

# BNZ Business Banker Survey



As one of New Zealand’s largest banks, BNZ is in a unique position to monitor movements in the economy and identify regions and sectors that are outperforming and underperforming. We believe if you really want to understand how an economy is performing, ask a banker who knows their customer well. That’s what we’ve done in this report, we survey hundreds of our business bankers across the country and ask them a simple question: tell us about your customers? We don’t ask them to speculate about the economy or what they think is a “good” or “bad” industry. Rather, we want to know how their customers are performing.

Overall, the results show a solid business environment, both now and into the future, with strong conditions and good business confidence levels. The survey illustrates an interesting story developing by region and by industry.

## New Zealand business conditions in Q4 2018

**+17**

(indicating on balance the number of bankers who said conditions were stronger outweighed those who said it was weaker)

Trading conditions **+36**  
 Profitability **+16**  
 Employment Conditions **0**

### Conditions for agribusinesses

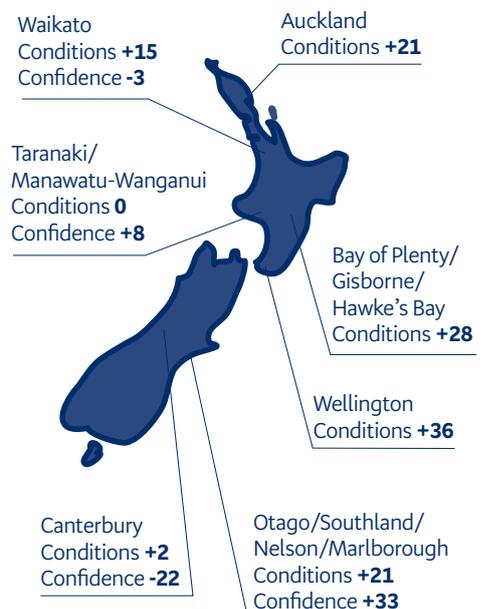
**+4**

Trading conditions **+9**  
 Profitability **+7**  
 Employment Conditions **-5**

## Who has the highest and the lowest confidence?

- Technology firms: **+53**
- Tourism & Hospitality **+44**
- Health **+35**
- Business Services **+30**
- Construction **+2**
- Retailers **-10**
- Agriculture **-4**

## Which region had the strongest conditions and the highest confidence?



## Key Statistics

## Q4 2018

	Q4 2018		Q4 2018
<b>NZ Business Confidence</b>	+4	<b>NZ Business Conditions - Non-agribusiness</b>	+21
- Non-agribusiness	+13	- Trading	+43
- Agribusiness	-30	- Profitability	+18
		- Employment	+1
<b>NZ Business Conditions - Overall</b>	+17	<b>NZ Business Conditions - Agribusiness</b>	+4
- Trading	+36	- Trading	+9
- Profitability	+16	- Profitability	+7
- Employment	0	- Employment	-5

