# **Chinese Monthly Update**

# \*

## National Australia Bank

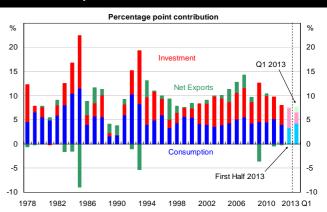
- According to recently released National Accounts data, the Chinese economy grew 1.7% in the June quarter to be 7.5% larger than the same period last year. This result is in line with our forecast for the quarter, but is a solid outcome relative to the recent spate of soft partial indicators nonetheless.
- Partial economic indicators show that weak overseas demand has weighed on China's manufacturing sector, although domestic demand has also been softer, due in part to the government's rebalancing efforts – including a tighter stance on credit policies. Investment growth eased further, while real retail sales growth lost some momentum.
- Slower growth is partly by design, but maintaining this pace in H2 2013 would see annual growth dip below the government's target of 7.5%. This could suggest some downside risk to our current forecast of 7½% for 2013 (7¼% for 2014).
- CPI inflation remains well within acceptable levels, but policy makers are more likely to rely on money market operations and structural reforms to encourage growth rather than all out monetary easing – although this can not be ruled out if growth dips significantly below target.
- This month we included a closer look at China's surging online retail sector.

## China's surging E-commerce market

There is no doubting that China's economic development is entering a new phase. Following the onset of the global financial crisis, the Chinese leadership realised that they could no longer rely on the export driven growth model that had ignited China's impressive economic development. In its place, policymakers turned their efforts towards using capital investment as a means to raise the prominence of domestic demand in driving the economy. However, much as the export driven model had its limits, authorities are now starting to accept the fact that there are limits to the existing investment stimulus strategy, and that more needs to be done to target the productive areas of the economy and encourage a greater role for domestic consumption.

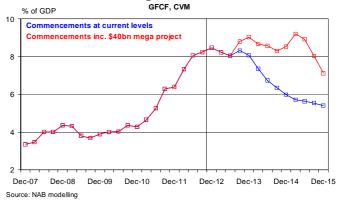
China's reliance on building construction and infrastructure investment has been highly commodity intensive, working to the benefit of commodity exporting countries such as Australia and Brazil. However, if China is able to successfully rebalance its economy towards consumption – considered to be much less commodity intensive – these trading partners will need to look to new opportunities to tap into the Chinese market. In Australia for example, we are already seeing signs that the biggest windfall from the mining boom – the investment phase – is reaching its peak. Large investments in Australia's mining sector have been underway for a number of years now encouraged by historically high prices for commodities such as iron ore and LNG. However,

## Chinese economy need to rebalance further



## Greatest impact will be on commodity exporters (eg Australia)

## **Mining investment**





10

O

with demand growth for commodities slowing, prices have fallen from previous peaks and the supply of new (large) mining projects entering the investment pipeline has dried up. As a result, mining investment is expected to begin detracting from Australia's GDP from as early as next year.

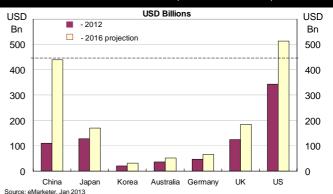
With commodity currencies coming under pressure from these developments there may now be more scope - and a necessity if economic growth is to be maintained - for non-mining sectors to reap greater benefits from the Chinese consumer. One area that has already shown an impressive rate of growth has been ecommerce. Official statistics from the China Internet Network of Information Centre (CNNIC) show that by the end of 2012 the Chinese E-commerce retail market had grown in value to RMB 1.26 trillion, increasing by two thirds compared to the previous year. In terms of users, more than 242 million Chinese undertook online retail purchases in 2012, up more than 40% from the previous year. To put this into perspective, that is more than ten times the population of Australia. However, this is also a massive market compared to other much larger developed economies and already boasts the largest number of online consumers in the world.

