



Church of the Good Shepherd, Lake Tekapo.

## In this issue

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

## A new lease of life

---

Recent economic data have enjoyed a surprising second wind, arguing in favour of a pause by the Reserve Bank at its October meeting. Whether that will be enough to generate the sustained inflation the Reserve Bank needs to see is another matter.

Activity indicators have been stronger in many areas in the last couple of months, ranging from housing, to retailing, to manufacturing, and tourism.

Last week, dwelling consents fell 4.9% in August – but that followed a 20% jump the previous month. Looking through the volatility (which reflects the increasing shift to multi-unit buildings in Auckland), that suggests a stronger upward trend in the building pipeline than we had allowed for. In Auckland, consents for 8,615 new dwellings have been granted over the past year – still a fair way away from the 11,000 we think will be necessary to meet the demands of a growing population, but clearly moving in the right direction. Canterbury consent numbers continue to show signs of flattening off.

Meanwhile, the housing market continued to power ahead in September. According to CoreLogic's latest QV price index (which adjusts for changes in the mix of houses sold) Auckland house prices rose another 6.7% over the past three months, but it's now very clear that investor interest is spreading outside Auckland, with house prices in Hamilton and Tauranga rising at double-digit annual rates. If that trend continues, it will pose some interesting challenges for the bank regulators, given that the lending restrictions to be introduced from 1 November were specifically aimed at investment properties in Auckland.

Activity has stayed resilient despite steep declines in business and consumer confidence. While business confidence ticked up in September – as we would have expected following the recent lift in global dairy prices – the improvement has been exceedingly modest. Businesses' economic confidence remains near levels seen during the Global Financial Crisis, and their expectations for their own activity are still close to multi-year lows.

# A new lease of life continued

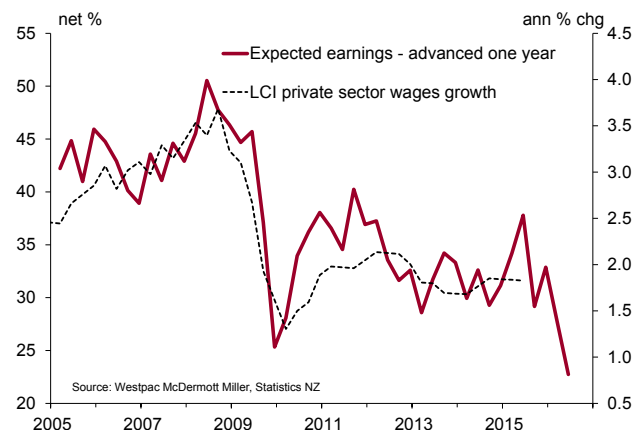
Our own latest consumer confidence survey paints a more nuanced picture. Consumers have become unambiguously pessimistic about the national economy. But when asked about their local economy, rather than New Zealand as a whole, they are still generally cautiously optimistic, with dairy-focused regions such as Taranaki and Southland the unsurprising exceptions. And though consumers' reported attitudes to spending have become more cautious, they are consistent with spending coming off the boil, not grinding to a halt.

We will get a more comprehensive read on businesses' recent activity, as well as their expectations, in Tuesday's September quarter *Quarterly Survey of Business Opinion*. But all in all, developments to date have clearly been mixed rather than dire. And once we factor in the likelihood of further hefty price gains over the next few GlobalDairyTrade auctions – as dairy futures prices are indicating – it seems highly likely that the Reserve Bank will keep the OCR on pause at its October meeting.

That said, we are still wary of assuming a sustained improvement in dairy farmers' fortunes. As we noted last week, the recent price increases seem largely motivated by Fonterra's forecasts of a 5% drop in New Zealand dairy production this season. But we'd question how far dairy farmers would actually scale back their production under a milk price of \$4.60 (Fonterra's upgraded forecast) compared to a \$3.85 milk price. And the big unknown for production this season is El Niño. At this point we can't say how severely it will affect New Zealand over the summer, but in the coming weeks we'll be looking closely at the risks it presents to farming and the economy.

