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*Please note the GFS report is in nine months write up (Jul-Mar 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 first quarter 2009.*

## 1. EXECUTIVE SUMMARY

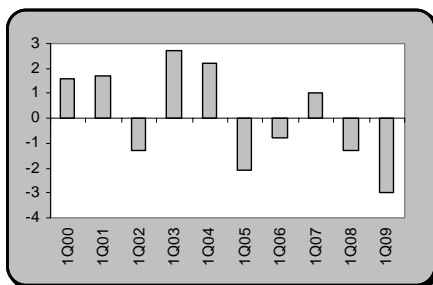
### Key Features of First Quarter 2009 Performance

- Real **GDP** in 1Q09 declined by 4.3% over the comparable 2008 period; (see section 2)
- **Employment** declined by 8.0% (1,768) in March 2009 compared to the same 2008 period; (see section 3)
- **Export** revenues increased by 39.0% over the same 2008 period; (see section 4.1)
- **Imports** declined by 17.3% over the comparable 2008 period; (see section 4.2)
- The **trade deficit** consequently declined by \$26.17 million compared to the same quarter of 2008; (see section 4.5)
- **Foreign reserves** stood at \$246.93 million in 1Q09, sufficient to cover 4.8 months of imports; (see section 5)
- The **Tala appreciated** against the NZD, AUD and FJD and depreciated against the USD, Yen and EURO between the March quarters of 2008 and 2009; (see section 6)
- The **budget outturn** for the first nine months of FY 2008/09 was an overall deficit of \$49.60 million, compared with a deficit of \$30.80 million in the comparable period of FY 2007/08. The current balance turned around to a surplus of \$24.90 million from a deficit of \$12.60 million recorded in the same period of the previous financial year; (see section 7.1)
- Official **external debt** stood at \$597.81 million, or 42.7 % of GDP (see section 7.2)
- **Money supply** in 1Q09 was up by 9.2% from 1Q08; (see section 8.1)
- **Domestic credit** outstanding at end March 2009 increased by 12.8% over March 2008, with private sector credit rising by 6.8%; (see section 8.2)
- The **inflation rate** at end March 2009 stood at 12.7%, up by 6.5 percentage points from March 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 First Quarter of Each Year (%)



### Overview

The global financial crisis had really started to reveal its effects on the Samoan economy as shown by the decline of 4.3% in Real Gross Domestic Product in the March 2009 quarter over the comparable 2008 period. This overall decline was largely driven by Other Manufacturing followed by Construction industry with negative contributions of 3.0% and 1.3% respectively.

### Industry Performance

#### Primary Sector: Agriculture and Fisheries

**Agriculture** industry valued at \$15.86 million at end of March 2009 quarter, declined by 8.1% over the corresponding 2008 period and contributing minus 0.5% to the negative growth in the reviewing period. The unpredictable prices for agricultural produce has partly contributed to the overall decline of the industry.

**Fishing** activities amounted to \$11.87 million in the reviewing quarter. It has dropped by 2.7% from the same 2008 quarter and contributed minus 0.1% to the overall economic decline of 4.3%. The industry contributed a share of 4.6% to overall production for the period under review.

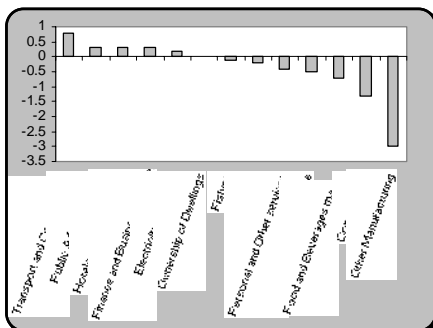
#### Secondary Sector: Manufacturing, Construction, Electricity & Water

**Food and Beverages Manufacturing** generated a total value added of \$3.73 million in March 2009 with the registered drop of 33.9% over March 2008 quarter. The industry contributed a negative 0.7% to the economic growth during this period and with the smallest share of 1.5% to the overall GDP for the reporting quarter.

**Other Manufacturing** had declined by 31.6% from March 2008 quarter to stand at \$17.30 million in March 2009 quarter. This industry is the leading contributor to the negative overall economic growth, with a contribution of negative 3.0% during this period. The decline in Yazaki production as a result of the decreased demand has mainly influenced the unfavourable result of this industry with a drop of 73.8%. This also led to partial redundancy in Yazaki.

**Construction** industry totalled \$30.32 million in the reporting quarter, with a recorded decline of 10.5% over the same 2008 period. The industry is the third largest industry with its contribution of 11.8% to total GDP. On the other hand, its contribution to overall economic decline of 4.3% had been significant at negative 1.3%.

**Figure 2.2:** Industries Contributions to Overall Economic Decline of 4.3% in March 2009 Quarter



**Electricity and Water** industry amounted to \$12.78 million in the reporting quarter, increased by 4.2% from March 2008 quarter and registered a positive contribution of 0.2% to the overall decline of 4.3% during this period. The increase in development investment projects for the industry had led to the rise of its production. The industry contributed a share of 5.0% to overall GDP in March 2009 quarter.

