



GOVERNMENT OF SAMOA
MINISTRY OF FINANCE
QUARTERLY ECONOMIC REVIEW

Issue No. 91

Second Quarter FY2020/21 (Oct-Dec 2020)

Twelve Months Review (Jan – Dec 2020)

Gross Domestic Product

Economic performance for the second quarter of FY2020/21 registered at a total of \$462.45 million in real terms; an 8.0% decrease compared to the corresponding quarter of FY2019/20. This decline is consistent with the trend over the past five quarters as the country continues to be affected by the COVID-19 pandemic. The impact of the restrictions associated with COVID-19 is evident in the reduced economic activity seen in major industries including Accommodation and Restaurants (-73.0%), Business Services (-56.9%), Transport (-53.9%), Construction (-40.9%), and Fishing (-13.8%). However, several industries recorded positive growth rates for the reviewing period as a result of the government's assistance through its stimulus packages which triggered consumption, speed recruitment, and the revival of agri-development. These industries include Food and Beverages Manufacturing (21.7%), Other Manufacturing (13.4%), Personal and Other Services (10.8%), Public Administration (3.7%), and Agriculture (2.2%). These increases, albeit miniscule alongside the steep declines seen in other industries, contributed to the relatively modest overall decline in this quarter compared to previous quarters during the initial and peak phases of the global pandemic.

For the twelve months in review (Jan – Dec 2020), total **GDP at constant prices** stood at \$1,868.29 million; a 9.2% drop compared to the year ended December 2019. This historically significant decline was the amalgamation of a year of unprecedented change brought about by the global pandemic, the impacts of which were felt across the board with particularly substantial downturns in the following industries compared to the preceding twelve months: Accommodation and Restaurants (-67.7%), Business Services (-41.8%), Transport (-33.7%), Construction (-26.1%), Fishing (-19.5%), Other Manufacturing

(-14.0%), Food and Beverages Manufacturing (-10.2%), Commerce (-5.7%), Communication (-4.6%), and Agriculture (-3.0%). The combination of international travel restrictions and domestic lockdowns in an attempt to contain the spread of the virus severely affected economic performance as activity in major sectors such as Tourism, Transport and Infrastructure, and Agriculture & Fisheries was significantly disrupted. These effects rippled across the economy, in that the aforementioned industries that are reliant on and related to these major sectors, consequently experienced negative growth.

Employment

Formal paid employment at the end of the December quarter of FY2020/21 stood at 24,214 in total; a decline of 0.7% (163 employees) compared to the same quarter of FY2019/20. This downward trend was mainly caused by a decrease in the number of employed persons in the Tertiary industry (-3.1%) which is broadly made up of Accommodation (-63.3%), Restaurants (-20.5%), Transport (-2.9%), Other Business Services (-1.5%), and Other Services (-0.4%). Evidently, employment continues to be negatively impacted by the globally-experienced COVID-19 pandemic.

On the other hand, the number of employed persons in the Primary, Secondary and Public Administration industries increased by 14.8%, 1.9% and 3.9% respectively over the comparable quarter of the previous financial year.

Trade & Balance of Payments

For the December quarter of FY2020/21, **total commodity exports** amounted to \$22.62 million; a 30.4% decrease from the amount recorded in the December quarter of FY2019/20. This decrease came as a result of notable reductions in a lot of Samoa's

major export products including Coconuts (-43.6%), Fresh Fish (-35.4%), Kava (-68.7%), Nonu Juice (-38.9%), Spring Water (-71.7%), and Cigarettes (-15.8%).

Total commodity imports also recorded a decrease of 19.7% in the reviewing quarter compared to the same quarter of the preceding financial year (2019/20), standing at \$218.89 million. This quarter continues to see the downward trend in the value of exports and imports as the global pandemic continues to hinder trading activities, especially in terms of border restrictions.

The **Current Account** balance registered a deficit of \$90.76 million in the reviewing quarter, dropping by 560.3% when compared to the comparable quarter of FY2020/21. This is largely attributed to the above-mentioned substantial drop in the trade of both goods and services. On the contrary, the **Capital Account** recorded a surplus of \$70.31 million, accelerating by 398.6% compared to the December quarter of FY2019/20 and was mainly driven by a spike in capital account credit from both government and private sector. This was evident in the on-going government developments and private building construction including churches and individual households. Overall, the Balance of Payments stood at a surplus of \$1.29 million for the reviewing quarter.

Comparing on an **annual basis** (between Jan - Dec 2019 and Jan - Dec 2020), both exports and imports fell by 23.9% and 19.7% respectively, therefore decreasing the Balance of Trade in Goods by 19%. The Current Account balance declined by a steep 355.3%, reflecting the deficit recorded for the Balance on Goods, Services and Primary Income (\$748.64 million). The Capital Account balance increased by 417.7% to record a surplus of \$290.98 million. Overall, the Balance of Payments stood at \$167.39 million which is equivalent to a 446.3% increase over the previous twelve months.

