

2 June 2017

## Primary Prices Performing

- Primary product pricing generally firm
- 2017 goods exports expected to lift by over \$3b
- Farm spending rising cautiously
- Debt repayment on the agenda too
- Very high terms of trade an economic boon
- Sets the scene for a buoyant National Fieldays

Many primary product prices are not only higher than a year ago but they also currently sit above their 5-year average. It's a positive sign for incomes. To the extent that farmers spend the additional cash, it will be a boost for economic activity. But there are also debt repayments and saving to consider. In any case, it is good to have options.

Importantly, price strength is relatively broad-based across the primary industries. Beef, dairy, forestry, horticulture, lamb, and venison are all enjoying prices that are above their respective 5-year averages, with most materially so. To be sure, the price path has been different across products with the likes of dairy prices lifting strongly over the past year from very low levels whereas horticulture has simply remained strong. It is unusual to see so many sectors with firm prices at the same time.

Importantly, above average prices is not a story of a weaker NZ dollar propping them up. Overall, on a trade weighted basis, the NZD is slightly up on a year earlier and marginally above its 5-year average. Better domestic prices stem from offshore, with world prices for many of NZ's major primary export products firmly above average.

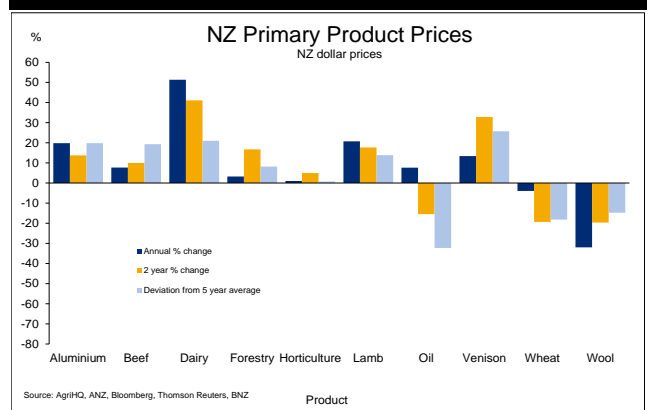
Global economic growth indicators are positive – despite plenty of risks and uncertainties – providing a supportive backdrop for demand and price enhancement. Meanwhile, supply tightness has added to price strength in some markets particularly across red meats.

Two clear exceptions to the current positive price picture have been grains and coarse wool, both seeing prices well below recent averages. For grains, domestic pricing echoes weak global prices on abundant supply while coarse wool appears to be suffering from weak demand.

The current generally positive hue across primary product prices will be reflected in upcoming data on exports, the terms of trade and the nation's external accounts. It has already started with April's exports up 10% on a year ago, driven by food exports that were up 14%.

Farm confidence has improved. We wouldn't be surprised to see some lift in farm spending ahead, providing a boost

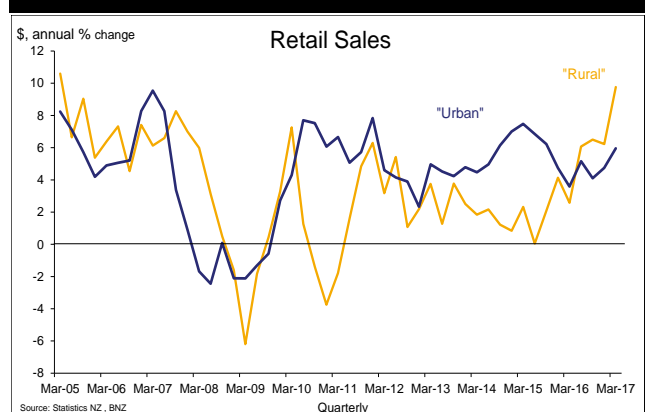
### Many Product Prices Above 5-year Average



to regional and rural economic activity, although that is expected to be tempered by some debt repayment.

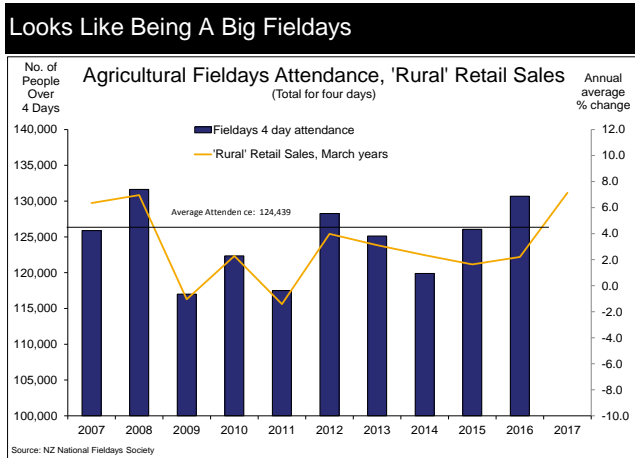
There are already some signs of a pick-up in spending as far as we can tell from the likes of the latest retail sales figures for the first quarter of the year. While we don't get retail sales strictly split into urban and rural areas, a quick look at sales outside of the main areas of Auckland, Wellington and Canterbury gives a sense of change in rural spend. It looks to be up, strongly. Excluding the three main areas above, retail sales in NZ in the first quarter of the year were 10% higher than a year earlier. This compares to 7.5% growth for NZ as a whole or 6% for the three main centres combined.

