



GOVERNMENT OF SAMOA
MINISTRY OF FINANCE
QUARTERLY ECONOMIC OVERVIEW

Issue No 74

First Quarter (Jul-Sep 2016/17)

Twelve months review (Oct 2015 – Sep 2016)

Gross Domestic Product

The real growth recorded for the first quarter (September quarter) of FY 2016/17 stood at a positive growth of 2.0%. Commerce Industry was the main driver to this increase with a notably 11.7% increase compare to the same quarter of the previous financial year (2015/16). The positive performance for the industry was attributed to an increase in wholesaling and retailing activities. Financial services as well as Electricity and Water also contributed positively with increases of 11.2% and 10.0% to this growth in the September quarter 2016/17.

On a twelve months basis, the overall economy increased by 5.7% in the twelve months to September 2016 over the twelve months to September 2015. The principal driver for the positive growth was Fishing (15.5%) due to a huge increase in the exports of fish for that period. Transport also increased by 14.7% as a result of a noticeably high demand for transport services during the Commonwealth Youth Games as well as the All Blacks vs Manu Samoa Games that occurred during that twelve months period (October 2015 – September 2016).

Employment

Total number of formal paid employment stood at 24,695 at end of September 2016/17 quarter, increased by 3.5% (839 employees) from the corresponding quarter of 2015/16. The main driver to this increase was the Primary Sector with an increase of 15.1% followed by Secondary (7.0%), Tertiary (2.9%) and Public Administration (2.4%) respectively.

Trade & Balance of Payments

Total commodity exports valued at \$28.87 million in the reviewing quarter, decreased by 10.9% over the comparable 2015/16 quarter. This was mainly caused by a decline in exports of copra meal, nonu fruit,

virgin oil and others. Imports also recorded a decline of 0.8% compare to the same quarter (Sep Qtr) of the previous financial year.

Current account balance recorded a deficit of \$29.4million, decreasing by 11.8% compare to September 2015/16. This was a result of an increase in Balance on Trade in Services (13.3%) and balance of Secondary Income (5.7%). The Capital Account Balance stood at \$19.9 million, increased by 58.1% over the September quarter of the previous fiscal year. The financial account recorded a fall from a deficit of \$23.1 million to stand at a surplus of \$5.3 million due to a large increase in direct investments. In aggregate, the overall balance recorded a deficit of \$1.2 million in the reporting period (September quarter) of 2016/17 compared to a surplus of \$6.4million in September quarter of the previous financial year (2015/16).

In the twelve months to September 2016, exports and imports recorded upward movements of 14.1% and 4.8% over the twelve months to September 2015 respectively. This resulted in an increase of 3.7% in the merchandise trade deficit throughout this period. Furthermore, the current account deficit increased by 104.4% due to the increase in the balance on Goods, services and primary income whilst Secondary income decreased by 9.0%. On the other hand, the capital account was 21% lower than the twelve months to September 2015. Financial accounts also recorded an decrease of 138.4% from a deficit of \$127.5 million to stand at a surplus of \$48.9 million, resulting in a decrease in the overall balance of payments by \$136.28 million to stand at a deficit of \$51.2 million in the reviewing twelve months period to September 2016.

Tourism & Remittances

Tourist arrivals stood at 39,896 tourists for September quarter 2016/17, decline by 2.3% compare to September quarter 2015/16. This result was mainly due to a 71.3% decrease in the number of tourist arrivals that came over for sports, followed by a fall of 20.7% in arrivals on other purposes. Tourist Earnings also recorded a slight decline of 0.5% compare to September quarter 2015/16. A decline in tourism earnings from USA of 19.5% was the main contributor to this fall. In the twelve months to September 2016, visitor arrivals reported an increase of 6.3%. Tourism earnings also recorded an increase of 10.6% over the twelve months to September 2015 as a result of increase spending from tourists coming in for a holiday and also from Visiting families and relative.

