



# WEEKLY ECONOMIC COMMENTARY



22 Apr 2024 | Westpac Economics Team | [westpac.co.nz/economics](https://westpac.co.nz/economics) | [economics@westpac.co.nz](mailto:economics@westpac.co.nz)

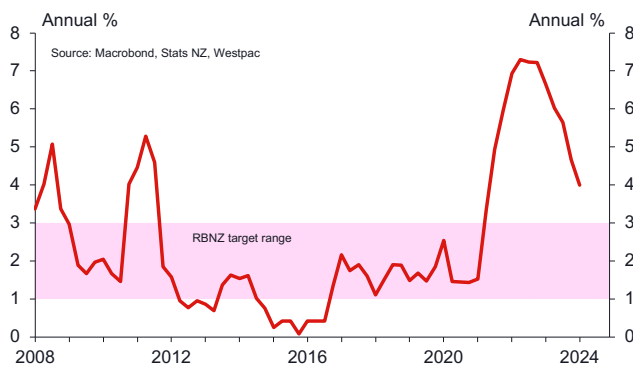
## The RBNZ can't shake off the strength in domestic inflation

Inflation in New Zealand has been dropping back as domestic demand has cooled. However, that softening is occurring more gradually than the RBNZ has been expecting. Importantly, a hard 'sticky' core of domestic inflation pressures means a return to 2% inflation is still a long way off. Against that backdrop, the RBNZ is set to leave the Official Cash Rate on hold over the remainder of this year.

New Zealand consumer prices rose 0.6% in the first three months of the year. That saw annual inflation dropping from 4.7% at the end of last year to 4% now. That's the lowest annual inflation has been since June 2021.

The March quarter inflation outcome split the difference between our forecast for a 0.8% increase and the RBNZ's forecast for a 0.4% rise. The RBNZ's forecast was finalised back in February, and their April policy statement signalled that they were already braced for an upside surprise on the day. Even so, the underlying details of the latest inflation figures were likely to have been uncomfortable reading for the RBNZ.

### Inflation down, but the devil is in the details

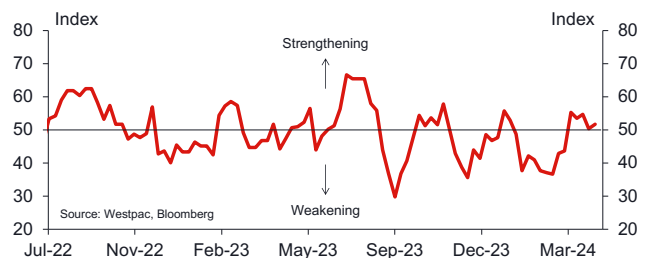


The downturn in inflation has almost entirely been a result of softness in the prices of tradable goods (sometimes

### Key views

	Last 3 months	Next 3 months	Next year
Global economy	➔	➔	⬆️
NZ economy	➔	➔	⬆️
Inflation	⬇️	⬇️	⬇️
2 year swap	⬆️	➔	⬇️
10 year swap	➔	➔	⬇️
NZD/USD	⬇️	⬆️	⬆️
NZD/AUD	⬇️	⬆️	⬇️

### Westpac New Zealand Data Pulse Index



### Key data and event outlook

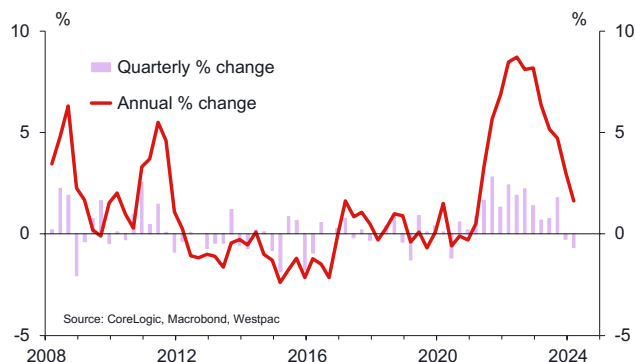
Date	Event
1 May 24	NZ Labour market statistics, March quarter
1 May 24	RBNZ to release Financial Stability Report
1 May 24	FOMC Meeting (Announced 2 May NZT)
7 May 24	Govt financial statements for 9 mths to March
7 May 24	RBA Monetary Policy Decision and SMP
13 May 24	NZ Selected price indexes, April
22 May 24	RBNZ Monetary Policy Statement and OCR
30 May 24	Govt to release Budget 2024
5 Jun 24	Govt financial statements for 10 mths to April
14 Jun 24	NZ Selected price indexes, May
18 Jun 24	RBA Monetary Policy Decision
20 Jun 24	NZ GDP, March quarter
11 Jul 24	NZ Selected price indexes, June

