



# EXCHANGE RATE DEVELOPMENTS AUGUST 2022

\*\*\*\*\*

## Highlights:

Policy Interest Rates	Current	Change (basis point)	Last Updated	Commodity Prices	Average Price (USD)	Change	Prev Month
Reserve Bank of NZ	3.00%	+50	August 17, 2022	crude oil (US\$/bbl)	\$99.85	-\$5.95	\$105.80
Reserve Bank of Australia	1.85%	+50	August 2, 2022	whole milk (US\$/t)	\$3,417.00	-\$340.00	\$3,757.00
US Federal Reserve	2.25% - 2.50%	+75	July 27, 2022				
European Central Bank	0.50%	+50	July 21, 2022				
Bank of England	1.75%	+50	August 4, 2022				

USD* per other currencies (month average)					
	Aug-21	Jul-22	Aug-22	Jul-22 (%)	Aug-21 (%)
NZD/USD	0.6972	0.6197	0.6261	1.03	-10.20
AUD/USD	0.7302	0.6856	0.6954	1.43	-4.76
USD/YEN	109.8176	136.7500	135.2020	1.13	-23.12
USD/CNH	6.4765	6.7347	6.8082	-1.09	-5.12
EUR/USD	1.1772	1.0193	1.0125	-0.67	-13.99
FJD/USD	0.4777	0.4509	0.4550	0.90	-4.76
Nom Index	99.7718	99.9467	99.9086	-0.04	0.14

Tala* per foreign currencies (month average)					
	Aug-21	Jul-22	Aug-22	Jul-22 (%)	Aug-21 (%)
USD/TALA	2.5810	2.7167	2.7006	0.59	-4.63
NZD/TALA	1.7994	1.6835	1.6906	-0.42	6.05
AUD/TALA	1.8845	1.8624	1.8779	-0.84	0.35
EUR/TALA	3.0382	2.7687	2.7340	1.25	10.01
FJD/TALA	1.2329	1.2249	1.2286	-0.31	0.35
TALA/YEN	42.5480	50.3356	50.0596	-0.55	15.01
TALA/CNH	2.5092	2.4790	2.5209	1.69	0.46

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

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



### Weaker USD on:

- Downbeat economic releases showing declining momentum;
- Markets readjusting expectations about an aggressive Fed hike amid the cool inflation data in the month;
- Persisting market fears that a larger Fed hike could derail economic growth;
- Hawkish responses from the US authorities at the Jackson Hole Symposium.

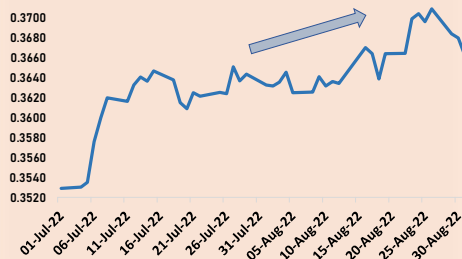
### TALA appreciated vs USD



### EUR remains near parity against USD on:

- Downbeat economic data release for the region;
- Europe's headline CPI hitting record highs as the cost-of-living crisis mounts;
- Disrupting energy supply from Russia's main gas pipeline, unilaterally triggering an energy crisis in Europe;
- Intensified recession fears as ECB joins the battle to fight inflation.

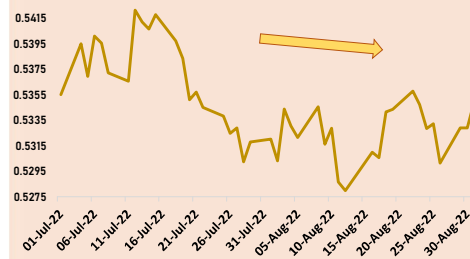
### TALA edged higher vs EUR



### AUD edged higher vs USD on:

- The weaker greenback and the improved economic indicators out of the country;
- RBA raising their interest rates by 50 basis points to 1.85%, to tame the surging inflation;
- Exports accelerating, supported by the recovering Chinese economy.

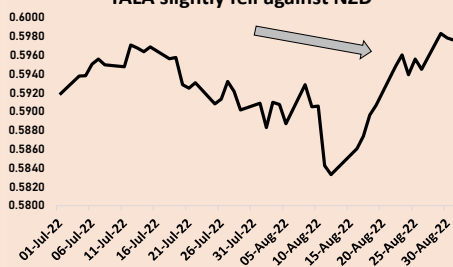
### TALA weakened vs AUD



### NZD rebounded against USD on:

- The weakening US Dollar with Kiwi data releases showing signs of resilience;
- The RBNZ raising their Official Cash Rate for the fourth straight month, by 50 basis points hike to 3% to curb inflation;
- Persistent concerns about the soaring prices, sending investors into high-risk assets;

