

ASF COUNTRY REPORT

New Zealand



- ◆ About the NZFMA
 - ◆ Peak industry Body for the Financial Markets
 - ◆ Non self regulating
 - ◆ Governance
 - ◆ Board
 - ◆ Committees
 - ◆ RBNZ Observer Status
 - ◆ CEO
 - ◆ Functions – Advocacy, Data, Accreditation etc

New Zealand's Economy

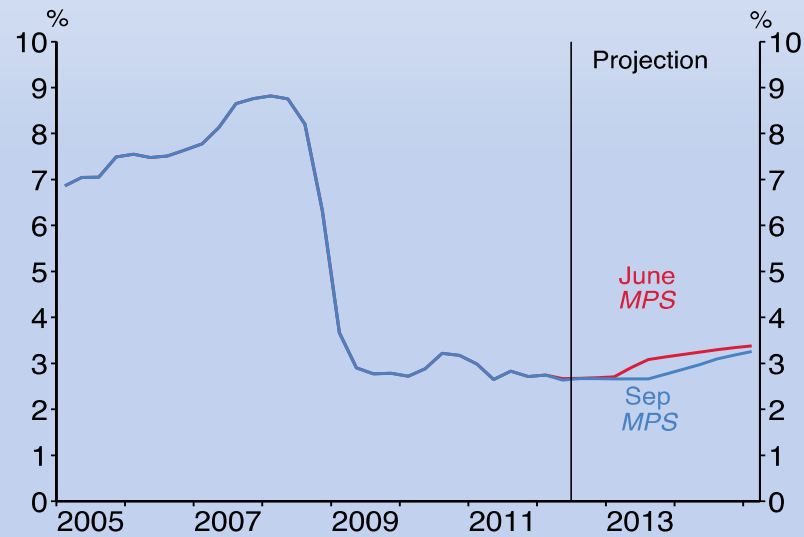


- ◆ Small open economy
 - ◆ Free market principles
 - ◆ Sizeable manufacturing & service sector
 - ◆ Highly efficient agricultural sector
 - ◆ Commodities represent half of all exports
 - ◆ Exports account for one third of GDP
 - ◆ Freely floating currency remains strong
 - ◆ Australia and China are our major trading partners

Key Economic Indicators



Figure 2.1
90-day interest rate

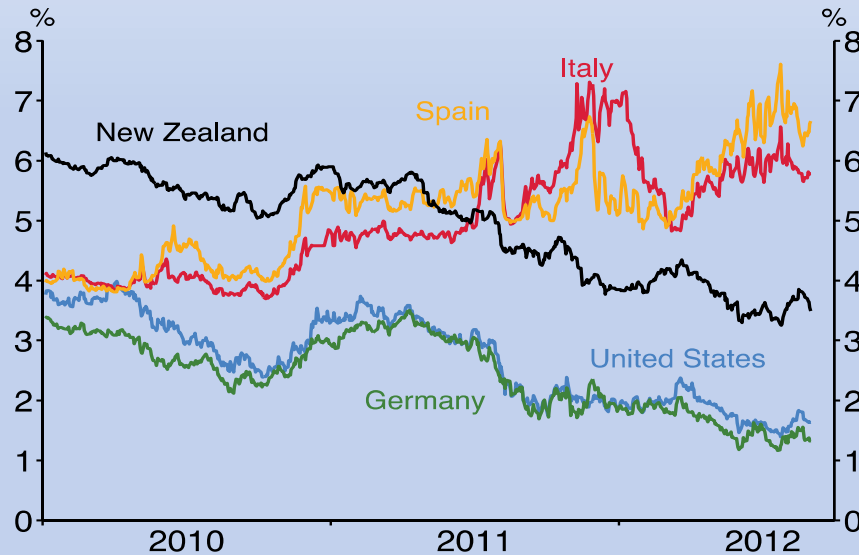


Source: RBNZ estimates.

