



GOVERNMENT OF SAMOA
MINISTRY OF FINANCE
QUARTERLY ECONOMIC REVIEW

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Second Quarter (Oct-Dec 2017/18)

Twelve months review (Jan 2017 – Dec 2017)

Gross Domestic Product

Real GDP growth in December quarter of FY2017/18 recorded a \$484.6 million total, which is a slight increase of 0.1% when compared to the same quarter of the previous fiscal year 2016/17. This slight increase was caused by increases in Business Services (18.1%), Communication (17.0%) and Construction (13.3%) compared to the corresponding quarter of FY2016/17. However, these increases were offset by decreases in Fishing (44.1%), Other Manufacturing (34.0%) and Financial Services (11.0%) hence the slight increase of 0.1%. Business Services and Communication portrayed positive growth due to the ongoing development of the Tui Samoa Cable, increased competition between internet and telecommunication providers as well as a rise in activities under Business Services such as activities from accounting firms, law firms and other non-manufacturing and non-tourism business services. The Fishing industry experienced a slowdown in its industry, decreasing from its high peak season that was felt in previous fiscal years from the establishment of a major fishing company.

On an annual basis, the economy decreased by -0.4%. This downward trend was greatly influenced by decreases in Fishing, Other Manufacturing and Financial Services by 36.6%, 18.2% and 4.9% respectively. This is the fourth consecutive quarter the Fishing industry has recorded a decrease which has also lead to a slow down in fish exports. Other minor decreases for the reviewing twelve month period include Transport (-4.1%), Construction (-3.2%), Business Services (-2.7%), and Food and Beverages (-2.2%).

Employment

The figures for total number of persons in formal paid employment stood at 24,174 at the end of December quarter 2017/18. This is equivalent to a negative 2.9%

decline (731 employees) compared to the corresponding quarter of 2016/17. This drop was driven by decreases in Other Manufacturing, Construction and Other Services. The impacts from employment lay-off was mainly due to Yazaki's closure as well as the winding down of major development projects contributed towards the decline experienced in these industries. The Primary and Secondary industries both decreased by 16.2% and 16.4% respectively, whilst Tertiary and Public Administration industries recorded minimal changes.

Trade & Balance of Payments

In the reviewing quarter, the merchandise trade deficit increased by 11.3% to stand at \$200.9 million when compared to the corresponding quarter of 2017/18. This was driven by a 10.8% increase in imports caused by increases in Government Imports (33.1%), Petroleum Imports (19.2%), and Other Imports (6.8%). Exports also increased by 4.5% from December quarter of the previous FY2016/17 greatly influenced by increasing exports in Coconut cream (46.4%) and Re-exports (33.7%).

An increase of 833.7% was recorded for the *current account* balance in December quarter 2017/18 when compared to the same quarter of the previous financial year and thus standing at \$33.7million surplus. This was mainly driven by a 19.2% increase in Balance on Secondary Income. In contrast, the *capital account* decreased by 83.5% in the reviewing quarter when compared to the same quarter of FY2016/17 and stood at \$3.2 million. The *financial account* on the other hand recorded a positive \$48.3 million which is an increase from a negative \$19.1 million recorded in December quarter of FY2016/17. The main reasons behind this increase were due to the \$42.9 million recorded for Other Investments and \$7.3 million recorded for Portfolio Investment. The overall balance for December quarter 2017/18 stood at \$7.0 million

surplus, a \$1.4 million improvement from December quarter of FY2016/17.

On an annual basis, trade exports for goods increased by 2.7% to stand at \$95.3 million whilst imports also registered an increase of 2.2% to stand at \$819.5 million. Merchandise trade deficit therefore registered a by 2.2% increase to stand at \$724.2 million when compared to the \$708.7 million of the comparable twelve months to December 2016. The overall current account deficit reduced from \$99.9 million to \$16.01 million in the twelve months to December 2017. This was mainly due to a 14.6% improvement in the negative Balance on Goods, Services and Primary Production. The financial account also recorded a positive \$94.9 million in the twelve months to December 2017. This depicts an improvement from the negative \$62.9 million recorded in the comparable period. In general, this led to the overall balance of payment registering a \$58.3 million surplus in the twelve months ending December 2017, an improvement from the \$40.9 million deficit recorded in the comparable annual period ending December 2016.

