

2009: a hard road ahead for vehicle sales

Key points

- Australian new vehicle sales are likely to fall by at least 11% in 2009, due to lower household and especially business investment spending.
- Australia's auto industry continues to struggle against falling demand.
- The global industry faces a major shake-out as production tumbles.

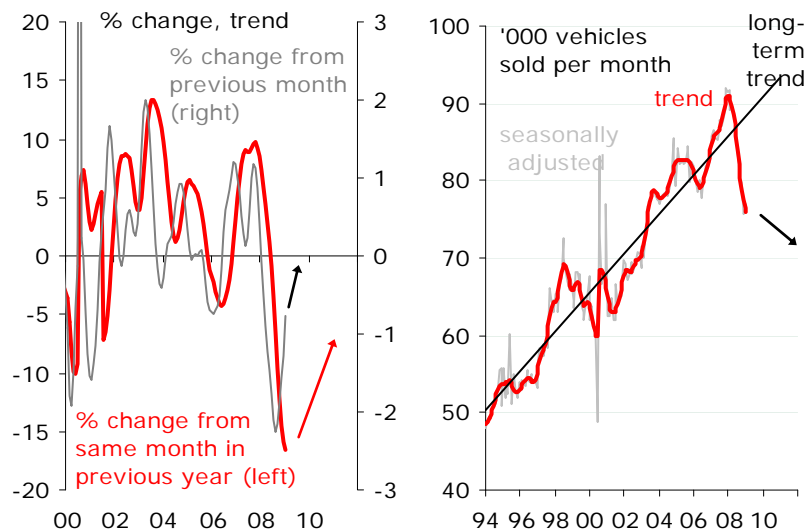
Australian auto sales outlook

2008: New auto sales were arguably one of the first 'real economy' items in Australia to react to the global financial market collapse commencing in August 2007. Despite a still-buoyant local economy, 2008 saw monthly auto sales plummet rapidly, from an all-time peak of 91,862 per month in Nov 2007 to just 75,766 a year later (-17.5%, seas. adj.). Total sales for 2008 finished at just over 1 million, 3.6% below 2007's record level.

2009: Following a temporary reprieve in December 2008, monthly vehicle sales continue to plummet. In January, year-on-year growth fell to a record low of -16.5% (trend). Monthly growth bottomed out in late 2008, but remains firmly negative at -0.8%. Total monthly vehicle sales still have some way to fall, but the *rate* of decline might already be slowing.

Just how low will sales go? With seasonally adjusted sales of 76,000 in January and still falling, auto sales look likely to average as low as 75,000 per month through 2009, implying an annual total of **900,000, or 11% lower than 2008**. This dire outlook reflects our expectations for the domestic economy more generally. Real household consumption will be flat (0.7%) and business investment will fall at least 6% in 2009, with a further 8% decline expected in 2010. Credit growth is also slowing. New vehicle sales depend heavily on private-sector business and rental fleet buyers (typically half of all sales), so this negative outlook for business investment more broadly means a fall in vehicle sales of 11% or more is not unrealistic. In a global context, this fall is modest, compared with the collapse in sales (and production) of 20-30% seen in the US, UK and EU.

New vehicle sales growth is firmly negative going into 2009



27 February 2009

Inside:

Australian auto sales outlook	1
Private vehicle buyers	2
Commercial vehicle buyers	3
Which new vehicles?	4
Australia's auto fleet	5
Australia's auto industry	6
International auto industry	7
Appendix: new vehicle sales by state	8
Data sources	9
Contacts	10

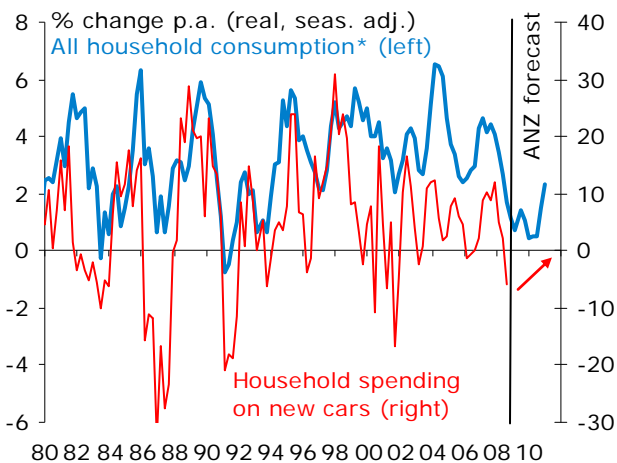
Author:

Julie Toth
Senior Economist,
Australian industry research
+61 3 9273 6252
Julie.Toth@anz.com

Our Vision:

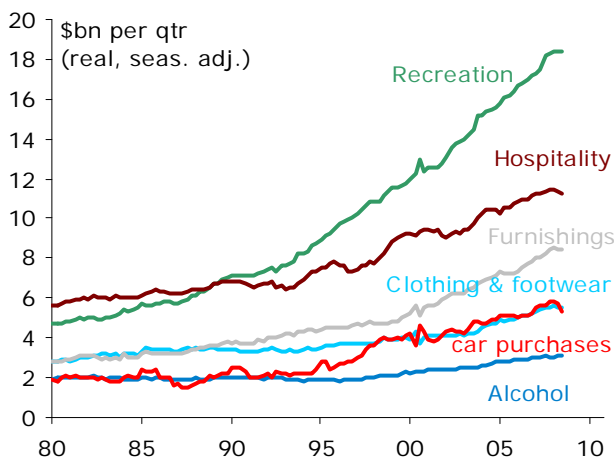
For Economics & Markets Research to be the most respected, sought-after and commercially valued source of economics and markets research and information on Australia, New Zealand, the Pacific and Asia.

Household spending on new cars loosely tracks total spending, but it falls harder in downturns



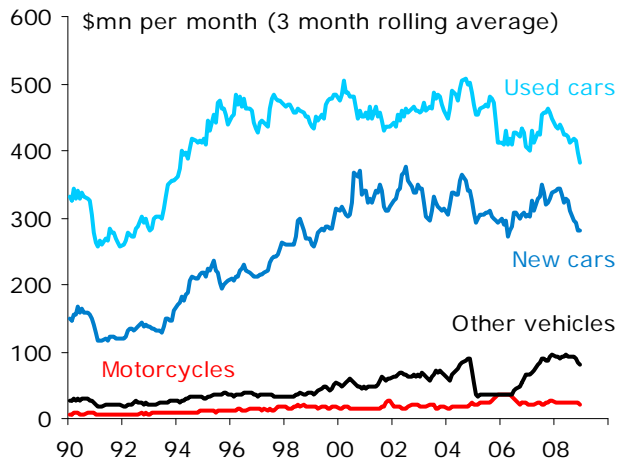
* Real HFCE (chain volume, seas. adj.)
 Source: ABS and ANZ Economics and Markets Research.

New car spending is more volatile than most other household discretionary spending categories



* Real HFCE (chain volume, seas. adj.). Source: ABS.

