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Please note the GFS report is in financial year write up (Jul-Jun 2008/09)

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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 second quarter 2009.*

## 1. EXECUTIVE SUMMARY

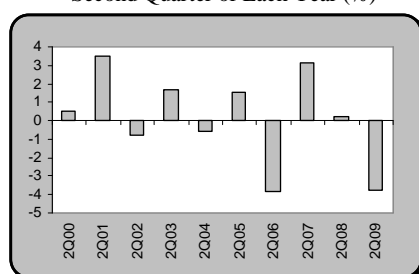
### Key Features of Second Quarter 2009 Performance

- Real **GDP** totalled \$257.37 million, declined by 4.6% over the comparable 2008 period; (see section 2)
- The level of **Employment** dropped by 9.3% (2,035) in June 2009 compared to the corresponding 2008 quarter; (see section 3)
- **Export** earnings in 2Q09 declined by 6.9% over the comparable 2008 period; (see section 4.1)
- **Imports** stood at \$131.19 million, declined by 6.1% over 2Q08; (see section 4.2)
- The **trade deficit** had improved by \$8.05 million to stand at \$124.11 million in the reviewing quarter; (see section 4.5)
- **Foreign reserves** stood at \$266.025 million in 2Q09, sufficient to cover 5.1 months of imports; (see section 5)
- The **Tala appreciated** against the NZD, AUD, EURO and FJD and depreciated against the USD and Yen from the comparable 2008 period; (see section 6)
- The **budget outturn** for FY2008/09 showed an overall deficit of \$59.00 million, increased by \$32.02 million from the previous fiscal year. A current surplus of \$24.66 million was recorded, increasing by \$24.48 million from the preceding financial year (2007/08); (see section 7.1)
- Official government **external debt** outstanding at end June quarter 2009 was \$585.20 million, \$95.19 million higher than 2Q08; (see section 7.2)
- **Money supply** valued at \$654.39 million in 2Q09, recorded a rise of \$46.08 million from 2Q08; (see section 8.1)
- **Domestic credit** had risen by 7.0% from 2Q08 to stand at \$602.27 million in 2Q09; (see section 8.2)
- The **inflation rate** at end June 2009 stood at 13.9%, 7.7 percentage points higher than the rate at end of June 2008. (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 Second Quarter of Each Year (%)



### Overview

Real Gross Domestic Product was \$257.37 million in June quarter of 2009, declining by 4.6% from the comparable 2008 period. This fall in the June quarter reflects a strong decline of 3.8% in Other Manufacturing followed by Construction industry with a negative contribution of 1.1%. It is noted that the Other Manufacturing industry had strongly dominated the overall decline of the economy throughout the four consecutive quarters of the 2008/09 financial year in comparison to the corresponding periods of 2007/08. The decline in the level of Yazaki production has largely driven this result for the industry, caused from the drop in overseas demand which was partly affected by the global economic crisis.

The overall real GDP for the period of July 2008 to June 2009 stood at \$1055.84 million. This represented a decline of \$61.85 million (or 5.5%) from the previous fiscal year (2007/08).

### Industry Performance

#### Primary Sector: Agriculture and Fisheries

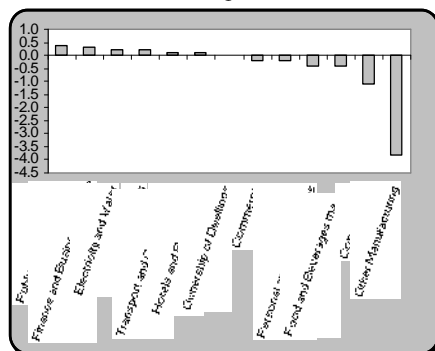
**Agriculture** industry generated value added of \$15.40 million at end of June 2009 quarter with a drop of 3.9% from the same period of 2008. According to the Central Bank's survey of the Fugalei market, the average level of quantity supplies of banana, taro palagi, taamu, coconut, breadfruit, yam, tomatoes and chinese cabbage had recorded downward trends of 0.5%, 23.5%, 37.8%, 16.8%, 45.4%, 69.6%, 19.7% and 28.9% whilst taro, head cabbage, cucumber and pumpkin had increased by 15.1%, 18.8%, 15.5% and 47.9% from June 2008 respectively. The industry contributed a share of 6.0% to overall production (GDP) and a negative contribution of 0.2 percentage points to the overall decline of the economy by 4.6% in the period under review.

**Fishing** industry stood at \$12.19 million in the reviewing quarter. It has increased by 5.4% from the same 2008 quarter and has a positive contribution of 0.2 percentage points to the growth of negative 4.6%. This rise was in line with the increase of \$1.35 million in fish export earnings during this period. The industry contributed a share of 4.7% to total GDP for June 2009 quarter.

#### Secondary Sector: Manufacturing, Construction, Electricity & Water

**Food and Beverage Manufacturing** continued to decline throughout the comparable quarters with a drop of 19.5% over June 2008 quarter to stand at \$4.28 million in June 2009 quarter. This unfavourable outcome was

**Figure 2.2:** Industries Contributions to Overall Economic Decline of 4.6% in June 2009 Quarter



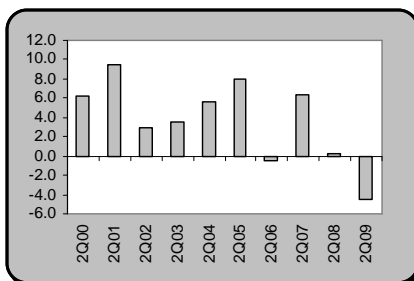
consistent with the declines of \$0.59 million, \$0.31 million, \$0.30 million and \$0.01 million in beer, nonu juice, coconut cream and nonu fruit export earnings respectively. The industry contributed a share of negative 0.4 percentage points to the overall quarterly growth of negative 4.6% and has the smallest share of 1.7% to the overall production for the reporting period.

