



MINISTRY OF FINANCE QUARTERLY ECONOMIC OVERVIEW

Issue No 61

Fourth Quarter (Apr-Jun 2012-13)

Twelve months review (July 2012 – June 2013)

Gross Domestic Product

The Samoan economy experienced two consecutive quarters of negative economic growth (Dec and Mar quarters of FY 2012/13) following the cyclone Evan in December 2012. A small pick-up in economic growth was noted in the reporting quarter (June 2012/13) with a positive growth of 0.2% over the comparable period of the previous year (June quarter 2011/12). The outcome was led by the transport and communication sector largely due to the seasonal pattern of the industry, as well as the recovery of the agriculture sector from the devastation caused by cyclone Evan.

In the fiscal year to June 2012/13, economic growth contracted by 0.3% to \$1,096.35 million, compared to a growth of 2.9% in the fiscal year 2011/12. The celebration of the 50th anniversary of Samoa's independence led to positive outcomes in the performances of most industries of the economy during the year 2011/12. Moreover, the building of the new hospital further added to the growth in that year. Subsequently, a slow-down in economic activities was noted for most of the industries in the 2012/13 reporting year. Furthermore, the reconstruction programme for cyclone Evans had yet to be felt.

Employment

Formal paid employment increased by 0.6% from end June 2011/12 to stand at 20,875 at end June 2012/13. This was led by the increases of 1.3% and 0.4% in tertiary and public administration sectors respectively.

Trade & Balance of Payments

On the external front, the merchandise trade deficit widened by 12.9% over the same quarter of the previous year, to stand at \$173.66 million in the June quarter of 2012/13. This was reflected in a decline of 20.2% in export earnings and an increase of 8.9% in imports of goods. The current account balance turned around from a surplus of \$3.43 million in the comparable quarter of the previous year to a deficit of \$8.85 million in the fourth quarter of 2012/13. This result was driven by the expansion in the merchandise trade deficit and the decline in the balance of trade in services during this period. The capital account fell by 53.8% resulting in a decline in the overall balance of payments surplus by 77.0% in the reporting quarter.

On an annual basis, exports declined by 6.8% over the previous year (2011/12). A decline in imports of 8.6% led to the downward trend of the merchandise trade deficit by \$61.61 million from the previous year (2011/12) to the reviewing year (2012/13). Moreover, the improvement in the balance of goods, services and income resulted in a decline in the current account deficit by 87.9% over the period. Though the capital account fell by 32.7%, the overall balance of payments account turned around from a deficit of \$2.70 million in 2011/12 to a surplus of \$85.56 million in the reporting year (2012/13).

Tourism & Remittances

Tourism activity weakened as indicated by the declines of 18.6% and 16.6% in gross tourism receipts and visitor arrivals respectively over the comparable quarter of the previous year (2011/12). In the twelve months to June 2012/13, both gross tourism earnings and visitor arrivals declined by 6.5% and 8.1% respectively over 2011/12. The result was partly due to the devastation to the industry caused by cyclone Evan. In addition, the boost to the domestic economy in June 2011/12 period from the influx of tourists for the celebration of the 50th anniversary resulted in declines in earnings and arrivals for the subsequent reporting periods.

On a positive note, remittance inflows rose by 1.9% over the comparable quarter of 2011/12 and increased further on a yearly basis by 7.0% to stand at \$418.88 million in the reviewing year (2012.13).

Monetary Supply

On monetary aggregates, broad money (M2) recorded a marginal decline of 0.8% over the end of June 2011/12 to stand at \$707.06 million at end June 2012/13. Quasi money fell by 2.0% whilst narrow money increased by 2.0%. The expansion in domestic credit by 3.0% was driven by upward trends in claims on non monetary financial institutions (52.0%) and credit to the private sector (1.1%). These increases more than offset the declines in claims on non financial public enterprises (-31.3%) and Government deposits with the banking system (-5.7%).

Exchange Rates

Movements in currencies showed a weakening of the Samoan Tala against the NZD and EURO and a

strengthening against the USD, AUD, FJD and YEN compared to the June quarter of 2011/12. On an annual basis, the Samoan Tala recorded a 0.1% depreciation against the NZD and an appreciation against the remaining currencies in the basket.

Foreign Reserves

Gross official foreign reserves stood at \$274.64 million at end June 2012/13, a decline of 20.0% from end June 2011/12. This was sufficient to cover 4.7 months of imports of goods, compared to 5.3 months at end of June 2011/12.

Fiscal Performance

The Net Operating Balance (Revenue less Operating expense) for June quarter of 2012/13 showed a deficit of \$1.70 million. This was \$28.00 million less than the Net Operating Balance for the same period of FY 2011/12. The Net Borrowing (or Overall Deficit) stood at \$7.48 million in the reporting quarter. This was \$30.68 million less than the Overall Deficit in the fourth quarter of FY 2011/12. The fiscal outturn for the 2012/13 financial year resulted in a Net Borrowing (or Overall Deficit) of \$69.50 million, equivalent to 4.4% of GDP. The Net Operating Balance (Revenue less Operating expense) during the reporting year (2012/13) showed a surplus of \$0.97 million, a turn-around from a deficit of \$14.69 million in the previous year.