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

**Commerce** activities generated a valued added of \$48.09 million in the reporting quarter, declining by 1.0% when compared to March quarter of 2008. Commerce is the largest industry accounted for 18.7% of total production in March 2009 quarter. It contributed a share of negative 0.2% to the overall economic decline whilst recording a positive contribution of 0.5% to economic growth in March 2008 quarter. This fall was consistent with the downward trend of 2.7% in non petroleum private sector imports throughout this period.

**Transport and Communication** industry is the second largest industry with a share of 16.0% of total production and a value added of \$41.25 million. The industry registered an increase of 5.3% from the corresponding 2008 quarter and contributed a positive share of 0.8% to the overall economic decline in March 2009 quarter. The industry continued to expand as the number of imported right hand drive vehicles maintained its upward trend as well as the thrive in competition between the two Mobile phone companies.

**Hotels and Restaurants** industry valued at \$9.51 million in the reporting period, recorded a rise of 9.0% from the same quarter of 2008. The favourable outcome by hotels and restaurants was consistent with the rise in tourism earnings and tourist arrivals by 21.3% and 8.0% respectively. The industry contributed a share of positive 0.3% to overall decline and a contribution of 3.7% to total production in March 2009 quarter.

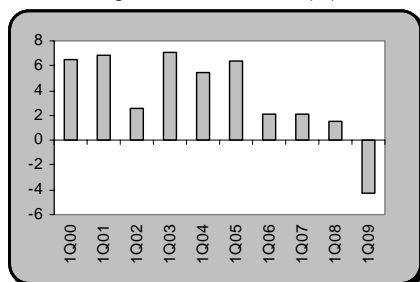
**Finance and Business Services** had a positive contribution of 0.3% to overall decline, increasing by 3.7% to stand at \$26.34 million in the reviewing period and is the fourth largest industry with a share of 10.2% of overall GDP for March 2009 quarter.

**Personal and other Services** totalled \$13.55 million in the reviewing period. This represented a decline of 6.7% over the same 2008 period and a contribution of 5.3% to total production for the reporting quarter. The industry recorded a negative 0.4% on economic growth.

***Government Sector***

**Public Administration** generated a valued added of \$22.27 million in March 2009 quarter. This represented an increase of 3.8% when compared to March 2008 period. This upward trend registered a positive contribution of 0.3% to the overall decline throughout this period. The industry recorded a contribution of 8.7% to overall production of March 2009 quarter.

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



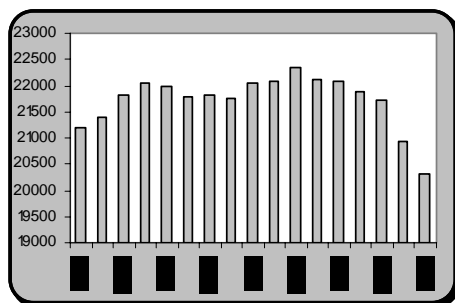
	2006	2007	2008	1Q08	2Q08	3Q08	4Q08	1Q09	% Change 1Q09 over	
At constant 2002 prices	(\$ Million)								!Q08	4Q08
Agriculture	68.35	71.54	66.05	17.25	15.79	16.56	16.44	15.86	-8.1	-3.5
Fishing	48.33	53.21	47.66	12.21	11.56	11.83	12.06	11.87	-2.7	-1.6
Food & Beverages Manufacturing	31.21	27.84	21.91	5.65	5.32	5.32	5.62	3.73	-33.9	-33.6
Other Manufacturing	103.56	129.20	107.10	25.27	30.93	27.58	23.32	17.30	-31.6	-25.8
Construction	118.74	135.81	129.03	33.87	31.80	31.66	31.69	30.32	-10.5	-4.3
Electricity and Water	47.63	48.46	49.52	12.27	12.31	12.21	12.73	12.78	4.2	0.4
Commerce	189.76	194.45	190.43	48.56	47.34	46.53	48.00	48.09	-1.0	0.2
Hotels, Restaurant	32.16	35.72	38.34	8.72	9.48	9.71	10.43	9.51	9.0	-8.8
Transport, Communication	148.08	152.81	155.78	39.18	35.86	38.53	42.21	41.25	5.3	-2.3
Public Administration	81.92	84.20	87.10	21.46	21.83	21.77	22.04	22.27	3.8	1.0
Finance & Business Services	98.28	100.55	103.25	25.41	26.41	25.49	25.95	26.34	3.7	1.5
Less: Enterprise share of FISIM	-12.27	-12.67	-13.18	-3.29	-3.35	-3.26	-3.28	-3.34	1.5	1.8
Ownership of Dwellings	30.97	31.07	31.16	7.78	7.79	7.79	7.80	7.81	0.3	0.1
Personal & Other Services	58.06	58.65	59.12	14.52	15.16	15.76	13.68	13.55	-6.7	-0.9
<b>Value added 2002 market prices</b>	<b>1,044.7</b>	<b>1,110.8</b>	<b>1,073.2</b>	<b>268.88</b>	<b>268.21</b>	<b>267.48</b>	<b>268.70</b>	<b>257.34</b>	<b>-4.3</b>	<b>-4.2</b>
Implicit price deflator:	119.5	128.2	131.8	130.9	131.3	133.3	131.7	131.0	0.1	-0.5
At constant 2002 prices										
Non-monetary	157.57	160.29	160.46	40.37	39.91	40.09	40.08	37.96	-6.0	-5.2
Monetary – total	887.22	950.54	912.81	228.50	228.31	227.38	228.62	219.38	-4.0	-4.0
Monetary – restricted scope	834.52	874.90	857.31	215.95	211.66	211.35	218.35	216.09	0.1	-1.0
<b>Memo items:</b>										
Nominal GDP (current prices)	1,249.02	1,423.96	1,414.34	351.84	352.08	356.65	353.77	337.16	-4.2	-4.7
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)**



