



SELECTED ECONOMIC INDICATORS

AUGUST 2018

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 2018

World Economy

On the global stage, US economy expanded by 4.2 percent in the second quarter of 2018 following upward revisions to non-residential fixed investment and private inventory investments. Moreover, the Euro area grew by 0.4 percent due to strong household consumption and investment whereas Australia and New Zealand recorded quarterly growths of 0.9 percent and 1.0 percent respectively in the June quarter of 2018.

Domestic Economy

In August 2018, the **weighted average official interest rate**¹ dropped 2 basis points to 0.17 percent but was 3 basis points higher than that of the same month last year. In contrast, commercial banks' weighted average deposit rate increased 8 basis points to 2.73 percent and slightly above 2.72 percent a year ago. The **weighted average lending rate** contracted 3 basis points to 8.96 percent but higher than 8.78 percent in August last year. As a result, the commercial banks' **interest rate spread** fell to 6.23 percent from 6.34 percent in the previous month but higher than 6.06 percent in the same month last year.

Total commercial bank **liquidity** increased marginally by \$0.3 million to \$236.9 million and was \$62.5 million higher than that of the same month of 2017. Primarily underpinning the overall increase over the previous month were expansions in the banks' exchange settlement accounts (ESA) (up \$3.7 million) and commercial banks' holdings of CBS securities (up \$3.5 million) despite the \$6.9 million drop in their vault cash. Given the lower cost of borrowing, **total**

commercial banks' credit to the private sector and public institutions expanded by 1.3 percent to \$1,082.9 million and was 5.4 percent higher when compared to August 2017.

Broad money (M2) went up for the seventh consecutive month by \$8.8 million to \$1,141.0 million. Contributing to this increase was a \$17.6 million expansion (to \$741.8 million) in '**Net Domestic Assets' (NDA)**; whereas '**Net Domestic Assets' (NDA)** fell moderately by \$8.8 million to \$399.2 million. Underpinning the hike in NDA was a substantial increase in commercial banks' lending to the private sector and the surplus in government's net position with the monetary system.

The **overall nominal value** of the Samoan Tala strengthened by 0.02 percent as the Tala appreciated against the New Zealand dollar, Euro and Australian dollar while falling against the US dollar.

The Consumer Price Index (CPI) narrowed to 0.3 percent over the previous month but was 4.9 percent higher than in the same month last year. Furthermore, the **annual average headline inflation rate** went up further to 4.4 percent from 4.2 percent in the previous month and 1.1 percent in the same month of 2017. Underpinning this increase over the previous month were hikes in both local inflation to 3.0 percent from 2.8 percent in the previous month and imported inflation to 5.8 percent from 5.6 percent in July 2018.

On the external front, total export earnings jumped by 16.8 percent to \$13.0 million, recording the highest level ever. Primarily underpinning this overall increase was the substantial increase in re-exports (particularly petroleum) by 38.0 percent coupled with a 6.0

¹ Overall weighted average yield on Central Bank of Samoa Securities (CBSS)

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percent boost in locally produced exports. Similarly, total import payments increased by 16.6 percent to \$85.3 million, reflecting a large expansion (of \$6.6 million) in non-petroleum private sector imports coupled with gains in petroleum² and government imports by \$3.2 million and \$2.3 million in that order. As a result, the merchandise trade deficit widened by 16.6 percent to \$72.3 million.

The inflow of **private remittances** rose by 15.1 percent to \$48.2 million over the previous month. However, **total visitor arrivals** for August 2018 recorded a seasonal decrease of 15.2 percent to 16,321 visitors. As a result, **visitor earnings** fell by 4.5 percent to \$46.2 million in the reviewed month. All in all, **gross foreign reserves** expanded by 1.0 percent (or \$4.5 million) to \$442.5 million. This level of foreign reserves is equivalent to 6.2 months of **import cover**, down from 6.3 months in July 2018.

The overall supply of agricultural commodities to the Fugalei and other domestic produce markets around Apia, recorded a 17.3 percent jump over the previous month. The overall boost was due to higher supplies of stable food commodities such as taro, breadfruit and coconut as well as vegetable items like tomatoes, head cabbage and pumpkin. Consequently, the overall price index decreased by 8.1 percent.