### Rural Spending Accelerates



This recent 'rural' outperformance follows a few years of underperformance coinciding with what was a prolonged downswing in dairy prices. At this point, it feels like growth from a low base. Some catch up, if you will.

All this bodes well for a buoyant atmosphere at this year's 49<sup>th</sup> National Fielddays at Mystery Creek in mid-June. In fact, given the improving sentiment, it wouldn't be a major surprise to see this year's Fielddays attendance threaten last year's total that was in excess of 130,000 people or even 2008's all-time record of just shy of 132,000 people. Of course, as with much in agriculture, the actual result will also depend on the weather! And, of course, attendance is one thing but spending is another.



To be sure, the retail sales figures above are not only driven by farm income and spending so may overstate the influence of the latter. Other farm spending indicators are not so gung-ho. Yes, many have turned positive recently but not uniformly so and not particularly strongly.

Wholesales sales associated with farm activity picked up toward the end of last year. There have been more rural property sales in the first four months of 2017 compared to the same period a year earlier. Tractor imports have increased, although the number of tractor registrations has eased. Meanwhile, the value of farm building consents so far in 2017 is trailing that of a year ago.

Overall, while farm confidence is improving there remains a sense of caution regards spending. This is not surprising given it has only been recently that prices for sector heavy-weights like lamb and dairy have pushed above average. Moreover, debt repayment, particularly regards dairy, is likely to be on the agenda for many as farm cashflows improve from the depths of recent years.

A February 2017 survey, by Federated Farmers, found that a net 16% of farms intended to reduce debt over the coming 12 months. That is the balance of those expecting to reduce debt and those looking to raise debt. This year's intentions are in contrast to the past two years when the balance was for higher debt, chiefly reflecting the squeeze on dairy farm cashflows and demand for working capital.

For the wider economy, any farm debt repayment will temper the boost to economic growth from higher primary prices but help strengthen balance sheets in the process.

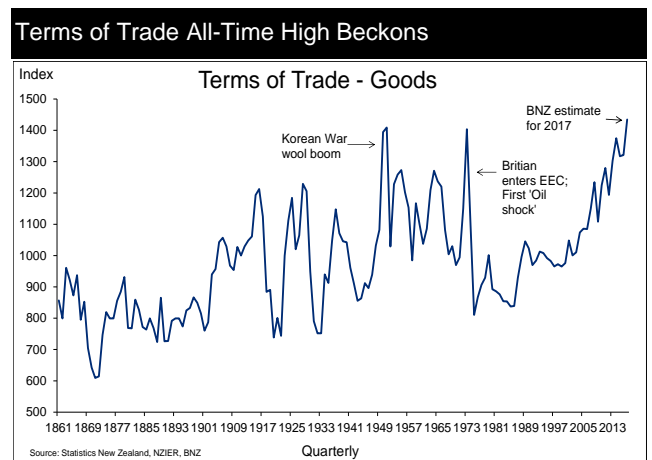
In reality, we are likely to see a mix of some debt repayment while others raise debt. Likewise, there is likely to be some lift in spending while others favour saving. Whatever the mix, one way or another, the upswing in primary product prices is welcome – turning from a headwind to a tailwind for the economy as a whole.

Overall, world prices for New Zealand's main primary exports in April were up nearly 24% on a year earlier, according to the ANZ indices. We think this is close to peak annual inflation, but even with the inflation slowdown we anticipate the level of prices is expected to generate strong export value growth over 2017. Our current forecasts sees goods export values in 2017 some 7%, or \$3.4b, higher than in 2016.

Higher export earnings is one factor we expect to keep NZ's external deficit smaller than average. Our forecast see the current account deficit remaining below 3% of GDP over the coming year.

It is notable that NZ's major primary product export prices have outperformed oil prices, with the latter remaining contained by abundant supply. At around US\$50/bbl, oil prices are well below their 5-year average.

