Tuesday, 25 March 2025

2025–26 AUSTRALIAN FEDERAL BUDGET

Comprehensive coverage and key impacts.

Key points

- The budget forecasts a deficit in 2024–25 of $27.6bn (1% of GDP), a $0.7bn deterioration compared with MYEFO projections in December. This marks a notable turnaround from a $15.8 billion surplus recorded in 2023–24 with deficits projected to continue over the forward estimate horizon. The deficit is expected to widen to $42.1bn (1.5% of GDP) in 2025–26.
- Most of the changes to the budget profile are the result of policy decisions with $34.9bn in net new measures since MYEFO. Many of these have a flavour of cost–of–living support, including extended electricity rebates, increased Medicare funding and small tax cuts.
- The budget continues to face significant structural challenges with strong growth in expenditure on programs such as the NDIS, aged care and defence. Off–budget items are also much higher than in the past, adding to the government's funding task.
- The dominant risk has shifted from the inflation trajectory to the potential impact from global trade disturbances.

The big numbers

BUDGET SWINGS INTO DEFICIT 2024–25 WITH MORE TO COME.

2024–25: (–1.0% GDP)

–$27.6bn

2025–26: (–1.5% GDP)

–$42.1bn

NET IMPACT OF POLICY CHANGES:

$34.9bn

Budget 2025–26

Westpac Group Economics

Budget swings to deficit with more to come

The budget forecasts a deficit in 2024–25 of $27.6bn (1% of GDP), a $0.7bn deterioration compared with MYEFO projections in December. This marks a notable turnaround from a $15.8 billion surplus recorded in 2023–24 with deficits projected to continue over the forward estimate horizon. The deficit is expected to widen to $42.1bn (1.5% of GDP) in 2025–26 as growth in expenses outpaces revenue gains. At 27% of GDP, expenditures are set to be well above the 10yr average of 26% , with the ratio remaining above average throughout the forecast period. Beyond year one, the underlying deficit as a share of GDP is set to narrow slightly but remain above 1.1% through to 2028–29. Nonetheless, outside of this year, the budget's underlying cash balance projections represent a modest improvement compared to MYEFO of around 0.1ppts of GDP or an estimated cumulative $1.6bn.

Revenue windfalls to fall back sharply

Parameter and other variations once again helped the budget bottom line, reducing the underlying cash deficit by $36.4bn over the five years to 2028–29. However, in contrast to recent years, much of the improvement in parameter variations is due to lower payments. Lower unemployment and lower interest rates on government debt are set to reduce payments by $28bn. Upgrades to receipts due to stronger national income on the back of higher than projected commodity prices and labour income added a further $8.4bn. However, the bulk of this is in the first three years of the forward estimates and in subsequent years revenues are set to be lower than at MYEFO.

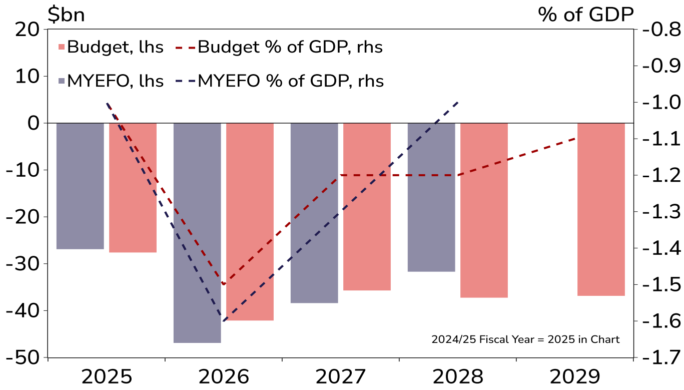
New policy drives most of the changed profile

Most of the changes to the budget profile are the result of policy decisions. The net impact of government policy decisions since MYEFO projection reduces the budget balance by a total of $34.9bn with new policies more than offsetting savings and revenue measures over the forward estimates.

A swathe of new policies have been announced in the lead up to the election, including further cost of living relief measures such as an extension of the electricity rebate and a modest tax cut to the bottom tax rate (Table 1). Many of the more specific measures, including increased funding of Medicare to encourage bulk–billing, lowering the cost and expanding the scope of the PBS, and even the freeze on excise for draught beer, have a flavour of cost–of–living support. Of these new policy measures, $8.3bn were previously provisioned for

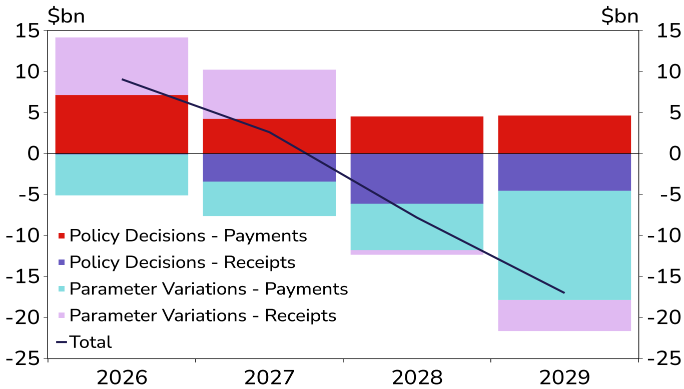
Significant policy announcements since MYEFO have been 'off budget', such as the Federal government's portion of the Whyalla Steelworks bailout. These are not counted in the

