



Spring Lupines, Lake Tekapo

## In this issue

Fixed vs floating	2
The week ahead	3
Data calendar	5
New Zealand forecasts	6
International forecasts	7

## Taking a back seat

---

In the July OCR review, the Reserve Bank gave a clear reminder that the next move in the cash rate will be up – though just not this year. We expect that Thursday’s *Monetary Policy Statement* will largely elaborate on that view. The recently announced home loan restrictions will complicate the mix, but we think the Reserve Bank will recognise that the non-housing aspects of the economy are increasingly making the case for interest rate hikes too.

For much of the last year, monetary policy has been stuck between a rock and a hard place. The high and rising exchange rate had pushed current inflation below the 1-3% target range, but the improving domestic economy and rapid house price growth threatened to generate inflation over the medium term.

What’s more, the RBNZ had made some fairly strong assumptions about the inflation process: that the Canterbury rebuild would be orderly, rather than inflationary as past construction booms have been; that consumers would respond more cautiously to rising house prices than they have in the past; that the housing market would cool of its own accord as more supply came on tap; and that the exchange rate would remain at a high level.

By the July OCR review, it was apparent that all of those assumptions were being challenged. The June quarter CPI raised a red flag around construction-related inflation, which was up sharply across the whole of New Zealand, rather than just Canterbury. Clear evidence has emerged to show that households are indeed leveraging up and spending on the back of house price inflation. Housing construction has picked up in response to rising prices, but the pace remains inadequate to meet demand. And instead of remaining high, the trade-weighted exchange rate has fallen almost 5% below the RBNZ’s June projections. Consequently, the July review statement introduced an explicit tightening ‘bias’ statement for the first time since late 2011:

“Although the removal of monetary stimulus will likely be needed in the future, we expect to keep the OCR unchanged through the end of this year.”

# Taking a back seat continued

Event since then have, on balance, supported that shift in tone. The general tone of domestic economic data has probably been even stronger than the RBNZ's already upbeat forecasts. The dairy industry now seems likely to pull in bumper incomes this year. And the RBNZ's survey of expected inflation in two years' time saw an unusually large jump from 2.1% to 2.4% in the latest quarter.

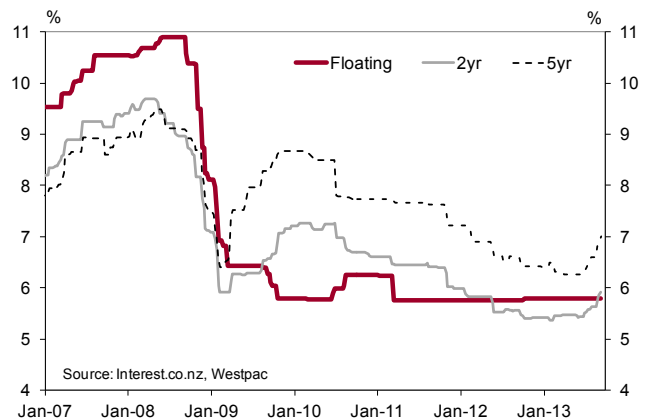
The new twist is the recently announced speed limits on high loan-to-value ratio mortgage lending, which will be formally incorporated into the RBNZ's forecasts for the first time in the September MPS – though there's good reason to suspect that the RBNZ had already made its decision by the time of the July OCR review.

In its regulatory impact assessment of these restrictions, the RBNZ suggested that they could knock 1 to 4 percentage points off the rate of house price growth in the first year after they were applied. On its own, that would warrant a modest downward revision of the RBNZ's interest rate projections – though probably not enough to offset the other recent factors that point to a higher interest rate track. That said, the actual impact of these rules is highly uncertain – and will probably be even more disruptive in the near term than over the longer term – so we suspect that the prudent response will be to wait and see what happens before committing to a change in monetary policy.

Ironically, the loan-to-value ratio restrictions come at a time when there are other forces that could be even more potent in bringing balance to the housing market. The first is that higher prices may finally be bringing more supply onto the market. Figures from a major agency in the Auckland region showed a strong rise in listings in August, which in turn may have helped to relieve some of the burden of adjustment from prices (though these were still up more than 9% on a year earlier). We'll be interested to see if this is replicated in the nationwide REINZ figures, which could be published this week.

