

WESTPAC WEEKLY ECONOMIC COMMENTARY

Running to stand still.

8 August 2022



Harakeke/flax

Westpac Economics Team

✉ economics@westpac.co.nz

🌐 westpac.co.nz/economics



The latest labour market surveys were something of a mixed bag, with flat employment but surging wage growth. That certainly leaves the results open to different interpretations. Our take is that it points to an economy that is running up against capacity constraints, with strong demand being channelled into higher prices and wages.

The unemployment rate rose slightly to 3.3% in the June quarter. That went against expectations of a dip to 3.1%, although the difference is small enough to put it well within the realm of 'noise'. Unemployment remains at a very low level – the previous reading of 3.2% was the lowest in the history of the survey going back to 1986.

The other downside surprise for us was that there was zero employment growth for the third quarter in a row. That was accompanied by a further drop in the labour force participation rate. This illustrates another tension in the New Zealand labour market – with the migration tap having been largely turned off in recent times, the prime working-age population is ageing and shrinking. All of the growth has been in the over-65s, who have a much lower participation rate (although high by world standards).

As a result, the New Zealand economy appears to be hitting the wall in terms of employment growth. That might seem strange when we still have more than 90,000 people actively looking for work, and we know that businesses across the board are crying out for more workers.

The reality is that even in a booming economy, there will always be some level of unemployment at any point in time. This may be people who are between jobs and are in the process of searching, or it may be people who have the wrong skills or are in the wrong location relative to where the demand is. The structure and regulation of the labour market can greatly affect where that baseline level of unemployment lies, but even in the best circumstances it's going to be some way above zero.

It may be that New Zealand is finding where that floor lies. While there is a great deal of hiring going on, employers are tending to attract people from the existing pool of workers, with no net growth in the number of jobs. Instead, all of the heat in the labour market is coming through in pay rates.

The Labour Cost Index rose by 1.1% in the June quarter, lifting the annual rate of increase to 3.4%. That was the fastest pace we've seen since early 2009 – though more to the point, it's around the highs that we saw in the overheated years before the Global Financial Crisis.

The details of the LCI also show that pay increases are becoming more widespread. Two-thirds of all jobs received a pay increase in the last year, the highest proportion going back to 1991. And over a quarter of jobs saw a pay increase of more than 5% (though that includes minimum-wage roles which received a 6% increase in the June quarter).

It's also worth noting the reasons that employers cite for giving pay rises. Cost of living adjustments are no more or less common than usual. Instead, the lift in wages has increasingly been around the need to match market rates and retain staff. In other words, wage inflation has been due to the demand-pull of intense competition for a fixed pool of workers, not the cost-push of rising living costs.

While the LCI is commonly cited as a measure of wage growth, it's actually meant to be a pure price measure of labour costs. It excludes pay increases that are related to worker productivity, or to changes in the mix of jobs.

For an indication of what workers are actually receiving in hand, we use the average hourly earnings measure from the Quarterly Employment Survey. This measure was up 6.4% on a year ago, the fastest rate of growth since 1990. This still implies that workers have taken a hit on the cost of living, with consumer prices up 7.3% over the same time. But the shortfall was less than expected, and the gap is narrowing.

On balance, the labour market data suggests to us that demand-side forces are playing an even stronger role in inflation than we thought. And that in turn implies that more of the burden of adjustment lies with the Reserve Bank.

We now expect the Official Cash Rate to reach a peak of 4% for this cycle. That can be achieved through 50 basis point increases at each of the three remaining reviews this year (August, October and November). There is a risk that the policy tightening stretches out into the early part of next year, although we think that by then there will be a substantial body of evidence that both the local and global economies are slowing.

Curiously, this means that we've traded places with financial markets, which not that long ago had been pricing in a peak OCR of more than 4%. However, recession concerns have dominated global markets in recent weeks, driving market interest rates sharply lower, and the New Zealand market has followed along. The market is now pricing a peak OCR of around 3.75% by the end of this year, turning to rate cuts from August next year. We think that's far too early for the RBNZ to be turning tail, when the inflation challenge that it faces is coming increasingly from more persistent sources.

