



GOVERNMENT OF SAMOA
MINISTRY OF FINANCE
QUARTERLY ECONOMIC OVERVIEW

Issue No 68

Third Quarter (Jan - Mar 2014/15)

Twelve months review (Apr 2014 – Mar 2015)

Gross Domestic Product

Samoa's economy reported a slight increase in its economic growth of 0.9% for March quarter compare to the corresponding quarter of the previous year. The leading contributor to the positive growth was the Fishing Sector reporting an increase of 109.3% due to an increase in the total volume of fish catch for March quarter which coincides with an increase in fish exports in the same period being reported by the Central Bank of Samoa. Communication and Transport Sector also recorded positive contributions of 34% and 31.8% to the economic growth. This result shows how the infrastructure sector is performing really well due to the benefits of some Government projects being finally realised.

In the twelve months to March 2015 (Apr 2014 – Mar 2015), GDP at constant prices recorded an increase of 1.4% from the twelve months to March 2014 (Apr 2013 – Mar 2014). Fishing was also the largest contributor to the increase in aggregate output over this period (up by 42.0%). For the last four consecutive quarters fishing has recorded positive growths leading to the sector becoming the largest contributor to the economy in the 12 months to March 2015. Transport (29.7%) and Electricity and Water (24.3%) also contributed positively to the growth for the reviewing period.

Employment

Employment numbers at end of March 2014/15 stood at 23,733 recording an increase of 1.3% compared to the same quarter of 2013/14. This was primarily caused by an increase in Primary Sector, recording a 3.6% increase in the number of employment. Moreover, Secondary, Tertiary and Public Administration all recorded increases in their number of employments by 3.1%, 1.2% and 0.2% respectively.

Trade & Balance of Payments

On the external front, the merchandise trade deficit decreased by 2.1% over the comparable quarter of 2013/14 to stand at \$164.7 million in March quarter 2014/15. This was a result of an increase of 19.2% in export earnings and a decline of 0.6% in imports of goods. The current account balance recorded a deficit of \$39.5 million in the reporting quarter. This was a result of a decrease of 2.1% in the merchandise trade deficit as well as a decline 4.6% in the balance of trade in services during this period. Capital account on the other hand decreased by \$14.4 million to stand at \$3.2 million at March quarter of 2014/15. In aggregate, the overall balance recorded a deficit of \$6.5 million in the reporting period (March quarter) of 2014/15 compared to a deficit of \$21.5 million in March quarter of the previous year (2013/14).

On an annual basis, exports and imports both reported increases of 16.5% and 2.6% over the previous year (2013/14), which led to an increase in the merchandise trade deficit by 1.5%. Moreover, the current account deficit decreased by 36.2% due to a decline in balance of goods, services and primary income. Capital account reported a decline of 20.6% whilst the overall balance of payments account increased by 76% to stand at a deficit \$39.6 million in the reporting year (2014/15).

Tourism & Remittances

For the reviewing period (March quarter), tourism earnings and tourist arrivals both recorded increases of 6.1% and 5.8% respectively. Tourists from Other countries was the primary driver of the increase in both arrivals and earnings, followed by and increase in arrivals from Australia (8.2%) and New Zealand (7.9%). For the twelve months to March 2015, tourist arrivals increased by 0.4% while tourism earnings registered a bigger increase of 7.2%.

Remittances in the reporting quarter (3Q14/15) amounted to \$94.4 million, increasing by \$13.3

million from the same quarter of 2013/14. In the twelve months to March 2015, remittances increased by \$5.6 million to stand at \$406.9 million. This outcome was a result of an increase in money being remitted from relatives overseas for their family's needs and daily expenses.

Monetary Supply

In the banking sector, money supply recorded a slight increase of 2.1% to stand at \$834.05 million at end of March 2014/15. The result was largely driven by Narrow Money (M1) with an increase of 12.2% whilst Quasi Money (M2) decreased by 2.4%. Domestic credit registered an increase of 38.1% over the comparable quarter (3Q13/14) of the previous fiscal year to stand at \$919.28 million at end of March quarter in 2014/15. This outcome was mainly caused by an increase of 35.5% in Claims on non-monetary financial institutions followed by Private sector (17.5%) and Claims on non-financial public enterprises (3.3%).

Exchange Rates

The Samoan tala appreciated against all of the main currencies except for USD where they recorded a depreciation in the March quarter 2014/15 compare to March quarter 2013/14. On an annual basis, it recorded an appreciation against AUD, EURO, FJD and YEN and then depreciated against USD and NZD.

Foreign Reserves

At the end of March quarter 2014/15, gross official foreign reserves stood at \$233.7 million, decreased by \$64.5 million compared to the same quarter of the previous fiscal year.

This was sufficient to cover 3.6 months of imports, compared to 4.6 months at end of March 2013/14.

Fiscal Performance

The Net Operating Balance (Revenue less Operating expense) for March quarter of 2014/15 showed a deficit of \$13.2 million. This was \$7.2 million less than the Net Operating Balance for the same period 2013/14. The Net Borrowing (or Overall Deficit) stood at \$23.8 million in the reporting quarter, \$16.8

million less than the Overall Deficit in the third quarter of FY 2013/14.

