



A geyser-like growth spurt

Quarterly percentage change

Eleven regions posted a gain in economic activity in the final quarter of last year, while two regions recorded a drop in activity.

The Bay of Plenty recorded the largest economic expansion, rebounding 2.5 percent following a weak September outturn. Otago, Northland and Gisborne all recorded rises in excess of 2 percent. At the other end of the spectrum, Manawatu-Whanganui and Taranaki recorded a weaker level of economic activity in December, compared with three months earlier.

The nationwide measure of economic activity increased 1.2 percent in the December quarter. This represents the strongest quarterly lift in five years. The North Island economy grew 1.3 percent in the December quarter, while the expansion in the South Island was a little more subdued, only growing 0.8 percent.

Year-on-year growth

Year-on-year nationwide economic growth improved from -2.0 percent in September to -1.3 percent in December. This was the first improvement in the annual average rate of change in two and a half years.

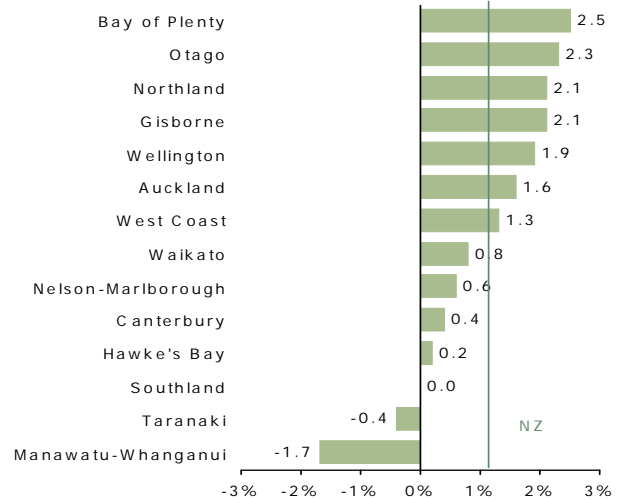
Gisborne retains the distinction of recording the only positive rate of annual economic growth in December. To date, the region hasn't been caught in the rip of the economic contraction measured everywhere else.

The more urbanised regions (Auckland, Wellington and Canterbury) recorded a combined -0.9 percent rate of decline in the 2009 calendar year. By comparison the rest of New Zealand recorded a -1.9 percent fall over the same time frame.

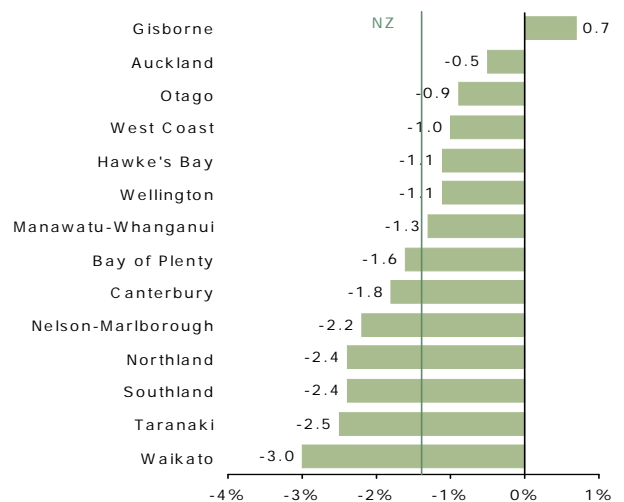
December quarter at a glance

- **Retail interest rates** rose in the quarter following rises in wholesale market rates.
- **The exchange rate** appreciated relative to all our major trading partners, except Australia.
- **Commodity prices** rose in the December quarter. When cross-referenced with the regions, the largest quarterly gain was measured in Taranaki.
- **Business confidence** lifted in every region. Taranaki recorded the highest level of confidence across the nation.
- **Consumer confidence** retraced in all but two regions. Auckland was the most confident region.
- **Retail sales** rose in every region, led by the West Coast and Gisborne.
- **House sales** eased over many regions. The largest slowdown was recorded in the Bay of Plenty.
- **Dwelling approvals** lifted in most regions. Northland recorded the largest increase, followed by Wellington.
- **Commercial building permits** inched up in several regions. Northland recorded the greatest increase, rebounding from a weak figure in September.
- **Employment** eased across many regions. Northland recorded the largest drop.
- **The unemployment rate** lifted in most regions. Northland recorded the highest unemployment rate, while Nelson-Marlborough recorded the lowest.

