



Uninspired

Business confidence remains deeply stuck in the quagmire. A net 39 percent expect a deterioration in business conditions over the year ahead compared with a net 41 percent in February. The “glass half full” proponents can view this in itself as a positive. You have to stop falling before you can rise, or crawl before you can walk. Business confidence has done precisely that, improving 2 percentage points from February.

Own activity expectations did not show the same “first step”, falling a percentage point. A net 21 percent are expecting tougher times for their own business over the year ahead, a tad off December’s record low reading of minus 22. But intra-month movements in both headline confidence and own activity expectations of that magnitude can easily be accounted for by typical noise, and the real message is that while conditions remain tough, at least they’re not getting any worse. Hence we see marginal improvement in terms of the second derivative.

Other gauges show a similar picture. Profit expectations are unchanged on last month, with a net 41 percent expecting lower profits. Employment intentions remain weak, but recovered a marginal percentage point. A net 28 percent still expect fewer staff over the year ahead and views towards the unemployment rate are universally up. Investment intentions were the standout in this survey, falling another 3 percentage points. A net 19 percent expect to be undertaking less investment over the year ahead – a new historical low. Export intentions fell further, with a mere net 2 percent expecting positive growth, and that is prior to the recent run-up in the currency.

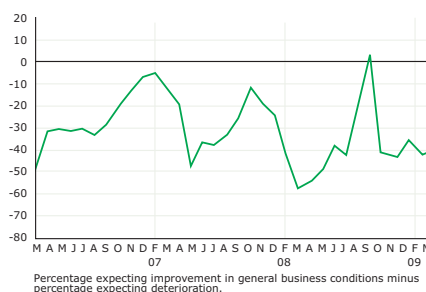
Pricing intentions nudged lower. A net 9 percent expect to raise prices over the year ahead, close to a six year low. Inflation expectations continue to ease. Both are telling. Inflation is yesterday’s story, for now anyway.

Our composite growth indicator from the survey remains downbeat, nudging lower again. At current levels, it is consistent with -3 percent growth.¹

In a word - yuk.

When we dissect the trends in the survey, some underlying themes are apparent. Expectations towards firms’ own businesses are universally weaker in the North Island than the South, and the gap remains relatively constant at present. Retailing remains the stand-out under-performer across most aspects excluding investment intentions. The divide across rural and urban aligned regions has closed. It was the latter that initially felt the heat in 2008, but are now the first to show signs of stabilisation. In contrast (and using the same approach regionally as we use for our composite growth indicator) we can see a deteriorating trend across the regions.

BUSINESS CONFIDENCE INDEX



The month has brought much news, most of which confirmed a weak economy and tough global backdrop. We’ve had bungy-cord dynamics when it comes to the currency, a further cut in the Official Cash Rate, but with a clear message of more sedate moves from here. Our respondents agree, with a net 55 percent expecting lower rates from here, down from a net 69 percent the month prior. The global scene remains precariously placed. Job Summit aside, there is no shortage of job loss anecdotes. More encouraging news is that dairy prices have found a base, the grass is growing, and of course we’re seeing more New Zealanders stay as opposed to gunning for the big OE.

Economists’ opinions on the implications and outlook for New Zealand differ (naturally). Surprises and extraordinary news stories break daily,

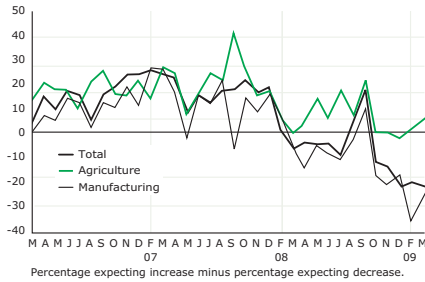
and financial markets (particularly the currency) can have all the demeanour of a headless chicken. Across the alphabet of economic recoveries (yes, it will come), procrastinations of a V, U, W and L feature. The Reserve Bank of New Zealand is banking on the former, akin to a martini glass shaped outcome. We’ll happily drink to that. The prelude to that will be the signals from businesses themselves. And time is short between now and the second half of the year when the Reserve Bank expects the strong sustained rebound to occur.

The New Zealand business community and wider public can’t really be blamed for having difficulty knowing what to make of it all, or what to expect next. Uncertainty prevails. It may for some time. In such a situation, it’s not just about having plan A, but also B, C and D.

