

EXCHANGE RATE DEVELOPMENTS JANUARY 2025

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)	\$74.91	\$2.22	\$77.13
Reserve Bank of Australia	4.35%	0.00	December 10, 2024	whole milk (US\$/t)	\$4,169.00	-\$279.00	\$3,890.00
US Federal Reserve	4.25% - 4.50%	-0.25	January 29, 2025				
European Central Bank	2.90%	-0.25	January 30, 2025				
Bank of England	4.75%	-0.25	November 7, 2024				

USD* per other currencies (month average)

	Jan-24	Dec-24	Jan-25	Dec-24 (%)	Jan-24 (%)
NZD/USD	0.6167	0.5767	0.5631	-2.36	-8.70
AUD/USD	0.6638	0.6355	0.6230	-1.97	-6.14
EUR/USD	1.0902	1.0484	1.0354	-1.24	-5.02
USD/YEN	146.2986	153.2983	156.5502	-2.12	-7.01
USD/CNH	7.1848	7.2856	7.3155	-0.41	-1.82
FJD/USD	0.4466	0.4325	0.4299	-0.59	-3.74

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

Tala* per foreign currencies (month average)

	Jan-24	Dec-24	Jan-25	Dec-24 (%)	Jan-24 (%)
USD/TALA	2.7365	2.8146	2.8469	-1.15	-4.03
NZD/TALA	1.6875	1.6230	1.6029	1.23	5.01
AUD/TALA	1.8162	1.7886	1.7737	0.83	2.34
EUR/TALA	2.9832	2.9509	2.9477	0.11	1.19
Nom Index	99.6772	100.0698	100.3566	0.29	0.68
FJD/TALA	1.2220	1.2172	1.2237	-0.54	-0.14
TALA/YEN	53.4583	54.4561	54.9894	0.98	2.78
TALA/CNH	2.6255	2.5884	2.5631	-0.98	-2.43

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



The US dollar strengthened on:

- A sequence of positive economic releases out of the United States, such as strong labour market, favourable PPI and CPI reports, positive inflation.
- Market sentiments after President Trump's policies announced a 10% tariff on goods imported from China, after threatening Mexico and Canada with tariffs of approximately 25%.
- The FRBNY held its interest rate unchanged and acknowledged that inflation remains elevated.



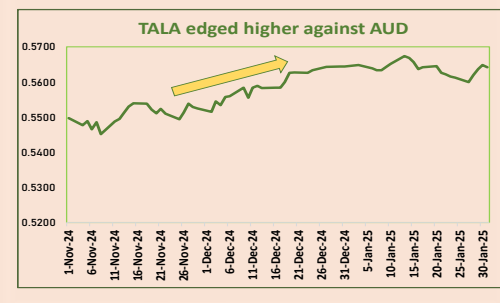
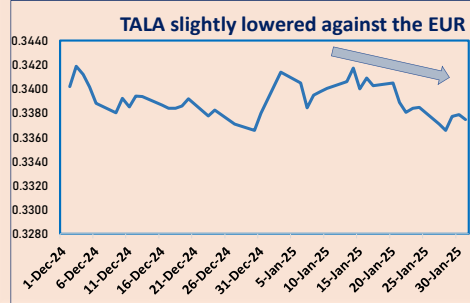
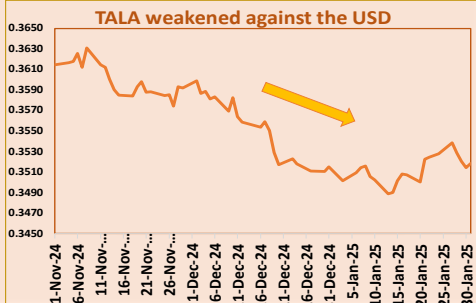
The EUR traded lower vs USD due to:

- A string of unfavourable releases out of the Euro Area (subdued growth expectations, persistent inflation, and geopolitical instability).
- Market sentiment about the global economic outlook, including the effects of US policies under President Trump and the UK's fiscal issues.
- The ECB lowered its key interest rates by 25 bps in January 2025 as expected.



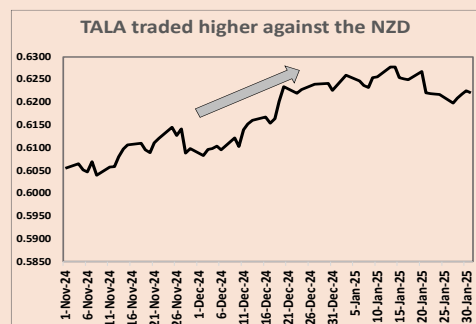
The AUD slipped against the USD on

- A strengthened US greenback along with a cycle of poor economic releases out of Australia, such as weaker-than-expected domestic inflation figures, disappointing PMI data, and an increased unemployment rate.
- The AUD also faced pressure as US President Trump announced plans to impose tariffs on imported chips, pharmaceuticals, steel, aluminium, and copper.
- Domestic inflation figures fuelled expectations for a February interest rate cut by the Reserve Bank of Australia.



