



Lake Wanaka, New Zealand

In this issue

Fixed vs floating	2
The week ahead	3
Data calendar	6
New Zealand forecasts	7
International forecasts	8

Taking a second look

A couple of weeks ago the high exchange rate and weak inflation pressure lead us to update our call on the timing of interest rate hikes by the Reserve Bank this year. While we firmly expect the Bank to hike rates by 25 basis points in June, we suggested it would use the accompanying *Monetary Policy Statement* to signal a slightly slower pace of hikes in the second half of the year, pausing in July, before raising rates in September and December.

However, two important developments over recent weeks, the Budget and last week's monster migration figures, have had us putting this view under the microscope.

As we noted recently, the Budget included an upgrade to Government spending in 2015 and beyond. The Treasury estimates this extra spending could be worth 15-30 basis points of OCR hikes. However, if the extra allowance was used to cut taxes (a distinct possibility for at least part of the spending allowance in our view) Treasury estimates the effect on the OCR could be a bit less, more like 10-20 basis points at its peak.

We had already anticipated at least some additional spending so on its own the Budget wasn't enough to cause a big change to our economic forecasts. However it is information the Reserve Bank won't have incorporated into the March *MPS* (even if privately it, like us, had been counting on some level of additional spending).

Further adding to the more hawkish tone was last week's migration data. The monthly net inflow of migrants accelerated above 4,000 in April – the strongest monthly inflow since April 2003. This was even stronger than we had pencilled in, with the surprise mainly due to fewer Kiwis departing for Australia.

Stronger migration in the first quarter of the year has already sparked an upgrade our own migration forecasts. We're now expecting net migration to peak at a bit over 40,000 early next year. That would be the strongest inflow of migrants NZ has seen

Taking a second look continued

since the early 2000s. The RBNZ is likely to be in a similar position, and its June MPS net migration forecasts are likely to be substantially stronger than those issued in March.

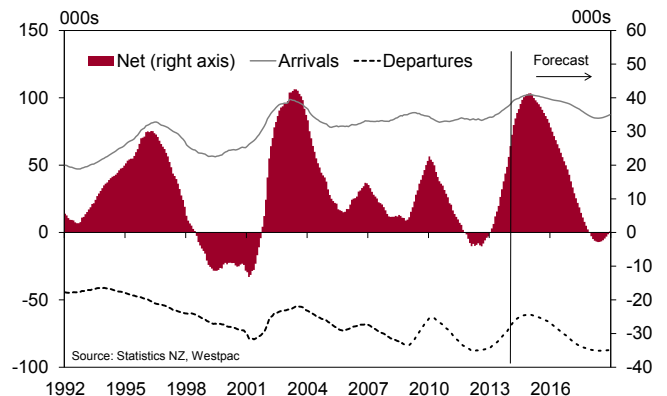
The real question is how a change in migration outlook will flow through to the Bank's wider economic forecasts and, ultimately, its interest rate projections. One important channel is via the housing market. Clearly, stronger migration translates to greater demand for housing and this link has received particular attention in recent Reserve Bank communications. In his recent speech on housing, where he discussed the possible timeline for removing LVR restrictions, Deputy Governor Spencer gave particular prominence to the upside risks to the housing market generated by stronger migration, commenting that the "easing or removal of the LVR restrictions will depend importantly on the restraining impact of interest rate increases and any renewed pressure arising from the net immigration".

For our part, while we certainly think migration does play a role in the housing market, we probably tend to put less weight on this driver than the Reserve Bank. Indeed, it's worth noting that the lift in migration over the past six months has coincided with falling house sales and (as best we can tell) slowing house prices. That suggests that other factors (namely the Reserve Bank's restrictions on low equity lending and rising mortgage rates) have outweighed the stronger migration data. Our view remains that while surging migration will support the housing market through this year, this won't be enough to stop prices from slowing as mortgage rates continue to rise.

But the impact of stronger migration on the New Zealand economy is not just a one way street. Stronger migration helps increase the workforce, and along with the strong lift in labour force participation and rapid growth in business investment this eventually helps improve the economy's potential rate of growth – meaning the economy can grow for longer with less inflation pressure.

It's also important to remember that the current migration boom, like the Canterbury rebuild, won't last forever. We expect the Australian economy to strengthen next year which should flow through to improved labour market prospects. At the same time, growth in the New Zealand economy is set

Net immigration to New Zealand



to slow, particularly beyond 2015, as the Canterbury rebuild winds down. Under these conditions, net migration flows could reverse sharply as the grass once again begins to appear greener across the other side of the Tasman.

