



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 APRIL 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	March 27, 2019	crude oil (US\$/bbl)	\$72.06	\$4.85	\$67.21
Reserve Bank of Australia	1.50%	0.00	April 2, 2019	whole milk powder (US\$/t)	\$3,312.50	\$216.25	\$3,096.25
US Federal Reserve	2.25 - 2.50%	0.00	May 1, 2019				
European Central Bank	0.00%	0.00	April 10, 2019				
Bank of England	0.75%	0.00	March 21, 2019				

### A. CURRENCY WATCH

The overall nominal effective value of the **Samoan Tala depreciated by 0.0045 percent** against the currency basket. This resulted from the Tala's depreciation against the United States dollar (by 0.68 percent) and Australian dollar (by 0.14 percent) which more than offset the Tala's appreciation against the Euro (by 0.39 percent) and New Zealand dollar (by 0.99 percent).

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

- A string of positive US economic releases during the month such as the weekly jobless claims fell more than expected, increase in manufacturing figures, upbeat earnings reports, stronger than expected wholesale inflation, industrial production rose, increase in home sales, and crude oil surged higher;
- The Federal Reserve Bank, as expected, maintained its Fund rate at a range of 2.25 percent to 2.50 percent and indicated no further hikes in 2019 in view of its revised economic outlook.

The **Euro** weakened against the USD from US\$1.13 to USD\$1.12 on the back of:

- Downbeat economic releases out of the Euro region, such as a decrease in Eurozone manufacturing activity, weaker-than-expected wholesale inflation data, slump in Eurozone industrial production and German data performing well below expectations (such as their business confidence and manufacturing orders);
- The European Central Bank (ECB) maintained its benchmark interest rates at 0%.

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

- Favorable domestic data releases during the month, mainly reflecting the better-than-expected housing data report and positive retail sales.
- The meeting minutes stated that the Reserve Bank of Australia (RBA) expects inflation to remain muted for

some time, if inflation remains low and the jobless rate ticks higher.

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

- Negative domestic data released during the month including a drop in equity and commodity prices, and disappointing NZIER business confidence figures.
- Given the increasingly dovish outlook on global economic growth by most major central banks, the Reserve Bank of New Zealand (RBNZ) anticipated a potential cut in the official cash rate from 1.75 percent to 1.50 percent as early as in May.

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

- Unfavorable domestic data releases, mainly reflecting a decline in Tankan indices in the fourth quarter, and a drop in March trade deficit.
- Improved investors' risk appetite as investors turn to riskier assets.
- The Bank of Japan's policy rate decision to remain unchanged as expected and also downgraded growth and inflation forecasts.

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

- Stronger USD and unfavourable domestic data releases during the month, (mainly reflecting the decline in stock prices).
- The International Netherlands Group (ING) in China reported that the yuan has been moving much more narrowly in the past two months as China's central bank, the People's Bank of China, has emphasized "stability" in currency policy.
- Moreover, the change in direction, albeit small in substance, is a way for China to show that its yuan policy is independent from the influence of other countries.

## 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 2019, compared to the previous month and April 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				
	Apr-18	Mar-19	Apr-19	Mar-19 (%)	Apr-18 (%)
NZD/USD	0.7248	0.6835	0.6724	-1.62	-7.23
AUD/USD	0.7686	0.7084	0.7111	0.38	-7.48
USD/YEN	107.5595	111.1300	111.6438	-0.46	-3.80
USD/CNY	6.2970	6.7129	6.7163	-0.05	-6.66
EUR/USD	1.2279	1.1308	1.1233	-0.66	-8.52
FJD/USD	0.4916	0.4707	0.4696	-0.23	-4.48

