



Weekly Economic Commentary.

Growing pains.

New Zealand's recovery has been gaining traction with a continued firming in domestic economic conditions and strength in our commodity export prices. Those developments are helping to offset the ongoing drag from the loss of long-haul tourist dollars. However, while the economy is on increasingly firm footing, we are encountering growing pains. That includes difficulties sourcing labour and disruptions to supply chains. Those challenges will be with us for some time yet, and that's raising big questions about the outlook for costs and inflation.

We expect this week's GDP report will show that the economy grew by 0.6% in the March quarter, underpinned by firmness in construction, manufacturing activity and retail spending. That's a much stronger result than the 0.6% contraction the RBNZ factored into their May policy statement and would leave economic activity just fractionally below the levels that we saw prior to the outbreak.

Importantly, the domestic recovery has been picking up a head of steam as we've moved into the middle part of the year. That includes a 6.8% increase in retail spending in the past two months alone, record levels of residential dwelling consent issuance, and strong readings for trading activity in both the manufacturing and services sectors. Reinforcing this

positive news on the domestic front, we've also seen record prices for our key commodity exports, including dairy.

Of course, there are still some soft spots in the economy. Most notably, the lack of long-haul tourists remains a drag on sectors like hospitality and accommodation in regions like Queenstown. However, it's clear that the economy as a whole is on increasingly firm footing. Against this backdrop, we've also seen businesses looking to take on additional staff, with job advertisements rising strongly in the past few months.

But as the recovery has been gaining traction, the economy has been experiencing growing pains on several fronts. The challenge that businesses have most frequently highlighted



to us is that it has become increasingly difficult to source the labour that they need. This has been a particular issue in relation to specialised labour (a situation that has been exacerbated by the closure of the borders). However, we've recently had a number of businesses telling us that it's become difficult to source less skilled staff as well.

This tightness in the labour market is likely to persist for some time yet and we expect that it will gradually pass through to higher wage inflation. To help address this issue, the Government has made some changes to visa programmes for migrant workers who are already in the country. But we won't realistically see any material easing in labour shortages until the borders are reopened to new skilled migrants.

Even when border restrictions are eventually lifted, New Zealand is likely to face enduring challenges with regards to meeting its skilled labour needs. The Government has announced a review of migration settings with the aim of rebalancing migration flows to support the development of skills onshore and job opportunities for existing New Zealand citizens. We expect that this will result in much lower levels of migration than we saw prior to the Covid outbreak, with flow-on implications for demand and the economy's supply capacity. Creating job opportunities and developing our skills base are laudable aims, but will take time. Furthermore, even if we are able to develop skills locally, retaining them will be challenging as talented young New Zealanders will inevitably look to opportunities abroad. In the meantime, many businesses will find it tough to attract and retain the skilled labour that they need.

One of the other significant challenges that businesses have been wrestling with are difficulties sourcing inputs as a result of ongoing disruptions to global shipping and supply chains. That was reflected in last week's PMI, which showed deliveries of raw materials failing to keep pace with the strong lift in orders in recent months. On top of that, some exporters are also reporting difficulties securing container space on shipping vessels.

Disruptions to supply chains and shortages of labour are adding to cost pressures. That's part of the reason why we expect that CPI inflation will charge higher over the coming months, towards the top of the RBNZ's target band.

However, while businesses across the economy are reporting increases in cost pressures, it's less clear that this will pass into the prices paid by consumers in all cases. One sector where we are likely to see larger increases in output prices is construction, where activity is roaring away. However, in sectors like retail and services, competitive pressures remain strong. As a result, some of the recent increases in costs are likely to manifest as pressure on margins.

The key issue for the RBNZ isn't the impact of near-term supply disruptions on prices. Rather, it's the risk of a persistent and widespread rise in inflation. Some of the lift in inflation currently in train will be temporary (such as post-Covid volatility in airfares and large increases in used car prices). In addition, as production cycles normalise around the globe, we're also likely to see a related easing in cost pressures in the manufacturing sector. Those dynamics will be reinforced by the rollout of vaccines, which will support a reorientation of household spending away from goods and back towards services.

