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## EXCHANGE RATE DEVELOPMENTS APRIL 2018

### 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 22, 2018	crude oil (US\$/bbl)	\$74.63	\$5.78	\$68.85
Reserve Bank of Australia	1.50%	0.00	May 1, 2018	whole milk powder (US\$/t)	\$3,278.00	\$52.00	\$3,226.00
US Federal Reserve	1.50 - 1.75%	+0.25%	March 21, 2018				
European Central Bank	0.00%	0.00	April 26, 2018				
Bank of England	0.50%	0.00	February 8, 2018				

### A. CURRENCY WATCH

In April, the overall nominal effective value of the **Samoan Tala depreciated by 0.1652 percent** against the currency basket. This was due to the weakening of the Tala against the United States dollar (**by 0.27 percent**) and New Zealand dollar (**by 0.14 percent**), offsetting the Tala's appreciation against the Euro (**by 0.14 percent**) and the Australian dollar (**by 0.85 percent**).

The **United States dollar** (USD) continued to rise during April, with a general upturn due to the following developments:

- A string of positive US economic releases during the month (E.g. Higher than expected jobless claims, hike in home building, building permits and industrial production, upbeat new home sales, increase in manufacturing index and improvement in consumer confidence data);
- The U.S and China trade conflict subsided as global investors all focused on higher United States Yield bonds that rose to 3%, since early 2014.

The **Euro** slipped from US\$1.24 to USD\$1.20 on the back of:

- Disappointing economic releases out of the region:
  - Weaker than expected Eurozone retail sales, services PMI and consumer inflation;
- Tight trading as the market focused on the geopolitical issues between U.S and China.
- The European Central Bank (ECB) keeping interest rates unchanged as expected and retaining its neutral stance.

The **Australian dollar** (AUD) traded between US\$0.78 to US\$0.75, depreciating against the USD due to:

- Unfavorable domestic data releases during the month (E.g. Worse than expected building approvals, low copper prices and disappointing consumer price inflation);
- Sentiment-linked forces, which was prompted by disappointing trading partner (China) industrial data;
- RBA keeping its cash rate unchanged at a record low of 1.5 percent as expected.

The **New Zealand dollar** (NZD) weakened to around USD\$0.73 to USD\$0.70, after:

- The New Zealand annual inflation slowed to 1.1% in the first quarter, boosting expectations that interest rates would remain low in the near future.
- The Kiwi currency was also weakened by China's underperforming industrial data.
- The New Zealand and Australia markets closed for ANZAC Memorial Day on the 25<sup>th</sup> April.

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

- Unfavourable domestic data released during April such as the huge drop in current accounts;
- Improved investor risk appetite as concerns over the trade friction between China and US and tensions in the Middle East subsided;
- The Bank of Japan upheld its monetary policy stance, consistent with market expectations.

The **Chinese Yuan** (CNY) strengthened against the US currency following:

- Favourable domestic data releases during the month (E.g. Asian equities and stock increased);
- China increased tariffs up to 25% on certain U.S imports in response to U.S duties on imports of aluminum and steel.
- Asian markets closed for Labour Day Holiday including Japan on the 30<sup>th</sup> April to 01<sup>st</sup> May. Moreover, China markets closed on Qing Ming Festival on 5<sup>th</sup> – 6<sup>th</sup> April.

## 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 2018, compared to the previous month and April 2017.

	Apr-17	Mar-18	Apr-18	Movement of other currencies against the USD over the previous month and the previous year (+) appreciation / (-) depreciation	
				Mar-18 (%)	Apr-17 (%)
NZD/USD	0.6974	0.7260	0.7248	-0.17	3.93
AUD/USD	0.7539	0.7767	0.7686	-1.04	1.95
USD/YEN	110.2850	106.3650	107.5595	1.12	2.47
USD/CNY	6.8900	6.3248	6.2970	-0.44	9.42
EUR/USD	1.0723	1.2334	1.2279	-0.45	14.51
FJD/USD	0.4803	0.4940	0.4916	-0.49	2.35

