

Covid rising to higher peak

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Covid cases have swiftly accelerated into the tens of thousands a day, but relatively low hospitalisation rates are sparing the health system from being overwhelmed for now.

The meaning in a riot

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This week's riot and the forced dismantling of protest camps around Parliament will have a longer term political impact than a short term one. While it does at least partially reflect a growing unhappiness with the govt's record on covid and border restrictions, its implications are more akin to those arising from the Christchurch mosque attack.

National's improving core performance

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As inflation, higher interest rates and the end of the house price inflation boom emerge, so the public's traditional tendency to see the National rather than the Labour party as the better economic manager is also resurgent. In the last six months, National has made significant headway on numerous core political issues.

Big day looms for supermarkets

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As if covid staff shortages aren't enough, our two big supermarket chains will be bracing for the Commerce Commission's final market study report on Wednesday.

Three waters report due too

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Councils, DIA and quite a few politicians will be hungry for a look at the first report back from a working group report on how the govt can extricate itself from a messy reform process.

An aluminium-lined cloud

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This week's invasion of Ukraine by Russia has shaken the world's post-Cold-War balance. It has shunted NZ closer to having to pick sides between the 'west' on security and the 'east' (if it includes China) on trade. So far, the govt is being careful not to push China too hard.

Taxes flying into Treasury's coffers

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Despite covid, the govt's books are in fine form as the IRD's new computer systems Hoover up the rivers of cash coming in corporate taxes and PAYE taxes from a strong economy, higher nominal wages and the ever-present pull of fiscal drag.

A high peak looks inevitable

We offered modelling of the omicron outbreak a fortnight ago that was produced an optimistic view that a low peak of perhaps 10,000 daily cases was possible.

It is now clear that we are heading for a high peak, more akin to the kind of outbreak experienced in NSW. It is still expected to peak and start to fade by mid-month, with Auckland somewhat ahead of the rest of the country.

Less gloomily, of the 503 people hospitalised with covid on Thursday, only seven were in ICU. It is reasonable to hope that high rates of vaccination are doing their job in staving off serious incidences of omicron.

However, there remains a risk that general hospital wards are overwhelmed if the spike goes on. About 80% of 7,505 ward beds nationally are already full, leaving capacity for another 1,500 or so, with about 250 of those free in Auckland. The DHBs' modelling says peak hospitalisation is likely to range from 800 to 3,300. That means we will struggle to cope with an outbreak below the middle of that range.

What a riot at Parliament means

"Swords and lances, arrows, machine guns, and even high explosives have had far less power over the fate of nations than the typhus louse, the plague flea, and the yellow fever mosquito."

So Hans Zinsser argued in 'Rats, Lice and History', a seminal examination of the role of pandemic diseases, published in 1934.

The riot at Parliament ensuing from the eviction of the encampment there by protesters ostensibly motivated by human rights concerns relating to vaccine mandates is perhaps best understood in these terms.

Widespread disease and government actions to control them – whether successful or unsuccessful – place enormous strain on societies.

Add to that the rise of Trumpian alt-right and anti-establishment hard left conspiracy theories, anti-science and nativist narratives propagated across borders by social media, and the scene was set for a hard core of protesters to dig in. It is clear now that some were always spoiling for a fight. It was only a matter of when it occurred.

As the most recent edition of quarterly Foreign Affairs put it, the animating force in American politics has ceased to be beliefs and has instead become a question of "who you hate most". The hatred directed at **Jacinda Ardern** from a segment of society has become palpable and was also a factor in

the protest's denouement.

As Newsroom journalist **Marc Daalder** pinpointed in an insightful commentary this week, the protest brought together people who had previously only known one another online, and the encampment created a sense of community that will have entrenched and further radicalised many.

He also suggests that they found that "violence feels good". That is certainly evident from the live feeds of the final hours of the protest.

In that sense, there is more a straight line between the policy and social cohesion issues raised by the Christchurch mosque attacks than the response to covid-19.

