

Westpac McDermott Miller Consumer Confidence.

21 September 2021



Consumer confidence falls 4.4 points in September to 102.7.

- Confidence among New Zealand households has dropped back in the wake of the latest lockdown. However, the drop in confidence has been much less stark than we saw last year when Covid first arrived on our shores.
- While households are nervous about the economic outlook, they're still feeling fairly secure about their personal financial situation.
- Widespread disruptions to global supply chains and rising shipping costs appear to be weighing on spending appetites.
- There are some big differences in confidence levels across the country. While confidence has fallen in Auckland and throughout the South Island, confidence has actually risen in many parts of the North Island.

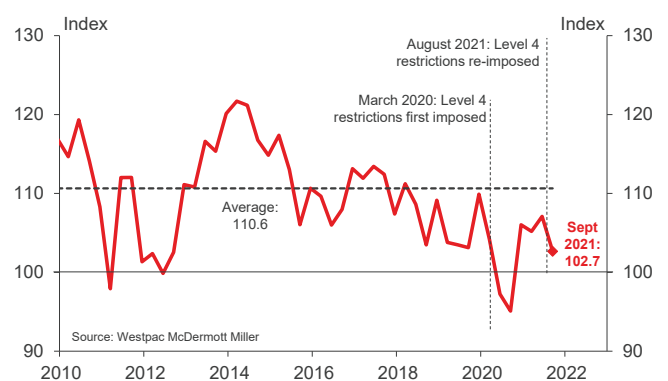
Satish Ranchhod, Senior Economist

+64 21 13 13 433

Consumer confidence indices

	Sep-21	Jun-21	Change	Average
Consumer Confidence Index	102.7	107.1	-4.4	110.6
Present Conditions Index	95.6	98.3	-2.7	108.0
Expected Conditions Index	107.4	112.9	-5.5	112.4
Current financial situation	-3.6	-5.4	1.8	-8.5
Expected financial situation	16.1	16.7	-0.6	11.5
1-year economic outlook	-5.6	4.4	-10.0	-2.9
5-year economic outlook	11.5	17.7	-6.2	28.5
'Good time to buy'	-5.2	2.0	-7.2	24.6

Consumer confidence



Down, but not out.

Since our last survey in June, economic confidence among New Zealand households has taken a knock. That's not a surprise given the dialling up of the Alert Level in recent weeks. However, what was surprising was the extent of the drop in confidence that we've seen. In September our Westpac McDermott Miller Consumer Confidence Index fell 4.4 points, taking it to a level of 102.7. That was a much more

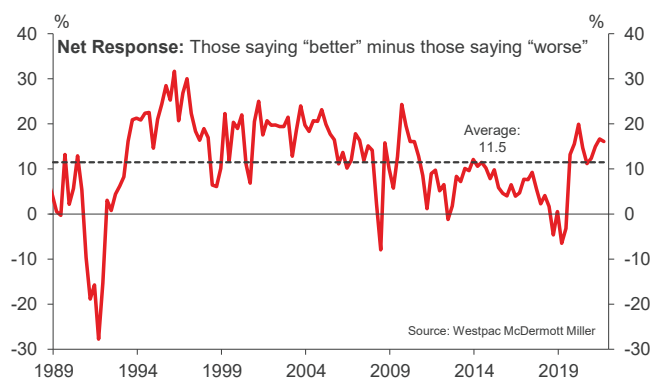


modest fall than we saw in June last year after Covid first arrived on our shores and when confidence dropped to an 11-year low of 97.2.

Digging under the surface, there is growing nervousness about the outlook for the economy over the coming years. But despite concerns about the broader economic landscape, most households are still feeling relatively upbeat about their own financial situation. In fact, an increasing number of households have told us that their financial position has improved over the past year. And most of those we spoke to expect that their finances will continue to strengthen over the year ahead.

This latest lockdown has resulted in tough times for many families across the country. But overall, it looks like households are taking this latest hurdle in their stride. That bodes well for economic conditions when Alert Level settings are eventually dialled back. We're expecting a fairly rapid recovery in economic activity through the final months of this year (just as we saw last year when lockdown conditions were eased).

Do you expect to be better or worse off financially in a year's time?



I want it now.

The major factor that has been weighing on household sentiment has been weakness in spending appetites. The number of households who think it's a good time to buy a major household item has now dropped to its lowest level in over a decade.

Is this a good or bad time to buy a major household item?



Rather than signalling a reluctance to spend, this likely reflects the widespread disruptions to global supply chains and rising shipping costs. Those factors have limited the availability of many consumer goods and seen prices for many items pushing higher. But while there are challenges procuring goods, those retailers who have been able to source stocks have actually reported solid levels of consumer demand.

