



GOVERNMENT OF SAMOA
MINISTRY OF FINANCE
QUARTERLY ECONOMIC REVIEW

Issue No 89

Fourth Quarter (Apr-Jun 2019/20)

Twelve months review (Jul 2019 – Jun 2020)

Gross Domestic Product

The reviewing quarter marks the third negative consecutive growth and the lowest the economy experienced over a decade. The economy dropped by 11.6% to stand at 453.3 million when compared to the same quarter of the previous financial year 2018/19. It is obvious that this adverse impact was primarily due to the COVID-19 pandemic which affected the country following the Measles epidemic in the second quarter of the reviewing financial year. The negative growth was mainly fuelled by Accommodation and Restaurants (-86.0%), Other Manufacturing (-50.2%), Constructions (-38.5%), Food and Beverages (-29.6%), Fishing (-29.5%), Transport (-20.8%), and Transport (-19.9%).

The overall financial year 2019/20, GDP at constant prices declined by 3.5% when compared to the previous financial year ending June 2020. The negative growth was the contribution of the measles and the COVID-19 impact. Fortunately, the adverse impact was cushioned by the positive impact from the Pacific Games which boosted the first quarter of the reviewing financial year. Main industries that contributed negatively to the overall economic performance include: Fishing (-20%), Accommodation and Restaurants (-17.3%), Business Services (-14.4%), Food and Beverages (-11.6%), Other Manufacturing (-10.5%), Construction (-8.9%) and Transport (-8.6%). On the contrary, Communication, Financial Services and Agriculture Industries grew positively by 7.7%, 4.9% and 2.2% respectively.

Employment

The total number of formal paid employment stood at 24,358 at the end of June 2019/20 quarter which represented a decline by 0.3% (75 employees) compared to the same quarter of 2018/19. This downward trend was mainly caused by a huge decrease in the Tertiary Sector; Accommodations (-

26.6%), Restaurants (-3.0%), Personal service (-4.3%) and other services (-0.9%). This decline reflects the negative impacts experienced by the country in employment opportunities and job losses due to ongoing global effects of COVID-19 (Corona Virus) pandemic.

The Primary, Secondary and Public Administration sector recorded a slight growth in employment numbers by 2.6%, 0.7% and 0.9% respectively.

Trade & Balance of Payments

Total commodity exports amounted to \$28.51 million for the June quarter of FY2019/20. This reflects a 9.8% decrease when compared to the June quarter of FY2018/19. The decrease reflected is due to a drop in the majority of Samoa's major exporting goods which include: coconut oil, nonu fruit, spring water, nonu juice, scrap metal, coconut cream, beer, domestic exports, cigarettes, kava, fresh fish and coconuts. Total commodity imports also dropped by 31.4% in the reviewing quarter when compared to the same quarter of the previous financial year to stand at \$160.8 million. This is the second consecutive quarter whereby both exports and imports have recorded decreasing trends. Again, this is a reflection of the impacts of the COVID-19 pandemic where it has positioned the government to strictly monitor its budget by importing mainly the necessity items needed while at the same time, the level of exports are being limited by strict lockdown and trading regulations in our overseas markets.

The Current account balance registered a surplus of \$16.1 million in the reviewing quarter, increasing by 240.6% when compared to the same quarter of the previous financial year. This surplus came as a result of increase in the amounts recorded for Balance on Goods, Services and Primary (up by 8.1%) and Balance on Secondary Income (up by 14.8%) over the comparable quarter of the previous financial year.

Similarly, the Capital account also went up by 90.6% from the previous June quarter FY2018/19 to stand at \$50.35 million in June quarter FY2019/20. This rise was driven by increases in both Capital Account Credit and Capital Account Debit. The financial account registered a deficit of \$50.0 million due to a fall in Direct Investment (Net) and Other Investments (Net). The deficit for the reviewing quarter is a 697.6% drop from the previous June quarter of FY2018/19.

On a twelve months comparison basis (from Jul18-Jun19 to Jul19-Jun20), both exports and imports decreased by 2.4% and 6.7% respectively and thus decreasing the Balance of Trade in Goods by 7.4%. The current account balance increased by 7.3% as a result of an increase in the Balance on Secondary Income. The capital account similarly increased by 69.3% to arrive at a surplus amount of \$109.72 million. In summary, the overall balance of payments on an annual basis ending June 2020 stood at \$3.90 million. This reflects a 472.6% increase when compared to the twelve months period of Jul18-Jun19.

