

Open partnerships  
Open possibilities

# 2009-10 Federal Budget Chart Pack

ANZ Economics and Markets Research

15 May, 2009

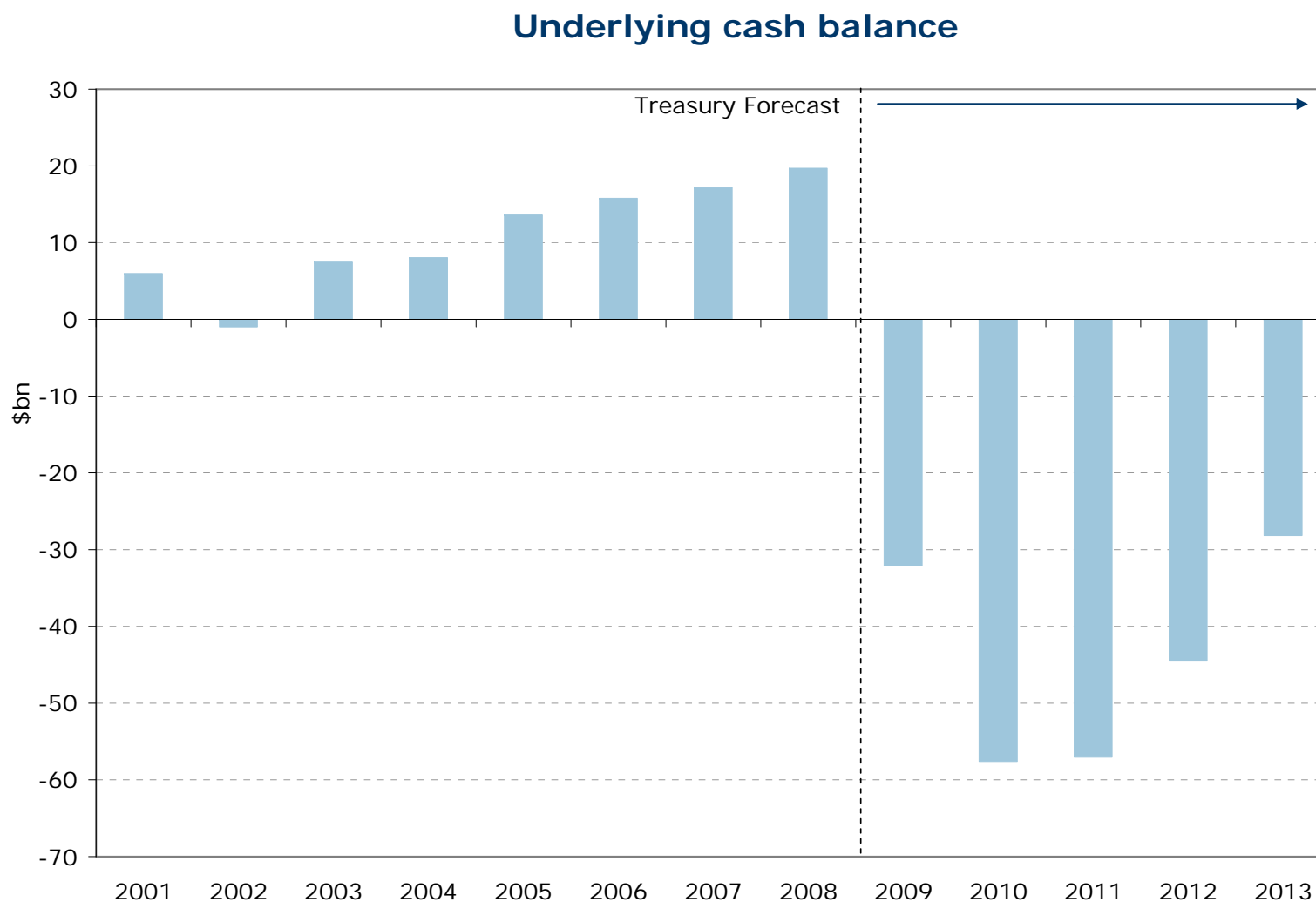


## Assessment

---

- The Government has pulled together a Budget appropriate for the current economic circumstances although some tough decisions will be required in the next few years.
- There is nothing wrong with national governments running budget deficits during recessions. Australia is better placed than most other Western countries to do so – and the Government's willingness to run deficits has lessened the impact of the global recession on the underlying economy.
- The stimulus measures in the Budget will have more long-term benefits than the two earlier stimulus packages.
- Getting the budget back to surplus by 2015-16 depends on
  - the assumption of above-trend growth in 2011-12 and 2012-13 of 4.5% and then continued above trend growth of 4% for a further 4 years
  - the Government's ability to get measures through the Parliament
  - and its ability to keep spending growth to 2% real over the medium term
- Any disappointment on these 'best case' medium-term growth projections suggests higher taxes and/or spending cuts would be required to get the Budget back into balance.
- The fiscal consolidation measures (more comprehensive means-testing, closing tax loopholes) are infinitely preferable to the alternative of raising tax rates (as in UK) at this stage.
- Financial markets should not be disturbed by the Budget. Although bond supply will double this year the market is well positioned to absorb this. Digestion problems will come in future years (2010-11 and beyond) if the government fails to demonstrate a credible plan to get the Budget back to balance.

An underlying cash deficit of \$57.6bn is forecast for 2009-10. Deficits expected to narrow from next year, but budget balance not returned until 2015-16

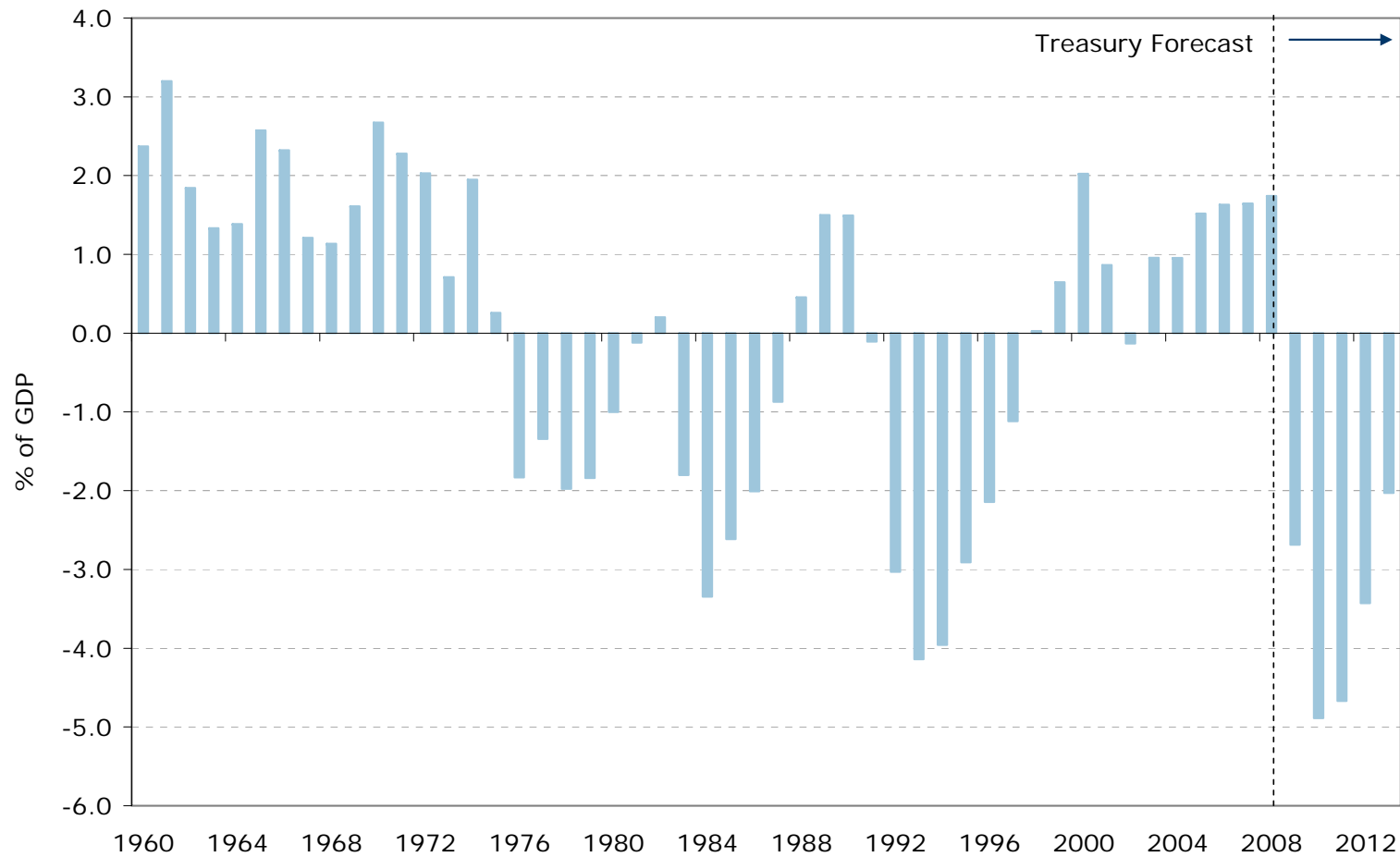


Source: Budget papers



The underlying cash deficit will reach 4.9% of GDP in 2009-10. This is the biggest deficit since WWII 4

### Underlying cash balance



Source: Budget papers



How did we get here? Parameter variations (as a result of the weaker economy) have driven around two thirds of the deterioration in the budget bottom line

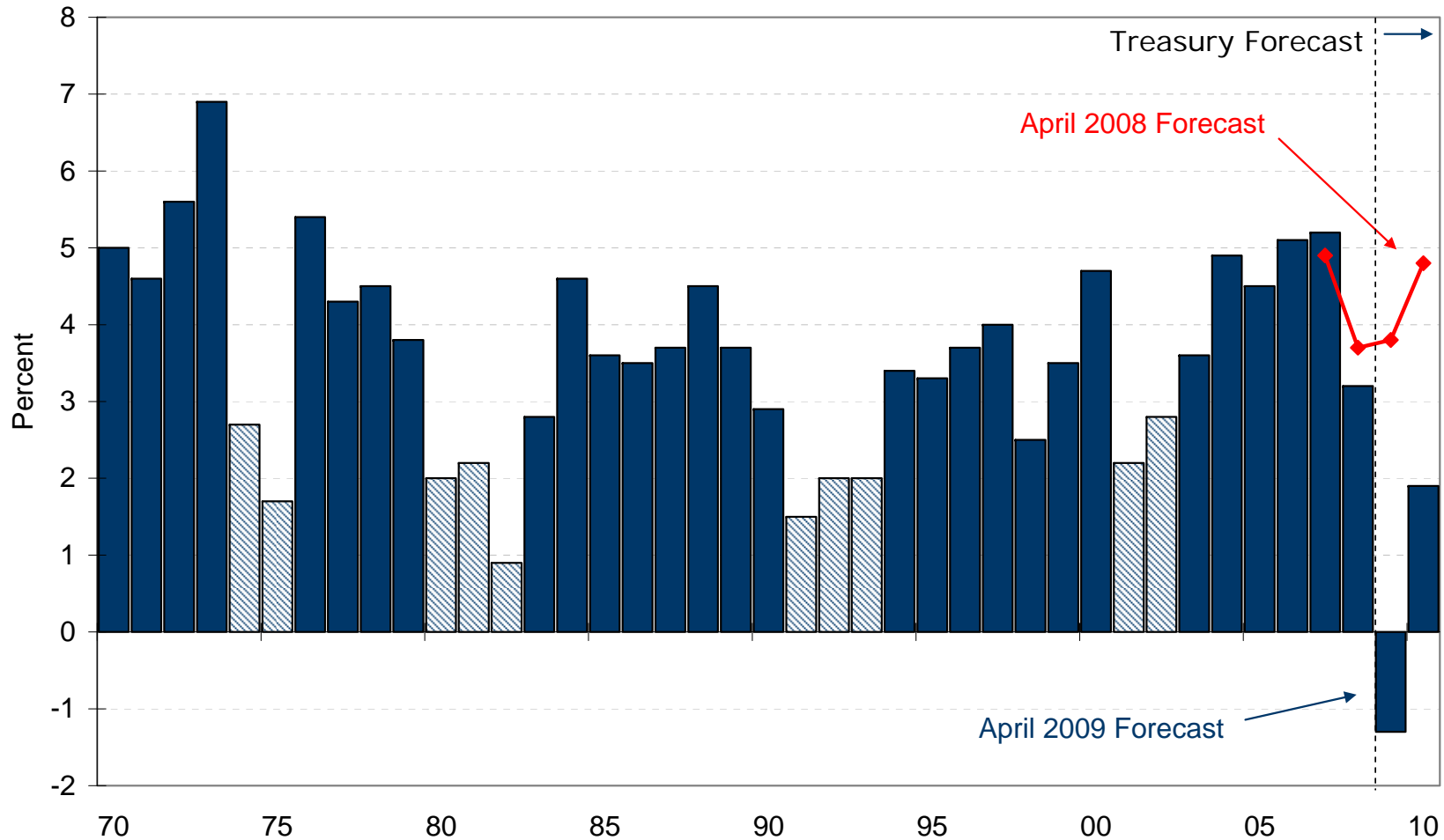
### Reconciliation of general government underlying cash balance estimates

	2008-09	2009-10	2010-11	2011-12	Sum
	\$mn	\$mn	\$mn	\$mn	\$mn
<b>2008-09 Budget</b>	<b>21,703</b>	<b>19,669</b>	<b>18,996</b>	<b>18,870</b>	<b>79,238</b>
Policy Decisions	-11,093	-1,634	-966	-810	-14,503
Parameter and other variations	-5,244	-14,440	-15,390	-11,371	-46,445
Total changes	-16,337	-16,074	-16,357	-12,181	-60,949
<b>2008-09 MYEFO</b>	<b>5,365</b>	<b>3,595</b>	<b>2,640</b>	<b>6,689</b>	<b>18,289</b>
Policy Decisions	-18,037	-18,365	-11,655	-5,435	-53,492
Parameter and other variations	-9,816	-20,753	-25,314	-26,937	-82,820
Total changes	-27,853	-39,118	-36,970	-32,372	-136,313
<b>2008-09 UEFO</b>	<b>-22,487</b>	<b>-35,524</b>	<b>-34,330</b>	<b>-25,683</b>	<b>-118,024</b>
Policy Decisions	-4,254	-11,961	-5,993	-6,952	-29,160
Parameter and other variations	-5,373	-10,108	-16,727	-11,901	-44,109
Total changes	-9,627	-22,069	-22,721	-18,853	-73,270
<b>2009-10 Budget</b>	<b>-32,114</b>	<b>-57,593</b>	<b>-57,051</b>	<b>-44,536</b>	<b>-191,294</b>
<b>% of GDP</b>	<b>-2.2</b>	<b>-4.8</b>	<b>-4.5</b>	<b>-3.2</b>	<b>-2.7</b>
<i>N.B.</i>					
Total policy decisions since Budget	-33,384	-31,960	-18,614	-13,197	-97,155
Total parameter & other variations since Budget	-20,433	-45,301	-57,431	-50,209	-173,374
Total changes since Budget	<b>-53,817</b>	<b>-77,261</b>	<b>-76,045</b>	<b>-63,406</b>	<b>-270,529</b>

