



GOVERNMENT OF SAMOA
MINISTRY OF FINANCE
QUARTERLY ECONOMIC OVERVIEW

Issue No 77

Fourth Quarter (Apr-Jun 2016/17)

Twelve months review (Jul 2016 –Jun 2017)

Gross Domestic Product

The real GDP for June quarter 2016/17 amounted to \$445.7 million, recording a decrease of 0.5% compared to the corresponding quarter of the previous FY(2015/16). The reasons behind this decrease were due to the fall in the Fishing, Communication, Transport and Other manufacturing industries by -25.6%, -18.1%, -17.7% and -17.4% respectively. The Agriculture sector on the other hand reported a 32.1% increase when compared to the same quarter of the previous financial year showing ongoing commitment by government, business community and individuals to revive agriculture production and increase exports. Commerce as well as Electricity & Water also contributed positive increases of 6.1% and 10.5% to the economic growth. Accommodation and Restaurant's value added also went up by 3.8% driven by a number of forums and regional conferences that were held locally, thus boosting value added in this particular industry. Other sectors which recorded positive growth include Food & Beverages manufacturing (0.4%), Public administration (0.4%) and Ownership of dwellings (0.6%).

In the Fiscal Year basis of 2016/17 (Jul 2016 – Jun 2017), GDP at constant prices recorded an increase of 2.4% from the Fiscal Year 2015/16 (Jul 2015 – Jun 2016). Agriculture was the largest contributor to this increase over this period (up by 17.6%). For the last three consecutive quarters agriculture has recorded positive growths leading to the sector becoming one of the largest contributors to economic growth in the 12 months to June 2017. Commerce (6.8%), Personal & other services (11.0%) and Other manufacturing (7%) also contributed positively to the growth for the reviewing period.

Employment

Employment figures at the end of June 2016/17 stood at 24,137 depicting a decrease of 1.0% (245

employees) when compared to June quarter 2015/16. This was primarily the result of a decrease in the number of people employed in both the Primary and Secondary sectors.

In contrast, Tertiary and Public Administration recorded increases in their number of employments by 2.0% and 0.3% respectively. Primary and the Secondary industries on the other hand, recorded a negative growth of -17.7% and -13.7% compared to the corresponding quarter.

Trade & Balance of Payments

On the external front, the merchandise trade deficit experienced an improvement of 8.9% to stand at a deficit of \$164.7 million in the reporting quarter compared to the same quarter of the previous year. This was mainly fuelled by an increase in exports by 17.5% primarily due to an increase in the exportation of beer, coconut, fresh fish and domestic exports. Imports on the other hand, declined by 6.0% due to a decrease in Other Imports which include all imports that are classified as non-petroleum and non-government.

The current account balance increased by 271.4% when compared to the fourth quarter of FY2015/16 to stand at \$30.3 million for the reviewing quarter. This was mainly due to a 50.8% increase in the Balance on Goods and Services. Similarly, the capital account balance recorded a positive \$15.5 million which was a 552.4% increase when compared to the same quarter of the previous fiscal year. The financial account also stood at a positive \$17.3 million for the fourth quarter of FY2016/17, jumping 20.3% upwards from the figures recorded for the fourth quarter of the previous fiscal year. This upward trend was caused by an increase in Other Investments (investments not classified under Direct, Portfolio or Financial

Derivatives). The overall balance for the June quarter 2016/17 stood at \$24.6 million surplus, increasing from the \$39.5 million deficit recorded in the same period of the previous fiscal year.

