

# WESTPAC WEEKLY ECONOMIC COMMENTARY

## Double, or nothing?

12 September 2022



Harakeke/flax

### Westpac Economics Team

✉ [economics@westpac.co.nz](mailto:economics@westpac.co.nz)

🌐 [westpac.co.nz/economics](https://westpac.co.nz/economics)



New Zealand recorded a 0.2% drop in GDP in the March quarter as the Omicron wave swept through the country. With recession risks already on people's minds, that inevitably sparked an interest in what the June quarter figures (to be released this Thursday) would hold. Would we see a second quarter of decline, meeting the 'technical' criteria for a recession? Or would it turn out to be nothing, simply a product of noisy data in an unusual environment?

With all the available data now to hand, it looks more likely that the March quarter drop was a big nothing – we estimate that GDP bounced by 1.6% in the June quarter. That's an upgrade from our initial forecast of a 1% rise, and is closer to the 1.8% increase that the Reserve Bank forecast in its most recent *Monetary Policy Statement*.

That said, the margin of uncertainty around our forecast – already quite wide throughout the pandemic – is particularly large this time. There were some big forces operating on the economy through the June quarter – not just the easing of the Omicron wave, but also the scaling back of the Covid response. And most importantly, the reopening of the border has seen the return of overseas tourists during what would normally have been the seasonal lull. We're expecting to see some big sectoral shifts in both directions, and it's not at all clear where the balance will lie.

Transport and accommodation were the obvious beneficiaries from the return of overseas tourists. The challenge has been in identifying what they did once they got here. They clearly

weren't hitting the shops – retail spending was down more than 2% for the quarter. Instead, the gains will come through in sectors such as administrative services (which includes tour operators) and arts and recreation.

A number of sectors appear to have benefited from the easing of the Omicron wave over the June quarter, in particular the reduced degree of worker absences. We expect around a 4% lift in food manufacturing, helped by meatworks operating closer to full capacity, as well as improved growing conditions relative to previous quarters. Construction, non-food manufacturing and professional services are also expected to see an uptick to varying degrees.

Some of the sectoral details of GDP will need to be read with caution. The Marsden Point oil refinery was decommissioned in April and became an import-only facility. That means for GDP purposes its activities have been reclassified from manufacturing to wholesale and distribution. Without that effect, we'd be expecting to see a solid lift in non-food manufacturing, but a drop in wholesale trade, for the June quarter.

There are two areas where we expect to see a meaningful drag on GDP. The first is mining, with substantially lower oil and gas extraction during the quarter. That said, mining is a small sector (the decline knocks maybe 0.1% off total GDP growth for the quarter) and it doesn't tell us much about the health of the wider economy.

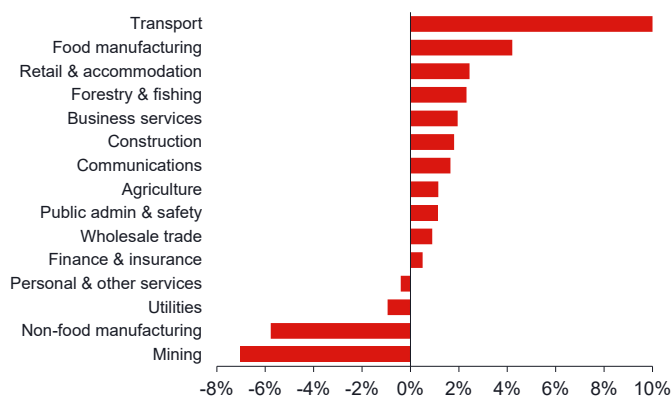
The second is healthcare. That, however, is more about returning to normal levels of activity. The Covid vaccination programme has largely wound down, as has PCR testing, with home tests taking over.

In New Zealand the production measure of GDP is generally considered more reliable, compared to the expenditure approach that's often favoured overseas. That's going to be particularly true for the June quarter figures. For one, the absence of overseas tourists until now has completely thrown off the usual seasonal patterns in services exports. Stats NZ also notes that there are issues with identifying how consumer spending is apportioned between tourists and New Zealand households, so that increased volatility has affected the household consumption figures as well. The production measure of GDP is much less affected by these issues.

