Australian Chamber of Commerce and Industry

ACCI–Westpac Survey of Industrial Trends

Australian Chamber of Commerce and Industry & Westpac Banking Corporation

250th report March 2024 (survey conducted from 15 February to 11 March 2024)

- The Westpac-ACCI Actual Composite weakened in the opening quarter of 2024, shifting down from a break-even mark of 50.1 at the end of 2023, to a reading of 43.1. That sub-50 result suggests that conditions in the manufacturing sector deteriorated in the period. The March quarter survey reported a decline in new orders, a fall in output, a reduction in overtime and a material downsize to employment.
- The mood of manufacturers about the general business outlook for the next six months moved deeper into pessimistic territory – those expecting a deterioration shifted from a net 41% to a net 56%.
- New orders weakened from already soft results for the past three quarters, when they were broadly flat, to an outright decline. In the March quarter, a net 13% of respondents reported a decline in new orders, that likely reflected the combined impact of soft underlying demand and a slower than usual return to business from the summer holidays.
- This is the largest share of respondents reporting declining new orders since the GFC (excluding the 2020 COVID lockdown), albeit it is well above the GFC low of –37%.
- Official data confirmed that domestic demand all but stalled at the end of 2023, led by consumer spending softness as household incomes are squeezed by high inflation, higher interest rates and additional tax obligations.
- Through 2023, manufacturers relied on a reduction in overtime to adjust to the soft demand environment. That changed in the March quarter, when manufacturers both reduced overtime, a net 11% doing so, and scaled back their workforce, with a net 27% reporting a reduction in staff numbers.
- The Expected Composite Index improved to 54.9 in the March quarter, up from 52.4 the period prior.
- The key take-out, respondents assess that the March quarter weakness in new orders was overdone, exaggerated by a slower return from summer holidays. A net 13% anticipate new orders will rise next quarter, which then translates into an expected increase in output and staffing numbers. Whether the scale of that anticipated rebound in new orders is overly optimistic (as expectations have been for the past three quarters) is a key source of uncertainty in the current soft economic environment.
- Cost pressures facing manufacturers, while still elevated, are trending down from recent historic highs. This is alongside the softening of demand. The number of respondents reporting a rise in average unit costs moderated from a net 60% (on average for the past two years), to a net 29% in March.
- Profit expectations weakened further. The number of respondents expecting a decline over the next year deteriorating from a net 4% to a net 11%, speaking to the ongoing challenging backdrop for the sector. A pivot towards to less contractionary policy settings, which is expected to emerge mid-year, would be welcomed by the sector.

Contents

The Survey of Industrial Trends produced by the Australian Chamber of Commerce and Industry & Westpac Banking Corporation is a quarterly publication.

It is Australia's longest running business survey dating from 1966, providing a timely update on manufacturing and insights into economy-wide trends.

Enquiries
Economics, Westpac Banking Corporation, (email: economics@westpac.com.au)
Miranda Herron, Senior Consultant, Australian Chamber of Commerce and Industry

Editors
Ryan Wells, Economist, Westpac Banking Corporation
Andrew Hanlan, Senior Economist, Westpac Banking Corporation
Miranda Herron, Senior Consultant, Australian Chamber of Commerce and Industry

Net response or "balance" is calculated by the proportion of "ups" less "downs" on individual questions, thereby yielding the net balance. A positive balance indicates a net upward or improving trend and a minus balance a net downward or deteriorating trend.

The 250th consecutive survey was closed on 11 March 2023

A total of **288** responses were received, and provided a reasonable cross-section of Australian manufacturing in respect of industry groups and size of operation.

The next survey will be conducted over May and June 2024.

Key survey results

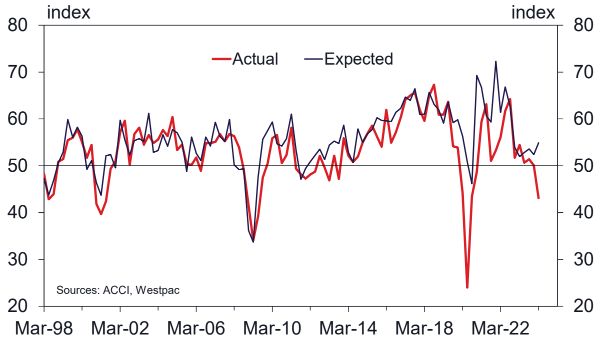
Westpac–ACCI Composites (seasonally adjusted)

	Q4 2023	Q1 2024
Actual – composite index	50.1	43.1
Expected – composite index	52.4	54.9

- The Westpac-ACCI Actual Composite moderated at the beginning of the year, down from 50.1 in December to 43.1 in the March quarter.
- With a reading below the breakeven threshold of 50, this indicates that conditions are deteriorating in the manufacturing sector. The survey reported a marked decline in new orders, a fall in output, a reduction in overtime and a material downsize to employment.
- The Expected Composite lifted to 54.9 in March from 52.4 in December. Manufacturers' expectations suggest that the weakness in conditions coming back from summer holidays may be relatively short-lived, or at least somewhat overstated.