Not only are more and more Chinese consumers getting a taste of online shopping, they also appear to be embracing it. According to the most recent CNNIC survey (2012) of online shoppers, almost 90% of users were satisfied with their online shopping experience. Consistent with this, almost 90% of Chinese online shoppers were repeat customers, while more than 50% shopped online more than 10 times during the year. If we consider these trends along with the prominence of online retail in China to date, we can see the significant potential of the market. Online retail still only accounts for a relatively small share of overall retail trade in China (around 6%), but China's internet penetration has increased from just over 20% in 2008 to more than 40% in 2012; online retail penetration is currently less that half of that rate. Given the apparent popularity/satisfaction with online retail in China, it is reasonable to expect that the proportion of internet users to utilise online retail services will rise. Further to this, as incomes continue to rise and infrastructure expands, the number of potential customers will increase - the State Council recently announced plans to significantly accelerate the upgrading of the nation's internet and telecommunications infrastructure (including US\$11.2 billion on wireless networks in 2014). Even at the current 40%, China's internet penetration is still well below economies such as the US (80%) and Australia (at 90%).

According to data compiled by eMarketer (a digital markets consultant), the number of digital buyers in China (220 million by their estimate) surpassed all the other major markets by a significant margin (US = 150 million, Japan = 75 million, Germany = 40 million). Of course, to a large extent this simply reflects the relative size of the population. Given the relatively low income levels in China, the market value of E-Commerce sales in China is still significantly lower than the US, but is almost on par with Japan and the UK. Furthermore, most industry projections anticipate that the value of the Chinese market will continue with its dramatic surge, closing the gap with the US considerably by 2016 - some estimates even have the Chinese market surpassing the US by then.

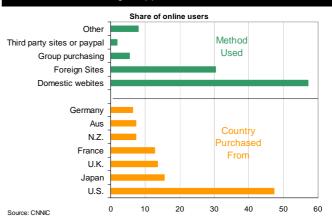
Not only is this a huge market, but online retail is a convenient way for firms (particularly SME's) to access a larger number of Chinese consumers than they would otherwise have been capable of via traditional brick and mortar operations - small foreign firms may not be able to access Chinese firms at all without an online presence. Costs may also be lower, although this can often depend on the strategy used. There can be varying levels of investment needed to establish an online presence in China since some firms may benefit from partnering with

## Global B2C E-Commerce Markets (source: eMarketer)

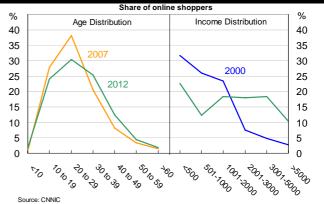


\* Include retail sales, travel sales, digital downloads purchased via any digital channel (including online, mobile and tablet) and sales from businesses that occur over primarily C2C platforms such as eBay.

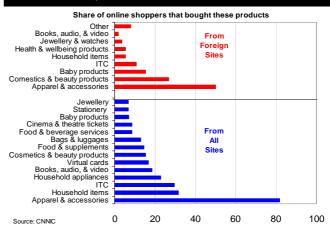
#### Online sales from foreign suppliers







#### Products that are purchased online



Chinese Monthly Update 18 July 2013

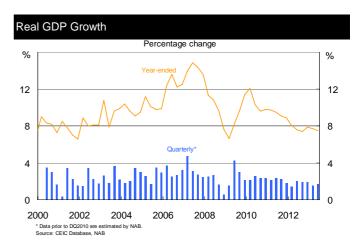
established players such as Alibaba, who have already borne much of the initial logistical costs. Established providers still dominate the market in China, so using these marketplaces provides extensive product exposure at minimal cost (albeit relinguishing control over branding); 88.1% of online shoppers use Taobao and 50.7% use Tmall. There are also a number of hurdles that need to be overcome when establishing an online presence. For example, logistic and IT costs, combined with the lower prices normally expected from online sales, can have a big impact on profitability. Foreign firms will naturally face their own unique set of challenges. The good news however is that foreign firms have been gaining a foothold in the market, although this appears to be concentrated in US firms (almost 50% of online shoppers have purchased from the US, Japan was next largest at around 15%).