While NZers with extremist views are still a tiny minority, their **sense of purpose and possibility has had an unfortunate boost from the protest at Parliament**. Security and police intelligence effort will be required to stay ahead of the potential for new and unpredictable incidents.

To the extent that the protest gained backing from a wider group of NZers who either always opposed or have been tiring of the 'nanny state' elements of covid restrictions, the government has become increasingly sensitive to that sentiment.

While a Horizon poll found such views as high as 30% following a prompted script, unprompted polling by Talbot Mills found it was more like 15%.

That is still a sizeable chunk of the population, although it would be reasonable to think it has shrunk after Wednesday's riot.

And the political impact?

Our reading of the riot is that its political impacts will be long-acting rather than having any significant short term impact on the standing of the political parties.

It goes to issues of social alienation, poverty, Maori disenfranchisement and the toxic impact of social media on alienated groups. Those are policy issues with long term dimensions.

In the short term, the fact that the police took the kind of decisive **action to clear the protest** that many 'middle NZers' had wanted for some time **may either be positive for the government, or at least neutral**.

The protest ended the cycle of new stories that were battering the government earlier in the year over MIQ and the unavailability of rapid antigen tests.

However, even if there is a minor fillip for the govt from the end of the protest, it is **unlikely to arrest the slow slide that has been taking the wind out of the centre-left's sails since at least the middle of last year**.

For a start, the omicron peak over the next few weeks will hurt the government, irrespective of how well or badly the outbreak is managed.

Empty supermarket shelves and the virus ripping through families and workplaces will accentuate a sense that social order is eroding.

While that can be expected to fade quickly once the peak is passed, hopefully by this time next month, that will only open the floor more widely to traditional sources of worry that are back on the boil: high inflation, particularly at the petrol pump, higher interest rates for borrowers, and an end to the house price boom.

The war in Ukraine may not have major effects on the NZ economy, but it is already creating expectations of a slower recovery in the global economy, which will have some import on exports.

Nats improve on core issues

Labour's unusual dominance of National since the last parliamentary term on core issues of economic management competence is slipping.

The Feb IPSOS Issues Monitor poll shows National and Labour swapping the lead on inflation/cost of living, housing/price of housing, petrol prices/fuel and 'the economy' for the first time – in some cases for four years – compared with their rankings in the last survey, taken in Oct.

National also now leads Labour on crime/law and order, transport/infrastructure/public transport, and tax.

Labour remains dominant on healthcare, education, immigration, unemployment and race relations.

Labour's relative fall from grace was on the broad question of economic management.

From a high point in recent years of 50% in Nov 2020, when National was languishing at 30% on that measure, Labour fell to 31% in Feb this year while National skipped to 42%.

D-Day for supermarkets inquiry

Woolworths NZ and the Foodstuffs co-operatives have a nervous wait until Wednesday morning next week, March 9, for the final report of the Commerce Commission into supermarket competition.

The retailers were caught wrong-footed by the extent of the criticism and negative media coverage they copped during public hearings at the end of last year, although indications from the commissioners did not suggest that forced divestment, break-up or structural separation of wholesale and retail operations was likely.

Covenants over land and mall occupation rights

are already on the way out, potentially creating an avenue for competitors to open competing outlets near to existing franchise operations.

Whatever the commission recommends, it has to be assumed that the **govt is under some pressure of its own making to accept recommendations that the commission believes would increase competition.** However, it should be noted that cross-submissions to the inquiry found gains from greater retail competition would be, at best, a very minor factor in improving NZ's retail grocery prices versus other countries, owing to issues of market size, poor labour productivity and regulatory issues.

3 waters update on Monday

The 3 waters directorate at the **Dept of Internal Affairs** has been at pains to hose down speculation that the controversial initiative has become bogged down or could be shelved.

However, after a one week delay in the planned timetable for announcing outcomes of the current consultation phase with local govt and other interested parties, the Working Group on Representation, Governance and Accountability will now **report next Monday, March 7.**

It appears likely the government will release the report almost immediately, reasoning that its wide distribution among the critics of the policy will ensure its release sooner rather than later anyway. Whether the government response comes before or accompanies draft legislation remains to be seen.

