Week beginning 28 July 2025

AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

In this week's edition:

Economic Insight: Narrow path-dependence.

The Week That Was: Resting on data dependency.

Focus on New Zealand: Inflation's contained, but not soft.

For the week ahead:

Australia: CPI, RBA Dep. Governor Hauser speaking, retail sales, private sector credit, trade prices.

New Zealand: Employment indicator, ANZ business and consumer confidence, building permits.

United States: FOMC policy decision, non-farm payrolls, unemployment rate, Q2 GDP.

China: NBS manufacturing and non-manufacturing PMI.

Japan: BoJ policy decision.

Canada: BoC policy decision.

Information contained in this report current as at 25 July 2025

Narrow path-dependence

Luci Ellis
Chief Economist, Westpac Group

- **RBA Monetary Policy Board (MPB) minutes and Governor's Anika Foundation speech this week provide additional colour on the MPB's split decision to keep rates on hold. The minutes gave the views of both members who voted to hold and members who voted to cut a good airing.**
- **The RBA's view of productivity and supply-side issues is evolving and likely to continue to do so, with more internal work going on ahead of the August meeting and Statement on Monetary Policy. There are some important nuances and intellectual traps in this debate, though. Path-dependence can become a factor: tight labour markets might draw more workers in, making them more integrated into the labour market and boosting labour supply in the longer run.**
- **Since no single MPB member can front-run the decision of the whole Board, future inter-meeting communication is unlikely to endorse or push back against market pricing. This implies that markets will be surprised more often than in countries like the United States, where the central bank puts more weight on avoiding surprising the market. This approach should not, however, rule out making the RBA's own interpretation of the data or its analytical models clearer when misconceptions arise.**

This week's minutes and Anika Foundation speech provided plenty to consider about how the RBA is seeing the economy. Inflation has come down significantly, which was welcomed. Unlike many other economies, this has not been at the expense of significantly higher unemployment. (For the technically minded, this means the 'sacrifice ratio' has been low.) While the Governor stopped short of claiming vindication, the contrast with other peer economics such as Canada and New Zealand did highlight the role of the RBA Board's strategy to raise the policy rate by a bit less than in those other countries. Still, the MPB clearly remains nervous about inflation and some members want to see actual data to support their expectation that it is still declining towards 2½%, the midpoint of the RBA's 2–3% target range. For this reason, we cannot lock in the cash rate cut in August just yet. We do, however, think it is the most likely outcome, especially if the quarterly inflation numbers come in as we expect.

Supply, productivity and path-dependence: the plot thickens

Unsurprisingly given the government's upcoming roundtable, productivity received plenty of attention in the minutes, speech and Q&A. The minutes acknowledged that the expansion of the non-market sector and declining mining sector output had contributed to developments recently. The Governor noted that the staff are doing more work on productivity ahead of the August SMP. It is not clear which way this will go. We know that much of Australia's living standards challenge stems from the fact that the free kick from rising minerals prices is no longer occurring. This would be true even if productivity growth were robust: when one factor is no longer boosting living standards, something else must adjust to make up the difference.

Concerns about productivity relate to the supply side of the economy. The Governor's speech acknowledged that much of the surge in inflation following the pandemic stemmed from supply shocks. This is, incidentally, quite an evolution from the RBA's assessment in late 2023 that inflation was becoming 'increasingly homegrown and demand driven'. While these supply shocks were more drawn out than some observers initially expected, they did eventually subside. Monetary policy can mostly look through this kind of inflation as long as inflation expectations remain anchored.

"RBA minutes and Governor's Anika speech clarify forward view."

But strong demand was also a factor. This was especially an issue in the United States, where fiscal policy remained very expansionary even after the disruptions of the pandemic had passed. The issue was less pronounced in Australia, but the exceptional stimulus during the pandemic and the surge in population when the borders reopened did play a role. (The RBA also today released some interesting findings on the latter.) The differing experiences of economies stemming from different fiscal responses highlights why it is so important that the methods central banks use to disentangle supply and demand shocks are appropriate, and do not fall foul of the 'other fruit problem'.

More broadly, in the speech Q&A, the Governor acknowledged that weak productivity and weak supply did not necessarily imply anything for demand and so monetary policy. While that clears up any misconceptions that weak productivity growth is necessarily a reason to keep monetary policy tight – a welcome realisation – there are some important nuances here.

In particular, the Governor floated the idea that slow demand growth had less to do with tight policy than with supply being weak. We should not make too much of an off-the-cuff answer in a post-speech Q&A: it's hard to get all the nuances into a short answer when there is a queue of other people wanting to ask questions. But this does raise the question of which way causation runs, and whether strong demand might in fact induce greater supply or weak demand weigh on supply. If so, tight monetary policy when both demand and supply are weak looks even less defensible.

The difficulty with this line of argument becomes clearer when comparing this discussion with the Governor's answer to another question, about the labour market. There, Governor Bullock referenced a Bulletin article published the same day showing that the increase in labour force participation since the pandemic had not been a drag on productivity. The additional workers were not so new and green that they reduced the overall quality of the workforce. (This should not be a surprise: much of the increase in participation came from older workers just not retiring, and women returning to the paid workforce after stints demonstrating the executive management skills involved in wrangling small children.) It was a good thing, the Governor said, that a tight labour market had drawn more workers into employment. In this way, a tight labour market begat its own loosening by drawing in more supply. This kind of path dependence – known as 'hysteresis' to economists – is central to the understanding of why unemployment was so high in decades past but declined right across developed economies in the 2000s without spurring inflation. (This is the same mechanism that caused people to worry that the pandemic would cause 'scarring' in the labour market. There is a growing academic literature on this mechanism.)

In other words, the Governor was allowing for the possibility of some path-dependence in the labour market but had not quite translated this into an implication for the broader economy.

Communicating in many voices

In respons to a question from another market economist, the Governor reiterated the point she made after the meeting: that these speeches cannot front-run the MPB meeting, because each member is just one member and does not speak for all. Explicitly taking issue with market pricing of future RBA moves is therefore not something we should expect to happen in future. In response to a media question, the Governor argued that surprising the market was neither a reason to do something or not do something. Put another way, the MPB will put no weight on whether its decision surprises he market. The Board will just try to do what it considers to be the right thing. (That 'it considers' language is a relatively recent addition to the final sentence of the media release and minutes, first included in the media release following the May meeting.)

That should not preclude, however, inter-meeting communication that hosed down a misconception in the market about how data is being interpreted. For example, the minutes clarified that models of the so-called 'neutral rate' were uncertain and not too much weight should be put on them or recent changes to some of them. It would not have been front-running the other MPB members to say in a speech, as the minutes did, that 'public discussion of the stance of monetary policy had possibly overemphasised the inferences that could be drawn from these alternative models, especially for the near term'. (Looking back at my own note on the subject, I could have been blunter in my language, too, in my efforts to hose down this view.)

