HUGOvision

Assessing the economic and political environment in New Zealand

November 27 2020 | Confidential to HUGO members

Intervention staged, and rebuffed

Page 2

Facing intense pressure to 'do something, anything' about the surprise housing boom, Finance Minister Grant Robertson took the unprecedented step of sending a letter to Reserve Bank Governor Adrian Orr with monetary policy advice. He asked the bank for help to moderate housing market inflation and for advice on the demand and supply settings for the market. Robertson suggested adding a clause to the bank's monetary policy remit to avoid unnecessary volatility in house prices. Orr responded immediately with a curt letter, saying he was already monitoring prices and that rising house values were a monetary policy transmission channel.

'How about you change taxes …'

Page 3

Orr also said he would be happy to suggest tax changes, highlighting the tight corner the govt has painted itself into with tax reform. Robertson again ruled out capital gains, wealth or land taxes, along with a stamp duty, in this term. One possibility is extension of the 'bright line' test for capital gains for landlords, possibly from five to 10 years, and yet more tightening of ring fencing rules for rental property income.

'… while we tighten the lending rules'

Page 3

The Reserve Bank is seen more likely to try to douse the flames through the macro-prudential channel. Deputy Governor Geoff Bascand said the bank would try again to introduce limits on debt to income ratios (DTIs). The last National Government rejected the bank's first attempt. The current govt will also have to avoid appearing to punish first home buyers for the sins of rental propert investors by targeting any DTI limits at landlords. Banks did their bit by voluntarily reimposing LVR limits on investors, in part to reduce a flood of applications.

Nanaia Mahuta's tougher stance on China

Page 4

US President-elect Joe Biden favoured NZ with an early call to Jacinda Ardern this week, congratulating her on NZ's covid-19 record and emphasising America's common interests with NZ - not the least being pushing back at China's more aggressive approach in global diplomacy. The call came as Nanaia Mahuta toughened NZ's stance by joining a Five Eyes statement condemning China's actions in Hong Kong.

Goodfellow re-elected National President - for now

Page 4

National Party president Peter Goodfellow held on to his role despite talk his head would be on the block after the party's awful election experience. Candidates put up to challenge him didn't get over the line, but the pressure is building, particularly after his tone-deaf conference speech about Jacinda Ardern's 1pm covid-19 pressers as being a 'temporary tyranny'.

The 'Harvey Norman' effect gets the tills ringing

Page 6

Employment, spending and the housing market are all doing better than expected back in the first half of the year. Retail sales bounced sharply in the Sept quarter, with furniture, electrical and hardware sales leading the way. The 'Harvey Norman' effect featured, with many home owners feeling richer and keen to spend money they would usually spend on holiday overseas. After weeks locked up, consumers were keen to buy new couches and bigger flat screen televisions.

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Contact: hugo@thehugogroup.com. No responsibility is accepted for acts or omissions by clients as a result of items herein.
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Intervention staged

Under pressure from both sides of the political spectrum to 'do something' about the surprise housing boom since the lockdowns lifted, Finance Minister **Grant Robertson** appeared to take unprecedented action this week by formally asking **Reserve Bank** Governor **Adrian Orr** to help the govt moderate house price inflation.

Earlier, **National's** Shadow Treasurer **Andrew Bayly** took the similarly unusual step of calling on Robertson to order the Reserve Bank to attach strings to its cheap loans to banks. PM **Jacinda Ardern** was quick to label the suggestion as 'Muldoonist'.

Robertson's mentor and Labour Party grandee **Michael Cullen** also raised the temperature on Tuesday with a detailed call for a debate about Reserve Bank independence and even suggested the central bank directly fund deficit spending on infrastructure -- bypassing the bond markets. It also emerged the Reserve Bank and Treasury briefed Robertson on deficit 'monetisation' in May, although Robertson has downplayed the prospect for now.

