FOREIGN TRADE & TOURISM EARNINGS REPORT

JANUARY 2008

Prepared by: Research and Statistics Department
Date of Issue: 5th March 2008

CENTRAL BANK OF SAMOA

FOREIGN TRADE & TOURISM EARNINGS REPORT
JANUARY 2008

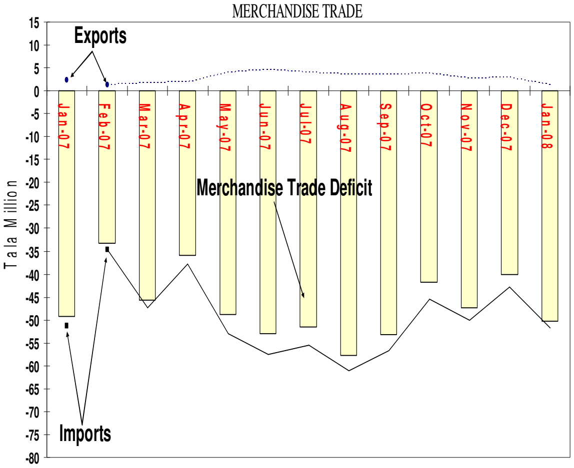
This report is a monthly release of the latest available indicators on foreign trade and tourism earnings, with information sourced from the Central Bank, Ministry of Finance and the Ministry of Revenue.

Report No. 1/08 **January 2008**

1. MERCHANDISE TRADE DEFICIT

After contracting in the previous month, the merchandise trade deficit leapt 26 percent ($10.3 million) to $50.3 million in January 2008. This larger level at the start of 2008 was due to increased import payments and lower export earnings during the month. (See Graph 1 and Table 1.) And, when compared to January 2007, the merchandise trade deficit in the month under review was 2 percent higher.

Graph 1
MERCHANDISE TRADE



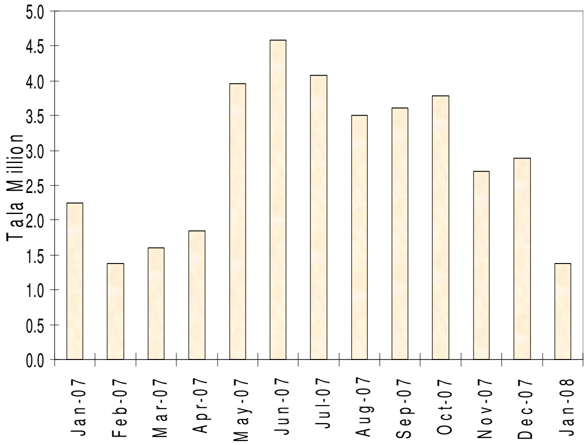
In the first seven months of 2007/08, however, the total merchandise trade deficit (of $341.6 million) was 7 percent ($26.9 million) lower than in the corresponding period of 2006/07, reflecting lower imports and higher exports earnings over the year.

2. EXPORTS

The total value of exports (including re-exports) tumbled 53 percent ($1.5 million) to $1.4 million in January 2008, a level that was 39 percent ($0.9 million) lower than in the same month last year. (See Graph 2 and Table 2-A.) Despite the lower level of exports in the month under review, total export receipts in the first seven months of 2007/2008 was 23 percent ($4.1 million) higher than in the same period of 2006/2007.

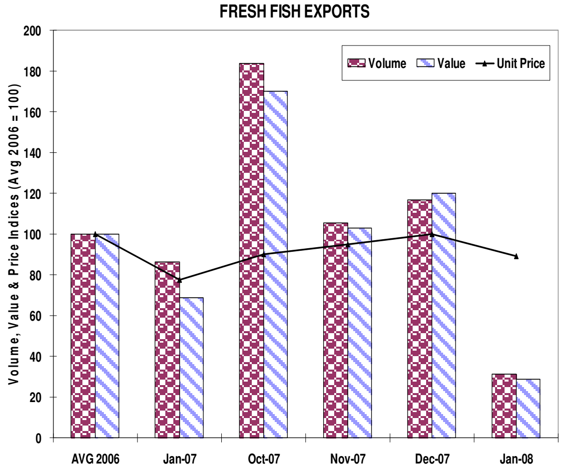
The reduction in total export revenue in January 2008 reflected decreased earnings from fresh fish, nonu juice, beer, re-exports, soft drinks, cigarettes and Samoan cocoa. These decreases were partially offset by higher proceeds from coconuts, taro, coconut cream and vegetable exports.

