ANZ Research

Budget 2021 Preview

10 May 2021

This is not personal advice nor financial advice about any product or service. It does not take into account your financial situation or goals. Please refer to the Important Notice

Contact

Miles Workman for more details.

Balancing act

Summary

- Budget 2021 will be balancing act between fiscal consolidation and addressing some significant issues plaguing New Zealand.
- The economy has outperformed the Treasury's December Half-Year Update forecasts (which were very similar to our own at the time). That's been reflected in the recent fiscal data, with core Crown tax revenue running $4bn above the Half-Year Update forecast and expenses $0.3bn below in the nine months to March.
- The Budget Update is expected to bake this positive surprise into the outlook.
- We expect the updated forecasts to show net core Crown debt as a share of the economy peaking in the late 40s (compared to 52.6% at the Half-Year Update).
- A better forecast fiscal position, combined with the fact that NZDM appear to be sitting on a little more cash than they anticipated, is expected to see bond issuance guidance downgraded by around $20bn on a cumulative basis to June 2025.
- While caution around the medium-term outlook is still warranted, risks are becoming increasingly skewed to the upside. Should upside activity and inflation risks materialise relative to the Treasury's forecasts, we could be looking at further downgrades to the bond programme come the December HYEFU. But as always, much will depend on the Government's discretionary policy decisions.

The detail

On May 20, the Treasury will open up the Government's books for the first time since December last year, and the Minister of Finance will table the Government's spending plans for the years ahead.

The Treasury's economic and fiscal outlook is ripe for an upgrade

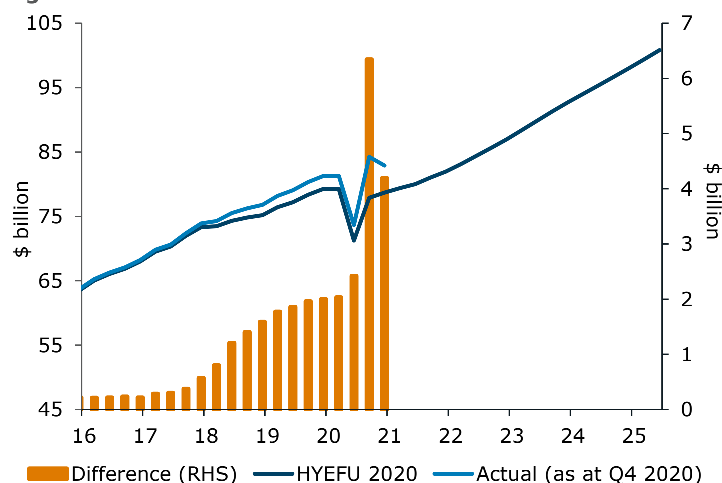
Practically every economic forecaster has been playing one big game of economic-outlook-upgrade leapfrog over the past year or so, and the 2021 Budget Economic and Fiscal Update (BEFU) will be the Treasury's turn to hop.

While the assumptions underpinning the outlook are important (such as the timing and pace of border reopening, migration, housing momentum, the impact of constraints on the supply of labour and other inputs, potential GDP, the terms of trade, and the exchange rate), what it all boils down to for the big fiscal picture is nominal GDP, which is a function of all these things and many more. And on that front, the BEFU outlook should be substantially stronger.

While nominal growth in Q4 2020 came in weaker than the Treasury's HYEFU expectation (-1.6% q/q vs +1.0% forecast), this was on the back of a much larger positive surprise in Q3 (+14.3% q/q vs +9.3% forecast). This, alongside upwards revisions, added an additional $15bn to annual nominal GDP in 2020 above what the Treasury's economic forecasts had baked in at HYEFU – that's almost 5% of 2020 GDP.

Some of this will be meaningful for the fiscal outlook, while some of it won't. Specifically, for all the historical revisions to GDP where the Treasury has already observed fiscal outturns, all this will do is tweak their understanding of how "tax rich" the economy is. But there is some genuine positive surprise on the momentum side of the economy too, and that part of it will be associated with better forecast fiscal outturns.

