



Monetary Policy Statement

For the Financial Year 2024/25

October 2024

CENTRAL BANK OF SAMOA

MONETARY POLICY STATEMENT
FOR THE FINANCIAL YEAR 2024/2025

APIA

OCTOBER 2024

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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.

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 discount 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. The CBS also provides foreign exchange operations (buying and selling of foreign currencies with commercial banks) as another means to achieve its broader macroeconomic policy objectives.

Monetary Policy Transmission

The conduct of monetary policy, through the trading of CBS Securities (CBSS), is transmitted through the money market interest rate channel. Also, 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 global economy faced significant challenges in FY2023/2024, resulting in a slowdown and subdued growth performance. According to the July 2024 World Economic Outlook (WEO) Update by the International Monetary Fund (IMF), the global economy is estimated to be steady at 3.2 percent in FY2023/2024, as tight monetary conditions, geopolitical tensions and trade conflicts stifle economic performances and sentiments. Global inflation has declined from its peak of 7.7 percent in FY2022/2023 but stickiness in global services prices is slowing the disinflation trend with an estimated 6.3 percent in FY2023/2024.

2.2 *Domestic Economy*

With robust growth of 9.2 percent in real GDP in FY2022/2023, the Samoan economy grew further in FY2023/2024 with the annualized growth rate edging up to 9.4 percent at end June 2024. Inflation on the other hand, continues to subside, falling to 3.6 percent at end June 2024 from its peak of 12.0 percent in June last year.

On the external front, gross foreign reserves rose further to a new record level of \$1,354.0 million in FY2023/2024 given increased levels of remittances, visitor earnings and government official aid. On the monetary sector, commercial banks' liquidity remained high exceeding \$700 million during the year while the banking system remained well capitalized with good asset quality as represented by low non-performing loans that were well provisioned.

On the fiscal side, the Government Budget Net Operating Balance recorded another (albeit smaller) surplus in FY2023/2024. This follows the strong revenue collection due to robust growth in the economy, which more than offset an increase in Government

expenses as it ramps up its project implementation during the year. (See Appendix - Table 1.)

3. REVIEW OF 2023/2024

3.1 WORLD ECONOMY

The pace of economic expansion during the year was low by historical standards, owing to both near-term factors, such as still-high borrowing costs and withdrawal of fiscal support, the longer-term effects from the COVID-19 pandemic and Russia's invasion of Ukraine, weak growth in productivity and increasing geoeconomics fragmentation. Additionally, the Middle East conflict added to the global economic uncertainty during the year. In the United States, a decline in consumption and negative net trade contributed to its sharper-than-expected growth slowdown. In Japan, temporary supply disruptions caused by a major automobile plant shutdown led to negative growth. On the other hand, Europe showed signs of economic recovery, primarily driven by improved services activity. In China, a surge in domestic consumption and exports contributed to the positive first-quarter growth. These developments have narrowed the output divergences across economies as cyclical factors diminish and economic activity aligns more closely with its potential. As a result, global growth is projected to be steady at 3.2 percent in FY2023/2024.

With the high interest rates, global headline inflation is expected to fall from an annual average of 7.7 percent in FY2022/2023 to 6.3 percent in FY2023/2024. This slow decline in inflation rates reflects the stickiness in the services prices which more than offset the stronger disinflation in goods prices as global supply disruptions eased during the year. The global disinflation is also reflected by decreasing inflation rates in Samoa's major trading partners, including the USA, New Zealand, and Australia. However, these rates

remained significantly higher than their target ranges of approximately 2 to 3 percent. (Refer to Appendix - Table 2).

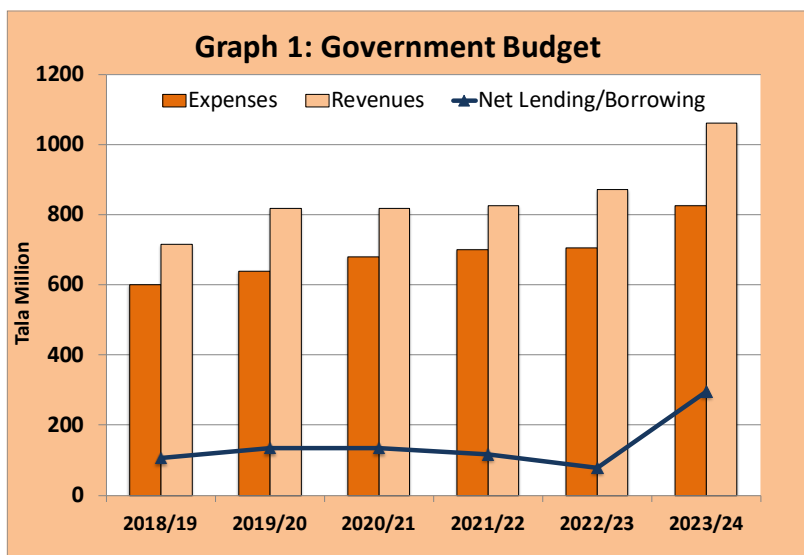
3.2 DOMESTIC ECONOMY

3.2.1 Policy Developments

3.2.1.1 Macroeconomic Policy Settings

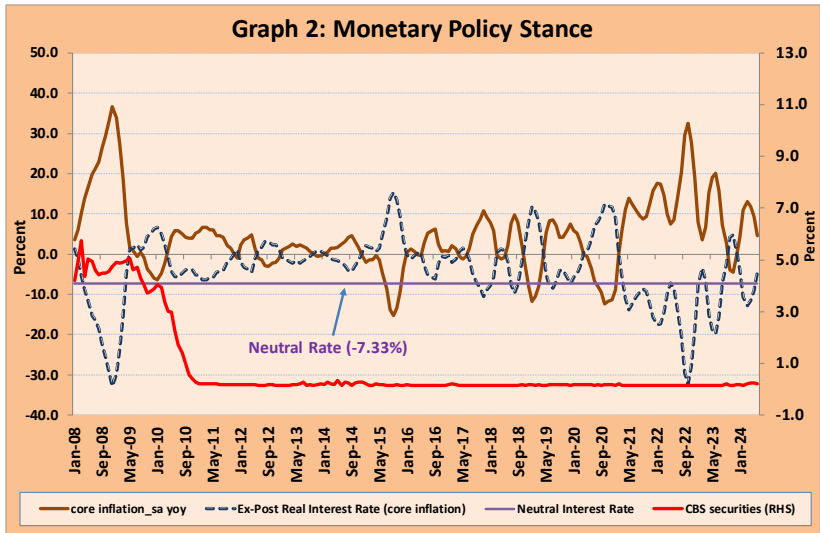
Looking at fiscal policy, the Government's Budget according to the Government Finance Statistics published by the Samoa Bureau of Statistics recorded an estimated Budget surplus¹ of 10.2 percent in FY2023/2024, the sixth year in a row of budget surpluses. Despite budgeting for a deficit of 3.3 percent in the Government Budget FY 2023/24, the estimated budget surplus is due to a 21.5 percent jump in Government revenue, much higher than its Budget estimates. This reflects higher than expected increases for both Tax revenues and Grants. At the same time, total Government expenses also picked up by 7.2 percent in FY2023/2024. (Refer to Appendix - Table 6 and Graph 1.)

¹ Taken as percent of Net Lending/Borrowing to Nominal GDP at purchaser prices.



