



EXCHANGE RATE DEVELOPMENTS AUGUST 2024

Highlights:

Policy Interest Rates	Current	Change (basis point)	Last Updated	Commodity Prices	Average Price (USD)	Change	Prev Month
Reserve Bank of NZ	5.25%	-0.25	August 14, 2024	crude oil (US\$/bbl)	\$77.12	-\$7.78	\$84.90
Reserve Bank of Australia	4.35%	0.00	August 6, 2024	whole milk (US\$/t)	\$3,482.00	\$340.00	\$3,142.00
US Federal Reserve	5.25% - 5.50%	0.00	July 31, 2024				
European Central Bank	4.25%	-0.25	July 18, 2024				
Bank of England	5.00%	-0.25	August 1, 2024				

USD* per other currencies (month average)					
	Jul-23	Jul-24	Aug-24	Jul-24 (%)	Jul-23 (%)
NZD/USD	0.6006	0.6037	0.6077	0.67	1.18
AUD/USD	0.6495	0.6676	0.6650	-0.39	2.38
EUR/USD	1.0914	1.0838	1.1019	1.68	0.96
USD/YEN	144.7180	158.1200	146.2950	7.48	-1.09
USD/CNH	7.2592	7.2819	7.1533	1.77	1.46
FJD/USD	0.4429	0.4444	0.4468	0.54	0.87

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

Tala* per foreign currencies (month average)					
	Jul-23	Jul-24	Aug-24	Jul-24 (%)	Jul-23 (%)
USD/TALA	2.7690	2.7497	2.7463	0.12	0.82
NZD/TALA	1.6629	1.6596	1.6686	-0.55	-0.35
AUD/TALA	1.7983	1.8354	1.8260	0.51	-1.54
EUR/TALA	3.0221	2.9798	3.0261	-1.55	-0.13
Nom Index	99.7472	99.7066	99.7018	0.00	-0.05
FJD/TALA	1.2264	1.2218	1.2269	-0.42	-0.04
TALA/YEN	52.2597	57.5109	53.2664	-7.38	1.89
TALA/CNH	2.6214	2.6483	2.6046	-1.65	-0.65

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



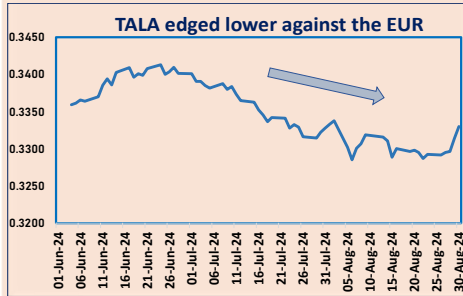
The US dollar weakened on:

- A string of unfavorable economic releases out of the US in the month (e.g., private sector adding fewer jobs in July, higher than expected jobless claims, weak manufacturing PMI, lower than expected housing figures and declined CPI data).
- Drop in US Treasury Yields after the Federal Reserve Bank left interest rates unchanged for the eighth meeting in a row;
- Weak job reports ramped up prospects of a US economic downturn and market bets of bigger interest rate cuts likely from the Fed.



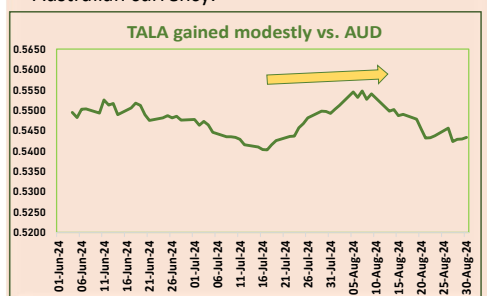
The EUR appreciated vs. the USD on:

- The US dollar broad weakness and the upbeat economic releases out of the Eurozone (e.g., strong GDP growth in the June quarter, higher economic and industrial sentiment and positive services index with hot inflation data in July);
- The upswing momentum on positive economic outlook for the Eurozone's economy;
- Soaring hopes the interest rate gap between the US and Europe will shrink, as hot inflation figures boosted the odds of an ECB interest rate cut in September.



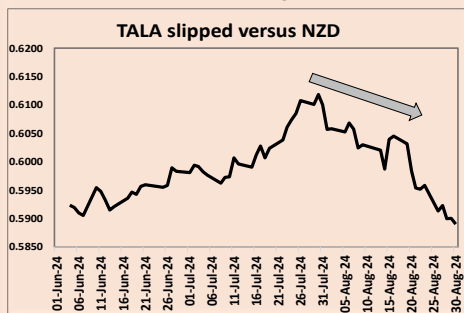
The AUD slipped against the USD on:

- The underwhelming economic releases out of Australia (e.g., a sizeable drop on building permits in June, the higher unemployment rate in July along with the negative AI Group Industry index in August);
- The Reserve Bank of Australia (RBA) kept interest rates unchanged at 4.35% as widely anticipated;
- Hawkish messages from the RBA about its monetary policy stance, leaving traders uncertain;
- The lack of high impact data to support the Australian currency.