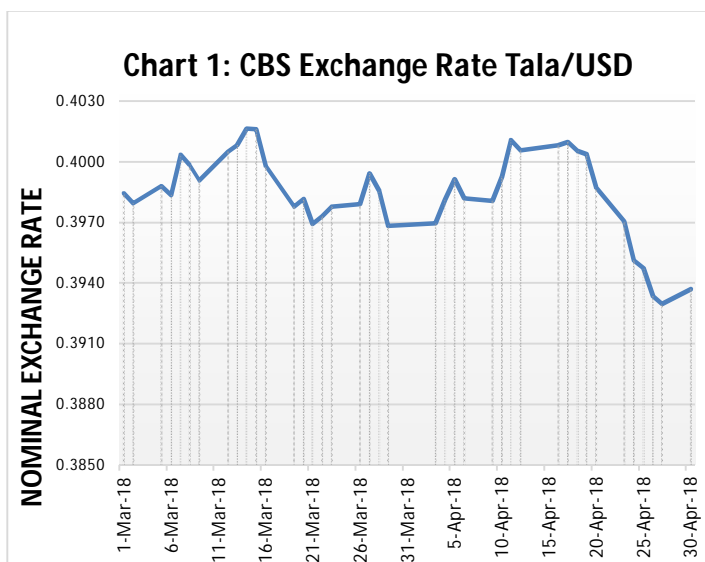
\*with the exception of YEN and CNY which is YEN and CNY per USD

Source: Central Bank of Samoa

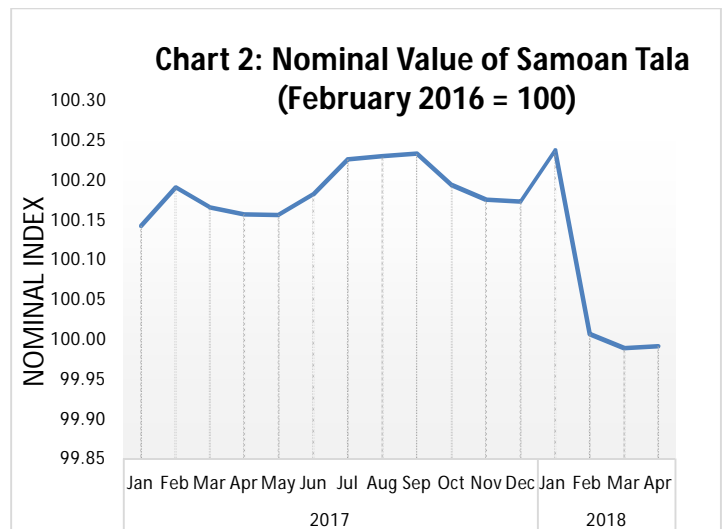
Table 2 shows the movement of the Tala against the currencies in the basket as well as against the FJD, the Yuan and the Yen in April 2018, compared to the previous month and April 2017.

	Apr-17	Mar-18	Apr-18	Movement of the Tala over the previous month and the previous year (+) appreciation / (-) depreciation	
				Mar-18 (%)	Apr-17 (%)
USD/TALA	2.5560	2.5067	2.5134	-0.27	1.67
NZD/TALA	1.7823	1.8188	1.8214	-0.14	-2.19
AUD/TALA	1.9268	1.9483	1.9317	0.85	-0.25
EUR/TALA	2.7406	3.0906	3.0864	0.14	-12.62
FJD/TALA	1.2277	1.2372	1.2356	0.13	-0.64
TALA/YEN	43.1477	42.3372	42.7938	1.08	-0.82
TALA/CNY	2.6957	2.5232	2.5054	-0.71	-7.06
Nominal Index	100.1571	99.9893	99.9916	0.0023	-0.1652

Source: Central Bank of Samoa

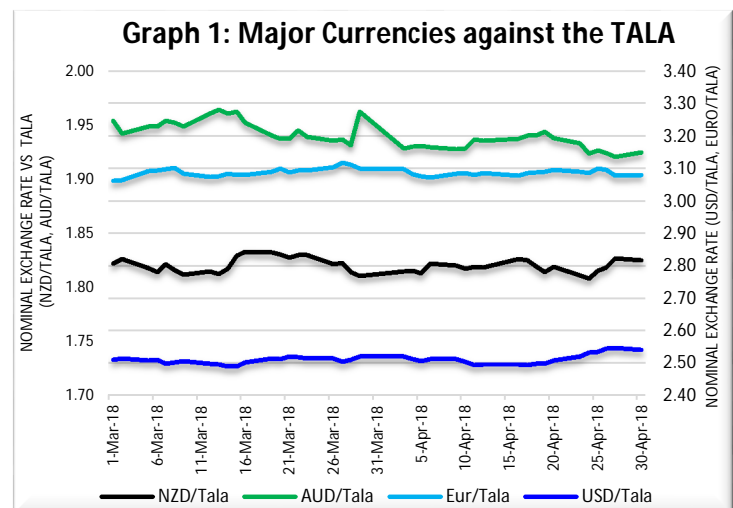


Source: Central Bank of Samoa



Source: Central Bank of Samoa

## C. MAJOR CURRENCIES AGAINST THE TALA



Source: Central Bank of Samoa

## D. MARKET OUTLOOK FOR Q1 2018 (As at 02<sup>nd</sup> May 2018):

**AUD/USD:** Markets expectations are for the AUD/USD to trade around USD\$0.75, with the Reserve Bank of Australia to keep its key interest rates unchanged at 1.50 percent throughout 2018 and 2019.

