

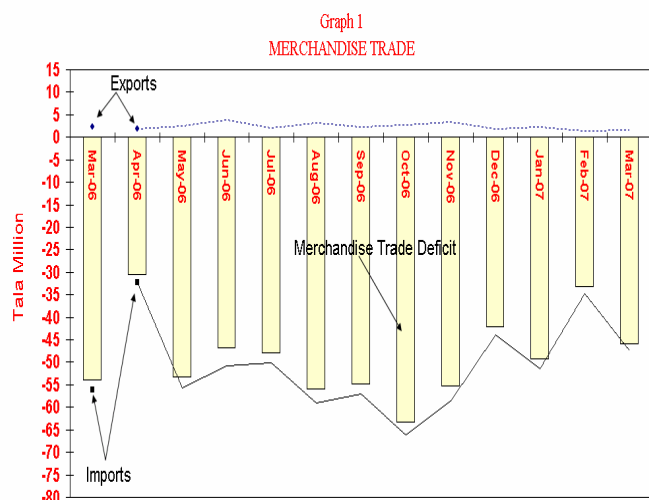
FOREIGN TRADE & TOURISM EARNINGS
REPORT

MARCH 2007

Prepared by: Research and Statistics Department of the Central Bank
Date of Issue: 29 May 2007

1. MERCHANDISE TRADE DEFICIT

The merchandise trade deficit expanded significantly by 38 percent (\$12.5 million) to \$45.8 million in March 2007. The jump was due to a substantial rise in imports which far outweighed an improvement in exports earnings. (See Graph 1 and Table 1.) However, when compared with the same month of 2006, the merchandise trade deficit in March 2007 was 15 percent (\$8.0 million) lower.



2. EXPORTS

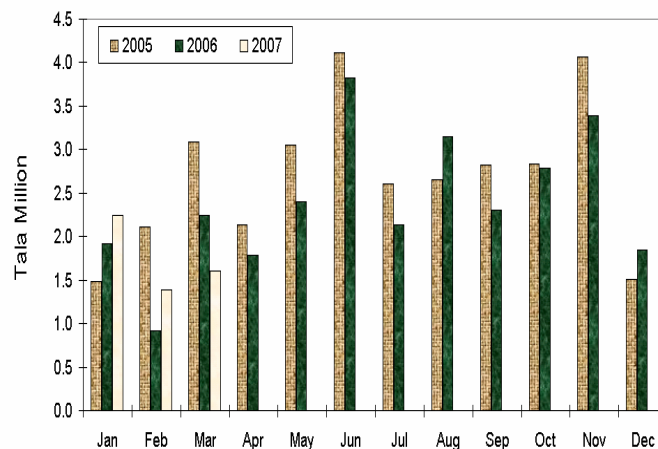
The total value of exports (including re-exports) increased 16 percent (up \$0.2 million) to \$1.6 million in March 2007. However, at this level, it was 29 percent (\$0.6 million) below the level in March 2006. (See Graph 2 and Table 2-A.) The improvement in total export earnings was mainly due to increases in revenues from nonu juice and nonu fruit despite lower export returns from beer and coconut cream.

Revenues from both nonu juice and nonu fruit more than doubled by \$71 thousand and \$69 thousand respectively to \$138 thousand and \$107 thousand in that order. This was due to threefold rises in their respective volumes which outweighed decreases of 39 percent and 14 percent in that order in their international prices. Export earnings from fresh fish increased 6 percent (\$19 thousand) to \$364 thousand due to an 8 percent rise in its volume which

outweighed a 2 percent decline in its overseas price. Proceeds from soft drinks also jumped 63 percent (\$10 thousand) to \$26 thousand in March 2007. On the downside, slight reductions were recorded for coconut cream (down \$18 thousand), coconuts (down \$23 thousand, taro (down \$15 thousand) and beer (down \$8 thousand) to \$171 thousand, \$25 thousand, \$60 thousand and \$300 thousand in that order. The decrease in coconut cream earnings was due to declines in both its volume and international price by 2 percent and 7 percent respectively. The decline in beer revenues, on the other hand, was a consequence of a 6 percent drop in its volume which outweighed a 3 percent increase in its international price. In contrast, revenues from re-exports surged 49 percent to \$374 thousand in March 2007 reflecting mainly scrap metal shipments to Australia and American Samoa and cement and diesel supplies to Tokelau.

