

## Game changer

The New Zealand economy lost some momentum in the second half of last year, and looks to have remained subdued in the early part of this year. But our latest quarterly Economic Overview highlights that some change is already on the way. Lower interest rates will help to boost the housing market and spur consumer demand. Combined with the already-planned fiscal stimulus, we expect this to lift growth above 3% again in 2020.

New Zealand's GDP growth has slowed from a peak of 4% in 2016 to around 2.5% today. Initially, the slowdown was led by consumers reacting to a cooling housing market. House price inflation peaked at 15% in 2016, but has since slowed to around 2% nationwide, largely due to a flattening off in prices in Auckland and Canterbury. The pace of growth in household spending has accordingly slowed from its peaks, though it continues to be supported by household income growth via rising employment and wages.

In more recent times the slowdown has become businessled. Surveys of business confidence have been sharply weaker since the change of government in late 2017, but only recently have there been signs of this manifesting in business decisions. Even though firms are citing capacity constraints and difficulty in finding workers, growth in business investment has been sluggish and private sector job advertisements have flattened off.

No doubt some of this grumpiness relates to dissatisfaction with Government policies that have added to business costs, such as minimum wage increases, changes to employment law, and increased regulatory requirements. But an equally important aspect is that firms are not confident about their ability to pass on these cost increases. Technology changes and international competition have put more power in the hands of consumers, and moreover, demand isn't expanding quickly enough for firms to be able to justify price rises. As a

result, firms are seeing a squeeze on their profitability and are scaling back their expansion plans accordingly.

The factors that have weighed on growth recently are likely to stick around for a while yet. Nevertheless, we think that the mix of government policy will support a lift in growth over the next couple of years.

The first factor is a significant shift in the stance of monetary policy. The subdued growth and competitive pressures that have weighed on business confidence have also led to persistently low inflation. Consumer prices rose 1.5% in the year to March, putting it within the lower half of the Reserve Bank's 1-3% target range. In fact, aside from some short-term volatility in fuel prices, inflation has remained below the 2% midpoint for seven years running.

For some time the RBNZ has been forecasting that an extended period of low interest rates would boost growth, increase capacity pressures and bring inflation towards the 2% midpoint. But by May it had decided that more stimulus would be needed to achieve this, and it reduced the OCR to a new record low of 1.50%. That's led to a sharp drop in fixedterm mortgage rates in recent months, and history suggests that this will have a powerful impact on the housing market.

The other major development for the housing market is that in April the Government announced that will it not proceed with its proposal for a capital gains tax, and the Labour Party said

## Game changer

it will not campaign on introducing one for the foreseeable future. In our previous forecasts we had assumed that a CGT would be introduced in some form, if not the full-blooded version that was proposed. Ruling it out it altogether was a major surprise, and combined with the impact of lower interest rates, we are now expecting a 7% lift in house prices in 2020

Scrapping the proposed CGT – which would have covered business assets as well as investment properties - could also go some way towards lifting the malaise among businesses, though this was far from the only concern on their minds. Wednesday's business confidence survey, the first one since the CGT announcement, will shed some light on the matter.

We are also expecting fiscal policy to support GDP growth over the coming year. Last year's Budget incorporated a substantial lift in spending on public services, an increase in transfers to low-income households, and plans for a substantial ramp-up in capital spending over the next few years. Fiscal stimulus is certainly not a new part of our economic forecasts, but we think that a significant part of its impact is yet to be felt.

The 2019 Budget, to be unveiled on Thursday, will confirm that the planned fiscal boost is on track. That's despite a weaker than expected starting point for the economy, which will reduce projected tax revenues over the coming years. We expect that will result in smaller projected surpluses and a higher borrowing requirement, rather than any belt-tightening on the expenditure side.

The Government has said that this Budget will comply with its self-imposed fiscal responsibility rules, which include reducing net core Crown debt to 20% of GDP within five years of taking office (ending in 2022). However, the Finance Minister announced last week that beyond 2022 the Government will target a range of 15 to 25% of GDP, providing additional breathing space in the event of a recession, or if the Government sees opportunities for investment. Given that governments will always see opportunities for investment, in practice it's likely that 25% of GDP will become a debt ceiling, with the lower end of the range rendered irrelevant.

The announcement itself came as a surprise, but it felt somewhat inevitable. While the Government had not previously made any commitments beyond 2022, the Treasury's longer-term projections had shown net debt falling even further below 20% of GDP in later years, based on current tax and spending plans. There would have been little political advantage in continuing with such restraint, given the ongoing demands on the public purse. Our forecasts already assumed some increase in the Government's spending allowances beyond what had already been announced; last week's decision provides even more scope to do so.

