

27 October 2023

September Quarter CPI Deeper Insights

Ongoing inflationary momentum has resulted in an upward revision to our forecasts for both end 2023 and end 2024

- For September CPI 1.2%qtr/5.4%yr; Trimmed Mean 1.2%qtr/5.2%yr; weighted median 1.3%qtr/5.2%yr; market services ex volatile 1.3%qtr/6.2%yr.
- The CPI surprised to the upside rising 1.2%qtr compared to the market's and Westpac's expectation of 1.1%. The Trimmed Mean also surprised to the upside rising 1.2%qtr for an annual pace of 5.2%yr. The market was expecting 1.0%qtr while Westpac's forecast was 1.1%qtr.
- Thinking of inflation momentum, the six-month annualised pace of the Trimmed Mean printed 4.3%yr compared the recent peak of 7.3%yr in December 2022. However, this is only a modest moderation from the 4.5%yr pace in June.
- In addition, the Monthly CPI Indicator rose 0.6% in September, stronger than our 0.2% forecast, setting an annual pace of

5.6%yr. We had expected that the annual pace would be flat at 5.2%yr.

- Overall, the momentum in both the Quarterly and the Monthly CPI Indicators was somewhat stronger than we expected, suggesting that inflationary pressures may not be moderating as fast as we had hoped.
- Given the stronger than expected momentum in the September Quarter CPI, as well as latest update on auto fuel prices and the robust housing costs profile in the CPI, we have upgraded our inflation forecasts. We now expect headline inflation to be at 4.6%yr at end 2023 and 3.4% at end 2024.
- For core inflation, our Trimmed Mean estimate for end 2023 is 4.4%yr and for end 2024 is 3.3%yr.

Inflation forecasts

		Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
CPI	Index	136.8	137.9	138.9	140.3	141.4
	(%qtr)	1.1	0.8	0.7	1.0	0.8
	(%yr)	4.6	4.0	3.9	3.7	3.4
Trimmed mean	(%qtr)	0.9	0.9	0.8	0.8	0.8
	(%yr)	4.4	4.0	3.8	3.4	3.3

September Quarter CPI forecast vs actual

Item	Sept 2023		Sept 2023 f/c	
	% qtr	contrib	% qtr	contrib
Food	0.6	0.10	1.0	0.17
of which, fruit & vegetables	-3.7	-0.09	-1.5	-0.04
Alcohol & tobacco	1.4	0.13	1.2	0.10
of which, Tobacco	1.7	0.06	0.6	0.02
Clothing & footwear	0.4	0.01	1.2	0.04
Housing	2.2	0.51	2.3	0.55
of which, Rents	2.2	0.13	2.2	0.13
of which, House purchases	1.3	0.12	0.9	0.09
of which, Utilities	3.6	0.15	5.7	0.24
H/hold contents & services	-0.8	-0.07	-0.4	-0.04
Health	0.8	0.05	-0.1	0.00
of which, Pharmaceuticals	-1.2	-0.01	-2.1	-0.02
Transportation	3.2	0.36	2.7	0.30
of which, car prices	0.5	0.02	-0.7	-0.02
of which, auto fuel	7.2	0.28	6.7	0.26
Communication	2.1	0.05	2.1	0.05
Recreation	0.2	0.01	-1.2	-0.10
of which, audio visual & comp.	-0.1	0.00	-0.4	-0.01
of which, holiday travel	-0.9	-0.02	-2.6	-0.05
Education	-0.4	-0.02	0.0	0.00
Financial & insurance services	1.4	0.08	1.7	0.10
CPI: All groups	1.20	-	1.12	-
CPI: All groups % year	5.4	-	5.3	-

Sources: ABS, RBA, Westpac Banking Corporation.

