

## PESSIMISM DECLINES FURTHER

Many thanks to all those who contributed to this month's survey. The response rate was a good increase from the previous two months and our plan therefore is to continue the survey through 2007. As with other surveys of consumer and business confidence our survey has recorded a decrease in pessimism - in fact to a record low for our survey which has admittedly only been running since February last year. Only a net 10% of respondents now feel the economy will get worse over the coming 12 months. This is an improvement from in the 19% pessimism in October, an average reading over the previous six months of a net 23% pessimistic, and a horrible net 65% pessimistic at this time last year.

Many economic indicators have been improving over the past six months suggesting no fresh deterioration in the rate of growth in the NZ economy is underway. This view is strongly backed up by the submitted comments though with obvious pessimism amongst farmers and in the forestry industry.



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

- Margins are very tight and there are growing concerns with compliance costs. Staff remain very difficult to find. Debt collection is slowing up.
- Advertising is mixed with not enough negative comments for one to conclude this traditionally leading indicator is signaling fresh economic weakness.
- Dairy sector comments almost universally negative with major exchange rate and cost worries plus concern the payout could be revised below \$4.
- Construction activity is off its peaks but things still remain quite firm.
- The finance industry has tightened up.
- A new wave of pessimism is sweeping through forestry.
- Caution in manufacturing but no despair evident.
- Interest in investing in commercial property generally remains strong.
- Listings of residential real estate remain in short supply. Rents not seeming to be rising much.
- Retail sector activity slightly weaker.
- Tourism is looking okay.

# BNZ CONFIDENCE SURVEY

Survey Date	Better %	Same %	Worse %	Net %	# of respondents	# of comments
2 February 06	3.9	27.5	68.7	-64.8	517	387
1 March	8.6	37.2	54.2	-45.5	301	200
6 April	18.8	33.5	47.6	-28.8	382	256
4 May	18.8	39.5	41.7	-22.9	271	152
1 June	16.1	41.7	42.1	-26	254	149
6 July	16.8	39.3	43.9	-27	321	202
10 August	17.5	45.0	37.5	-20.1	269	171
7 September	19.0	40.7	40.3	-21.2	226	145
12 October	19.9	41.2	38.9	-19.0	216	138
2 November	231.	44.0	32.9	-9.7	350	243

## 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 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

- Accountant in Public Practice. Seeing turnover drops in tourism and Agricultural service clients.
- Accountants. Still busy with compliance work. In general clients have reduced profits from previous years, especially retail and service businesses. Cash flow is very tight and some deciding to shut down.
- Accountancy- advisory work still strong but change in emphasis from new projects to cost control issues .2006 results for farmers are generally lower than 2005.
- Farm Accounting Practice Clients under considerable pressure. Worst year in 10 years for many sheep and beef cattle farmers. Debtors of our practice slowest for many years, function of above. Not a lot of tax being paid by our clients. Banks tell us less is coming in the door, off a high base though.
- Accountancy busy for this time of year-clients struggling to meet targets last year profitability
- Accountant: High dollar going to impact on export sector, particularly in farming where we have a large clientele. "...” already making noise about struggling to meet forecast payout.
- Chartered Accountancy - tight labour market for us. Variety of results for clients but mainly steady
- Chartered Accounting practice (rural) - we are busy due to lack of qualified/experience staff. The majority of our clients seem to be busy enough too - quietly getting on with it.
- Chartered Accountancy (Auckland) We are having a very good year with Turnover and profitability both up significantly on last year. I do not see any reason why this will not continue.
- Chartered Accountants -Nelson - slower than last year as far as new business start ups & restructurings but still steady movement - an air of quiet confidence in business - profit expectations more realistic now.
- Chartered Accountants and Business Consultants A considerable pick up in client demand in the past two months, due to their expansion plans. The only client group suffering are our non franchise car dealers.
- Accountancy -HB - no shortage of work but a lot more time pressures. Farming results are not good and will be made worse by lambs not finishing well.
- Chartered accountants - still plenty of work on with shortages of skilled people to employ. Signs of reducing profitability with some clients, particularly in horticulture and dairying will impact negatively on provisional tax take over next 12 months. Exporters are now really struggling having run out of cover over past few months, and not locking in when NZD was at lower levels earlier in the year.
- Professional tax service - Weaker demand for services as clients cut discretionary spend and hold off on acquisitions

# BNZ CONFIDENCE SURVEY

## Advertising

- Media: Ad sales trending down
- Signage Manufacturing - Lower North Island Trade over the last 2 months has been slower than usual, with both suppliers and retail customers reporting tougher and quieter times. November seems to be picking up a little, as the rush towards Xmas inevitably brings, however trading is certainly not as buoyant as in previous years.
- Radio advertising - Businesses seem to be very optimistic at present.
- Post production and visual effects industry (for TV commercials) has been buoyant. Currently approaching usual summer holiday slowdown, but looking positive for a busy year in 07.