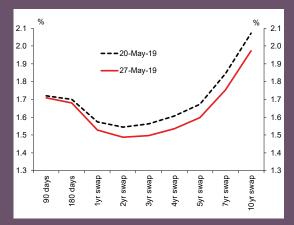
### Fixed vs Floating for mortgages

We expect floating and one-year fixed mortgage rates to be fairly stable at current levels over the year ahead, then to gradually rise in subsequent years.

Based on that expectation, we regard today's threeyear rates at the best value on offer. One- and two-year rates are also fairly good value, with neither particularly preferred to the other. Four- and five-year fixed rates are a little higher than where we expect shorter-term rates to go over the relevant timeframe, but they do offer the borrower certainty. Floating mortgage rates are expensive for borrowers, but they may be the preferred option for those who require flexibility in their repayments.

The big uncertainty is what the Reserve Bank does with the OCR. Our views are based on the Reserve Bank keeping the OCR at 1.5% for the foreseeable future. If they instead cut the OCR, floating and one-year fixed rates could fall.

#### NZ interest rates



## The week ahead

#### **NZ May ANZ Business confidence**

#### May 29, Last -37.5

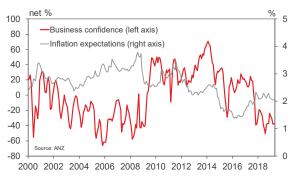
- The May business confidence survey will give us our first gauge of how business confidence has responded to the Government's surprise announcement that it will not be pushing ahead with any form of capital gains tax.
- This is likely to see an improvement in headline confidence. However, the impact on other components of the survey such as investment intentions is less clear.
- Pricing intentions and expected inflation have been relatively stable

#### NZ Apr dwelling consents

#### May 30, Last: -6.9%, WBC f/c: -2%

- Residential dwelling consent issuance fell by 6.9% in March. That followed a strong lift earlier in the year and left annual consent issuance at multi-decade highs. While much of this strength has been centred on Auckland, consent issuance has also been strong in many other regions.
- With at least some of the recent strength in consents related to lumpy categories like apartments, we expect a 2% pullback in April. That would still leave the annual level of issuance around multidecade highs.

#### NZ business confidence and inflation expectations

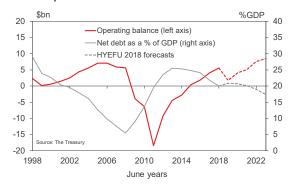


### NZ Budget 2019

#### May 30

- The long awaited "Wellbeing Budget" will be delivered next week. The accompanying array of Budget documents will cover a much broader range of topics than usual.
- The fiscal accounts are likely to show the Government is running out of wiggle room. The weaker than expected starting point for the  $\,$ economy will be weighing on the Treasury's revenue projections, and the recent run of surprisingly strong tax revenues has come to an end
- We expect little additional spending to be announced in next week's Budget although we could see some reprioritisation of spending. Despite this, the Government is still likely to need to borrow a bit more. Beyond 2021/22 the Government has given itself some extra headroom by softening its net debt to GDP target. That could leave room for more of a spend-up in future years.

#### NZ fiscal position



#### NZ building consents

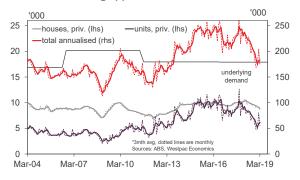


#### Aus Apr dwelling approvals

May 30, Last: -15.5%, WBC f/c: -1.0% Mkt f/c: flat, Range: -5.0% to 8.0%

- Dwelling approvals have been volatile in recent months, a spike in high rise approvals producing a 19.1% jump in Feb that mostly unwound in March with a 15.5% drop. The underlying trend elsewhere has been weak, non high rise approvals down about 2% March following a 4% fall in Feb.
- For the Apr update, high rise approvals still look to retrace further, the March level still well above the average over the last few months (excluding the Feb spike). Construction-related finance approvals have been a touch firmer in recent months suggesting weakness in non high rise segments should diminish. Overall, we expect a modest 1% decline in total dwelling approvals for Apr. Note that the timing of Easter and its close proximity to the  $\ensuremath{\mathsf{ANZAC}}$ day public holiday might cause some volatility.