Michael Gordon, Acting Chief Economist

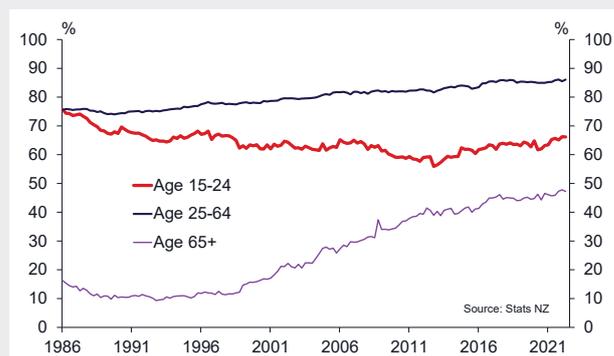
+64 9 336 5670

michael.gordon@westpac.co.nz

Chart of the week

One of the growing constraints on the labour market is population ageing. Within every age group, labour force participation has been trending higher over time, and has taken another step higher since the pandemic. This is by no means an unwelcome development – for instance, youth participation has finally risen back to its pre-GFC levels. But at the same time, the prime working-age population has itself been shrinking. The only growth has been in the over-65s, who have much lower rates of participation.

Labour force participation rates

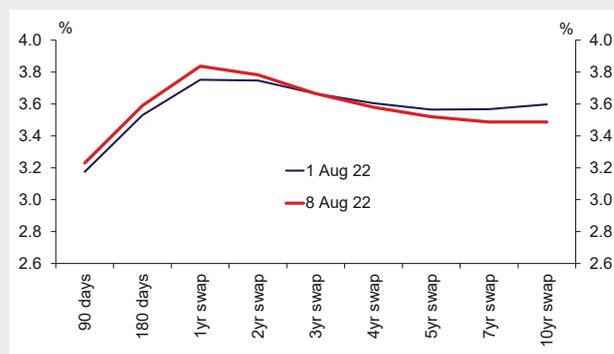


Fixed vs floating for mortgages

Wholesale interest rates have fallen from their highs in recent weeks, as markets have reassessed the prospects for the global economy. That in turn has seen fixed-term mortgage rates fall from their highs. At the same time, we've lifted our forecast to a 4% peak in the Official Cash Rate at the end of this year.

As a result, we believe that there is now value in fixing for terms out to two years. We would still regard fixing for terms longer than this as expensive, but this option may suit those who want more certainty in their repayments.

NZ interest rates



The week ahead

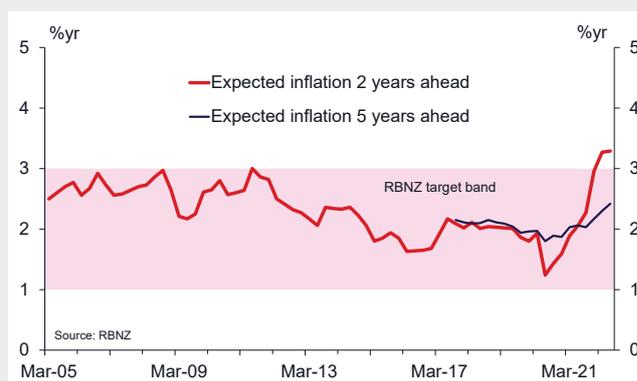
NZ Q3 RBNZ survey of expectations

Aug 8, Two-year ahead inflation expectations, Last: 3.29%

The RBNZ's latest survey of inflation expectations came hot on the heels of the 32-year high in inflation that was reached in the June quarter. With that in mind, we expect the August survey will show that expectations for inflation over the coming year remain elevated.

The bigger focus for the RBNZ will be on expectations at longer horizons (two or more years ahead). If expectations at those horizons push higher, that would stoke concerns about more enduring inflation and wage pressures, and that would reinforce the case for further rate hikes. However, we think that recent developments actually point towards expectations remaining fairly steady. While still elevated, inflation looks to have peaked and prices for petrol are now falling. In addition, the OCR is now pushing into tight territory and the global economy is softening.

