HUGOvision

Assessing the economic and political environment in New Zealand

May 28 2021

Confidential to HUGO members

Text finalised May 28

POLITICS AND POLICY

Gas market intervention averted

The decision by **Methanex** to shed between 3.4 and 4.4PJs of gas demand over the winter months has **eased perhaps the most serious threat of political intervention in a NZ market in decades.**

Some weeks ago, Energy Minister **Megan Woods** had tasked **MBIE** with finding solutions to simultaneous electricity price and gas supply crunches.

Her willingness to get the Beehive involved is said to trace back to lobbying on a single day some weeks ago from small-scale electricity retailers facing high wholesale spot prices and from **Oji Fibre Solutions** about its inability to renew a major gas contract.

Since then, industry participants have been scrambling to fix the gas shortage issue, which itself is part of the reason for sustained high spot electricity prices. The decision by the **Tiwai Point** aluminium smelter to cut back production by 5%, despite very high international aluminium prices, was an early indication of that. So, too, was an announcement earlier in May by big gas user **Ballance** to shift load.

The crisis atmosphere has eased a little this month, thanks to several bouts of heavy rainfall in southern hydro catchments. But the gas market remains very short, with secondary market gas said to be trading at around 4x historic norms.

Accordingly, **today's decision by Methanex to cede gas to Genesis Energy and "other market participants" is momentous.**

In effect, Methanex has recognised that unless it shed load on its own, presumably generous, terms, it risked having gas requisitioned.

It can now be expected to start pressing home, from a position of relative advantage, the point that **unless Methanex continues to operate in NZ, there is unlikely to be sufficient gas demand from other energy users to justify ongoing development of remaining gas resources.**

This penny may be dropping in the Beehive. Woods's speech last week at a **Contact Energy** function at Parliament had notably softened language on the role and place of gas in the transition to net zero carbon.

Methanex had already mothballed its Waitara plant in February. **Transpower** modelling suggested it might drop a second tranche of gas if market conditions dictated the need. That is what the latest deal appears to amount to. **A third tranche, however, would see Methanex likely shut operations** altogether. While it would likely restart, the signal that sends to a company that said today it continues to try and take a "long term perspective" of its investment in NZ, would be inevitably very negative.

The **Gas Industry Company** characterised the gas given up by Methanex as **equivalent to 3.5x the storage available in Lake Manapouri**. This appears to be a coded dig at Tiwai, which is paying far below wholesale market contract or spot rates - around $35 per MWh - for electricity that would be available at lower cost to other users, were it not operating.

As the debate about de-industrialisation and energy transition heats up, the question of Tiwai's position may become more than just a matter of whether the smelter owners are willing to pay a better price for their power after 2024.

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.

On the hunt for devilish detail

The Budget's centrepiece benefit increases were welcomed more broadly than perhaps even the government expected. The Opposition pledged not to reverse them, and **Business NZ** ceo **Kirk Hope** said they could have been even larger.

The biggest news for employers was the announcement of the start of tripartite discussions about the creation of a European-style unemployment insurance scheme.

Grant Robertson and **Jacinda Ardern** pitched it as an **ACC**-like scheme where the costs would be shared by employers, employee/contractors and the government.

They denied it would break any promise not to raise taxes, although the net effect on the size of government and the breadth of the socialisation and the costs and risks are not clear.

If Robertson, the **CTU's Richard Wagstaff** and **BusinessNZ's Kirk Hope** can square the circle in the tripartite work to build such a scheme, it would have a dramatic effect on the social safety net and the labour market.

The scheme first appeared in Labour's pre-2017 Future of Work initiative, but has gained further currency in the context of covid-19.

Unemployment insurance, had it been in place, may have cushioned shocks if job losses had been greater and reduced the government's liability to subsidise wages. That said, it might also have discouraged the wage subsidy scheme, whose impact on business confidence and job retention early in the pandemic was profound.

Such a scheme would create an institution of the scale of ACC that would take over much of the work currently done by **MSD and Work and Income**, allowing them to focus on entrenched poverty and those with complex needs.

But there's a lot of devil in the detail to work out, and a few people on either side of the political divide who don't want it.

The activist left fears a two-tiered benefit system and a preference for contractors who would bear their own insurance risks rather than full-time employees.