However, the upside risks for inflation have been building. In particular, we have seen business expectations for inflation pushing higher in recent months. In fact, in the latest ANZBO survey, expectations for inflation over the coming 12 months rose to 2.3% – their highest level in nearly four years. That's a particularly notable development for the RBNZ as higher expectations for inflation could become embedded in future decisions about wage and price setting. And that could result in a stronger and more protracted rise in inflation.

Satish Ranchhod, Senior Economist

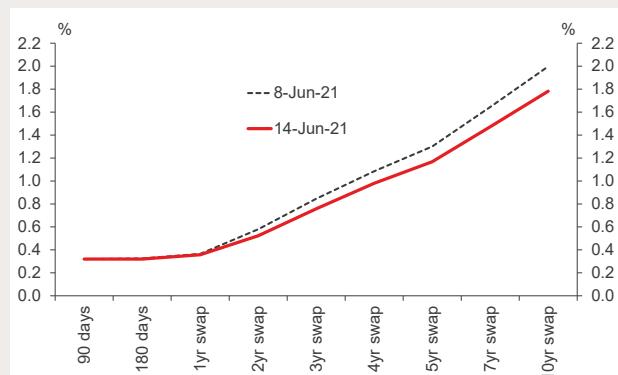
 +64 9 336 5668

Fixed vs floating for mortgages.

We expect that floating rates, and shorter fixed-term rates, will be stable over the coming months. Inflation is set to spike higher this year, but the Reserve Bank will not need to respond to this.

Longer-term interest rates are now rising in response to the improved economic outlook. Given our forecasts, longer-term fixed rates (three to five years) no longer offer good value, relative to taking a short-term rate now and refixing later (albeit at a higher rate).

NZ interest rates



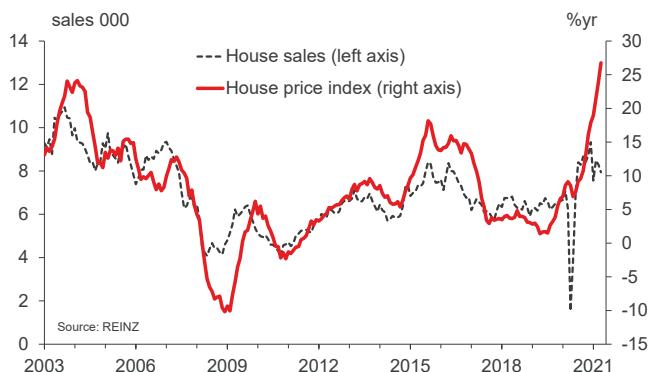
The week ahead.

NZ May REINZ house sales and prices

Jun 15 (TBC), Sales last: -4.3%, Prices last: +26.8%/yr

- The April REINZ report suggested only a slight cooling in the hot housing market. That followed the Reserve Bank's reintroduction of loan-to-value restrictions and the Government's announced changes to the tax treatment of investors.
- It's still early days to gauge the impact of the latter policy change. However, lending data suggests that homebuyers have been stepping in to take the place of investors, and have been willing to pay current prices.
- We expect prices to flatten off by the end of this year. The greater test for the housing market will come in the following years, as mortgage rates rise from their record lows.

REINZ house prices and sales

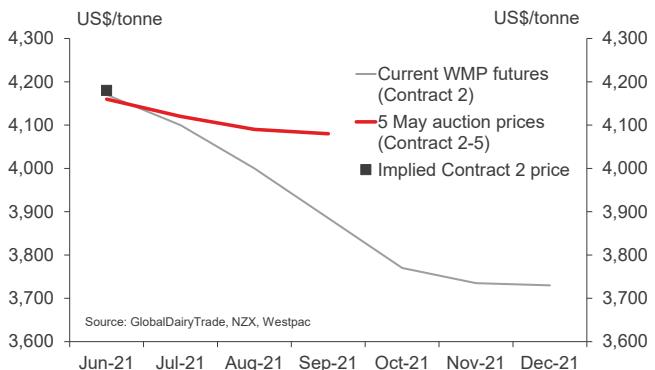


NZ GlobalDairyTrade auction, whole milk powder prices

Jun 16, Last: -0.5%, Westpac: -1.0%

- We expect whole milk powder prices to dip a touch at the upcoming dairy auction.
- We are a little more bearish than current futures market pricing; the futures market is pointing to effectively flat prices.
- Recent New Zealand production data has been strong, so this may lead prices lower in the short-term. However, global demand remains firm and the key test for dairy prices will come in the New Zealand spring.

