



# WEEKLY ECONOMIC COMMENTARY



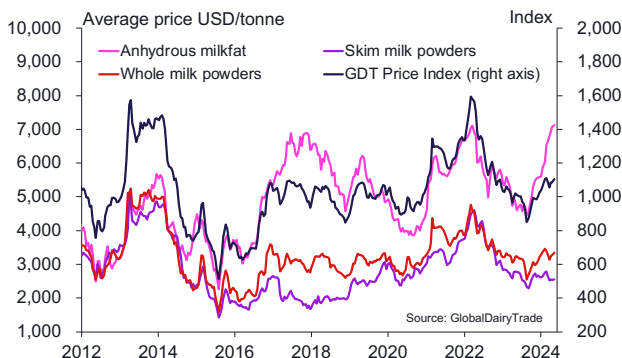
13 May 2024 | Westpac Economics Team | [westpac.co.nz/economics](https://westpac.co.nz/economics) | [economics@westpac.co.nz](mailto:economics@westpac.co.nz)

## Mixed news as RBNZ meeting draws closer into view

The local and international data flow was relatively light last week, leaving the domestic market to ruminate on the meaning of recent softer-than-expected labour market reports in both New Zealand and the US. These reports have caused the market to grow a little more confident that the RBNZ will ease monetary policy before the end of this year, notwithstanding the stronger-than-expected CPI inflation data released last month. This stands in contrast to our own forecast – and that of the RBNZ – that stickiness in domestic sources of inflation will likely require the OCR to remain at its present level until at least the beginning of next year.

Turning to last week’s economic news, the latest Global Dairy Trade auction produced a better-than-expected outcome for the nation’s dairy farmers, with the headline GDT index rising 1.8% when the futures market had anticipated a decline. Prices for whole milk powder – the key element of New Zealand’s product mix – increased 2.4%. Given this outcome, we remain content with our forecast of a \$7.90 farmgate milk price for the current season, rising to \$8.40 next season. The latter would restore at least some level of positive profitability to all but the most leveraged farmers.

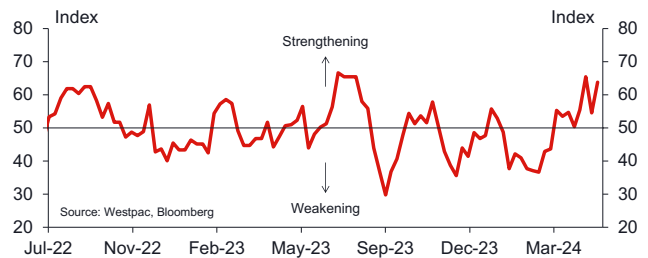
### GlobalDairyTrade auction prices



### Key views

	Last 3 months	Next 3 months	Next year
Global economy	→	→	↗
NZ economy	→	→	↗
Inflation	↘	↘	↘
2 year swap	↗	→	↘
10 year swap	↗	→	↘
NZD/USD	↘	→	↗
NZD/AUD	↘	→	↘

### Westpac New Zealand Data Pulse Index



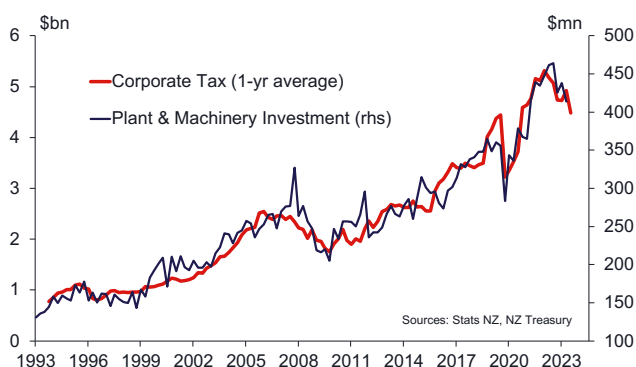
### Key data and event outlook

Date	Event
13 May 24	NZ Selected price indexes, April
22 May 24	RBNZ Monetary Policy Statement and OCR
30 May 24	Govt to release Budget 2024
5 Jun 24	Govt financial statements for 10 mths to April
12 Jun 24	FOMC Meeting (Announced 13 June NZT)
14 Jun 24	NZ Selected price indexes, May
18 Jun 24	RBA Monetary Policy Decision
20 Jun 24	NZ GDP, March quarter
2 Jul 24	NZIER QSBO survey, June quarter
4 Jul 24	Govt financial statements for 11 mths to May
11 Jul 24	NZ Selected price indexes, June
17 Jul 24	NZ CPI, June quarter
31 Jul 24	FOMC Meeting (Announced 1 Aug NZT)

Less encouragingly, in April the Business New Zealand manufacturing PMI remained in contractionary territory for a fourteenth consecutive month, albeit lifting 1.9pts to 48.9. In the detail, the production index posted the largest increase, rising 4.8pts to 50.8 – the first expansionary reading since January 2023. However, the new orders index remained very soft at 45.3 – a full 9pts below the historic average for this series. Official statistics were thin on the ground, although production of ready-mixed concrete – a good indicator of construction activity – fell a further 3.7% in the March quarter. Indeed, concrete production has declined 12% over the past year and fallen for nine consecutive quarters. This outcome strongly suggests that construction activity will make a significant negative contribution to GDP growth during the March quarter.

The weak performance of the economy was reflected in the Government’s Financial Statements for the 9 months to March, which showed a continued negative divergence against the forecasts contained in the Half-Year Economic and Fiscal Update (HYEFU). Specifically, total tax revenue in the year to March is now \$1.36bn below the HYEFU forecast. In the detail, corporate tax is now running \$1.7bn below the HYEFU forecast and down 15% compared with the same nine months of the ‘22/23 year. This reflects a decline in taxable profits. And in common with other indicators, it also suggests that firms’ investment spending will decline further, at least in the near term. GST is also running \$0.3bn below forecast due to weaker than expected consumption spending, which the Treasury suggests could continue through to the end of the fiscal year. At this stage, government expenditure is running behind forecast (as usual) so the OBEGAL deficit is just \$0.6bn larger than the HYEFU forecast. The core Crown residual cash deficit is also \$0.6bn higher than forecast.