## Agriculture

- Sheep & Beef Farming: Outlook is OK but the NZ dollar needs to come down if we are going to improve profitability, it has such a huge impact on our bottom line
- Dairy With the dollar holding up payout predictions are starting to suffer, and land prices may have started to roll over the top.
- Sheep and beef and dairy, it depends on the NZ\$ if it stays up things will get tighter
- Rural – major concern with exchange rates.
- Dairy - we need sunshine with regular patches of rain. Not too much to ask surely.
- Sheep & Beef - Season (spring) has been an absolute shocker. Weights & condition in all classes of stock well down. High meat schedules holding up though to offset this. Strength in dollar a real concern for season heading into 2007.
- If the dollar remains high then it will be more bad news for the dairy farmer. Our pay out will drop and with all of our costs rising there is little or no surplus left
- Sheep and Beef Breeding/Finishing Despite storm damage in July, have maintained breeding numbers, and, with good pasture growth rates through August to now, ewes and cows with lambs/calves at foot coming into early summer in good condition. 142% docking, a few points behind normal. Ewe losses light, cows too. Think the economy will get worse because of the international grain shortage and highly likely fall in NZD early next year affecting consequent inflation. At farm level, labour has been minimised, no major expenditure planned, and other cost cutting measures implemented. Plan to maintain profit levels, but district and regional council rate rises, and their schemes for the betterment of everybody else's lot, continue to depress my confidence.
- Dairy Tough season; weather very wet then dry, cold low grass growth. "Commentators" seem to be setting us up for a payout downgrade and trying to confuse the issue with a diversionary investigation into industry good research. Poor payout due to poor productivity increase; not our fault that you can't make ends meet on \$4 or less!!
- Dairying - Payout not looking too promising, but costs are still rising, along with the poor spring resulting in lowered production
- The stronger dollar is having a effect on the rural real estate sale, buyers are very edgie. Enquire has slowed markedly.
- Agriculture - slow start to the new season as farmers get over a hard winter and slow spring. Higher dollar continues to depress commodity prices at farm gate and high interest rates continue to be a burden.
- Dairy Farmer - Real concerns that the high dollar is going to lead to a payout under \$4.00.
- Dairy Farming. Could be a tough year as the dollar refuses to drop below US 60 cents and "... " seems unable to break out of its current lacklustre strategy.
- Agriculture - same
- Farm machinery - contractors & farmers frustrated at late spring & strong \$NZ however there has been an improvement in sales enquiry over the last few weeks - tractor sales are down by at least 30% on last year - many farmers deferring capex
- Journalist Rural sector, Compliance issues are restricting development. While the rural sector still generally strives to uphold standards, indeed increasingly more so as professionalism in all aspects of farming practice becomes recognised, a regime of punishing regulatory systems seems intent on hitting rural people.

# BNZ CONFIDENCE SURVEY

- Agribusiness Consultant: We have a lot of work on. Large dairy farmers are active considering supply options and further land expansion. Exchange rate and interest rates are dampening the entrepreneurial fire somewhat. More farms on the market than this time last year.
- Dairy - international market is tight and prices in USD are climbing. But the ROI on a new investment in a dairy farm is lousy due to land prices spiralling into the stratosphere.
- Farming Sector - it is getting harder to make a profit due to increased costs - energy & demand charges for irrigation, fuel, fertiliser, sprays and meantime farm prices for arable have not increased. Only making it because we are debt-free.
- Dairy- Milk price under pressure due to high dollar, interest rate also to high. Compliance cost out of control

## Architecture

- Architectural design - looking to be quite busy coming up. Stand at recent Chch Home Show revealed there are many potential residential clients. Still price conscious, but definitely have work to be done.

