

## EXCHANGE RATE DEVELOPMENTS APRIL 2022

### Highlights:

Policy Interest Rates	Current	Change (basis point)	Last Updated	Commodity Prices	Average Price (in USD)	Change	Previous Month
Reserve Bank of NZ	1.50%	0.50	April 13, 2022	crude oil (US\$/bbl)	\$106.04	\$0.03	\$106.01
Reserve Bank of Australia	0.35%	0.25	May 3, 2022	whole milk powder (US\$/t)	\$4,207.00	-\$389.00	\$4,596.00
US Federal Reserve	0.75 - 1.00%	0.50	May 4, 2022				
European Central Bank	0.00%	0.00	April 14, 2022				
Bank of England	1.00%	0.25	May 5, 2022				

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### A. CURRENCY WATCH

The overall nominal effective value of the **Samoan Tala** appreciated by **0.01 percent** against the currency basket in April. This nominal appreciation reflected the Tala strengthening against the New Zealand Dollar (by 0.89 percent) and the Euro (by 1.41 percent) offsetting the Tala's depreciation against the United States Dollar (by 0.35 percent) and the Australian Dollar also (by 0.54 percent),

Of the currencies in the Tala currency basket, the **United States dollar** (USD) strengthened due to the following developments:

- A string of upbeat domestic economic releases during the month, including the non-manufacturing purchasing manager index (PMI), the increased core inflation rate and the escalating producer price index (PPI);
- US treasury yields trending upwards as high inflationary pressures fueled investors speculations that the US Federal Reserve Bank will aggressively raise interest rates by 50 basis points in the months ahead;
- Hawkish commentary by Federal Reserve authorities, further signaling an aggressive tightening cycle from the US Federal Reserve Bank;
- The robust demands for the safe haven greenback due to a rapid increase in prices, along with the intensified Russian-Ukraine crisis and the lingering impacts of the Covid-19 pandemic;
- A sustained rally supported by fresh fears about the global economic growth as another wave of Covid-19 restrictions hampered economic activities in the world's second largest economy.

The **Euro** dropped notably against the USD, depreciating from US\$1.10 to USD\$1.08 on the back of:

- The unfavourable economic releases out of the region earlier in the month (such as the lower-than-expected retail sales and waning economic sentiment along with the soaring inflation rate triggered by the rising energy prices);

- The Eurozone's clouded outlook due to supply chain problems and worries over the soaring inflation prompted by the covid-19 pandemic and the Russian-Ukraine war.

The **Australian dollar** (AUD) gained modestly against the USD, mainly reflecting:

- The upbeat domestic data (such as the strong growth on retail sales, positive reports on business confidence and business conditions along with increasing consumer price index (CPI) in March);
- Strong speculations on future interest hikes from the Reserve Bank of Australia (RBA), on fresh concerns over the country's wage growth and inflationary pressures after a decision to hold interest steady at 0.1% in April.

The **New Zealand dollar** (NZD) weakened against the USD, depreciating from US\$0.69 to USD\$0.68 mainly due to:

- The greenback's robust gains and the unfavorable domestic economic releases such as the decline on the overnight Global Dairy trade price index, the decreased business confidence, the weakening electronic retail card spending and the lower-than-expected inflation report;
- The Reserve Bank of New Zealand's decision to hike their Official Cash Rate (OCR) by a hefty 0.5 basis points to 1.5% as expected by the market;

The **Japanese Yen** (JPY) dropped significantly against the USD on:

- The unfavorable domestic headlines during the month (including the soaring inflation rate, a decline on consumer confidence, the weakening industrial production and trade deficit along with the lower-than-expected household spending);
- A dovish decision by the Bank of Japan (BOJ) to maintain their policy interest rate along the negative territory at -0.1%.

The **Chinese Yuan** (CNY) also depreciated against the US currency mainly reflecting:

- The downbeat economic releases including the reduced vehicle sales, the weaker than expected services PMI, a drop on imports and retail sales along with the rise on the unemployment rate;

- Fears over a slowdown on China's growth following a resurgence on the number of Covid-19 cases prompting a reintroduction of lockdown measures;
- The International Monetary Fund (IMF) downgrading China's economic growth forecast this year to 4.4%, well below Beijing's target of around 5.5%;
- A decision by the People's Bank of China (PBoC) to hold their benchmark interest rate at 3.7%, and the 5- year loan prime rate at 4.6%.

