HUGOvision

Assessing the economic and political environment in New Zealand

May 27 2022 | Confidential to HUGO members

RBNZ sets the table for election year

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The prospects for a change of govt in 2023 are all the stronger for the signals this week from the RBNZ that the OCR could go as high as 4% and stay there for much of election year. Some of this may be bluff. The central bank is taking a stick to inflation expectations with its new forward track for the OCR. But if it plays out, 2023 will be a difficult year for National's "squeezed middle", particularly recent mortgage borrowers.

10% house price fall OK – but

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The RBNZ expects a 14% fall in house prices from the recent peak and that this will put just 1% of mortgage-holders in negative equity. If the fall were to be more like 30% – closer to pre-pandemic levels – 10% of mortgage-holders could find themselves underwater.

Massive spend – what are we buying?

Pp. 3&5

The Emissions Reduction Plan and the Budget, between them, are perhaps the biggest commitment of fiscal stimulus outside of emergency responses such as the covid splurge in recent history. But the government has failed to build a compelling narrative about exactly what the ERP will do, while the Budget's huge infrastructure and health spending looks more like a shopping list from a govt determined to entrench what it can while it remains in power than a plan for re-election.

Insurance and climate change adaptation

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Submissions on the draft climate change adaptation plan close next Friday (June 3). The insurance industry is hoping the govt, by focusing first on flood risk, is not going to be seduced into tackling the issue first as one of liability for risk rather than action to adapt and prevent.

ComCom governance

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The NZ Initiative took a swing at the Commerce Commission, using a survey of questionable validity to pose a question that needs answering: is the 'commissioner' model, which mixes governance and operations, fit for purpose anymore?

Luxon on corporate welfare

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Christopher Luxon has surprised a few in the business community by saying a National-led govt would not implement subsidies for industry to decarbonise, saying that the signals from the ETS are all that business should require to act. This is a view shared by ACT and Luxon's economic adviser, Matt Burgess, previously at the NZ Initiative. Pushback from the business and energy lobbies is likely.

Fonterra's wide margin

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Fonterra's unusually wide range for this season's final payout figure gives some indication of the general global economic and geopolitical uncertainty. However, with a mid-point of $9 per kg/MS, the end result will be strong and reflects the inflationary impulses affecting global food prices.

Text finalised May 27

Ardern, the US and IBEF

Jacinda Ardern's US trip and visit to the White House next Tuesday coincides with the Biden administration putting **a little flesh on the bones of the Indo-Pacific Economic Framework (IBEF)**, first proposed last October.

Ardern made most of the right noises about its launch, in Zoom comments from the airport as she prepared to leave for New York.

However, she **did express a desire for new multi-lateral arrangements that included trade access**. **The IBEF expressly does not do so.**

Other than being **overtly US-centric and intended to contain China, IBEF lacks definition.**

"As businesses (for which, read US businesses) are beginning to increasingly look for alternatives to China, the countries in the Indo-Pacific Framework will be more reliable partners for US businesses," said Commerce Secretary Fina Raimondo.

It was **"an important turning point in restoring US economic leadership in the region and presenting Indo-Pacific countries an alternative to China**".

US Trade Representative Katherine Tai promised this was **not a "same old, same old" FTA** and made clear there is no prospect of bi-partisan US Congress support for FTAs.

Very clearly, that means that **NZ's attempts to revive US interest in the CPTPP are dead**.

What is less clear is **whether the US may attempt to relitigate in the IBEF some of the non-tariff barriers that it was unable to get into the TPPA** before it became the CPTPP.

That appears likely.

Among areas of focus are setting **standards for workers' rights, digital technology, improved supply chain resilience and decarbonisation**.

However, the **momentum in the initiative has yet to be proven.**

The Obama administration quickly lost focus on its Asia 'pivot' and the Bush2 administration's identification of China as a "strategic competitor" went undeveloped.

There is arguably **more impetus for IBEF because of the quickening global split into ideological blocs,** hastened by supply chain disruption, the Ukraine war, and Chinese ambitions to exploit how weak the support for democracy appears to have become in many democratic countries.

IBEF also arrives at a time when the Chinese economy is weakened by covid restrictions and foreign investors are abandoning the Chinese market as a venue for foreign direct investment.