On monetary policy, in trying to ascertain the effectiveness of monetary policy, both the real interest rates and a neutral interest rate were compiled and analysed. Where the real interest rate is above the neutral interest rate, monetary policy may be observed to exert a tightening effect on the Samoan economy and where the real interest rate is below the neutral interest rate, it is applying an expansionary influence on the economy. As indicated in Graph 1, there may also be periods in which the actual monetary conditions may differ from the implemented monetary policy stance over time.

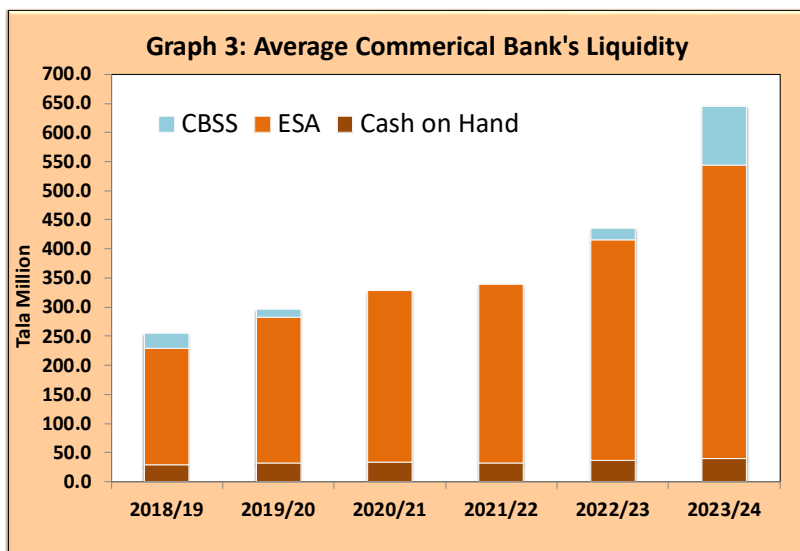
Based on the latest assessment, it is observed that starting from March 2021 up to June 2023, the real interest rate was below the neutral rate of interest (of -7.33 percent) indicating a loosening of monetary policy conditions as the sharp rise in core inflation, saw real interest drop well below the neutral rate. However, for the most part of FY2023/2024 monetary conditions started to tighten. (See Graph 2.)



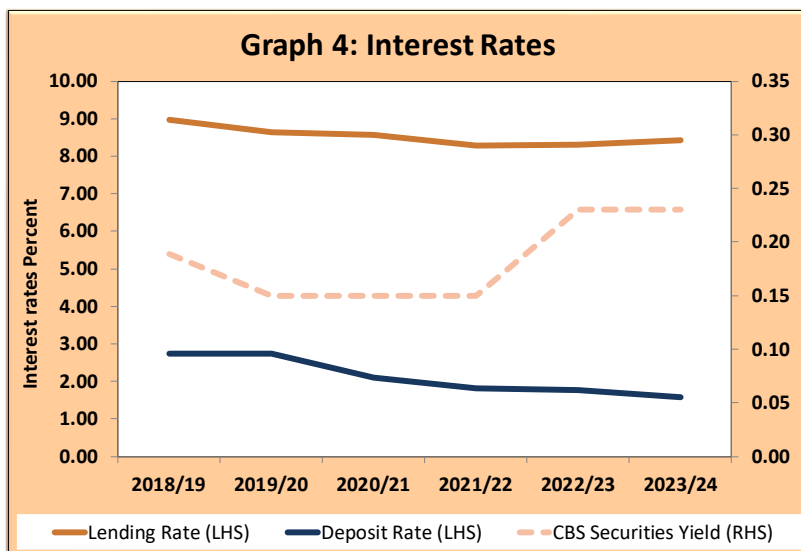
3.2.1.2 Monetary Developments

Commercial Banks’ liquidity continued to expand in FY2023/2024, increasing by 14.2 percent to a total of \$657.3 million, up from \$575.4 million in the previous year. This expansion was primarily driven by a hike of \$89.5 million in commercial banks' holdings of CBS securities to \$139.5 million at end June 2024. In addition, total holdings of banks’ vault cash rose by 10 percent to \$35.5 million while commercial banks' holdings of excess settlement accounts (ESA) fell by 2.2 percent to \$482.3 million at end June 2024. (See Graph 2.).

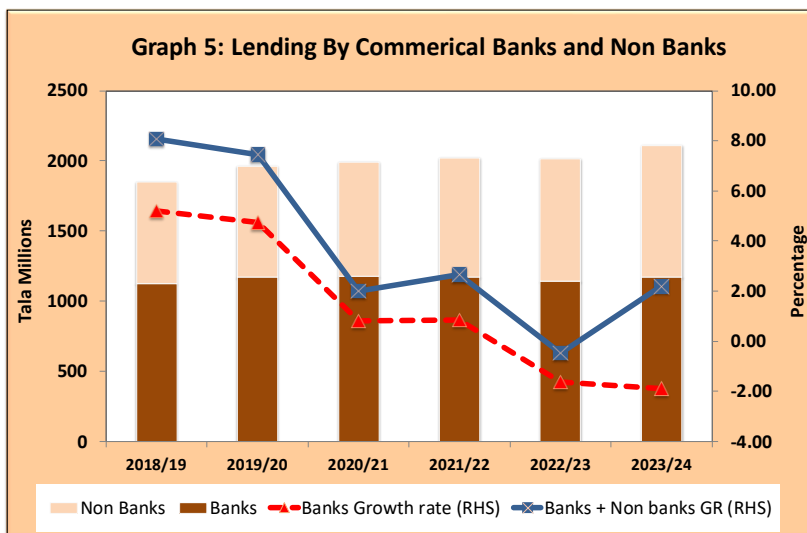
This record high in banking system liquidity over the year, coincided with the influx of government budget support funds, and increased foreign exchange inflows for commercial banks from strong tourism earnings and remittances inflows during the year. (See Graph 3.)



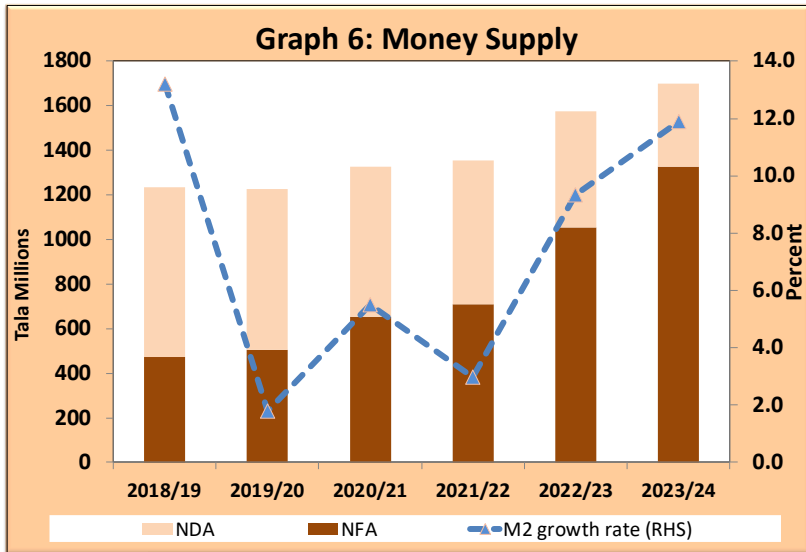
On interest rates, the CBS' official rate remained at 0.23 percent at the end of June 2024, unchanged from June 2023. The weighted average lending rate of commercial banks rose by 13 basis points to 8.43 percent at the end of June 2024 over June last year. In contrast, the weighted average deposit rate fell by 18 basis points to 1.57 percent over the year, given the over saturation of liquidity in the financial system. Consequently, the weighted average interest rate spread widened to 6.86 percent from 6.55 percent in the previous year. (See Graph 4.)



