

## Crossroads

- The flare-up in Europe's debt crisis has put global recovery at risk, though politicians can resolve the problems.
- NZ's trading partner growth over 2012 will be roughly average, assuming a financial crisis is avoided.
- NZ's economy is still on track for a gradual recovery, with interest rates lower for longer.

Around the middle of the year the global economy appeared on track for respectable growth. But now the global recovery has been put at risk by European and US politicians' failure to face up to their respective debt problems and provide decisive leadership. The outlook is at a crossroads: one path has ongoing (though slightly weaker) global recovery, down the other looms government default and a European banking crisis. The route taken will be determined by Europe's politicians.

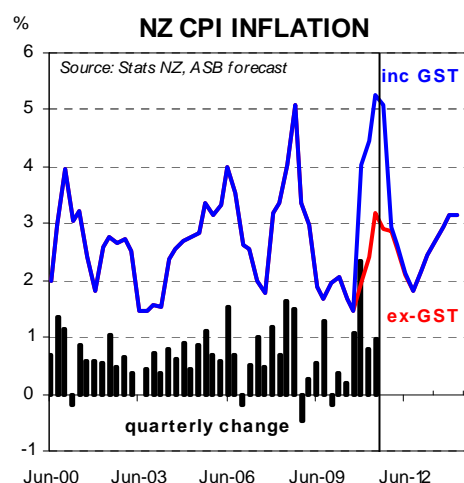
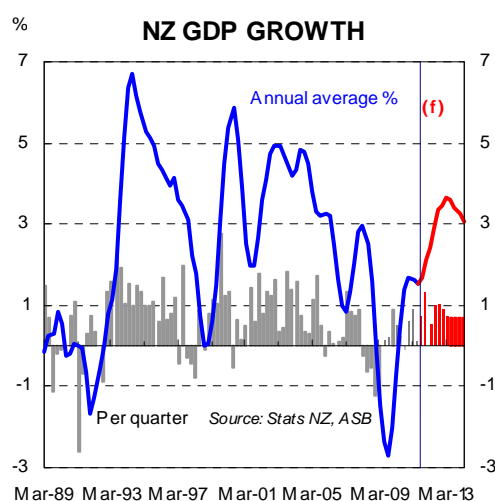
We do expect that Europe's politicians will avert a full-blown crisis. But averting it will require far more leadership than has been evident to date and an acceptance that proper solutions will be costly. In our feature article we discuss the key planks a comprehensive rescue package would likely need to contain the crisis. First is an orderly write down of Greece's debts (and those of any other country that is effectively insolvent), second is putting a financial firewall around the stressed but solvent countries, and third is recapitalising banks as needed to shore up confidence in Europe's banking system.

Under an orderly resolution of the crisis, growth in NZ's main trading partners is still expected to be roughly around the long-run average despite subdued outlooks for Europe and the US. Most of the global economy's momentum has been coming from Asia, and – in the absence of another financial crisis – it is the economic fortunes of NZ's backyard that will continue to have the biggest impact on NZ's export performance.

Assuming Europe contains its problems, NZ's growth prospects seem respectable: 2.1% in disaster-affected calendar 2011 and 3.4% in 2012. The story remains one of a gradual recovery, as households continue their cautious ways, overlaid by the eventual lift in activity to rebuild Canterbury. Domestic spending will lift as businesses increase capital spending. Commodity prices, while likely to be past their peak, should be well supported by demand and supply dynamics. Continued strong rural incomes will translate into added rural spending once farmers are comfortable with their balance sheets.

Interest rates are on hold until at least March next year: the flare up of global risks has swung the RBNZ away from reversing last March's post-earthquake OCR cut to being a bystander to Europe's crisis. Inflation pressures are, however, showing signs of creeping up: in the absence of a global downturn the RBNZ will still want to get interest rates higher over time. The NZ dollar has weakened in the environment of global uncertainty and its short-term direction will be linked closely to the evolution of Europe's crisis. Over 2012, however, we expect that the NZD will be firmer once risk aversion has receded.

But what if the worst happened? NZ fiscal and monetary policy have less scope than in 2008/09 to help offset any impacts. But in other important ways NZ is more resilient. The economy is in a less vulnerable position (it was already nosediving in 2008), the banking system is more resilient, and NZ's exports have continued to become more tied to Asia and less to Europe. Asia also has considerable policy firepower it can fall back on to mitigate any impact on the region's economies.



## Beware of Greeks bearing debts

**Concerns grow that Greece will eventually default.**

Greece's debt situation hit the headlines in late 2009 when the incoming government doubled the estimate of that year's fiscal operating deficit from 6% of GDP to around 13%. Since then, Europe has bailed out Greece twice as its fiscal position became increasingly untenable. But concern that Greece may not be able to fully repay its debts spread over time to afflict Ireland, Portugal, Belgium, Spain, Italy and even – briefly – France.

**Eurozone banking system key vulnerability to default.**

The disquieting result of the fears over potential government defaults has now put the European banking system – large holders of the debts – under pressure. Concern over potential government default has translated into concern about the solvency of some banks to the point that the functioning of the European banking system is being impaired.

**Greece's apparent insolvency is impacting other countries' liquidity.**

There is a distinction between solvency and liquidity. Greece appears insolvent – unable to fully repay its debts over time. Ireland and Portugal also face this risk, though to a lesser degree. In contrast, Italy (high debts, low deficits) and Spain (low debts, high deficits) fall into the camp of able to meet their debt obligations but, through contagion, facing some difficulties raising money.