Quarterly CPI vs Monthly Indicator

Item	Sept 23	Jul	Aug	Sep
	Qtr % qtr	Mth % mth	Mth % mth	Mth % mth
Food	0.6	-0.2	0.9	-0.4
of which, bread & cereals	1.6	0.1	1.8	0.5
of which, meat & seafood	0.2	0.6	0.6	-0.6
of which, dairy & related prod.	2.1	1.9	0.0	-0.5
of which, fruit & vegetables	-3.7	-2.9	-1.3	-3.1
of which, food products nec	0.2	-0.2	0.2	0.5
of which, non-alcohol bev.	-0.7	1.0	-0.2	-0.2
Alcohol & tobacco	1.4	0.0	1.3	1.9
of which, Alcohol	1.3	0.1	1.7	0.3
of which, Tobacco	1.7	0.0	0.4	4.8
Clothing & footwear	0.4	2.5	-0.1	-0.3
of which, garments	-1.0	2.6	-0.1	-0.5
Housing	2.2	1.3	0.1	0.8
of which, Rents	2.2	0.7	0.7	0.3
of which, House purchases	1.3	0.7	0.1	0.7
of which, Electricity	4.2	6.0	-1.3	0.2
of which, Gas & other fuels	1.4	2.3	0.4	0.1
H/hold contents & services	-0.8	0.2	0.3	-1.3
Health	0.8	0.0	0.0	0.5
Transportation	3.2	-0.1	3.6	1.3
of which, auto fuel	7.2	-0.2	9.1	3.3
Communication	2.1	0.8	1.7	0.3
Recreation	0.2	-1.5	-1.5	2.0
of which, holiday travel	-0.9	-3.3	-3.9	4.3
Education	-0.4	0.0	0.3	-0.6
Financial & insurance services	1.4	0.0	0.7	0.8
CPI: All groups %qtr/%mth	1.2	0.3	0.6	0.6

Past performance is not a reliable indicator of future performance. The forecasts given above 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 results ultimately achieved may differ substantially from these forecasts.

Housing costs were more robust than anticipated.

Housing overall was close to expectations but there were surprises in the detail, which suggests momentum for some of the components remains quite robust.

Rents lifted 2.2%, as expected, but the ABS noted that the increase this quarter was moderated by Commonwealth Rent Assistance. From 20 September 2023, the maximum rate available for Commonwealth Rent Assistance (CRA) increased by 15% in addition to the biannual CPI indexation that applies in March and September. Given the timing of these changes, the September quarter has a partial impact of the CRA changes. The remaining impact will be reflected in the December 2023 quarter. Excluding the changes to rent assistance, rents would have increased by 2.5%. Rents lifted just 0.3% in the month of September following a 0.7% gain in both July and August.

We have revised our December quarter rent estimate to 2.5%qtr and have also lifted our forecast profile to end 2024.

In the September quarter, dwelling prices surprised to the upside, lifting 1.3%qtr compared to our 0.9% forecast (contributing 0.03ppt to our error), while in the month of September, it lifted 0.7% compared to our 0.2% forecast. It does appear as if dwelling cost inflation may have started to pick up again. As such we have also upgrade our December quarter dwelling price forecast to 1.4% as well as the forecast profile out to end 2024.

Utilities were on the softer side than we were looking for, rising 3.6% compared to our 5.7% forecast. The main surprise was a softer gain in electricity which lifted just 0.2% in the month of September when we had been expecting +3.2%mt. As the ABS noted, electricity prices were partially offset by the introduction of Energy Bill Relief rebates from July 2023. The rebates reduced electricity bills for all households in Brisbane and Perth and for concession households in the remaining capital cities.

We have not made any material change to our electricity prices forecast profile.

Australia's post-COVID goods deflation is less significant than in the US or Canada

We also note that there are some signs we may not be getting the same degree of post-COVID goods deflation that other nations are experiencing. As noted by Marion Kohler (RBA Head of Economic Analysis Department) from a speech in May ([The Why, How and What of Forecasting](#)), during the COVID lockdowns demand increased sharply for flat screen TVs, and wholesale panel prices more than doubled. But the increase was quickly unwound as supply chains and demand normalized and the decline flowed through to retail prices of TVs and other audio and visual equipment in other advanced economies particularly in the US and Canada. But prices of these types of goods are yet to decline in Australia and this trend continued in September. Our forecasts are not expecting any change to this trend.