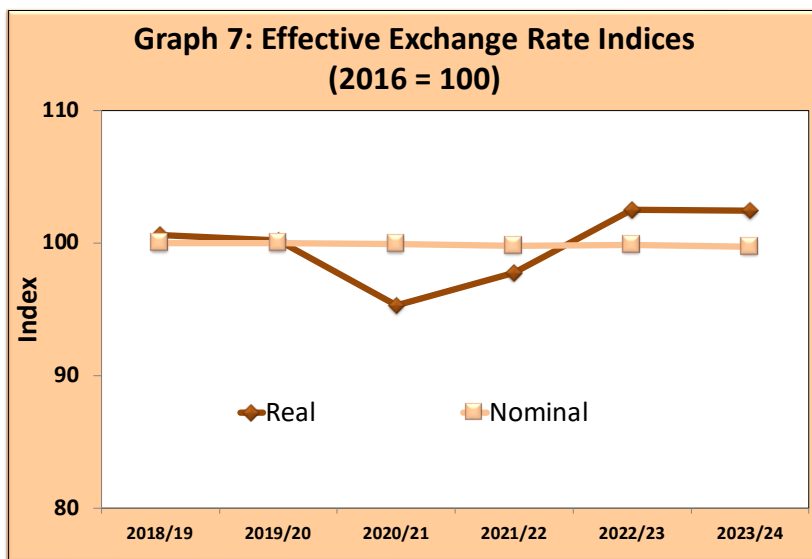
Total commercial banks’ lending to the private sector and public institutions combined, expanded by 2.9 percent to \$1,173.5 million at end June 2024 (year on year). However, its annual average growth rate contracted further to -1.9 percent at end June 2024 from -1.6 percent at end June 2023. This slowdown in credit growth reflects the precautionary approach taken by commercial banks since COVID-19, despite the rebound in the Samoan economy. On the other hand, total lending of the non-bank financial institutions increased by 7.3 percent to \$935.7 million (year on year), pushing its annual growth rate up to 7.8 percent at end June 2024 from 1.2 percent last year. As a result, the total financial system credit amounted to \$2,109.1 million at end June 2024, equivalent to an annual growth rate of 2.2 percent, up from -0.5 percent at end June of 2023. (See Graph 5.)



Net foreign assets increased further by 26.0 percent (or \$273.2 million) to \$1,325.7 million considering exceptional inflows of external grants and budget support funds from international development partners to assist Samoa in its post Covid-19 recovery efforts as well as preparations for CHOGM. On the other hand, net domestic assets dropped by 29.0 percent to \$371.6 million. All in all, total money supply (M2) expanded by 7.7 percent to \$1,697.4 million over its level last year. As a result, the annual average growth rate of M2 accelerated to 11.9 percent at end June 2024 from 9.3 percent in June 2023. (See Graph 6.)



The nominal effective exchange rate (NEER) of the Tala dropped by 0.16 percent in FY2023/2024, which was driven mainly by the depreciation of both the US dollar and Euro against the Tala in FY2023/2024. The real effective exchange rate (REER) also weakened by 0.05 percent during the year under review in light of Samoa’s lower inflation compared to those of its trading partners. (See Graph 7.)

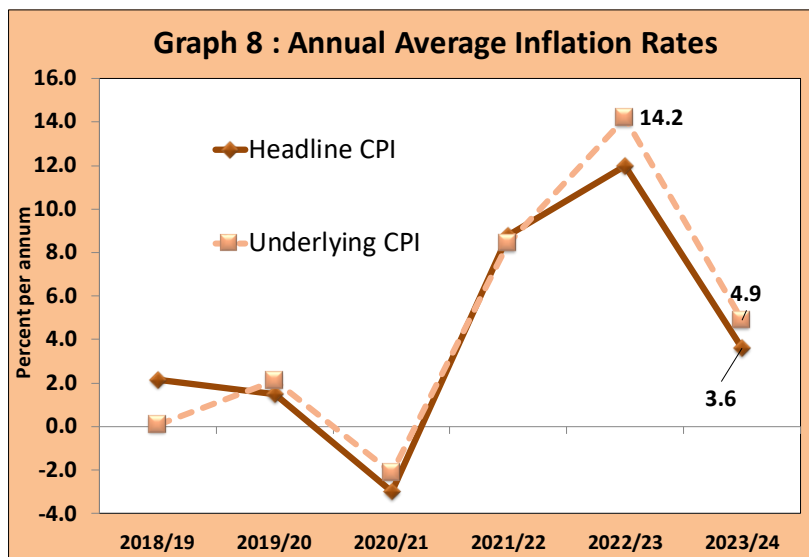


3.3 MACROECONOMIC PERFORMANCE

3.3.1 Prices

The annual average headline inflation rate in FY2023/2024 fell significantly to 3.6 percent at end June 2024 from 12.0 percent in June 2023. Accounting for this reduction were decreases in both imported inflation, which dropped from 14.5 percent to 2.9 percent in June 2024 due to reductions in most global commodity prices. In addition, local inflation fell from 9.2 percent in June last year to 4.4 percent in June 2024. Likewise, the underlying inflation² rate followed a similar path, dropping to 4.9 percent from 14.2 percent in 2022/23. (See Graph 8 and Appendix - Table 5.)

² Underlying inflation is when seasonally volatile prices like vegetable prices and Government controlled prices like school fees and petrol prices are excluded from the Headline Inflation. Underlying inflation is a measure of the underlying market forces (supply and demand) that are driving inflation.



3.3.2 Real Sector

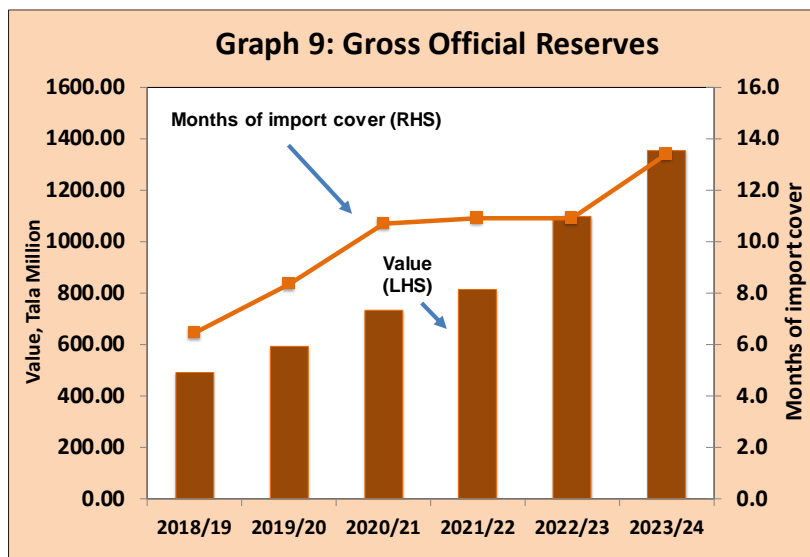
After recording robust recovery of 9.2 percent in the previous financial year, the Samoan economy continued to thrive, posting another strong growth rate of 9.4 percent in FY2023/2024, well above CBS estimates. This growth was partially driven by the continued strong increase in the tourism sector, coupled with robust expansion in seasonal workers' income and remittances in general. Additionally, domestic economic activities including preparations for the Commonwealth Heads of Government Meeting (CHOGM), continued to flourish. This could be seen with the significant increase in tax collection and revenue for Government. As a result, substantial increases were recorded for various sectors such as 'Commerce' with an increase of \$101.5 million, 'Transport' (up by \$13.1 million) 'Business services' (up by \$11.1 million), 'Financial Services' (up by \$10.5 million) and among others. 'Taxes less subsidies' also recorded a \$33.7 million increase.