They also see such a scheme reducing any desire in the middle of the spectrum to lift benefits for those already jobless, and for those on sickness and disability benefits.

They would prefer to see big increases to the main benefits to make it viable for workers to retrain and transition to new jobs. Wagstaff says the CTU will be pushing for that also separately from the social insurance idea.

The **potential for 'locking out' youth is a particular problem** in Europe, where gold-plated social insurance schemes and expensive redundancy rules have encouraged many employers to avoid taking on new staffers and instead use contractors and 'gig" platforms.

Such an outcome would run counter to the intended effect of the employment dynamics that unions hope will emerge from the introduction of Fair Pay Agreements.

Indeed, we note in passing that the FPA legislation marks a second end of a 30 year era. In the same way that Labour says it has now reversed the 1991 benefit cuts, the introduction of **FPAs effectively brings to a close the era of labour market deregulation that began with the Employment Contracts Act 1991.**

On the right, opponents of social insurance see it as an expensive and stealthy way to push more taxpayers' money into social support for the unemployed, regardless of whether they're 'deserving' or not. ACT has pitched a swap of tax cuts in exchange for the scheme and National has yet to state a preference.

The key elements that will decide whether it is agreed, created and succeeds will be around who shares the cost, whether it is done via PAYE or a 'share of remuneration' to ensure contractor costs are included, whether it includes health and disability as well as uemployment to fill in the last big gap between joblessness through redundancy and redundancy through illness.

Such a scheme could also remove an immediate threat for employers: the **potential for mandatory redundancy clauses**, similar to those in other countries that set a number of weeks of pay that must be paid out when someone is laid off.

The clock is now ticking because social insurance will be competing for parliamentary and cabinet time before September 2023 with RMA , DHB, three waters, labour market and local government reform, not to mention the ongoing demands of covid.

The costs are yet to be quantified, although a less-than-comprehensive MSD briefing in mid-2020 put the costs in a range from $450m to as much as $5b a year, depending on the numbers of unemployed and lengths of time out of work.

The devil will be in the detail, and the schedule.

Agenda clear for Budgets 2022/3

It is now clear that a major part of the government's 2023 election re-election campaign will centre on improving the lot of families, both beneficiaries and working.

While this year's Budget only increased main benefits, at an annual additional cost of $700m a year, next year's will deliver **relief to working families through the Working for Families scheme**.

Also on the agenda are abatement rates and treatment of special categories of beneficiary.

However, the most complex piece of work - and the most potentially disruptive economically - is **a review of the Accommodation Supplement.**

The introduction of FPAs represents another leg of its efforts to raise income for people on low incomes.

Robertson was deliberate in framing Budget 2021 as the first of a set of three and that the government would do more to respond to the recommendations of the Welfare Experts' Advisory Group recommendations from 2018 to reform the welfare system and lift incomes for families and children near and below the poverty line.

Working For Families and the Accommodation Supplement t**ogether cost over $5b a year**, which is nearly 60% more than current spending on the dole.

Changes here would be **bigger ticket items than the benefits hikes appeared,** given some of the extra $20-$55 a week extra from April next year is clawed back as incomes rise over abatement thresholds for these and other supplementary benefits.

WEAG advisor and **Victoria University of Wellington** research fellow **Michael Fletcher** estimated this week families on benefits with two or

Coming up

May 30 - **Climate Commission** is due to deliver final advice to govt

June 1 - **Parliament** resumes for two weeks either side of Queen's Birthday

June 4 - End of suspension of Trans-Tasman travel bubble with Melbourne

Late July - The 'group four' category of people are scheduled to start being vaccinated.

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more children were still in deficit by between $74 and $286/week after the latest benefit payments.

Child poverty activists have called for increases in tax credits for children in Working For Families, better indexation to rent increases for the Accommodation Supplement and significant lifts to benefits for disabled and sickness beneficiaries. They are also calling for debt relief and the removal of sanctions.

However, a more fundamental reform of the Accommodation Supplement appears to be on Robertson's agenda. The scheme is seen to be an effective subsidy to private landlords, potentially contributing to wider housing unaffordability.