Tourism and Remittances

Tourist arrivals for the reviewing quarter recorded a massive decrease of 100% (Zero (0) tourist arrivals as of the end of June Quarter) when compared to the previous quarter. The colossal decrease reported was heavily driven by the Government's State of Emergency (SOE) actions due to COVID-19 pandemic, resulting in the restrictions in arrivals of only Samoan returning Citizens to try and ensure the virus from this pandemic will not hit our shores. As a consequence, it led to zero tourism earnings in the reporting quarter.

Remittances for the reported quarter of FY2019/20 registered a 14.4% increase over the comparable period of FY2018/19. Annually (Jul19 to Jun20), remittances increased by 4.8% over the twelve months period to June 2020. This increase was mainly generated from increasing in remittances on funds for Samoan Individuals (15%).

Money Supply

For the reviewing June quarter, money supply stood at \$1,225.45 million which is equivalent to a 0.88% decrease when compared to the June quarter of the

previous financial year. This drop was due to an 8.76% fall in Narrow money as well as a 3.25% in Net Domestic Credit between June quarter of FY2018/19 and June quarter of FY2019/20. The major reasons behind this fall were due to decreases in Net Credit to non-financial public sector (-33.9%), Net Credit to government (-31.8%), and Net Credit to non-monetary financial institutions (-19.2%).

Exchange Rates

The exchange rates for June quarter 2019/20 showed the Samoan tala appreciating against the NZD and AUD currencies and depreciating against the USD, EUR, FJ and YEN currencies. On an annual basis, the Samoan tala recorded a depreciation against USD and YEN currencies and appreciate against the NZD, AUD, EUR and FJ currencies.

Foreign Reserves

At the end of the last quarter 2019/20 (June Quarter), gross official foreign reserves increased by \$106.17 million from the same quarter of 2018/19 to stand at \$616.67 million. This was equivalent to 8.7 months of import of goods, an improvement from the 6.7 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 FY2019/20 showed a surplus of \$65.9 million. This showed a \$23.0 million increase from the \$42.9 million surplus recorded in the same period of the previous financial year (2018/19). Grants receipt for the reviewing quarter recorded a total of \$95.7 million, this is \$73.2 million higher in contrast to the comparable quarter, which inflated the total Revenue receipts for the reviewing period. Whilst tax registered a \$33.0 million lower in collection when compared to the collection of the same quarter of 2018/19. The rationale behind the movements are mainly due to assistance from donor partners to assist the country and the implementation of policy measures to help contract the adverse impact of the COVID-19. The Net Lending/Borrowing recorded a surplus of \$65.12 million in the reporting quarter. This surplus was caused from the surplus in operating balance and low development cost (Net Acquisition of Non-financial assets) incurred during the reviewing quarter as a result of no new projects during the period of the state of emergency. This is consistent with the drop

registered for the construction industry performance in the GDP.

In terms of fiscal year, the current fiscal year 2019/20, overall balance amounted to \$134.27 million, this is equivalent to 6.8% of GDP. This was fuelled by the surplus recorded in operating balance and the lower amount recorded in Net Acquisition of Non-financial Assets respectively.

External Debt

The official government debt for June quarter 2019/20 stood at \$786.22 million which is a \$257.41 million decrease when compared to the corresponding quarter of the previous financial year. Correspondingly, this is equivalent to 39.9% of GDP. Multilateral and bilateral loans accounted for 41% (\$322.28 million) and 59% (463.94 million) of disbursed outstanding debt (DOD) respectively.

Total debt servicing for the reviewing quarter was recorded at \$13.52 million, an increase of 0.9 million (6.9%) from the same quarter of the previous financial year 2018/19. In the twelve months to June 2020, total debt servicing registered an increase of \$6.56 million to stand at \$77.56 million compared to the twelve months to June 2019.

Consumer Prices

For June quarter FY2019/20, the Consumer Price Index decreased by 3.3% when compared to the June quarter of the previous FY2018/19. This drop was determined by decreases in the following groups: Transport (-17.1%), Housing, Water, Electricity, Gas and Other Fuels (-8.8%), Clothing and Footwear (-2.5%), Health (-2.5%), and Communication (-0.1%). These decreases were heavily influenced by the global drop in fuel prices for the reviewing quarter due to lockdowns in many countries arising from the COVID-19 pandemic. On the other hand, increases were recorded for the following groups: Restaurants and Hotels (4.7%), Furnishings and Household Equipment (2.8%), Alcohol, Beverages and Tobacco (2.7%), and Miscellaneous goods and services (2.8%).