These more than offset the reduction in economic activities in FY2023/2024 for the 'Public administration' (down by \$5.3 million),

‘Other manufacturing’ (down by \$5.1 million) and ‘Food and Beverages manufacturing’ (down by \$4.4 million). The decline in the latter industry partly reflects the full extent of the cessation of the domestic manufacturing of beverage (including beer) by one of the two beverage manufacturers in Samoa since 2022. (Refer to Appendix - Table 3.)

3.3.3 Balance of payments

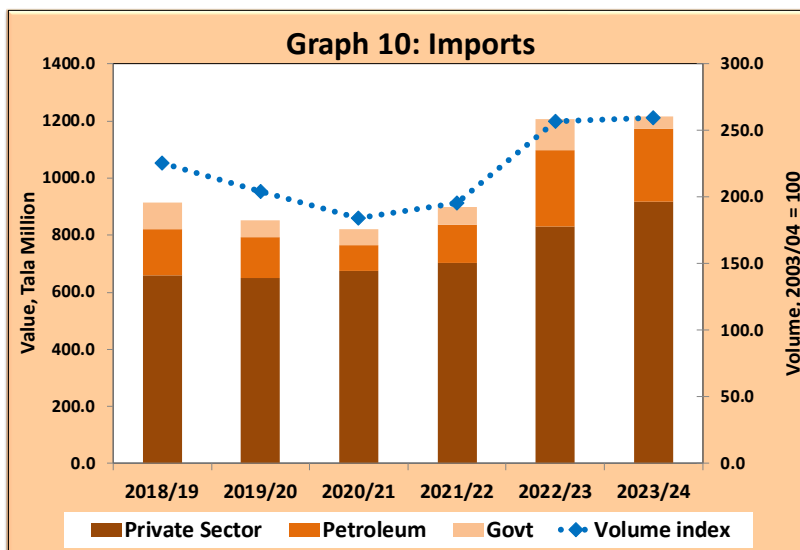
On the external sector, the gross official foreign reserves expanded further by \$255.9 million (equivalent to a surplus of \$181.1 million for balance of payments) reaching yet another record high of \$1,354.0 million in FY 2023/2024. This growth was driven by substantial inflows from tourism earnings, remittances, and government budget support funds, along with grant assistance from Samoa’s international donor partners in FY2023/2024. This represents the eighth consecutive year of surpluses in the balance of payments. (Refer to Appendix - Table 4 and Graph 9.)



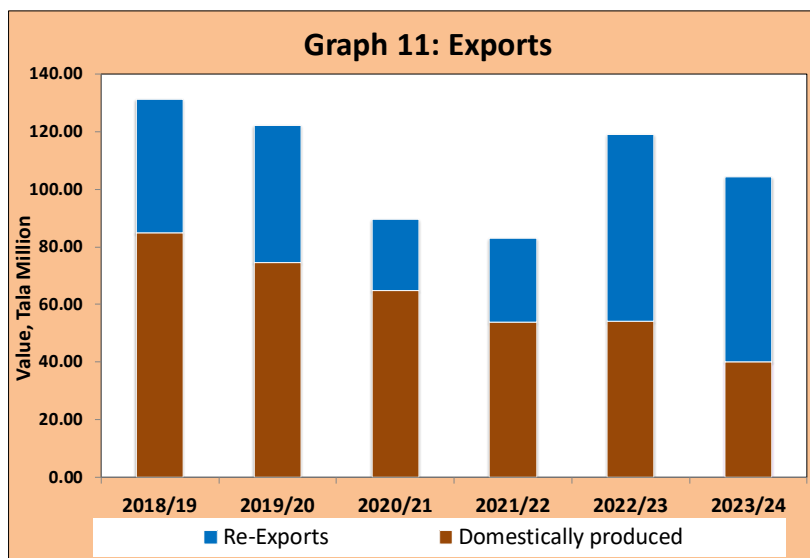
The current account recorded a surplus of \$72.3 million compared to a \$105.2 million deficit in the previous year. This reflected a

significant expansion in the Balance of Trade in Services, which was underpinned by a further increase in visitor earnings. Moreover, the Balance on Secondary Income also rose by 1.4 percent due to higher personal transfers over the year. On the other hand, the Balance of the Trade in Goods deficit widened by 2.2 percent over the year as a result of higher imports and lower export proceeds.

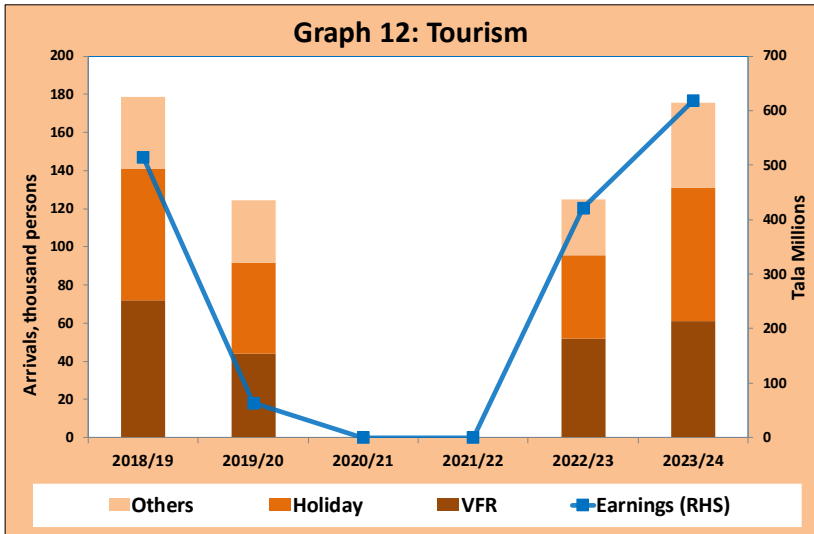
Total import payments were 0.8 percent (or \$9.7 million) higher in FY2023/2024 to \$1,215.8 million. This was due to a 10.7 percent (or \$88.7 million) hike in non-petroleum private sector imports over the year, which offset reductions in government and petroleum imports. (See Graph 10).



