



GOVERNMENT OF SAMOA
MINISTRY OF FINANCE
QUARTERLY ECONOMIC OVERVIEW

Issue No 76

Third Quarter (Jan-Mar 2016/17)

Twelve months review (Apr 2016 –Mar 2017)

Gross Domestic Product

Samoa's economy reported a growth of 2.1% in terms of constant price GDP for March quarter of FY 2016/17 compared to the corresponding quarter of the previous FY(2015/16). Other Manufacturing continued to be the primary driver for this growth recording an increase of 24.0% followed by increases of 21.5% in Agriculture and 15.5% in Personal and Other Services when compared to the same quarter of the previous financial year. This was due to an increase in the production of locally made products such as tobacco and construction materials, as well as an increase in quantities of fresh produce supplied to markets around the country, with taro being the major contributor to this growth. Other sectors which recorded positive growth include Fishing (5.2%), Electricity and Water (0.8%), Commerce (7.4%), Transport (0.5%), Financial services (6.7%), Ownership of dwellings (0.6%) and Enterprise share of FISIM (6.7%).

The overall economy grew by 3.2% on an annual basis in the twelve months from April 2016 to March 2017. Personal and other services was the main contributor to this increase. Sporting activities, education, arts and recreational activities increased by 14.4%. Furthermore, there were also increases in Food & Beverages manufacturing (12.3%), Financial services (11.8%) and Enterprise share of FISIM which all correlated positively to the growth for the reviewing period.

Employment

The total number persons in formal paid employment stood at 24,398 at the end of March 2016/17 quarter, this represented a slight increase of 0.1% (21 employees) when compared to March quarter 2015/16. This very small increase was primarily the result of an increase in the number of people employed in both the Tertiary industry and Public

Administration sector which was partially off-sets by the decline in the Primary and Secondary Sectors.

Trade & Balance of Payments

Total commodity exports for the third quarter of FY16/17 amounted to \$18.84 million, a 1.5% decrease compared to the same quarter of the previous fiscal year. Declines the exports of fresh fish, nonu juice and domestic exports were the contributing factors to this decrease.

The current account balance in the reviewing quarter experienced a deficit of \$37.5million which was a 37.1% decrease when compared to the same quarter of the previous financial year. This improvement was triggered by a 27.3% increase in the balance on trade in services. Contrarily, the capital account balance recorded a positive \$38.8million which was a 3.5% increase compared to the third quarter of FY2015/16. The financial account recorded a surplus of \$11.8million, improving from the \$13.3million deficit that was recorded in the same quarter of the previous year. This improvement was driven by upward trends in direct investment and portfolio investment. The overall balance stood at \$2.5million for the March quarter of FY2016/17 compared to a \$1.9million deficit in the same quarter of the previous financial year.

In the twelve months from April 2016 to March 2017, exports and imports increased slightly by 0.5% and 1.8% respectively; as a consequence there was a 2.0% increase in the merchandise trade deficit in the period. However, the overall current account deficit fell by 44.3% (from \$124.2 million to \$69.2 million) due to improvements in both balance on goods, services and primary production as well as the balance on secondary income. On the other hand, the financial accounts recorded a 125.3% decrease to stand at an 8.8% surplus resulting in a \$105.63million decline in

the overall balance of payments. Overall, balance of payments for the reviewing quarter stood at a deficit of \$32.6million compared to a surplus of \$73.1 million in the same quarter of FY2015/16.

Remittances

Remittances recorded an increase of 4.3% for the reviewing quarter compared to the same period of the previous financial year (2015/16). In the twelve months to March 2017, Remittances reported a gradual positive growth of 0.5% compared to the twelve months to March 2016. This slight increase was mainly the result of declining in remittances for churches and non government schools which offsets portion of increase in remittances for Funds for Samoan individuals and Others.

Money Supply

At the end of March 2016/17 quarter, money supply stood at \$929.85 million which was an increase of 4.5% from March 2015/16 quarter. This increase was driven mainly by a 0.2% increase in Narrow-money (M1) as well as a 7.8% increase in Quasi-money (M2). Domestic credit decreased by 1.3% over the reviewing quarter due to a 102.04% decrease in Net Credit to Non-financial Public Sector, a 5.7% increase in Credit to Private sector and lastly, a 3.1% increase in Net Credit to Non-monetary Financial Institutions.

Exchange Rates

Fluctuations in the exchange rate showed the Samoan tala appreciating against the USD, EURO, FJ, and YEN currencies and depreciating against the NZD and AUD currencies over the comparable quarter of 2015/16. On an annual basis, the Tala recorded an appreciation against the USD and EURO and a depreciaton against the NZD, AUD, FJ and YEN.

Foreign Reserves

Gross foreign reserves stood at \$280.65 million at the end of March 2017. This was a \$27.04 million decline when compared to the March 2016 quarter. This was equivalent to 4.2 months of import of goods compared to 4.7 months recorded in the same quarter of the previous financial year.

Fiscal Performance

The figures for Net Operating Balance (Revenue less Operating expense) registered a surplus of \$34.30 million in the quarter. This was a \$3.8 million decrease from the March 2016 quarter. Similarly, Net Lending figures recorded a surplus of \$19.1 million which was \$12.1 million less than the Overall Deficit in the third quarter of FY 2015/16.