**Other Manufacturing** recorded a downward trend of 32.7% over the same 2008 quarter. This translated into a negative contribution of 3.8 percentage points to economic growth of negative 4.6% and registered as the largest contributor throughout this period. This unfavourable performance was driven strongly by the decline of 56.6% in Yazaki production followed by a drop of 5.1% in other manufacturing activities.

**Construction** activities totalled \$28.94 million in the reporting quarter, recorded a downward trend of 9.0% from the same period last year. The industry was the second largest contributor of negative 1.1 percentage points to the overall economic decline of 4.6% for June 2009 quarter.

**Electricity and Water** in the reviewing quarter had increased by 6.9 % from the comparable period of 2008 to stand at \$13.16 million in June quarter of 2009. The industry continued to maintain its upward trend due to work in progress on water and power sector projects. This was evidenced with a positive contribution of 0.3 percentage points to overall economic decline of 4.6% throughout this period.

**Figure 2.3:** Economic Growth in the Second Quarter of Each Year (%)



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

**Commerce** continued to maintain as the largest industry accounting for 18.2% of total GDP and the fifth largest contributor of negative 0.2 percentage points to the overall economic growth of negative 4.6% over June 2008 quarter. The industry declined by 1.0% partly reflected in the drop of 7.6% in private sector imports in comparison to the same 2008 quarter.

**Hotels and Restaurants** industry stood at \$10.52 million in June quarter of 2009, increased by 3.3% from the comparable 2008 period. This was reflected in the rise of tourism earnings by 14.7% during this period. The industry registered a total share of 4.1% to overall GDP with a positive contribution of 0.1 percentage points to the overall decline of 4.6% throughout this period.

**Transport and Communication** activities recorded an increase of 1.1% from June 2008 to stand at \$36.77 million in June quarter of 2009. At this level, the industry registered a share of 14.3% to overall production and a positive contribution of 0.1 percentage points to the overall economic decline of 4.6% in June 2009 quarter.

**Finance and Business Services** totalled \$27.10 million in the reviewing period with a rise of 2.6% over June 2008 quarter. The industry contributed a share of positive 0.3 percentage points to the overall economic decline of 4.6% with a share of 10.5% of the overall GDP.

**Personal and other Services** had declined by 6.9% from June 2008 quarter to stand at \$14.18 million in the reviewing period. This

represented a negative contribution of 0.4 percentage points to the overall decline of 4.6% with a total share of 5.5% to GDP.

### Government Sector

**Public Administration** stood at \$22.8 million in June 2009 quarter, increased by 4.5% from the corresponding period of 2008. The industry has a positive contribution of 0.4 percentage points to the overall decline with a total share of 8.9% to total production.

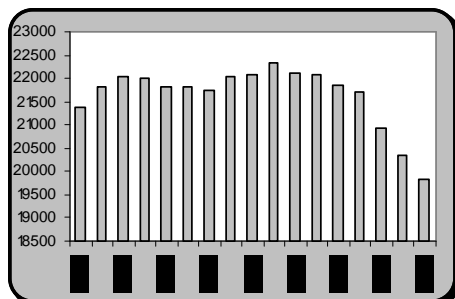
	2006	2007	2008	2Q08	3Q08	4Q08	1Q09	2Q09	% Change 2Q09 over	
	(\$ Million)								2Q08	1Q09
<b>At constant 2002 prices</b>										
Agriculture	68.35	71.54	66.29	16.03	16.56	16.56	16.61	15.40	-3.9	-7.3
Fishing	48.33	53.21	47.66	11.56	11.83	12.06	11.87	12.19	5.4	2.6
Food & Beverages Manufacturing	31.21	27.84	20.79	5.32	5.32	4.51	3.14	4.28	-19.5	36.2
Other Manufacturing	103.56	129.20	106.56	30.93	27.58	22.78	16.98	20.80	-32.7	22.5
Construction	118.74	135.81	129.03	31.80	31.66	31.69	30.32	28.94	-9.0	-4.6
Electricity and Water	47.63	48.46	49.42	12.31	12.20	12.65	12.61	13.16	6.9	4.3
Commerce	189.76	194.45	192.93	47.34	47.39	49.65	48.30	46.84	-1.0	-3.0
Hotels, Restaurant	32.29	35.77	39.88	10.19	10.27	10.31	9.69	10.52	3.3	8.6
Transport, Communication	145.09	152.51	158.16	36.37	39.71	42.90	42.30	36.77	1.1	-13.1
Public Administration	81.92	84.20	87.10	21.83	21.77	22.04	22.27	22.80	4.5	2.4
Finance & Business Services	98.28	100.55	103.19	26.41	25.49	25.88	26.33	27.10	2.6	2.9
Less: Enterprise share of FISIM	-12.27	-12.67	-13.18	-3.35	-3.26	-3.28	-3.34	-3.42	2.1	2.5
Ownership of Dwellings	30.97	31.07	31.16	7.79	7.79	7.80	7.81	7.81	0.3	0.1
Personal & Other Services	58.06	58.65	59.75	15.23	15.95	14.05	13.82	14.18	-6.9	1.9
<b>Value added 2002 market prices</b>	1,041.9	1,112.5	1,078.7	269.73	270.15	269.61	258.72	257.37	-4.6	-0.5
Implicit price deflator:	120.6	130.0	133.4	131.7	134.2	134.9	132.6	133.6	1.4	0.8
<b>At constant 2002 prices</b>										
Non-monetary	157.57	160.29	160.46	40.37	39.91	40.09	40.08	37.96	-5.4	-5.2
Monetary – total	887.22	950.54	912.81	228.50	228.31	227.38	228.62	219.38	-2.8	-4.0
Monetary – restricted scope	834.52	874.90	857.31	215.95	211.66	211.35	218.35	216.09	1.5	-1.0
<b>Memo items:</b>										
Nominal GDP (current prices)	1,256.18	1,446.02	1,438.61	355.26	362.44	363.73	343.18	343.83	-3.2	0.2
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 total number of formal paid employment stood at 19,839 at end of June 2009, declined by 2,035 (9.3%) from June quarter of 2008. The decline in the secondary sector by 31.2% had driven this drop followed by the declines of 13.8% and 6.4% in primary and tertiary sectors whilst the public administration industry had increased by 2.9% respectively.