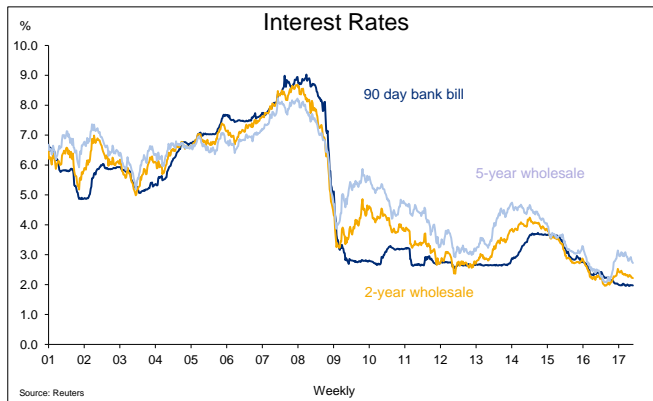
More generally NZ's import prices have been tracking lower over recent years, helped by generally lower oil and falling prices for technological goods. This has dampened domestic inflation. But the combination of high export prices and low import prices is an economic boon for New Zealand. Indeed, on a quarterly basis, the ratio of export prices to import prices – the terms of trade – has lifted to its highest level since 1973 (it may hit a record next quarter). More broadly, on our forecasts, the terms of trade for 2017 as a whole will be the highest annual reading ever – looking at data all the way back to 1861! The current year is shaping up to pass the peaks in 1973 (before the UK entered the EEC and the first oil shock) and the early 1950s wool boom associated with the Korean War. It is a strong boost to nominal income, whatever we choose to do with it.



doug\_steel@bnz.co.nz

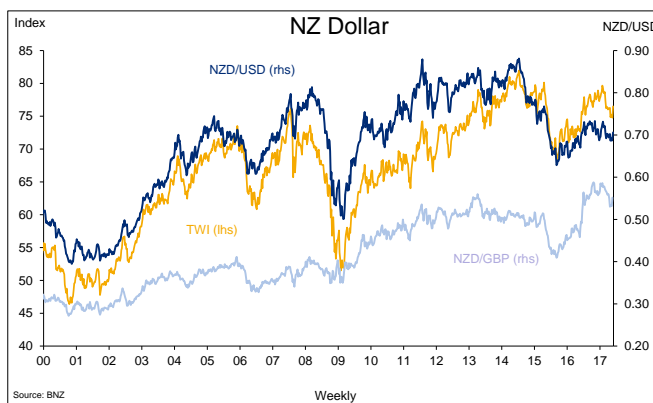
# Key Macro Drivers for Commodity Producers

## Interest Rates



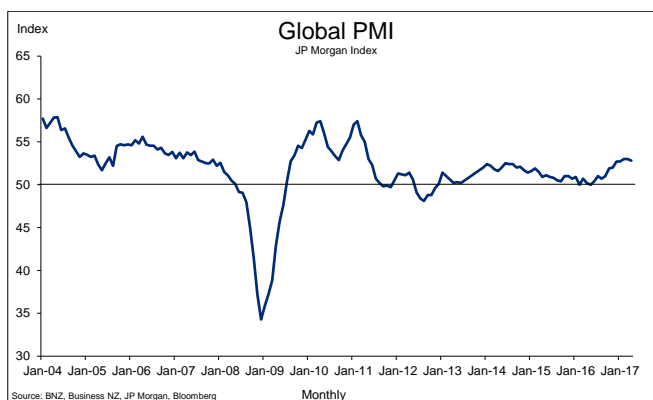
The Reserve Bank of New Zealand again held the Official Cash Rate (OCR) at a historic low of 1.75% at its May Monetary Policy Statement. But the forward guidance surprised the market, with the Bank indicating no intention to lift the OCR until late-2019. This will help contain floating and short term fixed rates in the near term, but some drift higher into 2018 could occur as the market anticipates an earlier OCR lift. Retail rates will also depend on bank funding costs that have been pushing higher over recent months. Dampened expectations of US fiscal stimulus has seen longer term US rates drift lower putting downward pressure on NZ equivalents. However, we see some upward pressure on longer term NZ rates appearing over the coming year, largely reflecting our thinking that offshore rates will edge higher.

## Foreign Exchange



Buoyant global economic growth, soaring equity markets, elevated risk appetite, low financial market volatility, and high primary product prices pushing the terms of trade to near record levels have been recent fundamental supports to the NZD. In fact, one could be forgiven for wondering why the NZD isn't higher than it is. Our forecasts vary by currency. By year end we see the NZD a touch lower against the USD and the EUR (as the Fed lifts interest rates and the ECB edges toward discussing halting money printing), steady against the AUD (but with upward bias in the medium term), firm against the GBP (as tough Brexit talks kick off proper), and higher against the JPY as the Bank of Japan maintains loose policy. A generally firm NZD is seen in 2018 as the NZ economy is expected to perform well.

