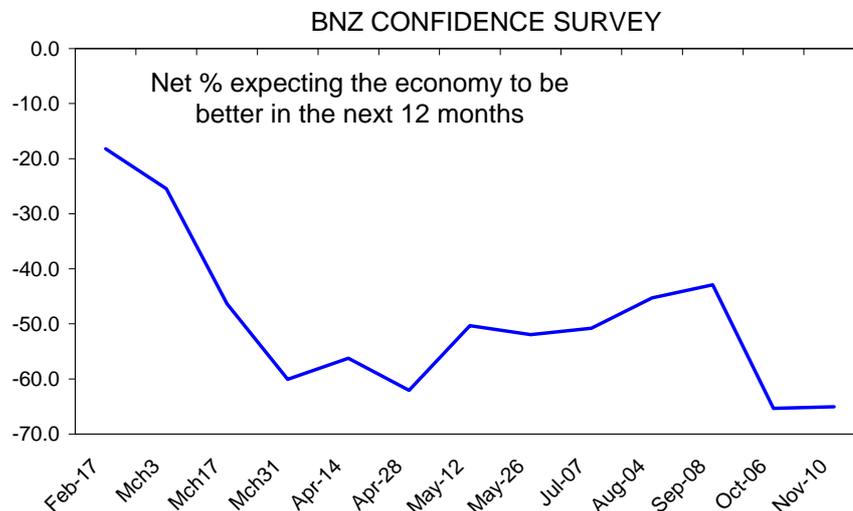


PESSIMISM SUSTAINED

Our monthly survey of readers of the Weekly Overview has shown that a net 65% feel the economy will get worse over the next 12 months. This is exactly the same reading as in October's survey but deep down may reflect a deterioration in economic conditions. This is because we believe the October result was biased downward by business sector disappointment at the election outcome. This latest survey responses do not contain anywhere near the same criticism of the incoming Government as October's so some other factors may have come along to keep pessimism high. The most obvious candidate going by the comments is concern about high interest rates, the sustained high exchange rate, and the housing-bashing comments from the RB Governor.



On an industry basis the main threads we have been able to pick up include the following.

- Tourism easing off but in a mixed fashion generally with some operators seeing things improving slightly.
- Accountants report falling client profits but still firm activity levels overall with massive staff shortages.
- Farming still looking okay with machinery purchases still at high levels – but general flattening out apparent.
- Construction very mixed with an unusually high number of comments this month. Some easing in labour shortages noted but few signs of major weakening in activity.
- Education exports – weak still.
- Manufacturing struggling against rising costs, declining productivity, Chinese competition and the high exchange rate.
- Commercial property showing some easing signs.
- Residential property showing more negative than positive comments with some more buyer resistance appearing.
- Retailing showing only mild easing at worst. Activity still firm for most operators it seems.
- Fishing, forestry and timber as bad as ever it seems.

BNZ CONFIDENCE SURVEY

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

INDUSTRY COMMENTS SUBMITTED BY RESPONDENTS

NOTE: THESE ARE NOT OUR COMMENTS BUT THOSE SUBMITTED BY RESPONDENTS TO OUR MONTHLY SURVEY.

We exclude comments which don't actually say anything about current business conditions in an industry and are instead mainly rants and raves.

Accounting

- (Medium-Sized Local Authority). There is plenty of work - a very busy time in this industry, certainly not helped by a persistent shortage of skilled labour.
- Rural Public Practice - critical shortage of skilled team members. "Tomorrow's schools" is today's disaster for educated, thinking individuals.
- No shortage of work but shortage of skilled staff driving up salary levels.
- Good team members have always been an issue, but we love the challenge and we are good at securing the "right ones". We don't really have any issues in business, we just jump the hurdles as they come. Solutions may get progressively harder to find, but then that's the fun of finding the answer.
- Strong growth in 2005 but some signs of a slowdown in new activity since election. Feelings are that rate of growth is not sustainable and property prices (commercial, farm, and residential) are not going to last.
- CA in public practice - steady but some price sensitivity from clients who are looking to save costs.
- Hamilton based chartered accountant - public practice (non farming). Clients reporting good activity and good profits although margins down a couple of percent due to increased wages taking a bigger bite. Availability of staff is still tight in terms of employment market although competent school leavers are available for firms happy to train youngsters from scratch. Cash flow (i.e. clients paying their bills) is still ok. Retail cafe clients reporting tough conditions due to intense restaurant/food competition in Hamilton. Many successful and innovative businesses in Hamilton avoiding the national radar screen but operating effectively and profitably. Overall score for Hamilton economy good to very good and no downturn in sight.
- We are still "snowed". Additional staff will help us catch up, hopefully!
- Shortages of qualified accountants in the next ten years has been predicted so firms seem to be recruiting large numbers of trainees - however this results in short term lack of work as accounts etc are getting done quicker and the client base is not expanding as rapidly as the firms recruit.
- In the accountancy field clients are becoming more pessimistic as there is an increasing belief that the economy is heading more for a hard than a soft landing which will impact on trading and profitability.

