

# BNZ Confidence Survey

8 September 2008

## Mission Statement

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

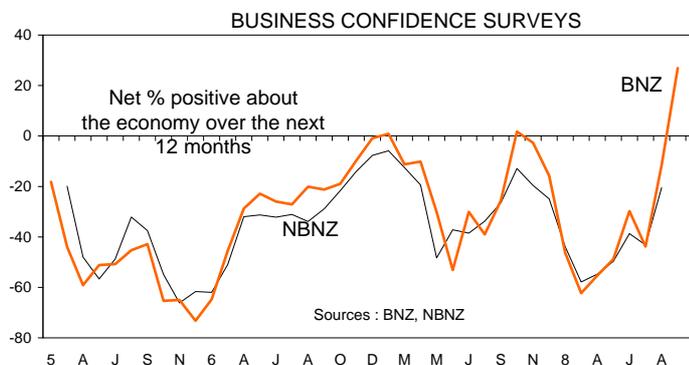
The results here come from a monthly survey of over 13,000 Weekly Overview readers. To receive the Weekly Overview each Thursday night please email [tony.alexander@bnz.co.nz](mailto:tony.alexander@bnz.co.nz) with 'Subscribe' in the Subject line.

## Sentiment Soars Into Positive Territory

Maybe it is because the Reserve Bank is cutting interest rates, maybe it's the falling exchange rate, or maybe it's just the ending of one of the wettest periods in many years. Whatever the cause attitudes about the economy over the coming year have improved to the highest level since our survey started in 2005. A net 27% of respondents in our monthly survey expect the economy will get better over the coming year. This is a sharp improvement from a net 4% expecting a deterioration last month and a net 62% pessimistic six months ago in March.



Our survey is well correlated with the longer running monthly survey released by NBNZ and it is likely their survey, which is due out in three weeks time, will reveal a similar jump in sentiment. This jump is likely to be accompanied by improvements in employment and investment intentions and over the coming few weeks could lead to a feeling that the outlook for the economy is robust. This view would however seem premature.



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Conditions overseas have deteriorated quite substantially in recent weeks with unemployment rising sharply in the United States amidst deepening worries about the credit crisis and its impact not only in America but also in the United Kingdom, Europe, Japan, and the rest of Asia to some degree. Having said that however every day we get closer to the first tax cuts in New Zealand that one generation of employees will have ever seen. A change in Government at the election would produce a further round in April next year. Exporters are growing increasingly confident as the Kiwi dollar falls to lower levels than most were thinking for this time of year, and this week the Reserve Bank are likely to cut interest rates again.

It seems reasonable to conclude that the worst is over for the New Zealand economic cycle but we still remain of the opinion growth next year will be relatively mild and it is not valid to speak in terms of above average growth in the New Zealand economy until 2010 or optimistically late 2009

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

## **Agriculture**

Improving but with sharp cost increases.

## **Construction**

Residential slowing but non-residential and infrastructure still looking firm with labour shortages.

## **Finance**

Very tight.

## **Forestry and sawmilling**

Slight improvement evident.

## **Human Resources/Recruitment**

Easing off of demand.

## **Information Technology/Telecommunications**

Mixed but noticeably weaker than some months earlier when the sector stood out as exceedingly positive.

## **Manufacturing**

Tight but some slight optimism improvement.

## **Real Estate – Non-Residential**

Yields rising and demand very mixed with some deteriorating areas and others improving.

## **Real Estate – Residential**

Activity picking up with the arrival of Spring, prices declining with the vendors more realistic but bargain hunters still over-optimistic.

## **Retail**

Weak.

## **Signage**

Tight cash flow but demand still evident.

## **Tourism**

Very tough with some fresh signs of deterioration evident.

## **Vehicle Industry**

Overwhelmingly poor.

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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
4 September	51.5	23.9	24.6	26.9	264	181

## 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

- Accountancy - steady, but many clients report slowing economy
- Chartered Accountant: Financial statements and tax returns need to be completed. Noticing strain on clients through late payment of professional fees, suggesting tough times now and if their reasons for delayed payment are to be believed, tough times ahead.

