



GOVERNMENT OF SAMOA
MINISTRY OF FINANCE
QUARTERLY ECONOMIC REVIEW

Issue No 85

Fourth Quarter (Apr-Jun 2018/19)

Twelve months review (Jul 2018 – Jun 2019)

Gross Domestic Product

The economy's real GDP for the reviewing quarter amounted to \$511.2 million, showcasing an increase of 5.6% when compared to the same quarter of the previous financial year (2017/18). The driving factors behind this boost were due to Accommodation and Restaurants (29.8%), Food and Beverages Manufacturing (26.2%), Other Manufacturing (21.7%) and Electricity and Water (19.3%). These figures derived mainly from the positive economic activities in preparation to host the sixteenth Pacific Games. In contrast, the following industries experienced negative growth for the reviewing period: Business Services (-38.0%), Fishing (-20.1%), and Personal and Other Services (-13.3%).

In the twelve months to June 2019, GDP at constant prices grew by 3.5% when compared to the twelve months to June 2018. This growth resulted from increases in Accommodation and Restaurants (20.0%), Construction (12.2%), Electricity and Water (11.7%) and Food and Beverages Manufacturing (9.6%). The main contributing factor behind the growth in these industries were due to the economy's preparations to host the sixteenth Pacific Games in August 2019. On the other hand, the industries that recorded negative growths for this twelve month period include: Business Services (-21.1%), Fishing (-21.0%) and Personal and Other Services (-14.2%).

Employment

The total number of formal paid employment stood at 24,431 at the end of June 2018/19 quarter. This records an increase of 0.8% compared to the same quarter of FY2017/18. This was primarily caused by an increase in Secondary Sector which recorded a 6.6% growth in the number of employment. Moreover, the Primary sector also recorded an increase in employment numbers by 6.6% whereas the Tertiary sector dropped by 0.6%.

Trade & Balance of Payments

For the reviewing June quarter, a trade deficit of \$31.61 million was recorded, which is equivalent to an increase of 33.6% over the comparable quarter in the previous financial year. The main reasons behind this increase were due to export growth for the following: coconut cream (486.2%), cigarettes (122.4%), spring water (99.3%), kava (48.5%) and fresh fish (35.4%). Domestic exports and re-exports for the fourth quarter of FY2018/19 over FY2017/18 were 66.7% and -6.7% respectively. The total value of imports also increased by 12.3% when compared to the same quarter of the previous financial year.

The current account balance for the fourth quarter of FY2018/19 recorded a deficit of \$20.0 million which is a 244.7% decrease over the comparable period of the previous financial year. This decrease was due to a fall in the Balance on Primary Income by 74.8% and a 30.4% fall in the Balance on Goods, Services and Primary. In contrast, the Capital Account increased by 69.5% to stand at \$30.75 million when compared to the same quarter of the previous financial year. The Financial Account also increased by \$63.6 million to stand at \$18.0 million. This increase follows a 243.5% rise in Direct Investment, a 128.0% rise in Portfolio Investment and a 107.2% rise in Other Investments for the reporting quarter. The overall balance for June quarter 2018/19 amounted to \$16.89 million surplus, which is a 68.0% decrease from the overall balance for the same quarter of the previous financial year.

On an annual basis, trade exports for goods amounted to \$130.94 million which is a 43.3% increase from the 12 months period of July 2018 to June 2019. Imports also increased by 10.4% when comparing the fourth quarter of FY2017/18 to the fourth quarter of FY2018/19 to stand at \$914.66 million. The overall current account balance increased from \$17.23 million

in the fourth quarter of FY2017/18 to \$35.08 million in the reviewing fourth quarter. The reasons behind this increase include: a 35.2% increase in the Balance on Primary Income, a 10.1% increase in the Balance on Secondary Income and an 11.8% increase in the Balance on Trade in Services over the comparable period of the previous financial year. The financial account stood at \$48.69 million in the twelve months to June 2019. As a result, the overall balance of payments in the twelve months period from July 2018 to June 2019 decreased to a \$2.92 million surplus from a \$100.15 million surplus in the comparable period ending June 2018.

