



# Weekly Economic Commentary.

## The journey and the destination.

Like many other countries, New Zealand has learnt that the Delta variant of Covid-19 is much more difficult to manage than earlier versions. While we've been able to move away from the highest alert levels, cases have failed to recede as hoped in Auckland, and are increasingly making their way outside the region's border. That has necessitated a change of approach. But while the destination hasn't changed, the journey there is going to be rockier than we would have liked.

The Covid 'roadmap' announced by the Government last week marks the start of a transition away from the elimination strategy. The change will be gradual at first, starting with a loosening of restrictions in Auckland as conditions allow. But as vaccination rates rise, the focus will move away from minimising the number of cases, and towards managing the degree of pressure on the healthcare system.

It's crucial to recognise that this was always going to be the endgame for our elimination strategy. Covid won't be eradicated around the world, and our borders can't be 100% sealed against the virus slipping through. But once we reached high enough levels of vaccination – say by early 2022 – we'd be able to move away from relying on restrictions on

activity, and accept that while there would be some spread in the community, only a small proportion of cases would be severe.

That said, regardless of last week's changes, reaching the required level of vaccination was always going to be a challenge. Currently, just over 40% of the population is fully vaccinated (here we use the total population estimates from Stats NZ, rather than the eligible population figures from the Ministry of Health). That proportion will rise sharply in the coming weeks, as people come due for their second dose – around two-thirds have had at least their first jab. But both modelling and overseas experience suggest that more will be needed to be able to reopen safely.



The recent modelling done both here and overseas has shown that ‘herd immunity’ through vaccination alone is out of reach in practical terms. This is simply a function of how infectious the Delta variant is, which is something we’ve known for many months. The conclusion is that managing Covid successfully will require a combination of high vaccination rates and other public health measures on an ongoing basis. Indeed, what’s been missed in the public debate is that these models already assume that there will be additional measures to reduce the spread of the virus; even then, they point to unacceptably high rates of hospitalisation and death if vaccination rates aren’t high enough.

We’ve also seen several examples of countries or regions that have attempted to reopen – at much higher vaccination rates than we currently have – and have had to backtrack to some degree as their healthcare systems have become overloaded. Indeed, it doesn’t take much to reach that point – hospitals don’t have much spare capacity to deal with Covid on top of everything else, and adding that capacity takes some time.

So it’s clear that some form of ongoing measures will be needed even once the vaccination programme is complete. Those measures need not be onerous, but we’ll need to decide which ones we’re going to pursue, and make the necessary investments in them. Some of that work, such as digital vaccination certificates (which will make it more convenient for businesses and organisations to impose proof-of-vaccination requirements), is already under way.

Reflecting the more difficult path ahead over the near term, we’ve revised down our forecast for GDP over the December quarter. However, our profile for 2022 and beyond remains broadly unchanged.

That steadier medium-term outlook is also what’s relevant to the Reserve Bank. Last week the RBNZ raised the Official Cash Rate for the first time in seven years to 0.50%, and reaffirmed its intention to continue removing some stimulus over the upcoming reviews. It did acknowledge the pain that some businesses are feeling under the current Covid restrictions.

But it noted that strong balance sheets coming into the lockdown, and renewed fiscal policy support, have helped to soften the blow, and that the evidence to date suggests that activity has once again rebounded quickly where restrictions have been lifted.

As we move beyond the need for Covid restrictions, the pressures that the economy had been facing in recent months will come to the fore again. The latest GDP figures confirmed that demand was running hot over the first half of the year, with a 2.8% jump in the June quarter on top of a 1.4% rise in the March quarter. The level of GDP is now 4.3% higher than it was at the end of 2019. That’s essentially the same extent of growth that we were forecasting before the pandemic, despite the absence of overseas tourists and a smaller population than we would have otherwise had (as net migration has shrunk to near zero).