Underlying Cash Balance



Source: Australian Department of the Treasury, Macrobond, Westpac Economics

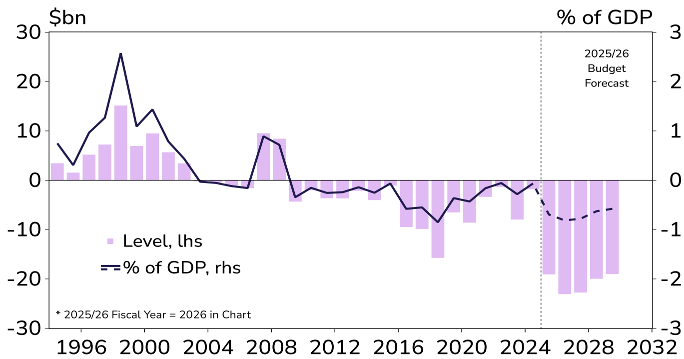
Revisions to Underlying Cash Balance



Source: Australian Department of Treasury, Macrobond, Westpac Economics

Off-budget spending higher over forecast horizon

Difference between headline and underlying cash balance



Source: Australian Department of the Treasury, Macrobond, Westpac Economics underlying cash balance but are included in the headline fiscal balance and still add to gross debt. Treasury projections have off–budget items continuing to rise from record levels before gradually unwinding but remaining elevated in outer years.

Debt and structural spending issues

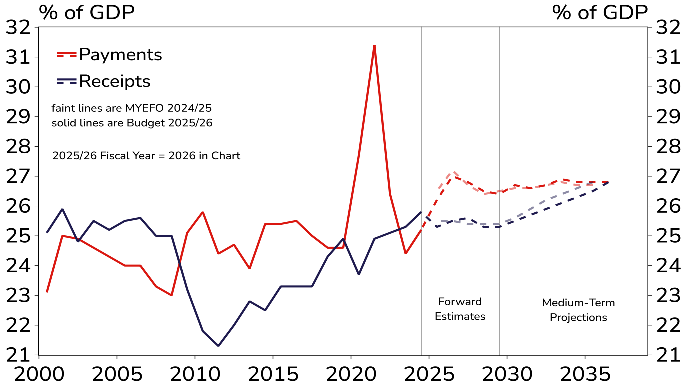
Gross debt is expected to be lower than the MYEFO profile over the forward estimates. This reflects the smaller deficit in the near term and lower yields on government debt, which impact interest payments for new debt issuance in the future. Similarly, net debt has improved vs MYEFO. Both gross and net debt as a share of GDP are expected to worsen over the entire forward estimates to 2028–29. While still low compared to international peers, gross debt is set to rise from 33.9% in 2023–24 to a peak of 37.0% in 2029–30 before gradually easing back to per–COVID levels by 2035.

The government is projecting the structural budget deficit – the position excluding temporary factors – to hover at around 1.0% of GDP until mid–2029 before improving to be balanced by the end of 2035–36. Programs such as the NDIS, aged care and defence continue to expand. Ongoing demographic trends mean this sector is placing long–term pressure on the budget.

Risks

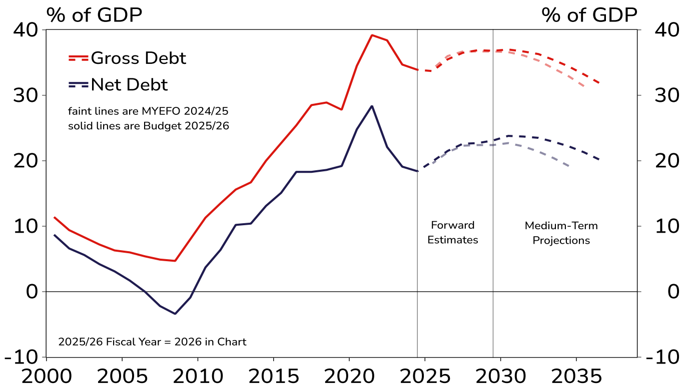
Risks to the budget projections are two–sided. Windfalls from commodity prices will fade but may be slower to decline, Treasury typically makes cautious assumptions on the outlook. We expect the price of iron ore to end–2026–27 at US$85/t, above the budget estimate of US$60/t by mid–2026. Conversely, rising trade tensions and heightened policy uncertainty may precipitate an earlier decline in commodity prices and weakness across other revenue channels. More unsettled financial markets could also test the Treasury's technical assumption for 10–year yields of 4.4%. That in turn could limit the government's fiscal space to implement counter–cyclical measures to help absorb future shocks, as it did during the GFC and COVID. This comes at a time when growing geopolitical uncertainty, increasing trade tensions, more frequent weather events and ongoing technological change may mean shocks are more frequent.