Please refer to Table 1 and Table 2

## B. TABLES AND CHARTS

Table 1					
USD* per other currencies (month average)					
	Movement of other currencies against the USD over the previous month and the previous year (+) appreciation / (-) depreciation				
	Apr-21	Mar-22	Apr-22	Mar-22 (%)	Apr-21 (%)
NZD/USD	0.7141	0.6860	0.6776	-1.22	-5.11
AUD/USD	0.7713	0.7365	0.7379	0.19	-4.33
USD/YEN	108.9039	118.3750	126.0018	-6.44	-15.70
USD/CNH	6.5152	6.3550	6.4413	-1.36	1.13
EUR/USD	1.1985	1.1026	1.0832	-1.76	-9.62
FJD/USD	0.4904	0.4746	0.4739	-0.14	-3.35

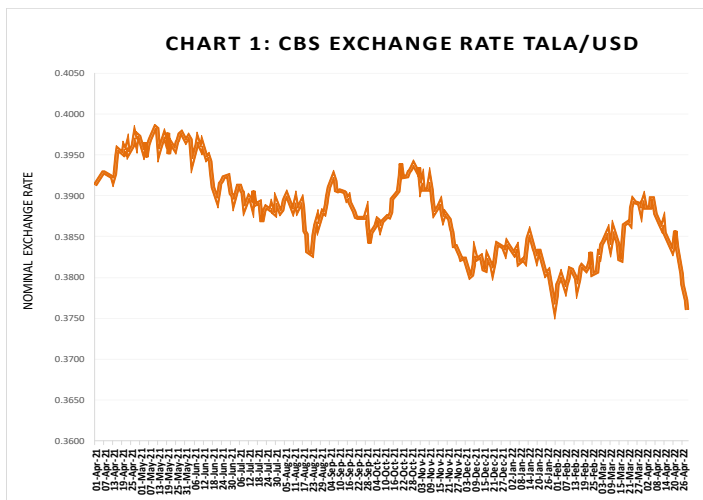
\*With the exception of YEN and CNH which is YEN and CNY per USD

Source: Central Bank of Samoa

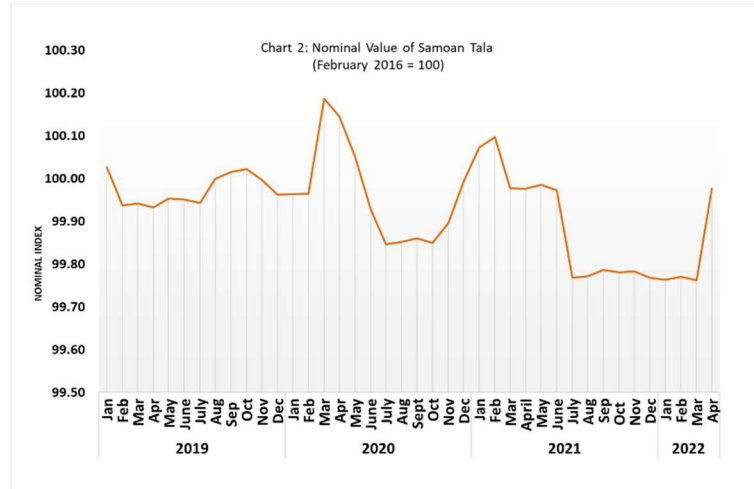
Table 2					
Tala* per foreign currencies (month average)					
	Movement of the Tala over the previous month and the previous year (+) appreciation / (-) depreciation				
	Apr-21	Mar-22	Apr-22	Mar-22 (%)	Apr-21 (%)
USD/TALA	2.5326	2.5919	2.6010	-0.35	-2.70
NZD/TALA	1.8084	1.7778	1.7621	0.89	2.56
AUD/TALA	1.9532	1.9086	1.9189	-0.54	1.76
EUR/TALA	3.0348	2.8576	2.8173	1.41	7.17
FJD/TALA	1.2418	1.2301	1.2327	-0.21	0.74
TALA/YEN	43.0000	44.4758	48.4336	8.90	12.64
TALA/CNH	2.5725	2.4519	2.4760	0.98	-3.75
Nominal Index	99.9767	99.7619	99.7712	0.01	-0.2056

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

Source: Central Bank of Samoa

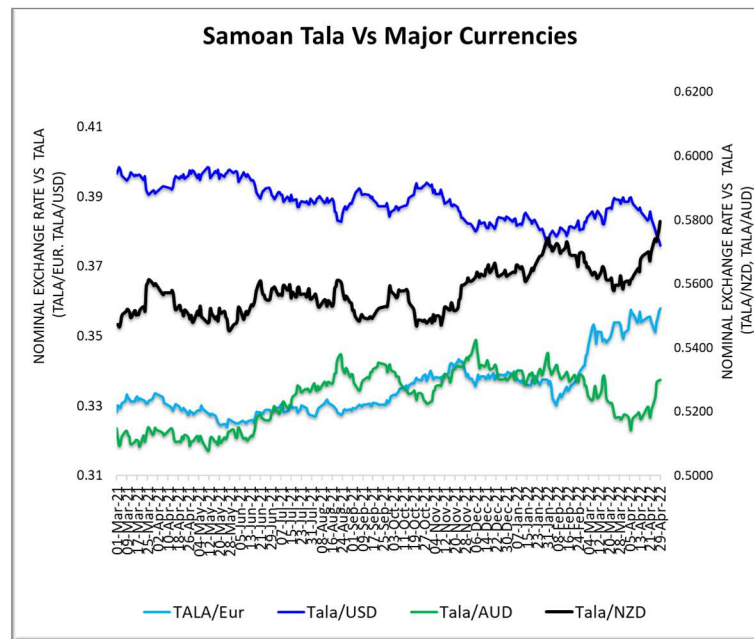


Source: Central Bank of Samoa



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## C. TALA AGAINST THE MAJOR CURRENCIES