referred to as imported inflation). This was also the area that accounted for our forecast miss. Tradable prices fell 0.7% over the March quarter, with sharp falls in the prices of items like used cars and apparel. Those falls more than offset the 6.8% rise in the cost of holiday accommodation as many ‘Swifties’ flocked across the Tasman for Taylor Swifts’ February concerts in Sydney and Melbourne.

On an annual basis tradables inflation has fallen from 3.0% at the end of 2023 to 1.6% now. That decline is partially a symptom of the downturn we’re seeing in retail spending, with households dialling back their spending in many discretionary areas such as apparel, furnishings, and appliances. That’s a sign that monetary policy is working to restrain demand.

We expect continued softness in spending and retail prices over the year ahead. However, we don’t expect a further significant drop in tradable inflation from here. Tradables inflation peaked at close to 9% in response to surging domestic demand and pandemic related disruptions to supply chains. As the impact of those influences has passed, tradables has fallen sharply, with outright falls in prices over the past six months. Going forward, quarterly tradables inflation is likely to remain weak (averaging close to zero), but we’re not likely to see further substantial declines, especially with the NZ dollar losing ground.

#### Tradables inflation dropping back as demand slows

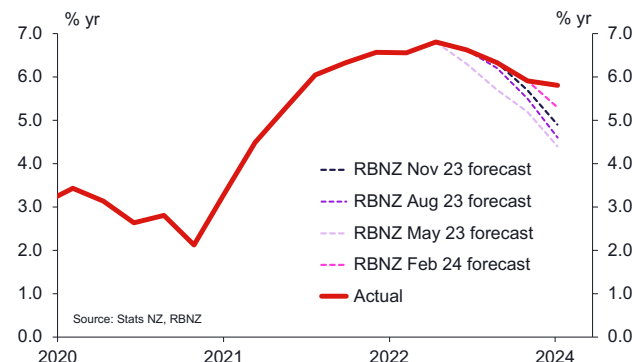


It’s a starkly different picture when we look at the domestic parts of the inflation story. Non-tradable prices were up 1.6% in the March quarter – higher than our own forecast (+1.4%) and much hotter than the RBNZ’s forecast for a 1.1% rise. Non-tradables inflation has now surprised the RBNZ on the upside for four consecutive quarters. There is not yet substantive signs of a trend decline in non-tradables inflation on a quarterly basis.

On an annual basis, non-tradables inflation remains red-hot at 5.8% in the year to March. Notably, non-tradables inflation excluding construction costs remains elevated at 6.3% and it has eased only slightly since the RBNZ first raised the OCR back in 2021. The past year has seen big increases in some specific areas like housing rents, insurance, and local council rates, but cost pressures have been widespread. Consistent with that, measures of

core inflation are continuing to run at rates of around 4%, with measures of domestic core inflation around 6%.

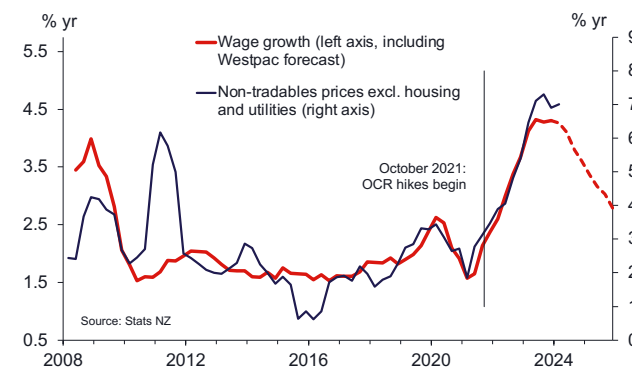
#### Non-tradables inflation easing more gradually than the RBNZ expected



Key to determining what happens with domestic inflation and demand more generally will be the strength of the labour market and wage growth. With economic activity turning down over the past year, we have seen some softening on this front. Jobs growth has slowed, and staff turnover has fallen as workers have become increasingly concerned about job security. Consistent with those conditions, businesses have been reporting that the strong wage pressures we’ve seen in recent years are starting to ease. However, that easing in the labour market has been from a very stretched position. At 4%, the unemployment rate remains historically low. And thus far, the adjustment in the labour market has proceeded more slowly than the RBNZ has expected.