### Solutions present

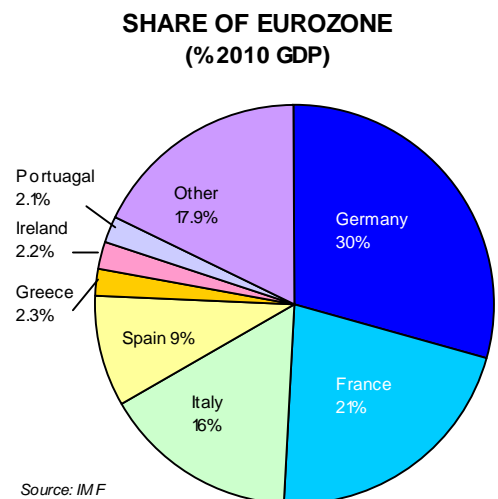
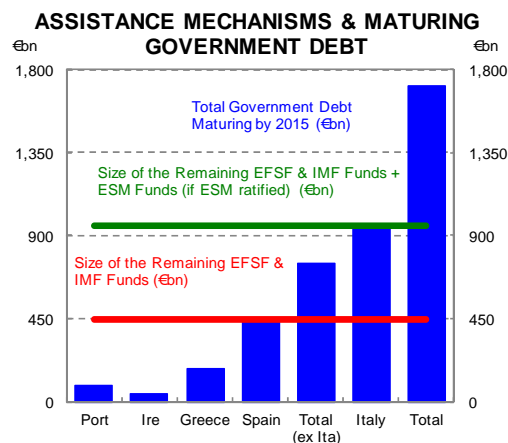
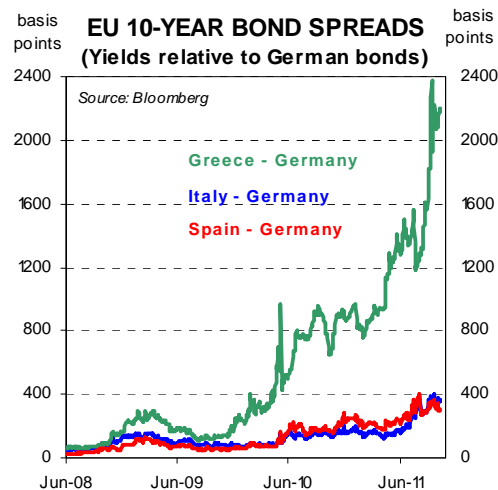
Current rescue mechanisms (European Financial Stability Fund, IMF commitments and 2013's planned permanent European Stability Mechanism) would not be big enough to cover the due debts of the PIIGS. It is critical that confidence in Spanish and Italian debt is restored and that the banking system is put beyond risk.

There are various solutions to contain the crisis. The more promising ones have three key elements to them:

- Orderly write down a proportion of Greece's debts (effectively a managed default);
- Ringfence the other at-risk PIIGS with enough financial firepower and political commitments to prop them up so that bond investors are confident there will be no default event;
- Stand completely behind Europe's debt-exposed banking system, including recapitalising any banks that can't raise capital in their own name.

**Longer term, more structural reform needed.**

Longer term, once the crisis has been averted, there will need to be a lot of work over a number of years to put in place Eurozone mechanisms that enforce fiscal responsibility. Moreover, the Mediterranean countries need to improve the competitiveness of their economies so that they keep pace with the rest of Europe, instead of drifting away.



**Strong political leadership needed to avert crisis.**

**Political will and leadership needed**

Comprehensive solutions, such as the one above, will still be costly for Europe's taxpayers – and deeply unpopular with some northern European countries such as Germany. But Europe's politicians have to agree to a comprehensive solution that is workable and credible. The half-hearted measures taken to date have not eased the crisis. And the cost of a disorderly default, with repercussions for the European economic and financial systems, are high – a lesson from 2008 that has hopefully been learnt.

**A crisis in the Eurozone banking system could trigger second EU recession.**

**NZ's buffers**

Another financial crisis, centred on Europe's banking system, is an alternative outcome that could result from political failure to contain and defuse the debt crisis. It would substantially increase the chances of Europe as a whole having a recession at a time when the US (the world's largest economy) is also vulnerable to further shocks.

**NZ vulnerable to financial contagion, but some buffers in place.**

NZ would not escape impacts of economic weakness in these blocs, nor any global financial contagion. But it has a number of buffers to help support it. The starting point for the economy is much better than in 2008: the economy is growing modestly, as opposed to being in recession well ahead of the meltdown late in 2008. The private sector has gone through a considerable amount of deleveraging, so is less vulnerable to another credit crisis.

**Banks better placed, with reduced reliance on short-term offshore funding.**

Banks are better placed to weather any drying up of foreign funding. Domestic deposits account for a greater proportion of funding, outright foreign funding has dropped and the remainder is for longer terms. Banks also have substantial cash reserves.

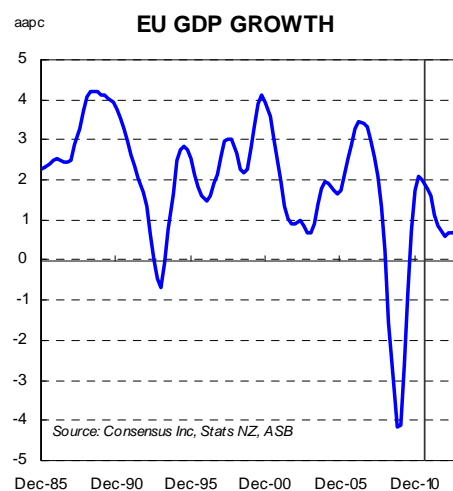
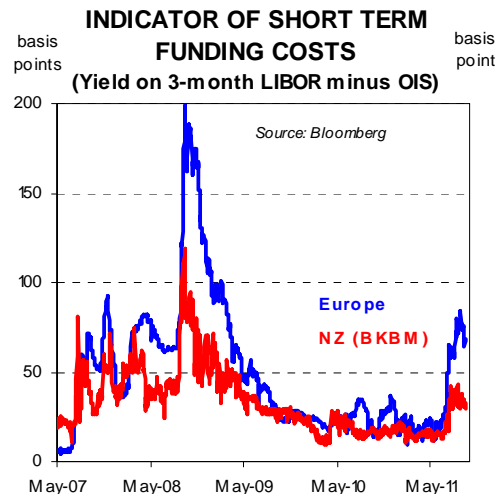
**Asia matters more for exports.**

The proportion of NZ's exports going to Asia has continued to increase since the financial crisis hit, so at the margin NZ has reduced its direct exposure to the more stagnant economies. Asia's own responses to renewed turmoil in developed economies would be one of NZ's most important and potent buffers.