Graph 2
EXPORTS



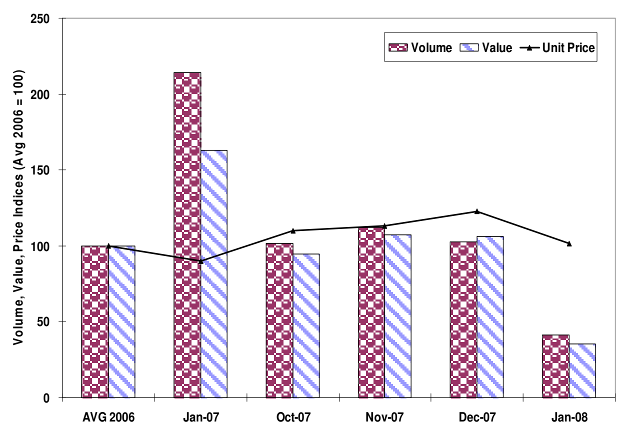
Revenues from fresh fish plunged 76 percent ($1.2 million) to $368 thousand in January 2008 due to an 11 percent drop in its international price and to a larger extent, a significant 73 percent reduction in its export volume as very bad weather conditions during the month affected catch levels. And, when compared with January 2007, the value of fish exports in the month under review contracted 58 percent as the current volume (of 59 metric tonnes) was 64 percent lower offsetting a 15 percent gain in its price. (See Graph 3 and Table 2-A.)

Graph 3.
FRESH FISH EXPORTS



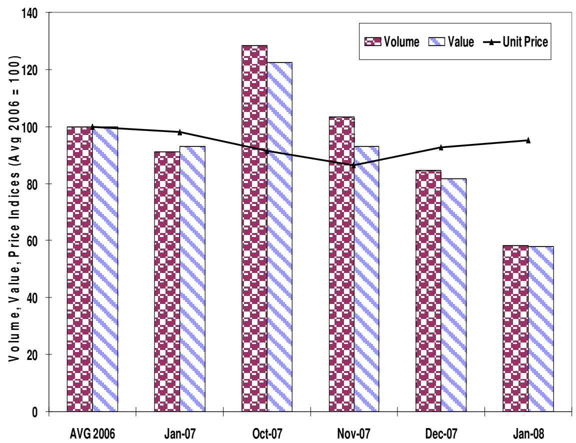
Likewise, export proceeds from nonu juice shrank 66 percent ($232 thousand) to $117 thousand, as both its volume and international price decreased 60 percent and 17 percent respectively. When compared to a year ago, nonu juice revenue was 78 percent lower as its current volume fell more than five-fold from its level in January 2007, outweighing a 13 percent jump in its international price over the year. *This declining trend, along with that of nonu fruit, is a cause for concern for the nonu industry as its' current levels were less than half that of the 2006 average.* (See Graph 4 and Table 2-A).

Graph 4
NONU JUICE EXPORTS

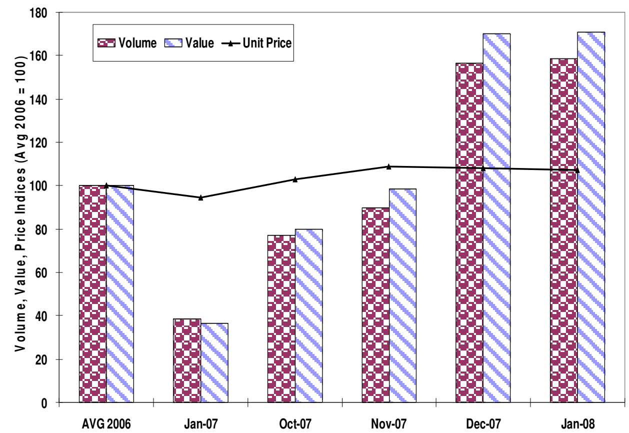


Earnings from beer also trended downwards in the month under review with a 29 percent ($69 thousand) decrease to $168 thousand, largely reflecting a 31 percent decline in its export volume that more than outweighed a 3 percent increase in its price. And, when compared to January 2007, the value and volume of beer exports in January 2008 were significantly lower. (See Graph 5 and Table 2-A.)

Graph 5
BEER EXPORTS



Graph 6
COCONUT CREAM EXPORTS

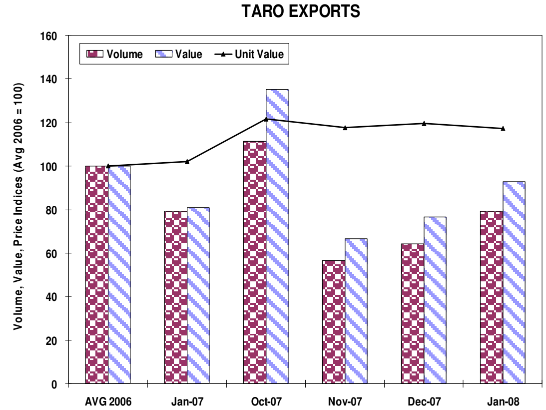


Also contributing to the decreased total exports at the start of 2008 were lower revenues from re-exports (down 11 percent or $31 thousand), soft drinks (down 27 percent or $8 thousand), cigarettes (down 35 percent or $6 thousand) and Samoan cocoa (down 50 percent or $1 thousand). Commodities that remained absent from the export scene for the second consecutive month were nonu fruit, coconut oil and handicrafts.

