



GOVERNMENT OF SAMOA
MINISTRY OF FINANCE
QUARTERLY ECONOMIC OVERVIEW

Issue No 66

First Quarter (Jul-Sep 2014/15)

Twelve months review (Oct 2013 – Sep 2014)

Gross Domestic Product

The real GDP for September quarter 2014/15 amounted to \$457.55 million, recording a healthy growth of 3.5% compare to the same period of the previous fiscal year. Accommodation and restaurants which was the driving force to this result reported a 46.9% growth. This boost mainly relates to the UN Small Islands Developing (UN SIDS) Conference that was held within the period which reported a large number of participants from around the world travelling in to attend the conference. Transport also contributed positively to the 3.5% growth which was an indication of the increase in demand of transport services during the UN SIDS Conference.

On a twelve months basis, the overall economy increased by 2.6% in the twelve months to September 2014 over the twelve months to September 2013. The principal driver for the positive growth was Transport (11.6%) as a result of a noticeably high demand for transport services during the UN SIDS Conference and also the Teuila festival. Fishing industry also reported a positive growth.

Employment

Total number of formal paid employment recorded a decrease of 0.1% from end of September 2013 to stand at 23,759 at end of September 2014. This was primarily caused by a decline of 1.7% in Secondary industries as a result of a fall in the numbers of employment for Electricity and Other manufacturing sectors. Public administration also decreased by 0.8% whilst Primary and Tertiary industry increased by 7.1% and 0.4% respectively.

Trade & Balance of Payments

The merchandise trade deficit expanded by 4.8% (to stand at \$201.9 million) in the first quarter of 2014/15 relative to the same quarter of 2013/14. This was a

result of an increase in imports payments despite exports receipt reporting an increase as well.

Current account balance recorded a deficit of \$55.4 million, increasing by 12.0% compare to September 2013/14. This was a result of an increase in Balance on trade in services (7.3%) and balance of trade in goods (4.9%) whilst Primary income and Secondary income decreased by 5.3% and 3.0% respectively. The capital account balance stood at \$24.1 million, declined by 12.4% over the September quarter of the previous year. The financial account recorded an upward trend of \$16.31 million to stand at \$32.20 million due to a large increase in portfolio investments. In aggregate, the overall balance recorded a deficit of \$34.60 million in the reporting period (September quarter) of 2014/15 compared to a surplus of 23.91 million in September quarter of the previous year (2013/14).

In the twelve months to September 2014, exports and imports recorded upward movements of 9.4% and 7.8% over the twelve months to September 2013 respectively. This resulted in an increase of 7.7% in the merchandise trade deficit throughout this period. Furthermore, the current account deficit increased by 185.7% due to the increase in the balance on Goods, services and primary income whilst Secondary income decreased by 9.9%. On the other hand, the positive capital account was 60.5% higher than the twelve months to September 2013. Financial accounts also recorded an increase of \$38.3 million resulting in an increase in the overall balance of payments by \$26.8 million to stand at \$28.6 million in the reviewing twelve months period to September 2014.

Tourism & Remittances

Tourist arrivals stood at 37,723 tourists for September quarter 2014/15, decline by 5.8% compare to September quarter 2013/14. This result was mainly

due to a 100% decrease in the number of tourists from cruise ships as there were no cruise ships coming into the ports on the reviewing period. Despite the decline in the numbers of tourist arrivals, tourism earnings recorded a 2.0% increase in the reporting period relative to the UN SIDS.

In the twelve months to September 2014, visitor arrivals reported a slight decrease of 0.1%. However, tourism earnings increased by 2.6% over the twelve months to September 2013 as a result of increase spending from tourists coming in for other activities and also for business and conferences mainly the UN SIDS Conference.

Remittances on the other hand recorded decrease of 9.6% over the comparable quarter of 2013/14. Also on a twelve months basis, remittances decreased by 10.6% over the twelve months to September 2013 to stand at \$381.07 million in the twelve months to September 2014. This was caused by a decline in remittances from USA, New Zealand, Australia, and Other countries whilst remittances from American Samoa increased.

Monetary Supply

Money supply recorded an increase of 10.4% compared to end of September 2013/14 to stand at \$770.66 million at end of September 2014/15. Narrow money (M1) and Quasi money (B) both contributed to this result with increases of 9.7% and 10.8% respectively. Domestic credit stood at \$725.03 million, registering an increase of 18.8% over the comparable period of the previous fiscal year (September 2013/14). This outcome was mainly caused by an increase of 58.1% in Claims on non monetary financial institutions and 6.5% in Private sector deposits whilst Government deposits and Claims on non financial public enterprises showed a decrease of 18.8% and 10.9% respectively.

Exchange Rates

The Samoan tala at September quarter 2014/15 appreciated against the USD, AUD, EURO, FJD and YEN and depreciated against the NZD over the same quarter of 2013/14. On an annual average, the tala recorded an appreciation against AUD, FJD and YEN and depreciated against NZD and FJD respectively.

Foreign Reserves

Gross official foreign reserves registered a decline of 10.9% from end of September 2013/14 to stand at \$273.08 million at end of September 2014/15. This was sufficient to cover 4.6 months of imports of goods compared to 5.1 months at end of September 2013/14.

Fiscal Performance

The Net Operating Balance (Revenue less Operating expense) for September quarter of 2014/15 showed a deficit of \$5.84 million as compare to a surplus of \$1.32 million in September 2013/14. This was a result of increase in Government commitments for the preparation of the UN SIDS Conference. The Net Borrowing (or Overall Deficit) recorded a deficit of \$11.18 million, compare to the deficit of \$19.31 million in the same period of the last fiscal year (2013/14).

