

Weekly Commentary

10 December 2018



New Zealand Bush Giant Dragonfly (Kapokapowai)

A changing leaderboard

Our latest Regional Roundup¹ was released last week. It details why we think activity in Auckland has lagged many other parts of the country in recent times and equally importantly, why we expect this gap to start closing over the year ahead. In other developments, households across the country have benefitted from falling prices at the pump. This should mean a little more left in consumers' wallets for other spending, and it's also led to us to chip a bit off our near-term inflation forecasts.

Our view remains that in aggregate the New Zealand economy will see a pickup in growth over the year ahead, underpinned by a strong lift in government spending as well as a temporary improvement in the housing market on the back of recent falls in mortgage rates and a loosening in LVR lending restrictions.

One reason the Government has been able to plan such a significant lift in spending has been the healthy state of the fiscal accounts. This is likely to be a continuing theme when the Government releases its Half-Year Economic and Fiscal Update (HYEFU) on Thursday. It's rare that the HYEFU is used to introduce new policies. However, there will be some announcements around the priorities for next year's Budget, which will be the first produced under a 'wellbeing' framework.

We don't expect to see significant changes to the forecasts compared to the May Budget. While we still regard the Treasury's growth forecasts as too optimistic, the recent economic data has been solid, so is unlikely to persuade them to change their view at this time. The fiscal position is also coming from a strong starting point: the accounts for the year ended June 2018 revealed a much larger surplus and lower net debt than forecast, putting the Government well within its self-imposed fiscal responsibility rules.

However, those surprises won't necessarily be carried forward into the projections for the next few years. Much of the 'improvement' was due to an unintentional shortfall in operational and capital spending. The fiscal accounts for the four months to October suggest that there has been some catch-up on last year's underspend. If that continues, we could see a lower surplus forecast for this year, and little or no net change in the Government's borrowing requirement. While this might mean we don't see surplus projections press further into the black, it will still allow the Government to plough ahead with the significant spending plans it has already budgeted for.

While this lift in government spending will be felt across all regions (and in Wellington especially), the improvement in the housing market is likely to be felt particularly acutely in Auckland. The Auckland housing market has been trading water since mid-2016, so even a modest lift in prices could generate a bit of momentum in consumer spending in the region.

The other recent development that should give a bit of a boost to consumer spending in the near term are sharply lower petrol prices. Oil prices peaked in early October with Brent crude rising above \$US 86/barrel. Since then prices have receded substantially, currently sitting at around \$60/barrel. Over the same period the NZ/USD has appreciated.

¹ Available here: <https://www.westpac.co.nz/assets/Business/Economic-Updates/2018/Bulletins-2018/Regional-Roundup-December-2018.pdf>

A changing leaderboard continued

For New Zealand consumers that means they've seen a noticeable drop in prices at the pump, from a peak of around \$2.48/litre in early October to around \$2.08/litre currently. With petrol costs gobbling up a smaller share of household budgets, there should be a little extra left to spend in other areas.

Lower petrol prices have also put downward pressure on our CPI forecasts for the December and March quarters. We've shaved 0.1 percentage points off our inflation forecast in each quarter. This would see annual inflation rise to 2.1% in the December quarter before falling back to 1.9% in March 2019. And while the Reserve Bank has always been adamant that it would look through a spike in oil prices when setting monetary policy, lower near term inflation certainly does nothing to dent our view that the RBNZ will be content to sit on its hands until late 2020.

In rural regions, which have largely been outperforming their urban counterparts in recent times, growth is likely to remain firm, but is not expected to improve as noticeably over the coming year. One reason for this is the downward pressure on farm gate milk prices we've seen in recent months. Both Westpac and Fonterra have revised down

their milk price forecast for this season. Our own forecast has been lowered to \$6.10/KgMs, and Fonterra is now forecasting a range of \$6-6.30 (previously \$6.25-\$6.50).

Slowing population growth is likely to become an increasing headwind for the New Zealand economy. Importantly for regional New Zealand, one driver of this slowdown is expected to be an increase in the number of New Zealanders moving across the Tasman. We think more Kiwis staying put has been an important factor behind regional population growth. As this starts to wane, it will weigh particularly heavily on activity in places such as the lower North Island and Otago where unusually strong population growth has been an important contributor to the outperformance of these regions in recent times.