Westpac-ACCI Composite indexes

Actual & expected, sa

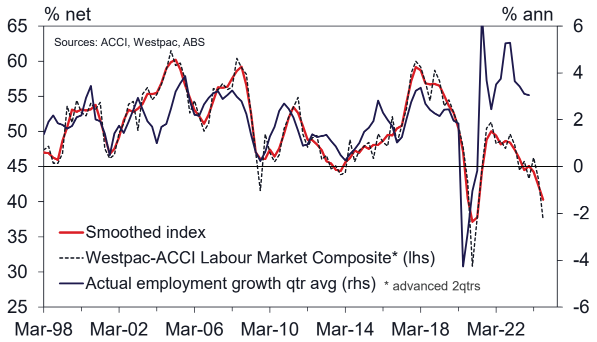


Westpac–ACCI Labour Market Composite

	Q4 2023	Q1 2024
Composite index	43.2	37.4

- The survey provides insights into economy-wide employment growth. This highlights the key linkages between manufacturing and the labour market.
- In this update, the Labour Market Composite deteriorated sharply, from 43.2 in Q4 to 37.4 in Q1.
- Official data reports that nation wide employment growth held-up in 2023, in part due to an overhang of job vacancies and a supply surge as population jumped on the national border reopening.
- Over the second half of 2023, a cooling of the labour market was evident, through a reduction in hours worked, down by a sharp 1.6%. Moving into 2024, adjustment in the national labour market will potentially broaden to a softening of jobs growth.

Labour Composite and employment trends



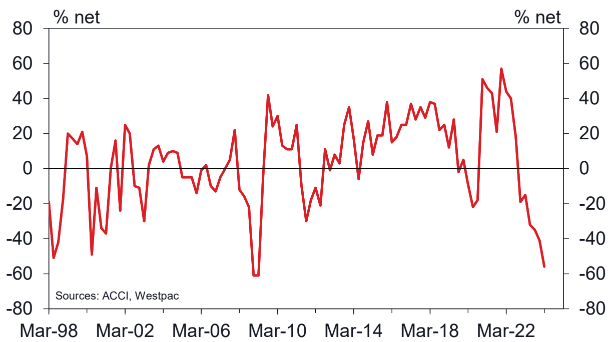
General business situation

	Q4 2023	Q1 2024
Net balance	–41	–56

- Manufacturing sentiment about the general business outlook deteriorated rapidly over 2022 and 2023, as manufacturers were hit with a cost crisis and rapid interest rate increases.
- In the March quarter, sentiment continued to move deeper into pessimistic territory, with a net 56% of respondents expecting the general business situation to worsen over the next six months.
- That is only modestly above the nadir of the GFC (–61%), highlighting the sentiment impact of an extended period of intense headwinds.
- Business confidence will likely remain in a fragile state near-term given the weak demand outlook. From mid-year, policy relief may provide some reprieve on this front.

General business situation

Next six months

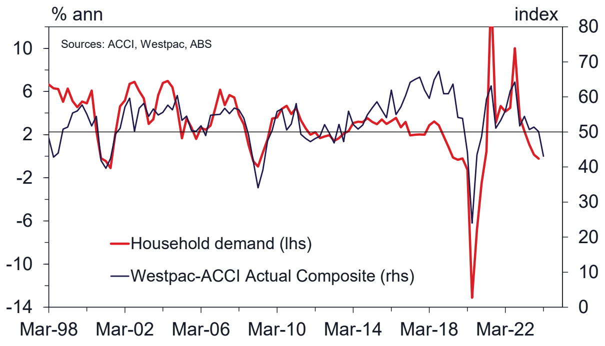


The business cycle & economic outlook

Manufacturing & the business cycle

- The Westpac-ACCI Actual Composite index has a solid track record of predicting near-term domestic economic conditions and identifying turning points in the cycle.
- The domestic economy concluded 2023 on a soft and fragile note. Most notably, growth in household spending was virtually flat for the year, as pressures on real disposable incomes – including high inflation, elevated interest rates and additional tax obligations – mounted on consumers. That weakness extended into other areas of the private economy, with private demand stalling flat at year-end.
- Compounding those issues, manufacturers have worked against historic cost pressures and persistent supply constraints – dynamics that have only recently begun to ease, just as demand in the sector falters.

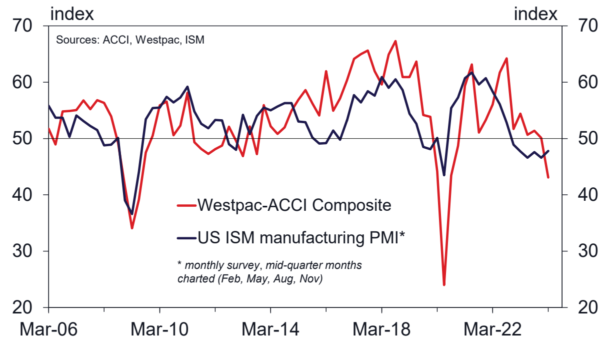
Manufacturing and the business cycle
Westpac-ACCI Composite & household demand



Australian & World manufacturing surveys

- Global and Australian manufacturing cycles tend to be synchronised, especially at major turning points. The Westpac-ACCI Actual Composite typically moves broadly in line with global manufacturing conditions.
- In 2024, challenges faced by global manufacturing are evolving – supply issues becoming less of a concern as weakness in demand takes precedence. Notably, the Westpac-ACCI Actual Composite fell 7pts to 43.1 in the March quarter.
- In the US, the ISM PMI improved somewhat into the new year but at 47.8 as of February, it remains well below the breakeven threshold. Similarly for the Eurozone, the HCOB PMI continues to report a contractionary setting for manufacturing (46.5).
- In China, the NBS PMI remains in modestly contractionary territory (49.1), not far below its five-year pre-pandemic average (50.5).

