



Still Perky

Business confidence ebbed lower in November. A net 43 percent expect better times ahead, down 5 percentage points on October's reading. Across the five major sub-groups we survey, only retailers recorded an increase in confidence. The construction sector had the largest drop in confidence, down 14 points, but this was coming off strong gains in the previous month. Despite the turn lower, it is hard to describe the level of confidence as anything other than healthy – with confidence being maintained at levels last seen in 1999!

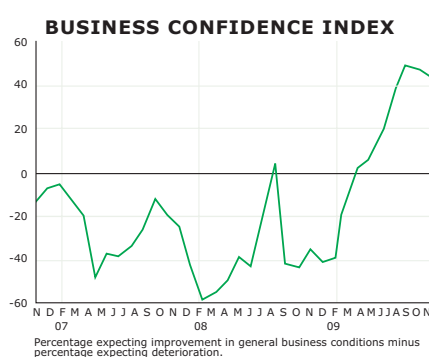
An improving trend is still apparent in the key sub-components across the survey. Firms' perception towards their own business improved 3 percentage points. A net 34 percent expect better times for their own firm over the year ahead. A net five percent of firms expect to be hiring staff over the coming year. Slowly but surely the labour market looks to be turning, although a net 35 percent still expect the unemployment rate to be higher over the year ahead. Nonetheless, this still represents a 2-year low. A net 7 percent of firms plan to increase investment, up marginally on the month prior. Going against the grain was a slight fall in profit expectations, although with a net 11 percent still expecting improved profits over the year ahead it's encouraging in terms of driving the next legs of the cycle, namely investment and jobs.

Growth readings from the survey continue to point towards firming momentum over the coming year. Firms' own activity expectations is flagging 4 percent growth while our composite growth indicator is pointing to a lower, but still respectable, upswing of 3 percent. The improvement is even more marked when we consider that a net 73 percent of respondents expect interest rates to move up over the year ahead. With pricing intentions remaining subdued (a net 15 percent expect to raise prices), time still looks to be on the RBNZ's side. There are likewise few signs of the strong

currency having adverse consequences with export intentions rising to a one-year high.

The construction sector remains top of the pops, ranking first for confidence, own activity expectations, employment, profits and investment. Perception towards residential investment remains at the forefront of construction's optimism (a net 45 percent expecting better times ahead) while the month has also seen a significant easing in confidence towards the commercial sphere.

2009 has hardly been an inspiring year, but momentum is building. Across the global economy, there is no doubt that challenges remain. This is not your typical credit downturn and recovery story. The typical credit event has centred on the business sector. While aspects of this are apparent in this cycle, this time around it is household balance sheets in need of repair. And when faced with rising unemployment, this looks set to be a protracted process. Hence, policymakers and economists continue to talk in guarded tones about the U, bathtub or saucer shaped recoveries.



Probably the most difficult task ahead of us at present is trying to "predict" the behavioural aspect within the economic cycle. Economic trends are about combinations of economics, finance and human behaviour. The difficulty in the current instance is that you have an economy undergoing deep structural change as we adjust to a new normal.

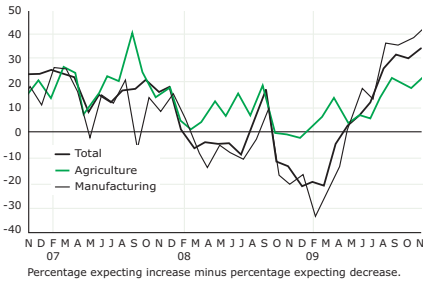
Human nature however, wants to go back and grasp the "old", as in the way things were pre-crisis. The problem is that the period in the lead-up to the global financial crisis was abnormal. With change comes a process of learning.

One scribe notes the process of learning as similar to watching a teenager learn from a mistake: faced with two choices, the path chosen is likely to be the one that is most fun and least painful. And so it applies to the general economy in terms of how we "learn". Across the corporate world we see leaders recognising that a step-change is required if NZ's medium-term positive potential is to be unlocked. We have huge strategic advantages as a nation. But that requires a sacrifice up front in terms of earnings, and we all know how conditioned the market, and hence behaviour, can become to hitting those near-term benchmarks. The existing level of government services is unsustainable given the income (tax) base. But where is the hurry to forge ahead with the hard decisions when you are judged in the court of public opinion?

As Christmas nears, we all look forward to good cheer. Here is hoping it does not bring complacency when it comes to the inevitable process of change.

