



EXCHANGE RATE DEVELOPMENTS JUNE 2023

Highlights:

Policy Interest Rates	Current	Change (basis point)	Last Updated	Commodity Prices	Average Price (USD)	Change	Prev Month
Reserve Bank of NZ	5.50%	+25	May 24, 2023	crude oil (US\$/bbl)	\$76.05	\$5.18	\$70.87
Reserve Bank of Australia	4.10%	0.00	July 4, 2023	whole milk (US\$/t)	\$3,172.00	-\$72.00	\$3,244.00
US Federal Reserve	5.00% - 5.25%	0.00	June 15, 2023				
European Central Bank	4.00%	+25	June 15, 2023				
Bank of England	5.00%	+50	June 22, 2023				

USD* per other currencies (month average)					
	Jun-22	May-23	Jun-23	May-23 (%)	Jun-22 (%)
NZD/USD	0.6355	0.6218	0.6136	-1.31	-3.44
AUD/USD	0.7028	0.6647	0.6721	1.12	-4.37
EUR/USD	1.0569	1.0880	1.0844	-0.33	2.60
USD/YEN	134.0326	137.1627	141.2769	-3.00	-5.40
USD/CNH	6.6973	6.9953	7.1682	-2.47	-7.03
FJD/USD	0.4591	0.4499	0.4495	-0.10	-2.11

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

Tala* per foreign currencies (month average)					
	Jun-22	May-23	Jun-23	May-23 (%)	Jun-22 (%)
USD/TALA	2.6807	2.7296	2.7333	-0.14	-1.96
NZD/TALA	1.7033	1.6969	1.6771	1.16	1.53
AUD/TALA	1.8837	1.8141	1.8368	-1.26	2.49
EUR/TALA	2.8331	2.9695	2.9639	0.19	-4.62
Nom Index	99.8589	99.6704	99.6729	0.00	-0.19
FJD/TALA	1.2308	1.2281	1.2285	-0.03	0.18
TALA/YEN	49.9942	50.2464	51.6876	2.87	3.28
TALA/CNH	2.4983	2.5627	2.6225	2.34	4.74

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



The stronger USD on:

- A string of favorable economic data out of the US (strong US payroll reports showing an improved labor market and the increased retail sales in May);
- Higher US yields driven by speculations about the likelihood the Fed will continue tightening its monetary policy stance;
- Risk-off mood, amid market uncertainties over the path of US interest rates as inflation remain above the Fed's target range.

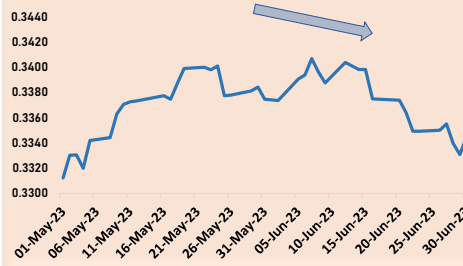
TALA slipped vs USD



EUR weakened vs the USD on:

- The robust US greenback and the unfavorable economic releases (decreased factory orders in Germany and Europe's negative industrial sentiment);
- Lack of economic drivers to support the single currency;
- Hawkish comments from the ECB President, Christine Lagarde on the need for more interest rate hikes as inflation remains too high.

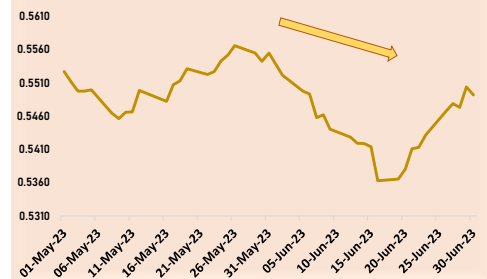
TALA edged lower vs the EUR



The AUD gained vs the USD due to:

- The upbeat economic releases out of Australia (e.g., improved consumer confidence and higher retail sales);
- Australia's independent wage-setting body announcing a raise to the minimum wage by 5.75%;
- Another surprised decision from the RBA to hike interest rates by a quarter point to 4.10%;

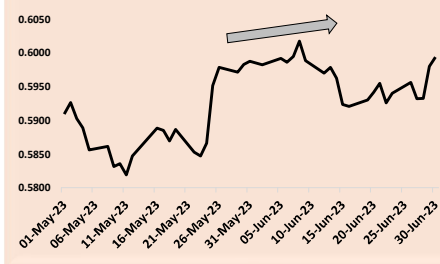
TALA fell against AUD



NZD dropped vs USD:

- The robust US dollar and weak NZ economic indicators (e.g., the negative electronic retail cards spending and housing data);
- Risk sentiment soured by mixed announcements out of major global central banks;
- NZ trade sector under pressure from uncertainties over China's stimulus measures and commodity demand;

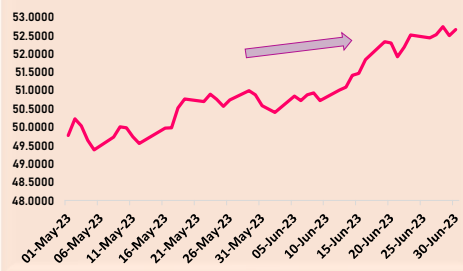
TALA climbed against NZD



JPY fell against USD due to:

- The stronger US dollar and unfavorable economic releases out Japan such as the (declined household spendings and machinery tool orders);
- Weak safe haven demands following news about the US debt ceiling bill;
- The Bank of Japan maintaining its ultra-dovish stance and yield curve control setting.

