

# Weekly Commentary

29 April 2019



Hundertwasser Toilets, Kawakawa

## One step forward, one step back

This week's labour market surveys are the last major release ahead of the Reserve Bank's May *Monetary Policy Statement*, and with the possibility of an OCR cut on the table, the results will be closely scrutinised. We're expecting a mixed bag, with an uptick in unemployment but a modest lift in wage growth.

For the Household Labour Force Survey (HLFS), we expect a modest 0.4% quarterly increase in jobs and a small rise in the unemployment rate from 4.3% to 4.4%. We expect an uptick in the participation rate to 71.0%, equalling its record high.

While the labour market is tight by all accounts, there are some concerning signs that the demand for new workers is flagging, as business confidence has remained low. Growth in job advertisements has flattened out in the last year, aside from a flurry of hiring in the public healthcare sector.

We also note that the share of the working-age population receiving the Jobseeker Support benefit has been rising for the last five quarters. It's not clear to what extent this reflects less vigorous enforcement of the eligibility criteria, rather than a rise in the actual number of jobless. Nevertheless, this is a developing trend that doesn't look consistent with a strong labour market.

In its February *Monetary Policy Statement* the RBNZ was expecting a slight drop in the unemployment rate to 4.2% this quarter, in contrast to our forecast of a small rise. A softer result would certainly give some support to the case for an OCR cut, but it wouldn't necessarily seal the deal. An unemployment rate of around 4.4% would still leave it close to the RBNZ's estimate of the maximum sustainable rate of employment. And a sharply higher rate than this would probably be treated with caution, given the well-known volatility of the survey.

There are two points to note about the previous survey that make the March quarter even more uncertain. First, the December quarter survey included the occasional Survey of Working Life – there has been a tendency for some workers to say that they're no longer in the labour force in order to avoid answering these extra questions. The main effect is a lower reported participation rate, but it can also lift the unemployment rate slightly. Stats NZ made some adjustments to the December figures at the time, but we won't know what the true impact was until the March figures are available.

The second issue was that the surveying in December was more concentrated than usual at the end of the quarter, which meant that it was more likely to capture students after their studies had ended. Consequently, youth unemployment was probably overstated last quarter.

Given the uncertainty around the HLFS, it's important to cross-check it with the Quarterly Employment Survey (QES), which surveys employers rather than households. This survey confirms that the pace of employment growth has slowed over the last year or so, matching the slowdown in GDP growth over that time. We expect a modest 0.6% rise in jobs and hours paid in the March quarter.

Wage growth tends to lag the broader economic cycle. Even if the demand for new workers is fading, there appears to be enough accumulated pressure in the labour market to support a pickup in wage growth over the next couple of years.

# One step forward, one step back

We expect a 0.5% rise in the Labour Cost Index (LCI) for the private sector, lifting the annual growth rate above 2%. For the QES average hourly earnings measure, which tends to be more responsive to the cycle, we expect a 0.8% quarterly increase. There were no special factors that we're aware of in the March quarter, but subsequent quarters are likely to see a boost from public sector pay agreements and the large 7.3% increase in the minimum wage in April.

The past week has been fairly quiet on the economic data front, and indeed on the streets – with Easter Monday and Anzac Day falling in the same week, many people took the opportunity for a full week's holiday. Incidentally, we wouldn't be surprised to see some rather insipid activity data for April; there was a similar impact in 2011 when the two dates fell this close together.

The one notable release last week was the March trade balance, with the country recording a surprisingly large \$922m surplus. It was an exceptionally strong month for

exports, and we'd expect some reversal next month. Even so, the trend for export earnings is improving, and the surge in dairy prices at auction since the start of the year is still yet to come through in the trade data.

Imports were down slightly for the month, despite a rising fuel import bill as world oil prices have picked up again. Imports of capital equipment have strengthened since the end of last year, and were steady in March.

The latter is encouraging in the face of weak business confidence and investment intentions in recent surveys. It's likely that the proposal for a capital gains tax applied to business assets was casting a pall over businesses in recent surveys – a possibility that the Government has now taken off the table for the foreseeable future. That decision probably won't be reflected in the April survey (released this Tuesday), but we'd expect to see a lift in business confidence in subsequent surveys.