Ministers now accept that there is almost no prospect of separating the passage of the legislation from the third quarter local government election campaign period. Avoiding that clash had been one of the DIA's main communications recommendations, but objection to the policy derailed that plan. It's reasonable to expect that 3 waters will be either the or a defining issue of this year's local body voting.

Eyes on China over Ukraine war

Russia's invasion of Ukraine has shaken the current geo-political balance to its core and is putting NZ in some awkward positions.

The govt joined others this week in strongly condemning the invasion, but it has fired up a fresh debate over whether NZ should adopt an autonomous sanctions regime to allow a rapid response in cases such as these.

Coming up

March 7 - Three Waters working group to report back

March 9 - Commerce Commission due to release final report from supermarkets market study

April 13 - Offshore temp visa holders and students can return from overseas

May 19 - Budget 2022

July 1 - All Australians and visa-waiver others can arrive

Oct 1 - Border open to all

Both National and Labour govts have looked at creating such a regime, but the urgency has never been there, given the potential drawbacks of having such a regime.

NZ has preferred to adopt a multi-lateral approach to sanctions that allows us to avoid choosing sides, particularly when the likes of the United States calls for sanctions on human rights grounds against the likes of China.

Until now, our diplomats and politicians have been able to fob off demands of activists and belligerents alike, saying unilateral action was not legally possible.

But this time NZ has appeared slow off the mark and relatively weak, drawing criticism from National Foreign Affairs spokesman Gerry Brownlee and earning a front page slot on the Wall St Journal headlined: "U.S., Allies Are Ramping Up Sanctions on Russia, but One Country Is Sitting It Out."

Brownlee put forward a private members bill to enact an autonomous sanctions regime last year, but Labour and the Greens voted against it, worrying it did not include provisions for sanctions on human rights grounds, did not take into account cyber-attacks and was too focused on the Asia-Pacific.

The govt has been wary of being too in China's face, particularly on the issue of China's treatment of Uighurs in Xinjiang. Last year Labour blocked a Parliamentary motion that would have labelled China's actions in Xinjiang as "genocide."

But the audacity and importance of Russia's invasion has forced a rethink, particularly given NZ has done little more than call in Russia's ambassador here for a telling off. Brownlee has called for him to be expelled.

The measures taken so far include targeted travel bans against 80 Russian officials and other individuals associated with the invasion. (That's if they wanted to come and could get an MIQ slot). The export of goods to Russian military and security forces was also prohibited and NZ suspended bilateral ministry consultations.

PM Ardern said this week the govt was still reluctant to go down the track to a full autonomous sanctions regime, but was looking at "a specific Russian sanctions bill."

Other measures being examined include tougher good character tests, particularly for wealthy Russian investors in land.

KO CEO in the dog box

Kainga Ora ceo **Andrew McKenzie** appears to be skating on thin ice with both chair **Vui Mark Gosche** and Minister **Megan Woods** after a very public dressing down over an attempt to downplay PR spending designed to make an income Labour MP look good by association with a KO project.

Public Service Commissioner, Peter Hughes, issued a report criticising Kainga Ora for breaching political neutrality by paying for a puff piece in NZ Herald's OneRoof about (now) Labour MP **Arena Williams'** involvement in a community group at Hobsonville Point.

