

EXCHANGE RATE DEVELOPMENTS MARCH 2022

Highlights:

| Policy Interest Rates | Current | Change (basis point) | Last Updated | Commodity Prices | Average Price (in USD) | Change | Previous Month |
|---------------------------|--------------|-------------------------|----------------|----------------------------|---------------------------|---------|----------------|
| Reserve Bank of NZ | 1.50% | 0.50 | April 13, 2022 | crude oil (US\$/bbl) | \$106.01 | \$8.99 | \$97.02 |
| Reserve Bank of Australia | 0.10% | 0.00 | April 5, 2022 | whole milk powder (US\$/t) | \$4,596.00 | \$93.00 | \$4,503.00 |
| US Federal Reserve | 0.25 - 0.50% | 0.25 | March 16, 2022 | | | | |
| European Central Bank | 0.00% | 0.00 | April 14, 2022 | | | | |
| Bank of England | 0.75% | 0.25 | March 17, 2022 | | | | |

A. CURRENCY WATCH

The overall nominal effective value of the **Samoan Tala depreciated by 0.0088 percent** against the currency basket in March. This nominal depreciation reflected the Tala weakening against the New Zealand Dollar (by 1.43 percent) and the Australian Dollar also (by 1.43 percent), offsetting the Tala's appreciation against the United States Dollar (by 1.43 percent) and the Euro (by 4.16 percent).

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

- A string of unfavourable domestic economic releases during the month, including the reduced durable goods order, the rising number of jobless claims, the lower than anticipated retail sales and the weakening non-manufacturing data;
- Investors' abandoning the safe haven greenback as risk sentiments accelerated in the month prompted by assertive comments from the Federal Reserve Chair, Jerome Powell about an aggressive tightening from the Federal Reserve Bank to control the intensified soaring inflation rate.
- The decreased US Treasury Yields following more economic turbulence in financial markets prompted by the Russian-Ukraine war;
- The release of the Federal Reserve's hawkish monetary policy outlook followed by a subsequent decision, as expected by the market, to raise the Fund rate by a quarter percentage point to 0.25%-0.50%

The **Euro** weakened to around USD\$1.10 against the USD on the back of:

- The unfavourable economic releases out of the region earlier in the month (such as the Eurozone's declined construction Purchasing Manager Index (PMI), the waned economic sentiment, retail sales missing expectations and the lower-than-expected industrial production);
- The sizeable effects of Russia's slowing economy on Europe as the Russian-Ukraine war sent shockwaves to the Eurozone's

financial markets and deteriorating the region's growth and prospects due to multiple economic sanctions on Russia;

- The European Central Bank (ECB) ending their bond buying program and phased out a stimulus package initially formulated for the coronavirus pandemic.

The **Australian dollar (AUD)** strengthened against the USD, mainly reflecting:

- The upbeat domestic data (such as the increased retail sales, the stronger Q4 2021 Gross Domestic Product (GDP) reports, a rise on consumer inflation expectation, the unemployment rate recorded less than expected, the positive manufacturing and services data along with the improved business confidence);
- A rebound on Australia's growth as business sentiments regained momentum after the government eased lockdown measures as the Omicron Variant dissipated;

The **New Zealand dollar (NZD)** rebounded strongly against the USD, appreciating from US\$0.67 to USD\$0.69 mainly due to:

- The positive domestic economic releases such as the stronger Q4 2021 GDP growth, rising Global Dairy Trade Index, the higher commodity price index and a strong pickup on manufacturing sales;
- The Kiwi benefitting from the accelerated commodity prices including the surging price of oil and dairy products as a result of the Russian-Ukraine crisis.

The **Japanese Yen (JPY)** dropped against the USD on:

- The unfavorable domestic headlines during the month (including the rising unemployment rate, a decline on coincidence index indicating a measure for factory outputs, employment and retail sales, a waning consumer sentiment, the lower-than-expected industrial production and trade deficit);

The **Chinese Yuan (CNY)** fell against the US currency mainly due to:

- Lingering worries about another outbreak of coronavirus in China, after a steady increase of daily infections prompted

authorities to reintroduce lockdown measures in Shenzhen and Tangshan;

- Markets fears that the North Atlantic Treaty Organization (NATO) leaders' concerns over China-Russia ties could also exert a downside pressure on the CNH.
- To a decision by the People's Bank of China (PBoC) to maintain their benchmark interest rate at 3.7%, and the 5- year loan prime rate at 4.6%.

