

Intense SME stress already apparent from covid-19

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Business associations are reporting a swift upsurge in distressed SMEs, affected by the sudden and unanticipated loss of income because of the economic dislocation caused by global precaution about the coronavirus. Banks, energy suppliers and other essential service suppliers will be under just as much pressure as the govt to show willing to assist customers.

Monetary policy won't fix it

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The US Federal Reserve made an emergency interest rate cut to try and bolster global economic confidence as the virus outbreak spreads. However, lower interest rates will not undo travel restrictions or unbind supply chains that are clogged because factory workers are sequestered at home. The RBNZ may cut the OCR later this month, but more from peer pressure than expectation of significant impact.

Worry, prepare, don't panic

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The global health authorities' reaction to covid-19 is a reflection of how serious the illness, which is not yet well understood and for which a vaccine is some distance off, could be for human health. Preparation and caution are justified. Panic is not. Employers have formal duties of care to employees under health and safety legislation.

Political distractions

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The domestic political agenda rolled on, although it risked making all parties involved look out of step with the deeper national concerns created by the virus outbreak. The PM undertook a stage-managed poke at Australian PM Scott Morrison over ex-prisoner deportations, while Shane Jones made offensive comments about Indian students, apparently believing that was better than publicity about NZ First's political donations problem.

Pressure grows for Tiwai Point transmission deal

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Finance Minister Grant Robertson appears well-briefed and potentially well-disposed to an intervention on transmission charges for the Tiwai Point aluminium smelter, to keep the plant's majority owner Rio Tinto from making good on its threat to close the plant.

Slow track for light rail

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The govt is fast running out of time to make substantive pre-election progress on Auckland light rail. There will be no signed contract pre-election and National would be within its rights to decline to be bound by agreements reached in principle so late in the parliamentary term. It risks being an election bugbear for the govt like KiwiBuild.

Jeanette Fitzsimons, 1945-2020

NZ has lost a totemic political figure from the tumultuous period in which the country moved from first-past-the-post politics and its winner takes all dynamics to the more inclusive political dynamic of MMP. Jeanette Fitzsimons first stood for Parliament as a Values Party member in 1977 before the creation of the Green Party, which she co-led with Rod Donald, whose untimely death in 2005 was a shock to the party and saw him replaced by Russel Norman. While Fitzsimons retired from Parliament in 2010, her influence in the party remained comparable to Helen Clark's in the Labour Party.

Covid-19's challenge to banks and utilities

Banks and essential service utilities can expect to face intense pressure from a wide range of **small and medium-sized NZ businesses that are facing immediate cashflow challenges because of the coronavirus's economic impact.**

Business NZ is already hearing from large numbers of distressed businesses for whom the unexpected loss of anticipated income represents an existential threat. In particular, **businesses that may have been marginal prior to the outbreak which face a significant impact may no longer be viable**, at least in the short term. Many have no reserves to fall back on.

Lenders are already under pressure to extend terms for drought-affected farmers and in some cases facing pressure from Australian head office to exercise greater credit restraint as new capital adequacy requirements loom. However, banks' shaky licence to operate after recent conduct investigations on both sides of the Tasman and their high historical levels of profitability in the NZ market suggest a **major political as well as commercial challenge.** In election year, for a govt also highly exposed to any perceived mishandling of the economic fallout from the virus response, **bank-bashing will be tempting** if backed into a corner.

The same applies for utilities, particularly energy companies. Extending terms for electricity and transport fuel use will be critical for at least some firms and utilities may be less equipped than the banks to make nuanced judgments about long term viability. Again, **politicians will be unsympathetic, particularly given the wide spreads currently between wholesale and electricity prices**, which already suggest that electricity firms are banking profits in a period of uncertainty.

RBNZ a reluctant copycat on rate cuts

The RBNZ is resisting immediate pressure to follow the Fed and the RBA in cutting the OCR. Governor Adrian Orr pointedly reconfirmed that the next monetary policy review decision will be announced on March 25.

