



TTeke

Weekly Economic Commentary.

Two wrongs make a right.

New Zealand has managed to escape with just a brief period of lockdown to deal with the most recent community cases of Covid-19. With that, the economic focus turns back to the broader picture, where domestic activity has had a strong rebound, but the loss of overseas visitors continues to weigh on a substantial portion of the economy.

Last week the Covid Alert Level was raised to level 3 in Auckland and level 2 in the rest of the country, after the discovery of three community cases from an as-yet unknown source. With the evidence suggesting that the spread of this infection was contained, the Alert Level has now been lowered to level 2 in Auckland (which still requires physical distancing) and level 1 elsewhere.

Based on previous experience, we've estimated that at the higher alert levels around 6% of economic activity is prevented from happening. But this greatly overstates the overall cost, as much of the 'missing' spending is either delayed or diverted to other areas.

With this immediate risk to the recovery out of the way, the focus comes back on the broader economic picture. As we note in our latest quarterly *Economic Overview*, activity has bounced back strongly from last year's lockdown, but the

shock to the economy is not over yet. We expect growth to be patchy over the coming year while the international border remains closed, and the absence of overseas tourists will be felt particularly keenly over the summer months.

Some of the recent data has highlighted the size of this hole in the economy. Spending on credit and debit cards has dropped over the last four months, though it's still up on year-ago levels. We've also seen the Performance of Services Index drop below 50 (signalling a contraction) for the last three months. This survey includes the tourism and hospitality sectors, but covers a range of other service industries as well.

The loss of international tourism will continue to shine through until around March; we're expecting GDP to shrink by 0.7% over the December and March quarters. This doesn't constitute a second recession – it's still the same downturn that began in March last year, along with a disruption to the



usual seasonal patterns in activity. In fact, after the summer dip in GDP we expect to see very strong growth in the June quarter, because the usual outflow of people from the country won't occur this year.

With tourism out of action for now, economic growth over the next year will inevitably be driven by domestic forces, with household spending likely to take the lead. One key source of support for households is the strength in house prices, which typically have a strong link to consumer spending growth in New Zealand.

REINZ figures for January showed that house prices continued to surge higher. The rate of increase has slowed a little, but from a pace that was unsustainable – prices rose 9.5% over the last three months of 2020, the fastest increase on record. We're forecasting a further 17% rise in prices over 2021, on the back of continued low mortgage rates.

Export earnings are another important source of support. This year the agricultural sector looks set to cash in on its previous resilience, with firming demand in our key export markets and rising commodity prices. Dairy prices saw a 3% rise in the latest GlobalDairyTrade auction, making it the seventh consecutive increase. Log export prices have also rebounded to close to pre-Covid levels, supported by strong construction activity in China.

The key event this week is the Reserve Bank's *Monetary Policy Statement*. The economic backdrop has changed substantially since their last review more than three months ago. Relative to the RBNZ's forecasts, GDP has proved stronger, inflation higher, unemployment lower, and export commodity prices better. House prices are shooting through the roof when the RBNZ expected the market to slow. And inflation expectations have risen back to around the 2% mid-point of the target range. That suggests much less need for monetary stimulus than the RBNZ thought back in November.

At the same time, the RBNZ will have to acknowledge that its recent measures have produced less stimulus than hoped. In November it introduced a Funding for Lending Programme (FLP) for banks, aimed at driving bank lending rates lower. However, lending rates have barely budged since then.

Put together, it appears that two wrongs have made a right – the RBNZ hasn't been able to provide the stimulus that it thought was needed, but the stronger economy means that that additional stimulus isn't necessary.

The key for the RBNZ is that while policy settings are about right, they will need to remain in place for some time. Financial markets here and elsewhere are turning towards 'reflation' trades – for instance, long-term government bond yields have risen sharply from their lows over the last few months, driven largely by a rise in inflation expectations. With that has come speculation about when central banks will start to withdraw stimulus. We think this discussion is premature.

