

Exchange Rate Developments March 2016

A. Currency watch

The United States dollar (USD) started off the month weak against most of its major peers on mixed economic data out of the US. It continued to slip on uncertainty over the possibility of a rate hike by the Federal Reserve in the upcoming months. Reports which showed US inflation slowed in February as well as better than expected economic releases from around the globe also weighed down the safe-haven currency's strength. Overall, the USD weakened from the previous month's level, which saw the Tala strengthen from US\$0.3803 in February, to US\$0.3860 in March. (See Chart 1)

The Euro opened the month weak at US\$1.0882 on worse than expected inflation data out of the Euro-region. It then strengthened to US\$1.1001 on uncertainty over the possibility of a rate hike by the Federal Reserve following mixed economic data out of the US. The shared currency continued its rally as investors' risk appetite improved along with the rise in stock market prices. The Euro closed the month at US\$1.1333. Overall, the Tala rose 1.18 percent against the Euro in March. (See Table 2 and Graph 1)

The Australian dollar (AUD) opened the month down at US\$0.7141 after the release of downbeat company profit and building approvals data out of Australia. It then strengthened to US\$0.7410 as a rebound in commodity prices improved investors' risk appetite. The AUD continued to strengthen on unfavourable economic data out of the US and after an Australian report showed unemployment rate dropped to 5.8 percent in February. The Australian dollar closed off the month firm at US\$0.7668 on expectations the Federal Reserve will not raise its interest rates in April. Overall, the Tala depreciated by 3.53 percent against the AUD in the month under review. (See Table 2 and Graph 1)

The New Zealand dollar (NZD) also opened the month weak at US\$0.6592 as data indicated that NZ business confidence dropped in January. It then rose to US\$0.6799 following the rally in international commodity prices and mixed economic data out of the US. Reports which showed NZ gross domestic product rose 0.9 percent in the 2015 fourth quarter also lent support to the currency. The New Zealand dollar continued to strengthen until it closed the month firm at US\$0.6929, supported by rising global oil prices and on uncertainty over the timing of future interest rate hikes by the Federal Reserve. On average, the Tala fell 0.16

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 uncertainty over rate hikes by the Federal Reserve. Strong economic data in Japan on retail sales and growth also lent support to the safe-haven currency. The Japanese Yen continued to strengthen towards the end of the month after the deadly bombing in Belgium. The Chinese Yuan also strengthened throughout the month as Chinese stock prices rallied. Better than expected inflation data in February also helped support the Chinese currency. In the month under review, the YEN strengthened but the YUAN weakened against the Tala. (See Graph 2)

Overall, the US dollar weakened against the NZD, the AUD and the EURO in March 2016 when compared to February 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 and the EURO but weakened 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 depreciated by 0.55 percent against the currency basket in March 2016 from February 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 March 2016, compared to the previous month and in March 2015.

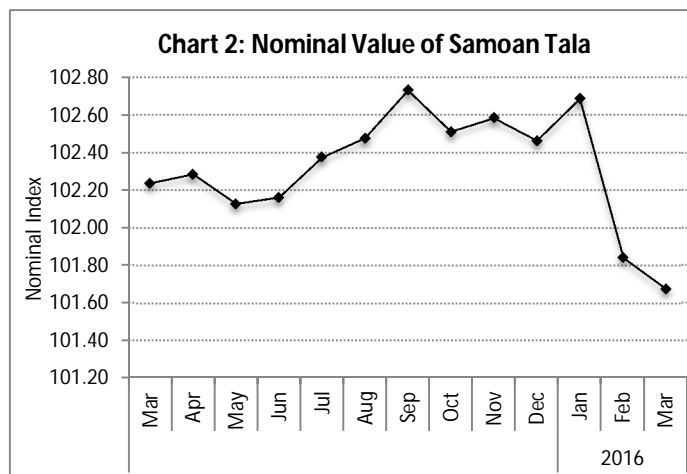
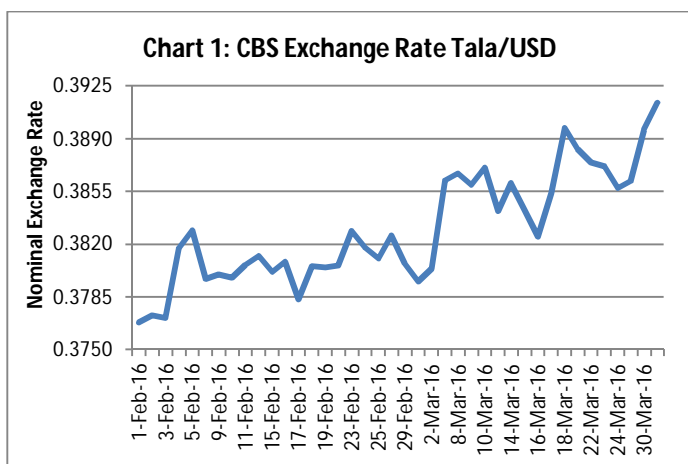
Table 1					
USD per other currencies (month average)					
			Movement of other currencies against the USD over the previous month and the previous year		
			(+ appreciation / (-) depreciation		
	Mar-15	Feb-16	Mar-16	Feb-16	Mar-15
				(%)	(%)
NZD/USD	0.7467	0.6633	0.6742	1.64	-9.71
AUD/USD	0.7735	0.7136	0.7499	5.09	-3.05
USD/YEN	120.3959	114.9974	112.8816	1.84	6.24
USD/CNY	6.2426	6.5506	6.5053	0.69	-4.21
EUR/USD	1.0837	1.1102	1.1134	0.29	2.74
FJD/USD	0.4864	0.4683	0.4790	2.28	-1.52

