



CENTRAL BANK OF SAMOA

MONETARY POLICY STATEMENT

For the Financial Year
2026/2027



The images on the cover showcase the Central Bank of Samoa's newly issued \$100 and \$50 Talā polymer banknotes.

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FOR THE FINANCIAL YEAR 2026/2027

APIA

July 2026

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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*

According to the IMF's World Economic Outlook in April 2026, the global economy has remained resilient during the 2025/2026 financial year despite heightened geopolitical tensions, trade policy uncertainty, and elevated commodity prices. Global growth is projected at 3.25 percent in FY2025/2026, unchanged from FY2024/2025 and reflecting continued expansion. However, it remains below the pre-pandemic average growth rate of 3.70 percent.

2.2 *Domestic Economy*

The Samoan economy in the twelve months to March 2026 compared to the same period of the previous year recorded an average growth rate of -0.4 percent, decelerating from a 1.8 percent annual growth rate up to end December 2025 and 4.0 percent in the year to end March 2025. On the other hand, the headline inflation continues to subside, falling to 1.0 percent at end May 2026, from 1.8 percent in May 2025.

On the external front, the balance of payments recorded a surplus of \$82.0 million in the first ten months of FY2025/2026, compared to a much bigger surplus of \$137.4 million in the same period last year. This level was due to increased inflows recorded for private remittances and visitor earnings. On financial conditions, commercial banks' liquidity remained high although the level of bank credit were sluggish over the year. The banking system continues to be well capitalized, highly liquid, maintain good quality assets, with the level of non-performing loans well provisioned.

On the fiscal side, the Government Budget so far in the nine months of FY2025/2026 to end March 2026 is at an overall budget surplus (net lending/borrowing) of \$114.4 million in contrast to the 3.5

percent budget deficit envisioned for FY2025/2026. (See Appendix - Table 1)

3. REVIEW OF 2025/2026

3.1 *World Economy*

According to the IMF's World Economic Outlook in April 2026, the global economy has remained resilient during the 2025/2026 financial year despite heightened geopolitical tensions, trade policy uncertainty, and elevated commodity prices. Global growth is projected at 3.25 percent in FY2025/2026, unchanged from FY2024/2025 and reflecting continued expansion but remaining below the pre-pandemic average growth rate of 3.70 percent. (Refer to Appendix - Table 2)

Global inflation has eased significantly from the highs experienced in recent years, supported by improving supply conditions and tighter monetary policies. However, rising energy prices and increasing trade barriers continue to pose risks to the near-term outlook. Global inflation is currently projected to be at around 4.25 percent in FY2025/2026, a decline from 5.0 percent in the previous year.

Labour market conditions remain supportive of economic growth, although risks from slower global activity, geopolitical tensions, and trade disruptions could weaken employment expectations over the medium term.

3.2 Domestic Economy

3.2.1 Policy Developments

3.2.1.1 Monetary Policy Decision

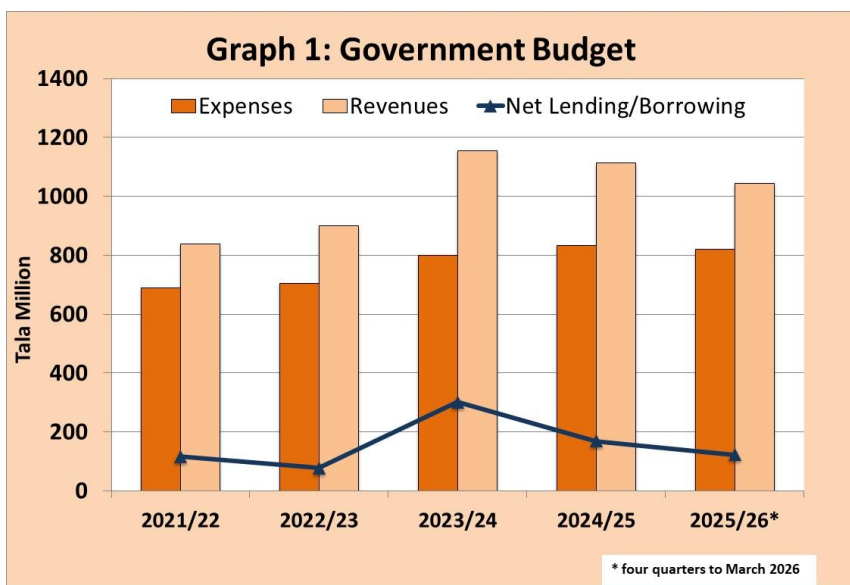
At its meeting on the 3rd December 2025, the CBS Board approved the continuation of the CBS monetary policy stance that was set on the 27th June 2025. This involved the continuation of CBS efforts to reduce the high level of liquidity in the financial system, while at the same time, continue to maintain the level of its official interest rate at its neutral target of 2-3 percent over the medium-term.

While the CBS increased its open market operations through the issuance of higher volume (or level of outstanding securities) and more longer-term papers (like the 182-days and 364-days paper) throughout the year, the continued stronger influx of foreign funds did little to bring down the banking system's excess liquidity. On the other hand, the official interest rate had risen during the year, eventually surpassing the medium target range, with 3.42 percent at end April 2026. (See Table 1A).

	2019 /20	2020 /21	2021 /22	2022 /23	2023 /24	2024 /25	Apr- 26
CBS Official Interest rate (%)	0.15	0.15	0.15	0.23	0.23	1.09	3.42
Commercial Banks' Interest Rates: (%)							
<i>Average lending rate</i>	8.63	8.57	8.29	8.31	8.43	8.38	8.35
<i>Average deposit rate</i>	2.73	2.11	1.82	1.76	1.57	1.57	1.61
Total Liquidity (Millions)	288.4	370.7	346.3	575.4	657.3	695.9	757.1
<i>ESA</i>	254.7	340.7	313.3	493.1	482.2	456.8	564.7
<i>Vault cash</i>	33.66	30.02	33.01	32.30	35.54	47.41	53.41
<i>CBSS</i>	0.00	0.00	0.00	49.98	139.5	191.7	138.9

3.2.1.2 Fiscal Developments

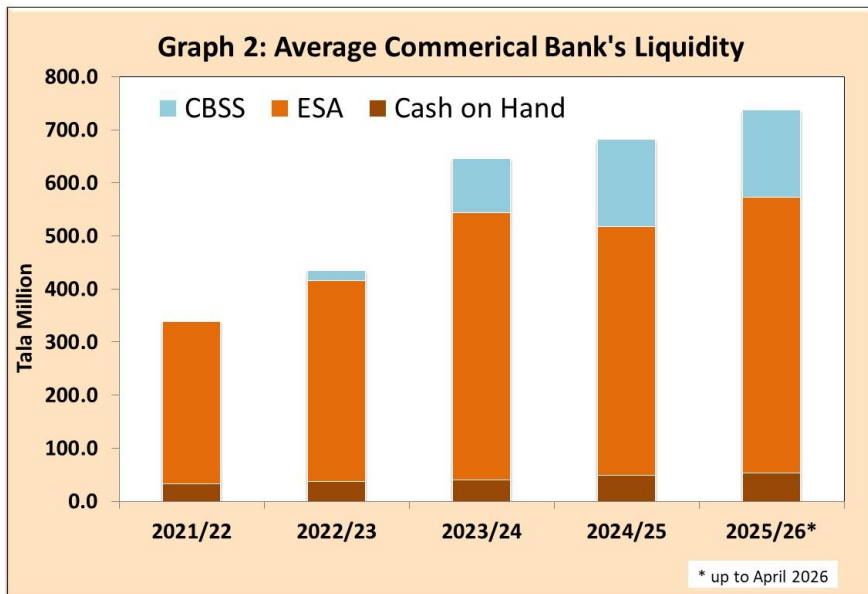
According to the latest Government Finance Statistics published by the Samoa Bureau of Statistics (up to March 2026 quarter), there is an estimated budget surplus (net lending/borrowing) of \$67.6 million in the nine months of FY2025/2026 to end March 2026., which is equivalent to around 4.1 percent of nominal GDP. This is compared to a budget surplus of \$114.1 million (or 7.2 percent of GDP) in the same period up to March 2025. Given this latest trend, it is very likely that actual budget for FY2025/2026 will be another surplus for the eighth consecutive year. However, it is important to note the FY2025/2026 Budget was tabled and passed in October 2025, which delayed the timely disbursement and implementation of planned expenditure. (Refer to Appendix - Table 6 and Graph 1.)