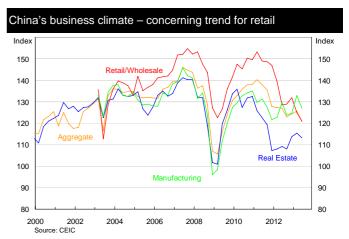
There may also be difficulties understanding and catering to the expectations of Chinese consumers. Although there are likely to be a number of different factors at play, it not surprising that the CNNIC survey indicates that buyers are most concerned with prices and product quality, while delivery times and uncertainty over product descriptions are also a major deterrent of online shopping. Foreign firms can look to benefit from Chinese buyer preferences to turn toward offshore sellers due to expectations regarding branding, quality and (perhaps surprisingly) lower price; 39% of buyers surveyed prefer foreign sites due to lower prices. Firms also need to be aware of changing demographics of China's internet users. Rapid wage growth has seen users generally become better paid, while they have also become older on average. In 2000, around half of the internet users had a monthly income less than RMB 1000 (around a third now fall into that bracket). These trends will undoubtedly have an impact on consumer behaviour over time. In terms of the types of products purchased, the CNNIC survey confirms the view that apparel tends to be one of the first items people buy when they branch into online purchasing. This trend is the same whether buying from domestic or foreign sites. Buyers will gradually branch out into other household items and electronic goods, although the focus on foreign firms is likely to be skewed more towards products where quality is the biggest concerns (for example, baby products appear to be quite popular).

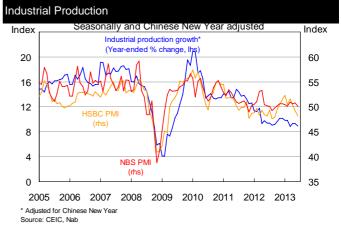
We can see from all these trends that online is providing a great opportunity for retailers, both domestic and foreign. With more and more Chinese turning to online shopping, it is becoming a necessity for retailers to establish an online presence if they want to connect with the Chinese consumer. Signs of a reasonable amount of Chinese consumer loyalty in the online space would also suggests that firms would be best served by establishing an online strategy for China sooner rather than later. However, firms need to also be aware of the limitations and hurdles that could face their particular market niche.

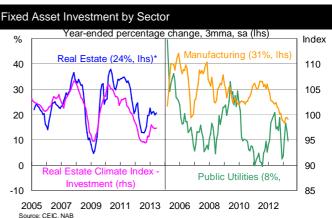
#### Macroeconomic update (dated 15 June 2013)

According to recently released National Accounts data, the Chinese economy grew 1.7% in the June quarter to be 7.5% larger than the same period last year. This result is in line with our forecast for the quarter, but is a solid outcome relative to the recent spate of soft partial indicators nonetheless. In contrast to rebalancing objectives, official data show that growth over the year in H1 2013 was driven by investment (contributing 4.1ppts to growth; chart on p1), followed by consumption (3.4 ppts). Net exports made a negligible contribution. Revised q-o-q growth rates suggest the economy's growth momentum has stabilised at a slower pace than we saw towards the end of 2012. While some of the slowing has been an intentional attempt by authorities to achieve more sustainable (and balanced) growth, maintaining this pace of growth (6.8% saar) for H2 2013 would see annual growth dip below the government's target of 7.5%.









kets represents share of total FAI in 2010; Real Estate is using Real Estate Investment data

6

While this could suggest some downside risk to our outlook, we are maintaining our forecast (for now) of 7.5% growth for 2013. Regarding the policy outlook, the relatively hardline stance taken by policymakers in the past month suggests that they may keep monetary conditions tighter for a little while longer – indicating that there will be no cuts to interest rates. The liquidity squeeze that created market jitters during June has largely subsided, although conditions remain tighter than they were earlier in the year. Nevertheless, with inflation pressures remaining under control we can not rule out the possibility of policy stimulus measures to help achieve the growth target for the year. This could potentially include cuts to bank's reserve requirements, although this is not provided for in our forecast.

