



EXCHANGE RATE DEVELOPMENTS JULY 2024

Highlights:

Policy Interest Rates	Current	Change (basis point)	Last Updated	Commodity Prices	Average Price (USD)	Change	Prev Month
Reserve Bank of NZ	5.25%	-0.25	August 14, 2024	crude oil (US\$/bbl)	\$84.90	\$0.00	\$84.90
Reserve Bank of Australia	4.35%	0.00	August 6, 2024	whole milk (US\$/t)	\$3,142.00	-\$252.00	\$3,394.00
US Federal Reserve	5.25% - 5.50%	0.00	July 31, 2024				
European Central Bank	4.25%	-0.25	July 18, 2024				
Bank of England	5.00%	-0.25	August 1, 2024				

USD* per other currencies (month average)					
	Jul-23	Jun-24	Jul-24	Jun-24	Jul-23
				(%)	(%)
NZD/USD	0.6226	0.6143	0.6037	-1.73	-3.03
AUD/USD	0.6736	0.6644	0.6676	0.49	-0.89
EUR/USD	1.1055	1.0766	1.0838	0.66	-1.96
USD/YEN	141.1140	157.7703	158.1200	-0.22	-12.05
USD/CNH	7.2000	7.2736	7.2819	-0.11	-1.14
FJD/USD	0.4518	0.4441	0.4444	0.07	-1.63

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

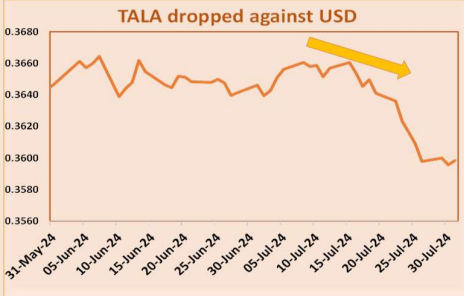
Tala* per foreign currencies (month average)					
	Jul-23	Jun-24	Jul-24	Jun-24	Jul-23
				(%)	(%)
USD/TALA	2.7206	2.7394	2.7497	-0.37	-1.07
NZD/TALA	1.6935	1.6826	1.6596	1.37	2.00
AUD/TALA	1.8323	1.8198	1.8354	-0.86	-0.17
EUR/TALA	3.0072	2.9491	2.9798	-1.04	0.91
Nom Index	99.6553	99.6782	99.7066	0.03	0.05
FJD/TALA	1.2290	1.2164	1.2218	-0.44	0.59
TALA/YEN	51.8661	57.5921	57.5109	-0.14	9.82
TALA/CNH	2.6465	2.6552	2.6483	-0.26	0.07

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



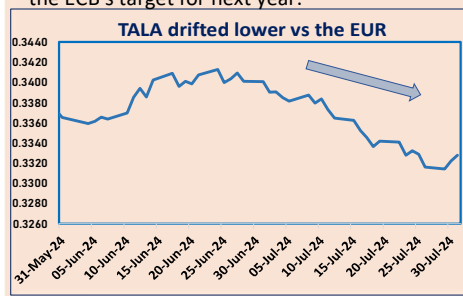
The US dollar held modest gains on:

- A string of favorable economic releases out of the US in the month (e.g., upbeat job report in May, inflation eased more than expected, strong housing and manufacturing numbers).
- US Treasury Yields accelerated as economic data cemented expectations of future Fed cuts;
- Risk aversion following a failed assassination attempt on ex-President Donald Trump;
- Joe Biden formally withdrew from the 2024 presidential elections and endorsed Vice-President Kamala Harris to take his place.



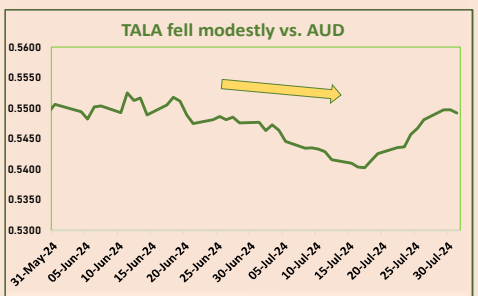
The EUR appreciated against the USD on:

- The upbeat economic releases out of the Eurozone (e.g., higher industrial production in May while inflation ticked down in June, and increased consumer confidence in July);
- Traders digested the results of the French parliamentary elections;
- Bullish remarks by ECB President hurting the odds of an ECB interest rate cut as policymakers continue to analyze the inflation's trajectory;
- Hopes of reducing US-Europe interest rate gap on confidence that inflation is moving towards the ECB's target for next year.



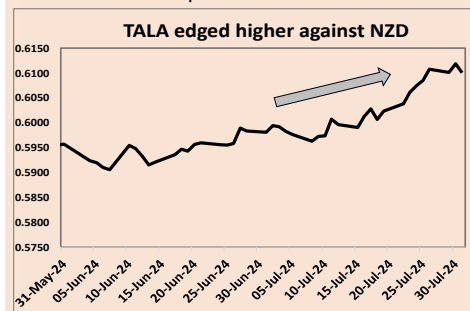
The AUD inched higher vs. the USD on:

- The positive economic releases out of Australia (e.g., stronger than expected retail sales and higher building permits in June with business confidence soaring led by increase in manufacturing and wholesale);
- Growing speculations that the RBA may be among the last G10 central banks to begin cutting interest rates before the end of the year 2024;
- The RBA maintained a hawkish stance and indicated flexibility for future decisions.



