ANZ RESEARCH

NEW ZEALAND ECONOMICS
ANZ PROPERTY FOCUS

MAY 2015

INSIDE

CONTRIBUTORS

Cameron Bagrie
Chief Economist
Telephone: +64 4 802 2212
E-mail: Cameron.Bagrie@anz.com
Twitter @ANZ_cambagrie

Mark Smith
Senior Economist
Telephone: +64 9 357 4096
E-mail: Mark.Smith2@anz.com

JOINING FORCES

SUMMARY

Our monthly *Property Focus* publication provides an independent appraisal of recent developments in the property market.

THE MONTH IN REVIEW

The RBNZ and the Government have combined forces to rein in investor demand in the Auckland property market via a tightening of the LVR speed limits and changes to taxation. Auckland annual house price inflation rose to an 11-year high last month, supported by record net migration and low fixed mortgage rates. The pace of dwelling supply rebounded, but remains low relative to population needs. Household credit growth picked up, but remains bounded by income growth so far. Low inflation and a deteriorating risk profile across the economy looks set to be matched by a lower OCR.

PROPERTY GAUGES

Regional differences remain acute. Auckland annual price inflation is at an 11-year high and prices are rising in the rest of the North Island, but annual house price inflation is easing in Christchurch and the rest of the South Island. Nationwide prices are stretched relative to both incomes and rents, but further falls in fixed mortgage interest rates, tight dwelling supply, and record net immigration are supporting prices. The market has momentum but announced RBNZ and Government policy changes to cool investor demand are likely to help bring the Auckland market more into balance.

ECONOMIC OVERVIEW

The economic outlook remains reasonably solid, supported by low interest rates, a construction pipeline, booming net migration and surging house prices. However, headwinds in the form of a high NZD and stresses in dairy cash-flow have clearly altered the risk profile. Inflation is being suppressed by structural as well as transitory factors. Policy-makers are taking a multi-pronged approach to tackling Auckland housing demand. While uncertainty surrounds the precise impact, we suspect the effect will be stark given the extent of Auckland house price movements of late. At a time of other challenges (dairy) and low inflation, it reinforces our view that the OCR is heading lower, and sooner rather than later.

MORTGAGE BORROWING STRATEGY

This month has seen further cuts in fixed mortgage interest rates and a flattening in the borrowing curve. Larger cuts were evident in standard mortgage rates, particularly for longer terms. Fixed rates offered by the major banks remain below current carded variable rates. With OCR cuts likely on offer at some stage, a mixture of fixed terms ranging from 6 months to 1 years looks to provide a low rate while leaving open the option of taking advantage of any further falls in mortgage interest rates. For low-deposit borrowers, a series of shorter-term fixed rates also looks particularly attractive.

FEATURE ARTICLE: RBNZ AND GOVERNMENT HOUSING MEASURES

The last month has seen material policy shifts on the part of both the Reserve Bank and Government to more explicitly target the demand side of the Auckland property market. While these measures are not due to take effect until October, and increased dwelling supply is needed to address the regional housing shortfall, they have scope to significantly slow demand. We suspect we may be approaching a turning point for the Auckland housing market.

THE MONTH IN REVIEW

The RBNZ and the Government have combined forces to rein in investor demand in the Auckland property market via a tightening of the LVR speed limits for property investor borrowing in the region and changes to taxation targeting short-term gains from the sale of residential investment properties. Auckland annual house price inflation rose to an 11 year high last month, supported by record net immigration and low fixed mortgage rates. The pace of dwelling supply rebounded, but remains low relative to population needs. Household credit growth picked up, but remains bounded by income growth so far. Low inflation and a deteriorating risk profile across the economy looks set to be matched by a lower OCR.

RBNZ FINANCIAL STABILITY REVIEW

RBNZ sends a message ..

The RBNZ has announced a new asset class for bank loans to residential property investors that will be phased in from October. Also from October, residential property investors will require a deposit of at least 30% if purchasing a dwelling in Auckland. Current LVR restrictions were unchanged for Auckland owner occupiers (20% deposit and 10% speed limit), while the speed limits on <20% deposit lending were lifted from 10% to 15% of new lending for residential property lending outside of Auckland.

BUDGET 2015

The Government are listening

The Government announced that from October speculators who buy and sell property within two years (with some exceptions) will be subject to paying tax on any capital gains. In the two year window, this new “bright-line” test supersedes the current IRD approach, which is based on the property owner’s “intent” when they bought it. The new rules also apply to non-residents, who will need to supply an IRD number (which itself requires a New Zealand bank account number), and tax identification details from their home country when buying and selling property. The IRD will be allocated extra funding for enforcement.

REINZ, HOUSE SALES – APRIL

As the Auckland vs rest of NZ pricing divide grows

The level of sales volumes rose 0.2% sa (+0.9% 3m/3m), with sales activity 28% above a year ago. The median days to sell eased to 34.4 days sa. Prices rose 1.1% sa (+3.7% 3m/3m), with annual house price inflation up to 9.3% from a downwardly revised 8.5% in March. Annual house price inflation rose to an 11-year high in Auckland (18.9% y/y), versus a 2.8% fall in Wellington and a 0.6% fall in Christchurch.

STATISTICS NZ, BUILDING CONSENTS – MARCH

Supply-side picking up, but long road ahead

Residential consent issuance rebounded 11% sa, with ex-apartment issuance up 7% sa. Trends in residential issuance are soft, with residential (-5.7% q/q) and ex-apartment consent numbers trending down (-8.1% q/q). A total of 25,303 residential consents were issued in the last 12 months, the highest since the start of 2008. Construction costs from residential consents rose 8.6%y/y versus the 5% annual rate seen in the CPI data.

STATISTICS NZ, EXTERNAL MIGRATION – APRIL

Another record high for annual net immigration

There was a net PLT inflow of 4,740 persons sa in April, close to the average seen over the past six months, with net annual PLT immigration hitting a new high of 56,813 persons. Arrivals continue to outnumber departures by a factor of 2 to 1, reflecting the relative strength of the New Zealand economy. April was the first month since 1991 in which positive net migration from Australia was recorded.

RBNZ, HOUSEHOLD CREDIT GROWTH – MARCH

The value of mortgage lending to households rose 0.5% sa in March (+5.0% y/y). Annualised growth rose to 5.9% in the March quarter, the highest since late 2013.

RBNZ, MORTGAGE APPROVALS – MID-MAY

Mortgage lending and approvals are picking up

Approval values are 17.5% higher than this time last year, while the number of approved mortgage was just 0.6% higher than a year ago.

PROPERTY GAUGES

Regional differences remain acute. Auckland annual price inflation is at an 11-year high and prices are rising in the rest of the North Island, but annual house price inflation is easing in Christchurch and the rest of the South Island. Nationwide prices are stretched relative to both incomes and rents, but further falls in fixed mortgage interest rates, tight dwelling supply, and record net immigration are supporting prices. The market has momentum but announced RBNZ and Government policy changes to cool investor demand are likely to help bring the Auckland market more into balance.

We use ten gauges to assess the state of the property market and look for signs that changes are in the wind.

AFFORDABILITY. For new entrants into the housing market, we measure affordability using the ratio of house prices to income (adjusted for interest rates) and mortgage payments as a proportion of income.

SERVICEABILITY / INDEBTEDNESS. For existing homeowners, serviceability relates interest payments to income, while indebtedness is measured as the level of debt relative to income.

INTEREST RATES. Interest rates affect both the affordability of new houses and the serviceability of existing mortgage payments.

MIGRATION. A key source of demand for housing.

SUPPLY-DEMAND BALANCE. We use dwelling consents issuance to proxy growth in supply. Demand is derived via the natural growth rate in the population, net migration, and the average household size.

CONSENTS AND HOUSE SALES. These are both key gauges of activity in the property market.

LIQUIDITY. We look at growth in private sector credit relative to GDP to assess the availability of credit in supporting the property market.

GLOBALISATION. We look at relative property price movements between New Zealand, the US, UK and Australia in recognition of the important role that global factors are playing in NZ's property cycle.