Robertson sent the letter on Wednesday at midday, having discussed it with Orr informally the previous day.

"Now is the time to consider how the Reserve Bank may contribute to a stable housing market," Robertson said in the letter, which was at pains to emphasise the bank's independence, but gave exactly the opposite impression to the less nuanced reader.

He suggested inserting "and house prices" into the Monetary Policy Committee's formal remit that currently says the MPC shall: "seek to avoid unnecessary instability in output, interest rates, and the exchange rate." The remit was agreed between Orr and Robertson in Feb last year and removed language used in previous 'policy targets agreements' about monitoring asset prices, as superfluous.

'So you want tighter policy?'

Financial markets definitely took the intervention literally, rather than figuratively. The NZ dollar jumped almost a cent to a two-and-a-half year high above 70 USc and interest rate markets rose 20-30 basis points. Economists watered down their forecasts for a negative official cash rate early next year, although also pointed out recent stronger economic data was a factor.

Orr responded immediately to Robertson, saying the monetary policy committee already took all asset prices into account, including housing. Orr also said lower interest rates would continue to be effective in supporting the economy through the coronavirus economic shock and noted higher house prices were one of the transmission mechanisms for monetary policy.

Robertson stopped short of suggesting changing the underlying Section 8 of the Reserve Bank Act, which specifies the bank must keep the 'general level of prices stable over the medium term' and 'support maximum sustainable employment', but makes no mention of house prices.

Orr's letter pointed that out in rather a tart way, saying that while Robertson wasn't going to change Section 8, all the Reserve Bank had to do was acknowledge the letter and get on with its job, which included already doing what Robertson had asked for.

The exchange again emphasised the pressures dragging Orr and Robertson apart when the OCR is near zero and the central bank's only tool is using interest rates to lift asset prices, which further widens the inequality gap the govt professes to want to close.

Both can credibly claim to have abided by the conventions of independence and the letter of the law, but the substance of any change remains unclear. Most economists saw the exchange as a type of political Kabuki theatre, but financial markets were more inclined to believe the black letters in the Finance Minister's letter.

So what next?

Robertson's intervention was nestled amid an announcement about a wider review of housing demand and supply settings.

He said the govt would look at the current five-year 'bright line' test for whether rental property investors are trading for capital gains. Some have suggested doubling the test to 10 years or longer. The politics make sense for Labour, given the initial two year test was introduced by National and supported by **ACT's David Seymour**, who suggested a 10 year test would be a 'capital gains tax by stealth'.

However, the reality may prove less effective at taming demand and inflation than hoped. **IRD** figures published earlier this month showed one in four landlords was not complying with the test.

IRD warned the govt in its first term as it increased the test from two years to five years that just half of landlords would comply voluntarily, forcing the expansion of efforts to chase down landlords individually. IRD is still working through a backlog of over 3,700 transactions in the 2018/19 tax year that may be subject to the test, having already found 1,700 deals were subject to it.

'Not in my political lifetime'

In the absence of political appetite for taxing wealth or capital gains, what other options for looking busy on house price inflation might the govt have?

The previous item covers the potential to lengthen the period for which the bright-line test applies.

A wildcard would be to apply thin-capitalisation rules on claiming interest for tax purposes to landlords, in a similar way that IRD ensures multinationals are unable to profit-shift overseas through big debt loads.

The supply side also looks difficult. Ardern played down the prospect this week of expanding **Kāinga Ora's** build programme beyond the 8,000 new homes in the four years to 2024 announced in the May Budget, saying the industry was maxed out, particularly with the borders still closed.

However, Robertson said Housing Minister **Megan Woods** would have more to say in the coming weeks and that Cabinet would consider demand side measures before the end of the year.

Ardern said early in the week the govt would look at further help for first home buyers trying to build a deposit, although bigger subsidies would add to demand, rather than detract from it. Robertson acknowledged this risk on Wednesday.

Could it solve itself?

