

# BNZ Confidence Survey

9 August 2008

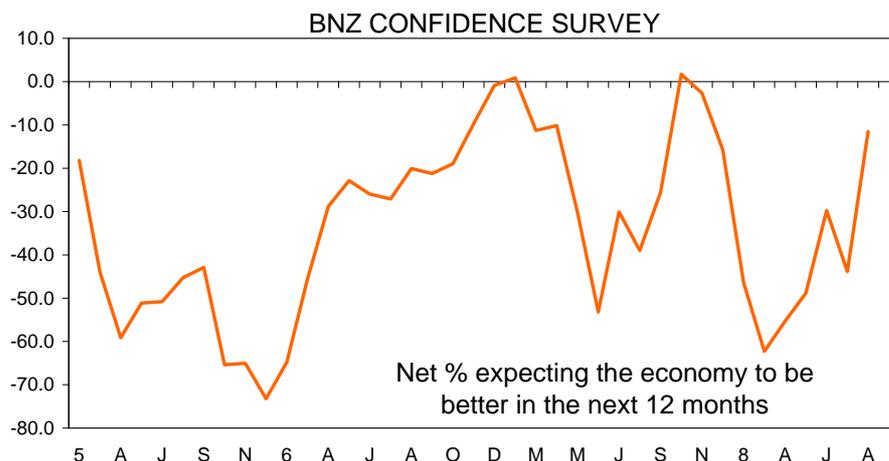
## Mission Statement

To help Kiwi businesspeople and householders make informed financial decisions by discussing the economy in a language they can understand.

The results here come from a monthly survey of over 13,000 Weekly Overview readers. To receive the WO plus the Offshore Overview each Thursday night please email me at [tony.alexander@bnz.co.nz](mailto:tony.alexander@bnz.co.nz) with 'Subscribe' in the Subject line.

## BUSINESSES LOOK BEYOND THE GLOOM

There has been a noticeable shift in sentiment recorded in our monthly survey of Weekly Overview readers. We can see the improvement most obviously in the net proportion of respondents expecting the economy to get better in the coming year improving to only a net 12% negative from 44% in July. This is the best reading since November last year and well away from the depths of despair revealed over March and April.



But we can also see the improvement in the industry-specific comments submitted by respondents. Most notably this is the case for residential real estate. Fundamentally the market remains weak but these comments were made.

"There appears a bit more of a pulse in the real estate market..."

... "whilst sales were still slow through July we certainly fielded a lot more enquiry with many of the buyers being cashed up and ready to buy."

"...we are receiving a lot more attention via web on listings than the last few months."

But before anyone starts getting optimistic about a housing upturn in the near future there are still plenty of worrying comments. For example

"Well below long term average activity levels"

"Very slow with no volume"

# BNZ CONFIDENCE SURVEY

In addition our confidence reading at -12% is still firmly in negative territory and it would have been very surprising to get other than a good increase considering that just ahead of the Thursday night survey we had seen

- petrol prices falling
- the NZD declining below 72 cents
- interest rates falling with the Reserve Bank emphasising more cuts will come soon,
- reports of 1.3% jobs growth over the June quarter
- greater fiscal stimulus promised by the National Party if elected, and
- average commodity export prices hitting a record level in July.

Economies move in cycles and the cycle is turning decisively in favour of the export and import-competing sectors. In addition long term export prospects are improving by the month as world population grows, more economies experience rising incomes, and rising biofuel production cuts into human food availability.

However the bulk of our economy is domestically focussed – and the adjustment from too many years of debt-fuelled growth has some way to run yet. The tale of 2009 will be one of exports improving below the radar in most instances but retailing and housing remaining weak with falling house construction probably all year and the unemployment rate heading to 5%. Then over 2010 as the export upturn gathers strength and starts spreading better domestic conditions are likely. Hence our forecast that after 0.4% growth this year the economy will grow by a lacklustre 1.7% over calendar 2009 before accelerating to 3.8% over 2010.

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

## **Accountants**

Debtors slow in paying

## **Advertising**

Some signs of life.

## **Agriculture**

Costs soaring but returns improving with more optimism in sheep and beef.

## **Construction**

Slowing up mainly in residential, commercial still firm though easing at the margin, trades people increasingly ringing around for work.

## **Export Education**

Slowly improving with the easing NZD.

## **Finance**

Very tough conditions

## **Forestry and sawmilling**

Still weak

## **Hospitality**

Mild easing in demand with rising costs

## **Human Resources/Recruitment**

Easing up on demand

## **Information Technology/Telecommunications**

Mixed but with some new work coming forward

# BNZ CONFIDENCE SURVEY

## Insurance

Premiums to rise and demand falling quite quickly as people and businesses look to cut costs

## Manufacturing

More positive tone to comments than for a long time

## Real Estate – Non-Residential

Some weeding out of the under-capitalised, but otherwise still acceptable investor and tenant interest.

## Real Estate – Residential

Signs of a few more buyers coming forward in response to optimism about interest rates, more vendors meeting the market and others taking properties off the market. Activity levels still extremely low but some recovery evident. Market awash with rentals.