External Debt

The reviewing quarter's official government debt outstanding stood at \$1,012.80 million. This was a \$62.74 million decrease when compared to the same quarter of the previous financial year. This amount was equivalent to 47.5% of GDP. Multilateral and bilateral loans accounted for 53.2% (\$539.71 million) and 46.71% (\$473.09 milliion) of disbursed outstanding debt (DOD) respectively.

Total debt servicing at end of March 2016/17 stood at \$19.78 million, an increase of \$1.87 million from the comparable quarter of the previous year (2015/16).

Consumer Prices

The annual average inflation rate stood at 1.4% at end of March quarter 2016/17, an increase from the 1.3% recorded at end March of the previous year (2015/16). The increase in inflation for All Items was strongly influenced by an increase in transport costs (8.9%), followed by a rise in prices for alcoholic beverages and tobacco (6.1%), food and non alcoholic beverages (0.6%) and communications (0.3%) respectively.

The local component of the CPI increased by 8.6 percentage points year-on-year, whilst the import component increased by 9.8 percentage points over the corresponding 2015/16 period.

Petroleum Prices

The domestic retail prices for petrol, kerosene and diesel in March quarter 2016/17 increased by 18.0%, 40.1% and 37.2% respectively compared to the March quarter of the previous year.

The international prices for petrol in the reviewing quarter recorded an increase of 41.8% in petrol, 71.9% in kerosene and 80.2% in diesel from the corresponding period of the previous year (2015/16).

TABLE 1: KEY ECONOMIC INDICATORS

	Apr 2015 – Mar 2016	Apr 2016 - Mar 2017	3QFY15/16	3QFY16/17	% Change 3QFY16/17 over 3QFY15/16	% Change Apr 2016 – Mar 2017 over Apr 2015 – Mar 2016
Nominal GDP (SAT\$/million)	2,018.16	2,130.94	509.82	533.11	4.6	5.6
Real GDP (SAT\$/million 2009 prices)	1,806.65	1,864.51	453.18	462.56	2.1	3.2
GDP per capita (SAT\$ 2009 prices)	10,502.5	11,091.1	-	-	-	5.6
Employment (<i>thousands – end period</i>)	24,377	24,398	24,377	24,398	0.1	0.1
Exports (SAT\$/million)	91.93	92.44	19.12	18.84	-1.46	0.55
Imports (SAT\$/million)	780.24	605.44	196.03	189.25	-3.5	-22.4
Trade Deficit (SAT\$/million)	688.31	513.01	176.90	170.41	-3.7	-25.5
Remittances (SAT\$/million)	398.7	400.76	86.11	89.8	4.3	0.5
Inflation (% <i>annual average – end period</i>)	-0.1	1.4	-0.1	1.4	120.0	120.0
Gross Official Foreign Reserves (SAT\$/million - <i>end period</i>)	307.69	280.65	307.69	280.65	-8.79	-8.79
Balance of Payment	(SAT\$/million)	(SAT\$/million)	(SAT\$/million)	(SAT\$/million)		
Current Account	-124.2	-69.2	-59.6	-37.5	37.08	79.48
Capital Account	129.8	80.6	37.5	38.8	3.47	-37.90
Overall Balance	73.1	-32.6	-1.9	2.5	31.6	-55.40
Exchange Rates	(Annual average rates)		(Quarter average rates)			
USD	0.3852	0.3933	0.3812	0.3929	3.07	2.10
NZD	0.5686	0.5545	0.5741	0.5601	-2.4	-2.5
AUD	0.5235	0.5221	0.5286	0.5151	-2.6	-0.3
EURO	0.3490	0.3587	0.3455	0.3677	6.4	2.8
FJD	0.8140	0.8136	0.8086	0.8143	0.7	-0.05
YEN	46.2467	42.5905	43.9535	44.3557	0.9	-7.9
Government Finance Statistics	(SAT\$/million)	(SAT\$/million)	(SAT\$/million)	(SAT\$/million)		
Total Revenue	559.62	624.29	163.23	160.00	-1.98	11.56
Total Expenditure	531.59	477.36	125.14	125.70	0.45	-10.2
Net Operating Balance	92.70	112.16	38.09	34.30	-10.0	21.0
Net Lending / borrowing	22.51	8.50	31.16	19.10	-38.7	-62.2
External Debt (<i>end of period</i>)	1075.5	1012.8	1075.5	1012.8	-5.8	-5.8
Debt Servicing	52.49	59.40	17.91	19.78	10.44	13.16
Petroleum						
Retail Prices (sene/ltr)						
Petrol	2.17	2.56	2.17	2.56	17.9	17.9
Kerosene	1.52	2.13	1.52	2.13	40.1	40.1
Diesel	1.80	2.47	1.80	2.47	37.2	37.2
FOB Prices (USD/bbl)						
Petrol	47.10	66.78	47.10	66.78	41.78	41.78
Kerosene	37.91	65.15	37.91	65.15	71.85	71.85
Diesel	36.15	65.15	36.15	65.15	80.22	80.22

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

