CENTRAL BANK OF SAMOA


# MONETARY POLICY STATEMENT

## FOR THE FINANCIAL YEAR

# 2025/2026

JULY 2025

The image featured on the cover is the Central Bank of Samoa's new Offsite Building, currently under construction.

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APIA

July 2025

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# 1. INTRODUCTION

The main aim of Monetary Policy Statements (MPS) is to effectively communicate the Central Bank of Samoa's (CBS) monetary policy stance in a transparent and accountable manner to improve public awareness. The main objectives of the monetary policy and its corresponding targets are set out in its main legislation, the CBS Act 2015. This Statement is also aligned with the Central Bank of Samoa's Strategic Plan (CBS SP) and the Government's Pathway for the Development of Samoa (PDS).

## *1.1. Central Bank of Samoa's Monetary Policy Framework Objectives*

*The primary aim of the Central Bank's monetary policy is to achieve and maintain price stability, which is also the* Bank's primary objective. This ensures the volatility and uncertainty in inflation is reduced and adequately managed thereby enabling long-term economic growth and investments to flourish. The CBS continues to quantify Samoa's targeted inflation rate consistent with its major trading partners at an annual average inflation rate of 3.0 percent in order to pursue and achieve its price stability objective. This naturally determines the target that the CBS seeks to maintain each year while also acknowledging the impact of external shocks on price volatilities which are beyond CBS' monetary policy control. Past years' experiences reveal that persistent sharp hikes in international prices for globally traded commodities such as crude oil and imported food had exerted significant pressures on the domestic prices of petroleum and food items. Similarly, domestic supply shocks (such as food shortages following natural disasters like cyclones) have the same upward pressure on domestic prices. During such periods, the focus was mainly on the underlying (core) inflation rate.

Consistent with its primary monetary policy objective, the CBS is also committed to safeguarding Samoa's macroeconomic stability in view of the Government's PDS, for the improved livelihood and betterment of Samoa and its people. This refers to achieving sustainable real economic growth, defined as real GDP growth of around 3.0 percent for the Samoan economy in the medium term.

Complementing our monetary policy objective is maintaining a comfortable level of official foreign exchange reserves for the country. Samoa is a small but highly open economy with total merchandise trade representing around 60-65 percent of nominal gross domestic product (GDP). Total earnings from exports of goods account roughly for one tenth of total import payments every year. It is crucial therefore that Samoa maintains a sufficient level of international reserves to withstand the many unanticipated economic shocks (both natural and man-made). CBS, under prevailing circumstances, targets or considers a level of gross official international reserves to be adequate or comfortable at an equivalent of no less than 4.0 months of imports of current goods.

Similarly, our monetary policy is supported by Samoa's exchange rate policy, which aims to having an appropriate level of exchange rate that is conducive for promoting exports of goods, visitor earnings and remittances inflows while also mitigating imported inflation. In particular, the CBS's Exchange Rate policy (ERP) ensures that export-oriented industries remain competitive in overseas markets whilst minimizing imported inflation. While there is no specific target level for the nominal effective exchange rate (NEER) of the Tala, the Central Bank aims to avoid a substantial real appreciation of the Tala since it can adversely affect its international competitiveness through its export sector. At the same time, it aims to avoid a substantial depreciation of the Tala given its subsequent effect on imported inflation. This is one area the CBS is closely monitoring since the onset of the COVID-19 pandemic. The CBS continues to monitor and assess on a quarterly basis its exchange rate basket as well as actively consulting with the IMF through its annual Article IV

Missions, to ensure Samoa’s Exchange rate regime and policy remains appropriate given prevailing macroeconomic conditions.

The CBS uses a **monetary targeting regime or framework**, whereby the Bank targets a specific monetary aggregate, in this case total money supply or M2. That is, money supply is the intermediate target that the CBS uses to achieve its primary objective of price stability, utilizing the relationship between the quantity of money and prices (or inflation). Theoretically, if the stock of money increases, inflation will go up as there is too much money going around while the quantity of goods and services are unchanged. So, the CBS will try to increase or decrease the level of money supply (M2), in order to increase or decrease inflation.

### *Monetary Policy Tools*

The main monetary policy tool employed by the Bank are Open Market Operations through the buying and selling of CBS Securities to influence commercial banks interest rates (deposit and interbank rates). The CBS also offers standing facilities such as the rediscount and repurchase facilities on the CBS Securities. Another monetary policy tool within the CBS toolbox is the reserve requirement ratio, also known the Statutory Reserve Deposit (SRD) ratio, which is currently around 4.5 percent of commercial banks’ deposit liabilities.

### *Monetary Policy Transmission*

The conduct of monetary policy, through the trading of CBS Securities (CBSS), is transmitted through the money market interest rate channel. Similarly, through its foreign exchange rate policy the exchange rate channel supports, to a certain extent, the achievement of Samoa’s monetary policy objective (i.e. price stability).

# 2. EXECUTIVE SUMMARY

## *2.1 World Economy*

The International Monetary Fund's (IMF) April 2025 World Economic Outlook (WEO) Update projects global economic growth of 3.05 percent for fiscal year 2024/25, below the pre-pandemic average of 3.7 percent recorded between 2000 and 2019. The overall forecasts for FY2024/25 and FY2025/26 have been revised slightly downward from the January 2025 WEO, reflecting the impact of ongoing trade tensions and heightened global uncertainty.

## *2.2 Domestic Economy*

The Samoan economy is expected to slow further to 2.1 percent in FY2024/2025 from 4.6 percent last year. Inflation on the other hand, continues to remain subdued at 2.0 percent (estimated) at end June 2025 from its peak of 3.6 percent in June last year.

On the external front, gross foreign reserves continue to expand, currently at $1,491.4 million in April 2025. This is due to strong inflow of remittances, visitor earnings and government official aid. On the monetary sector, high commercial banks' liquidity persisted during the year (exceeding $700 million) reflecting the above inflows. The banking system remained well capitalized with good asset quality as represented by low non-performing loans that were also well provisioned.

On the fiscal side, the Government Budget is expected to record another (albeit smaller) surplus in FY2024/2025. This follows the strong revenue collection so far, which more than offset an increase in Government expenses. (See Appendix - Table 1.)

# 3. REVIEW OF 2024/2025 SO FAR…

## *3.1 World Economy*

Although global economic growth has moderated compared to the previous period, performance remains uneven across regions. The slowdown is largely attributed to weaker-than-expected data from several Asian and European economies, alongside the continued impact of the Ukraine-Russia conflict, intensifying trade tensions particularly amongst the major economies and increased uncertainty in view of escalating geopolitical tensions. These factors have collectively weighed on the pace of global recovery. As a result, global growth for FY2024/25 is now projected at 3.05 percent, following a stronger expansion of 3.25 percent in FY2023/24.

Global inflation is estimated to average 5.0 percent in FY2024/25, down from 6.25 percent in FY2023/24. While the broad decline in inflation represents a notable achievement, the outlook is increasingly overshadowed by rising downside risks. These include escalating regional conflicts, the possibility of monetary policy remaining restrictive for an extended period, renewed financial market volatility with potential spillovers to sovereign debt markets, a sharper-than-expected slowdown in China’s growth, and the continued spread of protectionist trade policies.

Among Samoa’s major trading partners, namely the United States, New Zealand, and Australia, inflation eased over the year and remained close to their respective target ranges of 2 percent to 3 percent (refer to Table 2).

Conversely, labour market conditions have weakened over the past twelve months, with rising unemployment observed in many countries, particularly in the United States, Australia, and New Zealand.

Monetary policy rates among major central banks are expected to decline further, albeit at varying speeds, reflecting differences in growth and inflation outlooks. Fiscal policy is projected to tighten in FY2024/25, especially in advanced economies such as the United States, and to a lesser extent in emerging market and developing economies. However, growing concerns over the economic outlook have prompted some major central banks to slow or pause interest rate hikes during the three months leading up to June 2025. (Refer to Appendix - Table 2.)

On the exchange rate front, the U.S. dollar strengthened against most major currencies in the Samoa Tala Currency Basket from July to December 2024. However, it weakened toward the end of the year in response to unfavorable economic data from key economies, slowing global growth, and expectations of further policy rate cuts by major central banks in 2025.

## *3.2 Domestic Economy*

### *3.2.1 Policy Developments*

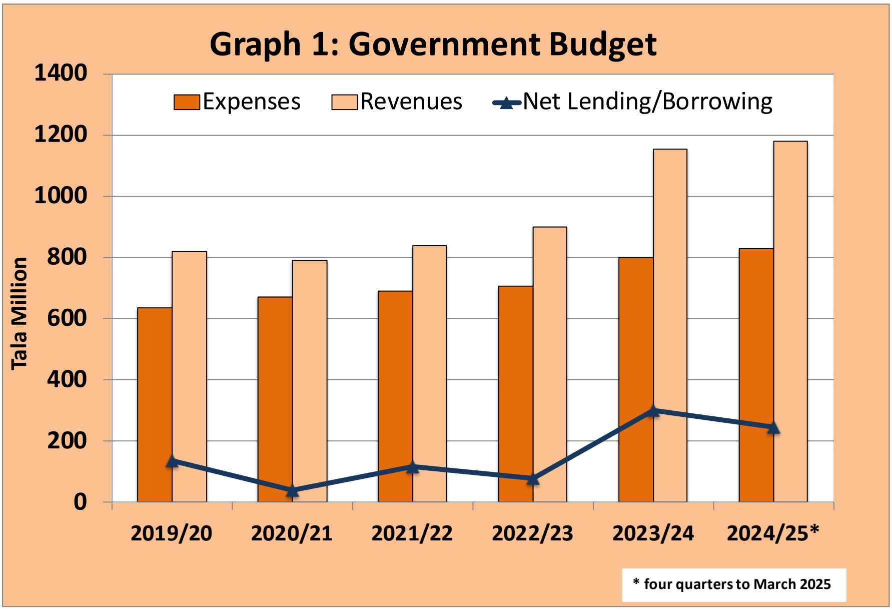
#### *3.2.1.1 Monetary Policy Decision*

At its meeting on the 12th of December 2024, the CBS Board approved the continuation of the CBS monetary policy stance that was set on the 28th of June 2024. This involved absorbing or reducing the prevailing high level of liquidity in the financial system, while at the same time, continue to normalise or raise the level of its official interest rate to its neutral target of 2-3 percent over the medium-term.

