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Please note that GDP report is in annual write up (2008) and GFS report is in half year write up (Jul-Dec 2008)

Please also note the attached leaflet with social and economic indicators in the last six years

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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 fourth quarter 2008.

1. EXECUTIVE SUMMARY

Key Features of Fourth Quarter 2008 Performance

- Real **GDP** stood at \$268.48 in 4Q08, declined by 7.3% from the same 2007 period; (see section 2)
- **Employment** dropped by 5.4% (1,192) from the comparable period of 2007; (see section 3)
- **Export** earnings declined by 28.7% from the corresponding 2007 quarter; (see section 4.1)
- **Imports** increased by 29.6% over the same 2007 period; (see section 4.2)
- The **trade deficit** expanded by 33.8% from the same 2007 quarter; (see section 4.5)
- **Gross foreign reserves** amounted to \$234.20 million, increased by \$7.90 million from the same 2007 period and sufficient to cover 4.4 months of imports compared to 4.7 import cover at end December 2007; (see section 5)
- The **Tala appreciated** against the NZD, AUD and FJD and depreciated against the USD, EURO and YEN from the same 2007 period; (see section 6)
- The **budget outturn** showed an overall deficit of \$36.18 million for July to December period of FY 2008/09, declined by \$1.73 million from the deficit of \$37.91 million in the comparable period of FY 2007/08. The current surplus at \$14.90 million compared to a deficit of \$22.36 million in FY 2007/08; (see section 7.1)
- Official **external debt** amounted \$604.71 million or 42.8% of GDP (see section 7.2)
- **Money supply** stood at \$646.46 million in 4Q08, increased by \$35.26 million from end December 2007; (see section 8.1)
- **Domestic credit** outstanding at end December 2008 totalled \$599.69 million, increased by \$54.19 million from the same period of 2007; (see section 8.2)
- The **inflation rate** at end December 2008 stood at 10.9%, increased by 4.8 percentage points from December 2007. (see section 9)

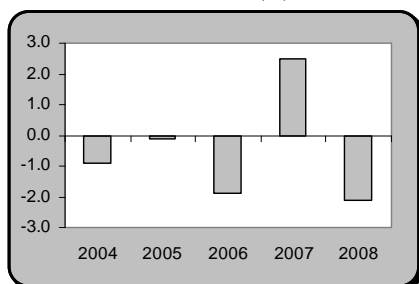
2. GROSS DOMESTIC PRODUCT

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.

Overview

After the high levels of consumer price index and low growth (negative) due to surges in fuel and food prices, the financial crisis has also presented another challenging dimension to the Samoan economy. The reduction in world demand has also reached our shores with the likes of Yazaki and Other local manufacturing companies reducing their production to respond to the reduced demand. Samoa is no exception to this crisis hence the twelve months to December 2008, nominal GDP declined by \$10.82 million from the preceding year to \$1.41 billion, and equivalent to a per capita income of \$7,748.00.

Figure 2.1: Other Manufacturing's Contribution to Economic Growth in the Last Five Years (%)



Real GDP declined by 3.4%. This overall economic decline was largely influenced by Other Manufacturing industry with a contribution of negative 2.1 percentage points. The slowdown in Yazaki production has strongly driven the unfavourable performance in the Other Manufacturing industry. Other industries which contributed to this negative growth are Construction, Food and Beverage Manufacturing, Agriculture, Fishing and Commerce with contributions of negative 0.6%, 0.5%, 0.5%, 0.5% and 0.4% respectively.

Given these challenging times and based on credible forecasting, the economic outlook will be gloomy in the medium term and the only way out is through calculated and structural approach via selected public investment.

Industry Performance

Primary Sector: Agriculture and Fisheries

Agriculture activities stood at \$65.89 million, declining by 7.9% and contributing minus 0.5% to the negative growth in 2008. The overall volume of agricultural supplies to the Fugalei market had dropped by 24.2% when compared to 2007. The unpredictable prices for agricultural produce has partly contributed to the overall decline of the industry.

Fishing industry had dropped by 10.4% to stand at \$47.66 million in the reviewing year, and contributed minus 0.5% to the overall economic decline of 3.4%. The decline in performance reflected in the drop of 38.8% in the industry's export earnings throughout this period. The drop in fish export earnings was mainly driven by unfavourable climatic condition for the albacore and the rise in petroleum prices. The industry has the highest share of 47.3% to total commodity exports in 2008 compared to its contribution of 55.3% in 2007 and a share of 53.7% in 2006.

Figure 2.2: Industries Contributions to Overall Economic Decline of 3.4% in 2008

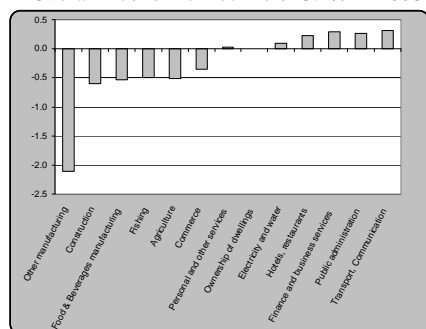
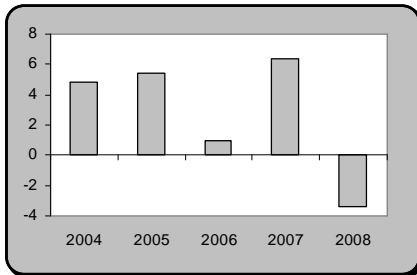


Figure 2.3: Economic Growth in the Last Five Years (%)



Secondary Sector: Manufacturing, Construction, Electricity & Water

Food and Beverages Manufacturing generated a total value added of \$21.91 million with the recorded decline of 21.3% from the preceding year. This fall was consistent with the downward trends of 11.1%, 82.9%, 26.7% and 9.9% in coconut cream, nonu fruit, nonu juice and beer respectively. The industry contributed a negative 0.5% to the economic growth during this period and with the smallest share of 2.0% to the overall GDP for 2008.

Other Manufacturing valued at \$103.22 million, declined by 18.5% from the previous year. The industry is the leading contributor to the negative overall economic growth, with a contribution of negative 2.1% during this period. The low level of Yazaki production has largely determined the unfavourable outcome of this industry, with a decline of 29.3% over 2007. Moreover, other activities related to non food and beverage industry had recorded a drop of 7.5% throughout this period.

