



Emerald Lakes, Tongariro National Park

In this issue

Fixed vs floating	2
The week ahead	3
Data calendar	5
New Zealand forecasts	6
International forecasts	7

Double bounce

Prices remain high for New Zealand's key export commodities. Coupled with a rapid post-drought rebound in dairy production in particular, this means a big income boost for the sector. Stronger export revenues will be an important pillar of accelerating growth, but will also add to burgeoning inflation pressure – we're seeing early signs that after a long hibernation, inflation pressures are once again starting to stir. Eventually, stronger domestic inflation will force the Reserve Bank's hand and we expect it to kick off a substantial tightening cycle in April next year.

For now, New Zealand farmers are enjoying the best of both worlds – high commodity prices and a strong lift in production. On both sides of the ledger, dairy has once again been the star performer. Prices remained at exceptionally high levels in last week's GlobalDairyTrade auction, tracking sideways following a couple of softer outturns. Our view remains that such high prices can't be sustained indefinitely. Our \$8.30/KgMs payout forecast is predicated on prices falling, especially next year, as global supply increases in response to improved margins. But while dairy farmers are in line for a record payout this season, prices for other commodity exports aren't faring too badly either. Lamb, beef and wool prices have all strengthened in recent months.

Stronger commodity prices will be a key feature of forthcoming terms of trade data. Export prices are forecast to increase 7.4% in the September quarter – far outpacing the forecast 1.3% lift in import prices and pushing the terms of trade to its highest level since the 1970s. This signals a big income boost for "NZ Inc". Directly via higher incomes to farmers, and indirectly through upward pressure on the NZD which boosts New Zealanders' purchasing power abroad.

The rebound in agricultural production has been much stronger than we anticipated 3 months ago. Dairy production volumes were up 7.2% nationwide in the 4 months to

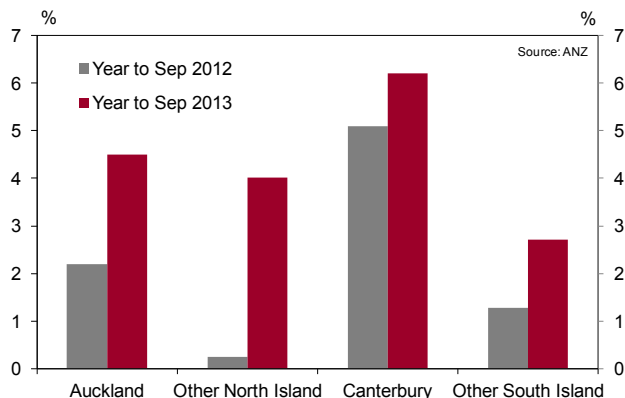
Double bounce continued

September, and have continued to outpace last year's levels since then thanks to excellent growing conditions. Sheep and beef farmers however, will struggle to mirror the sharp rebound in production many dairy farmers are enjoying. Although slaughter weights should benefit from plentiful feed, it will take much longer to rebuild breeding stock numbers after severe culling in some regions during last summer's drought. And as the days get longer and the smell of BBQs begin to waft through the air, we will be keeping a close eye on soil moisture levels and rainfall around the country. We certainly don't expect a repeat of last year's historic drought but it is starting to dry out in some parts of the country – particularly Northland. Looking ahead over the next three months, NIWA is predicting about normal rainfall totals and near normal soil moisture deficits in most parts of the country with the exception of the north of the North Island where it is most likely to be drier than normal.

With such a strong start to the dairy season, we're optimistic that by season's end production could easily be up over 8%. A significant chunk of this output is already in the bag and will be a feature of September quarter GDP data released next month. We've recently upgraded our forecast and are now looking for about 1.4% growth in the quarter (previously 1.2%). That's more than twice the pace we saw over the first half of the year. Aside from the reversal of fortunes in the agriculture sector, September quarter GDP data should also feature strong contributions from the construction, manufacturing and service sectors.

The swift rebound in agricultural production is also helping ensure stronger economic activity outside the bright lights of Auckland and Canterbury. Unsurprisingly growth remains strongest in Canterbury and, to a lesser extent, Auckland but other regions are starting to close the gap. Latest estimates suggest that, compared to a year ago, there has been a marked improvement in GDP growth in the North Island outside of Auckland while GDP growth in the South Island outside of Canterbury has also picked up. Hallmarks of stronger activity outside Auckland and Canterbury have been improved prospects in the rural sector flowing through to confidence, rural property markets and on-farm investment.