BNZ CONFIDENCE SURVEY

- Still heaps of work.
- Audit - increasing work.
- As a large portion of our work is tax compliance the demand with existing customers should stay fairly stationery. Our other value added services may suffer however.
- New business is still coming in at consistent levels with the last twelve months.
- Chartered Accountancy 30 staff - still busy but not frantic. Staffing shortages resolved. Clients making less profit - noticeable with lower taxes paid 7 November.

Advertising

- Advertising feels very slow at present. Certainly in advertising and for film crews it's been a very slow year with some contractors turning over 1/3 of their usual income. I've indicated the economy could get worse, but in reality it seems to have been like this for some time in advertising and commercial production with ever-shrinking budgets, so it could just as easily be status-quo for the next 12 months.

Agriculture

- Dairy Consultant - Farmers happy to run cash flow negative businesses buoyed by equity growth through constantly rising land prices and Fonterra shares, driven by banks wanting to lend more and more. Recent farm sale data has me scratching my head at trying to justify prices being paid in Waikato / BOP... Surely this cannot continue...
- I'm a farmer in droughty East Marlborough. We have had a great year but despite producing 600 more lambs from the same number of ewes and hoggets, we will end up with about the same result in \$\$\$\$\$.
- Dairy Ok but expect lower payout than last year have tightened up on budgets. Concern on the weather front.
- Sheep/Beef Farming. Looking at stubbornly high dollar and rising interest rates with some trepidation.
- Farming Sheep and beef. Bad.
- Dairy Farming - Surprisingly good considering exchange rate. Payout is holding reasonably high. I keep looking for signs prices will decline but they don't last. Demand/supply in a strong place - assumption is that all these trade talks over decades are paying off.
- Farming - sheep & crop. Returns 5% back on last year expenses up 5 to 8% and starting to get dry in Canterbury. Could will be in for tough 12mths.
- Dairy; good season so far and market stable. A bit worried about effect of increasing interest rates on exchange rate but at the moment worry seems unfounded. Not optimistic about DOHA trade round so negative trend in the market may appear.
- Rural Veterinary - Stable outlook linked to Fonterra payout.
- Agricultural Equipment - not too bad for us as seasonal national sales are buoying us up. While the high dollar is affecting farmer returns there still seems to be sales to automate livestock handling and be less dependent on seasonal staff. The move toward preparation for a national livestock identification scheme and traceability are also impacting on interest in our products.
- Agricultural Machinery - have noticed a slight easing.
- Moderate difficulty in finding staff in our Vet practice. Compounded with higher wage rates being offered by other practices than is usual.
- Farm bike sales and servicing – believe things will remain unchanged – too many negative thoughts out there.
- Farming and Building very strong in Eastland.
- Farming uncertain.
- Fresh produce exporters. Onions in short supply. Carrots short supply due to dry weather conditions. Sea freight looking expensive for next year due to no competition re two lines amalgamating.
- The agricultural industry is in sections some good some bad. Our particular part (ag spare parts) is doing well.
- Organic Farming: last month there has been more demand; outlook is good, however margins for producer remain minimal.
- Vegetable export industry. Continuing struggle with high dollar and fuel prices reducing returns to NZ suppliers.

BNZ CONFIDENCE SURVEY

Architecture

- Residential clients are becoming more careful with their spending (architecture). Public and education sectors still busy.

Automotive Parts

- Sales are slow with weaker demand expected in the short / medium term. YTD Sales are 82% of prior year.
- Automotive Audio, Security & Cellular Installations. Situation get from bad to worse since September. Second hand car dealers spend less on car accessories (audio & security) they try to sell cars as they are. Hands free car kits installations are now rare, regardless Police recommendation. September & October were our worse months since we started in May 03!

Aviation

- Things seem remarkably robust given the price of oil- maybe this takes a while to filter through?