Formal paid employment at end of March 2009 totalled 20,326, declined by 1,768 from the comparable 2008 period. The drop was largely dominated by the decline of 1,324 in the secondary industry followed by the declines of 544 and 12 in tertiary and primary sectors whilst the public administration industry had increased by 111 respectively. The huge decline in the secondary sector was strongly driven by the redundancy of Yazaki staff members.

	2006	2007	2008	1Q08	2Q08	3Q08	4Q08	1Q09	% Change in 1Q09 over	
									1Q08	4Q08
Primary	291	263	242	264	261	257	242	252	-4.5	4.1
Secondary	4,716	4,753	3,689	4,632	4,394	4,080	3,689	3,308	-28.6	-10.3
Tertiary	11,784	12,037	11,817	12,112	12,097	12,248	11,817	11,568	-4.5	-2.1
Public Administration	4,948	5,063	5,175	5,086	5,123	5,142	5,175	5,197	2.2	0.4
<b>TOTAL EMPLOYMENT</b>	<b>21739</b>	<b>22,116</b>	<b>20,924</b>	<b>22,094</b>	<b>21,874</b>	<b>21,727</b>	<b>20,924</b>	<b>20,326</b>	<b>-8.0</b>	<b>-2.9</b>

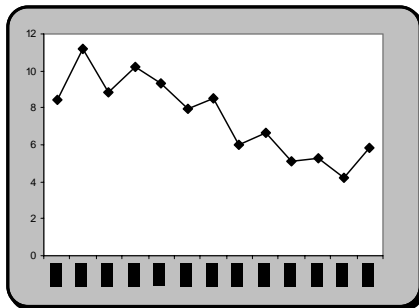
Source: Samoa National Provident Fund

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



Export revenue recorded a surge of \$1.64 million from March quarter of 2008 to stand at \$5.85 million in March quarter of 2009. This growth was mainly fuelled by a rise of \$1.58 million in fish exports followed by increases of \$0.45 million and \$0.08 million in nonu juice and taro exports respectively.

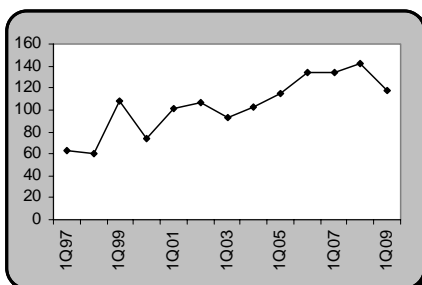
	2006	2007	2008	1Q08	2Q08	3Q08	4Q08	1Q09	% Share			% Change 1Q09 over	
	(\$ Million)								1Q08	4Q08	1Q09	!Q08	4Q08
Fish	15.45	20.00	12.25	1.05	3.11	4.03	4.06	2.63	24.9	59.0	45.0	150.5	-35.2
Coconut cream	2.38	2.34	2.07	0.47	0.55	0.54	0.51	0.47	11.2	7.4	8.0	0.0	-7.8
Nonu fruit	0.87	0.70	0.11	0.04	0.02	0.02	0.04	0.04	1.0	0.6	0.7	0.0	0.0
Nonu juice	3.95	3.82	2.80	0.50	1.00	0.52	0.78	0.95	11.9	11.3	16.2	90.0	21.8
Beer	3.48	3.12	2.81	0.68	0.92	0.65	0.55	0.42	16.2	8.0	7.2	-38.2	-23.6
Taro	0.59	0.62	0.86	0.16	0.19	0.25	0.26	0.24	3.8	3.8	4.1	50.0	-7.7
Others	2.03	5.59	6.10	1.31	1.82	2.28	0.68	1.10	31.1	9.9	18.8	-16.0	61.8
<b>TOTAL</b>	<b>28.75</b>	<b>36.19</b>	<b>27.00</b>	<b>4.21</b>	<b>7.61</b>	<b>8.29</b>	<b>6.88</b>	<b>5.85</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>39.0</b>	<b>-15.0</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 First Quarter of Each Year (\$ Million)



Import payments for March quarter 2009 had dropped by \$24.54 million from the comparable 2008 period. This decline was largely a result of a drop in petroleum products of \$19.64 million, which reflected in the decline in fuel prices throughout this period. Government imports and non-petroleum private sector imports also declined by \$2.35 million and \$2.55 million respectively.

