



WEEKLY ECONOMIC COMMENTARY



19 Feb 2024 | Westpac Economics Team | westpac.co.nz/economics | economics@westpac.co.nz

What next for the RBNZ?

The three-month gap between Reserve Bank policy reviews has been a rollercoaster ride for forecasters and markets, and even now there's a significant degree of uncertainty around which direction the RBNZ might take. We set out our thinking in a note last week, and the flurry of economic data since then hasn't really shifted the balance.

Back in its November *Monetary Policy Statement*, the RBNZ surprised almost all with the threat of further tightening in 2024 if inflation pressures didn't recede fast enough. Central to their thesis was concern that domestic inflation pressures, including wage growth, were taking longer to adjust than expected; that migration was putting a floor under demand at the time when policy was trying to increase excess capacity; that the housing market was showing signs of resurgence; and that fiscal policy might not do enough to assist the disinflation process.

Having said that, the November *Statement* did not hint at a potential tightening as soon as its February meeting. The RBNZ's forecasts implied the potential for action later in 2024, motivated by risks associated with migrant-driven demand for housing. Some market participants and commentators concluded that the less-than-imminent timeframe meant that the RBNZ's rhetoric was an empty threat, aimed at managing speculation about OCR cuts this year, although we didn't.

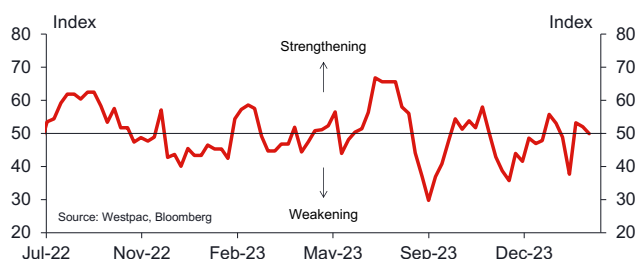
Developments following the November *Statement* moved the market's thinking further away from the RBNZ's message. The GDP report for the September quarter was substantially weaker than expected, and growth over the preceding year was also revised down sharply from what was first reported. At this point we removed our forecast of a further OCR hike in 2024, while noting that the RBNZ would still be wary of taking the brakes off too soon.

Markets were also especially moved by the weakening in traded goods, airfares and food shown in the selected price indices for December. We were less impressed as these were always going to fall in the near term; whether

Key views

	Last 3 months	Next 3 months	Next year
Global economy	→	→	↗
NZ economy	↘	→	↗
Inflation	↘	↘	↓
Short-term interest rates	→	→	→
Long-term interest rates	↘	↗	↘
NZD/USD	↗	→	↗
NZD/AUD	↗	→	↘

Westpac New Zealand Data Pulse Index



Key data and event outlook

Date	Event
28 Feb 24	RBNZ Monetary Policy Statement and OCR
13 Mar 24	NZ selected price indexes, February
19 Mar 24	RBA Monetary Policy Decision and SMP
20 Mar 24	FOMC Meeting (Announced 21 Mar NZT)
21 Mar 24	GDP, December quarter
27 Mar 24	Govt to release Budget Policy Statement
9 Apr 24	QSBO business survey, March quarter
10 Apr 24	RBNZ Monetary Policy Review
12 Apr 24	NZ Selected price indexes, March
1 May 24	NZ labour market statistics, March quarter
1 May 24	RBNZ to release Financial Stability Report
1 May 24	FOMC Meeting (Announced 2 May NZT)
7 May 24	RBA Monetary Policy Decision and SMP
13 May 24	NZ Selected price indexes, April

now or in a quarter or two was of little consequence for the appropriate policy rate today. Hence, we were very sceptical when markets swung to expecting rate cuts as early as May 2024. We could see a case for an easing by August if things went very well, but the core view was that the OCR would need to stay at 5.5% in 2024 to lean against sticky inflation.

And as it turned out, recent developments have actually pointed to lingering persistence in underlying inflation pressures. While the December quarter CPI was below the RBNZ's forecast, the key domestic inflation components were revealed to be markedly stronger than expected. That was followed by the labour market surveys which showed that employment and wage inflation are softening, but only at a slow rate. Finally, business confidence surveys have shown a lift in optimism and, more worryingly, in firms' pricing intentions.

While some commentators and markets have jumped ship from "team easing" to "team tightening," we still find ourselves somewhere in the middle. We think the "high for longer" strategy can still work, but the time is shortening to continue giving the data the benefit of the doubt. We are perhaps slightly more confident that the recent drop in headline inflation will allow for a return to the 1-3% target range before 2025. But progress could be slower beyond that, without a significant near-term easing in the labour market.