Regional growth estimates



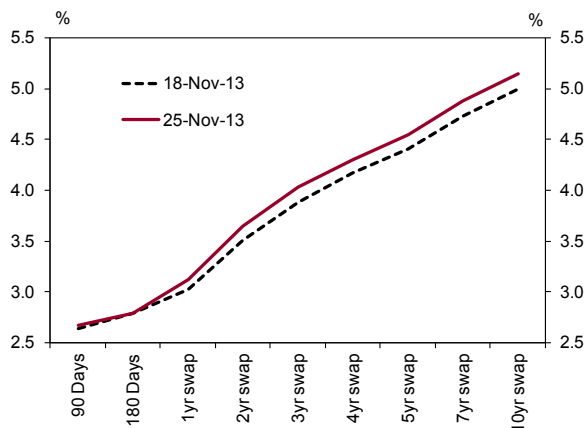
The increasing breadth of the current upturn across regions makes us more confident not only that the improvement will be sustained, but also that inflation pressure will radiate far beyond just the construction sector where it is already clear stresses are intensifying. Producer prices rose sharply in the September quarter, in part due to accelerating construction costs (although surging dairy prices were the biggest driver of the jump in the headline). The residential building component of the Capital Goods Price index is rising at about 4% per annum. But while higher construction costs are a given, perhaps more surprising for the RBNZ will be the Bank's own survey of two year ahead inflation expectations which remained stubbornly high in the December quarter at 2.34% (after taking a step up in the September quarter). Rising inflation expectations can be a self fulfilling prophecy by leading to higher wage demands.

Ultimately the Reserve Bank will have to respond to burgeoning inflation pressure with higher interest rates. And although we're not there yet (the stronger NZD will limit tradable inflation in the near-term) with domestic activity going from strength to strength, even the strong NZD won't be enough to stave off a tightening cycle indefinitely. We're forecasting the Reserve Bank will start raising the OCR in April next year.

Fixed vs Floating for mortgages

We are now indifferent between fixing and floating. In our view, interest rate markets are now "fairly priced". We expect short-term rates to rise substantially over the next three years. The level of long-term fixed rates, which are higher than short-term rates, is in tune with that expectation. This means we can discern no obvious interest rate advantage in any particular term. The decision can be treated as a risk management choice according to individual circumstances.

NZ interest rates

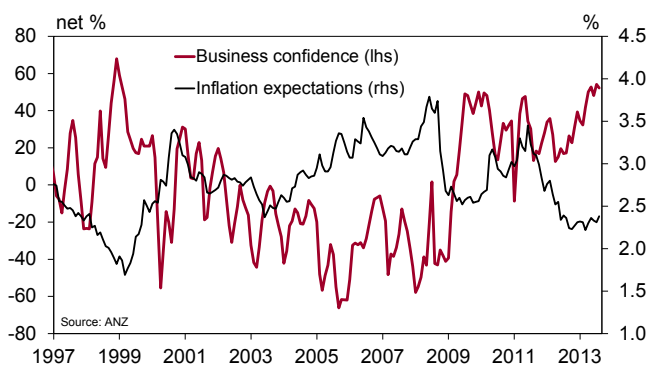


NZ Nov ANZ business confidence

Nov 28, Last: 53.2

- Business confidence was a touch softer on balance in October after a surge in September that took many key measures to their highest levels since 1999. This is consistent with our forecast of another quarter of strong GDP growth in Q4, albeit less than in Q3 which was boosted by a sharp post-drought rebound in agricultural output.
- Note that this survey exhibits some seasonality: in recent years it has tended to see sharp gains between October and November. That would be consistent with the informal BNZ business confidence survey which rose 10pts to a record high of 65.7 in November.
- With confidence running high for some time, we're turning our attention to the inflation-related measures of the survey. General inflation expectations have ticked up a little in recent months, and the November survey will be the first to react to the larger-than-expected rise in inflation in Q3.