In this more polarised global dynamic, the US may judge it has greater leverage than when pacts such as CPTPP were being negotiated in a more benign and globalised environment.

Still cautious with China

By aligning with IBEF and with a high profile US trip, Ardern is **steering NZ on an increasingly clear path to traditional western alignment**.

However, there are still signs of a cautiously calibrated approach to Beijing. One example, the NZ govt office in Taipei – the equivalent of our embassy in Taiwan – did not participate in a joint statement involving the US, UK, Australian and Canadian offices supporting Taiwan's inclusion in WHO activities.

While Foreign Minister Nanaia Mahuta affirmed NZ's position on this when asked, such subtle deference is noted in Beijing.

The **Pacific environment remains dynamic**, with NZ announcing an extension of its defence and police deployment to the and the Solomons this week. **At the same time, China's foreign minister Wang Yi leads a delegation to eight Pacific nations,** promoting a new co-operation agreement covering fisheries, policing, security, and trade.

The Australian election

The Liberal Party took a mugging in the Australian election, and much **media coverage suggests the Albanese govt represents a distinctive change in the country's politics**.

That is partly because of the success of the so-called "teal", or blue-green, candidates who unseated several key Liberal MPs, and a swing to the Green party.

The most obvious shift in policy emphasis is likely to be in federal commitment to carbon emissions reductions. **For NZ, the most likely implication is that there will be renewed opportunity to invest in renewable energy.**

Australia's superior solar resource may also give NZ plans for hydro-electric green hydrogen production a run for their money.

Foreign Minister Penny Wong has already signalled a new focus and intention to "listen" to Pacific Island neighbours.

Writing for the ABC, veteran political writer Laura Tingle described it as "the climate election" that "profoundly changed the political geography and demography of Australia".

However, for all that the ALP has won an important victory, it is **worth noting that it won with the backing of just one-third of the electorate – a historically slender mandate.**

ALP support in WA proved particularly strong, and appears to suggest the federation's most isolated state decision to pursue covid elimination was politically rewarded.

Budget, climate and inflation – the politics

Budget week would have delivered more politically for the govt than it appears to have done, had the first Emissions Reduction Plan and the Budget itself been more strategically coherent.

Instead, the ERP seemed underdone, light on concrete actions and wrapped up in another weighty govt tome in which verbiage obscured clarity.

Energy sector observers divined from a single sentence deep in the document that **the govt is considering requiring bulk, long term electricity procurement by its agencies to promote demand to underpin investment in new renewable generation**. On close inspection, this does appear to be the case, but it is hardly explicit.

Likewise, the **absence of reference to the Climate Change Commission's expectation that the natural gas pipe network will be closed by 2050** is taken as evidence that the govt expects it to remain available for hydrogen or non-fossil fuels in the future.

The sense gained was that there is now a plan, with ETS revenue funding attached, but a lot of work still to do. Its pitch was **more 'softly softly' than big bang**.

Perhaps that was politically wise but it lacked cut-through because of that.

Meanwhile, the Budget scratched the political itch of galloping inflation by offering a one-off cash payment of $350 over three months to anyone earning under $70,000 who is not already eligible for the $700 winter energy payment.

This was **a bare minimum gesture and one that the Treasury recommended against**.

There was **little new policy to enhance productivity, unblock supply chains, or improve business conditions.**

The commitment of up to **$100m of government funds to make minority equity investments in SMEs**, in partnership with private banks, does not yet exist.

Tens of millions of dollars are committed to continuing with **Industry Transformation Plans that have been underway for four years or more and have yet to move any dials.**

Huge sums – $11.1b over four years – are applied to the health sector reforms, but **these have been no better sold than the three waters reforms**.

Election lead-up

The danger for the govt is that the political strategy that presumably underlies an enormous spending programme, backed by a tax take bloated through fiscal drag and inflation, won't add up to enough to counter the effects of falling house prices, high food prices, and weak consumer and business sentiment during a period of very weak economic growth.

Add the prospects of a very sharp and sustained rise in interest rates signalled by the Reserve Bank and **the prospects for a change of govt remain high and growing.**

The Budget has not changed that.

Indeed, the very large spending commitments made this year may constrain the capacity to produce a generous-looking election year Budget.

In a sense, the govt is "spending" for worthy causes at levels that are mind-bogglingly large, but not in a way that appears to "buy" political support effectively.