At least in part, the government looks **likely to try to divert resources devoted to the Accommodation Supplement to 'rent-to-own' type schemes**.

A negative discount rate?

Grant Robertson hinted tantalisingly in his Budget lockup news conference that he was working with **James Shaw** on how the government's financing rules could be adjusted for using wellbeing analysis on issues such as climate change.

That could include negative discount rates on projects that take into account future carbon credits and changes to future health and welfare liabilities.

If so, the converse might also apply, with higher hurdle rates applied to emissions-inducing public investments.

Treasury is still working on an update to its debt limit framework, which was focused around getting and keeping net public debt to around 20% in the long run. A pre-covid speech by previous Treasury Secretary **Gabriel Makhlouf** suggested an upper limit of 50-60% of GDP, but with a 'safety' buffer of 20% a prudent debt level would be around 30%.

Budget 2021 showed net debt currently just over 30% and headed for just over 40% over the next four years, which was down around five percentage points from the half-yearly forecasts in December because of the better economic outlook.

But that level remains well below the 50-100% range seen for other, albeit larger and richer, OECD economies sharing NZ's AAA credit rating.

Robertson has called for a more 'mature' conversation about the debt targets or anchors underpinning the government's fiscal planning as part of the Public Finance Act, which requires any government pursue a 'prudent' fiscal stance, which has never been codified in law.

The **OECD, IMF and World Bank have dropped their emphasis on debt targets** in the last two to three years, particularly as interest rates and inflation have stayed stubbornly low. They have also refocused their advice on fixing environmental and social deficits as much as financial deficits.

Neither confirming nor denying

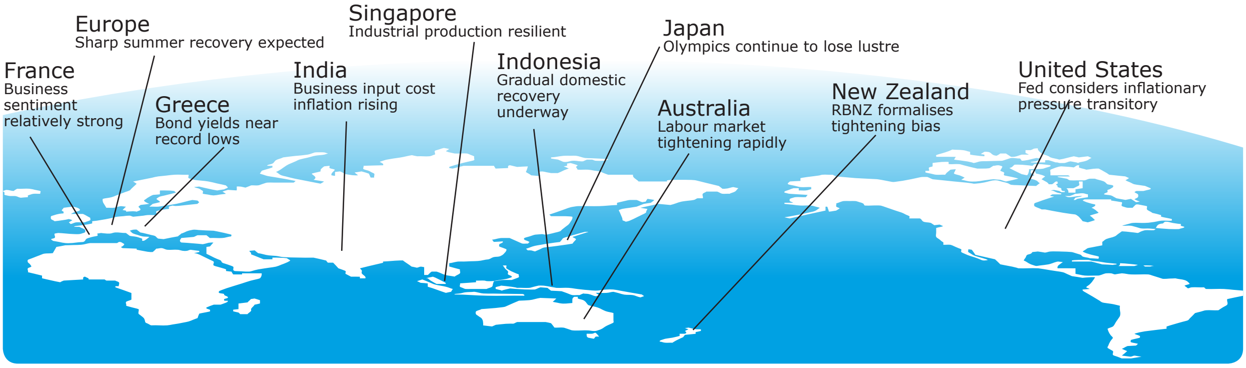
PM **Jacinda Ardern** would neither confirm nor deny a report this week that Labour and National quietly agreed to drop **Raymond Huo** and **Jian Yang** respectively as list MPs before the election because of security officials' concerns about their links to the Chinese government and the Chinese Communist Party in particular.

Judith Collins and then-National Party leader **Todd Muller** also declined to comment on the report that the party chiefs of staff engineered the unexpected departures just a few days apart

The two former MPs cited family and personal reasons in their decisions to step aside and have regularly restated their loyalty to NZ and denied working on behalf of the Chinese government.

Meanwhile, it is unclear whether Foreign Minister **Nanaia Mahuta** was again off-script by talking to The Guardian Australia about the inevitability of NZ being dragged into any "storm" between China and Australia. It could have been pre-positioning for this

The world at a glance



weekend's summit in Queenstown between Ardern and Aussie counterpart **Scott Morrison**. However, Beehive sources suggested "we're not that clever".

Either way, the schism in China-Australia relations will be high on the two PMs' agendas, assuming (at our 2pm publishing time) the Melbourne lockdown doesn't kill the meeting.