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

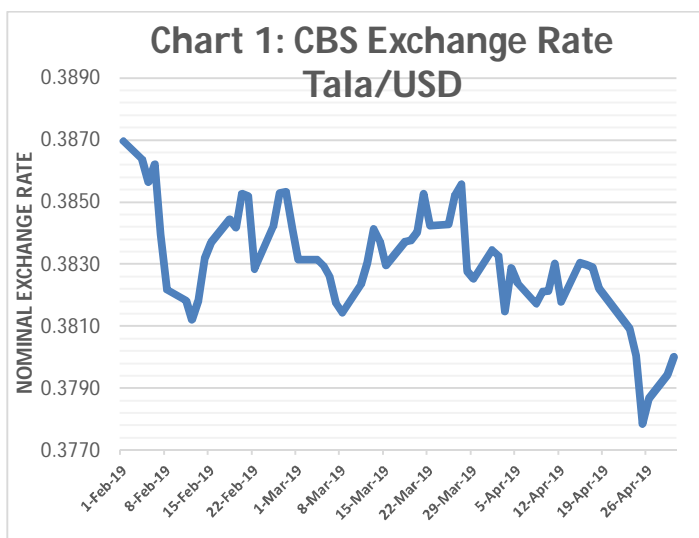
Source: Central Bank of Samoa

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 2019, compared to the previous month and April 2018.

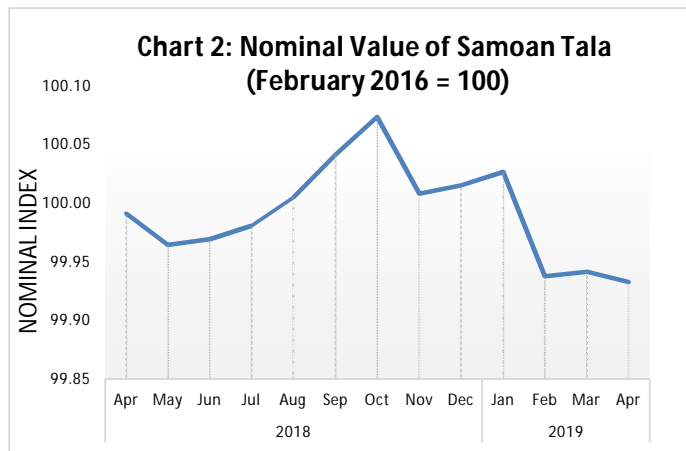
Table 2					
Tala* per foreign currencies (month average)					
	Movement of the Tala over the previous month and the previous year (+) appreciation / (-) depreciation				
	Apr-18	Mar-19	Apr-19	Mar-19 (%)	Apr-18 (%)
USD/TALA	2.5134	2.6029	2.6205	-0.68	-4.26
NZD/TALA	1.8214	1.7797	1.7620	0.99	3.26
AUD/TALA	1.9317	1.8606	1.8632	-0.14	3.55
EUR/TALA	3.0864	2.9550	2.9435	0.39	4.63
FJD/TALA	1.2356	1.2292	1.2306	-0.11	0.40
TALA/YEN	42.7938	42.3891	42.6047	0.51	-0.44
TALA/CNY	2.5054	2.5891	2.5630	-1.01	2.30
Nominal Index	99.9927	99.9377	99.9332	-0.0045	-0.0596

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

Source: Central Bank of Samoa

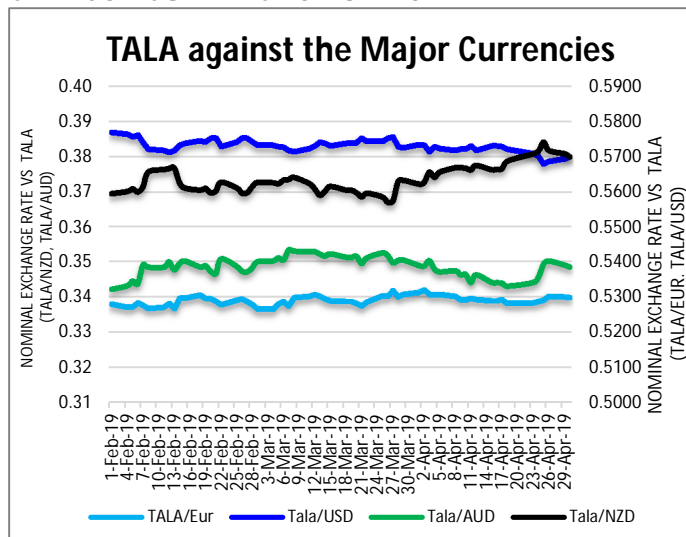


Source: Central Bank of Samoa



Source: Central Bank of Samoa

## C. MAJOR CURRENCIES AGAINST THE TALA



Source: Central Bank of Samoa

## D. MARKET OUTLOOK FOR 2019 (06/05/19):

**AUD/USD:** Markets expectations are for the AUD/USD to trade around USD\$0.68 by September Quarter 2019. Westpac expects economic growth to remain at a subdued 2.2% pace throughout 2019 and 2020, well below Australia's 'trend' or potential growth. The market expects the RBA may cut its cash rate in August 2019.

