

PACIFIC UPDATE

**Tourism and remittance economies: Prospects for inclusive growth
Case for Samoa**

Content

- Past Economic Performances (20 years);
 - GDP growth;
 - Inflation;
 - Fiscal;
- Tourism Inclusiveness;
- Remittances Inclusiveness;
- Summary
- Way Forward

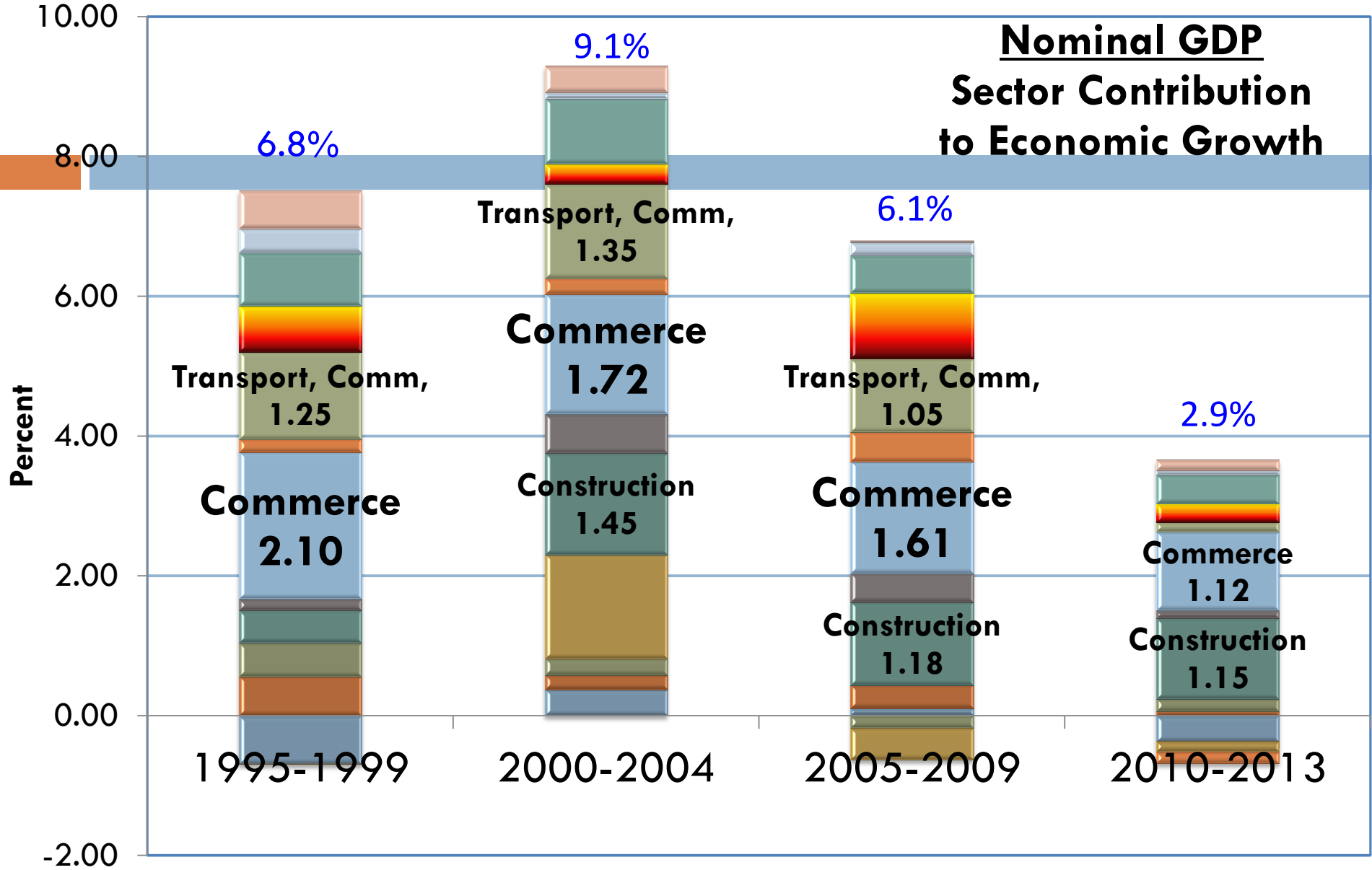
Overview of Economic Developments in past 20 years

□ Economic Performance in Past 20 years;

▣ Average Nominal GDP:

- ◆ 1995-1999 – 6.8 percent;
- ◆ 2000-2004 – 9.1 percent;
- ◆ 2005-2009 – 6.1 percent;
- ◆ 2010-2013 – 2.9 percent;