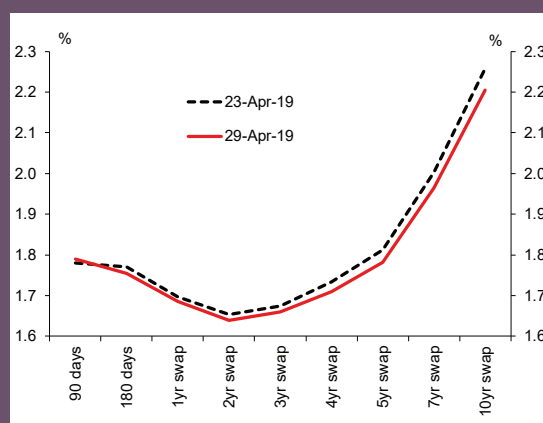
## Fixed vs Floating for mortgages

Fixed mortgage rates have fallen recently, but they could fall even further in the near future. If the RBNZ cuts the OCR in May, fixed rates may drop again at that time.

We expect floating and one-year fixed mortgage rates to fall over the next year, but to gradually rise again in subsequent years. Based on that expectation, we regard three-year rates at the best on offer at present. One- and two-year rates are also fairly good value, with neither particularly preferred to the other.

Four- and five-year fixed rates have fallen sharply, but they still look high relative to where we expect shorter-term rates to go over those timeframes. Floating mortgage rates are expensive for borrowers, but they may be the preferred option for those who require flexibility in their repayments.

NZ interest rates



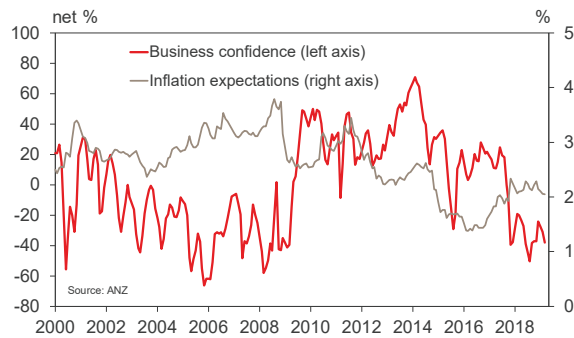
# The week ahead

## NZ Apr ANZ business confidence

Apr 30, Last: -38.0

- After improving modestly in late 2018, business confidence has weakened again in the first few months of 2019.
- The April survey responses will predate the Government's surprising decision not to proceed with any form of capital gains tax. This is likely to give business confidence a boost in future surveys, but not yet.
- In contrast, the underlying weakness which has been apparent in some of the components of this survey in recent months may not be as quickly unwound.
- This month's survey period will also predate the soft March quarter CPI outturn. Price gauges have been relatively stable in recent surveys and continue to hover near 2%.

## NZ business confidence and inflation expectations

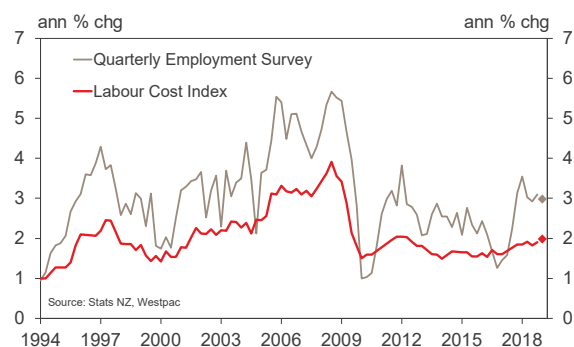


## NZ Q1 Labour Cost Index

May 1, Private sect. Last: +0.5%, WBC f/c: +0.5%, Mkt f/c: +0.5%

- We expect a 0.5% rise in the Labour Cost Index (LCI) for the private sector, with a softer 0.4% increase once public sector roles are included.
- The LCI is by design a slow-moving series. In contrast, the Quarterly Employment Survey (QES) measure of average hourly earnings has seen a substantial pickup in the past year as the labour market has tightened.
- There were no special factors in the March quarter, but subsequent quarters will be boosted by public sector pay agreements and the large 7.3% increase in the minimum wage in April.