And looking beyond the near term, we remain concerned that economic growth will prove too sluggish to deliver the sustained lift in inflation that the Reserve Bank needs to meet its mandate. The latest business and consumer surveys have been instructive in that respect. Retailers' pricing intentions popped sharply higher in the latest ANZ business survey – shop owners are clearly anticipating upcoming price rises on the back of the recent drop in the NZ dollar.

*Earnings expectations and wage inflation*



The question is how long a burst of inflation caused by rising import prices will last in the context of a softening labour market. The combination of slower employment growth and continued very strong population growth has already seen unemployment edge up over the first half of this year, while labour cost inflation has been hovering below 2%. The latest business and consumer surveys don't give much reason to expect that to change. Businesses' hiring intentions have plunged in recent months, and consumers have become steadily less confident in the availability of jobs and their own earnings potential. In fact, according to our own Employment Confidence Survey the number of workers expecting a pay increase over the next year is now at its lowest level since the survey began in 2004.

## Fixed vs Floating for mortgages

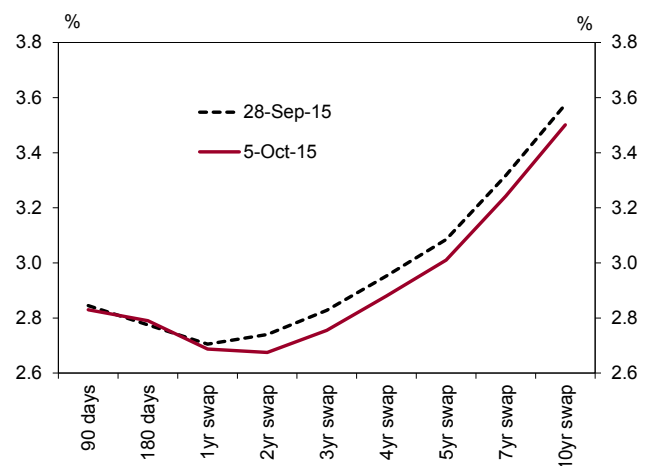
With short-term interest rates likely to fall further, borrowers should feel in no hurry to fix.

Longer-term fixed rates do offer the benefit of stability, but even those looking to fix may want to wait a while longer.

For borrowers with a deposit of deposit of 20% or more, the best value probably continues to lie in the two-year ahead and three-year ahead terms. Four- and five-year rates still seem high relative to where we think shorter-term rates are going to go over the next four or five years.

Floating mortgage rates usually work out to be more expensive for borrowers than short-term fixed rates, such as the six-month rate. However, floating may still be the preferred option for those who require flexibility in their repayments.

*NZ interest rates*

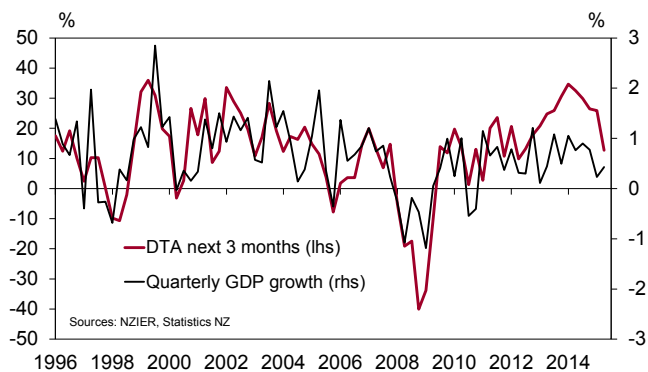


## NZ Q3 Quarterly Survey of Business Opinion

Oct 6, General business confidence last 5%

- Business confidence fell sharply through mid-2015, with declines seen across the economy. This included a pull-back in hiring and investment intentions.
- In recent weeks, we have seen some improvement in economic conditions, including a recovery in dairy prices, resilience in the housing market, and a fall in the New Zealand dollar. Nevertheless, a softening in economic growth is on the cards, and confidence is expected to remain low.
- We will be paying close attention to the survey's measures of costs and prices. We're seeing early signs that the fall in the NZD is boosting the price of imported goods. However, with demand set to soften, it's not clear that this will generate a significant increase in consumer prices.

