

Exchange Rate Developments

January 2016

A. Currency watch

The United States dollar (USD) started off the month firm against most of its major peers on expectations the US Federal Reserve will continue to increase interest rates this year. It continued to strengthen on poor inflation data out of Europe, concerns over China and tensions in the Middle East. Reports which showed the US economy added more jobs than expected in December and the fall in oil prices saw the safe-haven currency drift higher. However, the Greenback later dropped towards the end of the month on weaker than expected economic data out of the US. Overall, the USD strengthened from the previous month's level, which saw the Tala weaken from US\$0.3830 in December, to US\$0.3772 in January. (See Chart 1)

The Euro opened the month weak at US\$1.0857 on worse than expected inflation data out of the Euro-region and expectations of more monetary easing measures by the European Central Bank in the upcoming months. It later strengthened to US\$1.0899 as investors opted for higher-yielding currencies after the release of upbeat employment data out of Europe. The Euro closed the month slightly higher at US\$1.0962 following poor economic data out of the US. Overall, the Tala fell 1.37 percent against the Euro in January. (See Table 2 and Graph 1)

The Australian dollar (AUD) opened the month at US\$0.7300 after the release of downbeat manufacturing data out of China and tensions in the Middle East between Saudi Arabia and Iran. It then weakened to US\$0.6973 as equity and commodity prices fell. However, the Australian dollar later strengthened to US\$0.7003 on favourable data on employment and inflation out of Australia and a rebound in oil prices. The Aussie unit closed off the month at US\$0.7084. Overall, the Tala appreciated 1.76 percent against the AUD in the month under review. (See Table 2 and Graph 1)

The New Zealand dollar (NZD) opened the month at US\$0.6848 on concerns over the outlook for China's economy. It continued to fall to US\$0.6541 as global dairy prices dropped and after a NZ report showed

inflation increased less than expected in the fourth quarter. The New Zealand dollar continued to drop until it closed the month at US\$0.6478 after the Reserve Bank of New Zealand left its key interest rates unchanged at 2.50 percent. On average, the Tala rose 1.31 percent against the NZD over the reviewed month. (See Table 2, Graph 1)

The Japanese Yen was generally strong over the month on safe-haven demand following weak Chinese data and tensions in the Middle East. The fall in oil prices and fears over slowing global growth also underpinned the safe-haven currency's strength. The Chinese Yuan opened the month weak as Chinese stock prices dropped. It continued to slip as Chinese manufacturing activity slowed and following concerns the world's second largest economy is losing momentum. In the month under review, the Yen strengthened while the Yuan weakened against the Tala. (See Graph 2)

Overall, the US dollar strengthened against the NZD, the AUD and the EURO in January 2016 when compared to December 2015. For currencies outside the Tala currency basket, the US dollar strengthened against the FJD and the Yuan but weakened against the YEN. (See Table 1)

By comparison, the Tala weakened against the USD and the EURO but strengthened against the NZD and the AUD over the month under review. Against currencies outside the basket, the Tala strengthened against the Yuan but weakened against the FJD and the YEN. (See Table 2)

As shown by the Nominal Effective Exchange Rate (NEER) Index, the overall nominal value of the Tala appreciated by 0.22 percent against the currency basket in January 2016 from December 2015. (See Table 2 and Chart 2)

B. Tables and charts

Table 1 shows the movements of the currencies in our currency basket together with the FJD, the Yuan and the Yen against the US dollar in January 2016, compared to the previous month and in January 2015.

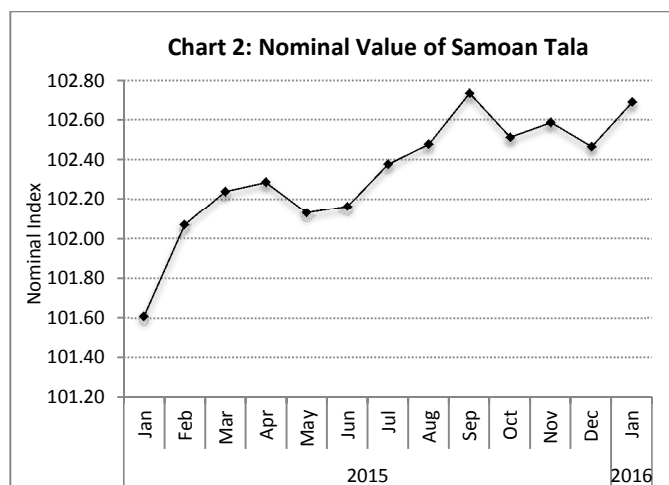
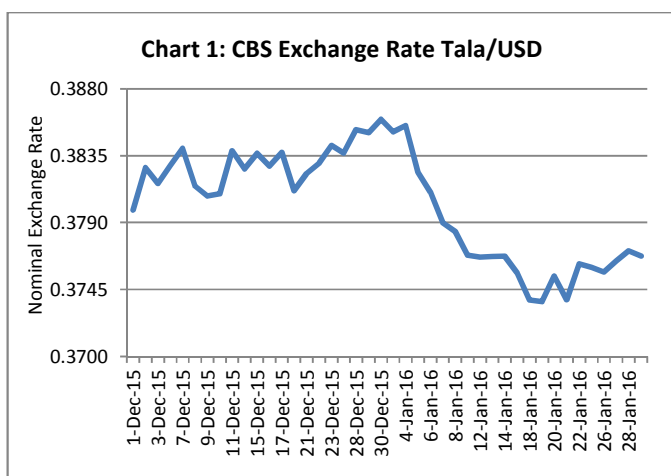
| Table 1 | | | | | |
|--|----------|----------|----------|--|---------------|
| USD per other currencies (month average) | | | | | |
| | | | | Movement of other currencies against the USD over the previous month and the previous year (+) appreciation / (-) depreciation | |
| | Jan-15 | Dec-15 | Jan-16 | Dec-15 (%) | Jan-15 (%) |
| NZD/USD | 0.7649 | 0.6738 | 0.6548 | -2.82 | -14.39 |
| AUD/USD | 0.8078 | 0.7248 | 0.7011 | -3.27 | -13.21 |
| USD/YEN | 118.2683 | 121.7311 | 118.1113 | 2.97 | 0.13 |
| USD/CNY | 6.2175 | 6.4490 | 6.5696 | -1.87 | -5.66 |
| EUR/USD | 1.1624 | 1.0882 | 1.0864 | -0.17 | -6.54 |
| FJD/USD | 0.5007 | 0.4696 | 0.4670 | -0.55 | -6.73 |