Morrison can be expected to express concern at NZ media reports that the government is seeking capex savings from Defence. With regional tensions rising, that will be a difficult line for Ardern to hue.

Phone off the hook for Collins

Two fresh polls show Labour well out in front of National and Opposition Leader **Judith Collins's anti-separatism campaign failing to win the confidence or the imaginations of voters.**

The latest **Newshub-Reid Research** Poll showed support for Labour was 52.7%, up 2.7 points on the election result. National was on 27%, up 1.4 points with the Green Party 7.1% - down 0.8 - and ACT on 6.9%, down 0.7. The Māori Party was unchanged on 1.2%. The poll was conducted between May 7-13

The poll found 69.6% think Jacinda Ardern is performing well, down 9.4 points, with 18.2% saying she is performing poorly, an increase of six points from the last poll. 28.2% think Judith Collins is performing well, down 15 points since Oct 2020.

47.1% thought Collins performed poorly, an increase of 10.2 points. Ardern was the preferred PM of 48.1% - a decrease of 4.5 points, and Collins 5.6% - a fall of 12.8 points. Former PM John Key recorded 6.7% support.

The latest **One News-Colmar Brunton** poll recorded Labour support slipping three points to 46% from the last poll taken in March. National was up two points to 29%, Act rose one point to 9%, while the Greens fell one point to 8%. The Māori party was unchanged on 2%.

In the preferred PM standings, **Jacinda Ardern** had 48% support in the poll, up 5 points, Judith Collins was up 1 point to 9%, with Act's David Seymour on 6%, up 2 points. **Christopher Luxon** had 3% support, while **Chlöe Swarbrick** and **Simon Bridges** had 2%.

Focus groups conducted for the National Party have reportedly found strong reaction against Luxon among women voters, in part because of his fundamentalist Christian beliefs. National has identified lost women voters as one of the most serious sources of its 2020 election drubbing.

That suggests Collins is safe in the role for some time, particularly as there is also no sense in National ranks that it can win in 2023.

Travel bubble leaking badly

NZ paused quarantine free travel with Victoria on Tuesday night for an initial 72 hours following a cluster of covid-19 cases with an unknown source of infection. It was then extended until 8 pm next Friday night (June 4) after Melbourne announced a seven-day snap lockdown yesterday.

Trading partner growth

(2019-2020 actual; 2021-2023 Hugo and Consensus Forecasts)

Trading partners		GDP Growth (ann avg %)					CPI Inflation (ann avg %)				
	Weights %	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
China	32.9	6.0	2.3	8.7	5.6	5.3	2.9	2.5	1.5	2.2	2.3
Australia	16.1	1.9	-2.4	4.4	3.1	2.6	1.6	0.8	2.0	1.8	2.0
United States	13.1	2.2	-3.5	6.6	4.2	2.3	1.8	1.2	2.8	2.3	2.3
Japan	7.1	0.7	-4.9	2.8	2.6	1.2	0.5	0.0	0.0	0.5	0.7
Eurozone	5.7	1.3	-6.7	4.2	4.3	2.2	1.2	0.3	1.7	1.3	1.5
South Korea	3.4	2.0	-1.0	4.0	3.1	2.4	0.4	0.5	1.7	1.5	1.6
United Kingdom	3.0	1.4	-9.8	6.0	5.4	1.9	1.8	0.8	1.6	2.2	2.4
Singapore	2.2	1.3	-5.4	6.9	4.4	2.9	0.6	-0.2	1.4	1.2	1.6
Hong Kong	2.4	-1.2	-6.1	6.0	3.4	2.5	2.9	0.3	1.6	1.8	1.8
Taiwan	2.6	3.0	3.1	6.0	3.0	2.5	0.6	-0.2	1.5	1.4	1.4
Malaysia	2.1	4.3	-5.6	5.8	5.7	5.0	0.7	-1.1	2.5	1.8	2.5
Indonesia	2.1	5.0	-2.1	4.4	5.6	5.2	2.8	2.0	2.2	3.1	3.4
Thailand	1.9	2.3	-6.1	2.7	5.2	3.4	0.7	-0.8	1.1	1.2	1.5
Philippines	1.4	6.0	-9.5	6.1	7.2	6.5	2.5	2.6	4.2	3.1	3.0
Vietnam	1.6	7.0	2.9	7.2	7.0	6.3	2.8	3.2	2.8	3.8	3.6
India	0.9	4.0	-7.5	10.3	7.0	6.2	4.8	6.2	5.0	4.8	5.2
Canada	1.6	1.9	-5.4	6.1	4.0	2.3	1.9	0.7	2.3	2.1	2.0
NZ Trading Partners	100.0	3.4	-1.8	6.3	4.5	3.6	2.0	1.3	1.8	2.0	2.1
Forecasts for New Zealand											
Consensus		2.4	-3.0	4.0	2.9	2.6	1.6	1.7	2.0	1.8	1.9
BNZ Forecasts		2.4	-2.9	3.9	3.8	2.4	1.6	1.7	2.4	2.0	2.4
The World		2.5	-3.6	5.7	4.3	3.4	2.7	2.1	2.9	2.7	2.9