One factor that may have sent a late spring chill through the housing market was the alacrity of the big four banks in adopting a 30% deposit limit for investors immediately, rather than waiting for the reintroduction of LVR controls in March.

The rise in wholesale interest rates this week will also have put a dampener on things. The high LVR lending to landlords between May and Oct was certainly a major factor in the spurt higher.

Reserve Bank figures out this week showed landlords borrowed an extra $7.5b in the five months to Oct up 39% from the same period a year ago. That included $5.6b of lending above a 70% LVR, treble the amount of high LVR lending to investors in the same period in 2019. This was much more than for first home buyers. Their high LVR loans rose just 34% over the same period.

The banks are keen to take some of the political heat out of a situation too, but they are doing it for their own internal reasons as well.

Their self-imposed 70% LVR restriction was as much about closing the door to business and customers they literally couldn't handle. Mortgage brokers have been complaining since June that the banks' turnaround times had blown out to weeks from days.

The 70% limit may also prove ephemeral because most of the surge in lending to investors has been at LVR rates between 60% and 70%. Also, the higher the price goes, the more lending the bank can do below that 70% threshold. We'll see in the Nov numbers whether the banks have really dialled back.

LVRs are not the only focus. The Reserve Bank said it would again also look to introduce Debt To Income ratio limits. It tried to bring in DTIs during the last govt, but was blocked.

The bank's Financial Stability Report this week showed a surge in the percentage of high LVR investors with DTIs of over five from around 15% to over 25%. The challenge for the Reserve Bank will be how to win political support, given a blunt DTI limit would hit first home buyers hard. One option would be to reserve a share of high LVR and high DTI lending for first home buyers.

An 'emergency' speech

Parliament displayed all its pageantry with its opening ceremonies this week. A feature was the record crop of 40 new, younger and more diverse MPs, making up a third of the 53rd Parliament and applying a bright-eyed and bushy tailed energy into the debating chamber.

The PM also spelled out the Labour-alone govt's agenda for the third term, although it was short on news and long on Labour's manifesto promises.

The concrete news from the speech was **the govt's plan to formally declare a climate emergency in Parliament next week**, and confirmation that the distribution of covid-19 vaccines next year would be free.

While this may appear to be no more than a rhetorical flourish, the announcement paves the way for the govt to start responding from early New Year to the Climate Change Commission's thinking on carbon budgets.

While the **first finalised carbon budget is due in May, a draft of the proposed budget will be table on Feb 1.**

The more profound event was the maiden speech by New Zealand's first African MP, **Ibrahim Omer,** who fled war-torn Eritrea as a teenager and migrated to NZ as a refugee. He then worked as a fruit-picker and security guard, before becoming a cleaner at **Victoria University**. He cleaned the lecture theatre he first attended to get his degree.

CEO Retreat 2021

The next Hugo Group CEO Retreat is scheduled to run from **dinner on Thursday August 19 to lunch on Saturday August 21**.

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.

POLITICS AND POLICY

"I'm an Eritrean. I'm a former refugee. I'm a Muslim. I'm a trade unionist and a living wage advocate. But most importantly I stand here before you today as a Kiwi bursting with pride," Omer said.

His speech was given a standing ovation and congratulated across the political spectrum.

The **Maori Party** demonstrated theatrical skills by staging a walkout over the fact that neither of its MPs had previously given a Maiden Speech and therefore could not - according to Standing Orders - address the Parliament as a party leader at the opening. The action generated headlines that were probably the envy of party leaders who had speaking rights and gained minimal coverage.

A tougher stance on China

Joe Biden made a call to Jacinda Ardern one of the first 20 or so calls to world leaders he made over the last week. He was one of two G-7 leaders who made a call to Ardern in that time. She **also spoke to French president Emmanuel Macron** ahead of the release of the Royal Commission's report into the March 2019 Christchurch mosque terrorist murders.