Source: Budget papers



# The budget has been framed in the context of the first contraction in the global economy since WWII



NB. Shaded areas denote global recessions

The Government's short-term economic forecasts are broadly in line with market expectations, and not too different from the RBA's

7

### Economic Forecasts: Comparison of Government and ANZ

	2008-09		2009-10		2010-11	
	Govt	ANZ	Govt	ANZ	Govt	ANZ
<b>Demand and output</b>						
Consumption	1	¾	-¼	¼	1¾	2
Dwelling investment.	-2½	-2¾	0	-¼	11½	11½
Business investment <sup>(b)</sup>	2½	4¾	-18½	-17½	3½	-7¼
Private demand <sup>(b)</sup>	½	1	-4	-3¾	2¾	1
Public demand <sup>(b)</sup>	5	3¼	7¾	4	-½	5¾
Net exports <sup>(c)</sup>	¼	¾	¾	½	-½	½
<i>Exports</i>	-½	½	-4	5¼	4½	2¼
<i>Imports</i>	-1½	-2½	-6½	-6¼	6½	5
<b>GDP</b>	<b>0</b>	<b>¼</b>	<b>-½</b>	<b>-¾</b>	<b>2¼</b>	<b>2¼</b>
<i>Non-farm product</i>	-¼	0	-½	-¾	2¼	2¼
<b>Nominal GDP</b>	<b>5¾</b>	<b>5¾</b>	<b>-1½</b>	<b>-2</b>	<b>3¾</b>	<b>4½</b>
<b>Other indicators</b>						
CPI <sup>(d)</sup>	1¾	3	1¾	2	1½	2½
Employment	-¼	1	-1½	-1¼	½	¼
Unemployment rate (%) – year ended June qtr	6	5¾	8¼	8	8½	8¼
Wage price index	4¼	4¼	3¼	3½	3¼	3½
Terms of trade	8¾	8¼	-13¼	-17¼	0	-1½
Current account (% of	-3	-3	-5¼	-6½	-5¾	-7¼

Source: Budget papers and ANZ



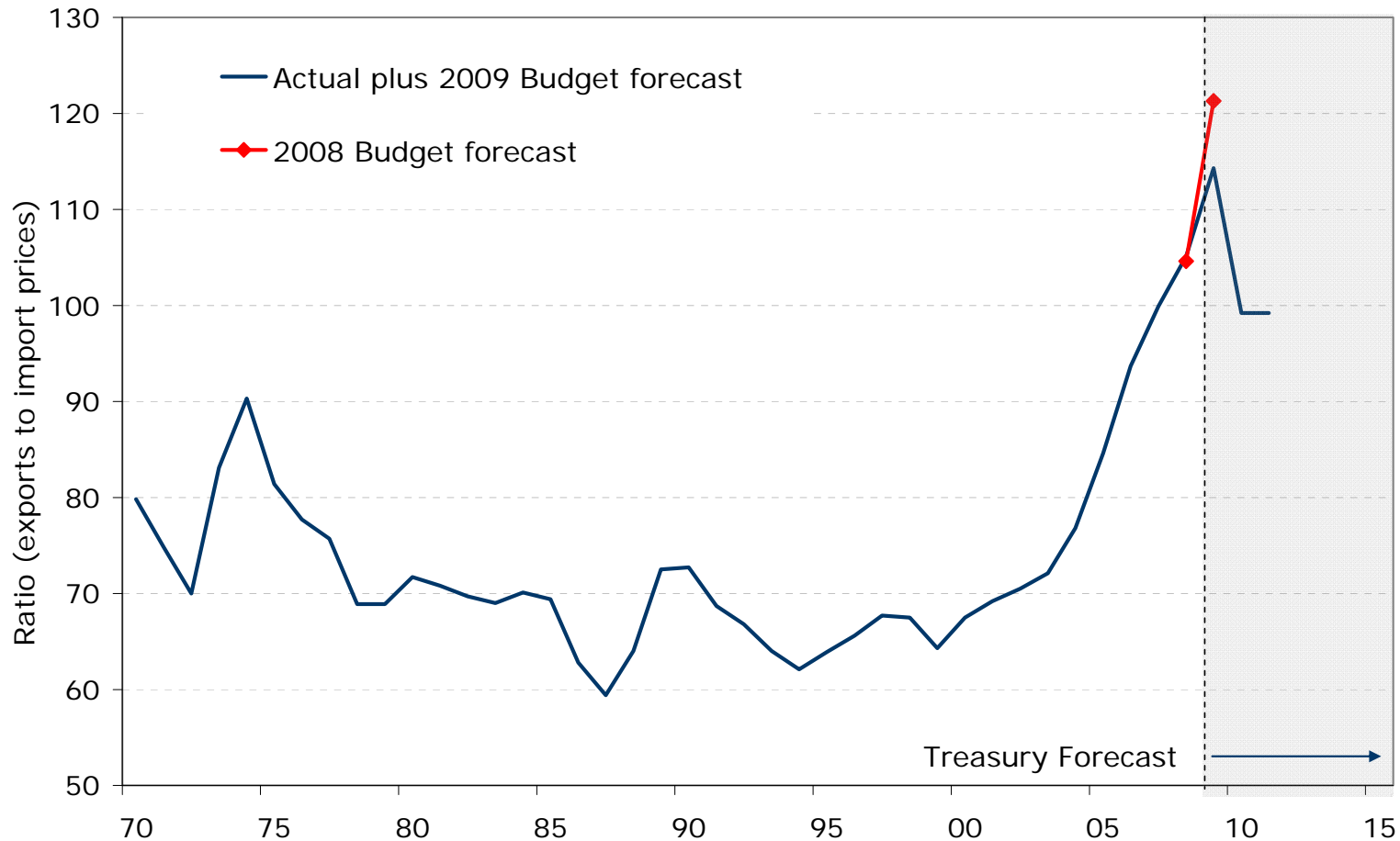
## Key risks to the short-term (2yr) economic forecasts

---

- The Government expects Australia to experience a mild recession in 2009-10 with a gradual recovery over 2010-11 and 2011-12
- The unemployment rate is forecast to rise to 8¼% by June 2010 and to 8½ by June 2011
- Underlying inflation is forecast to ease to 1½% by 2010-11, broadly consistent with the RBA's latest forecasts
- Falls in commodity prices are forecast to be limited to 2009-10, with steady prices forecast thereafter
- We feel the balance of risks to the Government's domestic forecasts are weighted (slightly) to the downside
  - The government is forecasting a quick recovery in business investment due to the high number of resource projects due to commencement. Weaker global growth and commodity prices throw many of these projects however in doubt.
  - The government is assuming a large fall in the household savings ratio from 8.5% in Q4 2008 to average 6¾% in 2008-09 and stay there. We believe there is a significant risk that households will seek to raise savings and repair balance sheets as unemployment continues to rise.
- There are however some upside risks to the Government's global view. In particular, we are a little more optimistic around prospects for recovery in the US and Japan. There is thus potentially some modest upside risks to the Government's forecasts for export and commodity price forecasts

