



GOVERNMENT OF SAMOA  
**MINISTRY OF FINANCE**  
**QUARTERLY ECONOMIC REVIEW**

Issue No 86

First Quarter FY2019/20 (Jul-Sep 2019)

Twelve months review (Oct 2018 – Sep 2019)

### **Gross Domestic Product**

The economy showed a total of \$528.8 million tala for the first quarter of FY2019/20, increased by 4.4% compared to the corresponding quarter of the previous FY2018/19. This increase was mainly because of the increases in Accommodation & Restaurants [25.8%], Food & Beverages [15.4%], Agriculture [14.4%], Transport [10.6%], Communication [9.5%] and Electricity & water [8.9] respectively. These increases were fuelled from high domestic consumption from representatives attending the Pacific Games (PGs). This is further supported from the increase numbers of arrivals (829.1%) and spending (905.3%) during the reviewing quarter on the sports category. On the opposite note, Business Services and Fishing industry registered a negative growth of -9.1% and -1.0% but these showed an improvement compared to the growth of the same quarter of the previous fiscal year.

On the twelve months basis [Oct 2018 – Sept 2019], GDP at constant prices showed an increase of 4.4% from the comparable period 2018/19 [Oct 2018 – Sept 2019]. The impact from the PGs had really reflected on the Accommodation and Restaurants which registered the highest growth over this period at around 28.4%. This is in line with the increase number of tourist arrivals (357.3%) and spending (437.3%) during the twelve months period for the sports. Whilst, construction (15.1%) and transport (10.8) were other main positive contributors for the stated growth as an outcome of preparation development for the hosted PGs in Samoa. The impact also revealed on the rapid growth for the production of Food & Beverages (14.0%), Other Manufacturing (14.0%) and Electricity & Water (9.3%) industries which mainly partook to cater for the extra production from its usual business in order to meet additional demand from people joining the games.

### **Employment**

The total number of persons in formal paid employment gradually grew at a rate of 0.5% (113 additional employment) to stand at 24,636 at the end of September quarter 2019/20 compared to the corresponding quarter of 2018/19. Of the additional employments, Construction, Electricity and Water were mainly generated the highest rate of additional employments for the reviewing period when compared to the same period of the previous fiscal year by 9.4%, 5.4% and 4.8% respectively. Whilst, the same industries feeds in to the Secondary industry to generate additional employment at a rate of 5.9% and Public Administration industry by 0.1%. On the contrary, Primary and Tertiary industries declined by [-1.9%] and [-0.3%] when compared to the same quarter of the previous financial year.

### **Trade & Balance of Payments**

Trade deficit of 52.05 million tala was recorded in the reviewing quarter of FY2019/20. An improvement from the deficit of 69.76 million tala recorded in the same quarter of FY2018/19. Imports remain higher due to the continue increase activities during the reviewing quarter particularly business related developments and investments. Whilst, exports showed an increase for both goods and services of around 8.2% and 20.5% for the first quarter of the current fiscal year compare to the same quarter of the previous year. Drivers for the increase in exports were mainly from; Coconut cream (414.7%), fresh fish (45.5%), Cigarettes (28.7%) and Taro (18.9%).

The current account balance for September quarter 2018/19 registered a surplus of 46.43 million tala when compared to the first quarter of FY2017/18. This was greatly influenced by surplus of 122.88 million tala from Balance on Secondary Income which off-sets the

deficit of 76.44 million tala of the reviewing quarter. In contrast, the capital account balance dropped by 4 million tala in the reporting quarter when compared to the same quarter of the previous financial to stand at a surplus of 0.62 million tala.

The overall balance for September quarter 2019/2020 stood \$16.39 million deficit, a decrease of \$28 million from the overall balance of \$11.62 million registered in the same quarter of the previous fiscal year.

In the twelve months period ending September 2019, exports and imports recorded an upward movement of 33.1% and 8.6% over the twelve months ending September 2018 respectively. Similar trend was shared by the records on trade services, the primary income and secondary income which led to an increase in current account balance by 77.6% to stand at 86.96 million tala over the previous same period to September 2018. On the other hand, the capital accounts increased by 24.5% to stand at a surplus of 66.28 million. The balance on financial accounts showed a surplus of 82.89 million tala. This resulted in a turnaround in the overall balance of payments from a surplus of 87.99 million tala to a deficit of 25.08 million tala in the reviewing twelve months period to September 2019.