### Agriculture

- Animal Health - Although confidence is gradually picking up amongst dry stock farmers it will still take some time before the benefits filter through.
- Rural Real Estate, Waikato. Good to see some sun, it may dry up some of the doom and gloom, and perhaps those who have been sitting on the fence waiting for real estate to bottom out before they act, be spurred into action.
- Ok in the farming company, not so bright in the property development company!!
- Veterinary/Agriculture industry. Finally feed situation looking up in lower areas and sheep feed in higher country. Lack of cattle tucker in the hills is putting pressure on early-calving cows. Amazing how sunshine makes people more positive! Severe storms in past month have caused considerable infrastructure (fences, farm tracks, water reticulation, etc) damage on some farms - as well as forestry plantation damage and stock losses. So while product prices are rising, input costs also rising, many are facing un-budgeted repair costs which will take some of the gloss off incomes bouncing back on sheep & beef farms. As an overview, there has been more change in farming in the past 2 years than the previous 30 in my experience - by far most of it positive change. Ever so surely, there is change to integrated supply chains in most aspects of agricultural production - with meat and wool systems the last to be brought kicking and squealing into this mind-set. There is real concerns with lack of qualified vets for rural practice - extremely hard to find good experienced rural

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vets - that said, it is the same in the companion animal and equine parts of the industry. Demand for services has never been higher - very positive; competition for sales has never been higher - also positive for farmers; although if it goes to extreme levels, then they will also ultimately be the losers as some suppliers exit the market and competition diminishes.

- Dairy Farming is looking better as long as the weather is in our favour. Not a repeat of the continuous rain we have been getting or a summer drought. The talk is kiwifruit will be paying better, which will be a nice change. No avocado crop this year-8 bins(should be 3-400 bins)
- Rural Real Estate. Lifestyle Blocks harder at present, especially bare land house sites. Anything to do with Dairying very buoyant.

## Architects

- Architecture (Wellington): Things seem to be OK out there at the moment. Those architects who were dependant on clients who got their money from Finance Companies are probably hurting a bit, however the industry as a whole is probably doing OK. People who were going to build a house are. People who have decided to stay put in their house and ride 'it' out are doing renovations. Commercially things are a little quieter, probably to do with the crunch, but there seems to be enough work around. I will not be doing any hiring in the next 6 months or so, but we are happy with our market position.

## Business Consulting

- Small Business Consultancy / Chartered Accountancy: (Economy hopefully picking up from nadir) Current concerns coming through in past 2 months are quality performance through the range of suppliers (business & domestic) as so much sub-standard experiences over supplied goods & services, too often accompanied by attitudes of "put up & shut up" no doubt tight labour market related. Roll on resource relaxation !

## Construction

- Construction. Slowing down in some regions. Developer initiated projects have disappeared. More competitive tendering apparent.
- International heavy industrial construction - with the global credit issues that currently still exist funding for major projects (over US \$1Billion) is still very tight and projects are being delayed due to funding, even though commodity prices are favourable for bring more production on line.
- Roading and civil construction industry. Our main area of concern is the lack of skilled staff available, this is the number one issue prohibiting us in increasing turnover
- Things have been exceptionally tight in the construction industry, but we are noticing a trend of more ongoing work coming up
- Construction. Still fairly busy. Sales YOY to 31 March were + 24% on previous year. Sales first four months to 31 July were same as previous year. Outlook for remainder of this financial year is to improve on last years sales figures. Spending heavily on advertising, but recession mentality seems to be dissipating rapidly. Our Industry is housing.
- Building consent levels at Waitakere City Council are down 40%
- Civil Contracting still very competitive. Plenty of work available to tender for upcoming earthworks season in Auckland.
- Building trade Gisborne The slow down is starting to bite, have had a hard winter. Sales are getting better with the warmer days. I we are coming out of the worst of things
- Construction, manufacturing. Economy has not impacted us. Many projects are still going ahead, steel price increases are making us go to China direct for our steel. This will impact NZ steel suppliers, but not me in the long run.