As we noted earlier in the week, though, the view of neutral becomes even more important – and fraught – the closer you get to where you think it is. MPB members who are still nervous about supply constraints and tight labour markets will want to tread slowly. As the Governor said in her speech, '[t]he Board continues to judge that a measured and gradual approach to monetary policy easing is appropriate'. That 'measured and gradual' language is a bit of an evolution from the 'cautious and gradual' language used in the minutes when discussing the views of the members who voted to hold rates in July, and the 'move cautiously and predictably' language of the May minutes. These small wording changes are likely to be simply different ways of saying the same thing: this is not a central bank that will rush policy easing

Cliff Notes: resting on data dependency

Elliot Clarke, Head of International Economics
Ryan Wells, Economist
Illiana Jain, Economist

In Australia, the RBA's July Minutes provided more colour around the Board's diverse set of views on the balance of risks and the subsequent split decision. The case to cut the cash rate rested on the opinion that the current forecasts for inflation to settle around the mid-point of the target band and the recovery in economic growth may be too optimistic. This risk, particularly as it relates to a potentially slower pick-up in consumer spending, is clearly evident in recent card activity data.

While a minority of Board members favoured this view, the majority saw a small degree of upside inflation risk in the recent run of partial data, and hence sought to remain patient until the full quarterly reading can be assessed. The ultimate decision to keep policy unchanged underscores the majority's preference to move policy in a 'cautious and predictable' manner. Provided the quarterly inflation data continues to indicate that inflation is on track to return to the mid-point of the target range, as we anticipate, August remains the most likely timing for the next rate cut.

Later in the week, Governor Bullock delivered a speech that largely reiterated the messaging from the decision statement and the minutes, but explored more detail in other areas. In this week's essay, Chief Economist Luci Ellis delves into the RBA's current thinking on the interaction between the supply and demand-sides of the economy and its implications for productivity.

Before moving offshore, our latest industry report puts the spotlight on Australian agriculture, assessing current trends for production and costs, the outlook for selected key commodities, and how well the industry is placed to weather the impact from US tariffs.

Globally, market participants continue to focus on US trade policy rumours and announcements. To date this week, the Trump administration has announced a 19% tariff on the Philippines and 15% for Japan, the former a touch higher than Liberation Day, the latter modestly below. Notably the 15% tariff rate for Japan applies to automobiles instead of the standard 25% rate, putting Japanese vehicle manufacturers at a significant advantage to those from South Korea and Europe who are yet to come to terms with the US on a deal.

Securing Japan's improved terms was a commitment by the nation to invest USD550bn in the US economy through a fund that will reportedly provide equity financing, loans and other support to manufacturing plants, infrastructure and other investments in the US, according to Commerce Secretary Howard Lutnick. The significance of the deal for Japan was evident in the strong equity rally for Japanese automotive producers over the week.

Also of significance for Japan, ahead of the trade agreement announcement, the LDP–Komeito coalition experienced a historic loss, winning just 47 of the 50 seats required in Japan's upper house election to maintain a majority. This comes after the coalition lost its majority in the lower house last year. The outcome reflects voter frustration amid compounding cost-of-living pressures, including a doubling of rice prices, and perceived government mismanagement. A multi-party coalition to unseat the LDP–Komeito alliance remains unlikely, but the resulting split government will make it more difficult for Japan to implement reforms aimed at boosting domestic demand and stabilising inflation at target.

For monetary policy and data, Europe was the focus this week. The ECB's Governing Council kept its policy rates unchanged at the July meeting. In the statement, they highlighted that "Domestic price pressures have continued to ease, with wages growing more slowly" while "the economy has so far proven resilient overall in a challenging global environment". On the outlook for policy, President Lagarde continued to emphasise that the Council is "well positioned" and "will follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance".

"Risks to economic growth remain tilted to the downside. Among the main risks are a further escalation in global trade tensions and associated uncertainties, which could dampen exports and drag down investment and consumption." Moreover, a " stronger euro could bring inflation down further than expected…. [and] inflation could turn out to be lower if higher tariffs lead to lower demand for euro area exports and induce countries with overcapacity to reroute their exports to the euro area". This skew in risks leads us to believe the ECB will likely deliver another 25bp cut at the September policy meeting and thereafter remain on hold at the lower-end of its neutral range, absent a material shock to activity or inflation.

The ECB bank lending survey for Q2 2025 also favours further easing, reporting "broadly unchanged credit standards for loans to firms amid geopolitical uncertainty and trade tensions" while "Credit standards tightened slightly for housing loans and more markedly for consumer credit". "Firms' demand for loans increased slightly in net terms but remained weak overall." Meanwhile, "Demand for housing loans continued to increase substantially… [but] demand for consumer credit increased only slightly". In sum, uncertainty over the outlook continues to limit the benefit of policy easing to economic growth.

Inflation's contained, but not soft

Satish Ranchhod
Senior Economist NZ

Inflation in New Zealand is pushing higher again and will threaten the top of the RBNZ's target band before the end of the year. Much of that rise is due to increases in food prices. In contrast, core inflation is better contained, but it's not low and continues to linger above 2%. The current pickup in inflation may not itself prevent the RBNZ from cutting the Official Cash Rate again later this year. However, the RBNZ will be cautious about the extent and timing of any OCR cuts from here, with any further easing likely to be at the more modest end of market expectations.

New Zealand consumer prices rose 0.5% in the June quarter. That saw annual inflation rising to 2.7%, up from 2.5% in the year to March. The June quarter result was just slightly lower than our forecast for a 0.6% rise.

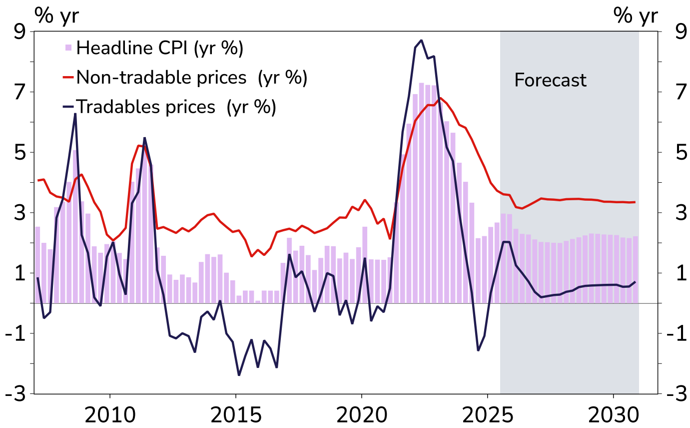
Driving much of the recent upswing in inflation has been increases in food prices, as well as a large increase in household energy prices (in part due to higher lines and transmission charges). And with continued strength in areas like food prices, we think that overall inflation will rise to around 3% through the latter part of the year.

