HUGOvision

Assessing the economic and political environment in New Zealand

February 5 2021 | Confidential to HUGO members

A cheaper than expected price tag

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The Climate Change Commission's draft carbon budgets landed with a blaze of publicity about massive changes for the transport, energy, farming and housing sectors, but the projected cost of around one percent of GDP to reach NZ's international committments was not as big or politically hairy as expected. The draft report was widely welcomed, but the real debate has yet to begin, with the Opposition still digesting its implications and the Government yet to show its hand on the tough issues of vehicle incentives, carbon pricing, gas appliance rules, electricity policy and farm emission targets. It's also possible the price tag could rise if the Commission's final report recommends bigger cuts to guarantee NZ meets its Nationally Determined Contributions (NDC) in the Paris Climate agreement. The earliest signs of a real world impact and possible political blow-back came today with gasfitters reporting hundreds of customers cancelling installations because of a draft proposal new gas connections be banned from 2025.

Rejoining at the back of the queue

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The machinery of Government and businesses is winding up for the biggest vaccination programme in history now Medsafe has approved the Pfizer vaccine and the first doses are expected late in March. New Zealand has been shuffled back down the queue since Chris Hipkins' much-cited comment in mid-Nov about being 'at the front of the queue' for vaccines.

No jab, no job?

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ACT and National have focused on the apparent slowness of our vaccination programme, but the extra time Medsafe and the Government have taken should also have given others more time to plan. Employers will have to work their HR and health and safety departments hard to ensure staff are encouraged to vaccinate. Aged care group Arvida was first out of the block, announcing it was making vaccination compulsory, although Russell McVeagh has warned clients the Bill of Rights Act and the Human Rights Act makes it illegal to make vaccination compulsory. MBIE says it will provide guidance 'soon.'

An amazing unemployment result

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Employment, retail spending and the housing market flew through the summer to leave the economy and the Government's finances much healthier than anyone dared to hope a year ago. Unemployment fell to 4.9% in the Dec quarter and the number of unemployed fell 10,000 to 141,000. Despite the biggest economic and social shock in a generation, the economy finished the year with more people employed (up 19,000 to 2.734m) than a year ago and unemployment up just 25,000 from a year ago. There is even talk the Reserve Bank will have to tighten later this year.

Choices aplenty for Labour's next Budget

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The combination of fast and large fiscal and monetary stimulus in March, April and May last year did the trick. The Government's tax revenues are already $700m above Treasury's Dec forecasts with seven months still to run in the year. Deficits and net debt are also much lower than forecast, creating choices for the Government ahead of its Budget Policy Statement later this month. The Government could choose to use the extra leeway in its spending and debt track to increase its housing and infrastructure spending, along with boosting operational spending in health and social development. Or it could bank the lot to reduce net debt and remove whatever little upward pressure there is on interest rates.

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Back down the queue

Covid-19 Response Minister **Chris Hipkins** may wish he could now take back his mid-Nov comments in a TVNZ interview about NZ's access to vaccines.

"Without going into detail, I think we're in a very good place to ensure that as the vaccines start to come to market, **NZ will be at the front of the queue to be getting vaccines**," Hipkins said.

Those comments came before the crisis in Europe and the US ramped up to another crescendo of infection rates and deaths as the more infectious South African, British and Brazilian strains ran amok.

Britain has had the best access to vaccines and has had the best start, reaching the 10m dose mark this week. Hipkins and PM **Jacinda Ardern** have painted the slower start here as a more cautious approach to vaccine approval and the humanitarian need to deliver vaccines to those countries in crisis.

But **ACT** and **National** have put the Government under pressure, demanding to know why NZ has yet to receive a single dose and has yet to start vaccinating its **MIQ** workforce as a protective shield at the border. Singapore has already vaccinated its border workers and Israel is 30% through its workforce.

Ardern and Hipkins announced the **Medsafe** approval of the **Pfizer** vaccine this week and previewed the arrival of the first doses in late March, before the immediate vaccination of the border workforce and the most vulnerable.

About 450,000 doses are expected by the end of March, which would be enough to vaccinate 225,000 border workers, their families and the most vulnerable, including elderly and those with high co-morbidity factors.

