

EXCHANGE RATE DEVELOPMENTS MAY 2026

Highlights:

Policy Interest Rates	Current	Change (basis point)	Last Updated	Commodity Prices	Average Price (USD)	Change	Prev Month
Reserve Bank of NZ	2.25%	no changes	May 27, 2026	crude oil (US\$/bbl)	\$87.48	-\$14.89	\$102.37
Reserve Bank of Australia	4.35%	0.25	May 5, 2026	whole milk (US\$/t)	\$3,706.00	\$40.00	\$3,666.00
US Federal Reserve	3.50%-3.75%	no changes	May 31, 2026				
European Central Bank	2.15%	no changes	May 31, 2026				
Bank of England	3.75%	no changes	May 31, 2026				

USD* per other currencies (month average)

	May-25	Apr-26	May-26	Apr-26 (%)	May-25 (%)
NZD/USD	0.5934	0.5833	0.5897	1.10	-0.62
AUD/USD	0.6435	0.7086	0.7187	1.42	11.68
EUR/USD	1.1278	1.1688	1.1679	-0.08	3.56
USD/YEN	144.7138	159.3123	158.1413	0.74	-9.28
USD/CNH	7.2110	6.8386	6.8023	0.53	5.67
FJD/USD	0.4406	0.4509	0.4565	1.24	3.61

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

Tala* per foreign currencies (month average)

	May-25	Apr-26	May-26	Apr-26 (%)	May-25 (%)
USD/TALA	2.7802	2.7244	2.7069	0.64	2.63
NZD/TALA	1.6497	1.5917	1.5963	-0.29	3.24
AUD/TALA	1.7889	1.9303	1.9452	-0.78	-8.74
EUR/TALA	3.1352	3.1856	3.1613	0.76	-0.83
Nom Index	100.2126	100.3607	100.3640	0.00	0.15
FJD/TALA	1.2248	1.2283	1.2356	-0.60	-0.88
TALA/YEN	52.0511	58.4752	58.4197	-0.09	10.90
TALA/CNH	2.5937	2.5100	2.5129	0.12	-3.22

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



The greenback weakened:

- Due to market expectations surrounding the Federal Reserve and persistent inflation pressures, partly driven by energy prices and geopolitical tensions. These factors led markets to price in a prolonged pause or possible tightening, while risk-on sentiment and stronger commodity currencies reduced safe-haven demand.
- The Federal Reserve held rates steady at 3.50–3.75% and maintained a cautious, data-dependent stance.



The EUR depreciated vs USD:

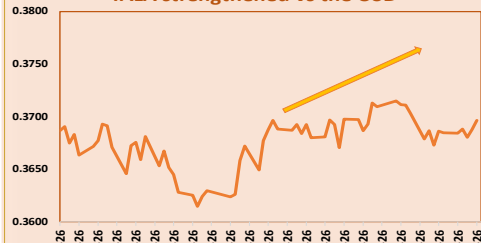
- As growth concerns, energy-driven inflation dynamics, and shifts in rate expectations favoured the US dollar.
- The European Central Bank (ECB) kept rates unchanged, adopting a cautious, “wait-and-see” approach while maintaining a hawkish tilt in response to rising energy-related inflation risks.



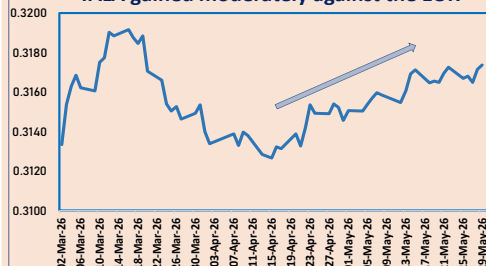
The AUD rose against the USD as:

- Australian economic data in May 2026 was broadly supportive, underpinned by a resilient labour market, steady wage growth, and elevated inflation, reinforcing expectations of a hawkish RBA.
- The Reserve Bank of Australia (RBA) raised the cash rate by 25 basis points to 4.35% in May 2026, marking its third consecutive hike in response to persistent inflation and signalling a continued tightening bias.

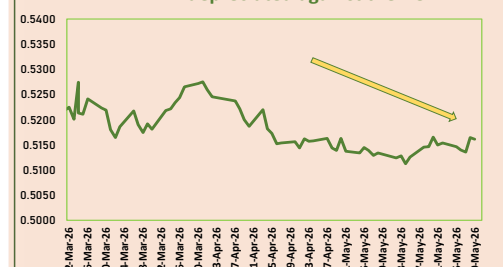
TALA strengthened vs the USD



TALA gained moderately against the EUR



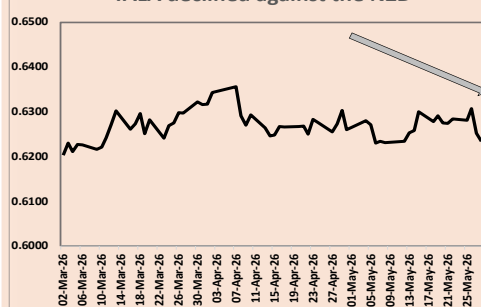
TALA depreciated against the AUD



NZD gained moderately against USD:

- Supported mainly by weaker US dollar sentiment and improved global risk appetite. A resilient labour market and slight declines in unemployment provided modest domestic support.
- The Reserve Bank of New Zealand held the official cash rate at 2.25% in May 2026, in a split decision, while signalling a more hawkish outlook with rate hikes likely later in the year.