## Business Consulting

- Our industry: enabling business performance improvement through providing better management information and process optimisation. Demand in this sector is strong and growing... Most large companies in this country operate in a mature market with no easy road to growth and are looking for improvement at the detail rather than broad strategic level.
- Business advisory sector Demand remains high.
- Small Business Consultancy / Chartered Accountancy: Hectic October with September six monthly GST & November 7 Provisional Tax client servicing. Client interest in property persists with increasing joint venture risk spreading. Recent experience with ISP supplier problems from spam/virus attacks shows dependence on electronic/telecoms internet exposes many practices to service standard difficulties in this area, especially when 24 hour delays with incoming / outgoing e-mails persisted this week. Perhaps another sign of an under-resourced economy struggling with capacity constraints
- Business Adviser We are busy as always at this time of year. Issue getting good people and having to pay up to 20% extra for replacement people. This of course will be passed on to our clients. Really feel we are kidding ourself that things will get better because petrol prices are down when there are huge wage increases in the wind. Overall believe we have inflation BACK

## Call Centres

- Call Centre Industry. We are experiencing an increase in enquiry from businesses looking to outsource driven we think from a desire to reduce costs

## Cleaning

- Cleaning Industry Better and better. Growth is phenomenal.

## Construction

- Importer and distributor of high quality building materials - The first half of 2006 was very quiet but since July we have been very busy with great prospects for 2007
- Building. Lot of poor quality work available
- Building. Bay of Plenty.. Less new residential work. Many builders now competing in renovation market. This is also exacerbated by the huge increases in building consent fees in most areas
- Construction - residential. Busy, but scale and scope of projects has decreased.
- Construction (consulting) - Still pretty solid, no slow down evident, Wellington.
- Commercial Construction - OK work levels, they seem slightly down on the frantic levels of last few years but still appear to be steady to good with no shortage of work
- Construction sector, Things quiet at the moment but a lot of talk of medium sized commercial projects to come in the near future, Everyone seems to be banking on the World Cup but everyone seems scared to make the first move. Procrastination may be a good word to use.
- Civil Contracting Still continued procrastination with Local Authority processing of Consents. Resultant decrease in actual work commencing on time.

# BNZ CONFIDENCE SURVEY

- Commercial construction: reasonable work level but tightening of margins
- Construction and Forestry expanding in the Eastland Region
- Construction Sub Contractor Auckland The market is still very competitive and margins are very low. Our area of expertise is way overtraded and there will need to be a reduction in competitors before we see an improvement. I can see an upturn in workload about Feb - March next year and hopefully better margins will come from this
- I believe cost of business will rise considerably and the cost of building and property will increase

## Education

- Music education - very busy
- Training industry - will continue the same
- Industry Education Automotive Trades. Significant drop in business. Debtor days increasing and workshops significantly slower in recent months.
- Social Service Sector Growth in demand for services to clients. Static demand for training anticipated.
- At present there looks to be little opportunity for real growth in tertiary education for foreign students (the real money maker) and one suspects that the sector will remain flat over the next year.
- Tertiary Education (Sport and Health Science). Stable, i.e. slow but with developing opportunities.

## Electricity/Energy

- Heavy power industry. I would expect the industry to remain fairly active, since there is a need to not only renew existing infrastructure, but also provide for growth in demand. There may be a concern to commit capital expenditure in some areas, due to potential constraints on returns imposed by regulation.

## Engineering

- We supply engineering plastics to engineers and manufacturers who appear to be regaining confidence. We also supply moulded fibre fruit trays and egg cartons and it appears that next seasons volumes will be up, weather permitting. A lower dollar at the appropriate time will help our apple exporting customers considerably. I have been asked if you can arrange this.

## Fellmongering

- (Sheep Skins & wool). Costs of inputs particularly energy for wool drying continuing to rise. Wage expectations driven by high profile Union campaigns to gain above inflation rises without offering/looking to any productivity improvements. Transport cost increases build on a range of factors including fuel component expected to rise despite current short term dip. Pre Christmas cheaper fuel will just encourage people to spend more and post Christmas will be tough for people trying to clear Xmas debts.