The Government is cautious setting expectations, saying the rest of the population should expect to be jabbed in the second half of the year.

Pfizer has agreed to deliver 1.5m doses over calendar 2021, which is enough for 750,000 people. Medsafe is expected to decide on the **Janssen** vaccine in the June quarter. NZ has ordered 5m doses of the Janssen vaccine, 3.8m doses of the **AstraZeneca** vaccine and 5.4m **Novovax** doses.

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.

No jab, no job?

The extra time should prove valuable for employers thinking about how their HR departments deal with the vaccination programme. (They should also note the first Matariki on June 24 2022.)

It's not as simple as it looks and the choices and policies made now may have to be tested in the midst of fresh lockdowns.

Aged care group **Arvida** was first this week to make vaccination compulsory. There have been particular problems in America and Britain with aged care workers refusing to be vaccinated.

But it may not be legal to enforce compulsion or sack workers who won't be vaccinated on religious or personal choice grounds.

Russell McVeagh has warned clients the Bill of Rights Act and the Human Rights Act mean it's illegal to make vaccination compulsory.

MBIE says it will provide guidance 'soon.'

Govt flying high in polls

The summer break of lockdown-free holidays and time at the beach has done no harm to the Government's popularity, despite the continued debate over the housing crisis and occasional dramas at the borders.

Labour increased its support by 3 percentage points to 47% in Jan according to the latest **Roy Morgan** Poll. The **Greens** were up 1 point to 11.5% since the last poll in the series in Dec. **National** was down 3 points to 25%, **Act** fell 1 point to 9%, with the **Maori Party** unchanged on 2%. 5.5% supported parties outside Parliament with **NZ First** on 2%.

There were 71.5% (unchanged since Dec) who said NZ was 'heading in the right direction' compared to only 18.5% (up 0.5%) who said the country was 'heading in the wrong direction'.

Bubbles float further away

The Government's caution over vaccinations is matched by its caution over travel bubbles to Australia and the Pacific.

A bubble with the Cook Islands launched late in January, only for planes to be turned back and a quarantine being imposed on locals anyway.

The bubble with Australia stuttered in recent weeks, thanks to apparent threats of community transmission in late Jan in NZ and a couple of limited outbreaks in Australia.

Perth went into a short and sharp lockdown this week after a quarantine worker tested positive in the community. Victoria also reimposed fresh restrictions on travel and mask usage this week after a few more positive cases, having imposed a border closure with New South Wales over the summer break.

The most likely candidate for travel to Australia at the moment appears to be Tasmania, with suggestions of the first direct flights to Hobart in 20 years within the next month.

Hipkins said for a bubble to go ahead both countries needed to be prepared and have protocols in place in the event of small outbreaks on either side of the Tasman. There is still no date for a trans-Tasman bubble, he said.

Hopes for a more relaxed approach are fading. Research and modelling released today into increasing arrival numbers from the current 14,000 a month limit to 55,000 was almost immediately superceded by **Ashley Bloomfield** saying today the modelling was done before the arrival of more infectious strains, which have increased the expected covid-19 cases from 2 to 12 per thousand.

'Show some respect, mate'

Trade Minister **Damien O'Connor** put his foot and mouth into the Trans-Tasman relationship this week, suggesting Australia back down on its tough rhetoric towards China.

The comments were swiftly reversed and downplayed on both sides of the Tasman, but further emphasised the more nuanced and less confrontational approach of NZ.

In a CNBC interview, O'Connor said NZ had a "mature relationship with China and we've always been able to raise issues of concern".

"I can't speak for Australia and the way it runs its diplomatic relationships, but clearly if they were to follow us and show respect, I guess a little more diplomacy from time to time and be cautious with wording, then they too could hopefully be in a similar situation," he said.

The comments came as NZ and China Trade Ministers formally signed the upgrade to the free trade agreement between the two countries.

Luckily the Australians didn't get too bent out of shape, but the comments and NZ's reluctance to sign up to the last Five Eyes statement on Hong Kong was noted by PM **Scott Morrison** in a speech this week. He said NZ and Australia needed to speak with one voice on China.

O'Connor was happy though to welcome Britain's indication it wanted to join the CPTPP.

