

# Weekly Commentary

4 April 2016



## Confidence confirms contrasts

Last week, two separate confidence surveys reconfirmed our view that a dichotomy has emerged between the weak agriculture sector, in particular dairy, and the strong services and construction sectors.

The March ANZ Business Outlook showed that a net 46% of agriculture businesses were pessimistic about the future, by far and away the worst across the five sectors evaluated. Business confidence was much higher in construction (a net 21% were optimistic) and services (net 16% optimistic) while views in retail and manufacturing largely balanced pessimists and optimists. The dire view of the agriculture sector and weak views in retail and manufacturing pulled the overall result down; 3.2% of businesses felt optimistic about the outlook overall.

These trends are flowing clearly through from the national economy to its constituent regions. The exposure of different regions to dairy, construction activity and the service sector is having a strong impact on economic outlook, as highlighted by the Westpac McDermott Miller Regional Economic Confidence survey released on 30 March. Regions with large numbers of dairy farms are decidedly less optimistic than those with other strings to their bow.

Southland, where workers are almost four times more likely to work in dairy than in New Zealand as a whole, had a net pessimistic majority of 38%. Taranaki, Whanganui and the Manawatu were almost as downbeat, with a net 31% believing the outlook was for things to worsen. The Waikato, which has the largest dairy sector in the country, saw pessimists outnumber optimists by a net 18 percentage points even though the region's construction and tourism sectors are doing well.

Meanwhile the urban centres of Auckland, Wellington and Canterbury, where visitor numbers are surging, and occupancy rates and revenue per available room at hotels are rising, were far more positive. Although these three regions all saw economic confidence decline modestly in the March quarter, perhaps tempered by concerns over the wider economy weakening in the face of the dairy downturn, they were still strongly optimistic overall.

Tourism is not the only factor driving this urban positivity. Strong construction activity continues to boost the regional economic outlook especially in Auckland and Canterbury. Building consent data for February, released on 30 March, continued to confirm that Auckland in particular is cranking up production of housing (up 23% year-on-year). After January's breather (even in seasonally adjusted terms) following three months of solid growth in the number of consents in that region, consents bounced again, and have totalled more than 9,500 in the last 12 months. There is still a long way to go, however. We have long forecast that Auckland needs to deliver around 11,000 dwellings a year over several years to eat into its housing shortfall, and strong net migration continues to widen this gap.

Even in Canterbury, where January consents fell particularly sharply, there was a rebound that was surprising in its scale although we were already expecting some recovery. While the residential component of the rebuild is easing back, there is still much to do on the non-residential side.

# Confidence confirms contrasts continued

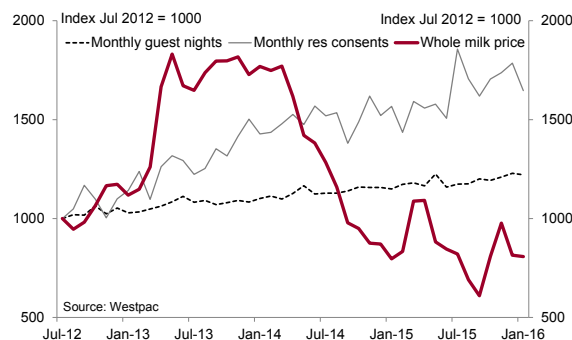
And after years of little growth, Wellington house prices are up and confidence is returning as concerns about government job cuts fade. With the highest salaries in the country, unemployment down, and house prices half those in Auckland, there is little reason to be pessimistic.

The strongest regional economic confidence, however, was in the Bay of Plenty, Gisborne and the Hawke's Bay. This was the fourth consecutive quarter that the Bay of Plenty led the country in its view of the regional economic outlook. Tourism is booming especially in Rotorua, huge growth in population is driving new dwelling construction activity especially in Tauranga, and the horticulture sector is enjoying a purple patch. Forestry is holding up well despite the China downturn and crucially, the region is far less exposed to dairy than many of the predominantly rural regions.

Similarly, the East Coast has dodged the expected bullet from El Niño related drought, which was likely weighing on people's views in the December survey. Instead, the region is benefitting from strength in horticulture, improved air access bringing more tourists, and house price growth driven by population increases and low interest rates.