Mass vaccine plan nudged out

The **Ministry of Health** has started talking about the big next wave of vaccinations starting in late July, rather than the early July start previously indicated. **Chris Hipkins** denied it was a delay, but acknowledged it was unclear exactly when **Pfizer** would deliver the next big lump of supplies for the July start of 'group four' vaccinations.

The rollout of the **national booking system for the covid vaccination programme is also running four weeks late**, with a late June/early July start date now in prospect.

Asia-Pacific Healthcare Group won the tender to provide **saliva testing, which is also six to 10 weeks away,** according to leaked emails to DHBs. The health ministry RFP sought implementation by mid-April.

Herd immunity more possible

The cabinet is focused on herd immunity being over 70% as a trigger point for a more relaxed approach at the border. There are growing signs that may be more possible as vaccine hesitancy wanes.

An **April health ministry survey showed 77% of people are likely to get the covid vaccine, up 8% from March**. The survey showed Māori: 71%, up from 64%, Pasifika: 79% from 59% were likely to get the shots. Over 65s are the most likely to get vaccinated.

Meanwhile, the government disclosed it is spending about $1.5b on the covid-19 vaccination programme.

Also, Parliament urgently changed the law to ensure the covid-19 vaccine rollout is legal after a High Court judgment saying it was "reasonably arguable" the government's approval of the **Pfizer** vaccine and a number of other medicines went beyond what the Medicines Act allowed.

Elsewhere, Auditor-General **John Ryan** said a significant scale-up is needed if the government is to hit its goal of vaccinating most people aged 16 and over by the end of 2021.

The AG found good early progress but is not yet confident all the pieces will fall into place to ramp up to the level required over the second half of 2021.

People moves

Former Children's Commissioner **Cindy Kiro** will be the next governor-general, the first Māori woman to hold the role.

She will replace the current governor-general, **Patsy Reddy**, in Oct, for a five-year term.

Kiro is currently the chief executive of the Royal Society – Te Apārangi.

Briefly

Jacinda Ardern said NZ had **faith in Samoa's democracy** and institutions after the island nation's Speaker prevented Parliament from sitting to allow the opposition party to form a new government.

Ardern said NZ's position is to support Samoa's institutions and democracy and to call on others to uphold those institutions and democracy.

The **Waikato DHB cybersecurity breach**, which has paralysed parts of the region's health system, was elevated to a national crisis response.

Trade and export growth minister **Damien O'Connor** says there's still work to be done on a NZ-UK free trade agreement.

The UK has reportedly offered trade deal terms to Australia under which both countries would phase out taxes on imports over 15 years.

O'Connor said he had no detail on the Australian negotiations, but NZ expected comprehensive tariff elimination, including on agricultural goods, over commercially meaningful timeframes. UK farm lobbyists are gaining traction with claims in British media that NZ goods come with environmental downsides.

MFAT senior trade negotiator **Vangelis Vitalis** is optimistic APEC could secure commitment for a pause in higher fossil fuel subsidies.

Speaking to Australian media, Vitalis expressed "deep suspicion" about mechanisms aimed at taxing emissions-intensive imports, floated by the EU, UK and US. He said they could amount to **protectionism** and domestic revenue-raising.