## LCI and QES salary and wages, all sectors

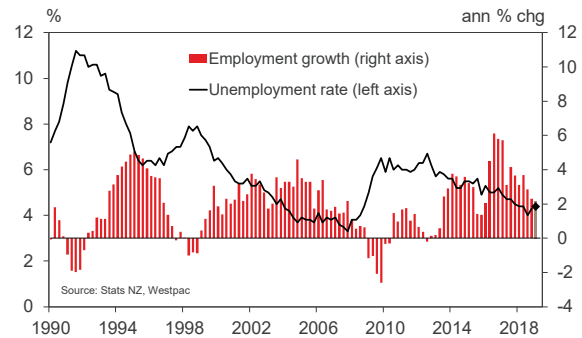


## NZ Q1 Household Labour Force Survey

May 1, Employment Last: +0.1%, WBC f/c: +0.4%, Mkt f/c: +0.5%  
Unemployment Last: 4.3%, WBC f/c: 4.4%, Mkt f/c: 4.3%

- We expect a small rise in the unemployment rate to 4.4% in the March quarter. Employment is expected to grow at a subdued pace, reflecting the slowdown in GDP growth over the last year.
- The labour market has become tighter over recent years. However, there are signs that low business confidence is weighing on hiring. Job advertisements have flattened out, and jobseeker benefit numbers are rising.
- Our forecast would still leave the labour market close to the Reserve Bank's estimates of maximum sustainable employment. Even so, a weaker result would be unwelcome ahead of the RBNZ's May Monetary Policy Statement.

## Household Labour Force Survey

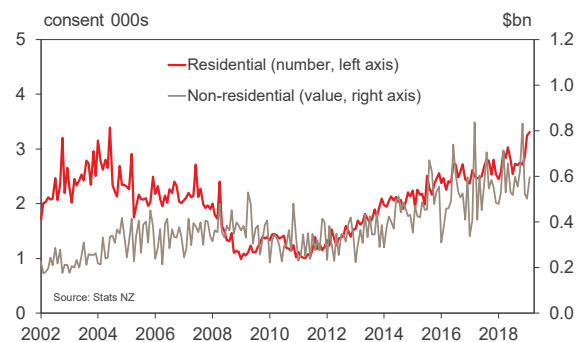


## NZ Mar dwelling consents

May 2, Last: +1.9%, WBC f/c: -5%

- It's been a very strong start to the year for dwelling consent issuance. Consent numbers rose by 2% in February. That followed a 14% rise in January and took annual consent issuance to a 44-year high. There's been particular strength in Auckland, as well as solid levels of issuance in Wellington and many other parts of the country.
- With at least some of the recent strength in consents related to lumpy categories like apartments, we expect a 5% pullback in March. That would still leave the annual level of issuance around multi-decade highs.

## NZ building consents



# The week ahead

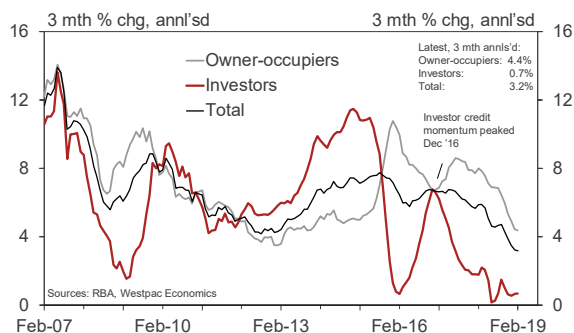
## Aus Mar private credit

Apr 30, 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. Annual growth is 4.2% and the 3 month annualised pace is 2.9%.
- For housing credit, the 3 month annualised pace has weakened to 3.2%, down from the May 2017 peak of 6.8%. In 2018, as lending conditions tightened, new lending fell by almost 20%. While new lending bounced a little in February, the downward trend is likely to persist.
- Business credit, 5.3% above the level of a year ago, has been volatile around a moderate uptrend. However, momentum slowed in the past three months - a trend that is likely to extend into March.

## Australian housing credit

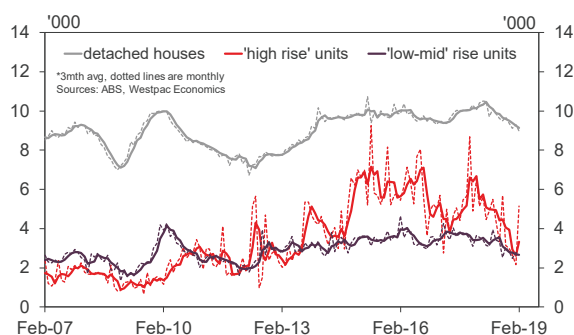


## Aus Mar dwelling approvals

May 3, Last: 19.1%, WBC f/c: -15.0%

- Dwelling approvals jumped 19.1% in Feb driven by a big spike in high rise approvals. The detail points to a few large projects coming through in Sydney and Melbourne after several months of basically nothing. The spike is almost certainly a one-off making the headline result a misleading 'rogue' particularly given that approvals ex high rise look to have declined 3.4% in the month.
- The reversing high rise spike is expected to see a sharp fall in total dwelling approvals in March. Meanwhile construction-related finance approvals are also suggesting the weakening in non-high rise approvals is starting to moderate, although this is more likely to show through in coming months. On balance, Mar is expected to see a 15% pullback in total approvals.

