



## **Samoa Economy as of May 2020**

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**term and sustainable economic growth over the medium term.**

**CENTRAL BANK OF SAMOA**

## **THE SAMOAN ECONOMY**

### **1. Gross Domestic Product (GDP)<sup>1</sup>**

#### **Nominal GDP**

##### ***Quarter (March 2020 quarter)***

**\$541.42 million, 2.9 percent lower** than \$557.47 million in the March 2019 quarter.

##### ***Annual (12 months to end March 2020)***

**\$2,225.28 million or 1.7 percent higher** than \$2,188.72 million for the same period up to March 2019.

##### ***GDP per capita (12 months to March 2020)***

**\$11,056.3 per capita, 0.9 percent higher** than \$10,962.5 for the same period up to March 2019.

#### **Real GDP**

##### ***Quarter (March 2020 quarter)***

**\$486.67 million, 4.2 percent lower** than \$507.76 million in March 2019 quarter.

##### ***Annual (12 months to end March 2020)***

**\$2,033.27 million, 0.7 percent higher** than \$2,018.73 million for the same period up to March 2019.

### **2. Inflation**

**The annual average headline Consumer Price Index inflation rate edged down to 1.7 percent in May 2020, from 2.2 percent in June 2019 and 2.6 percent in the same month of last year.** The decline over May 2019 highlighted the decline in imported inflation to 1.0 percent (from 1.7 percent) as well as local inflation at 2.4 percent (from 3.7 percent).

### **3. Agricultural produce sold at Market outlets around Apia**

According to the Samoa Bureau of Statistics (SBS) survey, the volume of agricultural produce supplied to the local markets fell by 14.4 percent in eleven months to May 2020, over the same period last year. The drop reflected the reduction in supplies for taamu and coconuts as well as vegetables (head cabbages, tomatoes, cucumber and pumpkin). Consequently, the average price index of agricultural produce sold at the local markets rose by 9.7 percent.

### **4. Balance of Payment**

#### **External Trade:**

##### **i. Total Exports of Goods (first eleven months to May 2020)**

**\$117.17 million; 0.1 percent higher** than \$117.00 million, in the first eleven months to May 2019.

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<sup>1</sup> Effective April 2019, the Sāmoa Bureau of Statistics (SBS) have published the rebased national accounts data with new base year 2013 (2013=100), starting with the December 2018 quarter. The latest update on national account is September 2019.

## Export Composition

The shares of the main exports were as follow:

<b>Re-exports – 36.0 percent</b>	(\$42.13 million)
<b>Domestically produced exports – 64.0 percent</b>	(\$74.97 million)
Of which;	
Fresh Fish – 57.3 percent	(\$43.55 million)
Taro – 9.4 percent	(\$6.92 million)
Beer – 4.3 percent	(\$3.23 million)
Nonu Juice – 3.8 percent	(\$2.88 million)
Crude coconut oil – 4.6 percent	(\$2.12 million)
Cigarettes - 2.4 percent	(\$1.85 million)
Coconuts – 1.8 percent	(\$1.24 million)
Scrap Metal – 1.1 percent	(\$0.86 million)
Kava - 0.9 percent	(\$0.68 million)
Others – 14.4 percent	(\$11.64 million)

### ii. **Total Imports of Goods (first eleven months to May 2020)**

**\$799.01 million, 4.4 percent lower** than \$836.11 million in same period up to May 2019.

- Government imports dropped by 34.4 percent to \$55.98 million
- Non-petroleum private sector edged down by 1.0 percent to \$598.92 million
- Petroleum decreased by 1.2 percent to \$144.11 million (reduced fuel demand)