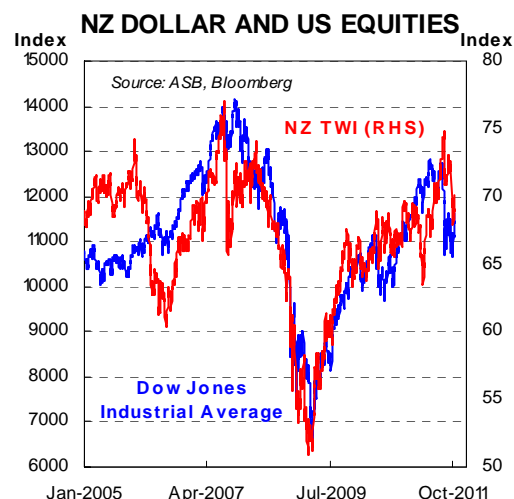
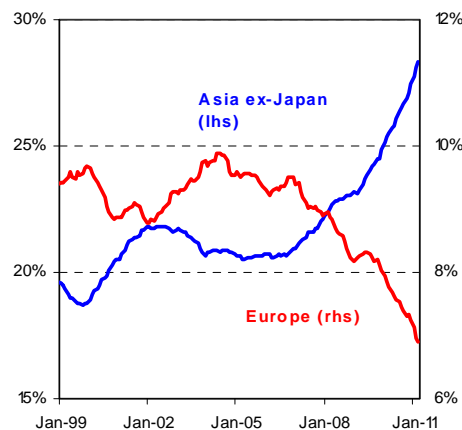
**Limited scope to cut OCR, but plenty of room for the NZD to fall.**

Where NZ's shock absorbers are a bit tattered are with monetary and fiscal policy. The OCR is still at its GFC low of 2.5% and may not have much effect on short-term rates if dropped in the midst of a credit crisis – as was eventually the case in 2009. Nevertheless, just signalling the OCR wouldn't be going up for a very long time would help reduce benchmark term rates. Moreover, the NZ dollar would weaken for a period, helping offset weakness in foreign demand.

As the recent credit rating downgrades highlight, the Government's finances are more fragile than they were prior to the GFC, which would constrain the ability to loosen fiscal policy further.



**SHARE OF NZ EXPORTS**



## International outlook

**Developing economies do the heavy lifting.**

Emerging and developing economies remain the key drivers of global growth. Strong Non-Japan Asian growth is key to our outlook, and China, the world's second biggest economy, is still on track for GDP growth of 9.0% in 2012. In contrast, GDP growth in the advanced economies has largely been below potential, and next year's outlook remains equally subdued.

**Europe's debt crisis the biggest threat to global stability.**

The biggest risk to the global outlook remains in Europe, where the sovereign debt crisis is far from resolved. At the moment the risk of a full-blown European recession is relatively low, but is still possible (a Eurozone recession could be generated by a contagion type effect where a larger economy, such as Italy, defaults on its debt). In such a case, the financial market effects would be severe. A large proportion of global business investment and household consumption may "stop in its tracks", as it did during 2008-09.

**US expected to keep its head above water.**

Turning to the US, we rate the possibility of a recession as low as 30%. The Fed's recent additional \$400 billion easing policy will assist growth as the long end of the yield curve edges lower, and keeps borrowing costs in the US down. Strong US company profits, which are currently at a record high 12.9% of US GDP, and the right balance between front-loaded and back-loaded fiscal austerity measures, are likely to help prevent the US economy entering recession.

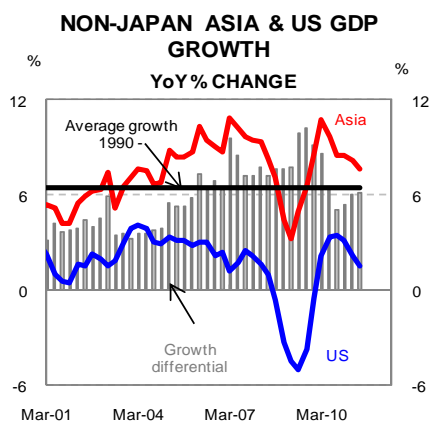
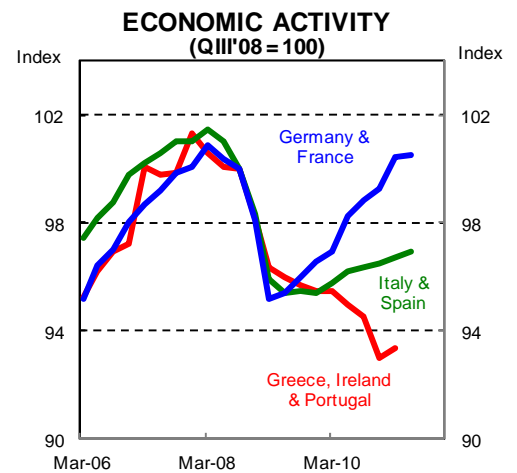
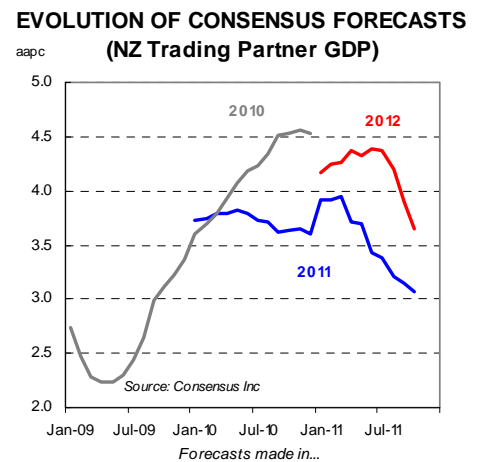
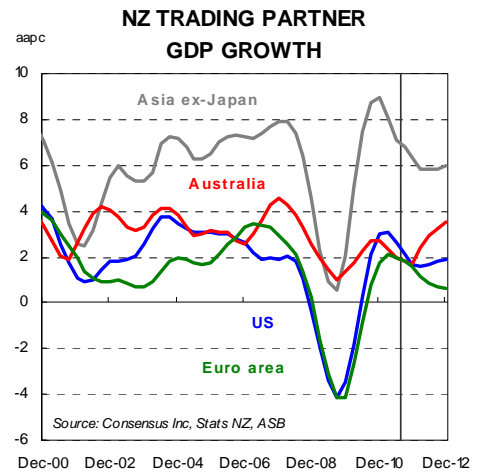
**Asian growth remains robust.**

