Week beginning 21 April 2025

AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

In this week's edition:

Economic Insight: TINA McRAE says 'Watch out ahead!'.

The Week That Was: Patient posture.

Focus on New Zealand: Inflation at low risk of an undershoot.

For the week ahead:

Australia/New Zealand: ANZAC Day, NZ consumer confidence.

Eurozone: consumer confidence, trade balance.

United Kingdom: BoE Governor Bailey speaking, retail sales, consumer sentiment.

United States: Beige Book, durable goods orders, regional manufacturing surveys, leading index.

Global: Easter Monday, S&P Global PMIs.

Information contained in this report current as at 17 April 2025

TINA McRAE says 'Watch out ahead!'

Luci Ellis
Chief Economist, Westpac Group

What a time to be on a client trip through Europe and North America. The 'US exceptionalism' narrative that prevailed between the election and inauguration had already broken by mid-March. As the news unfolded in April and daily market convulsions ensued, I noticed a deeper thread in the questions and observations from clients, and also from peer chief economists at an international meeting in Basel: the mood has shifted from 'US exceptionalism' to 'US revulsion'.

Prior to 'Liberation Day', and in the first few days after, many institutional and official sector investors simply didn't know which way to jump. They had little conviction about the direction of the market and were therefore taking little risk. The next stage of market grief after the freeze of confusion was a kind of fatalism. Yes, the US looks a lot less attractive and the US dollar is overvalued, they would say, but nothing is deeper and more liquid than the US Treasury market; one can't get out of it. This is the 'TINA problem' – There Is No Alternative – that we have discussed previously.

A couple of US-based clients were detouring through the denial phase of grief. They highlighted the US's entrepreneurial dynamism and were holding on to the prospect that the US would continue to enjoy a growth differential over other Western economies, perhaps following some unspecified deregulation by the Trump administration. Most US-based contacts, though, were even more strongly in the Revulsion phase than their European peers. As one US-based client commented, "America is cooked".

That's the thing with narratives. Once you start to see the cracks in a narrative, you start to question things more broadly. Tariff policy and bullying of close allies opened up the crack. But then the high valuations in the equity market, previously shrugged off, start to look more concerning. So does the parlous fiscal position of the US government and the incapacity of the US political system to solve this and other problems. Then some of the wilder ideas of Trump administration officials – like coercively converting US Treasury bonds to non-marketable zero-coupon paper – start to be seen as genuine – and alarming – possibilities. The previously unthinkable becomes plausible.

Then came the revulsion, the simultaneous sell-off in the US dollar, bonds and equities. There is still a TINA issue – There Is No Alternative to the US Treasury market. Selling out of US markets entirely is infeasible, for all the talk about US markets becoming uninvestible. There is, however, also McRAE – Markets Can Reallocate Easily. Right now everyone wants to be at least a bit less long US markets. Thus the final stage of market grief is reallocation. And because it is flows that determine pricing, not legacy stocks, with reallocation comes repricing: TINA McRAE.

What, then, are investors and asset managers looking to reallocate into as they reallocate out of the US? Everywhere, but for now mostly Europe; it is the 'adjacent possible'. Even before Liberation Day, we heard, equity investors were looking at Europe in a more positive light. This is especially true for the defence sector. The Trump administration's treatment of Ukraine, Canada and its NATO allies has been as much behind investor revulsion as the chaotic tariff policies. Germany's constitutional change and pivot to increased defence spending was something of a catalyst for the shift in thinking, too.

More broadly, people are noticing that Greater Europe – including not just the euro area or even the EU but also others in the region such as the UK, Switzerland and Norway – represents an enormous and reasonably integrated economic market, even if not an integrated and homogeneous bond market. It is also a region that has been driven by the Trump administration's behaviour to seek ways to extricate itself from dependence on US defence and tech sector vendors. On this front, broader cooperation with Canada and Australia – a kind of 'Eurovision plus one' grouping – was widely discussed in my recent meetings with clients. (Canadian clients were already aware and others interested to hear about Canada's decision to purchase Australia's JORN over-the-horizon radar technology.)

"While on a client trip through Europe and North America, I have seen investors go through all five stages of financial market grief about the US: confusion, fatalism, denial, revulsion – and reallocation."

