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MONETARY POLICY STANCE REMAINS EASING

Friday, 7 July 2017: At its Board Meeting on 30 June 2017, the Central Bank Board of Directors approved the continuation of its loosening monetary policy stance for the financial year 2017/18.

In making its decision, the Board took into account the expected contraction in economic growth following very high growth in 2015/16 while inflation is forecast to pick up slightly as inflationary pressures remain low.

According to the IMF's April 2017 World Economic Outlook (WEO), the global economic growth is estimated at around 3.30 percent for 2016/17, revised up from earlier estimates due to better than expected growth estimates for mainly advanced economies like the UK and Japan. The outlook for 2017/18 is for further growth of 3.55 percent from increased global demand and improving labor market conditions.

Samoa's latest National Accounts figures show that the economy grew by 5.8 percent in real terms in the twelve months to end December 2016, much higher than 2.9 percent in the same time last year but slowing down from 7.1 percent real growth at end of June 2016.

Inflation is expected at around 1.3 percent by end June 2017, up from 0.1 percent at end June 2016 and is expected to rise steadily to 1.7 percent by end June 2018 due to a forecast increase in imported prices such as petroleum and frozen meat products. Real GDP is expected to grow by 3.0 percent for the whole year 2016/17 in line with the current slowdown trend from last year's high growth. The economy is expected to record lower growth of 1.9 percent in 2017/18 as the Yazaki Samoa wire harnessing plant closes at end August 2017. On the external front, gross foreign reserves are forecast to increase by \$16.6 million in 2016/17 given the current surplus in the balance of payments so far up to April 2017. The balance of payments outlook for 2017/18 is for another surplus of around \$18.0 million, which will see international reserves rise to a level of around 4.8 months of import cover, from its current level of 4.4 months at end April 2017.

With the expected slowdown in economic activity and manageable level of inflation in 2017/18, the Board felt that the monetary policy should remain eased in order to support economic growth. Interest rates are currently at low levels with the weighted average lending rate at 8.76 percent and average deposit rate at 2.61 percent at end April 2017. Going forward, the aim is for interest rates to remain at these low levels.

The Central Bank of Samoa is the country's reserve bank, regulation of the financial system and banker to the government and the commercial banks.

The main objective of the Central Bank is to promote sustainable economic growth by managing inflation, foreign cash reserves and a sound financial sector.