Meanwhile, growth in Asian economies remains robust. The exception is Japan, which is slowly recovering from the natural and nuclear disasters in March. It is encouraging to see the weakness in developed economies since the start of the year appears to have only a muted effect on the Chinese economy at this stage. We think the divergence in growth between China and abroad is sustainable. The International Monetary Fund estimates that a 1% cut to US GDP growth would normally lead to a cut to China's GDP growth of less than 0.2%. However, we acknowledge this could change rapidly if the weakness in developed economies was compounded with extremely stressed financial markets.

**Impact of a weak US on China is modest.**

Asian growth is not just a China story. Non-Japan Asian economies expanded by 7.6% in the year to June, compared to their average pace of 6.5% in the last two decades. Their growth divergence from developed economies reflects the strong performance of the larger and more domestically-driven economies in the region. In addition to China's growth, India, for example, expanded 7.7% over the year to June. For Australian and New Zealand exporters, ongoing strength in the Asian economies is very important for the outlook.

**Asian story is more than just China.**



# The New Zealand Economy

**Improved export incomes underpin gradual recovery.**

The NZ economy has continued to gradually recover over the past year, albeit with some volatility within the official quarter-to-quarter data. Looking through this to the underlying trend, the NZ economy appears to be growing at a fairly modest, yet respectable, pace of around 0.5% per quarter. Much of NZ's recovery over the past year has been largely underpinned by improved export incomes. NZ commodity prices have surged, pushing NZ's Terms of Trade to their highest level since 1974. However, the current concerns and uncertainties around the global growth outlook threaten the momentum in NZ's export-led recovery.

**NZ commodity export prices have held up relatively well so far.**

## Export-led recovery under threat

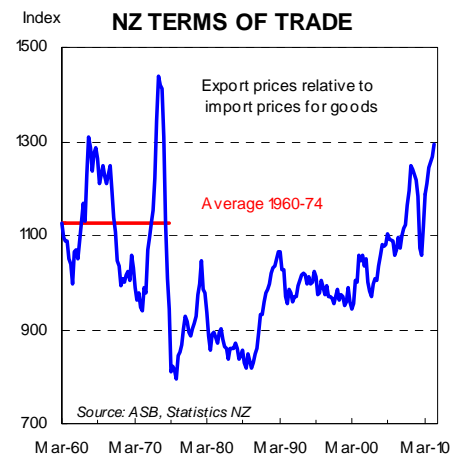
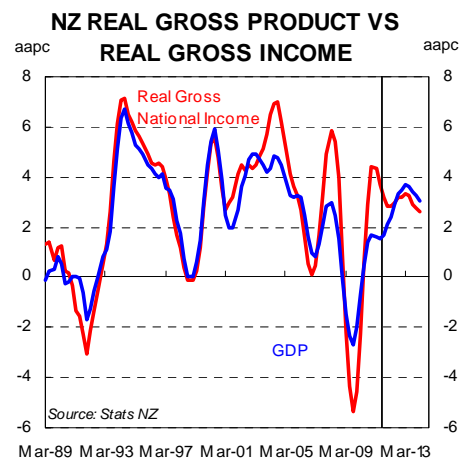
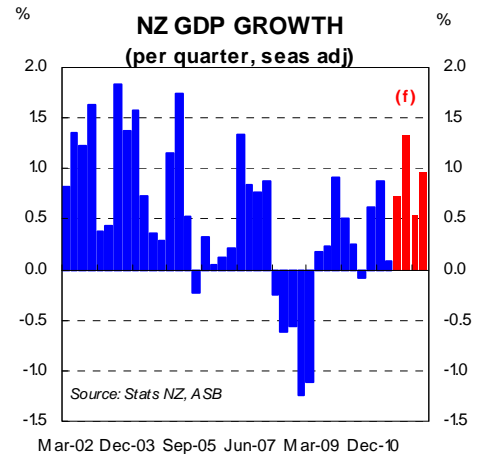
Risks to the global outlook are clearly skewed to the downside. A poorly managed Greek default has the potential to derail the fragile economic recovery in western developed economies, with flow on impacts to Asian economic activity as well. So far, NZ commodity exporters have been somewhat sheltered from recent turmoil, with prices for dairy and meat remaining relatively elevated. 60% of NZ exports are sent to Australia and Asia. The relative strength of this part of the world, in part propped up by the resilience of Chinese domestic demand, has benefited NZ exporters.