Hence, we expect another hawkish *Statement* later this month, that could potentially threaten policy tightening sooner than indicated last November. We see that as consistent with continuing with the "longer" strategy, while managing the risks that the current OCR might not deliver sufficient disinflation. And the prospect of OCR cuts will remain distant in the RBNZ's projections.

Last week offered plenty of events that had the potential to tip the market's thinking one way or another. In the end, though, it was a fairly mixed bag. First, RBNZ Governor Orr had two speaking engagements before the 'blackout' period ahead of the next *Monetary Policy Statement*. While these were keenly watched by the markets, it was really an outside chance that he might hint at a change in the RBNZ's strategy. Both occasions proved to be fairly high-level and in line with their previous messaging.

The RBNZ's survey of inflation expectations showed a decline over every time horizon, with the key two-year ahead measure falling to 2.5% – well within the RBNZ's 1-3% target range, though still some way from the midpoint. So while the RBNZ will be pleased with the direction of travel, the question remains whether it's happening quickly enough for their tastes.

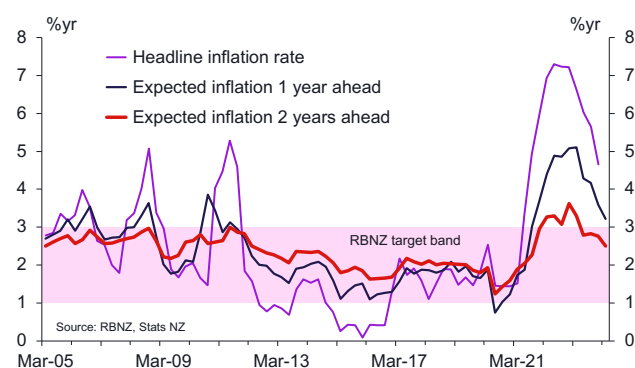
The housing market made a soft start to the year, with a very low number of sales and limited momentum in house prices. While January tends to be a quieter month anyway, sales were still down sharply in seasonally adjusted terms, and the average time to sell extended out

to 45 days. The house price index was the odd one out, with a 1% rise for the month. However, the trend has been effectively sideways since September.

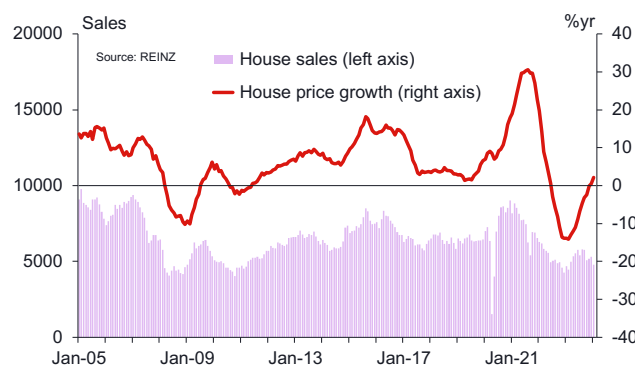
Retail spending picked up by 1.7% in seasonally adjusted terms in January, although that followed a similar-sized drop in December. As with house prices, spending levels have effectively been tracking sideways for a while now.

Finally, the monthly price indices for January were broadly in line with what we expected. Food prices are easing (down 0.2% seasonally adjusted), as some of the shocks to food prices from last year are unwound. But the trend in rents remained firm, reflecting the renewed pressures on New Zealand's housing stock from a rapidly growing population.