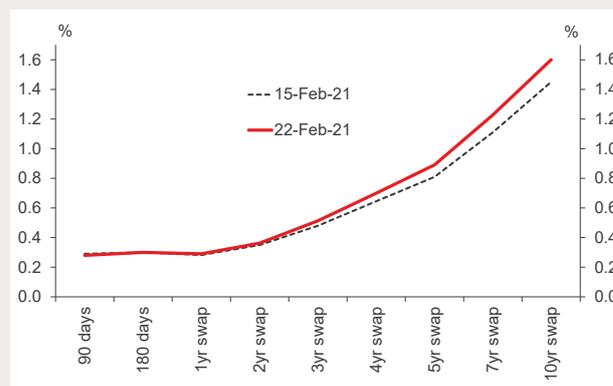
In New Zealand we've recently seen inflation surprise to the upside, and we expect it to reach 2.5% by the June quarter this year. However, we don't think this will last. Covid-related disruptions have led to some price increases for imported goods, but we don't expect this to translate into sustained inflation – indeed, prices are likely to ease again as the disruptions fade. Meanwhile, a stronger New Zealand dollar will weigh on import prices over the coming year. By the middle of next year, we expect annual inflation to have dropped back to 0.8%.

That suggests the RBNZ is under no pressure to start removing stimulus. We expect the OCR to remain at its current level until early 2024.

Fixed vs Floating for mortgages.

We now think that the RBNZ's OCR reduction cycle is over. If that is correct, there will be a period of relative stability in both fixed and floating mortgage rates ahead. Also, if there are no further OCR cuts then locking in a longer term mortgage rate, from three to five years, may prove less expensive for borrowers than taking a short-term rate now and refinancing later.

NZ interest rates



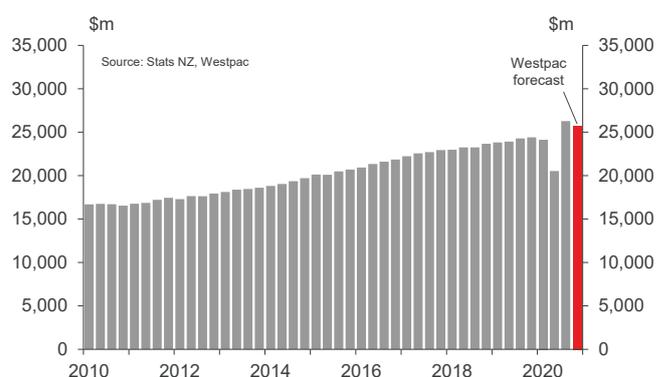
The week ahead.

NZ Q4 retail spending

Feb 23, Last: +28.0%, WBC f/c: -2.0%, Market -0.5%

- Retail sales rebounded in the September quarter, rising by 28% following the winding back of Covid-related restrictions on activity. There were particularly large increases in spending on vehicles, as well as strong spending on household durables. Strength in those areas more than offset the ongoing softness in spending on hospitality.
- We expect a 2% pull back in spending through the December quarter. For the most part, that reflects a normalisation in spending on vehicles. However, monthly spending gauges indicate that New Zealanders have continued to spend up on household durables, in part due to the continued restrictions on international travel.

NZ quarterly real retail sales

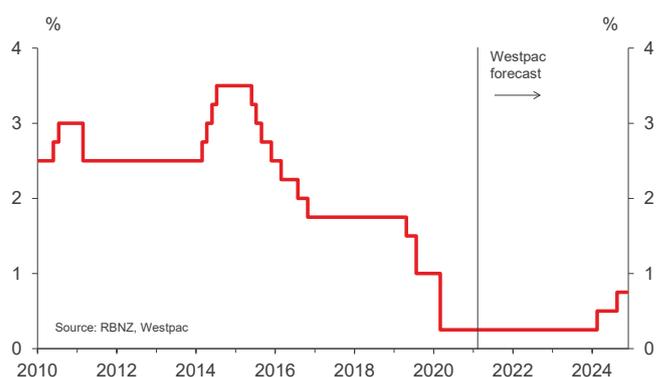


NZ RBNZ monetary policy decision

**Feb 24, Official Cash Rate: 0.25%,
Westpac f/c: 0.25%, Market 0.25%**

- We expect that the Reserve Bank will strike a more constructive note on the economy, with no further changes to monetary policy settings.
- The RBNZ will acknowledge that there is now much less need for monetary stimulus than it thought back in its November review. GDP, inflation, employment and commodity prices have been stronger than forecast, and house prices are shooting through the roof.
- However, the RBNZ will also note that its recent measures, including the Funding for Lending Programme for banks, have provided less stimulus than hoped. The net result is that current policy settings are appropriate for the economy, but will need to be held in place for some time.