ComCom governance

The Commerce Commission is **likely somewhat aggrieved at the broadside it copped this week from the NZ Initiative**, which claimed evidence of an "alarming" slide in its standing in the commercial world.

On close inspection, the Initiative's survey of 200 large businesses, including its own membership, elicited only 36 ratings for the commission across a range of metrics.

That made it the most rated agency, with next closest being MBIE (28 ratings on KPI achievement), and it also got a bit of a drubbing.

Whether or not the methodology was fair – it probably wasn't since detractors are more likely to fill out satisfaction surveys than fans – **the findings were consistent with those routinely expressed** by aggrieved, unsuccessful applicants and frustrated legal advisers.

Manukau port

One surprise in the Budget was the inclusion of funding to further study the potential to move Auckland's main port to the Manukau Harbour.

Manukau was an unexpected first choice from consultants' report in 2016 - before the NZ First-inspired port study under Wayne Brown.

Its advantage is proximity to the railyards at Wiri. It appears ministers want to be quite sure it is not an option.

The commission appears not to have chosen to argue back. Its expanded remit in the last few years, for example, may have been a surprise for sectors not previously engaged with the commission's work.

The **main thrust** of the report's recommendations, however, **bears scrutiny.** The Initiative argues that making commissioners responsible for the governance of competition regulation as well as actually investigating and enforcing it is **an anachronistic governance model that needs to change.**

Quite possibly, the commissioners agree. There has been no reaction from commerce minister David Clark.

For critics concerned about the commercial nous among commissioners, the **approaching appointment of a replacement for outgoing chair Anna Rawlings** will be a bellwether.

Flood insurance – why?

The insurance industry is concerned that the govt's apparent enthusiasm for a flood insurance scheme to assist with climate adaptation is an answer in search of a question.

The climate change adaptation consultation, with submissions due by Friday next week (June 3) was light on detail, with one or two notable exceptions.

In particular, the document discusses the UK flood insurance plan, known as Flood Re, which appears to have captured the attention of EQC Minister David Clark and have some backing from Grant Robertson. The scheme was a reaction in the UK to a lack of flood insurance cover and intended to create an orderly transition to a world affected by climate change and be phased out.

However, it has not worked as intended. Instead of sending market signals not to build near rivers, beaches or on flood plains, flood insurance became easier to get after the scheme was implemented.

However, there is no such difficulty in the current NZ insurance market. The industry hopes to persuade policymakers that focusing on insurance rather than actual climate change adaptation – avoiding new risk, and controlling, transferring and accepting existing risk will allow the insurance market to operate without requiring an intervention.

RMA update

Work on subsidiary decisions to support drafting of RMA reform law is well underway, according to David Parker, who says the Cabinet finished deliberations on a total of 17 cabinet papers containing more than 750 policy recommendations in mid-April.

Within "the next couple of months", he expects to identify the first regions to develop regional spatial strategies under the Spatial Planning Act (previously known as the Strategic Planning Act) and National Built Environments Act (NBA) plans, to serve as models for subsequent plans that the new framework of environmental and planning law will require.

A new national direction will also be developed on infrastructure for the first iteration of the new National Planning Framework (NPF), "reducing the variation in rules across regions and providing more certainty to infrastructure providers".

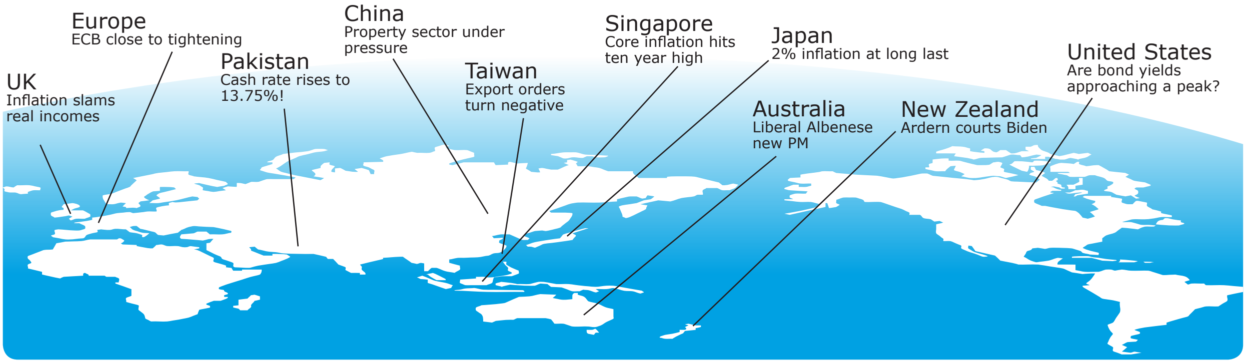
This "will enable the codification of a suite of planning and technical standards for infrastructure" and "may list standards for erosion and sediment control".