Despite the increase in March 2007, total exports earnings for the first nine months of fiscal year 2006/07 were 3 percent lower than in the previous fiscal year.

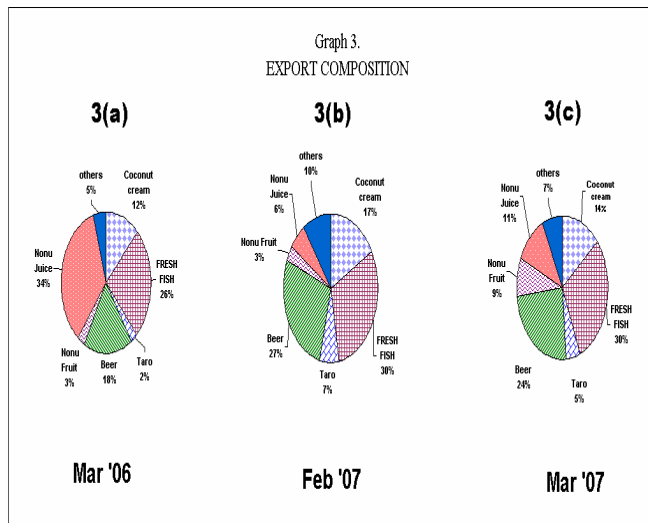
Graph 2
EXPORTS



2.1 COMPOSITION OF EXPORTS

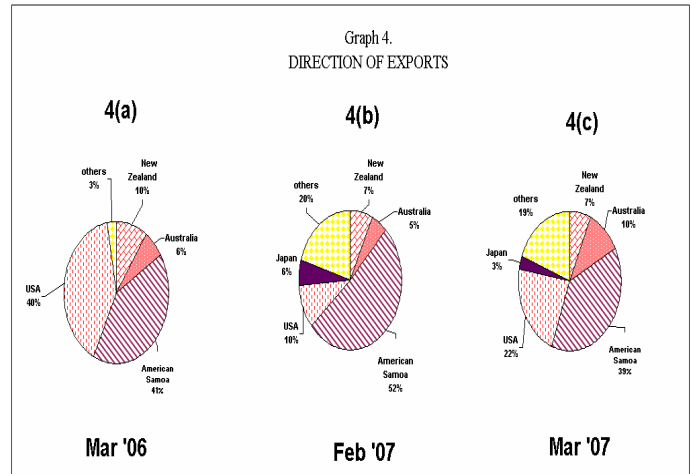
Fresh fish remained the dominant export commodity in March 2007 although its share slipped to 30 percent from 31 percent last month. Beer and coconut cream followed with shares of 24 percent and 14 percent

respectively, down from 27 percent and 17 percent in that order in February 2007. On the other hand, shares of nonu juice and nonu fruit jumped to 11 percent and 9 percent respectively from 6 percent and 3 percent in that order in February 2007. The contribution of taro and 'other exports' declined to 5 percent and 7 percent respectively in March 2007 from 7 percent and 10 percent in that order in the previous month. (See Graph 3 and Table 2A & B.)