Tourism and Remittances

Border restrictions in place due to the ongoing COVID-19 pandemic has meant zero (0) **tourist arrivals** for the second quarter of FY2020/21 compared to the same quarter of FY2019/20, this is a 100% decline and is the third consecutive quarter registering zero tourist arrivals and subsequently, zero **tourism earnings**.

Remittances for the quarter in review increased by 13.0% over the comparable period of FY2019/20. Annually (Jan – Dec 2020), remittances increased by 11.1% compared to the twelve-month period ending December 2019. This increase was solely driven by the 35% increase in the remittance of Funds for Samoan Individuals.

Money Supply

At the end of the December FY2020/21 quarter, **money supply** stood at \$1,309.91 million depicting a 5.4% increase over the December quarter of FY2019/20. This increase is attributed to both Narrow Money (M1) and Quasi Money (M2) which rose by 0.8% and 9.1% respectively. This movement reflects the execution of an easing monetary policy stance for FY2021 that was published in September 2020.

Net Domestic Credit decreased by 9.7% compared to the second quarter of FY2019/20, and was largely driven by the 32.6% decrease in Net Credit to Non-financial Public Enterprises. Coupled with the decline in Other Items (-9.4%), this contributed to the -15.6% drop in **Net Domestic Assets** for the reviewing quarter compared to the same quarter of the previous fiscal year FY2019/20.

Exchange Rates

The **exchange rates** for the second quarter of FY2020/21 highlights the different movements in the Samoan tala; appreciating against the USD whilst depreciating against the NZD, AUD, EURO and FJD and YEN currencies.

On an annual basis, the Samoan tala recorded a depreciation against the USD, AUD, EURO, FJD and YEN; and an appreciation against the NZD.

Foreign Reserves

At the end of the second quarter of FY2020/21, **Gross Official Foreign Reserves** increased by \$264.65 million from the same quarter of FY2019/2020 to stand at \$751.30 million. This was equivalent to 11.1 months of **import cover**, an improvement from the 6.2 months recorded in the December quarter of the previous financial year.

Fiscal Performance

The **Net Operating Balance** for the second quarter of FY2020/21 recorded a \$45.95 million surplus; a \$9.91 million (27.5%) increase compared to the second quarter of FY2019/20. This attributed to the **Total Revenue** increasing by 13.6% in this quarter compared to the same quarter of the previous fiscal year, which was predominantly driven by the \$41.54 million increase in Grants. Other revenue also grew by 32% whereas Taxes fell slightly by 13.1%.

Conversely, **Total Expenditure** registered an increase of 10.2% over the December quarter of FY2019/20 which was reflected in the increases in Compensation of Employees, Grants, and Other Expenses by 8.7%, 31.4%, and 212.1% respectively.

Net Lending/Borrowing recorded a surplus of \$28.97 million in the reviewing quarter, an increase of \$23.58 million from the amount recorded in the same quarter of FY2019/20. This came as a result of the surplus operating balance which covered the relatively low record of Net Acquisition of Non-financial Assets (low development cost) when compared to the December quarter of FY2019/20. Heavily influenced by the impacts of COVID-19, these movements highlight occurrences including assistance received as grants and substantial downturns in major industries such as construction.

The twelve-month period ending December 2020 recorded a surplus for both the Net Operating Balance and Net Lending/Borrowing of \$189.42 million and \$168 million respectively; the former being equivalent to 10.1% of GDP and the latter equal to 9.0%.

External Debt

The **Official Government Debt** for the December quarter of FY2020/21 amounted to \$1,005.21 million, which is \$23.26 million less than the amount recorded in the same quarter of the previous financial year. This amount is equivalent to 54.4% of GDP. Multilateral and Bilateral loans accounted for 52.7% (\$529.51 million) and 47.3% (\$475.70 million) of disbursed outstanding debt (DOD) respectively.

Total Debt Servicing for the quarter in review was recorded at \$10.6 million, a decrease of 20.1% over the comparable quarter of FY2019/20. In the twelve

months ending December 2020, total debt servicing registered an increase of \$49.35 million to stand at \$120.77 million compared to the twelve months up to December 2019.

Consumer Prices

The **Consumer Price Index** for the December quarter in review recorded a decline of 5.0% compared to the same quarter of the previous fiscal year (FY2019/20). Influencing this drop, are decreases seen in the following groups: Housing, Water, Electricity, Gas and Other Fuels (-9.4%), Food and Non Alcoholic Beverages (-8.0%), Transport (-8.0%), Recreation and Culture (-1.6%), Clothing and Footwear (-0.1%), and Communication (-0.1%). The ongoing global pandemic and its resulting impact on international fuel prices is a significant contributor to these price trends. On the other hand, increases were recorded in the following groups: Restaurants and Hotels (2.9%), Alcoholic Beverages & Tobacco (2.7%), Health (2.3%), Furnishings, Household Equipment, and Routine Household Maintenance (2.0%), and Miscellaneous Goods and Services (0.9%).