In part, this may reflect the extent to which **NZ's fiscal position is stronger than the US or most European countries** to stimulate demand and support economic activity through govt spending than monetary policy.

The reality is that **monetary policy is a poor tool**

to deal with a non-economic shock like covid-19. Making money even cheaper won't make people travel more, eat out, or enable quarantined employees to get to work. On that basis, it has very little capacity to improve business or consumer confidence, while ever lower rates restrict central banks' ability to use monetary policy where it can in fact be effective.

Assistant RBNZ Christian Hawkesby made exactly this point last week.

Carefully directed fiscal support to affected industries, bolster the health system's preparedness and direct new spending in areas that are insulated from the outbreak can have some positive impact. Grant Robertson has, so far, indicated that the govt will only reach deep into its fiscal warchest in the event of a global recession.

However, **the point remains that NZ does have such a warchest.** Compare that with the warning from ratings agency Fitch regarding the potential of the world's largest economies to use fiscal stimulus to underpin activity during a global economic slowdown caused by covid-19:

"The proper context for assessing any upcoming fiscal support pledges is the fact that G7 public finances are consistently among the weakest relative to their respective rated peers," said James McCormack, Fitch's global head of sovereign ratings. "Since the global financial crisis, govt expenditure reductions from lower interest rates have generally been exceeded by higher non-interest spending. **There is precious little fiscal space across the G7.**"

Meanwhile, it would be a mistake to regard the RBA's 25bps cut to the Australian cash rate this week as a response solely to covid-19, although it has been widely reported that way. There was sufficient evidence of a weak inflation outlook prior to the outbreak that justify the RBA decision.

While it will be difficult for the RBNZ to resist a 25 basis points OCR cut on March 25, there is an opportunity for the RBNZ to be a voice of reason in the current, panicked global environment.

Coronavirus - a pandemic in all but name, but don't panic

The relatively small total death toll from the global outbreak of the covid-19 coronavirus is creating the misleading impression that it is not especially serious.

Comparisons with annual deaths from influenza and deaths so far recorded from covid-19 are routinely being cited as evidence that the flu is more deadly.

This is wrong on the current evidence. The flu is simply more widespread. In fact, humanity already deals with an annual influenza pandemic. We're accustomed to it and are not fearful beyond concern for the emergence of new strains. Vaccines exist and generally have positive effect.

Covid-19 is poorly understood, spreading swiftly, appears to incubate without symptoms for longer than many viruses, and has a significantly higher death rate than the flu.

Scenarios - **not predictions** - from the Otago University Medical School's epidemiologists consider the credible potential, based on current knowledge and an assumption of poor containment, for the virus to infect as much as 30% of the population in a winter flu season. Where the flu kills around 500 people a year, covid-19 at currently measured mortality rates could account for between 10,000 and 15,000 annual deaths under this scenario which, we stress again, is neither a prediction nor an expectation.

Rather, it is indicative of why public health agencies globally are taking a highly precautionary approach. The virus may yet peter out swiftly, as often occurs. But without better evidence, caution is inevitable and highly disrupting to global supply chains and travel.

Death rates are strongly skewed to the elderly, particularly those who are poor and/or have existing underlying conditions.

Light rail contract pre-election a very remote prospect

Evidence to the finance and expenditure select committee this week from NZ Super Fund ceo Matt Whineray suggests there is no prospect of a contract being signed for the Auckland light rail project before the election.

With just under four months before the govt enters a pre-election period when major decisions are avoided, Whineray outlined how the choice of a delivery partner - whether NZTA or the NZSF/CPDQ PPP - would then trigger negotiation of an interim agreement, before final contract terms could be set. That would take at least six months, he said.

In other words, no binding agreement can credibly happen before July and, even if it did, there are clear signs the **National Party would declare itself not bound by any late agreements**, should Labour not lead the next govt.

Peak ill-discipline?

Is there a self-destructive streak in Shane Jones's behaviour that is corroding the govt's cohesion because it is increasingly clear that he is

unmanageable by either the PM or his party?