A bounce in GDP in line with our forecasts would leave us with a picture of an economy that's still operating well above its sustainable potential. The Reserve Bank's task will be to close that gap in a timely manner in order to bring inflation pressures to heel, while also avoiding unnecessary volatility in the economy. We're already well down the path of higher interest rates, and we expect to see those have an increasing impact on activity in the months ahead.

But this process could take quite some time to play out, before we see the benefits of a return to low and stable inflation. So it's likely that some parts of the economy (such as the household sector) will have some pain to wear in the years ahead, even as other sectors such as tourism begin their recovery.

#### Q2 GDP forecast by production



**Michael Gordon, Acting Chief Economist**

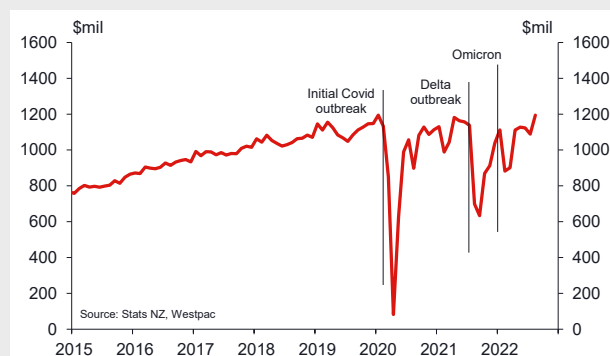
+64 9 336 5670

michael.gordon@westpac.co.nz

## Chart of the week

Credit and debit card spending rose 0.7% in August, nearly all of which was related to a lift in hospitality. The reopening of our border to overseas visitors, and the easing in Covid cases locally, helped to lift hospitality spending back to around pre-pandemic levels (at least in dollar terms – like many sectors, it has seen a rise in prices in that time). Spending in other areas has effectively been flat, and in the case of durables such as household goods, it has fallen for the past three months.

#### Hospitality spending on electronic cards

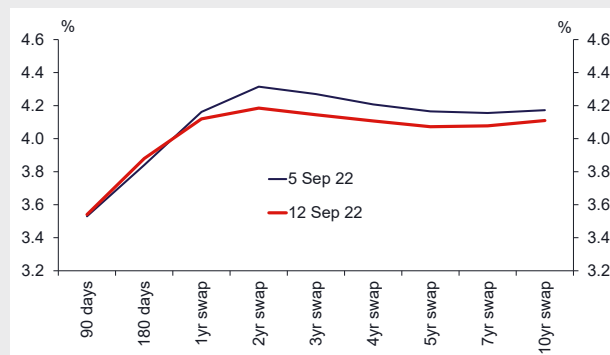


## Fixed vs floating for mortgages

We expect the Reserve Bank to lift the Official Cash Rate to 4% and to hold it there for the next couple of years, before reducing it to a more sustainable level in the following years. In contrast, wholesale interest rate markets are priced for a sustained higher level of the OCR for many years to come.

As a result, we believe that there is value in fixing for terms of up to two years. We would regard fixing for terms longer than this as expensive, but this option may suit those who want more certainty in their repayments.

#### NZ interest rates



# The week ahead

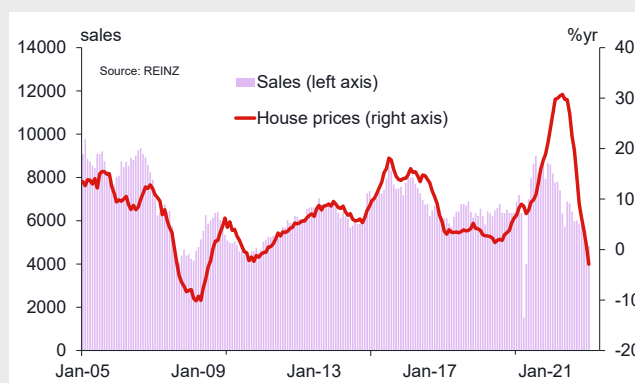
## NZ Aug REINZ house sales and prices

**Sep 13 (Due this week), Sales last: -3.1% m/m, -36.7% y/y  
Prices last: -1.7% m/m, -2.9% y/y**

The July housing market update from REINZ showed a further cooling in the housing market. Nationwide house prices are now down 8% from their peak in November 2021, and there have been particularly large falls in Auckland and Wellington. We've also seen the number of house sales continuing to drop, with monthly sales now at their lowest level since 2011 (barring the lockdown period in 2020).

