



# New Zealand Hotel Industry Outlook

## The Impact of China

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# INTRODUCING ANZ

Our Vision: To be a super regional bank with global scale and targeted regional focus

## ANZ SNAPSHOT

- > A proud banking heritage spanning over 175 years
- > A top five listed company on the ASX (market capitalisation ~AUD 60BN) with over 400,000 shareholders
- > Largest listed company in New Zealand, largest Australasian bank in Asia and a leading bank in the Pacific
- > Offices in Asia Pacific, Australia, New Zealand, Europe, the United States and the Middle East
- > More than 48,000 staff
- > 14,000 staff in Asia, and access to 30,000 more through local Asian banks in which we have shareholdings
- > Over eight million customers worldwide
- > Over 250 years of banking experience on our board
- > One of 11 banks globally to hold AA Rating

## ANZ NATIONAL BANK

- > New Zealand's first bank – established in 1840
- > Employing around 9,000 people, approximately one in every 200 working New Zealanders works for ANZ
- > Serving customers via some of the country's best known and respected financial brands
- > Nearly one in two New Zealanders has a banking relationship with an ANZ National branded business
- > The National Bank is New Zealand's largest rural banker, with a market share of c.40%

## MARKETS COVERED BY ANZ



## ANZ NATIONAL BANK BRANDS



Retail, business, commercial and institutional banking



Asset finance



Retail, business, commercial and rural banking



Investment, superannuation and insurance



Online investor tools and services



Investment with a chance to win



Retail transaction services

ANZ strategy is intrinsically linked to the strategy of New Zealand, supporting New Zealand's economic recovery led by the agricultural and exporting industries



# ANZ'S SUPER REGIONAL STRATEGY

Our Vision: To be a super regional bank with global scale and targeted regional focus

## ANZ ASIA-PACIFIC

- > Drawing on the resources of our global banking capabilities, ANZ offers integrated solutions across Asia Pacific, Europe and North America
- > Our extensive network enables ANZ to offer our clients unique cross-jurisdictional insights, particularly into the Australasian financial markets
- > ANZ Institutional presence in Asia began over 40 years ago, we now have a presence in 15 Asian Markets with an additional 12 in the Pacific Islands
- > ANZ has a team of 125 Capital Market professionals in Asia-Pacific
- > ANZ is 5<sup>th</sup> largest foreign bank in Asia. With over 40 years of local Asian knowledge, ANZ successfully navigates clients into the Asian, Australian and New Zealand markets
- > ANZ's strong regional presence in Asia is represented by our local branches' expertise and experience. We have 14,000 staff in the Asian region and access to another 30,000 through local Asian banks in which we have shareholdings
- > ANZ is the only Australasian bank that is heavily investing into Asia, a region that is increasingly important for trade growth
- > By basing our operations inside Asia and harnessing strong local knowledge and expertise, we believe we can assist our customers to achieve their aspirations and make the most of opportunities that exist across our entire time zone