## Construction Related

- We are Building and Home renovations contractors / suppliers and the response to our advertising is definitely slower. Last year I would normally receive on average between 35 to 40 requests for quotes per month and at the moment I only receive around 15 requests per month. I test and measure everything and use this (advertising) as my economic barometer and this can help me plan many months ahead from this. My opinion is that things will not change until late 2009.
- Building Manuf - Aug worst month
- Building Industry - supplier / manufacturer. Things seem to have bottomed out and there are some positive signs on the not too distant horizon amongst all the doom and gloom. Quote levels are high and people have to get off their hands some time soon.

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- Some disturbing signs coming through in the construction earthmoving industry. New equipment sales are down as is maintenance.

## Education

- Education - International student numbers looking stable but now more diverse than previously. Increasing numbers from India and Pakistan as well as from the Middle East.
- Music education - things are very busy.

## Engineering

- Consulting engineering - still very busy but we anticipate our workload will start backing off a bit in 6-12 months
- Civil engineering - Petroleum industry - order book full to November. Better than expected response to recent search for additional staff.

## Families

- Beneficiary. There is a bit of a lull in the hammering we are taking with price increases at the moment, but the election is not promising much.
- I live and work in Wellington; double income family with two children. Cost of living is hurting.

## Finance

- Finance. Very tight, little in the way of volume. Appetite for risk = ZERO
- Consumer Finance (ChCh) - August was very quiet in terms of new business but this month is looking much better, so far.
- Quiet merchant banking
- Financial Services. Things are still tough, but it seems as though we're over the worst of it now.
- Financial Services - a lot of interest in KiwiSaver. Reasonable levels of interest in insurance but when quoted clients often see it as unaffordable. Several existing clients are looking to cut back levels of cover - often related directly or indirectly to servicing the debt on a new home.
- Property lending - borrowers struggling from lack of sales, rising costs and falling asset values  
Property investment - yields softening

## Financial Planning

- Investment Adviser. Business is very difficult while bank deposit interest rates stay high!!
- Investment Property sales/advice: Pretty quiet Winter however we have definitely noted an increase in sales activity and interest in property investment over the last couple of weeks.
- Investment advice industry- very difficult, if insurance is part of the business then that is supporting the investment side.

## Forestry/Manufacturing/Sawmilling

- Logging Contractor – Canterbury Things percolating along ok, though still feeling the pinch from fuel increases early in the year. Demand for logs is steady.
- Forestry - Still really tough but some hope of better log prices looming.
- Forestry consulting - very busy in Asia but slower in New Zealand

## Health and Fitness

- Acupuncture - Most consistent month in four years and growing. Glad I listened to you and rode what I think was the worst of the storm and suspecting the economy is on the upturn already.
- Private healthcare - demand starting to soften going forward with people trying to delay elective procedures.
- Positive (health supplements industry)
- Health service is extremely busy including the discretionary procedures

## Horticulture

- Kiwifruit Industry. Things are looking more positive as we anticipate that the dollar will remain c.USD\$0.70.
- Horticulture  
Exchange rate pressure has eased in particular to Japan. Fuel pressure backing off and labor a little easier to secure. Commodity prices have recovered a little also.

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- The kiwifruit Industry will benefit from the drop in the value of the \$NZ, however, this will be off set somewhat by rising transport and labour costs
- Horticulture BOP: static outlook same as last month, soft demand, rural town trades starting to show signs of slower work demand.
- Better with the reduction in value of the NZ Dollar. (horticultural exporter)
- Food Industry - Sales down on last year. Supermarkets may be getting increased prices for their products but this certainly is not flowing through to the growers and processors of food. Wet weather having a double whammy adverse effect on sales and profitability.

## Hospitality

- Hospitality (accommodation) - forward bookings are being made, with particular interest from the UK.
- Our industry (gourmet foods) has to some degree been hit hard, but conversely, the opposite has been true of the hospitality sector. Where gourmet shops have retrenched, the catering industry (for us at least) has expanded.

