

ANZ-ROY MORGAN CONSUMER CONFIDENCE CONFIDENCE LIFT

JUNE 2011

CONTACTS

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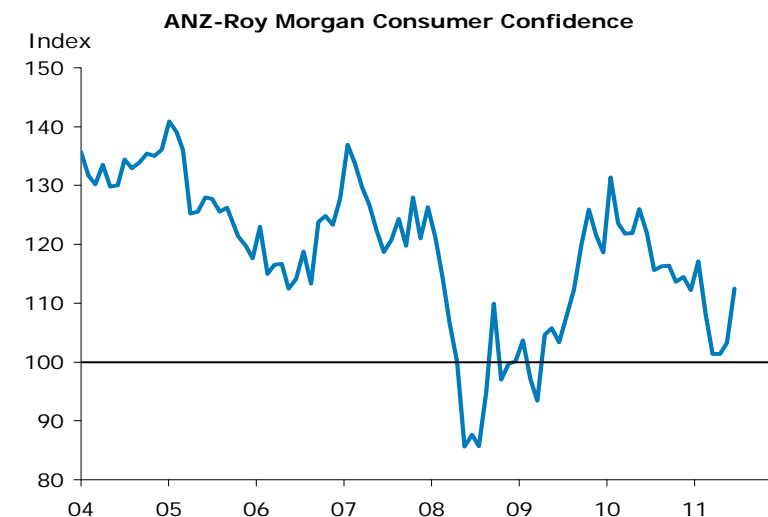
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SUMMARY

- Consumer confidence lifted in June, with improvements recorded in all five component questions.
- An improving labour market and strong rural income growth are no doubt key factors behind the improving sentiment.
- Rural areas recorded the highest confidence readings, with Canterbury lagging behind.
- Improving confidence hold out the prospect for a pick-up in consumer spending. But ongoing household sector deleveraging mean consumers will not be getting too carried away.

The ANZ-Roy Morgan Consumer Confidence measure rose by 9 points to 112.5 in June. This is a more meaningful increase compared to last month's 2 point rise. If we attempt to adjust the confidence reading for seasonal factors, the monthly increase is more impressive at 13 points, close to historical average and the highest reading since August last year. This indicates that there is some substance behind this month's move.

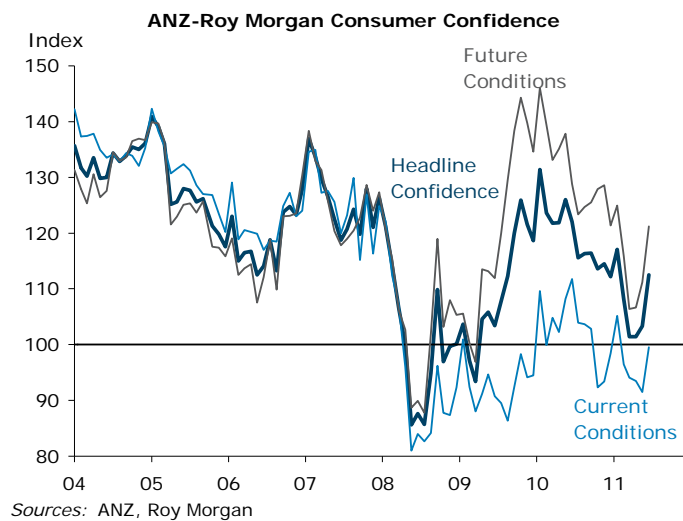
All five component questions behind the headline consumer confidence measure recorded improvements. The largest rise was regarding consumers' expectations of the general economy in the next 12 months (from -16 to -3), followed by how they compare financially now relative to last year (from -26 to -16). Both these readings are still in negative territory, but less so than last month. **The Future Conditions index increased from 111.2 to 121.2, while the Current Conditions index rose from 91.5 to 99.6.** The latter remains below the neutral 100 level, indicating a still cautious attitude.



Sources: ANZ, Roy Morgan

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In explaining the reasons behind the improvement in sentiment, we can't go past the improving labour market and record high dairy payout for the 2010/11 season, as well as indications of historically high rural incomes for the following season as well. The Government's austere Budget 2011 does not appear to have had much of an impact on consumer confidence, perhaps with the exception of those in Wellington. While confidence in Wellington rose by a point, more Wellingtonians say that they are worse off financially now than a year ago (from -12 to -23) and there was not much change in those expecting to be financially better off next year (from +14 to +16). These clearly buck the nationwide trend.



The non-metropolitan regions in the North Island (i.e. excluding Auckland and Wellington) recorded the strongest rises in confidence (up 17 points to 116.6). Canterbury recorded the lowest level of confidence at 105.6, though this was up 14 points. This month's survey was taken before Monday's large aftershocks that hit Christchurch. We will have to await the results of July's survey to see whether Cantabrian's confidence has been further dented.