Meanwhile, Foreign Affairs Minister **Nanaia Mahuta** and US Secretary of State **Antony Blinken** had their first phone conversation. A US spokesman said they affirmed their close partnership with Blinken praising NZ's covid response and the pair promising close cooperation on climate change, Pacific Island countries and regional stability. The call came as tensions heightened over the China seas and Taiwan.

Returning to the Maori seats

In a well-foreshadowed move, **National** announced it would contest at least some of the Māori seats in 2023. It hadn't stood in them since 2002.

Leader **Judith Collins** said National's closer relations with the Māori Party ended three years ago when their combined role in Government for nine years ended. Previous leaders **John Key and Bill English** worked closely with previous Māori Party co-leaders **Pita Sharples, Tariana Turia and Te Ururoa Flavell.**

Since then the Māori Party has changed its leadership and emphasised its separation from National, where previously National relied on Māori Party seats and a potential overhang to hold on to power from 2008-17.

The Māori Party's new leaders and MPs, **Rawiri Waititi and Deborah Ngarewa-Packer**, campaigned with **a 'two for one' strategy** of suggesting voters give their party vote to Labour and their electorate vote to Māori, allowing Labour's Māori MPs to get in on Labour's list.

National has also dropped its plan adopted under **Don Brash** to abolish the Māori seats.

As foreshadowed here

Grainne Moss, the embattled chief executive of child protection agency, **Oranga Tamariki,** resigned to become CEO for the public service's pay equity initiatives. **Wira Gardiner**, the first CEO of **Te Puni Kōkiri** will be acting chief executive.

The govt appointed an advisory group (**Matthew Tukaki, Naida Glavish, Shannon Pakura and Mark Solomon**) to help reform Oranga Tamariki reporting to Children's Minister **Kelvin Davis**.

Coming Up

Feb 9 - **Parliament** resumes

Feb 18 - **Girol Karacaoglu** gives guest lecture at Treasury on a 'radically different approach to public policy

Feb 24 - **RBNZ** publishes Monetary Policy Statement and OCR decision

Feb 26 - **Grant Robertson** delivers annual address

People moves

Local Govt Minister **Nanaia Mahuta** appointed four commissioners to act in place of elected representatives at the dysfunctional **Tauranga City Council**. They will be chaired by **Anne Tolley** and include **Stephen Selwood**, the former head of **Infrastructure NZ**.

The Government appointed Sir **Brian Roche** to chair a new investment fund with $150m to build an asset base for the country's largest iwi - **Ngāpuhi** - as it continues long-running Treaty of Waitangi negotiations.

The CCC's heady calculus

Contrary to expectations that the **Climate Change Commission's** draft carbon budgets would show a shockingly large adjustment cost, the commission has delivered a narrative that suggests NZ can meet its Paris agreement targets with relative ease.

While there is a hit to GDP, the commission suggests NZ may be only **six or seven months behind where it would have been by 2050**, using existing technologies to reduce emissions to net zero vs 2017 levels.

Put another way, the commission estimates the impact of adjustment at "less than 1% of projected annual GDP".

Such precision is inevitably guesswork, as the commission acknowledges. No forecast over that long a timeframe with so many substantial adjustments to so many parts of the economy, can pretend to offer such precision. Nor do the detailed evidence papers that accompany the 188-page draft report include detail about how these economic assumptions have been derived.

Importantly, the **CCC does not expect NZ to be able to meet its current emissions targets on its own**. International carbon credits will inevitably feature.

However, the official narrative is now set: we can do this with what we know, and it may become easier as new technologies emerge or become cost-effective.

That optimistic take is a more powerful platform for action than a sense of insurmountability.

The Government will play that for all it's worth.

Importantly, that narrative also sets the stage for what may prove the most contentious element of the consultation process the CCC will undertake over the next five weeks ahead of its final report on May 31.

That is: how much more ambitious should NZ be in its Nationally Determined Contribution to the Paris goals?

At present, NZ is committed to a 30% reduction by 2030 from 2005 emissions levels. The draft budgets suggest NZ will just squeak in, assuming the country takes emissions-reducing actions immediately - and that a **proportion of that reduction will be met with carbon units purchased on the international market.**

The CCC suggests that a reduction target of at least 35% should be set to improve the likelihood that NZ will make the necessary contribution to containing global temperature rise to 1.5C by 2100.