	2006	2007	2008	2Q08	3Q08	4Q08	1Q09	2Q09	% Change in 2Q09 over	
									2Q08	1Q09
Primary	291	263	242	261	257	242	252	225	-13.8	-10.7
Secondary	4,716	4,753	3,689	4,394	4,080	3,689	3,308	3023	-31.2	-8.7
Tertiary	11,784	12,037	11,817	12,097	12,248	11,817	11,568	11319	-6.4	-2.2
Public Administration	4,948	5,063	5,175	5,123	5,142	5,175	5,197	5272	2.9	1.4
<b>TOTAL EMPLOYMENT</b>	<b>21739</b>	<b>22,116</b>	<b>20,924</b>	<b>21,874</b>	<b>21,727</b>	<b>20,924</b>	<b>20,326</b>	<b>19839</b>	<b>-9.3</b>	<b>-2.4</b>

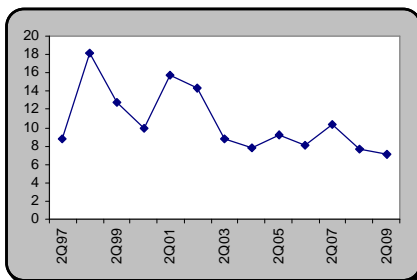
Source: Samoa National Provident Fund

## 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 Second Quarter of Each Year (\$ Million)



Export earnings had declined in the reviewing quarter by \$0.53 million (6.9%) from the comparable quarter of 2008. The slump in revenue was the result of declines in other export products, beer, nonu juice and coconut cream by \$0.74 million, \$0.58 million, \$0.31 million and 0.30 million whilst fish, taro and nonu fruits increased by \$1.35 million, \$0.05 million and \$0.01 million respectively.

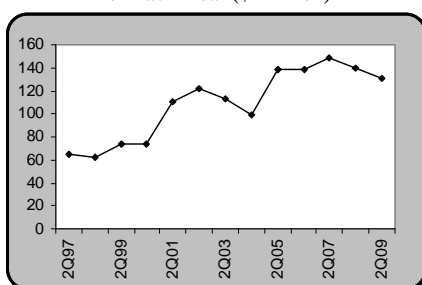
	2006	2007	2008	2Q08	3Q08	4Q08	1Q09	2Q09	% Share			% Change 2Q09 over							
									(\$ Million)						2Q08	1Q09	2Q09	2Q08	1Q09
									2Q08	1Q09	2Q09	2Q08	1Q09						
Fish	15.45	20.00	12.25	3.11	4.03	4.06	2.63	4.46	40.9	44.9	62.9	43.3	69.6						
Coconut cream	2.38	2.34	2.07	0.55	0.54	0.51	0.47	0.25	7.2	8.0	3.5	-54.4	-46.2						
Nonu fruit	0.87	0.70	0.11	0.02	0.02	0.04	0.04	0.03	0.2	0.7	0.5	110.2	-10.2						
Nonu juice	3.95	3.82	2.80	1.00	0.52	0.78	0.95	0.69	13.1	16.2	9.7	-31.0	-27.4						
Beer	3.48	3.12	2.81	0.92	0.65	0.55	0.42	0.33	12.1	7.2	4.7	-63.6	-20.6						
Taro	0.59	0.62	0.86	0.19	0.25	0.26	0.24	0.24	2.5	4.1	3.4	27.5	1.7						
Others	2.03	5.59	6.10	1.82	2.28	0.68	1.10	1.08	23.9	18.9	15.2	-41.0	-2.7						
<b>TOTAL</b>	<b>28.75</b>	<b>36.19</b>	<b>27.00</b>	<b>7.61</b>	<b>8.29</b>	<b>6.88</b>	<b>5.85</b>	<b>7.08</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>-6.9</b>	<b>21.1</b>						

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 Second Quarter of Each Year (\$ Million)



Imports for June quarter 2009 were valued at \$131.19 million, declined by \$8.58 million (6.1%) from 2Q08. This fall resulted from the declines in petroleum and private sector imports by 22.2% and 7.6% respectively, offsetting the huge increase of more than hundred percent in government imports.

