



EXCHANGE RATE DEVELOPMENTS SEPTEMBER 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)	\$92.93	\$5.78	\$87.15
Reserve Bank of Australia	4.10%	0.00	October 3, 2023	whole milk (US\$/t)	\$2,931.00	\$229.00	\$2,702.00
US Federal Reserve	5.25% - 5.50%	0.00	September 20, 2023				
European Central Bank	4.50%	+25	September 14, 2023				
Bank of England	5.25%	0.00	September 21, 2023				

USD* per other currencies (month average)					
	Sep-22	Aug-23	Sep-23	Aug-23 (%)	Sep-22 (%)
NZD/USD	0.5947	0.6006	0.5923	-1.39	-0.40
AUD/USD	0.6696	0.6495	0.6423	-1.11	-4.07
EUR/USD	0.9913	1.0914	1.0684	-2.11	7.78
USD/YEN	142.9043	144.7180	147.6293	-2.01	-3.31
USD/CNH	7.0134	7.2592	7.3027	-0.60	-4.13
FJD/USD	0.4430	0.4429	0.4393	-0.82	-0.84

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

Tala* per foreign currencies (month average)					
	Sep-22	Aug-23	Sep-23	Aug-23 (%)	Sep-22 (%)
USD/TALA	2.7640	2.7690	2.7866	-0.63	-0.82
NZD/TALA	1.6430	1.6629	1.6505	0.74	-0.46
AUD/TALA	1.8503	1.7983	1.7898	0.48	3.27
EUR/TALA	2.7396	3.0221	2.9769	1.49	-8.66
Nom Index	100.1618	99.7472	99.7891	0.04	-0.37
FJD/TALA	1.2244	1.2264	1.2241	0.19	0.03
TALA/YEN	51.6974	52.2597	52.9787	1.38	2.42
TALA/CNH	2.5370	2.6214	2.6207	-0.03	3.19

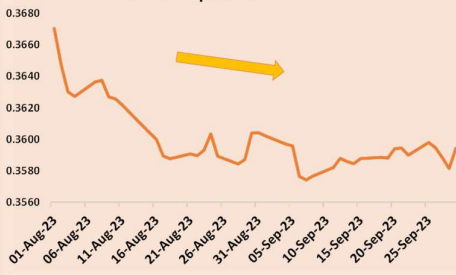
*with the exception of YEN and CNH which is YEN and CNY per TALA



The robust USD on:

- A string of strong economic data (the elevated consumer spending and services index, positive payroll data showing more jobs added in August & higher retail sales).
- Strong data reinforcing the view that the Federal Reserve will soon end its monetary tightening, despite inflation moving further away from the 2% target.
- Global growth jitters triggering safe haven demands.

TALA depreciated vs USD



EUR slipped vs the USD on:

- The negative economic data out of the Eurozone (declined core inflation and weak services data, dented economic sentiment with negative industrial and retail sales).
- The stubbornly high inflation threatening to force the Eurozone's economy into a recession.
- European Central Bank struggling during its policy setting meetings as the US-Euro interest gap widens.

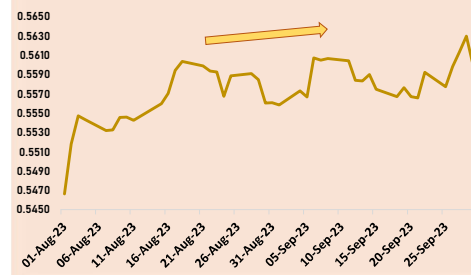
TALA rose against the EUR



The AUD weakened vs the USD on:

- The stronger US greenback and the unfavorable economic releases out of Australia (e.g., the declined commodity prices & waned consumer confidence).
- Mounting uncertainties after Michele Bullock took over as Governor of the Reserve Bank of Australia.
- Risk appetite dented by disappointing services data out of China, Australia's biggest trading partner.