Payments & Receipts



Source: Australian Department of the Treasury, Macrobond, Westpac Economics

Gross & Net Debt



Source: Australian Department of the Treasury, Macrobond, Westpac Economics

Table 1: Key Fiscal Aggregates

	2023–24(a)	2024–25	2025–26	2026–27	2027–28	2028–29
Underlying cash balance*, $bn	15.8	–27.6	–42.1	–35.7	–37.2	–36.9
% of GDP	0.6	–1.0	–1.5	–1.2	–1.2	–1.1
Receipts, % GDP	25.8	25.3	25.5	25.6	25.3	25.3
Expenses, % GDP	25.2	26.2	27.0	26.8	26.5	26.4
Headline cash balance, $bn	14.0	–46.7	–65.2	–58.5	–57.2	–55.9
% of GDP	0.5	–1.7	–2.3	–2.0	–1.8	–1.7
Net debt, $bn	491.5	556.0	620.3	676.3	714.1	768.2
% of GDP	18.4	19.9	21.5	22.6	22.7	23.1
Gross debt, $bn	906.9	940.0	1022.0	1092.0	1161.0	1223.0
% of GDP	33.9	33.7	35.5	36.5	36.9	36.8

* Underlying cash balance = Revenue less Expenses. **Sources:** ABS, Budget papers, Westpac Economics

Table 2: Major policy initiatives in Budget 2025–26

AUDbn	2025/26	5 Years*	Description
Spending Measures – *Expenses*			
Strengthening Medicare	1.4	8.4	Around 95% of this spending is allocated to expanding bulk billing incentives. From 1 November 2025, bulk billing will broaden to cover all Australians resulting in an additional 15 million individuals becoming eligible. Practices will receive an additional 12.5% loading payment when they bulk bill all patients.
Infrastructure Investment	0.1	1.8	Progressing the government's $120bn 10–year infrastructure investment pipeline, this budget allocates $17.1bn to road and rail infrastructure projects. This includes $7.2bn for safety upgrades on the Bruce Highway.
PBS New And Amended Listings	0.3	1.8	Women's health is of key focus here with new oral contraceptives, treatments for endometriosis and menopause (among others) being listed on the PBS. The receipt impacts are not published due to commercial sensitivities.
Even Cheaper Medicines	0.1	0.7	Starting 1 January 2026, the maximum cost of medicines on the PBS will be lowered from $31.60 to $25.00 and remain frozen at $7.70 for pensioners. Figures are net of related receipts.
Energy Bill Relief – Extension	1.8	1.8	With default electricity prices set to increase by between 2½ and 9%, the government is extending its energy bill relief to the end of the year, with every household and one million small businesses to receive two additional $75 payments.
National Health Reform Agreement	1.8	1.8	The Federal government's contribution to state–run hospitals will reach a record $33.9bn in 2025–26. This includes a one–off $1.8bn funding boost to public hospitals and health services and $32.2bn as part of the National Health Reform Agreement.
Building Australia's Future – Schools	N/A	0.4	On top of an already committed $4.8bn, the government has allocated a further $0.4bn toward the "Better and Fairer Schools Agreement" aimed at improving outcomes in public schools.
Not Yet Announced	0.3	1.5	Detail to be announced during the election campaign.
Savings Measures – *Expenses*			
Savings from External Labour	0.0	0.7	Additional savings in outer years (2028–29) by reducing spending on consultants, contractors and labour hire. Since 2022–23, this will bring total savings to $4.7bn.
Spending Measures – *Revenues*			
Personal Income Tax Cuts	0.0	17.1	The tax rate for the $18,201 to $45,000 band will be reduced from 16% to 15% from 1 July 2026, with a further step–down to 14% on 1 July 2027. Together with Stage 3, this culminates to an average tax cut of around $50/week in 2027–28.
Personal Income Tax – Medicare Levy	0.2	0.6	Providing further cost–of–living relief by increasing the Medicare levy low–income threshold for singles, families, seniors and pensioners by 4.7% from 1 July 2024.
Saving Measures – *Revenues*			
Strengthening Tax Integrity	0.0	1.8	Allocating more money to the ATO to extend and expand tax compliance activities, which in turn is expected to deliver a net $1.8bn increase in revenues over the forecast horizon.
Not Yet Announced	0.1	0.5	Detail to be announced during the election campaign.
Net Total Change in Spending *(including other)*	**+7.2**	**+34.8**	
Memo: Off–Budget Spending			
Student Debt Forgiveness	16		Forgiving $16bn of outstanding student loan debt (a 20% reduction) before indexation is applied on 1 June 2025. This government also plans to raise the minimum income threshold above which repayments are required and reduce repayment rates.

* Includes 2024–25 through to 2028–29.

SMEs the clear winners

Among the swathe of new policy measures included in this year's Budget households, particularly lower income households, and SMEs were clear winners. The government also remained focused on renewable and clean energy as part of the Future Made in Australia (FMIA) initiative. Defence spending has been brought forward, but no new spending in this area was announced.