The second factor is that fixed-term interest rates have risen substantially in the last few months – driven by both a global uptrend in interest rates as the US central bank has signalled a shift away from quantitative easing, and a growing recognition that the OCR is likely to rise from next year. We've long been emphasising the dominant role that interest rates play in the

Average advertised mortgage rates



demand for housing, so it would be remiss of us to ignore the possibility that recent movements in mortgage rates could have a substantial dampening effect.

The data releases over the last week won't have made the cut-off for the RBNZ's economic forecasts, but they could certainly inform the discussion. The bottom line is that they reinforce the sense that June quarter GDP is likely to be another soft one – we are currently forecasting a 0.4% increase, with the effects of the drought expected to knock around 0.5 percentage points off the rate of growth.

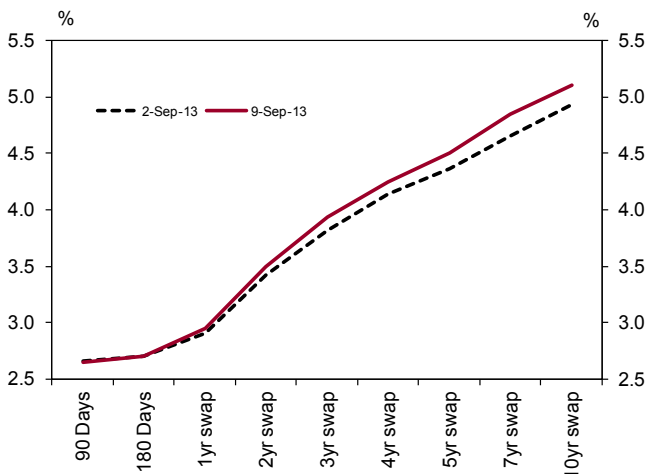
Building activity in the June quarter was softer than we expected, although we put this down to volatility in the timing of work done; monthly building consents certainly don't suggest any showing in the pipeline of work. Wholesale trade was also on the weak side with a 1.5% fall in nominal sales. And the terms of trade highlighted that export volumes were very weak as a result of the drought. Today's manufacturing survey is the last major data point before we finalise our GDP forecast – we expect that weakness in meat and dairy processing will more than offset gains in ex-food manufacturing.

## Fixed vs Floating for mortgages

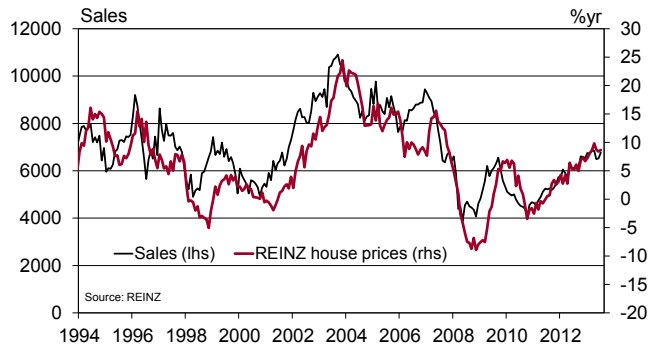
We are now indifferent between fixing and floating. In our view, interest rate markets are now "fairly priced". We expect short-term rates to rise substantially over the next three years. The level of long-term fixed rates, which are higher than short-term rates, is in tune with that expectation. This means we can discern no obvious interest rate advantage in any particular term. The choice really comes down to individual circumstances and preferences.

From early 2012 until last week, we preferred longer-term fixed mortgage rates. At the time, longer-term fixed rates were only slightly higher than floating rates. However, the sharp rise in fixed rates over recent weeks has effectively extinguished the recommendation to fix.