Figure 1. Nominal GDP



Source: Statistics NZ, The Treasury, ANZ Research

Projecting the GDP surprise forward (including revisions), we wouldn't be startled to see the Treasury's updated nominal GDP forecasts upgraded by as much as $70bn cumulatively to June 2025 compared to HYEFU. But after recalibrating for data revisions, we think the upgrade in terms of additional taxable GDP will be less than half that. Divvying this up over the forecast horizon points to around $3bn additional tax take per fiscal year (on average).

Then there's the spending side of things to consider. First, the better economic outlook should translate into lower projected operational spending on things like unemployment benefits (provided policy settings are unchanged). But anecdotes around demand at food banks and emergency housing suggests there is a very real and urgent need for the Government to support some of our most vulnerable citizens. And things like emergency housing don't come cheap. With housing and living costs lifting at pace, pressure on Government is not poised to dissipate any time soon, despite the better-performing economy.

On the capital spending side, the Government is facing many of the same materials and labour supply disruptions that the private sector is, and in some cases (such as building residential social houses) the Government is in direct competition for resources with the private sector. We expect delays will continue to push spending out, possibly more so than is typical for Government investment.

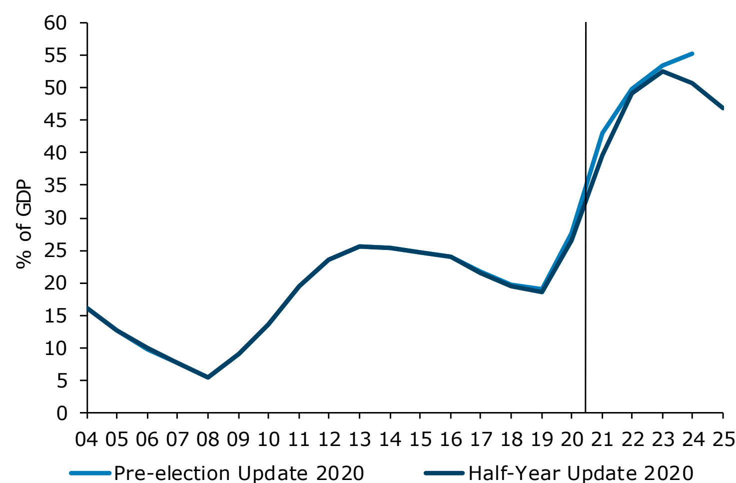
In terms of discretionary fiscal policy decisions we wouldn't be surprised to see the Government increase operational allowances a touch (by a few hundred million or so) and perhaps even increase the multi-year capital envelope. The former, we have no doubt will be put to use pretty easily, but we'd be pretty dubious that any increase in capital spending will actually translate into higher activity, particularly in the near term. We've been arguing for a very long time that the Government's focus needs to remain heavily skewed towards boosting capacity through supply-side policies. And while they are doing a lot already, they can always do more. However,

supply-side policies don't really fit under the "tax and spend" umbrella where Budgets live, so perhaps we shouldn't expect too much on this front on Budget day.

In addition to the above, the Minister of Finance has already signalled that Ministers have found $926 million of COVID underspending ("savings") that can be returned to the COVID Response and Recovery Fund (CRRF) and reprioritised where it is needed most. It's unclear at this stage whether these funds (and possibly more) will actually be allocated at Budget, or if they will just go back into the unallocated portion of the fund. As at HYEFU, the unallocated portion of the CRRF was sitting at $10.3bn, and the Government's stance at the time was that if these funds are not needed they will not be spent. Not spending these funds represents a significant upside risk to the fiscal outlook. However, the term "needed" is open to interpretation, and a little extra spending closer to the election could become pretty tempting, particularly if it's already baked into the fiscal outlook. But in the near term, it would be irresponsible not to leave a sizable contingency in the fiscals. We're not out of the COVID woods just yet.

Putting it all together, we're expecting a decent improvement in the fiscals, with GDP revisions flattering the ratios further. Forecast OBEGAL deficits will be narrower on average to June 2025, and could get pretty close to zero by 2025. The forecast peak in net core Crown debt should just squeeze in below 50% of GDP (52.6% in 2023 at HYEFU).