Nominal GDP Sector Contribution to Economic Growth

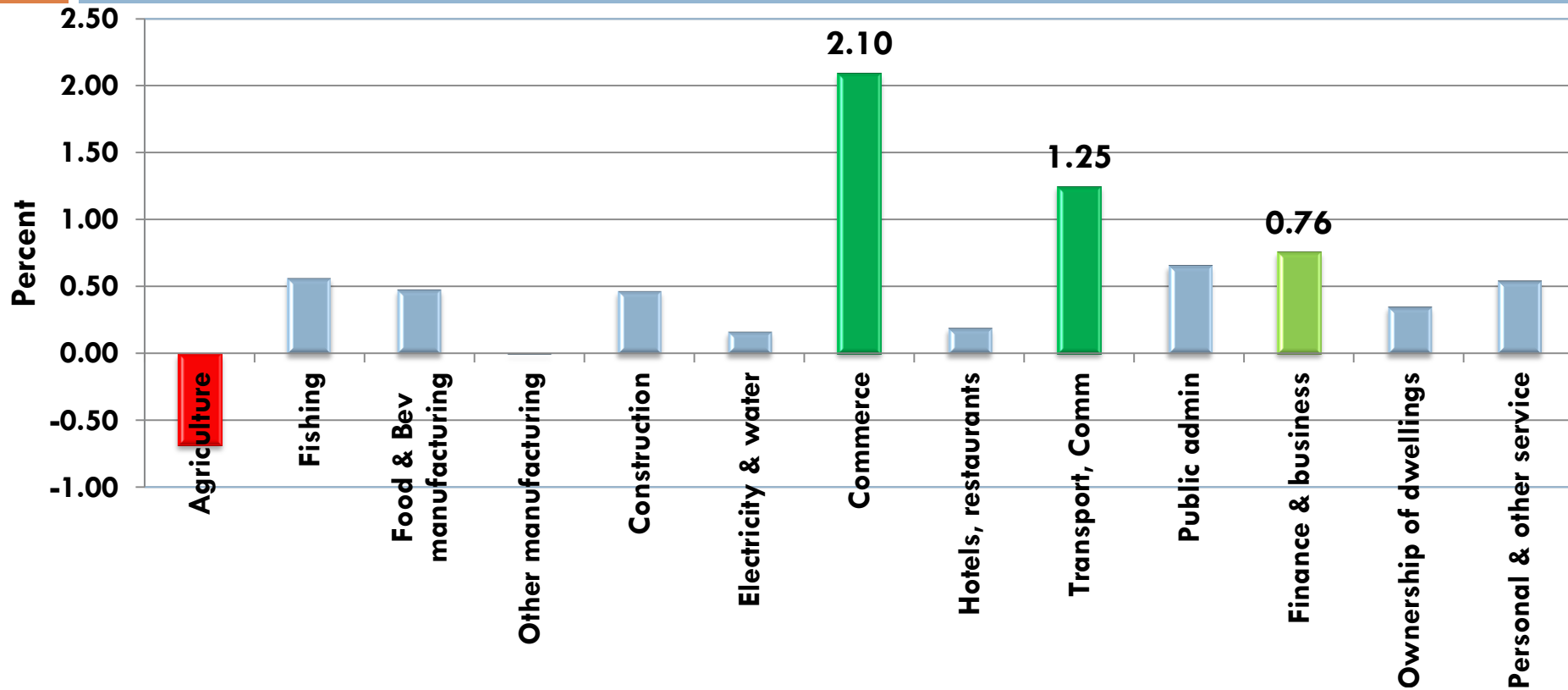


- Agriculture
- Construction
- Transport, Comm
- Personal & other service
- Fishing
- Electricity & water
- Public admin
- Food & Bev manufacturing
- Commerce
- Finance & business
- Other manufacturing
- Hotels, restaurants
- Ownership of dwellings

Main Contributors

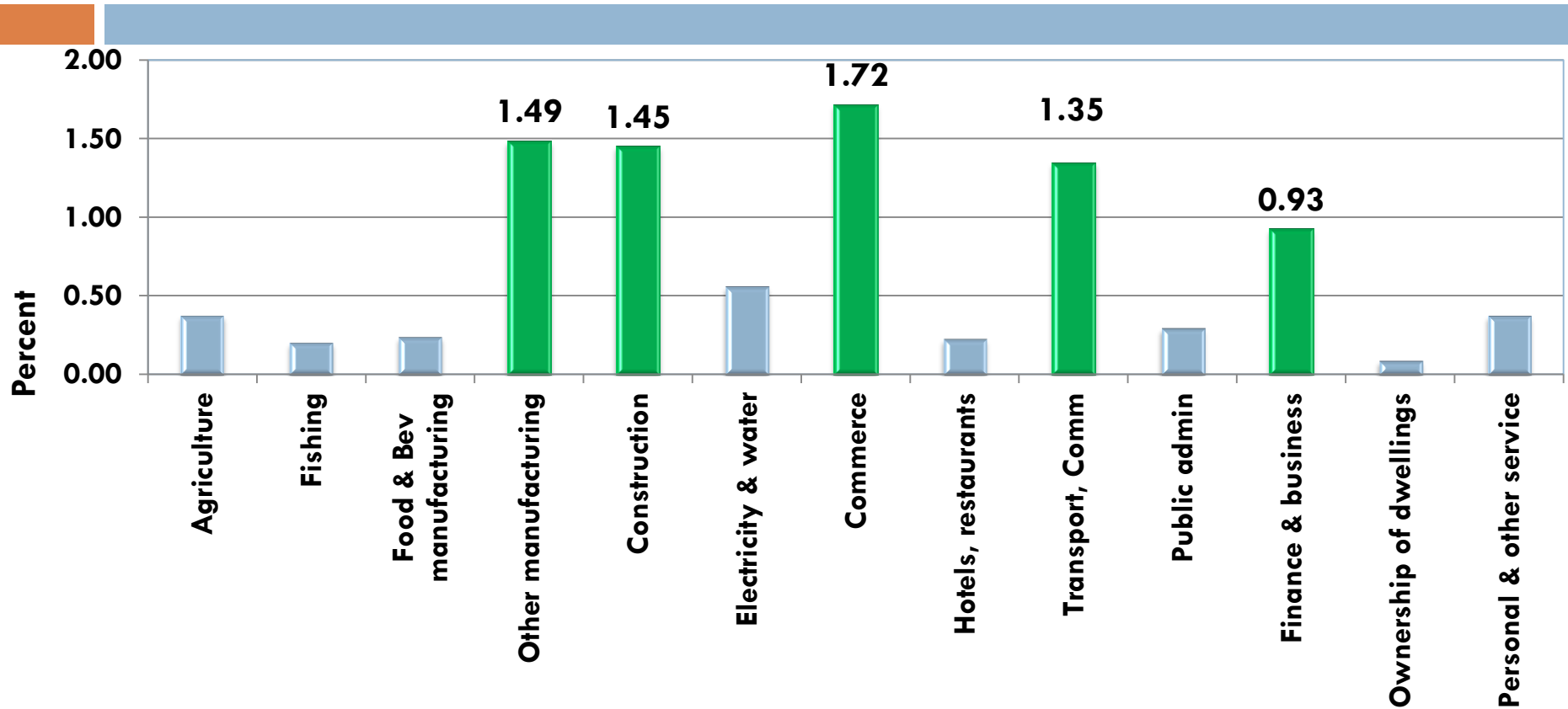
1. **Construction sector:** Construction services
2. **Transport and Communications:** Transportation (Land, Air and Sea) and Communications (landline and wireless)
3. **Commerce Sector:** Wholesale and retail activities

1995-1999



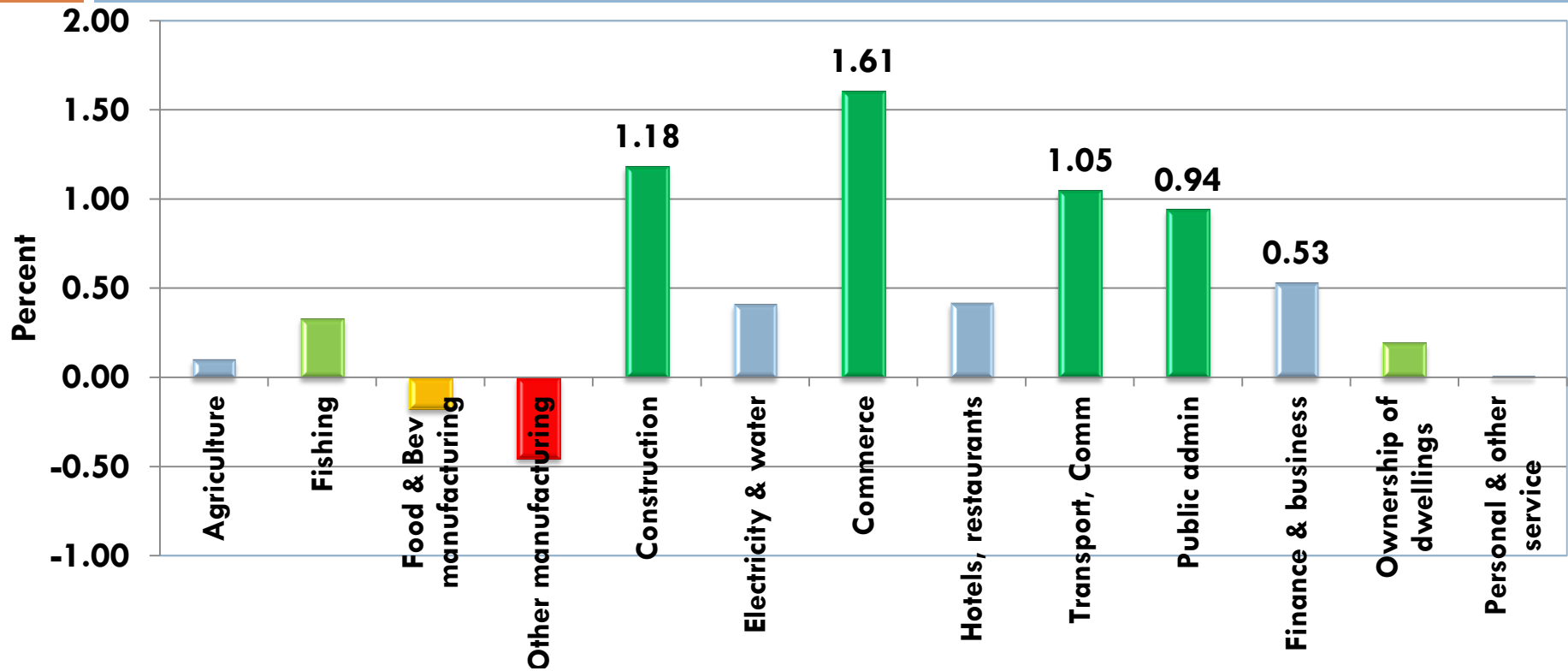
- Strong growth in Transport and Communications and Commerce sector