These developments have had us once again closely examining our forecasts. While we continue to think the RBNZ will raise the OCR in June before pausing and raising rates again in September and December, this has become a much closer call. Arguing in favour of a July pause is the fact that the June decision will be accompanied by a full *Monetary Policy Statement*. This gives the Bank an opportunity to carefully tailor its message. While it may want to convey a slightly slower pace of hikes than the 25 basis points per meeting seen to date, it certainly won't want to leave markets (or the public) under the impression that it has paused for an extended period. That could run the risk of a fall in wholesale interest rates translating to lower mortgage rates which in turn could give the housing market a second wind – something the Reserve Bank will be at pains to avoid. But whatever the Bank decides, all will become much clearer in June. Governor Wheeler's drive for open and transparent communications means the bank is likely to send a clear signal in the June MPS about its plans for the July's OCR Review.

Fixed vs Floating for mortgages

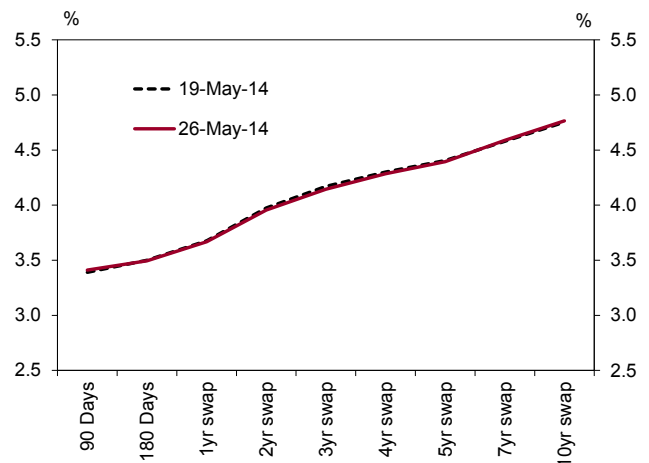
We believe that the current 2-3 year fixed-rate specials offer good value.

The standard fixed rates from around six months to three years appear to offer similar value, and are a fair reflection of where we think shorter-term rates are going to go over the next few years. However, there are a number of specials currently on offer, particularly for 2-3 year fixed terms, that are substantially below our expectation for short-term rates over those horizons. Fixed rates are more likely to rise than fall over the next few months, so for those who are looking to fix there is little to gain from waiting.

Fixing for four or five years may result in higher interest payments over the life of the loan than opting for shorter-term fixed rates. However, these longer-term fixed rates may still be preferred by those who are willing to pay for certainty.

Floating mortgage rates usually work out to be more expensive for borrowers than short-term fixed rates, such as the six month rate. However, floating may still be the preferred option for those who require flexibility in their repayments.

NZ interest rates

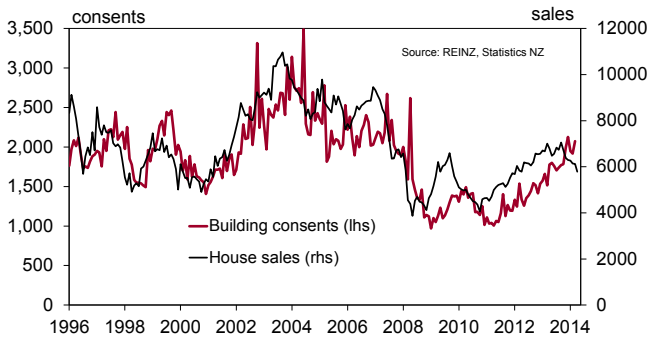


NZ Apr building consents

May 30, Last: +8.3%, Westpac f/c: -5.0%, Mkt f/c: -3.5%

- The 8.3% jump in residential building consents in March consisted of a fresh six-year high in single-home consents, topped off by a jump in the volatile apartment units. Our April forecast assumes a modest correction in both categories.
- Of the two construction hot spots, Canterbury was particularly strong in March - around 400 housing consents were issued, a new record by a wide margin. Consents in Auckland have picked up strongly in the last two months, but that followed a sizeable decline over the second half of last year.
- Note that most activity data for April has been on the soft side, possibly due to the late timing of Easter. Easter Monday and Anzac Day fell in the same week this year, encouraging some to take the week off. Building consents would be especially vulnerable to such an effect, as they are sensitive to the number of working days in the month.

NZ housing activity

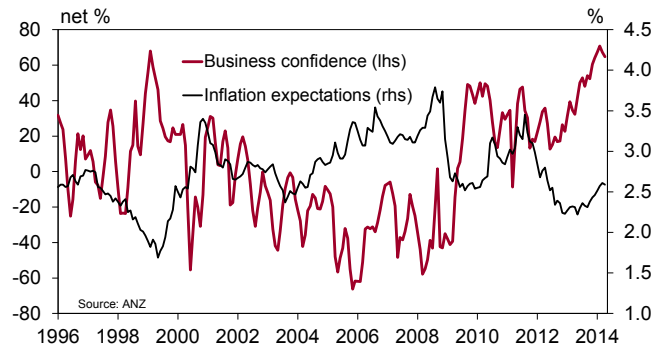


NZ May business confidence

May 30, Last: 64.8

- Business confidence has held near two-decade highs over the last few months, indicating that firms are generally comfortable with the monetary tightening cycle that is now under way.
- Confidence surveys are likely to give a clearer sense of the economy's current momentum than the recent activity data, which looks like it may have been distorted by the late timing of Easter this year. We expect another solid reading for May. Note that the survey has a seasonal tendency to rise strongly in this month.
- Inflation expectations and pricing intentions were broadly unchanged in the April survey (with the latter above its long-term average). Responses for May will be coloured by the softer than expected CPI outturn for the March quarter.