RBNZ Official Cash Rate



NZ Feb ANZ Business Outlook survey (final)

Feb 25, Own activity Feb prelim: 22.3

- The preliminary results of the February business outlook survey revealed small increases in both business confidence and expectations for activity over the coming months. Gauges of business conditions are now back around average levels.
- We don't expect much change in the headline figures when the final results of the February survey are released. However, the sectoral breakdown of the results will be of interest. While sectors like construction are booming, the services sector is being weighed down by the lack of international tourist dollars.
- It will also be worth watching the gauges of pricing intentions which have spiked higher in early 2021. We'll be looking to see if these pressures are concentrated in the retail sector or if they are becoming more widespread.

NZ business confidence



The week ahead.

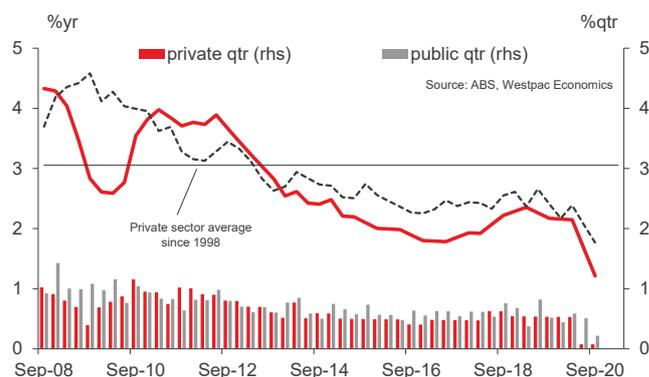
Aus Q4 wage price index

Feb 24, Last: 0.1%, WBC f/c: 0.3%

Mkt f/c: 0.3%, Range: 0.1% to 0.4%

- The COVID shock was quite unique in that not only did wage inflation moderate broadly and rapidly across the economy there were also reported falls in hourly wage rates in a number of sectors.
- The Wage Price Index (WPI) lifted 0.1% in September, spot on Westpac's forecast. It was in fact a soft 0.1% at 0.07%.
- Private wages lifted 0.1% following on from a 0.1%qtr rise in the June quarter with the annual pace falling to 1.2%yr from 1.4%yr. The recent peak was 2.4%yr in March 2019. One promising sign, private sector wages in Victoria were flat in September, they fell -0.1% in the June quarter.
- Again in September a number of sectors reported outright declines in hourly wage rates. With the recovery gathering momentum through December we see less scope for further declines in wage rates.

Private sector wages collapse



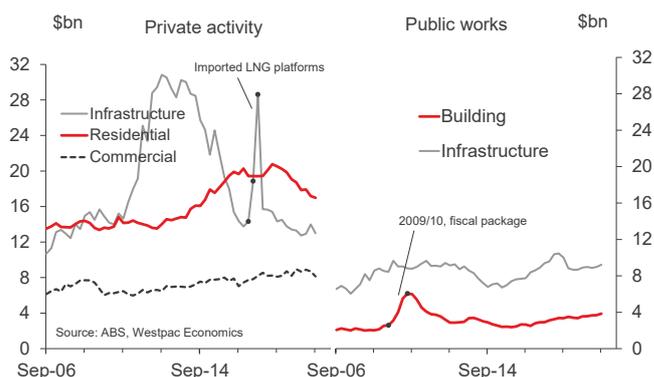
Aus Q4 construction work

Feb 24, Last: -2.6%, WBC f/c: 0.7%

Mkt f/c: 1.0%, Range: -1.1% to 5.0%

- During 2020, the construction sector was relatively resilient despite the disruptions and the turmoil. For Q4, we anticipate a rise of 0.7%, which would see work down by only 0.6% for the year.
- The strength in Q4 will be centred on housing and public works. Private commercial building and infrastructure will likely fall, reflecting sharp drops in approvals.
- Public works, 25% of the total, are forecast to rise by 2% in Q4 and to be 6% higher than a year ago. Governments have, to some degree, accelerated works during this period.
- The housing sector bust pre-Covid has swung to a strong surge, ignited by cheap credit and government incentives - ignoring a stalling of population growth. Home building and renovations are set for strong gains in Q4 and beyond.