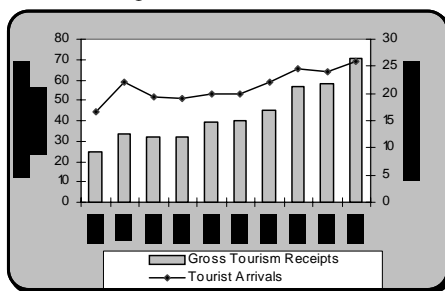
	2006	2007	2008	1Q08	2Q08	3Q08	4Q08	1Q09	% Share			% Change 1Q09 over	
	(\$ Million)								1Q08	4Q08	1Q09	1Q08	4Q08
Government	15.67	30.36	24.43	4.47	4.91	9.37	5.68	2.12	3.2	3.2	1.8	-52.6	-62.7
Petroleum	114.48	122.51	170.98	42.36	30.02	56.75	41.85	22.72	29.9	23.3	19.4	-46.4	-45.7
Other Product	477.66	440.77	463.77	95.00	104.84	132.08	131.85	92.45	67.0	73.5	78.8	-2.7	-29.9
<b>TOTAL</b>	<b>607.81</b>	<b>593.64</b>	<b>659.18</b>	<b>141.83</b>	<b>139.77</b>	<b>198.20</b>	<b>179.38</b>	<b>117.29</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>-17.3</b>	<b>-34.6</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 First Quarter of Each Year



Both tourism revenue and visitor arrivals had registered upward trends of \$12.36 million and 1,925 from the comparable quarter of 2008 respectively. The growth in tourist numbers was largely dominated by an increase of 1,103 from New Zealand followed by upward trends of 302 and 213 from American Samoa and Australia respectively. Visitors from United Kingdom, Other countries, Germany, Other European countries, Other Asian countries and Japan had all increased during this period whilst United States of America and Other Pacific Islands recorded declines of 95 and 81 respectively.

New Zealand contributed the highest share of 39.7% to the total number of tourists in the first quarter of 2009. This was followed by American Samoa with a share of 18.8% and Australia with a contribution of 17.9%. United States of America and Other Pacific Island countries with contributions of 8.4% and 3.0% respectively.

In terms of purpose by visit, tourists on Other purpose, Sports and Holiday had increased by 1,912, 391 and 249 whilst tourists on Visiting Friends and Relatives (VFR) and Business had declined by 570 and 56 from March 2008 quarter respectively. The majority of tourists for March 2009 quarter is classified under Visiting Friends and Relatives category with a contribution of 39.7% to the total number of tourists followed by tourists on Holiday, Others, Business and Sports with shares of 36.7%, 15.0%, 7.1% and 1.5% respectively.

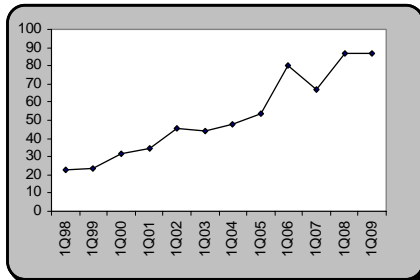
	2006	2007	2008	1Q08	2Q08	3Q08	4Q08	1Q09
Gross Tourism Revenues	236.39	262.52	288.41	58.16	65.72	72.15	92.38	70.52
Visitor Arrivals	115,882	122,352	122,163	23,954	29,222	33,417	35,487	25,879

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 First Quarter of Each Year (\$ Million)



Remittances valued at \$86.90 million in the reporting quarter, recorded a slight increase of \$0.44 million from the corresponding 2008 period. Funds for Samoan individuals category has contributed the most to this growth of \$2.91 million, followed by increases of \$0.64 million and \$0.26 million in Funds for charitable organisations and Funds for expatriates in Samoa. Offsetting this increase are declines of \$4.89 million and \$0.09 million in Funds for churches and non government schools and Others respectively.

In terms of remitting countries, United States of America had driven this rise with an increase of \$6.89 million from the first quarter of 2008. This was followed by increases of \$4.36 million and \$0.88 million from Australia and Other countries respectively. On the contrary, remittances from New Zealand, Fiji and American Samoa registered declines of \$7.82 million, \$3.17 million and \$0.68 million respectively.

**Table 4.4.1:** GROSS REMITTANCES

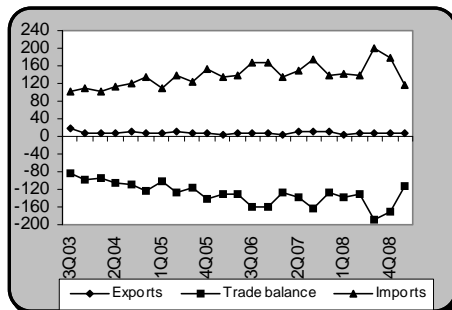
	2006	2007	2008	1Q08	2Q08	3Q08	4Q08	1Q09
<b>Remittances (\$ Million)</b>	300.90	310.59	353.05	86.46	86.20	94.50	85.89	86.90
<b>Remittances as % GDP</b>	24.1	21.8	25.0	24.6	24.5	26.5	24.3	25.8

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** declined by \$26.17 million from the first quarter of 2008 to stand at \$111.45 million in the first quarter of 2009. The improvement was mainly due to a decline of \$24.53 million in imports and a rise in exports of \$1.64 million.

The increases of \$18.91 million and \$1.19 million in **net services and income** and **net current transfers** over the comparable 2008 period respectively, had led to a turnaround in current account deficit of \$14.62 million in 1Q08 to a current account surplus of \$31.65 million in the reporting quarter.

The **capital account** increased by \$5.80 million to stand at \$22.94 million. This led to an **overall balance** of \$54.59 million in 1Q09, increased by \$52.07 million from 1Q08.