## Australian dwelling approvals

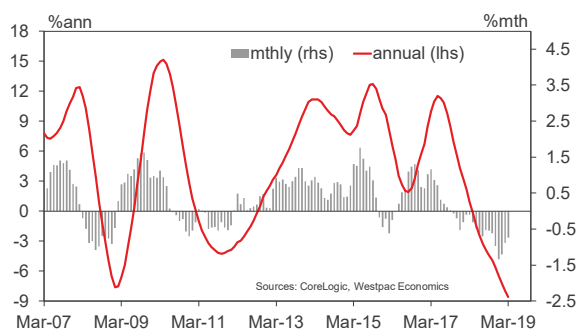


## Aus Apr CoreLogic home value index

May 1, Last: -0.7%, WBC f/c: -0.4%

- Australia's housing market correction continued in March with prices nationally recording an 18th consecutive monthly decline. The CoreLogic home value index, covering the eight major capital cities, was down 0.7% in March following a 0.9% decline in Feb and average monthly falls of 1.2% over Nov-Jan.
- The pace of declines looks to have moderated in Apr with the daily index pointing to a 0.4% fall for month. Auction markets have improved since late last year, particularly in Sydney, with lower withdrawal rates and firmer clearance rates in the 50-55% range, although volumes remain very low. However, there looks to be a little more price weakness showing through outside of the Sydney and Melbourne markets, where auction activity provides no real guidance.

## Australian dwelling prices

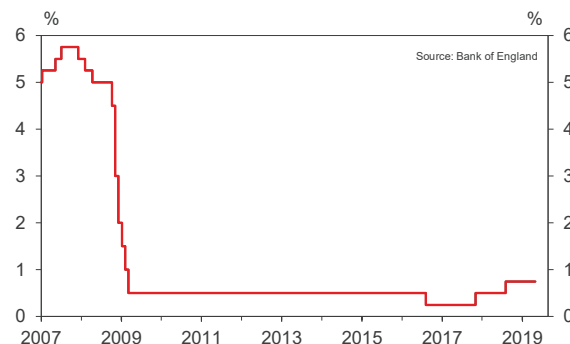


## UK Bank of England Bank Rate

May 2, Last: 0.75%, WBC f/c: 0.75%, Mkt f/c: 0.75%

- In March, the BoE left the Bank Rate unchanged and maintained its very mild tightening bias. That tightening bias was contingent on a smooth post-Brexit transition.
- Since the BoE's last update, economic activity has been a little firmer than expected. However, Brexit-related uncertainty - which has been a significant drag on investment spending and economic growth - has continued unabated. At the same time, inflation remains well contained.
- Against this backdrop, there's no chance of a change in the Bank Rate this month, and the BoE will once again emphasise the conditionality of its forecasts.

## Bank of England Bank Rate



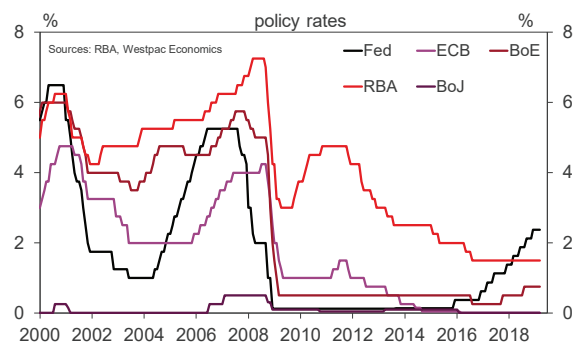
# The week ahead

## US Apr/May FOMC

Apr 30–May 1, last 2.375%, WBC 2.375%

- The March FOMC meeting confirmed the dovish turn in sentiment amongst Committee members, with the activity and rates forecasts revised down, and risks emphasised.
- Communications from this meeting are likely to carry the same cautious tone, although it will be interesting to see how Chair Powell contrasts the renewed vigour of equity markets and employment growth against their now more cautious forecasts.
- While we are mindful that wages and inflation could surprise to the upside later this year, the scale of any surprise is unlikely to be meaningful for policy, with FOMC members willing to accept a period of above-target inflation outcomes before becoming concerned over the outlook.
- We see the FOMC remaining on hold for the foreseeable future, out to the end of 2020.

