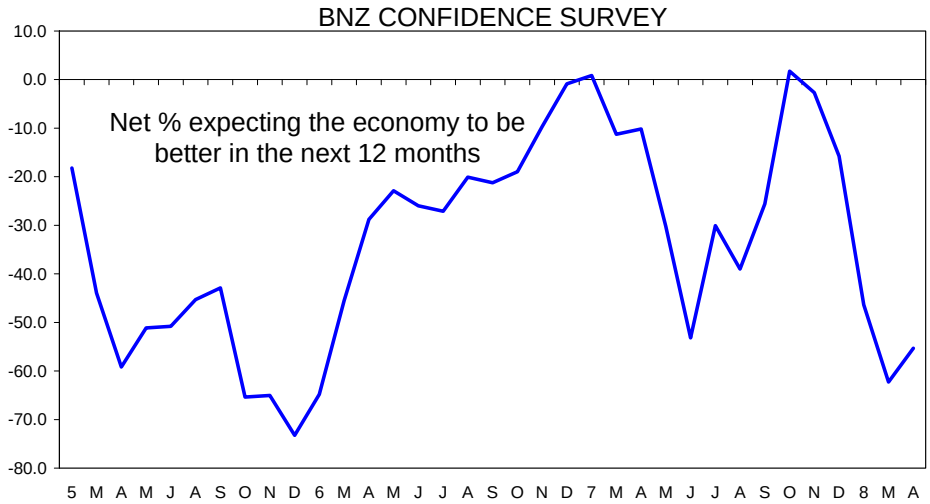
Bank of New Zealand

BNZ Confidence Survey

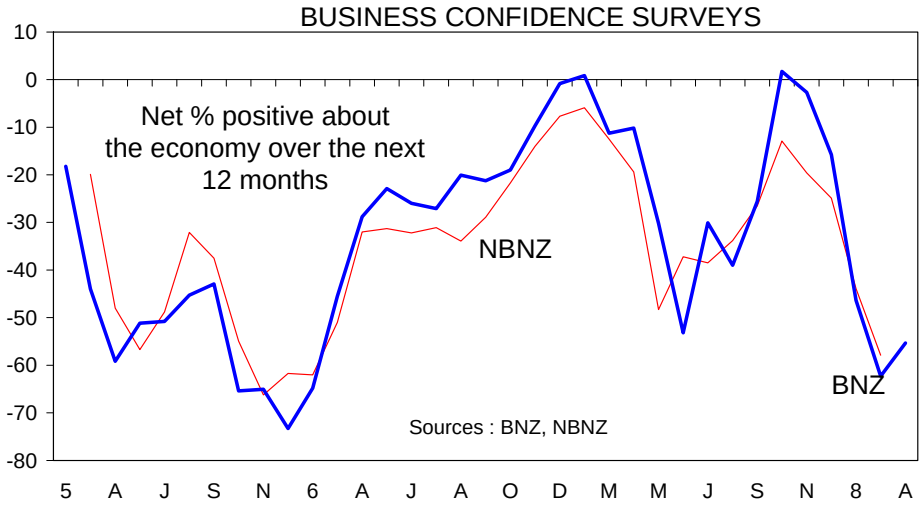
5 April 2008

PESSIMISM DECREASES SLIGHTLY

In spite of being bombarded by an endless stream of negative news over the past month the degree of pessimism recorded in our monthly survey of Weekly Overview readers has declined. The 402 respondents revealed a net 55.3% expect the economy to deteriorate over the coming year. This is an improvement from the two year low of 62.3% recorded in our early March survey. The small gain still leaves sentiment very poor and suggestive of a very slow growth environment facing New Zealand over the coming year. But the pullback supports our view that should events combine to produce a technical recession later this year it will probably be a shallow one.



The following graph shows that our results give insight into what the longer running NBNZ Business Outlook survey will reveal in just under four weeks time.



Looking through the large number of comments submitted about conditions in specific industries one can first glean the following comments stretching across most industries.

- Cost pressures in the business sector remain intense with margins under pressure.
- The labour market still remains very tight though with some minor signs of easing off at the edges.
- Few respondents mention the election as likely to have relevance for their business.

Looking at specific sectors one can discern the following broad themes.

Advertising
Budgets being pared back. "We're seeing a decline in volumes across corporate and govt sectors…"

Commercial real estate
Slowing down. "We are still doing deals but they are taking longer"

Construction
Flat to easing. "Infrastructure spending holding, but residential spending decreasing"

Export Education
Some improvement underway.

Finance
Significant tightening of standards, demand also easing. Mortgage broking going rapidly backwards. "A bit of a disaster area"

ICT
More signs of weakness than in any other survey the past three years, but still well underpinned. "Customers are delaying making investment decisions at present."

Manufacturing
Mixed, export comments make it clear a lower NZD will be quite stimulatory. "Great year so far, however incoming orders are starting to taper off…"

Primary Sector
Dairying mixed, sheep and beef overwhelmingly bad, horticulture bad, forestry very bad.

Residential property
Two pages of quite detailed comments add great flesh to the numbers released on Friday by Barfoot and Thompson. Buyers are hardly anywhere to seen, prices are falling and only vendors willing to cut asking prices quickly get sales in a reasonable time. Landlords are easily getting rent increases, only a few bargain hunters have appeared as yet, and property developers are pulling back as fast as they can to try and minimise losses. "As in 1999-2001, I think we will loose 30% of the salespeople/offices in the area."

Retail
Overwhelmingly bad. "People have stopped spending money" "High fuel cost affecting convenience sales."

Tourism
Mainly negative comments. "Tourism is down and all the costs are up"

Transport
All comments positive apart from real estate affected furniture removal.

Survey Date	Better %	Same %	Worse %	Net %	# of respondents	# of comments
1 February 2007	26.0	48.9	25.1	0.9	235	160
8 March	24.8	39.2	36.0	-11.3	222	150
4 April	24.0	41.9	34.1	-10.2	246	159
3 May	18.0	33.7	48.2	-30.2	255	170
7 June	8.9	29.1	62.0	-53.2	316	227
5 July	13.3	43.4	43.4	-30.1	286	165
2 August	14.9	31.1	53.9	-39.0	241	159
13 September	17.7	39.1	43.3	-25.6	215	143
4 October	31.6	38.5	29.9	1.7	234	132
5 November	31.4	34.5	34.1	-2.7	223	141
6 December	22.8	38.6	38.6	-15.8	241	162
7 February 2008	11.6	30.5	57.9	-46.4	233	170
6 March 2008	6.8	24.2	69.1	-62.3	236	160
4 April	10.9	22.9	66.2	-55.3	385	258

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

- Accounting - still frantically busy. Tax changes make this a busy year. Recruitment situation being solved by employing lower level staff, but the training needs are high, and costs therefore are huge. Some signs of problems with clients paying their taxes, but not too bad overall. It is really only the real estate agents who are complaining about the economy at present - although some property developers are noting how much longer it is taking to sell even a top class property. Slowdown? Bring it on.
- Accountants Into a new season a number of clients in financial difficulty!