Construction work: by segment



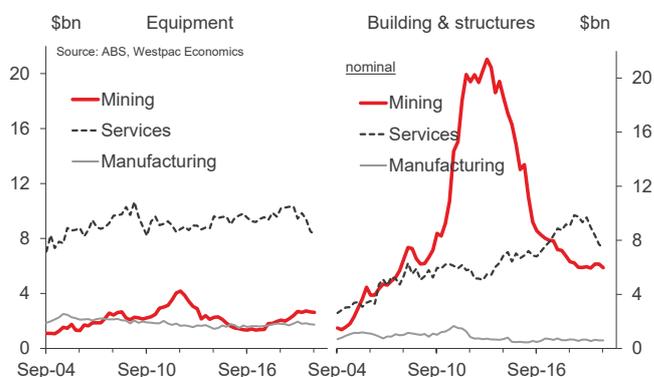
Aus Q4 private business capex

Feb 25, Last: -3.0%, WBC f/c: -1.8%

Mkt f/c: -0.3%, Range: -2.0% to 5.0%

- Private business capex contracted sharply in 2020 as a result of the covid recession - as is typical of recessions. The mix of weaker demand, uncertainty and emerging excess capacity are all significant negatives for business investment.
- Capex slumped in Q3, falling by -3%qtr, -13.8%yr. This included a -3.7%qtr, -15%yr for building & structures (B&S) and a -2.2%qtr, -12.3%yr in equipment
- More of the same is likely in Q4, with capex a forecast -1.8%.
- Our Q4 forecast factors in a -2.2% for B&S, with downside risks given the sharp declines in approvals and commencements.
- We anticipate a -1.5% for equipment - with uncertainty in both directions. Businesses are upbeat, uncertainty has decreased and supply lines have improved - however, for most, excess capacity remains.

CAPEX: by industry by asset



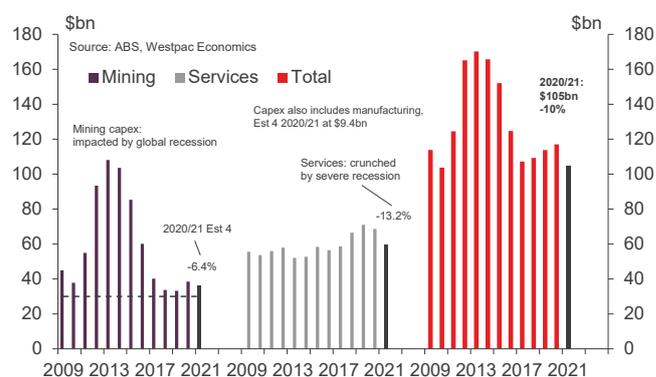
The week ahead.

Aus 2020/21 & 2021/22 capex plans

Feb 25

- Business capex will decline in 2020/21, hit by the recession.
- Est 4 for 2020/21 was \$105bn, -12.6% below Est 4 a year ago. That Est 4 figure will be revised to around \$115bn, with the ABS expanding the industry coverage of the survey in this update - including education and health.
- The recovery in general activity conditions from mid-2020 and into 2021 will lead to a recovery in business investment as well. The question is timing. An immediate bounce in business investment is unlikely in our view (construction approvals are down sharply and there is excess capacity). We see an upturn more likely in 2021/22.
- This update will include Est 5 for 2020/21, as well as Est 1 for 2021/22 (with the initial estimate often unreliable). An Est 5 of \$119bn is arguably plausible - that's a 3% upgrade on Est 4 and some -9% vs Est 5 a year ago.

