



# EXCHANGE RATE DEVELOPMENTS JUNE 2022

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## Highlights:

Policy Interest Rates	Current	Change (basis point)	Last Updated	Commodity Prices	Average Price (USD)	Change	Prev Month
Reserve Bank of NZ	2.00%	+50	May 25, 2022	crude oil (US\$/bbl)	\$114.99	-\$2.11	\$117.10
Reserve Bank of Australia	0.85%	+50	June 7, 2022	whole milk (US\$/t)	\$4,125.00	\$191.00	\$3,934.00
US Federal Reserve	1.50 - 1.75%	+75	June 15, 2022				
European Central Bank	0.00%	0	June 16, 2022				
Bank of England	1.25%	+25	June 16, 2022				

USD* per other currencies (month average)					
	Jun-21	May-22	Jun-22	May-22 (%)	Jun-21 (%)
NZD/USD	0.7109	0.6400	0.6355	-0.70	-10.61
AUD/USD	0.7647	0.7045	0.7028	-0.23	-8.09
USD/YEN	110.0962	128.7252	134.0326	-4.12	-2.174
USD/CNH	6.4263	6.7193	6.6973	0.33	-4.22
EUR/USD	1.2051	1.0574	1.0569	-0.05	-12.30
FJD/USD	0.4882	0.4605	0.4591	-0.30	-5.95
Nom Index	99.9732	99.8402	99.8589	0.02	-0.11

Tala* per foreign currencies (month average)					
	Jun-21	May-22	Jun-22	May-22 (%)	Jun-21 (%)
USD/TALA	2.5401	2.6739	2.6807	-0.25	-5.54
NZD/TALA	1.8056	1.7110	1.7033	0.45	5.66
AUD/TALA	1.9423	1.8834	1.8837	-0.01	3.02
EUR/TALA	3.0609	2.8273	2.8331	-0.21	7.44
FJD/TALA	1.2401	1.2313	1.2308	0.04	0.75
TALA/YEN	43.3429	48.1406	49.9942	3.85	15.35
TALA/CNH	2.5299	2.5128	2.4983	-0.58	-1.25

\*with the exception of YEN and CNY which is YEN and CNY per USD

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### Stronger USD on:

- Recession fears prompting safe haven demands
- Robust US manufacturing activities
- The higher-than-expected CPI adding to risk sentiments
- The increased treasury yields
- The US Federal Reserve signaling more aggressive interest rate hikes.



### EUR weakened vs USD on:

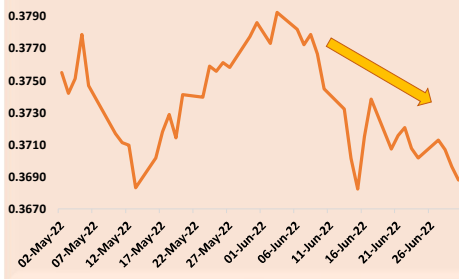
- Unfavorable economic releases out of the region
- Stronger US Dollar
- Downgraded growth forecasts by the European Central Bank (ECB)
- ECB confirming the cessation of its long run buying program



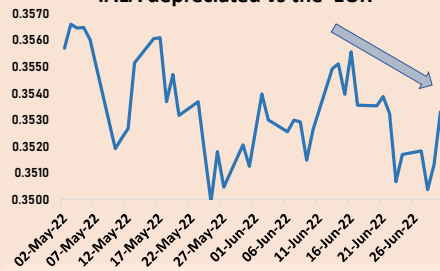
### AUD depreciated vs USD on:

- The greenback's robust gains
- Risk averse mood
- Downbeat domestic economic figures
- Reduced commodity prices
- Soft Chinese economic indicators

### TALA weakened vs USD



### TALA depreciated vs the EUR



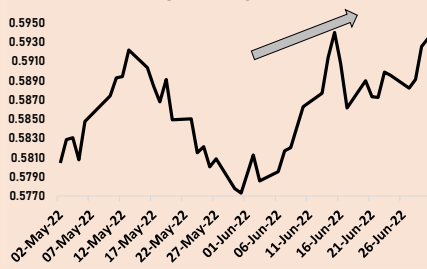
### TALA slightly dropped vs AUD



### NZD declined vs USD on:

- Negative domestic data including NZ's weak Q1 2022 GDP performance
- Stronger greenback
- Fragile risk sentiment on speculations over a global recession.
- Matariki Holiday closing NZ financial markets