This stance entails the further expansion of CBS open market operations, both in terms of volume (or level of outstanding securities) as well as issuing more longer-term papers (like the 182-days and 364-days paper). As a result, the official interest rate has risen steadily during the year to 1.07 percent at end April 2025, with still some ways to go, to reach its medium-term target range.

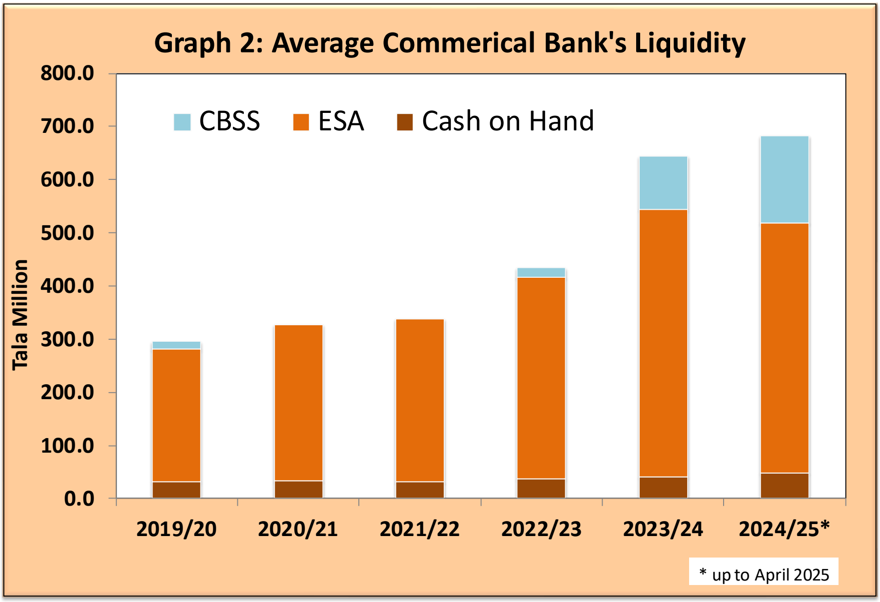
### *3.2.1.2 Fiscal Developments*

*The latest Government Finance Statistics published by the Samoa Bureau of Statistics is up to the March 2025 quarter.* For the year to end March 2025, there is an estimated budget surplus (net lending/borrowing) of $244.6 million, which is equivalent to 7.1 percent of nominal GDP. This is compared to a budget surplus of $209.7 million (or 6.6 percent of GDP) in the same period up to March 2024. It is very likely that FY 2024/2025 will be the seventh year of consecutive budget surpluses, despite budgeting for a deficit of 2.1 percent in the Government Budget FY 2024/25. The estimated budget surplus is due to a much higher collection of Government revenues, while budget implementation has been slower than anticipated, particularly in the last six months. (Refer to Appendix - Table 6 and Graph 1.)



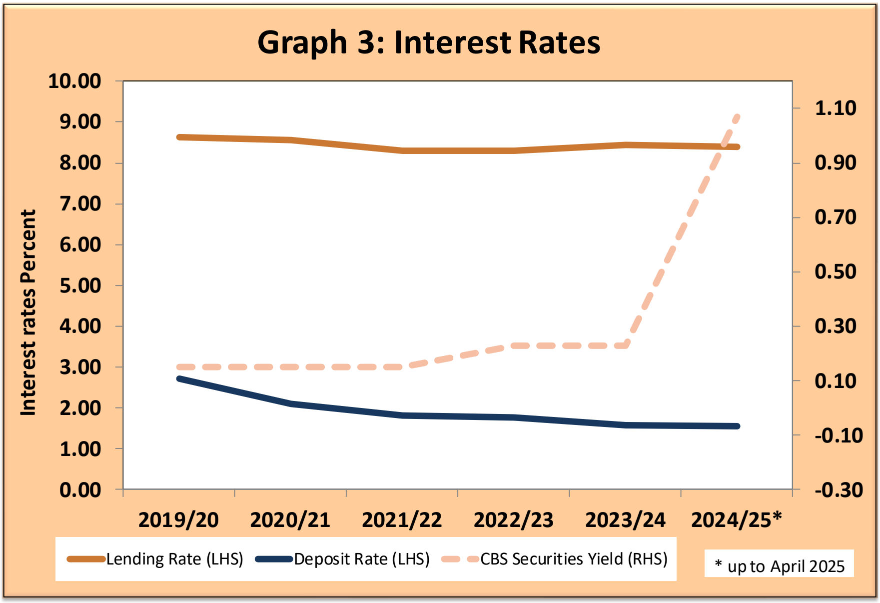
### *3.2.1.3 Monetary Developments*

For the first 10 months of FY 2024/2025, average commercial banks' liquidity expanded further by 5.8 percent to an average of $682.30 million, from $645.08 million at end June 2024. This expansion was primarily driven by a considerable increase in the commercial banks' holdings of CBS Securities (up 62.9 percent to $164.41 million) their average holdings of vault cash picking up by 19.3 percent to $48.57 million. Commercial banks' excess settlement accounts (ESA) held at CBS fell by an average 6.8 percent to $469.32 million, in line with the MP stance during the year. (See Graph 2.).



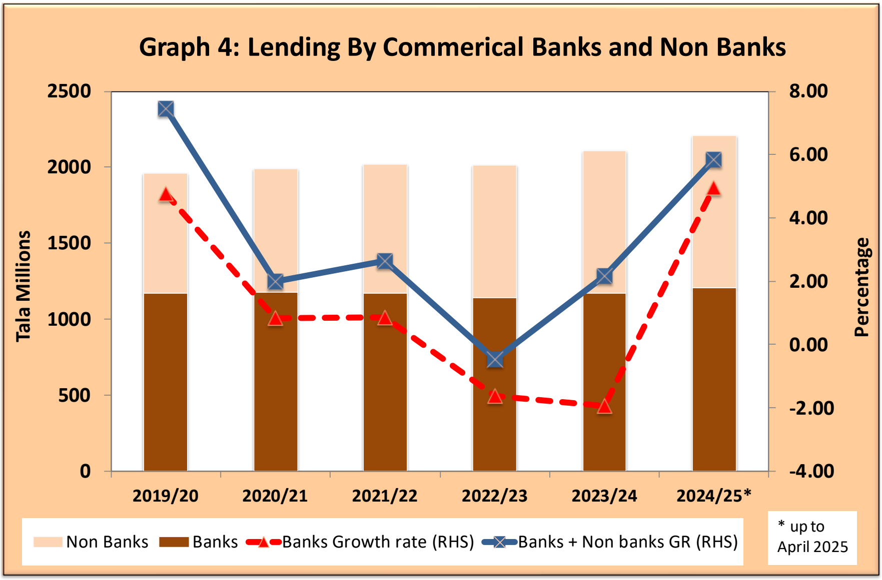

On interest rates, the CBS' official rate increased by 84 basis points to 1.07 percent at end April 2025. This mainly reflected the large increase in CBS Securities issued during the year, with the outstanding amount rising from $139.5 million in June 2024 to $205.3 million at end April 2025. The bulk of these papers were issued at longer-term maturities, and at higher rates.

On the other hand, the weighted average lending rate of commercial banks narrowed by 3 basis points to 8.40 percent at end April 2025, over June 2024. Additionally, the weighted average deposit rate fell by 2 basis points to 1.55 percent, from 1.57 percent at end June 2024. This drop was partly influenced by the high level of liquidity in the financial system. Consequently, the weighted average interest rate spread narrowed to 6.85 percent in April 2025 from 6.86 percent at the end of June 2024. (See Graph 3.)

