

NEW ZEALAND ECONOMICS ANZ COMMODITY PRICE INDEX

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The next issue of the *ANZ Commodity Price Index* is scheduled for release on: 1 December 2010 at 3pm.

SHEARLEADERS

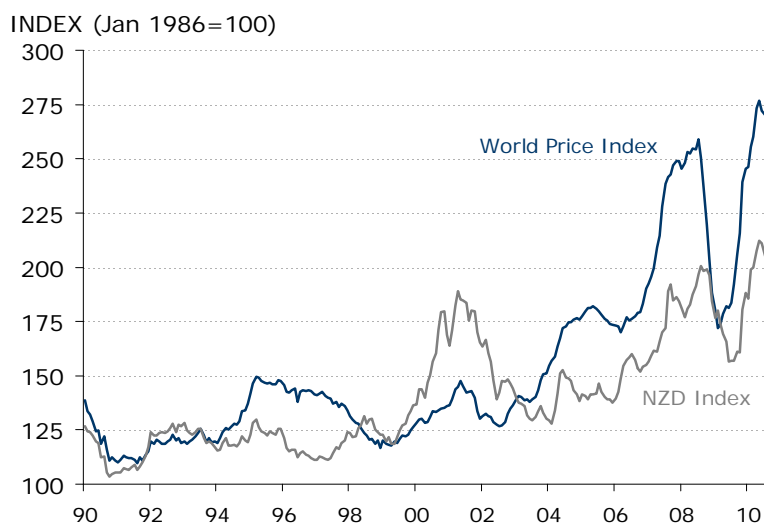
A fresh high in commodity prices. The ANZ Commodity Price Index lifted 3.5 percent in October, taking the series to a new high. Prices were higher for nine of the commodities we measure, while three commodities recorded price declines

Choreographing a winning routine. The world price of wool surged 29 percent last month to hit a 21-year high. When converted into New Zealand dollars, the series is at a 7½ year high (refer to page 3). The price of skins lifted 10 percent in October, while aluminium prices rose 8 percent. Dairy, lamb and log prices increased between 3-4 percent and seafood prices rose 2 percent. Beef recorded the greatest price reduction, down 3 percent. This was followed by sawn timber, which dropped 2 percent, and apples, which recorded a small drop as the export season matured.

NZD Commodity Index diluted by a strengthening currency. The New Zealand dollar prices series recorded a 0.8 percent rise in October. This reflects a strengthening in the value of the kiwi dollar, particularly against the United States dollar.

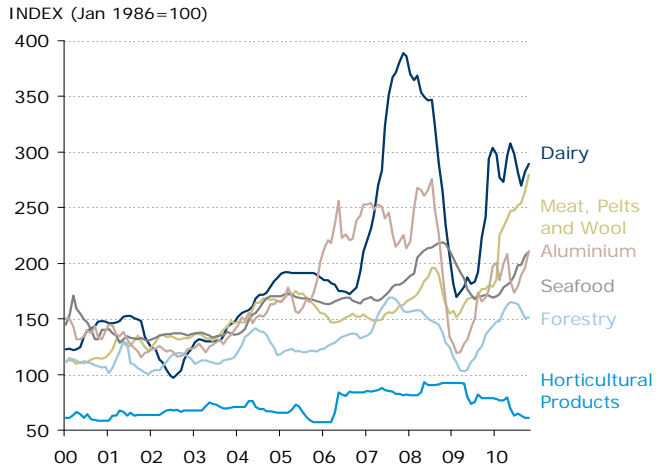
Long may it “contin-ewe”. Booming commodity prices are a critical support pillar for the economy as attention turns to prospects for 2011. While weakness in housing and retailing tends to dominate reporting and the general feel-good factor, strong commodity prices are a winning quinella for the economy. First, they are helping the rural sector deleverage and fix balance sheets which became extended during the previous upswing. Second, they are providing a huge income and revenue boost to the economy. Both of these dynamics are critical. The challenge for NZ.Inc is not simply to generate growth. It is also important to generate a mix to growth that is sustainable and robust. Strong and broad based commodity price movements, despite NZD/USD strength, are a key support factor in this regard.

