



GOVERNMENT OF SAMOA
MINISTRY OF FINANCE
QUARTERLY ECONOMIC OVERVIEW

Issue No 81

Fourth Quarter (Apr-Jun 2017/18)

Twelve months review (Jul 2017 – Jun 2018)

Gross Domestic Product

The real GDP for June quarter 2017/18 amounted to \$462.9 million, recording an increase of 3.2% compared to the corresponding quarter of the previous FY(2016/17). The reasons behind this increase were due to the rise in the Construction by (24.2%), Personal and other service (14.6%), Food & Beverage manufacturing (9.1%), Accommodation and Restaurants (8.7%), Fishing (7.5%), Public administration (6.0%), Communication (5.6%) and Business services (4.9%) respectively. On the contrary, industries contributed negatively to the growth were mainly Transport, Other manufacturing, Agriculture, Financial Services and Electricity and water by -20.6, -18.9%, -15.6%, -7.3% and -1.1% when compared to the same quarter of the previous financial year.

In the Fiscal Year basis of 2017/18 (Jul 2017 – Jun 2018), GDP at constant prices recorded a slight increase by 0.7% from the Fiscal Year 2016/17 (Jul 2016 – Jun 2017). Other Manufacturing was the largest contributor to the gradual growth over this period at around -31.4% which was mainly the impact from the closure of Yazaki Samoa. Whilst, Fishing and Agriculture also contributed negatively to the slow growth pace for the reviewing period by continued to deteriorate due to the negative impact of Cyclone Gita. Other manufacturing (31.4%), Fishing (20.0%), Financial service (-9.0%) and Less: Enterprise share of FISIM (-9.0%) also contributed negatively to the growth for the reviewing period.

Employment

Total number of persons in formal paid employment stood at 24,244 at end of June 2017/18 quarter, increased by 0.4% (107 employees) when compared to June quarter 2016/17. This was driven by increases in Restaurants, Education, Personal Services,

Transport, Construction and Accommodation. The main driver to this increase was the Primary sector with an increase of (4.7%), followed by Public Administration (3.8%) and Tertiary (3.3%) respectively, whilst Secondary industry recorded a negative growth.

Trade & Balance of Payments

In the reviewing quarter, the merchandise trade deficit increased by 12.4% to stand at a deficit of \$185.08 million in the reporting quarter compared to the same quarter of the previous fiscal year. Mainly due to the drop in the value of export caused by the fall to major commodity export namely the taro and fish by -50.3% to -31.8% when compared to the same quarter of the previous financial year. Whilst, total value of import increased due to the increase demand of petroleum and other imports, hence another reason for the increase to the merchandise deficit.

The current account balance in June quarter 2017/18 increased by 49.0% when compared to the fourth quarter of FY2016/17 to stand at \$32.20 million surplus for the reviewing quarter. This was fuelled by the increase to Secondary Income balance by 40.6%. Similarly, the capital account balance dropped by 46.5% in the reviewing quarter when compared to the same quarter of FY2017/18 and stood at \$16.64 million surplus. The financial account registered a negative balance of \$12.53 million for the reviewing quarter of FY2017/18. The overall balance for June quarter 2017/18 stood at \$52.54 million surplus, an increase of \$28.26 million from the overall balance of \$24.28 million registered in the same quarter of the previous fiscal year.

On the fiscal year basis, exports for goods decreased by 5.2% to stand at 91.35 million whilst imports registered an increase of 5.9% to stand at \$828.82

million. This leads to the increase in Merchandise trade deficit by 7.5% to stand at \$737.47 million deficit when compared to the comparable fiscal year 2016/17. The current account balance for the reviewing fiscal year registered a surplus of \$51.19 million. This was driven by the increases in Trade Balance in Services and Secondary Income by 15.6% and 25.2% respectively. Financial account on the other hand recorded a \$4.16 million surplus, a drop of 66.9% when compared to fiscal year 2016/17. This leads to the overall balance of payments of \$106.90 million surplus for the reviewing fiscal year 2017/18.

