HUGOvision

Assessing the economic and political environment in New Zealand

November 10 2017 | Confidential to HUGO members

Delivering on the first 100 Days plan

Page 2

Talk of a pre-Christmas mini-Budget is overblown. More likely is a package of measures that begin the implementation of various announced flagship policies including replacement for the April 1 tax cuts and a higher minimum wage.

Labour is focused on business jitters

Page 6

The business community is routinely too pessimistic about growth under Labour administrations and too optimistic about growth when National is in charge. Labour is well aware of this and is prioritising engagement with the business community.

Govt's policies confirmed as inflationary

Page 5

The Reserve Bank's first full monetary policy statement has confirmed what was already evident, particularly in the new govt's labour market reform, and public sector and minimum wage intentions: its programme is likely to be more inflationary than National's.

TPP – now or never?

Page 4

The TPP has been written off almost as often as Winston Peters comebacks, but this time the APEC leaders' summit is looking like a real drop-dead date for the troubled trade and investment pact. Without momentum from this meeting, it is unlikely to advance. We examine the dynamics for other TPP signatories ahead of Jacinda Ardern's first meeting of global leaders as Prime Minister.

The Beehive fills up

Page 3

A lot of familiar faces from the Helen Clark administration are turning up in the Beehive to help get a rookie PM and potentially tricky three-way govt in harness.

TOP – awash with funds, hobbled by its funder

Gareth Morgan has tipped a further $430,000 of his own money into The Opportunities Party, in the surest sign yet he is determined the party will contest the next election. TOP still looks like National's best chance for a coalition partner in 2020, following the demise of the Maori and United Future parties and the irrelevance of Act. However, Morgan's tone-deaf comments on the death of the PM's cat – which had become a minor global celebrity – show why the party needs a new leader if it's to succeed at the polls.

Forward programme

We are working hard to bring at least two, possibly three, Ministers from the new govt to The Hugo Group breakfasts before Christmas. Details of the David Parker breakfasts are on page 2 and we continue to pursue Climate Change Minister and Greens leader James Shaw, currently in Bonn at climate change talks, and NZ First's Shane Jones, both of whom have agreed in principle to attend.

Text finalised November 10 2017
Contact: hugo@thehugogroup.com. No responsibility is accepted for acts or omissions by clients as a result of items herein.

Pre-Xmas fiscal package

Finance Minister Grant Robertson is grappling with the **expectations created by talk of a pre-Christmas 'mini-Budget'**. A package that wraps together actions to implement a range of already announced policies is all that is really on the cards.

No new policy requiring new Appropriations is envisaged, which is what a true mini-Budget would imply.

Instead, Robertson is looking at how to deliver **pre-Christmas momentum to the new govt's supporters and some certainty to business, where he knows an active of process of outreach will be required**, even if at this stage talk of a repeat of the 2000 'winter of discontent' may be premature.

The Fiscal Responsibility Act requires publication of a half year fiscal and economic update and a formal Budget Policy Statement in Dec. A package of measures around that might include legislation to, for example, cancel the April 1 2018 tax cuts and implement the July 1 low income households package, raise the minimum wage, affirm currently hazy details of the first year of free tertiary education, establish the mechanism to deliver the KiwiBuild affordable housing policy and perhaps announce some reallocation of existing appropriations.

Early thinking emerging

Robertson is hunting for early fiscal savings as new ministers roll out a range of relatively undisciplined bids for new spending initiatives, including indications that public sector wage demands may prove difficult to manage, especially as both **teachers and nurses** have high expectations of a new govt, and with **Women's Minister Julie Anne Genter's** pledge to close the 9.4%age point public sector gender pay gap within four years.

Among savings already identified: **an end to some of the more 'experimental' elements of the previous govt's social investment policy initiatives**, particularly collection of highly personal information.

It appears the new govt **will keep the previous govt's Crown Infrastructure Partnerships** initiative, although it may rename it.

There is an acknowledged need for greater public sector competence in major infrastructure contract procurement.