# The global recession has put an end, for the time being, to the commodities boom

### Australia's Terms of Trade

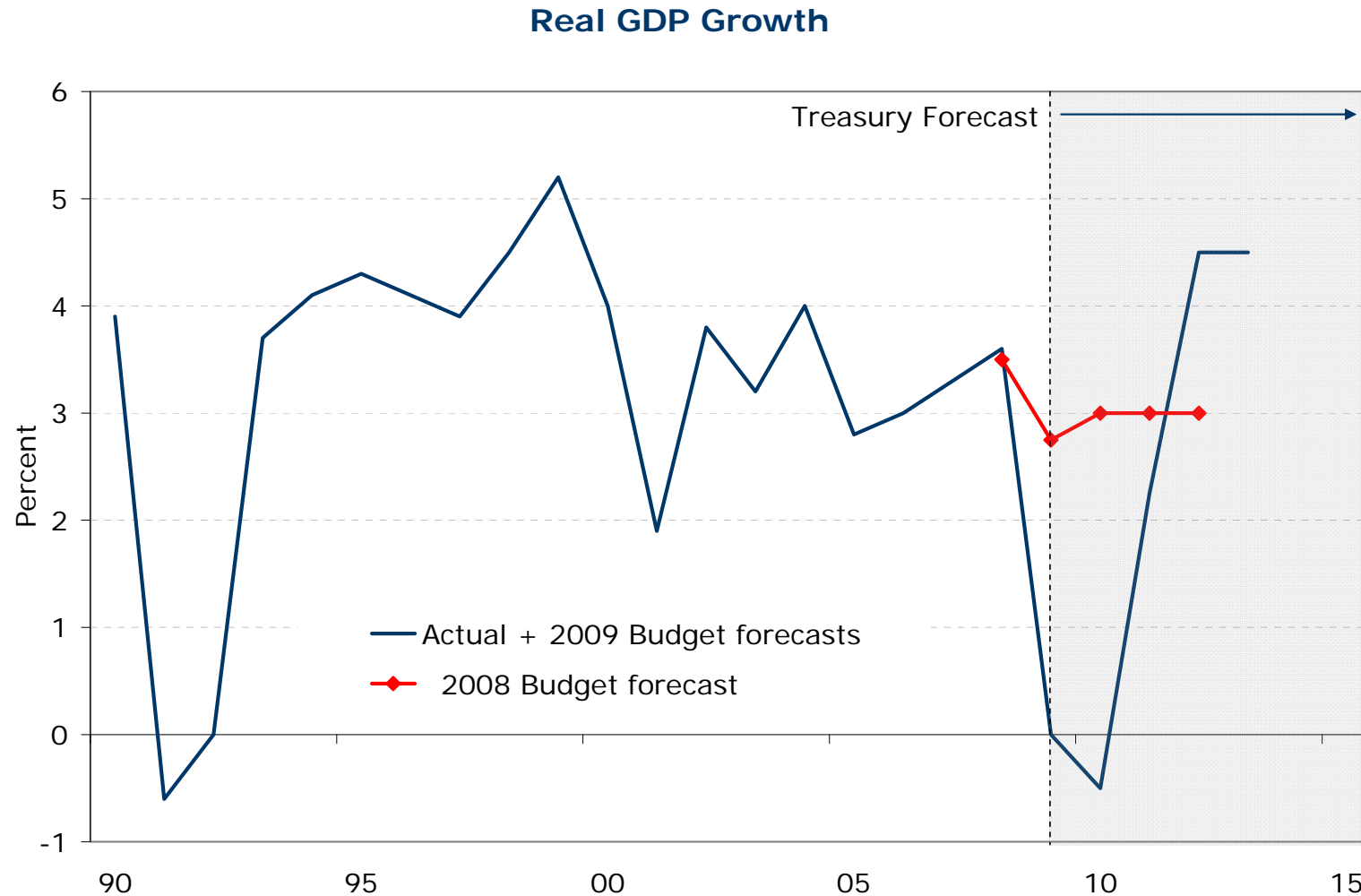


NB. Data are for fiscal years ended 30 June

Source: ABS and budget papers

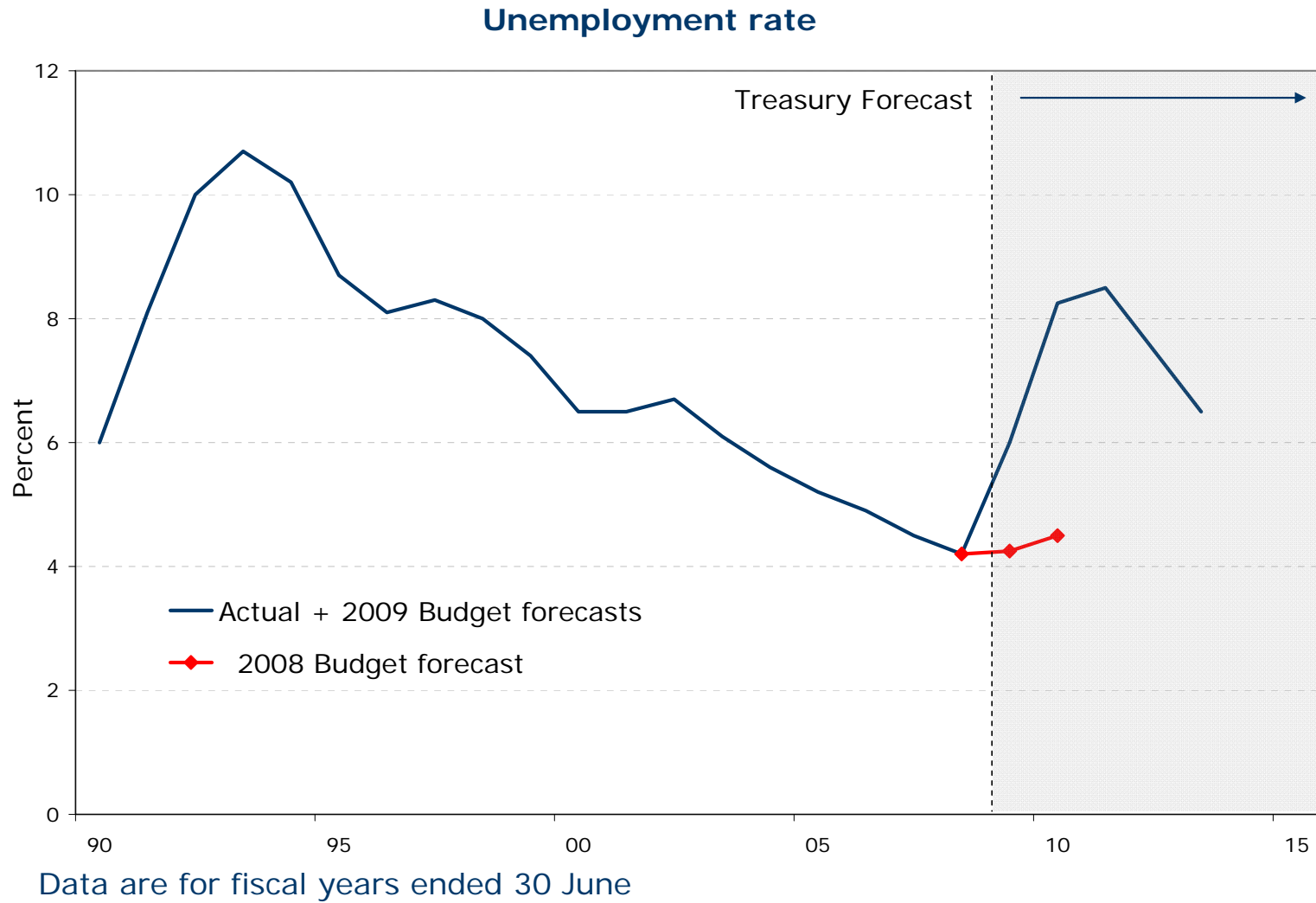


## And pushed Australia into its first recession since the early 1990s



Data are for fiscal years ended 30 June

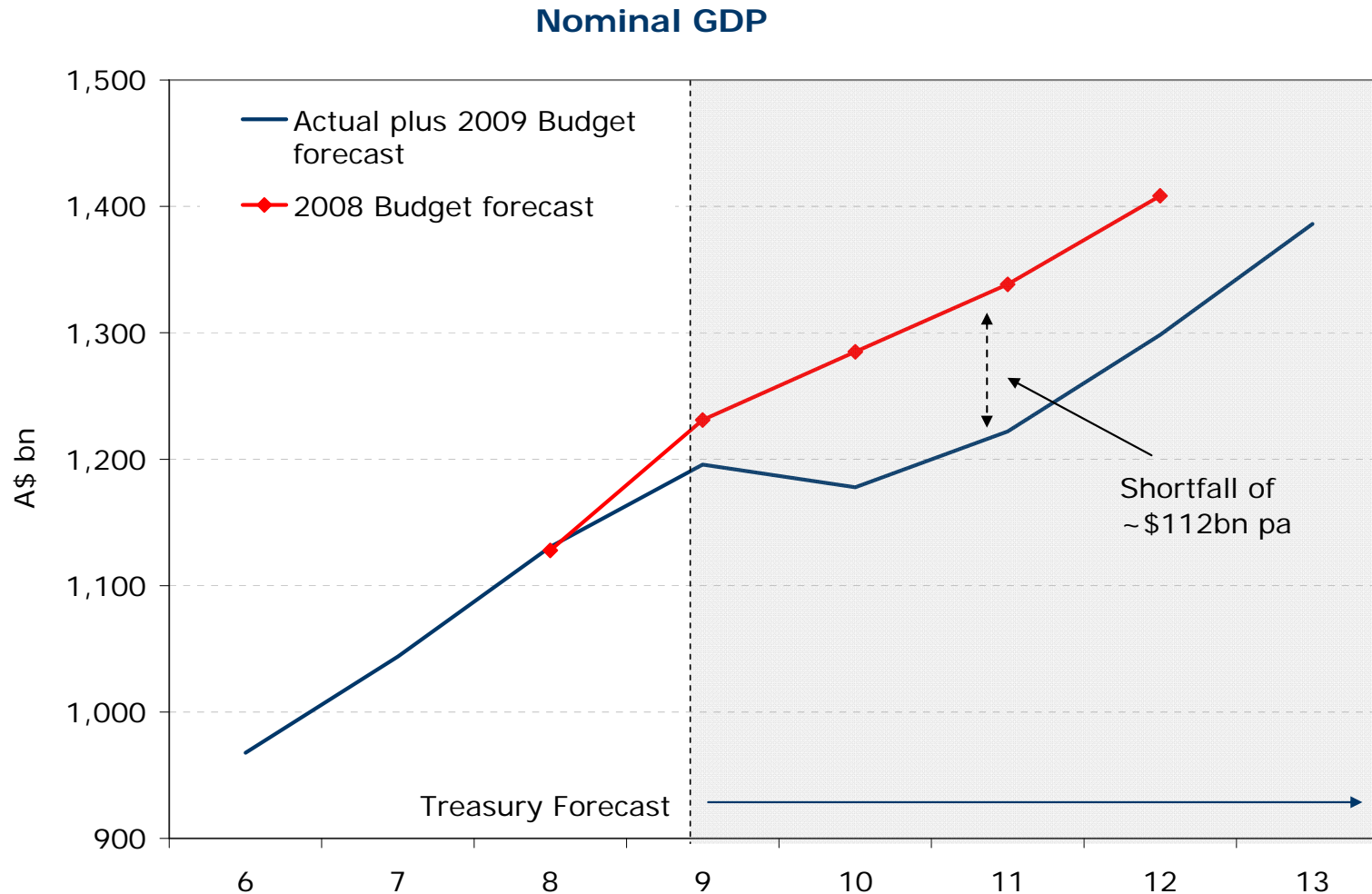
There will be a sharper rise in the unemployment rate than previously forecast



Source: ABS and budget papers



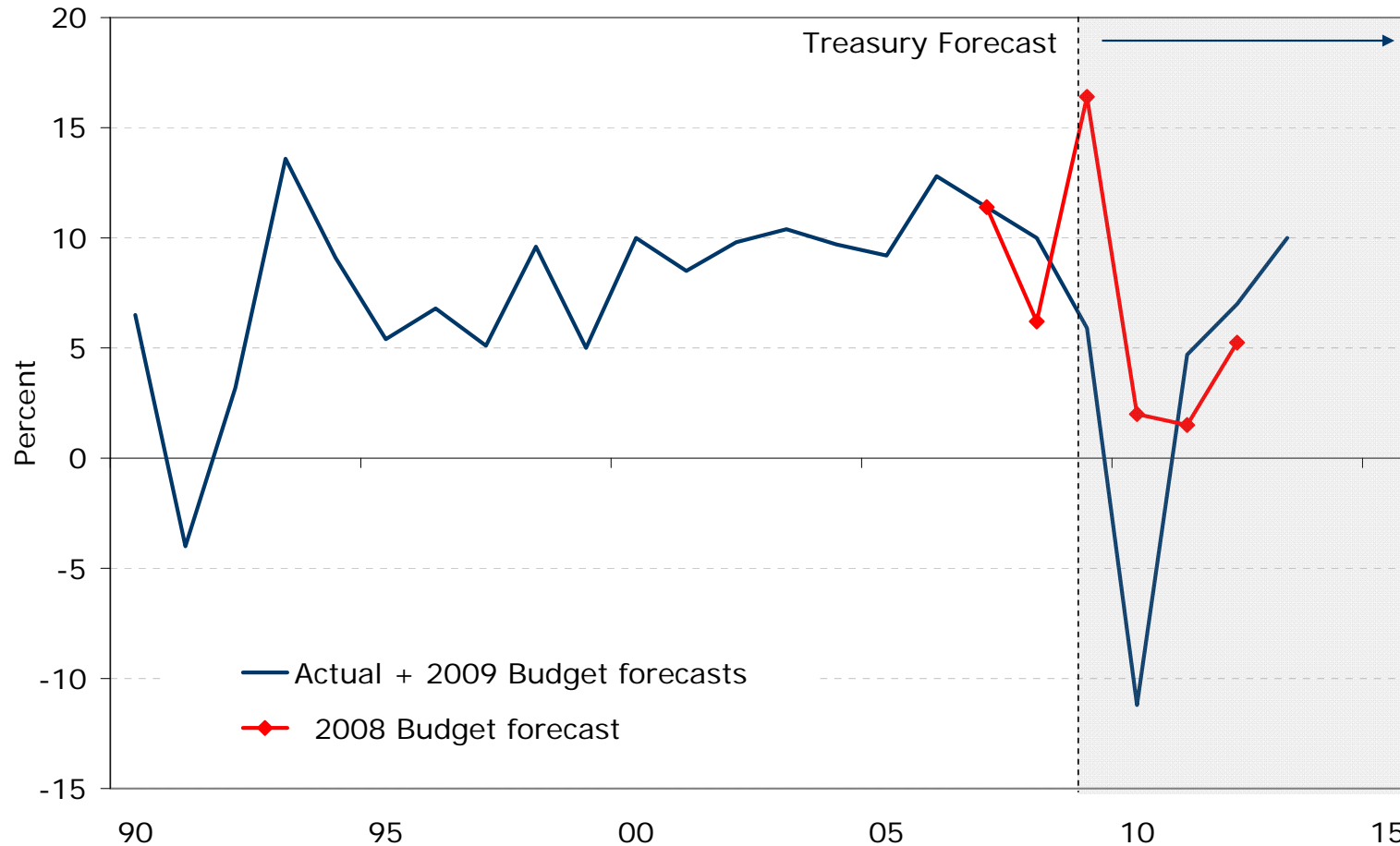
# Weaker domestic growth and a sharp fall in the terms of trade has wiped a considerable amount from Australian nominal GDP <sup>12</sup>



NB. Data are for fiscal years ended 30 June

The current recession will be marked by a particularly large contraction in company incomes ... 13

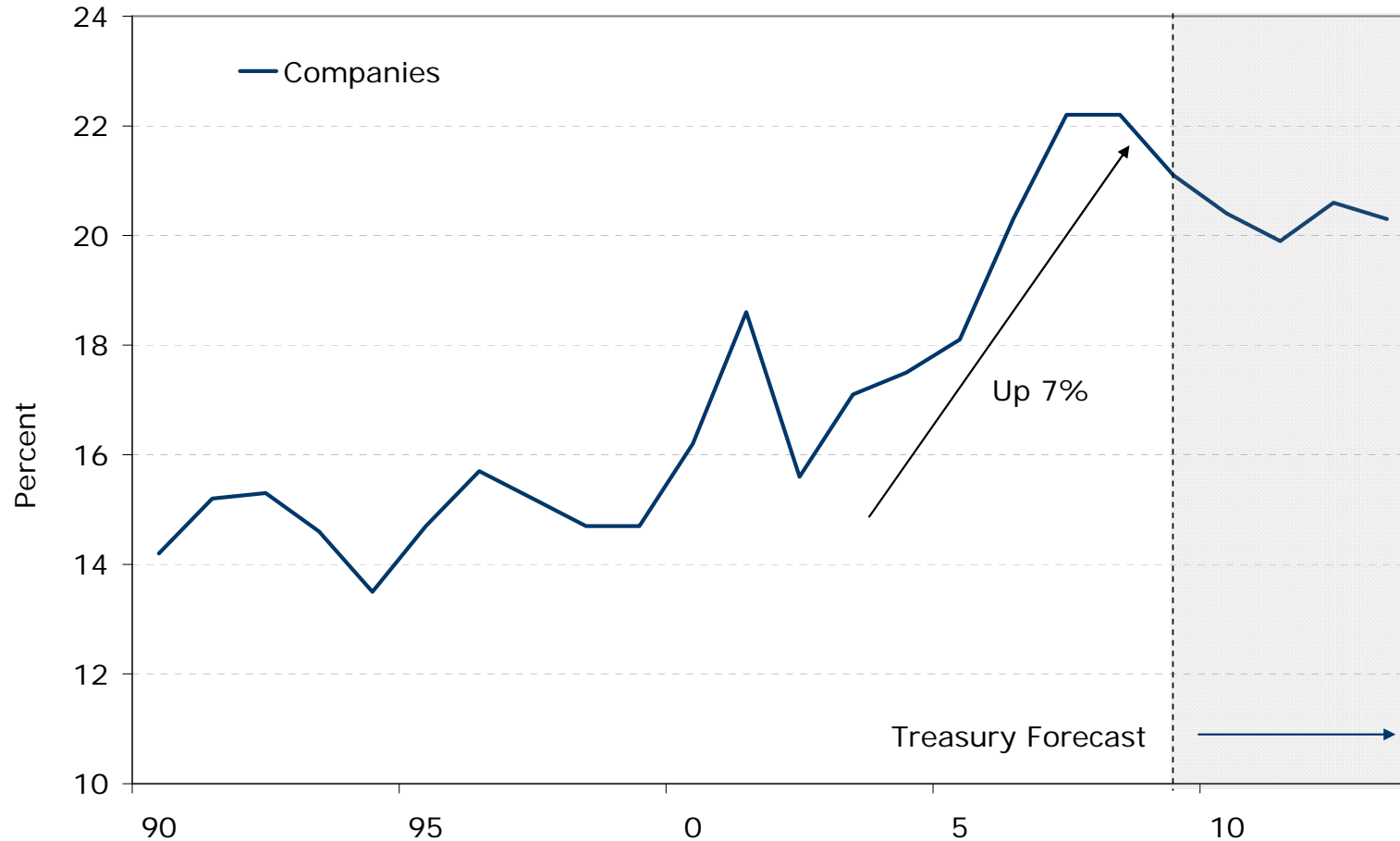
### Company gross operating profits



NB. Data are for fiscal years ended 30 June. Corporate gross operating surplus is a national accounts measure of profits before interest, tax and depreciation/amortization

... which is a problem for the Budget because of the increased reliance on company tax in recent years