In Auckland, slowing population growth and ongoing strength in residential building activity (we saw a 1.2% lift in residential building in the September quarter) mean that Auckland will soon be building enough homes to keep up with population growth. Look a little further down the track and Auckland will be on the path to reducing its housing shortage.

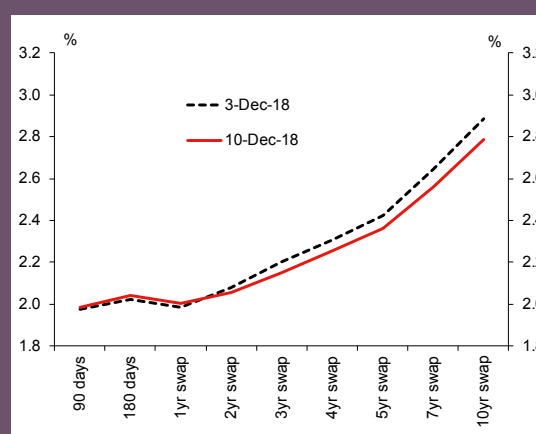
Fixed vs Floating for mortgages

Fixed-term mortgage rates fell sharply during spring, but have now settled down. From here, we expect wholesale fixed interest rates to remain stable or rise slowly. This means that retail fixed mortgage rates are more likely to rise than fall, although there are uncertainties around any forecast.

One-year fixed rates are currently the lowest on offer, and appear to offer good value to borrowers. However, longer-term rates offer security against the possibility of mortgage rates rising more rapidly than expected in the future.

Floating mortgage rates usually work out to be more expensive for borrowers than fixed rates. However, floating may still be the preferred option for those who require flexibility in their repayments.

NZ interest rates



The week ahead

NZ Nov house sales and prices

Dec 10-14 (tbc), Sales last: +9.3%, Prices last: 3.8%/yr

- The housing market was subdued over much of 2018 but roared into life in spring, with a sharp rise in listings in September being followed by a jump in sales in October. House price inflation has picked up a little in the last few months, but remains subdued in year-on-year terms.
- Fixed-term mortgage rates fell sharply in October and November. This is likely to provide a lift to the housing market in the near term.
- Restrictions on house purchases by non-residents came into force on 22 October. While some of the jump in October house sales may have been due to purchases being brought forward, partial data for November suggests that sales remain above their previous levels.

NZ REINZ house prices and sales

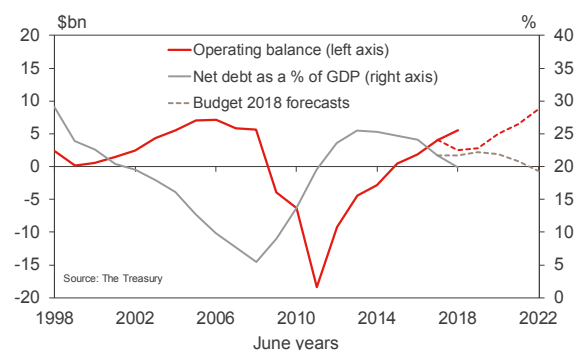


NZ Half-Year Fiscal and Economic Update

Dec 13

- The HYEFU provides an update of the Government's economic and fiscal projections for the next five years. It will also provide some guidance on the priorities for next year's "Wellbeing Budget".
- The June 2018 fiscal year saw a significantly larger surplus and lower net debt than forecast, putting the Government well within its Fiscal Responsibility Rules. Some of the surprise was due to a stronger than expected tax take, but much of it was due to an unintentional shortfall in spending. Since June we have seen some catch-up in spending, which could mean a lower surplus forecast for this year and a similar net borrowing requirement.