HOUSING SUPPLY. We look at the supply of housing listed on the market, recorded as the number of months needed to clear the housing stock. A high figure indicates that buyers have the upper hand.

RENTAL GROWTH. We look at growth in the median market rent as an indication of whether it is a better time to buy versus rent, and how rental yields are shaping up for the property investor.

Indicator	Level	Direction for prices	Comment
Affordability	Chasing your tail	↔/↓	Prices are still going up and affordability is worsening – but with regional differences.
Serviceability/ indebtedness	Hard work	↔/↓	Lower fixed mortgage interest rates are helping, but debt servicing to income ratios are high.
Interest rates / RBNZ	Drifting down	↔/↑	Further falls in fixed rates are inverting the borrowing curve.
Migration	Peaking	↔/↑	Another annual record high, though momentum is slowing.
Supply-demand balance	Akld vs Rest of NZ	↔/↑	Still a shortage, with regional dimensions. Most regions have a surfeit of supply; Auckland has a massive shortage.
Consents and house sales	Work to do	↔/↑	Consent issuance recovering but remains below historical averages. Needs to do better.
Liquidity	Basing	↔	Credit is increasing as a share of (decelerating) nominal GDP. Housing credit growth is roughly in line with household incomes.
Globalisation	In synch	↔	Major cities booming, other centres less so.
Housing supply	Low	↔/↑	Still tight, but watching listings for signs of a regulation impact.
Median rent	Yield drop	↓	Rents failing to keep pace with annual house price inflation.
On balance	**Toppy**	↔	**Initial momentum, but will be looking for signs of a policy impact on sentiment.**

PROPERTY GAUGES

FIGURE 1: HOUSING AFFORDABILITY

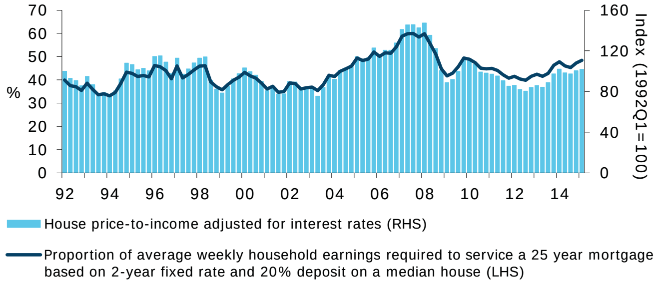


FIGURE 2: SERVICEABILITY AND INDEBTEDNESS

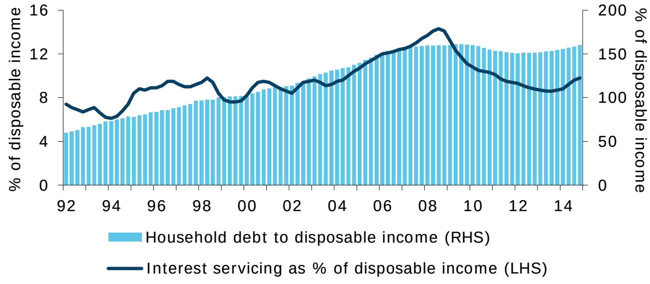


FIGURE 3: NEW CUSTOMER AVERAGE RESIDENTIAL MORTGAGE RATE (<80% LVR)

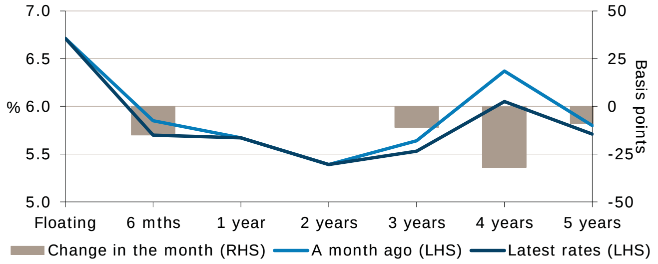


FIGURE 4: NET MIGRATION

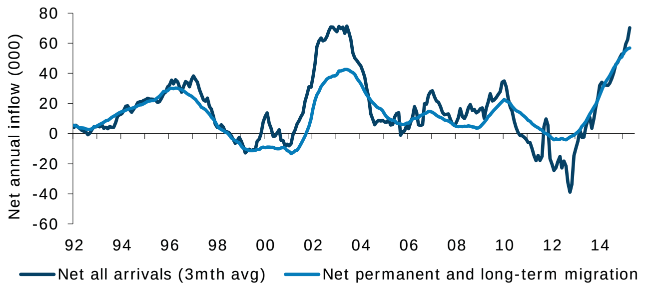


FIGURE 5: HOUSING SUPPLY-DEMAND BALANCE

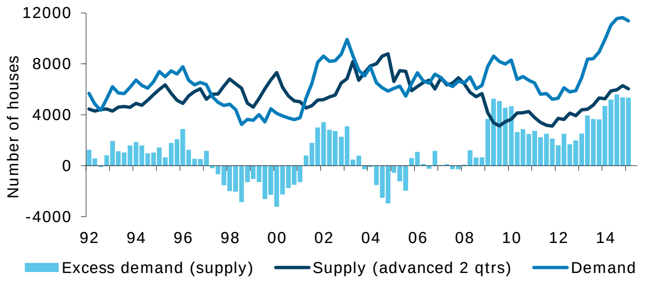


FIGURE 6: BUILDING CONSENTS AND HOUSE SALES

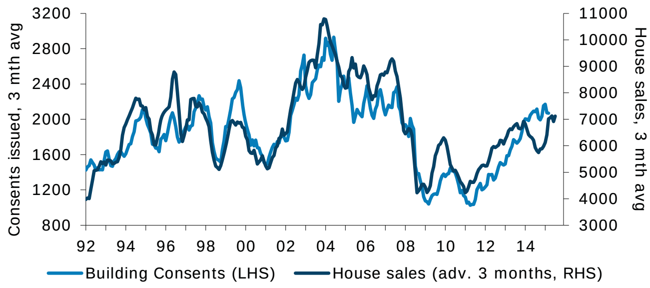


FIGURE 7: LIQUIDITY AND HOUSE PRICES

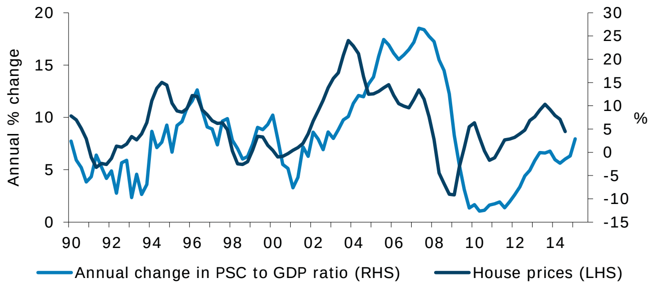


FIGURE 8: HOUSE PRICE INFLATION COMPARISON

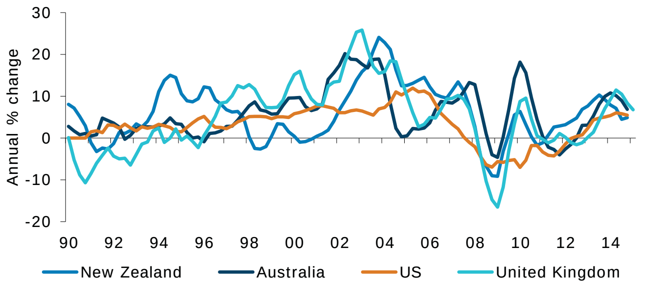


FIGURE 9: HOUSING SUPPLY

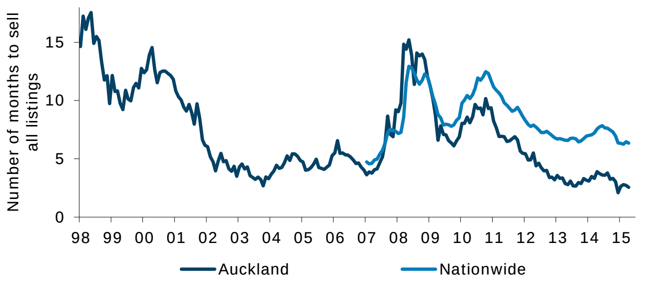
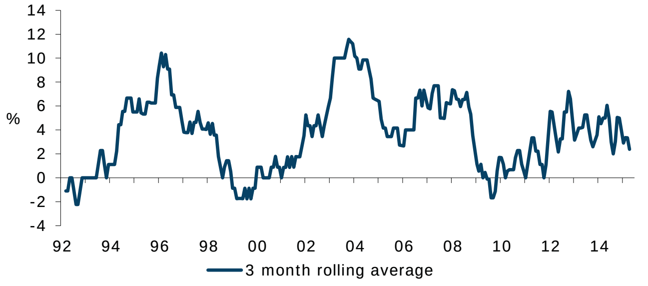