3.2.1.3 Monetary Developments

The average commercial banks' liquidity for the first ten months of FY2025/2026 continued expanding by \$54.4 million (or 8.0 percent) to an average of \$737.1 million, compared to June 2025. This

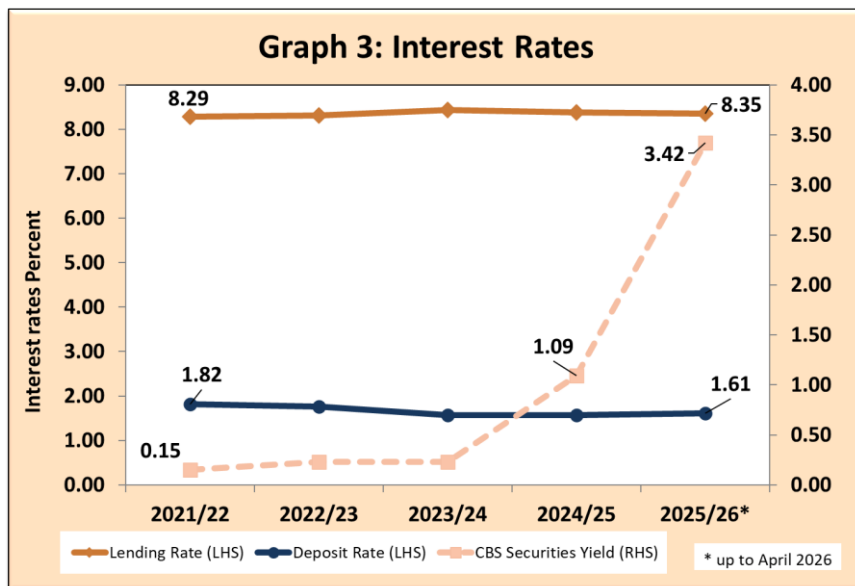
expansion was driven by an increase in banks’ average holdings of vault cash (by 10.4 percent to \$53.3 million) as well as their average excess settlement accounts (ESA) held at CBS (by 12.0 percent to \$519.8 million). These changes were partially offset by a decrease in the banks’ average holdings of CBS Securities (by 3.6 percent to \$164.0 million). (See Table 1A and Graph 2).



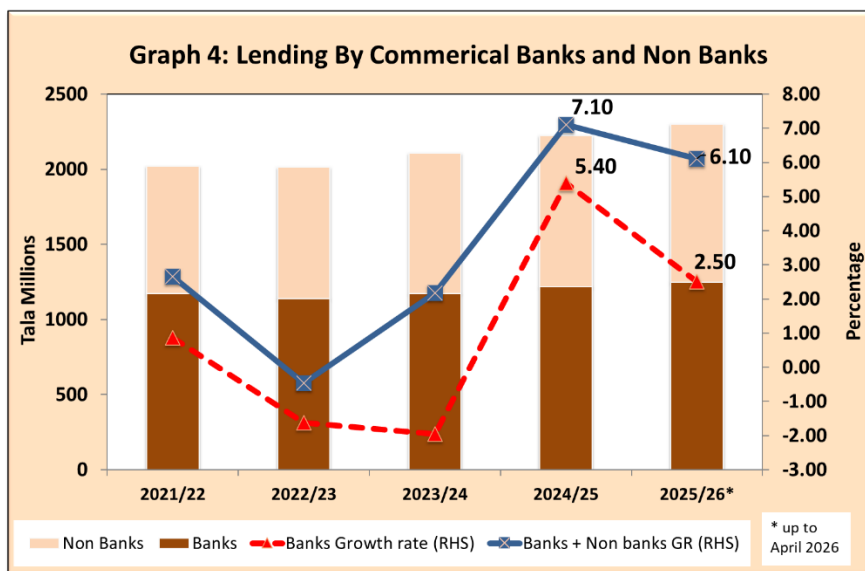
On interest rates, the CBS’s official rate increased to 3.42 percent at end April 2026 from 1.1 percent at end June 2025. This largely reflected the bulk of CBS securities issued at higher yields compared to the previous year.

On the other hand, the weighted average lending rate of commercial banks decreased by 3 basis points to 8.35 percent at end April 2026, compared to end June 2025. In contrast, the weighted average deposit rate rose by 4 basis points to 1.61 percent in April 2026, from 1.57 percent recorded in June 2025. As a result, the

weighted average interest rate spread narrowed to 6.75 percent in April 2026 from 6.81 percent at the end of June 2025. (Refer to Appendix - Table 1 and Graph 3.)

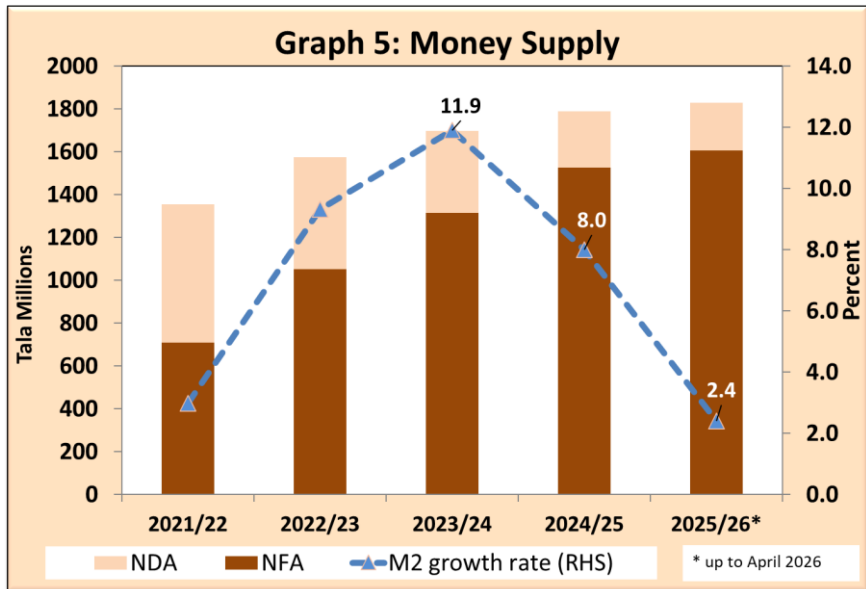


Total commercial banks’ lending to the private sector and public institutions expanded by 2.6 percent to \$1,248.0 million at end April 2026, over June 2025. However, the annual average growth rate of commercial banks’ credit declined to 2.5 percent at end April 2026 from 4.97 percent at end April 2025. Similarly, total lending of the non-bank financial institutions (NBFIs) lending grew by 4.8 percent in April 2026 over the same month last year, to \$1,051.1 million, which was mainly driven by a substantial increase in lending to the ‘Individuals & households’ sector. As a result, total financial system credit rose by 4.1 percent to \$2,299.2 million at the end of April 2026, down from 6.2 percent at end June 2025. (See Graph 4.)

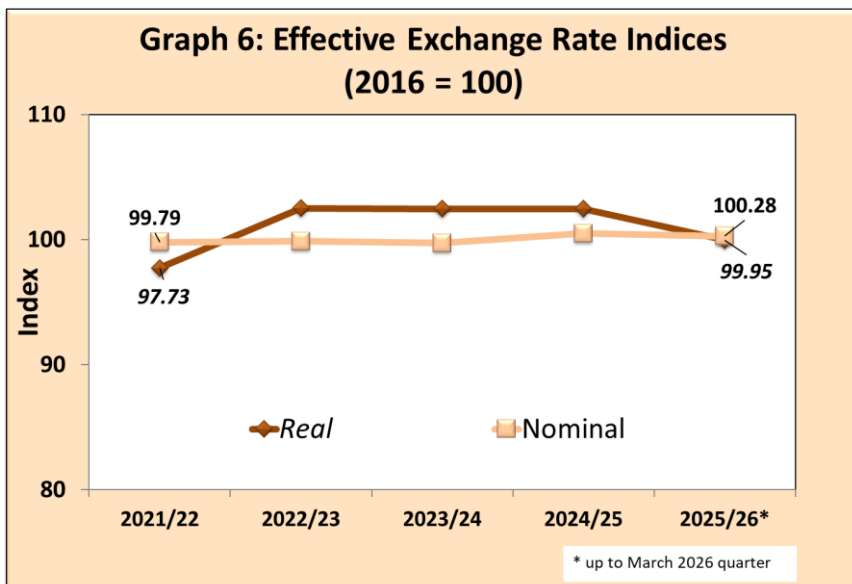


Net foreign assets increased further by 5.2 percent (or \$79.2 million) from June last year to \$1,606.2 million at end April 2026. This was underpinned by notable increases in both the CBS and commercial bank-held foreign assets. The former resulted primarily from strong Government financial support, including official grant assistance and budget funding, from Samoa’s development partners. Conversely, net domestic assets declined by 15.2 percent (or \$39.8 million) to \$221.7 million in April 2026. This was mainly attributed to a significant rise in the government’s net position in the financial system¹. As a result, total money supply (M2) expanded by 2.2 percent (or \$39.4 million) to \$1,827.8 million in April 2026 over June 2025. However, the annual average growth rate of M2 decelerated to 2.9 percent in April 2026, from 7.7 percent at end June 2025. (Refer to Appendix - Table 7 Graph 5.)