Breakfast schedule

David Parker, a linchpin minister in the new govt, will be the first to address us since the formation of the new govt.

The **Wellington** meeting will be on **Tues, Nov 21**, and we are working on a venue.

The **Auckland** breakfast will be on **Fri, Nov 24**, at the Cordis Hotel (formerly the Langham).

The renamed entity, which could include the proposed Affordable Housing Authority, may also be pressed into helping **untangle stalled progress in the Christchurch rebuild**. The new govt is finding a more complex set of issues there than expected.

Parliament's opening day shambles

Much ink has already been on spilt on the significance or otherwise of the shambles on the floor of Parliament ahead of Trevor Mallard's election as Speaker this week.

While members of the public would be forgiven for thinking it was a childish sideshow – and Labour is doing its best to paint it as part of the 'sore loser' narrative it's directing at National – there are two significant things to note:

- the **ill-will** on display between Labour and National on managing parliamentary business is **unusually virulent** for so early in a Parliament. National's decision to blindside Labour on the Speaker vote was legitimate in the same way that there are legitimate fouls in rugby. Good sports wouldn't do it. Usual practice is to seek a level of cooperation because a favour granted today becomes a favour banked for tomorrow. However, the fact that Labour was determined to leave a large number of new National MPs with no parliamentary duties by sticking to the pre-election consensus that there should only be 96 select committee places **incensed National's leader of the house, Simon Bridges**. The Speaker manoeuvre reflects that;
- **Labour's caving to National's demands and allowing 108 MPs to serve on select committees is a non-trivial win** for National. Not only does it ensure most of its 56-strong caucus will have some parliamentary duties, but also means **an uncomfortably large number of ministers outside Cabinet will have to serve on select committees**.

Jacinda Ardern was livid with National for spoiling the govt's day, but equally angry with the fact that her Leader of the House, Chris Hipkins, allowed the situation to develop as embarrassingly as it did.

There is soul-searching in Labour about how to prevent repeat occurrences, including questions about whether Hipkins is overloaded with both the education and tertiary education portfolios – areas where Labour is planning substantial changes – as well as being Leader of the House for a govt that will require some careful herding.

NZ First is already frustrated with the way the coalition is working and wants Heather Simpson to take a larger role in running its day to day activities. Labour ministers have noted **Winston Peters's relative absence from the media since the govt was formed**,and are interpreting that as indicating an intention to run his own race rather than loyally giving space to the new PM. The fact such observations are already being made **indicates how weak the bonds are between the coalition partners at this stage.**

On the other hand, National was planning to filibuster on the select committee issue and that Labour was already preparing to cave before the unedifying spectacle of a swift agreement brokered on the floor of Parliament.

Likewise, the insult slinging and mutual accusations of arrogance are unlikely to flow through to the vast majority of parliamentary business. With a few exceptions most select committees work collegially on the issues before them. There is no doubt National will use its numbers and experience to make life uncomfortable for the Govt at times, but it unlikely to bring the wheels of Parliament to a halt.

Meanwhile, **Simon Bridges's ambition to lead the party** is done no harm by his performance this week.

Appointments progress

The membership of select committees is expected to be announced next week. While National's 5 chairs and 5 deputy chairs is an unprecedented degree of influence in Parliament's 17 select committees, the balance of the committees is of equal or greater interest. The Opposition and Govt may have equal numbers on some committees.

As at mid-week, the memberships of only three **Cabinet committees** had been published: the Honours and Appointments, Cabinet Business, and Cabinet Legislation committees. Jacinda Ardern chairs the first two and Chris Hipkins the latter.

Unlike the other two, **the business committee, which determines legislative priorities, has no Green Party representatives and comprises**: Ardern, Winston Peters, Kelvin Davis, Grant Robertson, Phil Twyford, Megan Woods, Chris Hipkins, Andrew Little, Carmel Sepuloni, David Clark, Tracey Martin.

Key Beehive staff appointments are slowly coming together, with Ardern reaching back to experienced hands from the 1999-2008 Clark administration for ballast in a Labour team where only three MPs – **David Parker, Nanaia Mahuta, and Damien O'Connor** have prior ministerial experience.