Market services ex volatile were quite robust but some seasonality is evident

Market services ex volatile items lifted 1.3% in the quarter to be up 6.2% in the year. While this a moderation from the 6.8%yr pace in June (which held the cycle peak), the six-month annualised pace lifted from 4.3% in June to 5.0% in September. This suggests that the inflationary momentum is not moving in the right direction. We do, however, caution that there is a degree of seasonality to this series with September being seasonally stronger. Our own simple seasonal adjustment does lower the quarterly estimate to 1.0% but naturally as the increase has been

Quarterly CPI vs Monthly Indicator %yr

	Sept 23	Jul	Aug	Sep
	Qtr	Mth	Mth	Mth
Item	% yr	% yr	% yr	% yr
Food	4.8	5.6	4.4	4.7
of which, bread & cereals	9.7	9.9	10.4	8.9
of which, meat & seafood	2.2	2.4	2.6	1.7
of which, dairy & related prod.	10.2	12.7	10.1	8.0
of which, fruit & vegetables	-6.4	-5.4	-8.3	-5.4
of which, food products nec	7.4	8.3	6.9	6.8
of which, non-alcohol bev.	5.5	6.8	5.0	4.9
Alcohol & tobacco	4.9	4.5	4.4	5.8
of which, Alcohol	4.9	5.0	4.7	5.0
of which, Tobacco	4.9	3.6	3.7	7.5
Clothing & footwear	0.9	1.5	1.5	-0.1
of which, garments	-0.7	0.4	0.4	-2.2
Housing	7.0	7.3	6.6	7.2
of which, Rents	7.6	7.6	7.8	7.6
of which, House purchases	5.2	5.9	4.8	4.9
of which, Electricity	14.5	15.7	12.7	18.0
of which, Gas & other fuels	15.4	13.9	12.9	12.7
H/hold contents & services	2.5	4.3	4.0	2.3
Health	5.4	5.2	5.2	5.4
Transportation	5.6	0.3	7.4	9.4
of which, auto fuel	7.9	-7.6	13.9	19.7
Communication	1.3	0.3	1.6	1.2
Recreation	5.6	4.1	3.9	3.5
of which, holiday travel	6.8	5.3	6.6	1.9
Education	4.8	5.2	5.5	4.8
Financial & insurance services	8.6	8.5	8.8	8.6
CPI: All groups %qtr/%mth	5.4	4.9	5.2	5.6

Inflation history

		Dec-22	Mar-23	Jun-23	Sep-23
CPI	(index)	130.8	132.6	133.7	135.3
	(%qtr)	1.9	1.4	0.8	1.2
	(%yr)	7.8	7.0	6.0	5.4
CPI sa	(%qtr)	1.9	1.3	1.0	1.0
	(%yr)	7.8	7.0	6.1	5.3
Trimmed Mean	(%qtr)	1.7	1.2	1.0	1.2
	(%yr)	6.8	6.6	5.9	5.2
Goods	(%qtr)	1.6	1.2	0.9	1.2
	(%ann)	9.5	7.6	5.8	4.9
Services	(%qtr)	2.1	1.7	0.8	1.0
	(%ann)	5.5	6.1	6.3	5.8
Market goods ex vol	(%qtr)	1.8	0.8	1.2	0.8
	(%ann)	9.4	7.7	6.2	4.7
Market services ex vol	(%qtr)	2.7	0.9	1.2	1.3
	(%ann)	6.4	6.8	6.8	6.2
Market G&S ex vol	(%qtr)	2.2	0.9	1.2	1.0
	(%ann)	8.3	7.4	6.5	5.3

redistributed, the annual pace remains 6.2%yr. This does suggest there is something of a moderating trend here but the pace of the moderation is starting to level out. From a peak increase of 2.5% in December 2022 it was down to 1.2% in March, 1.3% in June and then 1.0% in September. The big shift in momentum occurred early in 2023 and since then it appears to be levelling out a bit.