## CHINA AND HONG KONG FOCUS

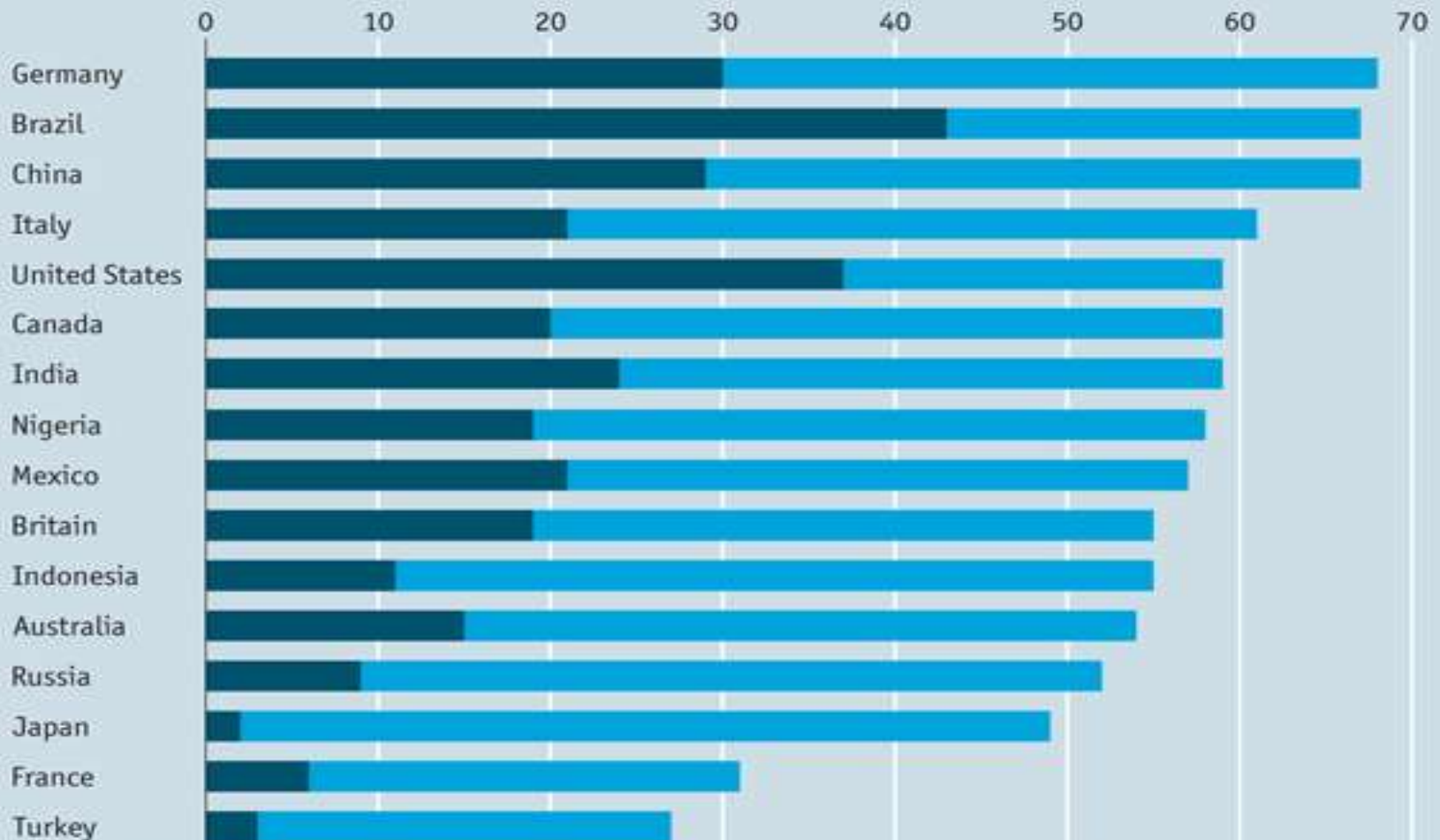
- > ANZ is committed to being one of China's Top 4 foreign banks by 2012 and has had a continuous presence in the country since 1986
- > 1947 - ANZ's first presence in China through our relationship with Bank of China
- > ANZ has opened further branches in Shanghai, Beijing, Chongqing and Guangzhou
- > Long-term strategic partnerships with Tianjin City Commercial Bank and Shanghai Rural Commercial Bank
- > ANZ's presence in Hong Kong can be traced back to 1970, through its subsidiary ANZ Grindlays Bank Limited and has recently expanded to a full service banking platform, encompassing Institutional, Commercial, Retail/Wealth and Private Banking businesses



## International public opinion on the free market

Respondents agreeing that the free-market system is the best, 2010, % of total

Strongly Somewhat



Source: GlobeScan



# 无烟套房

## Non-Smoking Suite

阁下如欲吸烟，请利用这烟灰缸。

If you would like to smoke, please use this ashtray.