2000-2004



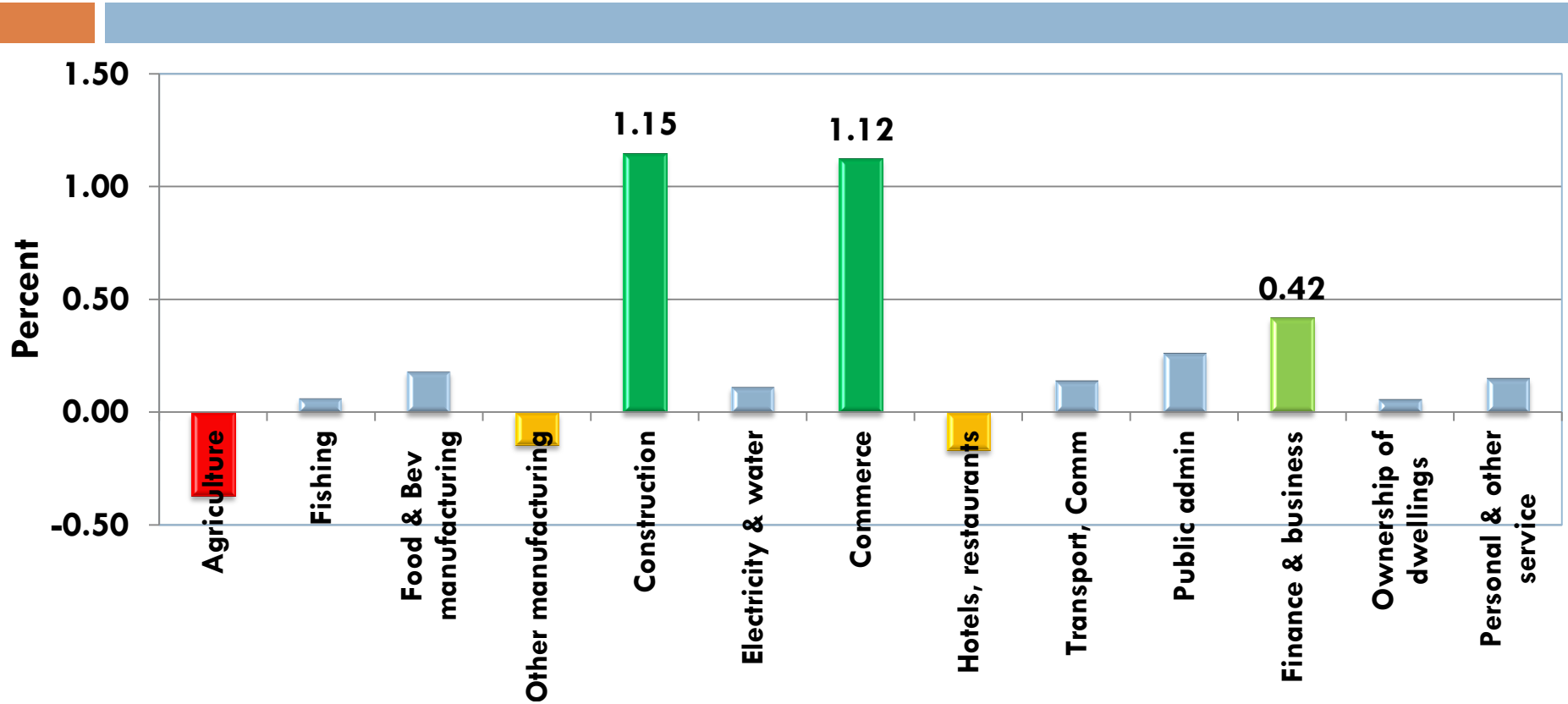
Other manufacturing (Yazaki), Transport & Communications, Construction and Commerce.

2005-2009



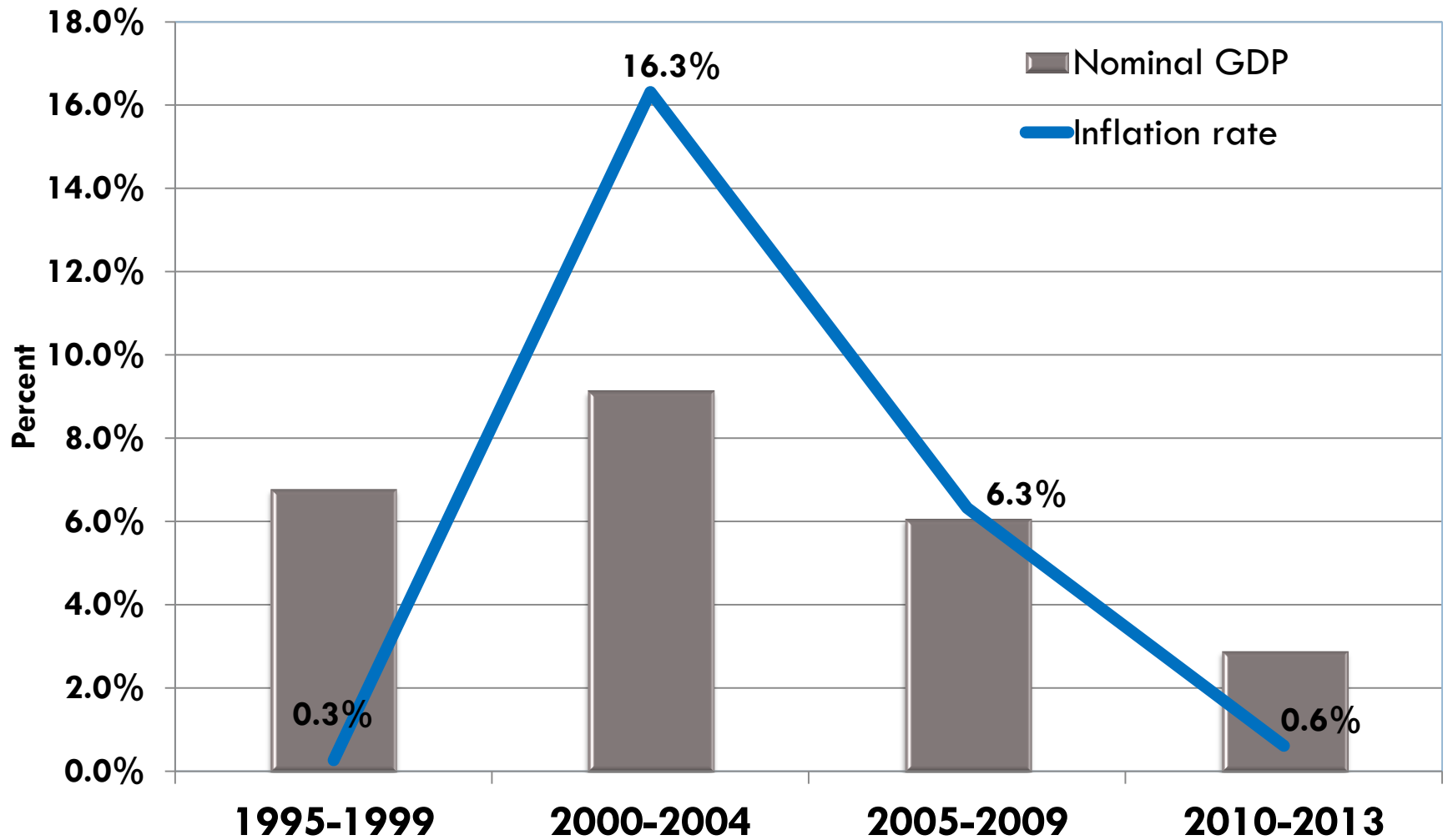
- Construction, Transport & Communications, Public administration and Commerce; (positive – SPG) adverse effects (Cyclone Heta and (other manufacturing) Toyota supply discontinuation)

