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Exchange Rate Developments April 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)	\$52.05	-\$1.74	\$53.79
Reserve Bank of Australia	1.50%	0.00	April 4, 2017	whole milk powder (US\$/t)	\$2,924.00	\$130.00	\$2,794.00
US Federal Reserve	0.75 - 1.00%	+0.25	March 15, 2017				
European Central Bank	0.00%	0.00	April 27, 2017				
Bank of England	0.25%	0.00	March 16, 2017				

A. Currency Watch

In April, the overall nominal effective value of the **Samoa Tala depreciated by 0.01 percent** against the currency basket. This was due to the weakening of the Tala against the United States dollar (**by 0.42 percent**) and the Euro (**by 0.77 percent**), offsetting the Tala's appreciation against the New Zealand dollar (**by 0.17 percent**) and the Australian dollar (**by 0.74 percent**).

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

- A string of upbeat US economic releases during the month (i.e. trade, employment, housing and industrial production);
- Expectations the Federal Reserve will continue to raise its funds rate in June 2017;
- On-going concerns over North Korea's missile tests.

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

- Better than expected economic data out of the Euro area;
 - Germany economic sentiment rose to 19.5 in April from 12.8 in March.
- Candidate Emmanuel Macron winning the first round of the French presidential election.
- The ECB maintaining its refinancing rate at 0.00 percent at its policy meeting.

The **Australian dollar** (AUD) traded between US\$0.74 to US\$0.76, weakening against the USD as:

- Iron ore prices dropped;
- Weaker than expected domestic data releases during the month:

- AIG manufacturing index for March eased to 57.5 from 59.3.
- Business confidence came in at 6 in March, from 7 in April.
- The Reserve Bank of Australia held its cash rate unchanged at 1.50 percent.

The **New Zealand dollar** (NZD) slipped to around USD\$0.68 to USD\$0.70 after:

- The release of upbeat economic releases out of the US;
- Future rate hike expectations on the US Federal Reserve;
- Ongoing geopolitical tensions with North Korea.

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

- Safe-haven demand amid ongoing tensions over North Korea;
- Better domestic data with core machinery orders jumping 5.6% annually in February, beating an expected gain of 2.5%;
- 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 exports increased by an annualised rate of 16.4% in March, while imports climbed 20.3%;
- China's house prices for March rose 11.3%;
- 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 April 2017, compared to the previous month and April 2016.

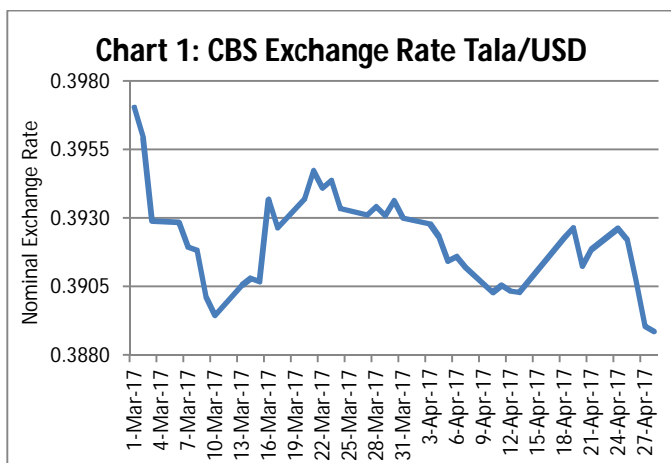
Table 1					
USD per other currencies (month average)					
	Movement of other currencies against the USD over the previous month and the previous year (+) appreciation / (-) depreciation				
	Apr-16	Mar-17	Apr-17	Mar-17 (%)	Apr-16 (%)
NZD/USD	0.6884	0.7016	0.6974	-0.60	1.31
AUD/USD	0.7661	0.7627	0.7539	-1.15	-1.59
USD/YEN	109.8012	112.8948	110.2850	2.31	-0.44
USD/CNY	6.4765	6.8957	6.8900	0.08	-6.38
EUR/USD	1.1339	1.0686	1.0723	0.35	-5.43
FJD/USD	0.4848	0.4826	0.4803	-0.48	-0.93

Source: Central Bank of Samoa

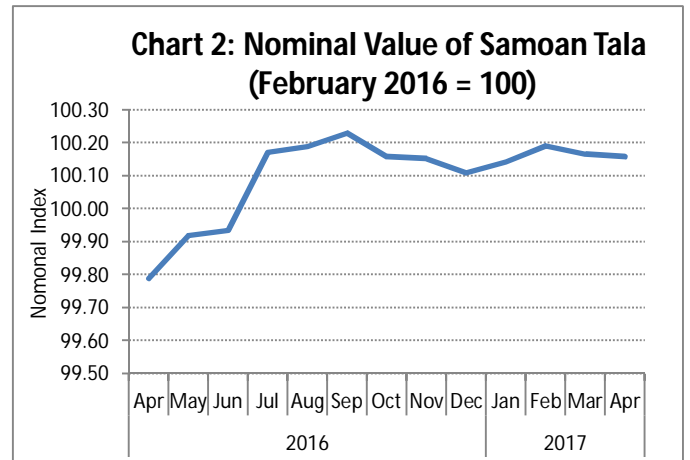
Table 2 shows the movement of the Tala against the currencies in the basket as well as against the FJD, the Yuan and the Yen in April 2017, compared to the previous month and April 2016.