¹ Govt’s Net Position is equal to Govt deposits with banks and CBS less its liabilities to banks and CBS



The annual average Nominal Effective Exchange Rate (NEER) of the Tala declined (or depreciated) by 0.10 percent in the year ending March 2026, compared with the corresponding period a year earlier. The annual average Real Effective Exchange Rate (REER) also depreciated by 1.79 percent over the same period, largely reflecting Samoa’s lower headline inflation rate relative to that of its major trading partners. (Refer to Appendix - Table 1 and Graph 6.)

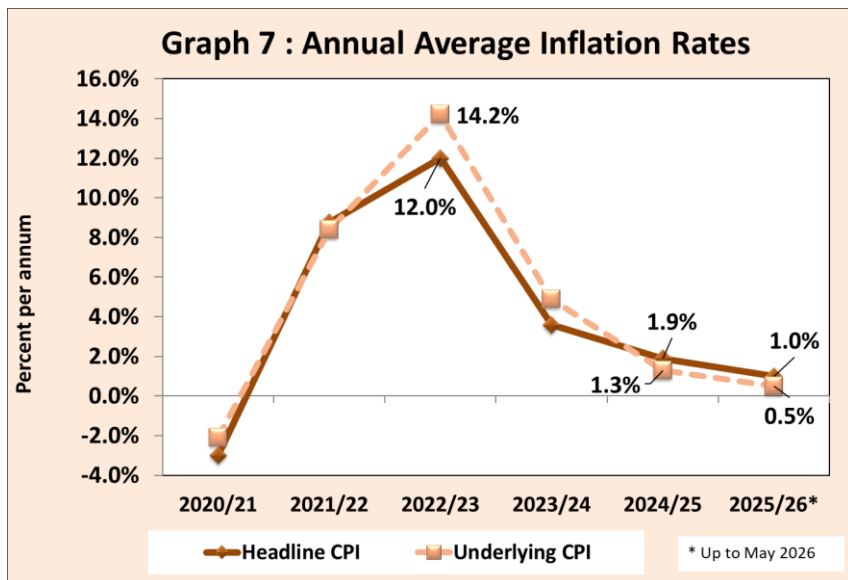


3.3 Macroeconomic Performance

3.3.1 Prices

The annual average headline inflation rate declined to 1.0 percent at end May 2026 from 1.9 percent in at end June 2025. This was driven by the continued slowdown in imported inflation, which recorded a deflation rate of -0.1 percent at end May 2026 from 0.1 percent in May 2025. This is in line with the general decline for most of the global commodity prices in 2025 and first quarter of 2026. In particular, there were notable reductions in imported ‘Food and Non-Alcoholic Beverages’, ‘Furnishings, Household equipment, and Maintenance’ sub-groups. However, we have noted a strong rebound in the ‘Transport’ sub-group in May 2026 due to the sharp hike in oil prices stemming from the US-Iran war. In addition, domestic inflation also declined from 3.7 percent in May 2025 to 2.4 percent at end May 2026. This was mostly due to a decrease in domestic food prices at the local markets. Moreover, the underlying

(core) inflation rate decelerated to 0.5 percent from 1.5 percent in FY2024/2025. (See Graph 7 and Appendix - Table 5.)



3.3.2 Real Sector

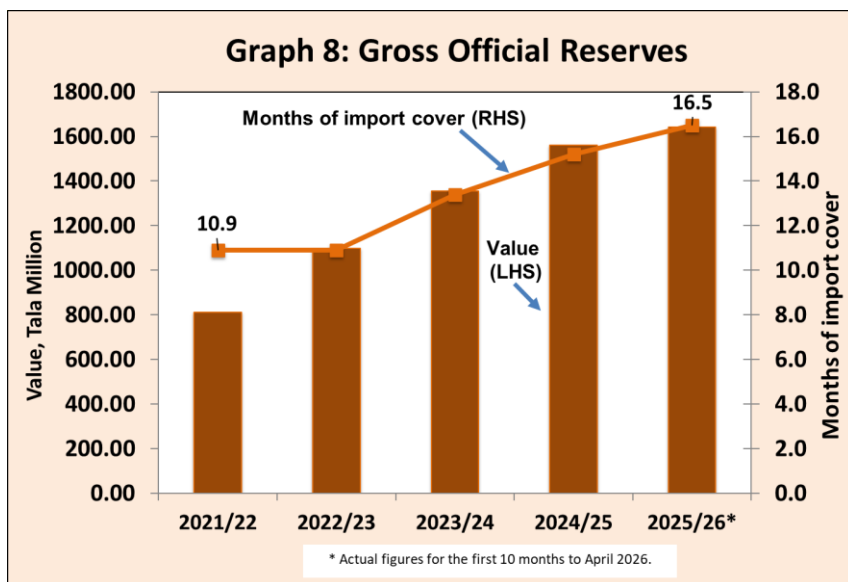
Based on the latest national accounts data, the annual average real GDP growth up to the March 2026 quarter slowed further to -0.4 percent, from 1.8 percent annual growth rate up to end December 2025 and 4.0 percent in the year to end March 2025.

The slowdown in real GDP growth rate over last year is partially driven by a large decline in the ‘Commerce’ (by \$50.0 million), ‘Transport’ (by \$9.8 million), ‘Taxes less subsidies’ (by \$9.0 million) and ‘Fishing’ (by \$4.3 million). On the other hand, notable increases were recorded for ‘Financial services’ (up by \$22.2 million), ‘Business services’ (up by \$12.9 million), ‘Communication’ services (up by \$9.9 million) and ‘Public administration’ (up by \$8.6 million). (Refer to Appendix - Table 3.)

For the whole year 2025/2026, the annual average real GDP growth up is expected to drop further to -0.7 percent compared to 4.2 percent record in FY 2024/2025.

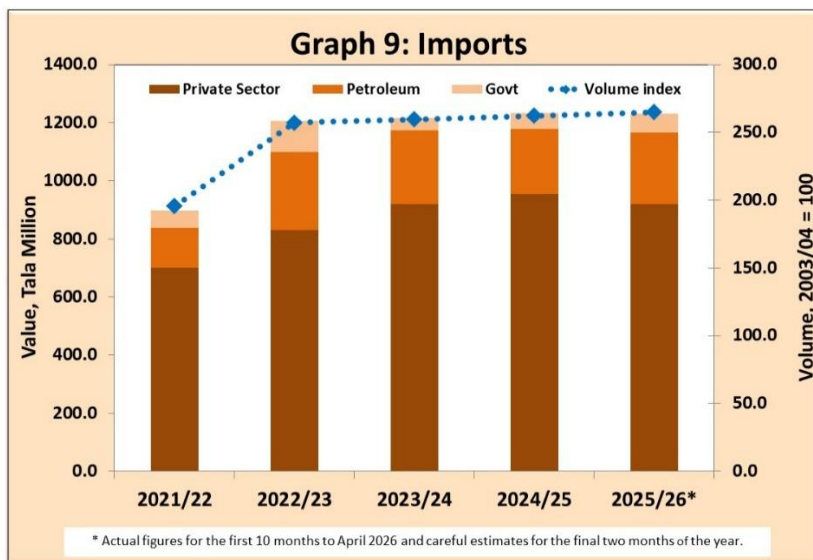
3.3.3 External Sector

On the external side, the balance of payments recorded a surplus of \$82.0 million in the first ten months of FY2025/2026, compared to a much bigger surplus of \$137.4 million in the same period last year. As a result, total official foreign reserves levels rose to \$1,641.9 million (or \$1.64 billion) at end April 2026. This mainly reflected the continued inflow of government grants as well as net purchases of excess USD holdings from the commercial banks. As a result, the current level of foreign reserves was sufficient to cover around 16.5 months of imports (goods only) in April 2026, compared to 14.7 months in April 2025. (Refer to Appendix - Table 4 and Graph 8.)



