



EXCHANGE RATE DEVELOPMENTS MAY 2024

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	May 22, 2024	crude oil (US\$/bbl)	\$82.65	-\$4.94	\$87.59
Reserve Bank of Australia	4.35%	0.00	May 7, 2024	whole milk (US\$/t)	\$3,408.00	\$139.00	\$3,269.00
US Federal Reserve	5.25% - 5.50%	0.00	May 1, 2024				
European Central Bank	4.50%	0.00	April 11, 2024				
Bank of England	5.25%	0.00	May 9, 2024				

USD* per other currencies (month average)					
	May-23	Apr-24	May-24	Apr-24 (%)	May-23 (%)
NZD/USD	0.6218	0.5959	0.6059	1.69	-2.55
AUD/USD	0.6647	0.6507	0.6620	1.73	-0.40
EUR/USD	1.0880	1.0727	1.0804	0.72	-0.70
USD/YEN	137.1627	153.6929	155.9611	-1.48	-13.71
USD/CNH	6.9953	7.2546	7.2389	0.22	-3.48
FJD/USD	0.4499	0.4401	0.4423	0.49	-1.70

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

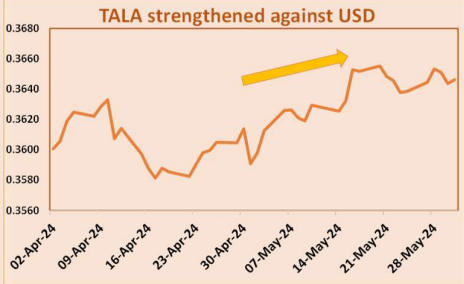
Tala* per foreign currencies (month average)					
	May-23	Apr-24	May-24	Apr-24 (%)	May-23 (%)
USD/TALA	2.7296	2.7746	2.7517	0.82	-0.81
NZD/TALA	1.6969	1.6531	1.6671	-0.85	1.75
AUD/TALA	1.8141	1.8052	1.8215	-0.90	-0.41
EUR/TALA	2.9695	2.9760	2.9730	0.10	-0.12
Nom Index	99.6704	99.7572	99.7048	-0.05	0.03
FJD/TALA	1.2281	1.2210	1.2170	0.33	0.90
TALA/YEN	50.2464	55.3924	56.6775	2.32	11.35
TALA/CNH	2.5627	2.6147	2.6307	0.61	2.59

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



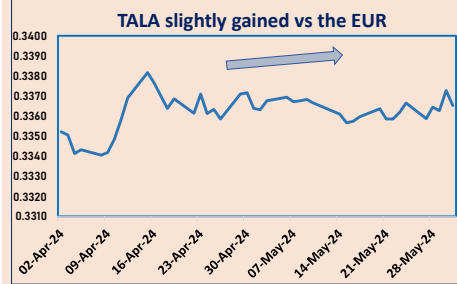
The US dollar under pressure on:

- A string of downbeat economic data out of the US in the month (e.g., the waning consumer confidence, soft payroll reports with fewer job openings, lower construction spending and manufacturing index, and the softer than anticipated US CPI data in April).
- The US Fed holding interest rates steady as fighting inflation took longer than expected.
- A significant drop on US Treasury yields as ambiguous remarks by Fed officials presented no clear clues about the Fed's interest rate path.



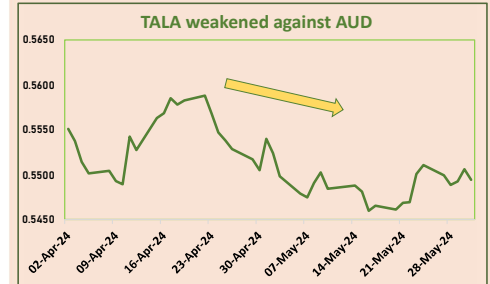
The EUR inched higher vs. the USD on:

- Aided by the weakening US dollar and positive economic releases out of the Eurozone (e.g., strong retail sales and services data, elevated consumer confidence and economic sentiment, higher industrial production and positive current economic condition).
- Strong signals of a potential interest rate cut by the ECB in June.
- Growth reports out of Germany indicating a strong recovery in the Eurozone's largest economy and powerhouse.



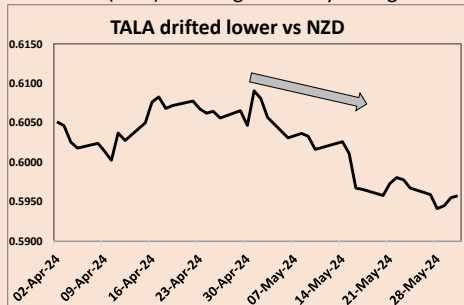
The AUD strengthened versus the USD on:

- The strong economic releases out of Australia (e.g., soaring manufacturing index, higher building permits in March and the sustained business confidence in April).
- Heightened speculations of a potential interest rate hike by the RBA.
- Australia rolling out a cost-of-living relief in bid to tame inflation.
- Aggressive RBA meeting minutes hurting the odds of an interest rate cuts this year.
- Optimisms over a potential economic recovery in China, one of Australia's major importers.