NZ business confidence and inflation expectations

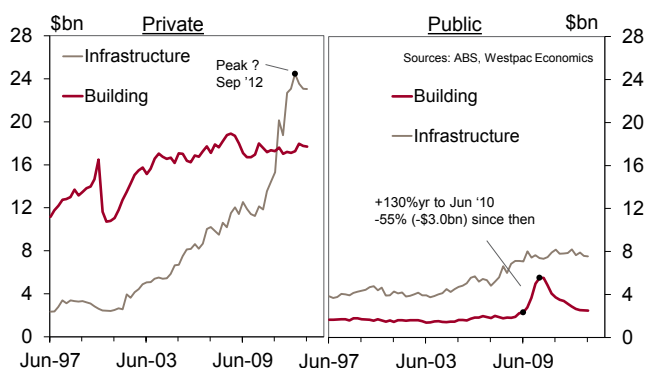


Aus Q3 construction work done

Nov 27, Last: -0.3%, WBC f/c: -0.5%
Mkt f/c: 0.5%, Range: -1.5% to 2.0%

- Construction work drifted lower over recent quarters as mining investment crested. We expect that trend to have continued in Q3, forecasting -0.5%qtr and -3%yr. That contrasts with a 6% rise in the year to Q3 2012.
- Private infrastructure activity accounts for 45% of total construction work. This share is set to moderate as mining investment deflates. We expect a fall of up to -2%qtr, -8%yr.
- Total private residential construction is strengthening, albeit at a relatively modest pace to date. We expect a rise of around 1.5%qtr, 4%yr.
- Public construction, down 9% over the past four quarters, is expected to edge a little lower.

Construction work: divergent trends

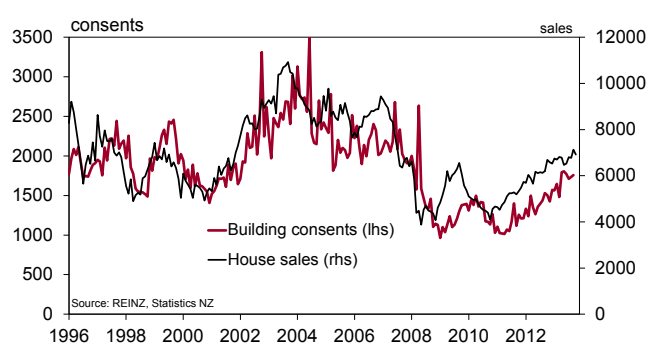


NZ Oct building consents

Nov 29, Last: +1.4%, WBC f/c: +1.0%

- Residential building consents have continued to trend higher this year. Growth has been led by the most supply-constrained regions of Canterbury and Auckland – although, while the former has been going from strength to strength, progress in the latter has been disappointingly choppy.
- We have assumed a modest 1% rise in consents for October following an above-trend rise in September (+2.6% excluding the volatile apartments group, which eased back to around average levels).
- There are some anecdotes that the recently introduced limits on low-equity home loans have slowed demand for new homes. However, we suspect this will account for only a small fraction of building activity and probably won't be felt at the building consent stage for several more months.

NZ housing activity

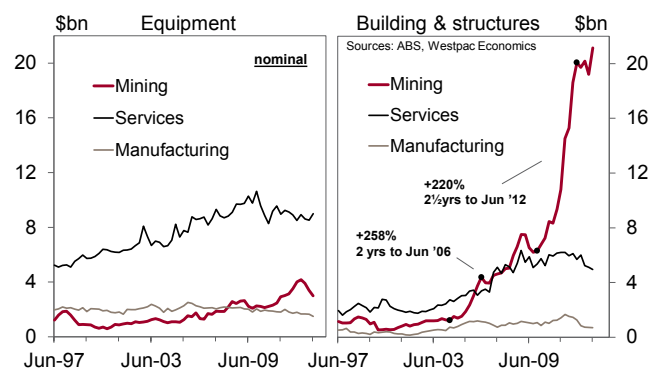


Aus Q3 private capex

Nov 28, Last: 4.0%, WBC f/c: -1.2%
Mkt f/c: -1.2%, Range: -4.0% to 2.0%

- Private business capex spending trended lower over the past year as mining investment began to deflate while the non-mining sectors delayed expenditure at a time of weak demand and policy uncertainty ahead of the Federal election.
- We anticipate a fall of 1.2% in the quarter and a decline of about 4% over the year.
- Building & structures spending and equipment investment are both expected to post declines in Q3, with falls in the order of around 1% to 1.5%. For equipment, such an outcome would have spending down around 10% over the year.