While not directly targeted for measures, retailers will benefit from the support to consumers, and those in the manufacturing space will benefit from the FMIA and defence spending.

The Budget however may not have met all expectations and hopes. Notably, we note no new measures for the agriculture sector were included this year, with several initiatives already in place.

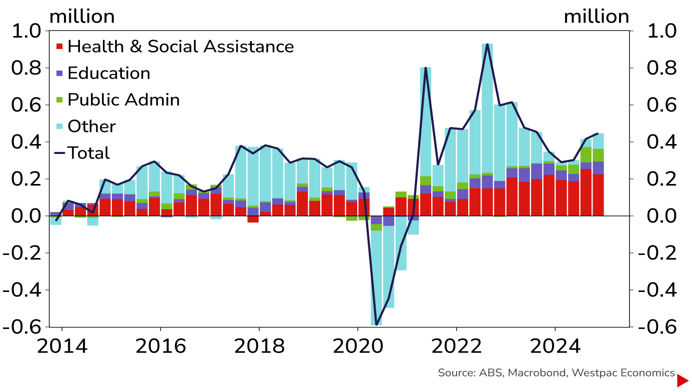
Consumers

- Reduce low income tax rate to 14% over two years from 1 July 2026.
- Six–month extension of electricity rebate, at $150 for households and eligible SMEs.
- Increase in Medicare levy threshold.
- Cap on cost of medicines under the Pharmaceutical Benefit Scheme to $25.00 down from $31.60 and a freeze for pensioners at $7.70.
- A 20% haircut on student debt.

As per last year, cost of living relief was a priority. The electricity rebate was extended for households and SMEs for six months while the Government also unexpectedly cut the low–income tax rate from mid–2026 over two years. Measures to strength Medicare and a cap on the cost of medicine will also support those households that have struggled with the sharp increase in living costs over recent years and also boost incomes of sole traders. This in turn should provide some support for firmer household spending this year and in turn retailers.

Change in Employment

By industry, year-ended contributions



- Six–month extension of the electricity rebate.
- $12mn over four years will be provided support and protect small businesses, including through strengthening ACCC's regulatory oversight of the Franchising Code of Conduct.
- $20mn provided in 2025–26 for initiatives to encourage consumers to buy Australian–made products.
- $56.7mn in Energy Efficiency Grants.
- Pause in indexation of the excise on draught beer and excise equivalent customs duty rates.
- Digital and Cyber support.

Notably absent is an extension of the instant asset write–off tax benefit which will end as planned in July. The tax break allowed businesses to claim an immediate $20,000 deduction from their taxes and this is set to fall back to $1,000.

Renewables/Clean energy/Climate

- $2bn increase in the capital allocation to the Clean Energy Finance Corporation.
- $2bn for Green Aluminium Production Credits for aluminium smelters transitioning to renewable energy.
- $1bn Green Iron Investment Fund for the development of a new industry.
- $262mn to ensure 30% of Australia's landmass is a protected conservation area by 2030.

Focus on assisting the energy transition as well as stimulate investment in clean met–al production.

Health and aged care

- $8.4bn over five years to strengthen Medicare including $7.9bn to expand eligibility for bulk billing incentives to all Australians.
- $1.8bn for new and amended listings on the Pharmaceutical Benefits Scheme.

Increase in aged care nurses wages and funding for Home Care Packages programme.

Education

- $0.4bn over the next four years for at least 3 days of subsidised childcare (not means tested).
- $0.4bn over the next five years ($7.6bn over the next decade) as part of the Better and Fairer Schools Agreement.
- $2.5bn will be provided over eleven years from 2024–25 for investments in a new higher education funding system.
- Making permanent 100,000 free TAFE places per year from 1 January 2027.

Agriculture

- $3.5mn for a National Food Security Strategy.
- $6.8mn for international engagement and market access.
- $20mn for a Buy Australian campaign to encourage consumer to purchase Australian produced food and goods.
- $130mn in secured loans to keep Rex Airlines operational during its extended voluntary administration to 30 June 2025.

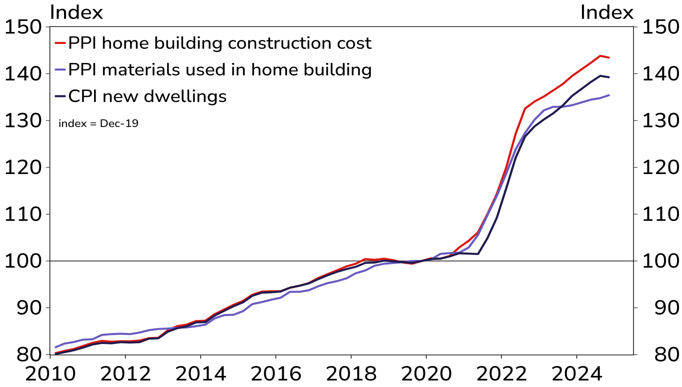
All measures noted are being met from existing resourcing so there was no additional allocation for agriculture in the 2025 budget.

