



PLEASE ADDRESS CORRESPONDENCE
TO THE GOVERNOR

CENTRAL BANK OF SAMOA

PO Box Private Bag, Apia, Samoa

Ph: 685-34100 | Fax: 685-20293/24058

E-mail: centralbank@cbs.gov.ws

Web: www.cbs.gov.ws

Exchange Rate Developments March 2017

Highlights:

Policy Interest Rates	Current	Change (basis point)	Last Updated	Commodity Prices	Average Price (in USD)	Change	Previous Month
Reserve Bank of NZ	1.75%	0.00	March 23, 2017	crude oil (US\$/bbl)	\$53.53	-\$3.31	\$56.84
Reserve Bank of Australia	1.50%	0.00	March 7, 2017	whole milk powder (US\$/t)	\$2,794.00	-\$520.00	\$3,314.00
US Federal Reserve	0.75 - 1.00%	+0.25	March 15, 2017				
European Central Bank	0.00%	0.00	March 9, 2017				
Bank of England	0.25%	0.00	March 16, 2017				

A. Currency Watch

In March, the overall nominal effective value of the **Samoan Tala depreciated by 0.03 percent** against the currency basket. This was due to the weakening of the Tala against the United States dollar (**by 1.07 percent**), the Australian dollar (**by 0.64 percent**) and the Euro (**by 1.41 percent**), offsetting the Tala's appreciation against the New Zealand dollar (**by 1.93 percent**).

The **United States dollar** (USD) strengthened following:

- A string of upbeat US economic releases during the month (i.e. employment, inflation, housing, consumer confidence and growth);
- The Federal Reserve's decision during the month to hike its funds rate by another 25 basis points to 0.75 to 1.00 percent.

The **Euro** traded higher at around US\$1.05 to USD\$1.08 on:

- Better than expected economic data out of the Euro area (e.g German business climate activity);
- Expectations the European Central Bank (ECB) will tighten its monetary policy later this year.
- The ECB maintaining its refinancing rate at 0.00 percent at its policy meeting.

The **Australian dollar** (AUD) traded between US\$0.77 to US\$0.75, weakening against the USD as:

- Equity and commodity prices dropped;
- Weaker than expected domestic data releases during the month:
 - Private sector credit grew slower at 0.2 percent than the expected 0.5 percent for January.
 - Australian unemployment rate for February rose to 5.9 percent from 5.7 percent.

- The Reserve Bank of Australia held its cash rate unchanged at 1.50 percent.

The **New Zealand dollar** (NZD) slipped to around USD\$0.72 to USD\$0.68 after:

- Price for whole milk (its major export commodity) dropped another 12.4 percent;
- The release of downbeat trade and growth data:
 - The trade balance for January came in at a deficit of NZD\$3.470 billion year on year, wider than the NZ\$3.195 billion gap expected.
 - NZ growth domestic product rose 0.4 percent in Q4 2016, lower than market expectations for an increase of 0.7 percent.
- Future rate hike expectations on the US Federal Reserve.
- The Reserve Bank of New Zealand left interest rates unchanged at 1.75 percent.

Of the currencies not in Samoa's currency basket, the **Japanese Yen** (JPY) rose against the USD after:

- The Bank of Japan left its monetary policy unchanged.

The **Chinese Yuan** (CNY) also advanced against the US currency due to favourable Chinese domestic data:

- China's factory activity expanded faster than expected in February at 53.6;
- Increase in stock prices.

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 2017, compared to the previous month and March 2016.

