



EXCHANGE RATE DEVELOPMENTS FEBRUARY 2019

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	February 13, 2019	crude oil (US\$/bbl)	\$66.31	\$5.38	\$60.93
Reserve Bank of Australia	1.50%	0.00	February 5, 2019	whole milk powder (US\$/t)	\$4,587.50	\$1,562.50	\$3,025.00
US Federal Reserve	2.25 - 2.50%	+0.25	January 30, 2019				
European Central Bank	0.00%	0.00	January 24, 2019				
Bank of England	0.75%	0.00	February 7, 2019				

A. CURRENCY WATCH

The overall nominal effective value of the **Samoan Tala depreciated by 0.0889 percent** against the currency basket. This has resulted from the Tala's depreciation against the New Zealand dollar (by 0.65 percent), which more than offset the Tala's appreciation against the United States dollar (by 0.30 percent), Euro (by 0.83 percent) and Australian dollar (by 0.29 percent).

Of the currencies in the Tala currency basket, the **United States dollar (USD)** weakened due to the following developments:

- A string of downbeat US economic releases during the month such as the decline in non-manufacturing purchasing managers' index (PMI), US Consumer Price Index (CPI) remained flat, and retail sales tumbled lower;
- The Federal Reserve Bank, as expected, maintained its Fund rate at a range of 2.25 percent to 2.50 percent.
- US President Trump's tariff suspension propelled risky assets following a decline in oil prices, which were dragged down by plentiful supply as U.S. exports soared, competing with traditional producers from the Middle East in key markets such as Asia.

The **Euro** weakened against the USD from US\$1.14 to US\$1.13 on the back of:

- Downbeat economic releases out of the Euro region such as Italy's weak Q4 2018 GDP, weaker than expected EU Producer Price Index, decline in the Eurozone's industrial production and the region's manufacturing indicator (producer manufacturing index or PMI) fell to a 68-month low;
- The ECB's downgraded economic growth targets for 2019 and 2020 as the effects of geopolitical tensions dragged on international business.

The **Australian dollar (AUD)** slightly strengthened, due to:

- Favorable domestic data releases during the month, (mainly reflecting the better than expected quarterly headline consumer inflation, positive NAB Business

Confidence report, equity and commodity prices rallied; and

- The Reserve of Bank Australia leaving its key rate at 1.5% as expected while cutting its economic growth outlook.

The **New Zealand dollar (NZD)** traded higher from around USD\$0.67 to USD\$0.68, mainly reflecting:

- Positive domestic data released during the month including a rise in equity and commodity prices and strong NZ retail sales volume figures;
- US-China trade optimism and weaker USD underpinned the Kiwi dollar.
- The Reserve Bank of New Zealand (RBNZ) held its policy rate unchanged at 1.75 percent, which was in line with market expectations.

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

- Favorable domestic data releases, mainly reflecting the strong gain in Japanese Preliminary GDP and the rise in stock markets,
- Despite the strengthening of the Yen, investor risk-sentiments remained amid concerns over the U.S.-China trade relations, with forecasts of a global economic slowdown.

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

- Favourable domestic data releases during the month, including the increase in PMI, strong exports data and rally in stock prices.
- A government call for all countries to abide by the principle of fair competition and a non-discriminatory market environment in the wake of the situation in Canada and the USA involving the arrest of a senior official for Huawei, a leading Chinese telecommunications company.
- The closure of the Asian stock markets for Lunar New Year on February 5th to 19th (involving China, Hong Kong, Taiwan, South Korea, Malaysia and Vietnam).

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 2019, compared to the previous month and February 2018.

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-18	Jan-19	Feb-19	Jan-19	Feb-18
				(%)	(%)
NZD/USD	0.7316	0.6773	0.6838	0.96	-6.53
AUD/USD	0.7885	0.7148	0.7149	0.01	-9.33
USD/YEN	108.0370	108.9631	110.3335	-1.26	-2.13
USD/CNY	6.3211	6.7926	6.7394	0.78	-6.62
EUR/USD	1.2359	1.1414	1.1353	-0.53	-8.14
FJD/USD	0.4969	0.4718	0.4723	0.11	-4.95

