



## Shopping for a revival

An optimistic tone continues to permeate through The National Bank *Business Outlook Survey*. A net 43 percent of respondents expect better times over the year ahead. This is down on February's reading of plus 50 but still represents a healthy level of optimism across the economy. All, bar retailing, slipped in the month, reversing last month's trend where retailing dipped, and confidence across the remaining sectors increased.

We continue to pay close attention to firms' own activity expectations – the key lead barometer that tracks economic growth. This too was down slightly in the month. A net 39 percent of respondents expect better times for their own business over the year ahead. This continues to represent a high level of confidence in terms of what matters for this economy, namely what's actually happening at the business level as opposed to the general climate, with the latter easily influenced by various anomalies from month to month.

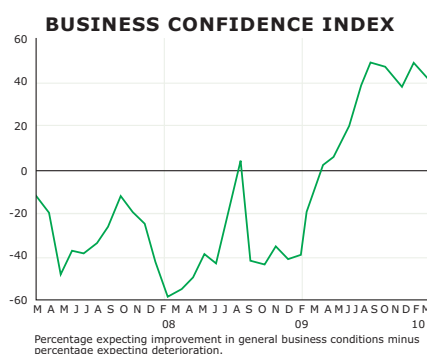
The remainder of the survey is by-and-large a mixed bag. Employment intentions were unchanged at a net 9 percent expecting to be hiring over the year ahead. Profit expectations slipped 3 points, though a net 19 percent still expect better profits over the year ahead. Export intentions fell 6 points, to a net 25 percent expecting higher export volumes. Residential and commercial construction intentions eased. Pricing intentions were unchanged on the month prior, as was inflation expectations. Investment intentions went against the grain, rising a point. But all are movements well within what we would consider to be normal monthly volatility.

When we slice and dice the survey, a couple of themes are noteworthy.

- Confidence towards retailing has recovered ground after falling sharply in February. Retailing showed a notable lift in headline confidence (+8 points), own activity expectations (+5), profits (+3), employment (+6) and investment (+17). But the general trend across all other segments

(agriculture, manufacturing, construction and services) in terms of the various components was down.

- The South Island generally showed larger declines across firms' own activity expectations, employment and profitability and is now looking weaker compared to its northern counterpart.



Our composite growth indicator from the survey continues to flag the potential for a typical pro-cyclical pick-up in momentum and the possibility of 4 percent annual growth over the year ahead. Gauges such as employment and investment intentions are lagging the pick-up in firms' own activity expectations – more than what we have seen historically and suggests a more muted recovery. But abstracting from near-term noise, the trend has been one of general improvement for a year. Whether this month's lull represents exactly that or something more persuasive remains to be seen. But at present the change has been insufficient in magnitude between months to suggest to us that the robust level story is no longer intact.

A significant challenge the economy faces is prospects for business investment. The steady recovery we have seen in investment intentions, from a trough of a net 19 percent expecting to cut investment a year ago to a net 9 percent expecting to increase investment in this month's survey, is welcome. But it is one of the few survey indicators that remain below its historical mean (of 13),

so clearly an element of caution remains.

