



Happy days

Business confidence has taken another strong step forward. A net 49 percent expect better times ahead – levels not seen since 1999, as the post Asian crisis recovery took hold. Confidence was up across all sectors bar construction, but this sector still remains the most optimistic with a net 63 percent expecting better times ahead.

Once again, virtually all survey indicators improved in the month. Firms' own activity expectations nudged up a further 6 percentage points on last month. A net 32 percent expect better times ahead. The sectoral picture is somewhat mixed with retailing and manufacturing down marginally but agriculture, construction and services rising sharply. All remain firmly in positive territory giving a uniform picture of composure.

Profit expectations continue to nudge higher. A net 8 percent expect an improvement over the year ahead, up 7 percentage points on last month. All except agriculture are expecting to move back into the black.

Employment intentions continue to recover – off precipitous lows. A net 2 percent expect to increase staff over the year ahead – the first positive reading in 18 months and snaps a record losing streak. Physical job shedding may be coming to an end, although employment intentions will need to gain further to avert a rising unemployment rate courtesy of new entrants into the workforce.

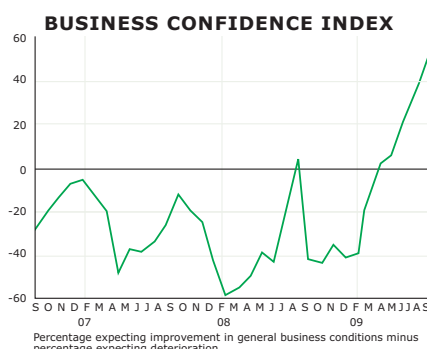
The sectoral picture for employment is notable for the uniform cluster around zero. Clearly firms are flagging remaining in a holding pattern until they see sustained evidence of an upturn and improved profitability.

The same applies for investment, with a net 2 percent expecting to increase investment over the year ahead, unchanged on last month.

Firms' own activity expectations – a key lead indicator – is flagging 4 percent economic growth a year from now.

Our composite growth indicator from the survey is gradually gaining momentum and pointing to 2¹/₂ percent economic growth in the middle of next year.

Across other survey indicators, export intentions were down, but appear surprisingly resilient in the face of the higher New Zealand dollar. Praise be an uptick in commodity prices over the preceding months, with the ANZ World Commodity Price Index up 12 percent from its February lows. Pricing intentions weakened, with a net 9 percent expecting to raise prices over the year ahead (previously +15). This is consistent with an annual inflation rate of 1 percent. Residential investment intentions gave back some of last month's whopper gains, but with a net 39 percent expecting more investment ahead, prospects are for building consents to extend their recovering trend.



Theories will abound over the improvement in confidence and what it means for the economy. Just as night follows day, day follows night and the sun invariably rises in the morning. The deeper the slump – a hole from which people are peering up from, the bigger the prospective recovery.

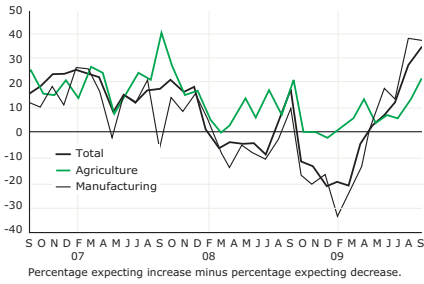
There is no doubt housing and construction remain at the forefront of the improvement in confidence, although sentiment is clearly diffusing through the

wider economy. Structural headwinds including an unbalanced global economy and an undesirable borrow and spend mix to growth remain locally. Yet tailwinds in the form of stabilising / recovering global demand, relatively stronger growth across the Asian region with China the regional juggernaut, and improving world commodity prices add substance to the path for the economy.