CAPEX: by industry by asset

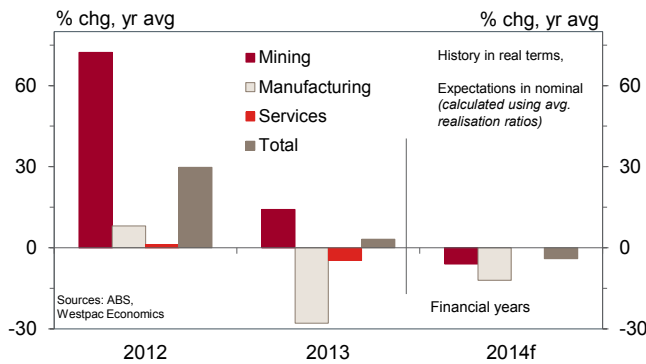


Aus 2013/14 capex plans

Nov 28, Last: \$152.5bn

- Est. 3 of plans for capex spending in 2013/14 was \$152.5bn.
- We calculate that Est 3 implies a fall of 4% on the outcome for 2012/13.
- That represents a significant scaling back of investment intentions from an implied rise of 8% three months earlier. This revised weak outlook for investment in 2013/14 is consistent with our reading of the economy.
- A word of caution, this calculation is based upon average realisation ratios; these may not be appropriate in the current environment (particularly for mining).
- Mining plans of \$103bn imply a 6% fall (based on the 3yr realisation ratio). Manufacturing investment plans are valued at some \$8.6bn, implying a fall of 12%. For the services sector, plans total \$48bn, suggesting a flat 2013/14.

CAPEX plans by industry



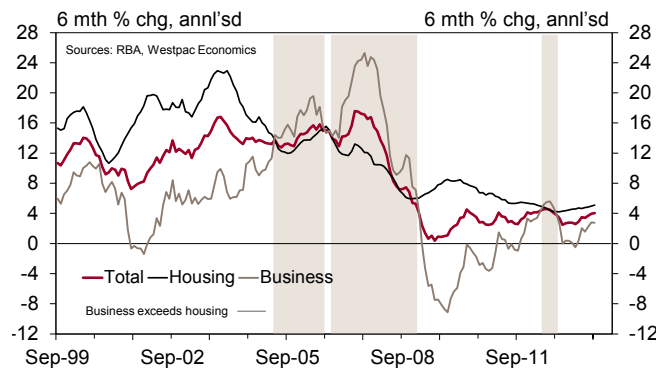
Aus Oct private credit

Nov 29, Last: 0.3%, WBC f/c: 0.3%

Mkt f/c: 0.4%, Range: 0.2% to 0.5%

- Credit to the private sector is expected to increase by 0.3% in October. That would match the average gain over the past 6 months, which is a tick above the average 0.2% rise seen in the 6 months from October 2012 to March 2013.
- Housing credit growth was 0.45% in September, a very slight improvement on a 0.37% rise in May. The upswing in new lending is just offsetting accelerated repayments by existing mortgage holders.
- Business credit is more stop-start than a sustained upswing at this stage. We anticipate a slight rise in October following a 0.1% rise in August and a 0.1% fall in September. This would see annual growth remain around 1%.

Credit momentum



US housing starts/permits/pending sales in Sep/Oct

Nov 25, Pending sales: Last: -5.6%, WBC f/c: 1.5%

Nov 26, Starts: Last: 3.8%

Nov 26, Permits: Last: 1.5%

- Recovery in the US housing sector can be seen in rising prices, fewer defaults and foreclosures, higher sales and rising builder confidence. But the tapering scare from mid-year, and associated run-up in mortgage rates, impacted the market in various ways. After a sales surge as buyers scrambled to lock in rates, sales fell away through the summer, and homebuilder confidence stalled.
- Adding to the uncertainty was the government shutdown in Oct, which means the latest available starts/permits data are for Aug. Assuming the usual volatility in multiples continues to cancel out in the two months, we expect to see a slightly weaker trend in starts and permits for single-family dwellings.
- Pending home sales should post a modest bounce after an unprecedented four straight falls.