Within this broader pivot of views, a lot depends on how the trade dispute plays out from here. The tariff rates announced on Liberation Day are too self-destructive to stand. It was therefore no surprise that a 90-day pause on most of the highest rates came soon after, and a further carve-out for certain tech items. Expect more unilateral concessions by the Trump administration, though probably dressed up to look like a deal. And if the result is that most countries, including Asia outside

China, end up being tariffed at 10% like Australia, New Zealand and the penguins, all that will happen is that US consumers end up paying more. Nobody will shift the location of production for the sake of a 10% tariff, not when the currency of the tariffing nation is already at least 20% overvalued.

The Chinese reaction and escalated bilateral tariffs will be a tougher nut to crack. Clearly the Chinese authorities have assessed that China can outlast the US and withstand the disruption to trade. At these tariff levels, trade between the two nations will simply stop, other than in items already exempted. While US demand for Chinese exports is an important engine of China's growth, it is not the only one. Autonomous domestic demand in the rest of Asia is becoming at least as big a driver of China's export growth lately. And together with some inevitable domestic stimulus, this could be enough to ride out the hit to growth while it redirects trade elsewhere. The US, on the other hand, will only have a few months before the pre-tariff rush to build up inventories is depleted, prices spike and shelves start to empty.

It is because we expect the Trump administration to crack and roll back its tariffs further that we see the US as teetering on the brink of recession but not necessarily falling in. Meanwhile, China will again stimulate, including by boosting capacity in advanced manufacturing. This is disinflationary for the rest of the world and – importantly for Australia – when coupled with measures targeting infrastructure and residential property, supportive of iron ore demand. China's high levels of debt, deflation and sub-national fiscal imbalances are all genuine medium-term challenges. In the short term, though, China looks better placed to muddle through than the US.

The deeper reason for this is that, like Europe, China retains state capacity to respond to challenges, even when the necessary actions are uncomfortable. By contrast, the policy chaos of the Trump administration is in many ways the culmination of a decades-long decline in capacity for collective action. Consider that the President's power to impose tariffs stems from an Act of Congress. Congress could amend or repeal that Act, but almost certainly won't.

A consequence of that loss of state capacity – and loss of trust – is the current revulsion phase of market repricing. The tariffs may well be rolled back quickly; if so, some of the current sell-off may prove overdone. Even in that event, though, lasting damage has been done to the US's reputation as a reliable partner and investment destination. TINA McRAE is out there: a more volatile financial landscape, more diversified and less centred on the US. Asset allocations, hedging strategies and business models will all need to adapt, and soon.

Cliff Notes: patient posture

Ryan Wells, Economist
Illiana Jain, Economist

In Australia, the RBA Minutes from the April meeting provided some extra colour around the Policy Board's deliberations. Despite pre-dating President Trump's 'Liberation Day' tariff announcements and the subsequent volatility in markets, many of the statements around the potential impact on Australia remain relevant, especially that "the effects on GDP growth and inflation in Australia could be relatively modest… reflect[ing] Australia's limited direct trade exposure to the United States, additional policy support in China and Australia's flexible exchange rate." Still, they note that the risks to inflation were "more two-sided" depending on the balance between upside factors such as supply-side disruptions and a weaker exchange rate, and downside factors like weaker global demand and trade diversion away from the US. The Board noted that having a fresh set of forecasts alongside new information around inflation, wages and the labour market will "have a considerable bearing on their decision" at the next policy meeting on May 19-20. At that meeting, Westpac anticipates the Board will deliver a 25bp rate cut, bringing the cash rate to 3.85%.

On the data front, this week's labour force data, was a bit of a mixed bag. There was only a partial bounce-back in labour supply, seeing the participation rate hold broadly steady at 66.8%. Labour demand looks to have largely moved in tandem, with employment rising +32k, falling short of expectations. Measures of labour market slack were therefore little changed, with the unemployment rate increasing only 0.01ppt. Overall, the RBA are likely to see this data as broadly in line with their expectations, still reflecting a degree of 'tightness' relative to full employment. Ultimately, the Q1 CPI data, due April 30, will prove to be a critical input to their May decision.

