



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

Issue No 83

Second Quarter (Oct-Dec 2018/19)

Twelve months review (Jan 2018 – Dec 2018)

### **Gross Domestic Product**

Real GDP growth in December quarter of FY2018/19 recorded a \$518.2 million total, which registered an increase of 6.0% when compared to the same quarter of the previous fiscal year 2017/18. This slight increase was mainly caused by increases in Accommodation & Restaurants [21.4%], Communication [16.3%], Construction [14.8%], Commerce [11.6%], Transport [9.4%], Food & Beverages manufacturing [5.3%] and Public Administration [2.5%] respectively. On the contrary, Personal & other service, Fishing and Agriculture registered a negative growth of (-22.5%), (-19.0%) and (-1.7%) when compared to the same quarter of the previous financial year.

On the twelve months basis of 2018/19 [Jan 2018 – Dec 2018], GDP at constant prices recorded an increase of 0.7% from the comparable period 2017/18 [Jan 2017 – Dec 2017]. This upward trend was greatly influenced by increases in Construction, Commerce, Financial services, Public Administration and Ownership of Dwellings by 12.6%, 7.7%, 7.4%, 1.8% and 1.1% respectively. This is the fourth consecutive quarter the other manufacturing industry recorded a decrease which led to a slowdown in product exports. Other minor decreases for the reviewing twelve month period include Fishing (-21.7%), Agriculture (-9.9%), Transport (-7.0%), Personal & other services (-5.8%), Electricity and water (-4.5%), Communication (-3.4%) and Food & Beverages manufacturing (-1.1%).

### **Employment**

The total number of persons in formal paid employment stood at 24,446 at the end of December quarter 2018/19. This is equivalent to a 1.1% increase (272 employees) compared to the corresponding quarter of 2017/18. This upward trend was caused by increases in Transport, Education, Restaurants and Personal services. The Primary, Tertiary and Public Administration industries all increased by [25.1%], [1.4%] and [5.4%] respectively, whilst the Secondary

industry declined by [-10.1%] when compared to the same quarter of the previous financial year.

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

In the reviewing quarter, the merchandise trade deficit increased by 39.1% to stand at \$32.67 million when compared to the corresponding quarter of 2017/18. This was mainly due to a 34.7% increase in the value of exports caused by increases in Re-export and Domestic export by 44.4% and 35.3%. 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 December quarter 2018/19 increased by 35.0% to stand at \$45.78 million surplus when compared to the second quarter of FY2017/18. This was mainly driven by an increase of 41.2% in the Balance on Primary Income and 8.9% increase in Balance on Secondary Income. In addition, the capital account also increased by 680.8% in the reviewing quarter when compared to the same quarter of FY2017/18 to stand at \$31.12 million. The financial account on the other hand recorded \$21.65 million for December quarter 2018/19 which is a decrease of \$26.3 million from the December quarter of FY2017/18. The main reasons behind this decrease were due to the negative \$8.53 million recorded for Direct Investments and the negative \$7.08 million recorded for Portfolio Investment. The overall balance for December quarter 2018/19 stood at \$6.08 million surplus, a \$0.73 million improvement from December quarter of FY2017/18.

On an annual basis, trade exports for goods increased by 14.9% to stand at \$109.52 million whilst imports also registered an increase of 5.1% to stand at \$861.52 million. The overall current account increased from negative \$15.78 million to \$75.67 million in the twelve months to December 2018. This was mainly due to a 64.0% and 25.7% improvement in the Balance on

Primary Income and Balance on Secondary Income respectively. The financial account recorded a negative \$58.55 million in the twelve months to December 2018. In general, this led to the overall balance of payment registering an \$88.72 million surplus in the twelve months ending December 2018. This is an improvement from the \$52.20 million surplus recorded in the comparable annual period ending December 2017.

### **Tourism and Remittances**

Tourist arrivals for the reviewing quarter stood at 50,825 which is equivalent to an increase of 11.2% when compared to the same quarter of the previous financial year. This was caused mainly by a 43.2% increase in the number of tourists who travelled to Samoa to visit friends and relatives (VFR). Similarly, tourism earnings also increased by 14.3% to stand at \$150.2 million for the reviewing quarter when compared to the comparable quarter of the previous financial year. This generated from an increase in tourism earnings from Australia (24.3%), American Samoa (15.3%), Europe (14.1%), New Zealand (7.6%) and USA (6.4%). In terms of Earnings by Purpose, VFR and sports were recorded as the main contributors to the increase in earnings. In the twelve months to December 2018, visitor arrivals increased by 5.6%, whilst tourism earnings also recorded an increase of 15.7% over the twelve months to the reviewing period. These results were due to an increase in the number of tourists travelling to Samoa to visit friends and relatives over the 12 months period.