Partial economic indicators show that weak overseas demand has weighed on China's manufacturing sector, although domestic demand has also been softer, due in part to the government's rebalancing efforts – including a tighter stance on credit policies. Although the deceleration appears to be occurring at a gradual pace - once we account for the impact of policy changes - hope of a meaningful acceleration in activity during H2 2013 is looking increasingly unlikely. Business surveys show that conditions facing Chinese firms remain challenging, while signs of improvement in the important real estate sector appear to be losing traction as credit conditions tighten and authorities work to rein in the sector. However, it is the conditions facing retail and wholesale business that is particularly concerning since much of the rebalancing needed in the economy - a major focus of the Chinese leadership – will rely on much stronger household consumption. Further to this, growth in real urban household's disposable income has undershot GDP in H1 2013 (6.5%), although income growth for rural households was somewhat better (9.2%).

Many of the partial indicators came out relatively consistent with expectations for June, although some sectors were a little stronger while others were a little weaker. Overall however, they generally point to a much softer economy than we would like to see. Industrial production growth decelerated again in June to 8.9%, which is well below the long run average. Manufacturing PMI's show that small and medium sized manufacturers have come under the most pressures in recent months with the HSBC PMI – which is more representative of these firms – dipping further below 50 to 48.2 (from 49.2). In contrast, the official PMI index - which is more representative of larger and state owned firms - remains above neutral levels, although it eased to 50.1 in June (from 50.8). Nevertheless, both heavy and light industries have slowed according to official data; growth in heavy industry production eased to 9.3% y-o-y (from 9.8%) while light industry eased to 7.9% y-o-y (from 8%). By product, steel output rose 7.2% over the year to June, while cement production increased 8.8%. Looking at other products, vehicle and textile production eased to 13.5% and 8% respectively, while power generation rose to 6% and general equipment production picked up to 9.9%.

The national accounts show that the services sector has remained relatively resilient with tertiary GDP rising by 8.3% over the year in H1 2013, the same as the first quarter. This is despite other indicators for the services sector softening; the services PMI eased to 53.9 in June from 56.1 at the end of 2012. Policies designed to support the services sector (such as VAT reforms, tax cuts for SME's and targeted credit support) probably contributed to the solid result.

Our estimates of fixed asset investment growth show that momentum has eased further with growth dipping to 19.2% y-o-y, the slowest pace since April 2012. By sector, investment in manufacturing has softened significantly since late 2011 as industry comes to grips with over-capacity in some sectors (particularly steel, cement, aluminium, plate glass and coking

## Retail Sales Year-ended percentage change; index % Nominal Retail Sale 21 16 11 Real Retail Sales

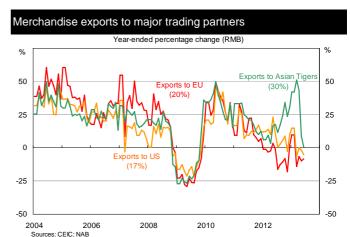
Index

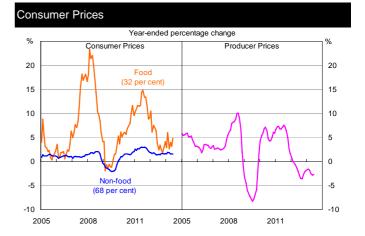
100

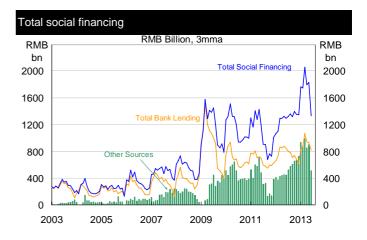
80

Consumer Confidence 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013

on is shown for January due to the effect of Chinese New Year; Feburary shows the average of January and February compared to December







Chinese Monthly Update 18 July 2013

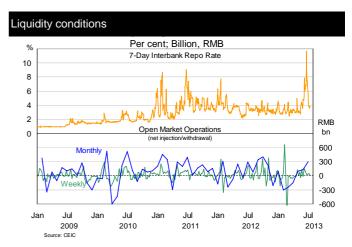
coal). Growth in real estate investment has remained volatile, but has not returned to the lows of last year despite rising headwinds (increasing 20½% y-o-y). Forward indicators are pointing to ongoing weakness in investment, with annual growth in newly started projects easing to 15.1% in the year to date (down from 15.6%). However, growth in residential floorspace started actually picked up in the month. Government led investment stimulus appears to have stabilised in recent months, although investment in public utilities has eased, as has central government investment (around 9% yoy in June, down from almost 20% yoy late last year).