## Human Resources

- Recruitment. (Management positions - permanent and contracting). To quote an industry colleague "its bloody tight at the moment". There are some small signs of loosening but the pre-election circus will be a major distraction.
- In the recruitment industry we have noticed a definite slow down in the amount of Temp orders and perm orders. There is an increased amount of companies trying to do permanent recruitment themselves. It is a sign that companies are very conscious of their bottom line and are making savings where ever they can. The key reason for the slowdown in temp orders for my particular niche is the slow down in building consents in NZ and America. This has meant a slow down in manufacturing and production thus meaning a reduced need for seasonal temps and temp used for peak production times.

## Information Technology/Telecommunications

- ICT - flat
- IT (Business Software). Very tough at the moment. Businesses are holding off on investing.
- IT Industry from an employees perspective: Although there is a growing reluctance to be on the (b)leading edge, skills shortages and the requirement for essential upgrades/maintenance mean that the job market and salaries remain buoyant.
- Information Technology - still busy. Still a lot of work around but decisions slow with clear ROI (at last) being demanded.
- IT Services - very full order book for projects.
- My industry, IT projects - Finance, is looking bleaker than ever. Projects are being put on hold or cancelled. Cost cutting is the flavour of the day.
- IT. Clients cautious in investment decisions.
- ITC - We have a lot of work for existing clients but some are struggling in their industry. No problem getting projects that add value to the client's business. The clients that see the value in improving efficiency of systems and business process improvements are the ones that are pushing for more work. Good positive stuff.  
Could do with a couple more consultants as we are over capacity if someone is on unscheduled leave. Consultants are very hard to come by and are mostly sourced from overseas. On the whole things are looking good.

## Insurance

- Insurance is okay, prices are rising, but this is just part of the cycle & should be easily managed by the more experienced operators. Others will create lots more work for themselves & consequently reduce profitability for everyone. Opportunities still abound.
- Insurance - definitely a slow down . Lapses increasing. Hard to find policy growth. Motor insurance easing. People selling second cars and older car owner probably not insuring them. July storms have cost a fortune, claims still growing from these. Things stable but not a great outlook at present
- Insurance. Things are going ok however we would be doing really well if it wasn't for the storms that keep hitting us every July. Premium rises on the way for some companies.

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## Landscaping

- Another housing company folding last week has got the rumours flowing about who will be next, seems like there will be another one or two to follow. Work is steady and I expect it will improve however the horrible winter has had more of an effect than any other factor. Only one full week of work in the past 8 weeks due to wet weather has destroyed cash flow.
- Turf and landscape industry Chch, We expect flat trading for the rest of this year and into next but maintaining staff and stock levels, working hard on marketing, holding prices where they are and grumbling when suppliers increase theirs. Some light on the horizon from some clients, but most seem to have work to do. It could stop raining soon however, definitely not helping.

## Legal

- Civil litigation - good
- Provincial Legal. Steady flow of work underpinned by dairy & oil, but reduction in new files opened of 13% April to Sept from last year, mostly in housing.
- Litigation. Anecdotal evidence of barristers not being paid. Property developers, traditionally drivers of much litigation, without funds to pay legal fees.
- Legal - clients are slower to pay; take longer to make decisions; property industry clients are feeling some pain

## Manufacturing

- Very tight, lower margins and working harder to secure sales, do think it will pick up over the spring/summer but not to previous levels. Bedroom furniture manufacturing.
- In manufacturing agricultural products, things are positive especially in the dairy sector, but manufacturing costs are high and skilled labour is difficult to find.