We expect the August update will show that the softening in the housing market has continued. The low level of sales, increasing inventories of unsold homes, and a rise in the time to sell all point towards a further easing in sale prices. Mortgage rates did dip for a period in August. Even so, we expect the number of sales will remain low.

REINZ house prices and sales



## NZ Q2 Current Account Balance, % of GDP

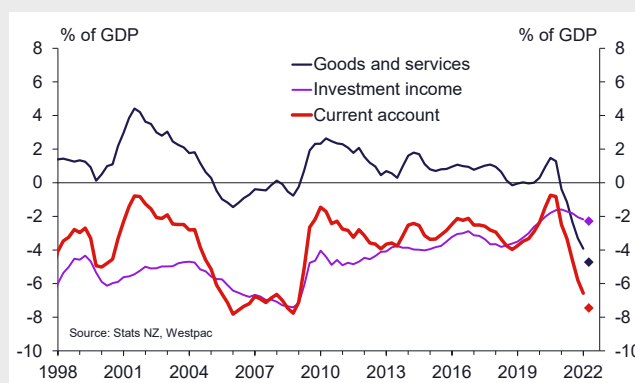
**Sep 14, Last: -6.5%, Westpac: -7.5%**

We expect the annual current account deficit to widen to 7.5% of GDP in the June quarter, from 6.5% in the March quarter.

The widening of the deficit beyond the average level of recent years essentially reflects the hot New Zealand economy since late 2020 – we have been, at least temporarily, living beyond our means.

However, we expect that 7.5% will represent the widest point for the current account deficit in this cycle. From here and as the economy slows, we expect the current account deficit to narrow to 6.7% by year end and to around 3.5% by December 2023.

NZ annual current account balance



## NZ Q2 GDP

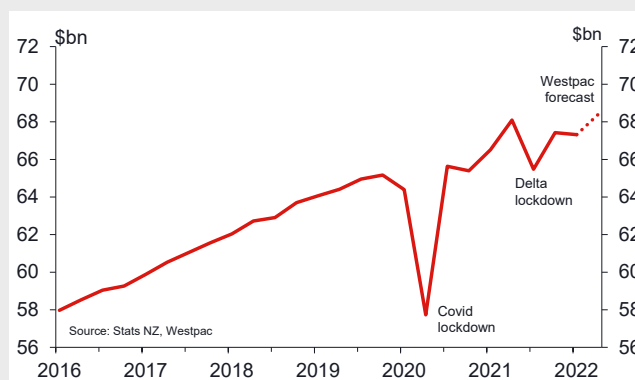
**Sep 15, Last: -0.2%, WBC f/c: 1.6%, Mkt f/c: 1.0%**

We expect a 1.6% rise in GDP for the June quarter. This follows a 0.2% drop in the March quarter as Omicron swept through the country.

The reopening of the border, and the resumption of overseas tourism, is expected to provide a significant boost to areas such as travel services, accommodation, and arts and recreation.

A result in line with our view would emphasise that the New Zealand economy remains far from recession. Indeed, the challenge is one of an economy that is running too hot.

NZ production-based GDP



# The week ahead

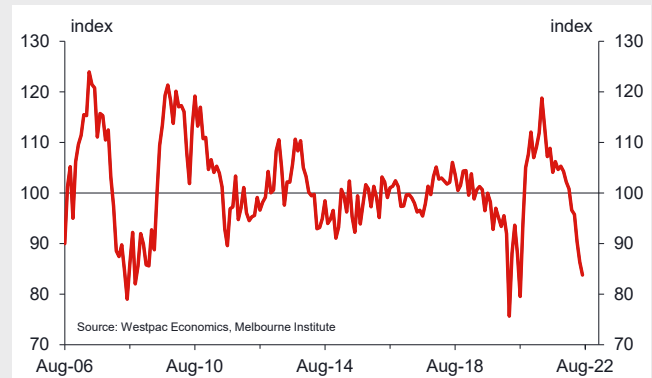
## Aus Sep Westpac-MI Consumer Sentiment

Sep 13, Last: 81.2

Consumer Sentiment fell a further 3% to 81.2 in August, putting the Index on a par with the lows seen during COVID and the GFC but still well above those seen during the recession in the early 1990s. The Index has now seen a cumulative 22.9% fall from its peak in Nov last year.

