

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 March 2011 at 3pm.

HIGH-DE-HIGH CAMPERS!

Maybe we should call it an “exspurt” price index? The ANZ Commodity Price Index surged another 3.8 percent over the first month of 2011, to hit yet another new high. Thirteen commodity prices registered a rise in January, three were unchanged and one declined. This is the fifth consecutive strong monthly increase in the index, with cumulative gains of 18 percent since August last year.

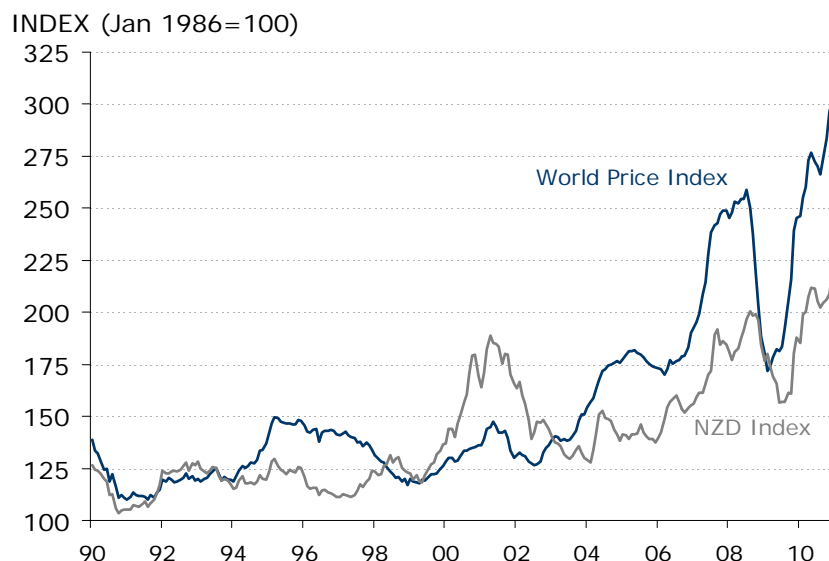
Twenty five years in the making. The price of skim milk powder recorded the largest increase in January, lifting 14 percent from the previous month. The increase in the price of whole milk powder was only half of this, rising 7 percent. Wool prices lifted 11 percent in January and beef prices increased 7 percent. Both series are now at their highest levels since the start of our series in 1986.

But wait, there’s more. Aluminium prices lifted 4 percent, venison prices rose 3 percent and lumber prices increased two percent. Price increases of up to 1 percent were recorded for wood pulp, sheepmeat and seafood.

Pelts and hide prices slip a little. Skin prices retraced 0.5 percent from the gain made last month, but the level remains elevated after hitting a fourteen-year high in December (refer to feature article on page 3). The price of logs, kiwifruit and apples were unchanged in the month of January.

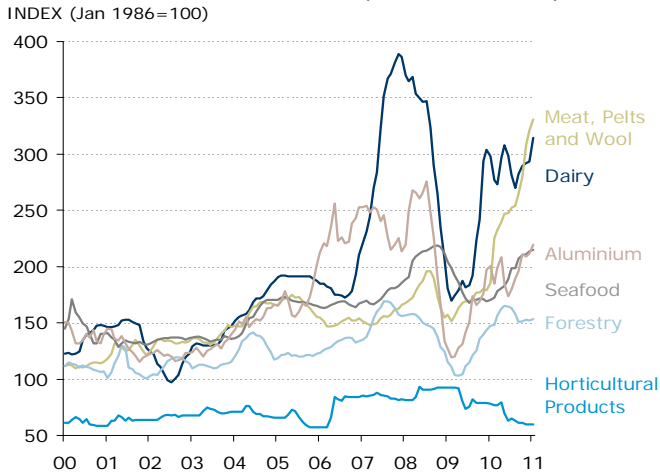
NZD index up to a new high. The New Zealand dollar strengthened against all our major trading partners over the first month of the new year — dampening the lift in export commodity prices when measured in local currency terms. Nevertheless, the NZD Commodity Price Index also hit a new record high, lifting 2.3 percent in January. It remains a question of time in terms of when the income boost from surging commodity prices diffuses into the broader economy.

ANZ COMMODITY PRICE INDEX

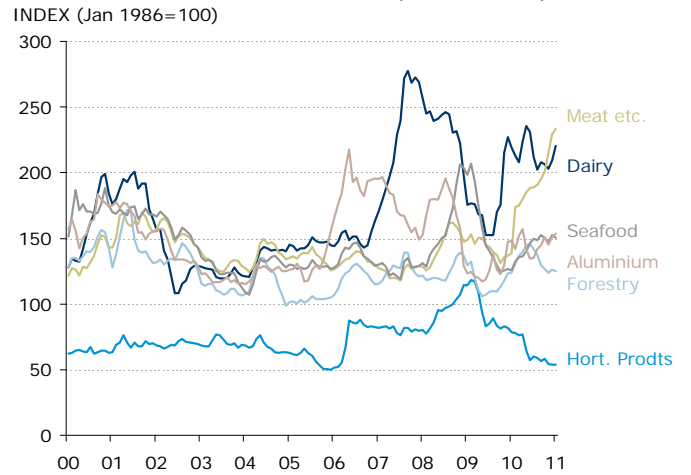


ANZ COMMODITY PRICE INDEX

SUB-GROUP INDICES (WORLD PRICES)