Business Consulting

- Small Business Advisory & Chartered Accountancy - some uplift with clients still purchasing/switching residential property, and others re-fixing funding rollovers in the 3 to 5 year terms. Some cost sensitivities now noticeable over larger purchased items.
- Management Consultant specialising in productivity. Organisations only looking for productivity improvements when unable to get more staff. Coming across increasing number of businesses that have hopelessly incompetent management unwilling to accept that they need help and only surviving because of the probably unwise forbearance of their creditors.
- Management Consulting - good workload but clients have turned almost unreasonably cost focused.
- Not as good – Business broker.
- Management Consulting. Enhanced services still in demand. Less organisational redesign as organisations tend to focus on extracting value from earlier efforts in this regard. Steady as she goes.
- Business advisor - perceived tougher times usually provides more opportunities for us as profits are perceived to be harder to come by.
- As a management consultant I have several business owners wishing to sell as they are sick of staff & skill shortages. Also several are being approached by Australian companies to sell.

Capital Equipment

- Sales/enquiries declining

Civil Engineering

- In the civil contracting business contacts are becoming more demanding and over-regulated. There is a shortage of skilled operators at the coalface and also a shortage at management level with experienced and practical civil engineers.
- Transport and Civil Engineering still looking good for a few years.

Construction

- Great in Christchurch. Slowed down in Auckland.
- High Quality Building Materials: Sales going well to existing projects. New projects looking more promising than in past few months as builders future work prospects slow and they are keener with their pricing.
- Commercial Construction: There is a lot of talk about slowing down but there is no evidence to support it. The amount of commercial construction will continue to at least the same levels for another year, if not for longer.
- Material costs are higher but you have to do the homework just like any other times. What's new? Be careful as always and get on with.
- Busy at present but sales trends are moving towards larger local body funded projects and away from subdivisional projects.
- Residential slowing but commercial construction remaining strong.

BNZ CONFIDENCE SURVEY

- New Residential Construction: still good demand in the coastal and rural areas.
- Construction - strong but flat.
- Residential Building Industry - consolidation in certain sectors, but not doom & gloom - still scope for growth & margin retention.
- Building. Mainly residential. Signs that things are slowing down but we are still very busy with a strong workload into the new year.
- Definitely slowing down - resource consent issues are having a major impact on projects. Developers slower to pay as projects not going to plan and affecting their cash flow. Not enough good people at the top end of projects - people promoted to levels without the necessary experience which is having a major impact on profitability.
- Ok at the moment.....building.
- Commercial construction. Good forward work load. Shortage of labour the limiting factor.
- Construction - commercial & civil. Very buoyant market currently resource constrained.
- Have noticed an increase in tenders coming through and the majority of large projects are govt or local body driven. We have also noticed the labour market is easing with labour becoming readily available again after 2 years of a tight labour market.
- Still steady, however most people have had their dream house built and vacated their rental houses therefore glut of rental prop on market. Speculators busy trying to offload their properties before Xmas. Should be some bargains coming up either new homes hard to sell or rental offloads.
- Construction & Maintenance. At the moment no signs of slowing down however general feeling is that in 6-12 months business will be lot tighter.
- Building industry. Things are very busy, more projects on the go, noticed sales have slowed a little.
- Higher consent costs and slower council processing will slow down our development (Hawkes Bay).
- Building Consent Processing - Still busy, although new dwelling starts are lower than the same time last year it's about time things cooled down to a more sustainable level.

Construction Equipment

- (Used) There is evidence of strong discounting in the industry to reduce stock volumes amongst main suppliers. Concern is being raised that some major contracts will be deferred/delayed due to Govt election promises and this will have an impact on the equipment supply market. New machine purchases are reasonably strong though delays in stock availability from manufacturers is creating problem. >The market is less confident and there was a demonstrated fall back prior to the election and momentum has not been gained since.

Education Exports

- Generally feeling less positive about the next 12 months. Enquiry from overseas students well down on last year at the same time. Inflationary worries starting to mount with the NZD staying well up impacting again. Some uncertainties about the steering to be given by Government.
- Outlook for tertiary sector still bleak, especially in terms of the fall in international student enrolments.
- Export Education. No change. Still slow.
- Lots of staff are being made redundant in the tertiary education sector. Student numbers down.

Electrical Contracting

- Looking for slowdown that's been predicted but it keeps getting busier and busier for us.

Electricity

- Wholesale electricity prices are currently being pushed up by low inflows and hydro storage levels in the Southern lakes. This can correct itself very quickly at this time of the year, nevertheless, it highlights the risk of further high spot prices during winter 2006.
- Electricity: The new Government appears committed to focus on demand-side issues and will probably incentivise energy supply companies to encourage the growth of solar hot water heating at the expense of growth in electricity sales. In addition, with the new Energy Minister expressing a personal interest in examining competition issues, there may be increased pressure over the next few months on retailers and line companies to reduce the barriers to competition by distributed generators.