September is shaping as another weak read, the RBA making a fourth 50bp interest rate rise in as many months. On top of this, equity markets have re-entred correction mode, and price declines are becoming more pronounced and widespread in housing markets. More positively, the Q2 national accounts showed the economy sustaining gains through to mid-year, unemployment also remaining near historic lows and petrol prices continuing to retrace from recent highs. This is likely to be of little comfort though with overriding concerns about the shock from rapid rate rises likely to dominate.

## Aus Consumer Sentiment Index



## Aus Aug overseas arrivals and departures, prelim<sup>†</sup>

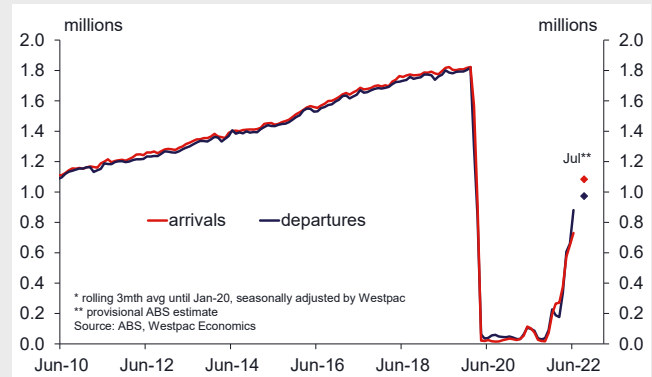
Sep 13, Arrivals, Last: 1083.2k

Sep 13, Departures, Last: 972.6k

A return to seasonal mid-year travel saw arrivals and departures post solid gains in July, lifting to 1083.2k and 972.6k respectively. The surge in June's departures reflected Australians leaving for short-term trips, and July's strength in arrivals marks their return, alongside a strong lift in short-term visitor arrivals.

For the August preliminary estimate, we expect the recovery in overseas travel to continue forging ahead. With arrivals and departures at 60% and 55% of their respective pre-pandemic levels, there is still plenty of capacity for growth.

## Aus total overseas arrivals and departures



## Aus Aug Labour Force Survey, employment '000

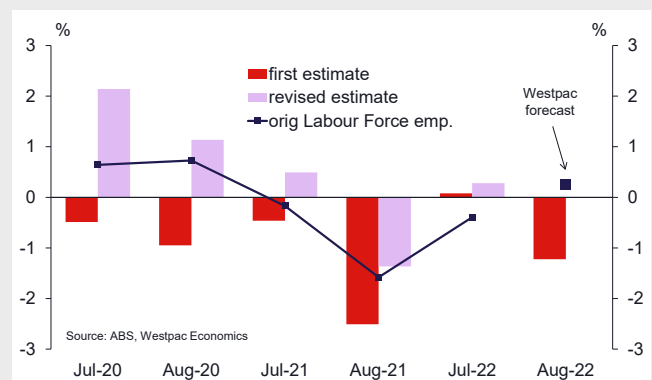
Sep 15, Last: -40.9k, WBC f/c: 110k

Mkt f/c: 37.5k, Range: 10k to 110k

Total employment surprised by falling 40.9k/0.3% in July and total hours worked fell in 0.8%. The ABS noted that the July Labour Force reference period coincided with winter school holidays, worker absences associated with various illnesses (including COVID), and further flooding events in NSW.

We are looking for a solid recovery from those events, but in comparing Labour Force reference periods, Weekly Payrolls fell -1.2% in the month to August, suggesting further weakness. However, post financial year Payrolls can be subject to significant revisions. As such we see the risk skewed to upside hence our solid +110k employment forecast.

## Aus payroll revisions (Jul/Aug observations)



# The week ahead

## Aus Aug Labour Force Survey, unemployment %

Sep 15, Last: 3.4%, WBC f/c: 3.4%  
Mkt f/c: 3.4%, Range: 3.2% to 3.6%

A decline in employment that is associated with less people being willing and/or able to work in the month would be reflected in a drop in participation which fell 0.3ppt in July to 66.4%, leading to a 61.2k decline in the labour force. As the decline in the labour force was larger than the decline in employment, the unemployment rate fell 0.1ppt to 3.4%; to 3.38% from 3.48% at two decimal points.

The decline in unemployment was matched by a decline in underemployment from 6.1% to 6.0%. Falling underemployment is unusual when hours worked contract but is consistent with the rise in part-time employment and further supply disruptions in July.

