



EXCHANGE RATE DEVELOPMENTS OCTOBER 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%	0.00	October 4, 2023	crude oil (US\$/bbl)	\$86.66	-\$6.27	\$92.93
Reserve Bank of Australia	4.35%	+25	November 7, 2023	whole milk (US\$/t)	\$3,059.00	\$128.00	\$2,931.00
US Federal Reserve	5.25% - 5.50%	0.00	November 1, 2023				
European Central Bank	4.50%	+25	October 26, 2023				
Bank of England	5.25%	0.00	September 21, 2023				

USD* per other currencies (month average)					
	Oct-22	Sep-23	Oct-23	Sep-23 (%)	Oct-22 (%)
NZD/USD	0.5688	0.5923	0.5905	-0.30	3.82
AUD/USD	0.6363	0.6423	0.6353	-1.09	-0.16
EUR/USD	0.9843	1.0684	1.0564	-1.12	7.33
USD/YEN	146.9913	147.6293	149.4540	-1.24	-1.68
USD/CNH	7.1938	7.3027	7.3154	-0.17	-1.69
FJD/USD	0.4313	0.4393	0.4368	-0.57	1.28

Tala* per foreign currencies (month average)					
	Oct-22	Sep-23	Oct-23	Sep-23 (%)	Oct-22 (%)
USD/TALA	2.8293	2.7866	2.7955	-0.32	1.20
NZD/TALA	1.6091	1.6505	1.6506	0.00	-2.58
AUD/TALA	1.8000	1.7898	1.7758	0.78	1.34
EUR/TALA	2.7846	2.9769	2.9532	0.80	-6.06
Nom Index	100.4496	99.7891	99.8189	0.03	-0.63
FJD/TALA	1.2202	1.2241	1.2210	0.25	-0.06
TALA/YEN	51.9512	52.9787	53.4617	0.91	2.83
TALA/CNH	2.5426	2.6207	2.6168	-0.15	2.84

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

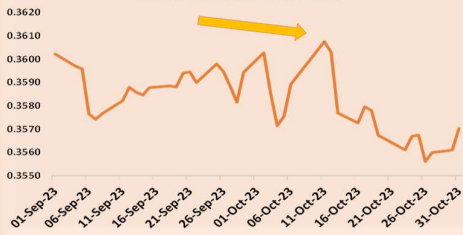
*with the exception of YEN and CNH which is YEN and CNH per TALA



The USD strengthened on:

- A string of favourable economic data (e.g. strong manufacturing data, positive trade figures, more job openings and accelerated factory orders and retail sales);
- Soaring US yields after the US Congress passed a bill to fund the US government.
- Skyrocketing safe haven bids as tensions flared in the Middle East between the Hamas and Israel;
- Speculations for one more interest hike before the end of 2023 to pull down inflation.

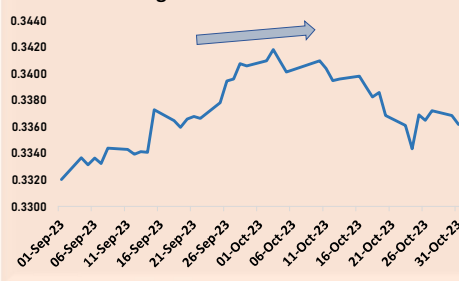
TALA weakened vs USD



EUR edged lower vs the USD on:

- Negative economic data out of the Eurozone (low factory and machinery orders, PPI below expectations and weak retail sales & industrial production).
- The Israel-Hamas conflict supporting demands for the safe-haven US greenback;
- The widening interest rate gap between the US and Europe, adding pressure on Europe's policy makers.

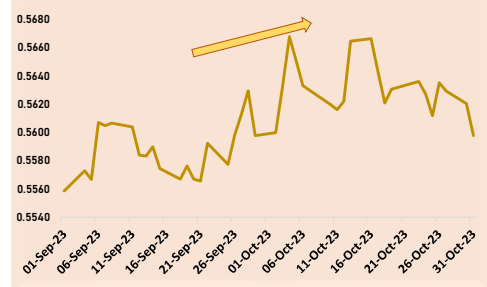
TALA gained versus the EUR



The AUD weakened vs the USD on:

- The stronger US greenback and unfavorable economic releases out of Australia (e.g., declined manufacturing & services PMI and less than expected new jobs created in September).
- The RBA holding interest rates despite inflation rate well above target.
- Risk aversion due to the Israel-Hamas conflict;

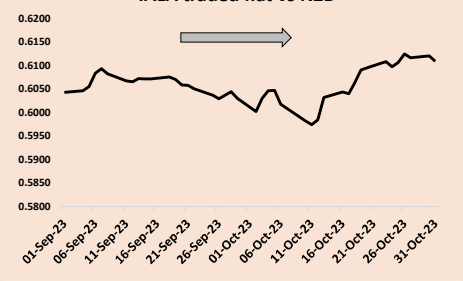
TALA edged higher against AUD



NZD slipped lower vs USD due to:

- The robust US dollar and weak NZ economic indicators (e.g. lower than expected building permits issued and soft inflation numbers).
- Lack of domestic economic releases during the month to support the NZ currency;
- Fragile risk sentiments amid fears the escalating geopolitical tension between Hamas and Israel could lead to a wider Middle East war.

