



Green shoots?

Business confidence showed a marked improvement in April. A net 15 percent of respondents now expect a deterioration in business conditions over the year ahead, a significant improvement on the net 39 percent in March. This turnaround is the largest monthly improvement since December 2000.

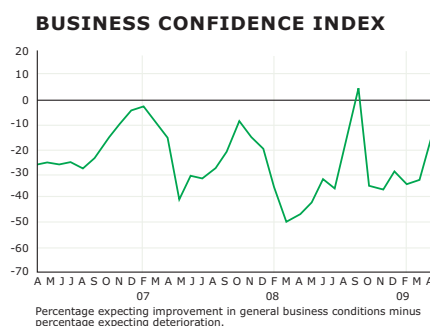
Could this be the first steps of a recovery taking hold – the much talked about green shoots? We would dearly like to believe that it is. After all, the economy has been in recession since early 2008, and we are possibly in the midst of the sixth straight quarterly contraction in economic activity – the longest negative streak since the 1970s.

Indeed, respondents' own activity expectations have showed a large lift as well, from March's net 21 percent expecting worse times over the year ahead to just a net 4 percent expecting a deterioration this month. The own activity reading may still be in negative territory, but the second derivative has shown the largest improvement since February 1993.

Other key gauges in our survey also showed an improvement. To be sure, gauges such as employment, profit and investment intentions are still well entrenched in negative territory, but the first step to recovery is making a positive movement at the outset. Profit expectations improved 11 points, although a net 30 percent of respondents still expect lower bottom lines over the year ahead. A net 19 percent expect to reduce their workforce, a 9 point improvement from the previous month. While this is a welcome jump, such negativity towards employment prospects will remain a key spanner in the works towards both a recovery taking hold and the potential magnitude of it.

While investment intentions have improved from last month's record low reading, a net 12 percent of respondents still expect to invest less – something which does not bode well for the future productive capacity of the economy. Investment intentions among manufacturers improved only marginally, to be the second lowest on record at minus 23. But a glimmer of hope for manufacturers could be found in the 30 point improvement in their export intentions, a record turnaround and back into positive territory.

Incorporating the key gauges into our composite growth indicator still paints a downbeat picture on growth prospects, though not as downbeat as in past months¹. Still, our composite indicator is pointing to a -2 percent annual growth rate, but at least this is a marked improvement on the prior months' -3 percent readings. A turning point is at hand, but it's about smaller rates of decline as opposed to something positive. Nonetheless, it's clearly an encouraging and positive step.



Pricing intentions rose to a net 18 percent of respondents expecting to raise prices, and inflation expectations also increased a touch. But they hardly set off inflationary alarm bells, as current levels are consistent with inflation staying comfortably within the target band. A positive slant on this is that dis-inflationary concerns can be put to rest.

So what do we make of it all? After such an extended period of decline it's only natural to expect a base to be forming across the economy. After all, policymakers have been working hard to achieve such stabilisation since mid 2008 and natural population growth and improving migration provide a natural base effect to growth. We see a bungy-cord dynamic taking hold, given the magnitude of declines in certain areas of the economy. While financial conditions tightened over the period the survey was conducted (courtesy of a higher currency and rising fixed mortgage rates), such forces have been swatted aside. Whether this can be put down to apathy remains to be seen. But the past month has seen slight bursts of sunshine. The housing market (volumes anyway) has shown signs of recovery, dairy prices have ticked back up, we've received tax cuts,

domestic and international equities are off their lows, and a poor global economy makes New Zealand look a relatively attractive proposition both to those immigrating, and those considering departing. Clearly this is translating into firming optimism (or less pessimism) towards the economy.