Auckland Mayor **Phil Goff** said his council would oppose 'three waters' reforms and service amalgamations if it means its ratepayers end up subsidising services for other regions which haven't kept their investments up.

A regulator could achieve the desired results with amalgamation, he argued.

Parliament completed Labour's reforms of the **overseas investment regime** with a loosening of some of the aspects restricting foreign investment.

Parliament also passed legislation increase the **minimum sick leave entitlement** from five to 10 days.

Submissions close today on new climate exposure reporting standards for NZ's 200 biggest banks, insurers, money managers and listed issuers of stocks and bonds. Failure to comply with the **Financial Sector (Climate-related Disclosure and Other Matters) Amendment Bill** could hit company boards with fines of up to $500,000 and five years in jail.

RBNZ to lead the world?

The **Reserve Bank** surprised markets by projecting 150 basis points of OCR hikes from mid 2022 to mid-2024 in its quarterly Monetary Policy Statement this week. It also removed its boilerplate text about the potential to ease further into negative interest rate territory.

The NZ$ and wholesale rates rose. Governor Adrian Orr told a select committee the next day that negative interest rates remained on the table and the rate hike projections were conditional.

The Reserve Bank is slightly ahead of the rest of the developed world central bank curve in projecting hikes, but shares the view of the Fed and the RBA that the next year's inflationary spike is temporary.

However, Orr cautioned markets against taking the bank's projections of hikes too literally.

"**We are talking about the second half of next year. Who knows where we will be by then?**" Orr said.

Earlier, the bank released projections it would start increasing the Official Cash Rate in mid-2022 and raise it to around 1.75% over the following two years. That would make NZ's central bank one of the first in the developed world to hike rates post-covid.

Economists said the steepness of the forecast rise was more than expected and they also noted the removal of the language seen in previous monetary policy committee decisions around the potential for negative interest rates and or the possible need for more easing.

The NZ$ rose around 0.8 USc to a three-month high of 73.2 USc late yesterday, although it is around 72.8 USc late this week. Longer term wholesale interest rates rose around eight basis points.

Tourism regions being hit

Infometrics estimated economic activity fell 0.3 points in the March quarter, with the annual rate down 3% on a year ago.

It said tourism spending fell 10% over the summer, hurting the West Coast, Otago, Auckland and Southland economies the most. Bay of Plenty, with its strong primary sector base, saw economic activity rise by 3% in the period.

A massive migration shock

Covid and border restrictions led to net migration recording the largest drop on an annual basis in the year ended March 2021, according to Stats NZ.

Net migration was provisionally estimated at 6,600 in the year ended March 2021 compared with 91,900 in the year ended March 2020, a drop of 85,400.

Net migration in the year ended March 2020 was the highest ever. The net gain of 6,600 was made up of 36,400 migrant arrivals and 29,800 migrant departures. Provisionally, a net gain of 15,500 NZ citizens was partly offset by a net loss of 8,900 non-NZ citizens in the year ended March 2021.

Pandemic restrictions also resulted in a record fall in border crossings with 319,700 border crossings in the year ended March 2021, made up of 127,600 arrivals and 192,100 departures. In contrast, in the year ended March 2020 there were 13.6m border crossings, made up of 6.8m arrivals and 6.8m departures.

But no shortage of retail sales

Retail sales volumes rose 2.5% in the March 2021 quarter following a 2.6% fall in the Dec 2020 quarter. Electronic goods had the largest increase, up 8.4% followed by recreational goods, up 16% in the March 2021 quarter. Both industries had falls in the Dec 2020 quarter, down 0.3% and 14% respectively.

Westpac said the retail statistics were stronger than its forecast for a 0.7% increase, and well above the median analyst forecast for a 1.8% decline in spending. This indicates upside risk for March quarter GDP growth.

Our sluggish productivity

The **Productivity Commission** published a fresh paper detailing the scale of NZ's productivity growth failure over the last 30 years.

It reported New Zealanders worked around 34.2 hours per week compared with 31.9 hours per week in other OECD countries, and produced around $68 of output per hour, compared with $85 per hour in other OECD countries.

Tougher migration rules?