Figure 2. Net core Crown debt (recent Treasury forecasts)



Source: The Treasury, ANZ Research

The big picture: Fiscal stimulus has faded, but its impacts remain widely felt

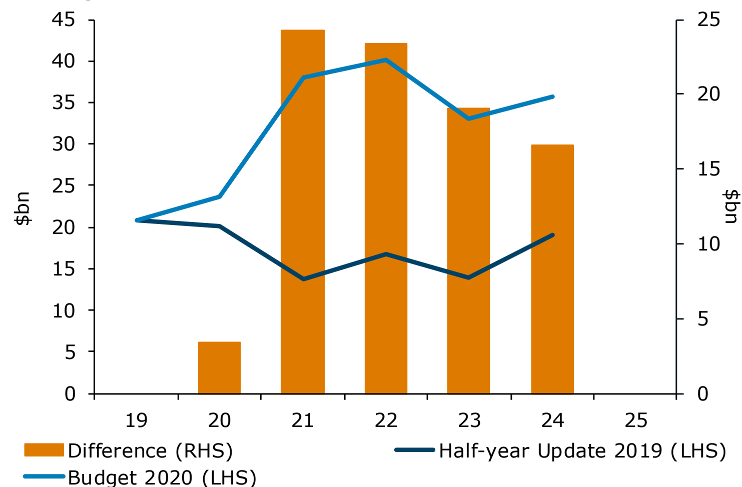
The Government may put a different spin on it, but the direct impetus to economic growth from fiscal settings is now negative as the Government enters the technical consolidation phase of its fiscal response (ie deficits are shrinking). To be fair, the sheer size of stimulus delivered on the back of the great lockdown (chiefly the wage subsidy) means there is no reasonable amount of fiscal stimulus that would see the fiscal impulse turn positive over the year ahead. It's inevitable and entirely appropriate that the Government's stimulatory fiscal stance fades (subject to downside economic risks not materialising).

The key thing here is not about how much fiscal policy is or is not adding to headline growth, but whether or not additional macro-stimulus is actually needed. And in our view, it's not. Fiscal policy (alongside monetary policy and successful virus containment) has done a great job of limiting the economic fallout from this crisis, but now it's time to start rebuilding fiscal buffers for the next one as underlying economic momentum gathers pace. But that's not to say consolidation can't happen a little more slowly if that means addressing some of the structural issues plaguing the NZ economy – particularly our housing and infrastructure deficits. But as we've highlighted many times before, just throwing money at these problems isn't going to solve them. Addressing supply constraints is an increasingly important part of the policy mix. And while the Government's new implementation unit will help cut through the chains of bureaucratic-driven holdups, there's all those other bottlenecks to construction to contend with.

Another downgrade to bond issuance guidance on the cards

When it comes to bond issuance guidance, there are a lot of moving parts to consider – and many of them involve guessing the assumptions the Treasury will make and NZDM's preference to hold a large quantum of liquid assets (given the economic vibe is improving). By looking at the change in forecast financial assets held by the Treasury between HYEFU 2019 (pre-COVID) and Budget 2020 (post COVID), we can surmise that building up a sizeable buffer of liquid assets was always part of NZDM's plan (Figure 3). But the better economy means this is a little larger than they were anticipating.

Figure 3. Forecast financial assets held by the Treasury (pre and post COVID)



Source: The Treasury, ANZ Research

Overall, we think the direction for bond guidance is pretty clear: a downgrade is on the cards, and depending on how far it goes and how the COVID crisis evolves, there will likely be further downgrades to come (perhaps December's Half Year Update and/or Budget 2022).

Table 1 provides a ready reckoner for issuance guidance since HYEFU. It's crude, but given the amount of guesswork involved, it's about as close as we can get. Indeed, interpretation of some key fiscal indicators, such as core Crown residual cash, has become a lot more difficult since the implementation of unconventional monetary policy tools. Over time, we expect the Treasury to adapt key fiscal indicators to ensure they are fit for purpose. We'd put a new cash balance that's a close representation of NZDM's funding requirement pretty high on our wish list.

