



MINISTRY OF FINANCE QUARTERLY ECONOMIC OVERVIEW

Issue No 64

Third Quarter (Jan - Mar 2013-14)

Twelve months review (Apr 2013 ó Mar 2014)

Gross Domestic Product

Samoa's economy showed a slight increase of 0.6% in growth for March quarter compared to the corresponding quarter of the previous year. Agriculture was the leading contributor to the positive growth for the reporting quarter; this was mainly due to the recovery in the agriculture sector from the devastating cyclone that occurred in December 2012 which badly affected our agriculture output. Accommodation and Restaurants also recorded a positive contribution to economic growth and this result was consistent with an increase in tourist arrivals and tourism earnings for the reporting period compared to March quarter 2012/13.

In the twelve months to March 2014 (Apr 2013 ó Mar 2014), GDP at constant prices recorded an increase of 1.8% from the twelve months to March 2013 (Apr 2012 ó Mar 2013). Agriculture was also the largest contributor to the increase in aggregate output over this period (up by 18.1%). For the last four consecutive quarters agriculture has been the main contributor to its positive economic growth. This indicates that agriculture sector has been performing well compared to previous years.

Employment

The numbers in formal paid employment reached 22,965 at end of March 2013/14, increased by 10.0% over the comparable 2012/13 quarter. This rise was mainly driven by an increase in Tertiary, Secondary and Primary Sectors by 16.7%, 7.6% and 4.6% respectively.

Trade & Balance of Payments

On the trade front, the merchandise trade deficit amounted to \$168.18 million in the reporting quarter, increase by 13.3% compare to the same quarter of the previous year. This widening gap was driven by higher import payments compared to weak domestic exports.

The current account balance recorded a deficit of \$73.5 million in the reporting quarter. This was a result of an increase of 13.3% in the merchandise trade deficit and a decline of 31.5% in the balance of trade in services during this period. Capital account increased by 257.8% while financial account recorded a decline of 44.9% over the March quarter of 2012/13.

In aggregate, the overall balance recorded a deficit of \$21.40 million in the reporting period (March quarter) of 2013/14 compared to a deficit of \$31.30 million in March quarter of the previous year (2012/13).

On an annual basis, exports reported a downward trend of 14.6% whilst import recorded an upward trend of 12.0% over the previous year (2012/13), which led to an increase in merchandise trade deficit by 14.9%. Moreover, the current account deficit increased by 346.4% due to an increase in balance of goods, services and income. Capital account reported a decline of 18.4% whilst the overall balance of payments account turned around from a deficit of \$8.04 million in 2012/13 to a surplus of \$18.14 million in the reporting year (2013/14).

Tourism & Remittances

Tourism earnings and tourist arrivals both recorded increases of 4.4% and 5.7% from the corresponding quarter of 2012/13 respectively. However, in the twelve months to March 2014 aggregate tourism earnings and tourist arrivals reported declines of 4.9% and 0.6% compare to the twelve months to March 2013 respectively. This was mainly driven by a decrease in the number of tourist arrivals from New Zealand, American Samoa and USA.

Remittances in the reporting quarter (3Q13/14) amounted to \$79.82 million, a decline of \$2.78 million from the same quarter of 2012/13. In the twelve months to March 2014, remittances decreased by \$19.14 million to stand at \$394.81 million.

Monetary Supply

Money supply stood at \$750.30 million in March quarter 2013/14, increased by 7.3% over the comparable quarter of the previous year. Narrow money (M1) was the main driver with an increase of 12.8% followed by an increase of 4.7% in Quasi Money (M2). Domestic credit recorded an upward trend of 4.1% over the comparable quarter (3Q12/13) of the previous fiscal year to stand at \$666.77 million at end of March quarter in 2013/14. This outcome was mainly caused by an increase of 88.3%, 7.6% and 0.8% in claims on non-monetary financial institution, Government deposits and private sector deposit respectively. Claim on non-financial public enterprise

was the only component in domestic credit that registered a decline of 12.1%.

Exchange Rates

The Samoan tala depreciated against the USD, NZD and EURO and appreciated against the AUD, FJD and YEN over the comparable quarter of 2012/13. On an annual basis, it showed an appreciation against YEN, AUD and FJD and depreciation against USD, NZD and EURO.

Foreign Reserves

Gross official foreign reserves recorded an increase of \$15.16 million from end of March 2012/13 to stand at \$297.21 million at end of March 2013/14.

This was sufficient to cover 4.6 months of imports, compared to 4.9 months at end of March 2012/13.

Fiscal Performance

The Net Operating Balance (Revenue less Operating expense) for March quarter of 2013/14 showed a deficit of \$6.05 million. This was \$3.57 million less than the Net Operating Balance for the same period 2012/13. The Net Borrowing (or Overall Deficit) stood at \$7.02 million in the reporting quarter, \$12.89 million less than the Overall Deficit in the third quarter of FY 2012/13.