On the other hand, proceeds from coconut cream improved 1 percent ($2 thousand) to $340 thousand, a level that was nearly five times higher than that in January 2007. This month's increased revenue was attributed to a 1 percent expansion in its export volume, offsetting a 1 percent drop in its international price. (See Graph 6 and Table 2-A.) The steady improvement of this commodity during the first seven months of 2007/08 reflected steady demand from New Zealand and Australia.

Revenue from taro exports also increased 21 percent ($8 thousand) to $46 thousand due to a 24 percent boost in its export volume, which offset a 2 percent fall in its international price. When compared to January 2007, this month's value of taro was 15 percent higher consequent to a higher international price and consistent export volume. (See Graph 7 and Table 2-A.)

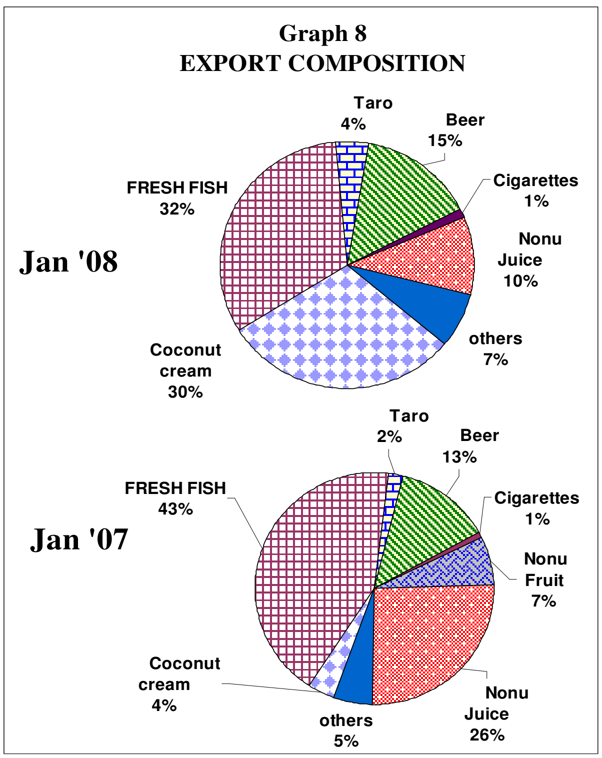
Graph 7.
TARO EXPORTS



Similarly, proceeds from vegetables climbed 50 percent ($1 thousand) to $3 thousand in the month under review. And, after an absence from external trading in the previous month, coconut exports recorded shipments of $55 thousand in January 2008.

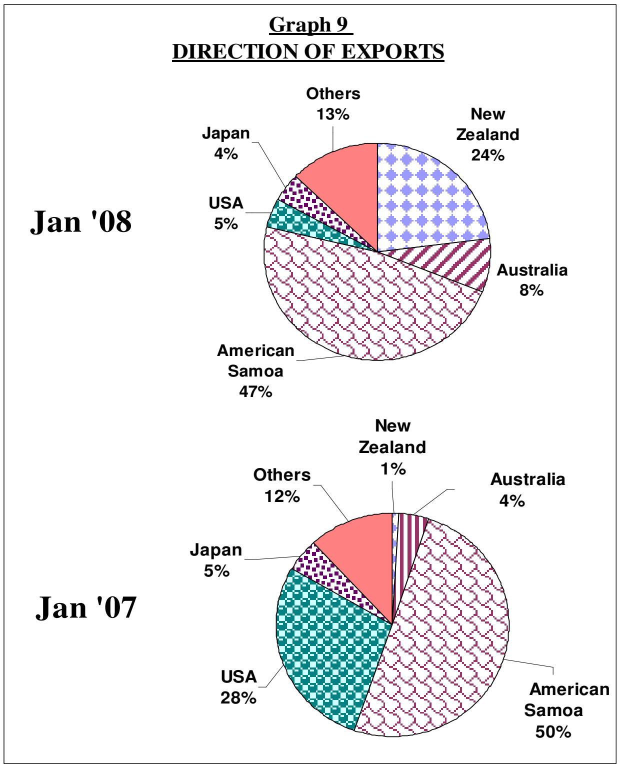
2.1 COMPOSITION OF EXPORTS

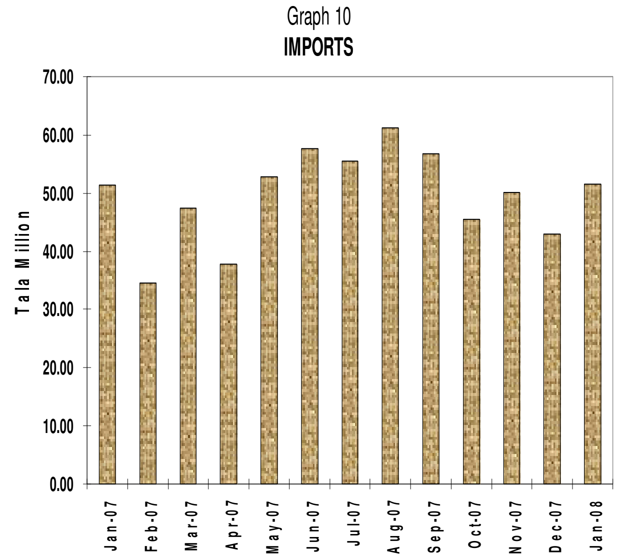
With decreased revenue from fish in January 2008, the dominance of that commodity as an export item weakened considerably with its share diminishing to 32 percent from 59 percent in December 2007. Following closely at second place was coconut cream, which accounted for 30 percent of domestic exports compared to a 13 percent share in the previous month. Beer and nonu juice contributed 15 percent and 10 percent respectively in January 2008, compared to their shares of 9 percent and 13 percent in December 2007. The share of taro and "other" exports improved to 4 percent and 7 percent respectively in the month under review, from 1 percent and 4 percent in that order at the end of 2007. (See Graph 8 and Table 2A & B.)



