



SELECTED ECONOMIC INDICATORS AUGUST 2021

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.

Report No.2: 2021/22

August 2021

WORLD ECONOMY

The US economy recorded a 6.7 percent growth in the second quarter of 2021 due to expansions in personal consumption expenditures, exports and private inventory investment. Meanwhile, the Euro Area also grew by a revised 2.2 percent in the June quarter reflecting the reopening of the Euro economies and the increased domestic demand. The Australian economy improved by 0.7 percent in the second quarter mirroring the continued growth in household consumption while the New Zealand economy expanded by 2.8 percent in the same period due to improvements in its services industries.

DOMESTIC ECONOMY

The **weighted average official interest rate** remained at 0.15 percent from both the previous month and same month last year. However, when compared to the previous month, the **commercial banks' weighted average deposit rate** fell by 16 basis points to 1.94 percent¹ (a record low) while the **weighted average lending rate** also declined by 8 basis points to 8.48 percent. As a result, the **commercial banks' interest rate spread** went up by 8 basis points to 6.54 percent in August 2021 and was much higher than 5.94 percent in August 2020.

Total **commercial banks' liquidity** went up slightly by 0.1 percent (or \$0.3 million) to \$342.2 million) and was 9.2 percent (or \$28.7 million) higher than that of the same month in 2020. Accounting for this increase was a \$3.9 million expansion in commercial banks' vault cash, which outweighed a \$3.6 million decrease in their holdings of 'exchange settlement

accounts' (ESA). Total **commercial banks' credit to the private sector and public institutions** combined, edged up by 0.4 percent (or \$5.2 million) to \$1,187.4 million and was 1.9 percent (or \$21.6 million) higher than August 2020.

Broad Money (M2) grew by 0.6 percent (\$7.8 million) to \$1,307.1 million due to a \$26.0 million expansion in '**Net Foreign Assets**' (NFA), outweighing a decline of \$18.1 million in '**Net Domestic Assets**' (NDA). The increase in foreign holdings² of the Central Bank was the main factor behind the growth in NFA while the increase in total lending of the banking system to the private sector was responsible for the improvement in NDA.

The monthly **overall nominal value** of the Samoan Tala recorded a slight appreciation by 0.01 percent as the Tala strengthened against the Australian dollar (up by 1.3 percent) but weakened against the US dollar (down by 0.4 percent) and New Zealand dollar (down by 0.3 percent) over the month.

The **Consumer Price Index (CPI)** continued to pick-up, rising by 1.5 percent over the previous month and was also 5.4 percent higher than that of August 2020. As a result, the **annual average headline inflation rate** rose to -1.7 percent from -2.4 percent in July 2021 but was much lower than 0.9 percent in August 2020. Contributing to the growth in headline inflation rate were improvements in both the imported inflation (up to -2.3 percent from -3.3 percent) and local inflation (up to -1.1 percent from -1.4 percent). Similarly, the **underlying inflation**

¹ This is the first time the WAD rate has gone below the 2.0 percent mark.

² Samoa received the IMF-Special Drawing Rights (SDRs) allocation of SDR15.5 million, an equivalent of around \$55.5 million Tala in August 2021.

rate went up to -1.5 percent from -1.9 percent in July 2021 but was much lower and negative than the positive 2.1 percent in August 2020.

CENTRAL BANK OF SAMOA
14th October 2021

The **overall volume index of agriculture commodities** supplied to the Fugalei and other domestic produce markets around Apia, also expanded by 7.3 percent over July 2021. Largely underpinning this increase were higher supplies of banana, breadfruit, pumpkin, taamu, tomatoes and head cabbage. As a result, the overall price index dropped by 2.8 percent.

Total export earnings rebounded by 17.3 percent to \$5.1 million when compared to the previous month, in light of expansions of 40.7 percent and 5.0 percent in both re-exports and domestically produced exports respectively. However, at this level, it was 32.3 percent lower than its level in August 2020. On the other hand, **total import payments** also expanded by 22.6 percent to \$71.0 million, reflecting the resumption of petroleum imports valued at \$17.3 million, offsetting reductions of \$4.0 million and \$0.2 million in government and non-petroleum private sector imports respectively. As a result, the **merchandise trade deficit** widened by 23.0 percent to \$65.9 million in August 2021.

Following a **remittances** decline in the previous month, it rebounded by 7.7 percent to \$57.5 million over the previous month and was 5.5 percent higher than August of last year. However due to the prolonged closure of international borders for the safeguarding and protecting of our people from the pandemic³, no **tourist arrivals and earnings** were recorded ever since.

Gross foreign reserves⁴ edged up by 9.6 percent (or \$68.7 million) to \$781.58 million in August 2021. This level was sufficient to cover **11.5 months of imports**, higher than the 10.5 months in July 2021 and 9.8 months in August of 2020.

³With only selected flights for Samoan citizens and residents repatriation.

⁴Effective January 2021, the coverage of gross official foreign reserves will include only foreign exchange holdings of the Central Bank and IMF account balances only. This now excludes Ministry of Finance's foreign deposits and accounts, which were previously included. The strict definition of foreign reserves only includes CBS owned liquid foreign assets.