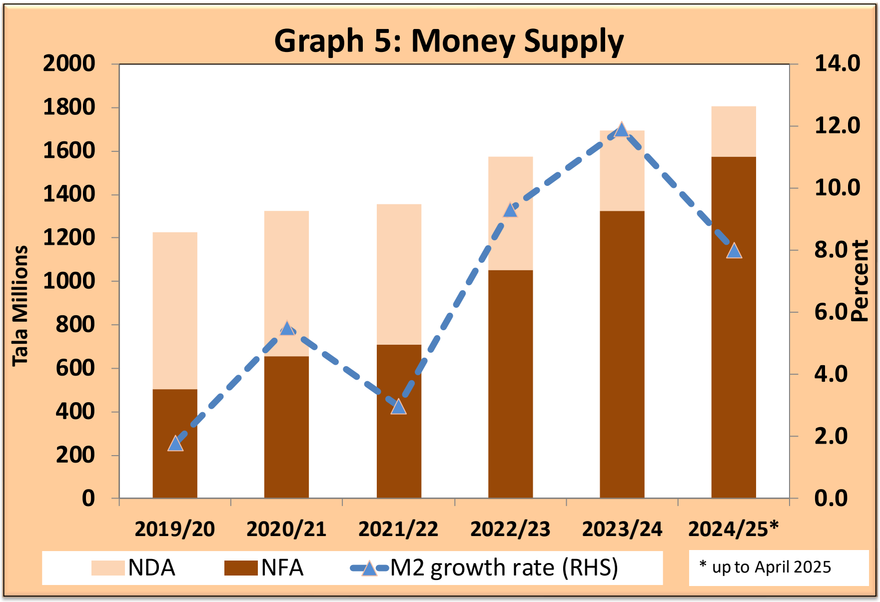



Total commercial banks' lending to the private sector and public institutions expanded by 3.0 percent to $1,208.26 million at end April 2025, over June 2024. As a result, the annual average growth rate of commercial banks' credit expanded to 5.0 percent at end April 2025 from -1.9 percent at end June 2024. This reflects the modest demand for credit from the private sector corresponding with improvements in commercial banks appetite to lend. Similarly, total lending of the non-bank financial institutions (NFIs) also increased by 7.2 percent to

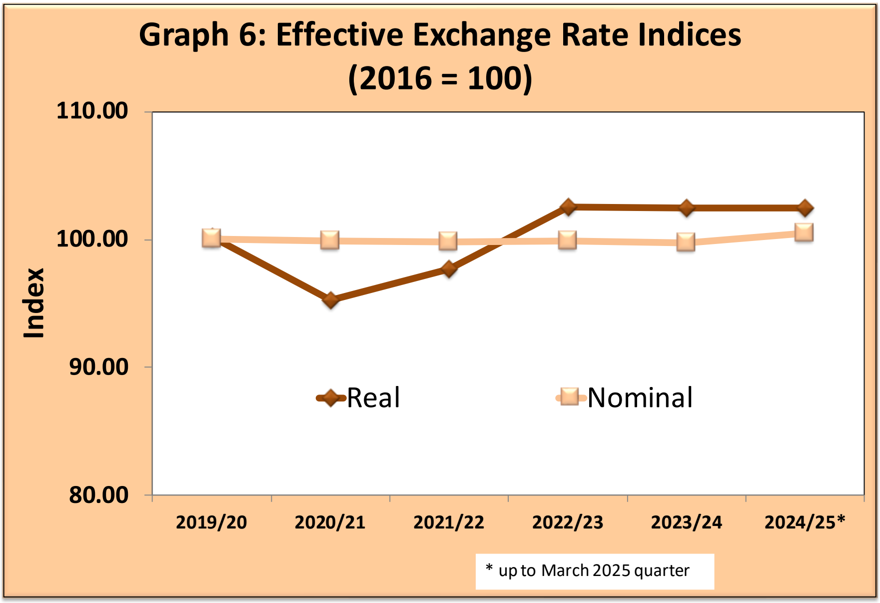
$1003.22 million in April 2025, although its annual average growth rate declined to 6.9 percent at end April 2025 from 7.8 percent at end June 2024. As a result, total financial system total credit amounted to $2,211.48 million at the end of April 2025, equivalent to an annual growth of 5.8 percent, up from 2.2 percent at end June of 2024. (See Graph 4.)




Net foreign assets increased further by 12.0 percent (or $157.6 million) from June last year to $1,472.61 million at end April 2025. This was underpinned by notable increases in both the Central Bank and commercial bank held foreign assets. The former stemmed from large inflows of official development assistance and budget support funds from Samoa's international partners. Conversely, net domestic assets declined by 20.0 percent (or $76.3 million) to $306.07 million in April 2025. This was largely due to a sharp increase in government's net position. As a result, total money supply (M2) expanded by 4.8 percent (or $81.3 million) to $1,778.67 million in April 2025 over June 2024. However, the annual average growth rate of M2 decelerated to 8.0 percent in April 2025, from 11.9 percent at end June 2024. (See Graph 5.)



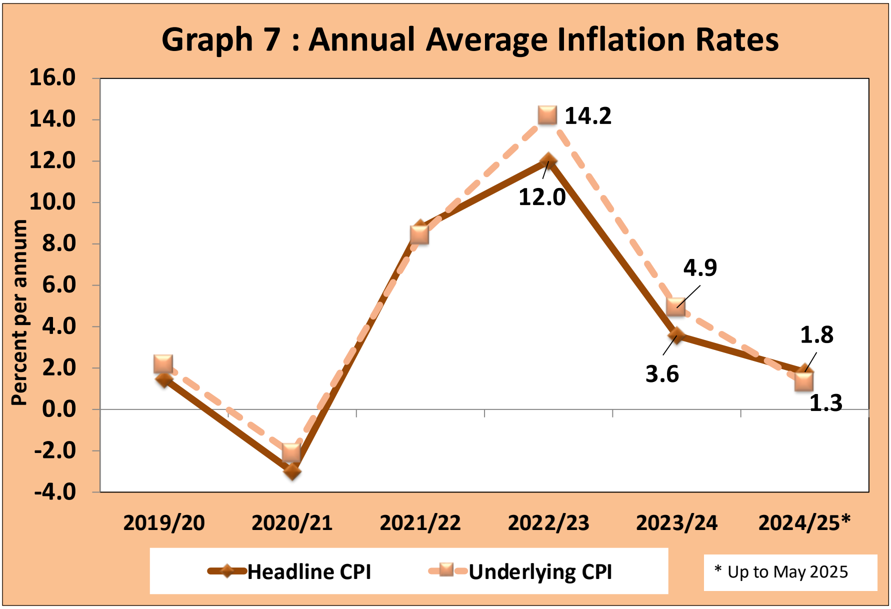

The annual average Nominal Effective Exchange Rate (NEER) of the Tala appreciated by 0.5 percent in the year ending March 2025 compared to the same period last year. In contrast, the annual average Real Effective Exchange Rate (REER) depreciated by 0.7 percent over the same corresponding period, partially due to the lower headline inflation for Samoa compared to its major trading partners. (See Graph 6.)




## 3.3 *Macroeconomic Performance*

### *3.3.1 Prices*

The annual average headline inflation rate fell further to 1.8 percent in May 2025 from 3.6 percent at end FY2023/24. This decline was driven by reductions in both its imported and local components, but at different speeds. Imported inflation dropped much faster, decreasing to 0.1 percent at end May 2025 from 2.9 percent in June 2024. This is in line with the general decline for most of the global commodity prices in 2024 and 2025. In particular, there were notable reductions in imported 'Food and Non-Alcoholic Beverages', 'Transport' and 'Housing, Water, Electricity and Gas' sub-groups. Decelerating slower, on the other, was domestic inflation, which fell from 4.4 percent in June 2024 to 3.7 percent at end May 2025. However, local (component) inflation has started to pick up from February 2025 given the increase in local price of stable crops like taro and banana as well as vegetable items like cabbages, tomatoes, and cucumbers. (See Graph 7 and Appendix - Table 5.)




### *3.3.2 Real Sector*

Based on the latest economic data, real GDP up to the December 2024 quarter recorded a 2.8 percent annual growth, recovering from a 0.7 percent annual growth rate up to end September 2024[1]. Annual real GDP growth peaked at 16.4 percent at end September 2023, and then decelerated sharply from the December 2023 quarter up to the September 2024 quarter. These sharp fluctuations are consistent with most economies coming out of COVID, especially for small island economies.

The smaller growth up to December 2024 reflects the hosting of the Commonwealth Heads of Government Meeting (CHOGM) in October

[1] The GDP Series produced by the Samoa Bureau of Statistics (SBS) were revised in the GDP report December Quarter 2024. This includes a major review of all source data (quality and completeness) to ensure estimates are up to date data and of the highest quality. For example, using revised business sales and expenses data, revised sales data for VAGST related industries and goods imports series.

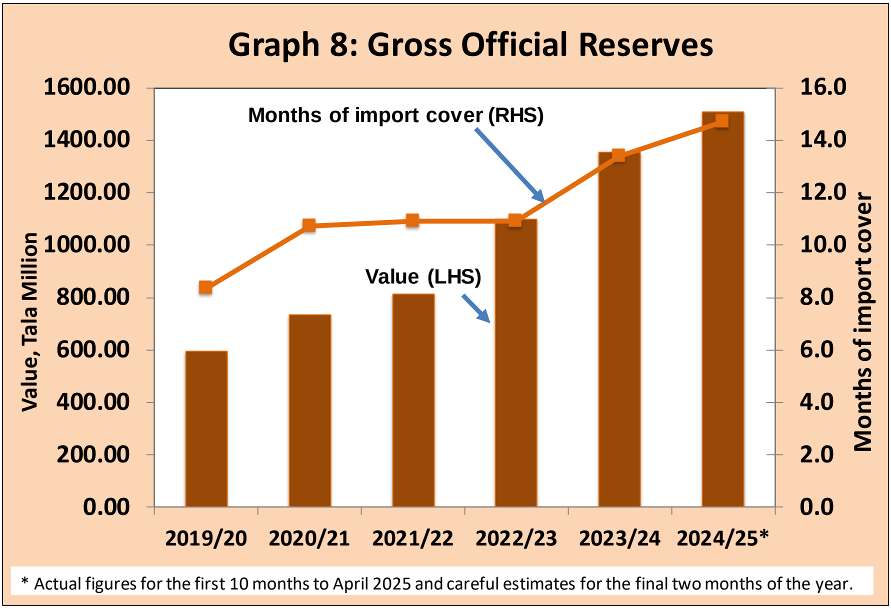
2024 as well as notable seasonal expansions across key sectors. These included sectors such as “Commerce” (up $30.5 million), “Transport” (up $15.0 million), “Financial Services” (up $9.0 million), “Food and Beverages Manufacturing” (up $4.7 million), “Construction” (up $4.1 million), and “Public Administration” (up $2.5 million). Additionally, ‘Taxes less subsidies’ rose by $18.0 million, further contributing to the overall growth.