Among notable appointments: former key adviser to Helen Clark, **Heather Simpson**, is advising on the PMO staffing and the campaign review; fellow Clark office operative **Gordon Jon Thompson** has returned, at least until year-end, as chief of staff. Clark's former chief press secretary **Mike Munro** may be in line for that role, having assisted in coalition negotiations, but is unavailable at present. In Deputy PM Winston Peters's office, his chief of staff in Opposition, **David Broome**, was not invited to the Beehive, much to the relief of both Labour and the Greens. Instead, the chief of staff role goes to Victoria University political science lecturer **Jon Johannson**. Peters also elected not to bring his long-serving, diligently apolitical press secretary **Judith Hughey** with him into office. She was offered a party liaison role and declined.

In Grant Roberston's office, long-serving senior private secretary to PMs and finance ministers **Alec McLean** has returned from Govt House to Parliament as Robertson's SPS. **Alex Tarrant,** ex-Interest.co.nz, is the first of three rumoured appointments as press secretary to Robertson, while former Rugby Union PR head and TVNZ business correspondent **Mike Jaspers** has been confirmed as Ardern's chief press secretary.

Ardern charms the Aussies

Aust PM Malcolm Turnbull was apparently pleased with the way his meeting with Jacinda Ardern went over the weekend. Turnbull's Chief of Staff, **Peter Woolcott,** who has just returned to Canberra having been High Commissioner in Wellington reported to colleagues positively on the meeting.

Aust was wary of Ardern and her govt, particularly the Greens; even Woolcott didn't really know her and the last thing they wanted was to alienate her.

So Turnbull apparently turned on the charm and was ready to make concessions – even a minor one on her proposal to send 150 Manus Island refugees to NZ.

When she first made the proposal last week, Turnbull ruled it out but by Sunday that had been moderated to leaving it on the table.

Ardern played her part, using very careful language and emphasising that NZ did not have Aust's problem with people smugglers and that if any refugees came to NZ, they would be carefully vetted.

She knew well before she went that the Australians would not immediately take up her Manus offer.

But her advisors remembered the positive reaction Helen Clark got when she offered to take Tampa

Continued p6

2018 CEO Retreat

Next year's Hugo CEO Retreat at Millbrook is scheduled to run from dinner on **Thursday August 16 to lunch on Saturday, August 18**.

The programme will again bring members a mixture of actionable business insights and the traditional Retreat "deep dive" into domestic and global affairs.

Mark your calendar now.

TPP dynamics

Jacinda Ardern's attendance at the TPP-11 meeting in the margins of this week's APEC leaders' summit in Viet Nam sets the stage for the most significant change of emphasis in the new govt's approach to globalisation since taking office.

However, whether that happens depends entirely on whether the other 11 countries are able to sign off on a plan that preserves the momentum achieved largely by Japan, Aust, and until the change of govt, NZ, to keep the trade, investment and geo-political positioning deal alive.

Dynamics among participant nations include:

- Japanese commitment to the ongoing existence of ISDS dispute resolution clauses. The country is a major global investor, so that more is at stake for Tokyo than most if ISDS goes;
- Canada is indicating an unwillingness to be rushed. As the most protectionist of the TPP's developed country members, Canada nonetheless has a preference for retaining ISDS because unpicking it in TPP would undermine its efforts to defend the NAFTA agreement as the Trump administration attempts to unpick it. It appears unlikely to sign an NZ/Aust-style side-letter carving out the application of ISDS between Canada and NZ. Japan is equally unlikely to agree to that;
- A desire not to unpick the agricultural elements of the original deal. While Japan is politically challenged by dropping high tariffs on agricultural imports, preferential access for beef, dairy and other foodstuffs are seen as a powerful spur to attracting the US back to the pact. When US beef producers are facing 50% tariffs while NZ, Aust and Canadian exporters can send product to Japan on a tariff of just 9% is expected to focus US minds. While there is no realistic prospect of the US returning to the TPP while Donald Trump is president, its return to the fold remains a vital goal.