#### Corporate tax and plant/machinery investment



These are the final accounts to be released ahead of Budget 2024, which will be tabled on 30 May. They confirm that the fiscal starting point is a little worse than the forecast in the HYEFU. But as set out in the Budget Policy Statement (BPS) in late March, the real problem for the Government is that the HYEFU forecasts assumed that the economy would soon pick up and

generate significantly more tax over the forecast period. Unfortunately, recent economic data – including very weak trend productivity growth – suggests that the HYEFU forecasts are too optimistic, as the BPS acknowledged. Indeed, in her first pre-Budget speech this week, the Minister of Finance lamented that she had grown to dread updates from her Treasury officials, with each successive update seemingly pointing to a weaker fiscal outlook than the last. So going forward, it seems inevitable that Budget 2024 will announce yet another large increase in the forecast government borrowing programme.

This week will bring the release of the final domestic economic indicators that will come available prior to the RBNZ’s next monetary policy deliberation on 22 May. The week is bookended with pricing data. Today the Selected Price Indexes (SPI) for April will allow analysts to begin to refine their forecasts for the Q2 CPI, with the SPI providing insight regarding 45% of the CPI basket, including some of the most volatile and so hard-to-predict components in the tradable sector (e.g., international airfares). This afternoon the RBNZ will release its quarterly Survey of Expectations for Q2. Last quarter the survey pointed to a solid decline in inflation expectations across all horizons, but expectations nonetheless remained above pre-pandemic levels. On Friday, Statistics New Zealand will release its suite of business price indexes for Q1, including the producer price and capital goods price indexes.

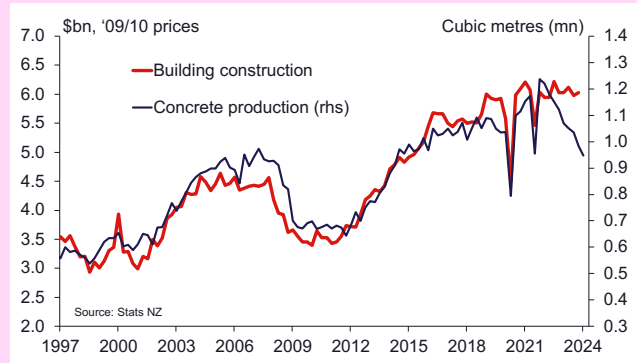
The focus elsewhere during the week will be on key activity indicators. Today the Business NZ services index for April will be of interest, especially following the sharp pullback in this indicator in March. Tuesday will bring an update on migrant arrivals in March and consumer spending in April. Net migrant inflows seem to have slowed a little in recent months but remain at very high levels. There is considerable uncertainty about how quickly inflows will respond to the weakening labour market that is now in train. Finally, the REINZ housing report for April (also out on Tuesday) will be of particular interest. Some indicators suggest that house prices may again be softening amidst a renewed slump in consumer confidence, increasing worries about job security and a sharp lift in the number of listings. Should house prices not pick up this year as we and the RBNZ have forecast, this would likely point to downside risks to consumer spending over the balance of this year.

**Darren Gibbs**, Senior Economist

### Chart of the week.

For some time, building consents have been pointing towards an impending slowdown in construction activity. And last week saw the release of another “hard” indicator. Specifically, production of ready-mix concrete declined 3.7% during the March quarter. This follows a 4.9% decline in the December quarter and meant that production was almost 12% lower than a year earlier. Unsurprisingly, concrete use has quite a tight relationship with building activity. The weakness seen over the past few quarters suggests that construction activity will make a negative contribution to GDP growth in the March quarter. Moreover, the chart below hints at the possibly that past activity levels may be revised downward at some point (perhaps as part of the annual GDP revisions released in the September quarter).

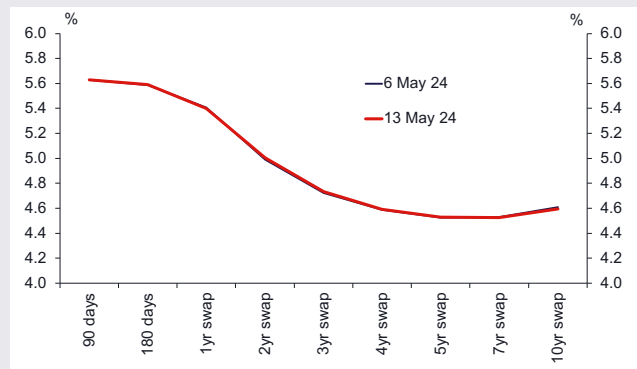
### Concrete evidence of a building slowdown



### Fixed versus floating for mortgages.

The RBNZ left the OCR on hold in April. While further OCR hikes don't look likely in the current cycle, easings are still some way off. For borrowers favouring certainty, at current fixed rates we see value in fixing for as long as two years.

### NZ interest rates



# Global wrap

## North America.

The latest University of Michigan survey highlighted the concerns the Fed is currently balancing. Consumer sentiment dropped back, consistent with a softening in household spending. However, expectations for inflation are proving to be stubborn, pushing higher in May. Other data over the past week pointed to a further easing in economic momentum. On the employment front, jobless claims rose 22k to their highest level in eight months (though some of that rise looks like it was temporary). In addition, the latest Senior Loan Officers' Opinion Survey showed a tightening in lending conditions in the early part of the year. Comments from Fed speakers over the past week including Barkin, Bowan, Daly, Logan and Williams downplayed the likelihood of further hikes. However, they also indicated that there was no rush to cut rates, with the eventual timing of cuts dependent on the flow of data. This week we'll receive updates on inflation and retail sales on Tuesday, and industrial production on Thursday. There will also be a number of Fed speakers, including Chair Powell at an event in the Netherlands alongside ECB's Knot.