Stepping back from such quarter-to-quarter swings in the prices of volatile items like food, the underlying trend in inflation is looking 'contained' rather than 'soft'. The various measures of core inflation (which smooth through volatile quarter-to-quarter movements in prices and instead track the underlying trend in inflation) remained within the RBNZ's target band. However, the decline in core inflation seen over the past year came to a halt this quarter, with most core inflation measures lingering a bit above 2%.

Under the surface, inflation in interest rate-sensitive parts of the domestic economy has been cooling, with softness in service sector prices, as well as an easing in housing costs. Even so, overall domestic inflation (aka non-tradables) is easing only gradually, softening to a still-above-average level of 3.7% in the year to June (vs. 4.0% in the year to March). That continued firmness is largely due to increases in administered costs, like local council rates, which are set to continue rising over the coming year.

At the same time, tradables inflation (items that can be imported or exported) has picked up to 1.2% in the year to June. That's a stark change from last year when import prices had been flat or falling. The earlier weakness in tradable prices was a key driver of the downtrend in inflation last year. While we don't expect high rates of tradables inflation going forward, it won't have the same dampening impact on inflation that it previously did. That's important as it will limit the downside for overall inflation.

New Zealand inflation



Source: , Macrobond, Westpac Economics

RBNZ policy changes to be measured

In a speech this week, RBNZ Chief Economist Paul Conway noted that the recent pickup in inflation was consistent with the RBNZ's expectations. As a result, the June quarter inflation report is unlikely to have changed the RBNZ's thinking relative to the cautious easing bias it signalled at its 9 July policy review, especially given the continued (albeit gradual) easing in non-tradables inflation.

We continue to expect a 25bp cut in August, which would take the OCR to 3.00%.

Beyond that, we suspect the RBNZ will be cautious about the extent and timing of any further rate cuts (we think 3.00% will the low for this cycle). While much of the uplift in inflation now in train is due to volatile items like food prices that the RBNZ might look through, the more general downtrend in underlying inflation over the past year is also showing signs of flattening off. Indeed, measures of core inflation have been stabilising above 2%, rather than continuing to ease.

In addition, the RBNZ will be mindful that inflation is already showing signs of firming even before the full impact of the 225bp of rate cuts over the past year has been felt. Many borrowers are still on the relatively high fixed-term mortgage rates that were on offer in recent years. However, around half of all mortgages will come up for refixing over the next six months, and many borrowers could see sizeable falls in their interest costs through the latter part of the year. Compared to this time last year, the one-year fixed mortgage rate is around 200bps lower, while the two-year fixed mortgage rate is around 180bps lower than in 2023.

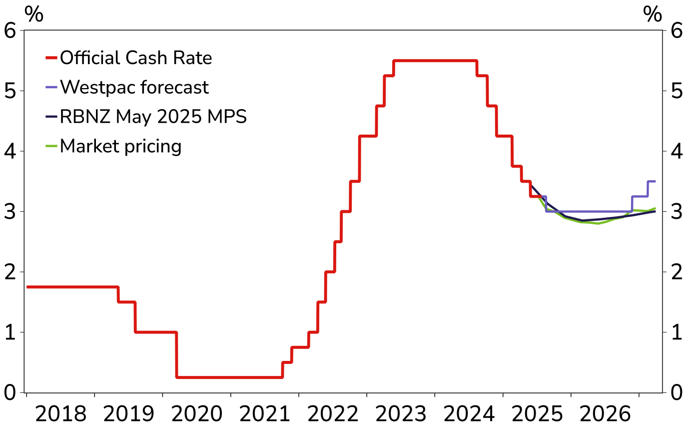
Such concerns won't necessarily prevent the RBNZ from cutting rates. But any further easing is likely to be gradual and at the modest end of market expectations.

The RBNZ will be watching how inflation expectations track over the coming months. If these remain contained, it will be easier to look through the pickup in inflation now in train. With that in mind, the inflation and pricing gauges in next week's ANZBO survey will be closely watched, as will the RBNZ's own inflation expectations survey (out 7 August).

Looking to the rest of the data calendar over coming week, in addition to Wednesday's ANZBO business expectations survey, we'll also the June labour market update on Monday, as well as consumer confidence and building consents on Friday.

The housing market is well-balanced.

RBNZ Official Cash Rate



Source: RBNZ, Macrobond, Westpac Economics

We've revised our forecasts for house price growth over 2025 to around 4% (from 6% previously). We continue to expect a return to average rates of growth next year.

The large interest rate reductions over the past year have helped to boost demand in the housing market, with sales up 17% over the past year. That includes a lift in purchases by first home buyers and other owner-occupiers, along with increased demand from investors. But despite the lift in sales, house prices increased by just 1% over the first half of 2025.

That subdued price growth reflects a couple of factors. On the supply side, many potential sellers sat on the sidelines in recent years, and those properties are now being brought to market. At the same time, even though construction activity has been slowing, there has still been a reasonable volume of new housing being built, especially townhouses and apartments.

Demand has improved as expected in a falling interest rate environment. However, it has been more uneven and in aggregate more muted. In part, that reflects broader softness in the economy and the labour market, which has dampened consumer confidence. Such nervousness about the economic outlook has likely been compounded by uncertainty about the global outlook given the trade war situation and Middle East tensions.

Investor demand has been a strong point, with the combination of lower interest rates and more favourable tax arrangements making rental property a more attractive investment. However, investor demand has been tempered to some degree by the downturn in population growth and related softness in rents, as well as increases in compliance and operating costs. Importantly, investors no longer expect the steady – and often large – capital gains we saw in previous years, which is an important influence on their willingness to pay.

Balancing those conditions, it's likely that price growth will remain relatively muted in the winter months – we expect only 0.75% price growth over the September quarter. Stronger trends should be evident as the peak selling season begins, with 1.75% growth forecast, in the December quarter. That would see house prices rising by around 4% over 2025 (lower than our previous forecast for a 6% increase).

We continue to expect house price growth will pick back up to around average levels of 6% per annum next year. Interest rates are now low, with mortgage interest rates under 5% expected to underpin demand. And we still have a fair way to go before past mortgage rate reductions flow through to household budgets. An improved labour market from later this year should also lead to further growth in house sales, and that should help eat into accumulated inventory.