"**How much the NDC is strengthened beyond 35%** should reflect the tolerance for climate and reputational risk and impact and principles of effort sharing, which **require political decisions**."

However, unless greater progress than anticipated occurs in reducing domestic emissions, a more ambitious NDC would expose NZ to greater need for access to international carbon markets. The CCC estimates the indicative cost of a revised NDC target to **cut emissions 35% might cost an additional $5.8b to $11.5b, at a price of carbon per tonne of $50 and $100 respectively**.

However, the CCC's overall stance is that whatever level of NDC NZ operates to, international carbon credits will be important for smoothing the path between current technologies - e.g., coal-fired industrial and commercial heat production - and future technologies.

Sector by sector - implications

The CCC has modelled impacts of its carbon budgets, assuming action across all sectors, out to 2035. Key points for each include:

- **Food and fibre:**

Some 20-30,000 farms will need to reduce biogenic methane. Precision agricultural techniques, assisted by UFB, will be important, and total levels of output may not change substantially. Meat output may reduce slightly vs current settings and dairy output may increase slightly. Further reductions required beyond 2035 will become increasingly dependent on new methane inhibitor or vaccine technologies. Around 2,000ha a year of pastoral land is expected to convert to horticulture. Forestry output would increase markedly;

- **Forestry:**

The CCC recommends against over-reliance on exotic forest plantation to sequester carbon because of its potential to delay adjustments that actively reduce emissions. It should be available only for 'hard-to-abate' heavy industries. **Native forest plantation**, which **will require government subsidies** because it is two to four times more expensive to establish than pine, is accorded a larger role. The reasoning is two-fold: permanent native forests will create permanent carbon sinks that increase in size slowly - consistent with incentivising behaviour change elsewhere in the economy - and as a source of bio-diversity, freshwater improvement and erosion-prone high country stabilisation.

The commission proposes planting of at least 16,000 ha new native forests annually by 2025, ramping up to 25,000 ha by 2030 until at least 2050. It requires 25,000 ha p.a. of exotic forests until 2030, reducing down to nil for carbon removals by 2050.

- **Energy:**

The CCC continues to recommend an energy rather than electricity focus, proposing a target to take total energy use to 60% renewable by and making the 100% renewable electricity aspirational rather than mandatory. It **assumes Tiwai Pt and Methanex cease operations**, that the **Marsden Pt refinery becomes an import terminal**, the dairy industry moves from coal to electricity and biomass for process heat and makes no explicit assumptions about the future of the wood processing sector, including pulp and paper manufacturing.

It proposes the need for a national energy strategy alongside a strategy for hard-to-abate industries, which would allow consideration of **bespoke**

solutions for NZ that could require specific r&d.

The commission takes **no firm view on the Lake Onslow project**, but warns dry year reserve could be expensive and notes new generation construction in the North Island is an alternative.

The proposed **ban on new natural gas connections** after 2025 looks capable of becoming a retail political distraction. Energy sector participants have seen in the past the householder uproar that can be created by suggesting gas cooking and hot water heating could be under threat. The current proposal adds gas bbq's. The fact that the CCC expects reticulated gas and LPG still to be part of the national energy mix in the mid-2030s, and that the proposed ban is only on new installations from 2025, those facts may escape many gas-users. The **gas-fitting industry** is likely to feel a downturn far earlier.

The projections still see 10PJ of coal demand by 2050 and perhaps 25PJ of gas.

Wind generation rises to about 22TWh from around 8 at present, while geothermal generation's contribution to electricity output follows a lower path than on current settings, after 2025.

Solar generation could be close to 10TWh by 2050, from negligible production at present.

Some 600-1100 net job losses are expected in the coal, oil and gas sectors, although many will have high value transferable skills.

The draft report recommends policies to **assist access to capital for boiler conversions** and other energy efficiency and electricity network upgrades.

- **Transport:**

To be on track for 2050, "all light vehicle and motorbike imports should be electric by 2027, both EV and plug-in hybrids running on dual-fuel systems.

