



WEEKLY ECONOMIC COMMENTARY



7 Apr 2025 | Westpac Economics Team | westpac.co.nz/economics | economics@westpac.co.nz

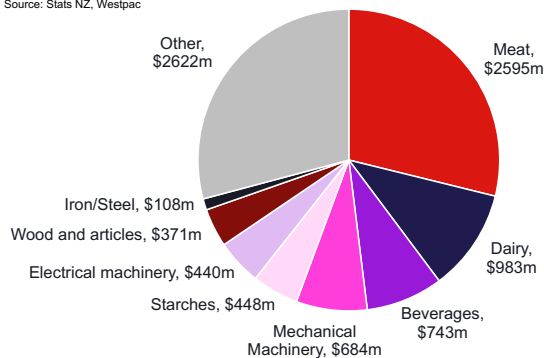
US tariffs unhelpful, but manageable.

The key influence on domestic markets over the past week was President Trump's announcement of the details of his 'reciprocal' tariffs on imports into the US. The scope of these tariffs was broader, and individual country tariffs were in some cases far more punitive, than many expected. Specifically, the President announced a minimum additional 10% tariff on goods imports from all US trading partners, and higher tariffs for countries viewed as having large barriers to US exports. NZ exports are subject to a 10% tariff.

The direct impact of tariffs seems manageable.

NZ's direct export exposure to US tariffs – 2024 (NZ\$)

Source: Stats NZ, Westpac

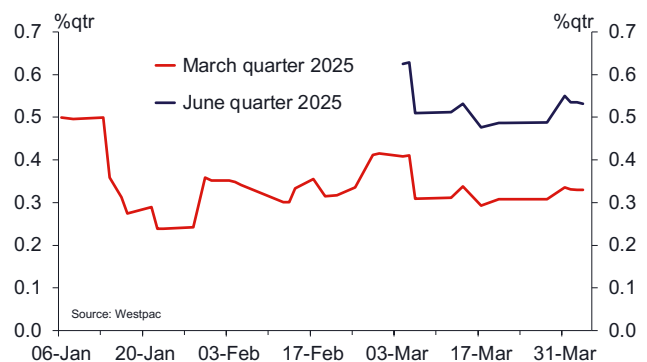


The direct impact of the NZ tariffs is likely to be manageable for most exporters, albeit clearly not helpful. NZ's goods exports to the US totalled around NZ\$9bn in 2024, so the 10% additional tariff rate equates to a loss of export revenue of around \$900m p.a. (0.2% of GDP). This is a fraction of the lift in export revenue that has been generated by the recent rally in dairy commodity prices. That said, the impact will not be spread evenly across industries. NZ's largest exposure is in the meat industry

Key views

	Last 3 months	Next 3 months	Next year
Global economy	→	→	→
NZ economy	↗	↗	↑
Inflation	→	↗	↗
2 year swap	→	→	↗
10 year swap	→	→	↗
NZD/USD	→	→	→
NZD/AUD	↗	↘	↘

Westpac GDP nowcasts



Key data and event outlook

Date	Event
8 Apr 25	NZIER QSBO Business Survey, March quarter
9 Apr 25	RBNZ OCR Review
15 Apr 25	NZ Selected price indexes, March
17 Apr 25	NZ CPI, March quarter
7 May 25	Labour market statistics, March quarter
7 May 25	RBNZ Financial Stability Report
7 May 25	FOMC Meeting (Announced 8 May NZT)
8 May 25	Govt financial statements, 9 months to March
15 May 25	NZ Selected price indexes, April
20 May 25	RBA Monetary Policy Decision
22 May 25	Government releases Budget 2025

(especially beef), with exports to the US totalling \$2.6bn in 2024 – 30% of all meat exports. The wine industry is also exposed, with 35% of exports destined for the US.

Importantly, exporters have ways of mitigating that impact. There will be some scope to increase prices to US customers, or to utilise transfer pricing arrangements with US-based subsidiaries. The subsequent fall in the NZ dollar will also help to buffer the impact for exporters (but making our imports more expensive). Historical experiences vary, but perhaps half of the ultimate additional impost may be offset by exchange rate depreciation.

The patterns of global trade will likely to be reshaped by the new environment. NZ exporters may divert some goods to non-US markets where demand is stronger (because imports from the US are curtailed) or where the tariff on the US makes focusing on different markets make better sense. The tariff impost might be reduced by other trade agreements in place.

Indirect impacts are likely to be greater.

