ANZ Research

RBNZ Monetary Policy Statement

24 November 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

Sharon Zollner or David Croy for more details.

Quarter master

- As almost universally expected by analysts, the RBNZ raised the OCR another 25bp to 0.75%. The tone of the Statement was balanced, recognising upside risks to inflation but downside risks to growth.
- The RBNZ's published OCR track reaches 2.61% by the end of 2024, about half a percent higher than in August, but not as aggressive as it could have been, given starting point surprises.
- As before, we believe tightening financial conditions will cool housing and the broader economy pretty smartly, and that an OCR of 2% by the end of next year will in practice prove sufficient to knock inflation on the head.

The OCR decision and outlook

As universally expected by domestic analysts, the RBNZ today raised the Official Cash Rate 25bp to 0.75% and indicated that they think they have a lot more work to do yet. Their published OCR track shows that as things stand, they see the OCR reaching 2.6% by about the end of 2023, about 50bp more tightening than foreseen at the August MPS.

This track implies a couple more hikes than we expect will actually prove necessary, but there's an awful lot of water to flow under the bridge between now and then. The Committee sounded more confident about the upward path for the OCR. Further hikes were expected "given the medium term outlook for inflation and employment", rather than hikes being expected but "contingent on" those things. In practice hikes are always conditional, of course, but the change of tone is deliberate.

Overall, though, the tone of the Statement was less hawkish than the market was expecting, though the RBNZ's forecasts for growth, employment and the degree of inflationary stretch in the economy were all revised up significantly. There's certainly a lot more to the current inflation pulse than one-off cost bumps.

That the RBNZ would hike today was seen by markets as a dead certainty, but the market was putting pretty high odds on a 50bp move. The end-point of the OCR track was also not as aggressive as it could have been. We therefore saw the 2-year swap retreat 17bps and the NZD slip a little.

RBNZ forecasts

Recent data has shown far more capacity stretch and inflation pressure than was expected just a few months ago, and the RBNZ's baseline economic outlook, as anticipated, reflects that. Like us, the RBNZ expects a 7% contraction in Q3, but has a slightly more gradual recovery from that (figure 1). But as far as their employment and inflation mandates are concerned, this is near-term noise. The big lesson of 2020 was that lockdown-related GDP volatility should largely be looked through. Lockdowns have on balance proven to be inflationary, with the wage subsidy very effective at preventing significant fallout in the labour market.

Figure 1. RBNZ GDP forecast

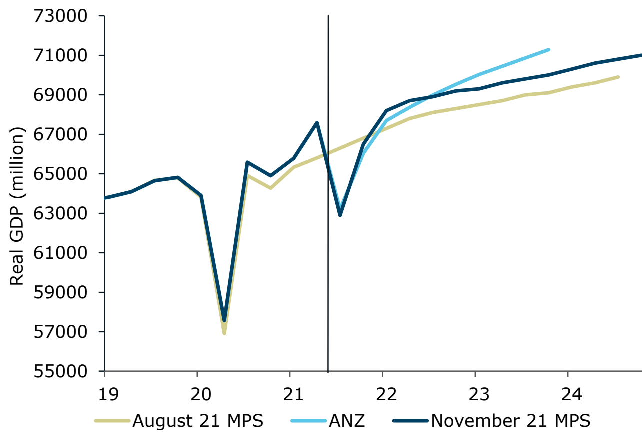
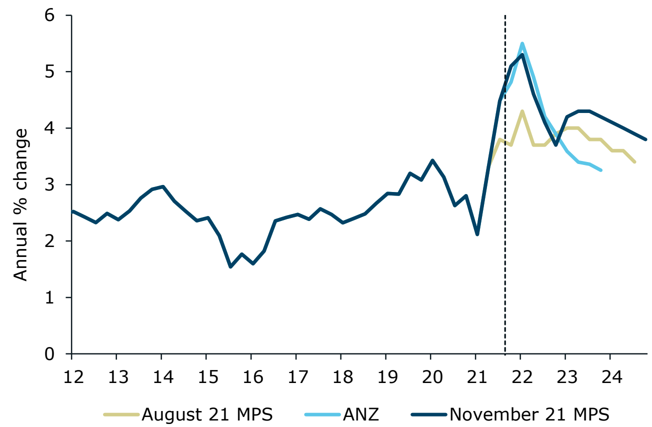


Figure 2. RBNZ non-tradable CPI inflation forecast



Source: RBNZ, Statistics NZ, ANZ Research

The very large upside surprise on the CPI inflation starting point feeds through into a stronger near-term outlook for inflation before the extra monetary tightening starts to really kick in (figure 2). The RBNZ expects inflation to peak at 5.7% in Q1 2022 (our forecast is just a smidgen higher), before moderating to 2% by the end of their forecast horizon. The output gap is assumed to be positive over the forecast horizon (figure 3), and that's necessitated the higher OCR outlook (figure 4).

