



# EXCHANGE RATE DEVELOPMENTS MAY 2023

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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	5.50%	+25	May 24, 2023	crude oil (US\$/bbl)	\$70.87	-\$5.97	\$76.84
Reserve Bank of Australia	3.85%	+25	May 2, 2023	whole milk (US\$/t)	\$3,244.00	\$155.00	\$3,089.00
US Federal Reserve	5.00% - 5.25%	+25	May 3, 2023				
European Central Bank	3.75%	+25	May 4, 2023				
Bank of England	4.50%	+25	May 11, 2023				

USD* per other currencies (month average)					
	May-22	Apr-23	May-23	Apr-23 (%)	May-22 (%)
NZD/USD	0.6400	0.6210	<b>0.6218</b>	0.13	-2.84
AUD/USD	0.7045	0.6698	<b>0.6647</b>	-0.77	-5.65
EUR/USD	1.0574	1.0961	<b>1.0880</b>	-0.74	2.89
USD/YEN	128.7252	133.4556	<b>137.1627</b>	-2.78	-6.55
USD/CNH	6.7193	6.8934	<b>6.9953</b>	-1.48	-4.11
FJD/USD	0.4605	0.4517	<b>0.4499</b>	-0.39	-2.29

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

Tala* per foreign currencies (month average)					
	May-22	Apr-23	May-23	Apr-23 (%)	May-22 (%)
USD/TALA	2.6739	2.7259	<b>2.7296</b>	-0.13	-2.08
NZD/TALA	1.7110	1.6927	<b>1.6969</b>	-0.25	0.82
AUD/TALA	1.8834	1.8256	<b>1.8141</b>	0.63	3.68
EUR/TALA	2.8273	2.9876	<b>2.9695</b>	0.60	-5.03
<b>Nom Index</b>	<b>99.8402</b>	<b>99.6610</b>	<b>99.6704</b>	<b>0.01</b>	<b>-0.17</b>
FJD/TALA	1.2313	1.2311	<b>1.2281</b>	0.25	0.26
TALA/YEN	48.1406	48.9576	<b>50.2464</b>	2.63	4.19
TALA/CNH	2.5128	2.5288	<b>2.5627</b>	1.34	1.94

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



### The USD strengthened on:

- A string of favorable economic data out of the US (strong manufacturing figures, positive employment data, and the upbeat Q1 2023 GDP growth figures);
- Mounting market speculation of the Fed continuing its year-long monetary tightening cycle;
- The USD's safe haven appeal amid renewed attacks from Russia over Ukraine alongside the ongoing turmoil in the US banking system.

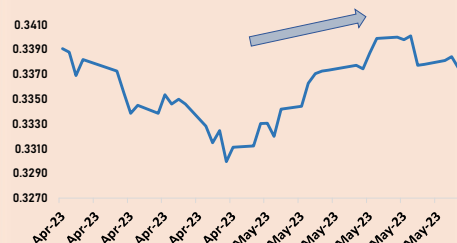
TALA depreciated vs USD



### EUR depreciated vs the USD on:

- The stronger US dollar and the downbeat economic releases out of the bloc (lower industrial production and deteriorating consumer sentiment);
- Fears about Germany's growth as data showed signs of a potential recession for Europe's largest economy;
- Uncertainties surrounding the ECB policy stance, days before announcing a 25-point interest rate hike.

TALA gained vs the EUR



### The AUD weakened vs the USD due to:

- The robust US greenback alongside the weak economic reports out of Australia (e.g. slowing retail sales and negative manufacturing figures);
- A surprise 25 points increase from the RBA as high inflation continued to hurt the country's economic activities;
- Reports out of China showing a tepid recovery for one of Australia's largest trading partners.

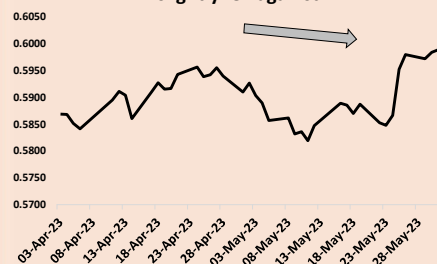
TALA appreciated vs AUD



### NZD gained modestly vs USD:

- The upbeat NZ economic indicators (e.g. the positive employment reports and the improved housing data);
- On mounting bets for the Reserve Bank of New Zealand to hike interest rates by 50 points a week before the policy meeting;
- The RBNZ raising interest rates to 5.50 percent, its highest in more than 14 years.

