



EXCHANGE RATE DEVELOPMENTS JULY 2022

Highlights:

Policy Interest Rates	Current	Change (basis point)	Last Updated	Commodity Prices	Average Price (USD)	Change	Prev Month
Reserve Bank of NZ	2.50%	+50	July 13, 2022	crude oil (US\$/bbl)	\$105.80	-\$9.19	\$114.99
Reserve Bank of Australia	1.85%	+50	August 2, 2022	whole milk (US\$/t)	\$3,757.00	-\$368.00	\$4,125.00
US Federal Reserve	2.25% - 2.50%	+75	July 27, 2022				
European Central Bank	0.50%	+50	July 21, 2022				
Bank of England	1.25%	+25	June 16, 2022				

USD* per other currencies (month average)					
	Jul-21	Jun-22	Jul-22	Jun-22	Jul-21
NZD/USD	0.6982	0.6355	0.6197	-2.48	-11.24
AUD/USD	0.7428	0.7028	0.6856	-2.45	-7.70
USD/YEN	110.2989	134.0326	136.7500	-2.03	-23.98
USD/CNH	6.4777	6.6973	6.7347	-0.56	-3.97
EUR/USD	1.1824	1.0569	1.0193	-3.56	-13.80
FJD/USD	0.4810	0.4591	0.4509	-1.80	-6.26
Nom Index	99.7681	99.8589	99.9467	0.09	0.18

Tala* per foreign currencies (month average)					
	Jul-21	Jun-22	Jul-22	Jun-22	Jul-21
USD/TALA	2.5698	2.6807	2.7167	-1.35	-5.54
NZD/TALA	1.7940	1.7033	1.6835	1.16	5.66
AUD/TALA	1.9087	1.8837	1.8624	1.13	3.02
EUR/TALA	3.0385	2.8331	2.7687	2.27	7.44
FJD/TALA	1.2359	1.2308	1.2249	0.48	0.75
TALA/YEN	42.9221	49.9942	50.3356	0.68	15.35
TALA/CNH	2.4298	2.4983	2.4790	-0.77	-1.25

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

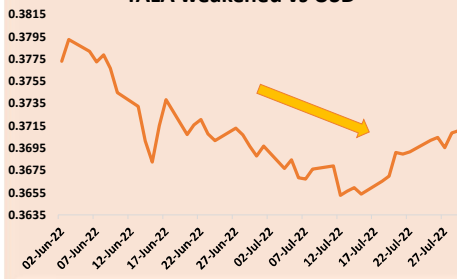
*with the exception of YEN and CNY which is YEN and CNY per TALA



Stronger USD on:

- Safe haven appeal on recession fears;
- The Federal Reserve's interest rate hikes, to curb high inflationary pressures;
- Anticipations of a tariff rollback from US Govt on Chinese imports;
- The Fed's quantitative tightening policy to reduce balance sheet.

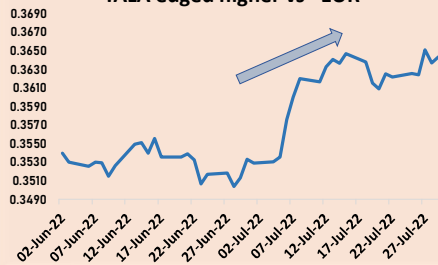
TALA weakened vs USD



EUR nears parity against USD on:

- The dominant US Dollar;
- Downbeat economic data release for the region;
- Weak market sentiments as the escalating Russian-Ukraine war triggered energy woes and disrupting gas flows to Europe;
- Concerns about a recession largely due to the soaring gas prices.

TALA edged higher vs EUR



AUD inched lower vs USD on:

- The stronger greenback;
- Risk averse mood;
- Concerns about global headwinds;
- Weaker economic sentiment;
- The unfavorable CPI reports.

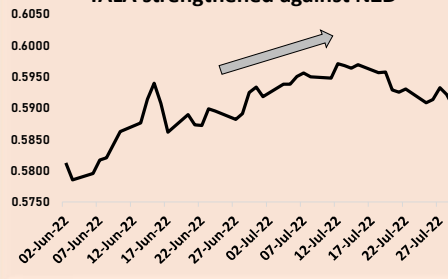
TALA gained vs AUD



NZD fell against USD on:

- The greenback's robust gains;
- NZ's deteriorated business & consumer confidence levels;
- Surging COVID-19 cases in China, affecting demand for NZ dairy exports;
- The RBNZ hiking interest rates by 50bp to tame inflation at the expense of NZ's economic growth.