Table 1. Bond guidance ready reckoner

Influence on bond programme	Implication for Budget	Possible implication beyond Budget
Better than expected starting point – which has led to NZDM overfunding.	The better economy means the Government's funding requirements have been lower than expected, and as a result NZDM are sitting on more cash than they were anticipating at HYEFU. Given risks are skewed towards an even stronger fiscal position come the December HYEFU, we think it makes sense to make adjustments now rather than risk having even more cash to manage later in the year. Containing the Treasury's liquid holdings could take anything from $5-10bn out of the programme over 2021/22 to 2022/23. However, choosing not to fund NZGB maturities by as much as otherwise would be another way to run down the cash and reduce net issuance. The 23s, 24s and 25s will bring opportunities to do so. So it's not clear if the impact on issuance will be concentrated in the near term or spread over the whole forecast horizon.	NZDM will likely choose to hold a larger than normal cash buffer for a long while yet (possibly permanently). But we think some eventual further reductions will be in store once COVID risks subside. After all, a lower bond supply implies lower funding costs to the tax payer (all else equal).
Upgrade to economic and fiscal outlook – which means more revenue and lower expenses	We think this is worth around $3-5bn per fiscal year on average, but spending decisions will be key. And re-phasing of spending suggests there could be some lumpiness.	No implications beyond Budget (assuming Budget forecasts are correct).
Successful virus containment – which means the remaining unallocated COVID contingency is not needed.	We think the Treasury accountants will keep this in the fiscal outlook for now, so no implications at BEFU other than potential allocation and timing assumption changes.	A key source of further downward pressure on the Government's funding requirement, and one we think will be phased out only slowly (if the Government doesn't reprioritise these funds in the future).
Issuing more while the RBNZ is still in the market with the LSAP (ie to June 2022).	This isn't expected to change the overall amount of bonds issued, but it could skew the issuance profile to be more front loaded if NZDM thinks yields might rise after LSAP purchases end, or are concerned about how much bond supply the market can absorb.	Really only relevant to 2021/22 given that the LSAP only runs through till June 2022.
Discretionary fiscal policy decisions (ie changes to tax and spending settings).	No major impact expected. Broad fiscal policy settings should be little changed. An extra hundred million or two in the near term will only be a partial offset to the higher tax receipts.	A big unknown with magnitude uncertain. Risks are skewed towards the Government spending more. But this could equally be facilitated by further positive surprises in the fiscals (if the data evolves that way) – ie increased Government spending may not need additional funding.
Delays in government spending (particularly capex) causing a re-phasing of issuance guidance.	Could push some funding requirement into subsequent fiscal years. NZDM would likely smooth issuance guidance through relatively minor timing changes.	Similar story for future updates; not a game changer.
Treasury forecast assumptions, such as funding costs (interest rate), and the maturity profile.	Yields have lifted since HYEFU, meaning less money in the door for a given face value of bonds that go out. This could add $1bn or so to the programme per fiscal year from 2021/22.	An ongoing influence
Changes to Treasury bill issuance	T-bills on issue could be decreased slightly ($1-2bn pa) in the interest of keeping the bond programme stable.	An ongoing influence

Overall, we're expecting a cumulative downgrade to issuance guidance over 2021/22 to 2024/25 of around $20bn, but as table 1 suggests, it's pretty easy to go around in circles when it comes to determining the possible phasing. Acknowledging NZDM's preference for stability in their guidance, we've landed at a $5bn downgrade per fiscal year. Of this $20bn, we think around $15bn will be driven by the better economic outlook, with slightly higher spending and the impact of higher yields expected to provide a partial offset. The remaining $5bn is just the beginning of NZDM looking towards holding fewer liquid assets – we think there will be more to come on that front in time. Risks to our central expectation are probably skewed to a slightly larger downgrade, which all else equal implies there will be less for NZDM to strip out later. But we'd rather not get too cute about it. NZDM are likely to continue rounding to the nearest $5bn, using flexibility in T-bills to make up the difference. But swapping out one of the below 25s with a 20 certainly isn't inconceivable.

Table 2. Bond issuance guidance

	Jun-21	Jun-22	Jun-23	Jun-24	Jun-25	Total (22-25)
2020 Half Year Update	45	30	30	30	25	115
2021 Budget Update (ANZ expectations)	45	25	25	25	20	95

In addition to the above, we wouldn't be surprised to see T-bills on issue clipped by a billion or so per fiscal year (ie from $6bn to $5bn).