We expect that the jobs market will continue to soften over the year ahead with unemployment expected to gradually rise to 5% by the end of the year. While that will certainly be tough for the affected families, that would still be a relatively modest slow down compared to previous downturns (for instance, in the wake of the Global Financial Crisis, unemployment peaked at 6.7%). Consistent with that, we expect wage growth, and hence inflation in services sectors, will ease only gradually.

#### Non-tradables strength and wage growth



That stickiness in non-tradables inflation will be a big concern for the RBNZ. Overall inflation is easing and is on course to fall below 3% in the second half of this year.

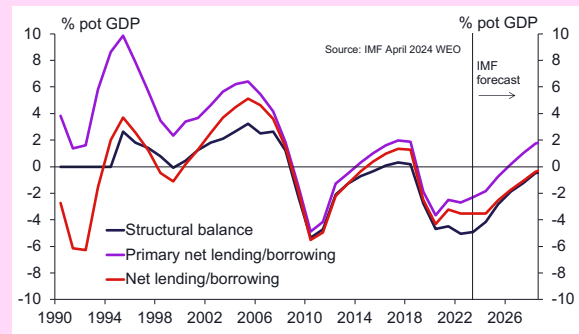
However, with persistent strength in domestic inflation, it will be a long time before we're back at 2%. And that also means that rate cuts are still a way off. We continue to expect that the OCR will remain on hold until early 2025. The inflation data won't have encouraged the RBNZ to bring forward their estimated timing of when easing might occur and indeed the forecast OCR profile likely moved back closer to the relatively hawkish stance taken in November last year. Market pricing has been moving in that direction also. Until recently, financial markets had been pricing in rate cuts in New Zealand from August. However, in the wake of inflation data – both here and in the US – expectations for an August rate cut have been priced out, while a cut in October is around 80% priced.

**Satish Ranchhod**, Senior Economist

### Chart of the week.

Last week the International Monetary Fund released its updated global macroeconomic forecasts, including those for New Zealand. The picture is sobering reading. The IMF forecasts fiscal deficits for the entire length of the period it forecasts – until December 2030. This picture is not very different to Westpac's own forecasts. Fiscal consolidation is expected but at a relatively modest pace. For example, in the Global Financial Crisis in 2008 the fiscal position was eased such that the primary and structural balances moved into deficit for 5 and 7 years respectively, whereas in the Covid-19 era the IMF expects these deficits to persist for at least 7 and 11 years respectively. The large and protracted fiscal expansion since 2019 is a key driver for the high and sticky inflation the RBNZ is wrestling with now. This fiscal profile is notably weaker than in Australia where a legacy of past resource sector investment has boosted national incomes and the fiscal position.

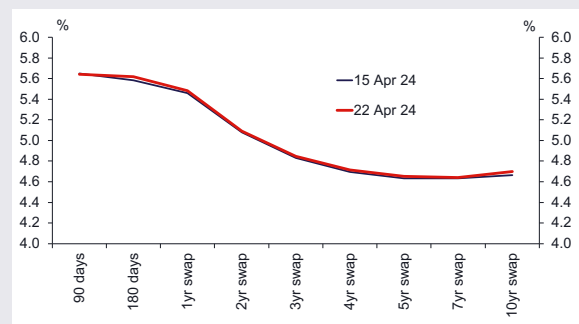
The IMF forecasts fiscal deficits until at least 2030



### Fixed versus floating for mortgages.

The RBNZ left the OCR on hold in April. While further OCR hikes don't look likely in the current cycle, easings are still some way off. For borrowers favouring certainty, at current fixed rates we see value in fixing for as long as two years.

