NEW ZEALAND ECONOMICS
RBNZ JUNE *MPS* REVIEW

9 June 2016

CONTRIBUTORS

Cameron Bagrie
Chief Economist
Phone: +64 4 802 2212
E-mail: Cameron.Bagrie@anz.com
Twitter @ANZ_cambagrie

Philip Borkin
Senior Economist
Telephone: +64 9 357 4065
E-mail: philip.borkin@anz.com

PLAYING A GAME OF CHICKEN WITH THE NZD

KEY POINTS

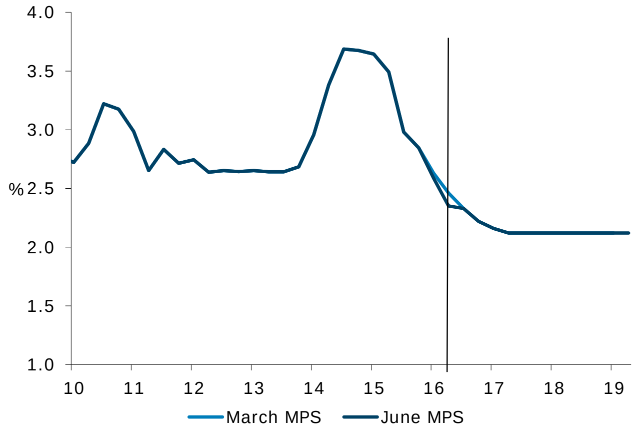
- **The OCR was maintained at 2.25% as expected** (although far from universally). And while an easing bias was retained ("further policy easing may be required") and the 90 day bank bill projection is still downwardly sloped (largely unchanged from March), the tone of the statement was slightly less dovish than previously – quite rightly in our view.
- **But there is a hook**; the RBNZ doesn't want the currency to respond too far and it could (in fact, it is still likely) to bring the RBNZ back to the easing table.
- **We see few surprises in the Statement/assessment itself**. The RBNZ has played with a straight bat in acknowledging the obvious. The economy looks in better health and inflation is expected to strengthen. The NZD is of course problematic, but so too is housing, and this is tough balancing act. It is appropriate to pause and assess given competing demands.
- **Tensions within the RBNZ's thinking are clearly apparent and it continues to acknowledge "many uncertainties around the outlook".** It remains cautious about the global backdrop (so do we) and low short-term inflation expectations – although on both, it sounds less concerned than previously. But at the same time the RBNZ acknowledges housing strength, the solid domestic economy and an expectation that inflation will lift from current low levels.
- **The balance of competing tensions has shifted.** Whereas in March the alternative scenarios had a more downward skew, the scenarios presented this time were balanced. Importantly, the RBNZ is again highlighting the housing market as a financial stability risk. This not only sets the bar higher with regard to future easing, but signals that additional macro-prudential measures continue to be more likely than not.
- **The door is still open to a rate cut – on currency strength more than anything.** In fact the high NZD / OCR downside scenario (to sub 1%) has the NZD trading below where it is today! That hints of MCI-style thinking.
- **We see the odds of a cut in August at just over 50%.** The economy doesn't need stimulus, based on information at hand. The combination of global wobbles (we expect some and it will be influential at the RBNZ), NZD strength, and pressure on local rates from higher funding costs are powerful forces that we expect will bring the RBNZ to the table again down the track. But that's tomorrow's story. Upcoming CPI and GDP reads will be very influential, along with housing, the NZD and global nuances.

RBNZ *MPS* REVIEW

KEY POINTS

It may have come as a surprise to some (the consensus was split roughly 50:50), **but the RBNZ has again played with a straight bat today in deciding to maintain the OCR at 2.25%.** Certainly, an easing bias was retained ("further policy easing may be required"), the 90-day bank bill projection was still downwardly sloped, and the RBNZ continues to be concerned about a number of elements of the outlook (NZD, global growth, dairy, low inflation expectations). But importantly, the tone of the RBNZ's *Statement* and assessment was a tad less dovish than previously – rightly so in our view.