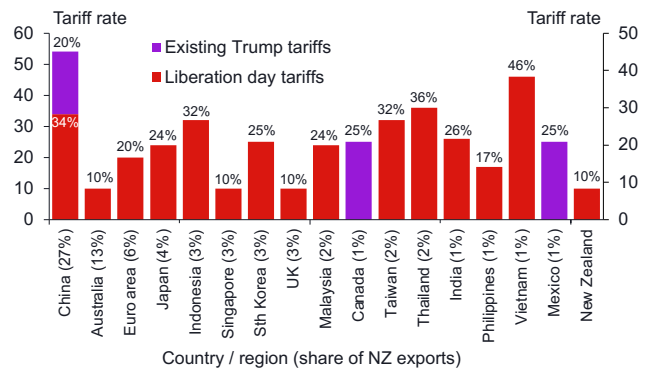
The indirect economic impacts stemming from these new tariffs will be more significant. Global demand and commodity prices are likely to be weaker. Business uncertainty will likely increase and weigh on investment spending. These impacts will be heightened if countries retaliate against US tariffs (as might be likely). The news on Friday that China strongly retaliated against the US tariffs with 34% across the board tariffs of their own was not good news in this regard. The RBNZ noted in its February Monetary Policy Statement (MPS) that significant US tariffs, accompanied by retaliation, could lower trading partner growth and so demand by as much as 1%. However, the impacts are hard to quantify within any precision at this stage.

This likely translates to weaker NZ export returns – even though NZ's primary sector prices might be less impacted than industrial commodity prices. There has been a range of experiences in periods of historical global economic weakness. In the Global Financial Crisis (GFC), NZ's terms of trade fell in lockstep with weaker global growth. However, in other episodes, they have been less impacted. On average it appears that NZ's terms of trade falls by about 40-60% of the decline in global industrial production. That elasticity would imply a meaningful but not debilitating retracement of the gains in the terms of trade seen in the last year or so.

Importantly, many of NZ's key trading partners have been subjected to much larger tariffs than us. Of note is the very large 54% tariff now imposed on China, although many of our key Southeast Asian trading partners have also been hit with substantial tariffs. Such large tariffs will have a meaningful negative impact on these economies. Some countries will respond with some combination of easier fiscal and/or monetary policy. However, the scope

for monetary easing will be limited in those countries that impose retaliatory tariffs, as they – like the US – will face at least a short-term positive inflation shock due to the impact of their own tariffs on domestic prices.

Trump tariffs on New Zealand and our trading partners



As noted earlier, many currencies will likely see depreciation pressure versus the US dollar. However, with many of NZ's key trading partners facing higher tariff rates than us, the NZ dollar could fare better on some crosses (e.g., against some Asian currencies who may move to devalue their exchange rates significantly). We have seen the NZD/AUD exchange rate rise significantly as an initial reaction. This will reflect a combination of short-term liquidity impacts (as in FX shocks the attention is often first on the Australian dollar) but also perhaps an indication that industrial commodity prices will underperform soft commodity prices.

What to watch in coming weeks.

Attention will now turn to how impacted countries respond. Those that choose to retaliate could find themselves in a tit-for-tat fight with the US that leads to even greater tariffs than those already announced. Those that seek to offer concessions may see tariffs reduced over time (especially in countries facing very high tariff rates). So far, the Europeans have not responded with retaliation, and neither has non-China Asia. If these jurisdictions choose to fight rather than negotiate (Vietnam and Cambodia have chosen to negotiate) then there will be further downside to markets and macro expectations to come.

Central banks are likely to be attuned to the risks that longer term inflation expectations rise as the tariff related inflation waves flow through economies. Markets thus far have reacted as if central banks will be more focused on employment and output stabilisation. But Chairman Powell noted in comments Friday that the Fed's focus is very much on inflation stabilisation, which may mean central banks move slower than financial markets may want.

It will be important to watch key financial and economic indicators. The behaviour of commodity prices and the

exchange rate will be critical and will also be a factor in determining the ultimate impact on global inflation and growth. Stock markets dropped sharply on Friday while government bond rates fell, and credit spreads widened sharply. These markets will remain volatile and bear monitoring in case these cause a sustained and meaningful tightening in financial conditions that feeds back into the economic outlook.

For the RBNZ's part, they will see this as a reason to continue to cut the OCR and retain an easing bias. We don't think this means they will step up to a 50bp cut now – the 25bp cut will likely remain the preferred option. Global developments will continue to be a key risk factor that will drive their actions over the balance of the year. But global weakness will need to translate into domestic weakness and downside inflation risks to significantly impact on the outlook for interest rates in NZ. This shock is coming at a time where the external sector is at a high ebb and a significant amount of policy stimulus is already in the pipeline. That said, given that the RBNZ believe the economy has a negative output gap, they will be sensitive to a large, sustained downgrade to the global outlook and the heightened uncertainty at play.

Further 25bp cut in the OCR likely this week.