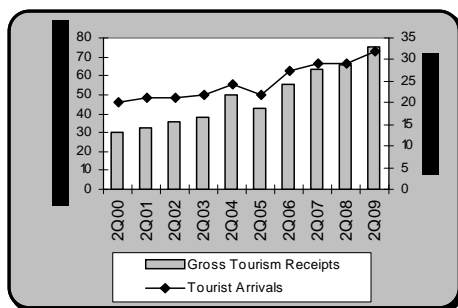
	2006	2007	2008	2Q08	3Q08	4Q08	1Q09	2Q09	% Share			% Change 2Q09 over	
	(\$ Million)								2Q08	1Q09	2Q09	2Q08	1Q09
	Government	15.67	30.36	24.43	4.91	9.37	5.68	2.12	10.91	3.5	1.8	8.3	122.3
Petroleum	114.48	122.51	170.98	30.02	56.75	41.85	22.72	23.36	21.5	19.4	17.8	-22.2	2.8
Other Product	477.66	440.77	463.77	104.84	132.08	131.85	92.45	96.92	75.0	78.8	73.9	-7.6	4.8
<b>TOTAL</b>	<b>607.81</b>	<b>593.64</b>	<b>659.18</b>	<b>139.77</b>	<b>198.20</b>	<b>179.38</b>	<b>117.29</b>	<b>131.19</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>-6.1</b>	<b>11.8</b>

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 Second Quarter of Each Year**



Total tourism earnings amounted to \$75.70 million in the reporting period, increased by \$9.70 million (14.7%) over 2Q08. This growth was driven mainly by earnings from Australia with an increase of \$2.93 million followed by New Zealand, USA, Other countries, Europe and American Samoa with upward trends of \$2.55 million, \$1.66 million, \$1.29 million, \$0.90 million and \$0.65 million respectively. On the contrary, earnings from Cruiseship tourists had declined by \$0.28 million throughout this period.

Travelers from New Zealand continued to dominate the market with a share of 41.2% to total arrivals, followed by visitors from American Samoa, Australia, Other countries, USA and Europe with contributions of 19.8%, 17.2%, 9.7%, 7.5% and 4.7% for the reporting period respectively. In terms of arrival by purpose, the majority of tourists were those on holiday with a contribution of 39.6% followed by visiting friends and relatives category with a share of 36.9% of total arrivals. In addition, Other purpose, Business and Sports categories had contributed shares of 12.0%, 9.8% and 1.7% to total tourist numbers for June 2009 quarter respectively.

In terms of earnings by purpose, visiting friends and relatives had the highest share of 41.7% followed by tourists with a contribution of 39.0%. Moreover, Business, Other purpose and Sports categories had registered contributions of 9.9%, 7.4% and 2.0% to total tourism revenue for the period under review respectively.

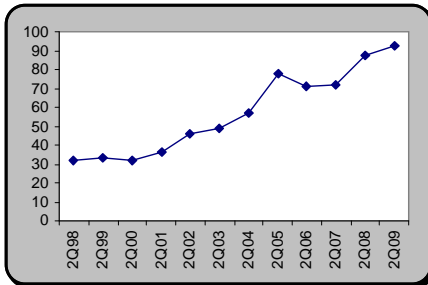
	2006	2007	2008	2Q08	3Q08	4Q08	1Q09	2Q09
<b>Gross Tourism Revenues</b>	236.39	262.52	288.41	66.00	72.43	92.60	70.87	75.70
<b>Visitor Arrivals</b>	115,882	122,352	122,163	31,985	36,237	37,469	25,940	31,990

Source: Central Bank of Samoa 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 Second Quarter of Each Year (\$ Million)



The level of remittances in the reporting quarter stood at \$92.30 million, increased by \$5.20 million in comparison to the same period of 2008. This growth was largely driven by Funds for Samoan individual category with a rise of \$8.14 million followed by increases of \$3.25 million and \$0.25 million in Banknotes and Funds for charitable organizations respectively. On the contrary, Funds for churches and non government schools and Others had downward trends of \$6.38 million and \$0.07 million respectively. New Zealand had contributed the largest share of 31.1% to total remittances followed by the United States, Australia, Fiji, Other countries and American Samoa with contributions of 27.4%, 21.0%, 11.4%, 5.8% and 3.3% respectively.

In terms of remittance by country, the rise of \$5.20 million in total remittances from June 2008 quarter was driven mainly by an increase of \$3.88 million from Australia. Other countries and the United States also recorded upward trends of \$3.44 million and \$0.99 million whilst Fiji, New Zealand, American Samoa and Hawaii declined by \$1.67 million, \$1.17 million, \$0.18 million and \$0.09 million respectively.

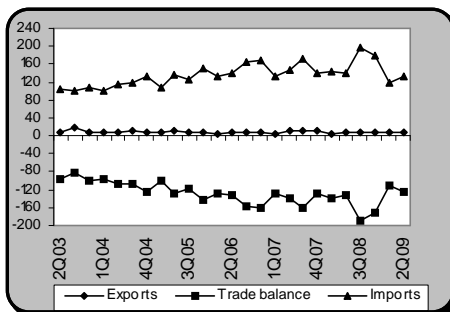
	2006	2007	2008	2Q08	3Q08	4Q08	1Q09	2Q09
<b>Remittances (\$ Million)</b>	300.91	310.61	350.95	87.10	96.30	89.00	88.80	92.30
<b>Remittances as % GDP</b>	23.9	21.5	24.4	24.5	26.6	24.5	25.9	26.8

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** stood at \$124.11 million in the reporting quarter, having improved by \$8.05 million from 2Q08. The decline of \$8.58 million in imports had led to the improvement in trade deficit throughout this period.