NZ business confidence and inflation expectations

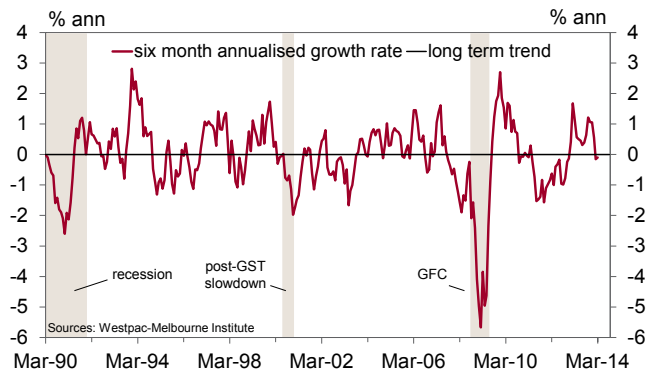


Aus Apr Westpac-MI Leading Index

May 28, Last: -0.09%

- The Leading Index recorded its second consecutive month of sub trend growth momentum in March with the 6mth annualised growth rate of -0.09% following a -0.15% reading in February (a negative reading is below trend).
- April looks likely to register another negative with most components weaker in the month. The CSI Expectations Index recorded a very sharp 9.8% drop in reaction to the Budget. The Unemployment Expectations Index was more resilient with a slight 0.5% decline (lower readings indicate an improved outlook for unemployment). Financial indicators were mixed with commodity prices down 3.9% but the ASX up 1.3% and a further narrowing in the yield gap (the spread between 10yr bonds and 90 day bills). The signal from labour markets was weak though with total hours worked down 2.5% in April.

Westpac-MI Leading Index

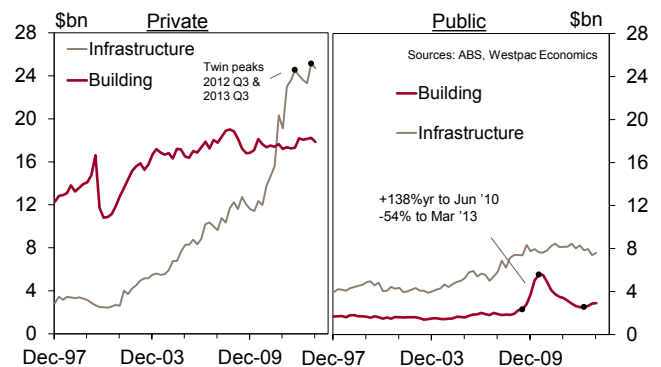


Aus Q1 construction work

May 28 Last: -1.0%, WBC f/c: -0.8%
Mkt f/c: -0.5%, Range: -3.5% to 0.0%

- Construction work remains uneven, reflective of the cross-currents impacting the economy at present.
- Total work is forecast to decline by 0.8% in Q1, reinforcing a 1.0% decline in Q4. Over the past year, work is little changed, up a forecast 1%.
- We anticipate a small decline in private sector work, following a 1.8% fall in Q4, centred on a drop in mining investment (infrastructure activity). Residential building activity, which was broadly flat in 2013, is set for a lift in 2014, with record low interest rates a strong tailwind.
- Public works are expected to edge higher, building on a 2.5% rise in Q4, as infrastructure work strengthens.

Construction work: divergent trends



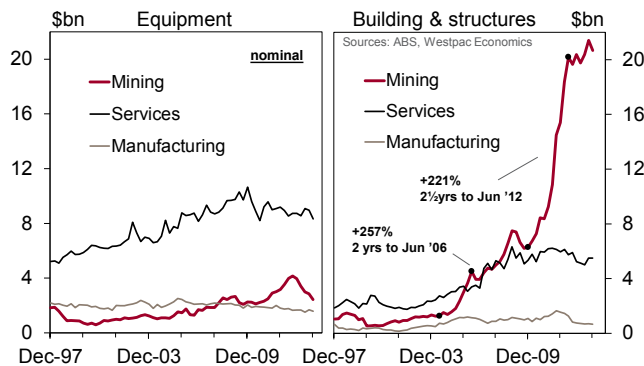
Aus Q1 capex

May 29 Last: -5.2%, WBC f/c: -1.8%

Mkt f/c: -1.9%, Range: -4.0% to -0.5%

- Business capex peaked in mid-2012, associated with the cresting of mining investment and in the wake of world growth at near 4% in 2011. Quarter to quarter movements in capex can be volatile, as evident in 2013 Q4, with a sharp 5.2% drop.
- In Q1, a partial rebound is possible, but we expect a fall, centred on a drop in the mining sector.
- Will equipment spending bounce after Q4's result of -8.6%qtr, -16.3%yr? While that is possible, firms reluctance to commit to equipment investment may have extended into Q1, accordingly we expect a broadly flat result, down 0.5%.
- Building & structures work is expected to decline, down 2%, following a 3.5% fall. Even so, activity in the quarter will be up 1% on a year earlier, reflecting a 7% lift over Q2 and Q3 2013.