NZ interest rates



# Global wrap

## North America.

US data mostly maintained a firm tone last week. Of note was a larger than expected 0.7% lift in retail sales in March while weekly jobless claims pointed to a robust labour market. Meanwhile, comments from Fed speakers again indicated disappointment with recent inflation data and the likelihood that policy settings will need to remain at current levels for a while longer. This week the initial focus will be Thursday's advance GDP report for Q1, with the market expecting annualised growth to print at a solid 3% following a 3.9% lift in Q4. Attention will then turn to Friday's release of core PCE inflation data for March, where the market is wary of a firm outcome. However, a 0.3% lift as expected by the consensus would still lower annual inflation by 0.1ppts to 2.7%. Also of note this week, around 40% of S&P500 companies will report their earnings.

## Europe.

In the UK the labour market loosened more than expected in February with the unemployment rate rising to a 6-month high of 4.2%. Meanwhile, core inflation declined to 4.2%/y/y in March. While this was slightly firmer than expected, BoE Governor Bailey seemed unperturbed and raised the possibility of rate cuts in the UK ahead of those in the US. Rhetoric from ECB policymakers continued to point to the likelihood of a mid-year rate cut in the euro area. This week most interest will probably centre on Tuesday's flash PMI readings for March, while a number of other national business and consumer confidence surveys will be released across the major European countries.

## Asia-Pacific.

China's economy grew a stronger than expected 5.3%/y/y in Q1. However, data for March pointed to a waning of momentum with growth in retail spending – of greatest importance to NZ exporters – falling to a 7-month low of 3.1%/y/y. The slowdown came amidst news of the largest annual fall in home prices since 2015. In Japan, machinery orders rebounded in February but remained down almost 2% y/y. In Australia, the unemployment rate edged up to 3.8% in March, with employment falling slightly following an outsized gain in February. The week ahead features no first-tier data in China. Japan will print flash PMI data on Tuesday. Meanwhile the BoJ will issue its latest Outlook Report on Friday but policy settings are likely to remain steady following the momentous rate hike implemented at the last meeting. In Australia, the focus will be on Wednesday's CPI report, which we expect will reveal a 0.8% lift in prices, lowering annual inflation by 0.6ppts to 3.5% - a level last seen in late 2021.

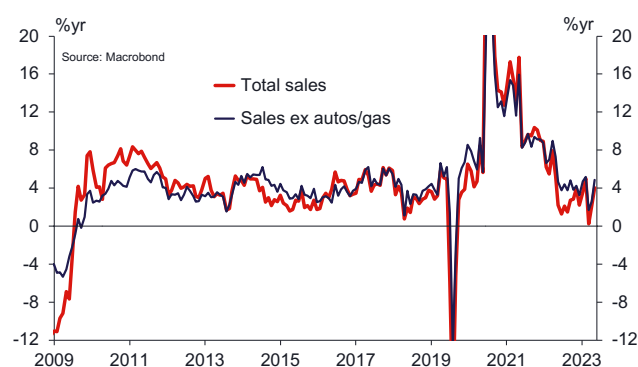
Trading partner real GDP (calendar years)

	Annual average % change			
	2022	2023	2024	2025
Australia	3.8	2.1	1.3	2.2
China	3.0	5.2	5.2	5.0
United States	2.1	2.5	2.6	1.4
Japan	1.0	2.0	0.7	1.0
East Asia ex China	4.5	3.4	4.1	4.2
India	7.2	7.7	6.5	6.5
Euro Zone	3.3	0.4	0.5	1.5
United Kingdom	4.1	0.4	0.5	1.3
NZ trading partners	3.3	3.4	3.4	3.4
World	3.5	3.3	3.3	3.1