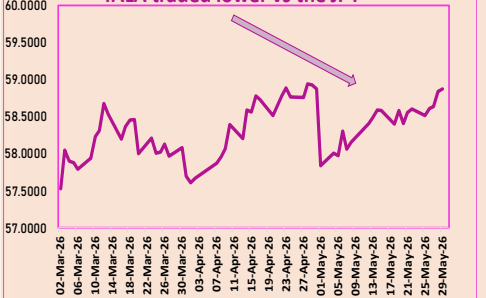
TALA declined against the NZD



JPY edged lower vs the USD:

- Amid Japan’s fragile growth outlook, energy-driven economic pressures, and continued ultra-loose monetary conditions, despite rising inflation and policy uncertainty.
- The Bank of Japan (BoJ) maintained its ultra-loose monetary stance in May 2026, keeping interest rates low and allowing only limited normalisation.

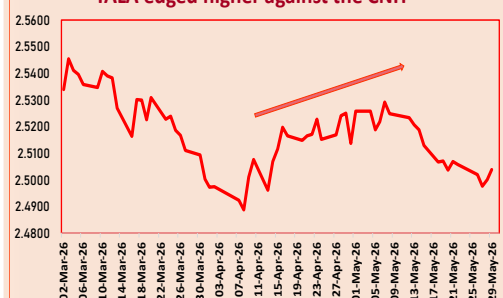
TALA traded lower vs the JPY



CNH strengthened vs the USD:

- On the back of a string of positive economic releases, including strong export performance and external surpluses, better-than-expected manufacturing activity, and continued policy support from authorities, which together improved confidence in China’s economic outlook.
- The People’s Bank of China (PBOC) kept rates unchanged and injected liquidity to support the economy in May 2026.

TALA edged higher against the CNH



ECONOMIC & FINANCIAL FORECASTS

Policy Interest rate forecasts

	Actual (05 June 2026)	Jun 26	Sep 26	Dec 26	Mar 27	Jun 27
USA						
Fed Funds Rate	3.625	3.625	3.625	3.625	3.625	3.625
Australia						
RBA Cash Rate	4.35	4.35	4.85	4.85	4.85	4.85
New Zealand						
RBNZ Cash Rate	2.25	2.25	2.50	3.00	3.50	3.75
China						
PBOC Loan Prime Rate	3.00	2.80	2.80	2.80	2.80	2.80
Euro-Area						
ECB Refinance Rate	2.00	2.25	2.50	2.50	2.50	2.50
United Kingdom						
BOE Base Rate	3.75	4.00	4.25	4.25	4.25	4.00

Exchange rate forecasts

	Actual (05 June 2026)	Jun 26	Sep 26	Dec 26	Mar 27	Jun 27	Sep 27
AUD/USD	0.7135	0.72	0.72	0.73	0.73	0.74	0.74
NZD/USD	0.5869	0.59	0.61	0.62	0.64	0.66	0.67
EUR/USD	1.1613	1.18	1.18	1.19	1.20	1.21	1.22
USD/JPY	160.0250	157.00	156.00	154.00	152.00	150.00	148.00
GBP/USD	1.3423	1.35	1.36	1.37	1.38	1.39	1.40
USD/CNH	6.7769	6.82	6.79	6.75	6.73	6.66	-

US economic indicators and outlook

	Sep25	Dec25	Mar26	Jun26(f)	Sep26(f)	Dec26(f)	Mar27(f)
GDP % qtr.	4.4	0.5	2.0 (adv)	1.6	1.6	1.7	1.9
%yr. annual change	2.3	2.0	2.7 (adv)	2.1	1.4	1.7	1.8
Unemployment rate %	4.3	4.4	4.3	4.5	4.5	4.6	4.7
CPI % YoY	2.9	2.7	2.7	3.2	3.1	2.9	2.3
Annual change (%)	2.9	2.9	2.9	2.9	2.7	2.5	2.3

Australian economic indicators and outlook

	Sep25	Dec25	Mar26	Jun26(f)	Sep26(f)	Dec26(f)	Mar27(f)
GDP % qtr.	0.5	0.8	0.5 (f)	0.2	0.1	0.2	0.3
% Year end	2.1	2.6	2.6 (f)	1.9	1.6	1.0	0.9
Unemployment rate %	4.3	4.3	4.2	4.4	4.6	4.9	5.0
CPI % qtr.	1.3	0.6	1.4	1.4	1.6	0.5	0.6
Annual Change (%)	3.0	3.4	3.4	3.8	3.9	4.0	4.0

New Zealand economic indicators and outlook

	Sep25	Dec25	Mar26(f)	Jun26(f)	Sep26(f)	Dec26(f)	Mar27(f)
GDP % qtr.	0.9	0.2	0.8 (f)	-0.3	0.4	0.6	1.1
Annual avg change	-0.6	0.2	0.6 (f)	1.2	1.3	1.3	1.6
Unemployment rate %	5.3	5.4	5.3	5.4	5.5	5.6	5.5
CPI % qtr.	1.0	0.6	0.9	1.8	1.2	0.4	0.5
Annual change (%)	3.0	3.1	3.1	4.4	4.5	4.4	4.0

Source: Westpac Economics Update (4 June 2026), Trading Economics

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