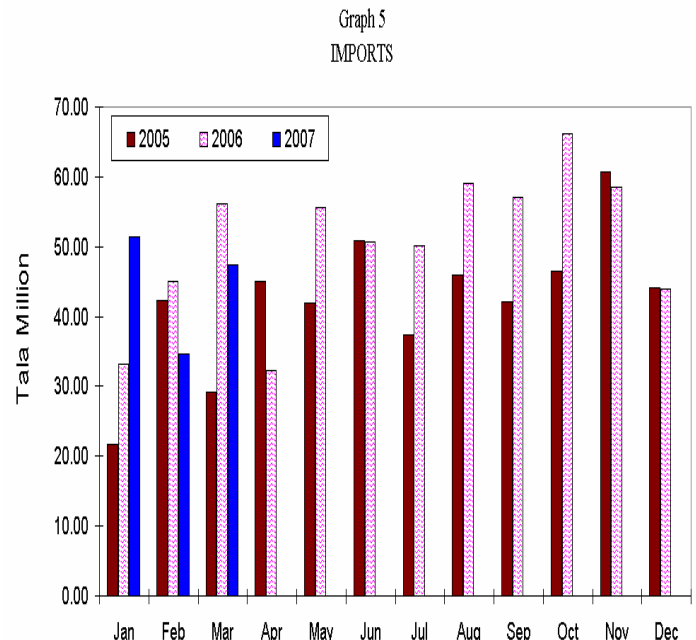
2.2 DIRECTION OF EXPORTS

The Pacific region remained the largest export destination, however, its share dropped to 75 percent in March 2007 from 84 percent in February 2007. This mainly reflected the drop in American Samoa's share to 39 percent from 52 percent in February 2007 due to the decline in beer and taro exports to the American territory. The ratio of exports to the USA, on the other hand, jumped to 22 percent from 10 percent (consequent to higher exports of nonu products) while that of New Zealand remained steady at 7 percent. The share of "other Pacific Islands" also remained unchanged at 20 percent while that of Australia rose to 10 percent from 5 percent. The share of Japan fell to 3 percent from 6 percent while that of Europe was negligible at only 0.2 percent. (See Graph 4 and Table 3.)



3. IMPORTS

The total value of imports jumped 37 percent (\$12.8 million) to \$47.4 million in March 2007, in contrast to a 33 percent (\$16.8 million) contraction in the previous month. (See Graph 5 and Table 5.) The rise in imports was due mainly to substantial increases in petroleum and non-petroleum imports (particularly cellular phones and motor vehicles) by more than threefold (\$8.7 million) and 20 percent (\$5.7 million) respectively to \$12.3 million and \$33.7 million in that order in March 2007. Government imports, on the other hand, tumbled 53 percent to \$1.5 million in March 2007.

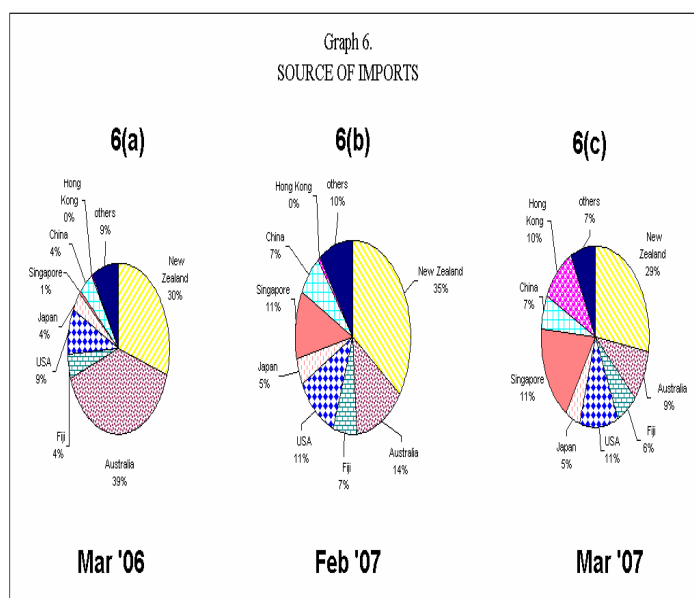


Consequently, the total value of imports in the nine months to March 2007 (at \$468.4 million) was 14 percent (\$57.4 million) higher than the level in the same period in the last fiscal year. This reflected the stronger domestic demand associated with the growing economy, driven particularly by buoyant activities in the telecommunication, construction, commerce and transport sectors.

3.1 SOURCE OF IMPORTS

New Zealand remained the main source of imports although its share declined to 27 percent from 35 percent in February 2007. Petroleum imports saw Singapore’s share rise to second place with a 17 percent ratio, up from 11 percent in February 2007. The share of the USA remained unchanged at around 11 percent while that of Australia fell to 9 percent from 14 percent. Petroleum imports from Hong Kong saw the share of that Chinese territory jump to 10 percent from only 0.4 percent in February 2007 while those of Fiji and China decreased to 6 percent each from 7 percent each respectively.

The share of Europe edged up to 3 percent from 1 percent while that of ‘other Asian countries’ declined to 5 percent from 7 percent. (See Table 5 and Graph 6.)