Economic Indicators cont.



Figure 3.4
Selected 10-year government bond rates

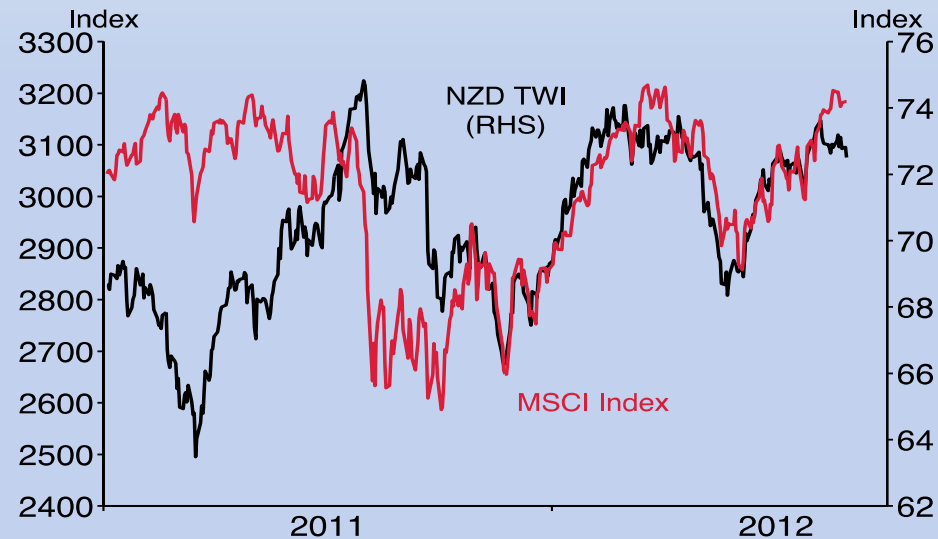


Source: Reuters.

Economic Indicators cont.

Figure 3.6

New Zealand dollar versus global equities

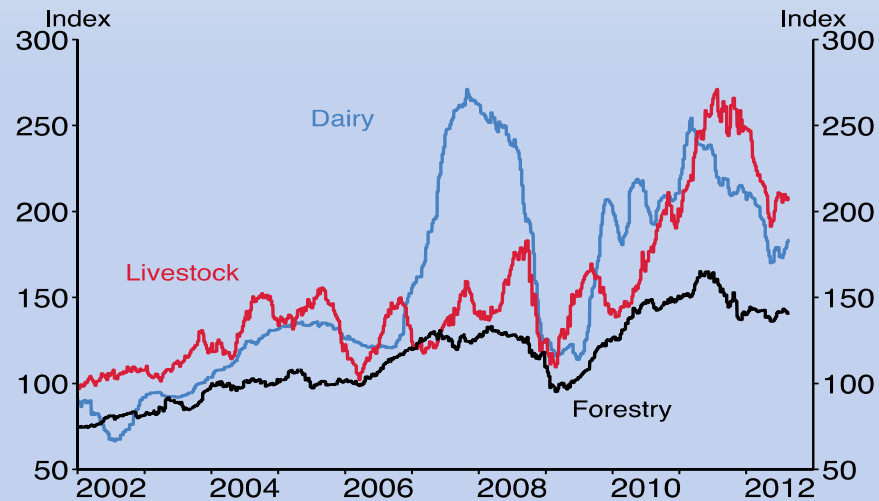


Source: Bloomberg.

Economic Indicators cont.