Demand for personal car loans* falling sharply



* Nominal value of new fixed personal loans. Source: ABS.

Private vehicle buyers

Private buyers (individuals and households) account for around 45% of all new vehicle sales, including 55% of passenger and SUV sales and 26% of light commercial vehicles (mainly utes and small vans).

Until mid-2008, real aggregate household spending on new cars was growing strongly, as were most household spending (HFCE) categories. But in September, aggregate spending on cars fell 5.8% p.a., its biggest decline since Sep 2001 and the single biggest decline in that quarter. Indeed, the only other spending categories to drop were car operations (fuel and servicing) and tobacco. Total HFCE grew just 1.7%, its slowest pace since 1993.

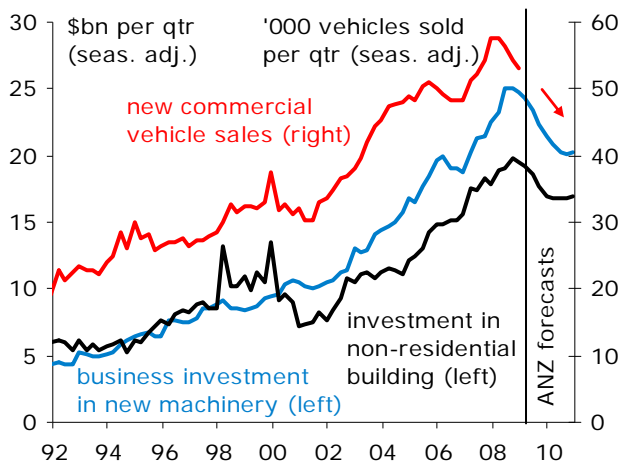
History indicates that spending on new cars is more volatile than many other 'discretionary' spending categories such as recreation, hospitality, clothing and furnishings. This is probably because unlike other discretionary items, buying a new car tends to be a large, all-or-nothing proposition that can't be reduced in small easy increments in the same way as spending on clothing, restaurants or furnishings. And in a mature market such as Australia's, most new car purchases are replacement vehicles rather than first-time purchases, so when budgets tighten, buying a new car can be postponed relatively easily.

The number of new vehicles sold tends to be even more volatile than the total value being spent. For example, while the amount spent on new cars fell 5.8% in the Sep quarter 2008, the number of new passenger cars sold fell 8% and the number of new SUVs fell 11% p.a. (seas. adj.). In the same quarter, personal loans to purchase new cars fell 7% (8% for used cars). All of these indicators have since fallen further, and at accelerating rates. New car purchases declined in all Australian states and territories going into 2009. Only in the ACT have monthly car sales already bottomed out and begun to slowly turn up (trend data, see appendix below).

In 2009, we expect real household spending to grow by just 0.7%, followed by 1.2% in 2010. Despite government cash bonuses, interest rate cuts and lower petrol prices boosting disposable incomes, unemployment expectations and negative consumer sentiment are weighing heavily on spending. The national savings ratio is rising strongly, from close to zero in March 2008 to an expected 10% a year later, and 12% by March 2010. Unemployment will rise from 4.5% now, towards 7% by 2010. In this climate, it is difficult to see household spending on new cars (in either dollar or unit sales terms) growing consistently again until well into 2010.

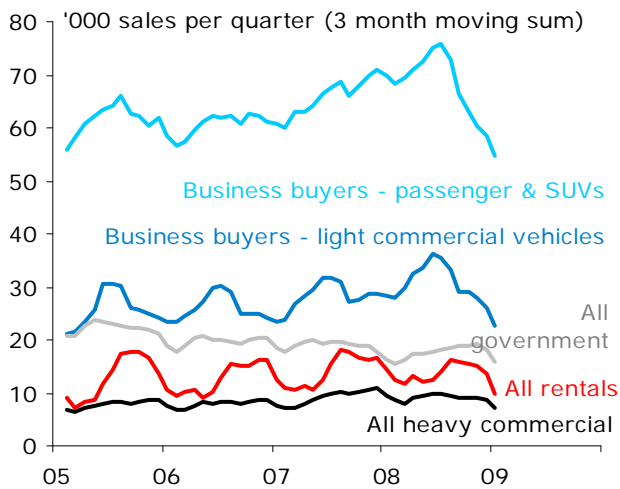
On top of this, the scheduled tariff reduction on cars in July 2010 (from 10% to 5%) might encourage a small proportion of private buyers to postpone their planned new car purchases until later in 2010. The continuing weakness in the A\$ will render many imported cars more expensive in A\$ terms, although heavy discounting by manufacturers world-wide will go a long way to tempering this local price effect.

Australia's business investment boom has ended for buildings, equipment, machinery and vehicles



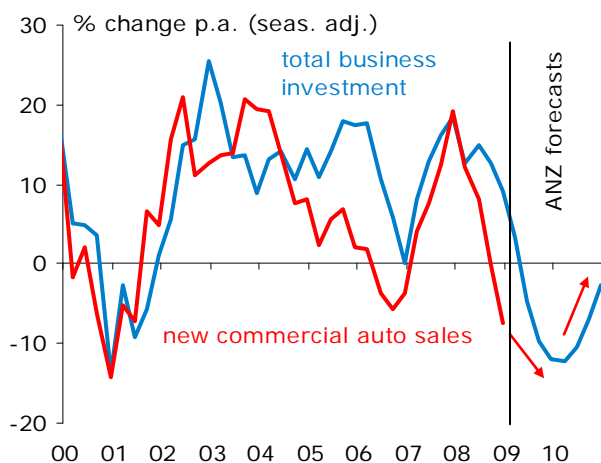
Source: ABS and ANZ Economics and Markets Research.

Auto sales collapsed for business, fleets, rentals



Source: FCAI.

Commercial auto sales, like all business investment, is expected to fall by at least 10% by 2010



Source: ABS and ANZ Economics and Markets Research.

Commercial vehicle buyers

With over half of all new vehicle sales going to businesses, government or rental fleet buyers, the business investment cycle is paramount to this industry. Conversely, new vehicle purchases are a major component of business investment. Lately, they have provided a timely indicator of where the investment cycle is headed. For 2009 and 2010, that direction is, unfortunately, firmly downwards.