On an annual basis, exports and imports decreased by 0.2% and 2.6% respectively and thus also decreasing the merchandise trade deficit by 2.9% for the reviewing period. The overall current account balance also dropped by 75.2% (from \$114.7 million to \$28.5 million) which was mainly due to a 16.3% fall in the Balance on Goods, Services and Primary Production, as well as a 3.2% increase in the Balance on Secondary Income. In contrast, the financial account reported a 34.7% increase when compared to the same quarter of the previous fiscal year. Moreover, the financial account for the reviewing quarter recorded an \$11.7 million surplus which is equivalent to a 43.1% decrease when compared to the fourth quarter of FY2015/16. This led to the overall balance of payments increasing by \$67.11 million from June quarter of the previous fiscal year to stand at a surplus of \$23.5 million for the June quarter of FY2016/17.

Remittances

Remittances in the reporting quarter 2016/17 recorded an increase of 3.0% compared to the same period of the previous financial year (2015/16). In the twelve months to June 2017, remittances increased by 3.1% compared to the twelve months to June 2016. This growth was the result of an increase in both the Funds for Samoan Individuals and Others.

Money Supply

Money supply for the reviewing quarter stood at \$965.22 million, an increase of 7.8% over the June quarter of FY2015/16. The reasons behind this increase include: a 2.9% increase in Narrow-money (M1) and an 11.7% increase in Quasi-money (M2). Domestic credit fell by 1.0% from the June quarter of the previous fiscal year. This was caused by a 62.49% decrease in Net Credit to Non-financial Public Sector, a 4.9% increase in Credit to Private Sector and lastly, a 2.1% increase in Net Credit to Non-monetary Financial Institutions.

Exchange Rates

The different movements in exchange rate for June quarter 2016/17 showed the Samoan tala appreciating against the USD, EUR, FJ and YEN currencies and depreciating against the NZD and AUD currencies. In the twelve months to June 2017, the tala recorded an appreciation against the USD, EUR, and FJ and a depreciation against the NZD, AUD and YEN currencies.

Foreign Reserves

The end of June quarter for FY2016/17 saw gross foreign reserves standing at \$313.22 million. This figure is a \$29.35 million increase when compared to the same quarter of the previous financial year. Furthermore, this is also equivalent to 4.8 months of import goods, an improvement from 4.2 months recorded in the same quarter of the previous financial year.

Fiscal Performance

The Net Operating Balance (Revenue less Operating expense) for June quarter 2016/17 revealed a surplus of \$36.20 million, a \$12.7 million increase from June quarter of FY2015/16. However, a deficit of \$25.8 million was recorded for Net Lending in the reviewing quarter. This is a decrease of \$52.6 million when compared to the figures in the fourth quarter of FY2015/16.

In the fiscal year basis, Net operating balance stood at \$126.9 million surplus which is equivalent to 6% of GDP. Conversely, the Net lending/ borrowing showed a deficit of \$44.1 million after deducting expenditure on fixed assets.

External Debt

Total Official Government Debt outstanding stood at \$1,017.98 million as of June quarter 2016/17 which is a \$23.86 million decrease from the figures recorded in the same quarter of the previous financial year. Correspondingly, this is equivalent to 47.7% of GDP. Multilateral loans amount of \$534.49 million accounted for 52.5% of disbursed outstanding debt (DOD) while bilateral loans amount of \$483.49 million accounted for 47.5%.

Total debt servicing for June quarter 2016/17 amounted to \$12.79 million which is a \$3.68 million

increase from the comparable quarter of the previous fiscal year (2015/16). In the twelve months to June 2017, total debt servicing registered an increase of \$9.32 million to stand at \$63.08 million. This is equivalent to 9.1% of commodity and services exports.

Consumer Prices

The annual average rate of inflation at end June 2016/17 stood at 1.3%, an increase of 1.2 percentage points when compared to the rate recorded at the end of June 2015/16. This outcome was strongly influenced by an increase in alcoholic beverages and tobacco (7.4%), followed by a rise in prices for transport (7.3%), and communication (0.2%).

The local component of the CPI declined by 5.8 percentage points on an annual basis, whilst the import component increased by 8.6 percentage points over the corresponding 2015/16 period.