2.2 DIRECTION OF EXPORTS

The Pacific region remained the largest export destination in January 2008, accounting for 88 percent of exports, up from 74 percent in the previous month. Of this proportion, American Samoa continued to dominate although its current share of 47 percent was lower than its 52 percent share in the previous month reflecting decreased fish exports to the U S Territory during January. New Zealand accounted for 23 percent of exports, up from its 13 percent share in December 2007 due to higher exports of coconut cream and coconuts to that country. 'Other Pacific Island' (which is dominated by Tokelau) followed with a share of 9 percent in January 2008, up from 5 percent in the previous month. Likewise, Australia recorded a higher proportion of exports in the month under review with an 8 percent share compared to 4 percent in December 2007, also due to increased exports of coconut cream and coconut in January 2008. Of the Asian markets, Japan doubled its share of exports to 4 percent in January 2008 from 2 percent in the previous month, with China also increasing its share twofold to 4 percent. United States, on the other hand, recorded a significant decrease in its share from 23 percent in December 2007 to 5 percent in the month under review (reflecting the reduction in nonu juice exports and fish to that country). (See Graph 9 and Table 3.)





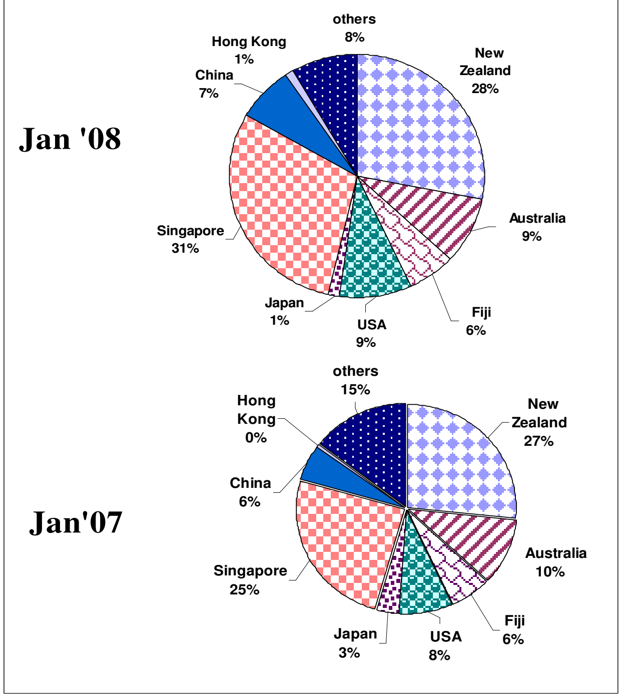
3. IMPORTS

The total value of imports surged 20 percent ($8.7 million) to $51.6 million in January 2008. Underpinning this month's higher level of payments were increased petroleum imports, which more than doubled (by $8.4 million) to $14.7 million along with Government imports, which increased more than two fold (by $2.1 million) to $3.0 million. These increases more than offset a 5 percent ($1.8 million) reduction in non-petroleum imports of the private sector in the month under review. When compared with January last year, total import payments were slightly higher by 0.4 percent ($0.2 million). In the first seven months of 2007/2008, however, total imports (of $363.5 million) were 6 percent ($22.8 million) lower largely reflecting the slowdown in imports of construction materials and motor vehicles in the period under review. (See Graph 10 and Table 4.)

3. 1 SOURCE OF IMPORTS

With Singapore as the sole supplier of petroleum in January 2008, the share of that country shot up to 30 percent from 17 percent in the previous month. New Zealand was the second major source of imports, accounting for 28 percent of total imports in the month under review, which was lower than its 33 percent share in December 2007. Also recording a lesser share of 9 percent in January (from its 13 percent share last month) was mainland USA, reflecting decreased importation of frozen poultry. Australia, on the other hand, maintained its 9 percent share of imports from December 2007 while those from China edged down to 7 percent in January 2008 from a 10 percent share in the previous month. The ratio of imports from Fiji also remained unchanged at 6 percent, just ahead of "other Asian" countries, which recorded a share of 5 percent from an 8 percent share in December 2007. Contributing 1 percent each of total imports in January 2008 were Japan, Hong Kong, Taiwan and the United Kingdom with the latter raising its import share from 0.2 percent in December 2007 reflecting import of phone cards by the private sector. Imports from American Samoa, "Other Pacific Island countries", Hawaii and "Other European countries" accounted for modest shares of total imports in the month under review. (See Table 5 and Graph 11.)