QSBO domestic trading activity and GDP

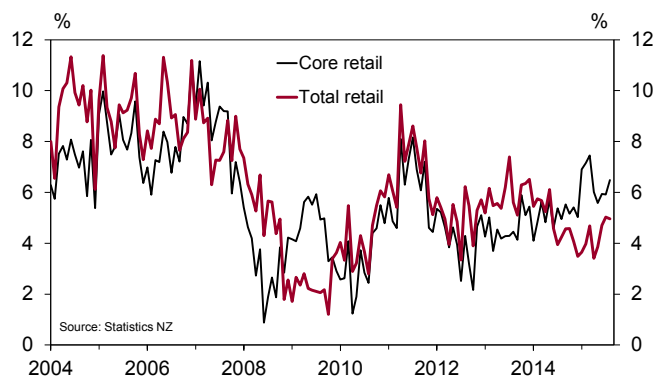


## NZ Sep retail card spending

Oct 9, last +0.4%, WBC f/c +0.3%

- Retail spending has been growing at a firm pace in recent months. There's been notable strength in spending on durables, though spending in other categories has also risen.
- Spending growth is expected to moderate in September as the boost from last month's fall in fuel prices dissipates. Nevertheless, spending is still expected to remain firm.
- Looking further ahead, recent sharp declines in consumer sentiment do signal that some loss of momentum in household spending is likely in coming months.

Card transactions, annual % change



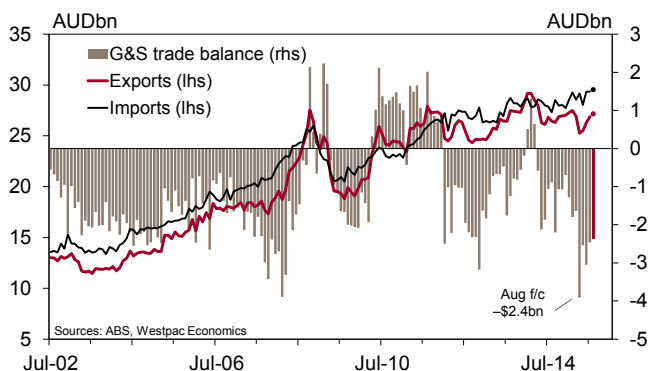
## Aus Aug trade balance, AUDbn

Oct 6, Last: -2.5, WBC f/c: -2.4

Mkt f/c: -2.4, Range: -3.3 to -1.1

- Australia is running sizeable trade deficits as sharply lower commodity prices dent export earnings.
- For August, we expect another large deficit, a forecast \$2.4bn, a fraction below the \$2.5bn deficit for July.
- Export earnings are expected to advance 1% in the month. Iron ore, on a rebound in prices, and coal, on increased shipments, are likely positives. Against that, we've allowed for a partial unwind of gold, which jumped 60%, +\$646mn, in July.
- Imports are forecast to rise by 0.6%, with the ABS advising that goods imports increased by 0.8%.
- Note, the Australian dollar softened in August, down 1.7% against the US dollar, albeit only -0.2% on a TWI basis.

Australia's trade position



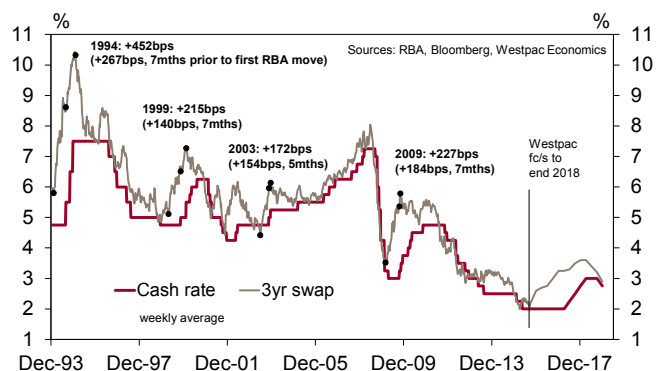
## Aus RBA October meeting

Oct 6 Last: 2.00%, WBC f/c: 2.00%

Mkt f/c: 2.00%, Range: 2.00% to 2.00%

- In its communications, the RBA continues to highlight a fair degree of comfort with the current stance of policy.
- They recognise they have scope to act, should it prove necessary, particularly given the cooling off underway in the Sydney property market.
- But with the unemployment rate remaining broadly stable; the business surveys reporting conditions are "clearly above average levels"; and with the weaker currency expected to provide a boost to activity and investment in the services sector, there is currently little reason to doubt growth will firm.
- The RBA currently see growth accelerating to 3.0% in 2016 and 3.75% in 2017. As long as their growth expectations remain at or above trend (2.75%), policy is set to remain on hold.