His comments this week alleging Indian students had "ruined" NZ tertiary institutions again highlighted the PM's inability to exert discipline on NZ First, while simultaneously undermining the diplomatic mission to India by his leader, Winston Peters and Trade Minister David Parker.

Given that the tertiary sector is reeling from the loss of thousands of Chinese students who will be unable to study in NZ this year because of covid-19, Jones's outburst is all the more reckless and out of kilter with a would-be political party leader.

He is under enormous pressure over the administration of the Provincial Growth Fund and a messily handled ejection of Simon Bridges as a speaker from the supposedly independent Infrastructure Commission's recent seminar. **The excuse that he is simply a retail politician in election mode is wearing thin, particularly in light of the demonstrable failure of this long-running gambit to lift NZ First's vote.**

Combined with the SFO probe into the NZ First Foundation - an issue that Jones might have exploited to replace Peters as leader if he were more adroit - Jones appears hell-bent on making NZ First unelectable. Perhaps he already sees the writing on the wall and is becoming desperate. Apparently, he regarded his Indian students attack as a strategic distraction from the SFO probe. If so, it failed by creating simply another source of odium.

Risk-free and inconsequential Aussie-bashing

Jacinda Ardern's public roasting of her Aussie counterpart, Scott Morrison, **achieved nothing substantively in a policy sense and has irked sections of the Australian media**, which was full of critical editorials on the issue this week.

However, Morrison had clearly agreed to the choreographed outburst and gained his own political brownie points at home by assuring Ardern that the policy of deporting NZ-born criminals would continue regardless.

For Ardern, it was a coded attempt to demonstrate that she is capable of being politically tough, despite her reluctance to be so with NZ First at home.

The complaint against the Australian deportation practice is justified. The policy is contributing

Mosque shooting anniversary

Sunday, March 15, will be a solemn day of remembrance for NZers of the Christchurch mosque attacks.

However, the govt will be unable to pass its second tranche of gun reforms in time for it because NZ First opposes key elements of the proposed regime.

materially to strengthening organised crime in NZ. However, the politics was highly stage-managed. Media travelling with the PM were fully briefed on her intention to give Morrison a bollocking in a strategy decided upon weeks ago.

The outcome was **problematic in that that it did not anticipate the sudden surge of global anxiety about the spread of the coronavirus.**

By far the more important issue facing the two PMs was their respective responses to the potential for a pandemic outbreak. The intrusion of a domestic political stunt looked petty by comparison and at odds with an appearance on the cover of TIME magazine ahead of the March 15 mosque shooting anniversary.

Freshwater reform

A draft of the Freshwater Policy Standard is circulating among some NGOs. **Beyond extending the implementation time, it is understood to contain only minor changes on the original proposal.** It does not address the argument put up by a number of councils and echoed by DairyNZ that a stream can have a high macro-invertebrate population at the same time as it has high nitrogen levels. The proposal is understood to allow councils to use measures other than those contained in the NPS to establish a clean waterway if their measures are based on solid science.

NZ/Aussie express South China Sea 'serious concern'

Little-noticed by media in the communique issued by Scott Morrison and Jacinda Ardern after their annual bi-lateral meeting in Sydney last week is **remarkably tough language on the South China Sea.**

The relevant text says the two PMs "expressed **serious concern over developments in the South China Sea,** including the continued militarisation

of disputed features, and destabilising behaviour at sea, and urged all claimants to take meaningful steps to ease tensions and build trust, including through diplomacy and dialogue".

This is **by far the strongest language NZ has signed up to in criticising Chinese activity in the vital shipping lanes of SE Asia.**

It is also a reversal of a reformulation of NZ's diplomatic language on the issue after a stiff rebuke from Beijing in July 2018. That followed the release of a defence strategy paper which pinpointed China's activity in the South China Sea as a threat to international security.

Jones wants NZTA borrowing powers extended

Shane Jones says the **NZ Transport Agency should have the ability to raise debt like govt housing ministry Kainga Ora.** The govt housing developer had its debt cap of \$4.05b raised to \$7.1b. As a Crown entity its debt stays off the govt's balance sheet and isn't included in its self-imposed debt rules.