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

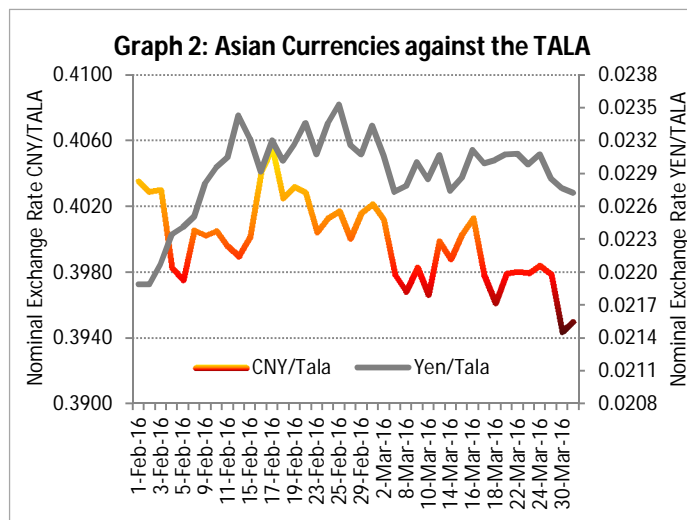
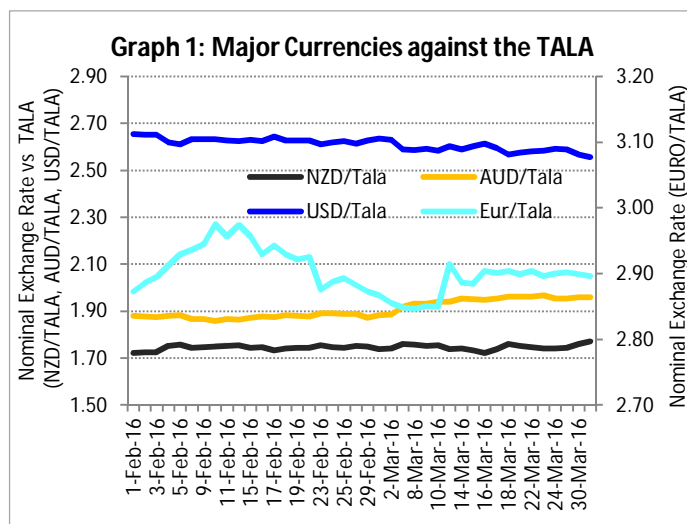
Table 2					
Tala per foreign currencies (month average)					
			Movement of the Tala over the previous month and the previous year		
			(+ appreciation / (-) depreciation		
	Mar-15	Feb-16	Mar-16	Feb-16	Mar-15
				(%)	(%)
USD/TALA	2.4934	2.6293	2.5909	1.46	-3.91
NZD/TALA	1.8614	1.7437	1.7465	-0.16	6.17
AUD/TALA	1.9285	1.8761	1.9423	-3.53	-0.72
EUR/TALA	2.7031	2.9185	2.8842	1.18	-6.70
FJD/TALA	1.2128	1.2311	1.2410	-0.80	-2.33
TALA/YEN	48.2832	43.7340	43.5698	-0.38	-9.76
TALA/CNY	2.5036	2.4914	2.5109	0.78	0.29
Nominal Index	102.24	101.84	101.68	-0.16	-0.55

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
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