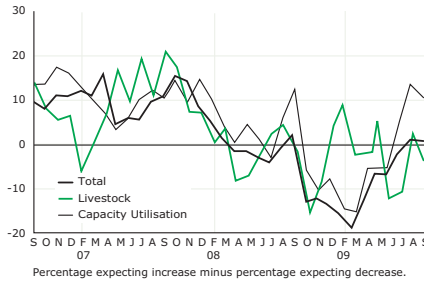
There have been three times in history when the variables within our survey have surged this far, this fast. The first was in the late 1980's after the equity market rout. People peered up from a deep hole. The worst was apparently beyond us. Thump. It failed to become self-fulfilling and reality soon set in. The second was in the early-to-mid 1990's. An elongated durable expansion followed as pent-up demand, an upturn in productivity, a strong global backdrop and a slow off the mark central bank supported prospects. The final was in 1998/99 following the Asian crisis. The RBNZ watched the economy firm and resource pressures intensify for more than a year. Finally they acted. Bitter medicine was delivered as 200 basis points of hikes followed. A domestic recession ensued in 2000. Time will tell which path we are on.

SURVEY RESULTS	TOTAL PREVIOUS	
September 2009	MONTH	
Business Confidence	49.1	34.2
Activity Outlook	32.2	26.0
Exports	19.3	21.2
Investment	2.0	2.3
Livestock	-2.4	4.6
Capacity Utilisation	10.2	12.7
Residential Construction	38.9	47.6
Commercial Construction	11.1	0.0
Employment	1.8	-2.6
Unemployment Rate	50.0	63.6
Profits	7.6	1.0
Interest Rates	47.8	30.7
Pricing Intentions	8.9	15.2
Ease of Credit	21.4	6.4
Inflation Expectations	2.57	2.52

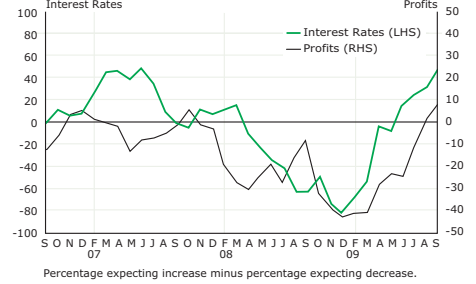
ACTIVITY OUTLOOK INDEX



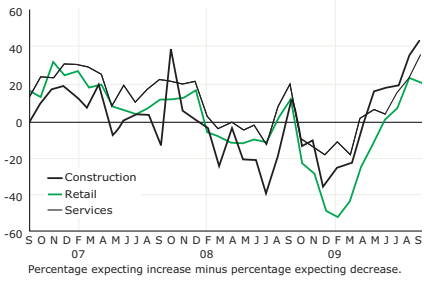
INVESTMENT INTENTIONS



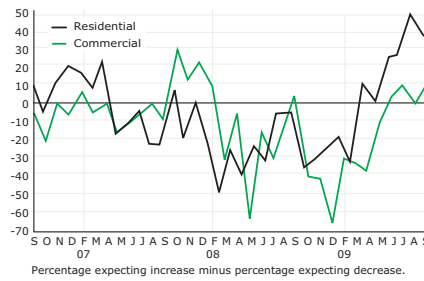
FINANCIAL OUTLOOK



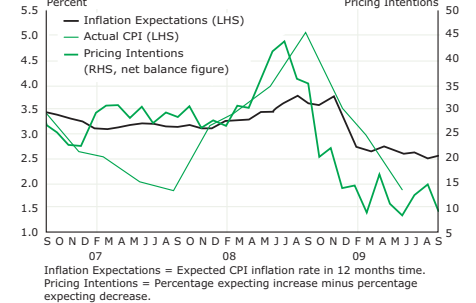
ACTIVITY OUTLOOK INDEX



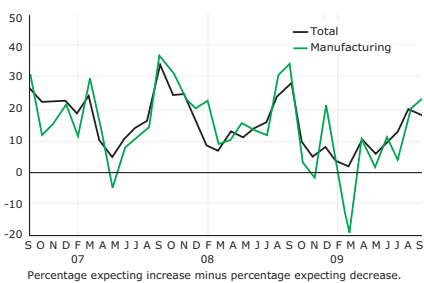
CONSTRUCTION INTENTIONS



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 also 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 a 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.

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.

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