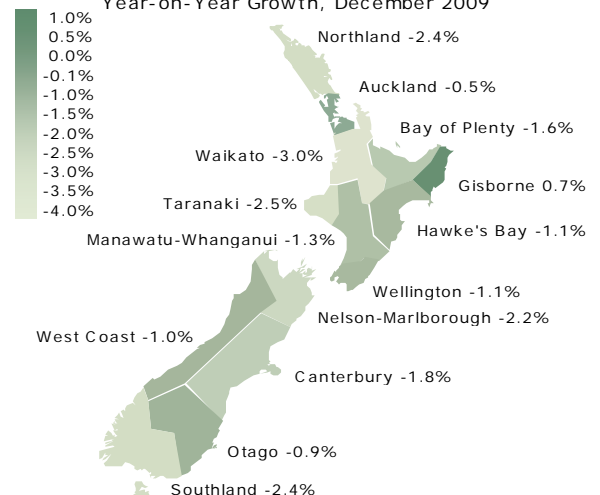
REGIONAL ECONOMIC ACTIVITY
Quarterly Percentage Change, Dec 2009



REGIONAL ECONOMIC ACTIVITY
Year-on-Year Growth, Dec 2009



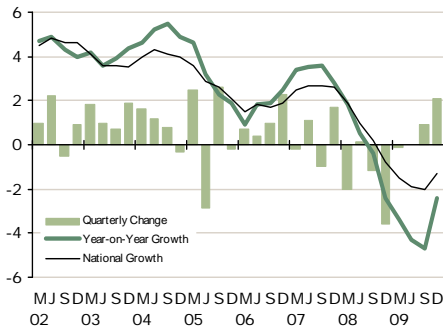
REGIONAL ECONOMIC ACTIVITY
Year-on-Year Growth, December 2009



Regional Summaries

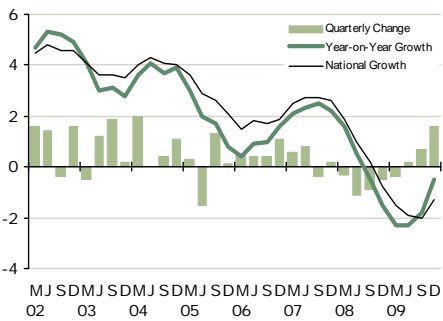
Northland

Northland recorded a strong lift in the number of dwelling approvals issued, increasing 25 percent in the quarter. The number of commercial construction permits issued jumped 28 percent. House sales followed the nationwide trend down and weakened 12 percent in the quarter. Rural real estate sales were also weaker, with sales of both large farm and lifestyle blocks easing by around 30 percent from September. Northland's labour market deteriorated in the quarter, with a large drop in employment causing the region's unemployment rate to rise to a 10-year high of 10.9 percent. Despite this weakness, Northland recorded its strongest quarterly rise in economic activity since 2006.



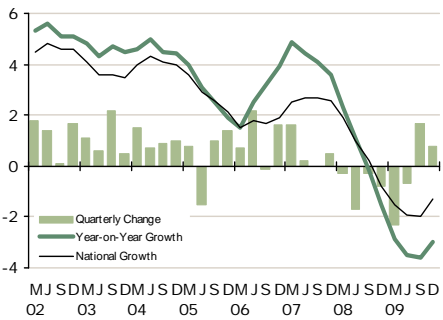
Auckland

For the first time in three years Auckland topped the consumer confidence survey. Permits for both residential and commercial construction recorded strong increases. Dwelling approvals lifted 8.6 percent and commercial consents rose 7.6 percent. The number of house sales was relatively flat in the December quarter (-0.1 percent) compared to a 5.5 percent decline nationally. New car registrations lifted 13 percent, nearly twice the 7 percent rise recorded nationally. Overall, Auckland recorded a third consecutive rise in economic activity, with the latest increase being the region's strongest quarterly gain since March 2004.