AUS: Jun quarter CPI (%qtr)

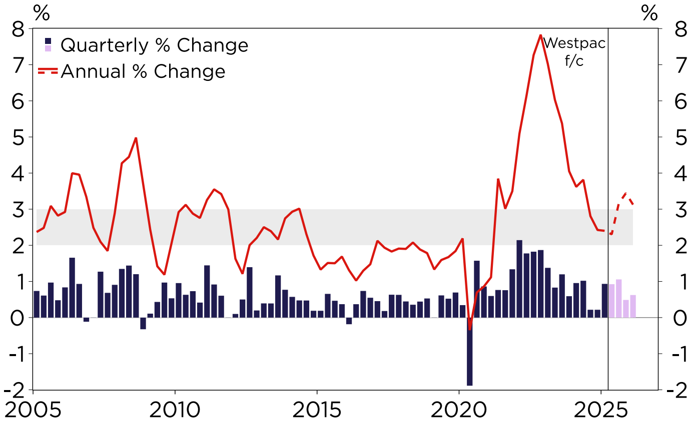
July 30, Last: 0.9, Westpac f/c: 0.9
Market f/c: 0.8, Range: 0.7 to 0.9

The Monthly CPI Indicator fell –0.4% in May, a larger fall than Westpac's published near-cast of –0.2% on the back of flat dwellings, a smaller than expected rise in electricity and a larger than expected fall in holiday travel & accommodation.

Our detailed review of the May Monthly CPI Indicator suggested a downside risk to our then June quarter headline CPI estimate which we revised down to 0.9%qtr/2.3%yr.

Rents (1.0%qtr), electricity (9.3%qtr), garments (3.7%), fruit & vegetables (3.1%qtr) and holiday travel (2.8%qtr) are boosting the June quarter and offset, to some extent, by falling auto fuel (–3.8%) and gas & other household fuels (–1.4%qtr). Our June Quarter CPI preview will be available on WestpacIQ.

Unwinding rebates to push headline inflation higher



Source: ABS, Macrobond, Westpac Economics

AUS: Jun quarter Trimmed Mean (%qtr)

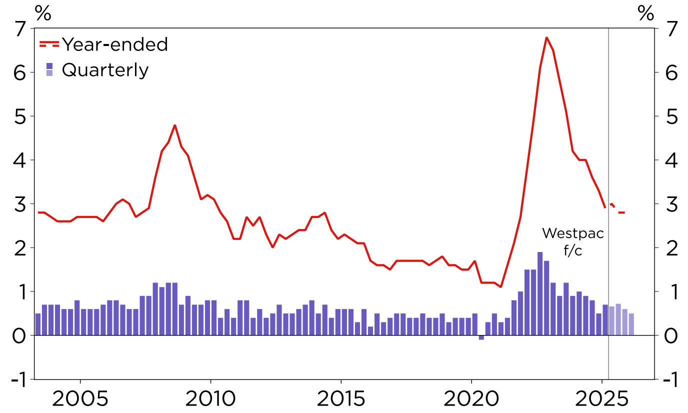
July 30, Last: 0.7, Westpac f/c: 0.7
Market f/c: 0.7, Range: 0.5 to 0.8

The May Monthly CPI Indicator reported a Trimmed Mean estimate, which is only available as a through the year pace, of 2.4%yr, a solid drop from the 2.8%yr pace reported in April. This is the lowest annual pace of this measure of core inflation since November 2021.

The Trimmed Mean is forecast to rise 0.7%qtr with the annual pace dropping from 2.9%yr to 2.7%yr. The RBA is forecasting a Trimmed Mean annual pace of 2.6%yr which suggests a June quarter increase of 0.55%.

At two decimal places our nearcast is 0.66% suggesting greater downside risk as it is mathematically easier to get a 0.6% print than a 0.8% print.

RBA focused on underlying inflation



Source: ABS, Macrobond, Westpac Economics

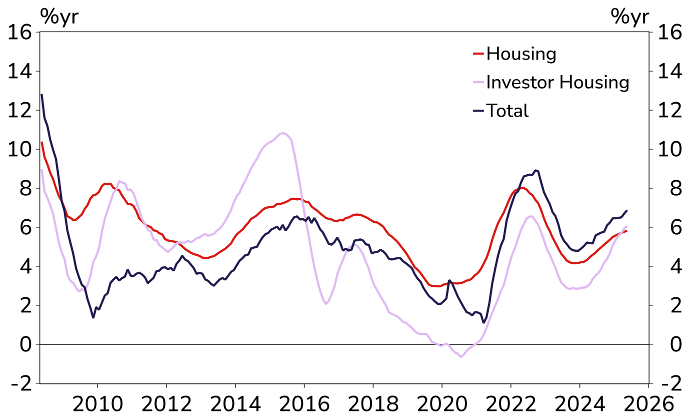
AUS: Jun Private Sector Credit (%mth)

Jul 31, Last: 0.5, Westpac f/c: 0.5
Market f/c: 0.5, Range: 0.4 to 0.6

The latest private sector credit figures for May showed that growth returned to a steady pace of 0.5%mth after an upside surprise in April, when it picked up to 0.7%mth. The decrease was driven by business credit, which declined from 1.0%mth to 0.8%mth, while housing credit growth held steady at 0.5%mth and personal credit growth increased to 0.5%mth.

We expect to see similar dynamics in June, with the headline growth remaining at 0.5%mth. Business sector growth might decelerate further from the above-average pace, but risks to the housing credit seem to be skewed somewhat to the upside, not least given somewhat stronger house price growth in recent months. The effect of lower interest rates remains unclear. The latest borrowing rates suggest a step down in May, reflecting the RBA cash rate cut.

Maintaining a stable growth trend



Source: RBA, Macrobond, Westpac Economics

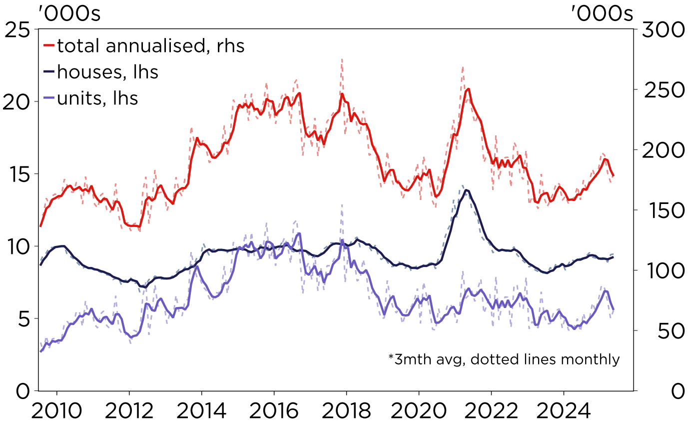
AUS: Jun Dwelling Approvals (%mth)

Jul 31, Last: 3.2, Westpac f/c: 3.0
Mkt f/c: 1.8, Range: 0 to 3.2

Dwelling approvals rose 3.2% in May, arresting the 12% slide seen in the first four months of the year. The net effect still has approvals up 6.5% on a year ago, and tracking broadly in line with our expectations for 2025 although current momentum is less clear.

Moves over the last year have centred on high rise approvals which surged over 30% in the second half of 2024 but retraced about half of that gain in early 2025. The retracement now looks to have largely run its course. Meanwhile, HIA figures on new home sales – often a guide to detached and medium density approvals – have shown a notable quickening, rising 18.8%qtr in Q2 to be up 3.5%yr. On balance we expect June approvals to show another solid 3% gain for the month, with a clearer upturn forming for non high rise approvals.