**Net services and income** valued at \$69.43 million in 2Q09, an increase of \$48.35 million from the comparable 2008 period. **Net current transfers** stood at \$88.00 million, increasing by \$4.81 million over the corresponding 2008 quarter. The increases in net services and income and net current transfers by \$48.36 million and \$4.81 million respectively had improved the current account balance from a deficit of \$27.89 million in June 2008 to a surplus of \$33.32 million in June 2009.

The **capital account** amounted to \$23.73 million for the reporting quarter, recorded an increase of \$7.43 million from 2Q08. This had led to an overall balance of payment surplus of \$57.05 million.

**Table 4.5.1: COMPARATIVE TRADE DATA 2006– 2008 (\$ Million)**

	2006	2007	2008	2Q08	3Q08	4Q08	1Q09	2Q09
1. EXPORTS (fob)	28.75	36.19	25.90	7.61	7.29	6.88	5.85	7.08
2. IMPORTS (fob)	607.81	593.64	659.18	139.77	198.20	179.38	117.29	131.19
<b>3. TRADE BALANCE</b>	<b>-579.06</b>	<b>-557.45</b>	<b>-633.28</b>	<b>-132.16</b>	<b>-190.91</b>	<b>-172.50</b>	<b>-111.44</b>	<b>-124.11</b>
4. NET SERVICES AND INCOME	188.99	208.13	203.90	21.07	45.46	70.79	35.97	69.43
5. NET CURRENT TRANSFERS	265.74	289.73	336.48	83.19	90.65	83.36	84.18	88.00
<b>6. CURRENT ACCOUNT BALANCE</b>	<b>-124.33</b>	<b>-59.59</b>	<b>-92.90</b>	<b>-27.90</b>	<b>-54.80</b>	<b>-18.35</b>	<b>8.71</b>	<b>33.32</b>
7. CAPITAL ACCOUNT (Net)	110.54	72.47	77.62	16.30	24.15	-62.63	22.94	23.73
<b>8. OVERALL BALANCE</b>	<b>-13.79</b>	<b>12.88</b>	<b>-15.28</b>	<b>-11.60</b>	<b>-30.65</b>	<b>-80.99</b>	<b>31.65</b>	<b>57.05</b>
9. TRADE BALANCE AS % GDP	-46.1	-38.5	-44.0	-37.2	-52.7	-47.4	-32.5	-36.1
10. CURRENT ACCOUNT BALANCE AS % GDP	-9.9	-4.1	-6.5	-7.8	-15.1	-5.0	2.5	9.7

Source: Central Bank of Samoa

## 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.*

At the end of the June quarter 2009, gross official foreign reserves had increased by \$16.28 million to stand at \$266.02 million. The surge was largely caused by a rise of \$11.84 million in the Central Bank's foreign holdings followed by the Ministry of Finance with an increase of \$4.44 million.

At the end of June 2009, official reserves were able to cover 5.1 months of imports, the same level as June 2008.

**Table 5.1: GROSS OFFICIAL FOREIGN RESERVES (\$ Million) & IMPORT COVER (Months)**

	2006	2007	2008	2Q08	3Q08	4Q08	1Q09	2Q09
<b>Gross Official Foreign Reserves</b>	199.32	226.30	234.20	249.74	240.21	232.96	246.93	266.02
<b>Import Cover</b>	4.0	4.7	4.4	5.1	4.7	4.4	4.8	5.1

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.*

The Tala had depreciated against the USD and YEN whilst appreciated against the NZD, AUD, EURO and FJD at the end of the reviewing quarter compared to June 2008.



	2008			2009		% Appreciation(+)/Depreciation (-) of TALA between 2Q09 and	
	Jun	Sep	Dec	Mar	Jun	2Q08	1Q09
	<b>USD</b>	0.3996	0.3834	0.3391	0.3307	0.3566	-10.8
<b>NZD</b>	0.5153	0.5380	0.5898	0.6222	0.5925	15.0	-4.8
<b>AUD</b>	0.4233	0.4331	0.5059	0.4988	0.4698	11.0	-5.8
<b>EURO</b>	0.2557	0.2552	0.2580	0.2539	0.2619	2.4	3.2
<b>FJD</b>	0.5973	0.5995	0.6081	0.6040	0.7420	24.2	22.8
<b>YEN</b>	41.8370	41.2598	32.5736	30.9404	34.6793	-17.1	12.1

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.*

#### Overall Performance

The fiscal year 2008/2009 projected an overall deficit of SAT\$83.99 million (5.9% of GDP) and a current surplus of \$21.77 million (1.5% of GDP).

The actual outturn throughout the reporting period (July 2008 to June 2009) recorded an overall balance deficit of \$59.00 million, \$24.99 million below budget estimate and equivalent to 4.2% of GDP. This exceeded the SDS target of no more than 3.5% of GDP because of an increase in planned investment expenditure that has been funded by concessional external loans. At the current level, a surplus of \$24.66 million or 1.7% of GDP was registered, increasing by \$2.89 million from the budget surplus estimate of \$21.77 million for the 2008/09 fiscal year.