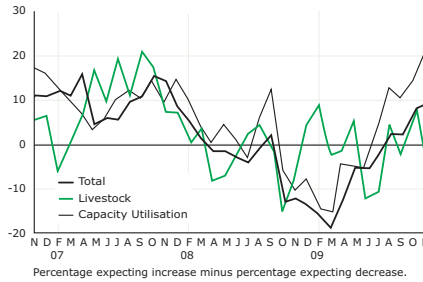
SURVEY RESULTS	TOTAL PREVIOUS	
November 2009	MONTH	
Business Confidence	43.4	48.2
Activity Outlook	33.7	30.5
Exports	23.9	22.9
Investment	6.8	5.8
Livestock	-4.4	5.2
Capacity Utilisation	20.7	14.4
Residential Construction	45.2	41.2
Commercial Construction	10.8	47.4
Employment	5.3	-0.3
Unemployment Rate	35.2	40.6
Profits	11.1	11.9
Interest Rates	73.0	57.4
Pricing Intentions	14.8	14.2
Ease of Credit	5.2	7.5
Inflation Expectations	2.61	2.6

ACTIVITY OUTLOOK INDEX



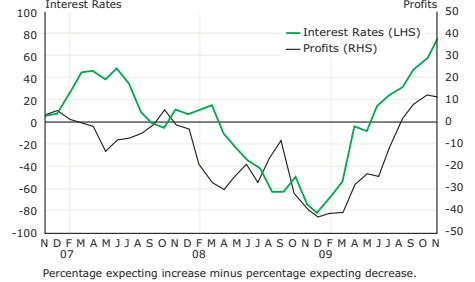
Percentage expecting increase minus percentage expecting decrease.

INVESTMENT INTENTIONS



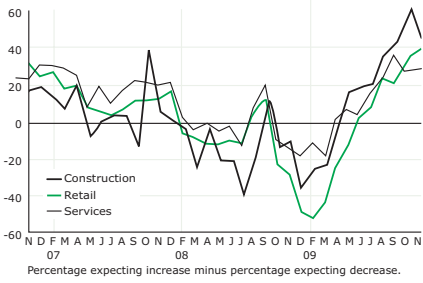
Percentage expecting increase minus percentage expecting decrease.

FINANCIAL OUTLOOK



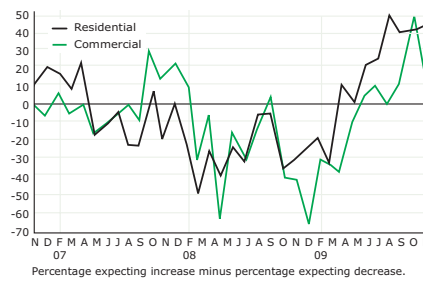
Percentage expecting increase minus percentage expecting decrease.

ACTIVITY OUTLOOK INDEX



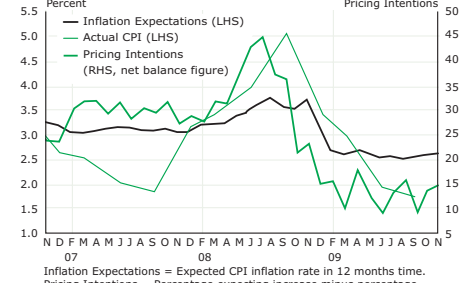
Percentage expecting increase minus percentage expecting decrease.

CONSTRUCTION INTENTIONS



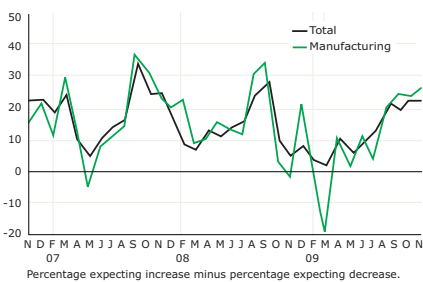
Percentage expecting increase minus percentage expecting decrease.

INFLATION EXPECTATIONS



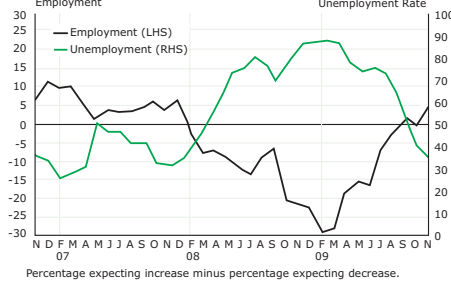
Inflation Expectations = Expected CPI inflation rate in 12 months time. Pricing Intentions = Percentage expecting increase minus percentage expecting decrease.

EXPORT SALES VOLUME



Percentage expecting increase minus percentage expecting decrease.

LABOUR MARKET OUTLOOK



Percentage expecting increase minus percentage expecting decrease.

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 ANZcover 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.

DISCLAIMER

The Bank does not provide investment advice tailored to an investor's personal circumstances. It is the investor's responsibility to understand the nature of the security subscribed for, and the risks associated with that security. To the maximum extent permitted by law, the Bank excludes liability for, and shall not be responsible for, any loss suffered by the investor resulting from the Bank's investment advice.

Each security (including the principal, interest or other returns of any security) the subject of investment advice given to the investor by the Bank or otherwise, is not guaranteed, secured or underwritten in any way by the Bank or any associated or related party except to the extent expressly agreed in the terms of the relevant security.

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