**NZD/USD:** The RBNZ held rates steady at 1.75 percent. It will continue to target 1 to 3% inflation, with a focus on keeping future inflation near the two percent midpoint. This factor may drive the NZD/USD towards USD\$0.70.

**EUR/USD:** The Euro is expected to trade around US\$1.21 on expectations the European Central Bank will achieve its aim of a self-reinforcing growth cycle and inflation near 2.0%yr.

**FINANCIAL MARKETS DEPARTMENT**  
11<sup>th</sup> May 2018

# ECONOMIC & FINANCIAL FORECASTS

## Policy Interest rate forecasts

	Latest (6 Apr)	Jun 18	Sep 18	Dec 18	Mar 19	Jun 19	Sep 19
<b>USA</b>							
Fed Funds Rate	1.625	1.875	2.125	2.125	2.375	2.625	2.625
<b>Australia</b>							
RBA Cash Rate	1.50	1.50	1.50	1.50	1.50	1.50	1.50
<b>New Zealand</b>							
RBNZ Cash Rate	1.75	1.75	1.75	1.75	1.75	1.75	1.75
<b>China</b>							
PBOC Interest Rate	4.35	4.35	4.35	4.35	4.35	4.35	4.35
<b>Euro-Area</b>							
ECB Refinance Rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>United Kingdom</b>							
BOE Base Rate	0.50	0.75	0.75	0.75	0.75	1.00	1.00

## Exchange rate forecasts

	Latest (2 May)	Jun 18	Sep 18	Dec 18	Jan 19	2019	2020
AUD/USD	0.7487	0.77	0.78	0.79	0.80	0.80	0.77
NZD/USD	0.6998	0.72	0.73	0.73	0.74	0.73	0.74
EUR/USD	1.1990	1.23	1.25	1.26	1.28	1.30	1.30
USD/JPY	109.8550	108.00	107.00	107.00	106.00	103.00	101.00
GBP/USD	1.3612	1.40	1.42	1.43	1.44	1.45	1.45
USD/CNH	6.3323	6.30	6.29	6.29	6.24	6.28	6.07

## US economic indicators and outlook

	Jun 17	Sep 17	Dec 17	Mar 17(f)	Jun 18 (f)	Sep 18 (f)	Dec 18(f)
GDP % qtr	3.1	3.2	2.9(2e)	2.9	3.3	3.2	2.9
% yr	2.2	2.3	2.6(2e)	3.0	3.1	3.1	3.1
Unemployment rate %	4.3	4.3	4.1	4.1	4.0	3.9	3.9
CPI % yr	1.9	2.0	2.1	2.2	2.8	2.7	2.4

2e – 2<sup>nd</sup> estimates

## Australian economic indicators and outlook

	Jun 17	Sep 17	Dec 17	Mar 18 (f)	Jun 18 (f)	Sep 18 (f)	Dec 18 (f)
GDP % qtr / yr avg	0.8	0.7	0.4	0.8	0.7	0.5	0.6
% yr	2.0	2.9	2.4	2.7	2.7	2.5	2.7
Unemployment rate %	5.6	5.5	5.5	5.5	5.5	5.5	5.5
CPI % qtr	0.2	0.6	0.6	0.4	0.4	0.8	0.4
% yr	1.8	1.9	1.9	2.0	2.0	2.0	2.1

## New Zealand economic indicators and outlook

	Jun 17	Sep 17	Dec 17	Mar 18(f)	Jun 18 (f)	Sep 18 (f)	Dec 18(f)
GDP % qtr	0.9	0.6	0.6	0.6	0.6	0.7	0.7
Annual avg change	3.4	3.0	2.9	2.8	2.7	2.7	2.7
Unemployment rate %	4.8	4.6	4.5	4.5	4.4	4.4	4.5
CPI % qtr	0.0	0.5	0.1	0.5	0.4	0.6	0.2
Annual % change	1.7	1.9	1.6	1.1	1.5	1.6	1.7

Source: Bloomberg, Westpac Economics Update (30 April 2018), Trading Economics