FIGURE 1. RBNZ BASE CASE 90-DAY BANK BILL PROJECTION



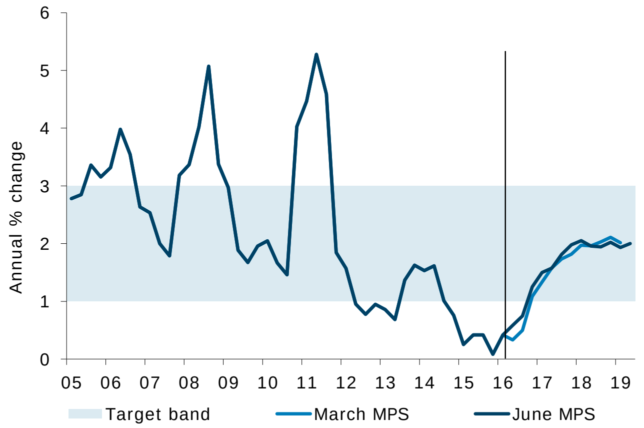
Source: ANZ, RBNZ

Within the policy assessment, while similar themes were discussed and forecast changes were relatively modest, the tweaks that were made were still meaningful and fit within this more upbeat tone relative to rhetoric in March and April. We note:

- While the RBNZ is still concerned about the global backdrop, it notes that "financial market volatility has abated and the outlook for global growth appears to have stabilised after being revised down successively over recent quarters."
- After previously highlighting concern over short-term inflation expectations, it now noted that they "appear to have stabilised".
- The housing market is now deemed (once again) to be a "financial stability" concern – a clear step up from previously noting that price growth in Auckland "may be picking up".
- Dairy was no longer mentioned as a key uncertainty to the domestic outlook. To be fair, it was still noted to be a "moderating influence with export prices below break-even levels for most farmers", but perhaps at the margin the RBNZ is signalling that these dairy pressures (and their impact) are now well appreciated and a known, as opposed to being an unknown.

Elsewhere, the RBNZ's views of the outlook were left largely unchanged. It remains upbeat on the domestic economy, with growth supported by migration, construction, tourism and low interest rates. It also believes that inflation will lift from current low levels – in part due to the fact that temporary (commodity price) influences should wane. **The economic projections reflect this, with growth and inflation forecasts left largely unchanged relative to the March projections.**

FIGURE 2. RBNZ CPI FORECAST



Source: ANZ, RBNZ

This more upbeat tone was also apparent in the alternative scenarios the RBNZ presented. Whereas in March, the RBNZ showed two downside scenarios (higher funding costs and a weaker global economy) and one upside (stronger house prices), the alternative scenarios were this time more balanced around the central projection. On the downside, a persistently higher NZD (ironically below current level of the TWI) results in a large monetary policy response. The upside scenario continues to be stronger house price growth. Interestingly, each scenario shows in a roughly 1%pt implied impact on the OCR.

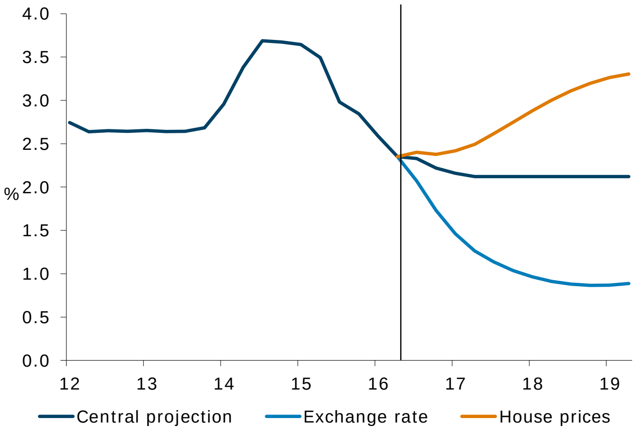
These two scenarios (housing versus NZD) go to the heart of the tension the RBNZ is grappling with, and it still sees "many uncertainties around the outlook".

The fact the RBNZ sees housing as a financial stability concern once more is significant. Not only does it raise the bar to further monetary policy easing in the future, but also provides a clear signal that additional macro prudential tools are more likely than not. This tone was also clear in the Governor's subsequent press conference.

RBNZ *MPS* REVIEW

But the NZD is also significant. It is clear the RBNZ doesn't want the currency to respond too far and it could (is likely to, in fact) bring the Bank back to the easing table. It is a resurrection of old-school MCI thinking.

FIGURE 3. RBNZ 90-DAY BANK BILL SCENARIOS



Source: ANZ, RBNZ

OUR VIEW

We can envisage (increasingly credible) scenarios where no further easing is delivered. Outside of dairy, the economy is performing well. We continue to detect evidence that core inflation pressures are gradually rising from low levels. Housing is booming and strong credit growth is becoming problematic once again.

