



Boing

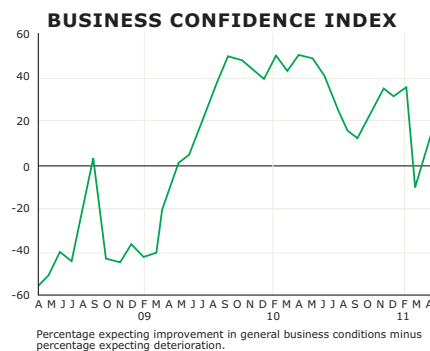
The rubber band proved to be taut. An outsized decline in business confidence in March has been followed by a material rebound. Business confidence has recovered half of March's fall, with a net 14 percent of businesses expecting better times for the economy over the coming year, up 23 points on March. All five sub-sectors showed a material lift. At the regional level, Canterbury showed the largest turnaround, with confidence lifting 59 points.

Firms' own activity expectations, the key gauge of what businesses think about their own prospects, lifted 15 points to a net 30 percent expecting improvement over the year ahead. A recovery in general business confidence is one thing. But the litmus test for the economic outlook is surely what firms anticipate for their own business. In this regard, to recover two-thirds of the fall in activity seen in the previous month is encouraging.

The same story of improvement is apparent across other key gauges within the survey this month.

- The employment outlook has moved back into the black. A net 6 percent of firms expect to be hiring staff. This is up 9 points on March, and takes employment intentions close to the level seen in February.
- Profit expectations moved up from zero to plus 8. This is still low and implies a lot of caution out there. This caution is also evident in the investment intentions reading, which was unchanged at plus 8. Still, on the whole, an improvement in the activity, employment and profit readings is a move in the right direction.
- Export intentions rose 5 points, from +24 to +29. The high-flying NZ dollar does not appear to be dampening things here.
- Residential investment intentions surged. A net 48 percent of businesses are expecting better times ahead. Commercial investment intentions showed a more muted improvement but still ticked up. This comes on the heels of bucking the general decline in confidence the month prior.

In last month's survey, Canterbury recorded a decline in confidence across pretty well all indicators. This month we've seen the reverse. Headline confidence in Canterbury rose 59 points, after falling 92 points last month. Firms' own activity expectations in the region lifted 35 points, bettered only by the Waikato – which could be detecting the aura of an open rural cheque-book. Profit expectations were up 45 points (down 58 in March). Canterbury employment intentions lifted 36 points, fully reversing the March decline. Residential investment intentions are the strongest in Canterbury, with a net 80 percent expecting better times ahead. A whopping 86 percent expect better times for commercial construction, dwarfing commercial perception in all other regions.



At the sectoral level, manufacturing, retailing, construction and services showed similar improvements across the survey, with retailing generally showing more signs of improvement after being a laggard. Agriculture bucked the trend, with confidence, activity, profits, employment and investment intentions slipping. However, the change looks to be one of easing off from a general poll position, as opposed to something more ominous.

Our composite growth indicator from the survey has recovered ground lost. It is pointing to year-on-year growth of 3 percent towards the end of the year.

Pricing intentions within the survey eased a point. Twenty eight percent of firms expect to be raising prices over the year ahead, while one-year ahead inflation

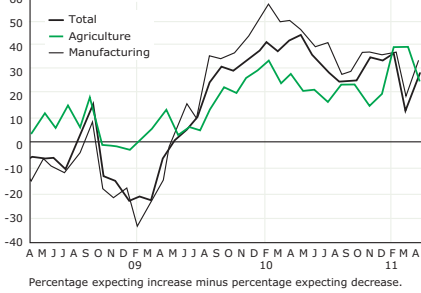
expectations were broadly unchanged at 3 percent. Both are encouraging considering the headline inflation rate is at 4.5 percent. However, subsequent months will put businesses to the true inflation test, especially in terms of how businesses react to the combination of cost-push pressure versus the demand environment.

Last month we noted that "no one can be blamed for not knowing what to make of it all, or what to do next. A large chunk of the hand-wringing in this [March's] month's survey is due to uncertainty itself, which brings no good to anyone." The April edition of business confidence suggests the material fall in March was more "shock and awe" than substance. This is not to downplay the significance of the February earthquake. It is an event of epic proportions. Economic activity generated off the back of the reconstruction will not completely compensate for the loss of wealth and balance sheet destruction caused by the earthquake (and will never compensate for the loss of life). Nonetheless, it is encouraging to see businesses stand back, assess things, and decide to move on – no doubt helped by a 50 basis point interest rate cut in March.