**Table 4.5.1: COMPARATIVE TRADE DATA 2005– 2007 (\$ Million)**

	2006	2007	2008	1Q08	2Q08	3Q08	4Q08	1Q09
1. EXPORTS (fob)	28.75	36.19	25.90	4.21	7.20	7.80	6.69	5.85
2. IMPORTS (fob)	607.81	593.64	659.18	141.83	139.77	198.20	179.38	117.30
<b>3. TRADE BALANCE</b>	<b>-579.06</b>	<b>-557.45</b>	<b>-633.28</b>	<b>-137.62</b>	<b>-132.57</b>	<b>-190.40</b>	<b>-172.69</b>	<b>-111.45</b>
4. NET SERVICES AND INCOME	188.99	208.13	203.90	40.01	36.62	50.92	76.35	58.92
5. NET CURRENT TRANSFERS	265.74	289.73	336.48	82.99	82.64	89.99	80.86	84.18
<b>6. CURRENT ACCOUNT BALANCE</b>	<b>-124.33</b>	<b>-59.59</b>	<b>-92.90</b>	<b>-14.62</b>	<b>-13.31</b>	<b>-49.49</b>	<b>-15.48</b>	<b>31.65</b>
<b>7. CAPITAL ACCOUNT (Net)</b>	<b>110.54</b>	<b>72.47</b>	<b>77.62</b>	<b>17.14</b>	<b>15.06</b>	<b>21.14</b>	<b>24.28</b>	<b>22.94</b>
<b>8. OVERALL BALANCE</b>	<b>-13.79</b>	<b>12.88</b>	<b>-15.28</b>	<b>2.52</b>	<b>1.75</b>	<b>-28.35</b>	<b>8.80</b>	<b>54.59</b>
9. TRADE BALANCE AS % GDP	-46.4	-39.1	-44.8	-39.1	-37.6	-53.4	-49.0	33.1
10. CURRENT ACCOUNT BALANCE AS % GDP	-10.0	-4.2	-6.6	-4.2	-3.8	-13.9	-4.4	9.4

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.*

The Gross official foreign reserves declined by \$0.53 million to stand at \$246.93 million at end March 2009. This rise was largely supported by an increase of \$3.32 million in the Ministry of Finance foreign holdings whilst Central Bank holdings recorded a drop of \$3.85 million.

Official reserves dropped slightly to cover 4.8 months of imports at end March 2009, compared to 5.0 months at end March 2008.

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

	2006	2007	2008	1Q08	2Q08	3Q08	4Q08	1Q09
<b>Gross Official Foreign Reserves</b>	199.32	226.30	234.20	247.46	249.84	238.05	234.20	246.93
<b>Import Cover</b>	4.0	4.7	4.4	5.0	5.1	4.7	4.4	4.8

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 Mar 2009, the Tala had depreciated against the USD, EURO and YEN and appreciated against the NZD, AUD and FJD from March 2008.



	2008				2009	% Appreciation(+)/Depreciation (-) of TALA between Mar 09 and	
	Mar	Jun	Sep	Dec	Mar	Mar 08	Dec 08
	<b>USD</b>	0.3981	0.3996	0.3834	0.3391	0.3307	-16.9
<b>NZD</b>	0.504	0.5153	0.538	0.5898	0.6222	23.5	5.5
<b>AUD</b>	0.4394	0.4233	0.4331	0.5059	0.4988	13.5	-1.4
<b>EURO</b>	0.2656	0.2557	0.2552	0.2580	0.2539	-4.4	-1.6
<b>FJD</b>	0.6040	0.5973	0.5995	0.6081	0.6040	0.0	-0.7
<b>YEN</b>	41.87	41.84	41.26	32.57	30.94	-26.1	-5.0

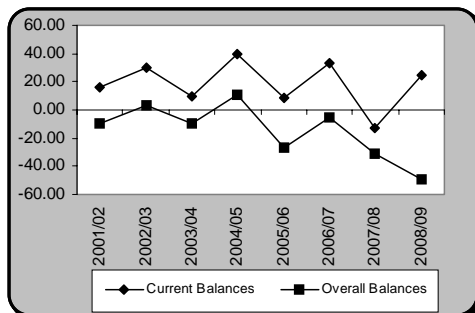
Source: Central Bank of Samoa

## 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-Mar 2001/02-2008/09 (\$ Million)



#### Overall Performance

The fiscal year 2008/2009 projected an overall deficit of SAT\$83.98 million (5.5% of the estimated GDP) and a current surplus of \$21.78 million (1.4% of GDP). The high budgeted deficit for 2008/09 in comparison to the preceding financial year reflected the increase in government capital spending in development projects for public and social infrastructure.

Fiscal operations for July to March 2008/09 period generated an **overall deficit** of \$49.64 million, below the pro-rata estimate by \$13.39 million. This favourable outcome was a result of current expenditures below the pro-rata estimate by \$32.33 million coupled with a shortfall of \$15.12 million in loan funded development project expenditures, which is more than offset the shortfall in total revenue of \$23.75 million.

**Current balance** as at the end of the July – March 2008/09 was a surplus of \$24.91 million, \$8.58 million above the pro rata estimate. This result was due mainly to a shortfall in current expenditure of \$32.33 million, which offsets the shortfall of \$23.75 million in revenue collection.