Turning to consumption, nominal retail sales growth came in above market expectations for June, picking up to 13.3% over the year, but much of the acceleration was driven by higher retail prices in the month, while nominal growth remains below the government's 14½% target for 2013. Retail price inflation picked up in June, implying real growth in retail sales of 11.7% (down from 12.2% the previous month). The slowdown is relatively consistent with deterioration in consumer confidence, which tends to be highly sensitive to price movements. Sales growth in automobiles and textiles contributed to the improvement, while sales growth for food items, household electronics and daily use items slowed. Spending on catering services improved again in June after coming under pressure from anti-extravagance measures earlier in the year, while sales of items tied-in with real estate development (furniture, construction materials etc) slowed.

A clamp down on misreporting of exports contributed to yet another disappointing outcome for exports growth in June. Growth in merchandise exports deteriorated to -3.3% over the year to June (-1% y-o-y seasonally adjusted), down from 0.9% in May. Most of the deterioration was again focused in trading partners such as Hong Kong and Taiwan, where inflating of export data – to disguise the movement of capital is thought to be most common. Exports to Hong Kong and Taiwan declined by 7% and 2.2% over the year respectively, down from 7.7% and 26.7% in May. However, exports to other regions have eased as well. With headwinds from weak external demand and a higher exchange rate, this outcome probably more accurately represents conditions facing Chinese exporters.

Softness in domestic demand and manufactured exports has weighed on imports this year, declining 0.9% over the year to June, although imports actually rose 3.2% in the month (seasonally adjusted), following an 8.6% decline in the previous month. Imports of raw commodities were relatively mixed in the month. Imports of crude oil, iron ore and coal all declined in the month (-7.4%, -9.1% and -19% respectively). Nevertheless, resilient production by Chinese steel mills has seen Iron ore imports continue to rise in annual terms, rising 6.8% over the year. With imports falling more heavily than exports during the month, the trade surplus jumped in June to US\$27.1 billion. Trade conditions are expected to improve this year, although the mixed economic indicators out of many major economies - including emerging Asian economies - highlights the difficulties that will continue to face China's manufacturing sector in particular. Export orders deteriorated again in June and dipped further into levels that suggest a contraction in exports over coming months -the higher currency has likely contributed.

A source of comfort has been the benign inflation environment in China. CPI inflation has remained well within the official target of 3.5% for 15 consecutive months. Nevertheless, year-ended CPI inflation accelerated slightly to 2.7% in June, from 2.1% in May. The acceleration was driven solely by an increase in food prices which were 4.9%higher over the year (up from 3.2% in May), although prices were actually flat in the month. Non-food inflation was unchanged in the month to be 1.6% higher over the year (similar to the previous month). Base effects and an improving



global economy (likely to limit further declines in commodity prices) are expected to boost headline CPI over the rest of the year. Nevertheless, muted inflation pressures to date have reduced the need for policy tightening in the near-to-medium term. Upstream prices are also suggesting limited risk to the upside on prices. Producer prices fell 2.7% over the year, but while this is helping to contain inflation pressures, it also points to ongoing strains on the manufacturing sector which is facing problems with excess capacity.

Despite the dramatic tightening of monetary conditions that took place in China during June, banks actually issued more loans in June than during the previous month. There was RMB 860.5 billion in new loans issued during June, compared to RMB 667 billion in May. The increase in loans issued was driven by a pick up in corporate loans, while household loans declined in the month. Overall, growth in the stock of bank credit eased to 14.2% over the year to June, down from 14.9% the previous month. Although new bank loans rose in the month, the tightening of interbank liquidity during June – along with stricter rules on wealth management products and interbank assets – appears to have helped slow system credit. This will be a welcome trend to authorities who had become concerned over too rapid credit growth earlier in the year. Total social financing eased to RMB 1.04 trillion in June, from RMB 1.19 trillion in May.

