



Weekly Economic Commentary.

The only way is up.

Inflation in New Zealand has been running hotter than we or the Reserve Bank expected, boosted by a potent cocktail of supply-side cost pressures and strong demand. We expect that inflation will push above 5% over the coming months and that it will remain above the upper band of the RBNZ's target range until the end of next year. Against this backdrop, a series of OCR hikes is on the cards.

Consumer prices rose by 2.2% in the September quarter. That resulted in the annual inflation rate rising to 4.9% - up from 3.3% last quarter and the highest level since 2011's GST related spike.

The September quarter increase was well above our own and the average market forecast for a 1.5% increase. Inflation has also been running much hotter than the RBNZ's last published forecast (released in August).

The rise in inflation pressures over the past year has been widespread, and Covid-19's fingerprints are all over it. Ongoing disruptions to global manufacturing and supply chains have resulted in shortages of many goods, as well as strong increases in transport costs. At the same time, the recovery

in global demand has seen commodity prices pushing higher, with global oil prices doubling over the past year.

Closer to home, the closure of our borders has meant that businesses across the nation are struggling to find staff, and wage costs have been rising as competition for workers has increased. Wage pressures have been especially strong in sectors like construction and IT but are becoming increasingly widespread.

But the rise in inflation isn't just due to cost pressures - domestic demand recovered much faster from last year's lockdown than had been expected. That firmness in demand has given businesses greater leeway to pass on cost increases into the prices of consumer goods.



The combination of rising cost pressures and strong demand was clearly evident in the September quarter inflation figures. Notably, there has been a particularly large increase in the cost of building a new home, with building activity running hot and many construction firms struggling to source materials. Construction costs rose 4.5% over the past three months alone. That follows a similar sized increase last quarter and leaves construction costs up 12% over the past year.

We've also seen larger than expected increases in the prices for many recreational consumer goods, like toys and computer equipment, as well as firmness in the prices for household furnishings and durables. Spending in these categories has been running hot since Covid-19 first arrived on our shores, and across the globe retailers are struggling to get enough stock to keep up with demand.

However, inflation pressures have not been limited to a few categories. Strength in inflation remains broad based, with most measures of core (underlying) inflation now running above 3%, and in many cases they are running above 4%.

We have revised our forecast for inflation higher. We now expect that inflation will rise to 5.1% by the end of this year, and that it will remain above 3% until the end of next year.

The supply side pressures that have been adding to inflation in recent months look set to endure for some time yet, and they could become even more pronounced over the coming months. Manufacturers globally are reporting ongoing difficulties sourcing materials. And on top of that, shipping companies are expected to divert capacity towards markets in the Asia and Northern Hemisphere ahead of the Black Friday, Christmas and Lunar New Year shopping periods. Here in New Zealand, that combination signals ongoing difficulties sourcing some goods ahead of the holiday shopping season, along with continued upwards pressure on transport costs and goods prices.

But even when the current supply side cost pressures eventually ease, inflation is expected to remain firm, underpinned by strength in domestic demand. Notably, we expect very strong levels of construction activity over the coming years, with increases in building costs expected to remain a key driver of domestic inflation.

The current elevated Alert Level in parts of the country may moderate some of the strength in demand in the near term. Even so, we expect that activity will recover back to firm levels when activity restrictions are eventually dialled back, as it has following previous lockdowns.

Reinforcing the strong medium-term inflation outlook, inflation expectations have been pushing higher in recent months, rising above 3% in recent surveys. This is a particular concern for the RBNZ, as higher expectations can reinforce the upwards pressure on prices and wages. On this front, we're already seeing large numbers of businesses signalling that they plan to increase their prices over the coming months. We've also seen wage claims pushing higher and pressure on wage costs becoming increasingly widespread.

Against this backdrop, a series of OCR hikes from the Reserve Bank is on the cards over the coming months. We've pencilled in 25bp increases at the November, February and May policy announcements. Further ahead, the OCR is set to continue rising back to 2%.