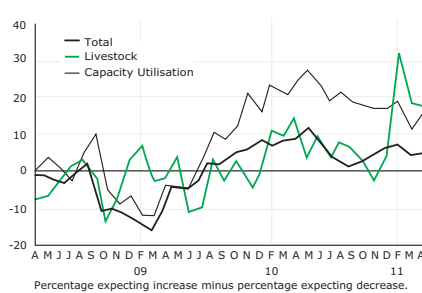
There are still hurdles for the economy. But glimpses of recovery in early 2011 look to be getting back on track. And we suspect sooner rather than later.

SURVEY RESULTS	TOTAL	PREVIOUS MONTH
April 2011		
Business Confidence	14.2	-8.7
Activity Outlook	29.5	14.7
Exports	28.6	24.4
Investment	6.1	5.8
Livestock	17.8	19.6
Capacity Utilisation	16.4	11.8
Residential Construction	48.4	6.9
Commercial Construction	15.1	13.4
Employment	5.9	-3.1
Unemployment Rate	22.9	28.7
Profits	7.5	-0.3
Interest Rates	30.3	-1.5
Pricing Intentions	27.8	29.4
Ease of Credit	5.4	2.4
Inflation Expectations	3.04	2.97

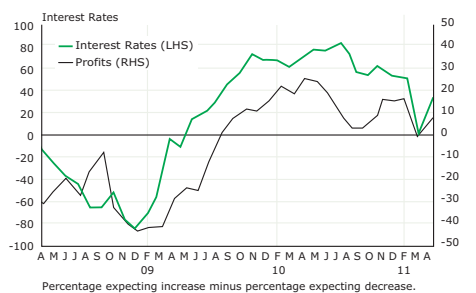
ACTIVITY OUTLOOK INDEX



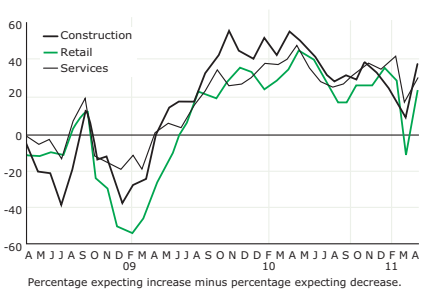
INVESTMENT INTENTIONS



FINANCIAL OUTLOOK



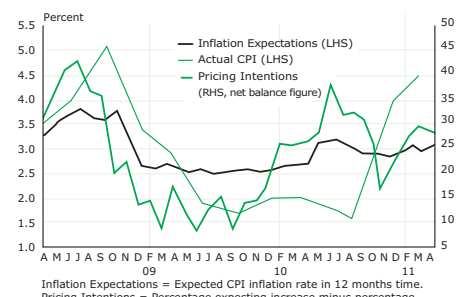
ACTIVITY OUTLOOK INDEX



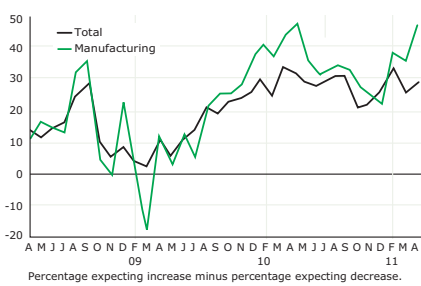
CONSTRUCTION INTENTIONS



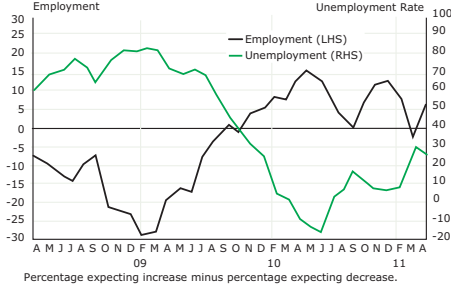
INFLATION EXPECTATIONS



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 has been selling securities, and providing investment advice on those securities, to 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, in 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.
- OnePath (NZ) Limited, as a wholly owned subsidiary of the bank, is an associated person of the Bank. OnePath and its related companies may receive remuneration from a third party relating to a security sold by the Investment Adviser.
- Direct Broking Limited (DBL), as a wholly owned subsidiary of the Bank, is an associated person of the Bank. DBL 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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