RBNZ survey of expectations



NZ Jul retail card spending

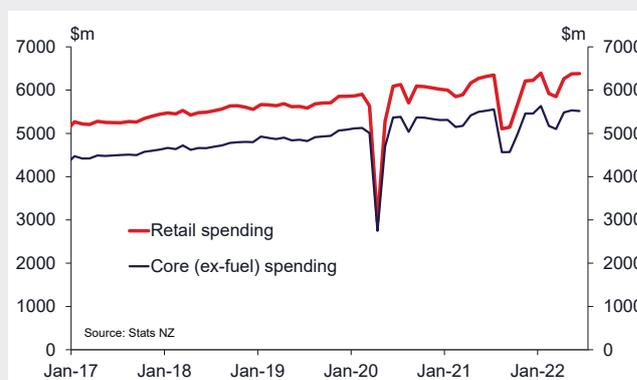
Aug 9, Last: +0.1%, Westpac: +0.3%

Retail spending effectively stalled in June, rising by just 0.1%. That muted rise came against a backdrop of large fuel price increases. That constrained spending in other areas, with spending in ex-fuel categories dropping by 0.3%.

We're forecasting a small rise in spending levels in July. Lower petrol prices are helping to support spending in other areas. We've also seen hospitality spending picking up as international tourist numbers have started to rise (albeit from low levels).

Continued increases in retail prices and borrowing costs are providing a brake on spending growth. Importantly, the strong price rises in recent months means that, although nominal spending has been resilient, the actual volume of goods that consumers can afford is being squeezed.

NZ retail card spending



NZ Jul REINZ house sales and prices

Aug 11 (TBC), Sales last: -12.6% m/m, -38.1% y/y

Prices last: -0.9% m/m, +0.7% y/y

The REINZ house price index recorded its seventh consecutive decline in June, putting it down almost 7% from its peak. Prices have fallen particularly sharply in Auckland and Wellington, but the decline has been widespread.

House sales have plunged from their highs and are now below pre-Covid levels. While the pace of new listings has been steady, homes are taking longer to sell and the stock of available properties is climbing. A fresh lurch lower in sales in recent months suggests more price weakness to come in the near term.

Adding to the near-term pressure on prices, fixed-term mortgage rates rose further in July. However, this will likely mark their peak. Global concerns about the risk of recession have led to a sharp fall in wholesale interest rates in recent weeks, and mortgage rates have started to follow.

REINZ house prices and sales



The week ahead

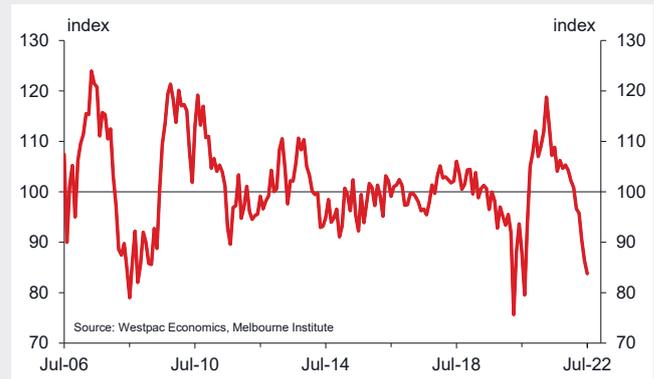
Aus Jul Westpac-MI Consumer Sentiment

Aug 9, Last: 83.8

Consumer Sentiment fell another 3% to 83.8 in July, a seventh consecutive monthly decline. The 2022 sentiment slump is now on a par with lead-ins to previous major disruptions to the Australian economy, both in terms of index levels and the size of the decline.

Interest rate and inflation concerns are the dominant concern and are likely to feature again in August with the RBA putting through another 50bp rate hike – its third 50bp move in three months and the fourth hike since April – and official ABS figures confirming headline inflation tracking above 6%/yr. That said, local petrol prices have fallen back significantly over the last month, the average pump price down 34¢ to \$1.58/litre. That particular improvement may be drowned out sentiment-wise by the accelerating correction in house prices now showing through clearly.