Pressures in the labour market have been especially apparent. In the first instance this might seem to be a supply-side constraint – the closure of the border has cut off access to migrant workers. But strong outright growth in employment in recent months shows that this is more of a demand-side story. Even with the current restrictions, job advertisements have been comparable to pre-pandemic levels. The NZIER quarterly business survey last week showed a jump in hiring intentions, and concerns about labour turnover (likely due to poaching of workers) skyrocketed.

There is also a growing risk that recent inflation pressures prove to be more persistent. As we’ve seen globally, a range of supply-side pressures – including disruptions to supply chains, rising energy prices, and soaring shipping costs – have boosted inflation in the near term. In a strong demand environment, these forces could be the catalyst for broader, more persistent price pressures in the domestic economy.

**Michael Gordon, Acting Chief Economist**

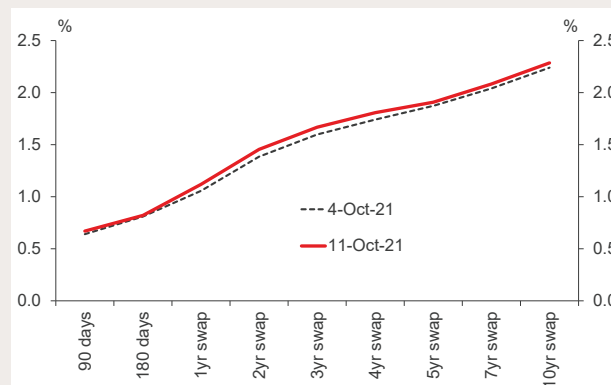
+64 9 336 5670

## Fixed vs floating for mortgages.

We expect the Reserve Bank to increase the OCR further at its upcoming reviews, rising to 1.25% by mid-2022 and reaching a peak of 2% by late 2023.

Based on these OCR forecasts, we think there is value in extending fixed-rate terms as far out as three years. Longer terms (out to five years) don’t offer additional value, though they may be suitable for borrowers who value more certainty in their repayments.

**NZ interest rates**



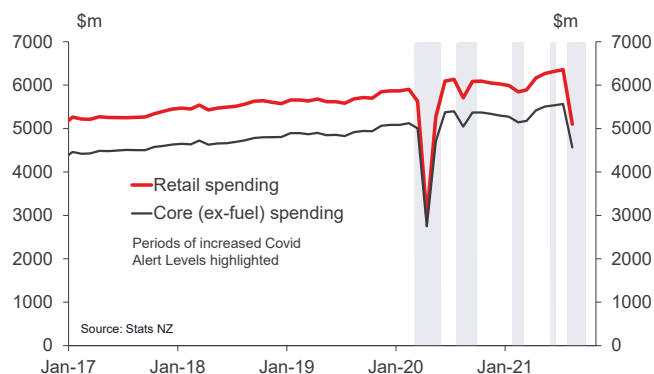
# The week ahead.

## NZ Sep Retail Card Spending

**Oct 12, Last: -21.8%, Westpac f/c: +10.0%**

- Retail spending fell by over 20% in August, dragged down by the reinstatement of lockdown conditions halfway through the month. Looking across retail categories, the only area where we saw an increase was spending on groceries (up 9%). Spending in most other categories was down around 30% to 40%.
- We're forecasting a 10% rise in spending in September. That would only retrace about half of last month's fall. Strict activity restrictions remain in place in Auckland and spending in our most populous region has remained weak. In other parts of the country, the Alert Level has gradually been rolled back and spending has picked up again. However, the recovery has been uneven: while there has been firm spending on groceries and household durables, spending in the hospitality sector has remained soft.