Petroleum Prices

At end of June 2016/17, domestic retail prices for petrol, kerosene and diesel increased by 13.2%, 15.6% and 17.5% respectively from the corresponding period of the previous year (2015/16).

International prices for the reviewing period recorded an increase of 25.8% in petrol, 29.0% in kerosene and 34.6% in diesel from the corresponding period of the previous year (2015/16).

TABLE 1: KEY ECONOMIC INDICATORS

	Jul 2015 – Jun 2016	Jul 2016 - Jun 2017	4QFY15/16	4QFY16/17	% Change 4QFY16/17 over 4QFY15/16	% Change Jul 2016 – Jun 2017 over Jul 2015 – Jun 2016
Nominal GDP (SAT\$/million)	2,055.30	2,132.28	508.22	509.41	0.2	3.7
Real GDP (SAT\$/million 2009 prices)	1,841.82	1,886.37	447.94	445.69	-0.5	2.4
GDP per capita (SAT\$ 2009 prices)	9,806.3	10,467.01	-	-	-	1.1
Employment (<i>thousands – end period</i>)	24,382	24,137	24,382	24,137	-1.0	-1.0
Exports (SAT\$/million)	96.44	96.34	22.24	26.14	17.5	-0.1
Imports (SAT\$/million)	802.93	782.46	203.09	190.85	-6.0	-2.5
Trade Deficit (SAT\$/million)	-706.49	-686.12	-180.85	-164.71	8.9	2.88
Remittances (SAT\$/million)	391.4	403.70	98.16	101.1	3.0	3.1
Inflation (% annual average – end period)	2.3	1.0	2.3	1.0	-56.5	-56.5
Gross Official Foreign Reserves (SAT\$/million - end period)	283.87	313.22	283.87	313.22	10.34	10.34
Balance of Payment	(SAT\$/million)	(SAT\$/million)	(SAT\$/million)	(SAT\$/million)		
Current Account	-114.7	-28.5	-18.5	30.2	63.24	-75.15
Capital Account	71.1	93.7	2.4	15.5	545.83	31.79
Overall Balance	-43.6	23.5	-39.5	24.6	-37.72	-46.10
Exchange Rates	(Annual average rates)		(Quarter average rates)			
USD	0.3827	0.3940	0.3891	0.3988	2.49	2.95
NZD	0.5730	0.5616	0.5631	0.5468	-2.89	-1.20
AUD	0.5256	0.5202	0.5214	0.5190	-0.5	-1.0
EURO	0.3448	0.3466	0.3444	0.3487	1.2	0.5
FJD	0.8110	0.8131	0.8095	0.8167	0.9	0.3
YEN	44.6477	43.3510	42.0158	44.6861	6.4	-2.9
Government Finance Statistics	(SAT\$/million)	(SAT\$/million)	(SAT\$/million)	(SAT\$/million)		
Total Revenue	595.59	614.70	137.32	162.60	18.41	3.21
Total Expenditure	503.93	489.80	113.86	126.40	11.01	-2.80
Net Operating Balance	91.66	124.90	23.46	36.20	54.30	36.26
Net Lending / borrowing	7.64	44.10	26.80	-25.80	-3.7	477.23
External Debt (<i>end of period</i>)	1041.84	1017.98	1041.84	1017.98	-2.3	-2.3
Debt Servicing	53.76	63.08	9.11	12.79	40.40	17.34
Petroleum						
Retail Prices (sene/ltr)						
Petrol	2.19	2.48	2.19	2.48	13.24	13.24
Kerosene	1.79	2.07	1.79	2.07	15.64	15.64
Diesel	2.06	2.42	2.06	2.42	17.48	17.48
FOB Prices (USD/bbl)						
Petrol	51.5	64.81	51.5	64.81	25.84	25.84
Kerosene	49.53	63.88	49.53	63.88	28.97	28.97
Diesel	48.08	64.69	48.08	64.69	34.55	34.55

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