Uptrend to remain on course



Source: ABS, Macrobond, Westpac Economics

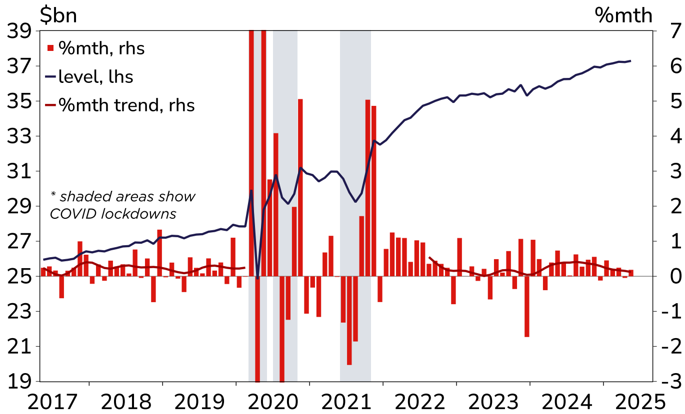
AUS: Jun retail trade (%mth)

Jul 31, Last: 0.2, Westpac f/c: 1.0
Mkt f/c: 0.5, Range: 0.2 to 1.0

The June 2025 update marks the final ABS retail release with the survey – which has run in some shape or form for the best part of 70 years – set to be discontinued, replaced by the ABS household spending indicator.

Appropriately, monthly sales look set for one 'last hurrah' with the June update expected to see a robust 1% gain – the best monthly result since Jan 2024. That said, the gain mainly reflects soft sales in previous months – retail posting gains of just 0.2% in May, a flat result in April and a 0.2% gain in March. Some of this softness is due to Cyclone Alfred and the later-than-usual timing of Easter. Our **Westpac-DataX Card Tracker** suggests retail activity regained momentum through May-June although it remains subdued overall (see here).

Nominal retail trade



Source: ABS, Macrobond, Westpac Economics

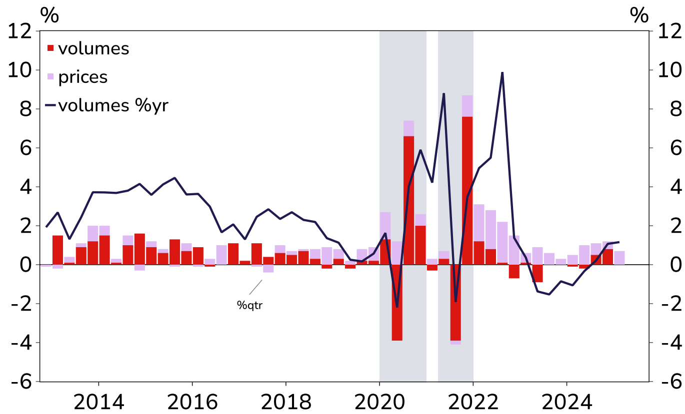
AUS: Q2 Real Retail Sales (%qtr)

Jul 31, Last: flat, Westpac f/c: flat
Mkt f/c: 0.1, Range: -0.3 to 0.4

Even with a relatively positive June month, nominal retail sales are set to post another subdued gain, our forecasts implying a 0.6%qtr result that is a touch softer than the 0.7%qtr rise in Q1. The Q2 CPI, due the day before the retail release, is expected to show retail components tracking a broadly similar quarterly price gain as in Q1 (see the preview above for more discussion). That, in turn, points to another flat Q2 result for real retail sales ('volumes').

Note that the retail survey results no longer feed into the National Accounts estimates of total consumer spending. While that means retail is of more limited guidance as a 'quarterly partial estimate', the themes – of a consumer spending recovery that has stalled in the first half of the year at a relatively sluggish pace – are in line with other indicators.

Recovery in volumes stalls



Source: ABS, Macrobond, Westpac Economics

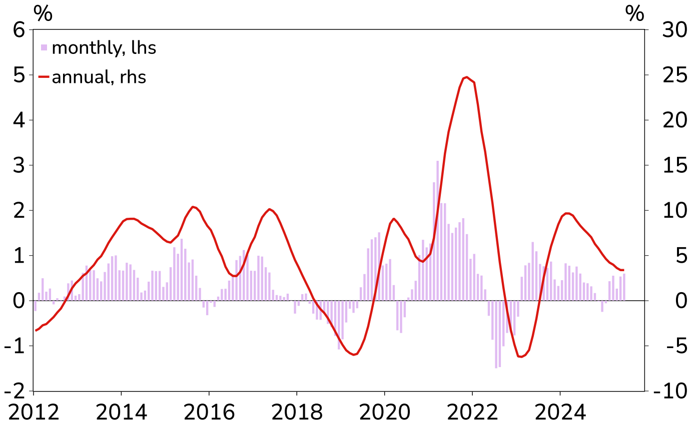
AUS: Jul Cotality home value index (%mth)

Aug 1, Last: 0.6, Westpac f/c: 0.6

The Cotality home value index (formerly CoreLogic) rose 0.6% in June, matching a 0.6% gain in May. Prices have shown steady gains since January, following a slight 0.8% decline around the turn of the year. Annual growth has steadied was stabilised at just below 3%yr.

Daily measures point to another 0.6% gain in July, which should see the annual pace tick up slightly, the first rise since early 2024. The detail shows gains continue to be broad based by major city, tracking a similar pace but quickening a little in Brisbane, Adelaide and Perth.

RBA rate cuts providing support



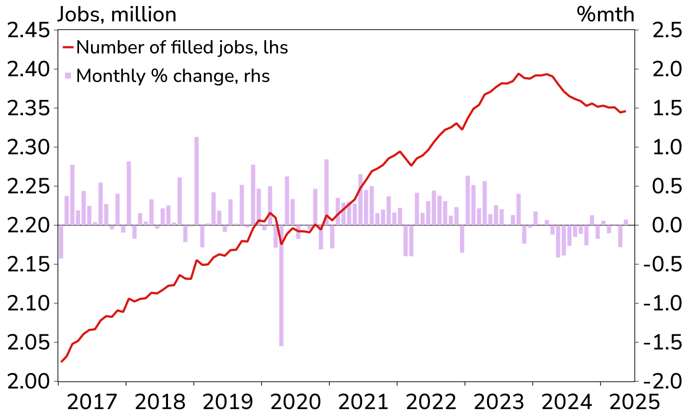
Source: Cotality Australia, Macrobond, Westpac Economics

NZ: Jun Monthly Employment Indicator

Jul 28, Last: +0.1%, Westpac f/c: flat

The number of filled jobs rose 0.1% in May. That was a little stronger than we expected, although history suggests that this will be revised down from its initial release to become a small negative. Jobs also fell by 0.3% in April, amongst a range of indicators that pointed to renewed softness in the economy in Q2. However, the weekly snapshots provided by Stats NZ have been steadier for June. We expect a flat result for the month – though again the initial print could be higher.