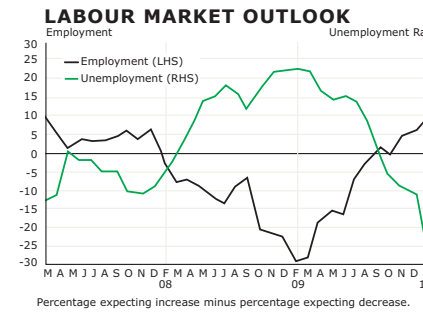
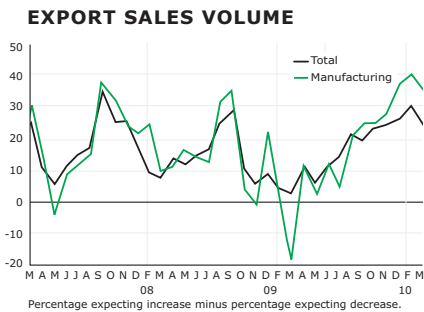
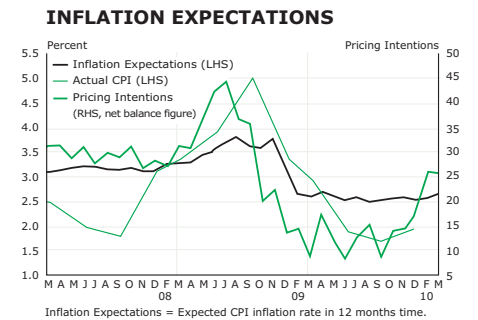
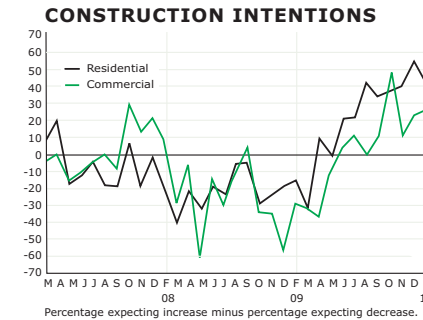
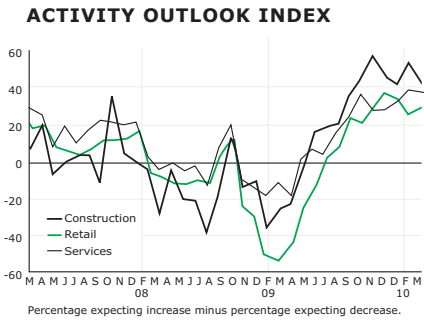
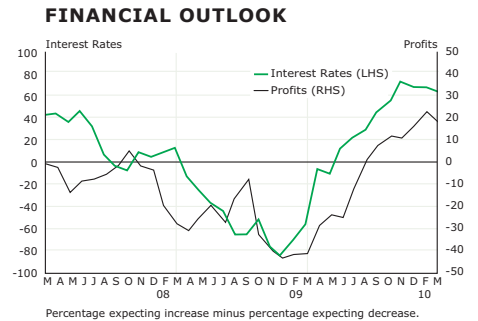
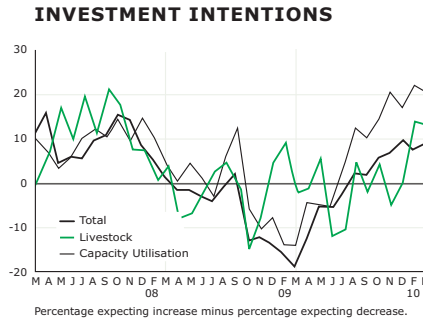
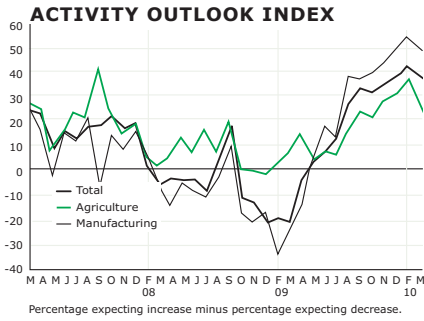
An upturn in business investment is required for two reasons.

First, it is a concrete sign that the recovery process is broadening and has legs. As a business you don't put cash to work until you have reached a certain "tipping point" in terms of perceived sustainability of the recovery. Swings in annual business investment of plus or minus 20 percent are not uncommon with a strong accelerator dynamic influential. The mid 1990's cycle is a clear example of how sharply business investment can increase, particularly following an extended period of underinvestment. We are moving that way, but are not quite there yet.

Second, investment is a critical component of building capacity, or expanding the anaerobic threshold the economy can operate at without running out of puff. A failure to invest in capacity for tomorrow will result in a drag on future productivity trends and the supply-side capacity of the economy.

For now, the economy appears to be slowly moving towards building such capacity. It is critical that this trend extends and policymakers implement policy conducive to this occurring.

<b>SURVEY RESULTS</b>	<b>TOTAL PREVIOUS MONTH</b>	
<b>March 2010</b>	<b>MONTH</b>	
Business Confidence	42.5	50.1
Activity Outlook	38.6	41.9
Exports	24.9	30.8
Investment	9.3	7.6
Livestock	12.5	13.8
Capacity Utilisation	20.9	22.2
Residential Construction	42.8	46.7
Commercial Construction	17.5	29.5
Employment	8.7	9.3
Unemployment Rate	6.1	10.3
Profits	19.2	23.2
Interest Rates	64.5	69.4
Pricing Intentions	25.5	25.8
Ease of Credit	2.0	8.8
Inflation Expectations	2.64	2.56



**DISCLOSURE INFORMATION**

The Bank (in respect of itself and its principal officers) makes the following investment adviser disclosure to you pursuant to section 41A of the Securities Markets Act 1988. The Bank (in respect of itself and its principal officers) makes the following investment broker disclosure to you pursuant to section 41G of the Securities Markets Act 1988.