Turning to financial markets, last week saw the NZD strengthen against the USD, particularly after comments by the Chair of the US Federal Reserve in which she

## Growth in key sectors: dairy, tourism and residential construction



reiterated that a slower pace of rate hikes was likely in that country. This appreciation by the NZD is more an issue of USD weakness on the back of those comments, rather than NZD strength. The rise of the NZD against the wider Trade Weighted Index of 17 currencies has been more staid. Although the USD relationship has veered away from our forecasts, and may even hit the low 70s over the next few weeks, we believe that high a level is unlikely to be sustained.

## Fixed vs Floating for mortgages

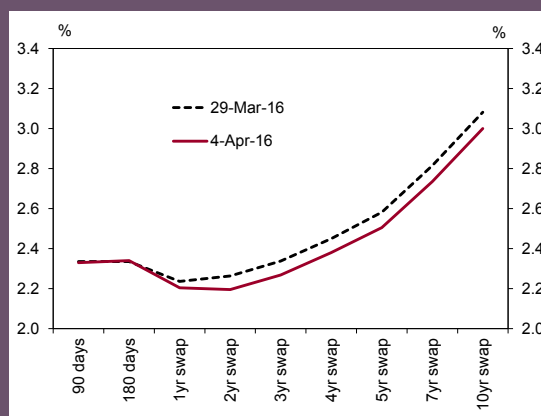
With short-term interest rates likely to fall further, borrowers should feel in no hurry to fix.

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 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



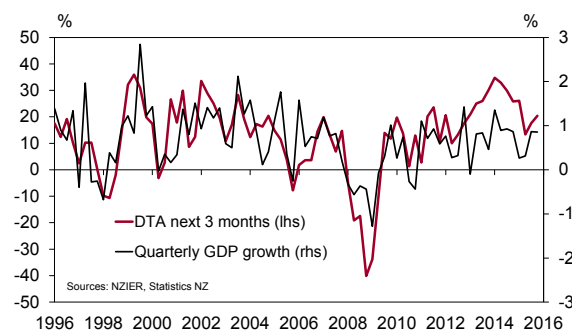
# The week ahead

## NZ Q1 Quarterly Survey of Business Opinion

Apr 5, General business confidence last: +13%

- The December quarter QBSO showed a lift in business sentiment, during a brief respite from concerns about the dairy sector. Other confidence surveys to date this year suggest that we should see a modest drop in sentiment in March.
- The QBSO is a useful early indicator of GDP growth for the quarter. We currently expect a 0.5% rise in March quarter GDP, compared to 0.9% gains in each of the previous two quarters.
- The survey's measures of costs and prices will be of particular interest. The sizeable fall in the New Zealand dollar over 2015 has yet to flow through to retail prices; it may be that currency hedging has delayed this passthrough. We will be looking for signs that firms are finally seeing a rise in imported input costs, and more importantly, that they are able to pass on any cost increases.

## QBSO domestic trading activity and GDP

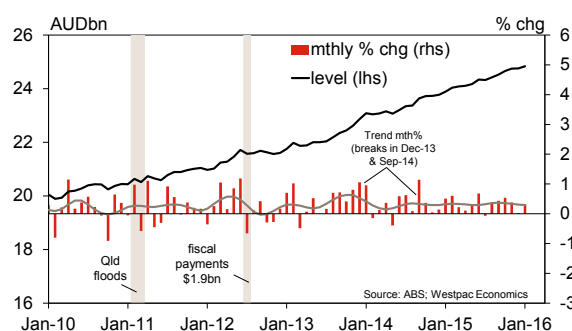


## Aus Feb retail trade

Apr 4, Last: 0.3%, WBC f/c: 0.3%, Mkt f/c: 0.4%, Range: 0.1% to 0.6%

- Retail sales posted a 0.3% gain in Jan, better than Dec's flat result but still a lacklustre rise in line with the average in 2015. Sales are up 4%yr but tracking a slightly softer 3.6% annualised pace in trend terms – the 20yr avg is 5%yr. Notably, unlike the broader consumer spending measures in the national accounts, retail sales did not show a pick up over the second half of 2015, instead maintaining a subdued pace.
- Consumer sentiment remained around 'neutral' in Feb with consumer sector responses to private sector business surveys suggesting activity cooled in early 2016. Against this, the same surveys were considerably stronger than retail sales in the second half of 2015. Household budgets have also been getting a slight boost from lower fuel prices, down 9% over the 6mths to Feb (and a further 4% since). On balance we expect Feb retail sales to show another lacklustre 0.3% gain.