Source: Central Bank of Samoa

## D. MARKET OUTLOOK FOR Q2 2022:

The Russian/Ukraine war continues to exert downside risks on the global FX markets already impacted by ongoing COVID-19 related developments. The likely responses by monetary authorities on the market domestic data releases particularly on inflation rates, the volatilities in the international commodity markets and the continued narrow interest differentials and recovery progresses amongst major countries, are anticipated to drive the AUD/USD and NZD/USD to around USD\$0.72 and USD\$0.65 respectively while the EUR/USD is expected to trade around US\$1.05 by end June 2022. These market projections point to a broad weakening in the USD in the second quarter of 2022.

FINANCIAL MARKETS DEPARTMENT  
25 May 2022

# ECONOMIC & FINANCIAL FORECASTS

## Policy Interest rate forecasts

	Actual (April 2022)	Jun 22	Sep 22	Dec 22	Mar 23	Jun 23	Sep 23
<b>USA</b>							
Fed Funds Rate	0.875	1.375	1.875	2.375	2.375	2.375	2.375
<b>Australia</b>							
RBA Cash Rate	0.10	0.50	1.00	1.50	1.75	2.00	2.00
<b>New Zealand</b>							
RBNZ Cash Rate	1.50	2.00	2.50	3.00	3.00	3.00	3.00
<b>China</b>							
PBOC Loan Prime Rate	3.70	3.65	3.45	3.45	3.75	3.75	3.75
<b>Euro-Area</b>							
ECB Refinance Rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>United Kingdom</b>							
BOE Base Rate	0.50	0.75	1.00	1.25	1.75	1.75	1.75

## Exchange rate forecasts

	Actual (April 2022)	Jun 22	Sep 22	Dec 22	Mar 23	Jun 23	Sep 23
AUD/USD	0.7379	0.72	0.74	0.76	0.77	0.78	0.79
NZD/USD	0.6776	0.65	0.67	0.69	0.70	0.71	0.72
EUR/USD	1.0832	1.05	1.07	1.09	1.11	1.13	1.14
USD/JPY	126.00	129.00	128.00	126.00	125.00	124.00	122.00
GBP/USD	1.2949	1.23	1.24	1.26	1.28	1.30	1.32
USD/CNH	6.4413	6.68	6.66	6.67	6.67	6.37	-

## US economic indicators and outlook

	Jun 21	Sep 21	Dec 21	Mar 22	Jun 22(f)	Sep 22(f)	Dec 22(f)
GDP % qtr.	6.7	2.3	6.9	-1.4	3.2	2.0	2.1
%yr. annual change	12.2	4.9	5.5	3.6	2.7	2.6	1.5
Unemployment rate %	5.9	5.1	4.2	3.8	3.6	3.6	3.6
CPI % YoY.	5.4	5.4	7.0	8.3	7.0	5.8	4.3

## Australian economic indicators and outlook

	Jun 21	Sep 21	Dec 21	Mar 22(f)	Jun 22(f)	Sep 22(f)	Dec 22(f)
GDP % qtr.	0.8	-1.9	3.4	0.2	1.9	1.4	0.9
% Year end	9.6	4.0	4.2	2.5	3.7	7.1	4.5
Unemployment rate %	5.2	4.6	4.7	4.0	3.7	3.4	3.2
CPI % qtr	0.8	0.8	1.3	2.1	0.9	1.0	1.5
Annual Change	3.8	3.0	3.5	5.1	5.2	5.4	5.6

## New Zealand economic indicators and outlook

	Jun 21	Sep 21	Dec 21	Mar 22(f)	Jun 22(f)	Sep 22(f)	Dec 22(f)
GDP % qtr.	2.5	-3.6	3.0	0.6	0.3	1.0	1.1
Annual avg change	5.2	4.8	5.6	5.3	1.4	2.7	2.7
Unemployment rate %	4.0	3.3	3.2	3.2	3.1	3.0	3.0
CPI % qtr.	1.3	2.2	1.4	1.8	1.1	1.2	0.4
Annual change	3.3	4.9	5.9	6.9	6.7	5.6	4.5

Source: Bloomberg, Westpac Economics Update (April 2022), Trading Economics

Note: (a) – actual; (e) – estimate; (f) - forecast