But we still believe the RBNZ will be dragged back to the easing table again over the next 12 months or so. The combination of global wobbles (we expect some and it will be influential at the RBNZ), NZD strength, and pressure on local rates from higher funding costs are powerful forces shaping the economic outlook and difficult for the RBNZ to ignore.

That said, we see odds of a cut in August at only just over 50% at present. The economy doesn't need stimulus based on information at hand and when you have settings at extremes, you should be more cautious relying on forecasts. The data will ultimately be the determining factor for the August decision, and there is plenty to ponder in the lead-up, with Q1 GDP and Q2 CPI and labour market figures all due. Timely indicators like our Monthly Inflation Gauge as well as business and consumer sentiment will be important as well. There are also key events globally that will no doubt be important (Brexit and FOMC meetings). We lean towards an August cut, but only modestly so. It is far from a high conviction view. We put the odds barely above 50%.

FINANCIAL MARKET IMPLICATIONS

The Reserve Bank made no changes to its 90-day bill track, preferring to express the more balanced risk profile via upside (higher house prices) and downside (higher exchange rate) scenarios. At face value, the bill track points to one more cut, and puts fair value on the 2 year swap at around 2.20%. That's well below the market, but we expect the market to take the bill track with a grain of salt given the Bank still assumes the TWI is headed lower.

Near term, we expect the NZD and short end rates to be under pressure to pop higher on adverse positioning and confirmation of no change (recall that the market was pricing in around 30% odds of a cut).

However, with the currency still playing a role in upcoming deliberations, there's a limit to how high the NZD can go, and we favour fading the initial knee-jerk reaction higher in both markets. In that regard we note that the Bank's downside scenario (which takes the 90-day bill rate below 1%, pointing to an OCR at 0.75%) is associated with the TWI holding steady, rather than rising, suggesting the currency hurdle to easing is not overly high (especially if housing can be cooled via macro-prudential policy). In other words, we're back to MCI trading.

RBNZ JUNE *MPS* PROJECTIONS (MARCH *MPS* IN BRACKETS)

	90-Day	TWI (Qtr Average)	CPI (Ann % Chg)	GDP (Ann % Chg)
Q1 2015	3.6 (3.6)	77.9 (77.9)	0.3 (0.3)	3.0 (3.0)
Q2	3.5 (3.5)	76.1 (76.1)	0.4 (0.4)	2.4 (2.4)
Q3	3.0 (3.0)	69.8 (69.8)	0.4 (0.4)	2.3 (2.3)
Q4	2.8 (2.8)	72.1 (72.1)	0.1 (0.1)	2.3 (2.1)
Q1 2016	2.6 (2.6)	72.2 (72.3)	0.4 (0.4)	2.7 (2.6)
Q2	2.3 (2.5)	72.6 (70.9)	0.6 (0.3)	3.1 (3.1)
Q3	2.3 (2.3)	71.6 (70.4)	0.7 (0.5)	3.2 (3.0)
Q4	2.2 (2.2)	71.0 (70.0)	1.3 (1.1)	3.2 (3.0)
Q1 2017	2.2 (2.2)	70.6 (69.8)	1.5 (1.3)	3.4 (3.0)
Q2	2.1 (2.1)	70.2 (69.5)	1.6 (1.6)	3.4 (2.9)
Q3	2.1 (2.1)	70.0 (69.3)	1.8 (1.7)	3.1 (3.0)
Q4	2.1 (2.1)	69.8 (69.2)	2.0 (1.8)	2.8 (3.2)
Q1 2018	2.1 (2.1)	69.7 (69.2)	2.1 (2.0)	2.5 (3.1)
Q2	2.1 (2.1)	69.7 (69.2)	2.0 (2.0)	2.3 (3.1)
Q3	2.1 (2.1)	69.6 (69.2)	1.9 (2.0)	2.1 (2.8)
Q4	2.1 (2.1)	69.6 (69.2)	2.0 (2.1)	2.0 (2.4)
Q1 2019	2.1 (2.1)	69.6 (69.3)	1.9 (2.0)	2.0 (2.2)
Q2	2.1	69.7	2.0	2.0

RBNZ *MPS* REVIEW

JUNE *MONETARY POLICY STATEMENT* POLICY ASSESSMENT

The Reserve Bank today left the Official Cash Rate unchanged at 2.25 percent.

