



GOVERNMENT OF SAMOA
MINISTRY OF FINANCE
QUARTERLY ECONOMIC REVIEW

Issue No. 92

Third Quarter FY2020/21 (Jan-Mar 2021)

Twelve Months Review (Apr 2020 – Mar 2021)

Gross Domestic Product

The latest national account figures showed that the **economic performance** for the third quarter of FY2020/21 registered at a total of \$459.58 million in real terms; a 7.0% decrease compared to the corresponding quarter of FY2019/20. The ongoing threat from COVID-19 continue to persist and has diminished economic activity in significant industries such as Accommodation and Restaurants (-55.4%), Business Services (-37.6%), Construction (-24.5%), Transport (-17.6%), Commerce (-10.1%), Financial Services (-9.1%), Fishing (-9.0%), Electricity and Water (-5.7%) and Other Manufacturing (-1.0%). Despite the ongoing COVID-19 pandemic some industries have performed well in the review period including Personal and Other Services (19.2%), Food and Beverages Manufacturing (14.0%), Public Administration (7.9%), Communication (3.1%), Agriculture (2.3%) and Ownership of Dwellings (1.9%).

On the twelve months basis (Apr – Mar 2021), total **GDP at constant prices** stood at \$1,833.56 million; a 10.3% drop compared to the year ended March 2020 reflecting the cumulative impact of the COVID-19 pandemic on the Samoan economy since April 2020. The effects were felt across the board, with especially significant downturns in the following industries as compared to the previous twelve months: Accommodation and Restaurants (-76.6%), Business Services (-48.0%), Transport (-35.1%), Construction (-30.3%), Fishing (-17.0%), Other Manufacturing (-12.9%), Communication (-9.0%), Commerce (-7.8%), Financial Services (-3.2%), Food & Beverages Manufacturing (-2.0%) and Agriculture (-1.6%).

Employment

The total number of **formal paid employment** stood at 24,220 at the end of March quarter of FY2020/21 which represents a decline of 0.5% (127 employees), compared to the same quarter of FY2019/20. This downward trend was mainly caused by falls in the number of employed person in the Secondary industry [Construction (-11.7%) and Other Manufacturing (-1.4%)] and Tertiary industry [Accommodation (-60.2%), Restaurants (-8.2%), Transport (-4%), Business services (-0.2%) and Other Services (-2%)]. This decline reflects the negative impact experienced by the country in employment opportunities and job losses due to ongoing global effects of the COVID-19 pandemic.

On the other hand, the number of employed persons in the Primary and Public Administration industries increased by 5.0% and 4.5% respectively over the comparable quarter of the previous financial year.

Trade & Balance of Payments

The **total commodity exports** at \$18.92 million declined by 32.0% over the same quarter last year was due to a massive drop of 76.0% in re-exports (particularly petroleum) coupled with reductions in some of Samoa's main exports including Coconut Cream (-88.9%), Copra (-60.8%), Nonu Juice (-47.0%) and Fresh Fish (-0.8%).

On the other hand, **total commodity imports** increased by 9.3 percent to \$206.82 million in the reviewing quarter compared to the same quarter of the previous fiscal year (2019/20). Border restrictions still remains as a result of the worldwide pandemic's impact.

Current Account balance registered a deficit of \$102.75 million in the reviewing quarter, dropping by 327.6% when compared to the comparable quarter of FY2020/21. The worsening of the current account

reflects mainly the decrease in goods and services. The **Capital Account**, on the other hand, recorded a surplus of \$12.92 million, dropping by 72.7% compared to the March quarter of FY2019/20 and was primarily driven by low capital account credit from the government sector as evidence of few government developments. All in all, the Balance of Payments recorded a deficit of \$5.93 million in the reviewed quarter.

Comparing on an **annual basis** (between Apr-Mar 2020 and Apr-Mar 2021), both exports and imports fell by 25.1% and 16.1% respectively, therefore decreasing the Balance of Trade in Goods by 14.7%. The Current Account balance fell significantly by 838.0%, reflecting the deficit recorded for the Balance on Goods, Services and Primary Income (\$815.15 million). Nevertheless, the Capital Account balance went up by 180.7% to record a surplus of \$284.42 million. Overall, the Balance of Payments stood at \$211.29 million which is a substantial increase compared over the previous twelve months.

Tourism and Remittances

The continuous restriction of international borders in order to safeguard and protect our people from a deadly epidemic has had a significant impact on the tourism sector. On that account Samoa recorded no **visitor arrivals** in the third quarter of FY2020/21, hence no **visitor earnings**.

Total **remittances** for the quarter in review edged down by 2.0% over the comparable period of FY2019/20. However, annually (Apr 2020 – Mar 2021), remittances went up by 10.9% compared to the twelve-month period ending March 2020. This increase was solely driven by the 38.6% increase in the remittance of Funds for Samoan Individuals.

Money Supply

Money supply was at \$1,302.86 million at the end of the March FY2020/21 quarter, representing a 6.6% rise over the March quarter of FY2019/20. Overall expansion was underpinned by 10.6% and 3.6% increases in Narrow Money (M1) and Quasi Money (M2) respectively. This trend reflects the continuation of easing monetary policy stance for FY2021 that was published in December 2020.

