



Kōkako

# Weekly Economic Commentary.

**Well, that escalated quickly.**

It's been a dramatic week for the New Zealand economy with strict lockdown conditions now back in place. It's looking likely that the initial restrictions will be extended, and there will be some disruption to the recent strong momentum in economic activity. Against this backdrop, the Reserve Bank stayed pat last week. Nevertheless, a series of rate hikes is still on the cards. We now expect these to begin in November.

On Tuesday last week, an outbreak of the Delta variant saw New Zealand suddenly thrust back into Alert Level 4 lockdown. The country is now in wait-and-see mode: any change in Alert Level settings will depend on how many further cases are discovered and if their spread can be stymied. At this stage it's looking likely that activity restrictions will remain in place for some time, with stricter restrictions in Auckland likely.

Past experience with Covid lockdowns and restrictions gives us some idea of what impact lockdowns will have on economic activity. We've previously estimated that at Alert Level 4, the value of lost activity is around \$1.5bn per week (about 0.6% of annual GDP). In contrast, the impact at Alert Level 3 is significantly lower at around \$600m per week, while

the effects of Alert Level 2 restrictions are small overall and limited to a few sectors.

It's not quite as straightforward as this though, as the ultimate impact of lockdowns also depends on the length of time spent at each alert level. In a short successful lockdown, a large proportion of spending ends up being delayed rather than lost altogether. But the longer the lockdown, the less likely that lost activity will be caught up at a later date.

Whatever the cost of early action may be, it pales in comparison to the potential cost of a slow response that results in a longer period of restrictions. This highlights a point we have often made: In the long run, there is not a trade-off between public health and the economy.



The Government has already reintroduced the wage subsidy programme and support for affected businesses. This was an important part of limiting the longer-term economic scarring from last year's Level 4 lockdown, by helping to keep people attached to the workforce. The cost of this to the Government will be large but manageable, as tax revenue is already several billion dollars ahead of what was projected in the May Budget.

Prior to the outbreak, we had expected that the RBNZ would raise the cash rate at last Wednesday's review. Recent months have seen a run of strong economic activity and a sharp rise in inflation to over 3.3%. Consistent with those developments, the RBNZ had already begun to reduce the degree of monetary stimulus when it announced the end of its asset purchase programme at its July meeting. However, the sudden move back into lockdown the day before the policy decision saw the RBNZ stand pat.

The decision to keep the cash rate on hold will most likely prove to just be a delay. Indeed, the RBNZ's policy statement signalled that it doesn't think the 'emergency' policy settings put in place in the wake of last year's Covid outbreak are needed anymore. As we've seen over the past year, economic activity has tended to bounce back quickly once restrictions are lifted. And if that does happen again, the RBNZ will soon be confronted with many of the same issues that it faced before – an economy that is running up against capacity constraints and which is at risk of a more sustained period of inflation pressures.

In addition, while it's true that the latest lockdown will weigh on demand in the near term, the RBNZ has correctly noted that easier monetary policy is not the best response to lockdown conditions themselves. Instead, fiscal policy is the

best way to provide support. And this is in fact happening, as the Government has reintroduced the measures that it used in previous lockdowns, such as the wage subsidy scheme.

There's a wide range of possibilities as to when and how quickly the country will be able to step down the Alert Level ladder. At this stage, we've pencilled in the start of rate hikes in November. However, depending on how the trend in Covid cases, a hike at the October meeting is still a possibility.

Further ahead, and assuming the economy returns to the solid growth path we've seen recently, we expect a series of hikes at the February, April and May policy meetings. After that, we expect the RBNZ will pause for a period to assess how the economy is tracking, with gradual increases expected beyond that time. We expect the cash rate will reach a peak of 2% by the end of 2023 – around the RBNZ's current estimate of a neutral level.

Given the strength of economic activity and inflation in recent months, it's been suggested that the RBNZ may look at a 50bp hike when the tightening cycle eventually begins (effectively 'catching up' the hike that was postponed in August). We think that is doubtful. The RBNZ was quick to brace the economy when Covid first arrived on our shores with a large 75bp cut. However, it's likely to take a more measured approach as it eases its foot off the accelerator to avoid jarring the economy. Consequently, we expect any future rate hikes will be in 25bp increments.