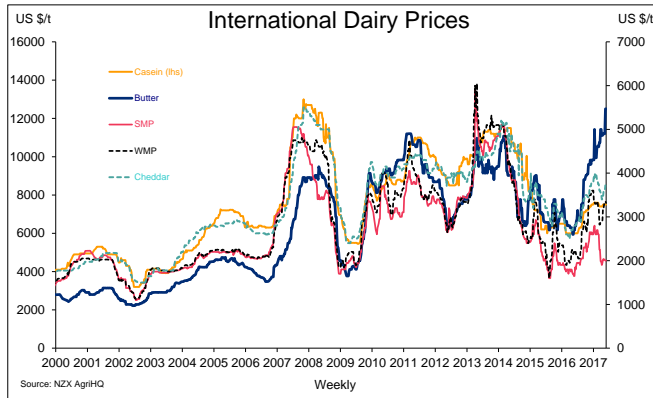
## Global Growth



Global economic growth indicators are positive – despite plenty of risks and uncertainties – providing a supportive backdrop for demand and primary product prices. One measure of economic activity, the Global PMI, remains close to its highest reading since 2011 indicating the fastest rate of expansion since then. Solid growth is occurring across the major economic blocks of Europe, Asia, and the US. We expect economic growth in our major trading partners to be around 3.4% in 2017 and 2018, close to its long term trend rate, although we wouldn't be too surprised if this view proved a little conservative given current momentum. Meanwhile, annual CPI inflation in many major countries has eased a touch over recent months after bursting higher earlier in the year on oil price swings.

# Key Commodities

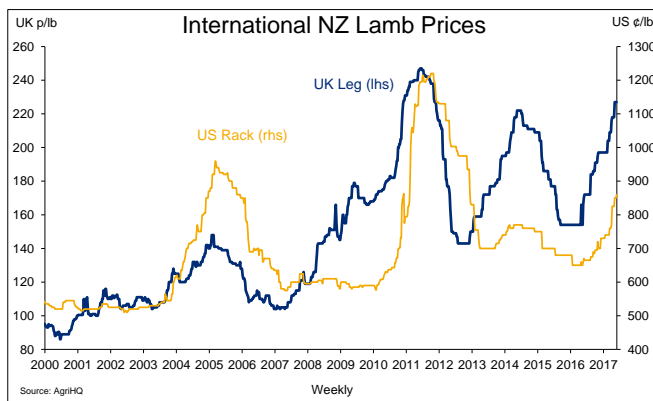
## Dairy



International dairy prices, especially fat prices, have pushed higher over recent months. The GDT price index in May was 61% higher than a year earlier. NZ milk price forecasts have improved, with Fonterra revising up the 2016/17 season to \$6.15 and opening with a firm \$6.50 for the 2017/18 season. It's a positive outlook, although we remain a little cautious on the season ahead given EU milk production is picking up, our forecast for more NZ milk ahead, and still low international oil and grain prices. If global dairy prices don't drift lower over the coming 12 months, as we expect, then there is upside risk to our \$6 forecast for the 2017/18 season. Indeed, if current pricing persist through the season something above \$7 could not be ruled out. It is early days.

	Current	Month ago	Year ago	Next 12 months
Whole milk powder (US \$/t)	3320	3200	2150	↓

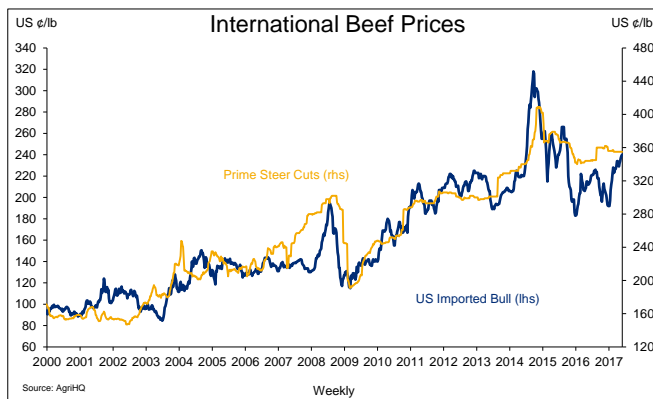
## Lamb



Lamb markets have tightened considerably through 2017, with a general lack of supply squeezing prices higher. Lamb leg prices in the UK have continued to surge higher, with prices a third higher than a year ago. Price gains have been enough to offset weakness in the GBP. Meanwhile, China's share of NZ sheepmeat exports is trending higher. Average NZ prices for the 2016/17 season look like being the best in five years. Looking ahead, focus remains on the Brexit negotiations (after the UK election). We expect 2017/18 NZ pricing to be similar to 2016/17 as supply tightness lingers.