Construction activities amounted to \$129.14 million in 2008 with a recorded drop of 4.9% from 2007. The industry is the third largest industry with its contribution of 12.1% to total GDP. On the other hand, its contribution to overall economic decline of 3.4% is a share of negative 0.6% compared to its positive shares of 1.6% and 1.3% in 2007 and 2006 respectively. The overall decline of the industry was strongly influenced by the completion of construction works relating to the South Pacific Games in 2007.

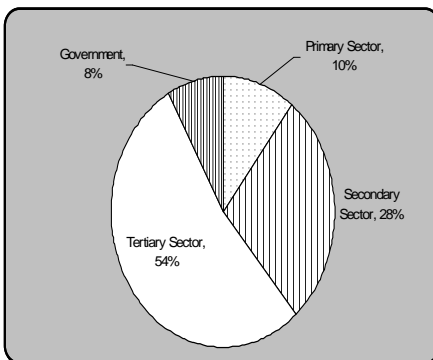
Electricity and Water industry valued at \$49.48 million in the reporting year, increasing by 2.1% from the previous year and recorded a positive contribution of 0.1% to the overall decline of 3.4% throughout this period. The improvement of services around the island caused the industry production to increase. Furthermore, the industry continued to grow despite the rise in oil prices during this period. The industry contributed a share of 4.6% to overall GDP in 2008 compared to its contribution of 4.4% to total GDP in 2007.

Tertiary Sector: Commerce, Transport & Communication, Finance & Business Services, Personal Services and Hotels & Restaurant

Commerce industry generated a valued added of \$190.49 million in 2008, dropped by 2.0% when compared to 2007. The industry continued to be the largest industry in the economy and accounted for 17.8% of total production in the reporting year. It contributed a share of negative 0.4 percentage points to the overall economic decline in 2008 whilst recording positive contributions of 0.5 and 0.9 percentage points to economic growth in 2007 and 2006 respectively.

The ongoing partnership between the government and the private sector led to further developments in modern telecommunication services, and the one off surge in imported right hand drive vehicles. **Transport and Communication** industry is the second largest industry with a share of 14.6% of total production and a value added of \$156.31 million. The industry registered an upward trend of 2.3% from the preceding year and contributed a positive share of 0.3 percentage points to the overall economic decline in 2008.

Figure 2.4: Sector contribution to total GDP in 2008 (%)



Hotels and Restaurants industry totalled \$38.48 million in the reviewing year, an increase of 7.0% when compared to the previous year. The strong performance by hotels and restaurants was reflected in the increase of tourism earnings by 9.8% throughout this period. The industry contributed a share of positive 0.2 percentage points to overall decline and a contribution of 3.6% to total production in 2008.

Finance and Business Services had a positive contribution of 0.3 percentage points to overall decline, increasing by 3.2% to stand at \$103.81 million in 2008 and is the fourth largest industry with a share of 9.7% of overall GDP for the period.

Personal and other Services stood at \$58.99 million in 2008. This represented an increase of 0.6% from 2007 and a contribution of 5.5% to total production for the year. The industry recorded no effect on economic growth.

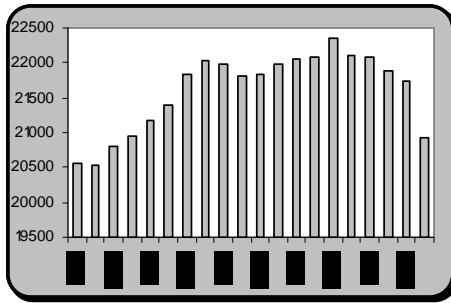
Government Sector

Public Administration generated a valued added of \$87.10 million in 2008. This represented an increase of 3.4% when compared to 2007. This upward trend recorded a positive contribution of 0.3 percentage points to the overall decline throughout this period. The industry recorded a contribution of 8.1% to overall production of the year.

	2006	2007	2008	4Q07	1Q08	2Q08	3Q08	4Q08	% Change 4Q08 over	
	(\$ Million)								4Q07	3Q08
At constant 2002 prices										
Agriculture	68.35	71.54	65.89	19.58	17.25	15.79	16.56	16.28	-16.8	-1.7
Fishing	48.33	53.21	47.66	13.95	12.21	11.56	11.83	12.06	-13.5	1.9
Food & Beverages Manufacturing	31.21	27.84	21.91	7.20	5.65	5.32	5.32	5.63	-21.9	5.8
Other Manufacturing	100.16	126.58	103.22	32.99	25.04	30.59	24.84	22.75	-31.0	-8.4
Construction	118.74	135.81	129.14	36.25	33.87	31.79	31.70	31.77	-12.4	0.2
Electricity and Water	47.63	48.46	49.48	12.35	12.27	12.31	12.21	12.69	2.7	3.9
Commerce	189.76	194.45	190.49	50.23	48.56	47.34	46.31	48.29	-3.8	4.3
Hotels, Restaurant	32.16	35.94	38.48	8.95	8.72	9.48	9.81	10.47	16.9	6.8
Transport, Communication	148.08	152.81	156.31	41.42	39.20	35.87	38.63	42.62	2.91	10.3
Public Administration	81.92	84.20	87.10	21.33	21.46	21.82	21.77	22.04	3.3	1.3
Finance & Business Services	98.28	100.55	103.81	25.50	25.41	26.49	25.96	25.94	1.7	-0.01
Less: Enterprise share of FISIM	-12.27	-12.67	-13.26	-3.17	-3.29	-3.35	-3.29	-3.34	5.4	1.5
Ownership of Dwellings	30.97	31.07	31.16	7.78	7.78	7.79	7.79	7.79	0.3	0.01
Personal & Other Services	58.06	58.65	58.99	15.30	14.52	15.16	15.83	13.49	-0.1	-14.8
Value added 2002 market prices	1,041.4	1,108.4	1,070.4	289.66	268.65	267.96	265.27	268.48	-7.3	1.2
Implicit price deflator:	119.9	128.5	132.0	129.5	131.0	131.4	134.4	131.3	2.6	-2.3
At constant 2002 prices										
Non-monetary	157,566	160.29	160.46	41.38	40.37	39.91	40.10	40.08	-1.3	-0.05
Monetary – total	883,819	948.15	909.91	248.28	228.27	228.05	225.18	228.40	-8.0	1.4
Monetary – restricted scope	834,522	875.13	858.27	228.88	215.95	211.75	211.89	218.69	-4.5	3.2
Memo items:										
Nominal GDP (current prices)	1,249,018	1,423.96	1,413.14	375.09	351.84	352.20	356.45	352.65	-6.0	-1.1
GDP per capita	6,453	6,915	7,557	n.a	n.a	n.a	n.a	n.a	na	na
Source: Samoa Bureau of Statistics estimates na - not applicable										

3. EMPLOYMENT

The Samoa National Provident Fund (NPF) produces formal paid employment figures on the basis of active members. This employment figure is a partial indicator given that the informal employment figures are not included

Figure 3.1: Formal Employment by Quarter ('000)

The estimated level of formal paid employment in 2008 stood at 20,924, declined by 5.4% (1,192) from 2007. This drop was largely driven by the downward trend of 1,064 (22.4%) in the secondary sector. The decline in the secondary sector was caused mainly by the redundancy of the Yazaki employees.

