



GOVERNMENT OF SAMOA
MINISTRY OF FINANCE
QUARTERLY ECONOMIC REVIEW

Issue No 90

First Quarter FY2020/21 (Jul-Sep 2020)

Twelve months review (Oct 2019 – Sep 2020)

Gross Domestic Product

Economic performance for the reviewing quarter recorded the lowest drop of -16.3% when compare to the same quarter of the previous period of FY2019/20. This was primarily resulted from the impact of the COVID-19 which hindered developments that generates economic activities and opportunities for markets and employments. This was reflected in the performance of the following industries; Accommodation and Restaurants (-83.8%), Business Services (-69.8%), Transports (-44.0%), Communications (-29.8%), Fishing (-29.1%), Constructions (-25.2%) and Commerce (-12.4%). Even though remittances recorded an increase, this was offset by the decline in tourist earnings and in addition to the drop in goods export. These has several spill overs which prevents the economy through businesses to provide for employment opportunities which is also reflected in the formal employment sector visualising the same impact to the similar industries stated.

In the twelve-months period, the GDP drops at around -8.5% over the same period ending September 2019. This was mainly fuelled by the similar industries reported in the quarterly basis which are; Accommodation and Restaurants (-47.0%), Business Services (-29.6%), Fishing (-27.4%) and Transport (-22.2%). These industries are very vulnerable to the current pandemic and its negative implication to the global and domestic market and trade. Given that tourist arrivals have registered a 100% decline, the related industries that provides services and supplies in terms of goods also registered negative performance for instance: rental cars for tourist visits and tours, fresh fish for catering and restaurants tourist demand, and other business services that the tourism sector can rely on for improving their service to their guests such as laundry service, tour service, tourist site service and etc.

Employment

The total number of formal paid employment stood at 24,560 at the end of September quarter FY2020/21 quarter which represents a decline of -0.3% (79 employees) compared to the same quarter of FY2019/20. This downward trend was mainly caused by fall in the number of employed persons in the Tertiary sector (-2.1%): Accommodations (-44.5%), Restaurants (-16.3%), Transport (-4.9%), Personal Service (-2.2%) and Other Services (-0.8%). This negative impact reflected from ongoing global effects of the COVID-19 (Corona Virus) pandemic.

On the other hand, the number of employed persons in the Primary, Secondary and Public Administration industries increased by 13.5%, 2.6% and 2.4% respectively over the comparable quarter of the previous financial year.

Trade & Balance of Payments

The balance of trade in goods deficit improved to -\$162.10 million for the reviewing first quarter of FY2020/21 compared to the same quarter of the previous fiscal year. This was mainly due to the substantial drop recorded for the value of exports by -26.3% for September quarter FY2020/21 over the comparable quarter of the previous fiscal year. The cause was particularly from the decline in demand as a result of the pandemic border restrictions around the globe which affected the exchange between local developments and businesses in Samoa and overseas market. This was reflected from the decline to the major export products namely, Coconut Cream (-100%), Coconut oil (-97.7%), Scrap Metal (-78.7%), Kava (-75.0%), Spring Water (-68.3%) and Fresh Fish which is also the dominant of export items (-47.5%). Whilst, goods import was also registered a drop of

-17.3%, which is in line with the decline to economic activities as per report from the GDP section.

The balance of trade in services registered a deficit of -\$23.30 million. This was clearly resulted from the zero earnings reported from the tourism section.

The current account balance for September quarter 2020/21 registered a deficit of -\$44.22 million which is a result of the drop to the overall export of goods and services for the reviewing quarter of around -173.2% when compare to the same quarter of the previous fiscal year 2019/20. Capital Account recorded a surplus of \$46.98 million as a result of capital grants transfer from both the government of \$33.29 million and private sector of approximately around \$13.69 million for the reporting quarter. The overall balance therefore stood at a surplus of \$57.97 million for September quarter FY2020/21.

Tourism and Remittances

Tourist arrivals for the reviewing quarter recorded a huge decrease of 100% (Zero (0) tourist arrivals as of the end of September Quarter) when compared to the previous quarter (FY2019/20). This is the second consecutive quarter whereby Tourist arrivals have recorded negative trends. Consequently, it led to zero tourism earnings in the reporting quarter. Again, this is a reflection of the global effects and national restrictions of the ongoing COVID-19 pandemic.