CAPEX: by industry by asset



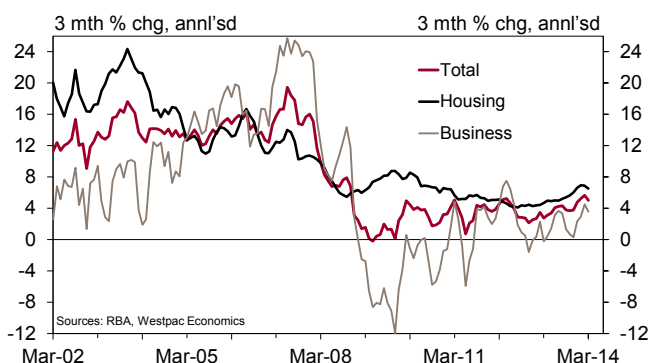
Aus Apr private credit

May 30 Last: 0.4%, WBC f/c: 0.4%

Mkt f/c: 0.4%, Range: 0.3% to 0.4%

- Credit, which gained momentum in 2013 and into 2014, is forecast to increase by 0.4% in April. That would lift annual growth to 4.5%, the strongest outcome since early 2009.
- Housing credit is forecast to rise by 0.5% in April. That would match the March result, but be a tick down from gains of 0.6% in December and January. Notably, new lending, housing finance, has consolidated over recent months.
- Business credit is expected to advance in April, building on gains of 0.5%, 0.3%, 0.4% and 0.2% over the past four months. Commercial finance has strengthened, centred on a lift in non-residential building approvals, although many firms remain focussed on paying down revolving credit facilities.

Credit momentum

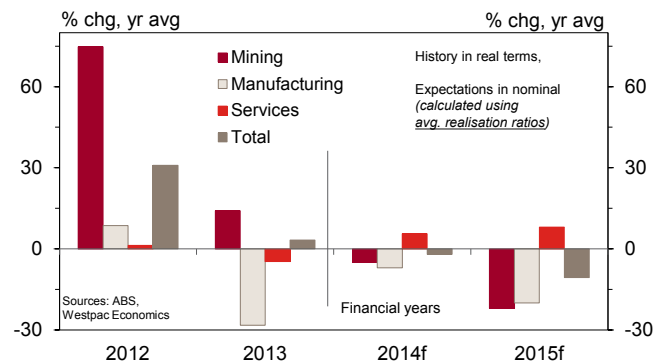


Aus capex plans, AUD bn

May 29 Last: 124.9

- This update will include Est 6 of capex plans for 2013/14 and Est 2 of 2014/15 plans. The focus is shifting to prospects for 2014/15 as the current financial year draws to a close.
- Est 1 for 2014/15 was \$124.9bn, some 17.4% lower than Est 1 for 2013/14. By industry, change on a year ago are: -25% for mining; -20% for manufacturing; and flat for services.
- Est 1 was disappointing, arguably suggesting a sharper than expected decline in mining investment and a lack of improvement by the services sectors. Central case forecasts of the RBA and Westpac anticipate a less negative outlook.
- Be warned Est 1 and Est 2 of the survey are often an unreliable guide. Also, interpretation of the survey is not straightforward. For instance, Est 1 for services sectors plans for 2014/15 implies growth of 8%, based on average realisation ratios.

CAPEX plans by industry

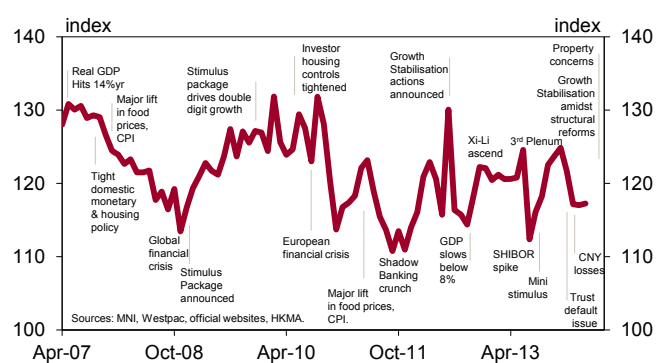


China Westpac MNI Consumer Sentiment

May 28 Last: 117.3

- This month marks the first joint release of the Westpac MNI survey. Find it on ECO CH on Bloomberg. The User Guide, which details the survey's impressive track record of leading developments in the economy at large, is on WIB IQ.
- Households have been expressing a modest degree of anxiety in the year to date, with the headline mired 3.7% below long run average from Feb to April. Both current and forward looking perceptions have been soft, in both specific (family finances) and general (business conditions) contexts. However, the flash PMI picked up in May, and the business conditions aspects of this survey are highly correlated with the business surveys.
- Household expectations for house prices will be of particular interest in the May report, given a material decline in April, and increasing concerns about the property sector at large.