Table 3.1: TOTAL EMPLOYMENT NUMBERS

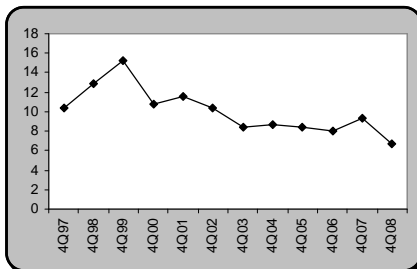
	2006	2007	2008	4Q07	1Q08	2Q08	3Q08	4Q08	% Change in 4Q08 over	
									4Q07	3Q08
Primary	291	263	242	263	264	261	257	242	-8.0	-5.8
Secondary	4,716	4,753	3,689	4,753	4,632	4,394	4,080	3,689	-22.4	-9.6
Tertiary	11,784	12,037	11,817	12,037	12,112	12,097	12,248	11,817	-1.8	-3.5
Public Administration	4,948	5,063	5,175	5,063	5,086	5,123	5,142	5,175	2.2	0.6
TOTAL EMPLOYMENT	21739	22,116	20,924	22,116	22,094	21,874	21,727	20,924	-5.4	-3.7

Source: Samoa National Provident Fund

4. FOREIGN TRADE AND BALANCE OF PAYMENTS

4.1 Exports

Exports are sales of primary commodities, manufactured or processed products valued "free on board" (fob).

Figure 4.1.1: Exports in the Fourth Quarter of Each Year (\$ Million)

Export earnings had declined by \$10.29 million from 2007 to stand at \$25.90 million in 2008. The decline largely reflected a huge drop in fish exports of \$7.75 million followed by nonu juice of \$1.02 million. The fall in fish exports was a result of reduced fish catches partly due to the unfavourable climatic conditions for the albacore and the rising of fuel prices. Other commodities which recorded declines include coconut cream, nonu fruit, beer and Others with the exception of taro.

Exports in the fourth quarter of 2008 totalled \$6.69 million, declined by \$2.69 million from the comparable 2007 period. This was caused by recorded declines in all the commodities with the exception of an increase in taro by \$0.12 million.

Table 4.1.1: ANNUAL AND QUARTERLY EXPORT COMMODITIES (\$ million)

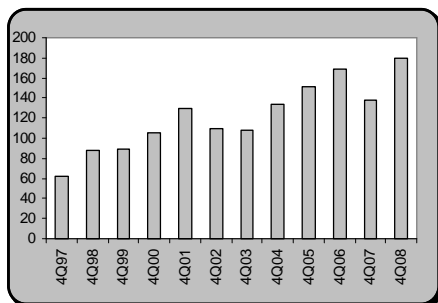
	2006	2007	2008	4Q07	1Q08	2Q08	3Q08	4Q08	% Share			% Change 4Q08 over							
									(\$ Million)						4Q07	3Q08	4Q08	4Q07	3Q08
									4Q07	3Q08	4Q08	4Q07	3Q08						
Fish	15.45	20.00	12.25	5.06	1.05	3.11	4.03	4.06	53.9	51.6	60.7	-19.8	0.7						
Coconut cream	2.38	2.34	2.08	0.69	0.47	0.55	0.55	0.51	7.4	7.0	7.6	-26.1	-7.3						
Nonu fruit	0.87	0.70	0.12	0.15	0.04	0.02	0.02	0.04	1.6	0.2	0.6	-73.3	100.0						
Nonu juice	3.95	3.82	2.80	1.01	0.50	1.00	0.52	0.78	10.8	6.7	11.7	-22.8	50.0						
Beer	3.48	3.12	2.81	0.86	0.68	0.92	0.65	0.56	9.2	8.3	8.4	-34.9	-13.8						
Taro	0.59	0.62	0.78	0.14	0.16	0.19	0.25	0.26	1.5	3.2	3.9	85.7	4.0						
Others	2.03	5.59	5.06	1.47	1.31	1.41	1.78	0.48	15.7	22.8	7.2	-67.3	-73.0						
TOTAL	28.75	36.19	25.90	9.38	4.21	7.20	7.80	6.69	100.0	100.0	100.0	-28.7	-14.2						

Source: Central Bank of Samoa

4.2 Imports

Imports are purchases from overseas of commodities, manufactured or processed products valued “free on board” (fob).

Figure 4.2.1: Imports in the Fourth Quarter of Each Year (\$ Million)



In the twelve months to December 2008, import payments stood at \$659.18 million, increased by \$65.54 million from the preceding year. This was largely a result of an increase in petroleum imports of \$48.47 million. The increase in petroleum imports was largely driven by the rise in fuel prices. Non-petroleum private sector imports also increased by \$23.00 million whilst government imports recorded a decline of \$5.93 million.

Imports in 4Q08 of \$179.38 million showed an upward trend of \$40.95 million over the corresponding quarter of 2007. All import components had driven this rise with non petroleum private sector imports increasing by \$22.74 million, petroleum imports by \$14.75 million and government imports by \$3.46 million.