NZ fiscal position

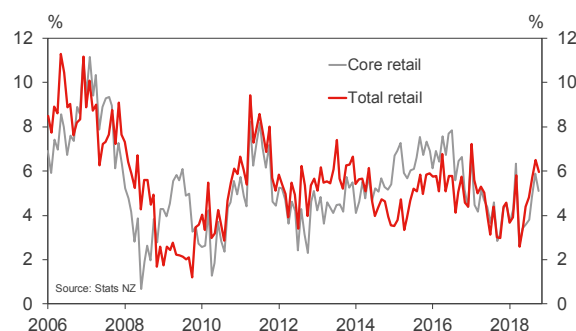


NZ Nov retail card spending

Dec 11, Last: +0.1%, WBC f/c: -0.2%

- Retail spending rose by only 0.1% in October. Underlying that muted gain, spending on fuel rose by 1.4% as petrol prices rose to high levels. For many households, this is likely to have constrained spending on other goods. In fact, spending in core (ex-fuel) categories was essentially flat.
- We're expecting to see a 0.2% drop in overall spending levels in November. That's mainly due to the 10% drop in fuel prices over the month, which is pulling down nominal spending. However, that's putting more money back in households' wallets, which should support spending in other categories. Consequently, we're forecasting a 0.4% rise in core (ex-fuel) spending.
- The growing prevalence of 'Black Friday' sales may add to spending. However, the extent of this boost isn't clear, with increased volumes balanced against big price discounts.

NZ Card transactions, annual % change



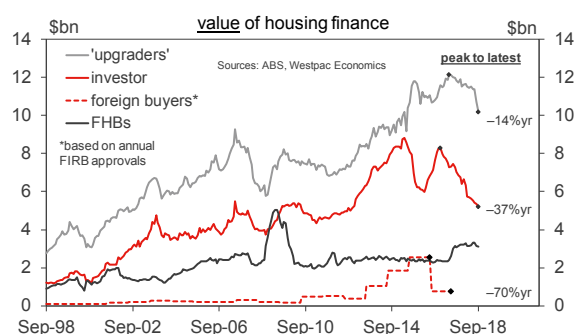
Aus Oct housing finance (no.)

Dec 10, Last: -1.0%, WBC f/c: 1.0%

Mkt f/c: -0.4%, Range: -1.5% to 1.5%

- Housing finance approvals continued to soften in September, the headline number of owner occupier loans down 1% but the value of loans notably weaker, owner occupier loans down -4.2% (-8% in the space of two months) and the value of investor loans down 2.8% (-18.1%/yr). The combined total value of housing finance approvals including investors but excluding owner occupier refi, fell 3.7% to be down 14.2%/yr.
- Despite the weak lead in and a continued weakening in housing markets, the October update is expected to show a small 1% lift with Industry data pointing to a modest gain. That suggests some of the sharp decline through Aug-Sep relates to slower processing times as applications now involve more rigorous assessments of minimum expenses.

Aus Housing finance approvals by segment



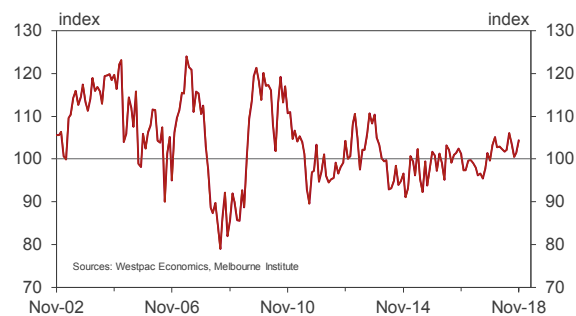
The week ahead

Aus Dec Westpac-MI Consumer Sentiment

Dec 12 Last: 104.3

- The Westpac Melbourne Institute Index of Consumer Sentiment rose 2.8% to 104.3 in November from 101.5 in October, extending a lift from softer reads in the previous three months. Sentiment has held up surprisingly well, particularly given the weakness in housing markets.
- The December survey is in the field from December 3-8. This may be a sterner test for the consumer mood with a disappointing September quarter national accounts update and further declines in house prices in Sydney and Melbourne. Sentiment may also be influenced by a sharp sell-off in equities (ASX down 4.5% since the last survey and over 10% from August's high), but more positively, a sharp fall in fuel prices (average pump prices down nearly 20% since the last survey).

Aus Consumer Sentiment Index

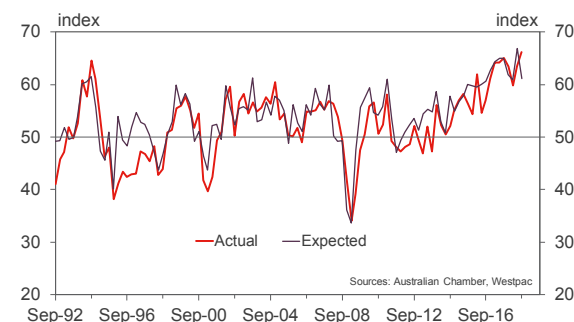


Aus Q4 AusChamber-Westpac business survey

Dec 13, Last: 66.5

- The Australian Chamber-Westpac survey of the manufacturing sector provides a timely update on conditions in the sector and insights into economy-wide trends. The Actual Composite tracks a range of demand related measures including investment and employment. The Q4 survey was conducted from end October into December.
- In Q3, the Actual Composite rose to 66.5 from 64.1 in June. Strength is centred on a lift in new orders, output employment and order backlog.
- Manufacturing is benefitting from a rise in public infrastructure, non-mining business investment, and above par world growth with a relatively low AUD. However, there are likely to be spill-over effects from the drought in NSW and Queensland.