US housing starts & permits

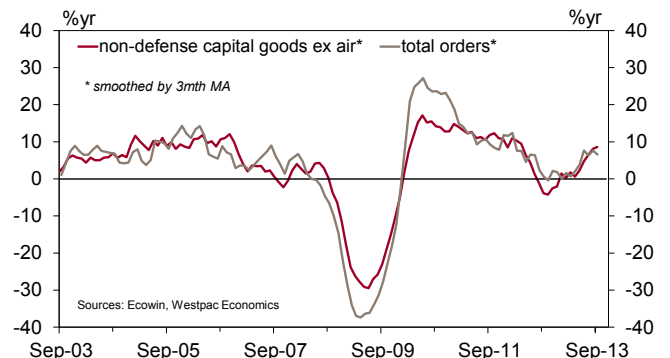


US Oct durable goods orders to fall

Nov 27, Last: 3.7%, WBC f/c: -2.0%

- Durable goods orders rose 3.7% in Sep following Aug's near flat outcome and July's steep fall. As in Q2, monthly orders volatility through Q3 was mostly due to swings in the civilian aircraft category, with autos also playing a part. The 'core' non-defence capital goods ex-aircraft component, a better indicator of plant and machinery investment, lost momentum in Q3 to be running at an 8.5% annualised pace of decline, compared to 21% and 8.5% quarterly annualised gains in Q1 and Q2.
- ISM factory orders held above 60 for the third month running in Oct, in contrast to the weak core data noted above. Boeing took 79 orders in Oct from 127 in Apr. Auto sales fell slightly, and production was down 1.3% in May; business equipment output edged up 0.2% last month. These signals point to both headline and underlying weakness in orders, especially given the uncertainties associated with the government shutdown.

US durable goods orders



Data calendar

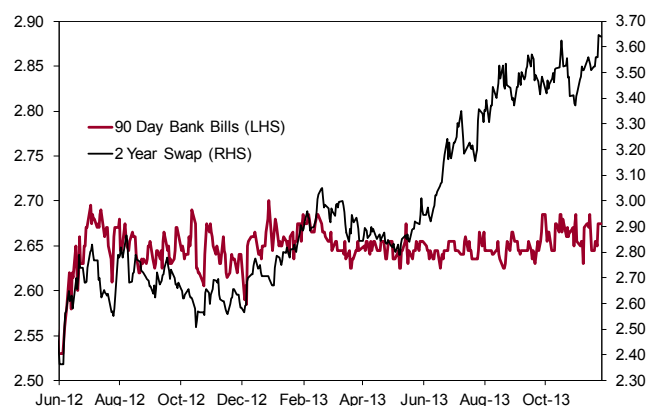
		Last	Market median	Westpac forecast	Risk/Comment
Mon 25					
UK	Nov house prices %yr	5.8%	6.0%	–	Tentative date for Nationwide index due 25-30/11.
	Oct mortgages	43.0k	44.5k	–	BBA data covering 70% of market.
US	Nov Dallas Fed factory index	3.6	–	6.0	Partial rebound after Oct fall which may have been due to govt. shutdown.
	Oct pending home sales	–5.6%	2.0%	1.5%	Sales down an unprecedented four months running in Jun-Sep.
Tue 26					
Aus	RBA Deputy Governor Lowe	–	–	–	Productivity and Infrastructure, Sydney, 9:15am AEDT.
US	Sep/Oct housing starts	3.8%	–	–	Delayed Sep data to be released along-side Oct figures; last refers to
	Sep/Oct housing permits	1.5%	–	–	Aug. See text box for more detail.
	Sep house prices %yr	12.8%	13.0%	–	S&P Case Shiller 20 city index.
	Sep house prices	0.3%	0.4%	–	FHFA index.
	Nov Conf Brd consumer confidence	71.2	72.1	74.0	Jobs gain and equities records suggest partial recovery of Oct slump.
	Nov Richmond Fed factory index	1	–	3	Stalled for a couple of months after mid-year volatility.
Wed 27					
NZ	Oct merchandise trade balance \$m	–199	–350	–700	Dairy export volumes recovering, but imports to rebound from Sep.
Aus	Q3 construction work done	–0.3%	0.5%	–0.5%	Has drifted lower as mining work crested – see box.
Ger	Oct retail sales	–0.6%	0.4%	–	Due 27-29/11. Sales tend not to fall in 1st mth of qtr in rejigged data
	Dec GfK consumer confidence	7.0	7.0	–	Surveyed early Nov but labelled Dec.
UK	Q3 GDP 1st revision	0.8% a	0.8%	–	More detail behind the UK's impressive upswing in growth.
	Q3 business investment	–2.7%	–	–	Surveyed separately to national accounts capital formation data.
	Nov CBI retail survey	2	10	–	Oct survey sharply weaker, as were the official retail data.
US	Initial jobless claims w/e 23/11	323k	330k	330k	21k decline last week may have been distorted by Veterans' Day.
	Oct durable goods orders	3.8%	–1.7%	–2.0%	Headline weighed down by transport; core orders soft; see text box.
	Oct Chicago Fed national activity index	0.14	–	–	Not surveyed, but compiled from 80 activity data series.
	Nov Chicago PMI	65.9	62.5	58.1	Back at early 2011 highs, when economy contracted in Q1 2011!
	Oct leading index	0.7%	0.0%	–0.1%	Shutdown impact on confidence, claims to weigh against index.
	Nov UoM consumer sentiment final	72.0 a	73.0	73.5	Weekly confidence data suggests sentiment improved later in Nov.
Can	Sep average weekly earnings %yr	1.3%	–	–	In down trend for over a year, not far above all time low annual pace.
Thu 28					
NZ	Nov ANZ business confidence	53.2	–	–	Confidence strong; capacity/inflation pressures the next to watch.
Aus	Q3 private new capital expenditure	4.0%	–1.2%	–1.2%	Equipment figure key for GDP; CAPEX expectations also due – see box.
Chn	Oct industrial profits ytd %yr	13.5%	–	–	Firmer nominal activity since July feeding through to profitability.
Eur	Oct money supply M3 %yr	2.1%	1.7%	–	Slowed from 3.9% yr peak in Oct 2012. Private loans down –1.9%yr.
	Nov business climate indicator	–0.01	+0.10	+0.10	Business outlook surveys to benefit from rate cut.
	Nov economic confidence	97.8	98.0	98.0	Consumer confidence advance report at –15.4.
Ger	Nov unemployment ch	2k	0k	–	German jobless rate edging higher from recent low of 6.8%.
	Nov CPI prelim %yr	1.2%	1.2%	–	Oct CPI matching 1.2%yr cycle lowpoint seen in April this year.
US	Thanksgiving Holiday	–	–	–	Markets closed and thin on Friday.
Can	Q3 current account balance C\$bn	–14.6	–14.4	–	Trade data suggests similar contribution to current account as in Q2.
	Oct industrial product prices	–0.3%	–0.4%	–	Has only posted one rise (Sep) since April last year.
Fri 29					
NZ	Oct building consents	1.4%	1.7%	1.0%	Trending higher, led by Auckland and Christchurch.
	Oct private sector credit	4.5%	–	–	LVR restrictions likely to hit mortgage loan growth from Nov.
Aus	Q3 private sector credit	0.3%	0.4%	0.3%	Remains on very modest trend, with housing key support – see box.
Eur	Nov CPI flash %yr	0.7%	0.8%	0.7%	Inflation this low a real concern for ECB; further policy action possible.
	Oct unemployment %	12.2%	12.2%	12.2%	German joblessness edged higher in Sep, but held steady in Oct.
UK	Nov GfK consumer confidence	–11	–11	–25	Confidence slipped in Oct from 6 year high in Sep.
	Oct net consumer credit £bn	0.9	0.7	–	Consumer and mortgage outstandings are growing more rapidly given
	Oct net mortgage lending £bn	1.0	1.3	–	govt subsidies to borrowers and lenders.
	Oct money supply M4 %yr	2.6%	–	–	M4 ex-IOFCs 3mth ann'lsd 4.3% in Sep.
US	Nov Milwaukee NAPM	57.1	–	–	Little watched, especially today.
Can	Q3 GDP % annualised	1.7%	2.3%	–	Bank of Canada expects 1.8%.

