



EXCHANGE RATE DEVELOPMENTS JANUARY 2023

Highlights:

Policy Interest Rates	Current	Change (basis point)	Last Updated	Commodity Prices	Average Price (USD)	Change	Prev Month
Reserve Bank of NZ	4.25%	+75	November 23, 2022	crude oil (US\$/bbl)	\$79.32	\$0.66	\$78.66
Reserve Bank of Australia	3.35%	+25	February 7, 2023	whole milk (US\$/t)	\$3,218.00	-\$28.00	\$3,246.00
US Federal Reserve	4.50% - 4.75%	+25	February 1, 2023				
European Central Bank	3.00%	+50	February 2, 2023				
Bank of England	4.00%	+50	February 2, 2023				

USD* per other currencies (month average)					
	Jan-22	Dec-22	Jan-23	Dec-22 (%)	Jan-22 (%)
NZD/USD	0.6769	0.6348	0.6401	0.83	-5.44
AUD/USD	0.7196	0.6744	0.6955	3.13	-3.35
EUR/USD	1.1336	1.0567	1.0781	2.03	-4.90
USD/YEN	114.9176	135.3825	130.2943	3.76	-13.38
USD/CNH	6.3633	6.9880	6.7870	2.88	-6.66
FJD/USD	0.4711	0.4527	0.4594	1.48	-2.48

*with the exception of YEN and CNH which is YEN and CNH per USD

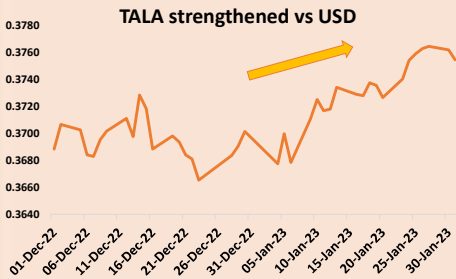
Tala* per foreign currencies (month average)					
	Jan-22	Dec-22	Jan-23	Dec-22 (%)	Jan-22 (%)
USD/TALA	2.6145	2.7062	2.6804	0.95	-2.52
NZD/TALA	1.7695	1.7177	1.7156	0.12	3.05
AUD/TALA	1.8813	1.8250	1.8640	-2.14	0.92
EUR/TALA	2.9637	2.8594	2.8894	-1.05	2.51
Nom Index	99.7640	99.9101	99.8473	-0.06	0.08
FJD/TALA	1.2316	1.2251	1.2313	-0.51	0.03
TALA/YEN	43.9534	50.0275	48.6085	-2.84	9.58
TALA/CNH	2.4338	2.5822	2.5320	-1.95	3.88

*with the exception of YEN and CNH which is YEN and CNH per TALA



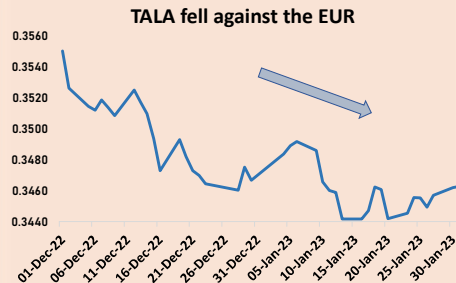
The USD weakened on:

- Disappointing economic headlines out of the US, pointing to large contractions in the month;
- Mounting recession fears weighing down on the greenback;
- US inflation in January (6.4%) was slower than market expectations of 6.2%;
- Headwinds from geopolitical tensions, threatening the growth of the US economy.



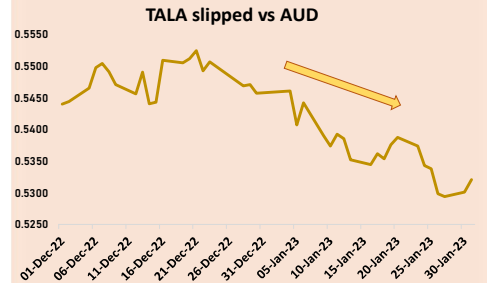
EUR edged higher vs USD on:

- The weaker US Dollar and upbeat economic data releases out of Europe;
- Optimisms surrounding Europe's largest economy, with Germany's business activities returning to modest growth;
- The increased bets for more interest rate hikes from the ECB following an uptick on the bloc's core inflation.



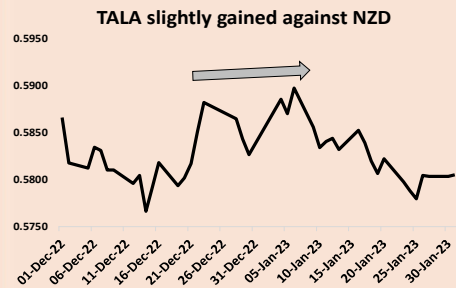
The AUD strengthened vs USD due to:

- The release of positive economic reports out of Australia;
- China's swift re-opening, which supported demands for riskier currencies;
- The positive market sentiment and the improved consumer confidence ramping up demands for the AUD;
- The RBA continuing to tighten its interest rate policy as inflation remain high.