Capex plans, by industry: Estimate 4

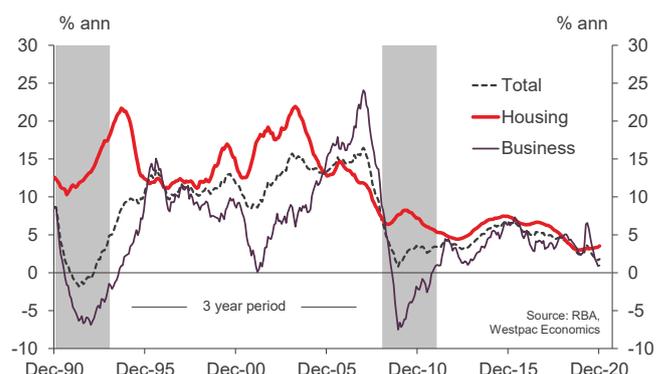


Aus Jan private credit

Feb 26, Last: 0.3%, WBC f/c: 0.2%
Mkt f/c: 0.3%, Range: 0.1% to 0.5%

- Credit expanded by 0.3% in December to be 1.8% higher over the year. That is an improvement on the 7-month period April to October, when credit was either flat or fell - with a cumulative decline of 0.4% over the period.
- Housing credit grew by 4.3% annualised over the past three months, up from a mid-year low of 2.8% annualised. New lending is surging, in response to cheap credit and government incentives to build new homes.
- Business credit is contracting, down for 7 consecutive months to November. Near-term, further modest falls are likely, given an overhang of excess capacity. That said, the December result surprised, printing a small rise, +0.2%.

Credit: annual growth slows to 1.8%

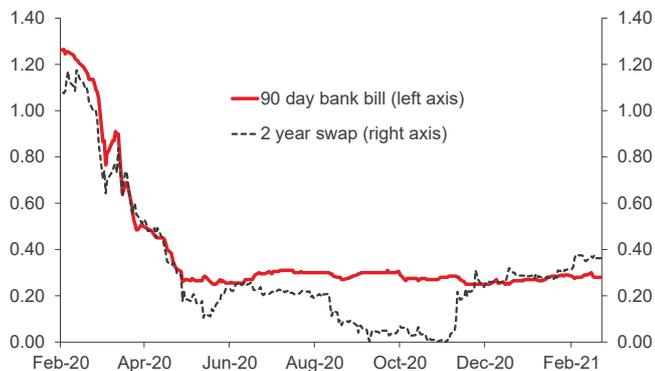


New Zealand forecasts.

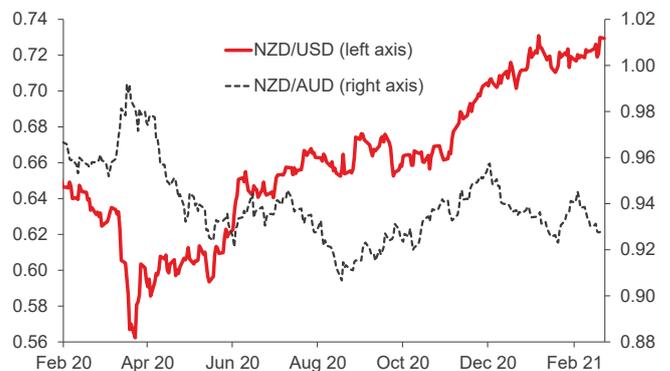
Economic forecasts	Quarterly				Annual			
	2020	2021						
% change	Sep (a)	Dec	Mar	Jun	2019	2020f	2021f	2022f
GDP (Production)	14.0	-0.7	0.0	1.9	2.3	-2.8	4.5	3.8
Employment	-0.7	0.6	-0.1	0.2	1.3	0.7	1.0	3.0
Unemployment Rate % s.a.	5.3	4.9	5.0	5.1	4.1	4.9	4.9	4.2
CPI	0.7	0.5	0.8	0.6	1.9	1.4	1.9	0.9
Current Account Balance % of GDP	-0.8	-0.8	-1.1	-1.8	-3.3	-0.8	-2.7	-2.8