FIGURE 10: MEDIAN RENTAL, ANNUAL GROWTH



Source: Statistics NZ, REINZ, RBNZ, www.interest.co.nz, QVNZ, Nationwide, Bloomberg, Barfoot & Thompson, www.realestate.co.nz, Department of Building and Housing, ANZ

ECONOMIC OVERVIEW

SUMMARY

The economic outlook remains reasonably solid, supported by low interest rates, a construction pipeline, booming net migration and surging house prices. However, headwinds in the form of a high NZD and stresses in dairy cash-flow have clearly altered the risk profile. Inflation is being suppressed by structural as well as transitory factors. Policy-makers are taking a multi-pronged approach to tackling Auckland housing demand, with the speed and apparent coordination of measures notable. While uncertainty surrounds the precise impact, we suspect the effect will be stark given the extent of Auckland house price movements of late. At a time of other challenges (dairy) and low inflation, it reinforces our view that the OCR is heading lower, and sooner rather than later.

SHIFTING RISK PROFILE

The economic outlook remains reasonably solid, with supports including low interest rates, the still-elevated goods terms of trade, a long construction sector pipeline, infrastructure investment and the demand for more dwellings in Auckland. Net permanent and long-term migration is at a record high, equivalent to 1.2% of the resident population, benefiting both the demand and supply sides of the economy. Confidence remains elevated and employment growth has been significant, with the economy adding 75,000 jobs over the past 12 months.

The economy is slowing, but this not only reflects emerging headwinds; there are capacity constraints at work as well. Finding the right staff is now a major challenge for small-to-medium sized businesses. After growing solidly for the past few years, economies invariably level out at a more modest rate of expansion. Observers tend to overplay such a deceleration, forgetting that economies invariably perform more strongly early in an upswing (you bounce strongly off lows, partly because hitting lows tends to reflect a sharp contraction in activity, so there is a springboard effect in operation), but level out once momentum hits a certain level.

However, not all parts of the economy are firing and the risk profile has shifted. Headwinds in the form of a high NZD and contractionary fiscal policy are well known and have been around for the while. The global scene remains fractured and volatile despite historically low policy interest rates. The US economy is set to strengthen from its winter-induced lull, while growth in Europe is tepid despite very accommodative financial conditions. Growth in China is slowing, with authorities employing further monetary and fiscal stimulus. Export commodity prices are copping the flak and are falling. Pressure is mounting on the dairy sector and anecdotes for the forestry sector have also weakened. We expect a $5.00-$5.25 per kg MS Fonterra milk price for the 2015/16 season; that's below breakeven. The economic hit is substantial. The NZD is not aligning itself to broader terms of trade and export commodity price trends, placing additional stresses on exporting and import-competing sectors.

Policymakers on both sides of the Terrace are taking a multi-pronged approach to tackling Auckland housing demand. The speed and apparent coordination of measures is notable. All of a sudden, there is much more coordination between officials across the Government and Reserve Bank. It is also telling that we have seen such a breadth of policy responses in such a short space of time. Auckland property prices have increased by two thirds over the last five years, and by a third in the last two – a stretched base off which to keep accelerating. While uncertainty surrounds the precise impact of the measures, we suspect the effect will be stark given the extent of house price movements of late. Sentiment could turn quickly, and we will be paying particularly close attention to surveyed measures of house price expectations and to the number of property listings over the coming months, which could rise sharply as sellers try to beat the 1 October introduction of the new measures.

Readings from the wage and pricing side of the economy remain benign considering the performance of the economy. There is certainty asset price inflation but no broader inflation. Annual CPI inflation fell to 0.1%, a 15-year low. Core inflation at 1.3% was the equal-lowest on record and marked the 21st consecutive quarter it has been below the target midpoint. We are watching our Monthly Inflation Gauge for further signs of subdued pricing pressure. **Strong growth has failed to bring about the anticipated rise in inflation.** Some are pointing to transitory factors such as the high NZD and lower petrol prices as reasons why inflation is low. These factors have certainly contributed. But core measures are subdued too and non-tradable (domestic inflation) has receded. There looks to be structural forces at play too.

We expect the RBNZ to lower the OCR. On some levels they should be cautious. Low interest rates risks turbo-charge housing further. Inflation could pick up as the NZD falls. However, core inflation is low. The NZD is not going down fast given the yield differential to offshore. The risk profile across the economy has clearly shifted; dairying faces tough times and Christchurch's stimulus is fading. And we now have risks surrounding how the property market will respond to recent steps. Cutting the OCR is a cheap insurance policy to manage emerging risks.

MORTGAGE BORROWING STRATEGY

SUMMARY

This month has seen further cuts in fixed mortgage interest rates and a flattening in the borrowing curve. Larger cuts were evident in standard mortgage rates, particularly for longer terms. Fixed rates offered by the major banks remain below current carded variable rates. With OCR cuts likely on offer at some stage, a mixture of fixed terms ranging from 6 months to 1 years looks to provide a low rate while leaving open the option of taking advantage of any further falls in mortgage interest rates. For low-deposit borrowers, opting for a series of shorter-term fixed rates also looks particularly attractive.

OUR VIEW

The past month has seen falls in both carded special and standard fixed mortgage interest rates. Falls have been more significant for standard mortgage rates, with the average carded rate for the "big four" banks around 25bps to 70bps lower than it was a month ago, with larger falls for longer maturities. "Special" rates on offer for borrowers with at least a 20% deposit have eased by a small margin, on average. As such, the "gap" between standard and "special" rates has narrowed considerably.

The increasing prospect of OCR cuts has contributed to falls in short-term fixed rates, with the six month rate the lowest in over a year. The six month rate remains the lowest standard rate on offer, whereas borrowers qualifying for "special" carded rates still face a U-shaped borrowing curve, with rates higher on either side of the one to two year window (see chart).

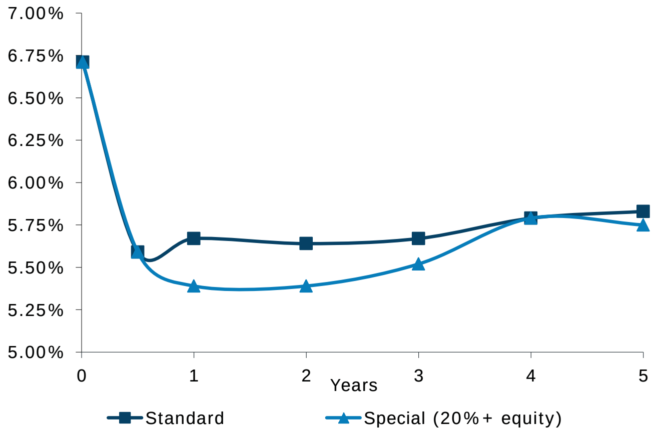
As always, **borrowers have a number of options.** They could pay a premium to be on floating (unless discounts are offered), fix for longer terms at a historically low rate, fix for shorter periods, or a combination of all of the above. **The decision to fix always depends on the circumstances of the borrower, but our breakeven analysis may help shed some light.** The top table shows that the carded one and two year rates for 20%+ deposit borrowers are currently the lowest on offer for this group. While fixing for two years would provide more certainty to borrowers, we believe there is scope for fixed rates to move lower in the next few months, considering we expect 50 basis points of OCR cuts within the next 12 months.