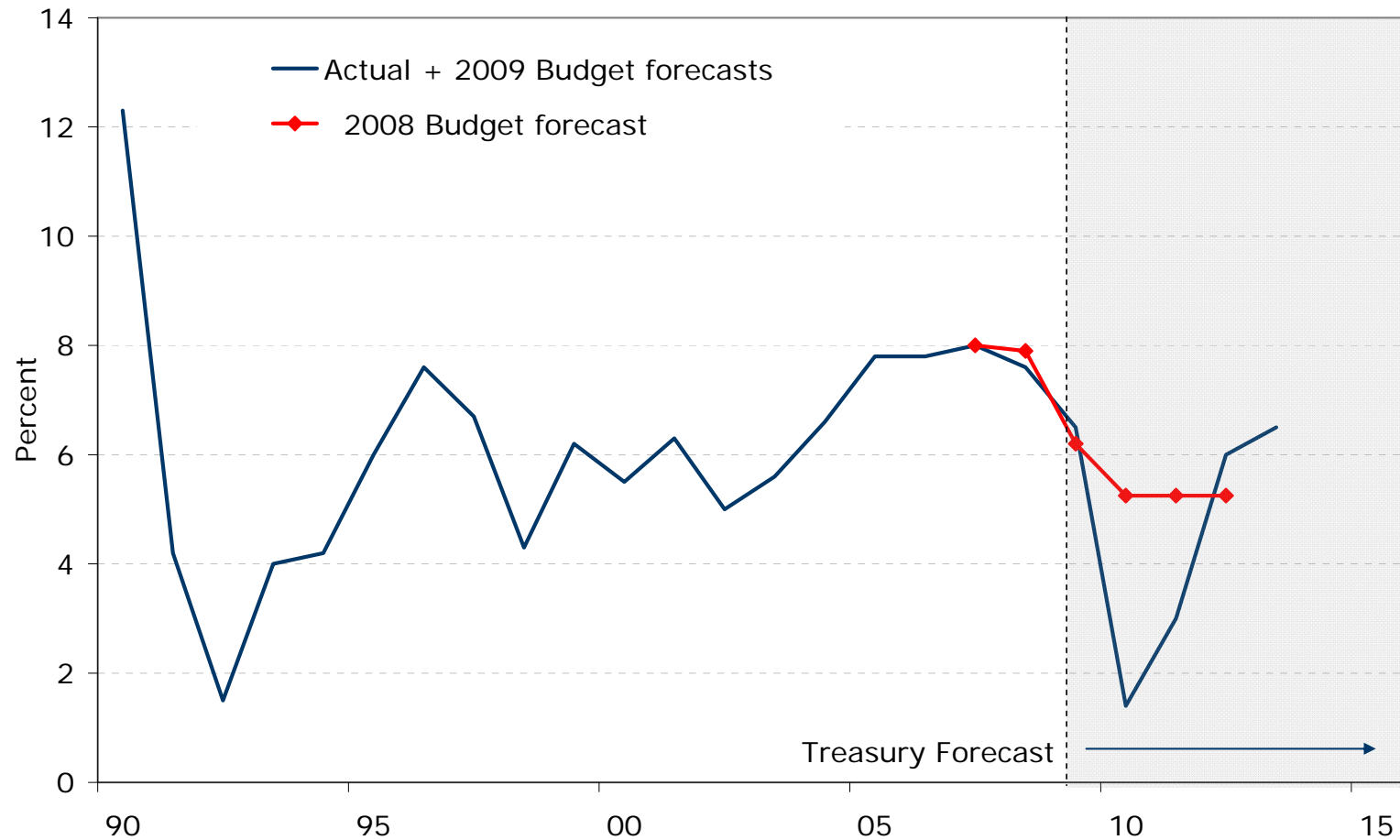
Companies share of total tax collections



NB. Data are for fiscal years ended 30 June

## A weaker labour market has also hit income tax receipts...

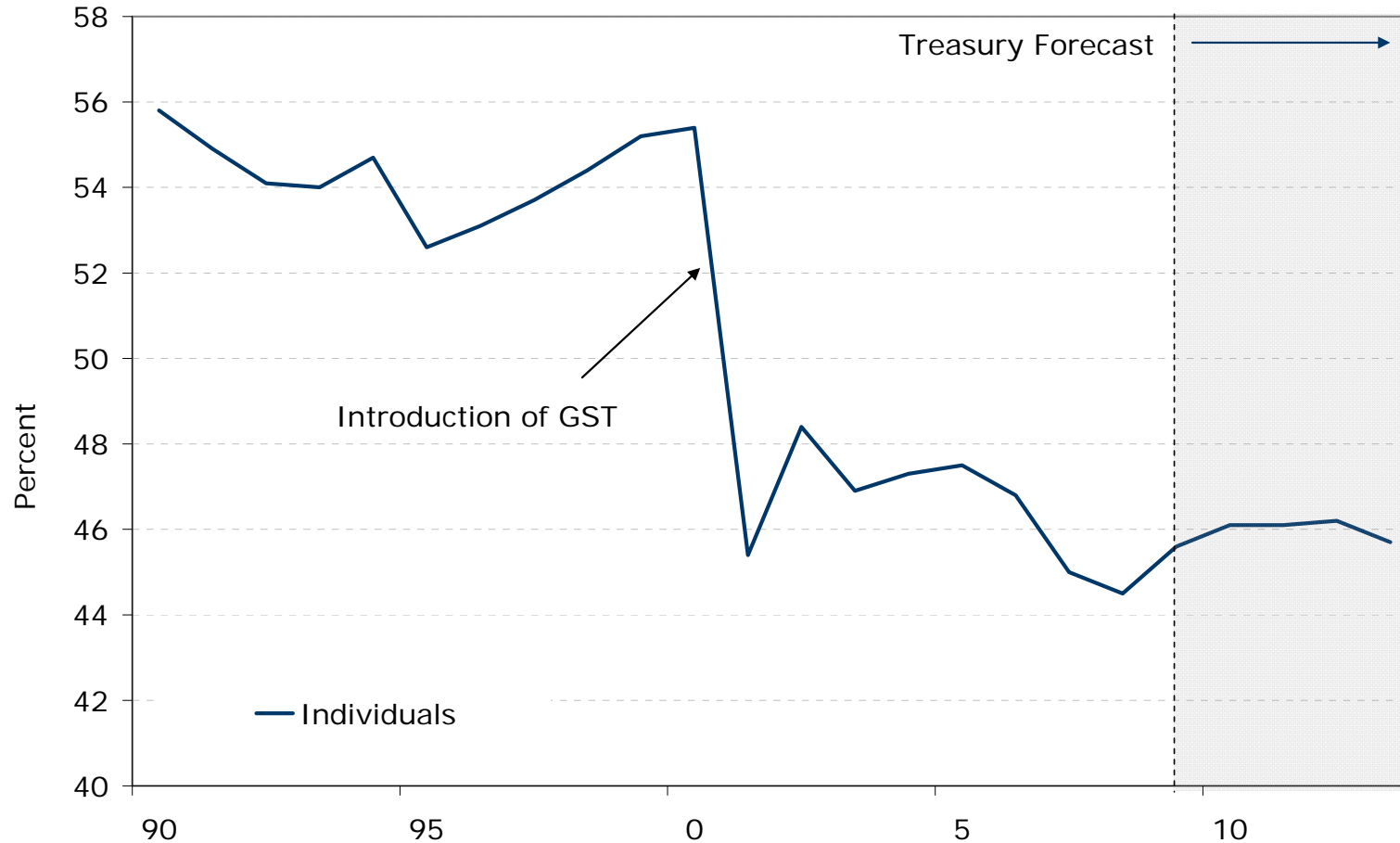
### Non-farm compensation of employees



NB. Data are for fiscal years ended 30 June

...which (although declining in relative importance) are still the major source of government tax revenue

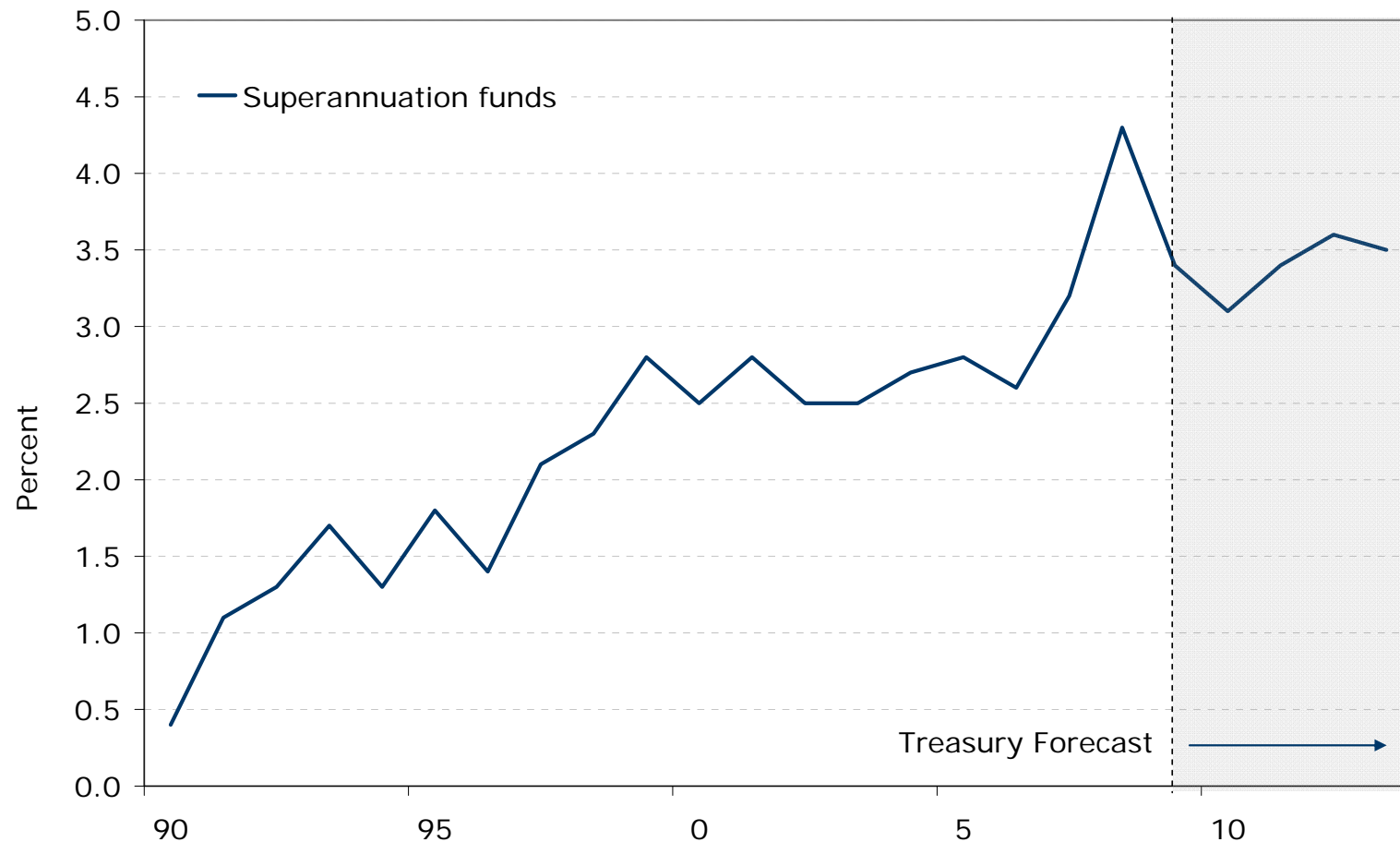
### Individuals share of total tax collections



NB. Data are for fiscal years ended 30 June

Superannuation fund taxes was a nice little Budget earner too, while the boom lasted...

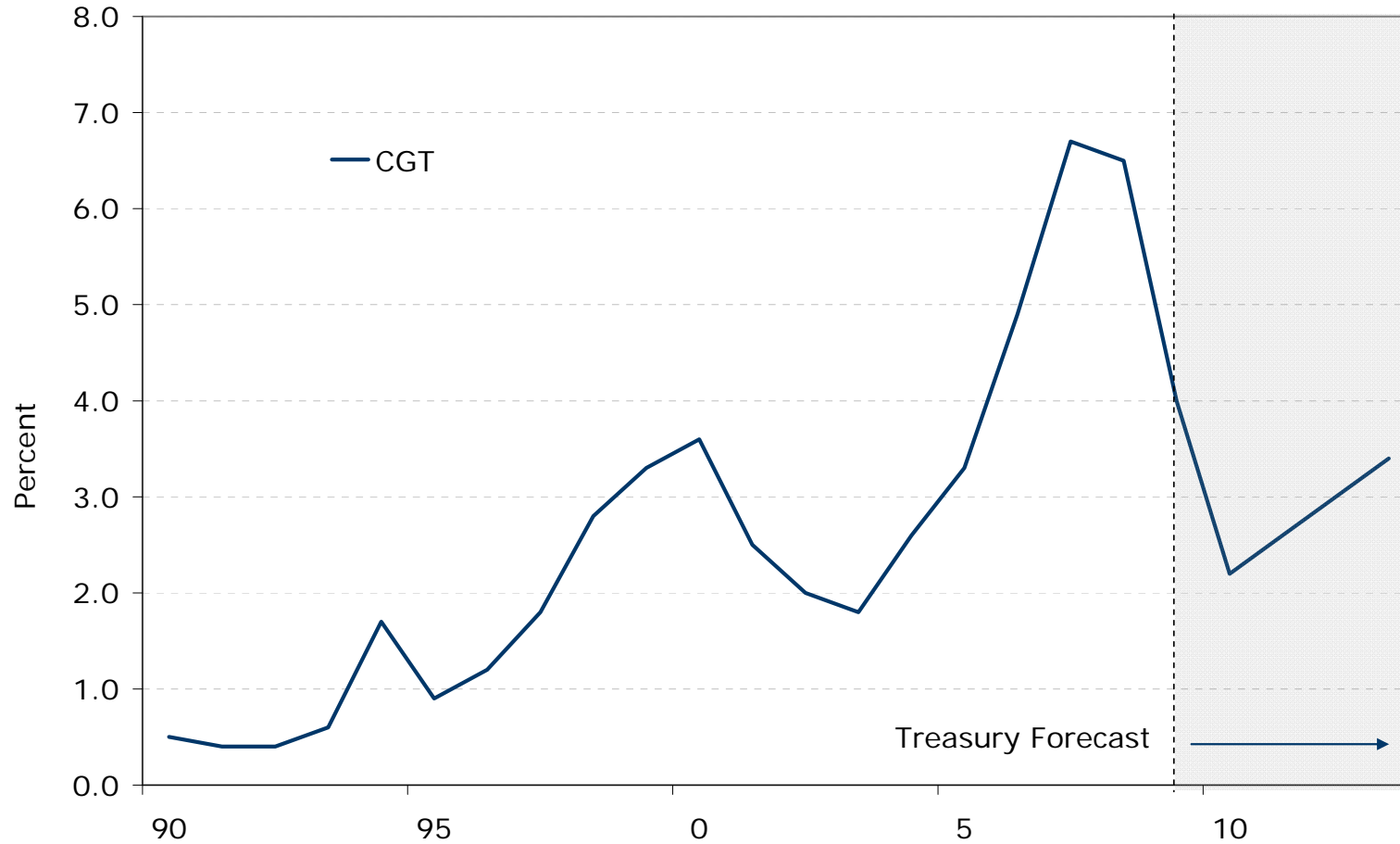
Superannuation funds share of total tax collections



NB. Data are for fiscal years ended 30 June

...as were capital gains taxes...these tax receipts are not expected to recover for many years.

