

# NEW ZEALAND ECONOMICS ANZ COMMODITY PRICE INDEX

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The next issue of the *ANZ Commodity Price Index* is scheduled for release on: 2 May 2011 at 3pm.

## DREAM RUN CONTINUES

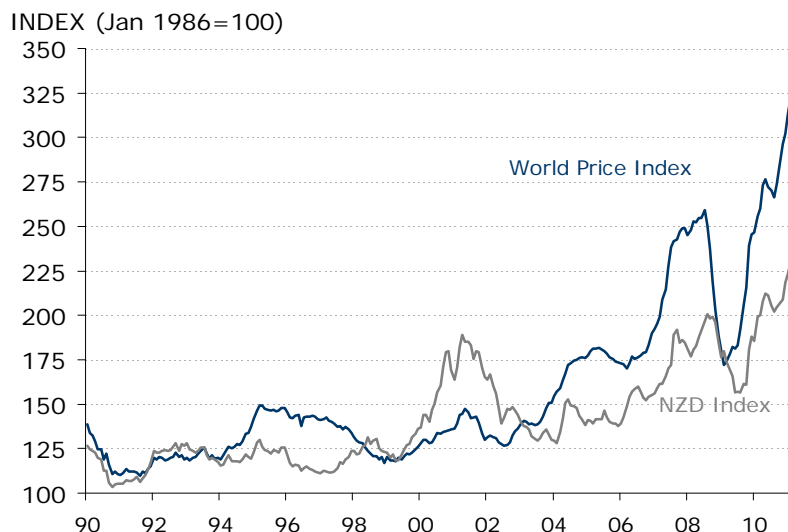
The **ANZ Commodity Price Index** lifted **4.7 percent** in the month of **March**, hitting a new record high. This represents the seventh consecutive monthly rise in the index, with the latest month also being stronger than any of the preceding six monthly increases.

**Fourteen commodity prices increased in March** and three were unchanged. For the first time in seventeen years there wasn't a single decrease in the price of any individual commodity in the basket of 17 commodities that we monitor.

The **price of wool strengthened 12 percent** in March, with prices having doubled in the past 12 months. **Whole milk powder prices also rose 12 percent**, ahead of a 7 percent rise in skim milk powder prices. Lumber and skin prices also increased by 7 percent rise in the month. Beef and log prices grew 3 percent in the month; lamb, casein, butter and aluminium prices lifted 2 percent; venison and cheese prices rose 1 percent; and seafood prices increased by ½ percent. The export prices of wood pulp, kiwifruit and apples were unchanged over the month.

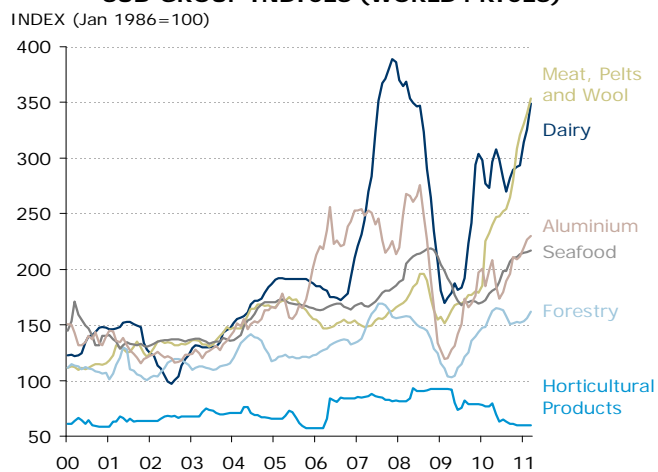
The value of the New Zealand dollar weakened in March. Consequently the rise in the locally priced ANZ NZD Commodity Price Index was magnified, **lifting 8.1 percent from the preceding month**, to an all time high. The NZ dollar priced commodity index is 25 percent higher than its level a year ago, and nearly double the low point recorded in February 2009, which followed the global financial crisis. The New Zealand economy is poised to benefit from the increased rural income that will inevitably filter through the economy. Soft rural land values and a strong focus on the balance sheet has curtailed the benefit to the broader economy. This will not continue indefinitely. It is only a matter of time before this rejuvenation spills over into other pockets of the economy.