**Satish Ranchhod**, Senior Economist

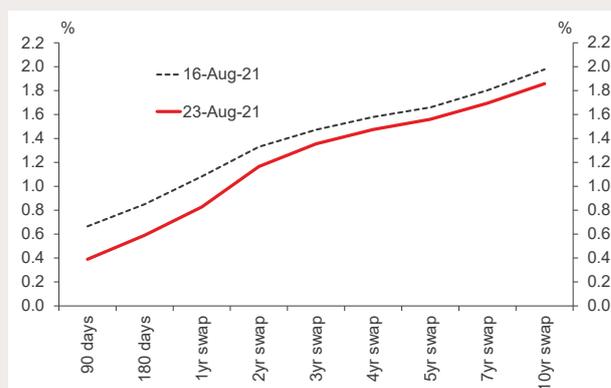
+64 9 336 5668

## Fixed vs floating for mortgages.

We expect the Reserve Bank to start increasing the OCR over the coming months, with the timing subject to how the current Covid-19 outbreak plays out.

Based on our OCR forecasts over the coming years, we think there is value in moving beyond the currently popular one-year fixed term, towards terms of two to three years. Longer terms (out to five years) don't offer additional value, though they may be suitable for borrowers who value more certainty in their repayments.

**NZ interest rates**



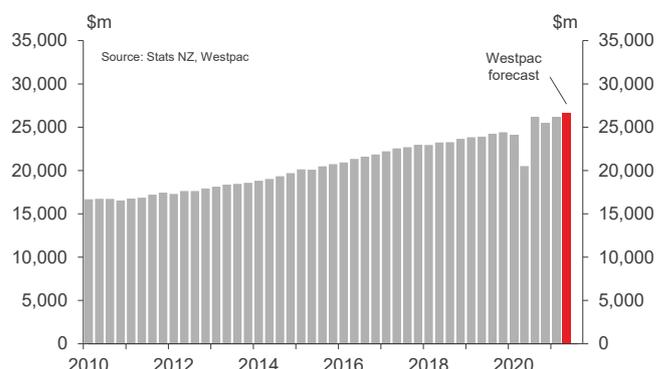
# The week ahead.

## NZ Q2 retail spending

**Aug 24, Volumes, Last: +2.5%, Westpac f/c: +2.0%**

- Retail spending rose by 2.5% in the March quarter. That followed a similar sized pull back in the previous quarter and left spending at firm levels.
- We expect the June quarter retail report will show that spending levels have continued to rise at a solid pace and have pencilled in a 2% rise in volumes. Monthly retail spending figures have ongoing strength in spending, especially on household durables.
- In addition to strong growth in volumes, prices are expected to take a sizeable step higher. The combination of supply disruptions and strong demand has seen consumer price inflation rising sharply in recent months.

## NZ quarterly real retail sales



## NZ Jul employment indicator

**Aug 27, Last: 1.1%**

- The monthly employment indicator, based on data from income tax filings, shows that the number of filled jobs has gained momentum over the course of this year, culminating in a 1.1% rise in June. Jobs are now about 2% above their pre-Covid peak.
- The weekly snapshots provided by Stats NZ, although incomplete for July, suggest a further solid gain.
- The August figures will no doubt be weaker, with the country entering a snap lockdown. However, during the first lockdown in March 2020, the drop in filled jobs was relatively small and quickly unwound. Much of the adjustment appears to have happened through a sharp drop in hours worked.

