



EXCHANGE RATE DEVELOPMENTS AUGUST 2023

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	August 16, 2023	crude oil (US\$/bbl)	\$87.15	\$ 1.56	\$85.59
Reserve Bank of Australia	4.10%	0.00	September 5, 2023	whole milk (US\$/t)	\$2,702.00	-\$162.00	\$2,864.00
US Federal Reserve	5.25% - 5.50%	+0.25	July 26, 2023				
European Central Bank	4.25%	+25	July 27, 2023				
Bank of England	5.25%	+25	August 3, 2023				

USD* per other currencies (month average)					
	Aug-22	Jul-23	Aug-23	Jul-23 (%)	Aug-22 (%)
NZD/USD	0.6261	0.6226	0.6006	-3.52	-4.07
AUD/USD	0.6954	0.6736	0.6495	-3.57	-6.60
EUR/USD	1.0125	1.1055	1.0914	-1.27	7.80
USD/YEN	135.2020	141.1140	144.7180	-2.55	-7.04
USD/CNH	6.8082	7.2000	7.2592	-0.82	-6.62
FJD/USD	0.4550	0.4518	0.4429	-1.95	-2.65

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

Tala* per foreign currencies (month average)					
	Aug-22	Jul-23	Aug-23	Jul-23 (%)	Aug-22 (%)
USD/TALA	2.7006	2.7206	2.7690	-1.78	-2.53
NZD/TALA	1.6906	1.6935	1.6629	1.81	1.64
AUD/TALA	1.8779	1.8323	1.7983	1.86	4.24
EUR/TALA	2.7340	3.0072	3.0221	-0.50	-10.54
Nom Index	99.9086	99.6553	99.7472	0.09	-0.16
FJD/TALA	1.2286	1.2290	1.2264	0.21	0.18
TALA/YEN	50.0596	51.8661	52.2597	0.76	4.21
TALA/CNH	2.5209	2.6465	2.6214	-0.95	3.84

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



The USD strengthened on:

- A string of favorable economic data (the strong US retail sales and job reports, solid construction and manufacturing figures);
- High demands for safe haven assets due to concerns about China's slowed recovery;
- The Jackson Hole Symposium giving clues about Central Banks interest rate paths;
- The Fitch downgrading the US credit ratings, while Moody's cut credit rating for several mid-sized US Banks in August.

TALA weakened vs USD



EUR weakened vs the USD on:

- The downbeat economic releases out of the Eurozone (contracted manufacturing and PMI numbers, with Germany's negative trade and industrial production data);
- Germany's struggling economy threatening to push Europe's economy into a recession;
- Russia warning about a blocked supply of gas through Ukraine after a Ukraine drone hit one of Russia's biggest oil tanks.

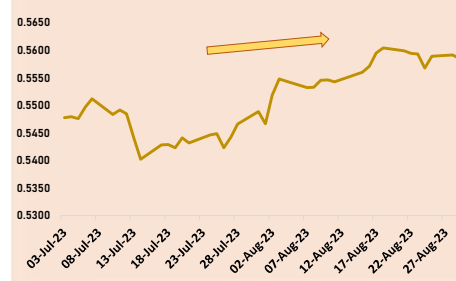
TALA slipped against the EUR



The AUD drifts lower vs the USD on:

- The disappointing economic releases out of Australia (e.g., the declined consumer confidence and building approvals, along with a surprised jump of unemployment);
- Diminished market mood from the weak Chinese trade figures;
- RBA's expected decision to pause interest rate at 4.1%, despite high inflation.

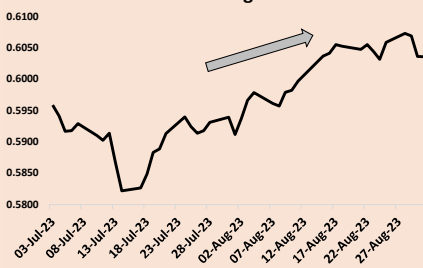
TALA edged higher vs AUD



NZD also dropped vs USD due to:

- The robust US dollar and weak NZ economic indicators (largely the decreased retail sales, declining building approvals and the increased unemployment rate);
- Weakening risk appetite due to a decline on global stock markets prices;
- Fitch and Moody's agency downgrading several US banks credit rating hurting risk sentiment.