4. SELECTED INTERNATIONAL COMMODITY PRICES.

4.1 FOOD ITEMS

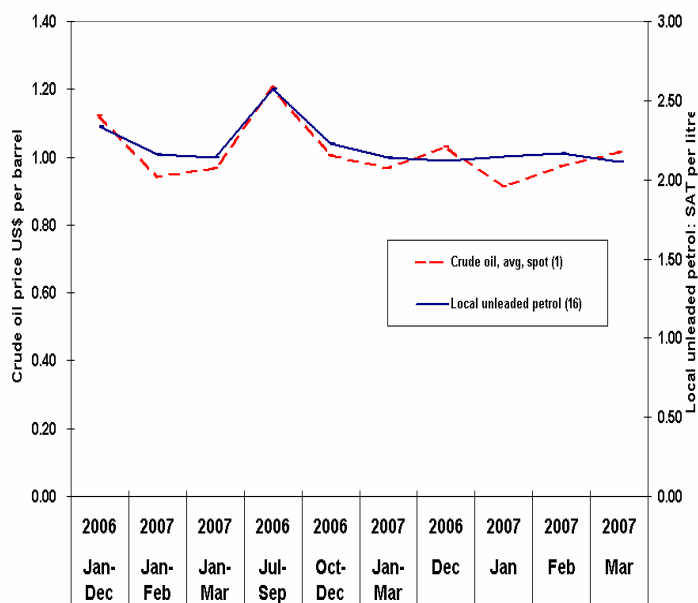
Prices for most of the internationally traded commodities increased in March 2007. On the export side, the price of cocoa rose 6 percent to US192 cents per kilogram and those of coconut oil and copra increased by 1 percent each to US\$769.0 per metric tonne and US\$509.0 per metric tonne respectively. On the other hand, the price of banana decreased 1 percent to US\$1,055.0 per metric ton.

On the import side, the prices of rice and sugar increased by 3 percent and 1 percent respectively to US\$322.5 per metric ton and US65.79 cents per kilogram in that order while those of New Zealand lamb and US beef remained steady at US401.1 cents per kilogram and US260.7 cents per kilogram respectively.

4.2 FUEL PETROLEUM

The average spot price of crude oil rose by 5 percent to US\$60.60 per barrel in March 2007, following an 8 percent increase in February 2007. However, when converted into Samoan tala, the increase in the average spot price of crude oil was lower at 4 percent (to \$1.01 per litre) due to the strengthening of the Tala against the US dollar during the month under review. On the other hand, local consumers benefited from a 3 percent decrease in the price of unleaded petrol sold locally (at SAT\$2.11 per litre) following a 1 percent increase in February 2007. (See Graph 7.)

Graph 7: Fuel Prices



4.3 OTHER NON-FOOD ITEMS

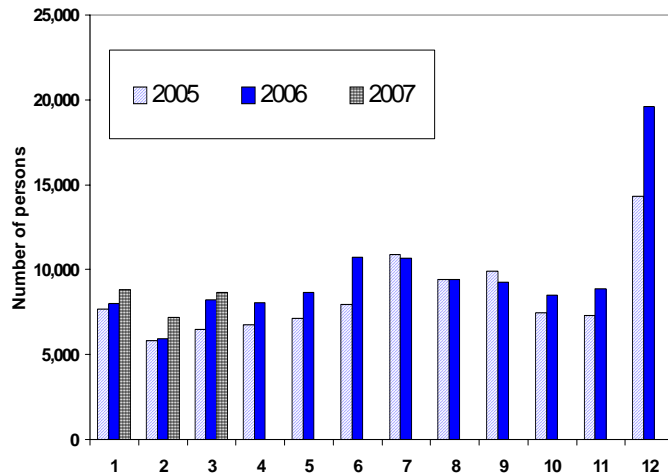
On non-food items, the price of plywood timber rose 3 percent to US\$643.8 cents per sheet while that of sawn wood timber remained unchanged at US\$791.5 cents per cubic metre in March 2007. Similarly, the prices of steel coil sheet and steel wire remained unchanged at US\$550.0 per metric tonne and US\$500.00 per metric tonne in that order while that of steel rebar increased 6 percent to US\$515.0 per metric ton. For fertilizers, the prices of DAP fertilizer and potassium chloride went up 22 percent and 1 percent respectively to US\$420.5 per metric ton and US\$176.9 per metric ton in that order in March 2007. (See Table 6.)