## Retail

Many comments this month – mainly negative

## Signage

Interesting improvement in orders

## Tourism

Generally negative

## Vehicle Industry

Overwhelmingly negative

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
1 May	12.7	25.7	61.5	-48.8	338	231
29 May	22.3	25.6	52.1	-29.8	309	200
3 July	16.3	23.5	60.2	-43.9	374	200
5 August	29.6	29.3	41.1	-11.5	338	241

## 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

- Chartered Accounting- Having to watch debtors more closely because of cash strapped clients espec in sector like Transport, developers. Have to retain employees because skill shortage, Australia competing become an issue for skilled people."
- Accountancy-Clients struggling-business outlook depressing-interim 2008/9 results down
- Accounting - lots of new enquiries, but cash flow is poor. People are taking longer to pay, and so we have to fund it. Other than that, it is not all doom and gloom. But paying the bills can be difficult.
- Busy as normal - Chartered Accountant
- Chartered Accountancy firm Hamilton. Plenty of work. Dairy farming clients and associated farm support business clients are very confident about their sector and the future, facing cost pressures but strong income outlook. Client's in non farming activity are feeling the slow down.

### Advertising & Marketing

- Surprisingly resilient. (Marketing and public relations)
- "Fairly tight at present, but indicators show improvement not too far away.(advertising)"

### Agriculture

- Sheep beef farming Otago. Getting most indicators pointing in the right direction now. Cautiously optimistic that we are about to see significant improvement in our profitability in the short to medium term. Fert prices the main concern.
- Dairy Farming - cost of fertiliser due to go to \$700 a tonne by Christmas for superten - was under \$200 last yr. So costs are really hurting as fert accounts for 10% of all costs of production
- Suppliers to the dairy industry; we noticed some of the buoyancy came off a little in July. I think that had to do with a combination of school holidays, wet weather and uninspiring lethargy of global doom & gloom. But August has seen the cookies bounce out of the starter blocks like they swapped their gummies for Nikes. exports to Australia continue to expand as a direct consequence of their improving dairy payout. Beats real estate by the sounds.
- Quality assurance instruments for primary industry. Its been a difficult 6 months, only high ROI capex has been approved and it seems many companies have been holding their breath. Fortunately commodity food has a strong outlook, and we expect the same.
- Veterinary services and supplies. Despite dairy incomes rising, their on-farm costs have risen appreciably as well. One interesting factor - their stock are more valuable than 12 months ago (\$12-1400 to \$25-3000 per cow - thus heifer calves more valuable as well) which translates to greater expectations of saving sick animals. Sheep & Beef farmers are really struggling - and, despite their produce rising in value, there will be less produce this year to sell (many ewes and beef cows - capital stock - killed over the drought and making way for dairy; as well as scanning rates of pregnant ewes well down on last year - due to drought). So they have a further 12 months of pain. It is showing in stress levels in some cases - especially those that have been slow to react. Our own overheads have increased considerably over the past 12 months - many cost increases due directly to compliance issues (extra week holiday, etc); not just fuel prices and wage increases. It will be interesting to note imported product costs with the NZ dollar falling - no doubt the costs will go up - but we did not see a decrease when the dollar went higher. Despite the above comments, there has been an increase in demand for our services - creating problems with resource - particularly professional people."
- Agriculture. Dairy - Now Asset rich and cash rich. Sheep / beef - some reprieve coming from a likely increase in commodity prices. Any gains look like they will be eaten up in rising costs."

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- Animal Genetics. Fonterra has announced a \$7.00 payout for the coming season, which will keep the dairy industry buoyant.
- Mohair industry is looking solid

## Architects

- Architectural - A number of projects are on hold pending refinancing. We are looking at staff numbers very closely and have put a freeze on hiring or replacing staff.
- Architect - Things are 'steady as she goes' for the next 12 months... I'm planning for the worst though and have been for some time. I personally believe we are in for the worst recession in a very long while.

## Business Consulting

- Small Business Consultancy/Chartered Accountancy - remains hectic with little change in client demand for advisory services and pro-active administration of same. Ongoing problems dealing with institutions (financial / government) who are obviously suffering from staff shortages of capable staff, and need chasing for information provision & often rectification of poor standard delivery. Obvious signs of labour market tightness with poorly qualified staff doing work at levels beyond their skills &/or interest. Erodes professional time that should be spent on real client needs.
- Business Advisory. Demand steady at present but expect it to get a whole lot busier from hereon due to Banks passing on the Credit squeeze as their respective Commercial / Business client's weaker financial results are progressively disclosed / reviewed internally.

## Construction

- Construction. About the same as last month. More competitive market for commercial building work.
- Construction industry where present work load is extremely light and present tender documentation would indicate very little improvement in the near future.
- Construction Commercial: Provinces looking sick apart from some govt spending. Enough forward work in main centres but unless the economy turns around and second tier funding comes back on stream in the next 6 months things will get pretty ugly I feel. Lots of trades people ringing up looking for work and recruitment agencies offering what appears to be good candidates. Something not seen for 3-4 years
- Construction. There seems to be plenty of activity still in the industry - excluding housing - that should insulate us for at least 12 - 18 months."
- Self employed builder. The market is really slowing in the new home build area work to Christmas is strong but who knows what the new year brings
- Construction for most it is real bad but because of our high standards we are very busy
- Building trade Gisborne, slow but steady, hoping a change in season will bring a change in fortune
- Things are definitely slowly in the construction industry with a reduction in residential new builds, Government and commercial industries are still strong however caution with invoice repayments extending passed 60 days growing. Builders are noticing less work being booked ahead of current jobs. - Construction/Insulation Industries.
- Infrastructure projects very buoyant, Small format infill subdivisions all but stopped,