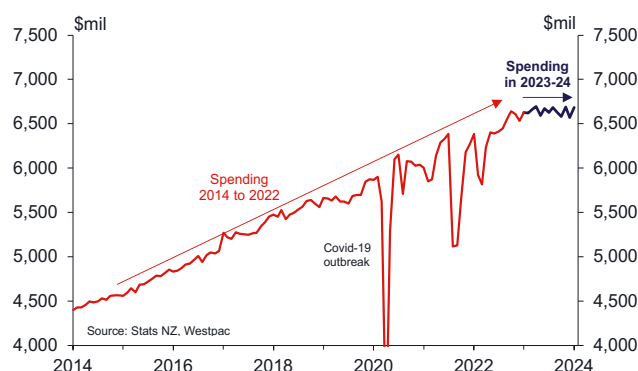
RBNZ Survey of Expectations



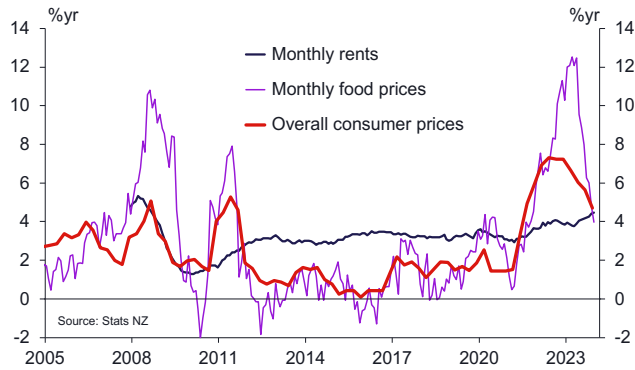
REINZ house prices and sales



New Zealand retail spending growth has stalled



NZ selected monthly consumer prices

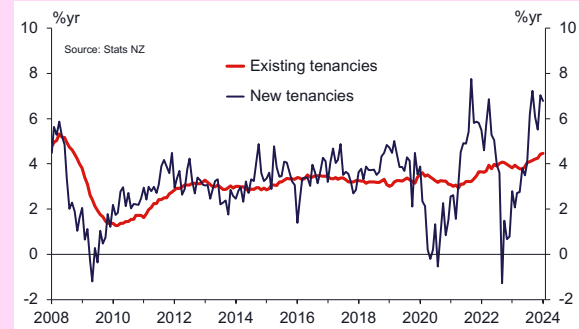


Michael Gordon, Senior Economist

Chart of the week.

The selected monthly price indices provide two measures of the trend in rents. First, Stats NZ estimates the average weekly rents on new tenancies using bond data, then uses this to model the average rents being paid on the entire rental stock. The latter measure is the one that enters the CPI, and it tends to evolve gradually over time. But the 'flow' measure provides a signal about its future direction. The strong rise in rents on new tenancies at the moment suggests that the 'stock' measure will continue to creep higher in the months ahead.

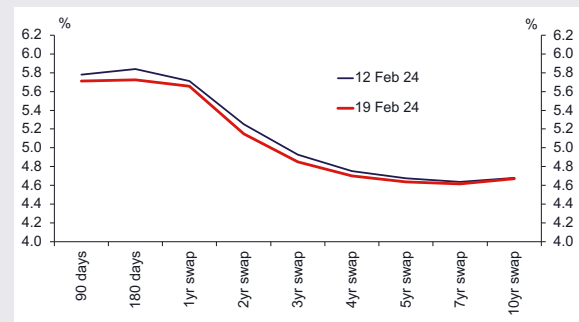
Monthly rents, stock vs flow



Fixed versus floating for mortgages.

With inflation dropping back, we don't expect that the RBNZ will take the OCR higher. However, we still think OCR reductions are a way off. Fixing for a shorter term would provide borrowers with greater flexibility if mortgage rates fall later this year. However, for borrowers who favour certainty, at current fixed rates we see value in fixing for as long as two years.

NZ interest rates



Global wrap

United States.

US markets were rocked by CPI data early in the week, with the core index rising a higher than expected 0.3% in January and so, disappointingly, leaving annual inflation steady at 3.9%. A large increase in housing-related prices contributed to this outcome. While these items carry less weight in the Fed's preferred inflation metric (the core PCE deflator), the CPI outcome further dampened the market's enthusiasm for pricing aggressive rate cuts. In other news, retail sales posted a sharper than expected 0.8% decline in January while manufacturing production fell an unexpected 0.5%. Regional manufacturing surveys in Philadelphia and New York picked up from very weak levels in February, however. Looking ahead, following today's President's Day holiday, a quiet week for data and events will bring the release of the latest FOMC minutes, news on home sales and the flash PMI reports.

Europe.

Last week's UK data proved to be a mixed bag. Labour market news was firmer than expected, with the unemployment rate falling to 3.8% (although very low survey response rates mean this data is being interpreted with caution). Retail spending rebounded in January from a very weak December print. However, GDP contracted by an unexpected 0.3% in Q4, leaving the economy 0.2% weaker than a year earlier. In addition, annual CPI inflation remained at 4.0% in January, which was a softer outcome than expected. The second estimate of euro area GDP growth confirmed that the economy was stagnant at the end of last year. This week the focus in Europe will be on key sentiment indicators, including the flash PMI readings for the euro area and the UK and various national business sentiment surveys in Germany, France and the UK.

Asia-Pacific.