Aus Consumer Sentiment Index

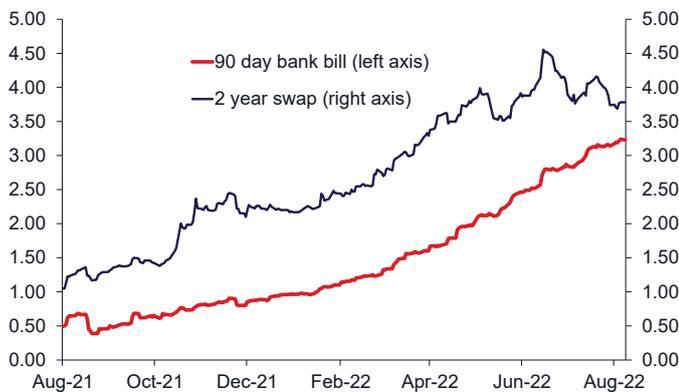


New Zealand forecasts

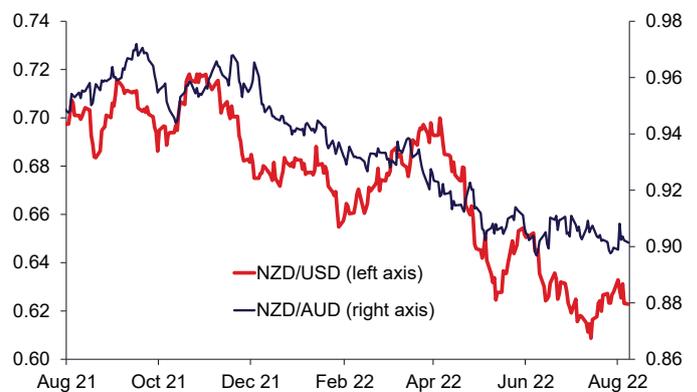
Economic forecasts	Quarterly				Annual			
	2022				2020	2021	2022f	2023f
% change	Mar (a)	Jun	Sep	Dec				
GDP (Production)	-0.2	1.0	0.7	1.2	-2.1	5.6	2.1	3.3
Employment	0.0	0.0	0.1	0.1	0.6	3.4	0.2	0.8
Unemployment Rate % s.a.	3.2	3.3	3.3	3.4	4.9	3.2	3.4	3.8
CPI	1.8	1.7	1.6	0.1	1.4	5.9	5.2	3.3
Current Account Balance % of GDP	-6.5	-7.5	-7.8	-7.5	-0.8	-5.8	-7.5	-6.1

Financial forecasts	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Cash	3.00	4.00	4.00	4.00	4.00	4.00	4.00
90 Day bill	3.70	4.10	4.10	4.10	4.10	4.10	4.10
2 Year Swap	3.90	3.90	3.80	3.70	3.50	3.30	3.10
5 Year Swap	3.70	3.70	3.60	3.50	3.35	3.20	3.05
10 Year Bond	3.40	3.50	3.40	3.30	3.15	3.00	2.95
NZD/USD	0.64	0.66	0.68	0.69	0.70	0.71	0.71
NZD/AUD	0.90	0.90	0.91	0.91	0.91	0.91	0.91
NZD/JPY	84.5	87.1	88.4	87.6	87.5	87.3	85.9
NZD/EUR	0.61	0.61	0.61	0.61	0.61	0.62	0.61
NZD/GBP	0.52	0.52	0.53	0.53	0.53	0.53	0.53
TWI	71.6	72.5	73.6	73.7	73.9	74.2	73.9

2 year swap and 90 day bank bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on 8 August 2022

Interest rates	Current	Two weeks ago	One month ago
Cash	2.50%	2.50%	2.00%
30 Days	2.89%	2.74%	2.50%
60 Days	3.06%	2.94%	2.72%
90 Days	3.23%	3.13%	2.93%
2 Year Swap	3.78%	4.00%	3.91%
5 Year Swap	3.52%	3.82%	3.82%

NZ foreign currency mid-rates as at 8 August 2022

Exchange rates	Current	Two weeks ago	One month ago
NZD/USD	0.6228	0.6272	0.6150
NZD/EUR	0.6128	0.6128	0.6081
NZD/GBP	0.5158	0.5203	0.5143
NZD/JPY	84.14	85.57	84.30
NZD/AUD	0.9014	0.9016	0.9064
TWI	70.92	71.35	70.11