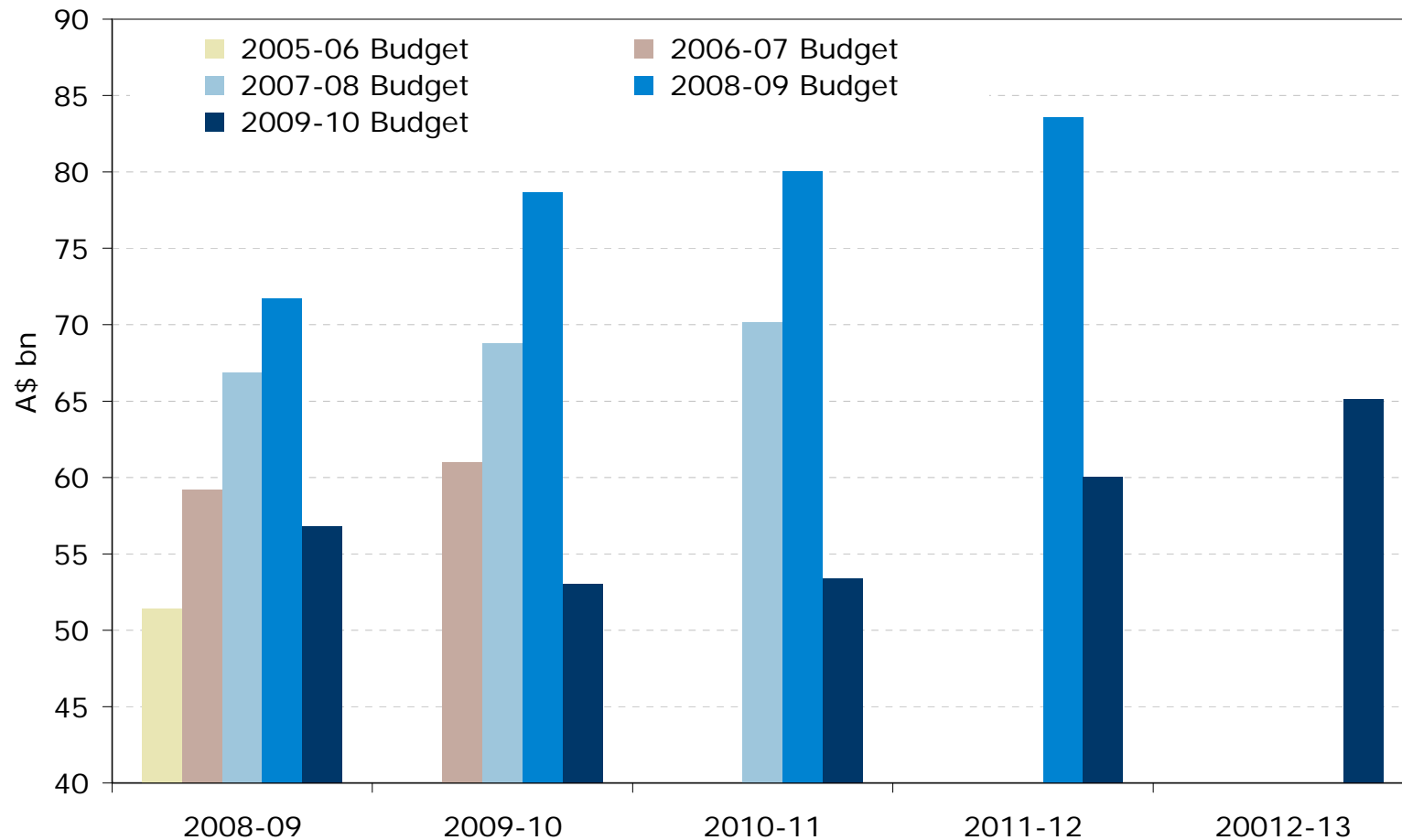
Capital Gains Tax share of total tax collections



NB. Data are for fiscal years ended 30 June

## Forward estimates of company tax receipts have been slashed ...

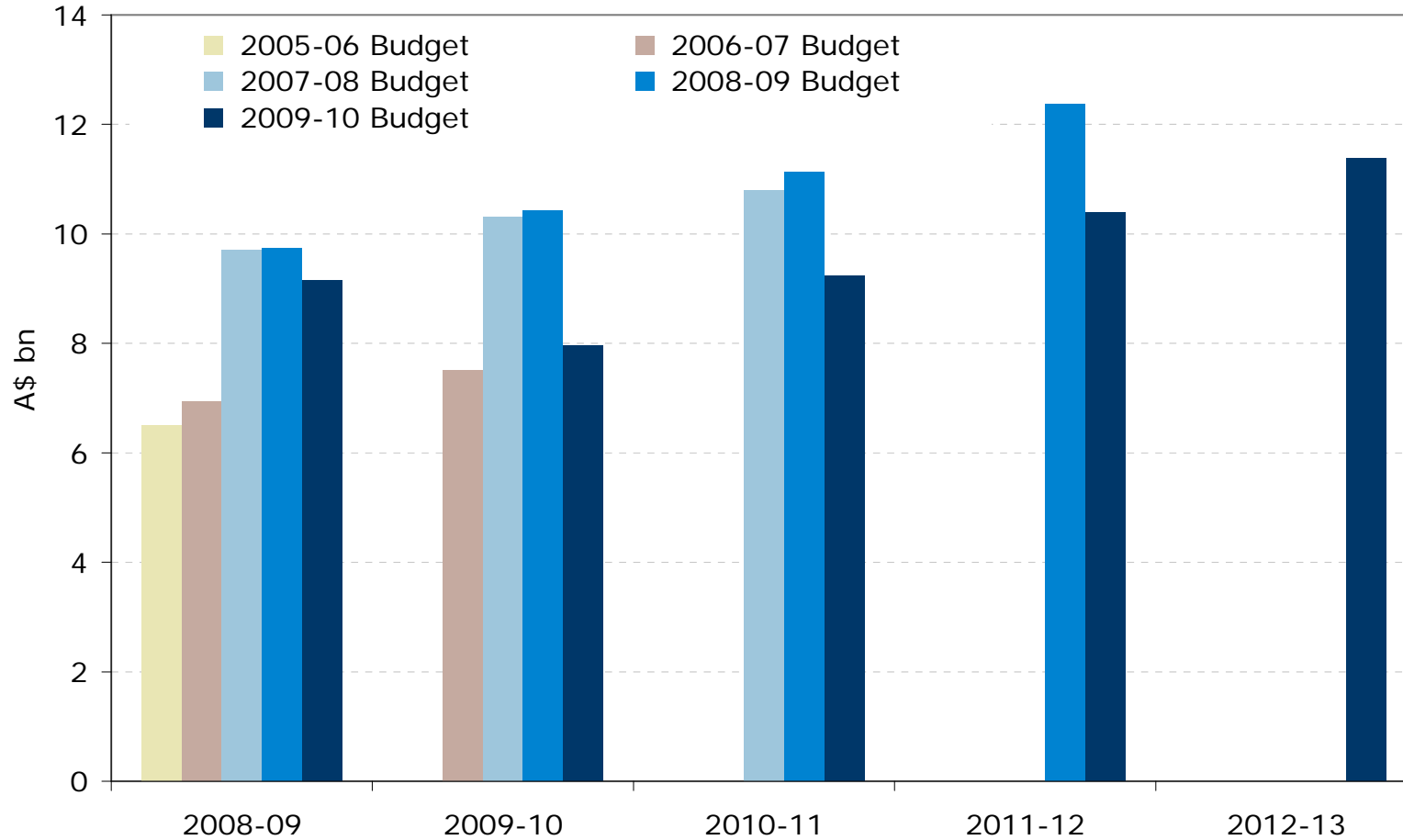
### Successive budget estimate of company income tax receipts



NB. Chart shows estimates in cash terms

... as have estimates of receipts from taxes on superannuation funds...

**Successive budget estimate of super fund tax receipts**

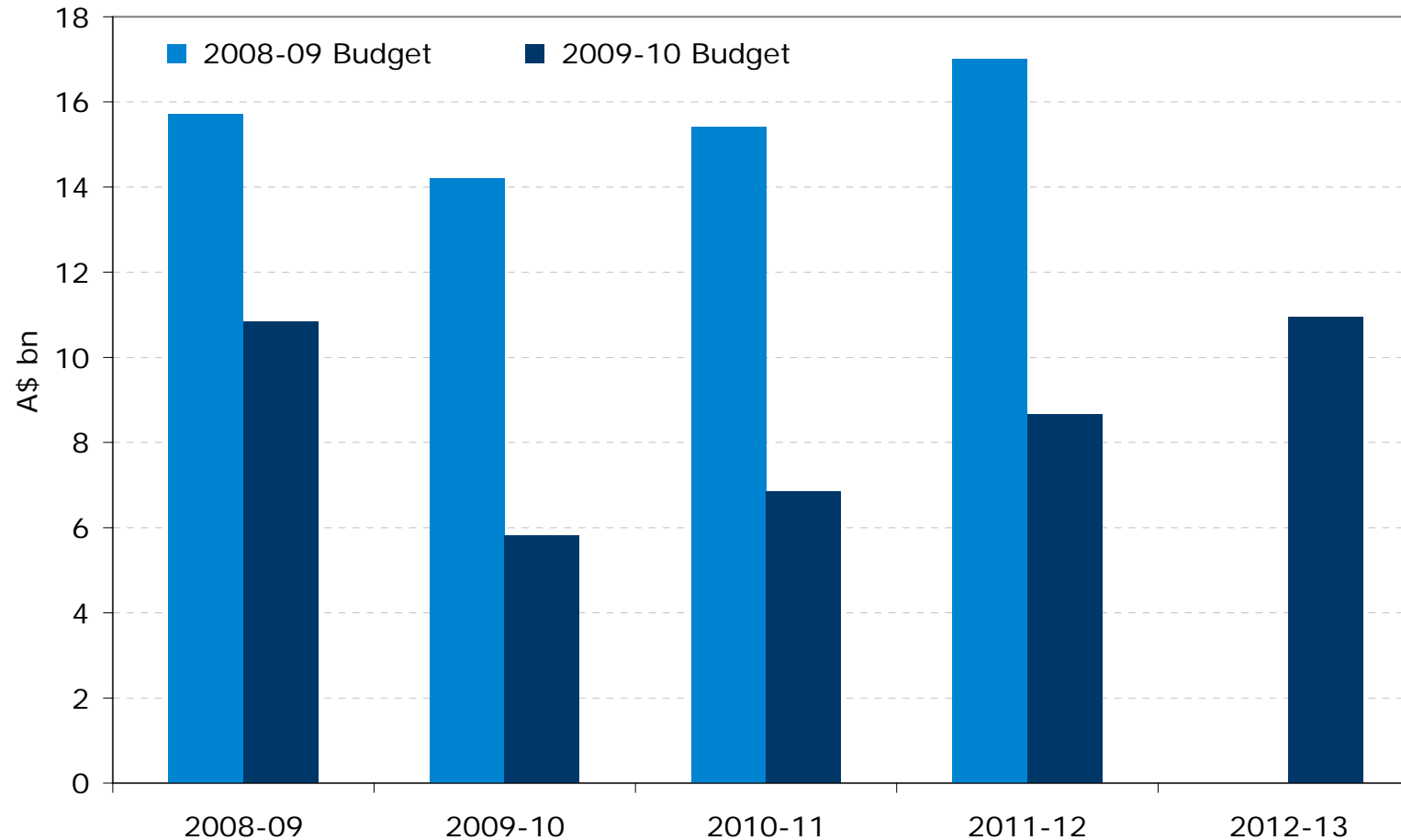


Source: Budget papers



## ...and estimates of capital gains tax receipts

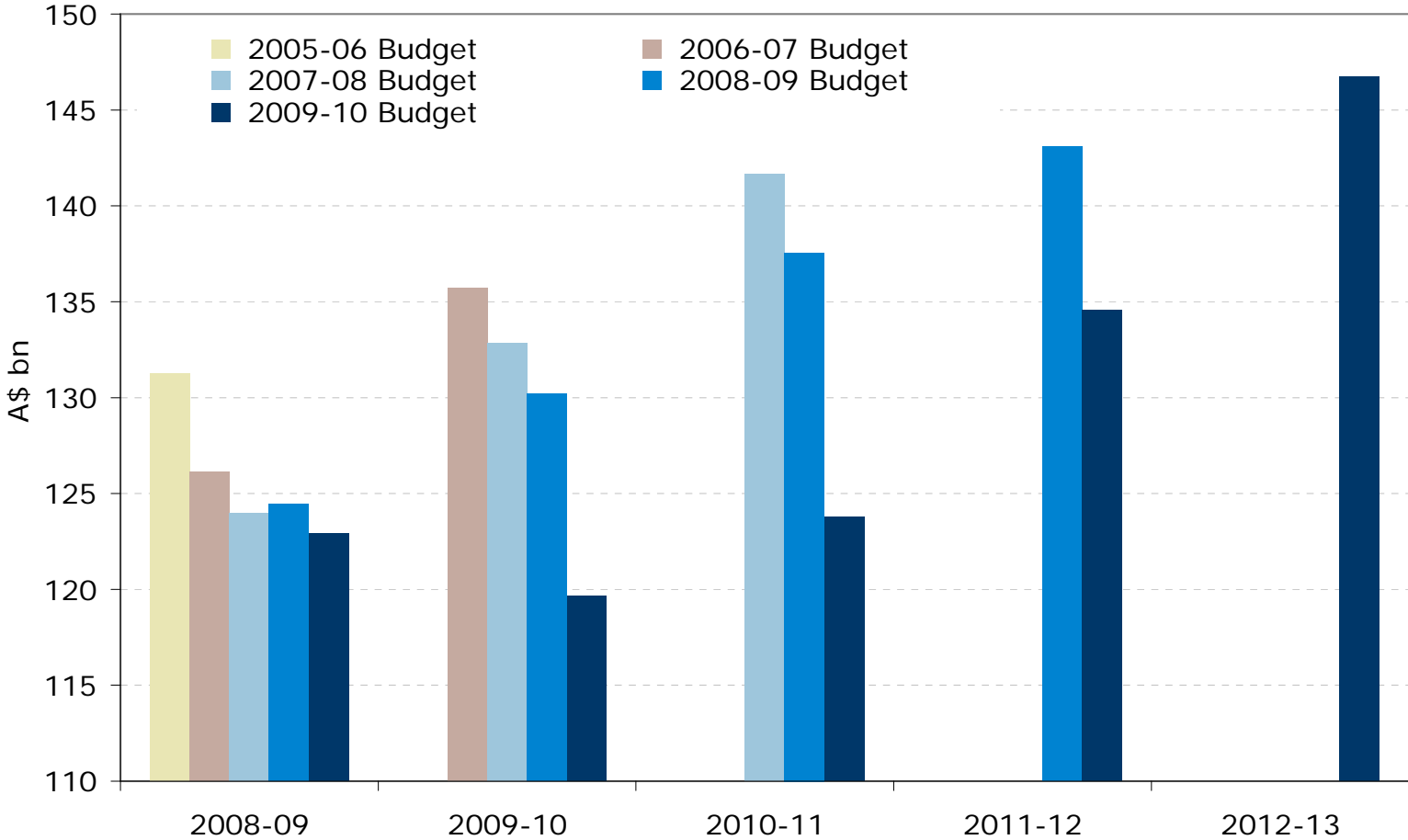
Successive budget estimate of capital gains tax receipts