Total import payments during the first ten months of FY2025/2026 fell by 0.3 percent (or \$3.9 million) compared to the same period in the previous fiscal year. The current decline was underpinned by

reductions in private sector imports (by 5.2 percent) as well as petroleum imports (by 2.9 percent), whereas Government imports were up by 15.0 percent. (Refer to Appendix - Table 4 and Graph 9.)

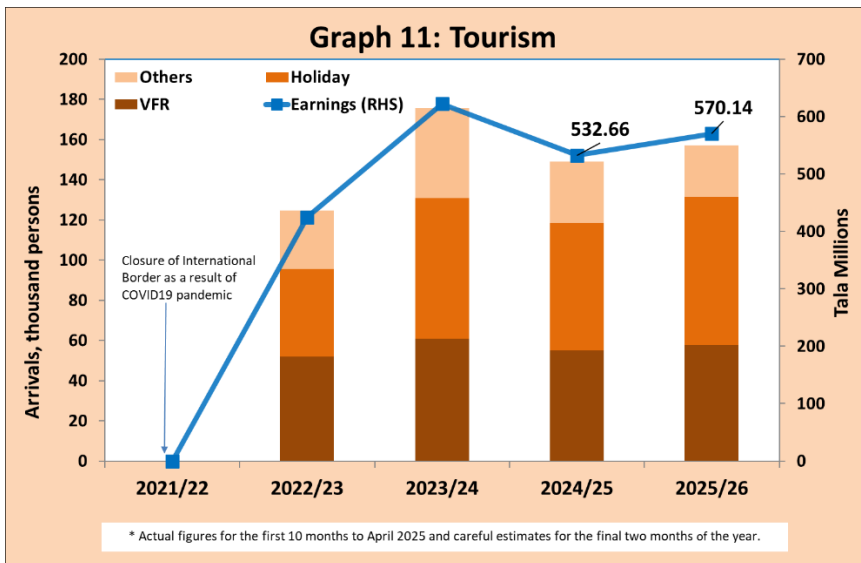
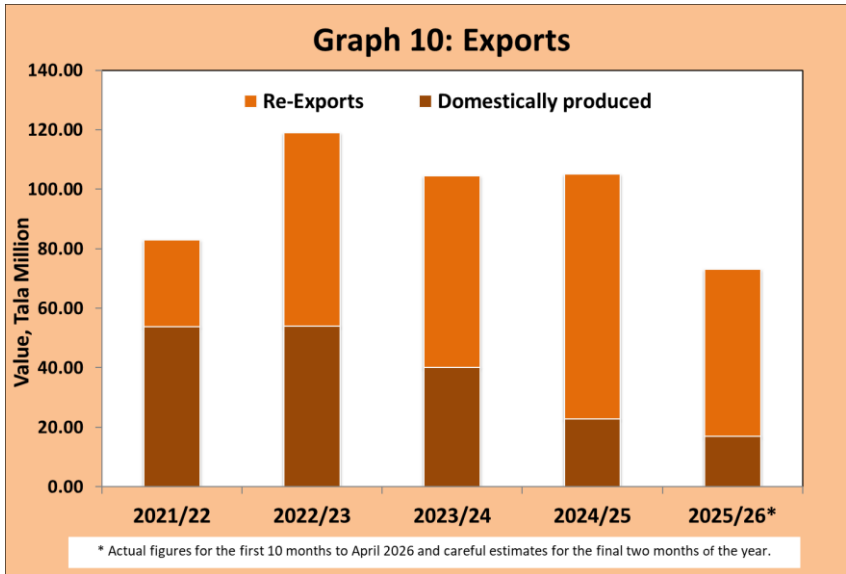


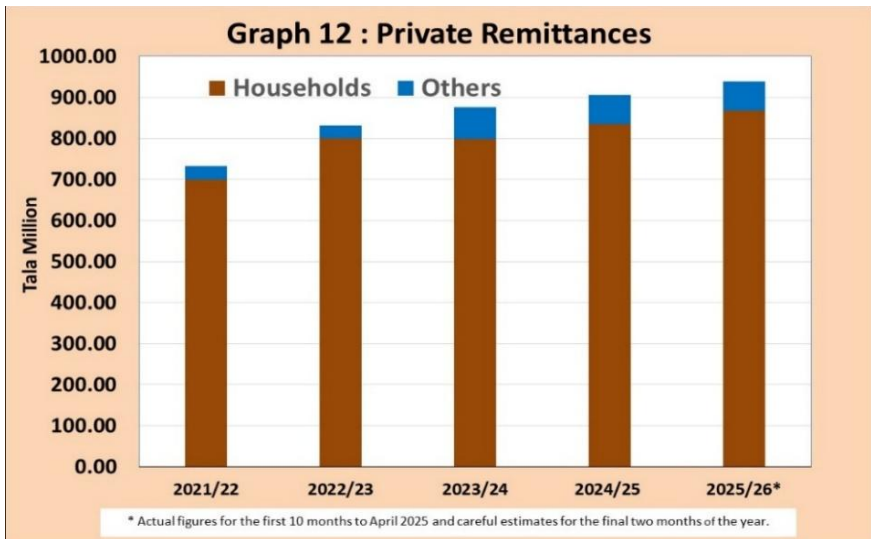
Total export revenue during the first ten months of FY2025/2026 was 34.4 percent (or \$32.4 million) lower than the same period in FY2024/2025. This mainly reflected a \$26.5 million drop in re-exports². In addition, domestically produced exports decreased by \$6.0 million mainly due to a reduction in coconut oil exports (down by \$3.5 million) as well as decreases in the export of taro, nonu juice and scrap metal to name a few. (Refer to Appendix - Table 4 and Graph 10).

Total visitor arrivals during the first ten months of FY2025/2026 went up by 5.4 percent to a total of 156,987 visitors. Likewise, visitor earnings rose by 7.0 percent to \$570.1 million. This increase was mainly due to rise in number of arrivals across key categories such

² Large one-off shipment in FY2024/2025

as holiday, visiting families and friends and sporting events. (See Graph 11.)





In addition, inward private remittances went up by 4.4 percent to \$784.0 million in the first ten months of FY2025/2026 over the same period in FY2025/2026. This was mainly underpinned by increased remittances for ‘Individuals and families’ (up by \$28.7 million), which were mainly from Australia, New Zealand and the USA. (See Graph 12.)

4. OUTLOOK FOR 2026/2027

4.1 *Monetary Policy Stance For 2026/2027*

The Board of Directors of the Central Bank of Samoa (CBS) in its Meeting on 29 June 2026 decided to keep its monetary policy unchanged for FY2026/2027. This decision supports the Bank's goal of maintaining stable inflation while continuing to manage the high level of cash available in the financial system.

Inflation is forecast to increase from 1.0 percent in May 2026 to 3.8 percent by June 2027, slightly above the Bank's medium-term target of 3.0 percent. This increase is mainly due to higher global oil prices linked to the conflict between the United States and Iran. However, current forecasts suggest that this rise will be temporary, with inflation expected to fall below the 3.0 percent target in FY2027/2028.

The approved monetary policy stance will also indirectly support an economic recovery projected to be 2.7 percent in FY2026/2027. The growth will be assisted by increased Government spending, as well as strong earnings from remittances and tourism, which will help boost economic activity.

Foreign exchange reserves are expected to remain at a comfortable level of around SAT\$1.7 billion, equivalent to 15.7 months of import cover. This is well above the Central Bank's minimum target of 4 months, providing a strong buffer against external shocks.

The Board noted that Samoa's banking system continues to be well-capitalised, financially sound, and stable. Banks have adequate capital, good asset quality, and remain profitable. The Board expects that ongoing financial sector reforms will help improve access to financial services for businesses and households across Samoa.

With this economic 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.

Through its policy tools, including open market operations, the Central Bank will aim to maintain price stability while managing excess liquidity in the banking system to support sustainable economic growth. The Bank also remains alert to risks from global developments, particularly the ongoing conflict in the Middle East, which could affect international commodity prices and inflation. CBS will adjust its monetary policy as appropriate, if needed.

Nevertheless, there is a high degree of risks and uncertainty surrounding the economic outlook for FY2026/2027. The ongoing conflicts between United States and Iran as well as Russia and Ukraine pose significant risk on headline inflation. In addition, any potential delays in Government budget implementation may result in a slower economic recovery.

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.