New Zealand forecasts

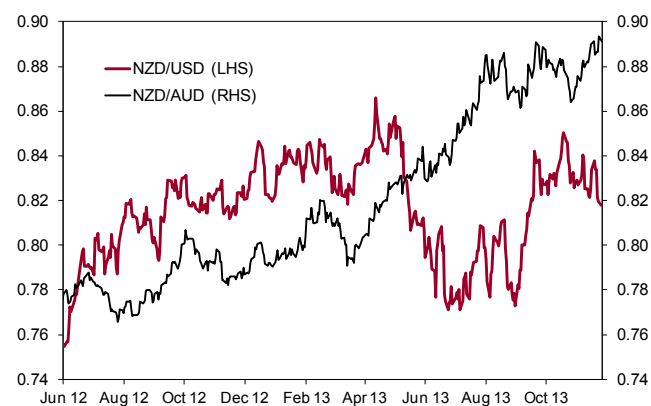
Economic Growth Forecasts	March years				Calendar years			
	2012	2013f	2014f	2015f	2011	2012	2013f	2014f
% change								
GDP (Production) ann avg	1.9	2.7	3.0	3.8	1.4	2.7	2.8	3.8
Employment	1.0	0.4	2.6	2.7	1.5	-1.4	3.8	2.8
Unemployment Rate % s.a.	6.8	6.2	5.6	5.1	6.3	6.8	5.7	5.0
CPI	1.6	0.9	1.3	2.2	1.8	0.9	1.5	1.9
Current Account Balance % of GDP	-3.8	-4.5	-3.8	-4.9	-3.6	-4.7	-3.9	-4.4