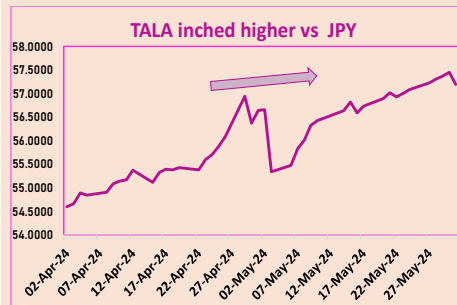
The NZD also gained against the USD on:

- The weaker US greenback and positive economic figures out of New Zealand (e.g., escalating retail sales data in March quarter and the increased NZ dairy trade price index).
- NZ policy makers asserting the need for maintaining tight policies until medium-term inflation targets are achieved.
- A hawkish tone from the RBNZ's monetary policy meeting this month after leaving their official cash rate (OCR) unchanged at 15-year highs.



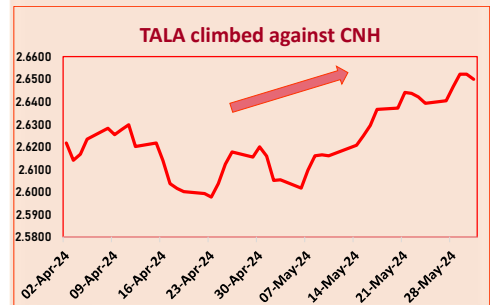
JPY sharpened losses vs. USD reflecting:

- The unfavorable economic releases out of Japan (e.g. the weaker-than-expected Q1 GDP growth data, deteriorated consumer confidence, declined industrial production and treasury industry index in March).
- Worries that a potential intervention by authorities to smooth any excessive Yen may hurt households and companies.
- Persistent concerns about the widening Japan-US interest rate gap.



CNH slightly appreciated vs. USD due to:

- The upbeat Chinese economic data implying that the economy's recovery has gained traction (e.g., trade data beating expectations and positive industrial profits in April).
- Economic reports signaling some strengths in China's domestic demand.
- The Peoples Bank of China's sustained efforts to support their housing sector.
- Fresh hopes of more stimulus measures to recuperate China's economy.



ECONOMIC & FINANCIAL FORECASTS

Policy Interest rate forecasts

	Actual (04 June 2024)	Jun 24	Sep 24	Dec 24	Mar 25	Jun 25	Sep 25
USA							
Fed Funds Rate	5.375	5.375	5.125	4.875	4.625	4.375	4.125
Australia							
RBA Cash Rate	4.35	4.35	4.35	4.10	3.85	3.60	3.35
New Zealand							
RBNZ Cash Rate	5.50	5.50	5.50	5.50	5.25	5.00	4.75
China							
PBOC Loan Prime Rate	3.45	3.45	3.45	3.45	3.45	3.45	3.45
Euro-Area							
ECB Refinance Rate	4.50	4.25	4.00	4.00	4.00	4.00	4.00
United Kingdom							
BOE Base Rate	5.25	5.00	4.75	4.50	4.25	4.00	3.75

Exchange rate forecasts

	Actual (04 June 2024)	Jun 24	Sep 24	Dec 24	Mar 25	Jun 25	Sep 25
AUD/USD	0.6679	0.66	0.66	0.67	0.68	0.69	0.70
NZD/USD	0.6181	0.60	0.60	0.61	0.62	0.63	0.64
EUR/USD	1.0899	1.08	1.09	1.10	1.11	1.12	1.13
USD/JPY	156.2350	156	155	154	150	146	143
GBP/USD	1.2800	1.26	1.27	1.28	1.29	1.30	1.31
USD/CNH	7.2514	7.29	7.26	7.22	7.20	7.15	7.15

US economic indicators and outlook

	Jun 23	Sep 23	Dec 23	Mar24(f)	Jun 24(f)	Sep24(f)	Dec 24(f)
GDP % qtr.	2.1	4.9	3.2	2.5	1.9	1.5	1.5
%yr. annual change	2.4	2.9	3.1	3.1	3.1	2.3	1.8
Unemployment rate %	3.5	3.6	3.7	3.7	3.8	3.9	4.1
CPI % YoY.	5.1	2.8	2.9	2.5	2.3	2.2	2.1

Australian economic indicators and outlook

	Jun 23	Sep 23	Dec 23	Mar 24(f)	Jun 24(f)	Sep 24(f)	Dec 24(f)
GDP % qtr.	0.5	0.3	0.2	0.3	0.3	0.4	0.5
% Year end	2.1	2.1	1.5	1.3	1.1	1.3	1.6
Unemployment rate %	3.6	3.7	3.9	3.9	4.0	4.2	4.3
CPI % qtr	0.8	1.2	0.6	1.0	0.9	0.6	0.8
Annual Change (%)	6.0	5.4	4.1	3.6	3.7	3.0	3.2

New Zealand economic indicators and outlook

	Jun 23	Sep 23	Dec 23	Mar24(f)	Jun 24(f)	Sep24(f)	Dec 24(f)
GDP % qtr.	0.5	-0.3	-0.1	0.1	-0.1	0.3	0.3
Annual avg change	3.0	1.3	0.6	0.2	-0.3	-0.1	0.2
Unemployment rate %	3.6	3.9	4.0	4.3	4.6	4.9	5.2
CPI % qtr.	1.1	1.8	0.5	0.6	0.8	1.1	0.4
Annual change (%)	6.0	5.6	4.7	4.0	3.7	3.0	2.9

Source: Bloomberg, Westpac Economics Update (May 2024), Trading Economics

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