HUGO*vision*

Assessing the economic and political environment in New Zealand

June 9 2023 | Confidential to HUGO members

National abandons bi-partisanship

Pages 2-4

The National Party's abandonment of experiments in bi-partisanship on urban housing densification and agricultural greenhouse gas emissions policy in the space of a fortnight indicates that its leader, Christopher Luxon, is developing more acute political instincts. He may not resonate with much of the public, but he is moving to cauterise support that is bleeding to Act.

Michael Wood's blunder – how bad is it?

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In other circumstances, Michael Wood's failure either to dispose of or move his small personal shareholding in Auckland International Airport shares into a trust would have mattered far less. But it comes after a string of other ministerial embarrassments and makes the govt look ragged. Wood's failure to act on such an otherwise minor issue is gob-smackingly and uncharacteristically poor judgement on the part of a strong performer who may be sidelined until the election now.

Climate change politics

Pages 2, 4 & 5

Climate change policies are driving a remarkably large proportion of political and policy decisions at present. From the fate of He Waka Eke Noa – now looking terminal – to the threat of placing agricultural emissions into the ETS, and managed retreat policy, climate change is now front and centre as a practical, as well as a political issue.

Federated Farmers on a roll

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By walking away from He Waka Eke Noa, National now has no clear policy on agricultural emissions. A new position is expected to emerge soon, and it is likely to be heavily influenced by the preferences of Federated Farmers, reflecting National's concerns about losing rural votes to Act.

National's infrastructure policy

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The National Party would be far more open than the current administration to using public-private partnerships to accelerate construction of major infrastructure, and would seek to facilitate involvement by the NZ Super Fund, ACC, and KiwiSaver providers.

Infratil's big move, Pacific Edge's big headache

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It was a big week for listed companies. Infratil took back the 50% of One.NZ that it didn't own from JV investor Brookfields, while cancer test innovator Pacific Edge suffered a major setback in its US growth plans.

CEO Retreat, 7-9 September

The next Hugo Group CEO Retreat is scheduled to run from **dinner on Thursday Sept 7 to lunch on Saturday Sept 9 at Millbrook Resort**. 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**.

Text finalised June 9

National ends all bi-partisanship

The National Party has effectively **ended all bi-partisan initiatives over the last fortnight**.

Confirmation this week that it **will no longer be part of the effort to price agricultural emissions**, He Waka Eke Noa, follows the **abandonment of the bi-partisan approach on medium density housing** over the weekend that Labour was holding its election congress in Wellington.

As a sector-led emissions pricing proposal, HWEN wants heavily discounted agricultural emissions pricing, calculated and paid at the farm level with the price set in consultation with the sector.

However, it has become apparent that **not only does National no longer see political advantage in HWEN, but there is no clear consensus among Labour and Green ministers about the best solution**. There is also opposition from the ag sector to imposing a levy on synthetic nitrogen fertilizer, which appeared to be emerging as an option in recent weeks.

Will ag end up in the ETS?

The **risk for the ag sector is that the govt will be left with nowhere to turn but its "backstop" option to put agriculture into the ETS**. This has worked as a regulatory threat up until now, but is so opposed by farmers that **pushing that outcome so close to the election represents further political risk to Labour.**

If the tide starts running against Labour, **the backstop option becomes an empty threat** that could hasten Labour's demise. The extent to which the scales are tipping in favour of farmers' long term strategy to pursue delay on climate action is demonstrated by the extent to which Federated Farmers is now driving National Party thinking.

By abandoning HWEN, National currently has no ag emissions policy. However, the Fed Farmers wish list this week includes for an "urgent review of our methane targets" and a "rethink our ETS forestry rules and net-zero target".

We note that **Paul Melville, now head of policy at Fed Farmers, came to the role via Christopher Luxon's office** and a stint before that at DairyNZ. Officials believe that **Fed Farmers is now effectively writing National's ag emissions policy.**

National's alternative will be announced shortly.

The party has **ditched the Todd Muller-era bi-partisanship because it is hurting National among rural and provincial voters** in the same, if not a worse, way as the urban densification policy was a turn-off with urban would-be supporters.

This is particularly so as a response to the **shock of ex-Fed Farmers president Andrew Hoggard emerging as a candidate for Act,** particularly given that National's ag spokesman, Todd McClay, has no track record in the portfolio. While his Rotorua electorate is a regional centre, McClay comes across to farmers as "townie" and reflects the **dearth of National Party MPs who have farming backgrounds**.