#### Australian dwelling approvals



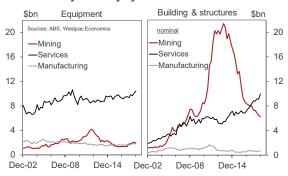
## The week ahead

#### Aus Q4 private business capex

May 30, Last: +2.0%, WBC f/c: +0.2% Mkt f/c: 0.5%, Range: -0.5% to 2.7%

- Private business spending on capex moved a little higher in 2018, up 2%, with an 8% lift in equipment spending outweighing a further retreat in Building & structures, -3%.
- For Q1, we anticipate only a small rise, +0.2%, with once again an uneven result, equipment up and building & structures down.
- Equipment spending is forecast to advance in Q1 by 0.8%qtr, 5%yr. The uptrend in equipment investment during 2018 was broadly based across services, manufacturing and mining.
- Building & structures activity has been in a downtrend, led lower by mining investment as work on the remaining gas projects was finalised. This dynamic has extended into 2019, with a forecast decline of -0.3%.

#### Aus CAPEX: by industry by asset



#### Aus Apr private credit

May 31, Last: 0.3%, WBC f/c: 0.2% Mkt f/c: 0.3%, Range: 0.2% to 0.4%

- Private sector credit growth has slowed to a sluggish pace as the housing sector weakens. In March, credit grew by 0.3%, fractionally above the average of the previous 3 months (0.23%).
- For April, we anticipate a reversion to a gain of 0.2%, with the risk that business credit expands at a more modest pace.
- Housing credit growth is weak at an historic low of 4.0%yr and 3.1% annualised for the 3 months to March. Another soft update is in
- Business credit grew by 4.9% over the past year as investment in the real economy expanded. Recently, new lending has softened, pointing to some loss of momentum.

#### Housing credit weakens

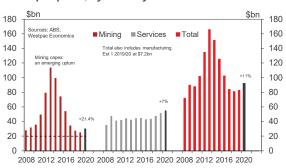


#### Aus 2018/19 & 2019/20 capex plans

May 30, Last: Est 5 for 2018/19: \$118.4bn, +3.6% May 30, Last: Est 1 for 2019/20: \$92.1bn, +11%

- Recall Est 5 is \$118.4bn, some 3.6% (\$4.0bn) above Est 5 a year ago, with strength in services, +9% (\$6.1bn) and mining taking one last leg lower, -7% (-\$2.5bn).
- Est 1 for 2019/20 is 11% (+\$9.2bn) above Est 1 a year ago, with mining +21.4% (+\$5.3bn) and services +6.8% (+\$3.5bn).
- This update may be less upbeat, but not substantially so. Business conditions have weakened, so too global growth. However, services investment strength is in transport (spill-overs from public infrastructure) and power generation (renewable energy).
- As to Est 2 for 2019/20, we caution that often the initial two estimates are an unreliable guide to actual spending.

#### Aus Capex plans, by industry: Estimate 1

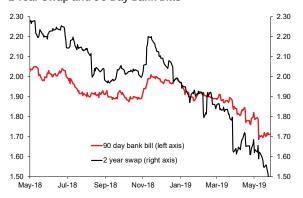


## **New Zealand forecasts**

Fagueria Fayagata		Quarterly				Annual			
Economic Forecasts	2018	2019							
% change	Dec (a)	Mar	Jun	Sep	2018	2019f	2020f	2021f	
GDP (Production)	0.6	0.5	0.6	0.7	2.8	2.3	3.1	2.4	
Employment	0.0	-0.2	0.8	0.3	2.3	1.3	2.0	1.8	
Unemployment Rate % s.a.	4.3	4.2	4.3	4.3	4.3	4.2	3.9	3.7	
СРІ	0.1	0.1	0.6	0.6	1.9	1.7	1.9	2.1	
Current Account Balance % of GDP	-3.7	-3.4	-3.3	-3.4	-3.7	-3.4	-3.6	-3.8	

Financial Forecasts	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
Cash	1.50	1.50	1.50	1.50	1.50	1.50
90 Day bill	1.70	1.65	1.65	1.65	1.65	1.65
2 Year Swap	1.55	1.60	1.65	1.70	1.75	1.75
5 Year Swap	1.70	1.75	1.80	1.85	1.90	1.95
10 Year Bond	1.80	1.85	1.90	1.90	1.95	2.00
NZD/USD	0.65	0.64	0.65	0.65	0.66	0.66
NZD/AUD	0.94	0.94	0.98	0.98	0.99	0.99
NZD/JPY	72.8	72.3	73.5	72.8	73.3	72.6
NZD/EUR	0.59	0.58	0.59	0.59	0.59	0.58
NZD/GBP	0.50	0.48	0.49	0.49	0.50	0.49
TWI	71.6	71.0	72.3	71.8	72.3	71.8