Selected Economic Indicators
August 2021

SELECTED ECONOMIC INDICATORS																
INDICATORS	2019		2020		2021						Average Two Months			Average levels in the previous		
	Aug	Aug	Jan	Feb	Mar	Apr	May	June	July	Aug	Jul19 - Aug19	Jul20 - Aug20	Jul21 - Aug21	2-years	3-years	5-years
CENTRAL BANK OF SAMOA: (%)																
Official rate	0.16	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.18	0.15	0.15	0.16	0.17	0.15
COMMERCIAL BANKS' INTEREST RATES: (%)																
Average lending rate	8.88	8.63	8.54	8.54	8.57	8.57	8.53	8.57	8.56	8.48	8.98	8.63	8.52	8.76	8.83	8.85
Average deposit rate	2.60	2.69	2.56	2.44	2.33	2.22	2.16	2.11	2.11	1.94	2.69	2.68	2.03	2.64	2.65	2.61
COMMERCIAL BANK LOANS (Tala million)	1133.8	1165.8	1179.2	1178.6	1172.7	1176.4	1178.8	1175.9	1182.2	1187.4	1130.1	1168.3	1184.8	1149.8	1127.5	1075.6
GOVERNMENT NET POSITION (Tala million)	-248.5	-334.1	-330.8	-327.3	-319.2	-321.9	-317.4	-319.9	-326.0	-343.4	-204.3	-305.9	-334.7	-291.3	-266.7	-220.9
MONEY SUPPLY (Tala million)	1222.7	1244.2	1290.1	1278.5	1302.9	1314.1	1299.8	1325.3	1299.3	1307.1	1241.0	1246.4	1303.2	1233.4	1199.7	1104.9
Currency outside banks	102.2	108.9	115.2	113.0	121.2	121.0	119.6	112.5	122.2	118.1	96.5	109.1	120.1	105.6	95.3	83.5
Demand deposits	391.3	368.8	388.8	384.2	401.5	420.5	388.9	430.5	396.4	410.8	403.2	372.6	403.6	380.0	367.4	332.7
FCD residents	58.1	39.9	41.2	39.6	52.7	49.3	54.4	55.9	59.9	60.2	70.2	39.7	60.0	49.0	58.0	63.0
Save deposits	158.1	175.4	176.4	180.1	182.5	187.2	189.8	190.9	196.3	194.5	149.6	174.9	195.4	166.8	161.1	151.1
Time deposits	513.0	551.2	568.6	561.6	545.0	536.2	547.2	535.4	524.6	523.4	521.6	550.2	524.0	532.1	517.8	474.5
NOMINAL EXCHANGE RATE (Index)	100.0	99.9	100.1	100.1	100.0	100.0	100.0	100.0	99.8	99.8	100.0	99.8	99.8	99.9	99.9	100.5
HEADLINE CPI (2)	110.1	107.0	103.7	105.6	107.1	107.1	107.7	109.2	111.0	112.7	108.0	106.6	111.9	108.5	108.8	106.5
Annual average inflation (%)	1.4	0.9	-2.4	-3.2	-3.8	-3.9	-3.6	-3.0	-2.4	-1.7	2.5	1.0	-2.0	1.1	2.2	1.6
LOCAL MARKET SURVEY: (2)																
Volume	96.0	98.8	80.3	77.7	85.8	80.0	83.0	81.3	82.0	88.0	97.3	81.1	85.0	97.4	109.3	122.3
Price	125.9	111.1	97.5	115.9	123.2	114.0	111.0	105.1	106.0	103.0	121.2	116.1	104.5	118.5	114.8	107.4
EXPORTS (Tala million)	14.1	7.5	4.2	5.9	8.8	4.3	7.8	7.1	4.3	5.1	11.0	10.9	4.7	10.8	11.5	10.5
IMPORTS (Tala million)	84.8	67.8	65.6	56.7	84.6	64.3	80.0	59.7	58.0	71.0	76.1	65.6	64.5	76.3	79.3	74.2
REMITTANCES (Tala million)	47.1	54.6	40.5	42.0	51.9	43.4	53.3	51.6	53.4	57.5	46.1	55.7	55.5	50.8	49.9	44.6
TOURISM: (1)&(4)																
Arrivals	17,489	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15,216	-	-	8,745	11,270	12,126
Earnings (Tala million)	50.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	44.5	0.0	0.0	25	33	34
GROSS INTERNATIONAL RESERVES (3) (5)	485.0	671.9	732.5	720.0	718.3	720.7	714.5	732.7	712.9	781.6	468.1	635.7	747.2	578.4	525.2	437.5
BOP Position (+/-) (Surplus/Deficit)	-0.7	72.4	2.9	-12.4	-1.7	2.6	-6.4	18.2	-19.8	68.7	3.1	38.8	24.4	35.8	25.4	18.0
Import Cover	6.4	9.8	11.3	11.3	11.1	11.0	10.5	10.7	10.5	11.5	6.3	9.1	11.0	8.1	7.3	6.3

Source: Central Bank of Samoa

1. Revised Total Earnings from Feb-12 to Mar-16

2. Rebase Base Period February 2016=100

3. Significant increases in official reserves since March 2020, reflected the inflows of funds for COVID-19 assistance and the usual government inflows for budget support from Samoa's international partners. In April 2020, Samoa received a loan of USD\$20.03 million from International Monetary Fund to address the COVID-19 pandemic.

4. Starting from April 2020, tourists arrivals and earnings recorded zero value due to the closure of international borders for the safeguarding of our people during the pandemic.

n/a: not available

5. Samoa received the IMF-Special Drawing Rights (SDRs) allocation of SDR15.5 million, an equivalent of around \$55.5 million Tala in August 2021