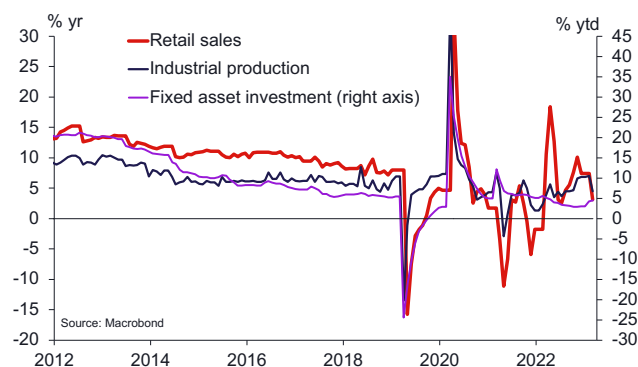
Australian & US interest rate outlook

	19-Apr	Jun-24	Dec-24	Dec-25
<b>Australia</b>				
Cash	4.35	4.35	3.85	3.10
90 Day BBSW	4.36	4.37	3.92	3.30
3 Year Swap	4.04	3.95	3.75	3.50
3 Year Bond	3.83	3.75	3.55	3.30
10 Year Bond	4.25	4.05	3.85	4.00
10 Year Spread to US (bps)	-31	5	5	0
<b>US</b>				
Fed Funds	5.375	5.125	4.375	3.375
US 10 Year Bond	4.56	4.00	3.80	4.00

US retail sales



Chinese activity indicators



# Financial markets wrap

## Interest rates.

NZ swap rates retain upward momentum near term. Major drivers have been the mostly solid economic data in the US, hawkish comments from Fed officials, and NZ non-tradables CPI which was stronger than the market or RBNZ expected. The 2yr swap had risen around 40bp to about 5.18% from the beginning of April to early last week, when geopolitical events in the Middle East allowed it to pause. From here, there's potential for further gains to 5.25% during the weeks ahead.

Such gains could be fuelled by US economic data, with GDP and PCE inflation out this week. The NZ data calendar will be low key until the Q1 labour data on 1 May.

Market pricing of OCR cuts has been significantly pared over the past few weeks, with August now reduced to a 40% chance. October is seen as plausible at 80%, although our economists continue to forecast no cut until February 2025, noting core inflation remains sticky.

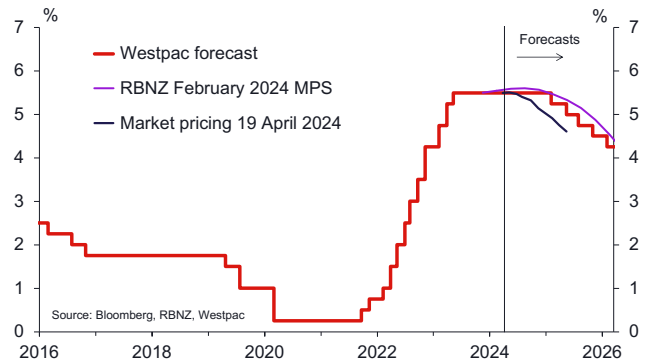
## Foreign exchange.

NZD/USD retains further downside potential, albeit limited given the total magnitude of decline this year. Last week it reached 0.5852 – a six-month low, and it's possible it could test the October low around 0.5775 during the weeks ahead. These levels should be of interest to hedging exporters.

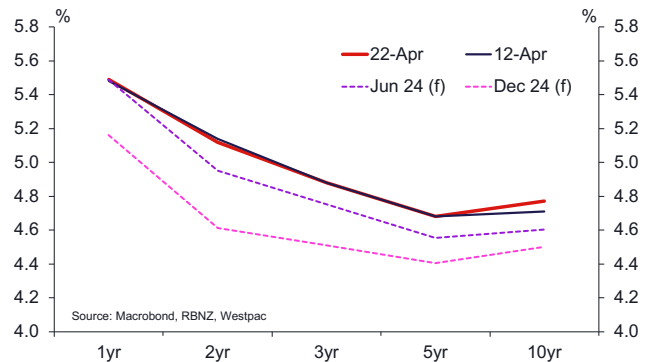
The strong US dollar has explained most of the decline in NZD/USD this year, with falling NZ-US yield spreads an additional factor. Those themes could continue this week, with US GDP and PCE inflation data of much market interest. Geopolitical events in the Middle East could also feature.

Looking much further ahead, if our economists' forecasts for the Fed and RBNZ (easing to start in June 2024 and February 2025, respectively) prove correct, NZD/USD could rebound towards 0.6400 by year end. Alternatively, if the Fed were to defer its easing cycle, the NZD recovery would be smaller.