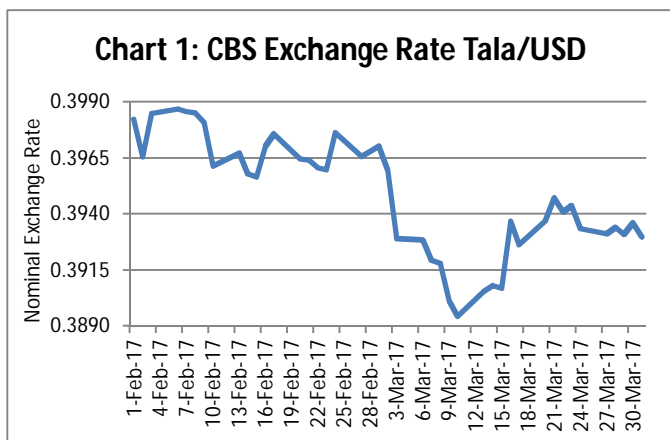
Table 1					
USD per other currencies (month average)					
	Movement of other currencies against the USD over the previous month and the previous year (+) appreciation / (-) depreciation				
	Mar-16	Feb-17	Mar-17	Feb-17 (%)	Mar-16 (%)
NZD/USD	0.6742	0.7230	0.7016	-2.96	4.06
AUD/USD	0.7499	0.7660	0.7627	-0.43	1.71
USD/YEN	112.8816	113.0105	112.8948	0.10	-0.01
USD/CNY	6.5053	6.8732	6.8957	-0.33	-6.00
EUR/USD	1.1134	1.0650	1.0686	0.34	-4.02
FJD/USD	0.4790	0.4854	0.4826	-0.58	0.75

Source: Central Bank of Samoa

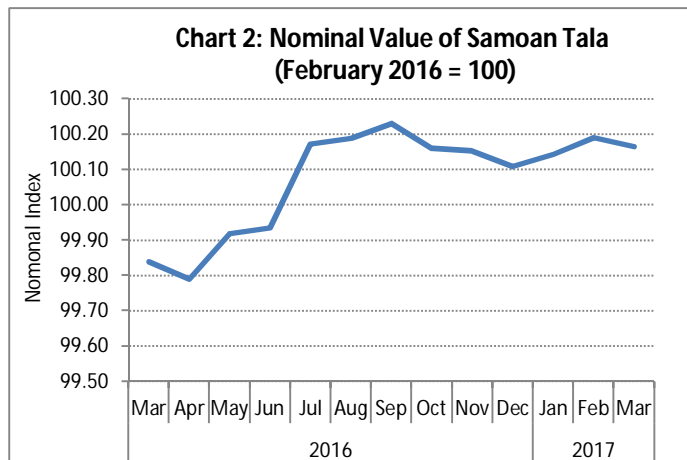
Table 2 shows the movement of the Tala against the currencies in the basket as well as against the FJD, the Yuan and the Yen in March 2017, compared to the previous month and March 2016.

Table 2					
Tala per foreign currencies (month average)					
	Movement of the Tala over the previous month and the previous year (+) appreciation / (-) depreciation				
	Mar-16	Feb-17	Mar-17	Feb-17 (%)	Mar-16 (%)
USD/TALA	2.5909	2.5182	2.5452	-1.07	1.76
NZD/TALA	1.7466	1.8205	1.7854	1.93	-2.22
AUD/TALA	1.9426	1.9289	1.9412	-0.64	0.07
EUR/TALA	2.8844	2.6818	2.7196	-1.41	5.71
FJD/TALA	1.2410	1.2223	1.2281	-0.47	1.04
TALA/YEN	43.5698	44.8866	44.3557	-1.18	1.80
TALA/CNY	2.5109	2.7294	2.7094	-0.73	7.91
Nominal Index	99.83	100.19	100.17	-0.03	0.34

Source: Central Bank of Samoa

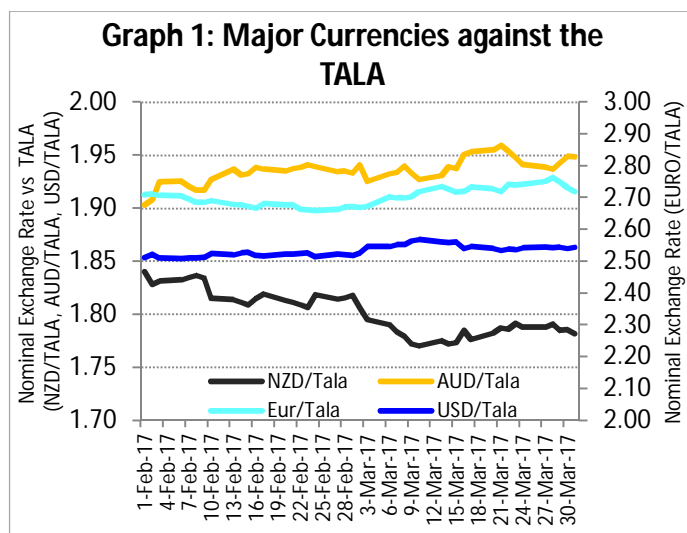


Source: Central Bank of Samoa



Source: Central Bank of Samoa

C. Major currencies against the Tala



Source: Central Bank of Samoa

D. Market Outlook for Q2 2017 (as at 5 Apr 2017):

AUD/USD: We expect the AUD/USD to trade around USD\$0.75 on expectations that the Reserve Bank of Australia will keep its key interest rates unchanged at 1.50 percent throughout 2017 and 2018.