Table 4.2.1: ANNUAL AND QUARTERLY IMPORT COMPONENTS (\$ million)

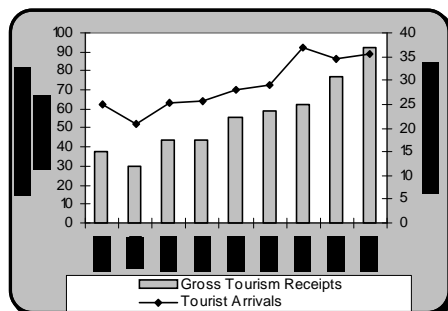
	2006	2007	2008	4Q07	1Q08	2Q08	3Q08	4Q08	% Share			% Change 4Q08 over	
	(\$ Million)								4Q07	3Q08	4Q08	4Q07	3Q08
Government	15.67	30.36	24.43	2.22	4.47	4.91	9.37	5.68	1.6	4.7	3.2	155.9	-39.4
Petroleum	114.48	122.51	170.98	27.10	42.36	30.02	56.75	41.85	19.6	28.6	23.3	54.4	-26.3
Other Product	477.66	440.77	463.77	109.11	95.00	104.84	132.08	131.85	78.8	66.6	73.5	20.8	-0.2
TOTAL	607.81	593.64	659.18	138.43	141.83	139.77	198.20	179.38	100.0	100.0	100.0	29.6	-9.5

Source: Central Bank of Samoa

4.3 Tourism Receipts

The number for tourist arrivals represents all visitors including holiday/vacation, official, business/conference, sporting activities and visiting friends and relatives. Gross tourism revenues represent an estimate of the amount spent by all visitors to Samoa whilst in the country and the proportion of international travel credited to Samoan based carriers. Average expenditure per visitor is estimated from visitor surveys adjusted annually for inflation. Tourism receipts are the major component of net service income in the balance of payments. Tourism Earnings are estimated by the Central Bank of Samoa

Figure 4.3.1: Gross Tourism Receipts (\$ Million) & Visitor Arrivals ('000) in the Fourth Quarter of Each Year



Tourism revenue for 2008 stood at \$288.41 million, \$25.89 million higher than 2007. Tourist arrivals recorded a slight decline of 189 from 2007 to stand at 122,163 in 2008. Albeit this drop in arrivals, tourism earnings had still increased due to the rise in inflation rate throughout this period. The drop in visitor arrivals was fuelled mainly by a downward trend of 2,435 from Other Pacific Island countries followed by a decline of 788 from American Samoa. Tourists from New Zealand, Other countries, Australia and the United States had increased by 1,227, 860, 540 and 407 over this period respectively.

New Zealand contributed the highest share of 42.2% to the total number of visitor arrivals in 2008. This was followed by American Samoa with a share of 19.1% and Australia with a contribution of 18.5%. Other countries, U.S.A and Other Pacific Island countries had shares of 7.7%, 6.9% and 5.5% respectively.

In terms of purpose by visit, tourists on Other purpose, Business and Sports recorded downward trends of 7,275, 2,067 and 500 whilst tourists on Holiday and Visiting Friends and Relatives (VFR) had increased by 9,027 and 626 from 2007 respectively. The majority of tourists for 2008 is classified under Holiday category with a contribution of 43.0% to the total number of tourists followed by tourists on Visiting Friends and Relatives (VFR), Business, Others and Sports with shares of 40.3%, 8.2%, 8.2% and 0.3% respectively.

For the reviewing quarter (4Q08), tourism earnings recorded an upward trend of \$15.85 million over the corresponding 2007 period to stand at \$92.38 million. Tourist arrivals stood at 35,487 in 4Q08, increased by 1,119 from December quarter of 2007. This growth was fuelled by all countries visiting Samoa with the exception of New Zealand with a decline of 144 over this period.

New Zealand contributed a majority share of 43.0% to the tourist market followed by Australia (21.2%), American Samoa (18.9%), Other countries (6.4%), U.S.A (6.0%) and Other Pacific Island countries (4.5%) for the reporting quarter.

In terms of purpose by visit, tourist on Holiday drove this increase with an upward trend of 2,269 followed by tourists on Sports with a rise of 200, whilst tourists on Visiting Friends and Relatives (VFR), Business and Other purpose had dropped by 925, 355 and 70 from the fourth quarter of 2007 respectively. Visiting Friends and Relatives (VFR) category contributed the largest share of 44.9% to the total number of tourist arrivals for the fourth quarter of 2008. This was followed by Holiday makers, Other purpose, Business and Sports with contributions of 41.5%, 7.1%, 5.9% and 0.6% respectively.

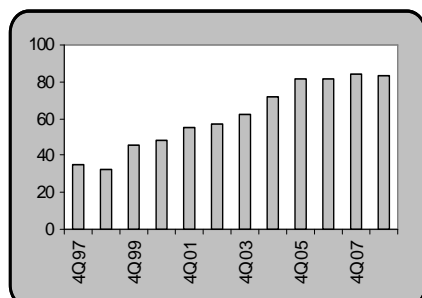
	2006	2007	2008	4Q07	1Q08	2Q08	3Q08	4Q08
Gross Tourism Revenues	236.39	262.52	288.41	76.53	58.16	65.72	72.15	92.38
Visitor Arrivals	115,882	122,352	122,163	34,307	24,037	29,222	33,417	35,487

Source: Central Bank of Samoa & Samoa Tourism Authority estimates

4.4 Remittances

Remittances, officially defined as “unrequited transfers”, represent money gifts and other financial donations from non-residents for which no service or return transaction is expected. It should exclude earnings remitted by residents working on short-term contracts overseas (these would be included as “factor income”). Remittances are the primary component of net transfers in the balance of payments.

Figure 4.4.1: Remittances in the Fourth Quarter of Each Year (\$ Million)



Remittances continued its upward trend with a rise of \$40.36 million from 2007 to stand at \$350.95 million in 2008. This rise was strongly influenced by a surge of \$28.98 million in funds for the Samoan individuals with the highest share of 70.0% of total remittances in 2008. This was followed by increases of \$11.19 million and \$3.19 million in funds for churches & non government schools and banknotes categories, whilst funds for charitable organizations, personal funds for expatriates in Samoa and others categories recorded declines of \$1.61 million, \$1.06 million and \$0.65 million respectively.

New Zealand contributed the highest share of \$126.11 million (or 35.9%) to total remittances with an increase of \$10.38 million from 2007. The second largest contributor is the United States (26.0%) with a rise of \$29.44 million (or 47.5%) over 2007. This was followed by Australia (20.7%), Fiji (11.5%) and American Samoa (3.7%) with increases of \$17.10 million, \$13.29 million and \$5.48 million from the previous year respectively.

On a quarterly basis, remittances amounted to \$83.70 million in the reviewing period, lower than the comparable 2007 quarter by \$0.46 million. Funds for churches & non government schools category has contributed the most to this drop with a decline of \$1.81 million, followed by declines of \$1.29 million, \$0.97 million and \$0.36 million in funds for Samoan individuals, funds for charitable organisations and funds for others respectively.

In terms of remitting countries, Australia had driven this fall with a drop of \$3.03 million from the fourth quarter of 2007. This was followed by declines of \$2.74 million, \$0.27 million and \$0.26 million from Fiji, Other countries and American Samoa respectively. On the contrary, remittances from the United States and New Zealand recorded increases of \$5.44 million and \$0.41 million respectively.

