



EXCHANGE RATE DEVELOPMENTS JULY 2023

Highlights:

Policy Interest Rates	Current	Change (basis point)	Last Updated	Commodity Prices	Average Price (USD)	Change	Prev Month
Reserve Bank of NZ	5.50%	0.00	July 12, 2023	crude oil (US\$/bbl)	\$85.59	\$9.54	\$76.05
Reserve Bank of Australia	4.10%	0.00	August 1, 2023	whole milk (US\$/t)	\$2,864.00	-\$308.00	\$3,172.00
US Federal Reserve	5.25% - 5.50%	+0.25	July 26, 2023				
European Central Bank	4.25%	+25	July 27, 2023				
Bank of England	5.00%	+50	June 22, 2023				

USD* per other currencies (month average)					
	Jul-22	Jun-23	Jul-23	Jun-23 (%)	Jul-22 (%)
NZD/USD	0.6197	0.6136	0.6226	1.45	0.46
AUD/USD	0.6856	0.6721	0.6736	0.22	-1.75
EUR/USD	1.0193	1.0844	1.1055	1.94	8.45
USD/YEN	136.7500	141.2769	141.1140	0.12	-3.19
USD/CNH	6.7347	7.1682	7.2000	-0.44	-6.91
FJD/USD	0.4509	0.4495	0.4518	0.51	0.19

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

Tala* per foreign currencies (month average)					
	Jul-22	Jun-23	Jul-23	Jun-23 (%)	Jul-22 (%)
USD/TALA	2.7167	2.7333	2.7206	0.47	-0.14
NZD/TALA	1.6835	1.6771	1.6935	-0.98	-0.60
AUD/TALA	1.8624	1.8368	1.8323	0.24	1.61
EUR/TALA	2.7687	2.9639	3.0072	-1.46	-8.61
Nom Index	99.9467	99.6729	99.6553	-0.02	-0.29
FJD/TALA	1.2249	1.2285	1.2290	-0.04	-0.34
TALA/YEN	50.3356	51.6876	51.8661	0.35	2.95
TALA/CNH	2.4790	2.6225	2.6465	0.91	6.33

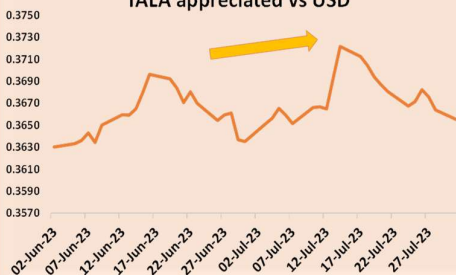
*with the exception of YEN and CNH which is YEN and CNH per TALA



The weaker USD on:

- A string of downbeat economic data out of the US (the low manufacturing data, the cooling consumer spending, accelerated jobless claims, and the soft CPI numbers);
- Reduced US yield advantage over major peers, as the most watched Federal Reserve Bank is close to hitting its peak interest rate;
- The US Independence Day holiday closing markets and halted trading in the US.

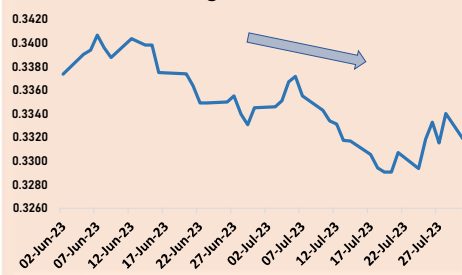
TALA appreciated vs USD



EUR rebounded vs the USD on:

- The weaker US dollar and the positive economic releases (the slowing consumer prices, the rising industrial production and strong factory orders in Germany);
- The heightened market mood as the most watched key indicators began to improve;
- The persistently hawkish tone from the European Central Bank about more interest rate hikes before the end of 2023.

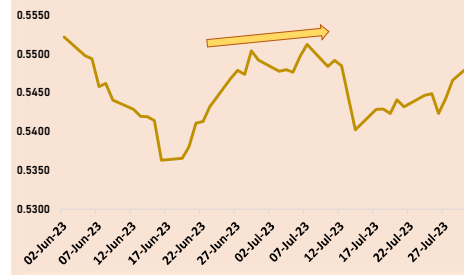
TALA slid against the EUR



The AUD appreciated vs the USD due to:

- The upbeat economic releases out of Australia (e.g., the improved business and consumer confidence, cooling inflation data, steady unemployment rate and higher building approvals);
- The RBA holding interest rates steady at 4.1% and reiterated a data dependent approach in the months ahead;
- Chinese authorities' intention to fix China's faltering economy, boosting sentiment.

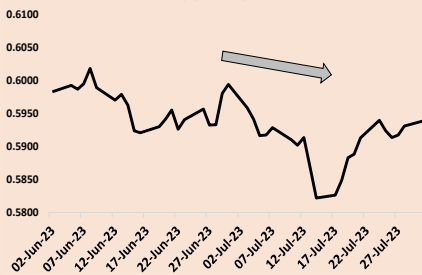
TALA slightly strengthened against AUD



NZD inched higher vs USD:

- The broad US weakness and positive NZ economic indicators (inflation rising at a slower pace, improved confidence and wage growth);
- The RBNZ paused rate hikes at 5% as widely anticipated by market traders;
- Consumer confidence becoming better;
- Gains in commodity prices raising demands for the NZD.