Feebates or subsidies should be considered until EVs and ICE vehicles reach price-parity.

Improving efficiency standards for ICE vehicles by 2028 is also recommended.

Longer term, the commission appears to assume that rail, trucking and shipping fuels will be either biofuels, hydrogen, or electricity. The railway system could be electrified under some scenarios. It recommends new fuel efficiency standards be in place by June next year.

- **Circular economy**

The report proposes targeting a 15% reduction in waste gases by 2035.

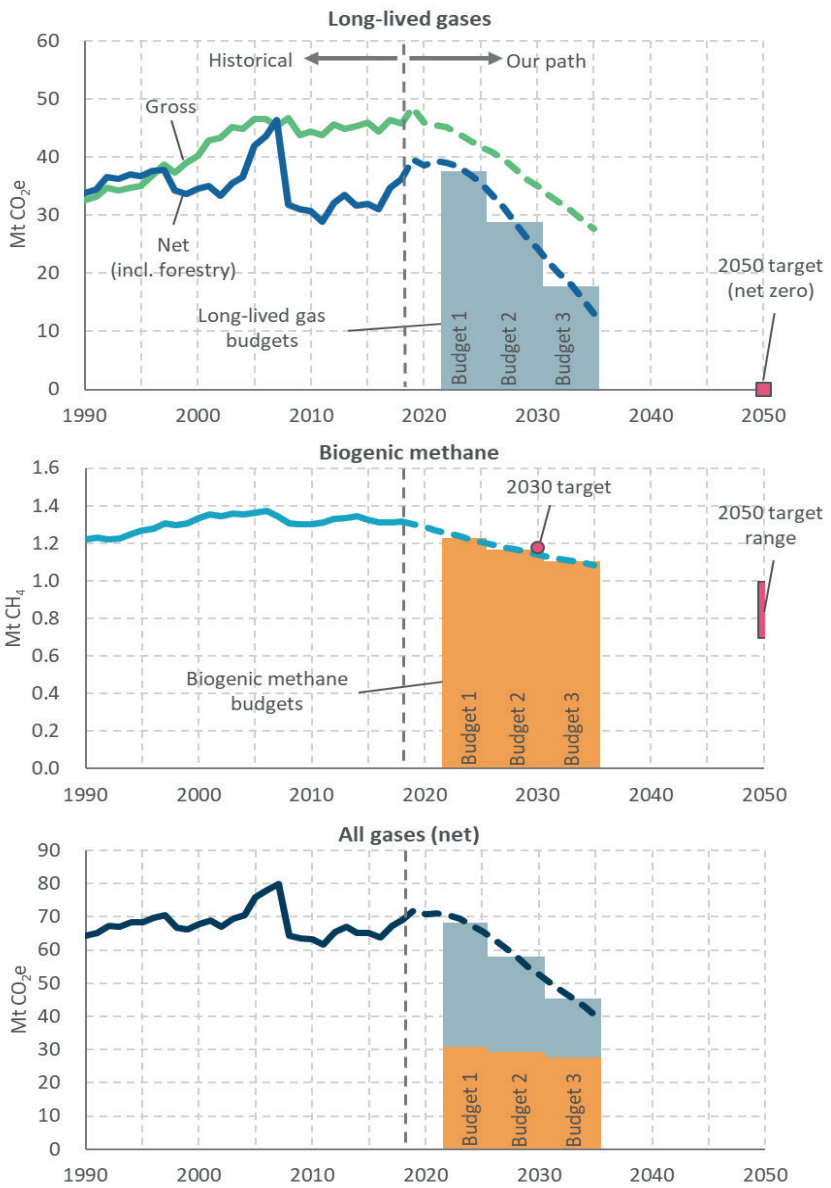

Figure 2.2: These three figures show how our proposed emissions budgets would step Aotearoa towards its emissions reduction targets. The top figure shows long-lived gases, the middle figure shows biogenic methane, and the bottom figure shows all gases combined as CO_2-equivalent.

Source: Commission analysis.