Financial Forecasts	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
Cash	2.50	2.50	3.00	3.25	3.50	3.75
90 Day bill	2.65	2.90	3.25	3.50	3.75	4.00
2 Year Swap	3.50	3.70	3.90	4.10	4.40	4.60
5 Year Swap	4.50	4.60	4.70	4.80	4.90	5.00
10 Year Bond	4.60	4.70	4.75	4.80	4.85	4.90
NZD/USD	0.85	0.84	0.82	0.79	0.77	0.76
NZD/AUD	0.89	0.90	0.91	0.91	0.90	0.90
NZD/JPY	82.5	80.6	77.9	74.3	71.1	70.4
NZD/EUR	0.63	0.63	0.64	0.64	0.64	0.63
NZD/GBP	0.52	0.52	0.51	0.51	0.50	0.48
TWI	78.5	78.3	77.8	76.3	74.7	74.1

2 Year Swap and 90 Day Bank Bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on Monday 25 Nov 2013

Interest Rates	Current	Two weeks ago	One month ago
Cash	2.50%	2.50%	2.50%
30 Days	2.67%	2.66%	2.65%
60 Days	2.67%	2.67%	2.66%
90 Days	2.68%	2.68%	2.67%
2 Year Swap	3.64%	3.54%	3.41%
5 Year Swap	4.54%	4.44%	4.28%

NZ foreign currency mid-rates as at Monday 25 Nov 2013

Exchange Rates	Current	Two weeks ago	One month ago
NZD/USD	0.8178	0.8256	0.8299
NZD/EUR	0.6037	0.6182	0.6016
NZD/GBP	0.5039	0.5159	0.5138
NZD/JPY	82.84	81.91	81.06
NZD/AUD	0.8912	0.8797	0.8667
TWI	76.73	77.19	76.36

Economic and Financial Forecasts

Economic Forecasts (Calendar Years)	2009	2010	2011	2012	2013f	2014f
Australia						
Real GDP % yr	1.4	2.5	2.4	3.7	2.5	2.3
CPI inflation % annual	2.1	2.8	3.0	2.2	2.4	2.6
Unemployment %	5.6	5.2	5.2	5.3	5.8	6.4
Current Account % GDP	-4.2	-2.9	-2.3	-3.7	-2.6	-3.0
United States						
Real GDP %yr	-3.1	2.4	1.8	2.8	1.6	1.6
Consumer Prices %yr	-0.3	1.6	3.1	2.1	1.5	1.7
Unemployment Rate %	9.3	9.6	8.9	8.1	7.5	7.3
Current Account %GDP	-2.7	-3.0	-2.9	-2.7	-2.5	-2.6
Japan						
Real GDP %yr	-5.7	4.9	-0.5	1.9	1.8	1.7
Consumer Prices %yr	-1.3	-0.7	-0.3	0.0	-0.2	0.1
Unemployment Rate %	5.2	5.1	4.5	4.3	4.3	4.3
Current Account %GDP	2.8	3.6	2.0	2.1	2.0	2.0
Euroland						
Real GDP %yr	-4.4	1.9	1.6	-0.6	-0.5	-0.1
Consumer Prices %yr	0.3	1.7	2.7	2.2	1.4	1.2
Unemployment Rate %	9.5	10.0	10.1	11.7	12.4	13.0
Current Account %GDP	-0.2	-0.1	0.0	0.9	1.0	1.0
United Kingdom						
Real GDP %yr	-4.0	1.8	0.9	0.2	1.1	0.9
Consumer Prices %yr	2.2	3.2	4.0	2.8	2.3	1.8
Unemployment Rate %	7.6	7.8	8.4	8.0	8.5	8.5
Current Account %GDP	-1.3	-2.5	-1.9	-3.8	-2.5	-1.5