## Film

- Film Industry getting more difficult to get funding

## Finance

- Slowing - financial services
- Finance company sector is very competitive with second and third tier lenders scrambling to pick up business and dragging down the industry standards. Larger operators are buying business with lower rates, squeezing margins. A mix of lower credit standards and lower margins will see more operations suffer in the next 12 months or more.
- Commercial Finance (2nd tier Banking) Tight margins and increasing competition from main trading banks make closing deals more difficult than ever. Slowing activity in commercial real estate sector mean fewer transactions and decreasing fluidity within the market.
- M&A - Finding it difficult to close deals, with vendors preferring to hold out for unrealistic multiples.
- Finance industry - quiet and very competitive.
- Building society - recent large increase in mortgage lending
- Property Finance - mezzanine market is tight with many funders tight on cash.

## Flooring/Roofing/Windows

- I am in the retail and contract Floor covering business in Christchurch. Albeit that this winter has been very tough with economic slow downs and an extremely cold wet winter slowing down construction which obviously affects our industry, our present confirmed forward orders are up in excess of \$1 million on 31 October 2005.
- Window Coverings - manufacture & wholesale Sales continue with much tighter margins.
- Roofing, Wellington, sound enquiry levels reasonable conversion status, summer coming with this seasonal process.... A solid state of industry, hard to find fixers/contractors who are inclined there's the rub.
- Roofing Taranaki - new plans seem to be slowing down, however enough in the system to carry the building trade through to late next year.

## Foreign Currency Service

- A little quieter with regular clients but more one-off business than usual. Obviously rate driven.

## Forestry/Manufacturing

- Forestry - If the US dollar stays up where it is things are going to get bad. First signs already.
- Sawmilling - The NZ Dollar strength has caught us just as consumption in the U.S.A comes off, lowering demand and \$US values meaning a double hit in Kiwi Dollars.
- Forestry - worse (high dollar)
- Pulp and Lumber manufacturing and Forestry. Overseas orders have increased and energy prices have eased but the increasing NZ \$ is now causing concern especially for those who decided not to 'hedge' when the \$ dropped !!!
- Timber exports hurting with high NZ/US + falling prices in US worse now in real \$ terms than 2001
- Small scale sawmill enquiry and sales have increased markedly. Low energy solutions becoming more popular.
- Forestry - high dollar and falling housing starts in Australia and USA starting to really hit home. Exporters in for another beating - just finished getting the last one!!!
- Forestry - strong export log demand and further weakening in the domestic log realisation will put pressure on NZ sawmills

## Health and Fitness

- Business is slow in Chinese Medicine.
- We're optimistic about our industry growing. (nutrition/health consulting) Investing to grow/expand the business early next year. Don't see interest rates dropping in the near future, don't see the housing market cooling either, particularly in Auckland.
- Health - chugging along and looks reasonable. Have great concerns about "some sectoral restructuring - Ed rephrased to remove organisation names".
- Pharmaceuticals. Very competitive and price controlled (Govt. - Pharmac)but demand for medicines continues. Improved access to Doctors increases prescriptions.
- Private Surgical Hospital. With DHB's having to comply with MOH directive on waiting lists some people chose to go privately. Other signals sent by government with increased funding over the next four years has left some punters uncertain. Expect the sector to continue to grow.

## Horticulture

- Solid inquiry for exports for honey, particularly Manuka honey. Our local market is very slow, packers are struggling to take local crops and pay for them. Their margins with the supermarkets are very lean.
- The longer the fall in currency takes to come, the sharper bigger and longer the fall will be. This belief is all that keeps us going being 90% export dependant. Apples Kiwis, berries etc. are getting reasonable prices offshore this year but we are still unlikely to make a profit. Any replanting let alone further development is dependant on injecting new capital. We need this inevitable fall in currency to recharge financially.

# BNZ CONFIDENCE SURVEY

- Seasonal factors have taken their toll on kiwifruit returns this year with appalling weather during the harvest period causing a higher than average post-grading fruit loss. However, the marginally lower NZ dollar has gone some way in off-setting the full impact of this loss compared to last year.

## Hospitality

- Whether its the time of the year, weather or falling fuel prices there seem to be more discretionary dollars about. Hospitality

## Human Resources

- Recruitment. Although quite busy are we beginning to see the start of the Christmas slowdown?
- Executive recruitment - extremely busy with companies taking advantage of the (only slightly) looser employment conditions to grab new staff
- Recruitment Industry Still very short of quality candidates, plenty of people companies don't want to recruit but good strong demand for well educated articulate candidates with potential.
- I work within the Recruitment industry - in particular the field of headhunting. Overall the tightness of the labour market does not directly affect me as our approach is different. However opportunities to fill roles in the middle to top tiered management area are a problem. I see confidence returning slightly to the market and more jobs may become available as a direct correlation, but at what level is the big question.
- Consultancy Still opportunities maybe caused by skill shortages and also down sizing and deciding to buy specialist skills.