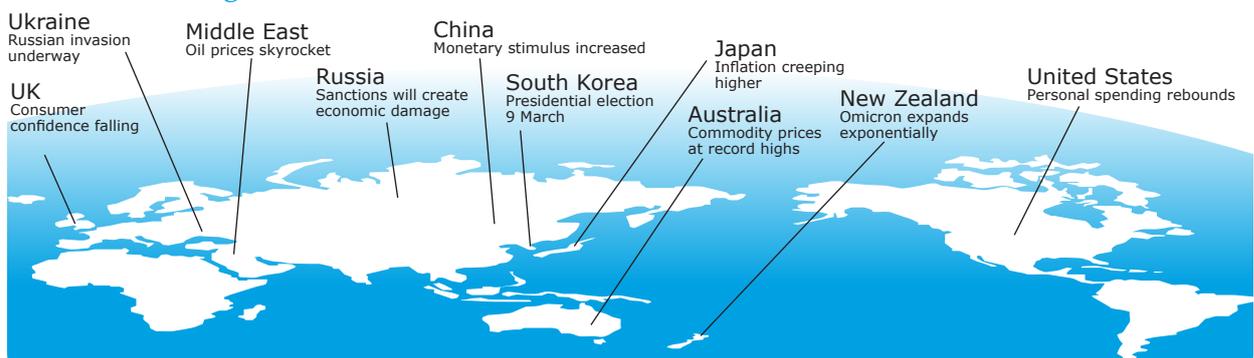
KO then tried to cover it up and downplay it, as the more detailed report showed. Hughes said McKenzie initially got the issue of political neutrality wrong, but Hughes said he was now satisfied McKenzie had fixed it and would learn from it.

Gosche said this week he felt badly let down and that improvements were now a standing item on his regular meetings with Woods. She said she retained confidence in Gosche and McKenzie for now.

Briefly ...

Auckland City councillor **Efeso Collins** appears to be in the box seat to become the first Pasifika mayor of Auckland following endorsement from Labour. His advantage stems less from that endorsement - many Aucklanders remain scarred by last year's delta lockdown - but the weakness of alternatives. Restaurateur **Leo Molloy's** Trumpian style is entertaining, but neither he nor CBD advocate **Viv**

The world at a glance



Beck look obviously electable.

Trade minister **Damien O'Connor** travelled to Europe and the Middle East to advance NZ's trade objectives just as the world grapples with the Russian invasion of Ukraine.

NZ signed a free-trade agreement with the UK sealing a deal agreed in principle last year. The deal will eliminate all tariffs on NZ exports over time, with duties removed on 99.5% of current trade from entry into force. It's expected to boost NZ's GDP by between \$700m and \$1b and save local exporters roughly \$37m each year on tariffs.

Immigration NZ's system was overwhelmed with the launch of Phase 2 of the gov't's one-off 2021 Resident Visa, with applications opening at 10am on Tuesday for more than 110,000 migrants in NZ. As at 4pm, 8,220 visa applications had been received, with a further 8,588 visa applications in the system being completed.

The gov't announced a new **covid-19 support** payment available for businesses starved of revenue due to the omicron variant. The new covid-19 support payment package will be \$4,000 per business plus \$400 per full-time employee, capped at fifty full-time employees or \$24,000. Changes are also being made to the small business cashflow loans scheme through the introduction of a "top-up" loan of an additional \$10,000 with a new repayment period of five years and the first two years interest-free.

The gov't removed the **self-isolation** requirements for vaccinated travellers to NZ and allowing NZers to come here from the rest of the world now. Travellers will still be required to have a negative pre-departure

test and undertake rapid antigen tests on arrival and on day 5/6.

Nearly 1,000 Countdown staff are off work because of covid-19 and the company says that means it is having to change how it operates - and what's on the shelves may change, too. Staffing at the two distribution centres in Auckland down 45% while stores in the city have about 10% of workers off.

Rapid Antigen Tests became the primary test at most testing centres as the omicron outbreak grew.

Two Auckland hospitals began calling off large numbers of planned operations as nursing numbers drop and covid-19 cases rise. On Tuesday, Counties Manukau DHB said more than 800 (13.5%) staff are not at work because they're sick or a member of their household has covid-19.

Ashley Bloomfield apologised for the covid testing system not keeping up with demand or doing what the gov't said it would deliver. More than 30,000 tests were five or more days late and he said those who had a test on Feb 23, or earlier, and did not have a result should get a rapid antigen test.

Cabinet confirmed the protein based **Novavax** vaccine would be available for those aged 18 and over. Initially, it would only be available as a primary course - dose 1 and 2. It was not currently approved for use as a booster dose.