Satish Ranchhod, Senior Economist

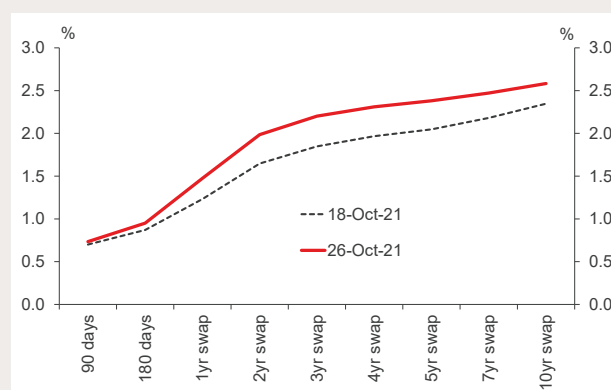
+64 9 336 5668

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 Oct ANZBO Business Confidence (Final)

Oct 27, Domestic Trading Activity last: 26.2

- The preliminary reading on business activity for October showed that expectations for trading activity rose for the first time since the middle of the year. Intentions for employment and investment continued to hold firm highlighting the strength of the economy.
- The final report for October will provide a more detailed look at the sectoral breakdown on which sectors have seen a lift in activity.
- Underlying inflation gauges will again be worth keeping an eye on as inflation expectations have breached the top of the RBNZ's inflation target band in the last few surveys.

NZ business confidence



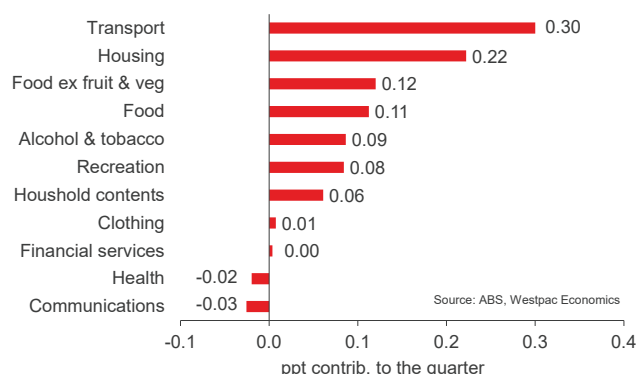
Aus Q3 Consumer Price Index %qtr

Oct 27, Last: 0.8%, WBC f/c: 0.8%

Mkt f/c: 0.8%, Range: 0.5% to 1.1%

- Westpac is forecasting a 0.8% rise in the CPI. Due to base effects the annual pace will ease back from 3.8%yr to 3.1%yr. Core inflation, as measured by the trimmed mean, is set to rise 0.5% lifting the annual pace from 1.6%yr to 1.9%yr. The six month annualised pace of core inflation is forecast to accelerate from 1.8%yr to 2.0%yr.
- Transport makes the single largest contribution with 0.21ppt from auto fuel and 0.06ppt from motor vehicles. Housing is next with dwelling purchase prices contributing 0.15ppt. Food is contributing 0.11ppt. The main offsets are pharmaceutical (-0.02ppt) and communications (-0.03ppt).
- Dwelling prices are 4.7% below where they would be due to HomeBuilder grants. As the grants expire dwelling prices in the CPI will rise. A 4% rise dwelling prices would boost the rise in the CPI to 1.0% and given the ABS is imputing some services prices from the headline CPI, the trimmed mean could rise 0.6%.

Aus CPI



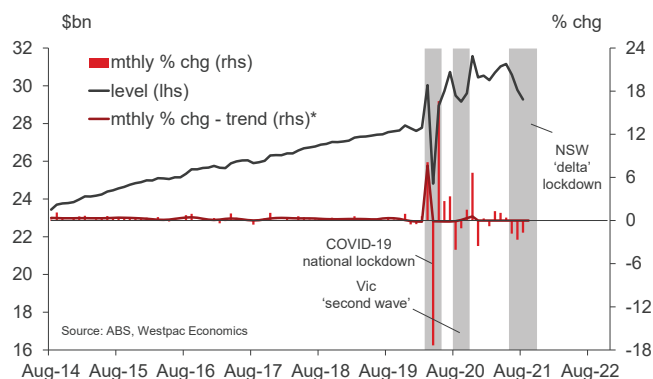
Aus Sep retail trade

Oct 29, Last: -1.7%, WBC f/c: flat

Mkt f/c: 0.3%, Range: -2.6% to 2.0%

- Retail sales fell -1.7% in Aug to be down 6% over three months – a larger and more spread out contraction than the 5.1% fall seen during Vic's 'second wave' lockdown last year but much milder than April 2020's epic 17.4% plunge (which had largely reversed by June).
- Our Westpac Card Tracker suggests retail activity remained flat at soft levels in Sep. The card data understated the contraction over the preceding months but this likely reflects switching from cash to card during lockdowns – a move that would have dropped out of the picture in Sep.
- A flat result would be broadly consistent with activity in NSW and Vic stabilising at locked down levels. Note that there was actually a little easing in restrictions during the month as well – for regional areas of NSW and Vic and for the 'LGAs of concern' in Sydney (plus a 'picnic day' on Sep 15).