The overall deficit had expanded by \$32.02 million whilst the current surplus had risen by \$24.48 million from the preceding financial year (2007/08). The increase in the overall deficit was driven mainly by a rise of \$85.84 million in development expenditure. On the contrary, current expenditure had declined by \$21.11 million and total revenue and grants had risen by \$37.13 million over the previous fiscal year. The increase in current surplus was strongly influenced by the decline of \$21.11 million in current expenditure followed by an increase of \$3.37 million in total revenue throughout this period. Despite the increase of \$32.60 million in total imports, taxes on international trade had recorded a decline of \$6.20 million from 2007/08.

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

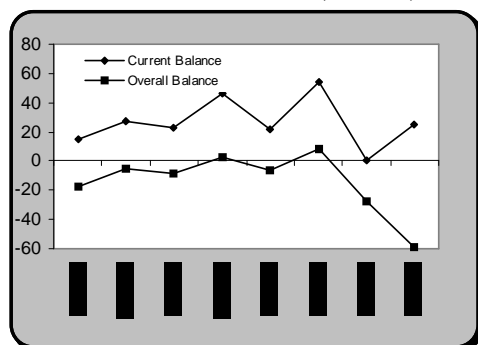
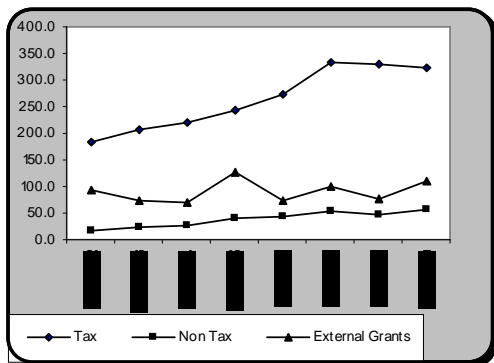


Figure 7.1.1 depicts downward trends from 2006/07 to 2008/09 (Jul-Jun) for the overall balances whilst current balance recorded an upward trend from 2007/08 to 2008/09.

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



### Revenue

**Total Revenue and Grants** collected throughout the 2008/09 fiscal year stood at \$492.04 million, a shortfall of \$18.79 million in comparison to the budgeted amount. Tax revenue and Non tax revenue have driven this overall shortfall.

**Tax revenue** valued at \$324.68 million, below the budget estimate of \$340.55 million by \$15.87 million. This result was strongly underpinned by net declines in Taxes on International trade (\$12.71 million), Taxes on Income (\$3.93 million) and All Other Taxes (\$0.75 million) whilst Taxes on Goods and Services had a net increase of \$1.52 million.

**Non-tax revenue** amounted to \$56.67 million, \$2.92 million below the budget estimate. This outcome was a result of a shortfall of \$5.10 million expected to collect from Property and Investment Income. Cost recoveries, licenses and fines category and Enterprise income group had net increases of \$1.78 million and \$0.40 million respectively.

Figure 7.1.2 illustrates revenue performance in the 12 months (Jul-Jun) of the last eight fiscal years.

### Expenditure

**Total Expenditure and Net Lending** for fiscal year 2008/09 stood at \$551.03 million. At this level, \$43.79 million was recorded above the budget estimate.

**Current expenditure** at \$356.69 million, \$21.68 million below the budget estimate, reflecting the decline of \$27.70 million in expenditure on goods, services and unallocated spending. Offsetting this decline are registered increases of \$4.60 million and \$1.40 million in salaries and wages and interest payments on external and domestic debts respectively.

**Development expenditure** was \$182.08 million, \$34.01 million below the pro rata for fiscal year 2008/09. This outcome was largely due to some of the loan funded development projects being delayed.

Net Lending was \$10.90 million above the budget estimate to stand at \$12.26 million.

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

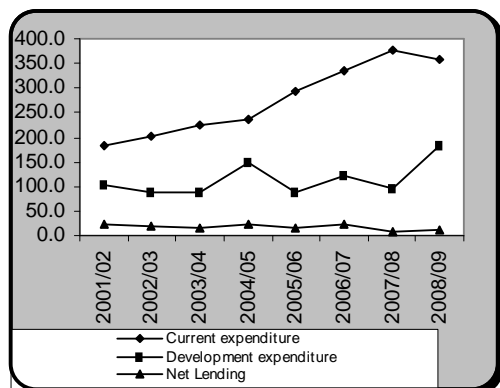


Figure 7.1.3 illustrates expenditure performance in the 12 months (Jul-Jun) of the last eight fiscal years. Development expenditure shows an upward trend from 2007/08 to 2008/09 whilst current expenditure declined during this period.