The fall in both underemployment and unemployment associated with falling employment and hours worked is a sign of seasonal volatility. Normally, you would expect unemployment and underemployment to rise with a fall in hours worked, suggesting many workers left the labour market in July. We expect them to return in August holding unemployment flat at 3.4%.

## Aus Westpac employment indicators



## US Aug CPI

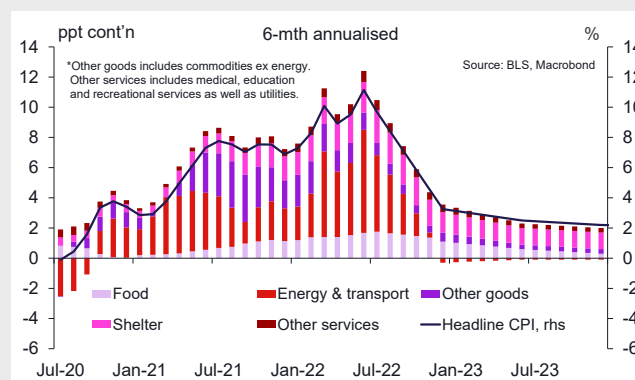
Sep 13, CPI mth chg, Last: 0.0%, Mkt f/c: -0.1%, WBC -0.2%

Coming a week ahead of the September FOMC meeting, this release looks set to decide whether the Committee will raise by 50bps or 75bps.

Headline inflation will be weighed down by the rapid decline in the oil price this month, so it is the core reading (ex energy and food) that will give a true read on the current pace of inflation and the risks ahead.

Arguably, with the economy having contracted through the first half, and household discretionary spending capacity under significant pressure, we are due a modest downside surprise. As such, we forecast +0.2% for core and -0.2% for headline. If achieved though, it should not be assumed that October and beyond will see repeats, with volatility likely to persist.

## US CPI

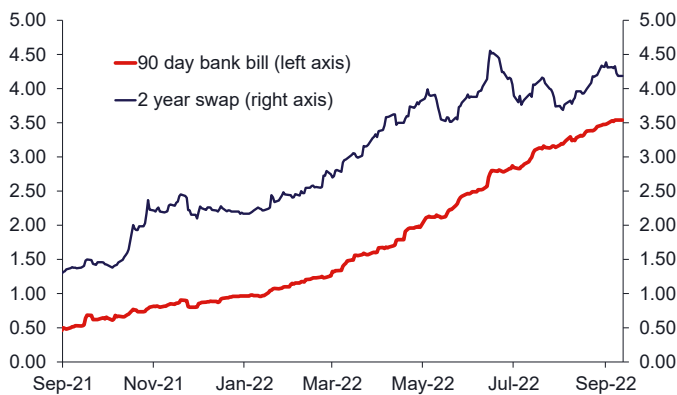


# New Zealand forecasts

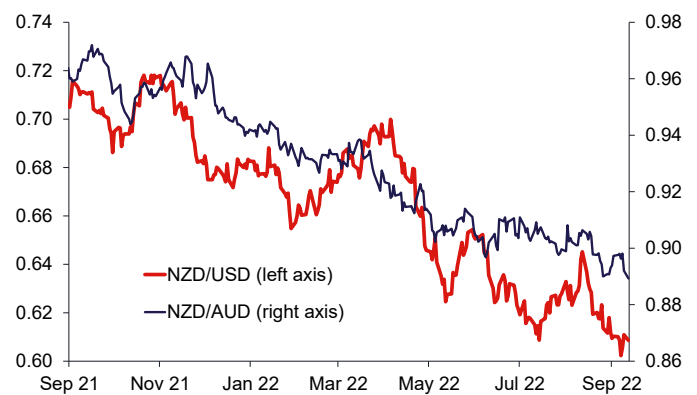
Economic forecasts	Quarterly				Annual			
	2022							
% change	Mar (a)	Jun	Sep	Dec	2020	2021	2022f	2023f
GDP (Production)	-0.2	1.6	0.4	0.6	-2.1	5.6	2.2	2.2
Employment	0.0	0.0	0.1	0.1	0.6	3.4	0.2	0.8
Unemployment Rate % s.a.	3.2	3.3	3.3	3.4	4.9	3.2	3.4	3.8
CPI	1.8	1.7	1.4	0.2	1.4	5.9	5.1	3.2
Current Account Balance % of GDP	-6.5	-7.6	-7.8	-7.4	-0.8	-5.8	-7.4	-4.6