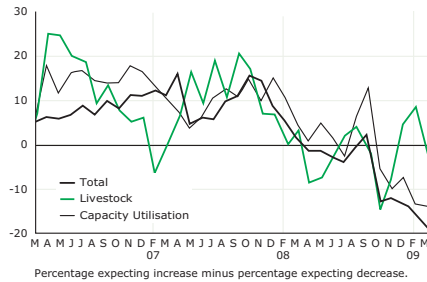
SURVEY RESULTS	TOTAL	PREVIOUS
March 2009		MONTH
Business Confidence	-39.3	-41.2
Activity Outlook	-21.2	-20.1
Exports	2.1	4.1
Investment	-18.6	-15.4
Livestock	-2.0	8.3
Capacity Utilisation	-14.0	-13.7
Residential Construction	-31.8	-17.4
Commercial Construction	-32.0	-29.2
Employment	-28.1	-29.1
Unemployment Rate	85.9	86.9
Profits	-40.8	-41.3
Interest Rates	-54.5	-69.0
Pricing Intentions	9.2	14.8
Inflation Expectations	2.63	2.68

¹Our composite growth indicator uses the forward looking activity indicators from the survey (own activity, investment intentions, employment intentions and profit expectations), combining them into a single index.

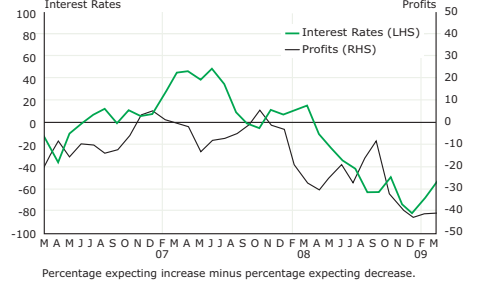
ACTIVITY OUTLOOK INDEX



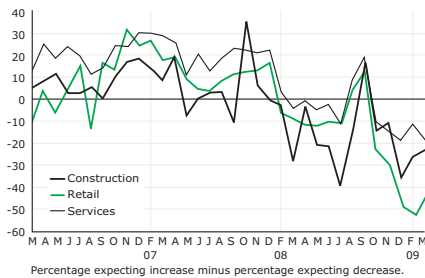
INVESTMENT INTENTIONS



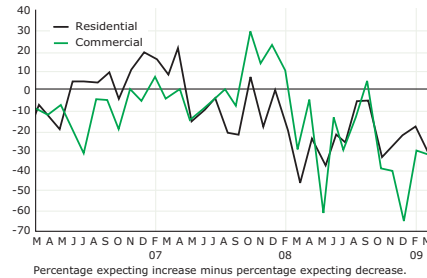
FINANCIAL OUTLOOK



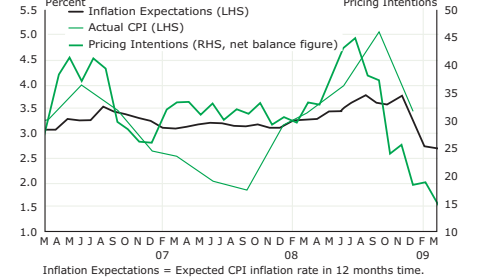
ACTIVITY OUTLOOK INDEX



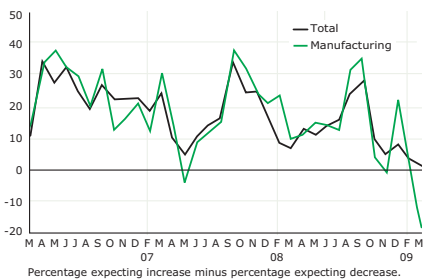
CONSTRUCTION INTENTIONS



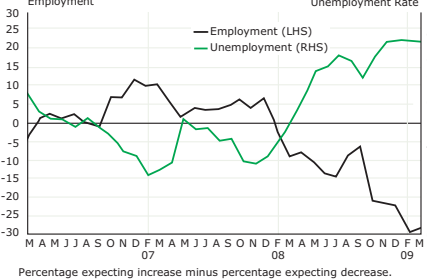
INFLATION EXPECTATIONS



EXPORT SALES VOLUME



LABOUR MARKET OUTLOOK



DISCLOSURE INFORMATION

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

Qualifications, experience and professional standing

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

Relevant professional body

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

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

Professional indemnity insurance

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

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

The insurer is ANZcover Insurance Pty Limited.

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 so held until disbursed in accordance with your instructions. Any investment property lodged with the Bank will be held by the Bank as bailee according to the Bank's standard terms and conditions for holding your property.

Record Keeping

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

Auditing

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

Use of Money and Property

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

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