BNZ CONFIDENCE SURVEY

Engineering

- Scepticism continues but no manpower to do jobs on hand. So I think this manpower shortage will make up for slowdown.
- Electronic engineering: busier than ever.

Finance

- Mortgage broking. Number of clients looking for 100% finance mainly as a result of TV advertising and also trying to get their own home to combat continuing increases.
- Robust pipeline - Investment banking.
- Home Loans - uncertainty assist as borrowers look to restructure.
- Corporate Finance advisory. Still good.
- Financial Institution. - Lending remains steady however we expect this to drop off if the present tightening cycle of interest rates continues.
- Finance - still strong flows on both sides of the book. Fixed interest market expanding rapidly as forecast returns in other investment sectors decline. Asset quality remains fundamental for lending decisions as market conditions tighten.
- 2nd tier lender - as the major banks put the squeeze on their "tighter" customers due to concerns re economy slowdown, we will get more enquiry.
- Very competitive. Finance company.

Financial Planning

- Some movement towards foreign denominated investments. Some clients selling "investment" properties due to poor rents & worries about interest rates & Bollard's attempts at jaw boning the housing market down

Fishing

- The fishing industry is at the worst in years and dose not look like getting better.
- Fishing Companies in the Northern South Island have recently reviewed the prices that they pay for fish, in an attempt to improve the viability of fishing vessels following increases in fuel costs, Government imposed levies, and a general increase for goods and services. Prices being paid for lobsters have taken their seasonal drop as supplies from Mexico and Australia tend to flood the Asian markets. However to somewhat offset this, lobster catches have been very good over the last month or so.
- The seafood sector, particularly those who have no ability to hedge, i.e. they are catchers/producers, remains perilous and the single most critical factor remains the exchange rate. These producers have no ability to increase value as the processors/marketers hold that key.
- Seafood-remains difficult with currency effects and cost eg fuel. Not helped by government charges eg ACC levies increasing beyond CPI levels.
- Fishing industry has incurred high fuel costs for a while which will need to be passed on through increased pricing eventually. Good quality product still returns better than producing high volume for low return.

Forestry

- Export of NZ logs/forest products - we expect a production drop of about 20% in 2006, commencing Dec/05/Jan06. Is this painful or death knell ? least ...
- Forestry still in a big lull, signs of more softening in domestic markets. Can it go any lower?
- The NZ forest products industry looks anaemic. The NZD has stayed too high for too long for some funders' nerves.
- Logging Contractor. It has got busier for us in the last couple of months. Demand for quality logs is steady.

Government

- Probably quieter, especially in regard to legislation, but there will be plenty to do nevertheless.
- Civil Servant. Wouldn't be surprised if we had new bosses in a years time.

BNZ CONFIDENCE SURVEY

Health

- Primary Health Care - wage increases by Practice Nurses to match Hospital will mean inevitable rise in patient fees unless GPs absorb them and face a fall in income. Career path and recruitment for GP still problematic.
- Slow. Health & Wellness Massage Therapy.
- Health. Fairly sheltered and will do well. If bird-flu comes changes everything and elective health care will stop - rest of the economy will be shattered

Hire

- Improving - Auckland Hire Industry

Home Improvement/Building Supplies

- (semi rural location) Customer numbers steady on last year, but spend well down i.e. customers doing fix-it jobs but not big \$ commitments. Think petrol price and interest rates are impacting.

Horticulture

- Increasing wage pressure and staff availability. Energy prices for heating are sure to rise again in the near future. Returns are at an all time low and consumer demand is very low.

Hospitality

- Boutique Bar, Trade continues to be at 30 - 40 % below same period last year. Smoke free legislation , reduction in cash for nights out are main elements.

Human Resources

- Recruitment - things are still ticking over nicely but the annual quiet period is looming.
- I work in the recruitment industry and things are definitely slowing down.
- Recruitment... Fantastic, we are putting on more staff to cope and making more profit than ever!
- industry training - more needed than ever given need for productivity improvement and labour shortages.

Information Technology

- What was a buoyant IT market is beginning to show signs of slowing down, particularly in the consulting type areas.
- Internet consulting: slowing.
- IT. Plenty of work
- IT industry, slowing locally but improving for our exports (to Australia).
- IT System replacements (Financial, Customer and Asset) seem to be steady. This generates a front log of associated services work that appears to be growing into next year.

Kiwifruit

- Current management lack any leadership ability and have not reacted in a timely manner to a growing crisis situation - Main operator continues to make good profits by clipping the ticket while grower returns continue to drop.
- Payments down and 2006 crop predictions down by 20%.
- Very sad, sad, sad. Labour costs are creeping up making it very hard to find cost savings/reductions. Bring on a dollar devaluation!