NZ interest rates



## REINZ house prices and sales

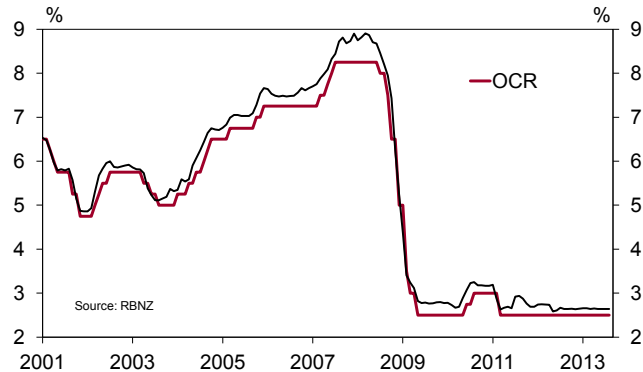


### NZ Aug REINZ house prices and sales

Sep 9-13 (tbc), Sales last: 3.8%, Prices last: 8.6%/yr

- House prices rose 0.5% in seasonally adjusted terms in July, lifting the annual growth rate slightly to 8.6%. Annual house price inflation has been around the 8-9% mark for the last six months.
- While sales ticked up in July, they appear to have stalled since the start of the year. Supply may be the constraining factor, with the stock of unsold homes falling to fresh record lows on a monthly basis. However, there are recent signs that higher prices are helping to induce more new listings.
- As of July, there was little evidence that housing demand was cooling of its own accord. That picture could well change in coming months: the RBNZ's new restrictions on high loan-to-value ratio home loans is likely to have some disruptive effect, at least in the short term, but the substantial rise in fixed-term mortgage rates in the last few months might actually prove to be the more potent force.

## NZ OCR and 90 day rate

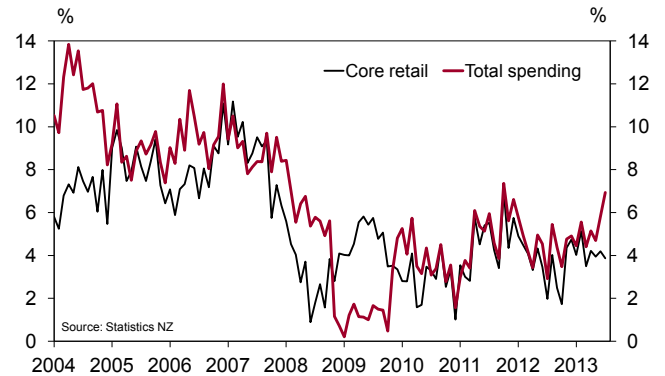


### NZ Sep Monetary Policy Statement

Sep 12, Last: 2.5%, WBC: 2.5%, Market: 2.5%

- The RBNZ shifted its stance at the July OCR review when it explicitly discussed the likelihood of tighter monetary policy in the future. However, the RBNZ still expected to keep the OCR unchanged this year.
- We expect the September MPS to strike a similar tone to the July OCR review. This would involve a 90-day rate forecast that is 10 to 20bps higher than the last published forecast, from June.
- Recent activity and inflation data have been strong. But LVR restrictions and higher fixed mortgage rates have the potential to cool the housing market and will be mentioned in the MPS.

## Card transactions, annual % change

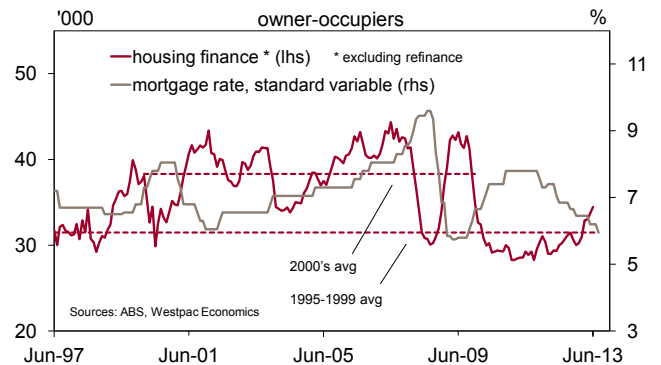


### NZ Aug electronic card transactions

Sep 10, Last: 0.2%, WBC f/c: 0.5%

- Electronic card spending was more subdued in July, with a sharp rise in fuel prices accounting for all of the growth in total spending. That said, there's been no real sense that high fuel prices are crimping demand. The 0.7% fall in core retail spending in July was limited to a fall in the volatile durable goods category and a sharp drop in apparel spending, due to the unusually mild winter.
- With no clear stand-out factors in August, we expect spending growth for the month to be broadly on trend. Fuel prices at the pump fell from their July highs, but were about flat in seasonally adjusted terms. August was even more temperate than July, so we wouldn't expect to see a rebound in clothing sales yet.
- The impact of the currency's recent softening remains to be seen, but business surveys have shown a marked pick-up in retailers' pricing intentions in the last few months.