Whole milk powder prices

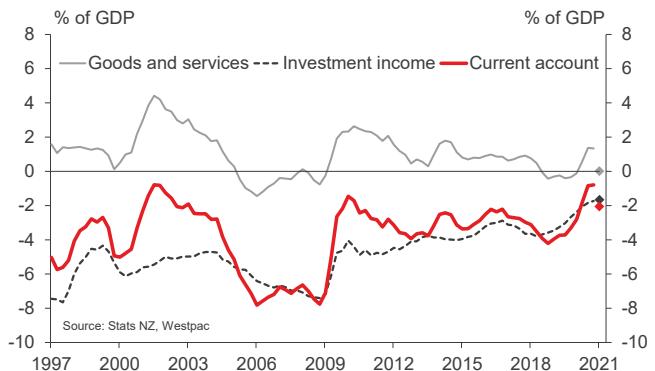


NZ Q1 Current Account Balance, % of GDP

Jun 16, Last: -0.8%, Westpac: -2.1%

- We expect the annual current account deficit to widen to 2.1% of GDP in the March quarter, after having narrowed to a 19-year low of 0.8% late last year.
- The main factor is the lack of the usual lift in overseas visitor spending at this time of year. This will see the deficit widen further over the rest of 2021, with the border not fully opening until next year.
- Meanwhile, the March quarter goods balance (in seasonally adjusted terms) is also likely to tip back into negative territory. Importantly, import volumes continue to rebound after last year's dramatic drop during the Covid lockdown.

Annual current account balance



The week ahead.

NZ Q1 GDP

Jun 17, Last: -1.0%, Westpac f/c: +0.6%, Mkt f/c: +0.5%

- We expect a 0.6% rise in GDP for the March quarter following a fall of 1.0% in December. The absence of international tourism is likely to continue disrupting the seasonal patterns in the data.
- The domestic economy continues to be supported by a strong housing market which many sectors have benefitted from. Natural resources saw a bit of a pull back, partially driven by the dry summer.
- Despite the increase of Alert Levels during the quarter this is unlikely to materially impact GDP. As we learnt last time, lockdowns just mean delayed rather than lost spending.

Production-based GDP

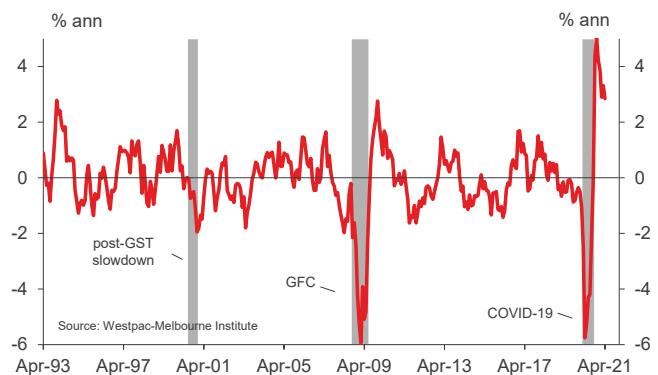


Aus May Westpac-MI Leading Index

Jun 16, Last: 2.85%

- The six-month annualised growth rate in the Leading Index eased from 3.31% in March to 2.85% in April. Momentum has fallen sharply since late last year but was coming from an extremely strong starting point with most of the variation due to six month growth rates cycling the initial rebound from last year's Covid disruptions. The Index growth rate remained relatively strong in April – above all other growth rates recorded since the early 1980s. The signal remains consistent with growth running well above trend in 2021.
- The May read is likely to see a further slowdown with several components recording pull-backs in the month, with the latest Vic lockdown delivering a shock to consumer sentiment and a notable pull back in dwelling approvals (-8.6% vs 18.9% last month). Against this, the Index growth rate will continue to get some offsetting support from a rising sharemarket and buoyant commodity prices (up 5.8% in AUD terms).