Advertising

- Advertising Agency - Tough going. More pressure from clients (who are feeling the pinch) to deliver greater returns from decreasing budgets.
- Advertising - specialising in recruitment communications. We're seeing a decline in volumes across corporate and govt sectors even though finding top talent remains a big challenge. Size and colour are also lighter so those ads coming through are down in value indicating businesses tightening up costs. Possibly we're experiencing a decline in government sector spending due to the election later in the year but this would be very early in our experience.
- Media Online advertising. It appears it is going to be a tough year, with nowhere near the growth we have forecasted. We are very worried from our own business point of view that because if such uncertain times marketers will stick to what they know, TV, Print Radio, online is still last on the schedule and first off.
- Advertising/Media/Marketing: Ad spend likely to be parred back as budgets get tighter. Some apparent evidence of this coming through within the sector.

Agriculture

- As a farming journalist I work with many farmers who are pretty uptight about the state of marketing for NZ meat and wool as well as drought conditions. for me personally, the cost of petrol is a killer and I see that it will start having an impact on people's employment, especially if they have to go long distances.
- Primary industry instrumentation supply: we expect steady demand in a subdued market, with an expectation that if exchange rate lowers confidence to make purchases will improve.
- Bull Beef and Sheep. As poor as I've seen in the last 20 years and possibly as bad as the mid eighties (when I recall it was the high interest rates with low product prices). The impact of 1) poor meat and wool prices (relative to rising costs) 2)widespread drought and 3) increased interest rates have left much of the sector without the resources and stocking levels to recover. A recovery can only be slow with some increased borrowing. There can also be expected to be high stock replacement costs when farmers feed conditions recover.
- Sheep & Beef Farming. Continued dry weather has stagnated most operations on farm.
- Dairy industry; our sales have hit all-time high in March and our firm forward order business is the strongest it has ever been. I am in Germany right now and the rural economy is robust. spending a week in Britain, there's a lot of talk of gloom and doom. As a manufacturer our biggest problem is access to skilled labour and raw materials, current shortages in many commodities is frightening
- Farming - dairy with the drought most farmers are way down on production most have stopped milking months before they normally would and having to purchase stock foods that have doubled in price form lack of availability and cartage double with the hike in petrol most of our suppliers like rubber ware, detergents, etc have all increased their prices when the record payout was announced leaves most of us that are trying to establish ourselves into farm ownership with nothing but a large overdraft and another year away form our goals
- Dairy Farming. Drought has pressured supplements both imported and produced locally to a shortage in favour of sellers.
- Rural Veterinary: farmers being affected mainly by drought but buffered by higher payout.
- Sheep & Beef - When things cant get any worse they do. Everything is against us. Towns will surely start to feel the effect of chequebooks being shut.
- Beef industry. Costs rising. Employment risk increasing. Employment costs including minimum wage rises for 16-18 year inexperienced staff out of control , with an untrained 16 year old now on $34 000, greater than wages of a graduate, who admittedly may be working shorter hours. this contributes to poorer productivity with extra costs associated with the holidays act. high cost of capital extremely and in many cases negative return on investment due to many farms sustaining a further loss this year. Poor industry structure unable to take advantage of increasing demand for protein in the world market.
- Agriculture - Dairy - Huge amounts of dollars being spend on supplementary feeds, draining the bank balances and putting farmers back into OD. Future still looks rosy but don't expect much spending in the provinces until October again.
- Dairy - excellent this year (especially as we had good summer rain), increasing costs will make next year less wonderful. Kiwifruit - in a word, horrible.
- Agriculture wholesale bus. March year just finished 50% back on gross returns. Expect even worse result this year.
- Beef cattle finishing. It's hard to see where the light is. In theory the demand for grains as feedstock for biofuels, especially in the US, should squeeze stockfeed prices and push the price of beef up. This combined with the growing demand for high quality beef in the emerging world (read China) and the rapid conversion of farmland to dairy in NZ should be lowering supply as demand rises. But margins continue to be R-t S--t . Add in the drought (our cattle have put on virtually no weight since January) and "Houston, we got a problem".

Architects

- We have only noticed only a slight turn down, the years projection still look very good.. Some of our commercial clients appear to be taking advantage of the situation and are preparing to build, i.e. better prices from builders in the current market. Residential houses seems to still be happening with the client who have the money.. Institutional clients seem to be talking about doing things also.
- Construction/Architecture-NO shortage of work

Arts

- The arts. The exchange rate is making things very difficult.

Aviation

- Aviation, work is steady, existing contract work will sustain the next 12 months..

Business Consulting

- Business Advisor. A lot of refinancing to fix rates going on. Businesses that are doing well are keeping their heads down those that aren't are shouting. Prices/inflation is a real concern fuel price rises wage increases, kiwi saver companies just cannot absorb any more. Then we have the election on the horizon. Not a time to be very optimistic its a time to batten down the hatches. It would be great if we heard good news stories but the media only wants to hear bad stuff- perhaps we all need caves and earplugs????
- Environmental consulting - still plenty of demand from both public and private sectors
- Leadership Development Coach: For me personally not too bad, however, I know of others who are seeing programmes put on hold, while some business not so affected are seeing the importance of strong leadership in challenging times

Construction

- Building trade Gisborne Well much to the doom and gloom merchants surprise we are all eating 3 meals a day! Fancy that the sky's not falling chicken licken The building is certainly slowing down but still enough work there for the ones who want it. Time to pull your head in and stick to your knitting. See a hard winter ahead but am happy come spring most people will realise that life is still going on, and it will come away again
- Construction and building - lots of govt spending. World cup rugby is not that far away. Hotels and stadium in Christchurch
- Building - New dwelling starts are 28% up on the same period last year (July to January) but consent numbers are down 5% for Feb & March months of the new calendar year when compared to last year.
- Construction industry (structural Engineer). Work has dropped off to 'comfortable' levels as opposed to being too busy.
- Construction We are busy in Auckland and Wellington and trading will stay at the same levels but with reduced bottom line due to fuel costs, interest rates and pay increases which we can not recover due to competition. The provinces will get worse with a lack of projects due to the credit crunch
- Building Industry - supplier / manufacturer - many people seem to be taking a wait and see attitude and putting off building projects. There are some worrying signs re some of the less established building companies.
- Construction/Residential Development the general talk and or rumours of housing companies going into liquidation or on controlled credit have slowed, however I suspect there will be more casualties to follow. Subbies noticing less work available. I have general concerns as to funding options for most developers.
- Very bad (construction and development)
- Civil Contracting. Infrastructure work still available to tender, but very competitive with bigger players tendering for medium sized contracts.

