



GOVERNMENT OF SAMOA  
**MINISTRY OF FINANCE**  
**QUARTERLY ECONOMIC REVIEW**

Issue No 78

First Quarter (Jul-Sept 2017/18)

Twelve months review (Oct 2016 – Sept 2017)

### **Gross Domestic Product**

The real GDP for September quarter 2017/18 amounted to \$475.7 million, recording a decrease of 3.7% compared to the corresponding quarter of the previous FY(2016/17). The decline was mainly due to the closure of the Yazaki manufacturing plant and normalization of the fishing sector production by -35.0% and -35.4% respectively. Movements in other industries also contributed to this decline which include a fall in Personal and other services, Business Services, Transport, Food and Beverages, Commerce and Financial Services by -15.7%, -10.4%, -9.0%, -2.4%, -2.1 and -2.0% respectively. The Communication sector on the other hand reported an upward surge of 37.8% when compared to the same quarter of the previous financial year. This was due to the ongoing development of the Tui Samoa Cable subject to its arrival as well as the increased competition between internet and telecommunication providers. Moreover, Electricity & Water, Agriculture, Accommodation & Restaurants and Constructions sectors also contributed to the positive growth.

On the twelve months basis of October 2016 – September 2017, GDP at constant prices recorded a gradual increase of 0.4% from the comparable period (Oct 2015 – Sept 2016). Agriculture was registered as the largest contributor to this growth over this period (up by 20.1%) which is consistent with the improved agricultural supplies at the Market. This review marked the fourth consecutive quarter in which agriculture recorded growths and is furthermore one of the major contributors to the overall growth of the reviewing and previous twelve months period. Accommodation & Restaurants (6.6%), Electricity & Water (5.6%), Food & Beverage (3.0%), Personal & Other Services (3.3%) and Commerce (2.6%) also contributed positively to the growth for the reviewing twelve month period.

### **Employment**

The total number of persons in formal paid employment stood at 24,038 at the end of September 2017/18 quarter which represented a decline of 2.7% (657 employees) compared to the same quarter of 2016/17. This downward trend was caused by falls in Construction, Agriculture, Other Manufacturing and Restaurants. The reasons why these industries faced a decrease in employment were due to the fact they are currently in the near completion phase of major development constructions and some of these industries were also affected by employment lay-off from Yazaki's closure. The Primary and Secondary both recorded decreases of 18.8% and 16.4% respectively, whilst Tertiary and Public Administration industries remained stationary.

### **Trade & Balance of Payments**

On the external front, the merchandise trade deficit increased by 10.4% to stand at \$188.2 million in the reporting first quarter of 2017/18 compared to the same quarter of previous fiscal year. This was mainly due to a 7.9% increase in imports caused by increases of 72.5% and 14.8% for Petroleum and Government respectively utilized mainly for construction purposes. Exports on the other hand, declined by 7.2% when compared to the September quarter of 2016/17. This was the result of falling exports for two major export components: Fish (-23.8%) and Nonu Fruit (-45.1%).

The current account balance increased by 90.1% when compared to the September Quarter 2016/17 to stand at \$24.7 million. This was triggered by an increase of 20.2% in the negative Balance on Goods and Services. Capital account balance also registered a positive \$29.4 million (47.3%) increase when compared to the same quarter of the previous fiscal year. Furthermore, the financial account recorded a positive \$5.8 million for the reviewing quarter of

2017/18, an increase from a negative \$9.5 million registered in September quarter of financial year 2016/17. Other Investment (\$19.4 million) and Portfolio investment (\$2.3 million) were the positive factors contributing to this increase. The overall balance for the September quarter 2017/18 stood at \$19.9 million surplus, an improvement from the deficit recorded in September 2016.

On the twelve months to September 2017, trade exports for goods recorded an upward movement of 1.4% to stand at \$94.3 million. Imports on the other hand showed a slight fall of -0.4% to stand at \$798.9 million. This led to an improvement in merchandise trade deficit to stand at \$703.80 million from a \$708.40 million recorded in the twelve months to September 2016. The overall current account deficit reduced from \$111.12 million to \$47.26 million, which was mainly due to a 12.2% improvement to the negative performance of Balance on Goods, Services and Primary Production. The financial account balance also reported a positive \$27.6 million in the twelve months to September 2017, an improvement from a negative \$20.8 million in the same comparable period. This resulted in the overall balance of payment to stand at a \$52.7 million surplus in the twelve months ending September 2017 indicating an increase from a \$55.2 million deficit recorded in the comparable quarter.