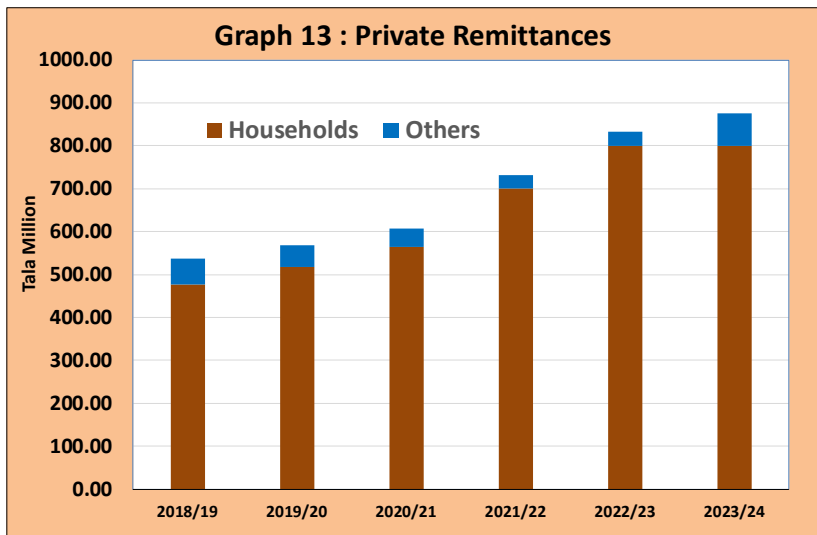
In contrast, total export earnings declined by 12.3 percent (or \$14.6 million) to \$104.4 million over the year as both domestically produced exports and re-exports contracted by \$13.9 million and \$0.8 million respectively. (See Graph 11). The decrease in domestically produced exports reflected lower exports of fish and coconut oil.



Total visitor arrivals surged further by 41.0 percent (or 51,001 visitors) reaching a total of 175,656 visitors in FY2023/2024. Likewise, visitor earnings increased by 46.9 percent (or \$197.3 million) to a total of \$618.3 million, exceeding pre-Covid levels indicating a rebound in the tourism sector. (See Graph 12). This growth was driven by an influx of visitors who were here for holidays, visiting families and friends, other visitors, business and conference and sport events.



Moreover, total remittances grew by 5.4 percent (or \$44.7 million) amounting to \$876.8 million in FY2023/2024. (See Graph 13.) This surge mainly reflected higher funds from non-profit institutions serving households (NPISH), hand carried cash and in-kind transfers.



4. OUTLOOK FOR 2024/2025

4.1 MONETARY POLICY STANCE FOR 2024/2025

At its meeting on the 28th of June 2024, the Central Bank of Samoa (CBS) Board of Directors approved the continuation of the Central Bank's monetary policy for FY2024/2025 to bring down the elevated level of excess liquidity in the financial system. In addition, the CBS will also maintain its efforts to normalise or adjust upwards its official interest rate to around a target 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 of the CBS building a buffer in its policy instrument, for more flexibility in the future.*

The monetary policy stance will support the 6.7 percent real economic growth forecast for the year ending June 2025, further to 9.4 percent expansion in FY2023/2024. This economic outlook reflects the positive effects envisaged from the hosting of the Commonwealth Heads of Government Meeting (CHOGM), the implementation of various new and ongoing Government projects in addition to further positive business activities associated with high tourism, remittances, and export proceeds. On the other hand, the presence of downside risks from ongoing international geopolitical tensions, modest growth in our major trading partners and our vulnerability to adverse weather conditions are high, which could impact this outlook.

The decreasing headline inflation rate to date is estimated to moderate to around 3.8 percent by June 2025. This would be underpinned by modest increases forecast by market surveyors for international oil and meat prices as well as expected strong domestic spending. Our vulnerability, however, to natural disasters and any adverse and unexpected global developments in the international commodity markets continues to pose a risk to our inflation projections.

SUMMARY FORECASTS FOR FY 2024/2025

Main indicators	Original Forecasts FY2024/2025	Commentary
	as at 28 June 2024	
Real GDP	+6.7% to \$2,382.0 million	Strong growth in economic activities is projected amidst CHOGM preparations, but is slowing down compared to previous 2 years
Headline Inflation	3.8%	Prices will moderate but is expected to remain above 3.0 percent target
Underlying Inflation	4.0%	Prices have come down but still expected to remain above 3.0 percent target.
Balance of Payments	\$110.0m (surplus)	\$196.8 million grants expected in Budget FY 2024/25
Gross Foreign Reserves	\$1,424.3m	
Import Cover	13.5 months	
Exports	+6.4% to \$122.7m	Rebound in total exports due to increase in fish proceeds
Imports	+2.6% to \$1,265.5m	Steady increase in total imports
Visitor Receipts	+5.0% to \$653.2m	Further expansion in tourism
Visitor Arrivals	+2.0% to 179,368	
Priv. Remittances	+3.0% to \$904.6m	Continued expansion in remittances

The country’s external sector will continue to remain strong in FY2024/2025, with official foreign reserves projected to be above \$1.4 billion (at an equivalent of 13.5 months of import of goods only). This is more than sufficient to meet the country’s international commitments. Increased 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 \$717.1 million. The average bank lending rates are low and will 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 support economic growth and maintain low inflation rates.

The Central Bank will continue to monitor and revisit its monetary policy decision should economic and financial conditions change over the next twelve months.

4.2 WORLD ECONOMY

According to the latest IMF World Economic Outlook (WEO) Update in July 2024, global economic activity is projected to pick-up slightly to an estimated 3.3 percent in FY2024/2025, from 3.2 percent in FY2023/2024. This reflects the cooling labour markets and moderation in consumption in the USA, stronger growth momentum in the services sector as well as projected higher investments in the Euro Area, a general recovery in world trade as well as stronger activity in Asia (mainly from China and India). A continued global disinflationary trend is expected, albeit at a slow pace from an estimated 6.3 percent in 2023/2024 to 5.2 percent in 2024/2025. According to the IMF, this will be driven by lower core inflation because of still-tight monetary policies, a related softening in labor markets, improvements in supply chains, and ongoing easing in the global energy crisis. Nonetheless, services price inflation are expected to remain higher, offsetting the easing of goods prices.

Despite the above-target inflation projections in the year ahead, most major central banks are poised to ease monetary policy in 2024/2025, as the global inflationary challenge seems largely

resolved. So far in the first quarter of FY2024.2025, most major central banks have started to cut their official policy interest rates (including the USA, BOE and NZ), with markets expecting more rate cuts in the coming months.

The IMF's latest WEO forecast continues to be clouded with uncertainty stemming from the ongoing Russia-Ukraine conflict, the potential for a new war or crisis in the Middle East, persistent tensions between the world's two largest economies (US and China), and evolving patterns of trade and cross-border investment.

On the exchange rate front, the US dollar has weakened against the major currencies (in the Samoa Tala Currency Basket) since July 2024. This trend is largely attributed to positive economic data releases in many major economies, despite expectations of most reserve banks will cut their key policy rates in 2024. While some modest strengthening is expected in other major currencies against the USD in FY2024/2025, overall volatility will likely persist. This volatility will be influenced by risk appetite and economic data releases throughout the year.