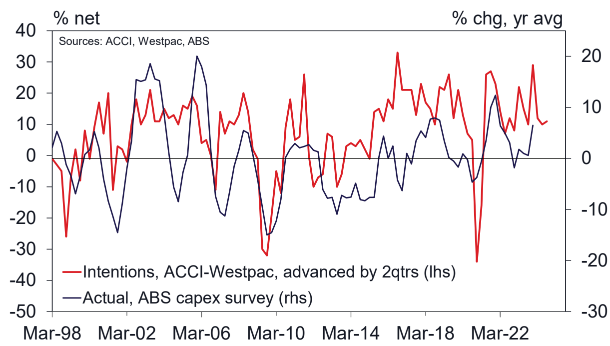
Australian & US manufacturing surveys
Westpac-ACCI & ISM PMI indexes



Manufacturing & business investment

- The ACCI-Westpac survey broadly tracks equipment investment trends in the manufacturing sector.
- The survey finds that equipment investment intentions were strongest through 2021, on the reopening, and then marked lower in 2023, moving sideways at a net +11% in the March quarter 2024.
- Official ABS data reports that manufacturing equipment spending expanded in 2020/21, up by 3.6%, and increased further in 2021/22, up another 5%. Then, equipment growth slowed to a tepid 1% for the 2022/23 financial year, with spending volatile quarter-to-quarter, as manufacturers became more cautious in their spending decisions.

Manufacturing equipment investment
Intentions (survey) vs actuals (ABS data)



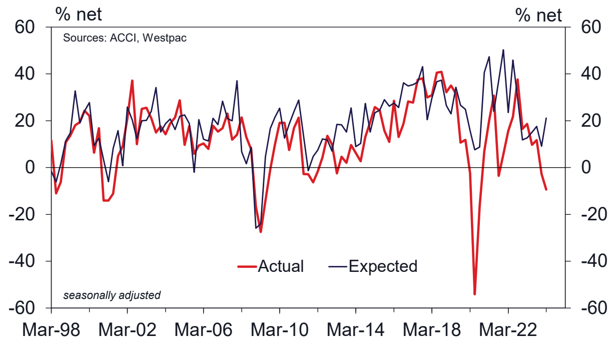
Activity & orders

Output (seasonally adjusted)

	Q4 2023	Q1 2024
Actual – net balance	–3	–9
Expected – net balance	9	21

- The decline in output growth extended into the opening quarter, the survey reports. A net 9% of respondents reduced output, a deterioration from the net 3% that also reported a decline in Q4.
- That outcome reflects the challenging backdrop faced by manufacturers over the past twelve months – characterised by weakening new orders and a reduction in firms' use of labour inputs.
- A net 21% of respondents expecting output to rise over the next three months, a sharp increase from the net 9% anticipating a lift in the December quarter.
- Expectations were overly optimistic in Q3/Q4 2023, and there is a possibility that this remains the case for Q1 2024 given the weakness in domestic demand.

Output growth
Actual & expected

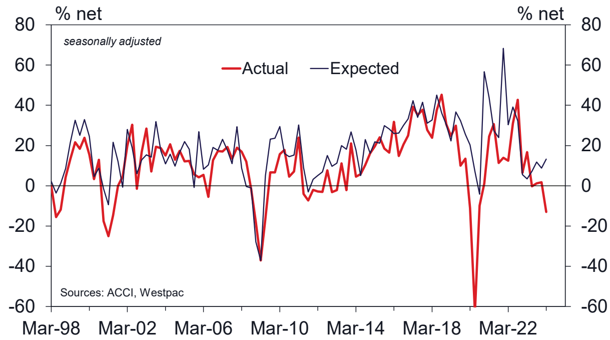


New orders (seasonally adjusted)

	Q4 2023	Q1 2024
Actual – net balance	2	–13
Expected – net balance	9	13

- Following three consecutive quarters of flat-to-tepid growth, demand weakness broadened in Q1, with a net 13% of firms reporting a decrease in new orders.
- A slower than usual return from summer holidays likely reinforced Q1 weakness in new orders.
- Respondents are also increasingly citing "orders" as the single factor most limiting production, and are now perceived as a larger constraint than the labour and material shortages that plagued 2022 and 2023.
- Manufacturers expect this to be short-lived, with a net 13% anticipating a lift in new orders next quarter.
- There is a risk that demand may remain soft in the very near-term, ahead of policy relief from mid-year.

New orders
Actual & expected

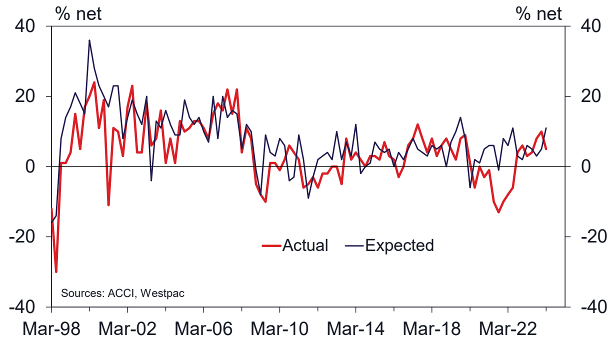


Exports

	Q4 2023	Q1 2024
Actual – net balance	10	5
Expected – net balance	5	11

- The survey indicates that export conditions remain broadly supportive.
- Exports rose in the opening quarter this year, with a net 5% of firms reporting an increase – in line with expectations from the previous quarter.
- That marks an extended period of improvement since Q3 2022 – as pandemic-era disruptions began to fade – coinciding with a more competitive Australian dollar.
- Looking ahead, a net 11% of manufacturers anticipate a rise in exports over the next three months. The extent to which volatility around shipping costs and freight rates could impact remains an open question.