Table 2: Forecasts for FY2026/2027

Main indicators	Baseline Scenario	Alternative Scenario 1 (High oil prices)	Alternative Scenario 2 (Slow Budget Implementation)
Real GDP	+2.7% to \$2,643.3m (range 2.3% - 2.9%)	+2.5% to \$2,638.4m (range 2.1% - 2.7%)	+1.7% to \$2,618.0m (range 1.2% - 2.0%)
Headline Inflation	3.8% (range 3.4% - 4.0%)	4.5% (range 4.2% - 4.8%)	3.8% (range 3.4% - 4.0%)
Underlying Inflation	3.2%	3.5%	3.2%
Balance of Payments (BOP)	\$30.0m (surplus)	\$35.0m (surplus)	\$33.0m (surplus)
Gross Foreign Reserves	\$1,655.8m	\$1,660.8m	\$1,658.8m
Import Cover	15.7 months	16.4 months	15.8 months
Exports	+0.9% to \$73.8m	-0.4% to \$72.8m	+0.7% to \$73.6m
Imports	+2.0% to \$1,255.0m	-0.8% to \$1,205.0m	+1.4% to \$1,247.0m
Visitor Receipts	+3.1% to \$714.5m	+1.1% to \$700.1m	+3.1% to \$714.5m
Visitor Arrivals	+1.8% to 192,963	-0.3% to 188,975	+1.8% to 192,963
Private Remittances	+2.6% to \$965.9m	+2.6% to \$965.9m	+2.6% to \$965.9m

4.2 *World Economy*

According to the latest IMF World Economic Outlook (WEO) in April 2026, global economic growth is expected to remain moderate during FY2026/2027 as the world economy continues its recovery from recent inflationary and monetary policy shocks. Global growth is projected at around 3.15 percent in FY2026/2027, supported by resilient domestic demand and easing financial conditions. However, growth is expected to remain below historical averages due to ongoing trade tensions, geopolitical uncertainties, and elevated policy uncertainty.

Global inflation is expected to gradually decline to 4.05 percent in FY2026/2027 as supply chain conditions continue to improve and the effects of monetary policy tightening phase. Nevertheless, inflationary pressures remain vulnerable to potential increase in energy and commodity prices arising from geopolitical developments and trade disruptions. (Refer to Appendix - Table 2.)

Overall, global financial conditions are expected to become less restrictive during FY2026/2027, providing some support to economic activity, investment and employment. Nevertheless, monetary policy decisions will remain highly dependent on incoming inflation and economic data.

Regarding exchange rates, the US dollar is expected to weaken against the other major currencies in the Samoa Tala currency basket during FY2026/2027, reflecting declining global interest rates and improved global economic conditions. The Australasian currencies are expected to strengthen, supported by global risk sentiment and a weaker U.S. dollar. However, they remain vulnerable to developments in China, commodity price fluctuations, and global trade conditions.

4.3 Domestic Economy

Baseline Forecasts³

4.3.1 Government Budget

The Government budget for FY2026/2027 is projecting another budget deficit of 3.1 percent budget deficit (equivalent to \$215.9 million) on top of a 3.5 percent deficit projected for the current fiscal year. The deficit signals the Government's intention to spend on social and economic priorities with total Government expenditure expected to reach \$1,501 million or \$1.50 billion in FY2026/2027. (Refer to Appendix - Table 6.)

According to the Budget Address FY2026/2027, the main expenditure are:

- DDP (\$2.0 million per district - \$112.6 million total);
- Standby Fuel Supply Crisis Response of \$100 million for EPC (and SWA);
- \$54.1 million for Senior Citizens Pension and Disability Benefit Schemes
- \$44.2 million for EPC and MWTI projects
- \$20.0 million - Child Wellbeing Benefit Scheme
- Projects – Savaii Court house, Cross Island & East Coast Road improvements (include Cross Island, Letogo – Saoluafata), District Hospitals & Healthcare Extensions

4.3.2 Prices

4.3.2.1 Headline Inflation

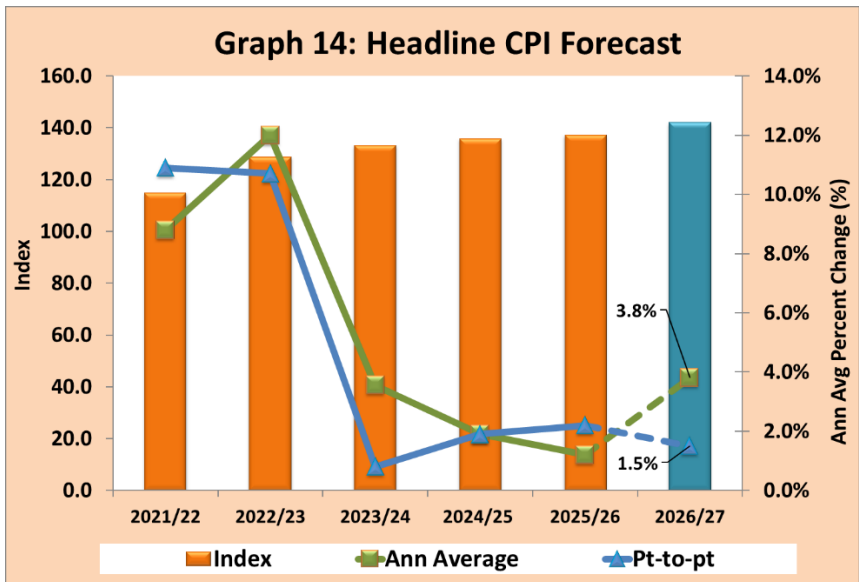
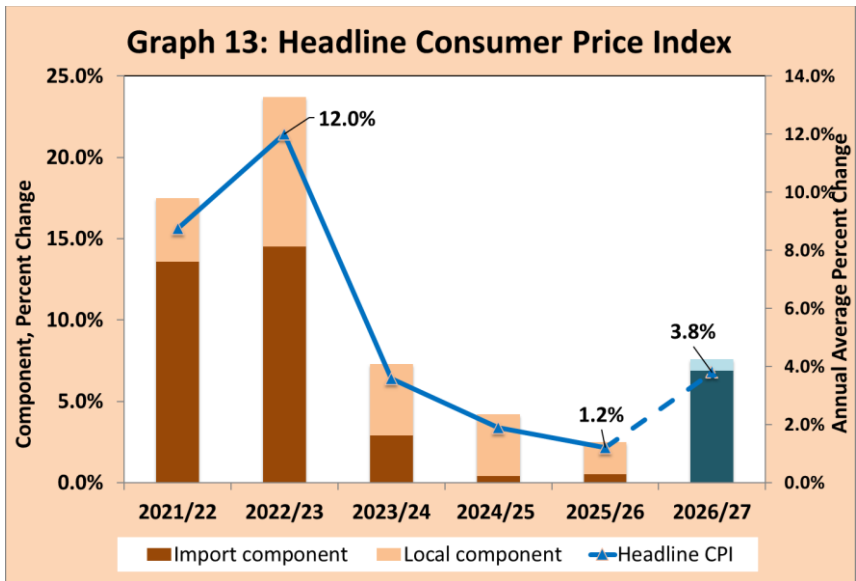
Headline inflation is expected to jump to around 3.8 percent by end June 2027 from 1.2 percent projected for end June 2026. (Refer to Appendix - Table 1 and 5 and see Graph 13 and 14.)

³ This represents a forecast based on "business-as-usual" or how the economy will perform in the absence of new interventions, policy changes and or adverse shocks.

With the current disruption to world oil supply and at the same time, strong global demand for energy and declining oil inventories, these have added further upward pressure on prices. As a result, crude oil prices have risen significantly compared to previous years, increasing global transport and production costs and contributing to inflation worldwide.

The import component of inflation is expected to jump back up to 6.9 percent by end June 2027 from 0.5 percent expected at end June 2026. Based on consensus outlook for global oil prices (under normal baseline conditions), we expect global prices to average around USD\$84 per barrel for the remainder of 2026 and drop roughly USD\$70 in 2027, reflecting a balance between steady demand and ample global supply. Overall, market analysts agree that oil markets will remain volatile, with prices driven mainly by the balance between supply growth, economic demand, and ongoing global political tensions. In addition, gas and energy prices are also expected to hike in line with higher oil prices. (See Graph 13 and Graph 14.)

On the other hand, domestic inflation is expected to slow further to around 0.7 percent in FY2026/2027 from an estimated 2.0 percent by end June 2026. This slowdown is based on the current trend where many of the local prices have lower growth compared to the past 2 years. Local electricity prices will not increase sharply as Government through its Budget FY2026/2027, will keep local electricity prices largely unchanged.