That brings us to this week's key domestic event – the RBNZ's OCR review. We expect the RBNZ to act on past signalling and cut the OCR by 25bp to 3.5%. In summary, the key domestic data releases since the February MPS are as follows:

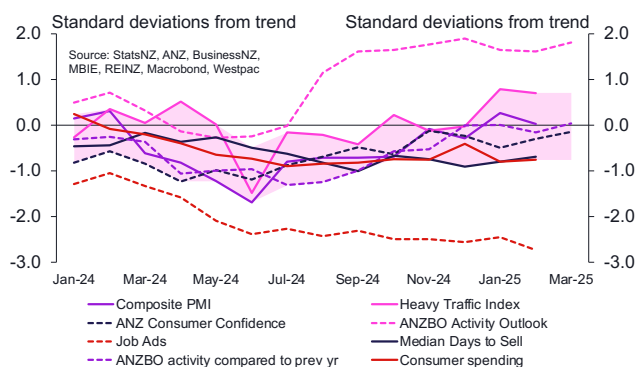
- **GDP:** Activity grew 0.7%q/q in Q4, above the RBNZ's estimate of 0.3%q/q. Private consumption spending was weaker than the RBNZ had estimated, but business capex and exports were stronger. The RBNZ will likely now assess the negative output gap to be narrower than the 1.7% of GDP that had been estimated for Q4.
- **Inflation:** We estimate that the CPI (released 17 April) will increase 0.8%q/q in Q1, in line with the RBNZ's forecast. However, the pricing intentions gauge in the ANZ's business survey has increased in recent months and sits at levels usually consistent with inflation above the target range. Firms may also be optimistic that they can rebuild margins once the economy strengthens.
- **Employment:** Based on filled jobs data to hand, we estimate that household employment will likely print broadly flat in Q1, in line with the RBNZ's forecast. Given growth in the working age population, we expect that the unemployment rate will rise to 5.3%, just above the RBNZ's forecast of 5.2%. At this stage job advertising levels are yet to show a discernible lift.
- **Confidence:** Consumer confidence has slipped a little but remains well above the cycle low. This fall may reflect uncertainty associated with the global outlook

as well as lingering concerns about job security.

Ahead of the release of the QSBO on 8 April, the ANZ's measure of business confidence has remained very high, with firms also upbeat about the year-ahead outlook for their own activity.

- **Other activity indicators:** The BusinessNZ manufacturing PMI posted a welcome lift to 53.9 in February, but the services PMI fell back to 49.1 after rising above 50 in January for the first time in 12 months. Overall, most activity indicators confirm an improving underlying trend in activity – albeit with considerable month-to-month volatility.
- **Housing market:** Both house sales and mortgage approvals point to increasing levels of housing activity, trending higher as mortgage rates have been lowered. House prices have increased only slightly as there remains a considerable stock of inventory on the market for demand to work through. The RBNZ will probably regard housing developments as tracking close to what was envisaged.

Recent developments in economic indicators



Overall, the RBNZ will likely conclude that the economy was stronger than expected in late 2024 and that the recent data flow suggest growth has continued into the new year. The statement accompanying the decision will likely focus a lot on the darker global outlook and associated risks and hence should give the impression that another cut at the May MPS remains likely notwithstanding the better historical data flow.

In our OCR preview note, I indicated that a pause in the easing cycle would be more appropriate at this week's meeting. That reflected the stronger domestic data flow in recent months that shows both an improving economy and a robust inflation outlook. Given the MPCs mandate is solely focused on inflation, it's getting harder to make the case for cutting rates at every meeting unless something significant is going on that gives confidence that inflation will ultimately return to 2%. Compounding the concern is that there is already a lot of easing in the pipeline. Focusing on any neutral OCR estimate is also fraught given we can't measure or forecast the neutral OCR in real time. All we really know is we are getting into the

“neutral zone”. Mortgage rates are likely stimulatory given current elevated competition pressures.

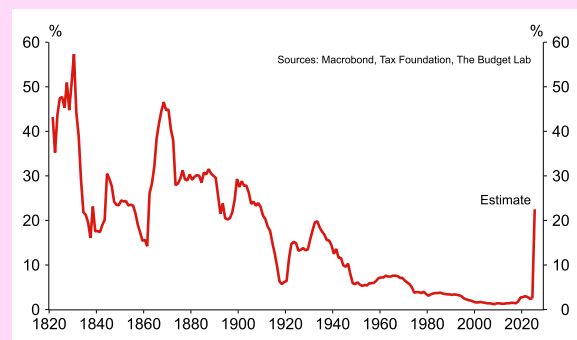
A few days is a long time in economics right now! The downside risks from the external outlook clearly look more tangible. But I don't think a proactive approach to offset those risks is appropriate given the starting point for the external sector is one of good health, meaning the sector is as well placed to deal with this shock as it could be. At this stage we have no idea if last week's developments will meaningfully undermine the NZ economy. The RBNZ should proceed carefully from here and be prepared to step back and assess the impact of what's already been done if the pass through of global developments to the NZ recovery becomes tangible and significant. But it's fair to say there is a lot of risk and uncertainty right now.

Kelly Eckhold, Chief Economist

Chart of the week.

Last week saw the largest increase in the average tariff rate seen in the US since the 1930s. Hence, we can't go past that for chart of the week. The implications of this change for global trade flows and geopolitics cannot be understated. If sustained, these tariffs will cause the flow of trade globally to adjust to avoid jurisdictions subject to the highest tariff rates. From an economic perspective, this is a shift to the left of the supply curve where prices are higher for any given level of demand. As global supply chains will be retooled to try and optimise the new trade reality, it's likely the supply curve has also steepened. This is because the system that's coming won't be as efficient as the old one – as it reflects a more protectionist environment that will impact global supply chains. The implications are higher and more variable inflation looking forward.

