

## Exchange Rate Developments February 2016

### A. Currency watch<sup>1</sup>

The United States dollar (USD) started off the month firm against most of its major peers on strong growth data out of the US in the fourth quarter. It then weakened after reports showed US manufacturing activity and service sector slowing in January. The safe-haven currency continued to slip as investors opted for higher-yielding currencies on favourable employment data out of the Euro-zone coupled with worries over another global slowdown. Uncertainty over the timing of future rate hikes by the Federal Reserve and mixed economic data out of the US also undermined the Greenback's strength. Overall, the USD weakened from the previous month's level, which saw the Tala strengthen from US\$0.3772 in January, to US\$0.3803 in February. (See Chart 1)

The Euro opened the month firm at US\$1.0826 on better than expected employment data out of the Euro-region and weak economic data out of the US. It continued its upward momentum to US\$1.1337 as investors' risk appetite improved coupled with the rise in stock market prices. However, the shared currency later slid to US\$1.1132 on disappointing Euro growth data in Q4 2015 and expectations the European Central Bank will increase its monetary easing program in the upcoming months. The Euro closed the month at US\$1.0935. Overall, the Tala fell 1.34 percent against the Euro in February. (See Table 2 and Graph 1)

The Australian dollar (AUD) opened the month at US\$0.7078 after the release of downbeat data out of the US. It then strengthened to US\$0.7173 as a rebound in oil prices boosted investors' risk appetite. Favourable economic data out of Australia on business confidence, consumer sentiment and new home sales saw the Australian dollar strengthen to US\$0.7207. The Aussie unit closed off the month firm at US\$0.7128. Overall, the Tala depreciated by 0.94 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\$0.6487 on favourable trade data out of NZ. It continued its rally to US\$0.6507 on weak US data and after a report showed NZ unemployment rate fell to 5.3 percent in the

December quarter. The rise in global oil prices and uncertainty over the timing of future rate hikes by the Federal Reserve also helped support the currency. The New Zealand dollar continued to strengthen until it closed the month firm at US\$0.6657. On average, the Tala fell 0.45 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 US data and the drop in oil prices. Ongoing concerns over the outlook for global growth also lent support to the safe-haven currency. The Chinese Yuan also strengthened throughout the month as Chinese stock prices rallied. It remained unchanged against the US dollar in the middle of the month as markets in China were closed for the Lunar New Year holidays. Wider than expected trade balance data also helped support the currency. In the month under review, the Yen strengthened while the Yuan weakened against the Tala. (See Graph 2)

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

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

As shown by the Nominal Effective Exchange Rate (NEER) Index, the overall nominal value of the Tala depreciated by 0.22 percent against the currency basket in February 2016 from January 2016. (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 February 2016, compared to the previous month and in February 2015.

<sup>1</sup> New Currency Weights took effect on 1 February 2016 following the approval of the 2016 Currency Basket Review.

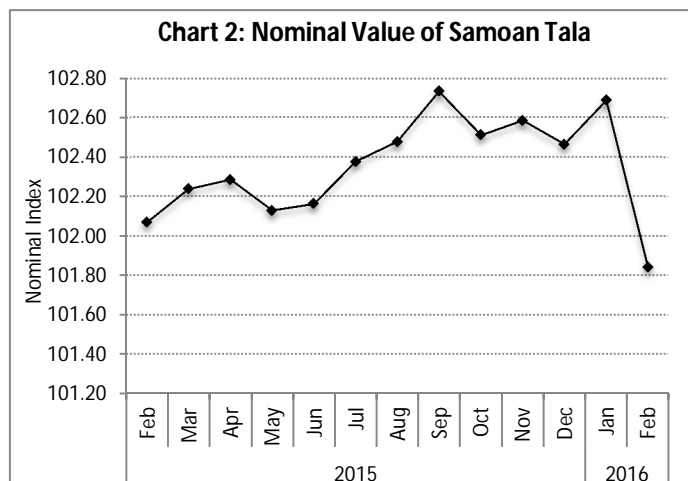
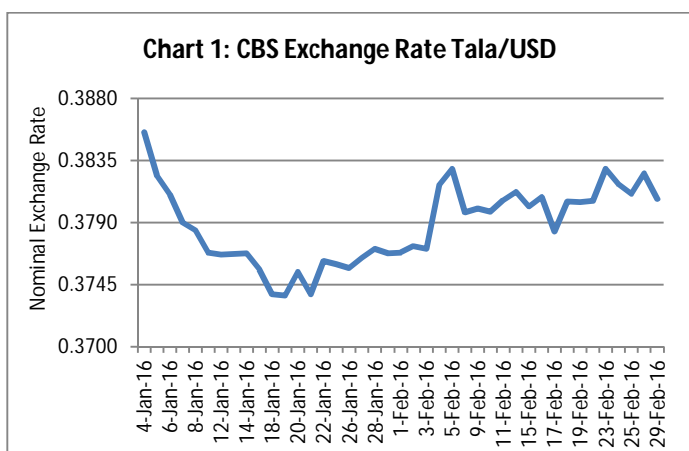
Table 1					
USD per other currencies (month average)					
				Movement of other currencies against the USD over the previous month and the previous year	
				(+ ) appreciation / (- ) depreciation	
	Feb-15	Jan-16	Feb-16	Jan-16	Feb-15
				(%)	(%)
NZD/USD	0.7442	0.6548	0.6633	1.30	-10.87
AUD/USD	0.7791	0.7011	0.7136	1.78	-8.41
USD/YEN	118.6423	118.1113	114.9974	2.64	3.07
USD/CNY	6.2517	6.5696	6.5506	0.29	-4.78
EUR/USD	1.1358	1.0864	1.1102	2.19	-2.25
FJD/USD	0.4905	0.4670	0.4683	0.28	-4.53