Remittances recorded an increase of 2.7% in September quarter 2016/17 compare to the same period of the previous financial year (2015/16). In the twelve months to September 2016, Remittances reported a negative growth of 6.1% compare to the twelve months to September 2015. This growth was a result of a 60% decline in remittances for church and non government schools.

Monetary Supply

Money supply recorded an increase of \$61.2 million (7.1%) compared to end of September 2015/16 to stand at \$928.8 million at end of September 2016/17. Narrow money (M1) and Quasi money (B) both contributed to this result with increases of 16% and 45.2% respectively. Domestic credit stood at \$1,035.01 million, registering an increase of 10.9% over the comparable period of the previous fiscal year (September 2015/16). This outcome was mainly caused by increases of 58.5% in Net Credit to Non-financial Public Sector, 14.5% in Credit to Private Sector and 4.5% to Net Credit to Non-monetary Financial Institutions.

Exchange Rates

The Samoan tala at September quarter 2016/17 appreciated against the USD, AUD, EURO and FJD and depreciated against the NZD and YEN over the same quarter of 2015/16. On an annual average, the tala recorded an appreciation against NZD and AUD

and depreciated against USD, EURO, FJD and YEN respectively.

Foreign Reserves

At the end of the first quarter of 2016/17 (September Quarter), gross official foreign reserves had decreased by \$77.51 million to stand at \$264.98 million. The fall was mainly influenced by a decline of \$76.74 million in the Central Banks foreign holdings followed by the Ministry of Finance with a decline of \$0.77 million.

Gross Official Foreign Reserves were able to cover 4.0 months of imports, compared to 5.4 months at end of September quarter of 2015/16 fiscal year.

Fiscal Performance

The Net Operating Balance (Revenue less Operating expense) for September quarter of 2016/17 showed a surplus of \$19.82 million, increased by \$17.8 million compare to the same quarter of 2015/16. This was due to an increase in Total Revenue by \$10.69 million to stand at \$146.17 million whilst Total Expenditure recorded a fall by \$7.11 million to stand at \$126.35 million. The Net Borrowing (or Overall Deficit) recorded a deficit of \$44.94 million, compare to the deficit of \$8 million in the same period of the last fiscal year (2015/16).

External Debt

The total disbursed outstanding debt recorded a decline of \$79.49 million from end of September 2015/16 to stand at \$1,020.19 million at end of September 2016/17. This was equivalent to 49.0% of GDP. Multilateral and bilateral loans accounted for 52.1% (\$531.7 million) and 47.9% (\$488.5 million) of disbursed outstanding debt respectively.

Total debt servicing at end of September quarter 2016/17 stood at \$17.0 million, decreased by 7.4% (\$1.4 million) over September quarter 2015/16 and equivalent to 10.1% of merchandise exports and services. In the twelve months to September 2016/17, total debt servicing registered an increase of 1.6% (\$0.8 million) from the last twelve months to September 2015/16 and equivalent to 8.1% of exports of goods and services.

Consumer Prices

Inflation in September quarter 2016/17 stood at 4.1 percent, increased by 13.3 percentage points from end of September of the previous year (2015/16). The local component of the CPI had declined by 15.8 percentage points to stand at -10.8 whilst the imported component had increased by 12.9 percentage points to stand at 4.0 compared to same quarter of the previous financial year (September Quarter 2015/16).

The increase in inflation for All Items was caused by an increase in food and non alcoholic beverages prices by 12.3 followed by a rise in prices on alcoholic beverages and tobacco (7.7), education (2.2), miscellaneous goods and services (1.6) and communication (0.1) respectively.

Petroleum Prices

The international prices (USD per barrel) for petrol decreased by 31.8% kerosene by 17.4% and diesel by 16.6% respectively at end of September 2016/17 compare to the prices at end of September 2015/16.

For the domestic retail prices, petrol, kerosene and diesel were valued at \$2.18, \$1.88 and \$2.21 sene per litre at end of September 2016/17. Petrol prices had decreased by 16.8%, kerosene prices by 14.9% and diesel prices by 8.7% compare to the same quarter of 2015/16.