Westpac MNI China CSI: an event map

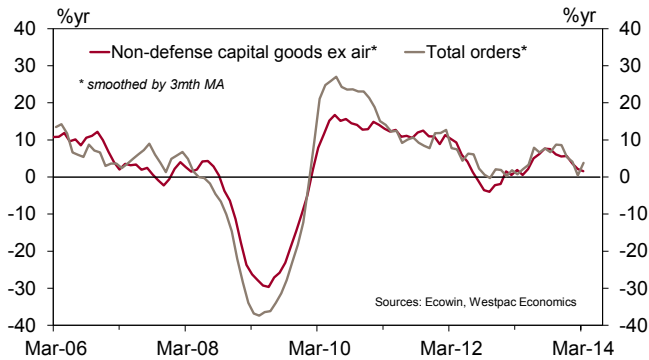


US Apr durable goods orders: weak signals

May 27, Last: 3.5%, WBC f/c: -3.0%

- DGOs rose 3.5% in March. The various indicators of underlying demand for equipment such as ex defence (1.8%) and ex transport (2.0%) posted their second or third consecutive monthly gains. Critically, core capital goods orders ex defence & aircraft rose 2.2% after falling 1.1% in Feb; shipments of same rose a further 1.0% after Feb's 0.7% rise. The recent slowdown in business investment spending may not be becoming too entrenched if this is sustained.
- But ISM factory orders have recovered less than a third of their Jan plunge and were unchanged in April. Boeing orders dived 57% to 70 aircraft in April, not usually a seasonally weak month. Auto production was flat; business equipment output was down 0.5%. These signals suggest a negative headline and some pull-back in core capital goods orders in April.

US durable goods orders



US core PCE deflator and personal income/spending

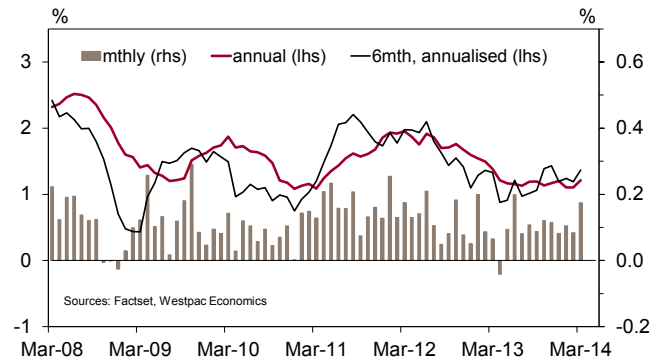
May 30, Core PCE deflator: Last: 0.2%, WBC f/c: 0.2%

May 30, Personal income: Last: 0.5%, WBC f/c: 0.2%

May 30, Personal spending: Last 0.9%, WBC f/c: 0.0%

- Personal spending rose 0.9% in March, with outlays on services posting a further gain and durables spending recovering from turn of year weakness late in the quarter to be flat in Q1 overall. Personal income rose 0.5%; the core PCE deflator rose 0.2% in March after nine months on 0.1%, although to two decimal places it was only a mild 0.17%.
- Near stalled April retail sales and falling auto sales suggests March's savings run down was not repeated, especially with household services spend due to correct lower. Personal income growth will have been constrained by flat hourly earnings, though hours worked rose 0.3%.
- The core CPI rose 0.2% in Mar and Apr and the core PCE deflator is half way there already.