### **Tourism and Remittances**

Tourist arrivals for the reviewing quarter stood at 59,173 which is equivalent to an increase of 16.8% when compared to the same quarter of the previous financial year. The contributing factors behind this increase include 829.1% increase in tourists who travelled to Samoa for sports mainly to attend the PGs. At the same time, 51.7% increase in tourists who travelled to Samoa for a business and 9.7% increase in the number of tourists who travelled to Samoa for holiday were recorded. Tourism earnings for the reporting quarter also experiencing the same positive trend by 18.4% when compared to the same quarter of FY2018/19 to stand at \$162.94 million. This came as a result of the PGs which clearly reflected from the number of earnings by purpose on sport by 905.3%. Business (58.3%) and holiday (9.2%) where also recorded as the main contributors. In the twelve months

to September 2019, visitor arrivals increased by 10.9%. Tourism earnings increased by 13.5% during the reporting twelve months period. This growth was greatly influenced by an increase in the number of tourists who travelled to Samoa for business and sport.

Remittances for the first quarter of FY2019/20 registered a 17.1% increase over the comparable period of FY2017/18. Annually (October 2018 to September 2019), remittances increased by 10.9% over the twelve months period to September 2018. These increases were the results generated from increases in remittances for both Churches and non-government schools (14.6%) and for Samoan individuals (9.1%).

### **Money Supply**

Money supply for the reviewing quarter stood at 1,196.56 million tala, an increase of 4.4% for September quarter of FY2019/20 over the September quarter of FY2018/19. This increase was due to an increase of 7.9% in Narrow Money (M1) and 1.7% in Quasi Money (M2).

Net Domestic Assets dropped by a rate of -3.7% compared to the same quarter of the previous fiscal year. This fall was driven by the slight increase from Domestic credit (1.1%) and a decline by other items (-59.3) while Capital Accounts deficit picked up rapidly at a rate of 6.6% for the reviewing quarter over the comparable quarter of the previous fiscal year.

### **Exchange Rates**

The exchange rate for September 2019/20 showed the different movements in Samoan tala appreciating against the NZD, AUD, EUR and FJ currencies and depreciating against the USD and YEN currencies. On an annual basis, the Samoan tala recorded depreciation against the USD and YEN and appreciation against the NZD, AUD, EUR and FJ currencies.

### **Foreign Reserves**

The end of the first quarter of 2019/20 (September Quarter), gross official foreign reserves increased by \$67.64 million from the same quarter of 2018/19 to

stand at \$414.46 million. This was equivalent to 6.4 months of import of goods, an improvement from the 5.9 months recorded in the same quarter of the previous financial year.

### **Fiscal Performance**

A Net Operating Balance [Revenue less Operating expense] for September quarter FY2019/20 showed a surplus of \$35.18 million, which is a \$5.66 million increase from September quarter of FY2018/19. This surplus was because revenue increased by \$16.9 million due to the increase in both grants and taxes by \$9.58 million and \$6.32 million compared to the expenses increase of \$11.26 million from the same quarter FY2018/19. The high growth of Excise (20.7%) and VAGST (8.0%) tax collection was primarily fuelled from the high consumption as an outcome of PGs. The Net Lending/Borrowing registered a surplus of 32.5 million tala. This is equivalent to 5.9% of GDP for the reviewing quarter. Overall, the surplus was fuelled from high tax collection and grants received compared to the total spending by government on its activities for the September quarter of FY2019/20.

The twelve months period ending September 2019 recorded a surpluses for Net Operating Balance and Net Lending/Borrowing of 136.22 million tala and 67.28 million tala. This is equivalent to 6.6% and 3.3% of GDP.

### **External Debt**

The official government debt outstanding stood at \$1040.15 million in September quarter 2019/20 which is a (\$29.85) million decrease 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 53.2% [\$552.94 million] and 46.8% [\$487.21 million] of disbursed outstanding debt [DOD] respectively.

Total Debt servicing at the end of September FY2019/20 amounted to \$22.87 million which is an \$18 million (-0.8%) decrease from the comparable quarter of the previous fiscal year (FY2018/19). In the

twelve to September 2019, total debt servicing registered a decrease of (\$13.18) million to stand at \$70.82 million compared to the twelve months to September 2019.

### **Consumer Prices**

The Consumer Price Index for the reviewing period increased by 1.3% compared to the same quarter of the previous fiscal year [FY2018/19]. This growth was mainly because of the decrease in prices of items for Education [2.9%], Transport [-3.3%], Food and Non Alcoholic Beverages [1.9%], Recreation & Culture (-5.3) Alcoholic Beverages & Tobacco and Health [1.6%]. On the other hand, increases were recorded in the following industries: Housing-Water, Electricity-Gas and Other Fuels (4.9%), Restaurants and Hotel (4.9%) respectively.