Land Development

- Wellington/Kapiti - still roaring along with no sign of slowing. Getting qualified staff is a problem for Consultants in most fields. Contractors all busy.
- Land Development. Some nervousness around, particularly with Government's possible ways of dealing with inflation. They don't seem to realise that much of the high inflation and consumer debt is driven by their profligate spending of the excessive tax take.
- Subdivision/Land Sales - Slowing interest and more reluctant purchases.

Legal

- Law - debt recovery and civil litigation. There are starting to be more instructions received and my clients [generally finance companies] are telling me to expect more 12 - 18 months out.
- Work levels remaining constant, but all deals seem to be more difficult to complete often because of extra compliance issues. experienced staff still hard to get.
- Still very busy in Hamilton.
- The work is still coming in unabated however collection of debts is getting tougher.
- Christchurch - residential conveyancing - still busy but down on 2 years ago and 1 year ago. A bit less pressure in the last couple of months. A number of clients still very confident about future - buying investment properties, unconditionally buying before selling, taking on more debt etc

Manufacturing

- Blinds manufacture - Same turnover as previous year.
- Food manufacture-levelling off.
- Manufacture of pool tables. More cheap imports from china, makes it hard to compete when you are up against slave labour. Not fair on Chinese workers and not fair trade for us.
- This textile exporter is suffering badly from the high NZD.
- Bad, very bad. We are export manufacturers. Wish us luck, we are going to need it.
- Base cost inputs escalating. Significant wage inflation. Increased competition from China manufacturing slowing destroying NZ manufacturing base.
- Tool and die making. My company has taken a major hit in the last three years due to clients sourcing moulds from China. Turnover has halved as have staff levels. I believe my industry is in big trouble and any more reduction in the market will see a major collapse. A survey in 2004 showed tool & die makers wages declined by 7%. There is a high level of pessimism amongst my colleagues. I believe this trend will continue and the loss of skills that were highly thought of throughout the world will be lost.
- Manufacturing Industry. Productivity is not increasing - but wages are... over 5% average. Loss of export customers coupled with decreased margins on local markets makes a very bleak future. We are currently hoping natural attrition will reduce wage costs - but fearful that the lack of skill base and unwillingness / inability of current employees to improve productivity (despite attempts at training) will have an extremely harmful effect on the viability of our business in the next 12-18 months.
- Textile Manufacturing - exporting is extremely difficult due to high exchange rates and competition from low cost countries (eg. China, India etc.)
- Manufacturing Industrial Labels . Orders remain strong. Our large NZ customers are all significant exporters and despite the adverse dollar their volumes are continuing. Australia orders have dropped.
- It has been a surprisingly good year in our manufacturing business, but we are expecting both a reduction in turnover and increasing costs as inflation bites next year.

Marine

- Export marine, very busy.
- Marine Equipment. Recreational - Still busy but all at the smaller size end and not many happy faces at the larger sized end. Commercial - not good and little sign of improvement shortish term.
- Boat Builder - Labour shortage is our biggest problem. We can not keep up with orders.

Meat

- Also Seafood exporting. Expectations for a slight improvement driven by NZD depreciation (an expectation of!) countered to some extent by possible downturn in commodity cycle/prices

Motor Import/Distribution

- Sales well down. Very competitive. Huge numbers of bikes coming in from China without spares back-up and support.

BNZ CONFIDENCE SURVEY

Motor industry Wholesale

- Really struggling. Debtors days increasing, dollar sales behind last years sales, well below budgeted sales, gross margins dropping as we fight for market share, aged stock increasing (sales down), wages increasing, distribution costs well up.

Non-Profit

- Very good - income seems to still be holding well probably due to near full employment. Non-Profit Organisation.

Packaging

- Flexible Packaging is facing strong pressure on margins with raw material increases (resin based)squeezing against market competition wanting the business. Hopefully pricing has taken some companies to the wall and rationalisation or default will be taking place in the next 6 months. High NZ\$ continues to impact on export prices and margins.
- Plastic packaging industry - low consumer demand, adversely affected by imports from China and exports hit by high exchange rates. Contemplating further redundancies.

Plastics

- Supplier to Plastics Industry. Currently business is steady and in line with what would be expected for this time of the year.

Port Industry & Cold Store Warehousing

- Servicing exporters who are under real pressure. We are under real margin pressure, i.e. export customers are being extremely hard nosed with their suppliers. Cost of running business is continuing to rise. Employment law making it a difficult job to deal with non performers.