## Information Technology

- IT: Work is there, but smaller tasks, all honing the client business processes yet again... Lots of hype still around new silver-bullet systems it seems (eg CRM, BI) but current experience is interest doesn't become spending and so we're letting NZ staff go. Also, still perception of skills shortage, but seems very little commitment from employers to upskill existing staff to fill gaps - would rather "trade up" if they can seems to be the case. Expect the skills market to get worse short/medium term with "telecommunications companies mentioned - Ed" staff fallout, then medium term as IT budgets/efforts get refocussed/dragged into the Windows Vista upgrade cycle.
- IT Consulting - Things are slowing down, we have less work on our books for the new year than we have had at this time in the last three years.
- Still lots of activity and capital investment (IT and Communications)
- IT industry - Average to slow demand
- Chaos in broadband affecting computer services.

## Insurance

- Insurance Industry Higher than predicted AUD/NZD and continuing softening of premiums are affecting our business

## Land Development

- Land development, things are ok but stock i.e. raw land is impossible to purchase at a price that has a margin left. Local govt is dysfunctional and making life impossible for developers and builders
- Land development Kapiti, everyone is flat out, picking up even more since the weather got better. Frustrations with a lack of staff etc.
- Land development. Marlborough. Things are slow at the moment as no one is buying sections to flick on like they were a couple of years ago. So buyers are limited to those intending to build. Whilst the house building market still seems healthy there is an oversupply of sections which were bought 2 years ago and are now back on the market with vendors struggling to make much of a profit (if any). This oversupply will need to be worked out of the market before we go back to a demand driven situation.
- Civil engineering and land subdivision is strong, no appreciable drop in the number of clients, some major clients retrenching from some market segments but active in others

# BNZ CONFIDENCE SURVEY

## Landscaping

- Landscaping - busy time of the year however probably not as busy as past years, labour market still tight so good staff hard to find, don't expect much to change in the next 12 months.
- Landscaping. Plenty of work. Stopped advertising meantime. Need more staff.
- Landscape and turf industry. Things just going nicely at the moment, busy rush to Christmas, every ones rates creeping up though and costs are creeping up all across the board. Forward workload looks good, better than this time last year.

## Legal

- Law - Plenty of crim and societal casework, and in the corporate sector, sheer pace of regulatory changes eg IP, tax, banking & finance adding to the grist.
- I'm a Christchurch lawyer practising in the SME/Property developer area and remain flat out. Getting staff at any level remains difficult.
- Law Still a steady stream of work both in land transactions (both residential and commercial) and in commercial, company and trust.
- Legal - 40% of income from conveyancing. Steady work as usual up to Christmas. Increasing commercial activity.

## Local Government

- Increasing costs, legislative requirements, market salary rate demands are placing increasing financial pressure on local authorities and subsequently ratepayers

## Manufacturing

- Timber Building Products: Remains highly competitive in New Zealand with raw material and general cost inflation hitting margins. Exports still suffering from the high New Zealand Dollar.
- Niche mff exports (high-end photo albums): Not so good with the dollar stronger again, and no clear idea of when/how things might change.
- Manufacturing Industrial Labels Order volumes increased through October and are strong for November. Australian exports below last year.
- Flexible Packaging rationalisation continues with more business fall overs expected due to very tight margins in some areas. Exports are very difficult and the presence of imported competitive products is becoming more obvious.
- The Australian drought will affect our meat processing equipment sales over at least the next 12 months. Expect NZ to remain as is and our US market to show some small improvement.
- Roofing Manufacturing. We have had our first dip in sales in Oct for 3 years. We feel that things will be fairly stable for the next 12 months
- Manufacturing ChCh Overall the situation is improving with an increase in our workload
- Capital Equipment for Pulp & Paper Industry. Booming in Australia, nothing in New Zealand even though we have more wood coming on stream over the next few years.
- Textile Manufacturing - difficult to compete will low cost overseas producers
- Manufacturing - just hard work. All our customers are careful about what they order compared to 2 years ago and are taking longer to pay.