	Current	Month ago	Year ago	Next 12 months
Lamb leg (UK p/lb)	227	218	170	→

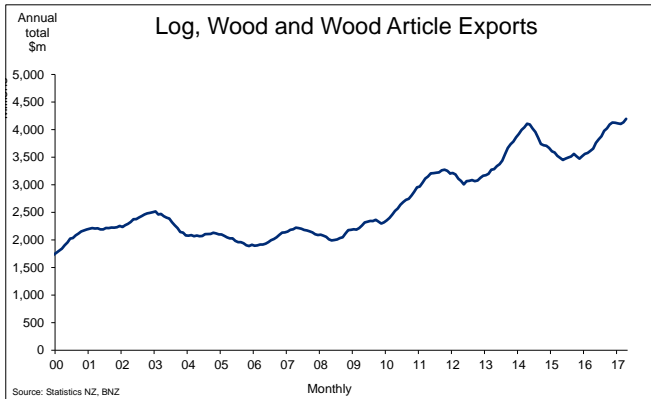
## Beef



US bull beef prices continue to probe higher. Prices are now pushing 13% higher than a year ago. Tight supply including in the US and from NZ and Australia has been an important factor, while US demand indicators remain robust. China's share of NZ beef exports is rising again, after a brief lull in a strong uptrend. This all bodes well for prices near term. Some pick up in US supply is expected in time, as abundant (and thus cheap) grain persists, that is expected to ultimately weigh on beef prices. We anticipate NZ pricing in 2017/18 to be close to 2016/17, on average, for the season.

	Current	Month ago	Year ago	Next 12 months
Imported bull (US \$/lb)	240	232	213	↓

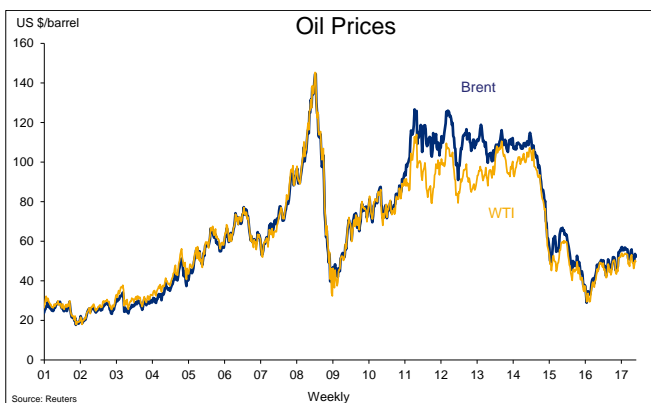
**Forestry**



Conditions across forestry remain buoyant. This is reflected in ongoing growth in exports. In the first four months of the year, export volumes were up 5% on the corresponding period a year earlier with price gains helping push export values up 7%. Domestic pricing remains strong with further gains in May, unperturbed by monthly volatility in residential building consents at an elevated level. The AgriHQ Log Price Index in May was 3.5% higher than a year ago and 15% above its 5-year average.

	Current	Month ago	Year ago	Next 12 months
\$1/\$2 log price (NZ \$/t)	120	122	112	➔

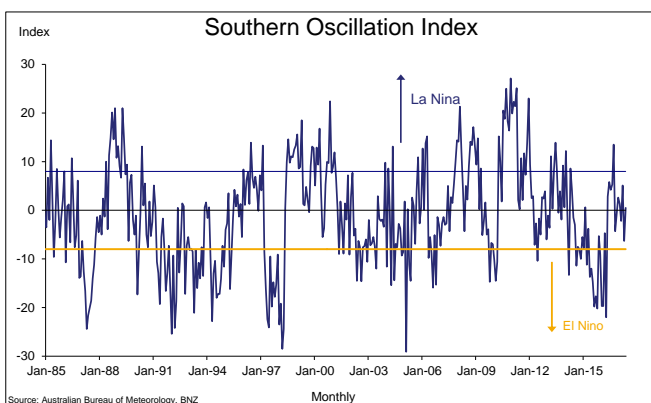
**Oil**



Crude oil prices continue to bounce around the \$US50/bbl mark. Prices did push into the high 50s earlier this year following last year's OPEC and Russia's agreement to limit production. But US shale producers took advantage and lifted production pressuring prices back down. In late May, OPEC and Russia agreed to extend production cuts out to Q1 2018. This was not enough to sustain any push higher in price from around US\$50 level. Improving global growth indicators is supportive of demand. We see some upside to prices ahead. But with the lack of deeper cuts from OPEC and its allies and the ability of US producers to restart production, major upside to oil prices will probably remain elusive.

	Current	Month ago	Year ago	Next 12 months
West Texas Intermediate (US \$/b)	50	49	49	⬆

**Southern Oscillation Index**



The prospect of an El Nino weather pattern later in 2017 remains. The Southern Oscillation Index was close to zero in May reflecting the current neutral conditions. But NIWA note that international guidance still suggests that El Nino conditions are more likely (57% chance) than not over the coming three months. The peak chance of 60% is reached during August-October 2017, although this probability has fallen from 69% a month earlier. There is potential for lower than normal rainfall out east and up north, which often occurs during El Nino. At this stage, the risk to pastoral agriculture seems limited but it is worth watching to see if the El Nino intensifies and/or pushes more into the spring/summer period. As an aside, it is something to watch for hydroelectricity generation also, especially with South Island hydro lake storage levels already well below average for this time of year.