US core PCE deflator



Data calendar

		Last	Market median	Westpac forecast	Risk/Comment
Mon 26					
NZ	Apr merchandise trade balance NZDmn	920	–	700	Exports past their seasonal peak but prices still favourable.
UK	Bank holiday	–	–	–	
US	Public holiday	–	–	–	Memorial Day holiday
Tue 27					
Ger	Apr retail sales	0.1%	–0.6%	–	Due for release by 31/5, tentative date. Volatile, heavily revised series.
UK	Apr mortgages £bn	45.9	–	–	BBA data covering 70% of market.
	May house prices %yr	10.9%	–	–	Tentative date for Nationwide index, due sometime this week.
US	Apr durable goods orders	2.5%	–0.7%	–3.0%	Most signals negative for orders. See text box for forecast detail.
	May services PMI (Markit) advance	55.0	–	54.0	Tracks ISM non-manufacturing better than factory PMI tracks ISM.
	Mar house prices	0.6%	0.5%	–	FHFA index.
	Mar house prices %yr	12.9%	11.9%	–	S&P Case Shiller 20 city index.
	May Conf Board consumer confidence	82.3	83.0	71.5	Weekly data suggest further slippage from multi year high in March.
	May Richmond Fed factory index	7.0	4.0	9.0	Apr saw sharp recovery from Feb-Mar weakness.
	May Dallas Fed factory index	11.7	9.0	9.0	Apr higher than at any point since early 2012.
Wed 28					
Aus	Apr Westpac–MI Leading Index	–0.09	–	–	6mth annls'd growth rate of –0.09%, after –0.15% in Feb. See textbox.
	Q1 construction work done	–1.0%	–0.5%	–0.8%	A drop in mining infrastructure work offsets a rise in residential building.
Chn	May Westpac MNI Consumer Sentiment	117.3	–	–	Growth stabilisation measures lessening household anxieties?
	Apr industrial profits %ytd	10.1%	–	–	Business surveys moved sideways in April, but excess stock reduced.
Eur	Apr money supply M3 %yr	1.1%	1.2%	–	Focus on contraction in lending, especially to SMEs in periphery.
	May business climate index	0.27	–	–	These indicators may be impacted by the latest PMIs, which
	May economic confidence	102.0	101.9	–	were mixed, and the weaker GDP result.
Ger	Jun consumer confidence	8.5	8.5	–	GfK survey labelled June but taken early May.
	Mar unemployment change , '000	–25	–15	–	Sharp declines may moderate as GDP growth slows in Q2.
UK	May CBI retail survey	30	22	–	Reported sales have swung weak-strong and back again since Nov.
Thu 29					
Aus	Q1 private new capital expenditure	–5.2%	–1.9%	–1.8%	Down in Q1, on a fall in mining sector. See textbox.
	2013/14 capex plans, AUDbn	167	–	–	Focus shifting to prospects in 2014/15.
	2014/15 capex plans, AUDbn	125	–	–	Est 1 for 2014/15 was 17.4% below Est 1 for 2013/14.
US	Q1 GDP first revision	0.1% a	–0.6%	–0.5%	Partial data for March and revisions now suggest economy contracted
	Initial jobless claims w/e 24/5, '000	326	320	–	Up 28k in past week, while continuing claims lowest since Dec 2007.
	Apr pending home sales	3.4%	1.0%	1.0%	Mar bounce from winter disruption but most of 15% decline pre snow.
Can	Q1 current account balance C\$bn	–16.0	–12.8	–	Q4 deficit widest in over a year.
	Mar average weekly earnings %ytr	2.3%	–	–	Below midpoint of 0.9%-4.4% range since 2008.
Fri 30					
NZ	Apr building consents	8.3%	–	–5.0%	Jumpy apartments and possible Easter effect to mask strong uptrend.
	May ANZ business confidence	64.8	–	–	Surveyed pricing intentions high, though actual inflation remains low.
	Apr private sector credit %yr	4.5%	–	–	Mortgage credit growth has slowed due to LVR restrictions.
Aus	Apr private sector credit	0.4%	0.4%	0.4%	Housing growth to match March outcome & business to advance.
UK	May GfK consumer confidence	–3	–2	–	Confidence at 7 year highs.
US	Apr core PCE deflator	0.2%	0.2%	0.2%	Core CPI 0.2% in Mar-Apr.
	Apr personal income	0.5%	0.3%	0.2%	Payrolls report showed hours worked up but earnings flat.
	Apr personal spending	0.9%	0.2%	0.0%	Auto sales fell in Apr and retail sales were weak.
	May Milwaukee NAPM	47.3	–	–	Much weaker in Apr than neighbouring Chicago PMI.
	May Chicago PMI	63.0	60.0	61.0	60 seems to equate to the neutral 50 level in other regional surveys.
	May UoM consumer sentiment final	81.9 a	82.8	81.0	Weekly data suggest downward revision.
	Fedspeak	–	–	–	George, Lacker and Williams.
Can	Q1 GDP % annualised	2.9%	1.8%	–	Q4 growth fastest since 2011 Q2 despite winter disruption.
	Apr industrial product prices	0.4%	–	–	Already up for 5 months running.
Sat 1					
Chn	May NBS manufacturing PMI	50.4	–	–	Flash PMI jumped sharply. Expect a gain, but a more modest one, here.