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

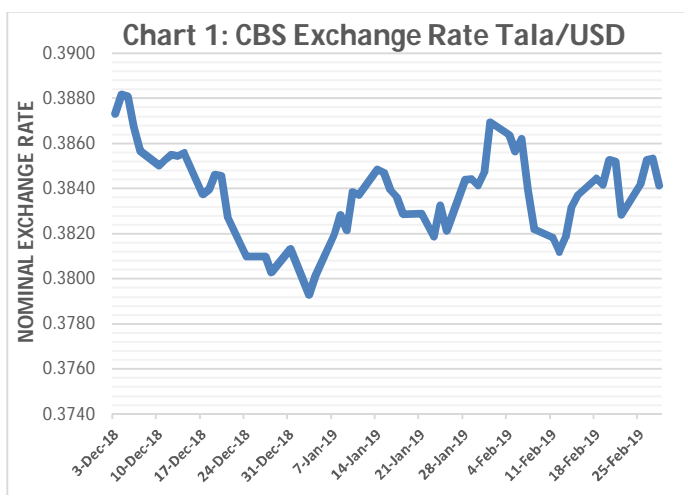
Source: Central Bank of Samoa

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 February 2019, compared to the previous month and February 2018.

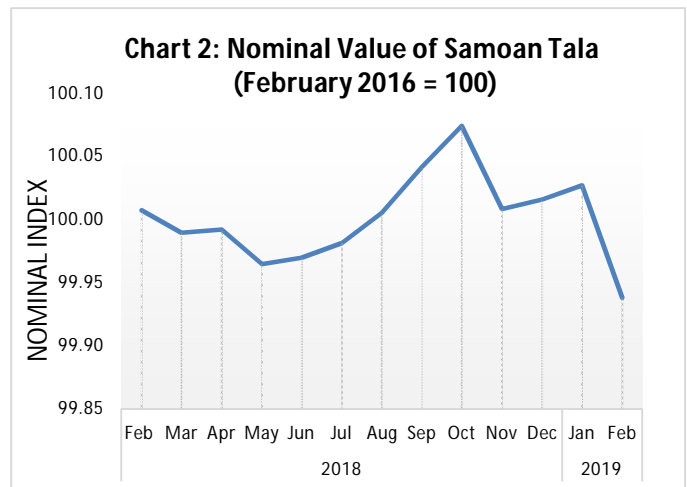
Table 2					
Tala* per foreign currencies (month average)					
	Movement of the Tala over the previous month and the previous year (+) appreciation / (-) depreciation				
	Feb-18	Jan-19	Feb-19	Jan-19	Feb-18
				(%)	(%)
USD/TALA	2.4914	2.6107	2.6029	0.30	-4.48
NZD/TALA	1.8225	1.7682	1.7797	-0.65	2.35
AUD/TALA	1.9642	1.8661	1.8606	0.29	5.27
EUR/TALA	3.0789	2.9796	2.9550	0.83	4.02
FJD/TALA	1.2379	1.2315	1.2292	0.19	0.70
TALA/YEN	43.3647	41.7383	42.3891	1.56	-2.25
TALA/CNY	2.5372	2.5818	2.5891	0.28	2.05
Nominal Index	100.0070	100.0266	99.9377	-0.0889	-0.0693

*with the exception of YEN and CNY which is YEN and CNY per TALA

Source: Central Bank of Samoa

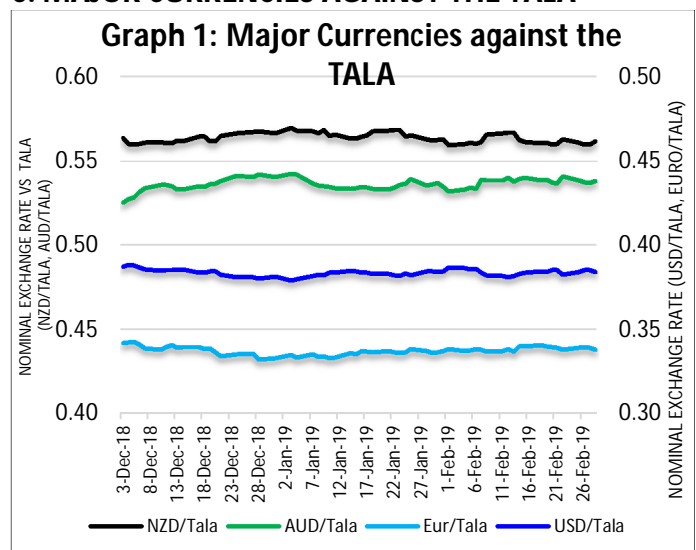


Source: Central Bank of Samoa



Source: Central Bank of Samoa (New weights for the Samoa Tala basket took effect on 1 February 2019)