澳門金沙  
SANDS

# Property risks facing the

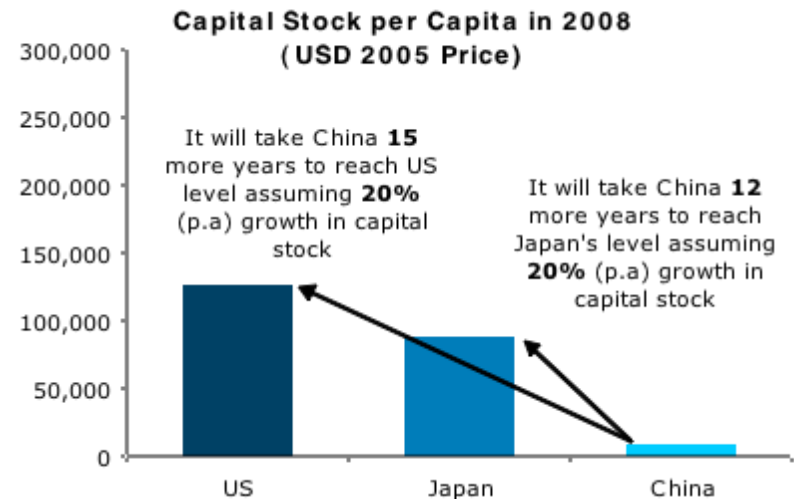
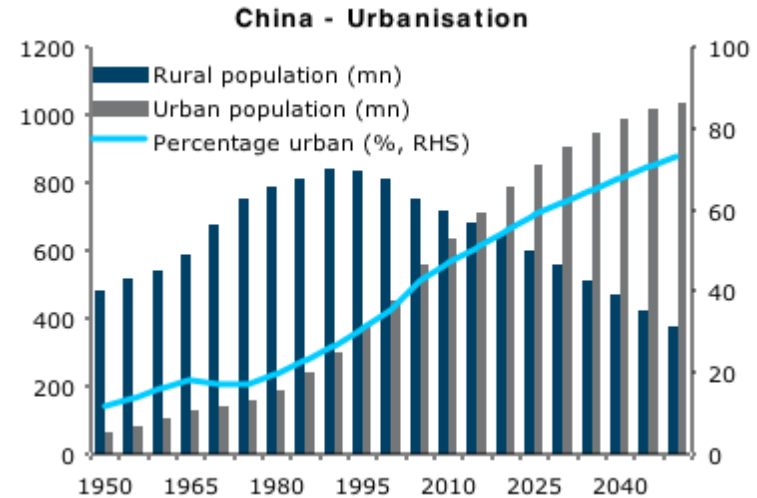
## Property prices could crash, leading to lowered private investment

- Middle-class bankruptcies will expand dramatically.
- Buyers have aggressively bought multiple properties with every penny of free cash flow. All that is needed for a wave of bankruptcies is further interest rate rises (targeting inflation) that result in a blip down in house prices just as mortgage payments rise.
- Seen this before across major cities in Asia.
- The government will probably decide that it cannot bail such people out, as that would be seen as rewarding recklessness among the haves at the expense of the have-nots.
- Already significant noise on the Internet to the effect that government leaders are completely out of touch with the true cost of urban housing. Leaders must take material action to show that they are aligned with the hopes of people just getting on the real-estate ladder.
- Offset is that this tends to apply in key cities only however these are the most developed, advanced and vocal. Averages across China are very misleading but across the entire country the house price to income ratio is largely the same now as it was in 2000.
- Regionality has also played a factor in that price declines (or collapses) in one region have had minimal effect in other areas however "internal /external globalisation" is changing this.

# Urbanisation is to boom

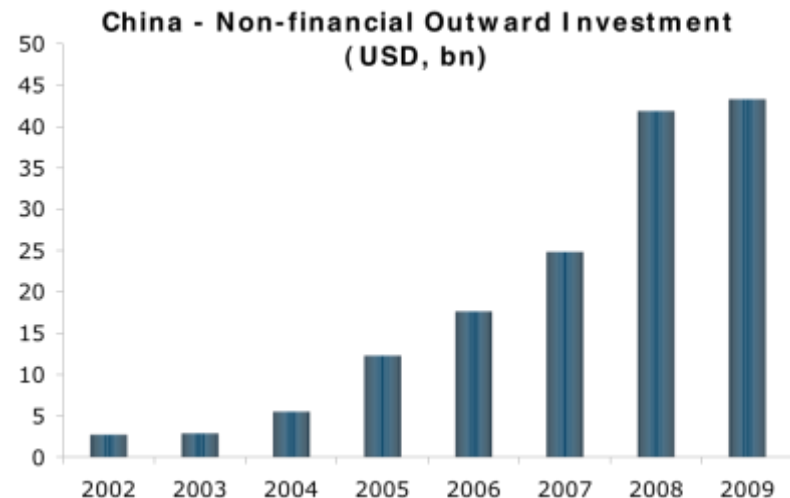
China's urbanisation also requires huge infrastructural investment

- **350 million people will be added to China's urban population.** That's three times the amount of rural Chinese (103 million) that have migrated to the cities since 1990
- 1 million kilometres of new road and **28,000 kilometres of metro rail** will be laid
- **170 mass-transit systems will be built** - twice the number that all of Europe has today
- **40 billion square metres of floor space** will be built to construct five million buildings - the equivalent of building two Chicago's every year
- **97 new airports will be built** (one every 40 days!) and one in every ten planes assembled by Boeing and Airbus will be delivered to China
- **Energy demand will more than double from 60 quadrillion British thermal units (QBTUs) to between 123 QBTUs and 142 QBTUs** – equivalent to 25% of the world's total energy demand today