Data calendar

		Last	Market median	Westpac forecast	Risk/Comment
Mon 08					
NZ	Q3 RBNZ inflation expectations	3.3%	-	-	Expectations elevated, but not expected to rise materially.
Eur	Aug Sentix investor confidence	-26.4	-26.4	-	Confidence remains weak given growth uncertainty.
Tue 09					
NZ	Jul card spending	0.1%	-	0.3%	Muted spending growth in the face of strong price increases.
Aus	Aug WBC-MI Consumer Sentiment	83.8	-	-	Confidence crushed by surging inflation and rate hikes.
	Jul NAB business survey	13	-	-	Conditions above trend but confidence has evaporated.
Chn	Jul new loans, CNYbn	2806.3	1200.0	-	Credit momentum healthy...
	Jul M2 money supply %yr	11.4%	11.4%	-	... thanks to authorities support and influence.
US	Jul NFIB small business optimism	89.5	89.5	-	Inflation and labour challenges are front of mind.
	Q2 productivity	-7.3%	-4.5%	-	Challenging productivity outlook for rest of 2022.
Wed 10					
Chn	Jul PPI %yr	6.1%	4.9%	-	Producer inflation easing as commodity prices reverse...
	Jul CPI %yr	2.5%	2.9%	-	... soft household demand limiting consumer inflation.
US	Jul CPI	1.3%	0.2%	0.3%	Base effects unfavourable in coming months.
	Jun wholesale inventories	1.9%	1.9%	-	Final estimate.
	Fedspeak	-	-	-	Evans and Kashkari.
Thu 11					
NZ	Jul REINZ house sales %yr	-38.1%	-	-	Expected release date. Sales continue to slide...
	Jul REINZ house prices %yr	0.7%	-	-	... foreshadowing further price weakness ahead.
	Jun net migration	-828	-	-	Balance starting to improve as the border has reopened.
Aus	Aug MI inflation expectations	6.3%	-	-	Moved higher, in recognition of lift in actual inflation.
US	Jul PPI	1.1%	0.3%	-	PPI slowly cooling as supply issues are worked through.
	Initial jobless claims	260k	-	-	Gradually lifting from historic lows.
Fri 12					
NZ	Jul manufacturing PMI	49.7	-	-	Slipped below 50 for the first time since lockdowns ended.
	Jul food price index	1.2%	-	1.2%	Seasonal increase in vegetable prices.
Eur	Jun industrial production	0.8%	0.0%	-	Supply issues are a headwind to production.
UK	Q2 GDP	0.8%	-0.1%	-	Growth to slow appreciably through 2022 and 2023.
	Jun trade balance £bn	-9747	-	-	Deficit to remain wide on import strength.
US	Jul import price index	0.2%	-0.9%	-	Import prices remain elevated.
	Aug Uni. of Michigan sentiment	51.5	52.0	-	Consumers feeling the heat from inflation and rates.
	Fedspeak	-	-	-	Daly.

International forecasts

Economic Forecasts (Calendar Years)	2018	2019	2020	2021	2022f	2023f
Australia						
Real GDP %oyr	2.8	2.0	-2.1	4.8	4.9	2.1
CPI inflation %oyr	1.8	1.8	0.9	3.5	7.6	3.1
Unemployment rate %	5.0	5.2	6.8	4.7	3.0	4.2
Current account % of GDP	-2.1	0.7	2.6	3.5	1.6	-1.0
United States						
Real GDP %oyr	2.9	2.3	-3.4	5.7	1.7	0.6
CPI inflation %oyr	2.4	1.9	1.2	5.1	7.1	2.5
Unemployment rate %	3.9	3.7	8.1	5.4	3.7	4.1
Current account % of GDP	-2.3	-2.6	-2.5	-2.4	-2.4	-2.4
Japan						
Real GDP %oyr	0.6	-0.2	-4.5	1.6	1.7	1.7
Euro zone						
Real GDP %oyr	1.8	1.6	-6.4	5.3	2.2	1.5
United Kingdom						
Real GDP %oyr	1.7	1.7	-9.3	7.4	3.3	-1.0
China						
Real GDP %oyr	6.8	6.0	2.2	8.1	3.5	7.0
East Asia ex China						
Real GDP %oyr	4.5	3.8	-2.3	4.1	4.5	4.6
World						
Real GDP %oyr	3.6	2.9	-3.1	6.1	3.0	3.4

Forecasts finalised 5 August 2022

Interest rate forecasts	Latest	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Australia								
Cash	1.85	2.35	3.10	3.35	3.35	3.35	3.35	3.10
90 Day BBSW	2.18	3.05	3.55	3.55	3.55	3.55	3.38	3.13
10 Year Bond	3.08	3.20	3.40	3.30	3.10	2.90	2.65	2.50
International								
Fed Funds	2.375	2.875	3.375	3.375	3.375	3.375	3.125	2.875
US 10 Year Bond	2.69	2.80	3.00	2.90	2.70	2.50	2.30	2.20