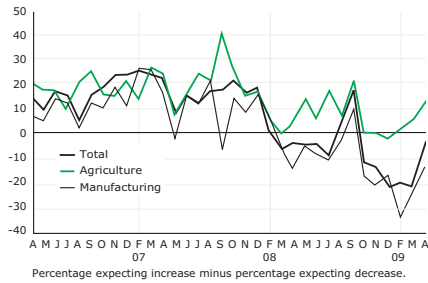
Collectively, it would be naïve to believe the economy is on the cusp of economic nirvana. There are structural imbalances that have yet to be purged. Green shoots are fragile and, if not tended to properly, can quickly wilt. Yet we would be equally ignorant to disregard the messages coming from respondents themselves. Time and time again business confidence surveys have proved to be telling indicators of economic momentum.

The first step towards recovery is finding a floor. If this indeed gains momentum over the coming months, then attention will turn towards the quality and magnitude of any pending recovery. Across the alphabet of cycles we are bombarded with the 'V', 'U', 'W' and 'L'. Where we are headed will be a combination of what businesses are telling us, and how far and fast the economy is progressing through the structural rebalancing process. We'll be waiting patiently for next month's story.

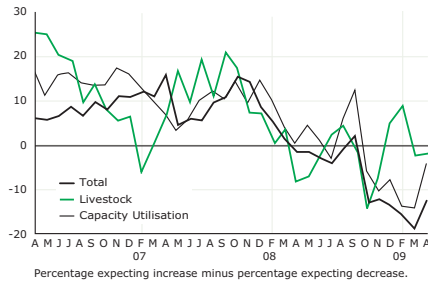
SURVEY RESULTS	TOTAL	PREVIOUS MONTH
April 2009		
Business Confidence	-14.5	-39.3
Activity Outlook	-3.8	-21.2
Exports	10.3	2.1
Investment	-12.4	-18.6
Livestock	-1.7	-2.0
Capacity Utilisation	-4.3	-14.0
Residential Construction	9.5	-31.8
Commercial Construction	-36.4	-32.0
Employment	-19.1	-28.1
Unemployment Rate	76.8	85.9
Profits	-29.5	-40.8
Interest Rates	-2.3	-54.5
Pricing Intentions	17.6	9.2
Inflation Expectations	2.73	2.63

¹Our composite growth indicator uses the forward looking activity indicators from the survey (own activity, investment intentions, employment intentions and profit expectations), combining them into a single index.