Printing

- Print/copying. Currently growth has plateaued but still reasonably robust although just as competitive as ever

Real Estate – Commercial

- Commercial activity still very strong fuelled by off-shore monies and demand (Australia / Europe).
- Industrial property investment. Sell now while yields are low. Buy again in three years time when yields become more reasonable.
- Property Development & Investment. Has certainly been a slow down in sales and leasing of existing projects. Very pleased our apartment development is all sold! In terms of new acquisitions prices (and expectations)in general are still at the higher end. With worsening outlook of the economy the market seems to be going through a bit of a conditioning process which could actually present new opportunities to our industry.
- Property development ... buyers slower and more cautious due to interest rate rises and business uncertainty
- Wellington commercial property remains strong. Office and industrial fundamentals suggest continuing strong fee income for next 6 months but who knows after that.
- Commercial property...continues to defy gravity. Only result to come from this is that it will be further to fall when it inevitably does come down.
- Industrial Property, listings and enquiry reduced, less confidence to invest in plant and equipment.

Real Estate – Residential

- Noticeable slow down in the last few weeks in residential activity and deal completion. Gap widening between vendor and purchaser expectations. Top end and "special" properties holding up but mid-range (\$500 - \$800,000) under pressure.
- Getting quiet in real estate - very cautious buyers.
- Traditionally January is a very busy time, but it's not feeling that that will happen right now. My feeling on real estate is that if a house is priced to meet the market, it will sell quickly but people are not prepared to

BNZ CONFIDENCE SURVEY

pay even \$10K over the market value unlike a year or two ago. Buyers are doing their homework and waiting to see what happens with interest rates. Real estate does seem as if it will flatten out.

- Property Investor and Landlord, Wanganui. Cash positive properties are virtually non-existent, but investors are still major players in purchases and sales.
- Residential Real Estate Auckland Eastern Suburbs - buyers are becoming increasingly nervous and sceptical about owners price expectations. Buyers are able to sit & wait with many saying they will rent until prices drop. Looks like a lean Christmas for many in this industry.
- Real Estate:- slowed a bit, a lot of property staying on the market longer. Volume of property coming to the market has picked up and coming on quite fast now. Owners & buyers are wary of possible rising interest rates therefore are becoming cautious.
- Property market still flourishing in Hamilton, although small increase in supply is evident and commented on by real estate agent clients.
- Real Estate, Manukau North(Bucklands Bch/Howick/Dannemora..) - Buyers are frantically trying to ensure their name is top of the list for any new listings because some properties not even getting to the papers before they are sold. While demand continues to be high and stock is low, this is expected to continue. Investors are easing back and considering better (cheaper) prices in the new year, which could be a gamble depending on the success of higher interest rates being forced on the market!
- (Auckland City, Eastern Suburbs): conundrum "Open Home" numbers are quite strong, but the ratio of genuine buyers to those enquiring has reduced markedly. So less competition, but generally stable prices. My theory is that those still engaged with the market are buying now to beat fixed rate mortgage increases, assumed to follow up floating rate increases, albeit at a discount thereto. This type of buyer will dry up, probably over the holiday period - conditions could be tough in early 2006.
- Tauranga - Two agents told me this morning that last month (i.e.: Oct) not one house was sold in Tauranga over \$700k - not one. I was shocked as there must be quite a few in this price bracket. They say that anything in the \$200-\$400k sells okay, but in the \$400k - \$600k the market is soft and anything above this it has stalled. I was speaking to a builder/developer on Sat trying to sell a house for \$695 and he says the agents are trying to talk him down to the early \$600s. That is quite a drop. He knows of other builders, especially those with expensive apts to sell in the Mount, who are getting nowhere selling them. We are seeing fixed price builders offering special deals and I know from talking to tradesmen that the high demand that was there even 6 months ago has really come back. There are actually tradesmen looking for work, which 6 mths ago was unheard of.
- Property Valuation West Auckland - Good level of work around not too busy after the boom. Some low cost homes continue to increase in value although overall values appear to be stable to slowly increasing.
- (Residential property investment) House prices have stopped rising here (same median value for 8 months). Fewer investors are buying in the market. There is a shortage of houses to rent. The "To Let" columns in the newspaper are very short now compared with two and three years ago. Property managers have grumbled to me that no one rings them offering houses to lease out. (Location not supplied).
- Residential rental - rents are softening.
- Property valuation - expected to decline in the residential sector as interest rate increases bite.
- Residential Real Estate. It is slowing down.
- Real Estate in South East Auckland. Unbelievably well - no sign of letting up yet!
- Property in PN. Rental is stable but no great rises but units full. We are behind rest of NZ.
- Still many buyers, more properties coming on the market, still achieving the good prices.
- Steady growth of Taupo property.