## Monthly retail sales

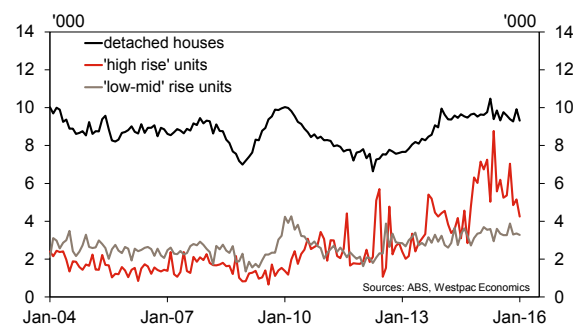


## Aus Feb dwelling approvals

Apr 4 Last: -7.5%, WBC f/c: 4.0%, Mkt f/c: 3.0%, Range: -2.5% to 5.0%

- Dwelling approvals fell 7.5% in Jan, a weak result but clouded by the summer low season which amplifies the survey's already high volatility at this time of year. While Jan reads should always be treated with caution, the evidence continues to point to a slowdown from a peak early last year.
- The Feb update should give a little more clarity on the pace of the underlying downtrend. We expect a partial retracement of the Jan fall with a 4.0% rise consistent with an underlying downtrend running at a 7-8% annualised pace. An important side note here: the bulk of the decline to date has been in the previously very strong 'high rise' component of units. This segment is harder to predict and more prone to big monthly swings due to the impact of large projects. More generally, approvals in other segments should be watched closely for signs that the downtrend is broadening.

## Dwelling approvals: houses, low-mid & high rise

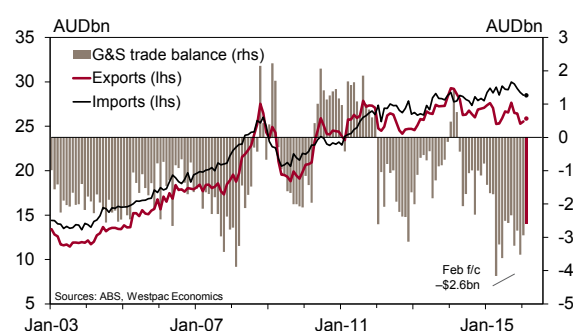


## Aus Jan trade balance, AUDbn

Apr 5, Last: -2.94, WBC f/c: -2.6, Mkt f/c: -2.5, Range: -3.1 to -2.0

- Australia is running sizeable trade deficits as sharply lower commodity prices hit export earnings. For February, we expect a \$0.35bn improvement on January that would still have the deficit at \$2.6bn.
- Export earnings are forecast to rebound a little further, up 1.4%, following a 1.1% rise in January, thereby partially reversing an 8.6% slump over the final quarter of 2015. Iron ore prices lifted off their lows and LNG volumes are expanding.
- Imports are expected to be flat with prices broadly steady as the AUD was little changed, +0.6% on a TWI basis.
- **NOTE: there is greater uncertainty around the import and trade forecast as the ABS no longer publishes custom imports data ahead of the trade release.**

## Australia's trade position



---

# The week ahead

---

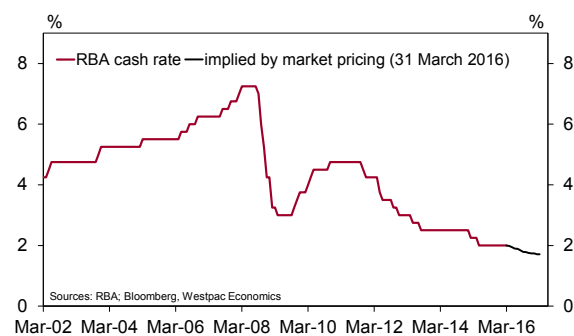
## Aus RBA policy decision

Apr 5, Last: 2.00%, WBC f/c: 2.00%

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

- The RBA is widely expected to leave rates unchanged at its April meeting. The RBA has a clear easing bias, with the Governor's March statement including the line: "continued low inflation **would** provide scope for easier policy, should that be appropriate to lend support to demand", which was strengthened from February by changing the word "may" to "would".
- The statement also highlighted the main areas of interest are "whether the recent improvement in labour market conditions is continuing" and "whether the recent financial turbulence portends weaker global and domestic demand".
- With the AUD jumping 6¢ to US77¢ in the past month the Governor's comments on the currency will be a key focus.