2010-2013

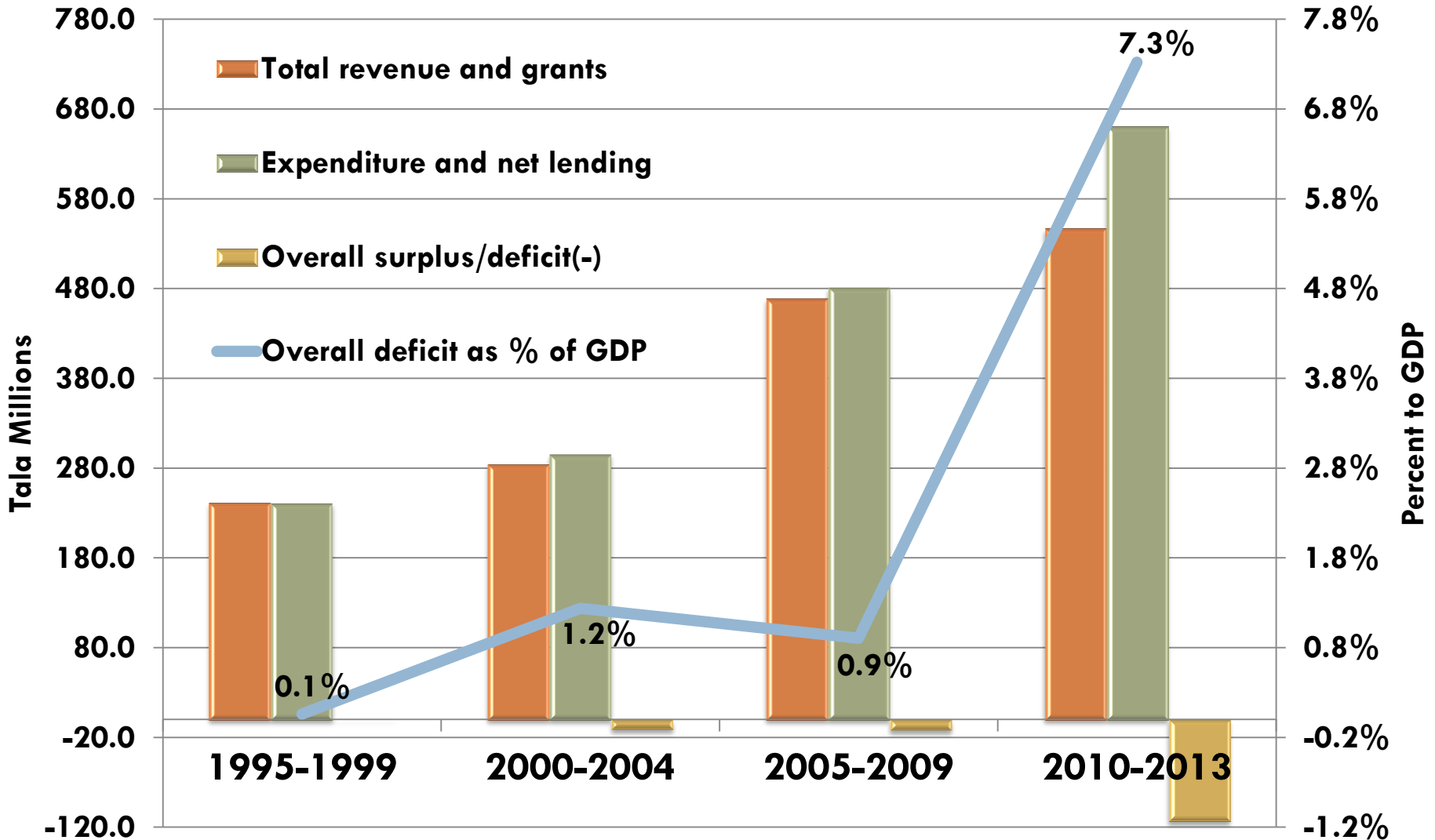


- Construction and Commerce remaining strong (GFC effects, Tsunami 2009 and Cyclone Evan 2012)