Construction Related

- Painter decorator - builders are slowing down so expecting the flow on effect.
- Equipment sales and rental. Demand from contractors definitely slowed. Sub-division developments either cut back or not continued.
- Industry - building / joinery material supplies to building and manufacturing industries. Presently our customer base has future secured work in place similar to last year. However many developers relying on secondary finance sector for funding which is not being rolled over. The mainland banks criteria is more stringent and forward funding may not be available for the continuation of these projects. This may influence the current projections.
- Building industry: Infrastructure spending holding, but residential spending decreasing

- Manufacturer supplying the construction Industry. - Next couple of months look busy for us but quiet after that. Cost increases continue to hurt..
- Interior fit out trade.. Margins have been reduced. Still sufficient tenders requests though. Forward work load not as good as previous years.
- Construction supply manufacturing - we have never been this busy!!! Although others in our type of manufacturing are quieter.
- Equipment Rental remains buoyant, albeit with some price pressure despite rising costs. While residential construction has collapsed, much of the planned non-res continues as does infrastructure.
- We are in the sand and gravel industry in Southland and although the local economy is buoyed up by the booming dairy industry I think we will see a lack of confidence and difficulties for export due to the instability in U.S.A. and other markets around the world.
- Construction Equipment Supply - it is not as dynamic as this time last year. Having said that business is available and you just have to be smarter to access it. You must be prepared to change and adapt regardless of the position of the economy and speed of adaptation is the key.
- I paint and 95% of my work is new homes. Have seen a reduction on work being done for the new residential market. Many other tradesman have a very pensive view as to how slow things have become. Tradesman pricing wars may soon follow.

Education

- Export Education. With a recent drop to yen, Euro and other important regions currencies that students come from as well a drop to the Aussie and US dollar (competitors) things are slightly up and looking mid term better in our long embattled sector.
- I am in a very specialist area of international tertiary education. Our numbers of students are increasing, but this seems against the trend expressed by other tertiary institutions who have not yet experienced the hoped for upturn.

Energy

- Electricity retail is not likely to be affected significantly other than pressure on debt control.
- I work in the Oil & Gas industry so things are strong and getting stronger.

Engineering

- Engineering Consultancy Still very busy, a lot of office blocks, warehouses to design. Apartments and houses trailing off except for high end houses.
- Electrical Engineering Christchurch. No sign of slow down yet.
- There is no evidence of immediate pain because of the number of large or long term projects in execution, but the combination of economic factors we currently face is sending a real chill through the industry and many are bracing themselves for a rough time ahead. (Professional engineering services)
- Precision Engineering - worst first 1/4 in 10 years - Sales down 40% .

Finance

- Finance and mortgages. A bit of a disaster area. Lending criteria changing/tightening by the day from the lenders who are still trading! Much harder to turn (reduced) enquiries into done deals. Common talk 30% reduction in mortgage brokers
- Banking industry will get worse. Lending criteria to tighten and pricing to go north.
- Banks tightening up on review of facilities; placing extra conditions and requirements and increasing margins to get a better returns
- Banking - businesses appear to have slowed down in terms of borrowing, almost holding off to see what happens with the economy. Some uncertain times out there
- Banking/Home loans. For Feb & March The number of applications coming through has dropped around 30% compared to a year earlier and are the lowest figures since we started recording our workload in 2002. Anecdotally we have been saying its unusually quiet since around November last year.
- Banking/Finance in the Cook Islands. Banks have appeared to have borrowed too much from overseas, and will now have to shrink their book. Interest rates are now at 14% for commercial and may rise further, economy may be in for a downer.

- Property Finance - What finance???!!!!!
- Residential finance, still very steady!
- Private Finance Co, plenty of demand but hard to find deals we like. Unlike Tony A we expected houses prices to fall plenty and remain flat for up to five years. Therefore like all lenders that affects our lending which ensures that property prices fall as vendors who can't refinance are forced to sell and get beaten up on price. We are getting out all the funds we want but like having cash in the bank. We see asset values falling a long way and think that many lenders, borrowers, developers are in denial about when things may come right. The debenture model for funding finance cos has gone for at least a generation so not quite sure how development will funded in NZ in the future. Lombard will not be the last, will be death by 1000 cuts for many other finance cos.
- Mortgage industry: We have kept to 35 to 37% Debt Servicing ratio over the last 12 months and have been almost thrown out of the market by companies lending to at least between 40 and 45 % DSR to compensate for higher interest rate and higher house prices as if there had never been any subprime concern in the world. The New Zealand financial world is going towards a harsh wake up call and we are glad not to issue loans and wait under such appalling circumstances, carefully managing our existing portfolio.

Financial Planning

- Personal Financial planning.. Long standing clients are showing signs of nervousness. Some are talking of heading for the lifeboats.

Food

- Processed Food (value add)- we are in a good position. We have a premium brand that is in demand and export prospects are strong- price premiums will offset the unfavourable x-rate.
- Pretty tough, unable to pass on all raw material costs. Food manufacturing
- Food industry, . At present ok, but rising prices will see a drop in purchasing power
- Exporter of food products The exchange rate is killing us, We are a small export company , yearly export sales around 30-35 million , all we are achieving is paying the Govt. taxes, employing people and spending countless hours complying to Govt regulations, and making no profit, Our company has been in the export for business for 110 years and records indicate that the past 2 years have been amongst the most difficult for us.

Forestry/Manufacturing/Sawmilling

- Forestry – Processing. Bad, bad, bad! Unsustainable exchange rate, compliance costs and carbon tax on the horizon.
- Forestry - It's very tough out here in the forest, and not much light at the end of the tunnel. Everything that is driving markets down is not going away quickly, i.e. shipping rates, exchange rates, building houses.
- Sawmilling, timber retailing, local market only.. Sales are definitely slowing.
- Forestry / Sawmilling: From bad to very bad. Having just survived FX rates and shipping increases our export markets have sharply reduced demand while domestic housing contracts. The final nail for whom and how many??
- Forestry - Korea log market is bad, some are saying it is worse than Asian crisis. 200,000 housing units unsold, credit very hard to get, many large companies are stopping all log inputs for up to 2 months. Very tough quarter coming up for the industry.
- Logging Contractor in Canterbury. Things are ticking along alright, though pressure on wages as usual.