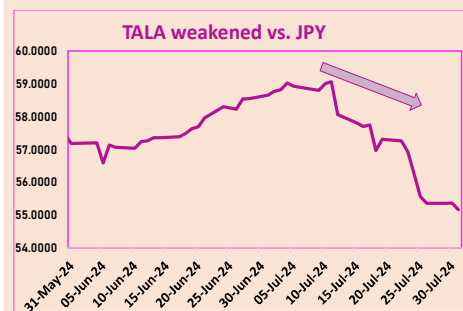
The NZD fell against the USD weighed by:

- The stronger US greenback alongside negative economic data out of New Zealand (e.g., higher than expected domestically driven inflation, lower services index and declined exports);
- Market sentiments following RBNZ monetary policy meeting;
- Business activities continued to lose momentum alongside increasing headwinds from weak consumer spending;
- The absence of impactful domestic data out of NZ



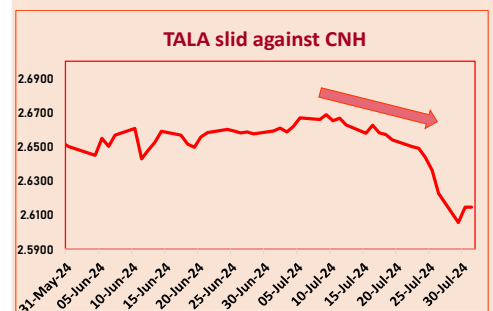
JPY extended losses vs. USD due to:

- The disappointing economic data out of Japan (e.g., PPI came in weaker than expected and lower manufacturing PMI in July);
- An unexpectedly lower Q1 GDP data, revised from earlier releases;
- The widening interest rate parity between the US and Japan.



CNH remained weaker versus the USD on:

- The downbeat economic releases (e.g., weaker than expected June retail sales & service PMI and weak Q2 GDP growth).
- Concerns over potential US-China trade tensions (as the US considered stricter curbs on China's technology and chipmaking industry), which can undermine investor confidence on the Chinese economy;
- An unexpected 10 basis point cut of the Reverse Repo and Loan Prime Rate (LPR) by the PBoC;



ECONOMIC & FINANCIAL FORECASTS

Policy Interest rate forecasts

	Actual (28 Aug 2024)	Sep 24	Dec 24	Mar 25	Jun 25	Sep 25	Dec 25
USA							
Fed Funds Rate	5.375	5.125	4.625	4.125	3.875	3.625	3.375
Australia							
RBA Cash Rate	4.35	4.35	4.35	4.10	3.85	3.60	3.35
New Zealand							
RBNZ Cash Rate	5.25	5.25	4.75	4.50	4.25	4.00	3.75
China							
PBOC Loan Prime Rate	3.35	3.35	3.25	3.25	3.25	3.25	3.25
Euro-Area							
ECB Refinance Rate	4.25	4.00	3.75	3.50	3.25	3.25	3.25
United Kingdom							
BOE Base Rate	5.00	4.75	4.25	4.00	3.75	3.50	3.50

Exchange rate forecasts

	Actual (31 July 2024)	Sep 24	Dec 24	Mar 25	Jun 25	Sep 25	Dec 25
AUD/USD	0.6540	0.66	0.67	0.68	0.69	0.70	0.71
NZD/USD	0.5899	0.60	0.61	0.62	0.62	0.63	0.63
EUR/USD	1.0813	1.10	1.10	1.11	1.12	1.13	1.13
1.14	144.2550	150	150	148	146	144	142
GBP/USD	1.3188	1.29	1.29	1.30	1.30	1.31	1.31
USD/CNH	7.1211	7.20	7.20	7.18	7.18	7.12	6.93

US economic indicators and outlook

	Dec 23	Mar24	Jun 24	Sep24(f)	Dec 24(f)	Mar25(f)	Jun25(f)
GDP % qtr.	3.4	1.4	2.8	1.4	1.5	1.6	1.9
%yr. annual change	3.1	2.9	3.1	2.3	1.8	1.8	1.6
Unemployment rate %	3.7	3.8	4.0	4.2	4.4	4.5	-
CPI % YoY.	2.5	2.5	2.3	2.2	2.1	2.0	-

Australian economic indicators and outlook

	Dec 23	Mar24	Jun 24(f)	Sep24(f)	Dec 24(f)	Mar25(f)	Jun25(f)
GDP % qtr.	0.3	0.1	0.3	0.6	0.5	0.5	0.6
% Year end	1.6	1.1	1.0	1.4	1.6	2.0	2.2
Unemployment rate %	3.9	3.9	4.1	4.2	4.3	4.4	4.5
CPI % qtr	0.6	1.0	1.0	-0.1	0.8	0.7	0.9
Annual Change (%)	4.1	3.6	3.8	2.4	2.6	2.4	2.3

New Zealand economic indicators and outlook

	Dec 23	Mar24	Jun 24(f)	Sep24(f)	Dec 24(f)	Mar25(f)	Jun25(f)
GDP % qtr.	-0.1	0.2	-0.6	-0.2	0.4	0.5	0.5
Annual avg change	0.6	0.2	-0.3	-0.3	-0.3	-0.3	0.1
Unemployment rate %	4.0	4.4	4.6	5.0	5.3	5.5	5.6
CPI % qtr.	0.5	0.6	0.4	1.1	0.4	0.5	0.4
Annual change (%)	4.7	4.0	3.3	2.6	2.5	2.4	2.4

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

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