**Table 7.1.1: GOVERNMENT FINANCE 2006/07 – 2009/10<sup>a</sup> (\$ Million)**

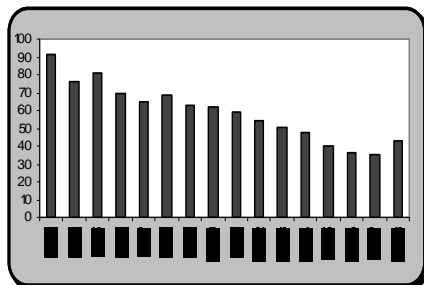
	Provisional Actual			Budget	Budget
	2006/07	2007/08	2008/09	2008/09	2009/10
<b>Revenues and Grants</b>	<b>486.75</b>	<b>454.91</b>	<b>492.04</b>	<b>510.83</b>	<b>510.99</b>
Revenues	388.27	377.98	381.35	400.14	358.19
External Grants	98.48	76.93	110.69	110.69	152.80
<b>Expenditure</b>	<b>478.38</b>	<b>481.89</b>	<b>551.03</b>	<b>594.82</b>	<b>671.84</b>
Current <sup>b</sup>	333.62	377.80	356.69	378.37	388.11
Development <sup>c</sup>	123.66	96.24	182.08	216.09	271.20
Other (capital & net lending)	21.16	7.85	12.26	1.36	12.53
<b>Current Balance</b>	<b>54.65</b>	<b>0.18</b>	<b>24.66</b>	<b>21.77</b>	<b>-29.92</b>
<b>Overall Balance</b>	<b>8.37</b>	<b>-26.98</b>	<b>-59.00</b>	<b>-83.99</b>	<b>-160.85</b>
<b>Financing</b>					
Net external borrowing	7.72	12.50	44.60	91.49	151.73
Domestic	-16.12	14.49	14.40	-7.51	9.11
<b>Overall Balance as % of GDP</b>	<b>0.6</b>	<b>-1.8</b>	<b>-4.2</b>	<b>-5.9</b>	<b>-10.3</b>
<b>Total Expenditure as % of GDP</b>	<b>35.8</b>	<b>32.7</b>	<b>39.0</b>	<b>42.1</b>	<b>42.9</b>

Source: Samoa Bureau of Statistics estimates  
<sup>a</sup> Provisional Actual 2006/07– 2008/09, Budget 2009/10  
<sup>b</sup> Includes domestically financed development plans  
<sup>c</sup> 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.*

**Figure 7.2.1: Official External Debt as % of GDP**



The total disbursed outstanding debt at end June 2009 amounted to \$585.20 million, increased by \$95.19 million from June 2008 and equivalent to 41.4% of GDP.

Multilateral and bilateral loans accounted for 84.0% (\$490.82 million) and 16.0% (\$94.38 million) of disbursed outstanding debt respectively.

Total debt servicing was \$5.44 million in June 2009, increased by \$0.12 million from June 2008 and equivalent to 6.6% of exports of goods and services.

**Table 7.2.1: EXTERNAL DEBT**

Year End	2006	2007	2008	2Q08	3Q08	4Q08	1Q09	2Q09
Official External Debt (\$ Million)	448.38	477.15	604.71	490.01	518.63	604.71	597.81	585.20
Official External Debt as % of GDP	35.9	34.7	42.8	34.9	37.0	42.8	42.7	41.4

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	2Q08	3Q08	4Q08	1Q09	2Q09
<b>Total Debt Servicing (\$ Million)</b>	17.82	20.12	20.11	5.32	4.60	4.70	5.60	5.44
As % of Merchandise exports plus services exports	6.4	6.4	6.3	7.2	5.6	4.7	7.3	6.6

Source: Central Bank of Samoa and Ministry of Finance  
<sup>a</sup> Merchandise exports and services are dominated by travel

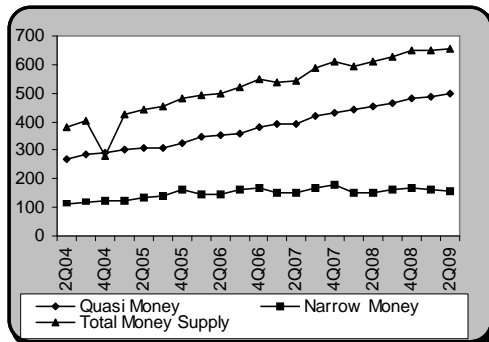
## 8. MONEY SUPPLY AND DOMESTIC CREDIT EXPANSION

### 8.1 Money Supply

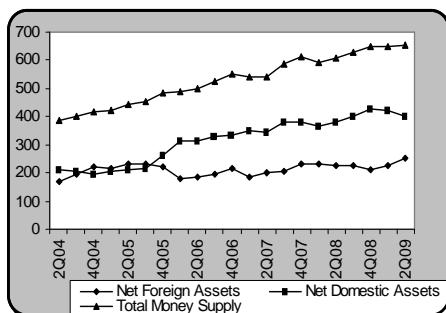
*The Money Supply (M2) is defined as: Currency in circulation + Demand deposits + Savings deposits + Time deposits with the commercial banks.*

*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)



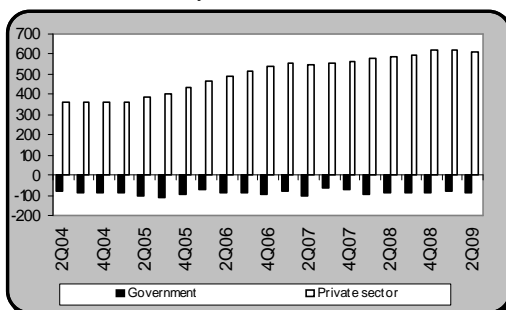
**Figure 8.1.2:** Net Foreign Assets, Net Domestic Assets & Total Money Supply by Quarter (\$ Million)



### 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)



#### Money Supply

Money supply in the second quarter of 2009 stood at \$654.39 million, increased by \$46.08 million from the same 2008 period. The increase was strongly influenced by Quasi Money with a rise of \$45.09 million, followed by an increase of \$0.99 million in Narrow Money. The rise in Quasi Money was mainly fuelled by an increase in time deposits of \$42.54 million followed by a surge of \$4.42 million in savings deposit whilst FCDR declined by \$1.87 million. In the Narrow Money component, both currency outside bank and demand deposits increased slightly by \$0.53 million and \$0.46 million respectively.