Biden's call should be seen not only in the context of the US president-elect reaching out to a political fellow traveller, but also as an early indication of a Biden administration's focus on restoring traditional alliances.

The Trump administration's isolationism has damaged America's post-war status as an international leader at a time when China is on the rise.

As noted in the last issue of HUGO*vision*, there is unanimity across the US Congress that containment of Chinese geo-political ambition and technological rivalry is a national security goal. Biden's early approach to NZ, along with NZ's participation in a joint Five Eyes statement on China, should be seen in that context.

Remember that NZ declined to participate in such a statement earlier this year and made its own, differentiated statement criticising China's crackdown on human rights and democratic freedoms in Hong Kong. NZ's participation in the latest statement suggests a 'return to the fold' now that the Trump presidency is passing.

Chinese official reaction in Beijing was swift and variously reported as threatening either "a poke in the eye" or to"poke eyes out".

The Chinese embassy in Wellington, which had earlier that week issued an encouraging statement on NZ-China trade potential through selected media, responded vigorously also.

"It is a basic political ethics in any country that holders of public office, legislators in particular, shall uphold constitutional laws and pledge allegiance to the country. No country will turn a blind eye if they betray their country, violate such allegiance, seek external interference and endanger national security.

"Once the prejudice and arrogance spread, they are like fire burning in the wilderness. The Chinese side urges the Five Eyes Alliance and its member to abide by the international law and the basic norms governing international relations, refrain from going further down the wrong path, and collude with each other in wrong-doings."

A new dynamic is emerging in NZ's relations with both China and the US.

On the horizon ...

Political and economic milestones to watch for

- Nov 30 - RBNZ publishes bank lending stats for Oct
- Dec 9 - Parliament rises for 2020
- Dec 16 - Treasury releases Half Yearly Fiscal and Economic Update
- Dec 17 - Stats NZ publishes Sept qtr GD
- Dec 22 - Final cabinet meeting of 2020

Goodfellow survives - for now

The National Party re-elected **Peter Goodfellow** as president at its AGM on the weekend.

This reflected two things: the absence of better alternatives - members were not convinced that former MP and Speaker David Carter would do a better job - and that the party has yet to truly confront the dimensions of its 2020 election loss.

Possible contender **Grant MacAllum's** challenge to Goodfellow appears to have failed as much because of the perception that he mishandled the selection for Auckland Central as because he advocated a change agenda. MacAllum favoured the selection of **Nuwanthie Samarakone**, who already had the party's Manurewa electorate nomination, for the Auckland Central candidacy. That gambit created one of many own-goals for National in the campaign.

It is too early to be sure whether the sudden reappearance of former PM John Key at the conference and in the media is significant.

However, the appointment of Jamie Beaton - the youthful co-founder of education start-up Crimson, of which Key is a director - on the election campaign review committee is at least interesting.

The party looks very much as if it has barely begun to grapple with the rejuvenation task that both the Labour and National parties habitually go through after long periods in office.

Some senior National MPs openly discuss the likelihood of another six years in Opposition, barring a cataclysm for Labour. That could yet include a severe global recession, but that is a decreasing likelihood as the covid-19 virus becomes better understood and the prospect of vaccines by mid-year increases.

The election campaign review will be chaired by **Mark Darrow** and members include former president **Judy Kirk**, former minister **Kate Wilkinson**, and **June McCabe**. They will examine election preparations including candidate selection and caucus performance, the campaign and the outlook for the party. A draft report is due back by Jan 25, with a final report by Feb 22.

Borders closed to 2022?

Air NZ was alarmed to hear Covid-19 minister **Chris Hipkins** say in one media interview that it could be 12 to 18 months before NZ borders reopen. However, it appears this should be interpreted as the Cabinet's planning horizon for a full return to global connectivity.

This is a far longer time horizon than has been looking either likely or necessary and it may be that Hipkins either misspoke or was misreported.