4.3 DOMESTIC ECONOMY

4.3.1 Government Budget

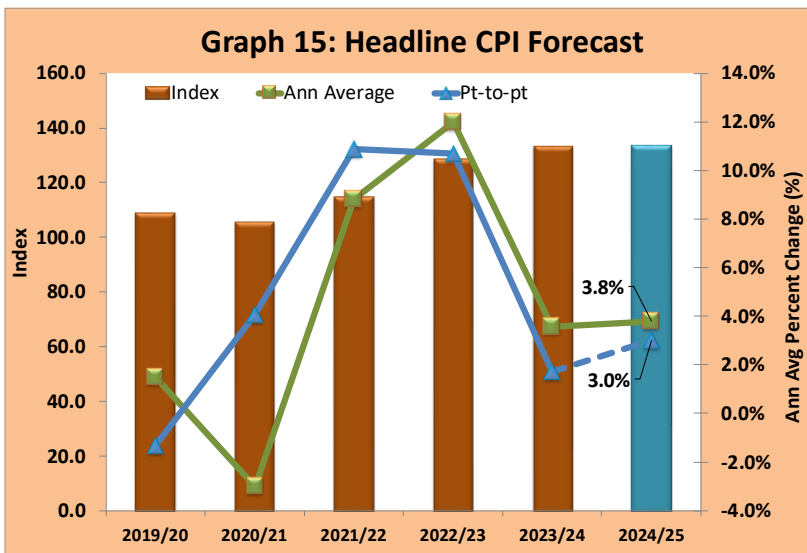
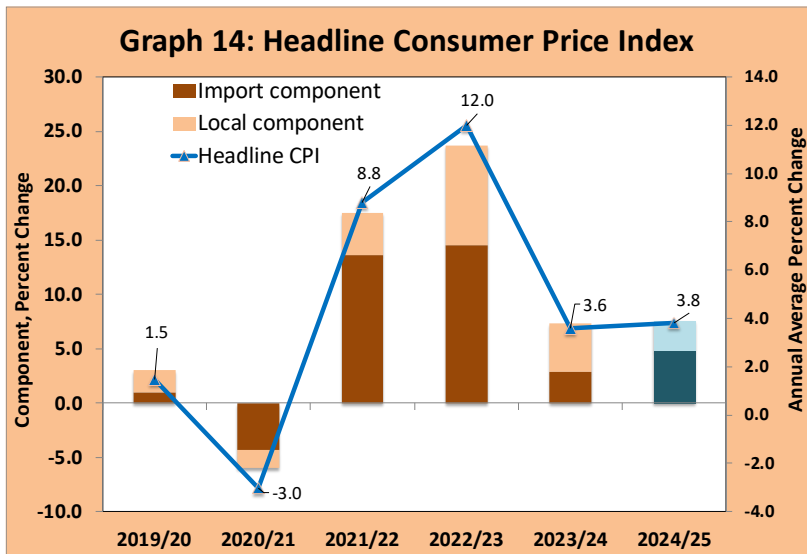
According to the FY2024/2025 Budget Address, the forecast budget deficit is around 2.1 percent of GDP. The aim is to maintain the growth momentum achieved since the reopening of international borders in August 2022. It is guided by the theme of “Sustaining Growth Pathways for the Social, Economic, and Climate Resilience of our Commonwealth.” From the Budget, total government revenue is projected at around \$940.5 million, while total government expenses are expected to amount to \$823.6 million. Included in total Govt expenditure are the preparations and hosting of the CHOGM, the final phase of the Cost-of-Living Adjustment (COLA), ongoing projects

like the extension of the Faleolo Airport and the new Savalalo Market building as well as new projects like the Savaii Courthouse and bridges for Lano and Afega. As a result, the estimated Net Operating Balance for FY2024/25 is projected to be a surplus of \$113.9 million. The estimated budget deficit or net lending/borrowing is estimated to be \$60.8 million, which is around 2.1 percent of GDP. (Refer to Appendix - Table 6.)

4.3.2 Prices

4.3.2.1 Headline Inflation

Headline inflation is forecast to edge up to 3.8 percent by the end of FY2024/2025, up from 3.6 percent in FY2023/2024, as imported prices are anticipated to rise modestly due to uncertainties and potential disruptions in the global supply chain, particularly in major commodity markets. Consequently, imported inflation is expected to rise to 4.8 percent by FY2024/2025, as latest information point to an expected rebound in the prices of various imported goods, including food and fuel, throughout the coming year. Local inflation is projected to drop to 2.7 percent by the end of June 2024/25 as external inflationary pressures subside. (Refer to Appendix – Table 5 Graph 14 & 15.)



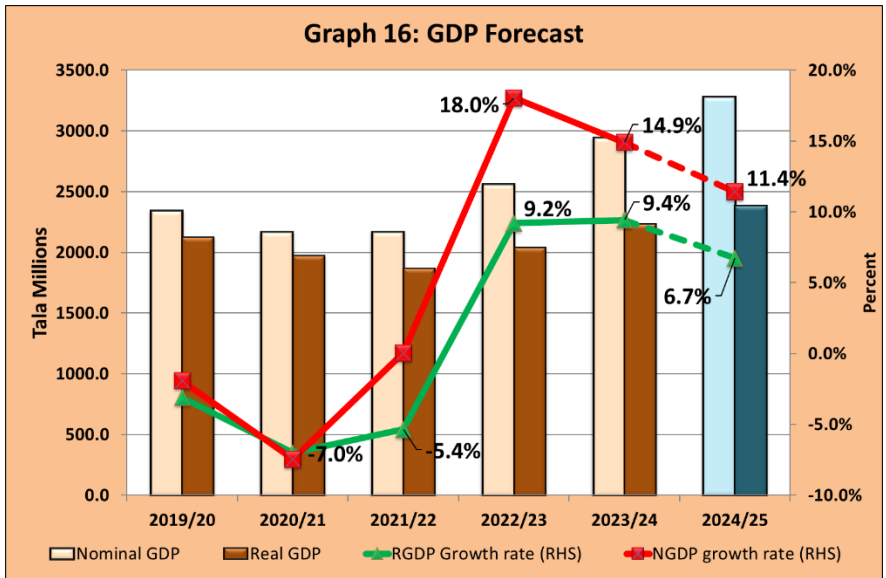
4.3.2.2 Underlying Inflation

Likewise, the underlying inflation rate is projected to decrease to 4.0 percent by the end of FY2024/2025, compared to 4.9 percent at the end of FY2023/2024. Driving this overall decrease is an estimated

reduction in the imported component to 3.6 percent and the local component to 3.0 percent by the end of FY2024/2025.