Inflation



Government Finance



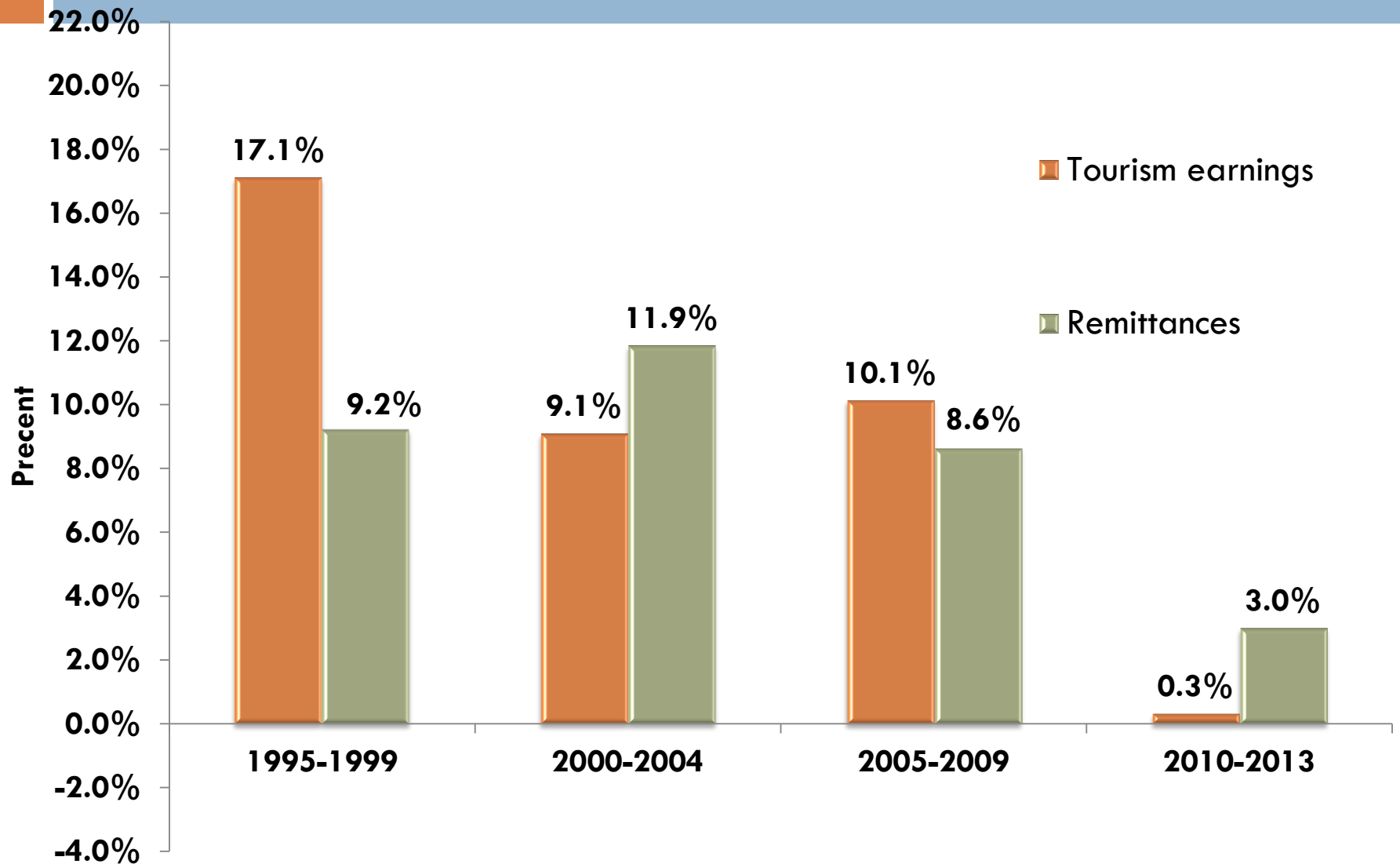
Inclusive Growth

1. Definition of Inclusive Growth
 - ▣ Inclusive growth basically refers to the 'pace and pattern' of economic growth that is necessary to achieve poverty reduction, job creation and equality of opportunity.
 - ▣ More on social aspects; equal employment opportunities for all...

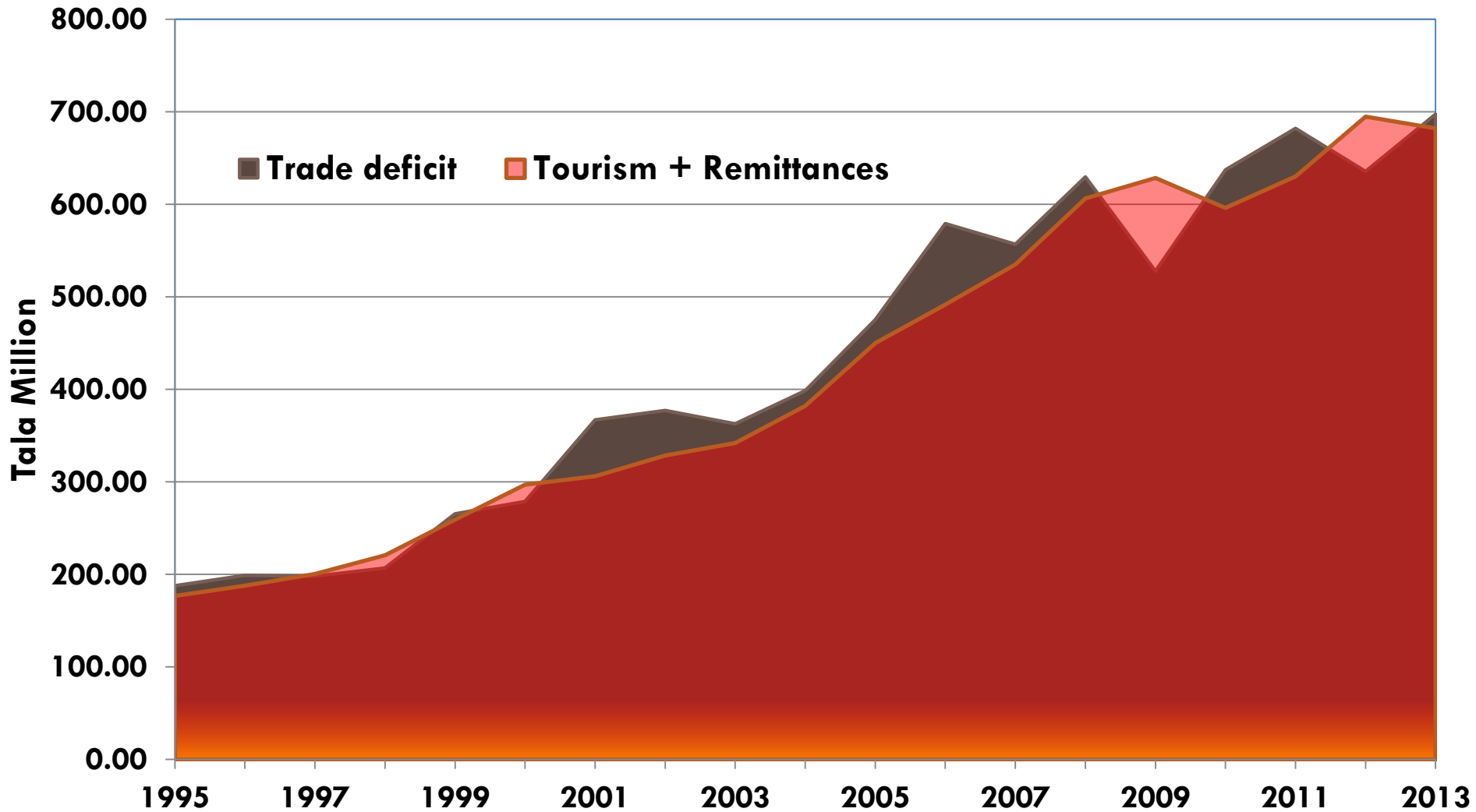
Samoa's Situation

1. The issue of 'equal opportunity' for all is an important principle for Samoa, as the Government strives to ensure that everyone has equal access to employment, market access, finance etc.
2. The inclusiveness in the financial system encourages businesses and individuals to access financial services without barriers.