NB. Forward estimates of capital gains tax collections were not published before the 2008-09 budget

# Forward estimates of personal income tax collections have also been lowered, but by relatively less

Successive budget estimate of individual income tax receipts



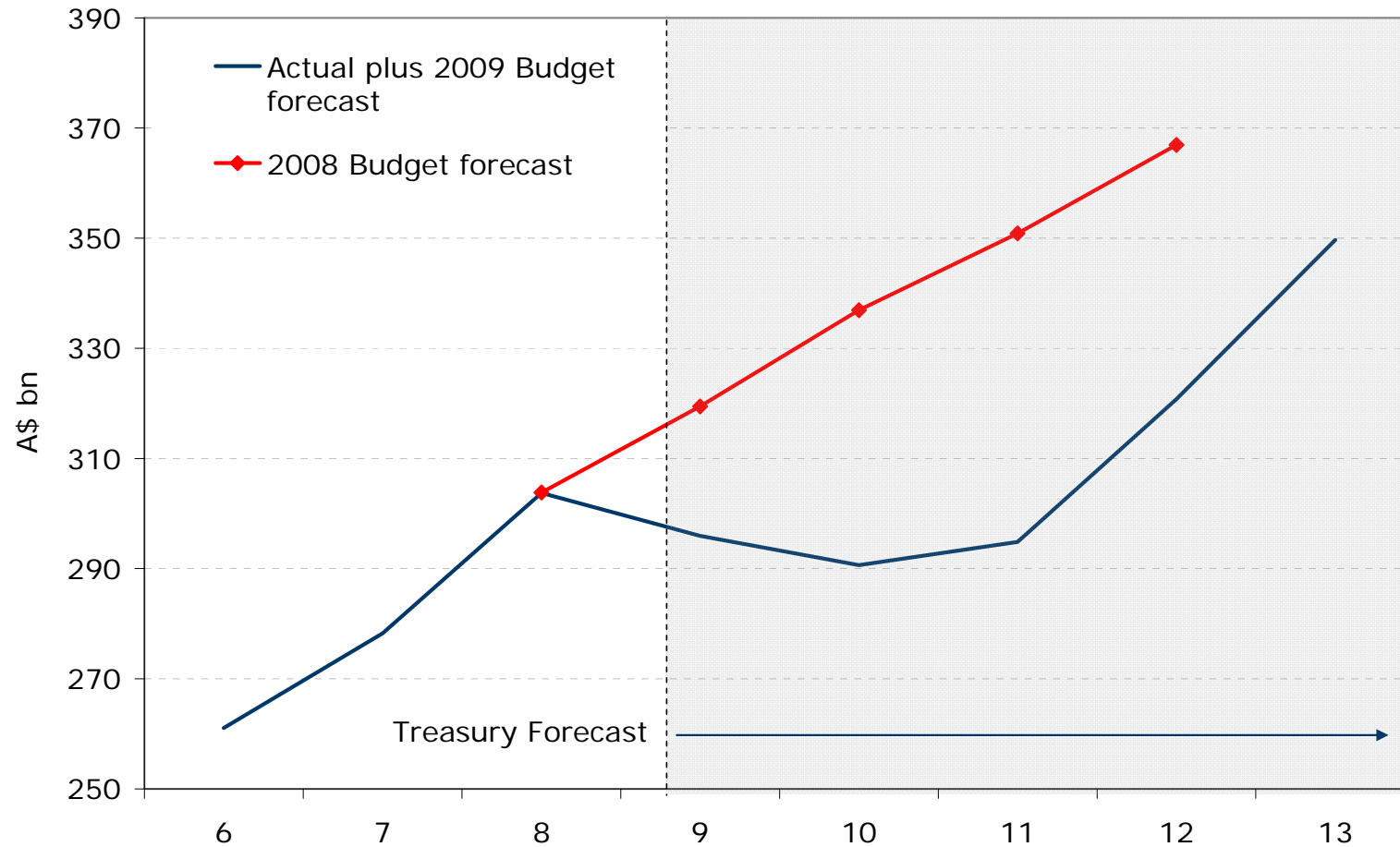
NB. Chart shows estimates in cash terms

Source: Budget papers



# Changed economic circumstances have reduced revenues by a total of \$175bn over four years

### Total revenue



NB. Data are for fiscal years ended 30 June

Source: Budget papers



As a result of these hits to revenue, the Budget was bound to fall into large deficit even if the Government hadn't provided any stimulus...<sup>24</sup>

---

**Sources of movement in forward estimates of the 'underlying cash balance' since last year's Budget**

	2008-09	2009-10	2010-11	2011-12
	\$mn	\$mn	\$mn	\$mn
<b>As at May 2008</b>	<b>21.7</b>	<b>19.7</b>	<b>19.0</b>	<b>18.9</b>
'Parameter variations' -				
Up to Feb 2009	-15.1	-35.2	-40.7	-38.8
Since Feb 2009	-5.4	-10.1	-16.7	-11.9
<b>'No policy change' underlying cash balance</b>	<b>1.2</b>	<b>-25.6</b>	<b>-38.4</b>	<b>-31.8</b>

... and if the Government had sought to prevent the budget from slipping into deficit (by cutting spending or raising taxes) it would have made the current downturn worse

*Note:* 'Parameter variations' are changes in spending or revenue projections arising from changes in economic assumptions, changes in the revenue yield from particular taxes, 'slippage' in implementation of policy decisions, etc. *Source:* Budget Paper No. 1, ANZ calculations.



'Policy decisions' have added to the deficit in the short term but will add less to the deficit over the medium term

---

**Sources of movement in forward estimates of the 'underlying cash balance' since last year's Budget**

	2008-09	2009-10	2010-11	2011-12
	\$mn	\$mn	\$mn	\$mn
<b>As at May 2008</b>	<b>21.7</b>	<b>19.7</b>	<b>19.0</b>	<b>18.9</b>
'Parameter variations' -				
Up to Feb 2009	-15.1	-35.2	-40.7	-38.8
Since Feb 2009	-5.4	-10.1	-16.7	-11.9
<b>'No policy change' underlying cash balance</b>	<b>1.2</b>	<b>-25.6</b>	<b>-38.4</b>	<b>-31.8</b>
'Policy decisions' -				
Up to Feb 2009	-29.1	-20.0	-12.6	-6.3
Since Feb 2009	-4.3	-12.0	-6.0	-7.0
<b>As at May 2009</b>	<b>-32.1</b>	<b>-57.6</b>	<b>-57.1</b>	<b>-44.5</b>

*Note:* 'Parameter variations' are changes in spending or revenue projections arising from changes in economic assumptions, changes in the revenue yield from particular taxes, 'slippage' in implementation of policy decisions, etc. *Source:* Budget Paper No. 1, ANZ calculations.



Measures in the Budget amount to a significant shift in strategy from that of the past nine months

---

The Government has moved on from 'recession avoidance'

- there are no more 'cash handouts'
- although they produced nothing of lasting value, they did allow Australian households to lift saving (by more than US households) without cutting spending (by as much as US households have done) ...
- ... and they haven't had a lasting impact on the budget (as permanent tax cuts, for example, would have done)

Instead the focus of measures in this Budget is on -

- some (modest) additional short-term fiscal stimulus
- which, by focusing on investment, will (hopefully) do more to improve long-run economic growth than the October and February packages
- meeting election and other political commitments
- and measures to ensure that the budget returns to surplus over the medium term, once the need for stimulus has passed

## Short-term fiscal strategy and macroeconomic impact

---

### Fiscal strategy

- There was very little new short-term stimulus in the Budget highlighting that the fiscal strategy is shifting away from short-term stimulus (payments to households) towards more traditional initiatives (investment and infrastructure).
- The only short-term stimulus of note is the extension of the FHOG until Sep 30 which will help support the housing market and the increase to payments for pensioners and carers.
- Most policies for households were focussed on redistribution, not outright stimulus. Permanent spending measures are partly offset by savings measures, including the tightening of means testing for private health insurance rebates and the Medicare levy surcharge and pausing indexation for upper income limits for the Baby Bonus and Family Tax Benefits Parts A and B. These will have a moderate contractionary impact.

### Macroeconomic impact

- Our assessment is that the fiscal stimulus from the 2009-10 budget has been worth approximately 0.8% of GDP in 2009-10 and 0.25 to 0.5% of GDP in 2010-11.
- According to the Government, the total impact of discretionary stimulus packages since the 2008-09 Budget are worth 2¾% of 2009-10 GDP and 1½% of 2010-11 GDP. Without the packages, the unemployment rate would reportedly have peaked at over 10% in 2010-11 rather than at 8½%.

# Implications for monetary policy

---

## RBA on hold for now

- Fiscal stimulus is currently playing a critical counter-cyclical policy role in Australia which is taking pressure off monetary policy to help cushion the Australian economy from the effects of the global economic downturn and financial crisis. This means **the RBA is comfortably on hold for the next 3 months or so.**

... but reduced fiscal flexibility will see rates fall further

- The Budget also highlights that we are running out of fiscal bullets as well.
- The deficit at \$57.6bn is already the worst (in both nominal terms and as a percentage of GDP) since WWII, and we doubt the government has much scope to intentionally take the Budget further into deficit over the year ahead.
- The government is already struggling to come up with a credible plan to put the Budget back into balance.
- This puts the onus on the RBA to react to any disappointment on prospects for the economy over the year ahead including a more anaemic recovery than currently forecast.
- The lack of fiscal flexibility suggests it is too early to call an end to the easing cycle, let alone near term rate hikes.
- We therefore expect that further disappointment on the economic forecasts, particularly around business investment and potentially the labour market, **will see the RBA cut rates further later this year.** We expect a low for the cash rate of 2% to 2.5% in the current cycle.

## Key policy stimulus measures

Measure	Cost over five years to 2012-13	Description
Pension Reform	\$4.5bn	Increase to payments for pensioners and carers
Education investment	\$3.7bn	R&D tax credit and spending for the Education Investment Fund (for capital works in schools)
Infrastructure spending	\$5.7bn	Investing in road freight network from Melbourne to Cairns, metro rail and public transport links for major cities
Health Care	\$3.4bn	Health & hospitals fund (Capital works for hospitals), improving bulk-billing incentives for diagnostic imaging and pathology services, extending rural health workforce, cancer care & research
Jobs and Training	\$1.6bn	Jobs and Training Compact to provide temporary training supplements, guaranteeing an education or training place for every person <25 years that desires upskilling and support for retrenched workers
Clean Energy Initiative	\$1.3bn	Carbon capture and storage (CGS) projects, new Solar Flagships program and formation of an independent renewable energy innovation body
Paid parental leave	\$0.7bn	From 1 January 2011 primary caregivers will be entitled to 18 weeks of paid parental leave, subject to a means and work test
Extension of FHOB	\$0.5bn	The FHOB will be extended to 30 Sep 09 and then gradually phased out to its original level (\$7,000) by 31 Dec 09
Small & general business tax break	\$0.3bn	Small business tax deductions on eligible investment assets rises to 50% upfront for goods orders between 13 Dec 08 and 31 Dec 09. Other business investment remains eligible for the 30% tax rebate. Extra \$200mn for farmers exceptional circumstances in 2009-10.

## Key savings measures

Measure	Savings over five years to 2012-13	Description
Superannuation	\$2.7bn	Reducing the concessional contribution caps
Superannuation	\$1.4bn	Temporarily reducing the Government co-contribution on eligible personal superannuation contributions
Family Tax Benefits & Baby Bonus changes	\$2.4bn	Pause to indexation of upper income thresholds of FTB-A, TB-B and Baby Bonus, removing the link of FTB-A to pension indexation
Defence expense savings	\$2.0bn	Land sales worth an estimated \$100mn, reduced materials and operating budgets
Private health insurance rebate	\$1.9bn	Tightening the means-testing for private health insurance rebates and the Medicare levy surcharge
Closing tax loopholes	\$1.6bn	Deductions for 'hobbies and lifestyle choices' abolished, no deferral of tax on discount on employee share issues, tax exemption on foreign-sourced income for people offshore for more than 90 days abolished
Pension income tax	\$1.2bn	Increase in the pension income test
Medicare Safety Net Caps	\$0.5bn	Tightened price caps on private medical services paid by the Medicare Safety Net

Medium-term fiscal strategy: Treasury expects the budget to return to surplus by 2015-16. This will be driven by increased saving but primarily by allowing<sup>31</sup> tax revenues to 'recover naturally' as economic growth exceeds trend