## Asia-Pacific.

As expected, the RBA left its cash rate unchanged at 4.35% in May. The accompanying policy assessment noted slower-than-expected progress on inflation and included a related upwards revision to the near-term inflation forecast. At the same time, however, the outlook for near-term growth was revised down. Balancing those considerations, the forward guidance remained neutral with the Board reiterating that they are "not ruling anything in or out." However, the Board did signal a slightly more determined stance, noting that they "will remain vigilant to upside risks". We're forecasting the RBA will remain on hold until November. In China consumer prices rose 0.3% in April, with core prices up 0.7% (both up from the levels seen in March). In contrast producer prices eased. While those developments point to firming domestic demand, it's likely that the economy will require continued policy support.

## UK.

The Bank of England left its policy rate at 5.25% in May in a 7-2 decision. The two dissenters voted for an immediate cut. MPC members remained concerned about the extent of inflation easing to date, especially in the services sector. However, Governor Bailey noted in the press conference that "it is likely that we will need to cut bank rates over the coming quarters...possibly more so than currently priced into market rates". Markets are pricing in a high chance of a rate cut in June.

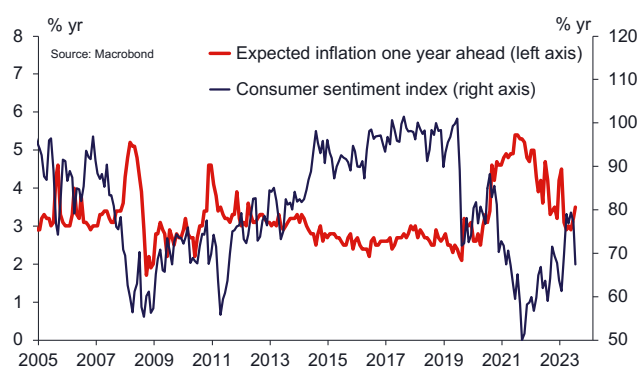
Trading partner real GDP (calendar years)

	Annual average % change			
	2022	2023	2024	2025
Australia	3.8	2.1	1.3	2.2
China	3.0	5.2	5.2	5.0
United States	2.1	2.5	2.5	1.5
Japan	1.0	2.0	0.7	1.0
East Asia ex China	4.5	3.4	4.1	4.2
India	7.2	7.7	6.5	6.7
Euro Zone	3.3	0.4	0.5	1.5
United Kingdom	4.1	0.4	0.5	1.3
NZ trading partners	3.3	3.4	3.4	3.4
World	3.5	3.3	3.3	3.1

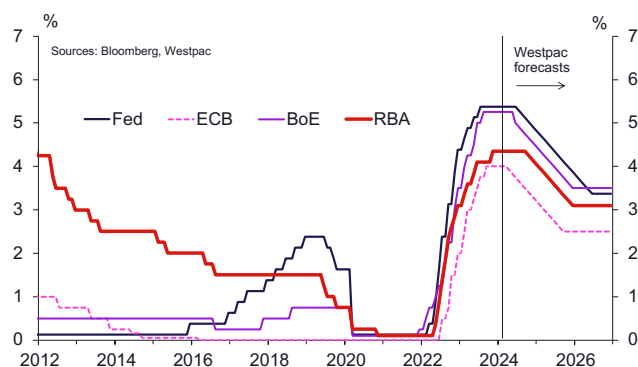
Australian & US interest rate outlook

	10-May	Jun-24	Dec-24	Dec-25
<b>Australia</b>				
Cash	4.35	4.35	4.10	3.10
90 Day BBSW	4.38	4.37	4.17	3.30
3 Year Swap	4.17	4.10	3.90	3.50
3 Year Bond	3.97	3.90	3.70	3.30
10 Year Bond	4.34	4.35	4.25	4.00
10 Year Spread to US (bps)	-12	-15	-5	0
<b>US</b>				
Fed Funds	5.375	5.375	4.875	3.875
US 10 Year Bond	4.45	4.50	4.30	4.00

US University of Michigan consumer sentiment



Global central bank policy rates



# Financial markets wrap

## Interest rates.

New Zealand swap rates were fairly stable last week, with no major New Zealand data or events. The RBA statement and US inflation expectations data did cause rates to fall and rise, respectively, but overall, the 2yr swap was stuck in a range 5bp either side of 5.00%.

The key New Zealand rates events this week will be the RBNZ's inflation expectations surveys plus the monthly price indices (both out Monday), and US CPI inflation (Thursday).

Market pricing of OCR cuts has settled on October as the first likely month. Our economists continue to forecast no cut until February 2025, noting that core inflation remains sticky. We expect the 2yr swap to remain capped by 5.20% during the week ahead.

## Foreign exchange.

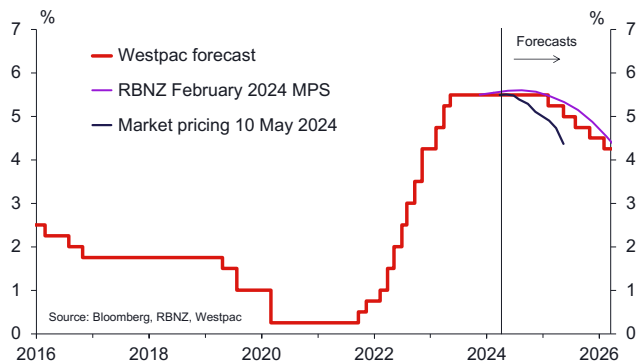
NZD/USD was rangebound last week, between 0.5980 and 0.6050, with no major surprises to give it direction. That said, there is a hint of upside momentum, but it needs to break above 0.6050 to be compelling.