More PGF largesse

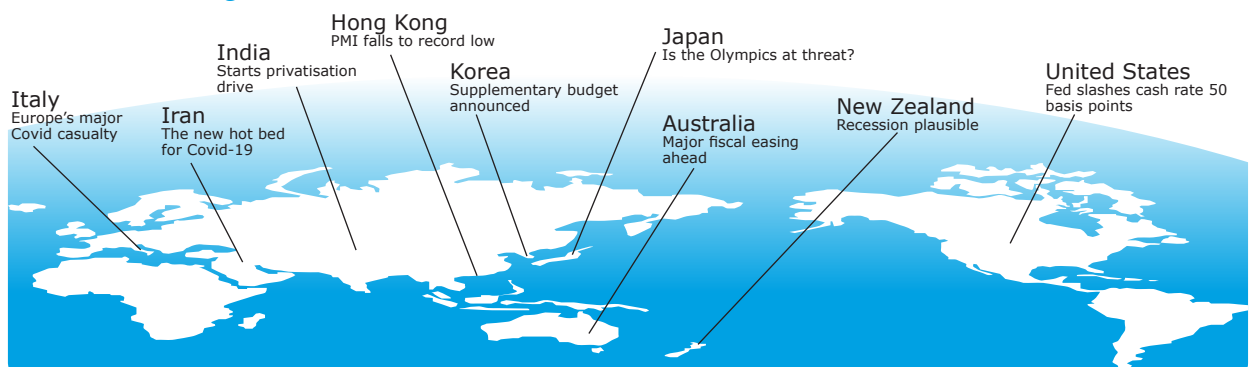
The govt announced details of regional projects worth about \$190m under the \$12b infrastructure spending announced in Jan. The spending falls outside the Provincial Growth Fund and cover projects in Northland, Bay of Plenty, Hawke's Bay, Taranaki, Otago, West Coast, Canterbury and Southland. This includes \$88.2m on roads, almost \$90m in coastal assets and upgrades to Taupo and Milford airports.

Also finally funded is the long-stalled Opotiki wharf project.

Coronavirus policy measures and updates

- Travel restrictions currently in place for China

The world at a glance



and Iran will continue for a week, while people entering the country from South Korea and northern Italy will now be told to go into self-isolation for 14 days, Cabinet announced Monday. Non-essential travel to the South Korean cities of Daegu and Cheongdo is discouraged and increased caution if travelling to Italy or Hong Kong is advised.

- A special covid-19 Cabinet sub-committee has been established and ministers decided to expand the regional business partner programme to protect jobs affected by the outbreak with \$4m added to the existing \$15.2m.
- The govt is to remove the stand-down period required by workers leaving a job to go onto a benefit, in cases where they have become unemployed because of covid-19. Definitional issues are being worked through.
- Cabinet agreed to establish up to 16 rapid response Ministry of Social Development teams to assist workers affected by the economic impact of covid-19.
- The govt ruled out any exemption for students from China to enter NZ. Health Minister David Clark said allowing thousands of students into the country from China, and guaranteeing they were safely in self-isolation, would have been difficult to implement and was not a risk the govt was prepared to take. **University lobbying created significant tension for the sector with ministers.**
- The govt is to allow up to 10% or about 120 tonnes

of this year's uncaught rock lobster harvest to be carried forward to the next fishing year to provide relief to the industry due to the impact of the covid-19 virus on the Chinese market.

- Air NZ reduced its Auckland-Apia services from six to three per week in response to a govt directive to all airlines. In addition all passengers to Samoa will require a medical certificate saying they are well, dated within three days of booked travel.
- Ministers agreed in principle to remove the stand-down period from people seeking income support from MSD due to covid-19.

