

EXCHANGE RATE DEVELOPMENTS DECEMBER 2024

Highlights:

Policy Interest Rates	Current	Change (basis point)	Last Updated	Commodity Prices	Average Price (USD)	Change	Prev Month
Reserve Bank of NZ	4.25%	-0.50	November 27, 2024	crude oil (US\$/bbl)	\$77.13	-\$5.16	\$71.97
Reserve Bank of Australia	4.35%	0.00	December 10, 2024	whole milk (US\$/t)	\$3,890.00	-\$64.00	\$3,826.00
US Federal Reserve	4.25% - 4.50%	-0.25	December 18, 2024				
European Central Bank	3.15%	-0.25	December 12, 2024				
Bank of England	4.75%	-0.25	November 7, 2024				

USD* per other currencies (month average)

	Dec-23	Nov-24	Dec-24	Nov-24 (%)	Dec-23 (%)
NZD/USD	0.6211	0.5913	0.5767	-2.47	-7.15
AUD/USD	0.6677	0.6538	0.6355	-2.80	-4.82
EUR/USD	1.0898	1.0642	1.0484	-1.49	-3.80
USD/YEN	144.4161	153.6017	153.2983	0.20	-6.15
USD/CNH	7.1526	7.2109	7.2856	-1.04	-1.86
FJD/USD	0.4481	0.4403	0.4325	-1.78	-3.49

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

Tala* per foreign currencies (month average)

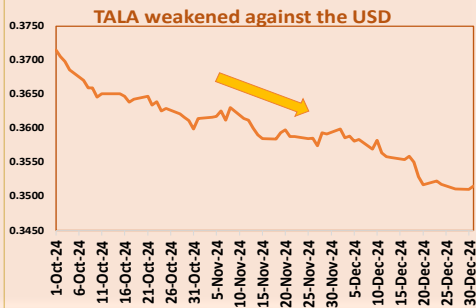
	Dec-23	Nov-24	Dec-24	Nov-24 (%)	Dec-23 (%)
USD/TALA	2.7277	2.7778	2.8146	-1.33	-3.19
NZD/TALA	1.6941	1.6425	1.6230	1.19	4.20
AUD/TALA	1.8210	1.8160	1.7886	1.51	1.78
EUR/TALA	2.9726	2.9557	2.9509	0.16	0.73
Nom Index	99.6653	99.7694	100.0698	0.30	0.41
FJD/TALA	1.2223	1.2229	1.2172	0.47	0.42
TALA/YEN	52.9402	55.2959	54.4561	-1.52	2.78
TALA/CNH	2.6221	2.5959	2.5884	-0.29	-1.30

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



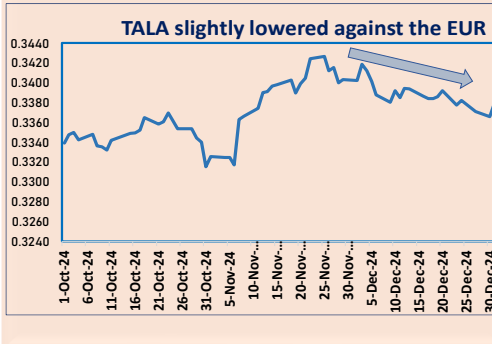
The US dollar dominated on:

- A string of favourable releases out of the US (e.g., robust labour market, stronger than expected growth, steady inflation, positive manufacturing and retail sales releases.)
- The US Federal Reserve cut the Fed Funds rate by 25bps to between 4.25% to 4.50% as expected but delivered a hawkish view for 2025.
- President-elect Trump's policies continued to reshape the greenback's position sparking concerns among investors and traders.



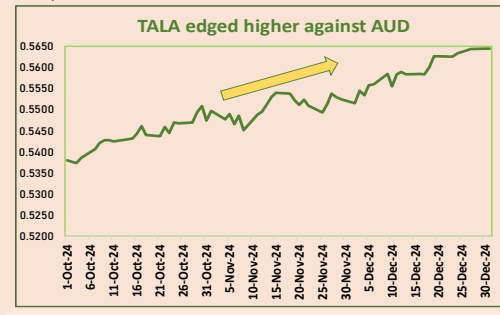
The EUR traded lower vs USD due to:

- A sequence of unfavourable releases out of the Euro Area (such as weak Eurozone growth, slowing services inflation and political turmoil in France)
- The European Central Bank cut its benchmark interest rate by 25bps as expected.
- However, the single currency is remaining cautious about US policy shifts under Trump adding uncertainty to 2025 market outlooks.



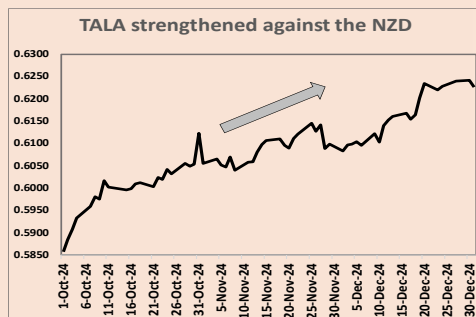
The AUD slipped against the USD on

- The strengthened US dollar and downbeat economic releases out of Australia (e.g., retail sales missing market expectations, slow economic growth) and poor economic releases out of China, its major export market.
- The RBA kept its policy rate unchanged at 4.35% for the ninth consecutive meeting.
- Investors continued to evaluate the prospect of prolonged higher US interest rates leaving other currencies including AUD under pressure.



