



EXCHANGE RATE DEVELOPMENTS DECEMBER 2022

Highlights:

Policy Interest Rates	Current	Change (basis point)	Last Updated	Commodity Prices	Average Price (USD)	Change	Prev Month
Reserve Bank of NZ	4.25%	+75	November 23, 2022	crude oil (US\$/bbl)	\$78.66	-\$1.55	\$80.21
Reserve Bank of Australia	3.10%	+25	December 6, 2022	whole milk (US\$/t)	\$3,246.00	-\$151.00	\$3,397.00
US Federal Reserve	4.25% - 4.5%	+50	December 14, 2022				
European Central Bank	2.50%	+50	December 15, 2022				
Bank of England	3.50%	+50	December 15, 2022				

USD* per other currencies (month average)					
	Dec-21	Nov-22	Dec-22	Nov-22 (%)	Dec-21 (%)
NZD/USD	0.6786	0.6049	0.6348	4.94	-6.46
AUD/USD	0.7153	0.6588	0.6744	2.37	-5.71
EUR/USD	1.1299	1.0186	1.0567	3.74	-6.48
USD/YEN	113.8407	142.5589	135.3825	5.03	-18.92
USD/CNH	6.3739	7.1899	6.9880	2.81	-9.63
FJD/USD	0.4699	0.4431	0.4527	2.18	-3.65

Tala* per foreign currencies (month average)					
	Dec-21	Nov-22	Dec-22	Nov-22 (%)	Dec-21 (%)
USD/TALA	2.6162	2.7594	2.7062	1.93	-3.44
NZD/TALA	1.7753	1.6686	1.7177	-2.94	3.25
AUD/TALA	1.8711	1.8173	1.8250	-0.42	2.47
EUR/TALA	2.9561	2.8101	2.8594	-1.75	3.27
Nom Index	99.7684	100.1005	99.9101	-0.19	0.14
FJD/TALA	1.2292	1.2224	1.2251	-0.22	0.33
TALA/YEN	43.5140	51.6476	50.0275	-3.14	13.02
TALA/CNH	2.4363	2.6053	2.5822	-0.89	5.65

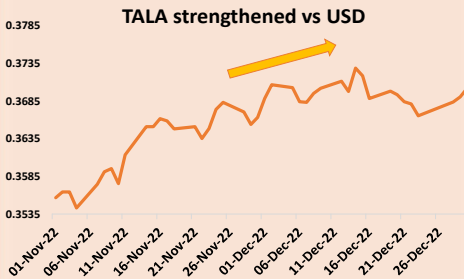
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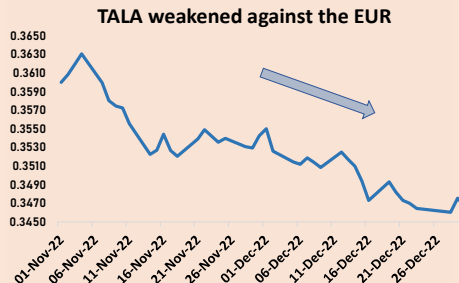
The weaker USD on:

- Unfavorable domestic economic indicators out of the US;
- Growing concerns about a recession following a string of massive rate hikes from the Federal Reserve to combat inflation;
- The Fed moving towards the end of their monetary tightening cycle as the moderate US price growth signaled a peak on inflation and a Fed pivot.



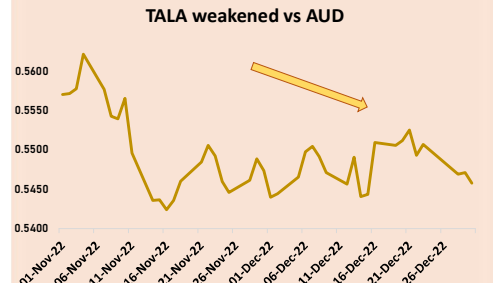
EUR remained strengthen vs USD on:

- The weaker US Dollar and the positive economic data releases out of Europe, notably favourable economic activities in Germany;
- The possible peak in escalating price pressures as a result of interest hikes from the ECB;
- The drawn-out Russian-Ukraine conflict beginning to ease.



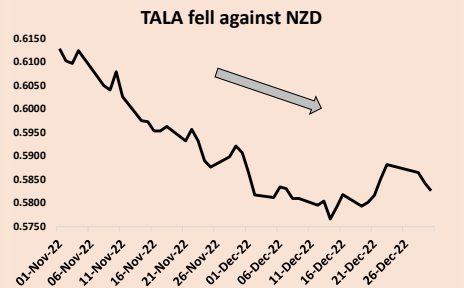
The AUD gained vs USD due to:

- The release of improving economic headlines out of Australia, with the accelerated economic growth showing recovery from COVID-19 curbs;
- Positive news out of China boosting risk sentiment;
- The RBA's decision to increase its policy rate by another 25 basis points to 3.10 per cent and flagged the potential for more interest rate hikes.