Health and Fitness

- Private Surgical Hospitals - Business is increasing with the DHBs sub contracting work in order to meet the governments elective surgical volumes. With the ageing population and the public health system under significant pressure, any spare capacity in the private sector is being soaked up.
- We think the economy with get worse judging by all the indicators but at present things are ticking along well within private practice health sector. On talking to our patients most say the economy is slowing a little and more patchy especially in the trades and property industry but still a bit of a mixed bag of opinion.

- Health Care increased costs, wages, KiwiSaver, utility charges
- Public medical system. Medical schools are gearing up to train more doctors for the increase in the numbers of elderly, as the baby boomers begin to retire. I think there will be a deficit in experienced medical personnel, requiring recruitment of doctors from off shore.
- Private Healthcare - people still tend to get sick so little change in short term. Impact now is more on the cost side, higher petrol, interest rates and food prices mean that "real" inflation - what people feel in their wallet today, is more like 5-10%. This is pushing wage inflation. Only way for businesses to manage this will be through tax cuts putting more money in people's pockets.
- Health and Beauty. We are expecting flat to soft sales.
- Community Pharmacy...kiwi saver contribution , staff wage increase, rent increase but revenue increase has not kept up esp. no funding increase from DHB's ..;looking at decreasing staff numbers or employing more junior part time staff at the expense of senior staff

Homemaking

- Homemaker with two children. The cost of living has risen exponentially. It is getting increasingly hard to buy enough food each week, not to mention power and gas.. Where $250 last year quite comfortably fed our family for three weeks, this year it is increasingly more like 1.5 weeks. . Add to the fact that wages have hardly risen, Kiwisaver is taking a massive chunk (why couldn't Cullen deliver a tax break by taking out Kiwisaver contributions BEFORE tax???) so the choice has been made that the hot water has to be cut off if we are to not get ourselves more in debt. Tax cuts are needed now. Not next year.

Horticulture

- Horticulture - Bay of Plenty. Increasing reports of Kiwifruit orchardists just hanging on to pick this year's crop then the property goes on the market. Avocado returns OK but constrained by the high NZ dollar
- Horticulture. In the last 12 months fuel up by more than 30%, fertilizer up by more than 40% and minimum wage up. Domestic Customers (retailers) pushing much harder on price and export returns poor. Future grim!
- Horticultural exports will get an improved return from the falling dollar, but may come under some pressure if the economies of our main trading partners are depressed. However, we expect better returns at CIF. Internal costs will increase, especially fuel and transport and these will offset at least some of the gain from improved CIF. After three years of relatively poor returns, some improvement will be welcome. Kiwifruit may have another depressed year on good volumes, avocado has had a more or less break even on good volumes, apples are still depressed, although price and demand in UK has started well.
- Kiwifruit. Looking bad for the Green
- Outlook for BOP Horticulture gloomy/static. Opportunity if you have low debt levels as underperforming orchards come to sale. Income flat: Kiwis, Avos no crop.

Human resources

- Recruitment: The band is playing the same song - "Scarce Resources" - but fortunately its not going down with the ship.
- Executive recruitment - still buoyant and a huge shortage of talent made worse by continuing exodus of senior execs and professionals to Australia and UK. No sign yet of this sector being impacted by broader economic woes but that may be coming down the track.
- HR & Business Advice, Everyone I have worked with is talking about it being a tough year in business and the only relief likely to be from election bribes, which will be short lived. Opportunities exist but for the most part quarterly pricing reviews should be a minimum if business wish to maintain their margins.
- Recruitment. Pay rates from customers needing to be increased - market demanding shift. Tight for good quality candidates
- Industry Training Organisation. Mixed picture in the industry but all the commentators are talking things down. Today's news about the overvalue of housing and Lombard Finance collapse is a continuation of the psychological impact on the "wealth effect" and consumer commodity price inflation is getting pretty serious for discretionary spending. As long as near full employment remains however, there will be positive impact on our business.

- Industry training. Student numbers dropping. Reluctance for companies to sign up staff onto on-the-job training even when they concede that training is needed.
- Great, with tight labour shortages the recruitment industry will keep on going.
- Recruitment industry, very hard at moment. Lots of clients are not replacing staff when they leave or making people redundant. Good people still very hard to find.

Hunting & Fishing:

- Drought has adversely effected hunting and fishing conditions. Increased gas prices restricting hunters and anglers venturing out

Immigration

- Immigration Company - still plenty of people out there, particularly the UK are looking to move to NZ - buoyant

Information Technology/Telecommunications

- IT Industry. Businesses are deferring decisions to buy and putting software projects on hold until after the election.
- Computer and Networking Sales and Service - Very competitive
- Business Services - IT (Specifically systems Integration) . As always at this time of year business lift their IT spend to clear out any remaining budget allocation they have left. Not withstanding that it's been our experience that business's will use IT either to compensate for loss of labour or to provide a competitive edge
- IT Sector: Still very strong, record last quarter, strong sales pipeline, many projects coming to fruition as the labour shortage disappears and resources become available.
- Software & Services - still going well, but upcoming slowdown risks ahead AND debtors payments slowing very quickly - key sign
- Telecommunications in the SME market. Sales strong as the market very receptive to competition, but collections getting harder, price a strong motivator.
- IT consulting. Lots of work, and a still a shortage of good people so rates slowing increasing. Tide may be about to turn though as business becomes increasingly wary of over committing to infrastructure investment. No let up in government spending however
- IT industry - Customers are delaying making investment decisions at present. They know they need to but aren't sure what is going to happen. I think there will be improvement after the election but not until then.
- IT: Very busy with ongoing projects and existing customer base. New clients however, are becoming harder to attract. Resourcing still very tight due to lack of skilled personnel.
- Slow start to IT industry year - but decisions deferred, not declined so should come right
- IT business Consultancy. A lot worse. It would seem that many of those financial industry participants that I liaise with in my work are battening down the hatches. Almost all expect a bleak future and as a result are increasingly focused on costs. Projects are being shelved. There is no consensus as to where this is going to end. Views re property assets are especially bearish.
- Local IT business - still busy with repairs, maintenance and new equipment, though the moans about buying new equipment are more frequent - end of year??? or recession thoughts??? We are certainly not being paid on time by our debtors and eating into our cash flow....
- I work in the ICT industry. I believe companies are committed to keeping their systems up to date to maintain competitive advantages etc..
- IT. Clients tightening budgets.