## Marine

- Recreational marine export: fully booked orders for next 12 months, will need to cease taking further orders meanwhile.
- Export Marine equipment - very busy for the next 12 months
- Boat Builder - Have seen a settling in peoples concern re the economy. My feeling is the next 12 months will not see too much change.

## Network Marketing

- Looking better for this industry because people are needing to supplement their existing income. Sometimes this is due to an insecure job prospect.

## Printing

- Print and Copyist industry: Work flows ok, although demand and consistency for this time of year is fickle.

## Property development

- Property development; tepid demand and continued pressure on costs and land value is making project viability very hard - marginal
- Property development and investment. Easy to sell at a good price. Difficult to acquire new development sites or renovation prospects. Capital gain far exceeding expectations this year.
- Property development - as long as immigration continues and interest rates do not rise any higher, property will continue to be a good industry
- Spec housing building for the retiring group from Auckland to Tauranga. I would say that the group I want to sell to are retiring at the same rate as before and that they might spend the same amount as last year, but I expect they will not be spending more than last year, unless some more positive news prevails in New Zealand. Although I believe things are not as bad as people would make them out to be. You can talk something down too.
- Residential design and build construction in Auckland. Enquiries and sales still reasonably strong - same levels as last year. Biggest issue or constraint to growth is the regulatory environment - the delays, the inexperience in Council staff, the inconsistent interpretation of new rules by different Councils in the same region and the huge council fee increases is both a major headache and a real impediment and cost to doing business. A number of clients are shelving plans to build due to the difficulties and costs in dealing with the RMA and Councils. Skilled labour shortages still exist particularly in Quantity Surveying though less noticeable in the trades. Cost increases in materials now more contained and more stable. I would certainly be far more optimistic for the residential construction industry if we had a more consistent, efficient and better skilled regulatory environment.
- Here in Hawkes Bay property development still going strong
- Property Development - commercial and industrial still has strong demand. Residential apartments are slow but owner-occupied type residential still well sought after. Property Investment - market continues to experience low investment yields - perhaps foreshadowing anticipated rental growth.

## Public Service

- Government - money tightening. Political mud-slinging taking focus away from reality.

## Real Estate – Non-residential

- Still reasonably busy. Industry: property
- Commercial real estate I think that vendor expectations are too high consequently I expect the market to flatten out. Fewer transactions but no "adverse event" to prompt a major sell off in sight just yet.
- Commercial Real Estate: Activity has started to finally pick up over the last few months but vendors expectations are still very high, while purchasers are looking to buy value. The discrepancy between the two parties makes for a slow market. I think a slow down in consumer spending after the Xmas rush will have an impact.
- Valuation - Commercial activity has slowed, yet investment demand remains strong with very low yields in evidence. Commercial & industrial land values remain high owing to supply shortages across Auckland.
- Commercial Real Estate. Enquiry still alive but not so strong. Both existing & start-up businesses still considering leasing or buying. Investors still out there but bit more careful or cautious. Personally, taking very cautious approach but good operators will survive. The weak as usual will fall by the wayside in business & this includes over committed developers who are out there but hurting a bit if they were honest. Some developers have pulled out of the market as they can't see any margins at present with costs (& risks) biting previous profit levels.
- Development management: No let up in the number of offers to purchase whole buildings. the current response is phenomenal! Most of these by overseas buyers. Currently have four developments numbering over 400 apartments all selling without marketing from our end. Long may it continue!