Construction

- $800mn to improve accessibility of the Help to Buy program by lifting property price and income caps. The scheme helps first–home.
- $54mn over the five years to 2028–29 to accelerate the uptake of modern methods of construction to improve home building rates and address the rapid increase in housing construction costs.
- Housing Construction Apprenticeship stream and extension of the Priority Hiring Incentive program for six months.

The government will also ban foreign buyers from purchasing existing dwellings for two years from 1 April 2025, with some limited exemptions. This restriction will lower government revenue by $80mn over the four years to 2028–29. With the construction industry facing skilled labour shortage, the government has also established the Housing Construction Apprenticeship stream, as part of a wider apprenticeship program, to boost housing construction trades. The Priority Hiring Incentive has also been extended for an additional six months to the end of the year.

New dwelling inflation and input costs



Source: ABS, Macrobond, Westpac Economics

Defence

- Australia's spy agencies will receive an extra $45mn over four years.
- $272mn for Australian–made radars.
- $650mn for long–range missiles.
- 159mn improving maritime capabilities.
- $262 million to develop the supply chains supporting AUKUS submarines.

All measures noted are being met from existing resourcing so there was no addition allocation for defence in the 2025 budget. The Defence Integrated Investment Program is spending $330bn out to 2033–34 and includes $50.3bn announced in 2024–25 budget taking defence spending to 2.3% of GDP by 2030s.

Growing confidence

Worst has passed

The government is becoming more confident about the economic outlook. This is despite a slightly weaker starting point for growth, a more uncertain global backdrop and recent weather–related disruptions locally. The budget assesses that Australia has likely achieved a 'soft landing', bringing inflation back down while maintaining relatively low unemployment. The economy is seen as having 'turned a corner' with a solid growth rebound at the end of 2024 that is expected to see a gradual lift in 2025–26 to around trend in 2026–27.

Inflation has surprised to the downside and is expected to reach 2.5%, the mid–point of the RBA's 2–3% target range, by mid–2025, six months earlier than Treasury had estimated in the MYEFO. Inflation is expected to be sustained within the range, abstracting from a temporary lift in the headline CPI rate as energy subsidies wind down. This contrasts slightly with the RBA's own forecasts, which have 'trimmed mean' inflation holding around 2.7% although these – as the Bank has been at pains to point out – are conditioned on market pricing that has a further 75bps in rate cuts. The Treasury forecasts are conditioned on around 50bps in additional easing.

Wages growth is not seen as a threat to the inflation outlook, although the wage price index is expected to see slightly firmer growth of 3.25% in 2025–26, compared to 3% in the MYEFO, that pace continuing in 2026–27.

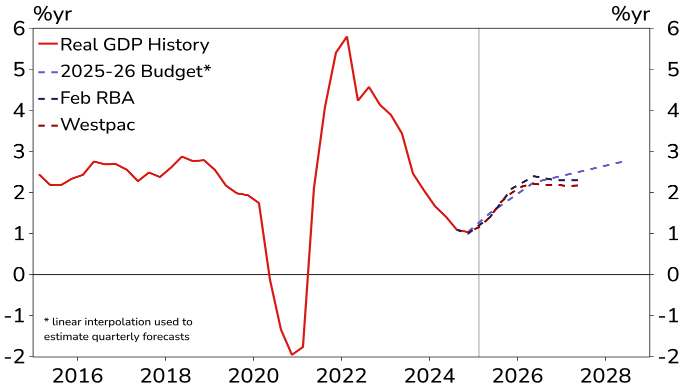
Labour market the real hero

The downside surprise on inflation has been accompanied by markedly better than expected labour market outcomes. Employment growth is now expected to come in at 2¾% in 2024–25, a full percentage point higher than MYEFO. The unemployment rate is now expected to level out at 4.25%, ¼ppt below the MYEFO forecasts. The participation rate is also seen holding ½ppt higher across the whole forecast period, in part reflecting tax and childcare policy measures that are expected to incentivise work.

We are a little more wary about the near term profile for participation with the latest labour force update suggesting retirement outflows may see this settle a little lower. Nevertheless, the upgraded profile is a welcome improvement for the government's fiscal forecasts. Notably, the profile for employment growth looks to be very similar to the slowing in population growth – both tracking towards 1¼%yr in 2026–27.

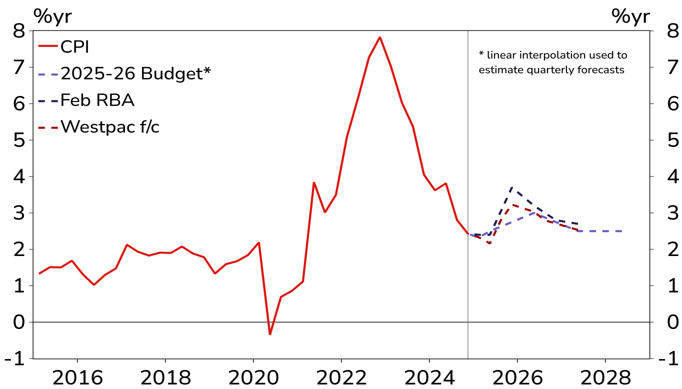
Real household disposable income growth is expected to average just under 3%yr a year over the three years to 2026–27 with tax cuts providing about a 1ppt boost to 2026–27 and 2027–28. That in turn is expected to generate a gradual lift in consumption growth, from ¾%yr in 2024–25 to 2¼% in 2025–26 and 2026–27. This is a slightly quicker recovery profile than in our forecasts but justifiable given the tax cuts now slated for the out–years.