This week was not short of excitement. FOMC Chair Powell had a clearer tone. In a speech to the Economic Club of Chicago, he noted that the Fed's "obligation is to keep longer-term inflation expectations well anchored and to make certain that a one-time increase in the price level does not become an ongoing problem". This, alongside his previous references to Teal Book modelling through Trump's first term, reaffirms his commitment to prioritising managing inflation risks over growth. This sentiment has been echoed by the Bank of England and Bank of Canada who have been quick to point out that they will allow fiscal policy to support growth, particularly if its decline is caused by supply-side factors.

The Bank of Canada kept rates steady this meeting after seven consecutive rate cuts. The pause comes as the central bank assesses the impact of trade policy with the US and its uncertain impact on the Canadian economy. Governor Tiff Macklem noted that the BoC would be 'less proactive than usual until we have greater clarity.' Macklem doubled down on prior comments that monetary policy cannot offset the impact of a trade war, only maintain price stability. Instead of a central forecast, the monetary policy report published two forecasts one which had minor deviations from the previous set of forecasts and another showing a recession caused by trade tensions. The overall messaging suggests the balance between growth and inflation is once again slowly being nudged towards inflation. Further moves down will come after careful consideration and confidence that inflation and inflation expectations are contained.

In the UK, CPI data for March showed a downtick in inflation. The headline rate fell by 0.2ppt to 2.6%yr while the core rate ticked down to 3.4%yr. The deceleration came from the services component, which rose 4.7%yr down from 5.0%yr. These figures came after a mixed labour market report. While the official labour force statistics indicated employment increased by 206k in February, administrative data from tax authorities was down 78k in the month. Average weekly earnings growth over the three months to February were unchanged at a downwardly revised 5.6%yr. Private sector wages excluding bonuses were also unchanged at 5.9%. While progress on inflation is being made, stubbornness in wages will keep the BoE attentive to inflation risks. Still, we expect the central bank to cut rates in the May meeting by 25bps justified by the progress on inflation and emerging growth risks from a slowdown in global trade.

In China, Q1 GDP came in stronger than anticipated at 5.4%yr and rose 1.2% in the quarter. The official press release was quick to attribute the 'positive momentum' to effective macro policy by authorities. Monthly activity data for March also painted a solid picture of the economy. Retail sales rose 4.6%yr on a year-to-date basis supported by spending generally seen during the Lunar New Year -- household appliances, furniture and services. Industrial production lifted 6.5%yr/ytd far exceeding expectations. While the high-tech manufacturing sector continues to expand at a solid pace, this quarter also saw a solid uptick in coal and crude oil production. The 4.2% gain in fixed asset investment was supported not only by state-owned enterprises but also by private investment which has been declining since August 2024. All this offset the 9.9%yr decline in property investment. The data played well into the narrative authorities in China want to convey -- China is a thriving economy and a solid trade partner. Authorities can point to its solid manufacturing sector and their policy decisions to back up their claims. We retain our view that the Chinese economy will hit its growth target of 5.0% for 2025 supported by further policy measures as the authorities see fit and growth in the high tech manufacturing sector.

Our updated views on the domestic and global economy alongside forecasts can be found in our Market Outlook for April 2025.

Inflation at low risk of an undershoot

Michael Gordon
Senior Economist

This week was largely free from fresh shocks on the global trade front, allowing the market's attention to turn back to the economic data. The March quarter inflation figures were always going to be the highlight, ticking up by slightly more than expected, but with the details generally in line with our forecasts. There was also a range of higher-frequency releases that provided some welcome colour on the economy, particularly as we look for any indications of how the US's trade war might hit home for New Zealand.

Consumer prices rose by 0.9% in the March quarter, slightly ahead of our forecast of 0.8% (which we had already revised up from 0.7% after the selected monthly prices for March were released on Tuesday). That saw the annual inflation rate rise to 2.5%, compared to 2.2% for the year to December.

Tradables prices rose by 0.8% for the quarter, close to our forecast. The biggest contribution came from volatile petrol prices, which were 4.6% higher on average over the quarter (but will likely be down again for the June quarter). There was also a lift in food prices, particularly for dairy products (the flipside of dairy farmers' good fortunes for this season).