Repair and Maintenance

- VG Plenty of work. Skills shortage.

Research and Development

- Chemical R&D- we have satisfactory forward orders and look on track for a record profit despite billing mostly in USD with no forward cover left. Unfortunately this does not seem typical of R&D generally with some of the taxpayer-owned entities announcing layoffs.

Rest Homes

- We are in the care of the Elderly with a rest home and a hospital. The MoH is about to announce our annual increase which is expected to be three percent. We are still going backwards and the twenty percent under funded identified five years ago has not appeared. It appears the DHB's are now stopping the money the Govt gives to them for us is not coming thru. Caregivers wages are so low that it is hard to get staff and the result is that the Elderly are not being cared for as they should be. More Homes and Hospitals will be sold to the big boys who will then screw the industry down even more to make a profit.

Retailing

- Importing, exporting and wholesale distribution of consumer and consumable products (tissue based bias). With the high dollar there are plenty of new entrant importers entering the market to ensure that the profit margins continue to be under considerable pressures for us all as the static volumes of the company's merchandise types get spread around more sellers. We respond by looking for new product options that are not well catered for in the industry and go after value-added business rather than price driven business.
- Ice Cream -great with the hot weather. Tough market but as a niche player we can manage well.
- Footwear/fashion retail. 57 years in the business. We are very happy with retail trade at the moment. There is not a jot of evidence that trade is dropping off and in fact we are experiencing record trading and best ever gross margins. Wage escalation is a factor which will cut in a little to profits.
- Fuel retail/convenience. Discretionary spend has increased with lower fuel prices. Staffing is a huge headache as are an increase with drive offs (none payment).
- Flooring Retail - OCR may impact on residential consumption for 2006, but Wellington market appears to be reasonably positive for at least the next six months. Material availability from suppliers is good, labour availability continues to constrain extracting maximum potential from three very buoyant market segments (residential, contract residential and commercial).
- Retail -clothing and footwear . Good at present and looking even better for winter 06.
- Supermarket industry. Competition from new entrants and changes in ownership. Likely wages pressure from minimum rate changes. Reduced retail spending if interest repayments become more expensive. The only source of employees appears to be school leavers. Currently we have 4 full time vacancies we have been unable to fill for three months and expect to lose 6 experienced staff by Easter that we are unlikely to be able to replace.
- Demands for consumer durables are relaxing. Interest increase will eventually impose negative impacts on property market, which makes our business suffer. On the positive side, there are signs that New Zealand dollar is slowly weakening, yet domestic market demand and general economy prospect are not rosy either. (Manufacturer of consumer durables)
- Furniture supply (imported) – going gangbusters! However margins are taking a hit on higher costs such as wages, shipping, cartage, lower NZD. Expect prices to increase. Consumers have never had better prices than now – soon to disappear.
- Furniture. NZ market slow Australia okay
- Retail for forestry and industry. We have had a steady six months and look forward for more of the same, in parallel with improving export values. Spending is noticeably focused and conservative.
- Lighting retail. 30% drop in sales since September, for me sales dropped one week before the election and haven't picked up. Generally sales are down about 10% on last year
- Food retailing - still steady growth.
- I am in retail, 15 stores. I believe we have gone over the crest and we are heading down the other side. Not sure of the angle?
- Furniture retail has suddenly fired up the last 3 weeks with the traditionally busy period delayed because of the election which doesn't appear to make any sense but there seems no other reason.

Service Industry

- Flat with price resistance becoming apparent especially in the south.

BNZ CONFIDENCE SURVEY

Sharebroking

- Economy to have hard landing. Central banker determined to tinker with monetary policy framework and has already undermined independence of Reserve Bank. Credit / money supply / liquidity crunch coming. Overseas investors avoiding NZ assets (sharemarket sell off in largest companies continues). Especially negative for over geared home owners and housing in general. Businesses to be hit by rising costs (oil, metals, wages, government regulatory costs) at a time of reduced demand = Ouch!!!!

Shipping

- Ship's captain--the holds are still full, especially inbound.

Steel

- Contracting as high dollar forces NZ companies to buy finished goods offshore sidelining NZ labour

Taxi Industry

- October 2005 was the worst October month in four years

Telecommunications

- Communications consultants. Our main clients are US based and the outlook ahead appears good even with a weakening US market.
- Telecommunications - Much worse, many projects shelved and no new developments in the offering.
- Tight market but could be very interesting due to regulatory pressure on main provider.
- Telecommunications is full of life with large capital investment in the industry. New technologies emerge all the time that create new markets and growth.