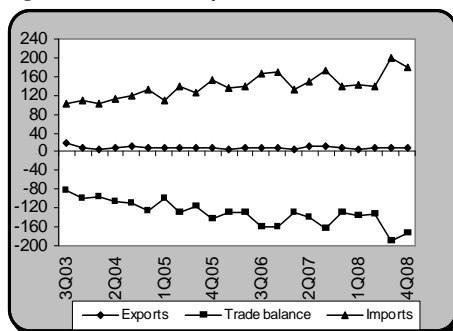
	2006	2007	2008	4Q07	1Q08	2Q08	3Q08	4Q08
Remittances (\$ Million)	300.90	310.59	350.95	84.16	86.46	86.20	94.59	83.70
Remittances as % GDP	24.1	21.8	24.8	22.4	24.6	24.5	26.5	23.7

Source: Central Bank of Samoa

4.5 Balance of Payments

Trade balance is the difference in export receipts (fob) and import payments (fob). Balance of payments is the trade balance plus net receipts from services, transfers and capital account flows. The capital account covers receipts and payments relating to aid, loans and private sector investment.

Figure 4.5.1: Quarterly Trade Balance (\$ Million)



The **trade deficit** expanded by \$75.83 million from 2007 to stand at \$633.28 million in 2008. The increase was mainly due to a rise of \$65.54 million in imports and a drop in exports of \$10.29 million.

Net services and income stood at \$203.90 million, dropped by \$4.23 million from 2007. **Net current transfers** valued at \$336.48 million, increased by \$46.75 million from the previous year. This led to an increase in **current account deficit** of \$33.31 million, driven mainly by the huge expansion in the trade deficit.

The **capital account** amounted to \$77.62 million in 2008, recording a rise of \$5.15 million from 2007. The **overall balance** has turned around from an overall surplus of \$12.88 million in 2007 to an overall deficit of \$15.28 million in 2008. The overall deficit recorded an expansion of \$28.16 million, influenced largely by the huge expansion of \$75.83 million in the trade deficit throughout this period.

On a quarterly basis, **trade deficit** stood at \$172.69 million in the reviewing period, increased by \$43.64 million from 4Q07. This was

fuelled mainly by the rise of \$40.95 million in imports, followed by the decline of \$2.69 million in exports.

The increases of \$14.81 million and \$4.03 million in **net services and income** and **net current transfers** over the comparable 2007 period respectively, had lessened the expansion of \$24.80 million in the current account deficit to stand at \$15.48 million.

The **capital account** increased by \$11.01 million to stand at \$24.28 million. This led to an **overall balance** of \$8.80 million in 4Q08, down by \$13.79 million from 4Q07.

	2006	2007	2008	4Q07	1Q08	2Q08	3Q08	4Q08
1. EXPORTS (fob)	28.75	36.19	25.90	9.38	4.21	7.20	7.80	6.69
2. IMPORTS (fob)	607.81	593.64	659.18	138.43	141.83	139.77	198.20	179.38
3. TRADE BALANCE	-579.06	-557.45	-633.28	-129.05	-137.62	-132.57	-190.40	-172.69
4. NET SERVICES AND INCOME	188.99	208.13	203.90	61.54	40.01	36.62	50.92	76.35
5. NET CURRENT TRANSFERS	265.74	289.73	336.48	76.83	82.99	82.64	89.99	80.86
6. CURRENT ACCOUNT BALANCE	-124.33	-59.59	-92.90	9.32	-14.62	-13.31	-49.49	-15.48
7. CAPITAL ACCOUNT (Net)	110.54	72.47	77.62	13.27	17.14	15.06	21.14	24.28
8. OVERALL BALANCE	-13.79	12.88	-15.28	22.59	2.52	1.75	-28.35	8.80
9. TRADE BALANCE AS % GDP	-46.4	-39.1	-44.8	-34.4	-39.1	-37.6	-53.4	-49.0
10. CURRENT ACCOUNT BALANCE AS % GDP	-10.0	-4.2	-6.6	2.5	-4.2	-3.8	-13.9	-4.4

Source: Central Bank of Samoa and Ministry of Finance

5. FOREIGN EXCHANGE RESERVES

Foreign exchange reserves are the country's holdings of foreign currencies and other financial assets. Reserves are held for three primary reasons: i) as national "working capital" to finance the nation's trade; ii) to provide funds to cover a balance of payments deficit; and iii) to provide a cushion against the impact of external shocks. The Central Bank has a monetary policy target of maintaining foreign exchange reserves equivalent to approximately four-months worth of imports.

The Gross official foreign reserves increased by \$7.90 million to stand at \$234.20 million at end December 2008. This rise was largely supported by an increase of \$10.32 million in the Ministry of Finance foreign holdings whilst Central Bank holdings recorded a drop of \$2.42 million.

Official reserves dropped slightly to cover 4.4 months of imports at end December 2008, compared to 4.7 months at end December 2007.

	2006	2007	2008	4Q07	1Q08	2Q08	3Q08	4Q08
Gross Official Foreign Reserves	199.32	226.30	234.20	226.30	247.46	249.84	238.05	234.20
Import Cover	4.0	4.7	4.4	4.7	5.0	5.1	4.7	4.4

Source: Central Bank of Samoa

6. EXCHANGE RATES

The exchange rate is a key economic price. It represents the price of the SAT against other currencies and reflects the relative prices of traded goods and services in Samoa and overseas. That is the cost/price relationship of our imports and exports and our domestic production. If domestic costs/prices rise relative to those in the international markets then the value of the domestic currency needs to fall to maintain equilibrium. If the domestic currency rises (appreciates) against other currencies then import costs fall and exports become less competitive, if the currency falls in value (depreciates) then import costs rise but exports become more competitive. Samoa maintains a pegged exchange rate regime.

At the end of Dec 2008, the Tala had depreciated against the USD, EURO and YEN and appreciated against the NZD, AUD and FJD from December 2007.