## Owner-occupier finance & the rate cycle



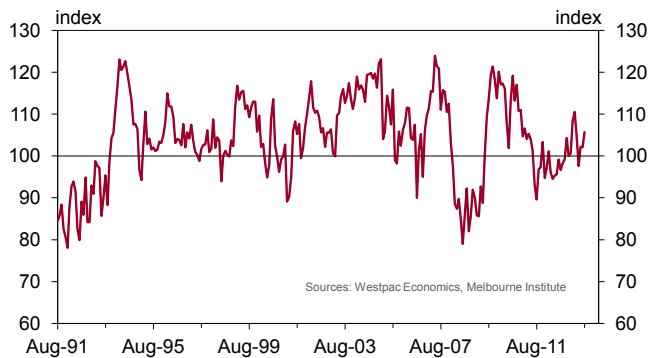
### Aus Jul housing finance (no.)

Sep 9, Last: 2.7%, WBC f/c: 1.5%

Mkt f/c: 2.0%, Range: 0.9% to 2.8%

- Home loan approvals posted a solid gain in June, with mostly positive detail as well, albeit with some caveats around the strength in first-home buyer (FHB) activity in Vic and a softening in WA.
- Jul should show some consolidation. Auction markets showed a clear pick-up in activity through the middle of the year, as did dwelling prices, although conditions remain uneven. Industry figures also point to a solid gain in finance approvals for the month. Overall, we expect approvals to be up 1.5%. July may see a drag from expiring first-home buyer assistance in Vic.

## Consumer Sentiment

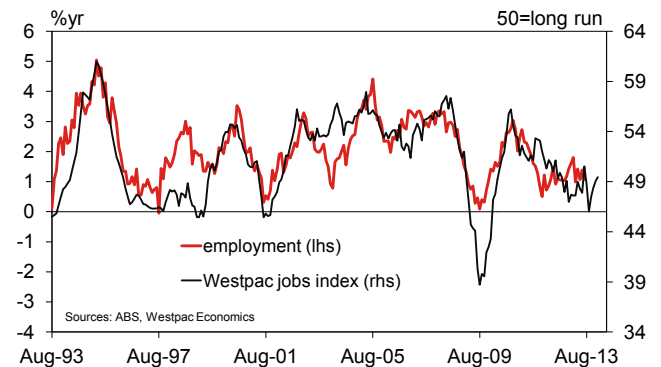


### Aus Sep Westpac-MI Consumer Sentiment

Sept 11, Last: 105.7

- Consumer Sentiment rose 3.5% in Aug, moving from faintly to more firmly optimistic territory. The RBA's Aug rate cut was a clear driving force, with gains led by improved views on family finances and a notable 'bump' in sentiment responses received over the course of the week (the RBA move was announced mid-way through the survey period).
- The Sep survey is in the field from Sep 2 to 8 and will close before the result of the Federal Election is known. Factors that may influence sentiment include: the RBA's decision to leave rates on hold and shift to a 'neutral' bias; economic data showing sluggish growth, lacklustre consumer demand but more signs of a pick-up in the housing sector. Also, the ASX is up about 2% since the Aug survey, with the AUD relatively steady around 90c US.