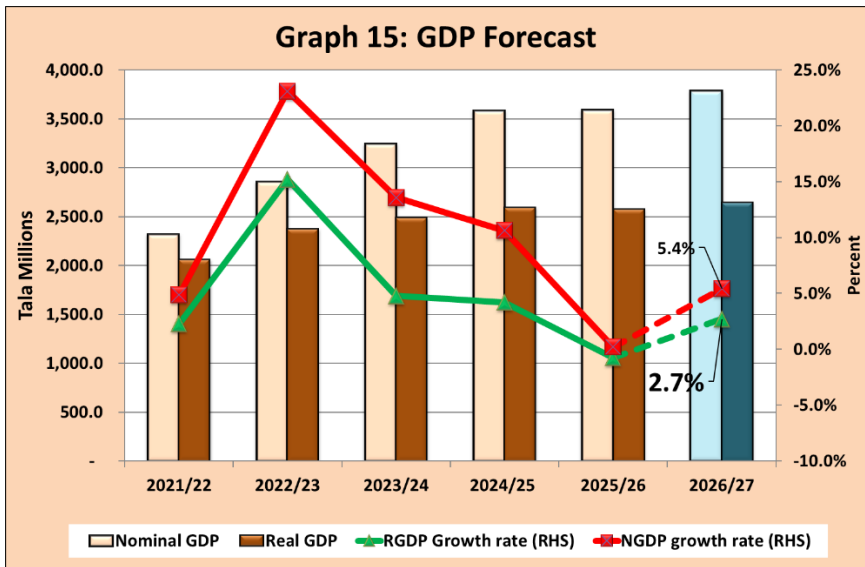


4.3.2.2 Underlying Inflation

The underlying inflation rate is also projected to increase to 3.2 percent by end June 2027, up from 0.5 percent at end-June 2026. However, this rise is expected to be more gradual than headline inflation, as local fuel prices are not included in the underlying CPI.

4.3.3 Real Sector

Real GDP for FY2026/2027 is forecast to rebound by 2.7 percent, mainly driven by the fiscal budget through fiscal stimulus spending and consumption activities. Also contributing favorably to the recovery will be further expansions projected higher inward private remittances and tourism revenues that will support business activities in the year ahead. Underpinning this overall growth are expected expansion in sectors such as ‘Commerce’ (up by 2.2 percent or \$14.3 million), ‘Financial services’ (up by 2.6 percent or \$9.5 million) and ‘Ownership of dwellings’ (up by 3.1 percent or \$6.1 million) amongst many others. (Refer to Appendix - Table 3 and Graph 15.)

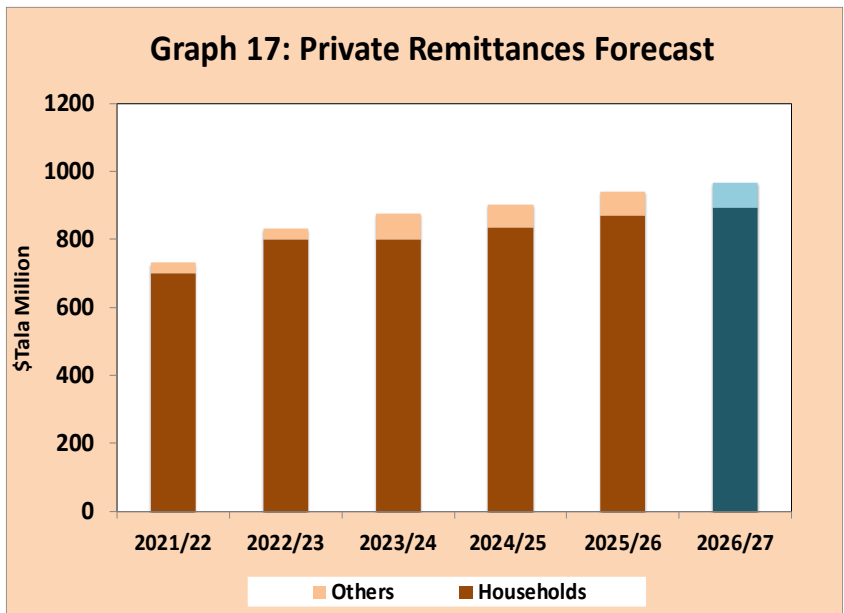
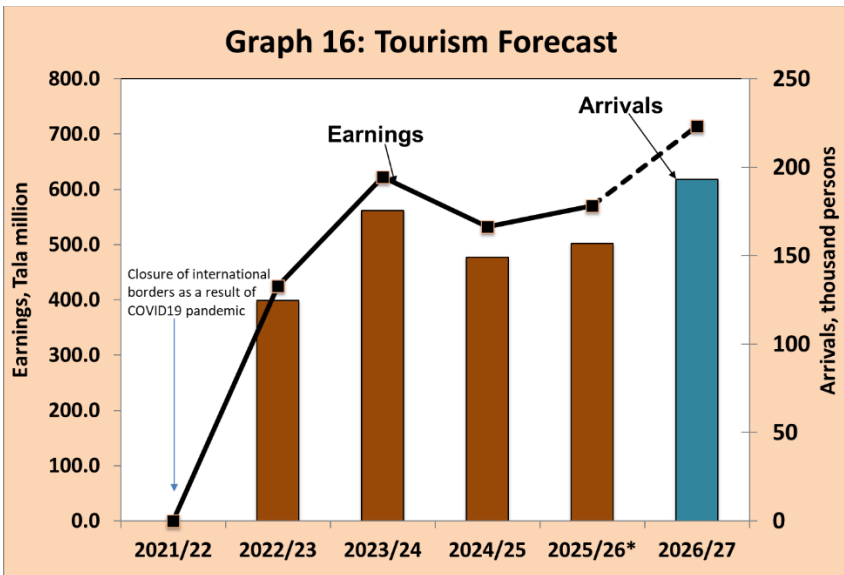


4.3.4 Balance of Payments (BOP)

The overall balance of payments is expected to record another smaller surplus of \$30.0 million for 2026/2027. As a result, gross foreign reserves are expected to increase to around \$1,655.8 million in FY2026/2027, which will cover around 15.7 months of imports. (Refer to Appendix - Table 4)

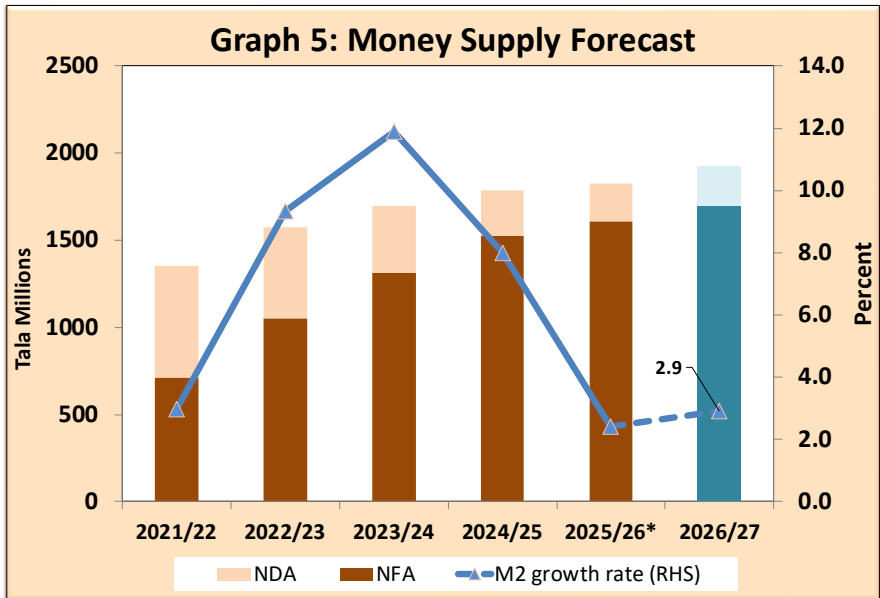
Total import payments are projected to increase further by 2.0 percent to \$1,256.2 million reflecting the expected increase in Government spending as well as a rebound in economic activity. Similarly, total export earnings are forecast to recover by 0.9% to \$73.8 million in light of an expected rebound in key domestic export products such as taro, coconut oil, coconuts and beer. This is expected to offset reductions in re-exports (e.g. refueling of aircrafts and ships).

Total remittances are expected to grow further by 2.6 percent, reaching approximately \$965.90 million in FY2026/2027 in line with the current underlying growth in diaspora remittances and ongoing overseas seasonal worker's scheme. Similarly, visitor arrivals are projected to increase by 1.8 percent to 192,963 visitors in FY2026/2027 supported by planned hosting of regional meetings, international sporting events and church conferences. Consequently, total visitor earnings are forecast to rise by 3.1 percent to \$714.5 million, up from an estimated \$692.86 million in the previous year. (See Table 4 and Graphs 16 and 17.)