Financial forecasts	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22
Cash	0.25	0.25	0.25	0.25	0.25	0.25
90 Day bill	0.30	0.30	0.30	0.30	0.30	0.30
2 Year Swap	0.35	0.35	0.35	0.40	0.45	0.50
5 Year Swap	0.90	0.90	0.95	1.00	1.10	1.20
10 Year Bond	1.60	1.65	1.75	1.85	1.95	2.05
NZD/USD	0.73	0.74	0.75	0.76	0.78	0.78
NZD/AUD	0.94	0.94	0.94	0.93	0.92	0.92
NZD/JPY	75.9	77.0	78.0	79.0	81.9	81.9
NZD/EUR	0.60	0.60	0.60	0.61	0.62	0.61
NZD/GBP	0.53	0.54	0.54	0.55	0.55	0.55
TWI	75.5	75.9	76.2	76.5	77.6	77.4

2 year swap and 90 day bank bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on 22 February 2021

Interest rates	Current	Two weeks ago	One month ago
Cash	0.25%	0.25%	0.25%
30 Days	0.26%	0.26%	0.26%
60 Days	0.27%	0.27%	0.28%
90 Days	0.28%	0.28%	0.29%
2 Year Swap	0.36%	0.38%	0.31%
5 Year Swap	0.89%	0.85%	0.64%

NZ foreign currency mid-rates as at 22 February 2021

Exchange rates	Current	Two weeks ago	One month ago
NZD/USD	0.7294	0.7221	0.7190
NZD/EUR	0.6022	0.5993	0.5914
NZD/GBP	0.5204	0.5255	0.5251
NZD/JPY	76.87	75.97	74.56
NZD/AUD	0.9279	0.9378	0.9305
TWI	75.55	75.19	74.69

Data calendar.

		Last	Market median	Westpac forecast	Risk/Comment
Mon 22					
US	Jan Chicago Fed activity index	0.52	-	-	Positive read indicates growth above trend.
	Jan leading index	0.3%	0.3%	-	New orders, stock prices & building permits major drivers.
	Feb Dallas Fed index	7	-	-	Recovery cooled in January; update on company outlook.
	Fedspeak	-	-	-	FOMC's Bowman to discuss economic inclusion.
Tue 23					
NZ	Q4 real retail sales	28.0%	-0.5%	-2.0%	Pullback in vehicles, other durables spending still firm.
UK	Dec ILO unemployment rate	5.0%	5.2%	-	The furlough scheme continues to hold back job losses.
US	Dec FHFA house prices	1.0%	-	-	The property market remains on a tear...
	Dec S&P/CS home price index	1.4%	-	-	... as families seek space & supply constraints boost prices.
	Feb consumer confidence index	89.3	90.0	-	Fiscal supportive, but weak income expectations are a drag.
	Feb Richmond Fed index	14	-	-	New orders eased in Jan, but employment is expanding.
	Fed Chair Powell	-	-	-	To deliver semi-annual monetary policy report.
Wed 24					
NZ	RBNZ policy decision	0.25%	0.25%	0.25%	Policy settings on hold as economy outperforms.
Aus	Q4 wage cost index	0.1%	0.3%	0.3%	Lift due to temporary wage cuts being reversed.
	Q4 construction work done	-2.6%	1.2%	0.7%	Public up again. Housing set to rise. Private non-res down.
US	Jan new home sales	1.6%	2.0%	-	New sales near 10yr high; affordability a potential drag.
	Fedspeak	-	-	-	Powell, Brainard and Clarida.
	Fed Vice Chair Clarida				Virtual event hosted by AmCham Australia & ABE.
Thu 25					
NZ	Feb ANZ business confidence	22.3	-	-	Overall activity has firmed, but uneven across sectors.
Aus	Q4 private new capital expenditure	-3.0%	-0.3%	-1.8%	Falls across building & structures and equipment.
	2020/21 capex plans, AUDbn	-	-	-	Est 4 was -10% vs Est 4 yr ago.
Eur	Jan M3 money supply %yr	12.3%	-	-	Accommodative conditions will buoy money supply growth.
	Feb economic confidence	91.5	-	-	Lockdowns and slow vaccine rollout a damper.
US	Jan durable goods orders	0.5%	1.3%	-	Flash GDP pointed to robust business investment.
	Initial jobless claims	861k	-	-	Recent lift in claims shows how much healing is needed.
	Q4 GDP	4.0%	4.1%	4.2%	Second estimate to confirm advance read.
	Jan pending home sales	-0.3%	-	-	Elevated prices beginning to crimp sales.
	Feb Kansas City Fed index	17	-	-	Strong momentum in orders and employment component.
	Fedspeak	-	-	-	Bostic, Bullard, Quarles, Williams.
Fri 26					
NZ	Feb ANZ consumer confidence	113.8	-	-	Consumer confidence has been on the rise.
	Jan trade balance \$m	17	-	-630	Pullback in export volumes for the month.
Aus	Jan private sector credit	0.3%	0.3%	0.2%	Housing upswing, off low base, business soft.
US	Jan personal income	0.6%	10.0%	11.0%	Stimulus to drive strong income gain in Jan.
	Jan personal spending	-0.2%	0.7%	1.0%	Retail was very strong; report will guide on services.
	Jan core PCE deflator	0.3%	0.1%	0.1%	Inflation pressures very soft.
	Jan wholesale inventories	0.3%	-	-	Inventories to continue adding to growth.
	Feb Chicago PMI	52.4	-	-	Conditions firming across all components, bar jobs.