**NZD/USD:** The RBNZ is expected to depreciate to around US\$0.66 by Dec 2019. Against this backdrop, there is a risk of a follow-up cut in the near term, but the RBNZ is more likely to hold off for the remainder of 2019. However, with the economy likely to slow again next year, the RBNZ expect to cut the OCR again in May 2020, to a new low of 1.25%.

**EUR/USD:** The Euro is now revised to trade around US\$1.11 towards the end of 2019 amid Brexit process remains unresolved, negotiations are continuing, economic conditions remain soft across the continent, weighed down by a slowdown in global trade and geopolitical uncertainty.

# ECONOMIC & FINANCIAL FORECASTS

## Policy Interest rate forecasts

	Latest actual (6 May)	Jun 19	Sep 19	Dec 19	Mar 20	Jun 20	Sep 20
<b>USA</b>							
Fed Funds Rate	2.375	2.375	2.375	2.375	2.375	2.375	2.375
<b>Australia</b>							
RBA Cash Rate	1.50	1.50	1.25	1.00	1.00	1.00	1.00
<b>New Zealand</b>							
RBNZ Cash Rate	1.75	1.50	1.50	1.50	1.50	1.25	1.25
<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	0.75	0.75	0.75	0.75	0.75	0.75	0.75

## Exchange rate forecasts

	Latest (6 May)	Jun 19	Sep 19	Dec 19	Mar 20	Jun 20	Sep 20
AUD/USD	0.6965	0.70	0.68	0.68	0.69	0.69	0.70
NZD/USD	0.6605	0.66	0.65	0.66	0.66	0.65	0.65
EUR/USD	1.1161	1.11	1.10	1.10	1.11	1.14	1.15
USD/JPY	110.6550	112.00	113.00	113.00	112.00	111.00	110.00
GBP/USD	1.3116	1.31	1.32	1.33	1.33	1.33	1.34
USD/CNY	6.7354	6.80	6.85	6.80	6.70	6.40	6.25

## US economic indicators and outlook

	Jun 18	Sep 18	Dec 18	Mar 19(f)	Jun 19(f)	Sep 19(f)	Dec 19(f)
GDP % qtr	4.2	3.4	2.2	2.2	1.8	2.2	2.1
% yr	2.9	3.0	3.0	3.0	2.4	2.1	2.1
Unemployment rate %	3.9	3.8	3.8	3.9	3.8	3.7	3.6
CPI % yr	2.8	2.3	1.9	1.8	1.6	1.7	1.9

## Australian economic indicators and outlook

	Jun 18	Sep 18	Dec 18	Mar 19(f)	Jun 19(f)	Sep 19(f)	Dec 19(f)
GDP % qtr / yr avg	0.8	0.3	0.2	0.5	0.4	0.6	0.7
% yr	3.1	2.7	2.3	1.8	1.4	1.7	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	0.0	0.6	0.5	0.6
% yr	2.1	1.9	1.8	1.3	1.6	1.7	1.8

## New Zealand economic indicators and outlook

	Jun 18	Sep 18	Dec 18	Mar 19(f)	Jun 19(f)	Sep 19(f)	Dec 18(f)
GDP % qtr	0.9	0.3	0.6	0.5	0.8	0.8	0.8
Annual avg change	3.2	3.1	2.8	2.6	2.3	2.3	2.5
Unemployment rate %	4.4	4.0	4.3	4.4	4.4	4.3	4.2
CPI % qtr	0.4	0.9	0.1	0.1	0.4	0.7	0.3
Annual % change	1.5	1.9	1.9	1.5	1.5	1.3	1.5

Source: Bloomberg, Westpac Economics Update (6 May 2019), Trading Economics