The key sources of demand for new commercial vehicles (of various types) are the road transport, construction, mining, retail and wholesale trade industries. Businesses with mobility requirements of all kinds are sources of demand for new passenger vehicles (from taxis and couriers to lawyers and bankers). Almost all are now facing a weak year and declining investment intentions, for various reasons:

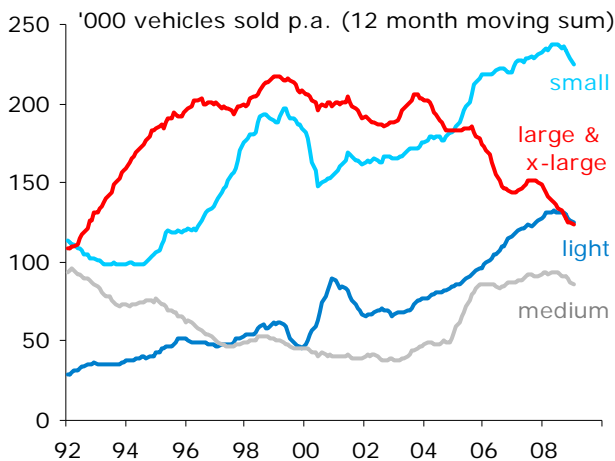
- The long **mining** boom ended as sky-high prices came back to earth through 2008. This fall in prices is now being followed by reduced physical demand (i.e. falling volumes as well as falling values) which means a reduced need for new capacity, infrastructure and investment. Previously planned investments and expansions are now being rapidly postponed or cancelled.
- **Construction** of residential dwellings has been flat for some time in Australia (despite a national housing shortage). Activity has been heavily focused on commercial and engineering construction. With the rapid change in outlook (and in the availability of credit for speculative development), private-sector investment in commercial construction is declining rapidly.
- Even before the negative effects of rising unemployment have begun in Australia, the giant **retail trade** sector is already reeling from the effects of consumers cutting their spending and saving their pennies, as real wealth-holdings, appetite for debt and consumer sentiment have fallen. Reduced retail turnover leads to reduced turnover among wholesalers and the transport operators who service them and in turn, reduces their demand for new road freight vehicles. The effect of this chain is most apparent in light and heavy truck sales, which are now falling by 60% and 30% in monthly year-on-year terms.¹

Another issue for all business investment, including vehicle purchases, is the availability credit for investment purposes. Although interest rates have fallen dramatically, so too has credit availability.

The remaining two markets are governments and rental fleet operators, both of which buy more (large) passenger cars than commercial vehicles. Government vehicle purchases have held up better than other segments in recent months, but rental purchases have fallen heavily. As governments seek to make savings in response to falling revenues, replacement car purchases are likely to fall further.

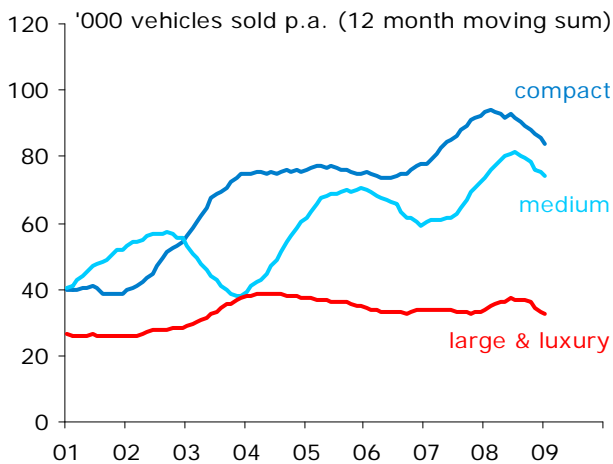
¹ For more information on the outlook for individual Australian industries, see *ANZ Industry Outlook 2009* (Jan 2009), available on our website.

Smaller passenger car sales finally following large models downwards



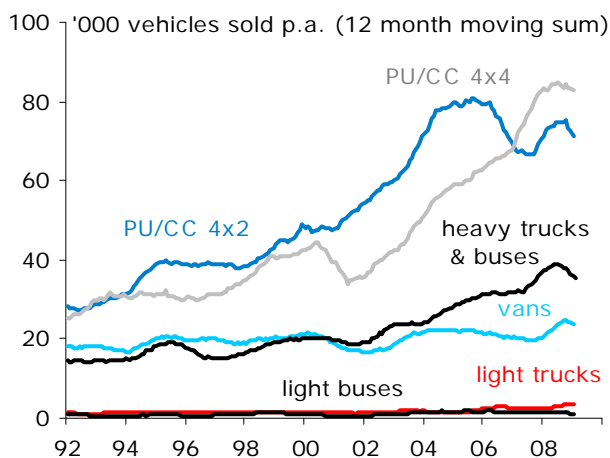
Source: FCAI

The SUV market has stalled across all size ranges



Source: FCAI

Commercial sales grew well through in 2008 but now dropping rapidly for most vehicle types



Source: FCAI

Which new vehicles?

These trends and expectations around household and business vehicle buyers will affect some categories of vehicles more than others. In particular, lower business investment spending will hit specialist commercial vehicles and trucks harder.

The **passenger car market** has been shifting away from large cars to small and light models for some time, largely in response to changes in car prices and fuel prices. In the new economic environment, demand for all sizes is turning down, but this long-term trend toward smaller, cheaper models will continue as an undercurrent. Weak demand from business, fleet and rental buyers will add further pressure to large car sales.

The **SUV market** has finally ended its dream run, but even now, it is not hurting as much as the passenger car segment. SUV sales ended 2008 just 1.9% down on 2007, compared to 11.6% down for passenger cars. Unlike passenger cars, it is the large SUV models that held up best in 2008 (up 11.2% for the year), although by the end of the year, their sales were falling quickly also. Sales of the more popular compact and medium-sized models have been falling since mid-2008, at accelerating speed.

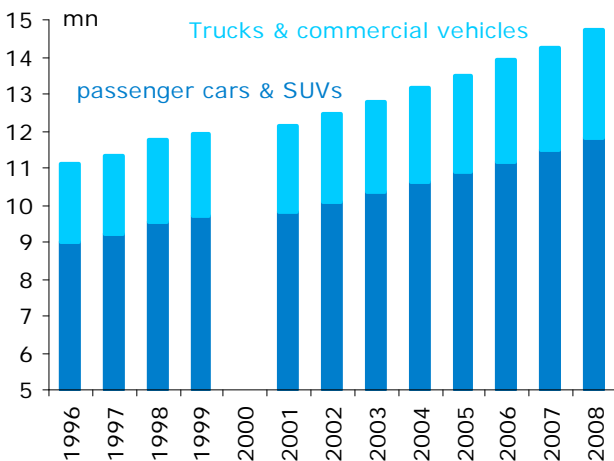
Light commercial vehicles were the star performers in 2008, finishing 4.2% up from a year earlier. Vans and small buses proved especially popular, while sales of utes (4x2 and 4x4) also grew slightly. High demand for freight transport saw good sales of light and heavy trucks until mid-2008, but this was followed by falling sales later in the year.

Government guarantee for auto dealers

In the aftermath of the global financial meltdown in 2008, two major wholesale auto finance providers (that is, credit to cover floor stock and dealers' operations), GMAC and GE, announced their exit from Australia by the end of the year, affecting hundreds of auto dealers around the country. Without credit services, some auto dealers could have been forced to cease trading immediately.