### ANZ COMMODITY PRICE INDEX

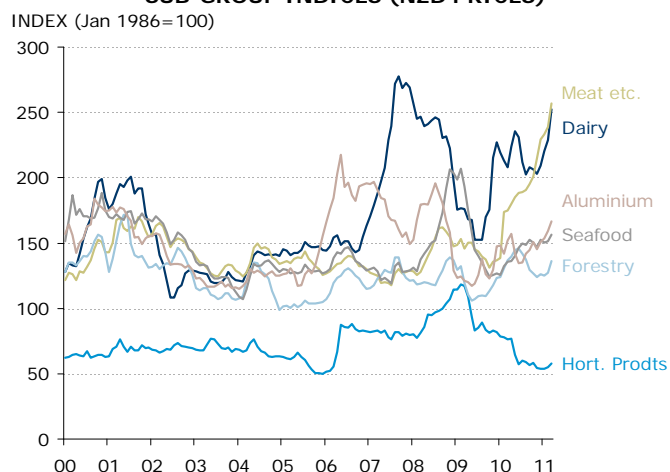


# ANZ COMMODITY PRICE INDEX

## SUB-GROUP INDICES (WORLD PRICES)



## SUB-GROUP INDICES (NZD PRICES)



	World Price Index	Monthly % Change	Annual % Change	NZ\$ Index	Monthly % Change	Annual % Change
Mar-07	199.3	n.a.	17.2	161.5	n.a.	8.6
Mar-08	253.0	n.a.	26.9	180.8	n.a.	12.0
Mar-09	173.9	n.a.	-31.2	174.0	n.a.	-3.8
Mar-10	260.0	n.a.	49.5	199.9	n.a.	14.9

Oct-10	283.5	3.5	31.4	206.2	0.8	28.2
Nov-10	296.1	4.5	23.7	208.9	1.3	15.7
Dec-10	301.9	2.0	23.0	218.3	4.5	16.1
Jan-11	313.3	3.8	27.2	223.2	2.3	20.4
Feb-11	321.8	2.7	25.9	229.7	2.9	15.3
Mar-11	336.9	4.7	29.6	248.2	8.1	24.2

Commodity Price Index weights are based on contributions to merchandise exports. Weights for the 2011 year are: Wool 3.3%; Beef 8.8%; Lamb 12.4%; Venison 0.9%; Skins 2.0%; Dairy 41.6%; Apples 1.5%; Kiwifruit 4.5%; Logs 6.1%; Sawn Timber 4.7%; Wood Pulp 2.8%; Seafood 5.9%; Aluminium 5.5%

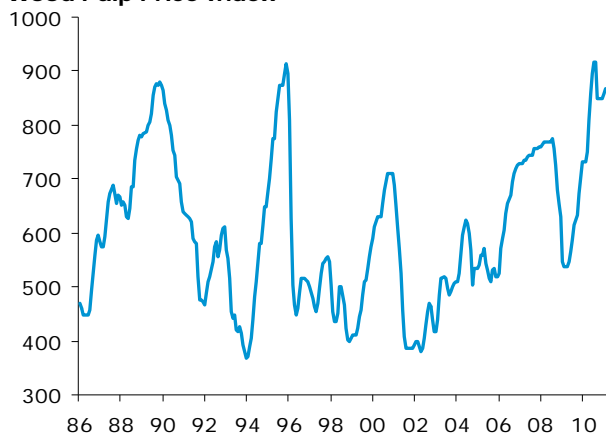
## FEATURED COMMODITY: WOOD PULP

**International wood pulp prices have followed the direction recorded in most other commodity markets. Prices slumped along with reduced world-wide demand in early 2009, but rebounded strongly to hit a new high 18 months later. Nearly all of our wood pulp exports are sent to the Asian rim, with China taking over a quarter of our wood pulp exports.**

Wood pulp is the key ingredient in the manufacture of paper and paperboard. Pulp is derived by breaking down the fibrous cellulose contained in wood (or any plant material) into its component fibres. The method of breakdown is done by either a mechanical or chemical process. The latter option is known as the 'kraft' process. The kraft process involves the use of caustic sodium hydroxide and sodium sulphide to extract the lignin from the wood fibre. The name of this process is derived from German word *kraft*, meaning strong. It was first developed 120 years ago and now is used for about 80 percent of the worldwide production of paper.

