



GOVERNMENT OF SAMOA
MINISTRY OF FINANCE
QUARTERLY ECONOMIC OVERVIEW

Issue No 67

Second Quarter (Oct-Dec 2014/15)

Twelve months review (Jan 2014 – Dec 2014)

Gross Domestic Product

The level of economic activity in the Samoan economy continued to improve with an increase of 1.4% in real GDP in the December quarter of 2014/15 relative to the December quarter of the previous year (2013/14). This result was largely driven by an improvement in the Transport sector by 55.3% following an increase in the prices for transportation and a decrease in petrol prices which sees an increase of investment in Transport sector during that period. Electricity and water also contributed to the positive growth relative to an increase in electricity prices for the reviewing period compare to the prices in the comparable period (December quarter 2013/14).

The economy showed a positive growth of 1.6% in the twelve months period from January to December 2014. Fishing, transport, electricity and water, accommodations and restaurants together with personal and other services and commerce were the main contributors despite slight negative growth in other manufacturing and other few sectors.

Employment

The total number of formal paid employment stood at 23,457 at end of December 2014/15, decreasing by 0.2% compare to December quarter 2013/14. Employment in the secondary, tertiary industries and public administration decreased by 0.7%, 0.1% and 0.4% respectively whilst the number of employed people in the primary industry increased by 8.3% over this period.

Trade & Balance of Payments

The merchandise trade deficit increased by 2.3% over the same quarter of the previous year to stand at \$186.92 million in the December quarter of 2013/14. This increase was largely caused by a raise of \$6.28 million in imports. The current account balance turned around from a deficit of \$14.4 million in the comparable quarter of the previous year to a surplus

of \$3.70 million in the second quarter of 2014/15. This result was driven by the contraction in the balance on goods and services and an increase in secondary income during this period. The capital account decreased by \$28.50 million to stand at \$5.30 million in this period. The overall balance of payments account has recorded an increase of \$2.60 million amounting to a deficit of \$22.50 million in the reviewing period.

In the calendar year 2014, the increase of imports by 5.7% has led to the expansion of the merchandise trade deficit by 4.9% over the previous year (2013). Furthermore, the increase in the deficit of goods, services and income and a decline in the balance of secondary income resulted in an upward trend in the current account deficit by 35.9% to stand at \$116.90 million over the period. The capital account also reported an increase in this period which leads to an increase of \$26.90 million in the overall balance of payments recording a deficit of \$54.80 million in the reporting year (2014).

Tourism & Remittances

Tourist arrivals for the reviewing period amounted to 36,042 tourists, increased by 7.6% compare to the same period of 2013/14. This outcome coincides with an increase of 13.3% in tourism revenue to stand at \$95.29 million which was due to an increase in money being spent by tourists who are coming into the country on purposes such as holiday, business and conference, visiting family members and relatives and other purposes.

On an annual basis, tourism revenue increased by 7.2% to stand at \$337.12 million whereas Tourist arrivals increased by 5.2% to stand at 130,707 tourists. This increase is mainly from tourists coming in from USA, Australia, New Zealand, Europe and Other countries whilst tourists from American Samoa declined. Remittances valued at \$118.31 million in

the December quarter of 2014/15, increased by 9.5% from the same 2013/14 period. In the twelve months basis, remittances decreased by \$34.06million to stand at \$388.83 million. Declining numbers of Money transfer companies in New Zealand, Australia and USA, is believe to be the main factor.

Monetary Supply

Money supply stood at \$818.93 million at end December 2014/15, an increase of 9.6% over the end of December 2013/14. Narrow money (M1) and Quasi money (M2) both contributed to this result with increases of 13.0% and 8.0% respectively. Domestic credit increased by 27.7% over the end of December 2013/14 and was mainly driven by the increase of 32.6% in Claims on non-monetary financial institutions followed by increases of 14.6% and 6.5% in private sector deposits and claims on non-financial public enterprises respectively whilst Government deposits decreased by 24.8% in the reporting period.

Exchange Rates

The Samoan tala appreciated against the NZD, AUD, EUR, FJD and YEN and depreciated against the USD over the comparable quarter of 2013/14. On an annual average, the Tala recorded depreciation against USD, NZD and EUR and an appreciation against AUD, FJD and YEN.

Foreign Reserves

At the end of December 2014/15, gross official foreign reserves stood at \$182.06 million, a decline of \$117.65 million from end December 2013/14. This was enough to cover 3.8 months of imports of goods, compared to 4.9 months at end December 2013/14.

Fiscal Performance

Revenue increased by \$9.62 million to stand at \$127.75 million but was offset by an increase of \$12.17 million in Expense which leads to a deficit of \$0.26 million in the Net Operating Balance. The Net Borrowing (or Overall Deficit) stood at \$52.60 million in the reporting quarter. This was \$2.29 million more than the Overall Deficit in the second quarter of FY 2013/14.