Insurance

- Insurance - Premium Levels need to rise to be sustainable, but inexperience and drives for growth in a competitive market still affecting pricing.
- Insurance. I have a relatively small client base, but maintain excellent relationships with all clients. That base has been growing + growth of new accounts primarily thru networking has seen many potential & future customers frustrated at both the lack of service & knowledge in the market. Perhaps with all the

skill shortage & more people going overseas to Australia, that is opening up opportunities for us remaining behind. Given the doom & gloom around, whilst things may have tightened in some areas, people are still paying the premiums & absorbing increases in cover. I am not sure it is all that bad out there - yet.

- Domestic Insurance - large company - nothing spectacular at present but a few signs cost of living is starting to bite - monthly premiums popular. Expected some will drop contents insurance as things get tougher. Insurance has a long tail response to conditions due to renewals. On a personal note I don't see the house market collapsing - you have underpinning fundamentals like wage growth, tax cuts, immigration that may rise a gain - big housing. also I think interest rates will drop as will the exchange rate. I am going to snap up some Euros now and make 10 to 15% in a years time! Price of Rice has doubles so world food price and supply is serious so NZ is in a good place overall. Lot of media hype around at present.

Landscaping

- Landscaping - certainly slowing down with not much likelihood of improvement in the near future, good staff still as hard to find as ever. Still more ripples to come in the housing market.
- Land development Kapiti - well, for the first time since I have been commenting here, there is a level of uncertainty about the future. Not helped by Council poor processes and hierarchical indecision which leads to further nervousness. Having said all that we are still looking to employ staff!
- Landscape contracting, Kapiti. As busy as ever.
- Landscape and turf Christchurch. New house market static but plenty of enquiry from existing homeowners sitting on current properties and having a bit of a tidy up. Contracting and commercial work OK, still seem to be subdivisions popping up. Phones busy, trade clients being strung out for payments....and not paying us either. Still Things going OK. We just need to think back to pre 2001 and how we ran our business then. Lean!! Its been a great run!!

Legal

- Legal - provincial city. Still lots of work. Residential conveyancing definitely downturning, but other work busy. Surprising number of blue chip sufferers
- Lawyers. Some areas of work have slowed, but we are still on Budget.
- Legal - we are running ahead of budget and up on last year. Most sections of our large practice are busy.
- Plenty of work in the legal industry. Property market now returning to a more reasonable level.
- Good - litigation.
- Legal. I do not think the legal industry will be badly affected. Even though conveyancing will drop there will still be other work to keep us going.
- Legal industry. We are down in the small to medium business area and in property. Other areas of our practice are doing well. SME's seem to be holding back and not doing anything that they don't have to do.
- Law - seems a bit like 1992-1993
- Legal - conveyancing is still going strong as vendors start reducing their price expectations and some investors are jumping back in. Commercial is dropping off after the 31 March flurry. Still strong interest in trusts and estate planning. Matrimonial disputes still boiling along from the Christmas break!
- Legal - Christchurch - small general practice; residential conveyancing is very slow; those under pressure to sell (e.g. deceased estates or those with high debt levels) are facing substantial drops in expected sale prices - in excess of 10% - I can think of a few clients looking at 15%+ drops in value. As rental yields are still below bank deposit rates don't see any improvement in investment property prices in the next 6 months. Commercial work is still holding up well.

Local Government

- Local government - plenty of money around in local government, rates will only increase in line with inflation this year

Manufacturing

- Manufacturing (domestic market) - definite slow down. One division sales down 20%+ on last year for Feb/Mar. We have spent 6 years repaying debt, so hopefully now in a good position to ride it out!

- Manufacturing Industrial Labels. Orders have strengthened again for March and April after a quieter December - February. A high proportion of our work is direct export or to NZ Exporters so we are less affected by domestic slowdown
- We manufacture safety helmets for emergency services and 95% of production is exported. We have just ended another record export sales year despite the high dollar, although we are fortunate as only about 20% of our exports are in USD and we have for some years directed some customers to buy from us in Euros. While its hard to forecast forward as so many of our growth opportunities come out of winning tenders, we are reasonably confident of continued growth, even if the NZD does not fall as much as BNZ economists seem to think it might. The big issue is rising NZ costs. Our average factory floor hourly wage costs just rose 5.8% this week, and we only have a very few people earning the minimum wage increase (which was worth over 6.67% to those staff), but we had to try and keep relativities for long serving staff members. Question:(I know the answer), but if the Labour government and Reserve Bank are concerned about inflation, why have they raised minimum pay rates in the last 3 years by more than 18%?
- Manufacturing Christchurch. Great year so far, however incoming orders are starting to taper off so we have to put more effort in to keep the momentum going
- Textile manufacturer - export sales have been under pressure from exchange rates and competition from low labour cost countries
- Continued fuel increases and electricity charges will make things difficult in the manufacturing sector. The high dollar doesn't help either. Having said that we are just finalising large export JV although we have had to cut our margins to secure this.
- Manufacturing and importing .Supply retail is ok down but not drastic, exports actually are up
- Plastics - extremely good, expected to grow significantly in the next year + 20-40%
- Manufacturing, bathroom industry. Exports will keep us going when the NZ market falls away as we think it will. The low USD and GBP don't help but having a unique niche market range of products keeps us in business. Pity that the much vaunted R&D tax breaks appear to be not as attractive as first thought. Probably not worth the hassle
- Textile manufacturing & exporting. We have good orders but still suffer from the high NZD.
- Electronic manufacturing: High dollar provides cost benefits for raw materials buying from overseas. FTA with China is a concern. There is no incentive to manufacture goods in NZ under the present government. Most electronic have moved offshore and things will get better with a change of government in Nov.
- We design and manufacture electronics, almost exclusively for export. Military customers which presumably are insulated from international credit woes. Very busy in the manufacturing phase of the first big order for a new product. Behind schedule of course but no sign of any let up because there seems to be plenty of upcoming design / development.

Miscellaneous

- Industrial Equipment Supply. Past three months have been positive, and this month has started with high enquiry rate.
- We are custom labelled water company mainly dealing in promotions and conferences , in fact we do work for … and things look alright. Business costs are a factor, new govt please..
- Exporting
  Looking forward to the dollar dropping sap..
- International Service Industry - Very buoyant, a lot of activity.
- Wholesale Bakery supplying NZ. All of the following have risen sharply this year as much as 50% all ingredients gas fuel packaging freight wages As a supermarket supplier we are unable to move our prices to where they need to be to retain margin, and hence our profitability is the lowest for 25years
- Pharmaceutical Wholesaling - More medicines coming off patent and Pharmac seeking to fund only low cost generics. Same volumes to handle but lower dollars and less margin to cover overheads. Turnover and profitability will be down across the industry as a whole. Govt. controls prices so we can't recover increased costs with price increases.
- Boat import and wholesale. In the past people have put a boat onto their mortgage (house), now they do not have the money to put into a boat. Also the cost of petrol is too high.
- Markedly slowing down in Optics

- Worse is better for me - I am looking forward to a long deep dark recession and a plummeting NZ dollar. Editing for Japanese clients. Sold up my other properties - money in the bank and the NZ economy on the edge of the precipice - oh joy!!