Real GDP



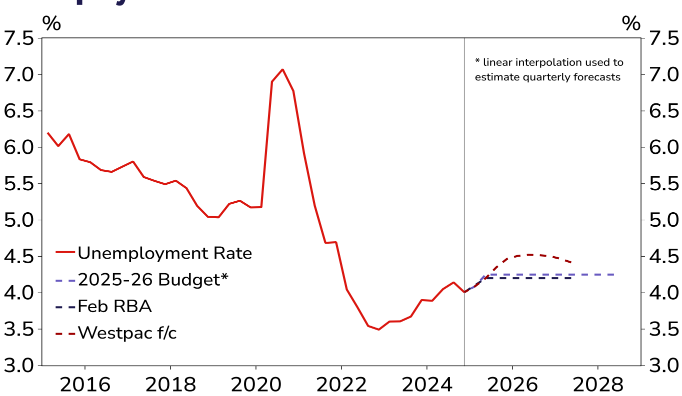
Source: ABS, Australian Department of the Treasury, RBA, Macrobond, Westpac Economics

Headline CPI



Source: ABS, Australian Department of the Treasury, RBA, Macrobond, Westpac Economics

Unemployment Rate



Source: ABS, Australian Department of the Treasury, RBA, Macrobond, Westpac Economics

Gradual growth recovery

Real GDP growth is expected to lift from 1.5% in 2024–25 to 2¼%yr in 2025–26 and 2½%yr in 2026–27. This is broadly in line with the MYEFO forecasts but with the near term ¼ppt softer and year one ¼ppt firmer. Household consumption is the main driver. Across other components, dwelling investment is expected to track a firmer pace, growth lifting to 1.5% in 2024–25, 5.5% in 2025–26 and a robust 7.5% in 2026–27. However, business investment is expected to track a milder 1.5% pace, having risen strongly over the last two years. A lift in non–mining investment is expected to be partially offset by a moderation in mining investment growth. While we expect a variety of factors to drive somewhat firmer investment growth, there are clear downside risks stemming from the more unsettled backdrop, particularly around global trade.

Public demand is expected to track more firmly than in the MYEFO with a more gradual slowing from a stronger starting point, averaging 4% in 2024–25 and 2025–26, moderating to 2% in 2026–27.

Notably, the government appears to be relatively sanguine about risks to exports. Volume growth is forecast to run at 2.5% in 2025–26 and 2026–27, a touch firmer than Westpac's profile. The Budget presents modelled estimates that suggest even an escalating global tariff war involving 25% tariffs on durable manufactured goods with retaliation barely dent Australian GDP (by about 0.1ppt a year) and inflation (lifting by about 0.05ppts). That said, much depends on the modelled impact on China with indirect effects four times the size of direct effects of measures. The estimates also exclude the uncertainty effects on sentiment.

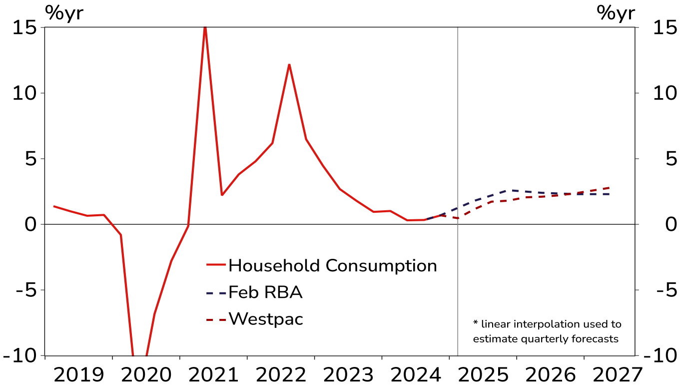
The bottom line profile for nominal GDP contained the main forecast surprise with a much milder than expected decline in the terms of trade adding 1ppt to growth in 2024–25. That is followed by a bigger unwind in 2025–26, the profile based on materially lower prices for iron ore and coal by end 2026 than our forecasts. The downdraft takes 1ppt off nominal GDP growth in 2025–26.

Risk shifts from inflation to tariff wars

Overall, while we differ on some of the details, the budget's aggregate economic forecasts are broadly in line with Westpac's. Growth is slightly stronger in the out–years but justifiable given tax cuts. The government's slightly more optimistic view on the labour market is a bit more debatable given the very high starting point for participation rates, questions over the impact of policy incentives and the potential for more of a mismatch around supply if population growth comes back more slowly. As noted, we are slightly more circumspect on dwelling investment growth and more positive on business investment.