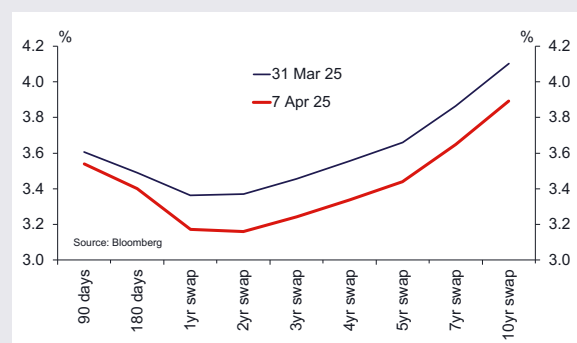
US average tariff rate



Fixed versus floating for mortgages.

We're forecasting the cash rate to bottom at 3.25% in mid-2025 but with more risks around that forecast given global events. Markets now factor in an OCR that bottoms closer to 2.75%. Longer term mortgage rates have fallen – in some cases significantly – and still look attractive to fix for longer periods, particularly in the two- to three-year space. Shorter-term mortgage rates are likely to fall in the near term as the RBNZ delivers further OCR cuts but would still likely remain above current longer term fixed rates. Fixing shorter than a year is a bet that the OCR bottoms somewhat lower than 3%.

NZ interest rates



Global wrap

North America.

The long-awaited “Liberation Day” arrived last week, with US President Trump announcing the immediate implementation of ‘reciprocal’ tariffs. In reality they bore little resemblance to other countries’ trade protection measures and instead came from a crude calculation based on bilateral trade balances with the US, with a minimum 10% tariff for all countries. As we detail throughout this report, the shock to global trade patterns is likely to be complex and far-reaching and could be further amplified as we see how other countries respond.

Economic data was mixed last week but will inevitably be perceived as dated in light of the tariff announcement. The manufacturing ISM fell from 50.3 to 49.0 in March, with new orders and employment declining but prices paid rising to a two-year high. The services ISM similarly softened, with a particularly large fall in the employment measure. In contrast, non-farm payrolls rose by 228k, ahead of market forecasts, while the unemployment rate rose only marginally to 4.2%.

Asia-Pacific.

The RBA left its cash rate unchanged at 4.10%, unsurprisingly given the relatively quiet data flow since February. Indeed, Governor Bullock confirmed that a rate cut was not explicitly considered at the meeting and that holding the cash rate steady was the consensus view on the Board. However, the Board also noted that policy is well placed to respond to developments “if they were to have material implications for Australian activity and inflation”; the subsequent US tariff announcement has clearly amplified the uncertainty around the global environment. Given the highly uncertain backdrop and competing risks, the Board will remain focused on actual inflation outcomes. If the Q1 inflation print at the end of this month proves to be well-behaved as we expect, we are confident that the RBA Board will deliver another 25bp rate cut in May.

Europe.

Europe is shaping up to be a key front in the global trade war – the EU has been hit by a relatively high ‘reciprocal’ tariff rate of 20%, and European governments look to be going down the route of retaliatory measures rather than trying to negotiate concessions. Recent economic data was in line with expectations. The Eurozone CPI rose 2.2%/y/y in March (prior 2.3%), with core inflation at 2.4%/y/y (prior 2.6%). The unemployment rate slipped to 6.1% in February (prior 6.2%), a fresh record low.

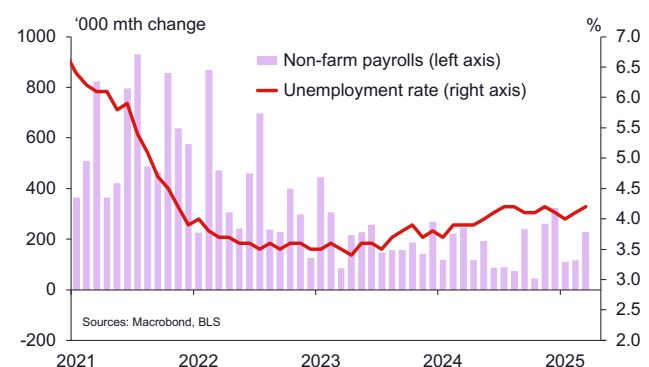
Trading partner real GDP (calendar years)

	Annual average % change			
	2023	2024	2025	2026
Australia	2.1	1.0	2.0	2.2
China	5.2	5.0	5.0	4.7
United States	2.5	2.8	1.7	1.7
Japan	1.9	-0.1	1.2	1.0
East Asia ex China	3.3	4.3	4.1	4.1
India	7.8	6.6	6.5	6.5
Euro Zone	0.4	0.7	0.9	1.3
United Kingdom	0.1	0.7	0.7	1.2
NZ trading partners	3.2	3.2	3.2	3.2
World	3.2	3.3	3.2	3.2