Despite these encouraging trends, the February-April 2025 energy crisis led to widespread disruption to the country, affecting economic production and services across all sectors of the economy. As a result, annual real GDP is expected to grow by 2.1 percent by FY2024/25, continuing the downward trend from 4.6 percent in FY2023/24, and 15.2 percent in FY2022/23. (Refer to Appendix - Table 3.)

### *3.3.3 External Sector*

On the external front, gross official foreign reserves continued to strengthen, increasing by an estimated $154.28 million (surplus) by end June 2025. This will see foreign reserves rise to a record high of $1,508.3 million[2] in FY2024/25. Continued significant inflows from government grant assistance and budget support funds from international development partners, as well as earnings from tourism and remittances have contributed to this sustained increase in foreign reserves. (Refer to Appendix - Table 4 and Graph 8.)

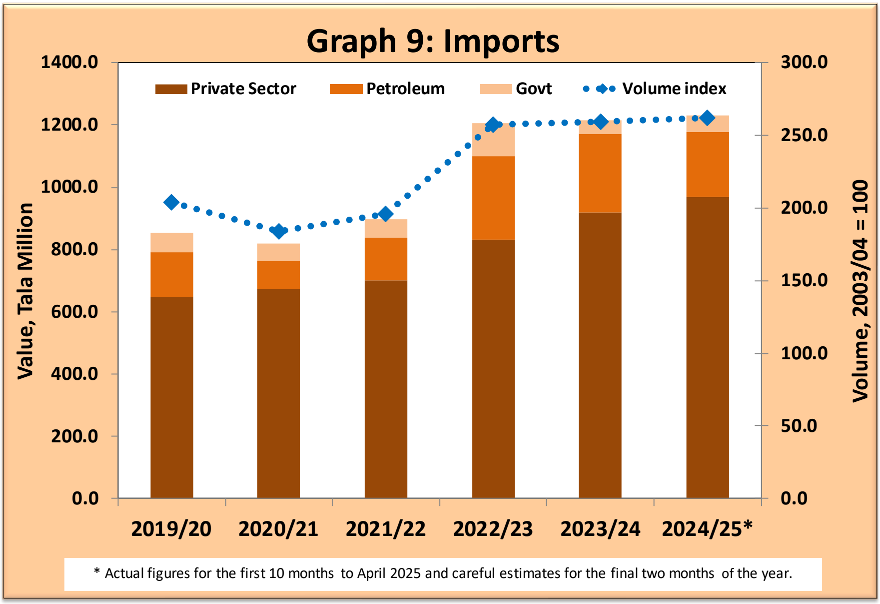
[2] This figure includes estimates for the final two months of the fiscal year




The current account balance is forecast to record a surplus of $183.5 million in FY 2024/2025 following a surplus of $142.0 million in the previous year. This mainly reflects the expansion in the Balance of Trade in Services and the Balance of Primary Income. In addition, the Balance on Secondary Income declined by 9.8 percent, mainly due to higher outflows of personal transfers over the year.

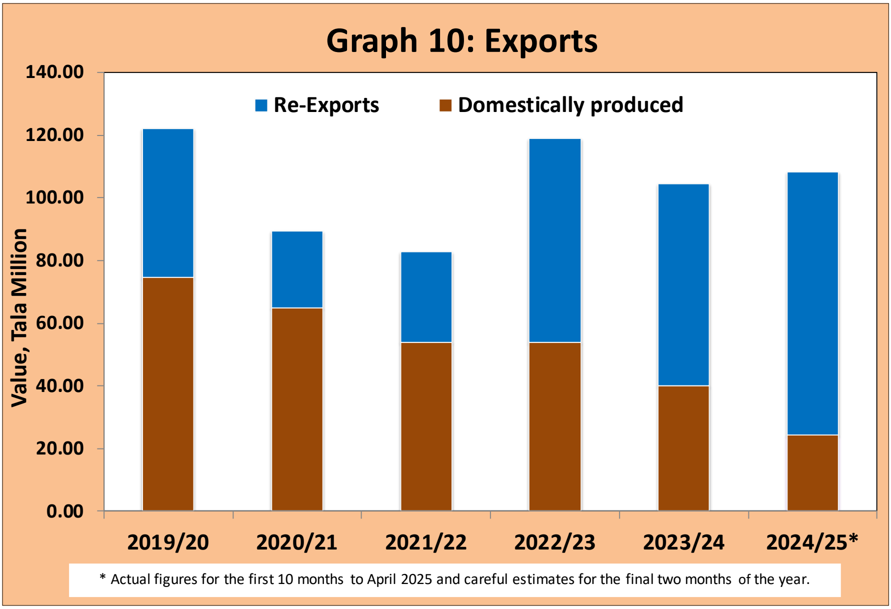
Total import payments[3] are expected to rise by 1.2 percent (or $14.6 million) to $1,230.3 million in FY2024/25. This will be driven by expansions in non-petroleum private sector imports (up by $49.5 million) and government imports (up by $10.0 million), which will offset a $45.0 million decline in petroleum imports. (See Graph 9.)

[3] This estimate reflects actual figures for the first 10 months to April 2025 and careful estimates for the final two months of the fiscal year



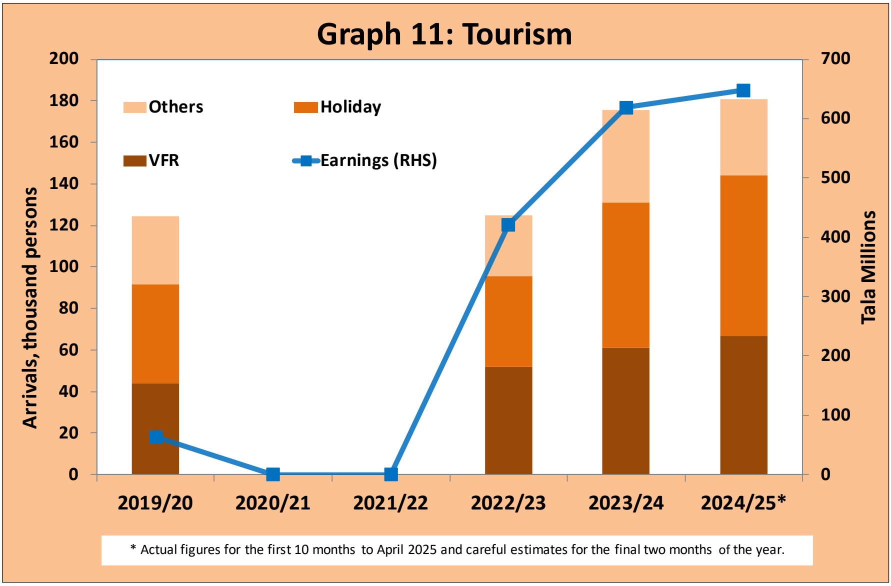

Total export revenue[4] is forecast to grow by 3.6 percent (or $4.0 million) to $ 108.2 million solely due to a $19.7 million increase in re-exports, including one-off re-exports of fiber optic cables during the year. Conversely, locally produced exports are expected to drop sharply by $15.9 million reflecting lower receipts from export of mainly fish, taro and coconuts. (See Graph 10).

[4] This estimate reflects actual figures for the first 10 months to April 2025 and careful estimates for the final two months of the FY 2024/2025.



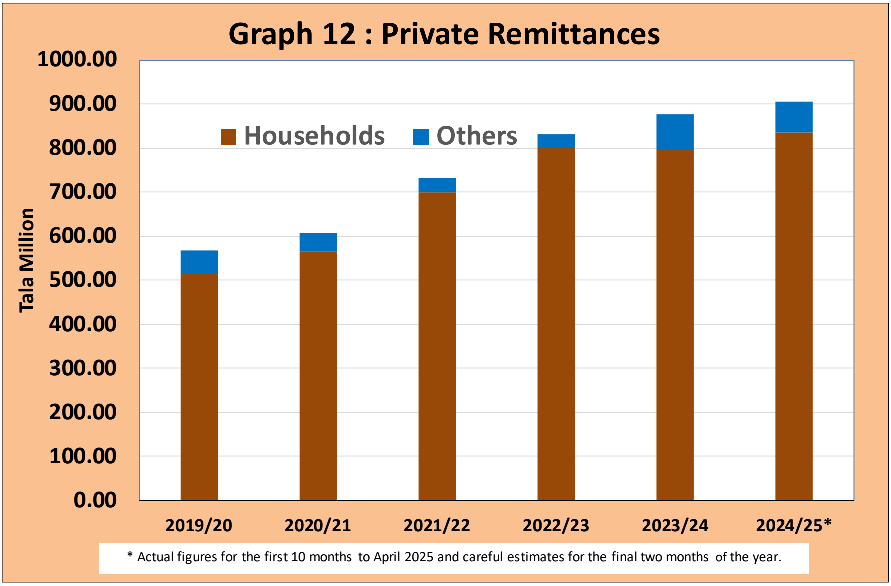

Total visitor arrivals[5] are forecast to increase by 3.0 percent (or 5,283 visitors) to a total of 180,939 visitors in FY2024/2025. As a result, total visitor earnings are expected to expand by 4.7 percent (or $29.0 million) to a total of $647.4 million in FY2024/2025. This hike was mainly driven by a large influx of holiday travellers, those visiting families and friends and those here for meetings and conferences (such as annual church conferences and one-off regional and international meetings such as the CHOGM). (See Graph 11.)

