



GOVERNMENT OF SAMOA
MINISTRY OF FINANCE
QUARTERLY ECONOMIC REVIEW

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First Quarter (Jul-Sept 2018/19)

Twelve months review (Oct 2017 – Sept 2018)

Gross Domestic Product

The real GDP for September quarter 2018/19 amounted to \$486.6 million, increasing by 1.1% compared to the corresponding quarter of the previous FY2017/18. This increase was mainly because of the increases in Public Administration [20.3%], Accommodation & Restaurants [13.6%], Commerce [12.0%] and Personal and other services [2.4%] respectively. On the contrary, Financial services, Business services, Transport, Construction, Agriculture, Food & Beverages manufacturing and Electricity and water registered a negative growth of (-25.8%), (-18.5%), (-12.3%), (-12.2%), (-8.1%), (-7.9%) and (-5.5%) when compared to the same quarter of the previous financial year. Moreover, Ownership of dwellings sector also contributed to the positive growth.

On the twelve months basis of 2018/19 [Oct 2017 – Sept 2018], GDP at constant prices recorded a gradual increase of 1.8% from the comparable period 2017/18 [Oct 2016 – Sept 2017]. Accommodation and Restaurants was registered as the largest contributor to this growth over this period at around 14.4% due to an increase in local demand for this type of service. Business services and Personal and other services also contributed positively to the growth for the reviewing period by 11.1% and 10.7% respectively. On the other hand, Other Manufacturing and Financial services recorded negative movements of 25.3% and 15.5% respectively for the reviewing period.

Employment

The total number of persons in formal paid employment stood at 24,229 at the end of September 2018/19 quarter, an increase of 0.8% [191 employees] compared to the same quarter of 2017/18. This upward trend was caused by increases in Public administration, Transport and Personal services. Moreover, there were increases in the Primary Sector

[11.4%], Tertiary sector [3.2%] and the Public administration sector [5.1%] when compared to the same quarter of the previous financial year. All these factors contributed to the overall increase in formal paid employment for the reviewing period.

Trade & Balance of Payments

On the external front, the merchandise trade deficit increased by 35.0% to stand at \$36.19 million in the reporting first quarter of 2018/19 compared to the same quarter of the previous fiscal year. This is mainly due to the drop in the value of exports caused by the decrease in commodity namely taro and coconut cream by 17.7% and 77.6% when compared to the same quarter of the previous financial year. Also, some of the major contributors to total exports show an increase such as coconut oil [423.7%], nonu juice [154.3%], fish [33.2%] and nonu fruit [18.7%]. Meanwhile, total value of imports decreased due to the decrease in demand for government and petroleum imports, hence another reason for the increase to the merchandise trade.

The current account balance for September quarter 2018/19 declined by (-225.8%) when compared to the first quarter of FY2017/18 to stand at \$17.64 million surplus. This was due to an increase in Balance of Trade balance by 2.8%. In contrast, the capital account balance dropped by (-87.8%) in the reviewing quarter when compared to the same quarter of FY2017/18 and stood at \$3.59 million surplus. The financial account registered a negative balance of \$16.17 million for the reviewing quarter of FY2018/19. The overall balance for September quarter 2018/19 stood at \$11.57 million surplus, a decrease of \$12.52 million from the overall balance of \$24.09 million registered in the same quarter of the previous fiscal year.

On the twelve months basis, trade exports for goods increased by 6.8% to stand at \$100.72 million whilst imports registered an increase of 5.6% to stand at \$843.19 million. This led to an increase in Merchandise trade deficit by 5.5% to stand at \$742.59 million deficit when compared to the same period of the previous fiscal year 2017/18.

Tourism and Remittances

The number of tourist arrivals amounted at 50,405 for September quarter 2018/19 which is equivalent to a decrease of (-9.2%) when compared to the same quarter of the previous financial year. This result was mainly due to a (-26.0%) decrease in the number of tourist arrivals that came over for Business purposes, followed by a decrease of (-14.9%) in tourist arrivals who travelled to Samoa for sports related events. Another main reason for this decrease was a (-0.5%) decrease in tourists travelling for Holiday. Tourist Earnings recorded an increase of 17.9% to stand at \$137.5 million for the reviewing quarter when compared to the September quarter 2017/18. This generated from an increase in tourism earnings from Europe [51.2%], USA [33.3%] and New Zealand [25.4%]. In terms of arrivals by purpose, visiting friends and relatives was recorded as the main contributor to the increase in earnings. In the twelve months to September 2018, visitor arrivals reported an increase of 10.4%, whilst tourism earnings also recorded an increase of 18.0% over the twelve months to the reviewing period. The increases to both arrivals and earnings were due to the increase to the numbers of arrivals and spending from tourists coming to visit families and friends.

