



GOVERNMENT OF SAMOA
MINISTRY OF FINANCE
QUARTERLY ECONOMIC REVIEW

Issue No 87

Second Quarter FY2019/20 (Oct-Dec 2019)

Twelve Months Review (Jan – Dec 2019)

Gross Domestic Product

Samoa's economy for the second quarter of FY2019/20 registered a total of \$498.9 million in real terms, which is a decrease of 3.7% from the corresponding quarter of the previous financial year. During the reviewing period, a national State of Emergency was declared by the Government due to the measles outbreak which lasted for a period of six weeks starting from 17 November to 29 December 2019. Due to this outbreak, the following industries experienced downward trends which led to the overall fall in GDP: Fishing (-21.0%), Food & Beverages Manufacturing (-13.3%), Communication (-11.6%), Transport (-9.5%), Electricity and Water (-8.7%), Commerce (-8.2%) and Accommodation & Restaurants (-3.9%). On the contrary, the industries which recorded positive growths for the reviewing period include: Other Manufacturing [12.4%], Construction [10.3%], Financial Services [5.8%] and Agriculture [2.2%]. All these percentages are compared to the second quarter of the previous financial year.

On an annual basis (Jan – Dec 2019), **GDP at constant prices** increased by 2.3% to stand at \$2,050.8 million when compared to the twelve months period of Jan – Dec 2018. This growth portrays the preparation efforts Samoa put into hosting the Pacific Games in July 2019. More so, the following industries were the main contributors to this yearly growth (percentages are from comparison to the same period of the previous financial year) including: Accommodation & Restaurants [23.4%], Other Manufacturing [16.6%], Construction [14.2%] and Food & Beverages Manufacturing [10.4%]. Although Samoa recorded negative growth in the last quarter of the mentioned annual period due to the measles outbreak, this was offset by the positive growths experienced in the first three consecutive quarters.

Employment

The total number of **formal paid employment** stood at 24,375 at the end of December quarter FY2019/20 quarter which represented a decline of 0.3% (71 employees) compared to the same quarter of FY2018/19. This downward trend was caused by falls in the number of employed persons in the Primary (-7.2%) and Tertiary (-0.7%) industries. On the other hand, the number of employed persons in both the Secondary and Public Administration industries increased by 1.5% and 0.3% respectively over the comparable quarter of the previous financial year.

Trade & Balance of Payments

In the reviewing quarter, the **total commodity export** was recorded at \$32.5 million which is a 0.3% increase compared to the same quarter of the previous fiscal year 2018/19. This slight increase was caused by the increases registered to the exports of fresh fish, coconut oil, cigarettes, kava and others which offsets the drop recorded to some major exports namely beer, nonu juice and taro. Whilst, total commodity imports recorded a spike increase of 12.3% compared to the same quarter (December quarter) of the previous financial year. These movements are consequences of the increase in demand from both the private sector and government to all necessities that can cater to the impact from the measles outbreak.

Current account balance recorded a deficit of \$7.22 million in December quarter of 2019/20, a drop equivalent to (-117.9%) compared to the surplus in December quarter of 2018/19. This fall was driven by the deficit registered from the balance on trade in goods and balance on primary income of \$240.01 million and \$10.43 million in the reviewing quarter. The **Capital account** on the other hand was valued at \$14.10 million by the end of the December quarter FY2019/20, which was a decrease of 55.5% when compared to the December quarter of the previous

financial year 2018/19. The **financial account** recorded a surplus of \$41.04 million, increasing from a \$21.79 million surplus that was recorded in the same period of the previous quarter. This surplus was due to the improvement of all investment flows within the economy as a result of the measles outbreak measures that were implemented during the declaration of the state of emergency in late 2019. The **overall balance of payments** stood at a deficit of \$13.33 million for the December quarter period of 2019/20.

In the **calendar year basis**, exports increased by 22.4% while imports increased by 9.8% for 2019 over 2018 and thus causing an increase of 7.9% in the balance of trade in goods deficit for the reviewing period. Moreover, the **current account** balance declined by 31.8% which was caused by deficit recorded from the balance on goods, services, and primary income of \$448.65 million. The **capital account** reported a surplus of \$39.44 million which is lower compared to the surplus of \$57.79 registered in 2018. This resulted in a \$48.64 million deficit in the **overall balance of payments** in 2019 compared to 2018.