National has walked a long road on agricultural emissions pricing. The fifth Labour govt's original ETS originally envisaged agricultural emissions entering the scheme in Jan 2013, but National's election victory in 2008 overturned that.

The party had remained fairly skeptical until recently, when Christopher Luxon said the party backed the HWEN proposal, knowing it was too soft for a Labour-Green govt to support in full, but just strong enough for Luxon to claim National was serious on climate change.

The position emerging now is **more pragmatic and focused on winning in 2023.**

For the govt, the upshot of these dynamics is that **a final decision on emissions pricing is not expected before the election, with Labour and the Greens expected to go their own ways** and the Greens campaigning on something tougher than Labour. Greens co-leader **James Shaw has come to the view that the agricultural sector's sole strategy is to seek endless delay**. The longer term risk for NZ ag producers is that non-tariff barriers will start to be used against NZ product if the country is judged not to be dealing with ag emissions.

The **creeping failure of HWEN also reflects the loss of its strongest Cabinet champion – Jacinda Ardern.** While Ardern might have gambled some popularity on creating a lasting and ambitious solution, Hipkins is far less likely to do so. **HWEN looks as if it may yet fuel the so-called "policy bonfire"**.

Luxon shows some mongrel

The manner in which the National Party managed its retreat from the bi-partisan deal on urban intensification brokered when Judith Collins was leader was **undoubtedly untidy**.

But the fact that this occurred, and the developments on ag emissions, show Luxon starting to develop a more acute sense of the politically necessary. He may never resonate particularly strongly personally with the public, especially women, which makes getting pragmatic policy positioning all the more important for National, as a leadership change is not an option at this late stage.

As a result, Luxon's unplanned blurting out the policy reversal during a public meeting and the subsequent scramble to announce it formally was made much easier by the fact that the revamp had been settled internally in preceding weeks.

While it was not the original plan to announce the reversal at the time of Labour's election year congress, **the effect of that timing gave National an unintended win. Labour's congress was a tepid affair,** offering no more than re-heats on the pension age staying at 65 and confirmation of its approach to apprenticeship funding. National dominated the news agenda, even though it hadn't planned it.

Accordingly, unravelling the housing deal has **caused only minor reputational damage for two of National's most important shadow Cabinet members – Nicola Willis and Chris Bishop – who had brokered the original pact with Labour.** Both took the change on the chin and advocated for it without a hint of discontent.

The revised policy **softens but does not entirely abandon the policy goal of increasing urban density**. It still envisages denser living along public transport corridors and requires councils to free up land for housing.

Luxon was fronting too many public meetings in what should have been National Party strongholds where **the threat of a three-storey apartment block next door was driving voters to Act.**

Given Act's incursions into traditional National supporters in rural and provincial electorates, it is **pragmatic politics to have softened the housing policy.** It may have enraged economic rationalists and some media commentators, but the policy will almost certainly work for National.

The feint is all the more important because **if Luxon is to attract undecided centrist voters, he needs to demonstrate a capacity to blunt Act's very strong showing in current polls.**

An **Act-dominated National govt has the capacity to be a turn-off for centrist voters in the same way that Labour fears being made hostage to the Maori Party.**

The **Act party conference** in Auckland last weekend was a very bullish, well-attended affair. The party continues to look **likely to make its strongest showing ever** in Oct, unless something changes quickly.

Tide running against Labour

The most recent 1News Kantar Public poll suggests that as political parties head into the home straight for the Oct 14 election, National is finding some traction.

The party was on 37% support, up three points on its last poll two months ago in the series. Labour was on 35% down one point. Act remained on 11%. The Green Party dropped four points to 7%, NZ First was steady at 3% and Te Pāti Māori was down one point to 2%. The poll of 1,002 people was conducted over four days, shortly after the Budget.

The **Roy Morgan poll was less kind to both major parties and appears to underline the ongoing theme that this election could see both a surge for minor parties and a larger no-vote than usual.**

If minor parties picked up significant collective support that did not translate into seats, **there could be a relatively high wasted/no-vote component to the 2023 election.**

In May, Roy Morgan had National's support down half a point to 31.5% – its lowest support since Dec 2021 in this series, with Act up 1 point to 13.5%. Labour was up 1 point to 31% while the Green party was unchanged at 12%. The Māori Party was unchanged 4.5% with NZ First down 1 point to 3.5%. The poll of 952 people was taken throughout May with 4%, up 0.5, not naming a party.