Net Domestic Credit decreased by 8.7% compared to the third quarter of FY2019/20, and was largely driven by the 29.3% increase in Liabilities to Government (less government spending). As a result, the **Net Domestic Assets** for the quarter under review fell 11.3% compared to the same quarter of the previous fiscal year FY2019/20.

Exchange Rates

In the third quarter of FY2020/21, the **exchange rate** recorded mixed trends in the Samoan tala; strengthening against the USD, EURO and YEN currencies while weakening against the NZD, AUD and FJD.

On an annual basis, the Samoan tala recorded appreciation against the USD and YEN currencies but depreciated against AUD, EURO, FJD and NZD.

Foreign Reserves

Gross Official Foreign Reserves for the end of the third quarter of FY2020/21 boosted to \$718.31 million by \$217.7 million when compared to the same quarter of FY2019/20. This was sufficient to cover 11.1 months of imports, an increase from the 6.5 months in the March quarter of the previous financial year.

Fiscal Performance

Total **Net Operating Balance** (Revenue less Operating expense) for March quarter of FY2020/21 showed a surplus of \$15.99 million, which is \$18.27 million lower compared to the third quarter of FY2019/20. Primarily responsible for this downward trend was a \$25.14 million decrease in **total revenue** due to a \$37.82 million reduction in grants, outweighing 65.5% and 2.1% increases in Other revenue and taxes respectively.

In terms of **total expenditure**, it registered a decrease of \$6.86 million over the same quarter of FY2019/20. This resulted from the decreases in Interest, Grants and Use of goods and services by 71.8%, 22.3% and 8.2% respectively. On the other hand, Compensation of employees increased by 6.5% compared to the same quarter of the previous financial year.

Net Lending/Borrowing (Overall Deficit) recorded a deficit of \$32.40 million in the reviewing quarter. The

drop was because of an increase in the Net acquisition of Nonfinancial Assets due to the implementation of major government projects such as new access roads as well as some major maintenance work for Health facilities.

In the twelve months period ending March 2021, surpluses were registered for Net Operating Balance as well as Net Lending/Borrowing of \$171.15 million and \$104.38 million (in the reviewing period) respectively.

Public Debt

In March quarter of FY2020/21, the **Official Government Debt** was \$996.75 million, which is \$78.95 million less than the amount recorded in the same quarter of the previous fiscal year. This amount is equivalent to 54.4% of GDP. Multilateral and Bilateral loans accounted for 52.5% (\$523.66 million) and 47.5% (\$473.09 million) of disbursed outstanding debt (DOD) respectively.

Total Debt Servicing for the quarter under review was \$7.2 million, a reduction of 74.2% over the corresponding quarter of FY2019/20. In the twelve months ending March 2021, total debt servicing registered an increase of \$23.37 million to stand at \$100.06 million compared to the twelve months up to March 2020.

Consumer Prices

In March quarter of FY2020/21, the **Consumer Price Index** recorded a decline of 3.5% compared to the same quarter of the previous fiscal year (FY2019/20). Underpinning this drop, are decreases seen in the following groups: Housing, Water, Electricity, Gas and Other Fuels (-9.2%), Food and Non Alcoholic Beverages (-5.2%), Education (-4.7%), Transport (-4.2%), Recreation and Culture (-2.8%), Clothing and Footwear (-0.8%), and Miscellaneous Goods & Services (-0.6%). In contrast, increases were recorded in the following sub-indexes: Health (4.9%), Restaurants and Hotels (2.5%), Furnishings, Household Equipment, and Routine Household Maintenance (1.9%) and Alcoholic Beverages & Tobacco (1.8%).

At the end of March quarter FY2020/21, the **annual average inflation rate** stood at -3.8%, a substantial

movement from the 2.1% recorded in the comparable 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 -9.7% for Petrol, -17.3% for Kerosene, and -15.0% for Diesel.

Furthermore, **international** prices (USD per barrel) for petroleum in the third quarter of FY2020/21 registered decreases in Petrol by -14.7%, Kerosene by -23.0%, and Diesel by -22.6% when compared to the same quarter of FY2019/20.