## NZ Monthly Employment Indicator filled jobs

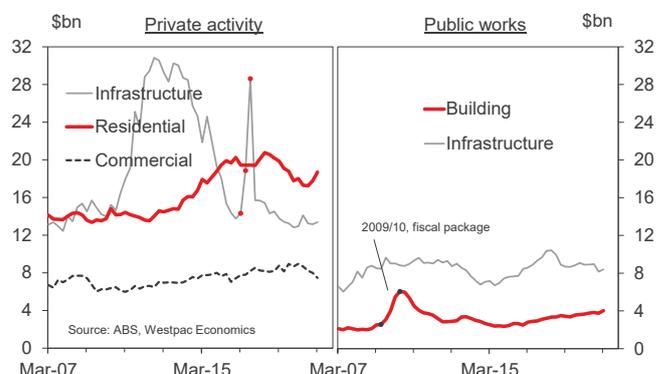


## Aus Q2 construction work

**Aug 25, Last: 2.4%, WBC f/c: 0.9%  
Mkt f/c: 2.8%, Range: 0.8% to 5.0%**

- The avalanche of policy support in response to covid will see construction activity advance over the first half of 2021. This is a turnaround from the declines over the past two years.
- The 2021 year began on a positive note, with construction work up 2.4% in Q1 - albeit still down on a year ago, -1.1%. For Q2, we anticipate a further rise in work, +0.9%.
- Gains in Q2 are expected to be centred on housing and public works - extending the trend evident in Q1. Housing is responding to record low rates, the HomeBuilder program and a shift in spending to renovations with the national border still closed. Public works is lifting as governments commit to new projects - as part of the stimulus package.
- Private non-residential construction is likely to trend lower, alongside the decline in approvals and commencements.

## Aus construction work by segment



# The week ahead.

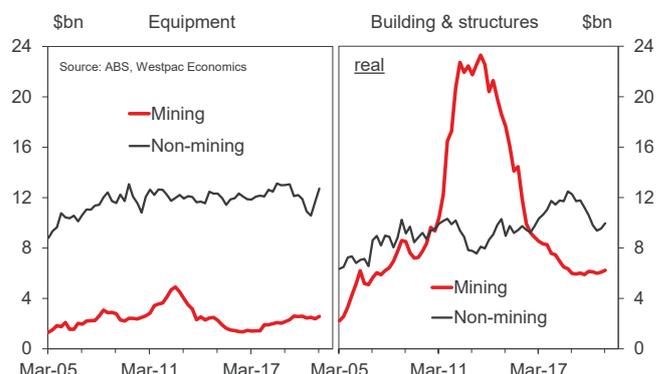
## Aus Q2 private business capex

**Aug 26, Last: 6.3%, WBC f/c: 0.8%**

**Mkt f/c: 2.5%, Range: 0.8% to 4.5%**

- Private business capex spending bounced back strongly over the December and March quarters as the economy reopened. Gains of 4.2% and 6.3% were recorded in Q4 and Q1, for capex to be little changed on a year ago, +0.8%.
- The positive trend likely extended into the June quarter, with capex up a forecast 0.8%.
- A strong showing from equipment spending, +3%, is anticipated - responding to the positives fundamentals. By contrast, Building & Structure expenditure is expected to moderate, down -1.3%, reflecting the drop in approvals.

## Aus capex

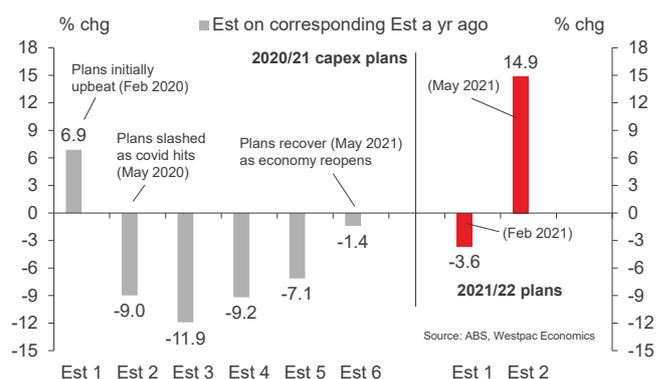


## Aus 2021/22 capex plans

**Aug 26**

- Capex plans have been revised significantly since Covid struck - first down and then up - with further revisions likely.
- This update includes Est 3 for 2021/22 and was surveyed in July and into August, with much of Australia back in lockdown.
- Given the current backdrop, the upgrade of Est 3 on Est 2 will likely be less than normal. Rather than the typical 12% upgrade, it may / possibly / perhaps be closer to 7.5%. If so, Est 3 would print at \$122bn, still some 12% above Est 3 a year ago (again significantly flattered by base effects).
- With this survey taken at such a fluid time, we are inclined to discount the significance of these results. Beyond any near-term softness, the key is whether the economy rebounds strongly after the reopening - as we anticipate. That would point to a resumption of an uptrend in capex spending.

