EXCHANGE RATE DEVELOPMENTS JANUARY 2024

Highlights:

Policy Interest Rates	Current	Change (basis point)	Last Updated
Reserve Bank of NZ	5.50%	0.00	November 29, 2023
Reserve Bank of Australia	4.35%	0.00	February 6, 2024
US Federal Reserve	5.25% - 5.50%	0.00	January 31, 2024
European Central Bank	4.50%	0.00	January 25, 2024
Bank of England	5.25%	0.00	February 1, 2024

Commodity Prices	Average Price (USD)	Change	Prev Month
crude oil (US$/bbl)	$81.22	$4.71	$76.51
whole milk (US$/t)	$3,353.00	$146.00	$3,207.00

USD* per other currencies (month average)

	Jan-23	Dec-23	Jan-24	Dec-23 (%)	Jan-23 (%)
NZD/USD	0.6401	0.6211	**0.6167**	-0.71	-3.65
AUD/USD	0.6955	0.6677	**0.6638**	-0.59	-4.57
EUR/USD	1.0781	1.0898	**1.0902**	0.03	1.12
USD/YEN	130.2943	144.4161	**146.2986**	-1.30	-12.28
USD/CNH	6.7870	7.1526	**7.1848**	-0.45	-5.86
FJD/USD	0.4594	0.4481	**0.4466**	-0.34	-2.79

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

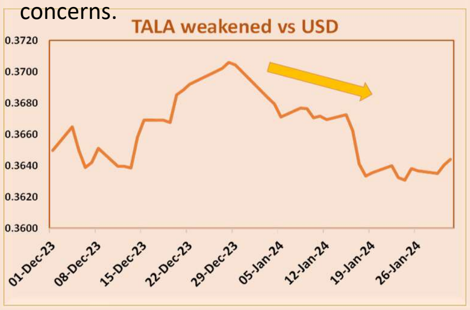
Tala* per foreign currencies (month average)

	Jan-23	Dec-23	Jan-24	Dec-23 (%)	Jan-23 (%)
USD/TALA	2.6804	2.7277	**2.7365**	-0.32	-2.09
NZD/TALA	1.7156	1.6941	**1.6875**	0.39	1.64
AUD/TALA	1.8640	1.8210	**1.8162**	0.26	2.56
EUR/TALA	2.8894	2.9726	**2.9832**	-0.35	-3.24
Nom Index	**99.8473**	**99.6653**	**99.6772**	**0.01**	**-0.17**
FJD/TALA	*1.2313*	*1.2223*	***1.2220***	*0.02*	*0.75*
TALA/YEN	*48.6085*	*52.9402*	***53.4583***	*0.98*	*9.07*
TALA/CNH	*2.5320*	*2.6221*	***2.6255***	*0.13*	*3.56*

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

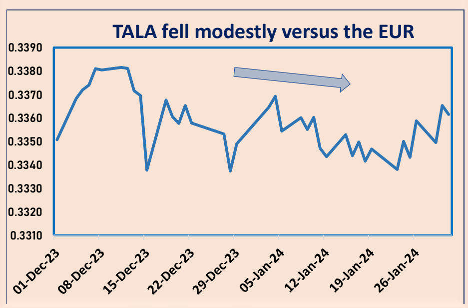
The USD rebounded strongly on:

- A string of favorable economic releases out of the US (e.g higher-than-expected manufacturing numbers, strong labor market data and positive inflation reports);
- The accelerated US treasury yields and the lower expectations of any interest rate cuts from the Federal Reserve Bank any time soon;
- A higher demand for safe haven amid geopolitical tensions and global growth concerns.



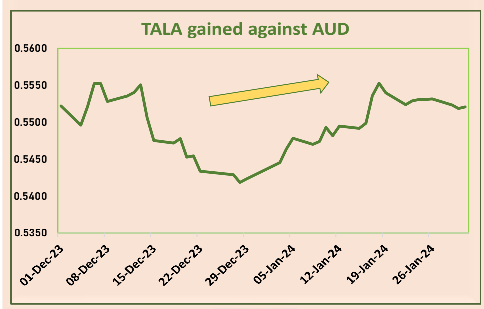
EUR gained modestly vs the USD on:

- The positive economic data out of the Eurozone (growing consumer and economic sentiment, better than expected Q4 GDP data and retail sales and Germany's inflation data rose higher in December);
- Europe avoiding a technical recession at the end of 2023 as positive growth from Spain and Italy outweighed Germany's economic contraction;
- The ECB maintaining their policy rate.