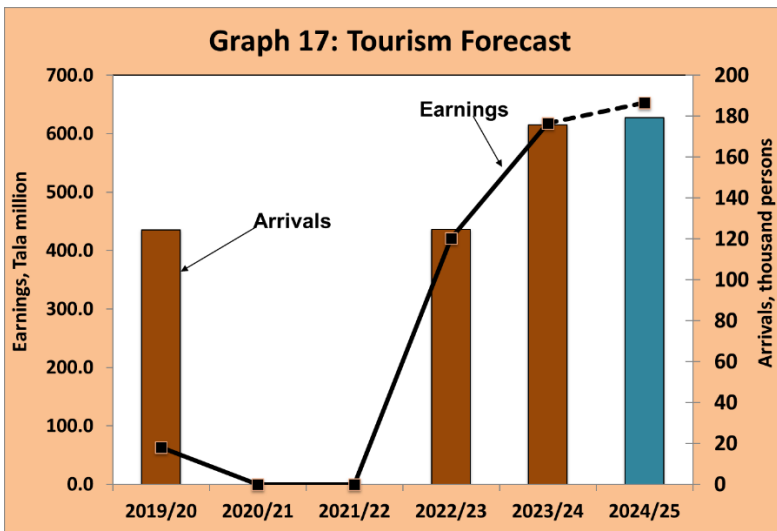
4.3.3 Real Sector

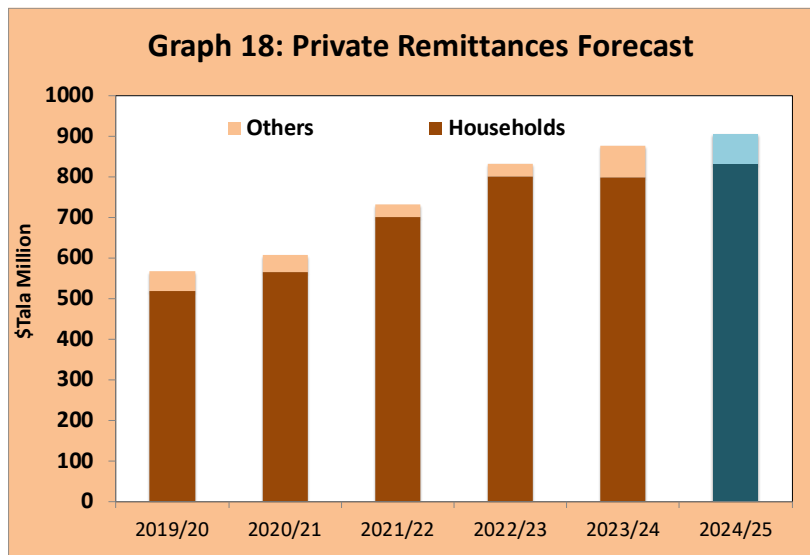
Total real GDP for FY2024/25 is projected to grow by 6.7 percent, slowing down from a 9.4 percent growth in FY2023/2024. This reflects a slower pace compared to the previous two financial years. The Government Fiscal Budget for 2024/2025 anticipates that preparations for hosting the CHOGM will positively impact almost all sectors, including tourism, infrastructure, investments, transport, health and communication services. Furthermore, ongoing government support for Micro, Small, and Medium Enterprises is expected to stimulate the private sector. Key government projects, such as the construction of the Savaii courthouse, the Alaoa Multipurpose Dam, and the Lano and Afega bridges, will also contribute to economic growth. (See Table 3 and Graph 16.)



4.3.4 Balance of Payments (BOP)

The overall BOP is forecast to record another strong surplus of \$110.0 million in FY2024/2025. Consequently, the gross official reserves are estimated to go up to around \$1,424.3 million, with an expected import cover of 13.5 months. This increase in foreign reserves is expected to come from a further increase in total expected government grants and budget support funds that is outlined in the Budget Address for FY2024/2025. Total import payments are forecast to rise by 2.6 percent to \$1,265.5 million given the continuous growth in economic activity, ongoing and upcoming government construction projects as well as preparations for the upcoming Commonwealth Heads of Government Meeting (CHOGM). Export earnings are expected to recover by 6.4 percent to \$122.7 million due to expected increases in fish, coconut oil, taro and re-exports to name a few. Total remittances are forecast to improve further by 3.0 percent. Likewise, total arrivals are expected to go up by 2.0 percent to 179,368 visitors in FY2024/2025. As a result, total visitor earnings are estimated to increase by 5.0 percent to \$653.2 million from \$622.0 million last year. (See Table 4 and Graphs 15 and 16.)





4.3.5 Monetary Aggregates

Looking ahead, broad money is expected to continue growing but at a slower pace of 8.5 percent in FY2024/2025, compared to 11.9 percent at the end of June 2024. Domestic private sector credit growth is anticipated to gradually pick up by 1.2 percent by the end of June 2025 from its actual of -1.0 percent in June 2024, reflecting the conservative lending approach adopted by commercial banks. Given the substantial foreign inflows and gains from tourism recovery, commercial banks' liquidity is expected to remain high. (Refer to Appendix - Table 7.)

5. Appendix Tables

Table 1 Selected Domestic Economic Indicators						
Fiscal year to end June	2019/20	2020/21	2021/22	2022/23	2023/24	Forecast 2024/25
Real sector						
Nominal GDP	-1.9	-7.5	0.03	18.0	14.9	10.6
Real GDP	-3.1	-7.1	-5.3	9.2	9.4	6.7
Prices (February 2016=100)						
Headline Consumer Price Index (ann ave)	1.5	-3.0	8.8	12.0	3.6	3.2
Underlying Consumer Price Index (ann ave)	2.1	-2.1	8.4	14.2	4.9	3.3
Implicit GDP Deflator (annual average)	1.2	-0.4	5.6	8.8	5.6	3.9
Monetary aggregates						
Net foreign assets (annual average)	10.6	31.1	7.0	25.6	44.2	18.0
Government's net monetary position (end of period)	31.8	14.2	4.5	18.4	54.4	-8.3
Bank credit to private sector						
Annual average	6.4	2.1	1.2	-1.4	-1.0	1.2
End period	5.8	1.5	0.2	-2.4	3.7	-10.0
Money Supply, M2						
Annual average	1.8	5.5	3.0	9.5	11.7	8.5
End period	-0.9	8.1	2.2	16.3	7.7	2.1
Exchange rate (March 2016=100)						
Nominal Exchange Rate (annual average)	0.03	-0.08	-0.14	0.09	-0.05	n/a
Real Exchange Rate (annual average)	-0.36	-4.91	2.56	4.89	-0.16	n/a
International reserves						
Gross International Official Reserves (Tala million)	594.3	732.7	812.7	1,098.1	1,354.0	1,464.0
Gross International Official Reserves (Months of imports)	8.4	10.7	10.9	11.1	13.4	13.5
Weighted average interest rates						
CBS 14 days Securities	0.13	0.13	0.13	0.13	0.13	n/a
CBS 28 days Securities	0.16	0.16	0.16	0.16	0.16	n/a
CBS 56 days Securities	0.18	0.18	0.18	0.18	0.18	n/a
CBS 91 days Securities	0.41	0.41	0.41	0.41	0.41	n/a
CBS 182 days Securities					1.00	n/a
CBS 365 days Securities					1.50	n/a
CBS Securities overall weighted avg yield (ann avg)	0.15	0.15	0.15	0.23	0.23	n/a
Commercial bank deposits	2.73	2.11	1.82	1.76	1.57	n/a
Commercial bank credit	8.63	8.57	8.29	8.31	8.43	n/a
Commercial bank interest rate spread	5.90	6.46	6.47	6.55	6.86	n/a