Export deliveries
Actual & expected



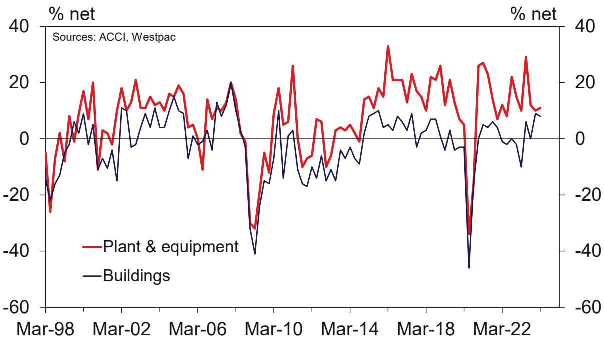
Investment & profitability

Investment intentions

	Q4 2023	Q1 2024
Plant & Equipment – net balance	10	11
Building – net balance	9	8

- Over 2023, intentions for equipment investment were robust and broadly steady – notwithstanding a bounce in Q2 due to the expiry of tax incentives.
- Firms were still looking to invest in order to expand capacity, albeit to a lower degree of confidence than the second half of 2022.
- The latest survey suggests that narrative remains in place, with a net 11% of respondents intending to increase equipment spending over the next twelve months, little-changed from the net 10% in Q4 2023.
- Building projections for the year ahead remain near its highest level since 2017, with a net 8% of firms planning an increase.

Investment intentions
Next twelve months

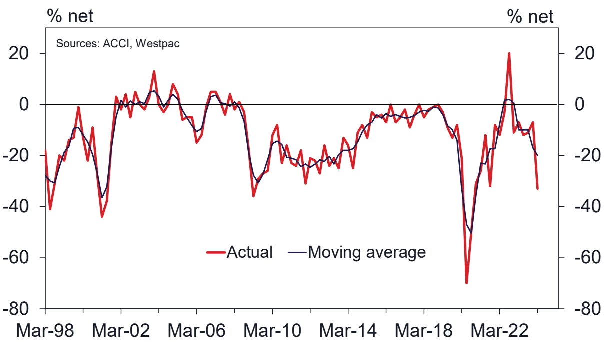


Capacity utilisation

	Q4 2023	Q1 2024
Net balance	–7	–33

- Over 2023, activity in the manufacturing sector and the national economy was slowing, and capacity utilisation began to ease from an elevated level.
- After a sharper moderation in demand at the start of 2024, capacity utilisation in the manufacturing sector deteriorated, the survey reports.
- There were fewer firms operating at above average capacity (22% to 8%) and more firms operating at below average capacity (29% to 41%), resulting in a net 33% reporting underutilisation.
- Manufacturers have found it difficult to align their capacity utilisation with rapidly evolving conditions – just as long-standing supply constraints around materials and labour have begun to ease, the picture around new orders has started to weaken.

Capacity utilisation

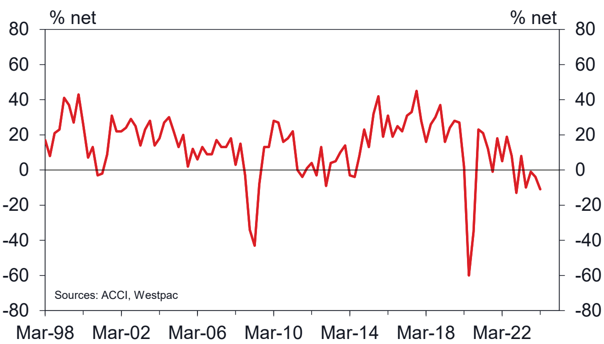


Profit expectations

	Q4 2023	Q1 2024
Net balance	–4	–11

- Since the initial reopening from the pandemic, the profitability of the manufacturing sector has continued to trend lower.
- In March, profit expectations fell further into negative territory, with a net 11% of manufacturers anticipating profits will decline in the coming year, well below the long-run average of a net 19% expecting an increase.
- Growing pessimism around the general business situation has coincided with a disappointing performance for output and new orders, both having a significant bearing on profit expectations.
- Cost pressures, while still elevated, have eased and are expected to ease further. Margin squeeze is expected to be less intense moving forward.

Profit expectations
Next twelve months



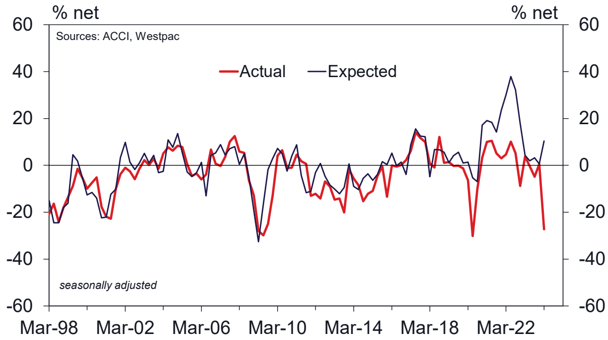
The labour market

Numbers employed (seasonally adjusted)

	Q4 2023	Q1 2024
Actual – net balance	1	-27
Expected – net balance	1	10

- Manufacturers were hesitant to calibrate the size of their workforce over the course of last year, instead preferring to reduce overtime to retain flexibility.
- The latest survey found that manufacturers have now broadened their adjustment to include head count, with a net 27% of respondents reporting a reduction in employment over the March quarter.
- Employment expectations suggest this may be short-lived, with a net 10% of firms expecting an expansion of their workforce in the next three months.
- That is consistent with an improved landscape for labour availability and reflects firms' expectations for a return to output expansion and new orders growth.