The High Court at Wellington overturned a vaccine mandate for the police and defence forces after a judge found the circumstances of this particular mandate did not justify the ensuing limitation of human rights and was therefore unlawful. 🇳🇿

Trading partner growth

(2020 actual; 2021-2024 Hugo and Consensus Forecasts)

Trading partners	Weights %	GDP Growth (ann avg %)					CPI Inflation (ann avg %)				
		2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
China	36.2	1.8	8.1	5.0	5.2	5.2	2.5	0.9	2.2	2.3	2.2
Australia	15.4	-2.2	4.3	4.0	3.0	2.7	0.8	2.9	3.1	2.5	2.1
United States	12.6	-3.4	5.7	3.7	2.5	2.0	1.2	4.7	5.2	2.6	2.3
Japan	6.4	-4.5	1.7	2.8	1.8	0.9	0.0	-0.2	1.0	0.7	0.6
Eurozone	5.4	-6.5	5.2	3.9	2.5	1.7	0.3	2.6	3.9	1.7	1.4
South Korea	3.4	-0.9	4.0	3.0	2.6	2.4	0.5	2.5	2.5	1.7	1.4
United Kingdom	2.8	-9.7	7.1	4.3	2.0	1.5	0.8	2.6	5.4	2.7	2.2
Singapore	2.1	-5.4	7.2	4.4	3.3	2.3	-0.2	2.3	3.0	1.7	1.5
Hong Kong	2.2	-6.1	6.4	2.8	3.1	2.5	0.3	1.5	2.1	2.0	1.9
Taiwan	2.4	3.4	6.3	3.5	3.0	2.3	-0.2	2.0	1.9	1.5	1.4
Malaysia	1.8	-5.7	3.1	6.1	5.2	4.6	-1.1	2.5	2.3	2.1	2.0
Indonesia	2.3	-2.1	3.7	5.1	5.3	5.1	2.0	1.6	3.0	3.3	3.5
Thailand	1.8	-6.2	1.1	3.8	4.6	3.3	-0.8	1.2	2.0	1.3	1.2
Philippines	1.2	-9.3	5.6	7.1	6.3	6.3	2.6	4.0	3.4	3.2	3.1
Vietnam	1.6	2.9	2.6	7.6	7.1	6.9	3.2	1.8	2.9	3.5	3.8
India	0.9	-7.0	9.1	8.0	6.3	6.3	6.2	5.4	5.2	4.7	4.6
Canada	1.4	-5.2	4.6	3.9	3.1	2.0	0.7	3.4	3.7	2.3	2.1
NZ Trading Partners	100.0	-1.7	5.9	4.4	3.9	3.5	1.4	2.1	2.9	2.2	2.0
Forecasts for New Zealand											
Consensus		-2.0	5.5	3.4	3.0	3.7	1.7	3.9	4.2	2.1	3.1
BNZ Forecasts		-1.9	5.5	3.8	1.9	2.6	1.7	3.9	5.2	2.6	2.6
The World		-3.3	5.8	4.0	3.2	2.9	1.9	3.6	4.2	2.8	2.6

DOMESTIC ECONOMY

An aluminium lined cloud

The geo-political shock of Russia's invasion of Ukraine reverberated through global financial markets and into the wider economic outlook this week, including for Australasia.

Initially, Australian and NZ exporters are benefiting from a surge in commodity prices to record highs, along with a relatively strong currency, which will soften some of the inflationary shock from higher oil prices.

Aluminium prices rose to fresh record highs, helping bolster returns from Tiwai Point. Wholesale dairy prices also rose another 5% this week, boosting the prospects of a payout for 2022/23 that surpasses \$10/kgMS for the first time.

Higher wheat prices are also lifting prices for meat, given Ukraine and Russia produce 30% of the world's grain exports and the main export ports on the Black Sea are blocked or being destroyed.

Energy consumers and importers here will not be as happy though as Australian coal and LNG exporters.