The RBNZ is forecasting the unemployment rate to drop further, but not as much as we're expecting. From a low of 3.2% in Q4 2021, the RBNZ sees it steadily rising to 4.1% by the end of their forecast horizon, with soft employment growth along the way (1% y/y by the end of the forecasts). Wage growth is expected to remain elevated, averaging around 3.5% y/y over their forecast horizon.

Figure 3. The output gap

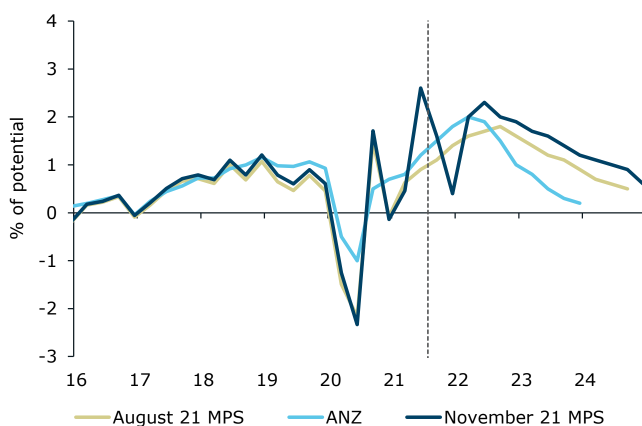
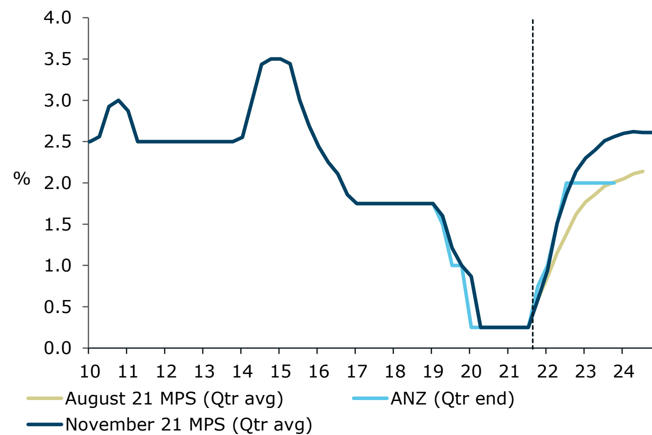


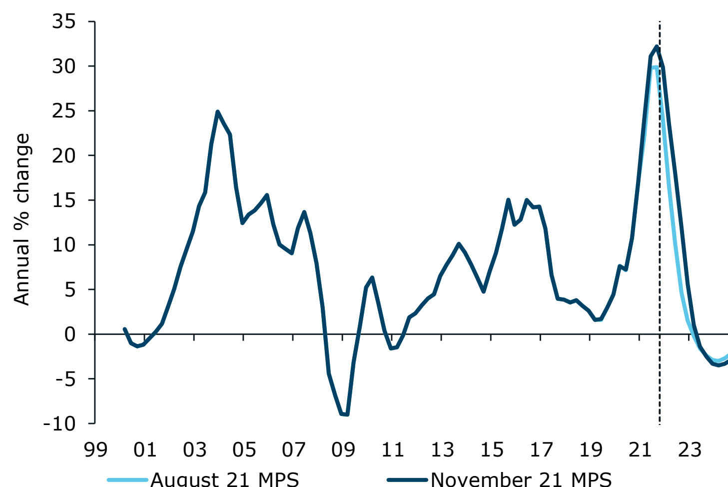
Figure 4. The OCR track



Source: RBNZ, ANZ Research

The aggressive series of OCR hikes contributes to a sharp drop in house price inflation. The RBNZ expects annual inflation to turn negative from late 2022 (figure 5). Our own forecast sees house price inflation bottom out in positive territory (just), but outright falls are well within the realms of possibility, given the long list of headwinds the housing market is facing. In our view it would take a household income shock (which we're not forecasting) to drive a material decline in house prices. But we wouldn't put the RBNZ's track into that category – it's still very much a soft-landing scenario.