Cooling inflation and a more optimistic outlook for interest rates helped lift Australian consumer sentiment to a 20-month high in February. However, business' assessment of economic conditions dipped below the long-run average, and the unemployment rate increased a greater than expected 0.2pts to 4.1% - the highest rate since late 2021. This week, most interest in Australia will centre on the wage price index and the minutes from this month's RBA Board meeting. In Japan, preliminary data pointed to an unexpected 0.1% contraction in GDP in Q4, coming on top of a 0.8% decline in Q3. This week Japan will print the latest international trade and flash PMI reports. Following the Lunar New Year holiday, the PBoC left its 1-year MLF rate steady at 2.5%. Chinese markets will reopen this week, but the next key domestic data release (PMIs) is not until 1 March.

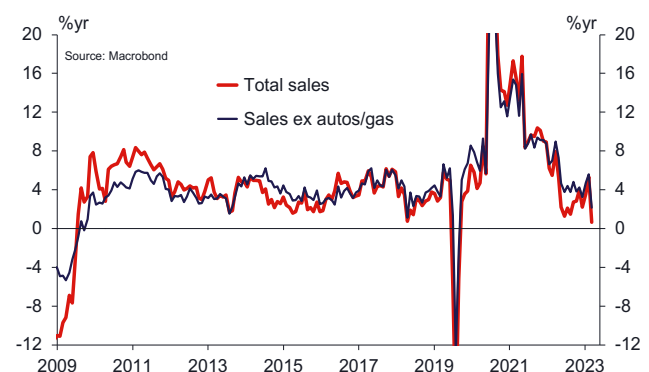
Trading partner real GDP (calendar years)

	Annual average % change			
	2022	2023	2024	2025
Australia	3.8	2.0	1.3	2.2
China	3.0	5.2	5.2	5.0
United States	2.1	2.5	2.6	1.3
Japan	1.0	2.0	0.9	0.9
East Asia ex China	4.5	3.4	4.1	4.2
India	7.2	7.0	6.3	6.5
Euro Zone	3.3	0.5	0.6	1.5
United Kingdom	4.1	0.4	0.5	1.3
NZ trading partners	3.3	3.4	3.4	3.4
World	3.5	3.3	3.3	3.1

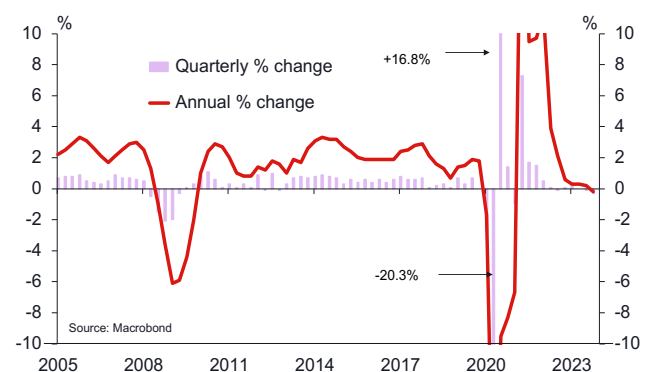
Australian & US interest rate outlook

	16-Feb	Jun-24	Dec-24	Dec-25
Australia				
Cash	4.35	4.35	3.85	3.10
90 Day BBSW	4.34	4.37	3.92	3.30
3 Year Swap	3.96	3.95	3.75	3.50
3 Year Bond	3.76	3.75	3.55	3.30
10 Year Bond	4.18	4.05	3.85	4.00
10 Year Spread to US (bps)	-7	5	5	0
US				
Fed Funds	5.375	5.125	4.375	3.375
US 10 Year Bond	4.15	4.00	3.80	4.00

US retail sales



UK GDP growth



Financial markets wrap

Interest rates.

The surge in NZ swap rates over the past two week, driven by speculation the RBNZ could hike at its next meeting on 28 February, appears to have run its course, and we now expect a gradual reversal as markets adopt the path of least resistance which is downwards. The 2yr swap peaked at 5.26% - a high since late November, but is now at 5.16%, with potential to fall below 5.00% during the weeks ahead as speculation on the next RBNZ easing cycle remains the dominant theme in NZ rates markets.

Market pricing still has a small (20%) chance of a Feb hike and a 40% chance of a May hike, but these could be unwound further if the Feb MPS remains on hold and delivers an OCR track which is little changed from November. Markets seem more confident about rate cuts, with a 100% chance of one priced by November 2024. Our economists continue to expect a long period on hold, with easing to start in February 2025.

This week's NZ (and global) event calendar is light and unlikely to ruffle NZ rates markets much.

Foreign exchange.