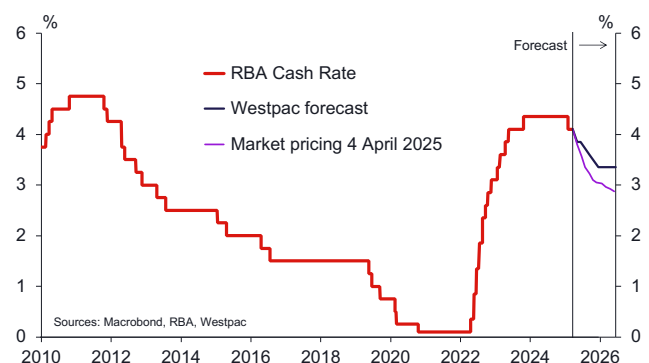
Australian & US interest rate outlook

	4 Apr	Jun-25	Dec-25	Dec-26
Australia				
Cash	4.10	3.85	3.35	3.35
90 Day BBSW	4.11	3.90	3.45	3.55
3 Year Swap	3.38	3.75	3.80	4.00
3 Year Bond	3.43	3.85	3.90	4.05
10 Year Bond	4.22	4.65	4.75	4.80
10 Year Spread to US (bps)	25	15	5	0
US				
Fed Funds	4.375	4.375	3.875	3.875
US 10 Year Bond	3.97	4.50	4.70	4.80

US non-farm payrolls and unemployment rate



RBA Cash Rate



Financial markets wrap

Interest rates.

The NZ 2yr swap rate last week broke below its three-month old range of 3.33%-3.65%, and, at 3.19% currently, could test 3.00% during the next few weeks.

The main driver recently has been the adverse shift in global sentiment resulting from Trump tariff policy. Markets have adopted a view that the negative implications for global growth will cause central banks to eventually shift their focus from inflation to employment. This global view has dominated the mostly positive view of the NZ economy.

OIS pricing shifted lower last week, from a terminal rate of around 3.10% to 2.80% currently. That is lower than the RBNZ's forecast in February of a 60% chance the terminal rate is 3.00%. Westpac remains at 3.25%.

This Wednesday's RBNZ review will almost surely cut the OCR by 25bp (because it was explicitly signalled in February). Markets will closely scrutinise the media release and minutes for clues to the (also signalled) May rate cut, and beyond, with particular interest in the RBNZ's assessment of the deterioration in global conditions.

Foreign exchange.

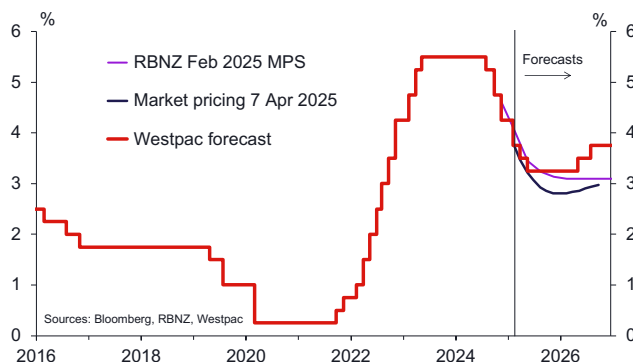
NZD/USD has become increasingly volatile over the past three months, and that is likely to continue during the week ahead. Its expanding range has been as low as 0.5515 and as high as 0.5853, without exhibiting any directional trend.

The latest fluctuation, on Friday, saw it fall from 0.5800 to 0.5552 – the largest one-day percentage change since 2009. While there is potential for the 0.5500 area to be tested this week, the most likely outcome is more ranging between 0.5500 and 0.5800.

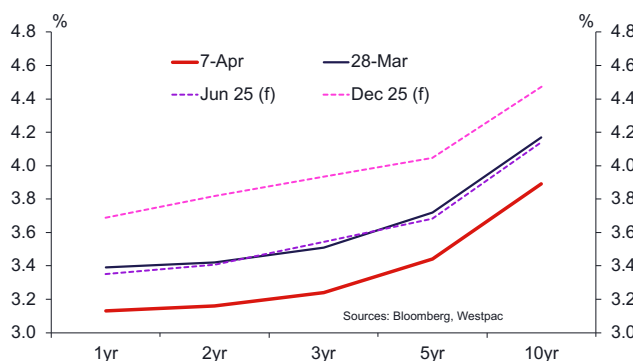
The main driver remains US tariff policy. Last week's US announcement caused the US dollar to fall sharply, markets expecting the US economy to suffer more than others because of its policy. But on Friday, China retaliated with its own set of tariffs on US imports, effectively igniting a trade war which could affect the global economy. The latter announcement caused risk-sensitive currencies such as AUD and NZD to perform worse than the other G10 currencies.

Markets this week are braced for further responses from other countries – both retaliatory and conciliatory. Other events worth watching are the RBNZ monetary policy review, US CPI and inflation expectations data, and a large volume of Fed speak.