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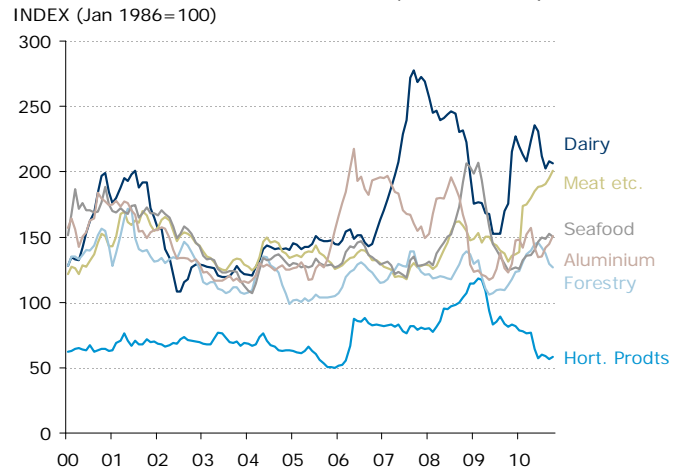


ANZ COMMODITY PRICE INDEX

SUB-GROUP INDICES (WORLD PRICES)



SUB-GROUP INDICES (NZD PRICES)



	World Price Index	Monthly % Change	Annual % Change	NZ\$ Index	Monthly % Change	Annual % Change
Oct-06	179.3	0.3	2.2	152.0	-0.9	9.3
Oct-07	246.9	1.8	37.7	184.6	-3.8	21.4
Oct-08	219.5	-7.6	-11.1	199.2	0.5	7.9
Oct-09	215.8	4.8	-1.7	160.8	-0.2	-19.3
May-10	276.6	1.2	51.8	212.0	2.1	27.9
Jun-10	272.3	-1.6	50.1	211.2	-0.4	34.9
Jul-10	270.2	-0.8	47.3	205.3	-2.8	30.9
Aug-10	266.3	-1.4	38.6	202.2	-1.5	28.9
Sep-10	273.7	2.8	32.9	204.5	1.1	26.9
Oct-10	283.4	3.5	31.4	206.2	0.8	28.2

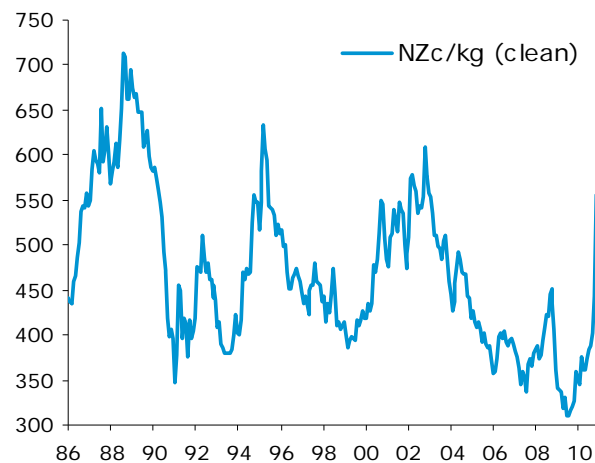
Commodity Price Index weights are based on contributions to merchandise exports. Weights for the 2010 year are: Wool 0.033; Beef 0.093; Lamb 0.150; Venison 0.013; Skins 0.019; Dairy 0.383; Apples 0.021; Kiwifruit 0.053; Logs 0.049; Sawn Timber 0.045; Wood Pulp 0.030; Seafood 0.065; Aluminium 0.046

FEATURED COMMODITY: WOOL

New Zealand is the second largest exporter of wool. Our export clip is predominately coarse wools; used in carpet production, yarns and blankets. The proportion of our total merchandise exports that wool makes has been on a steadily downward trend for the past sixty years, and now only represents around two percent of our total export basket. NZD wool price have lifted to a 7½ year high.