Numbers employed
Actual & expected

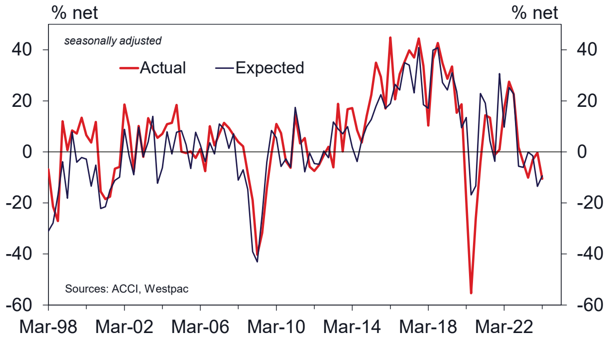


Overtime worked (seasonally adjusted)

	Q4 2023	Q1 2024
Actual – net balance	0	-11
Expected – net balance	-13	-9

- As the economic slowdown materialised over 2023, manufacturers adjusted their labour usage by reducing overtime hours worked.
- That dynamic persisted into the opening quarter, with a net 11% of firms reducing overtime – broadly in line with manufacturers' own expectations last quarter.
- Over the next three months, a net 9% of respondents anticipate a further moderation in overtime.
- The weakness in overtime expectations – in contrast to employment expectations – highlights a preference to adjust work hours where needed over the period ahead, rather than head count.

Overtime worked
Actual & expected

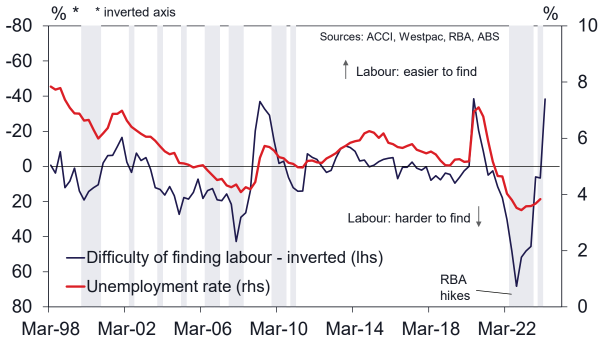


Difficulty of finding labour (seasonally adjusted)

	Q4 2023	Q1 2024
Net balance	6.6	-38.3

- The survey provides insights into the tone of the overall labour market. Firms' views on the difficulty of finding labour broadly tracks shifts in the unemployment rate for the Australian economy.
- After a period of prolonged dire labour shortages over 2022 and H1 2023, respondents reported that labour was much less "hard to find" during H2 2023.
- Move forward to Q1 2024, the tone of labour market conditions shifted. A net 38.3% of respondents indicate that labour was now "easier to find" than it was three months ago.
- That mirrors the rapid growth in Australia's labour supply (3.0%yr), which has, in turn, seen the nation-wide unemployment rate continue to track higher, moving north of 4.0% in January.

Labour market tightness



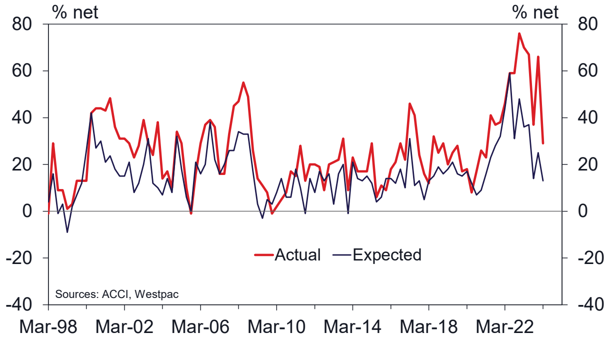
Prices & inflation

Average unit costs

	Q4 2023	Q1 2023
Actual – net balance	66	29
Expected – net balance	25	13

- The survey finds that the cost pressures facing manufacturers, while still elevated, are trending down from recent historical highs, albeit with volatility.
- In December, manufacturers reported a 'spike' in *average unit* costs – reflecting a combination of a sudden fall in output and still rising costs.
- Move forward to March, a net 29% of firms reported an increase – well off December's net 66% and the lowest reading in three years.
- Expectations point toward further easing in cost pressures ahead, with only a net 13% anticipating a rise in unit cost pressures over the next three months – consistent with the global disinflation story.