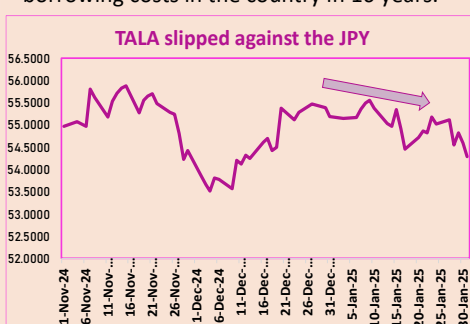
NZD weakened against the USD due to

- A solid US economy along with a chain of downbeat releases out of New Zealand (unexpected drop in factory activity growth, poor CPI data, manufacturing sector remained in contraction).
- New Zealand's largest trading partner, China, provided little support as they face economic pressure from US President Trump's trade policies.



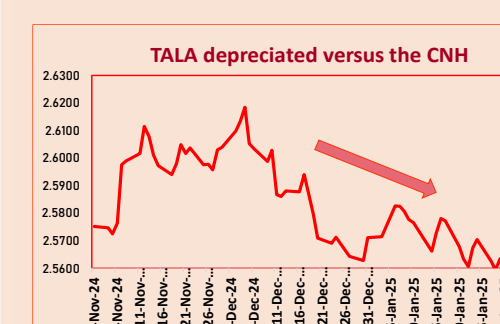
JPY depreciated vs the USD due to

- A sequence of unfavourable economic releases out of Japan (real wages fell by 0.3% year on year, missing expectations for inflation and price developments)
- The Yen also faced pressure amid growing uncertainty over the timing of its interest rate hikes by the Bank of Japan.
- BOJ raised interest rates by 25 basis points to 0.5%, marking the highest short-term borrowing costs in the country in 16 years.



CNH edged lower vs. the USD on

- A strengthening US greenback exerted pressure along with a string of poor economic releases out of China (disappointing PMI data, services activity sharply slowed and a decline in long-dated government bond yields).
- Market sentiment remained cautious ahead of February, with concerns mounting over lingering tariff threats from US President Donald Trump.



ECONOMIC & FINANCIAL FORECASTS

Policy Interest rate forecasts

	Actual (05 Feb 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	2.90	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 (05 Feb 2025)	Mar 25	Jun 25	Sep 25	Dec 25	Mar 26	Jun 26
AUD/USD	0.6256	0.65	0.65	0.66	0.66	0.67	0.68
NZD/USD	0.5651	0.58	0.58	0.57	0.57	0.58	0.58
EUR/USD	1.0380	1.06	1.07	1.08	1.09	1.10	1.10
USD/JPY	154.3050	151	150	149	148	146	144
GBP/USD	1.2483	1.28	1.29	1.30	1.31	1.32	1.33
USD/CNH	7.2851	7.30	7.35	7.35	7.34	7.31	-

US economic indicators and outlook

	Mar24	Jun 24	Sep24	Dec 24(f)	Mar25(f)	Jun25(f)	Sep25(f)
GDP % qtr.	1.6	3.0	3.1	2.2	2.2	2.3	2.4
%yr. annual change	2.9	3.0	2.7	2.5 (1 st est)	2.5	2.4	2.3
Unemployment rate %	3.8	4.1	4.1	4.1	4.4	4.4	4.5
CPI % YoY.	3.5	3.0	2.4	2.9	2.2	2.1	2.0

Australian economic indicators and outlook

	Mar24	Jun 24	Sep24	Dec 24	Mar25(f)	Jun25(f)	Sep25(f)
GDP % qtr.	0.2	0.2	0.3	0.7 (f)	0.5	0.5	0.5
% Year end	1.1	1.0	0.8	1.3 (f)	1.7	2.0	2.3
Unemployment rate %	3.9	4.1	4.1	4.0	4.2	4.4	4.6
CPI % qtr.	1.0	1.0	0.2	0.2	0.5	0.7	0.9
Annual Change (%)	3.6	3.8	2.8	2.4	2.0	1.7	2.4

New Zealand economic indicators and outlook

	Mar24	Jun 24	Sep24	Dec 24	Mar25(f)	Jun25(f)	Sep25(f)
GDP % qtr.	0.3	-1.1	-1.0	0.3 (f)	0.4	0.6	0.6
Annual avg change	1.4	0.6	0.1	-0.5 (f)	-1.2	-1.0	-0.2
Unemployment rate %	4.4	4.6	4.8	5.1	5.3	5.4	5.4
CPI % qtr.	0.6	0.4	0.6	0.5	0.5	0.3	0.9
Annual change (%)	4.0	3.3	2.2	2.2	2.1	2.0	2.3

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

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