Financial forecasts	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Cash	4.00	4.00	4.00	4.00	4.00	4.00	4.00
90 Day bill	4.10	4.10	4.10	4.10	4.10	4.10	3.80
2 Year Swap	3.90	3.80	3.70	3.50	3.30	3.10	2.80
5 Year Swap	3.70	3.60	3.50	3.35	3.20	3.05	2.90
10 Year Bond	3.50	3.40	3.30	3.15	3.00	2.95	2.90
NZD/USD	0.66	0.68	0.69	0.70	0.71	0.71	0.71
NZD/AUD	0.90	0.91	0.91	0.91	0.91	0.91	0.91
NZD/JPY	87.1	88.4	87.6	87.5	87.3	85.9	84.5
NZD/EUR	0.61	0.61	0.61	0.61	0.62	0.61	0.60
NZD/GBP	0.52	0.53	0.53	0.53	0.53	0.53	0.52
TWI	72.5	73.6	73.7	73.9	74.2	73.9	73.4

2 year swap and 90 day bank bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on 12 September 2022

Interest rates	Current	Two weeks ago	One month ago
Cash	3.00%	3.00%	2.50%
30 Days	3.18%	3.04%	2.99%
60 Days	3.36%	3.25%	3.15%
90 Days	3.54%	3.47%	3.32%
2 Year Swap	4.19%	4.34%	3.96%
5 Year Swap	4.07%	4.16%	3.69%

NZ foreign currency mid-rates as at 12 September 2022

Exchange rates	Current	Two weeks ago	One month ago
NZD/USD	0.6086	0.6116	0.6368
NZD/EUR	0.6021	0.6125	0.6241
NZD/GBP	0.5223	0.5230	0.5266
NZD/JPY	86.70	84.71	84.92
NZD/AUD	0.8893	0.8909	0.9051
TWI	70.49	70.71	72.22

# Data calendar

		Last	Market median	Westpac forecast	Risk/Comment
<b>Mon 12</b>					
NZ	Jul net migration	-896	-	-	Still low, but starting to turn following opening of the border.
UK	Jul trade balance £mn	-11387	-	-	Deficit to remain wide on import strength.
<b>Tue 13</b>					
NZ	Aug REINZ house sales %yr	-36.7%	-	-	Expected this week. Sales to remain low...
	Aug REINZ house prices %yr	-2.9%	-	-	... with a further easing in prices expected.
	Aug food price index	2.1%	-	0.0%	Lower veg prices balanced against gains in other prices.
Aus	Sep Westpac-MI Consumer Sentiment	81.2	-	-	To be hit by a fourth 50bp rate hike in as many months.
	Aug NAB business survey	20	-	-	Conditions up 6pts in July. Any signs of cooling in August?
	Aug overseas arrivals, prelim '000s	1083.2k	-	-	Arrivals at 60% of pre-Covid levels on mid-year travel.
Eur	Sep ZEW survey of expectations	-54.9	-	-	Sunk to a series low; similar to other sentiment surveys.
UK	Jul ILO unemployment rate	3.8%	3.7%	-	Slack to become more visible into year-end.
US	Aug NFIB small business optimism	89.9	90.5	-	Consolidating near pandemic lows; outlook still gloomy.
	Aug CPI	0.0%	-0.1%	-0.2%	Core inflation the focus. 0.2%/0.3% necessary to quell fears.
<b>Wed 14</b>					
NZ	Q2 current account balance (% of GDP)	-6.5%	-	-7.5%	Deficit may be reaching its widest point.
Eur	Jul industrial production	0.7%	-0.7%	-	Buoyant through Q2, though supply issues linger.
UK	Aug CPI %yr	10.1%	10.4%	-	Energy inflation still a key risk.
US	Aug PPI	-0.5%	0.0%	-	Producer inflation cooling as supply issues ease.
<b>Thu 15</b>					
NZ	Q2 GDP	-0.2%	1.0%	1.6%	Post-lockdown bounce and return of international tourists.
Aus	Sep MI inflation expectations	5.9%	-	-	Will falling petrol prices have an impact on expectations?
	Aug employment	-40.9k	37.5k	110k	Employment bounces out of illness, holidays & flood induced...
	Aug unemployment rate	3.4%	3.4%	3.4%	... collapse while a lift in participation steadies unemployment.
Eur	Jul trade balance €bn	-30.8	-	-	Value of energy-related imports remains elevated.
US	Initial jobless claims	222k	-	-	Likely to remain at low levels for time being.
	Sep Fed Empire state index	-31.3	-15.5	-	Regional surveys have been highly volatile...
	Sep Philly Fed index	6.2	2.0	-	... and are increasingly varied across the nation.
	Aug retail sales	0.0%	0.0%	-	Inflation and rates clearly weighing on consumption.
	Aug import price index	-1.4%	-1.3%	-	Import prices are declining from elevated level.
	Aug industrial production	0.6%	0.2%	-	Businesses are working through supply issues...
	Jul business inventories	1.4%	0.6%	-	... and rebuilding inventories at a robust pace.
<b>Fri 16</b>					
NZ	Aug manufacturing PMI	52.7	-	-	Remains low, drags from rising costs and staff shortages.
Chn	Aug retail sales ytd %yr	-0.2%	0.2%	-	Consumption will be a key area of support into year-end.
	Aug fixed asset investment ytd %yr	5.7%	5.5%	-	Businesses are working through domestic virus disruptions...
	Aug industrial production ytd %yr	3.5%	3.6%	-	... as a weakening global economy weighs on trade.
Eur	Aug CPI %yr	9.1%	9.1%	-	Final estimate to provide detail on breadth and intensity.
UK	Aug retail sales	0.3%	-	-	Negative so far this year, highlighting pressure on HH's.
US	Sep Uni. of Michigan sentiment	58.2	59.3	-	Consumers still feeling the heat from inflation and rates.