TALA traded flat vs NZD



JPY fell against USD due to:

- The stronger US dollar and downbeat economic data including the declined industrial production, machinery order and producer prices in September;
- Japan's government not willing to reverse a sustained depreciation in the Japanese Yen;
- The Bank of Japan remaining a dovish outlier among global central banks by maintaining its ultra-loose monetary

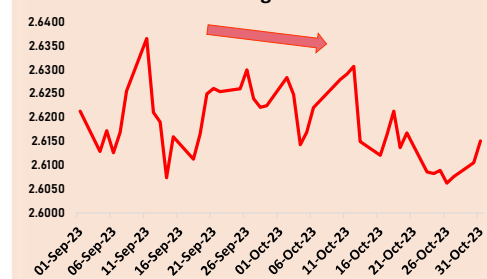
TALA traded higher vs JPY



CNH depreciated vs USD on:

- The unfavorable economic releases showing China's economy slowing down considerably (such as decreased export orders, a drop on manufacturing PMI and job figures in September).
- Slowed consumption leading China's economy in doldrums;
- Chinese financial markets closing for National Golden Week.

TALA slid against CNH



ECONOMIC & FINANCIAL FORECASTS

Policy Interest rate forecasts

	Actual (10 Nov 2023)	Dec 23	Mar 24	Jun 24	Sep 24	Dec 24	Mar 25
USA							
Fed Funds Rate	5.375	5.375	5.125	4.875	4.625	4.375	4.125
Australia							
RBA Cash Rate	4.35	4.35	4.35	4.35	4.10	3.85	3.60
New Zealand							
RBNZ Cash Rate	5.50	5.50	5.75	5.75	5.75	5.75	5.50
China							
PBOC Loan Prime Rate	3.45	3.40	2.90	2.90	2.90	2.90	2.90
Euro-Area							
ECB Refinance Rate	4.50	4.50	4.50	4.25	4.00	4.00	4.00
United Kingdom							
BOE Base Rate	5.25	5.25	5.25	5.25	5.25	5.00	4.75

Exchange rate forecasts

	Actual (10 Nov 2023)	Dec 23	Mar 24	Jun 24	Sep 24	Dec 24	Mar 25
AUD/USD	0.6370	0.66	0.67	0.68	0.69	0.70	0.71
NZD/USD	0.5905	0.60	0.61	0.62	0.62	0.62	0.63
EUR/USD	1.0669	1.08	1.09	1.11	1.13	1.14	1.15
USD/JPY	151.3450	149	147	144	141	138	135
GBP/USD	1.2223	1.23	1.24	1.25	1.26	1.27	1.28
USD/CNH	7.2999	7.25	7.18	7.20	7.07	7.00	6.85

US economic indicators and outlook

	Dec 22	Mar 23	Jun 23	Sep 23(f)	Dec 23(f)	Mar24(f)	Jun 24(f)
GDP % qtr.	2.6	2.0	2.1	3.0	1.0	1.0	1.2
%yr. annual change	0.9	1.8	2.5	2.4	2.0	1.8	1.6
Unemployment rate %	3.6	3.5	3.6	3.8	4.0	4.4	4.7
CPI % YoY.	6.4	5.2	3.0	2.8	2.1	2.1	2.0

Australian economic indicators and outlook

	Dec 22	Mar 23	Jun 23	Sep 23(f)	Dec 23(f)	Mar 24(f)	Jun 24(f)
GDP % qtr.	0.7	0.4	0.4	0.3	0.2	0.2	0.3
% Year end	2.7	2.4	2.1	1.7	1.2	1.1	1.0
Unemployment rate %	3.5	3.6	3.6	3.7	3.8	4.1	4.5
CPI % qtr	1.9	1.4	0.8	1.2	1.1	0.8	0.7
Annual Change (%)	7.8	7.0	6.0	5.4	4.6	4.0	3.9

New Zealand economic indicators and outlook

	Dec 22	Mar 23	Jun 23	Sep 23(f)	Dec 23(f)	Mar24(f)	Jun 24(f)
GDP % qtr.	-0.5	0.0	0.9	-0.1	0.1	0.2	0.2
Annual avg change	2.7	2.9	3.2	1.6	1.2	1.0	0.6
Unemployment rate %	3.4	3.4	3.6	3.9	4.3	4.6	4.9
CPI % qtr.	1.4	1.2	1.1	1.8	0.9	0.9	0.7
Annual change (%)	7.2	6.7	6.0	5.6	5.1	4.7	4.3

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

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