**Qualifications, experience and professional standing**

The Bank is a registered bank and, through its staff, is experienced in providing investment advice about its own securities and, where applicable, the securities of other issuers. The Bank has been selling securities, and providing investment advice on those securities, to customers as a core part of its business for many years, drawing on the extensive research undertaken by the Bank and its related companies and the skills of specialised staff employed by the Bank. The Bank is represented on many bank, finance and investment related organisations and keeps abreast of relevant issues by running seminars and workshops for relevant staff and having its investment adviser staff attend external seminars where appropriate. The Bank subscribes to relevant industry publications and, where appropriate, its investment advisers will monitor the financial markets.

**Relevant professional body**

The Bank is a member of the following professional bodies relevant to the provision of investment advice:

- New Zealand Bankers Association;
- Associate Member of Investment Savings & Insurance Association of NZ;
- Financial Markets Operations Association; and
- Institute of Finance Professionals.

**Professional indemnity insurance**

The Bank (and its subsidiaries), through its ultimate parent company Australia and New Zealand Banking Group Limited, has professional indemnity insurance which covers its activities including those of investment advisers it employs.

This insurance covers issues (including 'prior acts') arising from staff fraud, electronic crime, documentary fraud and physical loss of property. The scope of the insurance also extends to third party civil claims, including those for negligence. The level of cover is of an amount commensurate with the size and scale of the Bank.

The insurer is ANZcover Insurance Pty Limited.

**Dispute resolution facilities**

The Bank has a process in place for resolving disputes. Should a problem arise, you can contact any branch of the Bank for more information on the Bank's procedures or refer to any of the Bank's websites.

Unresolved complaints may ultimately be referred to the Banking Ombudsman, whose contact address is PO Box 10-573, Wellington.

**Criminal convictions**

In the five years before the relevant investment advice is given none of the Bank (in its capacity as an investment adviser and where applicable an investment broker) or any principal officer of the Bank has been:

- Convicted of an offence under the Securities Markets Act 1988, or the Securities Act 1978 or of a crime involving dishonesty (as defined in section 2(1) of the Crimes Act 1961);
- A principal officer of a body corporate when that body corporate committed any of the offences or crimes involving dishonesty as described above;
- Adjudicated bankrupt;
- Prohibited by an Act or by a court from taking part in the management of a company or a business;
- Subject of an adverse finding by a court in any proceeding that has been taken against them in their professional capacity;
- Expelled from or has been prohibited from being a member of a professional body; or
- Placed in statutory management or receivership.

**Fees**

At the time of providing this disclosure statement it is not practicable to provide accurate disclosure of the fees payable for all securities that may be advised on. However, this information will be disclosed to you should you seek advice from one of the Bank's investment advisers on a specific investment.

**Other interests and relationships**

When a security is sold by the Bank, the Bank may receive a commission, either from the issuer of a security or from an associated person of the Bank. Whether that commission is received and, if received, its value depends on the security sold. At the time of providing this disclosure statement it is not practicable to provide a detailed list of each security that may be advised on, the name of the issuer of that security and the rate of the commission received by the Bank. However, this information will be disclosed to you should you seek advice from one of the Bank's investment advisers on a specific investment.

In addition to the interest that the Bank has in products of which it is the issuer, the Bank, or an associated person of the Bank, has the following interests or relationships that a reasonable person would find reasonably likely to influence the Bank in providing the investment advice on the securities listed below:

- ANZ Investment Services (New Zealand) Limited (ANZIS), as a wholly owned subsidiary of the Bank, is an associated person of the Bank. ANZIS may receive remuneration from a third party relating to a security sold by the Investment Adviser.
- UDC Finance Limited (UDC), as a wholly owned subsidiary of the Bank, is an associated person of the Bank. UDC may receive remuneration from a third party relating to a security sold by the Investment Adviser.
- The Bank has a joint venture relationship with ING (NZ) Holdings Limited (ING). ING and its related companies may receive remuneration from a third party relating to a security sold by the Investment Adviser.