# China is to become a

- With its FX reserve at USD2.4tn, China is destined to become a large foreign direct investor.
- Outward Chinese non-financial FDI reached around USD43 bn in 2009, increasing 15 fold from the early 2000s.
- Financial QDII quota suggest that close to USD70 bn are designated; this is in addition to China's holdings of US treasuries of close to USD 800 bn.
- Looking ahead, resources and technology companies are possible targets. Countries in ASEAN will also benefit from Chinese FDI because of the FTA, effective 1 Jan 2010.

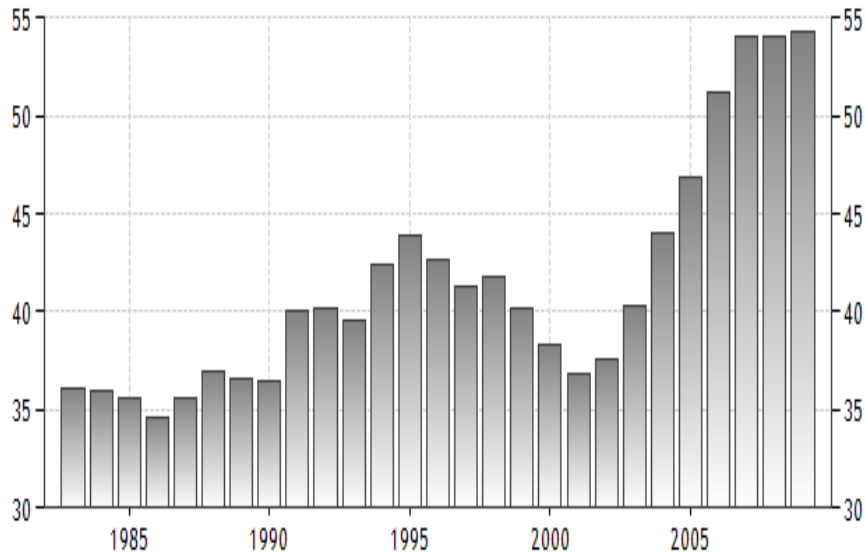


# Implications for New

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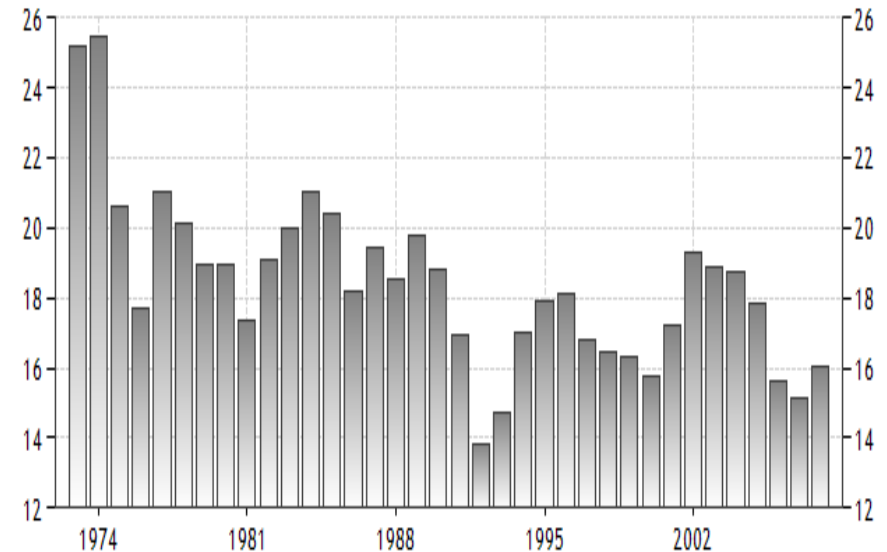
- We cannot know for certain what the future but China's near future will start to look quite different from its recent past and we need to think about how NZ can continue to benefit from China's overall economic success
- In its new 5-year plan China's govt has stated that it will become more focused on growth quality than pace
- Policy-makers therefore need to get Chinese workers to save less and buy more
- They need wages to rise faster and they need to lift consumption and innovation

CHINA - GROSS SAVINGS (% OF GDP)



Source: TradingEconomics.com

NEW ZEALAND - GROSS SAVINGS (% OF GDP)



Source: TradingEconomics.com