Average unit costs
Actual & expected

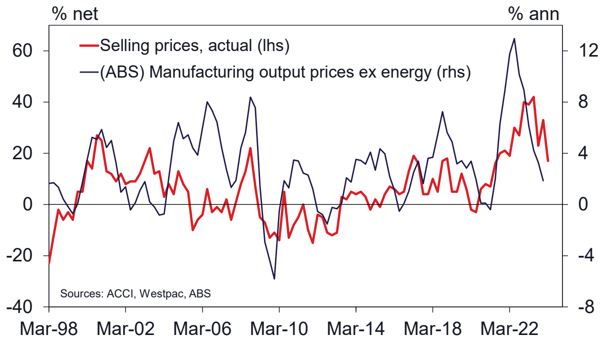


Average selling prices

	Q4 2023	Q1 2024
Actual – net balance	33	17
Expected – net balance	13	14

- With cost pressures moderating amidst the weak backdrop for demand, the proportion of firms reporting an increase in prices decreased, from a net 33% in December to a net 17% in March.
- Over the past two years, margins were squeezed appreciably, with only a partial pass through of higher costs onto consumers.
- That dynamic persisted into the March quarter as selling prices continued to trail costs, albeit to a much milder degree than earlier.
- A net 14% of manufacturers expect selling prices to rise over the next three months – slightly lower than the actual rise reported over the March quarter.

Manufacturing upstream price pressures

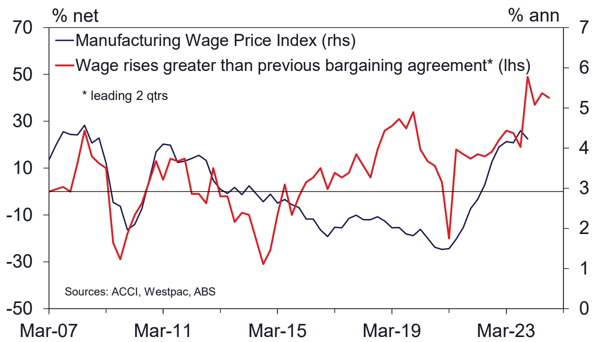


Manufacturing wages

	Q4 2023	Q1 2024
Net balance	42	40

- Manufacturers continue to expect further upward pressure on wages, the survey finds.
- In March, a net 40% of respondents expect their next enterprise wage agreement to deliver an outcome above their last, little-changed from 42% in Q4 to remain well above pre-pandemic observations.
- The tone of the survey is broadly consistent with official data on wage trends for the sector.
- The ABS reports wages growth in the manufacturing sector pared back slightly in the December quarter, from a peak of 4.4%yr to 4.2%yr. That pace is the second-strongest across goods sectors (behind retail trade) and is slightly below the national average of 4.3%yr, bolstered by services-dominant sectors.

Manufacturing wage growth



Factors limiting production

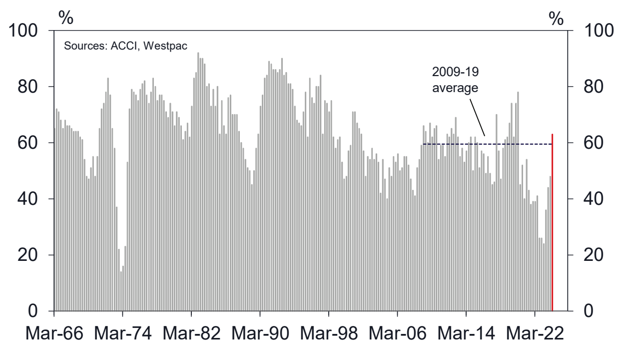
Factors limiting production

- Dynamics around the relative limitations to production suggest that concerns over demand conditions are now taking precedence over supply-side issues.
- "Orders" remains the chief concern, cited by 63% of manufacturers as the single factor most limiting production, above the 2009-19 average of 59.5%.
- "Labour" constraints are moderating as the supply of labour expands, seeing the share of firms identify this as the factor most limiting production halve from 30% to 15%, to a still well above average level.
- "Material" shortages are less of a concern compared to last year, though at 7%, it remains above the 2% average observed between the GFC and pandemic.
- Given the prominence of the above three factors, the proportion of respondents identifying "capacity", "finance" or "other" as the single-most limiting factor are well below observations over the 2009-19 period.

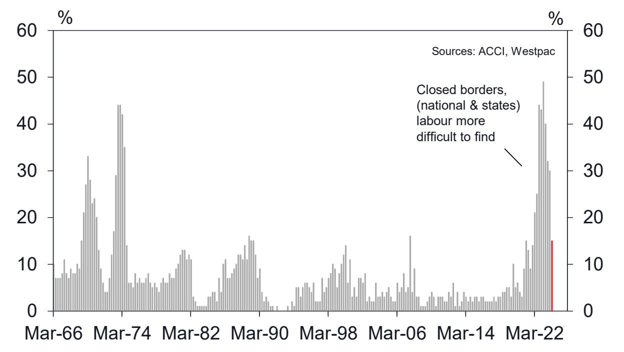
Factors limiting production

	Q3 2023	Q4 2023	Q1 2024
Orders (%)	44	48	63
Capacity (%)	8	4	5
Labour (%)	32	30	15
Finance (%)	0	0	0
Materials (%)	9	5	7
Other (%)	2	3	1
None (%)	5	10	9

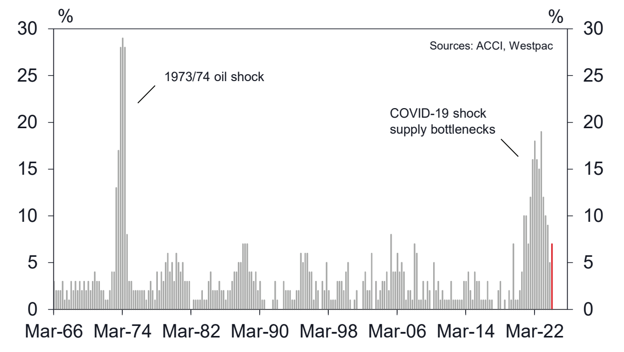
Orders: "single factor" most limiting production