Roy Morgan's right/wrong track reading remained strongly negative. Some 54.5% said NZ was heading in the wrong direction, compared to 34.5% , who said it was heading in the right direction.

Michael Wood's blunder

What might otherwise have been an embarrassment – Michael Wood's serial failure to deal with his personal holding of Auckland International Airport shares– has the capacity to be disproportionately damaging.

It follows the sacking of **Stuart Nash,** the defection to another party by Cabinet Minister **Meka Whaitiri**, and the appearance this week by Education Minister **Jan Tinetti** over allegations that she misled the House.

The **investigation by the registrar of pecuniary interests ensures the matter will be drawn out**.

While the detail of Wood's actions is "Beltway stuff", it **adds to the impression of a govt that is fraying**. Clearly, Wood's personal holding is too small, valued at $13,000 or so, to be part of some nefarious personal enrichment scheme. However, his **failure to tidy up his personal affairs after no fewer than a dozen warnings from the Cabinet office is spectacularly**

Sustainable fuels

Airline industry focus on ramping up so-called 'sustainable aviation fuel' production from the current 0.1% of global demand is intense.

Developments in a joint Air NZ-MBIE project examining the potential for SAF to be produced from bio-mass or possibly green hydrogen processes is scheduled for Friday next week.

untidy. As one of the govt's stronger-performing Ministers, Wood represents a target the Opposition will be unlikely to let go.

An early return to Cabinet pre-election looks less assured at week's end than it did when the story first broke.

Transport policy agenda implications

Kieran McAnulty has been appointed acting transport minister while the Wood issue is sorted.

Wood had said he would publish a consultation document on the Government Policy Statement on Land Transport 2024-2027 in the next month or so.

This is destined to be a **political hot potato as it sets out how the govt's fuel tax and road user charge revenue will be split between public transport, new roads, road maintenance, and road safety.**

Wood said he would direct spending towards lower emissions modes earlier this year – a suggestion that proved so controversial he was ordered back to the drawing board by the prime minister.

The **most unpopular part of this has only been hinted at – the potential for fuel tax hikes to top up the budget.** Fuel taxes have been frozen since 2020, and need to be increased to keep pace with inflation. A decision is expected imminently, although Wood said a proposal had not gone to Cabinet prior to his being suspended.

Wood also had decisions on progressing congestion charging, mass rapid transit funding tools, and a business case for Auckland Light Rail and mass rapid transit in Wellington on the agenda in the coming months.

ETS consultation imminent

The govt is expected to publish a consultation document on ETS changes, possibly as early as next Wednesday (June 14).

Among key issues to watch for will be **whether exotic forests will be allowed to be counted as permanent**, according to details of consultations that have occurred so far with Māori and emerged in court documents this week.

It appears the govt was proposing excluding exotic forests from the permanent forestry category until August last year, but then abandoned the proposal.

A discussion document was shared with Māori forestry interests under NDA in March and was to have gone to Cabinet in April, but was delayed because of concerns about the extent to which Māori forest plantations, particularly on marginal and inaccessible Māori land, could be adversely affected.

Meanwhile, non-Māori foresters were particularly frustrated at not being let into the design of the scheme, with the government citing market sensitivity.

Also imminent is the release of proposals for bio-diversity credits. Along with **freshwater management regulations – which were gazetted this week** – there is an emerging sense that the government hopes to tackle climate change through complementary measures such as these rather than further inflame the ag emissions pricing debate..

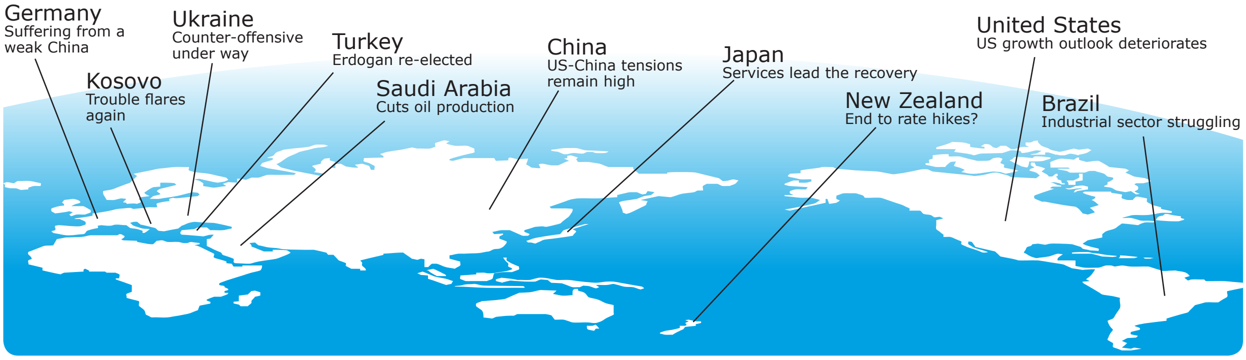
Greens fear govt will backslide on first emissions budget