Exchange rate forecasts	Latest	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
AUD/USD	0.6961	0.71	0.73	0.75	0.76	0.77	0.78	0.78
USD/JPY	132.59	132	132	130	127	125	123	121
EUR/USD	1.0247	1.05	1.09	1.11	1.13	1.14	1.15	1.16
GBP/USD	1.2159	1.23	1.26	1.28	1.30	1.32	1.34	1.35
USD/CNY	6.7504	6.70	6.60	6.50	6.40	6.30	6.20	6.15
AUD/NZD	1.1054	1.11	1.11	1.10	1.10	1.10	1.10	1.10

Contact the Westpac economics team

Michael Gordon, Acting Chief Economist

+64 9 336 5670

Satish Ranchhod, Senior Economist

+64 9 336 5668

Nathan Penny, Senior Agri Economist

+64 9 348 9114

Paul Clark, Industry Economist

+64 9 336 5656

Any questions email:

economics@westpac.co.nz

Disclaimer

Things you should know

Westpac Institutional Bank is a division of Westpac Banking Corporation ABN 33 007 457 141 ("Westpac").

Disclaimer

This material contains general commentary, and market colour. The material does not constitute investment 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 has been prepared without taking account of your objectives, financial situation or needs. This material may contain material provided by third parties. While such material is published with the necessary permission none of Westpac or its related entities accepts any responsibility for the accuracy or completeness of any such material. Although we have made every effort to ensure the information is free from error, none of Westpac or its related entities warrants the accuracy, adequacy or completeness of the information, or otherwise endorses it in any way. Except where contrary to law, Westpac and its related entities intend by this notice to exclude liability for the information. The information is subject to change without notice and none of Westpac or its related entities is under any obligation to update the information or correct any inaccuracy which may become apparent at a later date. The information contained in this material does not constitute an offer, a solicitation of an offer, or an inducement to subscribe for, purchase or sell any financial instrument or to enter a legally binding contract. Past performance is not a reliable indicator of future performance. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The ultimate outcomes may differ substantially from these forecasts.

Country disclosures

Australia: Westpac holds an Australian Financial Services Licence (No. 233714). This material is provided to you solely for your own use and in your capacity as a wholesale client of Westpac.

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

China, Hong Kong, Singapore and India: This material has been prepared and issued for distribution in Singapore to institutional investors, accredited investors and expert investors (as defined in the applicable Singapore laws and regulations) only. Recipients in Singapore of this material should contact Westpac Singapore Branch in respect of any matters arising from, or in connection with, this material. Westpac Singapore Branch holds a wholesale banking licence and is subject to supervision by the Monetary Authority of Singapore. Westpac Hong Kong Branch holds a banking licence and is subject to supervision by the Hong Kong Monetary Authority. Westpac Hong Kong branch also holds a license issued by the Hong Kong Securities and Futures Commission (SFC) for Type 1 and Type 4 regulated activities. This material is intended only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance. Westpac Shanghai and Beijing Branches hold banking licenses and are subject to supervision by the China Banking and Insurance Regulatory Commission (CBIRC). Westpac Mumbai Branch holds a banking license from Reserve Bank of India (RBI) and subject to regulation and supervision by the RBI.

UK: The contents of this communication, which have been prepared by and are the sole responsibility of Westpac Banking Corporation London and Westpac Europe Limited. Westpac (a) has its principal place of business in the United Kingdom at Camomile Court, 23 Camomile Street, London EC3A 7LL, and is registered at Cardiff in the UK (as Branch No. BR00106), and (b) authorised and regulated by the Australian Prudential Regulation Authority in Australia. Westpac is authorised in the United Kingdom by the Prudential Regulation Authority. Westpac is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request. Westpac Europe Limited is a company registered in England (number 05660023) and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

This communication is being made only to and is directed at (a) persons who have professional experience in matters relating to investments who fall within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (b) high net worth entities, and other persons to whom it may otherwise lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). Any person who is not a relevant person should not act or rely on this communication or any of its contents. The investments to which this communication relates are only available to and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such investments will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely upon this communication or any of its contents. In the same way, the information contained in this communication is intended for "eligible counterparties" and "professional clients" as defined by the rules of the Financial Conduct Authority and is not intended for "retail clients". With this in mind, Westpac expressly prohibits you from passing on the information in this communication to any third party. In particular this communication and, in each case, any copies thereof may not be taken, transmitted or distributed, directly or indirectly into any restricted jurisdiction. This communication is made in compliance with the Market Abuse Regulation (Regulation(EU) 596/2014).