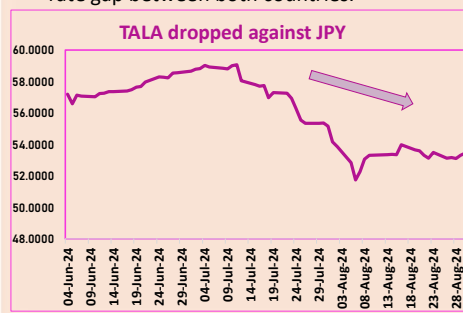
The NZD gained versus the USD due to:

- The weaker US greenback alongside favorable economic data out of New Zealand (e.g., improved business confidence in July and strong employment reports in June quarter);
- NZ's employment reports showed continuous tight conditions in the labor sector, forcing policymakers to maintain high interest rates for an extended duration;
- Risk appetite supporting the NZ dollar and limited demands for the safe haven greenback;



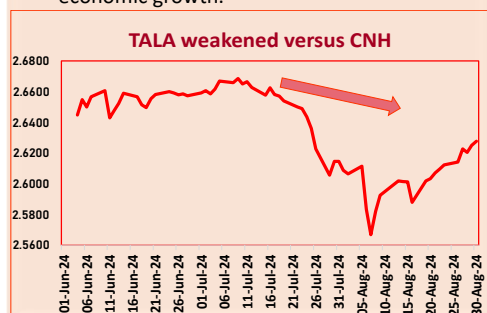
JPY recovered against USD due to:

- The upbeat economic releases out of Japan (e.g., positive retail sales and consumer confidence, reduced unemployment rate in June, and strong Q2 GDP growth);
- Escalating geopolitical tensions in the middle east drove a safe haven boost for the Yen;
- A larger-than-expected interest rate hike to 0.25%, by the Bank of Japan;
- Japan's rate hikes combined with projected US rate cuts served to reduce the interest rate gap between both countries.



CNH edged higher vs. the USD on:

- The weak US greenback and positive economic releases out of China (e.g., better than expected manufacturing and services PMI data and stronger than expected retail sales figures in July);
- Optimism over a new stimulus in China aimed to help get growth back towards this year's target of roughly 5%;
- The PBoC kept its benchmark loan prime rate on hold as expected, and focus on boosting economic growth.



ECONOMIC & FINANCIAL FORECASTS

Policy Interest rate forecasts

	Actual (04 Sep 2024)	Sep 24	Dec 24	Mar 25	Jun 25	Sep 25	Dec 25
USA							
Fed Funds Rate	5.375	5.125	4.625	4.125	3.875	3.625	3.375
Australia							
RBA Cash Rate	4.35	4.35	4.35	4.10	3.85	3.60	3.35
New Zealand							
RBNZ Cash Rate	5.25	5.25	4.75	4.50	4.25	4.00	3.75
China							
PBOC Loan Prime Rate	3.35	3.35	3.25	3.25	3.25	3.25	3.25
Euro-Area							
ECB Refinance Rate	4.25	4.00	3.75	3.50	3.25	3.25	3.25
United Kingdom							
BOE Base Rate	5.00	4.75	4.25	4.00	3.75	3.50	3.50

Exchange rate forecasts

	Actual (04 Sep 2024)	Dec 24	Mar 25	Jun 25	Sep 25	Dec 25	Mar 26
AUD/USD	0.6715	0.67	0.68	0.69	0.70	0.71	0.72
NZD/USD	0.6189	0.61	0.62	0.62	0.63	0.63	0.63
EUR/USD	1.1041	1.10	1.11	1.12	1.13	1.13	1.14
USD/JPY	145.6750	150	148	146	144	142	140
GBP/USD	1.3105	1.29	1.30	1.30	1.31	1.31	1.32
USD/CNH	7.1210	7.20	7.16	7.16	-	7.14	-

US economic indicators and outlook

	Dec 23	Mar24	Jun 24	Sep24(f)	Dec 24(f)	Mar25(f)	Jun25(f)
GDP % qtr.	3.4	1.4	2.8	1.4	1.5	1.6	1.9
%yr. annual change	3.1	2.9	3.1	2.3	1.8	1.8	1.6
Unemployment rate %	3.7	3.8	4.0	4.2	4.4	4.5	-
CPI % YoY.	2.5	2.5	2.3	2.2	2.1	2.0	-

Australian economic indicators and outlook

	Mar24	Jun 24(f)	Sep24(f)	Dec 24(f)	Mar25(f)	Jun25(f)	Sep25(f)
GDP % qtr.	0.1	0.3	0.6	0.5	0.5	0.6	0.6
% Year end	1.1	1.0	1.4	1.6	2.0	2.2	2.2
Unemployment rate %	3.9	4.1	4.2	4.3	4.4	4.5	4.6
CPI % qtr	1.0	1.0	0.3	0.4	0.7	0.9	1.1
Annual Change (%)	3.6	3.8	2.9	2.6	2.4	2.3	3.2

New Zealand economic indicators and outlook

	Mar24	Jun 24(f)	Sep24(f)	Dec 24(f)	Mar25(f)	Jun25(f)	Sep25(f)
GDP % qtr.	0.2	-0.6	-0.2	0.4	0.5	0.5	0.5
Annual avg change	0.2	-0.3	-0.3	-0.3	-0.3	0.1	0.8
Unemployment rate %	4.4	4.6	5.0	5.3	5.5	5.6	5.6

CPI % qtr.	0.6	0.4	1.1	0.4	0.5	0.4	0.8
Annual change (%)	4.0	3.3	2.6	2.5	2.4	2.4	2.1

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

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

FINANCIAL MARKETS DEPARTMENT
04 September 2024