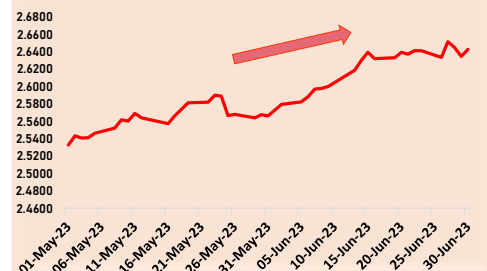
TALA gained versus JPY



CNH also depreciated versus USD on:

- The disappointing economic releases out of China including the sluggish manufacturing data, weak spending and the shrinking exports in May;
- Persisting worries about the slowing recovery and no signs of any stimulus;
- China's largest state banks lowered interest rates on yuan deposits to ease pressure on profit margins.

TALA appreciated against CNH



ECONOMIC & FINANCIAL FORECASTS

Policy Interest rate forecasts

	Actual (7 July 2023)	Sep 23	Dec 23	Mar 24	Jun 24	Sep 24	Dec 24
USA							
Fed Funds Rate	5.125	5.375	5.375	4.875	4.375	3.875	3.375
Australia							
RBA Cash Rate	4.10	4.60	4.60	4.60	4.35	4.10	3.85
New Zealand							
RBNZ Cash Rate	5.50	5.75	5.75	5.75	5.75	5.25	4.75
China							
PBOC Loan Prime Rate	3.65	3.65	3.65	3.65	3.65	3.65	3.65
Euro-Area							
ECB Refinance Rate	4.00	4.00	4.00	4.00	3.75	3.50	3.00
United Kingdom							
BOE Base Rate	5.00	5.00	5.00	5.25	4.75	4.25	3.75

Exchange rate forecasts

	Actual (7 July 2023)	Sep 23	Dec 23	Mar 24	Jun 24	Sep 24	Dec 24
AUD/USD	0.6625	0.69	0.69	0.71	0.72	0.73	0.74
NZD/USD	0.6159	0.62	0.62	0.63	0.64	0.65	0.66
EUR/USD	1.0884	1.11	1.11	1.12	1.13	1.14	1.15
USD/JPY	144.1500	138.00	136.00	134.00	132.00	130.00	128.00
GBP/USD	1.2741	1.27	1.27	1.28	1.28	1.29	1.29
USD/CNH	7.2590	7.15	7.08	6.93	6.87	6.80	6.70

US economic indicators and outlook

	Sep 22	Dec 22	Mar 23	Jun 23(f)	Sep 23(f)	Dec 23(f)	Mar24(f)
GDP % qtr.	3.2	2.6	1.3	1.5	0.5	-1.2	-0.9
%yr. annual change	1.9	0.9	1.6	2.2	1.5	0.5	0.0
Unemployment rate %	3.6	3.6	3.5	3.5	3.6	4.0	4.3
CPI % YoY.	8.2	6.4	5.2	3.0	2.9	2.5	2.5

Australian economic indicators and outlook

	Sep 22	Dec 22	Mar 23	Jun 23(f)	Sep 23(f)	Dec 23(f)	Mar 24(f)
GDP % qtr.	0.7	0.6	0.2	0.1	0.2	0.1	-0.2
% Year end	5.9	2.6	2.3	1.5	1.1	0.6	0.2
Unemployment rate %	3.5	3.5	3.6	3.6	3.7	4.2	4.8
CPI % qtr	1.8	1.9	1.4	1.1	0.7	1.0	0.9
Annual Change (%)	6.1	7.8	7.0	6.3	5.1	4.2	3.7

New Zealand economic indicators and outlook

	Sep 22	Dec 22	Mar 23	Jun 23(f)	Sep 23(f)	Dec 23(f)	Mar24(f)
GDP % qtr.	1.7	-0.7	-0.1	0.5	0.5	0.1	0.0
Annual avg change	2.7	2.7	2.9	3.0	1.5	1.2	0.9
Unemployment rate %	3.4	3.4	3.4	3.5	3.7	3.9	4.2
CPI % qtr.	2.2	1.4	1.2	1.0	1.9	0.5	0.6
Annual change (%)	7.2	7.2	6.7	5.9	5.6	4.7	4.0

Source: Bloomberg, Westpac Economics Update (June 2023), Trading Economics

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