Figure 4.3
Export commodity prices
(US dollar terms)

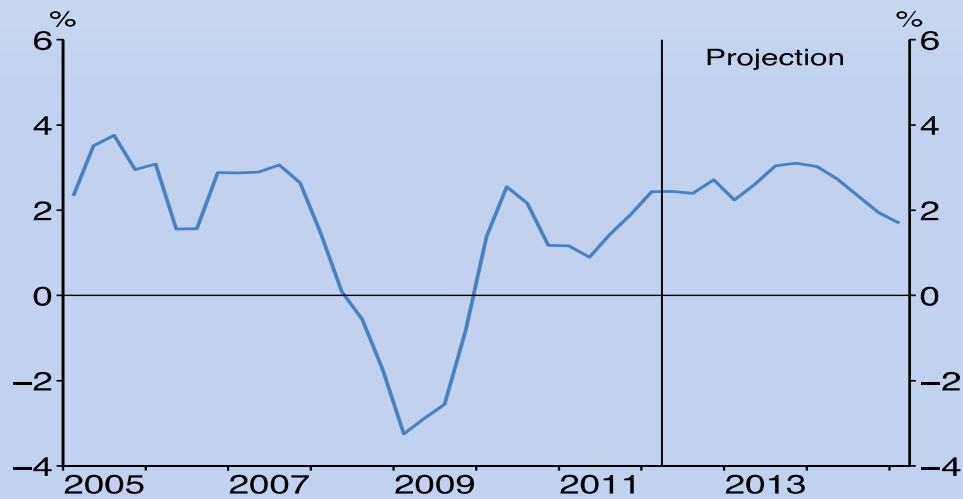


Source: ASB Bank.

Economic Indicators cont.



Figure 5.4
GDP growth
(*annual*)

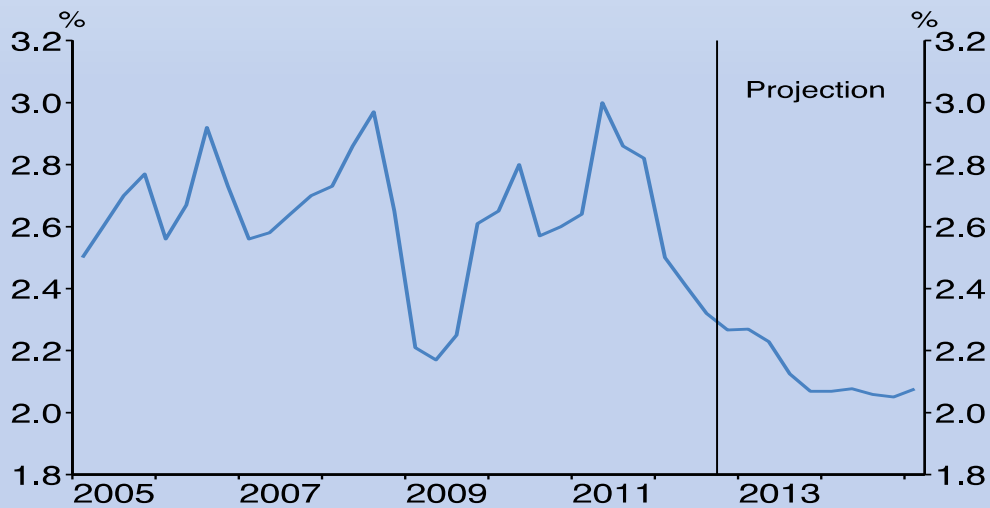


Source: Statistics New Zealand, RBNZ estimates.

Economic Indicators cont.



Figure 5.11
2-year-ahead inflation expectations
(annual)



Source: RBNZ estimates.