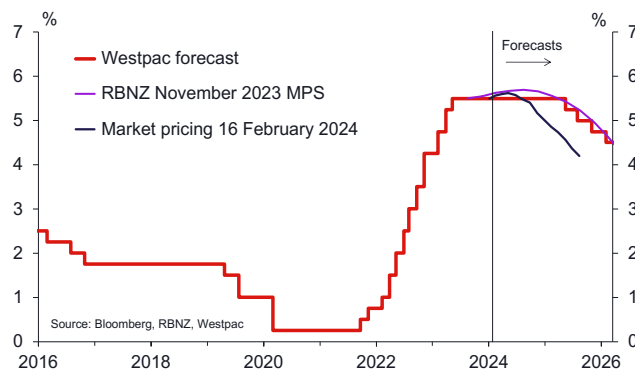
NZD/USD remains confined to a month-old range (0.6040-0.6175), although there's a glimmer of upside risk this week, such that 0.6175 could be tested. The US dollar has stalled over the past few days, despite stronger CPI and PPI inflation data.

RBNZ Governor Orr's speech on Friday had little for markets, and there's no major NZ (or US) event risk until the 28 Feb MPS. NZD has been one of the more resilient G10 currencies over the past two weeks, helped by positive NZ data momentum which briefly ignited speculation that a RBNZ rate hike is possible.

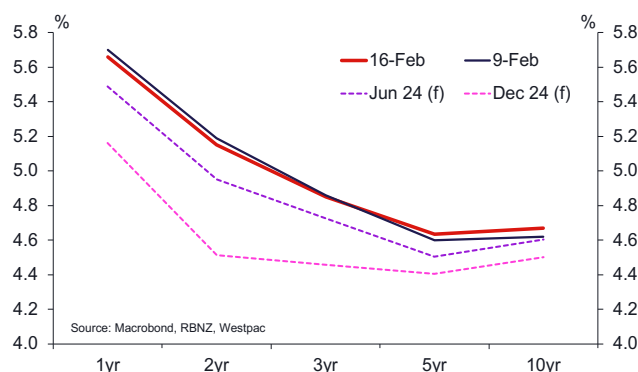
Multi-month, we continue to see potential for a rise towards 0.6300. The justification for such a rise would be growing expectations that the RBNZ's next easing cycle will start much later than the US Federal Reserve's (our economists forecast June 2024 and February 2025, respectively). Such a rise could present a hedging opportunity for NZ importers.

NZD/AUD's recent break above its year-old range (at around 0.9350) did not extend last week, but retains potential to do so, which would target 0.9500 during the weeks ahead. NZ-AU yield spreads rose sharply over the past month, with further gains largely dependent on the outcomes of the next RBNZ and RBA decisions. Multi-month, we are bearish, given the fiscal and current account outlooks for AU and NZ are firmly in the AUD's favour.

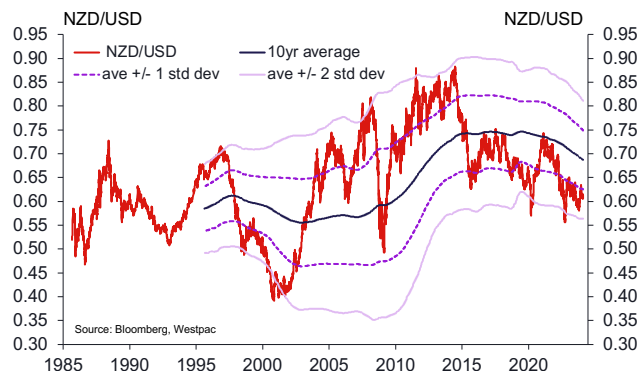
Official Cash Rate forecasts



Swap rates



NZD/USD vs rolling 10yr average



FX recent developments

	Historical data				F'cast
	Spot	3mth range	5yr range	5yr avg	Dec-24
USD	0.612	0.596-0.635	0.555-0.743	0.652	0.64
AUD	0.938	0.920-0.942	0.873-0.992	0.933	0.91
EUR	0.569	0.549-0.572	0.517-0.637	0.585	0.56
GBP	0.486	0.478-0.497	0.464-0.544	0.508	0.50
JPY	92.2	88.1-91.7	61.3-91.7	78.1	88.3