Graph 11
SOURCE OF IMPORTS



4. SELECTED INTERNATIONAL COMMODITY PRICES

Global commodity prices continued to remain high in January 2008, exerting to some extent varying impacts on Samoa's merchandise trade balance and inflation.

4.1 FOOD ITEMS

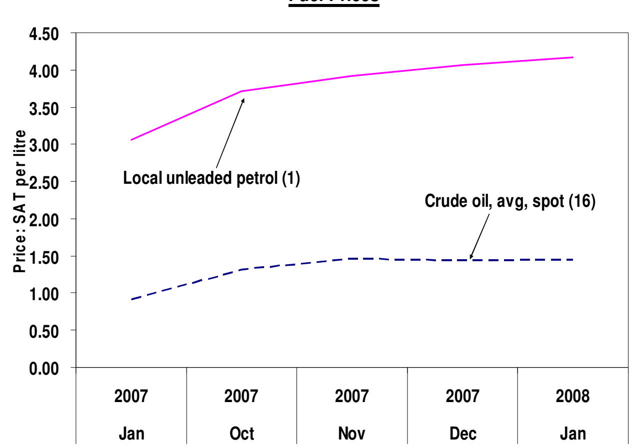
On the export side, the price of copra and coconut oil increased by 12 percent each to USD$848.00 per metric tonne and USD$1,285.00 per metric tonne respectively while those of banana and cocoa rose 11 percent and 4 percent in that order to USD$1,169.00 per metric tonne and USD220.10 cents per kilogram. When compared to January 2007, the current prices of the above food items were substantially higher, particularly those for copra and coconut oil as global demand for these commodities increased following the growing need for bio fuel. This is positive news for the local exporters of coconut oil who can profit from this positive trend.

On the import side, the price of Thailand rice increased 4 percent to USD$375.60 per metric tonne while that of US beef edged up 2 percent to USD268.70 cents per kilogram. Similarly, the price of sugar from ACP countries and US wheat rose 1 percent each to USD73.12 cents per kilogram and USD$370.70 per metric tonne respectively. On the downside, the price of New Zealand lamb continued to tumble with a 2 percent drop in January 2008 to USD423.50 cents per kilogram.

4.2 FUEL: PETROLEUM

Corresponding to the record high level of Brent crude oil price, which rose above US$100 per barrel in early January 2008, the average spot price of crude oil jumped 1 percent to USD$90.69 per barrel in the month under review. This upward trend in January 2008 reflected geopolitical conflicts, particularly in major oil supplying countries in Africa and the Middle East, as well as the weakening US dollar. When converted into Samoan tala, the average spot price of crude oil edged up 0.8 percent to SAT$1.45 per litre. (See Graph 12.)

Graph 12
Fuel Prices



With moderate growth in world demand, increases in oil production and surplus capacity expected throughout 2008, crude oil prices are expected to decline gradually in the months ahead, thus providing some respite to local consumers from rising global inflation.

4.3 OTHER NON-FOOD ITEMS

Similarly, other non-food items imported into the country recorded higher prices in the month under review.

In particular, metal-type construction materials such as steel hot rolled coil sheet and steel wire rod increased 25 percent and 23 percent respectively to USD$687.50 per metric tonne and USD$680.00 per metric tonne in January 2008. While, on a smaller scale, the price of steel rebar rose 3 percent to USD$574.80 per metric tonne.

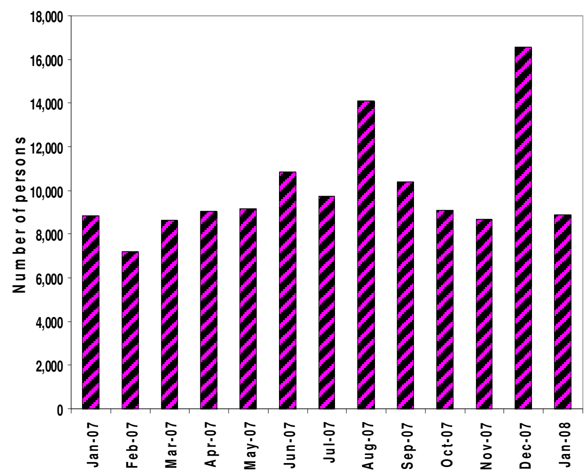
Fertilisers, likewise, were more costly in the month under review with the price of diammonium phosphate (DAP) climbing 19 percent to USD$707.70 per metric tonne, and that of potassium chloride rising 14 percent to USD$273.00 per metric tonne.

Timber prices also trended upwards in January 2008 with Malaysian sawn wood timber costing USD800.60 cents per cubic metre (a level that was 2 percent higher than the previous month). The price of plywood timber also edged up, albeit slightly, by 0.1 percent to USD668.8 cents per sheet. (See Table 6.)