Aus Westpac-MI Leading Index



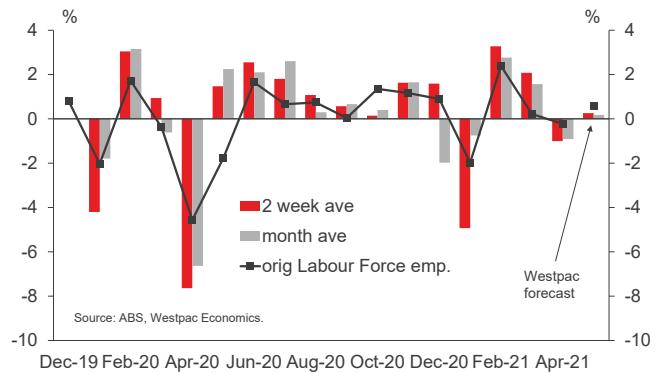
Aus May Labour Force employment '000

Jun 17, Last: -30.6, WBC f/c: 30.0

Mkt f/c: 30.0, Range: -19.0 to 45.0

- April employment came in below expectations with evidence pointing to a stronger-than-usual seasonality around the Easter/school holidays. Declining female and part-time employment are indirect signs, a surge working zero hours due to being on leave is a more direct sign.
- Payrolls data have been a consistent guide to the direction, if not always the magnitude, of changes in Labour Force employment. Payrolls for the first two weeks of May (the reference weeks for the May Labour Force Survey) are now up 0.3% on the first two weeks in April. Our forecast for employment in May is +30k/0.2% which in original terms (Payrolls are not seasonally adjusted) is a +74.0k or 0.6% rise; May has tended to have a seasonal rise of around 0.3%.
- Payrolls had a significant fall in SME jobs, plus the greater loss of jobs in the sectors more dependent on JobKeeper, suggesting some firms are facing meaningful headwinds.

Aus payrolls vs labour force employment



The week ahead.

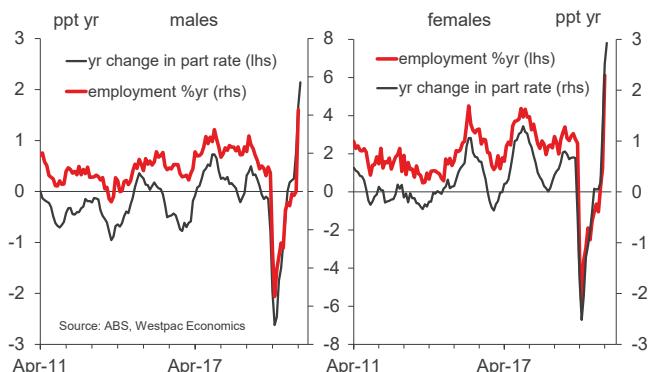
Aus May Labour Force unemployment %

Jun 17, Last: 5.5%, WBC f/c: 5.7%

Mkt f/c: 5.5%, Range: 5.7% to 5.4%

- Consistent with a strong holiday effect, April participation fell an outsized 0.3ppts from its record high of 66.3% to 66.0%. Females led the fall, down 0.5ppt, compared to males at -0.1ppt. We suspect that as there is a larger share of females who are marginally attached to the labour force, compared to males, the effect of family holidays would have a bigger impact on females. This resulted in a much larger -54.0k/-0.8% fall in the female labour force compared to the -10.3k/-0.1% decline in the male labour force (almost flat in the month).
- Despite the fall in total employment, lower participation saw unemployment edge down 0.2ppt, from a revised 5.7% to 5.5% in April. Given that we think the holidays had a meaningful impact on participation as well as employment we are looking for a post-holiday bounce in May.
- Our forecast for participation to return to 66.3% will lift the unemployment rate back to 5.7%.