### Government Forecasts – Major Australian Economic Parameters

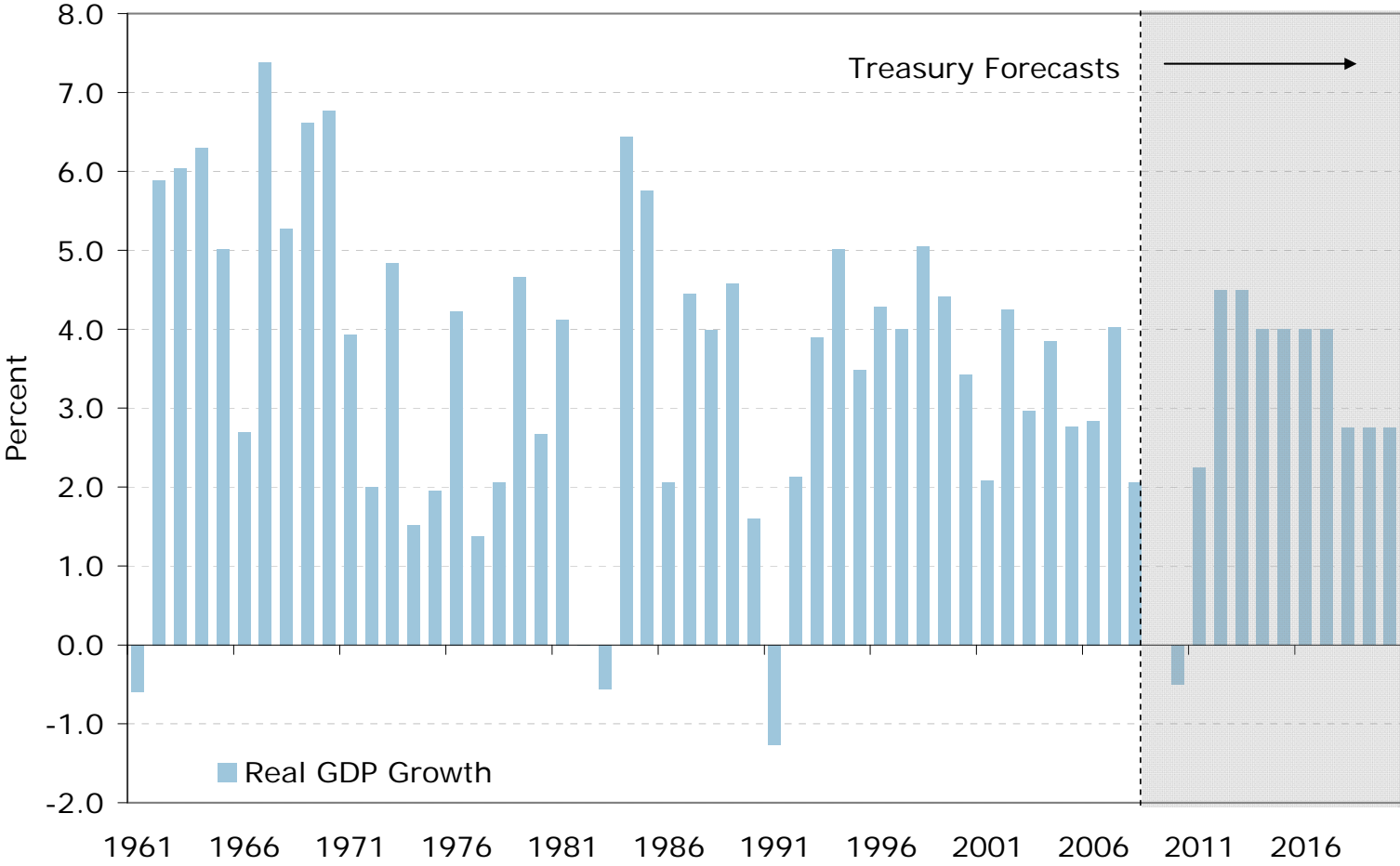
	GDP	Employment	Wage Price Index	CPI	Nominal GDP
<b>Forecasts:</b>					
2008-09	0	-¼	4¼	1¾	5¾
2009-10	-½	-1½	3¼	1¾	-1½
2010-11	2¼	½	3¼	1½	3¾
<b>Projections:</b>					
2011-12	4½	2½	np	2	6¼
2012-13	4½	2½	np	2½	6¾

- The government is projecting GDP growth to rebound to 4½% in 2011-12 and 2012-13, well above trend growth of 3¼%
- History suggests a period of above trend growth after recession is plausible (see next chart)
- But in the 1980s and 1990s this was driven by strong productivity growth following extensive microeconomic reform
- Where is the source of productivity growth this time? And what about the challenges from an aging population?

Source: Budget papers



# Treasury expects economic growth will be above trend for five years from 2011-12 to 2016-17 - this would be an extraordinary recovery

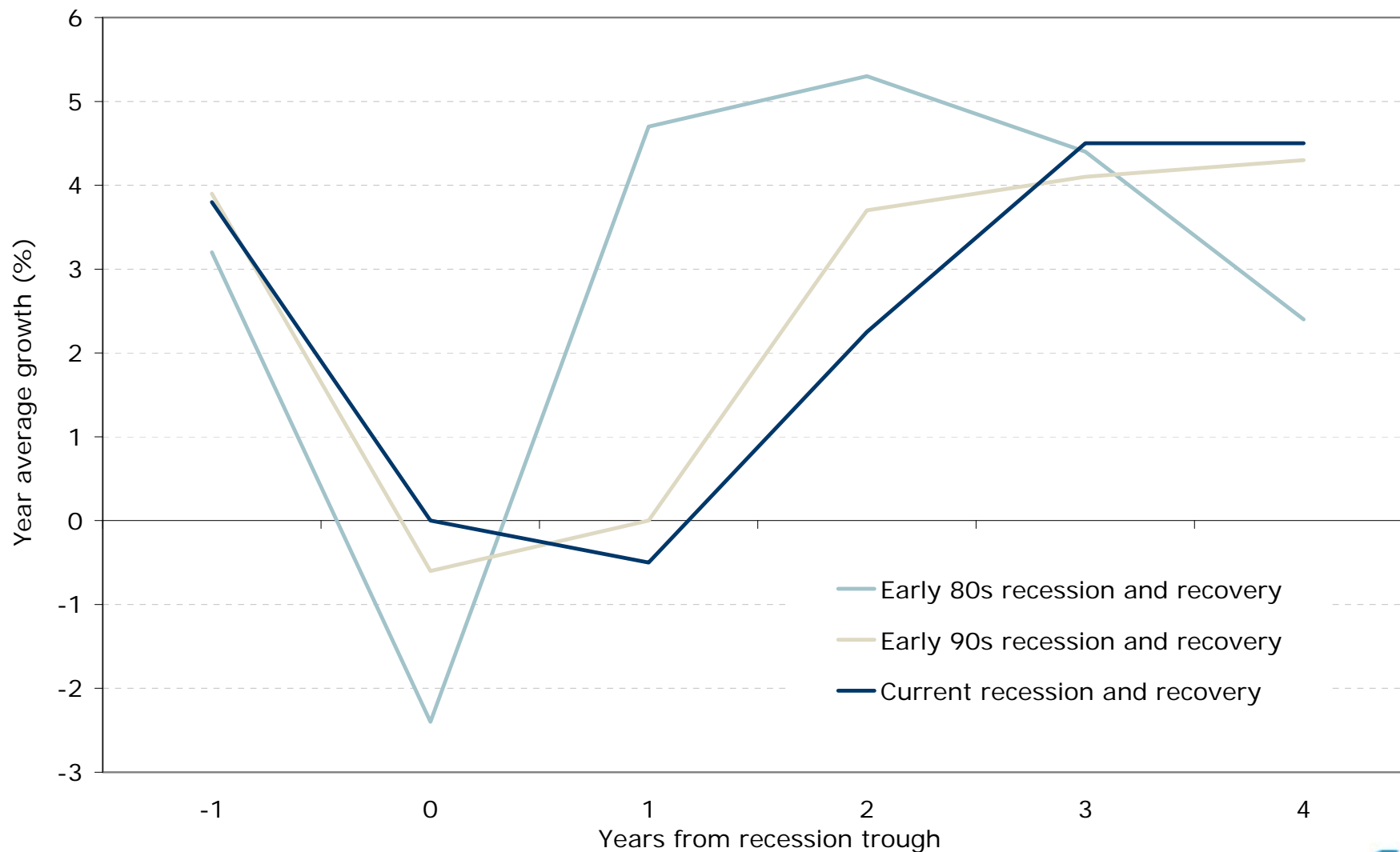


Source: Budget papers



History suggests assumption of two years of above-trend growth in 2011-12 and 2011-12 is plausible, but circumstances are different this time (no strong microeconomic reform agenda and an aging population)<sup>33</sup>

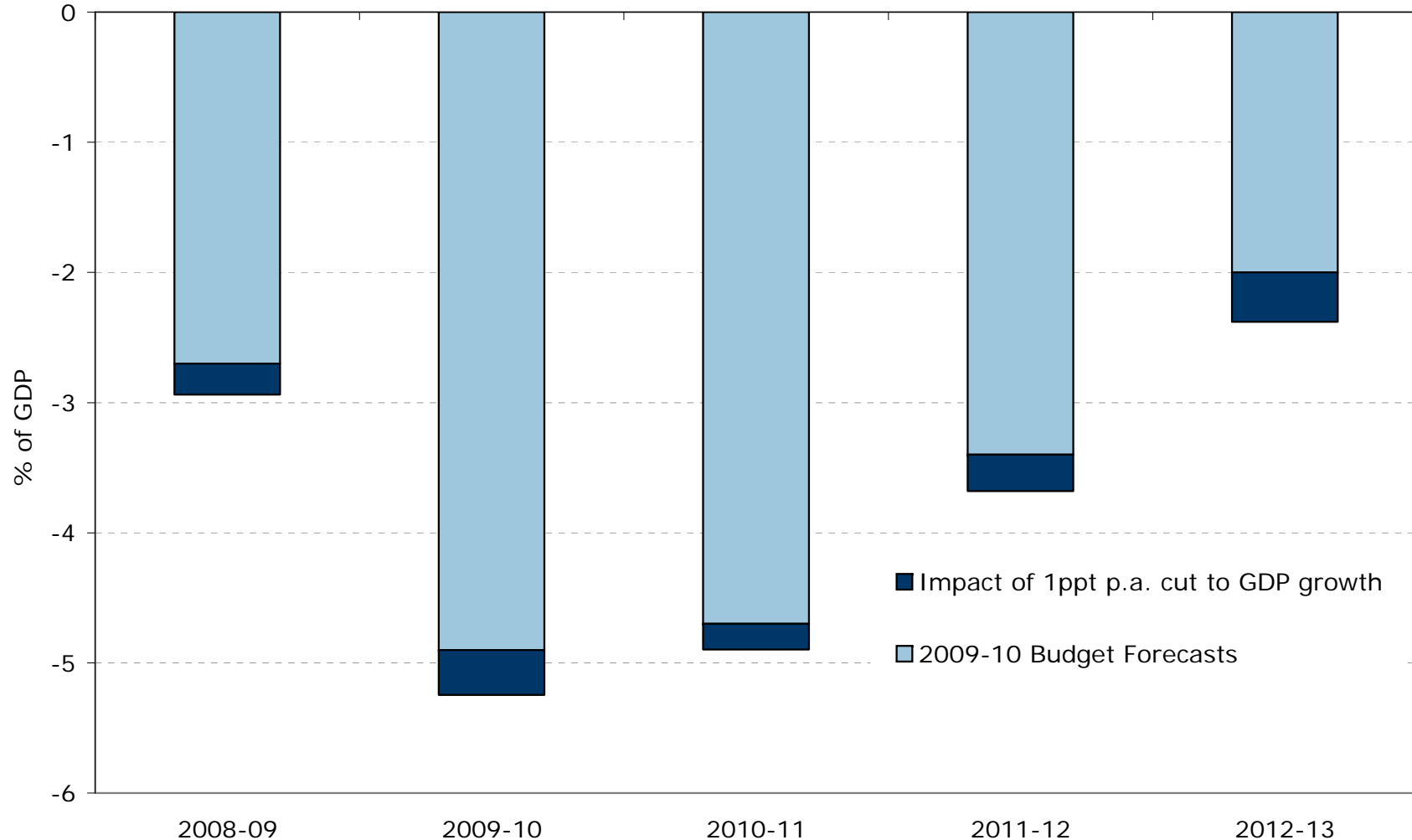
**Real GDP growth around recessions**



Source: ABS and Budget Papers, Note: 'Recession trough' is the financial year in which real GDP reached its lowest point .



If GDP growth is 1.0% lower than the government's forecasts, the 2009-10 deficit will easily exceed 5.0% of GDP and could struggle to return to balance by 2018-19 <sup>34</sup>



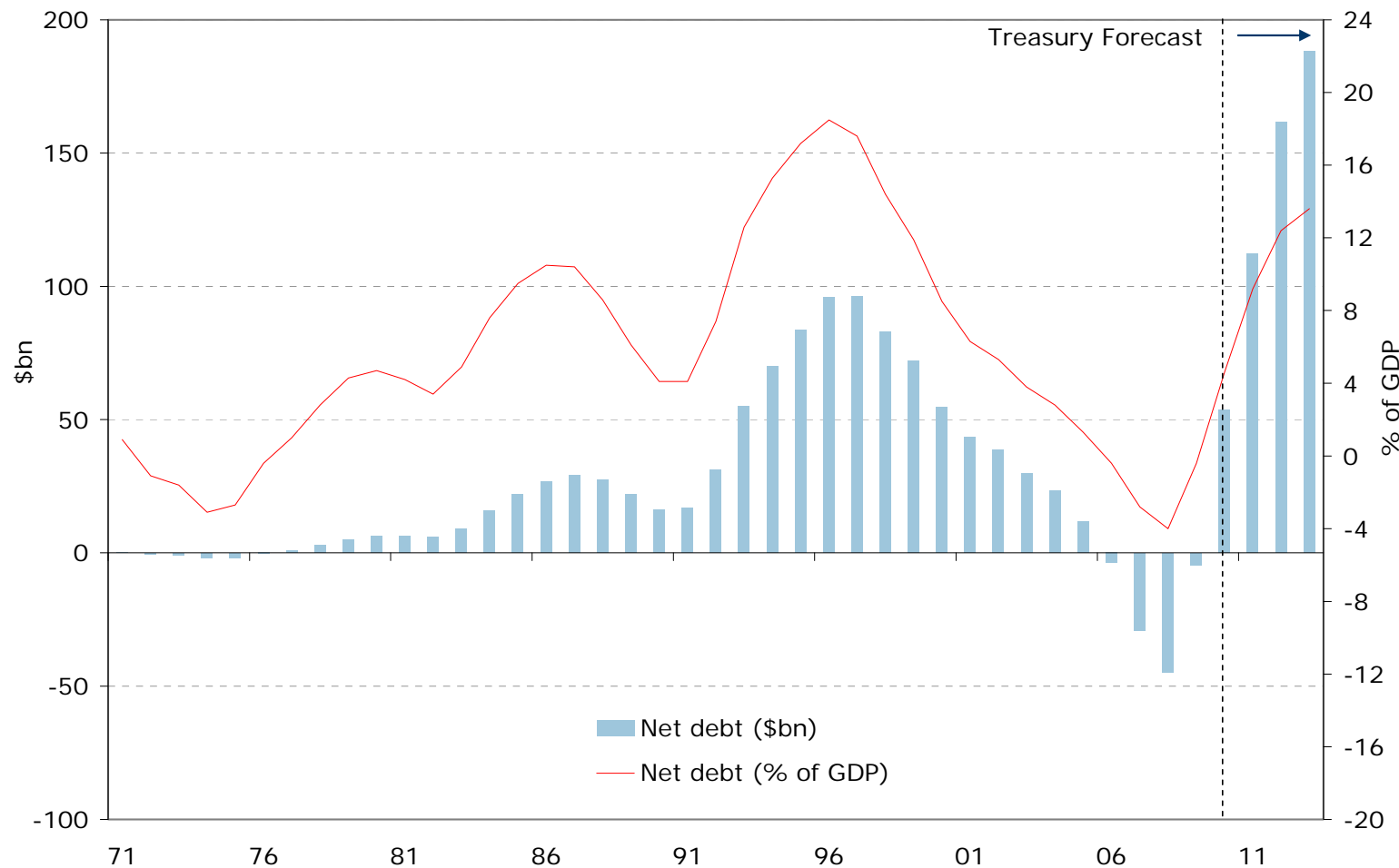
Note: Treasury reports that a 1% fall in real GDP (due to an equal decrease in both productivity and participation) would wipe \$2.5bn off the underlying cash balance in Year 1 and \$4bn off the balance in Year 2