## Jobs index – an average of the business surveys

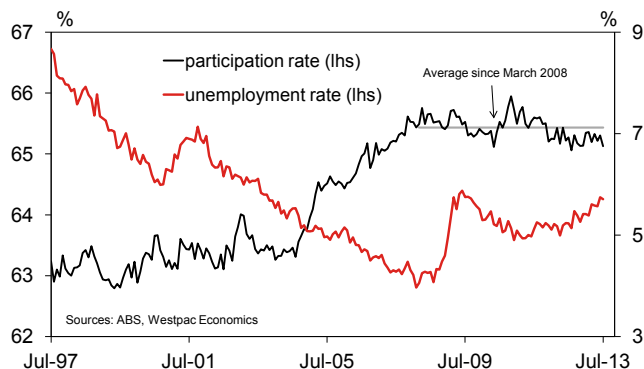


### Aus Aug Labour Force Survey - total employment

Sept 12, Last: -10.2k, WBC f/c: 10k  
Mkt f/c: 10k, Range: -10k to 25k

- Total employment fell 10.2k in July, weaker than the market median of +6k, and slightly weaker than Westpac's forecast for -5k. The July survey suggested that the Australia economy is indeed experiencing a soft labour market. It also hinted that Australian businesses may be delaying hiring (and maybe investment decisions as well) until after the election.
- So far this year, most of the growth in employment has been in part-time female employment. Total female employment is up 53.9k vs. +34.7k for male employment; part-time employment is up 77.5k, compared to a pitiful 11.1k rise in full-time employment. In July, all of the gains were located in one state, Qld, where employment rose 18.4k.
- For August, the leading indicators still point to very little hiring; hence our modest-rebound forecast of just +10k.

## Unemployment and participation rates

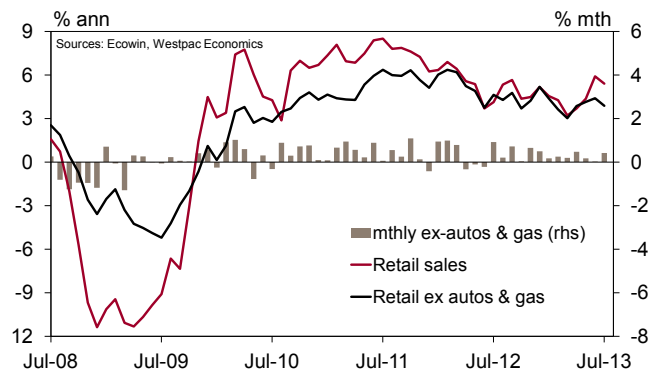


### Aus Aug Labour Force Survey - unemployment %

Sept 12, Last: 5.7%k, WBC f/c: 5.8%  
Mkt f/c: 5.8%, Range: 5.7% to 5.9%

- The unemployment rate was flat at 5.7% (unrevised from June). At two decimal places, it was a very small fall, from 5.75% (5.73% pre revisions) to 5.71%. The small fall in the unemployment rate was due to a large fall in the participation rate, 65.1% from 65.3%, resulting in a 15.9k fall in the labour force, despite ongoing growth in the working-age population.
- For August, we are forecasting the participation rate to be flat which, with a sub-trend rise of just 10k forecast for total employment, will see the unemployment rate rise to 5.8%.
- Given the 0.2ppt fall in the participation rate in July, there is a risk that participation could rise in August, even with just a modest 10k rise in employment. Such an event would lift the unemployment rate to 5.9%, so we see an upside risk to our forecast for a 5.8% unemployment rate.

## US retail sales



### US Aug retail sales

Sept 13, Last: 0.2%, WBC f/c: 0.5%

- Retail sales rose 0.2% in July, but the June revision was to the upside, from 0.4% to 0.6%. Core retail sales (ex autos and gas) rose 0.4%, not stellar after June's (revised) flat outcome, but not as constrained by weak incomes growth as it might have been, given falling hours worked and earnings in July and a rundown in savings in June.
- Despite the ongoing volatility associated with gasoline prices and sporadic bursts of durables/autos strength, retail sales growth has trended lower over the past year. Core retail's three-month annualised pace was the just 2.9%yr in Jul, the slowest since the Fed started QE3 in Sept last year. Recent household income data has been poor and the household savings rate remains near its historic low. As such, there is little reason to expect a marked improvement in spending in the near term. For Aug, we forecast a 0.5% rise, in part due to stronger gas prices and auto sales.