For the LSAP, fewer bonds on issue in 2021/22 is expected to be met with a mechanical downgrade to the pace of purchases. Overall, the LSAP programme has been a wonderful thing for NZDM, taking a significant amount of worry out of the equation when it comes to how many bonds the market can absorb. But with an issuance downgrade on the cards (and probably more to follow), the LSAP is expected to fade into the background as June 2022 approaches.

It's also possible that NZDM signal their intention to syndicate a new bond in 2021/22. The next 4-year gap on the nominal curve to fill is a 2035, which we think is more likely than a "curve extender" (which could be a 2045 if NZDM follow their past practice of extending the curve by 4 years, or a 2051 if NZDM wish to match the longest Australian bond and extend the NZGB curve to 30 years). There are also a few other gaps to fill – on the nominal curve – namely 2030, 2034 and 2036. If NZDM were to extend the linker curve, they would likely bring in a 2045, but we think that is likely to be a while off. Each option has its merits, but on balance we think a 2035 nominal is the most likely option should NZDM flag a new maturity (mindful that a new 2032 nominal is coming in June).

A balancing act

Managing the ongoing COVID recovery, housing affordability, child poverty and climate change will be the key themes of Budget 2021, but overall spending increases are likely to be relatively contained. After all, the Government has to consider the almost $120 billion increase in projected net debt (to 2023/24) between HYEFU 2019 and HYEFU 2020. And while that amount of debt accumulation represents a lot of saved jobs and livelihoods, it also represents a need to remain focused on fiscal consolidation so that the Government has the ammunition it will need to respond to the next inevitable crisis. And unfortunately, that consolidation must be achieved via higher than otherwise taxes and/or fewer than otherwise Government services.

Contact us

Meet the team

We welcome your questions and feedback. Click here for more information about our team.

Sharon Zollner
Chief Economist

Follow Sharon on Twitter
@sharon_zollner

Telephone: +64 27 664 3554
Email: sharon.zollner@anz.com

General enquiries:
research@anz.com

Follow ANZ Research
@ANZ_Research (global)

David Croy
Senior Strategist

Market developments, interest rates, FX, unconventional monetary policy, liaison with market participants.

Telephone: +64 4 576 1022
Email: david.croy@anz.com

Susan Kilsby
Agricultural Economist

Primary industry developments and outlook, structural change and regulation, liaison with industry.

Telephone: +64 21 633 469
Email: susan.kilsby@anz.com

Liz Kendall (maternity leave)
Senior Economist

Research co-ordinator, publication strategy, property market analysis, monetary and prudential policy.

Telephone: +64 27 240 9969
Email: elizabeth.kendall@anz.com

Miles Workman
Senior Economist

Macroeconomic forecast co-ordinator, fiscal policy, economic risk assessment and credit developments.

Telephone: +64 21 661 792
Email: miles.workman@anz.com

Finn Robinson
Economist

Macroeconomic forecasting, economic developments, labour market dynamics, inflation and monetary policy.

Telephone: +64 21 629 553
Email: finn.robinson@anz.com

Kyle Uerata
Economic Statistician

Economic statistics, ANZ proprietary data (including ANZ Business Outlook), data capability and infrastructure.

Telephone: +64 21 633 894
Email: kyle.uerata@anz.com

Natalie Denne
PA / Desktop Publisher

Business management, general enquiries, mailing lists, publications, chief economist's diary.

Telephone: +64 21 253 6808
Email: natalie.denne@anz.com

Important notice

Last updated: 9 April 2021

This document is intended for ANZ's Institutional, Markets and Private Banking clients. It should not be forwarded, copied or distributed. The opinions and research contained in this document are (a) not personal advice nor financial advice about any product or service; (b) provided for information only; and (c) intended to be general in nature and does not take into account your financial situation or goals.

This document may be restricted by law in certain jurisdictions. Persons who receive this document must inform themselves about and observe all relevant restrictions.