Global financial market volatility has abated and the outlook for global growth appears to have stabilised after being revised down successively over recent quarters. There has been a modest recovery in commodity prices in recent months. However, the global economy remains weak despite very stimulatory monetary policy and significant downside risks remain.

Domestic activity continues to be supported by strong net immigration, construction, tourism and accommodative monetary policy. The dairy sector remains a moderating influence with export prices below break-even levels for most farmers.

The exchange rate is higher than appropriate given New Zealand's low export commodity prices. Together with weak overseas inflation, this is holding down tradables inflation. A lower New Zealand dollar would raise tradables inflation and assist the tradables sector.

House price inflation in Auckland and other regions is adding to financial stability concerns. Auckland house prices in particular are at very high levels, and additional housing supply is needed.

There continue to be many uncertainties around the outlook. Internationally, these relate to the prospects for global growth and commodity prices, the outlook for global financial markets, and political risks. Domestically, the main uncertainties relate to inflation expectations, the possibility of continued high net immigration, and pressures in the housing market.

Headline inflation is low, mostly due to low fuel and other import prices. Long-term inflation expectations are well-anchored at 2 percent. After falling in recent quarters, short-term inflation expectations appear to have stabilised.

We expect inflation to strengthen reflecting the accommodative stance of monetary policy, increases in fuel and other commodity prices, an expected depreciation in the New Zealand dollar and some increase in capacity pressures.

Monetary policy will continue to be accommodative. Further policy easing may be required to ensure that future average inflation settles near the middle of the target range. We will continue to watch closely the emerging flow of economic data.

IMPORTANT NOTICE

The distribution of this document or streaming of this video broadcast (as applicable, "publication") may be restricted by law in certain jurisdictions. Persons who receive this publication must inform themselves about and observe all relevant restrictions.

1. Disclaimer for all jurisdictions, where content is authored by ANZ Research:

Except if otherwise specified in section 2 below, this publication is issued and distributed in your country/region by Australia and New Zealand Banking Group Limited (ABN 11 005 357 522) ("ANZ"), on the basis that it is only for the information of the specified recipient or permitted user of the relevant website (collectively, "recipient"). This publication may not be reproduced, distributed or published by any recipient for any purpose. It is general information and has been prepared without taking into account the objectives, financial situation or needs of any person. Nothing in this publication is intended to be an offer to sell, or a solicitation of an offer to buy, any product, instrument or investment, to effect any transaction or to conclude any legal act of any kind. If, despite the foregoing, any services or products referred to in this publication are deemed to be offered in the jurisdiction in which this publication is received or accessed, no such service or product is intended for nor available to persons resident in that jurisdiction if it would be contradictory to local law or regulation. Such local laws, regulations and other limitations always apply with non-exclusive jurisdiction of local courts. Certain financial products may be subject to mandatory clearing, regulatory reporting and/or other related obligations. These obligations may vary by jurisdiction and be subject to frequent amendment. Before making an investment decision, recipients should seek independent financial, legal, tax and other relevant advice having regard to their particular circumstances.

The views and recommendations expressed in this publication are the author's. They are based on information known by the author and on sources which the author believes to be reliable, but may involve material elements of subjective judgement and analysis. Unless specifically stated otherwise: they are current on the date of this publication and are subject to change without notice; and, all price information is indicative only. Any of the views and recommendations which comprise estimates, forecasts or other projections, are subject to significant uncertainties and contingencies that cannot reasonably be anticipated. On this basis, such views and recommendations may not always be achieved or prove to be correct. Indications of past performance in this publication will not necessarily be repeated in the future. No representation is being made that any investment will or is likely to achieve profits or losses similar to those achieved in the past, or that significant losses will be avoided. Additionally, this publication may contain 'forward looking statements'. Actual events or results or actual performance may differ materially from those reflected or contemplated in such forward looking statements. All investments entail a risk and may result in both profits and losses. Foreign currency rates of exchange may adversely affect the value, price or income of any products or services described in this publication. The products and services described in this publication are not suitable for all investors, and transacting in these products or services may be considered risky. ANZ and its related bodies corporate and affiliates, and the officers, employees, contractors and agents of each of them (including the author) ("Affiliates"), do not make any representation as to the accuracy, completeness or currency of the views or recommendations expressed in this publication. Neither ANZ nor its Affiliates accept any responsibility to inform you of any matter that subsequently comes to their notice, which may affect the accuracy, completeness or currency of the information in this publication.