Keeping the door open to the US is particularly important to the less developed nations that are anxious about labour, environmental and other standards TPP would require them to meet. Viet Nam, for example, only went along with those demands because the prize was access to US markets. Now the argument to Viet Nam is more difficult: stay in because the US will probably return; and don't try to unpick too much because the deal will fail if all parties seek to renegotiate.

This latter point is what makes NZ's johnnie-come-lately attempt to renegotiate parts of the pact so problematic.

Ardern recognises she is walking a tightrope between the most vocal left-leaning parts of her base, the expectations of the business community to facilitate outward-looking trade settings and a broad public support for open trade arrangements. She is calculating the foreign house investor 'ban' and signalling ISDS is out for future trade deals (except perhaps with Russia?) should placate the base.

Also helpful are the suspensions to key parts of TPP that the US demanded, in particular relating to patent terms for biologics and pharmaceuticals, and the extension of copyright from 50 to 75 years. These are all minor wins for NZ's long-held positions.

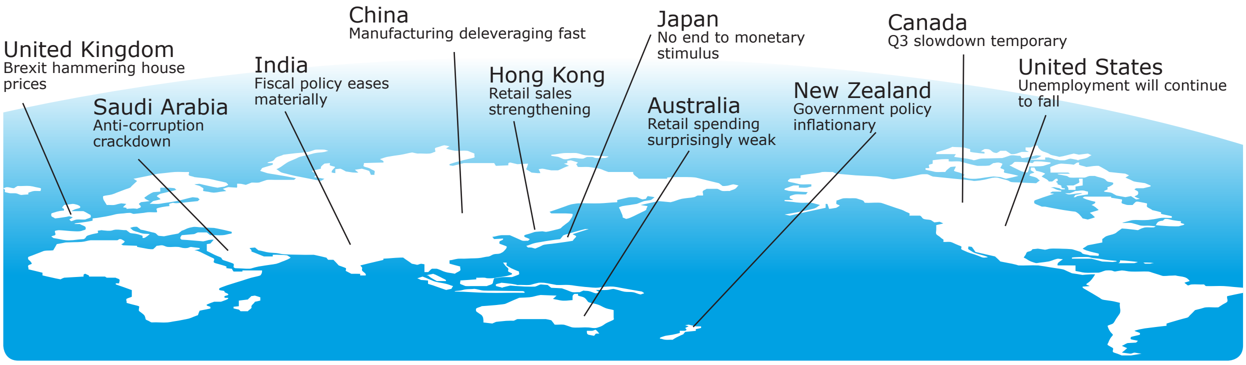
Former Trade Minister **Todd McClay's** promise that National would support TPP legislation if NZ

First or the Greens won't was a little arch. It's not clear any new law is required although the comments indicate **re-emerging trade policy bi-partisanship.**

Meanwhile, look for signs of NZ adopting a more Canadian-style approach to trade policy. Ardern has been studying Canada's more sceptical approach and appears to have found plenty to like.

Kelvin Davis is acting PM in Peters's and Ardern's absence.

The world at a glance



A hint of hawk from the RBNZ

The underlying thrust of this week's Monetary Policy Statement is that **the govt's policy changes are regarded as clearly inflationary,** although the extent of that impulse is **difficult to disentangle from infl**ationary pressures that were developing anyway. A lower NZD, tightening labour market and strengthening global activity underpin that latter view.

With too little detail yet to judge the impact of the new govt's initiatives, an MPS written by an acting governor has sought to strike a balance between acknowledging the evidence while not going overboard.

The resulting statement **has moved to a tightening bias, without saying so**, which produced an immediate 40 basis points rise in the TWI. Most commentators prior to the statement had anticipated no sign of a hawkish shift. Instead, they now see a hint of hawk.

The bank's forecasts is that its short term inflation views have been revised significantly higher, and the annual headline inflation rate gets to 2.0% earlier than previously.

The August MPS forecast annual CPI inflation would drop to 0.7% for the year ended March 2018, but a higher than expected Q3 and increasing petrol prices have shown that was too low.