Source: Central Bank of Samoa

n/a - not available

Table 2						
Selected World Economic Indicators						
Fiscal year to end June	2019/20	2020/21	2021/22	2022/23	2023/24	Forecast 2024/25
World Economic Performance						
Real growth rate	-0.20	1.40	4.60	3.40	3.25	3.25
Inflation rate	3.07	3.40	6.70	7.70	6.30	5.15
Unemployment Rate	6.00	6.40	6.00	5.20	5.15	5.20
Samoa's Main Trading Partners						
New Zealand						
Real growth rate	-9.9	18.5	0.70	3.00	0.04	0.70
Inflation rate	1.5	3.3	7.30	6.00	3.45	2.20
Unemployment Rate	4.00	4.00	3.30	3.60	3.45	5.45
Australia						
Real growth rate	-6.0	9.5	3.40	2.00	1.55	1.95
Inflation rate	-0.3	3.8	6.10	6.00	3.35	3.10
Unemployment Rate	7.4	4.9	3.60	3.50	4.10	4.45
United States of America						
Real growth rate	-8.4	12.5	1.80	2.40	2.55	2.20
Inflation rate	0.6	5.4	9.10	3.00	2.45	2.20
Unemployment Rate	11.1	5.9	3.60	3.60	5.00	4.50
<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	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Actual	Actual	Actual	Actual	Actual	Forecast
Agriculture	157.8	159.3	150.2	147.3	151.7	162.2
Fishing	29.0	29.1	20.6	24.9	31.1	33.2
Food & Beverages manufacturii	57.4	61.5	61.2	59.5	55.1	57.8
Other manufacturing	26.7	27.9	29.2	31.0	26.0	25.5
Construction	114.5	85.9	70.0	77.4	79.0	84.2
Electricity and water	57.8	56.3	70.7	58.9	63.2	67.2
Commerce	558.8	523.1	441.9	490.7	592.2	606.6
Accommodations & Restaurant:	36.0	13.8	13.6	32.7	38.0	46.7
Transport	64.1	42.3	38.9	52.1	65.8	69.4
Communication	113.4	105.0	97.9	77.3	84.3	90.0
Public administration	183.4	190.1	192.1	191.8	186.5	193.2
Financial services (2)	308.6	302.4	309.3	305.4	316.0	341.6
Business services	64.5	24.7	25.6	53.0	64.1	69.4
Ownership of dwellings	163.1	168.1	173.3	178.6	184.1	189.9
Personal and other services	53.5	70.8	68.5	80.3	83.8	117.5
Less: Enterprise share of FISIM	-144.0	-152.1	-147.9	-136.2	-138.2	-137.8
Taxes less Subsidies	278.2	264.1	252.7	315.5	349.2	365.5
Total Real GDP	2,122.6	1,972.4	1,867.7	2,039.7	2,231.9	2,382.0
Annual percent change	-3.1%	-7.1%	-5.3%	9.2%	9.4%	6.7%
Implicit GDP deflator	110.4	110.0	116.2	125.6	131.9	137.7
Annual percent change	1.2%	-0.4%	5.6%	8.1%	5.0%	4.4%

Source: Samoa Bureau of Statistics and Central Bank of Samoa

Table 4							
Balance of Payments (1)							
(Amounts in Tala Million)							
During the period	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Actual	Actual	Actual	Actual	Actual	Estimate	Forecast
A. Current Account Balance	67.9	14.8	-313.8	-245.6	-98.9	72.3	89.2
Balance on Trade in Goods	-783.7	-731.2	-731.1	-814.5	-1,087.0	-1,118.6	-1,142.8
Exports	130.9	122.2	89.5	82.9	119.0	115.3	122.7
Imports	914.7	853.3	820.7	897.4	1,206.0	1,233.8	1,265.5
Balance on Trade in Services	470.8	307.8	-85.4	-63.3	263.5	461.5	478.2
Balance on Primary Income	-93.8	-71.6	-36.3	-56.5	-32.0	-39.1	-38.9
Balance on Secondary Income	474.5	509.7	539.0	688.8	756.6	768.4	792.7
Personal transfers	341.4	402.4	497.2	648.3	658.8	669.3	739.1
Other transfers	133.1	107.3	41.8	40.5	97.8	99.1	53.6
B. Capital Account Balance	64.8	182.5	198.4	259.3	293.4	256.3	192.4
Capital Transfers	64.8	182.5	198.4	259.3	293.4	256.3	192.4
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C. Net Lending (+)/Net Borrowing	132.7	197.3	-115.4	13.7	194.5	328.6	281.6
D. Financial Account	73.6	183.1	124.5	103.0	266.4	388.0	148.9
<i>Net Lending (+)/Net Borrowing (-)</i>							
Direct Investment	-6.8	14.9	-23.1	-12.9	-26.9	29.1	-18.0
Portfolio Investment	-3.8	45.1	-38.6	96.2	-2.0	6.1	9.7
Other Investment	51.1	18.8	111.0	-31.6	103.9	171.7	47.2
Reserve Assets	33.1	104.4	75.2	51.3	191.4	181.1	110.0
E. Net Errors & omissions	-59.1	-14.2	240.0	89.3	71.9	59.4	-132.7

(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	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Actual	Actual	Actual	Actual	Actual	Forecast
A. Headline Inflation						
Description						
All Groups	1.5	-3.0	8.8	12.0	3.6	3.8
Food and Non-Alcoholic Beverages	2.5	-4.6	12.2	19.1	7.7	3.9
Import Component	1.0	-4.3	13.6	14.5	2.9	4.8
Local Component	2.0	-1.7	3.9	9.2	4.4	2.7
B. Underlying Inflation (1)						
Description						
All Groups	2.1	-2.1	8.4	14.2	4.9	4.0
Food and Non-Alcoholic Beverages	3.0	-3.9	10.9	17.1	6.1	4.4
Import Component	2.4	-3.3	11.0	15.1	5.5	3.6
Local Component	1.5	0.5	2.8	12.4	4.9	3.0
<i>Source: Samoa Bureau of Statistics</i>						

During the period	2019/20 Actual	2020/21 Actual	2021/22 Actual	2022/23 Actual	2023/24 Estimate	2024/25 Forecast (2)
Revenues	818.0	828.6	1,616.7	872.6	1,060.2	940.5
Taxes	563.4	546.9	1,098.1	673.2	779.2	616.0
Grants	179.4	198.7	336.2	116.4	181.2	196.8
Other Revenues	75.2	82.9	182.4	83.1	99.9	127.7
Expenses	638.5	640.7	1,374.1	704.3	755.1	826.6
Compensation of employees	261.8	256.7	549.3	278.5	294.9	392.1
Use of goods and services	188.8	175.1	346.8	183.8	207.8	328.8
Interest	15.9	11.6	17.3	12.7	14.4	11.6
Subsidies	9.5	13.6	27.5	4.4	10.2	25.3
Grants	124.5	132.2	332.5	180.0	185.6	11.7
Social benefits	23.0	25.4	40.8	35.6	34.7	44.1
Other expenses	15.0	26.0	60.0	9.4	7.5	13.0
Net Operating Balance	179.5	187.9	242.6	168.3	305.1	113.9
ASSETS:	45.2	43.5	88.2	90.6	8.2	174.7
Net Acquisition of Nonfinancial Assets						
Net lending / borrowing	134.3	144.4	154.4	77.6	296.9	-60.8
(Budget Surplus/Deficit)						
Net acquisition of financial assets	89.2	99.4	73.4	6.4	211.9	-155.3
Domestic	89.2	99.4	73.4	6.4	211.9	
Net incurrence of liabilities	-45.1	-45.0	-81.0	-71.3	-85.0	94.5
Domestic	-7.1	-6.1	-6.0	-1.1	-2.1	
Foreign	-37.9	-38.9	-75.0	-70.2	-82.9	
Budget Deficit as Percent of GDP	6.8%	7.9%	8.5%	3.7%	10.2%	-2.1%

(1) GFS Manual 2001 format - All actuals are sourced from the SBS GFS data.
(2) Adapted from the Budget Address 2024/25, which is slightly different from GFSM 2001 format
Source: Samoa Bureau of Statistics and Ministry of Finance