5. TOURIST ARRIVALS AND EARNINGS

According to latest actual figures, tourist arrivals in March 2007 rebounded 20 percent to 8,633, a level that was also 5 percent higher than in the same month in 2006. The higher level of arrivals in the month under review reflected increases in those visiting friends and relatives and those here on business by 23 percent and 40 percent respectively. Holiday makers, sportspeople and 'other purposes', on the other hand, fell 25 percent, 54 percent and 14

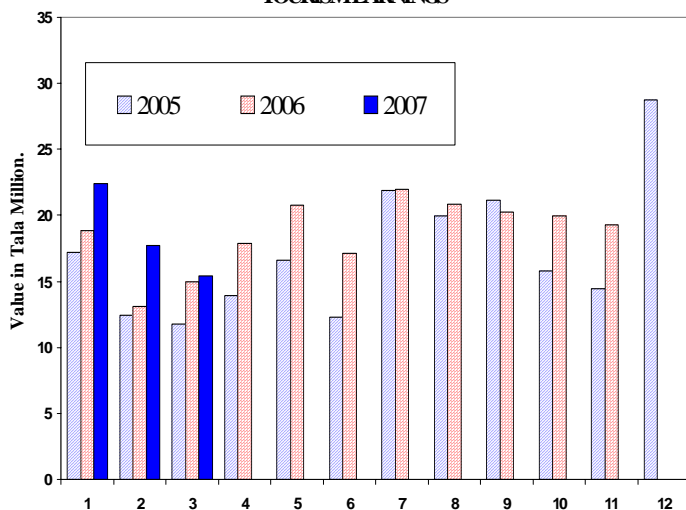
percent respectively. The higher overall level of arrivals in March this year compared to March 2006 reflected the evident expansion of the tourism sector due to increased domestic investment in the sector, cheaper airfares and greater overseas tourism promotions. (See Table 7 and Graph 8.)

Graph 8. TOTAL ARRIVALS



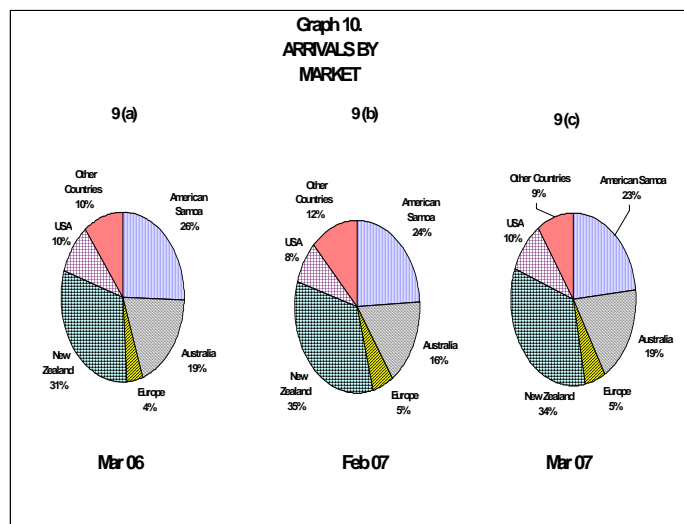
Despite the increase in tourist arrivals in March 2007, tourism revenues decreased 13 percent (\$2.3 million) to \$15.4 million due to a seasonal decline of 27 percent in average tourism expenditure during the month under review. At this level, however, it was 3 percent (\$0.4 million) higher than the level in March 2006. (See Graph 9.)