Aus Westpac-AusChamber Composite indexes



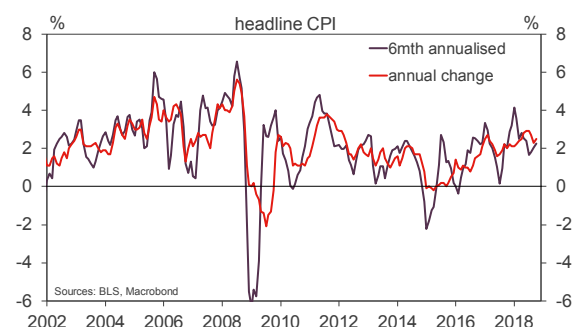
US Nov CPI and retail sales

Dec 12, CPI, last 0.3%, WBC 0.0%

Dec 14, retail sales, last 0.8%, WBC 0.4%

- For headline inflation, energy prices have been a key support over the past year, supporting an acceleration from around 2.0%/yr a year ago to a peak of 2.9%/yr at Jun. However, with the price of oil having fallen sharply in recent months, headline inflation is reversing course. A flat outcome in Nov is likely to see the annual rate pull back to 2.2%/yr. For core prices however, price growth is set to persist near 0.2% per month. In Nov, that should see core inflation also at 2.2%/yr.
- Retail sales growth was robust in Oct following two near-flat outcomes. As for inflation, the price of oil will be a negative in Nov. Abstracting from this effect, core retail should continue to grow at a solid pace, circa 0.7%. To this view, replacement purchases of cars post the 2018 hurricane season is an upside risk.

US consumer prices

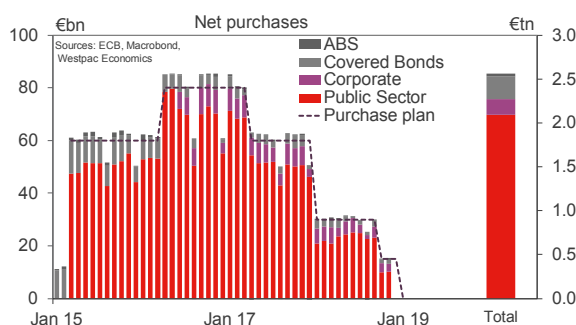


Eur Dec ECB policy decision (deposit rate)

Dec 13, Last: -0.4%, WBC f/c: -0.4%

- As we head into the December ECB meeting, all eyes will be on whether they confirm the end of net asset purchases and repeat their forward guidance that key policy rates will remain on hold "at least through the summer of 2019, and in any case for as long as necessary".
- The December meeting will include revised macroeconomic projections. President Draghi recently noted that "the data that have become available since my last visit in September have been somewhat weaker than expected". However, he reiterated their belief that momentum will stabilise, citing normalising net exports and one-off factors driving the recent slowdown.
- Also of significance will be their characterisation of risks to their outlook. To date, the ECB have continued to note that risks are "broadly balanced". The mentioned downside risks are global in nature and are described as prominent.