TABLE 1: KEY ECONOMIC INDICATORS

| | Apr 2019 – Mar 2020 | Apr 2020 - Mar 2021 | 3QFY 19/20 | 3QFY 20/21 | % Change 3QFY20/21 over 3QFY19/20 | % Change Apr 2020 – Mar 2021 over Apr 2019 – Mar 2020 |
|--|-------------------------------|--------------------------|--------------------------------|--------------------------|---|---|
| Nominal GDP (<i>SAT\$/million</i>) | 2,237.10 | 2,016.20 | 550.38 | 509.69 | -7.4 | -9.2 |
| Real GDP (<i>SAT\$/million 2013 prices</i>) | 2,043.60 | 1,833.56 | 494.31 | 459.58 | -7.0 | -10.3 |
| GDP per capita (<i>SAT\$ 2013 prices</i>) | 11,115 | 9,936 | 2,718 | 2,497 | -8.1 | -10.6 |
| Employment | (<i>SAT\$/million</i>) | (<i>SAT\$/million</i>) | (<i>SAT\$/million</i>) | (<i>SAT\$/million</i>) | | |
| Employment (<i>thousands – end period</i>) | 24,347 | 24,220 | 24,347 | 24,220 | -0.5 | -0.5 |
| Balance of Payment | (<i>SAT\$/million</i>) | (<i>SAT\$/million</i>) | (<i>SAT\$/million</i>) | (<i>SAT\$/million</i>) | | |
| Current Account | 37.17 | -274.31 | -24.03 | -102.75 | 327.6 | -838.0 |
| Capital Account | 101.33 | 284.42 | 47.23 | 12.92 | -72.7 | 180.7 |
| Overall Balance | 16.15 | 211.29 | 28.97 | -5.93 | -120.5 | 1208.6 |
| Trade | (<i>SAT\$/million</i>) | (<i>SAT\$/million</i>) | (<i>SAT\$/million</i>) | (<i>SAT\$/million</i>) | | |
| Exports (<i>SAT\$/million</i>) | 130.95 | 95.97 | 27.82 | 18.92 | -32.0 | -26.7 |
| Imports (<i>SAT\$/million</i>) | 927.00 | 777.40 | 189.30 | 206.82 | 9.3 | -16.1 |
| Trade Deficit (<i>SAT\$/million</i>) | -798.88 | -681.43 | -164.31 | -187.90 | 14.4 | -14.7 |
| Tourism & Remittances | (<i>SAT\$/million</i>) | (<i>SAT\$/million</i>) | (<i>SAT\$/million</i>) | (<i>SAT\$/million</i>) | | |
| Tourism Earnings (<i>SAT\$/million</i>) | 514.36 | 0 | 63.0 | 0.00 | -100.0 | -100.0 |
| Tourism Arrivals | 168,569 | 0 | 21,673 | 0 | -100.0 | -100.0 |
| Remittances (<i>SAT\$/million</i>) | 544.98 | 604.21 | 133.97 | 132.96 | 2.0% | 10.9% |
| Inflation (% <i>annual average – end period</i>) | 2.1 | -3.8 | 3.8 | -3.5 | | |
| Exchange Rates | <i>(Annual average rates)</i> | | <i>(Quarter average rates)</i> | | | |
| USD | 0.3722 | 0.3848 | 0.3581 | 0.3909 | 9.2 | 3.4 |
| NZD | 0.5795 | 0.5664 | 0.5973 | 0.5601 | -6.2 | -2.3 |
| AUD | 0.5540 | 0.5265 | 0.5824 | 0.5149 | -11.6 | -5.0 |
| EURO | 0.3342 | 0.3277 | 0.3246 | 0.3336 | 2.8 | -1.9 |
| FJD | 0.8199 | 0.8113 | 0.8316 | 0.8161 | -1.9 | -1.0 |
| YEN | 40.2442 | 41.0639 | 38.6470 | 43.1275 | 11.6 | 2.0 |
| Foreign Reserves | (<i>SAT\$/million</i>) | (<i>SAT\$/million</i>) | (<i>SAT\$/million</i>) | (<i>SAT\$/million</i>) | | |
| Gross Official Foreign Reserves (<i>SAT\$/million - end period</i>) | 500.61 | 718.31 | 500.61 | 718.31 | 43.5% | 43.5% |
| Government Finance Statistics | (<i>SAT\$/million</i>) | (<i>SAT\$/million</i>) | (<i>SAT\$/million</i>) | (<i>SAT\$/million</i>) | | |
| Total Revenue | 762.37 | 807.40 | 193.26 | 168.12 | -13.0 | 5.9 |
| Total Expenditure | 614.00 | 636.25 | 159.00 | 152.14 | -4.3 | 3.6 |
| Net Operating Balance | 148.37 | 171.15 | 34.26 | 15.99 | -53.3 | 15.4 |
| Net Lending / borrowing | 99.70 | 104.38 | 31.22 | -32.40 | -203.8 | 4.7 |
| External Debt (<i>end of period</i>) | 1075.70 | 996.75 | 1075.70 | 996.75 | -7.3 | -7.3 |
| Debt Servicing | 76.69 | 100.06 | 27.91 | 7.20 | -74.2 | 30.5 |
| Petroleum | | | | | | |
| Retail Prices (sene/ltr) | | | | | | |
| Petrol | 2.67 | 2.41 | 2.67 | 2.41 | -9.7 | -9.7 |
| Kerosene | 2.37 | 1.96 | 2.37 | 1.96 | -17.3 | -17.3 |
| Diesel | 2.74 | 2.33 | 2.74 | 2.33 | -15.0 | -15.0 |
| FOB Prices (USD/bbl) | | | | | | |
| Petrol | 69.11 | 58.96 | 69.11 | 58.96 | -14.7 | -14.7 |
| Kerosene | 75.38 | 58.01 | 75.38 | 58.01 | -23.0 | -23.0 |
| Diesel | 76.05 | 58.83 | 76.05 | 58.83 | -22.6 | -22.6 |

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