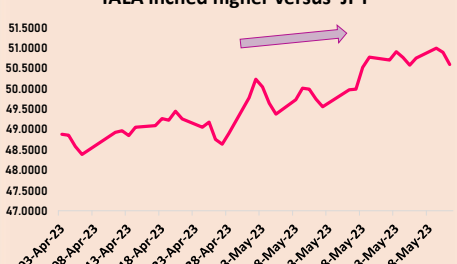
TALA slightly fell against NZD



### JPY slipped against USD due to:

- The stronger US dollar and the unfavorable economic releases out Japan;
- The Bank of Japan (BOJ) sticking to its dovish monetary stance, making no changes to its yield curve control policy;
- Japanese markets closed for Greenery Day and International Childrens Day.

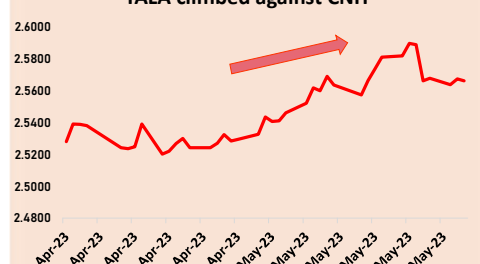
TALA inched higher versus JPY



### CNH also fell versus USD on:

- The disappointing economic releases out of China (weaker service sector activities and a dramatic drop in Chinese imports) pointing to a fragile recovery;
- Growing concerns about China's slowed post-COVID economic rebound after lifting anti-Covid restrictions earlier this year.
- Chinese markets closed for May Day.

TALA climbed against CNH



# ECONOMIC & FINANCIAL FORECASTS

## Policy Interest rate forecasts

	Actual (2 June 2023))	Jun 23	Sep 23	Dec 23	Mar 24	Jun 24	Sep 24
<b>USA</b>							
Fed Funds Rate	5.125	5.125	5.125	4.875	4.375	3.875	3.375
<b>Australia</b>							
RBA Cash Rate	3.85	3.85	3.85	3.85	3.6	3.35	3.10
<b>New Zealand</b>							
RBNZ Cash Rate	5.50	5.50	5.75	5.75	5.75	5.75	5.25
<b>China</b>							
PBOC Loan Prime Rate	3.65	3.65	3.65	3.65	3.65	3.65	3.65
<b>Euro-Area</b>							
ECB Refinance Rate	3.50	3.50	4.00	4.00	4.00	3.50	3.00
<b>United Kingdom</b>							
BOE Base Rate	4.25	4.50	4.50	4.50	4.00	3.50	3.00

## Exchange rate forecasts

	Actual (02 June 2023)	Sep 23	Dec 23	Mar 24	Jun 24	Sep 24	Dec 24
AUD/USD	0.6575	0.72	0.74	0.75	0.76	0.76	0.77
NZD/USD	0.6068	0.66	0.67	0.68	0.68	0.68	0.68
EUR/USD	1.0762	1.11	1.12	1.13	1.14	1.15	1.16
USD/JPY	138.8350	130.00	128.00	127.00	126.00	125.00	124.00
GBP/USD	1.2530	1.25	1.26	1.26	1.27	1.28	1.29
USD/CNH	7.1053	6.80	6.78	6.70	6.80	-	-

## US economic indicators and outlook

	Jun 22	Sep 22	Dec 22	Mar 23	Jun 23(f)	Sep 23(f)	Dec 23(f)
GDP % qtr.	-0.6	3.2	2.6	1.1	0.9	-0.9	-0.9
%yr. annual change	1.8	1.9	0.9	1.6	1.9	0.9	0.0
Unemployment rate %	3.6	3.6	3.4	3.6	4.0	4.3	4.5
CPI % YoY.	8.9	8.2	6.4	5.2	3.0	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	3.5	3.9	4.5
CPI % qtr	1.8	1.8	1.9	1.4	1.1	0.7	0.7
Annual Change (%)	5.0	6.1	6.9	6.6	6.1	4.7	3.7

## 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	1.0	0.4	0.2
Annual avg change	1.1	2.7	2.4	2.8	3.2	1.7	1.6
Unemployment rate %	3.3	3.3	3.4	3.4	3.5	3.7	3.9
CPI % qtr.	1.7	2.2	1.4	1.2	1.0	1.8	0.5
Annual change (%)	7.3	7.2	7.2	6.7	5.9	5.6	4.6

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

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