External Debt

The total disbursed outstanding debt recorded an increase of \$55.59 million from end of September 2013/14 to stand at \$984.76 million at end of September 2014/15. This was equivalent to 52.2% of GDP. Multilateral and bilateral loans accounted for 55.4% (\$545.89 million) and 44.6% (\$438.87 million) of disbursed outstanding debt respectively.

Total debt servicing at end of September quarter 2014/15 stood at \$14.12 million, increased by 40.9% (\$4.10 million) over September quarter 2013/14 and equivalent to 10.2% of merchandise exports and services. In the twelve months to September 2014/15, total debt servicing registered an increase of 34.4% (\$11.4 million) from the last twelve months to September 2013/14 and equivalent to 8.4% of exports of goods and services.

Consumer Prices

The annual average inflation rate stood at negative 1.2% at end of September 2014/15, a decline of 0.5 percentage points was recorded when compared to the rate at the end of September 2013/14. This outcome was largely driven by a downward trend in Food and Non Alcohol beverages prices followed by declines in prices for Furnishings, Household equipment and routine household maintenance and miscellaneous goods and services.

Petroleum Prices

The international prices (USD per barrel) for petrol increased by 0.8% whilst kerosene and diesel registered a decrease of 2.0% and 3.4% respectively at end of September 2014/15 compare to prices at end of September 2013/14.

For the domestic retail prices, petrol, kerosene and diesel were valued at \$2.90, \$2.68 and \$2.89 sene per litre at end of September 2014/15. Petrol prices had decreased by 8.5%, kerosene prices by 8.2% and diesel prices by 9.4% compare to the same quarter of 2013/14.

TABLE 1: KEY ECONOMIC INDICATORS

	Oct 2012 – Sep 2013	Oct 2013 – Sep 2014	1Q13/14	1Q14/15	% Change 1Q14/15 over 1Q13/14	% Change Oct 2013 – Sep 2014 over Oct 2012 – Sep 2013
Nominal GDP (<i>SAT\$/million</i>)	1,841.57	1,886.37	478.95	502.42	4.9	2.4
Real GDP (<i>SAT\$/million 2002 prices</i>)	1,698.17	1,743.00	442.22	457.55	3.5	2.6
GDP per capita (<i>SAT\$ 2002 prices</i>)	9,659	9,821	-	-	-	1.7
Employment (<i>thousands – end period</i>)	23,790	23,759	23,790	23,759	-0.1	-0.1
Exports (<i>SAT\$/million</i>)	56.72	62.04	14.29	18.52	29.6	9.4
Imports (<i>SAT\$/million</i>)	733.3	790.76	206.9	220.40	6.5	7.8
Trade Deficit (<i>SAT\$/million</i>)	676.6	728.80	192.6	201.9	4.8	7.7
Tourism Revenue (<i>SAT\$/million</i>)	317.93	326.09	84.70	86.38	2.0	2.6
Visitor Arrivals	130,185	129,992	40,039	37,723	-5.8	-0.1
Remittances (<i>SAT\$/million</i>)	426.47	381.07	107.45	97.1	-9.6	-10.6
Inflation (<i>% annual average – end period</i>)	-0.7	-1.2	-0.7	-1.2	71.4	71.4
Gross Official Foreign Reserves (<i>SAT\$/million - end period</i>)	306.59	273.08	306.59	273.08	10.9	10.9
Balance of Payment	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)		
Current Account	-53.2	-152.0	-49.46	-55.4	12.0	185.7
Capital Account	91.9	147.5	27.5	24.1	-12.4	60.5
Overall Balance	-1.8	-28.6	23.9	-34.6	-244.8	1488.9
Exchange Rates	(<i>Annual average rates</i>)		(<i>Quarter average rates</i>)			
USD	0.4329	0.4328	0.4243	0.4264	0.5	0.0
NZD	0.5279	0.5141	0.5323	0.5227	-1.8	-2.6
AUD	0.4569	0.4703	0.4633	0.4704	1.5	2.9
EURO	0.3259	0.3190	0.3202	0.3301	3.1	-2.1
FJD	0.7917	0.8032	0.7975	0.8009	0.4	1.5
YEN	42.1851	44.2821	41.9695	45.7009	8.9	5.0
Government Finance Statistics	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)		
Total Revenue	496.13	548.57	129.61	121.73	-6.1	10.6
Total Expenditure	474.65	529.15	128.29	127.58	-0.6	11.5
Net Operating Balance	21.47	19.42	1.32	-5.84	-542.3	-9.5
Net Lending / borrowing	-65.01	-90.59	-19.31	-11.18	-42.1	39.4
External Debt (<i>end of period</i>)	929.17	984.76	929.17	984.76	6.0	6.0
Debt Servicing	33.47	44.37	10.02	14.12	40.9	32.6
Petroleum						
Retail Prices (<i>sene/ltr</i>)						
Petrol	3.17	2.90	3.17	2.90	-8.5	-8.5
Kerosene	2.92	2.68	2.92	2.68	-8.2	-8.2
Diesel	3.19	2.89	3.19	2.89	-9.4	-9.4
FOB Prices (<i>USD/bbl</i>)						
Petrol	118.79	119.78	118.79	119.78	0.8	0.8
Kerosene	121.18	118.79	121.18	118.79	-2.0	-2.0
Diesel	123.14	118.96	123.14	118.96	-3.4	-3.4

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