## Construction Related

- Electrician - self employed, steady with lots of quoted work in the pipeline"
- I am in the Resource management Planning field in Mid-Canterbury. My work is scattered Countrywide but I still am getting requests for resource consent work for urban and rural subdivisions, rural industrial type activities and demand for childcare/early childhood education facilities throughout NZ. The demand is strong but as you will know the 20 hours free childcare of Policy introduced by the labour Govt has a bit to do with this demand. Extremely slow. (Residential Joinery)
- Building Industry - manufacturer / supplier - times are pretty tough but are hopefully at the bottom as quoting levels are still good - just not coming through as acceptances at the moment.
- Ready-mix concrete weather has not helped but things look on the up in Bay Of Plenty improving though the rest of year

# BNZ CONFIDENCE SURVEY

- We are in the sand and gravel industry in Southland area and the dairy boom is helping no end. I'd hate to think what it would be like if it wasn't for the dairy industry. Lower dollar assists in export sales but because the U S economy is so poor our exports this year are down around 40% to last year.
- Importer of building materials - We are very busy with large residential projects but the falling dollar is closing our margins.
- We are involved in the construction sector in the plumbing/gas fitting trade in Hamilton. The housing has definitely slowed but the maintenance market has excelled, it seems people still have to spend what they earn, the result is the maintaining of their current property has increased rather than moving on to the next one.
- Signs of residential buildings slowing in most areas particularly Central Otago region. (Roofing)
- Sector within building & construction. Coming off strong growth and looking solid for remainder of calendar year 2008. Already softened in domestic but firm outlook for commercial although not growing as fast.

## Education

- Private Tertiary Education: International positive with NZD falling, Domestic flat unless Government enrolment cap and/or fee cap policy changes"
- Education - decreasing student numbers
- Export Education. Somewhat better, however oil prices and high airline tickets prices are having a negative effect...Looking forward to a better 2009 with better exchange rate differentials, oil and airline prices lower, China slowly coming back, better work rights rules (good for Latin American market) and better working holiday visa rules."
- Education - as the economy slows, student numbers usually increase.
- Tertiary Education. Cautiously optimistic about the international education sector. Slightly lower NZD against the USD and AUD helps competitiveness. Numbers now rising slowly and manageably off the recent lows. The marketing message has to be underpinned by quality and value for money, not just based on low price.
- Domestic tertiary education is counter cyclical to the business cycle. If it is harder to find work, people return to tertiary education. Both domestic and international education should benefit from the current and predicted future business environment."

## Engineering

- Electrical engineering Christchurch. Strong trading in July and still good margins. The cash flow tap has been turned on a little, although we still have too much outstanding from Customers. Our core Customers are in Commercial Building and they still seem to be doing well.
- Consulting Engineering. Reduced workload from developer-related building projects. Steady work from infrastructure. Generally expect workload to fairly much the same over the coming 12 months
- Consulting Structural Engineer (industrial commercial construction). Work has slowed down but still plenty on.
- Precision Engineering - local .desperately quiet. Exports - rapidly improving (in line with the exchange rate ) .
- Engineering - Nelson based. Still very buoyant and looks to continue well into next year.

## Finance

- Property lending. Pretty tough for rest of year and many borrowers wont be around for the next cycle
- Fincl Svcs after 35 yrs I've learnt to survive....I've never seen anything like this however Kiwisaver killed us and we basically have to reinvent ourselves. Insurance always good income"
- Finance Sector - General tightening up being experienced caused by reduced confidence
- Financial Services. Poor - Retail funds outflows and suspensions. Good - KiwiSaver sign ups great!"
- Financial services industry. It is a tough time, without a doubt. While we have avoided the 20+ finance company collapses, we're now seeing good assets (mortgage trusts) come under pressure because of the flight of capital to banks. People are nervous, probably more than they need to be, but convincing them of that is no mean feat.
- Mortgage Broking. Business slowly picking up. Although Lenders criteria getting tighter and tighter

# BNZ CONFIDENCE SURVEY

- Second Tier Financier. Borrowers continuing to have difficulty repaying & "head in sand" attitude very prevalent. Taking no prisoners.
- Home Loans - Level of loans significantly down though there is still inquiry. Need to work very hard to achieve results for clients as lenders continue to tighten lending criteria. Will continue to be a hard space for some time.
- Private finance co, still the perfect storm for us, plenty of loans to do, rates are increasing. Very hard to work out asset values though so we shave 20% off the value, then lend 60% meaning we are sitting at approx 50% of valuation and we only do 1 deal in 20. No cap interest. Good luck to the investors getting 100% of funds back from the mge trusts that are supposed to be cautious lenders, we have seen enough of their deals over the last few years to know that is an optimistic view, one mge trust is over 30% exposed to bare land which is now worth 1/2 at best of what it was worth a year ago.
- Providing finance for construction of new homes. Things are a bit quiet as a lot of people are waiting to see what is going to happen. The last interest rate drop changed perceptions and I think the next one will get things moving again."
- Property Finance. Margins are good, quality of business is good. Price is not the issue - liquidity is. The market is constipated. Little is moving, little is selling our loan repayments are at an all time low. This is a reflection of NZ'ers having way too much investment in property - and so they are now trading reluctantly. This obsession with property investment (residential, Commercial, Rural) is a major impediment to NZ inc growth.
- Finance - retail payments. Volumes lifting ever so slightly from a low in June

## Financial Planning

- Investment Advice: Maybe getting worse than the late 80's now??
- Financial Planning. The tentacles of the credit crunch are reaching out further and further, with mortgage funds being frozen due to liquidity issues rather than the quality of the loan 'book'. Safety is foremost as the rough ride continues into the short term future.