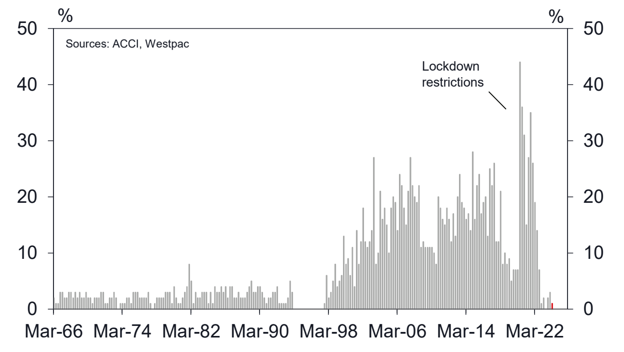
Labour: "single factor" most limiting production



Materials: "single factor" most limiting production



"Other": single factor most limiting production



Summary of results (not seasonally adjusted)

1. Do you consider that the general business situation in Australia will improve, remain the same, or deteriorate in the next six months?

Net balance	Improve	Same	Deteriorate
-56	9	26	65

2. At what level of capacity utilisation are you working?

Net balance	Above Normal	Normal	Below Normal
-33	8	51	41

3. What single factor is most limiting your ability to increase production?

None	9	**Orders**	63
Materials	7	**Finance**	0
Labour	15	**Capacity**	5
Other	1		

4. Do you find it is now harder, easier, or the same as it was three months ago to get:

		Net balance	Harder	Same	Easier
(a)	labour?	-40	13	34	53
(b)	finance?	10	15	80	5

5. Do you expect your company's capital expenditure during the next twelve month to be greater, the same, or less than the past year:

		Net balance	Greater	Same	Less
(a)	on buildings?	8	27	54	19
(b)	on plant & machinery?	11	34	43	23

Excluding normal seasonal changes, what has been your company's experience over the past three months & what changes do you expect during the next three months in respect of:

	Change in position in the last three months				*Expected change during the next three months*			
	Net balance	Up	Same	Down	Net balance	Up	Same	Down
6. Numbers employed	-27	17	39	44	11	25	61	14
7. Overtime worked	-12	18	52	30	-6	8	78	14
8. All new orders received	-15	23	39	38	20	31	58	11
9. Orders accepted but not yet delivered	-8	17	58	25	-3	7	83	10
10. Output	-15	27	31	42	29	39	51	10
11. Average costs per unit of output	29	34	61	5	13	19	75	6
12. Average selling prices	17	23	71	6	14	21	72	7
13. Export deliveries	5	11	83	6	11	13	85	2
14. Stock of raw materials	-16	8	68	24	2	9	84	7
15. Stocks of finished goods	-15	5	75	20	0	6	86	6

Summary of results (not seasonally adjusted)

16. Over the next twelve months do you expect your firm's profitability to:

(a) Improve?	9
(b) Remain unchanged?	51
(c) Decline?	30
Net balance	**-11**

17. Do you expect your firm's next wage enterprise deal will produce annual rises which vis-a-vis the previous deal are:

(a) Greater?	40
(b) Same?	60
(c) Less?	0
Net balance	**40**

A. Industry profile of survey:

	(% of respondents)
Food, beverages, tobacco	20
Textiles, fabrics, floor coverings, felt, canvas, rope	3
Clothing, footwear	1
Wood, wood products, furniture	6
Paper, paper products, printing	4
Chemicals, paints, pharmaceuticals, soaps, cosmetics petroleum & coal products	11
Non-metallic mineral products: glass, pottery, cement bricks	10
Basic metal products: processing, smelting, refining, pipes & tubes	2
Fabricated metal products: structural & sheet metal, coating & finishing, wire, springs, hand tools	12
Transport equipment: motor vehicles & parts, excluding repairs, rail, ships, aircraft, including repairs	9
Other machinery & equipment: electrical, industrial scientific, photographic	19
Miscellaneous: including manufacturers of leather, plastic & rubber, sporting equipment, jewellery	3

B. How many employees are covered by this return?

1-100	101-200	201-1000	Over 1000
26	6	30	38

C. In which state is the main production to which this return relates?

WA	SA	VIC	NSW/ACT	QLD	TAS
14	14	25	27	16	4

The Westpac-ACCI Composite Indices

The Westpac-ACCI Actual and Expected Composite indices are weighted averages of the activity measures in the survey. The weights are as follows: employment 20%; new orders 30%; output 25%; orders accepted but not delivered 15%; overtime 10%.

The Westpac-ACCI Labour Market Composite is a function of actual employment, with a weight of almost 50%, as well as: expected employment; expected overtime; new orders; order backlog; and expected order backlog.