Expectations among vaccine-watchers, based on judgements about which countries are likely to start opening their borders first, are that the Asia-Pacific region - if not the US - will be returning to something like normal by this time next year.

Key officials and external advisers to the govt on vaccine procurement and distribution strategy are also now pressing for the NZ govt to recognise and plan to exploit the competitive advantage created by NZ's globally recognised status as a covid-free haven.

This is a distinctly different pitch from the cruder "open the borders for the economy's sake" approach that cut no ice with govt ministers earlier in the year.

Early 2020 key for border moves

The decision announced on Friday to allow 2,000 temporary workers from the Pacific to enter the country in January to help harvest summer horticultural crops is a bellwether of the likely course of the first half of next year.

While the govt is determined to deliver a lockdown-free Christmas/New Year holiday, expect a new willingness to take a greater degree of risk with essential workers and cross-border travel from early next year.

NZ's covid settings, while relaxed within the borders to the point where compliance with basic public health protocols is widely ignored, remain very stringent by global standards. Some officials and advisers are concerned that if, for example, Australia finds NZ will not open a bubble early next year, it will look elsewhere.

Against that argument, those advisers should be under no illusion about the PM's determination to maintain the national brand equity in NZ's 'covid-free' status, both for electoral purposes and because extreme caution has been a winning strategy for NZ.

Border testing and vaccine strategy

Meanwhile, the govt introduced new testing measures for border workers, including increasing the frequency for some of those at higher risk. The strengthened rules apply to all international airports and ports and follow the marine employee cluster last month, which began after an engineer caught covid-19 while working on a foreign vessel.

The govt confirmed it is in talks with several companies working to make a vaccine for covid-19. It is also setting up the infrastructure to store and transport the vaccine when it arrives. One new covid-19 vaccine is almost 95% effective, early data from US firm Moderna shows. Covid Minister **Chris Hipkins** would not say whether there were talks with Moderna, citing commercial sensitivities.

The govt also placed another order for a possible covid-19 vaccine, this time from **Janssen Pharmaceutica**. The in-principle deal is to purchase up to 5m doses from the **Johnson & Johnson** subsidiary. It is conditional on successful clinical trial and regulatory approval.

Jinan city authorities in China confirmed a sample taken from packaging on a shipment of NZ tripe tested positive for covid-19 genetic material. **MFAT** said "there is no evidence that the NZ product was the source of covid on the packaging in the facility."

Coming up

Nov 30 - Heartland Group AGM Eden Park

Dec 3 - Scott Tech AGM Dunedin

Dec 9 - Hallensteins Glasson AGM - Rydges Latimer Christchurch

Dec 11 - Westpac Group AGM

Dec 16 - Sanford AGM

Dec 16 - ANZ Group AGM

Dec 17 - Marlborough Wine Estates AGM

Dec 18 - NZX listing of NZ Rural Land Company

The Green reshuffle

Julie Anne Genter and **Chloe Swarbrick** become responsible for the development of the Greens' economic policy, which is a technical win for **James Shaw's** more centrist wing of the party.

Firebrand new MP **Ricardo Mendez March** learnt the hard way that trying to be funny on social media can backfire. Given the senior citizens' role, he joked he could now legitimately ask: "are you OK, Boomer?"

Boomers were quick to take offence and newly minted Senior Citizens Minister, first-term MP **Ayesha Verrall** chided her Green colleague.

Budget better than forecast

The govt's budget deficit before gains and losses was $23b in the year ended June 30, which was $5.2b better than forecast in May because the economy has performed above expectations, generating $3b more taxes than expected. Spending was also $5.2b lower than forecast because of lower benefit spending and delays in capital spending.

Net core Crown debt as a percentage of GDP was 27% versus 19% a year earlier, but also below the 30.2% forecast in May.

'The Harvey Norman effect'

Employment, spending and the housing market are all doing better than expected back in the first half of the year.