US CPI data this week poses major event risk. The New Zealand data is likely to be less important.

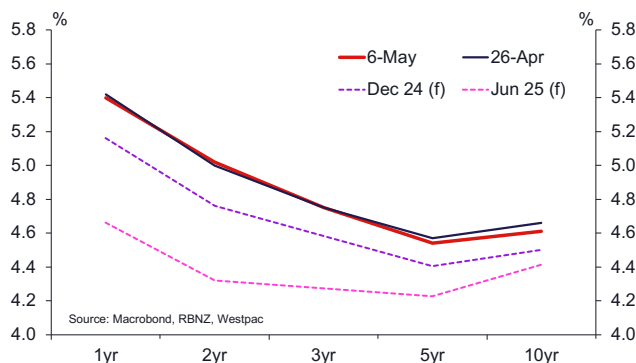
Looking ahead to the September quarter, if our economists' forecasts for the Fed and RBNZ (easing to start in Sep 2024 and Feb 2025, respectively) are eventually priced by the market, NZD/USD could rise further towards 0.6200. Alternatively, if the Fed were to defer its easing cycle, NZD/USD would likely be capped by 0.6100.

NZD/AUD did start an upward reversal from 0.9065 last week but it has been hesitant, leaving the cross rangebound near term between 0.9100 and 0.9130. We are watching for a break high this week, with Australian labour data likely to be the main driver. The cross remains at the lower end of the past year's range, at a reasonable level for New Zealand exporters to consider for hedging.

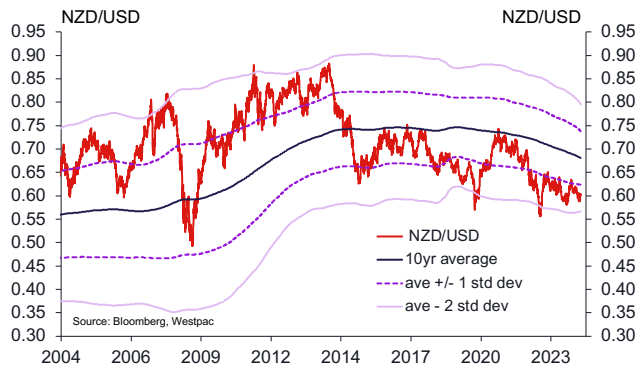
Official Cash Rate forecasts



Swap rates



NZD/USD vs rolling 10yr average



FX recent developments

	Historical data				F'cast
	Spot	3mth range	5yr range	5yr avg	Dec-24
USD	0.602	0.586-0.619	0.555-0.743	0.648	0.61
AUD	0.912	0.907-0.944	0.873-0.992	0.932	0.91
EUR	0.559	0.552-0.572	0.517-0.637	0.583	0.55
GBP	0.481	0.471-0.490	0.464-0.544	0.506	0.48
JPY	93.7	90.2-94.8	61.3-94.8	78.8	93.9

# The week ahead

## NZ Apr monthly selected price indices

May 13

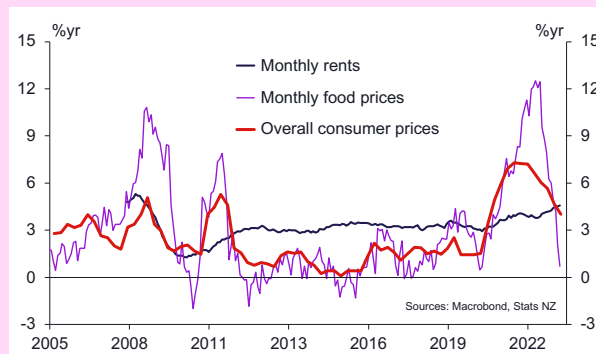
Stats NZ's suite of monthly price data covers around 45% of the CPI, providing timely updates on some of the more volatile components of inflation.

In terms of the big items, we're expecting a 2% rise in fuel prices in April, along with a small 0.1% fall in food prices related to seasonal declines in produce prices.

On the domestic front, the key focus will be housing rents. April typically sees larger rent rises and we're forecasting a solid 0.4% rise in line with recent trends.

We'll also be keeping a close eye on the volatile travel components, like airfares and the cost of holiday accommodation which can drive much of the quarter-to-quarter swings in the CPI. We expect some easing in those prices after firm outturns in recent months.

## Consumer prices



## NZ Q2 RBNZ survey of expectations

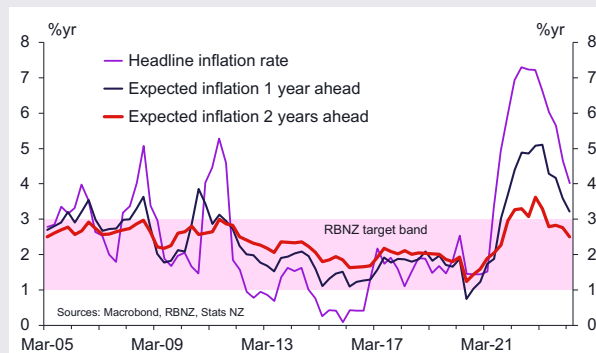
May 13, Expected inflation one year ahead, last: 3.2%  
Expected inflation two years ahead, last: 2.5%

The RBNZ looks at a range of surveys and the importance of this particular measure has waned over time. However, it still provides useful colour on economic conditions.

Both short and longer-term inflation expectations have been dropping back, consistent with the fall in actual inflation over the past year. Notably, the closely watched two-year ahead measure has fallen to its lowest level since 2021.