Graph 9.
TOURISM EARNINGS



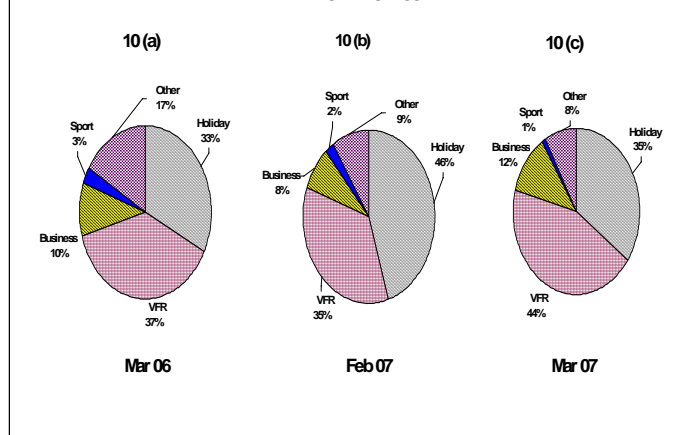
5.1. TOURIST ARRIVALS BY MARKET AND BY PURPOSE

Tourist arrivals from most destinations increased in March 2007. Arrivals from Australia (1,600), American Samoa (2,009), New Zealand (2,929), USA (842) and Europe (442) rose 36 percent, 16 percent, 20 percent, 45 percent and 17 percent respectively in March 2007. (See Graph 10.)



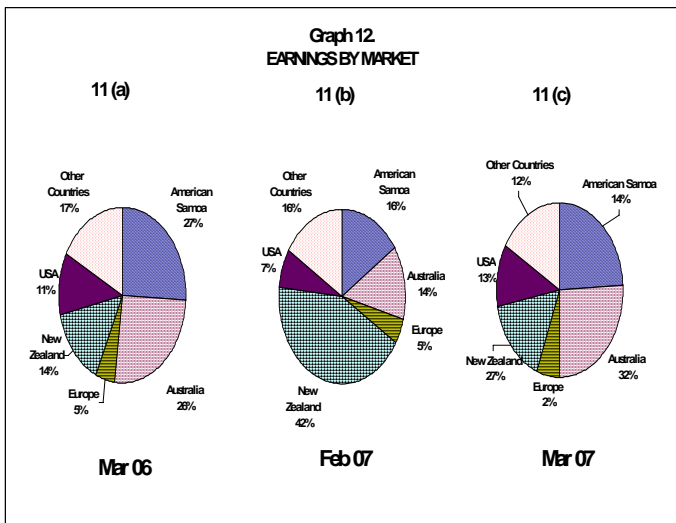
The majority of visitors during the month under review were those visiting friends and relatives (at 44 percent), followed by those on holidays (at 35 percent). Those who came for business accounted for 12 percent, 'other purposes' totalled 8 percent and 'sports' activities amounted to 1 percent. (See Graph 11.)