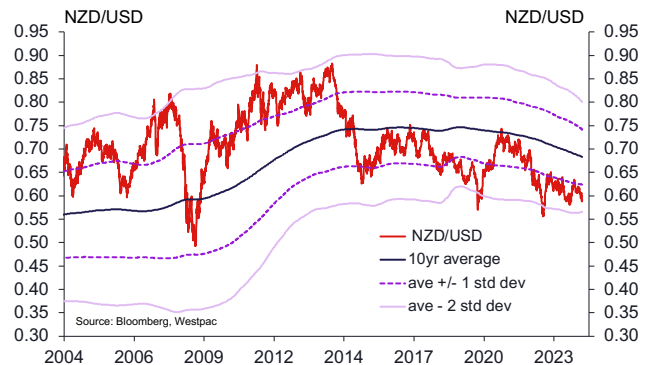
Official Cash Rate forecasts



Swap rates



NZD/USD vs rolling 10yr average



FX recent developments

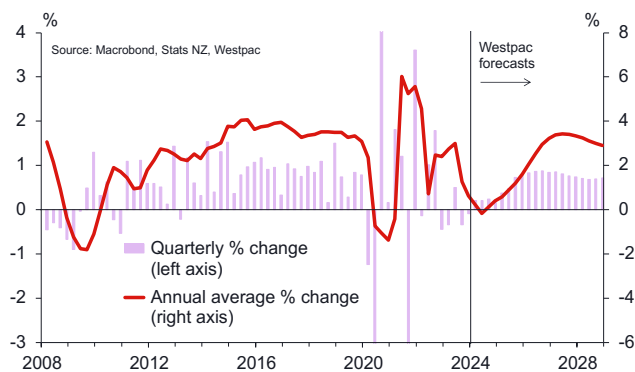
	Historical data				F'cast
	Spot	3mth range	5yr range	5yr avg	Dec-24
USD	0.590	0.586-0.619	0.555-0.743	0.649	0.64
AUD	0.919	0.914-0.944	0.873-0.992	0.932	0.91
EUR	0.553	0.552-0.572	0.517-0.637	0.583	0.56
GBP	0.476	0.473-0.490	0.464-0.544	0.507	0.50
JPY	91.2	89.8-93.1	61.3-93.1	78.6	90.2

# Economic and financial forecasts

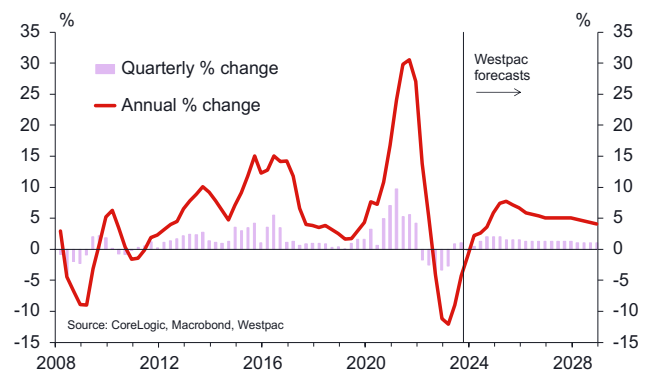
Economic indicators	Quarterly % change				Annual % change			
	Dec-23	Mar-24	Jun-24	Sep-24	2022	2023	2024	2025
GDP (production)	-0.1	0.2	0.2	0.2	2.4	0.6	0.4	1.6
Consumer price index	0.5	0.6	0.6	0.9	7.2	4.7	2.5	2.3
Employment change	0.4	0.1	0.1	0.0	1.7	2.4	0.3	1.0
Unemployment rate	4.0	4.3	4.6	4.9	3.4	4.0	5.1	5.2
Labour cost index (all sectors)	1.0	0.8	0.8	0.9	4.1	4.3	3.4	2.5
Current account balance (% of GDP)	-6.9	-6.3	-6.0	-5.5	-8.8	-6.9	-4.9	-3.9
Terms of trade	-7.8	6.4	2.7	1.5	-4.2	-10.6	12.0	3.4
House price index	-0.2	0.5	1.3	2.0	-11.2	-1.1	5.9	6.7