More generally, though, tradables prices are no longer falling in the way that they did through most of 2024. At that time, New Zealand was benefiting from an unwinding of Covid-era disruptions to global supply chains (and a pull-back in local food prices after Cyclone Gabrielle had damaged some crops in 2023). Those disinflationary forces have now run their course – and with the drop in the NZ dollar since late last year, we expect to see tradables inflation pushing higher again over the coming months.

Non-tradables prices rose by 1.1% for the quarter, ahead of the 0.9% rise that we and the RBNZ were expecting. However, the main source of the upside surprise was a technical matter that doesn't have any implications for broader inflation pressures. This year the Government ended the Fees Free scheme for the first year of study or training, moving it to the final year of study instead. The result is that – for this year at least – few students qualified for the scheme, which meant that the average fees paid were 23% higher. This should at least partly reverse in the following years, as today's students reach their final year of study.

On an annual basis, non-tradables inflation continues to ease back from its earlier highs, slowing from 4.5% to 4.0% in March. The latest quarter included more restrained increases in rents (up 0.7%), new home builds (up 0.6%) and insurance premiums (up 1.1%). In a similar vein, most measures of 'core' inflation (which are intended to capture the more persistent aspects of price pressures) have eased back to be within the RBNZ's 1-3% target range.

We expect that headline inflation will remain within the target band over the year ahead, albeit on the higher side – we are forecasting a peak of 2.8% in the December 2025 quarter. We're now watching to see how the domestic economy responds to the easing in borrowing costs which is working its way through. And of course, we're keeping a close eye on global conditions and the New Zealand dollar, which are clouding the longer-term outlook for imported inflation.

In terms of other data releases this week, it was a mixed bag. Firstly, retail spending was much weaker than expected in March, falling by 0.8%. Spending had been picking up since late 2024, after a steep decline over the preceding year. But that recovery now looks like it has lost steam. That message was matched by the Performance of Services Index, which remained at around 49 in March. While it has picked up since the middle of last year, it has yet to move back into growth territory.

On a more positive note, the housing market has continued to pick up in recent months. House sales in March were about flat in seasonally adjusted terms, coming on top of a strong lift in February. Admittedly, the recovery in sales has only brought them back up to around their long-run levels, and there is still a sizeable stock of unsold homes on the market that is only gradually being worked through.

In that light, there hasn't been a great deal of upward pressure on prices yet. The REINZ house price index rose by 0.2% in March, the fifth straight month of similarly-sized gains. Nonetheless, it's clear that lower mortgage rates have helped to revive interest among house-hunters, and we expect to see further price gains over the course of 2025.

In addition, New Zealand saw a net inflow of around 5,400 migrants in February, the strongest monthly balance since December 2023. A surge in student arrivals boosted the figures for the month, but beyond this we continue to see foreign arrivals stabilising and the number of departing New Zealanders easing off their highs.

On balance, the activity indicators this week were slightly on the softer side – our GDP nowcast for the March quarter has nudged down from 0.18% to 0.16%. Notably, the RBNZ has now launched its own GDP nowcast model. While the methodology and inputs are similar to ours, the RBNZ's nowcast is feeling much more optimistic about the March quarter, currently picking a 0.77% rise. What this difference highlights is that no one model has a monopoly on forecast accuracy, and that nowcasts are most helpful for understanding the general direction of the data in between GDP releases.

On a final note, this week's GlobalDairyTrade auction was the first one since the "Liberation Day" tariff announcement, making it a valuable early barometer of how the new trade war could end up roiling some our key export markets. The result was not just benign but quite positive – overall dairy prices rose by 1.6%, taking them to their highest level in nearly three years. Our forecast for this season's farmgate milk price remains at $10.30/kg, at the top end of Fonterra's guidance range, and we expect another solid price of $10/kg for the next season starting in June.