[5] This estimate reflects actual figures for the first 10 months to April 2025 and careful estimates for the final two months of the FY 2024/2025.




Additionally, total remittance inflows[6] are forecast to rise by 3.2 percent (or $27.9 million) amounting to $904.9 million for the whole year FY2024/2025. This was mainly underpinned by increased remittances for 'Individuals and families' (up by $36.5 million), which were mainly from Australia and the USA. (See Graph 12.)

[6] This estimate reflects actual figures for the first 10 months to April 2025 and careful estimates for the final two months of the FY 2024/2025.


Graph 12 : Private Remittances
Tala Million
1000.00
900.00
800.00
700.00
600.00
500.00
400.00
300.00
200.00
100.00
0.00
Households
Others
2019/20
2020/21
2021/22
2022/23
2023/24
2024/25*
* Actual figures for the first 10 months to April 2025 and careful estimates for the final two months of the year.

# 4. OUTLOOK FOR 2025/2026

## *4.1 Monetary Policy Stance For 2025/2026*

At its meeting on the 27th of June 2025, the Central Bank of Samoa (CBS) Board of Directors approved the continuation of the Central Bank's monetary policy from last year. The CBS will look to further reduce the high level of excess liquidity in the financial system. In addition, the CBS will also continue its efforts to normalise or adjust upwards its official interest rate to its neutral target range of 2-3 percent in the short to medium term. *This raising of CBS interest rates is not a signal of CBS tightening monetary policy but more for the CBS to build a buffer in its policy instrument, to support more flexibility in the future.*

This monetary policy stance is in line with its primary objective of price stability, with the headline inflation rate expected to edge up to 2.6 percent by June 2026 (but still within its target of 3.0 percent). With its primary objective met, the CBS is focusing on improving its transmission mechanism through the reduction of the large liquidity overhang in the financial system and building a buffer in its main policy tool.

The approved stance will also indirectly support the 3.2 percent real economic growth forecast for the fiscal year 2025/2026. Further positive business activities generated from the continued expansion in tourism, remittances and labour mobility will contribute to this growth. In addition, known public and private projects to be implemented in FY2025/2026 alongside an expected expansion in government expenditure and private consumption spending will stimulate further economic activities and growth.

The country's external sector will continue to remain strong in the year ahead, with official foreign reserves projected to be above $1.5

billion (at an equivalent of 14.6 months of import of goods only). This is more than sufficient to meet the country's international commitments. Higher inflows from tourism and private remittances together with further inflow of capital aid funds will drive this strong position over the coming year.

The financial system continues to be sound and stable, with ample banking system liquidity currently at a high of $731.0 million at end April 2025. The average bank lending rates are relatively low and is estimated to remain below 9.0 percent over the near term.

With this outlook, ongoing collaboration and discussions with the financial sector are important in the Bank's efforts to maintain low and stable inflation rate as its primary objective as well as support economic growth and maintain an adequate level of international reserves.

Nevertheless, there is a high degree of risks and uncertainty surrounding the economic outlook for FY 2025/2026. The escalation of geopolitical tensions from the war in the Middle East, the ongoing conflict between Russia and Ukraine coupled with trade tensions pose significant risk on headline inflation picking up earlier and faster than expected. In addition, domestic risks from adverse supply shocks that may raise local prices (especially agricultural items like stable crops, vegetables and fish) may push up domestic inflation.

The CBS will closely monitor the progress of inflation and other main macroeconomic indicators in the year ahead. If economic and financial conditions change dramatically over this period, CBS will review its monetary policy decision and stance accordingly.

## SUMMARY FORECASTS FOR FY 2025/26

| Main indicators | Original Forecasts FY2025/2026<br>as at 27 June 2025 | Commentary |
|---|---|---|
| Real GDP | +3.2% to $2,615.9 million | Real GDP is expected to improve in light of several Govt projects and modest expansions in tourism and remittances. |
| Headline Inflation | 2.6% | Prices expected to pick up, especially local prices while imported prices are expected to remain low. |
| Underlying Inflation | 2.0% | Imported inflation expected to go up modestly. |
| Balance of Payments | $62.54m (surplus) | Samoa will be downgraded from High Debt Distress to Medium (50% grants & 50% loan). |
| Gross Foreign Reserves | $1,570.9m | |
| Import Cover | 14.6 months | |
| Exports | -17.2% to $89.6m | Largely due to the absence of one-off re-export shipments in FY24/25, fish exports to remain low albeit modest growth in exports of eggs, cocoa, cigarettes. |
| Imports | +4.8% to $1,288.9m | Steady increase in total imports, mostly volume increase as economy expands. |
| Visitor Receipts | +4.5% to $676.3m | Further expansion in tourism but at a lower rate than last year. |
| Visitor Arrivals | +2.6% to 185,714 | |
| Priv. Remittances | +3.8% to $$939.0m | Increase in remittances to reflect election funds (est $7m). |

## *4.2 World Economy*

According to the International Monetary Fund's (IMF) April 2025 World Economic Outlook (WEO), global economic growth is projected at 2.90 percent for FY2025/26, down from an estimated 3.05 percent in FY2024/25. This downward revision reflects rising trade tensions and heightened policy uncertainty.

Global inflation is expected to ease to 3.95 percent in FY2025/26, down from 6.25 percent in FY2024/25. This decline is largely attributed to the effects of tighter monetary policy and softening commodity prices. Nonetheless, inflation expectations in advanced economies have inched slightly higher.

For FY2025/26, most major central banks appear poised to ease monetary policy, as global inflationary pressures have largely subsided. While inflation has moderated, the outlook remains cautiously optimistic, with notable downside risks. The IMF's latest World Economic Outlook (WEO) highlights ongoing uncertainties, including the potential escalation of conflict in the Middle East, intensifying tensions between the world's two largest economies, and the impact of new U.S. economic policies on the global economy. These factors are contributing to a shifting landscape in global trade and cross-border investment.

On the exchange rate front, a modest rebound in other major currencies against the U.S. dollar is projected for FY2025/26, although overall exchange rate volatility is expected to persist, influenced by global risk sentiment and incoming economic data. (Refer to Appendix - Table 2.)

## *4.3 Domestic Economy*

### *4.3.1 Government Budget*

Although the Government Budget FY 2025/2026 has been deferred to after elections in August 2025, available information on ongoing major projects such as the new Savalalo market, MAF Office in Savaii, new Savaii Court House and the Cross Island Road widening project are expected to continue in FY2025/2026. (Refer to Appendix - Table 6.)

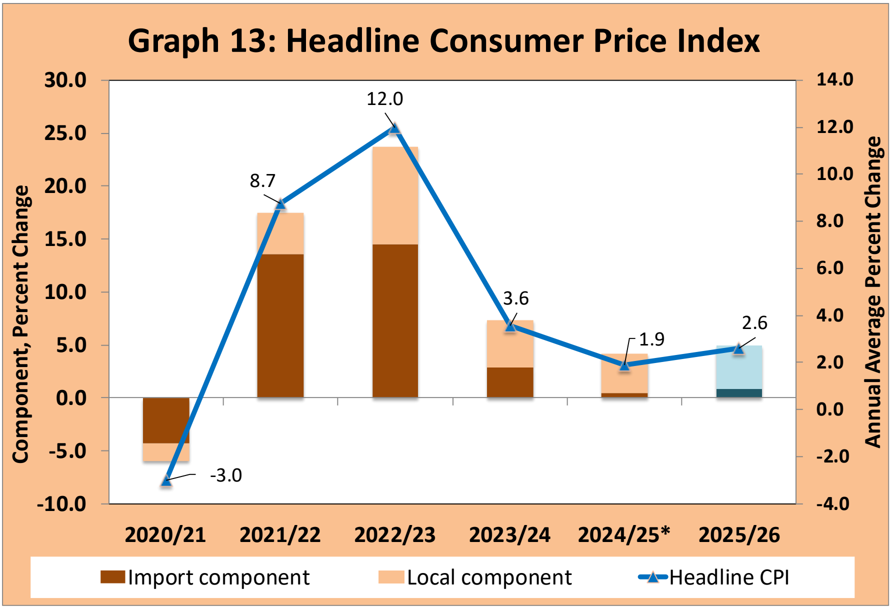
### *4.3.2 Prices*

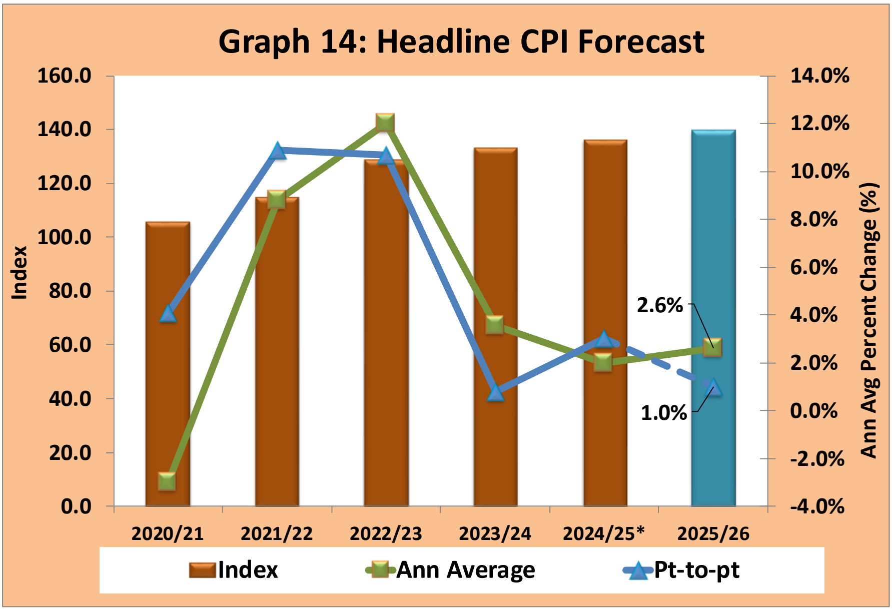
#### *4.3.2.1 Headline Inflation*

Headline inflation is expected to edge up to 2.6 percent by the end of FY2025/26 from 2.0 percent projected for end June 2025.