Digital Council appointed

The govt has appointed a seven-member Digital Council to replace the previous Digital Economy and Digital Inclusion Ministerial Advisory Group. Chairing the council is NZ Tech chair Mitchell Pham, assisted by futurist Roger Dennis, Action Station co-founder Marianne Elliott, personal finance education software innovator Kendall Flutey, inaugural Law Foundation Chair in Law and Emerging Technologies at Otago University Colin Gavaghan, and Waikato Technology Cluster co-founder Rachel Kelly.

Abortion legislation

The Abortion Legislation Bill completed its second reading 81 to 39 on a conscience vote. NZ First MPs voted in favour but indicated they would oppose later unless the Bill was put to a referendum, this is unlikely to gain support. ■

Trading partner growth

(2017-2018 actual; 2019-2021 Hugo and Consensus Forecasts)

Trading partners	Weights %	GDP Growth (ann avg %)					CPI Inflation (ann avg %)				
		2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
China	31.9	6.8	6.6	6.1	5.6	5.8	1.6	2.1	2.9	3.2	2.2
Australia	17.8	2.4	2.7	1.8	2.1	2.6	1.9	1.9	1.6	1.9	2.0
United States	11.3	2.2	2.9	2.3	1.9	2.0	2.1	2.4	1.8	2.0	2.1
Japan	7.1	1.9	0.8	1.0	0.3	0.8	0.5	1.0	0.5	0.6	0.6
Eurozone	5.8	2.5	1.9	1.2	0.9	1.2	1.5	1.8	1.2	1.2	1.4
South Korea	3.4	3.1	2.7	2.0	2.2	2.4	1.9	1.5	0.4	1.1	1.5
United Kingdom	3.1	1.8	1.4	1.4	1.1	1.5	2.7	2.4	1.8	1.6	1.9
Singapore	2.3	3.9	3.1	0.7	1.1	2.3	0.6	0.4	0.6	0.8	1.2
Hong Kong	2.6	3.8	3.0	-1.2	-0.9	2.5	1.5	2.4	2.9	2.1	2.1
Taiwan	2.4	3.1	2.7	2.3	2.5	2.4	0.6	1.4	0.6	0.9	1.2
Malaysia	2.1	5.9	4.7	4.3	4.1	4.6	3.8	1.0	0.7	1.7	1.8
Indonesia	2.0	5.1	5.2	5.0	5.0	5.2	3.8	3.2	3.0	3.2	3.4
Thailand	2.1	4.0	4.1	2.4	2.3	3.4	0.7	1.1	0.7	0.8	1.2
Philippines	1.7	6.7	6.2	5.9	6.2	6.3	2.9	5.2	2.5	3.1	3.1
Vietnam	1.5	6.8	7.1	7.0	6.5	6.6	3.5	3.5	2.8	4.2	3.5
India	1.4	7.2	6.8	5.0	5.9	6.4	3.6	3.4	4.3	4.0	4.3
Canada	1.5	3.0	2.0	1.6	1.6	1.9	1.6	2.3	1.9	1.9	2.0
NZ Trading Partners	100.0	4.2	4.1	3.4	3.2	3.6	1.8	2.0	2.0	2.2	2.0
Forecasts for New Zealand											
Consensus		3.1	3.2	2.3	2.1	2.5	1.9	1.6	1.6	1.9	1.9
BNZ Forecasts		3.1	3.2	2.2	1.9	2.4	1.9	1.6	1.6	1.8	1.7
The World		3.2	3.2	2.5	2.4	2.7	2.5	2.9	2.7	2.7	2.6

Longer, U-shaped economic impact from C-19

The coronavirus outbreak is likely to affect NZ's economy through all of 2020, rather than being a short, sharp shock in the March quarter, Finance Minister Grant Robertson said. The spread of the virus outside China meant a longer term impact was inevitable. The govt was putting the Budget together and "we have to build in planning for fiscal stimulus that might be required" if the crisis develops into a global pandemic. "We're not there yet, but we have to be planning for it."