The govt has another, more immediate climate problem, which is the one million tonne hole in the first emissions budget opened up by the policy bonfire earlier in the year.

The hole was mainly created by the decision to bin the biofuels mandate, which would have forced petrol companies to blend biofuel into their ordinary fuel. That policy was unpopular, even with the Greens.

The announcement of govt funding assistance for NZ Steel to replace half its production capacity with

The world at a glance



an electricity-driven arc furnace is useful, but will not be ready in time to help meet targets for the first emissions budget, which runs between 2022 and 2025.

Time is running out. Budget 2023 did not include anything substantial to reduce emissions and waiting until Budget 2024 leaves things too late.

The Greens are concerned Labour will backtrack and roll the shortfall in the first budget into the second budget.

They're concerned the politics of missing the very first emissions budget could seriously undermine the whole emissions reduction project.

Managed retreat

The govt outlined its approach to compensation for homeowners unable to return to their properties.

While the total of affected homeowners after Cyclone Gabrielle and early new year floods is only around 700 – vs 10,000-plus flood-damaged homes that can be repaired – the implications are important for precedent-setting. Managed retreat is increasingly an unavoidable issue with moral hazard implications that make central and local govt, and insurers, nervous.

The deal outlined by Ministers is that affected homeowners will be offered a voluntary buy-out option. The cost of compensating owners of homes that are rendered uninhabitable will be shared between central and local govt.

There is no detail as yet on the relative proportion to be borne by central vs local govt, although payouts will be net of any insurance payouts.

Councils that have difficulty funding their share are likely to be offered debt funding lines from central govt.

Nats open door to more PPPs

A National-led govt would encourage far greater use of public-private partnerships to address NZ's infrastructure deficit and would also seek to encourage KiwiSaver funds, ACC and the Super Fund to gain access to long term NZ infrastructure investments. Offshore funds would also be welcomed, according to the infrastructure policy National announced this week.

This would be facilitated through a new National Infrastructure Agency, which would be created by expanding the role and powers of the existing Crown Infrastructure Partners agency.

The NIA would "coordinate central govt infrastructure funding" in consultation with the Treasury, "connected domestic and offshore savings with infrastructure investment", and "improve funding procurement and investment in NZ".

Value capture charging would be a part of the mix of funding options and a 30 year infrastructure pipeline would be created to improve certainty for investors and potential providers.

National also proposes to advance national, regional and city deals in partnership with local government and fast-track consenting within 12 months.

Trading partner growth

(2021-22 actual; 2023-2025 Hugo and Consensus Forecasts)

