



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

Issue No 71

Second Quarter (Oct-Dec 2015/16)

Twelve months review (Jan 2015 – Dec 2015)

### **Gross Domestic Product**

The Samoan economy reported a growth of 5.3% in constant price GDP in the December quarter of 2015/16 relative to the December quarter of the previous fiscal year (2014/15). Fishing sector continued to be the primary driver to the growth recording an increase of 34.9% followed by a growth of 26.6% in Accommodation and restaurants and 23.9% in Construction. Other sectors who recorded positive growths were Transport (9.1%), Personal and other services (8.6%), Commerce (8.5%), Public administration (2.1%), Ownership of dwellings (0.6%) and Communication (0.3%).

Over the year as a whole (2015), the economy recorded a real growth rate of 2.8% comparable to the previous year (2014). The principal driver for 2015 was fishing with a contribution of 1.3 percentage points to real GDP growth. The fishing sector has been performing well due to an increase in fish exports throughout the year compare to previous years. Furthermore, Transport (1.0), Communication (0.8), Construction (0.6), Accommodation and restaurants (0.4), Personal and other services (0.4) Other manufacturing (0.2), Public administration (0.2) and Financial services (0.1) all contributed positively to the growth of 2.8% for the reviewing year.

### **Employment**

The total figure of Employment for December quarter 2015/16 recorded an increase of 4.5% to stand at 24,515 in comparative to the same quarter of FY 2014/15. This was primarily caused by a large increase in employed people under the tertiary sector by 6.8%. Primary sector, Secondary sector and Public administration sectors also recorded increases of 5.8%, 1.4% and 0.5% respectively.

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

On the external front, the merchandise trade deficit decreased by 3.6% over the same quarter of the previous year, to stand at \$180.20 million in the December quarter of 2014/15. Export increased by 32.6% and was primarily caused by an increase in the exportation of fresh fish, copra meal, taro, beer, nonu juice and coconut products. Imports on the other hand declined by 0.6% relating to the decline in Petroleum Imports for that period. The current account balance turned around from a surplus of \$3.4 million in 2014/15 to a deficit of \$1.4 million in the reviewing period of 2015/16. The capital account increased by \$13.4 million to stand at \$18.7 million. Moreover, the overall balance of payments account declined by 51.9% to stand at a deficit of \$10.7 million in December quarter 2015/16 compare to December quarter 2014/15..

In the year 2015, the increase of exports by 35.9% and the decrease of imports by 4.1% led to the contraction of the merchandise trade deficit by 7.6% over the previous year (2014). Furthermore, the decline in the deficit of goods, services and income as well as the decline in the balance on secondary income resulted in an upward trend in the current account deficit by 4.4% over the period. The capital account increased by 23.5% throughout this period, leading to a turned around in the overall balance from a deficit of \$59.1 million in 2014 to a surplus of \$95.0 million in the reporting year (2015).

### **Tourism & Remittances**

Tourist arrivals and tourism earnings both recorded growth of 6.4% and 2.0% in the December quarter 2015/16 compare to the same quarter of fiscal year 2014/15. Tourists coming over for the christmas holiday increased causing the positive growth mentioned above in tourist arrivals and tourism

earnings. On an annual basis, both tourism earnings and visitor arrivals increased by 4.9% and 3.2% respectively over the year 2014. This result was driven by a surge in the number of tourist flying in for Sports which relates to the Commonwealth Youth Games and the game between All Blacks and Manu Samoa that was held in Samoa in the reviewing year.

For December quarter 2015/16, remittances were valued at \$106.50 million recording a decline of 10.3% from the corresponding quarter of 2014/15. In an annual basis (2015), remittances recorded an increase of 3.5% compare to the previous year (2014) due to an increase in money being remitted for Individuals/Family as well as Handcarried cash.

### **Monetary Supply**

Money supply stood at \$868.41 million at end December 2015/16, an increase of 6.0% over the end December 2014/15. Narrow money (M1) and Quasi money (M2) both contributed to this result with increases of 7.3% and 5.1% respectively. Domestic credit increased by 2.8% over the end of December 2014/15. This result was mainly caused by the increase of 161.7% in Net credit to Non-financial Public Sector followed by increases of 14.9% and 5.8% in Net credit to Non-monetary financial institutions and Credit to Private sector respectively.

### **Exchange Rates**

The December quarter 2015/16 recorded an appreciation of the Samoan tala against the NZD, AUD and EURO, and a depreciation against the USD, FJD and YEN over the comparable quarter of 2014/15. For the year 2015, the Samoan tala depreciated against the USD and appreciated against the remaining currencies in the basket (NZD, AUD, EURO, FJ, YEN) compare to the previous year (2014).

### **Foreign Reserves**

At the end of December 2015/16, gross official foreign reserves stood at \$318.03 million, an increase of \$24.2 million from end of December 2014/15. This was equivalent to 5.0 months of imports of goods, compared to 4.4 months at end December 2014/15.

### **Fiscal Performance**

The Net Operating Balance (Revenue less Operating expense) for December quarter of FY 2015/16 showed a surplus of \$28.40 million. This was a \$28.66 million turn around from a deficit of \$0.26 million in the same period of the previous fiscal year (2014/15). The Net Borrowing (or Overall Deficit) stood at \$57.70 million in the reporting quarter and was \$5.10 million more than the Overall Deficit in the second quarter of FY 2014/15.