# Quarterly Forecasts

Forecasts as at 2 June 2017

## Key Economic Forecasts

Quarterly % change unless otherwise specified

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Forecasts				
						Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
GDP (production s.a.)	1.0	0.7	0.8	0.8	0.4	0.7	0.7	0.6	0.6	0.6
Retail trade (real s.a.)	1.3	0.8	2.2	0.7	0.9	1.5	0.9	0.6	0.5	0.7
Current account (ytd, % GDP)	-3.4	-3.1	-2.9	-3.0	-2.7	-2.8	-2.7	-2.7	-2.6	-2.5
CPI (q/q)	-0.5	0.2	0.4	0.3	0.4	1.0	0.1	0.6	0.4	0.8
Employment	1.1	1.2	2.3	1.4	0.7	1.2	0.7	0.6	0.5	0.4
Unemployment rate %	4.9	5.2	5.0	4.9	5.2	4.9	4.9	5.0	5.0	5.2
Avg hourly earnings (ann %)	2.5	2.5	2.1	1.6	1.1	1.1	1.1	1.9	2.6	2.7
Trading partner GDP (ann %)	3.2	3.1	3.3	3.2	3.5	3.4	3.3	3.5	3.4	3.4
CPI (y/y)	0.1	0.4	0.4	0.4	1.3	2.2	1.8	2.1	2.1	1.9
GDP (production s.a., y/y)	2.2	2.8	3.5	3.3	2.7	2.7	2.7	2.4	2.7	2.5

## Interest Rates

Historical data - qtr average

Forecast data - end quarter

	Cash	Government Stock			Swaps			US Rates		Spread
		90 Day	5 Year	10 Year	2 Year	5 Year	10 Year	Libor	US 10 yr	NZ-US
		Bank Bills						3 month		Ten year
2016 Mar	2.45	2.55	2.60	3.05	2.50	2.80	3.30	0.60	1.90	1.15
Jun	2.25	2.35	2.20	2.60	2.25	2.45	2.90	0.65	1.75	0.85
Sep	2.10	2.30	1.90	2.25	2.05	2.15	2.45	0.80	1.55	0.70
Dec	1.85	2.10	2.40	2.95	2.25	2.65	3.10	0.90	2.10	0.80
2017 Mar	1.75	2.00	2.70	3.25	2.40	3.00	3.50	1.15	2.50	0.80
Forecasts										
Jun	1.75	2.00	2.50	3.00	2.25	2.80	3.30	1.30	2.50	0.50
Sep	1.75	2.00	2.60	3.10	2.40	2.90	3.40	1.40	2.50	0.60
Dec	1.75	2.10	2.70	3.20	2.50	3.00	3.50	1.60	2.50	0.70
2018 Mar	2.00	2.35	2.85	3.30	2.80	3.15	3.60	1.60	2.50	0.80
Jun	2.25	2.65	3.15	3.60	3.10	3.45	3.90	1.90	2.75	0.85
Sep	2.50	2.90	3.20	3.65	3.20	3.50	3.95	2.10	2.75	0.90
Dec	2.75	3.15	3.30	3.65	3.40	3.60	3.95	2.40	2.75	0.90
2019 Mar	3.00	3.40	3.40	3.70	3.50	3.70	4.00	2.55	2.75	0.95
Jun	3.25	3.65	3.45	3.75	3.60	3.70	4.00	2.80	2.75	1.00

## Exchange Rates (End Period)

### USD Forecasts

	EUR/USD	USD/JPY	GBP/USD	NZD/USD	AUD/USD
Current	1.12	111	1.29	0.71	0.74
Jun-17	1.12	114	1.31	0.68	0.73
Sep-17	1.11	116	1.29	0.67	0.71
Dec-17	1.13	118	1.27	0.67	0.70
Mar-18	1.15	120	1.26	0.68	0.70
Jun-18	1.15	120	1.25	0.68	0.70
Sep-18	1.17	122	1.24	0.69	0.70
Dec-18	1.19	122	1.22	0.69	0.70
Mar-19	1.20	120	1.25	0.71	0.70
Jun-19	1.20	118	1.25	0.71	0.71
Sep-19	1.21	116	1.27	0.72	0.72