Remittances in the reporting quarter 2018/19 recorded an increase of 12.0% compared to the same period of the previous financial year (2017/18). On an annual basis, remittances increased by 23% compared to the twelve months to December 2017. These increases were driven mainly by remittances for both the Funds for Churches & non-government schools and Funds for Samoa Individuals by 182% and 10% respectively.

### **Money Supply**

Money supply for the reviewing quarter stood at \$1,187.74 million, an increase of 8.8% over the December quarter of FY2017/18. The prime reasons for this increase were due to increases in both Quasi-money (M2) and Narrow-money (M1) by 11.1% and

5.9% respectively. Domestic credit declined by (-2.1%) from the December quarter of the previous fiscal year. This was mainly due to a (-30.3%) fall in Net Credit to Non-financial Public Enterprises and a (-0.5%) fall in Net Credit to Non-monetary Financial Institutions. In contrast, both the Net credit to Non-financial Public Sector and Credit to Private Sector increased by 50.2% and 5.0% respectively.

### **Exchange Rates**

The exchange rate for December 2018/19 showed the different movements in Samoan tala appreciating against the NZD, AUD and EUR currencies and depreciating against the USD, FJD and YEN currencies. On an annual basis, the Samoan tala recorded depreciation against the USD, EUR, FJD and YEN and appreciation against the NZD and AUD currencies.

### **Foreign Reserves**

The end of the second quarter of 2018/19 (December Quarter), gross official foreign reserves increased by \$115.68 million from the same quarter of 2017/18 to stand at \$450.73 million. This was equivalent to 6.3 months of import of goods, an improvement from the 4.9 months recorded in the same quarter of the previous financial year.

### **Fiscal Performance**

The Net Operating Balance (Revenue less Operating expense) for December quarter of FY 2018/19 showed a surplus of \$44.80 million. This showed a \$3.20 million increase from the \$41.60 million surplus recorded in the same period of the previous financial year (2017/18). The reason for this movement was because revenue increased by \$21.12 million due to increases in taxes, grants and other revenue by 4.7%, 34.2% and 127.6% respectively. Expenses also increased by \$17.97 million from increases in compensation of employees, use of goods and services, subsidies and social benefits by 32.5%, 21.1%, 43.6% and 7.3% respectively. Net Lending/Borrowing (or Overall Deficit) recorded a surplus of \$44.36 million in the reviewing quarter, an increase of \$40.14 million from the \$4.22 million registered in the same period of the last fiscal year (FY2017/18). This was mainly due to a decrease in the Net acquisition of Nonfinancial Assets by \$36.98 million (98.9%) caused by delays in

the disbursement of funds for government's ongoing projects from the previous fiscal year.

### **External Debt**

The official government debt for December quarter 2017/18 stood at \$1,063.88 million which is a \$1.05 million increase when compared to the corresponding quarter of the previous financial year. Correspondingly, this is equivalent to 49.2% of GDP. Multilateral and bilateral loans accounted for 52.0% (\$553.46 million) and 48.0% (510.42 million) of disbursed outstanding debt (DOD) respectively.

Total debt servicing for the reviewing quarter was recorded at \$12.66 million, an increase of 0.3 million (2.3%) from the same quarter of the previous fiscal year 2017/18. In the twelve months to December 2019, total debt servicing registered an increase of \$11.51 million to stand at \$71.71 million compared to the twelve months to December 2018.

### **Consumer Prices**

The Consumer Price Index for the reviewing period increased by 1.3% compared to the same quarter of the previous (FY 2017/18). This slight growth was mainly due to decreases in the prices of items for Housing, Water, Electricity, Gas and other Fuels (-3.4%), Food and Non Alcoholic Beverages (-1.3%), Recreation and Culture (-1.2%) and Communication (-0.5%). On the other hand, increases were recorded in the following industries: Education (14.1%), Transport (7.9%), Health (4.8%), Alcoholic Beverages and Tobacco (4.5%) and Restaurants & Hotels (2.0%) respectively. On an annual basis, inflation rate stood at 4.1% at the end of December quarter FY2018/19, an increase of 2.3% compared to the corresponding annual average quarter of the previous fiscal year FY2017/18. The local component of CPI increased by 5.2 percentage point on annual basis, whilst the import component decreased by 0.4 percentage point over the corresponding period (FY2017/18).