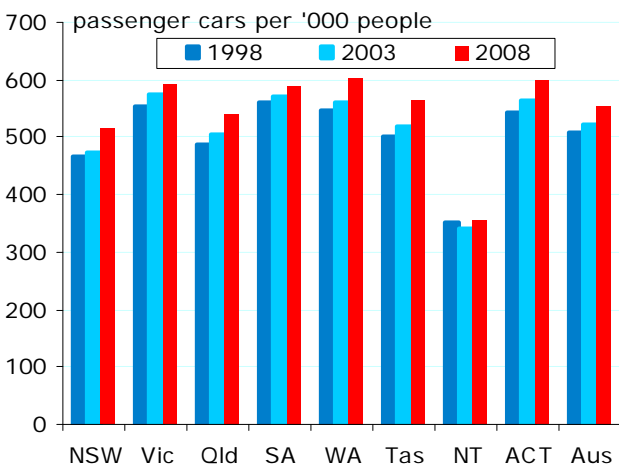
In response, Treasurer Swann established a government guarantee (called a 'Special Purpose Vehicle') in December, to enable other financiers to quickly replace the vital credit lost from GMAC and GE. The scheme will back the financing of floor-stock only, from a defined list of banks and credit providers, for viable, eligible auto dealers for up to 12 months. After that, more permanent wholesale credit arrangements should be in place. The scheme does not give any subsidy or assistance directly to the dealers — it simply supports the credit lines they need to operate their show-rooms. It is a temporary measure, born of extraordinary circumstances, and should help to ensure the credit crunch does not adversely affect auto sales more than other sectors. This support plan is separate and additional to the ongoing government assistance provided to Australia's auto manufacturers (see p. 6 below).

Australia's national auto fleet grows to 14.7mn*



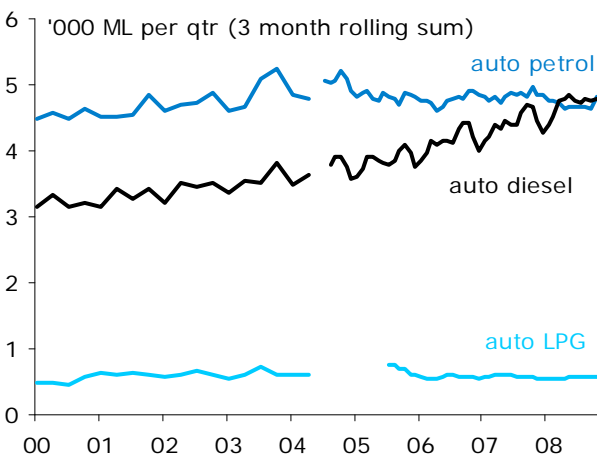
* Registered motor vehicles excluding motorcycles. Vehicle census not conducted in 2000. Source: ABS.

Car ownership is highest in the boom state of WA



Source: ABS.

Strong growth in road freight sees auto diesel pip petroleum sales in volume terms for the first time



Source: Department of Resources, Energy and Tourism.

Australia's auto fleet

In 2008, over 14.7 mn vehicles were registered to drive on Australia's roads — almost 15.3 mn if motorcycles and scooters are also included. The annual vehicle census shows 2008 was 'the year of the truck'. While car numbers grew only 3%, articulated trucks grew 6.3%, light rigid trucks grew 6.1% and heavy rigid trucks grew 3.5%. Light commercial vehicles (including utes and vans) grew 4.5%. This growth spurt in commercial and freight vehicles reflected high demand for freight services, as retail trade and exports both charged ahead. By the end of 2008 however, circumstances had changed dramatically and the momentum had all but reversed. Growth will be slower going forward.

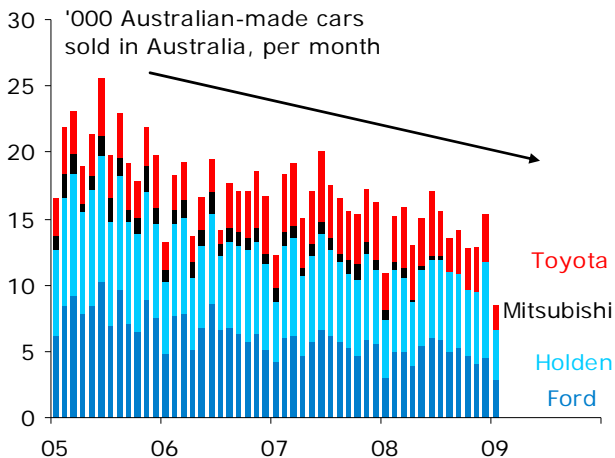
The national truck fleet has now grown to 512,000 vehicles, 60% of which are heavy rigid trucks. 15% are larger, articulated trucks and 21% are smaller, 'light' rigid trucks. Road transport has boomed as the economy has grown in recent years, since road transport is easier to expand quickly than its air and rail freight competitors, which tend to require large, time-consuming infrastructure investments in order to increase capacity. Heavy rigid trucks are among the oldest vehicles on our roads, with an average age of 15.5 years (down from 16 years in 2005), compared to 10-11 years for passenger cars, light commercial, buses, light rigid and articulated trucks.

This growth in the national truck fleet goes some way to explaining recent growth in the proportion of road vehicles running on diesel (12% in 2008 compared with 8% in 1998), as well as the growth in the volume of diesel being sold at a time when the volume of petrol sold has actually come down. Despite more people and more passenger cars registered to drive our roads, national auto petroleum sales have totalled around 4.7 mn ML per quarter since 2006, down from 5 mn ML in 2004. High petrol prices have certainly helped rationalise sales, but so too has increased car fuel efficiency and a small rise in the proportion of cars and SUVs running on diesel or LPG instead of petrol.

Higher petrol prices (as well as higher incomes) are also contributing to the strong growth in motorcycle and scooter sales. Total motorcycle and scooter registrations have accelerated strongly in recent years, growing 10.9% in 2008 (after 10.6% in 2007 and 9.7% in 2006). Now that petrol prices, household disposable spending and personal credit are reducing again, this growth spurt may wane.

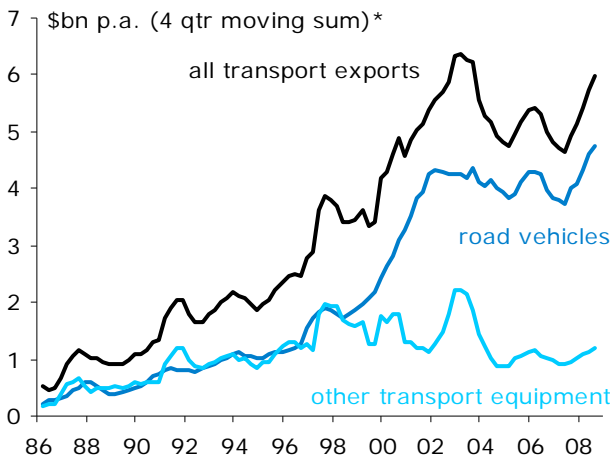
Looking at the prevalence of passenger vehicles, the effect of rising incomes is very evident. We now have an average 555 passenger cars and SUVs on the road per 1,000 people (plus 27 motorcycles and 2 campervans) up from 510 registered cars (plus 18 motorcycles and 2 campervans) in 1998. The average age of our cars has also come down, from 10.3 years in 1998 to 9.7 years in 2008. Across states, the mining boom state of WA now owns the most passenger cars per capita (previously the ACT and Victoria), while the NT owns the fewest.