Except as required by law, and only to the extent so required: neither ANZ nor its Affiliates warrant or guarantee the performance of any of the products or services described in this publication or any return on any associated investment; and, ANZ and its Affiliates expressly disclaim 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 publication.

If this publication has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. ANZ and its Affiliates do not accept any Liability as a result of electronic transmission of this publication.

ANZ and its Affiliates may have an interest in the subject matter of this publication as follows:

- They may receive fees from customers for dealing in the products or services described in this publication, and their staff and introducers of business may share in such fees or receive a bonus that may be influenced by total sales.
- They or their customers may have or have had interests or long or short positions in the products or services described in this publication, and may at any time make purchases and/or sales in them as principal or agent.
- They may act or have acted as market-maker in products described in this publication.

ANZ and its Affiliates may rely on information barriers and other arrangements to control the flow of information contained in one or more business areas within ANZ or within its Affiliates into other business areas of ANZ or of its Affiliates.

Please contact your ANZ point of contact with any questions about this publication including for further information on these disclosures of interest.

2. Country/region specific information:

Australia. This publication is distributed in Australia by ANZ. ANZ holds an Australian Financial Services licence no. 234527. A copy of ANZ's Financial Services Guide is available at http://www.anz.com/documents/AU/aboutANZ/FinancialServicesGuide.pdf and is available upon request from your ANZ point of contact. If trading strategies or recommendations are included in this publication, they are solely for the information of 'wholesale clients' (as defined in section 761G of the Corporations Act 2001 *Cth*). Persons who receive this publication must inform themselves about and observe all relevant restrictions.

Brazil. This publication is distributed in Brazil by ANZ on a cross border basis and only following request by the recipient. No securities are being offered or sold in Brazil under this publication, and no securities have been and will not be registered with the Securities Commission - CVM.

Brunei. Japan. Kuwait. Malaysia. Switzerland. Taiwan. This publication is distributed in each of Brunei, Japan, Kuwait, Malaysia, Switzerland and Taiwan by ANZ on a cross-border basis.

Cambodia. APS222 Disclosure. The recipient acknowledges that although ANZ Royal Bank (Cambodia) Ltd. is a subsidiary of ANZ, it is a separate entity to ANZ and the obligations of ANZ Royal Bank (Cambodia) Ltd. do not constitute deposits or other liabilities of ANZ and ANZ is not required to meet the obligations of ANZ Royal Bank (Cambodia) Ltd.

European Economic Area ("EEA"): United Kingdom. ANZ in the United Kingdom is authorised by the Prudential Regulation Authority ("PRA"). 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 publication is distributed in the United Kingdom by 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 PRA and the FCA. **Germany.** This publication is distributed in Germany by the Frankfurt Branch of ANZ solely for the information of its clients. **Other EEA countries.** This publication is distributed in the EEA by ANZ Bank (Europe) Limited ("ANZBEL") which is authorised by the PRA and regulated by the FCA and the PRA in the United Kingdom, to persons who would come within the FCA definition of "eligible counterparty" or "professional client" in other countries in the EEA. This publication is distributed in those countries solely for the information of such persons upon their request. It is not intended for, and must not be distributed to, any person in those countries who would come within the FCA definition of "retail client".

Fiji. For Fiji regulatory purposes, this publication 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 publication.

Hong Kong. This publication is 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. If in doubt about the contents of this publication, you should obtain independent professional advice.

IMPORTANT NOTICE

India. This publication is distributed in India by ANZ on a cross-border basis. If this publication 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. Further copying or duplication of this publication is strictly prohibited.

Myanmar. This publication is intended to be of a general nature as part of customer service and marketing activities provided by ANZ in the course of implementing its functions as a licensed bank. This publication does not take into account your financial situation or goals and is not Securities Investment Advice (as that term is defined in the Myanmar Securities Transaction Law 2013). The contents of this publication have not been reviewed by any regulatory authority in Myanmar. If in doubt about the contents of this publication, you should obtain independent professional advice.