## NZ retail card spending

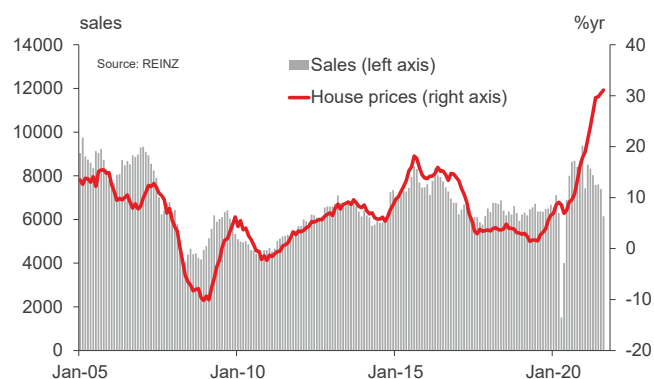


## NZ Sep REINZ house sales and prices

**Oct 13, Sales last: -16.8%, Prices last: +1.1%/yr**

- Housing turnover was hit hard by the dialling up of the Alert Level, with sales dropping around 17% in August. Even so, prices continued to climb, rising by 1.9% over the month.
- Sales are likely to drop further in September. Activity restrictions remained in place throughout the month (in contrast to August when they were only in place for two weeks) with more stringent restrictions in Auckland.
- Price growth has remained resilient in recent months. However, short-term mortgage rates have begun to push higher and the Reserve Bank has tightened lending restrictions. We expect that mortgage rates will continue to push higher over the coming months, and that price growth will slow as this occurs.

## REINZ house prices and sales

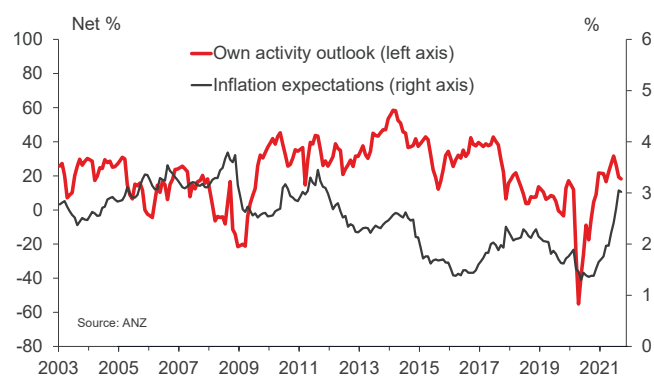


## NZ Oct ANZBO Business Confidence (Preliminary)

**Oct 13, Domestic Trading Activity last: 18.2**

- The final reading on business activity for September showed that expectations for trading activity remained firmly above pre-Covid levels. Surprisingly there wasn't a big divergence across industries between those that can operate with social distancing versus those that are customer facing.
- Over the past few weeks, Alert Level settings have been eased. Even so, strict restrictions remain in place in Auckland and the Waikato. In addition, social distancing requirements are still a significant headwind in sectors like hospitality. Activity restrictions are likely to remain in place for some time.
- Underlying inflation gauges will again be an area worth keeping an eye on as inflation expectations from the last survey breached the top of the RBNZ's inflation target band.

## NZ business confidence



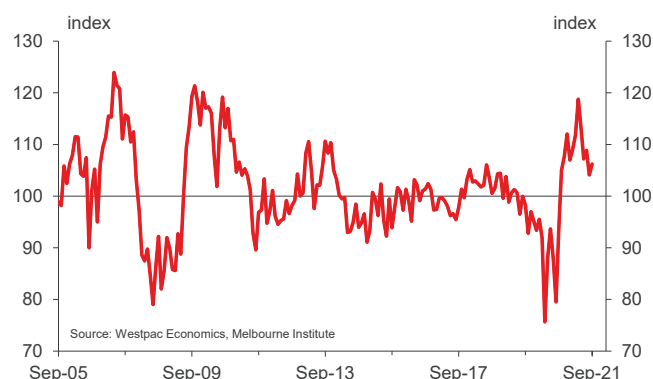
# The week ahead.

## Aus Oct Westpac-MI Consumer Sentiment

**Oct 13, Last: 106.2**

- Sentiment rose 2% to 106.2 in September, continuing to show remarkable resilience in the face of delta lock-downs in NSW, Vic and ACT. Despite heavy hits to activity, sentiment remains in clear optimistic territory above 100 and comfortably above the reads seen over the five years prior to the pandemic. The detail shows an improving vaccine situation has been a key support.
- While mixed, Covid developments should be a net positive for the October update. New infections have slowed materially in NSW with rising vaccine coverage allowing for an imminent easing in restrictions. Against this, cases have continued to surge in Vic although rising vaccination coverage and the experience in NSW suggests the outbreak will peak in coming weeks.