**However, risk of a sharper fall in prices and volumes if global growth slows further.**

We assume that the Eurozone debt crisis only has a mild impact on NZ and our major trading partners (in particular China). Reflecting this we expect export prices hold up relatively well, with only modest declines over the coming year. However, there are large uncertainties around the outlook and commodity prices may fall more sharply if growth in developing Asia, particularly China, slows by more than currently forecast. Likewise, with export volumes we expect further modest growth, but the outlook is tied to trading partner activity and risks currently appear skewed to a weaker performance.

**RWC is providing a temporary boost to tourism.**

Exports of services and the tourism sector have recorded a very mixed performance over the first half of 2011. The summer tourism season performed well, with a lift in average spend per visitor providing a boost to exports of services despite relatively subdued overall visitor numbers. However, this strong start to the year was cut short by the February earthquake and Chilean ash cloud disruption in June. These events resulted in a very sharp decline in exports of services over Q2. Over the second half of the year, tourism activity will enjoy a substantial boost, as RWC visitors are expected to generate \$500-\$700 million in foreign earnings. However, looking to 2012 many challenges remain for the tourism industry, given the relatively high NZD and subdued growth outlook for visitor numbers.



**Consumer confidence improves, but debt burden will weigh on outlook.**

**Household sector cautiously optimistic**

Consumer confidence continued to recover over Q3, although remains consistent with relatively subdued growth in spending. Over the coming year, the high NZD (and cheap import prices), stronger wage growth and a decline in unemployment will provide further support to consumer spending. However, we expect that households will still remain reasonably cautious with a continued focus on saving/reducing debt.

**Housing market starting to tighten, will underpin increases in house prices.**

The housing market has picked up over 2011, largely led by stronger demand in Auckland. More recently, the recovery in housing activity has faltered, although this may reflect limited supply rather than a fall in demand. Various indicators suggest that the physical housing supply is relatively tight, particularly in Auckland. Added to that, supply in Christchurch has also declined as a result of earthquake damage. Reflecting these supply pressures, along with a gradual pick up in underlying demand, house prices are likely to lift modestly over the coming year, though there will be some regional disparities in house price inflation.

**Housing construction to pick up.**

Housing reconstruction activity in Canterbury is likely to start early in 2012, gathering momentum by the second half of the year. There is a substantial amount of residential repair and rebuilding needed to be done, with around 30,000 households estimated to have sustained damage of more than \$100,000. In addition, those houses classified in the Red Zone will need to rebuild elsewhere. This work is likely to take a number of years to complete, with capacity constraints within the industry the largest factor limiting growth in residential construction over the next 3 years.

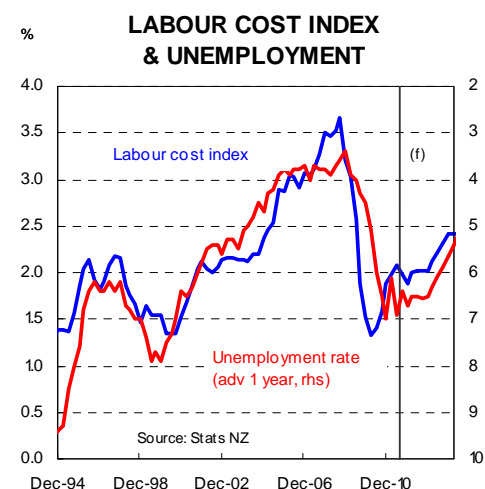
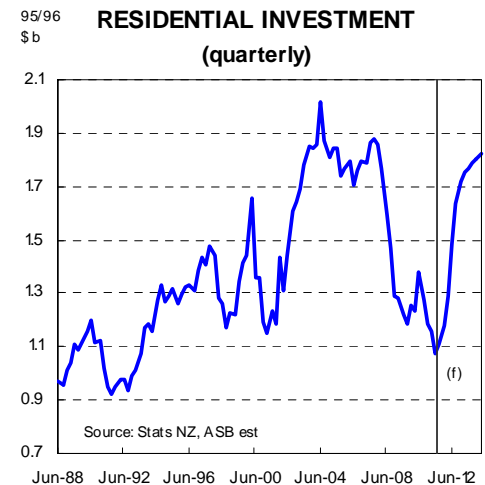
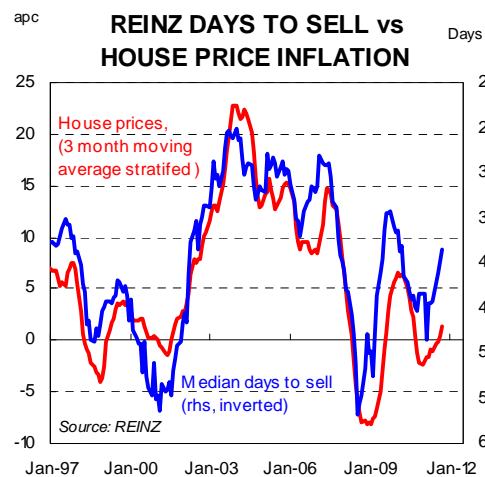
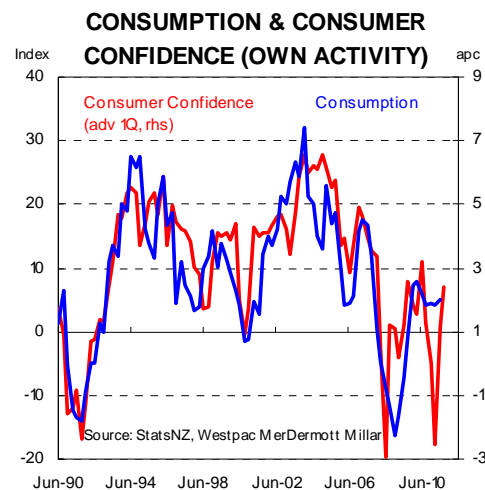
**Uncertainties remain around timing of rebuild start.**

In terms of timing of the rebuild, there has already there have been some early encouraging signs in dwelling consents, with lifts recorded for both Canterbury and the rest of the country. Nonetheless, there remains a large amount of uncertainty and challenges around the timing of the rebuild. Seismic activity will first need to settle down in order to relieve some of the current challenges in obtaining insurance. The risks remain skewed to a later pick up in reconstruction activity than we have forecast.