At the end of June quarter FY2019/20, annual inflation rate stood at 1.6%, a decrease of 23.8% compared to

the corresponding annual average quarter of the previous financial year.

Petroleum Prices

The domestic retail prices for the reviewing quarter for Petrol, Kerosene and Diesel recorded a decrease by (-31.7%), (-38.1%) and (-27.7%) respectively over its compared period of the previous FY2018/19.

The international prices (USD per barrel) for petroleum in June quarter 2019/20 recorded a decrease in Petrol by (-75.3%), Kerosene by (-74.3%) and Diesel by (-65.2%) when compared to the same quarter of FY2018/19.

TABLE 1: KEY ECONOMIC INDICATORS

	Jul 2018 – Jun 2019	Jul 2019 - Jun 2020	4QFY18/19	4QFY19/20	% Change 4QFY19/20 over 4QFY18/19	% Change FY2019/20 over FY2018/19
Nominal GDP (<i>SAT\$/million</i>)	2,231.19	2,161.33	556.33	489.89	-11.9%	-3.1%
Real GDP (<i>SAT\$/million 2013 prices</i>)	2,046.91	1,975.49	512.77	453.28	-11.6%	-3.5%
GDP per capita (<i>SAT\$ 2013 prices</i>)	11,153	10,716	2,775	2,419	-12.7%	-3.9%
Employment (<i>thousands – end period</i>)	24,432	24,358	24,432	24,358	-0.3	-0.3
Exports (<i>SAT\$/million</i>)	130.94	127.85	31.61	28.51	-9.8	-2.4
Imports (<i>SAT\$/million</i>)	914.66	853.32	234.48	160.80	-31.4	-6.7
Trade Deficit (<i>SAT\$/million</i>)	-783.72	-725.46	-202.87	-132.29	-53.4	-8.0
Tourism Earnings (<i>SAT\$/million</i>)	454.68	514.45	119.2	134.01	12.4	13.1
Tourism Arrivals	198,884	125,682	46,689	0	19.4	-36.8
Remittances (<i>SAT\$/million</i>)	537.42	563.41	128.36	146.79	1.5	12.0
Inflation (<i>% annual average – end period</i>)	2.1	-3.3	2.1	-3.3		
Gross Official Foreign Reserves (<i>SAT\$/million - end period</i>)	510.50	616.67	510.50	616.67	20.8	20.8
Balance of Payment	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>		
Current Account	56.20	60.33	-11.4	16.1	-240.6	7.3
Capital Account	64.79	109.72	26.42	50.35	90.6	69.3
Overall Balance	-1.05	3.90	16.32	0.13	-99.2	-472.6
Exchange Rates	<i>(Annual average rates)</i>		<i>(Quarter average rates)</i>			
USD	0.3813	0.3705	0.3801	0.3733	-1.8%	-2.8%
NZD	0.5683	0.5831	0.5675	0.5819	2.5%	2.6%
AUD	0.5380	0.5543	0.5429	0.5444	0.3%	3.0%
EURO	0.3338	0.3337	0.3344	0.3324	-0.6%	0.0%
FJD	0.8117	0.8197	0.8131	0.8125	-0.1%	1.0%
YEN	42.1440	40.0547	40.9612	40.2036	-1.8%	-5.0%
Government Finance Statistics	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>		
Total Revenue	707.30	794.80	206.53	238.96	15.7%	12.4%
Total Expenditure	646.91	660.53	175.98	173.84	-1.2%	2.1%
Net Operating Balance	130.56	171.38	42.90	65.90	53.6%	31.3%
Net Lending / borrowing	60.39	134.97	30.55	65.12	113.1%	122.3%
External Debt (<i>end of period</i>)	1043.63	786.22	1043.63	786.22	-24.7	-24.7
Debt Servicing	71.00	77.56	12.65	13.52	6.9	9.2
Petroleum						
Retail Prices (sene/ltr)						
Petrol	2.81	1.92	2.81	1.92	-31.7%	-31.7%
Kerosene	2.47	1.53	2.47	1.53	-38.1%	-38.1%
Diesel	2.82	2.04	2.82	2.04	-27.7%	-27.7%
FOB Prices (USD/bbl)						
Petrol	78.83	19.44	78.83	19.44	-75.3%	-75.3%
Kerosene	82.58	21.26	82.58	21.26	-74.3%	-74.3%
Diesel	82.69	28.75	82.69	28.75	-65.2%	-65.2%

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