

SELECTED ECONOMIC INDICATORS

June 2017

This report is a monthly release of the latest available key macro indicators on the Samoan economy, with information sourced from the Central Bank, commercial banks, Ministry of Finance, Samoa Bureau of Statistics and the Ministry of Revenue.

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June 2017

World Economy

The US economy grew by 2.6 percent in the second quarter of 2017 due to expansions in investment, consumption and government spending. The Euro zone also grew by 0.6 percent in the second quarter of 2017 as Spain's economy grew at a faster pace than expected while the New Zealand and Australia economies rose by 0.5 percent and 0.3 percent respectively in the March quarter of 2017.

Domestic Economy

The **weighted average official interest rate** remained unchanged at 0.14 percent for the fourth consecutive month. For commercial bank rates, both the **weighted average lending rate** and **weighted average deposit rate** dropped by 49 and 1 basis points to 8.25 percent and 2.70 percent respectively. Consequently, the commercial banks' **interest rate margin** narrowed further to 5.55 percent from 6.03 percent a month ago.

Consistent with the drop in lending rates, **total commercial banks' lending** to both the private sector and public institutions also contracted by 1.2 percent to \$1,022.9 million. **'Net foreign assets'** jumped by \$33.6 million to \$223.2 million due to large inflow of government funds. On the other hand, **'net domestic assets'** contracted by \$35.8 million to \$742.0 million mainly due to a **cash surplus in net government accounts** of \$38.3 million to \$199.4 million. As a result, **broad money (M2)** dropped 0.2 percent to \$965.2 million over the previous month.

The strengthening of the Australian dollar, US dollar and Euro against Tala led to a 0.03 percent appreciation of **overall nominal value** for Samoan Tala. However, the Tala fell against the New Zealand dollar.

The Consumer Price Index (CPI) expanded by 0.9 percent and was 1.0 percent higher than in June 2016. Nevertheless, the annual average headline inflation rate fell to 1.3 percent from 1.4 percent in May 2017 but higher than 0.1 percent in the same period last year.

The overall volume of supplies at the local produce markets around Apia contracted by 18.0 percent due to sharp reductions in both head cabbage and pumpkin supplies. As a result, the overall price index expanded by 14.1 percent.

On the external front, total export earnings shot up by 54.8 percent to its highest level yet of \$12.6 million, reflecting mainly a substantial increase in locally produced exports (particularly fish, beer, nonu juices and taro to name a few) coupled with a 2.6 percent rise in re-exports. Total import payments expanded by 0.8 percent to \$65.6 million reflecting gains in both government and petroleum imports. Consequently, the merchandise trade deficit narrowed 6.9 percent to \$53.0 million. Total private remittances increased by 3.9 percent to \$36.5 million. As **visitor arrivals** for June 2017 are not yet available, the Central Bank of Samoa projected a seasonal 13.7 percent increase in visitor arrivals to 13,211 visitors. As a result, total **visitor earnings** are expected to increase by 21.2 percent to \$39.8 million. All in all, gross foreign reserves rose by 4.3 percent (or a \$12.9 million surplus) to \$313.2 million, which was equivalent to 4.8 months of import cover.

Selected Economic Indicators
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Table 1.										SELECTED ECONOMIC INDICATORS									
INDICATORS	2016		2017		Average First 12 Months			Average levels in the previous											
	Jun	May	Jun	Jun	Jul14 - Jun15	Jul15 - Jun16	Jul16 - Jun17	2-years	3-years	5-years									
CENTRAL BANK OF SAMOA: (%)																			
Official rate	0.15	0.14	0.14		0.15	0.16	0.14	0.15	0.16	0.17									
COMMERCIAL BANKS' INTEREST RATES: (%)																			
Average lending rate	9.04	8.74	8.25		9.68	9.35	8.84	9.31	9.63	9.78									
Average deposit rate	2.32	2.71	2.71		2.77	2.38	2.45	2.36	2.58	2.61									
COMMERCIAL BANK LOANS (Tala million)	975.4	1035.0	1022.9		837.1	912.3	1001.9	923.5	873.5	828.3									
GOVERNMENT NET POSITION (Tala million)	-133.3	-161.1	-199.4		-71.8	-99.4	-132.4	-124.8	-116.9	-110.9									
MONEY SUPPLY (Tala million)	895.3	967.4	965.2		815.5	878.5	935.5	865.7	854.4	793.9									
Currency outside banks	61.4	66.3	67.0		48.8	57.5	64.5	55.5	52.4	55.3									
Demand deposits	275.8	268.4	270.9		218.3	266.5	271.2	263.1	247.8	213.4									
FCD residents	57.0	73.4	67.6		74.4	60.9	70.7	56.7	76.7	58.6									
Save deposits	129.5	131.1	132.7		115.0	126.0	132.0	125.8	119.4	111.1									
Time deposits	371.5	428.1	427.0		360.7	369.0	399.6	364.7	358.1	355.4									
NOMINAL EXCHANGE RATE (Index)	102.2	100.2	100.2		101.5	101.7	101.2	101.6	101.5	101.3									
HEADLINE CPI (2)	101.6	101.7	102.7		100.1	100.0	101.3	100.5	100.0	99.9									
Annual average inflation (%)	0.1	1.4	1.3		0.2	0.9	1.0	1.0	0.3	1.3									
LOCAL MARKET SURVEY: (2)																			
Volume	103.6	121.0	99.2		99.1	90.7	132.5	94.9	98.7	92.1									
Price	106.7	101.0	115.2		76.7	92.8	92.3	84.8	85.6	100.8									
EXPORTS (Tala million)	8.2	8.1	12.6		5.6	8.0	8.0	82.1	74.0	70.4									
IMPORTS (Tala million)	63.5	65.1	65.6		65.2	66.9	65.2	792.7	787.5	768.4									
REMITTANCES (Tala million)	31.1	35.2	36.5		34.9	32.6	33.7	404.9	400.6	402.5									
TOURISM: (1)		(P)	(P)																
Arrivals	12,773	11,619	13,211		11,076	12,112	12,253	139,122	96,271	62,106									
Earnings (Tala million)	38.1	32.8	39.8		28.95	32.44	33.18	368.3	254.7	163.8									
GROSS INTERNATIONAL RESERVES	284.9	300.3	313.2		305.9	317.3	276.0	311.6	323.6	328.4									
BOP Position (+/-) (Surplus/Deficit)	5.2	12.5	12.9		-1.38	-4.24	2.32	-33.7	-12.6	-14.4									
Import Cover	4.3	4.6	4.8		4.67	4.91	4.18	4.7	4.9	5.2									

Source: Central Bank of Samoa
1. Revised Total Earnings from Feb-12 to Mar-16
2. Rebase Base Period February 2016=100
(P): Projections - CBS