Figure 5. House price inflation



Source: RBNZ, ANZ Research

Underpinning this outlook (and any forecast for that matter) is a wide range of assumptions that the RBNZ spells out in detail. In this environment, it's hard to argue with any of them, but some are extremely important. In particular, the RBNZ assumes that "the level of MSE [maximum sustainable employment] is lower relative to pre-COVID-19 levels, largely reflecting a mismatch of skills in New Zealand's labour market" and "New Zealand's productive capacity (potential output) continues to be constrained by the domestic and international measures put in place to contain COVID-19… These disruptions are expected to dissipate as domestic border restrictions and supply-chain pressures ease." We concur with these assumptions, but if we and the RBNZ are wrong, the medium-term outlook will be very different.

The RBNZ is cognisant that there are many potential potholes in the road over the next year or so. In particular, what happens as COVID becomes endemic? The RBNZ outlines a range of scenarios where COVID could see demand soften and confidence deteriorate, meaning a "slower removal of, or an increase in, monetary stimulus may be required." But there are also scenarios where we see even more capacity pressure coming through, if demand remains strong – requiring a "faster removal of monetary stimulus". We've outlined previously that there are many paths the economy could take over the next year – and it'll be very difficult to tell in real time which path we're on. That supports the cautious approach to hiking that the RBNZ is taking.

The RBNZ also noted the risk of higher inflation becoming embedded in price and wage-setting behaviour. This would act to amplify the intense inflationary pressures we're already seeing. And it could come from a number of sources, including extended supply-chain disruptions, house price inflation "remaining higher than assumed", or the impacts of climate-related disruption. Given how strong consumer and business inflation expectations have been in recent months, it's definitely a risk. But we think continued OCR hikes should be pretty effective – especially given the sensitivity of mortgage holders to higher interest rates (something the RBNZ also highlights).

Weighing it up

The Reserve Bank's overall take on the current economic situation and outlook is not dissimilar from our own. In short, there's a lot of inflation pressure out there and the need for tighter policy is self-evident, but there is also an underlying fragility due to both debt loadings and our reluctant transition to living with COVID in our communities.

Upside risks to inflation are clear, but so too are downside risks to growth.

We now head into a very long summer break for monetary policy, and we'll know a lot more – and have a whole bunch of fresh questions – by the February MPS. In the meantime, easing lockdown restrictions mean the data is unfortunately going to be extremely volatile. But to get a feel for the pulse we'll be particularly watching consumer confidence, business sentiment (but note there is no survey in January), inflation expectations, house sales, and also how global markets are faring, as they weigh up the prospect of tighter policy and less liquidity across the board.

Our forecast that the OCR will in practice not need to go as high as the RBNZ and markets are estimating is grounded partly in the fact that it is quite difficult to engineer a soft landing after a boom. A 31% rise in house prices in a year when New Zealand has suffered a negative net income shock means the housing market is vulnerable. We underestimated the power of monetary policy stimulus in 2020, and we're wary of underestimating its potency when put into reverse. The current momentum in inflation is impressive, but a rising OCR with household debt at fresh record highs is a potent weapon indeed.

Market reaction

Today's decision went a long way to calm nerves in a market that had gotten itself tied up in knots worrying about the prospect of a 50bp hike and an OCR track reaching 3%. In that regard, markets breathed a sigh of relief following the decision, but it wasn't just because the RBNZ elected to hike only by 25bps. The end point of the RBNZ's OCR track was "only" lifted to around 2.6%. That was a lot lower than the 2¾ to 3% figure that was priced into markets going into today, and a bit lower than our own best guess of 2.75%.

The RBNZ's comment about moving in "considered steps" should also allay fears of 50bp hikes in the future. Given the role that fear played in driving interest rates up ahead of today, it's logical that short-end interest rates have corrected a little lower. That's what we expected and that's what we have now seen, with the bellwether 2-year swap rate around 17bp lower 30mins after the announcement.

The NZD reacted negatively, but only mildly. We saw the Kiwi come under pressure as short-end interest rates fell yesterday, so the fact that it fell following the 25bp hike was logical. In any case, higher interest rates have become less of a driver of the NZD of late, and with the market shifting its sights to prospects for 2022 and likely rate rises in the US and elsewhere, that potentially poses downside risks to the NZD.