## RBA cash rate and market pricing



# Data calendar

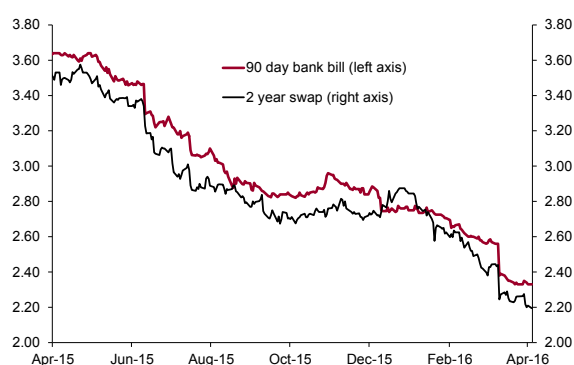
		Last	Market median	Westpac forecast	Risk/Comment
<b>Mon 4</b>					
<b>NZ</b>	Q1 Westpac MM employment confidence	101.5	-	-	Ticked up in Q4, but broader confidence measures have softened lately.
<b>Aus</b>	Feb retail sales	0.3%	0.40%	0.3%	Consumer lift bypassed retailers in 2015. Sales subdued so far in 2016.
	Feb dwelling approvals	-7.5%	3.0%	4.0%	High-rise driving slowdown to date. Seasonal 'noise' a factor in Jan?
	Mar TD-MI inflation gauge, %yr	2.1%	-	-	Inflation benign. Note, RBA core inflation at bottom of the target band.
	Mar ANZ job ads	-1.2%	-	-	Broadly stabilised over past 3mths - upward trend faltering?
<b>Eur</b>	Apr Sentix investor confidence	5.5	7.0	-	ECB a key to market confidence.
<b>US</b>	Mar ISM New York	53.6	-	-	There are signs that the drag from manufacturing is dissipating.
	Mar Fed labour market conditions index	-2.4	-	-	FOMC's aggregate measure of the US labour market.
	Feb durables goods orders (final)	-2.8%	-	-	Fell for a 3rd time in 4mths - softness in capital investment
	Fedspeak	-	-	-	Rosengren speaks at Cybersecurity conference.
<b>Tue 5</b>					
<b>NZ</b>	Q1 NZIER Business Opinion	13	-	-	Pricing indicators will be important to watch.
	Mar ANZ commodity prices	0.4%	-	-	Likely to continue to drift sideways this month.
<b>Aus</b>	Feb trade balance \$bn	-2.9	-2.5	-2.6	Deficit to narrow, exports +1.4% on iron ore price rebound, imports flat.
	Mar AiG PSI	51.8	-	-	Up 3.4pts on sales & new orders. Led by health & recreational services.
	RBA policy decision	2.00%	2.00%	2.00%	No move, on hold from June '15. Commentary around AUD of interest.
<b>Eur</b>	Mar Markit Services PMI (final)	54.0	54.0	-	Service sectors expanding, index broadly steady around 54 level.
<b>Ger</b>	Feb factory orders	-0.1%	0.5%	-	Edging higher, up 1.1%yr in Jan.
	Mar Markit Services PMI (final)	55.5	55.5	-	Continuing service sector expansion, as for the Eurozone.
<b>UK</b>	Mar Markit Services PMI	52.7	53.9	-	UK service sectors have lost momentum recently. Brexit nerves?
<b>US</b>	Feb trade balance, \$bn	-45.7	-46.3	-	Net exports to remain a drag in 2016
	Mar Markit Services PMI (final)	51.0	-	-	Suggests a loss of momentum for service sectors, down from 55 in Q4.
	Mar ISM non-manufacturing	53.4	54.2	-	Expansion more modest early in 2016, was at 58 in H2'15
	Feb JOLTS job openings	5541	-	-	Job openings outpacing hiring, consistent with improving labour market.
	Fedspeak	-	-	-	Kashkari Holds Town Hall on Too Big to Fail.
	Fedspeak	-	-	-	Evans speaks on the economy and policy in Hong Kong.
<b>Wed 6</b>					
<b>NZ</b>	GlobalDairyTrade auction results	-2.9%	-	-	Prices expected to remain relatively stable at low levels.
	QVNZ house prices (% yr)	11.6%	-	-	Likely to dip further as Auckland house price growth slows sharply.
<b>Aus</b>	RBA Assistant Governor Economic	-	-	-	Christopher Kent "Economic forecasting at the RBA", Hobart, 5pm
<b>Chn</b>	Mar Caixin China PMI services	51.2	-	-	Initial update post Lunar New Year, recent reads in 50-52.5 range.
<b>Ger</b>	Feb industrial production	3.3%	-2.0%	-	Partial pull-back expected, implying annual growth broadly flat.
<b>US</b>	FOMC minutes	-	-	-	Further colour on debate of domestic and global risks.
	Fedspeak	-	-	-	Mester speaks in Cleveland.
<b>Can</b>	Mar Ivey PMI	53.4	-	-	Trend difficult to determine, recent updates between 49.9 & 66.0.
<b>Thu 7</b>					
<b>Chn</b>	Mar foreign reserves \$bn	3,202	3,170	-	Appear to be consolidating early in 2016, after sharp run-down 2015 H2.
<b>Eur</b>	ECB meeting minutes	-	-	-	At March meeting ECB lowered rates and expanded asset purchases.
<b>UK</b>	Mar Halifax house prices	-1.4%	1.0%	-	Low mortgage rates have been supporting demand.
<b>US</b>	Initial jobless claims	276k	-	-	Despite their recent increases, claims remain low.
	Feb consumer credit, \$b	10.5	15.0	-	Auto and student loan growth robust.
	Fedspeak	-	-	-	Kaplan speaks in Dallas.
	Fedspeak	-	-	-	Bullard makes welcome remarks at St. Louis lecture.
<b>Fri 8</b>					
<b>Chn</b>	Mar foreign direct investment %yr	1.8%	-	-	Tentative date, 8-12 /4.
<b>Ger</b>	Feb trade balance €bn	13.4	18.1	-	Data not seasonally adjusted - reversal of seasonal narrowing expected.
<b>UK</b>	Feb industrial production	0.3%	0.1%	-	Remains weak, but showing signs of stabilising.
	Feb trade balance, £bn	-3.5	-3.7	-	Soft external demand remains a drag.
<b>US</b>	Feb wholesale inventories	0.2%	-0.3%	-	Inventories a risk to growth early in 2016
	Fedspeak	-	-	-	George speaks in Nebraska.
	FOMC Chair Yellen	-	-	-	Speaking in New York with Greenspan, Bernanke and Volcker.