The government last week unveiled a less-than-detailed migration policy shift to leave the tap of cheap and easy temporary workers turned off once the covid-19 border controls are lifted.

The 'policy reset' was pitched as the beginning of a 'conversation' with employers, referring to a full inquiry that has only just begun at the Productivity Commission and an ongoing review by Immigration Minister **Kris Faafoi** of the skilled migrant settings.

In a speech written by Faafoi and delivered in the Beehive by Small Business Minister **Stuart Nash**, the only new thing was 200 new places for rich migrants. The speech referenced tougher rules for accredited employers and work tests, but didn't cite residency targets, student numbers or population policy.

CORPORATE ROUND-UP

Banks, insurers and fund managers

The **Reserve Bank** started High Court action against **TSB Bank** for acknowledged breaches of anti-money laundering laws. The allegations relate to reporting non-compliance. It is not alleged TSB was involved in money laundering or the financing of terrorism.

BNZ is looking at shutting down accounts of people who use payments, including child support, to send abusive messages. About 2,000 such payments a month are made, with reference fields containing swear words, abuse and unwelcome expressions of affection, often as a way to circumvent blocked communications channels.

Energy and resources

In the worst-case scenario, NZ will not have gas available to ensure electricity security of supply by 2026, a sector regulator warned. **The Gas Industry Company** said if there was more investment in existing fields to eke out reserves, then the system should be able to get through to 2035. The views are part of a preliminary report on the gas sector.

Heavy rainfall lifted **Meridian Energy's** hydro storage lakes in recent weeks, reducing the risk of a dry winter and electricity shortages.

Trustpower reported a 69% drop in its full-year net profit to $30.7m, however underlying profit, excluding one off items, rose 7% to $200.2m. Generation earnings were flat after a lengthy dry spell reduced hydro generation.

Geo40 secured up to $7.5m of capital from early-stage investor **Pacific Channel** to help accelerate plans to extract lithium from geothermal fluids.

Z Energy said it had agreed to terms offered by the **NZ Refining to close its Marsden Point refinery and become an import terminal.** The deal still requires final sign-off by the directors and shareholders of Refining NZ, including **BP and Mobil.** BP has already agreed in principle.

Manufacturing and construction

Metro Performance Glass reported $17.9m ebit for the year ended March, compared with $21m the previous year. Net profit of $8.5m compared with the year earlier net loss of $78.9m, which included $91.1m of write-downs.

Fisher & Paykel Healthcare's shares slumped despite annual net profit jumping 82% to $524.2m for the year ended March. It declined to give guidance because of ongoing uncertainties around vaccinations, lockdowns, covid-19 variants and localised waves of hospitalisation rates. Investors judged the result softer than expected.

Fletcher Building plans to buy back $300m of shares moves to widen margins start paying off. The company upgraded annual ebit guidance to $665m.

Norske Skog began consultations with 160 staff at the **Kawerau Tasman mill** after a review of the pulp and paper operation. Reports said **closure was likely.**

The company has already cut back production, reflecting high wholesale electricity prices and **has been trading contracted electricity on the secondary market** as this is more profitable than the mill's operations in current market conditions.

Primary sector, food and beverages

Sanford's half-year earnings to March were down almost a third to $25.8m. Revenue was down 5% to $233.5m.

ASB is forecasting a farmgate milk price of $8.20 per kgms for 2021/22, 70 cents higher than its previous forecast. It would be the second-best result on record. There was no change to the $7.60 per kgms forecast for the current season. **Fonterra** revised its current season forecast to $7.55/kg and set its first forecast range for next year of around $8/kg.

Milk production was up 11.6% last month versus the prior April while season-to-date milk production was up 2.4%, the **Dairy Companies Association** reported.

The **Fistonich family's Villa Maria Estate was placed in receivership part of a sale process.** The wine company is still trading profitably.

Synlait Milk now expects to report a full-year net loss of between $20m to $30m and said its banking syndicate has granted a waiver of debt covenants.

Property

Argosy Property's annual net profit for the year ended March more than doubled to $241.7m from $119.1m the previous year, with unrealised property revaluations contributing $157.7m, while net distributable income rose to $67.7m from $59.6m.

Investore Property's reported annual net profit rose more than fivefold as the value of its retail properties jumped, while distributable profit rose 38%. It reported net profit of $161.3m for the year ended March with a distributable profit of $29.1m.