Retail sales rose 7.4% in the Sept quarter from the same quarter a year ago, bouncing strongly from the 15% fall in the June quarter when the country was in lockdown.

New and used car sales and parts rose 13%, while sales through supermarkets rose 8.4%.

The 'Harvey Norman' effect featured, with many home owners feeling richer and keen to spend money they would usually spend on holiday overseas. After weeks locked up, consumers were keen to buy new couches and bigger flat screen televisions.

Homeowners also launched into home renovations, gardening and DIY. Sales through hardware, building and garden supplies stores rose 16% in the quarter, while sales of electrical and electronic goods rose 25%.

Reporting a 28% rise in six month sales and a 160% increase in net profit, **Harvey Norman** chairman **Gerry Norman** said he expected the strong sales to go on for another three or four years because interest rates were low for both borrowing and saving.

"This is like the greatest boom I've ever seen in my lifetime," the 81-year-old chairman said this week.

Tighter monetary conditions

The intervention of Grant Robertson to ask the Reserve Bank to avoid pumping up the housing market too much more was noticed on currency and interest rate markets.

The NZ dollar rose more than a cent on Wednesday and Thursday this week to a two-year high over 70 USc because of perceptions the Reserve Bank will run a tighter monetary policy in the wake of Robertson's letter.

The 10 year govt bond yield rose almost 20 basis points to a four-month high of 0.975% late this week after the intervention. The one-year swaps rate has risen 20 basis points to 0.26% this week.

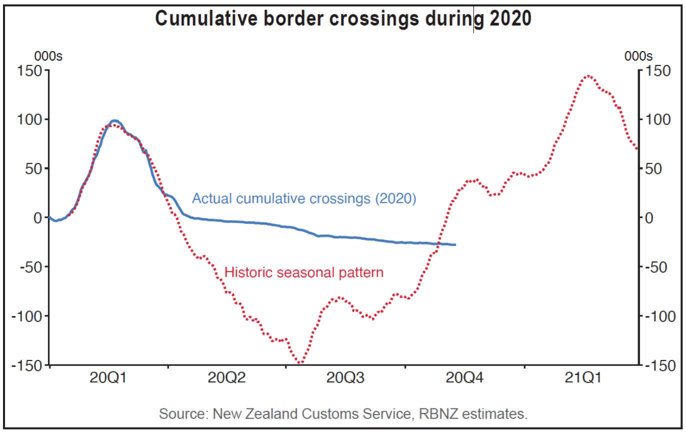
A crowded winter

One feature of the spending and housing pictures through 2020 was the sharp drop in arrivals of tourists, students, temporary workers and migrants.

The intuitive assumption would that reduced demand for spending in NZ, given an apparent lack of new arrivals.

But this chart from the Reserve Bank shows that, counterintuitively, the lack of NZers going away on winter holidays and the inability of many visitors from the 2019/20 summer to leave meant there were more 'warm bodies' here spending over the winter and spring.

But the corollary is that the failure of the usual



hundreds of thousands of tourists arriving this summer means a large 'deficit' of 'warm bodies' is expected through December, January and February, which would depress spending.

Another counter-intuitive trend

Usually a global economic shock is bad for NZ's current account and trade balances as demand for exports subsides and earnings from overseas assets fall.

But this covid-19 recession has proven surprisingly good for New Zealand's trade and current accounts.

Stats NZ reported this week a goods trade surplus of $2.2b in the year to October as sales of dairy and fruit were robust, and imports were hit much harder.

Exports rose 1.2% to $60b for the year, while imports fell 10% to $58b. That created the strongest goods trade surplus since the year to July 1992. It also represented the fastest ever improvement in sales.

Primary sector, food and beverages

A2 Milk said it is seeing some early signs of improvement in its daigou sales channel as it reiterated earnings guidance for the first half and full financial year.

