



EXCHANGE RATE DEVELOPMENTS FEBRUARY 2024

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	February 28, 2024	crude oil (US\$/bbl)	\$80.53	-\$0.69	\$81.22
Reserve Bank of Australia	4.35%	0.00	February 6, 2024	whole milk (US\$/t)	\$3,388.00	\$35.00	\$3,353.00
US Federal Reserve	5.25% - 5.50%	0.00	January 31, 2024				
European Central Bank	4.50%	0.00	March 7, 2024				
Bank of England	5.25%	0.00	February 1, 2024				

USD* per other currencies (month average)					
	Feb-23	Jan-24	Feb-24	Jan-24 (%)	Feb-23 (%)
NZD/USD	0.6301	0.6167	0.6126	-0.66	-2.77
AUD/USD	0.6911	0.6638	0.6527	-1.67	-5.56
EUR/USD	1.0715	1.0902	1.0793	-0.99	0.73
USD/YEN	132.8625	146.2986	149.4600	-2.16	-12.49
USD/CNH	6.8410	7.1848	7.2105	-0.36	-5.40
FJD/USD	0.4566	0.4466	0.4440	-0.58	-2.76

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

TALA* per foreign currencies (month average)					
	Feb-23	Jan-24	Feb-24	Jan-24 (%)	Feb-23 (%)
USD/TALA	2.6966	2.7365	2.7514	-0.55	-2.03
NZD/TALA	1.6990	1.6875	1.6855	0.12	0.79
AUD/TALA	1.8634	1.8162	1.7957	1.13	3.63
EUR/TALA	2.8893	2.9832	2.9696	0.45	-2.78
Nom Index	99.8875	99.6772	99.7052	0.03	-0.18
FJD/TALA	1.2314	1.2220	1.2216	0.04	0.79
TALA/YEN	49.2645	53.4583	54.3209	1.61	9.31
TALA/CNH	2.5367	2.6255	2.6206	-0.19	3.20

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



The US dollar strengthened on:

- A string of positive economic releases out of the US (e.g., accelerated consumer prices, GDP growth and consumer confidence, soaring construction spending, manufacturing, and services data);
- The accelerated Treasury yields on reduced bets for near-term interest rate cuts;
- Bullish remarks from Federal Reserve Chair Jerome Powell asserting that the Fed will not opt for early interest rate cuts.



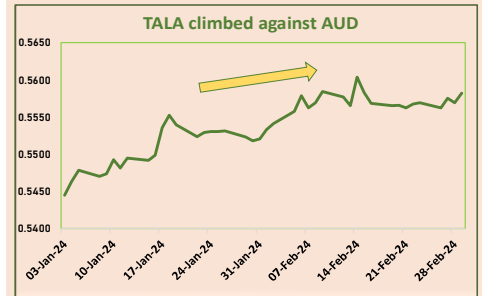
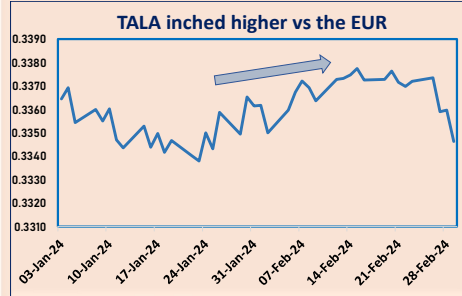
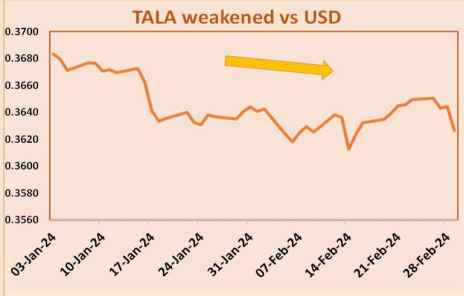
EUR retreats against the USD on:

- The stronger US dollar and weak economic data out of the Eurozone (e.g., low industrial sentiment and consumer confidence, with a decrease in Germany's GDP growth rate and retail sales data).
- Persistent concerns over the interest rate gap between Europe and the US, which are expected to widen further in April.
- Signs of a potential recession in Germany, the largest economy, in the zone..



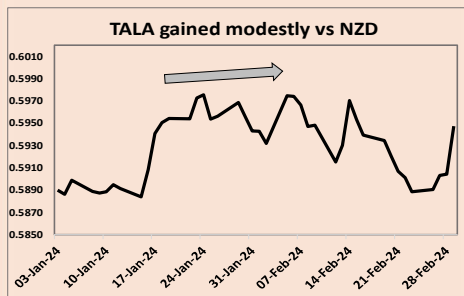
The AUD fell against the USD on:

- The robust US greenback and disappointing data out of Australia (e.g., lower than expected building approvals, declined manufacturing data and retail sales, low inflation, and construction work done with an uptick unemployment rate in January);
- Traders are continuing to price in bets that the Reserve Bank of Australia will hold the interest rate higher for longer.