The week ahead

NZ Global Dairy Trade auction, whole milk powder prices

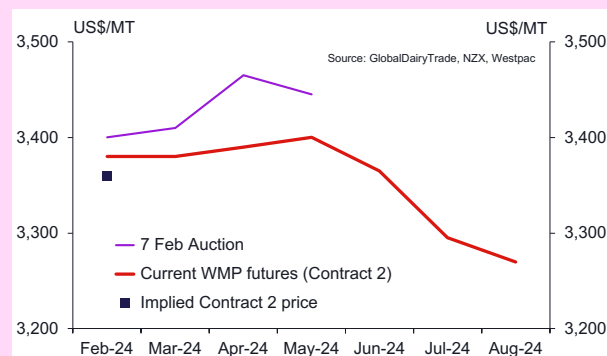
Feb 21, Last: 3.4%, Westpac f/c: -1.0%

We expect whole milk powder prices (WMP) to fall by 1% at the upcoming auction. Prices fell by 2% at the recent pulse auction. The last auction was relatively strong, perhaps because of pre-buying by Chinese buyers prior to the Lunar New Year holiday.

We expect world dairy prices to remain relatively steady over the near-term. Growth in Chinese demand is expected to remain subdued, though in recent months this has been more than offset by strength in demand from other regions.

The global milk supply is expected to grow only modestly. While conducive weather conditions continue to support production gains in New Zealand, tighter environmental regulations have driven a substantial drop in European milk production in recent months.

Whole milk powder prices



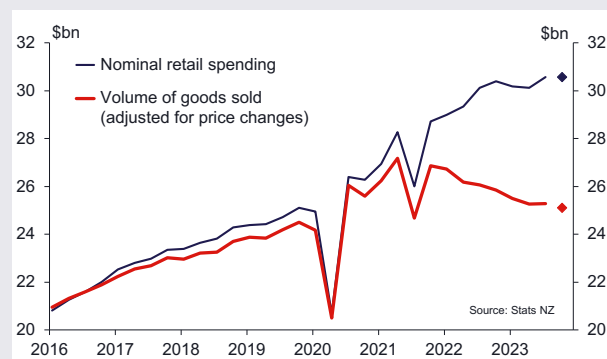
NZ Q4 retail spending (volumes)

23 Feb, Last: 0.0%, Westpac f/c: -0.6%

Nominal retail spending levels were up 1.5% over the September quarter. However, that rise was entirely due to price increases. The volume of goods sold was unchanged. And with population growth running at multi-decade highs, that points to weak per-capita spending.

We expect that earlier softness continued through the December quarter. With nominal spending levels effectively flat over the quarter and prices continuing to push higher, we expect that the volume of goods sold was down 0.6%. Much of that is due to reduced spending on household durables (like appliances and furnishings) which has been squeezed by high interest rates.

Retail spending (including forecasts)

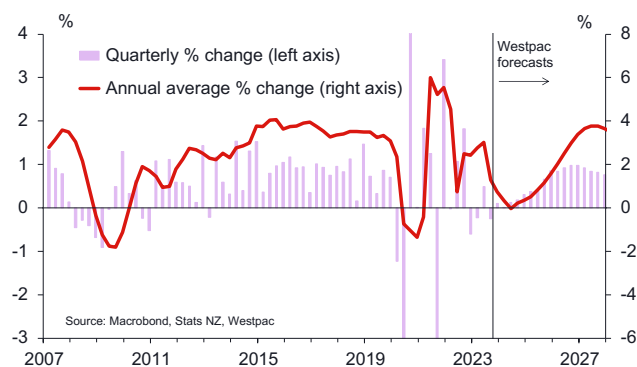


Economic and financial forecasts

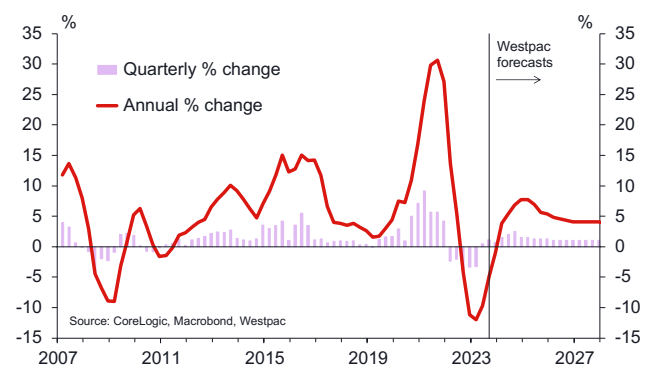
Economic indicators	Quarterly % change				Annual % change			
	Sep-23	Dec-23	Mar-24	Jun-24	2022	2023	2024	2025
GDP (production)	-0.3	0.1	0.0	0.1	2.4	0.7	0.3	1.6
Consumer price index	1.8	0.5	0.9	0.6	7.2	4.7	3.1	2.5
Employment change	-0.2	0.2	-0.1	0.0	1.7	2.1	-0.2	1.2
Unemployment rate	3.9	4.0	4.3	4.6	3.4	4.0	5.1	5.2
Labour cost index (all sectors)	1.1	1.0	0.8	0.8	4.1	4.3	3.4	2.5
Current account balance (% of GDP)	-7.6	-7.1	-6.5	-6.2	-8.8	-7.1	-5.2	-4.0
Terms of trade	-0.6	-1.7	2.6	2.2	-4.2	-3.5	9.6	5.8
House price index	2.1	1.0	1.5	2.0	-11.2	1.0	8.0	6.4