With inflation continuing to ease in the early part of this year, inflation expectations are set to take another step down. However, with domestic inflation pressures remaining sticky, there is a risk that the decline in inflation expectations is more modest going forward, and that expectations linger at levels above the RBNZ's 2% target midpoint.

## RBNZ Survey of Expectations



## NZ Apr REINZ house sales and prices

May 14, Sales\* – Last: -2.1% mth, +8.0% annual  
Prices\* – Last: -0.2% mth, +2.6% annual

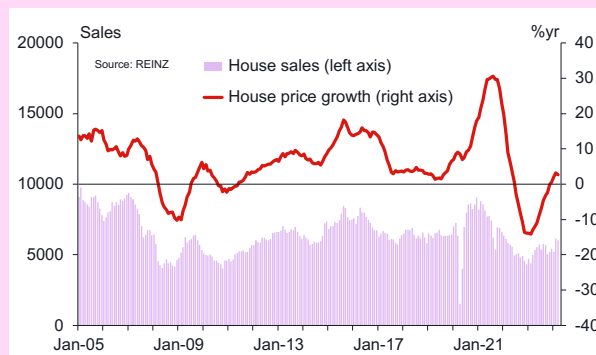
\* Monthly figures based on Westpac seasonal adjustment

New Zealand's housing market remained subdued in March, with sales still low and some easing in prices.

Recent anecdotes from real estate agencies indicate that the momentum in sales remained limited in April. That's despite reports of an increasing number of properties coming up for sale. Consistent with that, prices are also likely to have remain weak.

We expect that the current softness will gradually give way to a period of stronger activity supported by population gains and changes to policies affecting investors' tax burden. However, with borrowing costs still at elevated levels for now, that pickup is still some way off.

## REINZ house prices and sales



# The week ahead

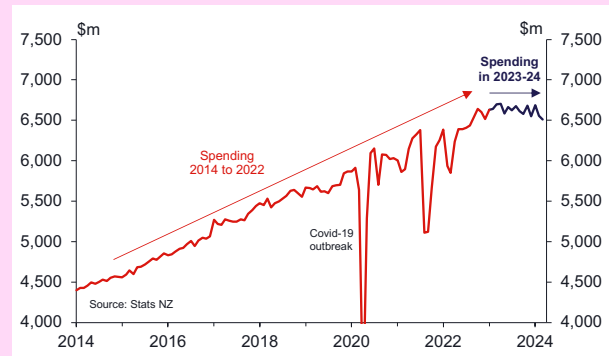
## NZ Apr retail card spending

May 14, Last: -0.7%, Westpac f/c: 0.4%

Retail spending levels fell 0.7% in March with widespread falls. We're forecasting a modest 0.4% rise in retail spending in April. Underlying that forecast are moderate gains in grocery purchases (related to continued strong population growth) and hospitality spending. In contrast, spending on durables and apparel is continuing to trend down.

The longer-term trend in spending remains weak. Over the past year, nominal spending levels have been flat to slightly down. That's despite strong population growth and continued price increases. The softness in spending highlights the squeeze on households' spending power from high inflation and interest rates. Nervousness about the economic outlook and the softening in the jobs market is also prompting many households to rein in their spending.

## Retail spending growth has ground to a halt

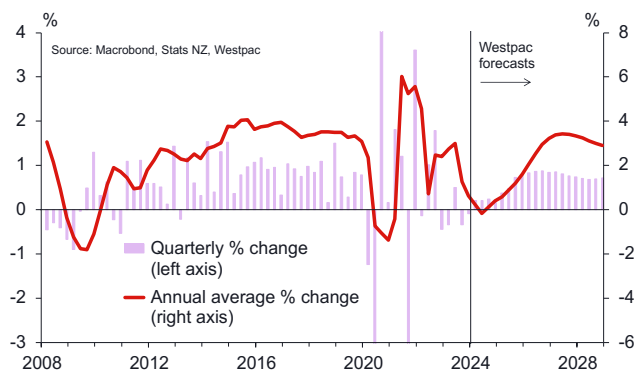


# Economic and financial forecasts

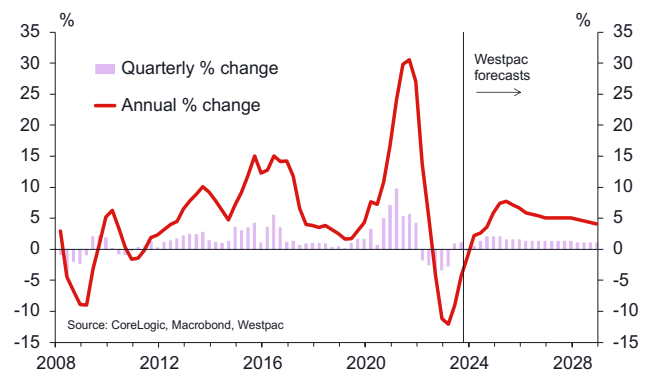
Economic indicators	Quarterly % change				Annual % change			
	Dec-23	Mar-24	Jun-24	Sep-24	2022	2023	2024	2025
GDP (production)	-0.1	0.2	0.2	0.2	2.4	0.6	0.4	1.6
Consumer price index	0.5	0.6	0.6	1.0	7.2	4.7	2.7	2.3
Employment change	0.4	-0.2	0.2	0.1	1.7	2.7	0.1	0.9
Unemployment rate	4.0	4.3	4.6	4.9	3.4	4.0	5.2	5.4
Labour cost index (all sectors)	1.0	0.9	0.9	0.8	4.1	4.3	3.4	2.6
Current account balance (% of GDP)	-6.9	-6.3	-6.0	-5.5	-8.8	-6.9	-4.9	-3.9
Terms of trade	-7.8	6.4	2.7	1.5	-4.2	-10.6	12.0	3.4
House price index	-0.2	0.5	1.3	2.0	-11.2	-1.1	5.9	6.7