5. TOURIST ARRIVALS AND EARNINGS

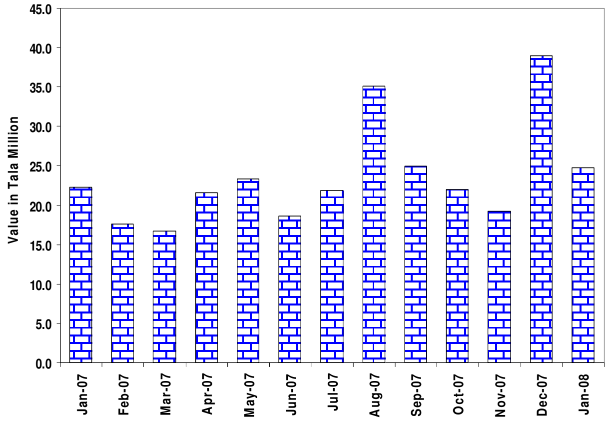
Tourist arrivals decreased 46 percent to 8,888 in January 2008 following the seasonal increase during the Christmas holidays in the previous month. However, when compared to January last year, the number of tourists in the month under review was higher by 1 percent. The lower level of arrivals in January 2008 reflected significant decreases in overseas Samoans 'visiting friends and relatives' (down 52 percent) and bona fide tourists who come for 'Holidays' (down 47 percent). Travellers classified in the 'other purposes' category also registered a decline of 12 percent from the previous month. These reductions more than offset a 39 percent increase in the number of people arriving on 'Business' trips (See Table 7 and Graph 13.)

Graph 13
TOTAL ARRIVALS



Despite an 18 percent increase in average tourist expenditure, tourism revenue declined 37 percent ($14.3 million) to $24.7 million, reflecting the lower number of tourists in the month under review. At this level, however, it was 11 percent ($2.5 million) higher than total earnings in January 2007. (See Graph 14.)

Graph 14
TOURISM EARNINGS

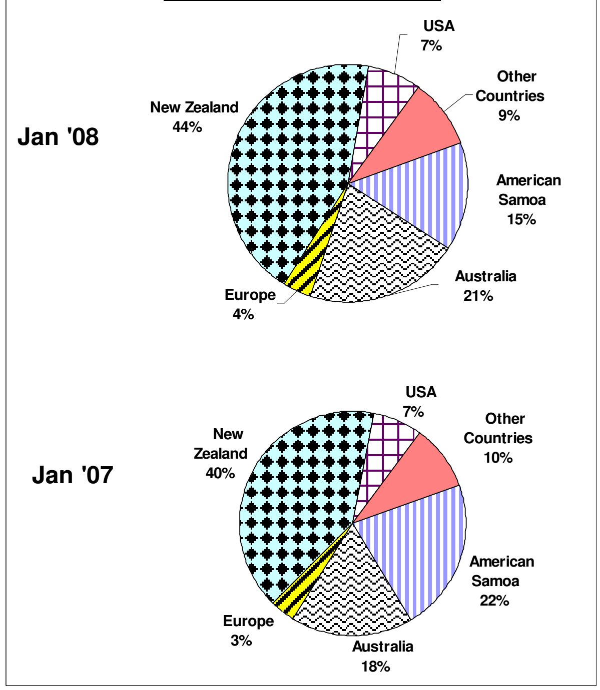


5.1. TOURIST ARRIVALS BY MARKET AND BY PURPOSE

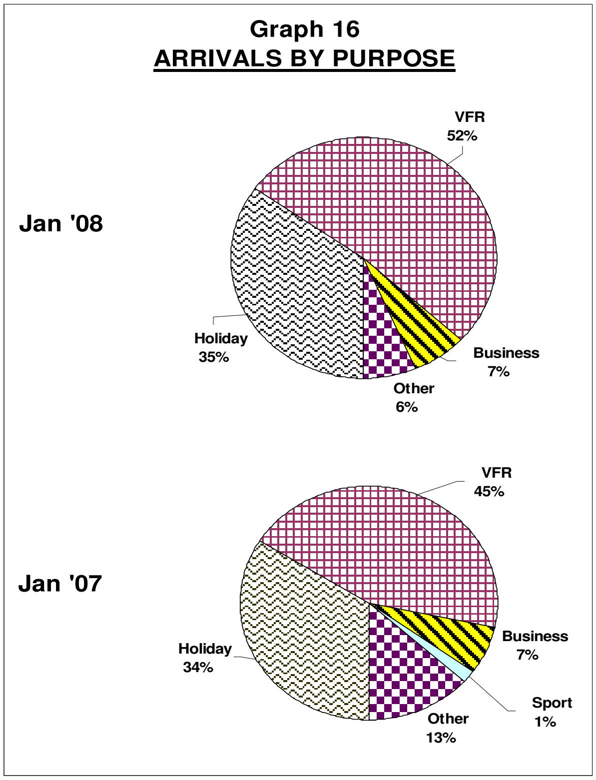
Tourist arrivals from most of the major source countries decreased in January 2008. Visitors from Australia declined 55 percent to 1,863 along with a 49 percent drop to 3,905 in tourists from New Zealand. Arrivals from American Samoa also registered a decrease of 59 percent to 1,298 while visitors from USA fell 18 percent to 645. On the other hand, European visitors continued to increase, with a further 36 percent arriving in the month under review to total 348 tourists from that region so far, while tourists from "Other" countries also increased 32 percent to 829 in January 2008. (See Table 7.)