Councils will state which standards must be used.

Parker said other national directions already in effect or being developed would move across into the new NPF. "I do not intend to relitigate the policy intent of this national direction, however some changes may be needed to align it with the NBA and resolve conflicts between instruments."

The integrated regulations will include mandatory

The world at a glance



environmental limits to protect "ecological integrity and human health, and include limits relating to fresh water, coastal waters, estuaries, air, soil and biodiversity".

Local authorities and joint committees will be responsible for ensuring their NBA functions and processes are "cost-effective, timely, efficient, and consistent".

Skills and workforce planning to implement the NPF is being conducted by NZ Institute of Economic Research.

The Budget set aside $178.7m over four years for implementation.

ERP – details

The first emissions reduction plan outlined $2.9b in spending over four years from the $.4.5b Climate Emergency Response Fund, which is funded by revenue from the ETS.

One of the big ticket items is boosting subsidies to industry to bring forward switching fuels from coal and gas to electricity or other energy types.

The funding to decarbonise industry starts off relatively small ($69.6m in 2022/23) and increases to $223.8m in 2025/2026, with $652m spent in total.

A car scrappage scheme targeting low and middle income households will cost $15.9m in 2022/23 and $294m in 2025/26 after an initial trial.

The emissions plan includes a further $338.8m over the next four years for research into and the commercialisation of new products to reduce greenhouse gas emissions from agriculture. The largest single element of this new spending is the creation of a new Centre for Climate Action on Agricultural Emissions that is intended to give more impetus to the existing NZ Agricultural Greenhouse Gas Research Centre. The new centre will include a public-private joint venture focused on developing and commercialising practical tools to reduce emissions.

The Matt Burgess effect

The influence of former NZ Initiative staffer Matt Burgess on National Party positioning is clear in Christopher Luxon's rejection of ETS-funded subsidies to accelerate emissions reductions.

Luxon has dubbed this unnecessary "corporate welfare", arguing the ETS can do the job without assistance. This is the purist line pushed by the Initiative and is likely to provoke business and energy lobbies to seek a reversal.

Luxon may judge this as good political positioning to demonstrate that National's focus on wasteful govt spending is not business-friendly.

Pre-departure tests

Covid Minister Chris Hipkins has indicated pre-departure testing is likely to end earlier than the current date, July 31.

Trading partner growth

(2020-2021 actual; 2022-2024 Hugo and Consensus Forecasts)