Dairy prices rose 1.8% in the latest Global Dairy Trade Event with whole milk powder prices also rising 1.8%.

One-off costs including retrospective payments to workers pulled the meat processor **Alliance's** profit before tax down to $7.5m. This compares with a $20.7m profit before tax in 2019.

Manufacturing and construction

Fletcher Building told shareholders it expects to report up to a 46% increase in first-half operating earnings in the range of $305m to $320m.

Fisher & Paykel Healthcare reported a record first-half net profit of $225m with operating revenue up 59% to $910.2m as sales of respiratory equipment and supplies surged to hospitals and other facilities treating covid-19 patients with breathing difficulties.

Metro Performance Glass reported first half net profit of $7.6m for the six months ended Sept, down 2% on the year earlier. Revenue dropped 14% to $117m, with a small gain in Australian sales offset by a 19% drop in the NZ business. A $6.5m wage subsidy in NZ only partly offset the impact of the lockdown.

Property

Stride Property entered into a conditional agreement to purchase 20 Customhouse Quay in Wellington for $228m. In tandem, Stride Investment Management, announced a $220m capital raising combining an underwritten $180m placement and $40m share purchase plan.

Vital Healthcare Property Trust bought the Grace Hospital in Tauranga for $95m with a 5.25% rental yield.

A valuation gain of $11.8m on investment properties helped **Kiwi Property** to a 47.5% increase in first-half net profit to $54.2m. Rental income declined 5.3% to $84.9m in the six months ended Sept 30, reflecting the cost of rent relief put in place to support tenants during lockdowns.

Transport and logistics

Napier Port lifted annual profit 4.2% to $20.4m, meeting its prospectus forecast from last year as it eked out more revenue per trade unit. The covid-19 pandemic disrupted cargo volumes and brought cruise ships to an abrupt halt, and it signalled Sept 2021 operating earnings would be between $34m and $38m, down from $41m this year.

The Isle of Man Ship Registry was selected as the flag state to oversee construction of two rail-enabled RoPax ferries for **KiwiRail's** inter-island service.

Logs are being transported again on the railway between Wairoa and Napier line, 10 months after the line was returned to service. KiwiRail is planning two return services each weekend, each with 24 wagons.

Energy and resources

Refinery NZ confirmed it would lay off 90 people as it rationalises Marsden Point operations. The workforce of about 550, including some 150 contractors, was already down from 650 last year. The company has been running the plant at reduced throughput since the pandemic slashed fuel demand and reduced profitability of refineries worldwide.

Genesis Energy is reviewing its continued ownership of a 46% stake in the Kupe oil and gas field. The review comes as the operator, Beach Petroleum, assesses additional drilling to prolong the life of the field.

Would-be ironsands miner **Trans-Tasman Resources** appeared to struggle in a Supreme Court application relating to the declining of its EEZ Act consent application to hoover ironsands from the South Taranaki Bight.

Banking, finance and insurance

Suncorp NZ agreed an unspecified deal with the Earthquake Commission over allocating the costs from the 2010 and 2011 Canterbury quakes. The value of the deal is commercially sensitive. Suncorp valued its claims from the Canterbury quakes at $100m, down from $139m a year ago.

The Reserve Bank hired independent auditors to find out how it accidentally disclosed its decision to press ahead with a Funding for Lending scheme in a letter to some non-bank financial institutions ahead of the public announcement. It said the letter did not contain specifics of the scheme and was unlikely to have provided anyone with a market advantage.

BNZ announced it would close eight of its branches on Christmas Eve and 30 more before the middle of next year.

Tower Insurance will be paid $42.1m following the settlement of a dispute with the Earthquake Commission over Canterbury earthquake claims.

Tower reported a 28% decline in annual profit to $11.9m in the 12 months ended Sept 30 due to a smaller settlement with the Earthquake Commission than anticipated which incurred a $13.1m impairment charge.