Remittances for the reported quarter of FY2019/20 registered a 15.2% increase over the comparable period of FY2019/20. Annually (Oct19 to Sep20), remittances increased by 6.3% over the twelve-months period to Sept 2020. This increase was mainly generated from the increase in remittances of funds for Samoan Individuals (24%).

Money Supply

Money supply for the reviewing quarter stood at 1,260.93 million tala, an increase of 5.4% for September quarter of FY2020/21 over the September quarter of FY2019/20. This increase was due to a huge increase of 12.8% in Quasi Money (M2) where Narrow money (M1) record a decline of -3.7%.

Net Domestic Assets dropped by a rate of -10.2% compared to the same quarter of the previous fiscal year (FY 2019/20). This fall was driven by the slight decrease from Domestic credit (-7.1%) while other items (95.4%) and Capital Accounts (7.2%) picked up rapidly for the reviewing quarter over the comparable quarter of the previous fiscal year (FY 2019/20).

Exchange Rates

The exchange rate for September quarter 2020/21 showed the different movements in Samoan tala depreciating against the USD and YEN currencies and appreciating against the NZD, AUD, EUR and FJ currencies. On an annual basis, the Samoan tala recorded depreciation against the USD, EUR and YEN and appreciation against the NZD, AUD and FJ currencies.

Foreign Reserves

At the end of the first quarter of 2020/21 (September Quarter), gross official foreign reserves increased by \$224.81 million from the same quarter of 2019/2020 to stand at \$706.85 million. This was equivalent to 10.4 months of import of goods, an improvement from the 6.3 months recorded in the same quarter of the previous financial year.

Fiscal Performance

Total revenue registered an increase by 7.1% when compared to the same quarter of the previous fiscal year 2019/20. This was mainly driven by the increase in Grants and Other Revenue by 128.1% and 52.5% respectively. On the contrary, taxes collected dropped by around -11.3%. In terms of Expenses, it registered an increase of around 3.1% over the same quarter of the comparable period. This was mainly driven by the governments' commitment to stimulate the economy not stopping its operations into the different affected sectors and also the implementation of the stimulus packages 1 and 2. The implementation and its movements in the GFS were reflected from the increases in Subsidies, Other Expenses, Social Benefits and Grants by 706.2%, 224.1%, 37.7% and 28.1%. These were able to be covered by the increase in revenue collected with grant receipts which led to a

surplus Operating Balance of \$43.31 million for the reviewing quarter.

With the reported amount in Net Acquisition of Non-financial Assets of around \$0.63 million, the overall balance for September quarter FY2020/21 therefore calculated a surplus (net lending) of \$42.69 million, which was covered by the surplus operating balance. This surplus was mainly driven by the increase in grants which largely part of the covid-19 donor assistance. These assistances together with the increase in other revenue have given the government assertion to finance measures that were provided to cater for the need of the most affected sectors during this period of uncertainty through stimulus packages.

External Debt

The official government debt outstanding stood at \$803.63 million in September quarter 2020/21 which is a \$236.52 million decrease from the figures recorded in the same quarter of the previous financial year. Correspondingly, this is equivalent to 42.4% of GDP. Multilateral and bilateral loans accounts for 41% [\$331.13million] and 59% [\$472.50 million] are disbursed outstanding debt [DOD].

Total Debt servicing at the end of September quarter 2020/21 amounted to \$68.74 million which is a \$45.87 million increase from the comparable quarter of the previous financial year 2019/20. In the twelve months to September 2020, total debt servicing registered an increase of 52.61 million to stand at \$123.43 million compared to the twelve months to September 2019.

Consumer Prices

The Consumer Price Index for the reviewing period recorded a decline of 4.1% compared to the same quarter of the previous fiscal year [FY2019/20]. This drop was determined by decreases in the following groups: Food and Non Alcoholic Beverages (-5.5%), Housing-Water, Electricity-Gas and Other Fuels (-9.5%), Health (-2.5%), Transport (-9.5%) and Communication (-0.1%). These decreases influenced from the ongoing Global effects of the COVID-19 pandemic in prices of fuels. On the other hand,

increases recorded in the following industries include: Alcoholic Beverages & Tobacco and Health (2.9%), Clothing and Footwear (1.6%), Recreation & Culture (1.7%), Restaurants and Hotel (7.8%) and miscellaneous goods and services (1.5%) respectively.