This report was finalised on 20 March 2024
Publication enquiries, Economics, economics@westpac.com.au

Disclaimer

This information has been prepared by the Westpac Institutional Bank and is intended for information purposes only. It is not intended to reflect any recommendation or financial advice and investment decisions should not be based on it. This information 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 into a legally binding contract. To the extent that this information contains any general advice, it has been prepared without taking into account your objectives, financial situation or needs and before acting on it you should consider the appropriateness of the 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 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 this information is free from error, none of Westpac or its related entities warrants the accuracy, adequacy or completeness of this information, or otherwise endorses it in any way. Except where contrary to law, Westpac Group intend by this notice to exclude liability for this information. This information is subject to change without notice and none of Westpac or its related entities is under any obligation to update this information or correct any inaccuracy which may become apparent at a later date. This information may contain or incorporate by reference forward-looking statements. The words "believe", "anticipate", "expect", "intend", "plan", "predict", "continue", "assume", "positioned", "may", "will", "should", "shall", "risk" and other similar expressions that are predictions of or indicate future events and future trends identify forward-looking statements. These forward-looking statements include all matters that are not historical facts. Past performance is not a reliable indicator of future performance, nor are forecasts of future performance. Whilst every effort has been taken to ensure that the assumptions on which any 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 any forecasts.

Conflicts of Interest: In the normal course of offering banking products and services to its clients, the Westpac Group may act in several capacities (including issuer, market maker, underwriter, distributor, swap counterparty and calculation agent) simultaneously with respect to a financial instrument, giving rise to potential conflicts of interest which may impact the performance of a financial instrument. The Westpac Group may at any time transact or hold a position (including hedging and trading positions) for its own account or the account of a client in any financial instrument which may impact the performance of that financial instrument.

Author(s) disclaimer and declaration: The author(s) confirms that no part of his/her compensation was, is, or will be, directly or indirectly, related to any views or (if applicable) recommendations expressed in this material. The author(s) also confirms that this material accurately reflects his/her personal views about the financial products, companies or issuers (if applicable) and is based on sources reasonably believed to be reliable and accurate.

Additional country disclosures

Australia: Westpac holds an Australian Financial Services Licence (No. 233714).

Note: Luci Ellis, Westpac Chief Economist is a member of the Australian Statistics Advisory Council (ASAC) which is a key advisory body to the Minister and the Australian Bureau of Statistics on statistical services. Luci does not have access to sensitive data/ reports in her capacity as a member of ASAC.

New Zealand: In New Zealand, Westpac Institutional Bank refers to the brand under which products and services are provided by either Westpac (NZ division) or Westpac New Zealand Limited (company number 1763882), the New Zealand incorporated subsidiary of Westpac ("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. WNZL is not an authorised deposit-taking institution for the purposes of Australian prudential standards. The current disclosure statements for the New Zealand branch of Westpac and WNZL can be obtained at the internet address www.westpac.co.nz.

Singapore: 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 of this material in Singapore 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.

US: 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. The services and products referenced above are not insured by the Federal Deposit Insurance Corporation ("FDIC"). 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. Transactions by U.S. customers of any securities referenced herein should be effected through WCM.

Disclaimer continued overleaf

Disclaimer continued

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. 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 of WCM or any other U.S. broker-dealer 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.

UK and EU: The London branch of Westpac is authorised in the United Kingdom by the Prudential Regulation Authority (PRA) and is subject to regulation by the Financial Conduct Authority (FCA) and limited regulation by the PRA (Financial Services Register number: 124586). The London branch of Westpac is registered at Companies House as a branch established in the United Kingdom (Branch No. BR000106). Details about the extent of the regulation of Westpac's London branch by the PRA are available from us on request.

Westpac Europe GmbH ("WEG") is authorised in Germany by the Federal Financial Supervision Authority ('BaFin') and subject to its regulation. WEG's supervisory authorities are BaFin and the German Federal Bank ('Deutsche Bundesbank'). WEG is registered with the commercial register ('Handelsregister') of the local court of Frankfurt am Main under registration number HRB 118483. In accordance with APRA's Prudential Standard 222 'Association with Related Entities', Westpac does not stand behind WEG other than as provided for in certain legal agreements (a risk transfer, sub-participation and collateral agreement) between Westpac and WEG and obligations of WEG do not represent liabilities of Westpac.

This communication is not intended for distribution to, or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. This communication is not being made to or distributed to, and must not be passed on to, the general public in the United Kingdom. Rather, this communication is being made only to and is directed at (a) those persons falling within the definition of Investment Professionals (set out in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order")); (b) those persons falling within the definition of high net worth companies, unincorporated associations etc. (set out in Article 49(2)of the Order; (c) other persons to whom it may lawfully be communicated in accordance with the Order or (d) any persons to whom it may otherwise lawfully be made (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. 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". Westpac expressly prohibits you from passing on the information in this communication to any third party.

This communication contains general commentary, research, and market colour. The communication does not constitute investment advice. The material may contain an 'investment recommendation' and/or 'information recommending or suggesting an investment', both as defined in Regulation (EU) No 596/2014 (including as applicable in the United Kingdom) ("MAR"). In accordance with the relevant provisions of MAR, reasonable care has been taken to ensure that the material has been objectively presented and that interests or conflicts of interest of the sender concerning the financial instruments to which that information relates have been disclosed.

Investment recommendations must be read alongside the specific disclosure which accompanies them and the general disclosure which can be found here: https://www.westpaciq.com.au/terms-and-conditions/investment-recommendation-disclosure. Such disclosure fulfils certain additional information requirements of MAR and associated delegated legislation and by accepting this communication you acknowledge that you are aware of the existence of such additional disclosure and its contents.

To the extent this communication comprises an investment recommendation it is classified as non-independent research. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and therefore constitutes a marketing communication. Further, this communication is not subject to any prohibition on dealing ahead of the dissemination of investment research.