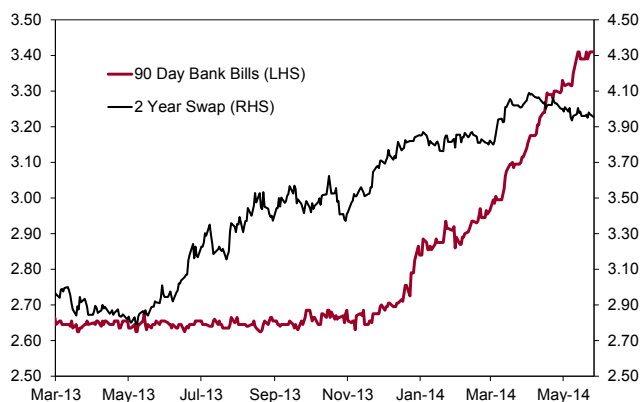


New Zealand forecasts

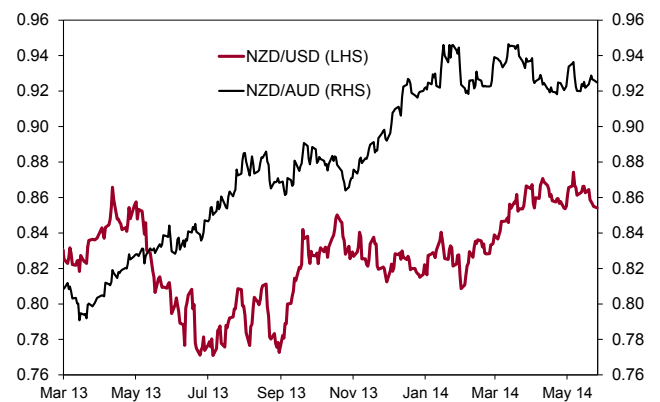
Economic Growth Forecasts	March years				Calendar years			
	2013	2014e	2015f	2016f	2012	2013	2014f	2015f
% change								
GDP (Production) ann avg	2.3	3.1	3.9	3.1	2.6	2.7	3.9	3.3
Employment	0.4	3.8	2.5	2.0	0.4	2.9	2.9	2.4
Unemployment Rate % s.a.	6.2	6.0	5.3	4.9	6.8	6.0	5.5	4.9
CPI	0.9	1.5	1.9	2.6	0.9	1.6	1.7	2.6
Current Account Balance % of GDP	-3.9	-2.9	-4.1	-4.5	-4.1	-3.4	-3.2	-4.7

Financial Forecasts	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15
Cash	3.25	3.50	3.75	3.75	4.00	4.25
90 Day bill	3.40	3.70	3.90	4.00	4.20	4.45
2 Year Swap	4.10	4.30	4.50	4.70	4.90	5.00
5 Year Swap	4.60	4.80	5.00	5.10	5.20	5.25
10 Year Bond	4.50	4.70	4.90	5.00	5.05	5.10
NZD/USD	0.86	0.86	0.85	0.84	0.84	0.84
NZD/AUD	0.93	0.94	0.94	0.93	0.91	0.90
NZD/JPY	86.9	85.5	85.0	84.8	85.7	86.5
NZD/EUR	0.62	0.63	0.63	0.63	0.62	0.62
NZD/GBP	0.50	0.50	0.50	0.48	0.46	0.45
TWI	79.9	79.9	79.9	78.9	78.3	78.1

2 Year Swap and 90 Day Bank Bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on Monday 26 May 2014

Interest Rates	Current	Two weeks ago	One month ago
Cash	3.00%	3.00%	3.00%
30 Days	3.27%	3.19%	3.17%
60 Days	3.34%	3.27%	3.24%
90 Days	3.41%	3.36%	3.30%
2 Year Swap	3.96%	3.96%	4.02%
5 Year Swap	4.40%	4.41%	4.56%

NZ foreign currency mid-rates as at Monday 26 May 2014

Exchange Rates	Current	Two weeks ago	One month ago
NZD/USD	0.8542	0.8626	0.8577
NZD/EUR	0.6270	0.6272	0.6197
NZD/GBP	0.5074	0.5122	0.5106
NZD/JPY	87.10	87.90	87.63
NZD/AUD	0.9249	0.9214	0.9247
TWI	79.79	80.12	79.76

Economic and Financial Forecasts

Economic Forecasts (Calendar Years)	2010	2011	2012	2013	2014f	2015f
Australia						
Real GDP % yr	2.2	2.6	3.6	2.4	3.0	3.0
CPI inflation % annual	2.8	3.0	2.2	2.7	2.5	2.6
Unemployment %	5.2	5.2	5.3	5.8	6.2	5.9
Current Account % GDP	-3.5	-2.8	-4.1	-2.9	-2.5	-1.2
United States						
Real GDP %yr	2.5	1.8	2.8	1.9	1.8	2.5
Consumer Prices %yr	1.6	3.1	2.1	1.5	1.6	1.6
Unemployment Rate %	9.6	8.9	8.1	7.4	6.5	5.9
Current Account %GDP	-3.0	-2.9	-2.7	-2.3	-2.7	-2.6
Japan						
Real GDP %yr	4.9	-0.3	1.5	1.5	1.3	1.3
Euroland						
Real GDP %yr	2.0	1.6	-0.7	-0.4	0.9	1.0
United Kingdom						
Real GDP %yr	1.7	1.1	0.3	1.8	2.6	2.1
China						
Real GDP %yr	10.4	9.3	7.7	7.7	7.2	7.6
East Asia ex China						
Real GDP %yr	7.8	4.4	4.0	4.0	4.2	5.0
World						
Real GDP %yr	5.2	3.9	3.2	3.0	3.1	3.7
Forecasts finalised 9 May 2014						