## Miscellaneous

- Things are starting to get tight in some of the mining and exploration industry, the access to easy money to fund exploration with smaller companies is definitely one feeling the effects of the tighter credit conditions
- Electronics, radio equipment. Business is good. We see export volume increasing, and weakening NZD will help.
- Research Overseas opportunities under pressure because of world economic slowdown NZ work prospects uncertain because of election and possible change of government
- Resource Management/Town Planning Consultancy. Most of my work is land development, subdivision, childcare resource consenting. The work flow is very steady and increasing in the Canterbury/Mid Canterbury area.
- Eftpos Rentals. Depressed due to last years upgrades at present. This should wear off as normal cycling picks up.
- Data centre operator. We are seeing very strong growth in demand in our three cities of operation; Auckland, Wellington and Christchurch.
- Migration - people are still struggling to sell properties in the UK which is slowing the incoming flow. Interestingly spent a few days in Tauranga and was taken aback by the negativity in the area and the number of stories of job losses - this is at total odds with the situation in New Plymouth! Also it is clear that the number of UK clients now looking to book trips to NZ is dropping and I would imagine the impact of the credit crunch on tourism will be felt next year!

## Printing and Publishing

- Digital.. Tight margins and turn around getting tighter and tighter. However, enquiry level a little more encouraging.
- Industrial Label Printing - Our volumes are 10-15% below last year for NZ and now Australia. Our exporting companies continue to be busy. Cost increases coming from all directions
- Publishing, down largely on last year as advertising money has dried up from both retailers and the public.
- Very slow in the publishing sector especially in our USA market.

## Property Development

- Land Development consultancy. At present we have sufficient work for the following 12 months and continue to actively look for more work. We have identified opportunities and will pursue these. We are reasonably confident that we will secure some of the work that we chase.

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- Property development, Rotorua and Coromandel. Current downturn, compliance costs, and levies/infrastructure contributions will have long lasting effects outside of main centres on the sector with a shift away from land only developments and economies of scale kicking in. A case of get big and buy or partner with reputable house construction companies on projects or get out. For now and the next 3/5 years there is already plenty of inventory (sections) currently available and with tougher lending criteria they will take a long time to clear. No clear signs of new opportunities as yet as land values still reflecting 2006 values but end buyer mkt has more than halved.

## Property Management

- Property Manager North Shore. Rents have softened as more stock on market as spec builders rent out, to mitigate interest costs, this is mainly for higher priced housing above \$650pw. Though strong demand still for any property under \$500pw. This week have cleared all available rentals first time in 2 months.
- Residential property management. Desperate owners who cannot sell so have to rent flooding market. Four times the amount of property to rent available than this time 12 months ago. Longer vacancies as a result. Rent prices falling. \$330pw week house has just been re rented at \$315pw.
- Residential Property Management - Gross Sales YTD 15% ahead of same period last year, Revenue 42% ahead of same period last year.

## Real Estate – Non-residential

- Office leasing, the sublease and assignment iceberg is on the horizon and its getting closer and bigger by the day as various organisations regroup and quit their space.
- Commercial Real Estate. Volumes similar to last year in most aspects of business - leasing, management, valuation, consulting services - but sales well down. Plenty enthusiasm for property investments from individuals not requiring much debt finance, but risk being properly priced now, unlike 2005-2007, and highly geared investors and developers out the market. Vacant land and buildings also selling but only where market is allowed to find its level, typically in mortgagee sales
- Central City retail leasing in Christchurch Central City will continue to be depressed while reconstruction progresses on the City Mall through to November 2009.
- Real Estate - Commercial & businesses north of "The Bridge". Basically small retailers are hurting, realistic landlords are "looking after" tenants. Those who are not are & will lose them. New enquirers are very price sensitive both on buying & leasing. Interestingly, new entrants are mainly small business people who are well aware & educated about going into business. Having ticked the "better" box, that should be qualified with a just or maybe.
- Commercial Property Investment Auckland. Slight ( emphasis on slight) upswing in Tenant defaults. Yields increasing when purchasing. Vacancies increasing putting downward pressure on rents. Sun shining- phone ringing
- Commercial Valuations - yields on the rise Residential Valuations - values near bottom. More people shopping to buy.
- Auckland Commercial Real Estate, Leasing. Slower than last year but still transactions.
- Commercial office leasing - the arrival of spring has brought some tenants out of the closet and activity is picking up from what was a very slow first half.
- Commercial property - Large properties (greater than \$15m) are now illiquid - there are no buyers. Forced sellers will struggle to find a buyer at any reasonable level so the banks will face losses. Secondary assets without sound lease covenants and cash flows will suffer further. Large land banks without cash flows are being driven down in value as again no one wants them. Smaller (under \$3m) well located and leased properties continue to sell very well at yields as low as 5%. There are more write-down's to come and the banks, in my view have not disclosed enough for impaired assets.
- Commercial Real Estate: the winter are over as is the poor weather that we have seen. We have seen the first real estate winter in the commercial market for a number of years. However, purchaser inquiry has picked up, and picked up notably. A definite encouragement. No doubt there is still a gap between vendors and purchasers however this gap is closing. Expect more deals to be done.
- Commercial Real Estate. Although quiet there are positive signs. The next few months should see a gradual improvement