-External Debt

Official government debt outstanding at end December 2014/15 stood at \$1,029.78 million, an increase of \$41.94 million over end December 2013/14. This amount is equivalent to 53.6% of GDP. Multilateral and bilateral loans accounted for 58.3% (\$600.19 million) and 41.7% (\$429.59 million) of disbursed outstanding debt (DOD) respectively.

Total debt servicing stood at \$10.54 million for the December quarter of 2014/15, an increase of \$3.25 million from the comparable quarter of the previous year (2013/14). This was equivalent to 7.4% of commodity and services exports.

In the year 2014, total debt servicing increased by \$13.88 million over the previous year (2013) to stand at \$47.62 million. This was equivalent to 9.1% of commodity and services exports.

Consumer Prices

The annual average rate of inflation at end December 2014 stood at a negative 0.4%, a decline of 1.0 percentage points from end December 2013/14. This outcome was strongly influenced by the decline in prices of Food and non alcoholic beverages followed by downward trends in prices for furnishings, household equipment and routine household maintenance and miscellaneous goods and services.

Petroleum Prices

At end December 2014/15, domestic retail prices for petrol and 7.4% respectively from the corresponding period of the prices coincides with the decrease of international oil prices.

TABLE 1: KEY ECONOMIC INDICATORS

	2013	2014	2Q13/14	2Q14/15	% Change 2Q14/15 over 2Q13/14	% Change 2014 over 2013
Nominal GDP (<i>SAT\$/million</i>)	1,859.66	1,920.73	467.82	498.58	6.6	3.3
Real GDP (<i>SAT\$/million 2002 prices</i>)	1,685.32	1,711.69	429.30	435.22	1.4	1.6
GDP per capita (<i>SAT\$ 2002 prices</i>)	9,756	10,000	-	-	-	2.5
Employment (<i>thousands – end period</i>)	23,506	23,457	23,506	23,457	-0.2	-0.2
Exports (<i>SAT\$/million</i>)	55.40	64.10	15.04	17.13	13.9	15.7
Imports (<i>SAT\$/million</i>)	752.72	795.66	197.77	204.05	3.2	5.7
Trade Deficit (<i>SAT\$/million</i>)	697.32	731.56	182.73	186.92	2.3	4.9
Tourism Revenue (<i>SAT\$/million</i>)	314.60	337.12	84.14	95.29	13.3	7.2
Visitor Arrivals	124,252	130,707	33,499	36,042	7.6	5.2
Remittances (<i>SAT\$/million</i>)	422.89	388.83	108.06	118.31	9.5	-8.1
Inflation (<i>% annual average – end period</i>)	0.6	-0.4	0.6	-0.4	-166.7	-166.7
Gross Official Foreign Reserves(<i>SAT\$/million - end period</i>)	299.71	182.06	299.71	182.06	-39.3	-39.3
Money Supply	747.08	818.93	747.08	818.93	9.6	9.6
Balance of Payment	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)		
Current Account	-86.0	-116.9	-14.4	3.7	-125.7	35.9
Capital Account	86.7	90.4	33.8	5.3	-84.3	4.3
Overall Balance	-27.9	-54.8	-19.9	-22.5	13.1	96.4
Exchange Rates	(<i>Annual average rates</i>)		(<i>Quarter average rates</i>)			
USD	0.4329	0.4290	0.4329	0.4157	-4.0	-0.9
NZD	0.5279	0.5168	0.5279	0.5315	0.7	-2.1
AUD	0.4480	0.4755	0.4647	0.4857	4.5	6.1
EURO	0.3259	0.3230	0.3167	0.3326	5.0	-0.9
FJD	0.7917	0.8070	0.7917	0.8138	2.8	1.9
YEN	42.2088	45.3557	42.2088	47.5650	12.7	7.5
Government Finance Statistics	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)		
Total Revenue	481.13	558.19	118.13	127.75	8.1	16.0
Total Expenditure	510.31	516.98	140.18	128.01	-8.7	1.3
Net Operating Balance	-29.17	41.22	-22.05	-0.26	-98.8	-241.3
External Debt (<i>end of period</i>)	987.84	1,029.78	987.84	1,029.78	4.3	4.3
Debt Servicing	33.74	47.62	7.29	10.54	44.6	41.1
Petroleum						
Retail Prices (<i>sene/ltr</i>)						
Petrol	2.96	2.90	2.96	2.90	-2.0	-2.0
Kerosene	2.87	2.68	2.87	2.68	-6.6	-6.6
Diesel	3.12	2.89	3.12	2.89	-7.4	-7.4
FOB Prices (<i>USD/bbl</i>)						
Petrol	111.6	98.19	111.6	98.19	-12.0	-12.0
Kerosene	123.89	101.56	123.89	101.56	-18.0	-18.0
Diesel	123.05	100.22	123.05	100.22	-18.6	-18.6

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