The **annual average inflation rate** stood at -1.6% at the end of the December quarter FY2020/21, a considerable movement from the 1.1% recorded in the corresponding quarter of the previous fiscal year (FY2019/20)

Petroleum Prices

The **domestic** retail prices for the quarter in review compared to the same quarter of the previous financial year, recorded decreases of -18.4% for Petrol, -29.1% for Kerosene, and -24.1% for Diesel.

The **international** prices (USD per barrel) for petroleum in the second quarter of FY2020/21 also recorded decreases in Petrol by -34.2%, Kerosene by -44.8%, and Diesel by -42.6% when compared to the same quarter of FY2019/20.

TABLE 1: KEY ECONOMIC INDICATORS

	Jan – Dec 2019	Jan – Dec 2020	2QFY19/20	2QFY20/21	% Change 2QFY20/21 over 2QFY19/20	% Change Jan – Dec 2020 over Jan – Dec 2019
Nominal GDP (<i>SAT\$/million</i>)	2,244.19	2,056.90	548.51	513.39	-6.4	-8.3
Real GDP (<i>SAT\$/million 2013 prices</i>)	2,057.05	1,868.29	502.57	462.45	-8.0	-9.2
GDP per capita (<i>SAT\$ 2013 prices</i>)	11,172	10,157	2,731	2,535	-7.2	-9.1
Employment (<i>thousands – end period</i>)	24,377	24,214	24,377	24,214	-0.7	-0.7
Exports (<i>SAT\$/million</i>)	134.00	102.04	32.49	22.62	-30.4	-23.9
Imports (<i>SAT\$/million</i>)	945.75	759.88	272.50	218.89	-19.7	-19.7
Trade Deficit (<i>SAT\$/million</i>)	-811.75	-657.84	-240.01	-196.27	-18.2	-19.0
Tourism Earnings (<i>SAT\$/million</i>)	549.59	63.00	143.20	0.00	-100.0	-88.5
Tourism Arrivals	194,070	21,673	44,378	0	-100.0	-88.8
Remittances (<i>SAT\$/million</i>)	543.22	603.36	142.03	160.52	13.0%	11.1%
Inflation (<i>% annual average – end period</i>)	1.1	-1.6	2.4	-5.0		
Gross Official Foreign Reserves (<i>SAT\$/million - end period</i>)	486.65	751.30	486.65	751.30	54.4%	54.4%
Balance of Payment	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>		
Current Account	79.92	-204.04	19.7	-90.76	-560.3	-355.3
Capital Account	56.20	290.98	14.10	70.31	398.6	417.7
Overall Balance	-48.34	167.39	-13.02	1.29	109.9	446.3
Exchange Rates	<i>(Annual average rates)</i>		<i>(Quarter average rates)</i>			
USD	0.3783	0.3766	0.3807	0.3956	3.9	-0.5
NZD	0.5710	0.5757	0.5654	0.5487	-2.9	0.8
AUD	0.5435	0.5434	0.5437	0.5151	-5.3	0.0
EURO	0.3382	0.3255	0.3396	0.3219	-5.2	-3.8
FJD	0.8154	0.8152	0.8202	0.8074	-1.6	0.0
YEN	41.1576	39.9437	41.4436	40.8340	-1.5	-2.9
Government Finance Statistics	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>	<i>(SAT\$/million)</i>		
Total Revenue	721.04	832.54	185.44	210.58	13.6	15.5
Total Expenditure	597.53	643.12	149.40	164.63	10.2	7.6
Net Operating Balance	123.51	189.42	36.04	45.95	27.5	53.4
Net Lending / Borrowing	29.47	168.00	5.39	28.97	438.0	470.1
External Debt (<i>end of period</i>)	1028.47	1005.21	1028.47	1005.21	-2.3	-2.3
Debt Servicing	71.42	120.77	13.26	10.6	-20.1	69.1
Petroleum						
Retail Prices (<i>sene/ltr</i>)						
Petrol	2.67	2.18	2.67	2.18	-18.4	-18.4
Kerosene	2.37	1.68	2.37	1.68	-29.1	-29.1
Diesel	2.74	2.08	2.74	2.08	-24.1	-24.1
FOB Prices (<i>USD/bbl</i>)						
Petrol	68.14	44.82	68.14	44.82	-34.2	-34.2
Kerosene	75.35	41.62	75.35	41.62	-44.8	-44.8
Diesel	75.61	43.37	75.61	43.37	-42.6	-42.6

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