Graph 11.
ARRIVALS BY PURPOSE

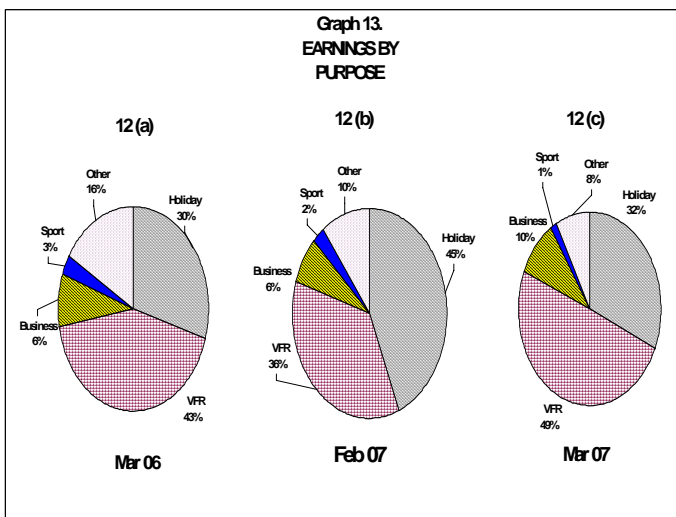


5.2. TOURISM EARNINGS BY MARKET AND BY PURPOSE

Earnings from the New Zealand market registered the largest drop of 67 percent (or \$5.1 million) to \$2.5 million, consequent to a seasonal drop of 72 percent in its average monthly expenditure which outweighed a 20 percent rise in its arrivals. Proceeds from 'other countries' also recorded a 13 percent (\$0.4 million) decline to \$2.5 million, consequent to 8 percent and 5 percent decreases in its arrivals and average expenditure in that order. On the upside, revenues from the Australian market jumped 65 percent (\$1.6 million) to \$4.0 million due to a 36 percent rise in arrivals plus a 22 percent expansion in average expenditure. Revenues from American Samoa also rose 35 percent (\$1.0 million) to \$3.7 million due to increases of 16 percent each in both its arrivals and average expenditure. Revenues from USA jumped 41 percent (\$0.5 million) to \$1.8 million, consequence of a 45 percent jump in arrivals which outweighed a 3 percent decrease in seasonal average expenditure. Earnings from the European market decreased 9 percent (\$8 thousand) to \$0.9 million due to 17 percent and 7 percent decreases in arrivals and average expenditure respectively. (See Graph 12.)



Earnings from “holiday makers” fell 37 percent (\$2.9 million) to \$4.9 million, those from sports visitors tumbled 56 percent (\$0.2 million) to \$0.2 million and revenues from visitors on ‘other purposes’ went down 34 percent (\$0.6 million) to \$1.2 million in March 2007. On the upside, revenues from those ‘visiting friends and relatives’ and on ‘business purposes’ rose 20 percent (\$1.3 million) and 15 percent (\$0.2 million) respectively to \$7.6 million and \$1.5 million in that order in the month under review. (See Graph 13.)

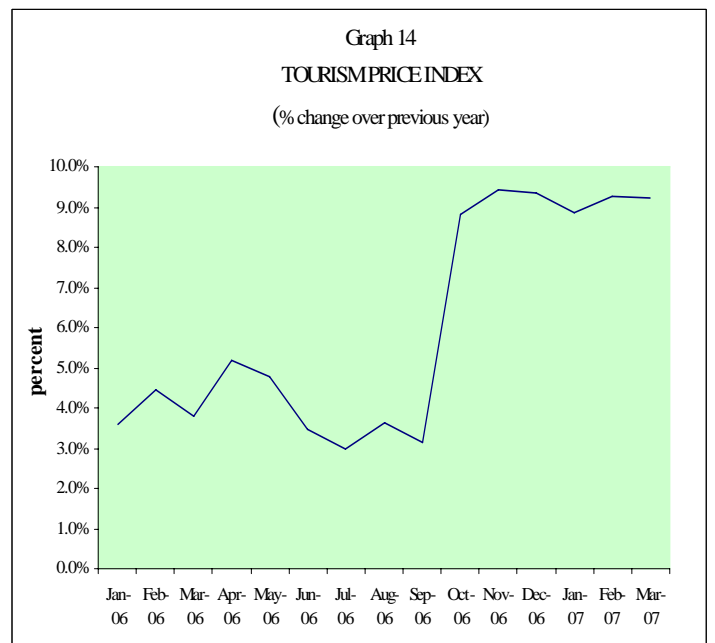


5.3. TOURISM PRICE INDEX (TPI*)

In addition to being a very stable tourist destination, increased number of weekly flights and ongoing tourism promotion overseas, a

steady level of the TPI contributes positively to attracting tourists to Samoa.

In March 2007, the overall TPI edged down slightly by 0.1 percent due to a 0.7 percent decrease in the ‘Meals and Drinks’ sub-index which outweighed a 0.6 percent increase in the ‘Car rentals’ sub-index. All the other sub-indices remained unchanged from their levels in the previous month. However, when compared to the same month last year, the TPI in March 2007 was 9 percent higher. This sharp increase reflected increases in most categories of expenditures, particularly steep rises in the ‘Accommodation’ (up 15 percent) and ‘Meals and drinks’ (up 9 percent) sub-indices. (See Graph 14 and Table 7.)



The latest overall TPI figures (when compared to the same month last year) showed a worrying trend since it will impact on Samoa’s profile as an attractive and competitively priced tourist destination. This upward trend which started in October 2006 reflected the adverse impact of the general increase in the VAGST from 12.5 percent to 15.0 percent in October 2006 and other regulatory price increases since then.

() The Tourism Price Index (TPI) is compiled by the Central Bank of Samoa in an attempt to measure the level of prices that are relevant to tourists visiting Samoa. The TPI is based on the results of the Tourism Survey that was conducted from August 2002 to July 2003 by the Samoa Tourism Authority.*

CENTRAL BANK OF SAMOA
29 May 2007