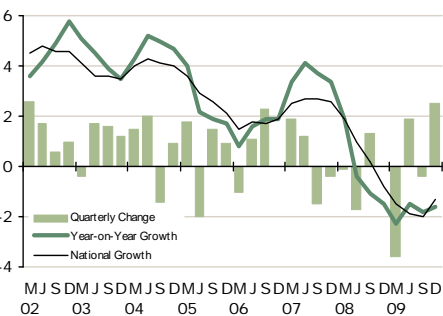
Waikato

Waikato enjoyed a 2.2 percent rise in employment, at a time when the nationwide figure eased 0.3 percent. This went hand-in-hand with a small rise in registered unemployment. The net result was a reduction in the region's unemployment rate to 6.4 percent, contrasting a nationwide rise to 7.3 percent. Waikato recorded the third highest level of business confidence in December but consumer confidence was the second lowest across the regions. House sales were on par with the national slowdown (both weakening by 6 percent), but falls in the rural real estate sales were considerably larger than the national figure. Large farm sales dropped 4 percent and sales of lifestyle blocks fell 12 percent (this compares with national rates of 11 and -3 percent, respectively).



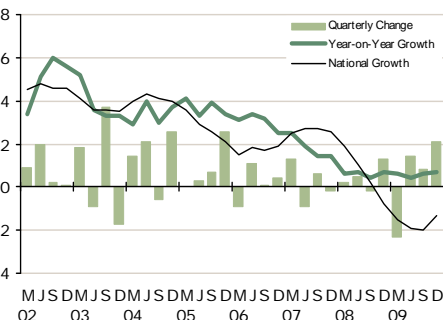
Bay of Plenty

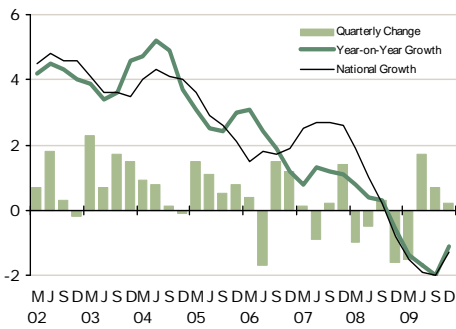
The Bay of Plenty recorded a strong lift in accommodation guest nights, rising 4.6 percent in the quarter. The nationwide figure dropped 0.1 percent. Consumer confidence was the third highest of the regions, coinciding with a 1.7 percent lift in employment in the Bay. Both residential and commercial building permits grew faster than the nationwide benchmarks (up 17 and 6 percent, respectively). The number of house sales fell 39 percent from three months earlier. Rural real estate sales also fell in the quarter, dropping 18 percent, compared to a 3 percent fall nationally. Overall the region recorded the largest quarterly gain in economic activity across the regions, which translates to the region's largest quarterly increase in economic activity since March 2002.



Gisborne

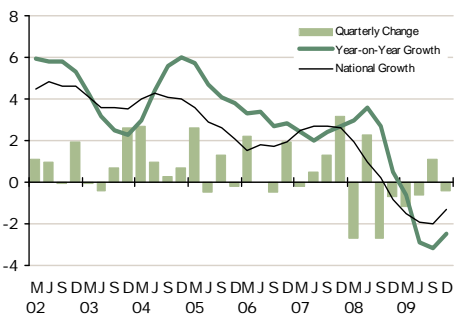
The number of house sales in Gisborne surged 48 percent in the December quarter – the strongest increase across the regions and contrasting a 6 percent drop nationwide. Rural sales also increased sharply, led by a doubling in lifestyle blocks sold (from 11 to 22). Gisborne recorded a large drop in the number of commercial building permits issued, falling 36 percent from September. Residential dwelling approvals also recorded a decrease, dropping 7 percent and contrasting an 8 percent lift nationally. New motor vehicle registrations were weaker in the December quarter. Car registrations fell 9 percent and registrations for commercial vehicles fell 13 percent. December was the third consecutive quarterly rise in economic activity, which is also the region's largest since 2006.