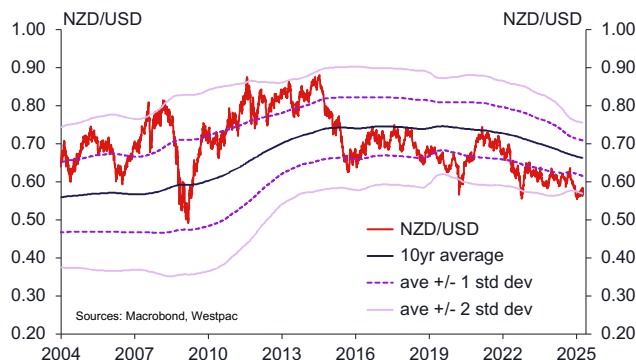
Official Cash Rate forecasts



Swap rates



NZD/USD vs rolling 10yr average



FX recent developments

	Historical data				F'cast
	Spot	3mth range	5yr range	5yr avg	Dec-25
USD	0.557	0.554-0.582	0.554-0.743	0.639	0.57
AUD	0.930	0.897-0.915	0.873-0.976	0.924	0.87
EUR	0.510	0.523-0.549	0.523-0.637	0.578	0.52
GBP	0.434	0.438-0.459	0.438-0.535	0.498	0.44
JPY	81.2	83.5-89.2	63.7-98.6	82.5	79.4

The week ahead

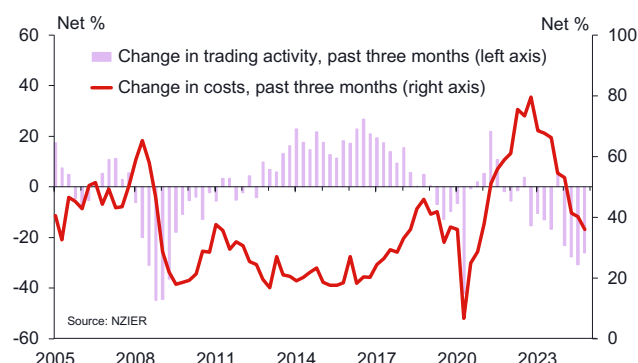
Q1 NZIER Survey of Business Opinion

Apr 8, General business confidence - last: +9.3

The December QSBO showed that firms were hopeful about their prospects for the coming months, although the backward-looking measures remained weak. The latter tends to be the better guide to quarterly GDP growth, though not so much recently (in our view there is some spurious seasonality in the GDP figures).

The inflation gauges in the survey will be of keen interest; these proved instrumental in prompting the RBNZ to bring OCR cuts forward last year. More firms reported price increases in the Q4 survey, though this measure remained at benign levels.

NZIER Quarterly Survey of Business Opinion

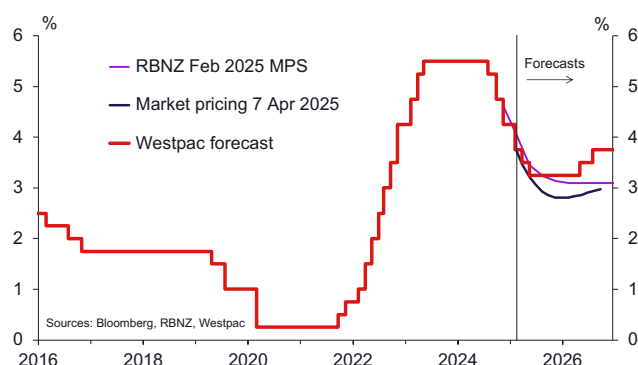


RBNZ Official Cash Rate Review

Apr 9, last: 3.75%, Westpac f/c: 3.50%, Mkt: 3.50%

We expect the RBNZ will cut the OCR 25bp at its April meeting, taking it to 3.50% in line with the RBNZs clearly signalled intentions in February. Since that time, inflation has tracked close to expectations, while GDP growth has been a little firmer than expected. However, we've also seen a significant increase in uncertainty about global economic conditions as the US has rolled out its plans for large increases in tariffs. The RBNZ will retain an easing bias, reflecting global uncertainties and the perception the OCR is above the neutral rate. However, we will be watching for signs of greater data dependency around future moves compared to the forward guidance in recent meetings. "No change" in the OCR will return to the set of plausible options for future meetings at some point.