## Aus Consumer Sentiment Index

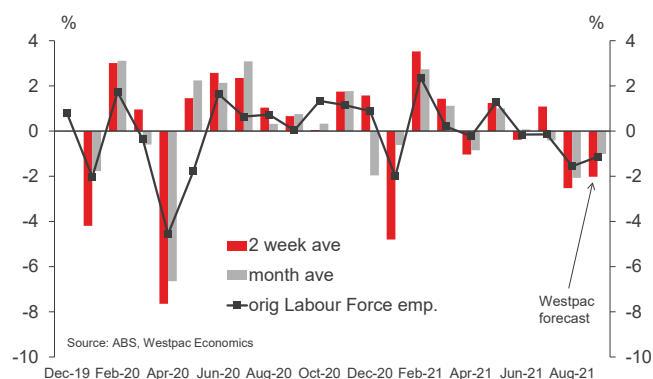


## Aus Sep Labour Force Survey total employment '000

**Oct 14, Last: -146.3k, WBC f/c: -200k Mkt f/c: -120k, Range: -225k to -25k**

- For September, the Vic lockdown had continued and deepened (but this survey misses the construction lockdown) while NSW was showing signs of stabilisation following earlier losses.
- Payrolls fell by 0.7% in the fortnight to 11th September following a larger fall of 1.5% in the previous two weeks (revised from -1.3%) for a total fall of 2.2% through the four weeks. Comparing the first two weeks in September to the first two weeks in August payrolls fell 2.0%.
- Our current forecast for -200k on employment in the September Labour Force survey is estimated to be a 1.1% fall in original terms. This seems appropriate compared to the larger fall in payrolls given payrolls measures those paid in the week while the Labour Force Survey measures those employed.

## Aus Payrolls vs Labour Force Employment

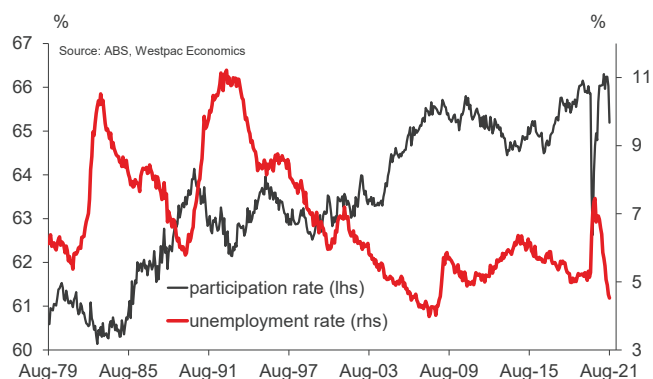


## Aus Sep Labour Force Survey unemployment %

**Oct 14, Last: 4.5%, WBC f/c: 4.7% Mkt f/c: 4.8%, Range: 5.4% to 4.5%**

- As in Jul, Aug surprised with a fall in unemployment even though there was a significant out sized fall in employment. As we saw through 2020 the labour market can be very responsive to lockdowns with many deciding not to look for work given the lack of demand, inability to leave the house and/or increased childcare demands.
- Participation fell 0.8ppt to 65.2% driving a 168.1k fall in the labour force and a 0.1ppt drop in unemployment to 4.5%, the lowest unemployment rate since Nov 2008. So, does this fall in unemployment mean the Australian labour market is a good as it was during the peak of the 2000's mining boom? No, in fact it is far from it. Hours worked are a better measure of overall economic activity and they decreased by 3.7% in Aug compared to the 1.1% decline in employment.
- We are looking for a further 0.9ppt fall in participation to 64.2%. This will see a 190k fall in the labour force mostly offsetting the 200k loss in employment limiting the rise in unemployment to 4.7%.