Tourism and Remittances

Tourist arrivals for the reviewing quarter summed up to 44,284 tourists. This is a 4.7% increase when compared to the fourth quarter of the previous financial year. This increase was mainly due to: a 69.0% increase in tourists who travelled to Samoa for business, a 50.3% increase in the number of tourists who travelled to Samoa for a holiday, and a 15.6% increase in the number of tourists who travelled to Samoa for sports. Similarly, tourism earnings for the reporting quarter also increased by 12.4% to stand at \$134.01 million when compared to the same quarter of the previous financial year. The contributing factors behind this growth include increases in tourism earnings from: Other Countries (38.4%) and Australia (37.6%). The category of Other Countries in this case refers to any other country except American Samoa, Australia, Europe, New Zealand and USA. Moreover, the majority of these earnings came from tourists who travelled to Samoa for: Business (74.6%), Holiday (58.1%) and Sports (14.0%). These percentages indicate the increase for the different types of Earnings by Purpose between the fourth quarter of FY2018/19 and the fourth quarter of FY2017/18. In the twelve months to June 2019, visitor arrivals increased by 8.8%. Tourism earnings also increased by 13.1% during the reporting twelve months period. This growth was the outcome of an increase in the number of tourists who travelled to Samoa to visit friends and relatives.

Remittances for the fourth quarter of FY2018/19 registered a 1.5% increase over the comparable period of FY2017/18. Annually (July 2018 to June 2019),

remittances increased by 11.4% over the twelve months period to June 2018. These increases were the results generated from increases in remittances for both Churches and non-government schools (14.29%) and for Samoan individuals (6.92%).

Money Supply

Money supply for the fourth quarter of FY2018/19 stood at \$1,236.32 million. This is equivalent to an increase of 9.9% over the comparable period of the previous financial year. The reasons behind this increase include a 7.2% growth in Quasi-money (M2) and a 13.4% growth in Narrow-money (M1). Domestic credit increased by 5.0% in the reporting quarter over its comparable quarter of the previous financial year. This was mainly due to a 9.5% increase in Net Domestic Credit, a 6.1% increase in Credit to Private Sector and a 2.7% increase in Net Credit to Non-monetary Financial Institutions. On the other hand, Credit to government decreased by 47.2% while Net Credit to Non-monetary Public Enterprises decreased by 20.3%.

Exchange Rates

The exchange rates for June quarter 2018/19 showed the Samoan tala appreciating against the AUD, EUR and FJ currencies and depreciating against the USD, NZ and YEN currencies. In the twelve months to March 2019, the Samoan tala recorded depreciation against the USD and YEN and appreciate against the NZD, AUD, EUR and FJ currencies.

Foreign Reserves

At the end of the fourth quarter 2018/19 (June Quarter), gross official foreign reserves increased by \$96.54 million from the same quarter of 2017/18 to stand at \$417.93 million. This was equivalent to 6.7 months of import of goods, an improvement from the 6.1 months recorded in the same quarter of the previous financial year.

Fiscal Performance

The Net Operating Balance (Revenue less Operating expense) for June quarter of FY 2018/19 showed a surplus of \$37.57 million. This showed a \$4.65 million increase from the \$32.92 million surplus recorded in the same period of the previous financial year (2017/18). The reason for this movement was because revenue increased by \$31.84 million due to

increases in grants and other revenue by 116.0% and 154.8% respectively. Expenses increased by \$27.19 million from increases in social benefits, use of goods and services, subsidies and compensation of employees by (60.0%), (34.3%), (28.0%) and (9.3%) respectively. The Net Lending/Borrowing [or Overall Deficit] recorded a surplus of \$30.55 million in the reporting quarter, an increase of \$43.76 million from the negative balance of \$13.21 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 (-84.8%) [negative \$39.11 million] due to the delay in disbursement of funds for government's ongoing projects from the previous fiscal year.

External Debt

The official government debt for June quarter 2018/19 stood at \$1,043.63 million which is a \$50.63 million decrease when compared to the corresponding quarter of the previous financial year. Correspondingly, this is equivalent to 46.8% of GDP. Multilateral and bilateral loans accounted for 52.1% (\$544.21 million) and 47.9% (499.42 million) of disbursed outstanding debt (DOD) respectively.

Total debt servicing for the reviewing quarter was recorded at \$12.65 million, a decrease of 0.2 million (-1.3%) from the same quarter of the previous fiscal year 2017/18. In the twelve months to June 2019, total debt servicing registered an increase of \$1.32 million to stand at \$71.00 million compared to the twelve months to June 2018.

Consumer Prices

The Consumer Price Index for the reviewing period decreased by 0.1% compared to the same quarter of the previous (FY 2017/18). This growth was mainly due to decreases in the prices of items for Recreation and Culture (-6.5%), Food & Non Alcoholic Beverages (-3.6%) and Furnishings, Household Equipment & Routine Household Maintenance (-1.5%). On the contrary, increases were recorded in the following industries: Housing, Water, Electricity, Gas and other Fuels (6.2%), Health (5.0%), Restaurants & Hotels (4.9%) and Clothing & Footwear (0.9%) respectively.

