

SELECTED ECONOMIC INDICATORS AUGUST 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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August 2017

World Economy

The US economy grew 3.1 percent in the second quarter of 2017 due to strong private investment whereas the Euro zone expanded 0.6 percent due to increased consumption, investment and exports. Moreover, both the New Zealand and Australia economies advanced 0.8 percent in the review quarter reflecting higher exports and domestic demand.

Domestic Economy

In August 2017, the **weighted average official interest rate** edged down to 0.13 percent from 0.14 percent for the past five consecutive months. In contrast, both the **weighted average deposit rate** and the **weighted average commercial banks' lending rate** increased to 2.72 percent and 8.78 percent respectively. As a result, the commercial banks' **interest rate spread** narrowed to 6.06 percent in the month under review.

Total bank **liquidity** increased further by \$17.1 million to \$174.4 million or \$44.5 million higher than in August 2016. This hike over the month was due to an expansion of \$21.3 million in commercial banks' exchange settlement accounts (ESA) and a \$1.0 million in CBS securities during the month. With the increase in lending rates, **total commercial banks' credit** extended to both private sector and public institutions contracted 1.5 percent to \$1,027.4 million.

'**Net foreign assets**' went up further by \$54.9 million to \$276.0 million reflecting large inflows of government funds and a rise in foreign investments of the banking system. In contrast, '**net domestic assets**' fell \$23.1 million to \$741.8

million following a decline of \$16.7 million in total credit coupled with a slight \$0.1 million cash surplus in the **net government position** to \$182.8 million. As a result, **broad money (M2)** expanded 3.2 percent to \$1,017.8 million.

The **overall nominal value** of the Samoan Tala appreciated slightly by 0.004 percent as the Tala strengthened against the US dollar and New Zealand dollar but depreciated against the Australian dollar and the Euro.

The Consumer Price Index (CPI) expanded by 0.9 percent for the fourth consecutive month and was 2.6 percent higher than the same month last year. However, the annual average headline inflation rate remained steady at 1.1 percent from the previous month but well above 0.4 percent in August 2016.

At Fugalei and other domestic produce markets around Apia, the overall volume of supplies improved significantly by 41.6 percent due to higher supplies of vegetables (pumpkin, cucumber, head cabbage and tomatoes), stable food commodities (banana and breadfruit) and coconuts. As a result, the overall price index fell by 18.6 percent.

On the external front, total export earnings fell further by 3.8 percent to \$8.4 million, reflecting decreases in both locally produced exports (mainly fish, spring water, nonu juices and virgin coconut oil to name a few) and re-exports. Nevertheless, total import payments grew 15.4 percent to \$73.6 million due to expansions in

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government and non-petroleum private sector imports. Consequently, the merchandise trade deficit widened by 18.5 percent to \$65.1 million in August 2017. On the other hand, inflow of private remittances dropped by 3.3 percent to \$36.4 million. **Total visitor arrivals** figures for August are not yet available however, Central Bank of Samoa's (CBS) forecast for the month pointed to a seasonal 16.0 percent decline in visitor numbers to 14,107 but 15.0 percent

higher than August 2016. Similarly, total **visitor earnings** are projected to decrease by 4.4 percent to \$32.9 million or 12.7 percent above the same month last year. All in all, **gross foreign reserves** grew by 9.3 percent (or a \$30.4 million surplus) to \$357.8 million, which was equivalent to 5.4 months of **import cover**.

CENTRAL BANK OF SAMOA
10 October 2017

Table 1. SELECTED ECONOMIC INDICATORS										
INDICATORS	2015	2016	2017		Average Two Months			Average levels in the previous		
	Aug	Aug	Jul	Aug	Jul15 - Aug 15	Jul16 - Aug 16	Jul17 - Aug 17	2-years	3-years	5-years
CENTRAL BANK OF SAMOA: (%)										
Official rate	0.15	0.14	0.14	0.13	0.14	0.15	0.14	0.15	0.15	0.16
COMMERCIAL BANKS' INTEREST RATES: (%)										
Average lending rate	9.41	8.95	8.70	8.78	9.52	9.05	8.70	9.18	9.45	9.67
Average deposit rate	2.35	2.38	2.53	2.72	2.34	2.31	2.53	2.37	2.58	2.61
COMMERCIAL BANK LOANS (Tala million)	873.92	968.2	1043.3	1027.4	866.1	967.0	1043.3	921.1	878.2	831.7
GOVERNMENT NET POSITION (Tala million)	-89.8	-121.4	-182.7	-182.8	-85.2	-120.3	-182.7	-105.6	-102.6	-99.8
MONEY SUPPLY (Tala million)	865.98	907.8	986.1	1017.8	867.7	913.2	986.1	886.9	868.2	799.0
Currency outside banks	51.135	62.6	66.0	68.8	55.2	65.2	66.0	56.9	54.5	55.7
Demand deposits	271.777	263.8	278.6	297.6	267.1	285.7	278.6	267.8	243.1	216.3
FCD residents	61.945	64.4	76.2	77.0	62.5	66.2	76.2	63.1	83.1	58.4
Save deposits	121.406	133.0	135.3	139.1	125.7	131.2	135.3	127.2	122.6	113.4
Time deposits	359.717	384.0	430.0	435.4	357.2	365.0	430.0	371.9	365.0	355.1
NOMINAL EXCHANGE RATE (Index)	101.33	102.480	100.226	100.230	101.4	102.4	100.2	101.9	101.8	101.6
HEADLINE CPI (2)	98.44	101.7	103.4	104.3	100.9	103.4	103.4	100.1	99.5	99.2
Annual average inflation (%)	2.1	0.4	1.1	1.1	2.1	0.1	1.1	1.2	0.5	1.3
LOCAL MARKET SURVEY: (2)										
Volume	120.4	140.4	101.0	143.0	80.1	121.5	101.0	115.6	111.6	108.6
Price	77.6	96.7	118.0	96.0	85.6	104.5	118.0	91.1	83.7	95.6
EXPORTS (Tala million)	9.59	9.6	8.7	8.4	12.0	7.8	8.7	19.5	17.4	15.6
IMPORTS (Tala million)	53.02	59.8	63.7	73.5	78.9	64.6	63.7	128.1	139.2	133.7
REMITTANCES (Tala million)	34.05	36.4	37.7	36.4	33.7	33.8	37.7	69.0	68.7	70.8
TOURISM: (1)			(P)	(P)						
Arrivals	12,834	12,270	16,796	14,107	15,369	16,482	16,796	28,478	23,376	19,038
Earnings (Tala million)	30.15	29.2	34.4	32.9	30.5	33.7	34.4	61.8	50.5	41.1
GROSS INTERNATIONAL RESERVES	339.14	276.9	327.3	357.8	356.5	293.6	327.3	316.5	326.6	333.0
BOP Position (+/-) (Surplus/Deficit)	-17.39	-16.7	14.1	30.4	20.8	8.7	14.1	-2.3	-5.8	-5.0
Import Cover	5.4	4.2	5.0	5.4	5.5	4.5	5.0	4.8	4.9	5.1

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