Official Cash Rate forecasts



Economic and financial forecasts

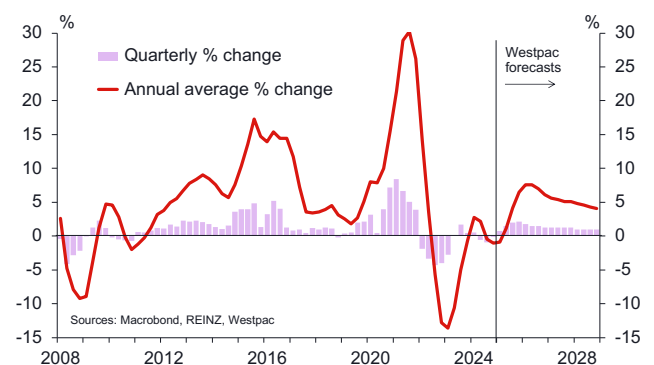
Economic indicators	Quarterly % change				Annual % change			
	Dec-24	Mar-25	Jun-25	Sep-25	2023	2024	2025	2026
GDP (production)	0.7	0.4	0.4	0.8	1.8	-0.5	1.0	3.2
Consumer price index	0.5	0.8	0.2	0.8	4.7	2.2	2.6	2.0
Employment change	-0.1	-0.1	0.1	0.1	2.8	-1.1	0.5	2.1
Unemployment rate	5.1	5.3	5.4	5.4	4.0	5.1	5.3	4.6
Labour cost index (all sectors)	0.6	0.6	0.5	0.5	4.3	3.3	2.2	1.8
Current account balance (% of GDP)	-6.2	-5.5	-4.6	-4.3	-6.9	-6.2	-4.0	-4.5
Terms of trade	3.1	7.1	2.6	-1.1	-10.7	13.6	8.0	1.4
House price index	-0.2	0.8	1.5	2.0	-0.6	-1.1	6.5	6.1

Financial forecasts	End of quarter				End of year			
	Dec-24	Mar-25	Jun-25	Sep-25	2023	2024	2025	2026
OCR	4.25	3.75	3.25	3.25	5.50	4.25	3.25	3.75
90 day bank bill	4.45	3.55	3.35	3.35	5.65	4.45	3.35	3.85
2 year swap	3.64	3.40	3.50	3.65	5.28	3.64	3.80	4.00
5 year swap	3.73	3.70	3.80	3.95	4.85	3.73	4.05	4.25
10 year bond	4.51	4.60	4.70	4.85	5.09	4.51	4.90	4.95
TWI	69.5	67.1	66.2	66.2	70.8	69.5	66.1	67.3
NZD/USD	0.59	0.56	0.56	0.56	0.60	0.59	0.57	0.60
NZD/AUD	0.91	0.91	0.90	0.88	0.93	0.91	0.87	0.87
NZD/EUR	0.55	0.52	0.52	0.52	0.56	0.55	0.52	0.53
NZD/GBP	0.46	0.44	0.44	0.44	0.49	0.46	0.44	0.45