Disclaimer for all jurisdictions: This document is prepared and distributed in your country/region by either: Australia and New Zealand Banking Group Limited (ABN11 005 357 522) (**ANZ**); or its relevant subsidiary or branch (each, an **Affiliate**), as appropriate or as set out below.

This document is distributed on the basis that it is only for the information of the specified recipient or permitted user of the relevant website (**recipients**).

This document is solely for informational purposes and nothing contained within is intended to be an invitation, solicitation or offer by ANZ to sell, or buy, receive or provide any product or service, or to participate in a particular trading strategy.

Distribution of this document to you is only as may be permissible by the laws of your jurisdiction, and is not directed to or intended for distribution or use by recipients resident or located in jurisdictions where its use or distribution would be contrary to those laws or regulations, or in jurisdictions where ANZ would be subject to additional licensing or registration requirements. Further, the products and services mentioned in this document may not be available in all countries.

ANZ in no way provides any financial, legal, taxation or investment advice to you in connection with any product or service discussed in this document. Before making any investment decision, recipients should seek independent financial, legal, tax and other relevant advice having regard to their particular circumstances.

Whilst care has been taken in the preparation of this document and the information contained within is believed to be accurate, ANZ does not represent or warrant the accuracy or completeness of the information Further, ANZ does not accept any responsibility to inform you of any matter that subsequently comes to its notice, which may affect the accuracy of the information in this document.

Preparation of this document and the opinions expressed in it may involve material elements of subjective judgement and analysis. Unless specifically stated otherwise: they are current on the date of this document and are subject to change without notice; and, all price information is indicative only. Any opinions expressed in this document are subject to change at any time without notice.

ANZ does not guarantee the performance of any product mentioned in this document. All investments entail a risk and may result in both profits and losses. Past performance is not necessarily an indicator of future performance. The products and services described in this document may not be suitable for all investors, and transacting in these products or services may be considered risky.

ANZ expressly disclaims any responsibility and shall not be liable for any loss, damage, claim, liability, proceedings, cost or expense (Liability) arising directly or indirectly and whether in tort (including negligence), contract, equity or otherwise out of or in connection with this document to the extent permissible under relevant law. Please note, the contents of this document have not been reviewed by any regulatory body or authority in any jurisdiction.

ANZ and its Affiliates may have an interest in the subject matter of this document. They may receive fees from customers for dealing in the products or services described in this document, and their staff and introducers of business may share in such fees or remuneration that may be influenced by total sales, at all times received and/or apportioned in accordance with local regulatory requirements. Further, they or their customers may have or have had interests or long or short positions in the products or services described in this document, and may at any time make purchases and/or sales in them as principal or agent, as well as act (or have acted) as a market maker in such products. This document is published in accordance with ANZ's policies on conflicts of interest and ANZ maintains appropriate information barriers to control the flow of information between businesses within it and its Affiliates.

Your ANZ point of contact can assist with any questions about this document including for further information on these disclosures of interest.

Country/region specific information: Unless stated otherwise, this document is distributed by Australia and New Zealand Banking Group Limited (**ANZ**).

Australia. ANZ holds an Australian Financial Services licence no. 234527. For a copy of ANZ's Financial Services Guide please or request from your ANZ point of contact.

Brazil, Brunei, India, Japan, Kuwait, Malaysia, Switzerland, Taiwan. This document is distributed in each of these jurisdictions by ANZ on a cross-border basis.

Cambodia. The information contained in this document is confidential and is provided solely for your use upon your request. This does not constitute or form part of an offer or solicitation of any offer to engage services, nor should it or any part of it form the basis of, or be relied in any connection with, any contract or commitment whatsoever. ANZ does not have a licence to undertake banking operations or securities business or similar business, in Cambodia. By requesting financial services from ANZ, you agree, represent and warrant that you are engaging our services wholly outside of Cambodia and subject to the laws of the contract governing the terms of our engagement.