Aus monthly retail sales



The week ahead.

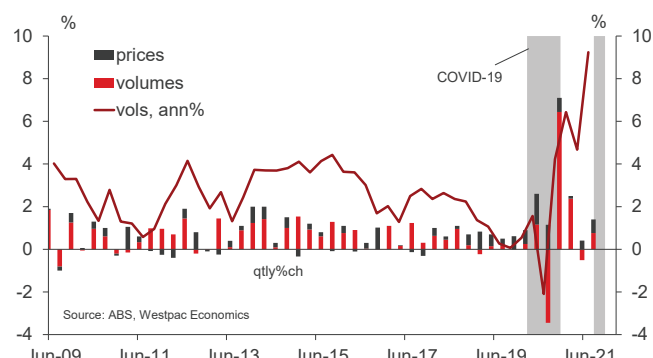
Aus Q3 real retail sales

Oct 29, Last: 0.8%, WBC f/c: -5.2%

Mkt f/c: -5.0%, Range: -5.4% to -2.5%

- Real retail sales volumes were buffeted by 'mini-lockdowns' in the first half of 2021, declining 0.5% in Q1 and recovering 0.8% in Q2 but remained at a relatively high level overall, 6.7% above their pre-Covid levels in late 2019.
- Sales are to fall heavily in Q3 as lockdowns in NSW, Vic and ACT knock the guts out of the sector. Nominal sales look to have contracted about 4.8%qtr. With the retail price deflator expected to be up 0.4%qtr, mainly on food prices, that gives a volume decline of 5.2%qtr. Note that this is quite a bit weaker than the 3.4% contraction in the June quarter last year – due mainly to the longer duration of the current lockdowns.
- That said, the 5.2% retail decline would be milder than the 6.2% contraction in total consumption. That reflects the heavy weighting towards basic food which rises significantly during lockdowns due to expenditure switching and accounts for over 40% of retail.

Aus quarterly retail volumes and prices

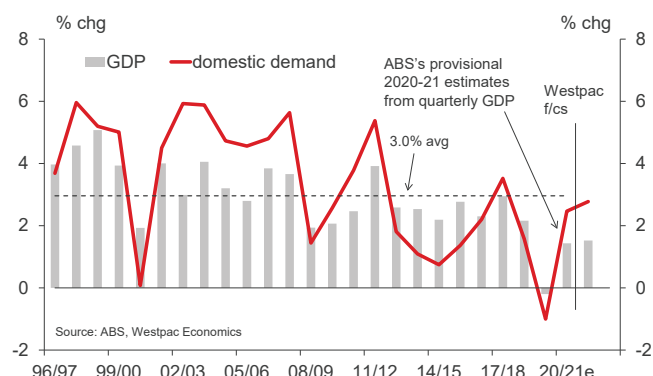


Aus 2020-21 national accounts

Oct 29, Current estimate: 1.4%

- The June quarter national accounts showed the economy moving clear of last year's Covid-driven recession with growth lifting back into positive in annual average terms: +1.4%/yr, having contracted 2.4% over calendar 2020. The annual national accounts provide new 'benchmark' estimates of income, expenditure, production and balance sheets with more detail on sectors, industries and aspects such as net additions to the capital stock and productivity growth.
- The annual re-benchmarking can also lead to significant revisions to previously published estimates – revisions that only get incorporated into the quarterly GDP data with the Q3 release in December. These can be most pronounced for areas that rely on annual survey sources where quarterly indicators are unavailable, such as consumer spending on services.