Economy flying into 2021

Unemployment fell (yes, fell) to 4.9% in the Dec quarter and the number of unemployed fell 10,000 to 141,000 in the Sept. Despite the biggest economic and social shock in a generation, **the economy finished the year with more people employed (up 19,000 to 2.734m) than a year ago** and unemployment up just 25,000 from a year ago. Construction jobs rose 21,000 in the quarter, which was more than total jobs growth of 17,000, Stats NZ reported. Nearly three quarters of the jobs growth in construction was for men.

There was actually an increase of 19,000 or 0.7% in total employment between the Dec quarters of 2019 and 2020, although the number of unemployed, 141,000, is also up 25,000 from a year ago. Both are remarkable given the covid-19 shock. For example, Ireland's unemployment rate is currently at 25%, albeit down from a May peak of 30.5%.

The combination of fast and large fiscal stimulus in April and May through $14b of payments directly to employers and the Reserve Bank's promise to buy $100b of Government bonds did the trick. The much-stronger-than-expected bounce-back is helping to fire up retail spending, the housing market and the Government's tax revenues, which are already $700m above Treasury's Dec forecasts. **Deficits and net debt are also much lower than forecast, creating choices for the Government** ahead of its Budget Policy Statement later this month

Core Crown tax revenue rose 5.3% to $37.58b in the five months ended Nov 30, $699m more than Treasury officials forecast in Dec, due to higher GST and corporate tax returns than expected. Govt spending was $546m less than expected at $44.4b, an increase of 17.1% from a year earlier, due largely to the pandemic delaying certain programmes. The operating balance before gains and losses had a $4.34b deficit, about two-thirds of the $6.22b shortfall predicted last month. Net debt was $99.96b, or 30.9% of gross domestic product, $860m below forecast GDP.

Tighter monetary policy?

The good economic news early in 2021 has shifted perceptions about future monetary policy and may also be shifting the Reserve Bank's actions.

The Reserve Bank is quietly tapering its government bond buying, effectively tightening monetary policy a bit as the economy improves, but also raising questions about whether the tightening should have been formally announced before its Feb 24 Monetary Policy Statement and news conference.

Last Friday the central bank announced at 2pm to domestic market participant this week's bond buying would be $570m, down from $650m in each of the first two weeks of the year and $800m in each of the last two weeks of 2020 and for most weeks in Oct and Nov. On Monday it bought $170m worth of bonds, including four and eight year bonds at yields of 0.448% and 0.948% respectively, up around 10 basis points from the previous week.

Economists are also dropping their expectations of lower rates. Some even see a hike before 2021 is out.

BNZ's economists forecast the Reserve Bank would hike its Official Cash Rate in May and ANZ's economists removed an expected cut from their forecast. They now see the rate on hold. The Reserve Bank of Australia pledged this week to keep its cash rate at 0.1% for another three years at least.

Higher prices for accommodation, building homes, and used cars drove a 0.5% lift in the CPI in the Dec 2020 quarter, keeping annual inflation at 1.4%, Stats NZ said. Annual inflation remains relatively stable despite overall price rises in the past two quarters which were partially offset by an overall fall in the June quarter as covid hit.

The cost of building a house rose 1.3% in the Dec quarter, the biggest quarterly rise in more than two years. Annually, new housing costs increased 3.3%. Rent prices rose 0.5% in the Dec quarter. Annually, rents increased 2.9%.

CPI, rents and confidence up

Inflation was stronger than many economists expected with the market consensus forecasting a 0.2% rise. **Capital Economics** - which is now expecting an interest rate hike in 2022 - said the sharp rise in underlying inflation is consistent with the RBNZ tightening monetary policy in the years ahead.

Overall consumer confidence lifted 2 points to 114 in Jan and is not far off its historical average of around 120 according to the latest **ANZ–Roy Morgan Consumer Confidence Consumer Index**. A net 28% of consumers expect to be better off this time next year while a net 21% of those surveyed think it is a good time to buy a major household item. NZers expect house prices will lift 6.9% annually.

Median rentals are now nudging $600 a week in both Auckland and Wellington, on the strength of a 13% increase in demand last month alone, data from Trade Me showed.

The preliminary reading of **ANZ's** monthly business confidence survey for Jan showed another three percentage point rise in overall confidence.