Monthly Employment Indicator



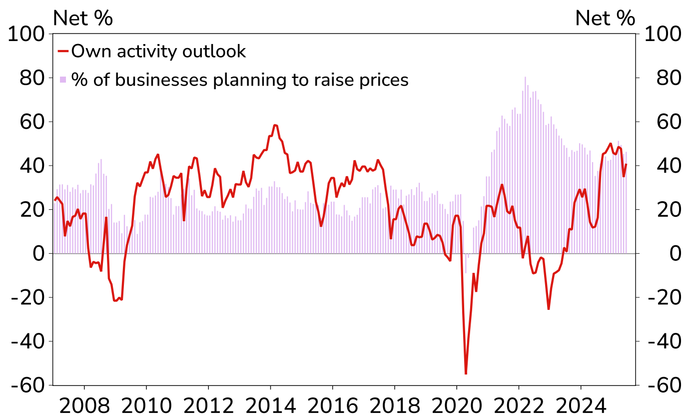
Source: Stats NZ, Macrobond, Westpac Economics

NZ: Jul ANZ Business Confidence

Jul 30, Last: 46.3

Business confidence remains high overall, though it has been thrown around by US tariff announcements – initially falling after "Liberation Day" in April, then partially recovering in May. Despite the optimism for the year ahead, firms continue to report that current conditions are tough, with activity little changed on the same time last year. We'll also be keeping an eye on the inflation gauges in the survey, where firms' pricing intentions have remained elevated despite the soft domestic economy.

Business sentiment has dipped since US tariffs



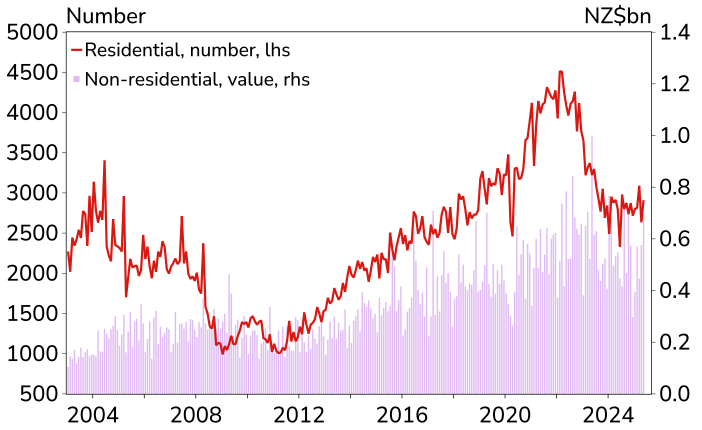
Source: ANZ, Macrobond, Westpac Economics

NZ: Jun Building Consents

Aug 1, Last 10.4%, Westpac f/c: -1.0%

Residential building consents rose 10% in May as earlier softness in multi-unit consents reversed. June could see a small decline in total residential consents following the large number of retirement homes consented in May (we've pencilled in a 1% overall decline). More importantly than the month-to-month volatility in consents, the annual total is expected to remain around 34,000, where it has sat for a year now. That's consistent with a stabilisation in home building activity after it trended down over the past year. On the non-residential front, softness in public sector projects is continuing, while planned private sector projects are holding up, mainly due to office and industrial projects.

Building consents trending sideways



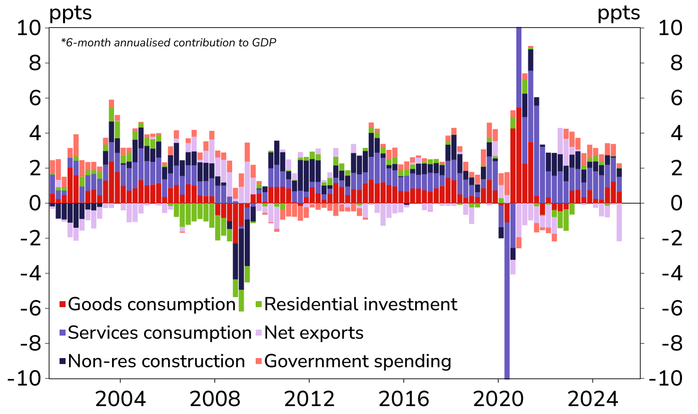
Source: Stats NZ, Macrobond, Westpac Economics

US: Q2 GDP

Jul 30, %ann'd, Last: –0.5%, WBC f/c: 2.6%, Mkt f/c: 2.5%

US GDP contracted in Q1, although this was only as a result of imports being brought forward to get ahead of tariff implementation. Against the -0.5% annualised headline outcome, domestic demand grew around trend at 2.9%. Q2 is expected to see a reversal of fortunes, for both headline GDP and domestic demand, with GDP expected to rise 2.6% annualised but with domestic demand circa 2.0% – not a terrible outcome by any means, but clearly below trend. Underlying these expected outcomes is a sub-par consumer and no change in housing or business investment. The trend in the monthly indicators suggests the second half of 2025 is likely to see a further deterioration in domestic demand and net exports normalise. If accurate, GDP will nearly stall.

US GDP is consumer dependent



Source: BEA, Macrobond, Westpac Economics

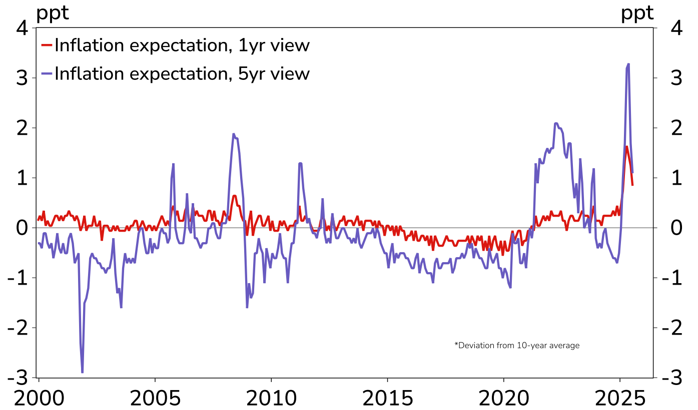
US: Jul FOMC meeting

Jul 31, %, Last: 4.375%, WBC f/c: 4.375%, Mkt f/c: 4.375%

FOMC Chair Powell and the majority of the Committee have been very clear over the past month in their stance on policy. They remain comfortable with the underlying health of the US economy and continue to believe there is cause for concern over inflation, particularly the impact of the White House's trade and immigration agenda. As a result, they are on hold for the time being.

In setting the scene for the September meeting, when we expect a 25bp cut to be delivered, Chair Powell and the Committee are likely to recognise the softening trend in the US economy and labour market, and also that tariff rates are generally being confirmed at or below those announced on Liberation Day. Still, rate cuts from here are expected to be measured and data dependent, with just two likely in 2025.