Global steaming coal prices doubled this week and European gas futures prices also more than doubled in the wake of Russia's shocking decision to try to take over all of Ukraine.

Traders and bankers dumped deals connected with Russia, forcing buyers to look for supplies from elsewhere, including Australia and Indonesia.

Australia's trade surplus was nearly A\$13b for the month of Jan, almost double expectations.

However, the **biggest risk for NZ remains how China deals with the conflict**. So far, it has tentatively hovered on Russia's side of the line, failing to condemn the invasion, which Beijing has also called a "limited military operation" and has blamed partly on NATO.

If China was to help Russian banks and exporters circumvent sanctions, it risks being dragged further over onto Russia's side of a new cold war.

NZ is then exposed as having China as the largest buyer of its exports and Australia as its second-largest buyer of exports, with Australia even more exposed given China is responsible for an even greater share of export receipts.

NZ has been able to tiptoe between its trade partners and its security partners until now, avoiding picking sides or to being too critical of either. That becomes much harder when your main security partners,

Australia and the US, are firmly in the 'west' camp in a second cold war with the 'east' camp, which included Russia and China.

IRD's new tax machine hums

The economic outlook globally may be more clouded, but domestically the cash keeps flowing into the Treasury's coffers as profits keep bulging and pay packets keep rising.

Treasury reported the Crown Accounts for the seven months to the end of Jan showed an OBEGAL deficit of \$8.0b, which was \$3.7b less than forecast in the HYEFU in mid-Dec.

Tax collections were \$1.4b above forecast, largely due to strong corporate profits and wage growth. Spending was \$1.3b less than forecast.

That meant net core Crown debt stood at 35.3% of GDP, which was \$1.6b less than forecast.

Bond programme may hold

The Reserve Bank's lifted the official cash rate by 25 basis points to 1% and signalled there was more tightening to come as an announcement of a Quantitative Tightening programme.

The central bank said it would sell around \$5b worth of govt bonds from its QE programme of 2020 and 2021 back to Treasury directly, which in theory would force Treasury to increase its bond programme for 2022/23 in the Budget by the same amount.

But the govt's bulging tax receipts and restrained capital spending may allow the current \$10b of net bond issuance over the next three years to remain unchanged.

Briefly ...

The ANZ Bank's Feb Business Outlook reported a net 53.2% of respondents saying they expect economic conditions in the next 12 months to worsen, more than double the negative 23.2% who felt that way in Dec. The measure of "own activity" dropped from a net positive 11.8% in Dec to a net negative 2.2% reading in Feb.

It suggested that a recession may be difficult to avoid, given the extent of monetary policy tightening required by the inflation outlook.

Retail sales rebounded in the last quarter of 2021 with rises in many industries, almost reversing the falls recorded in the lockdown period of the Sept 2021 quarter, Stats NZ said. After price effects were removed the seasonal adjusted total sales volumes rose 8.6% in the Dec 2021 quarter, compared to the 8.2% fall in the Sept 2021 quarter. ■■

Coming up ...

Mar 16 - Dec Qtr Current Account figures due

Mar 16 - US Federal Reserve FOMC expected to hike

Mar 17 - Dec Qtr GDP due

April 13 - RBNZ OCR call

April 21 - Mar Qtr CPI due

May 4 - RBNZ Financial Stability Report due

May 19 - Budget 2022

May 25 - RBNZ MPS due

Banks, insurers and fund managers

The **Reserve Bank** called for feedback on proposed changes to liquidity policy for banks, including whether branches of foreign banks and non-bank deposit takers should also be in the regime.

Heartland lifted first-half net profit by 7.8% to \$47.5m as lending grew nearly 14% and operating costs fell because of ongoing digitalisation.

Kiwibank lifted first-half net profit 16% to \$64m as lending growth jumped 20% and margins fattened. It said the bank grew faster than the market.

Energy and resources

Genesis Energy increased its interim dividend and upgraded expectations for full-year earnings after it reported half year underlying earnings of \$60.3m in the six months to Dec 31, up 1% from a year ago.