SUB-GROUP INDICES (NZD PRICES)



	World Price Index	Monthly % Change	Annual % Change	NZ\$ Index	Monthly % Change	Annual % Change
Jan-07	192.6	1.3	11.3	156.3	0.8	12.1
Jan-08	245.3	-1.4	27.4	181.1	-1.8	15.9
Jan-09	180.2	-4.3	-26.6	176.5	-4.3	-2.5
Jan-10	246.3	0.3	36.7	185.4	-1.4	5.1
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	283.5	3.5	31.4	206.2	0.8	28.2
Nov-10	296.1	4.5	23.7	208.9	1.3	15.7
Dec-10	301.9	2.0	23.0	218.3	4.5	16.1
Jan-11	313.3	3.8	27.2	223.2	2.3	20.3

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

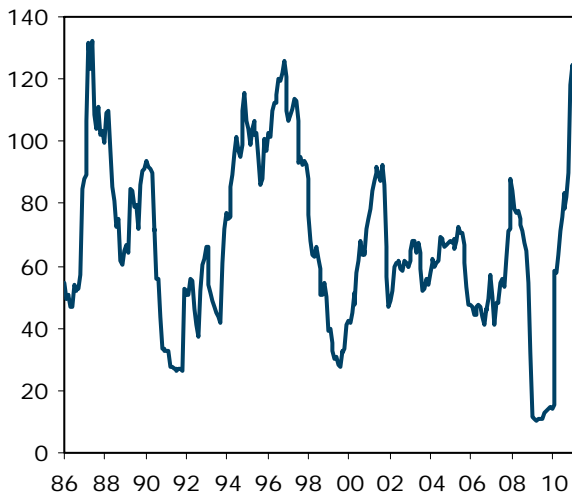
FEATURED COMMODITY: SKINS

Skin prices are largely determined by international economic fortunes. As with most other commodities, they have been caught in the rip of the global recession, with prices dropping to an all time low last year. Skin and pelt prices have also been under pressure from additional production sourced from Asia and, to a lesser degree, by overseas designer fashion trends.

Globally, the leather industry produces about 1.7 billion square metres of leather a year, with a total value that is estimated at about US\$40 billion. New Zealand produces 10 percent of the world's unprocessed sheep skins, but only one percent of cattle hides. Hides and skins are a by-product of the meat industry, and typically represent between 5 and 15 percent of the value of an animal.

With the global crisis and resulting economic slowdown, the price of animal skins slumped to an all-time low in the middle of 2009. Skin prices have since recovered all of the slump, and then some. The last few months has seen skin prices lift to a fourteen-year high.

Skins Price Index



Source: ANZ

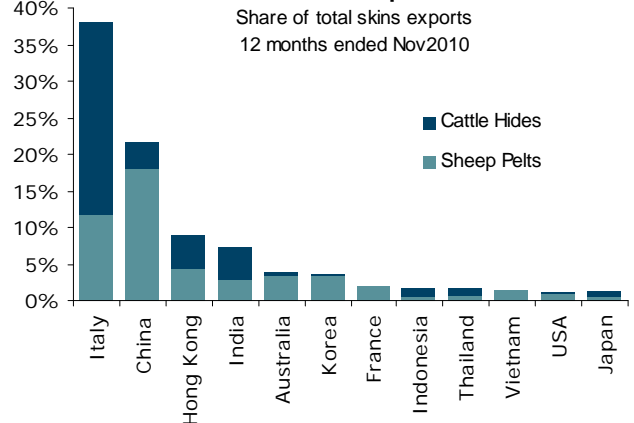
While the price of skins displays a very volatile pattern, the longer-term path has been virtually sideways. This reflects increased production from Asia and a general switch away from the use of leather. About 60 percent of all leather production world-wide is used to make footwear, with a further 16 percent used for garment production. The balance goes to other uses including fashion items, furniture, and sporting goods. Over recent years, the fashion houses of Europe have shunned the use of leather and this switch has ultimately been reflected in the prices paid to New Zealand farmers.

Another cause of weaker hides and skins prices has been an increase in the production from Asia, particularly China. In the ten years to 2007 (the latest available data), China's leather production has more than doubled. Although the quality of product from China is generally poorer, the increased supply on the world's market has nevertheless caused a weakening in pelt prices. Drought induced animal slaughter has also resulted in an above average level of production.

In the twelve months to December 2010, exports of hides, skins and leather totalled \$486m, or 1.1 percent of our total merchandise export receipts.

Italy is the largest destination for New Zealand's exports, taking 38 percent of our total hides and skins exports. Our next largest market is China, taking nearly 22 percent, although, this is down from the previous year when China took 25 percent of our hides and skins exports. Korea has slipped from third to sixth ranking in 2008, behind Hong Kong and India.

NZ's Main Skins Export Markets



Sources: ANZ, Statistics NZ

Italy takes a larger proportion of our exported cattle hides in an unprocessed form. Our sheep skin exports are sent to a more widespread area, particularly garment manufacturers in Asia, Australia, France and the United States.

IMPORTANT NOTICE

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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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.

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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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;



IMPORTANT NOTICE

- 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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