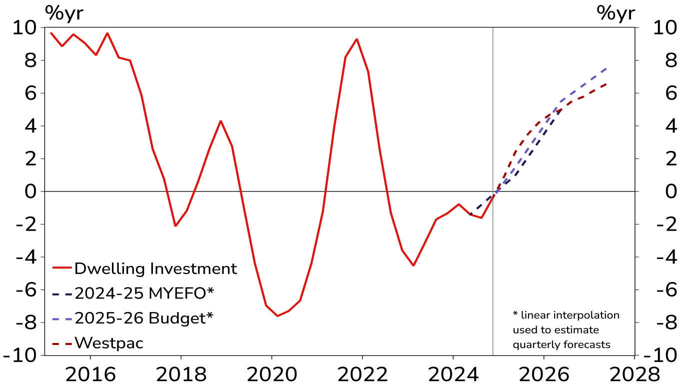
The dominant risk however looks to have shifted from the inflation trajectory to the extent to which global trade disturbances may impact, especially via the effects associated uncertainty may have on confidence.

Household Consumption



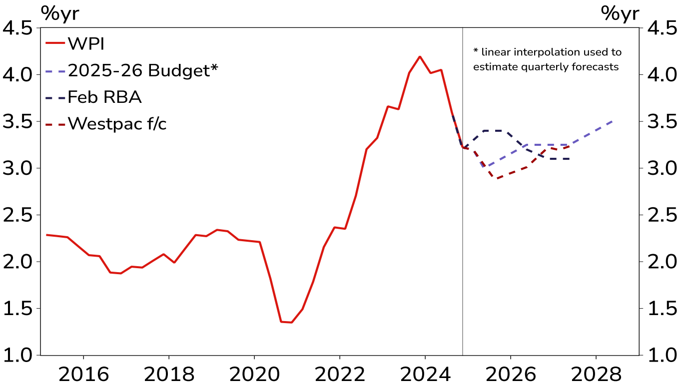
Source: ABS, RBA, Macrobond, Westpac Economics

Dwelling Investment



Source: ABS, Australian Department of the Treasury, Macrobond, Westpac Economics

Wage Price Index



Source: ABS, Australian Department of the Treasury, RBA, Macrobond, Westpac Economics

Table 3: Budget Economic Forecasts

	2023–24	2024–25			2025–26			2026–27*
	Actual	Budget	MYEFO	Chg.	Budget	MYEFO	Chg.	Budget
Household consumption	1.1	0.75	1.00	–0.3	2.25	2.00	0.25	2.25
Dwelling investment	–1.4	1.50	1.00	0.5	5.50	5.00	0.50	7.50
Business investment*	6.0	1.00	1.50	–0.5	1.50	2.00	–0.50	1.50
Private final demand*	1.8	1.00	1.00	0.0	2.50	2.25	0.25	2.75
Public final demand*	4.1	5.00	3.75	1.3	3.00	2.25	0.75	2.00
Inventories, contribution ppts	–0.5	0.00	0.00	0.0	0.00	0.00	0.00	0.00
GNE	1.9	2.00	1.75	0.3	2.50	2.25	0.25	2.50
Net exports, contribution ppts	–0.4	–0.50	–0.25	–0.3	–0.25	0.00	–0.25	0.00
Exports	3.7	1.00	1.00	0.0	2.50	3.00	–0.50	2.50
Imports	6.5	2.00	2.50	–0.5	4.00	3.50	0.50	2.50
Real GDP	1.4	1.50	1.75	–0.3	2.25	2.25	0.00	2.50
Nominal GDP	4.1	4.25	3.25	1.0	3.25	3.50	–0.25	4.00
GDP Deflator	2.7	2.75	1.50	1.3	1.00	1.25	–0.25	1.50
Terms of trade	–6.3	–2.50	–5.25	2.8	–6.00	–5.25	–0.75	–3.00
Employment (Jun qtr)	2.2	2.75	1.75	1.0	1.00	1.00	0.00	1.25
Unemployment rate (Jun qtr)	4.1	4.25	4.50	–0.3	4.25	4.50	–0.25	4.25
Participation rate (Jun qtr)	66.8	67.25	66.75	0.5	67.00	66.50	0.50	66.75
CPI (Jun qtr)	3.8	2.50	2.75	–0.3	3.00	2.75	0.25	2.50
Wage price index (Jun qtr)	4.1	3.00	3.00	0.0	3.25	3.00	0.25	3.25
Current account, % of GDP	–1.3	–1.75	–2.00	0.3	–3.75	–3.25	–0.50	–4.25
Net overseas migration, '000	435.0	335	340	–5	260	255	5	225

* business investment and government spending excluding the effect of private sector purchases of public sector assets.
^2025/26 economic forecasts not provided in the 2023/24 MYEFO