# New Zealand forecasts

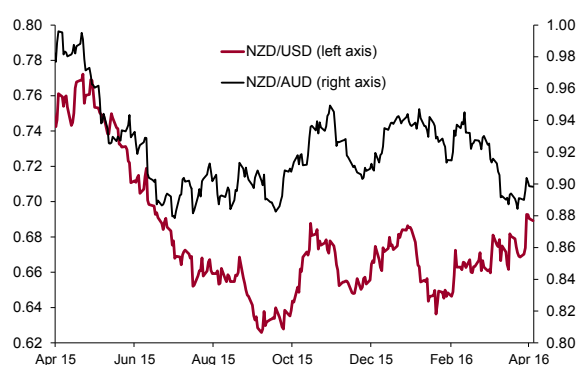
Economic Growth Forecasts	March years				Calendar years			
	% change	2014	2015	2016f	2017f	2014	2015	2016f
GDP (Production) ann avg	2.7	3.6	2.4	3.0	3.7	2.5	2.8	2.9
Employment	3.8	3.2	1.3	2.8	3.6	1.4	2.8	1.7
Unemployment Rate % s.a.	6.0	5.8	5.8	5.2	5.8	5.3	5.3	5.2
CPI	1.5	0.3	0.3	1.1	0.8	0.1	0.7	2.2
Current Account Balance % of GDP	-2.5	-3.4	-3.2	-3.3	-3.1	-3.1	-3.3	-3.6