Tourism and Remittances

Tourist arrivals amounted at 40,290 for June quarter 2017/18, an increase of 9.2% when compared to the June quarter 2016/17. The majority of tourists were from New Zealand (2,260), USA (1,015) and Europe (724). These increases were because of the well marketed and popularity of the Teuila festival as well the hosting of the international rugby test held in Samoa between Germany, hence the reason for the increase arrivals from Europe by about 59.1%. In terms of purpose of travel, visiting friends and relatives registered a 98.0% increase to the reviewing quarter which is equivalent to 10,379 people. This was mainly because of return students from overseas and travellers for the teuila festival. Tourist Earnings on the other hand also recorded an increase of 12.8% to stand at \$115.9 million for the reviewing quarter when compared to the June quarter 2016/17. In terms of purpose, visitor's friends and relatives also recorded as the main contributor to the increase in earnings. For earnings by market, Europe, USA and New Zealand registered as the main contributor to the increase in earnings by 65.0%, 53.7% and 15.2% growth respectively. In the financial year 2017/18, visitor arrivals increased by 11.6%, whilst tourism earnings increased by 15.7%. These increases were the end results of the stated events.

Remittances in the reporting quarter 2017/18 recorded an increase of 33.9% compared to the same period of the previous financial year (2016/17). In the twelve months to June 2018, remittances increased by 24.1% compared to the twelve months to June 2017.

Money Supply

Money supply for the reviewing quarter stood at \$1,124.44 million, an increase of 16.5% over the June quarter of FY2016/17. This increase was from the 23.1% increase in Narrow-money (M1) and 11.7% increase in Quasi-money (M2). Domestic credit declined by 1.4% from the June quarter of the previous fiscal year. This was caused by a decrease in Net Credit to Non-financial Public Sector of 18.3%, decreased Credit to Private of 0.7% and lastly, a 19.4% increase in Net Credit to Non-monetary Financial Institutions.

Exchange Rates

The different movements in exchange rate for June quarter 2017/18 showed the Samoan tala appreciating against the NZD and AUD currencies and depreciating against the USD, EUR, YEN and FJ currencies. In the twelve months to June 2018, the tala recorded an appreciation against the USD and YEN and depreciating against the EUR, AUD, NZD and FJ currencies.

Foreign Reserves

The end of June quarter for 2017/18 showed gross foreign reserves standing at \$422.74 million. Reserves increased by \$109.95 million when compared to the same quarter of the previous financial year. Furthermore, this is also equivalent to 6.1 months of import goods, an improvement from 4.8 months recorded in the same quarter of the previous financial year.

Fiscal Performance

The Net Operating Balance (Revenue less Operating expense) for June quarter 2017/18 showed a surplus of \$32.95 million, which is \$3.25 million drop from June quarter of 2016/17. The reason for this decrease was due to the drop in revenue because of the decline in grants by -23.1% while expenses still expanding mainly from the increases to the use of goods and services and compensation of employees by 37.8% and 31.1% respectively. However, a deficit of \$11.55 million was recorded for Net Lending and Borrowing in the reviewing quarter. This was mainly because of the continued effort of the government to major infrastructure development and other projects such as

the bridge at Vaisigano, Roads development, Airport Development, Tui Samoa Cable and etc.

External Debt

Total Official Government Debt outstanding stood at \$1,094.26 million as of June quarter 2017/18 which is a \$76.38 million increase from the figures recorded in the same quarter of the previous financial year. Correspondingly, this is equivalent to 51.7% of GDP. Multilateral loans amount of \$563.10 million accounted for 52.5% of disbursed outstanding debt (DOD) while bilateral loans amount of \$483.49 million accounted for 47.5%.

Total debt servicing for June quarter 2017/18 amounted to \$12.82 million which is a \$3.05 million (31.2%) increase from the comparable quarter of the previous fiscal year (2016/17). In the twelve months to June 2018, total debt servicing registered an increase of \$15.67 million to stand at \$69.68 million compared to the twelve months to June 2017.

Consumer Prices Index

The reviewing quarter's Consumer Price Index increased by 5.8% from the comparable quarter of the previous FY 2016/17. Mainly because of the increase in prices of items for Education (14.1%), Food and Non Alcoholic Beverages (11.1%), , Transport (5.7%) and Alcoholic Beverage and Tobacco (4.4%). This was mainly due to the increase in demand for education resources locally, the imposing of tax on salty and sugary food products upon the increasing of overseas prices on Food and Beverages, the increase in prices of fuel from overseas and the revising upwards of some of the tax imposed on Alcohol and tobacco products. On the contrary, Housing-Water-Electricity-Gas-Other Fuel, Clothing-Footwear and Furnishing-Household Equipment-Routine-Household recorded a decline by -5, -2.1 and -2 respectively.