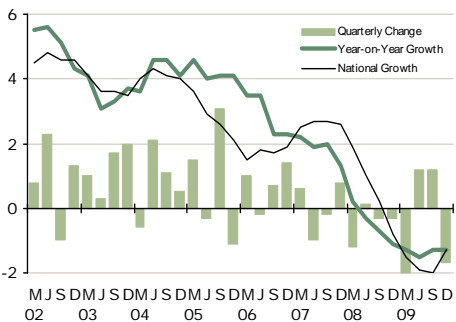
Hawke's Bay

Hawke's Bay recorded a modest lift in house sales (1.4 percent) in contrast to a 5.5 percent fall nationally. However, retail sales only inched up 0.1 percent in the December quarter, compared to a 1.0 percent rise nationwide. Part of the drag on retail trade was a 2.7 percent drop in the number of accommodation guest nights measured in the region (-0.1 percent nationally). Business and consumer confidence were both weaker than the nationwide benchmarks. The number of dwelling approvals was down 1.1 percent in the quarter (up 7.6 percent nationally). But compared to a year earlier Hawke's Bay posted the largest increase in the country (up 24 percent, versus a 6 percent lift for the nation).



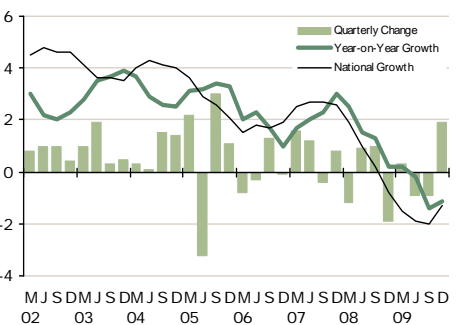
Taranaki

Taranaki topped the business confidence survey, for the first time in five years. The region recorded a 4.4 percent lift in accommodation guest nights, while the nationwide figure dipped 0.1 percent. The number of commercial building consents rose 6.2 percent, three times the rate of increase measured nationally. The region's real estate market cooled with a 6 percent drop in house sales and a lengthening in the median time to sell to from 34 to 40 days. Employment dropped 2.7 percent (-0.3 percent nationally) pushing the region's unemployment rate up to a nine-year high of 6.5 percent. The number of residential dwelling approvals was unchanged from September, at a time when the nationwide figure lifted 8 percent. Dwelling approvals were up 20 percent from a year ago, versus only 6 percent nationally.



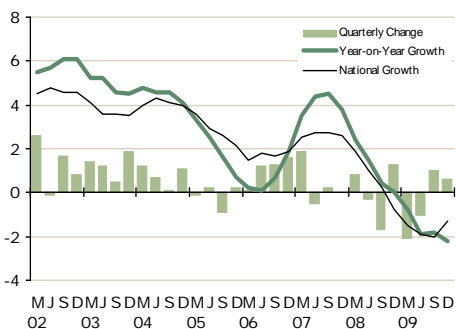
Manawatu-Whanganui

Manawatu-Whanganui recorded the largest fall in the number of building permits issued in December, falling 8.1 percent and contrasting a 7.6 percent rise nationally. The number of commercial building consents was also weaker, dropping 11 percent from three months earlier and contrasting a 1.8 percent rise nationally. The region also recorded a large fall in accommodation guest nights, dropping 4.4 percent in December. The number of houses sales slumped 12 percent, twice the rate of decline measured nationally. The region's unemployment rate edged up a ten-year high of 8.1 percent. In aggregate, Manawatu-Whanganui recorded the weakest quarterly outturn in December, but year-on-year economic growth mirrored the nationwide rate of decline.