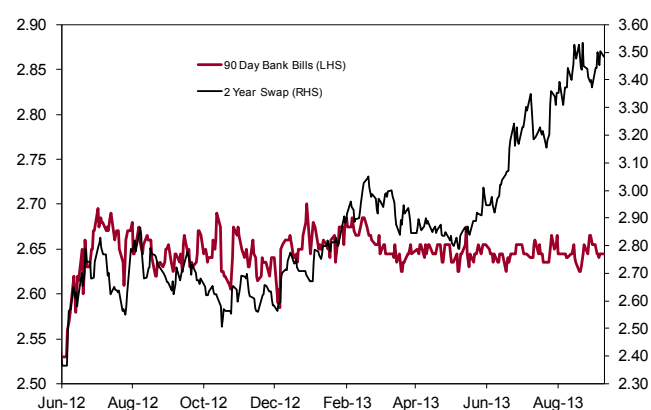
		Last	Market median	Westpac forecast	Risk/Comment
<b>Mon 9</b>					
<b>NZ</b>	Aug REINZ house sales	3.80%	-	-	Expected this week. New listings are finally picking up...
	Aug REINZ house price index %yr	8.60%	-	-	...which could help to ease the upward squeeze on prices.
	Q2 real manufacturing sales	-0.60%	-	-	Meat and dairy processing weak due to drought.
<b>Aus</b>	Aug ANZ job ads	-1.1%	-	-	Still weak; move right along.
	Jul housing finance	2.70%	2.00%	1.50%	Up 12.7%yr. Changes to FHB assistance in Vic may be a drag in July.
<b>Chn</b>	Aug consumer prices %yr	2.70%	2.60%	-	Non-food steady, shelter plateauing, food up ytd but could recede in Aug.
	Aug producer prices %yr	-2.3%	-1.7%	-	Base effects beginning to turn in raw and basic materials.
<b>Eur</b>	Sep Sentix investor confidence	-4.9	-4.0	-3.0	Economy expanding again, no imminent sign of renewed contraction.
<b>US</b>	Jul consumer credit \$bn	\$13.80	\$12.70	-	Student and auto loans still the big drivers.
	Fedspeak	-	-	-	Williams in SF.
<b>Can</b>	July building permits	-10.3%	-	-	Canadian housing market looks to be deflating again.
<b>Tue 10</b>					
<b>NZ</b>	Aug electronic card transactions	0.20%	-	0.50%	Rising fuel prices have not been an obvious drag to date.
<b>Aus</b>	Aug NAB business confidence	-7	-	-	Conditions steady at -7. Confidence down 3pts to -3.
<b>Chn</b>	Aug industrial production %yr	9.70%	9.90%	-	Inventory positions are lean, PMI and now IP improving accordingly.
	Aug fixed investment %ytd	20.10%	20.20%	-	Real estate the source of growth. Infra flattish, heavy manuf slowing.
	Aug retail sales %yr	13.20%	13.30%	-	Autos in high single digits; corruption crackdown still weighing.
	Aug new loans RMBbn	700	720	-	Tentative date: major banks to gain market share post June shock.
	Aug new credit supply RMBbn	809	975	-	Tentative date: weak bill, bond and FX lending anticipated.
	Aug M2 money supply %yr	14.50%	14.50%	-	Tentative date: capital flow bogey beaten, on track for annual target.
<b>UK</b>	Aug RICS house price balance	36%	36%	-	Optimism back into UK housing market.
<b>US</b>	Aug NFIB small business optimism	94.1	-	94.5	Most US indicators losing headway except some business surveys.
<b>Can</b>	Aug housing starts	-0.5%	-	-	Canadian housing market looks to be deflating again.
<b>Wed 11</b>					
<b>Aus</b>	Sep Westpac-MI Consumer Sentiment	105.7	-	-	Aug saw a clear 'rate cut bump'. Sep survey closes before election result.
	Sep Westpac-MI unemployment expectns	flat	-	-	Has deteriorated with full-time employment.
<b>UK</b>	Aug jobless claims change	-29k	-25k	-	Claimant count unemployment expected to be unchanged at 4.3%.
	Jul qtr employment change	69k	46k	-	ILO unemployment rate seen unchanged at 7.8%.
<b>US</b>	Jul wholesale inventories	-0.2%	0.30%	-	Inventories declined in each month of Q2.
<b>Thu 12</b>					
<b>NZ</b>	RBNZ Monetary Policy Statement	2.50%	2.50%	2.50%	Similar tone to July, LVR restrictions offset strong data.
<b>Aus</b>	Aug employment	-10.2k	10k	10k	More of a statistical bounce than recovery.
	Aug unemployment rate	5.70%	5.80%	5.80%	Part-rate fell 0.2ppts in July; could reverse in Aug.
	Sep MI inflation expectations	2.20%	-	-	Remains well contained.
<b>Eur</b>	Jul industrial production	0.70%	0.30%	0.00%	PMIs expanding but Jun gain in output unlikely to be repeated in Jul.
<b>US</b>	Initial jobless claims w/e 7/9	323k	330k	325k	Trending at new post recession low.
	Aug monthly budget statement, \$bn	-155	-	-	Budget issues in Congress still a driver.
<b>Can</b>	Jul new house prices	0.20%	-	-	Running slower 1.8% yr pace.
	Aug house prices	0.70%	-	-	Teranet measure; prices up 1.9%yr in Jul.
<b>Fri 13</b>					
<b>NZ</b>	Aug manufacturing PMI	59.5	-	-	Has been running at its strongest levels in nine years.
	Aug food prices	0.5%	-	0.2%	Signs of food price inflation re-emerging after two flat years.
<b>Eur</b>	Jul exports	3.00%	-	-0.5%	PMIs expanding but Jun gain in exports unlikely to be repeated in Jul.
<b>UK</b>	Jul construction output, %yr	1.90%	-	-	Construction sector in lift off on a range of measures.
<b>US</b>	Aug producer prices	0.00%	0.20%	0.20%	Upstream price pressure non existent; core up 0.1%yr in Jul.
	Aug retail sales	0.20%	0.40%	0.50%	Gasoline and autos should support; core was up 0.4% in July.
	Jul business inventories	flat	0.30%	-	Inventories essentially stalled since Jan.
	Sep Uni of Mich. consumer confidence	82.1	84.5	82	Equity market weakness to weigh?
<b>Can</b>	Q2 capacity utilisation %	81.10%	81.30%	-	Upswing in CapU since 2009 has stalled.

