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Please note the QER report has changed its format from the calendar year (Jan-Dec) to the fiscal year (Jul-Jun) format

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QUARTERLY ECONOMIC REVIEW

This Quarterly Economic Review is published by the Economic Policy and Planning Division of the Ministry of Finance. The analysis is based on the latest available data on the main macroeconomic aggregates as collected by the Central Bank of Samoa and the Ministry of Finance, and is intended to provide Government officials, the business community and the general public with a better understanding of the economy.

This review summarizes the state of the economy during the first quarter 2009/10.

1. EXECUTIVE SUMMARY

Key Features of First Quarter (July to September) 2009/10 Performance

- Real **GDP** amounted to \$264.00 million, declined by 2.3% over the same 2008/09 period; (see section 2)
- The level of **Employment** had dropped by 11.8% (2,556) in September 2009/10 quarter in comparison to the corresponding 2008/09 period; (see section 3)
- **Export** earnings in 1Q09/10 increased by 4.5% over the comparable 2008/09 period; (see section 4.1)
- **Imports** valued at \$133.96 million, declined by 32.4% over 1Q08/09 section 4.2)
- The **trade deficit** had improved by \$64.61 million to stand at \$125.30 million in the reviewing quarter; (see section 4.5)
- **Gross Foreign reserves** had increased by \$78.29 million from the comparable 2008/09 quarter to stand at \$318.50 million in 1Q09/10, sufficient to cover 6.7 months of imports compared to 4.7 months in the September 2008/09 quarter; (see section 5)
- The **Tala appreciated** against the NZD, AUD, EURO and FJD and depreciated against the USD and Yen from the comparable 2008/09 quarter; (see section 6)
- The **budget outturn** for the period of Jul-Sep of the 2009/10 fiscal year showed an overall deficit of \$10.0 million, declined by \$3.1 million from Jul-Sep of 2008/09. A current surplus of \$0.5 million was recorded, turned around from the deficit of \$3.7 million in Jul-Sep period of 2008/09; (see section 7.1)
- Official government **external debt** outstanding at end September quarter 2009/10 was \$540.30 million, \$21.67 million higher than 1Q08/09; (see section 7.2)
- **Money supply** valued at \$670.36 million in 1Q09/10, recorded a rise of \$43.09 million from 1Q08/09; (see section 8.1)
- **Domestic credit** had risen by \$8.87 million from 1Q08/09 to stand at \$587.87 million in 1Q09/10; (see section 8.2)
- The **inflation rate** at end September 2009/10 stood at 11.4%, 1.2 percentage points higher than the rate at end of September 2008/09. (see section 9)

2. GROSS DOMESTIC PRODUCT

The Gross Domestic Product is the building block for macroeconomic analysis. This measure estimates the country's gross value-added within the domestic economy. Compilation of the estimates uses an industry-value added approach; that is the values of output and input have been estimated separately for each industry, and value-added (gross product) derived as a net measure. For the agriculture and non-monetary sectors estimates have been derived from, inter alia, export data, the Fugalei Market Surveys and benchmark derived from the 2002 Household Income and Expenditure Survey. GDP estimates for Agriculture and Fishing have been revised to incorporate the 1999 Agriculture Census and the 2000 Fishing Survey. Other data sources and benchmarks have included the 1999 Business Activity Survey, and detailed trade statistics provided by the ASYCUDA system as well as employment data from NPF.

Figure 2.1: Other Manufacturing's Contribution to Economic Growth in the First Quarter of Each Fiscal Year (%)

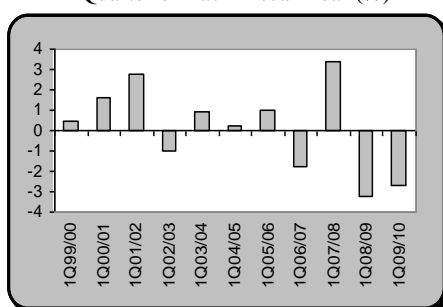
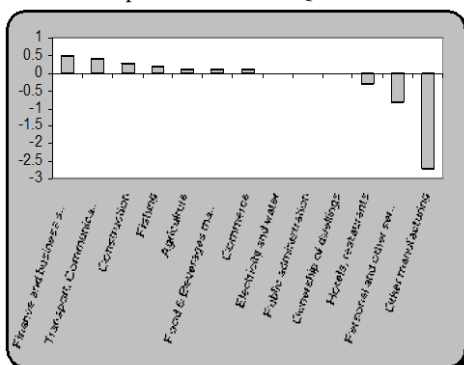


Figure 2.2: Industries Contributions to Overall Economic Decline of 2.3% in September 2009/10 Quarter



Overview

The real value of aggregate GDP was estimated at \$264.01 million in the first quarter (September) of 2009/10 financial year, 2.3% lower than September 2008/09 quarter. This overall economic decline was strongly underpinned by Other Manufacturing industry with a negative contribution of 2.7 percentage points followed by Personal and other services and Hotels and restaurants with negative contributions of 0.8 and 0.3 percentage points respectively. Offsetting this decline are recorded increases of 0.1, 0.2, 0.1, 0.3, 0.1, 0.4 and 0.5 percentage points in Agriculture, Fishing, Food and beverages manufacturing, Construction, Commerce, Transport and communication and Finance and business services industries respectively. Electricity and water, Public administration and Ownership of dwellings had registered zero contribution to the overall decline of the Samoan economy throughout this period. Other Manufacturing industry is the leading contributor to the overall decline of the Samoan economy in the four consecutive quarters of 2008/09 financial year.

Industry Performance

Primary Sector: Agriculture and Fisheries

Agriculture activities valued at \$16.81 million, increasing by 2.2% over the first 2008/09 quarter and contributing positive 0.1 percentage points to the negative economic growth of 2.3% in the period under review. The rise in agriculture production is consistent with the increase of 977.8% in export earnings from coconut oil throughout this period. The industry contributed a share of 6.4% to total GDP for September 2009/10 quarter.

Fishing industry had recorded an upward trend of 5.5% when compared to September 2008/09 quarter to stand at \$12.48 million in the September quarter of 2009/10. This soar is reflected in the increase of 37.7% in fish export earnings during this period. The industry had contributed positive 0.2 percentage points to the overall economic decline of 2.3% and registered a share of 4.7% to the overall GDP for the reviewing period.

Secondary Sector: Manufacturing, Construction, Electricity & Water

Food and Beverages Manufacturing stood at \$5.54 million in September 2009/10 quarter, increased by 4.1% from the same period of the previous financial year. The rise in the industry's performance had partly reflected in the increase of 50.0% in nonu fruit export earnings throughout this period. The industry contributed a positive 0.1 percentage