FOMC wary of persistence of inflation risks



Source: University of Michigan, Macrobond, Westpac Economics

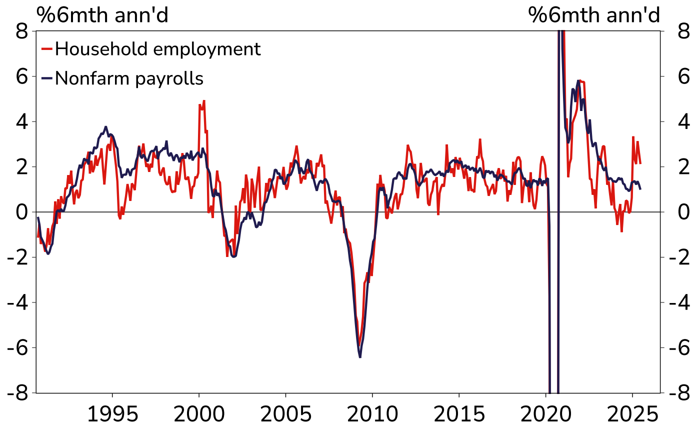
US: Jul employment report

Aug 1, payrolls, Last: 147k, WBC f/c: 120k, Mkt f/c: 101k
Aug 1, U/E rate, Last: 4.1%, WBC f/c: 4.2%, Mkt f/c: 4.2%

Nonfarm payrolls printed at 147k in June, broadly in line with the average of the past year and right in the middle of the 100–200k range assumed consistent with a stable labour market. Household survey employment was (again) weaker; and, had it not been for lower participation, the unemployment would have held at 4.2%. Notably, the employment-to-population ratio is now 0.4ppts off its peak, last seen in January.

Ahead, we expect a further gradual deceleration in job creation and an uptrend in the unemployment rate assuming participation holds relatively still. Though, with immigration under pressure, the risks are towards a lower unemployment rate and participation.

Jobs growth slowing but positive



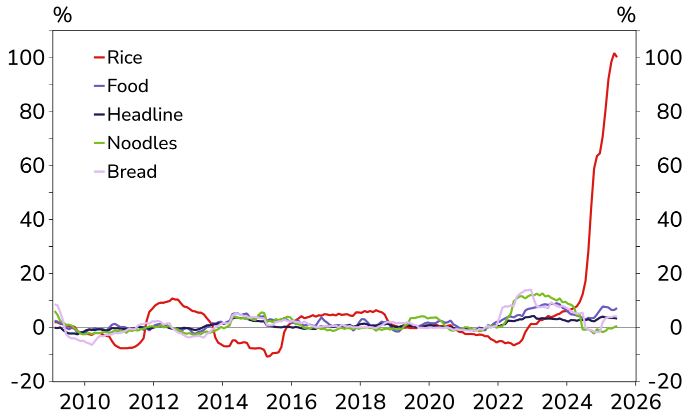
Source: BLS, Macrobond, Westpac Economics

JAPAN: BoJ Meeting

July 31, Last: 0.5% Mkt: 0.5% WBC: 0.5%

The Bank of Japan is anticipated to hold rates steady at its July meeting next week. While it is expected that the BoJ will revise its inflation outlook upwards, this should not be interpreted as a signal for an imminent rate hike. Policymakers are expected to remain cautious, waiting for clear evidence that inflation is translating into sustained wage growth before taking action and that the economy is on track to grow as anticipated. Much of the current inflation is being driven by supply-side shocks which won't promote rate rises in the near term. Against a backdrop of political uncertainty, the BoJ is likely to maintain a dovish stance, reaffirming its commitment to supporting the economy. We continue to expect a March 2026 hike.

Food Prices in Japan



Source: SBJ, MAFF, Macrobond, Westpac Economics

What to watch

	For	Data/Event	Unit	Last	Market f/c	Westpac f/c	Risk/Comment
Mon 28							
NZ	Jun	Employment Indicator	%mth	0.1	–	0.0	Jobs market remains flat.
US	Jul	Dallas Fed	index	–12.7	–	–	Regional surveys very volatile, often at odds with each other.
Tue 29							
US	Jun	JOLTS Job Openings	000s	7769	7350	–	Broadly stabilising; low response rates muddy monthly reads.
	Jul	CB Consumer Confidence	index	93.0	95.9	–	Consumers remain circumspect on economy and jobs.
Wed 30							
Aus	Jun	Monthly CPI Indicator	%yr	2.1	2.1	2.3	Monthly inflation below the midpoint of the target band.
	Q2	Headline CPI	%qtr	0.9	0.8	0.9	Headline inflation to push higher as energy rebates unwind ...
	Q2	Headline CPI	%yr	2.4	2.2	2.3	... with Q1 detail showing a 16.3% lift in electricity prices.
	Q2	Trimmed Mean CPI	%qtr	0.7	0.7	0.7	The trimmed mean has fallen within the RBA target band ...
	Q2	Trimmed Mean CPI	%yr	2.9	2.7	2.7	... and is expected to move closer towards the midpoint.
NZ	Jul	ANZ Business Confidence	index	46.3	–	–	Confidence has generally remained high through tariff turmoil
Eur	Q2	GDP	%qtr	0.6	–0.1	–	The real test of Europe's resiliency after export-buoyed Q1.
US	Q2	GDP	%ann'd	–0.5	2.5	2.6	Risks heavily skewed to downside over near-to-medium term.
	Jul	FOMC Policy Decision	%	4.375	4.375	4.375	Will remain patient as near-term inflation risks are assessed.
Can	Jul	BoC Policy Decision	%	2.75	2.75	–	On hold amid intense uncertainty over tariff impacts.
Thu 31							
Aus		RBA Deputy Governor Hauser	–	–	–	–	Fireside chat at Barrenjoey Economic Forum, 9:20am AEST.
	Jun	Dwelling Approvals	%mth	3.2	1.8	3.0	Expect a clearer upturn forming for non high rise approvals.
	Jun	Private Sector Credit	%mth	0.5	0.5	0.5	Maintaining a stable growth trend.
	Jun	Retail Sales	%mth	0.2	0.5	1.0	Nominal sales set for one 'last hurrah' ...
	Q2	Real Retail Sales	%qtr	0.0	0.1	0.0	... but volumes detail to remain sluggish.
	Q2	Trade Price Indices	%qtr	–	–	–	Bulk commodity prices have eased in AUD terms recently.
Jpn	Jun	Industrial Production	%mth	–0.1	–0.8	–	Factory output sluggish while tariff uncertainty looms.
	Jun	BoJ Policy Decision	%	0.50	0.50	0.50	BoJ to hold off until confident on sustained real wage gains.
Chn	Jul	NBS Manufacturing PMI	index	49.7	49.6	–	Manufacturing activity broadly stable, placing emphasis on ...
	Jul	NBS Non-Manufacturing PMI	index	50.5	50.4	–	... the consumer spending recovery, which must be sustained.
Eur	Jun	Unemployment Rate	%	6.3	6.3	–	Strong labour market remains a bright spot for Europe.
US	Jun	Personal Income	%mth	–0.4	0.2	–	Despite May's drop in social security, wages remain solid ...
	Jun	Personal Spending	%mth	–0.1	0.4	–	... suggesting consumers are electing to pull-back spending ...
	Jun	PCE Deflator	%mth	0.1	0.3	–	... even with inflation back to relatively benign levels.
	Q2	Employment Cost Index	%qtr	0.9	0.8	–	Still tracking a modest downtrend from a robust pace ...
		Initial Jobless Claims	000s	–	–	–	... broadly consistent with labour market moving into balance.
Fri 1							
Aus	Jul	Cotality Home Value Index	%mth	0.6	–	0.6	Prices have shown steady gains since January.
	Q2	PPI	%qtr	0.9	–	–	Manufacturing still experiencing upstream price pressures.
NZ	Jul	ANZ Consumer Confidence	index	98.8	–	–	Watching for signs that the mid-year pessimism is easing.
	Jun	Building Permits	%mth	10.4	–	–1.0	Annual total to remain around 34k, as it has for the past year.
Jpn	Jun	Jobless Rate	%	2.5	2.5	–	Labour market conditions remain very stable in aggregate.
Chn	Jul	Caixin Manufacturing PMI	index	50.4	–	–	Export-orientated survey understandably volatile of late.
Eur	Jul	CPI	%ann	2.0	1.9	–	Headline inflation stabilising at target; core inflation on track.
US	Jul	Nonfarm Payrolls	000s	147	101	120	Consistent with balance between labour demand and supply ...
	Jul	Unemployment Rate	%	4.1	4.2	4.2	... but unemployment only steady due to falling participation.
	Jul	Average Hourly Earnings	%mth	0.2	0.3	–	Wages growth remains robust for the time being.
	Jul	ISM Manufacturing	index	49.0	49.5	–	Points to downside risks around demand and employment.
	Jul	Uni. of Michigan Sentiment	index	61.8	–	–	Final estimate.
World	Jul	S&P Global Manufacturing PMI	index	–	–	–	Final estimate for Japan, Europe, UK and US.