Vector reported group net profit after tax of \$115.5m for the first half, which was \$13.4m or 13.1% higher than the same period the year before.

Meridian Energy reported flat operating earnings for the six months to Dec 31, citing the impact of "exit" power prices for the Tiwai Point aluminium smelter as a primary influence. Earnings came in at \$394m, \$1m lower than for the same period last year. Net profit after tax was lower at \$145m, compared with \$227m for the same period last year, mainly because of the impact of unrealised changes in the value of electricity contracts. The company flagged gas constraints for pushing up futures prices over the next two years.

Mercury reported half-year earnings were down \$48m from the period last year as it faced dry weather and made significant changes to the business. It earned \$242m in the half year ended Dec 31, below the expectations of analysts – who predicted earnings to be roughly \$275m – and down from \$290m last year. Net profit after tax more than tripled on the previous year, to \$427m as the company recognised a \$367m net gain on the sale of its 20% stake in Tilt Renewables.

Refining NZ chalked up a net loss after tax of \$552.6m for the year ending Dec 31 in its last full year operating the country's only oil refinery at Marsden Point. Much of this was driven by a non-cash impairment of refining assets and restructuring provisions. This compares to a net loss after tax of \$198.3m in the previous year as covid hit revenue and fuel demand, particularly in the aviation sector.

Manufacturing and construction

Steel & Tube's net profit for the six months ended Dec 31 was \$14.3m, up from \$4.1m in the same six

months a year earlier. Earnings came in at \$22.6m, up from \$8.5m. Sales were up 25% to \$282.2m, rebounding after lockdowns in Aug and Sept.

Primary sector, food and beverages

Global dairy prices hit their highest level ever on tight supply and fall-out from the Ukraine crisis. The global dairy trade auction index lifted 5.1% to an average price of US\$5,065 (NZ\$7,509).

NZ milk production decreased 6.1% on a milk solids basis in Jan compared to Jan the year prior after warm and very dry weather across most regions.

Fonterra suspended exports to Russia due to the invasion of Ukraine. It exports mostly butter to Russia, totalling about 1% of its annual exports.

Delegat Group posted an 8% decline in first-half earnings as record sales weren't enough to offset the smaller harvest of 2021 and growing costs of navigating snarled up shipping channels. Operating profit fell to \$39.5m in the six months ended Dec 31 from \$43m a year earlier, even as revenue climbed 3% to \$178.7m with a record 1.89m cases sold in the period, up 2% from the prior period.

Fonterra increased its forecast farmgate milk price for the current season – to a record midpoint of \$9.60 a kilogram of milk solids. The new range is \$9.30 to \$9.90 up from \$8.90 to \$9.50.

Beef + Lamb NZ said the outlook for the current season is positive as demand for sheepmeat and beef continues to ramp up. Total combined sheepmeat and beef export receipts for the 2021-22 season are forecast to lift 11% on the prior season to \$9.6b and be 12% higher than the five-year average.

The govt is **winding back rules which have made it easier for foreign investors to purchase farmland in NZ for forestry conversions**. The special forestry test is used when an investor is looking to invest in production forestry for harvesting. It was introduced in late 2018 in a bid to support the govt's forestry priorities, including more tree planting.

The govt proposed a **major change to the Emissions Trading Scheme that would stop new permanent radiata pine forests from being included** in the scheme from next January.

Comvita continued to gain traction reporting its operating profit was \$7.2m in the six months to Dec 31, up 39%. Earnings were \$12.1m, up 14.1%.

PGG Wrightson lifted its full-year guidance after a record first-half result. Operating earnings were \$47.4m in the six months to Dec 31, up 20%. Net profit was \$22.5m, up 32%. It will pay an interim dividend of 14c/share, up from 12c a year earlier.

A2 Milk said its first-half result was in line with expectations as profit halved on skinnier margins,

CORPORATE ROUND-UP

but it's more optimistic about the rest of the financial year. Revenue for the six months to Dec 31 was \$660.5m, down 2.5% while net profit was \$59.6m, down 50.3%. The company had said it expected revenue would be "marginally lower" on the year.