RBA cash rate, 3 year swap

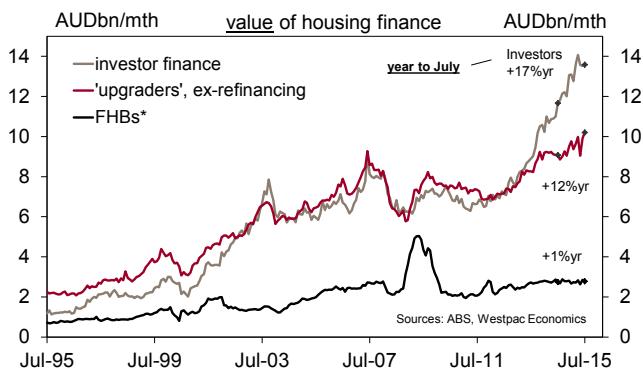


## Aus Aug housing finance (no.)

Oct 9, Last: 0.3%, WBC f/c: 7.5%  
 Mkt f/c: 5.0%, Range: -0.4% to 8.0%

- The number of owner occupier approvals rose 0.3% in Jul after a choppy May-Jun to be up 3.9%yr. The value of investor loans rose 0.5% following stronger gains over the previous 12mths.
- The Aug data will see major disruptions due to changes associated with increased capital requirements and APRA's 'macroprudential' measures, aimed at managing risks around investor activity. Jul-Aug saw banks tighten lending criteria for investor housing loans, and an increase in the rates on these loans by an average of 27bps. Industry data shows a big surge in owner-occupier approvals in Aug, a likely indirect 'spillover' effect from tighter conditions for investor loans. We expect the official numbers to show a 7.5% jump. The total value of loans – covering both owner occupiers and investors – will give a better gauge of conditions for the next few months.