Business confidence fell in the ANZ NZ Business Outlook Feb survey with responses taken earlier in Feb more positive than those taken later, as exporters became increasingly concerned about covid-19. Two-thirds of survey responses were received at the beginning of Feb, but the remainder were collected after Feb 17. **In the first sample group, confidence fell by 14%, while confidence among the second group fell by 33%.** Nearly a fifth of the first sample expected stronger activity for their firm, while only 4% of the latter sample did.

Cumulative exports to China from Jan 27 to Feb 23 may be around \$300m, or 19%, lower than they would have been without covid-19, according to provisional data from Stats NZ. The value of exports to China in the period was \$1.1b, down 8% compared to the same period a year earlier. If exports to China had followed typical patterns, projections suggest value of exports in the four weeks to Feb 23 would have been about \$1.4b. The cumulative value of exports to all other countries - excluding China - in the four weeks was about \$3.6b, down around 2% from a year earlier.

The Crown accounts for the seven months to Jan recorded a surplus of \$1.4b. Core Crown expenses were also close to forecast at \$53b and net core Crown debt was \$0.4b lower than forecast at 19.5% of GDP. Grant Robertson said NZ was in a strong position to weather any economic uncertainty as a result of coronavirus, with the books in surplus and expenses close to forecast.

Building consents

Building consents for residential dwellings rose to 2,564 in Jan, up 2.7% from a year earlier. Permits for new standalone houses were up 3.9% in Jan at 1,584. On an annual basis, there were 22,253 new houses consented, up 4.6%, while apartment consents climbed 24% to 4,662, retirement village units rose 15% to 2,292, and townhouse, flat and unit consents jumped 28% to 8,399. ■

Primary sector

John Monaghan appears to have cleared the path for **Peter McBride**, the former chair of **Zespri**, to move into the chairmanship at **Fonterra**. Monaghan, who took over as chair when then incumbent **John Wilson** became too unwell to continue in the role, said a formal succession will be announced by Aug and that he will retire formally at the Nov AGM.

Dairy prices fell for the third consecutive time at the **Global Dairy Trade** auction, though analysts noted the drop was not as large as some had anticipated. The GDT price index fell 1.2% from the previous auction two weeks ago. **Fonterra** maintained its Dec forecast farmgate milk price range at \$7-to-7.60 per kilogram of milk solids for the 2020 season, despite lower milk collection due to dry conditions. However, **NZX** reduced its milk price forecast for the 2019-20 season to \$7.12/kg MS.

Fonterra Australia agreed to sell its shuttered Dennington factory to ProviCo Australia for an undisclosed sum.

A2 Milk lifted first-half profit 21.1% to \$184.9m and is looking at additional manufacturing.

Merck & Co bought a 13.6% stake in farm-management software developer FarmIQ for an undisclosed "multi-million" dollar figure. FarmIQ began as a govt-sponsored research and development project in the now-defunct Primary Growth Partnership and went commercial in 2017. MSD Animal Health - a Merck subsidiary - joins existing shareholders **Farmlands, Silver Fern Farms, Pamu Farms NZ, and Veterinary Enterprises Group**.

PGG Wrightson net profit for the half year ended Dec was \$12.8m, compared with \$0.3m a year earlier, on improved sales for its livestock and horticultural businesses. It forecast full year operating earnings of around \$30m, but warned the second half might be more challenging with some volatility to earnings due to the impacts of covid-19.

Scales Corp's 2019 underlying profit 2019 was \$36.4m, up 2% from the previous year. It expects a wider spread of export markets to mitigate the impact of covid-19.

Delegat Group reported an operating profit of \$34.4m in 1H20, up from \$31.4m a year earlier, as revenue rose 10% to \$156.7m. It sold a record volume of 1.7m cases, and said it was on target to lift annual case sales 8% to 3.2m.

NZ King Salmon expects to be able to divert product from the US foodservice and restaurant market and into an expanded range of supermarkets if there is a significant covid-19 virus outbreak in the US, where it makes 36% of its sales. NZKS is in 600

supermarkets in the US and could expand over six months into 2000 outlets, says ceo **Grant Rosewarne**. NZ, with 44% of its sales, is its other major market.