## Fishing

- Well, with the \$NZ down somewhat, the export fishing industry is feeling more comfortable.

## Forestry/Manufacturing/Sawmilling

- Wood Products. Market demand is impacted on by slowing growth both in NZ and in export markets heavily dependent on USA demand. Prices are under pressure in currency of sale in key export markets.
- Sawmilling still under pressure from the housing down turn in USA and NZ but have rising costs wages. freight , electricity

## Health and Fitness

- Acupuncture - This month has turned around with business picking up by approximately two thirds. ACC paid treatments are largely responsible for this and patients having to fund their own care are still decreasing.
- Pharmaceuticals. Medicines ticking along volume-wise but margins getting squeezed by increasing costs particularly freight. Also seeing signs of a slow down in non-medicine lines.
- In private healthcare we are starting to see some fraying around the edges. Nothing major but demand is slacking off a bit which in an industry used to constant growth is new. Also, non-clinical staff in admin, marketing etc have suddenly become a lot easier to find.
- Steady - non profit organisation funding surgical and medical procedures.
- Script numbers are being maintained but erosion of profitability due mainly to cheaper drugs and reduced script tax combined with no increase in professional fee for 9 years is going to lead to most Pharmacies charging extra charges on many scripts very soon if not already

## Horticulture

- Kiwifruit-- looking reasonable with some projected upside in returns indicated by Zespri, costs are a concern

# BNZ CONFIDENCE SURVEY

- Horticulture BOP: Continuing positive outlook for fruit returns. Reduced labour cost as urban unemployment rises. Continuing skill shortage. Significant increase in inquires from tradespeople looking for work as commercial economy slows down
- Horticulture. Same old same old, out of control costs and weak demand. This winter we also have out of control imports of produce flooding an already saturated market.
- There will be further slowing, but an upturn is likely from mid 2009. Horticulture is more positive given the easing exchange rate, although the inclement weather in recent weeks is having some impact on avocado crop. The 2008/09 season is likely to be about the same as 2007/08 but only because of increased plantings offsetting what could otherwise have been a poor crop. Wind loss is becoming evident in the Bay of Plenty, and Whangarei has already taken damage for the second year in a row. Apple season was reasonable, with better returns from somewhat smaller output. Kiwifruit still looks good for the year. Depending on the impact of freight rates and imported goods, next year could see the beginning of an upturn for horticulture as a whole, but costs are by far the biggest problem going forward.

## Hospitality

- Hospitality industry, accommodation: enquiries are at a similar level to past years at the mid-higher end of the Bay of Islands bed and breakfast market. Another 4-6 weeks will give a better indication of inbound travel intentions from North America/UK/Europe.
- Hospitality - Food and wages cost increases and anti-gaming advertising have added to anti drink driving as limiting factors
- Cafe - sales are on par with last year but higher costs are effecting the bottom line.
- Hospitality - things are pretty bad now
- "X Pizza Franchise owner (West Auckland). Our sales are currently very strong - to a point we are struggling to cope with demand. This is due to a very successful new partnership with a local mini-golf company to provide punters (putters?) with food. Not due to increased demand from existing customers. However our margins have tightened, we are working a lot harder for less reward.
- An average of 10% reduction in spending compared to the previous year. (Restaurant/Cafe)

## Human resources

- Steady. The labour market is easing up a little making recruitment a little easier but searching for candidates remains a challenge.
- Recruitment. There seems to be a freeing up of resource; but it really is a marginal call as there is still quite an unsatisfied demand for candidates of quality and experience, especially within finance and accounting.
- Recruitment - Still a lot of business around, especially in Government areas as they have new budgets to spend. Finding candidates are looking for stability and career prospects in a prospective organisation as a key motivator rather than salary.
- Recruitment, a lot of Govt temp and perm positions put on hold due to 'budget cuts' more likely spent all the money. Otherwise going well!
- Immigration from the UK - business quiet with the economic news from the UK and their holiday season not unexpected. Depressed house prices and a weakened NZ\$ will help maintain volumes. We need the NZ business community to regain their confidence and move forward.
- HR and Social Service Sector. A small reduction in some revenue sources due to consumers pulling back on discretionary spending.

## Information Technology/Telecommunications

- Telecommunications - Profitable business getting harder to write. Very competitive. New technologies are expensive to implement. Customers wanting to spend less.
- IT projects (Finance Industry) Definite bleak outlook. Projects are being shelved as firms look to cut costs rapidly."
- Technology supplier to the Dairy Industry - booming activity
- IT: Business going well with customers looking to upgrade and invest in new technologies. Still hard to find good staff and wages are firm.