Tourism and Remittances

Tourist arrivals for the reviewing quarter stood at 45,102 which is equivalent to an increase of 14.7% when compared to the same quarter of the previous financial year. This was caused mainly by a 51% increase in the number of tourist arrivals who travelled to Samoa for a holiday. Similarly, tourism earnings also increased by 21.6% to stand at \$131.4 million for the reviewing quarter when compared to the comparable quarter of the previous financial year. In terms of purpose, holiday also recorded as the main contributor to the increase in earnings. For earnings by market, New Zealand and Australia registered as the main contributor to the increase in earnings by 12% and 7.3% contribution respectively. In the twelve months to December 2017, visitor arrivals increased by 24.3% and thus also leading to an increase in tourism earnings of 29.1%. These increases were the end results of the growing number of tourists visiting for Sports and Holiday related activities over the 12 months period.

In terms of Remittances, an increase of 20.2% was recorded for the reporting quarter when compared to the same quarter of the previous financial year 2016/17. On an annual basis, remittances increased by 9.0% compared to the twelve months to December 2017. These increases were driven mainly by remittances for Churches, schools and charities as well for individual, family and households and Others by 38%, 4% and 131.5% respectively.

Money Supply

Money supply for December quarter 2017/18 stood at \$1,092.09 million. This is an increase of 15.2% when compared to the December quarter of 2016/17. The prime reasons for this increase were due to increases in both Narrow-money and Quasi-money by 17.4% and 13.4% respectively. Domestic credit grew by 1.5% from the December quarter of the previous fiscal year mainly due to increases in Net Credit to Non-financial Public Sector (35.2%), Credit to Private Sector (3.2%) and Net Credit to Non-monetary Financial Institutions (17.0%).

Exchange Rates

The exchange rate for December 2017/18 showed the different movements in Samoan tala appreciating against the USD, NZD, FJD and Yen currencies and depreciating against the AUD and EUR currencies. On an annual basis, the Samoan tala recorded depreciation against the NZD, AUD and EUR and appreciation against the USD, FJD and YEN currencies.

Foreign Reserves

At the end of the second quarter of 2017/18 (December Quarter), gross official foreign reserves increased by \$80.03 million from the same quarter of 2016/17 to stand at \$336.50 million. This was equivalent to 4.9 months of import of goods, compared to 3.8 months at end December 2016/17.

Fiscal Performance

The Net Operating Balance (Revenue less Operating expense) for December quarter of FY 2017/18 showed a surplus of \$29.23 million. This showed a \$7.71 million decrease from the \$36.94 million surplus recorded in the same period of the previous financial year (2016/17). The reason for this decrease was

because expense increased by \$11.91 million compare to the \$4.20 million increase in revenue from December quarter 2016 to the reporting quarter. The Net Lending/Borrowing (or Overall Deficit) recorded a surplus of \$4.22 million in the reviewing quarter, a slight drop of \$1.49 million from the \$5.70 million surplus recorded in the same period of the last fiscal year (2016/17). The drop was because of a fall in the Net acquisition of Nonfinancial Assets as well as a decrease in the Net Operating balance.

External Debt

The official government debt for December quarter 2017/18 stood at \$1,062.84 million equivalent to 49.3% of GDP. This is a \$41.97 million increase when compared to the corresponding quarter of the previous financial year. Multilateral loans accounted for 52.5% (\$557.81 million) of disbursed outstanding debt (DOD) while bilateral loans accounted for the remaining 47.5% (\$505.02 million) of DOD.

Total debt servicing for the reviewing quarter was recorded at \$12.38 million, an increase of \$1.95 million (18.7%) from the same quarter of the previous fiscal year 2016/17.

Consumer Prices

The reviewing quarter's Consumer Price Index increased by 2.6% from the comparable quarter of the previous FY 2016/17. The driving factors behind this growth include increases in: Housing, Water, Electricity, Gas and other Fuels (7.4%), Transport (5.3%), Communication (3.4%), Alcoholic Beverages and Tobacco (2.7%), Food and Non Alcoholic Beverages (1.6%) and Restaurants and Hotels (0.6%). Oppositely, decreases were recorded in the following industries: Health (-5.9%), Education (-4.3%), Clothing and Footwear (-1.9%), and Miscellaneous goods and services (-1.8%).