Trading partners		GDP Growth (ann avg %)					CPI Inflation (ann avg %)				
	Weights %	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025
China	36.2	8.7	3.0	5.8	4.9	4.9	0.9	2.0	1.8	2.4	2.3
Australia	15.4	5.2	3.7	1.6	1.7	2.3	2.9	6.6	5.6	3.1	2.5
United States	12.6	5.9	2.1	1.1	0.6	1.8	4.7	8.0	4.2	2.6	2.0
Japan	6.4	2.2	1.0	1.0	1.1	0.8	-0.2	2.5	2.6	1.4	0.9
Eurozone	5.4	5.3	3.5	0.7	0.9	1.6	2.6	8.4	5.5	2.4	2.0
South Korea	3.4	4.1	2.6	1.1	2.1	2.4	2.5	5.1	3.2	2.0	2.0
United Kingdom	2.8	7.6	4.1	-0.1	0.8	1.6	2.6	9.1	6.7	2.8	2.5
Singapore	2.1	7.6	3.6	1.5	2.5	2.5	2.3	6.1	4.8	3.0	2.0
Hong Kong	2.2	6.3	-3.5	4.4	3.4	3.1	1.9	1.9	2.5	2.3	2.0
Taiwan	2.4	6.5	2.5	1.0	3.1	2.1	2.0	3.0	2.1	1.6	1.6
Malaysia	1.8	3.2	8.7	3.8	4.5	4.3	2.5	3.4	2.8	2.3	2.5
Indonesia	2.3	3.7	5.3	4.7	4.9	5.1	1.6	4.2	4.0	3.1	2.8
Thailand	1.8	1.6	2.6	3.5	3.8	3.4	1.2	6.1	2.6	1.9	1.7
Philippines	1.2	5.5	7.6	5.4	5.7	6.0	3.9	5.8	6.0	3.3	3.1
Vietnam	1.6	2.6	8.0	5.1	6.4	6.0	1.8	3.2	3.6	3.2	3.1
India	0.9	8.3	6.9	5.8	6.3	6.0	5.5	6.7	5.2	4.8	4.7
Canada	1.4	5.0	3.4	0.9	1.2	2.2	3.4	6.8	3.6	2.2	2.4
NZ Trading Partners	100.0	6.4	3.1	3.2	3.0	3.3	2.1	4.6	3.4	2.5	2.2
Forecasts for New Zealand											
Consensus		6.1	2.4	0.6	1.2	2.6	3.9	7.2	5.4	2.9	2.0
BNZ Forecasts		6.0	2.4	0.6	0.2	2.3	3.9	7.2	5.7	3.0	2.3
The World		5.9	3.0	2.1	2.2	2.4	3.6	7.3	5.4	3.5	3.1

Real estate

The sharp **house price correction appears to be running out of steam**, having fallen between 15% and 20%, depending on region, since their 2021 peak. around the middle of this year, with prices 15-20% below the 2021 peak. A return to modest house price growth in the second half of the year now seems likely, at perhaps 1-1.5% per quarter.

High mortgage rates and sluggish economic conditions will constrain the extent of the upturn, although an increase of perhaps 7% is foreseeable in calendar 2024.

This is likely to underpin, or at least to moderate further declines, in consumer sentiment.

Large risks remain to this outlook, although upside and downside risks appear more evenly balanced than they have been for some time.

The seasonally adjusted volume of **total building activity** was $9.1b in the **March 2023 quarter, up 0.6% compared with the Dec 2022 quarter**, according to Stats NZ.

The volume of **residential building work was down** 0.8% to $6.1b in the March 2023 quarter, while **non-residential building work was up** 3.6% to $3b over the same period.

There were **2,757 new homes consented in April 2023, down 26% compared with April 2022**, Stats NZ said. This was the third consecutive month the number of homes consents has been down by more than 25% on the previous month a year earlier.

Trade

Global shipping prices fell in May with the Baltic Dry Index dropping 38% in the past month, indicating global economies are slowing. The slower-than-expected recovery in China is one of the main reasons for the slump in demand for global shipping.

NZ's **trade deficit** narrowed to $3.2b in the March 2023 quarter, compared with $3.9b in the March 2022 quarter, Stats NZ said. The **main contributor to the narrowing was the tourism recovery**. Travel exports increased 385%, compared to the March quarter last year, to $3.8b.

The **ANZ World Commodity Price Index** gained 0.3% m/m in May. Dairy prices lifted but prices for meat, export logs and aluminium fell. In local currency terms the index gained 0.7% m/m, supported by a 0.4% m/m easing of the NZD against the US dollar.

The forestry index fell 4.4% m/m in May as demand from China for logs dropped sharply. Logs are now worth 20% less than a year ago. The log market is not expected to recover for some time and harvesting of logs has now slowed in response to market conditions and adverse weather.

Labour market

Signs of a **weaker job market in April and May have punctured the mild rebound** seen in the first quarter of this year. May's 4.5% drop in jobs advertised on SEEK followed a 1.8% fall in April for a decline of 22% in the year from the absolute high point for job ads in May last year.

While **job ads remain relatively elevated by historic standards, the underlying trends in the labour market are forcing a rethink on previous bullishness.**

Hospitality and tourism jobs showed a particularly strong correction after rising strongly late last year. Conversely, many industries sustained positive trends in job advertising in May, including govt & defence, and real estate and property.

The regional **picture was mixed** rather than wholly negative. The dominant regions of Auckland, Wellington and Canterbury, and Bay of Plenty, were choppy while storms-affected Hawke's Bay and Gisborne recovered in May.