Kiwi Property Group's rents and property management income in the year ended March 31 was down 3.9% to $234m. Ebit was down 8.7% at $152m.. Its properties were revalued up by $99.8m after a $289.9m write-down the previous year, net profit up to $196.5m, vs the previous year's $186.7m loss.

Precinct Properties named construction group **LT McGuinness** as the lead contractor on its revamped, $305m One Queen St project.

Retail and wholesale

My Food Bag reported underlying earnings of $29m compared to the $28.5m forecast during its IPO. Full year revenue was up 24% from financial year 2020 at $190.7m, $1.2m ahead of forecast nline channels

Kathmandu appointed **Michael Daly**, the head of its Rip Curl brand, as group ceo following **Xavier Simonet** resigning to become ceo of the **Australian Trade and Investment Commission, Austrade.**

The Warehouse will no longer sell fireworks after research showing customer support for the move.

Turners Automotive reported its **Oxford Finance** arm generated $15.8m in pre-tax profit - 30% up on the prior year, surpassing profit of $15.4m for the auto retail division. These contributed to overall net profit after tax of $26.9m, up 28% on the prior year, despite an 11% decline in revenue to $296.5m

Service industries and healthcare

Ryman Healthcare's net profit rose 60% to $423.1m for the year ended March due to property revaluations but underlying profit was down 7.3% to $224.4m. Ceo **Gordon McLeod** is stepping down. It bought sites for villages at Karaka and Cambridge.

Oceania Healthcare's net profit for the 10 months ended March was $85.5m compared with a $13.6m net loss in the previous 12 months. It has changed its balance date from May 31. Unrealised property gains contributed $83.3m after a $22.5m write-down in the previous year. Underlying profit rose 1.8% to $41.8m.

Arvida's March year net profit rose to $131.1m from $42.6m the previous year with unrealised gains contributing $121.3m.

AFT Pharmaceuticals annual net profit fell 39% to $7.8m for the year ended March from $12.7m the previous year and the operating result of $10.7m was down 6%. The company estimated operating profit in the current year of between $18m and $23m.

Pacific Edge trimmed net losses after tax by $4.7m to $14.2m for the year to March. It more than doubled in revenue to $10.4m from a comparable $5.2m in 2020 with growth in the US market despite covid.

Tech, telcos, IT, media and entertainment

Sky TV will broadcast the ICC World Test Championship between NZ and India starting June.

Last year, **Spark Sport** secured the rights to show NZ Cricket games for six years, but Sky won the rights to the World Test Championship.

Serko reported a net loss of $29.4m in the year to March 31 due to increased operating expenses and reduced revenue in a covid-19-ravaged year. The loss was wider than the prior year's $9.4m.

Timely, the appointment booking software company, was acquired by **EverCommerce,** a US service commerce platform, for an undisclosed amount.

Transport and logistics

Mainfreight boosted staff bonuses after reporting a record net profit of $188m in the March year.

Auckland International Airport ceo **Adrian Littlewood** will step down towards the end of this year after nearly nine years in the role.

Napier Port posted a slightly reduced profit on flat revenue due to covid-related disruptions. The company's half-year profit to the end of March was $10.6m compared with $12.4m the previous year which was lifted by some one-off items.

Capital markets

Infratil recorded a $16m statutory loss in the year to March 31, largely reflecting $223m of performance fees to its manager, **HRL Morrison & Co**.

Australian retail broker **Stake** raised $43m to fund a NZ-focused expansion. It follows **Sharesies** launching its trading platform in Australia.

Courts, legal and regulation

Rocket Lab was ordered to pay a former employee $97,000 for what the **Employment Relations Authority** called an extremely unfair dismissal.

A $200m class action against **James Hardie** claiming negligence in supplying faulty cladding began in the high court at Auckland. The defence is expected to argue the product failed due to poor workmanship, but the claimants say the cladding was fatally flawed.

The Court of Appeal has allowed an appeal over minimum wages. The Employment Court ruled aviation catering firm **Gate Gourmet** did not breach the Minimum Wage Act when it did not compensate workers who were at home and able to work during the first covid lockdown.