Average Growth Rates for Tourism and Remittances



Trade Deficit financed by Tourism and Remittances



Tourism and Inclusive Growth

1. Foreign Exchange
 - ▣ Key earner;
2. GDP contribution
 - ▣ Many support services and facilities
3. Employment Opportunities
 - ▣ Low skilled to highly skilled
4. Provision of Opportunities
 - ▣ Increase in the number of small beach fale
5. High end operators (4 star) to budget/beach fale –require concessional start-up capital:
 - ▣ Private-Public Partnership (PPP);
 - ▣ Concessional Investment facilities;

Tourism and GDP

□ Average Contribution of Tourism Earnings to GDP

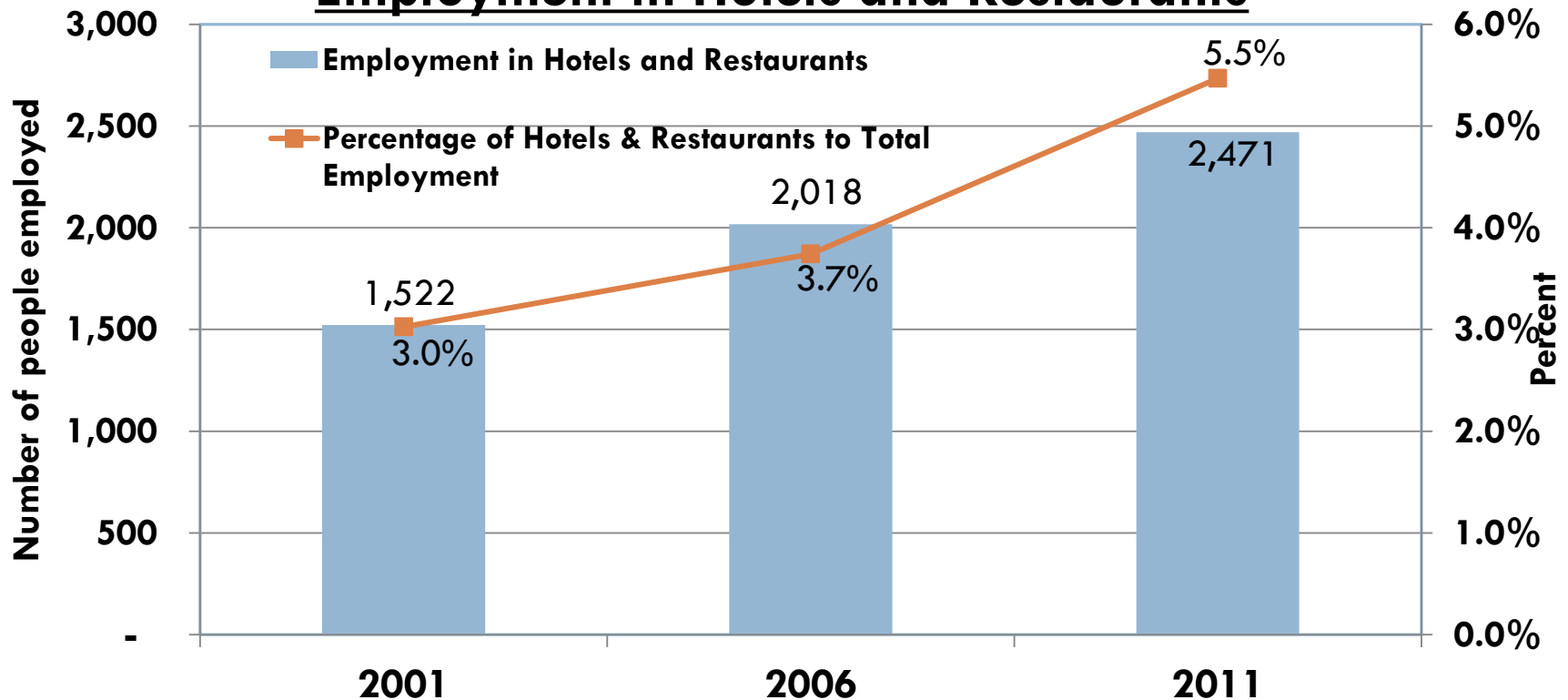
1. 1995-99 = 17.4 percent;
2. 2000-04 = 17.4 percent;
3. 2005-09 = 19.5 percent;
4. 2010-13 = 20.5 percent;

Many Support Services/Industries

- **Agriculture.** Small-Medium farmers often supply fruits and vegetables to hotels and restaurants especially for Samoan styled cuisine.
- **Transport.** Car rental business rely largely on tourists with taxi and bus services also benefitting from tourism.
- **Handicrafts,** tour operators, internet cafes (telecommunications);
- **Attraction Sites;** Out of 23 total attractions registered,
 - ▣ 13 are owned by families
 - ▣ 5 run by Village communities

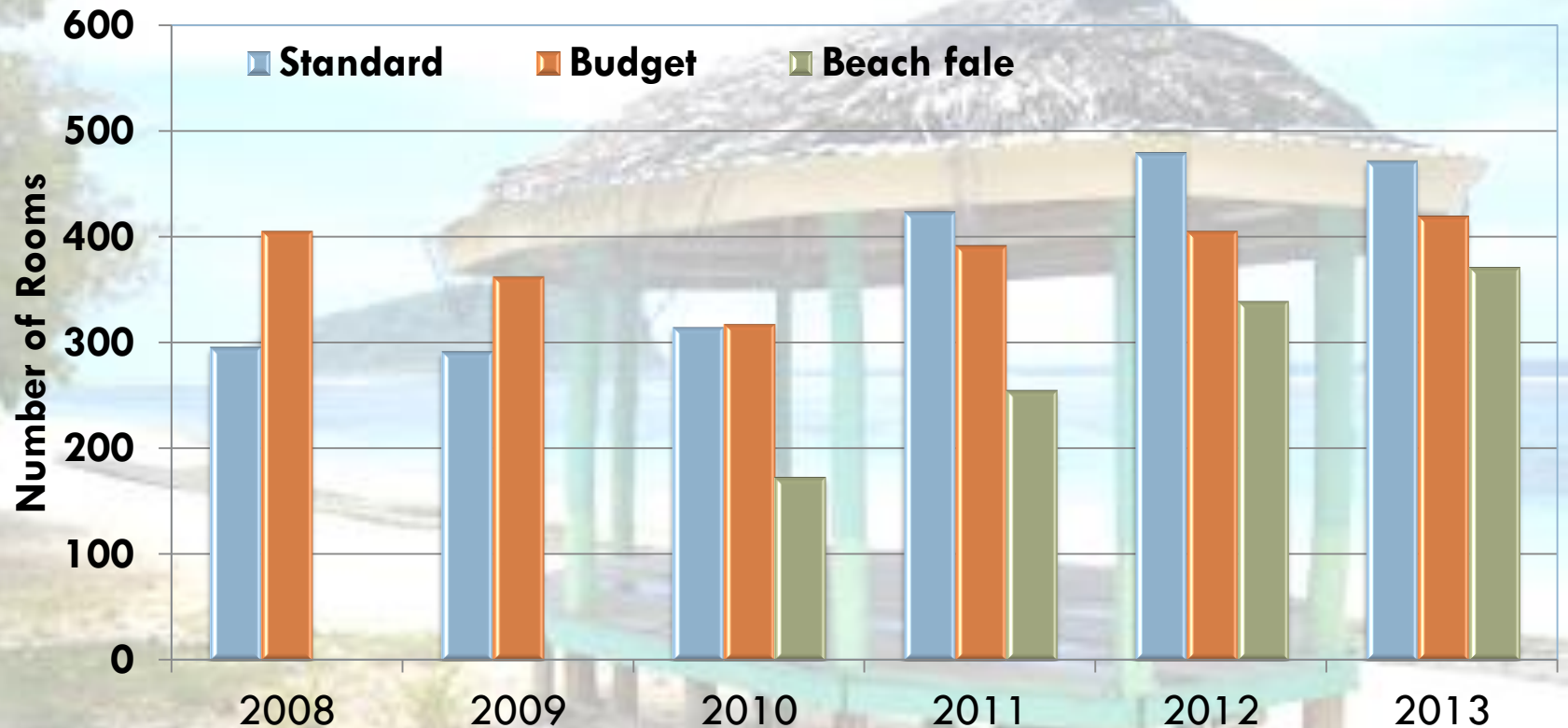
Employment Opportunities

Employment in Hotels and Restaurants



- Increase in total employment in tourism industry.