Longer-term rates are historically low, but locking in a rate now prevents borrowers from taking advantage of any further falls in mortgage interest rates. Our breakeven analysis suggests that the 3 year rate would have to rise to close to 6% in two years' time to work out cheaper than the five year rate. With the OCR heading down, there is scope for further falls locally, and borrowers may therefore want to consider fixing a portion of their lending at shorter maturities. The breakeven analysis also suggests low-deposit borrowers would likely be better placed focusing their borrowing on shorter terms.

^ *Sourced from interest.co.nz*

AVERAGE CARDED MORTGAGE RATES^

Current rates



Average Mortgage Rates*		Breakevens for 20%+ equity borrowers			
Term	**Current**	**in 6mths**	**in 1yr**	**in 18mths**	**in 2 yrs**
Floating	6.71%				
6 months	5.59%	5.19%	5.39%	5.39%	5.72%
1 year	5.39%	5.29%	5.39%	5.55%	5.78%
2 years	5.39%	5.42%	5.59%	5.85%	6.19%
3 years	5.52%	5.67%	5.92%	5.96%	5.99%
4 years	5.79%	5.67%	5.92%	5.96%	5.99%
5 years	5.75%	*Average of "big four" banks			

Low-Equity Rates		Breakevens for standard mortgage rates*			
Term	**Current**	**in 6mths**	**in 1yr**	**in 18mths**	**in 2 yrs**
Floating	6.71%				
6 months	5.59%	5.75%	5.63%	5.60%	5.72%
1 year	5.67%	5.69%	5.61%	5.66%	5.73%
2 years	5.64%	5.67%	5.67%	5.79%	5.94%
3 years	5.67%	5.75%	5.83%	5.89%	5.96%
4 years	5.79%	5.84%	5.87%		
5 years	5.83%	*may be subject to a low equity fee			

FEATURE ARTICLE: RBNZ AND GOVERNMENT HOUSING MEASURES

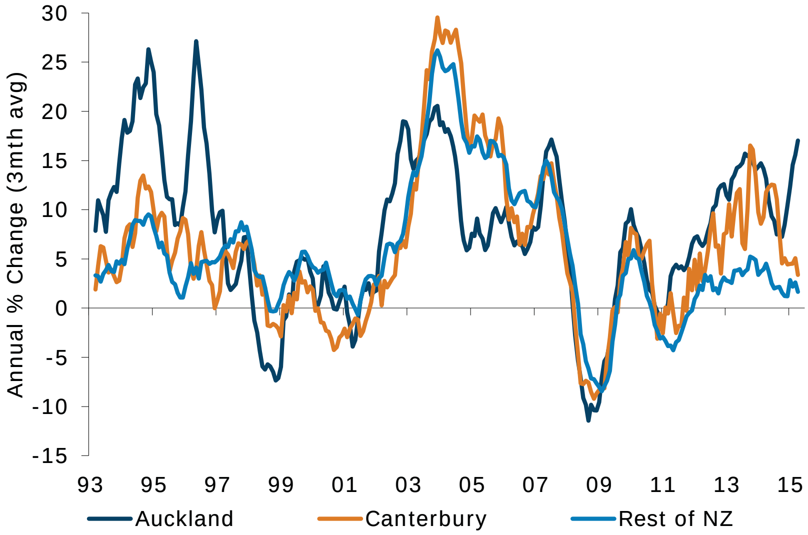
SUMMARY

The last month has seen material policy shifts on the part of both the Reserve Bank and Government to more explicitly target the demand side of the Auckland property market. While these measures are not due to take effect until October, and increased dwelling supply is needed to address the regional housing shortfall, they have scope to significantly slow demand. We suspect we may be approaching a turning point for the Auckland housing market.

IN THE CROSS HAIRS

Policymakers have the Auckland property market in the cross-hairs. Auckland house prices have increased by two thirds over the last five years, and have risen by one third over the last two years, considerably outstripping growth in other regions. With the Auckland housing stock now valued at more than double our nationwide GDP, a regional issue has nationwide implications, with risks to both wider economic activity and financial stability, particularly if the boom is followed by a bust. Policymakers from both sides of The Terrace in Wellington have sprung into action, with a number of material announcements made recently, which will take effect from 1 October.

FIGURE 1. HOUSE PRICE INFLATION BY REGION



Source: ANZ, REINZ

PROPOSED RBNZ MEASURES

In the May *Financial Stability Report* the RBNZ outlined pending changes to the loan-to-value ratio (LVR) speed limit policy that has been in place since October 2013.

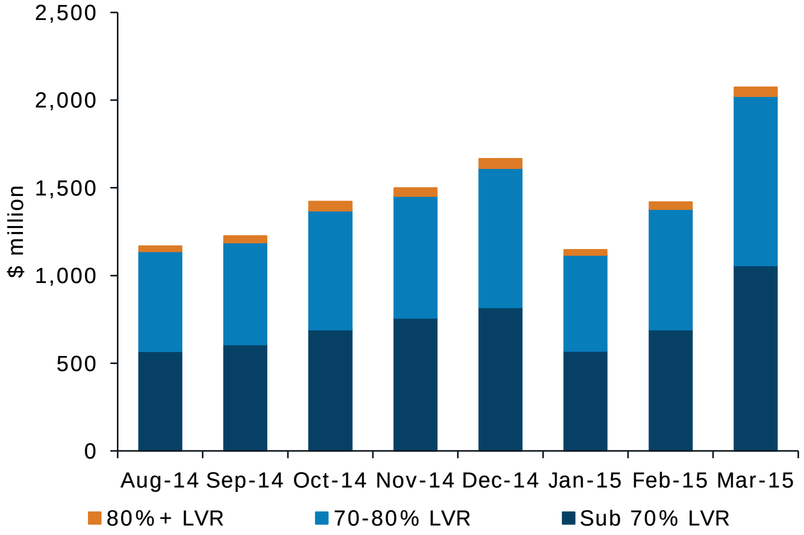
The current speed limits restricted the share of new bank lending to 10% for borrowers with a less than 20% deposit. While these limits have comfortably been met, this has largely come at the expense of potential first home buyers. RBNZ figures suggest that investors currently account for around one-third of the value of new mortgage lending, with first home buyers at around 9%.

Viewing the equity split of new borrowing by investors in Figure 2 clearly shows that the bulk of the borrowing is by higher-equity investors. Less than three percent of the value of mortgage borrowing by investors of late has been by those with less than 20% equity. This compares with around 47% of the value of investor mortgages with deposits between 20% and 30%, and slightly more than half of the value of investor loans secured on more than 30% equity. While regional breakdowns are not published, the RBNZ's view is that due to more investor demand, the current LVR speed limits are now playing a much weaker role in dampening house price growth in Auckland compared to other parts of the country.

FEATURE ARTICLE: RBNZ AND GOVERNMENT HOUSING MEASURES

The RBNZ are concerned that the sharp rise in Auckland property prices has increased the risks of a house price correction, which would have an adverse impact on economic and financial stability. The RBNZ cited evidence from the US, UK and Ireland that both high debt-to-income owner occupiers and leveraged investors have relatively high default rates during severe housing downturns versus lower debt-to-income owner occupiers.

FIGURE 2. INVESTOR BORROWING BY LVR



Source: ANZ, RBNZ

Reflecting the Auckland-specific nature of the current uplift in house prices, and the perceived impact that property investors are having in contributing to this buoyancy, **the incoming measures were more targeted than the broad-brush approach of the original speed limits.** Their aim is to lean more against investor demand for Auckland property, whilst relaxing the impact of the speed limit criteria outside of the Auckland region.