Tourism and Remittances

For the second quarter of FY2019/20, **tourist arrivals** stood at 45,964 depicting a decrease of 21.3% when compared to the second quarter of the previous financial year. This quarterly fall was influenced by declining numbers in tourists arriving for: holidays (-13.8%), visiting friends and relatives (-19.0%), sports (-50.2%) and cruise ships (-84.7%). On the other hand, the number of tourists arriving for business went up by 31.6% for the reviewing quarter. Tourism earnings for the reporting period stood at \$139 million which is a decrease of 8.2% over its comparable period in the previous financial period. The fall in both the number of tourist arrivals and tourism earnings for the reviewing quarter came as a result of the measles outbreak which diverted tourists away from visiting Samoa. In the twelve months to December 2019, tourist arrivals and tourism earnings both went up by 5.9% and 7.0% respectively. A large fraction of these positive growths were due to a sharp increase in the number of tourists arriving for the Pacific Games.

Remittances for the second quarter of FY2019/20 dropped by 4.9% over the comparable period of FY2018/19. Annually (Jan – Dec 2019), remittances grew by 2.8% resulting from increases in remittances for Churches and non-government schools (22%), Samoan individuals (5%) and others (43%).

Money Supply

Money supply stood at \$1,242.87 million at the end of December FY2019/20, an increase of 4.6% over the end December FY2018/19. Narrow money (M1) and Quasi money (M2) both contributed to this result with increases of 4.7% and 4.6% respectively. Net Domestic Credit increased by 3.1% over the end of December 2018/19. This result was mainly caused by an increase in Net Credit to Non-financial Public Sector and an increase in Credit to Private Sector by 11.1% and 6.9% respectively.

Exchange Rates

The exchange rate for December quarter FY2019/20 showed the different movements in Samoa's tala appreciating against the AUS, EUR and FJD currencies and depreciating against the USD, NZD, and YEN currencies. On an annual basis, the Samoan tala recorded depreciation against US and YEN currencies and appreciation against NZD, AUD, EUR and FJD currencies.

Foreign Reserves

At the end of the second quarter of FY2019/20 (December quarter), gross official **Foreign Reserves** increased by \$40.36 million from the same quarter of FY2018/19 to stand at \$485.94 million. The import cover of the reviewing quarter remains at 6.2 months from the same quarter of the previous financial year.

Fiscal Performance

The **Net Operating Balance** [Revenue less Operating expense] for December quarter FY2019/20 showed a surplus of \$36.04 million, which is \$12.71 million lower compared to the same quarter of FY2018/19. The reason for this movement was because revenue decreased by \$3.17 million due to the decreases registered from both grants and other revenue by 32.0% and 26.7% respectively. Expenses reported an increase of \$9.54 million resulted from the increases in

subsidies, use of goods and services, social benefits, compensation of employees and grants by [121.4%], [9.6%], [8.1%], [6.3%] and [3.0%] respectively. These increases were mainly because of the COLA impact on salaries and wages to all public servants including SOEs which channelled through grants expenses. Expenses for resources allocated to additional employments from the public administration industry as per Employment report and resources allocated for the outbreak is another contributing factor on top of normal additional expenses on the use of goods and services. The Net Lending/Borrowing (Overall Deficit) recorded a surplus of \$5.39 million in the reviewing quarter, a decrease of \$37.81 million from the \$43.20 million registered in the same period of the last fiscal year (FY2018/19). This was mainly due to the increase in both operating expenses and expenditure on project developments against the total revenue collected for the reviewing period.

The twelve months period ending December 2019 recorded a surplus for Net Operating Balance as well as Net Lending/Borrowing of \$123.51 million and \$29.47 million [in the reviewing period] which is equivalent to 6.4% and 1.0% of GDP respectively.

External Debt

The official **Government debt** for December quarter FY2019/20 stood at \$1,028.47 million which is \$35.41 million lower when compared to the corresponding quarter of the previous financial year. Correspondingly, this is equivalent to 47.1% of GDP. Multilateral and bilateral loans accounted for 53.5% [\$550.53 million] and 46.5% [\$477.94 million] of disbursed outstanding debt [DOD] respectively.

Total Debt servicing for the reviewing quarter was recorded at \$13.26 million, increased by 4.7% which is equivalent to 0.6 million when compared to the same quarter of FY2018/19. In the twelve months period ending December 2019, \$71.42 million was registered for total debt servicing in the reviewing period.

Consumer Prices

The Consumer Price Index for the reviewing period increased by 2.5% compared to the same quarter of FY2018/19. This growth was mainly because of the decrease in prices of items for Alcoholic Beverages and Tobacco (-3.2%), Education (-2.9%), Health (-0.2%), Clothing and Footwear (-3.0) and Transport (-6.9%). On the other hand, increases were recorded in the following industries: Housing, Water, Electricity, Gas and other Fuels [9.6%], Restaurants and Hotel [7.7%], Food and Non Alcoholic Beverages [4.9%] and Communication [1.4%] respectively.

