

SAMOA's ECONOMY

Pre 2009 – one of better performing economies in Pacific with average growth rate of 4.3 % annually between 1998-2008

Growth sectors – commerce (32%), transport and communication (23%) driven by tourism and remittances.
Cf agriculture going from 19%-10%

Samoa's economy

Country's vulnerability to economic shocks and natural disasters shown in 2009-following peak food fuel financial crises and 2009 tsunami – 2012 cyclone

GDP dropped by over 5%

Samoa's economy

Over 2008-2012, economic activity slowed down. Between 2009-2012 growth averaged 1.2% in services construction and public sector.

Government embarked on debt financed investment – stimulus package

Growth in 2013 will be lower than forecasted as a result of Cyclone Evan (0.9% cf 2% projected)

Samoa's economy

Increased activities related to reconstruction may lead to an increase in 2014.

Possibly through hosting 3rd SIDS Conference

Growth rates pre 2009 unlikely as they were driven by one off factors of hosting 2007 Pacific games and switching tourist destinations from Fiji and Bali

Samoa's economy

Inflation rose briefly after Cyclone due to cyclone related agricultural losses, but has subsided with declining food prices – only 1.2% at end March.

Real effective Exchange rate depreciated due to low inflation.

Foreign reserves declined in 2012 but has recovered to 5.3 m of imports by end March 2013

Samoa's economy

Current account deficit will expand sharply.

Exports and tourism will remain flat over next 3 years due to damage to productive capacity.

Current account deficit expected to be sustainable in medium term-covered by government account – financed by official DPs transfers

IMF Rapid credit facility will ease pressure on BoP in 2013

Samoa's economy

Key post cyclone challenge is to secure sufficient resources for recovery while minimizing debt burden (55%GDP).

Government is looking at:

1. Reprioritising expenditure – redeploy program funding to exploit synergies with reconstruction
2. Seek grant financing as much as possible
3. Improve debt management-implement revised MTDS

Beyond Recovery: Raising growth

Improve competitiveness by adjusting exchange rate

Continue with structural reforms in areas of macroeconomic importance – SOEs, Customary land usage, improved business climate and continuing PFM reforms

Key targets – build resilience and strengthen public expenditure management – lower fiscal deficits and reduce debt levels

Conclusion

Samoa's long term vision of 'Improving quality of life for all' remains valid (SDS 2012-2016)

Support growth oriented development but need to look closer at inclusive development

Rising inequality despite growth – need to look at domestic conditions such as, targeting most vulnerable, reinvestment in agriculture, generation employment for large pool school leavers each year by exploring opportunities in informal sector