## Aus capex plans



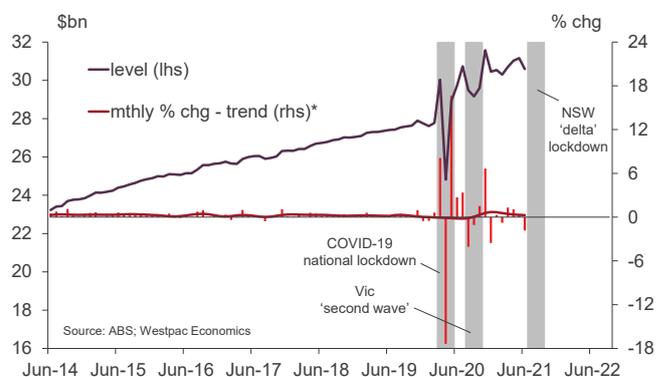
## Aus Jul retail trade

**Aug 27, Last: -1.8%, WBC f/c: -2.0%**

**Mkt f/c: -2.0%, Range: -8.0% to -1.0%**

- Retail sales fell 1.8% in June as an extended 14-day lock-down in Melbourne over the first two weeks was followed by the beginning of Sydney's 'delta' lock-down at the end of the month. Sales fell 4% fall in Vic, 2% in NSW, and dipped 0.4% across other states on a combined basis.
- July is expected to see a slightly bigger 2% fall. Lock-down measures intensified in Sydney with Melbourne also entering another 14-day period of restrictions. There is some uncertainty around the net effect of measures and periods of eased restrictions - our Westpac Card Tracker shows 'stockpiling' and reopening rebounds see volatile week to week patterns. The tracker also suggests consumer spending has held up surprisingly well during NSW's extended lock-down. By way of comparison, retail sales nationally declined 4.1% as Vic entered its 'second wave' lock-down back in Aug last year and by a further 1.1% in Sep.

## Aus monthly retail sales

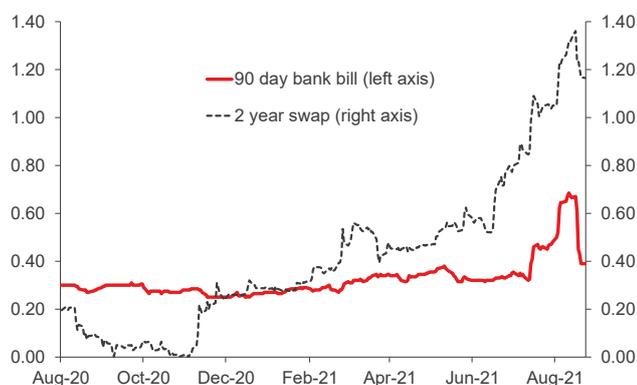


# New Zealand forecasts.

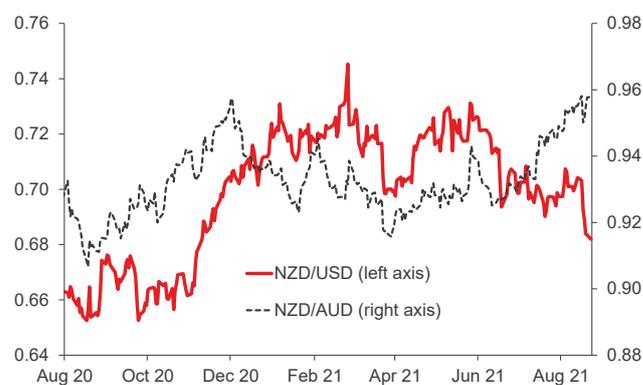
Economic forecasts	Quarterly				Annual			
	2021				2019	2020	2021f	2022f
% change	Mar (a)	Jun	Sep	Dec				
GDP (Production)	1.6	1.5	-6.1	9.0	2.4	-2.9	4.8	4.8
Employment	0.6	1.1	-0.1	0.5	1.2	0.7	2.1	2.1
Unemployment Rate % s.a.	4.6	4.0	3.8	4.2	4.0	4.8	4.2	3.5
CPI	0.8	1.3	1.1	0.1	1.9	1.4	3.4	2.1
Current Account Balance % of GDP	-2.2	-3.3	-3.9	-4.3	-3.3	-0.8	-4.3	-4.4