#### 2 Year Swap and 90 Day Bank Bills



#### NZ interest rates as at market open on 27 May 2019

Interest Rates	Current	Two weeks ago	One month ago
Cash	1.50%	1.50%	1.75%
30 Days	1.70%	1.66%	1.86%
60 Days	1.70%	1.68%	1.82%
90 Days	1.71%	1.70%	1.79%
2 Year Swap	1.49%	1.62%	1.64%
5 Year Swap	1.60%	1.75%	1.78%

#### NZD/USD and NZD/AUD



NZ foreign currency mid-rates as at 27 May 2019

Exchange Rates	Current	Two weeks ago	One month ago
NZD/USD	0.6555	0.6589	0.6655
NZD/EUR	0.5849	0.5866	0.5964
NZD/GBP	0.5142	0.5068	0.5151
NZD/JPY	71.66	72.30	74.27
NZD/AUD	0.9452	0.9421	0.9456
TWI	72.36	72.35	72.89

## Data calendar

		Last		Westpac forecast	Risk/Comment
Mon 27					
Chn	Apr industrial profits %yr	13.9%	_	_	Aided by commodity prices.
Tue <b>2</b> 8					
Eur	Apr M3 money supply %yr	4.5%	4.3%	-	Maintaining its pace.
	May business climate indicator	0.42	_	_	Should edge lower in the month.
	May economic confidence	104.0	103.5	-	Softer business senitment to offset consumer increase.
UK	May Nationwide house prices	0.4%	_	_	TBC. Housing market weakness continuing, esp. in London.
US	Mar FHFA house prices	0.3%	-	-	House price growth has slowed
	Mar S&P/CS home price index	0.2%	0.6%	-	but should stabilise around this level given lower rates.
	May consumer confidence index	129.2	130.5	-	Remains robust, aided by jobs and asset price gains.
	May Dallas Fed index	2.0	7.0	-	Manufacturing being hit by US dollar and tariff concerns.
Wed 29	)				
NZ	RBNZ Financial Stability Report	-	-	-	Unlikely to see further policy announcements at this stage.
	May ANZ business confidence	-37.5	_	-	First survey since the proposed capital gains tax was scrapped.
Eur	ECB Rehn speaks	-	-	_	At an event in London.
US	May Richmond Fed index	3	7	_	Manufacturing being hit by US dollar and tariff concerns.
Thu 30					
NZ	Apr building permits	-6.9%	_	-2.0%	Multiples to soften after earlier strength, level still strong.
	Budget 2019	-	-	-	Weaker starting point for the economy means smaller surpluses.
Aus	Apr dwelling approvals	-15.5%	flat	-1.0%	Feb high rise spike still unwinding. Holiday timing a factor?
	Q1 private new capital expenditure	2.0%	0.5%	0.2%	Softness in B&S, equipment expected to rise modestly.
	2018/19 capex plans, AUDbn	118.4	-	-	Est 5 is +3.6% vs Est 5 a yr ago.
	2019/20 capex plans, AUDbn	92.1	96.0	-	Est 1 is +11% vs Est 1 a yr ago – led by mining.
US	Q1 GDP 3rd estimate %annualised	3.2%	3.1%	3.1%	Only a negligible revision expected.
	Apr wholesale inventories	-0.1%	-	=	A big positive in Q1; could reverse in Q2.
	Initial jobless claims	211k	_	_	Very low.
	Apr pending home sales	3.8%	1.0%	-	Existing home market held back by supply.
	Fedspeak	-	-	-	Clarida is speaking NY.
Fri 31					
NZ	May ANZ consumer confidence	123.2	-	-	Consumer sentiment has been stable in recent months.
Aus	Apr private sector credit	0.3%	0.3%	0.2%	Has slowed to a subdued pace, led by housing downturn.
Chn	May non-manufacturing PMI	54.3	54.3	-	Investment becoming more supportive of growth.
	May manufacturing PMI	50.1	49.9	-	Manufacturing remains under pressure from tariffs.
Eur	ECB Visco speaks	-	-	-	At the Bank of Italy annual gathering.
UK	May GfK consumer sentiment	-13	-13	-	Heightening political tension to weigh further?
	Apr net mortgage lending, £bn	4.1	3.7	-	Credit growth weak as uncertainty weighs on housing demand.
US	Apr personal income	0.1%	0.3%	0.4%	Income growth has lost some momentum
	Apr personal spending	0.9%	0.2%	0.3%	but is still robust, aiding spending.
	Apr PCE deflator	0.0%	0.2%	0.2%	Core PCE inflation to track back up to 2.0%yr in late 2019.
	May Chicago PMI	52.6	54.0	-	Manufacturing being hit by US dollar and tariff concerns.
	May Uni. of Michigan sentiment	102.4	101.5	-	Remains robust, aided by jobs and asset price gains.