Financial forecasts	End of quarter				End of year			
	Sep-23	Dec-23	Mar-24	Jun-24	2022	2023	2024	2025
OCR	5.50	5.50	5.50	5.50	4.25	5.50	5.50	4.50
90 day bank bill	5.66	5.65	5.60	5.60	4.26	5.65	5.50	4.50
2 year swap	5.53	5.28	5.10	4.95	5.10	5.28	4.50	4.00
5 year swap	4.90	4.84	4.70	4.60	4.67	4.84	4.40	4.10
10 year bond	4.87	5.09	4.85	4.70	4.31	5.09	4.60	4.25
TWI	70.6	70.8	71.7	71.5	70.8	70.8	71.1	69.5
NZD/USD	0.61	0.60	0.62	0.63	0.60	0.60	0.64	0.65
NZD/AUD	0.92	0.93	0.94	0.93	0.92	0.93	0.91	0.89
NZD/EUR	0.56	0.56	0.57	0.57	0.59	0.56	0.56	0.56
NZD/GBP	0.48	0.49	0.50	0.50	0.51	0.49	0.50	0.50

GDP growth



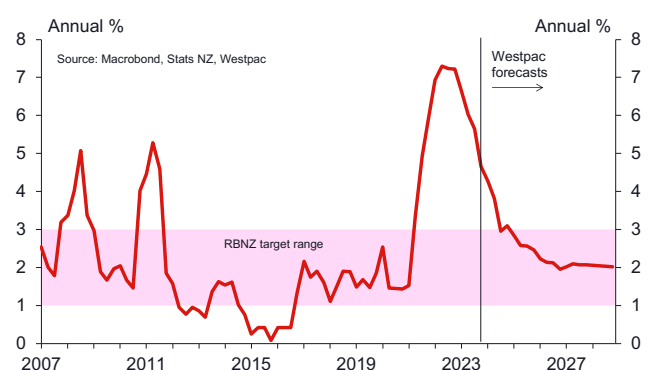
House prices



Employment and wage growth



Consumer price inflation



Data calendar

		Last	Market median	Westpac forecast	Risk/Comment
Mon 19					
NZ	Jan BusinessNZ PSI	48.8	–	–	Businesses continuing to report weak trading activity.
Jpn	Dec core machinery orders	–4.9%	2.5%	–	Slowdown in developed markets to keep orders weak.
US	Presidents' Day	–	–	–	Public holiday; markets closed.
Tue 20					
Aus	RBA February Minutes	–	–	–	Policy considerations and balance of risks in focus.
US	Jan leading index	–0.1%	–0.3%	–	Likely to continue signalling below-trend growth.
Wed 21					
NZ	GlobalDairyTrade auction (WMP)	3.4%	–	–1.0%	Futures prices fall; may reflect lack of Chinese buyers.
Aus	Jan Westpac–MI Leading Index	0.01%	–	–	Momentum a little shakier in recent months?
	Q4 WPI	1.3%	0.9%	0.9%	Sept was boosted by min wage increase plus CPI indexation.
Eur	Feb consumer confidence	–16.1	–15.8	–	Rate hikes keep mood downbeat.
US	FOMC January Minutes	–	–	–	Hints around the conditions necessary for policy easing.
	Fedspeak	–	–	–	Bostic.
Thu 22					
NZ	Jan trade balance \$mn	–323	–	–1000	Seasonal fall in exports to push the trade deficit higher.
Jpn	Feb Jibun Bank manufacturing PMI	51.5	–	–	Foreign demand accounts for the slight positivity in...
	Feb Jibun Bank services PMI	48.0	–	–	... both services and manufacturing.
Eur	Feb HCOB manufacturing PMI	46.6	47.0	–	Demand is softening, both globally and locally...
	Feb HCOB services PMI	48.4	48.7	–	... weighing on sentiment across both sectors.
	Jan CPI %yr	2.8%	2.8%	–	Final estimate.
UK	Feb S&P Global manufacturing PMI	47.0	–	–	Broad-based weakness reflects manufacturers' caution...
	Feb S&P Global services PMI	54.3	–	–	... as services activity continues to rebound.
US	Jan Chicago Fed activity index	–0.15	–	–	Activity to remain below trend for some time.
	Feb S&P Global manufacturing PMI	50.7	50.1	–	Longevity of New Year sentiment bounce in question...
	Feb S&P Global services PMI	52.5	52.0	–	... as regional surveys highlight a weak backdrop.
	Jan existing home sales	–1.0%	5.0%	–	Low inventory keeps sales low.
	Initial jobless claims	212k	–	–	Likely to remain at a low to remain low, for now.
	Fedspeak	–	–	–	Jefferson, Bowman, Harker.
Fri 23					
NZ	Q4 real retail sales	0.0%	–0.2%	–0.6%	Financial pressures squeezing spending.
UK	Feb GfK consumer sentiment	–19	–	–	Highest level in two years, but still below pre-pandemic.
US	Fedspeak	–	–	–	Cook, Kashkari, Waller.