### NZD Forecasts

	NZD/EUR	NZD/JPY	NZD/GBP	NZD/USD	NZD/AUD	TWI-17
Current	0.63	78.5	0.55	0.71	0.95	76.7
Jun-17	0.61	77.5	0.52	0.68	0.94	75.0
Sep-17	0.60	77.7	0.52	0.67	0.94	74.9
Dec-17	0.59	79.1	0.53	0.67	0.96	75.1
Mar-18	0.59	81.0	0.54	0.68	0.96	75.7
Jun-18	0.59	81.6	0.54	0.68	0.97	76.2
Sep-18	0.59	83.6	0.55	0.69	0.98	76.6
Dec-18	0.58	84.2	0.57	0.69	0.99	76.9
Mar-19	0.59	84.6	0.56	0.71	1.01	78.2
Jun-19	0.59	83.8	0.57	0.71	1.00	78.3
Sep-19	0.60	83.5	0.57	0.72	1.00	78.7

### TWI Weights

0.1135 0.0635 0.0456 0.1398 0.2073

Source for all tables: Statistics NZ, Bloomberg, Reuters, RBNZ, BNZ

## Forecasts

Forecasts as at 2 June 2017	March Years					December Years				
	Actuals		Forecasts			Actuals		Forecasts		
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
<b>GDP - annual average % change</b>										
Private Consumption	3.1	2.8	4.8	2.8	3.5	2.9	4.3	3.4	3.3	2.5
Government Consumption	3.1	2.7	2.4	2.1	1.0	2.6	2.3	2.5	1.1	1.0
Total Investment	6.8	2.5	6.4	6.4	3.7	2.1	5.6	7.1	4.2	1.9
Stocks - ppts cont'n to growth	0.5	-0.3	0.2	0.0	0.0	-0.3	0.2	0.2	-0.2	0.0
GNE	3.9	2.4	5.1	3.1	3.1	2.1	4.8	3.8	3.0	2.1
Exports	4.3	5.5	0.2	0.5	3.8	6.8	1.6	-1.8	4.0	4.1
Imports	7.4	2.1	6.0	4.0	3.7	3.6	4.2	4.9	3.7	3.2
Real Expenditure GDP	3.1	3.4	3.6	2.2	3.1	3.1	3.9	2.1	3.0	2.3
<b>GDP (production)</b>	<b>3.4</b>	<b>2.4</b>	<b>3.0</b>	<b>2.6</b>	<b>3.1</b>	<b>2.5</b>	<b>3.1</b>	<b>2.6</b>	<b>2.9</b>	<b>2.3</b>
<i>GDP - annual % change (q/q)</i>	3.1	2.8	2.7	2.5	3.1	2.2	2.7	2.7	3.2	1.7
Output Gap (ann avg, % dev)	0.8	0.8	1.1	1.2	1.1	0.8	1.1	1.2	1.2	0.8
Household Savings (gross, % disp. income)	1.8	1.2	0.5	0.0	-0.3					
Nominal Expenditure GDP - \$bn	240.8	250.4	265.9	283.5	296.0	247.4	261.2	280.0	292.8	304.1
<b>Prices and Employment - annual % change</b>										
CPI	0.3	0.4	2.2	1.9	1.9	0.1	1.3	2.1	1.9	1.7
Employment	3.2	2.0	5.7	2.2	1.5	1.4	5.8	3.0	1.6	1.2
Unemployment Rate %	5.4	5.2	4.9	5.2	5.4	4.9	5.2	5.0	5.4	5.6
Wages - ahote	2.6	2.5	1.1	2.7	2.8	2.5	1.1	2.6	2.6	2.8
Productivity (ann av %)	-0.1	0.3	-2.6	-0.3	0.7	0.1	-1.7	-1.2	0.6	0.5
Unit Labour Costs (ann av %)	2.2	2.5	4.6	2.9	2.4	2.6	3.6	3.6	2.5	2.6
<b>External Balance</b>										
Current Account - \$bn	-8.5	-7.8	-7.3	-7.2	-9.4	-8.3	-7.1	-7.1	-9.3	-9.6
Current Account - % of GDP	-3.5	-3.1	-2.8	-2.5	-3.2	-3.4	-2.7	-2.6	-3.2	-3.2
<b>Government Accounts - June Yr, % of GDP</b>										
OBEGAL (core operating balance)	0.2	0.7	0.6	1.2	1.6					
Net Core Crown Debt (excl NZS Fund Assets)	25.0	24.4	23.2	22.6	21.7					
Bond Programme - \$bn	8.0	7.0	8.0	7.0	7.0					
Bond Programme - % of GDP	3.3	2.8	3.0	2.5	2.4					
<b>Financial Variables <sup>(1)</sup></b>										
NZD/USD	0.75	0.67	0.70	0.68	0.71	0.67	0.70	0.67	0.69	0.73
USD/JPY	120	113	113	120	120	122	116	118	122	114
EUR/USD	1.08	1.11	1.07	1.15	1.20	1.09	1.05	1.13	1.19	1.23
NZD/AUD	0.97	0.90	0.92	0.96	1.01	0.93	0.96	0.96	0.99	1.00
NZD/GBP	0.50	0.47	0.57	0.54	0.56	0.45	0.56	0.53	0.57	0.57
NZD/EUR	0.69	0.61	0.66	0.59	0.59	0.62	0.67	0.59	0.58	0.59
NZD/YEN	89.9	76.0	79.2	81.0	84.6	82.1	81.7	79.1	84.2	83.2
TWI	78.3	72.2	76.5	75.7	78.2	73.2	78.1	75.1	76.9	79.1
Overnight Cash Rate (end qtr)	3.50	2.25	1.75	2.00	3.00	2.50	1.75	1.75	2.75	3.75
90-day Bank Bill Rate	3.63	2.42	1.98	2.33	3.38	2.74	2.03	2.08	3.13	4.05
5-year Govt Bond	3.20	2.45	2.70	2.85	3.40	2.90	2.75	2.70	3.30	3.55
10-year Govt Bond	3.35	2.95	3.25	3.30	3.70	3.45	3.35	3.20	3.65	3.85
2-year Swap	3.55	2.30	2.35	2.80	3.50	2.80	2.40	2.50	3.40	3.75
5-year Swap	3.65	2.60	3.00	3.15	3.70	3.15	3.00	3.00	3.60	3.85
US 10-year Bonds	2.05	1.90	2.50	2.50	2.75	2.25	2.50	2.50	2.75	2.75
NZ-US 10-year Spread	1.30	1.05	0.75	0.80	0.95	1.20	0.85	0.70	0.90	1.10