What to watch

	For	Data/Event	Unit	Last	Market f/c	Westpac f/c	Risk/Comment
Mon 21							
US	Mar	Leading Index	%mth	–0.3	–0.4	–	Fog of tariff war raises questions on where growth will land.
World		Easter Monday	–	–	–	–	Markets closed in Australia, NZ, Europe and UK.
Tue 22							
NZ	Mar	Trade Balance	$mn	510	–	765	Surplus to expand as high prices boost exports.
Eur	Apr	Consumer Confidence	index	–14.5	–15	–	Already on shaky footing ahead of tariff volatility.
US	Apr	Richmond Fed	index	–4	–	–	Manufacturers very uncertain about the outlook.
		Fedspeak	–	–	–	–	Jefferson and Harker at Economic Mobility Summit.
Wed 23							
Jpn	Apr	Nikkei Manufacturing PMI	index	48.4	–	–	Sliding further into contraction amid a gloomy outlook.
	Apr	Nikkei Services PMI	index	50.0	–	–	Service providers reporting elevated cost and price pressures.
Eur	Apr	HCOB Manufacturing PMI	index	48.6	47.5	–	Tariff front-running to only provide temporary reprieve …
	Apr	HCOB Services PMI	index	51.0	50.2	–	… while services sector barely registers a growth pulse.
	Feb	Trade Balance	€bn	14.0	–	–	Tariff front-running effects still at play in the data.
UK	Apr	S&P Global Manufacturing PMI	index	44.9	–	–	Manufacturing has fallen back into very weak territory …
	Apr	S&P Global Services PMI	index	52.5	–	–	… the narrow base to services growth provides little offset.
	Mar	Public Sector Borrowing	£bn	10.7	–	–	Fiscal headspace remains a lingering concern.
		BoE Governor Bailey	–	–	–	–	Speaking in Washington DC.
US	Apr	S&P Global Manufacturing PMI	index	50.2	–	–	Forward-looking indicators will be of particular interest…
	Apr	S&P Global Services PMI	index	54.4	–	–	… as uncertainty spreads to all corners of the economy.
	Mar	New Home Sales	%mth	1.8	1.0	–	Sales trending higher as supply continues to come online.
	Apr	Federal Reserve's Beige Book	–	–	–	–	An update on conditions across the regions.
		Fedspeak	–	–	–	–	Goolsbee, Hammack.
Thu 24							
NZ	Apr	ANZ Consumer Confidence	index	93.2	–	–	First survey since US tariff announcement.
US	Mar	Chicago Fed Activity Index	%mth	0.18	–	–	Fog of tariff war raises questions on where growth will land.
	Mar	Durable Goods Orders	%mth	1.0	1.5	–	Risk of weakening after tariff front-running impact fades.
	Apr	Kansas City Fed	index	–2	–	–	Manufacturers very uncertain about the outlook.
		Initial Jobless Claims	000s	–	–	–	Timely indicator of labour market conditions.
Fri 25							
Aus/NZ		ANZAC Day	–	–	–	–	Markets closed.
Jpn	Apr	Tokyo CPI	%ann	2.9	3.5	–	Sustainable inflation gives green light for rate hikes this year.
Ger	Apr	IFO Business Climate Survey	index	86.7	85.2	–	In store for a sharp loss of confidence …
UK	Apr	GfK Consumer Sentiment	index	–19	–	–	… across many jurisdictions and sectors.
	Mar	Retail Sales	%mth	1.0	–	–	Real incomes buffered impact from weaker sentiment to date.
US	Apr	Uni. of Michigan Consumer Sentiment	index	50.8	–	–	Revisions could see confidence drop another leg lower.

Economic & financial forecasts

Interest rate forecasts

Australia	Latest (17 Apr)	Jun–25	Sep–25	Dec–25	Mar–26	Jun–26	Sep–26	Dec–26	Mar–27	Jun–27
Cash	4.10	3.85	3.60	3.35	3.35	3.35	3.35	3.35	3.35	3.35
90 Day BBSW	4.01	3.90	3.70	3.45	3.50	3.50	3.55	3.55	3.55	3.55
3 Year Swap	3.28	3.35	3.40	3.50	3.65	3.80	3.85	3.90	3.95	4.00
3 Year Bond	3.34	3.40	3.45	3.55	3.70	3.85	3.90	3.95	3.95	4.00
10 Year Bond	4.28	4.35	4.40	4.45	4.50	4.55	4.60	4.70	4.80	4.80
10 Year Spread to US (bps)	–3	5	5	5	5	5	0	0	0	0
United States										
Fed Funds	4.375	4.375	4.125	3.875	3.875	3.875	3.875	3.875	3.875	3.875
US 10 Year Bond	4.31	4.30	4.35	4.40	4.45	4.50	4.60	4.70	4.80	4.80
New Zealand										
Cash	3.50	3.25	3.25	3.25	3.25	3.50	3.75	3.75	3.75	3.75
90 Day Bill	3.48	3.35	3.35	3.35	3.45	3.70	3.85	3.85	3.85	3.85
2 Year Swap	3.13	3.10	3.25	3.50	3.70	3.85	3.95	4.00	4.00	4.00
10 Year Bond	4.55	4.60	4.65	4.70	4.75	4.80	4.85	4.90	4.95	4.95
10 Year Spread to US (bps)	24	30	30	30	30	30	25	20	15	15