ECB asset purchase program - QE

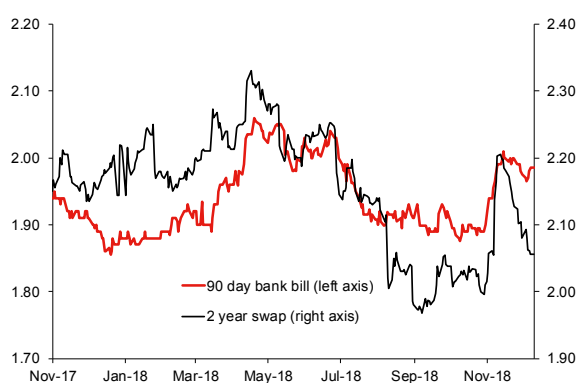


New Zealand forecasts

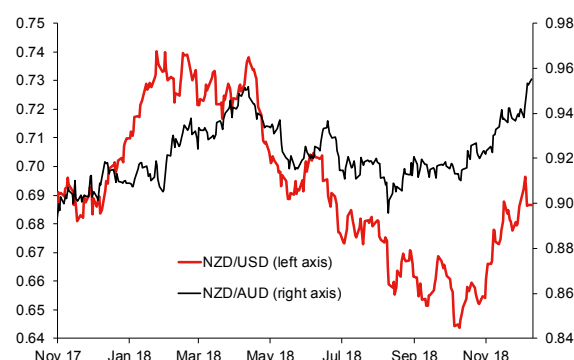
Economic Forecasts	Quarterly				Annual			
	2018			2019				
% change	Jun (a)	Sep	Dec	Mar	2017	2018f	2019f	2020f
GDP (Production)	1.0	0.7	0.8	0.7	2.8	2.9	3.2	3.1
Employment	0.6	1.1	0.0	0.2	3.7	2.3	1.3	1.7
Unemployment Rate % s.a.	4.4	3.9	4.3	4.4	4.5	4.3	4.2	4.0
CPI	0.4	0.9	0.3	0.3	1.6	2.1	1.9	2.1
Current Account Balance % of GDP	-3.3	-3.6	-3.7	-3.5	-2.9	-3.7	-3.5	-3.0

Financial Forecasts	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Cash	1.75	1.75	1.75	1.75	1.75	1.75
90 Day bill	1.90	1.90	1.90	1.90	1.90	1.90
2 Year Swap	2.15	2.10	2.10	2.15	2.20	2.25
5 Year Swap	2.60	2.60	2.60	2.65	2.70	2.75
10 Year Bond	2.80	2.85	2.85	2.95	2.90	2.90
NZD/USD	0.66	0.64	0.63	0.61	0.62	0.63
NZD/AUD	0.92	0.90	0.90	0.90	0.89	0.88
NZD/JPY	75.2	73.0	72.5	69.5	69.4	69.3
NZD/EUR	0.58	0.58	0.57	0.56	0.56	0.56
NZD/GBP	0.52	0.52	0.51	0.49	0.49	0.49
TWI	72.6	71.0	70.2	68.3	68.6	68.6

2 Year Swap and 90 Day Bank Bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on 10 December 2018

Interest Rates	Current	Two weeks ago	One month ago
Cash	1.75%	1.75%	1.75%
30 Days	1.90%	1.93%	1.90%
60 Days	1.94%	1.97%	1.95%
90 Days	1.99%	2.00%	1.99%
2 Year Swap	2.06%	2.13%	2.20%
5 Year Swap	2.36%	2.50%	2.65%

NZ foreign currency mid-rates as at 10 December 2018

Exchange Rates	Current	Two weeks ago	One month ago
NZD/USD	0.6860	0.6781	0.6733
NZD/EUR	0.6015	0.5978	0.5949
NZD/GBP	0.5383	0.5282	0.5212
NZD/JPY	77.37	76.64	76.63
NZD/AUD	0.9553	0.9370	0.9331
TWI	75.01	74.33	74.00