When compared to July-March of 2007/08 financial year, overall deficit had increased by \$18.80 million. This expansion in the overall deficit was driven strongly by a surge of \$76.80 million in government spending on public investment projects, which offsets the decline of \$31.00 million in current expenditure and the increase in total revenue and grants of \$31.80 million. This is the result of the government taken a prudent fiscal measure by reducing current expenditure while increasing development investment expenditure to promote sustainable economic growth. Current balance had turned around from a deficit of

\$12.60 million in the first nine months of 2007/08 fiscal year to a surplus of \$24.91 million in the reviewing period. This favourable outcome was mainly caused by the increases of \$5.30 million and \$1.30 million in non tax revenue category and tax category respectively coupled with the reduction of \$31.00 million in current expenditure during this period. Furthermore, the surge of \$41.71 million in imports for the reviewing period had partly led to the increase in tax revenue collection of \$1.30 million throughout this period.

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

### Revenue

**Total Revenue and Grants** for the period ending March for 2008/09 financial year was \$359.37 million. This comprises of \$276.36 million (77%) of current receipts and \$83.02 million (23%) of external grants. At this level, total revenue and grants registered a shortfall of \$23.75 million from the pro rata estimates for the period under review. This result was mainly caused by a shortfall in non tax revenue of \$15.94 million followed by a shortfall in tax revenue category of \$7.81 million.

When compared to the corresponding 2007/08 period, total revenue and grants had increased by \$31.80 million. This growth was fuelled mainly by a rise of \$25.30 million in external grants. Current receipts also recorded an increase of \$6.50 million throughout this period. The categories of current receipts, tax revenue and non tax revenue both recorded upward trends of \$1.30 million and \$5.30 million over this period.

**Tax revenue** amounted to \$247.60 million for the period under review. At this level, \$7.81 million was recorded below the budgeted amount. This result was strongly influenced by the net decline of \$8.50 million in Taxes on International trade followed by a net decline of \$2.30 million in Taxes on income whilst Taxes on goods and services and All other taxes components recorded net increases of \$2.60 million and \$0.30 million respectively.

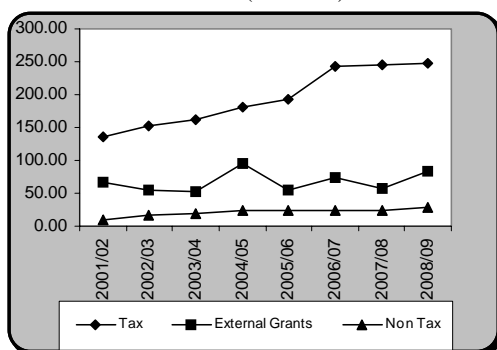
**Non-tax revenue** stood at \$28.80 million in the reporting period, registered a shortfall of \$15.90 million when compared to pro rata estimates. This was caused mainly by the shortfall of \$16.30 million in Property and Investment Income group whilst Cost recoveries, licences and fines category and Enterprise income group had recorded net increases of \$0.20 million and \$0.20 million respectively.

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

### Expenditure

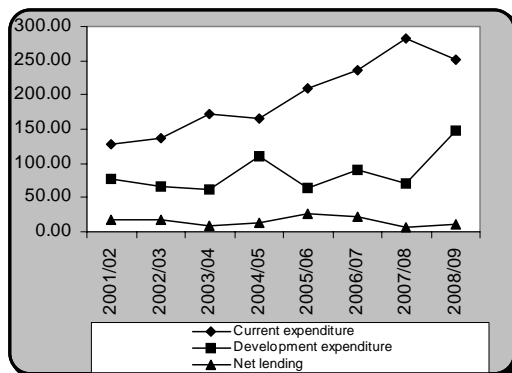
**The overall expenditure** totalled \$409.02 million for July to March period of 2008/09, lower than the pro-rata estimate by \$37.10 million. Current expenditure was the key attribute of \$32.33 million to this shortfall followed by a decline of \$15.12 million in loan funded projects. On the contrary, net lending was higher than the budget estimate by \$10.35 million. When compared to July – March 2007/08 period, total expenditure and net lending had increased by \$50.70

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



million. This rise was driven mainly by an increase of \$76.80 million in development expenditure coupled with a surge of \$5.00 million in net lending whilst current expenditure declined by \$31.50 million.

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



**Current expenditure** for the reviewing period stood at \$251.45 million, was \$32.33 million lower than the pro rata estimate. The result was due mainly to the decline of \$18.30 million in General Services, followed by declines of \$8.20 million, \$5.50 million and \$2.70 million in Social Services, VAGST Payable by Government Departments and Other Expenditure whilst Economic Services and Interest Payments on Public Debts recorded increases of \$1.30 million and \$1.20 million respectively.

**Development expenditure** totalled \$146.95 for July to March period of 2008/09 financial year. This consists of \$63.93 million of loan funded projects and \$83.02 million of grant funded projects. The expenditure on loan funded public sector projects was \$15.12 million below the pro rata estimate whilst the grant funded projects of \$83.02 million had been all spent during the first nine months (July to March) of 2008/09. The delay in some of the loan funded development projects such as OPEC loan for the petroleum terminal and facilities, as well as the loan funded projects for the Government Building and Convention Centre, had caused the shortfall of \$15.12 million in development expenditure in comparison to the pro rata estimate for the reviewing period (July to March 2008/09).