International forecasts.

Economic Forecasts (Calendar Years)	2017	2018	2019	2020f	2021f	2022f
Australia						
Real GDP %/yr	2.4	2.8	1.9	-2.6	4.2	3.3
CPI inflation %/yr	1.9	1.8	1.8	0.9	2.6	2.2
Unemployment rate %	5.5	5.0	5.2	6.8	6.0	5.3
Current account % of GDP	-2.6	-2.1	0.7	2.4	1.9	-0.1
United States						
Real GDP %/yr	2.3	3.0	2.2	-3.5	4.4	4.5
CPI inflation %/yr	2.1	2.4	1.9	1.1	1.8	1.9
Unemployment rate %	4.4	3.9	3.7	8.1	5.7	4.5
Current account % of GDP	-2.3	-2.3	-2.6	-2.5	-2.4	-2.4
Japan						
Real GDP %/yr	2.2	0.3	0.7	-5.5	2.5	2.2
Euro zone						
Real GDP %/yr	2.6	1.8	1.3	-6.8	4.0	3.5
United Kingdom						
Real GDP %/yr	1.9	1.3	1.5	-10.5	5.0	5.5
China						
Real GDP %/yr	6.9	6.8	6.1	2.3	10.0	5.7
East Asia ex China						
Real GDP %/yr	4.7	4.4	3.7	-2.6	5.2	5.0
World						
Real GDP %/yr	3.8	3.5	2.8	-3.2	5.8	4.6

Forecasts finalised 5 February 2021

Interest rate forecasts	Latest	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Dec-22
Australia								
Cash	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
90 Day BBSW	0.01	0.02	0.02	0.02	0.02	0.04	0.06	0.10
10 Year Bond	1.42	1.50	1.60	1.75	1.90	2.05	2.20	2.50
International								
Fed Funds	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
US 10 Year Bond	1.29	1.40	1.50	1.65	1.80	1.95	2.10	2.40

Exchange rate forecasts	Latest	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Dec-22
AUD/USD	0.7771	0.78	0.79	0.80	0.82	0.85	0.85	0.82
USD/JPY	105.59	106	106	106	106	107	107	107
EUR/USD	1.2092	1.22	1.23	1.24	1.25	1.26	1.27	1.28
GBP/USD	1.3963	1.39	1.40	1.40	1.41	1.41	1.41	1.42
USD/CNY	6.4704	6.45	6.35	6.25	6.20	6.15	6.10	6.00
AUD/NZD	1.0762	1.07	1.07	1.07	1.08	1.09	1.09	1.09

Contact the Westpac economics team.

Dominick Stephens, Chief Economist

+64 9 336 5671

Michael Gordon, Senior Economist

+64 9 336 5670

Satish Ranchhod, Senior Economist

+64 9 336 5668

Nathan Penny, Senior Agri Economist

+64 9 348 9114

Paul Clark, Industry Economist

+64 9 336 5656

Any questions email:

economics@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. 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 QF Group Financial Advisers Act 2008 Disclosure Statement at 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. BR00106), 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 of 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.