The consensus outlook on global commodity prices (food, fuel, ores, constructional materials) is for further easing in 2025 and 2026 due to weaker global growth and trade turmoil. In particular, there are expected price reductions in agricultural foods like grains, wheat and dairy products, as well as for most meat prices (except for beef). Similarly, oil prices (for Brent crude and West Texas Intermediate) are expected to drop in 2025 and 2026, due to weaker demand and some improvement in oil supply. However, the Israel-Iran conflict can create some supply shocks that could increase oil prices earlier than expected. Overall, imported inflation is expected to edge up to 0.8 percent in June 2026 from 0.4 percent expected at end June 2025.

Similarly, local inflation is projected to rise to 4.1 percent by the end of June 2026 from an estimated 3.8 percent in June 2025. This reflects the current increase in prices for agricultural commodities such as Koko Samoa, fish, taro and bananas as well as services such as airport tax fees and restaurant meals. (Refer to Appendix – Table 5 Graph 14 & 15.)


Graph 13: Headline Consumer Price Index
Component, Percent Change
Annual Average Percent Change
30.0
25.0
20.0
15.0
10.0
5.0
0.0
-5.0
-10.0
14.0
12.0
10.0
8.0
6.0
4.0
2.0
0.0
-2.0
-4.0
12.0
8.7
3.6
1.9
2.6
-3.0
2020/21
2021/22
2022/23
2023/24
2024/25*
2025/26
Import component
Local component
Headline CPI


Graph 14: Headline CPI Forecast
Index
Ann Avg Percent Change (%)
160.0
140.0
120.0
100.0
80.0
60.0
40.0
20.0
0.0
14.0%
12.0%
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
-2.0%
-4.0%
2.6%
1.0%
2020/21
2021/22
2022/23
2023/24
2024/25*
2025/26
Index
Ann Average
Pt-to-pt

In a scenario where imported commodity prices may increase due to a worsening escalation of the Israel-Iran conflict, a larger impact of the US Trade Tariffs on imported commodities to Samoa and a much higher jump in local agricultural food prices, which may spill over to other local service costs*, the forecast headline inflation rate could increase much higher to somewhere between 3.2 percent (lower bound) and 4.0 percent (upper bound) by June 2026.*

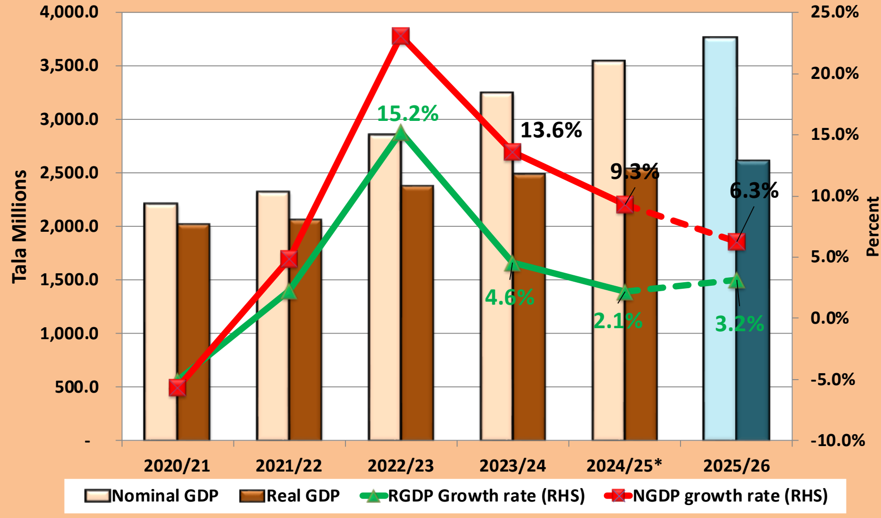
#### *4.3.2.2 Underlying Inflation*

The underlying inflation rate is also expected to rise to 2.0 percent at end June 2026 from 1.6 percent at end June 2025. The underlying inflation is expected to increase slower than the headline inflation rate as imported prices (which are expected to be relatively weak) have a higher weight in the underlying inflation.

### *4.3.3 Real Sector*

Real GDP for FY2025/26 is forecast to rebound to 3.2 percent, driven by several ongoing public and private investment projects. Also contributing favourably to the recovery will be further expansions projected in government spending and consumption activities, the latter to be supported by higher income, inward remittances and tourism revenues. (See Table 3 and Graph 16.)

**Graph 15: GDP Forecast**

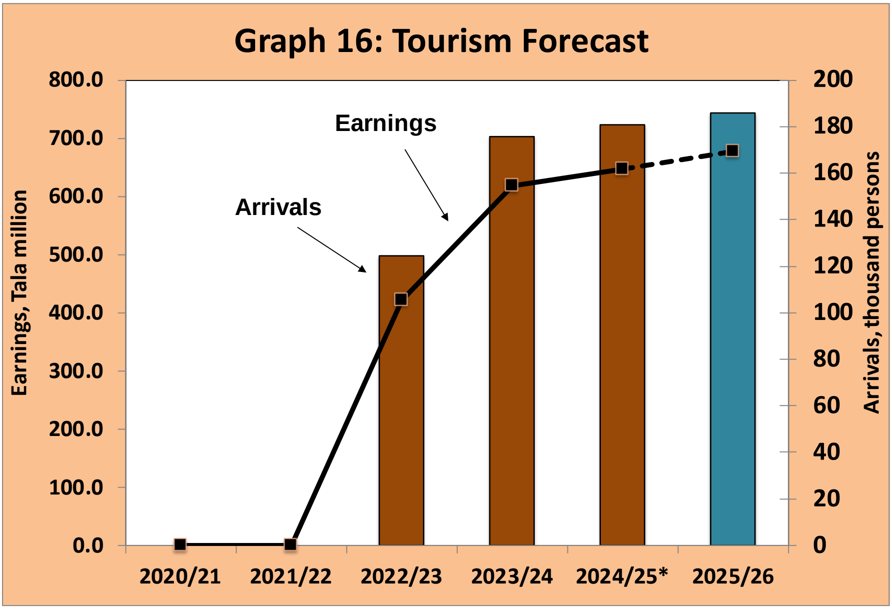


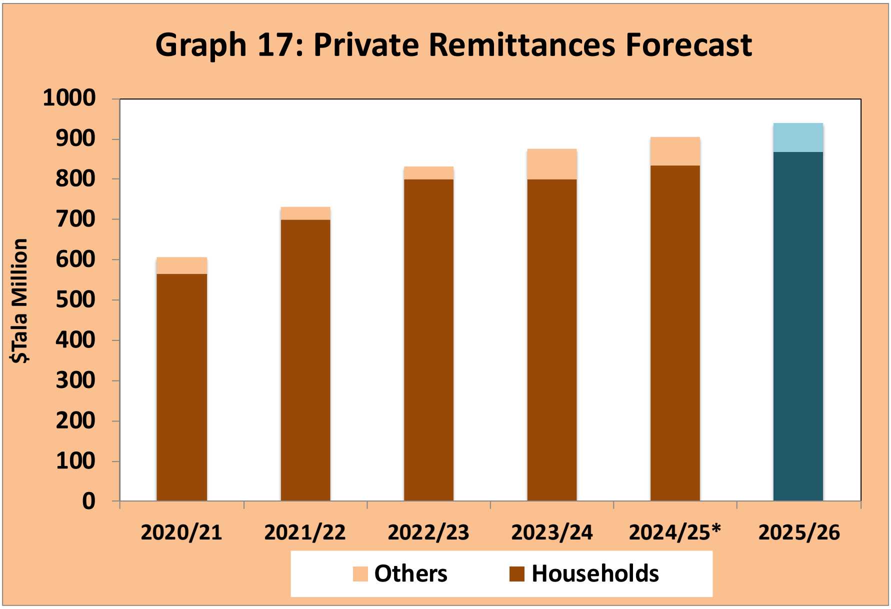

### *4.3.4 Balance of Payments (BOP)*

The overall bop is forecast to record a smaller surplus of $62.5 million in FY2025/26, compared to $154.3 million surplus in the previous fiscal year. Moreover, gross official reserves are projected to go up to around $1,570.9 million, with an estimated import cover of 14.6 months.