External Debt

The total disbursed outstanding debt recorded an increase of 8% from end of March 2012/13 to stand at \$954.64 million at end of March 2013/14. External Debt was equivalent to 51.6% of GDP.

Total debt servicing at end of the reviewing quarter stood at \$13.75 million, increased by 44.6% over the March quarter 2012/13 and equivalent to 14.0% of merchandise and services exports. On a twelve months basis to March 2014, total debt servicing registered an increase of 15.4% compared to the level in the twelve months to March 2013 to stand at \$37.98 million. This amount was equivalent to 7.2% of merchandise exports and services.

Consumer Prices

The annual average inflation rate of -1.0 was recorded at end of March 2013/14, a decline of 2.2 percentage

points compared to the rate at the end of March 2012/13. Decreases in the prices of food and alcoholic beverages, Clothing and footwear, Housing, water, electricity, gas and other fuel category contributed to the recorded rate.

Petroleum Prices

The international prices (USD per barrel) for petrol, kerosene and diesel registered a decrease by 10.4%, 7.5% and 6.5% respectively at end of March 2013/14 compared to prices at end of March 2012/13.

The domestic prices at end of March 2013/14 on the other hand recorded an increase for petrol, kerosene and diesel of 0.3%, 0.7% and 1.3% compared to the rates at end of March 2012/13.

TABLE 1: KEY ECONOMIC INDICATORS

	Apr 2012 ó Mar 2013	Apr 2013 ó Mar 2014	3Q12/13	3Q13/14	% Change 3Q13/14 over 3Q12/13	% Change Apr 2013 ó Mar 2014 over Apr 2012 ó Mar 2013
Nominal GDP <i>(SAT\$/million)</i>	1828.82	1850.54	449.57	445.27	-1.0	1.2
Real GDP <i>(SAT\$/million 2009 prices)</i>	1687.60	1717.67	407.63	410.15	0.6	1.8
GDP per capita <i>(SAT\$ 2009 prices)</i>	9737	9853	-	-	0.0	1.2
Employment <i>(thousands – end period)</i>	20,877	22,965	20,877	22,965	10.0	10.0
Exports <i>(SAT\$/million)</i>	66.75	57.00	10.38	11.99	15.5	-14.6
Imports <i>(SAT\$/million)</i>	690.98	774.13	158.76	180.17	13.5	12.0
Trade Deficit <i>(SAT\$/million)</i>	624.23	717.13	148.38	168.18	13.3	14.9
Tourism Revenue <i>(SAT\$/million)</i>	334.40	318.04	63.33	66.11	4.4	-4.9
Visitor Arrivals	132,400	131,593	23,866	25,214	5.7	-0.6
Remittances <i>(SAT\$/million)</i>	413.95	394.81	100.52	79.82	-20.6	-4.6
Inflation <i>(% annual average – end period)</i>	1.2	-1.0	1.2	-1.0	-183.3	-183.3
Gross Official Foreign Reserves <i>(SAT\$/million - end period)</i>	282.05	297.21	282.05	297.21	5.4	5.4
Balance of Payment	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>		
Current Account	-32.55	-145.30	-18.03	-73.5	307.7	346.4
Capital Account	125.51	102.44	8.58	30.7	257.8	-18.4
Overall Balance	-8.04	18.14	-31.30	-21.40	-31.6	-325.6
Exchange Rates	<i>(Annual average rates)</i>		<i>(Quarter average rates)</i>			
USD	0.4371	0.4297	0.4412	0.4297	-2.6	-1.7
NZD	0.5363	0.5248	0.5285	0.5141	-2.7	-2.1
AUD	0.4229	0.4614	0.4249	0.4793	12.8	9.1
EURO	0.3387	0.3207	0.3341	0.3137	-6.1	-5.3
FJD	0.7817	0.7971	0.7828	0.8060	3.0	2.0
YEN	36.2967	42.9235	40.7121	44.1424	8.4	18.3
Government Finance Statistics	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>		
Total Revenue	465.42	490.68	107.84	117.40	8.9	5.4
Total Expenditure	473.26	517.49	117.46	123.45	5.1	9.3
Net Operating Balance	-7.84	-26.81	-9.61	-6.05	-37.1	242.0
Net Lending / borrowing	-100.24	-84.13	-19.91	-7.02	-64.8	-16.1
External Debt <i>(end of period)</i>	884.12	954.64	884.12	954.64	8.0	8.0
Debt Servicing	32.91	37.98	9.51	13.75	44.6	15.4
Petroleum						
Retail Prices (sene/tr)						
Petrol	3.09	3.10	3.09	3.10	0.3	0.3
Kerosene	2.92	2.94	2.92	2.94	0.7	0.7
Diesel	3.13	3.17	3.13	3.17	1.3	1.3
FOB Prices (USD/bbl)						
Petrol	127.91	114.66	127.91	114.66	-10.4	-10.4
Kerosene	131.44	121.63	131.44	121.63	-7.5	-7.5
Diesel	130.06	121.56	130.03	121.56	-6.5	-6.5

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.