Economic & financial forecasts

Interest rate forecasts

Australia	Latest (25 Jul)	Sep–25	Dec–25	Mar–26	Jun–26	Sep–26	Dec–26	Mar–27	Jun–27
Cash	3.85	3.60	3.35	3.10	2.85	2.85	2.85	2.85	2.85
90 Day BBSW	3.7197	3.55	3.30	3.05	2.95	2.95	2.95	2.95	2.95
3 Year Swap	3.39	3.35	3.45	3.60	3.75	3.80	3.85	3.90	3.95
3 Year Bond	3.483	3.40	3.50	3.65	3.80	3.85	3.90	3.95	3.95
10 Year Bond	4.339	4.35	4.40	4.40	4.45	4.50	4.55	4.60	4.65
10 Year Spread to US (bps)	–5	–15	–15	–20	–20	–20	–20	–20	–20
United States									
Fed Funds	4.375	4.125	3.875	3.875	3.875	3.875	3.875	3.875	3.875
US 10 Year Bond	4.39	4.50	4.55	4.60	4.65	4.70	4.75	4.80	4.85
New Zealand									
Cash	3.25	3.00	3.00	3.00	3.00	3.00	3.25	3.50	3.75
90 Day Bill	3.19	3.10	3.10	3.10	3.10	3.20	3.45	3.70	3.85
2 Year Swap	3.15	3.30	3.35	3.50	3.65	3.80	3.90	3.95	4.00
10 Year Bond	4.57	4.65	4.70	4.75	4.80	4.85	4.90	4.95	4.95
10 Year Spread to US (bps)	18	15	15	15	15	15	15	15	10

Exchange rate forecasts

	Latest (25 Jul)	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27
AUD/USD	0.6573	0.66	0.68	0.69	0.70	0.71	0.71	0.72	0.72
NZD/USD	0.6033	0.60	0.61	0.61	0.62	0.62	0.62	0.63	0.63
USD/JPY	147.16	143	141	139	137	136	135	134	133
EUR/USD	1.1738	1.18	1.19	1.19	1.20	1.21	1.21	1.21	1.21
GBP/USD	1.3491	1.37	1.37	1.37	1.37	1.37	1.37	1.38	1.38
USD/CNY	7.1637	7.15	7.10	7.05	7.00	6.95	6.90	6.80	6.70
AUD/NZD	1.0917	1.10	1.12	1.13	1.13	1.14	1.14	1.14	1.14

Australian economic growth forecasts

	2025				2026				Calendar years			
% Change	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2024	2025f	2026f	2027f
GDP %qtr	0.2	0.6	0.4	0.5	0.5	0.5	0.6	0.6	–	–	–	–
%yr end	1.3	1.7	1.8	1.7	2.0	2.0	2.1	2.2	1.3	1.7	2.2	2.6
Unemployment rate %	4.1	4.2	4.3	4.4	4.4	4.5	4.5	4.5	4.0	4.4	4.5	4.3
Wages (WPI) %qtr	0.9	0.8	0.7	0.6	0.8	0.8	0.7	0.7	–	–	–	–
%yr end	3.4	3.4	3.2	3.1	3.0	2.9	2.9	3.0	3.2	3.1	3.0	3.0
CPI Headline %qtr	0.9	0.9	0.9	0.6	0.6	0.8	0.7	0.5	–	–	–	–
%yr end	2.4	2.3	3.0	3.4	3.1	2.9	2.7	2.6	2.4	3.4	2.6	2.6
CPI Trimmed Mean %qtr	0.7	0.7	0.7	0.6	0.5	0.6	0.6	0.6	–	–	–	–
%yr end	2.9	2.7	2.6	2.6	2.5	2.4	2.3	2.3	3.3	2.6	2.3	2.6

New Zealand economic growth forecasts

	2025				2026				Calendar years			
% Change	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2024	2025f	2026f	2027f
GDP %qtr	0.8	0.3	0.7	0.9	0.8	0.7	0.7	0.7	–	–	–	–
Annual avg change	-1.1	-0.8	0.2	1.3	2.1	2.7	2.9	2.9	-0.6	1.3	2.9	2.8
Unemployment rate %	5.1	5.3	5.3	5.2	5.0	4.8	4.6	4.4	5.1	5.2	4.4	4.1
CPI %qtr	0.9	0.5	0.9	0.5	0.5	0.4	0.9	0.4	–	–	–	–
Annual change	2.5	2.7	3.0	3.0	2.5	2.3	2.3	2.1	2.2	3.0	2.1	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

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 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.

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 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.

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.