## Real Estate – Residential

- Real Estate in the Manukau/Papatoetoe area continues to show buyer interest with well priced properties selling in relatively short time frames. The "investor" is no longer a real investor but a buyer who seizes the opportunity to buy and sell for an improved return on what was spent. The market is being sustained by a small percentage of the buying public who have enough finance to be dealing in several properties, and sometimes quite regularly! They obviously feel confident about the market to continue this way!
- Rental properties. No vacancies and short down time between tenancies. However, rents have remained static for nearly two years now. Want more property, but the yields aren't there for expansion.
- Real Estate - Eastern Beaches - Auckland. Our market seems to be levelling off. Lots of buyers although more reticent above \$600k. Still a shortage of homes to sell which we think is helping to maintain a healthy pace. Should be a good summer season.
- Property valuers Noticing a steady fall off in work levels though still satisfactory but property prices under pressure
- Rental housing good demand for good quality accommodation
- Property valuation and consultancy getting graduate staff is so difficult. Several attempts to employ have been rejected by applicants who want higher salaries!! Market hesitantly optimistic.
- Lower South Island Regional Real Estate: Listings shortage, competition fierce, but positive buzz and quietly confident of a good 2007.
- Real Estate - selling stock but need more listings. Good Realistic prices, less tyre kickers.
- Property valuers A definite dip in the volume of valuations requested for mortgage finance as banks move to use computer generated value indicators and as the volume of sales slows. More activity in compliance valuations as trusts are formed and plenty of activity in the commercial property sector with rental reviews.
- I sell residential real estate in Fielding, things are ticking along nicely, people are still out buying at all ends of the spectrum, but especially anything under \$200k is being snapped up.
- Residential Real Estate - East Coast Bays: Buyers still cautious but interest in new listings has picked up over the past two weeks. In many instances homes are not selling because of vendors unrealistic expectations.
- Rents holding on North Shore in Auckland but difficult to get any increase. House prices firm and realistic but hopefully will be a few bargains about though the next 12 months.
- Property valuation in Wanaka - becoming more competitive
- Residential property investment. No trouble getting tenants. Very little rise in rents in the last few months. I notice increasing media reports of tenants facing rental property shortages in Australia eg Sydney, Canberra, Melbourne and South-east Queensland. This follows on from one of the biggest house building booms in Australia's history. House building has since reduced to historically low levels on Australia's east coast.
- Real estate residential. Lots of good enquiry from people with plenty of cash available. Purchasers are careful with the money but keen buyers none the less. Vendors are either keen to get out and move on or are overly optimistic and unrealistic in their expectations. Top end homes particularly over priced and slow to sell. Cannot see any great change on the horizon.
- Property Valuations Auckland - Residential market is slower than 6 months ago. Prices still steady/strong but volume of activity is down.
- Residential property valuation - currently quite patchy. Sales levels have been decreasing which has a flow on effect to the valuation industry.
- Real estate Market buoyant short of listings lots of buyers. Prices firm
- Residential real estate Pakuranga/Howick - very busy general price range (slow at the top), listings better but still not plenty, good tidy properties selling fast (under ten days). A few private sales around but don't seem to be selling as fast. Buyers becoming too choosy and missing out.
- Residential landlord - Big rise in GV [more than expected], but rents static. Things what you expect for a long-term investment

# BNZ CONFIDENCE SURVEY

## Recreation

- Recreation Industry, thus hopefully with recent decreases in price of petrol our customer will get out more.

## Research

- Work in research and testing. Much of this income is non-discretionary for the customer, and whilst the legislative burden remains at current levels the size of the industry will almost certainly not shrink. Biggest industry factor is competition between the players.

## Resource Management

- Resource Management - the usual pre-Christmas rush has started, and should carry on right up til the "dead period".

## Retail

- Retail is slow
- Home Appliances. This year is lot worse than last year. Margin squeeze on big ticket items as industry fights for cash flow.
- Fuel retail/convenience. The continuation of lowering fuel prices is continuing to show increases in the discretionary spend. Lower diesel prices must have a positive impact if they stay down in my view.
- Retail - Snow/Surf/Skate. Some big changes occurring in this industry. Many retailers that have expanded and grown over recent years are experiencing the dramas associated with rapid growth. I predict a shake-up in retail with some closures from those that have cash flow issues. Certainly will be caution going forward even from the strongest retailers in their indent buying, however retail spending wont decline in my opinion.
- Building products retail. Consents data indicates continued slowing & builder customers report a reducing order book, however that reduction is now focusing on the 12mo timeframe not 18mo timeframe it has been.
- Retail - slowing in the big spend sectors, noticeable that a number of stores are already having Xmas sales
- Food retailing - sales increases are pretty much the result of price increases (inflation)not volume increases
- Retail - same as last month - slow, especially surprising given hold in interest rates, petrol headed down - again and employment growth around town still growing
- Retail fuels marketing looks better than ever. A current downward trend in NZ fuel prices ignores international pricing fundamentals. The NZ economy is far healthier than previously believed and fuel prices in New Zealand are extremely low by international standards. Though we will continue passing on price savings to customers, we believe there is increasing capacity to sustainably raise retail fuel prices in NZ.
- Drink/Snack vending, over 100 sites. We have been losing ground for about 2 years. The current dietary fad is affecting sales but the worst was the uncertainty brought about by the coin change when sales plummeted & were just starting to make a comeback when the health police started to remove peoples ability to choose for themselves. As this Christmas has the same configuration of days I fear that we will have as bad a "busy season" as last year which means a major struggle over the low period around 3 months over the school return & tax time.