Trading partners		GDP Growth (ann avg %)					CPI Inflation (ann avg %)				
	Weights %	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
China	36.2	1.8	8.1	4.7	5.1	5.2	2.5	0.9	2.2	2.3	2.2
Australia	15.4	-2.2	4.7	4.0	2.8	2.7	0.8	2.9	5.0	3.1	2.1
United States	12.6	-3.4	5.7	2.8	2.1	2.0	1.2	4.7	7.2	3.3	2.3
Japan	6.4	-4.5	1.7	2.0	1.9	0.9	0.0	-0.2	1.7	1.1	0.6
Eurozone	5.4	-6.5	5.4	2.7	2.2	1.7	0.3	2.6	6.8	2.6	1.4
South Korea	3.4	-0.9	4.0	2.7	2.4	2.4	0.5	2.5	4.0	2.2	1.4
United Kingdom	2.8	-9.7	7.4	3.8	1.0	1.5	0.8	2.6	7.8	4.3	2.2
Singapore	2.1	-5.4	7.6	4.0	3.1	2.3	-0.2	2.3	4.6	2.7	1.5
Hong Kong	2.2	-6.1	6.3	1.1	3.6	2.5	0.3	1.5	2.4	2.2	1.9
Taiwan	2.4	3.4	6.4	3.6	2.8	2.3	-0.2	2.0	2.8	1.7	1.4
Malaysia	1.8	-5.7	3.1	6.0	5.0	4.6	-1.1	2.5	2.7	2.4	2.0
Indonesia	2.3	-2.1	3.7	5.1	5.1	5.1	2.0	1.6	3.6	3.5	3.5
Thailand	1.8	-6.2	1.6	3.3	4.4	3.3	-0.8	1.2	4.7	1.8	1.2
Philippines	1.2	-9.3	5.6	6.7	6.1	6.3	2.6	4.0	4.5	3.4	3.1
Vietnam	1.6	2.9	2.6	6.9	7.0	6.9	3.2	1.8	3.5	3.8	3.8
India	0.9	-7.0	8.7	7.4	6.2	6.3	6.2	5.5	6.1	4.9	4.6
Canada	1.4	-5.2	4.6	4.1	2.6	2.0	0.7	3.4	5.7	2.9	2.1
NZ Trading Partners	100.0	-1.7	6.0	3.9	3.7	3.5	1.4	2.1	4.0	2.6	2.0
Forecasts for New Zealand											
Consensus		-2.0	5.6	2.7	2.8	3.7	1.7	3.9	5.9	2.7	3.1
BNZ Forecasts		-2.1	5.6	3.2	1.5	1.7	1.7	3.9	6.5	3.3	3.3
The World		-3.3	5.8	3.1	2.9	2.8	1.9	3.6	6.4	3.5	2.7

RBNZ goes for the doctor

The RBNZ's 50 basis point OCR increase and, more importantly, its increase in the forward track to an OCR of close to 4% next year indicates growing nervousness about its ability to meet its inflation mandate.

This week's MPS implies both the likelihood of a shallow, monetary policy-induced recession and somewhat higher unemployment than has been forecast in the Budget or by the RBNZ in previous MPSs.

The stage is set for two more 50 basis point hikes in July and Aug, with another possible in Oct, although if there is evidence that sharp, swift increases are starting to have the desired effect, 25 point increases may be preferred from Aug.

The latest MPS was notable for relatively aggressive language, asserting that the bank will continue to raise rates "briskly" and "at pace" in order to get ahead of inflationary pressures that are still building both domestically and in the global economy.

Rate cuts are not forecast until 2024, reaching 3.5% at the end of the current forecast period.

While this shapes a strong cycle in the OCR, the bank continues to view a neutral OCR as being around 2%.

The labour market appears to be the greatest source of concern, although the MPS also notes very high spending announced in the Budget last week. However, its inflation, GDP, house price and exchange rate tracks haven't changed much since last month's read. Its forecasts of wage inflation, however, were considerably higher for 2022/23, compared to the Feb MPS.

In its commentary, the RBNZ discusses the balance between "tightening policy 'too little, too late' versus 'too much, too soon'".

"The risk of moving too slowly and not far enough remained the most costly option," the bank said. While a steeper rate curve would impact highly indebted households more heavily, "on average, household balance sheets are healthy".

Negative equity risk low for now

House prices are now expected to fall 14% from their peak, settling at above pre-covid levels, and leaving perhaps 1% of borrowers in negative equity.

"A 30% decline in house prices from their peak would be required to bring them back to their pre-COVID-19 levels", which could leave an estimated 10% of housing debt in negative equity.

The RBNZ said banks reported a small increase in demand for borrowing by businesses, mainly for purposes other than capital investment, with capital needs likely to remain subdued along with business confidence.

Farm lending is also falling on an annual basis, although demand was starting to improve due to high commodity prices and a more positive outlook for the sector in general.

Budget economic projections

Treasury projected reaching a $2.6b operating balance before gains and losses surplus in the 2025 fiscal year, later than in the Dec half-year update, but an improvement on last year's Budget forecast.

Treasury predicts the economy will avoid a recession, with annual GDP growth forecast to slow to 0.8% in the 12 months to June 2024 from 2.2% in the prior year, before returning to a 2% pace in 2025.

Unemployment is expected to stay below 5% through the forecast horizon, with inflation easing from 6.7% in the current June year to 2.7% in 2025. "There are challenges ahead with supply chain disruptions, higher inflation and ongoing covid impacts that may affect these forecasts," Robertson said.

