

ANZ-ROY MORGAN CONSUMER CONFIDENCE FLATLINING

APRIL 2011

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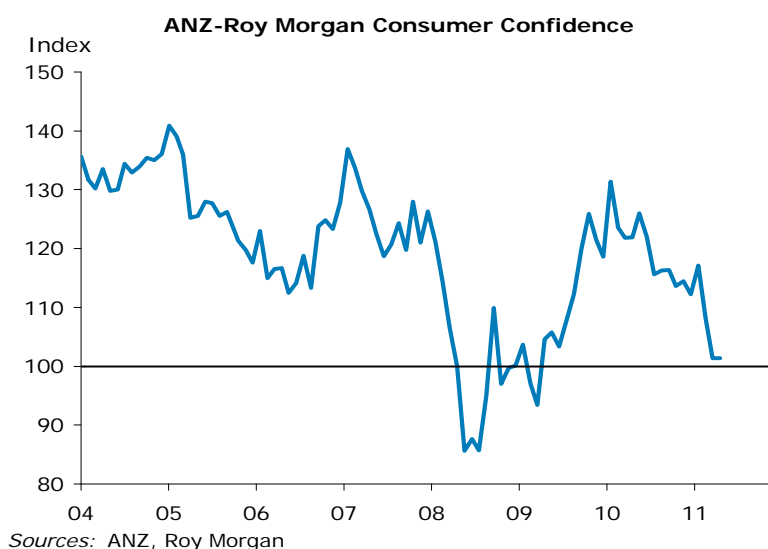
SUMMARY

- Consumer confidence was unchanged in April.
- Nervous undertones continue to percolate through consumer sentiment, which flags continued caution in regard to spending.
- The consumer is not going to be the bellwether of any recovery.

The results of this month's ANZ-Roy Morgan consumer confidence survey are a virtual repeat of March's. Headline confidence was unchanged at 101.4. The Current Conditions index eased marginally, from 94.1 in March to 93.5 in April. The future conditions component lifted a whisker, from 106.4 to 106.6.

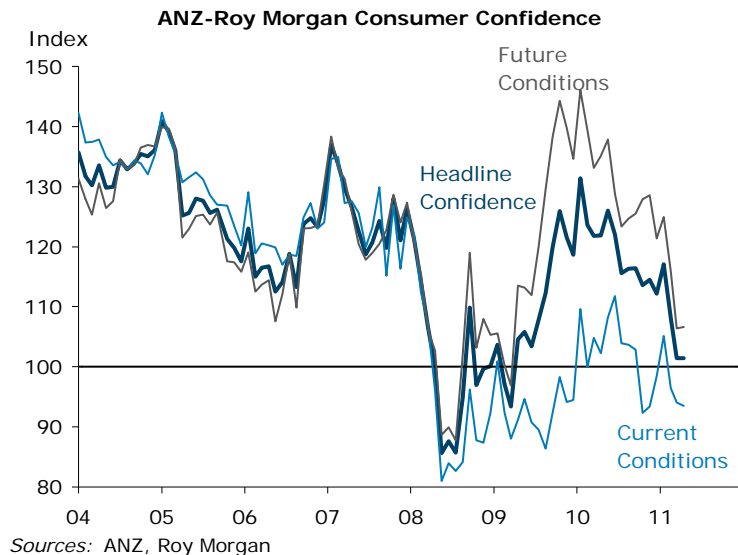
Looking at the five components that make up the overall measure of consumer confidence, perceptions towards households' current financial position eased from -16 to -21. The proportion of households expecting to be better off twelve months out remains higher than those expecting to be worse off, but the net balance has eased from +21 to +18. Perception towards the general economy is marginally less negative, going from -28 to -24. The five-year outlook remains unchanged at +26. Views on whether it is a good or bad time to buy a major household item lifted from +4 to +8.

Seasonal influences can play a role from month to month, but a quick check on these reveals nothing startling, **with seasonally adjusted readings essentially the same as March.**



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Households remain cautious towards spending and how they perceive the economy is evolving, though more upbeat than the dark days of 2008. Low levels of confidence – and particularly low readings for current conditions, which is the key bellwether for spending – continue to rule the consumer out as a key driver of an economic recovery.



Looking at the detail reveals little change across the sexes, with **males more optimistic** (with an index of 107.7) about the economy than females (95.4).

Respondents aged **between 25 and 49 showed an increase in sentiment**, while those over 50 and under 18 years of age recorded a drop in confidence. The respondents aged between 25 and 49 years old recorded rises in both current and future confidence measures.