Value of finance approvals by segment



# Data calendar

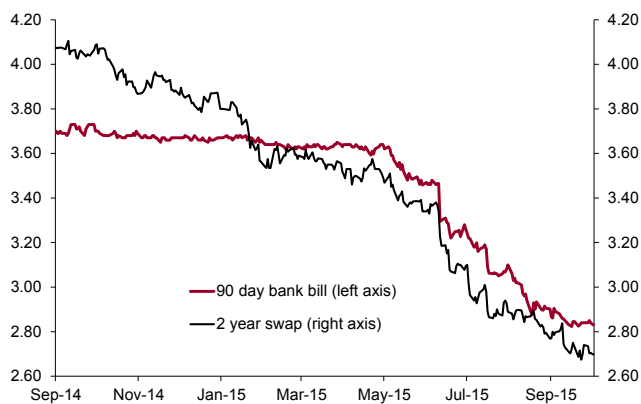
		Last	Market median	Westpac forecast	Risk/Comment
<b>Mon 5</b>					
<b>Aus</b>	Labour Day	–	–	–	Public holiday in NSW, ACT, Qld, & SA.
	Sep TD–MI inflation gauge	0.1%	–	–	Annual pulse benign at 1.7%yr.
	Sep ANZ job ads	1.0%	–	–	Modest gains of late; annual rate slowing.
<b>Eur</b>	Sep Markit services PMI (final)	54.0	54.0	–	Composite measure buoyed by robust services, at 53.9.
	Oct Sentix investor confidence	13.6	12.0	–	Optimism entrenched, despite concerns over global economy.
	Aug retail sales	0.4%	–0.1%	–	Momentum has slowed of late; household income growth needed.
<b>Ger</b>	Sep Markit services PMI (final)	54.3	54.3	–	Composite remains robust at 54.3.
<b>UK</b>	Sep Markit services PMI (final)	55.6	56.3	–	Service sector conditions have moderated, but remain firm.
	Sep Markit composite PMI (final)	55.1	–	–	External headwinds are balanced against firmer domestic demand.
	Sep Halifax house prices	2.7%	–	–	Tentative date. Low mortgage rates have boosted the housing market.
<b>US</b>	Sep Markit services PMI (final)	55.6	55.7	–	Composite at 55.3 aided by services; USD impacting manufacturing.
	Sep ISM non-manf composite	59.0	58.0	–	Rampant strength should abate; but momentum to remain robust.
	Sep labour market conditions index	2.1	–	–	FOMC's aggregate measure of the labour market.
	Sep Markit services PMI (final)	55.6	55.7	–	
<b>Tue 6</b>					
<b>NZ</b>	Q3 Quarterly Survey of Business Opinion	5%	–	–	Business conditions have softened.
<b>Aus</b>	Aug trade balance, AUDbn	–2.5	–2.4	–2.4	Another sizeable deficit. Imports +0.6%, exports +1.0%.
	RBA policy decision	2.00%	2.00%	2.00%	On hold, warranted by expectation of stronger growth in 16/17.
<b>Eur</b>	ECB speech	–	–	–	President Draghi speaks in Frankfurt.
<b>Ger</b>	Aug factory orders	–1.4%	0.4%	–	Disappointed in July; global backdrop a concern.
<b>US</b>	Aug trade balance \$bn	–\$41.9	–\$42.5	–	Net exports a significant drag on growth in Q3 2015.
	Fedspeak	–	–	–	Fed's George gives keynote speech in Chicago.
<b>Can</b>	Sep Ivey PMI	58.0	–	–	Conditions in the manufacturing sector have been improving.
<b>Wed 7</b>					
<b>NZ</b>	GlobalDairyTrade auction	16.5%	–	–	Futures prices imply another 10% rise is expected.
<b>Ger</b>	Aug industrial production	0.7%	0.2%	–	Manufacturing sector not doing as well as might be hoped.
<b>UK</b>	Sep BRC shop price index	–1.4%	–	–	Retail price inflation has been subdued.
	Aug industrial production	–0.4%	0.3%	–	External headwinds are weighing on industrial production.
<b>US</b>	Aug consumer credit, \$bn	19.1	18.5	–	All about student and auto loans.
	Fedspeak	–	–	–	Fed's Williams gives speech on the outlook in San Francisco.
	Fedspeak	–	–	–	Fed's Williams gives speech in Spokane.
<b>Thu 8</b>					
<b>Eur</b>	ECB meeting minutes	–	–	–	Account of September meeting.
<b>Ger</b>	Aug trade balance €bn	25	19	–	X'pts and M'pts both saw solid growth in Jul.
<b>UK</b>	BOE policy meeting	0.5%	0.5%	0.5%	Rates and asset purchases expected to remain unchanged.
	Sep RICS house price balance	53%	55%	–	Tightness in supply is boosting prices.
<b>US</b>	Initial jobless claims 000's	277	–	–	Claims have remained low for some time.
	Minutes of the Sept FOMC meeting	–	–	–	Further discussion on balancing inflation; jobs; and global risks.
	Fedspeak	–	–	–	Fed's Bullard gives welcoming remarks at symposium on savings.
	Fedspeak	–	–	–	Fed's Kotcherlakota gives welcoming remarks in Minnesota.
	Fedspeak	–	–	–	Fed's Williams gives speech on the outlook in Spokane.
<b>Can</b>	Aug new house price index	0.1%	–	–	House price inflation has remained limited in recent months.
<b>Fri 9</b>					
<b>NZ</b>	Sep retail card spending	0.4%	0.4%	0.3%	Core spending growth is expected to soften after earlier gains.
<b>Aus</b>	Aug housing finance	0.3%	5.0%	7.5%	'Spillover' boost from changes to investor loans. Total loans a better guide.
<b>UK</b>	Aug construction output	–1.0%	1.0%	–	Building activity has been modest in recent months.
	Aug trade balance £bn	–£3.5	–£3.0	–	The lift in the GBP is weighing on demand.
<b>US</b>	Aug wholesale inventories	–0.1%	0.0%	–	Inventories bottleneck forming at wholesale level?
	Fedspeak	–	–	–	Fed's Lockhart speaks on the economy in New York.
	Fedspeak	–	–	–	Fed's Evans speaks on monetary policy in Milwaukee.
<b>Sat 10</b>					
<b>Chn</b>	Sep new loans RMBbn	810	900	–	Tentative date: Off balance sheet assets progressively being reclassified.
	Sep aggregate financing RMBbn	1082	–	–	Tentative date: see above comment. Also watch direct financing flows.
	Sep M2 money supply %yr	13.3%	13.3%	–	Tentative date: Capital outflows to have a material impact.