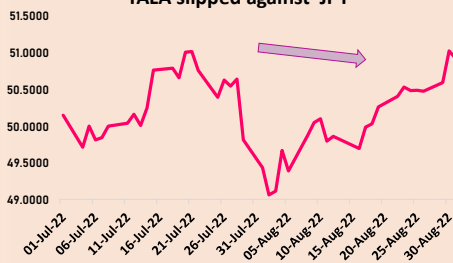
### TALA slightly fell against NZD



### JPY gained vs USD due to:

- Upbeat economic data out of Japan;
- The Yen benefitting from the weaker US Dollar;
- Recovery of Japan's growth after authorities eased Covid-19 restrictions;
- Japanese officials showing commitment to intervene in the market to support the single currency;

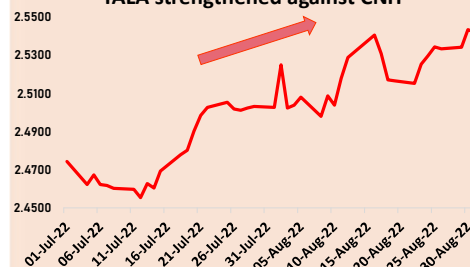
### TALA slipped against JPY



### CNH fell against USD reflecting:

- Unfavorable economic releases out of China;
- The increased US-China geopolitical tension following the US Speaker's visit to one of its sovereign territories;
- The emergence of the Langya virus and the resurgence of the Covid-19 coronavirus.

### TALA strengthened against CNH



# ECONOMIC & FINANCIAL FORECASTS

## Policy Interest rate forecasts

	Actual (6 Sept 2022)	Dec 22	Mar 23	Jun 23	Sep 23	Dec 23	Mar 24
<b>USA</b>							
Fed Funds Rate	2.375	3.375	3.375	3.375	3.375	3.125	2.875
<b>Australia</b>							
RBA Cash Rate	1.85	3.10	3.35	3.35	3.35	3.35	3.10
<b>New Zealand</b>							
RBNZ Cash Rate	3.00	4.00	4.00	4.00	4.00	4.00	4.00
<b>China</b>							
PBOC Loan Prime Rate	3.65	3.45	3.45	3.70	3.75	3.75	3.75
<b>Euro-Area</b>							
ECB Refinance Rate	0.50	1.75	2.00	2.00	2.00	2.00	2.00
<b>United Kingdom</b>							
BOE Base Rate	1.75	2.50	2.50	2.50	2.75	2.75	2.75

## Exchange rate forecasts

	Actual (06 Sept 2022)	Dec 22	Mar 23	Jun 23	Sep 23	Dec 23	Mar 24
AUD/USD	0.6801	0.73	0.75	0.76	0.77	0.78	0.78
NZD/USD	0.6095	0.66	0.68	0.69	0.70	0.71	0.71
EUR/USD	0.9931	1.09	1.11	1.13	1.14	1.15	1.16
USD/JPY	140.5450	132	130	127	125	123	121
GBP/USD	1.1517	1.26	1.28	1.30	1.32	1.34	1.35
USD/CNH	6.9422	6.85	6.83	6.76	6.60	6.70	-

## US economic indicators and outlook

	Dec 21	Mar 22	Jun 22	Sep 22(f)	Dec 22(f)	Mar 23(f)	Jun 23(f)
<b>GDP % qtr.</b>	6.9	-1.6	-0.6 (2 <sup>nd</sup> est)	2.3	0.8	-0.3	0.4
%yr. annual change	5.5	3.5	1.7 (2 <sup>nd</sup> est)	1.6	0.1	0.5	0.8
<b>Unemployment rate %</b>	4.2	3.8	3.7	3.7	3.9	4.2	4.5
<b>CPI % YoY.</b>	7.0	8.6	9.1	7.5	5.7	3.5	2.4

## Australian economic indicators and outlook

	Dec 21	Mar 22	Jun 22(e)	Sep 22(f)	Dec 22(f)	Mar 23(f)	Jun 23(f)
<b>GDP % qtr.</b>	3.6	0.8	2.0	1.0	0.6	0.4	0.2
% Year end	4.4	3.3	4.5	7.5	4.4	4.0	2.2
<b>Unemployment rate %</b>	4.2	3.9	3.5	3.3	3.0	3.1	3.4
<b>CPI % qtr</b>	1.3	2.1	1.8	1.0	2.5	1.0	0.7
Annual Change (%)	3.5	5.1	6.1	6.3	7.6	6.4	5.2

## New Zealand economic indicators and outlook

	Dec 21	Mar 22	Jun 22(e)	Sep 22(f)	Dec 22(f)	Mar 23(f)	Jun 23(f)
<b>GDP % qtr.</b>	3.0	-0.2	1.0	0.4	0.6	0.6	0.5
Annual avg change	5.6	5.1	1.0	2.1	1.8	2.1	2.7
<b>Unemployment rate %</b>	3.2	3.2	3.3	3.3	3.4	3.5	3.6
<b>CPI % qtr.</b>	1.4	1.8	1.7	1.4	0.2	0.9	0.6
<b>Annual change (%)</b>	5.9	6.9	7.3	6.4	5.1	4.2	3.1

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

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