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## Real Estate – Residential

- Real estate – Gisborne. Plenty of buyers willing to buy and more sellers willing to sell below their initial expectations. Prices seem flat, and volume of sales still low. Generally though, there is an expectation of the market improving slowly.
- Surplus rental housing in palm nth
- Residential Real Estate Eastern Suburbs Auckland - Total sales dollar value in our office (market leader) is ahead of this time last year. Sellers are meeting the market and buyers are being slowly tempted back. Like everyone's predicting, median prices will continue to slide, but only very slowly if the current number of lookers/buyers is anything to go by.
- Still a gap between vendors and purchasers price expectations. Hence general lack of sales but reasonable level of leasings.
- I renovate houses for a living and subsequently am not very busy at present as the risks greatly out way the benefits.. Obviously in some areas activity is still there however I work in the North Shore and West Auckland area and agents who generally like to paint a rosy picture are whispering about a 10-25% decline in values in the lower end of the market (anything under 500k).Certainly I see evidence of this also.
- Tough but some excellent buying opportunities arising in the property market.....if you have cash!
- Auckland real estate sales. Steady last few months. Plenty of bargain hunters around making low offers and not getting them accepted. Still a few real buyers in the mix though so some sales ticking over.
- I am a property manager and residential real estate agent. Over the past year the rental prices have increased on most properties with more landlords wanting there investment properties looked after. On the sales side there is more activity but unfortunately some of these being mortgagee sales. Property prices definitely have fallen quite hard with buyers still wanting to negotiate further regardless to where the advertise price is at.
- Real Estate, Auckland Eastern Beaches. Frustrating absence of quality listings to sell. Buyers offered good homes are happy to buy and actually paying good money . Plenty of poorer quality offerings, often at excessive prices hanging around and not selling . Commonly rental' investments' that were sold by spruikers for too much money . Overly pessimistic press and media talking heads seem to be less evident. Bring on summer, at least its warm.
- I am a real estate agent. Activity is picking up and if the weather improves, then so too will people's attitude. Winter does not last for ever.
- Property sales, picking up after a slow winter, sales all ready for September are ahead of last years.
- Real Estate West Auckland. More inquiry. Vendors are better educated regarding present market. Purchasers accepting that prices have fallen as much as they are likely to (10- 15% from this time last year) and are prepared to buy. Good competition amongst buyers for good homes priced well.
- Residential real estate Pakuranga/Howick - signs of life! Sellers who really want to sell now agreeing prices have dropped (and not likely to rise in a hurry), taking lower prices, consequently a little more activity. Buyers still hanging out for the price drops 'promised' by the media, but good property at the 'new/right prices' now starting to sell.
- Real Estate - I am working harder than ever - and although sales are harder to come by - they are out there. It seems that Vendors have lowered there expectations somewhat and buyers seem be starting to jump in and buy rather than wait as they have been doing.
- Residential Property Investment - obviously its a buyers market but still difficult to make the numbers work, interest rates vs. return. Properties not selling so being put on the rental market (private owners becoming landlords by default) is a potential short term issue for investors if a glut of supply means rents drop back a little as a result. Many investors are servicing higher interest rate mortgages 8% plus but getting gross returns of 5 - 6% if they are lucky. Landlords by default are also an issue for tenants as they are likely to find themselves being moved on in due course when the owner can eventually sell or they have the inconvenience of renting a property that is put back on the market.
- Property C&I Plenty of deals and enquiry happening. still taking a little longer to get deals over the line, but we don't see huge negativity out there.
- Epsom. More purchaser interest. Multi offers happening. Multi bidders at auctions. Prices exceeding vendor expectation. Lack of property listings
- Real Estate sales; More cash buyers coming into the market but they are not spending the money. If they do make an offer it is much lower than the asking price. Purchasers comment that they still think the property market will weaken. Volume of sales are extremely low in our office. August saw 8 sales (not all unconditional) from a sales team of 16. We only settled 2 sales in each of the previous 2 months
- Real Estate in Taranaki has held up relatively well. August was bad, but the preceding months quite strong.