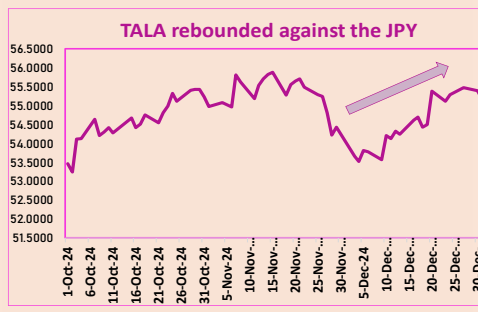
NZD weakened against the USD due to

- The US economy's resilience alongside weak NZ economic data releases (such as weak Q3 GDP numbers with the economy back in recession, lower than expected services PMI data, disappointing Chinese trading data, and weak consumer demand.)
- Moreover, markets are assigning a 65% probability that RBNZ will lower the 4.25% cash rate by 50bps in the near future.



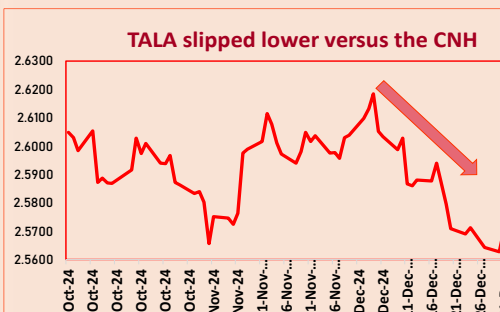
JPY depreciated vs the USD due to

- A string of downbeat economic releases out of Japan along with a strengthened US greenback (e.g., unfavourable inflation reports, sustainability of wage growth, slow economic growth.)
- Uncertainty about the timing of the BOJ's rate hikes added pressure to the currency as market sentiments were divided.
- Continued weakness has raised concerns about the possibility of intervention by the Japanese



CNH edged lower vs. the USD on

- A string of poor economic releases out of China (retail sales data missing market forecasts, industrial profits fell, poor PMI data releases, weaker than expected manufacturing data.)
- Chinese leaders are considering allowing the currency to weaken in response to US-elected President Trump's trade policies.
- The PBoC held its key lending rates steady for the second consecutive month.



ECONOMIC & FINANCIAL FORECASTS

Policy Interest rate forecasts

	Actual (08 Jan 2025)	Mar 25	Jun 25	Sep 25	Dec 25	Mar 26
USA						
Fed Funds Rate	4.625	4.125	3.875	3.625	3.375	3.375
Australia						
RBA Cash Rate	4.35	4.35	4.10	3.60	3.35	3.35
New Zealand						
RBNZ Cash Rate	4.25	3.75	3.50	3.50	3.50	3.50
China						
PBOC Loan Prime Rate	3.10	2.90	2.80	2.80	2.80	2.80
Euro-Area						
ECB Refinance Rate	3.00	2.50	2.25	2.25	2.25	2.25
United Kingdom						
BOE Base Rate	4.75	4.50	4.25	4.00	3.75	3.50

Exchange rate forecasts

	Actual (08 Jan 2025)	Mar 25	Jun 25	Sep 25	Dec 25	Mar 26	Jun 26
AUD/USD	0.6240	0.65	0.65	0.66	0.66	0.67	0.68
NZD/USD	0.5641	0.58	0.58	0.57	0.57	0.58	0.58
EUR/USD	1.0356	1.06	1.07	1.08	1.09	1.10	1.10
USD/JPY	157.8350	151	150	149	148	146	144
GBP/USD	1.2492	1.28	1.29	1.30	1.31	1.32	1.33
USD/CNH	7.3399	7.35	7.39	7.37	7.34	7.26	-

US economic indicators and outlook

	Mar24	Jun 24	Sep24	Dec 24(f)	Mar25(f)	Jun25(f)	Sep25(f)
GDP % qtr.	1.6	3.0	2.8	2.2	2.2	2.3	2.4
%yr. annual change	2.9	3.0	2.7	2.4	2.5	2.4	2.3
Unemployment rate %	3.8	4.0	4.2	4.3	4.4	4.4	4.5
CPI % YoY.	2.5	2.5	2.5	2.3	2.2	2.1	2.0

Australian economic indicators and outlook

	Mar24	Jun 24	Sep24	Dec 24(f)	Mar25(f)	Jun25(f)	Sep25(f)
GDP % qtr.	0.2	0.2	0.5	0.5	0.5	0.5	0.6
% Year end	1.3	1.0	1.1	1.4	1.8	2.1	2.2
Unemployment rate %	3.9	4.1	4.1	4.2	4.3	4.4	4.5
CPI % qtr.	1.0	1.0	0.2	0.3	0.6	0.9	1.1
Annual Change (%)	3.6	3.8	2.8	2.5	2.1	2.0	2.9

New Zealand economic indicators and outlook

	Mar24	Jun 24	Sep24f	Dec 24(f)	Mar25(f)	Jun25(f)	Sep25(f)
GDP % qtr.	0.1	-0.2	-0.4	0.3	0.4	0.6	0.6
Annual avg change	0.3	-0.2	-0.1	-0.1	-0.2	0.1	0.7
Unemployment rate %	4.4	4.6	4.8	5.1	5.3	5.4	5.4
CPI % qtr.	0.6	0.4	0.6	0.4	0.5	0.3	0.9
Annual change (%)	4.0	3.3	2.2	2.1	1.9	1.8	2.1

Source: Westpac Economics Update (November 2024), Trading Economics

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