Westpac errors in the September quarter were mostly small

Compared to our forecast for the September CPI, the largest error in terms of contribution was in recreation which rose 0.2% compared to our forecast for a -1.2% fall. The difference contributed 0.11ppt more to the CPI than we had expected. Holiday travel did not fall as much as expected (-0.9% vs -2.6% forecast) but there were also further robust gains in other recreation, sport & culture (1.6% in September following on from 1.3% in June) of which other services in this sub-category lifted 3.4% in September following on from 1.8% in June. This was the largest quarterly rise since the 3.7% print in March 2021 as this sector came out of the COVID lockdowns.

Transport +3.2% vs. +2.7% forecast

Transport contributed 0.06ppt to our error. While there was a small difference in our fuel forecast (7.2% vs. 6.7% forecast) it was only worth only 0.02ppt. The larger error was in car prices, which rose 0.5% compared to our -0.7% forecast, contributing 0.04ppt to the error. We have updated our forecasts to incorporate the most recent fuel and Brent prices plus the exchange rate.

Health +0.8% vs. -0.1% forecast

Health also surprised on the stronger side. Pharmaceuticals did not fall as much as expected (-1.2% vs. -2.1% forecast) which is a bit surprising as this is driven by a fairly consistent proportion of consumers qualifying for subsidies under the Pharmaceutical Benefits Scheme (PBS). We don't know if this was due to fewer families than usual qualifying or higher than usual increases in the underlying prices.

Medical, dental & hospital services lifted 1.2%, led by a robust 2.5% increase in dental services while medical & hospital services rose 1.0% as some private health insurance providers increased premiums after being frozen. Typically, private health insurance providers increase premiums in April, but the majority did not do so this year. Indexation of Medical Benefits Schedule fees from July 2023 also contributed to the rise.

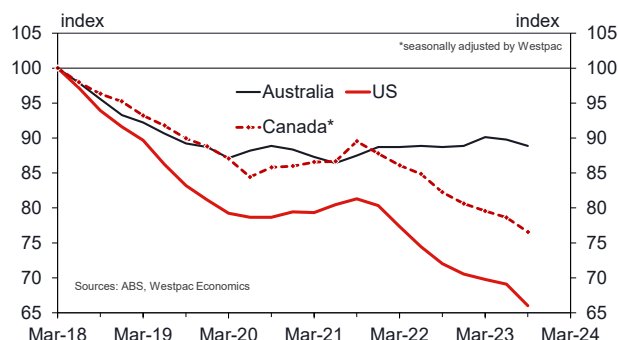
Pharmaceuticals fell 1.0% due to an increase in the proportion of consumers who qualify for subsidies under the Pharmaceutical Benefits Scheme (PBS). Medical & hospital services were flat (0.0%). Typically, private health insurance providers increase premiums in April, but the majority did not do so this year. In seasonally adjusted terms the group fell 0.9%. The main contributor was medical & hospital services (-1.4%).

Justin Smirk, Senior Economist, ph (61-2) 8254 9336

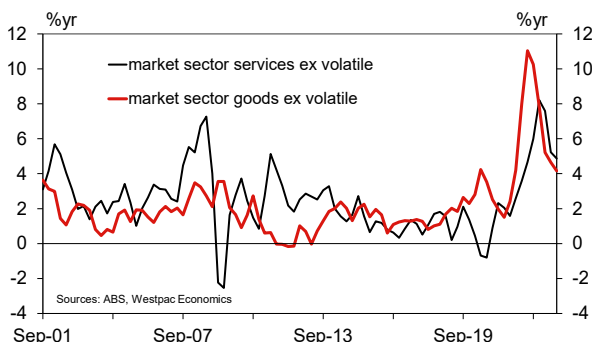
Qtr CPI vs Monthly Indicator %yr + forecasts