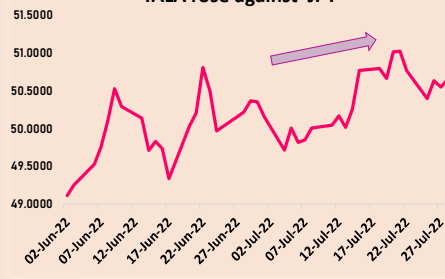
TALA strengthened against NZD



JPY weakened vs USD to lowest level since 1998 on:

- Downbeat economic data out of Japan;
- The widening interest rate differential as BOJ continued with its ultra-dovish monetary policy stance vs hikes by other major central banks;
- Market sentiments following Japan's election results and assassination of former PM Shinzo Abe.

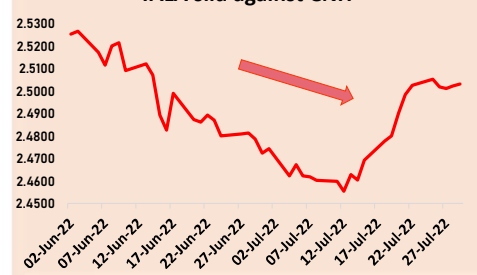
TALA rose against JPY



CNH slipped vs USD reflecting:

- The resurgence of COVID-19 cases in Shanghai;
- China's slowest economic growth in June quarter since 2020;
- PBoC holding their 1-year loan prime rate at 3.7% and 5 years at 4.45%

TALA slid against CNH



ECONOMIC & FINANCIAL FORECASTS

Policy Interest rate forecasts

	Actual (3 Aug 2022)	Sep 22	Dec 22	Mar 23	Jun 23	Sep 23	Dec 23
USA							
Fed Funds Rate	2.375	2.875	3.375	3.375	3.375	3.375	3.125
Australia							
RBA Cash Rate	1.85	2.35	3.10	3.35	3.35	3.35	3.35
New Zealand							
RBNZ Cash Rate	2.50	3.00	3.50	3.50	3.50	3.50	3.50
China							
PBOC Loan Prime Rate	3.70	3.45	3.45	3.45	3.70	3.75	3.75
Euro-Area							
ECB Refinance Rate	0.50	0.75	1.25	1.50	1.75	1.75	1.75
United Kingdom							
BOE Base Rate	1.25	2.00	2.50	2.50	2.50	2.75	2.75

Exchange rate forecasts

	Actual (3 Aug 2022)	Sep 22	Dec 22	Mar 23	Jun 23	Sep 23	Dec 23
AUD/USD	0.6923	0.71	0.73	0.75	0.76	0.77	0.78
NZD/USD	0.6260	0.64	0.66	0.68	0.69	0.70	0.71
EUR/USD	1.0177	1.05	1.09	1.11	1.13	1.14	1.15
USD/JPY	132.7700	134	132	130	127	125	123
GBP/USD	1.2176	1.23	1.26	1.28	1.30	1.32	1.34
USD/CNH	6.7641	6.80	6.75	6.68	6.63	6.48	-

US economic indicators and outlook

	Dec 21	Mar 22	Jun 22	Sep 22(f)	Dec 22(f)	Mar 23(f)	Jun 23(f)
GDP % qtr.	6.9	-1.4	-0.9 (adv)	2.1	1.9	1.9	-
%yr. annual change	5.5	3.5	1.6 (adv)	2.5	1.3	1.3	-
Unemployment rate %	4.2	3.8	3.6	3.5	3.6	3.7	-
CPI % YoY.	7.1	8.6	9.1	7.0	5.3	3.1	-

Australian economic indicators and outlook

	Dec 21	Mar 22	Jun 22(e)	Sep 22(f)	Dec 22(f)	Mar 23(f)	Jun 23(f)
GDP % qtr.	3.6	0.8	2.0	1.0	0.6	0.4	0.2
% Year end	4.4	3.3	4.5	7.5	4.4	4.0	2.2
Unemployment rate %	4.7	4.1	3.5	3.3	3.0	3.1	3.4
CPI % qtr	1.3	2.1	1.5	1.0	2.5	1.0	0.7
Annual Change (%)	3.5	5.1	6.1	6.3	7.6	6.4	5.2

New Zealand economic indicators and outlook

	Dec 21	Mar 22	Jun 22(e)	Sep 22(f)	Dec 22(f)	Mar 23(f)	Jun 23(f)
GDP % qtr.	3.0	-0.2	1.0	0.7	1.2	0.8	0.6
Annual avg change	5.6	5.1	1.0	2.2	2.1	2.7	3.6
Unemployment rate %	3.2	3.2	3.3	3.0	3.0	3.0	3.1
CPI % qtr.	1.4	1.8	1.7	1.6	0.1	1.0	0.8
Annual change (%)	5.9	6.9	7.3	6.6	5.2	4.4	3.4

Source: Bloomberg, Westpac Economics Update (August 2022), Trading Economics

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