CENTRAL BANK OF SAMOA
2nd October 2018

² Tanker vessel arrived on 29th March 2018 and cleared on the following week which is an April 2018 entry.

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INDICATORS	2016	2017	2018				Average Two Months			Average levels in the previous		
	Aug	Aug	May	Jun	Jul	Aug	Jul16 - Aug16	Jul17 - Aug17	Jul18 - Aug18	2-years	3-years	5-years
CENTRAL BANK OF SAMOA: (%)												
Official rate	0.14	0.13	0.15	0.17	0.19	0.17	0.15	0.14	0.18	0.14	0.14	0.16
COMMERCIAL BANKS' INTEREST RATES: (%)												
Average lending rate	8.95	8.78	8.89	8.98	8.99	8.96	9.00	8.74	8.98	8.86	9.05	9.46
Average deposit rate	2.38	2.72	2.74	2.70	2.65	2.73	2.35	2.62	2.69	2.55	2.48	2.67
COMMERCIAL BANK LOANS (Tala million)	968.2	1027.4	1075.7	1064.7	1069.0	1082.9	967.6	1035.4	1076.0	997.8	956.5	883.0
GOVERNMENT NET POSITION (Tala million)	-121.4	-182.8	-214.4	-197.4	-214.1	-217.5	-120.9	-182.8	-215.8	-152.1	-131.3	-116.8
MONEY SUPPLY (Tala million)	907.8	1017.8	1087.1	1124.4	1132.2	1141.0	910.5	1002.0	1136.6	962.8	930.5	862.3
Currency outside banks	62.6	68.8	75.2	75.2	74.9	81.8	63.9	67.4	78.3	65.7	60.8	59.1
Demand deposits	263.8	297.6	329.7	353.4	342.3	335.6	274.8	288.1	338.9	280.7	277.7	238.4
FCD residents	64.4	77.0	63.7	70.7	76.0	74.5	65.3	76.6	75.2	70.7	67.8	70.1
Save deposits	133.0	139.1	140.8	139.9	149.9	150.4	132.1	137.2	150.2	136.1	131.2	122.0
Time deposits	384.0	435.4	477.7	485.2	489.2	498.6	374.5	432.7	493.9	409.7	393.0	372.8
NOMINAL EXCHANGE RATE (Index)	102.5	100.2	100.0	100.0	100.0	100.0	102.4	100.2	100.0	101.4	101.3	101.4
HEADLINE CPI (2)	101.7	104.3	107.4	108.6	109.7	109.4	102.6	103.9	109.6	103.0	101.5	100.2
Annual average inflation (%)	0.4	1.1	3.3	3.7	4.2	4.4	0.2	1.1	4.3	0.7	1.2	0.3
LOCAL MARKET SURVEY: (2)												
Volume	140.4	143.0	93.0	119.2	113.6	133.2	131.0	122.0	123.4	141.7	134.6	129.9
Price	96.7	96.0	128.0	112.3	116.8	107.4	100.6	107.0	112.1	96.4	90.1	85.9
EXPORTS (Tala million)	9.6	8.4	7.6	9.0	11.2	13.0	8.7	8.6	12.1	9.0	9.2	8.0
IMPORTS (Tala million)	59.8	73.5	73.0	58.7	73.1	85.3	62.2	68.6	79.2	66.7	62.1	67.5
REMITTANCES (Tala million)	36.4	37.0	54.2	41.8	41.9	48.2	35.1	18.5	45.1	36.7	35.8	36.2
TOURISM: (1)												
Arrivals	12,270	14,551	13,156	16,315	19,241	16,321	14,376	16,410	17,781	13,411	13,218	12,857
Earnings (Tala million)	31.2	38.2	44.3	44.0	48.3	46.2	32.5	40.4	47.2	34.7	33.2	31.4
GROSS INTERNATIONAL RESERVES	276.9	357.9	421.7	422.7	438.0	442.5	285.2	342.6	440.2	317.4	324.6	325.7
BOP Position (+/-) (Surplus/Deficit)	-16.7	30.5	38.5	1.0	15.3	4.5	-4.0	22.5	9.9	6.9	-1.2	-5.6
Import Cover	4.2	5.4	6.1	6.1	6.3	6.2	4.3	5.2	6.3	4.8	5.0	5.0

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
n/a: not available