Financial forecasts	End of quarter				End of year			
	Dec-23	Mar-24	Jun-24	Sep-24	2022	2023	2024	2025
OCR	5.50	5.50	5.50	5.50	4.25	5.50	5.50	4.50
90 day bank bill	5.65	5.67	5.60	5.60	4.26	5.65	5.50	4.50
2 year swap	5.28	4.92	5.10	5.00	5.10	5.28	4.75	4.00
5 year swap	4.84	4.40	4.60	4.50	4.67	4.84	4.40	4.10
10 year bond	5.09	4.69	4.80	4.70	4.31	5.09	4.60	4.25
TWI	70.8	71.6	70.3	70.5	70.8	70.8	70.8	72.0
NZD/USD	0.60	0.61	0.60	0.60	0.60	0.60	0.61	0.65
NZD/AUD	0.93	0.93	0.91	0.91	0.92	0.93	0.91	0.91
NZD/EUR	0.56	0.56	0.55	0.55	0.59	0.56	0.55	0.56
NZD/GBP	0.49	0.48	0.47	0.47	0.51	0.49	0.48	0.49

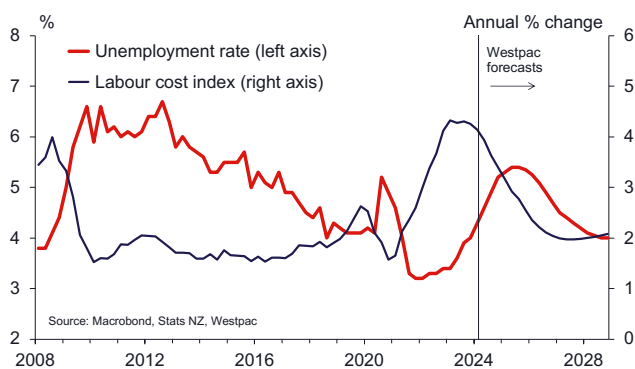
GDP growth



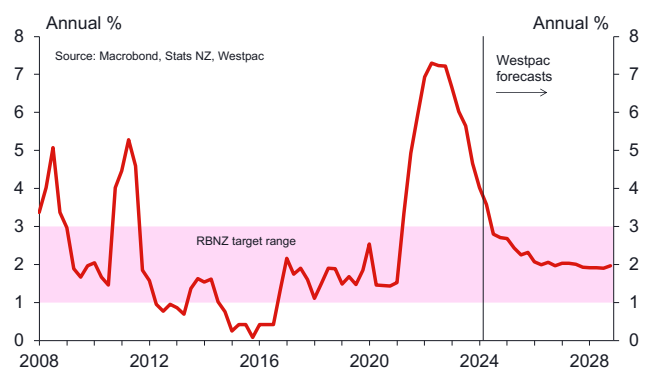
House prices



Employment and wage growth



Consumer price inflation





# Data calendar

		Last	Market median	Westpac forecast	Risk/Comment
<b>Mon 13</b>					
<b>NZ</b>	Apr BusinessNZ PSI	47.5	-	-	Financial headwinds continuing to weigh on demand.
	Apr food prices	-0.5%	-	-0.1%	Seasonal softness in produce prices.
	Apr housing rents (stock measure)	0.4%	-	0.4%	Population and cost pressures remain strong.
	Q2 RBNZ inflation expectations	2.5%	-	-	Likely to fall, but still remain above 2%.
<b>Aus</b>	Apr NAB business survey	9	-	-	Conditions easing as confidence treads water.
<b>US</b>	Fedspeak	-	-	-	Mester and Jefferson.
<b>Tue 14</b>					
<b>NZ</b>	Apr REINZ house sales %yr	8.0%	-	-	Sales subdued despite a surge in new listings...
	Apr REINZ house prices %yr	2.6%	-	-	...suggesting downward pressure on prices for now.
	Apr retail card spending	-0.7%	-	0.4%	Spending growth remains muted despite population gains.
	Mar net migration	7630	-	-	Annual net inflow dropping back, but risk of large revisions.
<b>Aus</b>	2024/25 Federal Budget	-	-	-	On track to deliver a second consecutive surplus.
<b>Eur</b>	May ZEW survey of expectations	43.9	-	-	Optimism growing as rate cuts come into view.
<b>UK</b>	Mar unemployment rate %	4.2%	4.3%	-	Survey volatility makes gauging U/E trend difficult...
	Mar average weekly earnings %yr	5.6%	-	-	... but wage g'th indicates labour market is finding balance.
<b>US</b>	Apr NFIB small business optimism	88.5	88.1	-	Confidence fragile; employment gauge in focus.
	Apr PPI %mth	0.2%	0.3%	-	Consistent with at-target consumer goods inflation.
	FOMC Chair Powell	-	-	-	Speaking in Netherlands alongside ECB's Knot.
<b>Wed 15</b>					
<b>Aus</b>	Q1 WPI %qtr	0.9%	0.9%	0.9%	Rising underemployment points to wage inflation peaking.
<b>Eur</b>	Q1 GDP %qtr	0.3%	0.3%	-	Second estimate to provide more colour at national level.
	Mar industrial production %mth	0.8%	-	-	Very weak versus last year as manufacturers struggle.
<b>US</b>	Apr CPI %mth	0.4%	0.4%	0.3%	Supply-side to blame for lack of progress.
	Apr retail sales %mth	0.7%	0.4%	0.6%	Growth to decelerate to or below trend this year.
	Mar business inventories %mth	0.4%	0.0%	-	Run-down remains centred on wholesale.
	May Fed Empire state index	-14.3	-10.0	-	Volatile around a weak level.
	May NAHB housing market index	51	51	-	Homebuilder sentiment has a long recovery ahead.
	Fedspeak	-	-	-	Kashkari.
<b>Thu 14</b>					
<b>Aus</b>	Apr employment change (000's)	-6.6	21.9	+20	Should provide a clearer read on underlying conditions...
	Apr unemployment rate %	3.8%	3.9%	3.9%	... with room for the unemployment rate to round up.
	RBA Assistant Governor (Economic)	-	-	-	Hunter speaking at REIA 100 Conference, Hobart.
<b>Jpn</b>	Q1 GDP %qtr	0.1%	-0.3%	-	Set to slip back into contraction on weak consumption.
<b>US</b>	Apr industrial production %mth	0.4%	0.2%	-	Production level has held broadly flat for around a year now.
	Apr housing starts %mth	-14.7%	8.6%	-	Borrowing costs remain a headwind for builders...
	Apr building permits %mth	-3.7%	1.4%	-	... risks to the pipeline linger.
	May Philly Fed index	15.5	8.0	-	Stronger performance relative to other regions.
	Apr import price index %mth	0.4%	0.2%	-	Global goods disinflation story remains in tact.
	Initial jobless claims	-	-	-	To remain relatively low, for now.
	Fedspeak	-	-	-	Mester, Bostic.
<b>Fri 15</b>					
<b>NZ</b>	Q1 PPI %qtr	0.7%	-	-	Both input and output inflation back around 2%yr.
<b>Chn</b>	Apr retail sales ytd %yr	4.7%	4.7%	-	Lingering uncertainty over labour market and wealth...
	Apr industrial production ytd %yr	6.1%	6.0%	-	... leaving growth in the hands of robust industrial...
	Apr fixed asset investment ytd %yr	4.5%	4.6%	-	... expansion and Asia's appetite for China's exports.
<b>Eur</b>	Apr CPI %yr	2.4%	2.4%	-	Final estimate.
<b>US</b>	Apr leading index %mth	-0.3%	-0.3%	-	Data speaks to risks around the outlook.