Growth in Beach Fale



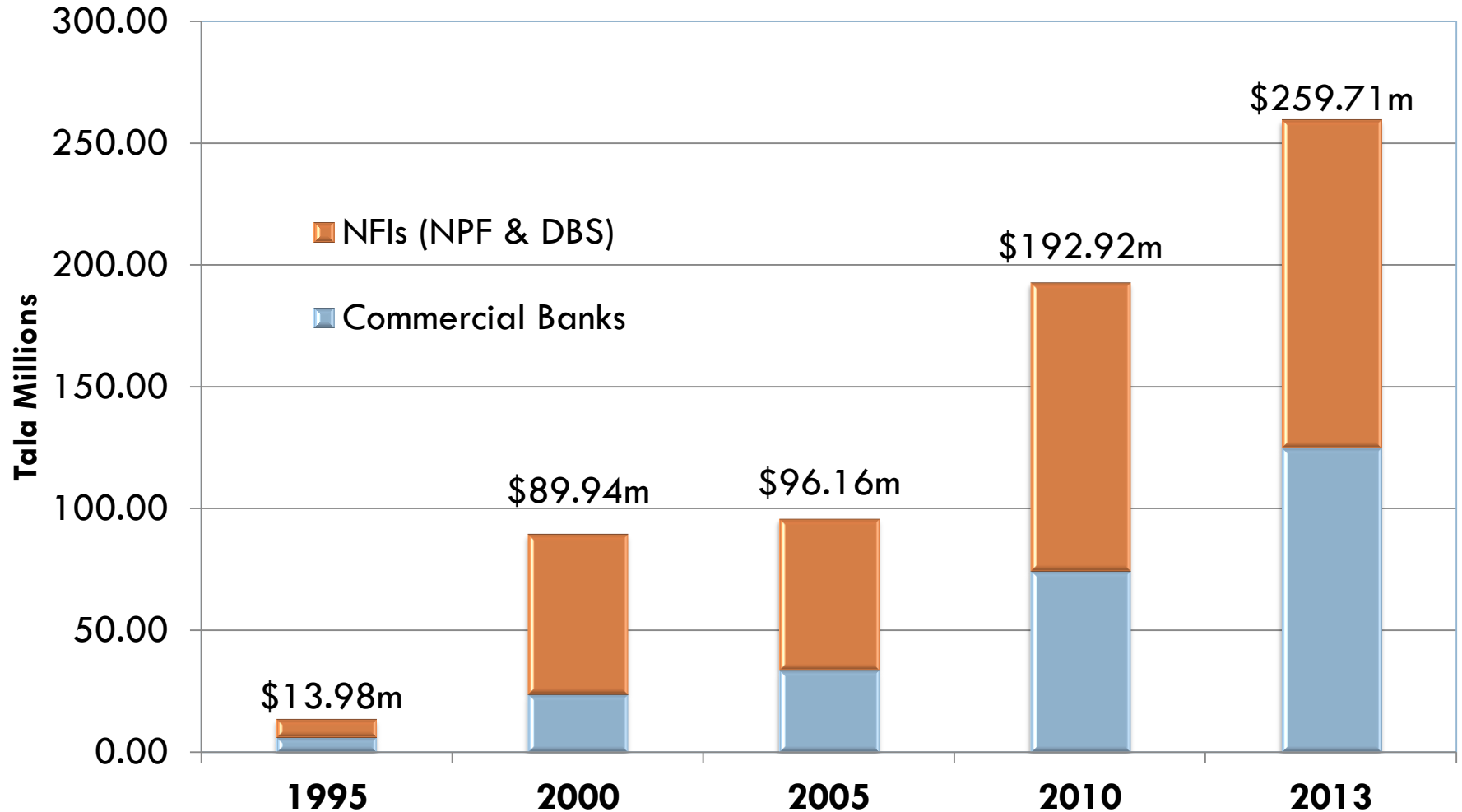
- Beach Fale is unique to Samoa. Small initial capital costs, which makes it an ideal business opportunities for low income families.

Tourism Financing and Assistance

- Government has put national focus on Tourism as a source of growth for the economy.

- Steady increase in lending to Tourism sector
 - ▣ Commercial Banks
 - ▣ Non Financial Institutions
 - Development Bank of Samoa;
 - Samoa National Provident Fund;
 - Micro-finance (SPBD and SBEC). *This is not currently being captured;*

Lending to the Tourism Sector



Main Tourism Financing and Assistance

- CBS Credit Line Facility
 - ▣ Low interest rate loans as Govt. Assistance to sectors; *tourism, agriculture, manufacturing and housing*
 - 2010 Tsunami (\$26m)
 - 2013 Cyclone Evan (\$44m)
 - 2014 Economic Stimulus - SIDs preparation (\$30m)

