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AGENDA**

EBS/85/4
Supplement 1

CONFIDENTIAL

January 31, 1985

To: Members of the Executive Board

From: The Secretary

Subject: Western Samoa - Staff Report for the 1984 Article IV
Consultation and Review Under the Stand-By Arrangement

The attached supplement to the staff report for the 1984 Article IV consultation with Western Samoa and the review under its stand-by arrangement has been prepared on the basis of additional information.

If Executive Directors have technical or factual questions relating to this paper prior to the Board discussion on Monday, February 4, 1985, they should contact Mr. Saito (ext. 7614).

Att: (1)

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INTERNATIONAL MONETARY FUND

WESTERN SAMOA

Staff Report for the 1984 Article IV Consultation and
Review Under the Stand-By Arrangement
Supplementary Information

Prepared by the Asian and the Exchange
and Trade Relations Departments

Approved by Douglas A. Scott and Eduard H. Brau

January 30, 1985

This paper presents the information that has become available since the issuance of the Staff Report on the 1984 Article IV Consultation and Review Under the Stand-by Arrangement with Western Samoa (EBS/85/4, 1/7/85) and the related Recent Economic Developments (SM/85/18, 1/18/85).

Consumer prices, which began rising in the third quarter of 1984 reflecting the effect of exchange rate adjustments, continued to rise moderately in October and November. On a year-on-year basis, the rate of inflation declined from 22 percent in January to 4 percent in September, but rose to 8 percent in November. These data through November indicate that the average rate of inflation for 1984 would be close to 12 percent as shown in EBS/85/4.

Total liquidity rose by 17 percent in 1984, slightly less than the 18 percent increase estimated in EBS/85/4. This liquidity expansion was associated with a stronger-than-envisaged improvement in the net foreign assets of the banking system. Net domestic assets declined considerably more than envisaged, mainly on account of a large decline in net credit to the public sector. Credit to the private sector rose by about 20 percent as envisaged in EBS/85/4--the level of private credit reached a peak in October and declined in the last two months of the year.

Gross international reserves rose by about SDR 4 million during 1984 to SDR 10.7 million (equivalent to 2.6 months' imports) at the end of the year. With some reduction in foreign liabilities, the overall balance of payments surplus in 1984 is now estimated to have been SDR 5.9 million, compared with a surplus of SDR 4 million shown in EBS/85/4. Although no more recent detailed information on balance of payments developments is available, the larger surplus is believed to be attributable to increased remittances received toward the end of 1984.

Contracting of government and government guaranteed-debt with maturities of up to 12 years rose slightly to US\$3.7 million at end-December; there was no contracting of loans with maturities of up to 5 years during October-December.

Western Samoa met all performance criteria under the stand-by arrangement through December 1984 (see Table below).

Western Samoa: Domestic Credit and
External Debt, 1983-84

	1983	1984		
	Dec. 28	June 27	Sept. 26	Dec. 26
		(In thousands of tala)		
Net domestic assets <u>1/</u> <u>2/</u>				
Ceiling		59,700	59,100	59,000
Actual	56,095	52,943	52,623	51,860
Credit to the public sector <u>2/</u> <u>3/</u>				
Ceiling		40,500	38,900	36,950
Actual	37,188	33,231	31,562	30,642
		(In millions of U.S. dollars)		
External Borrowing <u>4/</u>				
Maturities of up to 12 years				
Ceiling	...	5.5	5.5	5.5
Actual	...	2.0	3.6	3.7
Maturities of up to 5 years				
Ceiling	...	3.0	3.0	3.0
Actual	...	2.0	2.6	2.6

Source: Data provided by the Western Samoan authorities.

1/ Defined as total liquidity less net foreign assets.

2/ Measured net of valuation adjustments arising from exchange rate changes since December 28, 1983.

3/ Defined as net credit to the Government and gross credit to public enterprises.

4/ Contracting of government and government-guaranteed external debt.