Not quite a North-South split.

While the overall level of confidence has dropped, there are some notable differences across the country. As expected, confidence levels in Auckland have dropped sharply with ongoing strict restrictions on activity weighing on household sentiment and economic activity more generally.

However, there's actually been larger drops in confidence across many parts of the South Island, including Nelson, Southland and Otago. In part, that's likely to reflect the significant and continuing disruptions to the hospitality and tourism sectors, which are major contributors to economic activity and employment in regions like Queenstown.

In contrast, confidence levels have actually increased in Northland and in central North Island regions like the Bay of Plenty and Manawatu-Whanganui. That may reflect that many of those regions have strong agricultural backbones. As a result, many regional economies have been less affected by the reimposition of social distancing requirements (which have been a larger drag on conditions in those areas where services account for a larger share of the economy, like Auckland, Wellington and in tourist hotspots).

Our upcoming Westpac McDermott Miller Regional Economic Confidence report (out 29 September) will take a closer look at the trends in confidence across the country.

Consumer confidence by region

	Sep-21	Jun-21	Change
Northland	103.2	101	2.2
Auckland	101.4	108.6	-7.2
Waikato	105.8	105.2	0.6
Bay of Plenty	107.9	103.4	4.5
Gisborne/Hawke's Bay	101.5	102.6	-1.1
Taranaki/Manawatu-Whanganui	103	98.3	4.7
Wellington	106.7	113.1	-6.4
Nelson/Marlborough/West Coast	98.8	109.3	-10.5
Canterbury	103.2	109.5	-6.3
Otago	94.3	104.6	-10.3
Southland	97.8	110.1	-12.3
Nationwide	102.7	107.1	-4.4

Survey description.

The Westpac McDermott Miller Consumer Confidence Index summarises the net balance of optimistic/pessimistic responses to five questions: how households' financial situation has changed over the past year; whether now is a good time to buy a major household item; how households expect their financial situation to change over the coming year; and near term and longer-term prospects for the New Zealand economy as a whole.

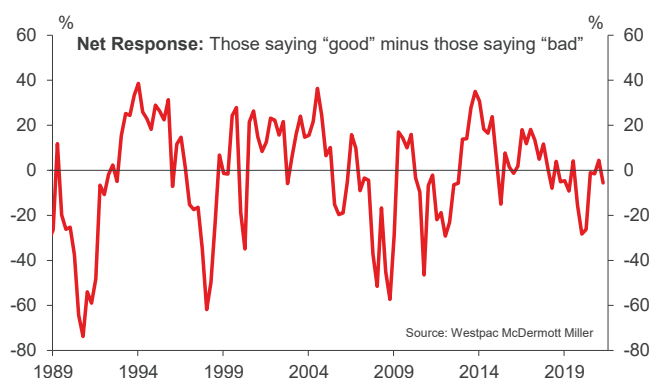
The first two of these questions are summarised in the Present Conditions Index, and the last three are summarised in the Expected Conditions Index. An index number over 100 indicates that optimists outnumber pessimists, though the series may be above or below 100 on average. The survey also includes questions on respondents' spending on entertainment and eating out, and on what they would do with a \$10,000 windfall.

Survey interviews were conducted over the period 1-11 September 2021. The sample size was 1,557.

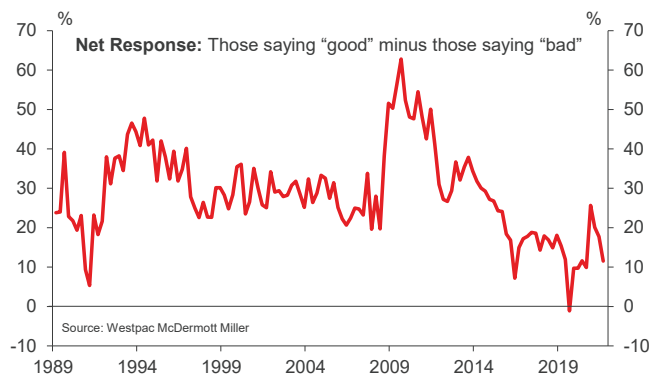
Are you better or worse off financially than a year ago?



Do you expect good or bad economic times over the next 12 months in New Zealand?



Do you expect good or bad economic times over the next 5 years in New Zealand?



Contact the Westpac economics team.

Michael Gordon, Acting Chief 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

Gregorius Steven, Economist

+64 9 367 3978

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.

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.