NZD/USD: Markets are expecting the RBNZ's official cash rate to remain at 1.75 percent for some time. This factor may drive the NZD/USD towards USD\$0.69; subject to US data.

EUR/USD: The Euro is expected to trade around US\$1.05 on expectations the European Central Bank will slowly decrease its asset purchases program in the future.

**Financial Markets Department
Central Bank of Samoa
5 April 2017**

Economic & financial forecasts

Policy Interest rate forecasts

	Latest (5 Apr)	Jun 17 (f)	Sep 17 (f)	Dec 17 (f)	Mar 18 (f)	Jun 18 (f)	Sep 18 (f)
USA							
Fed Funds Rate	0.875	1.125	1.125	1.375	1.625	1.625	1.875
Australia							
RBA Cash Rate	1.50	1.50	1.50	1.50	1.50	1.50	1.50
New Zealand							
RBNZ Cash Rate	1.75	1.75	1.75	1.75	1.75	1.75	1.75
China							
PBOC Interest Rate	4.35	4.35	4.35	4.35	4.35	4.35	4.35
Euro-Area							
ECB Refinance Rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00
United Kingdom							
BOE Base Rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25

Exchange rate forecasts

	Latest (5 Apr)	Jun 17 (f)	Sep 17 (f)	Dec 17 (f)	Mar 18 (f)	2018 (f)	2019 (f)	2020 (f)
AUD/USD	0.7561	0.75	0.73	0.73	0.74	0.76	0.75	0.75
NZD/USD	0.6973	0.69	0.69	0.69	0.70	0.72	0.74	0.70
EUR/USD	1.0670	1.05	1.04	1.05	1.06	1.10	1.14	1.19
USD/JPY	110.68	115	117	117	116	115	120	119
GBP/USD	1.2450	1.21	1.22	1.23	1.24	1.28	1.32	1.33
USD/CNH	6.8766	7.04	7.08	7.09	7.20	7.25	7.36	7.20

US economic growth forecasts

	Dec 2016	Mar 17 (f)	Jun 17 (f)	Sep 17 (f)	Dec 17 (f)	2017 (f)	2018 (f)
GDP % qtr	2.1	1.8	2.6	2.1	1.9	2.2	2.4
% yr	2.0	2.1	2.4	2.1	2.1	-	-
Unemployment rate %	4.7	4.6	4.5	4.4	4.4	4.4	4.4
CPI % yr	2.1	2.3	2.1	2.1	1.8	2.1	1.8

Australian economic growth forecasts

	Dec 2016	Mar 17 (f)	Jun 17 (f)	Sep 17 (f)	Dec 17 (f)	2017 (f)	2018 (f)
GDP % qtr / yr avg	1.1	0.6	0.8	0.8	0.7	2.6	2.8
% yr	2.4	1.9	2.0	3.4	3.0	3.0	2.5
Unemployment rate %	5.7	5.7	5.6	5.6	5.6	5.5	5.4
CPI % qtr	0.5	0.6	0.3	0.7	0.3	-	-
% yr	1.5	2.2	2.2	2.1	1.9	1.9	1.9

New Zealand economic growth forecasts

	Dec 2016	Mar 17 (f)	Jun 17 (f)	Sep 17 (f)	Dec 18 (f)	2017 (f)	2018 (f)
GDP % qtr	0.4	0.9	0.9	1.1	0.7	-	-
Annual avg change	3.1	3.1	3.0	2.9	3.2	3.2	3.4
Unemployment rate %	5.2	4.7	4.6	4.4	4.4	4.4	4.2
CPI % qtr	0.4	0.7	0.2	0.4	0.3	-	-
Annual % change	1.3	1.8	1.7	1.7	1.6	1.6	2.1