Aus employment and labour force participation

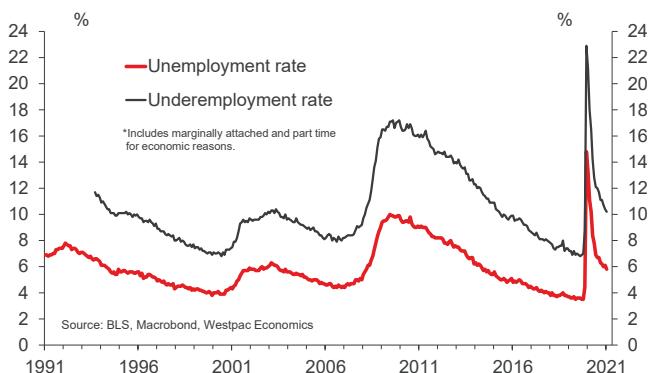


US Jun FOMC meeting

Jun 15-16

- The June FOMC meeting will be interesting for a number of reasons.
- First up, after the meeting, the Committee's revised forecasts will be provided, guiding on their central expectations for the coming three years.
- Second, the press conference will give a good guide on the degree of confidence the Committee has in their central projection for both inflation and the labour market - the FOMC's two core concerns.
- Third, for these two aspects of the economy, an assessment of the risks will be provided. This will help guide on how great an impact key risks are likely to have on the outlook for policy, should they eventuate.

US labour market

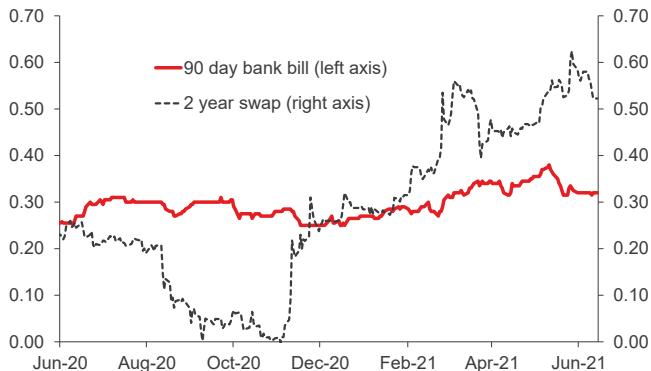


New Zealand forecasts.

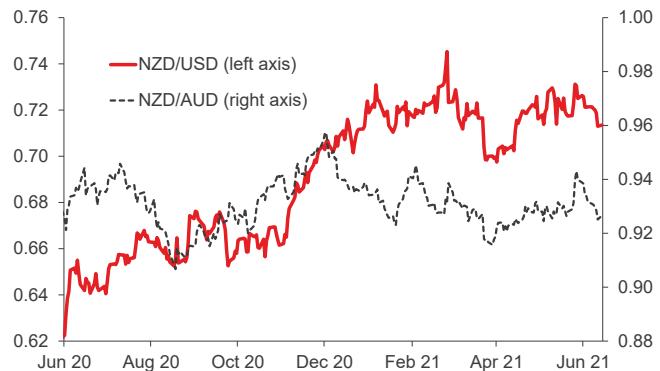
Economic forecasts	Quarterly				Annual			
	2020	2021			2019	2020	2021f	2022f
% change	Dec (a)	Mar	Jun	Sep				
GDP (Production)	-1.0	0.6	1.2	0.5	2.4	-2.9	4.9	4.4
Employment	0.6	0.5	0.1	0.4	1.2	0.8	1.4	2.1
Unemployment Rate % s.a.	4.9	4.7	4.7	4.6	4.1	4.9	4.5	4.1
CPI	0.5	0.8	0.5	0.8	1.9	1.4	2.4	1.4
Current Account Balance % of GDP	-0.8	-2.1	-3.0	-3.8	-3.3	-0.8	-4.0	-3.0

Financial forecasts	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
Cash	0.25	0.25	0.25	0.25	0.25	0.25
90 Day bill	0.35	0.35	0.35	0.35	0.35	0.35
2 Year Swap	0.45	0.45	0.50	0.55	0.60	0.65
5 Year Swap	1.15	1.20	1.25	1.30	1.35	1.40
10 Year Bond	1.80	1.90	2.00	2.10	2.20	2.30
NZD/USD	0.74	0.76	0.78	0.78	0.78	0.78
NZD/AUD	0.93	0.93	0.92	0.92	0.92	0.92
NZD/JPY	80.7	82.8	85.8	85.8	86.6	86.6
NZD/EUR	0.60	0.61	0.62	0.62	0.61	0.61
NZD/GBP	0.52	0.53	0.55	0.54	0.54	0.54
TWI	75.7	76.8	78.0	77.6	77.4	77.2