Australian-made sales in local market slide further



Source: FCAI.

Auto export earnings grew in 2008, but the weak global outlook means 2009 will be much tougher



* nominal value of exports, BOP basis, to Sep Qtr 2008.
Source: ABS.

Who buys Australian-made vehicles?

Finished vehicle production and sales, 2007	
Australian sales (number)	200,507
Business (%)	56
Government (%)	19
Private buyers (%)	24
Export sales (number)	127,477
Gulf States (%)	75
New Zealand (%)	18
South Africa (%)	2
Other countries (%)	5
Total production (number)	327,984
Value of vehicle exports (A\$ mn)	2,900
Value of auto components exports (A\$ mn)	1,700

Sources: FCAI, Bracks Review (2008).

Australia's auto industry

Over the past decade, Australia has manufactured 300,000-400,000 fully assembled passenger cars per year, about 40% of which are exported. An estimated 75% of the components are sourced from local suppliers and 25% are imported. Conversely, 81% of local auto components makers' sales are domestic (that is, they export 19% of their output). Several facilities also assemble trucks (from mainly imported components) for the local market. The Bracks Review of the industry (2008) estimated a total of 64,000 people are directly employed in auto production, spread across 3 major assemblers, over 200 components suppliers and 500 other providers of specialised tooling and other services. Their total value added is \$5.6bn per year, equal to 5.6% of all manufacturing value added or 0.6% of GDP.

The auto industry is well established, but has had to radically change its focus in recent decades. Back in 1980, the industry sold all of its production in Australia and accounted for 66% of all Australian vehicle sales. By 2000, following tariff and industry reform, the industry had built up to about 25% of production being exported, but it lost local sales absolutely and as a share (down to 32% of sales). In 2008, local cars took only 17% of all local sales.

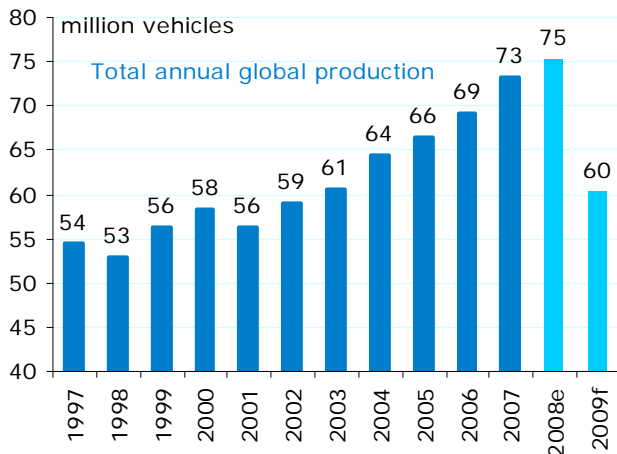
Around 40% of local finished cars are now exported, with 75% going to the Gulf States. These States are as vulnerable to the global downturn as elsewhere, with lower commodity prices and equity market losses significantly reducing their incomes. Another 18% of exports go to New Zealand, which is already in recession, with a weak outlook for 2009. These markets will be difficult to maintain, let alone grow, given the economic outlook over the next two years.

Government assistance package

The process of industry reform is ongoing. Another import tariff reduction is scheduled in July 2010, when the import tariff for passenger cars will reduce from 10% to 5%, the same as for SUVs and commercial vehicles. A new Government assistance package for the industry was announced in 2008, worth \$6.2bn until 2020. It includes matched R&D grants and programs aimed at promoting 'Green Car' production and 'Innovation'. This package amounts to about \$500mn per year, or at current annual production levels (330,000), \$1,500 per car. Although generous, this package provides lower financial support than past government assistance.² It also requires the industry to match Government investment grants on a \$3 for \$1 basis, so it is not certain that all of the funds set aside will be spent. As with all such assistance, it can provide no guarantee of future production, R&D or job creation.

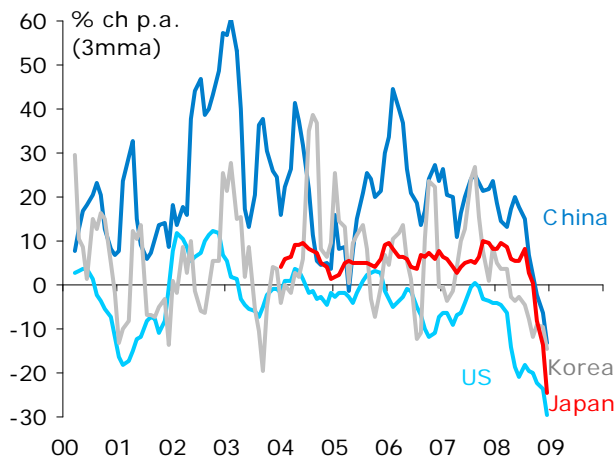
² In 2002, the Productivity Commission estimated that assistance to 2002 was worth \$1bn per year — or \$2,800 per locally produced vehicle — in the form of grants, subsidies, industry support measures and tariff equivalents.

Global auto production grew strongly 2003 - 2008 but is now tumbling fast. 2009 will see a big fall.



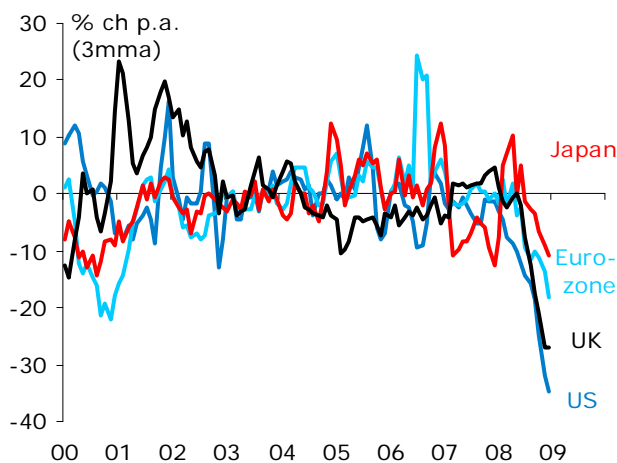
2008 estimate. 2009 forecast. Sources: OICA and ANZ Economics and Markets Research

Auto prod'n in key countries slumped into 2009



National vehicle production indexes. Source: Bloomberg

Demand for new vehicles* is falling even harder



* Sales of total new vehicles in US, UK, Japan, sales of passenger vehicles in Eurozone. Source: Bloomberg