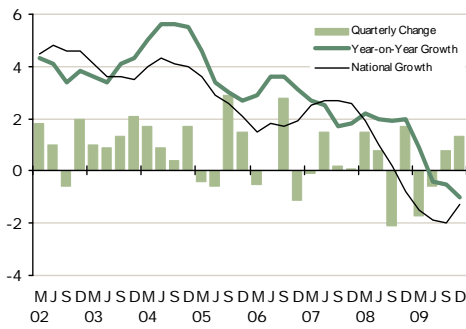
Wellington

Wellington recorded the second largest rise in the number of dwelling approvals issued in December, lifting 22 percent from three months earlier, overshadowing an 8 percent lift nationally. Households in Wellington were more confident about future prospects, based on the latest confidence survey, with the second highest level of consumer confidence across the country. Employment rose 1.0 percent, contrasting a 0.3 percent drop nationally. Wellington recorded a large drop in the number of houses sold – down 9.4 percent, compared with a 5.5 percent drop nationally. Rural real estate sales lifted 11 percent, contrasting to a modest drop nationally. Overall, Wellington recorded its largest quarterly increase in economic activity since 2005.



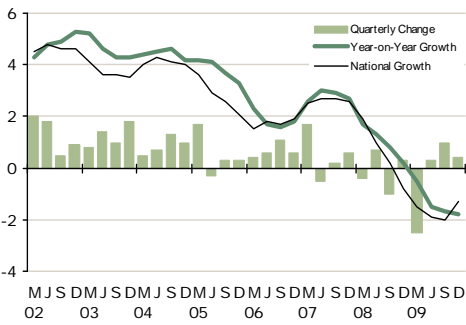
Nelson-Marlborough

The number of houses sold in Nelson-Marlborough fell 12 percent in the final quarter of last year, twice the 6 percent rate of decline recorded nationally. The number of section sales lifted 11 percent, contrasting a 6 percent drop nationwide. The level of accommodation guest nights in Nelson-Marlborough increased 2.0 percent, at a time that the national figure dipped slightly. Consumer confidence narrowly undershot the nationwide benchmark but business confidence was significantly weaker than the countrywide figure, dropping to the second lowest ranking across the regions. Despite the region recording its second quarterly increase in activity, annual economic growth eased to a new low of -2.2 percent.



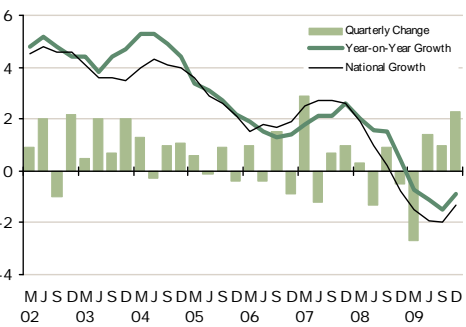
West Coast

Retail sales on the Coast surged 4.4 percent in the final three months of 2009, four times the national rate of increase. The West Coast recorded a 7.2 percent rise in the number of house sales, contrasting with a 5.5 percent fall nationwide. The median time to sell shortened significantly, from three months to two months, which represents the shortest time to sell over the 2009 calendar year. Rural real estate sales were weaker, with only two large farm sales in the quarter and the number of lifestyle blocks sold dropping from 20 to 14. The number of commercial building consents issued in the region eased 4.9 percent, contrasting a 1.8 percent lift nationally. Economic activity recorded a second successive rise but year-on-year growth slipped to a new low of -1.0 percent.



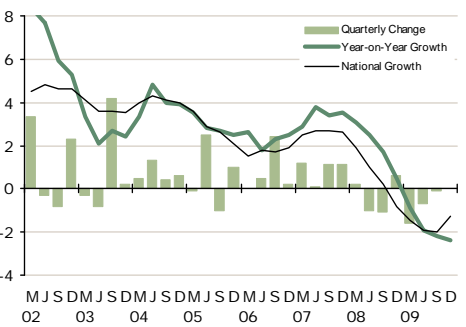
Canterbury

Businesses in Canterbury recorded the second highest degree of confidence in the December quarter. The level of consumer confidence in Canterbury was on par with the national benchmark. Employment fell 2.2 percent over the final three months of last year, resulting in Canterbury's unemployment rate hitting a nine-year high of 6.1 percent. The number of dwelling approvals lifted 6.1 percent, marginally behind the nationwide increase of 7.6 percent. The number of commercial building permits issued dipped 0.6 percent, in contrast to a modest rise (1.8 percent) nationally. Canterbury recorded its third consecutive increase in economic activity in December but calendar year growth was down 1.8 percent from a year earlier.