With regards to the QE portfolio, all the RBNZ had to say today was that it "expects to gradually manage LSAP bond holdings down, in a way that maintains the smooth functioning of financial markets. More details on how bond holdings will be reduced will be provided early next year." We always expected them to tread carefully, and this statement is consistent with that. And with the next major tranche of bonds acquired under QE not maturing until April 2023, nobody will mind that the RBNZ won't provide further detail until next year.

Policy Assessment

Tēnā koutou katoa, welcome all.

The Monetary Policy Committee agreed to raise the Official Cash Rate (OCR) to 0.75 per cent. The Committee agreed it remains appropriate to continue reducing monetary stimulus so as to maintain price stability and support maximum sustainable employment.

The level of global economic activity continues to rise, supported by accommodative monetary and fiscal policy settings, and the relaxation of COVID-19 health-restrictions. The pace of global economic growth has ebbed however, due to the elevated uncertainty created by the persistent COVID-19 virus.

Global supply-chain disruptions are causing both cost pressures and constraints on production, at a time when consumer demand remains strong. Central banks globally face the challenge of distinguishing between transitory price increases and underlying sustained inflation pressures to assess the need for, and timing of, reductions in the level of monetary policy stimulus.

New Zealand's public health restrictions are easing as the country transitions into the COVID-19 Protection Framework. The framework will enable greater mobility of people, and goods and services. With the easing of restrictions, it is anticipated that the COVID-19 virus will become more widespread geographically, albeit manageable for health authorities and less harmful for those vaccinated. However, household spending and business investment will be dampened in the near-term by these ongoing health uncertainties.

The recent nationwide health-related lockdown, the more prolonged restrictions in Auckland, Northland and the Waikato, and the continued 'Level 2' restrictions elsewhere, resulted in a sharp contraction in economic activity. Despite these lockdowns, underlying economic strength remains supported by aggregate household and business balance sheet strength, fiscal policy support, and strong export returns.

Capacity pressures have continued to tighten. For example, employment is now above its maximum sustainable level. A broad range of economic indicators highlight that the New Zealand economy continues to perform above its current potential.

Headline CPI inflation is expected to measure above 5 percent in the near term before returning towards the 2 percent midpoint over the next two years. The near-term rise in inflation is accentuated by higher oil prices, rising transport costs and the impact of supply shortfalls. These immediate relative price shocks risk generating more generalised price rises given the current domestic capacity constraints.

The Committee noted that further removal of monetary policy stimulus is expected over time given the medium term outlook for inflation and employment.

Meitaki, thanks.

Adrian Orr
Governor

Summary record of meeting

The Monetary Policy Committee discussed economic developments since the August *Statement*. Global economic activity continues to recover, as public health restrictions ease and COVID-19 vaccine rates increase. However, the near-term outlook for global growth has weakened somewhat because of the continued spread of the Delta variant and related disruptions to production.

Global inflation has increased due to the rapid recovery in global demand combined with significant supply chain bottlenecks and labour shortages in some sectors. An ongoing boost from government spending and monetary policy

stimulus in many countries is adding to strong demand. There is considerable uncertainty about the persistence of global inflationary pressures.

The New Zealand economy was in a strong position before the national lockdown in August, supported by resilient household spending, strong construction activity, and demand for our key dairy and meat exports. This had more than offset ongoing weakness in hospitality and sectors reliant on international tourism. While public health restrictions to control the spread of the Delta variant will result in a slowdown over the second half of the year, Government support for business and jobs has helped the economy weather the impact. Nevertheless, some customer-facing businesses in Auckland and a range of service sectors are suffering acute stress.

The Committee noted that the economy is expected to recover as public health restrictions are eased as the country moves into the COVID-19 Protection Framework. However, the Committee discussed the risk that consumer and business confidence weakens as COVID-19 becomes more widespread across the country, dampening household spending and investment in the near term.

Despite recent lockdowns, capacity pressures in the economy have continued to tighten. Employment is now assessed as being above its maximum sustainable level. Measures of labour market slack such as unemployment and underutilisation are at their lowest levels in over a decade. This has been reflected in stronger aggregate wage growth, albeit below the rate of CPI inflation.

The Committee discussed the outlook for net migration and how this could affect labour supply. For example, it is currently easier to leave New Zealand than arrive, so there could be a net loss of labour in the near term. There will be ongoing uncertainty as to the relative impact net migration will have on overall supply and demand in the economy.