# International forecasts

Economic Forecasts (Calendar Years)	2018	2019	2020	2021	2022f	2023f
<b>Australia</b>						
Real GDP %yr	2.8	2.0	-2.1	4.8	4.9	2.1
CPI inflation %yr	1.8	1.8	0.9	3.5	7.6	3.1
Unemployment rate %	5.0	5.2	6.8	4.7	3.0	4.2
Current account % of GDP	-2.1	0.7	2.6	3.5	1.6	-1.0
<b>United States</b>						
Real GDP %yr	2.9	2.3	-3.4	5.7	1.7	0.6
CPI inflation %yr	2.4	1.9	1.2	5.1	7.1	2.5
Unemployment rate %	3.9	3.7	8.1	5.4	3.7	4.1
Current account % of GDP	-2.3	-2.6	-2.5	-2.4	-2.4	-2.4
<b>Japan</b>						
Real GDP %yr	0.6	-0.2	-4.5	1.6	1.7	1.7
<b>Euro zone</b>						
Real GDP %yr	1.8	1.6	-6.4	5.3	2.2	1.5
<b>United Kingdom</b>						
Real GDP %yr	1.7	1.7	-9.3	7.4	3.3	-1.0
<b>China</b>						
Real GDP %yr	6.8	6.0	2.2	8.1	3.5	7.0
<b>East Asia ex China</b>						
Real GDP %yr	4.5	3.8	-2.3	4.1	4.5	4.6
<b>World</b>						
Real GDP %yr	3.6	2.9	-3.1	6.1	3.0	3.4

Forecasts finalised 5 August 2022

Interest rate forecasts	Latest	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
<b>Australia</b>							
Cash	2.35	3.10	3.35	3.35	3.35	3.35	3.10
90 Day BBSW	2.61	3.55	3.55	3.55	3.55	3.38	3.13
10 Year Bond	3.58	3.40	3.30	3.10	2.90	2.65	2.50
<b>International</b>							
Fed Funds	2.375	3.375	3.375	3.375	3.375	3.125	2.875
US 10 Year Bond	3.29	3.00	2.90	2.70	2.50	2.30	2.20

Exchange rate forecasts	Latest	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
AUD/USD	0.6825	0.73	0.75	0.76	0.77	0.78	0.78
USD/JPY	143.12	132	130	127	125	123	121
EUR/USD	1.0069	1.09	1.11	1.13	1.14	1.15	1.16
GBP/USD	1.1582	1.26	1.28	1.30	1.32	1.34	1.35
USD/CNY	6.9392	6.60	6.50	6.40	6.30	6.20	6.15
AUD/NZD	1.1176	1.11	1.10	1.10	1.10	1.10	1.10



# 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

Any questions email:

economics@westpac.co.nz

## 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 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 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.

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.