

Table. Samoa: Selected Economic and Financial Indicators, 1998/99–2003/04 1/

	1998/99	1999/00	2000/01	2001/02	Proj. 2002/03	Proj. 2003/04
(12-month percent change)						
Output and inflation						
Real GDP	2.1	4.4	8.6	1.9	3.1	3.2
Nominal GDP	3.3	8.9	12.5	4.7	7.8	6.8
Change in CPI (end period)	-0.6	2.7	1.1	9.8	2.5	2.5
Change in CPI (period average)	0.8	-0.2	1.9	7.4	5.9	2.5
(In percent of GDP)						
Central government budget						
Revenue and grants	40.0	37.9	32.9	31.4	32.7	33.1
Expenditure and net lending	39.6	38.6	35.2	33.5	34.7	35.3
Overall balance	0.3	-0.7	-2.3	-2.1	-2.1	-2.1
External financing	0.5	0.2	0.2	1.4	0.7	0.9
Domestic financing	-0.9	0.5	2.1	0.7	1.4	1.2
(12-month percent change)						
Money and credit						
Broad money (M2)	15.0	13.4	20.1	3.6	12.0	6.9
Net foreign assets 2/	3.7	0.6	0.5	0.7	-3.7	-1.4
Net domestic assets 2/	11.3	12.8	19.6	2.8	14.6	6.3
Private sector credit 3/	15.0	11.3	13.4	5.0	3.4	5.1
Three-month CBS rate	5.9	5.8	5.7	5.8
(In millions of U.S. dollars)						
Balance of payments						
Exports, f.o.b.	15.9	17.2	14.5	14.3	14.3	15.7
Imports, c.i.f	115.5	101.0	120.4	134.0	139.4	144.4
Goods and services balance	-64.1	-51.7	-61.1	-75.3	-77.0	-79.6
(In percent of GDP)	-28.9	-22.0	-25.5	-30.4	-27.1	-25.9
Current transfers (net)	68.7	55.5	64.0	72.7	74.1	76.7
Current account balance	4.5	2.3	0.3	-2.3	-6.5	-4.7
(In percent of GDP)	2.0	1.0	0.1	-0.9	-2.3	-1.5
Overall balance	0.6	-0.7	-6.6	8.8	-3.3	-1.4
External reserves and debt						
Official reserves (gross)	52.8	52.3	45.7	54.5	51.2	49.8
(In months of next year's merchandise imports)	6.3	5.2	4.1	4.7	4.3	4.0
Public debt 4/	146.5	148.0	143.6	153.7	153.3	154.4
(In percent of GDP)	66.1	63.0	60.0	62.0	53.9	50.2
External debt-service ratio (in percent) 5/	9.4	10.0	8.8	9.2	7.2	9.0
Exchange rates						

Market rate (tala/U.S. dollar, end period)	3.02	3.21	3.52	3.29	3.22	...
Market rate (tala/U.S. dollar, period average)	3.02	3.11	3.44	3.47	3.26	...
Nominal effective exchange rate (1990 = 100) 6/	101.2	99.4	100.9	99.7
Real effective exchange rate (1990 = 100) 6/	95.0	93.6	93.4	99.7
Memorandum items:						
Nominal GDP (in millions of tala)	670.6	730.0	821.5	860.1	927.0	990.1

Sources: Data provided by the Samoan authorities; and IMF staff estimates.

1/ Fiscal year beginning July 1. Data reflect information provided to Fund staff during the Article IV mission in March 2003, and do not incorporate subsequent data revisions presented in the official 2003/04 budget.

2/ Change in percent of beginning period broad money.

3/ Includes private sector credit provided by nonbank financial institutions.

4/ Includes publicly guaranteed debt. The government took over Polynesian Airlines' debt in August 1994.

5/ In percent of exports of goods and services.

6/ IMF, Information Notice System Index.

Statement by Michael J. Callaghan, Executive Director for Samoa
June 2, 2003

Key Points

- Notwithstanding a slowing in economic activity in 2001/02, Samoa remains one of the best performing economies in the Pacific. This is a testament to the authorities' sound economic and financial management.
- The authorities recognise that economic development will require forceful continuation of structural reforms, the maintenance of a sustainable fiscal position and monetary policy directed towards the maintenance of low inflation and a stable external position.
- This was an effective Article IV mission, which was well targeted on the key issues facing Samoa. The authorities appreciated the advice they received from the team and this has been taken on board.
- The 2003/04 Budget will aim for a deficit of 1.5 per cent of GDP, which is considered to be sustainable.
- The Central Bank has moved to reduce excess liquidity in the banking system and is committed to more aggressive measures if necessary.
- The financial difficulties of Polynesian Airlines will impact on the budget, but the authorities are taking the necessary steps to put the airline on a sustainable financial footing.
- The authorities continue to implement an ambitious and comprehensive development plan, which is based on the maintenance of macroeconomic stability.

Samoa remains one of the best performing economies in the region. There was a significant slowing in economic activity in 2001/02, but this followed a number of years of robust economic growth. Moreover, the economy has started to recover over the course of 2003.

Samoa's relatively strong economic performance is anchored in its stable political environment, sound macroeconomic management and comprehensive structural reforms, particularly in the public and financial sectors.

The challenge for the Government is to maintain macroeconomic stability while promoting structural change and private investment so as to generate sustained, strong economic growth. Efforts to diversify the economic base of the economy will continue.

Samoa strongly values its association with the Fund and the opportunity offered by the Article IV mission to address the key policy issues facing the Government. This Article IV consultation was no exception and, as clearly highlighted in the report, the advice offered by the mission was well taken by the authorities. Significantly, the authorities recognise the importance of, and are committed to, the maintenance of macroeconomic stability. This commitment will continue to guide future policy actions.

Economic activity set to recover

Samoa has achieved high economic growth rates in recent years, with particularly strong growth between 1999 and 2001. There was a marked slowing in growth in 2001/02, the result of a downturn in agricultural production and the completion of some major public works projects.

Economic activity has started to recover over the course of 2003, supported by the commencement of new public works and increased agricultural production, with the coconut oil industry becoming fully operational, increased taro production, and expanding fruit exports. Fishing production will increase with new fishing boats entering the fleet. However, as with other small island economies, Samoa's economic prospects will be significantly influenced by international economic developments and the vagaries of the weather.

Inflation rose in 2001/02, the result of increased oil prices and rising food prices following unfavourable weather conditions. The Central Bank is keeping a close eye on inflation and expects it to fall to at least 2.5 per cent by mid 2003, mostly as a result of lower food prices, although lower oil prices have also contributed. Over recent years, Samoa has enjoyed strong growth with low inflation and the Central Bank is committed to ensuring that such conditions are maintained. Accommodative monetary policy was appropriate given the sharp slowdown in the economy in 2001/02, however, more recently the Central Bank has expanded sales of Central Bank securities in order to reduce the excess reserves in the banking system. The Central Bank has also indicated that it is prepared to aggressively tighten monetary policy if considered necessary in order to maintain macroeconomic stability.

Continued sound fiscal policy

Samoa has pursued a sound and responsible approach to financial and economic management and this was maintained in the 2002/03 Budget. The 2002/03 Budget targeted an overall deficit of 1.9 per cent of GDP. Key expenditure initiatives included education, health, support for agricultural development, infrastructure and tourism development.

On the revenue side, there was a package of measures including an increase in the VAGST by 2.5 per cent, reduction in tariff rates, an extension in income tax to commercial fishing and an increase in excise taxes and registration fees.