## Telecommunications

- Communications Industry Flat
- Telecoms - change is coming at a snails pace

## Tourism

- Tour operator very good in the top end of the market which is my market
- Still very quiet but picking up. Not the tourists yet??? It has been a long hard winter and will take some time to recover economically.

# BNZ CONFIDENCE SURVEY

- Tourism - Hotels - strong high season demand has pushed up occupancies and room rates to meet or exceed prior years and general tourism industry feedback indicates that this summer season looks very positive and many operators are quietly confident of a good high season. Filling staff vacancies over the peak season is extremely difficult and is restricting our ability to meet increased demand.
- Tourism picking up
- Travel Agency leisure outbound Last three months well below expectation say 25%
- Tourism - same as last year
- Accommodation looking softer but expecting a reasonable summer
- Tourism A bit of spare capacity due to drop off in Japanese tourists and softer Asian markets. However at the top end high yield markets going strong with plenty of new business and good growth. Overall numbers smaller at this end but much better business
- As a small accommodation provider, business has picked up over the last four weeks, with forward bookings ahead of this time last year.
- Tourism - good but hard work. Winter saw skier numbers up but overall revenue was down for hotels and restaurants.
- Tourism. Has been slower over the winter but early indications are that the season will be a little stronger than expected given the dollars volatility.

## Transport

- Road Transport. Busy October with revenues in advance of same month last year. Reduction in diesel prices have restored some margin.
- Transport - high volumes linked to end of year seasonal activity, costs have risen this year and while some relief with lower fuel costs, still high and difficult to get full recovery. Fuel usually increases closer to Xmas due to off shore factors. Optimistic overall there wont be a decline in economy
- Over the last two months things have been picking up in the transport industry but late October dropped a little. Interesting to see what November brings.
- Transport industry. Although our business is all contract, the volumes have been decreasing for the last 12 months. The most optimistic outlook is for volumes to stabilise, and not increase in the short to medium term.
- Furniture Storage Full and plenty of enquiries Transport As good as last year
- Transport bubbling along nicely.

## Trustee

- Trustee Industry. Still seeing a strong demand for trustee services. Our firm has also been invited to do an increasing number of presentations to other professional groups (investment advisers / financial planners), showing a growing awareness of the potential risks of poorly run trusts. This will become even more apparent if there is a down turn in the economy.

## Vehicles

- Automotive repair shops are reporting a slowing in business--reflecting increasing pressure on family incomes
- Motor Vehicle Industry Slight improvement over recent months as fuel prices ease back.
- Auto electrical/mechanical industry as well as car dealers is experiencing a very difficult time. Extremely quiet for an unusual length of time. The downturn has been very visible for at least the last 4-5months. It has become increasingly difficult to get money owed from our trade base clients, with debtors creeping out to 60 days a lot more frequently.
- Chartered Accountants and Business Consultants A considerable pick up in client demand in the past two months, due to their expansion plans. The only client group suffering are our non franchise car dealers.
- Used motor vehicles. still suffering from deregulation that allowed people of no substance into the industry who don't maintain any sense of customer service and disappear to another bolt hole when the going gets tough. The ford v gm is affecting NZ new prices with Japanese import prices firming with the slowdown of imports through oversupply and the suggestion of the yen firming.

# BNZ CONFIDENCE SURVEY

## Video

- Video Store...A much welcome upswing in the industry. Strong positive growth on same period last year.

## Welding

- Welding supplies- Deal mostly with larger companies, Very mixed Some with work out 1.5 yrs others very quiet with only a trickle. Sales down 8% re last yr by volume

## Wine

- Wine industry is still at the mercy of the exchange rates. This combined with a negative government solely focussed on retrieving their own poor performance, is starting to impact on this important growing industry. Either allow interest rates and exchange rates to reduce, or remove the excise on locally produced wines.
- Tight! No sign of the Christmas rush yet. Cool weather and supermarket discounting are our worst nightmares - we have them both at once. Winemaker

The BNZ Confidence Survey is run (usually) on the first Thursday of each month. In the Weekly Overview email sent to the 11,500 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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