Please refer to Table 1 and Table 2

B. TABLES AND CHARTS

| 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-21 | Feb-22 | Mar-22 | Feb-22 (%) | Mar-21 (%) |
| NZD/USD | 0.7145 | 0.6666 | 0.6860 | 2.91 | -3.99 |
| AUD/USD | 0.7712 | 0.7156 | 0.7365 | 2.92 | -4.50 |
| USD/YEN | 108.5359 | 115.1720 | 118.3750 | -2.78 | -9.07 |
| USD/CNH | 6.5104 | 6.3460 | 6.3550 | -0.14 | 2.39 |
| EUR/USD | 1.1916 | 1.1340 | 1.1026 | -2.77 | -7.47 |
| FJD/USD | 0.4897 | 0.4680 | 0.4746 | 1.41 | -3.08 |

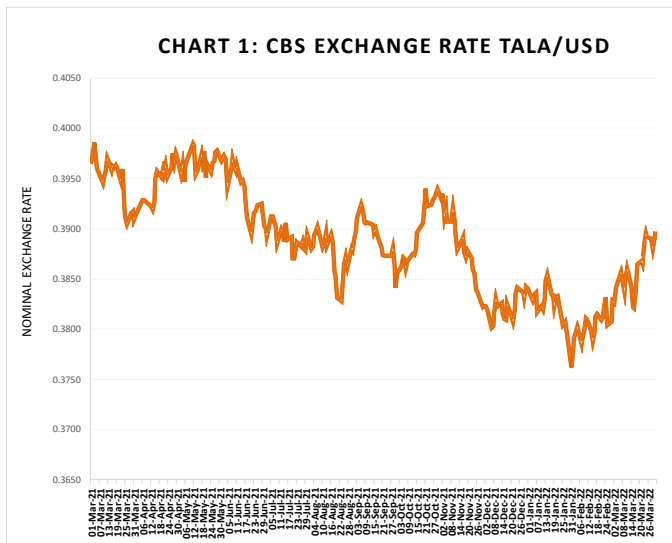
*With the exception of YEN and CNY which is YEN and CNY per USD

Source: Central Bank of Samoa

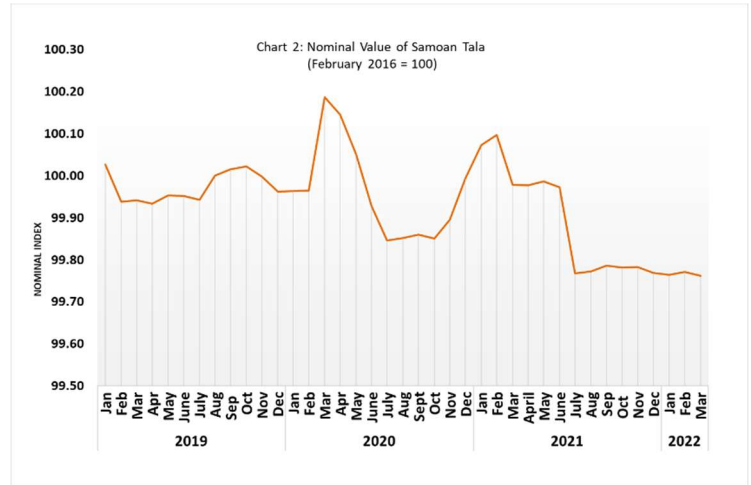
| Table 2 | | | | | |
|--|--|---------|---------|------------|------------|
| Tala* per foreign currencies (month average) | | | | | |
| | Movement of the Tala over the previous month and the previous year (+) appreciation / (-) depreciation | | | | |
| | Mar-21 | Feb-22 | Mar-22 | Feb-22 (%) | Mar-21 (%) |
| USD/TALA | 2.5324 | 2.6296 | 2.5919 | 1.43 | -2.35 |
| NZD/TALA | 1.8092 | 1.7528 | 1.7778 | -1.43 | 1.74 |
| AUD/TALA | 1.9528 | 1.8817 | 1.9086 | -1.43 | 2.26 |
| EUR/TALA | 3.0173 | 2.9816 | 2.8576 | 4.16 | 5.29 |
| FJD/TALA | 1.2399 | 1.2308 | 1.2301 | 0.06 | 0.79 |
| TALA/YEN | 42.8582 | 43.7971 | 44.4758 | 1.55 | 3.77 |
| TALA/CNH | 2.5708 | 2.4130 | 2.4519 | 1.61 | -4.63 |
| Nominal Index | 99.9781 | 99.7707 | 99.7619 | -0.01 | -0.2162 |