The annual average inflation rate stood at 1.0% at the end of September quarter FY2019/20, a decrease of 3.7% percentage point compared to the corresponding annual average quarter of the previous fiscal year [FY2018/19].

### **Petroleum Prices**

The domestic retail prices for the reviewing quarter for petrol, kerosene and diesel decreases by (-7.4%), (-7.5%) and (-6.2%) respectively compared to the same quarter of the previous fiscal year.

The international prices (USD per barrel) for petrol in the reviewing quarter recorded a decrease of (-12.4%) in petrol, (-10.2%) in kerosene and (-8.7%) in diesel from the corresponding period of the previous year [FY2018/19].

**TABLE 1: KEY ECONOMIC INDICATORS**

	Oct 2017 – Sep 2018	Oct 2018 - Sep 2019	1QFY18/19	1QFY19/20	% Change 1QFY19/20 over 1QFY18/19	% Change Oct 2018 – Sep 2019 over Oct 2017 – Sep 2018
Nominal GDP ( <i>SAT\$/million</i> )	2,115.08	2,255.98	545.81	576.61	5.6	6.7
Real GDP ( <i>SAT\$/million 2013 prices</i> )	1,976.27	2,064.20	506.48	528.77	4.4	4.4
GDP per capita ( <i>SAT\$ 2013 prices</i> )	9,838	10,276	-	-	-	4.4
Employment ( <i>thousands – end period</i> )	24,523	24,636	24,523	24,636	0.5	0.5
Exports ( <i>SAT\$/million</i> )	101.21	133.92	36.06	39.04	34.5%	8.2%
Imports ( <i>SAT\$/million</i> )	843.19	915.96	229.42	230.72	0.6%	8.6%
Trade Deficit ( <i>SAT\$/million</i> )	741.98	-782.04	-193.36	-191.68	33.9%	-0.4%
Tourism Earnings ( <i>SAT\$/million</i> )	475.60	539.81	137.58	162.94	18.4	13.5
Tourism Arrivals	171,058	189,753	50,669	59,173	16.8	10.9
Remittances ( <i>SAT\$/million</i> )	509.96	565.42	126.04	147.58	17.1	10.9
Inflation (% <i>annual average – end period</i> )	4.6	1.0	4.9	1.3		
Gross Official Foreign Reserves ( <i>SAT\$/million - end period</i> )	414.46	482.10	414.46	482.10	16.3	16.3
<b>Balance of Payment</b>	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>		
Current Account	48.96	86.96	10.29	46.43	351.1%	77.6%
Capital Account	53.22	66.28	4.62	0.62	-86.6%	24.5%
Overall Balance	87.99	-25.08	11.62	-16.39	-241.1%	-128.5%
<b>Exchange Rates</b>	<i>(Annual average rates)</i>		<i>(Quarter average rates)</i>			
USD	0.3898	0.3785	0.3811	0.3700	-2.9	-2.9
NZD	0.5642	0.5712	0.5759	0.5876	2.0	1.2
AUD	0.5197	0.5427	0.5284	0.5469	3.5	4.4
EURO	0.3286	0.3366	0.3271	0.3382	3.4	2.4
FJD	0.8083	0.8140	0.8053	0.8147	1.2	0.7
YEN	43.2425	41.3194	43.2232	39.9248	-7.6	-4.4
<b>Government Finance Statistics</b>	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>		
Total Revenue	657.99	724.22	160.23	177.14	16.9	10.1
Total Expenditure	615.27	656.93	134.57	144.60	10.0	6.8
Net Operating Balance	149.77	136.22	29.52	35.18	5.6	-9.1
Net Lending / borrowing	42.72	67.28	25.66	32.55	6.9	57.5
External Debt ( <i>end of period</i> )	1070.00	1040.15	1070.00	1040.15	-2.8%	-2.8%
Debt Servicing	71.43	70.82	23.05	22.87	-0.8%	-0.9%
<b>Petroleum</b>						
<b>Retail Prices (sene/ltr)</b>						
Petrol	2.85	2.64	2.85	2.64	-7.4%	-7.4%
Kerosene	2.55	2.36	2.55	2.36	-7.5%	-7.5%
Diesel	2.88	2.70	2.88	2.70	-6.2%	-6.2%
<b>FOB Prices (USD/bbl)</b>						
Petrol	81.12	71.10	81.12	71.10	-12.4%	-12.4%
Kerosene	87.36	78.41	87.36	78.41	-10.2%	-10.2%
Diesel	85.53	78.07	85.53	78.07	-8.7%	-8.7%

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