Landcorp Farming, which trades as Pāmu said earnings before interest, tax, depreciation, amortisation and revaluations were \$16m in the six months to Dec 31, compared to \$14m a year earlier.

Retail and wholesale

Earnings for **Woolworth Group's**, owner of Countdown supermarkets in NZ, fell in Australia after being hit by lockdown costs but it fared better in NZ. Group earnings before interest and tax from continuing operations before significant items fell 11% to A\$1.4b in the half-year to Jan 2. Earnings from Australian food fell 7.6% to A\$1.2b, while the much smaller NZ operation saw food sales up 3.3% to \$200m. Total sales in NZ were up 8.3% to \$4.03b.

Michael Hill International's revenue rose 2.3% to A\$327.1m (NZ\$350.7m) in the 26 weeks ended Dec 26, despite losing a fifth of its trading days due to widespread lockdowns in Australia and NZ.

Service industries and healthcare

Ebos Group latched on to a covid tailwind behind many healthcare companies to notch up a record first-half profit. It lifted net profit to A\$101.9m (NZ\$109.8m) in the six months ended Dec 31 from A\$94.3m a year earlier on a 12.8% increase in revenue to A\$5.3b. Underlying profit rose 15.8% to A\$109.3m.

Tech, telcos, media, IT and entertainment

TVNZ's first half profit fell 55% to \$15.2m, with a substantial increase in spending on local content lifting costs to \$154.2m from \$119.9m. The state-owned broadcaster's revenue rose 4.5% to \$183.7m.

NZME's full year operating earnings for 2021 were in line with the prior year's result at \$66m, despite a significant increase in digital revenue. The publisher reported full year revenue was up 9% at \$365m in 2021, with digital revenue growing 37% to \$79.5m.

Spark reported net profit after tax of \$179m and total revenue of \$1.89b in its first-half, a 21% and 5.2% increase respectively on the corresponding previous period. The telco also announced plans to create a subsidiary by the end of 2023 called Spark TowerCo.

Chorus reported first-half net profit after tax for

\$42m for the six months to Dec 31, 2021, up from \$27m in the previous corresponding half. The wholesale broadband provider said earnings were \$347m for the period, up from \$328m, with operating revenue of \$483m, up from \$478m.

Transport and logistics

Air NZ's twice-delayed capital raise is drifting beyond the end of the first quarter of this year although the airline says it still intends to launch the new equity offer before the end of March 2022 or shortly thereafter. The national carrier announced a \$367m loss for the six months to Dec 31, vs the \$186m loss suffered in the same period a year earlier. It warned the second full year of trading under covid-19 was likely to produce of over \$800m.

Auckland International Airport has got more leeway from its bankers to help it cope with the omicron outbreak and slower reconnection to the rest of the world than anticipated. It reported an underlying loss of \$11.5m in the six months ended Dec 31, widening from a loss of \$9.5m a year earlier, with revenue slipping 4% to \$126.2m.

Freightways reported a doubling in net profit to \$43.7m for the six months ended Dec 31 from \$21.5m a year earlier, when Freightways wore a \$19.2m charge on the expected earnout from its Big Chill division. Profit rose 7.4% as revenue rose to \$442m.

Move Logistics said the impacts of covid related restrictions on fuel deliveries was largely to blame for a \$1.4m net loss for the half year to Dec 2021, down from a comparable profit of \$2.6m.

Capital Markets

NZ's listed market regulator will delist troubled export firm **QEX** from the exchange in April – an action not seen in recent exchange history.

NZX raised \$16m from fund managers with the new shares sold at a clearing price of \$1.62, or a 3.1% discount to its previous market price.

People news

Karen Chang is leaving the **Financial Markets Authority** to become the director and chief executive of the **Serious Fraud Office**.

Skellerup CEO David Mair was named CEO of the year and **Patrick Strange** (Auckland airport, Chorus) was named chair of the year in the Deloitte 200. 🏆