2 year swap and 90 day bank bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on 14 June 2021

Interest rates	Current	Two weeks ago	One month ago
Cash	0.25%	0.25%	0.25%
30 Days	0.27%	0.27%	0.27%
60 Days	0.30%	0.30%	0.32%
90 Days	0.32%	0.33%	0.36%
2 Year Swap	0.52%	0.60%	0.55%
5 Year Swap	1.17%	1.34%	1.24%

NZ foreign currency mid-rates as at 14 June 2021

Exchange rates	Current	Two weeks ago	One month ago
NZD/USD	0.7135	0.7252	0.7238
NZD/EUR	0.5893	0.5947	0.5961
NZD/GBP	0.5060	0.5112	0.5136
NZD/JPY	78.24	79.67	79.12
NZD/AUD	0.9266	0.9403	0.9301
TWI	74.23	75.33	75.36

Data calendar.

		Last	Market median	Westpac forecast	Risk/Comment
Mon 14					
NZ	May BusinessNZ PSI	61.2	-	-	Likely to show economic momentum continuing.
	Apr net migration	825	-	-	Remains near zero due to border closures.
Aus	Queen's Birthday	-	-	-	Public holiday – except for the mining states of Qld & WA.
Chn	Dragon Boat Day	-	-	-	Public holiday.
Eur	Apr industrial production	0.1%	0.4%	-	Will continue to advance as the economy reopens.
Tue 15					
NZ	May REINZ house prices %yr	26.8%	-	-	Due this week. Prices have continued to rise...
	May REINZ house sales	-4.3%	-	-	...but lending restrictions have seen sales slow a little..
	May food price index	1.1%	-	0.2%	Moderate gain after last month's min. wage related rise.
Aus	RBA minutes, June meeting	-	-	-	Any colour ahead of July decision on YCC and QE.
Eur	Apr trade balance €bn	13.0	-	-	Mfg recovery and demand from Asia will be supportive.
UK	Apr ILO unemployment rate	4.8%	4.8%	-	Furlough scheme continues to hold down u/e rate.
US	May retail sales	0.0%	-0.4%	0.0%	Consumption buoyant, but should see shift to services.
	May PPI	0.6%	0.4%	-	Will be looking for signs of upstream price pressures...
	Jun Fed Empire state index	24.3	22.0	-	... in both official price measures and mfg surveys.
	May industrial production	0.7%	0.6%	-	Strength on reopening, but may see signs of disruptions.
	Apr business inventories	0.3%	-0.1%	-	Should make a positive contribution to growth over the year.
	Jun NAHB housing market index	83	83	-	Homebuilding sentiment stabilising at very high levels.
	Apr total net TIC flows	146.4	-	-	Saw a pullback in China and Japan holdings in March.
Wed 16					
NZ	GlobalDairyTrade auction (WMP)	-0.5%	-	-1.0%	Dairy prices likely to fall a touch on strong recent production.
	Q1 current acct. balance % of GDP	-0.8%	-	-2.1%	Tourism earnings down, import demand rebounding.
Aus	May Westpac-MI Leading Index	2.85%	-	-	Cycling initial Covid rebound but still well above trend.
Chn	May retail sales ytd %yr	29.6%	26.3%	-	Consumer spending should continue to show strength...
	May industrial production ytd %yr	20.3%	18.0%	-	... with production and incomes buoyed by...
	May fixed asset investment ytd %yr	19.9%	17.0%	-	... domestic and external demand which should sustain.
UK	May CPI %yr	1.5%	1.8%	-	Through-the-year prices to push forward on base effects.
US	May housing starts	-9.5%	5.2%	-	Input costs, predominantly lumber, may serve as a drag...
	May building permits	0.3%	-0.2%	-	... on both housing starts and permits.
	May import price index	0.7%	0.7%	-	Stronger energy import prices pushing up index.
	FOMC policy decision, midpoint	0.125%	0.125%	0.125%	Assessment of risks and revised forecasts the focus.
	Fed Chair Powell	-	-	-	To hold post-meeting press conference.
Thu 17					
NZ	Q1 GDP	-1.0%	0.5%	0.6%	Strength is driven by construction and manufacturing.
Aus	RBA Governor Lowe speaking	-	-	-	From Recovery to Expansion, Toowoomba, 10am.
	May employment	-30.6k	30.0k	30.0k	Payrolls suggests the ending of JobKeeper hit SME jobs...
	May unemployment rate	5.5%	5.5%	5.7%	...which was mostly offset by gains in larger firms.
	RBA Bulletin	-	-	-	Includes RBA research articles.
Eur	May CPI	0.3%	0.3%	-	Final print, will get more detail on price components.
US	Initial jobless claims	376k	-	-	Downtrend to continue as labour market slack absorbed.
	Jun Philly Fed index	31.5	30.5	-	Input prices pushed up to highest level in 40yrs in May.
	May leading index	1.6%	1.1%	-	Pace of recovery still brisk, but will begin to moderate.
Fri 18					
UK	May retail sales	9.2%	-	-	Pent-up demand will drive sales as the economy reopens.