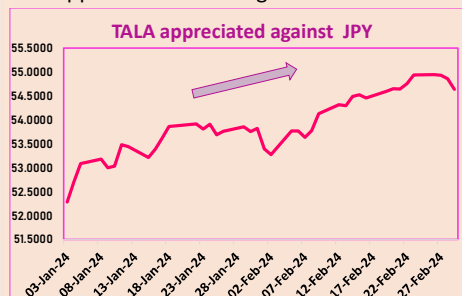
NZD remained lower against the USD due

- The dominant US dollar, along with downbeat NZ economic data (e.g., a higher unemployment rate, a negative balance of trade and plunged retail sales in Q4 2023)
- Waitangi Day holiday closures resulting in thin trading in New Zealand earlier in the month;
- China's slowed recovery is denting sentiment for risk-sensitive currencies.



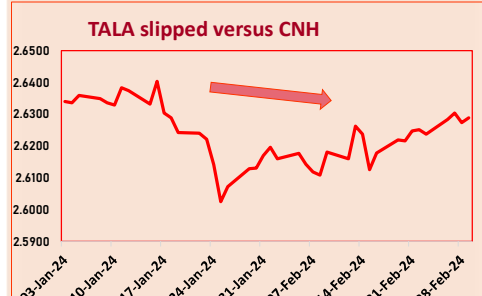
JPY drifted lower against USD due to:

- The strong US dollar and negative economic data out of Japan (including the contracted imports and negative PMI figures, weak household spending, and industrial production);
- The Bank of Japan is maintaining its ultra-loose monetary policy, with markets closely watching for intervention;
- Lack of notable economic reports to support the Yen during the month.



CNH moderately weaker on:

- The stronger US greenback and the downbeat economic releases out of China (slowed manufacturing growth and plummeted home sales, with consumer prices falling in January);
- Doubts about a recovery and worries about China's economic health remain;
- China businesses closed for the Spring Festival Golden Week holiday.



ECONOMIC & FINANCIAL FORECASTS

Policy Interest rate forecasts

	Actual (15 Mar 2024)	Mar 24	Jun 24	Sep 24	Dec 24	Mar 25	Jun 25
USA							
Fed Funds Rate	5.375	5.375	5.125	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 (15 Mar 2024)	Mar 24	Jun 24	Sep 24	Dec 24	Mar 25	Jun 25
AUD/USD	0.6578	0.66	0.68	0.69	0.70	0.71	0.72
NZD/USD	0.6128	0.62	0.63	0.64	0.64	0.64	0.65
EUR/USD	1.0884	1.09	1.11	1.13	1.14	1.15	1.16
USD/JPY	148.2850	147.00	144.00	141.00	138.00	135.00	132.00
GBP/USD	1.2748	1.26	1.27	1.28	1.29	1.30	1.30
USD/CNH	7.2019	-	7.19	7.15	7.10	7.10	6.9

US economic indicators and outlook

	Jun 23	Sep 23	Dec 23	Mar24(f)	Jun 24(f)	Sep24(f)	Dec 24(f)
GDP % qtr.	2.1	4.9	3.3	2.4	1.7	1.5	1.6
%yr. annual change	2.4	2.9	3.1	3.2	3.1	2.2	1.8
Unemployment rate %	3.6	3.7	3.7	3.8	3.9	4.1	4.3
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	Mar 24(f)	Jun 24(f)	Sep 24(f)	Dec 24(f)
GDP % qtr.	0.5	0.3	0.2	0.3	0.3	0.4	0.5
% Year end	2.1	2.1	1.5	1.3	1.1	1.3	1.6
Unemployment rate %	3.6	3.7	3.8	4.0	4.2	4.4	4.5
CPI % qtr	0.8	1.2	0.6	0.7	0.6	0.9	0.8
Annual Change (%)	6.0	5.4	4.1	3.4	3.1	2.8	3.0

New Zealand economic indicators and outlook

	Jun 23	Sep 23	Dec 23(f)	Mar24(f)	Jun 24(f)	Sep24(f)	Dec 24(f)
GDP % qtr.	0.5	-0.3	0.1	0.2	0.2	0.2	0.1
Annual avg change	3.0	1.3	0.7	0.4	0.1	0.4	0.5
Unemployment rate %	3.6	3.9	4.0	4.3	4.6	4.9	5.1
CPI % qtr.	1.1	1.8	0.5	0.7	0.6	1.0	0.4
Annual change (%)	6.0	5.6	4.7	4.1	3.6	2.8	2.7

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

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