# **International forecasts**

Economic Forecasts (Calendar Years)	2015	2016	2017	2018	2019f	2020f
Australia						
Real GDP % yr	2.5	2.8	2.4	2.8	1.8	2.2
CPI inflation % annual	1.7	1.5	1.9	1.8	1.8	1.6
Unemployment %	5.8	5.7	5.5	5.0	5.4	5.6
Current Account % GDP	-4.7	-3.1	-2.6	-2.1	-0.7	-2.0
United States						
Real GDP %yr	2.9	1.6	2.2	2.9	2.4	2.1
Consumer Prices %yr	0.1	1.4	2.1	2.4	1.8	1.9
Unemployment Rate %	5.3	4.9	4.4	3.9	3.5	3.5
Current Account %GDP	-2.3	-2.3	-2.3	-2.6	-2.5	-2.4
Japan						
Real GDP %yr	1.2	0.6	1.9	0.8	0.7	0.6
Euro zone						
Real GDP %yr	2.1	2.0	2.4	1.8	1.2	1.4
United Kingdom						
Real GDP %yr	2.3	1.8	1.8	1.4	1.4	1.4
China						
Real GDP %yr	6.9	6.7	6.8	6.6	6.1	6.0
East Asia ex China						
Real GDP %yr	3.8	4.0	4.6	4.3	4.1	4.1
World						
Real GDP %yr	3.4	3.4	3.8	3.6	3.3	3.5
Forecasts finalised 10 May 2019						

Interest Rate Forecasts	Latest	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Australia								
Cash	1.50	1.25	1.00	0.75	0.75	0.75	0.75	0.75
90 Day BBSW	1.44	1.45	1.25	1.00	1.00	1.00	1.00	1.00
10 Year Bond	1.54	1.60	1.65	1.70	1.75	1.80	1.85	1.90
International								
Fed Funds	2.375	2.375	2.375	2.375	2.375	2.375	2.375	2.375
US 10 Year Bond	2.33	2.40	2.50	2.60	2.60	2.60	2.55	2.50
ECB Deposit Rate	-0.40	-0.40	-0.40	-0.40	-0.40	-0.30	-0.20	-0.10

Exchange Rate Forecasts	Latest	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
AUD/USD	0.6886	0.69	0.68	0.66	0.66	0.67	0.67	0.68
USD/JPY	109.61	110	111	112	112	112	111	110
EUR/USD	1.1181	1.11	1.10	1.10	1.11	1.12	1.13	1.14
GBP/USD	1.2659	1.27	1.28	1.28	1.28	1.29	1.29	1.30
AUD/NZD	1.0569	1.06	1.06	1.02	1.02	1.02	1.02	1.01

## 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').

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 vield 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 license and is subject to supervision by the Hong Kong Monetary Authority. Westpac Hong Kong branch also holds a license issued by the Hong Kong Securities and Futures Commission (SFC) for Type 1 and Type 4 regulated activities. This material is intended only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance. Westpac Shanghai and Beijing Branches hold banking licenses and are subject to supervision by the China Banking 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  $% \left( 1\right) =\left( 1\right) \left( 1\right) \left$ by Rule 15a-6 under the Exchange Act and is not subject to all of the independence and disclosure standards applicable to debt research reports prepared for retail investors in the United States. WCM is the U.S. distributor of this communication and accepts responsibility for the contents of this communication. All disclaimers set out with respect to Westpac apply equally to WCM. If you would like to speak to someone regarding any security mentioned herein, please contact WCM on +1 212 389 1269. All disclaimers set out with respect to Westpac apply equally to WCM.

Investing in any non-U.S. securities or related financial instruments mentioned in this communication may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the SEC in the United States. Information on such non-U.S. securities or related financial instruments may be limited. Non-U.S. companies may not subject to audit and reporting standards and regulatory requirements comparable to those in effect in the United States. The value of any investment or income from any securities or related derivative instruments denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related derivative instruments

The author of this communication is employed by Westpac and is not registered or qualified as a research analyst, representative, or associated person under the rules of FINRA, any other U.S. selfregulatory 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.