The tax take is predicted to rise more rapidly than the Dec forecasts, with $103.8b expected in the current fiscal year, rising to $138.5b in 2026. Over the same period, core crown spending is predicted to rise from $128.4b in the current fiscal year to $138.2b in 2026. Robertson announced a smaller operating allowance than previously indicated at $5.9b while increasing the 2023 year's allowance to $4.5b.

Economic indicators

May's Roy Morgan-ANZ consumer confidence survey showed a two point fall from April to 82.3, which the bank described as "above its record low of 77.9 in March, but still dire".

March retail sales fell a seasonally adjusted 0.5% in Q1 after an 8.3% increase in the Dec 2021 quarter.

Output prices for goods and services producers increased 2.6% in the March 2022 quarter compared with the Dec 2021 quarter. Input prices increased 3.6%, the largest since 2008.

Trade Me data said the **average property sale time** for listings on the site was 51 days in April, **up 56% year-on-year.** In Auckland, the average number of days was 55, compared to 31 last year and 57 in 2019.

Activity levels in the April Business NZ-BNZ Performance of Services Index were flat, with an April reading of 51.4 vs 51.5 in March and a long term average of 53.6. Employment rose but new orders and sales fell.

Primary Sector

Fonterra announced a very wide range for possible payout for the current season of between $8.25 and $9.75 per kg/MS, reflecting volatile global trading conditions, including China covid disruptions, the tanking Sri Lankan economy, lower milk collections and the potential impact of the Russia-Ukraine crisis. There was no update on plans to sell down Australian operations.

Zespri reported net profit for the year to March 31 of $361.5m vs $227.1m the previous year on sales that topped $4b for the first time.

Sanford reported revenue of $270.9m in the six months to March 31, up 16% from the same period a year earlier but warned the domestic picture remains challenging. Adjusted earnings before interest and tax were $19.2m versus $10.7m.

NZ Apples and Pears lowered its 2022 harvest forecast by 12% to 20.3m tray carton equivalents. It had previously expected 23.2m TCEs and the new forecast means export earnings will be about $105m lower than expected. **Seeka** said the SunGold kiwifruit crop is now estimated to be 103.3m trays, down 9.7% on prior forecasts.

A2 Milk will provide up to $500,000 to a farm sustainability fund in its first year to fund grants for suppliers' projects.

Energy and resources

Infratil reported a $1.23b annual net profit including the more than $1b profit from the sale of its Tilt Renewables stake. Proportionate earnings were $474.9m in the 12 months ended March 31, up 27.9% on the previous year's $371.2m. It has $1.67b of available capital.

Ampol dual-listed on the NZX, after finalising its acquisition of **Z Energy**.

NZ Aluminium Smelters, operators of the Tiwai Point smelter, announced underlying net profit of $140m for the year to March 31, a turnaround from last year's underlying loss of $100m. It took the opportunity to roughly double closure remediation provisions to $687m.

Banking, finance and insurance

Heartland appointed **Chris Flood**, now head of **Heartland Bank**, as deputy chief executive of the group from Nov 1 and **Leanne Lazarus** will take over as chief executive of the bank from Aug 1. She is currently chief executive of **Westpac Life.**

Telecommunications, media and entertainment

Vodafone NZ co-owners, Infratil and Brookfield Asset Management, paid an undisclosed amount to bring the 52 Vodafone retail stores under the control of the telco, buying out joint venture partner **Millennium Corp**.

Spark appointed long-time employee **Rob Berrill** as TowerCo chief executive, the new subsidiary to be spun out as it floats tower assets.

New funding of $327m over three years for the merged **TVNZ** and **RNZ** entity from 2023 to 2026 was announced in the Budget.

Wholesale and retail

Both major supermarket chains offered price cuts and price freezes on a range of goods due to ongoing inflationary pressure as the government considers its response to the **Commerce Commission** market study into **grocery sector** competition. Decisions are expected in coming weeks.

Manufacturing and construction

Fisher & Paykel Healthcare reported a 28% fall in net profit to $376.9m for the year to March 31, reflecting slackening demand for respiratory products used at the height of the global pandemic.

Steel & Tube said its strong first-half performance continued into the current six months and it's now expecting normalised operating profit for the full year to be up more than 69%. It expects earnings to be not less than $64m, up from $37.9m the previous year.