Aus annual economic performance

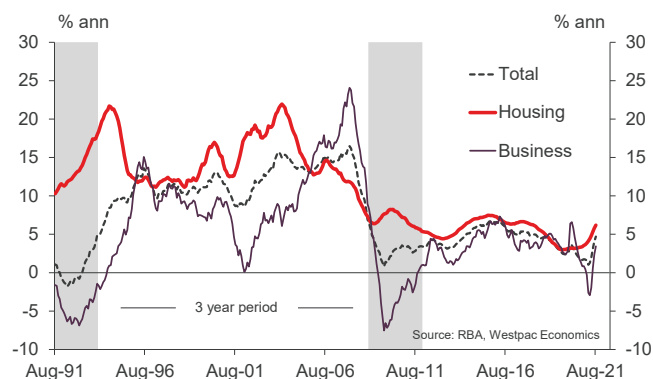


Aus Sep private sector credit

Oct 27, Domestic Trading Activity last: 26.2

- Private sector credit growth stepped-up with the onset of the delta lockdowns. The key driver, firms accessing existing lines of credit to ease cashflow pressures - a rerun of the 2020 experience.
- Credit growth lifted from a 0.4% monthly average pace ahead of the latest lockdowns to gains during the June to August period of: 0.9%; 0.7% and 0.6%, respectively. This included a 3.3% spike in business credit, with monthly outcomes of: 1.6%; 1.1% and 0.6%.
- Move forward to September, with the end of lockdowns on the horizon, we suspect that business credit stabilised at high levels - which points to a lift in total credit for the month of around 0.4%.
- In the housing market, new lending dipped during the lockdown, falling by 5.5%, including a 4.3% drop in August. That has trimmed housing credit growth, from 0.69% for June to 0.62% for August and with the prospect of a softer September read.

Aus credit



The week ahead.

US Q3 GDP

Oct 28 Last: 6.7% ann'd, Westpac f/c: 2.0%, Mkt f/c 2.5%

- Over the year to June 2021, the US economy experienced a strong recovery from the depths of the pandemic recession. These gains were led by the consumer as households initially reset their lifestyles to weather the pandemic and later as a wave of stimulus rolled in.
- In the three months to September however, the US economy looks to have stalled, with growth seen around trend – at best.
- For the recovery, the timing of the delta wave is extremely problematic, occurring just as consumers were looking to get out and about and spend on services. However, with cases coming down and vaccinations continuing, this slowdown should prove temporary.
- While we have lowered our Q3 number from 3.5% to 2.0% annualised and see material risks to the downside, our 2021 and 2022 year-average forecasts are little changed at 5.6% and 4.0%.

US GDP

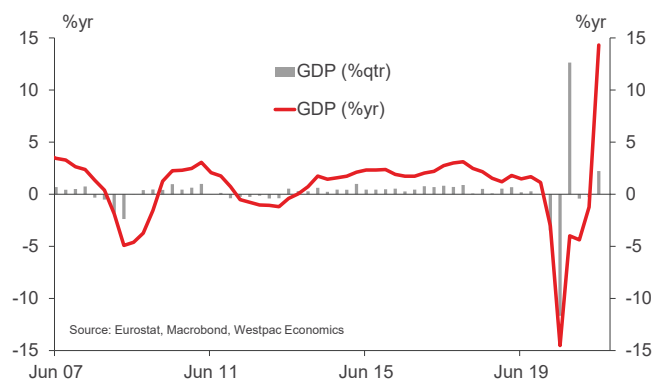


Euro Area Q3 GDP

Oct 29, Last: 2.2%, WBC f/c: 2.2%, Mkt f/c: 2.3%

- After two recessions in 12 months, the Euro Area economy is back on track. The pre-pandemic level of GDP should be regained by year-end, and in 2022 the gap to GDP's potential path will narrow quickly.
- Key to current growth, vaccination drives have materially reduced the health risks associated with Covid-19, allowing for a rapid re-opening of the service sector, particularly tourism. Ahead, global vaccinations should buoy demand for European companies' production of quality consumer and industrial goods. Meanwhile, fiscal policy will provide lasting support to growth directly through infrastructure spending, and second hand via business investment and employment.
- Next week also sees the ECB meet. They will clearly articulate they have confidence in the recovery, but will also note they see little need to raise rates to end-2023 given inflation. The medium-term rates outlook for the ECB is at odds with both the US FOMC and UK's BoE.

Euro Area GDP

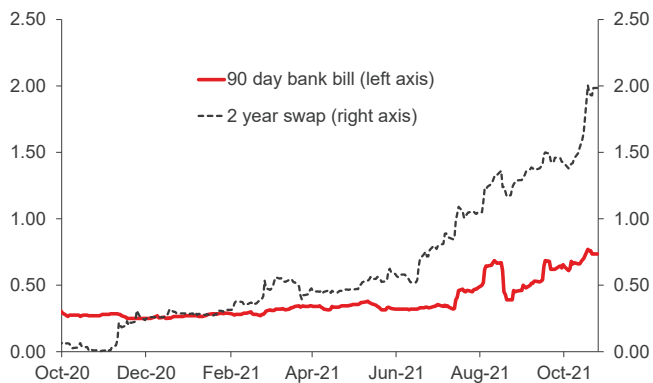


New Zealand forecasts.