Financial Forecasts	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17
Cash	2.00	2.00	2.00	2.00	2.00	2.00
90 Day bill	2.10	2.10	2.10	2.10	2.10	2.10
2 Year Swap	2.10	2.10	2.10	2.10	2.10	2.10
5 Year Swap	2.60	2.80	2.90	3.00	3.10	3.10
10 Year Bond	3.00	3.10	3.30	3.50	3.60	3.60
NZD/USD	0.64	0.62	0.61	0.62	0.62	0.62
NZD/AUD	0.89	0.89	0.88	0.88	0.86	0.85
NZD/JPY	76.2	75.6	75.0	77.0	77.3	77.5
NZD/EUR	0.59	0.57	0.57	0.58	0.58	0.57
NZD/GBP	0.46	0.44	0.44	0.45	0.45	0.43
TWI	69.3	67.8	67.2	68.0	67.8	67.3

2 Year Swap and 90 Day Bank Bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on Monday 4 April 2016

Interest Rates	Current	Two weeks ago	One month ago
Cash	2.25%	2.25%	2.50%
30 Days	2.30%	2.31%	2.51%
60 Days	2.32%	2.33%	2.55%
90 Days	2.33%	2.36%	2.58%
2 Year Swap	2.20%	2.24%	2.44%
5 Year Swap	2.51%	2.53%	2.71%

NZ foreign currency mid-rates as at Monday 4 April 2016

Exchange Rates	Current	Two weeks ago	One month ago
NZD/USD	0.6891	0.6798	0.6796
NZD/EUR	0.6046	0.6038	0.6179
NZD/GBP	0.4846	0.4708	0.4778
NZD/JPY	76.95	75.88	77.46
NZD/AUD	0.8983	0.8939	0.9173
TWI	72.88	72.17	73.26

# International forecasts

Economic Forecasts (Calendar Years)	2012	2013	2014	2015f	2016f	2017f
<b>Australia</b>						
Real GDP % yr	3.5	2.0	2.6	2.5	2.8	2.8
CPI inflation % annual	2.2	2.7	1.7	1.7	1.9	2.2
Unemployment %	5.3	5.8	6.2	5.8	5.9	5.7
Current Account % GDP	-4.4	-3.4	-3.0	-4.6	-4.5	-4.3
<b>United States</b>						
Real GDP %yr	2.2	1.5	2.4	2.4	2.4	2.1
Consumer Prices %yr	2.1	1.5	1.6	0.1	1.3	1.7
Unemployment Rate %	8.1	7.4	6.2	5.3	4.7	4.5
Current Account %GDP	-2.9	-2.3	-2.2	-2.3	-2.3	-2.3
<b>Japan</b>						
Real GDP %yr	1.7	1.6	-0.1	0.6	1.1	0.7
<b>Euroland</b>						
Real GDP %yr	-0.8	-0.3	0.9	1.5	1.3	1.3
<b>United Kingdom</b>						
Real GDP %yr	0.7	1.7	3.0	2.5	2.3	2.1
<b>China</b>						
Real GDP %yr	7.7	7.7	7.3	6.9	6.5	6.2
<b>East Asia ex China</b>						
Real GDP %yr	4.6	4.2	4.1	3.6	3.9	4.2
<b>World</b>						
Real GDP %yr	3.4	3.3	3.4	3.0	3.4	3.5

Forecasts finalised 11 Mar 2016

Interest Rate Forecasts	Latest	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
<b>Australia</b>						
Cash	2.00	2.00	2.00	2.00	2.00	2.00
90 Day Bill	2.28	2.30	2.30	2.30	2.30	2.30
10 Year Bond	2.54	2.70	2.80	3.05	3.05	3.30
<b>International</b>						
Fed Funds	0.375	0.625	0.625	0.875	0.875	1.125
US 10 Year Bond	1.80	2.20	2.30	2.50	2.75	3.00
ECB Repo Rate	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40

Exchange Rate Forecasts	Latest	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
AUD/USD	0.7660	0.72	0.70	0.69	0.70	0.72
USD/JPY	112.20	119	122	123	125	125
EUR/USD	1.1370	1.09	1.08	1.07	1.06	1.06
AUD/NZD	1.1100	1.13	1.13	1.13	1.14	1.17



---

# Contact the Westpac economics team

---

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

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

**Satish Ranchhod**, Senior Economist +64 9 336 5668

**Anne Boniface**, Senior Economist +64 9 336 5669

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

**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:** 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.



---

# Disclaimer continued

---

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.

**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.