Data calendar

		Last	Market median	Westpac forecast	Risk/Comment
Mon 10					
NZ	Nov REINZ house prices, %yr	3.8%	-	-	Expected this week. House price growth has been subdued...
	Nov REINZ house sales	9.3%	-	-	...but lower mortgage rates will give the market a boost.
Aus	Oct housing finance	-1.0%	-0.4%	-	Housing finance approvals continued to soften in Sep.
	RBA Asst. Gov. Kent speaks	-	-	-	'U.S. Monetary Policy and Australian Financial Conditions'.
Chn	Nov M2 money supply %yr	8.0%	8.0%	-	Likely to see stable growth for foreseeable future.
	Nov new loans, CNYbn	697	1200	-	Authorities encouraging banks to lend to quality borrowers.
Eur	Dec Sentix investor confidence	8.8	-	-	Investors becoming nervous on growth & political volatility.
UK	Oct GDP	0.0%	0.1%	-	The mid-year lift in growth has faded...
	Oct trade balance, £m	-27	-1100	-	...as spending growth has turned down...
	Oct industrial production	0.0%	0.2%	-	...and nervousness around the economic outlook...
	Oct construction output	1.7%	-0.5%	-	...continues to hamper investment spending.
US	Oct JOLTS job openings	7009	-	-	Hires; fires; quits and job openings detail.
Tue 11					
NZ	Nov retail card spending	0.1%	0.3%	-0.2%	Falling petrol prices dragging down nominal spending.
Aus	Nov NAB business survey	12	-	-	Conditions have eased - will we see a further moderation?
Eur	Dec ZEW survey of expectations	-22	-	-	Forward looking sentiment has deteriorated.
UK	Oct ILO unemployment rate	4.1%	-	-	At low levels, but economic uncertainty to weigh on hiring.
	Parliament vote on Brexit agreement	-	-	-	The numbers are not in the PM's favour. Event risk for markets.
US	Nov NFIB small business optimism	107.4	-	-	Remains very positive.
	Nov PPI	0.6%	0.0%	-	Support from commodity prices has faded.
Wed 12					
NZ	RBNZ Governor Orr	-	-	-	Testimony before Parliament on the RBNZ's annual report.
Aus	Dec WBC-MI Consumer Sentiment	104.3	-	-	Sentiment has held up surprisingly well.
Eur	Oct industrial production	-0.3%	0.5%	-	Q4 likely to rebound from Q3 weakness.
US	Nov CPI	0.3%	0.0%	0.0%	Energy to offset a 0.2% gain in core prices.
	Nov monthly budget statement	-100.5	-	-	Deficit uptrend clear.
Thu 13					
NZ	Nov food prices	-0.6%	-	-0.3%	Annual food price inflation to remain slightly above zero.
	Half-Year Fiscal & Econ. Update	-	-	-	Update of forecasts and guidance on next year's Budget.
Aus	AusChamber-Westpac survey	66.5	-	-	Australia's longest running business survey.
Eur	ECB policy decision	-0.4%	-0.4%	-	Likely to revise down forecasts but guidance will be key.
UK	Oct RICS house price balance	-10%	-	-	Economic uncertainty weigh on housing market, esp. in London.
US	Nov import price index	0.5%	-0.7%	-	Commodity prices and higher
	Initial jobless claims	231k	-	-	Very low.
Fri 14					
NZ	Nov BusinessNZ PMI	53.5	-	-	Businesses continue to signal moderate growth.
Chn	Nov retail sales %yr ytd	9.2%	9.2%	-	Consumer has been a key source of strength in 2018.
	Nov industrial production %yr ytd	6.4%	6.4%	-	PMIs suggest momentum is softening.
	Nov fixed asset investment %yr ytd	5.7%	5.9%	-	Investment growth is set to rise, slowly
Eur	Dec Markit manufacturing PMI flash	51.8	52.0	-	Should stabilise soon but uncertainty grows.
US	Nov retail sales	0.8%	0.2%	0.4%	Underlying momentum robust, but energy a negative.
	Nov industrial production	0.1%	0.3%	-	A stark contrast to ISM strength.
	Oct business inventories	0.3%	0.5%	-	Remain volatile.
	Dec Markit manufacturing PMI flash	55.3	-	-	Continue to point to robust momentum.
Sat 15					
Eur	ECB President Draghi speaks	-	-	-	Speaking at Economics awards ceremony in Italy.

International forecasts

Economic Forecasts (Calendar Years)	2015	2016	2017	2018f	2019f	2020f
Australia						
Real GDP % yr	2.5	2.6	2.2	3.3	2.7	2.8
CPI inflation % annual	1.7	1.5	1.9	2.0	1.7	1.7
Unemployment %	5.8	5.7	5.5	5.1	5.0	4.8
Current Account % GDP	-4.7	-3.1	-2.6	-2.4	-2.5	-3.3
United States						
Real GDP %yr	2.9	1.5	2.3	2.9	2.5	1.7
Consumer Prices %yr	0.1	1.4	2.1	2.4	2.0	1.9
Unemployment Rate %	5.3	4.9	4.4	3.9	3.6	3.6
Current Account %GDP	-2.3	-2.3	-2.3	-2.6	-2.5	-2.4
Japan						
Real GDP %yr	1.4	0.9	1.7	0.9	0.8	0.7
Euro zone						
Real GDP %yr	2.1	1.8	2.5	1.9	1.5	1.5
United Kingdom						
Real GDP %yr	2.3	1.9	1.8	1.2	1.2	1.4
China						
Real GDP %yr	6.9	6.7	6.9	6.4	6.1	6.0
East Asia ex China						
Real GDP %yr	3.8	3.9	4.5	4.3	4.1	4.1
World						
Real GDP %yr	3.5	3.2	3.8	3.8	3.6	3.5

