



EXCHANGE RATE DEVELOPMENTS DECEMBER 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	November 29, 2023	crude oil (US\$/bbl)	\$76.51	-\$2.27	\$78.78
Reserve Bank of Australia	4.35%	0.00	December 5, 2023	whole milk (US\$/t)	\$3,207.00	\$180.00	\$3,027.00
US Federal Reserve	5.25% - 5.50%	0.00	November 1, 2023				
European Central Bank	4.50%	0.00	December 14, 2023				
Bank of England	5.25%	0.00	December 14, 2023				

USD* per other currencies (month average)					
	Dec-22	Nov-23	Dec-23	Nov-23	Dec-22
				(%)	(%)
NZD/USD	0.6348	0.5986	0.6211	3.76	-2.15
AUD/USD	0.6744	0.6490	0.6677	2.88	-1.00
EUR/USD	1.0567	1.0803	1.0898	0.89	3.14
USD/YEN	135.3825	149.9418	144.4161	3.69	-6.67
USD/CNH	6.9880	7.2390	7.1526	1.19	-2.35
FJD/USD	0.4527	0.4401	0.4481	1.82	-1.02

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

Tala* per foreign currencies (month average)					
	Dec-22	Nov-23	Dec-23	Nov-23	Dec-22
				(%)	(%)
USD/TALA	2.7062	2.7723	2.7277	1.61	-0.79
NZD/TALA	1.7177	1.6593	1.6941	-2.09	1.37
AUD/TALA	1.8250	1.7990	1.8210	-1.22	0.22
EUR/TALA	2.8594	2.9946	2.9726	0.73	-3.96
Nom Index	99.9101	99.7550	99.6653	-0.09	-0.25
FJD/TALA	1.2251	1.2200	1.2223	-0.18	0.23
TALA/YEN	50.0275	54.0830	52.9402	-2.11	5.50
TALA/CNH	2.5822	2.6110	2.6221	0.43	1.52

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



The USD extended losses on:

- Strong economic reports out of other major economies and a string of downbeat economic data out of the US (declined new home sales and factory orders, downbeat GDP data and higher jobless claims);
- Broader market movement weighing down on the US dollar and supported risk assets;
- Uncertainties on the Fed's policy rate paths as key economic data have not given policymakers any confidence to start cutting interest rates.

TALA strengthened vs USD



EUR edged higher vs the USD on:

- The weaker US dollar and positive economic data out of the Eurozone (consumer and economic sentiment rising more than expected in December);
- The European Central Bank pushing back against rates cut and held their interest rate at 4.5%;
- Market sentiments on policy makers preparing to either cut or maintain interest rates in 2024 to curb inflation.

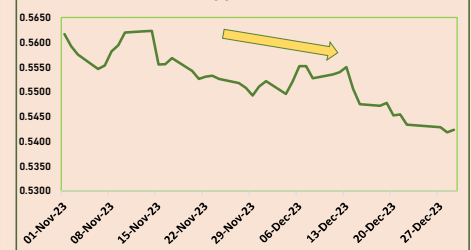
TALA slightly appreciated vs the EUR



The AUD strengthened against USD on:

- The weaker US greenback and positive data out of Australia (e.g., construction works and building approvals rebounded in October, positive retail sales data and Q3 GDP growth rate);
- RBA Meeting minutes outlining the further need to hike interest rates depending on key economic data;
- Positive trade data out of China, indicating a potential improvement on Australia's exports.

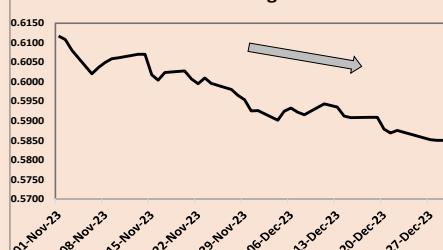
TALA dropped versus AUD



NZD rallied against USD:

- Benefiting from the softer US greenback along with the upbeat NZ economic data (e.g., improved housing data and building permits, elevated consumer and business confidence, better than expected electronic retail spending).
- Soaring risk appetite on better economic conditions in major trading countries;
- Positive Chinese trade data lifting traders' sentiment in NZ.