**Labour market set to tighten relatively quickly.**

**Labour market recovering**

The labour market has started to improve with a pick up in employment growth and recovery in wages. Nonetheless, the unemployment rate remains elevated around 6.5%. An ongoing gradual recovery in underlying activity, coupled with the Canterbury earthquake rebuild, will help reduce unemployment over the coming year. Skill shortages will emerge relatively quickly, particularly in the construction industry once rebuilding gets underway. As a result wage growth is likely to accelerate from late 2012.



## Inflation outlook

**Lift in CPI reflects GST increase, rising food and fuel prices.**

The CPI increased 5.3% for the year to June. Part of this reflects the sharp rise in international commodity prices over the past year, which has flowed through to higher food and fuel prices at the retail level here in NZ. Beyond the increase in food and petrol prices over the past year, the strong annual increase also reflects the boost from a raft of Government charges. This includes the GST increase, higher ACC levies, implementation of Emissions Trading Scheme and a hike in the tobacco excise tax.

**High NZD will reduce tradable inflation.**

We expect annual inflation to fall from its current peak of 5.3% back to within the RBNZ's target band by 2012, as these Government charges move out of the annual rate. The decline in annual inflation over 2012 also largely reflects the effects of the high NZ dollar, which is expected to weigh on tradable inflation.

**High NZD will help retailers unwind discounting.**

Over much of 2010, the high NZ dollar gave retailers scope to discount in the face of soft household demand. While we expect a gradual pick-up in household demand, the continued strength in the NZ dollar will likely continue to put downward pressure on the price of imported household goods over the coming year.

**Rebuilding activity will add to underlying inflation pressures.**

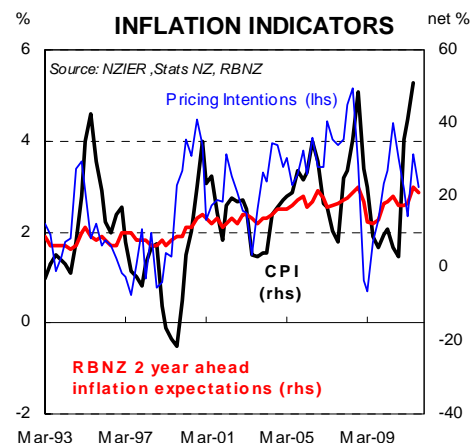
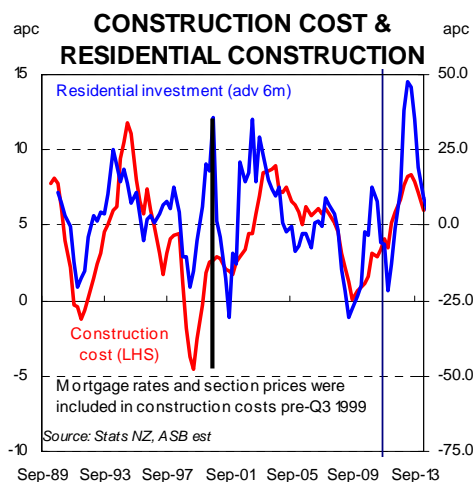
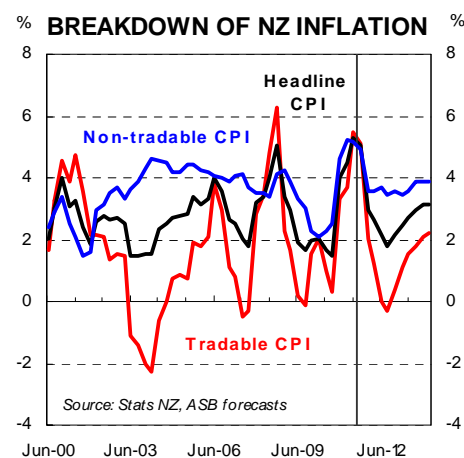
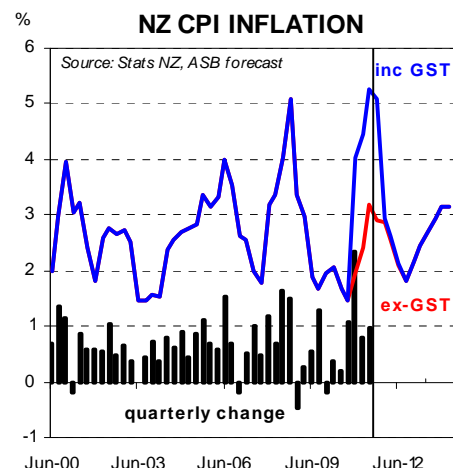
Meanwhile, we expect non-tradable inflation will remain elevated over the coming years, reflecting the lift in capacity pressures in the economy. In particular, we expect rebuilding activity will pick up from mid-2012, and this will underpin an acceleration in construction cost inflation.

**Early signs of rising construction costs.**

Indeed, the Q2 CPI already shows signs of a rise in construction costs. Added to that, the latest NZIER Quarterly Survey of Business Opinion (QSBO) shows a rebound in capacity pressures in the building sector over Q3. These results suggest rebuilding activity will likely boost inflation pressures in the NZ economy over the coming years.