This expected increase is primarily driven by anticipated inflows from government grants and budget support (smaller than last year), along with expected growth in remittances and tourism receipts. Total import payments are forecast to grow by 4.8 percent to $1,288.9 million given the continuous growth in economic activity as well as ongoing and upcoming government construction projects. Total remittances are projected to increase by 3.8 percent, reaching approximately $939.0 million in FY2025/2026 compared to the previous period. This growth is largely underpinned by expected inflow of funds for the upcoming elections. Likewise, visitor arrivals are expected to rise by 2.6 percent to 185,714 visitors in

FY2025/2026 in light of the national elections in August 2025 and upcoming regional meetings, church conferences and renowned concerts. As a result, total visitor earnings are forecast to grow by 4.5 percent to $676.6 million from $647.4 million in the previous period. However, total export earnings are forecast to fall by 17.2 percent to $89.6 million, reflecting a return to normal levels and excluding substantial one-off export items recorded in the previous year. (See Table 4 and Graphs 15 and 16.)






### *4.3.5 Monetary Aggregates*

Looking ahead, broad money supply is expected to decelerate further in FY 2025/2026 as net foreign inflows, especially from Government, is forecast to slow down from the highs in the past years. As a result, the annual growth rate of M2 is expected to moderate to 5.0 percent in FY 2025/2026 from 9.9 percent expected at end June 2025 and 11.7 percent at end June 2024. On the lending side, total commercial bank credit is anticipated to be sluggish (around 2.5 percent) after recording a modest annual growth of 5.5 percent in FY2024/2025. (Refer to Appendix - Table 7.)

# 5. Appendix Tables

**Table 1**
**Selected Domestic Economic Indicators**

| Fiscal year to end June | 2020/21 | 2021/22 | 2022/23 | 2023/24 | Estimates 2024/25 | Forecast 2025/26 |
|---|---|---|---|---|---|---|
| **Real sector** | | | | | | |
| Nominal GDP | -5.7 | 4.9 | 23.1 | 13.6 | 9.3 | 6.3 |
| Real GDP | -5.1 | 2.3 | 15.2 | 4.6 | 2.1 | 3.2 |
| **Prices (February 2016=100)** | | | | | | |
| Headline Consumer Price Index (ann ave) | -3.0 | 8.7 | 12.0 | 3.6 | 2.0 | 2.6 |
| Underlying Consumer Price Index (ann ave) | -2.1 | 8.4 | 14.2 | 4.9 | 1.6 | 2.0 |
| Implicit GDP Deflator (annual average) | -0.7 | 2.5 | 6.9 | 8.6 | 7.0 | 3.0 |
| **Monetary aggregates** | | | | | | |
| Net foreign assets (annual average percent change) | 31.1 | 6.4 | 25.9 | 45.5 | 18.7 | 9.1 |
| Government's net monetary position (end period % change) | 14.2 | 4.4 | 18.3 | 54.4 | 16.0 | 0.5 |
| Bank credit to private sector (percent change) | | | | | | |
| Annual average | 2.1 | 1.3 | -1.4 | -1.0 | 5.5 | 2.5 |
| End period | 1.5 | 0.2 | -2.4 | 3.7 | 1.4 | 1.1 |
| Money Supply, M2 (percent change) | | | | | | |
| Annual average | 5.5 | 2.8 | 9.5 | 11.7 | 7.9 | 5.0 |
| End period | 8.1 | 2.2 | 16.3 | 7.7 | 6.5 | 3.5 |
| **Exchange rate (March 2016=100)** | | | | | | |
| Nominal Exchange Rate (annual average) | -0.08 | -0.14 | 0.09 | -0.16 | 0.47 | n/a |
| Real Exchange Rate (annual average) | -4.91 | 2.56 | 4.89 | -0.04 | -0.75 | n/a |
| **International reserves** | | | | | | |
| Gross International Official Reserves (Tala million) | 732.7 | 812.4 | 1,098.0 | 1,354.0 | 1,508.3 | 1,570.9 |
| Gross International Official Reserves (Months of imports) | 10.7 | 10.9 | 10.9 | 13.4 | 14.7 | 14.6 |
| **Weighted average interest rates** | | | | | | |
| CBS 14 days Securities | 0.13 | 0.13 | 0.13 | 0.13 | 0.31 | n/a |
| CBS 28 days Securities | 0.16 | 0.16 | 0.16 | 0.16 | 0.32 | n/a |
| CBS 56 days Securities | 0.18 | 0.18 | 0.18 | 0.18 | 0.33 | n/a |
| CBS 91 days Securities | 0.41 | 0.41 | 0.41 | 0.41 | 0.51 | n/a |
| CBS 182 days Securities | | | | 1.00 | 1.73 | n/a |
| CBS 365 days Securities | | | | 1.50 | 2.64 | n/a |
| CBS Securities overall weighted avg yield (ann avg) | 0.15 | 0.15 | 0.23 | 0.23 | 1.07 | n/a |
| Commercial bank deposits | 2.11 | 1.82 | 1.76 | 1.57 | 1.55 | n/a |
| Commercial bank credit | 8.57 | 8.29 | 8.31 | 8.43 | 8.40 | n/a |
| Commercial bank interest rate spread | 6.46 | 6.47 | 6.55 | 6.86 | 6.85 | n/a |

**Source**: *Central Bank of Samoa*
n/a - not available

**Table 2**

**Selected World Economic Indicators**

| Fiscal year to end June | 2020/21 | 2021/22 | 2022/23 | 2023/24 | Forecast 2024/25 | Forecast 2025/26 |
|---|---|---|---|---|---|---|
| **World Economic Performance** | | | | | | |
| Real growth rate | 1.4 | 4.6 | 3.3 | 3.3 | 3.1 | 2.9 |
| Inflation rate | 3.4 | 6.7 | 7.8 | 5.7 | 6.3 | 4.0 |
| Unemployment Rate | 6.4 | 6.0 | 5.8 | 5.8 | 5.4 | 5.0 |
| **Main Trading Partners** | | | | | | |
| **New Zealand** | | | | | | |
| Real growth rate | 18.5 | 0.7 | 3.0 | -0.5 | 0.8 | 3.1 |
| Inflation rate | 3.3 | 7.3 | 6.0 | 3.3 | 2.5 | 2.5 |
| Unemployment Rate | 4.0 | 3.3 | 3.6 | 4.6 | 5.3 | 4.8 |
| **Australia** | | | | | | |
| Real growth rate | 9.5 | 3.4 | 2.0 | 1.0 | 1.7 | 2.0 |
| Inflation rate | 3.8 | 6.1 | 6.0 | 3.8 | 2.4 | 3.0 |
| Unemployment Rate | 4.9 | 3.6 | 3.6 | 4.1 | 4.1 | 4.5 |
| **United States of America** | | | | | | |
| Real growth rate | 12.5 | 1.8 | 2.4 | 3.0 | 0.5 | 0.5 |
| Inflation rate | 5.4 | 9.1 | 3.0 | 3.0 | 2.9 | 2.9 |
| Unemployment Rate | 5.9 | 3.6 | 3.7 | 4.1 | 4.8 | 4.8 |

*Source: IMF and reserve banks' publications and information releases.*

*IMF World Economic Outlook Database (IMF website)*

*Westpac Market Outlook*

**Table 3**
**Real Gross Domestic Product by Industry**
**(At 2013 prices, amounts in Tala Million)**

| During the period | 2020/21 Actual | 2021/22 Actual | 2022/23 Actual | 2023/24 Actual | 2024/25 Estimates | 2025/26 Forecast |
|---|---|---|---|---|---|---|
| Agriculture | 159.3 | 150.2 | 147.3 | 151.7 | 153.0 | 157.9 |
| Fishing | 29.1 | 20.6 | 24.9 | 31.6 | 29.6 | 29.6 |
| Food & Beverages manufacturi | 60.9 | 60.9 | 65.3 | 63.4 | 68.2 | 71.1 |
| Other manufacturing | 32.4 | 24.8 | 29.2 | 29.6 | 29.8 | 30.8 |
| Construction | 86.3 | 74.1 | 79.9 | 76.0 | 80.1 | 83.1 |
| Electricity and water | 56.7 | 76.1 | 57.3 | 73.2 | 69.6 | 72.8 |
| Commerce | 535.4 | 527.7 | 644.0 | 666.2 | 696.6 | 712.5 |
| Accommodations & Restaurant | 14.7 | 16.3 | 38.6 | 53.9 | 54.3 | 56.6 |
| Transport | 45.7 | 54.0 | 53.7 | 70.7 | 85.7 | 88.6 |
| Communication | 105.0 | 111.3 | 114.1 | 108.6 | 100.0 | 103.5 |
| Public administration | 190.1 | 219.1 | 228.8 | 222.7 | 225.3 | 232.3 |
| Financial services (2) | 302.4 | 309.3 | 305.4 | 317.6 | 326.6 | 333.1 |
| Business services | 34.6 | 49.6 | 91.6 | 91.3 | 84.6 | 87.2 |
| Ownership of dwellings | 168.1 | 173.3 | 178.6 | 184.1 | 189.6 | 195.5 |
| Personal and other services | 76.2 | 76.3 | 89.0 | 95.0 | 81.9 | 84.4 |
| Less: Enterprise share of FISIM | -152.1 | -147.9 | -136.2 | -138.2 | -142.3 | -142.3 |
| Taxes less Subsidies | 270.3 | 265.2 | 363.0 | 385.1 | 403.1 | 419.2 |
| Total Real GDP | 2,015.0 | 2,061.0 | 2,374.4 | 2,482.4 | 2,535.7 | 2,615.9 |
| Annual percent change | -5.1% | 2.3% | 15.2% | 4.6% | 2.1% | 3.2% |
| Implicit GDP deflator | 109.7 | 112.5 | 120.2 | 130.5 | 139.6 | 143.8 |
| Annual percent change | -0.7% | 2.5% | 6.9% | 8.6% | 7.0% | 3.0% |