TABLE 1: KEY ECONOMIC INDICATORS

	Oct 2014 – Sep 2015	Oct 2015 – Sep 2016	1Q15/16	1Q16/17	% Change 1Q16/17 over 1Q15/16	% Change Oct 2015 – Sep 2016 over Oct 2015 – Sep 2014
Nominal GDP (<i>SAT\$/million</i>)	1,958.78	2,081.49	523.19	550.52	5.2	6.3
Real GDP (<i>SAT\$/million 2009 prices</i>)	1,741.13	1840.80	473.53	482.95	2.0	5.7
GDP per capita (<i>SAT\$ 2009 prices</i>)	10,123.8	10,679.8	-	-	-	5.5
Employment (<i>thousands – end period</i>)	23,856	24,695	23,856	24,695	3.5	3.5
Exports (<i>SAT\$/million</i>)	81.58	92.98	32.41	28.87	-10.9	14.0
Imports (<i>SAT\$/million</i>)	764.41	801.30	200.96	199.34	-0.8	4.8
Trade Deficit (<i>SAT\$/million</i>)	682.83	708.23	168.55	170.47	1.1	3.7
Tourism Revenue (<i>SAT\$/million</i>)	353.01	388.73	97.09	96.61	-0.5	10.1
Visitor Arrivals	149,352	144,418	40,816	39,896	-2.3	-3.3
Remittances (<i>SAT\$/million</i>)	419.88	393.99	99.60	102.15	2.6	-6.2
Inflation (<i>% annual average – end period</i>)	-9.2	4.1	-9.2	4.1	-144.5	-144.5
Gross Official Foreign Reserves (<i>SAT\$/million - end period</i>)	342.49	264.98	342.49	264.98	-22.6	-22.6
Balance of Payment	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)		
Current Account	-54.2	-110.8	-33.5	-29.5	-11.9	104.4
Capital Account	99.3	78.4	12.6	19.9	57.9	-21.0
Overall Balance	85.1	-51.2	6.4	-1.2	-118.8	-160.2
Exchange Rates	(<i>Annual average rates</i>)		(<i>Quarter average rates</i>)			
USD	0.3999	0.3869	0.3793	0.3963	4.5	-3.3
NZD	0.5480	0.5646	0.5824	0.5487	-5.8	3.0
AUD	0.5086	0.5257	0.5226	0.5230	0.1	3.4
EURO	0.3499	0.3483	0.3411	0.3551	4.1	-0.5
FJD	0.8170	0.8113	0.8121	0.8134	0.2	-0.7
YEN	47.7145	43.2128	46.3425	40.6032	-12.4	-9.4
Government Finance Statistics	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)		
Total Revenue	548.15	606.28	135.48	146.17	7.9	10.6
Total Expenditure	535.30	496.81	133.46	126.35	-5.3	-7.2
Net Operating Balance	12.86	109.46	2.02	19.82	881.2	751.2
Net Lending / borrowing	-72.44	-44.59	-8.00	-44.94	461.8	-38.4
External Debt (<i>end of period</i>)	1099.68	1020.19	1099.68	1020.19	-7.2	-7.2
Debt Servicing	51.56	52.40	18.38	17.02	-7.4	1.6
Petroleum						
Retail Prices (<i>sene/ltr</i>)						
Petrol	2.62	2.18	2.62	2.18	-16.8	-16.8
Kerosene	2.21	1.88	2.21	1.88	-14.9	-14.9
Diesel	2.42	2.21	2.42	2.21	-8.7	-8.7
FOB Prices (<i>USD/bbl</i>)						
Petrol	72.52	49.47	72.52	49.47	-31.8	-31.8
Kerosene	65.81	54.39	65.81	54.39	-17.4	-17.4
Diesel	65.07	54.28	65.07	54.28	-16.6	-16.6

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