External Debt

Government's external debt amounted to \$948.47 million in the year ended June 2012/13, equivalent to 60.1% of GDP and an increase of \$83.70 million on end June 2011/12. Total debt servicing amounted to \$6.92 million in the reporting quarter, equivalent to 4.8% of merchandise and services exports. In the year to June 2012/13, total debt servicing was valued at \$32.93 million, an increase of 14.3% over the previous year. This was equivalent to 5.7% of commodity and services exports.

Consumer Prices

The annual average rate of price inflation as measured by the CPI was negative 0.2% at end June 2012/13. This represents a drop of 6.4 percentage points in the rate of price inflation when compared to the annual average inflation rate of 6.2% at end June 2011/12. The decline is attributed to a fall in international food and oil prices, lower domestic prices recorded for some food items, notably local produce as supplies recovered from the impact of cyclone Evan, electricity and clothing & footwear.

Petroleum Prices

The international prices (USD per barrel) for the major petroleum products (petrol, kerosene and diesel) declined by 13.6%, 12.3% and 11.2% at end June 2012/13 in comparison to the prices at end June 2011/12 respectively. As a consequence domestic prices declined for these petroleum products this period.

TABLE 1: KEY ECONOMIC INDICATORS

	2011/12	2012/13	4Q11/12	4Q12/13	% Change 4Q12/13 over 4Q11/12	% Change Jul-Jun 12/13 over Jul-Jun 11/12
Nominal GDP (<i>SAT\$/million</i>)	1,574.51	1,578.00	389.32	392.52	0.8	0.2
Real GDP (<i>SAT\$/million 2002 prices</i>)	1,099.98	1,096.35	272.53	273.04	0.2	-0.3
GDP per capita (<i>SAT\$ 2002 prices</i>)	5,857	5,837	0	0	0.0	-0.3
Employment (<i>thousands – end period</i>)	20,753	20,875	20,753	20,875	0.6	0.6
Exports (<i>SAT\$/million</i>)	66.71	62.78	19.66	15.68	-20.2	-5.9
Imports (<i>SAT\$/million</i>)	772.84	706.51	173.82	189.34	8.9	-8.6
Trade Deficit (<i>SAT\$/million</i>)	-705.49	-643.88	-154.16	-173.66	12.6	-8.7
Tourism Revenue (<i>SAT\$/million</i>)	336.61	314.65	100.71	81.97	-18.6	-6.5
Visitor Arrivals	137,003	125,922	36,780	30,685	-16.6	-8.1
Remittances (<i>SAT\$/million</i>)	391.57	418.67	101.76	103.64	1.8	6.9
Inflation (<i>% annual average – end period</i>)	6.2	-0.2	6.2	-0.2	-103.2	-103.2
Gross Official Foreign Reserves(<i>SAT\$/million - end period</i>)	343.29	274.64	343.29	274.64	-20.0	-4.4
Balance of Payment	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>		
Current Account	-158.41	-19.16	3.43	-8.85	-358.0	-87.9
Capital Account	155.71	104.72	38.66	17.87	-53.8	-32.7
Overall Balance	-2.70	85.56	42.09	9.02	-78.6	-3268.9
Exchange Rates	<i>(Annual average rates)</i>		<i>(Quarter average rates)</i>			
USD	0.4347	0.4378	0.4312	0.4349	0.9	0.7
NZD	0.4877	0.4872	0.5444	0.5298	-2.7	-0.1
AUD	0.4281	0.4296	0.4261	0.4390	3.0	0.4
EURO	0.3749	0.3907	0.3356	0.3328	-0.8	4.2
FJD	0.6055	0.6095	0.7832	0.7882	0.6	0.7
YEN	17.049	17.695	34.581	42.882	24.0	3.8
Government Finance Statistics	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>		
Total Revenue	443.11	478.27	88.13	120.63	36.9	7.9
Total Expenditure	457.80	477.30	117.83	122.33	-4.7	4.3
Net Operating Balance	-14.69	0.97	-29.70	-1.70	-94.3	-106.6
External Debt (<i>end of period</i>)	864.64	948.30	864.64	948.30	9.7	9.7
Debt Servicing	28.81	32.93	6.90	6.92	0.3	14.3
Petroleum						
Retail Prices	<i>(sene/ltr)</i>	<i>(sene/ltr)</i>	<i>(sene/ltr)</i>	<i>(sene/ltr)</i>		
Petrol	3.08	2.94	3.08	2.94	-4.5	-4.5
Kerosene	2.87	2.75	2.87	2.75	-4.2	-4.2
Diesel	3.10	3.00	3.10	3.00	-3.2	-3.2
FOB Prices	<i>(USD/bbl)</i>	<i>(USD/bbl)</i>	<i>(USD/bbl)</i>	<i>(USD/bbl)</i>		
Petrol	125.97	108.84	125.97	108.84	-13.6	-13.6
Kerosene	129.81	113.90	129.81	113.90	-12.3	-12.3
Diesel	129.19	114.67	129.19	114.67	-11.2	-11.2

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