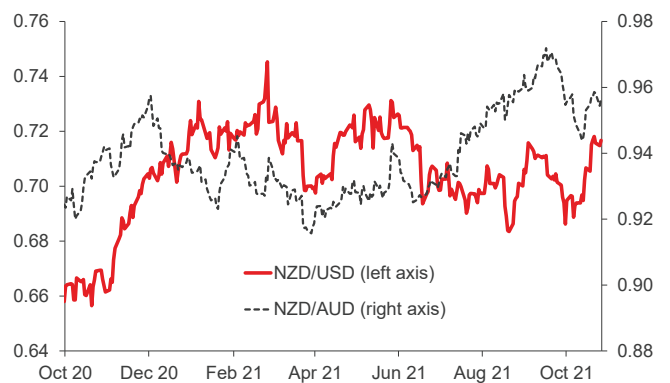
Economic forecasts	Quarterly				Annual			
	2021			2022				
% change	Jun (a)	Sep	Dec	Mar	2019	2020	2021f	2022f
GDP (Production)	2.8	-5.5	4.5	2.2	2.4	-2.1	4.7	4.8
Employment	1.1	0.1	0.5	0.7	1.2	0.7	2.2	1.8
Unemployment Rate % s.a.	4.0	3.8	4.2	3.8	4.0	4.8	4.2	3.5
CPI	1.3	2.2	0.6	0.8	1.9	1.4	5.1	2.9
Current 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	1.80	1.90	2.00	2.05	2.10	2.15	2.20	2.20
5 Year Swap	2.30	2.35	2.40	2.45	2.50	2.55	2.60	2.60
10 Year Bond	2.45	2.45	2.50	2.50	2.55	2.60	2.60	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 26 October 2021

Interest rates	Current	Two weeks ago	One month ago
Cash	0.50%	0.50%	0.25%
30 Days	0.56%	0.53%	0.42%
60 Days	0.65%	0.60%	0.52%
90 Days	0.74%	0.67%	0.62%
2 Year Swap	1.99%	1.46%	1.46%
5 Year Swap	2.38%	1.91%	1.85%

NZ foreign currency mid-rates as at 26 October 2021

Exchange rates	Current	Two weeks ago	One month ago
NZD/USD	0.7166	0.6930	0.7006
NZD/EUR	0.6172	0.5980	0.5979
NZD/GBP	0.5207	0.5080	0.5118
NZD/JPY	81.50	77.72	77.54
NZD/AUD	0.9565	0.9478	0.9671
TWI	75.91	74.05	74.82

Data calendar.