Investment recommendations disclosure

The material may contain investment recommendations, including information recommending an investment strategy. Reasonable steps have been taken to ensure that the material is presented in a clear, accurate and objective manner. Investment Recommendations for Financial Instruments covered by MAR are made in compliance with Article 20 MAR. Westpac does not apply MAR Investment Recommendation requirements to Spot Foreign Exchange which is out of scope for MAR.

Unless otherwise indicated, there are no planned updates to this Investment Recommendation at the time of publication. Westpac has no obligation to update, modify or amend this Investment Recommendation or to notify the recipients of this Investment Recommendation should any information, including opinion, forecast or estimate set out in this Investment Recommendation change or subsequently become inaccurate.

Westpac will from time to time dispose of and acquire financial instruments of companies covered in this Investment Recommendation as principal and act as a market maker or liquidity provider in such financial instruments.

Westpac does not have any proprietary positions in equity shares of issuers that are the subject of an investment recommendation.

Westpac may have provided investment banking services to the issuer in the course of the past 12 months.

Westpac does not permit any issuer to see or comment on any investment recommendation prior to its completion and distribution.

Individuals who produce investment recommendations are not permitted to undertake any transactions in any financial instruments or derivatives in relation to the issuers covered by the investment recommendations they produce.

Westpac has implemented policies and procedures, which are designed to ensure conflicts of interests are managed consistently and appropriately, and to treat clients fairly.

The following arrangements have been adopted for the avoidance and prevention of conflicts in interests associated with the provision of investment recommendations.

- (i) Chinese Wall/Cell arrangements;
- (ii) physical separation of various Business/Support Units;
- (iii) and well defined wall/cell crossing procedures;
- (iv) a "need to know" policy;
- (v) documented and well defined procedures for dealing with conflicts of interest;
- (vi) steps by Compliance to ensure that the Chinese Wall/Cell arrangements remain effective and that such arrangements are adequately monitored.

U.S.: Westpac operates in the United States of America as a federally licensed branch, regulated by the Office of the Comptroller of the Currency. Westpac is also registered with the US Commodity Futures Trading Commission ("CFTC") as a Swap Dealer, but is neither registered as, or affiliated with, a Futures Commission Merchant registered with the US CFTC. Westpac Capital Markets, LLC ("WCM"), a wholly-owned subsidiary of Westpac, is a broker-dealer registered under the U.S. Securities Exchange Act of 1934 ("the Exchange Act") and member of the Financial Industry Regulatory Authority ("FINRA"). This communication is provided for distribution to U.S. institutional investors in reliance on the exemption from registration provided by Rule 15a-6 under the Exchange Act and is not subject to all of the independence and disclosure standards applicable to debt research reports prepared for retail investors in the United States. WCM is the U.S. distributor of this communication and accepts responsibility for the contents of this communication. All disclaimers set out with respect to Westpac apply equally to WCM. If you would like to speak to someone regarding any security mentioned herein, please contact WCM on +1 212 389 1269. All disclaimers set out with respect to Westpac apply equally to WCM.

Investing in any non-U.S. securities or related financial instruments mentioned in this communication may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the SEC in the United States. Information on such non-U.S. securities or related financial instruments may be limited. Non-U.S. companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect in the United States. The value of any investment or income from any securities or related derivative instruments denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related derivative instruments.

The author of this communication is employed by Westpac and is not registered or qualified as a research analyst, representative, or associated person under the rules of FINRA, any other U.S. self-regulatory organisation, or the laws, rules or regulations of any State. Unless otherwise specifically stated, the views expressed herein are solely those of the author and may differ from the information, views or analysis expressed by Westpac and/or its affiliates.

Past performance is not a reliable indicator of future performance. The forecasts given in this document are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The ultimate outcomes may differ substantially from these forecasts.