### **External Debt**

Official government debt outstanding at end December 2015/16 stood at \$1,082.05 million, an increase of \$52.27 million over end December 2014/15. This amount is equivalent to 54.9% of GDP. Multilateral and bilateral loans accounted for 52.7% (\$570.51 million) and 47.3% (\$511.54 million) of disbursed outstanding debt (DOD) respectively.

Total debt servicing decreased by \$2.18 to stand at \$8.36 million for the December quarter of 2015/16 comparable to the same quarter of the previous year (2014/15). This was equivalent to 4.6% of commodity and services exports. In the year 2015, total debt servicing increased by \$1.76 million over the previous year (2014) to stand at \$49.38 million. This was equivalent to 8.4% of commodity and services exports.

### **Consumer Prices**

The annual average rate of inflation at end December 2015/16 stood at 0.7%, an increase of 1.0 percentage points from end December 2014/15. The local components of the CPI recorded an increase of 7.0 percentage points whilst the Import component recorded a decline of 6.8 percentage point over the corresponding 2014/15 period. This outcome was strongly influenced by an increase in prices in the Restaurant and hotels category followed by upward trends in food and non alcoholic beverages, furnishings, household equipment and routine household maintenance, health, education, alcoholic beverages and tobacco and recreation and culture respectively.

### **Petroleum Prices**

The domestic retail prices for petrol, kerosene and diesel in December quarter 2015/16 had declined by 19.7%, 27.2% and 22.1% respectively from the corresponding period of the previous year (2014/15).

International prices for petrol, diesel and kerosene also recorded declines of 38.3%, 41.6% and 41.0% respectively.

**TABLE 1: KEY ECONOMIC INDICATORS**

	2014	2015	2Q14/15	2Q15/16	% Change 2Q15/16 over 2Q14/15	% Change 2015 over 2014
Nominal GDP ( <i>SAT\$/million</i> )	1,921.73	1972.30	499.86	513.37	2.7	2.6
Real GDP ( <i>SAT\$/million 2002 prices</i> )	1,716.62	1764.46	438.23	461.57	5.3	2.8
GDP per capita ( <i>SAT\$ 2002 prices</i> )	10,005	10,194	-	-	-	1.9
Employment ( <i>thousands – end period</i> )	23,457	24,515	23,457	24,515	4.5	4.5
Exports ( <i>SAT\$/million</i> )	64.10	87.08	17.10	22.67	32.6	35.9
Imports ( <i>SAT\$/million</i> )	795.66	763.22	204.10	202.85	-0.6	-4.1
Trade Deficit ( <i>SAT\$/million</i> )	-731.56	-676.14	-187.0	-180.2	-3.6	7.6
Tourism Revenue ( <i>SAT\$/million</i> )	339.72	350.43	96.29	98.24	2.0	3.2
Visitor Arrivals	131,796	138,199	36,478	38,828	6.4	4.9
Remittances ( <i>SAT\$/million</i> )	393.68	407.27	118.75	106.50	-10.3	3.5
Inflation ( <i>% annual average – end period</i> )	-0.4	0.7	-0.4	0.7	-289.8	-289.8
Gross Official Foreign Reserves( <i>SAT\$/million - end period</i> )	293.86	318.03	293.86	318.03	8.2	8.2
Money Supply	818.92	868.41	818.92	868.41	6.0	6.0
<b>Balance of Payment</b>	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>		
Current Account	-110.2	-115.0	3.4	-1.4	-141.8	4.4
Capital Account	90.4	111.7	5.3	18.7	252.3	23.5
Overall Balance	-59.1	95.0	-22.3	-10.7	-51.9	-260.9
<b>Exchange Rates</b>	<i>(Annual average rates)</i>		<i>(Quarter average rates)</i>			
USD	0.4290	0.3918	0.4157	0.3851	-7.4	-8.7
NZD	0.5168	0.5571	0.5315	0.5635	6.0	7.8
AUD	0.4755	0.5194	0.4857	0.5290	8.9	9.2
EURO	0.3230	0.3533	0.3326	0.3529	6.1	9.4
FJD	0.8070	0.8165	0.8138	0.8130	-0.1	1.2
YEN	45.3557	47.3166	47.565	46.449	-2.3	4.3
<b>Government Finance Statistics</b>	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>		
Total Revenue	558.19	580.00	127.75	159.60	24.9	3.9
Total Expenditure	516.98	534.27	128.01	131.10	2.4	3.3
Net Operating Balance	41.22	45.63	-0.26	28.40	-10968.7	10.7
External Debt ( <i>end of period</i> )	1,029.78	1,082.05	1,029.78	1,082.05	5.1	5.1
Debt Servicing	47.62	49.38	10.54	8.36	-20.7	3.7
<b>Petroleum</b>						
<b>Retail Prices (sene/ltr)</b>						
Petrol	2.90	2.33	2.90	2.33	-19.7	-19.7
Kerosene	2.68	1.95	2.68	1.95	-27.2	-27.2
Diesel	2.89	2.25	2.89	2.25	-22.1	-22.1
<b>FOB Prices (USD/bbl)</b>						
Petrol	98.19	60.55	98.19	60.55	-38.3	-38.3
Kerosene	101.56	59.28	101.56	59.28	-41.6	-41.6
Diesel	100.22	59.13	10.22	59.13	-41.0	-41.0

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