



EXCHANGE RATE DEVELOPMENTS MARCH 2023

Highlights:

Policy Interest Rates	Current	Change (basis point)	Last Updated	Commodity Prices	Average Price (USD)	Change	Prev Month
Reserve Bank of NZ	4.75%	+50	February 22, 2023	crude oil (US\$/bbl)	\$76.43	\$5.89	\$70.54
Reserve Bank of Australia	3.60%	+25	March 7, 2023	whole milk (US\$/t)	\$3,228.00	-\$36.00	\$3,264.00
US Federal Reserve	4.75% - 5.00%	+25	March 23, 2023				
European Central Bank	3.50%	+50	March 16, 2023				
Bank of England	4.25%	+25	March 24, 2023				

USD* per other currencies (month average)					
	Mar-22	Feb-23	Mar-23	Feb-23	Mar-22
NZD/USD	0.6860	0.6301	0.6206	-1.51	-9.53
AUD/USD	0.7365	0.6911	0.6678	-3.37	-9.33
EUR/USD	1.1026	1.0715	1.0704	-0.10	-2.92
USD/YEN	118.3750	132.8625	133.7670	-0.68	-13.00
USD/CNH	6.3550	6.8410	6.9010	-0.88	-8.59
FJD/USD	0.4746	0.4566	0.4508	-1.27	-5.01

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

Tala* per foreign currencies (month average)					
	Mar-22	Feb-23	Mar-23	Feb-23	Mar-22
USD/TALA	2.5919	2.6966	2.7288	-1.19	-5.28
NZD/TALA	1.7778	1.6990	1.6933	0.33	4.75
AUD/TALA	1.9086	1.8634	1.8222	2.21	4.53
EUR/TALA	2.8575	2.8893	2.9206	-1.08	-2.21
Nom Index	99.7619	99.8875	99.7020	-0.19	-0.06
FJD/TALA	1.2301	1.2314	1.2302	0.10	-0.01
TALA/YEN	45.6769	49.2645	49.0194	-0.50	6.82
TALA/CNH	2.4519	2.5367	2.5289	-0.31	3.04

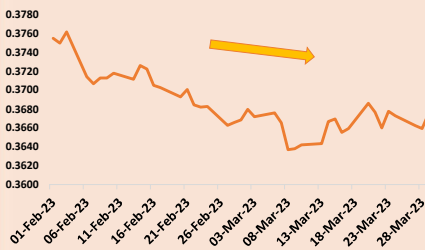
*with the exception of YEN and CNY which is YEN and CNY per TALA



The USD strengthened on:

- The higher US yield and solid economic headlines out of the US showing growth in the services sector and strong employment indicators;
- The safe haven demand due to increasingly cautious market sentiments in view of the collapse of the US regional banks (Silicon Valley Bank and Signature Bank) as well as the Credit Suisse Bank during the month ;

TALA weakened vs USD



EUR fell against the USD on:

- The stronger USD and poor economic data releases including the regions' GDP growth trimming to zero in the last quarter of 2022;
- Inflation in the Euro area remaining elevated and well above the ECB target;
- Russian-Ukraine headlines continuing to dim Europe's market mood;

TALA slipped vs the EUR



The AUD weakened vs USD due to:

- The stronger US greenback alongside the release of weak economic reports out of the country;
- Lesser demands for risky currencies due to a collapse of two major banks triggering a widespread market unease;
- Mixed anticipations over the RBA's interest rate path in view of the global banking crises and efforts to reign in inflation.

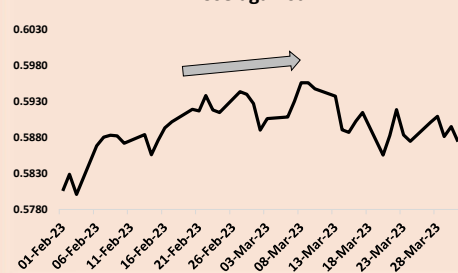
TALA edged higher vs AUD



NZD also slid against USD amid:

- The stronger US Dollar and downbeat NZ economic releases;
- The risk-off sentiment on worries about a banking system failure in the US;
- Sudden changes in the RBNZ interest rate outlook after NZ's economy shrank and missed growth forecasts in the fourth quarter of 2022.