The annual average inflation rate stood at 0.5% at the end of September quarter FY2020/21, a decrease of 0.5% percentage point compared to the corresponding annual average quarter of the previous fiscal year [FY2019/20].

Petroleum Prices

The domestic retail prices for the reviewing quarter for Petrol, Kerosene and Diesel recorded decreases by (-18.6%), (-28%) and (-19.6%) respectively compared to the same quarter of the previous financial year.

The international prices (USD per barrel) for petroleum in the reviewing quarter also recorded decreases of (-37%) in Petrol, (-44%) in Kerosene and (-36.1%) in Diesel from the corresponding quarter of FY2019/20.

TABLE 1: KEY ECONOMIC INDICATORS

	Oct 2018 – Sep 2019	Oct 2019 - Sep 2020	1QFY19/20	1QFY20/21	% Change 1QFY20/21 over 1QFY19/20	% Change Oct 2019 – Sep 2020 over Oct 2018 – Sep 2019
Nominal GDP (<i>SAT\$/million</i>)	2,266.31	2,077.94	581.87	491.80	-15.5	-8.3
Real GDP (<i>SAT\$/million 2013 prices</i>)	2,073.52	1,895.34	533.95	446.94	-16.3	-8.6
GDP per capita (<i>SAT\$ 2013 prices</i>)	11,305	10,283	2,897	2,429	-16.2	-9.0
Employment (<i>thousands – end period</i>)	24,639	24,560	24,639	24,560	-0.3	-0.3
Exports (<i>SAT\$/million</i>)	133.92	124.99	39.04	28.87	-26.3	-4.5
Imports (<i>SAT\$/million</i>)	915.96	813.49	230.72	190.89	-17.3	-11.2
Trade Deficit (<i>SAT\$/million</i>)	-782.04	-698.75	-191.68	-162.10	-15.4	-10.7
Tourism Earnings (<i>SAT\$/million</i>)	566.52	206.20	169.25	0.00	-100.0	-63.6
Tourism Arrivals	206,827	67,334	58,348	0	-100.0	-67.4
Remittances (<i>SAT\$/million</i>)	550.23	584.88	138.85	159.90	15.2%	6.3%
Inflation (% <i>annual average – end period</i>)	1.0	0.5	1.3	-4.1		
Gross Official Foreign Reserves (<i>SAT\$/million - end period</i>)	482.04	706.85	482.04	706.85	46.6%	46.6%
Balance of Payment	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)		
Current Account	100.57	-73.67	54.66	-44.22	-180.9	-173.2
Capital Account	73.79	205.78	13.62	46.98	244.9	178.9
Overall Balance	-28.23	157.21	-15.56	57.97	-472.5	657.0
Exchange Rates	(<i>Annual average rates</i>)		(<i>Quarter average rates</i>)			
USD	0.3785	0.3729	0.3700	0.3794	-2.9	-1.5
NZD	0.5712	0.5799	0.5876	0.5749	1.2	1.5
AUD	0.5427	0.5506	0.5469	0.5318	4.4	1.5
EURO	0.3366	0.3299	0.3382	0.3231	2.4	-2.0
FJD	0.8140	0.8184	0.8147	0.8094	0.7	0.5
YEN	41.3194	40.0962	39.9248	40.0905	-4.4	-3.0
Government Finance Statistics	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)	(<i>SAT\$/million</i>)		
Total Revenue	724.22	807.40	177.14	189.74	7.1	10.1
Total Expenditure	656.93	662.99	144.60	147.05	1.7	0.9
Net Operating Balance	136.22	179.51	35.18	43.31	23.1	31.8
Net Lending / borrowing	67.28	144.41	32.55	42.69	31.2	114.6
External Debt (<i>end of period</i>)	1040.15	803.63	1040.15	803.63	-22.7	-22.7
Debt Servicing	70.82	123.43	22.87	68.74	200.6	74.3
Petroleum						
Retail Prices (<i>sene/ltr</i>)						
Petrol	2.64	2.15	2.64	2.15	-18.6	-18.6
Kerosene	2.36	1.70	2.36	1.70	-28.0	-28.0
Diesel	2.70	2.17	2.70	2.17	-19.6	-19.6
FOB Prices (<i>USD/bbl</i>)						
Petrol	71.10	44.80	71.10	44.80	-37.0	-37.0
Kerosene	78.41	43.93	78.41	43.93	-44.0	-44.0
Diesel	78.07	49.89	78.07	49.89	-36.1	-36.1

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