Exchange rate forecasts

	Latest (17 Apr)	Jun–25	Sep–25	Dec–25	Mar–26	Jun–26	Sep–26	Dec–26	Mar–27	Jun–27
AUD/USD	0.6343	0.62	0.63	0.65	0.66	0.67	0.68	0.69	0.70	0.71
NZD/USD	0.5904	0.56	0.56	0.57	0.57	0.58	0.59	0.60	0.61	0.62
USD/JPY	142.69	145	143	141	139	137	136	135	134	133
EUR/USD	1.1368	1.10	1.10	1.11	1.12	1.13	1.14	1.15	1.15	1.15
GBP/USD	1.3231	1.28	1.29	1.30	1.31	1.32	1.33	1.34	1.35	1.35
USD/CNY	7.3075	7.35	7.30	7.25	7.20	7.15	7.10	7.00	6.90	6.80
AUD/NZD	1.0743	1.12	1.12	1.15	1.15	1.15	1.15	1.15	1.15	1.15

Australian economic growth forecasts

	2024		2025				2026		Calendar years			
% Change	**Q3**	**Q4**	**Q1f**	**Q2f**	**Q3f**	**Q4f**	**Q1f**	**Q2f**	**2023**	**2024**	**2025f**	**2026f**
GDP %qtr	0.3	0.6	0.4	0.4	0.6	0.5	0.5	0.5	–	–	–	–
%yr end	0.8	1.3	1.5	1.7	2.0	1.9	2.1	2.2	1.5	1.3	1.9	2.2
Unemployment rate %	4.1	4.0	4.1	4.2	4.4	4.5	4.5	4.5	3.9	4.0	4.5	4.5
Wages (WPI) %qtr	0.9	0.7	0.8	0.7	0.7	0.7	0.8	0.8	–	–	–	–
%yr end	3.6	3.2	3.2	3.0	2.9	2.9	3.0	3.0	4.2	3.2	2.9	3.3
CPI Headline %qtr	0.2	0.2	0.7	0.6	0.8	0.8	0.8	0.8	–	–	–	–
%yr end	2.8	2.4	2.2	1.7	2.3	2.9	3.0	3.3	4.1	2.4	2.9	2.8
CPI Trimmed Mean %qtr	0.8	0.5	0.6	0.6	0.7	0.7	0.6	0.6	–	–	–	–
%yr end	3.6	3.2	2.8	2.6	2.5	2.6	2.6	2.7	4.2	3.2	2.6	2.4

New Zealand economic growth forecasts

	2024		2025				2026		Calendar years			
% Change	**Q3**	**Q4**	**Q1f**	**Q2f**	**Q3f**	**Q4f**	**Q1f**	**Q2f**	**2023**	**2024**	**2025f**	**2026f**
GDP %qtr	-1.1	0.7	0.4	0.4	0.8	1.0	0.8	0.7	–	–	–	–
Annual avg change	0.1	-0.5	-1.1	-0.9	0.1	1.0	2.1	2.8	1.8	-0.5	1.0	3.2
Unemployment rate %	4.8	5.1	5.3	5.4	5.4	5.3	5.2	5.0	4.0	5.1	5.3	4.6
CPI %qtr	0.6	0.5	0.9	0.2	0.9	0.7	0.5	0.3	–	–	–	–
Annual change	2.2	2.2	2.5	2.4	2.7	2.8	2.3	2.4	4.7	2.2	2.8	2.0

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

Disclaimer continues overleaf ▶

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.