	Sept 23	Aug	Sep	Oct fcs
	Qtr	Mth	Mth	Mth
Item	% yr	% yr	% yr	% yr
Food	4.8	4.4	4.7	5.0
of which, bread & cereals	9.7	10.4	8.9	8.5
of which, meat & seafood	2.2	2.6	1.7	1.5
of which, dairy & related prod.	10.2	10.1	8.0	7.7
of which, fruit & vegetables	-6.4	-8.3	-5.4	0.1
of which, food products nec	7.4	6.9	6.8	5.8
of which, non-alcohol bev.	5.5	5.0	4.9	3.4
Alcohol & tobacco	4.9	4.4	5.8	5.5
of which, Alcohol	4.9	4.7	5.0	4.4
of which, Tobacco	4.9	3.7	7.5	7.4
Clothing & footwear	0.9	1.5	-0.1	-2.5
of which, garments	-0.7	0.4	-2.2	-9.1
Housing	7.0	6.6	7.2	6.6
of which, Rents	7.6	7.8	7.6	7.9
of which, House purchases	5.2	4.8	4.9	4.9
of which, Electricity	14.5	12.7	18.0	10.4
of which, Gas & other fuels	15.4	12.9	12.7	15.4
H/hold contents & services	2.5	4.0	2.3	2.0
Health	5.4	5.2	5.4	5.4
Transportation	5.6	7.4	9.4	6.9
of which, auto fuel	7.9	13.9	19.7	11.6
Communication	1.3	1.6	1.2	1.5
Recreation	5.6	3.9	3.5	7.1
of which, holiday travel	6.8	6.6	1.9	13.0
Education	4.8	5.5	4.8	4.8
Financial & insurance services	8.6	8.8	8.6	8.7
CPI: All groups %qtr/%mth	5.4	5.2	5.6	5.4

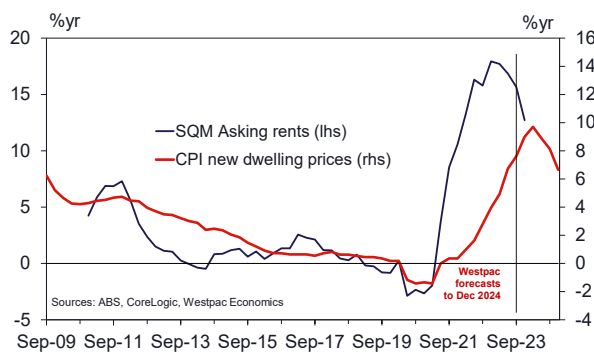
Retail Audio Visual Equipment



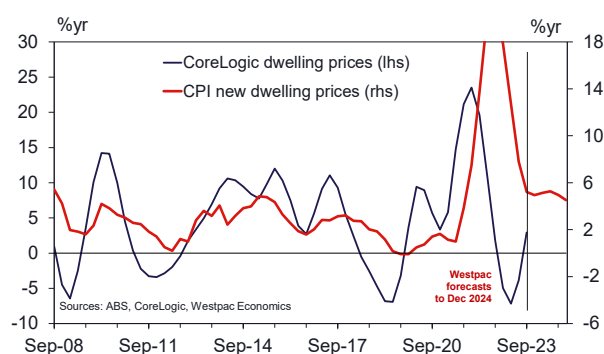
Two quarter annualised inflation (SA)