## FOMC to remain on hold over 2019/20



## US Apr employment report

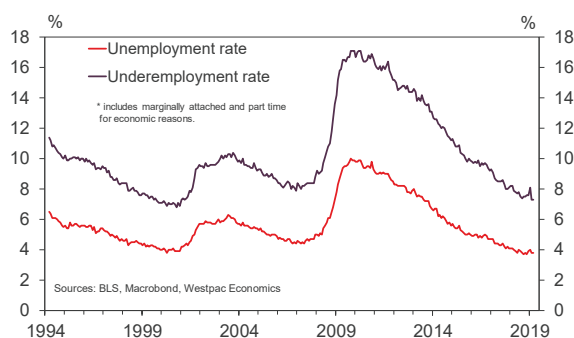
May 3, nonfarm payrolls, Last 196k, WBC 180k

May 3, unemployment rate, Last 3.8%, WBC 3.8%

May 3, hourly earnings, Last 3.2%/yr, WBC 3.3%/yr

- The Mar nonfarm payrolls outcome of 196k brought the month-average for 2019 back up to 180k, a pace that is consistent with the unemployment rate continuing to trend down. We look for another gain in line with the 2019 average in Apr.
- The unemployment rate is expected to hold at 3.8% for another month, assuming the participation rate is unchanged. However, following a weak patch for household survey employment, there is a risk that this measure of job growth rebounds, taking the unemployment rate lower.
- On wages, the outcomes of 2019 to date imply a gradual trend higher for annual wages growth, towards 3.5%/yr. With inflation benign, this is supporting robust real wage gains.

## US unemployment

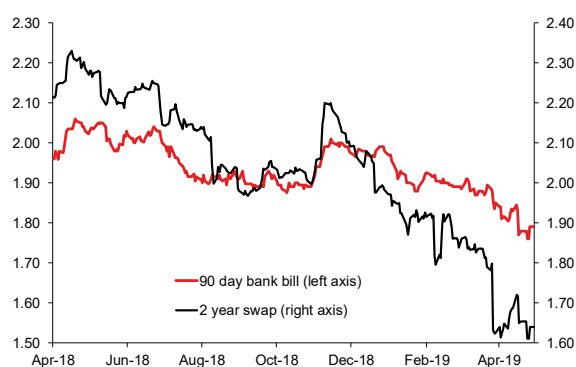


# New Zealand forecasts

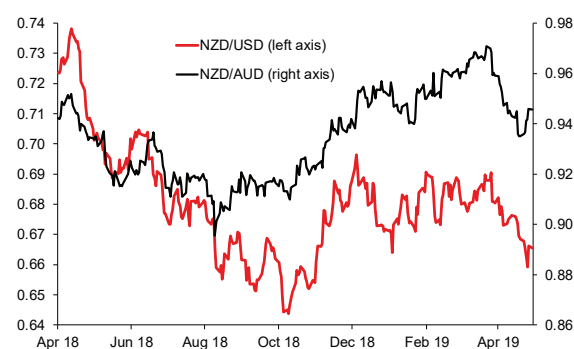
Economic Forecasts	Quarterly				Annual			
	2018	2019						
% change	Dec (a)	Mar	Jun	Sep	2018	2019f	2020f	2021f
GDP (Production)	0.6	0.5	0.8	0.8	2.8	2.5	2.8	2.0
Employment	0.1	0.4	0.1	0.4	2.3	1.1	1.7	1.2
Unemployment Rate % s.a.	4.3	4.4	4.4	4.3	4.3	4.2	4.0	4.0
CPI	0.1	0.1	0.4	0.7	1.9	1.5	2.1	2.1
Current Account Balance % of GDP	-3.7	-3.4	-3.1	-3.0	-3.7	-2.9	-2.7	-2.7