Banking, insurance and finance

KiwiSaver default funds will be 'balanced' rather than 'conservative' portfolios in future, the govt announced. Default funds will also be banned from investing in fossil fuels.

Kiwibank's 1H20 net profit fell 18% to \$51m as its interest margins narrowed and operating costs rose but it increased market share.

Without fanfare, the **RBNZ launched its new payment settlement system**, replacing the 20 year old inter-bank settlement system and central securities depository architecture.

NZ Super Fund unaudited 2019 calendar year results showed a 21.13% return and put the fund at about \$47b as at Dec 31. The recent market decline had set this back to \$44.89b. The Fund intends to tilt to international equities to take advantage of recent stock price weakness.

Energy and resources

Pressure is mounting - and there are signs of ministerial acquiescence - to allow a regulatory intervention that would cut the cost of electricity transmission to the **Tiwai Point** aluminium smelter. Such a move may be sufficient to ensure majority owner **Rio Tinto** keeps the plant open. The smelter reported a \$46.2m underlying loss in 2019 despite its highest metal output since 2011. It reported earnings of \$67.8m in 2018.

Rising carbon costs will be a disincentive to electrifying transport and industry, says **Genesis Energy**, the electricity generator most exposed to thermal fuels. The current electricity market structure - coupled with the higher carbon costs - risks providing renewable generators "windfall" gains from higher wholesale power prices driven up by higher Emissions Trading Scheme costs.

Genesis cut full-year guidance by \$10m, citing low North Island inflows since Jan and on-going weak South Island wholesale prices. It reported a 16% decline to \$167m in earnings in 1H20. The company is in talks to buy the output of a proposed **300MW northern Waikato solar farm** that appears to be capable of delivering at a price consistent with wind.

Mercury also cut full-year earnings guidance because of low NI hydro inflows, reducing expected ebitdaf by \$10m to around \$500m. 1H earnings were down 15%. The earnings announcement was the last by ceo since 2014, **Fraser Whineray**, before he moves to become chief operating officer at Fonterra.

Meridian Energy reported record first-half earnings of \$465m, 20% higher than the same period a year earlier.

Vector reported a 3.4% fall in first-half profit to \$80.5m and capped dividend payments at 16.5 cents per share.

Refining NZ is seeking cost savings and considering other responses as the coronavirus adds to pressures on its processing margins. The company reported an 86% drop in 2019 net profit to \$4.2m after the US-China trade war, sanctions, and changes in marine fuel standards slashed global processing margins late last year. The coronavirus will likely heighten market volatility in the first half of 2020. The company didn't declare a final dividend.

Todd Corp-controlled, ASX-listed **Flinders Mines** gained minority shareholder approvals to allow a A\$7.2b iron ore mine development, including a 160-km railway and new port, in the Western Australian Pilbara region. It had been attempting to get Flinders shareholder backing since 2015.

Transport, tourism and logistics

Air NZ lowered its annual earnings guidance by between \$35m and \$75m and has been progressively reducing international services as the covid-19 virus outbreak reduces travel demand. It expects total Asia capacity to be down 17% between Feb and June, trans-Tasman capacity down 3% between March and May, and domestic capacity down 2% across March and April. It is attempting to stimulate domestic and trans-Tasman demand with quickfire sales.

Ports of Auckland won't pay a first-half dividend as its automation programme eats into earnings and the coronavirus outbreak weighs on transport movements with the forecast annual dividend of \$8.7m also likely to be lower. Profit fell to \$17.2m in the six months ended Dec 31, down from \$24.4m a year earlier.

Port of Tauranga cut full-year profit forecast by \$2m to between \$94m and \$99m because of reduced export log volumes due to the coronavirus. **Gisborne's port** said it's moving only about 20% of usual log volume. The NZ Forest Owners' Assn warned Chinese wharves would soon be at capacity if they are not already.