European Economic Area (EEA): ***United Kingdom.*** ANZ is authorised in the United Kingdom by the Prudential Regulation Authority (**PRA**) and is subject to regulation by the Financial Conduct Authority (**FCA**) and limited regulation by the PRA. Details about the extent of our regulation by the PRA are available from us on request. This document is distributed in the United Kingdom by Australia and New Zealand Banking Group Limited ANZ solely for the information of persons who would come within the FCA definition of "eligible counterparty" or "professional client". It is not intended for and must not be distributed to any person who would come within the FCA definition of "retail client". Nothing here excludes or restricts any duty or liability to a customer which ANZ may have under the UK Financial Services and Markets Act 2000 or under the regulatory system as defined in the Rules of the Prudential Regulation Authority (**PRA**) and the FCA. ANZ is authorised in the United Kingdom by the PRA and is subject to regulation by the FCA and limited regulation by the PRA. Details about the extent of our regulation by the PRA are available from us on request.

Fiji. For Fiji regulatory purposes, this document and any views and recommendations are not to be deemed as investment advice. Fiji investors must seek licensed professional advice should they wish to make any investment in relation to this document.

Hong Kong. This publication is issued or distributed in Hong Kong by the Hong Kong branch of ANZ, which is registered at the Hong Kong Monetary Authority to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities. The contents of this publication have not been reviewed by any regulatory authority in Hong Kong.

India. If this document is received in India, only you (the specified recipient) may print it provided that before doing so, you specify on it your name and place of printing.

Important notice

Myanmar. This publication is intended to be general and part of ANZ's customer service and marketing activities when implementing its functions as a licensed bank. This publication is not Securities Investment Advice (as that term is defined in the Myanmar Securities Transaction Law 2013).

New Zealand. This material is for information purposes only and is not financial advice about any product or service. We recommend seeking financial advice about your financial situation and goals before acquiring or disposing of (or not acquiring or disposing of) a financial product.

Oman. ANZ neither has a registered business presence nor a representative office in Oman and does not undertake banking business or provide financial services in Oman. Consequently ANZ is not regulated by either the Central Bank of Oman or Oman's Capital Market Authority. The information contained in this document is for discussion purposes only and neither constitutes an offer of securities in Oman as contemplated by the Commercial Companies Law of Oman (Royal Decree 4/74) or the Capital Market Law of Oman (Royal Decree 80/98), nor does it constitute an offer to sell, or the solicitation of any offer to buy non-Omani securities in Oman as contemplated by Article 139 of the Executive Regulations to the Capital Market Law (issued vide CMA Decision 1/2009). ANZ does not solicit business in Oman and the only circumstances in which ANZ sends information or material describing financial products or financial services to recipients in Oman, is where such information or material has been requested from ANZ and the recipient understands, acknowledges and agrees that this document has not been approved by the CBO, the CMA or any other regulatory body or authority in Oman. ANZ does not market, offer, sell or distribute any financial or investment products or services in Oman and no subscription to any securities, products or financial services may or will be consummated within Oman. Nothing contained in this document is intended to constitute Omani investment, legal, tax, accounting or other professional advice.

People's Republic of China (PRC). This document may be distributed by either ANZ or Australia and New Zealand Bank (China) Company Limited (**ANZ China**). Recipients must comply with all applicable laws and regulations of PRC, including any prohibitions on speculative transactions and CNY/CNH arbitrage trading. If this document is distributed by ANZ or an Affiliate (other than ANZ China), the following statement and the text below is applicable: No action has been taken by ANZ or any affiliate which would permit a public offering of any products or services of such an entity or distribution or re-distribution of this document in the PRC. Accordingly, the products and services of such entities are not being offered or sold within the PRC by means of this document or any other document. This document may not be distributed, re-distributed or published in the PRC, except under circumstances that will result in compliance with any applicable laws and regulations. If and when the material accompanying this document relates to the products and/or services of ANZ China, the following statement and the text below is applicable: This document is distributed by ANZ China in the Mainland of the PRC.

Qatar. This document has not been, and will not be:

- lodged or registered with, or reviewed or approved by, the Qatar Central Bank (**QCB**), the Qatar Financial Centre (**QFC**) Authority, QFC Regulatory Authority or any other authority in the State of Qatar (**Qatar**); or
- authorised or licensed for distribution in Qatar,

and the information contained in this document does not, and is not intended to, constitute a public offer or other invitation in respect of securities in Qatar or the QFC. The financial products or services described in this document have not been, and will not be:

- registered with the QCB, QFC Authority, QFC Regulatory Authority or any other governmental authority in Qatar; or
- authorised or licensed for offering, marketing, issue or sale, directly or indirectly, in Qatar.