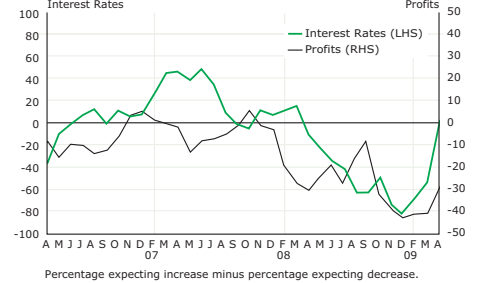
ACTIVITY OUTLOOK INDEX



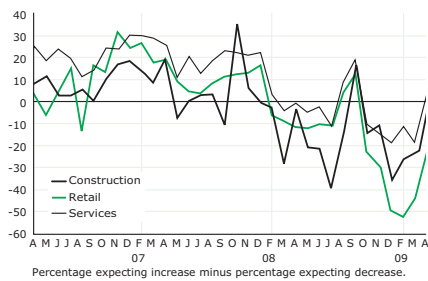
INVESTMENT INTENTIONS



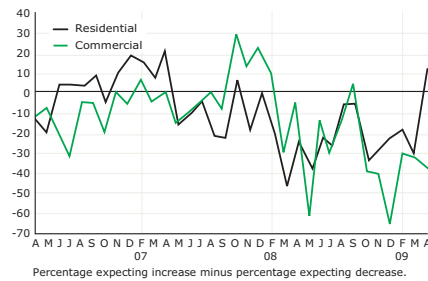
FINANCIAL OUTLOOK



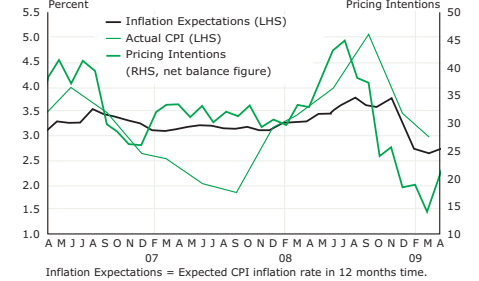
ACTIVITY OUTLOOK INDEX



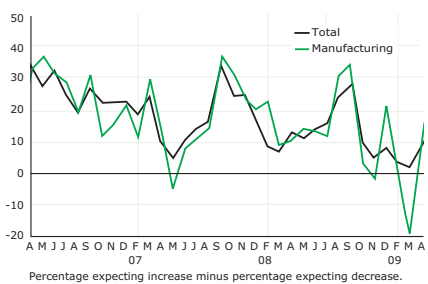
CONSTRUCTION INTENTIONS



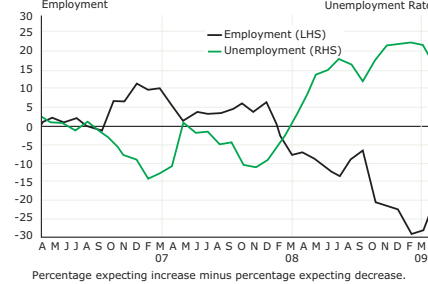
INFLATION EXPECTATIONS



EXPORT SALES VOLUME



LABOUR MARKET OUTLOOK



DISCLOSURE INFORMATION

The Bank (in respect of itself and its principal officers) makes the following investment adviser disclosure to you pursuant to section 41A of the Securities Markets Act 1988. The Bank (in respect of itself and its principal officers) makes the following investment broker disclosure to you pursuant to section 41G of the Securities Markets Act 1988.

Qualifications, experience and professional standing Experience

The Bank is a registered bank and, through its staff, is experienced in providing investment advice about its own securities and, where applicable, the securities of other issuers. The Bank has been selling securities, and providing investment advice on those securities, to customers as a core part of its business for many years, drawing on the extensive research undertaken by the Bank and its related companies and the skills of specialised staff employed by the Bank. The Bank is represented on many bank, finance and investment related organisations and keeps abreast of relevant issues by running seminars and workshops for relevant staff and having its investment adviser staff attend external seminars where appropriate. The Bank subscribes to relevant industry publications and, where appropriate, its investment advisers will monitor the financial markets.

Relevant professional body

The Bank is a member of the following professional bodies relevant to the provision of investment advice:

- New Zealand Bankers Association;
- Associate Member of Investment Savings & Insurance Association of NZ;
- Financial Markets Operations Association; and
- Institute of Finance Professionals.

Professional indemnity insurance

The Bank (and its subsidiaries), through its ultimate parent company Australia and New Zealand Banking Group Limited, has professional indemnity insurance which covers its activities including those of investment advisers it employs.

This insurance covers issues (including 'prior acts') arising from staff fraud, electronic crime, documentary fraud and physical loss of property. The scope of the insurance also extends to third party civil claims, including those for negligence. The level of cover is of an amount commensurate with the size and scale of the Bank. The insurer is ANZover Insurance Pty Limited.

Dispute resolution facilities

The Bank has a process in place for resolving disputes. Should a problem arise, you can contact any branch of the Bank for more information on the Bank's procedures or refer to any of the Bank's websites.

Unresolved complaints may ultimately be referred to the Banking Ombudsman, whose contact address is PO Box 10-573, Wellington.

Criminal convictions

In the five years before the relevant investment advice is given none of the Bank (in its capacity as an investment adviser and where applicable an investment broker) or any principal officer of the Bank has been:

- Convicted of an offence under the Securities Markets Act 1988, or the Securities Act 1978 or of a crime involving dishonesty (as defined in section 2(1) of the Crimes Act 1961);
- A principal officer of a body corporate when that body corporate committed any of the offences or crimes involving dishonesty as described above;
- Adjudicated bankrupt;
- Prohibited by an Act or by a court from taking part in the management of a company or a business;
- Subject of an adverse finding by a court in any proceeding that has been taken against them in their professional capacity;
- Expelled from or has been prohibited from being a member of a professional body; or
- Placed in statutory management or receivership.