<sup>(1)</sup> Average for the last month in the quarter

## Contact Details

### BNZ Partners

**John Janssen**

Head of Agribusiness  
+(64 9) 976 5897

**Richard Bowman**

Head of Partners Network  
+(64 3) 353 2121

### Treasury Solutions

**Graeme Free**

Head of Treasury Solutions  
+(64 9) 366 9802

**Blair Willson**

Sales Dealer  
+(64 6) 350 1670

**Mat Ryan**

Financial Risk Manager  
+(64 9) 976 5938

**Phil Townsend**

Financial Risk Manager  
+(64 3) 353 2219

### Economic Research

**Stephen Toplis**

Head of Research  
+(64 4) 474 6905

**Craig Ebert**

Senior Economist  
+(64 4) 474 6799

**Doug Steel**

Senior Economist  
+(64 4) 474 6923

### Main Offices

**Wellington**

60 Waterloo Quay  
Private Bag 39806  
Wellington Mail Centre  
Lower Hutt 5045  
New Zealand  
Phone: +(64 4) 474 6145  
FI: 0800 283 269

**Auckland**

80 Queen Street  
Private Bag 92208  
Auckland 1142  
New Zealand  
Phone: +(64 9) 976 5762  
Toll Free: 0800 081 167

**Christchurch**

111 Cashel Street,  
Christchurch 8011  
New Zealand  
Phone: +(64 3) 353 2219  
Toll Free: 0800 854 854

**ANALYST DISCLAIMER:** The person or persons named as the author(s) of this report hereby certify that the views expressed in the research report accurately reflect their personal views about the subject securities and issuers and other subject matters discussed. No part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the research report. Research analysts responsible for this report receive compensation based upon, among other factors, the overall profitability of the Markets Division of National Australia Bank Limited, a member of the National Australia Bank Group ("NAB"). The views of the author(s) do not necessarily reflect the views of NAB and are subject to change without notice. NAB may receive fees for banking services provided to an issuer of securities mentioned in this report. NAB, its affiliates and their respective officers, and employees, including persons involved in the preparation or issuance of this report (subject to the policies of NAB), may also from time to time maintain a long or short position in, or purchase or sell a position in, hold or act as advisors, brokers or commercial bankers in relation to the securities (or related securities and financial instruments), of companies mentioned in this report. NAB or its affiliates may engage in these transactions in a manner that is inconsistent with or contrary to any recommendations made in this report.

**NEW ZEALAND DISCLAIMER:** This publication has been provided for general information only. Although every effort has been made to ensure this publication is accurate the contents should not be relied upon or used as a basis for entering into any products described in this publication. Bank of New Zealand strongly recommends readers seek independent legal/financial advice prior to acting in relation to any of the matters discussed in this publication. Neither Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication.

**USA DISCLAIMER:** If this document is distributed in the United States, such distribution is by nabSecurities, LLC. This document is not intended as an offer or solicitation for the purchase or sale of any securities, financial instrument or product or to provide financial services. It is not the intention of nabSecurities to create legal relations on the basis of information provided herein.

**National Australia Bank Limited is not a registered bank in New Zealand.**