Financial forecasts	End of quarter				End of year			
	Dec-23	Mar-24	Jun-24	Sep-24	2022	2023	2024	2025
OCR	5.50	5.50	5.50	5.50	4.25	5.50	5.50	4.50
90 day bank bill	5.65	5.67	5.60	5.60	4.26	5.65	5.50	4.50
2 year swap	5.28	4.92	4.95	4.80	5.10	5.28	4.60	4.00
5 year swap	4.84	4.40	4.55	4.50	4.67	4.84	4.40	4.15
10 year bond	5.09	4.69	4.80	4.70	4.31	5.09	4.60	4.25
TWI	70.8	71.6	72.4	72.1	70.8	70.8	71.7	70.1
NZD/USD	0.60	0.61	0.63	0.64	0.60	0.60	0.64	0.65
NZD/AUD	0.93	0.93	0.93	0.92	0.92	0.93	0.91	0.89
NZD/EUR	0.56	0.56	0.57	0.56	0.59	0.56	0.56	0.56
NZD/GBP	0.49	0.48	0.50	0.50	0.51	0.49	0.50	0.50

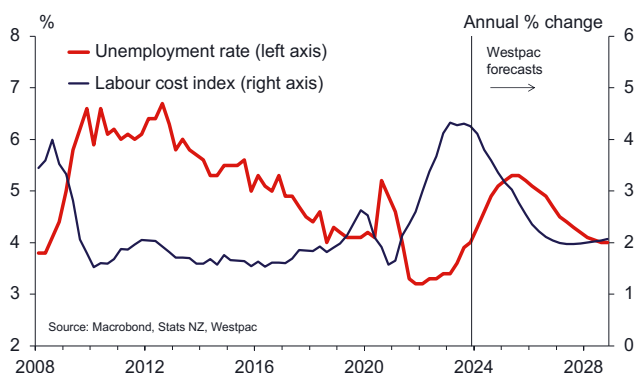
GDP growth



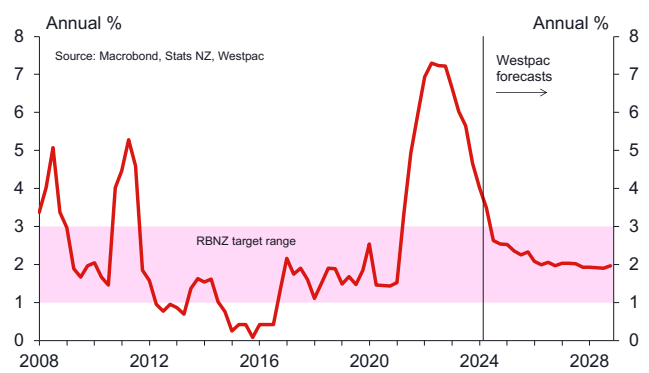
House prices



Employment and wage growth



Consumer price inflation





# Data calendar

		Last	Market median	Westpac forecast	Risk/Comment
<b>Mon 22</b>					
<b>Eur</b>	Apr consumer confidence	-14.9	-14.3	-	Firming prospects of rate cuts should buoy confidence.
<b>US</b>	Mar Chicago Fed activity index	0.05	-	-	Underperforming aggregate momentum.
<b>Tue 23</b>					
<b>Jpn</b>	Apr Jibun Bank manufacturing PMI	48.2	-	-	Wage gains give the service sector reason to...
	Apr Jibun Bank services PMI	54.1	-	-	... cheer, but manufacturing downbeat.
<b>Eur</b>	Apr HCOB manufacturing PMI	46.1	46.6	-	Weak demand a significant headwind for manufacturing...
	Apr HCOB services PMI	51.5	51.4	-	... but services aided by robust labour market.
<b>UK</b>	Apr S&P Global manufacturing PMI	50.3	-	-	Businesses remain optimistic about outlook...
	Apr S&P Global services PMI	53.1	-	-	... with rate cuts now on the table.
<b>US</b>	Apr S&P Global manufacturing PMI	51.9	51.8	-	Constructive but wary on outlook...
	Apr S&P Global services PMI	51.7	52.1	-	... given resilience of demand, but also evolving risks.
	Mar new home sales %mth	-0.3%	1.2%	-	Low inventory keeping sales low.
	Apr Richmond Fed index	-11	-	-	Manufacturing still in a fragile state.
<b>Wed 24</b>					
<b>NZ</b>	Mar trade balance \$mn	-218	-	-402	Deficit much smaller than last year due to weak imports.
<b>Aus</b>	Mar Monthly CPI Indicator %yr	3.4%	3.4%	3.2%	Rising auto fuel offset by falling garments & holiday travel.
	Q1 CPI %qtr	0.6%	0.8%	0.8%	March quarter seasonal increases in health and education...
	Q1 CPI %yr	4.1%	3.5%	3.5%	... boosted by rising auto fuel and food offset by falling...
	Q1 CPI Trimmed Mean %qtr	0.8%	0.9%	0.8%	... goods prices. Domestic price pressure remain in the fore...
	Q1 CPI Trimmed Mean %yr	4.2%	3.9%	3.8%	... with market sector ex volatile rising 1.1%qtr/4.7%yr.
<b>US</b>	Mar durable goods orders %mth	1.3%	2.8%	-	Headwinds ahead as demand outlook grows shaky.