External Debt

Government's external debt amounted to \$1043.0 million at end of March 2014/15, equivalent to 53.7% of GDP and an increase of \$88.5 million compare to March 2013/14. Total debt servicing amounted to \$14.8 million which is equivalent to 12.4% of merchandise and services exports in the reporting quarter. In the twelve months to March 2015, debt servicing was valued at \$48.67 million, an increase of 28.1% over the previous comparable twelve months. This was equivalent to 9.0% of commodity and services export.

Consumer Prices

The annual average rate of inflation at end March 2014/15 stood at 1.3%, an increase of 2.3 percentage points from end March 2013/14. This outcome was strongly influenced by an increase in prices for the health category followed by upward trends of restaurant and hotels, clothing and footwear, housing, water, electricity, gas and other fuels, transport, alcoholic beverages and tobacco, education as well as recreation and culture category.

Petroleum Prices

At end of March 2014/15, domestic retail prices for petrol, kerosene and diesel had decreased by 29.0%, 31.0% and 31.3% respectively from the corresponding period of the previous year (2013/14).

International prices for the reviewing period recorded a decrease in petrol (-9.3%), kerosene (-5.4%) and diesel (-7.1%) prices, which coincides with the decline in domestic prices for oil.

TABLE 1: KEY ECONOMIC INDICATORS

	Apr 2013 – Mar 2014	Apr 2014 – Mar 2015	3Q13/14	3Q14/15	% Change 3Q14/15 over 3Q13/14	% Change Apr 2014 – Mar 2015 over Apr 2013 – Mar 2014
Nominal GDP (<i>SAT\$/million</i>)	1,863.3	1,941.9	456.2	476.1	4.4	4.2
Real GDP (<i>SAT\$/million 2009 prices</i>)	1,692.4	1,716.5	410.5	414.3	0.9	1.4
GDP per capita (<i>SAT\$ 2009 prices</i>)	9,701	10,036	-	-	-	3.5
Employment (<i>thousands – end period</i>)	23,431	23,733	23,431	23,733	1.3	1.3
Exports (<i>SAT\$/million</i>)	57.0	66.4	12.0	14.3	19.2	16.5
Imports (<i>SAT\$/million</i>)	774.1	794.5	180.2	179.0	-0.6	2.6
Trade Deficit (<i>SAT\$/million</i>)	-717.2	-728.1	-168.2	-164.7	-2.1	1.5
Tourism Revenue (<i>SAT\$/million</i>)	318.0	341.1	66.1	70.1	6.1	7.3
Visitor Arrivals	131,593	132,161	25,214	26,668	5.8	0.4
Remittances (<i>SAT\$/million</i>)	401.3	406.9	81.1	94.4	16.4	1.4
Inflation (<i>% annual average – end period</i>)	-1.0	1.3	-1.0	1.3	-203.0	-203.0
Gross Official Foreign Reserves (<i>SAT\$/million - end period</i>)	298.2	233.7	298.2	233.7	-21.6	-21.6
Balance of Payment						
	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)		
Current Account	-136.0	-86.7	-69.7	-39.5	-43.3	-36.2
Capital Account	95.7	76.0	17.6	3.2	-81.8	-20.6
Overall Balance	-22.5	-39.6	-21.5	-6.5	-69.8	76.0
Exchange Rates						
	(<i>Annual average rates</i>)		(<i>Quarter average rates</i>)			
USD	0.4297	0.4233	0.4297	0.4036	-6.1	-1.5
NZD	0.5248	0.5215	0.5141	0.5371	4.5	-0.6
AUD	0.4614	0.4835	0.4793	0.5131	7.1	4.8
EURO	0.3207	0.3326	0.3137	0.3582	14.2	3.7
FJD	0.7971	0.8102	0.8060	0.8194	1.7	1.6
YEN	42.9235	46.1790	44.1424	48.0628	8.9	7.6
Government Finance Statistics						
	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)		
Total Revenue	490.7	559.6	117.4	118.9	1.3	14.0
Total Expenditure	517.5	525.6	123.5	132.1	7.0	1.6
Net Operating Balance	-26.8	34.0	-6.0	-13.2	120.0	226.9
Net Lending / borrowing	-84.1	-109.7	-7.0	-23.9	241.4	30.4
External Debt (<i>end of period</i>)	954.6	1,043.0	954.6	1,043.0	9.3	9.3
Debt Servicing	38.0	48.7	13.8	14.8	7.6	28.1
Petroleum						
Retail Prices (<i>sene/ltr</i>)						
Petrol	3.1	2.2	3.1	2.2	-29.0	-29.0
Kerosene	2.9	2.0	2.9	2.0	-31.0	-31.0
Diesel	3.2	2.2	3.2	2.2	-31.3	-31.3
FOB Prices (<i>USD/bbl</i>)						
Petrol	114.7	104	114.7	104	-9.3	-9.3
Kerosene	121.6	115	121.6	115	-5.4	-5.4
Diesel	121.6	113	121.6	113	-7.1	-7.1

Sources: Ministry of Finance, Central Bank of Samoa, Samoa Bureau of Statistics and National Provident Fund