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

Source: Central Bank of Samoa

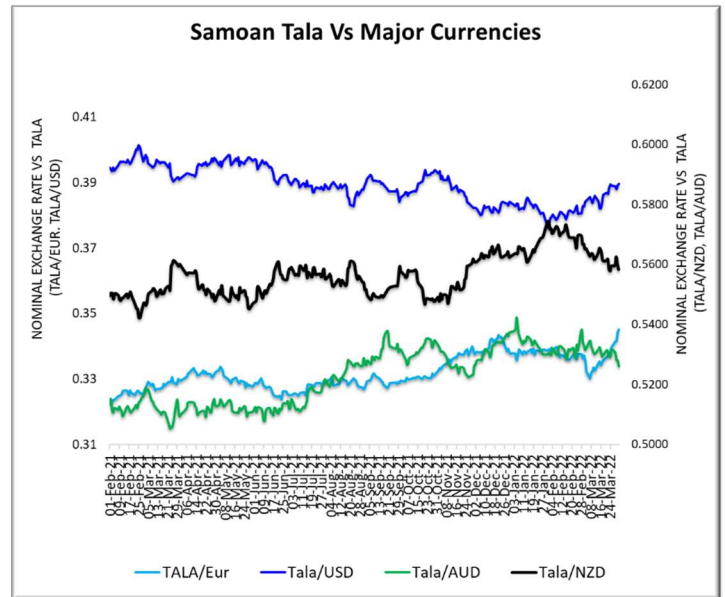


Source: Central Bank of Samoa



Source: Central Bank of Samoa

C. TALA AGAINST THE MAJOR CURRENCIES



Source: Central Bank of Samoa

D. MARKET OUTLOOK FOR Q2 2022:

The Russian/Ukraine war continues to exert downside risks to the global FX markets already impacted by ongoing COVID-19 related developments. The likely responses by monetary authorities on the market domestic data releases particularly on inflation rates, the volatilities in the international commodity markets and the continued narrow interest differentials and recovery progresses amongst major countries, are anticipated to drive the AUD/USD and NZD/USD to around USD\$0.74 and USD\$0.69 respectively while the EUR/USD is expected to trade around US\$1.10 by end June 2022. These market projections point to a broad weakening in the USD in the second quarter of 2022.

FINANCIAL MARKETS DEPARTMENT
28 April 2022

ECONOMIC & FINANCIAL FORECASTS

Policy Interest rate forecasts

| | Actual (28 Apr 2022) | Jun 22 | Sep 22 | Dec 22 | Mar 23 | Jun 23 | Sep 23 |
|-----------------------|-------------------------|--------|--------|--------|--------|--------|--------|
| USA | | | | | | | |
| Fed Funds Rate | 0.375 | 1.375 | 1.875 | 2.375 | 2.375 | 2.375 | 2.375 |
| Australia | | | | | | | |
| RBA Cash Rate | 0.10 | 0.50 | 1.00 | 1.50 | 1.75 | 2.00 | 2.00 |
| New Zealand | | | | | | | |
| RBNZ Cash Rate | 1.50 | 2.00 | 2.50 | 3.00 | 3.00 | 3.00 | 3.00 |
| China | | | | | | | |
| PBOC Loan Prime Rate | 3.70 | 3.65 | 3.45 | 3.45 | 3.75 | 3.75 | 3.75 |
| Euro-Area | | | | | | | |
| ECB Refinance Rate | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| United Kingdom | | | | | | | |
| BOE Base Rate | 0.50 | 0.75 | 1.00 | 1.25 | 1.75 | 1.75 | 1.75 |

