



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

Issue No 73

Fourth Quarter (Apr – Jun 2015/16)

Twelve months review (Jul 2015 – Jun 2016)

### **Gross Domestic Product**

In the reviewing period (June Quarter 2015/16), the economy recorded a positive growth of 5.2% to stand at \$439.96 million comparable to the same period of the previous year (2014/15). The Commerce sector was the main driver of this growth with a contribution of 3.8 percentage points. Transport and Food and Beverages manufacturing also contributed positively recording increases of 1.4 and 0.8 percentage points respectively.

On a twelve months basis, the overall economy showed a positive growth of 6.4% to June 2016 compared to the same period to June 2015. Commerce was the main contributor to the increase in aggregate output over this period with a growth of 2.1 percentage points. Other industries such as Construction, Fishing, Transport, Accommodation & restaurants and Communication also recorded positive growths of 1.2, 1.1, 1.0, 0.6 and 0.4 percentage points respectively for the same period.

### **Employment**

Formal paid employment increased by 1.6% from end of June 2014/15 to stand at 24,382 at end of June 2015/16. This was led by an increase of 16.4% in Primary sectors formal employment numbers, followed by an increase in the Secondary sector, Public Administration and Tertiary sector by 5.1%, 2.2% and 0.3% respectively.

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

On the external front, import payments and export receipts both recorded increases of 12.6% and 25.6% respectively. The merchandise trade deficit also recorded an increase of 11.1% over the same quarter of the previous year to stand at \$180.8 million in the reporting quarter.

The current account balance recorded a deficit of \$24.9 million, decreased by 10.8% compare to June quarter 2014/15. This was driven by a fall in the balance on goods, services and primary income by

10.1% as well as the balance in secondary income by 9.9%. Capital account and financial account also recorded declines of 96.1% and 172.9% over the June quarter 2014/15, which leads to a decline in the overall balance for June quarter 2015/16 to 151.6% to stand at a deficit of \$39.9 million, decreased by \$117.06 million compare to June quarter 2014/15.

On an annual basis, imports increased by 2.6% over the previous year (2014/15). Exports also recorded an increase of 42.7% which led to a downward trend of the merchandise trade deficit by \$8.46 million from the previous year (2014/15) to the reviewing period (2015/16). Moreover, the increase in the balance on goods, services and primary led to an increase in the current account deficit by \$70.9 million. The capital account balance declined by \$23.9 million as well as the financial account recording a decline of 108.1%. The overall balance of payments recorded a deficit of \$48.6 million, a turn around from a surplus of \$61.7 million in 2014/15.

### **Tourism & Remittances**

Tourism arrivals reported a growth of 11.2% for June quarter 2015/16 whilst tourism earnings recorded an 18.3% increase compared to the same quarter of the previous year (2014/15). In the twelve months to June 2016, both tourist arrivals and tourism earnings reported increases of 9.4% and 14.2% over the twelve months to June 2015 respectively. This result was driven by an increase of 121.4% in tourist arrivals for sports followed by an increase of 17.5% and 9.1% of tourist arriving in Samoa for holidays and visiting family and friends respectively.

Remittances however recorded a decline of 7.2% amounting to \$97.70 million for June quarter compare to the same quarter 2014/15. In the twelve months to June 2016, remittances declined by 6.6% to stand at \$390.90 million due to a declined in remittances for churches & non government schools by 61.4% followed by a fall in remittances for others (3.8%) as well as remittances for Samoan individuals (0.3%).

### **Monetary Supply**

In the banking sector, money supply recorded an increase of 7.1% compared to end of June 2014/15 to stand at \$895.29 million at end of June 2015/16. The result was largely driven by Narrow Money (M1) with an increase of 10.7% followed by Quasi Money (M2) with an increase of 4.4%. Domestic credit registered an expansion of 10.7%, driven by an increase in Net credit to Non-financial Public Sector (20.8%), Credit to Private Sector (12.9%) and Net credit to non-monetary financial institutions (0.9%).

### **Exchange Rates**

Movement in Samoan Tala showed a weakening of the Tala against the USD, EURO, FJD and YEN, and a strengthening against the NZD and AUD over the comparable quarter of 2014/15. On an annual basis, the Samoan Tala recorded depreciation against the USD, FJD and YEN and an appreciation against the remaining currencies in the basket.

### **Foreign Reserves**

Gross official foreign reserves stood at \$283.04 million at end of June 2015/16, a decline of 15.7% from end of June 2014/15. This was sufficient to cover 4.2 months of imports of goods, compared to 5.2 months at end of June 2014/15.

### **Fiscal Performance**

The Net Operating Balance (Revenue less Operating expense) stood at \$23.46 million for the reviewing period, which is \$1.04 million less than the total recorded for June quarter 2014/15. The Overall Balance (Net Lending/Borrowing) showed a surplus of \$26.80 million in the reporting quarter, \$14.87 million more compared to the Overall Deficit of \$11.93 million at June quarter 2014/15.

The fiscal outturn for 2015/16 financial year resulted in an Overall deficit of \$7.64 million which is equivalent to 0.4% of GDP. The Net Operating balance (Revenue less Operating Expenses) during the reporting year (2015/16) showed a surplus of \$91.66 million, \$86.67 million more than the balance of the previous financial year (2014/15).

### **External Debt**

Government's external debt amounted to \$1,041.84 million in the year ended June 2015/16, equivalent to 50.7% of GDP, decreased by \$36.40 million compared to year ended June 2014/15.