#### Net Foreign Assets and Net Domestic Assets

Net foreign assets in June quarter 2009 valued at \$251.52 million, an increase of \$23.80 million from the comparable 2008 period. On the other hand Net domestic assets amounted to \$402.87 million, increased by \$22.27 million from June quarter 2008.

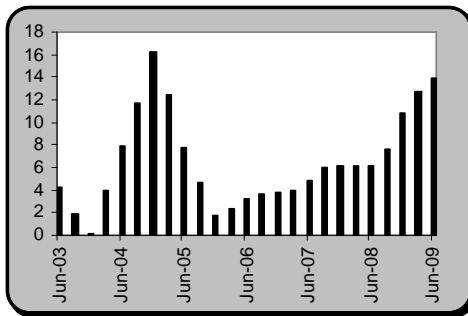
Domestic credit outstanding in the reporting quarter stood at \$602.27 million, 7.0% higher than June quarter 2008. This increase was largely fuelled by a rise in credit to the private sector of \$30.47 million followed by a surge of \$7.56 million in claims on non-financial public enterprises, whilst claims on non-monetary financial institutions was down by \$1.00 million. Government deposits with the banking system had improved by \$2.17 million (2.4%) from June 2008 to stand at \$86.43 million at end of June 2009.

## 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 at end June 2009 stood at 13.9%, increased by 7.7 percentage points from June 2008. Both the local and import components of the CPI recorded increases of 7.7 and 7.5 percentage points respectively over the corresponding 2008 period. In All Items of the CPI, food prices had increased by 13.5 percentage points followed by clothing/footwear, transport/communication and miscellaneous with increases of 6.9, 5.0 and 1.9 percentage points whilst housing/household and alcohol/tobacco showed downward trends of 0.5 and 0.8 percentage points respectively.

For the Import component of the CPI, food prices had largely driven the increase with a rise of 12.3 percentage points followed by increases of 6.9 and 1.1 percentage points in clothing/footwear and housing/household categories respectively. Transport/communication, alcohol/tobacco and miscellaneous items declined by 11.5, 5.0 and 3.4 percentage points over the corresponding 2008 quarter.

The rise of 7.7 percentage points in the local component was strongly underpinned by the increase of 15.3 percentage points in local food prices. Transport/communication and miscellaneous also registered increases of 10.9 and 0.6 percentage points respectively. On the contrary, housing/household and alcohol/tobacco categories had declined by 1.6 and 0.1 percentage points respectively. The high inflation rate was strongly determined by local food prices followed by imported food prices during this period.

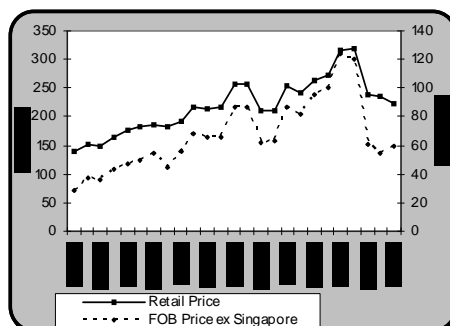
	2006	2007	2008	2Q08	3Q08	4Q08	1Q09	2Q09
All Item Index	3.8	6.1	10.9	6.2	7.6	10.9	12.7	13.9
Imported Good Index	4.5	6.9	14.2	8.0	10.2	14.2	15.9	15.5
Local Good Index	3.1	5.4	8.1	4.7	5.5	8.1	10.0	12.4

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



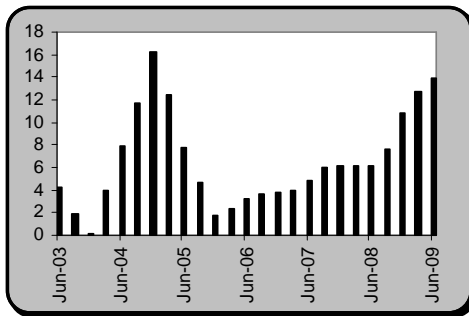
For June quarter 2009 international prices for petrol, kerosene and diesel were 59.98 cents, 60.40 cents and 60.00 cents per litre. Petrol, kerosene and diesel had declined by 60.37 cents, 78.27 cents and 68.91 cents from June 2008 respectively. For the domestic retail prices, petrol, kerosene and diesel all recorded falls of 92.40 sene, 138.70 sene and 140.60 sene throughout this period respectively.

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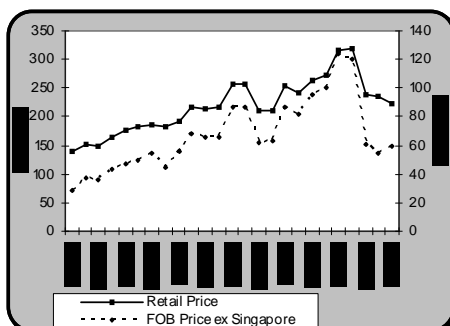
	2006	2007	2008	2Q08	3Q08	4Q08	1Q09	2Q09
All Item Index	3.8	6.1	10.9	6.2	7.6	10.9	12.7	13.9
Imported Good Index	4.5	6.9	14.2	8.0	10.2	14.2	15.9	15.5
Local Good Index	3.1	5.4	8.1	4.7	5.5	8.1	10.0	12.4

Source: Ministry of Finance

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