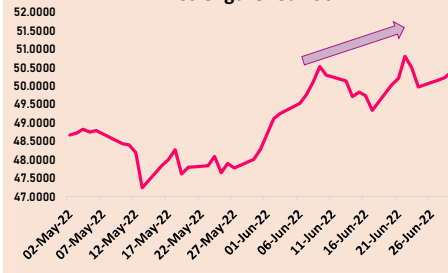
### TALA gained against NZD



### JPY weakened to 24-year lows vs USD on:

- Unfavorable economic data out of Japan
- The widening interest rate differential with the major economies, particularly USA
- Bank of Japan retaining an ultra-loose monetary policy stance

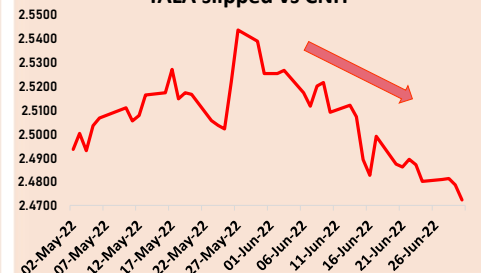
### TALA strengthened vs JPY



### CNH appreciated vs USD reflecting:

- China re-opening from recent COVID-19 lockdowns
- Upbeat data including a drop in the unemployment rate to 5.9 percent
- PBoC holding their 1-year loan prime rate at 3.7% and 5 years at 4.45%

### TALA slipped vs CNH



# ECONOMIC & FINANCIAL FORECASTS

## Policy Interest rate forecasts

	Actual (6 July 2022)	Sep 22	Dec 22	Mar 23	Jun 23	Sep 23	Dec 23
<b>USA</b>							
Fed Funds Rate	1.625	2.875	3.375	3.375	3.375	3.375	3.125
<b>Australia</b>							
RBA Cash Rate	1.35	1.85	2.35	2.60	2.60	2.60	2.60
<b>New Zealand</b>							
RBNZ Cash Rate	2.00	3.00	3.50	3.50	3.50	3.50	3.50
<b>China</b>							
PBOC Loan Prime Rate	3.70	3.45	3.45	3.45	3.70	3.75	3.75
<b>Euro-Area</b>							
ECB Refinance Rate	0.00	0.75	1.50	1.50	1.75	1.75	1.75
<b>United Kingdom</b>							
BOE Base Rate	1.25	2.00	2.50	2.50	2.50	2.75	2.75

## Exchange rate forecasts

	Actual (6 July 2022)	Sep 22	Dec 22	Mar 23	Jun 23	Sep 23	Sep 23
AUD/USD	0.6792	0.72	0.75	0.77	0.78	0.79	0.80
NZD/USD	0.6165	0.65	0.68	0.70	0.71	0.72	0.72
EUR/USD	1.0259	1.08	1.10	1.12	1.13	1.14	1.15
USD/JPY	135.7950	133	131	129	127	125	123
GBP/USD	1.1951	1.25	1.27	1.28	1.30	1.32	1.34
USD/CNH	6.7125	6.71	6.72	6.70	6.63	6.50	-

## US economic indicators and outlook

	Dec 21	Mar 22	Jun 22(f)	Sep 22(f)	Dec 22(f)	Mar 23(f)	Jun 23(f)
GDP % qtr.	6.9	-1.4	2.5	2.1	1.9	1.9	-
%yr. annual change	5.5	3.6	2.5	2.5	1.3	1.3	-
Unemployment rate %	4.2	3.8	3.5	3.5	3.6	3.7	-
CPI % YoY.	7.1	8.6	7.5	7.0	5.3	3.1	-

## Australian economic indicators and outlook

	Dec 21	Mar 22	Jun 22(f)	Sep 22(f)	Dec 22(f)	Mar 23(f)	Jun 23(f)
GDP % qtr.	3.6	0.8	1.3	1.1	0.8	0.4	0.5
% Year end	4.4	3.3	3.9	6.9	4.0	3.6	2.8
Unemployment rate %	4.7	4.0	3.8	3.4	3.3	3.3	3.3
CPI % qtr	1.3	2.1	1.5	0.6	2.2	1.2	0.6
Annual Change (%)	3.5	5.1	5.8	5.7	6.6	5.6	4.7

## New Zealand economic indicators and outlook

	Dec 21	Mar 22	Jun 22(f)	Sep 22(f)	Dec 22(f)	Mar 23(f)	Jun 23(f)
GDP % qtr.	3.0	-0.2	1.0	0.7	1.2	0.9	0.7
Annual avg change	5.6	5.1	1.0	2.2	2.1	2.8	3.7
Unemployment rate %	3.2	3.2	3.1	3.0	3.0	3.0	3.1
CPI % qtr.	1.4	1.8	1.1	1.2	0.4	0.5	0.7
Annual change (%)	5.9	6.9	6.7	5.6	4.5	3.2	2.9

Source: Bloomberg, Westpac Economics Update (July 2022), Trading Economics

Note: (a) – actual; (e) – estimate; (f) - forecast