Remittances in the reporting quarter 2018/19 recorded an increase of 26.9% compared to the same period of the previous financial year [2017/18]. In the twelve months to September 2018, remittances increased by 29.8% compared to the twelve months to September 2017. This growth was the result of an increase in remittances received for both the Funds for Churches & non govt schools as well as Funds for Samoan Individuals.

Money Supply

Money supply for the reviewing quarter stood at \$1,145.88 million, an increase of 10.7% over the

September quarter of FY2017/18. This increase was due to an increase of 9.5% in Quasi-Money (M2) and an increase of 12.3% in Narrow Money (M1). Domestic credit declined by (-0.6%) from the September quarter of the previous fiscal year. This was mainly due to a (-19.4%) fall in Credit to Government and a (-16.9%) fall in Net Credit to Non-monetary Financial Institutions. In contrast, both the Credit to Private Sector and Net Credit to Non-monetary Financial Institutions increased by 3.4% and 21.0% respectively.

Exchange Rates

The different movements in exchange rates for September quarter 2018/19 showed the Samoan tala appreciating against the NZD and AUD currencies and depreciating against the US, EUR, YEN and FJ currencies. In the twelve months to September 2018, the tala recorded depreciation against the USD, EUR, FJ and YEN and appreciating against the NZD and AUD currencies.

Foreign Reserves

The end of September quarter for FY2018/19 showed gross foreign reserves standing at \$418.57 million. This figure is a \$75.81 million increase when compared to the same quarter of the previous financial year. Furthermore, this is also equivalent to 6.0 months of import goods, an improvement from 5.2 months recorded in the same quarter of the previous financial year.

Fiscal Performance

A Net Operating Balance [Revenue less Operating expense] for September quarter 2018/19 showed a surplus of \$26.95 million, which is a \$17.34 million increase from September quarter of 2017/18. The reason for this movement was because revenue increased by \$7.41 million due to the increase in both taxes and other revenue by 12.6% and 61.1%, while expenses decreased by \$9.93 million from dropping in social benefits, subsidies and grants by (-97.6%), (-88.7%) and (-55.5%) respectively. The Net Lending/Borrowing [or Overall deficit] recorded a surplus of \$23.88 million in the reporting quarter, an increase of \$45.29 million from negative balance of \$21.41 million registered in the same quarter of the previous fiscal year. This was mainly because of the

decrease in Net Acquisition of Fixed Assets of (-90.1%) [negative \$27.95 million] due to the delay in disbursement of funds for the government ongoing projects from the previous fiscal year.

External Debt

The official government debt outstanding stood at \$1,070.00 million in September quarter 2018/19 which is a \$48.27 million increase from the figures recorded in the same quarter of the previous fiscal year. Correspondingly, this is equivalent to 48.0% of GDP. Multilateral and bilateral loans accounted for 52.3% [\$560.10 million] and 47.7% [\$509.90 million] of disbursed outstanding debt [DOD] respectively.

Total debt servicing at the end of September FY2018/19 amounted to \$23.05 million which is a \$1.75 million [8.2%] increase from the comparable quarter of the previous fiscal year [FY2017/18]. In the twelve months to September 2019, total debt servicing registered an increase of \$13.18 million to stand at \$71.43 million compared to the twelve months to September 2018.

Consumer Prices

The Consumer Price Index for the reviewing period increased by 4.9% compared to the same quarter of the previous fiscal year [FY2017/18]. This growth was due mainly because of the increase in prices of items for Education [14.1%], Transport [11.3%], Food and Non Alcoholic Beverages [5.5%], Alcohol Beverages & Tobacco [4.9%] and Health [3.4%]. On a contrary basis, Housing-Water, Electricity-Gas and Other Fuels, Clothing and Footwear, Furnishings-Household-Equipment and Routine Household Maintenance recorded a decline by (-0.6%), (-0.3%), (-0.1%) respectively.