Timber Industry

- Survival mode!
- Sawmilling: Local spring sales improved but severe competition = no profit. If dollar does not ease soon there will be no exporters left in many industries.
- Sawmilling, Timber manufacturing - Overvalued NZ Dollar, flat US market prices, local inflation and higher cost of borrowing have colluded to seriously reduce the trading value of this sector.
- Timber processing. Costs are increasing, sales are falling.
- Sawmilling/timber industry outlook is bleak. All our normal markets are weak to very weak at the same time(unusual). A totally unacceptable level of compliance issues created largely from private agenda driven lobbying and this inane drive on interest rates will kill New Zealand's "productive" economy. Projects are being shelved at an alarming rate. Watch us slide into a crash!

Tourism

- Variable in the tourism outlook: some positive indicators, others static.
- Hotel Industry - is down on last year by 8-10% and very patchy for what currently is "High Season" which runs from October - March. This trend appears to be reflected nationally. For example hotels in Auckland in November would expect to reach 90-93% occupancy, are this month only reaching the low 80%. This has a large impact on hotels as traditionally the high season is the period when we make enough profit to cover the "Low" season from April - September. This could see hotels discounting to gain market share which in turn would impact profitability in the longer term. This added to the Tourism Board's forecasts of a softening of visitor arrivals makes the short to medium term outlook seem quite bleak at best.
- Average - recreational fishing & hunting.
- Inbound tourism. We are slightly down on last year but now getting many late requests for top level accommodation from long haul markets.
- Tourist retailer of NZ gifts and mementos. Sales well down on last year and continue to struggle with high dollar, visitors who have arrived on cheap airfares and have no disposable spending, NZ domestic travellers taking advantage of low airfares to travel overseas so losing this market as well.
- Tourism. Funnily enough we have had more inquiries recently and beginning of next year looking very promising for self contained accommodation.

BNZ CONFIDENCE SURVEY

- Tourism up.
- USA/Canadian market targeting sports fishermen. Declining market due to the reluctance of average income Americans travelling to NZ where the exchange rate advantage has declined. This fact is strengthened by the boost in numbers of domestic travellers within the USA/Canada. Bali problems have also affected international travellers to NZ. The Commonwealth Games in March will be a good indicator of international travellers.
- Slight increase on the winter which in spite of the good weather was quite slow. Expect better in summer. Terrorism and bird flu will impact on visitor numbers. High dollar also impacts although I believe we are still under selling ourselves and to keep our green and clean image we may need to increase prices and lower visitor numbers. This is not an easy way to go with huge market resistance to price increases.
- Not looking good for the coming tourism season - advance bookings lagging last year by 10% (and that wasn't a good year either!).

Transport

- Building up well toward the traditional Christmas rush. [Transport / Logistics]
- Storage & Transport. Storage is still strong probably because of shortage of space. Furniture Removals dropped away since the election.
- Container industry going thru a soft patch as the high NZ dollar has forced out marginal exporters. We are unable to pass on fuel transport and wage rises in our selling price so our margins and therefore profitability are eroding quickly.
- Reluctant acceptance of price rises and /or fuel subsidies but expect to have to move again next year. We are an industry with serious labour shortages plus the work for many is either too hard or too fast and the rewards are limited. Fuel, other running costs, insurance and related ACC levies and registration costs continually increase but which will need to be met even if contractual income decreases or stays flat next year as expected. Signs of difficulty in collecting debtors emerging as well.

Used Cars

- September very slow, October marginally better. Things have slowed down in the Hawkes Bay. Appears to be general. Have picked up this month. Hopefully a sign of better things to come.
- Classic Car Restoration and Sales. Enquiries down slightly, more people talking about petrol prices, people putting decisions on toys and luxury goods on hold. Not hugely pessimistic - maybe just a 10% decline 'til people get over it.
- Car dealership mainly imported vehicles. Economic downturn is resulting in less foot traffic.
- Motor Industry (retail with franchises) Lack of customers. Less finance contracts on sales.

Vending

- Fair to good, cost pressures, future cost of conversions for new coins.

Wine

- Grape Growing - Marlborough. While the demand for Marlborough Sauvignon Blanc continues quite strongly, the impact of the high NZ\$ is seriously hurting margins for wine companies. This applies particularly to small operators who have not invested in building their brands.
- Higher interest rates => stronger dollar => tougher to export wine. Much more wine being produced, therefore VERY competitive NZ market. Margins will be eroded. Companies will need to be much better and stronger marketers than ever before.

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

BNZ CONFIDENCE SURVEY

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