Courts, legal and regulation

The **Commerce Commission** and **Vodafone** are both appealing a court decision to award a record $2.25m fine against the telco for breaching the Fair Trading Act with its FibreX advertising campaign from 2016 to 2018.

Fees and commission costs are reducing the benefits of fund managers to investors, the **Financial Markets Authority** said. The performance of funds showed there was skill present among some, not all, fund managers. Fund managers using both active and passive strategies performed "competently" relative to market indexes and comparable funds. However, fees caused the benefit of this competence to disappear for most funds.

A2 Milk is facing another class action over financial disclosures with a statement of claim filed in the Auckland high court alleging breaches of the Financial Markets Conduct Act and the Fair Trading Act.

CBL litigation continues to become more complex. A further suit was filed against the company's directors, relating to a 2016-17 deal to purchase an overseas managing agent.

Transport and logistics

Maersk will open its own 4.5-hectare cold chain facility at Ruakura Inland Port next year.

Dame Fran Wilde will chair a board overseeing design and construction of **Auckland light rail**.

Airlines resumed direct trans-Tasman flights in and out of Queenstown. **Qantas** has resumed direct flights to Wellington ahead of **Air NZ**. American Airlines will return to NZ from Oct to March from Dallas Fort Worth.

Technology and IT

The govt announced **$250m in innovation grant funding** over four years, effectively reversing its first term decision to move to R&D tax credits. A **Start-Up Advisors Council** has also been established.

Rocket Lab reported a net loss for its March quarter that widened from US$15.9m a year ago to US$26.7m.

Rakon reported a doubling in net profit to $54.4m in the year to March 31, as it exploited global computer chip shortages to make new sales.

Serko reported a net loss of $36m in the 2022 financial year, widening 22% from the prior period as it chased customer and revenue growth. Income increased 12% to $18.9m and booking volumes rose 67% to 2.2m.

Pushpay says it is courting potential takeover offers.

Service industries and healthcare

My Food Bag reported earnings for the year in line with the forecasts made in its IPO with a net profit of $20m – up from last year, which was weighed down by IPO costs – on revenue of $194m.

Ryman Healthcare lifted underlying annual profit by 13.6% to $692.9m for the year ended March compared with $423.1m in the previous year. Property revaluation gains contributed $467.1m compared with $201.2m the previous year.

Oceania Healthcare reported ebitda of $76.2m for the year ended March 31, a 16.2% increase on the previous year.

ASX-listed **Integral Diagnostics** will buy Auckland's Horizon Radiology for up to $33.3m, expanding its presence on this side of the Tasman.

Property

The Auckland council-controlled urban development organisation, **Eke Panuku**, said its preferred developer for a major site on Dominion and Valley roads had decided not to proceed with a proposed development as rising costs made it unviable.

Argosy Property's annual net property income fell a little but was bolstered by a $163.7m jump in the value of its properties.

Corporate actions

PricewaterhouseCoopers' quarterly mergers and acquisitions update said there were 45 deals announced or completed in the first three months of the year, compared with 11 for the same period last year. There were 107 deals in the final quarter of last year, but the latest result is well above pre-covid levels.

Capital markets

Ryman Healthcare shares will fall out of the MSCI Standard Index after May 31. Forsyth Barr estimates about $232.3m worth of shares will be sold by index funds and other fund managers hugging the index.

Cryptocurrency retailer **BitPrime** is crowdsourcing a stop-gap recapitalisation of its business while it works through a more permanent solution. The NZ-based business was forced to halt trading after the crypto market crash led it to run out of funds.

Only 34% of retail investors took up **Vital Healthcare Property Trust's** $200m capital raising leaving the underwriters to take up the shortfall of 19.3m units.

People

The co-founder of Milford Asset Management **Brian Gaynor** died on May 16 after a brief illness.

Auckland Chamber Chief Executive **Michael Barnett** will stand down as CEO in Aug this year and be replaced by **Simon Bridges**, former National leader.

Infratil's chair **Mark Tume** will step down on May 30 and current director **Alison Gerry** will succeed him.

A2 Milk named **David Muscat** its new chief financial officer after **Race Strauss** resigned.

Genesis Energy ceo Marc England will depart this year and is negotiating a position offshore.

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