As a consequence, the **bottom point in the RBNZ's inflation cycle is now 1.5%**. With short term inflation now more elevated, forecast annual CPI inflation climbs to 2.1% in June 2018 whereas it previously hit 2.0% in March 2019.

The August MPS forecast annual CPI inflation would drop to 0.7% for the year ended March 2018, but a higher than expected Q3 and increasing petrol prices have shown that was too low.

As a consequence, the bottom point in the RBNZ's inflation cycle is now 1.5%. With short term inflation now more elevated, forecast annual CPI inflation climbs to 2.1% in June 2018 whereas it previously hit 2.0% in March 2019.

The result is the RBNZ is now modelling a higher interest rate track, although its cash rate still doesn't hit 2.0% until the March quarter 2020, unchanged from the August MPS.

However, the cash rate does edge 10 basis points higher in the June quarter of 2019, to 1.9%, implying that **a rate increase could happen earlier than previously forecast.** The bank is also now modelling a second rate hike in Q4 2020.

In today's statement, the RBNZ acknowledged the downside risks to its activity forecasts that have eventuated from a weaker housing market and lower residential construction than had been assumed. However, the impact of this on growth and inflation is offset by looser than anticipated fiscal policy, for which read, a change of govt. By forecasting a much weaker outlook for the housing sector, the bank also builds in a buffer against having to lower its inflation track in a few months' time.

The **main assumed drivers of inflationary pressure** are identified as new govt spending – assumed to add 0.5% p.a. to GDP growth – the KiwiBuild programme, tighter visa requirements constraining labour supply, and increases in the minimum wage, with no account taken so far of flow-ons to other wages.

For the first time in a very long time, the bank is relaxed about the currency, with acting governor Grant Spencer saying it was **now "broadly at fair value"** and has produced a flat track for the TWI over the forecast horizon at 73.5, against slightly above 74.0 at present.

Our pick is that **the central bank is more likely to raise rates next in the second half of next year**, rather than in 2019.

For borrowers, the outlook suggests wholesale floating rates and short-dated wholesale fixed rates should remain flat into early next year, but the low point in 5-10 year wholesale rates may have passed now.

Real estate

Property value growth slowed to an annual pace of 3.9% in Oct as Auckland house prices fell for the first time in six years. The QV house price index posted the lowest rate of annual growth since June 2012 last month. Values increased 0.9% to a national average $646,807 in the three months ended Oct 31, more than double the previous market peak in late 2007. In Auckland values dropped 0.6% in the year.

The **Auckland housing market** was stable in Oct despite the political uncertainty, with prices steady although sales volumes dropped. The number of sales fell to 634 in Oct from 778 in Oct 2016, the lowest in an Oct month for seven years, says Barfoot & Thompson. New listings fell 9% on an annual basis.

Govt debt programme

The **Debt Management Office** has delayed the launch of an April 20 2029 nominal bond to 2018, saying it wants to give market participants an opportunity to evaluate any new information that may be contained in the half-year fiscal update.

Continued from p3
refugees to John Howard.

Ardern's public statements about the move were aimed at her domestic political audience in NZ.

Winning over business

As the graphic below indicates, **Labour govts typically face scepticism from the business community**, which tends to overstate pessimism about economic growth prospects under Labour and overstate the prospects under National.

That trend is being borne out in recent business confidence readings and we expect the ANZ Business Outlook read will drop again in the Nov reading.

A short term negative impact on investment appears inevitable, but there is still momentum in current economic conditions, easy monetary policy settings, and if anything a greater prospect of fiscal policy stimulus than had National formed the new govt.

Grant Robertson tacitly acknowledged the govt's recognition it has yet to gain the confidence of the business community in the symbolic act of re-signing the RBNZ's Policy Targets Agreement this week.

That action, along with confirmation that **no exchange rate targeting or other unexpected extra tweaks** to the regime are envisaged in the review of monetary policy, appeared to be a tonic to financial markets. The NZD recovered somewhat on Tuesday, after falling consistently since the formation of the new govt.