Forecasts finalised 9 November 2018

Interest Rate Forecasts	Latest	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Jun-20	Dec-20
Australia								
Cash	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
90 Day BBSW	1.99	1.98	1.93	1.91	1.90	1.90	1.85	1.83
10 Year Bond	2.46	2.55	2.60	2.70	2.90	2.80	2.70	2.60
International								
Fed Funds	2.125	2.375	2.625	2.875	3.125	3.125	3.125	3.125
US 10 Year Bond	2.89	3.10	3.20	3.40	3.60	3.30	3.10	3.00
ECB Deposit Rate	-0.40	-0.40	-0.40	-0.40	-0.30	-0.20	0.00	0.20

Exchange Rate Forecasts	Latest	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Jun-20	Dec-20
AUD/USD	0.7236	0.72	0.71	0.70	0.68	0.70	0.74	0.74
USD/JPY	112.87	114	114	115	114	112	109	106
EUR/USD	1.1377	1.13	1.11	1.10	1.09	1.10	1.16	1.22
AUD/NZD	1.0509	1.09	1.11	1.11	1.11	1.13	1.16	1.13

Contact the Westpac economics team

Dominick Stephens, Chief Economist +64 9 336 5671

Michael Gordon, Senior Economist +64 9 336 5670

Satish Ranchhod, Senior Economist +64 9 336 5668

Anne Boniface, Senior Economist +64 9 336 5669

Paul Clark, Industry Economist +64 9 336 5656

Any questions email: economics@westpac.co.nz

Past performance is not a reliable indicator of future performance. The forecasts given in this document are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The ultimate outcomes may differ substantially from these forecasts.

Disclaimer

Things you should know

Westpac Institutional Bank is a division of Westpac Banking Corporation ABN 33 007 457 141 ("Westpac").

Disclaimer

This material contains general commentary, and market colour. The material does not constitute investment advice. Certain types of transactions, including those involving futures, options and high yield securities give rise to substantial risk and are not suitable for all investors. We recommend that you seek your own independent legal or financial advice before proceeding with any investment decision. This information has been prepared without taking account of your objectives, financial situation or needs. This material may contain material provided by third parties. While such material is published with the necessary permission none of Westpac or its related entities accepts any responsibility for the accuracy or completeness of any such material. Although we have made every effort to ensure the information is free from error, none of Westpac or its related entities warrants the accuracy, adequacy or completeness of the information, or otherwise endorses it in any way. Except where contrary to law, Westpac and its related entities intend by this notice to exclude liability for the information. The information is subject to change without notice and none of Westpac or its related entities is under any obligation to update the information or correct any inaccuracy which may become apparent at a later date. The information contained in this material does not constitute an offer, a solicitation of an offer, or an inducement to subscribe for, purchase or sell any financial instrument or to enter a legally binding contract. Past performance is not a reliable indicator of future performance. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The ultimate outcomes may differ substantially from these forecasts.

Country disclosures

Australia: Westpac holds an Australian Financial Services Licence (No. 233714). This material is provided to you solely for your own use and in your capacity as a wholesale client of Westpac.

New Zealand: In New Zealand, Westpac Institutional Bank refers to the brand under which products and services are provided by either Westpac or Westpac New Zealand Limited ("WNZL"). Any product or service made available by WNZL does not represent an offer from Westpac or any of its subsidiaries (other than WNZL). Neither Westpac nor its other subsidiaries guarantee or otherwise support the performance of WNZL in respect of any such product. The current disclosure statements for the New Zealand branch of Westpac and WNZL can be obtained at the internet address www.westpac.co.nz. For further information please refer to the Product Disclosure Statement (available from your Relationship Manager) for any product for which a Product Disclosure Statement is required, or applicable customer agreement. Download the Westpac NZ QFE Group Financial Advisers Act 2008 Disclosure Statement at 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 Regulatory Commission (CBRC). 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

Disclaimer continued

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.