From 1 October, borrowers purchasing residential investment properties (which the RBNZ currently define as property that is not owner-occupied – a consultation paper is due later this month which we expect will finalise this definition) in the Auckland Council area **will require a deposit of at least 30% (i.e. an LVR<70%).** Currently 90% of bank lending must be at an LVR under 80%, with a 10% "speed limit" on riskier lending. Thus, the speed limit for this form of borrowing is now "close to zero" – and the net is cast wider given the 70% LVR restriction as opposed to the previous 80% level.

It was also announced that LVR restrictions for Auckland owner occupiers will be unchanged (90% of borrowers must be under 80% LVR: a 10% speed limit), while outside of Auckland the speed limit on LVRs over 80% was lifted from 10% to 15% of new lending for residential property lending, i.e. 85% of borrowers must be at an LVR under 80%.

While the new measures do not take effect until October, the RBNZ reiterated that banks would be expected to immediately adhere to the underlying "spirit" of the new changes, as they did prior to the introduction of the LVR speed limits in October 2013.

The RBNZ is also establishing a new asset class for bank loans to residential property investors, with banks expected to hold more capital against this asset class, reflecting their higher perceived risks of default. The new asset class will also take effect from October for new lending, with a phasing in period of nine months for existing loans. We are accordingly likely to see more tiered pricing, with higher mortgage interest rates for property investors than for owner occupiers, reflecting the increased cost to the lenders of financing such lending. It's uncertain at present over what the "gap" between owner occupiers and residential investment loans will be, but our suspicion is something in the order of 10-25bps.

FEATURE ARTICLE: RBNZ AND GOVERNMENT HOUSING MEASURES

BUDGET 2015 MEASURES

In the weekend prior to the Budget the Government also unveiled a number of proposals designed to soften the Auckland residential property market. Like the RBNZ proposals, these were aimed at slowing property investor demand, with the measures targeted at speculators and offshore buyers**.**

From October, a new 'bright line' test will be applied on gains made by residential property investors who sell their properties within two years of purchase. Over the two-year window the new test supersedes the current IRD approach, which is based on the intentions of the seller when they bought the property – a difficult thing to prove. If the property is sold within two years of purchase under the new policy, the intent on the part of the seller is now irrelevant – it is simply assumed to have been capital gain – and any gain will be taxed at the seller's marginal tax rate. According to the press statement announcing this policy, the measures will not be retrospective, with property purchased prior to October 2015 assumed to not be subject to the two year rule. Nevertheless, the current IRD approach still applies, and if an investor acquired the property for the purpose of sale, they will be taxed on their gains. Sales of the seller's main home, sales inherited from a deceased estate, or properties transferred as part of a relationship property settlement will be exempt.

The new rules will also apply to non-residents. They will also have to open a New Zealand bank account, and provide an IRD number and their home tax identification details, with a view to complying with full anti-money laundering rules. Such steps hint of targeting the "grey" money channels (think those 'wads of cash' buyers). The rules may have the effect of dissuading some foreign investment in New Zealand residential property.

Not only are the bureaucratic/transparency requirements heightened, but **a withholding tax on all foreign investors selling property was explicitly mooted as a possibility down the track (mid-2016).** This appears to be designed to force foreign investors into the tax net at the outset (i.e. when they sell). Investors can then seek to recover any withholding tax by filing a New Zealand tax return (where they will effectively have the burden of proof that they are not in the "speculators" camp).

The IRD is to receive additional funding in the Budget to more actively enforce the "passive" nature of the current regime – so that selling a property after two years and one day a seller is still likely to be tested against the "intent" yardstick. An additional $29m over the next five years has been earmarked for property tax compliance, which is expected to raise $420m.

While not confirmed yet, **the Government is also considering giving even more points to immigrant investors, entrepreneurs and skilled migrants who are willing to settle outside of Auckland.** At present migration to a region apart from Auckland is worth 10 bonus points under the skilled migrant category (100 points are needed to go into the eligible pool).

As well as trying to cool investor demand, **the Government remain focused on increasing the supply of dwellings in the Auckland region.** This is via a collection of initiatives, including pushing forward with the addition of around 41,000 additional dwellings or building sites over the next 10 years in special housing areas, more funding for developing Crown-owned land in Auckland for housing development, addressing regulatory bottlenecks and cutting through red tape, and looking to boost the supply-side performance in the construction sector. Each of these initiatives is not a silver bullet on its own, but collectively they will have an impact.

There looks to suddenly be much more coordination between officials when previously it appeared as though they were at loggerheads. In mid-April, the Government made some comments on interest rates that, while not necessarily undermining the RBNZ's independence, certainly made it clear what their views were. Arguably in response, RBNZ Deputy Governor Spencer made reference to the need to use the tax system more to target the demand for housing and create some form of registry for non-resident buyers. Certainly there was a bit of tit-for-tat rhetoric going on. But it is uncanny how these recent announcements close the gap in views. **Obviously the RBNZ and Government have been liaising and it all hints of things moving fast of late.**

FEATURE ARTICLE: RBNZ AND GOVERNMENT HOUSING MEASURES

COMMENT AND ASSESSMENT

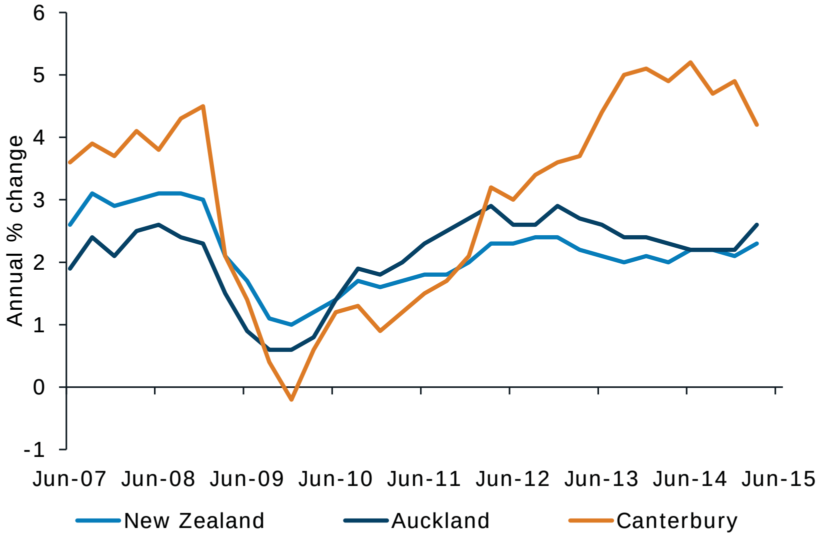
The precise economic impact of all these changes is difficult to disentangle. There is a lot of uncertainty surrounding the precise application, and there are a number of moving parts. However, we can make some brief observations, focusing on the spirit.

REINZ figures suggest there were around 30,000 residential sales in the Auckland region over the past 12 months. Assuming a similar number of sales over the next 12 months and that the sales share to investors remains at 40%, this equates to around 12,000 sales per annum. **Assuming Auckland sales have similar LVR characteristics as the nationwide average, slightly more than 5,000 Auckland sales per year could potentially be impacted by this 70% LVR restriction, which is around 17% of total Auckland sales volumes.** Whilst tight inventory levels, booming net immigration and low mortgage interest rates are likely to ensure still strong demand for Auckland property, such a sizeable potential impact is nothing to be sneezed at.

The initiatives don't apply until 1 October 2015, and that may distort behaviour in the meantime. Some sellers may rush to get out while the going is good. Some would-be investors may also try to skirt the borrowing restrictions by getting in now. But we expect to see behavioural shifts straight away. The RBNZ has already made it clear that it expects banks to work within the spirit of the changes immediately and we are sure it will be monitoring bank behaviour closely. On net, then, **it seems likely the changes could tilt the balance in favour of additional supply over coming months**, further reinforcing the impact on sentiment and house price expectations. We will be paying particularly close attention to the number of property listings over the coming months.

