenance business is flat out.
- Valuation industry, Auckland - residential market appears relatively steady at present. More caution being exercised by those in the market, but values holding. There is still plenty of work for us out there.
- Real Estate: Listings shortage over. Still plenty of inquiry, but buyers cautious. Prices holding. Better-organized investors reaping the benefits of nervous, poorly-organized investors. Flipping continuing.
- Residential Valuation. Volume of work reducing. Down around 25% on late last year.

Retailing

- Home improvement - greater Auckland. Last few months down significantly on last year.
- New and Used Vehicles. Demand declining rapidly, principally due to a fall in consumer confidence, most of who are wage and salary earners spooked by negative media rather than their own situation and prospects. Bollard would import Bird Flu to fix us properly if he could.
- Car sales - major dealership. Commodity lines have stalled for smaller dealers. Brand strength is going to be particularly important for selling over the next 12 months.
- Food sector: Disposable income hurt by fuel and interest costs but not expected that this will worsen in 2006. Some general belt tightening may occur, but expect people will still eat!
- The car industry appears to be holding its own although some companies extending leases on existing vehicles by a further 6 months.
- Carpet retail. Domestic sales set to reduce as new home building declines. Commercial shows no sign of slow down yet.
- Motor vehicle dealer. Our industry is suffering from deregulation and an over supply of imports added to which the new car dealers are completing ridiculous deals for market share. When the dollar weakens it will shake some of the cowboy importers out of the industry.
- Importer to retail trade. Feedback to us is that the channel is still full post Christmas and we are seeing very conservative purchasing from our customers. I've yet to speak to anyone feeling bullish about the economy. There is a sense of waiting to see what will happen before purchasing any new product that is fairly consistent across our client base
- Tough times ahead for retail with sales targets hard to achieve and the high dollar aiding cheap imports
- Classic car sales and service. I think and hope our industry won't suffer as much as others. Think those with some modest discretionary income will still want to enjoy their passions. Hopefully they will still service and buy the odd classic car. Sales and enquiries were down in Dec but January was better. Long may it continue.
- Tyre sales in January back to 2005 levels after a disappointing nov/dec. Passenger car retail
- Motor vehicle industry is looking worse with petrol prices up and weakening dollar putting pressure on motor vehicle prices.
- Furniture Importer - business remains strong though some areas of the country are slowing perhaps due to lack of drive by store owners over the summer period i.e. rather be on holiday than work.
- Motor Vehicle Dealership - reasonably slow at present, comments have been made from other dealerships/ wholesalers about low turnover numbers.
- We are in the outdoor power equipment Sales and service. With the downturn in logging and the tightening of the consumer spend we see things getting a lot tighter in the next 12 Months
- Supermarket retailing - very steady, but sales growth hard to find.
- Fuel retail/convenience. Higher dollar spend on fuel tends to lower discretionary spend. Tendency however to adjust very quickly to higher cost of fuel. Drive offs(no pay) becoming an issue.

Second Hand Industry

- If economy worsens then traditionally our industry performs better. As household spending tightens the demand for Second-hand goods increases.

Security

- Still a growth industry though with too many players. The top performers will do well and many at the bottom will fail.
- Involved in the electronic security industry. Forward workloads are extreme, with lack of technical staff being the limiting factor for growth. No sign of any slow down, a continuation of the past four years.

Taxi

- Domestic Corporate Travel is down.

Telecommunications

- Tight, margins reducing, looking to new markets to compensate reducing margins of core business
- Telecommunications/network equipment - fine (but almost all our sales are outside NZ, so the local economy has little effect).
- Two Way Radio Communications - Better companies look to reduce costs two way radio is very cost effective over cellular

Tourism

- Reasonably solid overall.
- Inbound tourism. Price cutting is now ridiculous as NZ operators all chase the same customer base and don't appear to be looking outside the traditional tourist sources. With Air NZ pulling out of Nagoya and fewer flights to Osaka the tourism industry will find the going even tougher as one of our biggest and best markets slows even more. Our on-going high dollar has certainly made us more expensive and boy do we hear about it!
- Hotel - guest numbers are slightly down on previous year mostly due to more Kiwis travelling offshore with strong NZD and cheap flights. On top of fuel cost increases, holiday pay increases, the increasing minimum wage and next years extra week's holiday, our costs are increasing faster than our customers will allow us to increase our rates. Profit margins will be very tight, severely limiting investment into refurbishment/further development.
- Tourism, high dollar now really hurting, we just have enough work through the peak season to keep all staff employed, normally we are 30 to 50% over booked. This makes low season post March look very frightening. May have to lay off some of our 150 staff.
- Motelier. With the high dollar we are seeing a drop off of international tourists. domestic is doing ok.
- Tourism & Hospitality. Slowing travellers due to exchange rate and spending less on accommodation and activities while here.
- Tourism...this is always unpredictable...bird flu would stuff us, the high dollar is having an input, fuel prices also impacting.
- Tourism looks far better through March than past quarter.
- Retailing, specialising to tourists both local and international. The season has been difficult with the high NZ $ encouraging local tourists to travel off shore and international tourists being affected by the exchange rate. The cheaper airfares have enabled more NZ to travel and also attracted lower end international tourists who have little discretionary income once they have arrived.
- Tourism/Budget accommodation: Revenue, swimming faster to stay in the same place; Costs: wages growth not abating, pressure on power, rent, rates, and maintenance/trades. Margins all but gone.

Wine industry

- Marlborough. Very high demand for grapes and wine from this region. As with everyone in the export sector the high interest rates are making it very tuff. With 50% of the wine made being sold domestically a drop in disposable incomes and a reduction in consumer confidence may see wine sales reduce.
- Struggling with depleted margins due to high dollar. Now beginning to hit hard.
- Grape Growing. The high Kiwi Dollar continues to cause considerable pain

BNZ CONFIDENCE SURVEY

- The wine industry is struggling with reduced margins in the domestic market as a result of supermarkets dominating retail and declining margins in export as a result of the strong NZ dollar. However as a niche player in the wine world our outlook is very positive.
- Wine industry still looking good. Exports growing and weaker NZD will improve the outlook but also threaten to undermine premium price positioning in overseas markets.
- Our numbers are slightly up, our customers more careful with choosing the products they want, but happy to pay for quality.

The BNZ Confidence Survey is run (usually) on the first Thursday of each month. In the Weekly Overview email sent to the 8,500 non-BNZ email addresses on our database respondents are asked to click on a URL which takes them to a survey site. Respondents are asked if they feel the economy will get Better, Worse or stay the Same over the next 12 months. Respondents may also make comments on their own industry if they wish. Results are collated each Tuesday and released that night in this publication to media and WO readers.

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