The **annual average inflation rate** stood at 1.1% at the end of December quarter FY2019/20, a decrease of 3.0% compared to the corresponding annual average quarter of FY2018/19. The local component of CPI decreased by 1.3 percentage point on annual basis over the corresponding period of FY2018/19.

Petroleum Prices

The **domestic** retail prices in the reviewing quarter decreased for petrol, kerosene and diesel by (-7.6%), (-10.9%) and (-9.3%) respectively over its comparable period of the previous financial year.

The **international** prices (USD per barrel) for petroleum in the second quarter of FY2019/20 recorded a decrease of (-20.5%) in petrol, (-20.8%) in kerosene and (-21.2%) in diesel from the corresponding period of the previous financial year.

TABLE 1: KEY ECONOMIC INDICATORS

	Jan – Dec 2018	Jan - Dec 2019	2QFY18/19	2QFY19/20	% Change 2QFY19/20 over 2QFY18/19	% Change Jan – Dec 2019 over Jan – Dec 2018
Nominal GDP (<i>SAT\$/million</i>)	2,156.62	2,237.35	569.7	544.6	-4.4	3.7
Real GDP (<i>SAT\$/million 2013 prices</i>)	2,005.68	2,050.84	518.22	498.94	-3.7	2.3
GDP per capita (<i>SAT\$ 2013 prices</i>)	10,067	10,209	-	-	-	1.4
Employment (<i>thousands – end period</i>)	24,446	24,375	24,446	24,375	-0.3	-0.3
Exports (<i>SAT\$/million</i>)	109.52	134.00	32.40	32.49	0.3	22.4
Imports (<i>SAT\$/million</i>)	861.52	945.75	242.71	272.50	12.3	9.8
Trade Deficit (<i>SAT\$/million</i>)	-752.00	-811.75	-210.30	-240.01	14.1	-7.9
Tourism Earnings (<i>SAT\$/million</i>)	495.45	529.96	151.3	139.0	-8.2	7.0
Tourism Arrivals	183,525	194,373	58,418	45,964	-21.8	5.9
Remittances (<i>SAT\$/million</i>)	528.31	542.96	149.05	141.77	-4.9	2.8
Inflation (<i>% annual average – end period</i>)	4.1	1.1	1.3	2.5		
Gross Official Foreign Reserves (<i>SAT\$/million - end period</i>)	445.58	485.94	445.58	485.94	9.1	9.1
Balance of Payment	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)		
Current Account	57.79	39.44	40.37	-7.22	-117.9	-31.8
Capital Account	80.92	43.20	31.69	14.10	-55.5	-46.6
Overall Balance	89.73	-48.64	7.09	-13.33	-287.9	-154.2
Exchange Rates	(<i>Annual average rates</i>)		(<i>Quarter average rates</i>)			
USD	0.3861	0.3783	0.3813	0.3807	-0.2	-2.0
NZD	0.5659	0.5710	0.5663	0.5654	-0.2	0.9
AUD	0.5277	0.5435	0.5404	0.5437	0.6	3.0
EURO	0.3290	0.3382	0.3330	0.3396	2.0	2.8
FJD	0.8084	0.8154	0.8148	0.8202	0.7	0.9
YEN	42.5847	41.1576	42.0907	41.4436	-1.5	-3.4
Government Finance Statistics	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)		
Total Revenue	680.55	721.04	188.61	185.44	-1.7	5.9
Total Expenditure	523.64	597.53	139.86	149.40	6.8	14.1
Net Operating Balance	156.91	123.51	48.75	36.04	-26.1	-21.3
Net Lending / borrowing	87.78	29.47	43.20	5.39	-87.5	-66.4
External Debt (<i>end of period</i>)	1063.88	1028.47	1063.88	1028.47	-3.3	-3.3
Debt Servicing	71.71	71.42	12.66	13.26	4.7	-0.4
Petroleum Retail Prices (<i>sene/ltr</i>)						
Petrol	2.89	2.67	2.89	2.67	-7.6	-7.6
Kerosene	2.66	2.37	2.66	2.37	-10.9	-10.9
Diesel	3.02	2.74	3.02	2.74	-9.3	-9.3
FOB Prices (<i>USD/bbl</i>)						
Petrol	85.67	68.14	85.67	68.14	-20.5	-20.5
Kerosene	95.14	75.35	95.14	75.35	-20.8	-20.8
Diesel	95.92	75.61	95.92	75.61	-21.2	-21.2

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