On an annual basis, inflation rate stood at 2.1% at the end of June quarter FY2018/19, a decrease of 1.6% compared to the corresponding annual average quarter of the previous fiscal year FY2017/18. The local component of CPI increased by 1.6 percentage points on annual basis, whilst the import component decreased by 4.5 percentage points over the corresponding period (FY2017/18).

Petroleum Prices

The domestic retail prices for the reviewing quarter for petrol and diesel decreased by 1.8%, and 0.7% respectively compared to the same quarter of the previous fiscal year whereas Kerosene remains the same. Furthermore, the international prices (USD per barrel) for June quarter 2018/19 recorded decreases in petrol, kerosene and diesel by 0.5%, (-3.1) and (-1.2%) respectively when compared to the same quarter of [FY 2017/18].

TABLE 1: KEY ECONOMIC INDICATORS

	Jul 2017 – Jun 2018	Jul 2018 - Jun 2019	4QFY17/18	4QFY18/19	% Change 4QFY18/19 over 4QFY17/18	% Change Jul 2018 – Jun 2019 over Jul 2017 – Jun 2018
Nominal GDP (<i>SAT\$/million</i>)	2,105.71	2,225.16	513.2	554.3	8.0%	5.7%
Real GDP (<i>SAT\$/million 2013 prices</i>)	1,973.46	2,041.83	484.0	511.2	5.6%	3.5%
GDP per capita (<i>SAT\$ 2013 prices</i>)	9,824	10,165	-	-	-	3.5
Employment (<i>thousands – end period</i>)	24,244	24,431	24,244	24,431	0.8	0.8
Exports (<i>SAT\$/million</i>)	91.53	131.07	23.66	31.61	33.6	43.20
Imports (<i>SAT\$/million</i>)	828.76	914.66	208.74	234.49	12.34	10.36
Trade Deficit (<i>SAT\$/million</i>)	-737.40	-783.72	-185.08	-202.87	5.3	6.3
Tourism Earnings (<i>SAT\$/million</i>)	454.68	514.45	119.2	134.01	12.4	13.1
Tourism Arrivals	166,546	181,249	42,301	44,986	6.3	8.8
Remittances (<i>SAT\$/million</i>)	488.26	543.88	131.39	133.38	1.5	12.0
Inflation (<i>% annual average – end period</i>)	3.7	2.1	3.7	2.1		
Gross Official Foreign Reserves (<i>SAT\$/million - end period</i>)	399.06	490.71	399.06	490.71	23.0	23.0
Balance of Payment	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>		
Current Account	17.23	35.08	13.83	-20.00	-244.7%	103.6%
Capital Account	81.64	73.79	18.14	30.75	69.5%	-9.6%
Overall Balance	100.15	2.92	52.86	16.89	-68.0%	-97.1%
Exchange Rates	<i>(Annual average rates)</i>		<i>(Quarter average rates)</i>			
USD	0.3944	0.3813	0.3850	0.3801	USD	0.3944
NZD	0.5584	0.5683	0.5704	0.5675	NZD	0.5584
AUD	0.5148	0.5380	0.524	0.5429	AUD	0.5148
EURO	0.3316	0.3338	0.3332	0.3344	EURO	0.3316
FJD	0.8108	0.8117	0.8069	0.8131	FJD	0.8108
YEN	43.6642	42.1440	42.5868	40.9612	YEN	43.6642
Government Finance Statistics	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>		
Total Revenue	645.39	695.79	168.37	200.21	18.9	7.8
Total Expenditure	515.51	582.27	135.45	162.64	20.1	12.9
Net Operating Balance	129.87	113.52	32.92	37.57	14.1	-12.6
Net Lending / borrowing	-4.35	60.39	-13.21	30.55	-331.3	-1489.4
External Debt (<i>end of period</i>)	1094.26	1043.63	1094.26	1043.63	-4.6	-4.6
Debt Servicing	69.68	71.00	12.82	12.65	-1.3	1.9
Petroleum						
Retail Prices (sene/ltr)						
Petrol	2.76	2.81	2.76	2.81	1.8%	1.8%
Kerosene	2.47	2.47	2.47	2.47	0.0%	0.0%
Diesel	2.80	2.82	2.80	2.82	0.7%	0.7%
FOB Prices (USD/bbl)						
Petrol	78.43	78.83	78.43	78.83	0.5%	0.5%
Kerosene	85.20	82.58	85.20	82.58	-3.1%	-3.1%
Diesel	83.70	82.69	83.70	82.69	-1.2%	-1.2%

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