The annual average rate of inflation at end June 2017/18 stood at 3.7%, an increase of 2.4 percentage points when compared to the rate recorded at the end of June 2016/17. The local component of the CPI increased by 10.9 percentage points on an annual basis, whilst the import component increased by 0.8 percentage points over the corresponding 2016/17 period.

Petroleum Prices

At end of June 2017/18, domestic retail prices registered the increases to the prices for kerosene, diesel and petrol by 19.3%, 15.7% and 11.3% respectively when compared to the same quarter of the previous financial year 2016/17.

International prices for the June quarter 2017/18 recorded the increases in prices for kerosene, diesel and petrol by 33.4%, 29.4% and 21.0% when compared to June quarter 2016/17.

TABLE 1: KEY ECONOMIC INDICATORS

	Jul 2016 – Jun 2017	Jul 2017 - Jun 2018	4QFY16/17	4QFY17/18	% Change 4QFY17/18 over 4QFY16/17	% Change 2017/2018 over 2016/2017
Nominal GDP (SAT\$/million)	2,133.81	2,210.93	510.54	543.13	6.4	3.6
Real GDP (SAT\$/million 2009 prices)	1,891.93	1,905.53	448.37	462.89	3.2	0.7
GDP per capita (SAT\$ 2009 prices)	9,637.22	9,637.49	-	-	-	0.0
Employment (<i>thousands – end period</i>)	24,137	24,244	24,137	24,244	0.4	0.4
Exports (SAT\$/million)	96.34	91.35	26.14	23.66	-9.5	-5.2
Imports (SAT\$/million)	782.46	828.76	190.85	208.74	9.4	5.9
Trade Deficit (SAT\$/million)	-686.12	737.41	164.71	185.08	-18.9	-11.1
Tourism Earnings (SAT\$/million)	387.63	448.36	102.72	115.86	12.8	15.7
Tourism Arrivals	146,387	163,323	36,884	40,290	9.2	11.6
Remittances (SAT\$/million)	405.17	502.63	102.59	137.35	33.9	24.1
Inflation (% <i>annual average – end period</i>)	1.3	3.7	1.3	3.7		
Gross Official Foreign Reserves (SAT\$/million - <i>end period</i>)	312.79	422.73	312.79	422.73	35.1	35.1
Balance of Payment	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>		
Current Account	-37.37	49.60	21.62	32.20	49.0	-232.7
Capital Account	109.51	75.13	31.08	16.64	-46.5	-31.4
Overall Balance	26.69	106.90	24.28	52.54	116.4	300.6
Exchange Rates	<i>(Annual average rates)</i>		<i>(Quarter average rates)</i>			
USD	0.3940	0.3944	0.3988	0.3850	-3.5	0.1
NZD	0.5616	0.5584	0.5468	0.5704	4.3	-0.6
AUD	0.5202	0.5148	0.5190	0.5240	1.0	-1.0
EURO	0.3466	0.3316	0.3487	0.3332	-4.4	-4.3
FJD	0.8131	0.8108	0.8167	0.8069	-1.2	-0.3
YEN	43.3510	43.6642	44.6861	42.5868	-4.7	0.7
Government Finance Statistics	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>		
Total Revenue	617.40	631.64	162.60	168.40	3.6	2.3
Total Expenditure	490.10	514.20	126.40	135.45	7.2	4.9
Net Operating Balance	127.30	117.45	36.20	32.95	-9.0	-7.7
Net Lending / borrowing	-20.10	1.52	-4.20	-11.55	175.0	-107.6
External Debt (<i>end of period</i>)	1017.98	1094.36	1017.98	1094.36	7.5	7.5
Debt Servicing	54.01	69.68	9.77	12.82	31.2	29.0
Petroleum						
Retail Prices (sene/ltr)						
Petrol	2.48	2.76	2.48	2.76	11.3	11.3
Kerosene	2.07	2.47	2.07	2.47	19.3	19.3
Diesel	2.42	2.80	2.42	2.80	15.7	15.7
FOB Prices (USD/bbl)						
Petrol	64.81	78.43	64.81	78.43	21.0	21.0
Kerosene	63.88	85.20	63.88	85.20	33.4	33.4
Diesel	64.69	83.70	64.69	83.70	29.4	29.4

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