**Securities about which investment advice is given**

The Bank provides investment advice on the following types of securities:

- Debt securities including term and call deposits, government stock, local authority stock, State-Owned Enterprise bonds, Kiwi bonds and corporate bonds and notes;
- Equity securities such as listed and unlisted shares;
- New Zealand and overseas unit trusts;
- Share in a limited partnership;
- Superannuation schemes and bonds;
- Group investment funds;
- Life insurance products;
- Derivative products including interest rate and currency forward rate contracts and options; and
- Other forms of security, such as participatory securities.

**PROCEDURES FOR DEALING WITH INVESTMENT MONEY OR INVESTMENT PROPERTY**

If you wish to pay investment money to the Bank you can do this in several ways such as by:

- Providing cash;
- Providing a cheque payable to the relevant product or service provider and crossed 'not transferable'; or
- Making an automatic payment or payment through another electronic delivery mechanism operated by the Bank.

Investment property (other than money) may be delivered to the Bank by lodging the relevant property (for example, share certificates) with any branch of the Bank offering a safe custody service, or by posting (using registered post) the documents or other property to a branch of the Bank, identifying your name, account number and investment purpose.

Any investment money lodged with the Bank for the purchase of securities offered by the Bank, its subsidiaries or any third parties will be deposited in accordance with your instructions, to your nominated account or investment. Such money will be held by the Bank according to usual banking terms and conditions applying to that account or the particular terms and

conditions relating to the investment and will not be held by the Bank on trust unless explicitly accepted by the Bank on those terms. Any investment money or property accepted by the Bank on trust will be held until disbursed in accordance with your instructions. Any investment property lodged with the Bank will be held by the Bank as bailee according to the Bank's standard terms and conditions for holding your property.

**Record Keeping**

The Bank will keep adequate records of the deposit of investment moneys or property and all withdrawals and dealings with such money or property, using the account/investment number allocated to your investment. You may have access to those records upon request.

**Auditing**

The Bank's systems and operations are internally audited on a regular basis. The financial statements of the Bank and its subsidiaries are audited annually by KPMG. However, this does not involve an external audit of the receipt, holding and disbursement of the money and other property.

**Use of Money and Property**

Money or property held by the Bank for a specific purpose communicated to the Bank (e.g. the purchase of an interest in a security) may not be used by the Bank for its own purposes and will be applied for your stated purpose. No member of the Bank's staff may use any money or property deposited with the Bank, for their own purposes or for the benefit of any other person. In the absence of such instructions, money deposited with the Bank may be used by the Bank for its own purposes, provided it repays the money to you upon demand (or where applicable, on maturity), together with interest, where payable.

**DISCLAIMER**

The Bank does not provide investment advice tailored to an investor's personal circumstances. It is the investor's responsibility to understand the nature of the security subscribed for, and the risks associated with that security. To the maximum extent permitted by law, the Bank excludes liability for, and shall not be responsible for, any loss suffered by the investor resulting from the Bank's investment advice.

Each security (including the principal, interest or other returns of any security) the subject of investment advice given to the investor by the Bank or otherwise, is not guaranteed, secured or underwritten in any way by the Bank or any associated or related party except to the extent expressly agreed in the terms of the relevant security.

This document has been prepared by ANZ National Bank Limited (the "Bank"), is provided for informational purposes only and does not constitute an offer to sell or solicitation to buy any security or other financial instrument. No part of this document can be reproduced, altered, transmitted to, copied to or distributed to any other person without the prior express permission of the Bank.

This document is a necessarily brief and general summary of the subjects covered and does not constitute advice. You should obtain professional advice before acting on the basis of any opinions or information contained in it. The information contained in this document is given in good faith, has been derived from sources perceived by it to be reliable and accurate and the Bank shall not be obliged to update any such information after the date of this document. Neither the Bank nor any other person involved in the preparation of this document accepts any liability for any opinions or information (including the accuracy or completeness thereof) contained in it, or for any consequences flowing from its use.



**Text finalised 29 March 2010**  
 PO Box 540 Wellington 6140  
 Phone: +64 4 802 2361  
 Fax: +64 4 473 4928  
 Email: economics@bnz.co.nz  
 You can now receive this report via email, as soon as it's released.  
 Just visit [www.nationalbank.co.nz/subscribe](http://www.nationalbank.co.nz/subscribe) to register.