## Policy expectation:

The June quarter National Accounts confirm that the Chinese economy has continued to slow. Nevertheless, authorities will welcome signs that the rapid credit growth seen earlier in the year has started to ease. We maintain our view that monetary policy (benchmark interest rates and reserve requirements) will remained unchanged until at least next year. While muted inflation has provided the PBoC with room to ease, we believe that authorities will elect to focus on improving the flow through of credit to the real activity, rather than simply encouraging additional credit growth to support the economy. Authorities have emphasised their tolerance to slower growth, placing more importance on the 'quality' of China's growth model. Nevertheless, policymakers may still rely on money market operations to manage market liquidity, while structural reforms (along with fiscal policy) could be used to address the structural imbalances that have developed and could also be employed if growth slows more than they expect – the recent confusion over the Finance Minister's comments regarding the growth target suggest that 'acceptable rates of growth' may be a grey area among the leadership.

## For more information, please contact

James Glenn 0392088129

18 July 2013 Chinese Monthly Update

<b>Economic Forecasts</b>											
	Year Average Chng %			Year-ended Chng %							
				2013				2014			
	2012	2013	2014	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Real GDP	7.8	7.5	7.3	7.7	7.5	7.5	7.5	7.5	7.3	7.2	7.2
Exchange Rate (USD/CNY)	6.3	6.1	6.1	6.2	6.1	6.1	6.1	6.1	6.1	6.1	6.1
Monetary Policy (end of period)											
Benchmark Lending Rate	6.00	6.0	6.3	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.25
Reserve Ratio Requirement*	20.0	21.0	21.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0

Sources: CEIC; NAB Group Economics

<sup>\*</sup> For large depository institutions

Chinese Monthly Update 18 July 2013

## **Global Markets Research**

Peter Jolly Global Head of Research +61 2 9237 1406

## **Australia**

### **Economics**

Rob Henderson Chief Economist, Markets +61 2 9237 1836

Spiros Papadopoulos Senior Economist +61 3 8641 0978

David de Garis Senior Economist +61 3 8641 3045

## **FX Strategy**

Ray Attrill Global Co-Head of FX Strategy +61 2 9237 1848

Emma Lawson Senior Currency Strategist +61 2 9237 8154

## **Interest Rate Strategy**

**Skye Masters** Head of Interest Rate Strategy +61 2 9295 1196

Rodrigo Catril Interest Rate Strategist +61 2 9293 7109

## **Credit Research**

Michael Bush Head of Credit Research +61 3 8641 0575

Ken Hanton Senior Credit Analyst +61 2 9237 1405

### **Equities**

Peter Cashmore Senior Real Estate Equity Analyst +61 2 9237 8156

Jenny Khamphet Senior Real Estate Equity Analyst +61 2 9237 9538

### **New Zealand**

Stephen Toplis Head of Research, NZ +64 4 474 6905

Craig Ebert Senior Economist +64 4 474 6799

Doug Steel Markets Economist +64 4 474 6923

Mike Jones **Currency Strategist** +64 4 924 7652

**Kymberly Martin** Strategist +64 4 924 7654

## **UK/Europe**

Nick Parsons Head of Research, UK/Europe, and Global Co-Head of FX Strategy + 44 207 710 2993

Gavin Friend Markets Strategist +44 207 710 2155

Tom Vosa Head of Market Economics +44 207 710 1573

Simon Ballard Senior Credit Strategist +44 207 710 2917

Derek Allassani Research Production Manager

+44 207 710 1532

## **Group Economics**

Alan Oster **Group Chief Economist** +61 3 8634 2927

Tom Taylor

Head of Economics, International

+61 3 8634 1883

Rob Brooker

Head of Australian Economics

+61 3 8634 1663

Alexandra Knight Economist - Australia +(61 3) 9208 8035

Vyanne Lai

Economist – Agribusiness

+(61 3) 8634 3470

Dean Pearson

Head of Industry Analysis

+(61 3) 8634 2331

Robert De lure

Senior Economist - Property

+(61 3) 8634 4611

Brien McDonald

Economist - Industry Analysis

+(61 3) 8634 3837

Gerard Burg

Economist - Industry Analysis

+(61 3) 8634 2778

John Sharma

Economist - Sovereign Risk

+(61 3) 8634 4514

James Glenn Fconomist - Asia +(61 3) 9208 8129

Tony Kelly

Economist - International +(61 3) 9208 5049

## **Important Notice**

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances. NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Chinese Monthly Update 18 July 2013

### **Important Notices**

**Disclaimer:** This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances. NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it. Products are issued by NAB unless otherwise specified.