# New Zealand forecasts

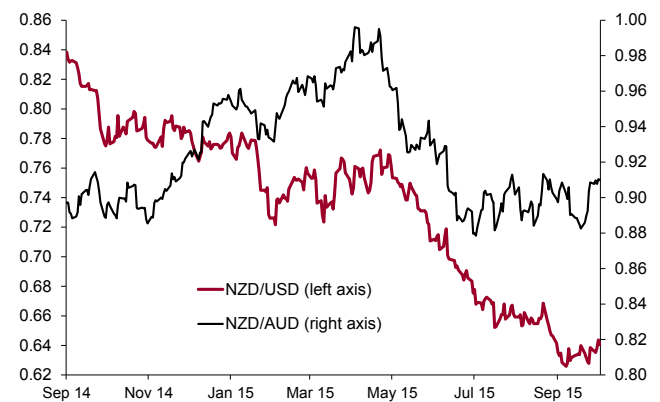
Economic Growth Forecasts	March years				Calendar years			
	2014	2015	2016f	2017f	2013	2014	2015f	2016f
% change								
GDP (Production) ann avg	2.5	3.2	1.8	2.0	2.3	3.3	2.1	1.7
Employment	3.8	3.2	0.5	2.1	2.9	3.6	0.9	1.8
Unemployment Rate % s.a.	6.0	5.8	6.5	6.3	6.1	5.7	6.4	6.3
CPI	1.5	0.3	1.5	1.6	1.6	0.8	0.7	1.9
Current Account Balance % of GDP	-2.6	-3.4	-5.6	-4.7	-3.2	-3.1	-4.8	-5.2

Financial Forecasts	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Cash	2.50	2.00	2.00	2.00	2.00	2.00
90 Day bill	2.40	2.10	2.10	2.10	2.10	2.10
2 Year Swap	2.50	2.30	2.20	2.20	2.20	2.20
5 Year Swap	3.10	3.10	3.10	3.20	3.20	3.20
10 Year Bond	3.40	3.40	3.60	3.70	3.70	3.70
NZD/USD	0.62	0.61	0.61	0.62	0.63	0.63
NZD/AUD	0.91	0.92	0.92	0.92	0.92	0.91
NZD/JPY	76.3	75.0	75.6	77.1	79.9	76.7
NZD/EUR	0.57	0.57	0.57	0.57	0.58	0.57
NZD/GBP	0.42	0.42	0.42	0.42	0.42	0.41
TWI	67.9	67.8	67.8	68.2	69.3	68.3

2 Year Swap and 90 Day Bank Bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on Monday 5 October 2015

Interest Rates	Current	Two weeks ago	One month ago
Cash	2.75%	2.75%	3.00%
30 Days	2.84%	2.85%	2.95%
60 Days	2.83%	2.83%	2.91%
90 Days	2.83%	2.85%	2.89%
2 Year Swap	2.68%	2.73%	2.80%
5 Year Swap	3.01%	3.10%	3.13%

NZ foreign currency mid-rates as at Monday 5 October 2015

Exchange Rates	Current	Two weeks ago	One month ago
NZD/USD	0.6461	0.6312	0.6303
NZD/EUR	0.5759	0.5568	0.5646
NZD/GBP	0.4252	0.4089	0.4152
NZD/JPY	77.50	76.03	74.95
NZD/AUD	0.9153	0.8910	0.9099
TWI	70.09	68.49	68.73