CORPORATE ROUND-UP

Service industries and healthcare

Summerset Group gained resource consent to build a $150m retirement village in Lower Hutt housing more than 300 residents.

Ryman Healthcare's first-half net profit jumped 12.8% to $212.4m because of rising property values, but the retirement village operator said its underlying result was down 14.2% due to covid-19 challenges. The company said uncertainty created by the ongoing pandemic meant it won't be providing full-year guidance, although it is expecting a stronger second half.

Tech and IT

Rocket-Lab co-founder **Mark Rocket** launched a new aerospace business aimed at offering more affordable aerial imaging than satellites and is seeking $3m to make it happen. His new company, **Kea Aerospace**, plans to build a solar-powered unmanned aircraft which will fly continuously for months at a time, capturing high-resolution aerial imagery.

Bladder cancer testing company **Pacific Edge** reported revenues rose 50% to 4.1m in the six months to Sept as it scaled up sales in the UUS. Net loss improved 25% to $7.1m andmonthly cash burn fell 23%. It has $29.3m in cash after a $22m capital raise earlier in the year.

Telcos, media and entertainment

NZME presented its three-year strategy document to investors and analysts, including a plan to have 15% of NZ households subscribing to the NZ Herald online and in print. This plan included having 210,000 digital subsribers by the end of 2023 and renaming NZME's regional newspapers to include the 'Herald' name in their titles. It also put GrabOne up for sale.

Chorus raised $400m through a retail bond issue of seven and 10 year bonds yielding 1.98% and 2.51% respectively. The issue was oversubscribed and the telco accepted $200m of oversubscriptions.

Wholesale and retail

Turners Automotive Group's revenue for the half year to Sept was down 14% at $148m. Net profit after tax was up 25% to $13.4m. Turners now expects to achieve earnings for the full year closer to the upper end of its Sept guidance of between $28m to $31m because of higher margins and firm sales of cars after the lockdown. Shipping disruptions restrained used car supplies from Japan at the same time as sales boomed after the lockdown as bus and rail passengers looked to commute by car instead.

Capital markets

Harmoney fell 3.9% to $3.60 on its first day of trading on the NZX. The stock's primary listing on the ASX fared even worse falling 4.3%.

Vocus Group is planning a dual NZX/ASX listing before June next year. Vocus is NZ's third largest fixed broadband retailer with an estimated market share of 13%, behind Spark (41%) and Vodafone (24%). In August, Vocus NZ posted revenue of A$378.8m for the 12 months to June.

The **NZX** made its specialist technology committee a permanent part of its governance structure.

Corporate actions

Icehouse Ventures plans a follow-on fund to the IV100 scheme it has used to help fund 100 Kiwi start-ups since 2017. The index-style IV100 II fund is aiming to invest in another 100 firms in the next three-to-four years and has already raised $5m of the $10m it needs.

People news

SkyCity Entertainment's ceo Graeme Stephens, cfo Rob Hamilton, and chief marketing Liza McNally, all announced on one day that they were leaving the company before the end of March. The surprise departures came after coo Michael Ahearne won an internal contest for the ceo role with Rob Hamilton. Stephens had previously indicated to the board he wanted to retire after four or five years. He had been at Sky City for three and a half years. McNally's departure was unrelated as she is moving back to live with family in Australia.

AMP Capital named ethical investment specialist **Rebekah Swan** as the new managing director of its NZ business.

Craigs Investment Partners' current investment banking managing director, Jeremy Williamson, will take up a newly created role as head of private wealth and markets.

Milford announced new hires in Sydney to integrate ethical and sustainable governance principles. Marissa Rossi was appointed to the newly-created position of head of sustainable investments, while senior analyst Jason Kururangi has been added to the Sydney team to help manage the Australian Absolute Growth Fund.

PO Box 25120, Wellington 6140, New Zealand
PHONE 04 385 6249 EMAIL hugo@thehugogroup.com www.thehugogroup.com