Financial Forecasts	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
Cash	1.50	1.50	1.50	1.50	1.25	1.25
90 Day bill	1.60	1.60	1.60	1.50	1.40	1.40
2 Year Swap	1.50	1.50	1.60	1.60	1.50	1.50
5 Year Swap	1.70	1.75	1.85	1.85	1.85	1.85
10 Year Bond	1.80	1.85	1.90	1.85	1.85	1.90
NZD/USD	0.65	0.65	0.66	0.66	0.65	0.65
NZD/AUD	0.93	0.96	0.97	0.96	0.94	0.93
NZD/JPY	72.8	73.5	74.6	73.9	72.2	71.5
NZD/EUR	0.59	0.59	0.60	0.59	0.58	0.57
NZD/GBP	0.50	0.49	0.50	0.50	0.49	0.49
TWI	71.4	72.1	73.0	72.3	70.8	70.1

2 Year Swap and 90 Day Bank Bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on 29 April 2019

Interest Rates	Current	Two weeks ago	One month ago
Cash	1.75%	1.75%	1.75%
30 Days	1.86%	1.87%	1.86%
60 Days	1.82%	1.84%	1.86%
90 Days	1.79%	1.83%	1.85%
2 Year Swap	1.64%	1.69%	1.63%
5 Year Swap	1.78%	1.84%	1.77%

NZ foreign currency mid-rates as at 29 April 2019

Exchange Rates	Current	Two weeks ago	One month ago
NZD/USD	0.6655	0.6764	0.6823
NZD/EUR	0.5964	0.5986	0.6073
NZD/GBP	0.5151	0.5170	0.5233
NZD/JPY	74.27	75.73	75.70
NZD/AUD	0.9456	0.9426	0.9584
TWI	72.89	73.42	74.17

# Data calendar

		Last	Market median	Westpac forecast	Risk/Comment
<b>Mon 29</b>					
<b>Eur</b>	Mar M3 money supply %yr	4.3%	4.1%	-	Credit growth moderate. Integral to TLTRO decision-making.
	Apr economic confidence	105.5	105.1	-	Flash consumer confidence dipped...
	Apr business climate indicator	0.53	0.51	-	... while business surveys have been mixed.
<b>US</b>	Mar personal income	0.2%	0.4%	-	Wages growth continues to pick up...
	Mar personal spending	-	0.7%	-	... but discretionary spending is restrained....
	Mar core PCE deflator %yr		1.7%	-	... and, as yet, wages growth has not passed to inflation.
	Apr Dallas Fed index	8.3	-	-	Regional surveys are solid albeit volatile.
<b>Tue 30</b>					
<b>NZ</b>	Apr ANZ business confidence	-38.0	-	-	Survey held before Govt announcement on capital gains tax.
<b>Aus</b>	Mar private sector credit	0.3%	0.3%	0.2%	Slowed to a sluggish pace as housing weakens.
<b>Chn</b>	Apr manufacturing PMI	50.5	50.7	-	Lifted back above 50 in March...
	Apr non-manufacturing PMI	54.8	55.0	-	... with services remaining robust.
<b>Eur</b>	Mar unemployment rate	7.8%	7.8%	-	Around cyclical lows. Resilient amid softer growth as...
	Q1 GDP	0.2%	0.3%	-	... services and construction offset weak manufacturing.
<b>UK</b>	Apr GfK consumer sentiment	-13	-13	-	Brexit turmoil weighing on sentiment.
<b>US</b>	Q1 employment cost index	0.7%	0.7%	-	Compensation g'th broadbased across wages & benefits.
	Feb S&P/CS home price index	0.1%	0.3%	-	Price growth has slowed of late.
	Apr Chicago PMI	58.7	59.0	-	Regional surveys solid albeit volatile.
	Mar pending home sales	-1.0%	1.0%	-	Existing market held back by supply.
	Apr consumer confidence index	124.1	126.1	-	Remains robust.
<b>Wed 01</b>					
<b>NZ</b>	Q1 unemployment rate	4.3%	4.2%	4.4%	We expect unemployment to pick up slightly...
	Q1 employment	0.1%	0.5%	0.4%	...as weak business confidence weighs on hiring plans.
	Q1 labour costs - prv. ordinary time	0.5%	0.5%	0.5%	Upward pressure on wages is gradually developing.
<b>Aus</b>	Apr CoreLogic home value index	-0.7%	-	-0.4%	Pace of dwelling price decline moderated in April.
	Apr AiG PMI	51.0	-	-	Manufg conditions cooled in 2018, a choppy start to 2019.
<b>Chn</b>	Labor day holiday	-	-	-	Holiday until 6 May.
<b>UK</b>	Apr Markit manufacturing PMI	55.1	53.0	-	Has stabilised, but firms remain cautious about investing.
<b>US</b>	Apr ADP employment change	129k	180k	-	Struggling to act as a predictor for payrolls.
	Apr Markit manufacturing PMI final	52.4	-	-	Manufacturing sector in strong shape...
	Apr ISM manufacturing	55.3	55.0	-	... despite rise in USD and softer domestic growth.
	Mar construction spending	1.0%	0.2%	-	Upcycle looks to have turned.
	FOMC policy decision, midpoint	2.375%	2.375%	2.375%	Policy on hold for foreseeable future.
<b>Thu 02</b>					
<b>NZ</b>	Mar building permits	1.9%	-	-5.0%	A moderation after recent strength, level still very high.
<b>Chn</b>	Apr Caixin manufacturing PMI	50.8	-	-	As per NBS measure, improved in March.
<b>UK</b>	BoE policy decision	0.75%	0.75%	0.75%	BOE to re-emphasise conditional tightening bias.
<b>US</b>	Initial jobless claims	230k	-	-	Very low.
	Mar factory orders	-0.5%	1.0%	-	Durables preliminary bounced.
<b>Fri 03</b>					
<b>Aus</b>	Mar dwelling approvals	19.1%	-	-15.1%	Downtrend to resume after Feb spike centred on high rise.
<b>Eur</b>	Apr core CPI %yr prelim.	0.8%	1.0%	-	Will be affected by Easter timing.
<b>UK</b>	Apr Markit services PMI	48.9	-	-	Demand is taking a step lower.
<b>US</b>	Apr non-farm payrolls	196k	181k	180k	Jobs trend is robust...
	Apr unemployment rate	3.8%	3.8%	3.8%	... as slack outside of the labour market still declining...
	Apr average hourly earnings	3.2%	3.3%	3.3%	... with a tighter market seeing wages trend up.
	Apr ISM non-manufacturing	56.1	57.2	-	Services strength continues.