Candidate availability continued to improve in April and May, likely reflecting the upswing in net inward migration. While these trends should moderate wage growth, wage increase demands may take a while to abate.

NZ workers have become used to a tight labour supply and are highly focused on current high inflation rates and interest rates eroding disposable incomes, while the long term tendency for younger workers seeking better pay to leave the country, for Australia in particular, is reasserting itself after a hiatus since the mid-2010s.

Stats NZ figures said **filled jobs** increased 0.6% in April on March, up 3.8% on a year ago, the fastest rate of growth in more than a year.

Consumer sentiment

Centrix's April monthly report said **411,000 people were behind in the debt repayment**s – down from 427,000 in March, the first drop in three months.

The level of mortgage arrears dropped for the first time in eight months, with falls also for buy-now-pay-later, consumer and credit card arrears, but a rise in auto finance loans.

Consumer spending in May 2023 through retail merchants, **excluding hospitality**, in Worldline NZ's payments network reached $2.979b, **up 3.7% on May 2022, and 16.6% on the same month in 2019.**

Primary Sector

Lower sales volumes and more expensive freight and labour reduced **Zespri's** net profit to $237.8m in the March year, down from $361.5m the previous year, on 5.6% lower revenue at $4.22b. Global sales volumes shrank 8.9% to 183.5m trays while licence income dropped to $308.1m from $436.7m. Payments to growers fell to $2.24b from $2.47b.

Synlait Milk is planning to sell its **Dairyworks** and **Talbot Forest Cheese** businesses to pay down debt. Synlait cut its forecast base milk price from $8.30 per kilogram of milk solids to $8.20, blaming weaker than expected commodity prices.

Westpac is forecasting a far higher farm gate milk price at $10 per kg/MS than **Fonterra's** $7.25 to $8.75 forecast for the year starting June 1. **DairyNZ** forecasts in March put the cost of production at around $9 per kgMS.

Fonterra announced the creation of a **Nutrition Science Solutions**, a standalone unit, to "incubate, scale and invest in ventures in the area of nutrition science". Its first investment is a US$10m stake in San Francisco-based **Pendulum**, a biotech company developing microbiome-targeted products.

Pine genetics company **ArborGen Group's** revenue increased 18% to US$56.1m, and operating profit before financing costs and tax increased to US$2.2m. The company is projecting a materially improved performance in FY24, driven by higher seedling sales in Brazil and in the US, and seedling sales for carbon markets.

Energy and resources

NZ Aluminium Smelters reported underlying net profit of $122.26m for FY22, lower than $140.05m in FY21. Global prices spike in the first half following Russia's invasion of Ukraine, but dropped in the second half before stabilising.

NZ Oil & Gas subsidiary **Cue Energy Resources** said the MN1 oil production well in the Maari/Manaia field was successfully repaired with production of approximately 800 barrels of oil per day

Salt Management's carbon fund reported a more than 20% loss in the 12 months to March, underlining the collapse in carbon prices in the last months of 2022.

Reverse-listed **WasteCo Group** reported maiden post-listing ebitda of $5.9m in the year to March vs $3.2m a year earlier. Revenue rose to $34.4m from $18.8m. Share-based payments of $1.6m, reverse listing costs, and almost $2.1m of finance costs produced a net loss of almost $2m. The company's $7.35m acquisition of Cleanways and related companies, Enviro South and Wastech Services went unconditional. Cleanways shareholders received $2.205m in WasteCo shares and the rest in cash.

Transport, logistics and tourism

Air NZ upgraded FY23 ebitda guidance to be "no less than $580m", up from the previous range of $510m to $560m. CEO **Greg Foran** warned the airline faces increasing headwinds as international travel returns to post-covid levels, mainly from higher costs and the potential for increased airline capacity to put pressure on fares.

Auckland International Airport announced increases to its intended new landing charges, which are intended to allow recovery of the multi-billion dollar investment going into its new combined domestic and international terminal construction. That provoked a furious reaction from airlines, with competitors **Air NZ** and **Qantas** combining to accuse the airport of "closing the door" on NZ.