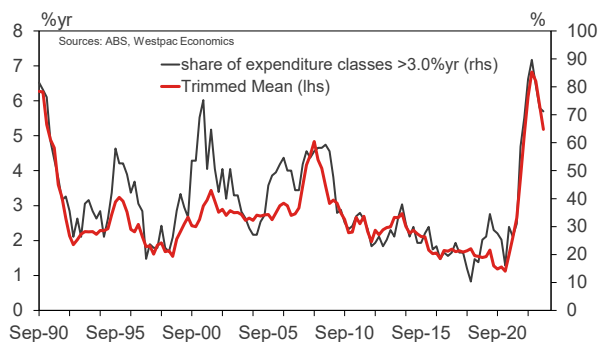
Asking rents vs CPI rents



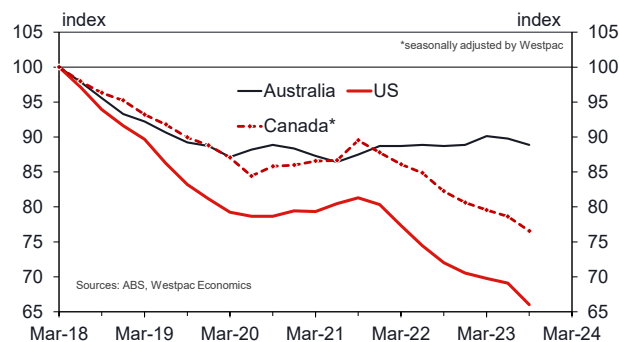
House prices vs CPI new dwelling prices



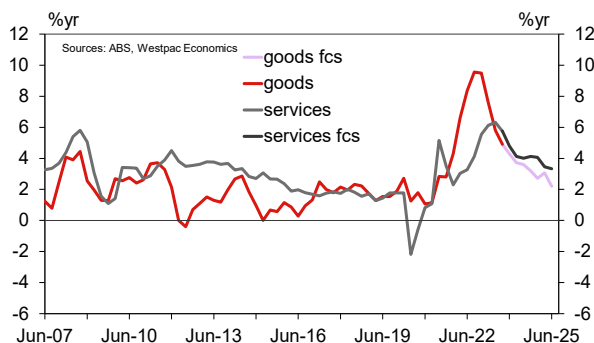
Inflationary pressures have eased back



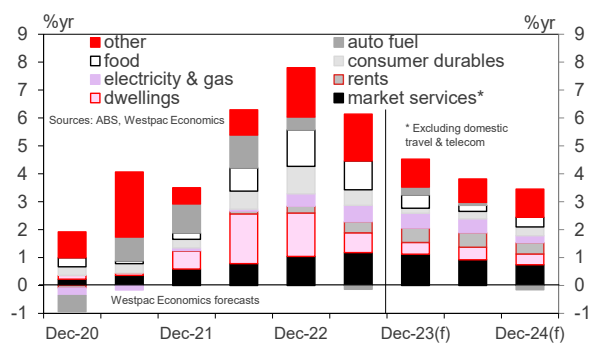
Retail Audio Visual Equipment



Services inflation moderating to <4%yr



Contributions to annual inflation



Past performance is not a reliable indicator of future performance. The forecasts given above 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 results ultimately achieved may differ substantially from these forecasts.

© Copyright 2023 Westpac Banking Corporation

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 only and is not intended to constitute or be relied upon as personal financial advice. To the extent that this material contains any general advice, it has been prepared without taking into account your objectives, financial situation or needs, and because of this, you should, before acting on it, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs, and, the disclosure documents (including any product disclosure statement) of any financial product you may consider. 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 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 client of Westpac.

For XYLO Foreign Exchange clients: This information is provided to you solely for your own use and is not to be distributed to any third parties. XYLO Foreign Exchange is a division of Westpac Banking Corporation ABN 33 007 457 141 and Australian credit licence 233714. Information is current as at date shown on the publication. This information has been prepared without taking account of your objectives, financial situation or needs. Because of this you should, before acting on this information, consider its appropriateness, having regard to your objectives, financial situation or needs. XYLO Foreign Exchange's combined Financial Services Guide and Product Disclosure Statement can be obtained by calling XYLO Foreign Exchange on 1300 995 639, or by emailing customer@xylo.com.au.

New Zealand: In New Zealand, Westpac Institutional Bank refers to the brand under which products and services are provided by either Westpac or Westpac New Zealand Limited ("WNZL"). Any product or service made available by WNZL does not represent an offer from Westpac or any of its subsidiaries (other than WNZL). Neither Westpac nor its other subsidiaries guarantee or otherwise support the performance of WNZL in respect of any such product. The current disclosure statements for the New Zealand branch of Westpac and WNZL can be obtained at the internet address www.westpac.co.nz. For further information please refer to the Product Disclosure Statement (available from your Relationship Manager) for any product for which a Product Disclosure Statement is required, or applicable customer agreement. Download the Westpac NZ QFE Group Financial Advisers Act 2008 Disclosure Statement at 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).

Disclaimer continued overleaf

Disclaimer continued

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. Strict 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. reasonable 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.