Tax Working Group

Expect the appointment before Christmas of the Tax Working Group. Potential members are in the process of being informally shoulder-tapped. Some are asking **whether there will be sufficient scope to make significant recommendations**, given the number of caveats now built into Labour's policy on wealth taxes.

No national water hui

PM Ardern confirmed in a little-reported part of this week's post-Cabinet press conference that a **national conference on freshwater policy is no longer part of the govt's plan for its first 100 days.**

She cited the exclusion of David Parker's proposed tax on commercial water use in the coalition agreement as the reason for not going ahead with such a meeting. Participants in the consensus-seeking Land and Water Forum had warned that opening up the debate risked a return to formulaic position-taking at a time when expert policy work is required to improve and allow implementation of the National Policy Statement on Freshwater Management.

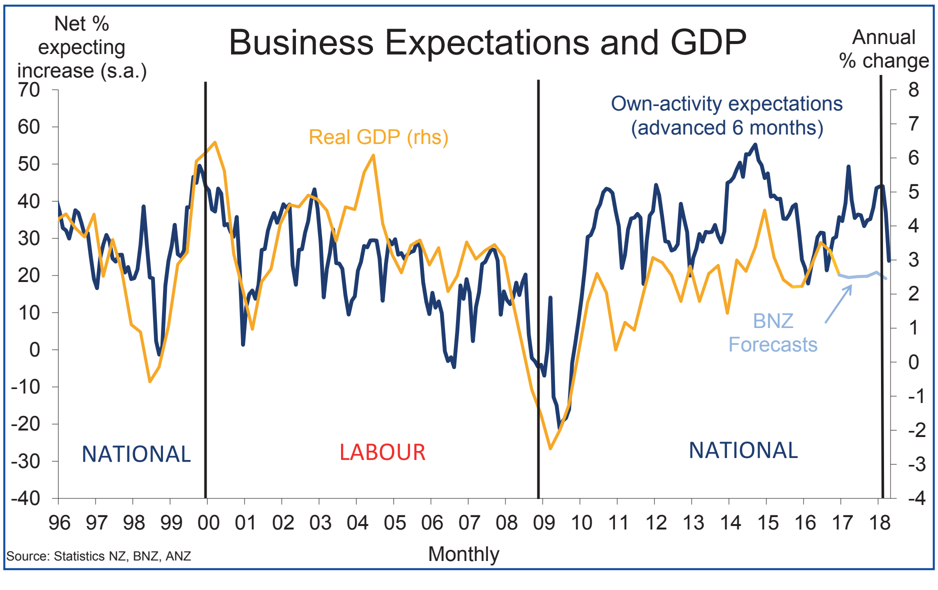
Conservation land mine ban

Conservation Minister Eugenie Sage has announced a ban on new mines on conservation estate lands, targeting her comments particularly at coal mining.

However, she has **yet to receive official advice** on how that affects mining proposals on conservation land that have already received resource consents, such as the **Denniston Plateau** mines, planned but not yet begun by **Bathurst Resources**.

EA on mass participation

The Electricity Authority will investigate distrust in the sector over open access to network platforms as the next step in its 'enabling mass participation' initiative. The EA and ComCom have also formed a joint working group, with MBIE as an observer, to try to improve coordination between the three agencies overseeing the sector. The **issue is heating up**, with **Mercury** taking a thinly veiled crack at Vector for its ambitions in battery and EV infrastructure. **Vector** suggested retailers fear both disruptive technology to their traditional business models and the forthcoming electricity price review promised in the coalition agreement.