Fees

At the time of providing this disclosure statement it is not practicable to provide accurate disclosure of the fees payable for all securities that may be advised on. However, this information will be disclosed to you should you seek advice from one of the Bank's investment advisers on a specific investment.

Other interests and relationships

When a security is sold by the Bank, the Bank may receive a commission, either from the issuer of a security or from an associated person of the Bank. Whether that commission is received and, if received, its value depends on the security sold. At the time of providing this disclosure statement it is not practicable to provide a detailed list of each security that may be advised on, the name of the issuer of that security and the rate of the commission received by the Bank. However, this information will be disclosed to you should you seek advice from one of the Bank's investment advisers on a specific investment.

In addition to the interest that the Bank has in products of which it is the issuer, the Bank, or an associated person of the Bank, has the following interests or relationships that a reasonable person would find reasonably likely to influence the Bank in providing the investment advice on the securities listed below:

- ANZ Investment Services (New Zealand) Limited (ANZIS), as a wholly owned subsidiary of the Bank, is an associated person of the Bank. ANZIS may receive remuneration from a third party relating to a security sold by the Investment Adviser.
- UDC Finance Limited (UDC), as a wholly owned subsidiary of the Bank, is an associated person of the Bank. UDC may receive remuneration from a third party relating to a security sold by the Investment Adviser.
- The Bank has a joint venture relationship with ING (NZ) Holdings Limited (ING). ING and its related companies may receive remuneration from a third party relating to a security sold by the Investment Adviser.

Securities about which investment advice is given

The Bank provides investment advice on the following types of securities:

- Debt securities including term and call deposits, government stock, local authority stock, State-Owned Enterprise bonds, Kiwi bonds and corporate bonds and notes;
- Equity securities such as listed and unlisted shares;
- New Zealand and overseas unit trusts;
- Share in a limited partnership;
- Superannuation schemes and bonds;
- Group investment funds;
- Life insurance products;
- Derivative products including interest rate and currency forward rate contracts and options; and
- Other forms of security, such as participatory securities.

PROCEDURES FOR DEALING WITH INVESTMENT MONEY OR INVESTMENT PROPERTY

If you wish to pay investment money to the Bank you can do this in several ways such as by:

- Providing cash;
- Providing a cheque payable to the relevant product or service provider and crossed 'not transferable'; or
- Making an automatic payment or payment through another electronic delivery mechanism operated by the Bank.

Investment property (other than money) may be delivered to the Bank by lodging the relevant property (for example, share certificates) with any branch of the Bank offering a safe custody service, or by posting (using registered post) the documents or other property to a branch of the Bank, identifying your name, account number and investment purpose.

Any investment money lodged with the Bank for the purchase of securities offered by the Bank, its subsidiaries or any third parties will be deposited in accordance with your instructions, to your nominated account or investment. Such money will be held by the Bank according to usual banking terms and conditions applying to that account or the particular terms and

conditions relating to the investment and will not be held by the Bank on trust unless explicitly accepted by the Bank on those terms. Any investment money or property accepted by the Bank on trust will be so held until disbursed in accordance with your instructions. Any investment property lodged with the Bank will be held by the Bank as bailee according to the Bank's standard terms and conditions for holding your property.

Record Keeping

The Bank will keep adequate records of the deposit of investment moneys or property and all withdrawals and dealings with such money or property, using the account/investment number allocated to your investment. You may have access to those records upon request.

Auditing

The Bank's systems and operations are internally audited on a regular basis. The financial statements of the Bank and its subsidiaries are audited annually by KPMG. However, this does not involve an external audit of the receipt, holding and disbursement of the money and other property.

Use of Money and Property

Money or property held by the Bank for a specific purpose communicated to the Bank (e.g. the purchase of an interest in a security) may not be used by the Bank for its own purposes and will be applied for your stated purpose. No member of the Bank's staff may use any money or property deposited with the Bank, for their own purposes or for the benefit of any other person. In the absence of such instructions, money deposited with the Bank may be used by the Bank for its own purposes, provided it repays the money to you upon demand (or where applicable, on maturity), together with interest, where payable.

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