Banks, insurers and fund managers

BNZ joined **ANZ** in trying to limit applications from landlords looking to gear up their equity to buy more rental properties. BNZ said applicants through mortgage brokers would need 40% deposits, bringing it into line with ANZ, which moved to 40% deposits for landlords in mid-Dec.

That's tougher than the 30% deposit requirement expected to be reintroduced by the **Reserve Bank** for all but a limited amount of bank lending to landlords from May 1. **Brokers report being run off their feet through Dec and Jan** with unseasonal and large numbers of pre-approval applications from residential property investors.

CoreLogic reported the share of properties being bought by rental property investors rose to a three-year high of 27% in Dec, above the 23% share of first home buyers. There are also 12% of properties being bought by multiple-property owners with cash.

In **KiwiSaver** market share news, **ANZ, ASB and Westpac** all lost share in calendar 2020 as **BNZ** kept building from a low base and independents **Milford, Simplicity and Generate** gained share.

Overall funds in KiwiSaver schemes rose 20.6% to $76.4b in calendar 2020. Other market share losers included **AMP** and the **TSB**-aligned **Fisher Funds**, although Fisher did rise in the rankings to fourth and above AMP on fifth, **Morningstar** figures showed. ANZ, ASB and Westpac remained the three biggest KiwiSaver fund managers, with BNZ rising to seventh.

Energy and resources

Trustpower is testing market interest for a sale of its retail business while exploring the case for a standalone generation business. It is the fifth biggest generator with 25 hydro schemes across the country and the fifth biggest electricity retailer with 246,000 customers, including 106,000 customers who have also bought 'bundled' deals with gas and/or broadband.

Chair **Paul Ridley Smith** cited retail market and regulatory uncertainty in the move. It would also address the risk of a **Telecom-Chorus** style structural separation of the market, which members of the Government have looked at.

Doubts around the future of **Tiwai Pt**, climate change policy and the Government's investigation of a massive pumped hydro project at **Lake Onslow** are factors in that uncertainty.

Mercury NZ boosted its full-year earnings guidance by $30m to $535m due to a recovery in its hydro storage and strong recent trading. If met, it would be the second-highest operating earnings for the company since the $561m recorded in the year ended June 30 2018.

Genesis Energy said its decision on whether to sell its 46% stake in the **Kupe** oil and gas field is on track to be completed by the middle of this year. It noted recent strength in global oil prices, which topped US$50 a barrel for the first time since Feb last year.

Despite all the talk of decarbonisation and a drive to 100% renewable electricity generation, there is still an awful lot of coal being used and stored. **Genesis Energy** started 2021 with its biggest coal stockpile in five years. Genesis bought 546,000 tonnes for the six months through Dec, more than twice the amount bought a year earlier, while its coal use was 36% higher.

Infratil announced there had been strong interest in its 65.5% stake in **Tilt Renewables** and some buyers had been given data to prepare binding bids.

Methanex's NZ production may fall as much as 10% this year due to significant and unexpected production losses at the **Pohokura** gas field. NZ's biggest gas user said it would temporarily idle its Waitara Valley plant and consolidate methanol production through its two units at Motunui. As a result, production in 2021 would likely fall to between 1.5m tonnes and 1.6m tonnes, down from 1.67m tonnes last year and 1.86m tonnes in 2019.

Bathurst Resources trimmed its full-year guidance by about 10%, citing a slower than expected recovery in export coking coal prices. The firm is expecting to report $55.4m of earnings for the year ending June 30, down from an earlier estimate of $62.1m. Covid-19 impacts and a Chinese ban on Australian coal purchases left more Australian product in the market and put a lid on prices, Bathurst said.

Primary sector, food and beverages

Investment bank **UBS** has reportedly been hired to find buyers for winery **Villa Maria Estate.** In Nov, Villa Maria Estate, which is largely owned by **Sir George Fistonich**, announced it was selling 31ha around its South Auckland headquarters and exploring raising capital.

Coca-Cola's NZ arm repaid the $7.2m it received through the covid-19 wage subsidy scheme. ASX listed Coca-Cola Amatil said while its NZ business did suffer the required 30% revenue drop during the first lockdown, it was in a position to repay the funds. The group expected to make an annual profit of $340m.