Freightways is considering legal action over **NZ Post's** discounted zonal pricing, which it says is cheaper in areas where its **DX Mail** delivers. **NZ Post** reported net profit of \$31m 1H20. Parcel growth drove revenue up by \$20m to \$491m. Letter volume declined 11% to 176.6m. A decade ago, NZers were sending 1b letters a year.

CORPORATE ROUND-UP

Online travel company **Serko** reported a drop-off in bookings which it believes is due to covid-19 and downgraded annual revenue guidance.

Tourism Holdings' net profit fell 25% to \$13.1m for the six months ended Dec and remains confident about its full year guidance, despite difficult trading conditions in some markets.

Telecommunications, media and entertainment

NZME wrote off more than half the book value of its brands, mastheads and goodwill in its full-year result. The \$175m impairment charge caused a reported loss of \$164.7m compared to a profit of \$11.7m a year earlier. Its intangible assets are now valued at just \$150.3m. Operating earnings were up 4% at \$19.7m as it cut costs by 4% to \$321m. Revenue fell 4% to \$371.7m and some 21,000 readers are paying for digital subscriptions, for revenue of less than \$2m in the latest year.

Stuff's advertising revenue fell 10% to A\$67m in 1H20, while circulation revenue was down 3% to A\$41.7m. New venture revenues more than doubled to A\$21.1m, helping lift first-half revenue 3% to A\$129.8m and earnings 2% to A\$17.7m. **Stuff's** owner, **Nine Entertainment**, is still seeking to sell **Stuff** and **NBR** publisher **Todd Scott** claims to be using Sydney-based PE firm **Anacacia Capital** to negotiate with **Nine** on an unspecified deal. **NZME** ceo **Michael Boggs** said his company was making progress in talks with govt on a 'kiwishare' deal that could ease its path to merging with **Stuff**.

TVNZ reported earnings of \$26.3m for the six months to 31 Dec 2019, up \$500,000 on 2018. Total revenue was up \$5.5m to \$179m due to growth in both television and online advertising revenue.

The **Rugby World Cup** boosted revenues and the broadcaster is looking to a similar impact from the **Tokyo Olympics**. It would expect a hit to earnings if the Games are cancelled.

Vista Group International paused the planned purchase of an additional stake in **Vista China** until the impact of coronavirus becomes clearer.

RNZ withdrew slogans in a new brand campaign that discouraged uptake of paid subscriptions for news services following protests from private sector news publishers.

Manufacturing

Fisher & Paykel Healthcare lifted full-year earnings guidance as it benefits from increased demand for its respiratory products because of the covid-19 outbreak. It now expects full-year operating revenue to be approximately \$1.2b for the year ending March 31 and raised its net profit forecast to between \$260m and \$270m from \$255m to \$265m, assuming the NZ dollar is at 64 US cents.

Retirement and healthcare

Metlifecare lifted first-half net profit by 28% to \$24.6m with increased resales volumes and higher selling prices. **Summerset** reported an 8% lift in its underlying profit to \$106.2m in calendar 2019 but isn't expecting any growth this year - for the first time since listing

Courts and regulation

Business NZ called on NGOs that send employee activists into dangerous protest situations to be treated as would any other employer under health and safety legislation. That followed a protest at sea by two anti-oil exploration activists who required assistance after climbing onto the superstructure of an oil rig being towed into position in the **Taranaki Bight** by **OMV**.

ANZ Bank settled with the Commerce Commission over a breach of its responsible lending obligations and agreed to pay a further \$29.4m compensation. In the Commission's first completed responsible lending case, the bank admitted failure to take necessary care when providing loan variation information to more than 100,000 customers.

People

Former **Meridian Energy** ceo **Mark Binns** was appointed chair of **Crown Infrastructure Partners** replacing **Simon Allen**.

Gentrack announced the departure of chief executive, **Ian Black**, just three days before its AGM, without explanation. It follows a string of downgrades and missed forecasts since listing in mid-2014, although **Black** wasn't appointed until Jan 2016. Board chair **John Clifford** will assume the role of executive chairman until the company finds a new chief executive. ■