## Aus falling participation buffers unemployment

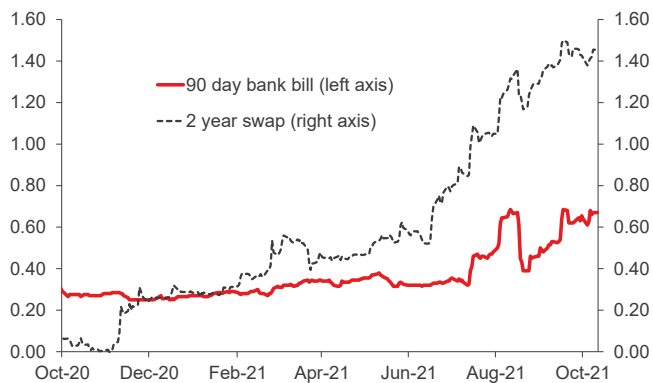


## New Zealand forecasts.

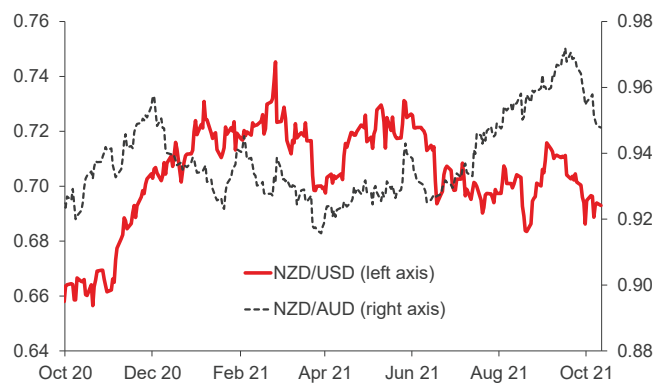
Economic forecasts	Quarterly				Annual			
	2021				2022			
% change	Jun (a)	Sep	Dec	Mar	2019	2020	2021f	2022f
GDP (Production)	2.8	-5.5	4.5	2.2	2.4	-2.1	4.7	4.8
Employment	1.1	0.1	0.5	0.7	1.2	0.7	2.2	1.8
Unemployment Rate % s.a.	4.0	3.8	4.2	3.8	4.0	4.8	4.2	3.5
CPI	1.3	1.2	0.3	0.7	1.9	1.4	3.7	2.5
Current Account Balance % of GDP	-3.3	-3.9	-4.4	-4.2	-2.9	-0.8	-4.4	-5.2

Financial forecasts	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Dec-23
Cash	0.75	1.00	1.25	1.25	1.50	1.50	1.75	2.00
90 Day bill	0.95	1.20	1.35	1.45	1.60	1.70	1.85	2.10
2 Year Swap	1.60	1.75	1.85	1.95	2.05	2.10	2.15	2.20
5 Year Swap	1.95	2.10	2.20	2.30	2.40	2.45	2.50	2.60
10 Year Bond	2.10	2.15	2.25	2.30	2.40	2.45	2.50	2.60
NZD/USD	0.71	0.72	0.73	0.74	0.74	0.74	0.74	0.73
NZD/AUD	0.95	0.95	0.95	0.95	0.95	0.94	0.93	0.94
NZD/JPY	79.5	80.6	82.5	83.6	84.4	84.4	85.1	84.7
NZD/EUR	0.60	0.60	0.61	0.63	0.63	0.63	0.64	0.63
NZD/GBP	0.51	0.52	0.52	0.52	0.52	0.53	0.53	0.53
TWI	74.6	75.2	75.9	76.6	76.4	76.3	76.0	75.3

2 year swap and 90 day bank bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on 11 October 2021

Interest rates	Current	Two weeks ago	One month ago
Cash	0.50%	0.25%	0.25%
30 Days	0.53%	0.42%	0.33%
60 Days	0.60%	0.52%	0.43%
90 Days	0.67%	0.62%	0.53%
2 Year Swap	1.46%	1.46%	1.37%
5 Year Swap	1.91%	1.85%	1.75%