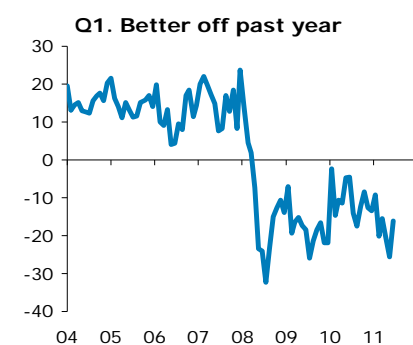
A lift in confidence was measured across both sexes. Confidence among females lifted 12 points to 107.0, while sentiment among males lifted 10 points to 118.3.

Confidence was higher across all age cohorts excepting the 18-24 year olds. The strongest rise of 15 points was jointly shared by 35-49 year olds and those aged 50 years and over.

Consumers' expectation of inflation 2-years out fell from 3.6 percent to 3.2 percent. This is well off April's 4.1 percent reading, likely reflecting recent falls in petrol prices. The RBNZ will welcome the decline in consumer inflation expectations, but the current level is still above their 1 to 3 percent target band. Expectations of house price increases 2-years out increased marginally from 2.2 percent to 2.3 percent. This implies that consumers expect real house prices to fall over the next two years, which should keep any consumer spending rebound in check.

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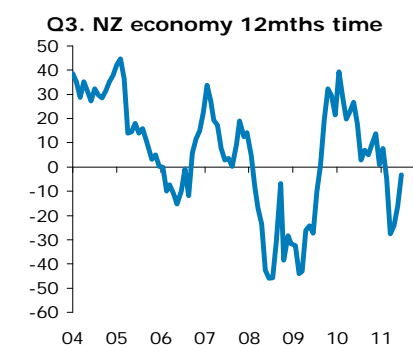
Survey Summary	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11
No. of Interviews	1,008	1,060	2,093	1,040	1,028	1,103	1,078	1,030
Q1. Would you say you and your family are better-off financially or worse off than you were at this time last year?								
Better Off	25	27	30	24	25	25	22	24
Worse Off	38	40	39	44	40	46	48	40
Net Balance	-13	-14	-9	-20	-16	-21	-26	-16
Q2. This time next year, do you and your family expect to be better-off financially or worse off than you are now?								
Better Off	47	46	50	47	45	42	43	48
Worse Off	17	18	18	22	24	25	23	20
Net Balance	31	28	32	26	21	18	20	29
Q3. Thinking of economic conditions in New Zealand as a whole. In the next 12 months, do you expect we'll have good times financially, bad times or some good and some bad?								
Good Times	41	35	39	31	22	24	27	28
Bad Times	27	34	31	36	49	48	43	31
Net Balance	14	1	8	-5	-28	-24	-16	-3
Q4. Looking ahead, what would you say is more likely, that in New Zealand as a whole, we'll have continuous good times during the next five years or so, or we'll have bad times, or some good and some bad?								
Good Times	55	51	54	46	47	48	50	49
Bad Times	14	16	19	20	21	22	20	11
Net Balance	41	35	35	27	26	26	30	38
Q5. Generally, do you think now is a good time, or a bad time, for people to buy major household items?								
Good Time to Buy	40	47	52	48	43	44	45	50
Bad Time to Buy	41	37	32	35	40	37	36	35
Net Balance	-1	10	20	13	4	8	9	15
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the five net balances)								
Overall Index	114.5	112.2	117.1	108.1	101.4	101.4	103.3	112.5
Current Conditions	93.4	98.5	105.2	96.5	94.1	93.5	91.5	99.6
Future Conditions	128.6	121.4	125.0	115.9	106.4	106.6	111.2	121.2



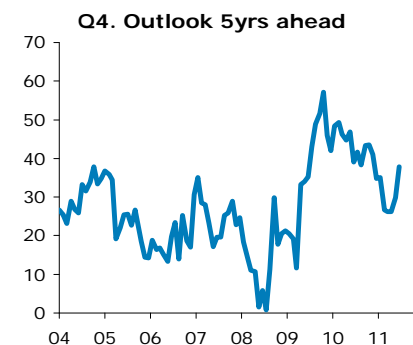
Sources: ANZ, Roy Morgan



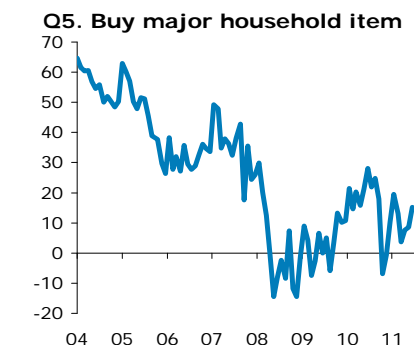
Sources: ANZ, Roy Morgan



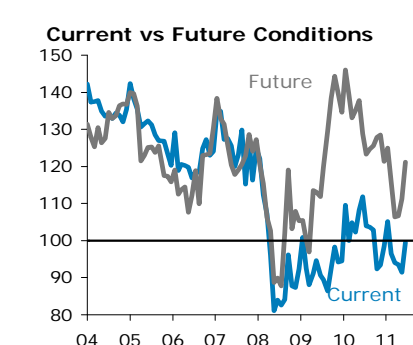
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The Bank (in respect of itself and its principal officers) makes the following investment adviser disclosure to you pursuant to section 41A of the Securities Markets Act 1988.

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.

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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:

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- 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.
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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;

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- 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.

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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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