### iii. **Net Trade of Goods Deficit (first eleven months to May 2020)**

**\$681.14 million, 5.2 percent lower** than \$719.12 million in eleven months to May 2019

### iv. **Visitor Arrivals and Receipts (first eleven months to May 2020)**

#### **Total Arrivals**

**124,399 visitors, 23.4 percent lower** than 162,372 visitors in May 2019.

#### **Total Receipts**

**\$375.26 million, 23.9 percent lower** than \$493.27 million in May 2019.

### v. **Private Remittances (first eleven months to May 2020)**

**\$511.74 million, 3.0 percent higher** than \$496.76 million in May 2020.

### vi. **Gross Official Foreign Reserves<sup>2</sup>**

**\$572.79 million at end May 2020, 21.1 percent higher** than \$473.18 million in the same month last year. At this level, this was sufficient to cover **7.8 months of imports**, which was significantly higher than 6.3 months in May 2019.

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<sup>2</sup> Comprised of reserves held by the CBS and the Ministry of Finance (MOF), excludes commercial banks' foreign assets.

## 5. External Debt Outstanding (at end March 2020)

### Debt Stock

**\$1,075.7 million (around 45.6 percent of nominal GDP), 2.1 percent higher** than \$1,053.6 million at end March 2019 (48.3 percent of nominal GDP).

### Annual Debt Servicing (at end March 2020)

**\$71.43 million**, which was 0.4 percent lower than \$71.70 million in the year up to December 2018. This was **equivalent to**

- **14.76 percent** of recurrent revenue<sup>3</sup>;
- **14.68 percent** of foreign reserves<sup>4</sup>; or
- **9.41 percent** of total exports of goods and services<sup>5</sup>.

## C. ISSUES AND CHALLENGES

1. Inflationary pressures continue to ease with headline inflation falling to 1.7 percent in May 2020 (after peaking at 4.7 percent in October 2018) and from 2.7 percent in May of last year, while the underlying inflation was at 1.8 percent. Inflationary expectations have come down in the short term with the current significant drop in global fuel prices given impacts of COVID19 but risks of natural disasters and climatic changes are always a constant threat to price stability, especially from the agriculture production prices.
2. The latest update on GDP statistics is up to March 2020 quarter, which points to an annual Real GDP growth of 0.7 percent which was well below the 2.3 percent growth in December 2019, but the same as the growth in December 2018. Despite the positive results of the Pacific Games in the September 2019 quarter, the slow-down in quarterly growths accounted for the adverse impacts of the Measles Outbreak in November-December 2019 that put the country in two days of lockdown, followed by the sudden back-to-back introduction of the COVID-19 outbreak.
3. With the continuous rise in number of deaths globally from the pandemic and its impacts on the local economy, given the lockdown of international borders and travel restrictions and containment measures in-place to protect and safeguard the Samoan people, the economy has been adversely affected with Samoa Bureau Statistics (SBS) pointing to a 0.7 percent growth at end March 2020. The adverse impact resulted to some extent, from lower monthly tourist arrivals recorded for January to March of 2020 with zero arrivals since April 2020, as well as the slow-down in tourism related businesses activities. The economy will be facing challenging times especially the tourism sector and its related services.

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<sup>3</sup> What this means is that for every tala that is earned by Government (Recurrent) Revenue, approximately 11 sene is used to pay off Samoa's foreign debt.

<sup>4</sup> For every tala that is saved as the country's foreign reserves, 15 sene is used to pay for our external debt.

<sup>5</sup> For every tala that we earn from the export of our goods (export earnings from fish, taro, nonu juice etc...) and services (mainly tourism earnings), we use around 8 sene of those earnings to repay our foreign loans.

4. Gross official foreign reserves stands at \$572.79 million in May 2020, or around 7.8 months of imports cover, which is well above the Central Bank minimum benchmark of 4.0 months of imports and 6.3 month in May of last year. This high level of official reserves reflected the influx of government's inflows of financial assistance that have been received March and April for COVID-19 and project funds for targeted sectors from development partners. The receipt of Sāmoa's Rapid Credit Facility funds from the IMF in April has provided further support to the country's official foreign reserve levels. However, with the uncertainty of the effects of the pandemic and the unpredictability of when a vaccine could be effective and mass produced, there are several factors that could dwindle foreign reserves going forward if not managed properly. Close monitoring and managing of international reserves by the Central Bank will continue especially at this time. Appropriate actions will be taken to ensure reserves are adequately invested in relevant currency compositions and maturities to cater for Samoa's international trade and other foreign payment commitments.