As a proportion of total arrivals, the New Zealand market contributed 44 percent in the month under review, down from its 46 percent share in the previous month but higher than its 41 percent share in January 2007. Australians accounted for 21 percent of total tourists in January 2008, lower than 25 percent in December 2007 and exceeding its 18 percent share last year. American Samoa, which contributed 19 percent of total tourists in the preceding month and 22 percent in January 2007, recorded a lower share of 15 percent at the start of 2008. 'Other Countries' registered a share of 9 percent, which was above its 4 percent share last month but lower than its 10 percent share a year ago. The USA market contributed a similar share of 7 percent to that of January 2007 and was higher than its 5 percent share last month. Europeans accounted for 4 percent of total tourists in January 2008, just above its 3 percent share in the same month last year and doubled its share in December 2007. (See Graph 15.)

Graph 15
ARRIVALS BY MARKET



The majority of tourists in the month under review were those 'visiting friends and relatives', with 52 percent of total arrivals, a share that was less than 58 percent in the previous month but higher than its 45 percent share a year ago. 'Holiday makers' accounted for 35 percent of tourist arrivals in the month under review, similar to that in December 2007 and just above the level for January 2007. People arriving on 'business' trips in January 2008 accounted for 7 percent of total tourists, higher than the 3 percent in December 2007 and 7 percent in January 2007. The 'other purposes' category, which now includes visitors that were previously classified in the 'sports' category[1], recorded a 6 percent share of total arrivals, higher than its 4 percent proportion in the previous month but lower than 13 percent in January last year. (See Graph 16.)



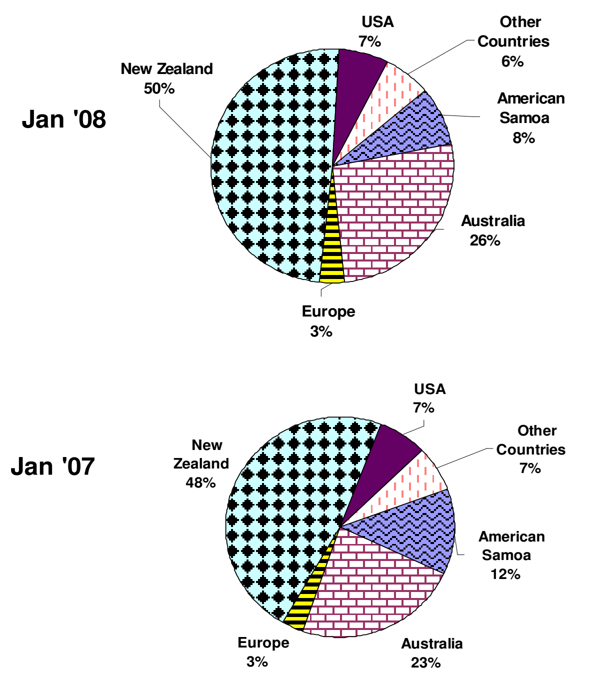
5.2. TOURISM EARNINGS BY MARKET AND BY PURPOSE

The lower level of arrivals during the month under review resulted in a reduction in tourism earnings from most of the source countries. In January 2008, proceeds from the New Zealand market fell 32 percent to $12.2 million, due largely to a significant slump in Kiwi tourists which offset a 32 percent jump in average tourism expenditure. Likewise, revenue from Australia dipped 39 percent to $6.5 million following a significant decrease in their arrivals that outweighed a 35 percent growth in its average tourist spending. And, along with the significant decrease in tourists from American Samoa during the month, a 12 percent drop in its average expenditure saw tourism earnings from that market plunge 64 percent to $2.0 million. Likewise, revenue from USA fell 39 percent to $1.7 million consequent to reductions in arrivals and average expenditure during January 2008. On the upside, Europe and 'Other' countries registered increased earnings of 23 percent and 11 percent respectively to $0.8 million and $1.6 million. This followed increased arrivals from those countries, which offset their decreased average expenditures of 10 percent and 16 percent in that order.