**Underlying inflation pressures subdued for now, but will rise sharply as recovery continues.**

For now though, inflation indicators suggest the RBNZ has some breathing space on the inflation front. The NZIER QSBO shows a tick-up in capacity utilisation and the number of businesses noting capacity as a key constraint on their business. However, cost expectations and pricing intentions have eased. Also of some comfort to the RBNZ will be the easing in medium-term inflation expectations in Q3. Nonetheless, with two-year ahead inflation expectations at 2.9% still close to the top of the RBNZ inflation target band, the RBNZ will need to remain vigilant against rising inflation pressures in the NZ economy. We expect annual inflation will hit the top of the RBNZ's target band towards the end of 2013, underpinned by a lift in underlying inflation pressures and a recovery in tradable inflation.



## Interest Rates and Exchange Rates

**RBNZ concerned about downside risks from global outlook.**

The RBNZ left the OCR on hold at 2.5% at the September MPS, as widely expected. The accompanying Statement indicated the recent escalation in global uncertainty has increased the downside risks to its domestic growth outlook. Partly as a result of the weaker global growth outlook, the RBNZ has revised down its medium-term growth forecasts.

**OCR on hold until March, as RBNZ assesses Eurozone debt crisis impact.**

With ongoing uncertainty offshore, we expect the RBNZ to leave the OCR on hold until March next year. Nonetheless, the gradual build-up of inflation pressures will continue to concern the RBNZ, and we have a 25 basis point increase pencilled in for March. We expect the RBNZ to steadily lift the OCR to 4%. This is below our view of neutral, as we expect a high NZD over 2012 and 2013 will provide additional tightening in monetary conditions.

**Timing and extent of OCR increases largely dependent on offshore drivers.**

The timing and extent of OCR increases largely depends on the level of the NZD, and on the extent of economic fall-out from the Eurozone debt crisis (in particular, the impact on Asian trading partner growth and NZ commodity export prices). In addition, the RBNZ is wary about the potential for increased bank funding costs, which may limit the need for OCR increases.

**NZD falls on increased concerns for global growth.**

The NZD fell over September as concerns around the Eurozone debt crisis grew. Global demand for USD funding has increased as the Eurozone sovereign crisis continues and the threat of a US recession has risen. The USD tends to rise whenever the US enters recession, or the threat of a US recession significantly rises. Ongoing uncertainties and concerns around the Eurozone outlook will continue to weigh on the NZD over the short term.

**NZD likely to recovery once Eurozone-related uncertainty passes.**

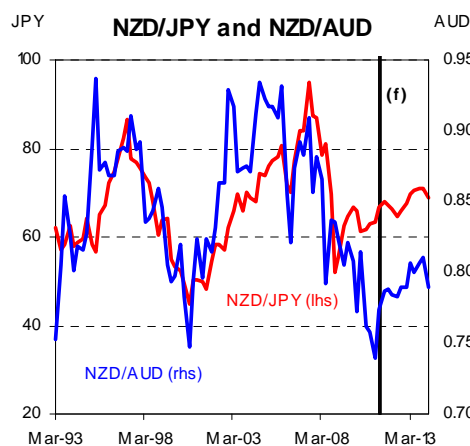
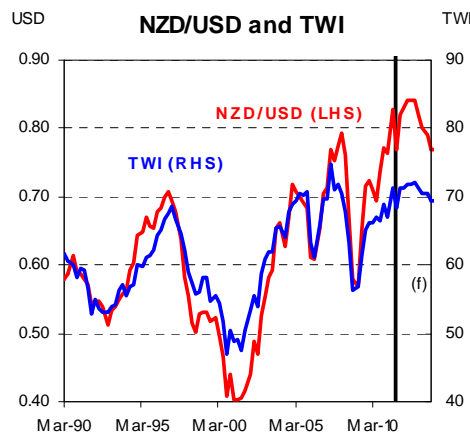
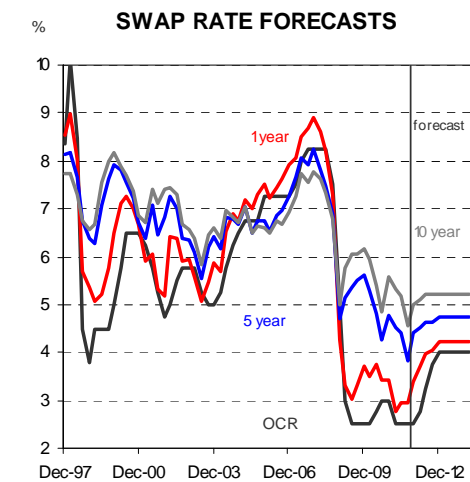
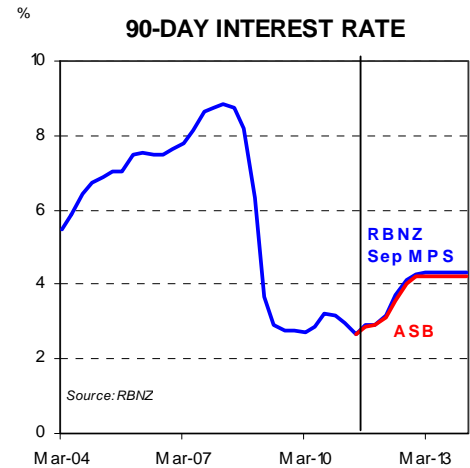
Our central assumption is that the Eurozone debt crisis finds some resolution and market confidence in global growth returns. Improved confidence in the global outlook will reduce demand of the USD, and is likely to see demand for commodity currencies to recover. We expect the NZD to average around 84 cents against the USD over 2012.

**NZD to remain elevated against most major crosses.**

The NZD is likely to remain elevated against all the major crosses except for Australia. The NZ economy has performed relatively well over the past year, and strong export commodity prices are likely to underpin further outperformance.

**NZD will remain below average against the AUD.**

The NZD is likely to recover slightly against the AUD over the coming year, as interest rate differentials between the two countries narrow. Nonetheless, the NZD is still likely to remain below average against the AUD over the next few years.