New Zealand. This publication is intended to be of a general nature, does not take into account your financial situation or goals, and is not a personalised adviser service under the Financial Advisers Act 2008.

Oman. This publication has been prepared by ANZ. 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 publication 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 by receiving this publication, the person or entity to whom it has been dispatched by ANZ understands, acknowledges and agrees that this publication 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 publication is intended to constitute Omani investment, legal, tax, accounting or other professional advice.

People's Republic of China ("PRC"). Recipients must comply with all applicable laws and regulations of PRC, including any prohibitions on speculative transactions and CNY/CNH arbitrage trading. If and when the material accompanying this document is distributed by Australia and New Zealand Banking Group Limited (ABN 11 005 357 522) ("ANZ") or an affiliate (other than Australia and New Zealand Bank (China) Company Limited ("ANZ C")), 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 C, the following statement and the text below is applicable: This document is distributed by ANZ C in the Mainland of the PRC.

Qatar. This publication 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 publication 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 publication 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 publication are not being, and will not be, offered, issued or sold in Qatar, and this publication 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 publication and distribution of this publication is being made in, and is subject to the laws, regulations and rules of, jurisdictions outside of Qatar and the QFC. Recipients of this publication must abide by this restriction and not distribute this publication in breach of this restriction. This publication 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 publication 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, contact your ANZ point of contact.

United Arab Emirates. This publication is distributed in the United Arab Emirates ("UAE") or the Dubai International Financial Centre (as applicable) by ANZ. This publication: does not, and is not intended to constitute an offer of securities anywhere in the UAE; does not constitute, and is not intended to constitute 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 United Arab Emirates, the Emirates Securities and Commodities Authority or the United Arab Emirates Ministry of Economy; does not, and is not intended to constitute an offer of securities within the meaning of the Dubai International Financial Centre Markets Law No. 12 of 2004; and, does not constitute, and is not intended to constitute, a financial promotion, as defined under the Dubai International Financial Centre Regulatory Law No. 1 of 200. ANZ DIFC Branch is regulated by the Dubai Financial Services Authority ("DFSA"). The financial products or services described in this publication are only available to persons who qualify as "Professional Clients" or "Market Counterparty" in accordance with the provisions of the DFSA rules. In addition, ANZ has a representative office ("ANZ Representative Office") in Abu Dhabi regulated by the Central Bank of the United Arab Emirates. ANZ Representative Office is not permitted by the Central Bank of the United Arab Emirates to provide any banking services to clients in the UAE.

United States. If and when this publication is received by any person in the United States or a "U.S. person" (as defined in Regulation S under the US Securities Act of 1933, as amended) ("US Person") or any person acting for the account or benefit of a US Person, it is noted that ANZ Securities, Inc. ("ANZ S") is a member of FINRA (www.finra.org) and registered with the SEC. ANZ S' address is 277 Park Avenue, 31st Floor, New York, NY 10172, USA (Tel: +1 212 801 9160 Fax: +1 212 801 9163). Except where this is a FX- related publication, this publication is distributed in the United States by ANZ S (a wholly owned subsidiary of ANZ), which accepts responsibility for its content. Information on any securities referred to in this publication may be obtained from ANZ S upon request. Any US Person receiving this publication and wishing to effect transactions in any securities referred to in this publication must contact ANZ S, not its affiliates. Where this is an FX- related publication, 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 9160 Fax: +1 212 801 9163). Commodity-related products are not insured by any U.S. governmental agency, and are not guaranteed by ANZ or any of its affiliates. Transacting in these products may involve substantial risks and could result in a significant loss. You should carefully consider whether transacting in commodity-related products is suitable for you in light of your financial condition and investment objectives. ANZ S is authorised as a broker-dealer only for US Persons who are institutions, not for US Persons who are individuals. If you have registered to use this website or have otherwise received this publication 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 publication in any way.

Vietnam. This publication is distributed in Vietnam by ANZ or ANZ Bank (Vietnam) Limited, a subsidiary of ANZ. Please note that the contents of this publication have not been reviewed by any regulatory authority in Vietnam. If you are in any doubt about any of the contents of this publication, you should obtain independent professional advice.

This document has been prepared by ANZ Bank New Zealand Limited, Level 10, 171 Featherston Street, Wellington 6011, New Zealand, Ph 64 4 802 2212, e-mail nzeconomics@anz.com, http://www.anz.co.nz