



GOVERNMENT OF SAMOA
MINISTRY OF FINANCE
QUARTERLY ECONOMIC OVERVIEW

Issue No 75

Second Quarter (Oct-Dec 2016/17)

Twelve months review (Jan 2016 – Dec 2016)

Gross Domestic Product

Samoa's economy experienced positive real growth of 3.1% in the second quarter (December quarter) of FY2016/17. Business Services was the principal driver of this growth indicating a 24.7% increase when compared to the same quarter of the previous financial year. This was due to the increase in the number of services provided by accounting firms, law firms, and other non-manufacturing or non-tourism business services. There was also a 22.5% increase in the Food & Beverages Manufacturing Industry when compared to the same quarter of the previous financial year which was due to increases in the number of beverages made by our local beverage companies as well as beverages exported to overseas markets. Other contributing factors to this positive growth include a 15.6% increase in Other Manufacturing and a 17.9% increase in Financial Services in the December quarter 2016/17.

The overall economy increased by 5.1% on an annual basis in the twelve months from December 2015 to December 2016. The main driver behind this growth was Food & Beverages Manufacturing (13.4%) which was affiliated by a huge increase in the number of beverages supplied for local and overseas markets. Financial services also increased by 12.6% due to an increase in wholesaling and retailing activities.

Employment

Formal paid employment increased by 1.6% (390 employees) from December 2015/16 quarter to stand at 24,905 by the end of the December 2016/17 quarter. The contributing factors behind this increase were due to the upward trends from the Secondary, Tertiary and Public Administration Sectors of 1.3%, 1.7% and 1.7% respectively.

Trade & Balance of Payments

In the reviewing quarter, total commodity exports was recorded at \$22.5 million which is a 0.8% decrease compared to the same quarter of the previous fiscal year 2015/16. This slight decrease was caused by a fall in the exports of fresh fish, nonu juice and others. Total commodity imports also recorded a decline of 0.5% when compared to the same quarter (December quarter) of the previous financial year.

Current account balance recorded a surplus of \$16.3 million, increasing by 606.2% when compared to the December quarter of 2015/16. This increase was due to a decrease in both balance on primary income (39.2%) and balance on goods and services (7.0%). The Capital account on the other hand was valued at \$19.5 million by the end of the December quarter 2016/17, which was an increase of 4.4% when compared to the December quarter of the previous financial year 2015/16. The financial account recorded a deficit of \$22.7 million, decreasing from a \$42.5 million surplus that was recorded in the same period of the previous quarter. This fall is due to a large decrease in the reviewing period for other investments besides from direct, portfolio and financial derivative investments. The overall balance stands at \$5.6 million for the December quarter period of FY 2016/17 compared to a deficit of \$8.6 million in the same period of the previous financial year 2015/16.

In the twelve months to December 2016, exports increased by 6.6% while imports increased by 5.0% over the twelve months to December 2015 and thus causing an increase of 4.8% in the merchandise trade deficit for the reviewing period. Moreover, the current account deficit increased by 50.1% which was caused by an increase in the balance on goods, services, and primary income of 4.6% as well as a decrease of 3.0% in the balance on secondary income. The capital

account reported a decrease of 29.0% compared to the twelve months to December 2015. On the other hand, financial accounts recorded a decrease of 70.6% from a deficit of \$55.4 million to stand at a deficit of \$16.3 million. This resulted in a \$135.72 million decline in the overall balance of payments to stand at a deficit of \$37.0 million for the reviewing twelve months period to December 2016.

Remittances

For December quarter 2016/17, remittances recorded a 2.2% increase when compared to the same period of the previous financial year (2015/16). In the twelve months to December 2016, Remittances reported a negative growth of 2.8% compared to the twelve months to December 2015. This was mainly due to a 58% decrease in remittances for churches and non government schools.

Monetary Supply

Money supply stood at \$947.94 million at end December 2016/17, an increase of 9.2% over the end December 2015/16. Narrow money (M1) and Quasi money (M2) both contributed to this result with increases of 13.1% and 6.2% respectively. Domestic credit increased by 8.9% over the end of December 2016/17. This result was mainly caused by an increase of 72.6% in Net Credit to Non-financial Public Sector followed by increases of 13.7% and 7.3% in Credit to Private Sector and Net credit to Non-monetary Financial Institutions respectively.

Exchange Rates

The Samoan tala appreciated against the USD and depreciated against all the other currency in the basket over the comparable quarter of 2015/16. On an annual average, the Tala recorded a depreciation against the USD, EURO, FJD and YEN and an appreciation against NZD and AUD.

Foreign Reserves

At the end of December 2016/17, gross official foreign reserves stood at \$256.47 million, a decline of \$61.61 million from end December 2015/16. This was equivalent to 3.8 months of imports of goods, compared to 5.0 months at end December 2015/16.