International auto industry

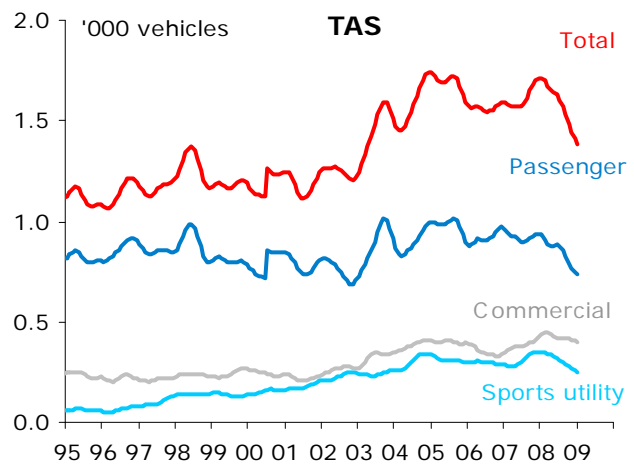
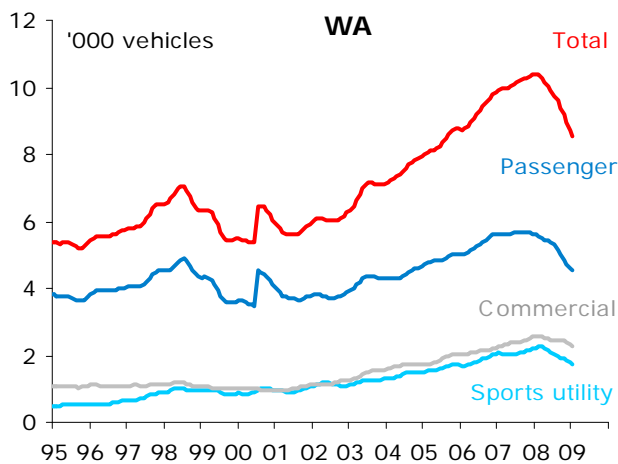
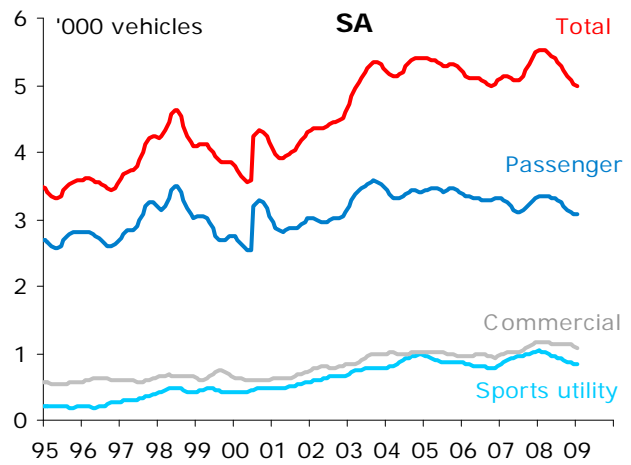
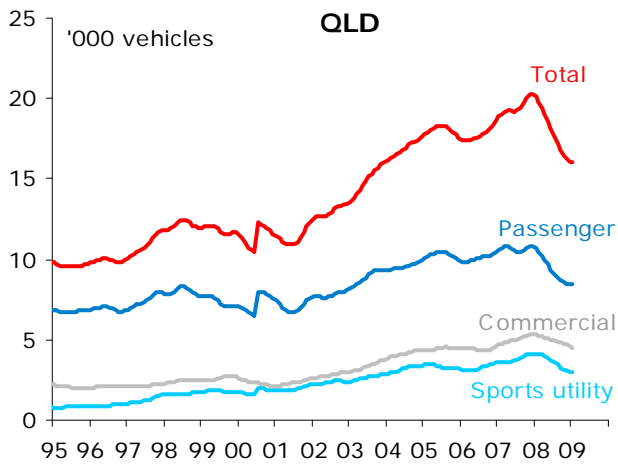
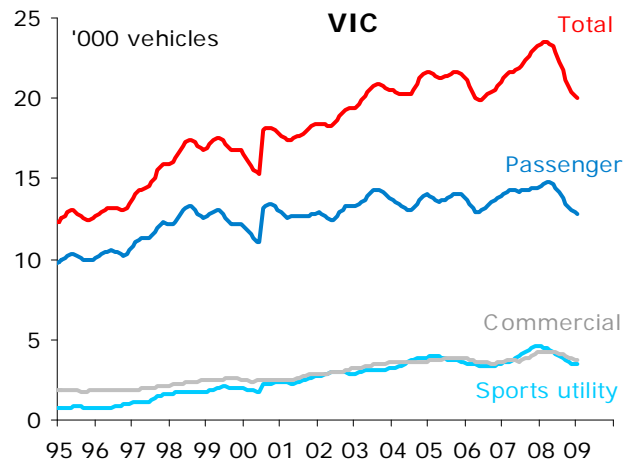
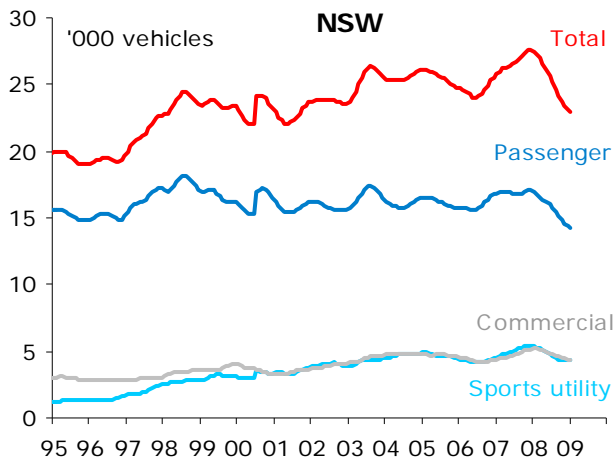
The global auto industry produced 73 million new vehicles in 2007, spread over 40 countries. Australia is a tiny player, producing only 0.5% of the global total, from only three assembly companies. Vehicle production models and volumes are determined by international rather than local market conditions.