Table 2					
Tala per foreign currencies (month average)					
	Movement of the Tala over the previous month and the previous year (+) appreciation / (-) depreciation				
	Apr-16	Mar-17	Apr-17	Mar-17 (%)	Apr-16 (%)
USD/TALA	2.5615	2.5452	2.5560	-0.42	0.21
NZD/TALA	1.7632	1.7854	1.7823	0.17	-1.08
AUD/TALA	1.9621	1.9412	1.9268	0.74	1.80
EUR/TALA	2.9044	2.7196	2.7406	-0.77	5.64
FJD/TALA	1.2417	1.2281	1.2277	0.03	1.13
TALA/YEN	42.8678	44.3557	43.1477	-2.72	0.65
TALA/CNY	2.5285	2.7094	2.6957	-0.51	6.61
Nominal Index	99.79	100.17	100.16	-0.01	0.37

Source: Central Bank of Samoa

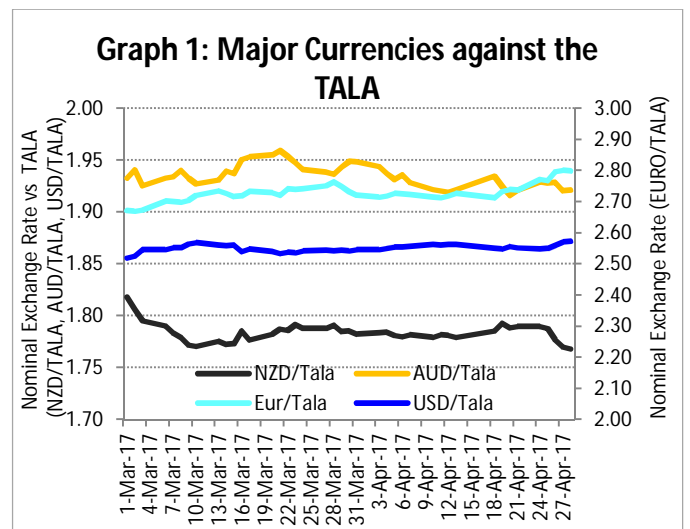


Source: Central Bank of Samoa



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C. Major currencies against the Tala



Source: Central Bank of Samoa

D. Market Outlook for Q2 2017 (as at 4th May 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\$0.70; subject to US data.

EUR/USD: The Euro is expected to trade around US\$1.06 on expectations the European Central Bank will slowly decrease its asset purchases program in the future.

**Financial Markets Department
Central Bank of Samoa
4th May 2017**

Economic & financial forecasts

Policy Interest rate forecasts

	Latest (4 May)	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 (4 May)	Jun 17 (f)	Sep 17 (f)	Dec 17 (f)	Mar 18 (f)	2018 (f)	2019 (f)	2020 (f)
AUD/USD	0.7423	0.75	0.74	0.74	0.74	0.76	0.75	0.79
NZD/USD	0.6875	0.70	0.69	0.68	0.68	0.70	0.73	0.70
EUR/USD	1.0900	1.06	1.07	1.07	1.08	1.13	1.18	1.20
USD/JPY	112.67	120	121	122	122	125	130	131
GBP/USD	1.2876	1.24	1.24	1.25	1.26	1.29	1.35	1.40
USD/CNH	6.8929	6.96	7.02	7.05	7.07	7.20	7.33	7.40

US economic growth forecasts

	Dec 2016	Mar 17 (f)	Jun 17 (f)	Sep 17 (f)	Dec 17 (f)	2017 (f)	2018 (f)
GDP % qtr	1.9	1.8	2.6	2.1	1.9	2.2	2.4
% yr	1.9	2.1	2.4	2.1	2.1	-	-
Unemployment rate %	4.7	4.7	4.6	4.5	4.4	4.5	4.4
CPI % yr	2.1	1.7	1.8	1.8	1.9	1.8	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	5.8	5.9	6.0	6.3	6.3	6.2
CPI % qtr	0.5	0.5	0.5	0.7	0.3	-	-
% yr	1.5	2.1	2.3	2.2	2.0	2.0	2.0

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	0.8	1.1	0.7	-	-
Annual avg change	3.1	3.1	2.9	2.9	3.2	3.2	3.4
Unemployment rate %	5.2	4.9	4.7	4.6	4.7	4.7	4.7
CPI % qtr	0.4	1.0	0.2	0.4	0.3	-	-
Annual % change	1.3	2.2	2.0	2.1	2.0	2.0	2.1

Source: Bloomberg, Westpac Economics Update (01 May 2017)