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- Real Estate - Residential. Much improved over past two months in our office. Still the occasional cheeky offer being thrown in but most buyers are prepared to pay market value now and we have had a healthy sales board as a result. Several sales this month have fetched high prices through multi offers. Everyone is smiling going into Spring, after a long winter.
- Real Estate: Properties that are priced correctly will sell; those that are not will languish unsold. Many buyers still believe there will be further price reductions but the fact is inquiry has increased markedly and sales are being made, many at asking price. My pick is we have reached a plateau and we look forward to a balanced market.
- Residential property investor - almost too exciting for words! To some it may look like that there are bargains galore out there but prices are dropping so fast that it is obvious the real bargains are way down the line. The inevitable and long overdue property correction is finally here. I hear some talk of apparent value coupled with lower interest rates but the seasoned investors realise that patience will be well rewarded here.
- Real Estate: Johnsonville July and August sales better. Good number of buyers around. Properties in the \$350000 to \$400000 price range selling well
- Real Estate Residential Auckland Eastern Suburbs. The market continues to be flat. Sales activity mostly between \$600K and \$900K, sales above \$900k few and far between. Buyers are in the market but being very cautious. Many vendors still expecting prices to rally "any day" but the reality is unless they meet the market they won't be selling. Many have withdrawn from sale resulting in a surplus of rentals, especially above \$1000 per week. Motivated vendors who listen to the feedback and price accordingly will be able to move and do very well, because chances are they would have to sell for less further down the track. Unless we see a definite turnaround in migration and significant reduction in interest rates, not .25%, then demand and volumes of sales will remain low. We can't avoid what is happening in the rest of the world.
- Residential real estate Christchurch .The spring lift is almost upon us, salespeople much busier with appraisals which will soon convert to listings and sales .Our small office done eight appraisals last week which is a good lift on the two or three we were doing prior to that . Big over supply of rental properties rents down 5% to 10% on this time last year . Lots of landlords complaining about vacancy levels . Tenant arrears still high but gradually improving

## Retail

- Retail: sales are very poor
- I'm in the retail industry and things are very tough.
- Food Retail - sales only down 7% on last year & we've cut costs so we're able to ride it out thankfully.
- Furniture import/retail. Finally we are seeing a sell through of stock that had built up during Q2 & Q3 of last year. It has been a slow start to the new financial year. We are starting to see a small lift in consumer confidence with forward orders now coming through to our sales office. Our buy prices have seen increases of as much as 20% over the past 8 months, with international shipping costs up around the same levels.
- Renewable energy product retail - slow
- We are in the Office Products industry and while we are doing better than 12 months ago, margins are down and competition is fierce
- We are in fast food. Sales are down and our larger competitors are offering discount packages. Our input costs are still rising, in particular meats. It seems some of our suppliers rode out labour and distribution cost increases, and are only now passing on costs - just when we thought we had got through the worst of the sharp increases.
- Retail. Turnover for August 50% down on August 07.. Cash flow loss for the month.
- FMCG. We are honing all systems and processes and watching fuel and budgets on a daily basis. We have a firm process improvement plan to eliminate any overspends and to implement efficiencies. Once this is all in place in a few months time then we are ready for anything that comes our way in respect of the opportunities arising from the upside of a depression
- Fuel retail/convenience. Fuel sales increasing as prices drop with supermarket dockets redemptions also having an impact. Discretionary spend down approx 10% yoy. Employment is still an issue, however better than 6 months ago.
- Wholesale and Retail Meat. Increased demand for cheaper meat cuts. At the front end of much increased prices. No ability to absorb both the recent past higher distribution costs as well as now increased meat costs, so customers will have to accept 20%+ price increases in the coming months as worldwide protein demand and falling NZ dollar raises local prices.
- Pharmacy Increasing non recoverable costs due to DHB contracts & government policy