Rising capacity pressures have led to an increase in domestic inflation. At the same time, continued bottlenecks in global and local supply chains and further increases in global oil prices have added to inflationary pressures. Annual CPI inflation has increased to 4.9 percent in New Zealand, above the Committee's 1 to 3 percent Remit target band. Measures of core inflation have also increased into the top half of the target band. The Committee noted that inflation is expected to remain high in the near term, and return to the midpoint of the target band over the next two years.

The Committee assessed that near-term risks to inflation are skewed to the upside, and discussed the risk that higher near-term inflation could become embedded in price setting behaviour. The Committee noted that near-term inflation expectations tend to move with actual inflation. Medium-term measures provide a better gauge of whether inflation expectations remain anchored, and these remain close to the target midpoint.

The Committee discussed the Reserve Bank's assessment that the level of house prices are unsustainable. Members noted that higher mortgage interest rates, continued strong home building, tighter lending rules and changes in tax settings should all act to moderate house prices over the medium term. The Committee discussed the risk that house prices could keep rising in the near term, increasing the risk of a sharper fall later. Continued increases in the OCR are expected to support more sustainable house prices.

The importance of overall monetary conditions was considered by the Committee, including medium-term borrowing rates for households and businesses, to achieving its price stability and maximum sustainable employment objectives. In 2020, additional monetary policy tools were used to support the economy by further lowering interest rates when the OCR was near zero. The Committee agreed that higher interest rates are now needed to maintain price stability and maximum sustainable employment, and that the OCR remains their preferred tool to do this.

The Committee noted that the Large Scale Asset Purchase (LSAP) programme provided significant monetary stimulus and supported bond market functioning through 2020 as the Reserve Bank bought government bonds as an additional monetary policy tool. As bond market functioning has improved, the impact of the LSAP programme on monetary stimulus has fallen, and it is assessed that current bond holdings are providing a small amount of ongoing stimulus.

The Committee expects to gradually manage LSAP bond holdings down, in a way that maintains the smooth functioning of financial markets. More details on how bond holdings will be reduced will be provided early next year.

The Committee discussed that funding remains available to banks under the Funding for Lending Programme (FLP) until the end of 2022, as another part of the Bank's additional monetary policy toolkit. The programme provides banks with assured access to some medium-term funding at the OCR. This commitment has been factored into banks' funding plans. Any adjustment to the terms of the programme would increase funding and operational risks for banks, and would undermine future effectiveness if a similar programme is required in the future. The Committee agreed that changing the terms of the programme would not be consistent with its risk appetite.

As the OCR is increased, the cost to banks of borrowing through the FLP will rise, helping to remove monetary stimulus. Since banks have provided assets as collateral to access funding under the FLP, the scheme does not pose material financial risk to the Crown.

The Committee discussed how much monetary stimulus needed to be removed over the next 12-18 months to meet their price stability and maximum sustainable employment Remit. The Committee expected that the OCR would need to be progressively increased and, conditional on the economy evolving as expected, the OCR would likely need to be raised above its neutral rate.

The Committee discussed how fast interest rates need to be increased, taking into account primary and secondary objectives of its Remit. Higher starting point inflation and capacity pressures, and the risk that higher near-term inflation becomes embedded in price setting behaviour were discussed as factors arguing for a more rapid removal of monetary stimulus.

However, the Committee expressed uncertainty about the resilience of consumer spending and business investment as the country adapts to living with the COVID-19 virus in the community. The Committee also noted that increases in interest rates to households and businesses had already tightened monetary conditions. High levels of household debt, and a large share of fixed-rate mortgages re-pricing in coming months, could increase the sensitivity of consumer spending to these interest rate increases.

Weighing these factors, the Committee assessed risks to their price stability and maximum sustainable employment objectives as being broadly balanced over the medium term. The Committee judged that considered steps in the OCR were the most appropriate way to continue reducing monetary stimulus for now.

On Wednesday 24 November, the Committee reached a consensus to increase the OCR to 0.75 percent.

Attendees

Reserve Bank staff: Adrian Orr, Geoff Bascand, Christian Hawkesby, Yuong Ha

External: Bob Buckle, Peter Harris, Caroline Saunders

Observer: Bryan Chapple

Secretary: Chris Bloor

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

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: 15 October 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.

Chile. You understand and agree that ANZ Banking Group Limited is not regulated by Chilean Authorities and that the provision of ANZ Research is not subject to any Chilean supervision and is not guaranteed by any regulatory or governmental agency in Chile.

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.

Important notice

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.

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. In respect of any matters arising from, or in connection with, the distribution of this publication in Singapore, please speak to your usual ANZ contact in 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