Auckland mayor Wayne Brown's effort to have the city sell its 18% holding in the airport appears likely to end in compromise, with a sale of perhaps 8%. Council negotiations were ongoing at time of publication

Qantas is due to start flying its Auckland-New York non-stop flight next week, in competition with Air NZ and carrying passengers originating in Sydney. It will fly non-stop from Sydney in 2025. CEO Alan Joyce said Qantas commands a 20% fare premium for its non-stop Perth-London flights and expects this to be replicated in its other "Project Sunrise" ultra-long haul flights from Sydney and Melbourne to New York. He anticipated Qantas adding Paris to its destinations in due course.

Seven Wellington city councillors have expressed a loss of confidence in the **Let's Get Wellington Moving** initiative. A coalition of Wellington businesses is said to be mulling the possibility of funding a campaign on the issue.

Banking, finance and insurance

The four largest banks will be compliant with the **Payments NZ API Centre's** open banking standards by Nov 2024 with Kiwibank following two years later.

EQC announced the placement of a $225m catastrophe bond by Singapore domiciled special purpose reinsurance vehicle, **Totara Re**, in the first catastrophe bond transaction originated from NZ.

SBS Bank said it had 1,449 first home buyers in the year to 31 March, 2023, up from 850 a year earlier. The SBS Group, which includes subsidiaries **SBS Insurance, SBS Wealth** and **Finance Now** reported an operating surplus of $51.8m for the year, down $9.5m or 16% from the previous year. Lending rose 14% to $5.025b and member deposits rose $655m to $4.23b.

Telecommunications, media & entertainment

Infratil announced it would become 100% owner of **One.NZ,** formerly Vodafone NZ, buying out its joint venture partner in the business, **Brookfields,** for $1.8b, accompanied by an $850m bond issue that was swiftly filled. Brookfields and Infratil have owned the business jointly for four years.

Sinead Boucher, the owner of national news publisher **Stuff**, announced she would step down as CEO, becoming executive chair. The move may be a prelude to Boucher establishing a conventional governance structure for the company she bought from **Nine Entertainment** in 2020 for $1, when Nine was threatening to shutter the business.

The govt released a discussion document, **Safer Online Services and Media Platforms**, on a proposed new content regulation framework.

The **Commerce Commission** is considering internet access options for to the 13% of New Zealanders who fall outside fibre broadband's reach.

Spark agreed a deal with third-party **Starlink** satellite broadband provider **Netlinkz** to supply business-grade connectivity later this year. It is also working on a satellite-to-mobile network service.

Media agency **GroupM** hired **John Halpin** from Australian firm Apparent to become its NZ CEO.

Metro magazine joined the fold of Japanese-NZ businessman **Hideaki Fukutake's Still Group**, which wants to buy 100 companies that he feels are fundamentally good for the country.

Black Pearl Group's unaudited preliminary results for the year ended 31 March 2023 reported a 97% increase in subscription revenue, a 264% increase in gross profit, and a 496% increase in customer base.

Wholesale and retail

Ebos lost a A$1.9b contract for supply pharmaceuticals to **Chemist Warehouse** that represented about 10% of annual revenues. Its share price fell nearly 10%. ASX-listed **Sigma** won the work.

Construction began on NZ's first **IKEA** store in Mt Wellington, with a proposed opening date of Dec 2024 pushed back to late 2025.

Manufacturing and construction

Metroglass continued to under-perform reporting an unaudited after-tax loss of $10.5m for the March year, driven by a $10m impairment of intangible assets due to the softer outlook for NZ construction. Net debt increased from $52.3m to $60.1m at 31 March 2023, below the $64m guidance in Feb.

Courts, legal and regulation

The **Commerce Commission** granted clearance for **Henkel NZ** to acquire the **Earthwise** brand and business from **Earthwise Group**.

Forest & Bird applied to the High Court for a judicial review of recent changes made to policy and regulations on wetlands, with most concerns centred on quarries and mining.

The **South Australian Liquor and Gambling Commissioner** ordered **SkyCity Adelaide** to appoint an independent expert to review its anti-money laundering and countering financing of terrorism (AML/CFT) and host responsibility enhancement programmes.

Technology and IT

Pacific Edge faces a major setback to its strategy to embed its **CxBladder** cancer test in the US healthcare market, following a decision that removes it as a Medicare-funded solution. The Pacific Edge share price fell some 89.9% on the news that CxBladder would lose its funding from July 17. The company is adamant that the report from local coverage determination body **Novatis**, deeming the test not to be medically necessary, and will appeal. An initial reaction from **Jarden** analysts remains upbeat about the potential of the product and believes there is a good chance both that Medicare coverage will be reinstated and that US healthcare providers will continue to be buyers, albeit at lower volumes, because the test is efficacious. Nonetheless, the company faces a major restructuring to contain costs while it reassesses its future.