Table 4: Westpac's Economic Forecasts

	2024–25	2025–26	2026–27		2024–25	2025–26	2026–27
Private Consumption	0.7	1.9	2.5	Nominal GDP	3.4	3.4	3.3
Dwelling Investment	2.4	5.0	6.6	GDP Deflator	2.0	1.1	1.1
Business Investment	1.1	3.3	5.2	Terms of Trade	–4.1	–2.7	–1.9
Private Final Demand*	1.0	2.5	3.4				
Public Final Demand	5.0	3.1	2.3	Employment	2.8	0.8	1.4
Inventories (ppts cont'n)	–0.2	0.1	0.0	Unemployment Rate	4.1	4.5	4.5
GNE	1.9	2.7	3.1	Participation Rate	67.1	66.6	66.8
Net Exports (ppts cont'n)	–0.3	–0.4	–0.9				
Exports	1.1	1.6	1.9	CPI	2.0	3.0	2.7
Imports	2.7	3.5	5.7	WPI	3.0	3.0	3.2
Real GDP	1.4	2.2	2.2	Current Account (% GDP)	–1.9	–2.2	–2.9

* business investment and government spending excluding the effect of private sector purchases of public sector assets.

Corporate Directory

Westpac Economics / Australia

Sydney
Level 19, 275 Kent Street
Sydney NSW 2000
Australia

E: economics@westpac.com.au

Luci Ellis
Chief Economist Westpac Group
E: luci.ellis@westpac.com.au

Matthew Hassan
Head of Australian Macro–Forecasting
E: mhassan@westpac.com.au

Elliot Clarke
Head of International Economics
E: eclarke@westpac.com.au

Sian Fenner
Head of Business and Industry Economics
E: sian.fenner@westpac.com.au

Justin Smirk
Senior Economist
E: jsmirk@westpac.com.au

Pat Bustamante
Senior Economist
E: pat.bustamante@westpac.com.au

Mantas Vanagas
Senior Economist
E: mantas.vanagas@westpac.com.au

Illiana Jain
Economist
E: illiana.jain@westpac.com.au

Neha Sharma
Economist
E: neha.sharma1@westpac.com.au

Jameson Coombs
Economist
E: jameson.coombs@westpac.com.au

Ryan Wells
Economist
E: ryan.wells@westpac.com.au

Westpac Economics / New Zealand

Auckland
Takutai on the Square
Level 8, 16 Takutai Square
Auckland, New Zealand

E: economics@westpac.co.nz

Kelly Eckhold
Chief Economist NZ
E: kelly.eckhold@westpac.co.nz

Michael Gordon
Senior Economist
E: michael.gordon@westpac.co.nz

Darren Gibbs
Senior Economist
E: darren.gibbs@westpac.co.nz

Satish Ranchhod
Senior Economist
E: satish.ranchhod@westpac.co.nz

Paul Clark
Industry Economist
E: paul.clarke@westpac.co.nz

Westpac Economics / Fiji

Suva
1 Thomson Street
Suva, Fiji

Shamal Chand
Senior Economist
E: shamal.chand@westpac.com.au

IQ

westpaciq.com.au

Things you should know

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

Disclaimer

This information has been prepared by the Westpac 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 (a) 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; (b) 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; (c) to the best of the author's knowledge, they are not in receipt of inside information and this material does not contain inside information; and (d) no other part of the Westpac Group has made any attempt to influence this material.

Author(s) disclaimer and declaration: The author(s) confirms that (a) 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; (b) 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; (c) to the best of the author's knowledge, they are not in receipt of inside information and this material does not contain inside information; and (d) no other part of the Westpac Group has made any attempt to influence this material.

Further important information regarding sustainability–related content: This material may contain statements relating to environmental, social and governance (ESG) topics. These are subject to known and unknown risks, and there are significant uncertainties, limitations, risks and assumptions in the metrics, modelling, data, scenarios, reporting and analysis on which the statements rely. In particular, these areas are rapidly evolving and maturing, and there are variations in approaches and common standards and practice, as well as uncertainty around future related policy and legislation. Some material may include information derived from publicly available sources that have not been independently verified. No representation or warranty is made as to the accuracy, completeness or reliability of the information. There is a risk that the analysis, estimates, judgements, assumptions, views, models, scenarios or projections used may turn out to be incorrect. These risks may cause actual outcomes to differ materially from those expressed or implied. The ESG–related statements in this material do not constitute advice, nor are they guarantees or predictions of future performance, and Westpac gives no representation, warranty or assurance (including as to the quality, accuracy or completeness of the statements). You should seek your own independent advice.

Additional country disclosures:

Australia: Westpac holds an Australian Financial Services Licence (No. 233714). You can access Westpac's Financial Services Guide here or request a copy from your Westpac point of contact. 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.

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

Disclaimer continues overleaf ▶

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.

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. 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'). In accordance with APRA's Prudential Standard 222 'Association with Related Entities', Westpac does not stand behind WCM other than as provided for in certain legal agreements between Westpac and WCM and obligations of WCM do not represent liabilities of Westpac.

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. 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. 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.