## Economic and Financial Forecasts

Economic Forecasts (Calendar Years)	2011	2012	2013	2014	2015f	2016f
<b>Australia</b>						
Real GDP % yr	2.7	3.6	2.1	2.7	2.2	2.7
CPI inflation % annual	3.0	2.2	2.7	1.7	2.2	2.2
Unemployment %	5.2	5.3	5.8	6.2	6.5	6.3
Current Account % GDP	-2.8	-4.4	-3.4	-3.0	-4.3	-4.6
<b>United States</b>						
Real GDP %yr	1.6	2.3	1.5	2.4	2.4	2.8
Consumer Prices %yr	3.1	2.1	1.5	1.6	0.2	2.0
Unemployment Rate %	8.9	8.1	7.4	6.2	5.4	5.1
Current Account %GDP	-2.9	-2.9	-2.2	-2.2	-2.3	-2.3
<b>Japan</b>						
Real GDP %yr	-0.5	1.8	1.6	-0.1	0.6	1.3
<b>Euroland</b>						
Real GDP %yr	1.6	-0.8	-0.3	0.9	1.3	1.1
<b>United Kingdom</b>						
Real GDP %yr	1.6	0.7	1.7	3.0	2.5	2.5
<b>China</b>						
Real GDP %yr	9.3	7.8	7.8	7.3	7.0	6.8
<b>East Asia ex China</b>						
Real GDP %yr	4.4	4.5	4.3	4.1	3.5	4.0
<b>World</b>						
Real GDP %yr	4.2	3.4	3.4	3.4	3.1	3.6
Forecasts finalised 4 Sep 2015						

Interest Rate Forecasts	Latest	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16
<b>Australia</b>						
Cash	2.00	2.00	2.00	2.00	2.00	2.00
90 Day Bill	2.17	2.20	2.20	2.20	2.20	2.20
10 Year Bond	2.60	3.10	3.25	3.40	3.60	3.75
<b>International</b>						
Fed Funds	0.125	0.375	0.625	0.875	1.125	1.375
US 10 Year Bond	2.04	2.80	3.00	3.20	3.40	3.40
ECB Repo Rate	0.05	0.05	0.05	0.05	0.05	0.05

Exchange Rate Forecasts	Latest	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16
AUD/USD	0.7026	0.68	0.66	0.66	0.67	0.69
USD/JPY	119.92	123	123	124	125	126
EUR/USD	1.1177	1.09	1.07	1.07	1.08	1.10
AUD/NZD	1.0985	1.10	1.08	1.08	1.09	1.09

## Westpac economics team contact details

**Dominick Stephens**, Chief Economist  
+64 9 336 5671

**Michael Gordon**, Senior Economist  
+64 9 336 5670

**Felix Delbrück**, Senior Economist  
+64 9 336 5668

**Satish Ranchhod**, Senior Economist  
+64 9 336 5669

**David Norman**, Industry Economist  
+64 9 336 5656

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

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

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

Transactions involving carbon give rise to substantial risk (including regulatory risk) and are not suitable for all investors. We recommend that you seek your own independent legal or financial advice before proceeding with any investment decision. This information has been prepared without taking account of your objectives, financial situation or needs. Statements setting out a concise description of the characteristics of carbon units, Australian carbon credit units and eligible international emissions units (respectively) are available at [www.cleanenergyregulator.gov.au](http://www.cleanenergyregulator.gov.au) as mentioned in section 202 of the Clean Energy Act 2011, section 162 of the Carbon Credits (Carbon Farming Initiative) Act 2011 and section 61 of the Australian National Registry of Emissions Units Act 2011. You should consider each such statement in deciding whether to acquire, or to continue to hold, any carbon unit, Australian carbon credit unit or eligible international emissions unit.