Source: Central Bank of Samoa

Table 2 shows the movement of the Tala against the currencies in the basket as well as against the FJD, the Yuan and the Yen in January 2016, compared to the previous month and January 2015.

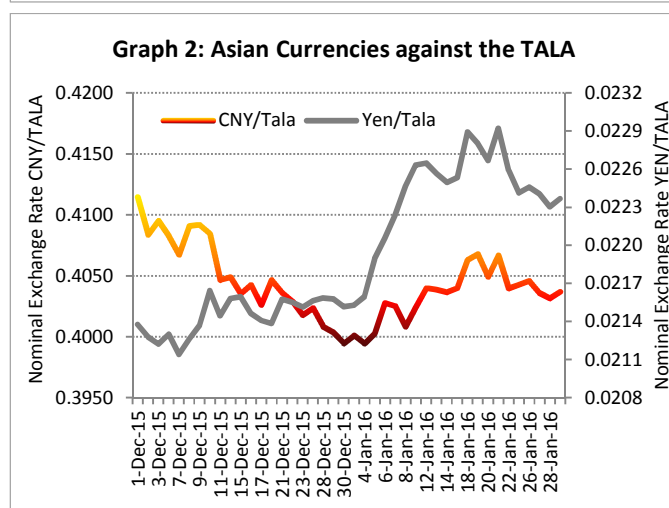
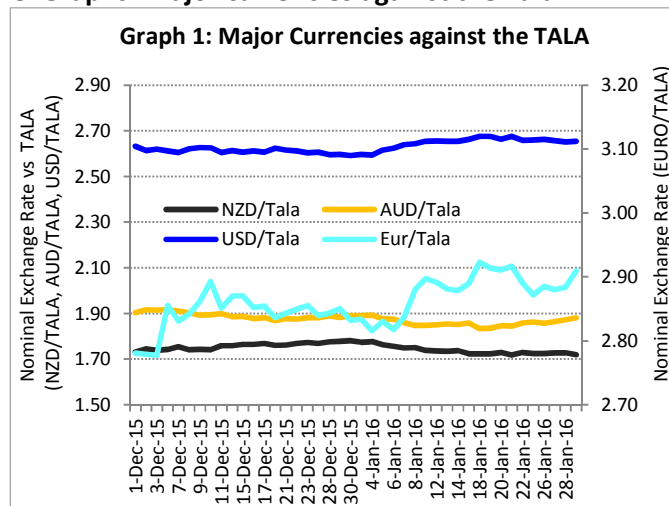
| Table 2 | | | | | |
|---|---------|---------|---------|--|---------------|
| Tala per foreign currencies (month average) | | | | | |
| | | | | Movement of the Tala over the previous month and the previous year (+) appreciation / (-) depreciation | |
| | Jan-15 | Dec-15 | Jan-16 | Dec-15 (%) | Jan-15 (%) |
| USD/TALA | 2.4505 | 2.6108 | 2.6512 | -1.55 | -8.19 |
| NZD/TALA | 1.8738 | 1.7589 | 1.7359 | 1.31 | 7.36 |
| AUD/TALA | 1.9792 | 1.8920 | 1.8587 | 1.76 | 6.09 |
| EUR/TALA | 2.8474 | 2.8410 | 2.8800 | -1.37 | -1.14 |
| FJD/TALA | 1.2268 | 1.2259 | 1.2381 | -1.00 | -0.92 |
| TALA/YEN | 48.2637 | 46.6246 | 44.5480 | -4.45 | -7.70 |
| TALA/CNY | 2.5372 | 2.4701 | 2.4779 | 0.32 | -2.34 |
| Nominal Index | 101.61 | 102.46 | 102.69 | 0.22 | 1.06 |

Source: Central Bank of Samoa



Source: Central Bank of Samoa

C. Graphs: Major currencies against the Tala



Source: Central Bank of Samoa

Financial Markets Department
Central Bank of Samoa
5th February 2016