Net Lending totalled \$10.62 million, increased by \$5.95 million from the July to March 2007/08 period and also higher than the budget estimate by \$10.35 million.

Figure 7.1.3 illustrates expenditure performance in the first nine months (Jul-Mar) 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 2005/06 – 2008/09<sup>a</sup> (\$ Million)

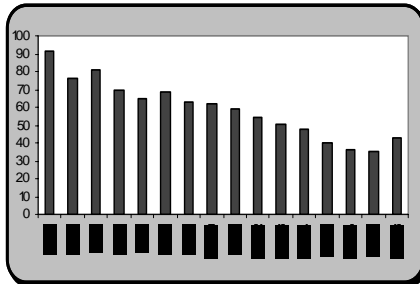
	Provisional Actual			Budget	(Pro-rata estimates)	Provisional	
	2005/06	2006/07	2007/08	2008/09	Jul-Mar 2008/09	Jul-Mar 2007/08	Jul-Mar 2008/09
<b>Revenues and Grants</b>	<b>395.1</b>	<b>487.6</b>	<b>441.10</b>	<b>510.83</b>	<b>383.12</b>	<b>327.54</b>	<b>359.37</b>
Revenues	323.2	389.2	364.17	400.14	300.11	269.85	276.36
External Grants	71.82	98.5	76.93	110.69	83.02	57.70	83.02
<b>Expenditure</b>	<b>391.72</b>	<b>472.3</b>	<b>487.70</b>	<b>594.82</b>	<b>446.11</b>	<b>358.34</b>	<b>409.02</b>
Current <sup>b</sup>	281.89	327.6	383.61	378.37	283.78	282.49	251.45
Development <sup>c</sup>	86.11	123.7	96.24	216.09	162.07	70.18	146.95
Other (capital & net lending)	23.72	21.1	7.85	1.36	0.27	5.67	10.62
<b>Current Balance</b>	<b>41.31</b>	<b>61.6</b>	<b>-19.44</b>	<b>21.77</b>	<b>16.33</b>	<b>-12.65</b>	<b>24.91</b>
<b>Overall Balance</b>	<b>3.38</b>	<b>15.4</b>	<b>-46.60</b>	<b>-83.99</b>	<b>-62.99</b>	<b>-30.80</b>	<b>-49.64</b>
<b>Financing</b>							
Net external borrowing	6.18	7.6	11.78	91.49	68.62	10.13	41.33
Domestic	-1.65	-22.9	34.83	-7.51	-5.6	20.67	8.32
<b>Overall Balance as % of GDP</b>	<b>0.3</b>	<b>1.2</b>	<b>-3.2</b>	<b>-5.5</b>	<b>-6.0</b>	<b>-2.8</b>	<b>-4.7</b>
<b>Total Expenditure as % of GDP</b>	<b>32.2</b>	<b>35.7</b>	<b>33.6</b>	<b>38.8</b>	<b>42.6</b>	<b>32.6</b>	<b>39.0</b>

Source: Samoa Bureau of Statistics estimates  
<sup>a</sup> Provisional Actual 2005/06 – 2007/08, Budget 2008/09  
<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 March 2009 stood at \$597.81 million, increased by \$115.94 million when compared to March 2008 and equivalent to 42.7% of GDP.

Multilateral and bilateral loans accounted for 85.2% (\$509.30 million) and 14.8% (\$88.51 million) of disbursed outstanding debt respectively.

Total debt servicing was \$5.60 million in March 2009, increased by \$0.11 million from March 2008 and equivalent to 7.3% of exports of goods and services.

**Table 7.2.1: EXTERNAL DEBT**

Year End	2006	2007	2008	1Q08	2Q08	3Q08	4Q08	1Q09
Official External Debt (\$ Million)	448.38	477.15	604.71	481.86	490.01	518.63	604.71	597.81
Official External Debt as % of GDP	35.9	34.7	42.8	34.5	34.9	37.0	42.8	42.7

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	1Q08	2Q08	3Q08	4Q08	1Q09
Total Debt Servicing (\$ Million)	17.82	20.12	20.11	5.49	5.32	4.60	4.70	5.60
As % of Merchandise exports plus services exports <sup>a</sup>	6.4	6.4	6.3	8.6	7.2	5.6	4.7	7.3

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

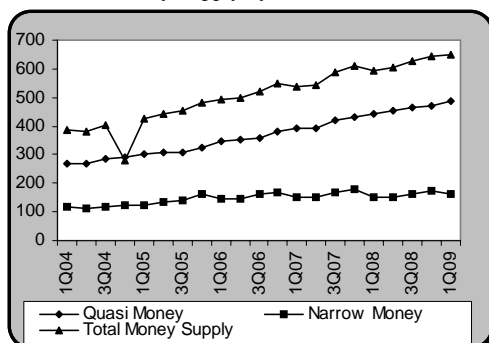
## 8. MONEY SUPPLY AND DOMESTIC CREDIT EXPANSION

### 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*

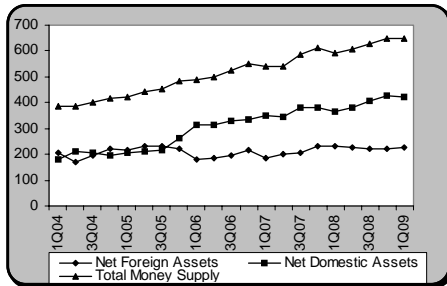
**Figure 8.1.1:** Narrow Money, Quasi Money & Total Money Supply by Quarter (\$ Million)