# BNZ CONFIDENCE SURVEY

- Industrial Automation / Industrial IT. Thought things were headed for the toilet back in June, looks more like things are stabilising at the moment - quoting more and more work each week. We're pushing back into "traditional" (commercial) IT as a back up plan, but things look promising overall. Probably look at employing more staff if things keep moving in the current direction.
- IT - Website development. sales have dipped a little over the last month but generally are holding up pretty well
- IT Services. Has been a tight six months but signs already of businesses starting to take on new projects particularly ones increasing productivity or outsourcing their costs.
- IT Industry. Although the job market is tightening, companies are continuing with projects that were scoped in rosier times.
- IT industry. Generally negative though some companies are attempting to drive for efficiency via IT.
- "IT Software and Services.
- Currently we are extremely busy at the moment and have just achieved our highest monthly billing with a record first quarter in the history of the company (14 years) we have budgeted for a flat to slower 3rd and 4th quarter Oct thru Mar 09 based upon the current financial outlook."
- The IT industry is more competitive than I seen it in my 20 years. All govt spending via tender can only be won with a loss making bid. Although we are making money and hiring staff the outlook isn't great.

## Insurance

- Insurance, people dropping cars, not insuring them and struggling to pay the bills. Panel shops are finding less car repairs coming in, more caution, less congestion. Overseas departures (Australia very common)
- Insurance rates are beginning to follow other cost increases & industry in many areas (probably) deserves a recovery of some costs, not to mention recent weather related claims that have hit. But there still seems to be business out there rolling in if you keep an eye open for it ?
- I am in the insurance industry. We are seeing rising claims, rising costs and rising premiums. Costs seem to be rising faster than premium increases so I cannot see an early end to this cycle. Together with falling equity markets insurers are entrapped in a spiral that is increasingly squeezing margins that could seriously erode insurers ability to build reserves"
- Insurance. Where the economy is matched by the weather. We have suffered yet another appalling July with two 'once in a decade' weather events. But unlike previous occasions, these storms have managed to touch every part of the country, causing flooding and damage from Cape Reinga to Stewart Island. The message is clear, household insurance premiums will HAVE to increase substantially (well into double figures) to take into account new weather patterns. Not welcome news for customers, I know. But this is where climate change starts to hit us all in the wallet.
- General Insurance - Annual results not painting very pretty pictures & hearing talk of cost cutting, with jobs on the line from several companies. Premiums need to increase dramatically to make any real difference, but newer, smaller & inexperienced players in the market still holding premiums down at dangerous levels for perceived growth.
- Insurance Broking. Insurers are increasing rates which will have a positive impact of profits.

## Legal

- Law, busy but payments are slowing down
- Legal. Not short of good work as usual. We expect things to keep ticking along with oil & dairy as drivers.
- Legal - Turangi moving steady
- Civil litigation - plenty to do and good work
- Very quiet. Little residential conveyancing. farmers too busy calving & Lambing.
- Legal (Wellington). Conveyancing light. Other categories of work not appearing depressed.
- Legal (conveyancing)- in a word, disastrous. Looking at other areas of work to keep going.

## Manufacturing

- Manufacturing-steady orders. We sell to people who want quality NZ made goods."
- Manufacturing industry, fingernails are about to slip off the edge of the cliff

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- We are probably now the largest independent rubber manufacturer in NZ and are experiencing huge growth to the extent we are looking to add an afternoon shift to increase production. Forward orders are strong and new business is continually developing.
- Manufacturing: We are now certainly getting better returns on our exports which is a nice change however, our costs of raw materials (particularly steel) are increasing at an alarming rate.
- Manufacturing. We believe it will tighten in the next 6 months due to retail spending going down. Export orders may increase due to the exchange rate decline.
- We have notice a small rise in orders and are thinking about hiring staff again. We reduced staffing numbers back to minimum during the last few months and are running pretty skinny right now. Hope this is not a blip!
- We are in the Cabinet making industry.

## Miscellaneous

- Very Bleak. We are in the Marine Industry and new boat sales have dropped considerably.
- International economic and fiscal consulting - mostly for foreign government aid agencies - the USG is cutting back on funding of economic reform programs, but others including UK, EU AU are maintaining funding for existing and new projects at same levels as before.
- Barber...up and down...people are getting haircuts less and going for longer hair. Waiting impatiently for new President in States...hopefully that will bring a positive change.
- (Govt) Tight and constrained baselines, pressure on reducing staff and expenditure to manage forward.
- General aviation. worse due to fuel costs, mitigated somewhat by technology-driven upgrades.
- Importer and Distributor Safety Products and Disposable Clothing. The first half of the year was disastrous and we had to put off staff to cut our overheads. Each one of our customers was down on the same period last year. July was a good month and August is feeling OK we have some good forward orders for some spill containment products we bring in from the USA. There are between 20% and 30% price increases coming out of China for all products these will start to hit in October.
- My husband works overseas (for last 2 years) he is an electrician in the mines. We would like to start up an electrical business but feel that the economic situation at present is not a good time to do so. We know of other trades men struggling to get customers to pay and therefore forcing them to increase overdrafts at the banks. It is the old story of the business man still having to pay their bills and pay the price. These businesses are also looking at moving on and earning big money overseas while leaving families at home. Sad when it has to effect the home lives.
- Steel Distribution Industry - prices continue to rise influenced from offshore demand and input costs. Local demand steady, but some slowdown envisaged thru until mid 09. Will need to watch inventory levels if price correction (drop) in supply happens
- Food Industry, Under pressure
- Industrial Equipment - enquiries are steady. Prior month up 14% on last year, but it is traditionally a slow month. Some large capital equipment orders in pipe line for next month (Sept)
- Great. online marketing
- Steady at 10% below 2007 - Electrical wholesale distribution

## Packaging

- The strong level of imports may be slowed by the weakening NZ\$. Sales are slow and margins are tight.