CONTACT

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

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

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

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

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

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

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

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

DISCLAIMER

Things you should know.

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

Disclaimer.

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

Country disclosures.

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

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

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

UK: The contents of this communication, which have been prepared by and are the sole responsibility of Westpac Banking Corporation London and Westpac Europe Limited. Westpac (a) has its principal place of business in the United Kingdom at Camomile Court, 23 Camomile Street, London EC3A 7LL, and is registered at Cardiff in the UK (as Branch No. BR00106), and (b) authorised and regulated by the Australian Prudential Regulation Authority in Australia. Westpac is authorised in the United Kingdom by the Prudential Regulation Authority. Westpac is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request. Westpac Europe Limited is a company registered in England (number 05660023) and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

This communication is being made only to and is directed at (a) persons who have professional experience in matters relating to investments who fall within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (b) high net worth entities, and other persons to whom it may otherwise lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). Any person who is not a relevant person should not act or rely on this communication or any of its contents. The investments to which this communication relates are only available to and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such investments will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely upon this communication or any of its contents. In the same way, the information contained in this communication is intended for "eligible counterparties" and "professional clients" as defined by the rules of the Financial Conduct Authority and is not intended for "retail clients". With this in mind, Westpac expressly prohibits you from passing on the information in this communication to any third party. In particular this communication and, in each case, any copies thereof may not be taken, transmitted or distributed, directly or indirectly into any restricted jurisdiction. This communication is made in compliance with the Market Abuse Regulation (Regulation(EU) 596/2014).

Investment recommendations disclosure.

The material may contain investment recommendations, including information recommending an investment strategy. Reasonable steps have been taken to ensure that the material is presented in a clear, accurate and objective manner. Investment Recommendations for Financial Instruments covered by MAR are made in compliance with Article 20 MAR. Westpac does not apply MAR Investment Recommendation requirements to Spot Foreign Exchange which is out of scope for MAR.

Unless otherwise indicated, there are no planned updates to this Investment Recommendation at the time of publication. Westpac has no obligation to update, modify or amend this Investment Recommendation or to notify the recipients of this Investment Recommendation should any information, including opinion, forecast or estimate set out in this Investment Recommendation change or subsequently become inaccurate.

Westpac will from time to time dispose of and acquire financial instruments of companies covered in this Investment Recommendation as principal and act as a market maker or liquidity provider in such financial instruments.

Westpac does not have any proprietary positions in equity shares of issuers that are the subject of an investment recommendation.

Westpac may have provided investment banking services to the issuer in the course of the past 12 months.

Westpac does not permit any issuer to see or comment on any investment recommendation prior to its completion and distribution.

Individuals who produce investment recommendations are not permitted to undertake any transactions in any financial instruments or derivatives in relation to the issuers covered by the investment recommendations they produce.

Westpac has implemented policies and procedures, which are designed to ensure conflicts of interests are managed consistently and appropriately, and to treat clients fairly.

The following arrangements have been adopted for the avoidance and prevention of conflicts in interests associated with the provision of investment recommendations.

- (i) Chinese Wall/Cell arrangements;
- (ii) physical separation of various Business/Support Units;
- (iii) and well defined wall/cell crossing procedures;
- (iv) a "need to know" policy;
- (v) documented and well defined procedures for dealing with conflicts of interest;
- (vi) steps by Compliance to ensure that the Chinese Wall/Cell arrangements remain effective and that such arrangements are adequately monitored.

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

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

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