C. MAJOR CURRENCIES AGAINST THE TALA



Source: Central Bank of Samoa

D. MARKET OUTLOOK FOR 2019 (07/03/19):

AUD/USD: Markets expectations are for the AUD/USD to trade around USD\$0.68 by Sept Quarter 2019. The Aussie dollar might weaken on softer global demand and the decline of iron ore prices and steady coal prices (two of Australia's main export commodities). RBA expect to maintain its policy rate throughout 2019 and 2020.

NZD/USD: The RBNZ is expected to depreciate to around US\$0.64 by Dec 2019. The pace of the growth in the NZ economy slowed further than expected in the Sept 2018 Quarter to 3%. Despite these developments, the RBNZ is set to keep the OCR on hold through until the end of 2020.

EUR/USD: The Euro is now revised to trade around US\$1.10 towards the end of 2019. The downward revision in Euro economic growth by the IMF and risks from Brexit and political uncertainty within the region, will weigh heavily on the currency.

ECONOMIC & FINANCIAL FORECASTS

Policy Interest rate forecasts

	Latest actual (4 March)	Mar 19	Jun 19	Sep 19	Dec 19	Mar 20	Jun 20
USA							
Fed Funds Rate	2.375	2.375	2.625	2.875	2.875	2.875	2.875
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	0.75	0.75	0.75	0.75	0.75	0.75	0.75

Exchange rate forecasts

	Latest (7 Mar)	Mar 19	Jun 19	Sep 19	Dec 19	Mar20	Jun20
AUD/USD	0.7026	0.71	0.70	0.68	0.68	0.69	0.69
NZD/USD	0.6774	0.67	0.66	0.64	0.64	0.65	0.65
EUR/USD	1.1310	1.13	1.11	1.10	1.10	1.11	1.14
USD/JPY	111.7050	110.00	111.00	113.00	112.00	111.00	110.00
GBP/USD	1.3164	1.32	1.34	1.30	1.32	1.33	1.34
USD/CNH	6.7112	6.74	6.70	6.70	6.70	7.19	6.60

US economic indicators and outlook

	Jun 18	Sep 18	Dec 18 (f)	Mar 19(f)	Jun 19(f)	Sep 19(f)	Dec 19(f)
GDP % qtr	4.2	3.5	2.5	2.0	2.8	1.7	1.6
% yr	2.9	3.0	3.1	3.0	2.7	2.3	2.0
Unemployment rate %	3.9	3.8	3.8	3.6	3.5	3.4	3.4
CPI % yr	2.8	2.3	1.9	1.8	1.8	1.9	1.6

Australian economic indicators and outlook

	Jun 18	Sep 18	Dec 18 (f)	Mar 19(f)	Jun 19(f)	Sep 19(f)	Dec 19(f)
GDP % qtr / yr avg	0.9	0.3	0.2(f)	0.6	0.4	0.6	0.7
% yr	3.1	2.8	2.4(f)	2.0	1.5	1.8	2.2
Unemployment rate %	5.4	5.2	5.0	5.1	5.4	5.5	5.5
CPI % qtr	0.4	0.4	0.5	0.1	0.4	0.6	0.5
% yr	2.1	1.9	1.8	1.4	1.5	1.7	1.7

New Zealand economic indicators and outlook

	Jun 18	Sep 18	Dec 18 (f)	Mar 19(f)	Jun 19(f)	Sep 19(f)	Dec 18(f)
GDP % qtr	1.0	0.3	0.3	0.8	0.8	0.7	0.8
Annual avg change	3.1	3.0	2.7	2.6	2.3	2.3	2.6
Unemployment rate %	4.4	4.0	4.3	4.4	4.3	4.3	4.2
CPI % qtr	0.4	0.9	0.1	0.2	0.5	0.7	0.4
Annual % change	1.5	1.9	1.9	1.6	1.5	1.8	1.6

Source: Bloomberg, Westpac Economics Update (4 Mar 2019), Trading Economics