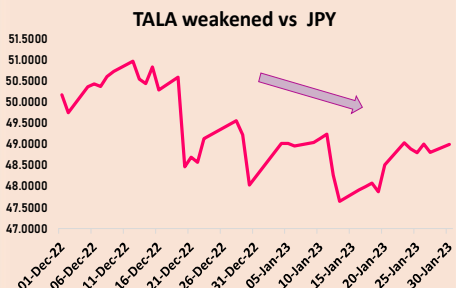
NZD gained modestly against USD amid:

- The weaker US Dollar and favorable NZ economic data including the improved business confidence and the greater than expected increase in business PMI;
- Gains in the commodity markets, after China lifted its strict COVID-19 policies;
- The mixed market mood which saw a shift in demand to risky currencies and away from safe haven assets.



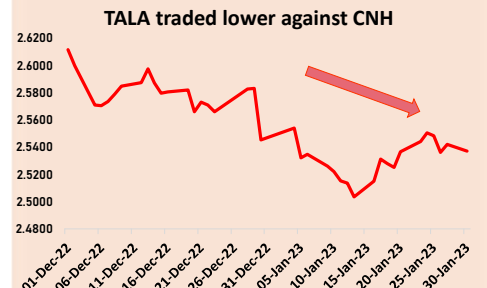
JPY rallied vs USD due to:

- The upbeat economic releases showing improvements in Japan's economy;
- The Bank of Japan raising its bond yield cap, with growing speculations that it will reverse its ultra-loose monetary policy in the near future;
- Efforts from business leaders to raise wages and avoid stagflation.



CNH also appreciated against USD on:

- China's biggest pivot away from its zero-COVID policy and opened up its borders for international travels.
- Positive economic releases showing signs of China recovering from strict COVID-19 restrictions;
- The manufacturing industry performing better after China's re-opening;



ECONOMIC & FINANCIAL FORECASTS

Policy Interest rate forecasts

	Actual (23 Feb 2023)	Mar 23	Jun 23	Sep 23	Dec 23	Mar 24	Jun 24
USA							
Fed Funds Rate	4.625	4.875	4.875	4.875	4.875	4.375	3.875
Australia							
RBA Cash Rate	3.35	3.60	3.85	3.85	3.85	3.60	3.35
New Zealand							
RBNZ Cash Rate	4.75	4.75	5.50	5.50	5.50	5.00	5.50
China							
PBOC Loan Prime Rate	3.65	3.65	3.65	3.65	3.65	3.65	3.65
Euro-Area							
ECB Refinance Rate	3.00	3.50	4.00	4.00	4.00	3.50	3.00
United Kingdom							
BOE Base Rate	4.00	4.25	4.25	4.25	4.00	3.75	3.50

Exchange rate forecasts

	Actual (23 Feb 2023)	Mar 23	Jun 23	Sep 23	Dec 23	Mar 24	Jun 24
AUD/USD	0.6808	0.70	0.71	0.72	0.74	0.75	0.76
NZD/USD	0.6222	0.64	0.65	0.66	0.67	0.68	0.68
EUR/USD	1.0610	1.08	1.09	1.10	1.11	1.12	1.13
USD/JPY	134.9050	132.00	131.00	130.00	129.00	128.00	127.00
GBP/USD	1.2055	1.21	1.22	1.23	1.24	1.25	1.26
USD/CNH	6.9063	6.75	6.70	6.70	6.65	6.55	-

US economic indicators and outlook

	Jun 22	Sep 22	Dec 22(f)	Mar 23(f)	Jun 23(f)	Sep 23(f)	Dec 23(f)
GDP % qtr.	-0.6	3.2	2.9	1.1	-0.9	-0.7	-0.6
%yr. annual change	1.8	1.9	1.0	1.7	1.6	0.6	-0.3
Unemployment rate %	3.6	3.5	3.5	3.7	3.9	4.2	4.5
CPI % YoY.	9.1	8.2	6.5	6.0	5.4	4.0	1.9

Australian economic indicators and outlook

	Jun 22	Sep 22	Dec 22(f)	Mar 23(f)	Jun 23(f)	Sep 23(f)	Dec 23(f)
GDP % qtr.	0.9	0.6	0.6	0.6	0.2	0.0	0.2
% Year end	3.2	5.9	2.6	2.7	2.0	1.4	1.0
Unemployment rate %	3.9	3.6	3.5	3.6	3.6	3.9	4.6
CPI % qtr	1.8	1.8	1.9	1.3	0.9	0.8	0.8
Annual Change (%)	6.1	7.3	7.8	6.9	6.0	5.0	3.9

New Zealand economic indicators and outlook

	Jun 22	Sep 22	Dec 22(f)	Mar 23(f)	Jun 23(f)	Sep 23(f)	Dec 23(f)
GDP % qtr.	1.9	2.0	0.5	0.4	0.0	-0.1	-0.2
Annual avg change	1.1	2.7	2.9	3.9	4.5	3.2	2.2
Unemployment rate %	3.3	3.3	3.4	3.5	3.6	3.7	3.9
CPI % qtr.	1.7	2.2	1.4	1.4	1.0	1.6	0.6
Annual change (%)	7.3	7.2	7.2	6.8	6.1	5.6	4.7

Source: Bloomberg, Westpac Economics Update (January 2023), Trading Economics

Note: (a) – actual; (e) – estimate; (f) – forecast; (adv) – advance estimates