### **Tourism and Remittances**

Tourist arrivals were recorded at 45,905 for September quarter 2017/18, an increase of 12.5% when compared to the September quarter 2016/17. This result generated from a 40% increase in the number of tourists who travelled to Samoa for Sports events, mainly the Commonwealth Youth Games. Another main reason for this increase was a 17% increase in tourists travelling for Business purposes due to international meetings held in the reviewing period. Tourist Earnings also experienced an increase of 23.4% when compared to the September quarter 2016/17. This generated from an increase in tourism earnings from Australia (49%) and USA (43%). In the twelve months to September 2017, visitor arrivals surged by 18.6% causing Tourism earnings to also increase by 22.9% over the twelve months to September 2017. This resulted from increased

spending by tourists visiting for sports and business related events over the 12 months period.

Remittances in the reporting quarter 2017/18 recorded an increase of 7.0% compared to the same period of the previous financial year (2016/17). In the twelve months to September 2017, remittances increased by 4.4% compared to the twelve months to September 2017. This growth was the result of an increase in both the Funds for Samoan Individuals and Others.

### **Money Supply**

Money supply for the reviewing quarter stood at \$1,035.11 million, an increase of 11% over the September quarter of FY2016/17. Both Quasi-money and Narrow-money positively contributed to this increase by 12% and 10% respectively. Domestic credit fell by 4.0% from the September quarter of the previous fiscal year. This was mainly due to a 58% fall in Net Credit to Non-financial Public Sector. In contrast, both the Credit to Private Sector and Net Credit to Non-monetary Financial Institutions increased by 1%.

### **Exchange Rates**

The different movements in exchange rate for September quarter 2017/18 showed the Samoan tala appreciating against the USD, NZD, FJ and YEN currencies and depreciating against the AUD and EUR currencies. In the twelve months to September 2017, the tala recorded an appreciation against the USD, EUR, FJ and YEN and depreciation against the NZD and AUD currencies.

### **Foreign Reserves**

The end of September quarter for FY2017/18 saw gross foreign reserves standing at \$342.48 million. This figure is a \$77.50 million increase when compared to the same quarter of the previous financial year. Furthermore, this is also equivalent to 5.2 months of import goods, a slight decrease of 5.4 months recorded in the same quarter of the previous financial year.

### **Fiscal Performance**

A Net Operating surplus of \$9.7 million was registered for September quarter 2017. This showed a drop in surplus by \$10 million tala compared to the

same quarter of the previous fiscal year. This drop was caused by a large increase in current expenditure and a gradual increase in revenue of \$11.6 million and \$1.5 million respectively. This led to an increase in deficit of \$21.4 million for Net Lending/Borrowing in the reviewing quarter. In comparison, deficit showed an improvement from the comparable period to the reviewing period of around \$20 million. The main reasons behind this are due to reductions in the level of development expenditure as other major projects completed during the reviewing period.

### **External Debt**

The official government debt outstanding stood at \$1,021.74 million in the reviewing quarter which is equivalent to 47.9% of GDP. This is a \$17.62 million decline when compared to the same quarter of the previous financial year. Multilateral and bilateral loans accounted for 53.2% (\$543.79 million) and 46.8% (\$477.94 million) of disbursed outstanding debt (DOD) respectively.

Total debt servicing at end of September 2017/18 stood at \$24.33 million, an increase of \$3.92 million from the comparable quarter of the previous fiscal year (2016/17).

### **Consumer Prices**

The Consumer Price Index for September Quarter 2017/18 grew by 2.3% in the overall index compared to the same quarter of the previous financial year 2016/17. This was mainly driven by increases in Housing & Water & Electricity & Gas and other Fuels & Transport of 5.5% and 4.4% respectively. Alcohol & Beverages & Tobacco & Narcotics and Food & Non Alcoholic Beverages also contributed to the CPI growth by 2.5% and 2.2% respectively. On a contrary basis, Education, Miscellaneous goods & services, Clothing & Footwear and Health recorded decreases of 4.3%, 3.4%, 2.4% and 1.5% respectively.