Exchange rate forecasts

| | Actual (28 Apr 2022) | Jun 22 | Sep 22 | Dec 22 | Mar 23 | Jun 23 | Sep 23 |
|---------|-------------------------|--------|--------|--------|--------|--------|--------|
| AUD/USD | 0.7122 | 0.74 | 0.75 | 0.76 | 0.77 | 0.78 | 0.79 |
| NZD/USD | 0.6541 | 0.69 | 0.70 | 0.71 | 0.72 | 0.72 | 0.73 |
| EUR/USD | 1.0560 | 1.10 | 1.11 | 1.12 | 1.13 | 1.14 | 1.15 |
| USD/JPY | 128.2950 | 124.0 | 123.0 | 122.0 | 121.0 | 120.0 | 119.0 |
| GBP/USD | 1.2540 | 1.33 | 1.34 | 1.35 | 1.36 | 1.37 | 1.37 |
| USD/CNH | 6.5893 | 6.44 | 6.47 | 6.40 | 6.38 | 6.19 | - |

US economic indicators and outlook

| | Jun 21 | Sep 21 | Dec 21 | Mar 22(f) | Jun 22(f) | Sep 22(f) | Dec 22(f) |
|----------------------------|--------|--------|--------|-----------|-----------|-----------|-----------|
| GDP % qtr. | 6.7 | 2.3 | 6.9 | 1.2 | 2.4 | 2.2 | 2.1 |
| %yr. annual change | 12.2 | 4.9 | 5.5 | 4.2 | 3.2 | 3.1 | 2.0 |
| Unemployment rate % | 5.9 | 5.1 | 4.2 | 3.8 | 3.6 | 3.6 | 3.6 |
| CPI % YoY. | 4.9 | 5.4 | 7.0 | 6.2 | 5.0 | 3.8 | 2.3 |

Australian economic indicators and outlook

| | Jun 21 | Sep 21 | Dec 21 | Mar 22(f) | Jun 22(f) | Sep 22(f) | Dec 22(f) |
|----------------------------|--------|--------|--------|-----------|-----------|-----------|-----------|
| GDP % qtr. | 0.8 | -1.9 | 3.4 | 0.5 | 2.4 | 1.5 | 1.0 |
| % Year end | 9.6 | 4.0 | 4.2 | 2.8 | 4.5 | 8.0 | 5.5 |
| Unemployment rate % | 5.1 | 4.6 | 4.7 | 4.1 | 3.7 | 3.3 | 3.2 |
| CPI % qtr | 0.8 | 0.8 | 1.3 | 2.0 | 0.6 | 0.9 | 1.3 |
| Annual Change | 3.8 | 3.0 | 3.5 | 4.9 | 4.8 | 4.9 | 4.9 |

New Zealand economic indicators and outlook

| | Jun 21 | Sep 21 | Dec 21 | Mar 22(f) | Jun 22(f) | Sep 22(f) | Dec 22(f) |
|----------------------------|--------|--------|--------|-----------|-----------|-----------|-----------|
| GDP % qtr. | 2.5 | -3.7 | 3.0 | 0.3 | 0.7 | 2.3 | 1.3 |
| Annual avg change | 5.2 | 4.8 | 5.6 | 5.3 | 1.3 | 2.9 | 3.4 |
| Unemployment rate % | 4.0 | 3.3 | 3.2 | 3.1 | 3.0 | 3.0 | 3.0 |
| CPI % qtr. | 1.3 | 2.2 | 1.4 | 1.8 | 0.8 | 1.1 | 0.5 |
| Annual change | 3.3 | 4.9 | 5.9 | 6.9 | 6.4 | 5.2 | 4.3 |

Source: Bloomberg, Westpac Economics Update (April 2022), Trading Economics

Note: (a) – actual; (e) – estimate; (f) - forecast