Primary industries

Fonterra is buying into Oregon-based whey protein concentrate and lactose manufacturer **Columbia River Technologies** in a bid to secure its US-sourcing network. No price was disclosed. Fonterra has had the exclusive sales agency for these products since 2013. The cooperative has also **maintained its forecast for a stronger payout to its farmers for the 2018 season despite the recent declines in dairy prices on the GlobalDairyTrade platform.** However, that was before this week's auction, which saw the GDT index fall 3.5% to US$3,105, the lowest since April. Whole milk powder fell 5.5%. At its AGM, Fonterra affirmed its forecast 2017/18 payout of $6.75/kgMS plus earnings per share in a range of 45-to-55c. Westpac downgraded the current season forecast payout to $6.20kg/MS following the latest auction. Fonterra has appointed **Owen Gill** to front govt relations in Wellington. Gill spent time in Helen Clark's office when she was PM and has recently been acting head of the Financial Services Council.

Fonterra's Aust competitor, **Murray Goulburn,** is to be sold to Canadian dairy processor Saputo for A$1.31b.

Allied Farmers' first-quarter livestock earnings fell, largely due to a wet spring reducing livestock sales.

Telecommunications

Spark's board will have to make a number of "big decisions" in a rapidly changing environment as it overhauls itself to put customers front and centre, says chair **Justine Smyth**, who has succeeded Mark Verbiest. "The next phase is going to be very, very fast-paced. There's a lot of quite big decisions we'll have to make in terms of how we run the company."

Finance, banking and insurance

Westpac's NZ division lifted annual earnings 9.5% as the recovery in global milk prices eased stress on farmers and saw a turnaround in the lender's provisioning for bad dairy debt. Cash earnings rose to $970m from $886m a year earlier. Operating income rose 0.2% to $2.25b, lagging behind a 0.9% increase in expenses to $963m, reflecting tighter margins for the bank. It wrote back $76m from previously impaired loans, turning around a charge of $59m a year earlier.

Bank of NZ's annual earnings rose 7.9% as it grew its loan book while margins shrank and it benefited from reduced bad debt in the dairy sector. Cash earnings rose to $983m from $911m. Net interest income rose 2.1% to $1.79b while impairment losses dropped 31% to $83m. **Angela Mentis,** a senior executive with BNZ parent NAB, will replace ceo **Anthony Healy** from Jan. 1.

Suncorp's Vero Insurance has dropped plans to appeal the Commerce Commission ruling that blocked the $236m takeover of Tower. Auckland-based Tower terminated a scheme implementation agreement with Vero after the deal passed its end date, but has told the Aust insurer it's willing to discuss new terms once it has raised capital.

Energy and resources

Electricity Authority chair **Brent Layton** suggests NZ's abundant renewable electricity may be the saviour of the **Tiwai Point aluminium smelter** as Chinese smelters using subsidised coal-fired electricity face closure. NZ may also attract energy-intensive industries and eventually **export electricity across the Tasman** to Aust as new transmission technologies advance.

Z Energy reported a 19% increase in operating earnings before adjustments for changes in the value of inventory, to $221m in the six months to Sept 30. The result included a full six-month contribution from Chevron NZ assets, compared to four months a year earlier, The company affirmed annual guidance to be between $445m and $475m.

Todd Corp has sold its 16% stake in the Maari and Manaia oil fields off the Taranaki coast to ASX-listed **Horizon Oil** for US$17.6m. Sydney-based Horizon signed an agreement with Todd Maari to buy the stake in the fields, subject to working capital and purchase price adjustments, effective Dec 31 and subject to approvals. It will lift Horizon's stake in the venture to 26%, with operator OMV NZ holding 69% and Cue Energy with 5%.

Trustpower, NZ's fifth-largest electricity generator, boosted first-half profit by 80% as it benefitted from higher prices. Net profit rose to $80.8m from $45m. Revenue rose 3.7% to $520m, while operating expenses dropped 7.8% to $360.9m.

Tilt Renewables, the wind and solar generation facilities which split from Trustpower last year, posted a first-half loss of A$2.6m, from a year-earlier profit, after weak wind generation on both sides of the Tasman sapped electricity production. Revenue fell 15% to A$75.5m as electricity generation shrank 16% to 869 gigawatt hours.

Transport, tourism and logistics

Air NZ won world's best airline for the 5th year running from the Airlineratings.com service. In a report for investors, **First NZ Capital** assessed the airline as trading above the top of its valuation range. The firm increased its fair value assessment to $2.95 per share from $2.55, with Air NZ trading at $3.35 mid-week.