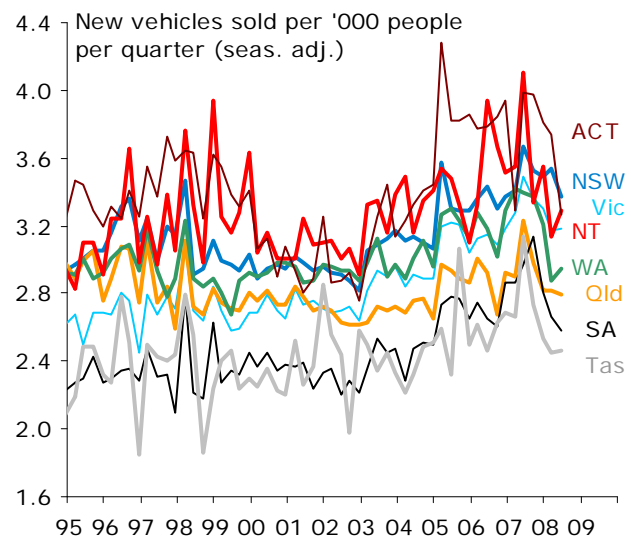
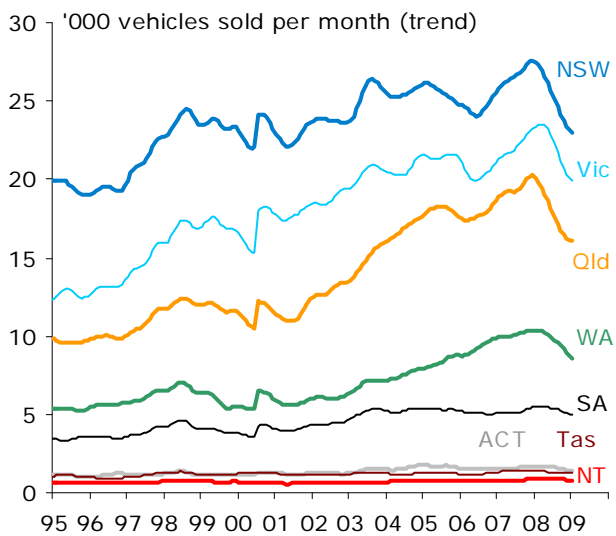
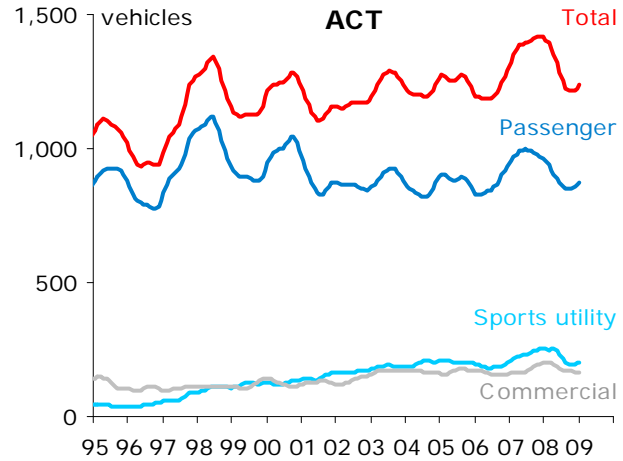
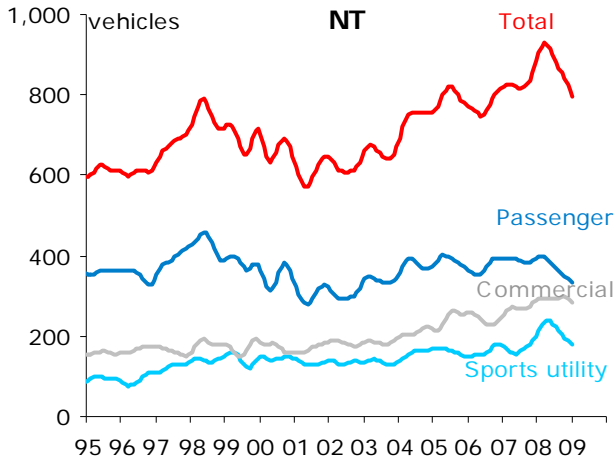
Total global vehicle production has been growing at a rapid pace over the past 5 years, averaging 4.4% p.a. Within this total however, there has been much movement and restructuring at a national level. 2006 marked something of a turning point. Japan finally overtook the US as the world's single largest auto producer (11.54 mn vehicles), but more due to US decline than to Japanese growth. In the same year, China overtook Germany as the third largest producer (7.2 mn vehicles), despite continuing growth in Germany. China has been the undeniable powerhouse behind global auto growth over the past decade, going from 1.8 mn vehicles in 1999 to 8.8 mn in 2007, up 22.7% p.a. Strong auto production growth has also occurred in eastern Europe, Russia, Ukraine and Turkey, as production has shifted east, away from France, Belgium and the Netherlands.

The last quarter of 2008 saw a dramatic turnaround in global auto production, with assembly numbers cut in all major production markets, even in China. These cuts will continue into 2009, with global auto production set to fall dramatically. On current trends, **total global vehicle production in 2009 looks likely to fall by an unprecedented 20%**, to around 60 mn finished vehicles, or even lower. These production cuts are, of course, in response to a collapse in new vehicle sales worldwide. By January 2009, total monthly new vehicle sales had fallen almost 40% p.a. in the US, while car sales in the UK, Canada, the Eurozone countries, Korea, Japan and Australia were 17-22% down on a year earlier and worsening. UK dealers now expect to sell 24% fewer cars in 2009 (1.6 mn) than in 2008.

As with other aspects of the global financial crisis, government policy responses to the woes of the auto industry have been rapid and generous, in an attempt to stave off closures and redundancies. The US has provided large, direct bailouts to its ailing 'Big 3' auto companies (GM, Ford and Chrysler) and is now agonising over the size of future assistance. Auto industry assistance packages have been rolled out quickly in France, Italy and Spain also. France, for example, is reported to have offered a 6 bn euro state loan to Renault and PSA Peugeot-Citroen in exchange for a vow not to close plants in France. In Germany, consumer incentives to buy a new car are being tied to environmental measures, through an emissions-based car tax system that will tax old, less efficient cars at a higher rate. A bonus of 2,500 euros is also available to buyers of new cars who trade in cars that are 9 years old or more. The German government hopes this will boost 2009 car sales from an expected 2.6 mn to 3 mn, still 3% down from 2008's total sales of 3.1 mn.

Appendix: Australian new motor vehicle sales, by state





Monthly data to January 2009 (trend). Source: ABS.

Data sources

- ABS 5206.0, *Australian National Accounts* (quarterly)
- 5302.0, *Merchandise Trade* (quarterly)
- 5625.0, *Private New Capital Expenditure and Expected Expenditure* (quarterly)
- 5671.0, *Lending Finance Australia* (monthly)
- 5676.0, *Business Indicators* (quarterly)
- 9309.0 *Motor Vehicle Census* (annual)
- 9314.0 *Sale of New Motor Vehicles* (monthly)

Bloomberg online.

Bracks Review, *Review of Australia's Automotive Industry, Final report*, 22 July 2008.

Department of Resources, Energy and Tourism. *Australian Petroleum Statistics* (monthly).

FAPM (Federation of Automotive Products Manufacturers),

FCAI (Federal Chamber of Automotive Industries), *VFACTS National Report, New Vehicle Sales* (monthly)

OICA (International Organization of Motor Vehicle Manufacturers), www.oica.net/category/production-statistics/

Reuters news online.