### Additional information if you are located outside of Australia

**New Zealand:** The current disclosure statement for the New Zealand division of Westpac Banking Corporation ABN 33 007 457 141 or Westpac New Zealand Limited can be obtained at the internet address [www.westpac.co.nz](http://www.westpac.co.nz). Westpac Institutional Bank products and services are provided by either Westpac Banking Corporation ABN 33 007 457 141 incorporated in Australia (New Zealand division) or Westpac New Zealand Limited. For further information please refer to the Product Disclosure Statement (available from your Relationship Manager) for any product for which a Product Disclosure Statement is required, or applicable customer agreement. Download the Westpac NZ QFE Group Financial Advisers Act 2008 Disclosure Statement at [www.westpac.co.nz](http://www.westpac.co.nz).

**China, Hong Kong, Singapore and India:** Westpac Singapore Branch holds a wholesale banking licence and is subject to supervision by the Monetary Authority of Singapore. Westpac Hong Kong Branch holds a banking licence and is subject to supervision by the Hong Kong Monetary Authority. Westpac Hong Kong branch also holds a license issued by the Hong Kong Securities and Futures Commission (SFC) for Type 1 and Type 4 regulated activity.

Westpac Shanghai and Beijing Branches hold banking licenses and are subject to supervision by the China Banking Regulatory Commission (CBRC). Westpac Mumbai Branch holds a banking license from Reserve Bank of India (RBI) and subject to regulation and supervision by the RBI.

Disclaimer continued overleaf.





## Disclaimer continued

**U.K.:** Westpac Banking Corporation is registered in England as a branch (branch number BR000106), and is authorised and regulated by the Australian Prudential Regulatory Authority in Australia. WBC is authorised in the United Kingdom by the Prudential Regulation Authority. WBC is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority in the United Kingdom. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request. Westpac Europe Limited is a company registered in England (number 05660023) and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. This material and this website and any information contained therein is directed at a) persons who have professional experience in matters relating to investments falling within Article 19(1) of the Financial Services Act 2000 (Financial Promotion) Order 2005 or (b) high net worth entities, and other persons to whom it may otherwise be lawfully communicated, falling within Article 49(1) of the Order (all such persons together being referred to as “relevant persons”). The investments to which this material and this website relates are only available to and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such investments will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely upon this material and this website or any of its contents. In the same way, the information contained in this material and this website is intended for “eligible counterparties” and “professional clients” as defined by the rules of the Financial Services Authority and is not intended for “retail clients”. With this in mind, Westpac expressly prohibits you from passing on the information in this material and this website to any third party. In particular this material and this website, website content and, in each case, any copies thereof may not be taken, transmitted or distributed, directly or indirectly into any restricted jurisdiction.

**U.S.:** Westpac operates in the United States of America as a federally licensed branch, regulated by the Office of the Comptroller of the Currency. Westpac is also registered with the US Commodity Futures Trading Commission (“CFTC”) as a Swap Dealer, but is neither registered as, or affiliated with, a Futures Commission Merchant registered with the US CFTC. Westpac Capital Markets, LLC (“WCM”), a wholly-owned subsidiary of Westpac, is a broker-dealer registered under the U.S. Securities Exchange Act of 1934 (‘the Exchange Act’) and member of the Financial Industry Regulatory Authority (‘FINRA’). This communication is provided for distribution to U.S. institutional investors in reliance on the exemption from registration provided by Rule 15a-6 under the Exchange Act and is not subject to all of the independence and disclosure standards applicable to debt research reports prepared for retail investors in the United States. WCM is the U.S. distributor of this communication and accepts responsibility for the contents of this communication. If you would like to speak to someone regarding any security mentioned herein, please contact WCM on +1 212 389 1269. All disclaimers set out with respect to Westpac apply equally to WCM.

Investing in any non-U.S. securities or related financial instruments mentioned in this communication may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the SEC in the United States. Information on such non-U.S. securities or related financial instruments may be limited. Non-U.S. companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect in the United States. The value of any investment or income from any securities or related derivative instruments denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related derivative instruments.

The author of this communication is employed by Westpac and is not registered or qualified as a research analyst, representative, or associated person under the rules of FINRA, any other U.S. self-regulatory organisation, or the laws, rules or regulations of any State. Unless otherwise specifically stated, the views expressed herein are solely those of the author and may differ from the information, views or analysis expressed by Westpac and/or its affiliates.

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