		Last	Market median	Westpac forecast	Risk/Comment
Tue 26					
US	Aug FHFA house prices	1.4%	1.5%	–	Existing home sales surprise highlights how strong...
	Aug S&P/CS home price index, %yr	20.0%	20.1%	–	... demand for US housing is currently...
	Sep new home sales	740k	758k	–	... and how long the uptrend in construction should prove.
	Oct consumer confidence index	109.3	109.5	–	Confidence is still being held back by delta.
	Oct Richmond Fed index	–3	4	–	Supply chain and delta are both pressing issues.
Wed 27					
NZ	Sep trade balance \$m	–2144	–	–2170	Another bumper month for import values; deficit remaining wide.
	Oct ANZ business confidence	26.2	–	–	Sectoral breakdown on which sectors have seen a lift in activity.
Aus	Q3 CPI	0.8%	0.8%	0.8%	Fuel, motor vehicles and dwelling prices boosting the CPI.
	Q3 CPI %yr	3.8%	3.1%	3.1%	However, there are greater than usual uncertainty due to...
	Q3 CPI trimmed mean	0.5%	0.5%	0.5%	...the ending of the HomeBuilder grants along with the ABS...
	Q3 CPI trimmed mean %yr	1.6%	1.8%	1.9%	...imputing prices changes for some services from headline CPI.
Chn	Sep industrial profits %yr	10.1%	–	–	Commodities have driven gain over past year.
Eur	Sep M3 money supply %yr	–	–	–	Credit data also due. Liquidity ample for economy.
US	Sep wholesale inventories	1.2%	–	–	A rebuild of stocks is due, if supply is available.
	Sep durable goods orders	1.8%	–1.0%	–	Outlook for investment becoming more uncertain.
Thu 28					
Aus	RBA Assist. Gov DeBelle speaking	–	–	–	Senate Economics Legislation Committee.
	Q3 import price index	1.9%	3.5%	4.0%	Could be the largest rise since 2013 Q3; lower AUD + jump in oil.
	Q3 export price index	13.2%	6.5%	6.5%	Commodity prices for Q3 well up on Q2 levels.
Eur	Oct consumer confidence	4.8	–	–	Final release for Oct; well off lows of early-2021.
	ECB policy decision	0.0%	–	–	Confident in outlook; but no reason to raise rates to end-2023.
UK	Oct Nationwide house prices	0.1%	–	–	Up 10% over the past year.
US	Initial jobless claims	–	–	–	Downtrend remains in place but is slowing.
	Q3 GDP, annualised	6.7%	2.5%	2.0%	Consumption has seen growth slow abruptly temporarily.
	Sep pending home sales	8.1%	1.0%	–	Existing home market likely to see more positive surprises.
	Oct Kansas City Fed index	22	–	–	Supply chain and delta are both pressing issues.
Fri 29					
NZ	Oct ANZ consumer confidence	104.5	–	–	Confidence has slipped in the wake of the Delta outbreak.
	Sep employment indicator	0.7%	–	–0.4%	Modest hit to jobs from the current Covid lockdown.
Aus	Sep retail sales	–1.7%	0.3%	flat	'Delta' lockdowns continued to weigh in Sep...
	Q3 real retail sales	0.8%	–5.0%	–5.2%	... volumes down heavily for the quarter.
	Sep private sector credit	0.6%	0.5%	0.4%	Potential stabilisation in business after initial lockdown burst.
	Q3 PPI	0.7%	–	–	Energy & construction costs boosting producer prices.
	2020–21 national accounts (GDP)	1.4%	–	–	New annual benchmarks could see significant revisions.
Eur	Q3 GDP	2.2%	2.3%	2.2%	Euro Area now back on track, seeing strong growth.
	Oct CPI %yr	3.4%	3.7%	–	Energy taking over from supply chain as prime CPI support.
US	Q3 employment cost index	0.7%	0.8%	0.7%	Market keenly assessing wage pressures; ECI best measure.
	Sep personal income	0.2%	–0.1%	–	End of fiscal support still a headwind.
	Sep personal spending	0.8%	0.5%	–	Services have been hit by uncertainty related to delta wave.
	Sep PCE deflator	0.4%	0.3%	–	Reopening boost has ended; energy & shelter next key positives.
	Oct Chicago PMI	64.7	63.1	–	Supply chain and delta are both pressing issues.
	Oct Uni. of Michigan sentiment	71.4	71.4	–	Confidence is still being held back by delta.
Sun 31					
Chn	Oct non-manufacturing PMI	53.2	–	–	Services showed a strong recovery late in Q3...
	Oct manufacturing PMI	49.6	–	–	... which should sustain. Manufacturing to see further weakness.

International forecasts.

Economic Forecasts (Calendar Years)	2017	2018	2019	2020	2021f	2022f
Australia						
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
United States						
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
Japan						
Real GDP %/yr	1.7	0.6	0.3	-4.8	2.3	2.7
Euro zone						
Real GDP %/yr	2.6	1.9	1.3	-6.6	4.6	4.4
United Kingdom						
Real GDP %/yr	1.7	1.3	1.4	-9.9	6.7	5.5
China						
Real GDP %/yr	6.9	6.7	5.8	2.3	8.5	5.7
East Asia ex China						
Real GDP %/yr	4.7	4.4	3.7	-2.4	4.1	4.9
World						
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
Australia									
Cash	0.10	0.10	0.10	0.10	0.10	0.10	0.25	0.50	0.75
90 Day BBSW	0.04	0.07	0.10	0.15	0.20	0.40	0.65	0.70	0.95
10 Year Bond	1.82	1.70	1.75	1.80	1.90	2.00	2.05	2.10	2.20
International									
Fed Funds	0.125	0.125	0.125	0.125	0.125	0.375	0.625	0.875	0.875
US 10 Year Bond	1.68	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	0.7474	0.75	0.76	0.77	0.78	0.78	0.79	0.80	0.78
USD/JPY	114.06	112	112	113	113	114	114	115	116
EUR/USD	1.1627	1.19	1.20	1.19	1.18	1.18	1.17	1.16	1.15
GBP/USD	1.3795	1.38	1.39	1.40	1.41	1.41	1.40	1.40	1.39
USD/CNY	6.3981	6.35	6.30	6.25	6.25	6.20	6.20	6.15	6.10
AUD/NZD	1.0433	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

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. 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.