As a proportion of total tourism revenue, the New Zealand market contributed 49 percent in January 2008 compared to 46 percent in the previous month and 48 percent a year ago. The Australian market accounted for 26 percent of this month's total revenue, higher than its 23 percent share in January 2007 but lower than its 27 percent contribution in December 2007. Reflecting the weak US dollar, the shares of the American Samoa and USA markets fell to 8 percent and 7 percent respectively in January 2008, from their shares of 12 percent and 7 percent in January 2007 and 14 percent and 7 percent in that order in the preceding month. 'Other countries' accounted for 6 percent of total revenue in January 2008, just above its share of 4 percent in December 2007 but lower than its 7 percent share in January 2007. The European market, on the other hand, provided 3 percent of total tourism revenue in January 2008, similar to that a year ago and just above its 2 percent share in December 2007. (See Graph 17.)

[1] This reclassification extends back to July 2007 following the change in format of Samoa Immigration *'Arrival Cards'*.

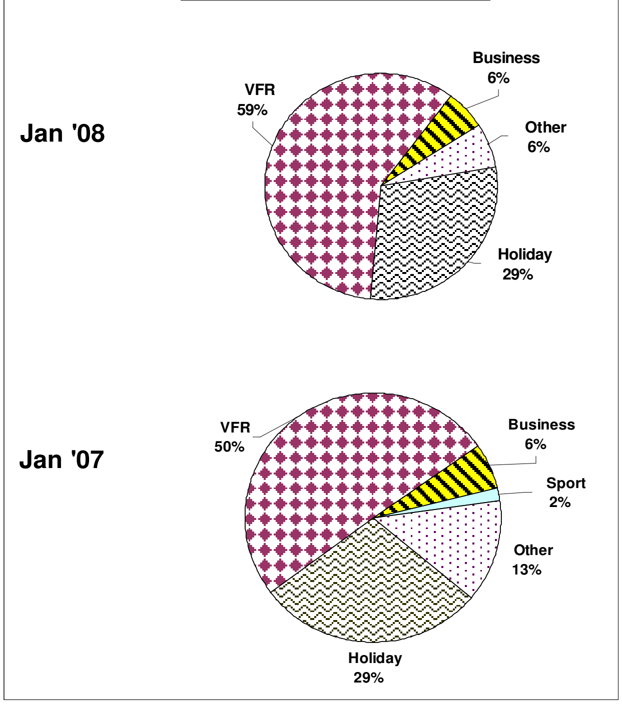
Graph 17
EARNINGS BY MARKET



Tourism revenue from the 'visiting friends and relatives' and 'holiday' categories decreased $10.3 million and $5.4 million to $7.0 million and $14.2 million respectively in January 2008. On the other hand, earnings from the 'other purposes' and 'business' categories increased $0.5 million and $0.3 million to $1.5 million and $1.3 million in that order in the month under review.

As a percentage of total tourism revenue, 'holiday makers' contributed 29 percent in January 2008, lower than its shares of 32 percent in the previous month but unchanged from January last year. Those 'visiting friends and relatives' recorded a 59 percent share, which was lower than its 63 percent share in December 2007 but higher than the 50 percent contribution in January 2007. Arrivals on 'business' trips accounted for 6 percent of total tourism revenue in January 2008, doubling its share from the previous month but similar to that of the January 2007. The 'Other' categories (which now includes visitors previously classified in the 'sports' category) recorded a lower share of 6 percent from 13 percent a year ago but higher than its 3 percent contribution in December 2007. (See Graph 18.)

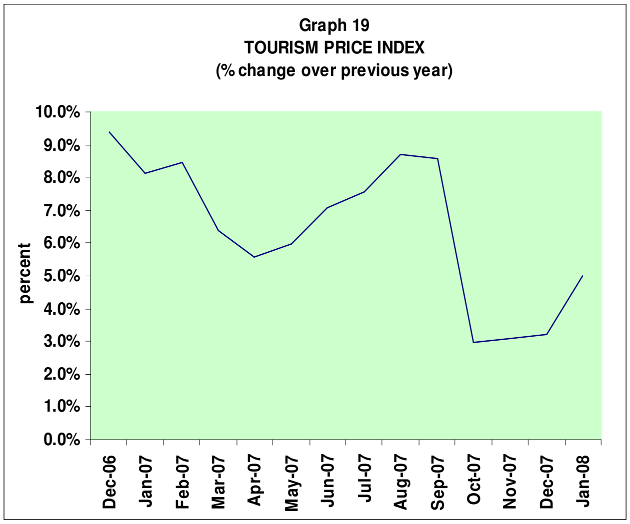
Graph 18
EARNINGS BY PURPOSE



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 January 2008, the overall TPI edged up 2 percent, reflecting increases in 'Meals and drinks' (up 7 percent) 'Family obligations' (up 3 percent) and 'Miscellaneous' (up 3 percent) categories. And, when compared to the same month last year, the TPI in January 2008 was 5 percent higher, due to increases of 7 percent each in the 'Meals and Drinks', 'Family Obligations' and 'Miscellaneous' sub-indices as well as expansions of 6 percent and 3 percent in that order in the 'Other Transportation' and 'Accommodation' sub-groups. Contributing factors to this increase over the year was the higher VAGST, rising transportation costs consequent to increasing oil prices and the general strength in domestic demand. (See Graph 19 and Table 7.)



……………………………………

(*) 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
5th March 2008