	2007	2008				% Appreciation(+)/Depreciation (-) of TALA between Dec 08 and	
	Dec	Mar	Jun	Sep	Dec	Dec 07	Sep 08
USD	0.3919	0.3981	0.3996	0.3834	0.3391	-13.5	-11.6
NZD	0.513	0.504	0.5153	0.538	0.5898	15.0	9.6
AUD	0.4413	0.4394	0.4233	0.4331	0.5059	14.6	16.8
EURO	0.2704	0.2656	0.2557	0.2552	0.2580	-4.6	1.1
FJD	0.6077	0.604	0.5973	0.5995	0.6081	0.1	1.4
YEN	44.29	41.87	41.84	41.26	32.57	-26.5	-21.1

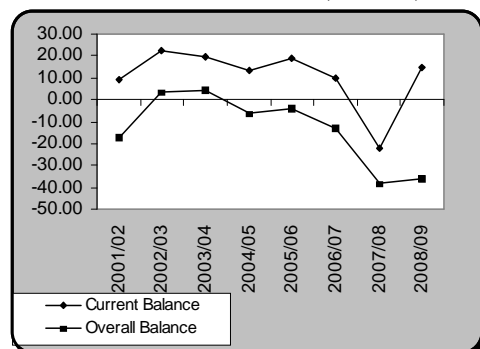
Source: Central Bank of Samoa

7. GOVERNMENT FINANCE

7.1 Government Finance Statistics

The basis for calculating Government Finance Statistics (GFS) is set by the IMF to provide a consistent framework for inter-country comparisons of budget/fiscal performance. GFS data differs from the budget appropriation data primarily as a result of the method of treating: i) departmental enterprise revenue and expenditure, ii) Treasury advances and repayments, for which only net figures are included in GFS; and iii) through the exclusion from GFS data of inter-departmental transfers relating to duty and VAGST on government and aid expenditure. Current balance is the difference in government revenues excluding aid & grants and expenditures excluding grant & loan expenditures.

Figure 7.1.1: Overall and Current Balance
Jul-Dec 2001/02-2008/09 (\$ Million)



Overall Performance

The 2008/2009 fiscal year budgeted a current surplus of \$21.77 million and an overall deficit of \$83.99 million.

During the reviewing period (July–December 2008/09), the overall fiscal outturn recorded an **overall deficit** of \$36.18 million. At this level, a \$5.80 million was registered below pro-rata estimates and equivalent to 5.1% of GDP. This result is below the estimate of 6.0% of GDP. At the current level, a **surplus** of \$14.90 million was recorded with an increase of \$4.01 million from the budget surplus estimate of \$10.89 million.

The decline in the overall deficit was attributed mainly to the reduction of \$10.06 million in total expenditure, which is more than double the shortfall in total revenue and grants of \$4.26 million when compared to the pro rata estimates of the first six months (July-December) of 2008/09 financial year. On the other hand, the increase in current

surplus was largely driven by a decline of \$8.27 million in current expenditure when compared to the budget estimates of July to December (2008/09) period. In addition, though non tax category had a shortfall of \$8.60 million, tax revenue category recorded a rise of \$4.35 million, which reduced the overall shortfall of current receipts to \$4.26 million for the period.

When compared to July-December of 2007/08 financial year, overall deficit had improved by \$1.73 million. Current balance had turned around from a deficit of \$22.36 million in the first six months of 2007/08 fiscal year to a surplus of \$14.90 million in the reviewing period. This favourable result was mainly driven by the increase of \$4.71 million in non tax revenue category and the reduction of \$28.86 million in current expenditure throughout this period. Moreover, the increase of \$65.71 million in imports led to the rise in tax collection of \$3.69 million over this period.

Figure 7.1.1 depicts downward trends from 2005/06 to 2007/08 (Jul-Dec) for both current and overall balances and recorded upward trends in 2008/09.

Revenue

Total Revenue and grants during the period of July to December of 2008/09 financial year stood at \$251.15 million. This consists of \$195.81 million of current receipts and \$55.34 million of external grants. Total revenue and grants recorded a shortfall of \$4.26 million when compared to pro rata estimates for the period. This was mainly caused by a shortfall in non tax revenue of \$8.60 million. Offsetting this shortfall was an increase of \$4.34 million in tax revenue category. When compared to the corresponding 2007/08 period, total revenue and grants had increased by \$25.28 million. This growth was fuelled mainly by a rise of \$16.88 million in external grants. Current receipts also recorded an increase of \$8.40 million throughout this period. The categories of current receipts, tax revenue and non tax revenue both registered upward trends of \$3.69 million and \$4.71 million over this period.

Tax revenue valued at \$174.62 million for the period under review. At this level, \$4.34 million was recorded above the budgeted amount. The net increase of \$9.70 million in Taxes on Goods and Services has strongly determined this result whilst all other components of tax revenue registered net declines when compared to pro rata estimates of the reviewing period.

Non-tax revenue recorded a shortfall of \$8.60 million when compared to budget estimate of the reporting period to stand at \$21.19 million. This was fuelled mainly by the shortfall of \$7.65 million in Property and Investment Income group followed by the shortfall of \$0.95 million in Cost recoveries, licences and fines category.

Figure 7.1.2 illustrates revenue performance in the first six months (Jul-Dec) of the last eight fiscal years.

Expenditure

Total expenditure and Net Lending for the first six months of 2008/09 fiscal year totalled \$287.34 million. This was \$10.06 million below the budget estimate for the the period. This result was fuelled mainly by the delay of \$9.74 million in loan funded projects and the

Figure 7.1.2: Revenue by Type, Jul-Dec 2001/02-2008/09 (\$ Million)

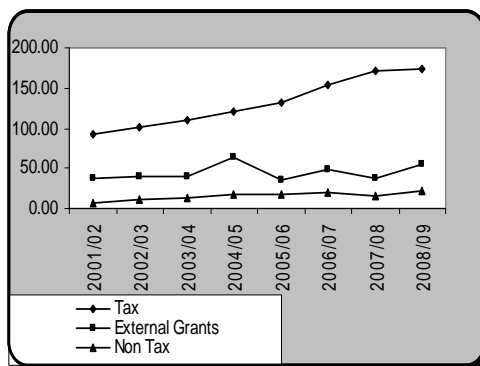
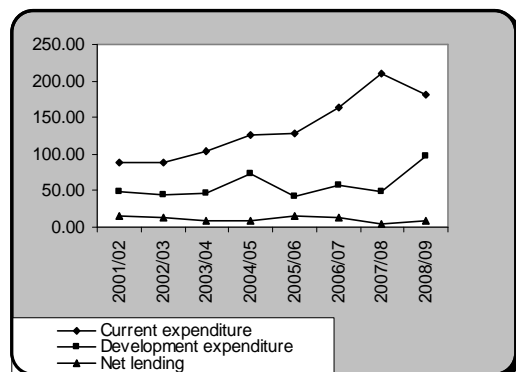


Figure 7.1.3: Expenditure by Type, Jul-Dec 2001/02-2008/09 (\$ Million)



drop of \$8.27 million in current expenditure whilst net lending had risen by \$7.94 million. Total expenditure and Net lending had increased by \$23.55 million from the comparable 2007/08 period. This was attributed mainly to the rise of \$32.83 million in loan funded projects followed by increases of \$16.88 million and \$2.71 million in grant funded projects and net lending respectively whilst current expenditure declined by \$28.86 million over this period. The government has taken a prudent fiscal measure by cutting the current expenditure while influencing development investment expenditure to increase.