NZ foreign currency mid-rates as at 11 October 2021

Exchange rates	Current	Two weeks ago	One month ago
NZD/USD	0.6930	0.7006	0.7116
NZD/EUR	0.5980	0.5979	0.6023
NZD/GBP	0.5080	0.5118	0.5138
NZD/JPY	77.72	77.54	78.19
NZD/AUD	0.9478	0.9671	0.9671
TWI	74.05	74.82	75.46



## Data calendar.

		Last	Market median	Westpac forecast	Risk/Comment
<b>Mon 11</b>					
US	Federal holiday	–	–	–	The US is set to hold its Columbus Day national holiday.
<b>Tue 12</b>					
NZ	Sep card spending	–21.8%	–	10.0%	Spending still subdued in Akd, but has picked up elsewhere.
	Aug net migration	1139	–	–	Ongoing border closures are keeping net migration at low levels.
Aus	Sep NAB business survey	14	–	–	Aug, conditions up 4pts to +14. Navigating latest lockdowns.
Eur	Oct ZEW survey of expectations	31.1	–	–	Still above average, but well off recovery highs.
UK	Aug ILO unemployment rate	4.6%	4.5%	–	Economic momentum taking over from policy support.
US	Sep NFIB small business optimism	100.1	99.5	–	May be dampened by rising prices and tight labour market.
	Aug JOLTS job openings	10934k	10925k	–	Job openings and hiring to remain elevated.
	Fedspeak	–	–	–	Bostic to speak on inflation.
<b>Wed 13</b>					
NZ	Sep REINZ house sales	–16.8%	–	–	TBC. Activity restrictions are weighing on sales...
	Sep REINZ house prices %yr	31.1%	–	–	...however price growth has remained firm.
	Sep food price index	0.3%	–	–0.4%	Seasonal fall in fruit and vegetable prices.
	Oct ANZ business confidence (prelim)	18.2	–	–	Alert Level has eased, but the outbreak has been drawn out.
Aus	Oct WBC–MI Consumer Sentiment	106.2	–	–	Held up remarkably well through 'delta' lockdowns.
Chn	Sep trade balance USDbn	58.34	–	–	Benefiting from global recovery.
Eur	Aug industrial production	1.5%	–1.5%	–	Delta and supply chain frictions remain as headwinds.
UK	Aug trade balance £bn	–3117	–	–	Consumer demand continues to support imports & deficit.
US	FOMC September meeting minutes	–	–	–	To provide further insight into Committee's views.
	Sep CPI	0.3%	0.3%	0.3%	Core prices expected to rise 0.2% in month.
<b>Thu 14</b>					
Aus	RBA Deputy Governor Debelle	–	–	–	Climate Risks & the Australian Financial System.
	Oct MI inflation expectations	4.4%	–	–	To provide a timely update on consumer inflation expectations.
	Sep employment	–146.3k	–120k	–200k	Payrolls suggest Vic lockdown is biting but fading in NSW.
	Sep unemployment rate	4.5%	4.8%	4.7%	Participation will determine how much unemployment lifts.
Chn	Sep CPI %yr	0.8%	–	–	Consumer inflation unlikely to become a risk...
	Sep PPI %yr	9.5%	–	–	... despite persistent upstream price pressures.
US	Initial jobless claims	326k	–	–	Downtrend expected to persist but slow.
	Sep PPI	0.7%	0.6%	–	Impacted by supply chain issues and labour market shortages.
	Fedspeak	–	–	–	Brainard, Bowman, Bostic, Logan and Barkin to speak.
<b>Fri 15</b>					
NZ	Sep manufacturing PMI	40.1	–	–	Bounce in activity as Alert Levels were eased in September.
Eur	Aug trade balance €bn	13.4	–	–	Strength in exports only partly offset by consumer imports.
US	Oct Fed Empire state index	34.3	25.0	–	Will provide outlook on manufacturing sector in NY state.
	Sep retail sales	0.7%	–0.3%	0.0%	Rotation from goods to services impacting retail sales.
	Sep import price index	–0.3%	0.6%	–	Upstream price pressures to moderate in coming months.
	Aug business inventories	0.5%	0.7%	–	A large rebuild of stocks is due, if supply available.
	Oct Uni. of Michigan sentiment	72.8	73.5	–	Consumer sentiment continues to lag activity.
	Fedspeak	–	–	–	Harker and Williams to speak.