## Printing

- Printing sales off by 10% Cost of sales up heaps. cost cutting

## Property Development

- Residential development and construction, many more sub trades looking for work, some purchasing opportunities coming up, good for us as we are on good terms with our bank.
- Retirement Village Developer. Sales have slowed down due to the slow down in the real estate market and loss of confidence. Have come across older people having money in Hanover etc. and having to get loans to settle on their new retirement house. A large Tauranga Project builders sales have dropped from 15 per month to less than 5 Had staff of 38 now 15.

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- Taupo. We're builders, in the Holiday and mid to upper end of the market profile. Level of enquiry from qualified customers is much improved over 6 weeks ago. Getting to the wire is still difficult."
- Property development -at a standstill
- Residential land development. No sales of residential allotments - either top end or bottom. Do not expect any movement until late 2009.A blind man could see this correction coming.

## Property Management

- "We are a Residential Property Management company. With the recent bad weather (heavy rain and wind) a number of our homes have been leaking. Usually after a quick call to the owner we get the go ahead to get a roofer to fix the leak. Lately we have noticed a huge resistance with our owners to spend any money on maintenance. Even a simple leaking roof! Some owners are telling us that they cannot afford to spend any money on their properties. Our tenant rent payment defaults have increased slightly. Numbers of properties to let has risen remarkably. We have noticed that there are now many vacant properties advertised as available now. Picking up quite a few new listings that have been on the market and now the owners are needing them rented. Interesting times."
- Property consultancy and valuation: most work categories business as usual. Mortgage security valuation demand much reduced and particularly for residential.
- Property management really tough going, vacancies up, rent arrears double what it was this time last year, with the wet weather lots of maintenance problems and very few tradesman available .Surprised at the number of tenants walking away from tenancies, going home to Mum and Dad .
- Being a property manager is just about the toughest job in the world at the moment
- Property Manager North Shore Auckland. Rents have softened last 2 months for housing in \$550pw + market but still above last years 12 month fixed term tenancies. Demand still there especially in 2brm, 3brm \$350pw to \$490pw.
- Residential Property Management - 1st quarter 2008 (financial year) and 1st six months (calendar year) 41% ahead of year before.

## Real Estate – Non-residential

- Commercial property investment is becoming more of a buyer's market with higher yields becoming more prevalent across all regions and sectors
- Commercial Leasing - market trucking along, relatively low vacancy and steady enquiry levels.
- Commercial Real Estate top of the South Island. Investment property is in strong demand with cap rates between 7.5 to 8.5%. Retail finding it slow going with a number of smaller businesses closing down. Industrial leasing very slow with many vacancies"
- Commercial Property Industry - Much pain yet to come from highly geared developers and investors. Institutional Funds not buying on account of liquidity - listed funds trading at well below NTA and will not be easily able to raise capital. Few large sales will happen. Developers with land banks will fail.
- Property - non domestic. Mixed outlook, tenants struggling and pessimistic, everyone increasingly risk adverse, new age developers & speculators gone transactions slow BUT new lettings soaking up a lot of vacancy (although secondary locations starting to have space) AND long term investors re-entering market after a few years absence and well structured developers seeking opportunities for longer term.
- Suspect that the speed of economic decline (or at least the rapid change from optimism to pessimism, has meant many yet to recognise and so deal with potential cash flow and equity problems. Suspect more pressure to sell property and manage lease commitments to come, but only for a portion of the market. Undoubtedly increasing subjectivity around pricing. Suspect flat property market (in the main) for next four years
- Commercial Real Estate: Seasonally quiet but Tenant enquiry strong , stock levels up , good demand for office space.
- We are involved in commercial property. Tenants are proving harder to find, whilst existing tenants are unwilling to pay more rent. Noting that tenants in prime office buildings are now looking at relocating to the fringe where rents are lower, or alternatively, where they can source property for owner occupier use. The funding of projects for development particularly ( but also investment)is very difficult given the removal of second tier financiers. Constructions costs have also increased, (steel over 40%) all resulting

in a major tightening on margin-making development more risky. However builders margins appear to be lowering"

- Commercial Valuations - signs of tougher leasing conditions esp. retail. Secondary yields on the rise. Prime yields softening a bit.