Financial forecasts	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Jun-23	Dec-23
Cash	0.25	0.50	0.75	1.25	1.25	1.50	1.75	2.00
90 Day bill	0.45	0.70	1.15	1.35	1.45	1.60	1.85	2.10
2 Year Swap	1.20	1.35	1.50	1.60	1.70	1.80	2.00	2.15
5 Year Swap	1.60	1.75	1.90	2.00	2.10	2.20	2.40	2.55
10 Year Bond	1.80	1.95	2.10	2.15	2.20	2.30	2.45	2.55
NZD/USD	0.71	0.74	0.76	0.77	0.77	0.77	0.75	0.73
NZD/AUD	0.95	0.95	0.95	0.94	0.94	0.94	0.94	0.94
NZD/JPY	78.8	82.1	85.1	86.2	86.2	87.0	85.5	84.0
NZD/EUR	0.59	0.61	0.62	0.63	0.64	0.64	0.63	0.61
NZD/GBP	0.50	0.52	0.53	0.53	0.53	0.53	0.52	0.51
TWI	74.4	76.4	77.5	77.9	77.7	77.6	76.0	74.3

2 year swap and 90 day bank bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on 23 August 2021

Interest rates	Current	Two weeks ago	One month ago
Cash	0.25%	0.25%	0.25%
30 Days	0.28%	0.46%	0.32%
60 Days	0.33%	0.55%	0.39%
90 Days	0.39%	0.65%	0.46%
2 Year Swap	1.17%	1.23%	1.05%
5 Year Swap	1.56%	1.56%	1.44%

NZ foreign currency mid-rates as at 23 August 2021

Exchange rates	Current	Two weeks ago	One month ago
NZD/USD	0.6819	0.7013	0.6976
NZD/EUR	0.5829	0.5962	0.5924
NZD/GBP	0.5004	0.5051	0.5070
NZD/JPY	74.85	77.36	77.10
NZD/AUD	0.9579	0.9529	0.9474
TWI	73.23	74.57	74.23

## Data calendar.

		Last	Market median	Westpac forecast	Risk/Comment
<b>Mon 23</b>					
Eur	Aug Markit PMIs	-	-	-	Mfg & services PMIs for Euro Area, UK, Germany.
	Aug consumer confidence	-4.4	-	-	Reopening positive but delta to test sentiment.
US	Jul Chicago Fed activity index	0.09	-	-	Strength driven by employment and hours worked.
	Aug Markit manufacturing PMI	63.4	63.0	-	Mfg PMI looks to be cresting after peak in May 2021.
	Aug Markit service PMI	59.9	59.2	-	Aug read likely to be stable on prior month.
	Jul existing home sales	1.4%	-0.3%	-	High prices and inventory constraints continue to impact.
<b>Tue 24</b>					
NZ	Q2 real retail sales	2.5%	2.0%	2.0%	Ongoing firmness in durables spending.
US	Jul new home sales	676k	700k	-	Stabilisation expected after first-half decline.
	Aug Richmond Fed index	27	-	-	Delta's impact varies across nation.
<b>Wed 25</b>					
NZ	Jul trade balance \$m	261	-	-390	Imports robust; exports take a breather after strong June.
Aus	Q2 construction work done	2.4%	2.8%	0.9%	Gains centred on housing and public works.
US	Jul durable goods orders	0.9%	-0.3%	-	Investment outlook supported by buoyant consumption.
<b>Thu 26</b>					
Aus	Q2 private new capital expenditure	6.3%	2.5%	0.8%	Equipment spending up: economic rebound, tax incentives.
	July 31 weekly payrolls	-	-	-	To provide an update on labour market during Sydney lockdown.
	2021/22 capex plans \$bn	113.6	-	-	Lockdowns likely to weigh on near-term capex plans.
US	Initial jobless claims	348k	-	-	Strong demand for workers offsetting delta's reemergence.
	Q2 GDP	6.5%	6.6%	-	Modest upward revision to 6.6% likely for second release.
	Aug Kansas City Fed index	30	-	-	Prices paid appear to be cresting.
<b>Fri 27</b>					
NZ	Aug ANZ consumer confidence	113.1	-	-	Pre-dates latest lockdown, likely to show further firming.
	Jul employment indicator	1.1%	-	-	Weekly reports suggest a further solid gain.
Aus	Jul retail sales	-1.8%	-2.0%	-2.0%	Full extent of lockdown will be apparent.
	RBA's Richards	-	-	-	To appear before select committee.
Chn	Jul industrial profits %yr	20.0%	-	-	Buoyed by commodity prices and global re-opening.
US	Jul wholesale inventories	1.1%	-	-	Inventories set to rebuild after Q2 draw.
	Jul personal income	0.1%	0.2%	-	Thrown around by stimulus payments.
	Jul personal spending	1.0%	0.4%	-	Rotation to services consumption should sustain gains.
	Jul core PCE deflator	0.4%	0.3%	-	Underlying inflation pressures contained.
	Jackson Hole Symposium	-	-	-	Chair Powell to speak on economy on day 1 of conference.