Contacts

ANZ Economics & Markets Research

Saul Eslake	Chief Economist	+61 3 9273 6251	Saul.Eslake@anz.com
Fiona Allen	Business Manager	+61 3 9273 6224	Fiona.Allen@anz.com

Australian Economics and Interest Rates Research

Warren Hogan	Head of Australian Economics and Interest Rates Research	+61 2 9227 1562	Warren.Hogan@anz.com
Katie Dean	Senior Economist	+61 3 9273 1381	Katie.Dean@anz.com
Riki Polygenis	Economist	+61 3 9273 4060	Riki.Polygenis@anz.com
Dr. Alex Joiner	Economist	+61 3 9273 6123	Alex.Joiner@anz.com

Global Markets Credit Research

Jason Hill	Global Markets Credit Analyst	0434 312 356	Jason.Hill@anz.com
------------	-------------------------------	--------------	--

Commodities and Industry Research

Mark Pervan	Head of Commodities Research	+61 3 9273 3716	Mark.Pervan@anz.com
Julie Toth	Senior Economist	+61 3 9273 6252	Julie.Toth@anz.com
Doug Whitehead	Soft Commodity Strategist	+61 3 9273 6684	Doug.Whitehead@anz.com
Paul Deane	Rural Economist	+61 3 9273 6295	Paul.Deane@anz.com

Property and Financial System Research

Paul Braddick	Head of Property and Financial System Research	+61 3 9273 5987	Paul.Braddick@anz.com
Ange Montalti	Senior Economist	+61 3 9273 6288	Ange.Montalti@anz.com
Dr. Alex Joiner	Economist	+61 3 9273 6123	Alex.Joiner@anz.com
Stephanie Wayne	Research Analyst	+61 3 9273 4075	Stephanie.Wayne@anz.com

Foreign Exchange and International Economics Research

Amy Auster	Head of Foreign Exchange and International Economics Research	+61 3 9273 5417	Amy.Auster@anz.com
Tony Morriss	Senior Currency Strategist	+61 2 9226 6757	Tony.Morriss@anz.com
Amber Rabinov	Economist	+61 3 9273 4853	Amber.Rabinov@anz.com

Foreign Exchange and Interest Rates Research (London)

Tim Riddell	Currency and Interest Rate Strategist		Tim.Riddell@anz.com
-------------	---------------------------------------	--	--

Asian Economics Research (Singapore)

Paul Gruenwald	Chief Economist, Asia	+65 6419 7902	Paul.Gruenwald@anz.com
Ivy Tan	Associate Director, Credit Research	+65 6419 7914	Ivy.Tan@anz.com
Tamara Henderson	Director, Currency & Rates Strategy	+65 6216 1845	Tamara.Henderson@anz.com
Wei Liang Chang	Research Intern, Markets Asia	+65 6216 1838	WeiLiang.Chang@anz.com

New Zealand Economics Research (Wellington)

Cameron Bagrie	Chief Economist, New Zealand	+64 4 802 2212	Cameron.Bagrie@anz.com
Khoon Goh	Senior Economist	+64 4 802 2357	Khoon.Goh@anz.com
Philip Borkin	Economist	+64 4 802 2199	Philip.Borkin@anz.com
Steve Edwards	Economist	+64 4 802 2217	Steve.Edwards@anz.com
Kevin Wilson	Rural Economist	+64 4 802 2361	wilsonk1@anz.com
David Croy	Interest Rate Strategist	+64 4 802 2286	David.Croy@anz.com

Research and Information Services

Marilla Rough	Senior Information Officer	+61 3 9273 6263	Marilla.Rough@anz.com
Manesha Jayasuriya	Publications Coordinator	+61 3 9273 4121	Manesha.Jayasuriya@anz.com

Important Notice

Australia and New Zealand Banking Group Limited is represented in:

AUSTRALIA by:

Australia and New Zealand Banking Group Limited ABN 11 005 357 522

14th Floor 100 Queen Street, Melbourne, Victoria, 3000, Australia

Telephone +61 3 9273 6224 Fax +61 3 9273 5711

UNITED KINGDOM by:

Australia and New Zealand Banking Group Limited

ABN 11 005 357 522

40 Bank Street, Canary Wharf, London, E14 5EJ, United Kingdom

Telephone +44 20 3229 2121 Fax +44 20 7378 2378

UNITED STATES OF AMERICA by:

ANZ Securities, Inc. (Member of NASD and SIPC)

6th Floor 1177 Avenue of the Americas

New York, NY 10036, United States of America

Tel: +1 212 801 9160 Fax: +1 212 801 9163

NEW ZEALAND by:

ANZ National Bank Limited

Level 7, 1-9 Victoria Street, Wellington, New Zealand

Telephone +64 4 802 2000

This document ("document") is distributed to you in Australia and the United Kingdom by Australia and New Zealand Banking Group Limited ABN 11 005 357 522 ("ANZ") and in New Zealand by ANZ National Bank Limited ("ANZ NZ"). ANZ holds an Australian Financial Services licence no. 234527 and is authorised in the UK by the Financial Services Authority ("FSA").

This document is being distributed in the United States by ANZ Securities, Inc. ("ANZ S") (an affiliated company of ANZ), which accepts responsibility for its content. Further information on any securities referred to herein may be obtained from ANZ S upon request. Any US person(s) receiving this document and wishing to effect transactions in any securities referred to herein should contact ANZ S, not its affiliates.

This document is being distributed in the United Kingdom by ANZ for the information of its market counterparties and intermediate customers only. It is not intended for and must not be distributed to private customers. In the UK, ANZ is regulated by the FSA. 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 FSA.

This document is issued on the basis that it is only for the information of the particular person to whom it is provided. This document may not be reproduced, distributed or published by any recipient for any purpose. This document does not take into account your personal needs and financial circumstances. Under no circumstances is this document to be used or considered as an offer to sell, or a solicitation of an offer to buy.

In addition, from time to time ANZ, ANZ NZ, ANZ S, their affiliated companies, or their respective associates and employees may have an interest in any financial products (as defined by the Australian Corporations Act 2001), securities or other investments, directly or indirectly the subject of this document (and may receive commissions or other remuneration in relation to the sale of such financial products, securities or other investments), or may perform services for, or solicit business from, any company the subject of this document. If you have been referred to ANZ, ANZ NZ, ANZ S or their affiliated companies by any person, that person may receive a benefit in respect of any transactions effected on your behalf, details of which will be available upon request.

The information herein has been obtained from, and any opinions herein are based upon, sources believed reliable. The views expressed in this document accurately reflect the author's personal views, including those about any and all of the securities and issuers referred to herein. The author however makes no representation as to its accuracy or completeness and the information should not be relied upon as such. All opinions and estimates herein reflect the author's judgement on the date of this document and are subject to change without notice. No part of the author's compensation was, is or will directly or indirectly relate to specific recommendations or views expressed about any securities or issuers in this document. ANZ, ANZ NZ, ANZ S, their affiliated companies, their respective directors, officers, and employees 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 the contents of and/or any omissions from this communication except where a Liability is made non-excludable by legislation.

Where the recipient of this publication conducts a business, the provisions of the Consumer Guarantees Act 1993 (NZ) shall not apply.