# New Zealand forecasts

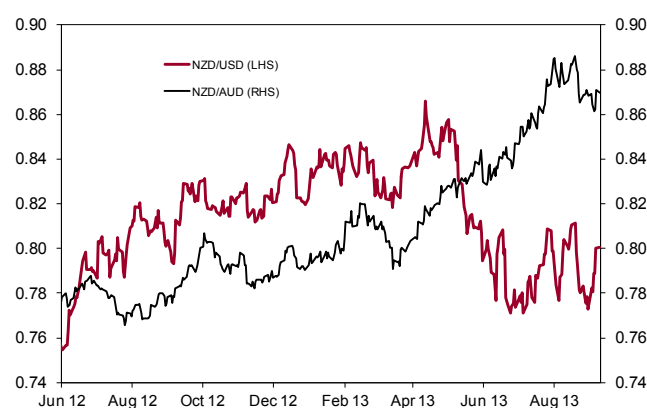
Economic Growth Forecasts	March years				Calendar years			
	2012	2013f	2014f	2015f	2011	2012	2013f	2014f
% change								
GDP (Production) ann avg	1.9	2.5	2.8	3.8	1.4	2.7	2.6	3.7
Employment	1.0	0.4	2.3	2.8	1.5	-1.4	3.5	2.9
Unemployment Rate % s.a.	6.8	6.2	5.7	4.8	6.3	6.8	5.9	4.9
CPI	1.6	0.9	1.7	2.5	1.8	0.9	1.6	2.3
Current Account Balance % of GDP	-4.4	-4.8	-5.0	-5.9	-4.0	-5.0	-4.7	-5.8

Financial Forecasts	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
Cash	2.50	2.50	2.75	3.00	3.25	3.50
90 Day bill	2.70	2.75	3.00	3.25	3.50	3.75
2 Year Swap	3.40	3.40	3.50	3.60	3.80	4.00
5 Year Swap	4.30	4.20	4.20	4.30	4.40	4.50
10 Year Bond	4.50	4.30	4.30	4.40	4.50	4.60
NZD/USD	0.80	0.82	0.83	0.81	0.78	0.76
NZD/AUD	0.87	0.89	0.90	0.90	0.90	0.89
NZD/JPY	79.2	80.4	80.5	77.8	74.9	72.2
NZD/EUR	0.60	0.62	0.62	0.62	0.62	0.62
NZD/GBP	0.51	0.51	0.51	0.50	0.50	0.48
TWI	75.3	77.0	77.7	76.6	75.2	74.0