## International forecasts.

Economic Forecasts (Calendar Years)	2017	2018	2019	2020	2021f	2022f
<b>Australia</b>						
Real GDP %/yr	2.4	2.8	1.9	-2.4	3.0	5.0
CPI inflation %/yr	1.9	1.8	1.8	0.9	2.8	2.4
Unemployment rate %	5.5	5.0	5.2	6.8	5.1	3.8
Current account % of GDP	-2.6	-2.1	0.7	2.7	4.2	2.1
<b>United States</b>						
Real GDP %/yr	2.3	3.0	2.2	-3.5	5.7	4.0
CPI inflation %/yr	2.1	2.4	1.9	1.2	4.5	2.8
Unemployment rate %	4.4	3.9	3.7	8.1	5.4	4.0
Current account % of GDP	-2.3	-2.3	-2.6	-2.5	-2.4	-2.4
<b>Japan</b>						
Real GDP %/yr	1.7	0.6	0.3	-4.8	2.3	2.7
<b>Euro zone</b>						
Real GDP %/yr	2.6	1.9	1.3	-6.6	4.6	4.4
<b>United Kingdom</b>						
Real GDP %/yr	1.7	1.3	1.4	-9.9	6.7	5.5
<b>China</b>						
Real GDP %/yr	6.9	6.7	5.8	2.3	8.5	5.7
<b>East Asia ex China</b>						
Real GDP %/yr	4.7	4.4	3.7	-2.4	4.1	4.9
<b>World</b>						
Real GDP %/yr	3.8	3.6	2.8	-3.3	5.4	4.6
Forecasts finalised 8 October 2021						

Interest rate forecasts	Latest	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Dec-23
<b>Australia</b>									
Cash	0.10	0.10	0.10	0.10	0.10	0.10	0.25	0.50	0.75
90 Day BBSW	0.02	0.07	0.10	0.15	0.20	0.40	0.65	0.70	0.95
10 Year Bond	1.63	1.60	1.70	1.80	1.90	2.00	2.05	2.10	2.20
<b>International</b>									
Fed Funds	0.125	0.125	0.125	0.125	0.125	0.375	0.625	0.875	0.875
US 10 Year Bond	1.57	1.60	1.70	1.80	1.90	2.00	2.05	2.10	2.20

Exchange rate forecasts	Latest	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Dec-23
AUD/USD	0.7314	0.75	0.76	0.77	0.78	0.78	0.79	0.80	0.78
USD/JPY	111.66	112	112	113	113	114	114	115	116
EUR/USD	1.1556	1.19	1.20	1.19	1.18	1.18	1.17	1.16	1.15
GBP/USD	1.3618	1.38	1.39	1.40	1.41	1.41	1.40	1.40	1.39
USD/CNY	6.4450	6.35	6.30	6.25	6.25	6.20	6.20	6.15	6.10
AUD/NZD	1.0551	1.06	1.06	1.05	1.05	1.05	1.07	1.08	1.07

# Contact the Westpac economics team.

**Michael Gordon, Acting Chief Economist**

 +64 9 336 5670


**Satish Ranchhod, Senior Economist**

 +64 9 336 5668


**Nathan Penny, Senior Agri Economist**

 +64 9 348 9114

**Paul Clark, Industry Economist**

 +64 9 336 5656

**Gregorius Steven, Economist**

 +64 9 367 3978

**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.

**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 of 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.