***Source:*** *Samoa Bureau of Statistics and Central Bank of Samoa*

**Table 4**
**Balance of Payments (1)**
**(Amounts in Tala Million)**

| During the period | 2020/21 Actual | 2021/22 Actual | 2022/23 Actual | 2023/24 Actual | 2024/25 Estimates | 2025/26 Forecast |
|---|---|---|---|---|---|---|
| A. Current Account Balance | -321.6 | -245.2 | -84.8 | 142.0 | 142.9 | 38.1 |
| Balance on Trade in Goods | -731.1 | -814.5 | -1,087.0 | -1,111.3 | -1,122.1 | -1,199.3 |
| Exports | 89.5 | 82.9 | 119.0 | 104.4 | 108.2 | 89.6 |
| Imports | 820.7 | 897.4 | 1,206.0 | 1,215.8 | 1,230.3 | 1,288.9 |
| Balance on Trade in Services | -85.4 | -63.4 | 276.2 | 521.3 | 523.0 | 491.1 |
| Balance on Primary Income | -44.2 | -55.9 | -32.0 | -42.4 | -29.7 | -56.7 |
| Balance on Secondary Income | 539.1 | 688.6 | 758.0 | 774.4 | 771.7 | 803.0 |
| Personal transfers | 497.2 | 648.1 | 658.8 | 633.5 | 691.3 | 760.6 |
| Other transfers | 41.9 | 40.5 | 99.2 | 140.9 | 80.4 | 42.4 |
| B. Capital Account Balance | 198.4 | 243.9 | 314.8 | 398.3 | 359.1 | 301.0 |
| Capital Transfers | 198.4 | 243.9 | 314.8 | 397.9 | 358.6 | 303.5 |
| Other | 0.0 | 0.0 | 0.0 | 0.3 | 0.5 | -2.5 |
| C. Net Lending (+)/Net Borrowing (-) | -123.2 | -1.3 | 230.0 | 540.3 | 502.0 | 339.1 |
| D. Financial Account | 165.9 | 110.0 | 287.0 | 343.1 | 223.1 | 191.3 |
| *Net Lending (+)/Net Borrowing (-)* | | | | | | |
| Direct Investment | -23.1 | -12.9 | -26.9 | 25.7 | -31.6 | 17.0 |
| Portfolio Investment | 19.8 | 32.5 | -1.0 | 4.1 | -3.7 | 16.8 |
| Other Investment | 96.0 | 41.3 | 128.8 | 112.9 | 104.2 | 94.9 |
| Reserve Assets | 73.1 | 49.0 | 186.0 | 200.4 | 154.3 | 62.5 |
| E. Net Errors & omissions | 289.1 | 111.2 | 57.0 | -197.2 | -278.9 | -147.8 |

**(1) Based on Balance of Payments Manual 6 format**
**Source:** *Central Bank of Samoa*

**Table 5**
**Consumer Price Index**
**(February 2016 = 100)**

| Fiscal year to end June | 2020/21 Actual | 2021/22 Actual | 2022/23 Actual | 2023/24 Actual | 2024/25 Estimates | 2025/26 Forecast |
|---|---|---|---|---|---|---|
| **A. Headline Inflation** | | | | | | |
| **Description** | | | | | | |
| All Groups | -3.0 | 8.7 | 12.0 | 3.6 | 2.0 | 2.6 |
| Food and Non-Alcoholic Beverages | -4.6 | 12.2 | 19.1 | 7.7 | 3.9 | 2.1 |
| Import Component | -4.3 | 13.6 | 14.5 | 2.9 | 0.4 | 0.8 |
| Local Component | -1.7 | 3.9 | 9.2 | 4.4 | 3.8 | 4.1 |
| **B. Underlying Inflation** | | | | | | |
| **Description** | | | | | | |
| All Groups | -2.1 | 8.4 | 14.2 | 4.9 | 1.6 | 2.0 |
| Food and Non-Alcoholic Beverages | -3.9 | 10.9 | 17.1 | 6.1 | 1.5 | 1.3 |
| Import Component | -3.3 | 11.0 | 15.1 | 5.5 | 1.6 | 2.1 |
| Local Component | 0.5 | 2.8 | 11.9 | 3.5 | 1.6 | 0.2 |

**Source:** *Samoa Bureau of Statistics*

| Table 6 | | | | | |
|---|---|---|---|---|---|
| **Financial Operations of Government (1)**<br>**(Amounts in Tala Million)** | | | | | |
| **During the period** | **2020/21 Actual** | **2021/22 Actual** | **2022/23 Actual** | **2023/24 Actual** | **2024/25* Actual** |
| **Revenues** | **791.3** | **825.4** | **898.8** | **1,154.6** | **1,181.1** |
| Taxes | 542.6 | 555.5 | 673.9 | 784.9 | 836.7 |
| Grants | 148.1 | 188.1 | 141.3 | 269.9 | 236.1 |
| Other Revenues | 100.6 | 81.7 | 83.6 | 99.8 | 108.2 |
| **Expenses** | **679.2** | **694.9** | **705.5** | **798.5** | **828.3** |
| Compensation of employees | 267.9 | 281.5 | 278.8 | 295.9 | 308.8 |
| Use of goods and services | 170.3 | 176.5 | 187.9 | 255.1 | 265.7 |
| Interest | 6.7 | 10.6 | 12.7 | 14.4 | 13.1 |
| Subsidies | 17.4 | 10.1 | 2.9 | 5.8 | 6.9 |
| Grants | 159.0 | 173.5 | 178.2 | 185.5 | 191.3 |
| Social benefits | 28.0 | 12.7 | 35.6 | 34.7 | 33.6 |
| Other expenses | 29.9 | 30.1 | 9.4 | 7.2 | 8.9 |
| **Net Operating Balance** | **112.1** | **130.5** | **193.4** | **356.1** | **352.7** |
| ASSETS: | 93.0 | 13.9 | 116.3 | 55.1 | 108.2 |
| Net Acquisition of Nonfinancial Assets | | | | | |
| **Net lending / borrowing** | **19.1** | **116.5** | **77.1** | **301.0** | **244.6** |
| **(Budget Surplus/Deficit)** | | | | | |
| Net acquisition of financial assets | 12.5 | 60.9 | 5.8 | 216.0 | 164.5 |
| Domestic | 12.5 | 60.9 | 5.8 | 216.0 | 164.5 |
| Net incurrence of liabilities | -25.3 | -55.6 | -71.3 | -85.0 | 164.5 |
| Domestic | -3.1 | -2.9 | -1.1 | -2.1 | -80.1 |
| Foreign | -22.3 | -52.7 | -70.2 | -82.9 | -1.7 |
| **Budget Deficit as Percent of GDP** | **2.6%** | **5.0%** | **2.7%** | **9.3%** | **7.1%** |

*(1) GFS Manual 2001 format - All actuals are sourced from the SBS GFS data.*

*(*) Actual 12 months (year) total up to March 2025 quarter*

**Source:** *Samoa Bureau of Statistics and Ministry of Finance*

**Table 7**
**Monetary Survey**
**(Amounts in Tala million)**

| End of Period | 2020/21 | 2021/22 | 2022/23 | 2023/24 | Estimates 2024/25 | Forecast 2025/26 |
|---|---|---|---|---|---|---|
| A. Determinants of Money Supply | | | | | | |
| Net Foreign Assets | 653.5 | 709.7 | 1,052.4 | 1,325.6 | 1,574.1 | 1,616.9 |
| Net Domestic Assets | 671.8 | 645.0 | 523.0 | 371.6 | 233.4 | 254.5 |
| Net Credit to Non-financial Public Sector | -310.2 | -326.7 | -387.5 | -604.5 | -702.3 | -706.3 |
| Credit to private sector | 1,155.7 | 1,157.6 | 1,130.2 | 1,172.4 | 1,188.2 | 1,201.4 |
| Net Credit to Non-monetary Financial Institutions | 97.9 | 88.4 | 80.4 | 69.6 | 74.8 | 70.0 |
| Others, net | -271.7 | -274.4 | -300.0 | -265.9 | -327.4 | -310.7 |
| B. Money Supply (M2) | 1,325.3 | 1,354.7 | 1,575.5 | 1,697.4 | 1,807.5 | 1,871.4 |
| Narrow Money | 598.9 | 624.7 | 825.9 | 934.1 | 995.5 | 1038.7 |
| Currency Outside banks | 112.6 | 123.8 | 162.7 | 162.7 | 173.8 | 188.9 |
| Transferable Deposits | 486.4 | 500.9 | 663.2 | 663.2 | 821.7 | 849.8 |
| Demand Deposits | 430.5 | 437.1 | 548.9 | 549.0 | 690.3 | 717.4 |
| Foreign Currency Deposits of Residents | 55.9 | 63.8 | 114.3 | 114.3 | 131.4 | 132.5 |
| Quasi-money | 726.3 | 730.0 | 749.6 | 749.6 | 812.0 | 832.7 |
| Other Deposits | 726.3 | 730.0 | 749.6 | 749.6 | 812.0 | 832.7 |
| Savings Deposits | 190.9 | 206.8 | 242.3 | 242.3 | 270.5 | 291.6 |
| Time Deposits | 535.4 | 523.2 | 507.3 | 507.3 | 541.5 | 541.1 |

Source: Central Bank of Samoa