Current expenditure for the reviewing period amounted to \$180.91 million, \$8.27 million below the budget estimate. This was largely determined by the drop of \$11.30 million in General Services, followed by declines of \$10.90 million and \$1.30 million in Social Services and VAGST payable by Government Departments. On the contrary, Economic Services, Interest payments on Public Debts and Other expenditure had increased by \$6.00 million, \$1.00 million and \$8.20 million respectively.

Development expenditure at \$98.31 million was \$9.74 million below the pro rata estimate. This is reflected in slow progress of some of the loan funded public investment projects (such as the Sanitation and Drainage, Power Sector, etc).

Net Lending was \$7.94 million above the pro-rata estimate.

Table 7.1.1: GOVERNMENT FINANCE 2005/06 – 2008/09^a (\$ Million)

	Provisional Actual			Budget	(Pro-rata estimates)	Provisional	
	2005/06	2006/07	2007/08	2008/09	Jul-Dec 08	Jul-Dec 07	Jul-Dec 08
Revenues and Grants	395.1	487.6	441.10	510.83	255.41	225.87	251.15
Revenues	323.2	389.2	364.17	400.14	200.07	187.40	195.81
External Grants	71.82	98.5	76.93	110.69	55.34	38.46	55.34
Expenditure	391.72	472.3	487.70	594.82	297.40	263.78	287.34
Current ^b	281.89	327.6	383.61	378.37	189.18	209.77	180.91
Development ^c	86.11	123.7	96.24	216.09	108.04	48.59	98.30
Other (capital & net lending)	23.72	21.1	7.85	1.36	0.68	11.41	9.12
Current Balance	41.31	61.6	-19.44	21.77	10.88	-22.36	14.90
Overall Balance	3.38	15.4	-46.60	-83.99	-41.99	-37.91	-36.18
Financing							
Net external borrowing	6.18	7.6	11.78	91.49	45.74	6.22	39.45
Domestic	-1.65	-22.9	34.83	-7.51	-3.75	31.68	-3.27
Overall Balance as % of GDP	0.3	1.2	-3.2	-6.1	-5.9	-5.1	-5.1
Total Expenditure as % of GDP	32.2	35.7	33.6	43.3	41.9	35.2	40.5

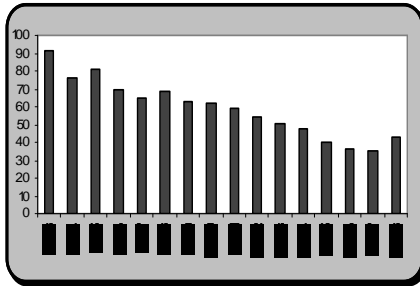
Source: Samoa Bureau of Statistics estimates
^a Provisional Actual 2005/06 – 2007/08, Budget 2008/09
^b Includes domestically financed development plans
^c Financed from external grants and loans

7.2 External Debt

Government's external debt has been incurred for capital investment and infrastructure development purposes. This is in line with the so-called "Golden Rule" that over the "economic cycle": (i) public sector borrowing should not exceed the level of public investment; and (ii) the public sector debt to GDP ratio should not be allowed to increase in the absence of natural disaster.

At end of December 2008, Official external debt stood at \$604.71 million, equivalent to 42.8% of GDP.

Figure 7.2.1: Official External Debt as % of GDP



Multilateral and bilateral loans accounted for 86.0% (\$517.34 million) and 14.0% (\$87.36 million) of disbursed outstanding debt respectively.

Total debt servicing recorded \$4.70 million in December 2008, declined by \$1.29 million from December 2007 period and equivalent to 4.7% of exports of goods and services.

Total debt servicing stood at \$20.11 million at end of 2008, slightly declined by \$0.01 million from 2007 and equivalent to 6.3% of exports of goods and services.

Table 7.2.1: EXTERNAL DEBT

Year End	2006	2007	2008	4Q07	1Q08	2Q08	3Q08	4Q08
Official External Debt (\$ Million)	448.38	477.15	604.71	477.15	481.86	490.01	518.63	604.71
Official External Debt as % of GDP	35.9	34.7	42.8	34.7	34.5	34.9	37.0	42.8

Source: Ministry of Finance and Samoa Bureau of Statistics estimates

Table 7.2.2: TOTAL DEBT SERVICING AS % OF MERCHANDISE EXPORTS AND SERVICES

Year End	2006	2007	2008	4Q07	1Q08	2Q08	3Q08	4Q08
Total Debt Servicing (\$ Million)	17.82	20.12	20.11	5.99	5.49	5.32	4.60	4.70
As % of Merchandise exports plus services exports	6.4	6.4	6.3	6.8	8.6	7.2	5.6	4.7

Source: Central Bank of Samoa and Ministry of Finance
^a Merchandise exports and services are dominated by travel

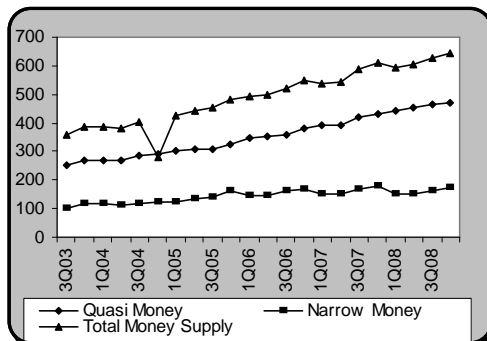
8. MONEY SUPPLY AND DOMESTIC CREDIT EXPANSION

8.1 Money Supply

The Money Supply (M2) is defined as: Currency in circulation + Demand deposits + Savings deposits + Time deposits with the commercial banks.