## International forecasts.

Economic Forecasts (Calendar Years)	2017	2018	2019	2020	2021f	2022f
<b>Australia</b>						
Real GDP %/yr	2.4	2.8	1.9	-2.4	4.2	4.5
CPI inflation %/yr	1.9	1.8	1.8	0.9	2.6	2.4
Unemployment rate %	5.5	5.0	5.2	6.8	5.1	4.0
Current account % of GDP	-2.6	-2.1	0.7	2.6	4.2	2.4
<b>United States</b>						
Real GDP %/yr	2.3	3.0	2.2	-3.5	6.1	4.3
CPI inflation %/yr	2.1	2.4	1.9	1.2	4.5	2.8
Unemployment rate %	4.4	3.9	3.7	8.1	5.4	3.8
Current account % of GDP	-2.3	-2.3	-2.6	-2.5	-2.4	-2.4
<b>Japan</b>						
Real GDP %/yr	1.7	0.6	0.3	-4.8	2.5	2.7
<b>Euro zone</b>						
Real GDP %/yr	2.6	1.9	1.3	-6.6	4.5	4.4
<b>United Kingdom</b>						
Real GDP %/yr	1.7	1.3	1.4	-9.9	6.5	5.0
<b>China</b>						
Real GDP %/yr	6.9	6.7	5.8	2.3	9.3	5.8
<b>East Asia ex China</b>						
Real GDP %/yr	4.7	4.4	3.7	-2.4	4.6	5.0
<b>World</b>						
Real GDP %/yr	3.8	3.6	2.8	-3.3	5.7	4.7

Forecasts finalised 6 August 2021

Interest rate forecasts	Latest	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Jun-23	Dec-23
<b>Australia</b>									
Cash	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.50	0.75
90 Day BBSW	0.01	0.04	0.07	0.10	0.15	0.20	0.40	0.70	0.95
10 Year Bond	1.07	1.55	1.80	1.95	2.00	2.05	2.10	2.20	2.30
<b>International</b>									
Fed Funds	0.125	0.125	0.125	0.125	0.125	0.125	0.375	0.875	0.875
US 10 Year Bond	1.23	1.60	1.80	1.95	2.00	2.05	2.10	2.20	2.30

Exchange rate forecasts	Latest	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Jun-23	Dec-23
AUD/USD	0.7130	0.75	0.78	0.80	0.82	0.82	0.82	0.80	0.78
USD/JPY	109.70	111	111	112	112	112	113	114	115
EUR/USD	1.1688	1.21	1.22	1.23	1.22	1.21	1.21	1.20	1.19
GBP/USD	1.3629	1.41	1.42	1.43	1.44	1.45	1.44	1.44	1.43
USD/CNY	6.5016	6.35	6.25	6.15	6.10	6.05	6.00	6.00	5.95
AUD/NZD	1.0438	1.06	1.05	1.05	1.06	1.06	1.06	1.07	1.07

# 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](http://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.