# International forecasts

Economic Forecasts (Calendar Years)	2015	2016	2017	2018	2019f	2020f
<b>Australia</b>						
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	5.5	5.7
Current Account % GDP	-4.7	-3.1	-2.6	-2.1	-0.9	-2.2
<b>United States</b>						
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
<b>Japan</b>						
Real GDP %yr	1.2	0.6	1.9	0.8	0.8	0.7
<b>Euro zone</b>						
Real GDP %yr	2.1	2.0	2.4	1.8	1.2	1.4
<b>United Kingdom</b>						
Real GDP %yr	2.3	1.8	1.8	1.4	1.2	1.4
<b>China</b>						
Real GDP %yr	6.9	6.7	6.8	6.6	6.1	6.0
<b>East Asia ex China</b>						
Real GDP %yr	3.8	4.0	4.5	4.4	4.2	4.3
<b>World</b>						
Real GDP %yr	3.4	3.4	3.8	3.6	3.5	3.5

Forecasts finalised 10 April 2019

Interest Rate Forecasts	Latest	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
<b>Australia</b>								
Cash	1.50	1.50	1.25	1.00	1.00	1.00	1.00	1.00
90 Day BBSW	1.57	1.80	1.55	1.40	1.40	1.40	1.40	1.40
10 Year Bond	1.79	1.85	1.75	1.80	1.80	1.80	1.85	1.90
<b>International</b>								
Fed Funds	2.375	2.375	2.375	2.375	2.375	2.375	2.375	2.375
US 10 Year Bond	2.53	2.60	2.65	2.70	2.65	2.60	2.55	2.55
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	0.7023	0.70	0.68	0.68	0.69	0.69	0.70	0.70
USD/JPY	111.63	112	113	113	112	111	110	110
EUR/USD	1.1136	1.11	1.10	1.10	1.11	1.12	1.14	1.15
GBP/USD	1.2903	1.31	1.32	1.33	1.33	1.33	1.34	1.34
AUD/NZD	1.0577	1.06	1.05	1.03	1.05	1.06	1.08	1.08



---

# 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](mailto:economics@westpac.co.nz)

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

---

## Disclaimer

---

### Things you should know

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

### Disclaimer

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

### Country disclosures

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

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