### Money Supply

Money supply in the first quarter of 2009 stood at \$650.20 million, increased by \$54.80 million from the same 2008 period. This rise was strongly influenced by Quasi Money with an increase of \$41.29 million followed by a rise in Narrow Money of \$13.51 million. The increase in Quasi Money was mainly determined by time deposits with a recorded increase of \$34.29 million. For the components of Narrow Money (M1), demand deposits increased by \$13.58 million whilst currency outside banks dropped by \$0.07 million.

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



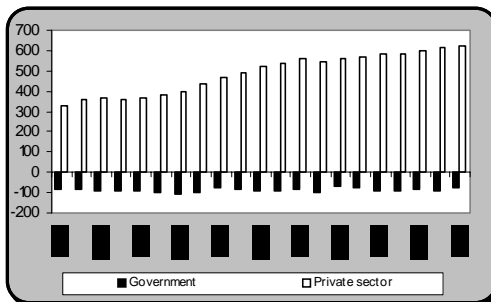
**Net Foreign Assets and Net Domestic Assets**

The total value of net foreign assets stood at \$228.59 million whilst net domestic assets amounted to \$421.61 million in March 2009. Net foreign assets had declined by \$2.52 million whilst net domestic assets recorded an upward trend of \$57.32 million from March 2008.

**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)



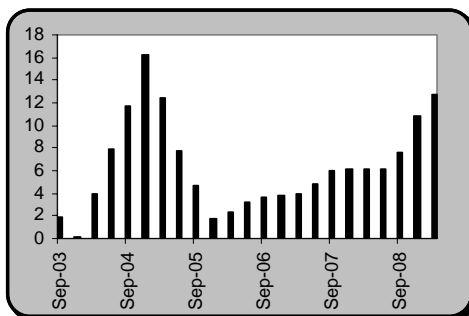
The level of domestic credit outstanding at end March 2009 stood at \$614.89 million, increased by \$69.67 million from March 2008. This rise was strongly fuelled by credit to the private sector with a surge of \$39.41 million. The claims on non-financial public enterprises and the claims on non-monetary financial institutions also increased by \$16.38 million and \$0.34 million respectively. Government deposits with the banking system had increased by \$13.54 million from March 2008 to stand at \$79.31 million at end March 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 in March 2009 was 12.7%, increased by 6.5 percentage points from March 2008. The twelve months moving average for the local component of the CPI had increased by 4.7 percentage points over this period. This rise was strongly dominated by increases in local food followed by transport/communication prices. The import component of the CPI had risen by 8.5 percentage points due mainly to increases of 12.7, 9.4 and 7.6 percentage points in transport/communication, food and housing/households prices respectively.

Food prices had largely driven the increase in all items (local and import components) of the CPI with a rise of 9.9 percentage points followed by an increase of 7.8 percentage points in transport/communication prices over the corresponding 2008 quarter. The high inflation rate in March 2009 reflected the high local food prices caused by high imported food prices throughout this period.

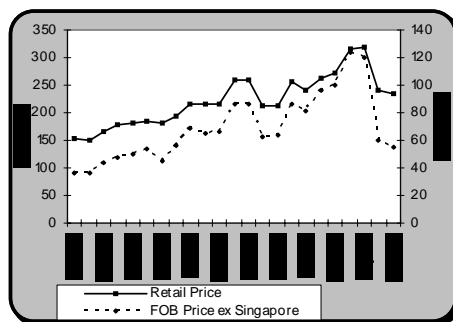
	2006	2007	2008	1Q08	2Q08	3Q08	4Q08	1Q09
All Item Index	3.8	6.1	10.9	6.2	6.2	7.6	10.9	12.7
Imported Good Index	4.5	6.9	14.2	7.4	8.0	10.2	14.2	15.9
Local Good Index	3.1	5.4	8.1	5.3	4.7	5.5	8.1	10.0

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 54.99 cents per litre in March 2009, declined by 44.78 cents from March 2008. International prices for kerosene and diesel were recorded at 56.40 cents and 52.68 cents per litre, declined by 48.91 cents and 52.48 cents from March quarter 2008. The variation in international prices are in line with domestic retail prices declining by 37.60 sene, 49.30 sene and 57.90 sene for petrol, kerosene and diesel respectively.

	2008								2009	
	March		June		September		December		March	
	Retail	FOB Price	Retail	FOB Price	Retail	FOB Price	Retail	FOB Price	Retail	FOB Price
<b>Petrol</b>	272.2	99.77	315.2	120.35	320.3	121.06	239.30	60.25	234.6	54.99
<b>Kerosene</b>	261.5	105.31	336.9	138.67	352.8	150.84	264.40	74.52	212.2	56.40
<b>Diesel</b>	280.2	105.16	356.1	128.91	363.9	147.09	259.40	80.89	222.3	52.68

Source: Ministry of Finance