Fonterra lifted its 2020/21 forecast Farmgate Milk Price forecast by 20c/kg to $6.90 - $7.50 per kg, citing strong demand for whole and skim milk powder from China and South East Asia. This would lift total Fonterra payments to farmers to $11b for the year.

Synlait Milk lifted its forecast milk price for the 2020/21 season to $7.20/kgMS from $6.40/kgMS.

The **Dairy Companies Association of NZ** welcomed

the UK saying it wanted to join the **CPTPP** trade agreement, but said it had to translate into real action. Chairman **Malcolm Bailey** is concerned about diminished quota access due to Brexit and wants the UK-NZ FTA to include comprehensive tariff elimination for all dairy products.

Property

Oceania Healthcare ceo **Earl Gasparich** said the housing market was "defying logic," making it difficult to forecast his company's results. The retirement village operator reported a 67% jump in first-half profit, almost entirely because of an increase in the value of Oceania's investment properties.

Consumer NZ published a review of contracts offered by six major retirement village operators – **Arvida, Bupa, Metlifecare, Oceania Healthcare, Ryman Healthcare and Summerset** – found terms it thought unfairly favoured the villages and risked leaving residents out of pocket. It said the contracts could also breach the Fair Trading Act. The **Retirement Commissioner** has also recommended a full scale review of contracts in the sector.

Service industries and healthcare

Restaurant Brands reported sales rose 2.1% to $892.4m in calendar 2020, despite a 4.3% drop in its NZ sales. This included four months trading from its recently acquired California-based businesses. Full-year sales for Australia rose 8.1% to $214.9m. Sales in Hawaii rose 7.4% to $215.1m.

Blis Technologies rolled out its oral probiotics store on **Alibaba's Tmall** global marketplace, aimed at promoting its throat lozenge product range into the Chinese market.

Tech and IT

Fisher & Paykel Healthcare upgraded its forecast revenue and earnings for the nine months ended Dec to be higher than the $1.72b and $415m forecast in Nov, but declined to give specifics due to uncertainties around covid-19.

Telcos, media and entertainment

Chorus reported a slight increase in fibre uptake from 62% to 63% (29,000 new connections) for the second quarter of its financial year, with the UFB rollout 92% complete. Chorus's copper broadband dropped by 39,000 in the quarter. The average monthly data use through fibre rose to 460GB from 456GB in Sept.

Court documents showed former **Stuff** owner **Nine Entertainment** had decided it would close the media outlet down by May 31 last year. Nine eventually sold Stuff to its ceo **Sinead Boucher** for $1 just six days before its self-imposed deadline.

Transport and logistics

Auckland Airport reported it had about 70% fewer passengers in Nov than Nov 2019. International passengers, excluding those transiting, dropped 97.2% year-on-year. Dec was just as bad with international arrivals down 97.3%.

Virgin Australia suspended all flights to flights to NZ, Indonesia and the Pacific Islands of Fiji, Samoa and Vanuatu until at least June 19 due to ongoing uncertainty about when international travel can resume.

Capital markets

Primary health provider **Tend** raised $15m in a closed capital funding round from existing shareholders, with **Infratil** ceo **Marko Bogoievski** the sole new shareholder and director.

The **Financial Markets Authority** warned the **NZX** was losing the trust of market participants and expects urgent investment to stabilise the platform and build resilience. The market watchdog found the NZX fell short of its obligations as a licensed market operator by not having enough capacity in its platform to support a foreseeable spike in trading volumes in March and April last year. The FMA also warned trading platforms to remind online 'day-traders' about the risks of **GameStop** style trading.

Arvida is planning to sell up to $125m of seven-year bonds to repay some of its existing bank debt - its bank debt at Sept 30 was $359m and its loan-to-valuation ratio was 36%.

Corporate actions

The sale of the **Huka Lodge** to a US based private equity firm was approved by the **Overseas Investment Office**. The luxury lodge was put up for sale as part of the feud between **Michael Kidd** and **Alexander van Heeren**.

Infratil's shares rose after reports out of Australia that another suitor, **IFM Investors**, was keen to take over the company. In early Dec **AustralianSuper** made an unsolicited cash and share offer of $7.43 a share to buy Infratil.

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