On an annual basis, inflation rate stood at 1.6% at the end of December quarter 2017/18, equivalent to a 23.1% growth since December quarter of the previous financial year 2016/17.

Petroleum Prices

The domestic retail prices for the reviewing quarter for petrol and diesel increased by 6.7% and 25.2%

respectively when compared to the same quarter of the previous financial year. However, retail prices for kerosene recorded a decrease of 7.2% when compared to December quarter of FY 2016/17.

Furthermore, the international prices for the December quarter 2017/18 recorded increases in petrol, kerosene and diesel by 12.2%, 12.0%, and 12.1% respectively when compared to the same quarter of FY 2016/17.

TABLE 1: KEY ECONOMIC INDICATORS

	Jan 2016 – Dec 2016	Jan 2017 - Dec 2017	2QFY16/17	2QFY17/18	% Change 2QFY17/18 over 2QFY16/17	% Change Jan 2017 – Dec 2017 over Jan 2016 – Dec 2016
Nominal GDP (<i>SAT\$/million</i>)	2,108.59	2,163.45	539.62	564.16	4.5	2.6
Real GDP (<i>SAT\$/million 2009 prices</i>)	1,881.81	1,874.45	484.26	484.59	0.1	-0.4
GDP per capita (<i>SAT\$ 2009 prices</i>)	9,608.77	9,390.00	-	-	-	-2.3
Employment (<i>thousands – end period</i>)	24,905	24,174	24,905	24,174	-2.9	-2.9
Exports (<i>SAT\$/million</i>)	92.72	97.61	22.50	25.81	14.7	5.3
Imports (<i>SAT\$/million</i>)	801.47	820.08	203.02	225.00	10.8	2.3
Trade Deficit (<i>SAT\$/million</i>)	-708.67	-724.2	-180.5	-200.9	11.3	2.2
Tourism Earnings (<i>SAT\$/million</i>)	384.10	424.37	108.1	131.4	21.6	10.5
Tourism Arrivals	145,911	156,904	39,313	45,102	14.7	7.5
Remittances (<i>SAT\$/million</i>)	397.1	432.78	109.6	131.8	20.2	9.0
Inflation (<i>% annual average – end period</i>)	1.3	1.6	1.3	1.6	23.1	23.1
Gross Official Foreign Reserves (<i>SAT\$/million - end period</i>)	256.47	336.50	256.47	336.50	31.2	31.2
Balance of Payment	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)		
Current Account	-99.9	-9.9	3.6	33.7	833.7	-90.1
Capital Account	79.5	102.5	19.7	3.2	-83.5	29.1
Overall Balance	-40.9	58.3	5.6	7.0	23.8	-242.5
Exchange Rates	(<i>Annual average rates</i>)		(<i>Quarter average rates</i>)			
USD	0.3900	0.3969	0.3934	0.3964	0.8	1.8
NZD	0.5596	0.5550	0.5527	0.5595	1.2	-0.8
AUD	0.5243	0.5125	0.5243	0.5086	-3.0	-2.3
EURO	0.3525	0.3467	0.3525	0.3315	-6.0	-1.6
FJD	0.8114	0.8147	0.8114	0.8145	0.4	0.4
YEN	42.3812	44.5455	42.3812	44.7217	5.5	5.1
Government Finance Statistics	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)		
Total Revenue	595.39	623.05	148.67	152.86	2.8	4.6
Total Expenditure	477.12	513.92	111.72	123.63	10.7	7.8
Net Operating Balance	118.27	109.13	36.95	29.23	-20.9	-7.7
Net Lending / borrowing	19.2	-2.3	5.70	4.22	-25.96	-112.0
External Debt (<i>end of period</i>)	1020.87	1062.84	1020.87	1062.83	4.1	4.1
Debt Servicing	54.51	60.20	10.43	12.38	18.70	10.44
Petroleum						
Retail Prices (<i>sene/ltr</i>)						
Petrol	2.40	2.56	2.40	2.56	6.7	6.7
Kerosene	2.36	2.19	2.36	2.19	-7.2	-7.2
Diesel	2.02	2.53	2.02	2.53	25.2	25.2
FOB Prices (<i>USD/bbl</i>)						
Petrol	60.08	67.40	60.08	67.40	12.2	12.2
Kerosene	61.00	68.31	61.00	68.31	12.0	12.0
Diesel	61.23	68.61	61.23	68.61	12.1	12.1

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