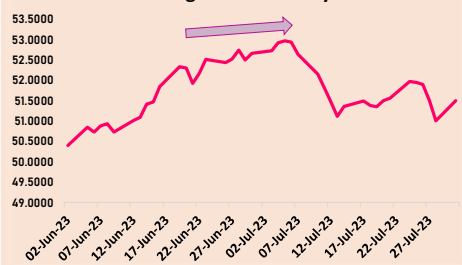
TALA slipped against NZD



JPY rose against USD due to:

- The weaker US dollar and stronger economic releases out Japan such as the (increased household spending and manufacturing expansion);
- BOJ tweaked its yield curve control program by buying government bonds to lower interest rates;
- Speculations about an intervention from the BOJ to scale back their ultra-easy monetary policy.

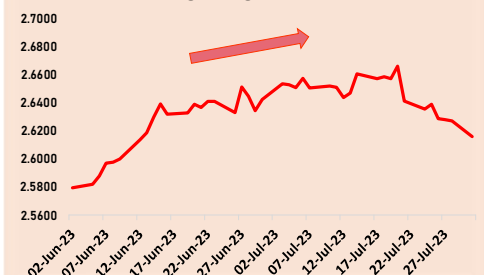
TALA gained modestly vs JPY



CNH remained weakened vs USD on:

- The disappointing economic releases out of China including the weak services PMI, lower than expected retail sales, the slowed growth and the very weak domestic consumption;
- A static post-pandemic recovery and a sluggish Chinese growth due to a lack of commodity demands.

TALA edged higher versus CNH



ECONOMIC & FINANCIAL FORECASTS

Policy Interest rate forecasts

	Actual (4 Aug 2023)	Sep 23	Dec 23	Mar 24	Jun 24	Sep 24	Dec 24
USA							
Fed Funds Rate	5.375	5.375	5.375	5.125	4.625	4.125	3.625
Australia							
RBA Cash Rate	4.10	4.10	4.10	4.10	4.10	3.85	3.60
New Zealand							
RBNZ Cash Rate	5.50	5.50	5.75	5.75	5.75	5.50	5.25
China							
PBOC Loan Prime Rate	3.55	3.55	3.55	3.55	3.55	3.55	3.55
Euro-Area							
ECB Refinance Rate	4.25	4.50	4.50	4.50	4.25	4.25	4.25
United Kingdom							
BOE Base Rate	5.25	5.50	5.75	5.75	5.75	5.50	5.00

Exchange rate forecasts

	Actual (4 Aug 2023)	Sep 23	Dec 23	Mar 24	Jun 24	Sep 24	Dec 24
AUD/USD	0.6625	0.69	0.69	0.71	0.72	0.73	0.74
NZD/USD	0.6159	0.62	0.62	0.63	0.64	0.65	0.66
EUR/USD	1.0884	1.11	1.11	1.12	1.13	1.14	1.15
USD/JPY	144.1500	138.00	136.00	134.00	132.00	130.00	128.00
GBP/USD	1.2741	1.28	1.28	1.29	1.29	1.30	1.30
USD/CNH	7.2590	7.15	7.10	6.98	6.90	-	-

US economic indicators and outlook

	Dec 22	Mar 23	Jun 23	Sep 23(f)	Dec 23(f)	Mar24(f)	Jun 24(f)
GDP % qtr.	2.6	2.0	2.4	1.0	-1.2	-0.9	1.5
%yr. annual change	0.9	1.8	2.6	2.0	1.0	0.3	0.1
Unemployment rate %	3.6	3.5	3.6	3.6	3.8	4.2	4.5
CPI % YoY.	6.4	5.2	3.0	2.9	2.5	2.5	2.5

Australian economic indicators and outlook

	Dec 22	Mar 23	Jun 23(f)	Sep 23(f)	Dec 23(f)	Mar 24(f)	Jun 24(f)
GDP % qtr.	0.6	0.2	0.4	0.2	0.2	0.1	0.3
% Year end	2.6	2.3	1.8	1.4	1.0	0.9	0.8
Unemployment rate %	3.5	3.6	3.6	3.6	3.8	4.1	4.5
CPI % qtr	1.9	1.4	0.8	0.9	0.7	0.9	0.9
Annual Change (%)	7.8	7.0	6.0	5.1	3.9	3.4	3.4

New Zealand economic indicators and outlook

	Dec 22	Mar 23	Jun 23(f)	Sep 23(f)	Dec 23(f)	Mar24(f)	Jun 24(f)
GDP % qtr.	-0.7	-0.1	0.8	0.1	0.1	0.1	0.0
Annual avg change	2.7	2.9	3.0	1.5	1.2	0.9	-
Unemployment rate %	3.4	3.4	3.6	3.8	4.3	4.7	5.0
CPI % qtr.	1.4	1.2	1.1	2.0	0.5	0.6	-
Annual change (%)	7.2	6.7	6.0	5.9	4.9	4.4	3.7

Source: Bloomberg, Westpac Economics Update (July & August 2023), Trading Economics

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