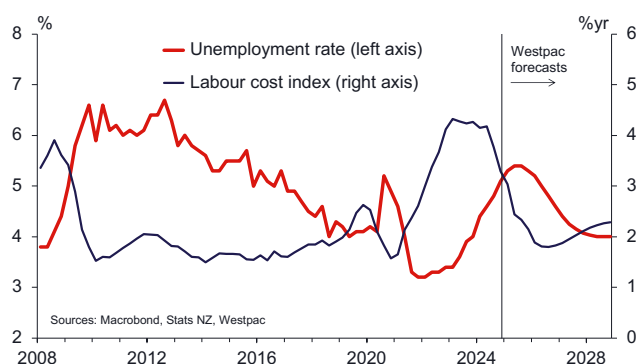
GDP growth



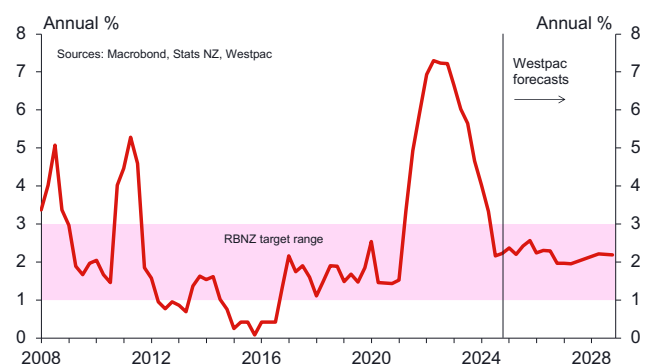
House prices



Unemployment and wage growth



Consumer price inflation



Data calendar

		Last	Market median	Westpac forecast	Risk/Comment
Mon 07					
Aus	Mar ANZ-Indeed Job Ads, %mth	-1.4	-	-	Broadly unchanged past six months, akin to ABS measure.
Chn	Mar Foreign Reserves, US\$bn	3227	-	-	Recent currency volatility may affect reserves.
Eur	Apr Sentix Investor Confidence, index	-2.9	-	-	Recent uptrend unlikely to be sustained amid trade woes.
	Feb Retail Sales, %mth	-0.3	-	-	Consumption-led recovery yet to take shape.
Tue 08					
NZ	Q1 NZIER Survey of Business Opinion, index	9.3	-	-	Looking for signs of a lift in activity.
Aus	Apr Westpac-MI Cons. Sentiment, index	95.9	-	-	Will capture consumer reaction to the US tariffs.
	Mar NAB Business Survey, index	4	-	-	Conditions moving lower; confidence around neutral.
Jpn	Feb Current Account Balance, ¥bn	-258	-	-	Set to rebound after its first deficit since January 2023.
US	Feb Consumer Credit, US\$bn	18.1	15	-	Uncertainty dampening consumer debt uptake.
	Mar NFIB Small Business Optimism, index	100.7	-	-	Pessimism grows driven by concerns over rising costs.
Wed 09					
NZ	RBNZ Policy Decision	3.75%	3.50%	3.50%	A cut has been well signalled, global risks a key focus.
Chn	Mar M2 Money Supply, %yr	7	7.1	-	Broadly stable money supply growth...
	Mar New Loans YTD, CNYbn	6139	9139	-	... data due 9-15 April.
Thu 10					
NZ	CPI Reweight	-	-	-	Updates to the composition of the CPI.
Aus	Apr MI Inflation Expectations, %yr	3.6	-	-	Looking for signs of tariff concerns among Australians.
	RBA Governor Speech	-	-	-	Governor Bullock speaks in Melbourne.
Chn	Mar PPI, %yr	-2.2	-2.3	-	Poised for a 28th consecutive annual decline...
	Mar CPI, %yr	-0.7	0	-	...though consumer price inflation expected to rise.
US	Mar CPI, %mth	0.2	0.1	0.1	Headline rate to ease, partly due to lower energy inflation.
	FOMC Meeting Minutes	-	-	-	Examining of the FOMC's growth and labour market outlook.
	Initial Jobless Claims	219	-	-	Timely indicator of labour market conditions.
	Fedspeak	-	-	-	Fed's Barkin Speaks to Economic Club of Washington DC.
Fri 11					
NZ	Mar Manufacturing PMI, index	53.9	-	-	Back above 50 so far this year, will it hold?
UK	Feb Monthly GDP, %mth	-0.1	-	-	Economic activity should start to pick up after January dip.
	Feb Trade Balance, £bn	-0.6	-	-	UK trade flows ahead of the US tariff increases.
	Mar PPI, %mth	0	0.2	-	Headline and core measures expected to print higher.
US	Apr Uni. Of Michigan Sentiment, index	57	55	-	Expected to fall to the lowest level in nearly three years.
	Mar Monthly Budget Statement, \$bn	-23	-	-	Continue to show sizeable monthly deficits.
	Fedspeak	-	-	-	Fed's Goolsbee Speaks at Economic Club of NY.

CONTACT

Westpac Economics Team | westpac.co.nz/economics | economics@westpac.co.nz

Kelly Eckhold, Chief Economist | +64 9 348 9382 | +64 21 786 758 | kelly.eckhold@westpac.co.nz

Satish Ranchhod, Senior Economist | +64 9 336 5668 | +64 21 710 852 | satish.ranchhod@westpac.co.nz

Darren Gibbs, Senior Economist | +64 9 367 3368 | +64 21 794 292 | darren.gibbs@westpac.co.nz

Michael Gordon, Senior Economist | +64 9 336 5670 | +64 21 749 506 | michael.gordon@westpac.co.nz

Paul Clark, Industry Economist | +64 9 336 5656 | +64 21 713 704 | paul.clark@westpac.co.nz

Imre Speizer, Market Strategist | +64 9 336 9929 | +64 21 769 968 | imre.speizer@westpac.co.nz

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

DISCLAIMER

Things you should know.

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

Disclaimer.

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

Country disclosures.

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

New Zealand: In New Zealand, Westpac Institutional Bank refers to the brand under which products and services are provided by either Westpac or Westpac New Zealand Limited ("WNZL"). Any product or service made available by WNZL does not represent an offer from Westpac or any of its subsidiaries (other than WNZL). Neither Westpac nor its other subsidiaries guarantee or otherwise support the performance of WNZL in respect of any such product. The current disclosure statements for the New Zealand branch of Westpac and WNZL can be obtained at the internet address www.westpac.co.nz.

China, Hong Kong, Singapore and India: This material has been prepared and issued for distribution in Singapore to institutional investors, accredited investors and expert investors (as defined in the applicable Singapore laws and regulations) only. Recipients in Singapore of this material should contact Westpac Singapore Branch in respect of any matters arising from, or in connection with, this material. Westpac Singapore Branch holds a wholesale banking licence and is subject to supervision by the Monetary Authority of Singapore. Westpac Hong Kong Branch holds a banking licence and is subject to supervision by the Hong Kong Monetary Authority. Westpac Hong Kong branch also holds a license issued by the Hong Kong Securities and Futures Commission (SFC) for Type 1 and Type 4 regulated activities. This material is intended only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance. Westpac Shanghai and Beijing Branches hold banking licenses and are subject to supervision by the China Banking and Insurance Regulatory Commission (CBIRC). Westpac Mumbai Branch holds a banking license from Reserve Bank of India (RBI) and subject to regulation and supervision by the RBI.

UK: The contents of this communication, which have been prepared by and are the sole responsibility of Westpac Banking Corporation London and Westpac Europe Limited. Westpac (a) has its principal place of business in the United Kingdom at Camomile Court, 23 Camomile Street, London EC3A 7LL, and is registered at Cardiff in the UK (as Branch No. 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.