More active investor demand management won't fix the real shortfall of houses relative to Auckland's population. However, the subdued nature of rental increases in Auckland (CPI rents were up just 2.6% over the 12 months to March) tells us the supply shortage thesis is not the only game in town; demand has also been fuelled by unrealistic expectations of ongoing price increases. Rental yields in Auckland (sub 4%) remain well below current (and historically low) mortgage interest rates. Ironically, higher rents could help push annual CPI inflation closer to the midpoint of the inflation target.

FIGURE 3. REGIONAL CPI RENTAL INFLATION



Source: ANZ, Statistics NZ

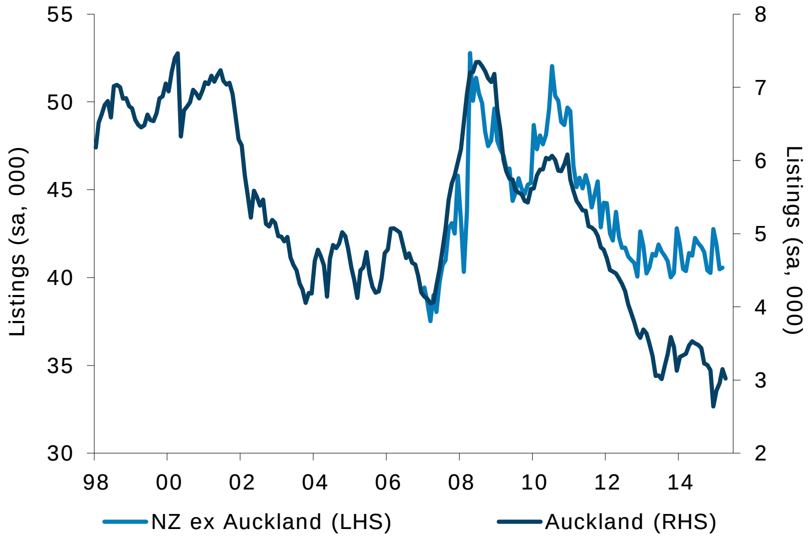
The Auckland market is primed to soften. Prices have risen by a third in two years and by two-thirds in five years. That's a pretty stretched base to keep accelerating off, especially with major sources of buyer "demand" now being targeted. At the very least, sentiment will be negatively affected and sentiment is a crucial element of any asset market. Ultimately, we suspect this will mark a turning point for the Auckland housing market.

FEATURE ARTICLE: RBNZ AND GOVERNMENT HOUSING MEASURES

It is telling that we have seen such a breadth of policy responses in such a short space of time. We can point to the obvious financial stability justification (RBNZ) or politics (housing affordability, foreign buyers, the debate on whether we need a capital gains tax etc) but let's not forget the currency too, with Auckland property one factor keeping the OCR higher than would otherwise be the case. Given commodity price falls, New Zealand needs a lower currency and only interest rate cuts will do that. You can't simply dangle the possibility of cuts if you really want the currency down. Auckland property was a big hurdle standing between the Reserve Bank and a lower OCR.

It's not only about financial stability and housing affordability concerns. Given its size and importance, any action aimed at the Auckland property market has real implications for the broader economy and monetary policy. **New Zealand is often perceived as a three-shot wonder growth-wise:** Auckland housing, Christchurch's rebuild, and dairying. Strictly speaking we think the story is broader than those alone, but each is still significant. Right now, dairying is facing a cash squeeze that will last until 2017. Christchurch's rebuild is ongoing but the boost is waning, and with the housing market cooling and rents starting to recede in the region, the inflationary risk here is turning into a deflationary one. And now we have the Auckland property market under a multi-pronged policymaker attack. **The airplane is progressively losing engines.**

FIGURE 4. REGIONAL PROPERTY LISTINGS



Source: ANZ, Barfoot & Thompson, realestate.co.nz

We suspect there is enough economic muscle across the wider economy to cope with these additional headwinds, but it adds to the shifting risk profile. Importantly, **the RBNZ must be cognisant of economic risks around their central projection when it comes to setting policy.**

KEY FORECASTS

Weekly mortgage repayments table (based on 25-year term)

Mortgage Size ($'000)	Mortgage Rate (%)													
	5.00	5.25	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50	7.75	8.00	8.25
200	270	276	283	290	297	304	311	319	326	333	341	348	356	364
250	337	345	354	363	371	380	389	398	407	417	426	435	445	455
300	404	415	425	435	446	456	467	478	489	500	511	522	534	545
350	472	484	496	508	520	532	545	558	570	583	596	610	623	636
400	539	553	566	580	594	608	623	637	652	667	682	697	712	727
450	607	622	637	653	669	684	701	717	733	750	767	784	801	818
500	674	691	708	725	743	761	778	797	815	833	852	871	890	909
550	741	760	779	798	817	837	856	876	896	917	937	958	979	1,000
600	809	829	850	870	891	913	934	956	978	1,000	1,022	1,045	1,068	1,091
650	876	898	920	943	966	989	1,012	1,036	1,059	1,083	1,108	1,132	1,157	1,182
700	944	967	991	1,015	1,040	1,065	1,090	1,115	1,141	1,167	1,193	1,219	1,246	1,273
750	1,011	1,036	1,062	1,088	1,114	1,141	1,168	1,195	1,222	1,250	1,278	1,306	1,335	1,364
800	1,078	1,105	1,133	1,160	1,188	1,217	1,246	1,274	1,304	1,333	1,363	1,393	1,424	1,454
850	1,146	1,174	1,204	1,233	1,263	1,293	1,323	1,354	1,385	1,417	1,448	1,480	1,513	1,545
900	1,213	1,244	1,274	1,306	1,337	1,369	1,401	1,434	1,467	1,500	1,534	1,567	1,602	1,636
950	1,281	1,313	1,345	1,378	1,411	1,445	1,479	1,513	1,548	1,583	1,619	1,655	1,691	1,727
1000	1,348	1,382	1,416	1,451	1,486	1,521	1,557	1,593	1,630	1,667	1,704	1,742	1,780	1,818

Housing market indicators for April 2015 (based on REINZ data)

	House prices (ann % change)	3mth % change	No of sales (sa)	Mthly % change	Avg days to sell (sa)	Comment
Northland	-1.1	0.0	242	+34%	66	Sales volumes the highest since April 2007.
Auckland	17.9	5.0	2,801	-1%	30	House price inflation rising, volumes up 25% y/y.
Waikato/BOP/Gisborne	0.6	-2.4	1,241	+8%	46	Days to sell still historically low, volumes up 54% y/y.
Hawke's Bay	13.7	-0.4	232	+3%	46	Median sales price at 14-month high, volumes +38% y/y.
Taranaki	-3.5	-2.4	300	+6%	51	Prices flat, days to sell down, volumes up 31% y/y.
Manawatu/Whanganui	-3.7	1.9	162	-4%	50	Days to sell up, prices down, volumes +19%y/y.
Wellington	-1.4	-1.0	715	-2%	40	Prices down, days to sell up, volumes +22% y/y.
Nelson/Marlborough	-0.8	1.9	226	-3%	46	Prices flat, days to sell at 6-month high.
Canterbury/Westland	7.8	3.4	824	-4%	32	Days to sell flat, prices up, volume growth low at 6% y/y.
Central Otago Lakes	19.6	6.0	135	+2%	47	Volumes up 45% y/y, Prices close to record highs.
Otago	7.8	2.8	259	+10%	36	Days to sell at new 2015 high, volumes up 32% y/y.
Southland	5.9	-0.8	155	0%	48	Volumes up 27% y/y, days to sell down, prices up.
NEW ZEALAND	5.2	1.4	7,233	+0%	34	Sales 28% y/y, days to sell at 12-month low.