Forecasts finalised 8 November 2013

Interest Rate Forecasts	Latest	Dec 13	Mar 14	Jun 14	Sep 14	Dec 14
Australia						
Cash	2.50	2.50	2.25	2.00	2.00	2.00
90 Day Bill	2.58	2.60	2.35	2.10	2.10	2.10
10 Year Bond	4.35	3.75	3.60	3.40	3.80	4.00
International						
Fed Funds	0.125	0.125	0.125	0.125	0.125	0.125
US 10 Year Bond	2.78	2.35	2.40	2.40	2.80	3.00
ECB Repo Rate	0.25	0.25	0.25	0.25	0.25	0.25

Exchange Rate Forecasts	Latest	Dec 13	Mar 14	Jun 14	Sep 14	Dec 14
AUD/USD	0.9190	0.96	0.94	0.92	0.92	0.90
USD/JPY	101.25	97	96	95	94	93
EUR/USD	1.3464	1.38	1.34	1.31	1.31	1.28
AUD/NZD	1.1195	1.13	1.12	1.11	1.11	1.11

Westpac economics team contact details

Dominick Stephens, Chief Economist
+64 9 336 5671

Michael Gordon, Senior Economist
+64 9 336 5670

Felix Delbrück, Senior Economist
+64 9 336 5668

Anne Boniface, Senior Economist
+64 9 336 5669

Any questions email:
economics@westpac.co.nz

For email address changes contact:
WNRResearch@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: Each time someone visits our site, data is captured so that we can accurately evaluate the quality of our content and make improvements for you. We may at times use technology to capture data about you to help us to better understand you and your needs, including potentially for the purposes of assessing your individual reading habits and interests to allow us to provide suggestions regarding other reading material which may be suitable for you.

If you are located in Australia, this material and access to this website is provided to you solely for your own use and in your own capacity as a wholesale client of Westpac Institutional Bank being a division of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 ('Westpac'). If you are located outside of Australia, this material and access to this website is provided to you as outlined below.

This material and this website contain general commentary only and 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 and this website 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 and this website 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. The forecasts given in this material and this website 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.

Transactions involving carbon give rise to substantial risk (including regulatory 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. Statements setting out a concise description of the characteristics of carbon units, Australian carbon credit units and eligible international emissions units (respectively) are available at www.cleanenergyregulator.gov.au as mentioned in section 202 of the Clean Energy Act 2011, section 162 of the Carbon Credits (Carbon Farming Initiative) Act 2011 and section 61 of the Australian National Registry of Emissions Units Act 2011. You should consider each such statement in deciding whether to acquire, or to continue to hold, any carbon unit, Australian carbon credit unit or eligible international emissions unit.

Additional information if you are located outside of Australia

New Zealand: The current disclosure statement for the New Zealand division of Westpac Banking Corporation ABN 33 007 457 141 or Westpac New Zealand Limited can be obtained at the internet address www.westpac.co.nz. Westpac Institutional Bank products and services are provided by either Westpac Banking Corporation ABN 33 007 457 141 incorporated in Australia (New Zealand division) or Westpac New Zealand Limited. 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: 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 activity.

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.

Disclaimer continued overleaf.



Disclaimer continued

U.K.: Westpac Banking Corporation is registered in England as a branch (branch number BR000106), and is authorised and regulated by the Australian Prudential Regulatory Authority in Australia. WBC is authorised in the United Kingdom by the Prudential Regulation Authority. WBC is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority in the United Kingdom. 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 material and this website and any information contained therein is directed at a) persons who have professional experience in matters relating to investments falling within Article 19(1) of the Financial Services Act 2000 (Financial Promotion) Order 2005 or (b) high net worth entities, and other persons to whom it may otherwise be lawfully communicated, falling within Article 49(1) of the Order (all such persons together being referred to as “relevant persons”). The investments to which this material and this website 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 material and this website or any of its contents. In the same way, the information contained in this material and this website is intended for “eligible counterparties” and “professional clients” as defined by the rules of the Financial Services Authority and is not intended for “retail clients”. With this in mind, Westpac expressly prohibits you from passing on the information in this material and this website to any third party. In particular this material and this website, website content and, in each case, any copies thereof may not be taken, transmitted or distributed, directly or indirectly into any restricted jurisdiction.

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.

For the purposes of Regulation AC only: Each analyst whose name appears in this report certifies that (1) the views expressed in this report accurately reflect the personal views of the analyst about any and all of the subject companies and their securities and (2) no part of the compensation of the analyst was, is, or will be, directly or indirectly related to the specific views or recommendations in this report.