



# EXCHANGE RATE DEVELOPMENTS FEBRUARY 2023

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## Highlights:

Policy Interest Rates	Current	Change (basis point)	Last Updated	Commodity Prices	Average Price (USD)	Change	Prev Month
Reserve Bank of NZ	4.75%	+50	February 22, 2023	crude oil (US\$/bbl)	\$70.54	-\$8.78	\$79.32
Reserve Bank of Australia	3.60%	+25	March 7, 2023	whole milk (US\$/t)	\$3,264.00	\$46.00	\$3,218.00
US Federal Reserve	4.50% - 4.75%	+25	February 1, 2023				
European Central Bank	3.50%	+50	March 16, 2023				
Bank of England	4.00%	+50	February 2, 2023				

USD* per other currencies (month average)					
	Feb-22	Jan-23	Feb-23	Jan-23	Feb-22
				(%)	(%)
NZD/USD	0.6666	0.6401	0.6301	-1.56	-5.48
AUD/USD	0.7156	0.6955	0.6911	-0.63	-3.42
EUR/USD	1.1340	1.0781	1.0715	-0.61	-5.51
USD/YEN	115.1720	130.2943	132.8625	-1.97	-15.36
USD/CNH	6.3460	6.7870	6.8410	-0.80	-7.80
FJD/USD	0.4680	0.4594	0.4566	-0.61	-2.44

Tala* per foreign currencies (month average)					
	Feb-22	Jan-23	Feb-23	Jan-23	Feb-22
				(%)	(%)
USD/TALA	2.6296	2.6804	2.6966	-0.61	-2.55
NZD/TALA	1.7528	1.7156	1.6990	0.97	3.07
AUD/TALA	1.8817	1.8640	1.8634	0.03	0.97
EUR/TALA	2.9816	2.8894	2.8893	0.00	3.10
Nom Index	99.7707	99.8473	99.8875	0.04	0.12
FJD/TALA	1.2308	1.2313	1.2314	0.00	-0.05
TALA/YEN	43.7971	48.6085	49.2645	1.35	11.10
TALA/CNH	2.4130	2.5320	2.5367	0.19	4.88

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

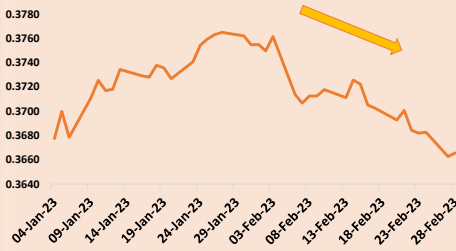
\*with the exception of YEN and CNH which is YEN and CNY per TALA



### The USD rebounded strongly on:

- The improved economic headlines including the surprisingly strong job reports out of the US;
- The risk averse environment and the greenback's safe haven status;
- The US Fed promising further rate hikes to fight the unresolved battle against high inflation;
- The inflation continuing to slow following numerous interest hikes from the Fed.

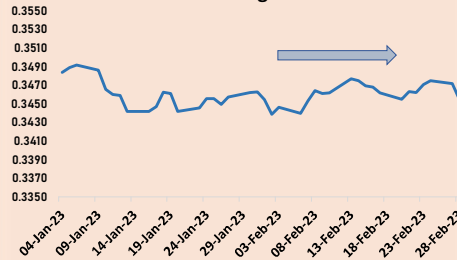
#### TALA slipped vs USD



### EUR retreated against the USD on:

- The poor economic data releases out of the region including the high unemployment, the weaker retail sales and a dramatic decline in the manufacturing sector;
- Manufacturing activities in Germany showing large declines;
- Further signs of more interest hikes from the European Central Bank after raising its policy rate by 50 basis point to 3.0% in Feb.

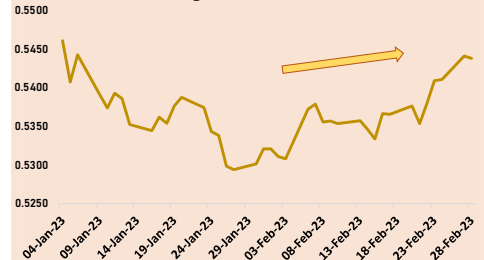
#### TALA traded flat against the EUR



### The AUD slipped vs USD due to:

- The stronger US greenback alongside the release of negative economic reports out of the country;
- The deteriorated consumer sentiment due to increased pressures from soaring inflation;
- More signs of further interest rate hikes on the way to combat the surging prices in Australia.

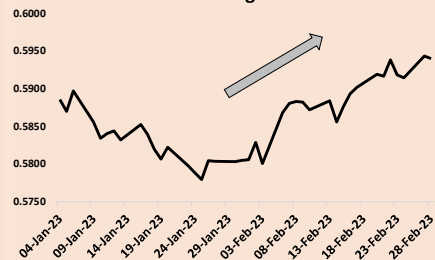
#### TALA gained vs AUD



### NZD weakened against USD amid:

- The stronger US Dollar and weak NZ economic data including the downbeat inflation expectations and the higher unemployment rate;
- The risk-off environment in the markets, weighing down on the risk sensitive NZD;
- The extensive damage of Cyclone Gabrielle hitting NZ during the harvest seasons.