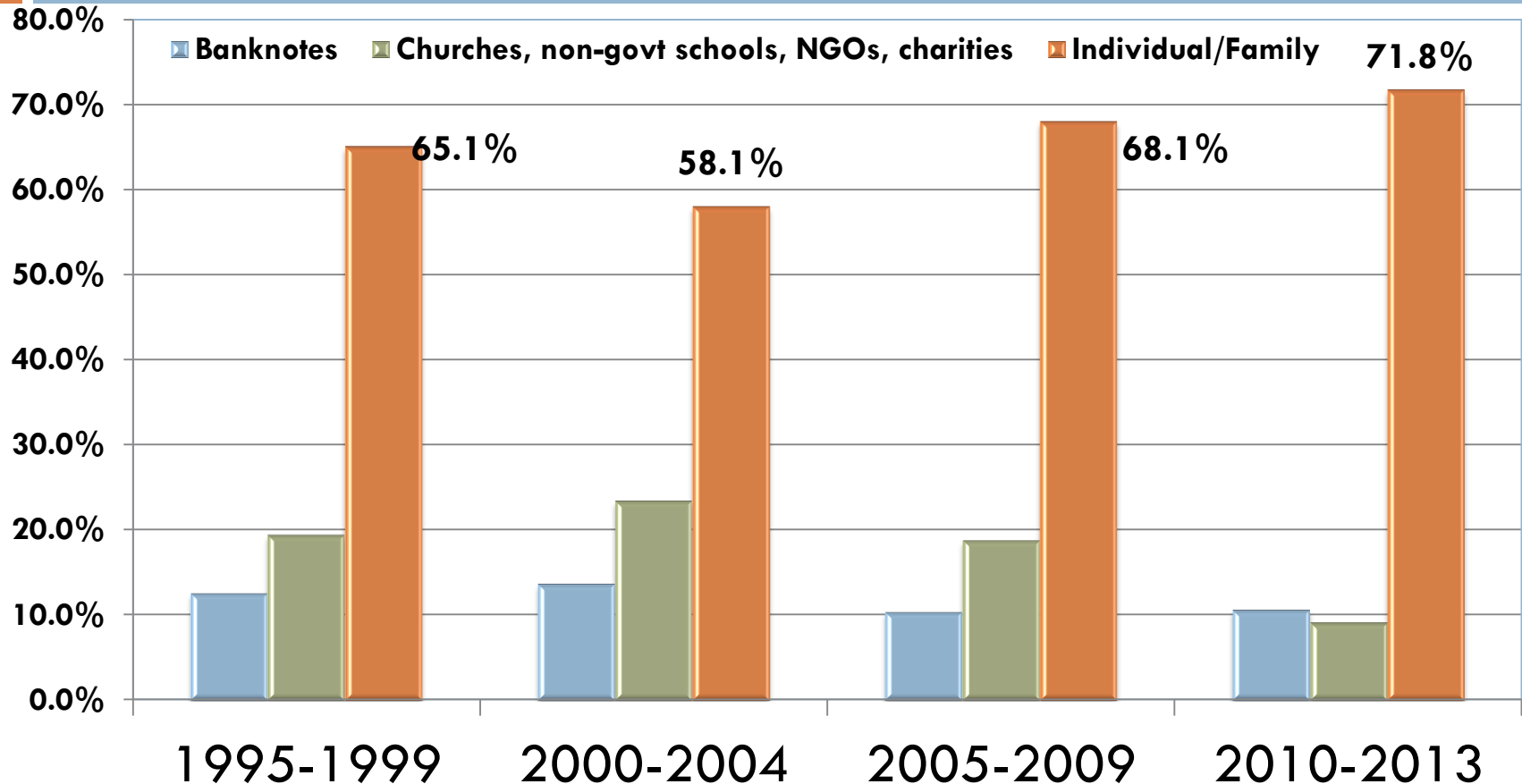
Remittances and Inclusiveness

- Contributes to GDP (economic activities);
- Largest source of foreign exchange;
- Uses of remittances
 - ▣ Mainly for consumption, finance daily/weekly budgets of low income families

Remittances and GDP

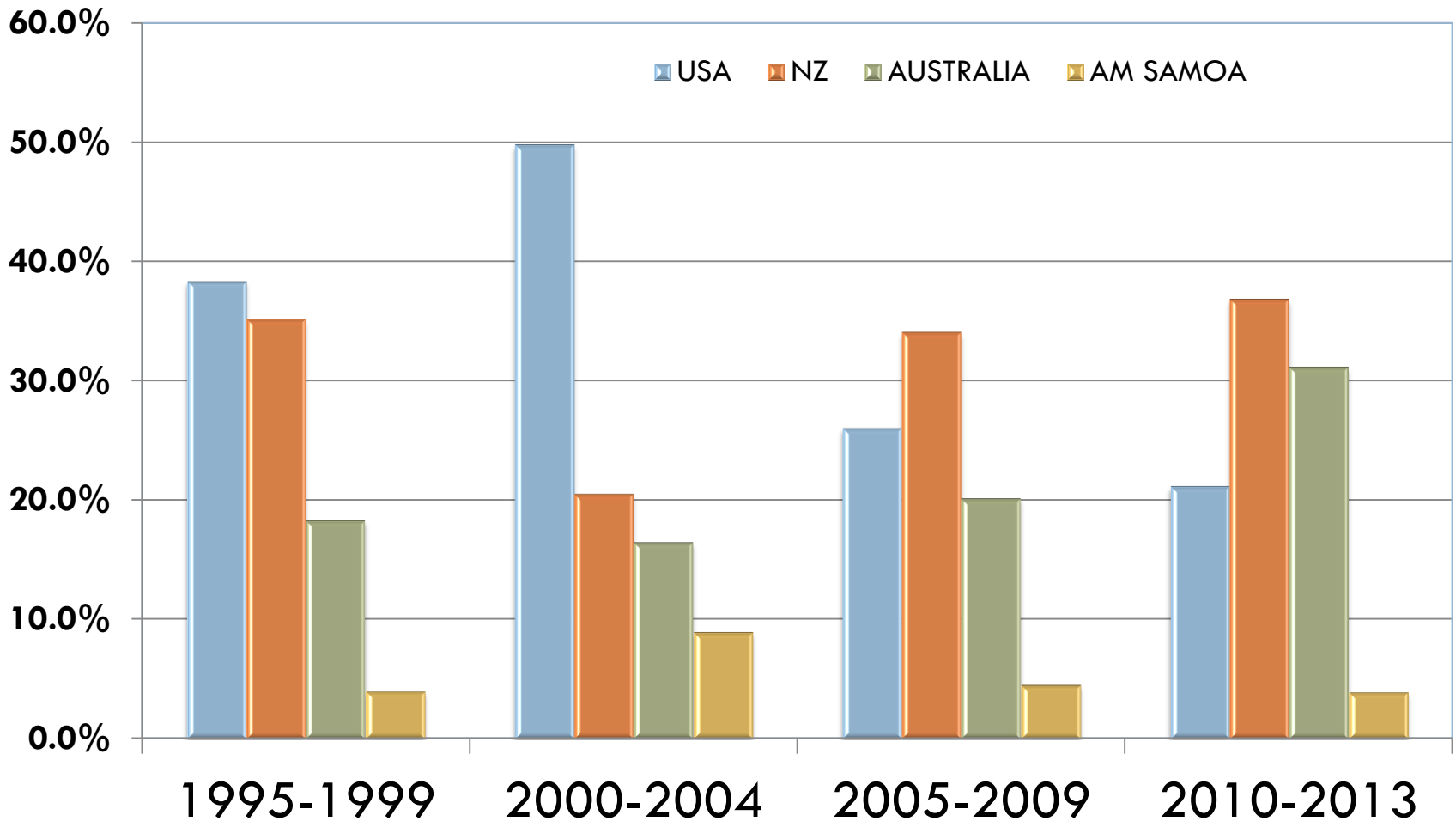
- Largest source of foreign exchange and contributes to GDP
 - 1995-99 = 19.2 percent of GDP
 - 2000-04 = 22.2 percent of GDP
 - 2005-09 = 24.7 percent of GDP
 - 2010-13 = 25.0 percent of GDP

Remittances by Recipients



- Since bulk of funds go directly to families/households; ideal avenue for inclusive growth especially for low income families.

Sources of Remittances



Opportunities for Remittances

- Opportunities for remittances to be invested
 1. Commercial banks term deposits;
 2. Government bonds;
 3. Unit Trust Office of Samoa;
 4. Equity/Shareholding;

Summary

1. GDP growth has been declining but expected to rebound;
2. Inflation has been weak but on the downside;
3. Tourism receipts and remittances are the main sources of external financing;
4. Tourism receipts and remittances have also assisted other sectors – spill over effects;
5. Tourism and remittances receipts are key sources for inclusive growth;

Way forward

□ Tourism

1. Continue support for the 'beach fale' model with certain national minimum standards to ensure safety and comfort - unique Samoan experience;
2. Look at other types of foreign direct investment into the tourism sector. E.g.. Chinese tourism market;

□ Remittances

1. Encourage investment opportunities for remittances;
2. Maintain cost effective and efficient means for remittances;
 - AML-CFT regulations;

Thank you for your time



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