Accordingly, the financial products or services described in this document are not being, and will not be, offered, issued or sold in Qatar, and this document is not being, and will not be, distributed in Qatar. The offering, marketing, issue and sale of the financial products or services described in this document and distribution of this document is being made in, and is subject to the laws, regulations and rules of, jurisdictions outside of Qatar and the QFC. Recipients of this document must abide by this restriction and not distribute this document in breach of this restriction. This document is being sent/issued to a limited number of institutional and/or sophisticated investors (i) upon their request and confirmation that they understand the statements above; and (ii) on the condition that it will not be provided to any person other than the original recipient, and is not for general circulation and may not be reproduced or used for any other purpose.

Singapore. This document is distributed in Singapore by the Singapore branch of ANZ solely for the information of "accredited investors", "expert investors" or (as the case may be) "institutional investors" (each term as defined in the Securities and Futures Act Cap. 289 of Singapore). ANZ is licensed in Singapore under the Banking Act Cap. 19 of Singapore and is exempted from holding a financial adviser's licence under Section 23(1)(a) of the Financial Advisers Act Cap. 100 of Singapore.

United Arab Emirates (UAE). This document is distributed in the UAE or the Dubai International Financial Centre (**DIFC**) (as applicable) by ANZ. This document does not, and is not intended to constitute: (a) an offer of securities anywhere in the UAE; (b) the carrying on or engagement in banking, financial and/or investment consultation business in the UAE under the rules and regulations made by the Central Bank of the UAE, the Emirates Securities and Commodities Authority or the UAE Ministry of Economy; (c) an offer of securities within the meaning of the Dubai International Financial Centre Markets Law (DIFCML) No. 12 of 2004; and (d) a financial promotion, as defined under the DIFCML No. 1 of 200. ANZ DIFC Branch is regulated by the Dubai Financial Services Authority (**DFSA**) ANZ DIFC Branch is regulated by the Dubai Financial Services Authority (**DFSA**). The financial products or services described in this document are only available to persons who qualify as "Professional Clients" or "Market Counterparty" in accordance with the provisions of the DFSA rules.

United States. Except where this is a FX- related document, this document is distributed in the United States by ANZ Securities, Inc. (**ANZ SI**) which is a member of the Financial Regulatory Authority (**FINRA**) (www.finra.org) and registered with the SEC. ANZSI's address is 277 Park Avenue, 31st Floor, New York, NY 10172, USA (Tel: +1 212 801 9160 Fax: +1 212 801 9163). ANZSI accepts responsibility for its content. Information on any securities referred to in this document may be obtained from ANZSI upon request. This document or material is intended for institutional use only – not retail. If you are an institutional customer wishing to effect transactions in any securities referred to in this document you must contact ANZSI, not its affiliates. ANZSI is authorised as a broker-dealer only for institutional customers, not for US Persons (as "US person" is defined in Regulation S under the US Securities Act of 1933, as amended) who are individuals. If you have registered to use this website or have otherwise received this document and are a US Person who is an individual: to avoid loss, you should cease to use this website by unsubscribing or should notify the sender and you should not act on the contents of this document in any way. Non-U.S. analysts: Non-U.S. analysts may not be associated persons of ANZSI and therefore may not be subject to FINRA Rule 2242 restrictions on communications with the subject company, public appearances and trading securities held by the analysts. Where this is an FX-related document, it is distributed in the United States by ANZ's New York Branch, which is also located at 277 Park Avenue, 31st Floor, New York, NY 10172, USA (Tel: +1 212 801 916 0 Fax: +1 212 801 9163).

Vietnam. This document is distributed in Vietnam by ANZ or ANZ Bank (Vietnam) Limited, a subsidiary of ANZ.

This document has been prepared by ANZ Bank New Zealand Limited, Level 26, 23-29 Albert Street, Auckland 1010, New Zealand, Ph 64-9-357 4094, e-mail nzeconomics@anz.com, http://www.anz.co.nz