Fiscal Performance

The Net Operating Balance (Revenue less Operating expense) for December quarter of FY 2016/17 showed a surplus of \$34.60 million. This was a \$6.51 million increase from a surplus of \$28.09 million in the same period of the previous fiscal year (2015/16). The Net Lending stood at a surplus of \$5.70 million in the reporting quarter. This was \$63.31 million more than the Overall Deficit in the second quarter of FY 2015/16.

External Debt

Official government debt outstanding at end December 2016/17 stood at \$1020.87 million, a decrease of \$61.18 million over end December 2015/16. This amount is equivalent to 48.4% of GDP. Multilateral and bilateral loans accounted for 52.9% (\$539.69 million) and 47.1% (\$481.18 million) of disbursed outstanding debt (DOD) respectively.

Total debt servicing stood at \$13.45 million for the December quarter of 2016/17, an increase of \$5.09 million from the comparable quarter of the previous year (2015/16). This was equivalent to 7.0% of commodity and services exports.

In the year 2016, total debt servicing increased by \$8.15 million over the previous year (2015) to stand at \$57.53 million. This was equivalent to 8.8% of commodity and services exports.

Consumer Prices

The annual average rate of inflation at end December 2016/17 stood at 0.6%, an increase of 11.0 percentage points from end December 2015/16. This outcome was strongly influenced by an increase in prices for alcoholic beverages, followed by a rise in prices for clothing and footwear, health, food and non-alcoholic beverages and transport respectively.

Petroleum Prices

At end December 2016/17, domestic retail prices for petrol, kerosene and diesel increased by 3.0%, 3.6% and 4.9% respectively from the corresponding period of the previous year (2015/16).

TABLE 1: KEY ECONOMIC INDICATORS

	2015	2016	2Q15/16	2Q16/17	% Change 2Q16/17 over 2Q15/16	% Change 2016 over 2015
Nominal GDP (<i>SAT\$/million</i>)	1,972.30	2,107.65	513.38	539.54	5.1	6.9
Real GDP (<i>SAT\$/million 2002 prices</i>)	1,764.44	1,855.12	461.55	475.87	3.1	5.1
GDP per capita (<i>SAT\$ 2002 prices</i>)	10,194	10,821	-	-	-	6.2
Employment (<i>thousands – end period</i>)	24,515	24,905	24,515	24,905	1.6	1.6
Exports (<i>SAT\$/million</i>)	87.12	92.44	22.67	22.50	-0.8	6.4
Imports (<i>SAT\$/million</i>)	763.21	801.47	202.85	203.02	0.1	5.0
Trade Deficit (<i>SAT\$/million</i>)	-676.09	-709.03	-180.18	-180.52	0.2	4.9
Remittances (<i>SAT\$/million</i>)	408.50	397.10	107.60	109.90	1.9	-2.8
Inflation (<i>% annual average – end period</i>)	-10.4	0.6	-10.4	0.6	105.7	105.7
Gross Official Foreign Reserves(<i>SAT\$/million - end period</i>)	318.08	256.47	318.08	256.47	-19.4	-19.4
Balance of Payment	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)		
Current Account	-60.8	-91.2	-3.2	16.3	-606.2	50.1
Capital Account	111.6	79.3	18.7	19.5	4.4	-29.0
Overall Balance	98.7	-37.0	-8.6	5.6	-165.0	-137.5
Exchange Rates	(<i>Annual average rates</i>)		(<i>Quarter average rates</i>)			
USD	0.3918	0.3900	0.3851	0.3934	2.2	-0.5
NZD	0.5571	0.5596	0.5635	0.5527	-1.9	0.4
AUD	0.5194	0.5243	0.5290	0.5234	-0.9	0.9
EURO	0.3533	0.3525	0.3529	0.3525	-0.1	-0.2
FJD	0.8165	0.8114	0.8130	0.8114	-0.2	-0.6
YEN	47.3166	42.3812	46.449	42.3812	-8.8	-10.4
GBP						
Government Finance Statistics	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)		
Total Revenue	579.96	592.72	159.55	146.00	-8.5	2.2
Total Expenditure	538.64	476.75	131.46	111.40	-15.3	-11.5
Net Operating Balance	41.32	38.09	28.09	34.60	23.2	-7.8
External Debt (<i>end of period</i>)	1,082.05	1,020.87	1,082.05	1,020.87	-5.7	-5.7
Debt Servicing	49.38	57.53	8.36	13.45	60.9	16.5
Petroleum						
Retail Prices (<i>sene/ltr</i>)						
Petrol	2.33	2.4	2.33	2.4	3.0	3.0
Kerosene	1.95	2.02	1.95	2.02	3.6	-3.6
Diesel	2.25	2.36	2.25	2.36	4.9	4.9
FOB Prices (<i>USD/bbl</i>)						
Petrol	60.55	-	60.55	-	-	-
Kerosene	59.28	-	59.28	-	-	-
Diesel	59.13	-	59.13	-	-	-

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