4.3.5 Monetary Aggregates

For FY2026/2027, money supply (M2) is expected to rebound as private sector credit is anticipated to continue expanding. Specifically, the annual growth rate of M2 is expected to grow by 2.9 percent from an updated forecast of 2.4 percent expected at end June 2026 and 7.7 percent growth at end June 2025. In terms of government inflows, it is projected to further slow down to around 3.9 percent in FY2026/2027, compared to a 0.2 percent fall estimated in FY2025/2026. (Refer to Appendix - Table 7).



Alternative Forecast Scenarios

The CBS also explored two alternative (worse case) scenarios to see what would happen to baseline forecasts of inflation and real GDP growth, should there be continued high global oil prices and slow budget implementation.

4.3.6 Alternative Scenario 1. Global Oil Prices continue to remain high

Under this scenario, global oil prices are assumed to remain high and close to an average of USD\$100 per barrel for the remainder of 2026 and then drop down to an average of USD80-70 per barrel in the first half of 2027.

The major impact of this scenario on Samoa's economy will be on;

4.3.6.1 Inflation

Given the much higher global oil prices forecast, headline inflation is expected to increase even further to around 4.5 percent by June 2027 (somewhere between 4.2 - 4.8 percent), compared to our baseline forecast of 3.8 percent. Much of this growth reflects the jump in the 'Transport' sub-group by 26.4 percent while 'Food' inflation is expected to rise modestly by 1.5 percent. The underlying inflation rate is also expected to hike to around 3.5 percent compared to its baseline forecast of 3.2 percent.

4.3.6.2 Real GDP

As a result of the high fuel prices, some sectors of the economy will be negatively impacted such as 'Manufacturing', 'Agriculture', 'Fishing' and 'Transport' amongst others. As a consequence, the annual average real GDP growth rate is expected to be lower, at 2.7 percent (range of 2.4 - 2.8 percent).

4.3.6.3 Balance of Payments

The higher oil price forecasts are expected to result reductions for both exports and imports of goods, due to the adverse impact on fuel imports and re-export of fuel, as well as increase in freight costs. Tourism arrivals are also expected to decline slightly as airfares and accommodation costs are expected to increase. Overall, foreign reserves are expected to bigger surplus due to a much bigger decline in imports of goods offsetting the reduction in revenue from exports of goods and tourism activities.

4.3.7 *Alternative Scenario 2. Slower Budget Implementation*

Under this scenario, we assume that large budget expenditure of \$1.5 billion tala for FY 2026/2027 will take time to disburse and implement. We have already seen the FY 2025/2026 Budget experience delays and slow implementation due to various challenges.

The major impact of this scenario on Samoa's economy will be on;

4.3.7.1 *Real GDP*

In the event there is slow or low implementation of planned Budget expenditure and projects, this is expected to lead a lower real GDP growth rate of 2.0 percent (range of 1.6 – 2.2 percent) compared to the baseline forecast of 2.7 percent.

4.3.7.2 *Balance of Payments*

Overall, total foreign reserves are expected to record a slightly larger surplus compared to the baseline due to a lower forecast of import of goods (lower Government imports), offsetting lower exports (slow Government assistance to exports).

4.4 *Risks to Forecasts*

The monetary policy forecasts as outlined above are subject to several local and global risks that could impact how they eventuate.

4.4.1 *Downside Risks:*

4.4.1.1 *Inflationary Risks*

1. Global food commodity prices are expected to remain stable and largely unaffected by the current high oil prices. If the current conflicts continue to drag on, there may be a spillover from oil to global food prices and this may push up Samoa's headline inflation much higher than its forecast growth of 3.8 percent.

2. Local food, transport and electricity prices are expected to be relatively stable in FY 2026/2027. The forecasts assume there will be no major spillover from high local fuel prices to local food prices at the local markets, local transport (taxi and bus fares) costs won't go up and electricity prices are expected to remain unchanged according to the Budget. If there is indeed a hike in these local prices, the headline inflation will also increase much higher estimated.
3. Increase in minimum wages and other planned social benefit hikes (e.g. increase in the monthly pension) may create higher local inflationary pressures;

4.4.1.2 Economic Growth Risks

1. The US/Israel vs Iran War is assumed to be resolved by September 2026 in line with IMF forecast assumptions. However, if the conflict goes on until the end of 2026 or well into 2027, this may see a permanent impact of high oil prices on GDP growth. This will create a drag on global economies especially our main trading partners and impact Samoa GDP growth rate.
2. Potential delays in Government budget implementation in FY2026-2027 as well as the current fiscal year. This will have a negative impact on economic growth.
3. Further slowdown in bank credit growth can adversely impact economic growth
4. The threat of a cyclone or other natural disasters (e.g. earthquakes and tsunami).

4.4.2 Upside Risks:

1. The implementation of the Alaoa Multipurpose Dam, Transport Connectivity Project, Energy Sector Reform Program can contribute to faster economic growth or mitigate the above risks.

5. Appendix Tables

Table 1 Selected Domestic Economic Indicators						
Fiscal year to end June	2021/22	2022/23	2023/24	2024/25	Estimate 2025/26	Forecast 2026/27
Real sector						
Nominal GDP	4.9	23.1	13.6	10.6	0.2	5.4
Real GDP	2.3	15.2	4.6	4.0	-0.7	2.7
Prices (February 2016=100)						
Headline Consumer Price Index (ann ave)	8.7	12.0	3.6	1.9	1.2	3.8
Underlying CPI (ann ave)	8.4	14.2	4.9	1.5	0.5	3.2
Implicit GDP Deflator (annual average)	2.5	6.9	8.4	6.2	1.0	2.6
Monetary aggregates (1)						
Net foreign assets (ann av % change)	6.4	25.9	45.5	18.4	14.3	1.0
Govt's net position (end period % change)	4.4	18.3	54.4	14.0	3.4	-3.9
Bank credit to private sector (% change)						
Annual average	1.3	-1.4	-1.0	5.7	2.4	1.9
End period	0.2	-2.4	2.9	3.7	2.2	2.8
Money Supply, M2 (% change)						
Annual average	2.8	9.5	11.7	7.7	2.9	2.9
End period	2.2	16.3	7.7	5.4	2.2	5.5
Exchange rate (March 2016=100) (2)						
Nominal Exchange Rate (annual average)	-0.14	0.09	-0.16	0.79	-0.22	n/a
Real Exchange Rate (annual average)	2.56	4.89	-0.04	-0.85	-1.60	n/a
International reserves (1)						
Gross Foreign Reserves (Tala million)	812.4	1,098.0	1,354.0	1,559.9	1,641.9	1,655.8
Imports	10.9	10.9	13.4	15.2	16.5	15.7
Weighted average interest rates (1)						
CBSS overall weighted avg yield (ann avg)	0.15	0.23	0.23	1.09	3.42	n/a
Commercial bank deposits	1.82	1.76	1.57	1.57	1.61	n/a
Commercial bank credit	8.29	8.31	8.43	8.38	8.50	n/a
Commercial bank interest rate spread	6.47	6.55	6.86	6.81	6.75	n/a
Source: Central Bank of Samoa						
(1) Estimates for 2025/26 are April 2026 updates.						
(2) Exchange rate updates are up to March 2026 quarter.						
n/a - not available						

Table 2						
Selected World Economic Indicators						
Fiscal year to end June	2021/22	2022/23	2023/24	2024/25	Estimates 2025/26	Forecast 2026/27
World Economic Performance						
Real growth rate	4.6	3.3	3.3	3.1	3.3	3.2
Inflation rate	6.7	7.8	5.7	6.3	4.3	4.1
Unemployment Rate	6.0	5.8	5.8	5.4	4.9	4.8
Samoa's Main Trading Partners						
New Zealand						
Real growth rate	0.7	3.0	-0.5	-0.6	1.3	1.9
Inflation rate	7.3	6.0	3.3	2.7	4.4	2.1
Unemployment Rate	3.3	3.6	4.6	5.2	5.4	5.3
Australia						
Real growth rate	3.4	2.0	1.0	1.9	1.6	1.2
Inflation rate	6.1	6.0	3.8	2.4	4.4	4.9
Unemployment Rate	3.6	3.6	4.1	4.3	4.4	4.9
United States of America						
Real growth rate	1.8	2.4	3.0	2.1	2.3	1.6
Inflation rate	9.1	3.0	3.0	2.7	4.0	2.3
Unemployment Rate	3.6	3.7	4.1	4.1	4.4	4.5
<i>Source: IMF and reserve banks' publications and information releases.</i>						
<i>IMF World Economic Outlook Database (IMF website)</i>						
<i>Westpac Market Outlook</i>						