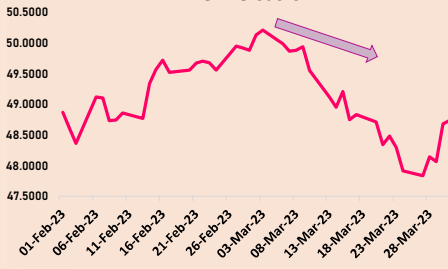
TALA rose against NZD



JPY inched lower vs USD due to:

- The unfavorable economic releases such as the contracted manufacturing PMI, the dented business confidence and the slowed wage growth;
- Growing speculations that the Bank of Japan will soon dismantle their extraordinary stimulus measures;

TALA fell versus JPY



CNH also slipped against USD on:

- The downbeat economic releases out of China and the stronger US greenback.
- The policy makers lowering their target for China's economic growth this year to around 5%.
- Increased conflicts between China and the USA after warnings from Chinese authorities to the US government;

TALA also weakened against CNH



ECONOMIC & FINANCIAL FORECASTS

Policy Interest rate forecasts

	Actual (31 Mar 2023)	Jun 23	Sep 23	Dec 23	Mar 24	Jun 24	Sep 24
USA							
Fed Funds Rate	4.875	4.875	4.875	4.875	4.375	3.875	3.375
Australia							
RBA Cash Rate	3.60	3.85	3.85	3.85	3.6	3.35	3.10
New Zealand							
RBNZ Cash Rate	4.75	5.00	5.00	5.00	5.00	4.75	4.25
China							
PBOC Loan Prime Rate	3.65	3.65	3.65	3.65	3.65	3.65	3.65
Euro-Area							
ECB Refinance Rate	3.50	3.50	4.00	4.00	4.00	3.50	3.00
United Kingdom							
BOE Base Rate	4.25	4.25	4.25	4.25	4.00	3.75	3.50

Exchange rate forecasts

	Actual (31 Mar 2023)	Jun 23	Sep 23	Dec 23	Mar 24	Jun 24	Sep 24
AUD/USD	0.6707	0.69	0.72	0.74	0.75	0.76	0.76
NZD/USD	0.6261	0.64	0.66	0.67	0.68	0.68	0.68
EUR/USD	1.0904	1.09	1.10	1.11	1.12	1.13	1.14
USD/JPY	132.5150	131	130	129	128	127	126
GBP/USD	1.2385	1.22	1.23	1.24	1.25	1.26	1.27
USD/CNH	6.8744	6.80	6.70	6.70	6.65	6.48	-

US economic indicators and outlook

	Jun 22	Sep 22	Dec 22	Mar 23(f)	Jun 23(f)	Sep 23(f)	Dec 23(f)
GDP % qtr.	-0.6	3.2	2.7	1.6	-1.1	-0.9	-0.6
%yr. annual change	1.8	1.9	0.9	1.7	1.6	0.6	-0.2
Unemployment rate %	3.6	3.6	3.6	3.5	3.7	4.0	4.3
CPI % YoY.	8.9	8.2	6.4	5.2	3.1	2.9	2.5

Australian economic indicators and outlook

	Jun 22	Sep 22	Dec 22	Mar 23(f)	Jun 23(f)	Sep 23(f)	Dec 23(f)
GDP % qtr.	0.9	0.7	0.5	0.4	0.2	0.1	0.2
% Year end	3.1	5.9	2.7	2.5	1.8	1.2	1.0
Unemployment rate %	3.8	3.5	3.5	3.6	3.6	3.9	4.6
CPI % qtr	1.8	1.8	1.9	1.5	1.0	0.7	0.7
Annual Change (%)	5.0	6.1	6.9	6.6	5.9	4.6	3.6

New Zealand economic indicators and outlook

	Jun 22	Sep 22	Dec 22	Mar 23(f)	Jun 23(f)	Sep 23(f)	Dec 23(f)
GDP % qtr.	1.6	1.7	-0.6	0.2	0.2	0.2	-0.2
Annual avg change	1.1	2.7	2.4	2.9	3.2	1.6	1.1
Unemployment rate %	3.3	3.3	3.4	3.5	3.6	3.8	4.0
CPI % qtr.	1.7	2.2	1.4	1.3	1.3	1.9	0.4
Annual change (%)	7.3	7.2	7.2	6.7	6.4	6.2	5.1

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

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