Otago

The 4.4 percent surge in employment in December was the largest increase across the regions, pulling down the region's unemployment rate to 4.4 percent. Despite this improvement, consumer confidence was the lowest across the nation. Business confidence improved to a ten-year high and exceeded the national benchmark. Sales of rural real estate posted some large gains, with the number of large farms sold in the region lifting from 9 to 15 and sales of lifestyle blocks lifting from 58 to 82. Retail sales perked up by 1.9 percent in the quarter (1.0 percent nationally) but house sales eased 6.2 percent (-5.5 percent nationwide). Otago recorded its third consecutive quarter of economic growth, with the latest quarterly increase the largest since March 2007.



Southland

Southland's rural real estate market recorded some sizeable gains in the December quarter. Large farm sales more than doubled, from a seasonally adjusted 8 sales in September to 19 in December, and sales of lifestyle blocks grew from 39 to 47. The number of residential sales eased 1.3 percent (but bettering a -5.5 percent fall nationally) to its lowest level since March 2009 and the length of time to sell a house accelerated to its quickest time in 18 months (37 days from 41 days in September). Accommodation guest nights lifted 2.6 percent in the quarter (-0.1 percent nationwide). Commercial building consents outpaced the national figure (4.3 versus 1.8 percent for NZ) but residential dwelling approvals slipped 0.7 percent (contrasting a 7.6 percent rise nationally). Economic activity was unchanged in December, with year on year growth slipping to a new low.



The National Bank

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The Bank (in respect of itself and its principal officers) makes the following investment adviser disclosure to you pursuant to section 41A of the Securities Markets Act 1988.

The Bank (in respect of itself and its principal officers) makes the following investment broker disclosure to you pursuant to section 41G of the Securities Markets Act 1988.

Qualifications, experience and professional standing**Experience**

The Bank is a registered bank and, through its staff, is experienced in providing investment advice about its own securities and, where applicable, the securities of other issuers. The Bank has been selling securities, and providing investment advice on those securities, to customers as a core part of its business for many years, drawing on the extensive research undertaken by the Bank and its related companies and the skills of specialised staff employed by the Bank. The Bank is represented on many bank, finance and investment related organisations and keeps abreast of relevant issues by running seminars and workshops for relevant staff and having its investment adviser staff attend external seminars where appropriate. The Bank subscribes to relevant industry publications and, where appropriate, its investment advisers will monitor the financial markets.

Relevant professional body

The Bank is a member of the following professional bodies relevant to the provision of investment advice:

- New Zealand Bankers Association;
- Associate Member of Investment Savings & Insurance Association of NZ;
- Financial Markets Operations Association; and
- Institute of Finance Professionals.

Professional indemnity insurance

The Bank (and its subsidiaries), through its ultimate parent company Australia and New Zealand Banking Group Limited, has professional indemnity insurance which covers its activities including those of investment advisers it employs.

This insurance covers issues (including 'prior acts') arising from staff fraud, electronic crime, documentary fraud and physical loss of property. The scope of the insurance also extends to third party civil claims, including those for negligence. The level of cover is of an amount commensurate with the size and scale of the Bank.

The insurer is ANZcover Insurance Pty Limited.

Dispute resolution facilities

The Bank has a process in place for resolving disputes. Should a problem arise, you can contact any branch of the Bank for more information on the Bank's procedures or refer to any of the Bank's websites.

Unresolved complaints may ultimately be referred to the Banking Ombudsman, whose contact address is PO Box 10-573, Wellington.

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In the five years before the relevant investment advice is given none of the Bank (in its capacity as an investment adviser and where applicable an investment broker) or any principal officer of the Bank has been:

- Convicted of an offence under the Securities Markets Act 1988, or the Securities Act 1978 or of a crime involving dishonesty (as defined in section 2(1) of the Crimes Act 1961);
- A principal officer of a body corporate when that body corporate committed any of the offences or crimes involving dishonesty as described above;

- Adjudicated bankrupt;
- Prohibited by an Act or by a court from taking part in the management of a company or a business;
- Subject of an adverse finding by a court in any proceeding that has been taken against them in their professional capacity;
- Expelled from or has been prohibited from being a member of a professional body; or
- Placed in statutory management or receivership.