2 Year Swap and 90 Day Bank Bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on Monday 9 Sep 2013

Interest Rates	Current	Two weeks ago	One month ago
Cash	2.50%	2.50%	2.50%
30 Days	2.64%	2.62%	2.63%
60 Days	2.64%	2.63%	2.63%
90 Days	2.65%	2.65%	2.64%
2 Year Swap	3.48%	3.44%	3.42%
5 Year Swap	4.48%	4.40%	4.23%

NZ foreign currency mid-rates as at Monday 9 Sep 2013

Exchange Rates	Current	Two weeks ago	One month ago
NZD/USD	0.8007	0.7804	0.8029
NZD/EUR	0.6082	0.5831	0.6027
NZD/GBP	0.5123	0.5012	0.5185
NZD/JPY	79.81	76.94	77.24
NZD/AUD	0.8696	0.8636	0.8736
TWI	75.64	73.62	75.30



## Economic and Financial Forecasts

Economic Forecasts (Calendar Years)	2009	2010	2011	2012	2013f	2014f
<b>Australia</b>						
Real GDP % yr	1.4	2.5	2.4	3.6	2.5	2.3
CPI inflation % annual	2.1	2.8	3.0	2.2	2.2	2.5
Unemployment %	5.6	5.2	5.2	5.4	6.2	6.4
Current Account % GDP	-4.2	-2.9	-2.3	-3.7	-2.4	-2.3
<b>United States</b>						
Real GDP %yr	-3.1	2.4	1.8	2.8	1.4	1.5
Consumer Prices %yr	-0.3	1.6	3.1	2.1	1.4	1.6
Unemployment Rate %	9.3	9.6	8.9	8.1	7.7	7.6
Current Account %GDP	-2.7	-3.0	-3.0	-2.8	-3.0	-3.1
<b>Japan</b>						
Real GDP %yr	-5.7	4.9	-0.5	1.9	1.7	2.2
Consumer Prices %yr	-1.3	-0.7	-0.3	0.0	-0.2	0.1
Unemployment Rate %	5.2	5.1	4.5	4.3	4.3	4.3
Current Account %GDP	2.8	3.6	2.0	2.1	2.0	2.0
<b>Euroland</b>						
Real GDP %yr	-4.3	1.9	1.5	-0.5	-1.0	-0.6
Consumer Prices %yr	0.3	1.7	2.7	2.2	1.4	1.2
Unemployment Rate %	9.5	10.0	10.1	11.7	12.4	13.0
Current Account %GDP	-0.2	-0.1	0.0	0.9	1.0	1.0
<b>United Kingdom</b>						
Real GDP %yr	-4.0	1.8	0.9	0.2	1.1	0.9
Consumer Prices %yr	2.2	3.2	4.0	2.8	2.3	1.8
Unemployment Rate %	7.6	7.8	8.4	8.0	8.5	8.5
Current Account %GDP	-1.3	-2.5	-1.9	-3.8	-2.5	-1.5

Forecasts finalised 9 August 2013

Interest Rate Forecasts	Latest	Sep 13	Dec 13	Mar 14	Jun 14	Sep 14
<b>Australia</b>						
Cash	2.50	2.50	2.25	2.00	2.00	2.00
90 Day Bill	2.59	2.55	2.30	2.10	2.10	2.10
10 Year Bond	4.15	3.90	3.60	3.30	3.40	3.50
<b>International</b>						
Fed Funds	0.125	0.125	0.125	0.125	0.125	0.125
US 10 Year Bond	3.00	2.80	2.60	2.40	2.60	2.75
ECB Repo Rate	0.50	0.50	0.50	0.50	0.50	0.50

Exchange Rate Forecasts	Latest	Sep 13	Dec 13	Mar 14	Jun 14	Sep 14
AUD/USD	0.9124	0.92	0.92	0.92	0.9	0.87
USD/JPY	99.93	99	98	97	96	96
EUR/USD	1.3126	1.33	1.33	1.33	1.3	1.25
AUD/NZD	1.1541	1.15	1.12	1.11	1.11	1.12

## 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

**Nathan Penny**, Economist  
+64 9 336 5669

Any questions email:  
economics@westpac.co.nz

For email address changes contact:  
WNRResearch@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](http://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](http://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](http://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 license 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.

Disclaimer continued overleaf.





## Disclaimer continued

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.

**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. 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.

**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.