Total debt servicing recorded an increase of 16.2% compared to June quarter 2014/15 to stand at \$9.11 million in the reviewing quarter, and equivalent to 5.6% of the merchandise exports and services. In the year to June 2015/16, debt servicing reported an increase of 13.7% to stand at \$53.76 million which is equivalent to 8.1% of total merchandise exports and services.

### **Consumer Prices**

The Consumer Price Index for June 2016 stood at 2.2% compared to June 2015. This was caused by an increase in the prices for food and non alcoholic beverages by 8.7% followed by an increase of 3.7% in miscellaneous goods and services and 2.1% in alcoholic beverages and tobacco respectively.

The annual average price inflation at end of June 2015/16 was -7.6%. This represents a decline of 8.8 percentage points in the rate of price inflation when compared to the annual average inflation rate of 1.2% at end of June 2014/15. The decline is attributed to a decline in the prices of all of the items in the basket except for miscellaneous goods and services and recreation and culture who recorded increases in their prices.

### **Petroleum Prices**

The international prices (USD per barrel) for the major petroleum products (petrol, kerosene and diesel) declined by 29.5%, 31.3% and 33.6% at end of June 2015/16 in comparison to the prices at end of June 2014/15 respectively. As a consequence, domestic prices for these petroleum products declined by 11.7% (petrol), 18.3% (kerosene) and 14.9% (diesel) respectively for that period.

**TABLE 1: KEY ECONOMIC INDICATORS**

	Jul 2014 – Jun 2015	Jul 2015 – Jun 2016	4Q14/15	4Q15/16	% Change 4Q15/16 over 4Q14/15	% Change Jul 2015 – Jun 2016 over Jul 2014 – Jun 2015
Nominal GDP (SAT\$/million)	1,938.94	2,055.20	471.77	508.81	7.9	6.0
Real GDP (SAT\$/million 2009 prices)	1,718.58	1,828.22	418.39	439.36	5.2	6.4
GDP per capita (SAT\$ 2009 prices)	10,021	10,545	-	-	-	5.2
Employment (thousands – end period)	24,000	24,382	24,000	24,382	1.6	1.6
Exports (SAT\$/million)	67.65	96.53	17.73	22.24	25.6	42.7
Imports (SAT\$/million)	782.47	802.92	180.40	203.08	12.6	2.6
Trade Deficit (SAT\$/million)	714.82	706.39	162.67	180.80	11.1	-1.2
Tourism Revenue (SAT\$/million)	341.06	389.42	85.90	101.6	18.3	14.2
Visitor Arrivals	132,900	145,338	31,753	35,299	11.2	9.4
Remittances (SAT\$/million)	418.60	390.90	105.20	97.70	-7.2	-6.6
Inflation (% annual average – end period)	1.2	-7.6	1.2	-7.6	-733.3	-733.3
Gross Official Foreign Reserves (SAT\$/million - end period)	335.77	283.04	335.77	283.04	-15.7	-15.7
<b>Balance of Payment</b>	<b>(SAT\$/million)</b>	<b>(SAT\$/million)</b>	<b>(SAT\$/million)</b>	<b>(SAT\$/million)</b>		
Current Account	-56.8	-127.8	-27.9	-24.9	-10.8	124.8
Capital Account	95.0	71.1	61.1	2.4	-96.1	-25.1
Overall Balance	61.7	-48.6	77.2	-39.9	-151.6	-178.7
<b>Exchange Rates</b>	<b>(Annual average rates)</b>		<b>(Quarter average rates)</b>			
USD	0.4130	0.3827	0.3993	0.3891	-2.6	-7.3
NZD	0.5320	0.5730	0.5453	0.5631	3.3	7.7
AUD	0.4949	0.5256	0.5128	0.5214	1.7	6.2
EURO	0.3447	0.3448	0.3610	0.3444	-4.6	0.0
FJD	0.8148	0.8110	0.8216	0.8095	-1.5	-0.5
YEN	47.2668	44.6477	48.412	42.0158	-13.2	-5.5
<b>Government Finance Statistics</b>	<b>(SAT\$/million)</b>	<b>(SAT\$/million)</b>	<b>(SAT\$/million)</b>	<b>(SAT\$/million)</b>		
Total Revenue	534.40	595.59	166.02	137.32	-17.3	11.4
Total Expenditure	529.41	503.93	141.52	113.86	-19.5	-4.8
Net Operating Balance	4.99	91.66	24.50	23.46	-4.2	1735.8
Net Lending / borrowing	-75.63	-7.64	11.93	26.80	124.6	-89.9
External Debt (end of period)	1,078.24	1,041.84	1,078.24	1,041.84	-3.4	-3.4
Debt Servicing	47.30	53.76	7.84	9.11	16.2	13.7
<b>Petroleum</b>						
<b>Retail Prices (sene/ltr)</b>						
Petrol	2.48	2.19	2.48	2.19	-11.7	-11.7
Kerosene	2.19	1.79	2.19	1.79	-18.3	-18.3
Diesel	2.42	2.06	2.42	2.06	-14.9	-14.9
<b>FOB Prices (USD/bbl)</b>						
Petrol	73.07	51.5	73.07	51.5	-29.5	-29.5
Kerosene	72.08	49.53	72.08	49.53	-31.3	-31.3
Diesel	72.37	48.08	72.37	48.08	-33.6	-33.6

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

Note: now using 2009 prices for calculating the Gross Domestic Product at constant prices.