Domestic Outlook



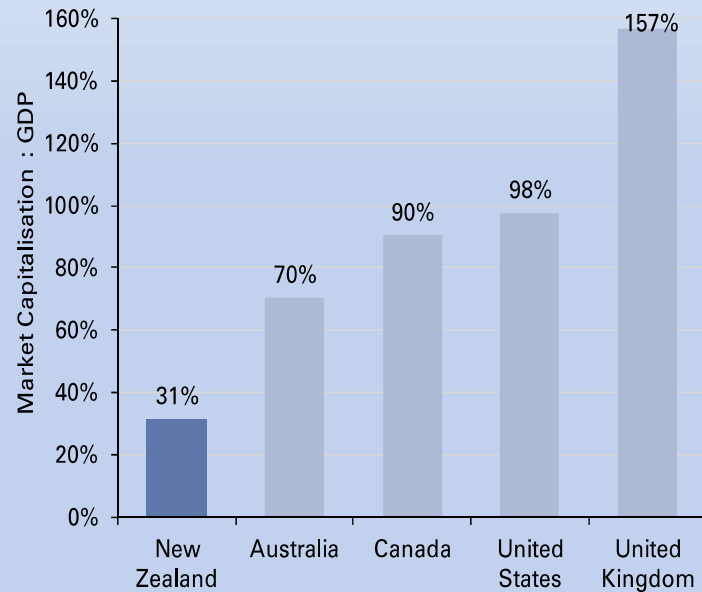
- ◆ Subdued Global Outlook will:
 - ◆ Dampen tourist expenditure
 - ◆ Reduce business investment & hiring
 - ◆ Reduce export earnings overall
 - ◆ Maintain elevated funding rates for banks
- ◆ Over the medium term
 - ◆ Export prices will increase
 - ◆ Import prices should also increase
 - ◆ The NZD TWI should depreciate gradually

NZ Equity Markets



Exhibit 8: NZ equities play a small role in the economy

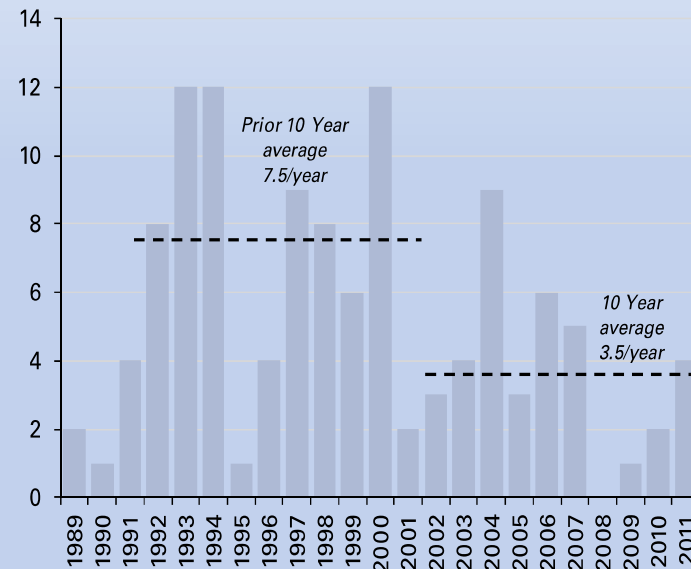
International market capitalisation vs. GDP



Source: Datastream, Goldman Sachs Research estimates.

Exhibit 9: Weak IPO activity over the past decade

Number of IPOs in New Zealand



Source: Goldman Sachs Research estimates.

NZ Equity Markets



◆ Trends

- ◆ Foreign ownership of listed equities still declining
- ◆ Market cap as share of GDP is below 50%
- ◆ IPO rate too low to sustain active market
- ◆ Kiwisaver (2007) has led to an inc in managed funds up 4.3%
- ◆ State owned asset IPO's – Mixed Ownership Model

NZ Debt Capital Markets



- ◆ NZ has a relatively well developed debt capital markets
- ◆ Consists of Government, Kauri, Corporate, Local Authority and FRN markets
- ◆ Recently formed LGFA issues on behalf of LA's
- ◆ Private sector debt issuance is robust due to good demand for well rated entities

Regulatory Developments



- ◆ Financial Advisors Act
 - ◆ Introduced last year
- ◆ Financial Markets Conduct Bill
 - ◆ Overhauls NZ Securities Law
- ◆ AML
 - ◆ Anti money laundering
- ◆ Basel 3
 - ◆ Relevance to bank capital requirements
- ◆ Dodd-Frank Act
 - ◆ Clearing of OTC Derivatives