<b>Thu 25</b>					
<b>NZ</b>	ANZAC Day	-	-	-	Markets closed.
<b>US</b>	Q1 GDP %yr (annualised)	3.4%	2.3%	2.7%	Consumer resilience key to growth outlook.
	Mar wholesale inventories %mth	0.5%	0.2%	-	Inventory management becoming a challenge.
	Mar pending home sales %mth	1.6%	1.0%	-	Pipeline of sales clearing out.
	Apr Kansas City Fed index	-7	-	-	Regional surveys remain volatile and inconsistent.
	Initial jobless claims	212k	-	-	To remain low.
<b>Fri 26</b>					
<b>NZ</b>	Apr ANZ consumer confidence	86.4	-	-	Lingering at low levels.
<b>Aus</b>	Q1 PPI %qtr	0.9%	-	-	Will the moderation in upstream price pressures continue?
	Q1 export price index %qtr	5.6%	-0.6%	-	Expected to move lower, on softer commodity prices...
	Q1 import price index %qtr	1.1%	0.1%	-	... AUD TWI up slightly on a quarter-average basis.
<b>Jpn</b>	BoJ policy decision (upper bound)	0.10%	-	-	Hawkish sentiment likely as wage growth fuels inflation...
	Apr Tokyo CPI %yr	2.6%	2.5%	-	... the door is open for more (modest) policy action.
<b>UK</b>	Apr GfK consumer sentiment	-21	-	-	High inflation and recession not great for sentiment.
<b>US</b>	Mar personal income %mth	0.3%	0.5%	0.4%	Wages are moderating to long-term rates...
	Mar personal spending %mth	0.8%	0.6%	0.8%	... this will take the steam out of spending in time.
	Mar PCE deflator %mth	0.3%	0.3%	0.3%	Post CPI, deviation from consensus to be closely scrutinised.
	Apr Uni. of Michigan sentiment	77.9	77.9	-	Final estimate.

# CONTACT

**Westpac Economics Team** | [westpac.co.nz/economics](https://westpac.co.nz/economics) | [economics@westpac.co.nz](mailto:economics@westpac.co.nz)

**Kelly Eckhold**, Chief Economist | +64 9 348 9382 | +64 21 786 758 | [kelly.eckhold@westpac.co.nz](mailto:kelly.eckhold@westpac.co.nz)

**Satish Ranchhod**, Senior Economist | +64 9 336 5668 | +64 21 710 852 | [satish.ranchhod@westpac.co.nz](mailto:satish.ranchhod@westpac.co.nz)

**Darren Gibbs**, Senior Economist | +64 9 367 3368 | +64 21 794 292 | [darren.gibbs@westpac.co.nz](mailto:darren.gibbs@westpac.co.nz)

**Michael Gordon**, Senior Economist | +64 9 336 5670 | +64 21 749 506 | [michael.gordon@westpac.co.nz](mailto:michael.gordon@westpac.co.nz)

**Paul Clark**, Industry Economist | +64 9 336 5656 | +64 21 713 704 | [paul.clark@westpac.co.nz](mailto:paul.clark@westpac.co.nz)

**Imre Speizer**, Market Strategist | +64 9 336 9929 | +64 21 769 968 | [imre.speizer@westpac.co.nz](mailto:imre.speizer@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).

**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. BRO0106), 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.