Growth in money supply is regarded as an indicator of the level of economic activity and can be a lead indicator of future inflationary pressures

Figure 8.1.1: Narrow Money, Quasi Money & Total Money Supply by Quarter (\$ Million)



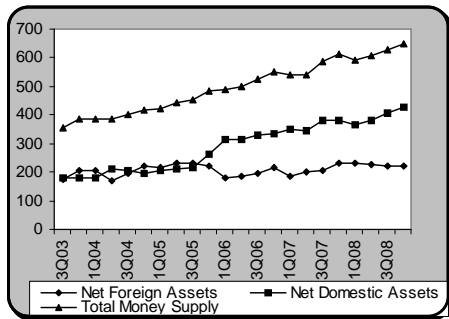
Money Supply

Money supply valued at \$646.42 million at end December 2008, increased by \$35.26 million from end December 2007. This was a result of an increase in Quasi money by \$40.09 million whilst Narrow money (M1) declined by \$4.83 million. The rise in Quasi money was strongly underpinned by an increase of \$40.92 million in Time deposits followed by Foreign currency deposits of residents with an increase of \$1.14 million whilst Savings deposits declined \$1.97 million. The components of Narrow money (M1), Currencies outside banks and Demand deposits had fallen by \$2.70 million and \$2.13 million respectively.

Net Foreign Assets and Net Domestic Assets

In the twelve months to December 2008, net foreign assets stood at \$219.14 million whilst net domestic assets were valued at \$427.28 million. Net foreign assets recorded a decline of \$11.98 million whilst net domestic assets increased by \$47.24 million from December 2007.

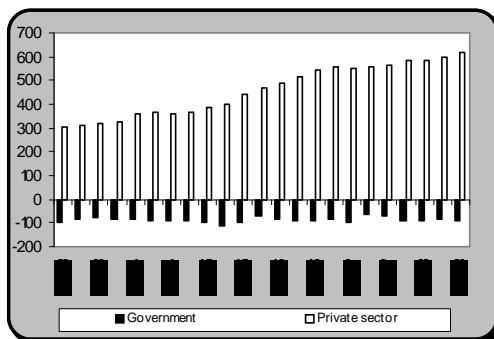
Figure 8.1.2: Net Foreign Assets, Net Domestic Assets & Total Money Supply by Quarter (\$ Million)



8.2 Domestic Credit Expansion

Domestic credit expansion, (or lending by commercial banks) is one of the primary factors in driving money supply and in stimulating private sector growth. It comprises primarily of two components, commercial bank lending to government and to the private sector. Government has been a net depositor with the banking system, so that domestic credit expansion has focused primarily on the private sector.

Figure 8.2.1: Government & Private Sector Credit by Quarter (\$ Million)



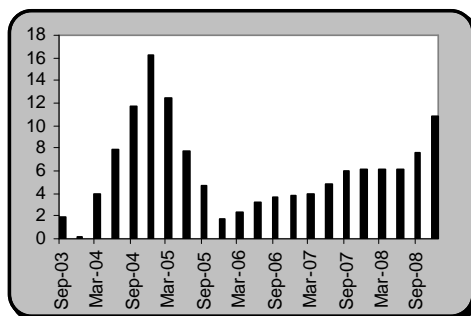
Total domestic credit outstanding at end 2008 recorded an increase of \$54.19 million over end December 2007. This growth was largely driven by credit to the private sector with an increase of \$50.97 million followed by a rise of \$19.09 million in claims on non-financial public enterprises and non-monetary financial institutions, whilst government deposits with the banking system had declined by \$15.87 million.

9. INFLATION

Inflation, as measured by the Consumer Price Index (CPI), provides an indication of the movement in the cost of living, or conversely, the change in the purchasing power of money. The CPI is based on a basket of consumer goods and services and includes both imports (52%) and domestic items (48%).

9.1 Consumer Price Index

Figure 9.1.1: CPI All Groups Annual Average Rate End Quarter (%)



The annual average rate of inflation in December 2008 was 10.9%, increased by 4.8 percentage points from December 2007. The twelve months moving average for the local component of the CPI had increased by 2.7 percentage points over this period. This rise was strongly dominated by increases in local food and miscellaneous prices. The import component of the CPI had risen by 7.3 percentage points due mainly to increases of 30.4, 10.3 and 5.3 percentage points in transport/communication, housing/household and food prices respectively.

Transport/communication prices had largely driven the increase in all items (local and import components) of the CPI with a rise of 8.7 percentage points followed by an increase of 6.4 percentage points in food prices over the comparable 2007 period. The high inflation rate in 2008 reflected the impact of high oil prices which filtered through to high transport and communication costs. Moreover, the upward trend in imported food prices caused local food produces to increase, which led to the overall growth of food prices in all items of the CPI.

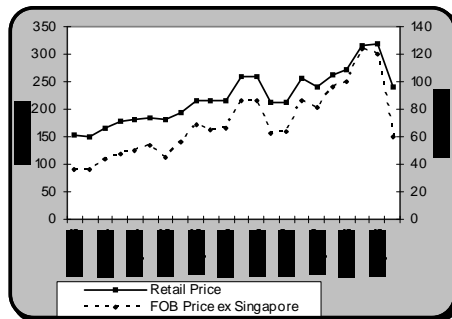
	2006	2007	2008	4Q07	1Q08	2Q08	3Q08	4Q08
All Item Index	3.8	6.1	10.9	6.1	6.2	6.2	7.6	10.9
Imported Good Index	4.5	6.9	14.2	6.9	7.4	8.0	10.2	14.2
Local Good Index	3.1	5.4	8.1	5.4	5.3	4.7	5.5	8.1

Source: Ministry of Finance

9.2 Petroleum Prices

Petroleum products considered in the analysis are kerosene, diesel and petrol. Changes in the prices of petroleum products are important as they affect electricity and transportation costs for all sectors of the economy. Local retail prices for petroleum products are derived directly from international market prices without subsidy.

Figure 9.2.1: End Quarter Petroleum Prices



The international price for petrol was 60.25 cents per litre in December 2008, declined by 35.64 cents from December 2007. International prices for kerosene and diesel were recorded at 74.52 cents and 80.89 cents per litre, declined by 31.79 cents and 21.17 cents from the previous year. The variation in international prices are in line with domestic retail prices declining by 23.20 sene, 7.40 sene and 1.40 sene for petrol, kerosene and diesel respectively.

	2007		2008							
	December		March		June		September		December	
	Retail	FOB Price	Retail	FOB Price	Retail	FOB Price	Retail	FOB Price	Retail	FOB Price
Petrol	262.5	95.89	272.2	99.77	315.2	120.35	320.3	121.06	239.30	60.25
Kerosene	271.8	106.13	261.5	105.31	336.9	138.67	352.8	150.84	264.40	74.52
Diesel	260.8	102.06	280.2	105.16	356.1	128.91	363.9	147.09	259.40	80.89

Source: Ministry of Finance