Table 3						
Real Gross Domestic Product by Industry						
(At 2013 prices, amounts in Tala Million)						
During the period	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Actual	Actual	Actual	Actual	Estimates	Forecast
Agriculture	150.2	147.3	151.7	148.8	151.0	151.8
Fishing	20.6	24.9	31.6	28.5	23.8	23.9
Food & Beverages manufacturi	60.9	65.3	63.4	64.3	63.8	66.1
Other manufacturing	24.8	29.2	29.6	31.2	33.4	33.5
Construction	74.1	79.9	76.0	85.0	85.2	87.3
Electricity and water	76.1	57.3	73.2	76.5	79.3	83.9
Commerce	527.7	644.0	666.2	717.4	689.9	670.4
Accommodations & Restaurant:	16.3	38.6	53.9	53.4	58.9	60.2
Transport	54.0	53.7	70.7	83.9	80.0	80.2
Communication	111.3	114.1	108.6	106.6	111.7	117.0
Public administration	219.1	228.8	222.7	228.8	236.8	243.3
Financial services (2)	309.3	305.4	323.8	347.1	362.2	371.3
Business services	49.6	91.6	91.3	97.2	108.5	111.0
Ownership of dwellings	173.3	178.6	184.1	189.8	195.6	201.7
Personal and other services	76.3	89.0	95.0	79.4	89.9	91.4
Less: Enterprise share of FISIM	-147.9	-136.2	-138.8	-150.6	-148.8	-150.8
Taxes less Subsidies	265.2	363.0	385.1	405.5	395.7	401.1
Total Real GDP	2,061.0	2,374.4	2,488.1	2,592.6	2,573.2	2,643.3
Annual percent change	2.3%	15.2%	4.8%	4.2%	-0.7%	2.7%
Implicit GDP deflator	112.5	120.2	130.2	138.3	139.6	143.3
Annual percent change	2.5%	6.9%	8.4%	6.2%	1.0%	2.6%

Source: Samoa Bureau of Statistics and Central Bank of Samoa

Table 4						
Balance of Payments (1)						
(Amounts in Tala Million)						
During the period	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Actual	Actual	Actual	Actual	Estimates	Forecast
A. Current Account Balance	-245.2	-84.8	142.0	203.9	274.8	224.2
Balance on Trade in Goods	-814.5	-1,087.0	-1,111.3	-1,129.6	-1,169.8	-1,192.5
Exports	82.9	119.0	104.4	105.0	73.1	75.3
Imports	897.4	1,206.0	1,215.8	1,234.6	1,242.9	1,267.8
Balance on Trade in Services	-63.4	276.2	521.3	577.6	615.5	575.1
Balance on Primary Income	-55.9	-32.0	-42.3	-0.4	18.5	17.9
Balance on Secondary Income	688.6	758.0	774.4	756.2	810.5	823.6
Personal transfers	648.1	658.8	633.5	646.2	693.4	767.1
Other transfers	40.5	99.2	140.9	110.0	117.1	56.5
B. Capital Account Balance	265.9	314.8	398.3	331.4	163.0	95.2
Capital Transfers	265.9	314.8	397.9	325.6	163.0	95.2
Other	0.0	0.0	0.3	5.8	0.0	0.0
C. Net Lending (+)/Net Borrowing (-)	20.8	230.0	540.3	535.3	437.8	319.3
D. Financial Account	92.7	349.6	396.8	282.3	236.5	119.1
<i>Net Lending (+)/Net Borrowing (-)</i>						
Direct Investment	-12.9	-26.9	25.7	-28.0	41.1	10.5
Portfolio Investment	28.2	3.1	18.7	20.5	61.2	18.9
Other Investment	28.3	111.4	93.9	92.6	68.3	59.7
Reserve Assets (Overall Balance)	49.0	262.0	258.6	197.2	65.9	30.0
E. Net Errors & omissions	72.0	119.6	-143.5	-253.0	-201.3	-200.3

(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	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Actual	Actual	Actual	Actual	Estimates	Forecast
A. Headline Inflation						
Description						
All Groups	8.7	12.0	3.6	1.9	1.2	3.8
Food and Non-Alcoholic Beverages	12.2	19.1	7.7	4.0	0.2	1.5
Import Component	13.6	14.5	2.9	0.1	0.5	6.9
Local Component	3.9	9.2	4.4	3.9	2.0	0.7
B. Underlying Inflation						
Description						
All Groups	8.4	14.2	4.9	1.5	0.5	3.2
Food and Non-Alcoholic Beverages	10.9	17.1	6.1	1.4	1.0	0.3
Import Component	11.0	15.1	5.5	1.5	0.3	3.9
Local Component	2.8	11.9	3.5	1.6	0.9	1.6
Source: Samoa Bureau of Statistics						

Table 6
Financial Operations of Government (1)
(Amounts in Tala Million)

During the period	2021/22 Actual	2022/23 Actual	2023/24 Actual	2024/25 Actual	2025/26 Estimates*	2026/27 Budget**
Revenues	825.4	898.8	1,154.6	1,114.1	1,043.5	1,284.7
Taxes	555.5	673.9	784.9	836.5	810.6	
Grants	188.1	141.3	269.9	186.6	134.2	
Other Revenues	81.7	83.6	99.8	91.0	98.8	
Expenses	694.9	705.5	798.5	833.3	820.9	1,500.6
Compensation of employees	281.5	278.8	295.9	315.1	323.3	
Use of goods and services	176.5	187.9	255.1	232.2	197.9	
Interest	10.6	12.7	14.4	12.8	11.9	
Subsidies	10.1	2.9	5.8	6.5	8.8	
Grants	173.5	178.2	185.5	221.6	228.4	
Social benefits	12.7	35.6	34.7	35.7	42.8	
Other expenses	30.1	9.4	7.2	9.4	7.8	
Net Operating Balance	130.5	193.4	356.1	280.8	222.6	-215.9
ASSETS:	13.9	116.3	55.1	111.4	100.0	
Net Acquisition of Nonfinancial Assets						
Net lending / borrowing (Budget Surplus/Deficit)	116.5	77.1	301.0	169.4	122.6	-114.4
Net acquisition of financial assets	60.9	5.8	216.0	89.3	45.1	
Domestic	60.9	5.8	216.0	89.3	45.1	
Net incurrence of liabilities	-55.6	-71.3	-85.0	-80.1	-77.5	
Domestic	-2.9	-1.1	-2.1	-1.7	-1.8	
Foreign	-52.7	-70.2	-82.9	-78.4	-75.7	
Budget Deficit as Percent of GDP	5.0%	2.7%	9.3%	4.7%	3.4%	-3.1%

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

(*) Actual 12 months (year) total up to March 2026 quarter

(**) MoF Budget Estimates are presented in a different format from the GFS data produced by the SBS

Source: Samoa Bureau of Statistics and Ministry of Finance

Table 7
Monetary Survey
(Amounts in Tala million)

End of Period	2021/22	2022/23	2023/24	2024/25	Estimates 2025/26*	Forecast 2026/27
A. Determinants of Money Supply						
Net Foreign Assets	709.7	1,052.4	1,315.0	1,526.9	1,606.1	1,698.6
Net Domestic Assets	645.0	523.0	382.4	261.5	221.7	229.8
Net Credit to Non-financial Public Sector	-326.7	-387.5	-604.5	-690.4	-711.4	-683.2
Credit to private sector	1,157.6	1,130.2	1,172.4	1,215.0	1,241.2	1,276.1
Net Credit to Non-Bank Financial Institutions	88.4	80.4	69.6	74.8	73.0	66.1
Others, net	-274.4	-300.0	-255.1	-337.9	-381.1	-429.1
B. Money Supply (M2)	1,354.7	1,575.5	1,697.4	1,788.4	1,827.8	1,928.5
Narrow Money	624.7	825.9	934.1	952.8	965.1	1,011.6
Currency Outside banks	123.8	162.7	162.7	176.9	192.2	202.0
Transferable Deposits	500.9	663.2	663.2	775.9	772.9	809.6
Demand Deposits	437.1	548.9	549.0	664.2	673.9	698.1
Foreign Currency Deposits of Residents	63.8	114.3	114.3	111.7	99.0	111.5
Quasi-money	730.0	749.6	749.6	835.6	862.7	916.9
Other Deposits	730.0	749.6	749.6	835.6	862.7	916.9
Savings Deposits	206.8	242.3	242.3	273.8	285.4	300.9
Time Deposits	523.2	507.3	507.3	561.9	577.3	616.0
Source: Central Bank of Samoa						
* End April 2026 update						