Mortgage Broking

- Mortgage Broking. Lower volumes combined with commission cuts last year will lead to a reasonable percentage of brokers exiting the industry. Mostly those new to broking without benefit of databases.
- Public opinion about slowing house price growth is affecting the mortgage broking industry, as more and more consumers start looking to retrench, or renovate what they currently have, as opposed to being tempted to cut into their discretionary spend with a new home, or investment property. The long term outlook for the next 2 years is not very bright.....
- Mortgages. Affordability sill a huge issue. Business almost dried up.

Printing

- The printing industry is a capital intensive low margin game that relies on volume to survive. I suspect volume will decrease.
- Printing Industry appears to be going well pricing is more competitive than 6 months ago but there remains plenty of work at good margins
- Print: Margins are tight; however, our level of quoting is up on last year.

Property Development

- Property Developer - bargains appearing however RMA processes, council infrastructure levies, sky rocketing build costs pushing end prices up to levels unattractive at this time to the consumer especially as existing house prices are falling. Will move into new projects soon but when margins can be maintained, probably timed with the start of easing monetary policy.
- Real estate development. Market has slowed significantly, very little demand for finished product, even heavily discounted product!! Our business will be scaling back, with job losses inevitable. Smart investors are buying from the undercapitalised spec builders obviously feeling clammy in the current climate. Good buying opportunities starting to appear.
- Developer, I have stopped and gone on to a private project while sales are stopped.
- Property Industry - I am a developer and its game over for a few years I think

Real Estate – Non-residential

- Commercial Leasing Retail - Plenty of stock coming on which is good for us, but shows the retailers are hurting.
- Retail Leasing - We are still doing deals but they are taking longer. Quality stock is still moving but retailers are cautious in making decisions, especially franchisee based companies, therefore taking longer to complete.
- Commercial Real Estate sales have almost stopped with the gap between buyers and sellers pricing too wide. Cost of money and the shortage of funds has affected our market.
- Provincial non residential property long summer break, followed by patience, prudence and no pressure to buy, BUT no good stock for true investors, developers either inactive and waiting better conditions or (for the highly geared) flat out trying to survive or delay the inevitable. Speculators in hiding. Tenants recognising their position is strengthening except where site of specialist improvements critical to their business, then they have to pay and commit on lessor's terms or go without. The very few transactions that have been post January negotiations show better than expected confidence and a small lift in returns from late '07. Properties with risk not wanted, but for contracted revenue, their is the signs that real estate will be a favoured vehicle for the smaller investor with equity e.g. properties of $500k to $5.0M. SO a different picture to the metropolis and the institutional markets.
- Commercial property. Widening of risk premium demanded for less than a grade property. Overall weaker cap rates but underlying demand remains ok
- Commercial Real Estate Sales. There are fewer purchasers in the marketplace. However, good quality property with long leases, high profile positions and freehold tenure are still highly sought after. There are a lot of people entering back into the market which is 'replenishing' the purchaser pool

- There is a lot of commercial property for sale in Marlborough with commercial interest rates increasing this is putting pressure on investors with margins being squeezed some have decided to exit before it gets worse.
  Leasing of industrial property is slow with tenants taking a step back on plans to expand and no inquiry from new ventures.

Real Estate – Residential

- Property Management North Shore of Auckland rentals are going very well resetting all new leases between 7% & 10% above current levels. Lot of complaints from tenants but after they look around see they can't get better resign agreements. I believe this will continue with so many people staying out of the housing market for purchasing. Can't see this changing before Spring, will be long hard winter for residential market with anyone needing to sell taking a severe hair cut to move on.
- Real Estate Less deals and a larger gap between vendors and purchasers.
- Wairarapa Real Estate has slowed dramatically, monthly sale numbers virtually halved. Buyers have been quoting their 'mentors' as saying "Wait til prices drop further". Not helpful! Price expectations are becoming more realistic though, and we personally have seen more activity in the last two weeks than for the previous few months. And stats still show Wairarapa as doing better in growth than most other areas.
- Real Estate – Queenstown. We are seeing a sharp correction in prices over the last 2 weeks, especially the family home market, prices dropping about 15% and more. A few family home buyers about, but now we are seeing the "sharks" circling looking for bargains. Very few buyers for apartments, so expect to see dramatic drop in these prices. Still some very good CBD sales (record M2 prices being paid still) purchasers are clients that are "cash rich" so no lending involved. Also good turnover of light industrial properties at 5-6%.
- Residential Real Estate Pakuranga/Howick - listings about double last years; numbers of sales down about 40% and taking much longer, in spite of all the publicity big price reductions not that obvious. It appears that if you bought three years ago you still seem to be getting a bit more than you paid, bought later, a small loss. Perhaps what's happening is that vendors are not getting 'silly' asking prices.
- Real estate sales South Auckland. Numbers of sales down by 40 to 50%. Prices down at least 10% and more for low grade properties
- Property Investor - cash flow tight and losing equity (borrowing capacity) by the week but hanging in there. Not giving up my day job just yet!
- We are involved in the property industry (valuation) and things have got much quieter. In the short term we would not expect this to change unless lenders tighten their guidelines with increasing mortgagee sales becoming evident.
- Waikato real estate very slow, vendors have to slash their asking price to effect a sale. Purchasers, those that the bank will back, are presenting low offers.
- Akld Residential Property Valuation. Market is very slow but turning over gently, prices are back about 1 year in value. Media sensationalising of the correction causing unnecessary panic in some sectors while buyers hold off waiting for 'bargains' that may never eventuate.
- Residential property investment. Still high demand from tenants for properties to rent. Some tenants are commenting that many available rentals are also on the market so uncertainty exists as to tenure.
- Residential property valuation - busy enough at the moment. Sales volumes decreasing which always has a negative impact but certain sectors of the market are still quite positive.
- Real Estate. Another significant drop in price at the lower end of the market but the result of that has seen an improvement in number of sales. Reason for price reductions is (mostly) that properties/vendors that have been listed for some months are now...finally meeting the mkt. Have noticed the return of a few investors in recent weeks making very low offers.
- Property Valuation - Hawkes Bay: The phones are quiet; Overall, one valuers net fee's for the year to date are down 10% for corresponding period 2007, however more concerning is that for the last two month period Feb-March, that valuers fee's are down 30% on corresponding period 2007. As a commission based valuer and one income family, we going backwards! Having to borrow money to survive the next month. If things don't start to pick up then consideration will be given to other employment opportunities in NZ, but also considering Oz.