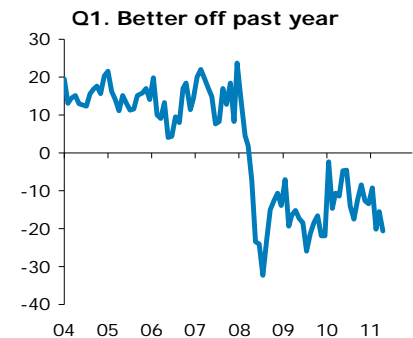
The Auckland region recorded the highest level of consumer confidence, overtaking Wellington. Canterbury also recorded a rise in confidence while the rest of the South Island reported a weakening in sentiment.

General inflation expectations lifted a tad, and so too did house price expectations. Households expect general inflation to average 4.1 percent per annum over the next two years (up from 4.0 percent in March). Household inflation expectations have generally wobbled around 4 percent since the start of the year. While such measures are generally a poor bellwether for inflation itself, they do provide some value in terms of wage bargaining expectations, an area we will watch with interest given the spike in headline inflation to 4.5 percent. House prices are expected to rise 2.4 percent per year on average over the next 2 years, up from March's 2.0 percent.

Expectations for **house price growth were the highest in Canterbury**, at 3.7 percent per annum over the next two years. At the other end of the scale, Wellingtonians are only expecting house prices to lift 1.0 percent over the same period.

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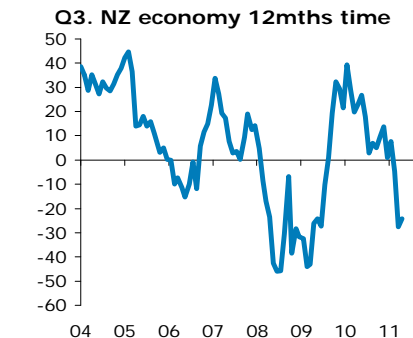
Survey Summary	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11
No. of Interviews	1,021	1,071	1,008	1,060	2,093	1,040	1,028	1,103
Q1. Would you say you and your family are better-off financially or worse off than you were at this time last year?								
Better Off	26	28	25	27	30	24	25	25
Worse Off	39	36	38	40	39	44	40	46
Net Balance	-12	-9	-13	-14	-9	-20	-16	-21
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	48	48	47	46	50	47	45	42
Worse Off	19	18	17	18	18	22	24	25
Net Balance	28	31	31	28	32	26	21	18
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	36	37	41	35	39	31	22	24
Bad Times	31	27	27	34	31	36	49	48
Net Balance	5	10	14	1	8	-5	-28	-24
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	56	56	55	51	54	46	47	48
Bad Times	12	12	14	16	19	20	21	22
Net Balance	43	44	41	35	35	27	26	26
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	51	35	40	47	52	48	43	44
Bad Time to Buy	33	42	41	37	32	35	40	37
Net Balance	18	-7	-1	10	20	13	4	8
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the five net balances)								
Overall Index	116.4	113.6	114.5	112.2	117.1	108.1	101.4	101.4
Current Conditions	102.9	92.3	93.4	98.5	105.2	96.5	94.1	93.5
Future Conditions	125.5	127.9	128.6	121.4	125.0	115.9	106.4	106.6



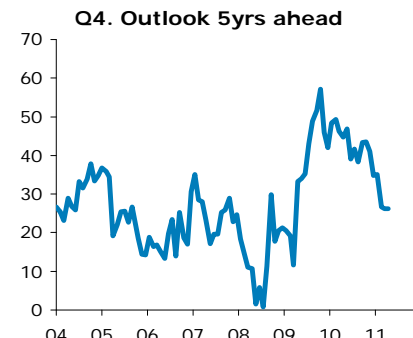
Sources: ANZ, Roy Morgan



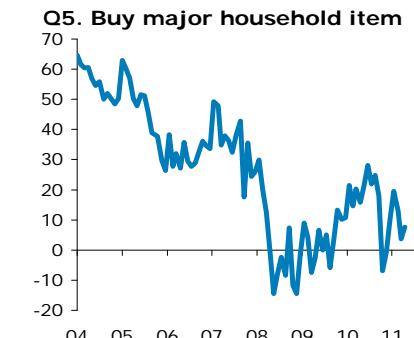
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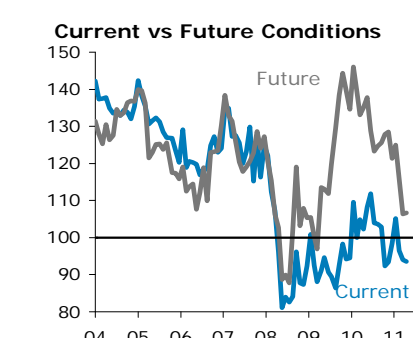
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NEW ZEALAND DISCLOSURE INFORMATION

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.

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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.
- OnePath (NZ) Limited, as a wholly owned subsidiary of the Bank, is an associated person of the Bank. OnePath and its related companies 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.

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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