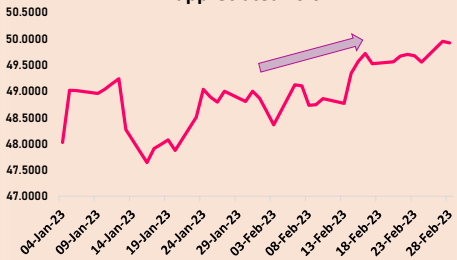
#### TALA soared against NZD



### JPY depreciated vs USD due to:

- The unfavorable economic releases such as the lower-than-expected industrial production, while the services sector continues to show declines;
- Market sentiments on anticipated monetary policy changes from the former Bank of Japan board member Kazuo Ueda who was nominated to become the next Governor for the BOJ.

#### TALA appreciated vs JPY



### CNH also slumped against USD on:

- The downbeat economic releases out of China and the stronger US greenback.
- The revived tensions between China and the USA;
- China's persisting struggles to recover from the negative economic growth caused by the three years of restrictive COVID-19 measures.

#### TALA also strengthened against CNH



# ECONOMIC & FINANCIAL FORECASTS

## Policy Interest rate forecasts

	Actual (22 Mar 2023)	Jun 23	Sep 23	Dec 23	Mar 24	Jun 24	Sep 24
<b>USA</b>							
Fed Funds Rate	4.625	4.875	4.875	4.875	4.375	3.875	3.375
<b>Australia</b>							
RBA Cash Rate	3.60	3.85	3.85	3.85	3.6	3.35	3.10
<b>New Zealand</b>							
RBNZ Cash Rate	4.75	5.00	5.00	5.00	5.00	4.75	4.25
<b>China</b>							
PBOC Loan Prime Rate	3.65	3.65	3.65	3.65	3.65	3.65	3.65
<b>Euro-Area</b>							
ECB Refinance Rate	3.50	3.50	4.00	4.00	4.00	3.50	3.00
<b>United Kingdom</b>							
BOE Base Rate	4.00	4.25	4.25	4.25	4.00	3.75	3.50

## Exchange rate forecasts

	Actual (22 Mar 2023)	Jun 23	Sep 23	Dec 23	Mar 24	Jun 24	Sep 24
AUD/USD	0.6670	0.69	0.72	0.74	0.75	0.76	0.76
NZD/USD	0.6184	0.64	0.66	0.67	0.68	0.68	0.68
EUR/USD	1.0767	1.09	1.10	1.11	1.12	1.13	1.14
USD/JPY	132.4600	131	130	129	128	127	126
GBP/USD	1.2213	1.22	1.23	1.24	1.25	1.26	1.27
USD/CNH	6.8791	6.80	6.70	6.65	6.58	6.48	-

## US economic indicators and outlook

	Jun 22	Sep 22	Dec 22	Mar 23(f)	Jun 23(f)	Sep 23(f)	Dec 23(f)
GDP % qtr.	-0.6	3.2	2.9	1.1	-0.9	-0.7	-0.6
%yr. annual change	1.8	1.9	1.0	1.7	1.6	0.6	-0.3
Unemployment rate %	3.6	3.5	3.5	3.7	3.9	4.2	4.5
CPI % YoY.	9.1	8.2	6.5	6.0	5.4	4.0	1.9

## Australian economic indicators and outlook

	Jun 22	Sep 22	Dec 22	Mar 23(f)	Jun 23(f)	Sep 23(f)	Dec 23(f)
GDP % qtr.	0.9	0.7	0.5	0.4	0.2	0.1	0.2
% Year end	3.1	5.9	2.7	2.5	1.8	1.2	1.0
Unemployment rate %	3.8	3.5	3.5	3.6	3.6	3.9	4.6
CPI % qtr	1.8	1.8	1.9	1.5	1.0	0.7	0.7
Annual Change (%)	5.0	6.1	6.9	6.6	5.9	4.6	3.6

## New Zealand economic indicators and outlook

	Jun 22	Sep 22	Dec 22	Mar 23(f)	Jun 23(f)	Sep 23(f)	Dec 23(f)
GDP % qtr.	1.6	1.7	-0.6	0.2	0.2	0.2	-0.2
Annual avg change	1.1	2.7	2.4	2.9	3.2	1.6	1.1
Unemployment rate %	3.3	3.3	3.4	3.5	3.6	3.8	4.0
CPI % qtr.	1.7	2.2	1.4	1.3	1.3	1.9	0.4
Annual change (%)	7.3	7.2	7.2	6.7	6.4	6.2	5.1

Source: Bloomberg, Westpac Economics Update (February 2023), Trading Economics

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