Source: Budget papers and ANZ estimates



The large deficits in prospect of necessity imply a large build-up in Government debt – net debt is expected to peak at 13.8% of GDP in 2013-14<sup>25</sup> but is expected to fall to 3.7% of GDP by 2019-20

### General government net debt



Source: Budget papers



## Government net debt and funding program

---

- Government net debt is projected to rise to 13.8% of GDP in 2013 (or approximately \$205bn on our estimates).
  - This compares with a forecast peak of 5.3% in 2011-12 that was made in February.
  - Nevertheless, this is below the peak of 18.5% of GDP reached during 1994-95.
  - It is also low by international standards; according to the IMF, net government debt for advanced economies will reach 107% of GDP by 2013.
- All of the increase in deficit will be funded by increased bond issuance
- AOFM bond issuance will be more than \$60bn a year over the next two years and bonds on issue will rise to around \$300bn
  - A\$ benchmark bonds on issue will rise to \$79bn by June 2009 and to \$133bn by June 2010.
  - In 2009/10 nearly all new issuance (\$54bn) will be in A\$ nominal benchmark lines
  - A new 2022 bond will be issued
  - Bond tenders will continue twice a week (on Wednesdays and Fridays). The tender size will increase to \$800mn immediately and will range from \$700mn to \$1bn in 2009-10.
  - T-notes on issue are expected to rise to \$17bn by June 2009 and to be broadly unchanged over the next year. T-notes will have a minimum outstanding level of \$10bn at any point in time.
- The AOFM has flagged potential new issuance of Treasury Index Bonds and in longer maturities.
- We do not expect the AOFM will issue in foreign currencies

## Budget outlook and our estimates of bonds on issue

	2008-09	2009-10	2010-11	2011-12	2012-13
<b>Underlying Cash Balance</b>	<b>-32.1</b>	<b>-57.6</b>	<b>-57.1</b>	<b>-44.5</b>	<b>-28.2</b>
Net Advances*	-7.4	-5.1	-4.8	-6.8	0.3
Plus Future Fund Earnings	3.6	2.9	2.9	2.8	2.8
<b>Headline Cash Balance:</b>	<b>-35.9</b>	<b>-59.8</b>	<b>-58.9</b>	<b>-48.5</b>	<b>-25.1</b>
Issuance for NBN**	0.0	1.0	4.0	0.0	0.0
<b>Commonwealth Funding Task</b>	<b>-35.9</b>	<b>-60.8</b>	<b>-62.9</b>	<b>-48.5</b>	<b>-25.1</b>
<b>CGS Outstanding (end period)</b>					
\$A Benchmark	79.0	134.0	190.0	232.0	251.0
T-Notes	17.0	17.0	17.0	17.0	17.0
Index Bonds	6.0	12.0	18.0	24.0	30.0
<b>Total CGS Outstanding (end period):</b>	<b>102.0</b>	<b>163.0</b>	<b>225.0</b>	<b>273.0</b>	<b>298.0</b>

\* Net Cash flows from investments in financial assets for policy purposes

\*\* National Broadband Network (NBN)

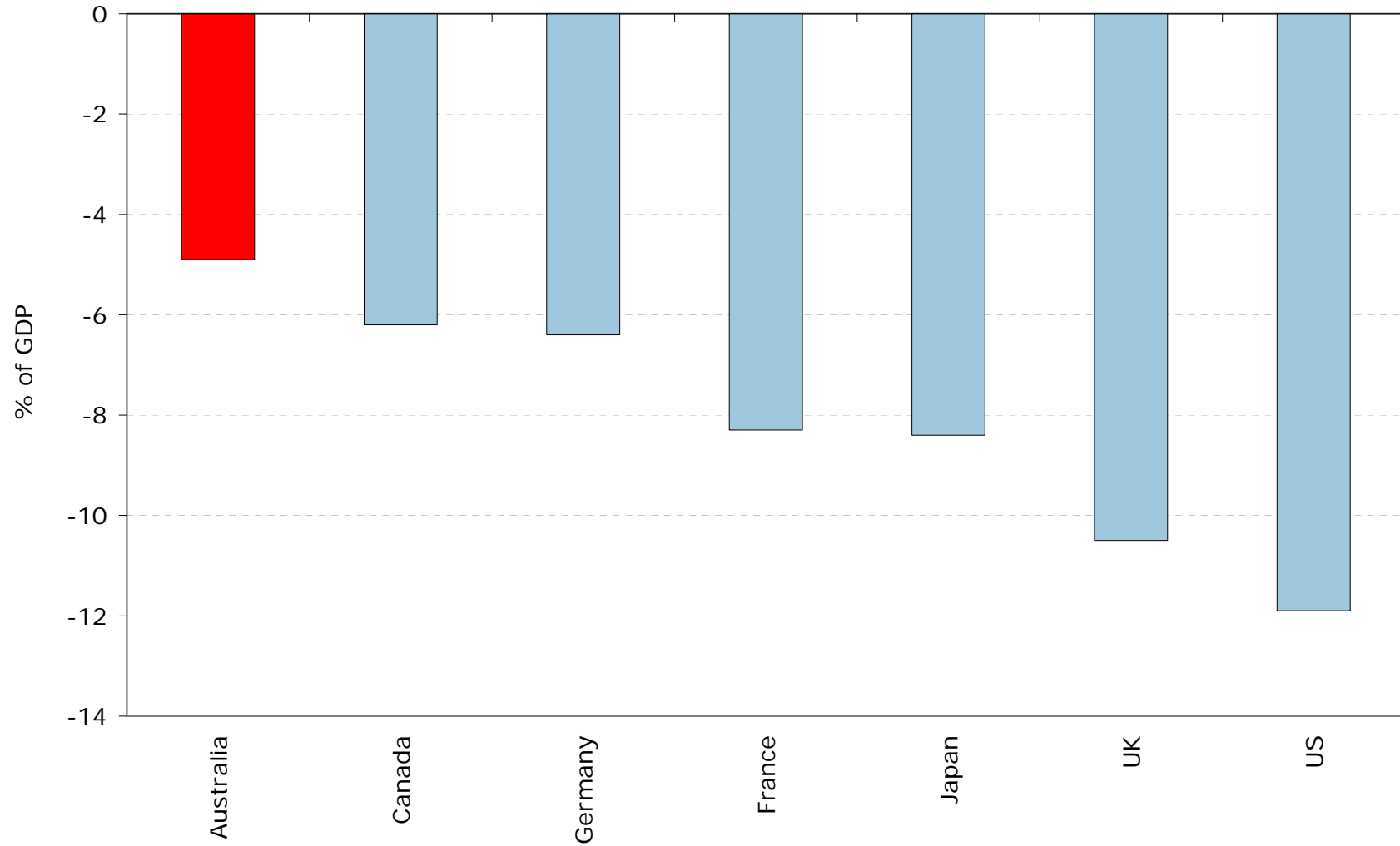
- We are factoring in \$6bn of Treasury Indexed Bonds (TIBs) a year from 2009-10.
- In 2011-12 the AOFM will need to issue a further \$3.7bn of securities to fund the government's equity injection for the National Broadband Network (NBN).
- The remaining \$15-20bn of government commitments to the NBN will come from the issuance of Aussie Infrastructure Bonds (AIBs). This is not expected before 2011-12.

Source: Budget papers, AOFM, and ANZ Economics and Markets Research



# Australia's general government deficit is not large by international standards

## General government financial balances, 2010

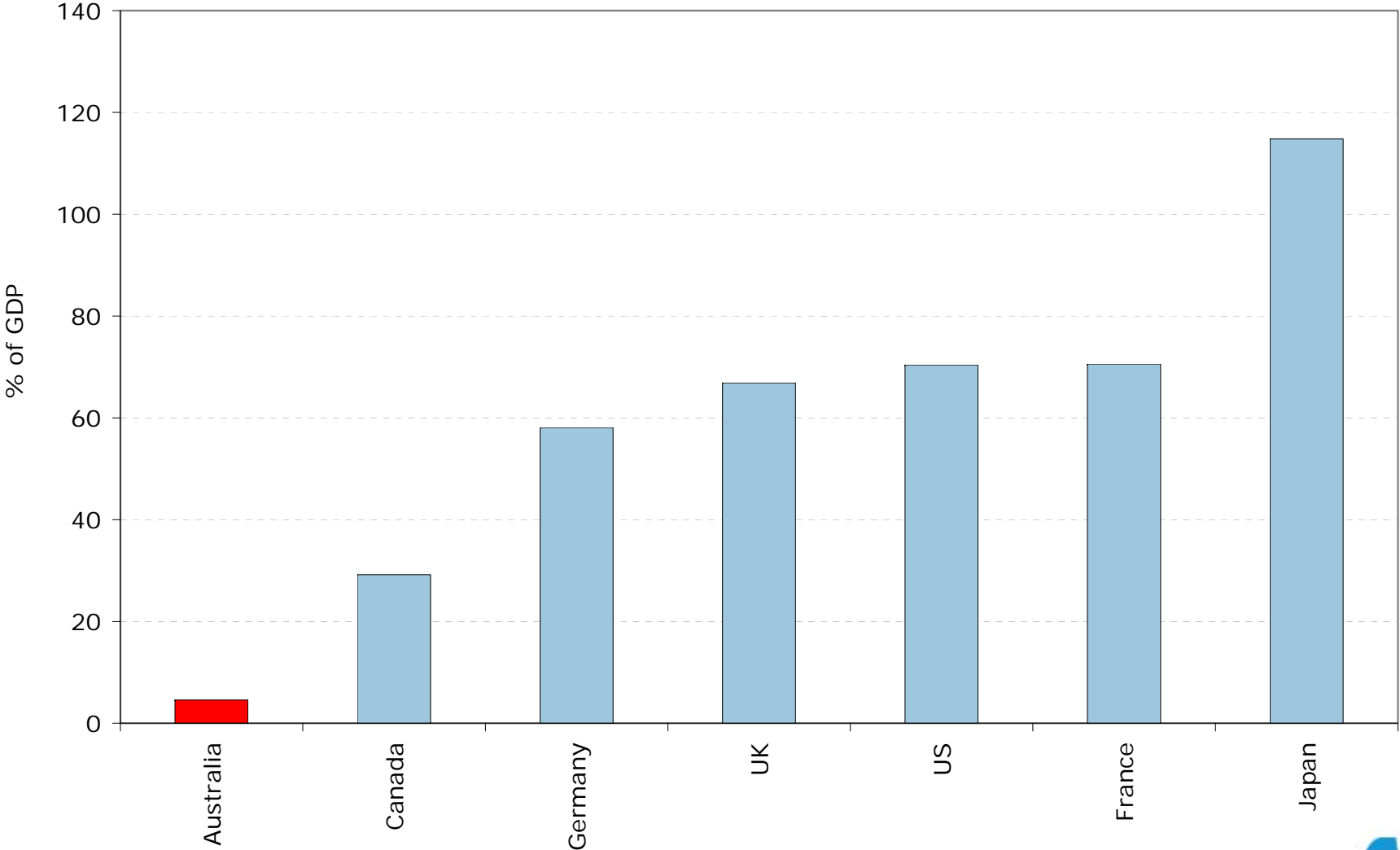


Source: Budget papers, IMF and OECD



And Australian net debt is also low by international standards – Standard & Poor’s confirmed Australia’s AAA credit rating after the budget

General government net debt positions, 2010



Source: Budget papers, IMF and OECD



# Disclaimer

---

## Important Notice

Australia and New Zealand Banking Group Limited is represented in:  
AUSTRALIA by:

Australia and New Zealand Banking Group Limited ABN 11005 357 522  
10th Floor 100 Queen Street, Melbourne 3000, Australia  
Telephone +61 3 9273 6224 Fax +61 3 9273 5711

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

UNITED KINGDOM by:  
Australia and New Zealand Banking Group Limited  
ABN 11 005 357 522  
Minerva House, PO Box 7, Montague Close, London, SE1  
9DH, United Kingdom  
Telephone +44 20 7378 2121 Fax +44 20 7378 2378

NEW ZEALAND by:  
ANZ National Bank Limited  
Level 7, 1-9 Victoria Street, Wellington, New Zealand  
Telephone +64 4 802 2000

In Australia and the UK, ANZ Investment Bank is a business name of Australia and New Zealand Banking Group Limited, ABN 11 005 357 522 ("ANZ Bank"), which holds an Australian Financial Services licence no. 234527 and is authorised in the UK by the Financial Services Authority ("FSA"). In New Zealand, ANZ Investment Bank is a business name of ANZ National Bank Limited WN / 035976 ("ANZ NB").

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

This document is being distributed in the United Kingdom by ANZ Bank 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 Bank is regulated by the FSA. Nothing here excludes or restricts any duty or liability to a customer which ANZ Bank 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 Bank, ANZ NZ, ANZSI, 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 Bank, ANZ NB, ANZSI 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. The author's compensation will, be based upon, among other factors, the overall profitability of ANZ, including profits from investment banking revenues.

ANZ Bank, ANZ NB, ANZSI, 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.