- By industry, conditions were strongest in the Technology sector (+47) and by a considerable margin. Other industries currently enjoying strong conditions include: Tourism & Hospitality (+33); Health (+32); Business Services (+23); and Transport/Storage (+19).
- Conditions were weakest (by some margin) for Retailers (-20), followed by Agriculture (-6). Business conditions were also below average in Construction (+5), Manufacturing (+9), Finance (+12), Wholesale (+13) and Recreational & Personal Services (+14). That said confidence levels are higher than conditions in nearly all industries.
- Confidence is highest for Technology firms (+53), followed by Tourism & Hospitality (+44), Health (+35), and Business Services (+30). Confidence is negative (and weakest overall) for Retailers (-10) and Agriculture (-4). Confidence in Construction (+2) sector is also relatively weak (+2) - and the only sector where confidence is below conditions.
- BNZ bankers were also asked to identify their strongest and weakest performing customers and then match them to the industry in which they operate.
- Based on this measure the strongest industry in New Zealand is currently Agriculture (Sheep & Beef cattle), followed by Construction (Residential & Infrastructure), Property Services (Commercial) and Business Services (Computer/IT).
- Weaker performing customers are currently most likely to be found in the Retail (Clothing, Footwear & Soft-goods) and Agriculture (Dairy) sectors. It is important to note a large number of bankers also identified Dairy Cattle as their strongest performer - but on balance, more bankers said it was their weakest.
- Hospitality (Cafes & Restaurants) was next followed by a range of Retailers (Specialised Food, Household Goods and Video/Music Stores). Services to Agriculture also made the list but once again there was a split among bankers in regards to this sector being a weaker and stronger performer.
- Bankers' assessment of business credit demand suggests it increased in the December quarter (+9), and on balance more bankers anticipate it to increase in the next 3 months (+15), before moderating slightly in 12 months' time (+11) - albeit remaining stronger than current levels.
- By industry, leading the way (on balance) for credit demand is Residential Construction, followed by Dairy Cattle, Construction Trades, Road Freight Transport and Sheep/Beef Cattle. Conversely, Clothing, Footwear & Soft-goods Retailers, along with Accountants, Pig Framing, Legal Services and Video/Music stores are reporting the weakest demand for credit.
- Given the importance of the property market to the economy and to business, bankers were asked to examine housing, commercial property and agricultural land prices and values in their region and their expectations for the future.
- For housing, overall New Zealand prices are expected to grow by a modest 1.4% on average over the year. The strongest growth is expected in Wellington (5.6%), followed by Taranaki/Manawatu-Wanganui (4.4%). Otago/Southland/Nelson/Marlborough (3.1%), Bay of Plenty/Gisborne/Hawke's Bay (2.8%) and Waikato (2.6%) are also expected to grow faster than the broader NZ average. Prices are predicted to fall in Auckland (-0.2%) and increase marginally in Canterbury (0.3%).
- In commercial property markets, overall prices are expected to grow by 1.8% on average over the next 12 months - the best performing market segment overall. The strongest growth is expected in Bay of Plenty/Gisborne/Hawke's Bay and Wellington (both 4.2%). Waikato (2.6%), Taranaki/Manawatu-Wanganui (2.5%) and Otago/Southland/Nelson/Marlborough (1.9%) are also expected to grow faster than the NZ average. Price growth is expected to be slowest in Canterbury (0.4%) and Auckland (1.3%).
- Agricultural property is expected to underperform relative to other segments in nearly all regions. Overall New Zealand agricultural land values are predicted to fall by 0.5% on average over the next year. Values are expected to grow in only four regions with Bay of Plenty/Gisborne/Hawke's Bay a clear outperformer (3.6%). Modest growth is also expected in Wellington (1.3%) and Otago/Southland/Nelson/Marlborough (1.1%). Expectations for Waikato are for flat growth (0.3%). Values are predicted to fall heavily in Taranaki/Manawatu-Wanganui (-5.0%), with more modest declines expected in Canterbury (-1.8%) and Auckland (-1.1%).
- Based on interactions with their customers, bankers were also asked to assess their region as a place to have a business and to work & live. Overall, New Zealand ranks highly as a place to have a business (scoring 80 out of a possible 100) and as a place to work & live (85).
- As a place to have a business, Bay of Plenty/Gisborne/Hawke's Bay led the way, with a score of 86. Bay of Plenty/Gisborne/Hawke's Bay was also rated the best region to work & live with a near perfect score of 95. While still scoring well, Auckland rated lowest as a place to work & live, perhaps reflecting higher housing and living costs.
- What factors contribute most to making a region a great place to have a business?
- Taranaki/Manawatu-Wanganui was the most positive region for the economy and cheap operating costs, while Canterbury was most positively for having a well-developed infrastructure.
- Auckland led the way for its connection to the world and skilled labour force and Wellington for its educated population, innovation and technological expertise. Waikato led the way for entrepreneurship and start up culture.
- As a place to work and live, NZ's family friendly lifestyle was the most important factor overall, particularly in Wellington, Taranaki/Manawatu-Wanganui and Bay of Plenty/Gisborne/Hawke's Bay.
- Significantly more bankers in Bay of Plenty/Gisborne/Hawke's Bay highlighted pleasant climate as a key reason, while the jobs market was a far bigger factor in Auckland and affordability in Taranaki/Manawatu-Wanganui and Canterbury.
- Relative safety was most important in Auckland, while friendliness was a common theme in Otago/Southland/Nelson/Marlborough, Taranaki/Manawatu-Wanganui and Wellington.