Interest Rate Forecasts	Latest	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15
Australia						
Cash	2.50	2.50	2.50	2.50	2.50	2.50
90 Day Bill	2.71	2.60	2.55	2.55	2.55	2.65
10 Year Bond	3.80	3.90	4.00	4.10	4.30	4.50
International						
Fed Funds	0.125	0.125	0.125	0.125	0.125	0.125
US 10 Year Bond	2.55	2.60	2.70	2.80	3.00	3.20
ECB Repo Rate	0.25	0.25	0.25	0.25	0.25	0.25

Exchange Rate Forecasts	Latest	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15
AUD/USD	0.9240	0.92	0.91	0.90	0.90	0.92
USD/JPY	101.80	101	100	100	101	102
EUR/USD	1.3640	1.38	1.36	1.34	1.34	1.35
AUD/NZD	1.0790	1.06	1.06	1.06	1.07	1.10

Westpac economics team contact details

Dominick Stephens, Chief Economist
+64 9 336 5671

Michael Gordon, Senior Economist
+64 9 336 5670

Felix Delbrück, Senior Economist
+64 9 336 5668

Anne Boniface, Senior Economist
+64 9 336 5669

Any questions email:
economics@westpac.co.nz

For email address changes contact:
WNZResearch@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: Each time someone visits our site, data is captured so that we can accurately evaluate the quality of our content and make improvements for you. We may at times use technology to capture data about you to help us to better understand you and your needs, including potentially for the purposes of assessing your individual reading habits and interests to allow us to provide suggestions regarding other reading material which may be suitable for you.

If you are located in Australia, this material and access to this website is provided to you solely for your own use and in your own capacity as a wholesale client of Westpac Institutional Bank being a division of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 ('Westpac'). If you are located outside of Australia, this material and access to this website is provided to you as outlined below.

This material and this website contain general commentary only and 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 and this website 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 and this website 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. The forecasts given in this material and this website 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.

Transactions involving carbon give rise to substantial risk (including regulatory 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. Statements setting out a concise description of the characteristics of carbon units, Australian carbon credit units and eligible international emissions units (respectively) are available at www.cleanenergyregulator.gov.au as mentioned in section 202 of the Clean Energy Act 2011, section 162 of the Carbon Credits (Carbon Farming Initiative) Act 2011 and section 61 of the Australian National Registry of Emissions Units Act 2011. You should consider each such statement in deciding whether to acquire, or to continue to hold, any carbon unit, Australian carbon credit unit or eligible international emissions unit.

Additional information if you are located outside of Australia

New Zealand: The current disclosure statement for the New Zealand division of Westpac Banking Corporation ABN 33 007 457 141 or Westpac New Zealand Limited can be obtained at the internet address www.westpac.co.nz. Westpac Institutional Bank products and services are provided by either Westpac Banking Corporation ABN 33 007 457 141 incorporated in Australia (New Zealand division) or Westpac New Zealand Limited. For further information please refer to the Product Disclosure Statement (available from your Relationship Manager) for any product for which a Product Disclosure Statement is required, or applicable customer agreement. Download the Westpac NZ QFE Group Financial Advisers Act 2008 Disclosure Statement at www.westpac.co.nz.

China, Hong Kong, Singapore and India: 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 activity.

Westpac Shanghai and Beijing Branches hold banking licenses and are subject to supervision by the China Banking Regulatory Commission (CBRC). Westpac Mumbai Branch holds a banking license from Reserve Bank of India (RBI) and subject to regulation and supervision by the RBI.

Disclaimer continued overleaf.



Disclaimer continued

U.K.: Westpac Banking Corporation is registered in England as a branch (branch number BR000106), and is authorised and regulated by the Australian Prudential Regulatory Authority in Australia. WBC is authorised in the United Kingdom by the Prudential Regulation Authority. WBC is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority in the United Kingdom. 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 material and this website and any information contained therein is directed at a) persons who have professional experience in matters relating to investments falling within Article 19(1) of the Financial Services Act 2000 (Financial Promotion) Order 2005 or (b) high net worth entities, and other persons to whom it may otherwise be lawfully communicated, falling within Article 49(1) of the Order (all such persons together being referred to as “relevant persons”). The investments to which this material and this website 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 material and this website or any of its contents. In the same way, the information contained in this material and this website is intended for “eligible counterparties” and “professional clients” as defined by the rules of the Financial Services Authority and is not intended for “retail clients”. With this in mind, Westpac expressly prohibits you from passing on the information in this material and this website to any third party. In particular this material and this website, website content and, in each case, any copies thereof may not be taken, transmitted or distributed, directly or indirectly into any restricted jurisdiction.

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. 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.

For the purposes of Regulation AC only: Each analyst whose name appears in this report certifies that (1) the views expressed in this report accurately reflect the personal views of the analyst about any and all of the subject companies and their securities and (2) no part of the compensation of the analyst was, is, or will be, directly or indirectly related to the specific views or recommendations in this report.