## Economic Forecasts

ASB economic forecasts		Mar-11	Jun-11 << actual	Sep-11 forecast >>	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Mar-14
<b>NZ GDP real</b>	<b>AA%</b>	<b>1.6</b>	<b>1.5</b>	<b>1.7</b>	<b>2.1</b>	<b>2.4</b>	<b>2.9</b>	<b>3.3</b>	<b>3.4</b>	<b>3.7</b>	<b>3.0</b>
private consumption	AA%	2.1	1.9	1.9	1.8	1.8	1.9	2.1	2.3	2.6	2.8
dwelling construction	AA%	2.1	-7.0	-11.9	-10.9	-6.9	7.8	23.3	35.7	41.6	9.0
other investment	AA%	7.1	9.6	10.6	7.6	6.1	5.8	6.2	8.2	8.8	5.4
exports	AA%	1.7	1.3	2.5	3.2	3.6	4.3	3.9	2.8	2.6	3.8
imports	AA%	10.4	10.2	8.9	5.5	5.0	4.2	4.4	6.0	5.9	3.8
NZ GDP real	A%	1.7	1.5	2.3	3.1	2.7	3.6	3.9	3.5	3.7	2.9
NZ GDP real	Q%	0.9	0.1	0.7	1.3						
<b>NZ CPI</b>	<b>A%</b>	<b>4.5</b>	<b>5.3</b>	<b>5.2</b>	<b>3.1</b>	<b>2.8</b>	<b>2.3</b>	<b>1.9</b>	<b>2.2</b>	<b>2.5</b>	<b>3.1</b>
NZ house prices (QV index)	A%	-1.5	-0.2	1.1	2.5	3.3	3.4	3.5	3.5	3.3	1.6
NZ unemployment (sa%)	Qtr	6.5	6.5	6.6	6.6	6.4	6.1	5.9	5.7	5.4	4.8
NZ private sector wages (LCI)	A%	2.0	2.1	2.0	1.9	2.0	2.0	2.0	2.0	2.1	2.4
NZ current account (\$b)	Yr	-7.2	-7.5	-8.3	-7.6	-8.4	-9.0	-9.5	-10.6	-11.2	-12.5
as a % of GDP	Yr	-3.6	-3.7	-4.1	-3.7	-4.1	-4.3	-4.5	-5.0	-5.2	-5.5

A% = percentage change since same quarter the previous year

AA% = percentage change for year ending quarter since the previous year

## Financial Forecasts

ASB interest rate forecasts (end of quarter)		Mar-11	Jun-11	Sep-11 << actual	Dec-11 forecast >>	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13
NZ cash rate target		2.50	2.50	2.50	2.50	2.75	3.25	3.75	4.00	4.00
NZ 90-day bank bill		2.63	2.67	2.86	2.9	3.1	3.6	4.0	4.2	<b>4.2</b>
NZ 3-year swap rate		3.84	3.80	3.38	4.0	4.1	4.3	4.3	4.4	4.4
NZ 10-year gov't stock		5.63	5.04	4.39	4.8	5.0	5.1	5.2	5.3	5.3
<b>ASB foreign exchange forecasts (end of quarter)</b>		<b>Mar-11</b>	<b>Jun-11</b>	<b>Sep-11 &lt;&lt; actual</b>	<b>Dec-11 forecast &gt;&gt;</b>	<b>Mar-12</b>	<b>Jun-12</b>	<b>Sep-12</b>	<b>Dec-12</b>	<b>Mar-13</b>
USD per NZD		0.76	0.83	0.77	0.82	0.83	0.84	0.84	0.84	0.82
GBP per NZD		0.47	0.51	0.49	0.51	0.51	0.51	0.51	0.52	0.51
AUD per NZD		0.74	0.77	0.79	0.79	0.78	0.78	0.78	0.78	0.78
JPY per NZD		63.3	66.8	59.2	63	64	65	66	66	66
EUR per NZD		0.54	0.57	0.57	0.59	0.58	0.58	0.58	0.59	0.58
TWI		66.9	71.2	68.4	71.4	71.2	71.7	71.8	72.2	71.2

### ASB Economics & Research

### Phone

### Fax

Chief Economist	Nick Tuffley	<a href="mailto:nick.tuffley@asb.co.nz">nick.tuffley@asb.co.nz</a>	(649) 301 5659	(649) 302 0992
Economist	Jane Turner	<a href="mailto:jane.turner@asb.co.nz">jane.turner@asb.co.nz</a>	(649) 301 5660	
Economist	Christina Leung	<a href="mailto:christina.leung@asb.co.nz">christina.leung@asb.co.nz</a>	(649) 301 5661	

<https://reports.asb.co.nz/index.html>

ASB Economics  
Level 9, 135 Albert Street, Auckland

### Disclaimer

This document is published solely for informational purposes. It has been prepared without taking account of your objectives, financial situation, or needs. Before acting on the information in this document, you should consider the appropriateness and suitability of the information, having regard to your objectives, financial situation and needs, and, if necessary seek appropriate professional or financial advice.

We believe that the information in this document is correct and any opinions, conclusions or recommendations are reasonably held or made, based on the information available at the time of its compilation, but no representation or warranty, either expressed or implied, is made or provided as to accuracy, reliability or completeness of any statement made in this document. Any opinions, conclusions or recommendations set forth in this document are subject to change without notice and may differ or be contrary to the opinions, conclusions or recommendations expressed elsewhere by ASB Bank Limited. We are under no obligation to, and do not, update or keep current the information contained in this document. Neither ASB nor any person involved in the preparation of this document accepts any liability for any loss or damage arising out of the use of all or any part of this document.

Any valuations, projections and forecasts contained in this document are based on a number of assumptions and estimates and are subject to contingencies and uncertainties. Different assumptions and estimates could result in materially different results. ASB does not represent or warrant that any of these valuations, projections or forecasts, or any of the underlying assumptions or estimates, will be met.