- Property valuation: Noting the general public are very confused & don't know who to believe, so will typically believe their friends; note Real Estate Agents are fighting each other & continuing to push prices higher; note sales still going through but for those looking for a home rather than investors.
- Property Management - Residential. More people looking to have their properties rented as they can't sell them for the price they want. I see our business expanding steadily but not with quality longer term owners. Rents definitely on the way up and probably climbing steadily now for perhaps the next few years.
- Real Estate investment / development. Entities with cash playing a waiting game, opportunities now have to be good as further opportunities likely to emerge over next 12 months from overleveraged investors. vendors demanding high prices won't be getting them.
- Real Estate - things are tight. Volumes are down.
- Property valuation and consultancy, real tightening up but more especially market participants nervous and hesitant. Lots of bad press not helping confidence
- We are property advisors and valuers in Auckland. There certainly has been a drop in overall confidence since the end of last year and in the comm/ind market, trends are a difficult to determine. It seems investors are sitting around waiting to see what others will do, while the leasing market is slower than it has been for a long time. The residential market is soft, with selling prices at a lower level than late last year, and on a lower volume.
- High-end residential: demand for quality product at the high end of the price range continues. Expect increase in offshore demand when the benchmark rate is lowered (anticipate as of Q4) and the NZ dollar falls through the floor as a consequence. Bollard has missed his opportunity to take a moderate approach to rate reductions if a recession is to be avoided.
- Residential real estate - Inner Eastern Suburbs - Sales volumes less than 50% of volumes this time last year. Realistic vendors are dropping prices around 10% on last year's expectations and selling. Don't drop, don't sell, simple as that. New listing activity decreasing which could indicate a bottom in sight. Remember - the real estate market's always good at the right price.
- Looking pretty sick in the property sector and finding it very hard to get finance for deals - from both main stream banks and finance companies
- Rental Properties, values down
- Real Estate - South Auckland. The interest from buyers continues and some sellers are being realistic about their marketing prices. There are not the same number of sales occurring but neither is there evidence of a great drop off in prices. Certain suburbs and areas are starting to show that their unique nature and makeup have more affect on their local market prices than the reports of the total country.
- Real Estate - market diving, prices dropping fast
- Residential real Estate Sales.. As in 1999-2001, I think we will loose 30% of the salespeople/offices in the area.
- Real Estate Auckland Eastern Suburbs. March has been another interesting month. Sales volumes were down 40% on last year, yet it was our best month by a long shot this year. Activity over $1m was pretty quiet. Open home numbers are consistent although was well down over Easter. Had we not had Easter in March we feel our results would have been much better, but at least we have a virtually uninterrupted April except for Anzac Day falling on a Friday. Listing activity continues to be strong and auction is proving the best way to generate a positive result. Buyers can't hang on forever and vendors who have to meet the market are doing so. We feel that the autumn & winter months will see increased activity.
- I sell real estate on Auckland's North Shore - the market is weak and the only people selling are those dropping their prices substantially from what they'd have reasonably expected even a few months ago. Very few people are attending open homes and most buyers are adopting a "wait and see" attitude. I see no reason why the market will improve until interest rates come down. Rents are often about half what the mortgage repayments would be if you bought the same place - why stress yourself? The only reason is if you think it's a good time to buy - but hardly anyone thinks so.
- Property very sick, see below! Retail looking for continued weakness! Hospo who know must be less money to go around. Put 2 sections on market with tenders closing today only 1 tender at 70k, agent told everyone to present all offers. Expected 180k-220k range not over the top considering last year you would expect 300-400k

- Property Valuation. Workload declining, but expect it to pick up in the next 6 months with further value declines in residential sector.
- Residential Property - some tenants who are normally good payers are now getting behind in rent payments.
- Real Estate - Auckland. In the Remuera to St Heliers area sellers would now get at least $100,000 to $150,000 less for a home now than it would have achieved last year. Prices going through the floor, many homes being sold for less than was paid for them in the last two years and owners suffering big time. Some homes failing to even get a bid at auction $200,000 below what was paid for them. Almost a total waste of time doing open homes as either no buyers attend - just neighbours who are also thinking of selling which will only makes things worse.
- Residential real estate Christchurch, amazed at how far the market has dropped back .Sales very slow, open home numbers poor, four attendees is a very good open day .You almost see everyone climbing on the fence and waiting. Investors are not out taking advantage of the market conditions, they either have no ready cash or are waiting to see how far things will drop back
- Residential Property Investing Auckland - A very buoyant market for renting. I rented two properties a couple of weeks ago within 48 hours to excellent prospective tenants increasing the rent on both by 7 and 8% respectively. I've increased rents by 4 to 10% on several existing tenancies. Only one I've left alone is a Remuera 2bdm apartment. I have a property in Wellington that will take a 20% rental increase in June, unfortunate for the tenant but the market in that location has moved 20% over 12mths and we have been forced to look in every nook and cranny for extra cash as five mortgages come off 2yr fixed rates at 7.5% in May and June will see our interest costs increase by 2% or $22,000 per annum. Highly geared investors who have been going interest only for the past few years I expect will be going through some serious pain. Holding off buying at the moment and expecting the correction to provide some good purchase opportunities and long awaited improved yields.

Retail

- There is certainly clear evidence that the retail sector is slowing and tightening, pricing is getting sharper among competing suppliers and consumers are being more careful how they spend their dollars in our industry.
- Cafe/Retail - sales down 4% on same period last year & YTD
- Import garment industry, buyers are still placing orders for the next season to the levels of the corresponding season. China costs are rising with raw materials and wages the biggest costs.
- I own a pharmacy which like many businesses has had increasing costs in wages, power, phone etc for the last few years. We are however forced to 'sell' our dispensing services to a DHB who refuses to negotiate meaningfully with pharmacy and refuses to increase our fee for dispensing prescriptions. With no fee increase in 10 years or so and faced with increasing costs it is getting close to the time when pharmacies become unviable unless they can make a living selling cosmetics etc
- Fuel retail/convenience. High fuel cost affecting convenience sales. Fuel volumes being maintained however, could be due to redemption of supermarket fuel dockets with more being redeemed
- Takeaways and wet fish,. Customers are buying lesser species of fish, i.e. where they used to buy snapper they are now moving down price wise to gurnard or tarakihi etc.. Turnover in takeaways is slightly up on the same time last year. this is attributed to customers getting a quality takeaway of snapper and chips with oysters or scallops, in place of a hotel or restaurant meal.. Others are making the most of our special packs, getting more bulk for their money.. However with the current increases in costs BOTTOM LINE PROFITS ARE DOWN.
- Carpet Retailing We own a franchisee of a major NZ Flooring retailer. 5 years in business last quarter the best ever for our franchisee.
- Hairdressing. Definite down turn less volume of clients less up selling opportunities conservative retail buying
- Retailing. Things are looking tougher than at any time in the last 20 years.
- Since the year start we are down 40 to 50 in turnover. Laid off some staff. Our competitors are in the same boat but maybe worse since they carry bigger debt. Industry: textiles and soft furnishings discretionary spending. Ticket item $1 to $7000