Scott Technology agreed a $12m deal with Australia's **Mineral Resources** to supply its modular mining product.

Trade Window says the $5.4m it raised will be enough to keep it trading over the coming financial year, although auditor KPMG tagged its accounts with a material uncertainty note for the second year in a row.

Service industries and healthcare

Green Cross Health urged the government to increase funding for the sector as its remaining pharmacy and GP businesses face increasingly stretched margins. The company lifted net profit to $50.5m in the year to March 31 from $33.1m a year earlier, due to the $30.3m gain on the sale of its community health division. Operating profit from continuing operations dropped 29% to $34.3m from what had been a record the year earlier, with revenue up 3% to $493.6m.

Radius Care reported a $2.1m loss for the March year, compared with a $2.7m profit a year earlier, reflecting a drop in valuation gains and higher interest costs. Revenue was $150m vs $135.9m in the prior year, with underlying profit $14.2m vs $10.7m and assets valued at $356.6m vs $290.1m.

Arvida lifted annual underlying earnings to $88m in the 12 months ended March 31 from $73.5m a year earlier. Sales revenue was up 16% to $376.4m as new sales volumes dropped 19% due to weather and supply disruptions, but higher prices underpinned revenue.

Ventia Services secured a two-year extension to its management contract for Auckland Council's community facilities worth A$140m (NZ$152m).

Labour hire group **Accordant's** net profit fell to $2m in the 12 months ended March 31, from $3m a year earlier, with revenue up 2.7% to $227.4m. Its contracting arm blamed a backlog of visa applications and high claims costs from its self-cover plan for workplace injuries.

Weight-loss company **Jenny Craig** is being placed in liquidation following an unsuccessful sale process that attracted four buyers, none of whose offers was judged sufficiently attractive. Jenny Craigs' online capability to healthcare tech company **Eucalyptus.** The company had become a household in Australasia after being founded in 1983.

Property

Listed real estate fund **Asset Plus** reported a loss of $13.05m for the March year, vs a $2.93m profit in the previous year. Revaluation losses and lower net rental income due to vacancies and divestment affected the outcome. Dividends remain suspended.

High demand for well-located quality office space in Auckland, particularly around the waterfront, have pushed vacancies down and rents up, **JLL**'s latest Vertical Vacancy Review said. Prime vacancies within Auckland central had decreased to 8.1%, from 9.7%, in the CBD and 3.1%, from 4.1%, in Wynyard Quarter, since the second half of last year. Over the first quarter of the year, average net rents across the wider prime sector increased by $10 per square metre to $558, while premium rents hit record new highs of $850 per square metre.

Capital markets

Global freight forwarding firm **Mondiale VGL** is considering a listing in Australasia. The firm has appointed **Jarden, UBS** and **Craigs Investment Partners** to explore expansion options, including a potential listing. Some 38.4% of the company is held by NZ shareholders **ACC** and **Direct Capital.**

The **NZ and Australian govts** signalled a new era of jointly agreed approaches to sustainable finance, including: use of green sovereign bonds; aligning approaches to sustainable finance frameworks such as taxonomies; coordinating climate-related disclosure requirements using internationally aligned standards; developing best-practice climate modelling; establishing a sustainable finance strategy working group and position the region as a robust green finance market.

Corporate actions

Goodman, the manager of Goodman Property Trust, announced the retirement of independent director **Keith Smith** after 13 years as chair and director **Phil Pryke**. Non-executive director **John Dakin** has been appointed chair and independent director **David Gibson** as deputy and the board will move from seven directors to six. Smith's and Pryke's retirements are effective from July 2025 and Sept 2023 respectively.

People

Bryan Chapple and **Vhari McWha** were appointed commissioners, and **Rakihia Tau** an associate commissioner of the **Commerce Commission**.

Fulton Hogan chair **Dean Hamilton** will become chair of **Ryman Healthcare** and **James Miller** will join its board.

Anna Palairet will be acting chief operating officer working alongside **Fraser Whineray** who is leaving the co-op next month.

Vector chair **Jonathan Mason** is to retire at the 2023 AGM after 10 years on the board. **Doug McKay**, an independent non-executive director appointed to the board in 2022, will become the new chair. **Tony Carter** will also retire.