New Zealand is the second largest producer of wool in the world, behind Australia, with coarse fibre dominating our wool production. Coarse wools are ideal for use in carpet production, hand-knitting yarns and blankets. About 70 percent of the NZ clip is 33 microns or more in diameter. This contrasts with Australian wool, of which over 90 percent is less than 28 microns. New Zealand is by far the largest exporter of coarse wools, contributing over 40 percent of the world total. On a clean basis, crossbred wool accounts for about 89 percent of New Zealand's wool production, followed by mid-micron and merino (at about 5 percent each).

Wool Price Series



Sources: ANZ, NZ Wool Services

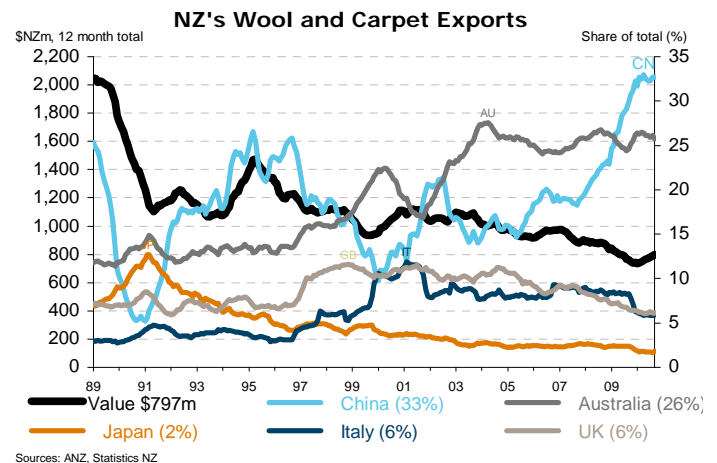
The general longer-term trend in wool prices has been distinctly downward. This partly reflects a switch away from woollen products towards synthetic goods. So it wasn't surprising that when the global financial crisis hit, the NZ dollar coarse wool market indicator dropped to the lowest level we've measured since the start of our series in 1986.

Over the past two months, wool prices have rebounded, largely on the back of a return of Chinese buyers, with some restocking of supply chains occurring in anticipation of a pick-up in worldwide demand for carpets in mid 2011. The demand pick-up in the raw product occurs earlier

because of the long lead time to convert greasy wool into finished product. Recent signs suggest that Chinese manufacturing activity (which is a large driver in demand of NZ wool) is faring much better than many would have thought, even a few months ago. Conversely, the excess supply of housing in the US could also prolong any significant pick-up in demand for carpets from new construction.

Wool accounts for only 1 percent of world textile fibre usage. The balance is fairly evenly split between cotton and synthetic fibres.

It has been estimated that wool now only accounts for 15 percent of NZ's gross farm income. This compares with a figure of 35 percent twenty years ago. Likewise, wool as a proportion of our total exports has been on a steady decline over the past sixty years. Back in the 1950s, wool accounted for about 40 percent of New Zealand's total merchandise exports. In the twelve months to September 2010, unprocessed wool earned NZ\$686m in exports, which represents less than 2 percent of NZ's total merchandise export receipts. This figure jumps a further NZ\$111m with the inclusion of carpets and other woollen products.



Sources: ANZ, Statistics NZ

The two largest markets for New Zealand's wool exports are: China (38 percent of total wool exports) and Australia (15 percent). China's share has grown considerably over the past three years. Nearly all (93 percent) of New Zealand's carpet exports are sent to Australia.

There are about 14,000 wool farms in NZ. The South Island produces just over half of NZ's wool production. Total wool production has declined in line with falling sheep numbers. As at 30 June 2010, NZ's sheep flock has been estimated at around 33 million, less than half of the peak of 70 million in 1982.

FEATURED COMMODITY: WOOL

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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.

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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.

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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.

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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.

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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.
- ING (NZ) Holdings Limited (ING), as a wholly owned subsidiary of the Bank, is an associated person of the Bank. ING and its related companies, including ING (NZ) Limited, may receive remuneration from a third party relating to a security sold by the Investment Adviser.
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- 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:



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- 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.

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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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