#### **D. RECOMMENDATIONS**

1. The Committee is kindly requested to note that the Central Bank is **continuing with its easing monetary policy stance**.
2. Like the rest of the world, Sāmoa is in uncharted waters, with our domestic economy facing challenging times ahead. Given the current economic situation and outlook it is therefore vital that with fiscal consolidation being implemented, monetary policy remains accommodative to support economic recovery in the short term and sustainable economic growth over the medium term.
  - a. Thus, it is important that Government ministries continue to implement their budgeted expenditures and program on time, as outlined in the 2020/21 Government Budget already approved by Parliament which cover the expenditures to minimize adverse impacts of COVID19.
  - b. Critical for construction efforts to be timely in securing grants and concessional loan financing resources from multilateral financial institutions and development partners.
  - c. A short to medium term consideration for government to frontload grant financed development projects with higher local components as remedial measures – for development partners as an act of good governance to transparently post annual funding (planned and actual) that will stay in-country of grants and concessional loans.
  - d. That all government foreign funding are received into the Central Bank of Samoa (CBS) foreign accounts abroad while CBS will pay the Samoan equivalent into the government's local accounts using the CBS prevailing bank's exchange rates. (*best public finance management practice for Small Island Developing States*).
3. For the Government be well prepared and continue through the:
  - a. Ministry of Commerce, Industry and Labour (MCIL)

- To closely cooperate and collaborate with the commerce industry to ensure that they have sufficient stock at hand to cater for any change in public demands and for wholesalers and retailers to consider rationing where necessary.
  - To ensure business activities and operations are vibrant and conducive in supporting the domestic economy during these challenging times, given the prominent contribution (1/3) of the commerce industry in driving Sāmoa's GDP.
- b. Ministry of Communications and Information Technology (MCIT):
- To work closely and collaboratively with the Ministry of Education, Sports and Culture (MESC) to explore practical ways and affordable means nationally to effectively deliver education programmes and/or syllabus to the students in an event of a health emergency outbreak.
  - To encourage the use of teleconference to participate in priority and important international meetings
- c. Samoa Tourism Authority (STA):
- to work closely with the industry to develop a policy package for the industry to cope with the adverse effects of the COVID19, especially from the closure of international border and containment measures in place by the government.
  - Given the uncertainty on when international tourism may resume due to COVID-19 international travel restrictions, to encourage accommodation providers to charge accordingly to local market conditions to enhance the domestic tourism activities where appropriate to support their financial viability in the short run, and continue employing staff especially at this point in time.
- d. Ministry of Health (MOH) to:
- Continue to engage in more awareness campaigns for health promotions and social distancing;
5. Inspire public sector employees and members of the public who can afford to share what they have through spending generously to stimulate the economy and keep the working population employed.
6. The Central Bank of Samoa
- a. to continuously monitor the domestic economy and its outlook and provide the adequate economic advise to Government where appropriate;
  - b. to continuously monitor the quality of assets of the commercial banks and non-bank financial institutions (NFIs) to ensure their soundness and stability in the financial system;

- c. to encourage Government and government bodies:
  - i. to continue to use the Central Bank to channel through any large foreign receipts (financial inflows) to assist with building and maintaining an adequate level of the country's foreign reserves.
  - ii. to continue to make payments (financial outflows) through the Central Bank for favourable exchange rate gains consistent with good public finance management practice.
- d. while mindful of SNPF, ACC and UTOS' roles and responsibilities, encourage these institutions to invest locally given the current growth level and also to ensure domestic employment for today and the future. This action may also assist Samoa to be more resilient on the impact of an exogenous shock such as to be pandemic resilient.