TALA weakened against NZD



JPY climbed versus USD due to:

- The weaker US dollar and positive economic data out of Japan (including the surging industrial production, retail sales and consumer confidence with the eased inflation in Tokyo, Japan's capital);
- Persistent anticipations the Bank of Japan will consider an eventual move away from its ultra-easy monetary policy stance in 2024.

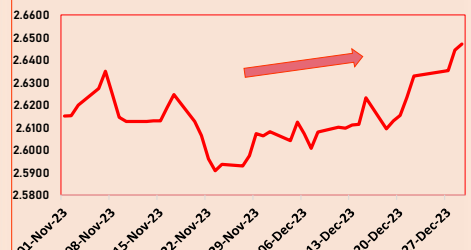
TALA edged lower against the JPY



CNH gained modestly against USD on:

- The greenback's broad weakness and favorable economic releases out of China (such as the strong retail sales and industrial production, higher than expected trade surplus and a surprised rebound on manufacturing data in November);
- Strong midpoint fixes from the People's Bank of China to stabilize the Yuan.

TALA gained modestly against CNH



ECONOMIC & FINANCIAL FORECASTS

Policy Interest rate forecasts

	Actual (22 Jan 2024)	Mar 24	Jun 24	Sep 24	Dec 24	Mar 25	Jun 25
USA							
Fed Funds Rate	5.375	5.125	4.875	4.625	4.375	4.125	3.875
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	5.50	5.25	5.00
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	4.50	4.25	4.00	4.00	4.00	4.00
United Kingdom							
BOE Base Rate	5.25	5.25	5.00	4.75	4.50	4.25	4.00

Exchange rate forecasts

	Actual (22 Jan 2024)	Mar 24	Jun 24	Sep 24	Dec 24	Mar 25	Mar 25
AUD/USD	0.6576	0.67	0.68	0.69	0.70	0.71	0.72
NZD/USD	0.6124	0.62	0.62	0.62	0.63	0.63	0.63
EUR/USD	1.0763	1.09	1.11	1.13	1.14	1.15	1.16
USD/JPY	144.9450	145	144	141	138	135	132
GBP/USD	1.2549	1.26	1.27	1.28	1.29	1.30	1.30
USD/CNH	7.1872	7.15	7.10	7.05	6.99	6.90	6.80

US economic indicators and outlook

	Jun 23	Sep 23	Dec 23(f)	Mar24(f)	Jun 24(f)	Mar24(f)	Jun 24(f)
GDP % qtr.	2.1	5.2	1.3	0.2	0.5	1.2	1.6
%yr. annual change	2.4	3.0	2.7	2.2	1.8	0.8	0.9
Unemployment rate %	3.6	3.7	3.8	4.0	4.2	4.4	4.5
CPI % YoY.	3.0	2.9	2.5	2.3	2.2	2.1	2.0

Australian economic indicators and outlook

	Jun 23	Sep 23	Dec 23(f)	Mar 24(f)	Jun 24(f)	Sep 24(f)	Dec 24(f)
GDP % qtr.	0.4	0.2	0.2	0.3	0.3	0.4	0.5
% Year end	2.0	2.1	1.4	1.2	1.0	1.3	1.6
Unemployment rate %	3.6	3.7	3.9	3.9	4.2	4.4	4.5
CPI % qtr	0.8	1.2	0.8	0.7	0.8	1.0	0.7
Annual Change (%)	6.0	5.4	4.3	3.5	3.5	3.3	3.2

New Zealand economic indicators and outlook

	Jun 23	Sep 23	Dec 23(f)	Mar24(f)	Jun 24(f)	Mar24(f)	Jun 24(f)
GDP % qtr.	0.5	-0.3	0.1	0.0	0.1	0.2	0.3
Annual avg change	3.0	1.3	0.7	0.3	0.0	0.2	0.3
Unemployment rate %	3.6	3.9	4.3	4.5	4.8	5.0	5.2
CPI % qtr.	1.1	1.8	0.5	0.9	0.6	0.9	0.6
Annual change (%)	6.0	5.6	4.7	4.3	3.8	3.0	3.1

Source: Bloomberg, Westpac Economics Update (December 2023 & January 2024), Trading Economics

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

FINANCIAL MARKETS DEPARTMENT

22 January 2024