Key forecasts

	Actual			Forecast						
Economic indicators	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16
GDP (Ann Avg % Chg)	2.9	3.3	3.3(e)	3.2	3.2	3.1	3.1	3.1	3.0	2.9
CPI Inflation (%)	1.0	0.8	0.1	0.2	0.3	0.5	1.3	1.4	1.6	1.8
Unemployment Rate (%)	5.5	5.8	5.8	5.8	5.7	5.6	5.6	5.5	5.5	5.5
	Actual			Forecast (end month)						
Interest rates (carded)	Mar-15	Apr-15	Latest	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16
Official Cash Rate	3.50	3.50	3.50	3.25	3.00	3.00	3.00	3.00	3.00	3.25
90-Day Bank Bill Rate	3.6	3.6	3.4	3.2	3.1	3.1	3.1	3.1	3.2	3.6
Floating Mortgage Rate	6.6	6.6	6.6	6.3	6.1	6.1	6.1	6.1	6.1	6.3
1-Yr Fixed Mortgage Rate	5.8	5.6	5.4	5.2	5.1	5.2	5.3	5.4	5.4	5.7
2-Yr Fixed Mortgage Rate	6.0	5.7	5.4	5.3	5.2	5.3	5.7	6.0	6.0	6.2
5-Yr Fixed Mortgage Rate	6.5	6.2	5.9	5.8	5.6	5.6	5.8	6.0	6.1	6.2

IMPORTANT INFORMATION

The distribution of this document or streaming of this video broadcast (as applicable, "publication") may be restricted by law in certain jurisdictions. Persons who receive this publication must inform themselves about and observe all relevant restrictions.

1. Disclaimer for all jurisdictions, where content is authored by ANZ Research:

Except if otherwise specified in section 2 below, this publication is issued and distributed in your country/region by Australia and New Zealand Banking Group Limited (ABN 11 005 357 522) ("ANZ"), on the basis that it is only for the information of the specified recipient or permitted user of the relevant website (collectively, "recipient"). This publication may not be reproduced, distributed or published by any recipient for any purpose. It is general information and has been prepared without taking into account the objectives, financial situation or needs of any person. Nothing in this publication is intended to be an offer to sell, or a solicitation of an offer to buy, any product, instrument or investment, to effect any transaction or to conclude any legal act of any kind. If, despite the foregoing, any services or products referred to in this publication are deemed to be offered in the jurisdiction in which this publication is received or accessed, no such service or product is intended for nor available to persons resident in that jurisdiction if it would be contradictory to local law or regulation. Such local laws, regulations and other limitations always apply with non-exclusive jurisdiction of local courts. Certain financial products may be subject to mandatory clearing, regulatory reporting and/or other related obligations. These obligations may vary by jurisdiction and be subject to frequent amendment. Before making an investment decision, recipients should seek independent financial, legal, tax and other relevant advice having regard to their particular circumstances.

The views and recommendations expressed in this publication are the author's. They are based on information known by the author and on sources which the author believes to be reliable, but may involve material elements of subjective judgement and analysis. Unless specifically stated otherwise: they are current on the date of this publication and are subject to change without notice; and, all price information is indicative only. Any of the views and recommendations which comprise estimates, forecasts or other projections, are subject to significant uncertainties and contingencies that cannot reasonably be anticipated. On this basis, such views and recommendations may not always be achieved or prove to be correct. Indications of past performance in this publication will not necessarily be repeated in the future. No representation is being made that any investment will or is likely to achieve profits or losses similar to those achieved in the past, or that significant losses will be avoided. Additionally, this publication may contain 'forward looking statements'. Actual events or results or actual performance may differ materially from those reflected or contemplated in such forward looking statements. All investments entail a risk and may result in both profits and losses. Foreign currency rates of exchange may adversely affect the value, price or income of any products or services described in this publication. The products and services described in this publication are not suitable for all investors, and transacting in these products or services may be considered risky. ANZ and its related bodies corporate and affiliates, and the officers, employees, contractors and agents of each of them (including the author) ("Affiliates"), do not make any representation as to the accuracy, completeness or currency of the views or recommendations expressed in this publication. Neither ANZ nor its Affiliates accept any responsibility to inform you of any matter that subsequently comes to their notice, which may affect the accuracy, completeness or currency of the information in this publication.

Except as required by law, and only to the extent so required: neither ANZ nor its Affiliates warrant or guarantee the performance of any of the products or services described in this publication or any return on any associated investment; and, ANZ and its Affiliates expressly disclaim any responsibility and shall not be liable for any loss, damage, claim, liability, proceedings, cost or expense ("Liability") arising directly or indirectly and whether in tort (including negligence), contract, equity or otherwise out of or in connection with this publication.

If this publication has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. ANZ and its Affiliates do not accept any Liability as a result of electronic transmission of this publication.

ANZ and its Affiliates may have an interest in the subject matter of this publication as follows:

- They may receive fees from customers for dealing in the products or services described in this publication, and their staff and introducers of business may share in such fees or receive a bonus that may be influenced by total sales.
- They or their customers may have or have had interests or long or short positions in the products or services described in this publication, and may at any time make purchases and/or sales in them as principal or agent.
- They may act or have acted as market-maker in products described in this publication.

ANZ and its Affiliates may rely on information barriers and other arrangements to control the flow of information contained in one or more business areas within ANZ or within its Affiliates into other business areas of ANZ or of its Affiliates.

Please contact your ANZ point of contact with any questions about this publication including for further information on these disclosures of interest.

2. Country/region specific information:

Australia. This publication is distributed in Australia by ANZ. ANZ holds an Australian Financial Services licence no. 234527. A copy of ANZ's Financial Services Guide is available at http://www.anz.com/documents/AU/aboutANZ/FinancialServicesGuide.pdf and is available upon request from your ANZ point of contact. If trading strategies or recommendations are included in this publication, they are solely for the information of 'wholesale clients' (as defined in section 761G of the Corporations Act 2001 Cth). Persons who receive this publication must inform themselves about and observe all relevant restrictions.

Brazil. This publication is distributed in Brazil by ANZ on a cross border basis and only following request by the recipient. No securities are being offered or sold in Brazil under this publication, and no securities have been and will not be registered with the Securities Commission – CVM.

Brunei. Japan. Kuwait. Malaysia. Switzerland. Taiwan. This publication is distributed in each of Brunei, Japan, Kuwait, Malaysia, Switzerland and Taiwan by ANZ on a cross-border basis.

European Economic Area ("EEA"): United Kingdom. ANZ in the United Kingdom is authorised by the Prudential Regulation Authority ("PRA"). Subject to regulation by the Financial Conduct Authority ("FCA") and limited regulation by the PRA. Details about the extent of our regulation by the PRA are available from us on request. This publication is distributed in the United Kingdom by ANZ solely for the information of persons who would come within the FCA definition of "eligible counterparty" or "professional client". It is not intended for and must not be distributed to any person who would come within the FCA definition of "retail client". Nothing here excludes or restricts any duty or liability to a customer which ANZ may have under the UK Financial Services and Markets Act 2000 or under the regulatory system as defined in the Rules of the PRA and the FCA. **Germany.** This publication is distributed in Germany by the Frankfurt Branch of ANZ solely for the information of its clients. **Other EEA countries.** This publication is distributed in the EEA by ANZ Bank (Europe) Limited ("ANZBEL") which is authorised by the PRA and regulated by the FCA and the PRA in the United Kingdom, to persons who would come within the FCA definition of "eligible counterparty" or "professional client" in other countries in the EEA. This publication is distributed in those countries solely for the information of such persons upon their request. It is not intended for, and must not be distributed to, any person in those countries who would come within the FCA definition of "retail client".

Fiji. For Fiji regulatory purposes, this publication and any views and recommendations are not to be deemed as investment advice. Fiji investors must seek licensed professional advice should they wish to make any investment in relation to this publication.

Hong Kong. This publication is distributed in Hong Kong by the Hong Kong branch of ANZ, which is registered at the Hong Kong Monetary Authority to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities. The contents of this publication have not been reviewed by any regulatory authority in Hong Kong. If in doubt about the contents of this publication, you should obtain independent professional advice.

India. This publication is distributed in India by ANZ on a cross-border basis. If this publication is received in India, only you (the specified recipient) may print it provided that before doing so, you specify on it your name and place of printing. Further copying or duplication of this publication is strictly prohibited.