Fees

At the time of providing this disclosure statement it is not practicable to provide accurate disclosure of the fees payable for all securities that may be advised on. However, this information will be disclosed to you should you seek advice from one of the Bank's investment advisers on a specific investment.

Other interests and relationships

When a security is sold by the Bank, the Bank may receive a commission, either from the issuer of a security or from an associated person of the Bank. Whether that commission is received and, if received, its value depends on the security sold. At the time of providing this disclosure statement it is not practicable to provide a detailed list of each security that may be advised on, the name of the issuer of that security and the rate of the commission received by the Bank. However, this information will be disclosed to you should you seek advice from one of the Bank's investment advisers on a specific investment.

In addition to the interest that the Bank has in products of which it is the issuer, the Bank, or an associated person of the Bank, has the following interests or relationships that a reasonable person would find reasonably likely to influence the Bank in providing the investment advice on the securities listed below:

- ANZ Investment Services (New Zealand) Limited (ANZIS), as a wholly owned subsidiary of the Bank, is an associated person of the Bank. ANZIS may receive remuneration from a third party relating to a security sold by the Investment Adviser.
- UDC Finance Limited (UDC), as a wholly owned subsidiary of the Bank, is an associated person of the Bank. UDC may receive remuneration from a third party relating to a security sold by the Investment Adviser.
- The Bank has a joint venture relationship with ING (NZ) Holdings Limited (ING). ING and its related companies may receive remuneration from a third party relating to a security sold by the Investment Adviser.

Securities about which investment advice is given

The Bank provides investment advice on the following types of securities:

- Debt securities including term and call deposits, government stock, local authority stock, State-Owned Enterprise bonds, Kiwi bonds and corporate bonds and notes;
- Equity securities such as listed and unlisted shares;
- New Zealand and overseas unit trusts;
- Share in a limited partnership;
- Superannuation schemes and bonds;
- Group investment funds;
- Life insurance products;
- Derivative products including interest rate and currency forward rate contracts and options; and
- Other forms of security, such as participatory securities.

PROCEDURES FOR DEALING WITH INVESTMENT MONEY OR INVESTMENT PROPERTY

If you wish to pay investment money to the Bank you can do this in several ways such as by:

- Providing cash;
- Providing a cheque payable to the relevant product or service provider and crossed 'not transferable'; or
- Making an automatic payment or payment through another electronic delivery mechanism operated by the Bank.

Investment property (other than money) may be delivered to the Bank by lodging the relevant property (for example, share certificates) with any branch of the Bank offering a safe custody service, or by posting (using registered post) the documents or other property to a branch of the Bank, identifying your name, account number and investment purpose.

Any investment money lodged with the Bank for the purchase of securities offered by the Bank, its subsidiaries or any third parties will be deposited in accordance with your instructions, to your nominated account or investment. Such money will be held by the Bank according to usual banking terms and conditions applying to that account or the particular terms and conditions relating to the investment and will not be held by the Bank on trust unless explicitly accepted by the Bank on those terms. Any investment money or property accepted by the Bank on trust will be so held until disbursed in accordance with your instructions. Any investment property lodged with the Bank will be held by the Bank as bailee according to the Bank's standard terms and conditions for holding your property.

Record Keeping

The Bank will keep adequate records of the deposit of investment moneys or property and all withdrawals and dealings with such money or property, using the account/investment number allocated to your investment. You may have access to those records upon request.

Auditing

The Bank's systems and operations are internally audited on a regular basis. The financial statements of the Bank and its subsidiaries are audited annually by KPMG. However, this does not involve an external audit of the receipt, holding and disbursement of the money and other property.

Use of Money and Property

Money or property held by the Bank for a specific purpose communicated to the Bank (e.g. the purchase of an interest in a security) may not be used by the Bank for its own purposes and will be applied for your stated purpose. No member of the Bank's staff may use any money or property deposited with the Bank, for their own purposes or for the benefit of any other person. In the absence of such instructions, money deposited with the Bank may be used by the Bank for its own purposes, provided it repays the money to you upon demand (or where applicable, on maturity), together with interest, where payable.

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