## Real Estate – Residential

- Valuation - South Auckland - Absolutely flat out at the moment, have managed to increase fees a bit to cover costs -not much resistance but some disappointed clients when values usually less than a year ago and about the same as 2 years ago.
- Real estate. Pretty quiet. Am going on a long holiday.
- Residential real estate Howick/Pakuranga - Still very quiet but fractional improvement in enquiry since Reserve Bank relaxed interest a bit. Actual selling prices now about 2005 levels, very slightly above 2005 CVs. Vendors prepared to meet the market are selling others that won't renting out, with the result that houses are starting to sit vacant and rents drop. Although there's a huge number of properties on the market there's a definite shortage of good properties well priced.
- Real Estate - definitely picking up. Personally I am having a lot more success this month, selling three homes yesterday and my colleague did the same. Our sales board is looking a lot healthier this month. Buyers are all commenting on the interest rate drop giving them more confidence. Starting to get more development enquiries too.
- Property Valuation – Nelson. Residential - transaction numbers down but prices holding. Commercial - lack of any significant transactions and purchasers risk adverse; rental market easing. Rural - remaining strong on the back of the dairy boom."
- Property. Terrible. Has to get better with lower oil, interest rates, brand new business minded government (in NZ and US).
- Real estate, outlook with the change of government is creating some positive thoughts among buyers and sellers.
- Property - Well below long term average activity levels. Not expecting levels to return to some sort of normality until 2nd quarter 2009
- Real Estate There appears a bit more of a pulse in the real estate market in the Johnsonville - Churton Park - Newlands area with an increase of sales over the past month of 25 in June and now 40 in July.
- Real estate Mt Maunganui. Property press advertising down by app 50%. Sales very slow
- Real estate - whilst sales were still slow through July we certainly fielded a lot more enquiry with many of the buyers being cashed up and ready to buy.
- Real Estate in Taranaki. Its slowed a little, but not so as you would notice in a big way. I'm sure the papers are talking about the cities :
- I work in real estate and we are receiving a lot more attention via web on listings than the last few months.
- Auckland central apartment sales - or lack thereof. Turnover still slow, I am beginning to think that this will go on for a few more years yet. I plan to take an extended holiday and look for work in another industry, maybe come back when the market picks up again circa 2010.
- Real Estate Auckland Eastern Suburbs. Sales volumes still very tight, in fact over the last six area sales the lowest since recording by the REINZ began in 1992. (We understand the same applies across NZ). For vendors who are prepared to accept today's prices the market is good, but for those expecting last years prices it is dead. Volumes will improve coming into spring but prices may still have a little further to adjust. As reported in the press, many vendors have withdrawn and decided to rent but this has resulted in a surplus of rental property, especially in the higher price bracket, and there is no rush by tenants to rent them. Following an increase in rentals, we are now seeing adjustments downwards. All in all an interesting market.
- Property valuation - very slow (as could be expected given the drop in sales)
- Residential Property, Hamilton. Five weeks ago I was the only person some real estate agents had seen all day at the open homes. Last weekend heaps of people were out and talking to the agents, quite a few offers being submitted. One Lodge team sold 14 properties last week. If you're looking to buy in Hamilton, I'd seriously look now.
- Real Estate in Hamilton. Very slow with no volume.

# BNZ CONFIDENCE SURVEY

- "Residential real estate Christchurch. Open home numbers still well down with attendees falling into two groups .Dreamers who are making stupid offers in the hope of picking up the bargain of the century and those who believe the market has bottomed out and are ready to do real business. This positive enquiry leads us to believe there is at last light at the end of the tunnel .All we need is the euphoria a few gold medals at Beijing would bring .
- Real estate: Tough but fielding plenty of inquiries and making reasonable sales considering the climate. Most bargain hunters will miss out because they cannot recognise value when they are shown it. Astute buyers are purchasing while they can and are locking in profits for the future.
- Residential landlord, Wgtn. My personal situation is stable. Mortgages fixed at good rates and not coming off until post-2009, stable tenants, rents up. Increase in petrol prices is good, flats located near CBD and public transport.
- Rental property buoyant. Low vacancy rates and rents inching up.
- Valuation BOP - some investors appear to be coming back into the market, but otherwise still very quiet on the residential front. Anecdotal evidence of more sellers being more prepared to negotiate.
- Stand off between sellers and buyers beginning to close!"
- Nasty at present . Volumes down over 50% but trending up over last three months, Median sale price also trending up over same period and Interest rates finally starting to trend down .Buyers still gun-shy but solid business starting to evidence.
- Residential valuations - vendors pulling property from market. Thus oversupply disappearing meaning prices levelling out.