International forecasts.

Economic Forecasts (Calendar Years)	2017	2018	2019	2020	2021f	2022f
Australia						
Real GDP %oyr	2.4	2.8	1.9	-2.4	5.4	3.8
CPI inflation %oyr	1.9	1.8	1.8	0.9	2.6	1.8
Unemployment rate %	5.5	5.0	5.2	6.8	5.0	4.7
Current account % of GDP	-2.6	-2.1	0.7	2.6	4.2	2.6
United States						
Real GDP %oyr	2.3	3.0	2.2	-3.5	6.5	4.1
CPI inflation %oyr	2.1	2.4	1.9	1.2	2.9	2.2
Unemployment rate %	4.4	3.9	3.7	8.1	5.3	4.3
Current account % of GDP	-2.3	-2.3	-2.6	-2.5	-2.4	-2.4
Japan						
Real GDP %oyr	1.7	0.6	0.3	-4.8	2.7	2.1
Euro zone						
Real GDP %oyr	2.6	1.9	1.3	-6.6	4.2	4.0
United Kingdom						
Real GDP %oyr	1.7	1.3	1.4	-9.9	5.8	5.5
China						
Real GDP %oyr	6.9	6.7	5.8	2.3	10.0	5.7
East Asia ex China						
Real GDP %oyr	4.7	4.4	3.7	-2.4	4.9	4.9
World						
Real GDP %oyr	3.8	3.6	2.8	-3.3	5.9	4.6
Forecasts finalised 9 June 2021						

Interest rate forecasts	Latest	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
Australia							
Cash	0.10	0.10	0.10	0.10	0.10	0.10	0.10
90 Day BBSW	0.03	0.07	0.09	0.10	0.10	0.10	0.10
10 Year Bond	1.48	1.95	2.10	2.20	2.30	2.40	2.50
International							
Fed Funds	0.125	0.125	0.125	0.125	0.125	0.125	0.125
US 10 Year Bond	1.44	1.85	2.00	2.10	2.20	2.30	2.40

Exchange rate forecasts	Latest	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
AUD/USD	0.7755	0.80	0.82	0.85	0.85	0.85	0.85
USD/JPY	109.39	109	109	110	110	111	111
EUR/USD	1.2189	1.23	1.24	1.25	1.26	1.27	1.27
GBP/USD	1.4184	1.42	1.43	1.43	1.44	1.44	1.44
USD/CNY	6.3865	6.30	6.20	6.15	6.10	6.05	6.00
AUD/NZD	1.0777	1.08	1.08	1.09	1.09	1.09	1.09

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. Whilst 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 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 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 in interests associated with the provision of investment recommendations.

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

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

Investing in any non-U.S. securities or related financial instruments mentioned in this communication may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the SEC in the United States. Information on such non-U.S. securities or related financial instruments may be limited. Non-U.S. companies may not 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.