# CONTACT

**Westpac Economics Team** | [westpac.co.nz/economics](https://westpac.co.nz/economics) | [economics@westpac.co.nz](mailto:economics@westpac.co.nz)

**Kelly Eckhold**, Chief Economist | +64 9 348 9382 | +64 21 786 758 | [kelly.eckhold@westpac.co.nz](mailto:kelly.eckhold@westpac.co.nz)

**Satish Ranchhod**, Senior Economist | +64 9 336 5668 | +64 21 710 852 | [satish.ranchhod@westpac.co.nz](mailto:satish.ranchhod@westpac.co.nz)

**Darren Gibbs**, Senior Economist | +64 9 367 3368 | +64 21 794 292 | [darren.gibbs@westpac.co.nz](mailto:darren.gibbs@westpac.co.nz)

**Michael Gordon**, Senior Economist | +64 9 336 5670 | +64 21 749 506 | [michael.gordon@westpac.co.nz](mailto:michael.gordon@westpac.co.nz)

**Paul Clark**, Industry Economist | +64 9 336 5656 | +64 21 713 704 | [paul.clark@westpac.co.nz](mailto:paul.clark@westpac.co.nz)

**Imre Speizer**, Market Strategist | +64 9 336 9929 | +64 21 769 968 | [imre.speizer@westpac.co.nz](mailto:imre.speizer@westpac.co.nz)

Past performance is not a reliable indicator of future performance. The forecasts given in this document are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The ultimate outcomes may differ substantially from these forecasts.

# DISCLAIMER

## Things you should know.

Westpac Institutional Bank is a division of Westpac Banking Corporation ABN 33 007 457 141 ('Westpac').

## Disclaimer.

This material contains general commentary, and market colour. The material does not constitute investment advice. Certain types of transactions, including those involving futures, options and high yield securities give rise to substantial risk and are not suitable for all investors. We recommend that you seek your own independent legal or financial advice before proceeding with any investment decision. This information has been prepared without taking account of your objectives, financial situation or needs. This material may contain material provided by third parties. While such material is published with the necessary permission none of Westpac or its related entities accepts any responsibility for the accuracy or completeness of any such material. Although we have made every effort to ensure the information is free from error, none of Westpac or its related entities warrants the accuracy, adequacy or completeness of the information, or otherwise endorses it in any way. Except where contrary to law, Westpac and its related entities intend by this notice to exclude liability for the information. The information is subject to change without notice and none of Westpac or its related entities is under any obligation to update the information or correct any inaccuracy which may become apparent at a later date. The information contained in this material does not constitute an offer, a solicitation of an offer, or an inducement to subscribe for, purchase or sell any financial instrument or to enter a legally binding contract. Past performance is not a reliable indicator of future performance. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The ultimate outcomes may differ substantially from these forecasts.

## Country disclosures.

**Australia:** Westpac holds an Australian Financial Services Licence (No. 233714). This material is provided to you solely for your own use and in your capacity as a wholesale client of Westpac.

**New Zealand:** In New Zealand, Westpac Institutional Bank refers to the brand under which products and services are provided by either Westpac or Westpac New Zealand Limited ("WNZL"). Any product or service made available by WNZL does not represent an offer from Westpac or any of its subsidiaries (other than WNZL). Neither Westpac nor its other subsidiaries guarantee or otherwise support the performance of WNZL in respect of any such product. The current disclosure statements for the New Zealand branch of Westpac and WNZL can be obtained at the internet address [www.westpac.co.nz](http://www.westpac.co.nz).