IMPORTANT INFORMATION

Myanmar. This publication is intended to be of a general nature as part of customer service and marketing activities provided by ANZ in the course of implementing its functions as a licensed bank. This publication does not take into account your financial situation or goals and is not Securities Investment Advice (as that term is defined in the Myanmar Securities Transaction Law 2013). The contents of this publication have not been reviewed by any regulatory authority in Myanmar. If in doubt about the contents of this publication, you should obtain independent professional advice.

New Zealand. This publication is intended to be of a general nature, does not take into account your financial situation or goals, and is not a personalised adviser service under the Financial Advisers Act 2008.

Oman. This publication has been prepared by ANZ. ANZ neither has a registered business presence nor a representative office in Oman and does not undertake banking business or provide financial services in Oman. Consequently ANZ is not regulated by either the Central Bank of Oman or Oman's Capital Market Authority. The information contained in this publication is for discussion purposes only and neither constitutes an offer of securities in Oman as contemplated by the Commercial Companies Law of Oman (Royal Decree 4/74) or the Capital Market Law of Oman (Royal Decree 80/98), nor does it constitute an offer to sell, or the solicitation of any offer to buy non-Omani securities in Oman as contemplated by Article 139 of the Executive Regulations to the Capital Market Law (issued vide CMA Decision 1/2009). ANZ does not solicit business in Oman and the only circumstances in which ANZ sends information or material describing financial products or financial services to recipients in Oman, is where such information or material has been requested from ANZ and by receiving this publication, the person or entity to whom it has been dispatched by ANZ understands, acknowledges and agrees that this publication has not been approved by the CBO, the CMA or any other regulatory body or authority in Oman. ANZ does not market, offer, sell or distribute any financial or investment products or services in Oman and no subscription to any securities, products or financial services may or will be consummated within Oman. Nothing contained in this publication is intended to constitute Omani investment, legal, tax, accounting or other professional advice.

People's Republic of China ("PRC"). Recipients must comply with all applicable laws and regulations of PRC, including any prohibitions on speculative transactions and CNY/CNH arbitrage trading. If and when the material accompanying this document is distributed by Australia and New Zealand Banking Group Limited (ABN 11 005 357 522) ("ANZ") or an affiliate (other than Australia and New Zealand Bank (China) Company Limited ("ANZ C")), the following statement and the text below is applicable: No action has been taken by ANZ or any affiliate which would permit a public offering of any products or services of such an entity or distribution or re-distribution of this document in the PRC. Accordingly, the products and services of such entities are not being offered or sold within the PRC by means of this document or any other document. This document may not be distributed, re-distributed or published in the PRC, except under circumstances that will result in compliance with any applicable laws and regulations. If and when the material accompanying this document relates to the products and/ or services of ANZ C, the following statement and the text below is applicable: This document is distributed by ANZ C in the Mainland of the PRC.

Qatar. This publication has not been, and will not be lodged or registered with, or reviewed or approved by, the Qatar Central Bank ("QCB"), the Qatar Financial Centre ("QFC") Authority, QFC Regulatory Authority or any other authority in the State of Qatar ("Qatar"); or authorised or licensed for distribution in Qatar; and the information contained in this publication does not, and is not intended to, constitute a public offer or other invitation in respect of securities in Qatar or the QFC. The financial products or services described in this publication have not been, and will not be registered with the QCB, QFC Authority, QFC Regulatory Authority or any other governmental authority in Qatar; or authorised or licensed for offering, marketing, issue or sale, directly or indirectly, in Qatar. Accordingly, the financial products or services described in this publication are not being, and will not be, offered, issued or sold in Qatar, and this publication is not being, and will not be, distributed in Qatar. The offering, marketing, issue and sale of the financial products or services described in this publication and distribution of this publication is being made in, and is subject to the laws, regulations and rules of, jurisdictions outside of Qatar and the QFC. Recipients of this publication must abide by this restriction and not distribute this publication in breach of this restriction. This publication is being sent/issued to a limited number of institutional and/or sophisticated investors (i) upon their request and confirmation that they understand the statements above; and (ii) on the condition that it will not be provided to any person other than the original recipient, and is not for general circulation and may not be reproduced or used for any other purpose.

Singapore. This publication is distributed in Singapore by the Singapore branch of ANZ solely for the information of "accredited investors", "expert investors" or (as the case may be) "institutional investors" (each term as defined in the Securities and Futures Act Cap. 289 of Singapore). ANZ is licensed in Singapore under the Banking Act Cap. 19 of Singapore and is exempted from holding a financial adviser's licence under Section 23(1)(a) of the Financial Advisers Act Cap. 100 of Singapore. In respect of any matters arising from, or in connection with the distribution of this publication in Singapore, contact your ANZ point of contact.

United Arab Emirates. This publication is distributed in the United Arab Emirates ("UAE") or the Dubai International Financial Centre (as applicable) by ANZ. This publication: does not, and is not intended to constitute an offer of securities anywhere in the UAE; does not constitute, and is not intended to constitute the carrying on or engagement in banking, financial and/or investment consultation business in the UAE under the rules and regulations made by the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or the United Arab Emirates Ministry of Economy; does not, and is not intended to constitute an offer of securities within the meaning of the Dubai International Financial Centre Markets Law No. 12 of 2004; and, does not constitute, and is not intended to constitute, a financial promotion, as defined under the Dubai International Financial Centre Regulatory Law No. 1 of 200. ANZ DIFC Branch is regulated by the Dubai Financial Services Authority ("DFSA"). The financial products or services described in this publication are only available to persons who qualify as "Professional Clients" or "Market Counterparty" in accordance with the provisions of the DFSA rules. In addition, ANZ has a representative office ("ANZ Representative Office") in Abu Dhabi regulated by the Central Bank of the United Arab Emirates. ANZ Representative Office is not permitted by the Central Bank of the United Arab Emirates to provide any banking services to clients in the UAE.

United States. If and when this publication is received by any person in the United States or a "U.S. person" (as defined in Regulation S under the US Securities Act of 1933, as amended) ("US Person") or any person acting for the account or benefit of a US Person, it is noted that ANZ Securities, Inc. ("ANZ S") is a member of FINRA (www.finra.org) and registered with the SEC. ANZ S' address is 277 Park Avenue, 31st Floor, New York, NY 10172, USA (Tel: +1 212 801 9160 Fax: +1 212 801 9163). Except where this is a FX- related or commodity-related publication, this publication is distributed in the United States by ANZ S (a wholly owned subsidiary of ANZ), which accepts responsibility for its content. Information on any securities referred to in this publication may be obtained from ANZ S upon request. Any US Person receiving this publication and wishing to effect transactions in any securities referred to in this publication must contact ANZ S, not its affiliates. Where this is an FX- related or commodity-related publication, it is distributed in the United States by ANZ's New York Branch, which is also located at 277 Park Avenue, 31st Floor, New York, NY 10172, USA (Tel: +1 212 801 9160 Fax: +1 212 801 9163). Commodity-related products are not insured by any U.S. governmental agency, and are not guaranteed by ANZ or any of its affiliates. Transacting in these products may involve substantial risks and could result in a significant loss. You should carefully consider whether transacting in commodity-related products is suitable for you in light of your financial condition and investment objectives. ANZ S is authorised as a broker-dealer only for US Persons who are institutions, not for US Persons who are individuals. If you have registered to use this website or have otherwise received this publication and are a US Person who is an individual: to avoid loss, you should cease to use this website by unsubscribing or should notify the sender and you should not act on the contents of this publication in any way.

Vietnam. This publication is distributed in Vietnam by ANZ or ANZ Bank (Vietnam) Limited, a subsidiary of ANZ. Please note that the contents of this publication have not been reviewed by any regulatory authority in Vietnam. If you are in any doubt about any of the contents of this publication, you should obtain independent professional advice.

This document has been prepared by ANZ Bank New Zealand Limited, Level 7, 1 Victoria Street, Wellington 6011, New Zealand,
Ph 64-4-802 2212, e-mail nzeconomics@anz.com, http://www.anz.co.nz