The annual average inflation rate stood at 0.9% at end of September quarter 2017/18, an increase of 0.1% percentage point compared to the corresponding

annual average quarter of the previous financial year (2016 /17).

### **Petroleum Prices**

The domestic retail prices for petrol, kerosene and diesel in September quarter 2017/18 increased by 8.7%, 5.9% and 6.3% respectively compared to the September quarter of the previous year.

The international prices for petrol in the reviewing quarter recorded an increase of 19.4% in petrol, 9.9% in kerosene and 12.5% in diesel from the corresponding period of the previous year (2016/17).

**TABLE 1: KEY ECONOMIC INDICATORS**

	Oct 2015 – Sept 2016	Oct 2016 - Sept 2017	1QFY16/17	1QFY17/18	% Change 1QFY17/18 over 1QFY16/17	% Change Oct 2016 – Sep 2017 over Oct 2015 – Sep 2016
Nominal GDP (SAT\$/million)	2,082.34	2,132.94	550.24	549.93	-0.1	2.4
Real GDP (SAT\$/million 2009 prices)	1,860.52	1,868.77	493.88	475.74	-3.7	0.4
GDP per capita (SAT\$ 2009 prices)	9,546.06	9,519.25	-	-	-	-0.3
Employment ( <i>thousands – end period</i> )	24,695	24,038	24,695	24,038	-2.7	-2.7
Exports (SAT\$/million)	92.90	94.30	28.87	26.82	-7.1	1.5
Imports (SAT\$/million)	801.30	798.10	199.34	214.99	7.9	-0.4
Trade Deficit (SAT\$/million)	-708.40	-703.80	-170.47	-188.17	-10.4	0.6
Remittances (SAT\$/million)	395.0	412.4	103.2	110.4	7.0	4.4
Inflation (% <i>annual average – end period</i> )	0.8	0.9	0.8	0.9	12.5	12.5
Gross Official Foreign Reserves (SAT\$/million - <i>end period</i> )	264.98	342.76	264.98	342.76	29.4	29.4
<b>Balance of Payment</b>						
	(SAT\$/million)	(SAT\$/million)	(SAT\$/million)	(SAT\$/million)		
Current Account	-111.12	-47.26	-12.99	-24.70	-90.1	-325.0
Capital Account	78.47	118.92	19.96	29.40	47.3	51.5
Overall Balance	-55.15	52.73	-6.17	19.90	-422.3	-195.6
<b>Exchange Rates</b>						
	<i>(Annual average rates)</i>		<i>(Quarter average rates)</i>			
USD	0.3879	0.3962	0.3963	0.3995	0.8	2.1
NZD	0.5623	0.5533	0.5487	0.5526	0.7	-1.6
AUD	0.5255	0.5164	0.5230	0.5088	-2.7	-1.7
EURO	0.3495	0.3520	0.3551	0.3390	-4.5	0.7
FJD	0.8111	0.8140	0.8134	0.8152	0.2	0.3
YEN	43.2554	43.9603	40.6032	44.9100	10.6	1.6
<b>Government Finance Statistics</b>						
	(SAT\$/million)	(SAT\$/million)	(SAT\$/million)	(SAT\$/million)		
Total Revenue	606.28	618.86	146.17	147.62	1.0	2.1
Total Expenditure	496.86	502.01	126.40	137.95	9.1	1.0
Net Operating Balance	109.42	116.84	19.78	9.68	-51.1	6.8
Net Lending / borrowing	-43.53	-0.9	-43.08	-21.41	-50.3	-98.0
External Debt ( <i>end of period</i> )	1039.36	1021.74	1039.36	1021.74	-1.7	-1.7
Debt Servicing	52.44	58.25	17.06	21.30	24.9	11.1
<b>Petroleum</b>						
<b>Retail Prices (sene/ltr)</b>						
Petrol	2.18	2.37	2.18	2.37	8.7	8.7
Kerosene	1.88	1.99	1.88	1.99	5.9	5.9
Diesel	2.21	2.35	2.21	2.35	6.3	6.3
<b>FOB Prices (USD/bbl)</b>						
Petrol	49.47	59.04	49.47	59.04	19.4	19.4
Kerosene	54.39	59.77	54.39	59.77	9.9	9.9
Diesel	54.28	61.04	54.28	61.04	12.5	12.5

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