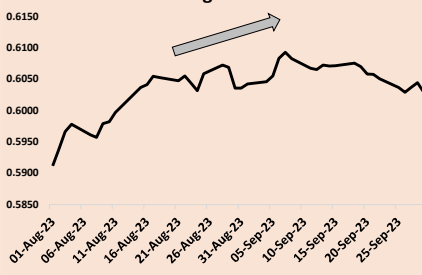
TALA appreciated vs AUD



NZD depreciated vs USD due to:

- The robust US dollar and weak NZ economic indicators (declined building permits, and deteriorated business confidence).
- Risk appetite becoming weaker as US treasury yields soared.
- Chinese economic downturn also souring risk sentiment and supported the US greenback against the kiwi dollar.

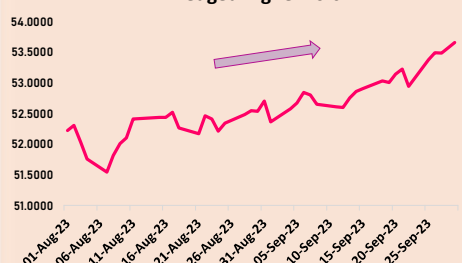
TALA strengthened vs NZD



JPY dropped against USD due to:

- The stronger US dollar and the negative economic releases out of Japan (declined leading economic index and the less than expected Q2 annualized growth).
- Japan's authorities giving no clues on any intervention to prop up the yen.
- The Bank of Japan nursing steep losses from the widening interest rate gap between Japan and other central banks.

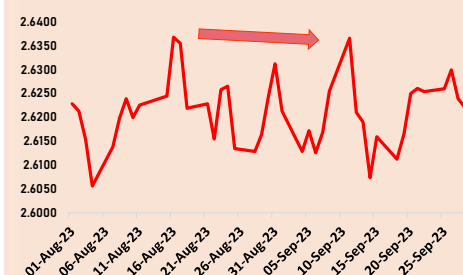
TALA edged higher vs JPY



CNH edged lower vs USD on:

- The poor Chinese economic releases such as (weak manufacturing and services data, slimmed trade figures).
- China's stimulus failing to meaningfully revive consumption.
- Analysts downgrading China's growth forecast.
- Chinese exporters facing headwinds from slowed overseas demands.

TALA inched lower vs CNH



ECONOMIC & FINANCIAL FORECASTS

Policy Interest rate forecasts

	Actual (10 Oct 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	4.10	4.10	4.10	4.10	3.85	3.60	3.35
New Zealand							
RBNZ Cash Rate	5.50	5.75	5.75	5.75	5.50	5.25	5.00
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	5.00	5.00	5.00

Exchange rate forecasts

	Actual (10 Oct 2023)	Dec 23	Mar 24	Jun 24	Sep 24	Dec 24	Mar 25
AUD/USD	0.6413	0.66	0.67	0.68	0.69	0.70	0.71
NZD/USD	0.6025	0.61	0.61	0.62	0.62	0.62	0.63
EUR/USD	1.0570	1.10	1.11	1.12	1.13	1.14	1.15
USD/JPY	148.5000	144	142	140	138	136	133
GBP/USD	1.2240	1.27	1.28	1.29	1.30	1.30	1.30
USD/CNH	7.2920	7.24	7.18	7.13	7.05	6.98	6.60

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	0.9	0.7	0.9	0.9
Annual Change (%)	7.8	7.0	6.0	5.1	3.9	3.4	3.4

New Zealand economic indicators and outlook

	Dec 22	Mar 23	Jun 23(f)	Sep 23(f)	Dec 23(f)	Mar24(f)	Jun 24(f)
GDP % qtr.	-0.5	0.0	0.9	-0.1	0.1	0.0	0.0
Annual avg change	2.7	2.9	3.2	1.6	1.3	0.9	0.5
Unemployment rate %	3.4	3.4	3.6	3.8	4.3	4.7	5.0
CPI % qtr.	1.4	1.2	1.1	2.0	0.5	0.7	0.4
Annual change (%)	7.2	6.7	6.0	5.9	4.9	4.4	3.7

Source: Bloomberg, Westpac Economics Update (September & October 2023), Trading Economics

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