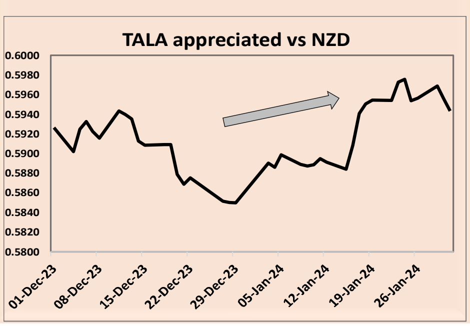
The AUD depreciated against USD on:

- The robust US greenback and disappointing data out of Australia (e.g., the contracted PMI numbers, weak consumer confidence, lower than expected employment data);
- The lack of impactful economic reports to the support the Aussie Dollar;
- The risk averse mood following strong US employment data and China's disappointing GDP data.



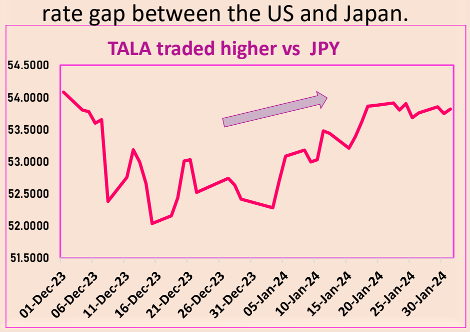
NZD drifted lower against USD due to:

- The stronger US dollar along with unfavorable NZ economic data (e.g., weak construction data, negative retail spending and contracted PMI along with the declined services data in December);
- The risk appetite as US treasury yields accelerated;
- China's weak economic performance weighing heavily on NZ's trading sector.



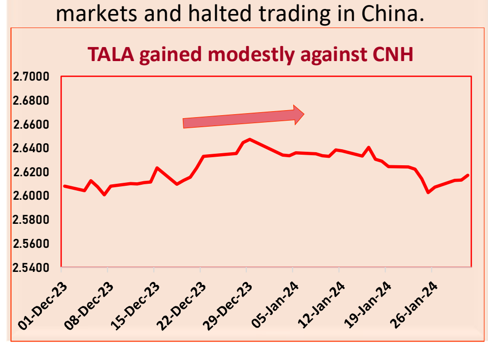
JPY slipped vs USD due to:

- The dominant US dollar and negative economic data out of Japan (including the negative PMI figures, weak household spending and wage data);
- Lack of influential economic reports to support the Yen;
- Japan's economy further dampened by a devastating earthquake;
- Persistent worries about the interest rate gap between the US and Japan.



CNH also dropped against USD on:

- The stronger US greenback and the downbeat economic releases out of China (lower than expected GDP data, declined retail sales);
- Sentiment towards China's economy remained weak as reports continue to show a sluggish recovery;
- A 2-week holiday closing financial markets and halted trading in China.



ECONOMIC & FINANCIAL FORECASTS

Policy Interest rate forecasts

	Actual (12 Feb 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 (12 Feb 2024)	Mar 24	Jun 24	Sep 24	Dec 24	Mar 25	Mar 25
AUD/USD	0.6524	0.66	0.68	0.69	0.70	0.71	0.72
NZD/USD	0.6151	0.62	0.63	0.64	0.64	0.64	0.64
EUR/USD	1.0787	1.09	1.11	1.13	1.14	1.15	1.16
USD/JPY	149.2950	147	144	141	138	135	132
GBP/USD	1.2628	1.26	1.27	1.28	1.29	1.30	1.30
USD/CNH	7.2187	7.15	7.13	7.11	7.03	6.90	6.80

US economic indicators and outlook

	Jun 23	Sep 23	Dec 23	Mar24(f)	Jun 24(f)	Mar24(f)	Jun 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(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	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)	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	4.0	4.3	4.6	4.9	5.1
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 (February 2024), Trading Economics

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

FINANCIAL MARKETS DEPARTMENT

06 February 2024