So far as laws and regulatory requirements permit, NAB, its related companies, associated entities and any officer, employee, agent, adviser or contractor thereof (the "NAB Group") does not warrant or represent that the information, recommendations, opinions or conclusions contained in this document ("Information") is accurate, reliable, complete or current. The Information is indicative and prepared for information purposes only and does not purport to contain all matters relevant to any particular investment or financial instrument. The Information is not intended to be relied upon and in all cases anyone proposing to use the Information should independently verify and check its accuracy, completeness, reliability and suitability obtain appropriate professional advice. The Information is not intended to create any legal or fiduciary relationship and nothing contained in this document will be considered an invitation to engage in business, a recommendation, guidance, invitation, inducement, proposal, advice or solicitation to provide investment, financial or banking services or an invitation to engage in business or invest, buy, sell or deal in any securities or other financial instruments.

The Information is subject to change without notice, but the NAB Group shall not be under any duty to update or correct it. All statements as to future matters are not guaranteed to be accurate and any statements as to past performance do not represent future performance.

The NAB Group takes various positions and/or roles in relation to financial products and services, and (subject to NAB policies) may hold a position or act as a price-maker in the financial instruments of any company or issuer discussed within this document, or act and receive fees as an underwriter, placement agent, adviser, broker or lender to such company or issuer. The NAB Group may transact, for its own account or for the account of any client(s), the securities of or other financial instruments relating to any company or issuer described in the Information, including in a manner that is inconsistent with or contrary to the Information.

Subject to any terms implied by law and which cannot be excluded, the NAB Group shall not be liable for any errors, omissions, defects or misrepresentations in the Information (including by reasons of negligence, negligent misstatement or otherwise) or for any loss or damage (whether direct or indirect) suffered by persons who use or rely on the Information. If any law prohibits the exclusion of such liability, the NAB Group limits its liability to the re-supply of the Information, provided that such limitation is permitted by law and is fair and reasonable.

This document is intended for clients of the NAB Group only and may not be reproduced or distributed without the consent of NAB. The Information is governed by, and is to be construed in accordance with, the laws in force in the State of Victoria, Australia.

Analyst Disclaimer: The Information accurately reflects the personal views of the author(s) about the securities, issuers and other subject matters discussed, and is based upon sources reasonably believed to be reliable and accurate. The views of the author(s) do not necessarily reflect the views of the NAB Group. No part of the compensation of the author(s) was, is, or will be, directly or indirectly, related to any specific recommendations or views expressed. Research analysts responsible for this report receive compensation based upon, among other factors, the overall profitability of the Global Markets Division of NAB.

**United Kingdom**: If this document is distributed in the United Kingdom, such distribution is by National Australia Bank Limited, 88 Wood Street, London EC2V 7QQ. Registered in England BR1924. Head Office: 800 Bourke Street, Docklands, Victoria, 3008. Incorporated with limited liability in the State of Victoria, Australia. Authorised and regulated by the Australian Prudential Regulation Authority. Authorised in the UK by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on reguest.

**USA:** 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.

Hong Kong: In Hong Kong this document is for distribution only to "professional investors" within the meaning of Schedule 1 to the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO") and any rules made thereunder and may not be redistributed in whole or in part in Hong Kong to any person. Issued by National Australia Bank Limited, a licensed bank under the Banking Ordinance (Cap. 155, Laws of Hong Kong) and a registered institution under the SFO (central entity number: AAO169).

New Zealand: 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. To the extent that any information or recommendations in this publication constitute financial advice, they do not take into account any person's particular financial situation or goals. 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. National Australia Bank Limited is not a registered bank in New Zealand.

**Japan:** National Australia Bank Ltd. has no license of securities-related business in Japan. Therefore, this document is only for your information purpose and is not intended as an offer or solicitation for the purchase or sale of the securities described herein or for any other action.