The annual average inflation rate stood at 4.6% at the end of September quarter FY2018/19, an increase of 3.7% percentage point compared to the corresponding annual average quarter of the previous fiscal year [FY2017/18]. The local component of CPI increased by 9.3 percentage points on annual basis, whilst the import component increased by 1.6 percentage points over the corresponding period in FY2017/18.

Petroleum Prices

The domestic retail prices for the reviewing quarter for petrol, kerosene and diesel increased by 20.3%, 28.1% and 22.6% respectively compared to the same quarter of the previous fiscal year.

The international prices (USD per barrel) for petrol in the reviewing quarter recorded an increase of 37.4% in petrol, 46.2% in kerosene and 40.1% in diesel from the corresponding period of the previous year [FY2017/18].

TABLE 1: KEY ECONOMIC INDICATORS

	Oct 2016 – Sept 2017	Oct 2017 - Sept 2018	1QFY17/18	1QFY18/19	% Change 1QFY18/19 over 1QFY17/18	% Change Oct 2017 – Sep 2018 over Oct 2016 – Sep 2017
Nominal GDP (SAT\$/million)	2,139.34	2,231.77	555.91	574.19	3.3	4.3
Real GDP (SAT\$/million 2009 prices)	1,879.25	1,913.37	481.35	486.58	1.1	1.8
GDP per capita (SAT\$ 2009 prices)	9,572.65	9,676.64	-	-	-	1.1
Employment (<i>thousands – end period</i>)	24,038	24,229	24,038	24,229	0.8	0.8
Exports (SAT\$/million)	94.30	100.72	26.82	36.19	35.0	6.8
Imports (SAT\$/million)	798.10	843.19	214.99	229.42	6.7	5.6
Trade Deficit (SAT\$/million)	-703.80	-742.47	-188.17	-193.23	28.3	1.2
Remittances (SAT\$/million)	410.66	532.91	108.68	137.87	26.9	29.8
Inflation (% <i>annual average – end period</i>)	0.9	4.6	0.9	4.6		
Gross Official Foreign Reserves (SAT\$/million - <i>end period</i>)	342.76	418.57	342.76	418.57	22.1	22.1
Balance of Payment						
	(SAT\$/million)	(SAT\$/million)	(SAT\$/million)	(SAT\$/million)		
Current Account	-39.99	82.85	-14.02	17.64	-225.8	-307.2
Capital Account	118.95	49.33	29.39	3.59	-87.8	-58.5
Overall Balance	56.97	94.38	24.09	11.57	-52.0	65.7
Exchange Rates						
	(<i>Annual average rates</i>)		(<i>Quarter average rates</i>)			
USD	0.3962	0.3898	0.3995	0.3811	-4.6	-1.6
NZD	0.5533	0.5642	0.5526	0.5759	4.2	2.0
AUD	0.5164	0.5197	0.5088	0.5284	3.9	0.6
EURO	0.3520	0.3286	0.3390	0.3271	-3.5	-6.6
FJD	0.8140	0.8083	0.8152	0.8053	-1.2	-0.7
YEN	43.9603	43.2425	44.9100	43.2232	-3.8	-1.6
Government Finance Statistics						
	(SAT\$/million)	(SAT\$/million)	(SAT\$/million)	(SAT\$/million)		
Total Revenue	618.86	652.80	147.62	155.03	5.0	5.5
Total Expenditure	502.07	505.59	138.01	128.08	-7.2	0.7
Net Operating Balance	116.78	147.21	9.62	26.95	180.3	26.1
Net Lending / borrowing	-0.86	46.77	-21.41	23.88	-211.5	-5538.8
External Debt (<i>end of period</i>)	1021.73	1070.00	1021.73	1070.00	4.7	4.7
Debt Servicing	58.25	74.27	21.30	23.05	8.2	22.6
Petroleum						
Retail Prices (sene/ltr)						
Petrol	2.37	2.85	2.37	2.85	20.3	20.3
Kerosene	1.99	2.55	1.99	2.55	28.1	28.1
Diesel	2.35	2.88	2.35	2.88	22.6	22.6
FOB Prices (USD/bbl)						
Petrol	59.04	81.12	59.04	81.12	37.4	37.4
Kerosene	59.77	87.36	59.77	87.36	46.2	46.2
Diesel	61.05	85.53	61.05	85.53	40.1	40.1

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