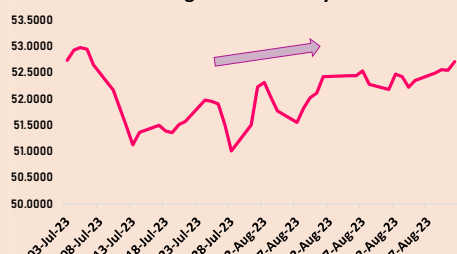
TALA climbed against NZD



JPY depreciated against USD due to:

- The stronger greenback and the negative economic releases out Japan including the weakening industrial production and consumer confidence;
- The Yen becoming very vulnerable with returns in Japan becoming less attractive as the BOJ retained its ultra-loose monetary policy stance;
- Growing uncertainties over the Bank of Japan's future monetary policy stance.

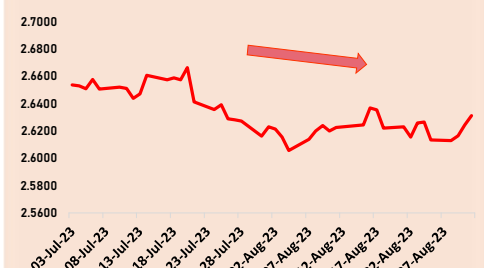
TALA gained modestly vs JPY



CNH traded lower vs USD on:

- The poor Chinese economic releases (such as the weak domestic consumption and deteriorated trade, the worsening real estate market and slowing manufacturing sector);
- Growing market concerns on China's fragile economic recovery and worsening economic conditions.

TALA inched lower vs CNH



ECONOMIC & FINANCIAL FORECASTS

Policy Interest rate forecasts

	Actual (7 Sept 2023)	Sep 23	Dec 23	Mar 24	Jun 24	Sep 24	Dec 24
USA							
Fed Funds Rate	5.375	5.375	5.375	5.125	4.625	4.125	3.625
Australia							
RBA Cash Rate	4.10	4.10	4.10	4.10	4.10	3.85	3.60
New Zealand							
RBNZ Cash Rate	5.50	5.50	5.75	5.75	5.75	5.50	5.25
China							
PBOC Loan Prime Rate	3.45	3.40	2.90	2.90	2.90	2.90	2.90
Euro-Area							
ECB Refinance Rate	4.25	4.50	4.50	4.50	4.25	4.25	4.25
United Kingdom							
BOE Base Rate	5.25	5.50	5.75	5.75	5.75	5.50	5.00

Exchange rate forecasts

	Actual (7 Sept 2023)	Sep 23	Dec 23	Mar 24	Jun 24	Sep 24	Dec 24
AUD/USD	0.6377	0.67	0.68	0.69	0.71	0.73	0.74
NZD/USD	0.5867	0.62	0.63	0.63	0.64	0.65	0.66
EUR/USD	1.0726	1.11	1.12	1.12	1.13	1.14	1.15
USD/JPY	147.7250	140	138	135	132	130	128
GBP/USD	1.2505	1.28	1.28	1.29	1.29	1.30	1.30
USD/CNH	7.3216	7.20	7.18	7.05	7.00	6.83	6.86

US economic indicators and outlook

	Dec 22	Mar 23	Jun 23	Sep 23(f)	Dec 23(f)	Mar24(f)	Jun 24(f)
GDP % qtr.	2.6	2.0	2.4	1.0	-1.2	-0.9	1.5
%yr. annual change	0.9	1.8	2.6	2.0	1.0	0.3	0.1
Unemployment rate %	3.6	3.5	3.6	3.6	3.8	4.2	4.5
CPI % YoY.	6.4	5.2	3.0	2.9	2.5	2.5	2.5

Australian economic indicators and outlook

	Dec 22	Mar 23	Jun 23	Sep 23(f)	Dec 23(f)	Mar 24(f)	Jun 24(f)
GDP % qtr.	0.6	0.2	0.4	0.2	0.2	0.1	0.3
% Year end	2.7	2.4	2.1	1.4	1.0	0.9	0.8
Unemployment rate %	3.5	3.6	3.5	3.7	3.8	4.1	4.5
CPI % qtr	1.9	1.4	0.8	0.9	0.7	0.9	0.9
Annual Change (%)	7.8	7.0	6.0	5.1	3.9	3.4	3.4

New Zealand economic indicators and outlook

	Dec 22	Mar 23	Jun 23(f)	Sep 23(f)	Dec 23(f)	Mar24(f)	Jun 24(f)
GDP % qtr.	-0.7	-0.1	0.8	0.1	0.0	0.0	0.0
Annual avg change	2.7	2.9	3.1	1.5	1.1	0.8	0.5
Unemployment rate %	3.4	3.4	3.6	3.8	4.3	4.7	5.0
CPI % qtr.	1.4	1.2	1.1	2.0	0.5	0.7	0.4
Annual change (%)	7.2	6.7	6.0	5.9	4.9	4.4	3.7

Source: Bloomberg, Westpac Economics Update (August & September 2023), Trading Economics

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