**China, Hong Kong, Singapore and India:** This material has been prepared and issued for distribution in Singapore to institutional investors, accredited investors and expert investors (as defined in the applicable Singapore laws and regulations) only. Recipients in Singapore of this material should contact Westpac Singapore Branch in respect of any matters arising from, or in connection with, this material. Westpac Singapore Branch holds a wholesale banking licence and is subject to supervision by the Monetary Authority of Singapore. Westpac Hong Kong Branch holds a banking licence and is subject to supervision by the Hong Kong Monetary Authority. Westpac Hong Kong branch also holds a license issued by the Hong Kong Securities and Futures Commission (SFC) for Type 1 and Type 4 regulated activities. This material is intended only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance. Westpac Shanghai and Beijing Branches hold banking licenses and are subject to supervision by the China Banking and Insurance Regulatory Commission (CBIRC). Westpac Mumbai Branch holds a banking license from Reserve Bank of India (RBI) and subject to regulation and supervision by the RBI.

**UK:** The contents of this communication, which have been prepared by and are the sole responsibility of Westpac Banking Corporation London and Westpac Europe Limited. Westpac (a) has its principal place of business in the United Kingdom at Camomile Court, 23 Camomile Street, London EC3A 7LL, and is registered at Cardiff in the UK (as Branch No. BRO0106), and (b) authorised and regulated by the Australian Prudential Regulation Authority in Australia. Westpac is authorised in the United Kingdom by the Prudential Regulation Authority. Westpac is 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 request. Westpac Europe Limited is a company registered in England (number 05660023) and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

This communication is being made only to and is directed at (a) persons who have professional experience in matters relating to investments who fall within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) or (b) high net worth entities, and other persons to whom it may otherwise lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). Any person who is not a relevant person should not act or rely on this communication or any of its contents. The investments to which this communication relates are only available to and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such investments will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely upon this communication or any of its contents. In the same way, the information contained in this communication is intended for “eligible counterparties” and “professional clients” as defined by the rules of the Financial Conduct Authority and is not intended for “retail clients”. With this in mind, Westpac expressly prohibits you from passing on the information in this communication to any third party. In particular this communication and, in each case, any copies thereof may not be taken, transmitted or distributed, directly or indirectly into any restricted jurisdiction. This communication is made in compliance with the Market Abuse Regulation (Regulation(EU) 596/2014).

### **Investment recommendations disclosure.**

The material may contain investment recommendations, including information recommending an investment strategy. Reasonable steps have been taken to ensure that the material is presented in a clear, accurate and objective manner. Investment Recommendations for Financial Instruments covered by MAR are made in compliance with Article 20 MAR. Westpac does not apply MAR Investment Recommendation requirements to Spot Foreign Exchange which is out of scope for MAR.

Unless otherwise indicated, there are no planned updates to this Investment Recommendation at the time of publication. Westpac has no obligation to update, modify or amend this Investment Recommendation or to notify the recipients of this Investment Recommendation should any information, including opinion, forecast or estimate set out in this Investment Recommendation change or subsequently become inaccurate.

Westpac will from time to time dispose of and acquire financial instruments of companies covered in this Investment Recommendation as principal and act as a market maker or liquidity provider in such financial instruments.

Westpac does not have any proprietary positions in equity shares of issuers that are the subject of an investment recommendation.

Westpac may have provided investment banking services to the issuer in the course of the past 12 months.

Westpac does not permit any issuer to see or comment on any investment recommendation prior to its completion and distribution.

Individuals who produce investment recommendations are not permitted to undertake any transactions in any financial instruments or derivatives in relation to the issuers covered by the investment recommendations they produce.

Westpac has implemented policies and procedures, which are designed to ensure conflicts of interests are managed consistently and appropriately, and to treat clients fairly.

The following arrangements have been adopted for the avoidance and prevention of conflicts in interests associated with the provision of investment recommendations.

- (i) Chinese Wall/Cell arrangements;
- (ii) physical separation of various Business/Support Units;
- (iii) and well defined wall/cell crossing procedures;
- (iv) a “need to know” policy;
- (v) documented and well defined procedures for dealing with conflicts of interest;
- (vi) steps by Compliance to ensure that the Chinese Wall/Cell arrangements remain effective and that such arrangements are adequately monitored.

**U.S:** Westpac operates in the United States of America as a federally licensed branch, regulated by the Office of the Comptroller of the Currency. Westpac is also registered with the US Commodity Futures Trading Commission (“CFTC”) as a Swap Dealer, but is neither registered as, or affiliated with, a Futures Commission Merchant registered with the US CFTC. Westpac Capital Markets, LLC (“WCM”), a wholly-owned subsidiary of Westpac, is a broker-dealer registered under the U.S. Securities Exchange Act of 1934 (‘the Exchange Act’) and member of the Financial Industry Regulatory Authority (“FINRA”). This communication is provided for distribution to U.S. institutional investors in reliance on the exemption from registration provided by Rule 15a-6 under the Exchange Act and is not subject to all of the independence and disclosure standards applicable to debt research reports prepared for retail investors in the United States. WCM is the U.S. distributor of this communication and accepts responsibility for the contents of this communication. All disclaimers set out with respect to Westpac apply equally to WCM. If you would like to speak to someone regarding any security mentioned herein, please contact WCM on +1 212 389 1269. All disclaimers set out with respect to Westpac apply equally to WCM.

Investing in any non-U.S. securities or related financial instruments mentioned in this communication may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the SEC in the United States. Information on such non-U.S. securities or related financial instruments may be limited. Non-U.S. companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect in the United States. The value of any investment or income from any securities or related derivative instruments denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related derivative instruments.

The author of this communication is employed by Westpac and is not registered or qualified as a research analyst, representative, or associated person under the rules of FINRA, any other U.S. self-regulatory organisation, or the laws, rules or regulations of any State. Unless otherwise specifically stated, the views expressed herein are solely those of the author and may differ from the information, views or analysis expressed by Westpac and/or its affiliates.