# BNZ CONFIDENCE SURVEY

## Signage

- Plenty of new orders & customers but cash flow is very tight and the overdraft limit too close for comfort. Interesting that volume is similar or ahead of last year but peaks & troughs are bigger.
- Signage Manufacturing – Wellington Although July was a low sales month, August has been extremely busy, also with solid forward orders for September. However, our industry reps advise that while there are many throughout the country that are extremely quiet, there are a few of the larger and well run operations that are still quite busy and not really 'feeling the pinch' as felt by the majority.

## Tourism

- Tourism - Hotels - Auckland - Occupancy is down by around 10-12% over last year across the major market segments but particularly corporate. Forward booking are very short lead and unpredictable making staffing quite challenging. The auction for skilled staff has appeased slightly and bargaining for salaries has swung around more to the employers side. Cost control of food purchases is very challenging and it doesn't look to be getting any easier. Forward bookings into the high season over summer do look more positive though especially from cruise ships.
- Inbound Tourism Industry. This coming season will be very poor. The combination of past high exchange rates with the chaos in some of our key markets (US and UK) have made forward bookings as bad as I have seen in the past 14 years.
- Tourist business slow at present. Retail struggling to show growth on last years numbers despite cost driven price increases in the last 12 months. Major event bookings strong.
- Slow down (tourism)
- Southland Motels. Majority of moteliors surveyed said July and August numbers better than last year.

## Transport and Storage

- Transport quiet compared to this time last year
- Road Transport Nelson/Marlborough. Increased transport rates to recover operating cost increases are progressively being accepted by the market. Freight volumes are steady.
- Transport - our business is heavily reliant on the building/construction industries - and quite simply we are bunkering down for a very hard and probably loss making next 12 months. Our staff numbers are highly likely to reduce as the forecasts from our major customers become more and more pessimistic. Talk of a recovery is, in our view, at least 12 months premature. The only thing that might provide some impetus as far as we can see will be the feel good effect if we get a change of government at the next election. Things are bleak!
- Transport Volumes are holding up well and reduced fuel costs are helping. Retention of good staff is becoming critical

## Vehicles & Automotive

- Automotive retail, Luxury. we have continued to make good staff redundant as we see no growth in our industry and business over the next 18 months. Sales of new & used luxury cars are down about 60% on what we planned a couple of years back when we believed our industry and economy would be operating in. parts & service has improved these last few weeks as weather and confidence improves, but we have a long undulating road ahead. Losing 27 good people is no fun;
- Things are still very quiet in the new car sales world. However sales of small cars are up and sales of our largest cars are WAY down. Also a lot of lease customers ( operating lease ) are terminating the lease and buying a cheap car instead.
- The motor vehicle industry is in a terrible state. There is very little inquiry and increased cost for is having a toll. There have been a lot of yard closure's with more pending. Trades people are already very quiet, and laying off staff. Be very interesting to see the next employment figures.
- Vehicle accessories - still down by 50%
- New car sales. Businesses afraid of commitment to e.g. renew leases or replace fleet with new. Waiting for 'economy to improve' = self fulfilling prophecy
- Franchised Motor Vehicle Dealer.. Indications are that we are at the bottom of the business cycle and that business will lift post election provided interest rates trend down and fuel prices don't 'spike' up again.
- Stable automotive repair passenger transport

# BNZ CONFIDENCE SURVEY

## Wine

- Wine Industry. On the domestic market still coping with lower consumer spending and cheap imports from Australia. Export markets are strong but it will be a challenge for the industry to sell the big 2008 vintage in Marlborough at good prices, particularly as much of it was lower quality than desired.

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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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