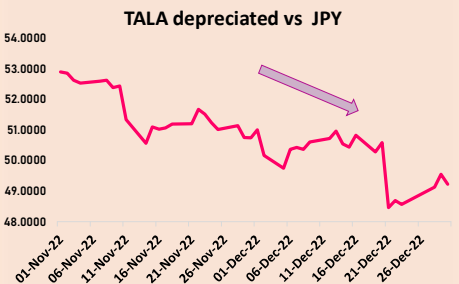
NZD edged higher against USD on:

- The weaker US Dollar alongside upbeat economic reports out of NZ, including a solid economic growth in the September quarter;
- Commodity currencies benefitting from reports about China dismantling their zero COVID-19 policies.



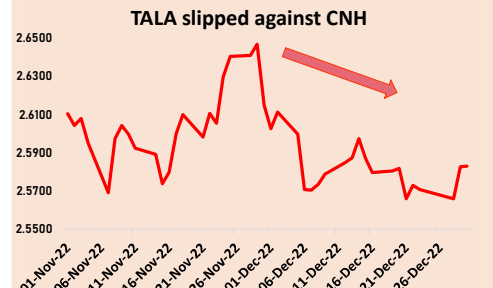
JPY appreciated vs USD due to:

- The weakening greenback and the upbeat economic releases showing improvement in Japan's economy;
- The Bank of Japan loosening their 10-year Japanese government bond yield band;
- Speculations that the BOJ will end its ultra-easy monetary policy before concluding the year 2022.



CNH also rallied against USD on:

- Positive economic releases showing signs of China recovering from strict COVID-19 restrictions;
- The PBoC sticking to quantitative tools instead of interest rate cuts;
- China scaling back their anti-COVID curbs by announcing the easing of their COVID-19 protocols and reducing mass testing;



ECONOMIC & FINANCIAL FORECASTS

Policy Interest rate forecasts

	Actual (19 Jan 2023)	Mar 23	Jun 23	Sep 23	Dec 23	Mar 24	Jun 24
USA							
Fed Funds Rate	4.375	4.875	4.875	4.875	4.875	4.375	3.875
Australia							
RBA Cash Rate	3.10	3.60	3.85	3.85	3.85	3.60	3.35
New Zealand							
RBNZ Cash Rate	4.25	5.00	5.50	5.50	5.50	5.25	4.75
China							
PBOC Loan Prime Rate	3.65	3.65	3.65	3.65	3.65	3.65	3.65
Euro-Area							
ECB Refinance Rate	2.50	2.75	2.75	2.75	2.75	2.75	2.50
United Kingdom							
BOE Base Rate	3.50	4.00	4.00	4.00	4.00	3.75	3.50

Exchange rate forecasts

	Actual (19 Jan 2022)	Mar 23	Jun 23	Sep 23	Dec 23	Mar 24	Jun 24
AUD/USD	0.6949	0.69	0.70	0.72	0.74	0.75	0.76
NZD/USD	0.6434	0.64	0.65	0.66	0.67	0.68	0.68
EUR/USD	1.0794	1.06	1.07	1.09	1.11	1.12	1.13
USD/JPY	128.6950	136	135	134	132	130	128
GBP/USD	1.2337	1.22	1.22	1.23	1.24	1.25	1.26
USD/CNH	6.7671	7.04	6.99	6.90	6.80	6.45	-

US economic indicators and outlook

	Jun 22	Sep 22	Dec 22(f)	Mar 23(f)	Jun 23(f)	Sep 23(f)	Dec 23(f)
GDP % qtr.	-0.6	2.6	2.3	-0.3	-0.7	-0.2	-
%yr. annual change	1.8	1.8	0.7	1.0	1.0	0.3	-
Unemployment rate %	3.6	3.6	3.8	4.2	4.6	5.0	-
CPI % YoY.	7.9	7.5	5.7	3.5	2.4	2.2	-

Australian economic indicators and outlook

	Jun 22	Sep 22	Dec 22(f)	Mar 23(f)	Jun 23(f)	Sep 23(f)	Dec 23(f)
GDP % qtr.	0.9	0.6	0.6	0.6	0.2	0.0	0.2
% Year end	3.2	5.9	2.6	2.7	2.0	1.4	1.0
Unemployment rate %	3.8	3.5	3.3	3.3	3.9	4.5	4.6
CPI % qtr	1.8	1.8	1.6	1.3	0.8	1.0	0.7
Annual Change (%)	6.1	7.3	7.5	6.6	5.6	4.8	3.9

New Zealand economic indicators and outlook

	Jun 22	Sep 22	Dec 22(f)	Mar 23(f)	Jun 23(f)	Sep 23(f)	Dec 23(f)
GDP % qtr.	1.9	2.0	0.5	0.4	0.0	-0.1	-0.2
Annual avg change	1.1	2.7	2.9	3.9	4.5	3.2	2.2
Unemployment rate %	3.3	3.3	3.3	3.4	3.5	3.7	3.9
CPI % qtr.	1.7	2.2	1.1	1.6	1.0	1.2	0.6
Annual change (%)	7.3	7.2	6.9	6.7	5.9	5.0	4.4

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

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