The process of paper making, in simplistic terms, involves mixing wood pulp (or other vegetable fibres) with water. This slurry is spread, making a thin layer of matted fibrous strands. The water is then removed, and the layer of fibres remaining is essentially a crude form of newsprint. Other materials may be added to give the paper a better surface or extra strength.

**Wood Pulp Price Index**



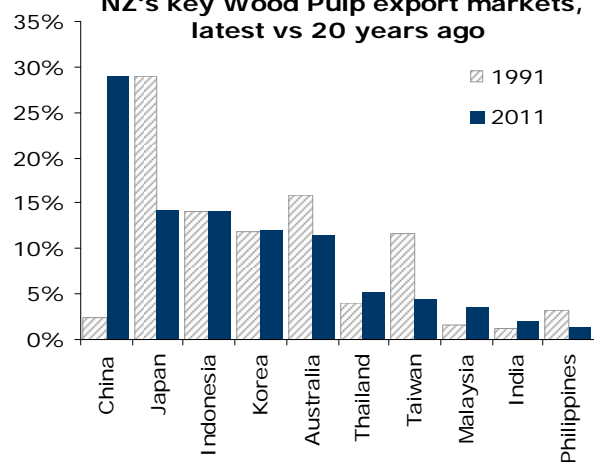
Source: ANZ

The global financial crisis resulted in a slump of many international commodity prices, and wood pulp was included in the list. A weakening in demand for print advertising contributed to softer demand for printing and writing paper in the United States and Europe. Weaker industrial demand, especially from Asia, has been another factor that

drove the price lower. However, demand has since recovered, and prices have rebounded with some degree of certainty returning to the international marketplace, combined with a run down of inventories.

In the twelve months to February 2011, wood pulp exports totalled NZ\$720 million, which accounted for just over 1½ percent of New Zealand's total merchandise exports. Wood pulp represents a fifth of all forestry related exports (logs, timber, pulp and paper).

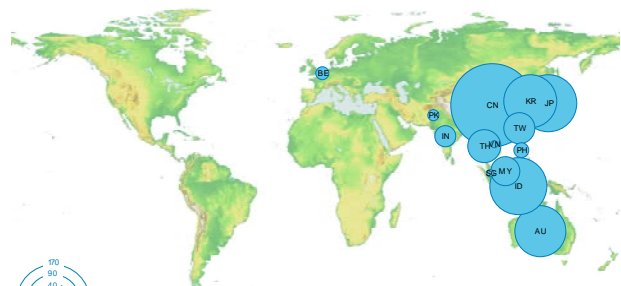
**NZ's key Wood Pulp export markets, latest vs 20 years ago**



Source: ANZ, Statistics NZ

China took over a quarter of all of New Zealand's wood pulp exports in the twelve months to February 2011. The next largest shares of pulp exports were sent to Japan, Indonesia, Korea and Australia. The Asian rim takes the lion's share of our wood pulp exports, with the APEC region receiving 96 percent of all wood pulp exported from New Zealand.

**Destination of NZ's Wood Pulp Exports**



Indicative Value, \$m

Sources: ANZ, National Bank, Statistics NZ.

Indonesia has the highest import penetration of our wood pulp exports, with wood pulp representing 12 percent of all merchandise exports sent to that country. The import penetration figure drops to 6 percent for exports to Korea, 5 percent for Thailand, and 4 percent for China and Taiwan.

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## NEW ZEALAND 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.
- 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;



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- 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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