CORPORATE ROUND-UP

Colonial Motor Co is cautious about forecasting in the year ahead despite its strong returns in 2017 and continued demand for new vehicles. Chair **Jim Gibbons** told the company's 99th annual meeting that it was difficult to give accurate forecasts from month to month, but the first quarter had produced an excellent result. It is watching the trend towards electric vehicles closely.

Capital markets

Xero has announced it **will delist from the NZX** in favour of an ASX listing to seek deeper analyst coverage and institutional investor engagement. The move has a logic to it and NZ shareholders should be unconcerned as long as the company continues to trade to plan, become profitable in the next 12 months and its share price keeps rising. The company would clearly prefer to burn cash on sales and development than the costs of dual-listing. However, it does sit oddly with **CEO Rod Drury**'s championing of the NZX and the company's local brand story of taking on the world from NZ. NZX expressed disappointment at the decision while noting its role in facilitating Xero's rise. The software accounting firm is **presumed still to have its eyes ultimately on a US listing**.

Drury said HQ would remain Wellington. Xero announced it had narrowed first half losses to $21m from $43.9m in the six months to Sept 30 last year and p**osted positive pre-tax earnings for the first time in the period, with ebitda of $5.4m.**

NZX figures show total equity trades on its cash markets jumped 61% to 213,884 in Oct from a year earlier and the total value of shares traded rose 33% to $4b. On the NZDX market for debt securities, the gains were more modest, with total trades up 8.8% to 3,392 and the value traded gaining 7.4% to $177m.

Corporate actions and results

US-based VF Corp needs Overseas Investment Office approval to buy Kiwi merino clothing maker **Icebreaker**, meaning the deal is worth at least $100m. The terms of the deal were not disclosed. Icebreaker had annual sales of $220m, with 86% in offshore markets. VF is a global-scale up-market outdoor apparel specialist, owning brands including North Face and Timberland.

Datacom CEO **Jonathan Ladd** will step down after more than seven years next April, handing over to **Greg Davidson**, who is currently head of Datacom Systems NZ and Aust.

Fairfax NZ has taken control of hyper-local **Neighbourly** website in what's emerging as an alternative strategy for the media group if a planned merger with NZME can't go ahead.

Metro Performance Glass shares have fallen to record lows on concern it may face the same market pressure as others in the building industry such as **Fletcher Building** and **Steel & Tube**.

Briscoe Group's third-quarter sales rose after a rebound in Oct and managing director **Rod Duke** said the strong jobs market and improving rural incomes bode well for the final quarter of the year. Revenue rose 2.7% to $129m and was also up 2.7% on a same-store basis. Homeware sales rose 2.5% to $81m while sporting goods sales rose 3.1% to $47.9m.

Courts and regulation

NZ King Salmon Investments says it is too early to tell whether a new govt will affect the process for the possible relocation of six farms. The Minister for Primary Industries began a consultation in Jan to relocate up to six of the company's salmon farms from their historic locations to higher water flow sites more suitable for fish and the environment. The company had earlier raised its forecast for 2018 annual earnings to an ebitda range of $24.5m-$26m and forecast a materially higher first-half result.

The **Commerce Commission** has sought a High Court injunction to prevent US private equity firm Platinum Equity from acquiring **OfficeMax Holdings**. The transaction is part of a larger deal announced in April to acquire the OfficeMax business in Aust and NZ from Nasdaq-listed **Office Depot**.

Retail

Top Retail, which operated the local Top Shop and Topman stores, was in negative equity after generating $4.1m of losses in its three-year life in NZ. The first receivers' report by McGrathNichol's Conor McElhinney and Kare Johnstone show the retailer in negative equity of $2.9m as at Sept 7, the date of receivership.

PO Box 25120, Featherston Street, Wellington 6146, New Zealand
PHONE 04 385 6249 EMAIL hugo@thehugogroup.com www.thehugogroup.com
THE HUGO GROUP