## Retail

- Retail Sector - certainly the purse strings continue to be "tight" not a lot of money out there at present to be spent on anything other than the necessities.
- Consumer hardware -- still dreadful. Building supplies -- beginning to get worse as home building slows dramatically"
- Luggage Importer and Distributor. Retail accounts are reporting a serious slowdown and reduction in sales, with lower price points being considered even in more upmarket stores. Stores on strict purchase constraints, with ""Accounts"" examining POs on a line by line basis. Several major department stores are effectively in a ""no buy"" environment."
- Takeaways. Business is booming, turnover has increased every week, cannot keep enough stock in the shop some days.
- Continuing positive in Wanaka outdoor (ski/tramp/climb) retailing due to specific sector strength and we expect that with weakening dollar there will be better tourist spend this summer
- FMCG – (Fast moving consumer goods) Main issue is around continued cost pressures for imported products, exacerbated even further now that the Kiwi Dollar is weakening rather rapidly.
- Supermarket. Convenience stores finding it tougher. Full service stores much the same, maybe a little tougher. Lifting in large volume, low price market
- Fuel retail/convenience. June was well down due to high fuel prices. Since a 16cpl drop recently sales are almost back to normal, however discretionary spend not fully recovered.
- As a supplier of imported furniture we have seen the past 7 months result in lower trading figures and we feel it will remain
- Gift retail – Southland Sector. Not breaking any records. Steady sales, some surprisingly good revenue days.
- Retail & hospitality. Youth is holding up @ the top end. however costs are still proving a problem. Can't pass on the cost increases."
- Furniture retail. Rural areas (dairy) holding up but most retailers having a very tough time 30 to 50% down. Continuing rationalisation expected.
- Office furniture supply. Steady with customers with existing quotes starting to give go ahead to supply. Sales lifting since last week of June.
- We are in the Office products industry. Up until the end of July, growth was good but sales have almost dried up this month.
- We are in the hardware business and we are tracking around 10 to 15% behind last year.

# BNZ CONFIDENCE SURVEY

## Signage

- Signage - Great May, June, slower July, picked up a bit so far in August. People taking longer to make a decision. Getting more quotes than a year ago. People taking longer to settle their account. We are positive.
- Signage. After an unexpected drought of orders in early July things have picked up again although cash flow is still very tight. The reality of accelerating inflation is definitely having an effect on business decision making.

## Tourism

- Difficult time for us in October November. Previous years corporate bookings have kept us busy. Not this year Accommodation Top of market Lodge in Wanaka.
- Tourism and Travel. Economic influences appear to be constraining long haul travel intentions in originating markets. On the upside, cross rates between the NZD and most overseas currencies now appear to becoming more favourable to the intending NZ inbound overseas visitor."
- "We are in the Giftware business for Tourist and Home decorative Items. While we have increased traffic, we see a lesser percentage of customers making purchases, more requests for lay-by purchases. Furthermore, our vendors tell us: Almost everyone is late in making payments (not us). And, they have reduced the range of inventory offerings for this coming Christmas."
- Outbound Travel- business is 15% down on last year.

## Transport and Storage

- Passenger Transport. Revenues and passenger numbers strong. Overseas arrivals still look promising for summer from good high margin markets such as UK and Aust. However the fuel cost has trashed the budgets and significant price increases are slowly being accepted by customers. Overall operating costs have blown out, and forward budgets indicate price increases of double digits needed to sustain profits of last few years."
- Transport. While the year to June result was below target revenue was well ahead of 2007/08. July has been a strong month and there has not been a significant decrease in volume. Falling fuel prices will bring some relief to contractors
- Transport - specifically household removals, new furniture and joinery distribution: Not rosy right now with house sales, building and retailing all in the doldrums together. However, after the initial panic attack one is hopeful there will be a recovery sufficiently strong that one is justified ticking the "better" button and that the economy will get better than it has been the last three to four months but one would not predict a return to the levels of 12 months and more ago.
- Transport - every silver lining has a cloud! Margins under increasing pressure, second rate operators squeezing margins and the positive comments in your covering e-mail do not reflect what is happening in the market places. There is significantly more domestic woe to come with redundancy and down-sizing becoming more commonly expressed within our customers markets. House prices set to fall further as well! Thanks goodness the oil price rises have taken a temporary breather.
- Freight - reducing oil price will flow through to reduced surcharges for customers.

## Vehicles & Automotive

- Franchised Motor Vehicle Dealer. We believe the economy will stay the same as now because surely it can not get any worse. Private and small fleet buyers absent from the market for new and used vehicles.
- Service and parts only activity helping to pay the bills. Too much unsold inventory in the Industry with more arriving that was on order. Counting on the election to bring some respite."
- Collision repair. Margins are tight costs going up cant pass them on."
- Motor Vehicle Industry. Stocks of new vehicles far too high. Sales slowing, margins squeezed, costs increasing. Recipe for disaster. Looking at redundancies.
- Automotive - tough
- Car accessories; general consensus is that business is currently down approx 45%
- Automotive industry, Sales and repair generally down over the last 3 months. Workshops particularly quiet all over the city. Mechanics phoning looking for work for the first time in about 3 years. Things can only get better!

# BNZ CONFIDENCE SURVEY

- Motor Vehicle Retail - New and Used. Sales volumes and margins reducing at a concerning rate, costs stable but not reducing. Previously popular used car sectors such as large cars and 4wd's all but defunct. Expect industry rationalisation at all levels, failures, and high profile exits from the industry. It is almost incomprehensible how quickly the landscape has changed, some of it forever.

## Wine

- Wine industry. Going into a time of increased competition and a period that many companies will discount. Still believe there are many opportunities internationally, and with the change in exchange rate, and potentially interest rates, profitability will increase.
- Viticulture contracting, smaller clients opting to find their own labour sources, larger commercial clients, solidifying contract rates over hourly - more cash for our company as long as staff are working with efficient systems. 2/3 staff numbers required this season as last year, staff much more efficient and hungry to earn the cash incentives we set them.
- Viticulture. Generally good but some companies are taking a long time to release capex due to the large increase of payouts for grapes for the 2008 harvest.

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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.

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