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 February 2016, compared to the previous month and February 2015.

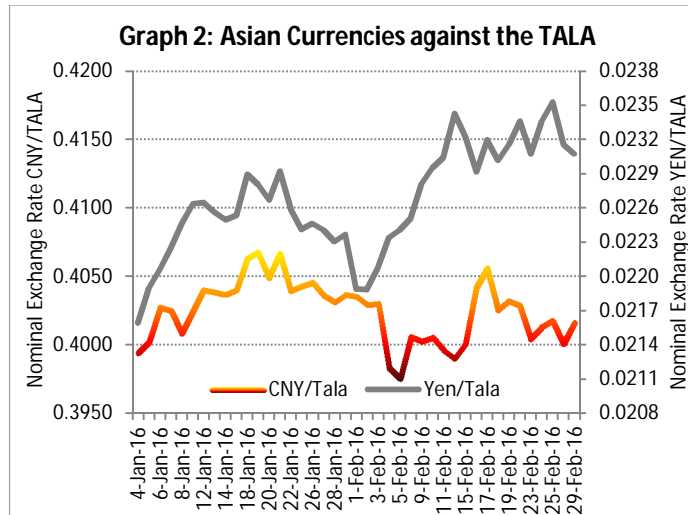
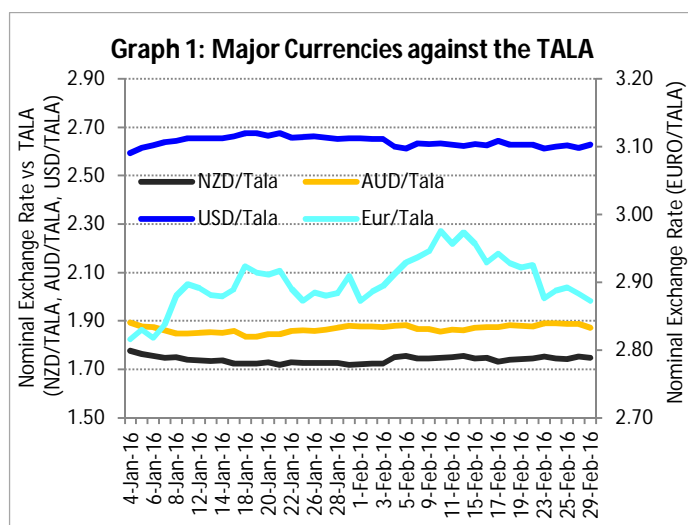
Table 2					
Tala per foreign currencies (month average)					
				Movement of the Tala over the previous month and the previous year	
				(+ ) appreciation / (- ) depreciation	
	Feb-15	Jan-16	Feb-16	Jan-16	Feb-15
				(%)	(%)
USD/TALA	2.4903	2.6512	2.6293	0.83	-5.58
NZD/TALA	1.8530	1.7359	1.7437	-0.45	5.90
AUD/TALA	1.9402	1.8587	1.8761	-0.94	3.30
EUR/TALA	2.8286	2.8800	2.9185	-1.34	-3.18
FJD/TALA	1.2214	1.2381	1.2311	0.57	-0.79
TALA/YEN	47.6415	44.5480	43.7340	-1.83	-8.20
TALA/CNY	2.5104	2.4779	2.4914	0.54	-0.76
Nominal Index	102.07	102.69	101.84	-0.82	-0.22

Source: Central Bank of Samoa



Source: Central Bank of Samoa

### C. Graphs: Major currencies against the Tala



Source: Central Bank of Samoa

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Central Bank of Samoa  
11<sup>th</sup> March 2016