### **Petroleum Prices**

The domestic retail prices for the reviewing quarter for petrol, kerosene and diesel increased by 12.9%, 21.5% and 19.4% respectively when compared to the same quarter of the previous financial year.

Furthermore, the international prices for the December quarter FY2018/19 recorded increases in petrol, kerosene and diesel by 27.1%, 39.3%, and 39.8% respectively when compared to the same quarter of FY 2017/18.

**TABLE 1: KEY ECONOMIC INDICATORS**

	Jan 2017 – Dec 2017	Jan 2018 - Dec 2018	2QFY17/18	2QFY18/19	% Change 2QFY18/19 over 2QFY17/18	% Change Jan 2018 – Dec 2018 over Jan 2017 – Dec 2017
Nominal GDP ( <i>SAT\$/million</i> )	2,106.17	2,156.41	528.20	569.74	7.9	2.4
Real GDP ( <i>SAT\$/million 2009 prices</i> )	1,992.34	2,005.43	488.41	518.17	6.0	0.7
GDP per capita ( <i>SAT\$ 2009 prices</i> )	10,149	10,142	-	-	-	-0.1
Employment ( <i>thousands – end period</i> )	24,174	24,446	24,174	24,446	1.1	1.1
Exports ( <i>SAT\$/million</i> )	95.28	109.91	23.49	32.67	39.1	15.4
Imports ( <i>SAT\$/million</i> )	819.46	861.52	224.38	242.71	8.2	5.1
Trade Deficit ( <i>SAT\$/million</i> )	-724.18	-751.61	-200.89	-210.04	30.9	10.3
Tourism Earnings ( <i>SAT\$/million</i> )	427.16	494.38	131.4	150.2	14.3	15.7
Tourism Arrivals	166,926	176,196	45,687	50,825	11.2	5.6
Remittances ( <i>SAT\$/million</i> )	433.99	539.26	132.95	148.90	12.0	24.3
Inflation ( <i>% annual average – end period</i> )	1.8	4.1	1.8	4.1	134.5	134.5
Gross Official Foreign Reserves ( <i>SAT\$/million - end period</i> )	335.05	450.73	335.05	450.73	34.5	34.5
<b>Balance of Payment</b>	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>		
Current Account	-15.78	75.67	33.91	45.78	35.0	-579.4
Capital Account	106.94	80.35	3.99	31.12	680.8	-24.9
Overall Balance	52.20	88.72	5.35	6.08	23.8	-242.5
<b>Exchange Rates</b>	<i>(Annual average rates)</i>		<i>(Quarter average rates)</i>			
USD	0.3969	0.3861	0.3964	0.3813	-3.8	-2.7
NZD	0.5550	0.5659	0.5595	0.5663	1.2	2.0
AUD	0.5125	0.5277	0.5086	0.5404	6.3	3.0
EURO	0.3467	0.3290	0.3315	0.3330	0.5	-5.1
FJD	0.8147	0.8084	0.8145	0.8148	0.0	-0.8
YEN	44.5455	42.5847	44.7217	42.0907	-5.9	-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	636.24	673.92	166.05	187.17	12.7	5.9
Total Expenditure	514.79	523.56	124.43	142.40	14.4	1.7
Net Operating Balance	121.45	150.36	41.61	44.76	7.6	23.8
Net Lending / borrowing	-2.35	86.90	4.22	44.36	950.6	-3803.7
External Debt ( <i>end of period</i> )	1062.83	1063.88	1062.83	1063.88	0.1	0.1
Debt Servicing	60.20	71.71	12.38	12.66	2.3	19.1
<b>Petroleum</b>						
<b>Retail Prices (sene/ltr)</b>						
Petrol	2.56	2.89	2.56	2.89	12.9	12.9
Kerosene	2.19	2.66	2.19	2.66	21.5	21.5
Diesel	2.53	3.02	2.53	3.02	19.4	19.4
<b>FOB Prices (USD/bbl)</b>						
Petrol	67.40	85.67	67.40	85.67	27.1	27.1
Kerosene	68.31	95.14	68.31	95.14	39.3	39.3
Diesel	68.61	95.92	68.61	95.92	39.8	39.8

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