- Retail: People have stopped spending money. In the last few months it is like the tap has been turned off and retail is drying up. Numerous shops are closing all over town. Painting and building: Phone Calls are no longer coming in. 6 months ago jobs we had jobs backed up. Now customers are not prepared to spend money in these uncertain times.
- Soft - retail
- Retail department stores. Things definitely appear to have slowed though how much is due to the doom and gloom about the economy is hard to say. Focus now is all on margin protection and cutting overheads where possible though with such low unemployment, minimum wage increases and Kiwisaver this is difficult.

Security

- Electronic Security Supplies: Very few orders booked for forward delivery, though day to day sales are holding up. Many clients report very quiet times. Longer term trend seems to be downward. We are getting our company as liquid as possible and preparing to survive any shakeout that may occur

Sharebroking

- Sharebroking - Equity trading significantly down as people exit local and offshore markets for "safer" investments. Fixed interest strong on the back of some very good yields.
- Sharebroker & investment advisor- slower equity investment as expected . Few bargain hunters as yet even though some good priced shares to dividend. Funds going into fixed interest [bank and corp. bonds]with such high returns and rated offers. looking towards better quarter to June.

Signage

- Signage Industry - still very busy, doing lots of quotes. Technology seems to be the winner.

Taranaki

- Economic Development South Taranaki. Building Clients still optimistic about next season, suggesting good levels of work in hand. (District is heavily dependent on Dairy Payout). New dwelling consents have dipped for the first time in 5 years.. Cafes, restaurants and Takeaway's report harder times with T/o down across the industry as a result of the district wide drought and increased competition.. Engineering companies also have confidence, with work levels steady. Continuing Oil and Gas exploration is assisting this industry.. Retail are finding things considerably tighter, in part because of pressure on discretionary spend, reduced farming spend because of the drought and increased food prices.

Tourism

- Tourism is down and all the costs are up, particularly wage costs. This is not going to change in a hurry
- Tourism. We expect the downturn in global financial and property markets to impact on travel patterns with visitor numbers to NZ remaining flat. The higher value of the NZ$ is reducing visitors discretionary spending while in NZ. Business costs continue to rise. Fuel, staff costs etc. Compliance issues are time consuming and expensive taking the focus of management away from driving the business. All well and good NZ agencies aiming to have NZ the most compliant and sustainable country in the world, but not if we end up being uncompetitive and left struggling to survive. I suspect many entrepreneurial and enthusiastic business people have been worn down by all the barriers thrown up at a time when our system should be full of encouragement.
- Tourism guiding, South Island - visitor numbers hanging in there only just and expecting a tougher winter ahead than usual. Hoping the NZ dollar will drop and quickly!
- Tourism - Hotels - The first quarter this year has been rather disappointing in terns of international visitor demand. What would normally be a very strong high season has been patchy at best and at worst slow. Rate sensitivity is now hitting our forward wholesale contracts for 2009 with ceilings of 4% rate growth indicated by US/UK buyers. Booking lead times are very short lead making forecasting, staffing and purchasing quite challenging.
- Travel. I think "Travel" will decline somewhat, though our company is determined to keep growing.
- Very good.. transport tourism

Transport and Storage

- Transport. Despite all doom and gloom and a tough environment prior to Christmas revenue and volume seems has bucked the general trend since Christmas. We are looking forward to a strong fourth quarter.
- Road Transport. Seasonal work levels are extremely buoyant mainly due to better than average Horticulture and Grape yields. The industry continues to struggle with skilled staff shortages and this is expected to remain while unemployment levels remain low. Being able to cover the tide of increasing costs is a daily issue.
- Transport. Despite all the doom and gloom after a tough first half to the year revenue has been ahead of expectations since January
- Storage Full and plenty of enquiries. Furniture Removals reflects the housing market fewer enquiries than 12 months ago
- Interislander ferry services across Cook Strait. We control most of the passenger and freight transported across the strait between Wellington and Picton. Our forecasts have never looked better. Our marketing has ensured our customers are happy with our increased rates. We expect increased turnover and profitability this year.

Vehicles & Automotive

- Franchised vehicle sales and service. New vehicle sales to corporates and general business clients steady. Private sales weak. Used vehicles sales worst for 10 years!! Service and after sales also steady. People with mortgages have 'gone to ground'.
- Retail Motor Industry - North Shore. We have seen a 40% reduction in used vehicle volumes, a similar drop in vehicle financing. New vehicles however have remained strong as a result of the value passed on from the high exchange rate (by distributors). There is a lot of pain in our sector and we are predicting a significant shakedown in the number of used car dealers. . the significant shift away from large cars is affecting the distributors that rely on large car sales. Ford and Holden suffered particularly in March sales figures. We are predicting a very difficult year
- Used Vehicle dealership. very difficult market vehicle financing is difficult to get approved. Many clients wanting to trade out of their big cars for something more economical. Fuel prices are bitting in. Used diesel 4x4 up to 20k selling well.
- Vehicles and tractors . Same volume in new as last year , but less in used - more people are taking advantage of the $, so overall business is down. High interest costs biting now and other costs rising meaning lower margins again. Dairy Farmers are spending in advance of their payout , sheep and beef - nothing.
- Very flat, lack of people wanting to spend money. Used car dealer HB
- New Vehicles - stocking costs up and margins down.

Wine

- Grapes, It would appear that once again land prices have been driven by expectations of greater volumes both in wine and in $ terms.. The country is facing enormous increases in tonnage, where is the finished product going to go? Wine is a product that is purchased with surplus income, income does not have to drop in order for people to have lower disposable income. Mortgage, petrol prices take care of that..
- Wine industry - high NZ$ and interest rates affecting profitability enormously. Government will mindlessly put up excise rates on 1 July again - causing more inflation.

The BNZ Confidence Survey is run (usually) on the first Thursday of each month. In the Weekly Overview email sent to the 13,000 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 on Monday or Tuesday and released that night in this publication to media and WO readers.